



# Financial Instruments for delivery of the ERDF and the Cohesion Fund Challenges and solutions

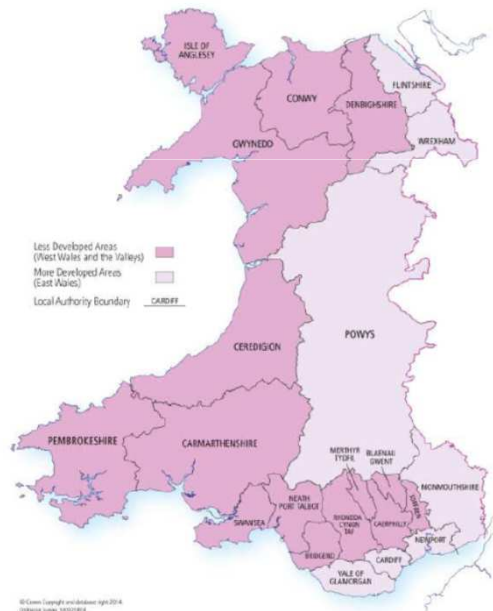
Brussels 27<sup>th</sup> May





## The Wales Context

Wales is a devolved administration within the UK





## The Wales Context

- Population 3.1 million  
*Same as Albania, bit larger than Lithuania and twice the population of Estonia, just over a third of London's.*
- Gross Value Added £52Bn (€73Bn)  
= 72.2% of UK average
- unemployment 6.7%

