



Financial instruments in rural development programmes 2014 - 2020

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Unit H.1 "Consistency of rural development", DG AGRI
CDG, Brussels, 06/05/2015**

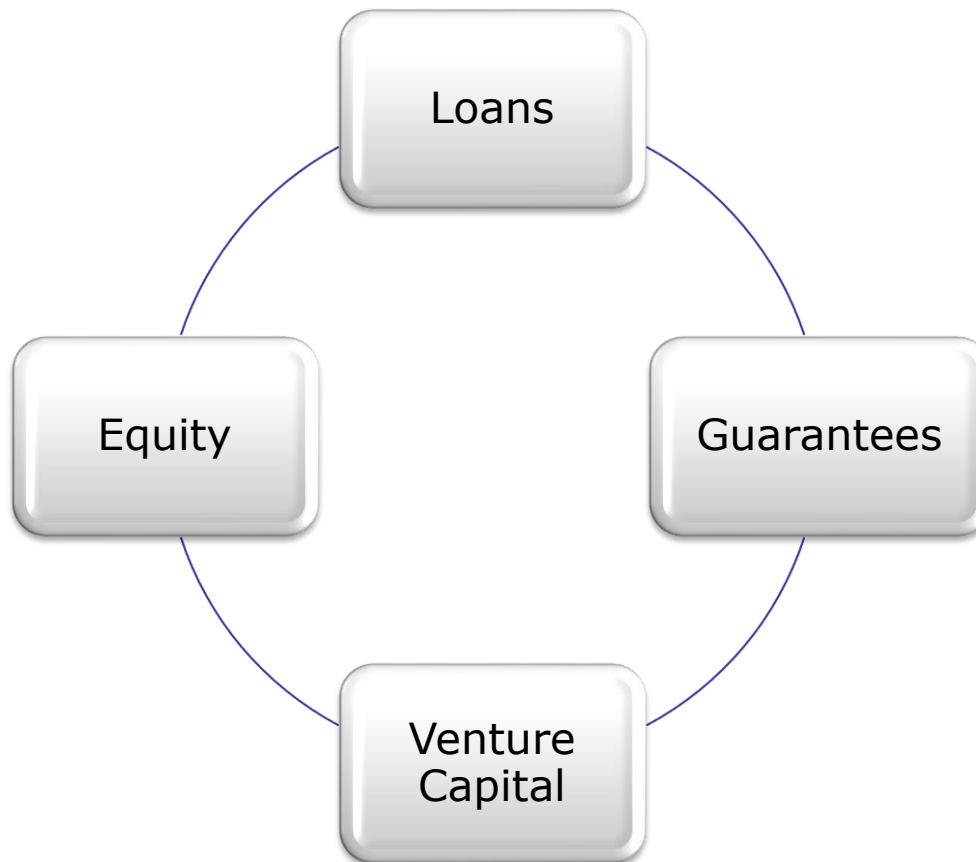
EAFRD 2014-2020: Major Legal Acts on FI

- Common Provisions Regulation (R 1303/2013)
 - ✓ Defines the common rules on financial instruments for all CSF Funds
 - ✓ Delegated Acts and Implementing Act define further rules, including specific models of FIs, so-called off-the-shelf instruments
- EAFRD Regulation (R 1305/2013)
 - ✓ Defines the scope of intervention for all financial instruments, which can be supported by the EAFRD

Objectives in relation to Financial Instruments

- Increase substantially the use of financial instruments under the EAFRD in terms of budget, territorial coverage and type of support
 - ✓ ESIF objective of at least doubling the 2007-2013 amounts of FI
 - ✓ Use support provided by EIB group under the EC – EIB MoU on co-operation in agriculture and rural development
 - ✓ Diversify the support options available to EAFRD beneficiaries
 - ✓ Create medium to long-term impacts
- Cover all potential beneficiaries/sectors under the EAFRD
 - ✓ Agriculture, Food processing, Forestry, Rural non-agricultural SMEs, EIP op. groups, PPPs, etc.
- MAs to undertake ex ante assessments for every programme area
 - ✓ ECA recommendation on FI 2014-2020

