



**ESF contribution to the EaSI financial instrument under Art. 38.1(a) CPR**

**Guadalupe de la Mata, European Investment Fund**



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# Potential ESIF contributions to EU Level instruments

Legal basis, advantages and  
lessons learned

**Legal basis: Article 38.1(a) of the Regulation (EU) 1303/2013 (CPR)**



## Possibility to combine ESIF with EU level instruments

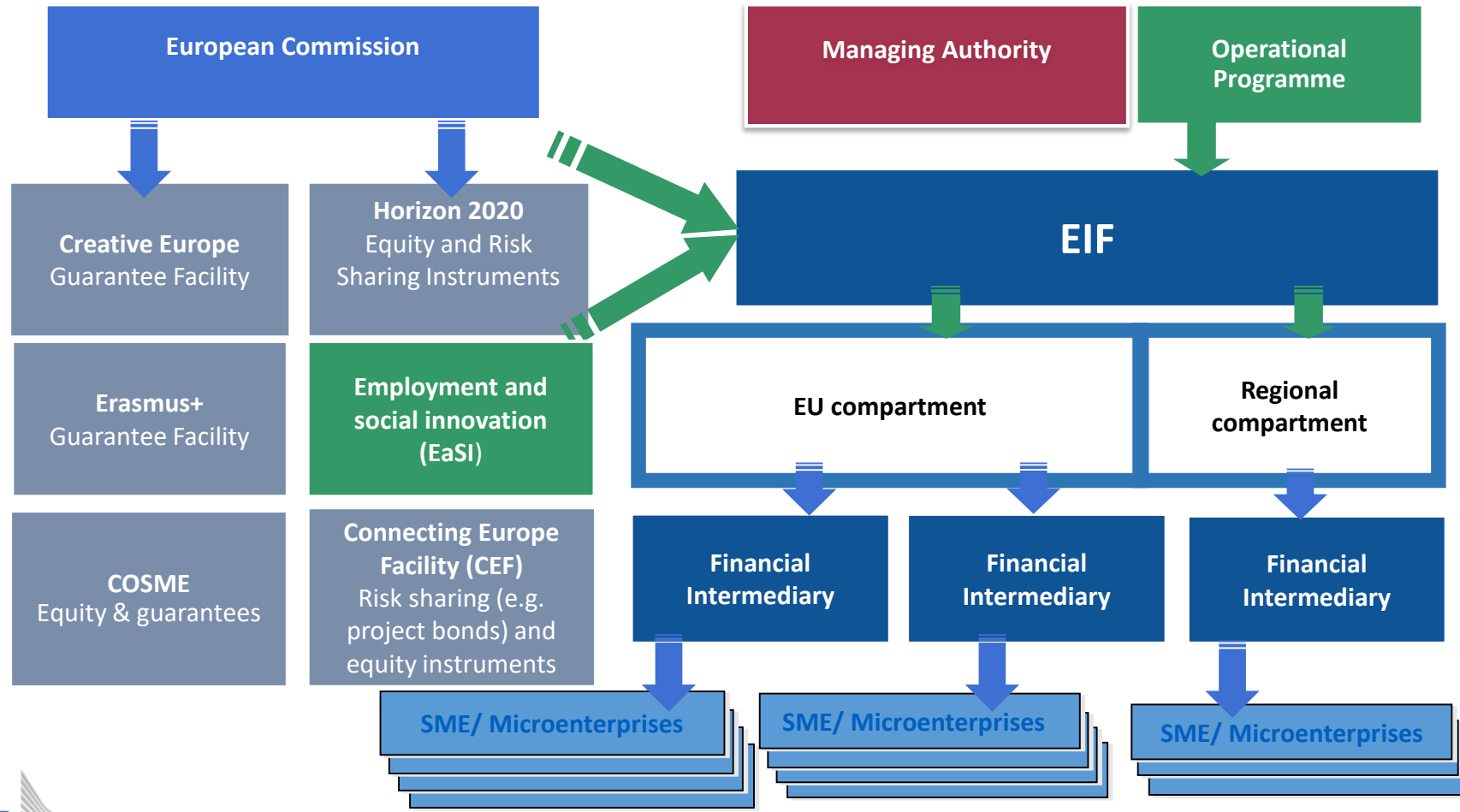
The possibility to make contributions from ESIF programmes to EU level instruments established and managed in line with the Financial Regulation (title VIII, Articles 139-140) is a novelty for 2014-2020 and is included in **Article 38.1(a) of the Regulation (EU) 1303/2013 (CPR)**.



