



# **Financial instruments - opportunities offered by the 2014-2020 framework**

**Key novelties**

**Budapest, 10 March 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

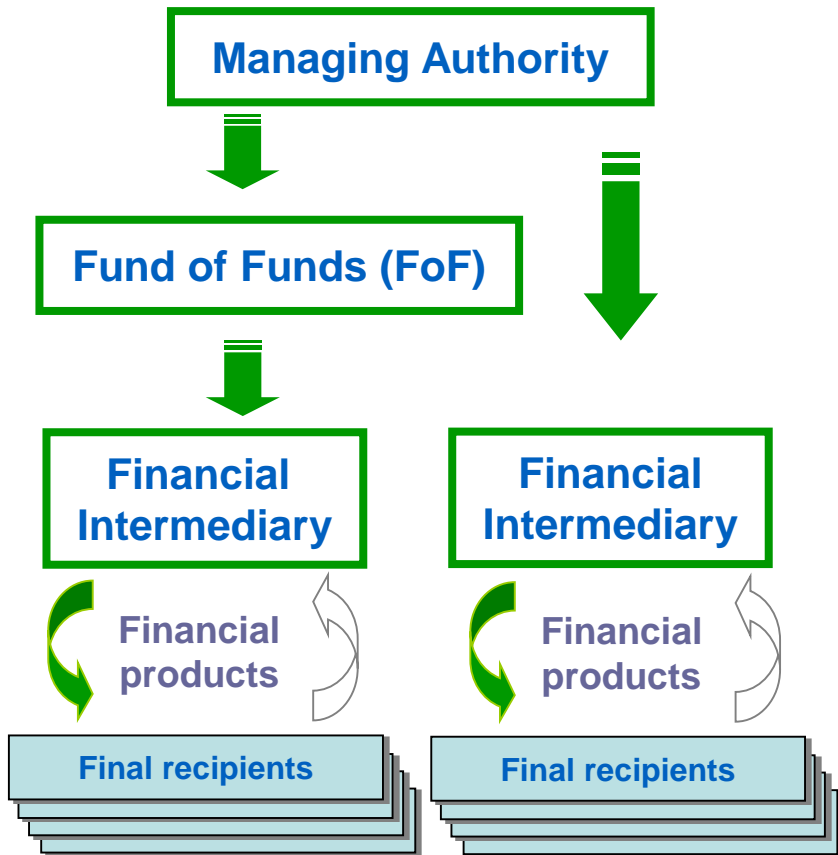
## 2014-2020 framework

### 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)

# 2014-2020 framework "Off-the-shelf"

## Three for SMEs

1. Loan for SME's based on a portfolio risk sharing loan model (Risk Sharing Loan) (Annex II of 2014/964/EU) .
2. Guarantee for SMEs (partial first loss portfolio, capped guarantee) (Annex III of 2014/964/EU).  
+ Equity fund for SMEs and start-up companies.

