



EUROPEAN COMMISSION
DIRECTORATE-GENERAL REGIONAL POLICY

Unit D3: Financial Engineering, Major Projects

**Financial Engineering Instruments Implemented by
Member States with ERDF Contributions**
(Article 44 of Council Regulation No 1083/2006)

Programming Period 2007-2013

Synthesis Report

Situation as at 31 December 2010

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INTRODUCTION

Background

In the present programming period (2007-2013), under the principle of shared management, Structural Funds' resources can be contributed to financial engineering instruments, which invest in the form of equity, loans, guarantees or other forms of repayable investments in enterprises, mainly SMEs, public private partnerships, urban development projects, or in legal or natural persons carrying out specific investment activities in energy efficiency and renewable energies¹.

Financial engineering instruments are an innovative form of contributing EU-funds compared to the traditional grants. In the context of regional policy, financial engineering instruments must be regarded as vehicles for delivering repayable investments which contribute to the achievement of the goals set out under a specific priority axis of an operational programme. As such, the instruments must form part of the implementation strategy of the operational programme as agreed between a Member State and the Commission.

As stated in the conclusions of the "Fifth Report on Economic, Social and Territorial Cohesion: The Future of Cohesion Policy"² *"The EU budget review makes a strong case for increasing the leverage effect of the EU budget. New forms of finance for investment have been developed in the 2007-2013 programming period, moving away from traditional grant-based financing towards innovative ways of combining grants and loans. The Commission would like Member States and regions to make a more extended use of such instruments in the future. Financial instruments help to create revolving forms of finance, making them more sustainable over the longer term. This is also one way of helping Europe to increase resources for investment, especially in times of recession. It opens new markets to different forms of public-private partnership, bringing in the expertise of international financial institutions."*

¹ Throughout this document references to "Structural Funds Regulations" refer specifically to the following provisions: Article 44 of Council Regulation (EC) No 1083/2006, hereafter referred to as the "General Regulation", Articles 3(2)(c), 4(1), 5(1)(d) and 6(2)(a) of European Parliament and Council Regulation (EC) No 1080/2006, hereafter referred to as the "ERDF Regulation", Article 11(1) of European Parliament and Council Regulation (EC) No 1081/2006 hereafter referred to as the "ESF Regulation" and Articles 43 to 46 of Commission Regulation (EC) No 1828/2006 hereafter referred to as the "Implementing Regulation".

² Brussels, 9.11.2010 COM(2010) 642 final - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank {SEC(2010) 1348 final}

Advantages of financial engineering instruments

The main strategic advantages of financial engineering instruments are generally recognised and can be summarised as follows:

- ⇒ Financial engineering instruments supported through Structural Funds' resources should result in most cases in co-investment or co-financing structures where EUR 1 of Structural Funds' resources invested in a field affected by a given market failure is leveraged in terms of the total financial resources provided to final recipients of EU funds, and where the national or regional budget may get back at least a portion of the initial contributions made to the financial engineering instrument. Thus, the use of financial engineering instruments allows the Commission and/or the national and regional authorities to multiply the effect of the Structural Funds' resources and/or national or regional contributions to achieve a much larger impact for the final recipients than through grants;

- ⇒ Promoting sustainability of Structural Funds' resources: Structural Funds and national/regional resources invested in final recipients through financial engineering instruments are expected to be paid back by the final recipients, to be re-invested by the same or other financial engineering instruments, ensuring a long-term recycling of the initially available public resources;

- ⇒ Implementing EU Structural Funds through financial engineering instruments encourages national and regional authorities, financial intermediaries and final recipients to pool expertise and know-how;

- ⇒ Building institutional capacity through partnerships between the public and private sector, and broader involvement of financial institutions/ financial intermediaries in the implementation of the EU regional policy;

- ⇒ Final recipients who receive repayable assistance are better incentivised to become more efficient and achieve better value for public money.

Need for monitoring data

The Guidance Note on Financial Engineering Instruments (COCOF_10_0014_04_EN)³, presented in its final version to the Members of the Coordination Committee of the Funds ("COCOF") at the meeting of 9 February 2011, included in Annex II a template for monitoring reports. The objective of the monitoring report template was to provide a tool to Member States and managing authorities to monitor the implementation of financial engineering instruments, as provided by Article 43(3)(b) and 44(2)(f) of Commission Regulation (EC) 1828/2006.

³ Annex I of the Guidance Note provides a glossary of specific terms used in the Note, which may clarify some of the terminology used in the synthesis report.

In a note dated 31 March 2011 addressed by the Commission to the attention of the Members of the COCOF, the Member States were invited to complete the monitoring report template and submit it to the Commission by 31 May 2011, with a view to prepare a synthesis report. This information was requested on a voluntary basis as there is no legal requirement to provide specific reporting on financial engineering instruments. The Commission acknowledges therefore the good cooperation and efforts developed by the majority of Member States in providing such information.

A number of observations need to be made in relation to the quantity and quality of the monitoring reporting templates received:

- ⇒ By 31 July 2011, the Commission received information on more than 75% of the total contributions committed to financial engineering instruments for enterprises, including through holding funds, as estimated by the Commission.
- ⇒ The Commission has observed significant differences, in terms of the completeness and accuracy, in relation to the quality of the information provided in the monitoring reporting templates.
- ⇒ A limited number of Member States or regions did not provide feed-back or did not complete the monitoring reporting templates. Therefore it is not possible for the Commission to present a synthesis report covering all financial engineering instruments which were in place on 31 December 2010.
- ⇒ Where the Commission did not receive any information from Member States as requested in the letter of 31 March 2011, it sought to complete the missing information, with reasonable efforts and to the extent possible, with the information on financial engineering instruments from other available sources⁴.
- ⇒ A first draft of the Synthesis Report was submitted the Members of the COCOF Meeting on 27 October 2011. Some Members requested corrections and provided input for that purpose until 21 November 2011. The corrections have been incorporated in this report, if and where required.

⁴ Other sources of information comprised among others:

1. Annual Implementation Reports (Priority versus form of finance) submitted until 30 June 2011 where Member States record ERDF contributions committed from operational programmes to categories 02 Aid (loans, interest subsidies and guarantees) and 03 Venture Capital (participations, venture-capital funds);
2. Preliminary findings of the audit in respect of the Statement of Assurance for the financial year 2010 ("DAS exercise") where the European Court of Auditors was examining the financial engineering instruments and holding funds in the area of shared management;
3. Information available on public websites of holding funds and specific funds.

As stated in the Guidance Note on Financial Engineering Instruments⁵ the Commission undertook to consolidate the monitoring information received and to carry out a global assessment of the performance of financial engineering instruments supported under ERDF programmes. This synthesis report provides therefore the outcome of this global assessment, based on the information provided in the monitoring reporting templates, as completed by the majority of Member States.

In the cases where no monitoring information was received in the format prescribed in Annex II to the COCOF Guidance Note, the Commission sought to include information available from other sources in the Member State factsheets for financial engineering instruments included in chapter 4 of this report. However, since such information was limited in scope and could not be verified for its accuracy, it was not taken into account in the analytical part of the report.

The Synthesis Report aims to provide a comprehensive mapping of all financial engineering instruments which were set up at year-end 2010 and provides an analytical overview of the implementation of financial engineering instruments, from the initial setup of the holding funds and/or specific funds, to investments and disbursements in final recipients and returns and exits of investments to specific funds and/or holding funds in line with reporting items of Annex II of the Guidance Note.

⁵ Paragraph 7.4.2. of the Guidance Note on Financial Engineering Instruments under Article 44 of Council Regulation (EC) No 1083/2006 (FINAL VERSION 21/02/2011 COCOF_10-0014-04-EN), presented in its final version at the Coordination Committee of the Funds (COCOF) meeting of 9 February 2011.

