Improving the take-up and effectiveness of Financial Instruments

Final Report

Annexes

Contract No 2015CE16BAT065

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May - 2017

EUROPEAN COMMISSION

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Luxembourg: Publications Office of the European Union, 2017

ISBN: 978-92-79-72116-8
doi: 10.2776/098376

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1. ANNEX 1 - CASE STUDIES

1.1. Lapsed and non-users of FIs

Context

While uptake of FIs has increased among ESIF programmes over successive periods, in 2014-20 many MAs continue to choose not to implement FIs. In addition, several programmes have ceased to use FIs when they have used them in the past. This case study explores the reasons underlying these choices.

Scale

In 2014-20, financial instruments account for six percent of OP commitments and are used in 160 OPs (from a total of 412). Use continues to be concentrated among ERDF OPs.

Issues

From the limited evidence so far available, the reasons for not using FIs in 2014-20:

- For OPs/MAs which have *never* used FIs, a perception that the OP size is too small to allocate enough funding to ensure FIs are of sufficient scale/reach critical mass
- For OPs/MAs which have *stopped* using FIs, in the only example so far available, this has related to the results of the ex ante assessment, which identified that the previous market gap for renovation loans no longer existed. FIs will continue to be used in other areas.

Examples

MS	OP	Details
BE	ERDF OP Flanders	FIs were not used in this OP in 2007-13 and are not planned in 2014-20. The ERDF OP is very small (€173 million), and the administrative complexity of FIs is not considered to be proportional. The OP is not predominantly focused on SME support and many projects are not revenue-generating. There is already a good supply of similar instruments at regional level in Flanders.
DE	ERDF OP Baden-Württemberg	FIs were used in 2007-13 but are not planned in 2014-20. Evaluation has not identified a need; loans are available from local savings banks and there are a large number of equity providers: banks, insurance companies, business angels, VC-funds and venture capital investors.
DK	ERDF OP Innovation and Sustainable Growth in Businesses	FIs were used in 2007-13 but are not yet underway in 2014-20. The main reason is scale; the MA considers that Denmark does not have a large enough allocation of ESI Funds available to justify use of FIs.
EE	OP for Cohesion Policy Funding	In 2007-13, the loans offered for renovation of apartments/housing associations worked well, however the private loan market in Estonia is now functioning very well, market barriers have been removed, and the ex ante assessment did not recommended continuation of renovation loans. However, other FIs are still being pursued under the OP.

MS	OP	Details
IE	Border, Midland and Western ROP/ Southern & Eastern ROP	FIs were not used in this OP in 2007-13 and are not planned in 2014-20. Scale is an issue, and there is sufficient domestic finance for SMEs.
LU	ERDF OP Luxembourg	FIs were not used in this OP in 2007-13 and are not planned in 2014-20. The MA consulted a national body for credit and investments, the EIB and EIF who advised against the use of FIs because the lack of critical mass available under ERDF.

1.2. FIs supporting Information and Communication Technologies (ICT)

Context

The new ESIF regulations widened the scope to use FIs under any Thematic Objective. The Commission has encouraged Member States and MAs to consider more widely where they could potentially use FIs within their OPs. Further, after the launch of the Investment Plan for Europe in 2014, Member States were recommended to deliver through FIs up to 10 percent of their allocations to the investment area of Information and Communications Technologies (ICT). This case study examines the extent to which 2014-20 OPs are planning to use FIs to support ICT within their programmes.

Scale

Support to Thematic Objective 2 (Enhancing access to, and use and quality of information and communication technologies (ICT)) can take a variety of forms in the OPs – the TO2 investment priorities which have been specified for ERDF include:

- developing ICT products and services, e-commerce, and enhancing demand for ICT,
- strengthening ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health, and
- extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy.

Thus, FIs deployed in support of TO2 in 2014-20 could potentially be envisaged in a variety of ways – e.g. offering support to enterprises carrying out ICT-related projects, or supporting enterprises in the ICT sector. Support through FIs for strengthening ICT applications in public institutions and for extending broadband may be more challenging.

In 2007-13, SMEs could be supported with their investment in ICT projects through co-funded FIs. Enterprises in the ICT sector could benefit from FIs offering generic support to SMEs, and there were also examples of loan, guarantee and equity FIs which specifically targeted firms in the ICT sector (DE, FR).[1]

In terms of FIs specifically targeting ICT in the 2014-20 OPs, only OPs in France, Greece, Hungary and Italy made allocations for FIs under TO2. Among these, the allocation made in Hungary is by far the most significant, representing 42.4 percent of resources available for ICT under the Economic Development and Innovation OP. Under the Economic Development and Innovation OP, FIs will be used to support the expansion of new-generation broadband networks, projects that improve the competitiveness of the ITC sector internationally as well as ITC upgrading of SMEs. The ex-ante assessment proposed a flexible approach combining grant assistance with FIs, as well as a pre-seed/seed capital fund to assist companies at the early stage of their operation. Support is being delivered under a fund of funds: four specific FIs are planned – three combined grant and loan FIs and an equity scheme.

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[1] Wishlade F, Michie R, Familiari G, Schneidewind P, Resch A (2016) Financial Instruments for Enterprises - Final Report: Ex post evaluation of Cohesion Policy Programmes 2007-13, European Commission, http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp3_final_en.pdf

Issues

Among MAs which have chosen not to use FIs under TO2, barriers mentioned include lack of experience in 2007-13 and difficulty using FIs to support public institutions, which are seen by them to be the main actors under TO2.

Several recommendations have so far emerged relating to FIs under TO2 from the Hungarian Economic Development and Innovation OP:

- Setting up the FIs has taken longer than expected.
- The administrative capacity required to operate FIs under TO2 is found to be unique; ICT specialists must be involved at various stages of implementation (e.g. call for proposals, project appraisal) so the fund of the funds has engaged external experts.
- As the direction of ICT development is quite unpredictable, financing terms and calls should remain relatively broadly defined.
- There is a need for support for companies to prepare for the receipt of seed/start-up capital (e.g. mentoring and incubation).
- The need for marketing of the FI products among entrepreneurs is evident, and this was stressed in the ex ante assessment.
- Lack of direct experience with TO2-related FIs may have contributed to over-ambitious targets having been set.
- The use of combined grant and loan schemes increases complexity, as it involves two funding regimes and two calls (the MA manages the grant element). Two delivery regimes must be harmonised, including decision-making points, deadlines and documentation. This has meant the elaboration of two sets of procedures. The IT system must also be able to adequately address these particularities.

Examples

In Hungary, the launch of FIs under TO2 has been a response to the problems companies investing in the ITC sector face when they attempt to raise finance from banks. In addition to the problems faced by SMEs more generally in accessing funding, the assets available to this sector (e.g. software, broadband network cable) are not accepted by banks as collateral. Returns are only seen over the very long term (average 10-12 years).

Data showed that in Hungary grants were provided in 2007-13 to ICT firms and for ICT development in companies. Further, ICT companies accounted for approximately 20 percent of equity investments made in the period 2007-13. Market assessments showed significant development needs and a corresponding potential for FIs. The ex-ante assessment highlighted some general constraints to broadband development, including the administrative burden (e.g. permits), taxes, and limited technical planning capacity.

The allocation to FIs under TO2 has been based on previous experience and market information. The allocation to the equity FI was kept small, taking into account the relative slowness of commitments and corresponding disbursements, the low size of investments relative to the intensity of the work involved as well as the higher risk. The allocation made to the combined grant and loan FIs was based on what was foreseen as realistic. There was concern about the absorption capacity for "pure" lending schemes.

It is expected that the equity FI will be fully absorbed, as the allocation is small-scale, and conditions are fairly flexible. So far, under the combined scheme which is operational, the number of loan applications has been markedly lower than the number of applications for grants. The allocation for the loan component meanwhile has been substantially increased.

MS	OP	Details
HU	Economic Dev & Innovation OP	Support is being delivered under a fund of funds. Four FIs are planned – three combined grant and loan FIs and an equity scheme: • The *New Generation Broadband Network Development Scheme* is a combined grant/loan scheme which aims to support the spread of digital services and improve access to high-speed broadband internet/mobile internet service for households in the remaining uncovered (NGA-white) rural areas. The scheme targets service providers in the ITC sector. Eligible activity includes support for network infrastructure development and accompanying services (e.g. fibre rental, engineering). Both SMEs and large companies are eligible for assistance. Applying for loan assistance is optional for grant applicants (the grant component has been operational since September 2015, with two calls for applications having been launched). The loan period is 18 years, with a grace period of one year. Loans are provided at an interest rate of 0.5 percent. The loan size is expected to fall within the range of c.€32,000-485,000. • *Supporting Complex ICT and Mobile Development and Cloud-based Online Business Services Development* aims to help SMEs improve their operations by obtaining ICT solutions or services which they would struggle to purchase using their own resources. Foreseen features include support being available for a pre-set list of functions (e.g. Customer Relationship Management, controlling, accounting, Internet, webshop, knowledge management etc.). This scheme is expected to be launched in late 2016. • *Support for Market, Including Export Market Entry of ICT Companies* aims at firms in the ICT sector planning to widen market penetration of their products/services locally or internationally. This scheme is expected to be launched in late 2016. • *Cloud-based Business Services Development, ICT Solutions Development and Introduction to Market* targets ICT companies. This scheme is expected to be launched in late 2016. • An *equity fund providing pre-seed and seed capital* will target ICT companies to provide support for innovation and new market entry. The equity FI will be managed by a financial intermediary, which has not yet been selected. The launch of the equity scheme is planned for early 2017.

1.3. FIs for urban development

Context

In 2007-13, urban development was one of the three areas specified in the Structural Funds regulations where FIs could be used within OPs. Structural Funds could be used to set up FIs investing in public-private partnerships and other projects included in an integrated plan for sustainable urban development. The Commission's JESSICA Initiative was an important factor in fostering the development and use of FIs for urban development in 2007-13.[2] This case study examines how the 2014-20 OPs are planning to use FIs to support urban development within their programmes.

Scale

FIs for urban development represented only a minority of Structural Funds FIs during 2007-13 - seven percent by number of FIs and around ten percent by OP contributions committed. OP contributions supported 70 urban development FIs in 11 Member States. OP contributions paid to urban development FIs by the end of 2015 amounted to €1,658 million, consisting of €1,194 million in Structural Funds.[3]

Performance varied widely. By the end of 2014, almost half of OP contributions remained at the level of holding funds and an absorption rate at the level of final recipients of only 33 percent was reported (although this varied widely between Member States, from zero percent in Italy, to 70 percent in Poland). This improved to around 70 percent by the end of 2015.

In 2007-13 FIs set up under both Articles 44b (urban development) and 44c (energy efficiency and renewable energy) were called 'JESSICA Funds'. The 2014-20 regulations are not restrictive in terms of how FIs are used for urban development projects and how this is addressed in OPs. However, in order to address the relevant market failures in an integrated way, FIs may need to draw resources from multi-thematic Priority Axes and multiple TOs[4] (as there is no separate TO for urban development).

Indeed, in the 2014-20 OPs, FIs for urban development are discussed under a range of TOs – TO3, TO4, TO6, TO7 and especially TO9, and are generally discussed within the context of multi-TO Priority Axes. However, it appears that few of the plans discussed with the OPs have yet reached the stage of implementation, and it is not clear to what extent FIs are being used in the context of Sustainable Urban Development (Article 7 of the ERDF Regulation).

In June 2016, the Commission launched an 'off the shelf' instrument for urban development funds, which can be used as part of an Integrated Sustainable Urban Development Strategy to support urban projects, in the areas of public transport, energy efficiency or the regeneration of urban areas.

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[2] European Commission & EIB (2014) Ex-ante assessment methodology for financial instruments in the 2014-2020 programming period. Financial instruments for urban and territorial development, Volume V. http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/ex_ante_vol5.pdf

[3] European Commission (2015) Summary of data on the progress made in financing and implementing financial engineering instruments co-financed by Structural Funds, September 2016.

[4] European Commission & EIB (2014) *Op cit*.

Issues

In the 2007-13 period, the earliest FIs for urban development were set up in 2009; the set up phase was found to be slow and difficult.[5] Several FIs set up under the JESSICA initiative were terminated due to the operational difficulties faced. It is not yet clear what difficulties are being faced in setting up FIs for urban development in 2014-20, although it is clear that significant delays are again being faced. The complexity of the new regulatory provisions around Article 7 sustainable urban development, the required approval of sustainable urban development strategies and the provisions for Integrated Territorial Investments (ITIs) (and associated Intermediate Body requirements) add significant complexity to an already complex area.

Examples[6]

MS	OP	Details
BG	OP Regions in Growth	Broad continuation of 'JESSICA' type FIs planned. There will be a significant increase in funding, due to positive past experience with the JESSICA Initiative in 2007-13. FIs will be used to 1) increase: energy efficiency in non-public buildings; energy efficiency measures in residential buildings; and student dormitory buildings; 2) improve business infrastructure zones with potential for economic development, including industrial parks and areas; 3) invest in ports and cultural infrastructure; and promote tourism and cultural heritage. Negotiations are currently underway with the Fund of Funds, it was expected that the Funding Agreement would be signed in November 2016. Loans and guarantees will be provided to: municipalities; private investors; public private partnerships; churches; and Ministries.
DE	OP Hessen, OP Nordrhein-Westfalen, OP Thüringen	FIs for urban regeneration envisaged in these OPs. Not yet operational.
PT	Sustainability and Resource Use Efficiency OP, plus ROPs	The Operational framework of the Financial Instrument for Urban Rehabilitation and Regeneration (Instrumento Financeiro para a Reabilitação e Revitalização Urbanas – IFRRU 2020) was established in July 2015. IFRRU 2020 involves a fund of funds set up through a separate block of finance which may be financed by all ROPs and the OP for Sustainability and Efficient Use of Resources, and manages FIs for urban rehabilitation and revitalisation. This will be funded under TOs 6 and 9. Even though it is expected to largely rely on the previous experience of Jessica implementation in 2007-13, the approach to FIs for

[5] Van Ginkel J, Vyas L, Cairns R, Michie R, Granqvist K and Atkinson S (2013) Financial Instruments. A Stocktaking Exercise in Preparation for the 2014-2020 Programming Period. Report to the EIB.