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# Article 38.1(a): Managing authority may provide a financial contribution to financial instruments set up at Union level



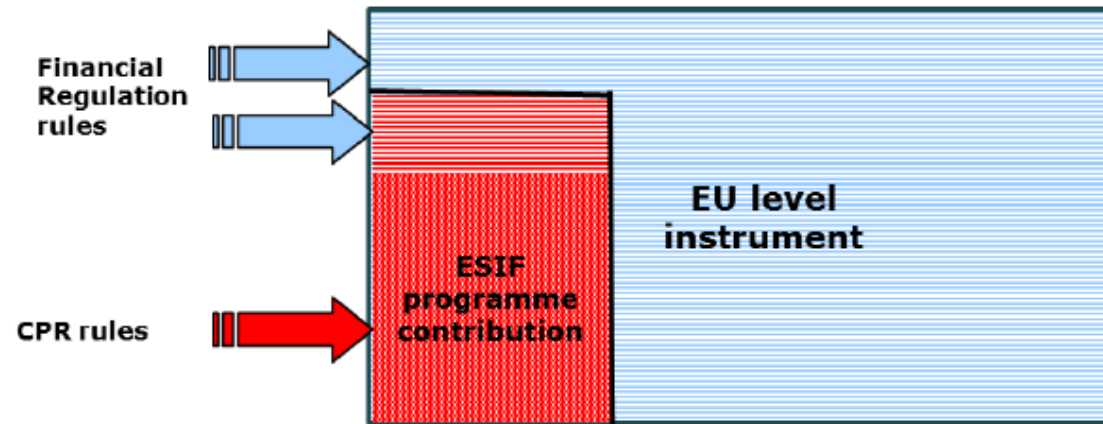
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# Legal construction



## Legal construction of instruments under Article 38(1)(a)



- The **CPR rules for ESIF programmes' contribution apply** (eligibility scope, geographical limitation, end date of eligibility etc.) as well as the rules for payments, reporting, resources paid back and audit.
- **Rules governing the EU level instrument:** The provisions on alignment of interest, provisions for selection of financial intermediaries, liabilities and management costs and fees





**Spanish Pilot: Comunidad  
de Madrid EaSI window**

# ESF and EaSI Comunidad de Madrid

## Why?

- Comunidad de Madrid has earmarked **EUR 25m** in its **ESF Operational Programme** to set up a financial instrument to respond to the social deterioration that has taken place in the Region due to the financial and economic crisis
- **Comunidad de Madrid** has decided to use them to make a contribution to EaSI under article 38.1(a) of the CPR
- **Existence of Finance Gap and Investment Strategy** aligned with EaSI guarantee instrument (Ex ante)
- **EaSI Guarantee Product tested in Spain (and EU)**
- **Replicability**



# Advantages of the combination



**Instrument tested  
(saving times and  
resources):**

- The existing EaSI Guarantee instrument is well tested (2015)
- It saves **time and resources on the set-up phase** as the EU level instrument delivery system is used;
- **The instrument would be managed by an experienced entity (EIF) in microfinance.**

**No co-financing  
required:**

- 120 of the CPR: the ESIF contributions to Union level instruments **do not require the allocation of national match funding** by managing authorities

**State Aid  
Consistency**

- If no further eligibility criteria is added (a part from the geographic focus). (EC Guidance Note on State Aid)

**Economies of scale:**

- **At managing authority level:** for some managing authorities that have small amounts of funds available for financial instruments, it is much more efficient to use the opportunity of contributing to an EU instrument instead of creating a small structure;
- **Economies of scale at EU instrument level:** One **EU level instrument may comprise several compartments**, thus achieving significant critical mass and economies of scale.



