Comments on the State of Play regarding InvestEU

Brussels, 16/09/2019

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AECM, EAPB, ELTI, NEFI and their members, as potential Implementing Partners (IP) and Financial Intermediaries for InvestEU, welcome and highly value the transparent and co-operative approach adopted by the European Commission in the development of the new InvestEU programme. Close cooperation between national and European stakeholders will be key for the successful implementation of InvestEU on the ground. Representing the interest of financing partners at national level, we are strongly committed supporting the European Commission during the elaboration process and would therefore like to share our reflections with a specific focus on: the timeline, the proportionality of reporting obligations, the pricing, the allocation, the design of the products, the State aid and the provision of data and evidence.

1) Timeline

In order to prepare the launch of InvestEU on the ground in January 2021 and to avoid delays, we recommend providing the relevant framework including the available budget as soon as possible. Against this background, we encourage the EU Institutions to prepare the launch of a first call for expression of interest (call) in Q1/2020, as envisaged by the European Commission. However, the current timeline is highly ambitious and runs the risk that most IPs will be unable to respond in a timely and complete fashion. IPs currently lack clarity concerning decisive criteria for their application, especially details on the available budget, pricing, risk methodology, sustainability proofing and climate tracking guidance as well as state aid rules. This also applies for NPBIs and guarantee institutions that will implement financial products under InvestEU as financial intermediaries and that have a strong interest to continue their instruments without delays under the new framework. Our members are ready to contribute in the envisaged working groups and to the discussion of technical, banking-related questions in order to develop and facilitate a solution and help to make InvestEU a broad success.

Furthermore, in order to take the decision whether to become an IP and for which products the EU guarantee should be used, the NPBI would need to have the fullest possible knowledge of the products that will be offered under InvestEU throughout the Union. Positive experience from the current (2014 – 2020) MFF with products such as COSME and InnovFin should be taken into account.

2) Proportionality of reporting obligations

AECM, EAPB, ELTI and NEFI members acknowledge the necessity of providing relevant data such as NACE codes or NUTS2 locations and the need to demonstrate the sustainability of projects that will be funded under InvestEU. However, when designing specific reporting schemes, the Commission should pursue a general objective of administrative burden limitation. Moreover, it should be safeguarded that reporting obligations are not altered in the course of the MFF.

Concerning sustainability-proofing under the SME window; we urge the Commission to limit the reporting requirements to a one-off assessment at the moment of the business deal. Furthermore, final beneficiaries should not be obliged to calculate the degree of sustainability at project level.

3) Pricing

In order to make InvestEU a success and to ensure a high leverage as well as a broad geographical and sectorial coverage, the pricing needs to be designed in a way that safeguards the effectiveness of the product and the affordability for all potential beneficiaries, and notably SMEs with scarce resources and collateral. Therefore, it is vital that the products under the SME and Social windows offer guarantees at favourable conditions, including free of charge in some cases, in line with the current COSME LGF products. In addition, it is crucial to maintain the uncapped guarantee type (according to the current InnovFin SME guarantee facility).

4) Allocation

Past financing experience shows that a clear distinction between different financing activities within the field of InvestEU and notably between the Research, Innovation and Digitisation policy window, the SME policy window and the Social Investments and Skills window is not possible since, in most of the cases, SMEs are the final beneficiary. We therefore recommend that:

- there is no automatism for the allocation to one window since there would be the risk to create a misbalance between InvestEU windows and more particularly to consume the SME window at a very fast pace:
- the IP proposes for its product/programme the respective window and the European Commission should justify any other decision after having consulted the IP.

5) Design of the products

Our respective members fully support the bottom-up approach of the European Commission in the designing of the products and are eager to propose products for InvestEU themselves. The possibility of these tailor-made products has to be coherent and consistent among the different windows. We would therefore recommend that the SME window is not limited to only two products (one for Private Equity and one for Guarantee) and to keep the off-the-shelf framework as flexible as possible.

Furthermore, IPs should have a stronger role when it comes to *"review(ing) the performance and scope of the relevant financial products in order to optimize the achievement of the policy priorities..."* (p.28)[1]. NPBIs and IPs are closer to the customers and thus quicker to realise changing market needs. It is crucial for their success, and thus also for the successful implementation of InvestEU, to be able to respond rapidly to such changes themselves. The flexibility and responsiveness to potential changing market and policy needs" (p.14) might be seen as an additional risk and should be balanced with some certainty for the IPs.