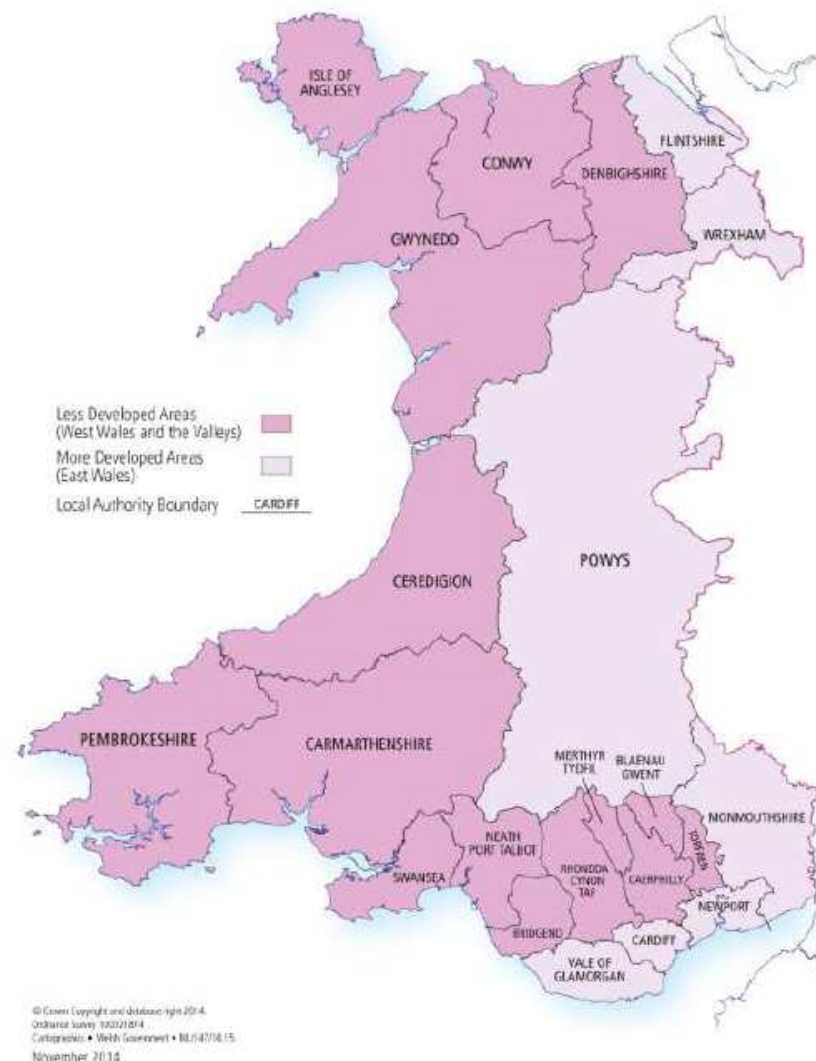
2 regions for ESIF

West wales and the Valleys – **less well developed**, and

East Wales, **more developed**

ESIF funds ERDF and ESF

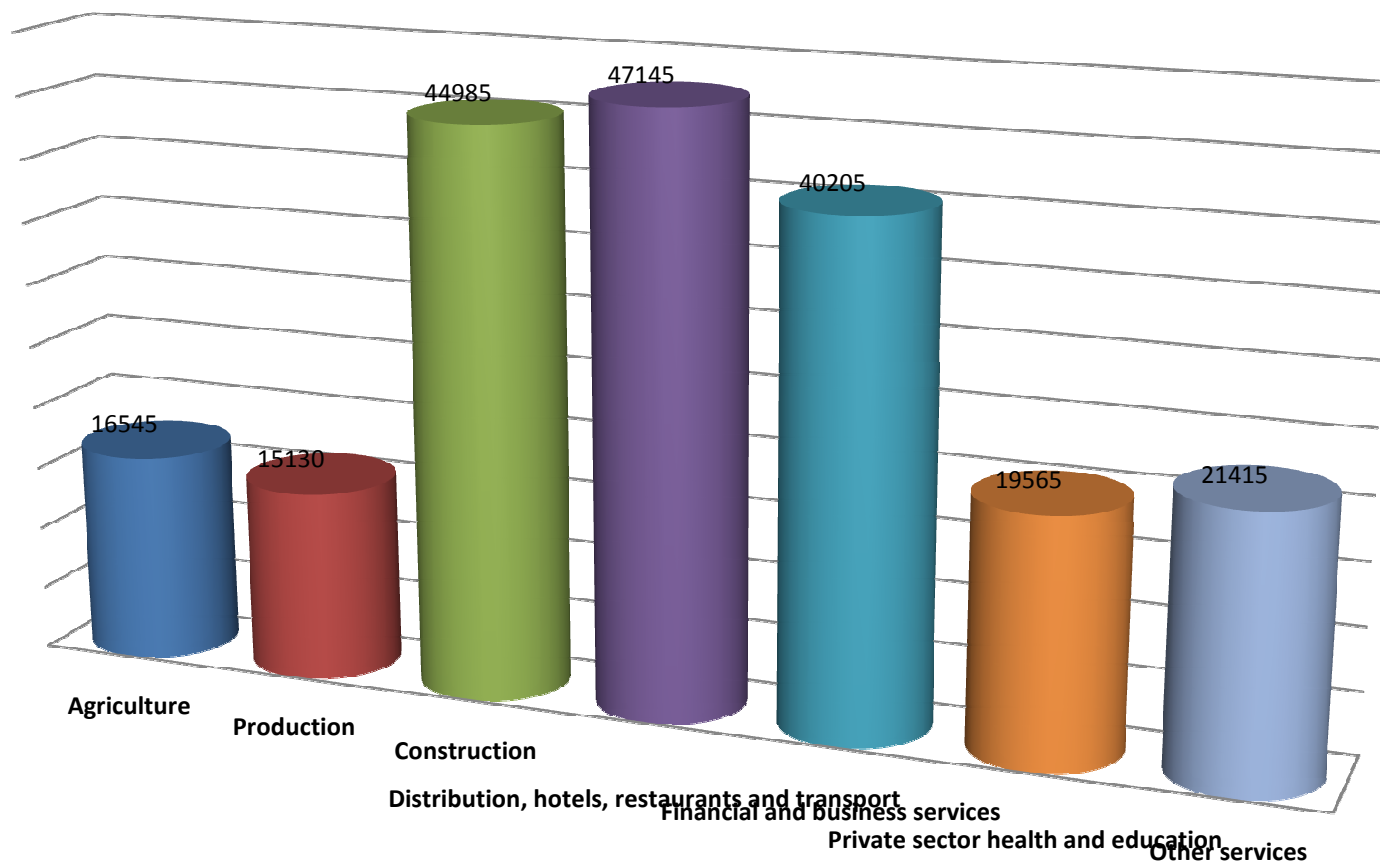
Total of nearly €2.5Bn





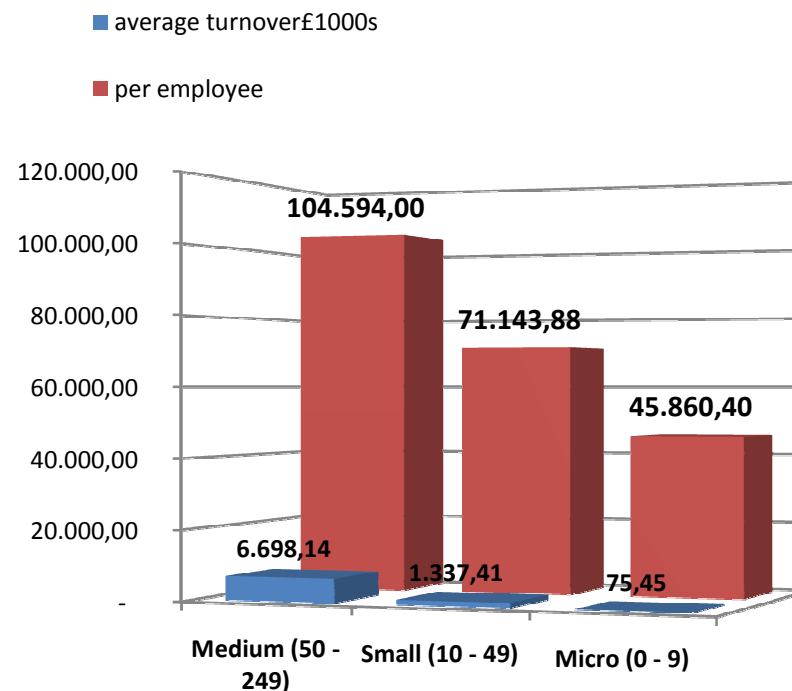
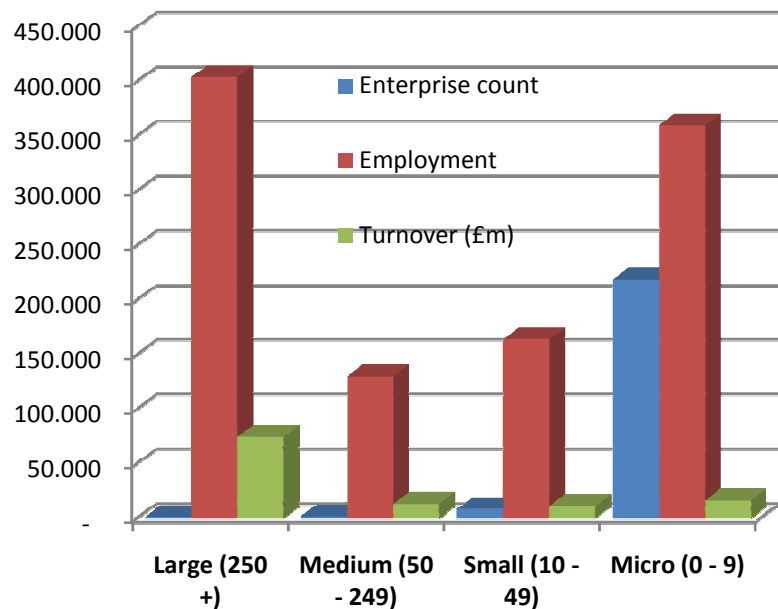
## The Wales Context

### Wales Enterprises by Sector





## The Wales Context



## Enterprise Demographics

230,00 enterprises  
95% (218,000) Micro



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# Issues

- **Scale of market failure** has been difficult to define with accuracy – wide range
- **66%** of Welsh SMEs accessing the finance needed – 74% across the UK
- In the region of £500m (€700m) per annum
- **Critical mass** – deliver **e**ffectively, **e**conomically and **e**fficiently
- **Culture Change** – move away from **grants**
- Mobilising **private sector** investment
- **Integrating** with business support service
- **Targeting** –
  - High growth start ups
  - High growth expansion
  - High proportion of lifestyle – local market enterprises – focus on 5 or more staff?
  - Smart specialisation
- **Clarity of purpose** – tension between public policy and commercial considerations



