



Combination of financial instruments with other forms of support

Desmond Gardner, Financial Instruments Advisor,
European Investment Bank



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ESIF combination with...

Grants



11.09.2015
EC Regulatory Guidance

European Structural and Investment Funds Guidance for Member States and Programme Authorities CPR_37_7_8_9
Combination of support from a financial instrument with other forms of support

<https://www.fi-compass.eu/publication/ec-regulatory-guidance/european-structural-and-investment-funds-guidance-member-states>



European Fund for Strategic Investments



22.02.2016
EC Regulatory Guidance

New guidelines on combining European Structural and Investment Funds with the European Fund for Strategic Investments
> **Read more**

<https://www.fi-compass.eu/publication/ec-regulatory-guidance/new-guidelines-combining-european-structural-and-investment>

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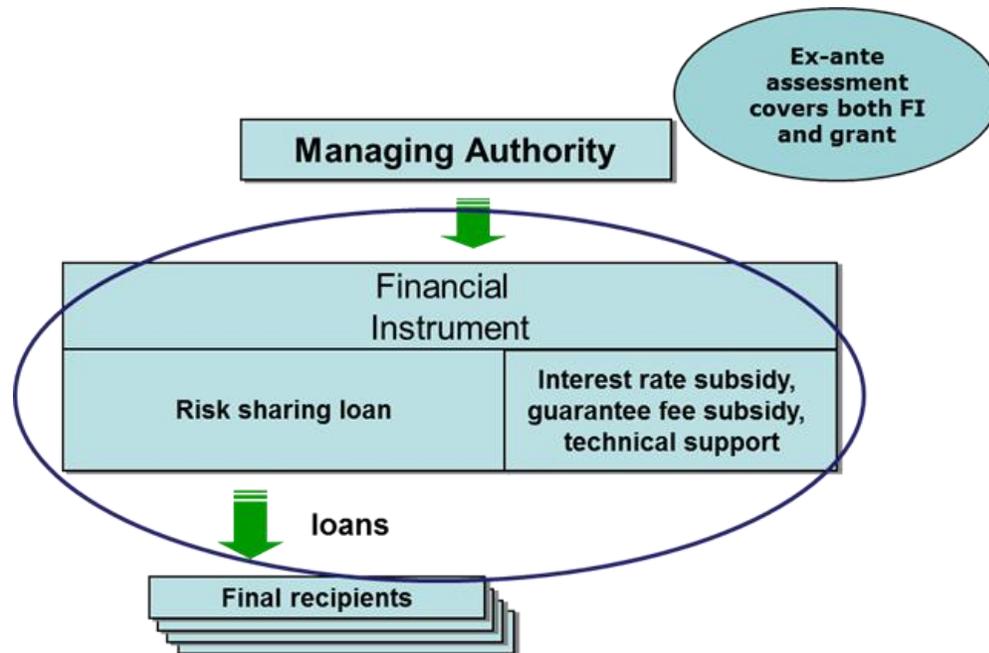
Combination of FIs and grant



- Two types of combination - the legal framework contains explicit provisions - CPR 37(7)(8)(9)
- The two types of combinations are envisaged also in Financial Regulation:
 - Combination of a grant and a FI within a financial instrument operation
 - Combination at the level of final recipient within two operations



