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European advisory services



Financing instruments for innovative projects for the future Programming Period 2014-2020

Cafeneaua de inovare

July 2013

2014-2020 Programming Period

- Stage of negotiations at EU level
- Steps to be taken at national level to access EU SF in the next Programming Period
- Lessons learned from the current programming period (financial instruments) and impact
- What is going to be different in the next Programming Period and why current state of play it is not sustainable

2014-2020 Programming period

Indicative objectives

“RO EU2020 targets” vs “EU targets”

	Employment Rate (%)	RDI (% of GDP)	Tinte reducere emisii (vs 2005) (%)	Energie regenerabila (%)	Eficienta energetica (reducere consumuri) (%)	Rata abandon scolar (%)	Educatie terciara (%)	Reducerea populatiei la risc de saracie sau excludere sociala (no de persoane)
EU targets	75	3	20 (vs1990 levels)	20	20	10	40	20,000,000
RO targets	70	2	19	24	19	11.3	26.7	580,000
RO current state of play	63.8 (2012)	0.48 (2011)	51.84 (2011 vs 1990)	20.79 (2012)	16.6 (2012)	17.4 (2012)	21.8 (2012)	240,000 (2011 vs 2008)

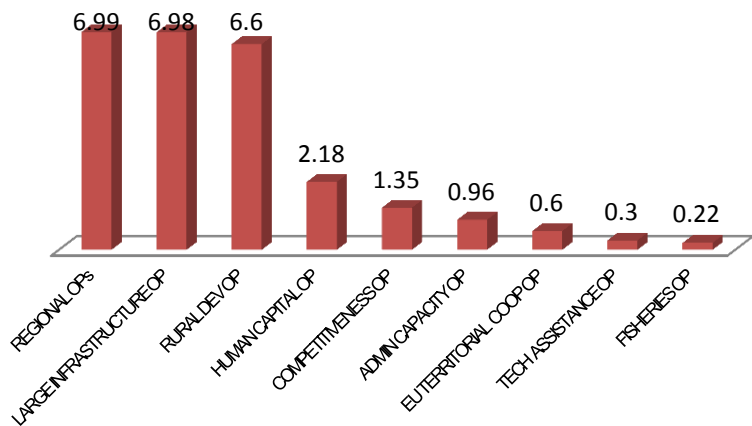
Financing priorities

- **Available funds**
 - EUR 26 bill. Of EU Structural and Cohesion Funds
- **9 OP's managed by 3 MA's (Ministerul Fondurilor Europene, Ministerul Dezvoltarii Regionale si Administratiei Publice, Ministerul Agriculturii si Dezvoltarii Rurale)**
- **11 Thematic Objectives financed via OP's :**
 - 27% of funds allocated for generating smart and sustainable growth through investments in production, research and innovation;
 - 44% of funds for investing in energy, environment and transport;
 - 29% of funds for investing in skills, social inclusion and related infrastructure

