Financial Instruments supported by the European Structural and Investment (ESI) Funds in 2014-2020

CSI-Europe towards 2014-2020 – FIs for Cities

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Financial instruments and IFI Relations
Directorate-General for Regional and Urban Policy

European
Commission

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Financial instruments in Regional Policy 2007-2013

Challenges with regard to design & implementation

- Delays in delivering funds to final recipients: FIs represented a new approach to Regional Policy support, requiring new skills, partnerships and capacities
- Shortcomings in the financial or market gap assessment - rationale for FI deployment
- Over allocation of resources to financial instruments
- Potential for achieving better leverage effects
- Legal and administrative framework not detailed enough from the outset (COCOF Guidance, audit methodology)
- Limited availability of reporting & monitoring data

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Financial instruments 2014-2020: Key novelties

- **Wider scope:**
  - Common provisions cover all five ESI Funds: ERDF, ESF, Cohesion Fund, EAFRD and EMFF
  - Expansion to all thematic objectives & priorities
- **Ex-ante assessment to be carried out** before launch of FI operation under the ESIF
  - Can be performed in stages but must be completed before decision to make OP contribution to a FI
  - Needs to cover each <u>new or existing</u> FI, but work can be combined in one ex-ante assessment if more than one FI to be launched at same time
  - The same ex-ante assessment could be used to justify contributions from more than one ESI Fund to the same FI
  - Can be funded by OP Technical Assistance
  - Must be submitted to the PMC for information and its summary findings and conclusions must be published

Financial instruments 2014-2020: Key novelties

- **More implementation options for Managing Authorities:**
  - MA can make OP contributions to EU level instrument
  - Traditional implementation: MA sets up a FI at national, regional, transnational or cross-border level
    - Taylor made instruments (same as 2007-2013)
    - Standardised "Off-the-Shelf" instruments
  - MA can implement loans or guarantees directly (or through IB) without formal set-up of a fund
- **Phased contributions to Financial Instruments;**
  - Phased applications for interim payments (at least 4 tranches)
  - Subsequent payments from MA to FI to be made on the basis of FI investment rate in relation to programme contributions received

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Financial instruments 2014-2020: Key novelties

- **Better combination of FIs & other forms of support;**

  - Combination of dif. OP contributions and dif. Funds in one FI
  - In financial instrument: Grant component may cover financing (e.g. state aid compliant subsidy element) or technical support for the benefit of the final recipient
  - At the level of final recipients: Combination is now possible also with assistance from other programmes supported by the EU budget

- **Incentives regarding EU co-financing rates;**

  - EU-level instruments: Up to 100% of the paid support may come from ERDF, ESF and CF; separate priority axis to be foreseen
  - 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

Financial instruments 2014-2020: Key novelties

- **More detailed rules concerning (e.g.):**
  - Eligible expenditure at closure,
  - (re)use of interest/other gains and ESIF resources returned during the programming period,
  - The use of interest/other gains and ESIF resources returned after closure (legacy).

- **Annual reporting by MAs.**
  - MA to report to COM on FI operations annually (annex to the annual implementation report); reporting items should be aligned with requirements of the Financial Regulation
  - COM to publish annual summary report on the basis of data received

- **Management Fees:** performance based approach (base remuneration+performance)

Financial instruments 2014-2020: Key novelties

➲ **To encourage and increase the use of financial instruments in the 2014-2020 programming period, the new regulations:**

- Offer greater flexibility to EU Member States and regions in terms of target sectors and implementation structures;
- Provide a stable implementation framework, founded on a clear and detailed set of rules, building on existing guidance and experiences on the ground;
- Capture synergies between financial instruments and other forms of support, such as grants;
- Ensure compatibility with financial instruments set up and implemented at EU level under direct management rules.

Financial instruments 2014-2020: Key novelties

TO CONCLUDE:

- ✓ **European Commission encourages more extensive use of FIs**
- ✓ **European Council 24/25 October 2013 – Conclusions:**

The programming negotiations of the European Structural and Investment Funds (ESIF) should be used to:

"Significantly increase the overall EU support from these funds to leverage-based financial instruments for SMEs in 2014-2020, while at least doubling support in countries where conditions remain tight."

FIs 2014-2020: State of Play & Next steps

- Common Provisions Regulation and ESI Funds specific Regulations adopted, published on 20 December 2013;

- Drafting of Delegated Act and Implementing Act on-going » expected adoption 1st quarter 2014;

- Development of "off-the-shelf" instruments on-going (to be laid down in Implementing Act) » expected adoption 1st and 3rd quarter 2014;

- TA platform for financial instruments in cohesion policy 2014-2020 under development.

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Q&A time

Thank you for your attention!

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