Combination within a financial instrument operation



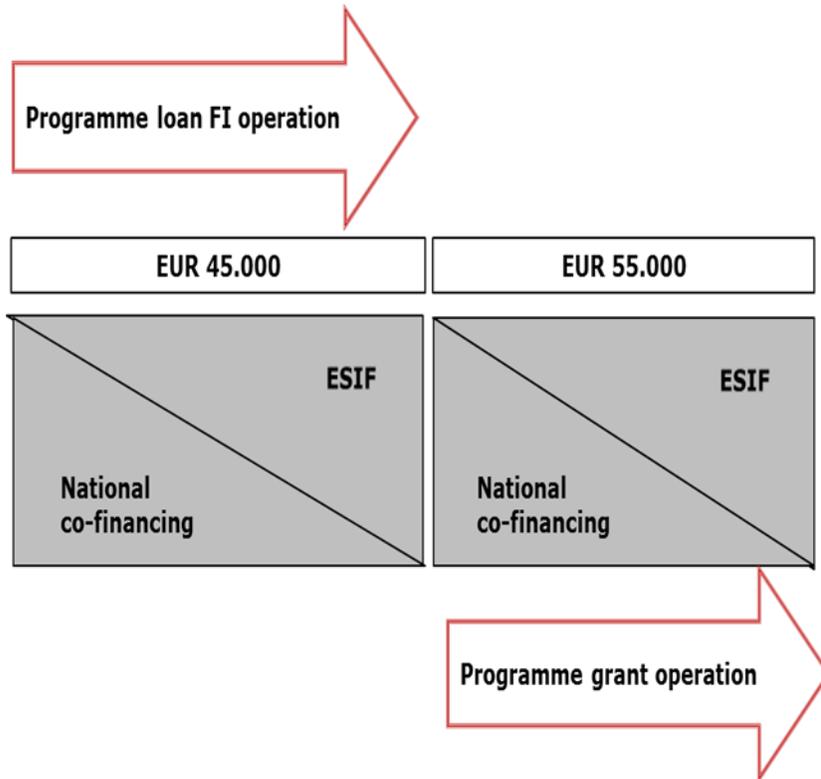
- Grant is directly related to financial instrument targeting the same final recipients (interest rate subsidy, guarantee fee subsidy, technical support). It is NOT a grant for the investment in final recipient.
- Grant and financial instrument constitute a single FI operation and is financed from the same priority axis / measure (and the same ESI Fund)
- A contribution from MA to FI operation (covering both a FI and a grant) is justified and estimated in ex-ante assessment.
- Compliance with State aid rules is needed.
- For each form of support separate records have to be maintained.



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Combination at the level of final recipient within two operations



- Combination of support takes place at the level of investment. The same entity receives support from a grant and from a FI. Combination can cover the same expenditure item.
- Combination results in two separate operations with distinct eligible expenditure.
- The sum of all forms of support \leq total amount of the expenditure item concerned.
- State aid rules have to be respected (e.g. on cumulation, on own contribution free from state aid by the beneficiary in regional aid)
- Grants cannot be used to reimburse support from FI.
- FI cannot be used to pre-finance the grants.