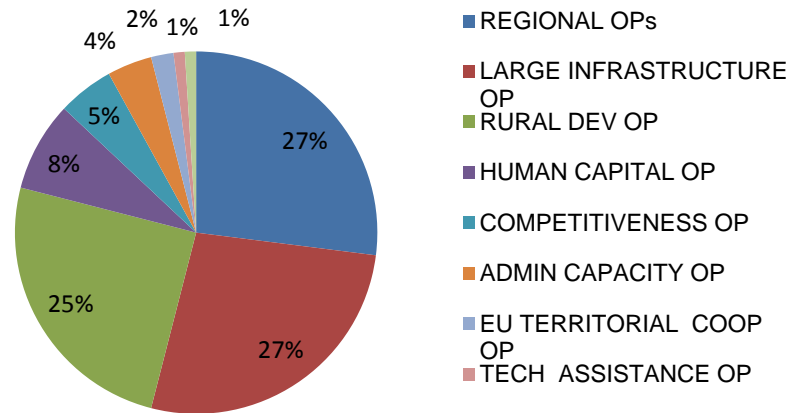
Programming period 2014-2020

Allocation structure at OP level

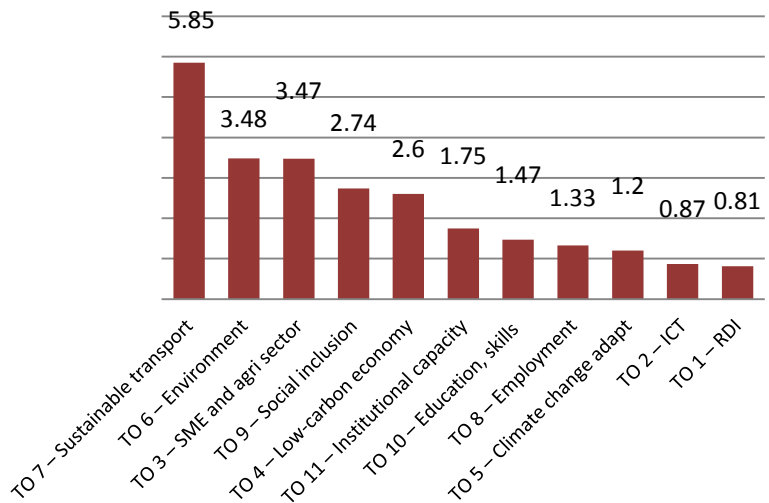
Fund allocation at OP level (bn EUR)



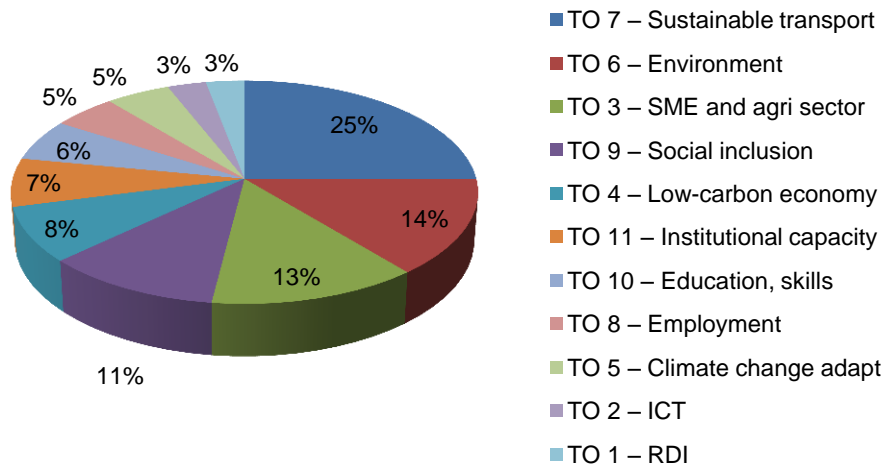
Funds allocation OP level (%)



Funds allocation Thematic Objectives (md.EUR)



EU Funds allocation for Thematic Objectives (%)



Thematic objective no. 1

Strengthening research, technological development and innovation

PRIORITIES

- RDI support for enterprises – RDI investments in economic sectors with growth potential; eco-innovation;
- Financial instruments to support private investments in RDI, innovative start-ups and spin-offs, to attract young researchers in excellence centers;
- Development of public and private infrastructure
- Synergies with the RDI of the EU program Horizon 2020
- Highly trained human resources in the national RDI system
- Transfer of knowledge and innovation in rural areas and strengthening of links between agriculture, fisheries, aquaculture and forestry and research

MAIN EXPECTED RESULTS

- to enhance the innovative initiatives of enterprises
- creation of companies in medium and high knowledge intensive sectors
- to enhance innovative initiatives in rural areas

POTENTIAL BENEFICIARIES

- SMEs, Universities, Research Institutes

TYPE OF INVESTMENTS

- Research, development and innovation (including for the large enterprises);

INDICATIVE ALLOCATION (bill. EUR)