Types of Financial Instruments in 2014-2020



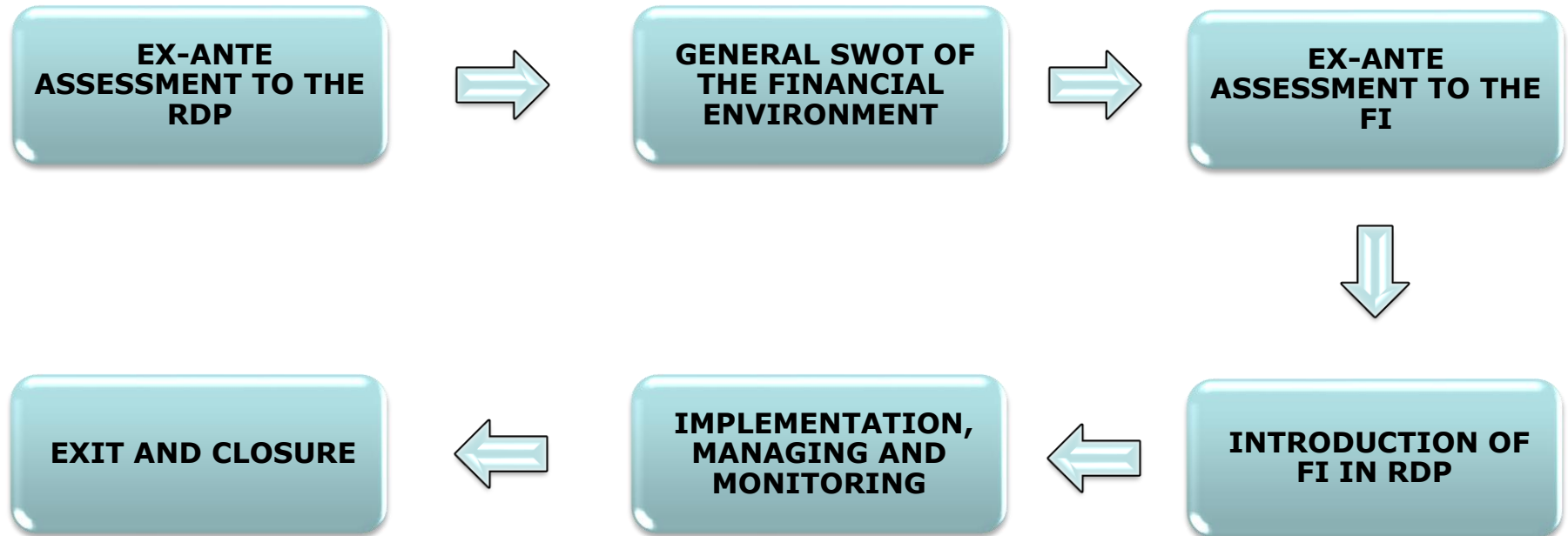
Grants vs Financial Instruments

GRANTS	FINANCIAL INSTRUMENTS
No leverage effect	Leverage Effect
No revolving effect	Revolving effect
No reimbursable and no re-use of resources	Reimbursable and re-use of resources
Low risk for beneficiary	Higher risk for beneficiary
Social and Environment	Economy and Business
Low ownership	High ownership
Less sustainability	More sustainability
Traditional tool	Innovative tool

Major steps related to financial instruments

- Partnership Agreements
 - ✓ Provide for the use of Financial Instruments in rural development
- Ex-ante evaluations of RDPs
 - ✓ Looking at the type of support (grants, Financial Instruments, combinations of both, interest rate subsidies, etc.), or
 - ✓ Looking at the economic situation in the programme area
 -
- Ex-ante assessment on FIs
 - ✓ Independent assessment only related to the use of FI, carried out by the MA before a FI is set up
- RDP provisions
 - ✓ Specifying implementation and intervention details
 -
- Funding agreements
 - ✓ Implementation, monitoring, control, reporting, exit, etc.

Programming Steps



The new legal proposal – Unlocking the EAFRD potential

- Various support & implementation options

- ✓ Contributions to EU-level instruments
- ✓ Contributions to (existing) national/regional instruments
- ✓ Contributions to trans-national or cross-border funds
- ✓ Fund of funds “concept”
- ✓ Greater possibilities for co-operation with Funds set up under the ERDF

**Synergy &
complementarity
with other
policies and funds**

**Multi-funded
projects**

- Greater choice of managerial institutions

- ✓ National/regional public bodies
- ✓ Bodies governed by private law
- ✓ EIB/EIF
- ✓ Other International Financial Institutions
- ✓ Managing Authorities (only loans and guarantees)

Experience

Leverage

Value-added

Financial instruments can:

