IN-DEPTH ANALYSIS

European Parliament

EGOV
ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT

ECONOMIC GOVERNANCE

InvestEU Programme: functioning, performance and future challenges

InvestEU is the European Union's flagship investment programme aimed at mobilising public and private financing to support sustainable infrastructure, innovation, SMEs, and social investment across the EU. As of June 2024, it has successfully mobilized around EUR 280 billion in investments using a EUR 26.2 billion guarantee, but faces concerns over guarantee depletion, excessive burdens and lack of transparency. The European Parliament plays a crucial oversight role, particularly in ensuring accountability, verifying impacts, and maintaining scrutiny amid proposed administrative simplifications put forward by the European Commission in its amending proposal of last February. This briefing has been prepared ahead of the ECON-BUDG public hearing scheduled for 23 April 2025.

1. Introduction

The InvestEU programme represents the culmination of a process that began in the aftermath of the 2008 Global Financial Crisis and the subsequent sovereign debt crisis in the euro area. Faced with stagnating growth, rising unemployment and a sharp decline in public and private investment, then European Commission President Jean-Claude Juncker launched the **Investment Plan for Europe** in 2015, often referred to as the "**Juncker plan**". At the heart of this initiative was the European Fund for Strategic Investments (EFSI), developed in partnership with the European Investment Bank (EIB) Group. EFSI was based on a simple idea: **using a relatively modest EU guarantee to mobilise large-scale private investment in projects considered strategic but too risky for the market to finance on its own**.

CONTENT

Economic Governance and EMU Scrutiny Unit (EGOV)
Authors: Samuel DE LEMOS PEIXOTO, Ronny MAZZOCCHI
Directorate-General for Economy, Transformation and Industry
PE 764.377 - April 2025

EN

The aim was to bridge the investment gap in key sectors such as infrastructure, clean energy, digitalisation, and research and innovation. The operational success of EFSI - which mobilised over €500 billion in investments over a few years - demonstrated the potential of a model based on public-private partnerships, financial leverage, and targeted use of the EU budget. At the same time, the EFSI experience revealed the need for greater coherence across EU financial instruments and a more integrated and user-friendly system.

These lessons led to the establishment of **InvestEU programme** as part of the EU's 2021–2027 Multiannual Financial Framework. InvestEU streamlined the EU's investment landscape by pooling EFSI and a number of other financial instruments (e.g. COSME), thus bringing them under a single, streamlined framework. According to the mid-term evaluation published by the European Commission in October 2024, **InvestEU is on track to meet its objectives**. As of 30 June 2024, the programme has already mobilised about €280 billion investments across its four policy windows and has proven effective in reaching underserved sectors and regions. The European Commission claims InvestEU performed strongly in three critical areas by (a) generating private investment, providing additionality (supporting projects that wouldn't otherwise have happened), and by aligning with EU policy goals.

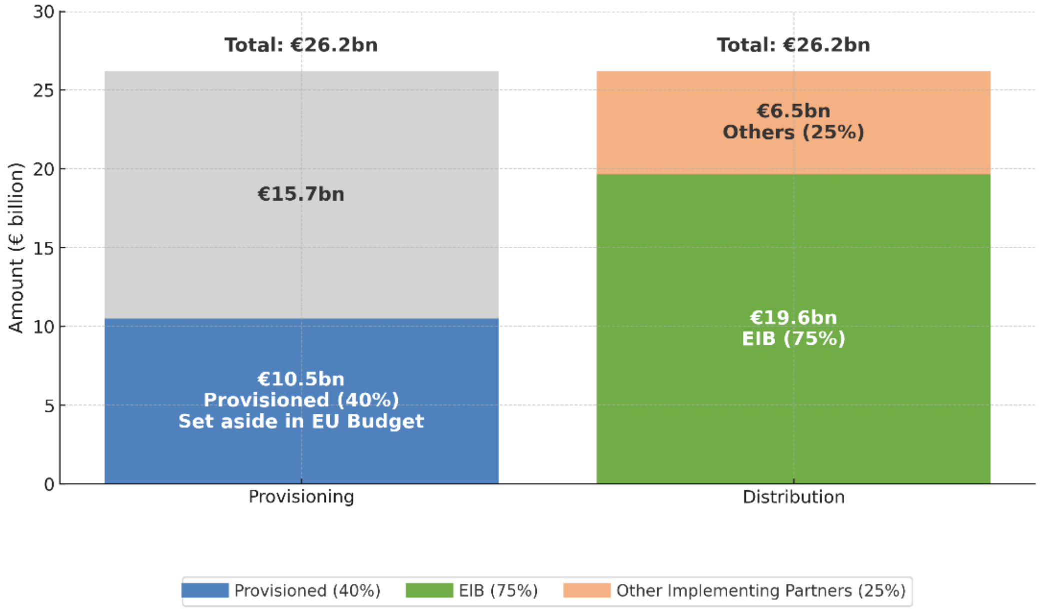
Building on these results, on 26 February 2025 the Commission proposed a set of amendments to the InvestEU Regulation with the aim of increasing the EU guarantee and simplifying certain information requirements. It is important to note that, like EFSI which began as a temporary measure but was later extended, **InvestEU is currently not conceived as a permanent instrument**. Its legal basis and financial envelope are clearly set for the 2021–2027 MFF programming period. While the programme may be renewed or extended in the future, such a decision would require new legislative action from the EU institutions.

2. The functioning and governance of InvestEU

The InvestEU programme is anchored in Regulation (EU) 2021/523 of the European Parliament and of the Council, which was adopted in March 2021 as part of the Multiannual Financial Framework 2021–2027. At the heart of InvestEU lies the EU guarantee. Its **initial amount** was set at **€26.2 billion**, of which only a portion is held in reserve (i.e., provisioned) in the EU budget to cover expected and unexpected losses. The operational risk varies according to the profile of operations. For safer debt-based instruments, the rate might be around 10–15%, whereas for riskier equity-like operations, the rate can rise to 40% or more. Based on a conservative **provisioning rate** of 40% set in the Regulation, around **€10.5 billion** is actually set aside in the EU budget (Figure 1).

