

Position Paper

UEAPME¹ comments on EFSI regulation

1. General comments

UEAPME, the European Association of Crafts and SMEs representing about 12 Million small enterprises at European level, supports the Investment Plan for Europe aiming to mobilize at least EUR 315 billion on additional investments within the European Union. UEAPME specifically welcomes that the Investment Plan included the requests from Europe's SMEs for this plan as presented in a [Note to President Juncker](#)² in November 2014:

- to make Europe more attractive for private investments by increasing competitiveness and improving the environment for investments;
- to include additional financial instruments allowing SMEs to finance investments and innovation;
- to support technically the definition and implementation of European investment projects by structures at national and regional level and
- to include projects aiming to improve the energy efficiency of buildings and to allow the bundling of such projects to a European investment project.

As announced in its Investment Plan Communication, in January 2015 the European Commission has presented its proposal for the legal base of a European Fund for Strategic Investments (EFSI), which should support investments in the European Union and to ensure increased access to finance for SMEs and mid-cap companies.

Furthermore, the Investment Plan states clearly that current bottleneck for investments have to be removed and further structural reforms are necessary to improve the attractiveness of Europe for investors. However, the EFSI should not put in question or crowd out existing structures of infrastructure financing and cohesion policy. Funded projects have to be added to existing investment.

UEAPME fully supports this initiative and welcomes also the communication of the European Commission on "Making best use of the flexibility within the existing rules of the Stability and Growth Pact (SGP). This communication states that without lowering the SGP requirements:

- contributions from Member States to the EFSI should not lead to non-compliance with budgetary rules , if a Member State is able to return to the agreed targets within two years and

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is 55820581197-35.

² http://www.ueapme.com/IMG/pdf/141120_JCJ_300_InvestmentPackage.pdf

- co-financing of Member States in projects financed by EFSI will be taken into account in the application of the “investment clause” in the SGP, even if this will be applied under very restrictive conditions.

Furthermore, it explains in more concrete terms that Member States implementing effectively essential structural reforms will have more flexibility as regards the adaptation of their budget deficits and public debt ratio to sustainable mid-term objectives.

2. Specific comments and recommendations

In order to make best use of the European Investment Plan and the European Fund for Strategic Investments, UEAPME would like to provide comments and recommendation on the following issues:

a. European Fund for Strategic Investment (Article 1)

UEAPME supports the aim to conclude an agreement on the establishment of such a fund aiming to support investments in the Union and to ensure increased access to finance with a particular focus on SMEs. More specifically, additional financial instruments should focus on providing long-term finance (on higher risk bearing capacities), necessary to allow SMEs to finance investment and innovation.

b. Terms of the EFSI agreement (Article 2)

In order to make the EFSI an efficient investment tool, it has to be ensured that investment decisions can be taken and implemented quickly and are not blocked by complicated financial regulations existing for the use of European funds.

Furthermore, to make co-investment from national or regional public sources or private sources as attractive as possible, co-investments should not be burdened by European financial management regulations or complex decision making procedures.

c. Governance of the EFSI (Article 3)

UEAPME accepts that the regulation should be kept as slim and as flexible as possible and that the operational guidelines and criteria have to be decided by governing bodies like the steering board. However, it is important to ensure that these guidelines and criteria are in line with the real needs of investments projects, private investors and SMEs looking for access to finance.

Therefore, UEAPME recommends involving or consulting the relevant stakeholders before such decisions are taken.

The investment committee shall be free from political influence and take decisions on operations based on economic criteria only. The criteria for the examination of operations should be clear and easily accessible for stakeholders and potential investors.

d. Eligible Instruments (Article 6 (b))

Additional resources for financial instruments for SMEs provided by the EIF should be targeted especially to instruments providing long term finance and all forms of risk finance allowing all types of SMEs to finance investments and innovation.

Furthermore, it is important that the EIF provides its guarantees to national guarantee systems and in case of their absence directly to financial institutions offering loans directly to SMEs. Thus, national guarantee institutions should be included in the distribution chain whenever it is possible and priority should be given to their integration. Therefore, the EIF should provide sufficient incentives to intermediaries to use and distribute these instruments.

e. European investment project pipeline (Article 9)

The current formulation “shall promote the creation” is very vague and gives no clear understanding, what this pipeline should be and which projects should be in this pipeline. However, such a project pipeline is not only important for investment decisions of the EFSI but could play a very important role for both, public and private investors.

Therefore, UEAPME would recommend ensuring that projects should be put only in the pipeline, if they are close to realization as well as economically / financially sound. Before a project is put in the pipeline, it should be evaluated as regards:

- its legal status (administrative procedures, permits, etc.) to understand, when real investment could be started;
- its economic and financial aspects (profitability, risks, cash flow);
- its impact on employment;
- its impact on SMEs and their access to subcontracting and public contracts;
- its impact on innovation and
- its European added value.

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For further information on this position paper, please contact:

Gerhard Huemer
 Director Economic and Fiscal Policy
 g.huemer@ueapme.com