- Support investments which are expected to be financially viable and do not give rise to sufficient funding from market sources
- Investments supported can't be physically completed or fully implemented
- Financial instruments may be combined with grants, interest rate subsidies and guarantee fees and may cover the same expenditure, provided that the sum of all supports doesn't exceed the total amount of expenditure

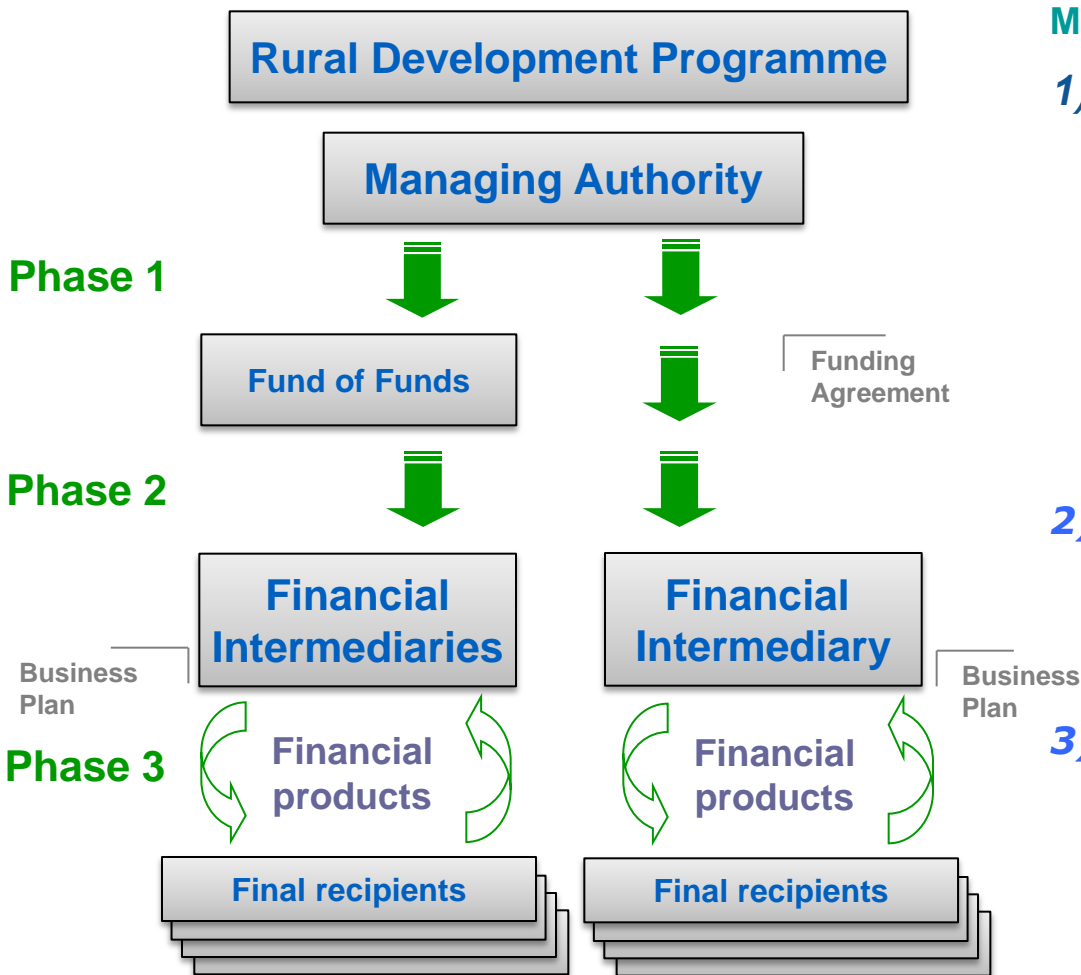
Ex-ante assessment of FIs

- Analysis of market failures, suboptimal investment situations and investment needs
- Assessment of the value added of the financial instrument
- Additional public and private resources
- Assessment of lessons learnt from similar experiences
- Proposed investment strategy
- Expected results
- Provisions for revisions and updating

Should be completed prior the decision of the Managing Authority and subject to discussion in the Monitoring Committee

A summary is to be published by the MA

Implementation mode



MAIN IMPLEMENTATION PHASES

1) Selection of FF (optional):

Transparent selection procedure in line with applicable EU and national law, in particular procurement law

- Public contract (call)
- Award of grant (...by way of donation to a financial institution)
- Contract with EIB/EIF

