



Comments on the proposal for a regulation establishing the InvestEU Programme

Brussels, 27th November 2018

Introduction

On 6th June 2018, the European Commission published its regulation proposal for the InvestEU programme. This programme will pool all EU financial instruments thereby simplifying the use of funds and providing them a single rulebook. AECM and SMEUnited, the representatives respectively of the financial intermediaries and SMEs as final recipients for the new InvestEU fund cordially welcome the Commission proposal¹. In the following we would like to highlight a few points we believe to be crucial for a sound and efficient implementation of InvestEU.

Comments

- Ensure sufficient funding for the SME window

The SME pillar of InvestEU will be the successor in particular of the current SME window in EFSI as well as of the current COSME financial instruments and of InnovFin (and others). These programmes are very successful. That is why it shall be ensured that their successor programme disposes of sufficient allocation to continue the success. This is important since SMEs play a crucial role in boosting, stabilising and diversifying the EU economy. In order to be able to efficiently support SMEs in this role, the SME window should be increased to at least EUR 12.7 billion. We are aware that at the current stage of the procedure a higher amount cannot be adopted. Nonetheless, we are of the opinion that in order to ensure an effective continuation of the successful promotion of SMEs under EFSI, COSME, Innovfin and other current programmes (in the current programme period 2014-2020), a financial allocation of EUR 15.4 billion would be necessary.

¹ AECM and SMEUnited already published a first position paper on the same topic on 13th July 2018: https://aecm.eu/wp-content/uploads/2018/07/180713_InvestEU-jointPP-final.pdf

The current position paper is an updated version of this position paper that takes the work at the European Parliament, the Council and the Commission that has been undertaken since then into account.

- Open up the innovation window to all innovative companies

Currently, SMEs are explicitly locked out from the policy window for research, innovation and digitisation (RID)². Since SMEs are as also very innovative and active in digitisation, there is no justification for this lock-out. Furthermore, this categorisation would brand SMEs as non-innovative, which is obviously not the case. Inasmuch as mid-caps can in justified cases access the SME window, SMEs should be allowed to access the RID window if they can demonstrate that their project to be financed disposes of a considerable innovative component.

- SME Financing for the whole company life cycle

Considering the heterogeneity of SMEs and their business diversity, it is important to support the full cohort of SMEs and to do so along the entire company life cycle starting from the business creation through the start-up and scale-up phase to business transfer.

The last point is of particular importance since business transfers will play a crucial role in the years to come. They should therefore be added to the list of eligible areas for financing and investment operations. At the same time, SMEs would like to see a stronger focus on financial instruments for long-term investments, including loan transactions with maturity in excess of 10 years and revolving credit lines lasting for more than 3-5 years, and riskier projects, where they face most difficulties to access finance, including companies having overcome an insolvency procedure.

Furthermore, leasing operations (financial and operational leasing) and other financing provided by suppliers/clients are for many SMEs an important means of financing. That is why it should also be possible to guarantee for these under InvestEU.

- Higher discretion on the member state compartment

We warmly welcome the envisaged possibility for the Member States to set up Member State compartments. In order to make these compartments a success, contributions need to be geographically ring-fenced to ensure that it is spent to reduce development imbalances between regions in the European Union. Moreover, there should be no co-financing requirement and no obligation for financial returns if the money is properly used via the InvestEU fund. There should be a clearly defined legal situation as to state aid ensuring a level playing field and whenever possible, public and private promotional institutions should be involved in channelling the money to the final beneficiaries given that due to their promotional mission they promote only projects which otherwise would not have been funded. In order to avoid that they have to undergo a pillar assessment, the involvement of the European Investment Fund should be the rule.

- No discrimination of counter-guarantees

At present, EU guarantees are channelled either directly to commercial banks or they are provided to guarantee institutions with a business promotion mandate. The second channel involves one more player resulting in higher risk mitigation as well as a better geographical distribution and allows for a higher leverage. Direct guarantees on the other hand imply a higher risk volume for the EU. For the next programme period, we would like to suggest that the EU takes always the same amount of risk volume regardless the emission channel.

² Commission Proposal for a Regulation establishing the InvestEU Programme, Article 7 paragraph 1 (b)

Accordingly, in case of a counter-guarantee, the EU risk volume / funding should be higher than that for direct guarantees to commercial banks, thereby preventing guarantee institutions from being crowded out by commercial banks that have a lower performance in terms of leverage.

- Reduction of bureaucratic burden

Collecting relevant data on InvestEU transactions is of keen importance in order to control and justify the use of public money and in order to detect the potential for improvement of the programme. Nevertheless, a sense of proportion should be applied to the collection and the reporting of data. Some of the suggested data requirements are likely to create excessive bureaucratic burdens. This weighs naturally more on small enterprises and small guarantee institutions that do not have the necessary headcount to cope with these requirements. Furthermore, some of the required data lack appropriate and explicit definitions. This makes it extremely difficult to report this data in a coherent way.

Especially for guarantees under the SME window, the collection of climate-related and gender disaggregate data is disproportional. The collection of data should therefore follow the principle of proportionality.

- Planning security

A smooth functioning of the guarantees system is crucial in order to ensure stable access to finance for SMEs. That is why it is of utmost importance that EU guarantee amounts need to be planned in a reliable way over the seven years of the next Multiannual Financial Framework. An adjustment of the guarantee amounts according to the development of the business cycle would jeopardise the well-functioning of the guarantee system. Moreover, the market failure that justifies EU support to SMEs does not vanish in times of growth.

Conclusion

A successful and timely implementation of the InvestEU programme is of keen importance for the economic development in the European Union. AECM and SMEUnited as key stakeholders for the implementation of this regulation strongly commit to the future InvestEU programme and invite decision makers to take our suggestions into account. In order to prevent an interruption of funding, there is a need for a pragmatic approach in order to achieve a political agreement before the EU elections in May 2019.

About AECM:

The 48 members of the European Association of Guarantee Institutions (AECM) are operating in 28 countries in Europe. They are either private sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. AECM's members operate with counter-guarantees from regional, national and European level. At the end of 2017 AECM's members had over EUR 126 billion of guarantee volume in portfolio, thereby granting guarantees to more than EUR 3 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

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About SMEunited:

SMEunited (formerly UEAPME) is the employers' organisation representing crafts, trades and small and medium-sized enterprises (SMEs) from the EU and accession countries at European level. As the European SME umbrella organisation, SMEunited incorporates 70 member organisations from 30 countries consisting of national cross-sectorial SME federations, European branch federations and other associate members, which support the SME family. SMEunited represents about 12 million enterprises, which employ around 55 million people across Europe.

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