## The Journey

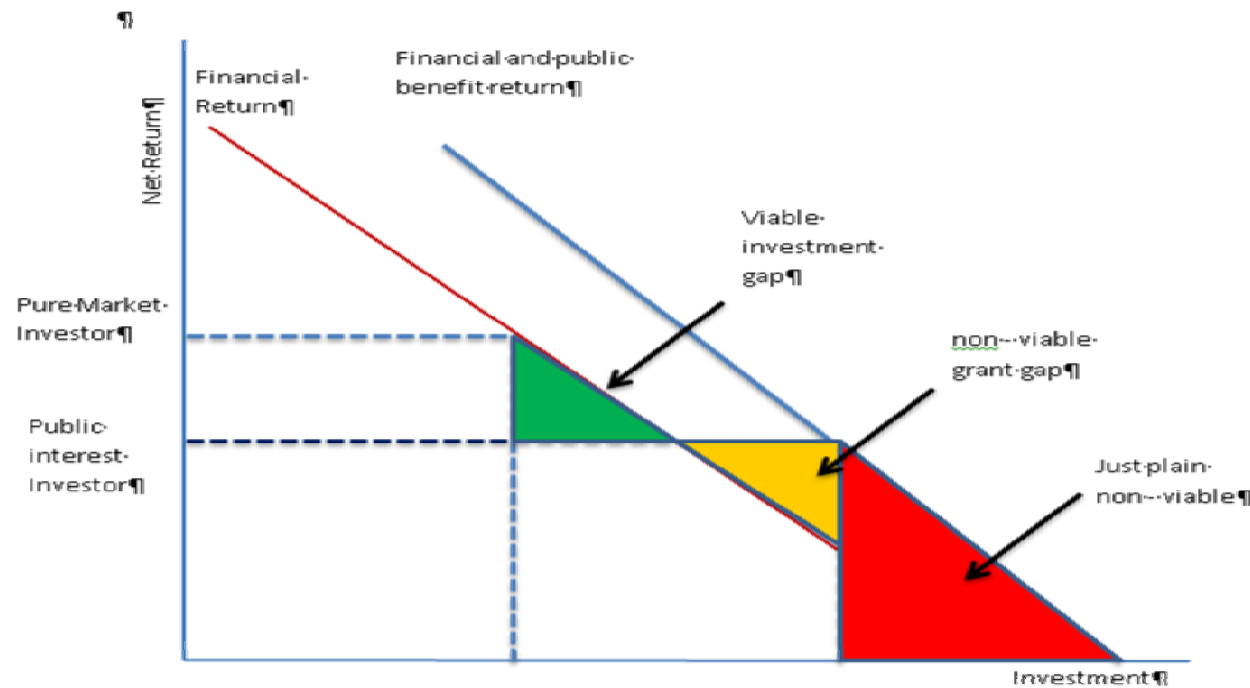
- Not a standing start – JEREMIE funds in 2007-13
  - £157.5m (€220m) fund – ERDF £67.2 (€94m) – EIB £75m (€105) At end March 2015
    - 99% invested
    - 596 SMEs
    - 3400 jobs created
    - Private sector leverage £195m (€273m) ratio of 1:1.26
- Preparatory work for 2014 -2020
  - Began in 2013 – ahead of guidance and regulations
  - High Level assessment as part of Programme Level evaluation –
  - Initial conclusions reflected in negotiations of the Operational Programmes.
  - Specific ex ante on access to finance being finalised - detailed work to finalise the Investment Strategy.

