EAPB views on the EU's political priorities,

September 2024

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Executive summary

Many of the proposals flagged by President von der Leyen, Mr. Draghi and Mr. Letta concern the core of the activities of national and regional promotional banks and municipal funding agencies, in particular those aiming at strengthening social projects in the EU while maintaining momentum on the green agenda. We also welcome their efforts to revive the Capital Markets Union. The willingness to revise the scope of state aid rules to encourage public investment is highly welcome in order not to be left behind in global competition and enabling Member States to pursue public policy objectives. European promotional banks and municipal funding agencies provide long-term funding and help the EU economy and society engage in large reforms and societal changes. At the same time, they provide emergency funding in crisis situations. They have a key role to play as intermediaries between the market and public spending. At a moment where public resources are scarce, they can help mobilize private investments. EAPB members are thus pleased to share their views on the current political priorities and how they can contribute to them.

Priority 1: Championing inclusive and sustainable communities by enhancing the usability of the EU sustainable finance framework, with a special focus on social projects, and to help SMEs and the public sector adapt to climate change: Enhancing the availability of and access to financing is necessary to meet the urgently needed investments for the sustainable transition. European promotional banks and municipal funding agencies play a key role in funding climate adaptation as they run on a non-profit maximising but financially sustainable basis which will serve as the perfect hub to bring in public stakeholders, SMEs but also private investors by sharing the risk with them to put in place climate adaptation projects. EAPB members attract funding from the capital markets for the corporate and public sector to help them meet sustainability goals. The current framework does not fit our members clients' activities which may impact our members' and our clients' financing conditions. Therefore, a key objective of the next Financial Services Commissioner should be to enhance the usability of the EU sustainable finance framework. Next, the new EC should start working on a voluntary social investment framework, building on existing regulations and taking into consideration the lessons learnt from the green taxonomy. Social and affordable housing needs stronger support, via additional EU funding and a more flexible State aid framework; promotional banks with their experience in housing finance should be in the loop of players to find solutions for the current challenges.

Priority 2: Enhance the competitiveness of the EU economy by empowering the banking sector, setting up a Savings and Investment Union and advancing digital transformation: To enhance competitiveness and sovereignty in EU legislation, it is recommended to place a stronger focus on revitalizing securitization markets to finance transformation, simplifying and increasing the flexibility of macroprudential instruments, and maintaining proportionality with respect to different business models. Additionally, the regulatory processing of the financial crisis, including bank levies, should be considered complete. Furthermore, we recommend a principle-oriented approach to legislation to ease the burden on the real economy and financial sector, thereby strengthening investments and financing opportunities. Moreover, we strongly believe that revisiting the SME definition can bring about positive transformations in strategic sectors, bolstering the EU economy and sovereignty. We urge the EC to cut down red tape in a meaningful way and initiate a comprehensive review of the regulatory framework. Greater competitiveness comes also with a more generalised use of new digital technologies. EAPB members are key facilitators of the digital transformation and stand ready to promote a wider use of innovative technologies. In particular, they provide loans to allow companies to finance process automation, product simplifications, the set-up of customer portals as well as developing digital skills of employees.

Priority 3: Streamlined regulatory processes for unleashing potential by reducing administrative burden in EU funding programmes: EAPB members have also proven to be reliable and competent partners of the EC, the EIB group and Member States over the last funding cycles, be it in deployments of EU structural funds or EU level financial instruments. The overall complexity, scope and level of detail of the funding regulations and the administrative and audit costs for the implementing bodies are steadily increasing. Re-thinking everything from scratch every 7 years is generally not advisable in an investment environment where stability is key and the need to provide clarity and security to business partners is more important than ever. The focus should be put on the simplification of the requirements. We warn against introducing further RRF inspired conditionality and a centralized approach into EU structural funds, because it could overburden stakeholders. Also, in the next MFF, InvestEU and the principle of open architecture, i.e. the possibility for national and regional promotional banks to act as implementing partners alongside the EIB should be maintained, while drawing the lessons from the first implementation and cutting administrative burden significantly.

