

InvestEU Fund – Call for Expression of Interest published on 30 April 2021

FAQ as of 18 June 2021

The FAQ document contains questions received by the Commission services requesting clarifications for applicants intending to respond to the Call for Expression of Interest. This FAQ document focuses on questions that could be relevant to all potential applicants. The FAQ document will be updated regularly.

General questions

Question:

How are the time limitations mentioned in point 3.3 of the Call for Expression of Interest to be understood, according to which implementing partners must approve investment and financing operations corresponding to about 50% of the guaranteed amount by 31 December 2022, and at least 80% of the guaranteed amount by 31 December 2023? Are framework operations exempt from those limitations?

Answer:

The time limitations by the end of 2022 and by the end of 2023 refer to the approval of financing and investment operations by the relevant governing bodies of implementing partners. Financing and investment operations approved within the time limitations can be signed within one year after approval. This also applies to framework operations.

Also in the case of framework operations, sub-projects under framework operations should be signed between the implementing partner and the final recipient or the financial intermediary at the latest one year after the approval of the relevant framework operation by the implementing partner.

Question:

The evaluation of the applications submitted for the Call may take several months. For promotional programmes seeking coverage by the EU Guarantee, the time limitations for approvals by 2022 and 2023 might make it very challenging to implement promotional programmes.

Answer:

Once the Call for Expression of Interest is closed (after the two cut-off dates 30 June and 1 October 2021), the evaluation of proposals will be undertaken by the Commission. Based on the outcome, the Commission will start individual negotiations with selected implementing partners. After the conclusion of a guarantee agreement between the European Commission and an implementing partner, the implementing partner can start immediately proposing financing and investment operations for approval.

In addition, the InvestEU Regulation (Article 35.4 on Transitional provisions) allows that financing and investment operations signed or entered into by implementing partners during the period from 1 January 2021 until the signature of their guarantee agreement may be covered by the EU

Guarantee, provided that those operations are indicated in the guarantee agreement, pass the policy check and are approved by the Investment Committee.

Question:

The assessment of applications is explained in Annex I of the Call for Expression of Interest mentioning that a maximum of 85 points (out of 100) for quality and impact would be awarded based on product characteristics. How are those points assigned if an implementing partner proposes more than one financial product? Is the distribution of points pro rata according to the number or the guarantee volume, or according to any other key?

Answer:

The European Commission will assess and score several aspects under the criteria for quality and impact, including the applicant's quality (as an institution) and the expected impact of all proposed financial products included in an application. The assessment will consider the weighted average scoring of the proposed financial products and the scoring of those with the highest impact. At a later stage of the selection process, when negotiating individual Guarantee Agreements with implementing partners, the European Commission may focus on those financial products that have the highest expected impact, taking into account budgetary availability.

Question:

What is meant by 'most recent audited financial statements'? How many financial statements does an applicant have to include in the application, and is this requirement not already fulfilled by submitting financial statements to the European Commission in the context of the Pillar Assessment?

Answer:

The applicant should include a copy of the most recent audited financial statements in the application, irrespective of the submission of such financial statements for the Pillar Assessment. For the sake of completeness of the application, the applicant should include in the application the audited financial statements of the last two business years.

Question:

Regarding supporting documents to be provided as part of the application, it might be difficult to provide all relevant supporting documents, due to their size, by e-mail. Can applicants provide links to publicly available documents supporting their application instead?

Answer:

Applicants can provide links to publicly available documents that are meant to support the application. In that case, a list of all supporting documents and their respective links should be sent.

Question:

The Call for Expression of Interest requires the description of the profiles of the persons responsible for the management and implementation of the activities related to InvestEU. What is meant by 'profiles' and which relevant documents should be included in the application?

Answer:

The European Commission expects a description of the profiles of the persons primarily responsible for the management and implementation of the activities related to InvestEU. Information on those persons who would be in charge of handling the InvestEU Guarantee as well as a short description of their role is sufficient (for instance, the person with overall responsibility; the person responsible in the product development or credit department; the person responsible in the risk management department). The provision of CVs is not required.

