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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**on financial instruments supported by the general budget according to Art.140.8 of the
Financial Regulation as at 31 December 2016**

{SWD(2017) 312 final}

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1. INTRODUCTION

The Commission submits to the European Parliament and the Council its annual report on the activities relating to EU-level financial instruments for internal and external Union policy areas, supported by the Union budget and managed directly or indirectly by the Commission, as required by Article 140(8) of the Financial Regulation.¹ This is the fourth edition of the reporting under that provision.²

The report aims to provide the European Parliament and the Council with a complete overview of financial instruments set up at EU level and their performance in both quantitative and qualitative terms, to be used as a dynamic tool for decision-making. To enhance its usefulness in this respect, the Commission has proposed, within the framework of the proposal for revision of the Financial Regulation, to merge that report and the other documents that provide information on EU financial instruments³ – which are currently presented at different times – into a single report accompanying the draft budget. The new report – envisaged in the Commission proposal for revision of the Financial Regulation⁴ – would cover not only financial instruments, as the current reporting required by the Financial Regulation, but also budgetary guarantees and financial assistance.⁵ The enhanced reporting could be implemented from the entry into force of the revised Financial Regulation.

It should be noted that instruments supported by the Union budget but implemented by Member States in shared management are subject to separate reporting. For the 2007-2013 programming period, an annual summary report on the implementation of financial engineering instruments under the European Regional Development Fund (ERDF) and the European Social Fund was published by 1 October each year.⁶ As of 2016, the Commission provides data summaries on progress in implementing financial instruments under shared management as required for the European Structural and Investment Funds (ERDF, ESF, CF, EAFRD and EMFF) under the CPR.⁷ For the 2014-2020 programming period, the first annual summary report has been released in late 2016.⁸ Similarly, financing and investment

¹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002, OJ L 298, 26.10.2012, p. 1.

² COM(2016)675 final, 24.10.2016; COM(2015)565 final, 13.11.2015; COM(2014)686 final, 30.10.2014.

³ In addition to this report, in particular the working document based on Article 38(5) of the Financial Regulation and the document providing the information required by Article 49(1)(e) of the Financial Regulation.

⁴ See proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council, COM(2016) 605 final, 14.09.2016, in particular the proposed new articles 39(4) and 242.

⁵ Defined in the Commission's proposal (see footnote 4) as assistance to Member States or third countries in the form of a loan or a credit line or any other instrument deemed appropriate to ensure the effectiveness of the support, for which the Union may borrow the necessary funds on behalf of the Union on the capital markets or from financial institutions.

⁶ The 2015 report is available at:

http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/summary_data_fei_2015.pdf

⁷ Article 46(4) of Regulation (EU) No 1303/2013.

⁸ The report, as of 31 December 2015, is available at:

operations under the EFSI budgetary guarantee – which are not financial instruments in the sense of the Financial Regulation – are subject to separate reporting required by the EFSI Regulation.⁹

The present report on EU-level instruments is accompanied by a Commission Staff Working Document (SWD) which contains the detailed information, for each financial instrument, required in points a) – l) of Article 140(8) of the Financial Regulation. In Annex 1 to the present report, this information is summarised in table form for each instrument. In addition, an overview table on page 4 of the SWD contains a synoptic list of financial instruments covered by the Report, together with legal and financial information.

2. OVERVIEW OF THE UNIVERSE OF FINANCIAL INSTRUMENTS

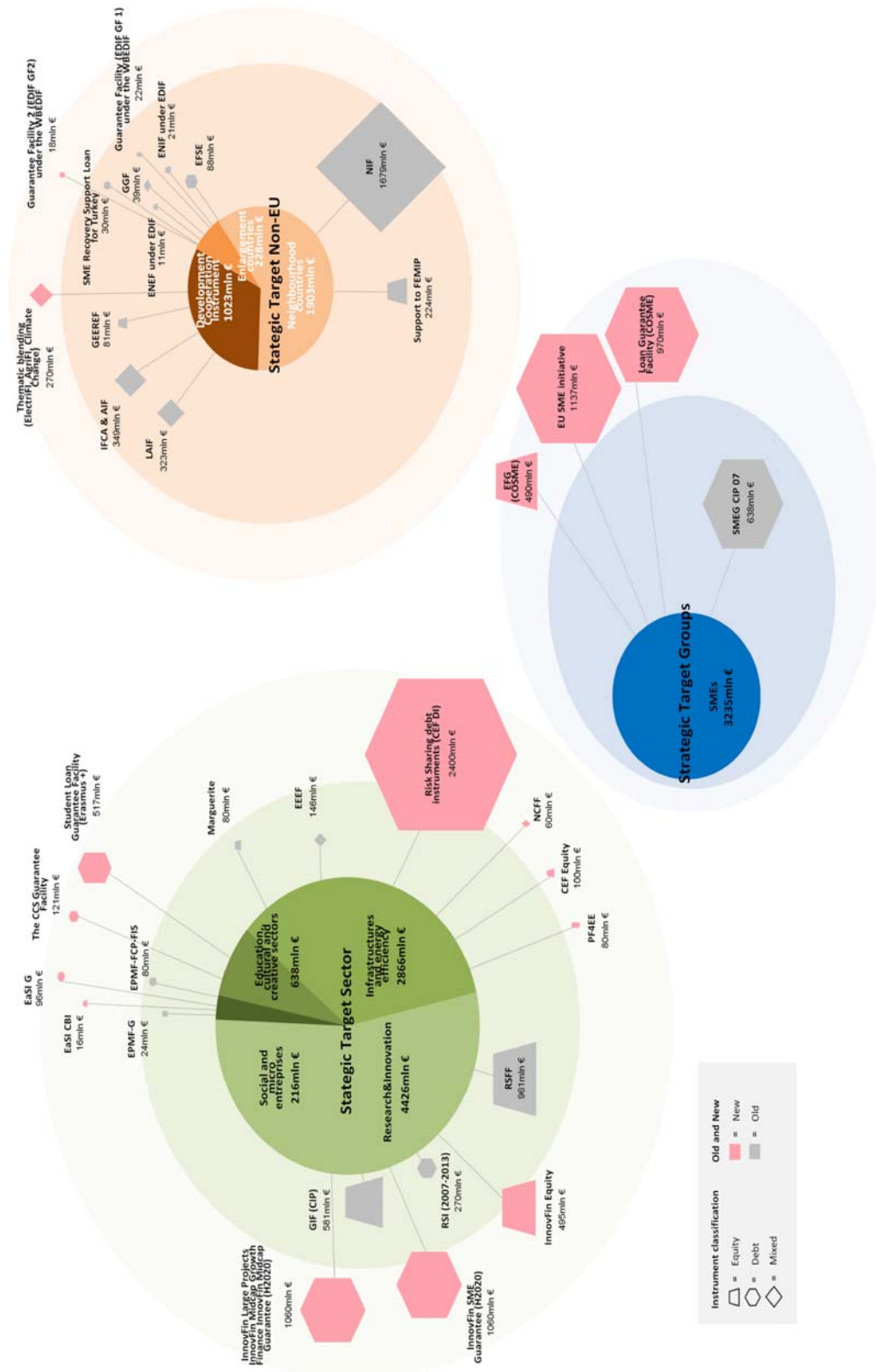
Financial instruments are "Union measures of financial support provided on a complementary basis from the budget in order to address one or more specific policy objectives of the Union. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants."¹⁰ Currently, 35 financial instruments are directly or indirectly managed by the Commission. Figure 1 below shows how these 35 instruments, distinguished according to type (equity, guarantee, or mixed instruments), insist on three main strategic targets: Small and Medium-sized Enterprises (SMEs) ("Strategic Target Groups"), infrastructure – in a broad sense, comprising both tangible and intangible infrastructure such as research and innovation – ("Strategic Target Sectors"), and enlargement, neighbourhood and development cooperation countries ("Strategic Target Non-EU countries"). Figure 1 also distinguishes between instruments established during the 2007-2013 Multi-annual Financial Framework (MFF) (inner orbits) and instruments established during the 2014-2020 MFF (outer orbits), and shows the relative size of instruments in terms of budget envelopes.

http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/summary_data_fi_1420_2015.pdf

⁹ Articles 16-18 of Regulation (EU) 2015/1017. In particular, Art. 16(2) requires the EIB, in cooperation with the European Investment Fund (EIF) where appropriate, to submit an annual report to the European Parliament and to the Council on EIB financing and investment operations covered by the EFSI Regulation. The 2015 Report can be found here: http://www.eib.org/attachments/strategies/efsi_2015_report_ep_council_en.pdf

¹⁰ Art. 2(p) of the Financial Regulation.

Figure 1: 2007-2013 and 2014-2020 Financial instruments as at 31/12/2016 (EUR million)



Notes: A list of financial instruments' acronyms can be found at the end of the present document. For SME Initiative the figure includes only the contribution from ERDF.

The Union's overall contribution to the 2007-2013 instruments amounted to almost EUR 5,7 billion. In 2014-2020, the overall budget envelope for financial instruments amounts to almost EUR 9 billion, of which more than EUR 4,9 billion, or about half, had been committed by the end of 2016¹¹.

