

### InvestEU Scoreboard<sup>1</sup>

**Presentation of the financing or investment operation:**

**Implementing Partner:** European Investment Fund (EIF)

**Name of the Operation:** Framework Operation, SME Competitiveness Guarantee – Malta InvestEU Member State Compartment

**Type of approval:** Framework Operation

**Type of Financial Intermediaries:** Mostly commercial banks

**Type of Final Recipients:** SMEs (including Micro Enterprises)

**Country(-ies) of implementation of the operation:** Malta

**Short description of the financing or investment operation:**

Framework Operation for guarantee, under the Maltese InvestEU Member State compartment.

The Sub-Projects that will fall under this Framework Operation will aim at improving the competitiveness of enterprises by facilitating access to, and the availability of, finance to SMEs covering the entire territory of Malta. The envisaged Sub-Projects shall aim to strengthen the resilience, increase productivity and support sustainable growth of the Maltese companies. Various forms of financing, including working capital funds, revolving credit lines, investment loans, and leasing may be provided by intermediaries.

Improving the competitiveness of enterprises by facilitating access to, and the availability of finance to SMEs, which are perceived by financial intermediaries as being high risk or lacking sufficient collateral.

In line with the Maltese Operational Program, the Sub-Projects would be focused on addressing the structural weaknesses of the Maltese economy, such as lack of liquidity and solvency risks faced by the local enterprises due to their inability to meet financial obligations resulting from the significant reduction of revenues and supply chain disruptions as a result of the COVID-19 pandemic. Additionally, the Sub-Projects shall improve the competitiveness of enterprises by facilitating access to, and the availability of, finance to SMEs to quickly recover from the COVID-19 crisis and create opportunities for business expansion to achieve growth and sustainable development. In this context, the Sub-Projects shall aim to stimulate conventional lending channels by supporting investments and working capital needs of enterprises.

**Public statement:**

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

**Item 7 of Annex II of the InvestEU Regulation:**

*financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies.*

<sup>1</sup> This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Additionality shall be deemed to be met in all those cases where a financial intermediary will originate final recipient transactions addressing new financing needs, which were normally not covered within their standard lending practice. This may as well entail a higher risk profile than the risk generally deemed acceptable by such intermediary. Intermediaries will implement financing solutions in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website (e.g. bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

Additionality may also be achieved via the application of any of the following items, as per Annex V of the InvestEU Regulation:

Under this Framework Operation, EIF will support financial intermediaries that will provide financing to final recipients meeting the relevant product eligibility criteria of Higher risk category 1 or 2, as applicable, detailed in Schedule 1.2 of Annex II-A to the InvestEU GA.

The additionality of each Sub-Project falling under this Framework Operation will be ensured by the application of any of the items below, in line with Annex V.A of the InvestEU Regulation.

Additionality shall be deemed to be met via each Sub-Project as financial intermediaries will originate final recipient transactions which carry a higher risk profile than the risk generally deemed acceptable by such intermediary, inter alia:

In the form of targeting final recipients of lower creditworthiness; or Implementing financing solutions in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website which carry an increased risk profile (e.g. bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

Additionality may also be achieved via the application of any of the following items:

**Item (b) of Annex V A (2) to the InvestEU Regulation:** support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources.

EIF expects to support financial intermediaries in originating final recipient transactions (debt financing) which meet the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website.

These measures ensure that the debt financing support provided to target final recipients is made with more favourable terms, compared to the standard credit and collection policies of financial intermediaries. The measures include, but are not limited to, improvement in financing tenor, pricing conditions, collateral requirements and other.

**Item (c) of Annex V A (2) to the InvestEU Regulation:** support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner's own standard activities or support to implementing partners in exceeding own capacity to support such operations.

The use of the InvestEU Guarantee allows EIF to enter into guarantee operations with financial intermediaries supporting higher risk category final recipients. Guarantee instruments are not part of the

EIF's standard activities and are typically implemented by EIF via third-party mandates. Building on the previous EU and regional guarantee instruments, the SME Competitiveness Product implemented under the InvestEU Member State Compartment, will enable the EIF to support the SME ecosystem at a scale that would not be possible or not to same extent out of the EU Compartment of InvestEU nor other EIF managed resource for that purpose.

**Item (f) of Annex V A (2) to the InvestEU Regulation:** support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets.

The SME financing market is characterised by persistent market gaps which occur when viable projects or viable SMEs do not get the financing they require from Financial Intermediaries due to e.g. information asymmetries, market fragmentation, transaction costs or the Financial Intermediary's risk aversion. Especially young firms face particular challenges due to a lack of track record on which the Financial Intermediary could rely for the purposes of risk analysis and taking of the financing decision.

SMEs in Malta report insufficient collateral or other bank requirements, such as guarantees as being most often the cause for not being able to obtain financing.

The contribution from Malta is intended to widen forms of support for enterprises to access the necessary finance. Support is directed towards competitiveness, growth and employment and to promote economic and territorial cohesion.

The EIF, via the Sub-Projects that will form part of this this Framework Operation, will contribute to addressing the market gap depicted above.

Furthermore, the identified main market failures preventing investments include also:

- High commercial interest rates;
- Lack of collateral;
- Small project sizes resulting in high project development and transaction costs;
- Grant dependency – beneficiaries prefer to delay investments waiting for grants to become available;

The Sub-Projects that will form part of this Framework Operation are therefore expected to support financial intermediaries which in turn would support final recipient transactions aimed at covering the market gap driven by the inability for target final recipients having sustainable market practices due to increased costs and risks and thus excluded from traditional capital markets.

**Pillar 3** - Market failure or sub-optimal investment situation addressed by the financing or investment operation (**Excellent**)

**Pillar 4** - Financial and technical contribution by the implementing partner (**Very Good**)

**Pillar 5** - Impact of the financing or investment operation (**Very Good**)

**Pillar 7** - Complementary indicators

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively 4x for uncapped guarantee	Preliminary estimation
Multiplier Effect	Indicatively 5.7x for uncapped guarantee	
<b>SMEW specific Indicators</b>		
(a) Number of enterprises supported (expected)		Preliminary estimation
(b) Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission	[100% SMEs]	
<p><b>ESG aspects</b></p> <p>Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.</p>		