Question:

Which documents should be provided by an applicant in order to address the requirement, under the quality criterion, to demonstrate the ‘experience and ability of the Applicant to implement financing and investment operations, including previous experience in implementing guarantees provided by the EU, or other international or national institutions’?

Answer:

The Commission asks applicants to list relevant information on their experience in handling guarantees from third parties, including those provided by the EU, when applying for the InvestEU Guarantee. Any such previous experience, be it at national or international level, or as a direct partner of the EU or indirectly (in the role of a financial intermediary) can be regarded as relevant.

In case of extensive experience of an applicant in managing third party guarantees, relevant information should focus on recent EU, international or national guarantees managed, in areas relevant for InvestEU or other EU policy areas.

Question:

If an applicant applies with financial products to the first cut-off date (30 June) and concludes a guarantee agreement with the Commission on that basis, and then applies with further products to the second cut-off date (1 October) which might then also be selected by the Commission: How would this be reflected in the guarantee agreement?

Answer:

If an applicant applies, with a first set of financial products, to the first cut-off date of the Call (30 June 2021) and this applicant would become an implementing partner (by signing a guarantee agreement with the Commission), for any further financial product(s) which that applicant may submit and which might be selected by the Commission following the second cut-off date (1 October 2021), the existing guarantee agreement would be amended by including provisions on such further financial product(s).

Specific questions

Question:

Does the request to provide information on ‘sustainability proofing’ and ‘climate tracking’ of financing and investment operations refer to past experience of implementing partners or rather to the intended procedure for proposed financial products? It should be noted that for newly created financial products, the way in which sustainability proofing and climate tracking will be carried out would only be defined when implementing the financial product, after the conclusion

of a guarantee agreement. Such information would not be available at the time of application to the Call for Expression of Interest.

Answer:

The information on sustainability proofing and climate and environmental tracking should allow the Commission to assess the experience of the applicant with sustainability proofing of projects and with reporting on the contribution to climate, environmental and social objectives. Against this backdrop, we expect the applicant to submit a summary description on how the applicant, as an institution, handles sustainability-related issues (climate; environment; social), in particular how Environmental, Social and Governance (ESG) aspects are integrated in the due diligence process and whether the institution reports on climate and environmental financing.

For potential implementing partners with limited precedent experience with Environmental, Social and Governance due diligence or climate and environmental tracking, the Commission expects to receive information on how requirements laid down in the Commission guidance documents on Sustainability Proofing and Climate and Environmental Tracking under InvestEU are planned to be handled.

Such information may include a description of provisions in financial products foreseen to allow the verification of sustainability aspects (for instance, alignment with criteria for substantial contribution or Do-No-Significant-Harm criteria of the EU Taxonomy), or how financial products would contribute to the EU's climate and/or environmental target.

Question:

Provision of information on sustainability proofing (climate, environmental and social aspects) and climate tracking of financing and investment operations: If the programmes we wish to launch using the InvestEU Guarantee are general in nature e.g. generational change, start-up or scaling businesses and are under €3m per loan, via an intermediated model, how will this apply?

Answer:

If the applicant's envisaged financial products under the InvestEU Fund do not target specifically climate, environmental or social investments, the general description referred to in the previous question is sufficient. If the applicant proposes financial products that target climate, environmental or social matters, more detailed information on how sustainability goals could be achieved is expected. For further information on sustainability proofing as well as climate and environmental tracking, please see the Commission guidance documents published on the InvestEU website: **About the InvestEU Fund | InvestEU (europa.eu)**.

Question:

How will the contribution of general financial products to the EU's climate goals have to be assessed? Which measures are expected from applicants?

Answer:

For all financial products and underlying financing and investment operations supported under InvestEU, climate and environmental tracking would need to be done, in line with the Commission guidance on InvestEU climate and environmental tracking. This is applicable also to financial products

that do not intend to contribute to the EU's climate and environmental objectives and where their contribution might be negligible. For further information, please see the Commission guidance document on climate and environmental tracking and the Annexes (InvestEU climate and environmental markers): [About the InvestEU Fund | InvestEU \(europa.eu\)](#)

Question:

If, according to section 6 of the Call for Expression of Interest, in addition to bank data and the allocated guarantee amount, a general reference to the type of financing is published for individual portfolios, how can exclusivity with regard to similar financial products be ensured, including vis-à-vis future EU-wide financial products?

