ELTI's Roadmap for a Competitive Europe

Investing in Europe's Future: 10 Recommendations for the Next MFF

ELTI welcomes the European Commission's proposal for the 2028–2034 Multiannual Financial Framework (MFF), which places competitiveness, strategic autonomy, and investment mobilisation at the heart of EU policy. The proposal **recognises the role of National Promotional Banks and Institutions (NPBIs), including regional ones, and confirms the importance of financial instruments** as key tools to multiply the impact of EU funding.

To ensure the next MFF delivers on its ambitions and bridges the major investment gap affecting EU competitiveness, **ELTI identified ten strategic recommendations**:

1. **Open Architecture.** Preserve the current framework limiting implementation to pillar-assessed institutions with a public service mission, and thus avoiding fragmentation and ensuring sound financial management.
2. **Indirect Management and Pre-Allocation.** Support indirect management of the EU budget without pre-allocated resources. All financial instruments, including those under Heading 1 and 2 or outside the MFF (e.g. Innovation Fund), should be channelled through the ECF InvestEU Instrument. NPBIs should be part of the governance of both the ECF and the National and Regional Partnership Plans (NRPPs).
3. **Size of the Guarantee and Budget Continuity.** Maintain a minimum of at least €29 billion guarantee under the ECF InvestEU Instrument, ensuring continuity through existing policy windows and contractual agreements. Avoid a time gap in investment support (the so called "cliff-edge scenario") during the transition from InvestEU to the new proposed ECF InvestEU instrument by relying on the existing contractual agreements. Additional resources from thematic programmes and instruments like CEF should contribute to the ECF InvestEU Instrument to scale up investment.
4. **Predictability.** Advocate for multiannual programming of thematic windows, with ex ante allocation to the ECF InvestEU Instrument and involvement of implementing partners in the definition of work programmes and of the NRPPs. Flexibility can be ensured through open calls for expressions of interest, while avoiding overly prescriptive or short-term work programmes.
5. **Blending Mechanisms**. Promote blending between EU grants (disbursed under direct management) and financial instruments (under indirect management), including those funded by public or private institutions outside the EU budget, as successfully achieved by the CEF-AFIF model.
6. **Equity.** Fully integrate equity instruments into the ECF InvestEU toolbox, prioritising fully-funded equity and paid-in contributions to support early-stage and high-risk investments.
7. **Support for Start-ups and Scale-Ups.** Consolidate support under the ECF, integrating the EIC Accelerator into the ECF InvestEU Instrument while keeping grant-based components under Horizon Europe. The ECF Scale-Up Facility could complement this framework.
8. **Infrastructure Financing.** Ensure a substantial share of the ECF budget to support infrastructure, including social infrastructure, alongside CEF and Heading 1 programmes.
9. **Project Advisory Component**. Strengthen the advisory role of NPBIs, ensuring sufficient resources to support project development, business acceleration, and facilitate access to finance.
10. **Simplification of Reporting Requirements.** Continue to pursue simplification but pay attention to ensure continuity in existing reporting systems and proportionality in applying the DNSH principle. Avoid introducing new indicators/obligations as they may disrupt established processes.

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ELTI welcomes the European Commission's proposal for the next Multiannual Financial Framework (MFF) 2028–2034, which sets out an ambitious vision for Europe's future, with a strong focus on competitiveness, strategic autonomy, and the mobilisation of public and private investment.

A key strength of the new MFF is the recognition of the central role of National and Regional Promotional Banks and Institutions in delivering EU objectives. The open architecture model, maintained across all major programmes, ensures that promotional institutions can act as implementing partners, bringing EU resources closer to national, regional, and local needs. The proposal also confirms the importance of financial instruments – such as guarantees, loans, equity, and blending facilities – which are essential to multiply the impact of EU funding, bridge the investment gap, and catalyse additional resources for strategic projects.

ELTI fully supports the Commission's commitment to continuity, simplification, and performance-based management, as well as the enhanced use of financial instruments and advisory services. However, to ensure that the next MFF achieves its political objectives and attracts additional public and private resources where needed the most, ELTI has identified ten key areas for improvement. **The following recommendations are designed to strengthen the effectiveness, coherence, and impact of the next MFF**, building on the experience of InvestEU and the proven ability of promotional institutions to deliver on Europe's strategic ambitions.