[6] NB. JESSICA-type FIs which are funded only under TO4 are included in the Low Carbon case study.

MS	OP	Details
		urban regeneration may be modified in that FIs specifically dedicated to energy efficiency (foreseen to be implemented under the national 'Sustainability and Efficient Use of Resources' OP and all ROPs) will operate as an 'autonomous' strand, as will FIs for urban regeneration and revitalisation (foreseen to be implemented under all ROPs). In addition, it is expected to use FIs for rehabilitation actions in private residential buildings (and include private individuals as final beneficiaries) in an effort to address the unwillingness and inability of the private sector to invest in the rehabilitation of buildings as one of major constraints to the success of previous urban regeneration and rehabilitation operations under the 2007-13 NSRF. Furthermore, FIs for urban regeneration in 2014-20 are expected to address one of the gaps identified under Jessica – a 'gap in the establishment of local partnerships that promote the complementary public actions, the mobilisation work of local actors and the socio-economic animation of the chosen urban territories'. In this regard, the current OPs require that urban regeneration interventions supported through FIs should include participation of urban authorities (who will provide an opinion on the coherence of the proposed interventions with the strategic plan for urban development).
PL	ROPs (Małopolskie, Mazowieckie, Śląskie)	Several ROPs propose TO9 FIs in the context of sustainable urban development. Target groups could include local government units, their unions and associations, entities, in which the majority of shares are owned by local government units or their unions and associations, entities acting on behalf of the local government units selected in accordance with public procurement, universities, churches and religious associations, NGOs, housing communities, entrepreneurs, social building societies, government administration, and entities operating on the basis of a contract for a public-private partnership.

1.4. The SME Initiative

One of the innovations introduced by the CPR in 2014-20 for ESIF FIs is the possibility for Managing Authorities to make a contribution to a 'joint financial instrument'.[7] The SME Initiative is an example for a joint financial instrument implemented by the EIB Group which aims to stimulate SME financing by providing partial risk cover for the SME loan portfolios of the participating originating financial institutions. Alongside ESIF resources contributed by Member States, the SME Initiative is supported through COSME and/or Horizon 2020 resources at EU level, as well as EIB Group risk cover. The initiative offers two products: an uncapped portfolio guarantee instrument and a securitisation instrument.

Participation in the SME Initiative is intended to provide several advantages for Member States and MAs:[8]

- no co-financing is needed from national or regional resources;
- there is no requirement to conduct an additional ex-ante assessment, as this has already been completed at EU level by the Commission and the EIB in 2013;
- the Commission and the EIB Group have adopted a 'Model Funding Agreement', which is a ready-made template for the Funding Agreement to be negotiated between Member States and the EIF;
- there is State aid clearance from the European Commission for the structures set-up,
- it allows for the possible combination of various resources, including from national or promotional banks;
- due to the contribution from different stakeholders, the leverage on ESIF contributed by Member States is expected to be significant

This case study examines how this option is being used by Member States so far in 2014-20. It also explores the reasons why some Member States have chosen not to participate in the SME Initiative.

Scale

Member States can opt in to the SME Initiative until the end of 2016.[9] Participating MAs had to prepare separate OP documents to cover their contributions to the SME Initiative (Single Dedicated National Programmes). So far, SME Initiative OPs have been approved by the Commission for Spain, Malta, Bulgaria, Italy, Finland and Romania.

The MA mandates the EIF with the implementation and the management of the funding 'Window[s]' in relation to the Member State's contribution to the SMEI. The EIF offers selected financial intermediaries (e.g. banks, leasing companies, guarantee institutions, debt funds) loss protection and potential capital relief at an advantageous cost. In return for this risk-sharing, the financial intermediaries undertake to provide SME loans, leasing and/or guarantees at favourable terms in the Member State concerned (for example, reduced interest rates and collateral requirements for the final recipients). The financial intermediaries are selected by the EIF via an open call for expression of interest.

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[7] 'Joint financial instrument' meaning an instrument pooling EU and ESIF resources.

[8] http://www.eif.org/what_we_do/guarantees/sme_initiative/

[9] There is currently a proposal to allow Member States to commit funding to the SMEI up to 2020 (COM (2016) 605 final) http://ec.europa.eu/budget/mff/lib/COM-2016-603/COM-2016-605_en.pdf

Issues

A wide range of reasons have been reported by Member States and MAs for not participating in the SME Initiative:

- because similar financial instruments already existed at national level
- because the initiative came too late, when decisions about the distribution of ESIF funding (including the decentralisation of funding to regions) had already been decided
- Member States considered the instrument too complicated and expensive to manage
- available funding was considered too small to justify the costs
- the rules were perceived as unclear
- some Member States perceived the EIB as less flexible in negotiations than a domestic development bank and considered that governments would have a stronger negotiating position in case of the latter.
- there were fears that using the EIB would preclude the strengthening of national expertise and capacity and create unwanted dependence on an external player.
- there was scepticism about the potential impact on access to finance to SMEs, as it was expected to be relatively expensive, and limited in size.[10]

These reasons were echoed in the survey and interviews carried out for this project, and a number of additional points were made:

- the contribution that participation will make to national objectives is not clear
- there is a lack of clarity on the MA's role, and a lack of written guidance
- it is politically difficult to transfer the responsibility to implement the ESIF FIs to the EU level
- participation is politically unpopular with local stakeholders, and, crucially,
- there has been uncertainty about the provision of a guarantee that money would return to a particular region. This is especially critical where ESIF allocations are small.

For those Member States that opted to participate in the SME Initiative, this has often been a political choice, made at national rather than OP level. In Italy (as well as in other countries), the decision to participate took place when PA negotiations were already at an advanced stage (or completed), leading to a need for reprogramming. This involved moving funds out of an existing OP. Potential regional contributions to the Initiative were discussed, but ultimately the decision was made to use only national ESIF funds to avoid further delays and complexity. In Bulgaria, the shift towards the SME Initiative took place after the ex-ante assessment of FIs for the Innovation and Competitiveness OP, and despite the fact that the assessment concluded that the leverage effect and value added of the FIs contribution to Bulgarian SMEs would be higher by *not* participating in the SME Initiative.

In Spain, the two main advantages of participation which have been identified are that the SME Initiative targets well the funding gaps present in the Spanish market, and that operational risk is viewed as low given the fact that it is an EU-level FI. However, visibility is very important among regional participants in Spain, and the main

[10] Altus (2016) The use of new provisions during the programming phase of the European Structural and Investment Funds?, Final Report to the European Commission, DG Regio. http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/new_provision_progr_esif_report_en.pdf

drawback so far identified is that after a contribution has been made, information on the number and type of projects is scarce.

The structure is perceived as complex, and, in Italy, it is not yet clear to what extent financial intermediaries will be willing to participate.

Examples

MS	Details
BG	Uncapped portfolio guarantee instrument, €102m from ESIF (re-allocated from the ERDF OP Innovation and Competitiveness which had been allocated for bank guarantees under TO3). The current stage of implementation is selection of financial intermediaries (assessment phase).
ES	Only the guarantee FI has been selected for implementation in Spain. 16 Spanish ACs are contributing €800m ESIF. So far, six banks have been approved as financial intermediaries.
FI	€20 million from ERDF and €20 million from national resources, linked to the discontinuation of the planned INKA initiative, which released c. 10 percent of the OP's funding which had been earmarked for the initiative. Proposed EIB finance of €205 million. The programme will provide guarantees to financial intermediaries (banks) to give loans to SMEs. The Finnish Authorities and the EIF are currently defining the technical details of the funding agreement and will then select the financial intermediaries participating in the scheme. The first loans to SMEs should be available by early 2017.
IT	€102 million contributed from the National OP for Enterprises and Competitiveness, to be matched with €100 million of national regional policy resources (Cohesion and Development Fund).Once the choice to take part in the SME Initiative was made, a specific decision was taken to avoid areas where the SME Initiative and the National OP for Enterprises and Competitiveness could be partially in competition. Hence the choice was made to select only the securitisation option. Funding is focused only on the Mezzogiorno regions. A funding agreement has been signed with the EIF; the selection of financial intermediaries through an open call follows. Financial intermediaries (e.g.banks) will apply to have their portfolios securitised. Against securitisation, new finance will be provided to businesses at subsided interest rates under de minimis. The leverage effect is calculated at x6. The initiative will run for three years.
MT	€15 million from ESIF for an uncapped portfolio direct guarantee. The Bank of Valletta (BOV) has been announced as the first financial intermediary (January 2016) and has received the 'lions share' of available funds (€50m of €61m available). The BOV programme, Jaime (Joint Assistance Initiative for Maltese Enterprises), will be backed up by a €37.5 million guarantee (covering 75 per cent of the total) funded from ERDF funds, Horizon 2020 and EIB resources.[11] Jaime will use the guarantee to reduce interest rates, resulting in a final interest rate of 3.5 per cent p.a., representing a discount of more than two per cent compared to normal business loan rates. Collateral requested by the bank on the whole portfolio would be reduced by 75 per cent – although all loans will be subject to the same due

[11] see: https://www.bov.com/content/bov-jaime-financing-package

MS	Details
	diligence and credit procedures. The SME will be expected to put forward 20 per cent of the expenditure and the loans have to be repaid within a maximum of 10 years. BOV anticipates that it will be able to help 715 of the 850 SMEs that the government hopes to fund from the total €61 million, offering an average of €70,000 to each. The product is open to all sectors except agriculture and fisheries, gaming and pure real estate development, and should be used for capital expenditure aimed at growth.[12]
RO	Uncapped portfolio guarantee. The €100 million was re-allocated from the Regional Operational Programme 2014-2020, where it was initially planned for guarantees. The SME Initiative OP will have no specific regional targets although there is a differentiated allocation per region. The Romanian authorities are at the stage of creating a new MA to deal with SMEi, as well as an Investment Council and signing the funding agreement with the EIB Group.

[12] http://www.timesofmalta.com/articles/view/20160225/business-news/bov-gets-lions-share-of-sme-funding.603614

1.5. The use of equity FIs in ESIF programmes

Context

In 2007-13, the majority of products disbursed to final recipients via FIs were loans (either awarded directly as loans or supported through the provision of guarantees). The use of equity FIs was rarer and concentrated in a few countries (e.g. DE, PT, SE and the UK). Equity FIs are those which involve the investment of capital in a firm, either directly or indirectly, in return for total or partial ownership of that firm. The equity investor may assume some management control of the firm and share in the firm's profits.[13] Equity FIs include the sometimes synonymously used sub-sets of venture capital, seed capital and risk capital, as well as 'quasi-equity' instruments such as mezzanine finance. This case study examines the extent to which equity FIs are planned by MAs in 2014-20, and what barriers have been identified to pursuing this type of FI.

Scale

By the end of 2015, 5,505 equity and quasi-equity investments had been made in 2007-13 OPs, with a total value of €2,372 million, out of which €1,351 million was from the Structural Funds.[14] Equity FIs tended to be used to support innovative firms and business start-ups with high growth potential (and therefore high returns), but also high risk (and potentially high losses). According to the ex post evaluation of FIs, equity FIs attracted higher levels of private sector participation than other instruments, but performance was difficult to assess as few exits had yet taken place (most equity FIs were established for a set period of 10 years). However, there were clear signs of ERDF support having helped the creation of a venture capital market in areas where it was poorly developed.[15] While most of the equity FIs in 2007-13 were regional in scope and comparatively small in size, size did vary greatly, ranging from €390,135 (Poland) to €85.1 million (Germany).

In 2014-20, planned OP contributions to equity FIs amount to c.€4700 million, around 22 percent of the total planned allocation to FIs. This represents a doubling in the planned use of equity instruments, although, as with all FIs, the actual amounts committed will vary depending on the results of the ex ante assessments and other factors. It should be noted also that the OP data is indicative only.

Issues

A number of barriers to uptake of equity FIs can be identified from experience in 2007-13:

- equity is a 'niche' product and will only ever be attractive to a very small proportion of high growth firms in any given Member State or region
- historically, there is less experience with implementing equity FIs, and what there has been is concentrated in a few Member States. Even amongst these, equity FIs

[13] Wishlade F, Michie R, Familiari G, Schneidewind P, Resch A (2016) Financial Instruments for Enterprises - Final Report: Ex post evaluation of Cohesion Policy Programmes 2007-13, European Commission: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp3_final_en.pdf

[14] European Commission (2015) Summary of data on the progress made in financing and implementing financial engineering instruments co-financed by Structural Funds, September 2016.

[15] Wishlade F, Michie R, Familiari G, Schneidewind P, Resch A (2016) *Ibid*.

have sometimes been structured with inbuilt flexibility to be able to issue loans, quasi-equity and equity as required

- MAs have found that selection of projects for equity investment takes longer and is more expensive, due to the in-depth due diligence required
- venture capital markets in target regions/Member States may be poorly developed and lack the required capacity in terms of fund management.

