



# fi-compass Member State support Feasibility study for ERDF financial instruments in South Muntenia

Working Meetings  
15-16 September 2021

 #ficompass





# Why use financial instruments?





# Financial instruments

- co-funded by EU shared management funds
- a sustainable and efficient way to invest in growth and development
- can support a broad range of development objectives to the benefit of a wide range of final recipients





# Why use financial instruments

A **more efficient** use of (scarce) public sector resources, especially for revenue generating or cost saving projects

Greater **leverage potential**

Brings **financial discipline** into the project/initiative: transparency/identification/selection process

Can be **combined** with technical support and/or grants to overcome market barriers

Reutilisation of resources: **revolving nature** of the instruments

Final recipients are **familiar with products and processes**. Easy to access finance through ordinary business practices.

# Financial instruments in action

The 2014-2020 programming period



- EUR 27 billion committed to financial instruments in 2014-2020 programming period
- Typical ERDF leverage rate of x3 – for every euro of ERDF, 3 euros co-investment mobilised
- Sectors – SME access to finance, energy efficiency, Research, development and innovation, urban development and climate/environment – also agri, social and fisheries

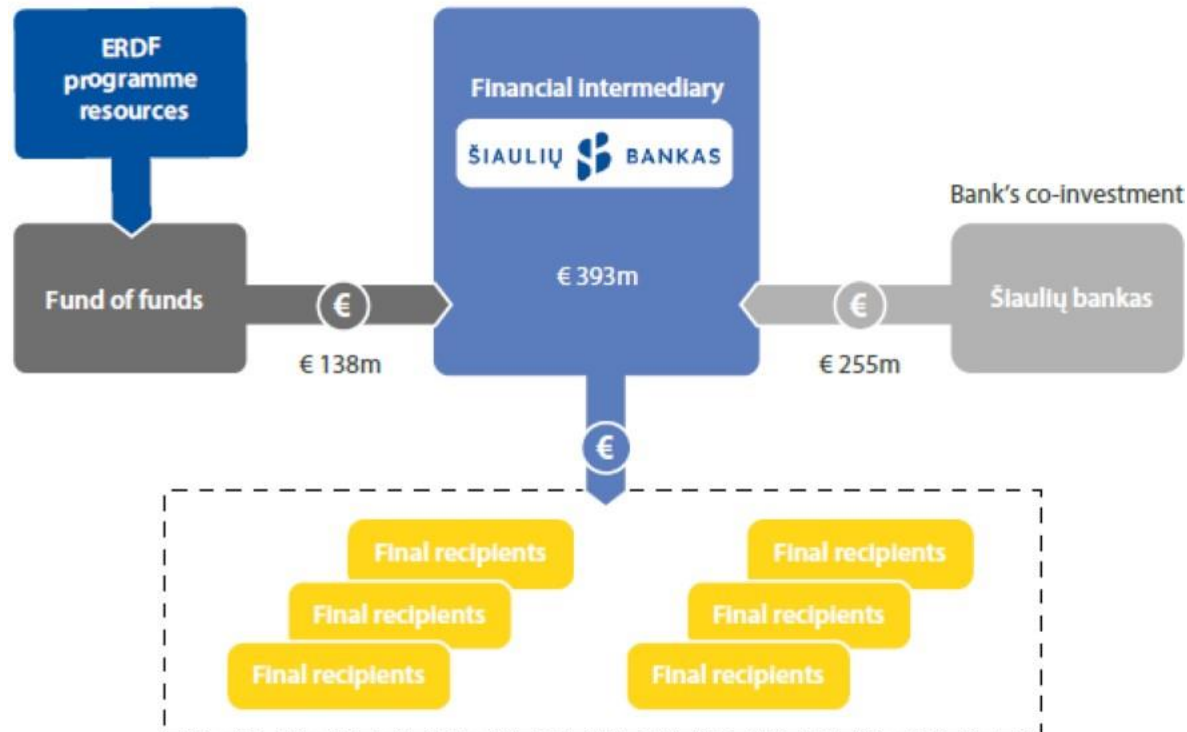
## Financial instruments in action: Urban Renewal, Waldorpstraat





# An example financial instrument and key terms

Figure 1: the Jessica II fund of funds



<b>FIs</b>	Financial instruments
<b>SMF</b>	EU Shared Management Funds (ERDF & CF, ESF+, EAFRD, EMFAF)
<b>MA</b>	Managing authority
<b>Beneficiary</b>	Body that implements the financial instrument or the fund of funds
<b>Final recipient (FR)</b>	A legal or natural person receiving financial support from a financial instrument
<b>Financial intermediary (F.Int)</b>	A specialised financial organisation able to deploy financial resources to target groups of FRs
<b>Fund of funds (FoF)</b>	A Holding Fund (HF) set up to implement one or more financial instruments