3. RATIONALE FOR FINANCIAL INSTRUMENTS

3.1. Current economic context

The 2016 economic context, in which the financial instruments were implemented, was one of Member States still experiencing low but positive growth rates. Europe is pursuing a slow but steady recovery from the economic and financial crisis; however, structural and crisis-related weaknesses still limit the pace of overall recovery. Investment has not picked up markedly and it is not expected to rise significantly over the next couple of years, due to political uncertainty and a modest medium to long-term demand outlook. In particular, high private-sector debt levels and a high ratio of non-performing loans still restrict banks' lending capacity, thus hindering economic growth and financial stability. Those challenges continue to require action to further decrease the dependency of the European economy on lending by the banking sector. Access to equity funding remains limited as an alternative source of financing, especially for small businesses.

More detailed analysis of the economic and financial context in which the financial instruments are implemented, including information on funding gaps, is found in the Annex to the SWD.

3.2. Financial instruments make it possible to do more with less

In general, funds available for supporting EU policy goods are limited and therefore additional resources are needed to pursue public objectives more effectively. The Union level financial instruments contribute to encourage public finance institutions and private investors to lend to the real economy and in particular to higher risk SMEs. The financial instruments play a very useful role in catalysing additional private and public funds by sharing some of the financing risks with other public or private players, thus providing financial leverage. As Member States' public resources will remain restricted, increased use of financial instruments, complemented with budgetary guarantees and, where necessary, with grants, is needed to unlock additional investment through the EU budget, optimising the impact of the budget in financing EU policies ("do more with less").

An analysis of the financial leverage for the different types of instruments (all sectors combined) is presented below in section 4.

¹¹ This figure includes the reflows, the EFSI contribution to several financial instruments, the SME Initiative contribution from ERDF and the merger of LGTT and PBI with the CEF Debt Instrument

But the financial leverage is not the only leverage: by incentivising financial intermediaries to pursue common objectives through alignment of interest, financial instruments also ensure policy leverage in various settings and jurisdictions. In addition, institutional leverage is achieved, in particular by mobilising EU policy expertise of the institutional actors involved in the implementation chain.

Based on this rationale, financial instruments have already played a significant role by reaching out to important target groups such as SMEs, innovative enterprises and microenterprises, and supporting high-value projects in strategic sectors like transport and energy. They helped address market failures and were able to mobilise significant additional resources from the private and the public sector.¹²

3.3. Financial instruments achieve greater impact when combined and blended with other funds

A key lesson learnt from the implementation of the financial instruments to date is the benefits of combining various sources of EU funding in an effort to achieve a greater impact of the volumes invested in the real economy and a greater flexibility in the implementation and target choice. Moreover, combining financial instruments with EU grants, as well as with regional or national funds, may be necessary to cover capital expenditures of projects which cannot be financed solely through EU budget financial instruments. The 2014-2020 MFF already offers such blending opportunities.

For example, the financial instruments established under Horizon 2020 for research and innovation, or COSME for SMEs, have been used in combination with a guarantee from the budget. From their launch, both COSME and H2020 financial instruments were met with strong market demand – their initial envelope was quickly depleted. It was therefore decided to enhance the instruments through exposure under the risk-taking capacity of the European Fund for Strategic Investments (EFSI),¹³ the first pillar of the Investment Plan for Europe.^{14 15}

Another example is the combining of resources from EU level financial instruments, EFSI and grants for financial assistance in the field of Connecting Europe Facility (CEF) Transport, aiming to make disbursement of CEF grants conditional upon approval for financing under

¹² For example, by the end of 2016, the main EU-level 2007-2013 financial instruments dedicated to SME support (CIP-GIF, CIP-SMEG 07 and RSI) and to support to microenterprises and the self-employed (EPMF), financed with an overall budget contribution of less than EUR 1,6 billion, supported lending of almost EUR 23 billion and mobilised equity investments of over EUR 1,2 billion, enhancing access to finance for over 400 000 SMEs.

¹³ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments, OJ L 169, 1.7.2015, p. 1.

¹⁴ While EFSI is subject to specific reporting procedures set out in the EFSI Regulation, the present report does include, in the SWD, accounts of the additional resources EFSI has provided to financial instruments.

¹⁵ The implementation of EFSI is well on track, as 477 transactions supported by the Fund have already been approved by the European Investment Bank Group for a total investment value of EUR 183,5 billion (58% of the overall objective of EUR 315 billion by mid-2018), covering all 28 Member States and expected to benefit 427 600 SMEs and mid-caps. To further enhance the firepower of the Fund, negotiations for the proposed extension of EFSI with EFSI 2 are underway with the European Parliament and Council.

EFSI, or signature of a financing agreement with a private financier or National Promotional Bank (NPB) within 12 months from signature of the grant agreement.

Looking forward, financing of projects via the so-called "investment platforms" under EFSI is another avenue that may be advocated on the grounds of the higher catalytic effect of the various sources of financing combined, i.e. EU funds, own resources of the European Investment Bank (EIB) Group, NPBs, private financing, institutional investors, sovereign wealth funds, etc, with the objective of scaling up the capital deployed to support projects.

Moreover, the Common Provisions Regulation (CPR)¹⁶ allows Member States to combine European Structural and Investment Funds (ESIF) with Horizon 2020 and COSME resources under joint financial instruments. The Commission is recommending to facilitate the combination of instruments even further, in its proposal for the revision of the Financial Regulation.¹⁷

4. ANALYSIS OF THE INFORMATION REPORTED

The information on financial instruments reported to the Council and the European Parliament under Article 140(8) of the Financial Regulation aims to ensure transparency and accountability in the use of taxpayers' money. The SWD contains a wealth of information on the individual instruments, with focus on the budgetary authority's right to a full insight in the implementation of the EU budget through financial instruments. Based on this information, it is also possible to draw some overall conclusions on the degree of achievement of the objectives of financial instruments, in particular in relation to their main rationale, the financial leverage ("do more with less").

What stands out from the available evidence from the implementation so far is that the financial instruments have channelled substantial funds towards a variety of final beneficiaries in the real economy. The evidence thus suggests that financial instruments are an effective way of dealing with the financing needs of the real economy: implemented in partnership with public and private institutions, they have addressed market failures in the provision of external financing.

Graphs 1-8 in the following sections provide a visual illustration of financial instruments' implementation in terms of budget resources, leverage, financing and investment in the real economy in the 2007-2013 and 2014-2020 MFFs as of 31 December 2016, both overall and by financial category (debt, equity and mixed instruments).

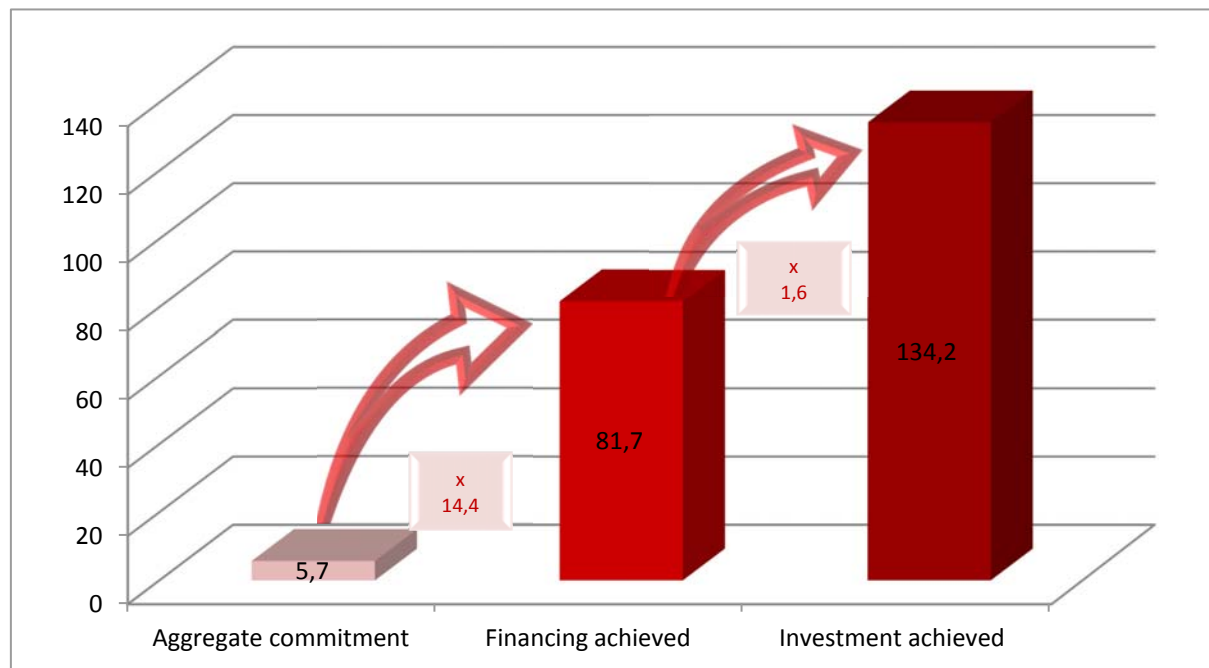
¹⁶ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

¹⁷ COM(2016) 605 final (see footnote 4).