Answer:

The InvestEU Programme is open to a variety of implementing partners active in one Member State, or a region within one Member State, in several Member States or at EU level covering all Member States. Therefore, exclusivity of a financial product designed for a certain territory by an implementing partner cannot be granted. The requirements laid down in section 6 of the Call for Expression of Interest foresee a general description of the product, its geographical coverage and mode of intervention. However, the disclosure of information on the financial structure, pricing or fees of a financial product is not required.

Question:

How will the criterion of 'costs and remuneration for the EU budget' be taken into account in the assessment of applications under 'impact', given that the European Commission has not yet communicated how remuneration of the InvestEU Guarantee will look like?

Answers:

The Commission shared the main principles for the remuneration of the InvestEU Guarantee with the working group composed of risk experts of potential implementing partners. A fee-based remuneration is envisaged for debt-type financing, whereas for equity-type financing, the InvestEU guarantee will, in principle, be remunerated on a pari-passu basis, in line with the InvestEU Regulation and the InvestEU Investment Guidelines. The remuneration for the InvestEU guarantee will also be subject to negotiations and finally reflected in the individual guarantee agreement.

Question:

For a regional or national development bank, geographical diversification outside of its region or Member State is not possible by law. Does this lead to discrimination in the assessment of impact of an application from regional or national promotional banks? Assuming that this is not the case, the European Commission should clarify that diversification within the business territory of an applicant is considered as sufficient.

Answer:

The criterion of geographical diversification stems from Article 15 of the InvestEU Regulation. The Commission will also consider diversification within the business territory and the contribution made by the implementing partner to geographical diversification, compared to other implementing partners. In addition, other criteria such as the capacity to finance smaller projects are equally

relevant when assessing applications, which may help balance the assessment of applications of national or regional promotional banks.

Question:

Can ‘framework operations’ include portfolio (counter-)guarantees and, in case they can and a portfolio guarantee is signed with the Commission before the end of 2023, until when can the guarantees under this portfolio be implemented (for the share that is supported by the NGEU budget)?

Answer:

Framework operations can include portfolio (counter-)guarantees.

Sub-projects of approved framework operations supported by the NGEU budget of InvestEU Fund must be signed between the implementing partner and the financial intermediary at the latest one year after the approval of the respective framework operation by the implementing partner. Sub-projects supported by the budget of the Multiannual Financial Framework part of the InvestEU Fund shall be signed between the implementing partner and the final recipient or the financial intermediary at the latest by 31 December 2028, in line with Article 13 (7) of the InvestEU Regulation.

Question:

Could you provide clarity on the criterion related to innovative financial and risk solutions in the area of guarantee products?

Answer:

This criterion is mentioned in Article 15, paragraph 2 (d) of the InvestEU Regulation. It refers to the overall structuring of the financial product and the form of financing that will be provided to final recipients. For guarantee products, the Commission expects the applicant to elaborate on the risk-sharing and the transfer of benefit to final recipients related to the use of the EU Guarantee.

Question:

In the Form for Financial Products (Annex II Section B, section 23), applicants should provide information on their funding costs. Can the Commission specify which types/ categories of costs would need to be mentioned?

Answer:

In this section of the Financial Products Form, the Commission is seeking information on the eventual cost of implementing partners to source the necessary funding that is needed for the proposed financing and investment operations. The Commission would like to obtain information on the expected cost of the funding amount, both for the interest rate foreseen and the total amount of funding cost to be covered by the EU Guarantee.

Questions on equity-type finance

Question:

Please describe how the InvestEU guarantee would work in a typical individual equity investment operation. Please confirm whether only “Intermediated equity investments” require other private investors (i.e. min. 30%) or if this condition also applies to “Direct individual operations” and “direct portfolio equity investments”.