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# Lessons learned applicable to ESF and EaSI contributions



- 1** Managing authority interest and support is key
- 2** Eligibility criteria (clear and aligned with EaSI)
- 3** Choosing the right instrument (alignment with EaSI Guarantee)
- 4** The importance of ex-ante assessment and market test during the design phase
- 5** Financial intermediaries will have a key role
- 6** Reporting and Monitoring

# 1

## Managing authority's support

- Make sure the managing authority is interested and willing to make the contribution.
- **The operational programme (OP)** needs to foresee the contribution (otherwise it needs to be modified):
  - Check that the final recipients eligibility criteria are in line with the OP;
  - The product needs to be the same.
- In the case of Comunidad de Madrid the OP specifically included the option.



### PROGRAMA OPERATIVO FSE COMUNIDAD DE MADRID

2014 - 2020

Versión: 17 de julio de 2014



Comunidad de Madrid



UNION EUROPEA  
Fondo Social Europeo



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# 2

Elegibility criteria: clear definition & alignment with EaSI definition



## Microfinance

Financial Institutions

Banks, microfinance institutions/providers, credit unions, credit cooperatives, leasing companies, guarantee schemes, guarantee institutions, etc...

Borrowers / Final Recipients

### Micro-borrowers

Vulnerable persons who have been made redundant or are at risk of becoming so, or have difficulty in entering or re-entering the labour market, or are at risk of social exclusion, or are socially excluded, and **are in a disadvantaged position with regard to access to the conventional credit market and who wish to start up or develop their own micro- enterprises**

### Micro-enterprises

**Micro-enterprises in both start-up and development phase**, especially micro-enterprises which employ persons as referred to in the above mentioned definition of Micro-borrowers

## Social entrepreneurship

Financial institutions, guarantee schemes, guarantee institutions, foundations, family offices, social investment funds, etc...

### Social Enterprises

Entities with either an annual turnover not exceeding EUR 30 million, or an annual balance sheet total not exceeding EUR 30 million

