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Getting your Financial Instruments ready to deliver benefits

Public sector

We help you enhance your public investment capacity in a period of economic and financial crisis and tight budget constraints through advice and support in exploiting Financial Instruments.

The European Commission proposals for the 2014-2020 programming period contain several innovative concepts on using Structural Funds resources. We can help you take advantage of these new opportunities.

The starting point - the legislative package for the future Cohesion Policy

In the legislative package for the future Cohesion Policy there will be increased importance on the use of Financial Instruments under the framework of structural funds across Europe.

Indeed, the Commission proposes that Member States and their Managing Authorities may employ Financial Instruments in relation to all thematic objectives covered by Operational Programmes and all five Cohesion Policy funds.

National and regional authorities are developing and drafting their own strategic objectives in the face of EU strategic proposals for 2014-2020.

The Commission and Member States will need to agree on and sign off the partnership contracts. These will set the national thematic objectives and the commitments to fulfill the Europe 2020 objectives.

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Next generation Financial Instruments
"Interventions other than pure grant funding"

Financial Instruments cover a broad range of cases and include instruments which provide equity/risk capital or debt instruments including loans or guarantees to intermediaries that supply financing to a large number of final recipients facing difficulties in accessing finance. In other cases they share risk with financial institutions to increase the final volume of finance and therefore the impact of the EU intervention.

Multiplier effect

Financial leverage is achieved by facilitating and attracting additional public and private financing

Revolving character

Capital resources paid back to Financial Instruments are re-used for further investments

Streamlined and rationalised design and management

Next generation of Financial Instruments follows a coherent body of horizontally applicable principles, rules and guidance

Conditionality

The use of Financial Instruments is conditional to the existence of a market failure, non distortion of competition and added value of EU intervention

The new framework for Financial Instruments accepts two different levels of management, one at a central level ("direct management") representing the one administered by the EU Institutions and one at a decentralised level ("shared management") to strengthen and expand Financial Instruments in the context of Cohesion Policy.

Financial Instruments set up at national or regional level, managed by or under the Managing Authorities, can be standardised instruments ("off the shelf" instruments) already predefined at EU level, or newly created instruments that are tailored to the specific conditions and needs.

It is possible for Member States to benefit of the Financial Instruments benefit without setting up one by investing funds in a central level instrument and limiting the possibility of their management to investments in its regions (Joint instruments).

Centralised instruments

Joint instruments
Member States directly invest in EU instruments but ring-fence the resources to their regions

"Off the shelf" instruments
Created replicating an EU instruments format

Newly created instruments
Created on specific needs but aligned with the rules inspiring the EU debt/equity platform

Decentralised instruments

Your challenges

The European Commission proposals for the 2014-2020 programming period contain several opportunities with respect to a wider use of Financial Instruments.

Yet, to benefit from this specific approach of using Structural Funds resources you need to carry out an ex-ante assessment to:

Identify market failures, sub-optimal investment situations, and investment needs to be addressed

Estimate the leverage effect of the financial instrument for the final recipient and measure the need for preferential remuneration to attract private investors

Assess the value added of the financial instruments and ways to minimise market distortion.

An assessment of lessons learnt from similar instruments and ex ante assessments carried out by the Member State in the past, and how these lessons will be applied going forward.

Present the investment strategy, the financial products offered and the final recipients targeted.

Specify the expected results and how the financial instrument concerned is expected to contribute to the achievement of the specific objectives and results of the relevant priority or measure including indicators for this contribution.

Provisions allowing for the ex ante assessment to be reviewed and updated as required during the implementation.

Challenges in establishing and managing Financial Instruments

Initiate

Formal requirements

Meeting the requirements set by the new regulation for Financial Instruments in terms of eligibility criteria, inclusion in the Partnership Agreements and Operational Programmes.

Ex-ante assessment

Provide evidence of market failures or sub-optimal investment situations, and estimate the level and scope of public investment needs.

Investment strategy

Select a winning investment strategy to identify and structure high-quality project portfolios and project investing

Set up

Governance

Reconciling the interests and views of numerous stakeholders to reach agreement on the Financial Instrument investment strategies and governance structure.

Local vehicles

Channel EU co-financing to emerging local investment vehicles designed to support objectives coherent with Europe 2020.

Manage

Strategic fit

Improve the strategic fit and investment-readiness of existing Financial Instruments

Manage transition

Manage the transition of your existing Financial Instruments and their project portfolios / pipelines into the 2014-2020 programming period.

Manage operations

Improve the delivery of your Financial Instruments in terms of project pipeline management and disbursement.

Maximise impact

Make the most of private capital through a catalytic effect and achieve positive economic impact at project level.

How we can help

Strategic advice and capacity building

- Accelerate the implementation process from the preparation, negotiation and approval of the 2014-2020 Operational Programmes contributing to Financial Instrument
- Perform feasibility studies and ex-ante evaluations of Financial Instruments asked for implementation and evaluation studies through the full life-cycle of the instrument
- Identify and structure project portfolios as well as arrange successful investment strategies for Financial Instruments
- Provide Technical Assistance and a capacity building programmes using the lessons learned from past experience and industry best practices

What PwC is doing

- We are supporting the JESSICA implementation (17 projects concluded/ongoing including the JESSICA Holding Fund Handbook)
- We perform access to finance assessments for SMEs and innovative firms under mandate of the EIF
- We carry out wide ranging studies on Financial Instruments for Member States and Managing Authorities (such as in the case of Estonia).

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