# Urban development funds – ERDF financial instruments supporting cities



# Session 1 – Case studies

JESSICA Sardegna, IFRRU 2020, HEID, The Hague



UDF Urban regeneration

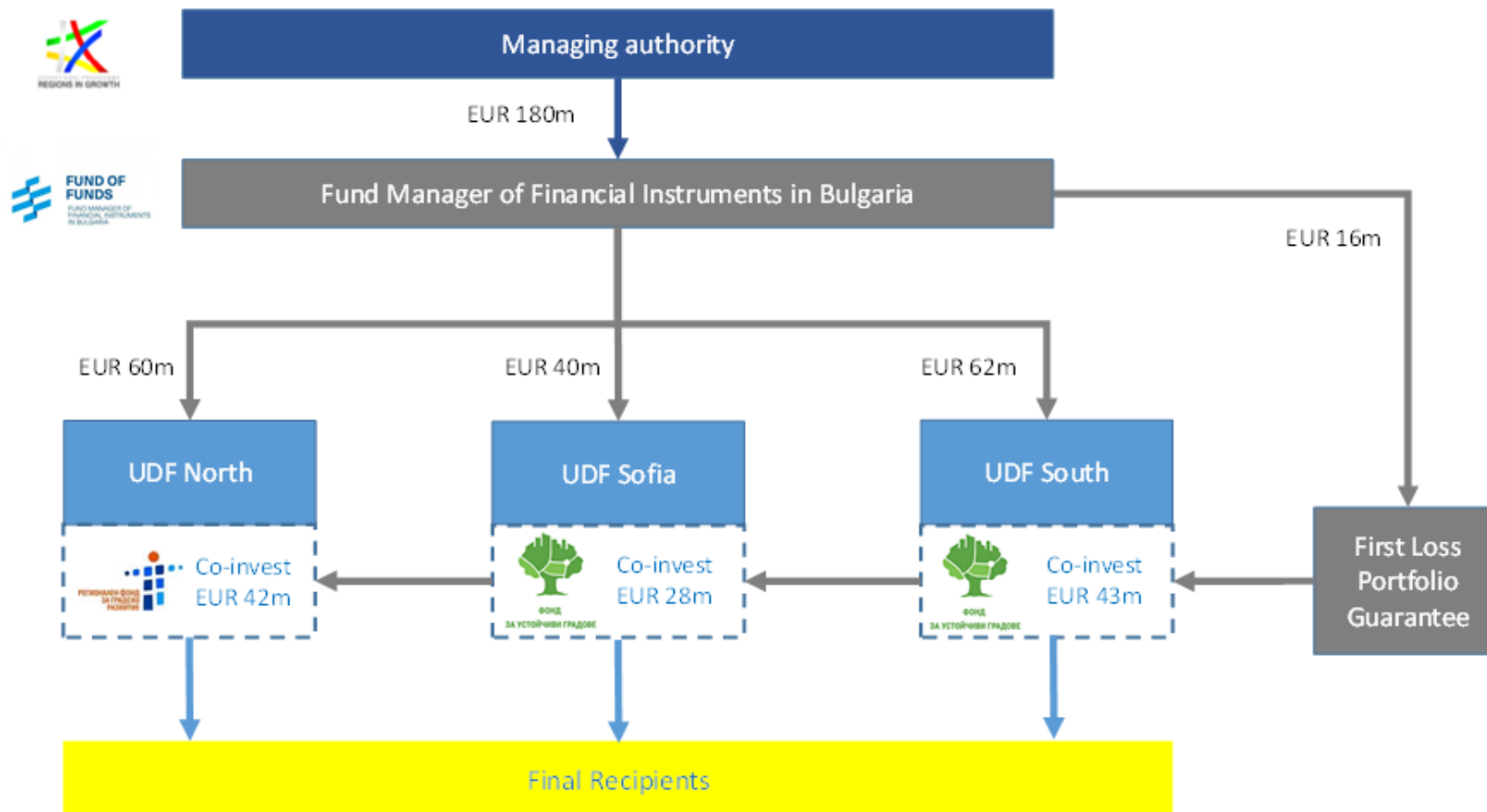


- JESSICA Sardegna
  - 2 x UDFs EUR 80 million OP – EUR 200 million investment
  - 43 projects – small and large – aligned to local urban dev. Plans
  - Include public space and urban mobility
- IFRRU 2020
  - Set up HF to manage 4 x UDFs – Banks as Fin. Intermediaries
  - Ca EUR 100 million OP – EUR 1.4 billion investment
  - 304 projects – EUR 890 million committed to date
- HEID – The Hague
  - Initial commitment EUR 4 million – now EUR 46 million
  - 2 x UDFs - Energy efficiency and economic development
  - Projects range from large RE infra. to small community assets



# Bulgaria – Regions in Growth financial instruments

Three urban development funds



FLAG Fund  
The Fund for Sustainable Urban Development  
**United Bulgarian Bank (UBB)**  
Bulgarian Consultancy Organisation



