Investment Plan for Europe

Experience of National Promotional Banks and Institutions and possible improvements

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The Investment Plan for Europe (IPE) was launched successfully in 2014. National Promotional Banks and Institutions (NPBIs) have been playing a significant role in its implementation.

The proposition of extension of IPE until 2020 includes positive elements, notably:

- The recognition of the full potential of investment platforms,
- A better coordination between EFSI and structural funds (ESIF),
- More transparency for the criteria and decision of projects selection,
- A more systematical subordination of the EIB financial participation compared to NPBIs,
- The enlargement of the sectors eligible (notably in terms of social infrastructures),
- The emphasis on energy transition ambition, in compliance with the commitment taken during COP21.
- Scaling-up of the SME window, extremely successful and running out of resources in EFSI1.

Nevertheless, there is room for further improvement:

1) **To increase additionality;**
2) **To further improve the transparency of the process;**
3) **To better acknowledge the role of NPBIs in the governance mechanism and their crucial role for the EFSI implementation in coordination with EIB;**
4) **To further strengthen the European Investment Advisory Hub.**

- **Additionality**
  ELTI welcomes the view of the EC that the additionality has to be strengthened.

  In this respect, some simple principles could be adopted:

1/Mechanisms should be put in place in order to ensure a strong preference for financing already available in the market (through commercial finance providers or NPBIs etc.) to avoid a crowding out effect. The activities of the NPBIs and commercial players working with strong local market knowlege in the delivery of finance solutions for their respective jurisdictions should not be displaced by EU initiatives unless additionality to current interventions can be proven.

2/In cases of co-investment in the Infrastructure and Innovation window, in which the EIB benefits from an additional guarantee of EFSI, there is a preference that the EIB should be subordinated to the other investors. Only in this way the real added value of the EU guarantee will be ensured.

3/ EIB in its activity should concentrate largely on providing guarantees and counter-guarantees. In case of portfolio approach, the guarantee of the EIB should offer the real protection by guaranteeing the first loss piece, at least to a certain cap limit. In instruments other than (counter-) guarantees, a subordinated position of EIB would significantly increase the support provided to infrastructure projects.

4/ EIB should also show more readiness to rely on the credit process/assessment of NPBIs where feasible, for example by fully delegating them credit decisions in the investment platforms.

5/ Introduction of measures to fill in the gap between EU15 and EU13 is recommended.

- **State aid**
  Simplification on state aid could be quite easily addressed in this framework (as long as the guarantee is priced on market terms, no state aid issue should arise). As far as the EIB is involved in the financing of an EFSI project all public financing elements provided on similar terms (including the financing part of a NPBI) should be state-aid free.

- **Exclusion and Earmarking**
  EFSI 2.0. should preserve utmost flexibility with regard to sectors, countries or typology of infrastructure. Nevertheless, it should be clarified that all kind of cross-border infrastructures linking two or more MS, should be considered as highly relevant target projects within EFSI 2.0; not only physical infrastructure, but also intangible infrastructures, IT network or research network.

- **Transparency**
  More transparency about the criteria for approving EFSI projects (financial and extra-financial) and to reveal any potential conflicts of interests to NPBIs participating bilaterally would serve a better allocation of scarce investment resources. Insufficient clarity in this aspect makes it difficult for partner NPBIs to assess project eligibility. In addition, so far it has not been clear what was the added value of a particular project that received financing.

- **EFSI and Structural Funds**
  The process of discussion and approval of the EFSI 2.0 Regulation must be carried out in parallel and in compliance with Financial Regulations revision and in particular with the CPR Regulation review in order to ensure an effective synergy between EFSI and ESI Funds, also through a broader use of investment platforms where the NPBIs play a crucial role.

- **Governance**
  To play a key role in this mechanism on the long term, NPBIs should benefit from a specific place in the governance system, through a modification of the regulation: the NPBIS contributing to the Juncker Plan should be considered for a permanent observer's seat within the EFSI Steering Board.

- **European Investment Advisory Hub**
  Technical Assistance (TA) and advisory services provided by the the European Investment Advisory Hub (EIAH) could result in accelerating the preparation of projects. The role and the activities carried out by EIAH should be further developed and expanded to ensure (i) they are complementary to existing TA and do not crowd out commercial offers; (ii) that a more fluid process working with the NPBIs should be implemented; (iii) that a clear and easy interaction such as the sharing of project pipelines between the EIAH, the Portal EIPP, EIB Group and NPBIs is strengthened.

  NPBIs should work closely on the implementation of the EIAH, in order to respond to the needs for TA at their own local level. Up to now sufficient budgetary resources to finance free TA provided by NPBIs has been missing. Special attention should be given to the design of TA programmes and to TA support in smaller EU Member States using the EIAH as a conduit of experience and knowledge.

This position is endorsed by 27 major long-term investors who are members of the European Long Term Investors association a.i.s.b.l. (ELTI)[1]

[1] Oesterreichische Kontroll Bank (OeKB) Austria, Bulgarian Development Bank (BDB) Bulgaria, Federal Holding and Investment Company (SFPI) Belgium, Danish Growth Fund Danmark, Croatian Bank for Reconstruction and Development (HBOR) Croatia, Ceskomoravska Zarucni a Rozvojova Banka (CMZRB) Czech Republic, Danish Growth Fund (Vaekstfonden) Denmark, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, National bank of Greece (NBG) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, VIPA Lithuania, Société Nationale de Credit et d'Investissement (SNCI) Luxembourg, Bank of Valletta (BOV) Malta, Bank Gospodarstwa Krajowego (BGK) Poland, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain,Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), NRW Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, INVEGA Lithuania, Algemene Pensioen Group (APG) The Netherlands, Turkiye Sinai Kalkinma Bankasi (TSKB) Turkey

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