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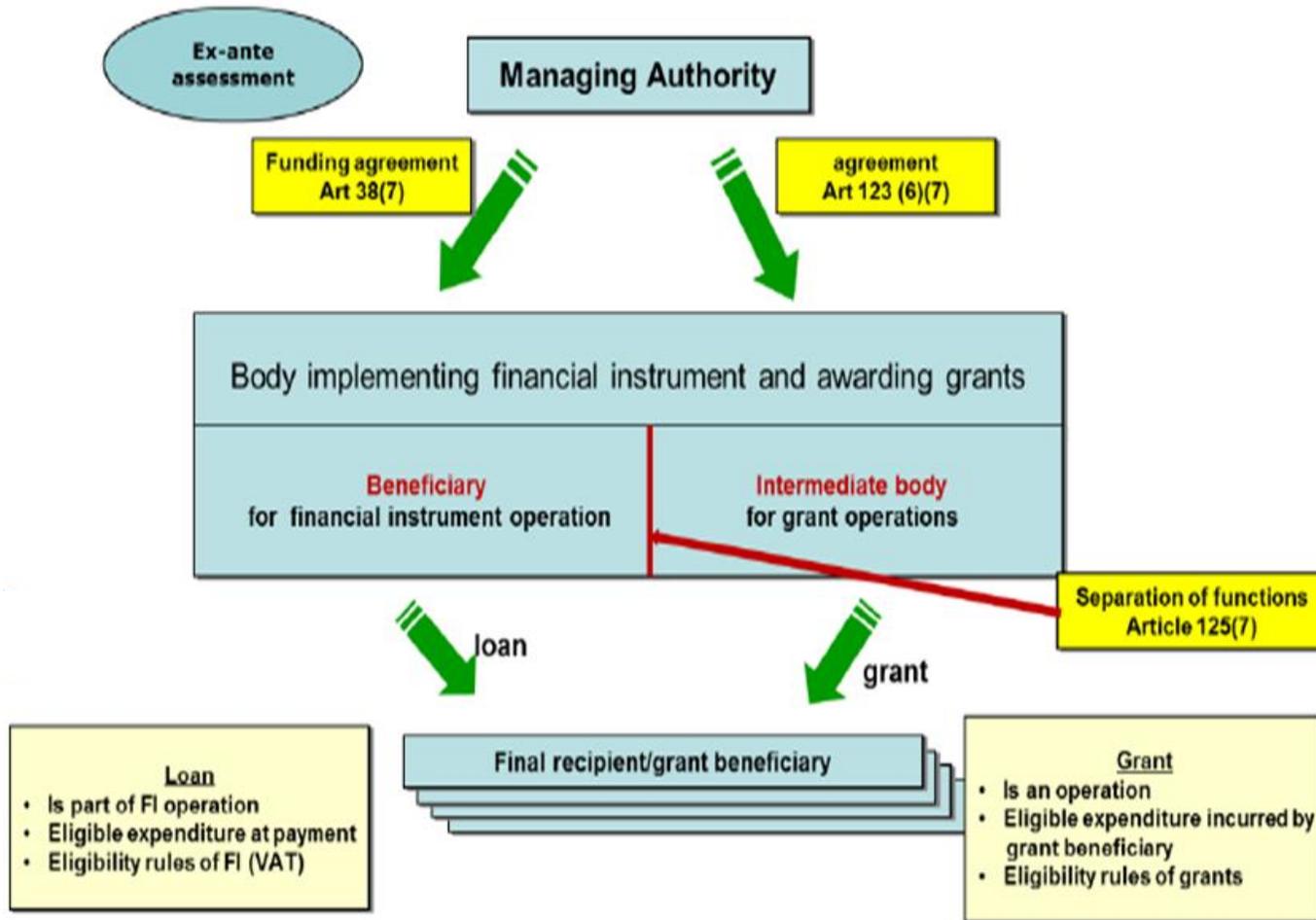


Combination at the level of final recipient within two operations by the same body



- In combination within two operations loan and grant can be given:
 - by the same body (it will be "beneficiary" for FI and "intermediate body" in case of grant)
 - to the same body (e.g. enterprise)- ("final recipient" for FI and "beneficiary" for grant)
 - for the same project or even expenditure item (e.g. machinery)

!!! NOT for the same eligible expenditure (the same expenditure cannot be declared twice to COM) !!!





ESIF/EFSI Combination

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European Investment Bank



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What is EFSI?



“We believe that this initiative can make a real difference to unlocking additional investment in Europe. This plan is not about solving the investment crisis with public subsidies. The best possible use of limited public resources is to catalyse private investment.”

Werner Hoyer, EIB President

Market-driven instrument

- EFSI responds to the market’s demand for financing across eligible sectors and geographies
- Supports **bankable projects** to overcome market failures in the access to finance and sub-optimal investment situations
- No geographical or sectoral allocation
- The EFSI guarantee allows the EIB to engage with bigger volume of **high risk operations** (“**Special Activities**”)



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European Fund for Strategic Investments



