

Assess the potential for Investment Platforms supported by the Juncker Plan in the Outermost Regions

Feasibility study

Synthetic Report

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Abstract

This feasibility study undertaken by the European Investment Advisory Hub aims to assist the European Commission investigate the potential to create Investment Platform(s) in the Outermost Regions (Guadeloupe, French Guiana, Martinique, Mayotte, La Réunion, Saint-Martin, the Azores, Madeira and the Canary Islands) to support the greater deployment of the European Fund for Strategic Investments in these regions. The analysis undertaken for the study consisted of reviewing available documents (especially the *ex-ante* assessments undertaken for Financial Instruments potentially using European Structural and Investment Funds), and interviewing local stakeholders (e.g. Managing Authorities, financial intermediaries, chambers of commerce, local associations, others) during a series of on-site fact-finding visits. Discussions with the five National Promotional Banks and Institutions working in the nine Outermost Regions were also initiated to consider what could be improved regarding existing financing solutions and/or what could be developed (AFD, CDC and Bpifrance for the six French Regions, IFD for the two Portuguese Regions, and ICO for the Spanish Region).

This feasibility study provides preliminary conclusions on the financing needs that were identified as common to the nine Outermost Regions: micro-credit / microfinance, loan financing for Small and Medium-sized Enterprises, blue economy, agriculture, and sector-wide Technical Assistance.

Considering these common financing needs, this feasibility study proposes a number of Investment Platforms and/or other financing schemes that could be potentially supported by the European Fund for Strategic Investments in the Outermost Regions. The solutions proposed consider three geographical levels: (i) the European Union or pan-regional level, (ii) the national level (preferably *via* National Promotional Banks and Institutions), and (iii) the regional or multi-regional level. All of the proposals imply an active role of actors in addition to the European Investment Bank Group (relevant Directorate-Generals within the European Commission, National Promotional Banks and Institutions, the Outermost Regions, and financial intermediaries). Moreover, this feasibility study has identified a need to further develop Technical Assistance solutions to underpin the development of sufficiently mature and investable project pipelines.

Finally, this feasibility study proposes next steps that may be undertaken.

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Acronyms and lexical precisions

ADIE	Association pour le Droit à l'Initiative Economique (French MCP)
AFD	Agence Française de Développement (French NPBI)
CBIP	Circular Bioeconomy Thematic Investment Platform
CDC	Caisse des Dépôts et Consignations (French NPBI)
CDTI	Centre for the Development of Industrial Technology (of Spain)
CEB	Council of Europe Development Bank
CEol	Call for Expressions of Interest
CF	Cohesion Fund
CPR	Common Provision Regulation Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006
DG AGRI	Directorate-General for Agriculture and Rural Development of the EC
DG ECFIN	Directorate-General for Economic and Financial Affairs of the EC
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion of the EC
DG MARE	Directorate-General for Maritime Affairs and Fisheries of the EC
DG REGIO	Directorate-General for Regional and Urban Policy of the EC
DG RTD	Directorate-General for Research and Innovation of the EC
EAFRD	European Agricultural Fund for Rural Development
EaSI	EU programme for Employment and Social Innovation
EASME	Executive Agency for Small and Medium-sized Enterprises
EC	European Commission
EIAH	European Investment Advisory Hub
EIB	European Investment Bank
EIF	European Investment Fund
EIPP	European Investment Project Portal
EFSI	European Fund for Strategic Investments
ELENA	European Local Energy Assistance
EMFF	European Maritime and Fisheries Fund
EPMF	European Progress Microfinance Facility
ERDF	European Regional Development Fund

ESIF / ESI Funds	European Structural and Investment Funds
ESF	European Social Fund
EU	European Union
FA(s)	Funding Agreement(s)
FI(s)	Financial Instrument(s)
FIA	Financial Instruments Advisory Division of the EIB
GDP	Gross Domestic Product
ICO	<i>Instituto de Crédito Oficial</i> (Spanish NPBI)
IFD	<i>Instituição Financeira de Desenvolvimento</i> (Portuguese NPBI)
IFRRU	<i>Instrumento Financeiro para a Reabilitação e Revitalização Urbanas</i> (Portuguese FI for urban rehabilitation and revitalisation)
IIW	Infrastructure and Innovation Window of EFSI
IP(s)	Investment Platform(s) According to Article 2(4) of Regulation (EU) No 2015/1017 (the EFSI Regulation), “Investment Platforms” means Special Purpose Vehicles, managed accounts, contract-based co-financing or risk-sharing arrangements or arrangements established by any other means by which entities channel a financial contribution in order to finance a number of investment projects, and which may include: (a) National or sub-national platforms that group together several investment projects on the territory of a given Member State; (b) Multi-country or regional platforms that group together partners from several Member States or third countries interested in projects in a given geographic area; (c) Thematic platforms that group together investment projects in a given sector.
IPE	Investment Plan for Europe (so called “Juncker Plan”)
JASPERS	Joint Assistance to Support Projects in European Regions
MA(s)	Managing Authority(ies)
MCP(s)	Micro-Credit Provider(s)
MFF	Multiannual Financial Framework
MoU(s)	Memorandum(a) of Understanding
NPB(s) / NPI(s) / NPBI(s)	National Promotional Bank(s) National Promotional Institution(s) According to Article 2(3) of Regulation (EU) No 2015/1017 (the EFSI Regulation), “National Promotional Banks or Institutions” means legal entities carrying out financial activities on a professional basis which are given a mandate by a Member State or a Member State’s entity at central, regional or local level, to carry out development or promotional activities.
OCT(s)	Overseas Country(ies) and Territory(ies)
OP(s)	Operational Programme(s)
OR(s)	Outermost Region(s)

POSEI	<p><i>Programme d'Options Spécifiques à l'Éloignement et à l'Insularité des Régions Ultrapériphériques</i></p> <p>Programme of options specific to the remote and insular nature of the Outermost Regions – Specific measures for agriculture in favour of the Outermost Regions of the Union</p>
RDP(s)	Rural Development Programmes
SME(s)	Small and Medium-sized Enterprise(s)
TA	Technical Assistance
TFEU	Treaty on the Functioning of the European Union

1 Introduction

The European Union (EU) includes nine Outermost Regions (ORs)¹, which are geographically very distant from the European continent. Six of them are French (Guadeloupe, French Guiana, La Réunion, Martinique, Mayotte, and Saint-Martin), two are Portuguese (the Azores and Madeira) and one is Spanish (the Canary Islands)². Regardless of the distance separating them from the European continent, these nine ORs are an integral part of the EU. Article 349 of the Treaty on the Functioning of the European Union (TFEU)³ recognises the specific constraints of the ORs and provides for the adoption of specific measures in their regard.

The European Commission (EC) has established a specific strategic approach towards the ORs in four dedicated EC Communications adopted in 2004, 2008, 2012 and 2017. The latest EC's Communication of 24 October 2017⁴ *“proposes a new approach to better address the specific needs of each of the nine Outermost Regions. By encouraging them capitalise on their unique assets, the strategy will help them create new opportunities for their people, boost competitiveness and innovation in sectors like agriculture, fisheries or tourism, while deepening the cooperation with neighbour countries”*. In that Communication, the EC also *“encourages the Outermost Regions to explore an appropriate funding mix for grants and Financial Instruments (FIs) combining different national, regional and European sources of funding”*. The EC moreover supports the ORs to *“make the best out of the available financial support, including the European Fund for Strategic Investments (EFSI)”* and to *“make most use of the possibilities offered by the European Investment Advisory Hub (EIAH) and the European Investment Project Portal (EIPP)”*. To support this, the EC intends to *“set up with the European Investment Bank (EIB) Group a dedicated initiative, including through advisory support from the European Investment Advisory Hub, for the Outermost Regions, to enhance their access to the European Fund for Strategic Investments”*. This is one of the actions proposed by the EC in its 2017 Communication.

The present feasibility study forms part of this latter dedicated action initiated and managed by the EC. Through this feasibility study, the EIB's Advisory Department⁵ aims to assist the EC in investigating the need for and potential to create one or several Investment Platforms (IPs) – or other forms of similar financing initiatives – so as to support a greater deployment of EFSI and/or other forms of EU funding in the nine ORs. IPs are co-investment arrangements structured with a

¹ Please see the EC glossary on the ORs: http://eur-lex.europa.eu/summary/glossary/outermost_regions.html.

² The nine Outermost Regions have different legal status with various levels of autonomy and different responsibilities as per their respective national regulatory context.

³ Please see: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT&from=EN>.

⁴ COM(2017) 623 final. European Commission, 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 – A stronger and renewed strategic partnership with the EU's outermost regions {SWD(2017) 349 final}, Strasbourg, 24 October 2017.

This Communication was presented by President of the EC Jean-Claude Juncker in Cayenne (French Guiana, France) on the 26 and 27 October 2017 during the Conference of the ORs' Presidents.

Please see President Juncker's speech: http://europa.eu/rapid/press-release_SPEECH-17-4247_fr.htm?locale=EN.

⁵ The present feasibility study has been coordinated by the Financial Instruments Advisory Division (FIA) of the EIB, the EIB's team specialised in advisory services provided to public authorities (EC services, Managing Authorities (MAs) and other public authorities at national and local levels) in the set-up of Financial Instruments and Investment Platforms.

view to catalyse investments in a portfolio of projects with a thematic or geographic focus. They consequently can be “national or sub-national”, “multi-country or regional”, or even “thematic”.

In that context, the objectives of the feasibility study are:

- To assess, based on a desktop review of existing *ex-ante* assessments for FIs and brief fact-finding visits to some of the ORs, the financing needs of the Regions;
- To review existing financial products and vehicles that may be considered as case studies for replication in the ORs; and
- To consider the extent to which existing or newly created IPs may be revised / implemented, to increase the amount of finance dedicated for the ORs, combining different financing resources; such as European Structural and Investment Funds (ESIF or ESI Funds)⁶, EIB resources guaranteed by EFSI, and/or resources from National Promotional Banks or Institutions (NPBIs)⁷.

Based on this high-level initial analysis, **a number of FIs and/or similar financing facilities in the ORs already exist, including via NPBIs, which are currently not being fully utilised.** The present feasibility study therefore aims to **propose synergies and complementarities with these existing initiatives, rather than replicate / duplicate them.** This feasibility study also identifies some **potential opportunities to increase and expand existing initiatives**, but it also **highlights some potential gaps in the provision of EU financing and Technical Assistance / advisory support**, and **proposes a number of potential next steps in this regard, most of which require further analysis and development work to be undertaken.**

2 Financing needs reported in the Outermost Regions

The nine ORs have structural characteristics that differentiate them from each other and from continental Europe in terms of population, Gross Domestic Product (GDP), development stage, economic sectors, the Small and Medium-sized Enterprises (SME) market and SMEs’ access to finance (as well as other factors). As a result, these territories have different financing needs and have (or plan to have) specific Financial Instruments, including *via* NPBIs. Furthermore, some NPBIs have developed – or are currently developing – specific instruments for these Regions; such as AFD and Bpifrance in the French ORs, and IFD in the two Portuguese ones. In that context, the EIB Group (comprising the EIB and the EIF)⁸ is already very active in these Regions.

