

AECM comments on the latest version of the Investment Guidelines

We highly appreciate the possibility to give feedback to the current draft version of the Investment Guidelines and would like to bring your attention to the following points:

Reporting

In case of a further granularisation of the reporting on key performance indicators as listed in annex III of the InvestEU regulation, we call for the strict application of the principle of proportionality. Any additional reporting requirement will ultimately affect the final beneficiaries and in case of the SME window, these are mainly small company with limited resources (which they should better invest into their business).

As we understand, a portfolio of projects can be attributed to one or more policy windows. It therefore needs to be ensured that projects in a portfolio that is attributed to several windows, do not need to double report (the indicators of all involved windows). As a rule, for SME portfolios, the SME window indicators should apply in any case. This is important in order to warrant planning security and avoid red tape.

The final reporting requirements as well as the applicable procedures should be determined and published as soon as possible as to allow implementing partners and financial intermediaries to prepare their IT systems accordingly.

With regard to the climate tracking, we would like to remind that the tracking system needs to be designed in a proportionate manner. The taxonomy is too complex as to be eligible for use for small projects or portfolios of small projects. Furthermore, it will not be available in time. We therefore call for the use of a short and simple list of tracking indicators/markers. Furthermore, climate tracking reporting should be done on an aggregated level of the portfolio and not on a project-by-project basis. This is key to make the climate reporting requirements sensible and proportionate (climate tracking on small amounts of working capital loans would not make sense).

Strategic Investment

We strongly support that the objectives of the strategic investment window are integrated in three other windows, but not in the SME window. SMEs are of course of utmost strategic importance for the European economy since they are not only the biggest employer of the Union but also important driver for innovation and motor of regional/rural development. Nonetheless, since these aspects are not covered by the indicators for strategic investment, it is justified and necessary that the objectives of this window are not introduced for the SME window. This is important in order not to establish new constraints (e.g. domiciliation of the companies, control provisions by third parties over such companies as well as IP transfer limitations). In case of the other three windows, it is important to limit constraints to a minimum and to apply proportionate reporting requirements.

Flexibility

First of all, we welcome the simplification and streamlining of provisions on the use of the EU guarantee and the features of financing provided by the implementing partners. The foreseen flexibility in the following areas is supported by AECM: i) multiple risk-sharing settings (*pari passu*, first loss piece, mezzanine); ii) increase in some circumstances of the maximum size of the first loss piece, the cap rate as well as of the guarantee coverage; iii) decrease in some cases of the minimum risk retention rate by the implementing partner.

Nonetheless, the current draft of the Investment Guidelines is very detailed and prescriptive and does not leave a lot of room for adjustments of terms and conditions, e.g. to a crisis situation. Improved conditions in the context of the COSME and InnovFin covid-19 windows have proven to be an effective tool for swift crisis reaction. Under InvestEU as well, the possibility of a fast crisis reaction (in form of improved conditions) needs to be given. That is why we advocate for more flexibility concerning parameters like the coverage rate, the minimum risk retention rate, the fees, the cap rate, etc.

Flexibility should be also allowed in the definition of “economically viability” (cf. section 2.3.1). This definition should take cognisance of the economic and business cycles. Therefore, a degree of flexibility to changing economic realities would help the EU guarantee to have a greater impact in addressing market failures.

Regarding the prioritisation of policy objectives (cf. section 2.3.2.1), we would like to note that potential changes in the interpretation of eligibility and reviews of the performance and scope of products must not affect existing products, for on-lenders are very reluctant to redesign delivery systems and processes for their frontline.

Window allocation

We advocate a clear, simple, transparent and flexible allocation principle for the different policy windows. This principle needs to make sure that the SME window will not be

prematurely exhausted. The experience with the very successful EFSI programme taught us that the SME window experienced and probably will also under InvestEU – especially in the recovery phase – experience high demand. Shifting, blending and top-up mechanisms need to be available in order to satisfy the demand and this to avoid any brakes to the long-term recovery process.

Pricing

We would like to reemphasise that in order to ensure the promotional character of InvestEU, it is of utmost importance to put in place a fee structure that pays due attention to the size of a project and that allows for a highest possible continuity with respect to the current programmes COSME and InnovFin. The smaller the final beneficiary, the more sensitive it is to the pricing. It needs to be avoided that the fee structure crowds-out smaller potential beneficiaries. That is why we advocate for a promotional and proportionate pricing structure. This is even more important in the light of potential risk fees in the case of uncapped guarantees and capped guarantees with a cap that is higher than the expected loss.

In duly justified cases, guarantees can be provided free of charge (for both capped and uncapped guarantees) up to the level of expected loss. These duly justified cases should not be interpreted too restrictively. This is important in order to ensure an effective addressing of market failure.

Equity products

InvestEU support should be open to different types of investment vehicle, be they public or private, on equal basis. As NPBIs are accredited and regulated market financial institutions and have independent management procedures that meet with market standards. That is why NPBIs investing own resources on their own risk and on commercial terms should be considered as private investors and count towards the 30% minimum required private investment into a fund or the fund's underlying projects, in line with State aids Rules (i.e. definition of independent private investors in the GBER) as well as the terms of references of the Pan-European Guarantee Fund (EGF).

About AECM

The 48 members of the European Association of Guarantee Institutions (AECM) are operating in 30 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 2019, AECM's members had over EUR 111 billion of guarantee volume in portfolio, thereby granting guarantees to about 2.8 million SMEs. AECM's members are one of the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

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