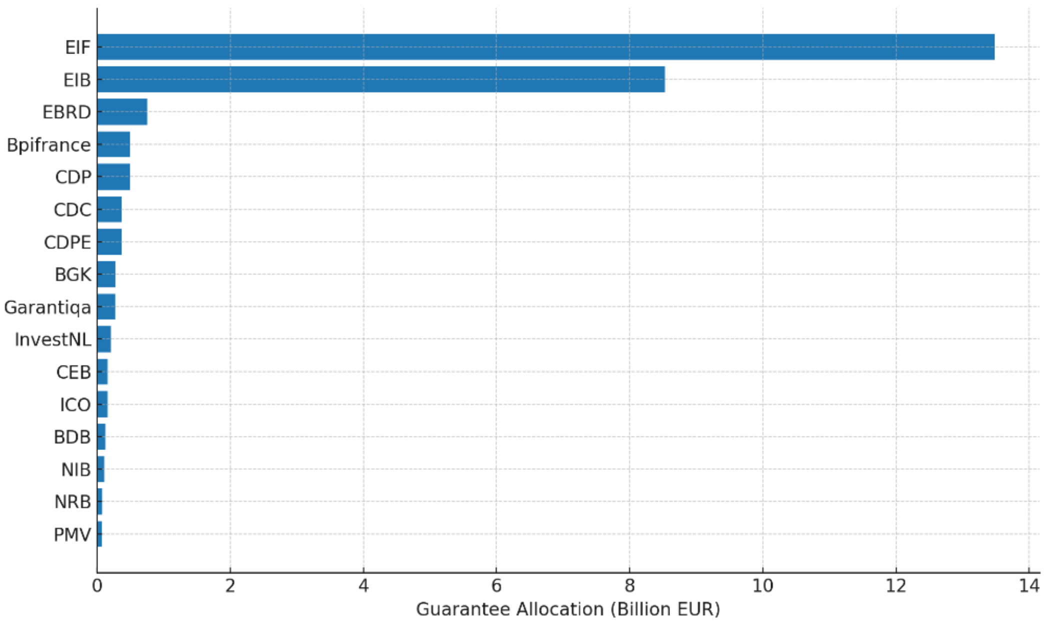
The EU guarantee operates not as direct funding to projects but as a risk-sharing mechanism. The guarantee is not disbursed directly to final beneficiaries, but is delegated to implementing partners such as the EIB and national promotional banks (NPBIs). According to the InvestEU Regulation, 75% of the EU guarantee is allocated to the EIB Group while the remaining 25% is reserved for NPBIs or international financial institutions. Implementing partners are selected through calls for expression of interest based on their operational capacity, geographic coverage, and alignment with InvestEU objectives. **Implementing partners are required to sign a guarantee agreement with the European Commission** (Figure 2) and shall use the guarantee to cover a portion of the risk in the financing they extend to final recipients, whether in the form of loans, equity investments, guarantees, or other financial products. This risk-sharing mechanism is key to InvestEU's functioning: when a loan defaults or an investment underperforms, the EU guarantee absorbs the agreed portion of the loss. This risk-sharing mechanism allows those partners to extend financing under more favourable conditions, often with lower interest rates, reduced collateral requirements, longer maturities, or acceptance of higher-risk clients or sectors.

Figure 1: InvestEU Guarantee breakdown



Source: EGOV elaboration based on InvestEU Regulation.

Figure 2: Guarantee allocation by implementing partners (as of 31 December 2023)



Source: EGOV elaboration on Interim evaluation of the InvestEU Programme (page 20)

A core principle of InvestEU is **additionality**, i.e. supporting projects that would not have happened without its intervention as laid down in Annex V of InvestEU Regulation. **The critical element of this principle lies in demonstrating market failure or sub-optimal investment situations, where public intervention is justified**. In particular, it requires that supported operations address gaps in the market or sub-optimal investment conditions by providing financing that cannot be sufficiently supplied by the private sector alone.

It is worth noting the potential tension between the various regulatory frameworks governing InvestEU. At the launch of the EFSI, the Commission underscored that the EU budget was intended to address post-crisis market failures, particularly in situations where private capital was unwilling to take on risk despite the potential commercial viability of projects. Article 212(2)(a) of the Financial Regulation explicitly states that financial instruments and budgetary guarantees must "*address market failures or sub-optimal investment situations and provide support, in a proportionate manner, only to final recipients that are deemed economically viable according to internationally accepted standards at the time of the Union financial support*." This provision - cross-referenced in the InvestEU Regulation - appears to establish that EU support should target economically viable projects that face temporary market reluctance, rather than inherently unprofitable ventures. This requirement must also be reconciled with Article 212(2)(c), which mandates compliance with State aid rules, and Article 212(2)(b), which requires that EU interventions achieve additionality "*by preventing the replacement of potential support and investment from other public or private sources*." In contrast, the provisions on additionality in Annex V of the InvestEU Regulation could arguably be interpreted more broadly, potentially allowing support for projects that do not meet the strict 'economic viability' criterion. This interpretive ambiguity poses challenges for determining the appropriate scope and application of the EU guarantee mechanism[1].

A salient feature of the EU Guarantee is its **leverage**. The InvestEU Fund provides an EU budget guarantee of €26.2 billion that backs investments carried out by final recipients. This guarantee is designed to absorb a portion of the potential losses from funded projects. By covering part of the downside risk, the guarantee reduces the risk for other investors, encouraging them to participate. The goal is to achieve a leverage effect - that is, to multiply the EU guarantee into a much larger volume of actual investment. When InvestEU was established, it aimed for a leverage ratio of approximately 1:14, meaning that for every euro of EU budget guarantee, about 14 euros of investment were expected to be mobilized (**over €370 billion**) by 2027. The leverage effect varies by sector and project type: highly innovative or risky areas may generate lower ratios, while more established sectors can achieve higher multipliers[2].

Under the InvestEU programme, a diverse set of **financial products** is made available by implementing partners to final recipients. They can be classified into two main categories: debt instruments and equity or quasi-equity instruments. **Debt products** include senior and subordinated loans, guarantees, and various forms of risk-sharing with financial intermediaries. These instruments are designed to improve access to credit, particularly for higher-risk projects or underserved beneficiaries such as SMEs or social enterprises. On the other hand, **equity and quasi-equity instruments** aim to strengthen the capital base of companies, especially innovative or early-stage firms. This is achieved through direct equity investments, participation in venture capital and private equity funds, or hybrid instruments such as convertible loans. These tools are particularly valuable in situations where traditional financing is unavailable or insufficient, enabling more sustainable, long-term growth for beneficiaries.

In order to achieve its objectives, the InvestEU programme is structured around **four policy windows**:

- The **Sustainable Infrastructure window** focuses on modernizing and greening Europe's infrastructure. It directs funding toward projects in clean energy, transport, water, and digital connectivity. In line with InvestEU's overarching objective to direct **at least 30% of total investments** towards projects that contribute to the EU's climate goals, this window places an even stronger emphasis on sustainability. **Specifically, 60% of the investments supported under the**

[1] We owe this point to Francisco Padilla Olivares (DG BUDG, Budgetary Support Unit).

[2] The Steering Board adopted an official methodology for calculating the leverage. However, as the European Court of Auditors has noted (see section 5), there are questions about how this leverage is calculated and whether the claimed multiplier effects are always achieved in practice.

Sustainable Infrastructure window are targeted at climate and environmental objectives, reinforcing the programme's role in advancing the green transition and supporting the ambitions of the European Green Deal.

- The **Research, Innovation and Digitisation window** supports the development and commercialization of cutting-edge technologies. This window is particularly important for SMEs and start-ups working in frontier sectors like AI, biotech, and advanced manufacturing.
- The **SMEs window** provides targeted support to small and medium-sized enterprises. It improves their access to credit and equity, especially in underserved markets or regions.
- Lastly, the **Social Investment and Skills window** addresses social challenges and human capital development. It supports projects in education, training, healthcare, and social housing, while also promoting skills development aligned with labour market needs.

The allocation of the EU guarantee across the four policy windows is established in Annex I of the InvestEU Regulation: 37.8% to sustainable infrastructure, 25.2% to research and innovation, 26.3% to SMEs, and 10.7% to social investments and skills.