This situation results in financing needs that may differ from one OR to the next. These differing characteristics and related financing needs **limit the possibility to develop financing solutions that can feasibly operate at a pan-OR level.** Yet, on the other hand, in a number of cases, **the ORs have**

⁶ The ESIF include five Funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF).

Please see: http://ec.europa.eu/regional_policy/en/policy/what/glossary/e/esif.

⁷ First discussions with the five NPBIs covering the ORs have been undertaken in the context of the present feasibility study (AFD, Bpifrance and CDC for the six French ORs, IFD for the two Portuguese ORs, and ICO for the Spanish OR).

⁸ The EIB Group is composed of the European Investment Bank (EIB) and the European Investment Fund (EIF). More information on each institution is available here: <http://www.eib.org> (for the EIB), and <http://www.eif.org> (for the EIF).

individually too small a critical mass to generate sufficient financing demand to create bespoke IPs. Having said this, it is to be noted that **a number of facilities / instruments (including FIs) are already available for the ORs** (originating from EU or national initiatives). Even if these facilities may not be specifically dedicated to the ORs, since they typically cover the entire Member State (MS), they remain available to these Regions. Moreover, the main financing needs reported in the ORs are often large infrastructure projects, which may potentially benefit from EIB direct financing (potentially guaranteed by EFSI)⁹ but which do not require the establishment of bespoke IPs¹⁰. Also, even if these large projects are not the focus of the present feasibility study, they need to be kept in mind when considering the ORs' overall financing needs. This situation finally explains why the current activities of the EIB Group in support to the ORs relate to large project financing, intermediate loans *via* commercial banks and Financial Instruments set up at EU or national / regional levels, and available to the ORs.

To summarise:

- **The nine ORs are very different from one another** which directly impacts what is feasible (or not) in terms of IPs covering several ORs;
- The ORs have **different financing needs** since they have to support different sub-sectors and/or face different emergencies, **already benefit from existing FIs** (at EU, national or regional level) and some ORs **have (or plan) specific FIs** within the current programming period, **including via NPBI**s;
- In a number of cases, the **ORs have individually too small** a critical mass to generate sufficient financing demand to create bespoke IPs;
- The **EIB Group is already very active** in the ORs;
- **The main financing needs reported are not necessarily to be addressed by IPs.** The on-site fact-finding visits have been the occasion to discuss with local stakeholders about **large regional projects** that may benefit from EIB financing (potentially guaranteed by EFSI) but cannot necessarily be addressed by IPs.

⁹ For instance, the needs for transport infrastructures in the ORs to address the “*accessibility gap*” is analysed in: Pickup, L., Mantero, C., *Final report on “Transport accessibility for the EU Outermost Regions” (ORs)*, 2017.

This specific study on transport actually recommends to the ORs “*to work pro-actively with EIB to develop transport infrastructure projects that take advantage of the Juncker Plan to modernise and expand airport and port facilities where urgent investments are needed to maintain quality links to Europe and to increase regional competitiveness*” (p. 10). As explained in this study, the ORs have the opportunity to discuss with EIB about large projects to be potentially guaranteed by EFSI. They however need to be pro-active in their approach and so provide elements on projects that are tangible enough to be potentially supported by EIB afterwards.

¹⁰ This need and sometimes priority for large infrastructure projects can also be perceived in the literature. It is for instance mentioned by the ORs themselves in their “*joint memorandum*” of 2017, including in the section on “*enterprises*” (*Mémoire conjoint des Régions Ultrapériphériques, Pour un nouvel élan dans la mise en œuvre de l’Article 349 TFUE, Mars 2017, Révision Juin 2017, pp. 64-67*). It is also mentioned in various reports on the ORs, covering different sectors, such as transport, energy and circular economy. These reports are available here: http://ec.europa.eu/regional_policy/en/policy/themes/outermost-regions/#6.

In that context, **common horizontal financing needs have been reported in all ORs in the following financial markets and/or sectors:**

- **Micro-credit / microfinance** (reported in most of the ex-ante assessments and during all on-site fact-findings visits);
- **SME bank-type financing**, and especially short-term financing (repeatedly reported during all on-site fact-findings visits);
- **Blue economy**;
- **Agriculture**; and
- **Sector-wide Technical Assistance**¹¹.

The following paragraphs detail these horizontal financing / technical needs and economic sectors where common needs covering the nine ORs have been observed.

2.1 Micro-credit / microfinance¹²

Since the majority of the SMEs in the ORs are micro-enterprises (with between 0 and 9 employees) their financing needs often relate to micro-credit and microfinance. The ORs benefit from the EU Programme for Employment and Social Innovation (EaSI)¹³ managed by the Directorate-General for Employment, Social Affairs and Inclusion of the EC (DG EMPL) and implemented *via* the European Investment Fund (EIF) by local financial intermediaries at regional and national level. Some of these selected actors are active at regional level through dedicated branches. The deployment figures of EaSI indicate that it is a very relevant instrument for the ORs (especially the French ORs) and that these Regions benefit considerably from it.

¹¹ Equity and quasi-equity financing for SMEs has also been mentioned in the *ex-ante* assessments and discussed with the local stakeholders. However, most of the ORs have developed their own local solutions without envisaging grouping their resources with those from other ORs.

Moreover, in terms of a pan-OR approach, Bpifrance envisages developing a pan-OR instrument for equity and quasi-equity in the French Regions. The EIB Group could seek to support such initiative. It would however require (i) a request from the NPBI for an EIB Group support, and (ii) the approval / support of the ORs themselves. However, during the on-site fact-findings visits, some ORs, and in particular the French ORs, have shown some reluctance to be part of such a pan-OR instrument.

¹² In the present feasibility study, both “microfinance” and “micro-credit” terms are used. Microfinance designates a market providing, *inter alia*, micro-credit (*i.e.* loans below EUR 25,000). It consequently designates financing actors (often non-bank entities) that may provide various financing schemes, such as: micro-loans, micro-guarantees and/or “*prêts d’honneur*” (zero-interest loans provided to the entrepreneur to finance his/her business project). Micro-credit designates a specific financial product (*i.e.* a loan below EUR 25,000) provided by microfinance institutions but also other actors, such as commercial banks.

The term “micro-credit” is used here since the financing needs reported in the ORs concern the financial product, *i.e.*: loans below EUR 25,000, which are also often short-term loans with maturities of 12 or 18 months. These loans may be provided by microfinance institutions (which also provide Technical Assistance (TA) support to the micro-enterprises and the entrepreneurs financially supported), but, more largely by Micro-Credit Providers (MCPs) which may sometimes not provide such assistance (except in the case of the EaSI Guarantee Instrument, where such TA support is required from the MCP in order to benefit from the EaSI Guarantee Instrument).

As indicated further on in the present feasibility study, this financing need may be complemented by a need for TA support; considering that such TA support may be provided in parallel to financing (in the context of microfinance services), but not necessarily (for instance when such TA support is provided by Chambers of Commerce).

¹³ Please see: <http://ec.europa.eu/social/main.jsp?catId=1081>.

Indeed, as mentioned in Box 1 on page 19, the loan portfolio amounts supported by EaSI represent (as of 31 March 2017):

- EUR 24.2m in the French ORs and Overseas Countries and Territories (OCTs) together, corresponding to 47.4% of EaSI's loan portfolio amount for France as a whole (EUR 51.1m for France) and 9.9% of EaSI's total loan portfolio amount for the whole microfinance programme (this amount for the whole microfinance programme being EUR 244.9m);
- EUR 0.6m in Madeira; and
- EUR 0.2m in the Canary Islands.

Several Micro-Credit Providers (MCPs) and non-bank institutions are familiar with, and already utilise the EaSI Guarantee Instrument in France (three intermediaries), Portugal (one intermediary) and Spain (four intermediaries). It is particularly used in the French ORs, especially in the regions where banks may not be as active as in continental France or in other ORs (such as French Guiana and Mayotte).

In parallel, some ORs already have – or wish to develop – their own initiatives linked to micro-credit and/or microfinance. For instance, the Azores have a microfinance programme on their territory, Madeira is willing to develop one, and the French ORs may benefit from national networks of (MCPs) such as “*Association pour le Droit à l'Initiative Economique*” (ADIE) or “*Initiative France*” (both of which already benefitting from the EaSI Guarantee Instrument).

Hence, **micro-credit / microfinance seems to be the first financial sector where financing needs exist in the nine ORs and where existing initiatives could be leveraged for all the Outermost Regions, notably through the EaSI Guarantee Instrument.**

2.2 SME bank-type financing

Apart from micro-credit / microfinance, larger SMEs (with between 10 and 249 employees) also experience difficulties accessing finance in the ORs. These difficulties may differ from one Region to another. For instance, the Canary Islands (notably thanks to the SME initiative and a dense network of banks present on the territory) seem to experience fewer difficulties than the French or Portuguese ORs. Moreover, even between the French ORs for instance, bank activity may be different, especially when the decision centres are in Paris, in the Caribbean islands or in La Réunion, which leaves French Guiana and Mayotte with a more limited access to the banks.

However, when considering the ORs at a broader level and in comparison to continental Europe, these difficulties of bank access seem to be a common factor to all ORs. This is for instance highlighted by the ORs themselves in their joint memorandum¹⁴. It has also been mentioned several times by the local stakeholders interviewed during the on-site fact-findings visits who sometimes highlighted the need to pre-finance the grants provided by public authorities (the latter being grants provided under European Structural and Investment Funds (ESIF or ESI Funds) or through national / local resources). **The delays implied by the provision of grants or in the payment of public purchasing (considering that public procurement is a very large component of the SMEs' activity in the ORs) creates tension on SME short-term treasury management, and the banks seem reluctant to provide adequate solutions (i.e. short-term loans, factoring, and “daily credit”).**

¹⁴ Régions Ultrapériphériques Européennes, Op. Cit., especially the section on “enterprises”, pp. 64-67.

In terms of sectors that may be of specific interest in the ORs, **tourism** is mentioned in many *ex-ante* assessments and has been raised during several on-site fact-findings visits. Tourism is also mentioned in the “joint memorandum” of the ORs¹⁵ as well as in sectoral analyses, such as the EC study on sustainable Blue Growth in the ORs published in September 2017¹⁶ which says: “*coastal tourism plays a pivotal role in the blue economy of all ORs, having the largest socio-economic impact and still showing some growth*”¹⁷.

