InvestEU – The role of National Promotional Banks and Institutions

Morning Discussion with Financial Counsellors

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Opening Remarks & Overview

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EUROPEAN ASSOCIATION ELTI LONG-TERM INVESTORS

Direct Access: What does this mean?

Csaba Harsányi

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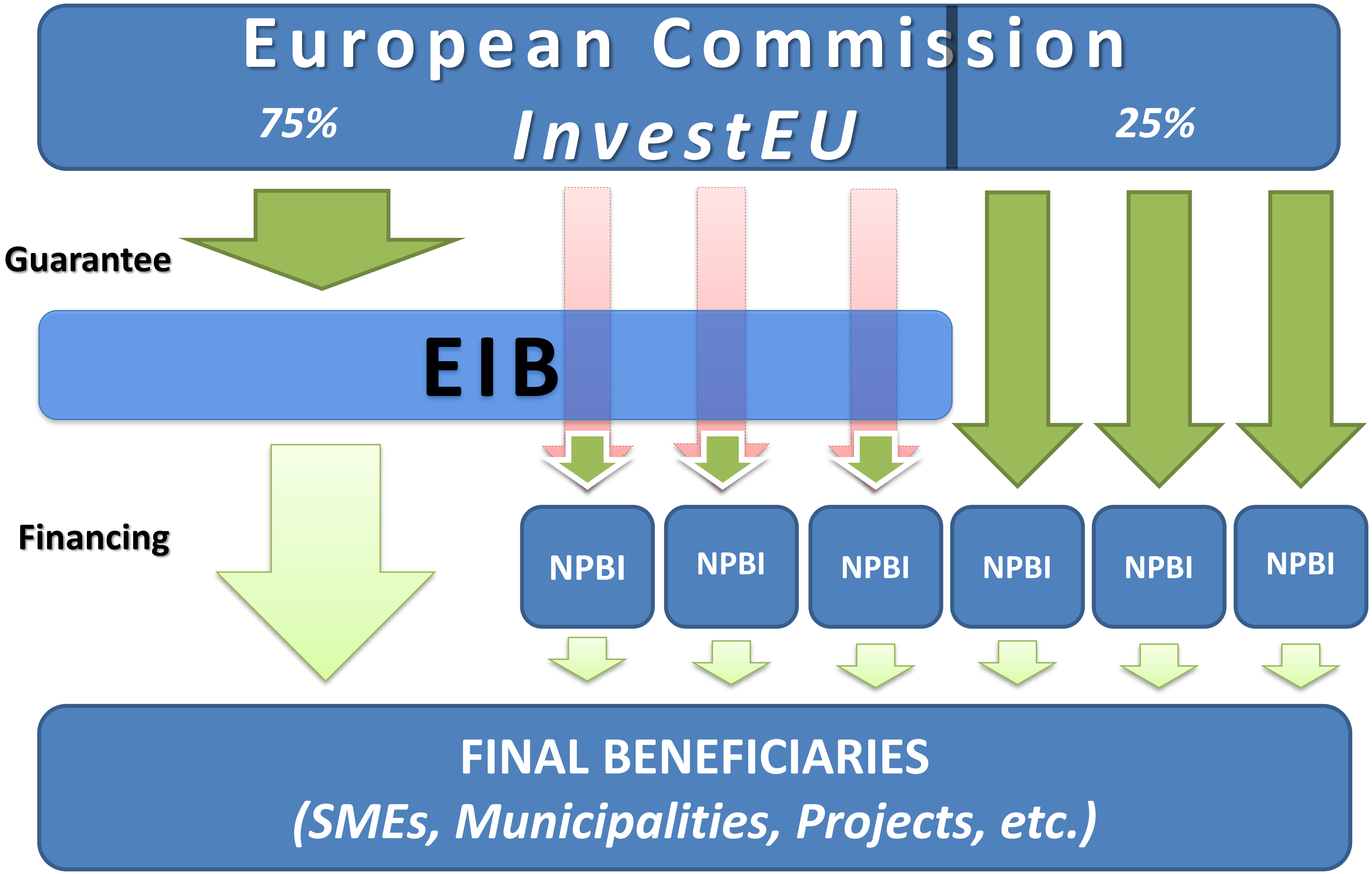
InvestEU guarantee mechanism