In order to better reconcile EU common objectives with local specificities, **InvestEU is organised into two compartments: the EU compartment and the Member State compartment (MS-C).** The former is financed directly from the EU budget and supports projects aligned with common Union priorities across all Member States. The latter is financed by individual Member States, either with national resources or by channelling EU funds under their management - such as those from **Cohesion Policy** or the **Recovery and Resilience Facility (RRF)** - to address specific national or regional investment needs, while benefiting from the operational framework and financial leverage of InvestEU. More specifically, Member States may transfer up to 4% of their total RRF allocation to the EU guarantee for the purpose of the InvestEU MS-C (as per Article 7 of the RRF Regulation). For Cohesion Policy funds, Member States may transfer up to 5% of their initial national allocation from the ERDF, ESF+, Cohesion Fund and EMFAF to InvestEU, as set out in Article 14 of the Common Provisions Regulation. Once transferred, these resources are no longer subject to the original sectoral rules (such as national co-financing requirements or thematic concentration) and instead follow the more flexible InvestEU framework, simplifying implementation and enhancing the investment impact through EU-backed guarantees.

The **treatment of national contributions to InvestEU under the EU's fiscal rules** represents an important consideration for Member States. As a general rule, such national contributions are recorded as public expenditure and therefore impact headline deficit and debt figures. However, in a statement made on 18 April 2019 ahead the final vote in plenary, and incorporated into recital 41 of the InvestEU Regulation, the European Commission clarified that, without prejudice to the Council's prerogatives in implementing the Stability and Growth Pact (SGP), ***one-off contributions*** **by Member States - either directly or through national promotional banks - into thematic or multi-country investment platforms under InvestEU should, in principle, qualify as *one-off* measures**[3]. The relevance of being classified as a "one-off measure" is significant: while the expenditure still counts toward the nominal deficit, it **does not affect the structural balance**, which is a key indicator in the SGP's preventive arm. In other words, a contribution qualified as *one-off* does not weigh on the medium-term fiscal position, and may therefore be viewed more leniently in the Commission's overall fiscal assessment. That said, this treatment is not automatic. The classification of

[3] This refers specifically to the meaning of *one-off measures* as defined in Articles 5(1) and 9(1) of Council Regulation 1466/1997 and Article 3(4) of Council Regulation 1467/1997.

contributions as *one-off* measures is **subject to a case-by-case assessment** by the European Commission, and the Council retains ultimate authority in applying the SGP.

In addition to the EU Guarantee, InvestEU comprises two complementary pillars: the **InvestEU Advisory Hub** and the **InvestEU Portal**. These components provide crucial support beyond financing. The Advisory Hub provides technical assistance to public and private project promoters, helping them structure and develop their investment projects so they become bankable and eligible for support. The InvestEU Portal, meanwhile, serves as a matchmaking platform that connects project promoters with investors. It seeks to enhance the visibility of viable projects, particularly SMEs and innovative initiatives that may otherwise struggle to attract attention in capital markets. By increasing the transparency of the EU project pipeline, the Portal contributes to a more efficient allocation of resources and supports the creation of a truly European investment ecosystem.

Table 1: InvestEU governance structure

Body	Composition	Main Responsibilities
Steering Board	Representatives from the European Commission (Chair), EIB Group, other implementing partners, and a non-voting expert indicated by the European Parliament	Sets strategic and operational guidance; allocates the EU guarantee across policy windows and compartments; monitors performance and implementation; monitor the contribution to gender equality.
Investment Committee	Independent external experts appointed by the European Commission (Chair, 3 permanent members and 8 members specific for each policy window)	Assesses and approves financing and investment operations under the EU guarantee; ensures alignment with InvestEU objectives and policies; prepares the scoreboard for each guarantee request.
Advisory Hub	Representatives from the European Commission (Chair), EIB Group, and Member States, along with experts indicated by the Committee of the Regions and the European Economic and Social Committee	Provides technical assistance and advisory services to project promoters; supports project development, capacity building, and access to finance

Source: EGOV elaboration based on InvestEU Regulation.

Implementing partners are subject to a structured **reporting framework** designed to monitor progress toward the programme's general and specific objectives. This monitoring relies on a set of performance indicators detailed in Annex III of the regulation. First and foremost, implementing partners must submit an annual report to the Commission, containing all necessary information to assess the implementation of the InvestEU Programme, including details related to the operation of the EU guarantee. In addition, every six months, implementing partners are required to provide a more detailed report on all financing and investment operations supported under the programme. These reports must be broken down by EU compartment and, where relevant, by national compartments. Beyond that, the biannual reports must cover a broad range of operational, financial, and statistical data on each supported operation, along with an estimate of future cash flows. Once a year, the reports provided by the EIB Group and, where relevant, by other implementing partners must also describe any investment barriers encountered in the course of implementing the programme.

InvestEU's governance structure centres around the **Steering Board** setting overall direction and priorities, the **Investment Committee** verifying individual investment propositions, and the **Advisory Board** providing technical expertise and assistance (Table 1).

The European Parliament's oversight role is particularly important in ensuring InvestEU delivers on its policy objectives while maintaining proper accountability for the use of the EU budget guarantee. Parliament exercises this oversight through several channels. Firstly, the Chair of the Steering Board reports regularly on the performance of the InvestEU Fund during public hearings before parliamentary committees, offering Members the opportunity to ask questions, raise concerns, and request clarifications on the Fund's operations. In addition, the Chairperson is required to respond to formal questions from the Parliament within five weeks, ensuring a continuous and responsive dialogue with the EU's legislative body. **The European Parliament also appoints an expert**, who takes part in the meetings of the Steering Board in a non-voting observer capacity. Parliament also receives annual implementation reports from the Commission and interim and final evaluations, which provide key data for assessing whether InvestEU is meeting its objectives. However, as discussed in section 6, Parliament currently lacks direct access to the guarantee agreements signed between the Commission and implementing partners, which limits its ability to scrutinise the detailed conditions under which EU guarantees are deployed.

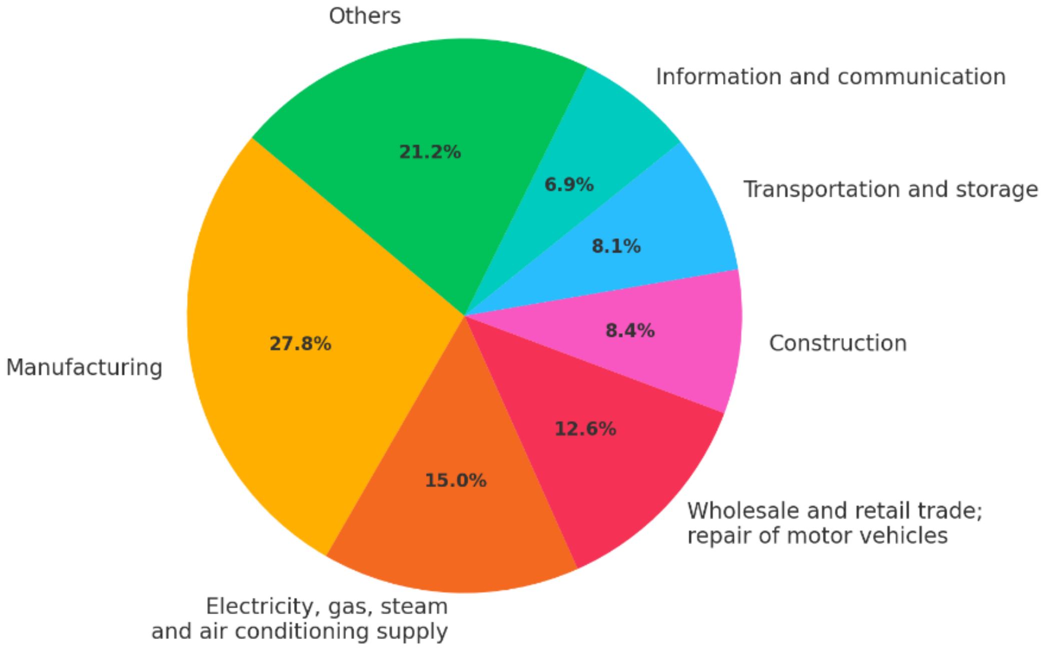
3. European Commission's mid-term evaluation (September 2024)