Examples

MS	OP	Details
AT	ERDF OP Investments in Growth & Employment	The OÖ HightechFonds was launched in July 2015 at the MA's own risk, having also operated in the 2007-13 period. It is the only FI in Austria in 2014-20 co-financed with ESIF. The Fund provides two types of support: a) seed/start-up funding for young and innovative firms, with a thematic focus on areas defined in the Upper Austrian strategy "Innovative Upper Austria 2020" (Innovatives Oberösterreich 2020) and b) funding for the expansion of SMEs, with preference given to those active in the areas defined by the strategy mentioned above. For the latter, medium-sized firms are only eligible when located in areas defined by the regional aid map. Although this FI falls under TO3 (IP3d), the OP states that the funding can also be used under IP1b if the investment is in direct relation to research projects. To avoid State aid issues, the OÖ HightechFonds uses the "private market investor" principle, as over 33 percent of the invested funding comes from private sources (from private banks in Oberösterreich). The OÖ HightechFonds is currently reviewing its first funding agreements concluded in summer 2015 to see whether these have been set up correctly. This is an internal process and results are expected by the end of 2016. By February 2016, two commitments had been made, with a total value of €450,000 (including both ERDF and domestic funding). There was initially a plan to set up a national venture capital fund implemented by AWS (Austria Wirtschaftsservice) but this was abandoned due to the complexity and the AWS set up a fund from purely domestic resources.
FR	ERDF ROP Bretagne	Investment Priority 1b of the OP supports technology transfer, RIS3 regional governance, collaborative projects and FIs specifically on support for innovative industrial projects – with a particular focus on projects with a maritime dimension. Breizh up is a co-investment fund. The target companies will be young regional SMEs with innovation potential, primarily related to the areas of the regional Smart Specialisation Strategy.
SE	OP for Investments in growth and jobs	Eight regional venture capital funds continuing. These build on the previous regional vc funds and are already up and running. Funding Agreement signed with Almi Invest in October 2015. Almi are managing all eight funds. A new Fund of Funds (Swedish Venture Initiative) is also being set up. Funding Agreement was signed with the EIF in April 2016,

MS	OP	Details
		EIF are now looking for three funds. The MA expect information from the EIF about which funds have been chosen around December 2016, with plans for them to be up and running by early 2017 (or there may be a need for more time for the funds to find finance). The EIF is co-investing with EFSI money (see EFSI/ESIF case study).
UK	ERDF OP Northern Ireland	The IB had been working on an Access to Finance Strategy for Northern Ireland since 2009/10. At this stage they had planned to finance two development funds (a loan fund and a co-investment fund) under the 2007-13 OP. Just as these were about to launch, the Commission released COCOF guidance saying that preferential remuneration was not permitted within ERDF. However, in NI they were starting from a very low base, the industry was immature and needed some encouragement to participate. Only the co-investment FI (pari passu) was subsequently funded by the Competitiveness OP. Although the OP had made provision for the possibility of both loans and equity FIs being introduced, additional domestic funding became available from UK Treasury (Financial Transaction Capital - FTC). The loan funds were funded through FTC and the equity FIs through ERDF. This meant more ERDF could be put into the equity funds. The ex ante confirmed that even with ERDF there was a 'black hole' of need for support. Approximately 44 percent of the NI ERDF allocation is allocated towards TO3, and 2/3 of ERDF funds in TO3 will be directed towards FIs (nearly 30 percent of the total OP value). PA 2 of the OP supports six equity FIs designed to accelerate the expansion of high growth SMEs with export potential in NI. The ex ante assessment recommended that ERDF funding be used to support five funds to the value of £110 million. The MA allocated £70 million ERDF to FIs - due to competing priorities for ERDF support, and concentration of the NI OP on only 3 TOs, it was clear that ERDF would not be available to meet the identified funding requirement in full. Any shortfall in the funding requirement for equity FIs is expected to come from recycled ERDF, other public contributions and enhanced private leverage. The MA chose to proceed with six specific funds (two university funds), not using a Fund of Funds model: Co-Investment Fund, Crescent Capital, Kernel Capital, TechStart NI SME, TechStart NI Queens University, TechStart NI University of Ulster.

1.6. The use of 'Off the Shelf' instruments

Context

The 2014-20 regulations allow MAs to use within their OPs 'model' FIs laid down by the Commission which comply with standard terms and conditions (Article 38 of the CPR). These template models are intended to facilitate FI set up, as the standard terms and conditions make the models ready to use. The 'off the shelf' models have been designed to be State aid compliant, and include a minimum set of governance requirements. However, uptake of the new 'off the shelf' models for FIs has been slower than expected. This case study explores the reasons why few MAs seem to have taken up this option.

Scale

The first three standardised instruments were made available in 2014 and comprised:[16]

- a portfolio risk sharing loan (RS Loan), intended to supply new loans to SMEs by providing financial intermediaries with funding contributions and credit risk sharing, thereby offering SMEs with more funds at preferential conditions in terms of interest rate and/or collateral reduction.
- a capped portfolio guarantee, providing an incentive to financial intermediaries to increase lending to SMEs by providing credit risk protection (in the form of a first loss portfolio capped guarantee)
- a renovation loan, providing funding to residential building owners to prepare and implement building renovation projects.

Two further models were offered in 2016, comprising:[17]

- a co-investment facility, an equity fund managed by a financial intermediary investing in SMEs, through a partnership approach with private co-investors on a deal by deal basis
- an Urban Development Fund in the form of a loan fund to support implementation of urban development projects in assisted areas which are designated in a 2014-20 regional aid map.

Issues

Feedback from managing authority interviews on the OTS instruments was generally very positive. The 'off the shelf' instruments are variously described as 'commendable', 'helpful' and 'incorporating best practices'. They are considered to 'make the use of FIs accessible to public authorities in a simple way' and 'remove the vast majority of risks'. Their potential to speed up implementation and facilitate management is widely accepted. However, the key to why they are not more widely used is perhaps in the comment that they are 'especially suitable if an MA does not have prior experience of FIs'. This being said, several MAs admit they used the OTS instruments as 'inspiration', to help design final products tailored more closely to their own needs.

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[16] Commission Implementing Regulation (EU) No 964/2014 of 11 September 2014 laying down rules for the application of Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards standard terms and conditions for financial instruments; OJ L271; 12.9.2014.

[17] Commission Implementing Regulation (EU) 2016/1157 of 11 July 2016 amending Implementing Regulation (EU) No 964/2014 as regards standard terms and conditions for financial instruments for a co-investment facility and for an urban development fund; OJ L192; 16.7.2016.

In terms of barriers to uptake, MAs cited various issues, including: the relatively late preparation of the OTS FIs (especially the two newer ones); an unwillingness to work with financial intermediaries; the rules being perceived as complicated; a lack of fit with long-used models with which the MA has prior experience; interest rates being too high; and de minimis being too restrictive (and aimed at smaller actors). The main concern however is around flexibility. The ability to tailor instruments to local need and the flexibility to adjust to local need and/or changing circumstances is viewed as being crucially important in FIs. The recommendation of the use of tailor-made instruments is therefore a logical and frequent outcome of the ex ante assessment process. The standardised models are viewed as providing limited flexibility, and, importantly, it is not clear to MAs what can be modified, how potential changes can be made and what are the consequences.

The following suggestions were made in interviews in terms of how OTS models could potentially be revised:

- the ability to make minor changes while remaining 'off the shelf'
- more flexible terms
- not requiring collaboration with financial intermediaries
- available earlier
- more general and simpler
- the ability of Member State to pick own applicable interest rate
- more progressive approach than de minimis/extension to GBER
- provision of incentives for using them (e.g. simplified implementation process)
- more information to be disseminated about them, as they are still not well known
- scope widened to other types of support/activities – suggestions included a securitisation instrument, support for R&I, especially for research and science institutes, environmental protection, microfinance lending and venture capital investment for high risk start-ups.
- an off the shelf FI specifically tailored to the needs of the fisheries sector was suggested by one MA, as was a model for energy renovation of public sector buildings, and models suitable for use with ERSF FIs.

Examples

No concrete examples identified.

1.7. FIs under the European Maritime and Fisheries Fund (EMFF)

Context

In 2007-13, use of FIs under the European Fisheries Fund (EFF) was limited. Six Member States set up FIs, accounting for just 1.5 percent of EFF funding. The Commission recognised that given the limited uptake of FIs in 2007-13, setting up FIs in 2014-20 for the fisheries and aquaculture sector under the EMFF would be challenging for MAs, especially where they were 'located in often small fisheries administrations.' The Commission recommended that 'subject to the results of the ex-ante assessment, it may therefore be important to try to avoid setting up completely new sector-specific instruments, but rather to build on existing national, regional or local financial instruments' or alternatively to 'explore synergies with other financial instruments already set up in the ERDF, ESF or EAFRD, or to be established in the 2014-20 period'.[18] This case study explores planned use of FIs within EMFF programmes in 2014-20, and examines the barriers found by MAs to extending use of FIs within these programmes.

Scale

Only five Member States outlined definite plans to use FIs in their EMFF OPs for 2014-20. Of these, only three have so far commissioned ex ante assessments (EE, ES and NL). These have been completed, and the assessments for Spain and Estonia have been published. Among the five EMFF OPs with definite plans for FIs, around €80 million has been earmarked, with Spain allocating the largest absolute amount, but with more significant allocations in Estonia and the Netherlands as a proportion of the EMFF total. No funding agreements have yet been signed, and no EMFF FIs are operational. One further ex ante assessment is known to be in progress (HR).

Issues

Reasons reported for not proceeding or delaying use of FIs under the EMFF OPs include:[19]

- there is a strong grant culture in the sector and a strong resistance to FIs persists among fisheries and aquaculture companies, this puts FIs at a competitive disadvantage to grants within EMFF OPs
- the administrative burden is perceived as disproportionately high relative to small budget allocations
- the small budget and in some cases small size of market and sector do not allow critical mass to be achieved
- setting up the structures for implementation of FIs would be cost-inefficient due to the small target group
- FIs are seen as too risky as the target group recipients are too economically weak and competences too poor, the aquaculture sector in particular has a low rate of return
- there are limited possibilities for productive investments in fisheries.

[18] European Commission (2014), Financial instruments in ESIF programmes 2014-2020. A short reference guide for managing authorities (December 2014), p8.

[19] From interviews and also Fi-compass (2015) Scoping study for the use of financial instruments under the EMFF and related advisory support activities, Final Report, June 2015: https://www.fi-compass.eu/sites/default/files/publications/EMFF_SCOPING_STUDY.pdf

On the positive side, the administrative burden for final beneficiaries is found to be lower for FIs than grants, and potential opportunities for synergies with ERDF have been identified e.g. where EMFF FIs support the purchase of fishing equipment and ERDF supports investments into ports.

Examples

MS	Details
EE	In Estonia, the ex ante assessment revealed two gaps in the market – for small loans/microloans and for long-term loans. The MA wanted to proceed with FIs, to assist with long-term development planning for the sector and taking into account limited and decreasing EU funding. The plan is to offer loans to small enterprises within the range of €10,000-€100,000 and long-term loans from €100,000-€500,000 over 15 years. There has been some resistance to the plans within the aquaculture sector. Both loans and guarantees were considered, but the Rural Development Foundation in Estonia already offers guarantees, so there was no need for additional guarantee schemes. Public procurement is taking place in October 2016, with loans expected to be disbursed to final recipients by early 2017.
ES	This is viewed as a 'pilot' experience in 2014-20. The ex ante assessment is in its final stages. The planned operational structure is a Fund of Funds with financial intermediaries. Management will be carried out by the EIB; the next step will be the EIB launching a selection procedure for financial intermediaries. . The choice of financial products is deliberately broad (loans and guarantees) in order to test the market and the use of FIs generally. The structure has internationally been left flexible to allow for a reallocation of resources from one FI to another and between financial intermediaries.
NL	In the Netherlands, an evaluation of the pilot FI set up in 2013 is currently underway. The OP includes provisions for FIs, but the evaluation results are awaited before the MA decides whether to continue in 2014-20. The expectation is that the results of the evaluation will be available by November 2016, then the ex ante assessment will be completed by March/April 2017. In general, the EMFF FI will aim to build on the experience of the ERDF West OP in the Netherlands in terms of implementing FIs. However, initial indications are that uptake has been somewhat lower than expected, perhaps because recipients are not yet used to FIs. If the FI goes ahead in 2014-20, it will likely involve loans for small-scale investments, particularly relating to aquaculture (fisheries will be less involved), based on previous experience and also considering the relatively small budget available. The 2013 pilot FI was embedded in a fund of funds model, which also included ERDF FIs; this would also be a possible option in 2014-20.

1.8. ESIF FIs Combined with the European Fund for Strategic Investments (EFSI)

Context

The European Fund for Strategic Investments (EFSI) is a joint initiative of the European Commission and the EIB Group which underpins the Investment Plan for Europe. EFSI aims to support investment in strategic projects across the EU. EFSI comprises a €16 billion guarantee from the EU budget, complemented by a €5 billion allocation of the EIB's own capital. EFSI has two components to support projects:

- the Infrastructure and Innovation Window, deployed through the EIB
- the SME Window, implemented through EIF. The FIs used for the purposes of the EFSI SME Window are mainly guarantees and equity investments.

There is potential scope for synergies or complementarities between EFSI and ESIF FIs. For example, EFSI and ESIF can be combined at the level of an investment platform. In this case, the EC recommends establishing 'layered funds' in which ESIF take the 'first loss piece' position, EFSI and the EIB take the 'mezzanine tranche' and private investors take the 'senior' position.[20] This case study explores examples where complementarity and synergies have been found, resulting in ESIF FIs being combined with funds from EFSI.

