



Financial Instruments 2014-2020

Doing more with less

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What are EU Financial Instruments?

Equity/risk capital: e.g. venture capital to SMEs with high growth potential or risk capital to infrastructure projects

Guarantees to financial intermediaries that provide lending to e.g. infrastructure projects, SMEs, persons at risk of social exclusion

Other risk-sharing arrangements with financial intermediaries in order to increase the leverage capacity of the EU funds

or a combination of the above with other forms of EU financial assistance



EU Financial Instruments: Why?

- ❑ An appropriate tool in times of budget constraints
- ❑ 3 types of benefits
 - ❑ **Multiplier effect** – multiplication of scarce budgetary resources by attracting additional finance
 - ❑ **Policy impact** – financial intermediaries pursue EU policies
 - ❑ **Institutional know-how** – EU can use the resources and expertise of financial intermediaries
- ❑ A political priority (Europe 2020 strategy, Communication on a Budget for Europe 2020)
- ❑ Effective and efficient way to support Europe 2020 objectives of smart, sustainable and inclusive growth





EU Financial Instruments: Political priority for the EU

- ❑ Europe 2020 Strategy (publ. 2010):
 - Increased mobilisation of innovative financial instruments

- ❑ Budget for Europe 2020 (publ. 2011):
 - Dedicated section on financial instruments for the next MFF

- ❑ Proposal for amendment of the Financial Regulation (publ. 2011)
 - A new dedicated title for financial instruments





EU Financial Instruments: When?

Guiding principles include:

1. Addressing **sub-optimal investment** situations
Funding gaps e.g. due to general economic uncertainty, high business/innovation risk, high transaction costs, asymmetric information
2. Ensuring **EU value added**
 - Effective targeting of policy goals
 - Catalytic effect on existing similar MS schemes or private investment, no crowding out
3. Multiplier effect
Attracting private investment greater than EU contribution





Financial Instruments 2007-2013: SMEs & Innovation

- ❑ SME Guarantees (SMEG)
 - ❑ 2007-2011: approx. EUR 300m of EU budget generated 9.4bn of lending
 - ❑ 155.000 SMEs reached, volumes are increasing fast
 - ❑ Target of 315.000 SMEs is attainable

- ❑ Equity: High Growth and Innovation (GIF)
 - ❑ 2007-2011: so far, EUR 344m of EU resources generated EUR 1.9bn of total investment volume, amounts growing fast.
 - ❑ 190 SMEs covered so far

- ❑ Risk-Sharing Finance Facility (RSFF):
 - ❑ EUR 2bn of EU and EIB resources expected to generate over EUR 10bn of lending to RDI projects. By end 2011 approximately EUR 5bn of lending already disbursed to final beneficiaries. Dedicated RSI facility for SMEs.

- ❑ European Progress Microfinance Facility (EPMF, est. 2010)
 - ❑ by 2020, the EU contribution of EUR 100m is expected to have generated EUR 500m of micro-loans.

Lessons learned

- ❑ Need for simplified implementation modalities with streamlined rules.
- ❑ Need for a clear and dedicated legal framework.
- ❑ Increased coherence and consistency between instruments is necessary. Close coordination with Structural Funds can increase efficiency.
- ❑ More can be done to raise visibility and transparency of instruments.
- ❑ New risk-sharing arrangements could achieve higher finance volumes.
- ❑ Audits and evaluations carried out of existing innovative financial instruments are positive regarding their output.





Next MFF: Simplification and Transparency

1. Fewer financial instruments (from 13 to 6)
2. Larger financial instruments ensuring critical mass
3. Minimisation of overlap between instruments
4. Standardised contractual arrangements including management structures, reporting, fees...
5. More transparent to stakeholders
6. Budget: No contingent liabilities
7. Dedicated regulatory framework (Title VIII of the Financial Regulation)





