



Financial instruments - opportunities offered by the 2014-2020 framework

Key novelties and Commission guidance
London, 18 February 2016

2014-2020 framework

- Performance oriented legal framework to **promote the use** of financial instruments (FI)
- Main **advantages** of FI:
 - Improve access to private sector resources and expertise to deliver public policy objectives
 - Better quality of projects as the investment must be repaid
 - A move from 'grant dependency' culture
 - Represent efficiency gains due the revolving nature - funds stay in the programme area for future use

2014-2020 framework

- Financial instruments are a **delivery mode – not an objective**
- **Not all projects (investments) can be supported with FI.** The activity must be generating income/revenue/cost savings in order to ensure repayment of investment
- **Decision** to deliver OP/RDP support through FI is with the **managing authority (MA)**

2014-2020 framework

Key novelties (1)

- **Single comprehensive legal framework** for all ESI Funds (common interpretation/guidance)
 - **CPR title IV on FIs** (9 extensive articles and annexes), **DA/IA**,
 - **FI definitions:** operation, beneficiary, final recipient, financial instrument, escrow account, fund of funds
 - **State aid** (frequent references in title IV, compliance required for MA/FoF/FI and final recipient)
- **Wider scope:** Expansion to **all thematic objectives & priorities** foreseen by ESIF OPs/RDPs (ERDF, ESF, Cohesion Fund, EAFRD, EMFF).

2014-2020 framework

Key novelties (2)

- **Ex-ante assessment to be carried out** before programme contribution to FI operation under the ESIF
- **Incentives regarding EU co-financing rates**
- **Phased payments to FIs** (c.f. guidance note)
- **More detailed rules concerning**
 - eligible expenditure at closure,
 - the (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 the end of the eligibility period

2014-2020 framework

Key novelties (3)

➤ Annual reporting by MAs

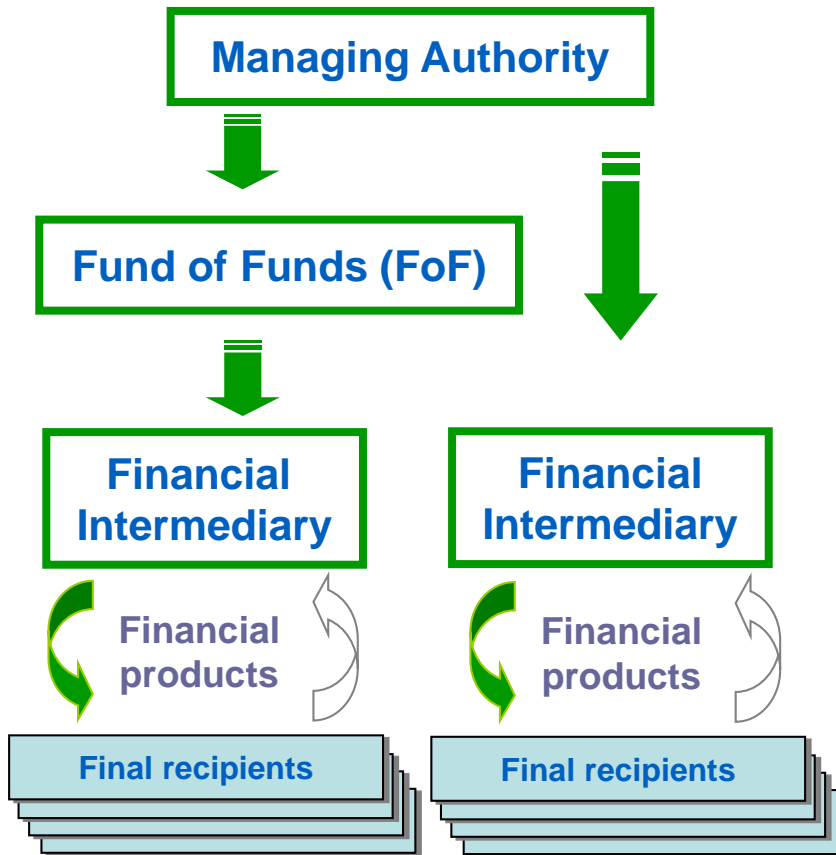
- MA to report on FI operations annually on a more comprehensive set of data, Commission to publish annual summary report on the basis of data received

➤ Implementation options

- 1) Traditional implementation possible: MA sets up a FI at national, regional, transnational or cross-border level with or without **FoF**.
 - Tailor-made instruments
 - Standardised “off-the-shelf” instruments - standard conditions to facilitate the set-up phase (State aid compliant from the onset)
- 2) MA can contribute OP/RDP allocation to EU level instrument
- 3) MA can implement loans or guarantees directly (or through intermediate body) without formal set-up of a fund