ERDF (European Regional Development Fund)	ESF (European Social Fund)	CF (Cohesion Fund)	EAFRD European Agricultural Fund for Rural development)	EMFF (European Maritime and Fishery Fund)	Total	Weighting (%)
0.77	0.00	0.00	0.04	0.00	0.81	3%

Thematic objective no. 2

Enhancing access to and use and quality of information and communication technologies

PRIORITIES

- modern online public services which ensure interoperability and access to open standards for increasing transparency and administrative efficiency, including e-justice
- ICT services for: education, health, culture;
- ICT solutions for enterprises such as e-commerce, m-commerce, m-wallet and NFC
- ICT services to promote research-development-innovation, through investments into clusters and growth poles of competitiveness;
- deployment of broadband infrastructure in areas suffering from market failure, in particular in rural areas, and promoting the extension of Next Generation Access in order to ensure and upgrade broadband networks

INDICATIVE ALLOCATION (bill. EUR)

ERDF (European Regional Development Fund)	ESF (European Social Fund)	CF (Cohesion Fund)	EAFRD European Agricultural Fund for Rural development)	EMFF (European Maritime and Fishery Fund)	Total	Weighting (%)
0.85	0.00	0.00	0.02	0.00	0.87	3%

MAIN EXPECTED RESULTS

- to enhance the innovative initiatives of enterprises
- creation of companies in medium and high knowledge intensive sectors
- to enhance innovative initiatives in rural areas

POTENTIAL BENEFICIARIES

- Education, health and culture sectoral level

TYPE OF INVESTMENTS

- Digital Agenda (broadband and different IT infrastructure and interoperability)
- e-government (e-health, e-justice, e-education etc.)

Thematic objective no. 3

Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector

PRIORITIES

- Promoting entrepreneurship by financing investments for supporting the business environment, focusing on: setting up new firms in sectors with growth potential, supply chain and clusters, investments diversity in rural areas, financial instruments with economical added value;
- Supporting advanced technological investments for products and services;
- Enhancing competitiveness of all types of agriculture and enhancing farm viability;
- Promoting food chain organization and risk management in agriculture;
- Supporting the competitiveness of the fisheries and aquaculture sector;

MAIN EXPECTED RESULTS

- fostering the setting up of new firms in sectors with potential growth,
- including entrepreneurship job creation and increasing employment
- diversification of economic activities contributing to a competitive agricultural sector, including infrastructure development;
- increased value of the Black Sea and freshwater aquaculture production
- attract qualitative human resources within and outside the fishery and aquaculture **sectors**

POTENTIAL BENEFICIARIES

- Enterprises

TYPE OF INVESTMENTS

- competitiveness and business environment for SMEs, including financial instruments
- investments in agriculture and rural development
- sustainable fisheries and aquaculture investments

INDICATIVE ALLOCATION (bill. EUR)

ERDF (European Regional Development Fund)	ESF (European Social Fund)	CF (Cohesion Fund)	EAFRD (European Agricultural Fund for Rural development)	EMFF (European Maritime and Fishery Fund)	Total	Weighting (%)
0.80	0.00	0.00	2.57	0.10	3.47	13%

Thematic objective no. 10

Investing in education, skills and lifelong learning

PRIORITIES

- Promoting equal access to good quality education (early childhood education, primary and secondary education) and reducing the rate of early school leaving;
- Encouraging and increasing lifelong learning participation, improving labour force skills and competences, and improving the relevance and quality of education and vocational training systems for the labour market;
- Increasing access to quality education by developing the education and training infrastructure, including cultural establishments

POTENTIAL BENEFICIARIES

- Public institutions, Public Local Authorities, Companies, NGOs, Universities

INDICATIVE ALLOCATION (bill. EUR)

ERDF (European Regional Development Fund)	ESF (European Social Fund)	CF (Cohesion Fund)	EAFRD European Agricultural Fund for Rural development)	EMFF (European Maritime and Fishery Fund)	Total	Weighting (%)
0.65	0.77	0.00	0.05	0.00	1.47	6%