Scale

It is difficult to assess the extent to which ESIF FIs and EFSI are successfully being combined, as discussions and negotiations are often lengthy and not in the public domain. On the other hand, announcements of funding proposals are sometimes made before funding agreements have been signed.[21]

Issues

While many MAs acknowledge the potential advantage of a means to secure additional EIB Group resources, a number of disincentives have been identified. A recent study on the maximisation of synergies between ESIF and other EU instruments noted several potential barriers to the pursuit of synergies between ESIF FIs and EFSI: [22]

- while there are mechanisms for institutional cooperation between ESIF and EFSI authorities at operational level, *knowledge of mutual operations is weak*. Studies have found that so far ESIF MAs have identified only limited opportunities for synergies with EFSI.[23] This is echoed in the interview research for this report - few MAs foresaw many opportunities for synergies with EFSI, there was a lack of

[20] European Commission (2016) European Structural and Investment Funds and European Fund for Strategic Investments complementarities, Ensuring coordination, synergies and complementarity
http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/efsi_esif_compl_en.pdf

[21] http://www.eib.org/projects/pipeline/2015/20150374.htm

[22] Ferry M, Kah S and Bachtler J (2016) Maximisation of Synergies between ESIF and other EU Instruments to attain Europe 2020 goals, report to the European Parliament, Directorate-General for Internal Policies; Policy Department B; Structural and Cohesion Policies, Strasbourg, IP/B/REGI/IC/2015-131.

[23] Bachtler J, Mendez C and Polverari L (2016) 'Ideas and Options for Cohesion Policy Post-2020' IQ-Net Thematic Paper 38(2), European Policies Research Centre, University of Strathclyde, Glasgow.

awareness of some of the activities taking place under the 'SME Window', general confusion about how to use EFSI, and EFSI is perceived as being mainly relevant for larger projects. Many MAs view the remits of the two sources of funds (ESIF and EFSI) as being quite different – with mainstream EFSI funding focusing on larger infrastructure projects.

- *the different status in terms of the application of relevant regulations is important* e.g. instruments managed centrally at EU level are not subject to State aid regulations, while those with shared management are. This is a disincentive for the pursuit of synergies, as the combination of instruments can cause regulatory uncertainties. It can also be seen as 'unfair treatment - for us one set of rules is applying and for the EIF totally different ones.' The fact that the EIB is counted as a private investor and EFSI funds are seen as public complicates who gets returns first; this contributes to the lengthy negotiation time involved and the substantial preparatory work that must be done. EFSI is also not constrained by geographic boundaries. The pursuit of synergies has also been hindered by timing – by the time the EFSI plans became clear, ESIF programming for 2014-20 was in its final stages.

The instruments are so far tending to operate mainly in a parallel and separate way,[24] although the examples where funds are being combined successfully is likely to increase over time.

Examples

MS	OP	Details
EE	OP for Cohesion Policy Funding	EstFund (EE) – launched under the Estonian OP for Cohesion Policy Funds (ERDF, ESF, CF) involves creating a Fund of Funds with a budget of €60 million: €48 million from ERDF from the OP and €12 million from the EIF's co-investment, as well as €35.2 million expected from private investors (TO3). The ESIF contribution includes returned funds from 2007-13. The FIs under the FoF will provide equity to final recipients, and include a Venture Capital Fund (€30 million), an Expansion Capital Fund (€15 million), and a Business Angel Co-Investment Fund (€15 million). EstFund will target smaller and earlier stage investments, operating in a complementary way to the existing Baltic Innovation Fund. EstFund will operate as a cross-border instrument; ESIF funds will be invested in Estonian SMEs and some private investor contributions can be invested outside Estonia. The EIF manages the FoF, fund managers for the FIs are currently being sought.
FR	ROP Nord-Pas de Calais/Picardie	CAP 3ème Révolution Industrielle (TRI) - The TRI fund launched by Région Les Hauts de France (Nord-pas-de-Calais/Picardie) (FR) will assist business-led investments in 'low carbon economy' projects (TO4). The total budget of up to €37.5 million is made up of €15 million from ERDF (€12.5 million as an FI and €2.5 million as a grant from TA), €5 million from Crédit Agricole Nord de France (commercial bank/private investor), and an EIB loan of up to €20 million, backed by an EFSI guarantee. The TA element will be used to fund technical, environmental or economic studies, either helping project promoters implement

[24] Ferry M, Kah S and Bachtler J (2016) *Ibid*.

MS	OP	Details
		their projects or providing independent performance evaluation. According to a recent study, the key to the integrated approach was the dual role of the EIB as EFSI manager and also as provider of technical assistance for the implementation of FIs with ERDF co-funding. The EIB's regular contacts with the regions and MAs created informal channels for exchange of information at preparation meetings for the creation of the ESIF-funded TRI fund in the OP. It raised the region's awareness EFSI as an additional source of funding, while it was designing the FI and setting up arrangements between co-investors. This informal channel allowed EIB to identify favourable timing and led to its early involvement.[25]
SE	OP for Investments in growth and jobs	A new SEK 582 million fund of funds initiative was launched in April 2016 to support access to equity capital for Swedish early-stage high-growth enterprises. The Swedish Venture Initiative combines resources from ESIF and from EFSI, and will invest in several early stage venture capital funds which will then invest primarily in Swedish enterprises. The Funding Agreement was signed with the EIF in April 2016, EIF are now looking for three funds managers, to be selected by an open call for expression of interest. The selected fund managers will receive a 'cornerstone investment' into their fund from the combined resources of the Swedish Venture Initiative and co-investment by the EIF.

[25] Ferry M, Kah S and Bachtler J (2016) *Ibid*.

1.9. FIs supporting the shift towards a Low Carbon Economy

Context

The new ESIF regulations widened the scope to use FIs under any Thematic Objective and the Commission strongly encouraged Member States and MAs to consider more widely where they could potentially use FIs within their programmes. After the launch of the Investment Plan for Europe in 2014, Member States were recommended to deliver through FIs up to 20 percent of their allocations to supporting the shift towards a low carbon economy.

This case study examines the extent to which 2014-20 OPs are planning to use FIs to support the low carbon economy (Thematic Objective 4) within their programmes. It also explores what are the main barriers identified by MAs to using FIs within this sector. Thematic Objective 4 "Supporting the shift towards a low carbon economy in all sectors" represents the following investment priorities.

a) promoting the production and distribution of energy derived from renewable sources;

b) promoting energy efficiency and renewable energy use in enterprises;

c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;

d) developing and implementing smart distribution systems that operate at low and medium voltage levels;

e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures;

f) promoting research and innovation in, and adoption of, low-carbon technologies;

g) promoting the use of high-efficiency co-generation of heat and power based on useful heat demand.

Scale

In 2007-13, experience in the use of ERDF/CF funds for energy efficiency was lacking in general, especially through the use of FIs. The ex post evaluation of support for energy efficiency in public and residential buildings in 2007-13 found that the vast majority of support from the ERDF and CF was in the form of grants; commitments in the form of loans, interest subsidies and guarantees amounted to €475 million.[26]

In 2007-13, most FIs that supported the shift towards a low-carbon economy were set up under Article 44b or Article 44c of the Structural Funds Regulations. Article 44c FIs were intended specifically to invest in energy efficiency/ renewable energy in existing buildings, including housing. This was only introduced as an option in 2010. Some FIs set up under Article 44b also had a strong focus on increasing energy efficiency in the built environment. These were often set up before Article 44c was introduced into the regulations. FIs set up under Article 44b had to be part of an Integrated Plan for

[26] Ramboll and IEEP (2015) Ex post evaluation of Cohesion policy programmes, focusing on the European Regional Development Fund (ERDF) and Cohesion Fund (CF), Work Package 8: Energy efficiency in public and residential buildings, Final Report to the European Commission.

Sustainable Urban Development (IPSUD) and relevant FIs tended to be energy efficiency/renewable energy funds focused on retrofitting existing buildings and other fixed assets to reduce energy consumption, and renewable energy upgrades in existing buildings.[27]

At the end of 2014 there were 34 FIs for energy efficiency and renewable energies supported by OPs in 11 Member States (BG, CZ, DE, DK, EE, EL, ES, IT, NL, SK, UK).[28] In 2014-20, this has expanded to around 18 Member States (and many regional OPs within these Member States) which have plans for TO4 FIs included in their OPs.

Analysis of spending plans for FIs as outlined in the OPs shows that about 10-12 percent of the OP commitments to thematic objective 4 is planned to be spent in the form of FIs, making TO4 the second main target for FIs (after TO3 - SMEs). Particularly high proportions of FI spend is targeted on low carbon in Lithuania (57 percent), Malta (36 percent) and Latvia (32 percent). However, it remains to be seen to what extent these allocations are maintained after the ex ante assessment process, for example, the allocation in Latvia has been reduced after the ex ante assessment. The lengthy time taken to prepare these types of interventions has meant that some are still at negotiation and set-up stage (e.g. the new Green Fund in Sweden).

Issues

The interview data reveals a number of issues with setting up FIs under TO4 which have been identified by MAs:

- There is limited experience in using FIs in this sector in 2007-13; while the potential for FI use is recognised, it is seen as challenging and involving a high level of operational risk.
- In some cases where there has been a poor experience with a JESSICA-type FI in 2007-13, this has had a discouraging effect in 2014-20.
- Specific challenges have been identified related to State aid issues, for example, apartment buildings have very complicated structures of ownership, which might include public and commercial elements. For this reason, administrative procedures for approving financing schemes tend to be lengthy.
- The ongoing importance of grants to the sector is acknowledged - grants are found to be crucial for several aspects of this Thematic Objective e.g. for energy efficiency projects in public buildings especially those involving ‘deep retrofitting’ i.e. including costly measures which prolong the payback period (return of investment) to 15 or more years.
- Several MAs maintain that combining FIs with grants is an optimal approach for this TO, and there is also a lot of interest expressed in the potential role of repayable grants e.g. to encourage potential beneficiaries (if no return, they do not need to repay).
- There is a wide variation in terms of competing sources of funding – some MAs identify a ‘black hole’ of need for funding which cannot be filled; other have found that domestic national or regional agencies (including commercial banks) are becoming more active in this sector, and that there is potential for overlap and competition, and a need for careful demarcation.

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[27] European Commission and EIB (2014) Ex-ante assessment methodology for financial instruments in the 2014-2020 programming period. Supporting the shift towards low-carbon economy (Thematic objective 4), Volume IV, *fi-compass*.

[28] European Commission (2015) Summary of data on the progress made in financing and implementing financial engineering instruments reported by the managing authorities in accordance with Article 67(2)(j) of Council Regulation (EC) No 1083/2006.

Examples[29]

MS	OP	Details
CZ	Enterprise and Innovation for Competitiveness OP	The intervention of the IROP implemented via FIs will be focused on reducing energy consumption in the residential sector. In principle, three activities will be supported: reducing energy consumption by improving thermal performance of buildings; technology for heating or hot water; and transition to economical and eco-friendly resources. However it is not clear whether all of these activities will be supported via grants and FIs or whether a decision to select only some activities for FIs will be made. Grants as well as FIs will be available for the area of energy savings in housing. The MA started with the implementation of grants and once the implementation of FIs is ready (estimated 2017) it is expected that applicants can apply for either a grant or FIs. Target recipients are owners of apartment buildings and associations of apartment owners (buildings with four or more apartments).
DE	Nordrhein-Westfalen ERDF OP	Heating infrastructure loan. Ex ante assessment finished, funding agreement is being finalised with the NRW Bank. Individual loans through the house bank system envisaged for enterprises, municipalities, municipal companies.
HR	Competitiveness and Cohesion OP	Interventions in TO 4 are envisaged to be made through both grants and FIs, possibly by combining the two. The final decision will be made taking into account the potential implementing bodies, final beneficiaries and types of projects concerned. Since the availability of information about FI at the time of OP drafting was limited, the figure allocated was a rough estimate. The ex ante assessment recommended a smaller allocation. The decision on the specific objectives, setup, implementation modalities or financial products has not yet been made by the MA.
LT	OP for EU Structural Funds Investments	Several TO4 FIs are foreseen: • Renovation of multi-apartment buildings is financed through soft loans from the JESSICA II fund which is managed by the Public Investment Development Agency (VIPA). €150 million is foreseen for these projects. • At the end of September 2016, a new Risk Sharing

[29] Note that the TRI Fund (Nord pas de Calais/Picardie, France) described in the ESIF/EFSI case study has been funded under TO4.