4.1. Financial leverage of the 2007-2013 instruments¹⁸

By 31 December 2016, the Union's overall contribution to the 2007-2013 instruments, amounting to almost EUR 5,7 billion, supported a financing volume of about EUR 81,7 billion as well as an investment volume of over EUR 134 billion benefiting strategic target groups and sectors in the areas of the internal and external EU policies. The aggregate leverage ratio achieved is 14,4 (see [Graph 1](#)).

Graph 1: 2007-2013 Financial instruments as at 31/12/2016 (EUR billion)

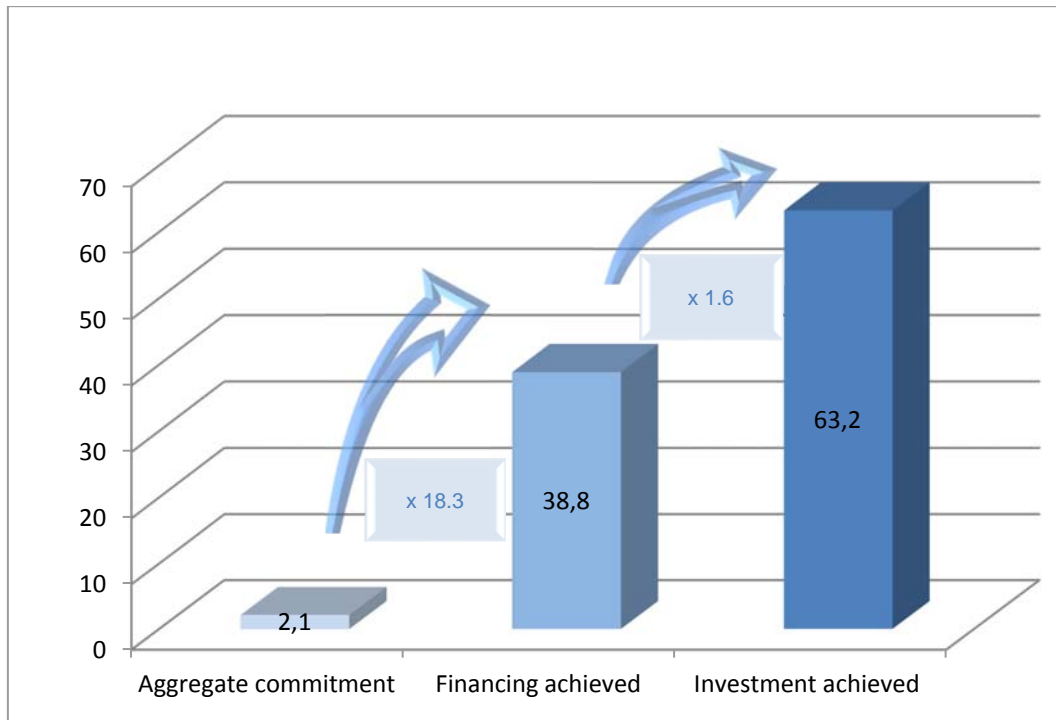


Instruments considered: SMEG 07, EPMF-G, RSI, RSFF, FCP-FIS, EDIF GF 1, EFSE, RSL Turkey, GIF (CIP), Marguerite, ENEF under EDIF, ENIF under EDIF, Support to FEMIP, GEEREF, EEEF, GGF, NIF, IFCA&AIF, LAIF

Graphs 2-4 below provide a breakdown by type of instrument for the period 2007-2013.

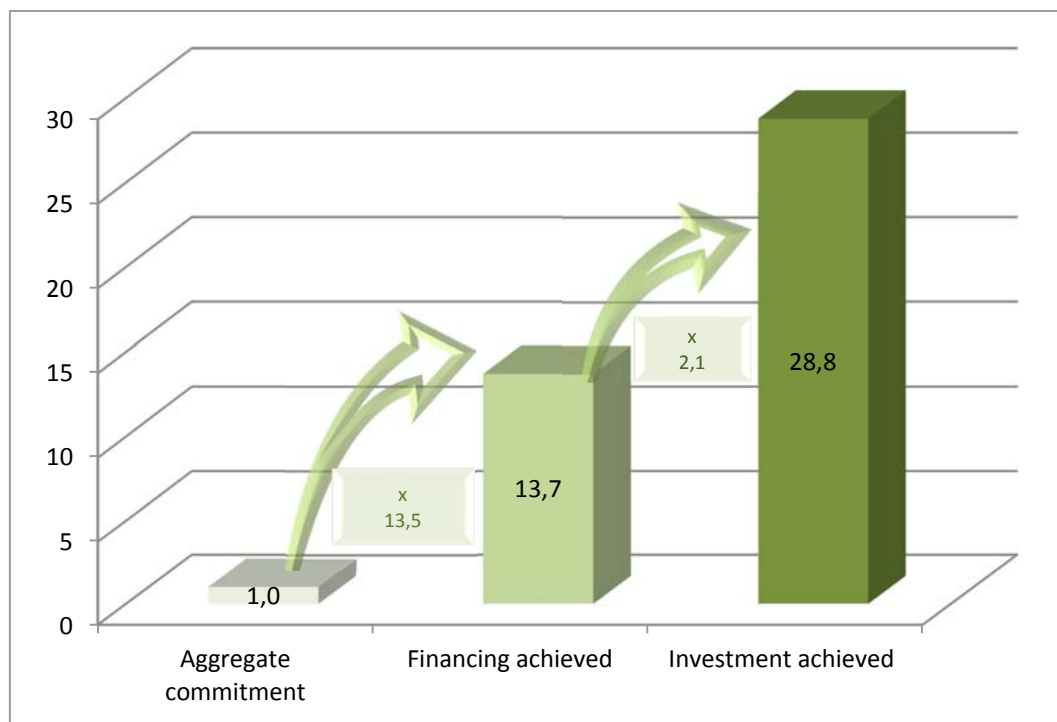
¹⁸ For the 2007-2013 financial instruments, the "Aggregate commitment" is defined as the cumulated budgetary commitments made for the relevant financial instrument. Such commitments include not only used appropriations assigned in the budget exercise but also budget resources such as EEA contributions, entry tickets from third countries for participating in the financial instrument or amounts transferred within the Union budget to the relevant financial instrument. "Financing achieved" corresponds to the volume of finance provided to eligible final recipients by a financial instrument through its financing chain, including the part of the Union contribution, i.e. the Aggregate Budgetary Commitment. Finally, "Investment achieved" represents the capital investment expenditure to be undertaken by the final recipient, in many cases proxied by the total amount of financing at its disposal for the investments, including own funds.

Graph 2: 2007-2013 Debt financial instruments as at 31/12/2016 (EUR billion)



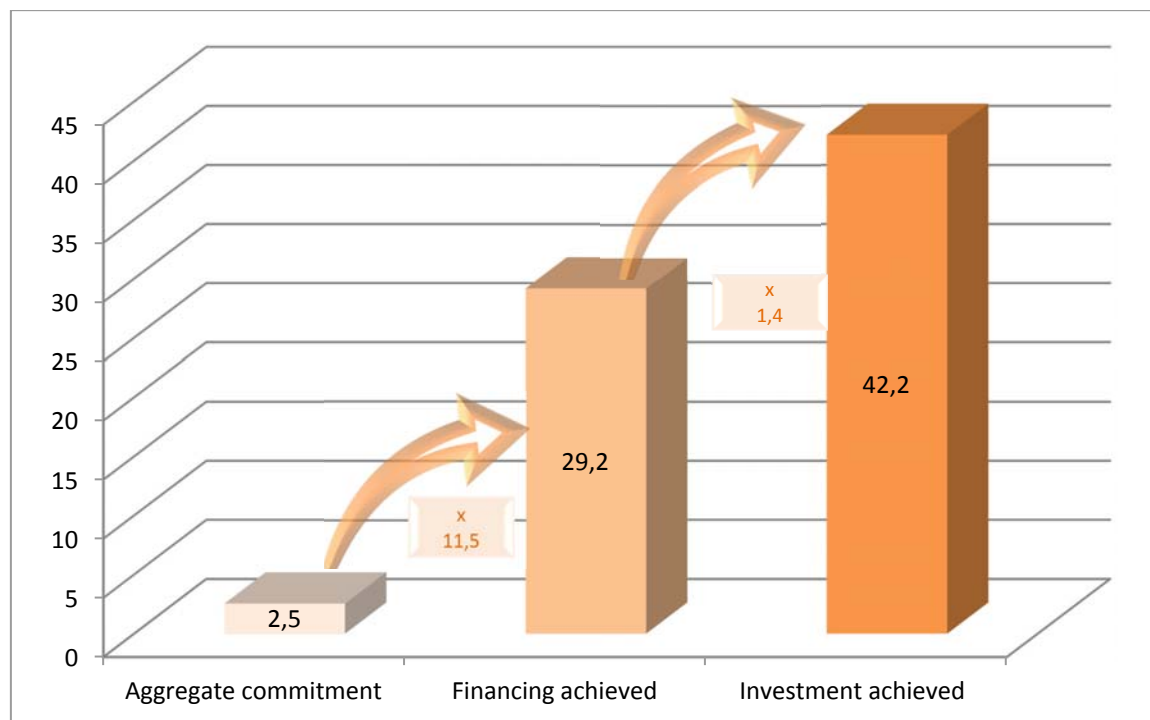
Instruments considered: SMEG 07, EPMF-G, RSI, RSFF, FCP-FIS, EDIF GF 1, EFSE, RSL Turkey.

