



Instrumentos Financeiros na Política de Coesão 2014-2020

« O crescimento começa nas cidades »

Lisboa, 4 Novembro 2013

*Eduardo Barreto
Unidade G3 - Portugal
Direção-Geral Política Regional e Urbana*

Contents

FIs in cohesion policy - State of play 2007-2013

- **FI uptake in Member States**

Proposed framework for ESI Funds in 2014-2020

- **Background & objectives**
- **Key novelties**
- **Next steps in developing and finalising the framework**

Implementation in Regional Policy 2007-13

- **Article 44 of the council Regulation 1083/2006 enables support through FEIs in three thematic areas, through ERDF and ESF (NOT Cohesion Fund):**
 - Art 44 (a): Enterprises, including SMEs & micro enterprises
 - Art 44 (b): Sustainable urban development
 - Art 44 (c): EE & REs in the building sector, including existing housing

- **Overall FEI Implementation progress in EU Member States (as per 31.12.2012):**
 - OP contributions (SF + national contributions) paid to FEIs: **EUR 12.55 bn**
 - SF contributions paid to FEIs: EUR 8.36 bn

- **FEIs for enterprises (year end 2012): EUR 10.47 bn** of SF & national resources paid to 864 FEIs (Holding Funds and specific funds) across 25 Member States.

- **FEIs for sustainable urban development (year end 2012): EUR 1.6 bn** of SF and national resources paid to 56 FEIs (Holding Funds and specific funds) across 11 Member States.

- **FEIs for energy efficiency and renewable energies (year end 2011): EUR 444 million** of SF and national resources paid to 20 FEIs (Holding Funds and specific funds) across 8 Member States.

Investments made by FIs for enterprises (at year end 2012)

- EUR 4.5 billion of SFs & national resources already disbursed to enterprises, mainly through loan and guarantee products;
- More than 160.000 of SMEs and micro-enterprises supported;
- At least 44.000 of jobs created through FIs;

Financial instruments 2014-2020: Introduction

Background:

Increased importance of financial instruments in implementing EU budget resources in future (Budget review, 5th Cohesion Report, MFF)

- ➔ **EU central level / „direct management“:** „EU Debt and Equity Platforms“ to serve as standardised rules for FIs using EU budget
- ➔ **Regional Policy / „shared management“:** Strengthening and expansion of financial instruments in the context of Cohesion Policy

ESI Funds legislative framework 2014-2020 to:

- ➔ provide a clear set of rules, based on existing experience / guidance,
- ➔ facilitate wider and more flexible use (e.g. capture synergies with grants, wider thematic scope, more implementation options),
- ➔ ensure better targeting, budgeting and monitoring of FIs,
- ➔ achieve compatibility with financial instruments at EU level.

Financial instruments 2014-2020: Key novelties ⁽¹⁾

➔ Wider scope:

- Common provisions cover all five ESI Funds: ERDF, ESF, Cohesion Fund, EAFRD and EMFF
- Expansion to all thematic objectives & priorities foreseen by OPs

➔ More implementation options for managing authorities:

- Contribution to national or regional EU level FIs under shared management
 - Tailor-made instruments (cf. current period)
 - Standardised "off-the-shelf instruments for quick roll-out
- Contribution to EU level FIs under central management (ring-fencing)

Financial Instruments in MMF proposals 2014-2020

Centrally managed by COM
(Financial Regulation)

Shared Management with MS
(Common Provisions Regulation)

Research,
Development
Innovation

Horizon 2020
Equity and Risk Sharing Instruments

**Instruments under
Structural and Cohesion
Funds**

Growth, Jobs
and Social
Cohesion

**Competitiveness &
SME (COSME)**
Equity & guarantees

Creative Europe
Guarantee Facility

**Social Change
& Innovation**

Erasmus for all
Guarantee Facility

➔ EU level (central
management)

➔ National/regional
instruments (shared
management)

Infrastructure

Connecting Europe Facility (CEF)
Risk sharing (e.g. project bonds) and equity
instruments

- Off-the shelf FIs
- Tailor made FIs

*Significant higher amounts than
currently!*

Financial instruments 2014-2020: Key novelties (2)

➔ More flexible implementation modalities for FIs at national/regional level.

Managing Authorities may:

- Invest in the capital of existing or newly created legal entities
- Entrust implementations tasks to:
 - EIB
 - IFIs in which a MS is a shareholder or financial institutions acting in public interest / under control of public authority
 - A body governed by public or private law selected in accordance with EU and national rules
- Undertake implementation tasks directly for FIs consisting solely of loans and guarantees

Financial instruments 2014-2020: Key novelties ⁽³⁾

- ➔ **Ex-ante assessment to be carried out** before launch of FI operation under the ESIF including:
 - rationale/additionality against existing market gaps and demand/supply
 - Value added, potential additional public and private sector involvement

- ➔ **Better combination of FIs & other forms of support:**
 - In financial instrument: Grant component may cover financing (e.g. state aid compliant subsidy element) or technical assistance for the benefit of the final recipient
 - At the level of final recipients: Combination is now possible also with assistance from other programmes supported by the EU budget

- ➔ **Incentives regarding EU co-financing rates:**
 - EU-level instruments: Up to 100% of the paid support may come from ERDF, ESF and CF; separate priority axis to be foreseen
 - Instruments implemented at national/regional level: ERDF, ESF, CF co-financing rate to increase by 10% if an entire priority axis is implemented through financial instruments

Financial instruments 2014-2020: Key novelties (4)

⇒ Phased contributions to FIs

- MAs to pay programme contributions in at least 4 tranches
- Subsequent payments from MA to FI to be made on the basis of FI investment rate in relation to programme contributions received

⇒ More detailed rules concerning

- eligible expenditure at closure,
- the (re-)use of interest/other gains and ESIF resources returned during the programming period and after closure (legacy)

⇒ Annual reporting by MAs

- MA to report to COM on FI operations annually (annex to the annual implementation report)
- COM to publish annual summary report on the basis of data received

Concrete example of a Regulation more in line with market practice:

Equity-based instruments:

- **Capitalized management cost and fees** (paid into an escrow account) due to be paid for a period of **6 years** after the end of the eligibility period will be considered as Eligible expenditure.
- **Eligibility of follow-on investments**, **4 years** after the end of the Eligibility period if the below conditions are respected:
 - Funding agreement (MA or FoF / FI) signed before 31.12.2017;
 - 55% of the programme resources are invested before 31.12.2023;
 - Follow-on investment capped to 20% of the eligible expenditure (less the capital resources and gain).

Financial instruments 2014-2020: Next steps

- Finalization of CPR;
- Drafting of secondary legislation (envisaged Delegated Act and Implementing Act) on-going; adoption only after adoption of CPR;
- Development of ready-to-use "off-the-shelf" instruments on-going (to be laid down in Implementing Act);
- Concept for a TA platform for financial instruments in cohesion policy 2014-2020 to be developed.

Additional information on financial instruments

Commission Staff Working Document - Financial Instruments in Cohesion Policy

http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/financial/financial_instruments_2012_en.pdf

Factsheet: Financial Instruments in Cohesion Policy 2014-2020

http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/financial_instruments_en.pdf

Panorama Autumn 2012: Using financial instruments to leverage support for regional policy

http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag43/mag43_en.pdf

Financial Instruments: A Stock-taking Exercise in Preparation for the 2014-2020 Programming Period

http://ec.europa.eu/regional_policy/thefunds/instruments/doc/fls_stocktaking_financial.pdf

Muito obrigado!

DG Política Regional e Urbana