2.3 Blue economy

Blue economy is not always mentioned in the *ex-ante* assessments, which often consider SMEs without sectoral segmentation. This sector is however detailed as one of the key assets of the ORs in the EC’s Communication of 24 October 2017¹⁸, although its economic impact is different among Regions (e.g. 10% of the Gross Value Added in the Azores vs. 1% in La Réunion). It is also analysed in depth in the study conducted by the Directorate-General for Maritime Affairs and Fisheries of the EC (DG MARE) and the Executive Agency for Small and Medium-sized Enterprises (EASME) regarding sustainable Blue Growth in the ORs (*study already mentioned for tourism*). In both documents, blue economy is presented as a strategic sector. For instance, the EC study specifies that “*maritime-based economic activities contribute significantly to the overall economy of Caribbean [-Amazonia] countries*” (i.e. Martinique, Guadeloupe, French Guiana and Saint-Martin in the context of this study)¹⁹. Blue economy is also highlighted by the European Committee of the Regions in its Opinion on the EC’s Communication of 24 October 2017, stressing this sector’s particular potential in the ORs and mentioning that these territories could be a “*test station for innovative projects*”²⁰.

Another topic that concerns all the ORs and is mentioned in the EC’s Communication of 24 October 2017 (p. 5) as well as in the EC study on sustainable Blue Growth in the ORs is the renewal of the fishing fleets. It has also been mentioned several times during the discussions with local stakeholders, along with needs for fishery infrastructure.

Finally, the literature and the discussions with local stakeholders during the on-site fact-findings visits have highlighted opportunities for renewable energy and blue biotechnology. These sectors are however still in development and seem to first need technical support to enable projects to emerge before envisaging dedicated financial supports.

As a conclusion, **since similar financing needs were reported in the nine ORs for blue economy and Blue Growth, there is potential for a future pan-OR Investment Platform that could address some of these needs.**

¹⁵ *Ibid.*

¹⁶ European Commission, Executive Agency for Small and Medium-sized Enterprises (EASME), *Realising the potential of the Outermost Regions for sustainable Blue Growth*, Final Report, September 2017.

¹⁷ European Commission, Executive Agency for Small and Medium-sized Enterprises (EASME), *Op. Cit.*, p. 12.

¹⁸ COM(2017) 623 final. European Commission, *Op. Cit.*, p. 5.

¹⁹ European Commission, Executive Agency for Small and Medium-sized Enterprises (EASME), *Op. Cit.*, p. 29.

²⁰ European Committee of the Regions, COTER-VI/030, *Opinion on “Towards full implementation of the renewed European Strategy for the Outermost Regions”*, 127th plenary session – 31 January and 01 February 2018, Commission for Territorial Cohesion Policy and EU Budget, Adopted in plenary on 31 January 2018, p. 5.

2.4 Agriculture / agri-business

Similar to blue economy, financing needs in agriculture are not always analysed in the *ex-ante* assessments undertaken by the ORs. The sector is however strategic in many ORs in terms of value, growth, jobs and regional identity, as indicated in the ORs' joint memorandum²¹. In its Opinion on the EC's Communication of 24 October 2017, the European Committee of the Regions also highlights the importance of agriculture in the ORs, stressing "*that agriculture is a vital sector for the economy, the environment, spatial planning and employment in the ORs*"²².

Discussions with local stakeholders have confirmed that the financing needs of the companies working in agriculture and in the agri-business in the ORs are often related to the remoteness and insularity of the Regions. Their specific situations often result in dependency on a small number of products, higher production costs, small local markets for outlets, and higher prices for imports or exports.

This analysis is confirmed by the Directorate-General for Agriculture and Rural Development of the EC (DG AGRI), which has set up specific measures for the ORs²³, among these measures there is POSEI²⁴ ("*Programme d'Options Spécifiques à l'Éloignement et à l'Insularité des Régions Ultrapériphériques*"), a programme of specific measures for agriculture in favour of the ORs.

Following this, like for blue economy, **as similar financing needs were reported in the nine ORs for agriculture and agri-business, there is potential for a future pan-OR Investment Platform that could address some of these needs.**

2.5 Technical Assistance needs

In parallel to these common horizontal financing needs, **Technical Assistance (TA) gaps / needs** have been reported in the nine ORs. These TA gaps and needs relate to:

- The structuring of projects (the latter being small and/or large);
- The managerial capacity of the entrepreneurs (to develop a Business Plan, envisage growth opportunities and/or diversify their activities for instance); and to
- The capacity of the SMEs and entrepreneurs to seek financing, and to present their projects to banks and other financiers with the appropriate financial knowledge and skills.

Such gaps and needs would need to be considered and addressed to the best extent possible so as to support the deployment of the existing and potential new financing facilities, including new IPs.

Common horizontal financing needs, based on this high-level feasibility analysis, including a review of *ex-ante* assessments for FIs undertaken, **have been identified primarily for micro-credit / microfinance, SME bank-type financing, agricultural and fisheries sectors. Technical**

²¹ Régions Ultrapériphériques Européennes, Op. Cit., especially the section on "agriculture and rural development", pp. 32-41.

²² European Committee of the Regions, Op. cit., p. 7.

²³ Please see: https://ec.europa.eu/agriculture/quality/optional-voluntary-certification_en.

²⁴ POSEI is a programme of options specific to the remote and insular nature of the Outermost Regions – Specific measures for agriculture in favour of the Outermost Regions of the EU.

Assistance (TA) gaps / needs have also been reported in the nine ORs and need to be addressed to make the best use of the existing and potential new financing facilities, including IPs.

3 Potential for future Investment Platforms in the Outermost Regions

3.1 General considerations and common characteristics of the proposed Investment Platform solutions

As previously indicated, the EC requested the EIAH to investigate the potential to create one or several IP(s) that would gather resources for the benefit of **several** ORs. Based on **EIB Group's experience and lessons learnt from existing IPs**, when designing potential IPs for the ORs, a few characteristics need to be common to all proposals. Following this, the IP solutions proposed in this feasibility study have the following features and objectives:

- They aim to **address financing needs** reported in the literature and discussed during the on-site fact-findings visits **that are common to several ORs**;
- They hence aim to **cover several ORs** and, in so doing, generate sufficient critical mass and create an *impetus* vis-à-vis external stakeholders (such as commercial banks and investment funds) to better consider the ORs when providing financing. Indeed, based on the analysis undertaken in this feasibility study, it appears that limited critical mass exists in the ORs to create new IPs, and so that IPs covering several ORs are preferable;
- They aim to **be in line with a purpose / a strategy** that is relevant for all the concerned territories;
- They aim to **generate synergies with existing FI initiatives** (developed and/or implemented at EU, national or regional levels) **and/or complementarities**. Following this, the IP solutions proposed hereafter **do not intend to replicate or duplicate existing initiatives**. Indeed, the analysis undertaken for this feasibility study has indicated that a number of facilities / instruments are already available to the ORs. The latter are perhaps not specifically ring fenced for them, but nevertheless available to them²⁵;
- They aim to **present solutions to be considered for the mid- to long-term run**, promoting investment of viable projects that can generate reimbursement and so make the best use of public and private resources as well as support the internal viability of the IP. They may also be considered in a post-2020 perspective (*i.e.* in the context of the 2021-2027 programming period), given the likely set-up time and resources needed;
- They aim to **align the interests of several stakeholders** working in both public and private spheres so as to create a **consensus** among relevant stakeholders, among which the ORs, the final recipients (*i.e.* SMEs and/or small projects promoters), the NPBI, the MCPs, the potential financial intermediaries as well as the EC and, when relevant, the EIB Group (bearing in mind

²⁵ These facilities / instruments are perhaps not very well understood by all stakeholders in the ORs and could benefit from improved communication from various actors, among which the EIB Group, the NPBI and the local financial institutions.

that the EIB – or the EIF – cannot be the only entities involved in the financing of such facilities); and

- They finally aim to ensure that the **advantages of FIs** are integrated into the design of the IPs proposed, such as²⁶:
 - Set up an **innovative way of financing viable projects** (in comparison with grants) considering that the reimbursement of the financial product by the SME or the project may finance other projects later on. The money paid back may hence be used over and over again for other similar investments;
 - Generate a **multiplier effect on public resources**, by attracting public and private investors and making them participate into the IP according to their own risk / return appetite and to a classification of differentiated risks. In such an approach, public resources may originate from the ESI Funds, regional funding, or from the EC budget. In parallel, additional financing may originate from the EIB Group (these EIB Group resources being guaranteed by EFSI or not) and potentially from other stakeholders such as the NPBIs and other financial institutions; and
 - Leverage the **local expertise of potential IP managers in the ORs** that are already active in the considered markets, such as the NPBIs and the MCPs.

These characteristics need to be taken into consideration in the proposals made for IPs, or for other financing schemes to be potentially developed in the nine ORs. Following this, EIB's interventions in FIs and/or IPs, potentially guaranteed by EFSI, mainly depend on:

- The capacity and interest from the **NPBIs** to develop specific initiatives for the ORs in their respective MS;
- Progress made by the **ORs** themselves concerning their own regional FI initiatives, through the mobilisation of their existing resources (originating from the ESI Funds, their own regional budget or from other financing sources) and their appetite to work together on such initiatives; and
- The capacity of the **EC** (mainly DG REGIO, DG EMPL, DG AGRI and DG MARE) to develop initiatives specific to the ORs in the context of their respective remits.

3.2 Potential for Investment Platform solutions in the Outermost Regions

To address the common financing needs reported in the ORs, an articulated package of proposals / opportunities is proposed as material for further reflection and discussion among relevant stakeholders. This coordinated package aims at addressing the financing needs observed as well as proposing solutions to support the growth of demand for financing and the development of projects that may later benefit from existing and proposed new financing facilities. This package is composed of three pillars:

- Foster the provision of micro-credit and microfinance, leveraging the existing EaSI Guarantee Instrument;

²⁶ Please see fi-compass resources regarding the advantages of Financial Instruments: and https://www.fi-compass.eu/sites/default/files/publications/ESIF_A_sustainable_way_of_achieving_EU_economic_and_social_objectives_EN.pdf.

- Develop Investment Platforms with the NPBIs in line with their existing offer and the regional needs observed, or develop a multi-regional Investment Platform for the French ORs; and
- Propose Technical Assistance support services to foster the development of new financing demand, notably to support project structuring, including at micro-enterprise and SME level.

The characteristics of the IP solutions proposed hereafter, including the scope, governance structure, and stakeholders involved, are based on EIAH's current understanding of the situations in the ORs. It is hence a matter for the various stakeholders to be involved later in the design, set-up and/or implementation of these schemes to decide on the final characteristics and modalities of such schemes²⁷; these decisions being based on the circumstances existing at the relevant date of design and implementation of the future financing schemes.

