



# **Financial Instruments - Implementation in the EU and in Lithuania**

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# Financial Instruments as a delivery tool for Cohesion Policy

## Key advantages of ESIF FIs

- FIs work as a **revolving** scheme - increased budgetary efficiency & financial sustainability;
- FIs bring **leverage** from public or private sector partners (at all levels);
- Provide finance to final recipients at the **beginning of project implementation**;
- Offer a **high degree of flexibility** - tailor-made support & delivery structures;
- FIs provide for **better quality of projects**;

## Role of FIs in ESIF programmes

- ESIF FIs are a **delivery mode** for policy & programme objectives (Cohesion policy, CAP and CFP). Support through FIs **has to comply with CPR, ESIF programme and all relevant provisions** (reporting, audit, eligibility, etc.).
- The Commission is promoting use of FIs as they provide for **efficient spending of EU budget** and can **bring benefits to many parties** (MA, banks, investors, final recipients, society).
- FIs are complementary to grants: they can **target revenue-generating projects only**.

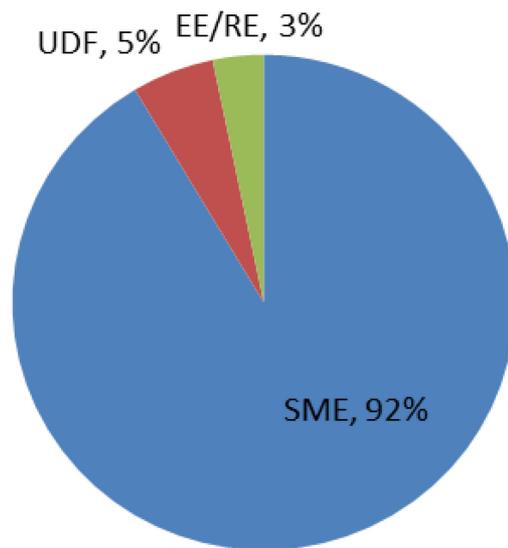
# **Implementation of Financial Engineering Instruments in 2007-2013**

*Main messages on basis of reported data  
(at closure)*

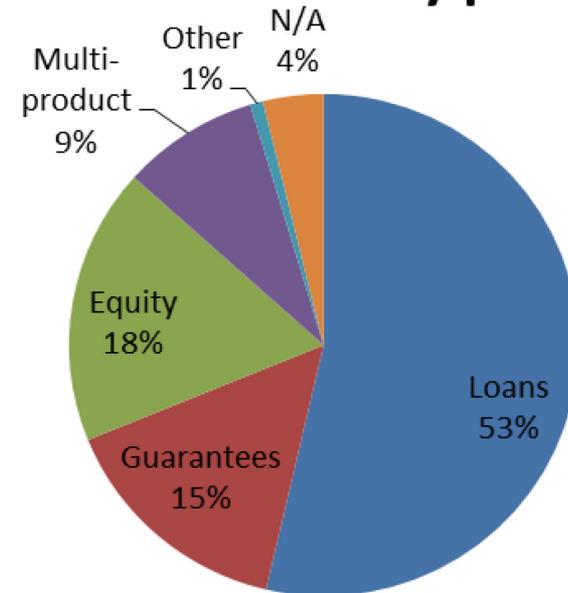
- **Recent final summary of data on FEIs in 2007-2013**, which provides a comprehensive overview of the implementation of FEIs in 2007-2013 at closure, as reported by MAs at 31.03.2017.
- 2007-2013 period saw a **significantly stronger use of FEIs**. Lessons learned have informed the framework for 2014-2020.
  - FEIs implemented in **25 MS** + 1 CBC programme
  - **192 OPs** reporting information on FEI (out of which 20 for ESF)
  - **1,058 FEI** – 77 Holding Funds, 981 specific funds
  - EUR **16.4 bn paid to FEI**, including EUR 11.3 bn SF
  - EUR **15.2 bn paid to final recipients (FRs)**.
  - Based on reported data, nearly **EUR 1 bn in MCF**.

