The Netherland's vision paper on the future of InvestEU (post '27)

Spring 2025

Disclaimer

The Netherlands' overall position for the negotiations on the next multiannual financial framework (MFF) from 2028 was communicated through a separate letter to the Dutch Parliament dated 28 March 2025.[1]

Summary

Considering the issues described by the Draghi report and imperfections in the current EU capital market, the future EU budget should continue with initiatives to attract private investments and therefore make full use of financial instruments, like InvestEU does now. Its successor should:

1) Use the EU budget as a guarantee for stimulating the risk appetite of investors. This can be achieved by diversifying the guarantee. In this regard, the Netherlands also calls upon the EIB Group to explore ways to strengthen its risk-taking culture.
2) Stimulate scaling-up; make the equity product more attractive for investors. T*hematic windows*, for example one on strategic technologies can help to stimulate investments in tech startups and scale-ups. Also *blending possibilities* should be further explored. However, keep a certain part also accessible to SMEs who need a smaller funding size since they face greater financing obstacles than larger firms.
3) Keep its open access; the ability for national promotional banks and institutions (NPBIs) to directly apply for InvestEU products ensures that they have greater flexibility to develop solutions tailored to the specific demands of national financing markets and the needs of local entrepreneurs. Also, NPBIs may accept more risk than the EIB Group.
4) Make it simpler for implementing partners and beneficiaries; especially when it comes to *reporting requirements* and their deadlines.
5) Be coherent with other MFF programmes, especially bridges between the *European Innovation Council (EIC)* and InvestEU should be built; provide scaling-up funding for start-ups who benefited from the accelerator. The Commission is also encouraged to look into how the use of *member states compartments* can be further increased.

1. Introduction

Draghi identifies three challenges when it comes to the competitiveness of our European Union[2]: i) closing the innovation gap with the United States, ii) harmonizing decarbonization with competitiveness, iii) and enhancing economic security by reducing dependencies. For all of this, capital is needed. However, as also shown in the mid-term evaluation of InvestEU[3], persistent market gaps remain, holding back the necessary investments. Financing gaps and investment obstacles exist especially for (innovative) small and medium enterprises (SMEs). As shown in the Letta report[4], the fragmented European internal market hinders these innovative companies in attracting sufficient capital for risky scaling-up investments.

Therefore, coordinated efforts should be made to increase available private capital. The deepening and integration of the capital markets union (CMU) is, of course, a crucial priority for further developing the European financing market. At the same time, leveraging the EU budget would play

[1] Kamerbrief Nederlandse inzet onderhandelingen MFK 2028 | Kamerstuk | Rijksoverheid.nl
[2] The Draghi report on EU competitiveness
[3] Interim evaluation of the InvestEU Programme - European Commission
[4] Enrico Letta - Much more than a market (April 2024)

a key role in attracting private investment and creating a multiplier effect.[5] The current InvestEU programme has shown that EU financial instruments can help to overcome market failures and to create more risk appetite for both implementing partners as well as the financiers themselves.

The Netherlands welcomes therefore the initiative of the Commission within its Omnibus package to already improve certain elements of the current InvestEU programme.[6]

Within the next multi-annual financial framework (MFF) the use of financial instruments should be further promoted. The Netherlands welcomes the recently published Competitiveness Compass[7] and its roadmap to the next MFF[8], in which the European Commission (Commission) claims that the future EU budget should be refocused by making more use of leveraging, de-risking innovative projects and crowding in private capital.

However, this can only be done when there is true *EU added value*, it *does not crowd out private investor capital funds* and *should not replace national instruments/funding initiatives*. Besides this, European public schemes should be made available only on a *temporary basis*. Also, funding should be *awarded on the basis of excellence*, not on geographical coverage within the EU. Furthermore, compliance with EU fiscal rules and adherence to rule of law principles and fundamental values must be strong pre-conditions to receive EU-funds. Under these conditions and given that InvestEU is a highly successful programme but has only existed for a short time, the Netherlands prefers to build upon this programme rather than reinvent the wheel. However, we urge the Commission to take into account the following improved characteristics for the programme's successor.

