



COMMISSION STAFF WORKING DOCUMENT

Financial Instruments in Cohesion Policy

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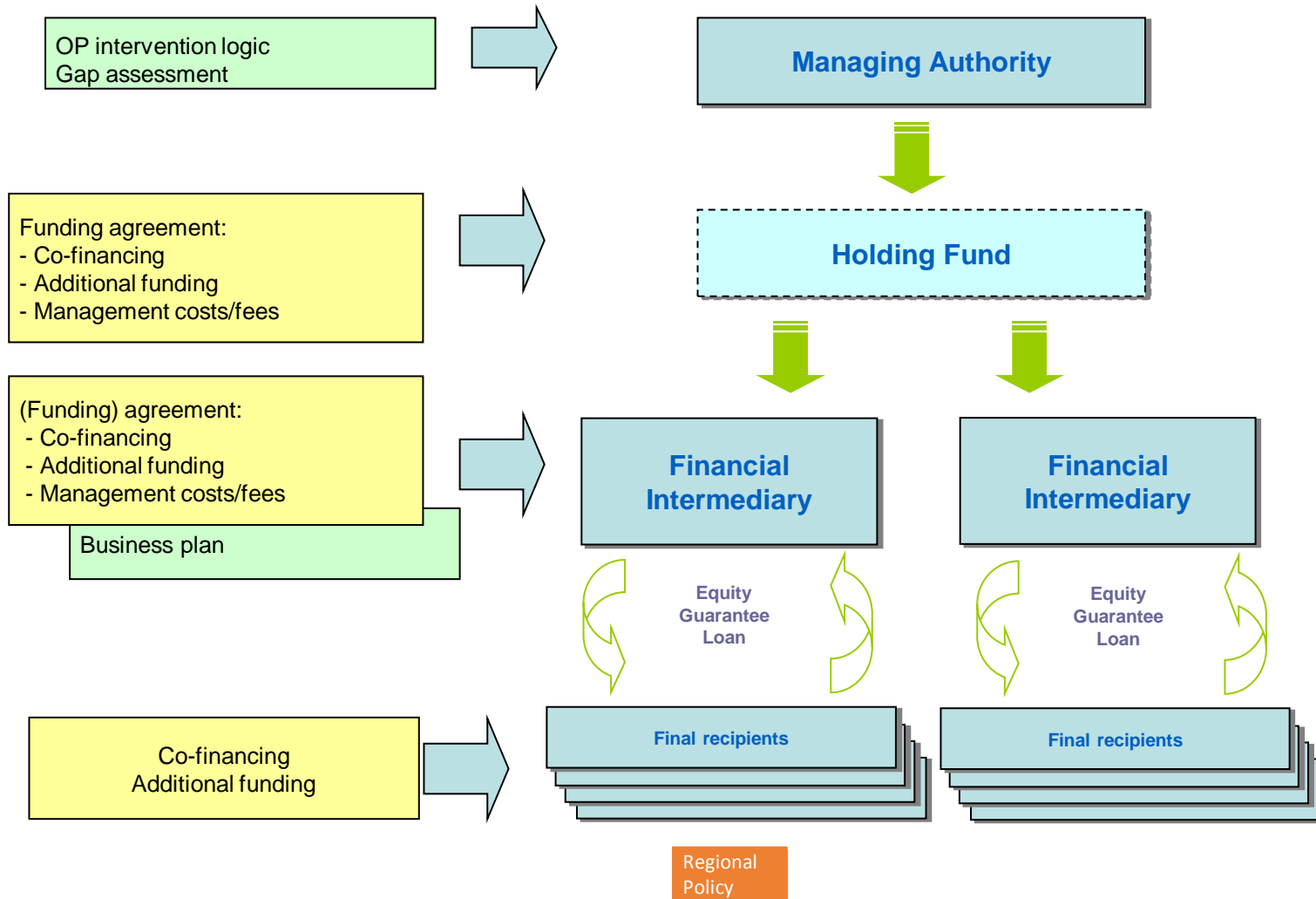
1. Added value of financial instruments

- Same funds can be used several times, increasing the impact and sustainability of the instruments.
- Public resources can have a more powerful catalytic effect, unblocking private financing and other public sector funding.
- Initial public resources can be augmented by the interests, dividends and other gains, for further reinvestment in real economy.
- Incentives for better performance of the final recipients - better quality of projects and greater financial discipline.
- The participation of private sector funding brings along specific expertise and know-how.

2. How are they used?

- Types of support: equity, loans, loan guarantees, micro-finance, etc.
- Final recipients: SMEs, urban development projects, energy efficiency/renewable energy projects, others.
- Financial instruments can be set up through holding funds or through direct contributions to equity funds, loan funds and guarantee fund mechanisms.

3. Annex II graph



4. Financial instruments in the context of cohesion policy

- A means of achieving the objectives of cohesion policy, not an end in themselves
- The logic and legal framework of the policy still followed:
 - ***shared management and subsidiarity***
 - ***regional policy objectives***
 - ***intervening at the level of regions***
 - ***bottom-up approach***
- The primary concerns of financial instruments in cohesion policy cannot be solely motivated by financial returns.
- Designed to meet national/regional specific problems, cannot always be compared to financial instruments which have broader objectives

5. The use of financial instruments thus far

- Ca 5% of ERDF in 2007-13 by end-2010
- 0,7% of ESF
- Almost 400 funds have been set up
- Mostly business support funds, but also urban instruments for development, energy efficiency and renewable energy
- All types of funds are used
- EIB and EIF actively involved
- Multiplier effect in action - additional resources from national and regional budgets, from banks and other investors.

6. Challenges faced in implementing financial instruments in cohesion policy

- Capacity issues – initial lack of expertise and available guidance, delays in delivering the funds to beneficiaries, quality of business plans and gap analyses
- Data availability
- Over allocation of resources to the financial instruments
- Management costs and fees not related to performance
- How to match financial instruments to cohesion policy specificities

7. Actions taken in 2007-2013 to overcome these challenges

- Technical assistance and guidance made available to Member States
- Amendments to regulations, including rules on monitoring data
- Additional audit work to determine the assurance level of financial instruments
- Evaluations have started

8. A more comprehensive legal framework for 2014-2020

- Closer alignment with rules for all EU supported financial instruments
- Increased effectiveness – importance of good quality ex-ante assessments (gap assessment, critical mass, added value)
- Range of implementation options – EU level instruments, standardised or tailor made instruments for national and regional level
- Clear financial management rules
 - **Phased contributions covering investment needs over a predefined period**
 - **Reuse of resources for 10 years**
 - **Reporting, monitoring and evaluation rules**

9. Conclusion

- Great potential for added value in cohesion policy
- Haver attracted a lot of interest
- A steep learning curve
- A comprehensive legal framework has been proposed for 2014-2020

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

Financial Engineering Instruments Implemented by Member States with ERDF Contributions. Synthesis Report

http://ec.europa.eu/regional_policy/thefunds/doc/instruments/financial/financial_engineering_report_2012.pdf

Annexes

http://ec.europa.eu/regional_policy/thefunds/doc/instruments/financial/financial_engineering_annex_2012.zip

Factsheet: Financial Instruments in Cohesion Policy 2014-2020

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

Thank you for your attention!

DG Regional Policy – Directorate D, Policy Co-ordination