- The most common FEI **supported SMEs by means of loans:**

### Number of FEIs by sector



### Number of FEIs by product



- **Management costs and fees:** cumulative MCF amount of **6.7%** of the amounts paid to FEI – annual equivalent of **1.26%**.
- **Legacy resources:** EUR **8.5 bn** estimated legacy resources for subsequent re-use.
- **Leverage:**
  - Amount reported for guarantees up to a ratio of 20x
  - Amount reported for loans up to a ratio of 20x
  - Amount reported for equity up to a ratio of 18x

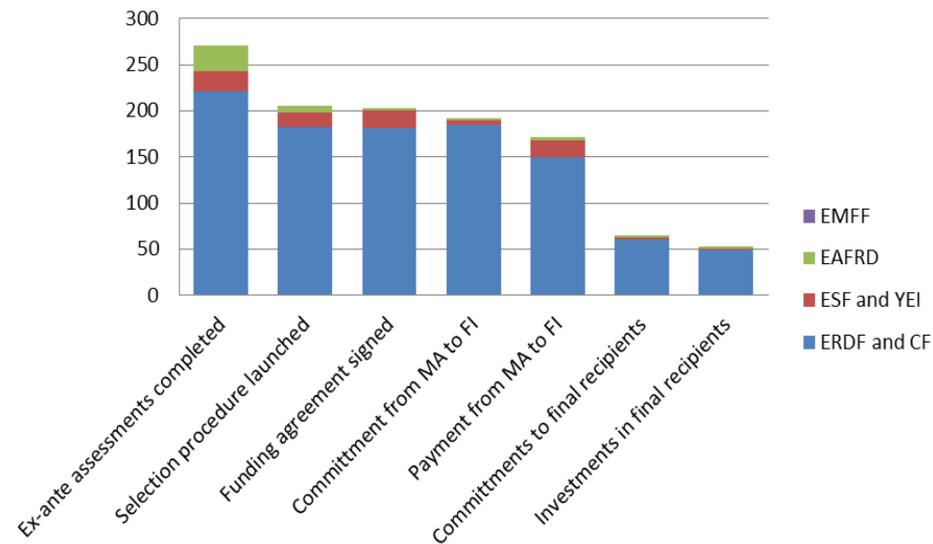
# **Implementation of Financial Instruments in 2014-2020**

*Main messages on basis of reported data  
(as at 31 December 2016)*

## Progress with set-up & implementation - ESIF

- **Reporting on all ESIF** in the context of FIs in 2014-2020 .
- **ERDF most common source of finance for FIs** but EAFRD and ESF also promising.
- **Excellent progress in moving from ex ante assessment to set-up stage.**

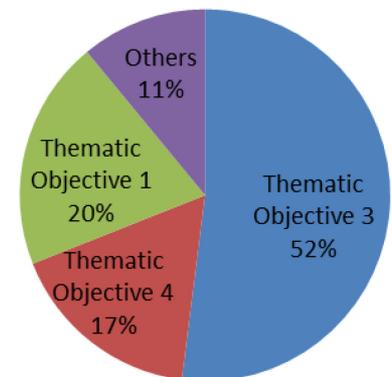
Progress in setting up FIs by number, by ESIF



## Overview – ERDF & CF

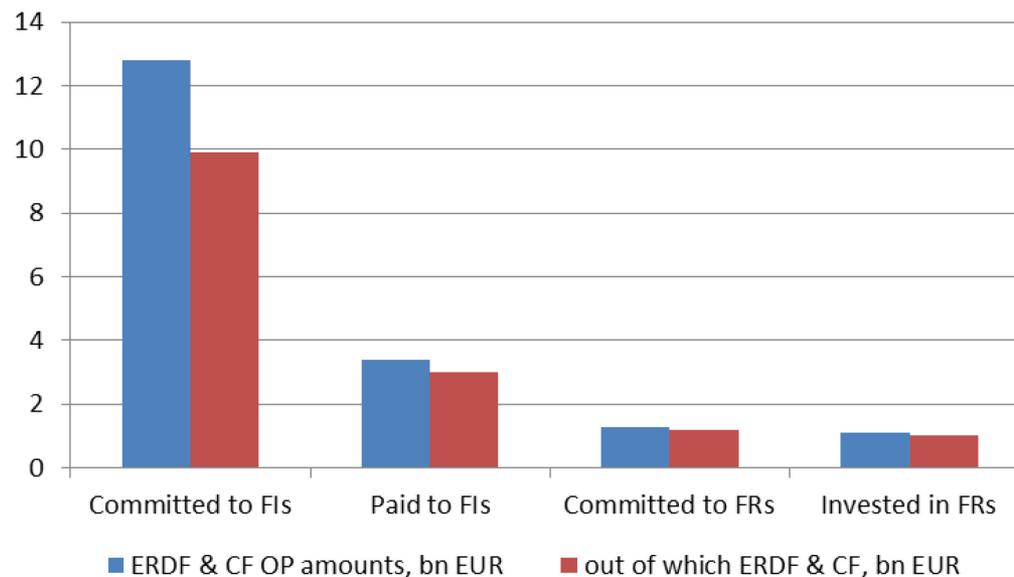
- **Second annual summary of data on FIs** produced in December 2017 with **data as at 31 December 2016**.
- **103 ERDF & CF OPs** reporting information on FIs.
- **24 MS with 243 FIs in the process of set-up or already operational;**
  - 108 FoF, 26 specific funds under Fund of Funds (FoF)
  - 116 specific funds without FoF
  - 4 MA implementing FI directly
- **Mainly Thematic Objective 3 (SME support)** but also TO 1 (RDI) and TO 4 (low carbon economy).

