



Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 Year 2 – 2012

Task 1: Financial engineering

Luxembourg

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**A report to the European Commission
Directorate-General Regional Policy**

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List of abbreviations

- SNCI Société nationale de capital investissement (National company for capital investment)

Executive summary

The Luxembourg ERDF operational programme 2007-2013 did not use financial engineering instruments to complement existing aid schemes. There is no plan to develop their use during the next period for the same reasons as the current period: lack of a critical mass of ERDF intervention; administrative burden.

1. Use of financial engineering instruments

The Luxembourg Government owns the SNCI (National Company for Capital Investment) which is the main public banking company to finance on the medium and long term Luxembourg companies, particularly SMEs. The SNCI operates through loans, export credits, and capital investment for business creation, business transfer, business development and internationalisation of enterprises. The Luxembourg ERDF operational programme 2007-2013 did not use financial engineering instruments to complement existing financing schemes.

2. Rationale for using financial engineering instruments

The reasons given for not using financial engineering instruments are the following:

- The amount of ERDF expenditure for 2007-2013 is too small (EUR 25 million over the period) for achieving a critical mass. There would have been no real added value to set-up a EUR 1 million or EUR 2 million guarantee or investment fund. In addition, the financing instruments already existed.
- The beneficiaries of the ERDF intervention are only public or semi-public entities (local authorities, governmental agencies, public research organisations, etc.) that mobilise other sources of funding rather than FEI.
- The managing authority also considers that the administrative and bureaucratic burden for establishing and using FEI would have been too high to justify their use.

3. The effectiveness of financial engineering instruments: selected examples

Not relevant

4. Main problems in using financial engineering instruments

Not relevant

5. Evaluations of financial engineering instruments

Not relevant

6. Concluding remarks

From the discussion with the Managing Authority, it results there is no plan to develop the use of FEIs during the next period for the same reasons as the current period: no critical mass of ERDF intervention and administrative burden.

Interviews

Bob Simon, Managing Authority FEDER, Luxembourg

Pierre Colbach, Managing Authority FEDER, Luxembourg