Future role of National Promotional Banks and Institutions in the Implementation of EU Funds

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In the context of growing pressure to maintain or even reduce the EU budget, a well-programmed and efficient multiannual financial framework is crucially important. In this respect, financial instruments are particularly well suited to address financially viable projects that have potential to generate returns. Thanks to their revolving nature a larger number of beneficiaries can be served with the same amount of money. Projects are also often better prepared as their promoters are aware of the repayment obligation.

As evidenced by past implementation of financial instruments of European Structural and Investment Funds, of the Juncker plan, of MAP, CIP, COSME or FP6, FP7 and Horizon 2020 or several European initiatives such as e.g. the Marguerite Fund and notwithstanding their individual differences, National Promotional Banks and Institutions (NPBIs) have a significant role to play in the roll-out of financial instruments, thanks to:

- A strong common track record of designing and implementing financial instruments financed from the public resources. NPBIs combine significant financial and project engineering expertise with their strong financing capacities;
- Their ability to build bridges between the public and the private sectors;
- Their knowledge of local actors and their political priorities as well as of European Institutions and policies and their ability to establish an effective intra-European network;
- NPBIs represent the right scale of intervention in terms of national and local economic development for Member States, while working with the European Investment Bank (EIB) Group in a complementary manner. They have a sound knowledge of their respective territories and the ability to implement tailor-made financial instruments locally.

In this respect, the post 2020 Multiannual Financial Framework (MFF) should be built on a few simple principles:

- **A strong reliance on the network of NPBIs:** Given their mandate to carry out development and/or promotional activities, in the full respect of their different forms, and the fact that they are all solid financial institutions, NPBIs are natural partners of the European Union Institutions in enabling the roll-out of financial instruments.
- **Continuity**: The EU implemented long-lasting promotional schemes for specific cases of market failure such as e.g. access to finance for small and medium-sized enterprises (SMEs) or innovation financing. Of course, there is no reason to modify instruments that have proven efficient. But, if certain instruments have to be improved or new instruments put in place, relevant stakeholders including NPBI should be consulted on these changes.

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- **Simplification of implementation:** Financial instruments should be approached from an economic perspective, as opposed to the administrative approach that currently prevails in the management of grants. Indeed, flexible and market-oriented tools do not respond to the same logic as grants do. The related process, should be based on trust in the final beneficiary, NPBIs knowledge of enterprises' needs, flexibility in the implementation of financial instruments by their managers and focused on maximizing the impact to the EU economies from the financing provided by financial instruments, instead of following detailed and burdensome procedures.
- **Reporting and control:** These requirements should remain as smart and simple as possible, as at the end of the day the entire burden has to be transferred to the final beneficiaries. They should be also stable to not cause unnecessary and costly changes. NPBIs can provide an appropriate monitoring and reporting mechanism of financial instruments, consistent with this economic approach.

NPBIs continue to give a strong commitment for a solid and efficient implementation of EU financial instruments in various fields such as infrastructure, energy and energy efficiency, environment, digitalisation, SME- and innovation financing, social infrastructure or municipal financing. They will be key actors of the next MFF 2021-2027. Representing NPBIs, ELTI is ready to be an integral part in the forthcoming discussions about the design of EU financial instruments and is happy to work alongside EU Institutions to shape the EU budget for the benefit of European citizens and the European economy.

About ELTI

ELTI members represent an European-wide network of responsible long-term investors who offer financial solutions tailored to the specific needs of their respective country and economy. Multilateral financial institutions complement the activities at national level with specific cross-boarder solutions or investments with an European impact. Following the specific public mission of each member the business model of each institution differs from country to country including different products and approaches. This is the same for multilateral ELTI members. Most of the members offer various debt-products but not all members have a mandate for investment in equity. This ensures that specific needs are adressed by a specific solution notably for investments where a "one-size-fits-all" approach doesn't lead to optimal soulutions.

This statement is endorsed by 27 major long-term investors, representing a combined balance sheet of over Euros 1.5 trillion, who are members of the European Long-Term Investors association (ELTI) a.i.s.b.l. The Association promotes and attracts quality long- term investment in the real economy, including:

- strengthening cooperation, including at an operational level, between European financial institutions as well as with other Institutions of the European Union (EU) acting as long-term financiers;
- informing the EU and its Institutions on the role and potential of the Members as institutions and agencies for long-term financing;
- strengthening the access of the Members to information on matters related to the EU;
- exchanging information and experiences among Members and with national and international organisations sharing the Association's interest in the promotion of long-term investment;
- developing the concept of long-term investment within the economic and financial sector and promoting academic research on long-term investments;
- representing, promoting and defending the shared interests of its Members in the field of Long-Term Investment in full transparency.

The Full Members of ELTI are generally national official financial institutions dedicated to the promotion of public policies at national and EU level[1]. The European Investment Bank (EIB) has the status of a permanent observer. ELTI also includes Associate Members notably multilateral financial institutions, regional financial institutions and non-banking institutions such as pension funds and associations[2].

[1] Oesterreichische Kontrollbank (OeKB) Austria, Bulgarian Development Bank (BDB) Bulgaria, Federal Holding and Investment Company (SFPI) Belgium, Croatian Bank for Reconstruction and Development (HBOR) Croatia, Ceskomoravska Zarucni a Rozvojova Banka (CMZRB) Czech Republic, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, National Bank of Greece (NBG) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, Public Investment Development Agency (VIPA) Lithuania, Société Nationale de Credit et d'Investissement (SNCI) Luxembourg, Bank of Valletta (BOV) Malta, Bank Gospodarstwa Krajowego (BGK) Poland, Banco BPI (BPI) Portugal, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain

[2] Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), NRW.Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, INVEGA Lithuania, Turkiye Sinai Kalkinma Bankasi (TSKB) Turkey

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