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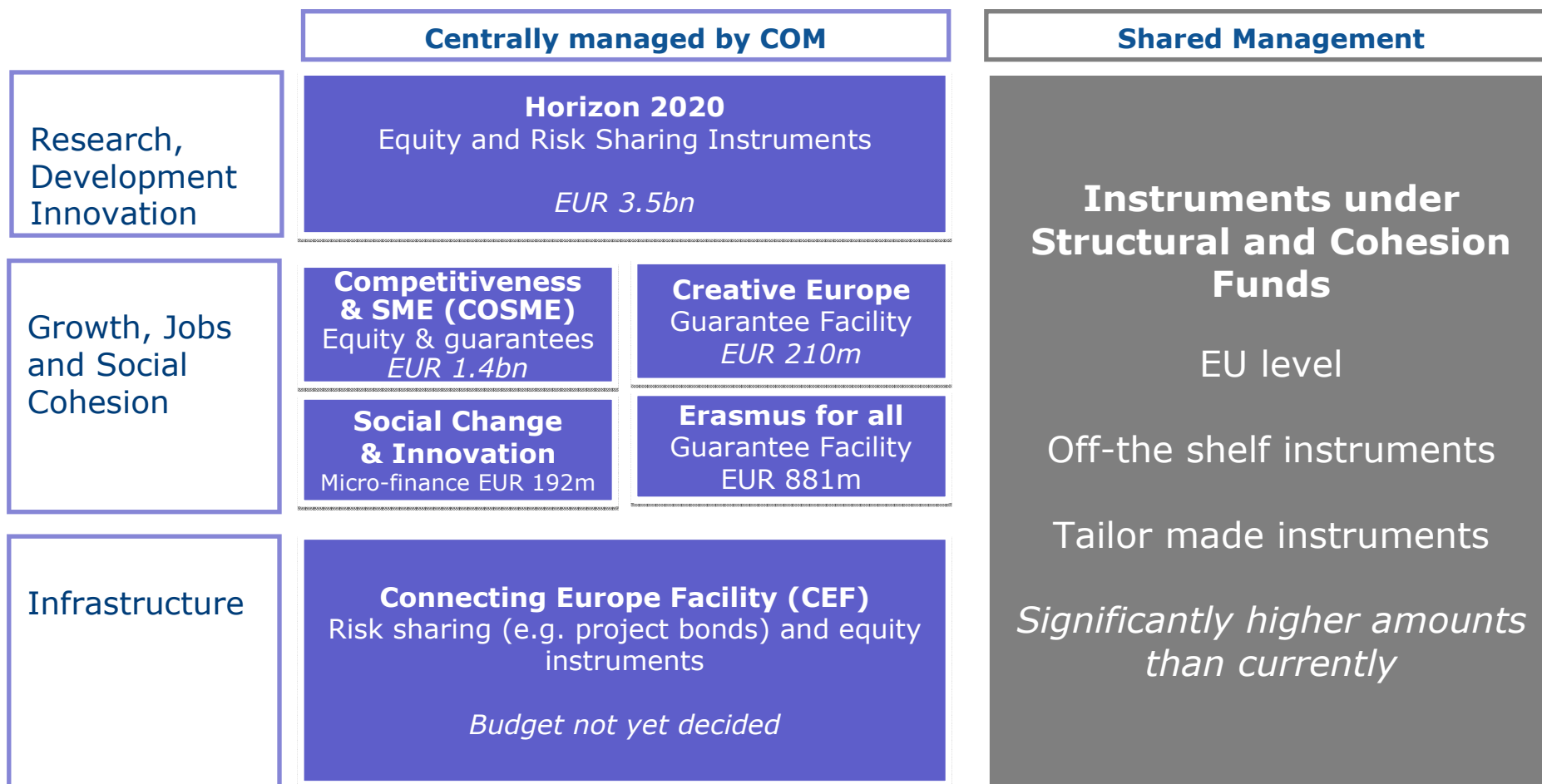
Legal Architecture

Horizontal legal framework		Sector rules
Norm	Content	Basic act
FR Title VIII (EP/Council Regulation)	Definitions, management modes, principles and conditions, limitation of liability, reflows, control, reporting, etc.	Contains a general authorisation the use of a financial instrument. May define type, duration, specific features or targets of the instrument envisaged. The basic act may identify a specific entity entrusted with the implementation of the instrument
Rules of Application (delegated act)	The delegated act is expected to supplement the FR in the following areas: combination of support, rules for direct/ indirect management, rules for fiduciary accounts, ex ante evaluation, management fees, etc.	
Operational requirements (equity and debt platforms):	A standard set of rules, provisions and templates, including homogeneous detailed provisions on governance, monitoring, , financial parameters, delivery modes, rules for dedicated investment vehicles (DIV), etc.	
Agreements with entrusted entities	Contractual conditions under which the Commission entrusts the implementation of a financial instrument to a financial institution in line with the above rules	



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Financial Instruments included in proposals for 2014-2020 MFF