All the IP solutions proposed imply an active role of actors other than the EIB Group; these actors being the NPBIs, the ORs, financial intermediaries (such as MCPs, banks and/or investment funds), and the relevant Directorate-Generals within the EC. **Without their active role, none of the proposals made in the present feasibility study can be implemented.**

Microfinance Investment Platform potential

Microfinance has been identified as the first area where financing needs exist in all the nine ORs, and particularly in the French ORs. In this respect, existing initiatives could potentially be complemented and potentially increased for all the Regions. The most obvious of these initiatives is the EaSI Guarantee Instrument (in the context of the EU programme for Employment and Social Innovation), an EU level instrument managed by the European Investment Fund (EIF), and most recently increased with support from the Juncker Plan's EFSI guarantee. This **EaSI Guarantee Instrument** is further detailed in the box below.

²⁷ Considering that, in any case, EU and national regulations always need to apply.

Box 1 : The Employment and Social Innovation (EaSI) Guarantee Instrument²⁸

EaSI (Employment and Social Innovation)

The Employment and Social Innovation (EaSI) initiative is an EU programme to promote sustainable employment, and help guarantee adequate and decent social protection. It aims to combat social exclusion and poverty, and improve working conditions in line with the Europe 2020 strategy. It is specifically dedicated to microfinance and social entrepreneurship²⁹.

In total, the EaSI programme amounts EUR 919.5m. The Financial Instruments of this EaSI programme have an overall indicative envelope of EUR 193m for the 2014-2020 programming period. Out of this, an indicative EUR 96m are dedicated to the EaSI Guarantee Instrument which kicked off in June 2015, and is managed and implemented by the European Investment Fund (EIF) on behalf of the European Commission (DG EMPL). This EaSI Guarantee Instrument has been topped-up by EFSI with an additional EUR 100m. EaSI builds on the previous European Progress Microfinance Facility (EPMF) and, compared with the past, it covers also social entrepreneurship alongside microfinance, in the EU-28 as well as Albania, the Former Yugoslav Republic of Macedonia (FYROM), Iceland, Montenegro, Serbia and Turkey.

The EaSI Guarantee Instrument is a first-loss capped guarantee or counter-guarantee that EIF offers through selected financial intermediaries to cover loan portfolios in the areas of micro-credit / microfinance (targeting micro-borrowers and micro-enterprises) and social entrepreneurship (aimed at social enterprises). EIF does not provide direct financial support to individuals or enterprises but it implements the instrument through local financial intermediaries, such as Micro-Credit Providers (MCPs), social finance and guarantee institutions, as well as some banks. In terms of process, EIF selects financial intermediaries that have applied under a Call for Expressions of Interest (CEoI) on a continuous basis following an established due diligence procedure including expected impact (e.g. volumes and geographical reach), financial standing, financing capacity, and operational capabilities.

The risk-sharing mechanism between the financial intermediaries and the EU enables the selected intermediaries to increase their loan volumes and acquire new customers by reaching out to (potential) non-bankable micro-entrepreneurs that they would not have been able to finance otherwise due to risk considerations. It also helps the MCPs develop in new segment of recipients that may include *inter alia* enterprises active in the field of labour market integration of vulnerable groups. Finally, EaSI gives these financial intermediaries a high degree of autonomy, allowing them to have full delegation on the origination, credit decisions, and servicing.

In parallel, EaSI ensures that benefits are passed on to the final recipients, including: lower interest rates, lower or no personal guarantees / collateral required, and non-financial services provided by the MCPs.

EaSI is already very active in the Outermost Regions (ORs) of the three Member States. Indeed, as of 31 March 2017, eligible final recipients having received financing under this guarantee instrument in the ORs were:

- 2,692 in the French ORs and Overseas Countries and Territories (OCTs) together, with a loan portfolio amount supported by EaSI of EUR 24.2m, corresponding to 47.4% of EaSI's loan portfolio amount for France as a whole (EUR 51.1m for France) and 9.9% of EaSI's total loan portfolio amount for the whole microfinance programme (this amount for the whole microfinance programme being EUR 244.9m);
- 48 in Madeira, with a loan portfolio amount supported by EaSI of EUR 0.6m; and
- 15 in the Canary Islands, with a loan portfolio amount supported by EaSI of EUR 0.2m.

Several MCPs and banks know and already use EaSI in France (three intermediaries), Portugal (one intermediary) and Spain (four intermediaries). It is more particularly used in the French ORs, especially in the regions where banks may not be as active as in continental France or in other ORs (such as French Guiana and Mayotte).

In that context, two options to leverage the existing centrally-managed EaSI Guarantee instrument in the nine ORs may be envisaged.

The first option is a national level solution. It would imply securing a **ring-fenced amount from a national State or from several Regions for an IP that would cover the ORs of this Member State.** Subject to a detailed feasibility and commercial study, the amount could be put into the EaSI Guarantee Instrument and would then benefit MCPs to reach final recipients in the ORs of this specific MS.

²⁸ For further information, please see: http://www.eif.org/news_centre/publications/eif_flyer_easi_en.pdf.

²⁹ For further information, please see: http://www.eif.org/what_we_do/microfinance/easi.

With respect to this option, it is worth considering the pilot currently undertaken with *Comunidad de Madrid* (Spain). The Region is in an advanced phase to contribute some of its regional ESIF OP resources (ESF resources) to the EaSI Guarantee Instrument that will be ring-fenced to the regional territory (as described in the following box). This pilot is the first project of this kind in the EU. Depending on the outcomes of this initiative, the Spanish government expressed an interest to replicate this scheme at a national level.

Box 2 : Comunidad de Madrid's ESF contribution to EaSI

<i>Comunidad de Madrid's ESF contribution to EaSI</i>
<p>The <i>Comunidad de Madrid</i> has earmarked EUR 25m of its European Social Fund (ESF) Operational Programme (OP) to set up a Financial Instrument that would respond to social deterioration that has taken place in the Region of Madrid due to the financial and economic crisis.</p> <p>On the basis of the <i>ex-ante</i> assessment, that found a financing gap of about EUR 700-750m for both the microfinance and the social entrepreneurship sectors combined, an instrument building on the EaSI Guarantee Instrument is under development with the European Investment Fund (EIF).</p> <p>The possibility to make this kind of contributions from an ESIF Programme to an EU level instrument is a novelty of the 2014-2020 programming period. It is made possible by Article 38(1)(a) of Regulation (EU) 1303/2013 (i.e. the Common Provisions Regulation).</p> <p>The instrument will be managed by the EIF and will benefit from the existing EaSI guarantee framework. The instrument is expected to be launched in 2018.</p>

The **second option is a market-oriented solution** that would **leverage on the existing EaSI guarantee process**. Discussions between the EIB Group and a potential financial intermediary already well-established in the French ORs have indicated an initial interest in requesting additional EaSI support for a French OR focused investment programme (topping up the current transaction for France). In this context, the intermediary could consider whether a new application to the EaSI Call for Expressions of Interest (CEoI) could be submitted for the purpose of an additional EaSI guarantee, and so encourage further lending activity in these territories. This option would not imply new national financing resources and so use the existing EaSI resources. According to EIB's understanding, as the EaSI Guarantee Instrument is demand driven, it is up to the financial intermediary(ies) to apply, considering that the latter may decide to focus on a particular geography, i.e. including potentially the ORs in particular. It is also worth mentioning that the implementation of the EaSI Guarantee Instrument is subject to country limits. Any further application to the EaSI Guarantee Instrument will therefore need to be assessed in view of these existing country limits. **This proposed option should therefore take into account such constraint.** Finally, any application received from a financial intermediary remains subject to EIF's assessment and to the EC's approval. It also follows the standard process highlighted in the CEoI, including provisions related to EIF's governing body approval.

Further discussions between DG EMPL and the EIF as entrusted entity may be planned to further reflect upon this specific option.

Leveraging the existing EaSI Guarantee Instrument to provide additional support to the micro-credit / microfinance sector in the ORs may be considered as the most relevant, the easiest and the most efficient way to support the ORs' economies in the short-run. Following the delivery of the present feasibility study, it is most probably the proposition to prioritise for future implementation. This solution can be implemented during the current Multiannual Financial Framework (2014-2020). It will require either an explicit commitment from an MS, and/or specific involvement from private stakeholders (such as MCPs).

As for **blue economy and agriculture**, a current initiative that may benefit the ORs is the **Circular Bioeconomy Thematic Investment Platform (CBIP)** promoted by the Directorate-General for Research and Innovation of the EC (DG RTD) and the EIB³⁰. As detailed in the box below, the CBIP is an **EU-wide IP initiative** for innovative projects in various sectors, including blue economy in the nine ORs. It aims to be active by 2019.

Box 3 : The Circular Bioeconomy Thematic Investment Platform

Circular Bioeconomy Thematic Investment Platform

Background

Bioeconomy could significantly contribute to meeting the EU priorities on growth and climate if innovative technologies, processes and business models in this domain are developed and deployed. One of the key success factors behind such development and deployment is access to finance.

The EC (Directorate-General for Research and Innovation, DG RTD) mandated EIB's Innovation Finance Advisory to explore access-to-finance conditions in bioeconomy. A thematic study³¹ identified financing gaps in two key areas of bioeconomy – (i) bio-based industries and (ii) **blue economy** – when projects are about to enter the demonstration phase or commercial phase (the latter in particular for bio-based industry projects). These financing gaps stem from the innovative nature of projects in these sectors, which causes high levels of risk (e.g. technology risk, market risk, and regulatory risk), as well as requiring a high level of capital expenditure for those projects reaching the higher development and deployment stages. The study recommended, amongst other, tackling these financing gaps by establishing a **dedicated EU Thematic Investment Platform** which could take the form of a **risk-sharing Financial Instrument** (where the risk would be shared between several stakeholders, including the EC): the Circular Bioeconomy Thematic Investment Platform (CBIP). Other areas of bioeconomy, such as **agriculture** and the **agri-food industry**, would / could also benefit from such IP.

The IP would also contribute to the EU's agenda for circular economy; knowing that in a circular economy the value of products, materials and resources is maintained for as long as possible, and the generation of waste is minimised.

Characteristics, objectives and scope of the IP

- *Type of IP:* The CBIP will be deployed under the EU's Research and Innovation Horizon 2020 programme in the form of an EU risk-sharing Financial Instrument. It will consequently be a Thematic Investment Platform.
- *Objectives of the IP:* The CBIP aims to provide finance, in particular in the form of debt or quasi-equity, to innovative bioeconomy projects and focusses in priority, but not exclusively, on circular bioeconomy projects.
- *Size of the IP – EU contribution:* The total EU contribution to the CBIP will amount to EUR 100m.
- *Financial products provided:* The CBIP will provide debt or equity / quasi-equity-type products.