**EaSI eligibility criteria need to be replicated at EaSI Madrid window**

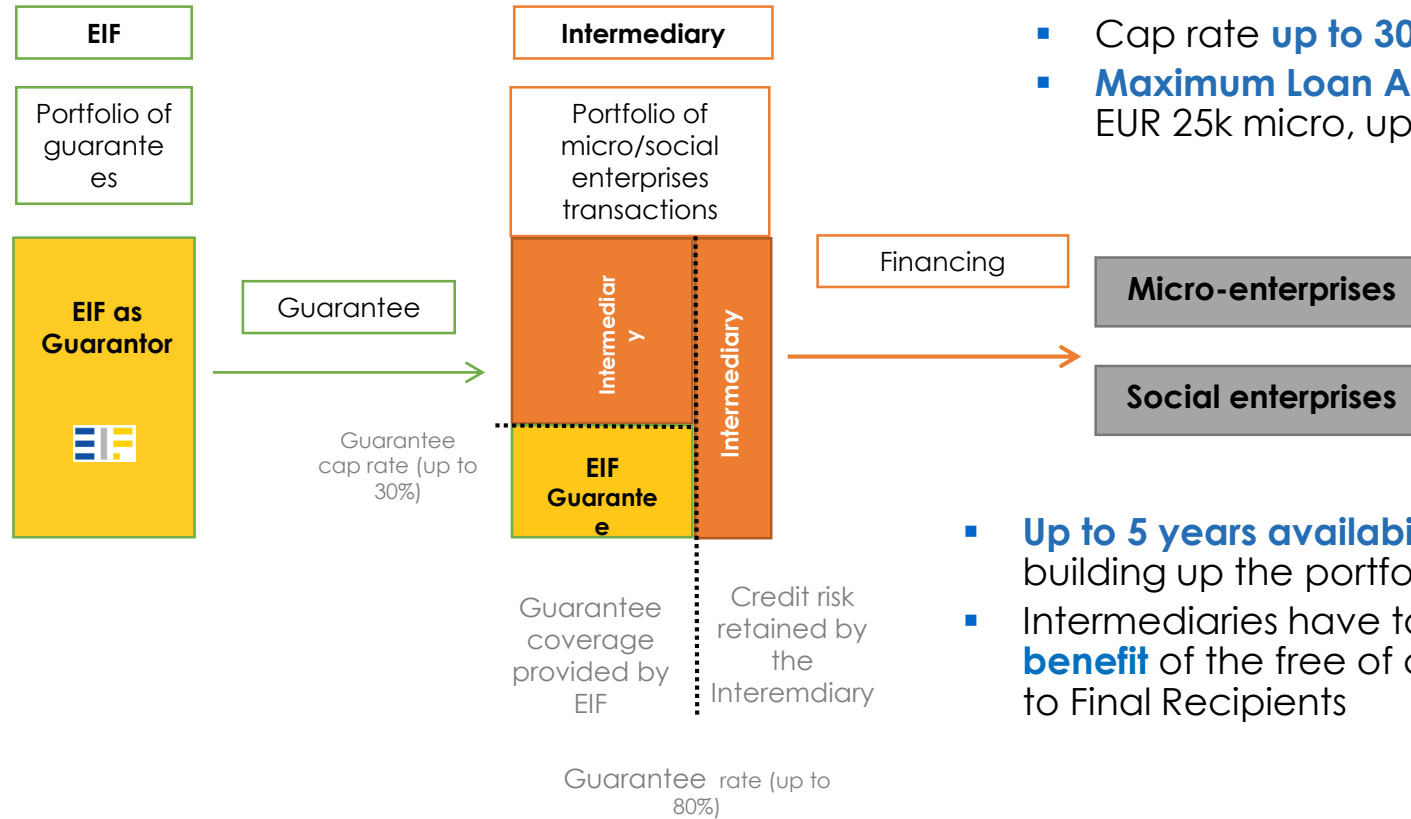


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# 3

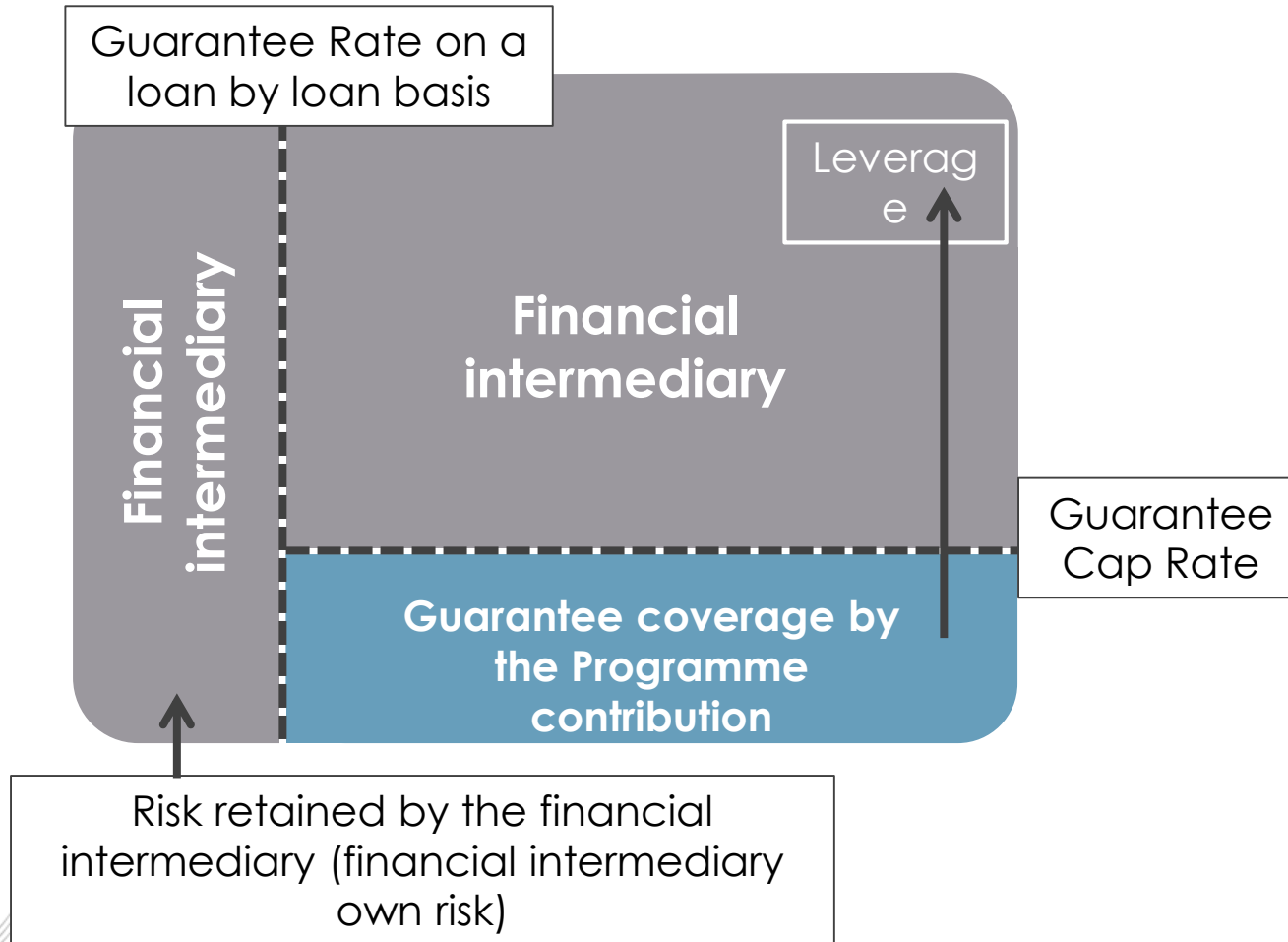
## Importance of choosing the right instrument (perfect alignment with EaSI Guarantee instrument)



