



# Financial Instruments - A Stock-taking Exercise: TA Survey Analysis

**Final Report**

**20 June 2013**

**DISCLAIMER:**

*This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union. Sole responsibility for the views, interpretations or conclusions contained in this document lies with the authors. No representation or warranty express or implied will be made and no liability or responsibility is or will be accepted by the European Investment Bank or the European Commission or the Managing Authorities of Structural Funds Operational Programmes in relation to the accuracy or completeness of the information contained in this document and any such liability is expressly disclaimed. This document is provided for information only. Neither the European Investment Bank nor the European Commission gives any undertaking to provide any additional information or correct any inaccuracies in it.*

# Assignment 24 Extension – Final Report

## Financial Instruments – A Stock-taking Exercise:

### TA Survey Analysis

**Submitted to:** European Investment Bank, JESSICA and Infrastructure Funds  
**Date:** 20 June 2013  
**Version:** Final Report – TA Survey  
**Completed by:** Sarah Atkinson, Mazars UK and Lily Vyas, Mazars, UK  
**Reviewed by:** Alex Notay, Mazars UK  
**Approved by:** Paula Hirst, Mazars UK and Bob Green, Mazars UK



© Mazars LLP. All rights reserved June 2013. This document is expressly provided to and solely for the use of EIB and must not be quoted from, referred to, used by or distributed to any other party without the prior consent of Mazars LLP who accepts no liability of whatsoever nature for any use by any other party

## TABLE OF CONTENTS

<b>1. INTRODUCTION .....</b>	<b>4</b>
1.1. Respondents Profile .....	5
<b>2. EX-ANTE ASSESSMENTS .....</b>	<b>6</b>
2.1. Anticipated Difficulties with Ex-Ante Assessments.....	6
2.2. General Issues Anticipated with Ex-Ante Assessments.....	7
2.3. Summary .....	8
<b>3. 11 THEMATIC OBJECTIVES FOR FINANCIAL INSTRUMENTS.....</b>	<b>9</b>
3.1. Financial Products for FIs by Thematic Objectives .....	11
3.2. Types of European and Structural Investment Funds (ESIF) for FIs.....	12
3.3. Choice of Implementation Structure.....	13
3.4. Summary .....	15
<b>4. TECHNICAL ASSISTANCE, 2007-2013 .....</b>	<b>16</b>
4.1. General Issues on Technical Assistance .....	16
4.2. 2007-2013 Programming Period .....	17
4.3. Technical Assistance, 2014-2020 .....	25
<b>5. MULTI-REGIONAL ASSISTANCE.....</b>	<b>32</b>
5.1. Experience with Multi-Region Assistance .....	32
5.2. Future Interest in Multi-Region Assistance .....	32
5.3. Summary .....	33
<b>6. NETWORKING AND KNOWLEDGE-SHARING .....</b>	<b>34</b>
6.1. Participation in current networking activities.....	34
6.2. Suggested areas for improvement.....	35
6.3. Interest for future knowledge-sharing activities.....	35
6.4. Use of websites for information .....	37
6.5. Summary .....	37
<b>7. CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>38</b>

## 1. INTRODUCTION

In May 2012, Mazars was appointed by the European Investment Bank (EIB) to undertake an assignment titled “*Financial Instruments: a stocktaking exercise in preparation for the 2014-2020 programming period*” (“Stocktaking Study,” or “Final Report”). The Stocktaking Study seeks to understand the factors that influence whether and how Financial Engineering Instruments (FEIs)<sup>1</sup> are established in Member States (MSs). Furthermore, the Stocktaking Study seeks to capitalise on the lessons learnt and experience to date to create a bank of knowledge that can be used to assist the European Commission (“Commission”), MSs, Managing Authorities (MAs), regions, and Financial Intermediaries in establishing and managing FEIs and future Financial Instruments (FIs)<sup>2</sup> as efficiently and effectively as possible in the future.

The Final Report confirmed that the design, set-up, and implementation of FEIs require new forms of expertise and Technical Assistance (TA) in order to support them in meeting the objectives of the Europe 2020 Strategy. To that end, the Commission is setting up a Technical Assistance Platform (TAP) for FIs as the flagship advisory service for MAs and other stakeholders involved in the lifecycle of implementing future FIs through a range of networking, knowledge-sharing, and guidance notes. Based on the Concept Paper,<sup>3</sup> the TAP will comprise of two advisory services: Horizontal Assistance (HA) and Multi-Region Assistance (MRA).

- **Horizontal Assistance (HA):** Advisory services applicable to all MSs which is initiated, organised, and paid for by the Commission. Such activities may include items such as: methodological guidance on Ex-Ante Assessments, procurement policies, and State Aid schemes; guidebooks on various topics; networking events such as seminars and conferences; and classroom-style training.
- **Multi-Region Assistance (MRA):** Advisory services on a range of cohesion policy topics applicable to a multiple MAs across at least two MSs, for example analysis of FI investment in sustainable transportation in the Greater Lorraine Area could involve MAs from Luxembourg, Germany, Belgium, and France. MRA is intended to be a bottom-up approach where the MSs initiate the request.

To inform the content, structure, and mechanisms for which to organise the TAP, as part of the extension,<sup>4</sup> a brief on-line survey was launched to determine the appropriate mix of context for TA in relations to implementing FIs. The survey covered five board topic areas:

- **Ex-Ante Assessments:** Discussion of anticipated challenges and difficulties with respect to Ex-Ante Assessments which are required prior to setting up FIs.
- **11 Thematic Objectives:** General overview of the current interest for FIs in the 11 Thematic Objectives and the intended financial products to be used, if there is an expressed interest at the present time.
- **TA:** TA questions were divided into those for the current programming period 2007-2013 and those for the forthcoming programming period 2014-2020. The former provides a ‘stocktake’ of the entity who provided TA services during four outlined phases of FI implementation (design, set-up, implementation, winding up) by the Commission, external consultants, Holding Fund

---

<sup>1</sup> FEIs established under Article 44 of regulation 1083 includes 44a for SME, 44b for urban development, and 44c for energy efficiency and renewable energy.

<sup>2</sup> FIs referred to FIs in the next programming period, 2014-2020.

<sup>3</sup> Concept paper concerning the establishment of a TA Platform for FIs in 2014-2020 (Confidential)

<sup>4</sup> As part of the extension, an ‘Opinion Paper’ was commissioned outlining the feasibility of deploying Structural Funds into FIs in the next programming period.

(HF) managers, etc. For the new programming period, in light of the proposed TAP, respondents were asked to select their preference for either HA or MRA for a variety of TA topics.

- **Multi-Region Assistance:** Overview of experience with other Multi-Region assistance, such as INTERREG, URBACT, EPSON, etc.
- **Networking and Knowledge-Sharing:** Brief insight into the effectiveness of previous JESSICA and JEREMIE conferences and networking events, and respondent suggestions on areas for improvements.
- **Conclusions and Recommendations:** Provides overall conclusions on the TA survey and recommendations and next steps.

### 1.1. Respondents Profile

The TA survey was sent out to over 500 individuals comprising of MAs/Intermediate Bodies, public organisations involved in FIs, and fund managers from the period 21 March to 16<sup>th</sup> May 2013. With the assistance from DG REGIO, the survey was also forwarded to geographical desk officers in which they also sent to their respective contacts.<sup>5</sup> In total, 78 people responded to the survey from all EU MSs except for Croatia, Malta and the Netherlands of which 66% were MAs, followed by 10% FEI Managers and 5% Holding Fund Managers. Approximately 11% of respondents identified themselves as ‘Others’ which consists various public sector organisations and ministries involved in the decision-making for FIs.

Nine of the ten Fund Managers provided further information to show that four of their funds were set up under Article 44a for FEIs, four were set up under Article 44b for urban development, and one was set up under Article 44c for Energy Efficiency/Renewable Energy.

The breakdown of the respondent profile by MS:

**Figure. 1 Breakdown of respondents by Member State**

Country	No	%	Country	No	%
Germany	11	14%	Italy	2	3%
Lithuania	6	8%	Luxembourg	2	3%
Portugal	6	8%	Cyprus	1	1%
Poland	5	6%	Denmark	1	1%
Slovakia	5	6%	Finland	1	1%
Austria	4	5%	Hungary	1	1%
Belgium	4	5%	Ireland	1	1%
Bulgaria	4	5%	Latvia	1	1%
Czech Republic	4	5%	Romania	1	1%
Greece	4	5%	Slovenia	1	1%
Spain	4	5%	Sweden	1	1%
United Kingdom	4	5%	Croatia	0	0%
Estonia	2	3%	Malta	0	0%
France	2	3%	The Netherlands	0	0%

Whilst the response rate was fairly low, the findings are useful for designing the proposed TAP platform. Further investigation and confirming the various TA needs and capacity building activities should be pursued in due course.

<sup>5</sup> For this reason, it is impossible to quantify how many individuals received the survey in total.

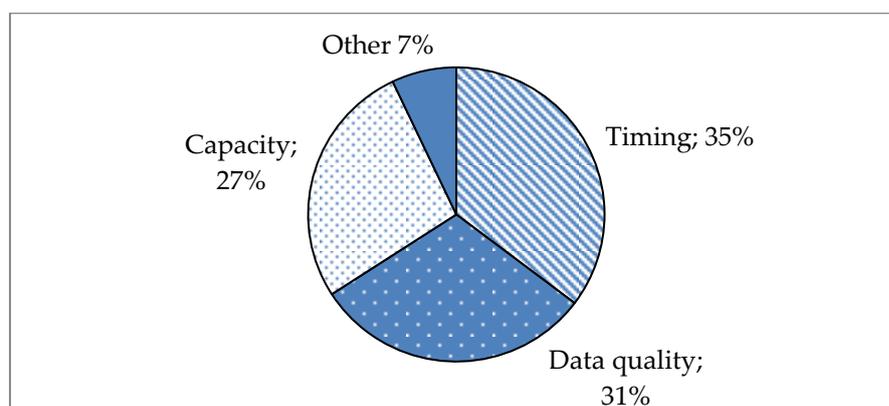
## 2. EX-ANTE ASSESSMENTS

As stipulated under Article 32 of the Common Provisions Regulation (CPR)<sup>6</sup>, MAs shall undertake an Ex-Ante Assessment prior to allocating Operational Programme (OP) resources to FIs which must be submitted to the Monitoring Committee. The purpose of Ex-Ante Assessments is to gather “*established evidence of market failures or sub-optimal investment situations, and the estimated level and scope of public investment needs, including types of FIs to be supported.*” In addition to conducting a demand analysis and outlining market failure, an Ex-Ante Assessment shall also include an appraisal of the value-added and lessons learnt from implementing previous FEIs/FIs. The TA survey asked stakeholders to raise any foreseeable issues with regards to completing an Ex-Ante Assessment.

### 2.1. Anticipated Difficulties with Ex-Ante Assessments

Amongst the MAs surveyed,<sup>7</sup> approximately **78% indicated that they foresee multiple challenges and difficulties** in conducting the Ex-Ante Assessments for the next programming period. From the response options that were provided the breakdown was as follows:

**Figure. 2 Difficulties with carrying out Ex-Ante Assessments**



- **Timing** – 35% of respondents cited timing to complete the Ex-Ante Assessments within a reasonable time frame to be a concern.

*Explanation:* Although there are no official deadlines for submission of the Ex-Ante Assessment, this should take place before the decision is made draw resources for FIs from ESIF programmes, although it does not necessarily need to be carried out/completed before the operational programme is agreed, and can, for example, be carried out in phases. MAs are expected to submit the summary of findings to the Monitoring Committee in due course which shall then be published within three months from the date of finalisation. There is a real concern that once OPs are agreed and finalised that MAs would not be able to complete Ex-Ante Assessments within reasonable timeframes considering the existing workloads related to managing OPs.

- **Data quality** – 31% of respondents raised issues around collecting and verifying quality data, for example on *assessing demand* and *proving market failure* for specific FIs on a regional level.

<sup>6</sup> Article 32 CPR FIs - <http://register.consilium.europa.eu/pdf/en/12/st11/st11027-ad02re01.en12.pdf>

<sup>7</sup> There were 63 respondents for this section of the survey.

*Explanation:* This relates to knowing where to get the type of data needed for Ex-Ante assessments and being able to assess whether this data is of adequate quality for analysis e.g. data for current and future market demand projections in a sector suitable for FIs; sound business plan data to ensure viable investment strategies; financial data for estimating required investment needs/financial gaps. Based on the FI Stocktaking Study, despite the standardised approach to the SME financing Gap Analyses, there was a range of approaches taken for the assessment, from quite general statistical analyses to very detailed descriptions of the different actors at regional levels involved to the types of instruments proposed, leading to inconsistency in quality of the assessments.

- **Capacity and Expertise** – 27% of respondents are concerned about the lack of internal expertise to conduct an Ex-Ante Assessments successfully.

*Explanation:* The Regulatory Framework for 2014-2020 proposes mandatory Ex-Ante Assessments prior to allocating any OP resources to FI. Relating to the earlier two points, MAs are concerned of the lack of internal capacity to manage the Ex-Ante Assessment given the considerable workload required to finalising the OP.

- **Other Issues** – 7% of respondents had concerns about the “unclear legal provisions,” public procurement difficulties, difficulties in terms of defining an adequate Ex-Ante Assessment Methodology, issues for State Aid rules and regulations, and the costs associated for undertaking the Ex-Ante Assessment.

*Explanation:* Many MAs are concerned about the quality of Ex-Ante Assessment given that the new EU 2014-2020 regulations are yet to be finalised. The concerns on costs could be attributed to the fact that the methodology is not yet defined, therefore MAs do not know how much to budget for this task should they wish to appoint an external consultant.

## 2.2. General Issues Anticipated with Ex-Ante Assessments

In addition to the foreseen challenges associated with the Ex-Ante Assessments outlined above, respondents provided some general thoughts on the Ex-Ante Assessments. These included the following:

- On a positive note, several respondents have already engaged with the EIB in feasibility studies, which should provide preliminary analysis for Ex-Ante Assessments going forward. For example in Śląskie, Poland, the MA is carrying out an evaluation of FIs before the Ex-Ante evaluation is commissioned, and the results will be taken into account for programming the future OP, especially the recommendations concerning types of projects, beneficiaries, type of funding and the amount of ERDF funds that should be dedicated to FIs. In France, regional actors are currently drafting a strategic inter-fund territorial analysis (i.e. the SWOT analysis) for their OPs, which include consideration of the use and needs regarding FIs in the region.
- It was also felt that the *knowledge gained and the lessons learnt from this programming period* would make carrying out Ex-Ante Assessments for 2014-2020 relatively easier as there was more of a knowledge base.
- Several respondents mentioned the need for further assistance with regards to how to undertake an Ex-Ante Assessment. For example, *guidelines on how to carry out the assessments* should include plenty of detail, such as an outline methodology and examples of best practices.

These guidelines should also be provided as soon as possible for maximum benefit. Whilst a study on Ex-Ante Assessment methodology is currently being commissioned by the EIB, it would be very useful to communicate that work is in progress on developing a standardised methodology to assist MAs via a factsheet template.

- Along the similar view for further TA provision and capacity building, one respondent had the opinion that there is an *information gap* between MAs and fund managers on regional priorities although all FIs must adhere to national or regional OPs. Therefore, it was suggested that regional stakeholders be actively involved and engaged in the design and set-up as early as possible, and locally-based consultancies with more local knowledge carry out the Ex-Ante Assessments.
- Reflecting the fact that “Timing” was selected most often as an anticipated difficulty, one respondent mentioned that the Ex-Ante Assessments would need to take into account of the *lessons learnt from implementing FEIs* for the current programming period. Hence, waiting for measureable and concrete results of FEIs currently in progress could potentially delay completing the Ex-Ante Assessment, although there are already many lessons that MAs could draw upon from the Stocktaking Study.

