AECM position on the
Sustainable Europe Investment Plan

Guarantee institutions welcome the European Commission's initiative of a Sustainable Europe Investment Plan. As laid down in the AECM Sustainability Memorandum that was published in December 2019, we find it important to put a stronger focus on sustainability. Nonetheless, we urge the legislator to keep in mind that also **classical projects without a specific focus on environmental sustainability need to be supported** and that **reporting requirement need to be manageable for small enterprises** and for small financial intermediaries.

We highly value that the proposal on the Sustainable Europe Investment Plan **does not lead to a redistribution of funds within InvestEU**. The already existing target of 30% for climate objectives keeps. Contributions to the Just Transition Scheme can be counted towards the 30% climate objective.

Nonetheless, we advocate that there should not be dedicated incentives such as lower fees or higher risk coverage to implementing partners (IPs) to implement products in transition regions. These advantages would need to be financed by higher fees or lower risk coverage of products implemented in regions that are not classified as transition regions. Furthermore, we object the prioritisation of calls for proposals addressed to IPs offering financial products that contribute to the just transition objectives. **Both, the dedicated incentive to products implemented in transition regions and the prioritisation of those products in calls would distort the market and is susceptible to lead to an inefficient use of funds**. In our view, it is of utmost importance that funds are attributed according to market demand.

Furthermore, we would like to emphasise that sufficient funds need to be available for projects that are not subject to sustainability proofing (due to their size) and that products dedicated to such projects are able to offer promotional conditions. If this is not ensured, guarantee institutions would be seriously hampered in their mission to overcome market failure in the area of SME finance[1].

Similarly, AECM welcomes Commission's proposal for the Just Transition Fund (JTF), that will primarily provide grants to support most affected EU territories and workers in their transition to a climate-neutral economy.

[1] For an overview of market failures in SME lending and mitigation techniques: OECD (2018). *Financing SMEs and entrepreneurs 2018. An OECD Scoreboard*, OECD Publishing, Paris.

We strongly support the creation of the JTF because it will provide tailored finance to affected territories and help them, in a targeted way, to operate the changes towards the transition into a net-zero carbon economy.

We especially welcome the fact that the JTF will include EUR 7.5 billion of "fresh money" coming on top of the current proposal for the next MFF.

Furthermore, we highly value the inclusion of the JTF under the Common Provisions Regulation, meaning that the territorial just transition plans will have to comply with the same rules as the other European Structural and Investment Funds (ESIF), including the Partnership Principle and therefore the local and regional governments will be consulted when determining which territories will benefit from the JTF.

We also welcome the fact that all Members States will benefit from the JTF. Territories and regions that have already started their transition process should, under no circumstances be excluded, provided that coal mining is still taking place.

Yet, the aforementioned is only valid if **the JTF is financed through additional resources and not from the envelope provided for the ESIF.** If the Commission's initial MFF proposal is not increased or if it is reduced, the amount dedicated to the JTF will automatically reduce the funds devoted to other policies. It will thus be of utmost importance to check what other policies will be affected and definitely **safeguard instruments with proven efficiency such as the financial instruments and SME support measures under the InvestEU fund as well as under cohesion and agricultural policies.**

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About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 29 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 2018 AECM's members had more than EUR 112 billion of guarantee volume in portfolio, thereby granting guarantees to almost 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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