Financial Instruments 2014-2020 under European Structural and Investment Funds (ESIF)

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Key features and opportunities of financial instruments under ESI Funds in 2014 -2020

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Financial Instruments until now

ERDF support through financial instruments exists for the last three programming periods (**since 1994**)

In 1994-1999 and 2000-2006 use of FIs was **limited** (few MSs, limited resources)

In 2007-2013 **major expansion** of FIs in number, variety, scope and amounts paid to them (data as at the end of 2013):

- More than 900 FIs set-up, with both models of implementation: with or without a holding fund;
- More than EUR 14 billion of programme funding paid to FIs under more than 170 Operational Programmes;
- EUR 6.7 billion of SFs & national resources already disbursed to final recipients (mainly enterprises), mainly through loan and guarantee products

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Why are financial instruments popular?

- Higher immediate policy impact through leveraged resources (public and private)
- Sustainability of support due to revolving funds which remain in the programme area
- Financing provided before investment takes place (different from grants)
- Better quality of projects (investment must be repaid)
- Incentives to use FIs as alternative to grants (move away from "grant dependency" culture)

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What does the 2014-2020 framework offer?

1. Wider scope:

- Use in all types of ESIF programmes (including ETC programmes)
- Common provisions cover all five Funds: ERDF, ESF, Cohesion Fund, EAFRD and EMFF
- Expansion to all thematic objectives & priorities

  !! but FI should support only investments expected to be financially viable which do not give rise to sufficient funding from market sources

What does the 2014-2020 framework offer?

2. More implementation options for managing authorities

- **Traditional implementation**: MA sets up a FI at national, regional, transnational or cross-border level:
  - Tailor made instruments (cf 2007-2013)
  - Standardised “off-the-shelf” instruments , quick roll-out
- **MA can implement loans or guarantees directly (or through intermediate body) without formal set-up of a fund**
- **MA can contribute programme allocations to EU level instrument (COSME, Horizon, "SME Initiative")**

What does the 2014-2020 framework offer?

SME initiative

- **Objectives:** Increase the volume of lending to SMEs in the EU by
  - Pooling resources: *European Structural Investment Funds + COSME and Horizon 2020*
  - Combining and fully utilising EIB/EIF and possibly National Promotional Banks' capacities
  - Providing Capital Relief to banks to make them more robust and to incentivize them to extend additional loans to SMEs
- **Design:**
  - Ex-ante assessment carried out (EIB and Commission)
  - SMEI indirectly managed by the Commission; implementation with EIF
  - A single dedicated OP at MS level with voluntary contribution (ERDF – EAFRD)
  - Two options proposed: (1) Uncapped Guarantee Instrument; (2) Joint securitisation instrument for new and existing loans

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What does the 2014-2020 framework offer?

3. Continuity of principles and concepts of 2007-2013:

- Reuse of resources paid back
- National co-financing at different times and levels
- Combination of grants and FIs

4. Some changes

- **to adapt to market practise and to reinforce flexibility:**

- VAT eligibility
- Follow on investments
- Extended eligibility of management costs for some FIs
- Incentives on national co-financing

What does the 2014-2020 framework offer?

4. Some changes

➲ **to ensure sound design and implementation of financial instruments:**

- Compulsory ex-ante assessment which must be carried out prior to decision to support financial instruments
- Payments in relation to FIs phased and subject to implementation on the ground
- Management costs and fees performance oriented
- Comprehensive annual reporting by managing authority on each financial instrument

What does the 2014-2020 framework offer?

Incentives regarding national co-financing

➲ **Co-financing rate**

- EU-level instruments: *Up to 100% of the paid support may come from ERDF, ESF and CF; separate priority axis to be established*
- Instruments implemented at national/regional level: *ERDF, ESF, CF co-financing rate to increase by 10 percentage points if an entire priority axis is implemented through financial instruments*

➲ **National co-financing in payment applications to the Commission**

The request for payment may include national co-financing expected to be paid into financial instrument (or at the level of investments in final recipients).

Thank you for your attention!