According to the interim evaluation carried out in September 2024 by the European Commission in accordance with Article 29 of InvestEU Regulation, the **programme is well on track to meeting its objectives**. By the end of 2023, InvestEU had signed €19 billion in operations and mobilise around €218 billion, mostly from private sources. From a sectoral and thematic perspective, the bulk of funding is concentrated in areas like manufacturing, energy, and commerce, with over half of projects aligned with climate goals (Figure 3). While active in 25 Member States, investments are mainly concentrated in Spain, Italy, France, and Romania (Figure 4).

The evaluation highlights **several key challenges that need to be addressed**. First, **the EU guarantee has being already almost entirely depleted**. Indeed, by the end of 2023, around 90% of the EU budgetary guarantee[4], amounting to €26 billion, had already been allocated to sixteen implementing partners. As a result, several financial products have already exceeded available capacity, with some instruments projected to exhaust their guarantee envelopes as early as 2025. This is especially true for equity and venture capital instruments, which require a greater risk absorption and therefore consume larger portions of the guarantee. To address these structural constraints, the interim evaluation explored several complementary strategies. These include combining InvestEU with other EU programmes, encouraging Member States to channel national resources into national compartments, and considering the reuse of unspent or returned funds from earlier instruments like the EFSI. Additionally, the report consider also a possible adjustment of the risk provisioning rules, specifically by reducing the confidence level from 95% to 90%, which would free up part of the guarantee currently set aside to cover potential losses.

[4] It should be noted that the current guarantee is approximately 30% lower than what the Commission had originally proposed in 2018, due to adjustments during the Multiannual Financial Framework (MFF) negotiations and the integration of InvestEU into the broader Next Generation EU framework.

Figure 3: Sectoral distribution of signed operations (as of 31 December 2023)



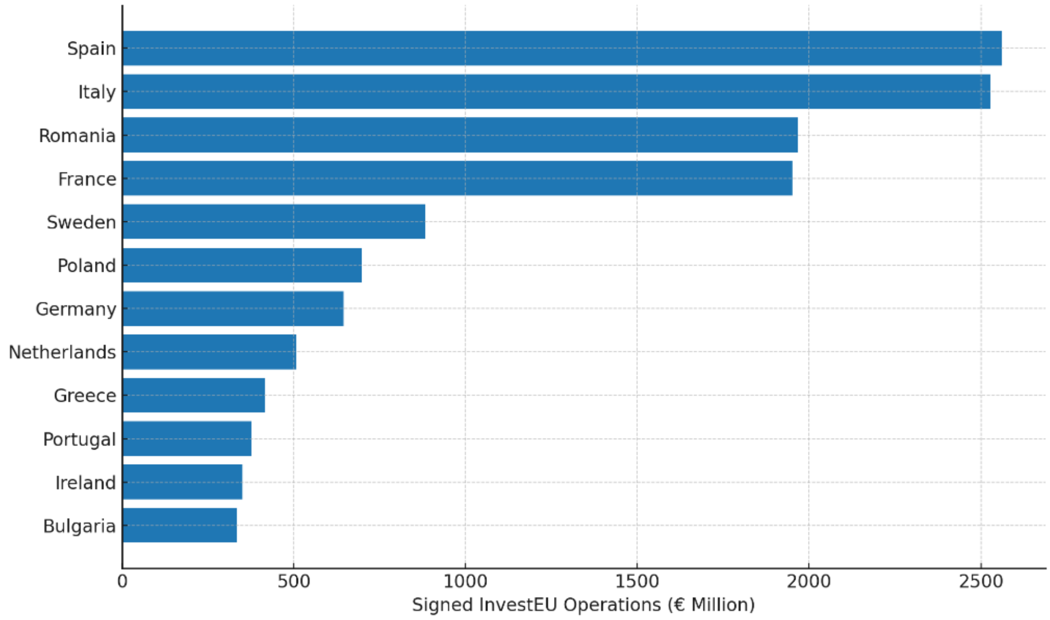
Source: EGOV elaboration on Interim evaluation of the InvestEU Programme

The **second challenge regards the process of becoming an implementing partner.** The interim evaluation highlights that several institutions – particularly smaller or less experienced NPBIs – reported facing significant difficulties, high costs, and excessive complexity, which discouraged some of them from participating. Many implementing partners found the pillar assessment process required by the Financial Regulation to be complex and time-consuming, requiring significant administrative effort, and several implementing partners turned to external consultants for support. Moreover, **many institutions have reported significant difficulties in managing the guarantee negotiation process with the European Commission**. In this regard, the main problems reported include a lack of timely and clear information, particularly regarding the guarantee agreement template, the exchange rate risk, and the legal implications of certain contract clauses, as well as regard guidelines on pricing and product development[5].

In terms of **technical support and capacity-building**, the interim report claims that InvestEU has also delivered tangible results through its Advisory Hub. By the end of 2023, advisory agreements had been signed with six partners, totalling around €374 million in EU contributions. Over 800 advisory assignments had been launched, covering project preparation, structuring support, and market development, directed at public authorities, companies, and financial institutions. While many of these assignments are still ongoing, early indicators suggest a positive impact on project quality and investment readiness.

5 The Commission claims that improvements were made in subsequent calls, with better standardisation, documentation, and tools introduced to ease implementation.

Figure 4: Signed InvestEU operations by Member States since 2021 (EUR million)



Note: Only Member States with total operation above 300 billion euro.
Source: EGOV elaboration on Interim evaluation of the InvestEU Programme

On the contrary, the interim report recognizes that the **InvestEU Portal** has so far played a more limited role. Although more than 1,500 projects had been published and the platform had supported several matchmaking events, its impact remains modest. Many project promoters report that registering their project on the Portal did not significantly enhance its visibility or lead to meaningful investor engagement. This suggests that the Portal struggles to generate tangible impact in terms of connecting investment supply and demand. In this regard, a key weakness identified in the interim report is the **lack of active management and user engagement**. Without continuous interaction with both promoters and investors, the Portal falls short of functioning as a dynamic matchmaking tool. Moreover, according to the interim report, **the Portal is not yet perceived by investors as an efficient means to reduce the cost and effort of identifying promising opportunities**, as the process of finding relevant projects remains time-consuming and uncertain. Concerns have also been raised about the quality and readiness of the projects listed. Many are seen as insufficiently developed or too small to attract serious investment, and not align with how investment opportunities are typically sourced and generated within their institutional workflows. The absence of structured feedback mechanisms between the Portal and the other InvestEU components – namely the Fund and the Advisory Hub – further undermines its potential to serve as an integrated entry point for project development and financing. Lastly, although project information is meant to be shared across InvestEU's implementation ecosystem, there is no obligation for implementing or advisory partners to provide follow-up or feedback on shared projects. This lack of coordination prevents the Portal from fully operating as a cross-cutting infrastructure within the programme. Without improvements in platform management, project quality (for example, by strengthening its integration with the Advisory Hub), and interoperability with other InvestEU tools, the Portal risks remaining a marginal initiative with limited added value in relation to the programme's broader ambitions.