³⁰ In that context, the CBIP may support the recommendations made by circular economy experts in the ORs and detailed in: Institute for European Environmental Policy, *Expert Group on Green and Circular Economy in the Outermost Regions, Final Report*, 22 June 2017.

For instance, this specific study on circular economy in the ORs recommends that “the EU should provide specific and predictable financial support to protect and value the EU's biodiversity and develop circular economy models in the ORs” (p. 25).

³¹ European Investment Bank Advisory Services, Innovation Finance Advisory, *Study on Access-to-finance conditions for Investments in Bio-Based Industries and the Blue Economy*, Luxembourg, June 2017.

Please see: http://www.eib.org/attachments/pj/access_to_finance_study_on_bioeconomy_en.pdf.

Circular Bioeconomy Thematic Investment Platform

- *Geographical scope of the IP:* EU-28 Member States and Horizon 2020 Associated Countries.

Final recipients and projects to be financed

- *Sectorial scope of the IP:* The sectorial scope is the bioeconomy, focusing in priority, but not exclusively, on circular bioeconomy, where circular economy is understood as the application of the concept of circular economy to biological resources, products and materials. It may include, amongst others, projects that use terrestrial or aquatic biomass (including waste, residues, discards and by-products from the **agricultural, agro-food, forestry and aquatic sectors**) for innovative bio-based products or processes, or to valorise it for other innovative purposes (amongst which food, feed, fertilisers or soil improvers).
- *Exclusions:* Projects focusing exclusively or mainly on renewable energy generation (fuels, heat or power) will not be eligible under the CBIP.
- *Technological readiness:* Eligible projects are those where the main technology is entering, at their start, an early demonstration phase, up to projects for which the main technology is about to enter, at their start, a phase where the actual system has been proven operational.
- *Innovativeness:* Eligible projects shall concern innovative applications, technologies, processes, business models and/or organisational models.
- *Project potential and risks:* Eligible projects shall have a sufficient development and deployment potential, and face significant risks (such as technology, market or regulatory risks).

Management

The CBIP shall be managed by a third-party financial intermediary / fund manager selected through an open Call for Expressions of Interest (CEoI).

Status and timeline

A market consultation workshop was held in Brussels on 06 December 2017. The Terms of Reference of the CEoI are currently being drafted, with a publication and the fund manager selection expected during the second half of 2018.

National level SME Investment Platform opportunities with the NPBIs

When it comes to traditional SME bank-type financing, a number of credit lines, risk-sharing and venture capital facilities already exist with banking intermediaries and venture capital funds, and are available to the ORs. A number of these facilities involve the NPBIs, and, some new facilities are currently being discussed / negotiated with the EIB Group in this regard. Some of these initiatives are indicated in the following table.

Table 1 : Highlights of some existing EIB Group financing facilities benefitting the ORs (including some credit lines under discussion)

Existing funding lines operating in the ORs	
France	<ul style="list-style-type: none"> • The Risk-Sharing “French Overseas Territories Development” Investment Platform between the EIB and AFD signed in December 2016 (where EIB provides a first demand EUR 180m EFSI guarantee covering 50% of the credit risks of the final recipients financed by AFD in the ORs and the OCTs) • A Risk-Sharing Investment Platform between the EIB and Bpifrance financing mid-caps signed in March 2018 • The EIF-Bpifrance Enhanced Cooperation Fund-of-Funds (an initiative with a target allocation of EUR 100m from the SME equity window of EFSI) • The “Financière Région Réunion” (a EUR 50m Fund-of Funds managed by EIF, and co-financed by EIB under EFSI through a loan to La Réunion Region, to finance regional SMEs via equity and debt) • EIB is in discussions with the Crédit Agricole Group to set up an intermediated credit line of EUR 30m, to support local SMEs and mid-caps active in the reconstruction processes of Saint-Martin and Saint-Barthélemy
Portugal	<ul style="list-style-type: none"> • The IFRRU 2020 – FI, supporting urban development and energy efficiency initiatives in Portugal (including the ORs) and combining resources from ERDF³², EIB, CEB³³, and private commercial banks (a first EUR 100m tranche of the EUR 300m loan was signed in September 2017) • The PVCi, a EUR 111m Private Equity and Venture Capital Fund-of-Funds created by EIF in 2007, together with private financial institutions, public bodies and selected foundations (EUR 70m are still outstanding)
Spain	<ul style="list-style-type: none"> • The SME Initiative in Spain (financed through a combination of ESI Funds, COSME, EIB, and commercial bank financing). An increase / top-up for this instrument is being negotiated, including for the Canary Islands • The “EAF Fondo Isabel La Católica”, a EUR 30m initiative covering Spain and involving ICO (EUR 14m are still outstanding) • The NEOTEC, a EUR 183m Fund-of-Funds covering the Venture Capital and Private Equity markets of Spain and involving ICO and CDTI³⁴ (EUR 40m are still outstanding)

Source: EIB Group, 2018.

³² European Regional Development Funds (ERDF).

³³ The Council of Europe Development Bank (CEB).

³⁴ CDTI is the Centre for the Development of Industrial Technology of Spain.

“National-level” IPs could consequently be set up to **cover several ORs in a specific MS**. Such IPs would preferably involve the NPBIs of the three MS that have ORs, in order to ensure an appropriate geographical reach and leverage their experience in the ORs. **First discussions with the five NPBIs working in the nine ORs³⁵ have been initiated in the context of this feasibility study and permanent contact exists between the NPBIs and the EIB Group**. Each NPBI is in a different situation in relation to the ORs. This requires the EIB Group to adopt an appropriate approach for each situation.

As indicated in the table below, **these “national-level IPs” could consist of new structures** (in the case for the French ORs and following the example developed by EIB with AFD) **or be in complement to existing FIs** (in the case of the Portuguese and Spanish ORs).

Moreover, **the EFSI Agreement between the EU and the EIB has been revised**. This revision set up the **creation of a new dedicated portfolio within the Infrastructure and Innovation Window (IIW) of EFSI for equity-type operations led by NPBIs** in response to the increased emphasis on EFSI-supported operations with NPBIs. This new sub-window is **dedicated to equity-type risk sharing operations with strong NPBIs’ involvement**, or captive funds managed by NPBIs, or other NPBI-led equity-type operations. In the meantime, not all equity-type EFSI operations involving an NPBI will be allocated to this foreseen NPB sub-window. This equity NPB sub-window under EFSI is meant to **increase the possibilities for the EIB to work under EFSI with the NPBIs, including in the ORs**.

The following table summarises IP opportunities for the ORs *via* the NPBIs.

³⁵ AFD, Bpifrance and CDC for the six French ORs, IFD for the two Portuguese ORs, and ICO for the Spanish OR.

Table 2 : Overview of the “national-level IP” proposals involving the NPBIs

Scope	Proposal	Considerations and barriers	Priority	Short, medium or long-term approach	Next steps
French ORs	Bpifrance Design a Risk-Sharing instrument for SMEs in the ORs	<ul style="list-style-type: none"> • Bpifrance’s current FI supply in the French ORs is large • In the context of the “Assises de l’Outre-Mer” and of the present feasibility study, discussions with Bpifrance have been initiated so as to potentially develop an EIB-Bpifrance initiative in the French ORs 		Medium-term (within the current MFF or for the new MFF) (depending on Bpifrance’s interest for such IPs)	Discussions initiated with Bpifrance Bpifrance’s interest to collaborate with EIB on such IP is to be tested
French ORs	Bpifrance Support the “prêt de développement Outre-Mer” (“prêt DOM”)	<ul style="list-style-type: none"> • The type of financing to be provided is to be designed and an interest from Bpifrance to collaborate with EIB is to be confirmed 			Discussions initiated with Bpifrance (building on the “structural limitations” of the “prêt DOM”) Bpifrance’s interest to collaborate with EIB on such IP is to be tested
Portuguese ORs	IFD Complement, with EFSI, the existing FIs using ESIF, with a specific focus on the two Portuguese ORs Promote the EIF-IFD potential cooperation to set up an equity co-investment programme for Portugal (including the ORs)	<ul style="list-style-type: none"> • The EIB knows IFD (a new entity with a building track record) and several operations are being discussed and implemented with it, but EFSI-transactions with IFD have not been considered so far • The small dimension of the two Portuguese ORs is a constraint to the development of specifically designed initiatives • As of April 2018, Funding Agreements (FAs) between IFD and the Managing Authorities (MAs) for the FIs supported by ESIF in both the Azores and Madeira are still to be signed (so the exact characteristics of the FIs are not fully known, including amounts and final recipients) 	Depends on the success of the FIs managed by IFD for the two ORs and the relevance of an EFSI-transaction	Medium-term (within the current MFF or for the new MFF) (depending on future FIs’ success and relevance of an EFSI-transaction)	After the launch of the FIs using ESIF in the two ORs, depending on their respective success in each OR, and if deemed relevant by IFD and the MAs, discussions to start with IFD about a possible EIB transaction guaranteed by EFSI to the existing FIs (potentially with a focus on the Azores and Madeira)
Spanish OR	ICO Define with ICO the most appropriate existing FI to be supported by EIB guaranteed by EFSI according to its relevance for the Spanish OR	<ul style="list-style-type: none"> • ICO already manages FIs that also cover the Canary Islands’ economy. The best approach would then to determine with ICO which of these FI(s) benefit most the OR and would be worth being more supported (potentially with an EIB transaction guaranteed by EFSI) 		Medium-term (within the current MFF or for the new MFF) (depending on ICO’s consideration as the most relevant FI(s) for the Canary Islands)	Discussions to start with ICO about a possible EIB transaction guaranteed by EFSI to increase (an) existing FI(s) which is (are) the most relevant for the Canary Islands

Source: EIAH, 2018.

Even if **each NPBI is in a different situation**, common criteria for an IP set-up are: (i) the **need for an interest from the NPBI to receive support from the EIB for an IP in the ORs** and (ii) the **capacity of the NPBI to manage this IP**.

In that context, **Technical Assistance** support may play a role in terms of generating awareness of financing possibilities, supporting project development and supporting NPBIs in designing and establishing the IPs.

Regional level Investment Platform potential

Many ORs have started – or envisage setting up – regional FIs, using ESI Funds or not. Also, since most of these initiatives are under development, **they need to progress and be better defined to potentially benefit from an EIB financing**. In the context of these initiatives, **the ORs may mobilise the Technical Assistance budgets of their regional EU Programmes** – i.e. being the Operational Programmes (OPs) or the Rural Development Programmes (RDPs) for agriculture – **to receive technical support** from external consultants for their FI initiatives.

Moreover, in parallel to work with the NPBIs, **another opportunity would be for the French ORs to consider benefiting from an existing EIB / EFSI programme targeting French Regions**, and **leveraging their own initiatives for SMEs in the context of a multi-regional IP able to create sufficient critical mass in the ORs**. This programme and opportunity are further explained in the box below.

