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

Implementing FIs in the European Maritime and Fisheries Fund

Poseidon Aquatic Resource Management Limited

Brussels, 19-20 January 2015

www.fi-compass.eu

European Commission

European Investment Bank The EU bank

Implementing Financial Instruments in the European Maritime and Fisheries Fund – Poseidon Aquatic Resource Management

20 January 2015

Scoping study for the use of Financial Instruments under the EMFF and related FI-COMPASS support activities

Previous experiences with Financial Instruments

Tim Huntington, Director of Poseidon

Structure of this session:

1. Experience with FIs under the EFF (2007 – 2013)

2. Experience with FIs under other EU Structural Funds

3. Points for discussion

General experiences of FI under EFF 2007-2013

- Only 3 of the EFF Managing Authorities consulted to date have used FI under EFF (Estonia, Latvia and the Netherlands)
- Some seafood businesses have accessed FI under other structural funds (mainly ERDF)
- There is no obvious tracking of the extent of this by EFF MAs
- EFF Managing Authorities cite complexity, capacity and the scale of the EFF budget as reasons why FI were not considered.
- MAs may not want to commit funds to FIs where less certainty of success and they don’t know how easy it is to re-allocate funds elsewhere.
- The history of grant awards means that these are favoured by the fisheries and aquaculture sectors
- The economic crisis also meant that fewer firms were demanding such support

European Commission

European Investment Bank The EU bank

The Netherlands - the Netherlands Fisheries Investment Fund

- Established a 3 year, EUR 3.5 million revolving fund over 2014 – 2016 for remaining EFF funds
- Funds provided via the Ministry of Economic Development to an existing holding fund. Managed by the National Green Fund Foundation implemented by Rabobank.
- Designed to address inability of SMEs to access capital. Includes selective fishing, aquaculture production, processing and marketing, markets and promotions as well as FLAGs.
- Loans of between EUR 10,000 – 100,000 over 3 years, or 100,000 for 5 years
- Only just set up, so no outcomes to evaluate as yet
- Balance between minimising market disturbance and addressing market failure (so ask for evidence of rejection by a commercial bank)

Latvia

- Joint EFF / EAFRD credit fund of around EUR 44.7 million (4.6 from EFF) established in 2010
- Provides loans to fisheries operations (and other enterprises) at low interest rates
- Application process was considered time-consuming but worth it.
- 71% of total fund disbursed by 2014 to 58 projects
- But only 2 of these were fisheries-related (investments in aquaculture infrastructure and fishery processing infrastructure)
- The main success factors were:
  a. the Credit Fund matched the needs of the target group,
  b. utilisation of existing institutional relationships and
  c. the good awareness-raising of the credit fund

European Commission

European Investment Bank The EU bank

Estonia

- Commercial banks are not interested in a small/risky/unknown business sector like aquaculture (no sector-specific knowledge).
- The objective is to co-finance investments of SMEs in aquaculture sector through long term loans.
- The target beneficiaries are aquaculture producers who are sustainable in the long term and who intend to grow (increase their production or expand their activity) but with limited access to capital.
- €4.9 million was allocated to this loan facility
- The positive experiences with the FI has led to the EMFF OP including a €10million allocation for a similar loan scheme, expanded to processing & aquaculture sector
- Beneficiaries don’t want a loan if they can get a grant (free money!)

In summary FI uptake over 2007 – 2013 was limited because:

- They were often seen by EFF Managing Authorities to be too complex and beyond their capability to implement
- The global financial crash of 2008 and its aftermath reduced investment willingness and has resulted in more conservative risk profiling, as well as resulting in low interest rates that encourage traditional borrowing behaviour

But..

- The few examples of FIs that were established under EFF show positive results so far.
- Some seafood sector businesses have benefitted from FIs via other structural funds. (Spain: ERDF supporting aquaculture enterprises in Galicia and Andalucia)

The use of Financial Instruments under other Structural Funds is far more extensive:

- EUR 3 billion for equity & venture capital and up to EUR 8.5 billion for loans, guarantees and other instruments were allocated by ERDF and the Cohesion Fund
- FIs were set-up in 25 Member States (all except Ireland, Luxembourg and Croatia)
- Received financial support from 176 OPs. The total value of OP contributions paid to the FIs amounted to EUR 14,278 million, inc. EUR 9,597 million of Structural Funds (ERDF and ESF).
- Initially targeted <u>enterprises</u> (91% by end of 2013), but more recently invested also in <u>urban development projects</u> (6%) or in <u>specific investment activities</u> in energy efficiency and renewable energies (3%)
- Variety of products, mainly loans, guarantees, equity/venture capital investments, with others such as interest rate and guarantee fee subsidies.

Overall experience with FIs under other Structural Funds:

- Shift from venture capital to loans and guarantees over the programming period
- Revolving funds targeting SMEs popular, esp in MS’ with high collateral requirements for traditional lending
- Repayable, revolving funds also allow limited funds to be recycled over successive waves of SMEs.
- FEIs need to be implemented so that they both earn reasonable rates of return and allow the pursuit of wider policy objectives.
- The European Court of Auditors recognised the inappropriateness of the prevailing Structural Fund regulatory framework e.g., they were originally designed for grants not FIs and that the ERDF’s ability to leverage private investment was poor
- ECA recommended the creation of (i) ‘off the shelf’ FIs and (ii) including all ERDF co-financed FIs for SMEs into a single OP per MS.

Questions:

1. Can you give other examples of seafood sector businesses benefiting from Financial Instruments under other structural funds?
2. Are there other barriers to FI establishment that need to be addressed?
3. What lessons should be learnt from FI use under other structural funds?
4. Has the potential for FI use grown under EMFF compared to under EFF?
5. Why have you not included F.I.s in your OP?