4. Other stakeholders' views on InvestEU

Beyond the European Commission's mid-term evaluation various stakeholders have offered perspectives on InvestEU's strengths and areas for improvement.

In general, there is broad recognition that **InvestEU marked a significant step forward in the evolution of the European Union's investment policy**. In addition to streamlining numerous EU financial instruments under a single operational umbrella, the program stands out for a key innovation, namely the **decentralisation of access to the EU budgetary guarantee**. However, as stressed by the European Association of Long-Term Investors (ELTI), the inclusion of a broader and more diverse range of implementing partners has introduced **new complexities**, both in terms of governance and operations.

Another structural issue, already raised during the regulation negotiation and later echoed in the periodic public hearings of the Steering Board Chair at the ECON Committee, concerns the **rigidity of the provisioning system**. Currently, InvestEU applies a fixed provisioning rate of 40% for all guarantees, regardless of the type of product or risk profile. While this conservative approach protects the EU budget, it may limit the program's ability to support high-impact, higher-risk projects, such as those related to innovation or the green transition. Some stakeholders, including the ELTI, propose a **dynamic provisioning system** that could adapt annually based on portfolio performance. In the same vein, the Italian Minister of Economy Giancarlo Giorgetti proposed during the ECOFIN meeting of 11 March to create a new European initiative within InvestEU - the **European Security and Industrial Innovation Initiative (EU-SII)** - aimed at strengthening Europe's industrial and technological capacity in the fields of defence, security, and dual-use technologies. At the heart of this proposal, which would build on the Member State Compartment, is a **multi-tranche guarantee fund with differentiated provisioning rates for each tranche**[6], designed to optimise risk-sharing between Member States and the European Union.

Another frequently raised point in the discussion – again by ELTI but also in a recent CEPS policy workshop - is that **equity instruments seem particularly ill-suited to the needs of implementing partners**. The revenue-sharing mechanism under InvestEU, which involves sharing profits generated from investments between the European Commission and the implementing partner, aims to recover part of the public resources invested and safeguard the EU budget. However, this mechanism may penalize precisely those projects with high public impact such as social innovation, energy efficiency, or digital inclusion. The above-mentioned stakeholders underline that other EU programs offer more generous or better-adapted models for high-impact, high-risk investments. For example, the European Innovation Council (EIC) Fund under Horizon Europe provides paid-in capital and direct equity participation, often without strict revenue-sharing obligations. In this model, the Commission genuinely takes on part of the entrepreneurial risk, expecting returns only in case of success, and without requiring a minimum remuneration or immediate recovery. Similarly, instruments like LIFE (environment and climate) or the Innovation Fund offer grants or blended finance, which may include non-repayable funding or capped-return mechanisms, designed for impact-oriented rather than profit-driven projects. However, this claim brings us back to the point raised in Section 2 regarding the ambiguity surrounding the nature of the InvestEU programme. The reference to other programmes - which are, by their very nature, fundamentally different from InvestEU - suggests that in order to avoid legal inconsistencies, impact-oriented projects should be funded through a dedicated window or mechanism with tailor-made and specific rules.

Complex reporting requirements are widely acknowledged as problematic, confirming what had already emerged in the interim report. Local initiatives, SMEs, and social enterprises often lack the resources to manage this complexity. A simplified, impact-focused reporting system, developed in collaboration with

[6] The first layer of the guarantee—the so-called *junior tranche*—would be financed by the individual Member States, acting as a first-loss buffer and reinforcing the alignment of national incentives with the quality of the selected projects. The *mezzanine tranche* would be covered primarily by the EU budget, with the option for participating Member States to contribute on a voluntary basis. This intermediate layer would serve as an additional cushion to enhance the attractiveness of the scheme. Finally, the *senior tranche*, also backed by the EU budget, would provide low-risk coverage capable of encouraging participation from institutional investors.

implementers, could combine effectiveness and transparency. However, it should be noted that this simplification could deprive analysts of the data needed to conduct meaningful evaluations of InvestEU's performance in the future.

One of the most relevant structural challenges in implementing InvestEU in non-Eurozone countries is the **lack of currency risk coverage**. As stressed by ELTI, since all operations guaranteed by InvestEU are denominated in euros, implementing partners operating in local currencies must bear the full burden of exchange rate volatility. The absence of tools to mitigate currency risk contradicts the EU's declared goal of promoting economic and social convergence across its regions. The areas most in need of European financial instruments risk being the ones least able to access them, not due to structural deficiencies or lack of demand, but because of an intrinsic design flaw in the program.

Another persistent challenges stressed by ELTI within the InvestEU framework concerns the **unequal application of State aid rules across different implementing partners**. While national promotional banks are required to fully comply with the EU's State aid rules - often navigating complex legal frameworks like the General Block Exemption Regulation - international financial institutions and the EIB Group are only expected to ensure consistency. This asymmetry creates an uneven playing field, putting national actors at a disadvantage and potentially distorting competition.

The **Member States compartment** has also frequently been mentioned in the last years. According to an old analysis made by the Jacques Delors Institute, this instrument offers several advantages, including exemption from national co-financing, simplified State aid procedures, and greater strategic control by governments. However – as shown by the Commission's mid-term evaluation – participation has so far been limited[7]. One reason is that, in systems with decentralized governance, coordination between institutional levels can delay or block activation of the compartment. Without clear incentives and simplified procedures, this instrument risks remaining underused despite its high potential.

Last, but not least, one area requiring particular attention is the **relationship between InvestEU and the social economy**. A recent position paper by Social Economy Europe highlights how current tools are not well suited to the specific characteristics of social enterprises, which require patient capital, limited returns, and longer time horizons.

5. The European Court of Auditors' Special Report

The European Court of Auditors in its Special Report No. 07/2025 has identified important lessons from EFSI that should inform InvestEU's implementation going forward. One of the main criticisms concerns the **methodology used by EFSI to calculate mobilised investments**. The Court highlighted an overestimation of approximately €131 billion, equivalent to 26% of the declared total. This overestimation was attributed to a lax application of the multiplier, which included investments not yet disbursed to final beneficiaries or funded through other EU instruments, even if combined with EFSI. **The Court thus urges that, under InvestEU, estimates or double-counting be avoided, and that only signed and disbursed investments be reported**. Another critical point is the assessment of additionality. Although EFSI promoted high-risk projects, **the Court found a lack of ex-post verification regarding the additionality and thus real effectiveness of the fund**. It therefore recommends that InvestEU introduce a more structured methodology to assess additionality after implementation. The Court also pointed out **limited transparency**

[7] By the end of 2024, seven Member States - Bulgaria, Czechia, Finland, Greece, Malta, Romania and Spain - had signed contribution agreements activating their Member State Compartments under InvestEU.

regarding equity investments made outside the EU. Around €2.5 billion were reportedly directed to third countries, but without clear documentation on the location of recipients or on how such investments aligned with EU priorities. To avoid similar ambiguities, InvestEU is asked to improve geographical and sectoral reporting. Another gap identified by the Court is the **lack of systematic data on the actual benefits passed on to final recipients**, such as reduced interest rates or more favourable financing terms. The Court thus recommends the establishment of a representative data collection mechanism to verify the real utility of EU financial support. Lastly, it noted **shortcomings in the coherence and completeness of management data provided by the EIB Group**, due to fragmented databases and inconsistent reporting. The Court hopes that InvestEU will be based on more rigorous and structured internal controls.

