Stock-taking on financial instruments in certain sectors

Progress to date, market needs and implications for financial instruments

Frank Lee, Head of Financial Instruments Advisory Division, European Investment Bank

#ficompass

The study

Scope	5 Sectors were analysed: Renewable Energy, Urban Development and Transport, Environment, ICT infra, and RDI in SMEs
Rationale	Despite large amounts programmed for these sectors, only 3% delivered through financial instruments
Objectives	Identify barriers and key success factors, to enable recommendations for increasing financial instrument use in next period
Method	A combination of desk top research, surveys, interviews and focus groups

Main challenges/barriers

Market related	Regulatory and technology risks Borrowing constraints Revenue generating potential Demand risks
ERDF/CF specific	Political support Competition with grants Eligibility and other regulation restrictions State aid complexity Limited interest or existence of intermediaries/fund managers Limited awareness amongst MAs of good practice examples

Which sectors have highest potential?

- **RDI in SMEs seem to be least constrained,** and relatively easily adapted as an “add on” to more main stream SME instruments

- **Renewables also present good opportunities,** subject to addressing specific market regulatory conditions in some areas/regions and/or aligning eligibility rules and avoiding competition with grants

- **Urban Development and Transport, as well as Environment instruments represent potential in some areas,** but are constrained by issues like municipal borrowing limits, lack of technical capacity. Competition with grants again identified as major obstacle.

- **ICT is least attractive,** due to demand and technology risk uncertainties, that impact on revenue generating potential. Lack of political support seems to also be problematic

Recommendations

Fostering the uptake of financial instruments in 2021-2027

- **Ensure political support** with integrated sectoral strategies (ensuring policy coherence, stabilised regulation and critical mass of projects)
- **Design 'financial instrument friendly' Operational Programmes** (consider financial instruments early in the period, concentrate/aggregate contributions in Programmes and include appropriate capacity building support in that process)
- **Combine financial instruments with grants** (maximising the opportunity offered by the new CPR rules for 2021-2027, covering different risks by each form of finance, incentivising the authorities to create boundaries/synergies between the two forms)
- **Provide technical assistance** all along the instruments' lifecycle and to the various relevant stakeholders (public authorities, financial intermediaries and final recipients)

Next steps

1. Publication of the full study (with executive summary) on *fi-compass* website soon
2. Publication of case study in each sector:
    - Renewable Energy: Greece
    - Urban Development and Transport: Slovakia
    - Environment: Czechia
    - ICT infrastructure: Poland
    - RDI in SMEs: Lithuania

#ficompass

ERDF


financial instruments
revolving
capacity building
added value
ERDF
funding agreement
ESF
EU guidance
governance
ex-ante assessment
technical support
seminars
leverage
financial intermediaries
microfinance
co-financing
case studies
investments
ESIF
fi-compass
final recipients
business plan
Thank you
thematic objectives
advisory services
guarantees
CF
equity
loans
banks
life cycle
combination of support
EAFRD
private investors
factsheets
conferences
EMFF
investment strategy
fund of funds
manuals
managing authorities