

## **EBC position on the proposal for a regulation on the European Fund for Strategic Investments**

### **About EBC**

Established in 1990, the European Builders Confederation - EBC - is a European professional organisation representing national associations of micro, small and medium-sized enterprises working in the construction sector. Through its national members, EBC represents 2 million construction microenterprises and SMEs.

The construction sector is of vital importance to the European economy. With 3 million enterprises, an annual turnover of around € 1600 billion and a total direct workforce of 13 million, the construction sector contributes at around 10% to the GDP of the European Union.

99.9% of the European construction sector is composed of small and medium-sized companies, which produce 80% of the construction industry's output. Small enterprises (less than 50 employees) are responsible for 60% of the production and employ 70% of the sector's working population.

### **General comments**

Sharing the position of the European association of craft and SMEs UEAPME, EBC supports the Investment Plan for Europe aiming to mobilise at least EUR 315 billion on additional investments within the European Union. EBC specifically welcomes that the Investment Plan included the following points:

- To include additional financial instruments allowing SMEs to finance investments and innovation;
- To support technically the definition and implementation of European investment projects by structures at national and regional level and
- To include projects aiming to improve the energy efficiency of buildings and to allow the bundling of such projects to a European investment project.

Furthermore, EBC believes that EFSI should contribute to the meeting of the approved climate targets for 2020, 2030 and 2050 and should therefore have a special focus on energy efficiency. To this end EFSI must earmark funds for energy refurbishment of buildings.

### **Specific comments and recommendations**

In order to make best use of the Investment Plan for Europe and the European Fund for Strategic Investments, EBC would like to provide comments and recommendation on the following issues:

#### **a. European Fund for Strategic Investment (Article 1)**

EBC supports the aim to conclude an agreement on the establishment of such a fund aiming to support investments in the Union and to ensure increased access to finance with a particular focus on SMEs. More specifically, additional financial instruments should focus on providing long-term finance (on higher risk bearing capacities),

necessary to allow SMEs to finance investment and innovation.

#### **b. Terms of the EFSI agreement (Article 2)**

In order to make the EFSI an efficient investment tool, it has to be ensured that investment decisions can be taken and implemented quickly and are not blocked by complicated financial regulations existing for the use of European funds.

Furthermore, to make co-investment from national or regional public sources or private sources as attractive as possible, co-investments should not be burdened by European financial management regulations or complex decision making procedures.

Finally, EBC requests that a special facility under the European Investment Advisory Hub (EIAH) should be created to offer technical assistance for the establishment of dedicated investment platforms across Europe for the bundling of small projects, notably for the refurbishment of the building stock. Energy efficiency is the poor parent of the EU energy policy and in a context where non-efficient buildings are responsible for 40% of EU CO<sup>2</sup> consumption, the earmarking of funds for energy efficiency under the EFSI is absolutely necessary. Without earmarking, this is very unlikely to change.

EFSI should ease the financing of small projects for the refurbishment of buildings, since these projects would generate multiple benefits such as the creation of high skilled jobs, SME support and it would also significantly contribute to reducing Europe's costs for energy imports whilst improving quality of life and reducing fuel poverty.

#### **c. Governance of the EFSI (Article 3)**

EBC accepts that the regulation should be kept as slim and as flexible as possible and that the operational guidelines and criteria have to be decided by governing bodies like the steering board. However, it is important to ensure that these guidelines and criteria are in line with the real needs of investments projects, private investors and SMEs looking for access to finance. Therefore, EBC recommends involving or consulting the relevant stakeholders before such decisions are taken.

The investment committee shall be free from political influence and take decisions on operations based on economic criteria only. The criteria for the examination of operations should be clear and easily accessible for stakeholders and potential investors.

#### **d. Eligible Instruments (Article 6 (b))**

Additional resources should be targeted for the financial instruments for SMEs provided by the European Investment Fund (EIF), especially to instruments providing long term finance and all forms of risk finance. This would enable SMEs to finance investments and innovation.

Furthermore, it is important that the EIF provides its guarantees to national guarantee systems. In case of their absence, the EIF should directly provide guarantees to financial institutions offering loans to SMEs. Thus, national guarantee institutions should be included in the distribution chain whenever it is possible and priority should be given to their integration. Therefore, the EIF should provide sufficient incentives to intermediaries to use and distribute these instruments.