18 August 2020

EAPB Position Paper on the InvestEU Programme

Reacting to the revised proposal establishing the InvestEU Programme and the European Council conclusions on the recovery plan and Multiannual Financial Framework 2021-2027 of 21 July 2020

The European Association of Public Banks (EAPB) represents numerous national and regional promotional banks, including several prospective implementing partners and financial intermediaries of the forthcoming InvestEU Programme.

The European Commission has withdrawn its initial proposal of May 2018 as a response to the Covid-19 Crisis, and submitted a new proposal on 29 May 2020 in which it takes up the Partial Agreement reached by co-legislators in April 2019. Following the new MFF 2021-27 agreement reached by the European Council summit, taking place in mid-July, **funding for the InvestEU programme is now set to be cut dramatically to mere EUR 9,142 bn (provisioning for the guarantee fund), compared to the May 2020 proposal of EUR 34,424 bn for the entire seven-year period** (calculating the NextGenerationEU funding plus the MFF 2021-27 funding). Given the turbulent developments of the past weeks, the EAPB would like to use this opportunity to communicate the following points to the co-legislators:

- We are seriously concerned about the massive budget cut for the InvestEU Programme. InvestEU was dedicated to building one single market-driven instrument, integrating several programmes, crowding in additional public and private sources and – as a lesson learned from EFSI - acting with multiple partners in order to better serve the market needs on national, regional and local level. **The drastic reduction of InvestEU would put an end to EU-led investment support for SMEs, social infrastructure or innovation in the Member States**. The lack of funding and a decreased provisioning rate will discourage implementing partners other than the EIB Group from participating in this program.
- We welcome the Commission's proposal to reorient the InvestEU programme in light of the current economic situation and to find a response to investment needs, particularly regarding strategic investments in the EU. However, **a fifth policy window for strategic investments integrated into the reduced InvestEU Fund seems unrealistic**. There remains no financial means for strategic investments unless the overall budget for the InvestEU Programme is significantly increased.
- **We urge co-legislators to build on the already agreed legislation and to refrain from making major amendments to the 2019 Partial Agreement.** Further changes would undermine the preparatory work carried out by the European Commission and prospective implementing partners. Most importantly, such legislative changes could prevent the programme from starting on time as planned for January 2021.
- It is also important **to re-integrate the majority of the funding from NextGenerationEU into the MFF 2021-27** in order to ensure sufficient funding for the second half of the next programming period. An appropriate funding volume must be ensured for those implementing partners who will (be able to) join the InvestEU programme after 2024 only.

- To ensure the innovative approach of granting direct access to the EU Guarantee to other implementing partners as well, we call upon co-legislators to
    1. **restore the funding of InvestEU to at least the level of the 2018 Commission's proposal** (budgetary guarantee of EUR 38 bn with a provisioning of the fund of EUR 15,2 bn / 40%), with a quota of 75% for EIB Group - 25% for other implementing partners.
    2. In case of a lower guarantee volume (lower than 38 bn EUR), **there has to be a minimum guarantee volume for each implementing partner safeguarded** on a level playing field. Only then would direct access for potential implementing partners be attractive, taking into account the costs and the time-consuming nature of the entire pillar assessment process.
- The EAPB endorses the intention to strengthen the EIB Group in order to be able to implement the Union policies. The role of the EIF and NPBIs for SME financing has been proven of high value for the market. In this context, we encourage a capital increase of the EIF by the shareholders – as foreseen in the InvestEU proposal of May 2020. **We underline that the capital increase of the EIF is prerequisite** in order to maintain the standard achieved and fulfil its growing key role in supporting economic recovery **through issuing guarantees.**
- NPBIs need **not only capped but also uncapped guarantees in order to implement promotional measures in a targeted and adequate way**. In the current programming period, they benefit from the COSME Loan Guarantee Facility (capped) and the Innovfin SME Guarantee Facility (uncapped). The existing model where the Commission, the EIF and financial intermediaries share the risk should be maintained.. As much as our members support and see the necessity of contributing to the achievement of the European and InvestEU targets on sustainability and climate, they have **significant concerns regarding the proposals for sustainability proofing and climate tracking**. These need to be easily carried out, even by smaller implementing partners with small administrative capacities. Moreover, the necessary data have to be sourced from final beneficiaries, often SMEs, for which the sustainability proofing and climate tracking requirements need to be adequately practicable, too.
- In addition, EAPB members have an important request concerning the **definition of affordable social housing in the InvestEU Regulation**. **It is not in the competence of the EU to define what constitutes affordable and/or social housing, as these are subject to national or regional legislation.** In some Member States and / or regions social housing is a clearly defined term, with underlying legal provisions and social obligations, e.g. regarding rent level controls and occupancy commitments. Affordable housing is not necessarily the same as social housing. **We urgently request co-legislators to delete this definition from within the InvestEU regulation in order to safeguard legal certainty.**
- EAPB members would like to draw your attention to the foreseen **one-off fee for SMEs under the SME-window**. For at least the investment programmes with very high policy value, which allow for **higher guarantee coverage**, the European Commission **should refrain from charging such fee** in order to make the instrument more affordable to the final beneficiary.

In light of the delays in the legislative process as well as in the preparation of possible investment support programmes on national level, we would welcome a close dialogue with the European Parliament and the European Commission on the expected timelines in 2020 and beyond.

The EAPB invites co-legislators to take these concerns into account in order to be able to devise a strong InvestEU Programme.

The European Association of Public Banks (EAPB) *gathers over 30 member organisations which include promotional banks such as national or regional public development banks and local funding agencies, public financial institutions, associations of public banks and banks with similar interests from 17 EU Member States and countries, representing directly and indirectly the interests of over 90 financial institutions towards the EU and other European stakeholders.*