MS	OP	Details
		Fund will be established, to also finance renovation of multi-apartment buildings but through the provision of guarantees funded by ESIF. Commercial banks will then issue soft loans. • In 2015, an Energy Efficiency Fund was established to finance the renovation of public buildings owned by central government and the modernisation of the urban street lightning system. This fund is also managed by the Public Investment Development Agency (VIPA). Renovation of public buildings will be supported through soft loans. For the modernisation of the street lightning system, guarantees will be provided. Over €79 million is foreseen for these interventions. Currently, the first payment to the fund has been made and VIPA is proceeding with selection and evaluation of applications. • There are also plans to establish the fund which will finance projects devoted to renovate public buildings owned by municipalities. At the moment this fund is still not established.
LV	Growth and Employment OP	The decision to use FIs for TO4 was taken based on the ex-ante assessment. Initially it was planned to allocate all funding for renovating multi dwelling buildings under FIs. However, the market gap analysis showed that a grant element is also needed in Latvia's market situation. Commercial loans are not accessible for all apartment owners. The level of funding allocated to FIs for TO4 is lower than the real market gap determined by the ex-ante assessment. (due to a lack of resources). The implementation of TO4 was delayed for around one year compared with an initial planning, because it was very difficult to get approval from the Commission to start financing the renovation programme. Discussions took place for almost one year and when finalised, the same proposal as initially offered was kept. In this respect one year was lost and processes delayed, because too many clarifications were needed even if no changes were made at the end. Two types of FIs will be used - loans and guarantees: 1) loans issued by ALTUM; 2) loans from commercial banks combined with guarantees issued by ALTUM. In addition, grants will work in parallel with both schemes if needed. Target recipients are inhabitants and apartment owners of multi-dwelling buildings. FIs are at the stage of signing the contract. The implementation phase has already started in parallel with administrative processes (consultations regarding the role of grants). It is planned that around 70% of funding will be in loans from commercial banks. Grant financing will cover up to 60% of project value depending on the type of project. Grants provided for attracting commercial loans will cover

MS	OP	Details
		around 30% of the project value.
PL	OP Infrastructure and Environment	FIs were indicated in the OP, (€571.3 for TO4) for four sub-measures and the following goals - supporting investments on the production of energy from renewable sources, promoting energy efficiency and use of renewable energy sources in large enterprises, support of the energy efficiency in the residential sector, support of the energy efficiency in residential buildings in the Upper Silesian urban area. However, repayable grants and/or grants will now be used for three measures under TO4; the ex ante assessment indicated that typical FIs would not be suitable for certain types of projects (in case of lack of demand for support). FIs may now not be used at all, except for under one measure concerning the investment in the production of energy from renewable sources. In the other three areas where FIs were initially considered, repayable grants are already used.
SE	National regional fund programme for investments in growth and jobs	Green Fund: Funding Agreement signed with Almi Invest in October 2016. The Green Fund will work in the same way as the regional venture capital funds except on a national scale and making larger investments. The target will be SMEs. The average investment will be c 10 million SEK, whereas the average investment from regional funds will be 2-3 million SEK. The types of investments to be made are still being discussed.
SK	Integrated Regional OP	Positive experiences with the JESSICA initiative in 2007-13 were taken into account in the decision to use FIs. The final amount allocated was decreased based on the ex ante assessment results. An agreement between the Slovak Guarantee and Development Bank - Asset Management, the Slovak Investment Holding and the MA for the IROP was signed in May 2015. Financial intermediaries have not yet been selected. The FIs under TO4 (loans) will be used primarily for the following activities: improving the thermal and technical properties of building structures of residential buildings (insulation of peripheral walls and roof, window replacement), modernisation of heating systems, including wiring and hydraulic adjustment, installation of thermoregulatory valves, installation of measurement and management systems / heat consumption meters in order to reduce energy consumption, upgrading lighting to reduce energy consumption, modernisation of elevators to reduce energy consumption, elimination of system failures in residential buildings insulation to reduce energy consumption. These activities will be implemented through a Fund/Sub-Fund for energy efficiency.

MS	OP	Details
		Target beneficiaries include associations of flat owners and owners of non-residential spaces.

1.10. ESF FIs for Social Inclusion

Context

The new ESIF regulations widened the scope to use FIs under any Thematic Objective and the Commission encouraged Member States and MAs to consider more widely where they could potentially use FIs within their programmes. This case study examines the extent to which 2014-20 OPs are planning to use FIs to support social inclusion (Thematic Objective 9) within their programmes.

Scale

Data from the OPs shows that 21 OPs from ten Member States (BG, ES, HR, HU, IT, NL, PL, PT, RO, SK) were considering allocating €352.5 million under TO9 in the form of FIs. These included both ERDF and ESF OPs.

Issues

No issues have been identified at this stage.

Examples

MS	OP	Details
PT	The national OP Social Inclusion and Employment (ESF) and several ROPs.	The national ESF OP for Social Inclusion and Employment and several regional OPs will contribute to the €95 million Portuguese Social Innovation Fund. The Social Innovation Fund will support initiatives and investments in social innovation and social entrepreneurship, through subsidised loans and guarantees. It will take the form of a fund of funds independent from the different actors in the social investment circuit. The model foresees adaptation of existing tools designed for direct business support (such as investment funds, business angels, crowdfunding etc.) to the reality of the social domain. The ultimate aim is to enable social economy organisations to access financing instruments more appropriate to their specificities, and also to encourage private co-investors to invest in high-potential and sustainable innovative projects with significant social impact. The Fund will act primarily in the following areas: i) fight against poverty and social exclusion, ii) promotion of active aging, iii) promotion of employment (particularly youth employment), iv) support to children and families, v) promotion of health and well-being. The foreseen application of FIs specifically targeting the social dimension is still very limited (4.5 percent of the total OP budget), and assumes a 'supplementary' and 'experimental' logic. The Social Innovation Fund was launched in early 2016, operating through two specific funds – a Loan Fund (using debt FIs to support innovation projects) and a Social Entrepreneurship Fund (using quasi-equity FIs to support innovative social entrepreneurship start-ups).

1.11. ESIF FIs & the EU Programme for Employment and Social Innovation (EaSI)

Context

The ESIF regulations provide MAs with the option of making a financial contribution to FIs set up at EU level, managed directly or indirectly by the European Commission. This includes FIs which are part of the EU's Employment and Social Innovation (EaSI) programme. The EaSI programme is managed directly by the European Commission with the objective of promoting a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions.[30] The programme has three axes; the third axis concerns Microfinance and Social Entrepreneurship and provides supports the provision of microloans to vulnerable groups and loans to social enterprises via microcredit providers and social investors through the following financial instruments implemented by the European Investment Fund:

- Guarantees: the EaSI guarantee FI provides capped guarantees and counter-guarantees covering loans in the microfinance and social entrepreneurship sector.[31] The EaSI guarantee FI was launched in June 2015.

- Funded instruments encompassing debt products to be provided by EIF to financial intermediaries, to be launched in early 2017.

- Capacity building to microfinance institutions (MFIs).

This case study examines the extent to which MAs have identified opportunities for contributing to EU-level FIs under the EaSI programme.

Scale

So far, the only OPs identified which have considered a contribution to EaSI financial instruments are in Spain - the national ESF OP for Employment, Training and Education and the ESF OP for Madrid. According to interview data, the financial allocation considered to the EaSI FI from the ESF OP for Employment, Training and Education would be approximately 15 percent of total OP funding (this would equate to just under €530 million). Within the Madrid OP, a separate priority axis has been created to contribute €25 million to EaSI.

Issues

According to interview data, the fact that the EaSI FI is a facility put in place by the Commission and managed by the EIF is a great advantage, mainly because the Commission provided certainty on the programme and because the EIF provided management know-how. This is valued when there is a lack of previous experience in

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[30]Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion.

[31] *Fi-compass* (2015) Factsheet: Financial instruments working with social entrepreneurship, https://www.fi-compass.eu/sites/default/files/publications/Factsheet_Financial_instruments_working_with_social_entrepreneurship.pdf

implementing ESF FIs. The contribution to EaSI is considered a pilot, to test out this new form of intervention for ESF.

Examples

MS	OP	Details
ES	Madrid ESF OP	€25 million
ES	National ESF OP for Employment, Training and Education	c.€530 million

2. Annex 2 - Institutions involved in supply of public sector FIs in EU28

MS	Main Institutions
AT	**Austria Wirtschaftsservice** operates longstanding loan-based measures financed from the original endowment of the Marshall Fund, the ERP Fund. The ERP fund has been integrated into AWS. AWS runs many different instruments, including: the ERP Fund, AWS Mittelstandsfonds and AWS Gründerfonds.
BE	**Société Régionale d'Investissement de Wallonie (SRIW), Société Wallonne de Gestion et de Participation (SOGEPA) and Société Wallonne de Financement et de Garanties des PME (SOWALFIN)** are the main actors offering FIs in Wallonia. SOWALFIN also offers FIs through its subsidiaries Sofinex, Novallia and Socamut, as well as a network of nine 9 'Invests' across the five Walloon provinces. **Innovation and Enterprise Agency (Agentschap Innoveren en Ondernemen - AIO) and Investment Company Flanders (Participatiemaatscappij Vlaanderen - PMV)** are the main actors in terms of FIs in Flanders. **Finance.brussels** is the main relevant agency in the Brussels Capital region, offering microcredit, loans and equity through its subsidiaries Brusoc, Brucofin, Exportbru, Brupart and Srib-Gimb. Also, the **Brussels Guarantee Fund**, which targets SMEs and microenterprises.
BG	**The Bulgarian Development Bank** provides direct and indirect finance to SMEs. **The National Guarantee Fund (NGF)** is a subsidiary of the Bulgarian Development Bank and it provides guarantees to financial intermediaries (currently 21 commercial banks).
CY	**The Cyprus Entrepreneurship Fund (CYPEF)** is the main public finance fund established to support and strengthen entrepreneurship in the country by enhancing access to finance for SMEs.
CZ	**The Czech-Moravian Guarantee and Development Bank** focuses on providing assistance to SMEs aiming at giving them easier access to capital, sharing risk and reducing project costs through different types of support tools such as bank guarantees, preferential loans and financial subsidies. **The National Innovation Fund** aims to stimulate the national market with high-risk capital, especially in forms of seed, start-up and early stage funding.
DE	**KfW Bankengruppe (KfW)** offers numerous domestic support programmes for SMEs, municipalities and other target groups. **Landwirtschaftliche Rentenbank** also provides investment to SMEs and public finance. In addition to the domestic financial instruments offered at the national level, there are various instruments for SMEs offered by public promotional banks at the Länder level. In each Land there is at least one promotional bank.
DK	**The Danish Growth Fund (Vækstfonden)** is a public investment fund backed by the Danish Government. The statutory purpose of the Danish Growth Fund is to promote innovation and development of the business sector

MS	Main Institutions
	in order to achieve a higher socioeconomic return.
EE	**KredEx** is a fund which acts as a national promotional bank, and provides guarantees for debt instruments offered by credit institutions and financial institutions, supporting export transactions and developing enterprises' export capacity, developing other financial services and providing these services within the business and housing sector.
ES	**ICO – Instituto de Crédito Oficial (Official Credit Institute)**, Spain's public bank, provides finance for SMEs through intermediated lending. **ENISA – Empresa Nacional de Innovación (National Innovation Company).** The institutional mission of ENISA consists in providing financing to SMEs for business projects which add value to the Spanish economy, economically and in terms of job creation as well as promoting Spanish design. **CERSA – Compañía Española de Reafianzamiento (Spanish Counterguarantee Company)** provides counterguarantees.
FI	**Finnvera** is Finland's main state-owned specialised financing company. It aims to supplement the financial markets by providing businesses with loans, guarantees, venture capital investments and export guarantees. Finnvera is also the official Export Credit Agency of Finland.
FR	**Bpifrance** is France's main public investment bank which operates as a bank and a fund manager. Created in 2012, Bpifrance regroups different institutional actors involved in investment activities and FIs under one name. It is the main public actor involved in SME support and business financing. **Caisse des Depots et Consignations** (created 1816) is a long-term State investor with 20 subsidiaries (including Bpifrance) which can provide loans, equity and guarantees through a regional network. It is a main investor in business equity (via Bpifrance) and in infrastructure and housing. In addition, **Initiative France**, a network of local associations, provide loans on trust, while **France Active** offers FIs via three financial structures, France Active Garantie (manages Guarantee Fund), France Active Investment Company (SIFA) (manages regional funds) and France Active Financement.
GR	**The Hellenic Fund for Entrepreneurship and Development (ETEAN SA)** is fully owned by the Greek State with an initial share capital of €1.7 billion. ETEAN SA scope includes extension of guarantees and co-guarantees, the origination and management of innovative special purpose funds and co-financing loans and/or guarantees at attractive terms.
HR	The two main institutions providing public finance in Croatia are **The Croatian Bank of Reconstruction and Development (HBOR)** and **The Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO)**.
HU	**The National Bank of Hungary** is Hungary's Central bank. It offers loans via the Széchenyi Growth Programme through commercial banks. **The Hungarian Development Bank** is a State-owned bank which finances local government infrastructure development, a business finance programme

MS	Main Institutions
	and a public transport financing programme.
IE	**The Strategic Banking Corporation of Ireland (SBCI)** is a new, strategic SME funding company. Its goal is to ensure access to flexible funding for Irish SMEs.
IT	**Cassa Depositi e Prestiti**, by far the largest institutional operator, is a national promotional institution involved in the supply of finance to international development cooperation bodies, to directly financing public interest projects, infrastructure projects and research investments, export finance, social housing and support for SMEs, with a general remit to support economic growth in Italy. **Invitalia** operates as an administrative body and is in charge of public aid measures (either grants or FIs). **Mediocredito centrale** is a public bank operating at national level and with a focus on Convergence regions. At regional level the function of supplying public finance is performed by **regional development agencies** (agenzie regionali di sviluppo) and **regional financial institutions** (finanziarie regionali).
LT	**INVEGA** is a public body tasked with developing SMEs in Lithuania and facilitating their access to finance. It provides different types of FIs within the area of debt finance, covering loans, co-financing of loans, support to finance interest payments and loan guarantees.
LU	**Société Nationale de Crédit et d'Investissement (SNCI)** is Luxembourg's main state owned bank providing medium and long term financing contributions to economic development.
LV	**AFI,** a national specialised development finance institution, was created in December 2013 to implement FI investment strategies. The process merged three government agencies – Latvian Guarantee Agency, ALTUM (former Lavijas Hipotēku un Zemes Banka) and Rural Development Fund into AFI with objectives to increase efficiency in programme implementation, to strengthen coordination among programmes and to provide entrepreneurs with a "one-stop-shop" for State support mechanisms. Under this arrangement ALTUM will continue programme implementation keeping the same regional coverage and representation.
MT	**Malta Enterprise** is an economic development agency which offers a range of incentives – grants, soft loans, interest rate subsidies and loan guarantees. Malta Enterprise also appears to have the capacity to invest as a venture capitalist.
NL	**Netherlands Enterprise Agency (Rijks Dienst voor ondernemend Nederland – RVO)** is the main financial State-owned institution in the Netherlands. It is part of the Dutch Ministry of Economic Affairs. **Innovation Fund SME+** is a fund managed by the Netherlands Enterprise Agency which provides various forms of repayable support to innovative SMEs.
PL	**Bank Gospodarstwa Krajowego – BGK/ The State Development Bank of Poland.** The BGK supports the social and economic growth of Poland and