Table 2: ECA recommendations and European Commission response

ECA Recommendation	European Commission Response
1. **Improve the transparency of EFSI reporting**. Disclose the amount of signed financing not yet disbursed to final recipients.	**Accepted**. The Commission will include this information in a working document attached to the annual draft budget, provided it is already available in EFSI reports and without adding reporting burdens to the EIB/EIF.
2. **Improve the methodology for estimating investment mobilized** (a) Base on signed and disbursed financing; (b) Avoid attributing investment mobilized by other EU instruments to EFSI; (c) Account for partial cancellations properly.	(a) **Partially accepted**. Already implemented for InvestEU; will be considered for future programs. (b) **Not accepted**. The Commission maintains that blended products cannot be artificially split. (c) **Partially accepted**. Adjustments will be made where applicable in line with future methodologies.
3. **Develop a methodology for an ex post analysis of additionality**.	**Partially accepted**. The Commission will consider this for future programs through qualitative methods such as surveys and interviews, but does not support full-scale causal studies due to cost and complexity.
4. **Improve reporting on equity investments outside the EU**.	**Partially accepted**. For future programs, data may be included in budget documents. Not accepted for InvestEU, due to administrative burden and lack of existing reporting mechanisms.
5. **Report on benefits transferred to final recipients** (e.g., better loan conditions).	**Partially accepted**. The Commission may gather sample-based data via surveys but will not impose new reporting obligations on implementing partners. Benefits are often qualitative and hard to quantify.
6. **Strengthen scrutiny of EFSI-InvestEU reporting**.	**Accepted**. The Commission will revise current validation procedures and develop more detailed checklists to enhance data accuracy and consistency.

Source: EGOV elaboration on ECA Special Report 07/2025 and Commission's replies

For its part, the European Commission welcomed the Court's analysis, recognising EFSI's value as an innovative response to the crisis. However, it **contested the criticisms of the methodology used to estimate investments**, arguing that combining actual and expected investments was consistent with the rules approved from the outset. It also **defended the use of blended financial instruments**, stating that it makes little sense to artificially separate the shares attributable to each programme, arguing that such division does not reflect the logic of combined instruments and could be misleading. Regarding the other ECA's recommendations, the Commission expressed a mixed position. It fully accepted the call to improve transparency on undisbursed financing and to strengthen controls on the quality of reporting, while it partially accepted the recommendations on ex-post analysis of additionality, reporting of investments outside the EU (but not for InvestEU, due to administrative burden and lack of existing reporting mechanism), and the measurement of benefits for final recipients (see Table 2).

6. The new proposal by the Commission (February 2025)

In February 2025, the Commission presented a proposal to amend the InvestEU Regulation with the aim of further strengthening the European Union's capacity to support strategic investments in priority areas such as competitiveness, innovation, and the green transition. The proposal is based on the recognition of the programme's effectiveness to date, as confirmed by the interim evaluation. At the same time, it addresses the need to avoid disruptions in the provision of financial support, and to reduce the administrative burden on stakeholders, in line with the Commission's commitments to simplification.

The proposal introduces **three main changes**:

- **Increases of the EU guarantee by €2.5 billion**, funded through reflows and surpluses from previous instruments such as the EFSI, the CEF Debt Instrument, and the InnovFin Debt Facility. This increase is expected to mobilise around €25 billion in new public and private investments.
- **Possibility of combining InvestEU with these legacy instruments,** allowing financial synergies that could generate an additional €25 billion in investments.
- Third, the proposal introduces **new opportunities for Member States to participate by contributing their own financial instruments**, including in currencies other than the euro, without exposing the EU budget to exchange rate risks. This added flexibility strengthens the national compartment of the programme and expands its operational potential.

Beyond these financial adjustments, the proposal also includes important **regulatory and procedural simplifications**. It should be noted that the additional resources which the Commission claims it can obtain for InvestEU – either directly or indirectly – will be entirely allocated to reinforcing the EU guarantee. **No additional funding is foreseen for the Advisory Hub or for revitalising the InvestEU Portal, despite the interim report itself identifying the Portal as a structural weakness of the programme**.

6.1 Use of reflows to increase the EU guarantee

At the heart of the Commission's proposal is a **EUR 2.5 billion increase in the EU guarantee, bringing it to a total of EUR 28.65 billion**, with EUR 1 billion in additional provisioning – in compliance with the 40% threshold set by the Regulation – drawn from reflows and surplus resources from legacy instruments such as the EFSI. According to the Commission, this measure is expected to mobilise approximately EUR 25 billion in new public and private investment, targeting higher-risk, innovation-driven projects in line with the goals of the *Competitiveness Compass*, the *Clean Industrial Deal*, and the EU's green and digital transitions. The increased capacity will support a wide range of activities: from equity and quasi-equity for start-ups to guarantees for clean tech and digital infrastructure. Each of the four policy windows – Sustainable Infrastructure, Research and Innovation, SMEs, and Social Investment – would see a proportional increase in their allocation, ensuring alignment with EU priorities.

However, a number of critical aspects can be pointed out in this initiative. The proposal lacks detailed explanations regarding the projected impact and allocation of the increased guarantee. First, **while the Commission estimates that EUR 25 billion in investment could be mobilised, it does not explicitly explain how this figure was derived**, particularly given that the multiplier effect cited in the InvestEU interim evaluation is 14.77, which would suggest a higher potential impact based on a EUR 2.5 billion guarantee increase. Furthermore, the legislative financial statement included in the Commission's proposal details that the EUR 1 billion in provisioning is expected to be sourced from up to EUR 700 million in surplus EFSI provisioning and at least EUR 300 million in reflows, broken down across 2025 to 2027 (EUR 650 million in 2025, EUR 200 million in 2026, and EUR 150 million in 2027). Legally, the reuse of reflows and surplus provisioning is authorised by Article 35(1) and (2) of the InvestEU Regulation, and the amendment extends this flexibility to revenues from the EFSI EU guarantee. However, **there is no estimate of how much those additional revenues might actually contribute**. Moreover, while the total reflows available between 2025 and 2027 are projected to exceed EUR 2 billion, the Commission proposes using only EUR 1 billion for InvestEU provisioning and does not clearly justify this choice.

On a broader policy level, the Commission reiterates that **all four InvestEU windows remain aligned with EU strategic priorities, and that the current distribution of resources mirrors political commitments** such as the *Clean Industrial Deal*. However, **this decision may not address the most pressing funding gaps**. According to stakeholder feedback in the interim evaluation, demand is particularly high for equity instruments in the Research & Innovation policy window and for green transition projects, which might warrant a more targeted allocation.

