

Conclusions

Framework operation #14 for Sustainability Guarantee product INVEU-ICR-0050-2022 – SME & Sustainable Infrastructure

Short description of the financing or investment operation and its objectives

Final recipients	Natural persons, SMEs, Small Mid-Caps, Housing associations
Countr(ies) of implementation	Multi-country in the EU - primarily in Austria, Belgium, Bulgaria, Croatia, Czech Republic, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden.
Implementing partner	EIF

This Framework Operation supports Sub-Projects that in turn target to finance the green and sustainable transformation of the European economy. Eligibility criteria related with renewable energy, green and energy efficiency in buildings and low and zero emission mobility together with the green/ sustainable Enterprise criteria are expected to be the most relevant for the majority of the Sub-Projects under this Framework Operation

The InvestEU Sustainability Guarantee Product is the first pan-European guarantee product in support of the green transition of small enterprises and individuals. It will expand the experience of financial intermediaries in using the EIF Guarantee Products towards this key EU priority. Financial intermediaries will be able to start their activity in this domain, or to further develop their offer to green investments - either by developing new products in this area, or expanding existing products to other green activities which they may not have supported in the past.

In addition, all the support activities foreseen alongside the guarantee will create awareness of green financing standards and definitions aligned with the key EU regulatory framework: the EU Taxonomy for Sustainable Finance.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 7 July 2022 for the above-mentioned operation.

A sub-optimal investment market situation is observed as access to funding for sustainable investments is difficult given the inherent complexities. Such investments, undertaken by SMEs and individuals, are generally perceived by banks as being high risk. The SME market also suffers from fragmentation and comparatively high transaction costs and information asymmetries.

Additionality shall be deemed to be met in all those cases where a financial intermediary originates final recipient transactions addressing new financing needs which normally were not covered by the financial intermediary within their standard lending practice (i.e. sustainable investments for SMEs and natural persons) which may entail as well a higher risk profile than the risk generally deemed acceptable by such intermediary.

Conclusions

The crowding-in mechanism can be seen in the way the European Investment Fund (EIF) extends (counter-) guarantees to financial intermediaries which will in turn provide debt financing to eligible final recipients, while retaining a tranche of the risk. As a result, the intermediary will always provide further financing in addition to InvestEU.

The Investment Committee welcomed the new market orientated instrument supporting a vast range of policy areas. It is expected to provide a useful way to reach smaller SMEs and penetrate the market, also in local currency. Managing natural persons as final recipients is expected to induce some operational challenges. Specific accompanying measures provided by the EIF will be useful to maximise the market take-up.