EXECUTIVE SUMMARY

FINANCIAL ENGINEERING INSTRUMENTS FOR ENTERPRISES

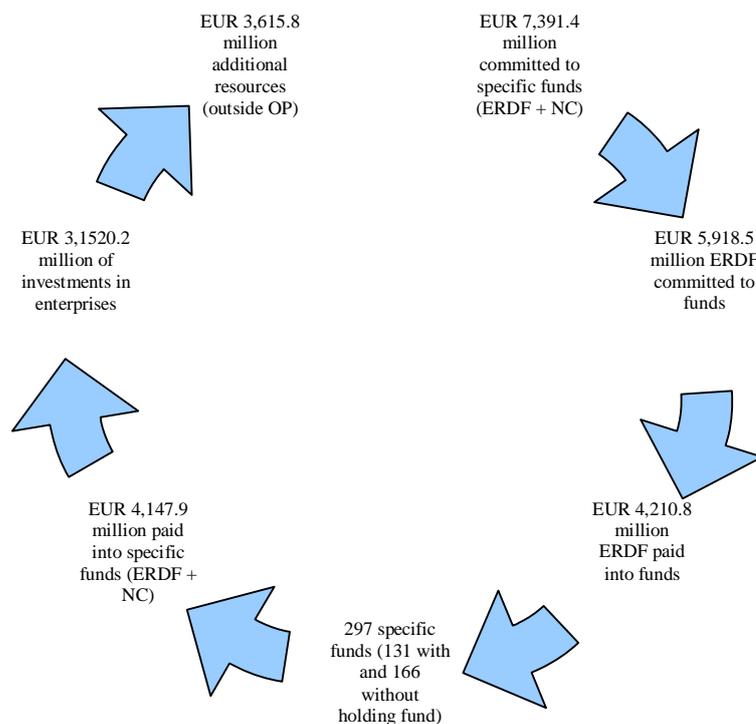
The flow diagram below illustrates the situation in relation to funds for enterprises, being equity, guarantee or loans funds, as of 31 December 2010.

An aggregate amount of EUR 7,391.4 million of ERDF and national contributions (private and public) were legally committed to specific funds, whether through holding funds or directly to specific funds, as stated in the respective funding agreements. The ERDF part of the resources committed to all funds amounted to EUR 5,918.5 million, of which EUR 4,210.8 million of ERDF contributions were effectively paid by Member States into funds.

A total of 297 specific funds (equity, guarantee and loan funds) for enterprises were set up, of which 131 were implemented through a holding fund and 166 specific funds without a holding fund. EUR 4,147.9 million was effectively paid into these specific funds and as such was available in the market to support enterprises through repayable forms of financial assistance.

As of 31 December 2010, a total of 20,858 disbursements to enterprises through equity investments, guarantees and loans were reported by specific funds, amounting to EUR 3,150.2 million.

Additional resources leveraged at the level of the enterprises, over and above the resources allocated through the operational programmes which complement ERDF and national contributions to specific funds, amounted to EUR 3,615.8 million. These are predominantly private sector resources regarding, *inter alia*, loans given by financial institutions to enterprises, secured by guarantees provided through guarantee funds funded by ERDF and national (public) contributions.



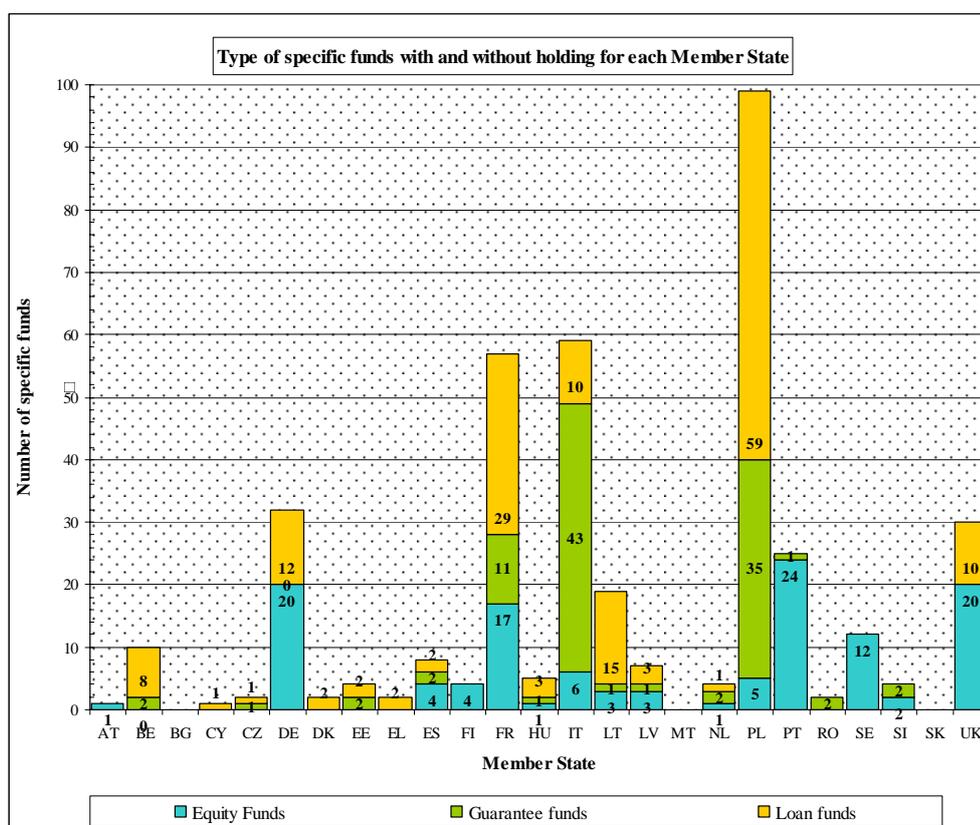
The table below summarises the key data on an aggregated basis in relation to holding funds and specific funds for enterprises for each Member State (in alphabetical order).

Member State	Specific funds for enterprises (=financial engineering instruments) implemented through and without a holding fund - (Situation at 31 December 2010) (in million EUR)												
	Holding Fund	EIF	Size of the Holding Fund	Contributions paid to Holding Fund	Type of specific funds			Size of the specific fund	Contributions effectively paid into specific funds	Number of investments in enterprises	Investments in SMEs (in million EUR)	Additional resources mobilised at enterprise level or specific fund level	Jobs created or safeguarded
					E	G	L						
AT	-	-	-	-	1	-	-	3,9	3,9	ND	ND	ND	ND
BE	-	-	-	-	-	2	8	260,7	260,7	557	1.111,8	ND	4.038
BG	1	1	199,0	199,0	-	-	-	-	-	-	-	-	-
CY	1	1	20,0	20,0	-	-	1	20,0	-	-	-	10,0	-
CZ	-	-	-	-	-	1	1	379,1	279,8	2.399	238,7	834,7	38.645
DE	-	-	-	-	20	-	12	1.364,7	841,5	1.523	550,5	371,9	27.387
DK	-	-	-	-	-	-	2	17,2	17,2	12	2,8	1,2	53
EE	-	-	-	-	-	2	2	158,2	156,4	578	116,9	-	1.175
EL	2	1	710,0	710,0	-	-	2	120,0	-	ND	ND	ND	ND
ES	3	-	405,7	405,7	4	2	2	385,0	385,0	ND	ND	ND	ND
FI	-	-	-	-	4	-	-	29,6	19,5	ND	ND	ND	ND
FR	2	1	55,0	55,0	2	-	1	38,9	14,8	ND	ND	ND	ND
HU	1	-	723,8	230,8	1	1	3	723,8	230,9	3.440	135,6	272,3	ND
IE	-	-	-	-	-	-	-	-	-	-	-	-	-
IT	6	2	258,0	245,0	4	9	8	898,5	768,9	1.780	162,7	336,5	589
LT	3	1	282,4	267,9	3	1	15	285,3	89,9	1.931	164,1	68,8	ND
LU	-	-	-	-	-	-	-	-	-	-	-	-	-
LV	1	1	91,5	91,5	3	1	3	312,9	184,5	555	147,3	132,5	1.892
MT	1	1	10,0	10,0	-	-	-	-	-	-	-	-	-
NL	3	-	-	-	1	2	1	ND	13,6	-	-	ND	ND
PL	8	-	615,3	403,2	5	35	59	493,1	319,8	2.971	77,3	60,3	904
PT	1	-	351,7	177,7	24	1	-	540,6	110,3	3.663	1.263,5	1.433,3	14.634
RO	1	1	100,0	100,0	-	2	-	62,5	-	-	-	315,0	-
SE	-	-	-	-	12	-	-	155,6	142,0	92	19,0	40,0	143
SI	1	-	98,9	98,9	2	2	-	94,0	94,0	890	ND	ND	ND
SK	1	1	100,0	68,2	-	-	-	-	-	-	-	-	-
UK	5	-	847,9	569,2	20	-	10	1.047,7	215,2	467	160,0	450,6	1.392
TOTALS (excluding the specific funds for which no monitoring reporting template and/or sufficient information was available)													
	41	11	4.869,1	3.652,1	106	61	130	7.391,4	4.147,9	20.858	3.150,2	4.327,1	90.852
FR					15	11	28	136,2	136,2	ND	ND	ND	ND
IT					2	34	2	572,0	572,0	ND	ND	ND	ND
TOTALS (including the specific funds for which no monitoring reporting template and/or sufficient information was available)													
	41	11	4.869,1	3.652,1	123	106	160	8.099,6	4.856,1	20.858	3.150,2	4.327,1	90.852