## The Funds (to be finalised)

- Equity Fund – early stage and growth £80m (€112)
  - Debt Fund – growth £73m (€102)
  - Co-Investment
- Across 2 ERDF programmes and 2 specific objectives in each programmes
- SO(2.1) To increase the amount of finance available to SMEs for both business start-up and for business expansion
  - SO(2.5) To address market failures in the availability of finance, in particular risk capital, for Welsh SMEs to undertake innovation and commercialise R&D



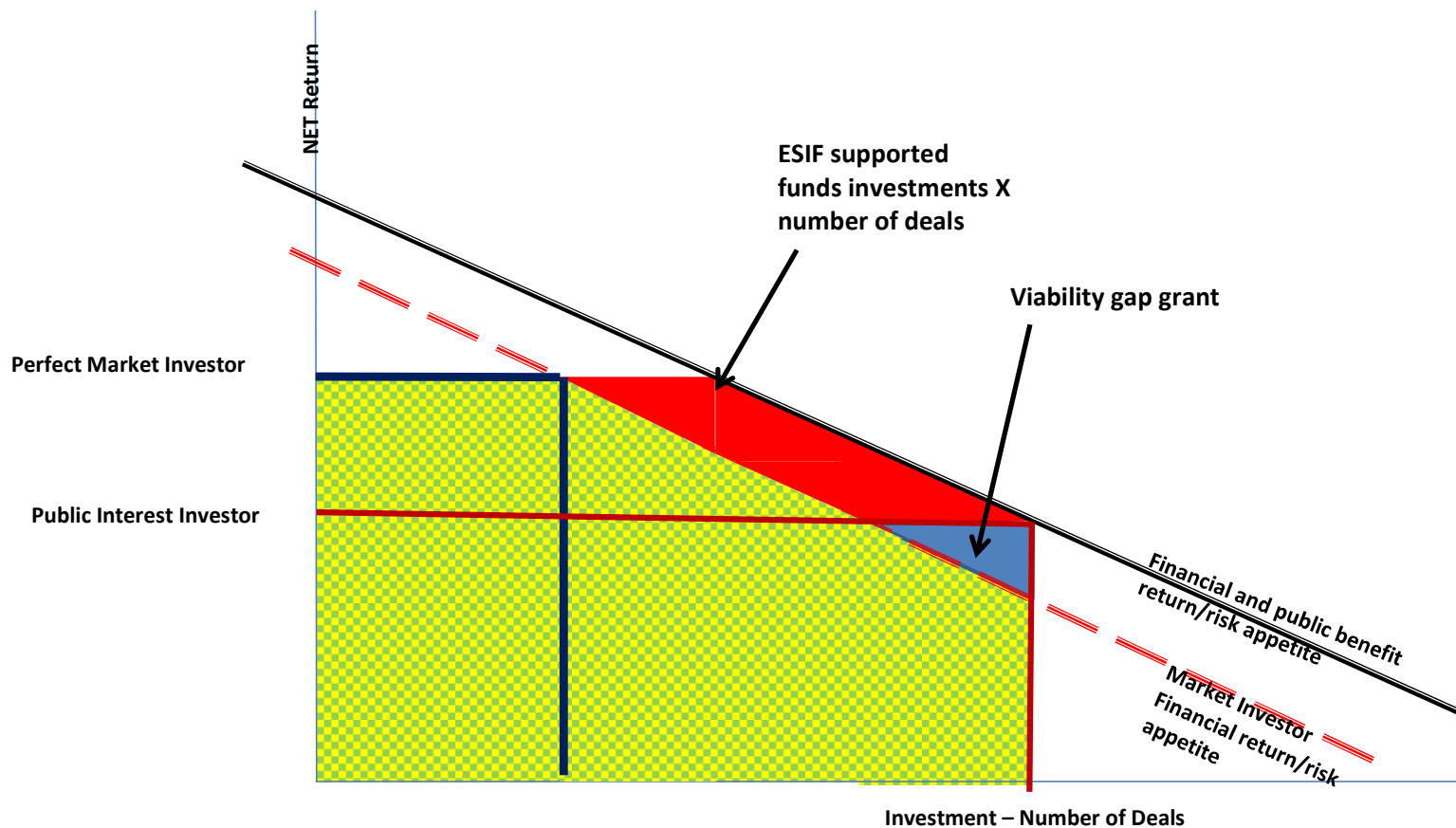
# The right space?