Answer:

The Commission understands that this question refers to point 5.1.2 (e) of the Investment Guidelines (IGs) and clarification is sought whether direct equity investments are also covered by those provisions.

This is not the case as the referred point only applies to intermediated equity investments. However, the investment needs to comply with the applicable State aid rules (e.g., market conformity could require a minimum amount of private investment, typically 30% at the same terms and conditions as the public investment). Moreover, please note that – in accordance with section 2.3.1 of the IGs – IPs can only provide financing up to 50% of the project cost (i.e. the remaining at least 50% has to be provided by other investors). Direct equity operations should not exceed 50% of the project cost unless footnote 27 of the IGs applies.

Question:

Please define what is an ‘investment vehicle’ and how it differs from a final recipient (i.e. is an investment vehicle a company investing in other companies and not in a platform of assets)?

Answer:

An investment vehicle is one possible form of financial intermediary. This is also clarified in section 5.1.2 of the IGs that states: “Equity and quasi-equity financing may be provided by implementing partners to final recipients directly or through **financial intermediaries, such as dedicated funds and investment vehicles** [...]”.

Question:

In case investments have to be made pari-passu with third party investors, how would the guarantee benefit such third-party investors?

Answer:

The InvestEU guarantee may only cover a financing or investment operation made by the implementing partner. Such operation may take the form of an investment in a fund. Regardless of the presence of the InvestEU guarantee, the investment of the implementing partner in a fund must be made on a pari-passu basis with other investors. Footnote 24 of the IGs allows implementing partners to provide a guarantee to a third-party financier. In this case, the operation of the implementing partner is considered an investment taking the form of a guarantee.

Question:

Can you please explain what conditions have to be met for the investment under the InvestEU framework (i.e. market failure) to be compatible with the Market Economy Investor Principle?

Answer:

InvestEU supported financing and investment operations shall respect all requirements stemming from the InvestEU legal framework. This includes *inter alia* that the financing and investment operations shall address a market failure or a sub-optimal investment situation (see Art. 14(1)(a) of the InvestEU Regulation). If the financing and investment operation involves state resources, it should be in compliance with State aid rules. One possibility to ensure State aid compliance is to align the operation with the Market Economy Operator Principle by respecting the rules reflected in section 4.2. of the Commission notice on the notion of aid.

Question:

Size of the EU Guarantee: Point 4.1.2 of the Investment Guidelines reads: *“The part of financing covered by the EU guarantee shall represent in aggregate up to 70% of the overall equity-type financing provided by the implementing partner (which can be considered at a group level) on a pari-passu basis under the different financial products and own risk financing shall represent at least 5% of the overall equity-type financing provided pari-passu by the implementing partner under any financing or investment operation”*.

Can you please clarify whether the own risk financing shall be taken into consideration when calculating the amount of the guarantee?

Answer:

Section 4.1.2 of the Investment Guidelines is applicable to equity-type financing provided by the implementing partner, including equity operations under pari-passu structures. This section clarifies that the part of financing covered by the EU guarantee can represent in aggregate up to 70% of the overall equity-type financing provided by the implementing partner under the different financial products. The overall amount of financing is the sum of the amount covered by the EU Guarantee and the financing provided by the implementing partner at own risk. The overall amount of financing provided by the implementing partner will be taken into account when determining the coverage of the EU guarantee.

Question:

Activation of the InvestEU guarantee:

- 1. In case of an equity investment in the form of ordinary shares, what is the trigger to activate the InvestEU guarantee (i.e. default of the underlying entity, admission to bankruptcy proceedings, etc.)?**
- 2. What is the consequence of activating the InvestEU guarantee (e.g. seizure of the shares)?**
- 3. As far as the implementing partner’s commitment into an investment fund is concerned, could you please provide more details on the trigger to activate the InvestEU guarantee?**

Answer:

More information on triggering events will be provided at a later stage, before negotiating the guarantee agreement. Please note that the implementing partner is responsible for carrying out investment operations in line with their own rules of procedures, including the handling of recoveries, which will be further specified in the guarantee agreement.