

# **Combining grants and financial instruments (Vienna Initiative)**

**Working Group on IFI products supporting investment  
Luxembourg, 14 June 2018**

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# EIB products:

## We help catalyse investment

LENDING	BLENDING	ADVISING
<p>Loans</p> <ul style="list-style-type: none"> <li>- Direct</li> <li>- Intermediated</li> </ul> <p>Guarantees</p> <p>Equity participation</p>	<p>Combining EIB finance with EU budget</p> <p>ESIF-EFSI combination in investment platforms and projects</p> <p>Higher risk projects for innovation (InnovFin)</p>	<p>Support for projects and investments</p> <p>Enhance use of EU funds, mainly ESIF</p> <p>Improve access to finance</p>
<p style="text-align: center;">Attracting FUNDING for long-term growth</p>		

# Outline

- Types of combination
- Principles of combining ESIF grants and ESIF-FI
- Case studies examples for combinations

# Why is combination needed?

- ✓ Combination of different sources of funding - bringing more resources and ensuring bigger impact
- ✓ Combination of different forms of support (mainly grant and FI) - addressing correctly the needs of the final recipient (projects with elements not generating revenues may require partial grant support)

# Types of combination of support

## Combination of ESIF support

Combination of grants and FIs  
Combination of several FIs

Support from same or different priority axes, funds or OPs

CPR Art 37(7-9) and guidance note

## Combination of ESIF with other support

Combination of ESIF with EFSI

Combination of ESIF with EU level instruments

Combination of ESIF with reflows from 2007-2013

# Combination of grant and FIs

## Grant in Single Operation

Technical Support  
Interest Rate Subsidy  
Guarantee Fee Subsidy

Directly related to FI  
FI and grant target same final recipient

Separate records

Supported by Ex-ante assessment

## Grant in Separate Operation

All types of grants

No direct link necessary  
Different eligible expenditure

Separate records  
Separate expenditure items

Separate reporting of output indicators

State aid compliance  
Support  $\leq$  eligible expenditure

FI cannot pre-finance grants, grants cannot be used to repay FI

# Combination of grants and FIs

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Examples:

## Low carbon economy sector

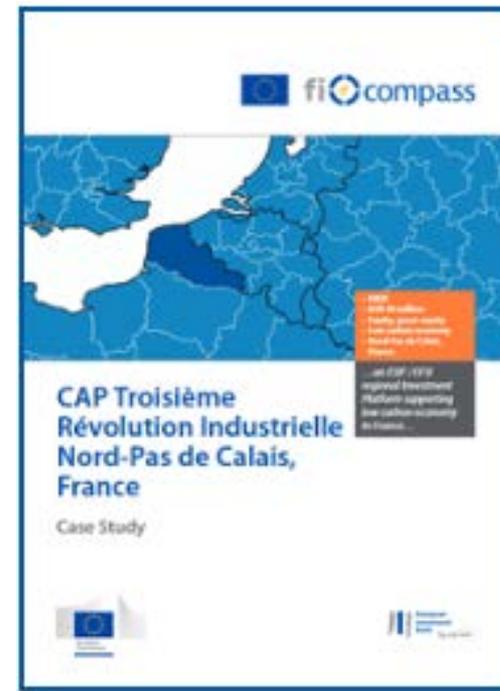
- France – investment in Third Industrial Revolution
  - ESIF equity + technical assistance
  - EFSI subordinated loan

## Agricultural sector

- Lombardy Region, Italy – Agri-food chain support
  - EAFRD investment loans combined with grants



# Case study I: CAP TRI in Nord-Pas-de-Calais, France



# Design and set-up

## – Investment Priorities

Renewable energy

Energy management

Smart mobility

Energy efficiency

Circular economy

Sharing economy



# Design and set-up

## – Main objectives of the FI

### Growth

Increase development and competitiveness of companies, by growing their capital (equity)

### Long-term

Be a long-term shareholder and take part in the decision-making of companies and projects

### Local

Close relationship between the team (based in the Region) and the companies' directors

### Investments

CAP TRI is expected to generate a portfolio of investments of **EUR 200m** in total at project level, thus 16 times the contribution from the ERDF Operational Programme

