

Conclusions

Framework Operation #25 for Sustainability Guarantee Product– Finland InvestEU Member State Compartment (uncapped guarantee)

INVEU-ICR-0039-2023 – SME and Sustainable Infrastructure Window (SIW)

Short description of the financing or investment operation and its objectives

Type of the promoter or financial intermediary	Commercial banks, alternative lenders and leasing companies
Final beneficiaries	SMEs (including Micro Enterprises), Small Mid-Caps, housing associations, natural persons
Countries of implementation	Finland
Implementing partner	EIF

The Framework Operation will cover Sub-Projects which aim enhancing access to finance for sustainable enterprises and supporting investments contributing to the green and sustainable transformation of the Finnish economy. The main target areas are climate mitigation and adaptation, transition to a circular economy, water resources, pollution prevention and control, protection and restoration of biodiversity and ecosystem as well as investments in the development or adoption of sustainable and organic agricultural practices.

Investments supported under the Sub-Projects are expected to contribute positively to the transition to a more environmentally sustainable and climate resilient economy.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the EU guarantee on 14 September 2023 for the above-mentioned Framework Operation.

While Finland is considered as one of the leaders for sustainable technologies within EU27, obstacles remain for a development at scale of lending activities towards these sectors. For example, (i) green technologies are typically considered more expensive, thus SMEs may be reluctant to invest in them; (ii) sustainable financing comes with additional complexities in terms of assessment, requirements both at the level of financial intermediaries and final recipients; (iii) the higher perceived risk by market operators.

It is expected that deployment of the Sustainability Guarantee Product will bring some alignment in market approach to sustainable financing of SMEs and Small Mid-Caps. By providing risk deleveraging for green lending, financial intermediaries are incentivised to provide this type of lending, bringing clear green definitions and requirements, as well as supporting the market vis-a-vis the application of the EU Taxonomy for Sustainable Finance.

The Investment Committee recognised the additionality of the Framework Operation. The Sustainability Guarantee Product aims to extend the EU Compartment outreach and will

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enable the EIF to support this growing ecosystem at a scale in Finland that would not be possible or not to the same extent out of the EU Compartment of InvestEU nor other EIF-managed resources for that purpose by supporting final recipient transactions with a risk profile generally higher than the risk accepted by the financial intermediaries within their standard lending practice.

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 targeting excluded segments.