2014-2020 framework

Implementation options



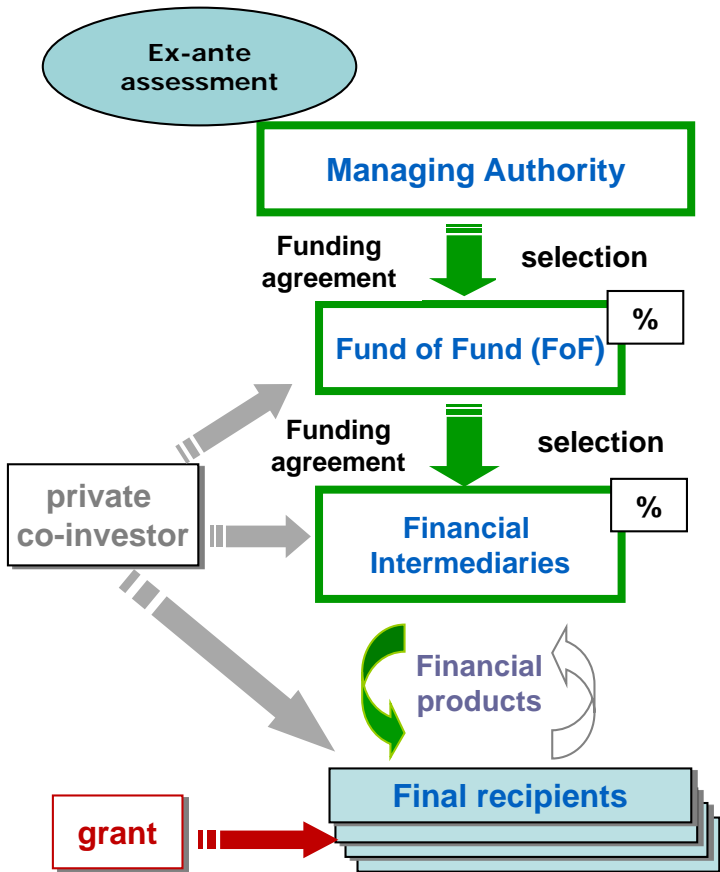
Traditional implementation:

- MA sets up a FI at national, regional, transnational or cross-border level
- FI can be implemented with FoFs and without FoFs
- MA can: invest in capital of legal entity or entrust implementation

Novelty:

- **Off-the-shelf instruments** with standard conditions to facilitate the set-up phase (State aid compliant from the onset)

FIs life cycle



1. Ex-ante assessment*
2. MA decision to set up FI (implementation option*)
3. Selection* of a body implementing FI
4. Signature of funding agreement
5. ESIF programme contribution (payments*)
6. Implementation, e.g.
 - Investments in final recipients (eligibility*)
 - Management costs and fees*
 - Treasury management*
 - Preferential remuneration of private investor*
 - Combination grant + FI*
 - State aid
 - ...
7. Reporting and monitoring*
8. Winding up

* Guidance note completed or in preparation



2014-2020 framework

What is the European Maritime & Fisheries Fund?

- The EMFF is the structural support tool of the Common Fisheries Policy for the period 2014-2020. It is the smallest of all ESI Funds.
- The resources available for commitments are €5.75 billion under shared management and €647.3 million under direct management.
- €4.34 billion of the resources under shared management are allocated to the sustainable development of fisheries, aquaculture and fisheries areas, to marketing and processing.
- A further €1.1 billion is allocated to scientific advice, data collection and to control and inspection activities. This is an area specific but fundamental to sustainable fisheries
- Part of the Integrated Maritime Policy is also covered.



2014-2020 framework Financial Instruments and the EMFF

- There is ample room for the use of FI in the sector. Most of the catching sector is economically viable. Aquaculture and processing are profitable as well. Access to credit traditionally difficult, mainly because the risky nature of the activities and the very small size of many firms.
- EMFF support for processing firms larger than SME can only be through FI
- At least 8 MS will channel EMFF funds through financial instruments in all segments of the sector -including the catching sector (1,37% of the EMFF allocation under shared management). Spain, Italy, the UK and probably France included.
- Just 6 MS used FEI under the EFF; none of the largest EFF programmes did.
- Looking at *fi compass*, the main product so far is a scoping study for the use of financial instruments under the EMFF. Available on line:
<https://www.fi-compass.eu/publication/other-resources/scoping-study-use-financial-instruments-under-emff-and-related-advisory>



Thank you!

Q&A