# Design and set-up

## – Main characteristics of the FI

### Maturity

Growth capital

### Positioning

Minority interest

### Horizon

5 to 9 years

### Investment size

Above  
EUR 1.0m\*

### Type of funding

Ordinary shares  
Preference shares  
Convertible bonds

### Technical Support

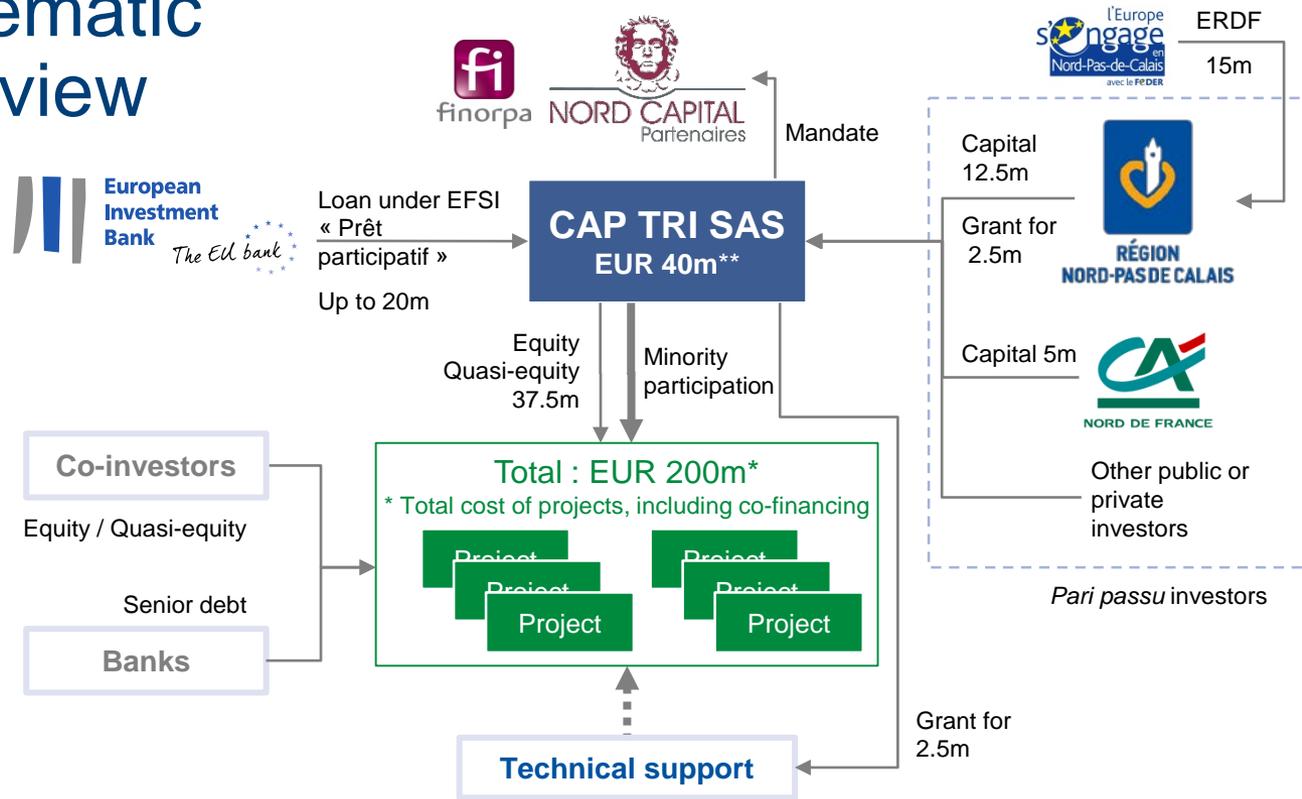
EUR 2.5m

\* Up to EUR 10m through co-investment

# Design and set-up

## – Implementation structure

### Schematic overview



\*\* The objective is to reach a total of EUR 100m thanks to new public and/or private investors

# EIB and CAP TRI

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## ESIF/EFSI combination

- Without the guarantee from EFSI, the EIB could not have invested in CAP TRI (due to a risk profile not in line with the requirements of EIB's traditional loan investments)

EFSI came into play because:

- **Combining** opportunity: CAP TRI is a Financial Instrument and an Investment Platform financing several projects with various risk profiles
- **Low carbon and SME** financing are priorities for EFSI
- The type of financing provided by the EIB (a **mezzanine loan**) has very advantageous characteristics for the FI and its investors:
  - A 15-year bullet loan with a very small annual interest and a remuneration linked to fund performance
  - The fund manager can adjust the fund's leverage at any time, by drawing or not drawing on EIB's contribution
  - Leveraging of third party (private) investment through the boosting of its financial performance (EIB's returns are capped)

# Technical support

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- **Technical support in the form of grants** consisting of technical advisory services for:
  - the preparation of the prospective investment by the final recipients, incl.: process optimisation and proof of concept support
  - financial/legal advice such as business plans drafting, market analyses, and company (re)structuring)
- **Budget:** ERDF resources of **EUR 2.5 m**
- **Main objective of the technical support component** - help prepare projects for funding from the financial instrument

# Technical support

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**Key elements related to the technical support** under the financial instrument:

- need identified in the ex-ante assessment in order to support final recipients targeted to receive investment from the FI
- support used to assist final recipients and build pipeline for the financial instrument (up to EUR 100 000 per FR)
- channelled by the fund manager via the financial instrument - **combined in one single operation**
- must occur **prior to** being financed by the financial instrument
- fund manager selects an advisory service provider each time support service is needed
- the grants for technical support are provided to the advisory service providers, and not to the SMEs or mid-caps final recipients directly
- **fund manager keeps separate accounts** for each form of support

# EIB and CAP TRI

## Advantages provided by the combination of ESIF and EFSI

ESIF	EFSI
Mobilised by the Region to constitute the <b>long-term equity capital of the Investment Platform</b>	Enables the EIB to take higher risks and invest with through a <b>mezzanine loan approach</b> in the Investment Platform
Capacity to <b>attract other public and private investors</b> for the FI	<b>Helps attract other public and private investors by sending a signal to the market and boosting their expected financial performance</b> (CAP TRI is currently fund raising to reach an investment total of EUR 100m)
Invest in risky <b>policy priorities</b> identified in OPs by MAs, such as low carbon economy	Invests in <b>sectors with high-risk profiles</b> , such as low carbon and SMEs
Generate <b>added value to grants</b> , and may be used as a complement to them	Provides an innovative <b>complement to grant financing</b>

# Case study II: EAFRD Credit Fund Lombardy 2014-2020, Italy



# Design and set-up

## – Main objectives

RDP Lombardy 2014-2020 support for investments related to processing/marketing and/or development of agricultural products aimed to:



Improve the competitiveness of primary producers by integrating them better in the food supply chain through quality schemes



Create added value for the agricultural products



Promote local products, short supply chains, as well as producer and inter-branch organisations

# Design and set-up

## – Key characteristics of the product

Eligible cost for each individual investment between EUR 500 000 and EUR 10 million