On more general responses:

- There was a comment that Ex-Ante Assessments can only capture one point in time and therefore there needs to be more flexibility in case there are changes in the market that may alter the demand for FIs, as in the case with the financial crisis in 2008. Whilst this element is mentioned in Article 32, it also needs to be communicated to the wider stakeholder community.

Therefore it will be welcomed that the Article 32 of the proposed Common Provision Regulations outline that provisions need to be made for reviewing and updating as market conditions evolve.

- There was also a strong view that the anticipated difficulties associated with conducting a robust Ex-Ante Assessments would potentially raise the perception that FIs are more ‘challenging’ to implement as oppose to the traditional grant-funding model. This can be mitigated with proper communications from the Commission and the EIB.

This is a wider issue with moving from the traditional grant approach but is nevertheless an important point as a Commission aim is to increase the role of FIs in 2014-2012. Therefore Ex-Ante Assessments are being seen by some as proving the point that FIs are creating much more work to implement than grants. While the full benefits of FIs are not understood this might create a problem with MAs setting up FIs.

### 2.3. Summary

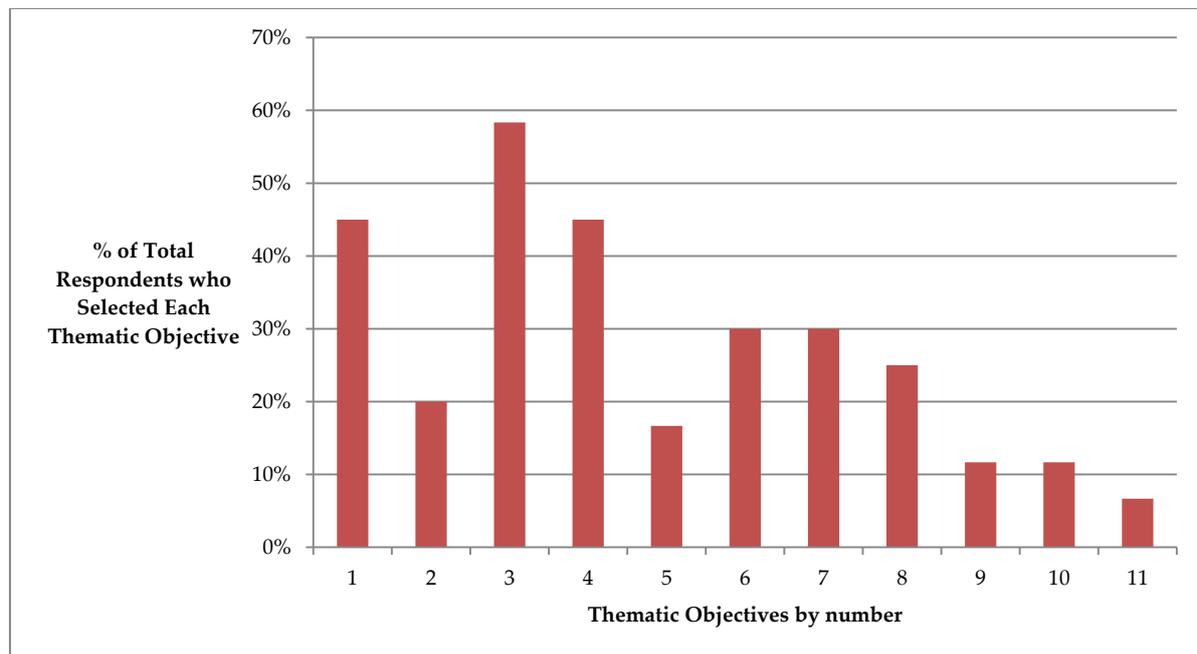
Reponses indicate that undertaking these Ex-Ante Assessments is a concern for MAs. This ranges from internal capacity to knowing what constitutes an Ex-Ante Assessments that will meet the regulatory standards, to general procurement issues and the ability to prove market failures on a regional level. The Commission should encourage MAs and relevant stakeholders to consult the Stocktaking Study for discussions on lessons learnt and added value with respect to using FEIs in the current programming period. However, taking the above concerns from respondents, the fact that the regulations outline the elements Ex-Ante Assessments must cover, including provisions for reviewing and updating as market conditions evolve, will be welcomed.

### 3. 11 THEMATIC OBJECTIVES FOR FINANCIAL INSTRUMENTS

Future FIs using European Structural and Investment Funds (ESIF)<sup>8</sup> in the next programming period can be used to support all 11 Thematic Objectives. As part of the survey, respondents were encouraged to indicate interest in the Thematic Objectives:

Thematic Objective 1	Strengthening research, technological development and innovation (RTDI)
Thematic Objective 2	Enhancing access to, and use and quality of information and communication technologies (ICT)
Thematic Objective 3	Enhancing competitiveness of SMEs, EAFRD and EMFF
Thematic Objective 4	Supporting the shift to a low- carbon economy in all sectors
Thematic Objective 5	Promoting climate change adaptation, risk prevention and management
Thematic Objective 6	Protecting the environment and promoting resource efficiency
Thematic Objective 7	Promoting sustainable transport and removing bottlenecks in key network infrastructures
Thematic Objective 8	Promoting employment and supporting labour mobility
Thematic Objective 9	Promoting social inclusion and combating poverty
Thematic Objective 10	Investing in education, skills and lifelong learning
Thematic Objective 11	Enhancing institutional capacity and an efficient public administration

**Figure. 3 Interest in using FIs to support the 11 Thematic Objectives**



<sup>8</sup> Please note that CSF Funds will be denominated ESIF - European Structural and Investment Funds, following the CPR text agreed under the Irish Presidency in January 2013. ESIF comprise the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

As illustrated in the graph above: 58% of respondents had interest in Thematic Objective 3 - Enhancing SME competitiveness that could utilise FIs, followed by closely Thematic Objective 1 - Strengthening research and development and Thematic Objective 4 - Supporting the shift to a low carbon economy (45%) each.

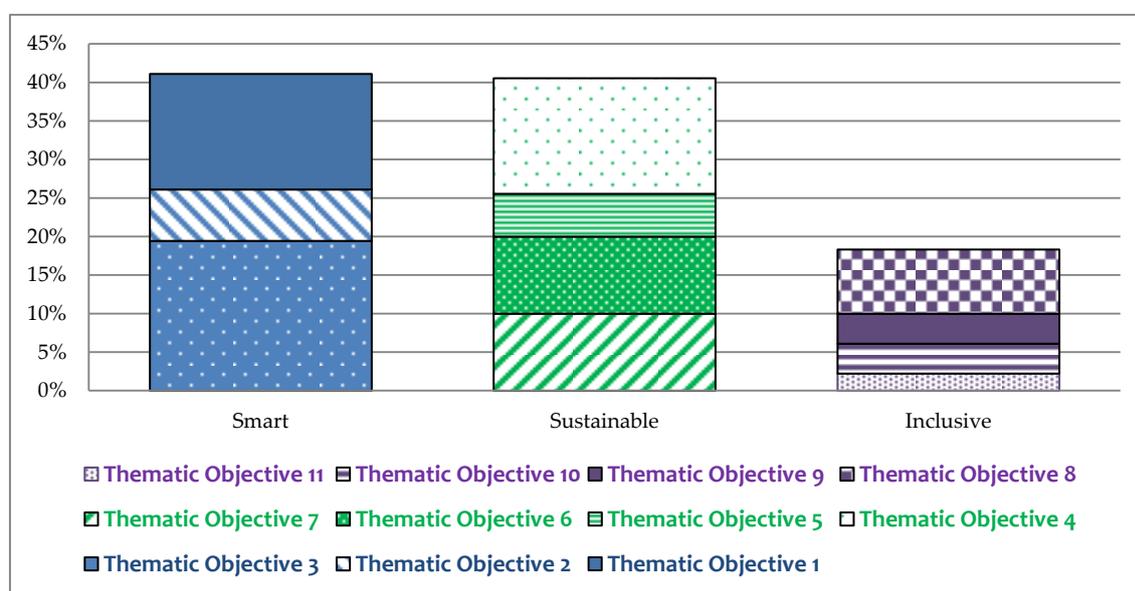
Around 30% of the respondents are currently interested in setting up FIs for *Thematic Objectives 6 - Protecting the environment and promoting resource efficiency* and *Thematic Objectives 7 - Sustainable transport and removing infrastructure bottlenecks*.

One quarter of respondents were interested in using FIs for *Thematic Objective 8 - promoting employment and labour mobility*, while one in five were interested in using FIs for *Thematic Objective 2 Enhancing access to, and use and quality of information and communication technologies*.

There was low interest for setting up FIs in the remaining Thematic Objectives with a range of between 17% of respondents for *Thematic Objective 5 - Promoting climate change adaptation, risk prevention and management* and just 7% of respondents for *Thematic Objective 11 - Enhancing institutional capacity and an efficient public administration*. Urban regeneration and logistics were mentioned by several respondents as being of particular interest in the next programming period.

A number of the Thematic Objectives potentially overlap, while potential projects invested in by FIs may deliver outcomes of value to more than one Thematic Objective. Because of this, the 11 Thematic Objectives may be usefully grouped under the three broader policy areas of Europe 2020 strategy – Smart, Sustainable and Inclusive growth - each linked to competitiveness/ innovation, sustainability and environmentally-friendly, and social inclusion, respectively. The chart below shows the number of responses for each Thematic Objective grouped under these policy areas.

**Figure. 4 11 Thematic Objectives<sup>9</sup> groups by Smart, Sustainable, and Inclusive Growth**



<sup>9</sup> As a reminder, the 11 Thematic Objectives are: 1) Strengthening research, technological development and innovation (RTDI); 2) Enhancing access to, and use and quality of, information and communication technologies (ICT); 3) Enhancing the competitiveness of small and medium-sized enterprises (SMEs) the agricultural Sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF); 4) Supporting the shift towards a low-carbon economy in all sectors; 5) Promoting climate change adaptation, risk prevention and management; 6) Protecting the environment and promoting resource efficiency; 7) Promoting sustainable transport and removing bottlenecks in key network infrastructures; 8) Promoting employment and supporting labour mobility; 9) Promoting social inclusion and combating poverty; 10) Investing in education, skills and lifelong learning; 11) Enhancing institutional capacity and an efficient public administration

The “Smart” policy area has received most interest in terms of FIs with the three thematic objectives in this category obtaining 41.1% of the total selections. “Sustainable” thematic objectives are also deemed interesting for FIs, with 40.6% across the four thematic areas therein. “Inclusive” thematic objectives garnered half as much interest as the other two with only 18% of the selections for the four thematic objectives within this classification.

### 3.1. Financial Products for FIs by Thematic Objectives

Where there is interest in deploying FIs to support any of the aforementioned Thematic Objectives, respondents were asked to indicate which financial products (.e.g loans, equity, guarantees, etc.) were envisaged to be used for FIs.

Based on Figure 5, majority of respondents indicated that the use of loans/interest rate subsidies (40%) as the preferred financial product for FIs across all the Thematic Objectives, followed by Guarantees/Guarantee Fee Subsidies (23%), Combination of FI and Grants, and Equity (14%).

Specifically for *Thematic Objective 1: Research, Technological Development, and Innovation*, there was the highest interest for the use of grants and FIs compared to other Thematic Objectives. This is due to the nature of the R&D sector where there are higher levels of uncertainty as innovative products may take years before returns are realised, and therefore requires some grant-funding.

For *Thematic Objective 3: Enhancing SME*, a range of financial products could be used, including loans (40%), guarantees (26%), Equity (17%), or a combination of FI and grants (12%). The lessons learnt and mid-term evaluations<sup>10</sup> currently underway for Article 44a FEIs under the JEREMIE initiatives could help to inform the design of future FIs to support SMEs.

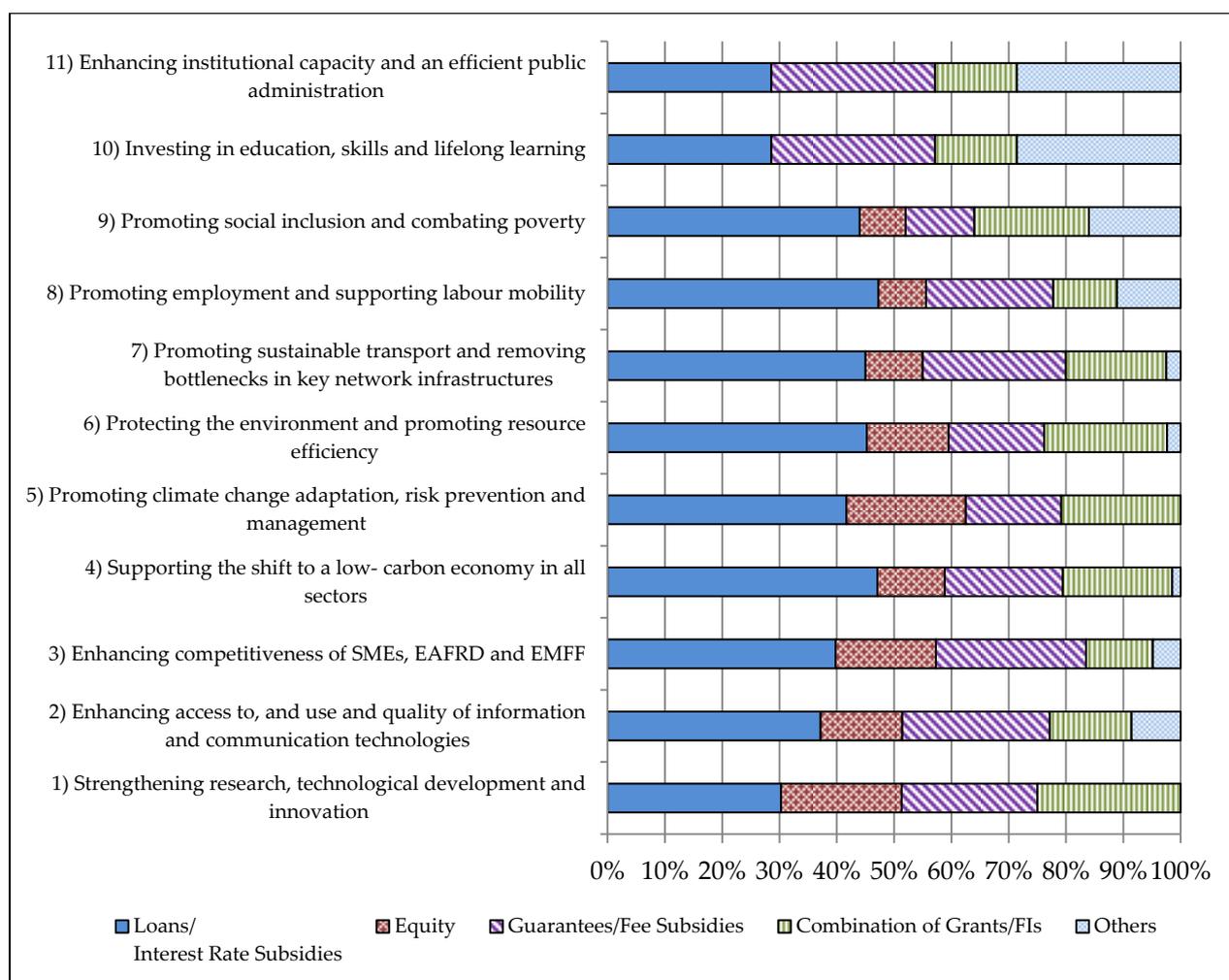
Similarly for *Thematic Objective 4: Low Carbon Economy*, respondents indicated that loans (47%) would be suitable as a financial product to support policy interventions in this area, followed by guarantees (31%), and equity (12%).