**FIs by Thematic Objective**



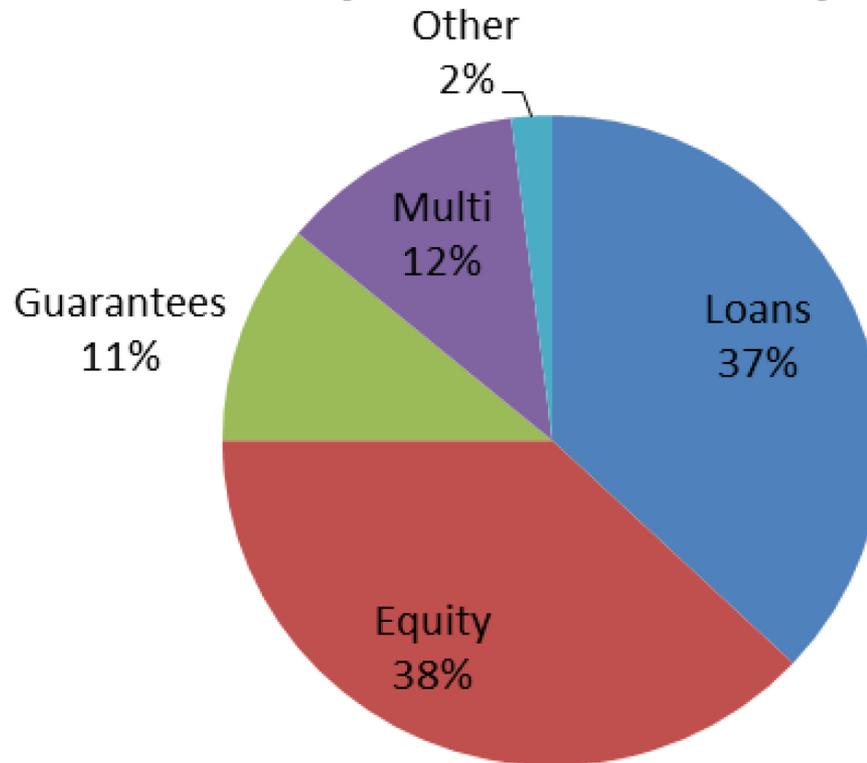
## Progress with set-up & implementation – ERDF & CF (1)

- **EUR 12.8 bn of OP contributions committed to FIs in 24 MS, including EUR 9.9 bn ERDF & CF.**
- Payments to FIs amounting to EUR 3.4 bn and payments to FRs of EUR 1.1 bn, confirming a **growing number of operational FIs.**