MS	Main Institutions
	provides services to the public finance sector. BGK actively participates in the implementation of the state's economic objectives.
PT	**SPGM - Sociedade de Investimento, S.A.** has been a major tool for promoting the expansion of the Mutual Guarantee System in PT, targeting a large number of SMEs. **IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento – Institute for the Support to Small and Medium-sized Enterprises and Investment)** manages financial assistance programmes and promote SME access to the stock market and to alternative sources of financing. **Instituição Financeira de Desenvolvimento (Financial Development Institution, IFD)** was set up in 2014 to manage the ESIF FI programmes Its wider objectives included promoting greater efficiency and effectiveness in the management of FIs for supporting SMEs in Portugal. **PME Investimentos – Sociedade de Investimento, S.A.** aims to promotes the development and increase of the financing offer to companies in the non-financial sector, notably SMEs, through management of special investment funds.
RO	**Casa de Economii și Consemnațiuni (CEC)** is Romania's national state owned bank. The bank aims to support local businesses and SMEs. It provides: loans for SMEs, loans for rural financing, loans for companies recently incorporated, State-aided loans, European Funds, loans to finance the Public Authorities. **EximBank** is another national State-owned bank. EximBank has been involved in supporting and promoting the Romanian business environment, by making available a wide range of financial instruments for local companies.
SE	In Sweden, the key State-funded operators which provide equity capital to businesses are **Almi**, **Fouriertransform** (for manufacturing industry), **Inlandsinnovation** (only in north of Sweden) and **Industrifonden**. In addition, there are a number of State-owned regional companies which are jointly owned with the county councils or regional actors.
SI	**SID Bank (SID – Slovenska izvozna in razvojna banka)** became a fully state owned bank in 2008. SID Bank provides export credits and investment insurance services on behalf of the State. The main activity provided for its own account is financing of business transactions in the area of market gaps (SME, research, environment, internationalization etc.). **The Slovene Enterprise Fund (SEF)** is a state owned fund. SEF was established for the purpose of granting financial support and incentives to the entrepreneurial sector in Slovenia. The Fund publishes annually public tenders for financial support for development-expansion investments of micro, small and medium-sized enterprises in Slovenia.
SK	**Slovak Guarantee and Development Bank (SZRB)** is the key provider of finance to SMEs and local authorities. **Slovak Investment Holding (SICAV SIF S.C.A.)** has been established to

MS	Main Institutions
	support national investment priorities providing financial instruments in various mainstream programmes financed through ESIF.
UK	**The British Business Bank** was set up in 2012 to integrate already existing programmes supporting SMEs, as well as developing and managing new SME access to finance programmes. **Finance Wales** is a publicly owned company set up to provide finance to SMEs in Wales. Finance Wales describes itself as 'one of the UK's largest regional SME investment companies'. Finance Wales makes commercial investments in SMEs based in Wales or willing to relocate. **The Scottish Investment Bank (Scottish Enterprise/Highlands and Islands Enterprise):** Scottish Investment Bank is a department of Scottish Enterprise, a sponsored non-departmental public body of the Scottish Government which encourages economic development, enterprise, innovation and investment in business. Highlands and Islands Enterprise is the Scottish Government's economic and community development agency for the north and west of Scotland. **Invest NI** provides government support for businesses by delivering the Government's economic strategies. Support offered includes advice, mentoring and funding. Funding includes both grants and FIs.

3. Annex 3 – Summary of FIs 2007-13 and 2014-20

MS	Key features 07-13	Key changes 14-20	Current Status
AT	Low commitment in 7-13. No use of ESF; Art 44a only. AT is not a significant user of co-funded FI, though in domestic policy FIs are significant.	Burgenland and ROP offered FI in 7-13; in 14-20 the Oberosterreich scheme only is continued under the NOP (with a similar EU budget). Decline in budget results from dropping Burgenland scheme.	Ex ante is complete for OÖ HightechFonds. Funding agreements have been signed for this FI.
BE	High Commitment in 7-13. No use of ESF; Art 44a only. Co-financed FI very significant in Wallonia 7-13 OPs (19.7-23.9% of OP); less in Brussels (5%). Of 3 regions, FIs were only used in Brussels and Wallonia, not Flanders where OP considered too small and sufficient domestic FIs.	Brussels commitment similar to 7-13, but TO diversified to TO1 and TO4; V significant decline in Walloon commitment to TO3 - reduced to 1/3 of previous; TO1 and 4 added.	Brussels and Wallonia ex-antes reported as complete but currently unpublished.
BG	Moderate commitment to FI in 7-13 - highest as share of total among "new" MS apart from LT. No use of ESF. Used for Art 44 a, b and c. Competitiveness OP (30%); 2.5% in Reg Dev OP. All in EIF and EIB HF (except 1 v small NHF).	Significant increase in commitments from 4.9% to 8.2% of OP and in absolute terms (double). Plans to use ESF. Use of SME Initiative. New domestically managed FoF for all EU funds (inc. EAFRD). New FIs for: tourism and culture; environment (esp. water and waste); microfinance. Development of existing Jessica and JEREMIE type instruments.	Ex ante assessments at level of each OP (5) are complete. FI still planned but not operational.
CY	Low commitment to FI in 7-13 - less than 3% of OP contributions committed to FI. No use of ESF; Art 44a only; several, mainly loan FIs within EIB HF; considered to be insufficiently focused to achieve impact, although 'spending' targets	FIs are mentioned in the OP, but no explicit financial provision is made.	No new developments; no ex-ante appears to be anticipated.

MS	Key features 07-13	Key changes 14-20	Current Status
	were met according to PA.		
CZ	Low commitment to FIs in 7-13 - 0.6% of OP contributions. No use of ESF; Art 44a and c. Mainly guarantees for SMEs and modest allocations under Jessica.	OP commitments suggest threefold increase in FI allocations and wider use. In OP, principal focus is on TO3, but also in Multi TO priority, all of which is TO4 for FI.	Financial allocations to FIs were only made in 3 OPs (Prague Growth Pole, Enterprise and Innovation, Integrated ROP), but ex ante assessments also conducted for 3 more OPs. These recommend FIs in Transport and Environment OPs, but the status of plans for these is unclear. Increase in planned allocation for FIs since OP.
DE	Moderate use of FI in 7-13. 4% of contributions. Use of ESF in some OP. FIs under Art 44a, b and c. No use of holding funds and FI mainly implemented by promotional banks. Use of ESF by some OPs.	Increase in FI funding (but modest in absolute terms). ESF-funded FIs mainly continues. Two OPs introduce FIs (Bremen, Saarland), but Baden-Württemberg ceases to. Multi TO priorities all address urban issues. Primary focus remains on SMEs (58%).	Funds in 8 OPs appear to be operational, for 2 OPs FIs in set-up and 2 with FIs planned. Varied approaches to ex antes - some OPs conduct ex ante for each instrument; others one ex ante for all instruments in the OP. At least 19 ex antes completed to date. Numerous FIs operational.
DK	High commitment to FIs in 7-13 as % of OP contribution (6.9%); also used ESF. Art 44a and c. Overall amount is modest as DK OP is small.	No financial commitment to FIs is made for 14-20.	PA refers to possible FIs for TO3 and TO8, but no ex ante assessment has been undertaken - though a gap analysis notes that ESI funds could be used to address a gap in the market.
EE	Moderate commitment to FIs in 7-13. Use of ESF. Mainly Art 44a , but also 44c. Important role of Kredex	Single NOP replaces three NOP. OP plans to double use of FIs, about 1/3 for R&D&I and rest under multi TO. In practice, targeted at SMEs and TO3 and TO8. Use of ESF not continued.	Two ex-antes have been conducted. For R&D (TO1), this concluded that FIs were not suitable. For TO1 and TO8, funding agreements were signed on 1 March 2016. As a result, a loan guarantee scheme is operational and an equity/VC scheme is in set-up.
ES	Low commitment to FI in 7-13. No use of ESF. Art 44a, b and c. Two OPs Andalucía and National RTD OPs alone accounted for 90% of OP	Increase in funds (x 1.6 and nearly double as share of OP). Two-thirds of OP commitments to FI through national OP - Smart growth (€257m EU) and SME	Use of ESF funded FIs in Galicia appears not to be going forward; seems reference merely a marker. OP Madrid ESF FI only priority proposing to contribute to EaSI. Four ROP ex

MS	Key features 07-13	Key changes 14-20	Current Status
	contributions to SMEs (which was itself 90% of total).	Initiative (€800m EU). According to OPs Galicia and Madrid will use FI in ESF.	ante completed; three in progress; two started; plus SME Initiative by COM and EMFF OP ex ante by Min Agri.
FI	Low commitment to FI in 7-13 (but considerable domestic experience). Single Finnvera with contributions from 4 OPs. No use of ESF.	Initial decision substantially to reduce co-financed FIs. OP plans limited to 2 small VC/equity FIs (total €9.7m pending ex-ante). Focus on start-up seed/SME. Subsequent decision to use SME Initiative - €20m.	Ex-ante published for Aland but no recommendations made; Ex-ante not undertaken for mainland FI but unclear if overtaken by SME Initiative.
FR	Low commitment to FI in 2007-13, but large number of often v small regional FI, some not implemented in practice. Most ERDF ROP committed fund to FI (ex Guadeloupe, Martinique, Bretagne, Picardie, Rhone-Alpes). No use of ESF. Art 44a only.	OP plans show significant inc. in FI - almost threefold (but from low base). No planned use of ESF. Partnerships with Bpifrance, CDC and EIB part of strategy to simplify implementation. All ROP except Pays de la Loire propose FIs, but many plans tentative, awaiting ex ante and significant change from OP planned FI spend expected in practice. Focus of use is on TO3, TO1 and TO4.	Some plans to conduct ex ante even where no FI allocation – simple reference to possible FIin OP e.g: Interregional OP Reunion; ROP Franche-Comte; ROP Guadeloupe; ROP Midi-Pyrenees. Financial allocations to FI in OPs seem very uncertain. 18 ex-antes done to date - in general these cover whole ROPs, not just specific priorities, and sometimes multi-fund with EAFRD. 2 FIs operational, 1 in Nord Pas de Calais. .
GR	High commitment to FI in 2007-13. Art 44 a, b and c.No use of ESF. Most in NOP competitiveness (30%); Attica (31%); Macedonia and Thrace (19%). 3rd largest allocation to urban (after UK, PL); largest allocation to energy FI in EU (but significant underspend in both).	OP allocation falls by €419m, but still large share (6.9%) of (smaller) total budget. Only Competitiveness OP plans FI. Small element under TO8 through ESF. Even though small budget, FIs have received a major 'push' in the planning process, but ex-ante lacks reflections on past experience.	All FI are multi TO - mainly SME related, but also TO4 and 6. Consideration was given to FI only priority, but not pursued. Jessica type intervention may be pursued through ITI - to be decided. Three ex-antes produced - a general OP level one; one for energy-saving in housing; one for Jessica. A comprehensive update of these is out for tender and no FIs are operational. Also seems likely financial allocations will change.
HR	2007-13 not relevant.	"Change" not relevant as new MS. High commitment to FI (7.3% of OP plans).	Two ex-ante: business comp, employment and social enterprise; energy efficiency, urban dev

MS	Key features 07-13	Key changes 14-20	Current Status
		Focused in two areas - small ESF part in TO8, 9 (18%); most under ERDF split between TO3 and 4.	and private R&D. Appears to reduce some initial allocations to FI or conclude that FI not appropriate. Only one ex-ante published. No FI is operational yet but will primarily be entrusted to existing domestic institutions.
HU	Low commitment to FI in 7-13, but v large number of FIs owing to count by funding agreement and use of local banking structure. No use of ESF. Art 44 a only.	Significant increase in FI in 14-20 - 3x funding, rising from 3.1% to 11% of OP contributions. Planned use of ESF. Almost all concentrated in Eco Dev OP in FI only multi TO priority, contributing to 5 TO (1, 2, 3, 4, 8), but strong focus on SMEs. New institutional set-up based on HU Development Bank FoF.	FI v. important in Econ Dev OP (29% of OP) and is main usage (95% of all FI); progress slowed by inability to use open call process this time, but Funding agreement for major loan scheme (€1399m) signed and scheme launched. In other OPs FI more an option. Six ex-antes undertaken five thematic, one for OP. Also some preliminary analysis.
IE	No use of FI in 7-13 and none planned, though option in OP	None.	No FIs currently planned.
IT	High commitment in 2007-13. Use of ESF. Over €1 billion in NOPs; almost all ROPs used FIs and significant FI allocations in many ROPs. Mainly Art 44a; small 44b and c amounts.	OP allocation to FI falls by €648m and from 10.1% of OP to 6.8%. SME Initiative introduced. Also, large allocation under Competitiveness NOP. Still mainly SME, but significant allocations to R&D, low carbon. Use of ESF continued.	FI jointly funded by YEI and ESF (and Calabria ROP) now operational - SELFIEmployment; did not seem to be envisaged in YEI OP; SME Initiative not operational. Several FIs under Competitiveness NOP, but no ex-ante published. Ex-ante completed or published for Sardegna, Lazio, Lombardia, Marche, Piemonte, Toscana, Umbria; funding agreements signed for SELFIE, Sardegna, Liguria (but ex-ante cannot be found), Lombardia, Piemonte, Toscana in all of which (ex Sardegna) FIs operational. Possible FIs in NOP Metropolitan cities, not budgeted in OP, but ex-ante planned. More ex-ante's commissioned for ROPs. Calls issued under several ROPs.

