

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation Framework Operation for the Sustainability Guarantee Product – Portugal
InvestEU Member State Compartment

Type of approval: Framework Operation

Type of Financial Intermediaries: Mainly commercial banks

Type of Final Recipients: Natural persons, SMEs, Mid-Caps, Other: Small Mid-Caps and housing associations

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

Short description of the financing or investment operation:

The Sustainability Guarantee shall contribute to the green and sustainable transformation of the local economy by supporting access to debt financing for eligible final recipients.

The purpose of the Sustainability Guarantee shall be to address Portugal's current challenges in supporting investments in green transitioning, energy efficiency and renewable energy production.

Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

- **Item 1 of Annex II of the InvestEU Regulation:**

the development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, clean energy transition and the commitments taken under the 2030 Agenda for Sustainable Development and the Paris Agreement

- **Item 2 of Annex II of the InvestEU Regulation:**

the development of sustainable and safe transport infrastructures and mobility solutions, equipment and innovative technologies in accordance with Union transport priorities and the commitments taken under the Paris Agreement

- **Item 3 of Annex II of the InvestEU Regulation:**

environment and resources

- **Item 5 of Annex II of the InvestEU Regulation:**

research, development and innovation

- **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

- **Item 10 of Annex II of the InvestEU Regulation:**

the rehabilitation of industrial sites (including contaminated sites) and the restoration of such sites for sustainable use

- **Item 11 of Annex II of the InvestEU Regulation:**

sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider sustainable bioeconomy

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.

- **Item 12 of Annex II of the InvestEU Regulation:**

social investments, including those supporting the implementation of the European Pillar of Social Rights

- **Item 15 of Annex II of the InvestEU Regulation:**

seas and oceans, through the development of projects and enterprises in the area of the blue economy, and the Sustainable Blue Economy Finance Principles, in particular through maritime entrepreneurship and industry, renewable marine energy and circular economy

Sustainable growth and the protection and improvement of the quality of the environment are core values of the European Union. Furthermore, on climate policy specifically, the EU has set targets for reducing its greenhouse gas (GHG) emissions progressively to become carbon-neutral by 2050 and has itself the goal of becoming a climate resilient society by 2050, fully adapted to the unavoidable impacts of climate change.

The Sustainability Guarantee aims to support investments contributing to the green and sustainable transformation of the European economy, supporting access to debt for Guarantee Final Recipients.

Additionality shall be deemed to be met via each Sub-Project as long as financial intermediaries 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 solution in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website and 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 debt transactions, which meet the enhanced access to finance measures, as 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 on 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 or collateral requirements.

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;

Guarantee instruments are typically not part of EIFs own balance sheet standard activities and are implemented by EIF via third-party mandates. Building on the previous EU guarantee instruments, the Sustainability Guarantee Product implemented under the InvestEU Member State Compartment, will enable the EIF to support this ecosystem at a scale that would not be possible or not to same extent out of 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;

There are several obstacles perceived by the financial intermediaries, with respect to lending activities in these market segments, such as that green and sustainable technologies are typically considered more expensive, thus SMEs may be reluctant to invest in them. Sustainable financing comes with additional complexities in terms of assessment, requirements both at the level of financial intermediaries and final recipients, as well as final recipients, coupled with higher perceived risk by market operators.

Access to finance remains one of the biggest challenges SMEs face in Portugal. According to the Survey on the Access to Finance of Enterprises (SAFE) in 2023, Portugal remained in the top 3 EU Member States where SMEs report to rely the most on bank loans as their main source of funding. According to the same report, Portugal was one of the five Member States reporting the highest SME loan rejection rates. These results are consistent with the conclusions of the fi-compass 'Gap analysis for small and medium-sized enterprises financing in the European Union', issued in 2020, which reported a debt financing gap in Portugal of EUR 7bn, the highest gap to GDP across the EU's 27 Member States.

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 Portuguese SMEs to undertake productive investments.

The implementation of InvestEU MS-C guarantees is thus of paramount importance to incentivize eligible final recipients to carry out their tangible and intangible investments in order to strengthen or maintain their competitive position.