Graph 3: 2007-2013 Equity financial instruments as at 31/12/2016 (EUR billion)



Instruments considered: GIF (CIP), Marguerite, ENEF under EDIF, ENIF under EDIF, Support to FEMIP, GEEREF

Graph 4: 2007-2013 Mixed (Debt&Equity) financial instruments as at 31/12/2016 (EUR billion)



Instruments considered: EEEF, GGF, NIF, IFCA&AIF, LAIF

4.2. Financial leverage of the 2014-2020 instruments¹⁹

In 2014-2020, a budget envelope of almost EUR 9 billion²⁰ is targeted to support the financing of more than EUR 88 billion, implying an average leverage of almost 10, and an investment amount of EUR 116,2 billion (see [Graph 5](#)). As mentioned in the previous report, the lower average leverage compared to the 2007-2013 generation of financial instruments reflects that the 2014-2020 financial instruments, to boost the value added of the Union contributions, include products covering higher risks than the typical 2007-2013 instruments. It should also be noted that the leverage reported for the 2007-2013 instruments is *actual* leverage achieved, while the leverage reported for 2014-2020 instruments is *target* leverage.²¹ The Union contribution of EUR 4,9 billion committed by 31 December 2016 is expected to support a financing volume of about EUR 57 billion, reflecting an expected leverage ratio of about 11,5 and expected investment volumes of about EUR 85 billion.²²

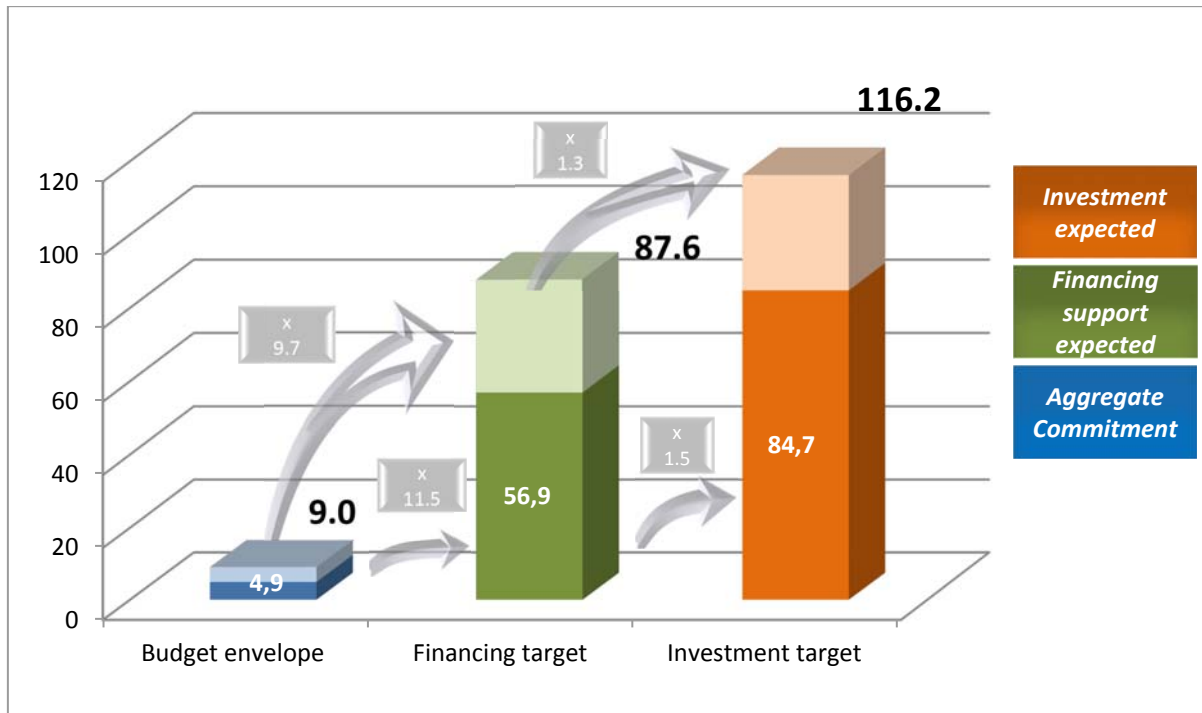
¹⁹ For the 2014-2020 financial instruments, "Budget envelope" indicates the commitment appropriations envisaged for the instrument throughout its life. "Financing target" is the targeted amount of financing to eligible final recipients (part of which is Expected financing, i.e. amount of financing expected from signed operations). "Target investment" is the targeted investment expenditure to be undertaken by the final recipient (part of which is the Expected investment, i.e. amount of investment expenditure expected from signed operations).

²⁰ The 2014-2020 envelope also includes appropriations of two 2007-2013 programmes (the Project Bond Initiative and the Loan Guarantee Instrument for Trans-European Transport Network Projects) which in 2016 were merged with the new Risk sharing debt instrument under the Connecting Europe Facility.

²¹ In some cases, the actual leverage exceeded the target leverage under 2007-2013 instruments; thus, the actual leverage for the 2014-2020 financial instruments may ultimately also exceed its target.

²² The *expected* volume of financing and investment are limited at this stage to amounts resulting from contracts already signed between entrusted entities and financial intermediaries/final recipients.

Graph 5: 2014-2020 Financial instruments as at 31/12/2016 (EUR billion)

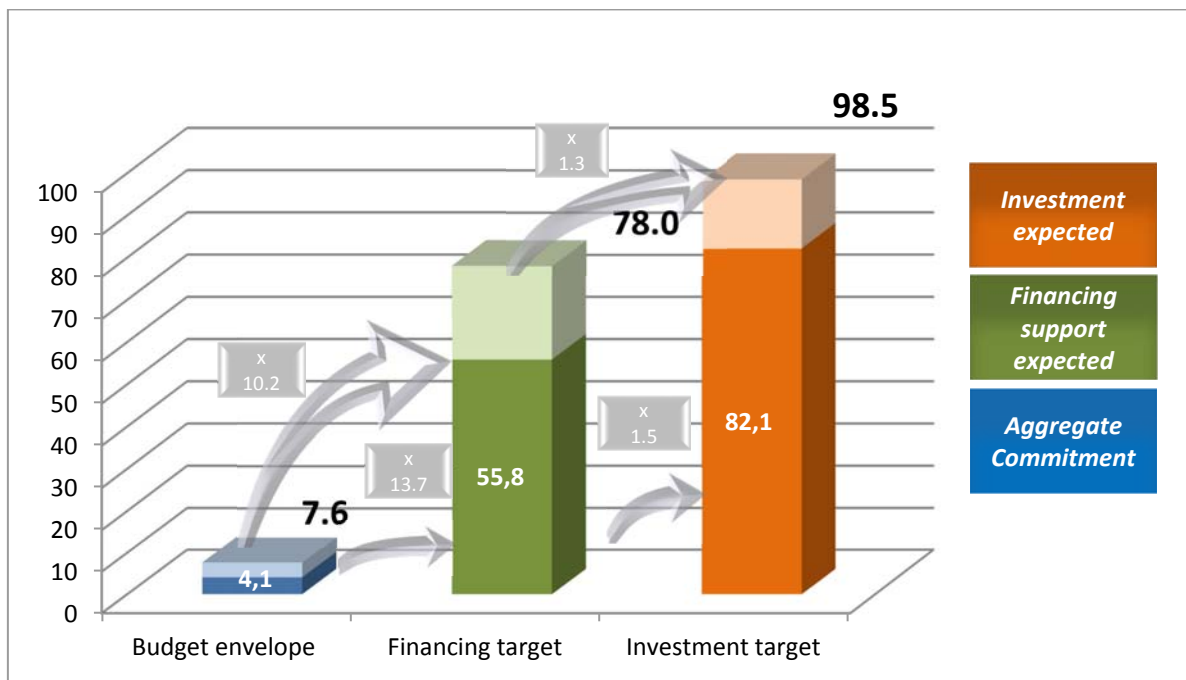


Instruments considered: COSME LGF, EU SME initiative (the figure includes only the contribution from ERDF.), EaSI, InnovFin SME Guarantee, CCS Guarantee Facility, SLG Facility, PF4EE, Innovfin Large projects, CEF DI, RSDI, Guarantee Facility 2, EFG, CEF Equity, InnovFin Equity, NCFE, Thematic Blending

Including updates of initial budget envelope and corresponding financing and investment amounts.

Graphs 6-8 provide a breakdown by type of instrument (debt, equity, or mixed) for the period 2014-2020.