InvestEU Governance Process

Tiziana Fabbris

Head of Cassa Depositi e Prestiti (CDP), Brussels Office

InvestEU proposal : contested aspects

ELTI POSITION

Correct problem identification.
If not EC, who should perform this necessary task? If direct access for NPBIs is to be maintained, EFSI model (EIB performing these tasks) does not work.
ELTI thus supports the creation of a team of independent experts.

A — Risk and technical assessment

The EC cannot be responsible for risk management, rating mapping and portfolio modeling

***Governance* unfeasible — B**

Additional unnecessary governance and approval levels for EIB Group operations

ELTI POSITON

EFSD shows that not only the proposed governance is feasible, but also necessary to ensure additionality of the EU guarantee and transparency.

Geographical balance — C

Risk of geographical imbalance: small or young NPBIs and Member States without NPBIs are disadvantaged.

ELTI POSITON

InvestEU creates more options for everybody.
The 75% window has been created to cover the 27 MS: Same than under EFSI (and with slightly increased resources).
In addition, all NBPIs should enjoy direct access to the 25% window., allowing them to cover additional topics and asset classes . This can be achieved with only slight changes to EC proposal

Costs — D

Increasing of the overall costs for the EU Institutions because of the the duplication of the EC resources charged to the MS

ELTI POSITION

Function of risk management of EU guarantee put in question by EIB, for cost reasons and alleged duplication.
Cost: Any risk department adds to costs, yes, but for a reason!
Duplication: No, since no other body performs such a check with a view to the EU-guarantee.

Governance across EU Regulations: Comparative analysis

	EFSI 2.0	EFSD	InvestEU (COM proposal)
Policy assessment	**STEERING BOARD** ▪ **Consulting body** composed of 5 members	**STRATEGIC BOARD** ▪ **Consulting body** composed of representatives from EC, EEAS, MSs, EIB, EP (observer)	**ADVISORY BOARD** ▪ **Consulting body in 2 configurations:** (i) IPs; (ii) MSs
Technical/risk assessment	European Investment Bank EUROPEAN INVESTMENT FUND	**G-TAG** ▪ **Composed** of experts from IFIs ▪ Compulsory opinion	**PROJECT TEAM** ▪ **Composed** of IP's seconded experts ▪ compulsory opinion for IC decision → ***similar to EFSD***.
Decisional level	**INVESTMENT COMMITTEE** ▪ **Decisional body** composed of external experts ▪ **Decisions** taken by simple majority → **Does not involve** representatives from MSs or IFIs involved in financing proposals	**OPERATIONAL BOARD** ▪ **Decisional body** composed of representatives from EC, MSs and IFIs ▪ **Decisions** taken by consensus → *The presence of representatives from EC, MSs and IFIs allows a more* ***thorough decision-making process***	**INVESTMENT COMMITTEE** ▪ **Decisional body** composed of 6 members for each Window ▪ **Decisions** taken by simple majority → *Decision-making process* ***similar to EFSI***.