- Guarantee rate **up to 80%** of the loan–
- Cap rate **up to 30%**
- **Maximum Loan Amount:** up to (i) EUR 25k micro, up to (ii) 500k social

- **Up to 5 years availability period** for building up the portfolio
- Intermediaries have to **transfer the benefit** of the free of charge guarantee to Final Recipients

# How does a portfolio guarantee work?



## When it is useful:

- High collateral requirements by banks,
- Risk-aversion of banks to finance riskier projects,
- Tightening of lending conditions stemming from regulatory pressure.

# Main advantages of Guarantee instruments



*For successful implementation each party has to find its own interest.*

## For MA:

Leverage effect (> than for a loan),  
Alignment of interest (Financial Intermediary "skin in the game"),  
Finance viable investment

## For Banks:

Financial Intermediary risk coverage means reduce the overall exposure of banks,  
Improves bank reputation (more willing to extend loans to SMEs),  
Capital relief.

## For SMEs:

Easier access to finance, since Flnt. risk coverage,  
Collateral reduction,  
Interest rate reduction (cost of risk should be reduced) (< than for a loan).



# 4



## The importance of the ex-ante assessment and the market test during the design phase

- Ex-ante assessment (article 37.2 CPR):
  - Analysis of market failures, sub-optimal investment situations and investment needs;
  - Investment strategy.
- Market test
  - Useful to assess financial intermediaries appetite for the product;
  - Confirms that the financial instrument responds to the final recipients' needs;
  - Confirms potential market absorption.

# The importance of the ex-ante assessment



Ex ante Comunidad de Madrid.  
Carried out by PwC through EIB Advisory

Tabla 8. Equivalencia de los colectivos que se pueden acoger al IF del PO FSE

PO FSE	EaSI <sup>13</sup>	Segmentos propuestos
Personas vulnerables que hayan perdido su trabajo.	Personas en riesgo/exclusión financiera y/o social	Personas en riesgo de exclusión financiera (no social) procedentes de la economía Informal (apartado 2.3.2.1 a) del informe)  Personas en riesgo de exclusión social y financiera con potencial de emprender (apartado 2.3.2.1 b) del informe).
Personas vulnerables en riesgo de perder su trabajo.	Las personas vulnerables que han perdido o están en riesgo de perder su trabajo, o que tienen dificultades para incorporarse o reincorporarse al mercado de trabajo, o están en riesgo de exclusión social, o son excluidos socialmente, y están en una posición de desventaja con respecto al acceso al mercado de crédito convencional y que desean crear o desarrollar sus propias microempresas.	
Personas con dificultades para incorporarse al mercado de trabajo.		
Personas en riesgo o situación de exclusión social.		
Personas en posición de desventaja (acceso al mercado de crédito) y que deseen crear sus microempresas.		