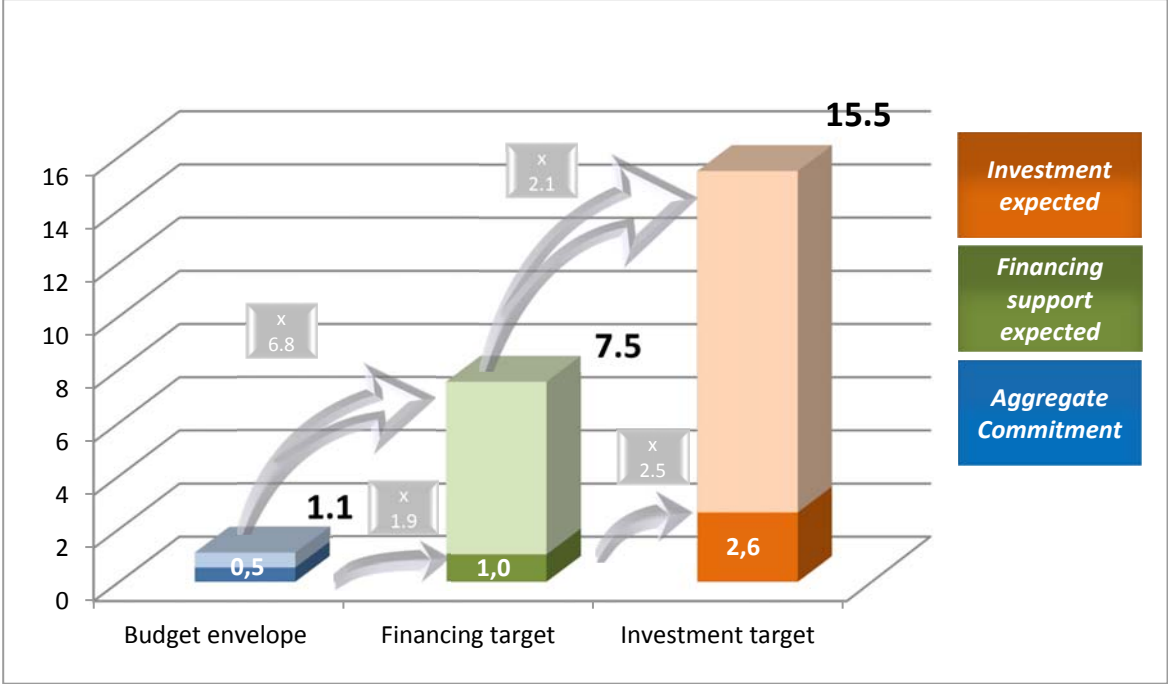
Graph 6: 2014-2020 Debt financial instruments as at 31/12/2016 (EUR billion)



Instruments considered: COSME LGF, EU SME initiative (the figure includes only the contribution from ERDF.), EaSI, InnovFin SME Guarantee, CCS Guarantee Facility, SLG Facility, PF4EE, Innovfin Large projects, CEF DI, RSDI.

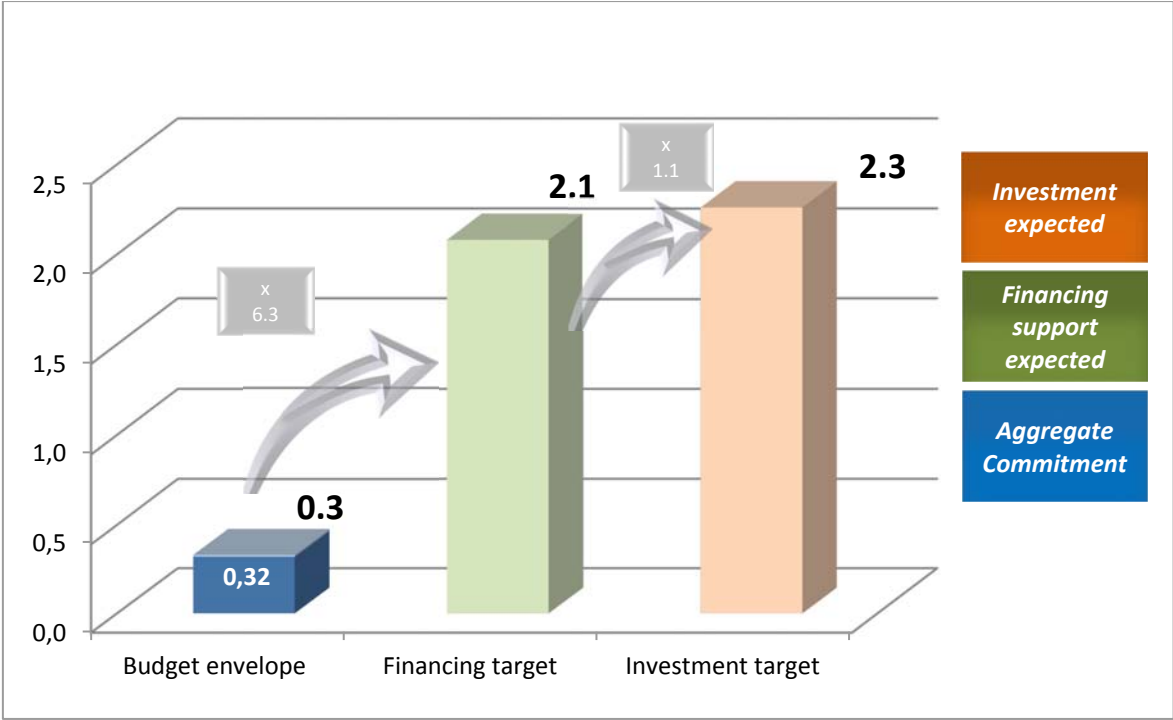
Including updates of initial budget envelope and corresponding financing and investment amounts

Graph 7: 2014-2020 Equity financial instruments as at 31/12/2016 (EUR billion)



Instruments considered: EFG, CEF Equity, InnovFin Equity
 Including updates of initial budget envelope and corresponding financing and investment amounts.

Graph 8: 2014-2020 Mixed (Debt&Equity) financial instruments as at 31/12/2016 (EUR billion)



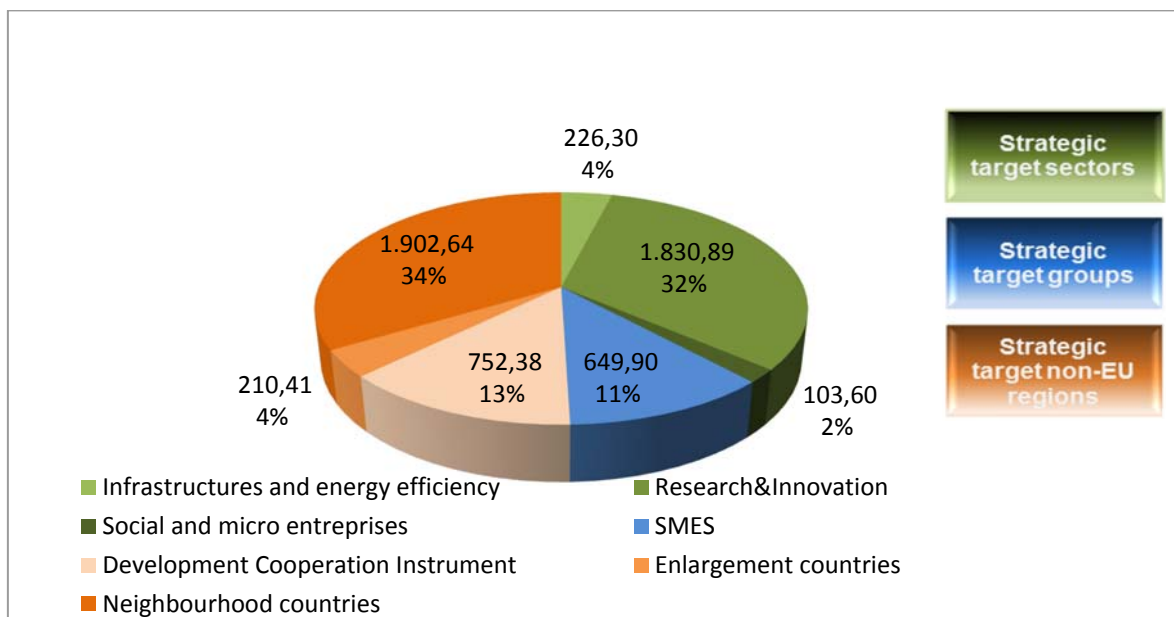
Instruments considered: NCFE, Thematic Blending
 Including updates of initial budget envelope and corresponding financing and investment amounts

4.3. Target groups served

The allocation of Aggregate commitments by sector are illustrated in Graphs 9 and 10 for each programming period. In the pie charts, SMEs constitute a Strategic Target Group of its own, while tangible and intangible infrastructure are grouped under Strategic Target Sectors. The reduced financing towards Strategic target non-EU regions in the current MFF is explained by the fact that some existing commitments for external instruments were extended.

Note that a direct comparison between Graph 9 and Graph 10 should take into account the fact that, by end 2016, commitments for 2007-2013 instruments have been mostly completed, whereas commitments for 2014-2020 instruments are still underway.