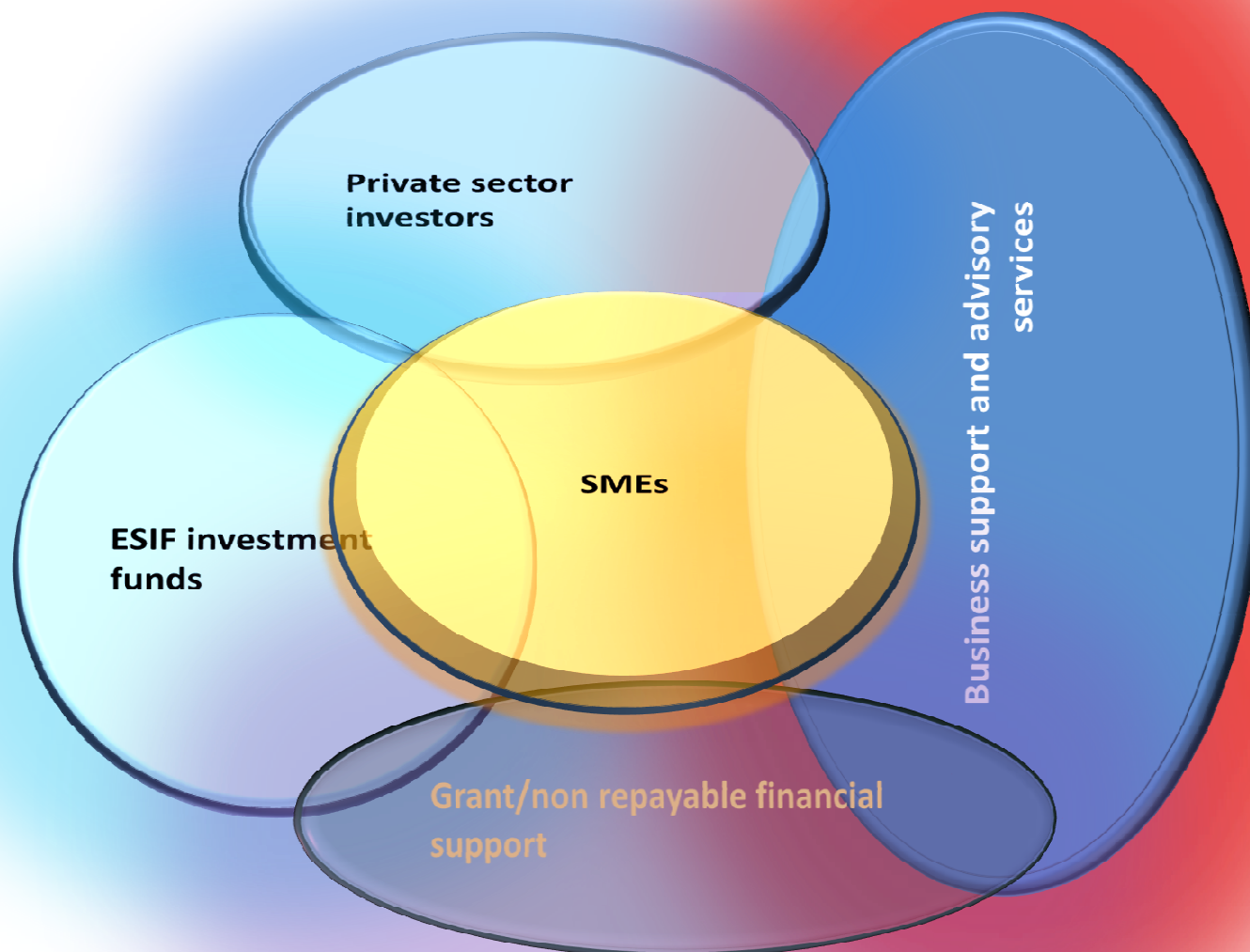


# Filling the space to greatest effect





## Integration





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**"Any of the statements or comments made above should be regarded as personal and not necessarily those of the Welsh Government, any constituent part or connected body"**





**Thank you**

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