Leverage of public funds through financial instruments of National Promotional Banks and Institutions

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Improving leverage of public funds through new financial instruments

What are NPBIs ?

- **National Promotional Banks and Institutions (NPBIs)** are public or publicly backed financial entities mandated by a Member State to support development or promotional activities
- **Examples**: National Development Banks/Agencies e.g. KfW (Germany), CDP (Italy), Bpifrance (France), NRB (Czechia), HDB (Greece), etc.

Why they matter ?

- They support development goals set by the government and economic growth by financing projects that private investors do not invest in (e.g. green energy, innovation, digital, SMEs)
- They direct EU funds to the local economy by blending public and private capital to scale investments

How do NPBIs operate?

- They use **financial instruments** to blend public and private funds:
    - Loans (favourable rates for strategic sectors)
    - Guarantees (reducing risk for investors)
    - Equity/quasi-equity (investment in company shares e.g. startup, growth funding)
    - Blended finance (combining grants with financial instruments)

Context

- The role of NPBIs and other public entities implementing financial instruments expanded during current MFF and will continue to grow in the upcoming MFF

- NPBIs will remain key to implementing National and Regional Partnership Plans (NRPPs) investments across many policy areas and bridge European Competitiveness Fund (ECF) funding with national ecosystem

- The Letta and Draghi reports emphasised the need to leverage public investment via blending financial instruments to share risks with private investors

- TSI support will contribute to other recent EU initiatives such as the Savings and Investments Union and the EU Startup and Scaleup Strategy

Challenges to be addressed

- NPBIs across the EU have uneven capacity and some NPBIs do not offer an extended range of services or products, in particular complex financial instruments

- This TSI project will focus on **empowering less advanced NPBIs to efficiently implement financial instruments under the next MF**

- These NPBIs usually face **constraints** such as
  - Limited institutional capacity
  - Narrow or unclear mandates
  - Insufficient governance quality

- **The 2026 CSRs** point to the need to improve access to finance in 14 Member States, with specific reference to financial instruments for some

- Several NPBIs will scale up their financial structuring activities following the recent **strengthening of their capital position** under the Recovery and Resilience Facility

Objective - Beneficiaries

- **Existing initiatives** under the FI Compass
- **Objectives**: to strengthen NPBIs' capacity to deploy advanced financial instruments, to improve access to finance and prepare for implementing the next MFF (NRPPs and ECF)
- **Potential beneficiaries:** National Promotional Banks and Institutions, with the involvement of their founders/shareholders and national managing authorities
- **Focus:** NPBIs with a limited range of financial products and capacity

Proposed support measures (1/2)

Support for designing effective financial instruments, which could be:

- **underrepresented types of financial instruments** (e.g. equity or quasi-equity products, crowdfunding/-lending);
- **thematic products** with specific design needs in priority areas such as energy infrastructure, sustainability, digitisation, innovation, scale ups, business transfers, defence;
- scaling up financial instruments through **investment platforms**
- **a regional equity-based financial instrument for cross-country implementation** via pooled vehicles allowing promotional entities in smaller Member States to attract institutional capital and reach efficient scale

Proposed support measures (2/2)

Preparation of an Operationalisation Package, that helps NPBIs design new financial instruments in their services and *ensure their operationalisation*, such as:

- Preparation of the adaptation of the mandate and governance scheme
- Development of a risk assessment scheme, pricing mechanism and portfolio management
- Recommendations for adjusting monitoring and control systems, and reporting and compliance frameworks
- Development of cooperation frameworks between NPBIs and intermediaries
- Analysis of legal and State Aid conformity
- Support for translating the future DNSH Single Guidance into operations
- Development of an advisory function accompanying financial products
- Capacity building for reliable identification of market gaps and efficient pipeline development

Questions?

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Thank you