EUR 26bn

EUR 7.5bn

EFSI - European Fund for Strategic Investments
EUR 33.5bn

Financing: EUR 100bn

Final investments:
EUR 500bn

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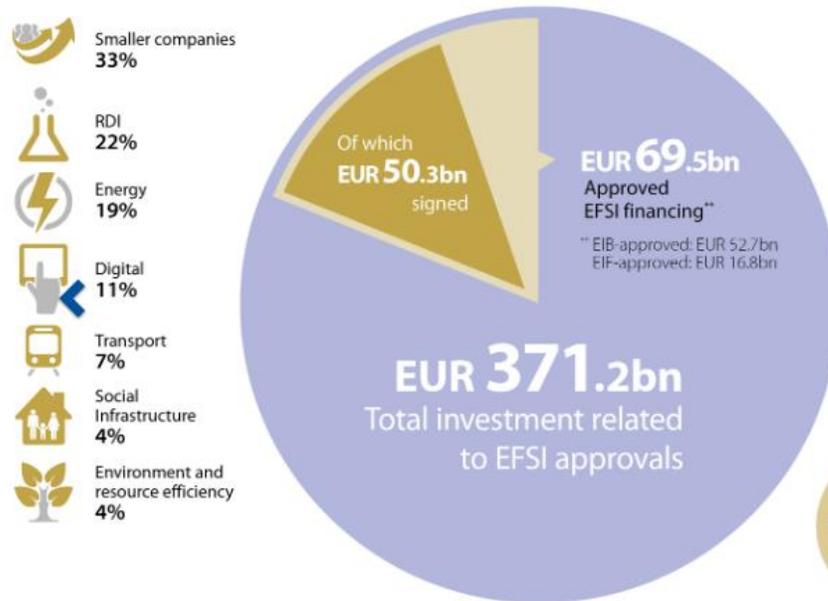


European Fund for Strategic Investments



EIB Group figures As of 11/12/2018

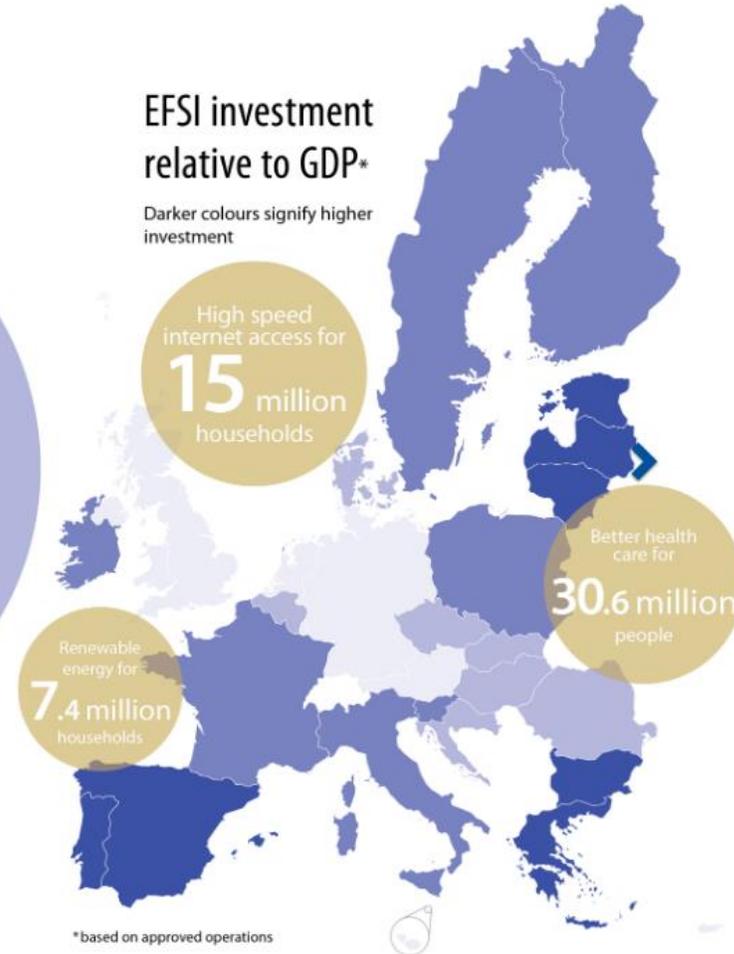
EFSI investment by sector*



Target by 2020 **EUR 500bn**

EFSI investment relative to GDP*

Darker colours signify higher investment



ESI Funds - EFSI complementarities and combination



- ESI Funds and EFSI, when used in a **complementary manner**, provide support to distinct projects which together constitute integrated investment in a specific sector (e.g. in energy efficiency investments in insulation of buildings can be complementary to investments in boilers).
- Direct **combination** of both funds can take place at project level. In this case both ESI Funds (through grants or through FI) and EFSI will collectively provide part of investment volume to a single project.

Another possibility is to combine funds in an investment platform which will then provide financing in the form of financial products (FI) to a number of projects.