Thematic objectives with a strong social component were thought to be better suited for other forms of support such as grant funding. Otherwise there is a view that guarantees/fee subsidies could be suitable products to support interventions focusing on social inclusion and labour mobility.

---

<sup>10</sup> The Northeast Finance recently launched a Call for Proposal to evaluate the 3 English JEREMIE funds.

**Figure. 5 Indicative Financial Products to be used via FIs for 11 Thematic Objectives<sup>11</sup>**



Based on the open responses, there was a general view that a variety of equity, quasi equity and larger loan instruments lend themselves to the fund of funds approach. However, micro credit instruments tend to need to be localised and tailored for much smaller areas as local knowledge and hands on investment management are often required.

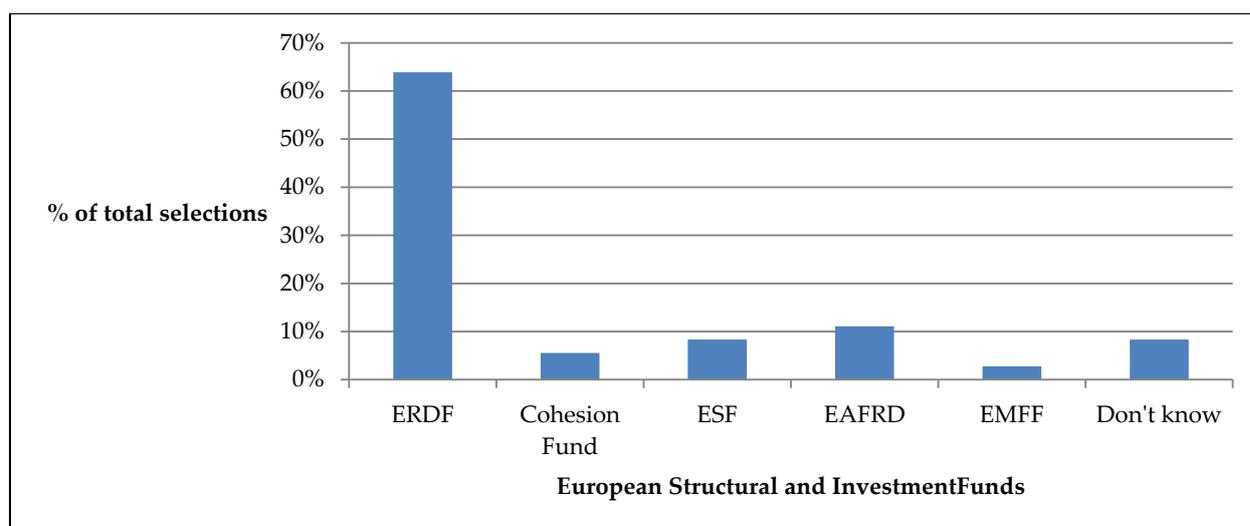
### 3.2. Types of European and Structural Investment Funds (ESIF) for FIs

The respondents were asked which ESIF they envisaged using for FIs in which over 60% overwhelming suggested that FIs would be funded by the ERDF, followed by approximately 10% from European Agricultural Fund for Rural Development (EAFRD).<sup>12</sup>

<sup>11</sup> NOTE: Loans and Interest Rate Subsidies; and Guarantees/Guarantees Subsidies have been combined for ease of illustration.

<sup>12</sup> NOTE: This was an additional question added to the survey at a later stage. Therefore, the response rate for this question was very small. Whilst this provides some preliminary findings, it is no way exhaustive or representatives of the views of MAs across EU. It is recommended that the Commission explore this question more in-depth in another study to confirm and validate which ESIF would be used for FIs.

**Figure. 6 Anticipated ESIF funds for deployment of FIs<sup>13</sup>**



A cross-tab analysis was performed to understand the relationship between ESIF fund and the preferred choice of financial products. It should be reiterated that the sample size for the question 25 of the TA survey, “Under which fund do you envisage the use of Financial Instruments” was very small as it was added to the survey at a later stage, and therefore it does not provide a representative view of all MAs.

Based on the cross-tab analysis, the following can be observed:

- There is highest interest for using loans/interest rate subsidies across all five ESIF funds compared to other products.
- Following loans, there was considerable interest in using equity products drawn from ERDF, CF, and ESF funds.
- For EAFRD and EMFF, there was higher interest in guarantees than equity or quasi-equity products. There is minimal interest in equity products using resources from EAFRD.

**Figure. 7 Interest in Financial Products by ESIF funds**

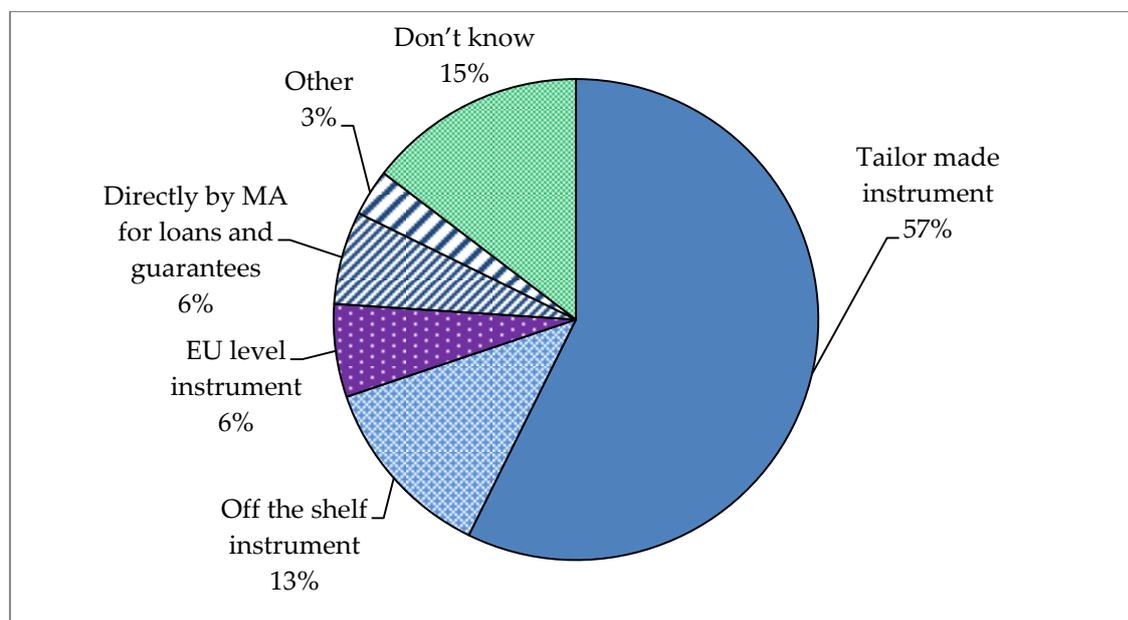
	ERDF	CF	ESF	EAFRD	EMFF
Loans & Interest Rates	46%	52%	46%	67%	56%
Equity	22%	33%	28%	4%	11%
Guarantee/Guarantee Fees	15%	4%	13%	21%	22%
Combination of FIs/Grant	17%	11%	13%	8%	11%

### 3.3. Choice of Implementation Structure

In terms of the preferred implementation structure as outlined under Article 33, the results indicate that 57% wish to set up *tailor-made instruments* whether the FIs is directly managed by MAs (31%) and under a fund of fund structure (26%) for reasons of flexibility and ability to design products to suit the local market. Approximately 13% of respondents indicated interest in “off the shelf instruments.” Other implementation structures all received the same level of responses with 6% of the total selections.

<sup>13</sup> NOTE: Loans and Interest Rate Subsidies; and Guarantees/Guarantees Subsidies have been combined for ease of illustration.

**Figure. 8 Interest in the Implementation Structure**



A cross-tab analysis was performed to understand the relationship between ESIF fund and the preferred choice of implementation structure. It should be reiterated again that the sample size for the question 25 of the TA survey, “Under which fund do you envisage the use of Financial Instruments” was very small as it was added to the survey at a later stage, and therefore it does not provide a representative view of all MAs. Based on the cross-tab analysis, the following can be observed:

- For all ESIF funds, there is a strong preference for tailor-made instruments.
- For ERDF, 69% of respondents indicated the choice for tailor made instruments, following EU level instruments (14%). There is less interest in “off the shelf instruments.”
- For CF, there is interest in “Others” at 33% however respondents did not provide more details
- For ESF, there is interest in EU level instruments at 20%.
- For EAFRD, the second highest interest for implementation structure (after tailor made) was for loans and guarantees directly from MAs (33%)
- For EMFF, the EU level instruments were the second highest (33%) after tailor made instruments.

**Figure. 9 Interest in Financial Products by ESIF funds**

	ERDF	CF	ESF	EAFRD	EMFF
Tailor made instruments	69%	67%	80%	44%	67%
Off the Shelf Instruments	3%	0%	0%	11%	0%
EU level instruments	14%	0%	20%	11%	33%
Directly by MAs for loans and guarantees	7%	0%	0%	33%	0%
Other	7%	33%	0%	0%	0%

### 3.4. Summary

In summary, there is considerable interest in using FIs to support the following: Thematic Objective 3: Enhancing Competitiveness of SMEs (58%), Thematic Objective 4: Supporting shift to the low-carbon economy (45%), and Thematic Objective 1: Strengthening RTDI and innovation. This is in line with previous feedback for the Final Stocktaking Report.

On an aggregate level, in terms of financial products to be offered with FIs, there is a clear preference for loans (32%), followed by guarantees (18%)<sup>14</sup> and a combination of grants/FIs (18%) as some respondents expressed the need for both forms of financial support, depending on the market, region, and thematic scope. Overwhelmingly, respondents indicated that future allocations for FIs will be used from ERDF (62%), followed by EAFRD (10%).

Broken down by individual ESIF funds for financial products, a similar pattern holds where loans are preferred across all ESIF funds. With the exception of EAFRD funds, which indicate a preference for guarantees, there is considerable interest in Equity as the second preferred financial product. There was also interest in guarantees from all ESIF funds except Cohesion Fund.

Loans and equity are strongly preferred as it is a well-known product for FIs in the current programming period, however, the data indicates there is demand for using guarantee products to support a range of policy objectives including social inclusion and transportation. This option should be explored for the next programming period.

Additionally, there is strong interest in tailored made instruments whether through a funds of funds structure or direct implementation by MAs as respondents felt that FIs should be designed to address local or regional market failure irrespective of the type of ESIF fund.

---

<sup>14</sup> Guarantees are used for Article 44a for SME Access to Finance, however not for Article 44b to supporting urban development.

## 4. TECHNICAL ASSISTANCE, 2007-2013

For the Technical Assistance (TA) component of the survey, there are two parts. The first takes stock of who was the *provider* of TA in the current programming period 2007-2013 throughout the life-cycle of FEI implementation: *Design, Set-Up, Implementation and Winding Up*. The second examines the forthcoming programming period 2014-2020, in particular, asking respondents on *how best TA could be provided through the new TAP either via the Horizontal Assistance or Multi-Regional Assistance*.

Approximately, 54% of respondents indicated that they have no prior experience in FEI implementation. This will have implications on the number of responses in subsequent sections of the TA survey as those who are not involved in FEI implementation are unable to answer: 1) the provider of TA at various phases and 2) to determine to what extent and level TA needs would be required based on hindsight should they wish to set up FIs in the future.

### 4.1. General Issues on Technical Assistance

In responding to an open question,<sup>15</sup> stakeholders provided the following views, summarised around several key points:

- **State Aid** was one of several reasons for delays in the current programming period due to the lack of clarity particularly with Article 44b FEIs. Therefore, respondents would like to see more support in this area in the form of guidance or advisory services covering all State Aid issues. For example, expanding the Independent Expert for State Aid regulations under the JESSICA initiative to confirm the compliance of urban project financing structure with the State Aid requirements.
- Additionally, more **feedback and support on eligibility-related issues** arising during implementation would be also helpful. At FI fund level, it would be very useful to have project assessment support drawn from OP resources for conducting market studies and industry reports.
- In certain regions where the possibility of deploying FEI/FIs was considered, however, there was low interest amongst the private and public sectors, suggesting there is a greater need for **marketing and promoting the use of FIs to relevant stakeholders, and encourage strong public-private partnership**.
- There was a view that **stakeholders involved in implementing FEIs should interact more regularly through conferences and networking events**. It was noted by the stakeholders that there has not been a JESSICA/JEREMIE networking event or conferences to discuss the types of areas that cause issue, for example : Urban projects benchmarks, sector research, Credit risk approach, and regulations. One respondent comment: "We would have liked the Commission to contact all MS that were implementing the FEI and organised regular yearly meetings."
- **Case Studies, best practice examples, and template** was also mentioned as being useful information to receive, e.g. on financing structure, term sheets, key players, and expert tips and hints. A direct quote from a respondent stated "For the next period 2014-20 any kind of guidance or templates will be very welcomed."

---

<sup>15</sup> Survey Question 35: If you experienced difficulties at any stage with establishing or implementing FIs (FIs), or if there was a lack of Technical Assistance and Advisory Services to address bottlenecks, please explain. Please also provide any thoughts on how these issues could be dealt with for 2014-2020.

- Guidance on combining Grants with FIs and interest rate subsidization was felt to be lacking according to respondents.
- **Clearer frameworks**, which the Commission is currently finalising, would be most useful. One respondent commented that the current legal framework for FIs from EAFRD did not contain all the necessary provisions to ensure a proper implementation. The feeling is that if rules of procedures are not clear from the beginning, it is impossible to describe and implement proper audit and control procedures, even through TA. The implementation of FEIs under ERDF is very novel in many countries and there are no available template administrative documents of other FEIs under ERDF that can support and facilitate the work of FEIs technical managers and auditors.

In regards to management fees, it is better to have legislation that would require fee structure based only on funds invested.

- **Flexibility** would be highly welcome by stakeholders in all areas, for example combination of grants and FIs, and sector flexibility. One requirement that respondents felt can be relaxed is removing the geographical restriction on ring-fenced allocations to the region implementing FEIs only. Investments adjacent to area (not participating in FEIs) could have spill over effects to the region, therefore, it should be a case-by-base exception to the rule.

#### 4.2. 2007-2013 Programming Period

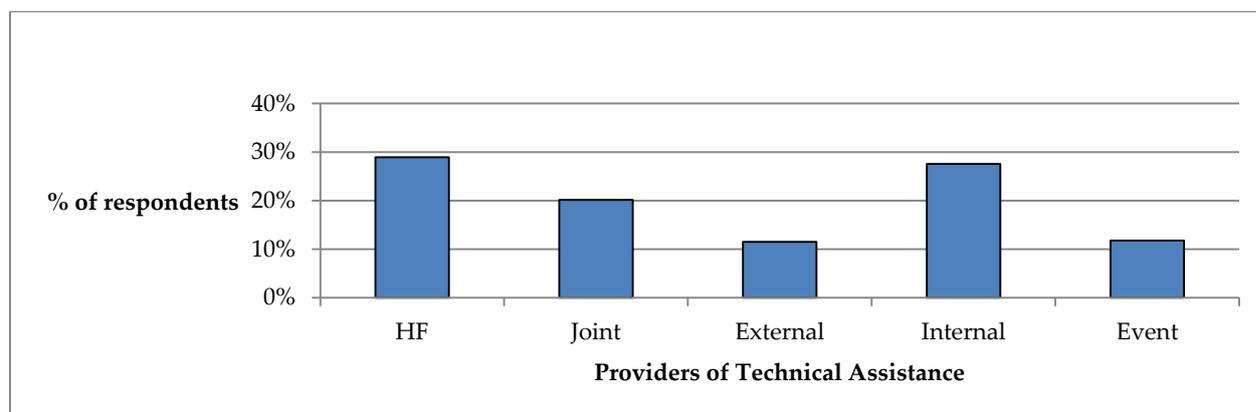
In the current programming period, there are two types of TA under Cohesion policy: 1) TA at the initiative of the Commission such as the TA and advisory services provided through JESSICA and JEREMIE initiative, and 2) TA at the initiative of the Member State (via the TA axis of the OP) including preparatory studies, monitoring, evaluation, and information and control activities. For Article 44 FEIs, TA can also be provided from Holding Fund and/or the individual FEI Managers.

