

Investment Guidelines

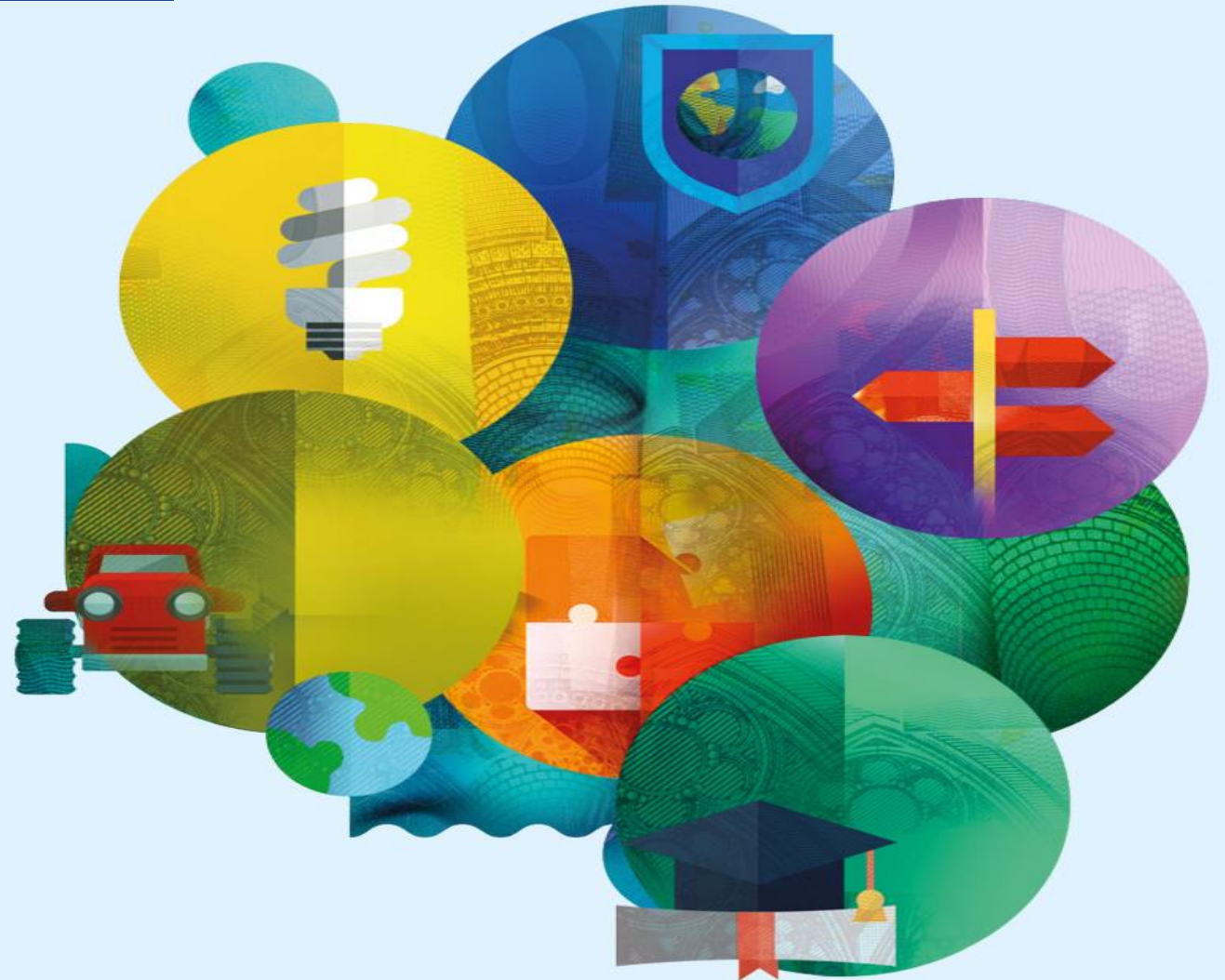
Preparing InvestEU

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- *More than **400 comments** received from 15 institutions by end of August*
- *Most frequent horizontal comments discussed during meeting with IPs on 19 September*
- *Several bilateral meetings held with IPs to discuss their comments*

Refresher:

Most frequent horizontal comments

- *Selection of financial intermediaries* ✓
- *Definition of economic viability* ⓘ
- *Limits for InvestEU support* ✓
- *Pre-financing (double support)* ✓ ⓘ
- *Financial contributions* ✓
- *Type of products (general & thematic)* ✓
- *Eligibility of operations:* ✓ ⓘ
 - Securitisation
 - Capital market operations
 - Blending with ESIF funds
 - Passing on of the guarantee
- *Pipeline review* ✓
- *Allocation principles* ✓

✓ Modified, clarified or redrafted

ⓘ Explanation provided/not necessarily changes in the text

Incorporated further comments

- *Prioritisation of policy objectives;*
- *Joint financial products;*
- *Risk sharing;*
- *Risk assessment;*
- *Debt and equity-type operation;*
- *Deletion of 2.8 Information to be provided by the Ips;*
- *New section 2.9 on Blending;*
- *New chapter 3 Promoting sustainable investments [incorporates previous sections on **climate tracking** and **sustainability proofing**]*

• Threshold for InvestEU support

- Investment Committee shall verify that the InvestEU support:
 - For direct operations - shall not exceed 50% of the total project cost,
 - For indirect equity operations - shall not exceed 50% of the fund size,
 - For indirect debt operations - at least 20% of the exposure shall be retained by the financial intermediary.
- For indirect equity operations, **financial intermediaries shall inform** the implementing partner about their intention to seek investment from another IP benefitting from EU guarantee.
- Final recipients **shall be contractually required** to declare:
 - that the combination of support from the InvestEU Fund and from other Union programmes does not exceed the total project cost; and
 - that InvestEU supported financing is not used to pre-finance a grant from Union programmes or vice versa.