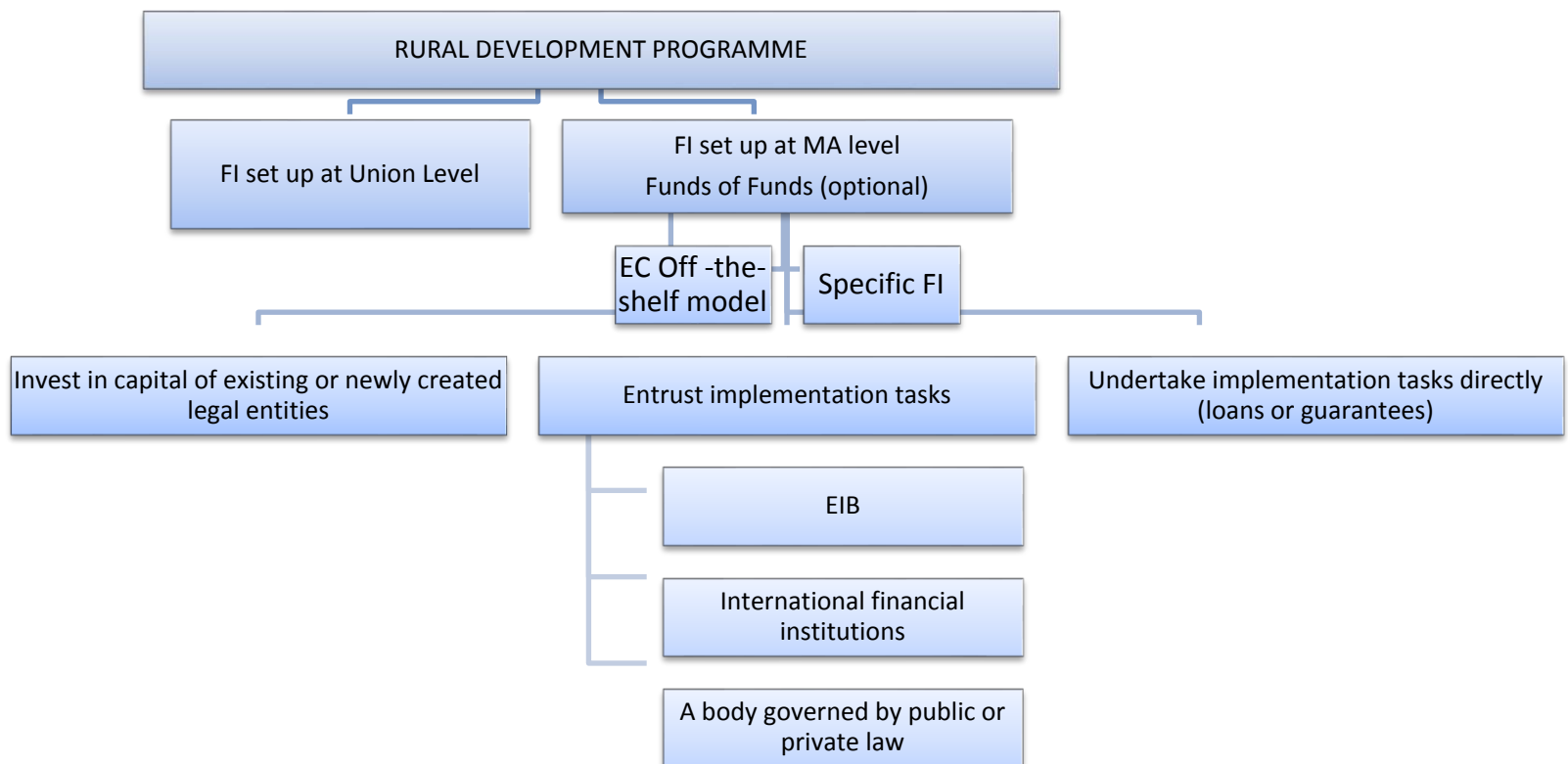
2) Selection of financial intermediary (other than FFs):

Similar principles apply (e.g. by way of calls for expression of interest)

3) Selection of final recipients for actual investments/disbursements:

Similar principles apply (transparent procedure but no public procurement, incl. due diligence check)

Implementation mode



Specific points linked to programming

- Respect of the CPR and the EAFRD provisions
 - ✓ CPR rules define the way FIs function
 - ✓ EAFRD rules further add details and specific rules, most importantly in relation to final recipients and supported investments
 - ✓ Strategic approach under EAFRD to be respected as well
- No separate programming of FIs, but
 - ✓ Description of the FI to be included in section 8.1
 - ✓ Possible different approach between grants and FIs within one measure, including different eligibility and/or selection criteria, as well as target groups and/or supported investments
 - ✓ MA should operate within the overall measure's budget
- In case a measure is not programmed, but a FI is proposed under it, the measure has to be programmed
- Higher-contribution rate (by 10 percentage points possible)
- Modifications of RDPs according to Art 11 of R 1305/2013

Support activities by FI

What could be supported in the context of an enterprise?

