

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Framework Operation for SME Competitiveness Guarantee – Spain InvestEU Member State Compartment

Type of approval: Framework Operation

Type of Financial Intermediaries: Mostly commercial banks and national promotional institutions

Type of Final Recipients: SMEs (including Micro Enterprises)

Country(-ies) of implementation of the operation: Spain

Short description of the financing or investment operation:

The SME Competitiveness Guarantee aims at improving the competitiveness of enterprises by facilitating access to, and the availability of finance to SMEs, which are perceived by Guarantee intermediaries as being high risk or lacking sufficient collateral.

The SME Competitiveness Guarantee shall address the current hurdles, faced by Spanish SMEs, in accessing finance and notably increased cost of finance, lack of collateral and impaired credit channels.

In this context, the SME Competitiveness Guarantee shall aim to improve access to finance for eligible Spanish SMEs and improve their competitiveness, and hence to contribute to closing the investment gap.

Public Statement

Eligible area(s) for the operation in accordance with Annex II to the InvestEU Regulation:

Item 7 of Annex II of the InvestEU Regulation:

financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies

The implementing partner shall present the extent to which the financing or investment operation contributes to the eligible areas under InvestEU, in accordance with Annex II of the InvestEU Regulation, the investment guidelines and the conditions of the relevant financial product. As regards the Member State compartment within the meaning of Articles 9 and 10 of the InvestEU Regulation, the assessment shall include the policy objectives set out in the relevant contribution agreement.

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Financing and investment operations must fall at least in one eligible area under the appropriate policy window of the relevant financial product.

Additionality shall be deemed to be met via each Sub-Project as financial intermediaries will originate final recipient transactions which carry a higher risk profile than the risk generally deemed acceptable by such intermediary, inter alia:

- In the form of targeting final recipients of lower creditworthiness; or
- Implementing financing solutions in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website which carry an increased risk profile (e.g. bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

Additionality may also be achieved via the application of any of the following items:

Item (b) of Annex V.A.2 to the InvestEU Regulation

support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources

EIF expects to support financial intermediaries in originating final recipient transactions (debt financing) which meet the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website.

These measures ensure that the debt financing support provided to target final recipients is made with more favourable terms, compared to the standard credit and collection policies of financial intermediaries. The measures include, but are not limited to, improvement in financing tenor, pricing conditions, collateral requirements and other.

Item (c) of Annex V.A.2 to the InvestEU Regulation

support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner's own standard activities or support to implementing partners in exceeding own capacity to support such operations

The use of the InvestEU Guarantee allows EIF to enter into guarantee with financial intermediaries supporting higher risk category final recipients. Guarantee instruments are not part of the EIF's standard activities and are typically implemented by EIF via third-party mandates. Building on the previous EU and regional guarantee instruments, the SME Competitiveness Product implemented under the InvestEU Member State Compartment, will enable the EIF to support the SME ecosystem at a scale that would not be possible or not to same extent out of the EU Compartment of InvestEU nor other EIF managed resource for that purpose.

Item (f) of Annex V.A.2 to the InvestEU Regulation

support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets

The SME financing market is characterised by persistent market gaps which occur when viable projects or viable SMEs do not get the financing they require from Financial Intermediaries due to e.g. information asymmetries, market fragmentation, transaction costs or the Financial

Intermediary's risk aversion. Especially young firms face particular challenges due to a lack of track record on which the Financial Intermediary could rely for the purposes of risk analysis and taking of the financing decision.

Access to finance remains what has been one of the biggest challenges SMEs face in Spain. For instance, the fi-compass 'Gap analysis for small and medium-sized enterprises financing in the European Union'², conducted before the Covid-19 pandemic, reported already a debt financing gap in Spain of EUR 14bn and an equity financing gap of EUR 22bn, respectively representing 1.2% and 1.8% of Spain's GDP.

This already acute pre-pandemic situation is now aggravated by the current economic context of uncertainty, high interest rates and more stringent collateral requirements, which are increasingly hampering the capacity of Spanish SMEs undertake productive investments.

The implementation of the InvestEU SME Competitiveness Guarantee product is thus of paramount importance to incentivize SMEs to carry out their tangible investments in order to strengthen or maintain their competitive position.

The EIF, via the Sub-Projects that will form part of this Framework Operation, will contribute to addressing the market gap depicted above.

The following market failures are addressed by the Framework Operation:

Item (c) of Annex V A (1) to the InvestEU Regulation

information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities.

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This Framework Operation is expected to contribute to the objectives set out in Spanish Recovery and Resilience Plan (RRP) (as approved by the respective Council Implementing Decision), in particular by incentivising private investment and improving access to finance in Spanish Autonomous Communities in the following priority areas: i) industrial and SME competitiveness, ii) sustainable tourism; ii) care economy; as well as to iv) develop capital markets in these areas.

² <https://www.fi-compass.eu/library/market-analysis/gap-analysis-small-and-medium-sized-enterprises-financing-european-union>

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Very Good)		
Pillar 4 - Financial and technical contribution by the implementing partner (Very Good)		
Pillar 5 - Impact of the financing or investment operation (Excellent)		
Pillar 7 - Complementary indicators		
Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively 10x - 13x	Preliminary estimation
Multiplier Effect	Indicatively 19x	
SMEW specific Indicators		
(b) Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission	100% SMEs	Preliminary estimation
ESG aspects Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.		