<u>1. Open Architecture</u>. In line with Article 62 of the Financial Regulation, **the open architecture of InvestEU should remain limited to pillar-assessed financial institutions with a public service mission**. The Commission's proposal for the next MFF would allow commercial and investment banks (if pillar-assessed), and even private actors without pillar assessment (under Global Europe), to manage EU funds. Preserving the current legal framework is essential to ensure a level playing field among implementing partners and safeguard the sound management of taxpayer resources. **Institutions with a public service mission are best placed to be implementing partners**, given their role in supporting public policy, acting in the general interest, and taking a long-term approach. They are present in all Member States, with 30 national and regional promotional institutions represented within ELTI, complemented by international financial institutions. In contrast, commercial and investment banks operate under fiduciary and profitability constraints, limiting their ability to act in the interest of EU public policy. Expanding the network of implementing partners (even under a pillar assessment requirement) would **complicate risk management and increase vulnerability**, particularly in times of macro-financial instability. Such a system would lack clarity and coherence, without delivering improved financial leverage. **Commercial and investment banks are best positioned as intermediaries**, financing projects that have already been de-risked by institutions with a public service mission.

<u>2. Indirect Management and Pre-Allocation</u>. ELTI supports the Commission's proposal for indirect management without pre-allocated resources, as it favours the **competitive allocation of funds at the national, regional, and local level**. While recognising the crucial role played by the EIB Group as an implementing partner of the European Commission, **excessive concentration to only one Implementing Partner or Group must be avoided for all resources under indirect management**, including those currently outside the scope of the European Competitiveness Fund (ECF) InvestEU Instrument, such as the EIC Fund (see recommendation #7 for further details). As already proposed by the Commission, **all financial instruments under indirect management**, including those established under Heading 1 and 2 or under programmes not relying on MFF budget such as the Innovation Fund, **must be channelled through the ECF InvestEU Instrument**, to enhance coherence and reduce complexity by relying on a single rulebook. **National and regional promotional institutions should be part of the governance architecture of both ECF and National and Regional Partnership Plans;** their early involvement in the programming phase would help ensure that investment needs are properly considered and that financial instruments are designed in line with market realities and local conditions. **The current InvestEU Steering Board should also be confirmed** in the governance structure of the ECF InvestEU Instrument.

<u>3. Size of the Guarantee and Budget Continuity</u>. The minimum amount of Union support from the ECF, delivered through the ECF InvestEU Instrument before additional contributions from thematic work programmes, **should not fall below the current level of the InvestEU guarantee, i.e. €29 billion** following the adoption of the Omnibus II proposal. A reduced guarantee risks undermining the Instrument's capacity to mobilise private capital and support strategic investments. To ensure budget continuity and avoid a time gap in investment support (the so-called "cliff-edge scenario") during the transition to the new thematic windows proposed under the ECF, **this minimum amount of non-thematic support should be channelled through the existing InvestEU policy windows and by relying on the existing agreements**. In the same vein, the implementation period of the current InvestEU programme should also be extended until the ECF is fully operational. More generally, to preserve its effectiveness and leverage, **the financial allocation to the ECF InvestEU Instrument must reflect the EU's strategic ambitions**. Given the scale of the investment gap (estimated at nearly €1,200 billion/year for the period 2025–2031, as highlighted by Professor Draghi), a substantially larger budget is essential to promote EU competitiveness. Therefore, **incentives should be put in place to ensure that ECF thematic work programmes, as well as other EU programmes such as the Connecting Europe Facility (CEF), contribute additional resources to the ECF InvestEU Instrument**. All implementing partners should be properly consulted when designing work programmes, to ensure alignment with market needs and maximise impact. **These additional resources could be channelled through the new ECF**

thematic windows, allowing the EU budget for strategic projects to be multiplied, catalysing both private and public investments and ensuring a high crowding-in and leverage effect.

4. Predictability. As far as financial instruments are concerned, **long-term programming is essential to provide predictability**, **catalyse private investment, and support strategic projects**. Annual programming is ill-suited to the nature of financial instruments, which require a stable multi-year horizon and sufficiently large budgets to justify tailored financial engineering. **Allocations to the ECF InvestEU Instrument under thematic windows should therefore be planned through a multiannual process**, involving implementing partners in the definition of work programmes from the outset. The minimum size of these allocations should ideally be defined ex ante for the entire MFF period (2028–2034). While the Commission's desire for flexibility is understandable, it must be reconciled with **the stability and visibility required for the effective deployment of financial instruments**. Flexibility can be ensured within the ECF InvestEU Instrument through regular or continuously open calls for expressions of interest, enabling implementing partners to select the most appropriate instruments based on context and needs, and allowing the objectives of specific products to be adjusted. **Overly prescriptive and short-term work programmes risk undermining this flexibility and fragmenting implementation**.