- **Joint financial products**

- Financial products may take the form of general financial products, thematic financial products, and joint general or thematic financial products.
- General products can support **one or more** policy areas of the policy window.
- **A joint general or thematic financial product** may be developed to address policy objectives falling under more than one policy window in a more efficient manner. Such products shall combine resources from two or more windows.

- **Securitisation**

- Financing and investment operations covering existing portfolios may only be established in specific exceptional and well justified circumstances (InvestEU Regulation) initially within a pilot scheme with a limited budget under a respective policy window.

- **Prioritisation of policy objectives/pipeline**
 - A close dialogue between the Commission and each implementing partner will be established to provide policy steer and review the pipeline of operations foreseen under the InvestEU Fund.
 - To ensure flexibility and responsiveness to potential changing market and policy needs, the Commission and the relevant InvestEU governance bodies may prioritise the eligible areas set out in Annex II. Com may:
 - periodically review the project pipeline provided by implementing partners together with them, with respect to the projected amount of financing under the relevant policy areas and geographical coverage of operations;
 - give guidance on the interpretation of eligibility criteria and prioritisation means;
 - regularly review the performance and scope of the relevant financial products in order to optimise the achievement of the policy priorities.

• Risk sharing

- Risk sharing in other forms, such as the implementing partner's participation to a mezzanine tranche, may count towards the financial contribution of the implementing partner, subject to conditions and calculation methodology defined in the guarantee agreements.
- For portfolios supporting equity-type operations, implementing partners have to invest on a *pari passu* basis into each financing or investment operation at their own risk for a share that ensures sufficient alignment of interests, as defined ex ante under each financial product.
- The part of financing covered by the EU guarantee shall represent up to 70% of the overall financing provided by the implementing partner in aggregate under the different financial products and own risk financing shall represent at least 5 % of the overall financing provided by the implementing partner under any financial product, unless otherwise specified in the investment guidelines under the relevant policy window.
- Only in exceptional cases, where there is a high concentration of risk without possibility to diversify, the EU guarantee may cover up to 100% of the contribution to the FLP.

- **Debt-type operation**

- An operation that has the risk characteristics of debt, which may include instruments in the legal form of debt (such as senior loans, subordinated loans, unsecured and secured loans, financial leases, mortgages, letters of credit, guarantee and securities issued on the capital markets such as bonds).

- **Equity-type operation**

- An operation that has the risk characteristics of equity, which may include instruments in the legal form of equity (such as investments in common or preferred shares) and of quasi-equity or hybrid instruments (such as deeply subordinated loans with profit participations, mezzanine, venture loans, convertibles, warrants or other forms of equity kickers when exposing the holder to equity-type risk).

- **Section on Blending fully redrafted**

- A proposal which constitutes part of a blending operation that involve support from the InvestEU Fund shall be submitted for the approval of the Investment Committee.
- The implementation of the blending operation shall take place under InvestEU rules.
- The blended element provided by the sectorial programme can take the form of a grant or a financial instrument and shall comply with the eligibility rules of the sectorial programme.
- The relevant work programme shall constitute the financing decision on the blended element and define its characteristics (the budgetary amount and list of entities involved).
- The guarantee agreement will define the financial product(s) under which blending operations can be submitted and the specific provisions applicable to blending operations. These may include indicative or mandatory ceilings of the respective tranches of Union support.
- Possibility to include in pipeline discussions and reference to the information in the scoreboard.

- **Allocation principles**

- **Not changed:** Financial products for support of portfolios consisting exclusively of SMEs and small midcaps on an intermediated basis in the form of debt or equity shall fall under the SME window, except for those referred to in point 1.
- **New:** For direct operations, financial products for support of portfolios consisting exclusively of SMEs and small midcaps as a general policy area as referred to in Article 7(1)(c) of the InvestEU Regulation shall be allocated to the SME window, while financial products targeting other specific policy areas shall be allocated to the window under which such area falls.
- Allocation for joint products: relevant guarantee allocation mechanism.
- **Deletion of 2.8 Information on financing and investment operations to be provided by the implementing partners**

- **New chapter: Promoting sustainable investments**

InvestEU, as an important part of the Sustainable Europe Investment Plan, will help deliver on the **European Green Deal** and on the objectives of the **Just Transition Initiative**

- **Climate and environment tracking and reporting**






- Treatment of amounts allocated by the Member States to the MS compartment is still under discussion;
- Implementing partners shall measure the contribution to climate and environment objectives of the financing and investment operations they submit to the Investment Committee.

- **Sustainability proofing**

- Where the IP concludes that no sustainability proofing is to be carried out, it shall provide a justification both to the Investment Committee and to the Commission;
- The IP will be responsible for performing the sustainability proofing based on information provided by the project promoters. The IP should provide a sustainability proofing summary.

- **Just Transition Initiative**

Key changes in the policy windows

-  *Consistency in financial intermediaries*
-  *Consistency in the features of the products (e.g. form of financing; equity features)*
-  *Possibility for an FLP for individual financing*
-  *Market conform possible at project level*
-  *Clarifications on project size/digital connectivity/energy efficiency under SIW*
-  *Definition of innovation under RID; definition of social housing under SISW*

Consistency across policy windows



Policy window specific issues

What's next?



- **Informal presentation to the Council and Parliament**
- **Formal adoption of the delegated act by the COM**
 - By the new College
 - Once agreement on the next MFF



Q&A Session

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