Implementation of FEIs in the current programming period can be split into four separate phases in which there are a number of tasks that needed to be carried out in order to set up and implementing FEIs. These tasks were specified within the survey and for each task respondents were asked to select the source of any TA or Advisory Services that were used for each task. The different sources of TA that could be selected by respondents are:

- Holding Fund (“HF”)
- Commission/EIB Group Joint Initiatives i.e. JEREMIE or JESSICA (“Joint”)
- Priority Axis resources i.e. hiring a consultant (“External”)
- Internally within the Managing Authority (“Internal”)
- Information received at a knowledge-sharing event (“Event”)
- Not applicable (“N/A”)

Approximately 40% of the total number of selections across all four phases was for ‘Not Applicable’ because 50% of respondents indicated they did not have previous experience with FEIs. The 60% of respondents who did receive some form of TA from the list above have been summarised in the chart below on an aggregate level across all four phases of implementation. Across the lifecycle of FEI implementation, the top providers of TA were through the Holding Fund (29%) , Internally by the MA (28%), following by support from Joint Initiatives through the EIB Group (20%).

**Figure. 10 Provider of Technical Assistance in the 2007-2013 programming period**



To explore the TA received in more detail, the TA received in different phases can be separated out and examined on a task by task level.

#### 4.2.1. Design Phase

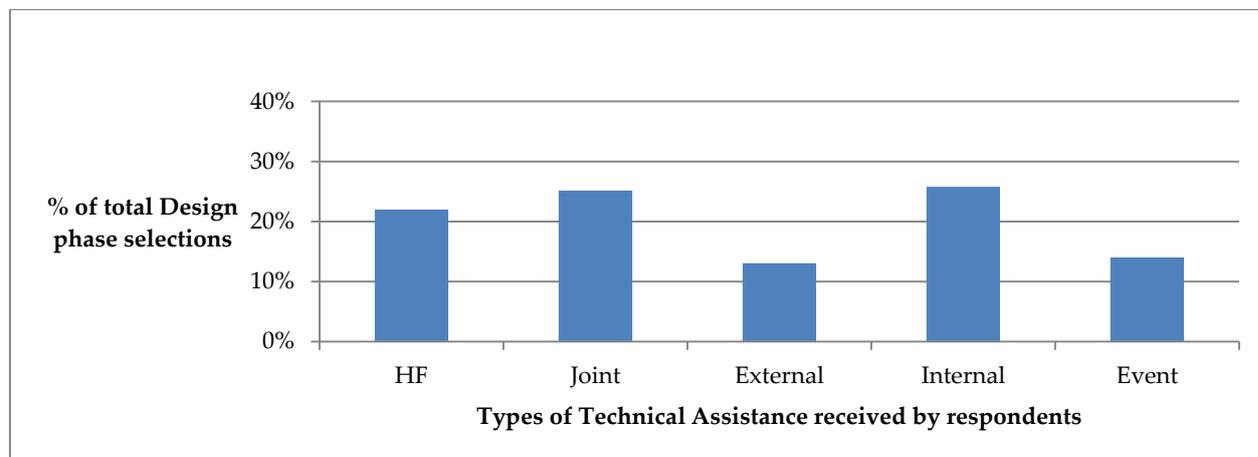
At the Design phase of FEI implementation, the tasks that may have been carried out were:

- Market assessments for FIs i.e. assessing market demand, strategies etc. (“Market Assessments”)
- Advising on financial issues i.e. financial products, modelling, co- financing, co- investment (“Financial advice”)
- Advising on FEI governance structures (“Governance”)
- Advising on State Aid related Regulatory issues (“State Aid”)
- Advising on non State Aid related Regulatory issues (“Other Regulations”)
- Advising on sector specific issues (SMEs, Urban Development, or EE/RE) (“Sector Specifics”)
- Other tasks suggested by respondents that may be carried out at Design phase are the legal status of the Funding Agreement and state administration capacities.

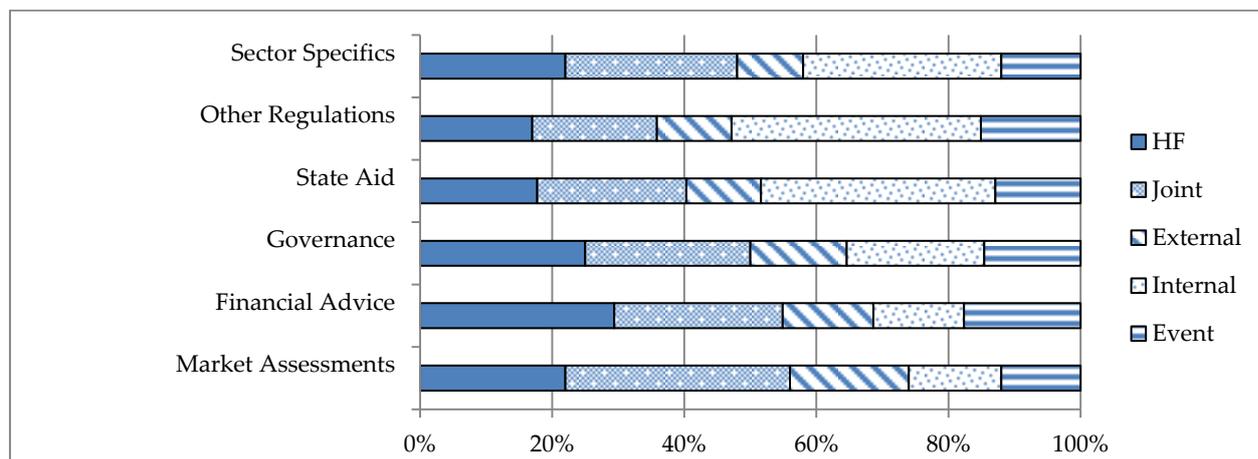
The responses<sup>16</sup> for the types of TA received across all of the tasks carried out at Design phase have been collated. The results of 65% of respondents who received TA during the design phase are shown in the chart below on an aggregate level.

<sup>16</sup> The total number of respondents for this section of the survey was 58. Approximately, 35% of respondents indicated that TA during the Design Phase was ‘Not Applicable’ as 48% of respondents were not involved in implementing FEIs during the current programming period.

**Figure. 11 Design Phase: Provider of Technical Assistance**



**Figure. 12 Design Phase: Task by Task of Technical Assistance**



- Internal resources at the MA level provided 26% of TA during the Design Phase, primarily on regulatory/State Aid issues; specific sector analysis; and matters of governance.
- Support through the EIB Group/Commission Joint Initiatives accounted for 25% of TA provided during the Design Phase mostly through the various Gap Analysis and Market Assessments provided to MAs who wish to explore the feasibility of setting up FEIs. It was noted that the EIB Group also provided support in the areas of State Aid and Financial Advice where was required.
- Holding Fund provided 22% of TA through mostly financial advisory services and supporting on developing the governance structure.
- Events constituted 14% of TA through the various JESSICA and JEREMIE Networking Platform and annual conferences (JEREMIE and JESSICA “2Js” Conference) which respondents thought was useful for the Design Phase.
- External support through a professional services firm accounted for 14% of TA provided during the Design Phase, consulting on various issues on a case-by-case basis but mostly on undertaking market assessments.

Based on the data it is evident that the EIB Group played a pivotal role in supporting the design of FEIs through various feasibility studies as well as EIB Group/Commission sponsored annual conferences which enabled MAs to discuss and share ideas and solutions. Due to the expertise of professional fund managers, financial advisory services were generally sought from Holding Funds.

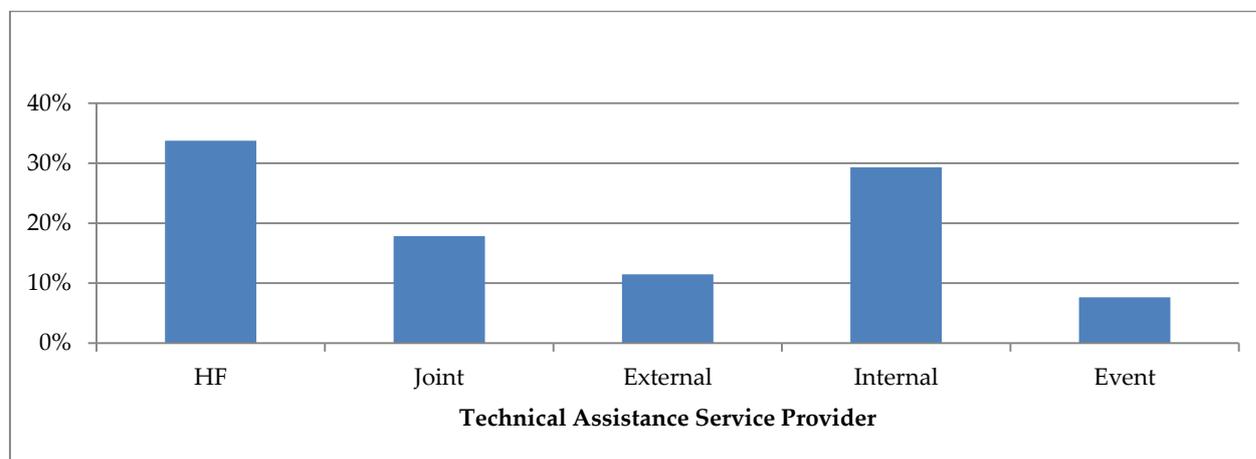
#### 4.2.2. Set-Up Phase

At the Set-Up phase of FEI implementation, the tasks that may have been carried out were:

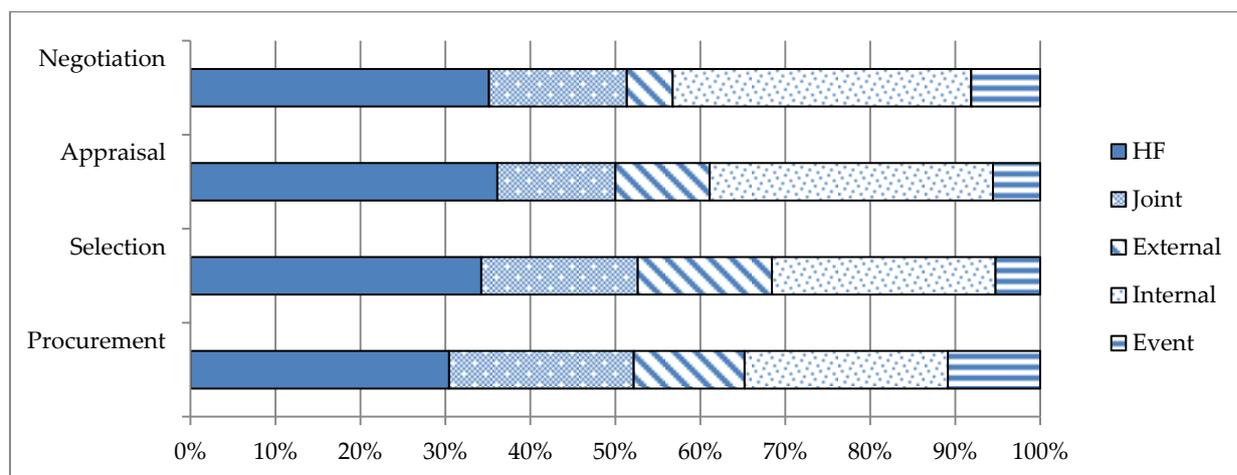
- Assisting/Managing the procurement process to select FEI manager (“Procurement”)
- Selecting the winning fund managers of FEIs (“Selection”)
- Appraising FEI business plans /investment strategies (“Appraisals”)
- Negotiating funding agreements with fund managers (“Negotiating”)

The responses<sup>17</sup> for the types of TA received across all of the tasks carried out at Set Up phase have been collated. Of the 57% of respondents who received TA, the TA providers are shown in the chart below.

**Figure. 13 Set-Up Phase: Provider of Technical Assistance**



**Figure. 14 Set-Up Phase: Task by Task**



<sup>17</sup> The total number of respondents for this section of the survey was 54. 43% of the total responses received in the Set Up phase section of the survey were selecting Not Applicable. The Not Applicable selection was spread fairly evenly across the tasks, but TA for selecting the successful fund managers were thought by the greatest number of respondents to be not applicable.

- In the Set-Up Phase, it is evident that Holding Funds (32%) provided most of TA services, followed by Internal MA resources (29%). This is in line with how the Set-Up Phase required support with the procurement process for selecting suitable FEI managers.
- Joint support from the EIB/Commission, External services, and Events played a lesser role during this phase, however, it was noted that the various Working Groups and Seminars were considered very useful to discuss issues of common interest and relevant to stakeholders during the Set-Up Phase.
- Holding Funds played a crucial role in all individual tasks associated with the Set-Up phase, working closely with the MAs in appraising business plans, and selecting and negotiating fund agreements with fund managers, therefore, the internal resources of the MA were proportionally most helpful in negotiating funding agreements with Fund Managers.

#### 4.2.3. *Implementation Phase*

At the Implementation phase of FEI implementation, the tasks that may have been carried out were:

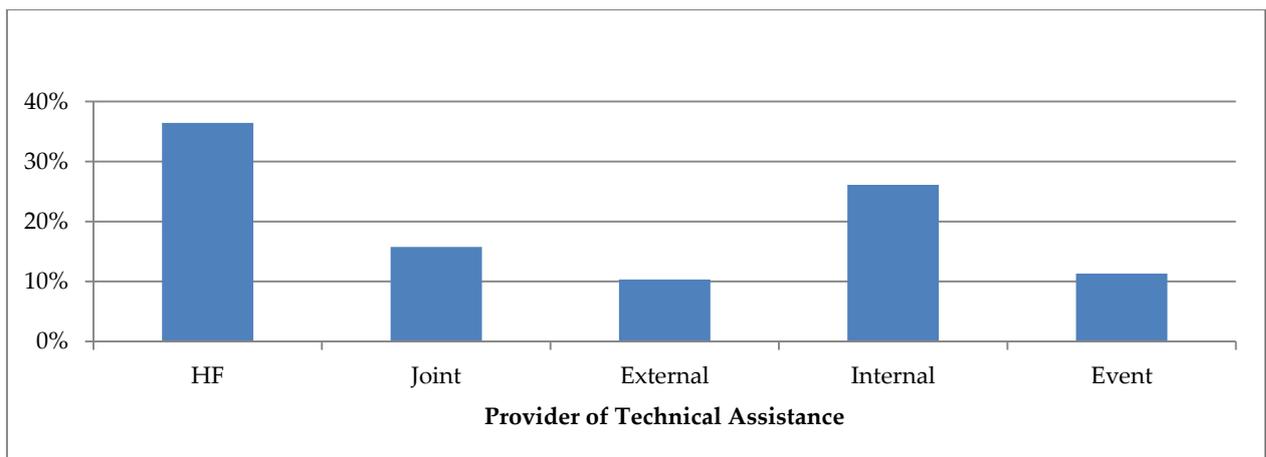
- Assisting with the FEIs investment process (“Investment”)
- Negotiating agreements with project promoters (“Promotion”)
- Financial Management (treasury, disbursements, repayments, follow-on investments) (“Financial Management”)
- Monitoring and Auditing of FEIs (“Monitoring”)
- Legal Advice

The responses<sup>18</sup> for the types of TA received across all of the tasks carried out at Implementation phase have been collated. TA for negotiating agreements with project promoters was thought by the greatest number of respondents to be not applicable. Approximately, 58% of respondents received TA during the Implementation Phase.