- ✓ Establishment of new enterprises
- ✓ Early-stage capital (incl. start-up capital)
- ✓ Expansion capital
- ✓ Capital for strengthening the general activities of the enterprise
- ✓ New projects
- ✓ Penetration of new markets
- ✓ New developments by existing enterprises

For EAFRD:

To be in line with
RDP provisions
&
content of measures

Note: Only investment measures in rural development

Support provided by FI

- Investments in both, tangible and intangible assets
 - ✓ In accordance with Article 45 of the new EAFRD regulation
- Investments in working capital
 - ✓ in agriculture or forestry - maximum 30% of the total amount of the eligible expenditure for the supported by the FI (part of) investment and only if it is ancillary and linked to it [Article 45(5) of R 1305/2013]
- Costs of transfer of proprietary rights in enterprises
 - ✓ If transfer is between independent investors

**EC – EIB MoU on co-operation in
agriculture and rural development within the EU
and
its Work Programme 2014-2016**

Major areas for co-operation under the Work programme and major funding source

MS

- EAFRD Financial instruments

EC

- DG AGRI research agenda

EC/MS

- TA for EAFRD investment strategies & projects

EIB

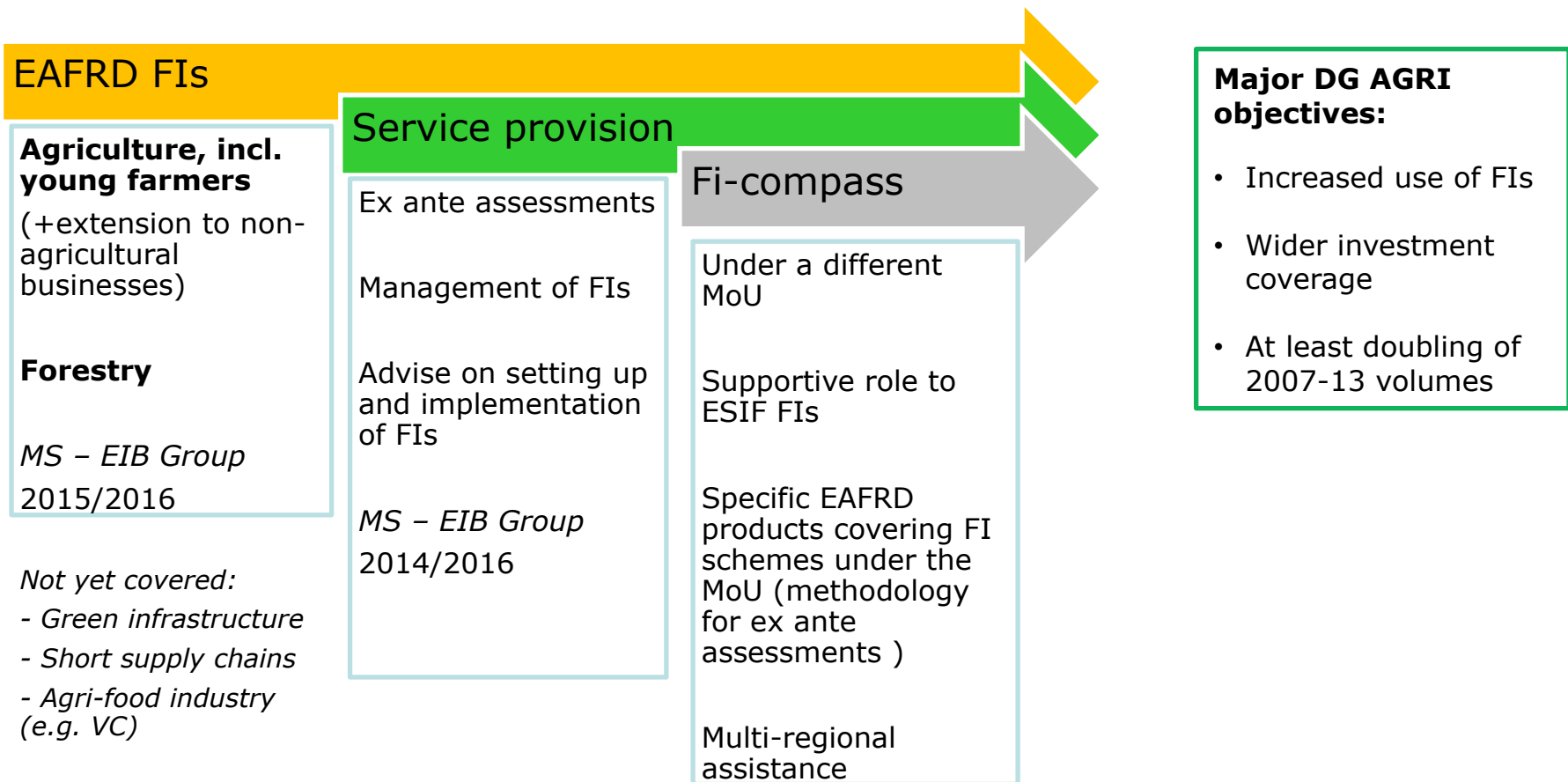
- EIB's lending activities

EC/EIB

- Awareness raising

MoU work programme 2014-2016

EAFRD Financial instruments



MoU work programme 2014-2016

Areas outside EAFRD FIs

EIB's lending activities

Co-financing of RDPs

Agriculture, agri-food
and forestry

Rural economy

MS – EIB
2014/2016

DG AGRI research agenda

Within Horizon 2020

In view of placement
under "InnovFin"
operation of H2020

Agriculture and agri-
food research

EC – EIB
2016

TA outside FIs

Investment strategies
in agriculture and
rural issues
(irrigation,
waste/water
management, etc.)

Cost-efficiency of
EAFRD projects
(*to be discussed with
MS*)

EC – MS – EIB
2015

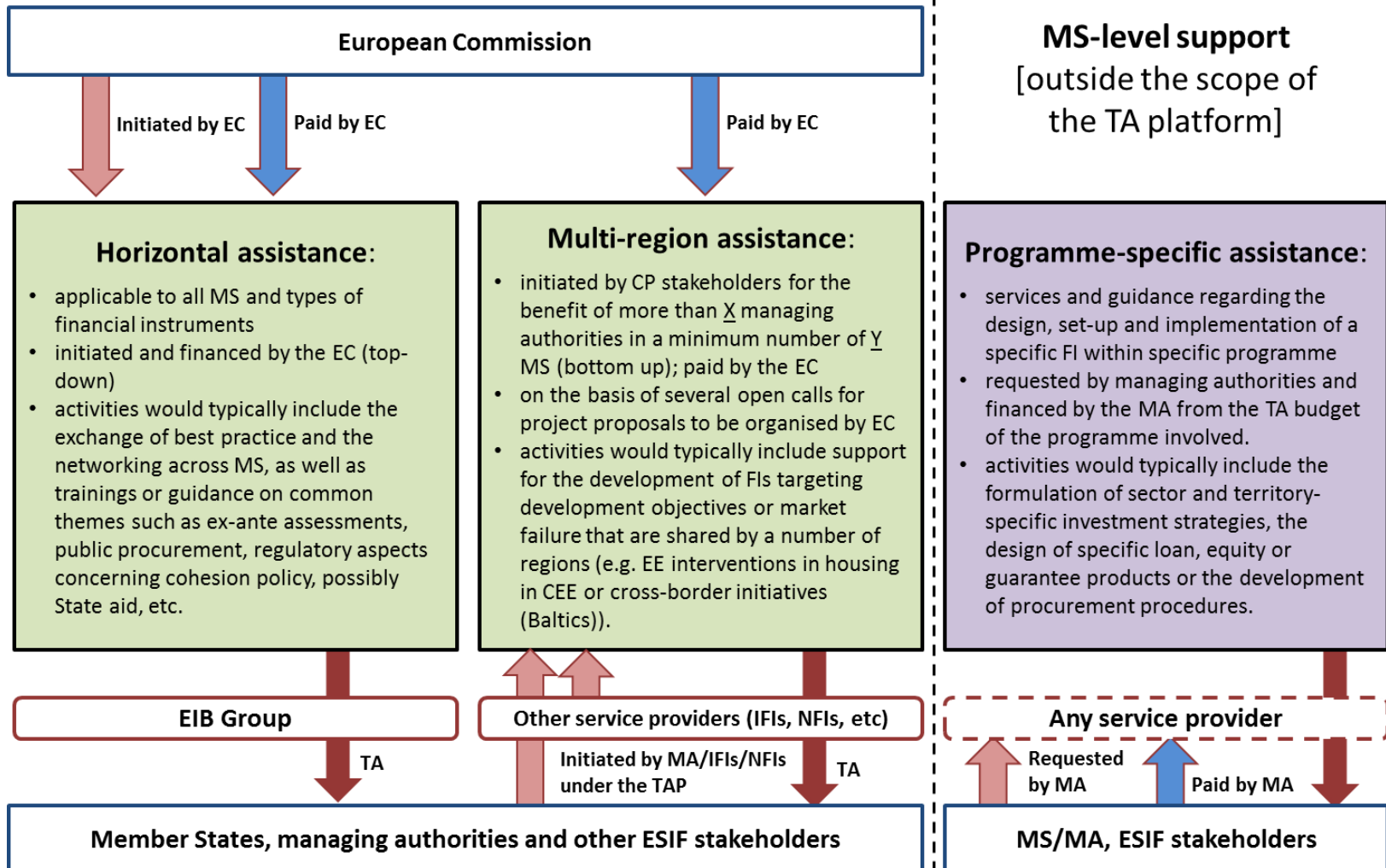
Major DG AGRI objectives:

