

Stimulating sustainable growth after COVID with InvestEU

By Michael FEITH

How to stimulate sustainable growth in the post-pandemic era? InvestEU is a €372bn European Union finance initiative which aims to contribute to sustainable post-pandemic growth of the EU economy, with climate goals clearly in its sights.



InvestEU is a part of NextGenerationEU – the largest ever stimulus package financed in Europe. It works by mobilizing private investments in the form of loans through public budget guarantees. The loans are implemented by financial partners across the EU, with the European Investment Bank (EIB) as major partner.

Funding for the first projects will become available in early-2022, and the program runs to 2027, aiming to stimulate growth in the developing green and digital sectors, and strengthen EU leadership in research, development and innovation. This includes healthcare as well as Europe's vibrant start-up ecosystem.

Supporting key economic goals

The stimulus programme aims to attract private and public capital in four areas:

- Sustainable infrastructure – 60% of investments will contribute to EU climate objectives.
- Research, innovation and digitization
- Small and medium-sized companies
- Social investment and skills

InvestEU will support investment of strategic importance to the EU economy, in particular in critical infrastructure, digital communications and Space.

A specific focus will also be on the social sector, including health and education. InvestEU aims to double the investments in the social sector compared to the previous program (European Fund for Strategic Investments – EFSI). This will also channel investment support for social services and skills.

The program's approach will be to provide guidance to project promoters, companies and financial institutions to verify whether their investments are sustainable in relation to their impact on the climate, and aligned with the new EU criteria on sustainable investments.

To do so, the climate-related, environmental and social impact of projects will be assessed and verified by 12 independent experts.

InvestEU will also support the recovery programs of member states who decide to >

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use part of their EU Recovery and Resilience Funds, or shared management funds, for the implementation of specific InvestEU financial products. Furthermore, synergies with other programs can be reached by 'blending' InvestEU investments with EU Regional Funds.

How the financing works

InvestEU works via a series of loans offered to project promoters, whether in the private or the public sector, as well as investments into selected equity funds in the infrastructure area. The panel of experts will assess how projects work to stimulate investment into areas of higher risk or of specific policy importance, such as the green economy transition, digital transformation or for social purposes.

InvestEU also centralizes technical and financial advisory programs implemented at EU level under one umbrella, the InvestEU Advisory Hub.

The loans and equity investments will be available via designated financial institutions, with the EIB Group as main and first partner, but also via institutions such as the European Bank of Reconstruction and Development or national promotional banks. Financing is backed by guarantee of the EU budget to lower the risk for participants and encourage diversification.

Experience points to the success of such programs: the Investment Plan for Europe and its EFSI has supported more than 730 infrastructure projects and funds across Europe, mobilizing €315bn in investment.

Before the EU guarantee is granted, all investments undergo a 'sustainability proofing' by the implementing partners – a check on their suitability in terms of climate, environmental and social goals. They will also take into account the new EU taxonomy on sustainable

activities, which provides companies, investors and policymakers with definitions for which economic activities can be considered environmentally sustainable. However, nuclear energy projects are not supported by InvestEU.

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Partners

InvestEU continues the well-established and successful partnership with the EIB Group, while also including other implementing partners to increase the geographical and local outreach of the InvestEU programme. The EIB Group will receive 75% of the EU budget guarantee and advisory budget under InvestEU.

In addition to the EIB Group, International Financial Institutions active in Europe, such as the European Bank for Reconstruction and Development (EBRD), the Council of Europe Investment Bank, the Nordic Investment Bank and National Promotional Banks, will have direct access to the EU guarantee.

Working with them will expand and diversify the pipeline of projects and increase the potential pool of final beneficiaries, underpinning progress towards climate goals.

For more information on InvestEU click here: <http://europa.eu/investeu>



InvestEU is a €372bn European Union finance initiative with climate goals clearly in its sights. Critical and sustainable infrastructure will play a central role.



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He is mainly involved in the set-up and the governance of the 'InvestEU' programme for the EU's new budgetary period. He recently became a member of the secretariat of the InvestEU Investment Committee, the body that approves the use of the EU guarantee for financing and investment operations.