2. Closing financing gaps

Given the importance of SMEs—encompassing both innovative startups and scaleups developing groundbreaking technologies, as well as the broader SME segment that must adopt these technologies and improve productivity (referencing Draghi's observations on stagnating productivity growth in SMEs) InvestEU must be structured to address these **two bottlenecks**. Doing so is essential to strengthening Europe's competitiveness and fostering sustainable economic growth.

A. Stimulating Scaling-up

Venture capital provides critical funding during a key growth phase for innovative companies. However, the venture capital market in the EU remains underdeveloped compared to the United States. Start-ups and scale-ups, in particular, often lack sufficient access to the venture capital they need—especially during the scaling phase—and face limited prospects for later-stage equity investments within the EU. As a result, many promising European companies, including scale-ups, are frequently acquired by foreign (often American) parties or opt for public listings in the U.S. Scaling innovative, deep tech companies is capital-intensive and inherently risky, underscoring the importance of incentivizing European (private) investors to back these businesses. Strengthening the venture capital market in Europe will not only foster innovation but also ensure that the economic and strategic benefits of these companies can flourish with the EU. Addressing this financing gap should be a key focus of the successor of InvestEU.

A recent Dutch study on the financing of transition, innovation, and SMEs to strengthen the economy[9], concluded that a financing gap still exists for scale-ups with investment rounds starting from about €10 - €50 million in transitions and technological innovation, respectively. Private investors encounter several barriers to invest, such as perceived high risk (caused by information-asymmetry and unproven technology for example), uncertain returns (due to slow repayments and externalities for example), and lack of capital (because investment funds are relatively small compared to the necessary tickets sizes).

[5] The recent mid-term evaluation estimates that the InvestEU leverage effect is at 5.62. This indicates that for every euro of Union guarantee, EUR 5.62 of financing is expected to be provided to final recipients by implementing partners. See the Commission documents.
[6] See COM (2025)84 final
[7] EU Compass to regain competitiveness
[8] See the Communication on The road to the next multiannual financial framework, COM (2025) 46 final.
[9] See Perspectief op financiering van transities, innovatie en het mkb ter versterking van de Nederlandse economie, PwC, april 2024.

In reaction to these findings, the Dutch government has allocated €250 million for the development of a ***Blended Finance*** instrument which can address such barriers and mobilize private capital into impactful scale-ups. Also at EU level, one should look into more blending options within InvestEU financial instruments with grants from other programs, like the Connecting Europe Facility (CEF), by for example aligning eligibility criteria of different programs. By making the grant conditional upon (debt) support from the EIB or NPBIs, this can create a great leverage for the EU budget.

The European Tech Champions Initiative (ETCI) serves as a prime example of how targeted programs can address the funding gap for scale-ups in Europe. By pooling resources from member states and leveraging funds from the European Investment Fund, ETCI aims to strengthen Europe's venture capital ecosystem and provide much-needed later-stage financing for high-growth companies. This initiative is a vital step towards ensuring that innovative European businesses can scale within the EU, rather than seeking funding or public listings outside the region. However, ETCI should not be seen as a one-off effort but rather as a starting point for a broader, long-term strategy and most importantly, a promising initiative to crowd in private investment to maximize the leverage of public spending.

Make the equity products more attractive for investors. Scaling companies need equity investments, as emphasized in the Draghi report. However, the current InvestEU structure has key drawbacks for implementing partners using direct (quasi-)equity products. The main issue is **upside sharing**: the Commission demands a share of the returns as compensation for the guarantee but does not provide liquidity. While funding and compliance costs are covered, management fees—standard in market-based investment mandates—are not. This makes the product financially unattractive for investors.

To enhance InvestEU's impact on venture capital investments, the Commission should provide liquidity instead of only covering funding costs. This would significantly increase available capital for scaling companies, as was done successfully in the past.