- Support to implementation of RDPs
- Fully-fledged access to finance for farmers and rural businesses
- Improvement in the strategic approach towards inter-linked and complex investment areas

Technical assistance platform "*fi-compass*"

Uniform assistance to ESIF policies on FIs

Two forms of assistance delivery under the TAP

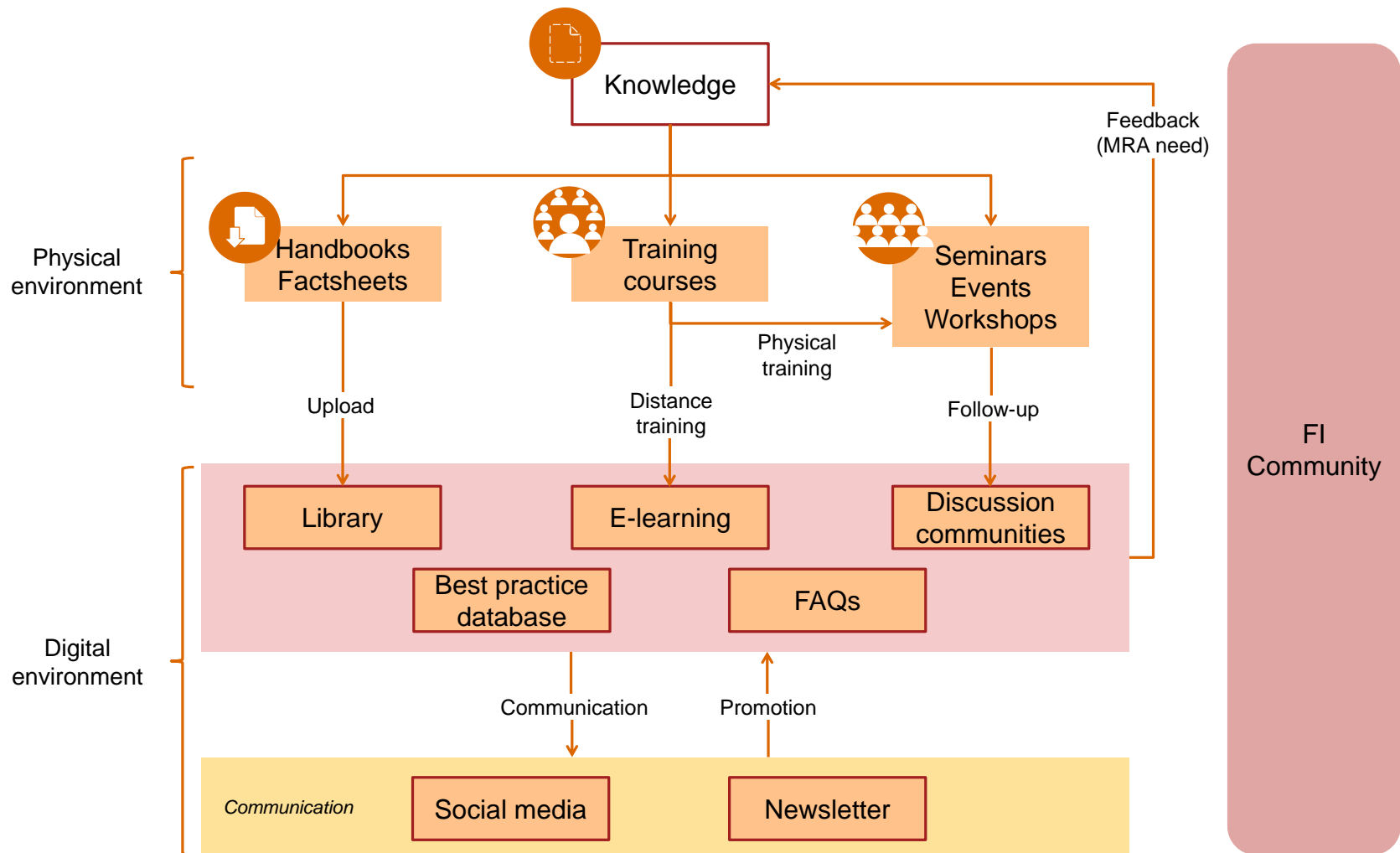


Source: TAP concept paper, EC, Feb 2013

TAP Horizontal Assistance – Delivery options for TA products

- **Tailored delivery options for each TA Product, depending on subject & target audience:**
 - ✓ Handbooks
 - ✓ Factsheets
 - ✓ Database of good practice and FAQs
 - ✓ Training (classroom, e-learning)
 - ✓ Public events (conferences, workshops)
 - ✓ Various forms of media & communication tools (video, newsletters, social media)

"fi-compass" – Knowledge hub (e-platform)



EAFRD-specific "*fi-compass*" products in 2014-2015

- Guidance on conducting ex-ante assessments for FIs in agriculture under the EAFRD
Expected in June 2015
- State Aid - Implications for FIs under the EAFRD
Expected in June 2015
- Venture capital funds in agri-business under EAFRD
Expected in November 2015
- Off the Shelf Instruments under EAFRD
Renewable energy & energy efficiency
Expected in Dec 2015
- Awareness raising and promotion of EAFRD-specific FIs

Awareness raising and promotion of EAFRD-specific FIs

- Major European EAFRD conference on FIs 2014-2020
 - ✓ Major aim – to launch the debate on FIs under EAFRD in view of doubling the use of FIs, new programming, "fi-compass" and MoU products, etc.
 - ✓ Where – Dublin (Ireland)
 - ✓ When – June 2013 (end), 1,5 – 2 days event
 - ✓ How – Open registration via "*fi-compass*" website
- Regional EAFRD workshops on FIs
 - ✓ Where – Barcelona, Vienna, Riga
 - ✓ When – September – November 2015
 - ✓ Who – Neighbouring regions/MS, local decision-makers, managing authorities, financial intermediates, local stakeholders, etc.