El posible uso de Instrumentos Financieros en la Comunidad de Madrid en el periodo de programación 2014-2020

Estudio en apoyo a la evaluación ex-ante para el despliegue de recursos de la UE

Informe final

11 de noviembre de 2016

- Proving a finance gap of approximately EUR 700-750m for the sector (microfinance and social entrepreneurship combined);
- Proposing an investment strategy aligned with the EaSI guarantee instrument.



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# The importance of the ex-ante the market test during the design phase



Interviews with various Financial Intermediaries:

To assess the appetite for the product

To confirm the financial instrument responds to the market needs

To confirm the market absorption potential

To assess any potential overlap with similar actions (including subsidies and/or local/national support schemes)

# 5

## Financial intermediaries' key role



- Importance of selecting financial intermediaries with experience in the sector and with the technical expertise to manage the instrument (risk management systems, IT systems, commercial network to reach the targeted final recipients, etc.).
- They are responsible for analysing the eligibility and the risk profile of the final recipient and decide to grant the loan.
- Key in providing the data and reporting.
- Call and selection process tested for different SME profiles and policy objectives.
- Also tested for EaSI (microfinance and social entrepreneurship).

EIF has worked with more than 400 intermediaries across Europe

...and financed more than 1.8 million SMEs since 1994



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# How to find out which Financial Intermediaries implement EaSI



List of Financial Intermediaries already accessing EaSI published in EIF website:

[http://www.eif.org/what\\_we\\_do/microfinance/easi/easi-signatures.pdf](http://www.eif.org/what_we_do/microfinance/easi/easi-signatures.pdf)