EU financial instruments current and new

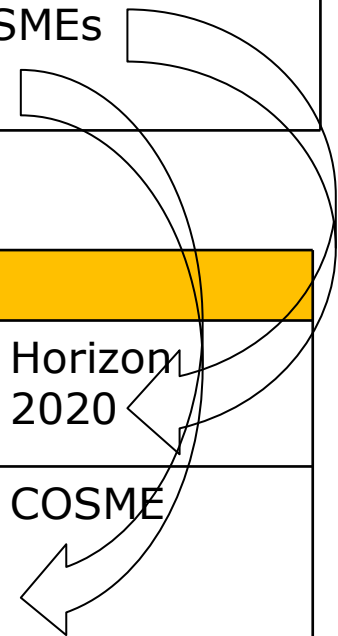
EQUITY INSTRUMENT FOR SMEs 2007-2013

High Growth and Innovative SME Facility (GIF) under the Competitiveness and Innovation Framework Programme (CIP)

- GIF 1 – invests in seed, start-up and early-stage SMEs
- GIF 2 – invests in expansion-stage SMEs

EQUITY INSTRUMENT FOR SMEs 2014-2020

EU Equity Financial Instrument for EU enterprises' growth and RDI	Equity Instruments for Research and Innovation - early stage	Horizon 2020
	Equity Facility for Growth - expansion stage	COSME





EU financial instruments current and new

DEBT INSTRUMENT FOR SMEs 2007-2013

- SME Guarantee Facility (SMEG)** under the Competitiveness and Innovation Framework Programme (CIP)
- Risk Sharing Instrument (RSI):** A dedicated compartment for SMEs under the Risk Sharing Finance Facility, created in 2011

DEBT INSTRUMENT FOR SMEs 2014-2020

Debt Instrument for EU Enterprises' Growth and RDI	Loan Guarantee Facility <input type="checkbox"/> Guarantees and securitisation on loans for all types of SMEs	COSME
	RSI-II Facility <input type="checkbox"/> Guarantees on loans for R&I-intensive SMEs	Horizon 2020
	Cultural and Creative Sectors Facility (new) <input type="checkbox"/> Guarantees for loans to creative and cultural entities	Creative Europe



EU financial instruments current and new

DEBT INSTRUMENT FOR LARGE R&D PROJECTS 2007-2013

Risk Sharing Finance Facility (RSFF)

- under FP7
- provides loans and guarantees to R&D projects

DEBT INSTRUMENT FOR LARGE R&I PROJECTS 2014-2020

Loan & Guarantee Service for Research and Innovation

- Loans and guarantees to R&I (non-SMEs) activities of mid-caps and large firms, universities, research institutes, research infrastructures, etc.

Horizon 2020





EU financial instruments current and new

COHESION POLICY 2007-2013

- ❑ Currently approx. 5% of ERDF delivered through financial instruments

COHESION POLICY 2014-2020

- ❑ Implementation options:
 - ❑ Joint instruments: CSF funds may contribute to support financial instruments set up at Union level managed directly/indirectly by COM in line with FR. OP contribution to be ring-fenced for investments in regions and actions covered by OP
 - ❑ Off-the shelf instruments: pre-defined, ready to use instruments allowing swift roll out
 - ❑ Tailored instruments (existing or newly created)
- ❑ Clearer rules on the combination of financial instruments and other forms of support, e.g. grants.
- ❑ Cohesion Fund will for the first time be open to financial instruments
- ❑ Volume of ERDF resources that could potentially be delivered through financial instruments could increase up to three times



Current status and next steps

2011: Commission proposals were adopted

2012: Discussions in Council and Parliament on the legal framework (Financial Regulation, delegated act) as well as on the basic acts for the specific instruments

2013: Expected adoption of legal bases by European Parliament and Council, negotiations with IFIs, preparations for the roll-out

2014: Roll-out, instruments are operational





Conclusions

Financial instruments

- Well-tested, efficient and effective way of supporting growth, jobs and innovation. That is why we will build on our experience and use them more.
- Can attract private funding for public policy objectives. This is particularly needed in times of limited public resources.
- Will play an important role in achieving the Europe 2020 objectives.
- Promote best practices.

Moreover:

- We are not only providing the financing – we also work on the regulatory framework, both for within the Commission and for financial intermediaries.





Thank you

General information on innovative financial instruments:

http://ec.europa.eu/economy_finance/financial_operations/investment/innovative_financial_instruments/index_en.htm