Graph 9: 2007-2013 FIs - Budget commitments by target as at 31 December 2016 (EUR million)

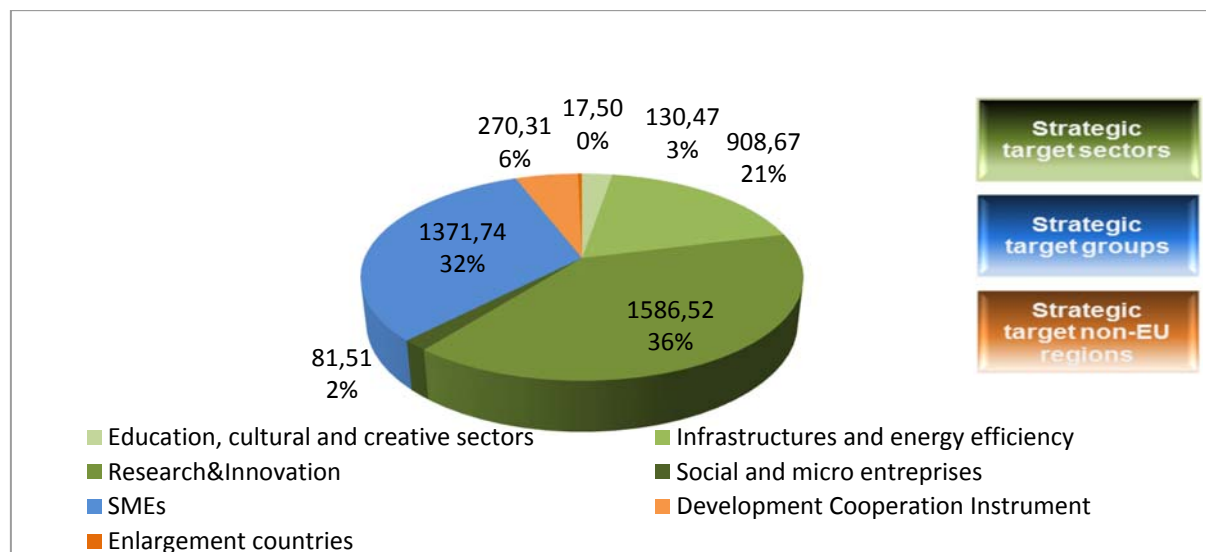


Strategic target sectors: Marguerite, EEEF, GIF (CIP), RSI, RSFF, EPMF-G, FCP -FIS

Strategic target groups: SMEG 07

Strategic target non-EU regions: IFCA, AIF, LAIF, GEEREF, EDIF GF 1, ENEF under EDIF, ENIF under EDIF, EFSE, GGF, SME RSLT, NIF, Support to FEMIP

Graph 10: 2014-2020 FIs - Budget commitments by target as at 31/12/2016 (EUR million)



Strategic target sectors: CCS Guarantee Facility, SLGF, PF4EE, RSDI, CEF Equity, NCFE, InnovFin SME Guarantee, InnovFin L-M Guarantee, InnovFin SME VC, EaSI

Strategic target groups: COSME LFG, EU SME initiative, COSME EFG

Strategic target non-EU regions: EDIF GF2, Thematic Blending

It should be noted that instruments supported by the Union budget but implemented by Member States in shared management are subject to separate reporting. For the 2007-2013 programming period, an annual summary report on the implementation of financial engineering instruments under the European Regional Development Fund (ERDF) and the European Social Fund was published by 1 October each year.²³ As of 2016, the Commission provides data summaries on progress in implementing financial instruments under shared management as required for the European Structural and Investment Funds (ERDF,ESF, CF, EAFRD and EMFF) under the CPR.²⁴ For the 2014-2020 programming period, the first annual summary report has been released in late 2016.²⁵ Similarly, financing and investment operations under the EFSI budgetary guarantee – which are not financial instruments in the sense of the Financial Regulation – are subject to separate reporting required by the EFSI Regulation.²⁶

4.4. Geographic breakdown of financing achieved

The financial instruments have different geographical scope, as defined by their respective legal basis; in addition, since they are essentially demand-driven, their allocation is determined by relative financing demands. The following pie charts show the distribution of

²³ The 2015 report is available at:

http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/summary_data_fei_2015.pdf

²⁴ Article 46(4) of Regulation (EU) No 1303/2013.

²⁵ The report, as of 31 December 2015, is available at:

http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/summary_data_fi_1420_2015.pdf

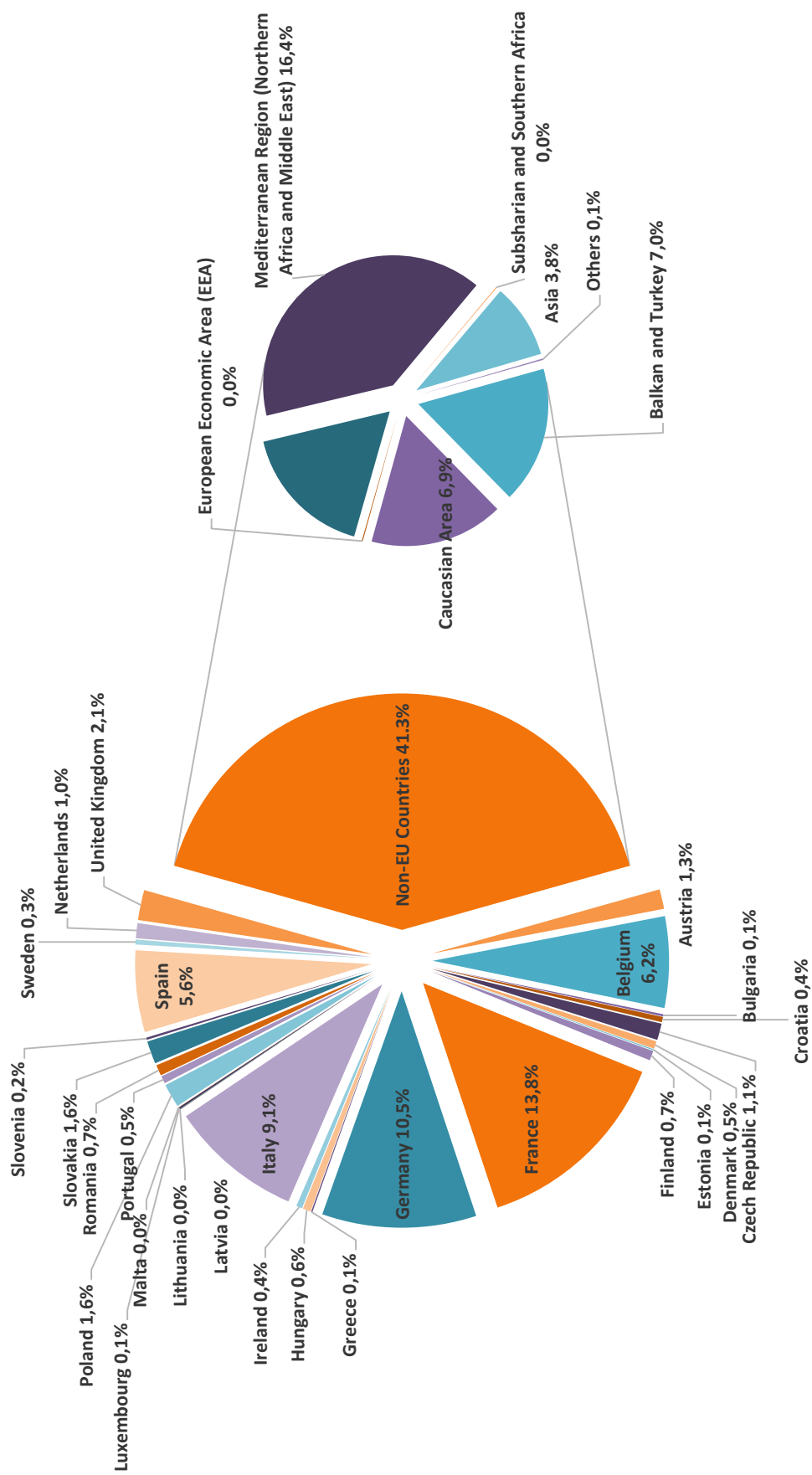
²⁶ Articles 16-18 of Regulation (EU) 2015/1017. In particular, Art. 16(2) requires the EIB, in cooperation with the European Investment Fund (EIF) where appropriate, to submit an annual report to the European Parliament and to the Council on EIB financing and investment operations covered by the EFSI Regulation. The 2015 Report can be found here: http://www.eib.org/attachments/strategies/efsi_2015_report_ep_council_en.pdf

financing achieved between countries, for different instrument classifications (overall and by MFF).