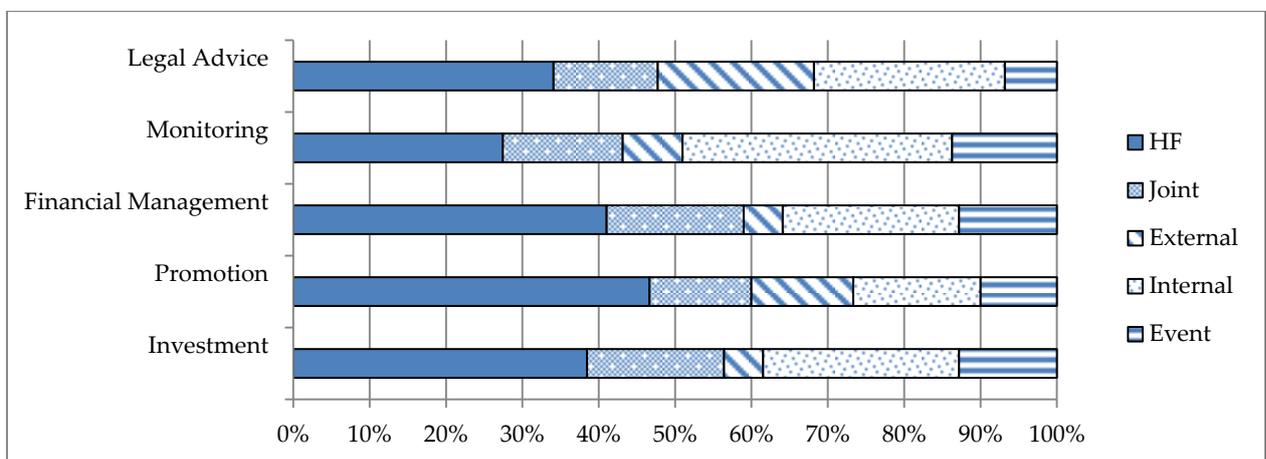
---

<sup>18</sup> The total number of respondents for this section of the survey was 54. 42% of the total responses received in the Implementation phase section of the survey selected Not Applicable.

**Figure. 15 Implementation Phase: Provider of Technical Assistance**



**Figure. 16 Implementation Phase: Task by Task**



- Holding Funds provided considerable levels of TA throughout the Implementation Phase, at 36% of the total TA received. Holding Funds played an active role in all tasks including: promotional activities, making investments into suitable projects, financial management, and monitoring. This is not surprising as some of these tasks have been delegated to the Holding Fund to manage on behalf of the MAs. Whilst Holding Funds do not negotiate directly with potential Final Recipients, based on the data, Holding Funds did play a role in providing TA and advisory where required.
- Internal Resources at the MA were the second most important provider of TA at 26%, mostly in monitoring and audit of FEIs as required by EU regulations. MAs were also active in supporting in FEI investment process and legal advice.
- To be clear, the Joint Support from the EIB/EC was not directly involved in the implementation of FEIs, however, it is evident from the data that the support via seminar, conference, working groups, and ad-hoc discussions on lessons learnt and best practices were considerable valuable in the overall success of FEI implementation.
- Where External Services (10%) were required, this was mostly in the area of Legal Advice and supporting in the negotiation with the Final Recipients through due diligence and auditing.

#### 4.2.4. Winding Up Phase

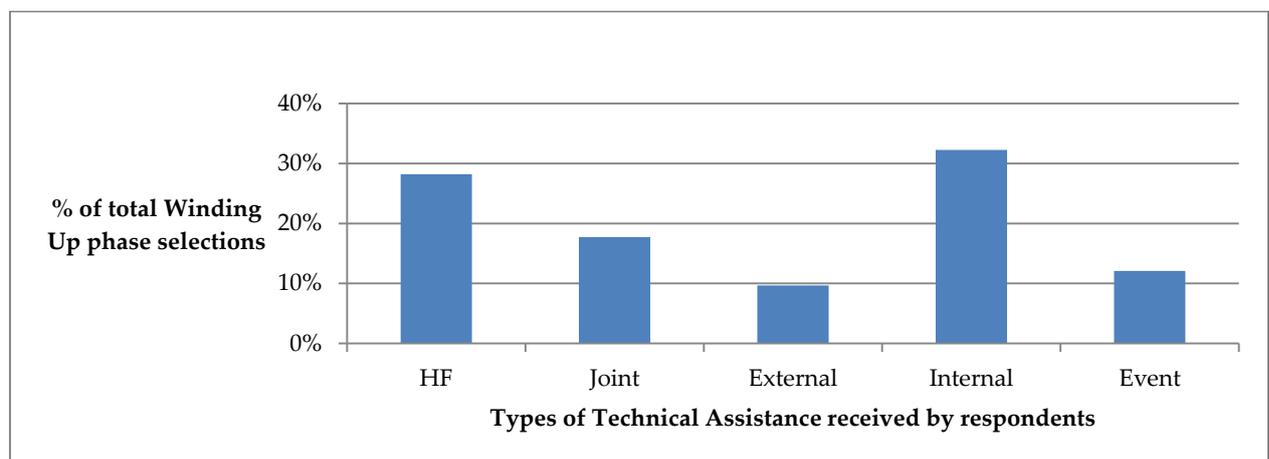
At the Winding Up phase of FEI implementation, the tasks that may have been carried out were:

- Advising on Exit Strategies
- Advising on Legacy Requirements
- Advising on how to handle Defaults/Delayed Repayments (“Defaults”)

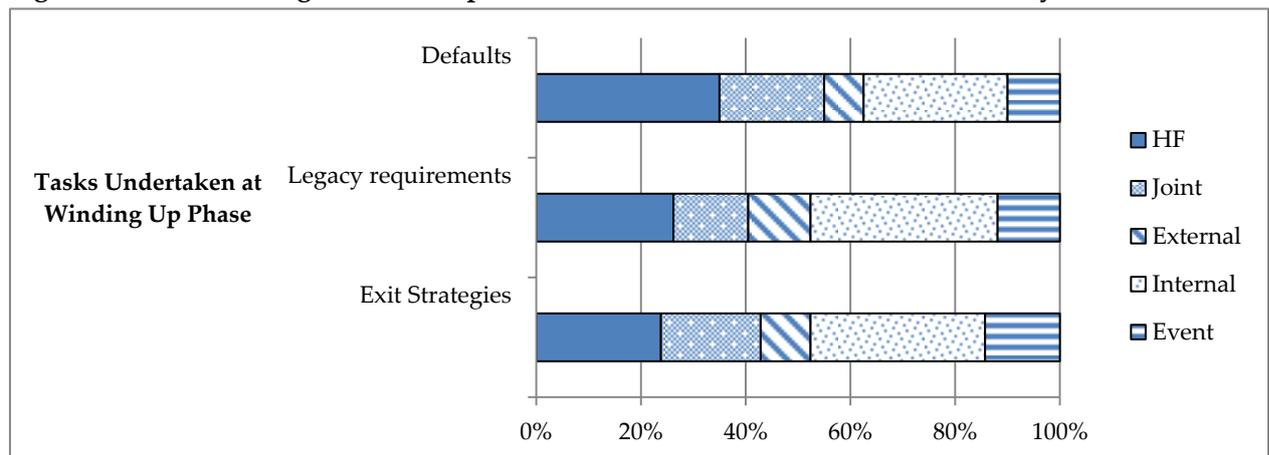
Whilst many FEIs have yet to reach the Winding Up Phase (at least the Article 44b FEIs for urban development), there is concern about the Exit Policy on FEIs/FIs and the re-investment of repayments as well as the application of the recovery process of amounts from a final recipient after 2015 in case of irregularity, since the assistance has a repayable character.

The responses<sup>19</sup> for the types of TA received across all of the tasks carried out at Winding Up phase have been collated. TA for all stages of the Winding Up process was seen to be equally not applicable. 58% of respondents who received TA during the Winding Up Phase is summarised below.

**Figure. 17 Winding Up Phase: Provider of Technical Assistance**



**Figure. 18 Winding Up Phase: Task by Task**



- Internal resources at the MA provided the most TA through the Winding Up Phase, at 32% of the total TA received, followed very closely by Holding Funds at 28%. Together the Holding

<sup>19</sup> The total number of respondents for this section of the survey was 53. 42% of the total responses received in the Winding Up phase section of the survey selected Not Applicable.

Fund and MAs constituted over 50% of TA tasks during the Winding Up Phase including advising on exit strategies, support on the legacy requirements and navigating through irregularity issues and defaults.

- The Joint Support from the EIB/EC provided 18% of all TA services during the Winding-Up Phase through guidance publications, such as the COCOF notes<sup>20</sup> issued by the European Commission which outline the rules on legacy requirements, etc.
- External services via professional firms (10%) played a minimal role thus far during the Winding-Up Phase.

#### 4.2.5. *Summary*

At the earlier phases of FEI implementation, TA was mostly provided through internal MA resources and gradually shifted to the Holding Fund at later phases, particularly during the Set-Up and Implementation Phases, and then back to the MA at the final phase – Winding-Up (see Figures, 9, 11, 13, 15). This finding is also consistent with the general conclusions from the Stocktaking Study where if FEIs operated within a HF, 73% of respondents received some form of TA, compared to 19% of respondents with FEIs operating outside HF.<sup>21</sup>

It should also be noted that some of tasks under the Implementation Phase were proportional between the MAs and Holding Funds, suggesting that perhaps both parties worked together closely in selecting, appraisal, and negotiating with individual FEI Managers.

The Joint EIB/EC support at the Set-Up Phase via the feasibility studies during the Set-Up Phases helped to set up the framework for FEI operation and management. Based on the data collected in the TA Survey and the findings from the Stocktaking Study, stakeholders thought the role of the EIB Group was invaluable to the later success of FEI implementation.

---

<sup>20</sup> Revised Guidance Notes on Financial Engineering Instruments under Article 44 Council Regulation (EC) No 1083/2006 (February 2012)

<sup>21</sup> See chapter 9 of the “*Financial Instruments: a stocktaking exercise in preparation for the 2014-2020 programming period*” published in March 2013.

### 4.3. Technical Assistance, 2014-2020

As noted earlier, the purpose of the second part of the TA Survey was to confirm the TA content and preferred mode for delivering TA, respondents were requested to provide details on how TA and advisory services could best be provided in the programming 2014-2020. While the same four phases: Design, Set-Up, Implementation, and Winding Up were used to divide this section of the survey, there were more detailed tasks envisaged for the next programming period.

To reiterate, the Commission intends to set up a new TAP with two sub-components:

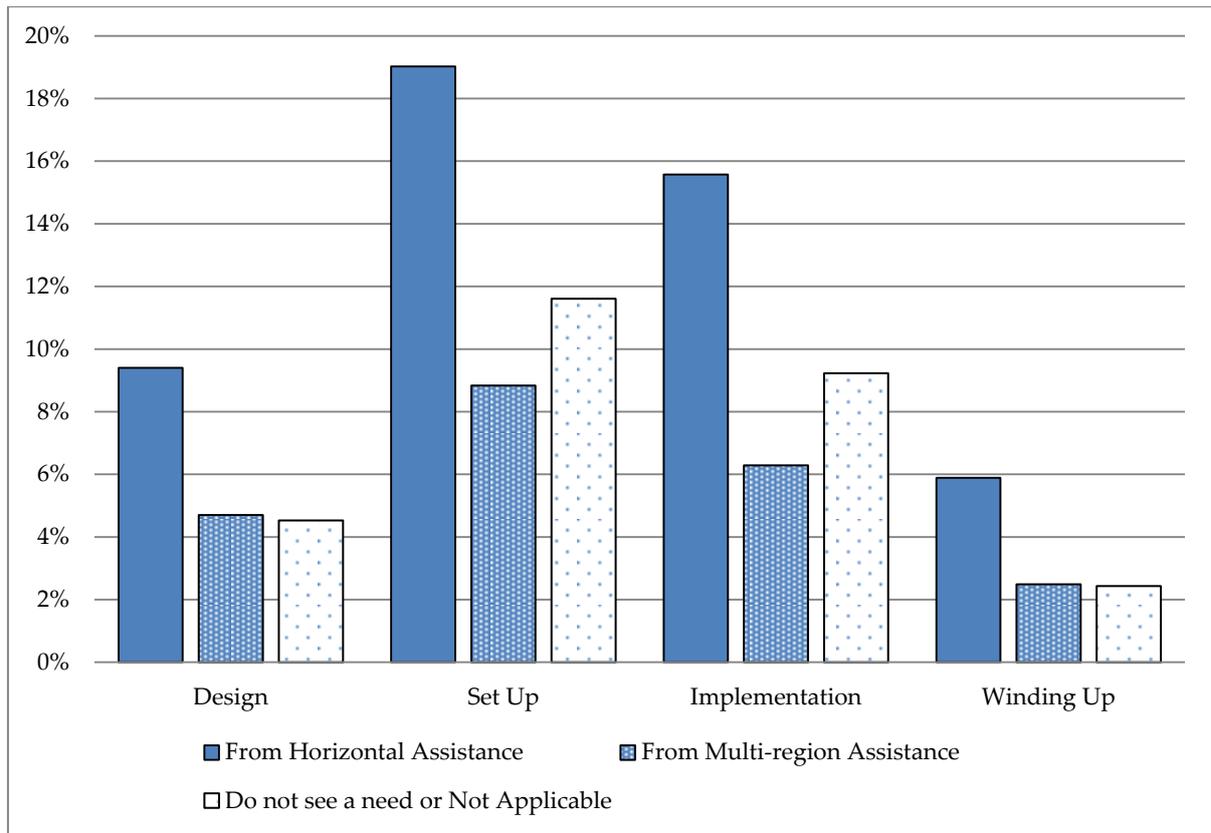
- *Horizontal Assistance* through the exchange of best practice, networking, training, and methodology guidance applicable to all MS.
- *Multi-region Assistance* which could be used where there are development objectives/market failures that are shared by a number of countries or where cross border initiatives are required to reach economies of scale and integration.

In total, 28% of the total selections made in this section were for 'Not Applicable.' On an aggregate level across the different phases of FI implementation, it is clear that Horizontal Assistance (69%) is preferred to Multi-region Assistance (31%) for the new TAP.

Broken down across the different phases of implementation, it is clear that this preference holds at every stage where Horizontal Assistance is preferred as illustrated in the below figure.

- The greatest demand for TA through the TAP regardless of Horizontal or Multi-Region Assistance is during the Set-Up Phase, followed by the Implementation Phase.
- There is less demand for TA via the TAP during the Design Phase; one possible reason for this is that MAs understand that the Ex-Ante Assessments will be paid for through the MA's own resources in the next programming period.
- The lowest demand for support through the TAP is the Winding Up Phase, not because it is not required or need, but because majority of FEIs have yet to reach this stage, and therefore stakeholders are unaware of the level TA services required.

