



New EU Financial Instruments for 2014-2020

Roger Havenith

European Commission

DG Economic and Financial Affairs

**Head of Unit – Financing of competitiveness,
innovation and employment policies**

Brussels, 17.01.2012



What are EU Financial Instruments?

- **Equity/risk capital**, e.g. venture capital to SMEs with high growth potential or risk capital to infrastructure projects
- **Guarantees** to financial intermediaries that provide lending to e.g. infrastructure projects, SMEs, people in risk of social exclusion
- Other **risk-sharing arrangements** with financial intermediaries in order to increase the leverage capacity of the EU funds



EU Financial Instruments: Why?

- Addressing markets failures/gaps
- 3 types of leverage
 - **Financial** – multiplication of scarce budgetary resources
 - **Policy** – financial intermediaries motivated to pursue public policy
 - **Institutional** – EU can capitalise on the resources and expertise of financial intermediaries
- Effective way to support EU2020 objectives (smart, sustainable and inclusive growth)



EU Financial Instruments: Political priority for the EU

- Europe 2020 Strategy (publ. 2010):
 - Increased mobilisation of innovative financial instruments
- Budget for Europe 2020 (publ. 2011):
 - Dedicated section on financial instruments for the next MFF
- Proposal for amendment of the Financial Regulation (publ. 2011)
 - A new dedicated title for financial instruments



EU financial instruments: which policy areas?

- Foster the capacity of the **private sector** to deliver growth, job creation, social inclusion, innovation
(e.g. support to start-ups, SMEs, micro-enterprises, research institutions...)
- Build **infrastructures** to reinforce EU competitiveness and sustainability
(e.g. transport, energy, digital infrastructures)
- Support mechanisms that mobilise private investments to deliver **public goods**
(e.g. climate, environmental protection)



Budget dedicated to financial instruments

2007-2013:

Only a **modest share of the current EU budget** is implemented through financial instruments:

- On average **< € 500m** per year at EU level, **€1.5bn per year** from Structural Funds
 - In total, approx. **1.3 %** of yearly budget
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2014-2020:

- Doubling to tripling of budgetary resources dedicated to EU-level instruments
- Very significant increase of resources dedicated under Structural Funds



Building on success

- SME Guarantee Facility under CIP and predecessor programmes
 - 1998-2006: EUR 436m of EU budget generated EUR 27.5bn of lending to 370.000 SMEs
 - 2007-2013: so far approx. EUR 300m of EU budget generated 9.4bn of lending to 155.000 SMEs, volumes are increasing fast.
- High Growth and Innovative SME Facility under CIP and predecessor programmes
 - 1998-2006: EUR 309m of EU resources generated EUR 1.9bn of total investment into 433 highly innovative SMEs
 - 2007-2013: so far, EUR 344m of EU resources generated EUR 1.9bn of total investment volume available, amounts growing fast. 190 SMEs covered so far.
- Risk-Sharing Finance Facility (RSFF)
 - 2007-2013: EUR 2bn of EU and EIB resources expected to generate over EUR 10bn of lending to RDI projects. By end 2011 EUR 4.8bn of lending already disbursed to final beneficiaries. Dedicated RSI facility for SMEs.
- Loan Guarantee Instrument for TENT-T projects (LGTT)
 - 2007-2013: by end 2011, LGTT amount of EUR 500m generated an investment volume of EUR 12.3bn for 7 infrastructure projects.
- European Progress Microfinance Facility (EPMF)
 - 2010- : by 2020, the EU contribution of EUR 100m is expected to have generated EUR 500m of micro-loans.



EU financial instruments in the 2014-2020 MFF

- Commission proposed **increased share of EU budget** to be delivered through innovative financial instruments
 - Efficiency: doing more with less, addressing the contrast of huge financing needs vs. constrained public budgets
 - Effectiveness: positive results, positive evaluations and audits, Court of Auditors views financial instruments as an appropriate framework for delivery of financing
 - To capitalise on the competence and resources of financial intermediaries
 - To involve public and private sector in building a smart, sustainable and inclusive Europe



The Commission Proposals



Social Change and Innovation



Erasmus for All

Creative Europe



Connecting Europe Facility



The Commission Proposals

EU Programme	Fin. Inst. Budget
COSME	€1.4 billion
Horizon 2020	€3.8 billion
Creative Europe	€0.2 billion
Erasmus for All	€0.8 billion
Social Change and Innovation	€0.2 billion
Connecting Europe Facility	Not yet defined
Structural Funds	Significant proportion to be implemented through financial instruments



What are the new features?

