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Joint answer to common challenges

Promotional Banks and Institutions provide financing

The CEOs of 29 European public financial institutions, united in the European Association of Long-Term Investors (ELTI), reaffirm their commitment to implement common policy objectives by boosting long-term investment throughout the EU.

The challenges ahead – such as climate change, waning natural resources, competitive innovation and technologies as well as digital transition – are numerous for our economies. It will require unprecedented volumes of investment, coordinated efforts as well as smart and adapted solutions. In offering a European answer and demonstrating our effectiveness, we will stand a better chance of facing these global challenges. To be fully successful, this answer must be twofold: unlocking the potential for long-term and stable investment today and improving the visibility of the impact of the EU from a local perspective, in order to ensure that the European project continues to flourish.

Paradoxically, while the demand for long-term financing remains high in all sectors of the economy, the EU suffers from systemic as well as regional under-investment. The Juncker Plan, launched in 2014 to reboot investment across the EU and target riskier projects, has been undeniably successful in reaching the initial overall investment target of €315 billion having been reached after only three years. National Promotional Banks and Institutions (NPBIs) have taken a significant part of the initiative. Almost one EFSI project out of three was implemented in partnership and financed by ELTI members. However, this overall success still leaves room for improvement. One of the main challenges now is how to achieve better additionality and encourage more cooperation. This is the case for SMEs as well as infrastructure projects including those with a social dimension (e.g. health, education...), as evidenced by the Report of the High-Level Task Force on Investing in Social Infrastructure in Europe, published in January 2018, under the aegis of the ELTI and with the support of the European Commission.

The next EU budget, known as the Multi-annual Financial Framework (2021-2027), creates the opportunity for a direct involvement of National Promotional Banks and Institutions (NPBIs) through the InvestEU programme. This would make EU financing more impactful, targeted and visible locally by relying on various financial capacity and expertise of NPBIs and European Financial Institutions. Opening up direct access to the EU guarantee will bring more complementarity which is crucial in financing smaller and more challenging projects by relying on three know-how methods: “labelling” to identify on-the-ground projects with the most climate action added value (both economically and socially), “bundling” of small projects together and “blending” those projects, which require both grants and repayable financing. In each case NPBIs will help to crowd-in private financing resources.

The local reach of NPBIs and their existing distribution channels for SME finance and other small project support will be critical to the delivery of vital high transaction volume climate action investments such as energy efficiency, retrofitting of households, SMEs, microgeneration and storage and clean mobility programmes. At a larger scale, their ability to take on risky major projects alongside the EIB and the European Commission is critical to bringing more innovative and value-added projects to fruition. Finally, the broad nature of NPBIs' relationships with the financial markets and each other will prove essential to foster the creation of an effective market for the finance of climate action investments

over the next thirty years through the delivery of Capital Markets Union and new ways to structure such investments for the private sector.

The ultimate success of the new instrument depends on its basic set-up and simple procedures. It is key to create conducive framework conditions for its implementation. Besides the design and usability of the guarantee, we also call for a balanced approach which avoids additional burden, especially in comparison to established scrutiny and reporting requirements.

NPBIs share a common goal: fostering the economic development of their country and contributing to jointly-agreed policy objectives by deploying and leveraging their financial resources and technical expertise through financing solutions according to their mandates. They also share a common voice at EU level, through ELTI, and have demonstrated their ability to cooperate with European Institutions over the past years. Individually and through our common association ELTI, we are ready to provide our support, to leverage common experience and financial capacities to successfully address the challenges ahead and ensure a fruitful deployment of this new instruments.