**Figure. 19 Horizontal Assistance vs. Multi-Region Assistance for TAP**



**4.3.1. Design Phase**

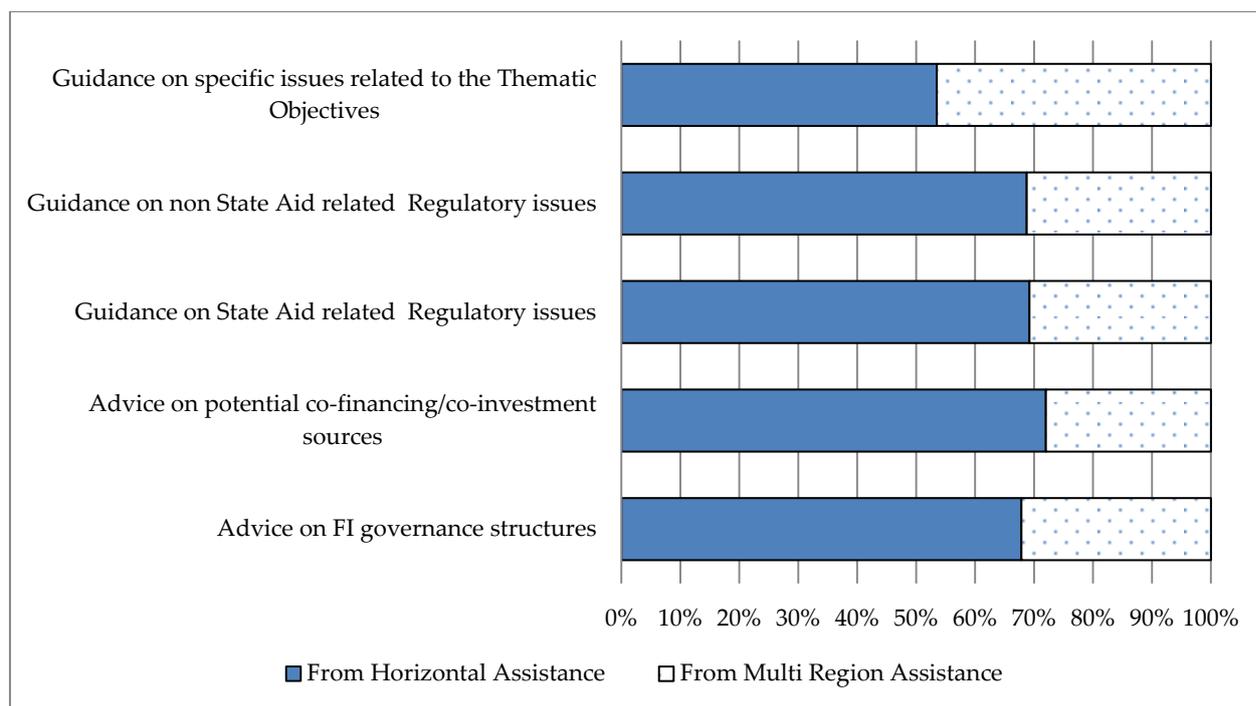
At the Design phase of implementation of FIs in 2014-2020, the following options were given to respondents and for each task they were asked to consider which channel (HA or MRA) through the TAP they see as being most useful for each:

- Advice on FI governance structures
- Advice on potential co-financing/co-investment sources
- Guidance on State Aid related Regulatory issues
- Guidance on non State Aid related Regulatory issues
- Guidance on specific issues related to the Thematic Objectives

Approximately, 24% of the responses at the design phase selected Not Applicable. The figure below illustrates the preference for Horizontal Assistance or Multi-Region Assistance.<sup>22</sup>

<sup>22</sup> The total number of respondents for this section of the survey was 56.

**Figure. 20 Design Phase: Task by Task**



- In general, there is greater demand for Horizontal Assistance compared to Multi-Region Assistance across all tasks within the Design Phase.
- Through the Horizontal Assistance, there is high demand for all tasks ranging from guidance on State Aid and other regulatory issues to advisory services on potential co-financing/co-investment sources, and on FI governance structure. Majority of these issues should be addressed during the Ex-Ante Assessment, and as noted earlier in Section 2, methodological guidelines will be very useful for reasons of consistency and robustness in the analysis.
- Approximately, 28% of respondents answered that TA via Horizontal Assistance or Multi-Region Assistance as ‘non-applicable.’ This could be correlated to the fact that 54% of respondents do not have experience with FEIs, and therefore, cannot ascertain the types of TA that would be required other than general guidance. It could also indicate that stakeholders have no knowledge or understanding of the TA Platform.
- The greatest demand for TA under the Multi-Region Assistance is guidance on specific issues related to the Thematic Objectives. Some of the possible issues that could be of interest to a multiple MAs in a number of MS: sustainable cross-border transportation, promoting R&D through a combination of grants and FIs, or best practices in energy efficiency retrofitting in Eastern Europe.

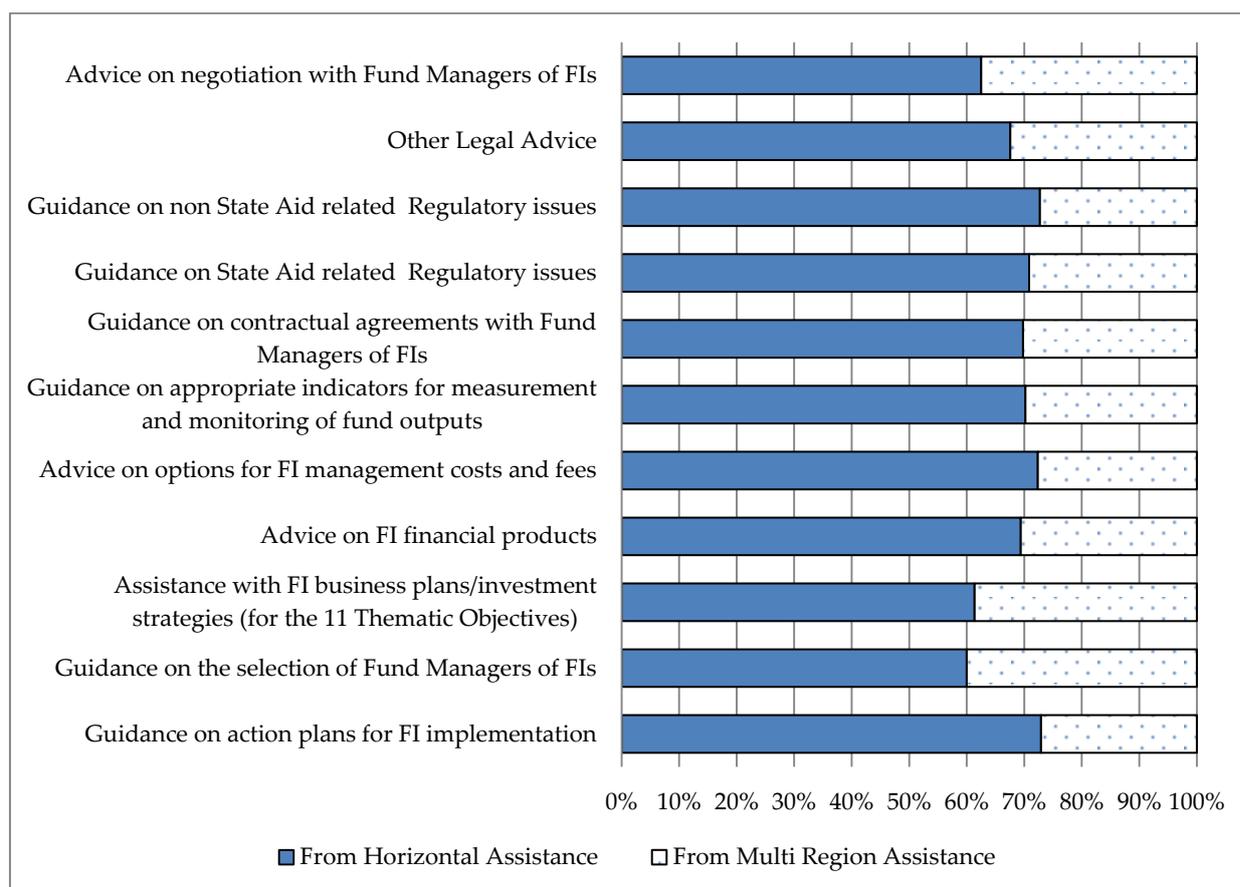
### 4.3.2. Set-Up Phase

At the Set Up phase of implementation of FIs in 2014-2020, the following tasks were considered:

- Guidance on action plans for FI implementation
- Guidance on the selection of Fund Managers of FIs
- Assistance with FI business plans/investment strategies (for the 11 Thematic Objectives)
- Advice on FI financial products
- Advice on options for FI management costs and fees
- Guidance on appropriate indicators for measurement and monitoring of fund outputs
- Guidance on contractual agreements with Fund Managers of FIs
- Guidance on State Aid related Regulatory issues
- Guidance on non State Aid related Regulatory issues
- Other Legal Advice
- Advice on negotiation with Fund Managers of FIs

Approximately, 29% of the responses at the Set Up phase selected this phase to be 'Not Applicable.' Task by task of TA is listed below along with the preference for TA delivery.<sup>23</sup>

**Figure. 21 Set-Up Phase: Task by Task**



<sup>23</sup> The total number of respondents for this section of the survey was 54.

- At the Set Up phase, Horizontal Assistance is preferred for all tasks by over 60%.
- Under the Horizontal Assistance, there is high demand (over 60%) for all tasks within the Set-Up Phase with the most demand in Guidance on Action Plans for FI implementation, followed by Advice on FI financial products and option for FI management costs/fees. These can be provided to stakeholders in the form of guidance notes on setting up and managing FIs.
- Multi-region Assistance would be also acceptable for providing guidance on the selection of Fund Managers of FIs, general assistance on FI business plans/investment strategies on sectors and thematic areas, and negotiating with selected FI Fund Managers. The Commission could set-up a “FI Manager Working Group” via the Multi-Region Assistance work stream to come up with a scoring template which can then be tailor for specific MA needs.

#### 4.3.3. *Implementation Phase*

At the Implementation phase of implementation of FIs in 2014-2020, the following tasks were considered:

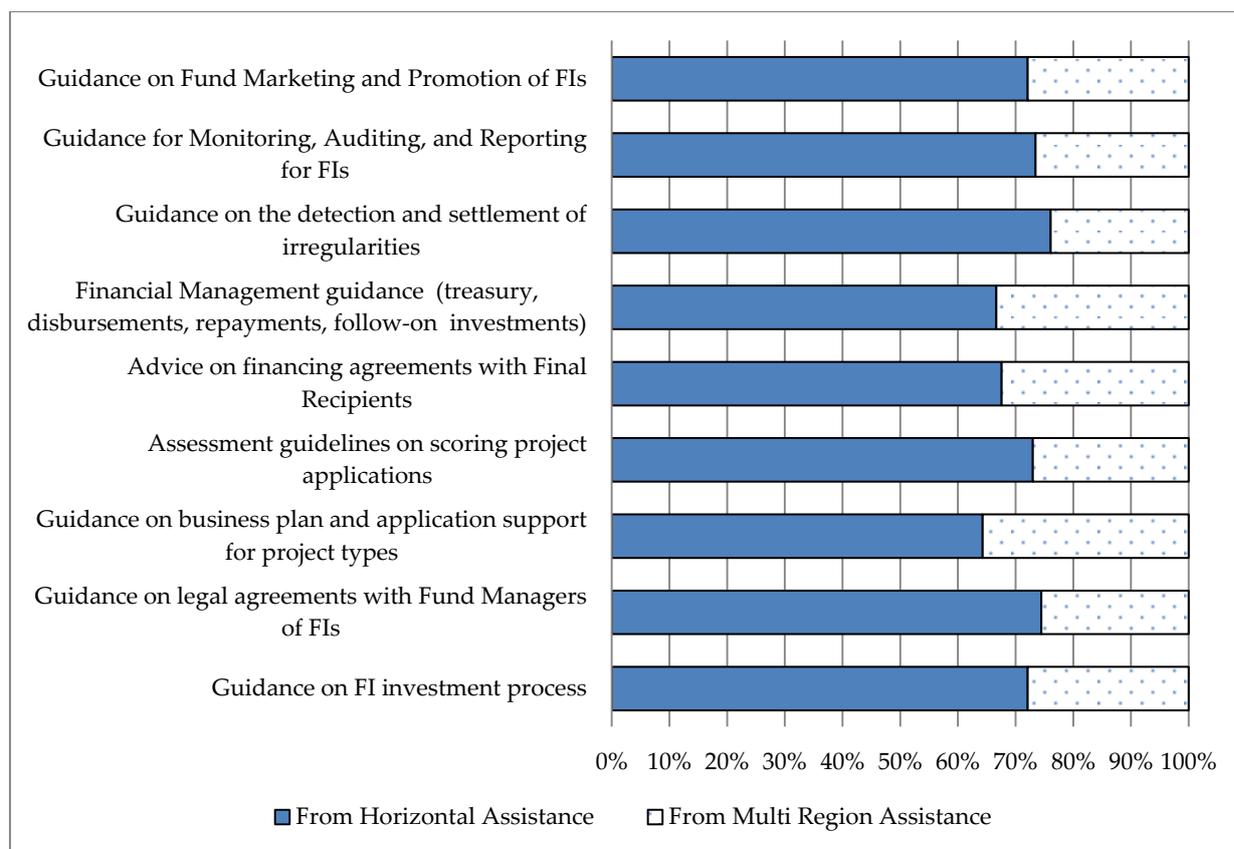
- Guidance on FI investment process
- Guidance on legal agreements with Fund Managers of FIs
- Guidance on business plan and application support for project types
- Assessment guidelines on scoring project applications
- Advice on financing agreements with Final Recipients
- Financial Management guidance (treasury, disbursements, repayments, follow-on investments)
- Guidance on the detection and settlement of irregularities
- Guidance for Monitoring, Auditing, and Reporting for FIs
- Guidance on Fund Marketing and Promotion of FIs

Approximately 30% of the responses at the Implementation phase selected ‘Not Applicable.’ Amongst those who anticipate TA for the Implementation Phase, the task by task TA is summarised below.<sup>24</sup>

---

<sup>24</sup> The total number of respondents for this section of the survey was 53.

**Figure. 22 Implementation Phase: Task by Task**



- At the Implementation phase, Horizontal Assistance is preferred for all tasks across the board.
- Horizontal Assistance could be the form of guidance notes, and supplemented with webinars and conferences to enable stakeholders to discuss.
- Multi-Region Assistance could potentially be suitable Financial Management guidance where Member States with similar accounting rules could come together to request for assistance through the TAP. Other areas of interest for Multi-Region Assistance are in application support for project types, and advise on business plans and financing agreements with Final Recipients. For these Member States with similar investment strategies could request for assistance in a particular sector, for example, R&D.