Grant support covers 20% of the eligible investment

Combined support from grants and loans covers 20% and 80% respectively

Loans use both public (32%) and private (48%) resources

Interest rate subsidies of 5% on a fixed interest rate loan

10-year max. loan maturity with up to 3 years grace period

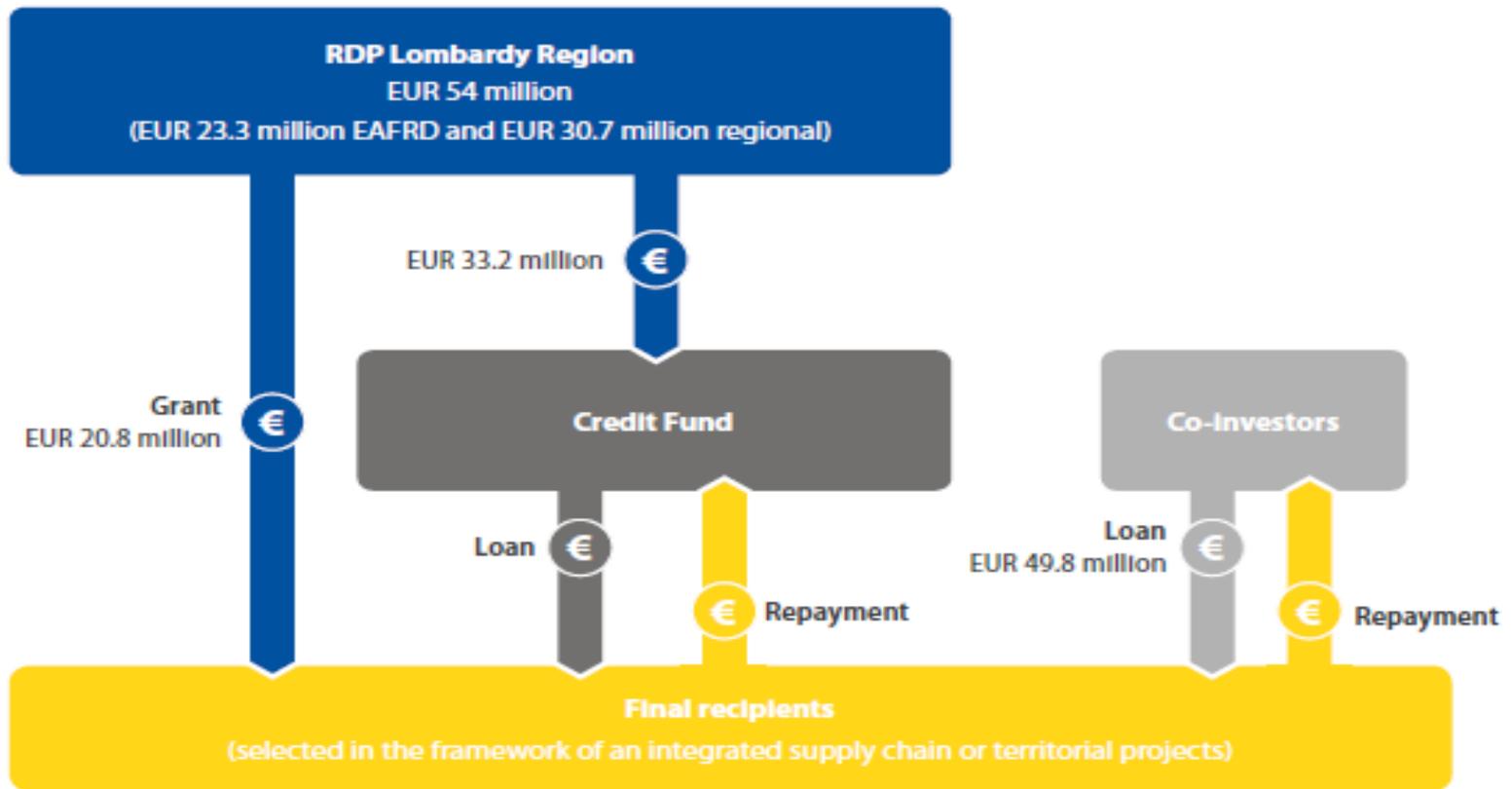
# Design and set-up

## – Timeline and main results



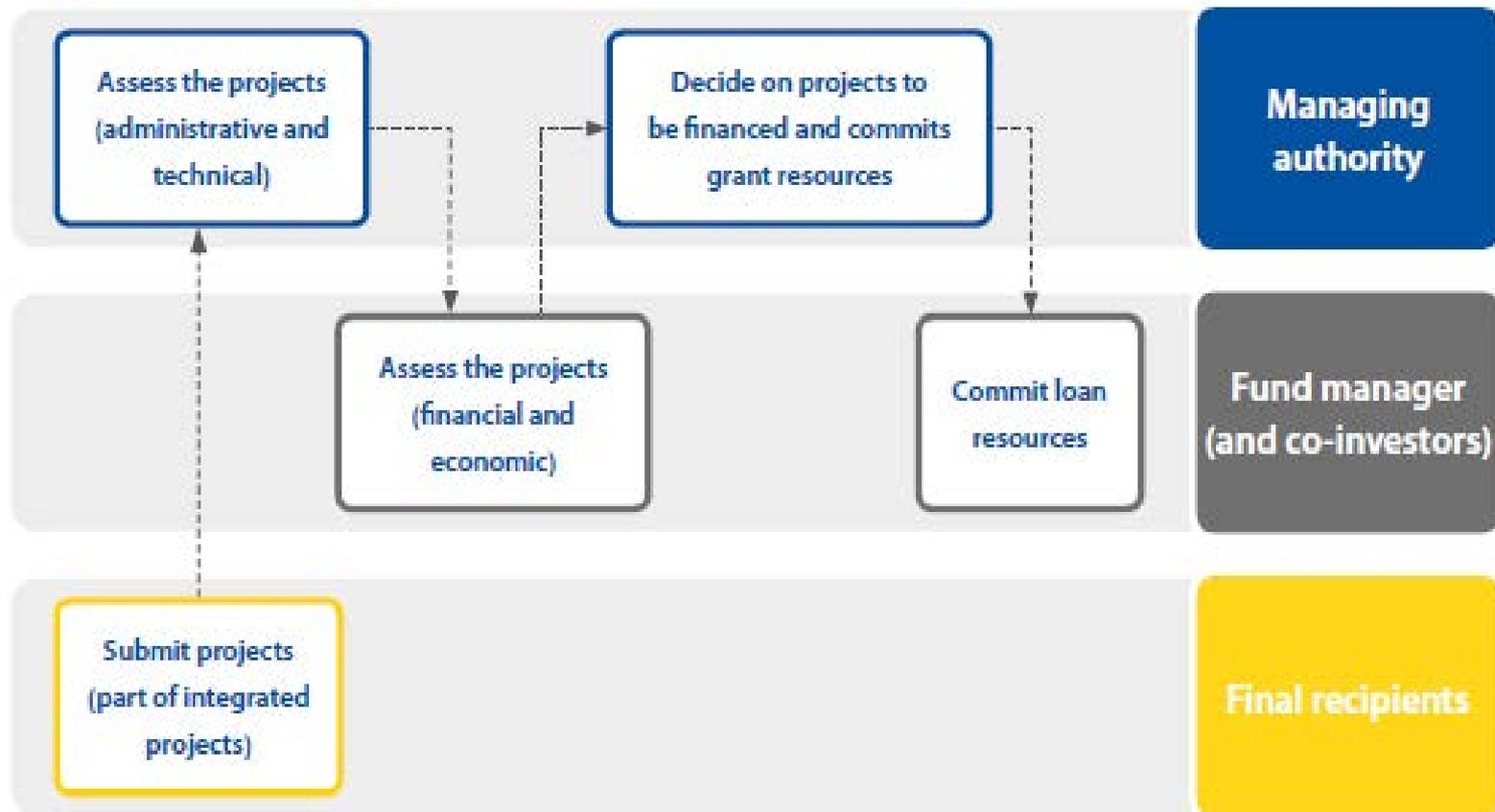
# Design and set-up

## – Implementation structure



# Design and set-up

## – Appraisal process



# EIB Advisory Support

Activity	EIB contribution
European Investment Advisory Hub	<ul style="list-style-type: none"><li>• Advice on project development to support the Investment Plan for Europe (2<sup>nd</sup> pillar of the “Juncker Plan”)</li></ul>
JASPERS – joint EC/EIB initiative	<ul style="list-style-type: none"><li>• Advice to support better project preparation for European Structural and Investment Fund projects</li><li>• JASPERS support to resolve horizontal questions affecting a sector or projects across several member states</li><li>• JASPERS Networking Platform building a knowledge base</li></ul>
EC/EIB joint advisory instruments	<ul style="list-style-type: none"><li>• ELENA – European Local Energy Assistance</li><li>• <i>fi-compass</i> to support development of ESIF Financial Instruments,</li></ul>
Other advisory instruments	<ul style="list-style-type: none"><li>• Financial Instrument Advisory</li><li>• EPEC – European PPP Expertise Centre</li></ul>

# fi-compass platform

## Guides



## Case studies



[www.fi-compass.eu](http://www.fi-compass.eu)

## Audio-visual material Access to future and past events



# EIB Bilateral Financial Instrument Advisory

- Supports public authorities and other stakeholders
  - throughout the entire financial instruments' life cycle
  - in setting up and implementing tailor made financial instruments/investment platforms
- Carries out ex-ante assessments for FIs
- Develops a suitable investment strategy and governance structure and provides the necessary support to get funds successfully up and running
- Provides support to public bodies in relation to financial intermediaries selection and due diligence and in the consideration of State aid issues



**European  
Investment  
Bank**

*The EU bank*

A circular arrangement of twelve blue stars, similar to the European Union flag, positioned around the text 'The EU bank'.

**Financial Instruments Advisory Division**