ND = No data was provided.

- ⇒ In 17 Member States specific funds were implemented through a holding fund and in other 8 Member States without a holding fund.
- ⇒ Based on the completed monitoring reporting templates and other sources of information, all together in all Member States there were 297 specific funds for enterprises implemented through and without a holding fund: loan funds represented 43%, equity funds 36% and guarantee funds 21% of the total number of specific funds reported.
- ⇒ The Commission estimates that some 92 additional specific funds are being implemented without a holding fund⁶, for which no monitoring reports were received nor sufficient information was available. Due to the limited information available, these 92 specific funds are not included in the analysis presented in this synthesis report. Since these specific funds represent less than 10% of the estimated size in EUR of all specific funds, it can be stated that the findings of the synthesis report remain representative.

The chart below shows a distribution and types of all 389 specific funds for enterprises for each Member State; in total loan funds represent 41%, equity funds 32% and guarantee funds 27%.



- ⇒ The Member States' factsheets for financial engineering instruments for enterprises (see Chapter 4 of this report) contain data on specific funds.

⁶ 38 specific funds in IT and 54 specific funds in FR

- ⇒ At year-end 2010, the total amount allocated to the 297 specific funds for enterprises amounted to EUR 7,391.4 million, of which EUR 3,601.7 million were allocated through holding funds and EUR 3,789.7 million directly without holding funds. Adding to this amount the contributions paid by Member States into the 92 specific funds referred to above, for which no monitoring information was received, it can be concluded that the total amount allocated to all funds for enterprises reached an amount of EUR 8,099.6 million.
- ⇒ The total amount effectively committed to 41 holding funds was EUR 4,689.1 million (of which 74% ERDF resources). Of this amount, EUR 3,652.1 million or 75% of all contributions was effectively paid to the holding funds and as such was available for further commitments to 131 specific funds implemented through these holding funds. Of this amount EUR 1,181.3 million was effectively paid by holding funds into these specific funds.
- ⇒ A substantial amount of EUR 693.4 million of resources paid to holding funds was not yet committed to specific funds.
- ⇒ In addition, EUR 3,891.2 million contributions (of which 59% ERDF resources) were committed to 166 specific funds implemented without a holding fund.
- ⇒ There are substantial differences among Member States in geographical coverage, total number, size and type of holding funds and/or specific funds implemented through and without a holding fund.
 - There are 25 regional holding funds versus 16 national holding funds. IT (6) and PL (7) account for a substantial number of these regional holding funds.
 - In 4 Member States (UK, PT, PL and LT), 95 specific funds, or 73% of all specific funds with a holding fund, are implemented through 17 holding funds. The remaining 36 specific funds with a holding fund are implemented by the remaining 21 holding funds. 3 holding funds had not set up any specific funds by year-end 2010
 - 166 specific funds implemented without a holding fund have a strong regional focus: 151 regional specific funds versus 15 national specific funds.
 - 75% of 166 specific funds implemented without a holding fund are in three Member States (PL (72), DE (32) and IT (17)). The remaining 45 specific funds are implemented by other 10 Member States.
- ⇒ Out of the 41 holding funds set up in 17 Member States, 30 holding funds and/or holding fund managers (excluding 11 holding funds with the European Investment Fund acting as holding fund manager) are national or regional public legal entities, such as national or regional development agencies, and/or (financial) institutions directly or indirectly owned by Member States or regions. No private sector holding funds or holding fund managers were identified.
- ⇒ For specific funds implemented through a holding fund, 80% of the total amount committed to these specific funds was provided to or managed by national or regional public legal entities, such as national or regional development agencies, and/or (financial) institutions directly or indirectly owned by Member States or regions. In case of specific funds without a holding fund the figure amounted to 95%. The higher figure compared to the one above indicated a higher private sector involvement due to the fact that the holding funds managed by the

European Investment Fund, representing in terms of the holding fund size 20% of all 41 holding funds, have all specific funds managed by the private sector financial institutions or financial intermediaries.

- ⇒ The break-down in terms of the sources of the amounts committed to specific funds for enterprises demonstrates that additional public and private resources are contributed at the level of specific funds rather than at the level of holding funds.
- ⇒ EUR 4,147.9 million was paid into specific funds, implemented both through and without a holding fund, and as such was available in the market to support enterprises.
- ⇒ National co-financing and additional resources at the level of enterprises (EUR 3,615.8 million), which complement contributions to specific funds for enterprises, provide a substantial multiplier at the level of enterprises in addition to mainly public funds' resources provided at the level of specific funds. In aggregate additional resources mobilized outside Operational Programmes at the level of the specific funds and at the level of the enterprises are estimated to amount to EUR 4.327.1 million.
- ⇒ As per year-end 2010, 20,858 disbursements were made to enterprises by specific funds through equity investments, guarantees or loans, for an aggregate amount of EUR 3.150.2 million.
- ⇒ Based on the data provided, it can be concluded that irrespective of the type of a specific fund, one euro of public resources at the level of specific funds implemented through or without a holding fund mobilises respectively 0.6 euro and 0.35 euro of additional private sector resources at the level of enterprises.
- ⇒ One euro of public resources led to equity investments into enterprises for an amount ranging between one euro and 3.4 euro (i.e. public funding to total equity investments made in enterprises).
- ⇒ One euro of public resources put into guarantee funds supported the disbursement of SME loans in the range from one euro to 7.5 euro. The guarantee cover ranged from 27% to 80%.
- ⇒ One euro of public resources mobilised loans in a range of one euro to 2 euro.
- ⇒ To sum-up, adding up the amounts of contributions which were paid into specific funds with national co-financing and additional resources results in EUR 7,761.0 million total resources available to enterprises at year-end 2010. A figure which can be qualified as conservative since a number of monitoring reporting templates did not contain any data in relation to national co-financing and additional resources at the level of enterprises. Adding the 92 specific funds referred to above, it is estimated that some EUR 8.4 billion of total resources are available to enterprises at year-end 2010.

FINANCIAL ENGINEERING INSTRUMENTS FOR URBAN DEVELOPMENT, ENERGY EFFICIENCY AND RENEWABLE ENERGIES (INVESTMENTS)

The table below summarises the key data on an aggregated basis in relation to holding funds and specific funds for urban development, energy efficiency and renewable energies for each Member State (in alphabetical order).