**EaSI - Guarantees Financial Instrument**  
Signatures as of 31/08/2017

Country	Financial Intermediary	Address	Type of support	Guarantee amount	Resolving Web Site
Spain	Real Base S.a.	Boque Brijones 10, Palau 5. Torre	Public - Guarantee	EUR 721,000	<a href="http://www.realbase.com">http://www.realbase.com</a>
Austria	City Bank	Am Belvedere 1, 1100 Vienna	Public - Guarantee	EUR 593,000	<a href="http://www.citybank.com">http://www.citybank.com</a>
Austria	City Bank	Am Belvedere 1, 1100 Vienna	Public - Guarantee	EUR 457,000	<a href="http://www.citybank.com">http://www.citybank.com</a>
Belgium	Inter ID - ICBM-RL	Place de l'Europe 14, 1050 Luxembourg	Public - Guarantee	EUR 400,000	<a href="http://www.icbm.com">http://www.icbm.com</a>
Belgium	GoodNet SGL	11 Rue de l'Europe 1050 Brussels	Public - Guarantee	EUR 234,275	<a href="http://www.goodnet.be">http://www.goodnet.be</a>
Czech Republic	Česká Způjčovna a.s.	Chvalovice 199/III, 140 01 Prague 4	Public - Guarantee	CZK 30,400,000	<a href="http://www.czk.cz">http://www.czk.cz</a>
Czech Republic	Compost Finance	Újezd Píseň 114/II, Prague 1	Public - Guarantee	CZK 38,400,000	<a href="http://www.compost.cz">http://www.compost.cz</a>
Czech Republic	Refinans Bank Česká Republika S.L.	Prácheň 171/IIIa, Prague 6, 140 76 Prague	Public - Guarantee	CZK 37,640,000	<a href="http://www.refinansbank.cz">http://www.refinansbank.cz</a>
Denmark	IFU A/S	Holsten 8, 1010 København	Public - Guarantee	EUR 21,000,000	<a href="http://www.ifu.dk">http://www.ifu.dk</a>
France	Association pour le Développement Économique (ADE)	1 Boulevard Pasteur 75009 Paris	Public - Guarantee	EUR 6,975,000	<a href="http://www.adef.com">http://www.adef.com</a>
France	Association pour le Développement Économique (ADE)	30 rue des Princes Eugénies, 75116 Paris Cedex 16	Public - Guarantee	EUR 233,000	<a href="http://www.adef.com">http://www.adef.com</a>
France	CAF	Immeuble Victor Hugo rue des Capucins, Immeuble Victor Hugo 69003 69003 Lyon cedex 03	Public - Guarantee	EUR 2,537,400	<a href="http://www.caf.fr">http://www.caf.fr</a>
France	CAF	Immeuble Victor Hugo rue des Capucins, Immeuble Victor Hugo 69003 69003 Lyon cedex 03	Public - Guarantee	EUR 1,259,400	<a href="http://www.caf.fr">http://www.caf.fr</a>
Greece	Cooperative Bank of Greece	61, Lamberti 6, 45100 Corfu	Public - Guarantee	EUR 14,000,000	<a href="http://www.bankofgreece.com">http://www.bankofgreece.com</a>
Greece	Cooperative Bank of Greece	55, Omphalou Street 5, Sounio Street, 105 57 Athens	Public - Guarantee	EUR 122,000	<a href="http://www.bankofgreece.com">http://www.bankofgreece.com</a>
Greece	Paraskevi Cooperative Bank Ltd.	94th Parnassu 5, 71002 Iraklio	Public - Guarantee	EUR 1,026,200	<a href="http://www.paraskevi.coop">http://www.paraskevi.coop</a>
India	Confidence Finance	19, Dhanraj Chetty Park, Chinnappur Road, 114 1983 Durai	Public - Guarantee	EUR 1,815,000	<a href="http://www.confidencefinance.com">http://www.confidencefinance.com</a>
Italy	Immobiliare Italia	Via Turicchia, 1, 00131 Rome	Public - Guarantee	EUR 4,000,000	<a href="http://www.immobiliareitalia.com">http://www.immobiliareitalia.com</a>
Italy	Immobiliare Italia	Via Turicchia, 1, 00131 Rome	Public - Guarantee	EUR 2,240,000	<a href="http://www.immobiliareitalia.com">http://www.immobiliareitalia.com</a>
Latvia	Latvian	14, Jazepa Str. 10131 Tallinn	Public - Guarantee	EUR 2,000,000	<a href="http://www.latvian.com">http://www.latvian.com</a>
Luxembourg	Latvian	11, rue Oberkampf 1001 Luxembourg	Public - Guarantee	EUR 970,000	<a href="http://www.latvian.com">http://www.latvian.com</a>
Hungary	Magyar Értéktársaság Bank Zrt	Magyar utca 31 0500 Pécs	Public - Guarantee	EUR 21,000,000	<a href="http://www.mertbank.hu">http://www.mertbank.hu</a>
Netherlands	De Volksbanken en Crediteurbank	Postbus 20, 1420 DP Mijdrecht	Public - Guarantee	EUR 2,175,000	<a href="http://www.vbc.nl">http://www.vbc.nl</a>