In terms of governance, **the Commission maintains the 75%-25% allocation between the EIB Group and other implementing partners**, confirming that this balance will not change. It also clarifies that there is no need for prior approval from the EIB Board for the financial contribution linked to the increased guarantee. This procedural approach reflects the precedent established during the initial launch of InvestEU in 2021. Lastly, on **operational feasibility**, the Commission expects that with the core guarantee agreements already in place across all implementing partners, the implementation of the amended allocations will proceed swiftly. However, it should be noted that at the end of 2024, 90% of the EU guarantee had been allocated to approved operations, and 50% had already been signed, and with a significant portion of the guarantee pipeline already committed or under negotiation, major reallocations between policy windows are technically unfeasible, though minor shifts remain possible.

6.2 Portfolios combinations

The Commission's proposal regarding the **combination of the InvestEU guarantee with support from legacy instruments**, including EFSI, the CEF Debt Instrument, and the InnovFin Debt Facility, represents a significant development in the effort to maximise the impact of the EU budget on investment. This combination seeks to ensure a more efficient use of available EU resources, particularly by repurposing guarantees released from amortised operations under previous instruments. By doing so, the Commission aims to maintain continuity in support for strategic investments and avoid a disruptive gap in financing during the final years of the programming period.

Operationally, the proposal introduces **several forms of portfolio combination** (Table 3). The **standard combination**, already in use by the EIB, merges both outstanding exposures and guarantee capacities into a single portfolio, with losses covered proportionally by the legacy and InvestEU guarantees. In contrast, the **partial combination model** – foreseen particularly for EIF products – allows only the guarantee capacity from legacy instruments to be combined with the InvestEU guarantee, without merging the underlying exposures. This structure ensures that only the losses incurred under the InvestEU portfolios are covered by the combined guarantees. These combinations leverage the similarity of products across different instruments, facilitating their integration under larger InvestEU portfolios, while preserving their distinct risk characteristics. A third form, referred to as **enhanced combination**, will be employed by the EIB to merge the freed-up guarantee capacity from EFSI, InnovFin Debt, and the CEF Debt Instrument into portfolios supported under InvestEU.

Legally, the proposal **modifies Article 7 of the InvestEU Regulation**. The amended text allows guarantees to be combined not only in financial products but also "*to support financial products or portfolios*", thereby expanding the scope and flexibility of potential combinations. Additionally, new paragraphs in the regulation enable derogations from the Financial Regulation, allowing released guarantees to be redirected from legacy instruments to InvestEU. This flexibility, however, comes with certain ambiguities. In particular, by keeping them within the original instruments (EFSI, CEF, InnovFin), the reallocated guarantees will remain confined to the EIB Group's operations, raising concerns about fair distribution and governance of EU budgetary resources.

Table 3: Sources of Cost Savings from Combination of Portfolios

Type of Combination	Guarantee Combined?	Exposure Combined?	Operational Logic	Who Covers Losses?
1. Standard (Art. 7(2)-(3))	Yes	Yes	Full merger of portfolios: both exposures and guarantees are aggregated into a single combined portfolio. Managed as one risk pool.	Losses are covered proportionally by InvestEU and the legacy instrument, based on their respective guarantee contributions.
2. Partial (Art. 1(5)(c) proposal)	Yes (only released legacy guarantee)	No	Only the freed-up guarantee capacity from a legacy instrument is added to an existing InvestEU portfolio. Exposures remain separate.	Losses are covered only by the InvestEU guarantee. Legacy instrument does not cover losses.
3. Enhanced	Yes	Yes (for significant instruments only)	Combines both guarantee and exposure from major legacy financial instruments (e.g. InnovFin, CEF) to strengthen InvestEU portfolios where most impactful.	Losses are covered proportionally, but the guarantee is allocated strategically to the InvestEU portfolios most in need.

Source: EGOV elaboration on Commission Staff Working Document

The **scope of the combination is also notably limited**. Only three legacy instruments are included – EFSI, CEF Debt Instrument, and InnovFin Debt Facility – without a clear explanation as to why others are excluded. While it may be presumed that other instruments are too small or too complex to be integrated effectively, the lack of explicit reasoning weakens the transparency of the proposal. Furthermore, although the Commission estimates that the enhanced guarantee capacity could help mobilise up to EUR 25 billion in additional investments, it does not provide detailed calculations or modelling to substantiate this figure. This omission reduces the credibility of the projected impact and leaves stakeholders without a clear basis for assessing the proposal's effectiveness.

Finally, **the impact on EU budget reflows deserves particular attention**. The use of released guarantees for new InvestEU combinations introduces a potential risk of delaying or even reduce the reflows that were initially expected to return to the EU budget from legacy financial instruments. While the Commission acknowledges this in its proposal, it does so in a largely qualitative manner. This issue becomes particularly relevant when InvestEU is used to support high-risk segments – such as social innovation, early-stage green technologies, or projects in less-developed regions – that typically require higher levels of provisioning under prudent financial management rules. Investing in such areas is vital from a policy perspective, but it inevitably slows the return of funds due to longer project timelines and higher likelihood of defaults or below-market returns. As a result, the long-term sustainability of the EU guarantee framework may be called into question. Without a transparent mechanism to monitor and manage the use of recycled guarantees, there is a risk of gradually eroding the financial solidity of the system. A more robust budgetary and risk assessment, alongside greater transparency on expected reflows would be essential to ensure the continued credibility and resilience of the InvestEU programme.

6.3 Estimate savings from reporting simplifications

The proposal responds to the findings of the InvestEU interim evaluation and to the critical assessment made by some stakeholders, which highlighted the programme's effectiveness in mobilising investments, but also pointed to the complex and burdensome procedures for those implementing it. According to the Commission, these simplifications will help free up administrative resources, accelerate procedures, and make the use of the EU budget more efficient. Estimated total savings amount to approximately EUR 350 million (Table 4), over 90% of which would derive from two key measures:

- The introduction of a reporting exemption for Key Performance (KPI) and Key Monitoring (KMI) indicators[8] for operations under EUR 100.000;
- A **simplified definition of SMEs**, based solely on the number of employees (in certain cases), avoiding the full application of the Commission Recommendation 2003/361/EC.