MS	Key features 07-13	Key changes 14-20	Current Status
LT	Moderate (to high) commitment to FI in 2007-13. No use of ESF. Art 44a and b.. Two HF for SME FI; one Jessica.	Single NOP replaces previous four NOP. Significant increase in FI planned - almost double in absolute terms and 10.9% of OP total. Large increase for TO4, which extends Jessica-type support. Use of ESF proposed.	FI also proposed in TO5 (not mentioned in OP) for water and waste treatment. Two ex-antes completed: one for energy efficiency; one for enterprise support. A third and fourth are ongoing (public investments in infrastructure, energy, water supply and waste management). Ex-ante for enterprise supports increased use of VC. Energy efficiency fund estd. Feb 2015 is only operational FI to date. Two further funding agreements have been signed (one with INVEGA for SME support; one with EIB for Jessica II); and further agreement was expected to be signed in April 2016 for SME funding.
LU	No FIs in 2007-2013.	None to FI, but note half funds allocated to prizes.	No FIs currently planned.
LV	Low (to moderate) use of FI in 2007-13. Some use of ESF. Art 44a only.	Proposed to increase by approx. 50% to reach 5.5% of OP total, and diversify use into TO4. SME support to be consolidated within Altum (unites 3 agencies). Appears that SME support to fall and increase all accounted for by TO4.	Two ex-antes: SME access to finance (Deloitte); energy efficiency (Min Eco). Planned FI under CF (now does not appear to be envisaged). 1 VC for SME; 1 guarantee for SME; and 1 loan for low carbon all in set-up, but no funding agreements signed.
MT	Low commitment to FI in 2007-13. No use of ESF. Art 44a only. EIF JEREMIE HF, with single fund within it run by Bank of Valetta.	Significant increase in planned amount for FIs - 3x + and from 1.2% to 4.8% of OP contributions. SME Initiative introduced. Also, proposal for FI for TO4 (about 1/3 of total).	Mention of FI in ESF (not originally planned) and call for tenders to do ex-ante, but seems not to have progressed. No info on whether FI going forward in Competitiveness OP, even though planned for. No ex-ante completed (it appears), except for the SME Initiative at EU level.
NL	Low commitment to FI in 2007-13. No use of ESF. Art 44a, b and c	West and South OPs only - East dropped use of FI and FIs new in South OP.	West OP has five ex-ante - one per fund. No information on ex-ante for South. Not all are

MS	Key features 07-13	Key changes 14-20	Current Status
	used..	Significant increase in share of OP (1.2% to 8.4%) and in absolute terms 4x +. No planned use of ESF.	published. No evidence that any funding agreements signed or that any FI operational.
PL	Low commitment to FI in 2007-13. Some use of ESF. Mainly Art 44a, but five regions used Art 44b. Large number of FI, partly owing to annual funding agreements. FI used in all ROPs, but wide differences in % of OP contributions.	All regional OPs used in 7-13; Podlaskie stopped for 2014-20 (according to OP). Wide differences remain between regions. In general continuity with previous period, but much higher OP commitment to FI - 3.7 fold increase (from 1.5% to 4.9% of OP contributions). Planned continuation of ESF FIs.	20 ex-ante completed - one for each OP containing FI (appears that Podlaskie undertook ex-ante). Evidence of some changes since OP contributions decided. However, no funding agreements signed to date and apparently no FI operational.
PT	Low commitment to FI in 2007-13. Mainly OP national competitiveness delivered through large no of equity funds. Art 44a mainly; Art 44b in ROP, but v small (€56m) almost all in Centro and Norte. No use of ESF.	Very significant increase - 5-fold increase in planned OP contributions with FIs to account for 12.4% of OP. 60% allocated to SMEs. Using ESF and CF, as well as ERDF. Also, FI used for range of priorities. Highest allocations still in Norte and Centro.	Ex-ante completed for 4 areas: Direct business support (OP Competitiveness (only €100m of total €2644m) and ROPs); social innovation and entrepreneurship; energy efficiency, water and waste management; and urban regeneration. Ex-antes cover both thematic OP and ROPs. Individual funding agreements signed in Norte; Centro; Alentejo; Azores; Lisboa; Madeira; Algarve; and OP Competitiveness. Not clear if any FI actually operational.
RO	Low commitment to FI in 2007-13. Only used in National Competitiveness OP for Art 44a; no use of ESF. EIF HF with 3 specific funds.	Substantial increase (almost 5-fold), but from v low based and only planned to reach 2.7% of OP contributions in 14-20. Also, FI to be used for other TOs - but most still aimed at SMEs. Planned use of ESF for FI and SME Initiative.	In addition to SME Initiative, 1 ex ante completed - for FI in OP Human Capital. No funding agreements seem to have been signed, so no FI appear to be operational yet.
SE	Moderate commitment to FI in 2007-13. All ROP offered FI. No use of ESF. All Art. 44a.	Increase in FI - almost double and rising to 7.5% of OP contributions. Low carbon TO4 FI proposed. NOP accounts for half of proposed FI allocation and has an FI only	Ex ante assessment completed for all ERDF activities in SE, covering NOP and ROPs. Funding agreement signed with EIF for VC FI.

MS	Key features 07-13	Key changes 14-20	Current Status
		priority, NOP comprises national FoF to support VC and national green fund. Continuity in eight regional VC funds - 1 in each ROP - as before. No planned use of ESF for FI.	
SI	Low commitment to FI in 2007-13 overall (but moderate proportion of OP within which used).No use of ESF. Art 44a only.	Significant increase in planned amount - more than 4-fold increase and rising from 2.6% to 14.5% of OP contributions. Emphasis remains strongly on SMEs, but FI planned for TO1 (R&D&I) and TO4 (low carbon) - principally energy efficiency - funded through CF. No planned use of ESF.	Ex-ante has been completed, but only the summary available. No funding agreements have been signed and it seems no FIs are operational pending decisions about governance structures.
SK	Low commitment to FI in 2007-13. No use of ESF. Art 44a and c. EIF HF for enterprises and Jessica through state housing fund for energy-saving projects.	Substantial increase in funds for FI planned (more than three-fold) but from v low base and only accounts for 2.5% of OP contributions. Use of ESF in TO 8 9 10 and 11 according to OP. Jessica type funding to be expanded into other areas e.g. water supply, transport and energy infrastructure.	Use of FI for TO 11 appears incorrect. One ex-ante has been conducted. Covered many, but not all, priorities where FIs proposed in the OP (e.g., R&D was not covered). Status of FI unclear, but does not seem that funding agreements have been signed or that FI operational. Two funding agreements signed.
UK	High commitment to FI in 2007-13. No use of ESF. Mainly Art 44a, but about 20% to Art 44b and c. Diverse implementation arrangements.	Set to increase by approx. 1.5 times, rising to over 10% of OP contributions. No planned use of ESF. Focus remains on SMEs (2/3+ of total), but also TO4 and 6. Multi TO used in Wales for TO1 & 3, and possibly for TO8 in Jessica type fund. Other changes result from wider developments - new British Business Bank, role of LEPs and single England OP.	England ex-ante being conducted in (at least) two parts with block 1 countrywide and block 2 at level of the Local Enterprise Partnerships. Unclear which priorities will be covered, but some continuity – e.g. London will continue with green fund and SME fund. In NI, ex-ante complete, funding agreement signed and FI operational. In Wales, ex-ante completed for SME support (funding agreement signed and FI in set up); ex-ante not yet planned for Jessica. In Scotland, ex-ante on SME support completed

MS	Key features 07-13	Key changes 14-20	Current Status
			and funding agreement for HF signed and FI now in set up; Ex-ante for TO4 less clear outcome - to be revisited, but no FI to date.

4. ANNEX 4 - OPERATIONAL AND NEAR-OPERATIONAL FIS – SELECTED EXAMPLES (AS AT FEB-MAY 2016)

AT: ERDF OP Investments in Growth and Employment Austria 2014-2020

FI(s): OÖ HightechFonds

National/regional: Regional

Structure: Specific Fund (outside of Fund of Funds)

TO: 3

Budget: Total OP contribution €9 million (€3 million ERDF; €3 million national public; €3 million national private)

Instrument: Equity

Target final recipient: start-ups, SMEs

Operational details: The OÖ HightechFonds was launched for 2014-20 on 1 July 2015 at own risk (ie. using domestic funds), having also operated in the 2007-13 period. It is the only FI in Austria in 2014-20 co-financed with ESIF. The Fund provides two types of support: a) seed/start-up funding for young and innovative firms, with a thematic focus on areas defined in the Upper Austrian strategy "Innovative Upper Austria 2020" (Innovatives Oberösterreich 2020) and b) funding for the expansion of SMEs, with preference given to those active in the areas defined by the strategy mentioned above. For the latter, medium-sized firms are only eligible when located in areas defined by the regional aid map. Although this FI falls under TO3 (IP3d), the OP states that the funding can also be used under IP1b if the investment is in direct relation to research projects.

By February 2016, two commitments had been made, with a total value of €450,000 (including both ERDF and domestic funding).

Further information: http://www.hightechfonds.at/

DE: OP Bayern ERDF 2014-2020

FI(s): Bayern Kapital Innovationsfonds EFRE, EFRE-Projekt 2014A (Risikokapitalfonds), EFRE-Projekt 2014B (LfA Energiekredit), EFRE-Projekt 2014C

National/regional: regional

Structure: Specific funds (no FoF)

TO: 3, 4

Budget: €70 million

	Total OP (€m)	ERDF (€m)	Public (€m)	Private (€m)
Bayern Kapital Innovationsfonds EFRE	20	10	10	0
EFRE-Projekt 2014A (Risikokapitalfonds)	15	7.5	0	7.5
EFRE-Projekt 2014B (LfA Energiekredit)	20	10	0	10
EFRE-Projekt 2014C	15	7.5	0	7.5

Instrument: venture capital, loans

Target final recipient: SMEs

Operational details: The LfA Energiekredit is newly introduced for 2014-20.

Further information: http://bayernkapital.de/europaeischen-fonds-fuer-regionale-entwicklung-efre/

DE: OP Berlin ERDF 2014-2020

FI(s): KMU Fonds, ProFIT Darlehen, VC Fonds Technologie, VC Fonds Kreativwirtschaft II, KMU-Fonds Umwelt

National/regional: regional

Structure: Specific funds (no FoF)

TO: TO1 (two vc funds and ProFit loan fund), TO3 (KMU Loan Fund) and TO4 (KMU-Fonds Umwelt)

Budget: €365.4 million

	Total OP (€m)	ERDF (€m)	Public (€m)	Private (€m)
KMU Fonds	103.4	51.7	51.7	0
ProFIT Darlehen	157	78.8	78.8	0
VC Fonds Technologie	5	30	30	0
VC Fonds Kreativwirtschaft II	60	20	20	0
KMU-Fonds Umwelt	40	20	20	0

Instrument: venture capital, loans

Target final recipient: Loans for R&D projects: SMEs; research facilities, large enterprises only as partner in consortia with SME and research institutions. VC: undertakings in the creative industry and in key technology fields in the seed and start-up phase. Loan fund: Entrepreneurs in industry and knowledge intensive services, as well as crafts. The loan fund supports investments and start ups.

Operational details: ProFIT loans existed in 2007-13 and were designed as an FI in 2014-20 on the advice of the Commission. VC Fonds Kreativwirtschaft and VC Fonds Technologie also operated in 2007-13, as did KMU Fonds. KMU-Fonds Umwelt (TO4) is a new FI for 2014-20.

Further information:

http://www.ibb-bet.de/start.html

http://www.ibb.de/desktopdefault.aspx/tabid-230/

http://www.ibb.de/desktopdefault.aspx/tabid-93/

DE: OP Brandenburg ERDF 2014-2020

FI(s): Früphasen- und Wachstumsfonds (Eigenkapitalfinds BFB III), Brandenburg-Kredit Mezzanine II, Mikrokredit Brandenburg, ProFIT Brandenburg (Darlehensteil)

National/regional: regional

Structure: Specific funds (no FoF)

TO: 3

Budget: €224 million

	Total OP (€m)	ERDF (€m)	Public (€m)	Private (€m)
Früphasen- und Wachstumsfonds (Eigenkapitalfinds BFB III)	70	60	10	
Brandenburg-Kredit Mezzanine II	32	22	10	
Mikrokredit Brandenburg	10	8	2	
ProFIT Brandenburg (Darlehensteil)	112	90	22	

Instrument: venture capital, loans

Target final recipient: SMEs

Operational details: The use of FIs (2 VC for early stages and growth phase) is foreseen in the OP under Investment Priority 3d - Supporting the capacity of SMEs. Investments in the seed and start-up phase and investments as well as joint ventures with SMEs in early stage production processes and different life cycle stages are foreseen. The use of two loan funds (a subordinated loan fund and a micro credit fund) is also foreseen under Investment Priority 3d.