Priority 4: Ensuring stability and change in crisis through support of the defence and resilience of the EU: Promotional banks support the resilience and the defence of the EU, notably as a response to the attack against Ukraine by Russia. EAPB members have shielded affected municipalities, municipal energy companies and SMEs from the consequences of the war by financially supporting them. Depending on the scope of their public mandate and the individual banks' policy, some have also provided funding to SMEs defence industry supply chains, export funding of fighter jets and the funding of armed forces. The EAPB is happy to liaise between the Commission and those members who are engaged in this area as part of their mandate and policies.

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Introduction

The European Association of Public Banks (EAPB) represents national and regional promotional and public banks, including municipality funding agencies and public commercial banks. EAPB members provide financial services and funding for projects that support sustainable economic and social development. Activities range, amongst others, from the funding of companies and the promotion of a greener economy to the financing of social housing, health care, education, and public infrastructure at national, regional and local level.

This paper showcases how our members can and where applicable which modifications would enable them to (better) help with the implementation of the key proposals and priorities in strategic documents like the Letta report, the Statement at the European Parliament Plenary by President Ursula von der Leyen as well as the Draghi report

The EU is facing immense challenges as a result of decades of crisis situations, most recently the COVID pandemic and Russia's war against Ukraine. These crises have had an adverse impact on public budgets, the EU economy and EU citizens. The necessary adaptations to the effects of climate change have put additional strains on the economy and on society. Increased geopolitical tensions over the last years have reshaped global economic competition and strengthened the strategic role that EU governments have to play in industry decisions.

The Draghi report has stressed that the EU's ambitions – such as achieving high levels of social inclusion, delivering carbon neutrality and increasing geopolitical relevance – will depend on maintaining solid rates of economic growth. For this it needs to close the innovation gap (compared to the US), a joint plan for decarbonisation and competitiveness (in particular to cut energy prices) and to increase security and reduce dependence. To meet the objectives laid out in this report, the report estimates that a minimum annual additional investment of EUR 750 to 800 billion is needed.

In this context Public Banks have a key role to play as intermediaries between market forces and public spending. At a moment where public resources are scarce, public banks can mobilize private investments. EAPB members attract funding from the capital markets for the corporate and public sector to help them pursue public policy objectives including sustainability goals. EAPB clients and beneficiaries are key actors in the sustainable transition, therefore our members have been early adaptors of sustainable bonds.

European promotional banks and funding agencies provide long-term funding and help the EU economy and society engage in large reforms and societal changes. At the same time, they provide emergency funding in crisis situations. Following the attack of Ukraine by Russia, EAPB members have put in place support programmes to respond to the economic and social consequences of the war. There is need for support in view of shortage of fuels in general but also with regard to imported raw materials in many sectors from industrials to agriculture. To strengthen the position of the EU in sanctioning Russia, affected municipalities, municipal energy companies and SMEs have had to be shielded from the consequences of the war. As they did during the COVID pandemic, EAPB members have been able to act swiftly to provide the necessary support measures and to alleviate the impact of the war and the sanctions on the European economy and on EU citizens.

Since the set up and implementation of the Juncker plan to InvestEU, European promotional banks have been put at the centre of today's EU promotional and sustainable policy; many EAPB members are now direct implementing partners of the EU for the InvestEU programme and other EU programmes.

Access to funding will be a fundamental issue over the next Commission and European Parliament mandates. Therefore, it is extremely important that all actors, at local/regional, national and European level coordinate well and align their activities and target their resources. EAPB members are ready to contribute in a meaningful way to the EU priorities for the next five years.

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Priority 1: Championing inclusive and sustainable communities

- **Enhance the usability of the EU sustainable finance framework, incl. to support the public sector**

A key objective of the EU as stressed by Mr. Letta and Mr. Draghi is the decarbonisation of our economy. Enhancing the availability of and access to financing is necessary to meet the urgently needed investments for the sustainable transition and decarbonisation. EAPB members attract funding from the capital markets for the corporate and public sector to help them meet sustainability goals**. As EAPB member's clients and beneficiaries are key actors in the sustainable transition, they have been early adaptors of sustainable bonds**. From 2020 to 2023 EAPB members issued over 40 bn EUR in social bonds and more than 80 bn EUR in green bonds. Promotional banks differ from normal banks in their targeted investments and their purpose of pursuing public policy including social and ecological sustainability and economic development goals rather than purely financial profit maximisation: we call this impact finance. For example, patient capital provided by promotional banks allows projects with longer-term horizons to secure funding, even if they may not generate immediate or high financial returns. This enables the development and implementation of sustainable solutions that may take time to mature and demonstrate their full impact, making promotional banks the backbone of the transition. For further information and examples please see:

Paper on the Role of Promotional Banks in the Transition towards a Sustainable Economy, September 2024

The current framework does not fit EAPB members clients' activities for whom general purpose lending is the norm and a big part of which are governmental and other public sector entities who are not required to report under the Corporate Sustainability Reporting Directive (CSRD). This poses a challenge for those EAPB members that report under the CSRD and the EU Taxonomy but cannot properly display the majority of their exposures. **The limited usability of the EU Taxonomy for promotional and public banks can have negative effects on the issuance of green financial instruments as well as their overall financing conditions and as such on the financing conditions of their clients**. First, because the market perception of promotional and public sector banks may be impacted by disclosed Green Asset Ratio (GAR) figures. As credit institutions they are required to report the GAR in their Pillar 3 disclosures on ESG risks. EAPB members are concerned that if they cannot convincingly show their positive impact with the new framework, this sends a negative signal to the market, it renders the GAR meaningless and leads to a situation where assembling the relevant data becomes a bureaucratic exercise with no added value. Second, against the backdrop of the EU Green Bond framework which is linked to the EU taxonomy and upcoming works on a Green Loan framework which presumably will be based on the EU taxonomy, this current incompatibility can have negative effects on the access to green financial products for regional governments and local authorities (RGLAs) and public sector entities (PSEs), as well as their overall financing conditions. We believe a key objective of the next Financial Services Commissioner should be to enhance the usability of the EU sustainable finance framework. We consider it urgently necessary to review and align the various legal acts of Sustainable Finance regulation (Taxonomy, SFDR, CSRD, CS3D, ESG aspects in other supervisory frameworks, as well as various ESG data collections) for consistency. This particularly concerns the requirements for ESG data. It is essential to eliminate redundancies and reduce excessive granularity as much as possible. Only after the creation of a consistent framework and a valid data basis can supervisory measures against greenwashing be effectively implemented. The principles-based approach of the CSRD is almost lost in the granularity of the European Sustainability Reporting Standards (ESRS). The effort required to comply with these standards has been underestimated: hardly any company or bank can fully meet the ESRS requirements.

For further details on how to make the sustainable finance framework more effective and applicable see:

EAPB Position paper on taxonomy and green bonds, February 2024

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- **Need for more social investment**

Moreover, there is a compelling need – to ensure a just transition - for more and continuously high investments in social infrastructure, and clear and growing investor demand. **The investment gap is estimated at EUR 1.5 trillion in 2018-2030**.

We welcome the recognition by President von der Leyen in her policy priorities, of the urgent need to address the housing crisis faced by millions of families and young people. EAPB members agree that there is a significant and growing investment gap in social and affordable housing and look forward to working together on a European Affordable Housing Plan. EAPB also strongly welcomes the proposal to inject liquidity into the market by allowing Member States to double the planned cohesion policy investments in affordable housing and to revise state aid rules to enable housing support measures, especially for affordable energy-efficient and social housing. The Draghi report also stresses that well-designed support frameworks are critical for ensuring that the energy transition is just and inclusive, as well as economically beneficial as the increase in investments allows savings on energy purchases further down the road.

EAPB members are also in favour of finetuning the definitions of "social housing", as proposed by the Letta report, and to look at what is affordable housing. The definition in the Services of General Economic Interest Decision (2012/21/EU) on social housing is too narrow and constrains the capacity of public authorities to expand their public housing policies.

We further strongly welcome the proposal to facilitate access to finance for social economy actors throughout their life cycle, including by adapting the General Block Exemption Regulation (GBER) for state aid to social enterprises.