ESIF and EFSI combination



Why combine EFSI and ESIF?

- Limited ESIF resources can be augmented with EFSI in FIs and attract private investors (usually at project level).
- Assisting in the deployment of EFSI, using ESIF to lower the risk profile of projects and/or facilitate more affordable funding, especially for longer term payback projects (e.g. energy efficiency)
- Using ESIF as grants, as well as FIs to help with project identification, preparation and affordability constraints
- If EC proposals are adopted, then increased potential to increase efficiency of FI set up and implementation – notably with respect to ex ante process and procurement.



EFSI Investment Platforms



- Dedicated financing structures, co-financing or risk-sharing arrangements, **channeling public and private financing from entities, to finance a number of investment projects**
- **Flexible** concept with a **defined** geographical or sectoral/thematic **scope**
- Potential tool **to use EU funds**, financial instruments or national support together with EFSI to support specific policy objective or to facilitate/organise co-financing with **NPBs** and other parties
- But they are **not magic tools** that would transform non-bankable projects into bankable projects
- The EIB needs to rely on sponsors and promoters that would set up such structure



The Omnibus Regulation



EUROPEAN UNION	
THE EUROPEAN PARLIAMENT	THE COUNCIL
	Brussels, 6 July 2018 (OR: en)
2016/0282 (COD) 2016/0282 A (COD)	PE-CONS 13/18
	CADREFIN 13 POLGEN 16 FIN 172 INST 79 FSTR 4 FC 4 REGIO 7 SOC 102 AGRISTR 12 PECHE 58 TRANS 87 ESPACE 9 TELECOM 46 CODEC 263
LEGISLATIVE ACTS AND OTHER INSTRUMENTS	
Subject:	REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012

- Revision of financial rules applicable to the general budget of the EU (Financial Regulation) accompanied by corresponding changes to sectorial financial rules in 15 legislative acts
- Part of mid-term review of the multi-annual financial framework (MFF) 2014-2020
- Why is it important for stakeholders involved in FI implementation?:
 - Includes in the revision the Common Provisions Regulation (CPR), Title IV on Financial Instruments, which is the legal basis for the financial instrument mandates from Member States
- Aims at simplification & facilitating combination of EFSI & ESIF



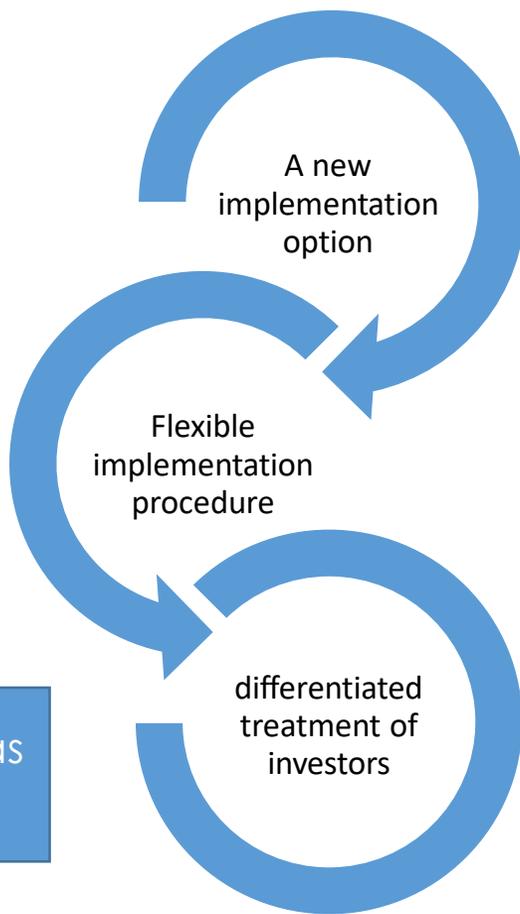
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Omnibus – new flexibilities for ESIF FIs



combining ESIF with EFSI (Art 38(1)(c) CPR (as amended))



New Article 39a CPR

to allow for differentiation of risks (losses) and returns (gains, profit) (Art 43(a) CPR (as amended))