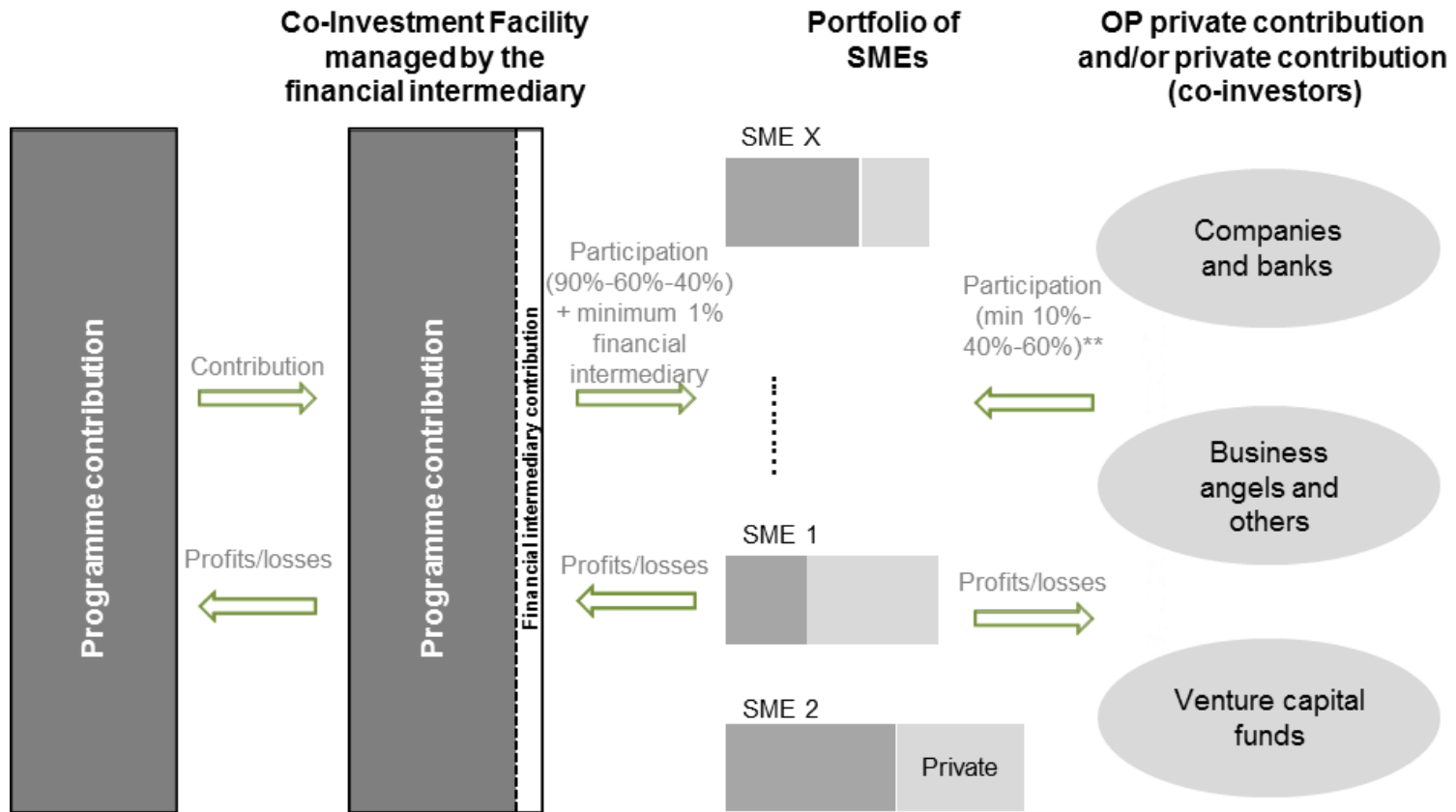
## One for energy efficiency/renewable energies and one for urban development