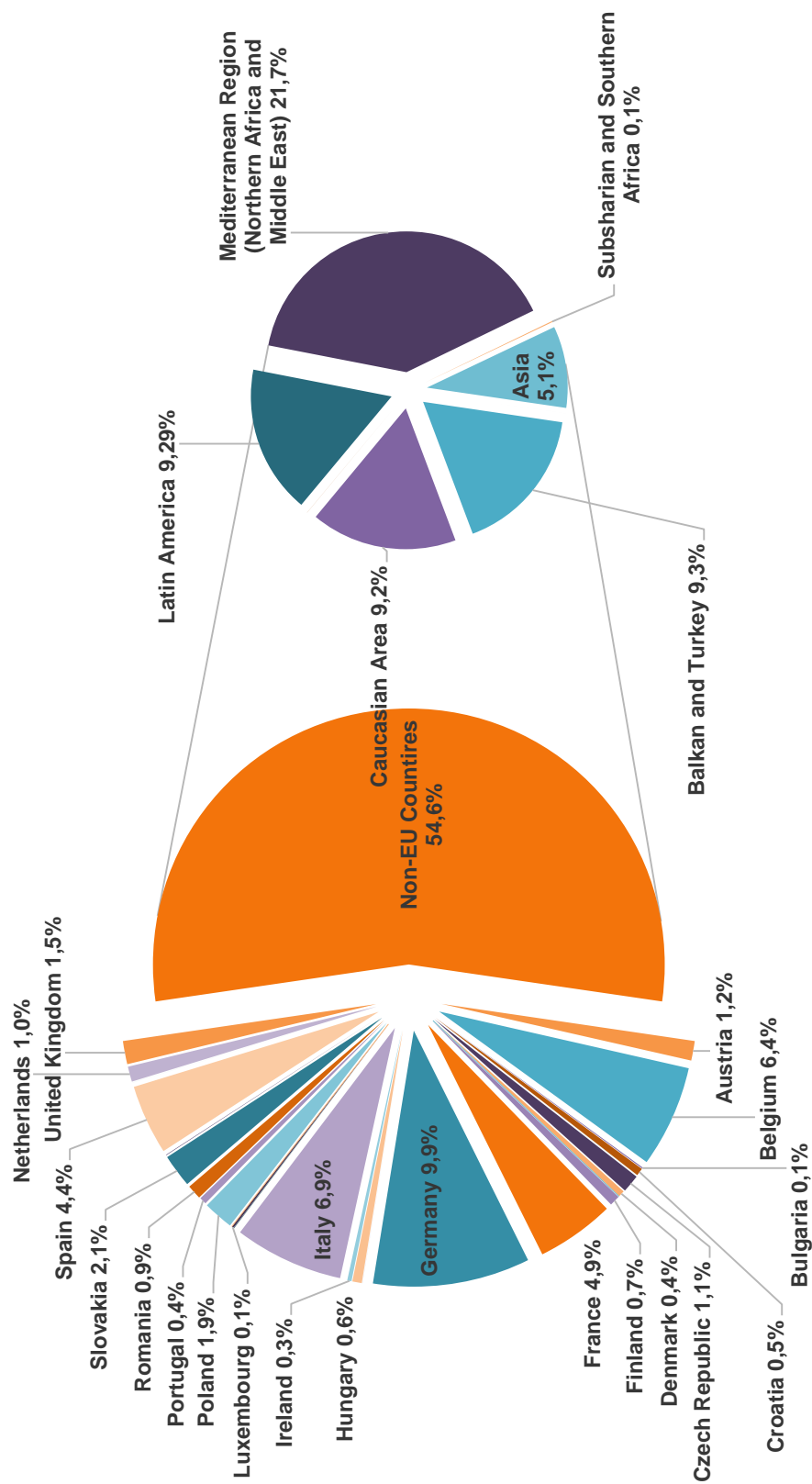
As mentioned above, a number of external instruments established in the 2007-2013 MFF were prolonged into the 2014-2020 MFF, and the share of financing which has flown to non-EU financing through EU financial instruments in 2014-2020 is therefore proportionally smaller, as they were already accounted for in the 2007-2013 period.

Large Western EU Member States such as in particular France and Italy seem to have in particular benefitted from the scaling up of the financial instruments in the 2014-2020 period compared to the 2007-2013 MFF, as their share of the overall achieved financing increased significantly (France from 4,9% to 39,9% and Italy from 6,9% to 15,6%). However, these high rates of growth can be explained by the abovementioned lower shares for external instruments. The remaining growth in France's share is mainly due to its participation in the 2007-2013 Project Bond Initiative and Loan Guarantee Instrument for Trans-European Transport Network Projects, which have now been merged into the 2014-2020 Risk Sharing Debt Instrument, CEF DI.

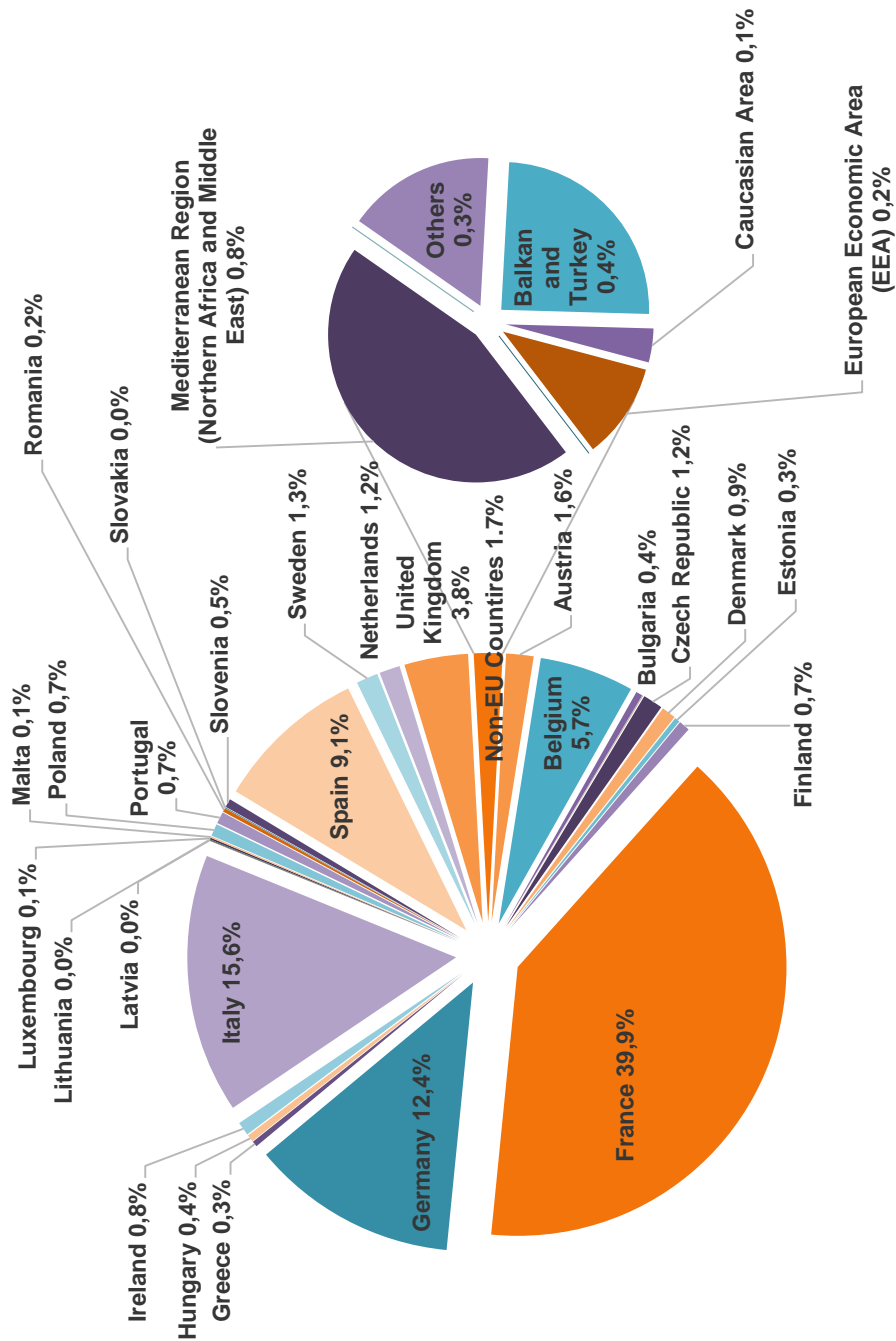
Graph 11: 2007-2013 and 2014-2020 FIs - Overall achieved financing by geographical destination as at 31/12/2016



Graph 12: 2007-2013 FIs - Achieved financing by geographical destination as at 31/12/2016



Graph 13: 2014-2020 FIs - Achieved financing by geographical destination as at 31/12/2016



As for the allocation by type of instrument (not shown in a graph), the geographic distribution of debt instruments favours large EU countries such as France, Germany and Italy, while non-EU countries (mainly in the Mediterranean Region) are well served by equity instruments and especially mixed (debt and equity) instruments

4.5. Success stories

Across the past and the ongoing programming periods, Union support has been provided to enterprises and other target groups, notably SMEs; to strategic sectors, such as research and innovation, tangible infrastructure and energy efficiency, social entrepreneurship, education and culture; and to non-EU countries, giving rise to many entrepreneurial success stories. Some examples are mentioned below:

SMEs: EFSI/COSME - Loan Guarantee Facility

- Funding backed by the EU programme for the competitiveness of enterprises and small and medium-sized enterprises (COSME), which supports growth among riskier SMEs, has helped Polish steel wholesaler Presto Stal to introduce new services. Based in Klawkowo, northern Poland, Presto Stal's business model is centred on its local client base. Recently, Presto Stal looked to broaden its range of services: this entailed the purchase of land for a new head office and workshop. Considerable investment was needed and was made possible under COSME. The EU-guaranteed loan ensured the company's financial stability throughout the expansion project and the foundations are now being laid for the new buildings. As a result, Presto Stal has hired additional staff, with the number of employees expected to reach 10 in 2017. https://ec.europa.eu/commission/sites/beta-political/files/brochure-investment-plan-17x17-june17_en.pdf

Research and innovation: EFSI/Horizon 2020 - SME InnovFin Guarantee Facility

- Not everyone can make a living doing what they enjoy most. But in the case of Matthieu Gobbi and Jérôme Giacomoni, they did exactly that. While studying at the prestigious *École Polytechnique* of Paris, the pair decided to make a career out of their passion for aerostats and hot-air balloons. In 1993, the two 25-year-old engineers founded Aerophile, a company specialised in the development of tethered helium balloons that are attached to the ground.
Over 20 years later, Aerophile has become the principal subsidiary of what is now the much larger Aerogroupe company. With 110 employees and impressive growth rates, Matthieu and Jérôme have been able to position Aerophile on the market as the global leader in tethered balloons, making their balloons available in different formats. With their products now available in around 30 countries in the world, Matthieu and Jérôme even had one of their balloons floating during the last Olympic Games in Rio de Janeiro.

However, at a certain point in their company's development, they knew that it was time to diversify their product line: since then, one of their innovative idea has been to create the 'Aerobar', the first flying bar, allowing consumers to have a drink several meters up in the air, but also to open an amusement park, 'le Parc du Petit Prince', based on Antoine de Saint-Exupéry's novel *The Little Prince*.

To support their company's growth, Matthieu and Jérôme have secured a bond backed by European Investment Fund (EIF) under EFSI, the first pillar of the Investment Plan for Europe. The Investment Plan for Europe, the EU initiative aiming at generating new investments in Europe through the support of small and medium-sized innovative enterprises in combination with InnovFin SMEG, has therefore directly supported Matthieu and Jérôme in realising their latest business plans, and creating around 100 seasonal jobs.

http://www.eif.org/what_we_do/guarantees/case-studies/efsi_innovfin_aerogroupe_france.htm?lang=-en

Infrastructure and energy efficiency: The 2020 European Fund for Energy, Climate Change and Infrastructure (Marguerite)

- Through the Marguerite Fund, the Union's contribution supported (among others) the acquisition of a 29% stake in AS Latvijas Gāze (LG), the vertically integrated gas company in charge of the transmission, distribution, storage, and supply of natural gas in Latvia. LG operates and maintains the Latvian gas transmission and gas distribution pipelines as well as the Inčukalns underground gas storage facility, the third largest storage facility in the EU and a strategic asset for the security of gas supply in the Baltics. LG also ensures the supply of natural gas to more than 400 000 domestic customers and provides gas to customers in Estonia, Northwest Russia and Lithuania. The company sponsors two projects of common interest which will improve the regional security of gas supply.

<http://www.reuters.com/article/latvijas-gaze-ma-marguerite-eon-idUSL8N15C3D3>

Infrastructure and energy efficiency: Private Finance for Energy Efficiency Instruments. (PF4EE)

- The Czech Komerční Banka (KB) was the first financial intermediary to sign a PF4EE deal. One of the ensuing projects was the optimisation of an SME industrial bakery's heating system, wall insulation and windows. The project had a total cost of approximately €300.000, of which 20% was covered by PF4EE and resulted in energy savings of roughly €60.000 per year.

5. CONCLUSION

The EU financial instruments have proven effective (e.g. in terms of outreach) and cost-efficient (e.g. in terms of leverage) in addressing the challenges the EU economy continues to face in terms of adequate access to finance on reasonable conditions. Financial instruments allow extending the outreach of the EU budget in the real economy, and the Commission will,

in particular in the context of its upcoming proposals for the next MFF, carefully consider the possibility of boosting existing instruments or launching new ones to address market gaps or sub-optimal investment situations, where market-based financing with an EU guarantee, equity investment or other risk-sharing arrangements may be the most appropriate form of EU support.

While non-reimbursable financial support will continue to be needed, in some policy areas innovative financial instruments and/or EFSI-type budgetary guarantees can be a more appropriate and cost-efficient response. The Reflection Paper on the Future of EU Finances recalls that risk-sharing instruments can play an important role in future budget implementation, for their capability of "doing more with less" and leverage the EU budget, particularly at a time of budgetary constraints²⁷.

Equally, while the case for increasing the volume of budget resources devoted to financial instruments is strong, the Commission will assess the extent to which the currently high number of instruments could be reduced. As recalled in the Reflection Paper on the Future of EU Finances, one option to address this could be a single Fund with blending possibilities and policy specific windows²⁸. As shown in Figure 1, several of the current 35 instruments target the same segments and may present overlaps that risk creating confusion among beneficiaries and unnecessary administrative burdens.

Proper attention will also be given to ensuring that project promoters and target beneficiaries of financial instruments have access to information on EU-supported financing through various channels, such as for example the "Access to Finance for SMEs" portal.²⁹

At the same time, the Commission will continue to strike the right balance, ensuring proper accountability, reporting, monitoring and audit, while aiming at an as efficient and effective implementation as possible of financial instruments. While the current framework for the implementation of the 2014-2020 instruments includes solid provisions on technical requirements, transparency, internal control and audit and reporting, the regulatory framework should be continuously reviewed to further reduce red tape, ease implementation and further align the design of financial instruments to the most efficient and up-to-date market practices.

The Commission is conducting interim evaluations of the individual instruments as required by the sectorial legal bases. The Commission proposal for revision of the Financial Regulation, currently under negotiation with the European Parliament and the Council, draws from lessons learnt from experience to prepare the ground for the next generation of financial instruments and budgetary guarantees, in view of creating the most appropriate regulatory landscape for proper implementation to achieve the agreed policy objectives.

²⁷ Commission Reflection Paper on the Future of EU Finances, see in particular Section 4.2.2: https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en

²⁸ See above.

²⁹ https://ec.europa.eu/growth/access-to-finance_en

FINANCIAL INSTRUMENTS' ACRONYMS

CCS - GF:	The Cultural and Creative Sectors - Guarantee Facility.
CEF:	Connecting Europe Facility.
CEF DI:	Risk sharing Debt Instrument under the Connecting Europe Facility.
CEF Equity:	The Connecting Europe Facility Equity Instrument.
CIP:	Competitiveness and Innovation Framework Programme.
COSME:	Competitiveness of Enterprises and Small and Medium-sized Enterprises
EaSI - CBI:	Employment and Social Innovation Capacity Building Investments.
EaSI - G:	Employment and Social Innovation Microfinance and Social Entrepreneurship.
EEEF:	European Energy Efficiency Fund.
EFG under COSME:	Equity Facility for Growth under COSME.
EFSE:	European Fund for Southeast Europe.
ENEF under EDIF:	Enterprise Expansion Fund under the Western Balkans Enterprise Development and Innovation Facility.
ENIF under EDIF:	Enterprise Innovation Fund under the Western Balkans Enterprise Development and Innovation Facility.
EPMF - G:	European Progress Micro Finance - Guarantee facility.
EPMF - FCP - FIS:	European Progress Micro Finance - Fonds Commun de Placement – Fonds d'Investissement Spécialisé
FEMIP:	Support to the Facility for Euro-Mediterranean Investment Partnership.
FP7:	Framework Programme for Research and Technological Development.
GEEREF:	Global Energy Efficiency and Renewable Energy Fund.
GGF:	Green for Growth Fund.
GIF under CIP:	The High Growth and Innovative SME Facility under the Competitiveness and Innovation Framework Programme.
IFCA & AIF:	Investment Facility for Central Asia & Asian Investment Facility.
LAIF:	Latin America Investment Facility.
LGF under COSME:	Loan Guarantee Facility under Competitiveness of Enterprises and Small and Medium-sized Enterprises.
NCFF:	Natural Capital Financing Facility.
NIF:	Neighbourhood Investment Facility.
PF4EE:	Private Finance for Energy Efficiency Instruments.
RSFF:	Risk-Sharing Finance Facility under the FP7.
RSI:	Risk Sharing Instrument (Pilot guarantee facility for R&I-driven SMEs and Small Midcaps) under FP7.
RSL:	Recovery Support Loan for Turkey.
SMEG07 under CIP:	The SME Guarantee Facility 2007 under the Competitiveness and Innovation Framework Programme.
WB EDIF GF1:	Guarantee Facility I under the Western Balkans Enterprise Development and Innovation Facility.
WB EDIF GF2:	Guarantee Facility II under the Western Balkans Enterprise Development and Innovation Facility.