The Commission emphasizes that these measures will reduce the bureaucratic burden particularly for small enterprises, for which the administrative cost is often disproportionate to the funding received. A reduction in the reporting frequency by the EIB and other implementing partners is also foreseen. The simplifications also extend to the treatment of performance guarantees, for which the method of calculating the leverage effect will be revised to include risk coverage, and not just reimbursable financing, thereby making certain previously excluded instruments eligible.
Although the effort to promote greater simplification is positive and should be encouraged, there are some concerns. A first issue concerns the **flexibility introduced in the SME definition**. While this may address a practical need, it also opens the door to interpretative inconsistencies, especially when the definition can be negotiated directly within guarantee agreements. This could lead to legal fragmentation, unequal treatment, and challenges in overseeing the programme as a whole, in addition to raising potential issues with State aid rules (such as General Block Exemption Regulation), which explicitly reference the traditional SME definition.
Another critical point relates to the **transparency and reliability of the estimated savings**: while the Commission provides aggregate figures, it does not clearly explain the calculation methods or models used to quantify these benefits. Furthermore, **some simplifications risk undermining the quality of monitoring and reporting, particularly for environmental and energy-related KPIs**. Excluding small transactions from reporting obligations on indicators such as emissions reductions or increased renewable capacity could result in the loss of important aggregated data, making it harder to assess the programme's actual impact.
Finally, some of the proposed simplifications appear to **shift the burden of control from central EU structures to implementing partners**, for example, by allowing annual audits to be replaced by other forms of independent assurance. While justified by the aim of simplification, this shift requires strong safeguards for reliability and transparency, to ensure that oversight quality is not compromised in the name of speed.
While the efforts to streamline procedures and reduce administrative burdens are commendable, **the Commission does not seem to have taken steps to make it easier to become an implementing partner**, both in terms of cost and timing. Moreover, the Commission underscore the importance of strengthening

[8] The Steering Board adopted an official methodology for Key Performance and Monitoring indicators.

oversight of how the EU budgetary guarantee is managed, especially since enhancing transparency in this area would not entail significant compliance costs. In this regard, **ensuring access to the guarantee agreements signed between the Commission and the implementing partners of the InvestEU programme would enable the European Parliament to exercise more effective oversight over the use of the EU guarantee**. These agreements are central to understanding how public resources are being leveraged and the conditions under which financial support is being deployed. At present, these documents are not publicly accessible in full, as they are bilateral contractual arrangements that may contain confidential or commercially sensitive information. This raises legitimate concerns about transparency versus the need to protect proprietary or strategic data.

Table 4: Sources of Cost Savings from Reporting Simplifications

Source of Cost Savings	Estimated Savings	Description
Simplified reporting for small transactions and SME definition adjustment	EUR 324 million	Waiver of KPI/KMI reporting for transactions ≤ EUR 100,000 and simplified SME definition (only headcount considered for market-conform products). Estimated to benefit 900,000 small businesses (EUR 360 saved per SME)
Reduced costs for InvestEU implementing partners	EUR 20 million	Includes the option to replace annual audit opinions with equivalent assurance, waiver of KPI/KMI reporting for small transactions, and reduced frequency of progress reports (from 4 to 3 per year).
Reduced costs for the EIB Group	EUR 6 million	Reduction of EFSI operational/risk reporting from quarterly to annual, and removal of the annual investment barriers report.

Source: EGOV elaboration on Commission Staff Working Document

While public summaries or operational notes are sometimes made available by the Commission or by the implementing partners, they provide only limited insight into the specific commitments and obligations outlined in the agreements. Under the current legal framework, Members of the European Parliament (MEPs) can submit formal requests for access to documents under Regulation 1049/2001. However, this process may lead to partial or restricted disclosure, or even to a refusal if confidentiality grounds are invoked. In this context, it could be highly beneficial to establish a mechanism allowing MEPs to access the guarantee agreements – either in full or in relevant parts – under strict confidentiality conditions. This could be done through **secure reading rooms**, mirroring a model already in place for the Single Resolution Board (SRB) and the Single Supervisory Mechanism (SSM). Such an arrangement would strike a fair balance between the need to protect sensitive information and the Parliament's right to scrutiny, reinforcing democratic accountability in the management of the EU budgetary guarantee.

6.4 Financial instrument under Member States' compartment

The European Commission has proposed the introduction of a **new financial instrument under the InvestEU framework, specifically for Member State compartments (MS-Cs)**, aimed at increasing flexibility and addressing operational challenges encountered so far. The proposal is primarily intended to facilitate the deployment of equity and other funded financial products, particularly in non-euro currencies, which have proven difficult to implement under the current EU guarantee-based approach.

To date, the use of MS-Cs allowed several countries to channel national resources – sometimes also drawn from the Recovery and Resilience Facility – into the programme. However, MS-Cs have been largely limited to debt products, especially guarantees. While equity products are legally eligible, the reliance on an unfunded EU guarantee has made their practical implementation complex. **Under the existing framework, the implementing partner is responsible for financing the full operation, with the EU guarantee only covering the associated funding costs**. These costs reduce the amount of guarantee available for actual investments. The same applies to operations in non-euro currencies, where the need to hedge exchange rate risks forces implementing partners to reserve part of the guarantee, again limiting the capital available for deployment.

In contrast, **the proposed financial instrument would operate on a fully funded basis**. This means that Member States would transfer their contributions to the Commission, which would then allocate the **full amount in cash** to the implementing partner. The partner would be able to fund into the intervention currency, and use them directly for investments, on-lending, or provisioning. In the case of equity, funds could be drawn progressively via capital calls, while for non-euro operations, the up-front conversion into the target currency would eliminate any foreign exchange exposure. This setup would significantly reduce operational uncertainty, remove the need for provisioning against funding or hedging costs, and ensure that a greater share of the available funds goes directly to support investments.

Operationally, **the financial instrument also implies a shift in how the funds are managed**. The Commission may agree with the implementing partner to place the contributed amounts in a fiduciary account under the partner's management. This arrangement is particularly useful for equity investments, where capital is deployed gradually and unpredictably. Holding the funds in the Common Provisioning Fund (CPF) would risk delays in disbursement and reduce the responsiveness of the instrument. Similarly, the fiduciary account structure enables the implementing partner to convert funds into the local currency before signing contracts, avoiding foreign exchange losses that cannot be absorbed under the CPF. Because the proposed instrument diverges structurally from the budgetary guarantee model, the Commission has introduced specific provisions governing its terms of coverage, risk treatment, and accounting.[9]

In terms of financing sources, **Member States can contribute to this financial instrument under MS-C through various channels: their own national resources, the Recovery and Resilience Facility, or potentially funds under shared management**. The explanatory memorandum specifies that RRF contributions are allowed, provided the necessary steps – amending national recovery plans and concluding contribution and guarantee agreements – are completed by August 2026. However, while national budgetary contributions are explicitly permitted, the inclusion of shared management funds remains uncertain. Current sectoral regulations such as the Common Provisions Regulation (CPR) and the CAP Strategic Plans Regulation do not foresee the use of these funds for financial instruments under InvestEU MS-Cs but only for the provisioning of the EU guarantee. To this end, on 1 April 2025, the Commission presented a number of amendments as part of the amending proposal concerning the European Regional Development Fund and the Cohesion Fund (EFDF).

9 For instance, since the financial instrument does not require coverage for funding costs or hedging, certain rules in the InvestEU Regulation – such as those in Articles 10(5) and 10(6) – do not apply. New provisions, such as those proposed in Article 10a, lay out the specific treatment of resources generated from the instrument and the management of fiduciary accounts. The financial instrument is also implemented on behalf of the Commission, which necessitates technical adjustments to the legal definitions of financing and investment operations.

While the Commission highlights the operational advantages of the new instrument, there is still a **lack of clarity around certain aspects of implementation**. Its long-term success will depend not only on its technical soundness, but also on the Commission's ability to clarify unresolved legal issues and ensure a level playing field for all Member States, regardless of the sources of funding they choose to mobilise. Without this clarity, the instrument's full potential may remain untapped.

Contact: egov@ep.europa.eu

This document is available on the internet at: www.europarl.europa.eu/supporting-analyses