Box 4 : The French Regions SME Programme and how it could be leveraged for FI initiatives in the Outermost Regions

The French Regions SME Programme in the Outermost Regions – A multi-regional IP opportunity

The French Regions SME Programme (the “Programme”) aims to leverage ESI Funds and/or resources from the French Regions, including the ORs. To better address the financial needs of enterprises and entrepreneurial projects on their territories, several French Regions are in the process of structuring funding vehicles (as individual funds / investment vehicles, or as Funds-of-Funds) to be invested across a number of FIs focusing on SMEs (including, in some cases, micro-enterprises, social enterprises and start-ups) and, albeit marginally, mid-cap companies. These Instruments are typically funds deploying equity, quasi-equity and/or debt financing.

Several French Regions have initiated such instruments, targeting for example:

- Innovating SMEs, start-ups and micro-enterprises;
- Traditional SME seeking growth capital;
- Social enterprises;
- SMEs in the agriculture sector; and
- Under certain conditions, infrastructure project companies.

The approach materialises in an extension of the regional ESIF budgets and/or regional resources mobilised for economic development. It increases the deployed amounts, generates catalytic effects towards other investors, does not require recourse beyond the FIs themselves (in particular, there is no need for regional guarantees), and ensures sustainability thanks to the recycling effect.

Three concrete projects are currently underway (including one in an OR, La Réunion):

- Normandie: a EUR 20m EIB contribution to a EUR 40m debt fund managed by the French firm SOFIMAC that aims to provide subordinated / quasi-equity loans to SMEs seeking to grow and/or reorganise their activities;
- La Réunion: a EUR 20m EIB contribution to the OR that is then injected into a EUR 50m Fund-of-Funds deployed across two instruments: (i) a EUR 40m debt instrument targeting small SMEs, and (ii) a EUR 10m Venture Capital fund; each instrument being managed by professional financial intermediaries (in the process of being selected by the European Investment Fund, the Fund-of-Funds manager); and

The French Regions SME Programme in the Outermost Regions – A multi-regional IP opportunity

- Occitanie: a EUR 24m EIB contribution to a EUR 60m equity fund managed by the French firm IRDI SORIDEC Gestion and targeting large SMEs and small mid-caps seeking capital to accelerate their growth.

In each situation, the ESIF / regional contributions provide a junior tranche fully subordinated to the EIB’s contribution. The latter will be repaid in priority from the proceeds of the underlying portfolio (i.e. the proceeds of their investments in SMEs).

To activate these projects, a key ingredient is a regional contribution (ESIF and/or own regional resources) that is injected as equity-type contribution to enable a loan-type EIB financing. Another key ingredient is the existence of independent, commercially-oriented and professional financial intermediaries willing to manage that kind of layered instruments.

In the case of the ORs, debt instruments targeting traditional SMEs and providing short to mid-term loans would fulfil the identified and reported needs (see Section 2 on financing needs). **A generic approach could be considered by EIB, whereby each OR interested (and willing to dedicate resources) would contract with EIB separately under a common framework that would have been jointly agreed upon in advance. An adequate minimal amount would be around EUR 10m per OR.**

ORs also often lack the adequate resources to implement that kind of instruments. As a result, the proposed generic approach is important. It may benefit from EIB’s Technical Assistance (through the Financial Instruments Advisory Division of the EIB) for:

- **Complementary feasibility studies;**
- **The design and set-up of the IP (including for State aid matters);**
- **The structuring of the IP governance, considering that each OR accepts the same terms / conditions that would have been commonly agreed beforehand; and**
- **The appointment or selection of the IP manager(s).**

Building on the French Regions SME Programme, a multi-regional IP for the French ORs could be designed and set up if a minimum number of ORs are interested and if an IP manager may be selected. This proposal is further detailed in the table below.

Table 3 : Overview of a “multi-regional IP” proposal for the French Outermost Regions

A multi-regional IP proposal with sufficient critical mass for the French ORs	
Scope	French ORs
Proposal	Private-sector IP manager to be selected In a long-term perspective and potentially in view of a post-2020 approach, design a specific instrument for “short-term financing” (24- or 18-month mature loans) to facilitate treasury management of the SMEs in the ORs in the context of strong dependence upon grants
Considerations and barriers	<ul style="list-style-type: none"> • A generic approach (leveraging the existing French Regions SME Programme of EIB) could be considered by EIB, where each OR interested (and willing to dedicate resources) would contract with EIB separately under a common framework jointly agreed upon in advance. An adequate minimal amount would be around EUR 10m per OR • Heavily depends on the interests to be expressed by a minimum number of French ORs (which does not seem to be the case at the moment) and by potential financial intermediaries (banks)
Priority	Yes (Depending on the interest to be expressed by a sufficient number of French ORs for such IP)
Short, medium and long-term approach	Medium to long-term (within the current MFF or for the new MFF) (Depending on the interests of potential ORs and financial intermediaries interested for such IP)

A multi-regional IP proposal with sufficient critical mass for the French ORs	
Next steps	EIB Group's internal processes to start as soon as an interest from a minimum number of French ORs is reached and for a sufficient amount (able to create sufficient critical mass for the IP) It is likely that this approach would need / benefit from advisory support under EIAH to design and set up the IP

Source: EIAH, 2018.

Technical Assistance / Advisory propositions for the Outermost Regions

In a number of cases, **the need for Technical Assistance (TA) / advisory has been identified**, in terms of (i) **raising awareness in relation to existing financing facilities**, (ii) **developing project pipelines** so as to support the deployment of existing facilities, and also in terms of (iii) **generating new project activity and financing demand for any new financing mechanisms**. Indeed, with many existing financing facilities available to, but not exclusively for, the ORs, **TA / advisory facilities targeting the development of project pipelines and generating appropriate demand for financing in the ORs could make sense, thereby also providing an added incentive to financial intermediaries, including the NPBIs, to deploy more of their funding in these Regions specifically.**

First, **the ORs may mobilise the TA budgets** in their regional ESIF OPs or RDPs for agriculture to procure technical support from local agencies and/or consultants to develop and implement their FI initiatives.

In parallel, the EIB has access to **EU-funded TA support services**, including the Joint Assistance to Support Projects in European Regions (JASPERS), EIAH, the European Local Energy Assistance (ELENA) and/or InnovFin Advisory. All of which are available to the ORs, but primarily target larger projects. It is then the ORs' responsibility to (i) **ensure that the projects are tangible enough** to be supported by these services, and to (ii) **request such TA support**. That said, this feasibility study has highlighted a **lack of awareness** of these existing financing mechanisms, and in a number of cases, scope to invest in project pipeline development. Therefore, the present feasibility study has also identified the need for and potential to boost the existing TA provision in the ORs.

In that context and **in order to improve the uptake of the financing schemes that already exist in the ORs and/or that are proposed in this feasibility study, bespoke TA support could play an important role**. This TA may either consist of supporting the efficient design / implementation of the financing scheme and/or of helping to create the project pipeline required for its viability. Through concerted efforts to publicise, organise and align existing forms of TA provision and through the exploration of the role of NPBIs as potential delivery agents, there is potential to deliver, in a relatively short-term, impact in the ORs through a **collection of TA services**. These services would include the four pillars presented in the figure below and detailed in the paragraphs hereafter:

- TA support to the IP managers throughout the IPs' lifecycle;
- TA support for micro-credit / microfinance provision, potentially by supplementing the existing EASI TA programme with further more targeted micro-credit / microfinance advisory support in the form of non-financial advisory support to final recipients in the ORs;
- TA support to final recipients through the NPBIs; and
- TA support for mature projects.

Figure 1: The four pillars of Technical Assistance supporting Investment Platforms in the ORs

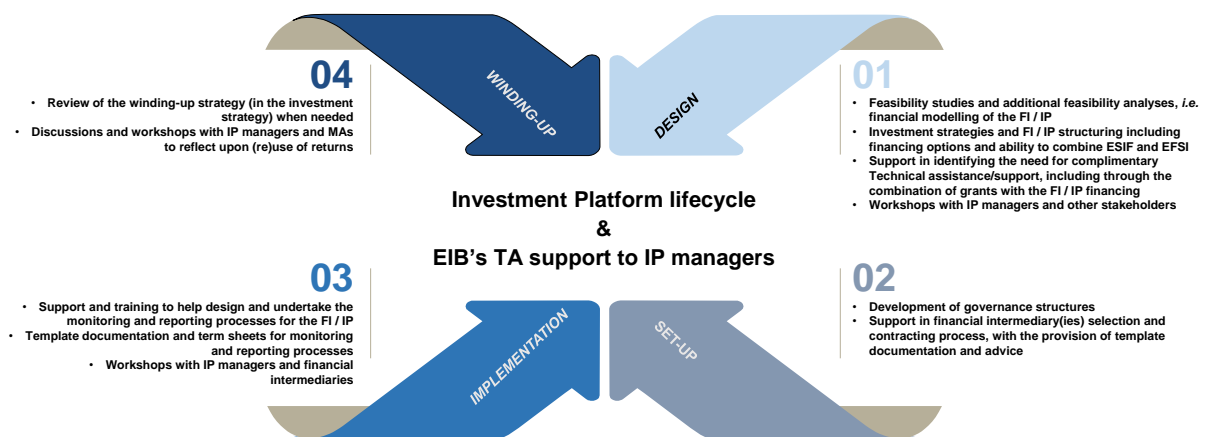
<p>1 TA support throughout the IPs' lifecycle</p>	<p>The EIB Group can provide TA to IP managers (including NPBIs) throughout the IP lifecycle (design, set-up, implementation and winding-up)</p>
<p>2 TA support for micro-credit provision</p>	<p>Bespoke TA packages for the micro-credit sector in the ORs could be implemented, providing support to both:</p> <ul style="list-style-type: none"> • Micro-Credit Providers for their internal processes (as with Easi TA); and • Final recipients (which would be a new TA support)
<p>3 TA support to final recipients through the NPBIs</p>	<p>NPBIs willing to provide advisory support to their final recipients in the ORs could be supported by EIAH in the structuring of their respective TA programmes, helping the absorption of their available resources (including provided through IPs)</p>
<p>4 TA support for mature projects</p>	<p>The EIB, in partnership with the EC, is managing several TA programmes (e.g. EIAH, JASPERS, ELENA, InnovFin Advisory) that ORs can access to support their large / mature projects (which can then potentially be financed by EIB, including with an EFSI guarantee)</p>

Source: EIAH, 2018.