Member State	Specific funds (=financial engineering instruments) for urban development, energy efficiency and renewable energies (investments) implemented with and without a holding fund (Situation at 31 December 2010)						
	Holding Fund	EB	Size of the Holding Fund	Contributions paid to Holding Fund	Number of specific funds	Size of the specific funds	Contributions paid to specific fund
AT							
BE							
BG	1	1	33,0	33,0	No specific funds have been put in place		
CY							
CZ	1	1	20,6	20,6	No specific funds have been put in place		
DE	Specific fund \ holding fund				1	20,0	20,0
DK							
EE	1		49,0	24,8	2		
EL	1	1	258,0	258,0	No specific funds have been put in place		
EL	Specific fund \ holding fund (Energy)				1	241,0	241,0
ES	1	1	85,7	85,7	No specific funds have been put in place		
FI							
FR							
HU							
IE							
IT	2	2	248,0	74,0	No specific funds have been put in place		
LT	1	1	227,0	149,8	2	27,0	22,0
LU							
LV							
MT							
NL							
PL	4	4	219,1	219,1	2	78,6	77,6
PT	1	1	130,0	ND	No specific funds have been put in place		
RO							
SE							
SI							
SK							
UK	Specific fund \ holding fund				2	82,0	82,0
UK	3	3	288,3	160,0	1		
	16	15	1.558,7	1.025,0	11		

- ⇒ At year-end 2010, EUR 1,558.7 million of contributions (of which 75% ERDF resources) was committed to 16 holding funds operating in the area of urban development, energy efficiency and renewable energies (of which 15 managed by the European Investment Bank). 66 % of all contributions committed to holding funds (i.e. EUR 1,025.0 million) were effectively paid to holding funds and as such were available for further commitments to specific funds.
- ⇒ EUR 105.6 million of the contributions committed to holding funds were committed to 4 urban development funds or energy efficiency funds, and EUR 99.6 million was effectively paid into these specific funds.
- ⇒ Further EUR 102.0 million was committed and paid into 3 specific urban development funds (UK (2) and DE (1)) implemented without a holding fund. An amount of EUR 241 million was committed to an energy fund implemented without a holding fund (GR).
- ⇒ Disbursements to urban development, energy efficiency and energy savings projects (=final recipients) were already taking place in EE, DE (Brandenburg) and LT. No specific amounts were reported for all specific funds.

1. **FINANCIAL ENGINEERING INSTRUMENTS FOR ENTERPRISES**

The Legal framework for financial engineering instruments for enterprises is Article 44 first paragraph a) of Council Regulation (EC) No 1083/2006 which states that *"as part of an operational programme, the Structural Funds may finance expenditure in respect of an operation comprising contributions to support any of the following: (a) financial engineering instruments for enterprises, primarily small and medium-sized ones, such as venture capital funds, guarantee funds and loan funds;"* and Articles 43 to 46 of Commission Regulation 1828/2006.

Article 44 second paragraph of Council Regulation 1083/2006 states further that: *"When such operations are organised through holding funds, that is, funds set up to invest in several venture capital funds, guarantee funds, loan funds and urban development funds, the Member State or the managing authority shall implement them through one or more of the following forms:*

- (a) The award of a public contract in accordance with applicable public procurement law;*
- (b) when the agreement is not a public service contract within the meaning of public procurement law, the award of a grant, defined for this purpose as a direct financial contribution by way of a donation to a financial institution without a call for proposal, if this is in accordance with a national law compatible with the Treaty;*
- (c) the award of a contract directly to the EIB or the EIF."*

The conditions for contributions to financial engineering instruments other than holding funds are set out in Article 43 of the Commission Regulation 1828/2006, which states inter alia: *"Financial engineering instruments, including holding funds, shall be set up as independent legal entities governed by agreements between the co-financing partners or shareholders or as a separate block of finance within a financial institution. Where the financial engineering instrument is established within a financial institution, it shall be set up as a separate block of finance, subject to specific implementation rules within the financial institution, stipulating, in particular, that separate accounts are kept which distinguish the new resources invested in the financial engineering instrument, including those contributed by the operational programme, from those initially available in the institution."*

In light of the above, this synthesis report provides a detailed assessment of financial engineering instruments for enterprises with a holding fund and financial engineering instruments without a holding fund, implemented pursuant to Article 44 of council Regulation (EC) 1083/2006.

1.1. FINANCIAL ENGINEERING INSTRUMENTS FOR ENTERPRISES IMPLEMENTED THROUGH A HOLDING FUND

Annex 1 provides a summary on an aggregated basis for each Member State of the main relevant data of the specific funds for enterprises implemented through a holding fund.

1.1.1. General information on existing holding funds

In 17 Member States (BG, CY, EL, ES, FR, HU, IT, LT, LV, MT, NL, PL, PT, RO, SI, SK and UK), ERDF contributions as part of an operational programme were committed to finance expenditure in respect of one or more operations comprising contributions to support financial engineering instruments for enterprises implemented through a holding fund, that is, a fund set up to invest in several equity funds, guarantee funds and loan funds.

In Section 1.2 of the synthesis report, the analysis of ERDF contributions which have been committed to support financial engineering instruments for enterprises without any holding fund will show that outside the 17 Member States listed above financial engineering instruments are being implemented in another 8 Member States but without a holding fund. As of 31 December 2010, a total number of 41 holding funds⁷ were set up: 25 are regional and 16 national holding funds.

Out of 41 holding funds, 26 holding funds were fully operational: they selected and effectively made contributions to specific funds. Also first investments were made by specific funds in enterprises. The signing of funding agreements for various holding funds took place between 2007 and 2010: 2 funding agreements were signed in 2007, 10 in 2008, 20 in 2009 and 3 in 2010. For 6 holding funds, the signing date of the funding agreement was not reported.

Managing authorities entered into an agreement with the European Investment Fund acting as holding fund manager in the case of 11 holding funds, while 30 holding funds were set up with national or regional financial institutions. .

- ⇒ Based on the information made available on holding funds for enterprises set up in 17 Member States, 30 holding funds and/or holding fund managers (excluding the 11 holding funds with the European Investment Fund acting as holding fund manager) are all national or regional public legal entities, such as national or regional development agencies, and/or (financial) institutions directly or indirectly owned by Member States or regions.
- ⇒ No private sector holding fund or holding fund managers were identified.

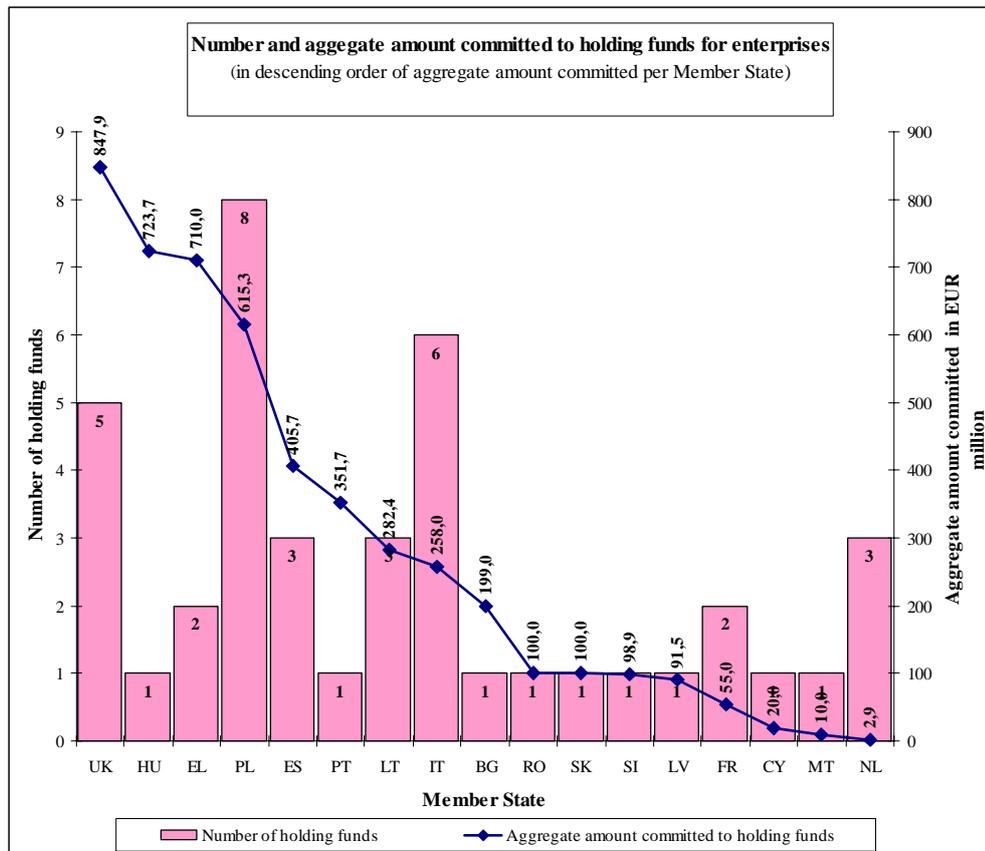
⁷ Includes one holding fund for an amount of EUR 14.5m in LT which is funded by ESF.