ECA audit report on EAFRD FIs 2007-2013

Major recommendations

Major recommendations by ECA on EAFRD FI

The Commission should:

- ✓ increase incentives for Member States to set up financial instruments for rural development by identifying the challenges, specific characteristics and obstacles faced in this field and actively encourage Member States to use such instruments where appropriate;
- ✓ provide guidance and actively promote the quality of the mandatory ex ante assessments, which are intended to serve as key tools to avoid overcapitalisation;
- ✓ set appropriate standards and targets for leverage and revolving effects;
- ✓ provide precise operational implementing rules, in due time, before the closure of the rural development programming period 2007-2013 (including an appropriate exit policy);

The Commission and MS should:

- ✓ decide on clear transitional rules between programming periods

Major recommendations by ECA on EAFRD FI

Member States should:

- ✓ consider setting aside a certain share of the available EAFRD budget for FIs and make them more attractive than grants in clearly defined circumstances;
- ✓ validate the risk exposure ratio with the help of appropriate technical expertise, in order to avoid overcapitalisation;
- ✓ implement the new legal provisions in such a way as to ensure the greatest level of flexibility, for instance by establishing a single financial instrument (providing both loans and guarantees) capable of tackling the needs;
- ✓ pay particular attention to potential risks of deadweight or displacement effects when assessing applications for funding by applying appropriate indicators. Where such risks apply, financial instruments could become the preferred option;
- ✓ examine how grants and FIs can be combined to provide the best value for money, by optimizing leverage/revolving effects.

Thank You