#### 4.3.4. *Winding Up Phase*

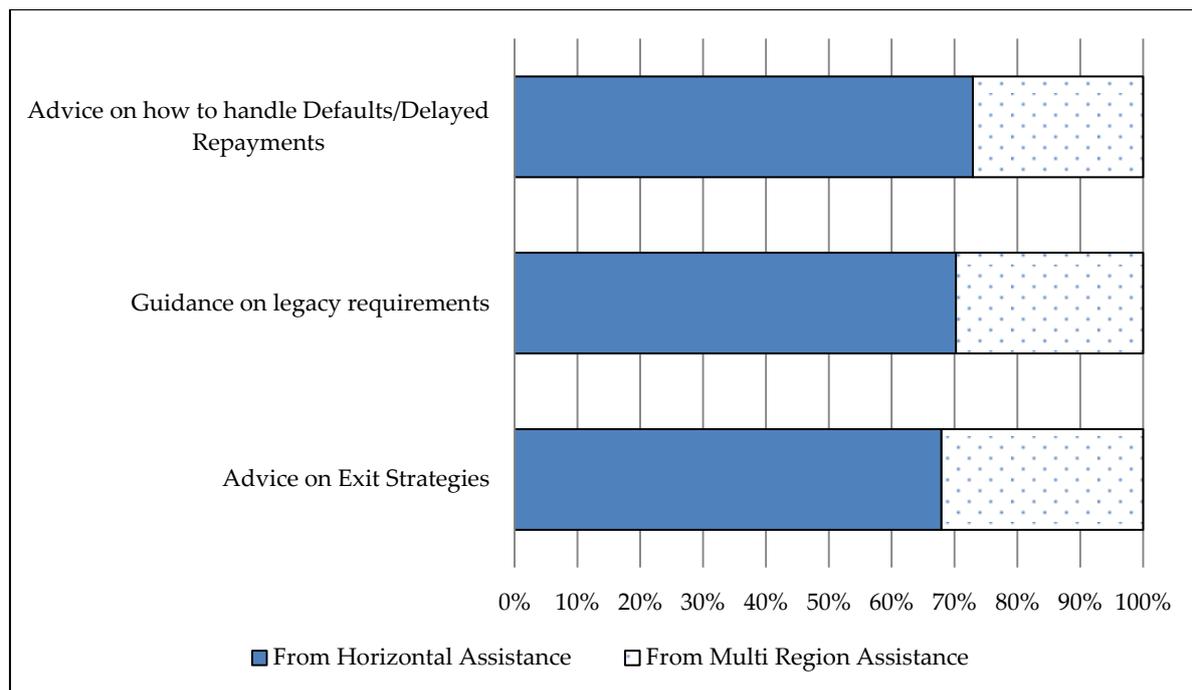
At the Winding Up phase of implementation of FIs in 2014-2020, the following tasks were considered:

- Advice on Exit Strategies
- Guidance on legacy requirements
- Advice on how to handle Defaults/Delayed Repayments

Approximately, 23% of respondents at the Winding Up phase selected ‘Not Applicable.’ The task by task preference for TA is summarised below.<sup>25</sup>

<sup>25</sup> The total number of respondents for this section of the survey was 53.

**Figure. 23 Winding Up Phase: Task by Task**



- At the Winding Up phase, Horizontal Assistance is preferred compared to Multi-Region Assistance for all tasks. Multi-Region Assistance could be useful but only for more focused topics related to sectors or themes.
- There is near equal proportion of demand for all tasks within the Winding-Up Phase from advice on irregularities and defaults, legacy requirements, and exit strategies.
- Support at the Winding Up phase including advice on monitoring and evaluation and in project closure may be equally necessary, but as noted earlier, many FEIs are not at this stage yet and therefore the need is not yet realised.

**4.3.5. Summary**

There is greater demand for Horizontal Assistance than for Multi-Region Assistance across all four phases and within the tasks within the phases. However, that is not to say that Multi-Region Assistance is not needed; it may be the case that stakeholders are unaware of what constitutes Multi-Region Assistance and how it works in practice. For stakeholders involved in FEI implementation, the type of support under Horizontal Assistance is clearer to due previous experience and perhaps attendance at various events. Therefore, it could be suggested that the Commission invest time in shaping the work programme and structure for the Multi-Region Assistance.

## 5. MULTI-REGIONAL ASSISTANCE

The aim of this section of the survey was to gather information on the interest for the Multi-region assistance option of the proposed TAP. Multi-region activities could be proposed by a group of regions which following approval, could be financed by the Commission and implemented by partners selected. Such activities could include support for the development of FIs targeting development objectives or market failure that are shared by a number of regions. Topics could be a range of themes or topics such as the financing of energy efficiency interventions in large housing estates in Central and Eastern Europe or support to cross-border initiatives aimed at reaching economies of scale and integration.

### 5.1. Experience with Multi-Region Assistance

Amongst stakeholders who responded to this section<sup>26</sup> on Multi-Region Assistance programmes (i.e. URBACT, INTERREG, ESPON, IPA etc.), 27% of respondents had experience on this matter, whilst 60% had not had any experience with multi-region assistance programmes. Respondents who were not previously involved with multi-region assistance stated that they either did not know about such initiatives or it was not necessary to meet the needs of the local area. It should be noted that the response rate was relatively low and did not have adequate coverage of MAs who was involved in multi-regions programmes, for example MAs involved in the Danube or Alpine Space programmes. Therefore, these figures may not accurately reflect the experience with such programmes.

Out of the 27% of respondents who had experienced Multi-Region Assistance programmes, the feedback was overwhelmingly positive. The transnational or cross-regional programmes were considered useful in developing solutions and best practices in tackling social, economic, and environmental issue. Furthermore, there is tremendous value-added of cross-border collaboration. One of these respondents commented that by taking crucial decisions together, the group of 5 regions learnt a lot from each other through multi-region collaboration.

While the overall feedback was positive, difficulties were experienced along the way, with 43%<sup>27</sup> stated they experienced any difficulties or challenges being involved with other regions, particularly regions in other Member States. A couple of the respondents elaborated, saying that flexibility was required in order to achieve consensus, but whilst there was challenges, the results were good and impacts were felt on the broader economic development agenda. Another respondent pointed to the differing National Eligibility Rules and National Public Procurement Rules was problematic for cross border collaboration when procuring an external consultant for support. This is a valid concern and should be carefully considered when designing the TAP. Perhaps issues on procurement for cross-border collaboration should be a topic in itself for the Multi-Region Assistance component of the TAP.

### 5.2. Future Interest in Multi-Region Assistance

Amongst the individuals who responded to the future interest in Multi-Region, 74%<sup>28</sup> of respondents wanted to participate in Multi-Region Assistance in the future, perhaps reflecting the positive experiences that they had in the current programming period. The activities that were suggested in the survey were each selected by close to half the respondents, showing that there was about equal interest in all of them. The exact percentages for each activity in terms of number of selections over the number of respondents are shown in the table below.

---

<sup>26</sup> There were 52 respondents in this section.

<sup>27</sup> 6 of 14 respondents responded to the question.

<sup>28</sup> 11 of 14 respondents

**Figure. 24 General Interest in Multi-Region Activities**

Activities	Selection over Respondents
Participating with other regions in sector specific project proposals for topics of mutual interest	50%
Staff exchange programmes across Member States/regions	50%
Training programmes with other regions for geographic or sector specific topics of mutual interest	48%
Participating in geographic specific project proposals (i.e.. joining in with other regions for cross border initiatives to reach economies of scale and integration)	44%
Currently not interested in Multi-Region Assistance	23%

### 5.3. Summary

Amongst the stakeholders who responded to the TA survey, only one-quarter of them had experience with Multi-Region programmes such as ESPON, URBACT, INTERREG, etc. Overwhelmingly, those who did participate in these programmes had a positive experience.

More importantly, there is keen interest in continuing with cross border programmes in the future in all areas including collaboration on special project proposal of common interest and staff exchange programmes through a Study Tour. However, stakeholders did not indicate which topics or sectors to focus specifically on via the Multi-Region Assistance of TAP other than ‘customised local needs.’

As the response rate was fairly low on this section of the report, it would be useful for the Commission to appoint another study examining specifically on the demand for Multi-Region Assistance including the form, structure, and topic that would be relevant for stakeholders.

## 6. NETWORKING AND KNOWLEDGE-SHARING

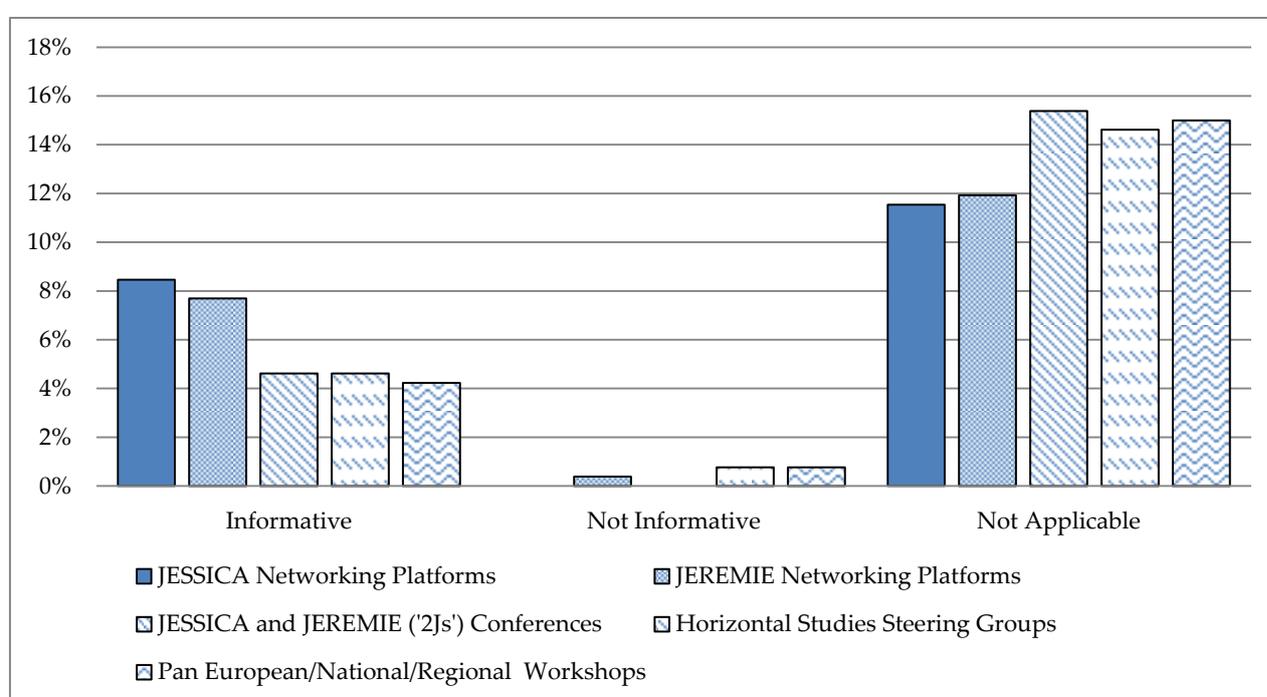
To date, there have been three JEREMIE/JESSICA ('2Js') conferences, seven JESSICA Networking Platform meetings, as well as other events associated with Article 44 FEIs. The aim of this section is to get feedback on the current knowledge-sharing activities (i.e. conferences, events, or networking platforms) sponsored by the European Commission and the EIB Group.

### 6.1. Participation in current networking activities

It should also be noted that the response rate was low in this section and is not a representative sample of all MAs across the EU.

As shown in the chart below, where responses were given, the overwhelming impression is that all the events were informative, with JESSICA Networking Platform, followed closely by JEREMIE Networking Platforms being shown as being the most informative.<sup>29</sup>

**Figure. 25 Assessment of the Networking Events**



The individual JESSICA and JEREMIE networking platforms also seem to have been better attended by respondents, with the least number of "Not Applicable" responses. The JESSICA and JEREMIE Conferences (2Js) had the highest number of "Not Applicable" responses, closely followed by response for the Horizontal Studies Steering Groups and the workshops, suggesting that these activities were less well attended, or only attended by a few key stakeholders in each MS.

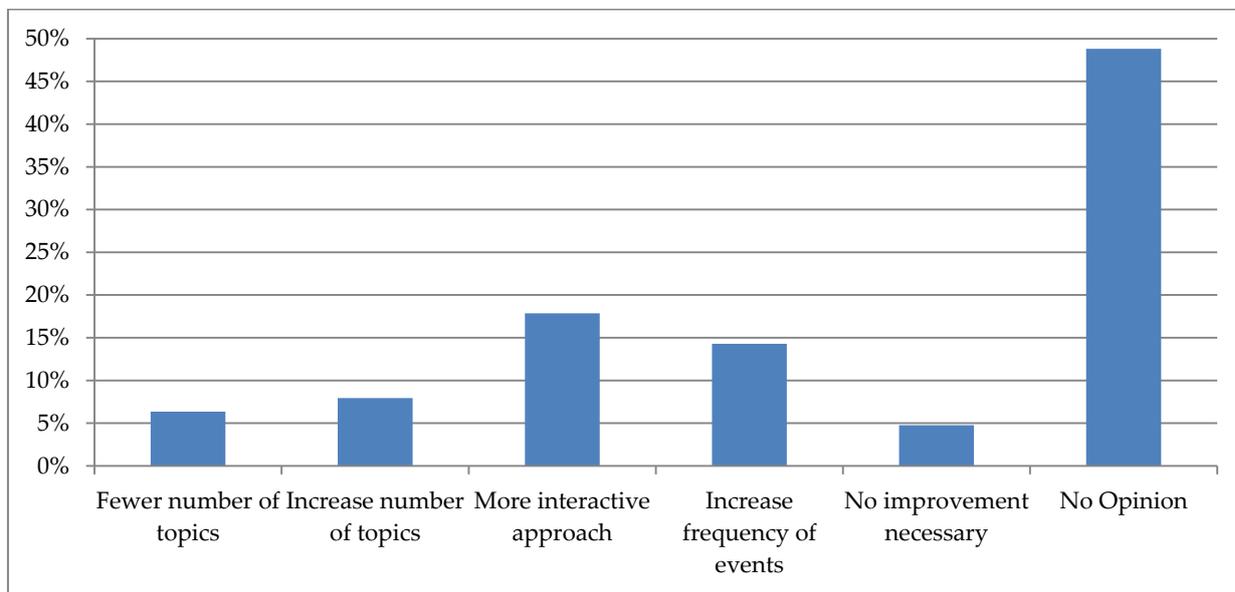
The activities shown above were the ones provided for selection by respondents. However, several also mentioned "Other" networking activities that were found to be informative. These included the COCOF Technical Advisory Group, INTERACT meetings, working groups of the Polish regions and their annual conferences, and the expert group on Delegated and Implementing ACTs.

<sup>29</sup> There were 52 respondents.

## 6.2. Suggested areas for improvement

In terms of areas for improvements, overall most respondents had no opinion as to how the networking events should be improved. Generally, however, there is a strong view for a more interactive approach. Below, the suggestions have been broken down by activity.

**Figure. 26** Suggestions for Improvement



It is evident that these forms of networking events are informative and useful, therefore, the Commissions should reconvene these JESSICA/JEREMIE Networking Events and conferences more regularly to allow maximum number of stakeholders to participate. Alternatively, the Commission could come up with more convenient forms of virtual networking that enable stakeholders to have conversations and dialogue on a range of topics.

The 2Js Conferences seemed to have the highest number of satisfied respondents with the most “No improvement necessary” selections<sup>30</sup>. At the other end of the scale, for all respondents that had an opinion on JEREMIE networking platforms,<sup>31</sup> none of them felt that no improvement was necessary.

JESSICA networking platforms had the most respondents with an opinion<sup>32</sup> and had 12 responses each suggested to have a more interactive approach and increase the frequency of events. A more interactive approach was a key improvement for the JEREMIE networking platforms with 13 selections. The 2Js Conference and Horizontal Studies steering groups were more balanced around their suggestions for improvements, although the largest number of selections for both were around having a more interactive approach.