Technical Assistance support throughout the Investment Platforms' life cycle

The Financial Instruments Advisory Division (FIA) of the EIB is currently advising a broad range of stakeholders – including Managing Authorities (MAs) and NPBIs – in relation to the development and implementation of IPs in a number of different sectors. Building upon this experience, FIA could support the IP managers appointed and/or selected for the proposed IPs in the ORs in designing, setting up and implementing the latter, combining different sources of financing (including EFSI-guaranteed resources). The approach undertaken by FIA follows the IP lifecycle and is illustrated in the figure below.

Figure 2: EIB's Technical Assistance support to IP managers (*Financial Instruments Advisory's support to IP managers*)



Source: EIAH, Financial Instruments Advisory Division (FIA), 2018.

Technical Assistance support for micro-credit / microfinance provision

In order to support the uptake of the micro-credit and microfinance financing schemes proposed under EaSI in the ORs (see Section 2 on financing needs), a dedicated “**TA package**” could be provided to both Micro-Credit Providers (MCPs) and final recipients (i.e. mainly entrepreneurs and micro-enterprises). Various services could be provided under this TA package. By mean of examples:

- **TA to MCPs** could include activities such as the ones already covered by the existing **EaSI TA** programme (described in Box 5 below); and
- **Specific TA to final recipients** (i.e. non-financial services) that could include:
 - **Financial knowledge-sharing** services (e.g. i.a. basic financial training, and training preventing harmful situations such as over-indebtedness);
 - **Entrepreneurship development** services (e.g. i.a. basic business skills training, and entrepreneurship awareness rising initiatives); and
 - **Business development** services (e.g. i.a. ad hoc business and technical skills training related to legal, marketing and management competences for instance, mentoring, and business networking activities).

These “final recipients services” could help deploy microfinance programmes (including the ones benefitting from EaSI) in the ORs. However, if provided at market conditions, they could result to be too expensive for target groups (i.e. the final recipients) and hence not provided or used to the best extent possible. That is why dedicated grant resources could be used to finance such TA packages.

The financing of these TA packages could be performed under two different routes:

1. **To finance Technical Assistance to MCPs:** either the existing **EaSI TA programme** could be used (see Box 5 below), or if specific additional regional needs are found, **dedicated regional contributions** from regional resources could be explored; and/or
2. **To finance Technical Assistance for final recipients:** the ORs could create regional ring-fenced programmes, using their **ESIF Operational Programmes resources**.

In parallel to the centrally-managed Guarantee Instrument, the EaSI programme includes a Technical Assistance window that supports MCPs to provide micro-credit and other services to micro-enterprises and entrepreneurs in Europe. The current EaSI Technical Assistance (EaSI TA) programme is designed to help MCPs improve their capacity and comply with the European Code of Good Conduct for Microcredit Provision³⁶. Complying with this Code is a requirement to benefit from EaSI Financial Instruments. In the case of “non-bank” MCPs, they need to comply with the Code in the 18 months following the signature of an EaSI Financial Instrument with the EIF (36 months for greenfield institutions). Consequently, the existing EaSI TA support currently provides technical support to MCPs (including MCPs in the ORs) and may be used as a **best practice model to provide further advisory services to MCPs in the ORs**, notably to partly cover their operational costs³⁷, if the micro-credit / microfinance sector were to be more supported in these Regions in the future. Indeed, if one of the proposals for further leveraging the EaSI Guarantee Instrument in the

³⁶ Please see: http://ec.europa.eu/regional_policy/sources/thefunds/doc/code_bonne_conduite_en.pdf.

³⁷ This situation being one of the positive indirect outcomes of the EaSI TA support towards the MCPs.

ORs were envisaged, potential support through EaSI TA towards the selected MCPs may be needed and could be envisaged. If such EaSI TA support were not possible, similar support could be envisaged through one or several other funding channels but with the same objectives; including supporting the increasing operational costs of the MCPs resulting from the additional activity obtained thanks to the EaSI Guarantee Instrument. These other channels could for instance include TA support provided by regional grants, or by other sources of grants.

Following this, in light of the two options proposed earlier to further support the ORs' micro-credit / microfinance sector through the EaSI Guarantee Instrument, **specific Technical Assistance could be provided (potentially leveraging the existing EaSI TA) to support the MCPs that would be selected by the EIF in order to implement an OR-specific EaSI solution.** Such approach would need to consider that, in order to benefit from EaSI TA, MCPs need to (i) sign-up for the European Code of Good Conduct for Microcredit Provision, (ii) apply to a CoEI specific to EaSI TA, and (iii) get selected under EaSI TA. This TA programme is further detailed in the box below.

Box 5 : EaSI Technical Assistance to the European micro-credit / microfinance sector³⁸

EaSI TA (Technical Assistance to Micro-Credit-Providers)

The Employment and Social Innovation (EaSI) programme includes Financing Instruments covering the 28 Member States of the European Union (EU), Albania, the Former Yugoslav Republic of Macedonia (FYROM), Iceland, Montenegro, Norway, Serbia and Turkey (see Box 1 on page 19). In parallel to the EaSI Financial Instruments, a Technical Assistance (TA) programme for microfinance has been set up for the 2014-2020 programming period in order to provide technical support to selected Micro-Credit Providers (MCPs) and to the microfinance market as a whole. It is called EaSI Technical Assistance (EaSI TA). It is directly managed by the European Commission (EC) and is funded by the EaSI programme.

EaSI TA provides:

- Institutional assessments, ratings and tailored trainings to selected MCPs. Following these assessments and ratings – and in line with their findings – tailored Technical Assistance is provided to selected MCPs in order to increase the quality of their internal processes;
- Evaluations and trainings of MCPs in view of (i) evaluating their compliance with the European Code of Good Conduct for Micro-Credit Providers³⁹ and (ii) providing advice regarding this Code by way of training and self-assessment support regarding its implementation (this service is accessible for all European MCPs that sign up to the Code);
- Workshops and seminars on micro-credit / microfinance related topics to disseminate good practice in the wider European microfinance sector; and
- A helpdesk dedicated to lodge information requests on microfinance in Europe. This helpdesk aims to promote the spread of best practices and improve the visibility of microfinance in Europe (this service is addressed to MCPs and guarantee institutions, public and private banks, local and regional authorities, networks, business incubators and research centres from the EU Member States, Candidate and Potential Candidate countries, and EFTA⁴⁰ countries).

All MCPs (greenfield microfinance institutions and non-bank MCPs) in the 28 EU Member States, as well as in Albania, the Former Yugoslav Republic of Macedonia (FYROM), Iceland, Montenegro, Norway, Serbia and Turkey may respond to dedicated Calls for Expressions of Interest (CEoI) to request EaSI TA. Specific CEoIs are regularly launched. Interested MCPs are then selected among those who responded to a CEoI. To apply, MCPs must sign up to the European Code of Good Conduct.

As for the EaSI Guarantee Instrument, EaSI TA is already very active in two of the three Member States with the Outermost Regions (France and Spain). Indeed, as of July 2018, two MCPs in France and Spain have benefitted from EaSI TA:

- ADIE in France (which is also an MCP benefitting from the EaSI Financial Instrument); and

³⁸ For further information, please see:

https://www.fi-compass.eu/sites/default/files/publications/Flyer_fi-compass_entwurf.pdf.

³⁹ It is a European-wide initiative to promote best practices within the sector. For further information, please see: http://ec.europa.eu/regional_policy/sources/thefunds/doc/code_bonne_conduite_en.pdf.

⁴⁰ European Free Trade Association (covering Iceland, Liechtenstein, Norway and Switzerland).

EaSI TA (Technical Assistance to Micro-Credit-Providers)

- Seed Capital Bizkaia in the Basque Country of Spain.

As for France, a second MCP network (“Initiative France”, also very active in the ORs) has been selected for EaSI TA and will receive technical support during the first half of 2018.

No Portuguese MCP has benefited from EaSI TA support.

Technical Assistance support to final recipients through NPBs

In order to ensure that its approach is aligned with the diverse needs of the MS and in line with the EFSI Regulation⁴¹, EIAH actively cooperates with NPBs in the MS. As already mentioned in the present feasibility study, NPBs have extensive knowledge of local situations, are aware of the difficulties that local stakeholders experience (including SMEs) and have extensive networks which can facilitate the provision of advisory support. Thus, EIAH is actively seeking cooperation with NPBs, and aims to provide them with support that best suits their needs. This is particularly relevant for NPBs operating in specific environments, such as the ORs, which have distinct features and face specific challenges (*as illustrated in Section 2 on financing needs*).

Currently, EIAH has signed 23 Memoranda of Understanding (MoUs) with NPBs in 18 MS. Although they do not entail legal or financial obligations for any of the signatories, MoUs provide a framework for the relations between the NPIs and EIAH, and indicate the desired level of cooperation between both entities. In the context of the ORs, EIAH has signed MoUs with Bpifrance and CDC (France), and ICO (Spain), with whom EIAH is already in intensive cooperation in the context of the Investment Plan for Europe (IPE). Currently, the signature of an MoU with IFD (Portugal) is being finalized. This is a sign of the potentially intensified cooperation between IFD and EIAH, which would eventually benefit Portuguese project promoters, including those in the two ORs.

Indeed, as part of its efforts to provide NPBs with the opportunity to expand their own advisory services, EIAH has launched a Call for Proposals in December 2017 specifically targeted to the NPBs. The aim of this Call is to **support NPBs enhance their TA capacities and provide advisory support to project promoters on the ground, including SMEs.**

Under this Call, the NPBs can apply for a **grant of up to EUR 500,000**, which can be used for one of the following three categories of services, outlined in the Call⁴²:

1. **Delivery of investment advisory services at local (national) level.** It concerns programmes through which the NPBs provide TA and advisory services to support investment projects in their respective MS. These activities should be complementary to the existing activities of the NPB. By means of illustration, the provided services can include technical, financial and legal advice to final recipients (including SMEs) in preparation of project proposals, pre-feasibility and feasibility studies, cost-benefit analyses, and development of technical specifications. In the case of SME support programmes, the services may also include preparation of Business Plans and investment proposals, training, and mentoring activities.

⁴¹ Regulation (EU) No 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments (EFSI), the European Investment Advisory Hub (EIAH) and the European Investment Project Portal (EIPP) and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments (the EFSI Regulation).

⁴² Please see: <http://eiah.eib.org/about/2017-1621-eiah-call-for-proposals.pdf>.

2. **Establishment or development of organisational capacity.** This concerns activities linked to the development of NPBs' internal advisory capacity.
3. **Knowledge transfer for developing a local (national) advisory capacity.** This service aims to finance twinning-type programmes between several NPBs in order to enhance their respective capacities through the exchange of know-how and best practices among partner institutions.

The Call for Proposals has a rolling deadline. Proposals are accepted every three months until 30 June 2020. The total budget currently available under this Call is EUR 7m. The NPBs are allowed to submit a maximum of two proposals for the entire validity of the Call (*i.e.* until 30 June 2020). Depending on actual demand, EIAH may seek to expand the scope and resources allocated to it.