Thematic windows, as the R&I window now, can help to provide focused support for the scaling up phase for companies developing strategic technologies. One can also think of a dedicated window for strategic technologies, as was already proposed by the Commission in 2020 in response to the COVID crisis.[10] This can be brought in line with the technologies that are included in the EU Competitive Compass. Although the Netherlands is in favour of offering a reasonable level of flexibility to adapt to emerging technologies, we urge the Commission to work with long-term allocated budgets within InvestEU. Implementing partners need to structure their organization, capacity, expertise, and communication with businesses, accordingly, making visibility in long-term budgets crucial, while simultaneously allowing for sufficient flexibility.

B. Remain its focus on general SMEs and diversify its financing, as they are crucial to reversing Europe's stagnating productivity growth

Besides scaling up, structural challenges for micro and small SMEs with a small financing need (debt), remain[11]. These SMEs contribute to economic diversification and play a crucial role as suppliers and trade partners in the value chain of high impact industries, making them indispensable to our ecosystems. It is imperative that they have access to finance for increasing their productivity and become more sustainable.

These smaller companies face greater financing obstacles than larger firms, including higher rejection rates for bank loans and higher borrowing costs. This is due to several factors, including: higher risk perception, limited track record, insufficient collateral, and (relatively) higher administrative burdens, since small loans generate lower returns while the costs of risk assessment and administration remain relatively high. Automation of the lending process in this credit segment can come at the expense of access to finance.

This SME segment, traditionally largely dependent on banks, is now increasingly served by alternative lenders; in the Netherlands, 36% of small business loans is provided by alternative

[10] See Questions and Answers: The proposed InvestEU Programme, 29 May 2020 (hyperlink).

lenders instead of traditional banks.[12] We encourage this valuable supplement to the banking sector. Nowadays InvestEU is well designed for traditional banks, but harder to access by alternative lenders. Qredits, the Dutch state- and bank-supported microfinance institution, is a successful example that makes use of InvestEU guarantees. The successor of the InvestEU programme should remain flexible and accessible to facilitate this kind of funding, serving both banks and alternative lenders.

3. The program should maintain it’s open-access character for NPBI’s for more flexibility and risk-appetite

InvestNL, the Dutch National Investment and Development Institution, is an implementing partner (NPBI) of InvestEU. Also, the Netherlands Enterprise Agency (NEA) went through the pillar assessment. By providing EU budgetary guarantees, partners like InvestNL and NEA can increase their risk-taking capacity which contributes to mobilising public and private investment for the EU's policy priorities, tailored to the national context. Based on this experience, we call for **keeping the open architecture** under which InvestEU’s successor is open to NPBIs as well as International Financial Institutions (IFIs) at the level of the Commission.

The ability for NPBIs to directly apply for InvestEU products ensures that they have greater flexibility to develop products tailored to the specific demands of national financing markets and the needs of local entrepreneurs. This approach helps to ensure that MFF resources are aligned with the country-specific challenges in the financing landscape. This is particularly important as the EIB Group, by nature, generally provides more standardized risk-averse products. Direct access to InvestEU products also ensures that NPBI’s have a level-playing field with the EIB Group, who currently benefits most from a more flexible state aid framework.

Maintaining direct access for NPBIs is therefore critical to ensuring that InvestEU products remain adaptable and effectively address the diverse financing gaps across the EU. This open architecture represents an opportunity for increased cooperation and synergies with and between NPBIs, as the Commission states in its Competitiveness Compass.