1.1.2. Contributions from operational programmes to holding funds for enterprises

As of 31 December 2010, a total amount of EUR 4,869.1 million of contributions was committed to 41 holding funds, of which:

- EUR 3,623.7 million of ERDF contributions (74% of total commitments);
- EUR 754.2 million of national public co-financing within an operational program (15% of total commitments);
- EUR 314.9 million contributions in the form of loans from the European Investment Bank to a number of the UK holding funds (6% of total commitments); and
- EUR 176.3 million of public and private resources were recorded to be committed to holding funds outside operational programmes (5% of total commitments).

The chart below shows the number and aggregate amounts committed to holding funds per Member State in descending order of an aggregate amount committed.



75 % of the total amount of contributions committed to holding funds or EUR 3,652.1 million was effectively paid to holding funds and as such was available for further commitments to specific funds for enterprises.

1.1.3. Contributions from holding funds to specific funds

As of 31 December 2010, a total amount of EUR 2,959.7 million or 61% of the contributions committed to holding funds was legally committed to 131 specific funds: 69 specific funds operated at a national level and 62 at a regional level. 39% of the amounts committed to holding funds were still not committed to any specific fund.

The total amount of the specific funds, as stated in the funding agreements, amounted to EUR 3,601.8 million. These commitments irrespective of whether they were contributed through a holding fund (EUR 2,959.7 million) or in addition to holding funds' contributions derive from the following sources of funding⁸:

- EUR 2,108.5 million of ERDF contributions (56% of total commitments);
- EUR 546.3 million of national public co-financing (15%);
- EUR 349.4 million of national private co-financing (9%); and
- EUR 745.9 million of additional resources from outside an operational programme other than holding funds' contributions committed to specific funds (20% of total commitments).

⇒ The break-down in terms of the sources of funding committed to specific funds for enterprises shows that additional public and private resources are contributed at the level of specific funds rather than at the level of holding funds.

⇒ Based on the data provided by Member States, it is estimated that out of 131 specific funds implemented through a holding fund at least 80% of the aggregate amount of EUR 3,601.8 million committed to these specific funds was provided to or managed by national or regional public legal entities (such as national or regional development agencies) and/or (financial) institutions directly or indirectly owned by Member State or regions. A limited number of specific funds representing less than 20% of the total amounts committed were managed by private sector entities or private sector (financial) institutions or intermediaries.

EUR 1,209.9 million or 32% of the total amount committed to specific funds for enterprises was effectively paid by holding funds or by any other source outside holding funds into these specific funds. The latter amount was fully available within the real economy at year-end 2010 to make disbursements to enterprises.

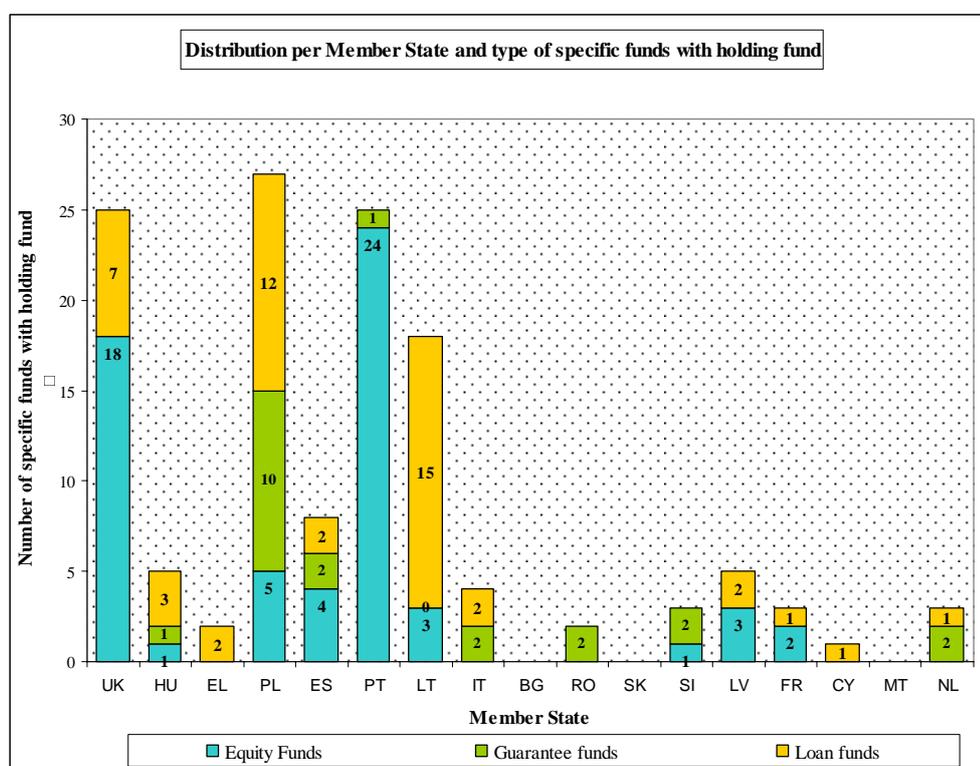
⁸ The total amounts to EUR 3,750.1 million and not EUR 3,601.8 million. A difference of EUR 148.3 million is due to certain amounts being committed to specific fund but not being stated in the funding agreement of the specific fund.

1.1.4. Types of specific funds with a holding fund

In terms of ERDF contributions alone, out of 131 specific funds implemented through a holding fund, the following categories were reported:

- 61 equity funds with EUR 830.1 million of ERDF contributions (39% of total number of specific funds);
- 22 guarantee funds with EUR 407.8 million of ERDF contributions (20% of total); and
- 48 loan funds with 870.6 million of ERDF contributions (41% of total).

The chart below shows a distribution and types of specific funds for enterprises for each Member State.



A substantial number (73%) of these specific funds was implemented mainly in four Member States: PL (27), UK (25), PT (25) and LT (18) through 17 holding funds (PL (8), UK (5), PT (1) and LT (3)). The remaining specific funds were implemented by other 21 holding funds⁹, which had already committed resources to specific funds.

⁹ 3 holding funds have not yet committed resources to specific funds because no specific funds were selected and/or implemented at 31 December 2010.

As stated in the respective funding agreements, equity funds had an average size of EUR 26.0 million, guarantee funds of EUR 25.0 million and loan funds of EUR 37.3 million. The differences in size of funds are substantial: the smallest loan fund amounted to EUR 0.4 million (PL) while the largest loan fund amounted to EUR 201.9 million (HU).

1.1.5. Additional resources at the level of enterprises

National co-financing and additional resources at the level of enterprises which complemented the contributions to specific funds (EUR 3,601.8 million) amount to a further EUR 2,306.7 million. These national co-financing and additional resources related among others but were not limited to:

- (i) loans made by financial institutions to enterprises which were secured by a guarantee by guarantee funds,
- (ii) additional loans made by financial institutions to enterprises as a complement to loans made by loan funds, or
- (iii) loans made by financial institutions to enterprises in addition to equity investments made by venture capital funds.