However public money will not be sufficient. There is a need for the development of an EU-wide approach and definition of social impact financing, including relevant financial instruments and labels, which would encourage private investment in initiatives with a social focus. The EU needs a voluntary framework to provide the missing orientation for investors and help directing investments to housing but also healthcare, education. The focus should be on a positive impact. Therefore, EAPB members believe the **new EC should develop a social investment framework,** building on existing regulations (e.g. CSDDD, CSRD) and **taking into consideration the lessons learnt from the green taxonomy**, notably by providing an approach that is simple and unbureaucratic for all parties involved.

As EAPB we have started working on this issue with other stakeholders and would highly appreciate entering into a dialogue with the new Commission to discuss our ideas and how can we contribute further to keeping a strong social dimension in Europe. Please find further ideas on how to make this work here: **Social-Investment Framework-Advocacy-Paper-18th of September letter**

- **Safeguarding water resources and adapting to climate change**

As highlighted by Commission President von der Leyen one of the greatest risks to our security is indeed the impact of climate change. Europe has faced extreme heat waves and drought but also floods in numerous Member States. Extreme whether events put at risk food, water, houses and may make local habitats and environment unliveable. Climate adaptation challenges need to be considered in every new investment and water management plays a central role in these considerations.

Promotional banks **run on a non-profit maximising but financially sustainable basis. This allows them to serve as the perfect hub bringing in public stakeholders, SMEs but also private investors by sharing the risk with them to put in place climate adaptation projects.** On the financing of sustainability, **EAPB members provide financing to green and sustainable projects, with a particular focus on promoting renewable energies, energy efficiency in buildings, water sanity, wastewater and water level management**. This includes funding projects for irrigation communities, industries and other services to improve their water management, supply and usage systems. **All these areas play a role for climate change adaptation.**

Public banks are perfectly suited to use financial instruments such as guarantees or subsidized loans, or even by blending in grants, **to provide appropriate funding solutions to multi-sector projects in the**

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public interest. NPBs are fully skilled to fund projects where different aspects such as a social or environmental dimensions have to be considered. For example, financing a kindergarten, a hospital or a municipal swimming pool will always be an opportunity to install solar panels or collect rainwater. As actors in the public interest they can combine the different policy objectives in one project and systematically integrate state of the art climate adaptation solutions.

EAPB therefore highly welcomes the announcement of President von der Leyen of a water resilience strategy to ensure sources are properly managed, scarcity is addressed, and that the competitive innovative edge of the EU's water industry is enhanced.

EAPB is delighted to have the opportunity to provide input in the Commission Reflection Group on mobilizing Climate Resilience Financing to seek the right solutions. It is essential that the proper funding tools such as public guarantees are put in place for climate adaptation projects and that the sustainable finance framework is made suitable to attract private funding including via public private partnerships for this challenge as well (see above).

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Priority 2: Enhance the competitiveness of the EU economy

Another key objective of the EU is the competitiveness of its economy. According to Mr Draghi the EU's competitiveness will increasingly depend on a strong banking sector, alternative sources of funding, innovative companies and the digitalisation of all sectors.

- **Improving the conditions for financing the transformation:**

The Draghi report highlights that the stringent implementation (compared to the US) of the Basel Agreements at EU level have led to an overly restrictive and cautious regulatory environment for banks. After 16 years of regulatory waves, we welcome this recognition that every new regulatory requirement can restrict banks in fulfilling their role of credit provider. Funding should increasingly be invested in measures to address major societal challenges such as climate change, digitalisation, and peacekeeping, and the EU should focus in the next legislative period on ensuring that the necessary conditions are created.

The implementation of the EU Banking Package (Basel III) should draw a line under the regulatory response to the financial crisis and reduce the high costs of regulation. To this end, on the one hand, the existing framework should be evaluated as a whole and streamlined by eliminating unnecessary or overlapping requirements. For example, the upcoming revision of the macroprudential framework should be used to make the capital buffer concept simpler and more flexible. On the other hand, we propose halting the trend toward increasingly detailed regulations and replacing it with more principle-based regulation and supervision. In this context, we also welcome the EU Commission's proposal to reduce the number and scope of bureaucratic requirements in the area of reporting obligations by 25%.