The fi-compass study 'The potential for investment in energy efficiency through financial instruments in the EU - Portugal in-depth analysis' underscores the growing importance of support schemes targeting energy efficiency. The report highlights that energy efficiency investments can play a vital role in economic growth by creating jobs, reducing energy costs and emissions, and enhancing energy security. It also notes that the use of financial instruments can help mobilise private co-financing and make more efficient use of public resources to meet Portugal's significant investment needs in this area.

According to the Portuguese National Energy and Climate Plan (PNEC 2030), Portugal faces a climate investment gap of approximately EUR 185 billion for the period 2021–2030, reinforcing the need for targeted financial instruments to mobilise private investment in the green transition.

Under such considerations, the Recovery and Resilience Plan (RRP) envisages allocation of resources to support the green transition.

The Sub-Projects that will form part of this Framework Operation, are therefore expected to support financial intermediaries which in turn would support final recipient transactions aimed at covering the market gap driven by the inability for target final recipients having sustainable market practices due to increased costs and risks and thus excluded from traditional capital markets.

The following market failures are addressed by the Framework Operation:

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

Externalities which the operator or company generally fails to internalise, such as R&D investment, energy efficiency, climate or environmental protection.

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.

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

Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology.

Furthermore, the identified main market failures, preventing energy efficiency investments, include also:

- High commercial interest rates
- Small project sizes resulting in high project development and transaction costs
- Grant dependency – beneficiaries prefer to delay investments waiting for grants to become available
- Low awareness among financial institutions to invest in energy efficiency.

Green lending by financial intermediaries to SMEs and individuals is still at an incipient stage, particularly in Portugal, and is perceived as riskier. Green technologies are typically more expensive and capex intensive (e.g., renewable energies, industrial energy efficiency, etc.) and typically require longer periods of repayment. In addition, green financing comes with additional complexities in terms of assessments and requirements for both the financial intermediaries and final recipients. Consequently, the origination of green financing comes with additional intricacies and therefore is less attractive than financing more established activities.

The Sustainability Guarantee Product, implemented under the Member State Compartment in Portugal will alleviate the elements above by providing risk deleveraging for green lending and therefore incentivising financial intermediaries to in turn 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 and, particularly for this type of final recipients that require a proportionate approach.

EIF is providing guarantee to the Intermediary which will in turn provide debt financing to eligible final recipients. The support provided by this Operation mobilizes substantially third-party resources alongside the EU support for the provision of financing to Final Recipients.

In addition, the InvestEU Sustainability Guarantee implemented under the Member State Compartment promotes a definition of green financing - for the supported activities - in the spirit of the EU Taxonomy for Sustainable Finance, therefore signaling a standard in this domain.

Origination of investment/financing is made by financial intermediaries benefitting from the Sustainability Guarantee under the InvestEU Portugal Member State Compartment, in line with their credit and collection policies and procedures.

EIF will dedicate significant efforts to kick-start the implementation of the novel instrument for green transition and this will require particular focus to build awareness and support the market take-up. Specific accompanying measures will be launched to maximize the market take up.

The Sustainability Guarantee Product, implemented under the Member State Compartment in Portugal, will support the green transition of small enterprises and individuals. It will expand the experience of financial intermediaries in using the EIF guarantee products towards this key EU as well as national priority. Thanks to this intervention, financial intermediaries will be able start their activity in this domain or to further develop their offer to green investments – either by developing new products in this area or expanding existing products to other green activities which they may not have supported in the past. In

addition, all the support activities foreseen alongside the guarantee will create awareness of green financing standards and definitions aligned with the EU Taxonomy for Sustainable Finance.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Excellent)

Pillar 4 - Financial and technical contribution by the implementing partner (Very Good)

Pillar 5 - Impact of the financing or investment operation (Very good)

Pillar 7 - Complementary indicators

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively 4.76x for uncapped and 14.29x for capped guarantees	Preliminary estimation
Multiplier Effect	Indicatively 6.66x for uncapped and – 20xfor capped guarantees	
Expected amount of investment mobilized	Indicatively EUR 387.8m for uncapped and indicatively EUR 1bn for capped	
SMEW specific Indicators		
a) Number of enterprises supported (expected)	Indicatively 1,580 enterprises to be achieved at the level of the instrument	Preliminary estimation
(b) Allocation volume dedicated to SME/Mid-Caps, if it can be reasonably estimated at the moment of submission	95% SMEs 5% Small Mid-Caps	

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.