Invest EU Project cycle

INITIAL PROJECT PROPOSAL

SUBMISSION BY IMPLEMENTING PARTNER TO InvestEU FOR GUARANTEE COVERAGE

→

COMMISSION VERIFICATION OF COMPLIANCE WITH EU LAW AND POLICIES

→

PROJECT TEAM (Independent Experts) QUALITY CHECK OF THE PROJECT APPRAISAL

INVESTMENT COMMITTEE DECISION (based on scoreboard)

Small Member States/Pillar Assessment

Nick Ashmore

CEO, Strategic Banking Cooperation of Ireland (SBCI)

Small Member States - Pillar Assessment

- **We wholly support the EIB delivery of the majority of the Invest EU guarantee.**
- **We also recognise the benefit of opening new options for the delivery of the InvestEU guarantee in the next MFF through direct access.**
- **A new MFF calls for new approaches and the opportunity to explore new solutions.**
- **Pillar Assessment** is currently used for National Promotional Banks/Institution's (NPB/I's) who wish to avail of the European Fund for Sustainable Development for risk enhancing investments in the context of international aid and development. E.G. KFW and CDP have passed this assessment.
- **Invest EU proposes to use the pillar assessment to qualify new implementing partners**. The pillar assessment costs up to €100,000 with third party audit firms contracted to complete the process, which will take circa 6-9 months to complete.
- From the **small NPBI perspective,** we recognise **the relative cost associated** with this assessment and the **resource demands** that may be placed on a small team.
- We also recognise that the process may be shorter by comparison to that required by **large NPBI's,** who would have **a substantial breadth of operations** and the audit scope would likely be more broad.

InvestEU proposal : 3-State Rule

- Under the current drafting of InvestEU, the NPBI window will allow for **direct funding, where at least 3-member states are covered**.
- On a positive note, this presents an **opportunity to collaborate with other NPBIs** in the development of appropriate products.
- However, almost all NPIs would require a **change in mandate** to operate outside their member state.
- The **opportunities for cross border collaboration vary** depending on the geography of the member state. Ireland has no neighbours left in the EU!
- We understand this element is under review and would advocate that, if required, it be made as **flexible** as possible.

EIB Group – Smaller Members Perspective

- **All NPIs enjoy close relationships with the EIB Group and none more so than smaller NPIs.**
- **Smaller members rely heavily on the EIB Group** in terms of knowledge sharing, know-how and consequent product development as well as a valued source of finance and risk-sharing support on behalf of the European Commission.
- We recognise the **interdependence of NPBI’s and the EIB Group**. The NPB/Is have strong local knowledge and serve as act as value added conduits for EU SME supports supplied by the EIB Group.
- Valued and proven existing delivery structures such as the **COSME and Innovfin Guarantee Programmes need to be retained**
- **EFSI** has been instrumental in **unlocking additional risk capacity**
- **We wholly support the EIB delivery of the majority of the Invest EU guarantee**.
- **We also recognise the benefit of opening new options for the delivery of the InvestEU guarantee in the next MFF through direct access.**

InvestEU Member State Compartment

Lola Merveille

Head of bpifrance, Brussels Office

The Member State compartment under InvestEU

➢ Main provisions (InvestEU proposal)

- Voluntary use of the InvestEU guarantee framework by Member States
- Using ESIF to provision the guarantee (expected loss)
- To address market failures / suboptimal investment situations
- Max 5% of ESIF budget

➢ Main Benefits

- **No co-financing** required from Managing Authority
- Facilitate **ESIF absorption**(stand-alone instrument with a project portfolio approach, national or regional level deployment)
- **More flexibility** in terms of instrument management (off the shelf guarantee agreements if desired, tailor-made instruments also possible, less restrictive approach for state aid)

The Member State compartment under InvestEU

➢ ELTI Position

Make sure the Member State compartment is **appealing** and **flexible** for Managing Authorities and Member States

- Better capture **Managing Authorities** in the InvestEU text + including a reference to ring-fenced operations in case of Regional contribution

- Ensure **flexibility for the design of the guarantee** :

  I. Possibility to have NPBIs, or private investors as counter guarantor (for unexpected loss) as an alternative to Member States
  II. Possibility to counter-guarantee ESIF contribution if desired

- **The 5% cap on ESIF use** in the Member State compartment is unclear: should be applicable to the 7 year-period and not be an annual cap (with less funding in case of midterm implementation)