⇒ National co-financing and additional resources at the level of enterprises, which complemented the contributions to specific funds with a holding fund, provide a substantial multiplier effect at the level of enterprises in addition to mainly public resources provided at the level of specific funds. Based on the data provided by Member States, it can be concluded that irrespective of the type of a specific fund, EUR 1 of public funding at the level of specific funds with a holding fund mobilised EUR 0.6 of additional private sector resources at the level of enterprises.

1.1.6. Investments by specific funds in enterprises

1.1.6.1. Investments by equity funds in enterprises

As of 31 December 2010, 61 equity funds for enterprises implemented through a holding fund reported 243 equity and quasi-equity investments for a total amount of EUR 137.5 million, out of EUR 830.1 million ERDF contributions to such equity funds.

1.1.6.2. Investments by guarantee funds in enterprises

As of 31 December 2010, 22 guarantee funds implemented through a holding fund reported 4,156 guarantees committed for a total amount of EUR 652.2 million with respect to loans disbursed to enterprises amounting to EUR 1,253.5 million. Total ERDF contributions allocated to guarantee funds amounted to EUR 407.8 million.

1.1.6.3. Investments by loan funds in enterprises

As of 31 December 2010, 48 loan funds implemented through a holding fund made 4,455 loans to enterprises for a total amount of EUR 198.1 million, out of EUR 870.6 million ERDF contributions allocated to such loan funds.

1.1.7. Exits and returns to holding funds and specific funds

Only a limited number of Member States provided data on this reporting item, therefore conclusions cannot be drawn. Furthermore, given that at year-end 2010, 41 holding funds were operational for 24 months on average and specific funds for enterprises implemented through a holding fund were operational for 15 to 18 months on average, potential exits and returns to holding funds and specific funds are deemed not significant.

1.1.8. Management Costs

Only a limited number of Member States provided data on this reporting item, therefore conclusions on management costs of holding funds and specific funds cannot be drawn. At year-end 2010, in total EUR 20.7 million of management costs in relation to holding funds was reported for the period 2007-2010.

1.1.9. Indicators

1.1.9.1. Equity funds for enterprises

In relation to equity funds implemented through a holding fund, the data reported in Annex II does not provide sufficient information to draw conclusions on the amount of additional resources mobilised outside contributions from operational programmes. It is estimated that EUR 1 of public funds supported equity investments made into enterprises in a range of EUR 1 to EUR 4.7 (i.e. public funding to total equity investments made in enterprises).

1.1.9.2. Guarantee funds for enterprises

In relation to guarantee funds implemented through a holding fund, additional resources mobilised outside contributions from operational programmes at the level of enterprises is estimated to be around EUR 2 billion. EUR 1 of public funds supported loans made to final recipients in a range of EUR 1.7 to EUR 7.8, which are guaranteed by guarantee funds in a range of EUR 35% to 80%. The average guarantee cover reported was 52%¹⁰ (i.e. public funding for guarantees to total loans made in enterprises).

1.1.9.3. Loan funds for enterprises

EUR 1 of public resources supported loans to enterprises in a range¹¹ of EUR 1 to EUR 2 (i.e. public funding to total loans made to enterprises).

¹⁰ The percentage is derived by dividing the aggregate amount of EUR 652.2 million for guarantees committed for disbursed loans to final recipients by the aggregate amount of disbursed loans of EUR 1,253.5 million.

¹¹ The smallest and the largest values of the available data have not been taken into account.

1.2. **FINANCIAL ENGINEERING INSTRUMENTS FOR ENTERPRISES IMPLEMENTED WITHOUT A HOLDING FUND**

Annex 2 provides a summary for each Member State of the main data of the specific funds for enterprises implemented without a holding fund.

1.2.1. General information on the specific funds for enterprises

In 15 Member States (AT, BE, CZ, DE, DK, EE, FI, IT, LT, LV, NL, PL, SE, SI and UK), ERDF contributions were committed to finance expenditure in respect of an operation comprising contributions to support specific funds for enterprises implemented without a holding fund.

In some Member States specific funds have been set up at the same time with and without a holding fund such as in IT, LT, PL and UK. In LT specific funds were implemented through various structures: without a holding fund, with a national holding fund and with the European Investment Fund as holding fund manager.

As of 31 December 2010, altogether 166 specific funds were set up: 151 at a regional level and 15 at a national level.

Managing authorities selected specific funds both using various regulatory provisions, i.e. through an award of a public contract in accordance with applicable public procurement law; or through an award of a grant, defined for this purpose as a direct financial contribution by way of a donation to a financial institution without a call for proposal, pursuant to a national law compatible with the Treaty. The data provided by Member States did not allow a more detailed analysis.

1.2.2. Contributions from operational programmes to specific funds for enterprises

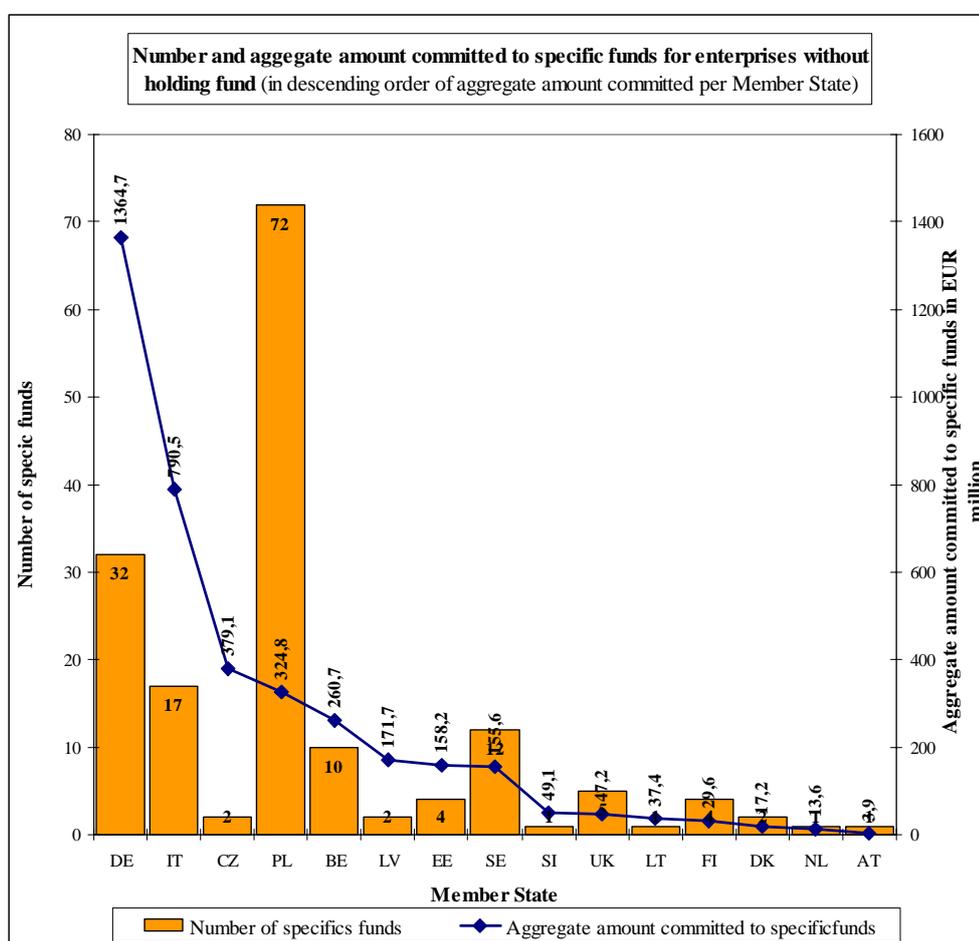
As of 31 December 2010, a total amount of EUR 3,891.2 million of contributions (of which EUR 3,789.7 million stated in the funding agreement of the specific funds) was committed to 166 specific funds ¹², of which:

- EUR 2,294.8 million of ERDF contributions (59% of total commitments);
- EUR 1,269.4 million of national public co-financing within an operational programme (33 % of total commitments Programme);
- EUR 197.9 million of national private co-financing within an Operational programme (5 % of total commitments); and
- EUR 129.1 million of additional resources outside an operational programme (3% of total commitments).