1. Prominent role for financial instruments in implementing Europe 2020. Higher finance volumes giving critical mass. Broader scope.
2. Integrated and coherent approach. No overlaps. More complementarity with Structural Funds, possibility of joint instruments EU+SF/MS. Number of EU-level instruments decreases from 13 to 6.
3. Use of best practices and experience of 15 years of using financial instruments.
4. Dedicated regulatory framework for financial instruments within the EU (Financial Regulation), improvements in financial market regulation (new regime for VC, social investment funds).



Which EU financial Instruments?

EU FINANCIAL INSTRUMENTS	
SMEs	<ul style="list-style-type: none">- Equity Instrument (including technology transfer, early-stage and expansion-stage venture capital)- Debt Instrument with two main components: guarantees and securitisation
LARGE(R) R&I PROJECTS	<ul style="list-style-type: none">- Debt Instrument (Risk-sharing Finance Facility successor)
SOCIAL ENTERPRISES	<ul style="list-style-type: none">- Equity and debt Instrument
STUDENTS	<ul style="list-style-type: none">- Debt Instrument for Student Loans
INFRASTRUCTURE	<ul style="list-style-type: none">- Equity and debt Instrument, project bonds



Which EU financial instruments?

EQUITY INSTRUMENT FOR SMEs

EU Equity Financial Instrument for EU enterprises' growth and RDI	Equity Instruments for Research and Innovation - Investments in early stage funds or funds-of-funds that invest in intellectual property, technology transfer or venture capital	Horizon 2020
	Equity Facility for Growth - Investments in expansion stage funds or funds-of-funds that invest in venture capital	COSME

Builds on the equity facilities for SMEs used since 1998

DEBT INSTRUMENT FOR SMEs

Debt Instrument for EU Enterprises' Growth and RDI	Loan Guarantee Facility - Guarantees for SMEs and securitisation on loans up to EUR 150,000	COSME
	RSI-II Facility - Guarantees for R&I SMEs on loans above EUR 150,000	Horizon 2020
	Cultural and Creative Sectors Facility - Guarantees for loans to creative and cultural entities	Creative Europe

Builds on the guarantee facilities used since 1998 and the RSI compartment of RSFF (2011-2013)



Which EU financial Instruments?

DEBT INSTRUMENT FOR LARGE R&I PROJECTS

**Loan & Guarantee
Service for Research
and innovation**

Loans and guarantees to R&I (non-SMEs)

Horizon 2020

Builds on RSFF (2007-2013)

DEBT INSTRUMENT FOR STUDENTS

**Student Loan
Guarantee Facility**

Guarantees for student loans

Erasmus for
All

New instrument



Which EU financial Instruments?

EQUITY AND DEBT INSTRUMENT FOR THE SOCIAL ECONOMY

Micro-finance and social entrepreneurship instrument

Guarantees, micro-credit, equity and quasi-equity to financial institutions that invest or lend to entrepreneurs, especially those furthest from the labour market, and social enterprises.

Social Change and Innovation

Builds on the European Progress Microfinance Facility (2010-2013)

EQUITY AND DEBT INSTRUMENT FOR INFRASTRUCTURE

Infrastructure financial instruments
(incl. Project Bonds initiative)

- Equity instruments, such as investment funds with a focus on providing risk capital for actions contributing to projects of common interest;
- Loans and/or guarantees facilitated by risk-sharing instruments, including enhancement mechanism to project bonds, issued by a financial institution on its own resources with a Union contribution to the provisioning and/or capital allocation;
- Any other financial instruments.

Connecting Europe Facility

Builds on LGTT (2007-2013)



Current status and next steps

2011: Commission proposals were adopted

2012: Discussions in Council and Parliament on the legal bases

2013: Expected adoption of legal bases by European Parliament and Council, negotiations with IFIs, preparations for the roll-out

2014: Roll-out, instruments are operational



Conclusions

1. Financial instruments are not new – they are well tested, efficient and effective. That is why we will build on our experience and use them more.
2. We are not only providing the financing – we also work on the regulatory framework, both for financial intermediaries and also final beneficiaries.
3. By 2020, financial instruments should help make Europe more competitive, more innovative and more socially inclusive.



Thank you

Useful links:

General information on innovative financial instruments:

http://ec.europa.eu/economy_finance/financial_operations/investment/innovative_financial_instruments/index_en.htm

Horizon 2020:

http://ec.europa.eu/research/horizon2020/index_en.cfm

COSME:

<http://ec.europa.eu/cip/cosme/>