6) State Aid

Our member institutions welcome the proposals to adjust GBER to align with InvestEU, especially in the context of national funding involved in financial products supported by the InvestEU Fund. We also welcome the public consultation launched by the European Commission. This prepares the groundwork to simplify the development and delivery of such products, while encouraging the

1 Draft Investment guidelines – version June 2019

deployment of national resources alongside the EU guarantee. The primary focus of attention should be the project impact rather than the distribution channel. It will be very important to have equal treatment between all IPs as well as Financial Intermediaries (including guarantee institutions). This includes similar rules in the InvestEU regulation and state aid rules with regard to amounts, thresholds and the time horizon of the single project.

In this context, it will be very important to:

- explicitly mention in the GBER proposal that in the case of guarantees, i.e. the financing specified under Article 56e, 11 (b) (iii) and (iv) refers to the guarantee granted instead of to the entire amount of the financing supported.
- increase the maximum financing amounts specified under Article 56e, 11 (b) (iii) and (iv) and impose no maximum duration for loan guarantees.

As an alternative and in order to limit the nominal amount of total financing provided per final beneficiary, the GBER proposal should define a maximum grant equivalent.
The GBER proposal should offer sufficient room for maneuver for the Member States to calculate the gross grant equivalent of guarantees according to their own methodology and which has been notified and accepted by the Commission. This would allow greater flexibility in terms of aid amounts and, in particular, for longer maturities without exceeding the listed thresholds given the unchanged calculation of the GGE.

7) Provision of data and evidence by implementing partners

Risk-related data, include elements of information, such as internal risk calculation methods, that are subject to confidentiality and could lead to conflicts of interest in the assessment process. Our members very much welcome the possibility to jointly (with the EIB and the European Commission) define which data is to be provided in which form and in which intervals in order to ensure that all confidentiality issues are properly addressed.

Conclusion

Our members are fully committed to supporting the EU Commission in making InvestEU a success in the interest of European citizens. We are aware of the tight deadlines for allowing InvestEU to begin on 1.1.2021. In light of the issues raised above, which are not exhaustive, we very much welcome the offer from the EU Commission to enter into a closer dialogue with our members and very much encourage the Commission in continuing and deepening this exchange in the future whilst carefully considering our input.

About AECM, EAPB, ELTI and NEFI:

The 48 members of the ***European Association of Guarantee Institutions (AECM)*** *are operating in 29 countries in Europe. They are either private sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. AECM's members operate with counter-guarantees from regional, national and European level. At the end of 2018 AECM's members had over EUR 125 billion of guarantee volume in portfolio, thereby granting guarantees to about 3.1 million SMEs. AECM's members are one of the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.*

The European Association of Public Banks (EAPB) *gathers member organizations (financial institutions, funding agencies, public banks, associations of public banks and banks with similar interests) from 15 European Member States and countries, representing directly and indirectly the interests of over 90 financial institutions towards the EU and other European stakeholders. With a combined balance sheet total of about EUR 3,500 billion and a market share of around 15%, EAPB members constitute an essential part of the European financial sector, providing financial services and funding for projects that support sustainable economic and social development with, amongst others, activities ranging from the funding of companies/SMEs and the promotion of a greener economy to the financing of social housing, health care, education and public infrastructure at national, regional and local level.*

Members of the European Association of Long-Term Investors (ELTI*) represent a European-wide network of 29 major long-term investors. The Full Members of ELTI are generally national, official, financial institutions dedicated to the promotion of public policies at national and EU level. They represent a combined balance sheet of over Euros 1.7 trillion. ELTI also includes the European Investment Bank (EIB) as a permanent observer and multilateral financial institutions, regional financial institutions and non-banking institutions, such as associations, under the status of Associated Members. With its combination of members that represent almost all Member States, ELTI bears a unique and coherent European perspective on long-term investment and its members offer a wide range of financial solutions tailored to the specific needs of their respective country and economy.*

The Network of European Financial Institutions for Small and Medium Sized Enterprises (NEFI)*, which was founded in 1999, consists currently of 21 financial institutions from 21 European Union member states. NEFI pursues the objective of following the financial, political and legal developments in the fields of European economic and financial policies and all measures adopted by the EU institutions which are relevant for promotional financial institutions focusing on the facilitation of SMEs' access to finance. NEFI serves as a contact for the European Institutions providing know-how and information on all matters concerning promotional banking.*