## Progress with set-up & implementation – ERDF & CF (2)

### Number of FIs planned and set up by product

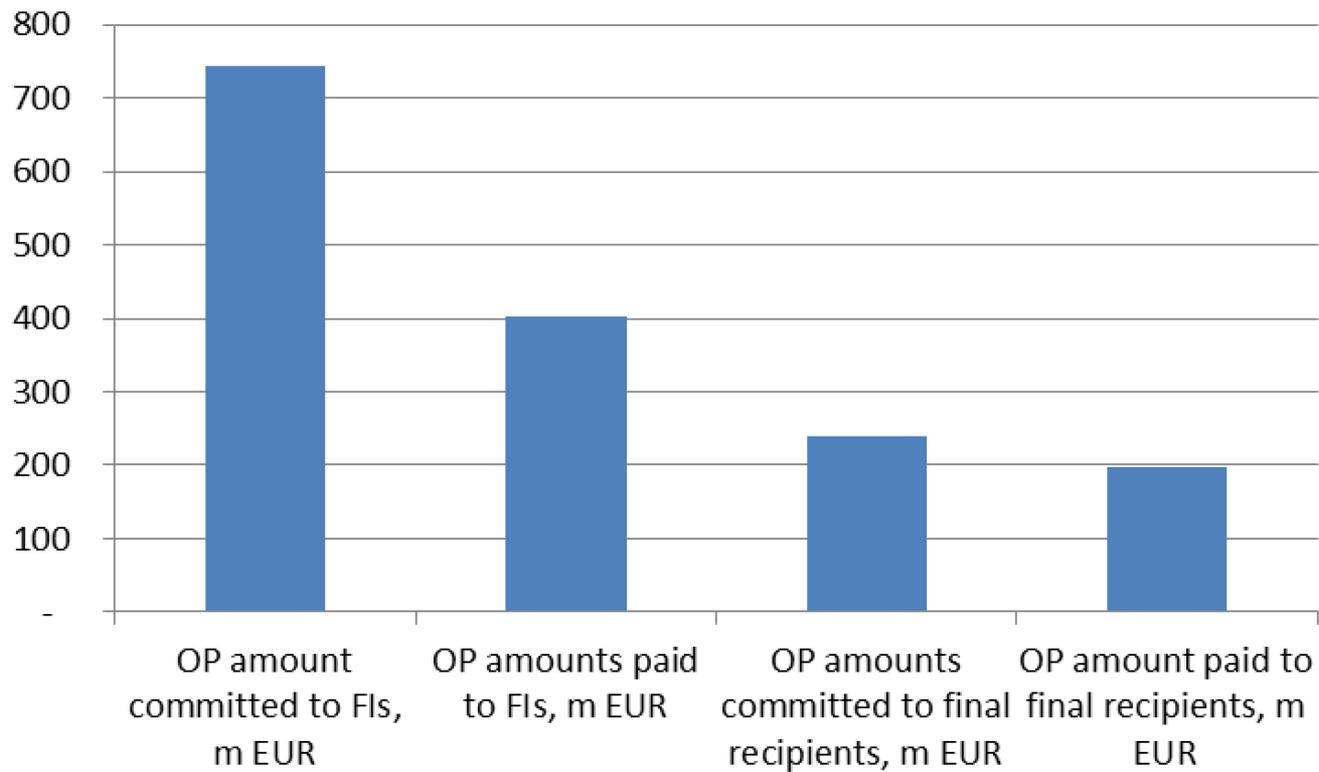


## Progress with set-up & implementation – ERDF & CF (3)

- 86 FIs reporting on **expected leverage** (agreed in funding agreement).
  - Expected leverage for loans: 1.0 – 7.5x
  - Expected leverage for equity: 1.2 - 9.6x
  - Expected leverage for guarantees: 4.0 – 25x
  
- Too early to assess **achieved leverage** but promising examples:
  - Creative Economy VC Fund in Berlin: Expected leverage = 6.65x vs achieved = 8.19x
  - Technology VC Fund in Berlin: Expected leverage = 9.63x vs achieved = 10.86x
  - Innovation Growth Finance Loan Fund in South Holland: Expected leverage = 1.72x vs achieved = 3.80x
  - Proof of Concept Loan Fund in South Holland: Expected leverage = 2.67x vs achieved = 4.00x

# Implementation of Financial Instruments in Lithuania

## Overview of FIs operating in Lithuania



\* Data as at 31 December 2016

## Entrepreneurship Promotion Fund (EPF)

- EPF was **set up in 2009** and endowed with a **EUR 14.5 m ESF contribution** to promote **self-employment and entrepreneurship**, as a sustainable manner for creating jobs and for people to remain active in the labour market.
- The FEI **targeted micro and small enterprises** younger than one year, **entrepreneurs and social enterprises**. Priority was given to the unemployed, disabled and people under 29 or older than 50.
- EPF offered **loans** (up to 3.5 pp lower than market pricing) combined with free of charge training and counselling.
- **Over 1,700 jobs** were created, achieving an absorption rate of 78%. A key success factor was the **close cooperation** between public and private agents, including the fund manager INVEGA and the financial intermediary LCCU, that coordinated a consortium of almost 60 credit unions.



Veri Beri is a family enterprise selling fruit strips financed by EPF. Shortly after, it could employ 9 staff and export its products to Estonia and Finland.

**Thank you for your attention!**