We also advocate for ending the EU bank levy once the target level of the EU Single Resolution Fund (SRF) has been reached for the first time. The SRF, which banks have funded with their own resources until the end of 2023, has significantly exceeded its original target of €55 billion, reaching around €78 billion. This increase, as noted by the SRB, is not due to an increased risk appetite among banks but solely to a rise in covered deposits. Promotional banks, which are not exempt from the Capital Requirements Directive, have contributed to filling this safety net and, therefore, provided public funds to rescue commercial banks without ever being able to benefit from these funds themselves, as promotional banks cannot be resolved due to their government ownership and support. Given their ownership the contributions of promotional banks constitute public funds. **In a future revision of the resolution framework, promotional banks should therefore be explicitly excluded from this framework,** so that they are not once again forced to build a safety net for commercial banks with public funds when the Single Resolution Fund is refilled, thereby freeing up additional funds for transformation financing.

- **Empowering SMEs:**

European public banks are key providers of funding to SMEs. They provide dedicated financial instruments in the form of working capital loans, SME loan guarantees and counter-guarantees, global loans for partner banks, equity instruments, as well as advisory services for SMEs. A share of 16% of EAPB member funding goes to SMEs (out of a total lending portfolio of 560 billion this means about 90bn euros in 2020).
EAPB members therefore **welcome the intention of President von der Leyen to support SMEs and small mid-caps**. SMEs, but especially mid-caps, are the backbone of key sectors driving the EU's competitiveness and technological sovereignty - electronics, aerospace and defence, energy, energy-intensive industries, and health. As mentioned in the Draghi report, the EU SME definition is a structural tool to identify those enterprises which are confronted with market failures and particular challenges (e.g. access to finance) due to their size and are allowed to receive preferential treatment in public support**.** **EAPB members strongly believe that revisiting this definition can bring about positive**

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transformations in strategic sectors, bolstering the EU economy and sovereignty. In light of the significant inflation growth from 2003 (the last time criteria were defined) to 2023, EAPB calls for a substantial increase in thresholds for SMEs and a simplification of rules. This adjustment is crucial for promotional banks to provide more effective and flexible support to smaller mid-caps throughout their growth journey (by expanding the SME definition in Commission Recommendation 2003/361/EC to include them). The EAPB agrees with the Draghi report that this measure could provide a short-term competitiveness boost to the EU economy. For a detailed insight into our perspective, please see the EAPB contribution on this:
EAPB call for revision of the EU SME Definition as provided in the Recommendation 2003/361/EC.

EAPB also agrees with the recommendation of Mr. Letta that - as most of the remaining temporary state aid exemptions still in force are set to expire by the end of 2025 - the EU must now reflect on which elements should be integrated more permanently into a unified governance system in order to remain on a level-playing field internationally.

- **Advancing the Savings and Investment Union**

Securitizations can be an important tool to help finance the transformation. The significantly higher capital requirements are likely to be one reason why the volume of securitisations issued in the EU has not returned to pre-crisis levels following the financial crisis. These should be comprehensively reviewed for their risk appropriateness, as envisaged in the CRR. Existing transitional arrangements should be extended and expanded, while the excessive disclosure requirements - especially for private transactions - should be significantly reduced. It would be furthermore helpful, if the European Investment Bank (EIB) would increase sponsoring, in form of a guarantee or safe assets structures, which would be able to attract investors to fund the purchase of securitised loans originated in EU Member States. This would create private reference asset classes and bolster the development of EU capital markets.

- **Advancing digital transformation: Develop Artificial Intelligence (AI)**

EAPB supports the EC's intention to ensure access to new, tailored supercomputing capacity for AI start-ups and industry through an AI factories initiative and to boost new industrial uses of AI and to improve the delivery of a variety of public services, such as healthcare. AI provides great opportunities to develop SMEs and the public sector, improve cybersecurity and strengthen risk management. As governments are setting AI as priority, **promotional banks as main public investments partners are likely to become leading investors in research and development of AI applications.** As AI is an evolving technology, there is a need to ensure that the regulatory environment is fit for the use of AI by promoting innovation and legal certainty. Fostering a broad dialogue between all relevant supervisors and regulators on AI developments and their impact is a key priority for the EAPB. We also intend to nurture exchanges of best practice to see how it can be applied in promotional finance, for example in the facilitation of access to EU funding. **Our members are prone to become important users of the technology.** When seeking possible funding programs, the potential funding beneficiary could proceed with the artificial intelligence-supported check to see whether the eligibility criteria of the corresponding promotional funding program are met. So there is real potential to facilitate the access to EU and national funding thanks to AI.