¹² Includes one specific fund holding fund for an amount of EUR 6m in EE which is funded by ESF.

⇒ It is estimated that out of 166 specific funds implemented without any holding fund at least 95% of the aggregate amount committed relate to national or regional public legal entities (such as national or regional development agencies) and/or (financial) institutions directly or indirectly wholly-owned by the Member State or regions. No more than 5% represented private sector owned or managed specific funds.

The chart below shows the geographical distribution of the specific funds implemented without a holding fund for each Member State in descending order of size of aggregate amounts committed to specific funds by the respective Member States.



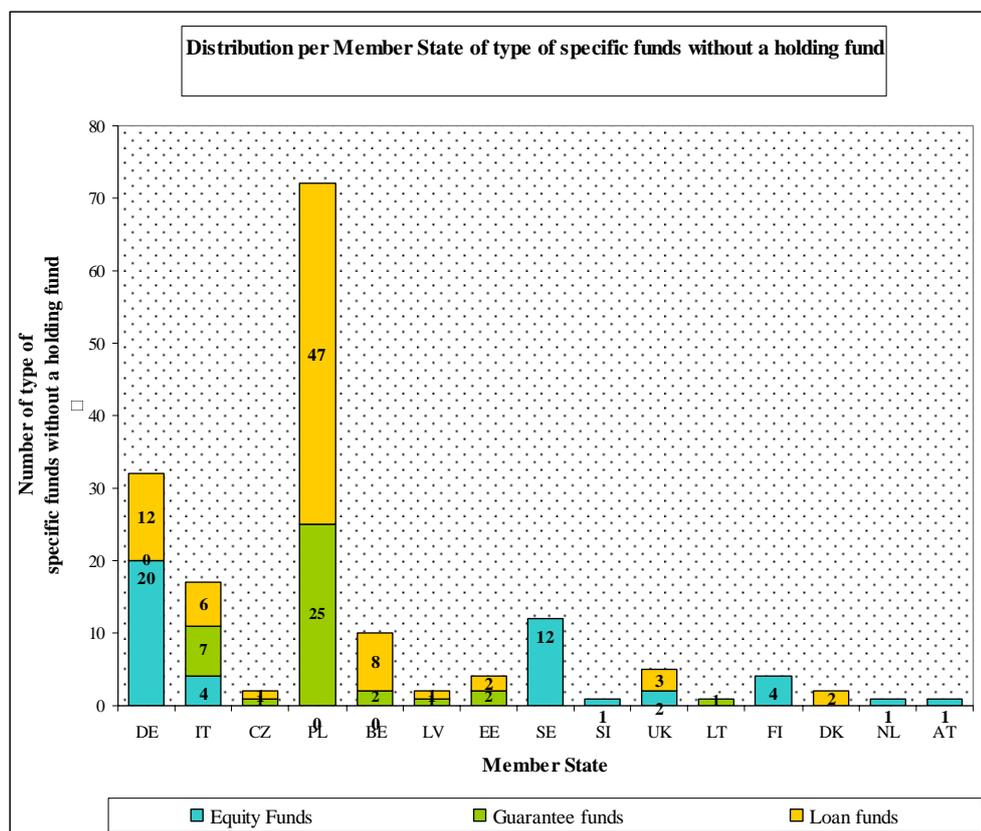
EUR 2,935.2 million or 75% of the amounts committed to 166 specific funds was effectively paid into these specific funds and as such was available for further investments in enterprises.

1.2.3. Type of specific funds for enterprises

Out of 166 specific funds for enterprises implemented without a holding fund, there are:

- 45 equity funds with EUR 544.4 million of ERDF contributions (24% of total number of specific funds);
- 39 guarantee funds with EUR 535.9 million of ERDF contributions (23% of total); and
- 82 loan funds with 1,214.9 million of ERDF contributions (53%).

The chart below shows a distribution by type of specific funds implemented without a holding fund for each Member State.



A substantial number (73%) of specific funds without a holding fund was implemented mainly in three Member States being PL (72), DE (32) and IT (17). The remaining 45 specific funds for enterprises were implemented in other 10 Member States.

Equity funds have an average size of EUR 21.5 million, guarantee funds of EUR 23.7 and loan funds of EUR 23.3 million.

1.2.4. Additional resources at the level of enterprises

Additional national co-financing and additional resources at the level of final recipients, which complemented contributions committed to specific funds implemented without a holding fund EUR (3,891.2 million), amounted to a further EUR 1,309.1 million.

⇒ National co-financing and additional resources at the level of enterprises, which complemented contributions to specific funds implemented without a holding fund, provide a multiplier effect at the level of enterprises in addition to mainly public funds provided at the level of specific funds. Based on the data provided by Member States, it can be concluded that irrespective of the type of a specific fund, EUR 1 of public resources at the level of specific funds implemented without a holding mobilised EUR 0.35 of additional private sector resources at the level of enterprises.

1.2.5. Investments by specific funds in enterprises

1.2.5.1. Investments by equity funds

As of 31 December 2010, 45 equity funds implemented without a holding fund reported 1,161 equity and quasi-equity investments in enterprises for a total amount of EUR 249.7 million.

1.2.5.2. Investments by guarantee funds

As of 31 December 2010, 39 guarantee funds implemented without a holding fund reported 6,808 guarantees committed for a total amount of EUR 872.0 million for disbursed loans to enterprises for a total amount of EUR 1,207.0 million.

1.2.5.3. Investments by loan funds

As of 31 December 2010, 82 loan funds implemented without a holding fund reported 4,937 loans made to enterprises for a total amount of EUR 603.7 million.

- 1.2.6. Exits and returns to holding funds and specific funds
Only a limited number of Member States provided data on this reporting item, therefore conclusions cannot be drawn.
- 1.2.7. Management Costs
Only a limited number of Member States provided data on this reporting item, therefore conclusions cannot be drawn.
- 1.2.8. Indicators
- 1.2.8.1. Equity funds for enterprises
Equity funds implemented without a holding fund mobilised additional resources outside the contributions from operational programmes at the level of enterprises for an amount of EUR 322.6 million.
It is estimated that EUR 1 of public resources supported equity investments made into enterprises in a range¹³ of EUR 1.0 to EUR 3.0.
- 1.2.8.2. Guarantee funds for enterprises
In relation to guarantee funds implemented without a holding fund, additional resources mobilised outside contributions from operational programmes at the level of enterprises amounted to EUR 812.7 million.
EUR 1.0 of public resources supported loans made to enterprises in a range of EUR 1.0 to EUR 7.2, which were guaranteed by the guarantee funds for enterprises in a range of EUR 27% to 80%. An average guarantee cover reported amounted to 72%¹⁴.
- 1.2.8.3. Loan funds for enterprises
In relation to loan funds without a holding fund, additional resources mobilised outside contributions from operational programmes at the level of enterprises amounted to EUR 173.8 million.
EUR 1 of public resources supported loans to enterprises in a range of EUR 1 to EUR 2.

¹³ The smallest and the largest values of the reported data have not been taken into account.

¹⁴ The percentage is derived by dividing the aggregate amount of EUR 872.0 million for guarantees committed for disbursed loans to final recipients by the aggregate amount of disbursed loans of EUR 1,207.0 million.

2. ANALYSIS OF SPECIFIC TOPICS OF SPECIFIC FUNDS FOR ENTERPRISES

2.1. Multiplier and additional resources mobilised in relation to guarantee funds

As of 31 December 2010, 61 guarantee funds implemented through and without holding fund reported 10,964 guarantees committed for an aggregate amount of EUR 1,534.2 million for disbursed loans to enterprises for an aggregate amount of EUR 2,460.5 million.

A selection of 10 out of these 61 guarantee funds¹⁵ has been subject to a more detailed analysis. The main data in relation to these 10 guarantee funds is provided in Annex 3. These 10 guarantee funds for enterprises with and without a holding fund reported 7,897 guarantees (72% of total guarantees provided by the 61 guarantee funds) committed for an aggregate amount of EUR 1,274.4 million for disbursed loans to enterprises for an aggregate amount of EUR 2,143.1 million (87% of total amount guaranteed by the 61 guarantee funds).

