Joint Letter from the Presidents of AECM, EAPB and ELTI, supported by EVFIN and NEFI:

Which Options for a more Efficient, Smarter and Simpler EU Budget?

Brussels, 13 June 2025

When preparing the budget for the next Multiannual Financial Framework (MFF), **the European Commission is faced with a complex equation: doing more with fewer resources**, especially in light of the increasing investment needs and the financial obligations arising from the NextGenerationEU debt.

To solve this equation, **making better use of available EU funds becomes both essential and urgent**. In this context, financial instruments offer sustainable solutions by leveraging private capital and ensuring market conformity, thus reducing the long-term burden on public budgets.

As National Promotional Banks and Institutions (NPBIs), Guarantee Institutions, and International Financial Institutions (IFIs), we are well placed to offer effective solutions. With our promotional mandates, long-standing expertise, and close ties to national and regional ecosystems, **we are uniquely equipped to channel EU resources into impactful, high-quality investments, while crowding in private capital**. This includes unlocking access to finance for small and medium-sized enterprises (SMEs), which are the backbone of the European economy and key drivers of innovation, employment, and regional development, as well as local authorities, which are responsible for the majority of public investment.

We stand ready to scale up our contribution. However, to do so effectively, the next EU budget must place simplification at its core. This will enable broader and more strategic use of financial instruments, alongside a more effective deployment of grants. Therefore, during the legislative process of the MFF, we urge the European Commission, the Council, and the European Parliament to:

1. Strengthen the open architecture model by ensuring that all eligible Implementing Partners of the European Commission (NPBIs, Guarantee Institutions, and IFIs) continue to have direct access to EU financial instruments and budgetary guarantees. It is essential that experienced national and regional actors are involved from the outset in the design of these instruments to ensure they are tailored to local needs, especially those of SMEs and local authorities.

2. Simplify procedures and reduce administrative burden in line with the principle of proportionality. This includes streamlining reporting obligations, avoiding duplication of procedures and requirements for both Implementing Partners and final beneficiaries, and introducing meaningful thresholds for smaller ticket sizes. Greater coherence between EU funds should also be pursued, including by grouping different EU programmes supporting investments under the forthcoming European Competitiveness Fund. These measures would accelerate implementation and ease the excessive scrutiny financial instruments face – on top of oversight that is already required under existing national and EU legislation, such as banking regulations.

In particular, the European Commission should **harmonise and simplify the implementation of the "Do Not Significant Harm" (DNSH) and the Sustainability Proofing principle** across different programmes and funds, irrespective of the type of implementation mode, namely direct, shared or indirect management. As these two principles entail complex and costly due diligence processes on final beneficiaries, they should be required only in duly justified cases, namely within funding schemes supporting the green transition and, in any case, not for projects below 20 million euro. In general, for funds under indirect management, the Commission should rely on the internal policies and procedures (including impact assessments) of eligible Implementing Partners.

To further ensure proportionality and legal certainty, it is also essential to:

i) **Establish clear, transparent, and stable rules** from the beginning of the programming period.
ii) **Apply a "Think Small First" approach** that guarantees proportionality in implementation, particularly for SME-focused programmes.
iii) **Reform State aid rules** and ensure a simplified and flexible application of such rules to promote investment.

3. Promote the use of financial instruments whenever appropriate, in line with the recommendations of the Draghi report. This shift could be achieved through mechanisms such as establishing minimum thresholds for financial instruments within programmes targeting key strategic sectors, and the early integration of financial instruments in the programming design phase. Moreover, developing a dedicated State aid framework tailored to financial instruments could facilitate faster and more flexible interventions to address EU-wide challenges. This enhanced use of financial instruments should be accompanied by dedicated resources for technical assistance. Where effective, financial instruments should be combined with grants through blending mechanisms, especially in areas where such approach has proven successful in mobilising private investment.

4. Reinforce the principle of subsidiarity in Cohesion Policy, ensuring its future design continues to reflect the needs of regional and local authorities. Eligible partners should be empowered to deliver policy goals effectively at the local level by being involved from the outset in the design and management of future EU instruments. Their close connection to the local economic fabric, particularly SMEs and local authorities, makes them essential partners for implementing the EU budget.

We are committed to **working in close partnership with the EU institutions to help shape a future EU budget that is effective, inclusive, and fit for purpose**.

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This letter is supported by EVFIN and NEFI.