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Priority 3: Streamlined regulatory processes for unleashing potential: Reduce administrative burden in EU funding programmes with national promotional banks at the centre of EU promotional policy.

President von der Leyen has announced that the new MFF proposal in 2025 would be more policy and less programme focused. A new European Competitiveness Fund would be part of the EC proposal for a new and reinforced budget in the next multiannual financial framework and is expected to focus on key technologies and sectors such as AI, space, clean tech and biotech.

It is important to stress that **European promotional banks and funding agencies have proven to be reliable and competent partners of the EC, the EIB group and Member States over the last funding cycles**, be it in deployments of EU structural funds or EU level financial instruments. EAPB members have been key actors in the precedent programming period (2014-2020), having been involved in the implementation of the ERDF (10 members), the ESF+ (7 members), cohesion funding (3 members) as well as the EAFRD (4 members). 13 EAPB members from 9 Member States have been involved in the roll-out of ESIF funding during the past programming period, not counting additional institutions represented via the Association of German Public Banks (VÖB) and the Italian Associazione Nazionale delle Finanziarie Regionali (A.N.FI.R.). In addition, selected EAPB members have successfully signed or are still endeavouring to sign a contract with the European Investment Fund (EIF), to get an indirect access to the InvestEU programme as intermediaries and/or are undergoing or have concluded the pillar assessment under InvestEU to have a direct access to InvestEU.

In consideration of their important role, market needs and now well-established funding processes, EAPB members are at the heart of proposals of the Draghi report to redirect investments. The report calls NPBs to increase their support (alongside the EIB) for example for disruptive innovation by SMEs, electricity grid investments, for securing upstream supply of Critical Raw Material, for clean technologies and for refuelling and recharging infrastructure. Thus, they are acknowledged as key implementing partners of the next MFF.

- **Supporting regional development across all regions: Improvements to cohesion policy**

In the current difficult and challenging context, a strong cohesion policy is needed. Cohesion policy has been one of the most successful policies in the EU's history. Since its creation in the 1980s it has seen its financial means increase and it has been reformed several times, becoming more result-orientated and effective. Even if it may also be challenging for regions, the use of financial instruments, next to grants, plays an important role in its effectiveness. Loans and guarantees have become increasingly used as efficient complements to grants as many of these investments in the energy and environmental transition, as well as in digitalisation are bound to generate economic returns and be sustainable at the same time. They also tap into the creativity and sense of ownership that people have over their funded projects.
The EAPB would like to acknowledge and highlight the importance of simplifications already made in the Cohesion Policy Funds regulation (CPR 2021-2027), for example the possibility to directly award a contract to a publicly owned promotional institution, appropriate caps for management costs or the simplification made of the audit trail for financial instruments. However, the **overall complexity, scope and level of detail of the funding regulations and the administrative and audit costs for the implementing bodies are steadily increasing**. Re-thinking everything from scratch every 7 years is generally not advisable in an investment environment where stability is key and the **need to provide clarity and security to business partners is more important than ever**.
Moreover, EAPB members fear that there will be **much less availability of EU funding** and increased competition for policy objectives. To ensure the relevance of the future cohesion funding, the EU is likely to increase the part of financial instruments (greater leverage). The proposals of Mr Draghi would introduce more conditionality, with EU funding linked to concrete reforms in Member States. This would build on the experience of the Recovery and Resilience Facility (RRF) and would generalise the use of milestones and performance indicators for the justification of advance payments across all EU funding programmes. While