Further information:

Frühphasenfonds:
https://www.ilb.de/de/wirtschaft/eigenkapitalfinanzierung/bfb_fruehphasenfonds_brandenburg_gmbh_2/index.html

Wachstumsfonds:
https://www.ilb.de/de/wirtschaft/eigenkapitalfinanzierung/bfb_wachstumsfonds_brandenburg_gmbh_2/index.html

Brandenburg-Kredit Mezzanine:https://www.ilb.de/de/wirtschaft/eigenkapitalfinanzierung/brandenburg_kredit_mezzanine_1/index.html

Mikrokredit Brandenburg:
https://www.ilb.de/de/existenzgruendung/existenzgruendung_foerderangebote_nach_foerderthemen/neugruendung_gruendungsfinanzierung_allgemein/index.html

EE: Operational Programme for Cohesion Policy Funds 2014-2020 (ERDF, ESF, CF)

FI(s): EstFund

National/regional: National

Structure: Fund of Funds

TO: 3

Budget: €60 million (€48 million ERDF, €12 million co-invested by the EIF from EFSI enabled resources. ESIF contribution includes returned funds)

Instrument: risk capital

Target final recipient: start-ups, microbusinesses, SMEs

Operational details: In 2007-13, FIs were used within the framework of Cohesion Policy for entrepreneurship and energy savings (renovation loan for apartment buildings). For 2014-20 the use of FIs was considered for many priority areas, but based on the ex ante assessments, it was decided to use FIs only for improving the availability of capital and credit insurance to enhance the competitiveness of SMEs (TO 3). In addition to plans to provide loans, guarantees and insurance for export transactions by KredEx (total funding: €75.5 million from ERDF + private sector contribution), this involves creating an early stage fund-of-funds (EstFund) to provide venture capital. Total funding: €48 million through ESIF (which will be managed by the EIF) and €12 million from the EIF's co-investment (from the Risk Capital Resources mandate) plus €35.2 million expected from private investors. Includes a Venture Capital Fund (€30 million), an Expansion Capital Fund (€15 million), and a Business Angel Co-Investment Fund (€15 million). EstFund will target smaller and earlier stage investments, operating in a complementary way to the existing Baltic Innovation Fund, which targets larger and later stage deals. EstFund operates as a cross-border instrument, ERDF funds will be invested in Estonian SMEs and some private investor contributions can be invested outside Estonia.

Further information: http://kredex.ee/en/venture-capital-4/estfund/

FR: Regional programme Bretagne 2014-2020 (ERDF/ESF)

FI(s): Breizh up

National/regional: regional

Structure: Specific funds (no FoF)

TO: 1

Budget: €8 million (ERDF)

Instrument: equity

Target final recipient: SMEs

Operational details: Investment Priority 1b of the OP supports technology transfer, RIS3 regional governance, collaborative projects and FIs specifically on support for innovative industrial projects – with a particular focus on projects with a maritime dimension. Breizh up is a co-investment fund. The target companies will be young regional SMEs with innovation potential, primarily related to the areas of the regional Smart Specialisation Strategy.

Further information: http://breizhup.bretagne.bzh/

HU: Economic Development and Innovation Operational Programme (ERDF)

FI(s): Hungarian Development Bank Fund of Funds

National/regional: National

Structure: Fund of Funds, so far 19 specific funds under the FoF

TO: multi - TO1, TO2, TO3, TO4, TO8

Budget: €2,235 million (EU contribution)

Budget for 10 of the 19 specific funds so far agreed under the FoF managed by the Hungarian Development Bank:

	Total OP (€m)	ERDF (€m)	Public (€m)	Private (€m)
Loan for increasing micro and SME competitiveness	141.9	141.9	0	7.5
Loan for support for business R,D&I activities	83.8	83.8	0	4.4
Combined loan products for enterprises within the framework of support for R,D&I activities	90.3	90.3	0	4.8
Combined loan- ICT to support enterprise development	96.7	96.7	0	5.1
Combined loan to support micro and SME investments in capacity expansion	241.9	241.9	0	12.7
Combined loan for food enterprises to expand production capacity	129	129	0	6.8
Combined loan to support manufacturing and service companies in the field of energy	99.6	99.6	0	5.2
Loan aimed at increasing the energy efficiency of residential buildings and use of renewable energy	339.3	339.3	0	17.9
Energy and modernisation of local heat and cooling demand from renewable energy sources for the district heating sector	65.6	65.6	0	3.5
Combined loan for renewable green electricity generation	35	35	0	1.8

Instrument: Loans

Target final recipient: micro, start-ups, SMEs, productive/service/ITC companies, financial institutions, social enterprises

Operational details: The funding allocated was the maximum available under the Priority Axis, which was an FI-only Priority. Due to the tripled allocation of resources compared to 2007-13, the OP applied a broad, open approach. The FIs were set up based on the recommendations of the ex ante assessment and previous experience. Combined products, used in 207-13 are still in demand. The National Development Bank was designated in 2015 as the Fund of Funds (the institution also has responsibility for closing financial instruments from the 2007-13 period). The first loan scheme was launched in September 2015.

Further information: https://www.mfb.hu/en/

UK: ERDF OP Northern Ireland

FI (s): Co-Investment Fund, Crescent Capital, Kernel Capital, TechStart NI SME, TechStart NI Queens University, TechStart NI University of Ulster

National/regional: Regional

Structure: Specific Funds (outside of Fund of Funds)

TO: 3

Budget: €151.8 million

	Total OP (€m)	ERDF (€m)	Nat public (€m)	Nat private (€m)
Co-Investment Fund	39.5	23.7	0	15.8
Crescent Capital	41.8	25.1	0	16.7
Kernel Capital	41.8	25.1	0	16.7
TechStart NI SME	24.3	14.6	8.3	1.4
TechStart NI Queens University	2.2	1.3	0.8	0.1
TechStart NI University of Ulster	2.2	1.3	0.8	0.1

Instrument: equity/venture capital

Target final recipient: Start-ups, SMEs

Operational details: PA 2 of the OP supports a suite of financial instruments designed to accelerate the expansion of high growth SMEs with export potential. Approximately 44 percent of the NI ERDF allocation is allocated towards TO3, and 2/3 of ERDF funds in TO3 will be directed towards FIs (nearly 30 percent of the total OP value). The ex ante assessment (by RSM McClure Watters) recommended that ERDF funding be used to support five funds to the value of £110 million. The MA allocated £70 million ERDF to FIs, due to competing priorities for ERDF support, and concentration of NI OP on only 3 TOs, it was clear that ERDF would not be available to meet the identified funding requirement in full. Although the OP had made provision for the possibility of both loans and equity FIs being introduced, Invest NI (the IB) decided to use ERDF to support equity FI only, with loans being funded from other 'bid for' public resources. Any shortfall in funding requirement for equity FI is to come from recycled ERDF, other public contribution and enhanced private leverage. The MA went with six specific funds (two university funds), not using a Fund of Funds model.

Further information: https://www.investni.com/support-for-business/funding-for-business/access-to-finance-strategy.html

5. Annex 5 - Methodological issues

The report draws on the online survey of Managing Authorities conducted in spring 2016, as well as desk research undertaken by the national experts and the core study team. In addition, an extensive programme of interviews has been undertaken with Managing Authorities and financial intermediaries. The interviews were aimed both at exploring the general issues related to the study, as well as those related to specific 'case study' issues.

The ***case study issues*** were selected in conjunction with the Commission services and are as follows:

1. Lapsed and non-users of financial instruments
2. Financial instruments supporting Information and Communication Technologies
3. Financial instruments for urban development
4. SME Initiative
5. Use of equity products in ESI Fund programmes
6. 'Off-the-shelf' instruments
7. Financial instruments and the European Maritime and Fisheries Fund
8. ESI Fund financial instruments and the European Fund for Strategic Investments (EFSI)
9. Financial instruments supporting the shift towards a low carbon economy
10. Financial instruments for social inclusion
11. ESI Fund financial instruments and the EU programme for Employment and Social Innovation (EaSI)

The ***interviews*** were undertaken face-to-face or by telephone/Skype and based on structured questionnaires. Separate questionnaires were developed for each of the case study issues,[32] with questions tailored to the topic concerned as well as general questions which were asked of all interviewees. In addition, a distinct set of questions was devised for financial intermediaries.

Managing Authorities to be interviewed were initially selected by the core team, with national experts having the responsibility to identify the appropriate individual within the relevant unit or department. Similarly, regarding financial intermediaries, the core team initially proposed a list of financial intermediaries for interview; this was refined in conjunction with the national experts who again had responsibility for identifying appropriate respondents.

In selecting the Managing Authorities and financial intermediaries for interview, account was taken of the following factors:

- The need for an appropriate balance of geographical coverage, including:
  - All Member States
  - Coverage of less-developed, transition and more-developed regions
- The need for a sufficient number of examples to address the 11 case study issues
- Representation of different types of programme – national, regional and Interreg.

Against the background of these parameters, the distribution of the proposed interviews was as set out in Figure 1.1. The terms of reference for the study imply 100-120 interviews, of which 50-60 interviews with Managing Authorities and 50-60 with financial

[32] Except 6, 'Off-the-shelf-instruments', which was explored with all respondents.

intermediaries, including authors of ex assessments. As Figure 1.1 shows, some 132 interviews were initially planned, in order to allow a margin for refusals or non-availability.

At the time of writing the Second Interim Report, the interview programme was not complete. This owed to the fact that the case studies were only agreed towards the end of July and in many countries it proved difficult for the national experts to secure appointments with respondents in August or early September. As a result, the analysis in the Draft Interim Report was based on the return received by 16 September 2016 (Phase I), a total of 67 interviews. The National Experts continued to pursue their interview programme beyond this 'cut-off' date and a further 53 interviews were conducted. Analysis of these additional returns have been incorporated into this draft Final Report.

Figure 1.1: Proposed distribution of interviews by questionnaire type

	Generic only	1. Lapsed & non-users	2. TO2 - ICT	3. Urban	4. SMEI	5. Equity /early stage/ seed	7. EMFF	8. ESIF/EF SI	9. TO4 - low carbon	10. Social inc.	11. EasI/ ESF	12. Fin. interm.	
AT						1						1	**2**
BE	1	1										1	**3**
BG	1			1	1							2	**5**
CY		1											**1**
CZ	3			1								2	**6**
DE	1	1				1			1	1		5	**10**
DK	1	1										1	**3**
EE		1					1	1				2	**5**
ES	5				1		1				1	5	**13**
FI					1							1	**2**
FR	2					1		1				4	**8**
GR			1									1	**2**
HR	1								1			1	**3**
HU	1		1									2	**4**
IE	1	2										1	**4**
IT	3				1					2		2	**8**
LT	1								1			2	**4**
LU		1											**1**
LV	1								1			2	**4**
MT					1							1	**2**
NL	1						1					1	**3**
PL	4								1			5	**10**
PT	1			1		1						2	**5**
RO	2				1							2	**5**
SE						1		1				1	**3**
SI	1								1			2	**4**
SK	2								1			2	**5**
UK	1					1						3	**5**
TC		2											**2**
Total	**34**	**10**	**2**	**3**	**6**	**6**	**3**	**3**	**7**	**3**	**1**	**54**	**132**

Notes: (i) The topic-specific questionnaires also contain the generic questions. (ii) Case study 6 (Off-the-shelf instruments) is not listed here as the questions on this were included in the generic questionnaire. (iii) These figures reflect the initial plan. Some adjustments were made in consultation with National Experts.
Source: EPRC

Figure 1.2: Completed interviews by questionnaire type (as of 16 September 2016 and as of 5 December 2016 (in brackets))

	Generic only	1. Lapsed & non-users	2. TO2 - ICT	3. Urban	4. SMEI	5. Equity /early stage/ seed	7. EMFF	8. ESIF/EFSI	9. TO4 - low carbon	10. Social inc.	11. EasI/ ESF	12. Fin. interm.	Total 23/09/16	Total 05/12/16
AT						(1)						1	**1**	**2**
BE		1											**1**	**1**
BG	(1)			(1)	(1)							(3)	**0**	**6**
CY		(1)											**0**	**1**
CZ	4			1								2	**7**	**7**
DE	(1)	(1)				(2)			(1)	(1)		(4)	**0**	**10**
DK		(1)										(1)	**0**	**2**
EE		1					1	1				2	**5**	**5**
ES	7				1		(1)					6	**14**	**15**
FI					(1)								**0**	**1**
FR												(2)	**0**	**2**
GR	(2)		(1)										**0**	**3**
HR	1								1			1	**3**	**3**
HU	1		1									3	**5**	**5**
IE		(2)										(1)	**0**	**3**
IT	2(1)		1							(2)		(2)	**3**	**8**
LT	1								1			3	**5**	**5**
LU		1											**1**	**1**
LV	2								1			2	**5**	**5**
MT													**0**	**0**
NL	1						1					1	**3**	**3**
PL	4								1			5	**10**	**10**
PT												(3)	**0**	**3**
RO	(2)				(1)							(2)	**0**	**5**
SE						(1)							**0**	**1**
SI	(1)								(1)			(2)	**0**	**4**
SK	(2)								(1)			(2)	**0**	**5**
UK	1					1						2	**4**	**4**
TC		(1)											**0**	**1**
Total	**24(34)**	**3(9)**	**2(3)**	**1(2)**	**1(4)**	**1(5)**	**2(3)**	**1**	**4 (7)**	**0 (3)**	**0**	**28(50)**	**67**	**120**

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KN-02-17-974-EN-N

Publications Office

doi: 10.2776/098376