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New Article 39a & 38(1)(a) – New possibilities



- MA may contribute ESIF to financial instruments combining ESIF with EIB financial products under EFSI;
- Instead of mandatory ex-ante assessment, possibility to contribute ESIF based on preparatory assessment, including due diligence by EIB;
- Possibility to rely on the fund manager selected by EIB in case of ESIF contribution to an existing EFSI instrument; no need for second selection procedure;
- ESIF can take subordinated position to EFSI for guarantee instruments (for tranches of portfolios of loans also covered under EFSI's EU guarantee);
- Contributions under 39a instruments can be used to originate new finance in the entire territory of Member State;
- Payment tranching in line with payment schedule for other investors, and agreed in Funding Agreement (derogation from CPR tranching).



A combined ESIF/EFSI Instrument (capped guarantee)

- creates significant increase in market impact
- made possible by Omnibus changes



Indicative example without EFSI :

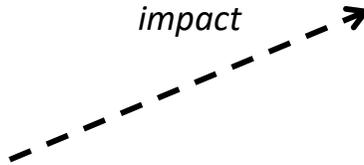
Portfolio of new loans worth EUR 62.5m



Guarantee rate of 80%

Cap of 20%

60% increase in market impact



Indicative example with EFSI :

Portfolio of new loans worth EUR 100m



Guarantee rate of 80%

Cap of 20%



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A combined ESIF/EFSI Instrument (funded)

- creates significant increase in market impact
- made possible by Omnibus changes



Indicative example without EFSI :



60% increase in market impact

Indicative example with EFSI tranche :



Optional



Senior tranche

Mezzanine tranche

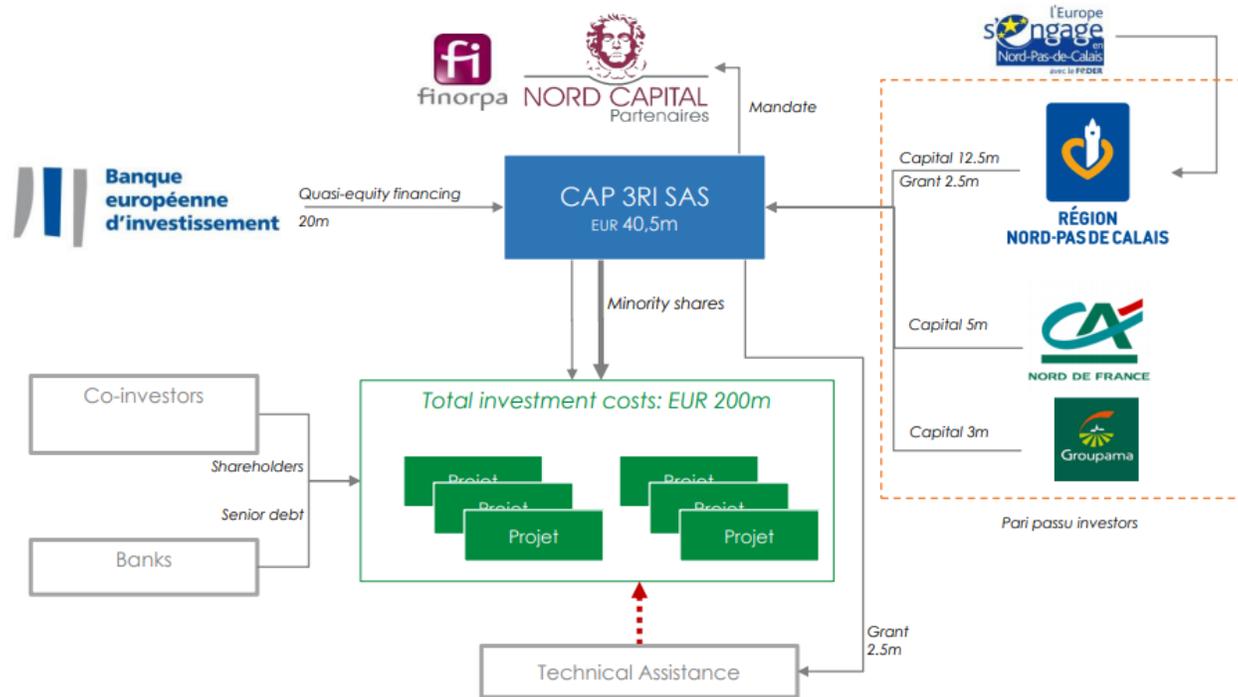
Equity tranche



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CAP 3RI ESIF/EFSI Combination