MAIN EXPECTED RESULTS

- preventing and combating ESL and increasing re-enrolment in school in order to reduce early school leaving (ESL);
- improving skills and competences required in labour market by increasing the share of population with tertiary education and encouraging the access to professional development, including lifelong learning programs
- increase participation and access to quality education and training at all levels
- increasing investments in education infrastructure;
- fostering lifelong learning and vocational training in rural areas

TYPE OF INVESTMENTS

- education and training

Legal basis for financial engineering instruments

Current Programming Period SF Regulations

- Article 44 of Regulation (EC) No 1083/2006 - "General Regulation"
- Articles 3(2)(c), 4(1), 5(1)(d) and 6(2)(a) of Regulation (EC) No 1080/2006 - "ERDF Regulation"
- Article 11(1) of Regulation (EC) No 1081/2006 - "ESF Regulation"
- Articles 43 to 46 of Regulation (EC) No 1828/2006 - "Implementing Regulation"
- Guidance issued by Commission Services for relevant aspects of implementation (setting-up instruments, investment specific issues, product issues, interest and returns, audit and control, management control by the MA, closure of the programmes)

Financial engineering instruments

JEREMIE – concept

- Romania - use part of its EU Structural Funds to provide risk financing to SMEs by means of equity, loans and guarantees.
- Implementation via a Revolving Holding Fund which acts as an umbrella fund.
- The EIF manages the Holding Funds on behalf of a number of national and regional authorities.
- Especially in new Member States and regional development areas, JEREMIE provides leverage to the European Regional Development Fund (ERDF) and European Social Fund (ESF) funds available with innovative financial engineering products.
- Encouraging moving away from grant dependency and offering a diversified range of financial solutions for the benefit of micro-, small and medium-sized businesses.
- JEREMIE instruments may be employed **provided that Member States or Managing Authorities have identified the potential need for JEREMIE in their respective operational programmes and decide to implement JEREMIE**

Ro's experience with financing instruments limited to:

JEREMIE (guarantees, financing investment funds, micro-credit facility)

NO JESSICA

Financial engineering instruments

EU experience with JEREMIE

Geographical scope	EIF-managed Joint Initiative / Fund-of Funds	Sector / Target Group	Business
Latvia, Lithuania & Estonia	<ul style="list-style-type: none"> • Baltic Innovation Fund 	Co-investments alongside business angels, family offices and institutional investors into early to growth phase SMEs.	Equity
Germany Germany Germany / Bavaria region	<ul style="list-style-type: none"> • ERP-EIF Dachfonds • European Angels Fund • LfA-EIF Facility 	<p>High-tech early and growth-stage enterprises</p> <p>High-tech early and growth-stage enterprises</p> <p>Start-ups and high-tech early stage enterprises</p> <p>High-tech early and growth-stage enterprises</p>	<p>Equity</p> <p>Equity</p> <p>Equity</p>
Spain	<ul style="list-style-type: none"> • NEOTEC • European Angels Fund –Isabela La Catolica 	<p>Start-ups and high-tech early stage enterprises</p> <p>High-tech early and growth-stage enterprises</p>	<p>Equity</p> <p>Equity</p>
Italy	<ul style="list-style-type: none"> • JEREMIE Campania 	SMEs, micro-enterprises and individuals based in Campania, including those focusing on social inclusion and improvement	Loans
Italy	<ul style="list-style-type: none"> • JEREMIE Sicily 	SMEs, micro-enterprises & individuals based in Sicily, including, those focusing on social inclusion and improvement	Loans and microloans
Italy	<ul style="list-style-type: none"> • JEREMIE Calabria 	SMEs, micro-enterprises & individuals based in Calabria	Loans