Poland	Volksbank Śląska Sp. z o.o.	Strzebielski, Ciepła 16, 51-631 Wrocław	Public - Guarantee	PLN 11,994,750	<a href="http://www.volksbank.pl">http://www.volksbank.pl</a>
Poland	Volksbank Śląska Sp. z o.o.	Strzebielski 191, Ciepła, 51-647 Wrocław	Public - Guarantee	PLN 5,100,000	<a href="http://www.volksbank.pl">http://www.volksbank.pl</a>
Poland	Volksbank Śląska Sp. z o.o.	ul. Wroblewska 26, 51-100 Wrocław	Public - Guarantee	PLN 2,690,547,28	<a href="http://www.volksbank.pl">http://www.volksbank.pl</a>
Portugal	Finanças Corporativas S.A.	Av. Fern. de Sousa 276, Praça Paços de 1.ª, Mar 2.ª, 1101-003, Porto, Portugal	Public - Guarantee	EUR 1,040,000	<a href="http://www.ficorporativa.pt">http://www.ficorporativa.pt</a>
Romania	Banka Comercial PH S.A.	Bucuresti, Romania, av. Bucuresti 5, 020021 Bucuresti	Public - Guarantee	RON 1,400,000	<a href="http://www.banca.comercial.ro">http://www.banca.comercial.ro</a>
Romania	Banka Comercial PH S.A.	Bucuresti, Romania, av. Bucuresti 5, 020021 Bucuresti	Public - Guarantee	RON 1,400,000	<a href="http://www.banca.comercial.ro">http://www.banca.comercial.ro</a>
Romania	Banka Comercial PH S.A.	Bucuresti, Romania, av. Bucuresti 5, 020021 Bucuresti	Public - Guarantee	RON 1,400,000	<a href="http://www.banca.comercial.ro">http://www.banca.comercial.ro</a>
Romania	Banka Comercial PH S.A.	Bucuresti, Romania, av. Bucuresti 5, 020021 Bucuresti	Public - Guarantee	RON 1,400,000	<a href="http://www.banca.comercial.ro">http://www.banca.comercial.ro</a>
Romania	Banka Comercial PH S.A.	Bucuresti, Romania, av. Bucuresti 5, 020021 Bucuresti	Public - Guarantee	RON 1,400,000	<a href="http://www.banca.comercial.ro">http://www.banca.comercial.ro</a>
Slovakia	ČPP banka Slovensko a.s.	Michala 6, 81103 Bratislava	Public - Guarantee	EUR 8,000,000	<a href="http://www.cpp.sk">http://www.cpp.sk</a>
Slovakia	ČPP banka Slovensko a.s.	Michala 6, 81103 Bratislava	Public - Guarantee	EUR 1,710,000	<a href="http://www.cpp.sk">http://www.cpp.sk</a>
Spain	Banka Popular Español S.L.	07, Victoria 36, 28021 Madrid	Public - Guarantee	EUR 1,020,000	<a href="http://www.banpop.es">http://www.banpop.es</a>
Spain	Caixa Laboral Popular Español Cooperativa de Crédito	104, Calle Arzobispado 16, 30500 Murcia	Public - Guarantee	EUR 2,351,200	<a href="http://www.caixalabpop.es">http://www.caixalabpop.es</a>
Spain	Caixa Laboral Popular Español Cooperativa de Crédito	104, Calle Arzobispado 16, 30500 Murcia	Public - Guarantee	EUR 2,350,000	<a href="http://www.caixalabpop.es">http://www.caixalabpop.es</a>
Spain	COOPERATIVA CREDITO MURCIENSE	R. Mayor 7 P. 01, 30100 Murcia	Public - Guarantee	EUR 950,000	<a href="http://www.ccmur.com">http://www.ccmur.com</a>
Spain	COOPERATIVA CREDITO MURCIENSE	R. Mayor 7 P. 01, 30100 Murcia	Public - Guarantee	EUR 750,000	<a href="http://www.ccmur.com">http://www.ccmur.com</a>
Spain	Caixa Rural	07, Victoria 36, 28021 Madrid	Public - Guarantee	EUR 217,000	<a href="http://www.caixarural.es">http://www.caixarural.es</a>
Sweden	CAF Mikrofinans AB	Box 15421, 102 35 Stockholm	Public - Guarantee	SEK 14,300,000	<a href="http://www.caf.se">http://www.caf.se</a>
Sweden	CAF Mikrofinans AB	Box 15421, 102 35 Stockholm	Public - Co-fund-Guarantee	SEK 2,024,200	<a href="http://www.caf.se">http://www.caf.se</a>



# 6

## Importance of middle and back office (reporting, monitoring and treasury)



- Two areas are key:
  - Monitoring tasks: reporting and audit;
  - Treasury.
- Expertise needed at all levels: Managing Authority, Financial Intermediaries and EIF.
- For the combination it is key to make a first assessment of the reporting and audit requirements according to both EaSI and ESF regulations.
- Important balance between proper reporting and audit and efficiency.







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