- Implemented by MA/financial intermediary;
- The Hauts-de-France Region contributes EUR 15m ERDF, made up of:
 - EUR 12.5m Capital Investment;
 - (EUR 2.5m Technical Assistance Grant);
- EUR 5m Credit Agricole Capital Investment;
- EUR 3m Groupama;
- EUR 20m EFSI operation.



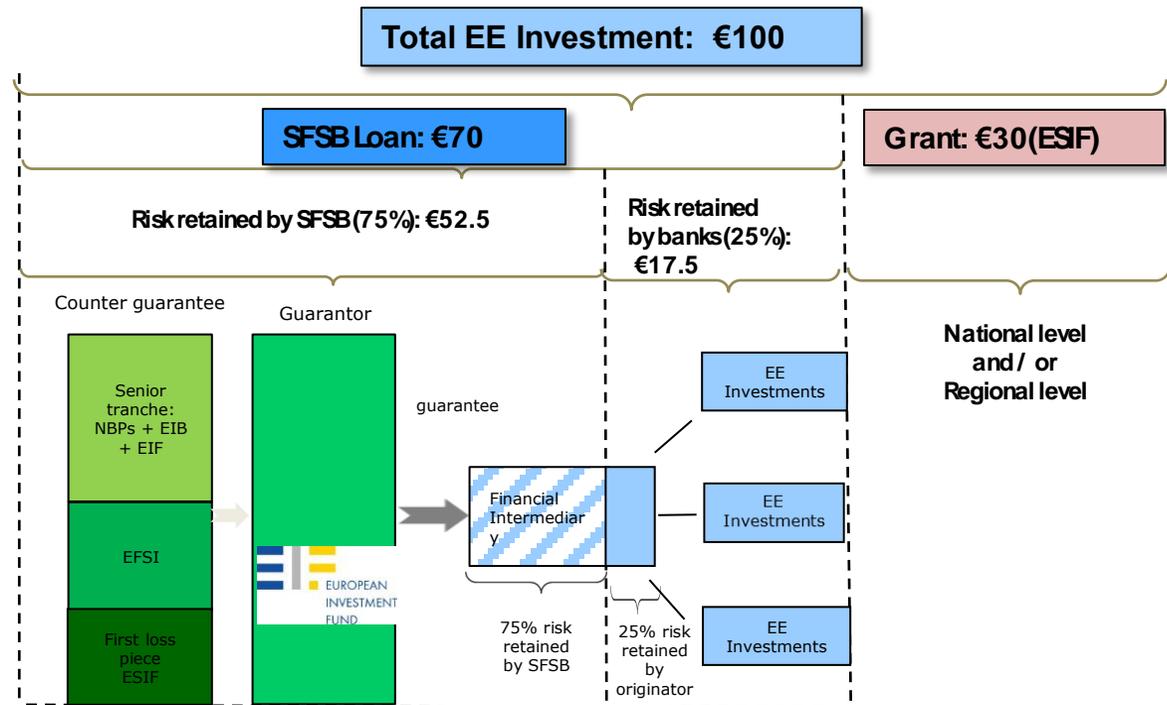
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Smart Finance for Smart Buildings (SFSB)



An EU wide financial instrument concept (promoted jointly by EC and EIB Group)



- Combines ESIF and EFSI in a guarantee instrument (to be managed by EIF)
- Commercial finance primarily for energy efficiency in residential housing
- Omnibus Regulation allows tranching of different EU funding contributions
- Supported by ELENA technical assistance facility and Advisory Hub



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Q&A

with participation of
Krzysztof Kasprzyk, Policy Officer, Financial Instruments and Relations with IFIs Unit, DG REGIO, European Commission



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