Financial engineering instruments

EU experience with JEREMIE

Geographical scope	EIF-managed Joint Initiative / Fund-of Funds	Sector / Target Group	Business
Poland	<ul style="list-style-type: none"> • Polish Growth Fund of Funds (PGFF) 	Growth-focussed enterprises in Poland, Central and Eastern Europe through portfolio of investments into Venture Capital, Private Equity and Mezzanine funds.	Equity
Portugal	<ul style="list-style-type: none"> • Portugal Venture Capital initiative (PVCi) 	Early and development stage enterprises	Equity
Turkey	<ul style="list-style-type: none"> • Istanbul Venture Capital Initiative (iVCI) • G 43 • Greater Anatolia Guarantee Facility (GAGF) 	<p>Early and growth-stage enterprises SMEs in disadvantaged regions of Turkey</p> <p>SMEs in Turkey's least developed provinces</p>	<p>Equity</p> <p>Equity Guarantees</p>
UK	<ul style="list-style-type: none"> • UK FTF L.P. 	Early and growth-stage technology enterprises in the ICT, life sciences and advanced manufacturing sectors	Equity
Western Balkan countries: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia	<ul style="list-style-type: none"> • Western Balkans Enterprise Development & Innovation Facility (WB EDIF) 	SMEs in the Western Balkans, helping to develop the local economy as well as the regional Venture Capital markets and at the same time promoting policy reforms to support access to finance through financial engineering instruments.	Equity Guarantees

Proposals next Programming Period

Revolving grant/credit schemes

- De minimis state aid schemes as well as state aid schemes
- Max values for the projects and public aid intensity will comply with rules governing de minimis state aid/ state aid regulations will be observed for public aid level, intensity and eligible areas for support.
- Fix structure of financing which includes : cash contribution of the beneficiary, grant component, credit component (financed from EU funds, subsidised interest rate with or without sovereign guarantee).
- Beneficiaries: SME and/or microenterprises
- Budget of the scheme : 200-300 mil EUR/ call of proposals
- Financial intermediaries: minimum of 3 commercial banks selected via public tendering means
- Funds will be made available from OP's budgets to selected financial intermediaries in special accounts in the name of the MA.

Proposals next Programming Period

- Financing structure/project:
 - min 20 % of the value of the investment (without VAT – cash contribution of the beneficiary) - 80% of the value of the investment (without VAT – cash contribution of the beneficiary) :
 - 20% (bank credit)
 - 60 % credit financed from EU funds (a max intensity depending on the instrument):
 - 45% credit with subsidised interest (reimbursable component)
 - 15% grant
- Eligibility criteria shall be established by the MA in the tendering documentation. The obligation of checking the eligibility criteria will be delegated to the selected financial intermediaries. The MA will be the final responsible for the use of the funds, according to the SF regulations.
- Credit analysis will be conducted by the selected commercial banks, based on internal assessment criteria, in a maximum period regulated by the tendering procedure and the subsequent financing contract.
- Monitoring the implementation of the projects as well as payments will be conducted by the selected commercial banks.

Advantages of the revolving grant/credit schemes :

- these financing schemes may combine grants, credits, credits with subsidized interest rates and/or sovereign guarantees (Ro has experience of such instruments financed from pre-accession instruments for instance Phare 2000, governmental programmes: Programul National Multianual pentru dezvoltarea IMM-urilor, Programul Kogalniceanu);
- revolving character of the schemes will yield a multiplier effect of the resources – the reimbursable grant funds may be used by several beneficiaries within the same Programming Period;
- delegation of responsibilities to private financial intermediaries should streamline the implementation process – experience in assessment process, standardized, one stop shop for beneficiaries (payments, reimbursements, credit for micro-financing, implementation monitoring etc)
- funds will be available from the moment of signing the financing agreement which limits the need for resources to support cash flow
- MA's will not manage pre-financing.

Instead of conclusion

- Development of the financial market – adequate means of financing innovative/technology projects – economic growth;
- increase level of absorption of EU funds – supplementary resources available for economic growth;
- Exploit the entire spectrum of financial instruments provided for by the EU regulations;
- Adequate incentive management for beneficiaries to yield desirable impact for the real economy.

Thank you !

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