3. Renovation Loan based on a Risk sharing loan model (RS Loan) (Annex IV of 2014/964/EU).  
+ Urban Development Fund.



# 2014-2020 framework

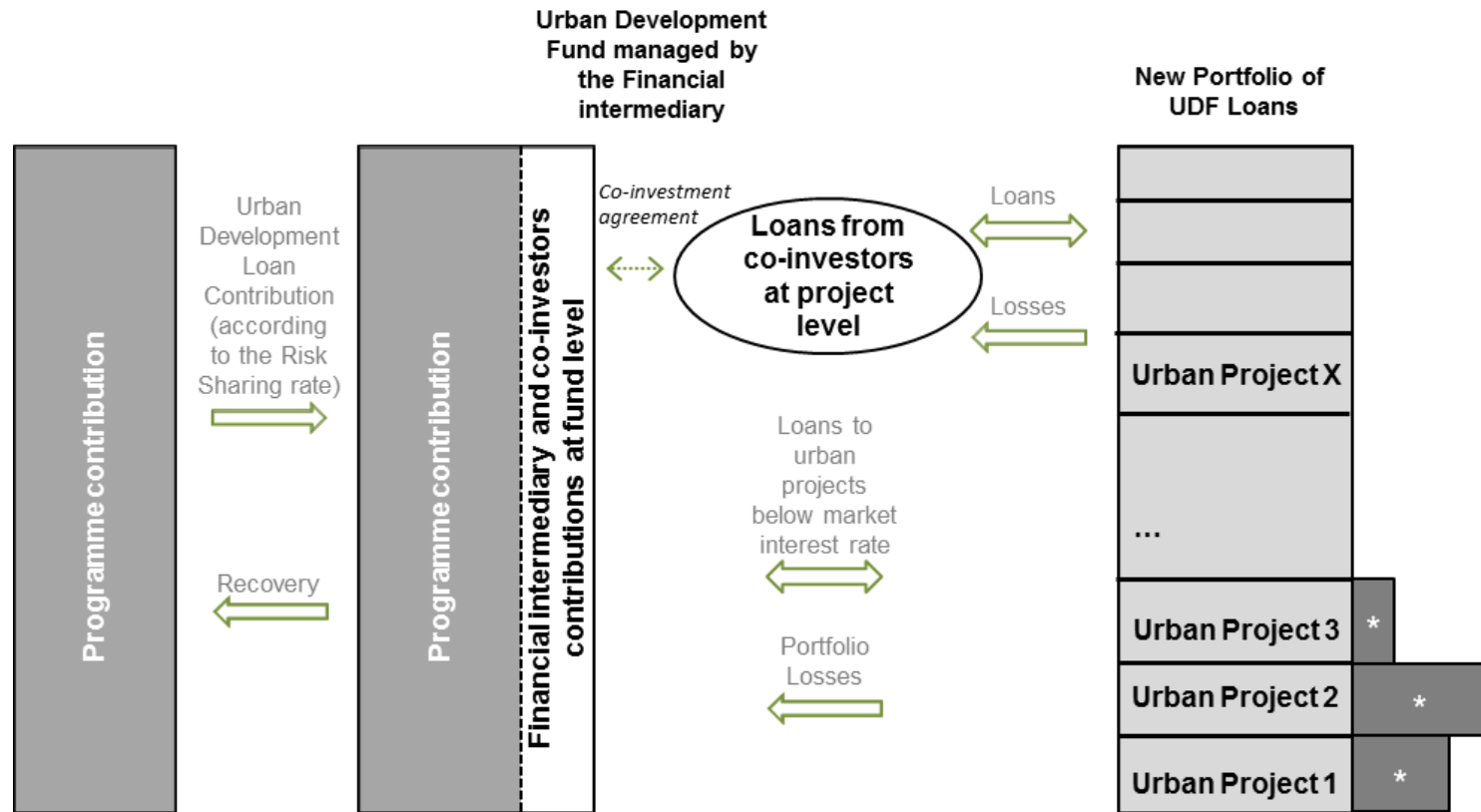
## "Off-the-shelf" - Co-Investment facility



\*\* including the minimum 1% financial intermediary contribution

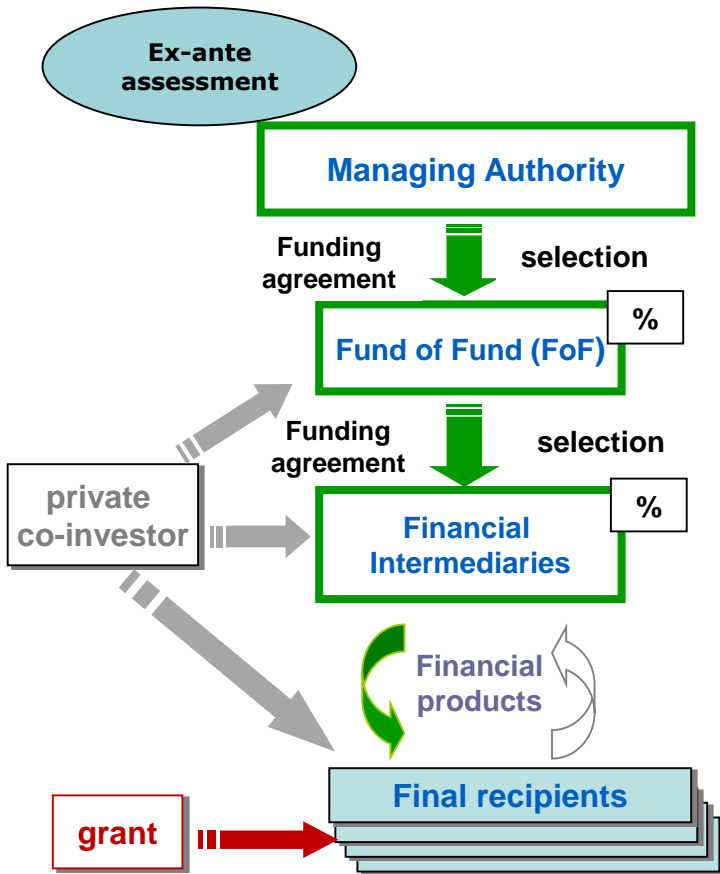
# 2014-2020 framework

## "Off-the-shelf" – Urban Development Fund



\* Other co-investors at project level (except loans)

# 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

Köszönöm!

**Q&A**