## 6.3. Interest for future knowledge-sharing activities

There is strong interest for future knowledge-sharing activities for FIs. Respondents<sup>33</sup> were most interested in Pan European/National/Regional Workshops, followed by JESSICA networking platforms,

<sup>30</sup> 5 out of 31 responses

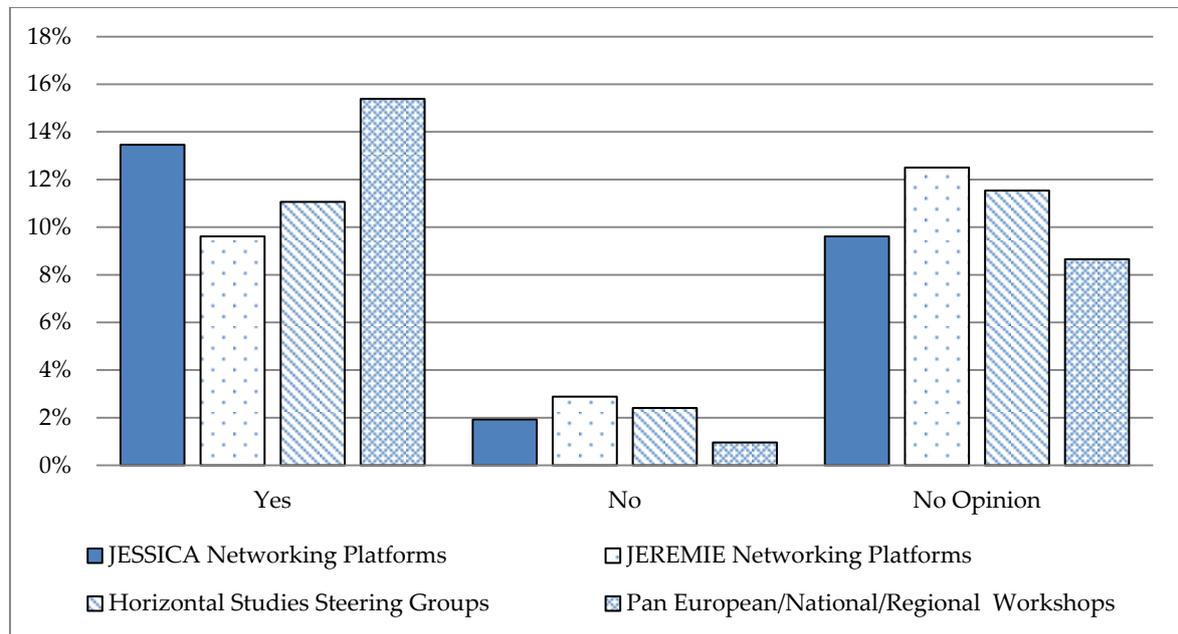
<sup>31</sup> 30 respondents

<sup>32</sup> 36 respondents in total

<sup>33</sup> The chart below shows the interest of 52 respondents in different types of knowledge sharing events in the future.

Horizontal Studies steering groups, and finally, JEREMIE Networking Platforms were deemed least interesting.

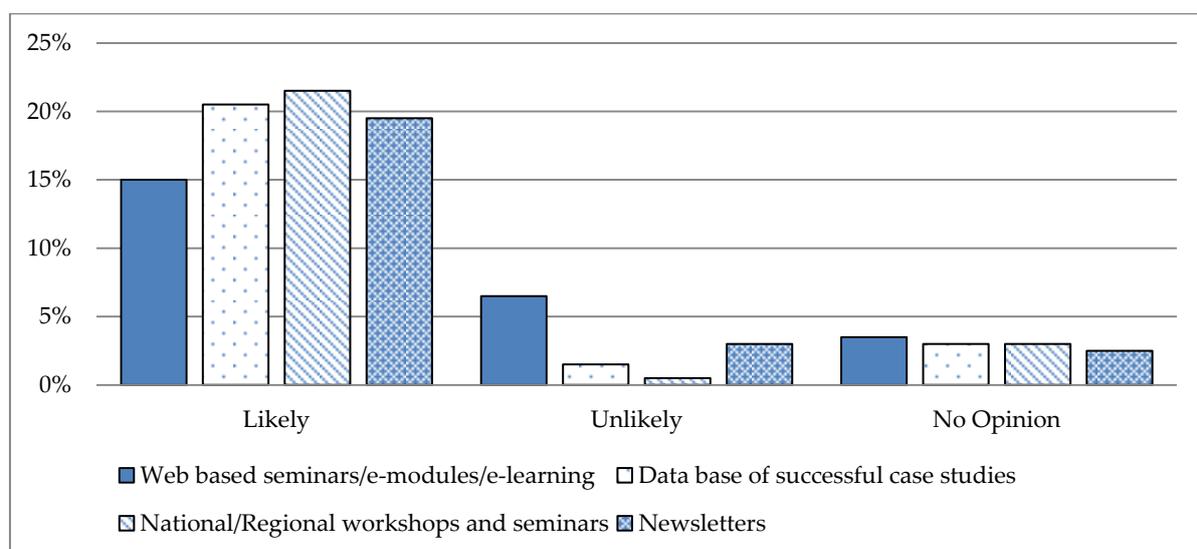
**Figure. 27 Interest in future networking events**



Respondents were also asked about different knowledge sharing activities that might be provided in the next programming period. Suggested activities included web based seminars and e-learning, data bases of successful case studies, workshops and newsletters.

From the total respondents results indicate that 60% would like web based learning and 86% would like workshops. The responses indicated that all the activities suggested in the survey would be warmly received suggesting that they would be likely to use the activities in the next programming period if they were provided.

**Figure. 28 Interest in other forms of knowledge-sharing activities**

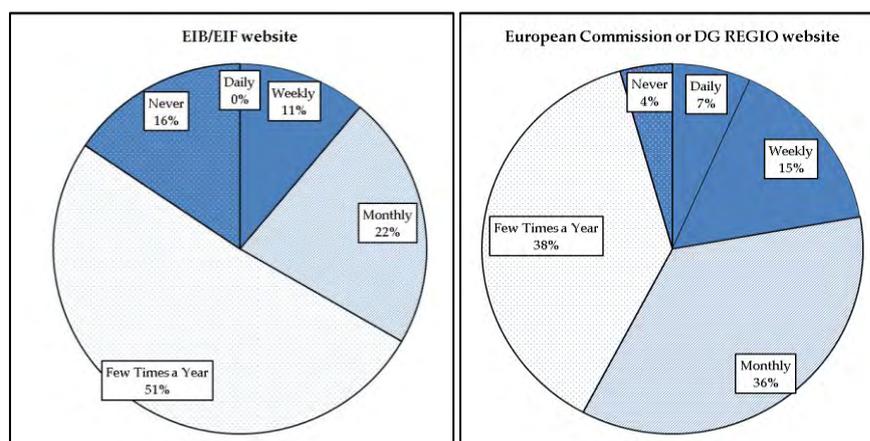


The chart above summarises the responses and shows that workshops and case studies would be the most likely resources to be used if they were provided in the next programming period.

#### 6.4. Use of websites for information

Respondents were asked about the frequency in which they visit the European Commission and the EIB Group’s website for information on FIs.

**Figure. 29 Use of EIB Group and the European Commission Website**



As shown in the chart above, the European Commission/DG REGIO website was more commonly visited, with 43 of the 45 respondents (96%) visiting the website at least a few times a year, compared to 38 of the respondents (84%) visiting the EIB/EIF website. A greater number of respondents visited the European Commission/DG REGIO website more regularly, while for the EIB/EIF website, the greatest number of respondents only visited it a few times a year.

Other websites that were mentioned as being useful for information on FIs were the Polish Ministry of Regional Development which was visited a few times a year, and INTERACT which was visited monthly.

#### 6.5. Summary

Stakeholders who attended the various networking events found them to be informative, relevant, and useful for the purpose of setting up and managing FEIs. There is a strong view that there should be more interactive approach, suggesting that changing the format of networking events and conference would be helpful to including smaller, focus discussion groups as well as formal presentations. There is also a need to have these networking events occur more frequently, and the Commission should help facilitate the face-to-face knowledge-sharing where possible.

Currently the EIB Group and the Commission’s website is the primary tool for knowledge dissemination where archive of presentations and studies are found. However, over 50% of respondents visit the EIG Group only a few times a year. Therefore while these results indicate that disseminating knowledge purely by uploading on the websites may not reach target audiences, the website could be a powerful tool for knowledge-dissemination. There is a growing interest in web-based e-learning modules to augment the knowledge and capacity about FIs. Given the high interest, the Commission should seek to develop a web-based e-learning platform on basic concepts and principles of using FIs to support policy objectives.

## 7. CONCLUSIONS AND RECOMMENDATIONS

This section provides a general conclusion and recommendations for TA specifically for FIs in the next programming period. The purpose of the TA survey from the onset was: 1) understand the anticipated difficulties with the required Ex-Ante Assessment prior to allocation OP resources to FIs; 2) ascertain the level of interest in using FIs to support the 11 Thematic Objectives and from which ESIF; 3) to ascertain the level of demand of TA at various phase of FI implementation through either the Horizontal Assistance or Multi-Region Assistance (as well as interest); and 4) evaluate the effectiveness of the various networking platforms and conference.

**Ex-Ante Assessments:** It is evident that multiple difficulties are foreseen with respect to either completing the Ex-Ante Assessment within a reasonable timeframe, acknowledging that there is no official deadline; the cost associated with the Ex-Ante Assessment itself; and concerns on being able to gather and analyse quality data in order to complete a robust assessment.

### *Recommendations:*

- As timing is cited as a concern, the Commission should issue the methodological guidance for Ex-Ante Assessments as soon as possible. This should be complemented by a range of face-to-face seminars/webinars and sharing best practices. This should include the process and procedures on when and how to submit the Ex-Ante Assessment. An Ex-Ante Assessment Methodology for FIs in the 2014-2020 is planned to assist MAs in analysing market failure, assessing demand, and making a case for FIs to support various Thematic Objectives.
- In addition to providing MAs with general guidelines on Ex-Ante Assessment, the Commission could also put together a generic template for the “Request for Proposals” should MAs wish to appoint an external consultant. MAs could use the template and tailor it according to regional specificity. This could be supplemented with a suggested scoring rubric for assessing the proposals. Owing to the fact that timing is an issue, this would not only expedite the procurement process but also ensure consistency across the Ex-Ante Assessments.
- In due course, preferably during the summer period, the Commission should issue a communication piece via a ‘Factsheet’<sup>34</sup> on the purpose of the Ex-Ante Assessment, provide general guidelines, clarify the confusion on official deadlines, and that standardised methodology guidance will be issued in the autumn period to support MAs.

**11 Thematic Objectives:** Based on the data, there is considerable interest in three Thematic Objectives for deployment of FIs: Thematic Objective 1 – Research, Technological Development and Innovation (RTDI); Thematic Objective 3 – Enhancing SMEs; and Thematic Objective 4: Low Carbon Economy. Majority of respondents indicated that they anticipate resources to be drawn from ERDF monies and the financial products to be used will primarily be loans, followed by equity, and a combination of FIs/grants. There is also considerable interest in guarantees.

Pursuant to Article 33, there will be a range of implementation options for deploying FIs in the next programming period including “off the shelf” instruments. There is a strong preference for tailor-made financial instruments under a funds of funds structure for reasons of flexibility and designing bespoke products that address the market gaps.

### *Recommendations:*

---

<sup>34</sup> The factsheet could be designed in line with the ones published thus far:  
[http://ec.europa.eu/regional\\_policy/what/future/proposals\\_2014\\_2020\\_en.cfm](http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm)

- To confirm these initial findings, it is recommended that the Commission conduct another study focusing precisely on this issues explored in Section 3, precisely on the type of ESIF funds MAs wish to deploy resources for FIs.
- There is considerable interest in using guarantee products which in the current programming period was used exclusively for Article 44a FEIs to support SME Access to Finance. Interest was observed in using guarantee products to address policy interventions with a strong social dimension as well as transportation.
- As there is preference for tailor-made instruments, it would be useful for the Commission and the EIB Group to collate sample tailor made instruments across the EU as case studies and inspiration.

**Technical Assistance, Multi-Region Assistance Networking, and Capacity Building:** It is evident that specific TA requirements differ as FEIs moved through the various phases of the project lifecycle: Set-up, Design, Implementation, and Winding Up. In other words, TA needs are a function of FEI/FI maturity, which is an important point to bear in mind when designing specific TA interventions.

As FIs are complex and requires new ways of working, MAs and other stakeholders felt that further TA and advisory support in key areas would be essential given the broader scope covering all 11 Thematic Objectives for FI in the 2014-2020 programming period. Whilst TA will be required across the full spectrum of areas, the most urgent TA needs according to the FI Stocktaking Study is in: Legal Advice, State Aid Rules & EU Regulations, Selection of HF/FI Managers, and Project Identification and Selection. Therefore, as suggested in the Stocktaking Report, the provision of TA activities in relation to FIs in the programming period 2014-2020 should increase and/or improve in order to equip stakeholders with the sufficient support and advisory services to set-up and manage FIs.

With respect to the proposed TA Platform, there was higher interest in the Horizontal Assistance component compared to Multi-Region Assistance as the primary mechanism to support MAs and other stakeholders in the implementation of FIs through guidance notes and knowledge exchange. Respondents who were previously involved in Multi-Region programmes had positive experiences and are keen to explore other cross-border collaborations through the TA Platform in the future. However, the precise topics are yet to be determined.

There was a strong preference expressed for an interactive and collaborative learning approach of workshops and exchange of experience. MAs and Holding Fund managers want to share their experiences and learn from each other. More interactive forums would enable sharing of information, anchored by a well-structure TAP that is capable of delivering more effective technical assistance. Therefore, focus in the next programming period was felt to be on interactive forms of TA and knowledge-sharing and capitalising on modern technology as part of the catalogue of activities. Additionally, respondents expressed a universal need for guidance across all areas of future FI operation.

*Recommendations:*

The TA survey confirmed the recommendations for TA and capacity building put forth in the Stocktaking Study; to briefly summarise:

- **Database of Contacts:** It would be useful to have an online contact database of MAs and respective colleagues, Holding Fund Managers, fund managers, as well as external consultants. This way, stakeholders can identify who is who within an organisation and would enable stakeholders to contact each other more informally.
- **Exchange of Knowledge:** The various JESSICA/JEREMIE Networking Platform and conferences proved to be useful. Therefore, the Commission, in collaboration with the EIB Group and other

relevant stakeholders, could draw upon the success of the JEREMIE/JESSICA Networking Platforms as a mechanism for exchanging knowledge.

- **Workshops and Conferences:** There is a strong preference for interactive forms of learning through either workshops or conferences.
- **Web-based e-modules/e-learning and virtual working groups:** The EIB Groups could capitalise on the use of modern web-based technology using online platforms for e-learning modules and hosting virtual working groups and seminars. There could be consideration for an e-learning module to cover the fundamentals of FI, EU regulatory framework, and State Aid rules to build the basic understanding and awareness of FIs using CSF funds.
- **Manuals and Guidance Notes:** A training manual could be developed and used in conjunction with interactive in-class room instruction or web-based learning. Based on the TA survey, there is strong demand for guidance for a range of topics that could be covered through the Horizontal Assistance element of the TAP.
- **Repository:** The Commission could also host a repository that consolidates practical information from various stakeholders on best practices.
- **On-Site deployments:** Consultants or employees working on location in the regions alongside the MAs and relevant stakeholders are a way of building up capacity on the ground.