The selected guarantee funds reported a multiplier¹⁶ which ranges between 1.8 and 7.7. On average, the multiplier was 6.1, i.e. EUR 16.4 million of resources were "blocked" to cover losses plus any guarantee fees and interest subsidies to guarantee (partially or wholly) loans for an amount of EUR 100.

The guarantee cover ranged between 27% and 80% but in quite a number of cases the liability of the guarantee fund to cover guarantee defaults on underlying loans was capped to a nominal amount.

Additional resources mobilised at the level of enterprises amounted to EUR 2,520.1 million. In comparing the latter figure with the size of these 10 guarantee funds, which in total amounted to EUR 540.5 million, it can be demonstrated that guarantee funds are able to mobilise additional resources of significant size.

2.2. Rate of investments made by specific funds in enterprises

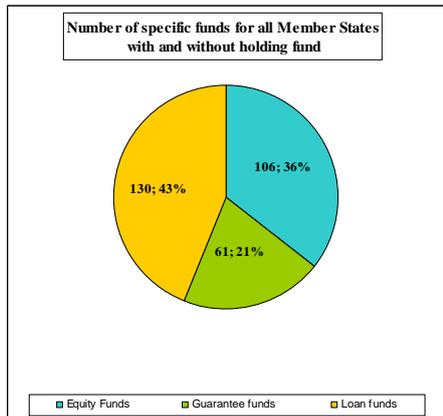
With a total amount of contributions committed to 297 specific funds of EUR 7,391.3 million and EUR 4,147.9 million of contributions effectively paid into these specific funds as per year-end 2010, 20,858 investments in enterprises in the form of equity investments, guarantees or loans were made. The respective funds invested EUR 3,150.2 million into these enterprises and EUR 4,327.1 million of additional resources was mobilised. A number of 90,852 jobs were reported to be created or safeguarded.

¹⁵ The 10 guarantee funds have been selected on the basis of two criteria:
1. The guarantee funds are fully operational meaning funds have been effectively contributed to the guarantee funds and a representative number of guarantees (or counter-guarantees) have been committed for disbursed loans; or
2. Availability of complete and reliable data

¹⁶ The multiplier is the ratio between the amount of loans disbursed which are covered (partially or wholly) by guarantees to the amounts blocked in the guarantee fund to cover expected losses and unexpected losses plus any guarantee fee and interest subsidies.

2.3. Types of specific funds

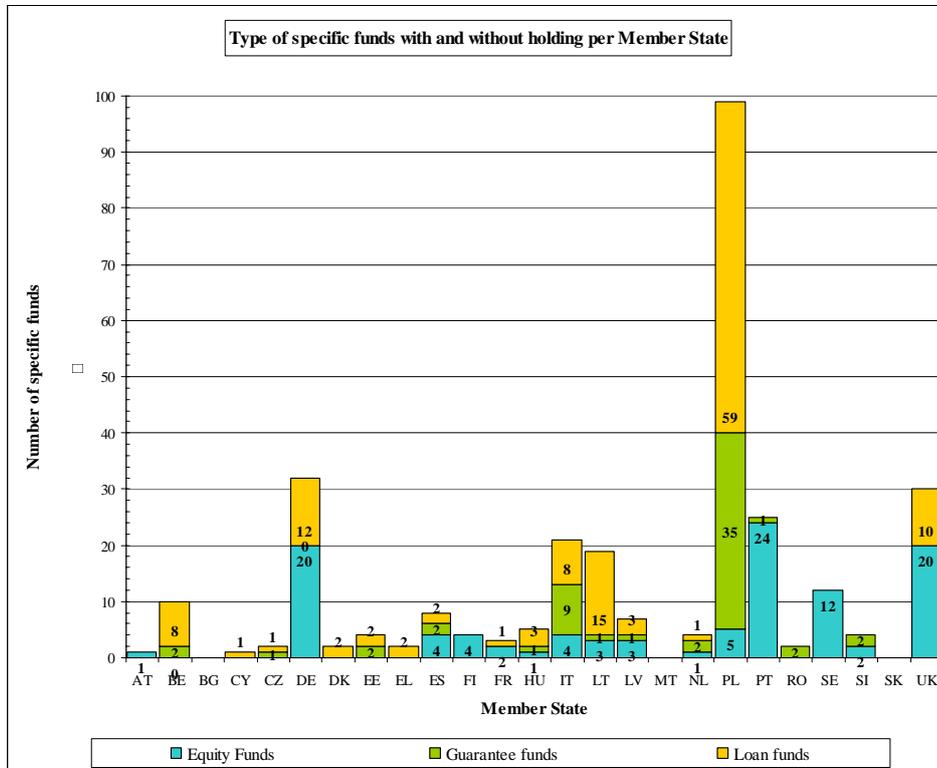
The chart below shows the distribution of the types of specific funds with and without a holding fund.



As stated earlier, in all Member States there are 297 specific funds. In term of number of specific funds, loan funds represent 43% of the total, equity funds 36% and guarantee funds 21%.

The total size of these specific funds as expressed as the total amount of contributions committed to these specific funds¹⁷ amount to EUR 7,391.4 million.

The chart below shows a distribution of the types of the 297 specific funds with and without a holding fund (in alphabetical order of the Member States) and points out the difference in the total number and types of specific funds for each Member State.



¹⁷ It is noted that not all contributions committed or paid into holding funds are committed or paid into specific funds by the end of 2010.

3. FINANCIAL ENGINEERING INSTRUMENTS FOR URBAN DEVELOPMENT, ENERGY EFFICIENCY AND ENERGY SAVINGS

3.1. General information on holding funds and specific funds

In 11 Member States (BG, CZ, DE, EE, EL, ES, IT, LT, PL, PT and UK) ERDF contributions as part of an operational programme were committed to finance expenditure in respect of an operation comprising contributions to support specific funds in the area of urban development, energy efficiency and renewable energies (investments) implemented through 16 holding funds (of which 15 managed by the European Investment Bank) while 4 financial engineering instruments were set up without a holding fund.

3.2. Contributions from operational programmes

At year-end 2010, EUR 1,558.7 million of contributions (National and ERDF resources) was committed to 16 holding funds operating in the area of urban development, energy efficiency and renewable energies (of which 15 managed by the European Investment Bank). 66 % of all contributions committed to holding funds (i.e. EUR 1,025.0 million) were effectively paid to holding funds and as such were available for further commitments to specific funds.

3.3. Contributions to specific funds

EUR 105.6 million of the contributions committed to holding funds were committed to 4 urban development funds or energy efficiency funds, and EUR 99.6 million was effectively paid into these specific funds.

Further EUR 102.0 million was committed and paid into 3 specific urban development funds (UK (2) and DE (1)) implemented without a holding fund.

An amount of EUR 241 million was committed energy fund implemented without a holding fund (GR).

3.4. Investments by specific funds in urban development, energy efficiency and renewable energies

The scope of supported projects includes, among others, brown field regeneration, development of sustainable urban infrastructure (e.g. waste-to-energy projects) and energy efficiency interventions in the existing housing stock.

Out of all financial engineering instruments, 7 have an energy component, and foresee investments in energy efficiency measures and renewable energies' infrastructure in cities (the scope of investments can range from urban infrastructure to retrofitting of housing stock).

During 2010, the first holding funds launched calls for expression of interest to select specific funds through which financial support would effectively start flowing to concrete urban projects.

As a result, disbursements to final recipients are already taking place in EE, DE (Brandenburg) and LT. No specific amounts were reported.

4. MEMBER STATE FACTSHEETS FOR FINANCIAL ENGINEERING INSTRUMENTS

(Situation as at December 2010)

Member State factsheets for financial engineering instrument for enterprises.

Member State factsheets for financial engineering instrument for urban development, energy efficiency and renewable energies.