4. Reduce red tape and the unnecessary administrative burden, while maintaining sound financial management

The future InvestEU programme should also be simplified for implementing partners and beneficiaries. Especially for small companies the requirements are currently too complex, prompting them to seek alternative funding sources outside the EU. Cumbersome reporting requirements should be simplified; sustainability proofing should be proportional, double checks should be avoided, and one should look at the time of reporting deadlines and the frequency of delivering audit reports. The Commission should make an effort to streamline legal documentation procedures for all financial instruments under EU programmes, including the EIB Groep.
The Netherlands therefore supports the idea of standardizing different reporting structures, cut red tape and reduce the administrative burden and welcomes the efforts of the Commission to reduce bureaucracy within the current InvestEU program with its Omnibus II proposal.[13]

It is important, however, that this is done in good consultation with the NPBIs. The EIB Group has an advantage thanks to its decades-long cooperation with the European Commission, as it already has its organisation well set up to this end. However, for smaller and new NPBIs, it should be carefully considered how to reduce the administrative burden for them and the SMEs they support. Lastly, as also requested by the Netherlands for other funding programmes, the definition for undertakings in difficulty (UiD) should be adjusted to ensure that start-ups and scale-ups are not unfairly deemed ineligible for support from programmes like InvestEU. Of course, any simplification effort for beneficiaries, should not come at the cost of sound financial management or the goals/content of the spending programme.

[12] Business loans up to 1m EUR.
[13] See COM (2025)84 final.

5. Better coherence with other EU programmes; finding complementarity and avoiding overlaps

Bringing fourteen existing EU financial instruments from the previous MFF under one umbrella in InvestEU created more coherence between all these different funding schemes. This should be continued in the next MFF; we encourage the Commission to look even further into potential overlaps/possibilities for synergies.

A. With the EIC

With an overall portfolio value of supported companies of nearly €70 billion[14], the newly created European Innovation Council (EIC) and its accelerator are a success. The EIC should be continued in the next MFF with competitive grants and equity. This is crucial for (deep) tech startups to identify, develop, and scale up breakthrough innovations and transforming them into new products and services by providing funding up to €30 million. In 2023 the EIC portfolio had impact on scaling up companies with over 150 "centaurs" (valuation above of €100 million), 15 of whom have a valuation above €500 million, including eight over €1 billion (unicorns).[15]

However, this is not sufficient for the challenges the EU is facing. Solutions for persisting gaps relating to serious follow-up investments for deep-tech companies should be explored. As suggested in the InvestEU interim evaluation mapping InvestEU and EIC products could show complementarity and help identify any potential gaps or areas of overlap. Providing access to alternative funding for EIC accelerator proposals with a Seal of Excellence could be considered. Furthermore, bridges should be built to facilitate, as necessary, the access of the EIC Fund's beneficiaries to follow-up funding supported by InvestEU, for example through fast-track procedures.

B. With other programmes

The Commission should consider strengthening the links between the InvestEU programme and other programs, such as the funds under **Cohesion Policy.** As at the end of 2022, indicative ERDF and Cohesion Fund allocation for financial instruments in the submitted programmes was EUR 25.1 billion (15% of the total Cohesion budget for the 2014-2020 period), which leveraged over EUR 62 billion worth of investments contributing to the policy objectives of the European Union.[16]
Currently, under InvestEU, there is the opportunity to transfer 5% of their national cohesion envelope to the member state compartment of InvestEU. Due to the voluntary nature, only a small number of Member States made use of this possibility so far. It would be valuable to explore possibilities to make this obligatory when Member States want to set up financial instruments under their operational programmes, either for certain amounts or in regions from countries with lower credit ratings, to align those financial instruments better with the overall EU-objectives.
The Netherlands welcomes initiatives of the Commission to already increase the attractiveness of the member state compartment within the current InvestEU programme by creating a new financial instrument.[17]

In light of the European Commission's increasing efforts to boost investments in security and defence, consideration should be given to strengthening the bridge between InvestEU and the European Defence Fund, which also promotes disruptive innovation.

[14] The European Innovation Council Impact Report 2023,18 March 2024.
[15] EIC Impact report 2023: The European Innovation Council - Publications Office of the EU
[16] Inforegio - Financial instruments under Cohesion policy are delivering real results for the European economy, as well as attract considerable additional investment towards Cohesion policy goals.
[17] COM (2025) 84 final.