5. Blending Mechanisms. ELTI welcomes the proposal to ensure that blending between EU non-repayable support and EU-backed financial instruments is consistently channelled through the ECF InvestEU Instrument. In addition, **ELTI members support blending between EU** non-repayable support **and financial instruments funded by public or private institutions without relying on the EU budget**. This model, already applied in initiatives such as the Alternative Fuel Infrastructure Facility (AFIF) under CEF Transport in the current MFF, should be **further promoted across future EU programmes**. In all cases, non-repayable support should be awarded to beneficiaries by the European Commission, acting as the contracting authority, under direct management

6. Equity. ELTI supports the use of a **diversified set of financial instruments under the ECF InvestEU Instrument, going beyond guarantees**. This approach enhances the leverage effect of EU funding and allows for a more effective response to varied market needs. **Equity-based instruments should be fully integrated into the ECF InvestEU Instrument toolbox** to strengthen the EU's competitiveness and innovation capacity, and to support start-ups and scale-ups. In particular, **fully-funded equity instruments**, including paid-in equity contributions deployed by implementing partners and the European Commission, **should be prioritised to support early-stage and high-risk investments**.

7. Support for Start-ups and Scale-Ups. ELTI supports a **streamlined and coherent approach to EU-level support for start-ups and scale-ups**. In line with Article 22 of the proposed ECF Regulation, financial support for these segments should be provided exclusively through the ECF. The European Innovation Council (EIC) should remain focused on high-risk research and on developing pathways for the commercialisation of research results. To reduce fragmentation, **ELTI supports the integration of the EIC Accelerator, which includes blended finance and equity, within the ECF InvestEU Instrument**. The equity component of the EIC Accelerator should be implemented in indirect management by ECF implementing partners, which already have consolidated experience in using the InvestEU guarantee to support start-ups and scale-ups at all stages of the innovation cycle. This would ensure a "seamless investment journey", providing in one single instrument financial support from early stage to scale-up, and commercialisation. At the same time, grant-based components of the EIC, such as Pathfinder, Transition, and future initiatives with "ARPA" elements, should remain under Horizon Europe, preserving their research-driven mission and scientific independence. **The proposed ECF Scale-Up Facility, implemented by the EIB Group and promotional institutions, could complete this framework by ensuring that sufficient ECF resources are directed to scaling-up**, fostering synergies between EU and national support mechanisms, and contributing to the development of a fully functioning EU innovation ecosystem.

8. Infrastructure Financing. ELTI welcomes the proposal to establish a new CEF with a reinforced budget to invest in transport and energy infrastructures. Nevertheless, given the strategic importance of all types of infrastructure for EU competitiveness, **ELTI calls for ensuring that a substantial share of the ECF budget can be used for infrastructural projects, including social infrastructures**, complementing existing instruments like CEF and programmes proposed under Heading 1. **ELTI also reiterates the importance to provide sufficient funding for alternative fuels infrastructures via CEF**, considering the positive experience as implementing partners of the current CEF AFIF.

9. Project advisory component. ELTI welcomes the inclusion of a dedicated project advisory component under the ECF. This is a positive step toward easing access to finance and institutionalising business acceleration services. Beyond supporting the origination of project pipelines, **it is important that advisory services** (including innovative services based on digital solutions) **contribute broadly to the growth, competitiveness, and transition of public administrations and businesses, including SMEs and start-ups**. Promotional institutions should continue to play a key role as advisory partners of the European Commission, given their proximity to local ecosystems and their capacity to support project development. ELTI recommends that the Commission allocates **sufficient resources to promotional institutions to strengthen their advisory function and ensure effective delivery of support across Member States**.

10. Simplification of Reporting Requirements. ELTI welcomes the Commission's proposal to streamline budget expenditure tracking and performance monitoring under the next MFF, notably through the reduction of performance indicators and the establishment of a single reporting framework. This simplification effort is a positive step toward reducing administrative burden and improving transparency. However, ELTI notes that the Commission and InvestEU implementing partners have already invested significant financial and human resources to comply with the reporting requirements of the current programme. **It is therefore essential that the simplification process truly reduces the number of indicators, the frequency of reporting, and the procedural obligations for data certification, without introducing new indicators or additional requirements** that would disrupt the systems and processes already in place. In this context, compliance with the DNSH principle should be automatically recognised when EU and national rules are respected, and required only when feasible and appropriate in accordance with sector-specific rules. **Adopting a proportionate approach is therefore crucial in applying DNSH requirements**. Overall, ensuring continuity and proportionality in reporting is key to maintaining efficiency and facilitating the deployment of financial products in the market.