Taking account of the specific conditions of each MS, the Call allows for a variety of different scopes and types of advisory support. **This allows the NPBs to address various needs identified on the ground and also submit joint proposals between NPBs.** The latter are therefore **encouraged to develop specific programmes for their Regions, and so, potentially the ORs.** EIAH actively encourages the NPBs to participate in this Call and provides all required information and clarifications to facilitate the process.

Additionally and in order to reach out to all interested parties, EIAH organizes promotional campaigns, targeted roadshow events, bilateral meetings and has prepared a number of communication materials, among which brochures, videos and factsheets. Information on the roadshow events and the other activities of EIAH can be found on its dedicated website⁴³.

As of July 2018, none of the above-mentioned NPBs (which could provide advisory services at the level of the ORs) **has submitted a proposal to this Call.** They can hence still provide proposals and benefit from EIAH-funded grants (considering that these services have to be eligible under the Call). **Following this, if one or several of these three NPBs were keen to provide special provisions in their proposals that would consist in providing specific advisory services to their project promoters (including SMEs) that are in the ORs, they could use part of their grant(s) to do so.**

Technical Assistance support for mature projects

The EIB is mandated by the EC to deliver Technical Assistance support facilities to project promoters throughout Europe. These TA services are available to projects developed in the ORs and were presented during the on-site fact-findings visits.

As already mentioned, the ORs may benefit from these in the context of **public projects**. The specific TA support services for such projects are:

- **EIAH⁴⁴.** As part Pillar 2 of the Investment Plan for Europe (IPE), EIAH may provide various types of Technical Assistance support services to projects in view of accelerating investment readiness. This support can be sought for EFSI-financed projects, but it is not exclusive to EFSI financing. In addition, EIAH is also available to private organisations but costs are rechargeable to them (EIAH's services are free of charge for public entities); and

⁴³ Please see: <http://eiah.eib.org>.

⁴⁴ Please see: <http://eiah.eib.org>.

- **JASPERS**⁴⁵. JASPERS (Joint Assistance to Support Projects in European Regions) proposes technical engineering support to large projects (i.e. whose project cost is above EUR 50m) in view of benefitting from ESIF grants. In that perspective, JASPERS Technical Assistance support aims to help the MAs in the preparation of their large projects in order to accelerate EC's approval for the ESIF grant.

Like any EU region, the ORs may benefit from these Technical Assistance support services in order to develop their large projects. In parallel, **it is the ORs' responsibility to (i) ensure that the projects are tangible enough to be supported, and to (ii) request such Technical Assistance support to EIAH or JASPERS.**

In parallel to these two TA support services, other Technical Assistance facilities are also available to both public and private promoters (also in the ORs), depending on various criteria, such as sector, size and maturity. These Technical Assistance support services are:

- **ELENA**⁴⁶ (European Local Energy Assistance), a joint initiative of the EC and the EIB under the Horizon 2020 programme. ELENA provides grants for Technical Assistance focused on the implementation of energy efficiency, distributed renewable energy, and urban transport projects / programmes. The grant can be used to finance costs related to feasibility and market studies, programme structuring, Business Plans, energy audits and financial structuring, as well as to the preparation of tendering procedures, contractual arrangements, and project implementation units; and
- **InnovFin Advisory**⁴⁷. This advisory service guides its clients on how to structure their Research and Innovation projects (having a project cost above EUR 15m) so as to improve their access to finance. The service helps them capitalise on their strong points and arrange the elements that require adjustment, such as business models, governance, funding sources and financing structure to improve their access to finance.

In addition to these Technical Assistance support services provided through EIB, **other sources of TA support might be available in the ORs;** notably through organisations such as the Chambers of Commerce, business representatives, the MCPs and/or the NPBIs. Also, as already mentioned, in many cases, the ORs may use the TA budgets devoted to Technical Assistance in their ESIF Programmes (OPs and/or RDPs) to finance such services at local level. Depending on the activity sector and the services required to support the projects, various types of TA might be available in the ORs.

Several TA support services exist and/or may be designed to promote IPs and/or support large mature projects in the ORs. This collection of TA support services may be provided to the ORs in parallel to the uptake of existing financing facilities and the development of the proposed new IPs in these Regions. The detailed characteristics of such TA support services (including their exact scope and delivery mechanisms) remain to be further defined with the relevant stakeholders.

⁴⁵ Please see: <http://jaspers.eib.org>.

⁴⁶ Please see: <http://www.eib.org/products/advising/elena/index.htm>.

⁴⁷ Please see: <http://www.eib.org/products/advising/innovfin-advisory/index.htm>.

4 Next steps

This feasibility study aimed to propose options for IPs that would finance projects in the ORs and improve the use of EFSI in these Regions. It also aimed to consider how these options may combine different financing resources (e.g. *i.a.* ESI Funds, EIB resources guaranteed by EFSI, and/or resources from the NPBs). Following this preliminary exercise, a number of next steps exists so as to take further the proposals presented in this feasibility study. The immediate next step consists of the presentation of the study's results. The following four steps consist of the start of the design / implementation of the proposals, either for the IPs or for the TA support services proposed in this feasibility study. These next steps are further developed hereafter.

1. Presentation and consultation with stakeholders

The findings and proposals of this feasibility study were presented to the EC in May 2018. They will be presented to the ORs to collect their feedback. Following this dissemination to the ORs, the different stakeholders whose support / commitment is needed for the design and set-up of the IPs and the TA support proposed, would have to **decide which IPs to prioritise, and define the more precise needs to be addressed through the TA support services proposed.**

Assuming positive feedback is received from the different stakeholders and following their decisions, the next steps detailed hereafter may be then envisaged. On a case-by-case basis and if relevant, these steps could form part of **a follow-on assignment further supported by the EIAH.** Such EIAH support **would depend on the IPs prioritised and on the type of TA support to be provided.**

Four proposals for next steps are detailed hereafter. They aim to present how the IPs and TA support services proposed could start and so improve the use of EFSI in the ORs.

2. Continuation of EIAH's support to NPBs through the Call for Proposals, with an emphasis on the development of enhanced TA support networks in the ORs

The four NPBs operating in the ORs (namely Bpifrance, CDC, ICO and IFD), of which three have signed a Memorandum of Understanding with EIAH (Bpifrance, CDC and ICO), could be encouraged to develop their advisory capacity. EIAH is prepared to support such TA programmes, including through its Call for Proposals for NPBs. In that context, **eligible NPBs may be encouraged to explore how resources could be allocated under the Call process (i.e. up to EUR 500,000 per proposal) to be partly used to support the development of enhanced TA support to project promoters (including SMEs) in the ORs.**

In parallel, discussions with DG REGIO and the Regions would be needed to **explore how regional TA funding (mainly from ESIF resources) could also be deployed to support project development at the level of the SMEs.** This would enable to collect and blend funding from EU and regional sources in favour of final recipients in the ORs (mainly SMEs) so as to provide them with local TA support, such as *inter alia*: Business Plan drafting, training / mentoring for financing literacy and/or support to undertake pre-feasibility and feasibility studies.

3. Continuation of EIB's engagement with NPBIs to develop national-level Investment Platform proposals

First discussions have been initiated with all the NPBIs working in the ORs in the context of this feasibility study. Each NPBI is in a different situation in relation with the ORs. This requires the EIB to adopt an appropriate approach for each situation. In the meantime, even if each situation is different, common elements exist:

- The **need for an interest from the NPBI to receive support from the EIB in view of setting up an IP supporting the ORs** (considering that if TA support is needed, the latter could be provided through one of pillars of the proposed TA support services for the ORs); and
- The **capacity of the NPBI to manage such an IP**.

Both factors are essential in view of designing and setting up “national-level IPs” in the ORs mobilising the NPBIs.

These “national-level IPs” could **consist in new structures or in complement to existing ones**. As mentioned, discussions between the NPBIs and the EIB Group have been initiated, and permanent contact exists between the NPBIs and the EIB Group.

In parallel to these potential IPs with NPBIs, another opportunity would be for the French ORs to consider benefiting from an existing EIB / EFSI programme targeting French Regions and leveraging their own initiatives for SMEs. This would consist in a **multi-regional IP for French ORs** (covering several Regions keen to participate) so as to create sufficient critical mass. In that context, **a generic approach could be considered by EIB**, whereby each OR interested (and willing to dedicate a minimum amount of resources) would contract with EIB separately under a common framework that would have been jointly agreed upon in advance. Also, since the ORs often lack the adequate resources to implement that kind of instruments, the proposed generic approach **may benefit from EIB's Technical Assistance** (through the Financial Instruments Advisory Division of the EIB), **assuming a minimum number of ORs is keen to participate**.

4. Continuation of EC's engagement regarding microfinance proposal(s) leveraging EaSI

For microfinance, **two options to leverage the existing centrally-managed EaSI Guarantee Instrument** in the nine ORs have been proposed. They may require an explicit commitment from Member States, and/or sometimes support from other stakeholders (such as MCPs).

Considering the financing needs in the ORs, **leveraging the existing EaSI Guarantee Instrument** to provide additional support to the microfinance sector in these Regions **may be considered as the most relevant, the easiest and the most efficient way to support the ORs' economies in the short-run**. Following the delivery of this feasibility study, it is most probably **the proposal to prioritise** for future implementation. In the meantime, one should consider that EaSI is subject to country limits, thus any assessment of new operations should take into account this parameter (for instance, France is one of the countries where EIF expects to reach soon the country limit since there are many opportunities for both microfinance and social entrepreneurship).

5. Further develop a microfinance Technical Assistance package

In order to support the uptake of the microfinance financing schemes proposed under EaSI in the ORs, a dedicated “**TA package for microfinance**” could be provided to both MCPs and final recipients (*i.e.* mainly entrepreneurs and micro-enterprises). This TA package could be **financed by the ORs’ ESIF TA budgets, regional resources and/or by an EU-central source of funding**. It would, for instance, include:

- **TA for the MCPs**, leveraging the existing support provided by the **EaSI TA programme**, and/or, if specific additional regional needs are found, potentially financed by **dedicated regional contributions** using regional resources; and
- **Specific TA for the benefit of final recipients** (*i.e.* non-financial services to micro-enterprises and entrepreneurs) for which the ORs could create **regional ring-fenced programmes** using their ESIF Operational Programmes resources, that could include TA services such as:
 - Financial knowledge-sharing services (*e.g. i.a.* basic financial training, and training preventing harmful situations such as over-indebtedness);
 - Entrepreneurship development services (*e.g. i.a.* basic business skills training, and entrepreneurship awareness rising initiatives); and
 - Business development services (*e.g. i.a. ad hoc* business and technical skills training related to legal, marketing and management competences for instance, mentoring, and business networking activities).

