

European Investments Minister: Half a billion euros available to SMEs under risk capital facility

One of the most progressive components of the National Recovery and Resilience Plan (PNRR) is that of financial instruments and grants for the private business environment, and SMEs will have half a billion euros available as a risk capital facility, under an agreement signed with the European Investment Bank and the European Investment Fund, Minister of European Investments and Projects Cristian Ghinea declared on Thursday after the government meeting.

"The PNRR component of financial instruments and grants for the private sector is one of the most advanced. We negotiated with the European Investment Bank and the European Investment Fund, we are prepared to sign an agreement as soon as the PNRR is approved and this injection of capital into the private economy means a portfolio guarantee of 400 million euros; this means that companies in crisis can access a state-secured bridge loan until the crisis ends. There will be another 100 million euros as portfolio guarantee related to climate change. So, the companies looking to invest in refurbishment can apply here. There's a risk capital facility for SMEs of half a billion euros. This means that immediately after the approval of the PNRR, the EIB and the EIF will start the process of selecting local banks that will be offered portfolio guarantees and that will make this money available further. We estimate a leverage effect, in the sense that one euro put through this guarantee instrument will generate 4 or 5 euros in the real economy," Ghinea explained.

The European Investments Minister also referred to infrastructure funds dedicated to digital transformation, education and health.

"In addition to these financial instruments, there will be 200 million euros available as digital transformation grants, which will be administered by the Romanian Digitization Authority, and a support measure for listing on the Stock Exchange. Participation on the Stock Exchange is very limited in the Romanian economy. There are various technical barriers to listing. We will have a 35 million euro instrument for technical assistance to companies that want to get listed on the Bucharest Stock Exchange. We have 3.7 billion euros for Education and I am very proud that 12 percent of PNRR is assigned for education, which is more than the 10 percent recommended by the European Parliament. Ten thousand laboratories are planned for Romanian schools, 2,000 green minibuses, over 80,000 classrooms equipped with furniture, 50 new green schools. The health component is also forward-looking, with an allocation of 2.5 billion euros; plans are afoot to build or equip 200 community centers, 3,000 family doctors' offices and we are working on the list of hospitals that will be built or renovated from this health infrastructure fund," said Cristian Ghinea.

According to the Minister, as far as transportation is concerned, Romania needs investments in road and railway infrastructure.

"We are now working on what the Commission calls investment-accompanying reforms. As Mr. Transport Minister Drula announced, we are looking at a transport taxation reform aimed at encouraging rail transport and at really charging the use of public roads. We will move from a fixed toll to a toll system in which everyone pays according to the freight volume and the transportation distance. In the first two years, the step to begin with will be the installation in Romania of digital goods tracking systems, followed by the technical step of charging," the official pointed out.

Ghinea denied allegations that the European Commission has asked the Romanian authorities to present the PNRR in the Romanian Parliament.

According to Ghinea, on May 31 2021 Romania will submit applications, projects and reforms for the full amount of 29.2 billion euros allocated through PNRR.

"The second objective of our visit to Brussels was to clearly establish that we will fully draw the 29.2 billion euros. I say this very clearly: only two EU countries will fully use the resilience mechanism loans - Romania and Italy. (...) Unfortunately, we are also the only country in the European Union in an excessive deficit procedure, which makes it difficult for us to take out loans without clear revenue growth commitments, because otherwise these loans will weigh heavily in the budget deficit balance. Basically, the two elements need to be correlated, and this is what we have been intensively negotiating in Brussels: the timetable for revenue growth forecasts and when we can start taking out loans under PNRR. I am not hiding from you the fact that the Commission's suggestion, if not recommendation, was not to apply now for loans. We rejected this suggestion and we clearly stated that on May 31 Romania will submit applications, projects and reform plans for the full amount of 29.2 billion euros," the official said.

Romania's National Recovery and Resilience Plan is the strategic document that sets forth the national reform priorities and investment sectors for accessing the Recovery and Resilience Facility.

The Facility is built on six pillars, namely: Green transition; Digital transformation; Smart, sustainable and inclusive growth and jobs; Social and territorial cohesion; Health and resilience; Policies for the next generation, children and youth.

At the beginning of May, Prime Minister Florin Cîtu declared that the PNRR amounts have been reduced in all chapters so as to fit within the 29.2 billion euros Romania will receive.