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EAPB members share the view that streamlining and greater consistency between different ESIF programmes and with other EU level programmes is necessary in the future, they believe the **focus should be put on simplification of requirements** on audit, reporting, DNSH, etc. Using the RRF as model for cohesion policy risks adding complexity and will create inherent implementation delays. There is uncertainty, how the central nature of the RRF framework can be reconciled with the decentralized nature of ESIF funding. It is crucial to maintain the flexibility and decision making at local levels to ensure that specific local needs are met. A RRF type framework would likely follow recommendations of the European Semester and country reports. A rigid reform-funding link could lead to a very narrow scope, penalizing other cohesion projects that could be potentially deserving. Adding the milestones on top of the existing reporting requirements already in place for ESIF would clearly overburden implementing partners and beneficiaries. Reducing the number of funding programmes with flexibility to respond to changes in market failure and funding needs is in principle welcome, but it has to be ensured that the cohesion objectives are properly maintained.
You will find specific proposals on how the administrative burden can be reduced and how cohesion funding can become more effective in the EAPB position paper:
EAPB position on cohesion policy (to be published on our website)

- **Maintain an open and efficient deployment of EU level instruments: lessons learnt from InvestEU**

The Draghi report rightly highlights that the InvestEU framework has brought a further alignment of national policy objectives with EU priorities, standardisation of practices and increased cooperation. With its open-architecture, **InvestEU has created a new partnership with promotional banks and set a milestone in the implementation of EU financial instruments and products that is complementary to the implementation by EIB and EIF**. For the first time, other implementing partners (IPs) have had direct access to EU guarantees inside Europe. Complementary to the specific strengths of the EIB Group, other IPs are using their financial expertise as well as their know-how of national/local markets and clients to achieve European public policy goals and generate long-term added value for the EU. **In the next MFF, InvestEU and the principle of open architecture should be prolonged.** By then, implementing partners of the EC as well as intermediaries of the EIB/EIF will have experimented, set up information systems, stakeholder networks and other effort and transformation such a program entails. In parallel, the EC will have learned about its counterparts. Conditions will be gathered to take into account the lessons learned from the current implementation. It is particularly important to give all those involved in the chain a long-term perspective. However, EAPB members have also had **difficulties in dealing with the** overwhelming **reporting requirements which seemed to be too burdensome and - in some cases- risked having an impact on the products' marketability**. It is important that lessons are drawn and that administrative burden is significantly reduced. For example, this can be done by merging thematic and regulatory exclusions and using synergies with existing legislation and regulation in Member States and those in place for financial institutions and by relying more on the internal procedures of implementing partners. Furthermore, these entities should be recognized as credible partners for implementing other EU funds in this and upcoming financial perspectives. Given that different state aid rules apply across the variety of IPs, an alignment of state aid rules for all IPs would create a level playing field.

- **Important Projects of Common European Interest (IPCEIs)**

Both the Letta and Draghi reports emphasize the role of IPCEIs for investment in new industrial value chains. However, its impact is likely to be limited as it remains characterized by administrative burden which will limit its accessibility to SMEs and because it does not benefit from explicitly identified coordinators to coordinate the various actors. More generally a rationalisation of initiatives for the industry should also be considered as there are often overlaps (for example between IPCEIs, joint technology initiatives, Eureka clusters etc.).

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Priority 4: Ensuring Stability and Change in Crisis: Supporting the Defence and resilience of the EU

EAPB members welcome the appointment by the President von der Leyen of a Defence Commissioner and her intention to publish a white paper on defence in the first 100 days. As pointed out by the Joint Communication on Defence Investment Gaps analysis and way forward, years of underinvestment in defence resulted into both capability and industrial gaps within the EU. The text has laid out how to enhance EIB support to defence. It also calls for support by promotional banks to help mobilise private funding, including possibly via InvestEU but also allows for co-financing by EU structural funds and from the EU's Recovery and Resilience Facility funds (RFF).

Throughout Russia's illegal war, **EAPB members have shielded affected municipalities, municipal energy companies and SMEs from the consequences of the war**. Depending on the scope of their public mandate and the individual banks' policy, some promotional banks have also provided support to the defence sector, notably as a response to the attack against Ukraine by Russia. Their support ranges from funding SMEs defence industry supply chains, export funding of fighter jets to the funding of armed forces. The EAPB is happy to liaise between the Commission and those members who are engaged in this area as part of their mandate and policies.

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