**DSK Bank,**  
ELANA and  
Balkan Advisors



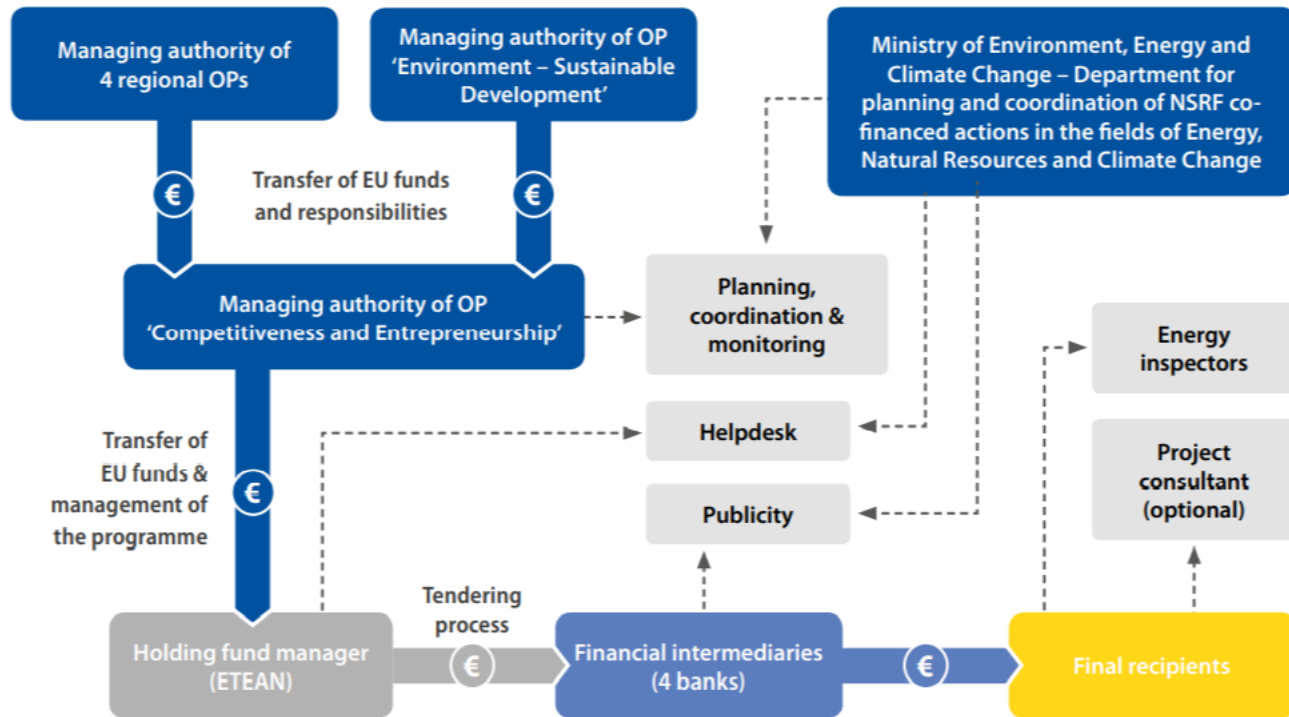


# Success story – Greece Energy Efficiency financial instrument





# Case study: Energy savings in existing housing – financial instrument in Greece



- Installing insulation in the whole building (roof & walls)
- Replacement of frames and glass of windows (glass panels)
- Upgrade of the heating and hot water system
- Upgrade of solar water heater systems, heat pumps, etc.

Maximum eligible budget of interventions (including VAT): not exceed **EUR 25 000** per property

# Energy savings in existing housing, Greece



Final recipients	Category A1	Category A2	Category B
Personal Income <sup>10</sup>	≤ EUR 12 000	EUR 12 000 – EUR 40 000	EUR 40 000 – EUR 60 000
Family Income	≤ EUR 20 000	EUR 20 000 – EUR 60 000	EUR 60 000 – EUR 80 000
Incentives	70% grant; 30% partially subsidised loan	35% grant; 65% partially subsidised loan	15% grant; 85% partially subsidised loan

- **51 152 households** reduced their energy consumption
- Greenhouse gas reductions: 612 kt CO<sub>2</sub>
- EUR 148m private co-financing from partner banks achieving EU Leverage of 2.57

- Loans combined with Grants
- Grants up to 70% to 3 categories of Homeowners
- Liquidity (capital) in the form of subsidised loans under particularly favourable terms (duration 4-6 years / without mortgage, but guarantor needed)
- Cost of the Energy Inspections / Audits: covered 100%
- Project Consultant's fee (up to EUR 250, without VAT)
- Payment of suppliers / contractors through banks without the involvement of the Homeowners

# Impact – combination of financial instruments and grant



- Residential building with 2 floors covering 120 m<sup>2</sup>
- Building constructed in 1963 & lacked insulation:
- Budget: EUR 17 321 (including VAT)
  - Replacing glazing, frames & installation of external shading systems
  - Installing thermal insulation in the building shell, incl. the roof
  - Upgrading the heating & hot water systems



## Comfort and savings for low-income households in Greece

The Greek Ministry of Development and Investments is supporting the restoration of thousands of individual houses and flats in the country, generating enough energy savings to light more than 600 thousand 100W lightbulbs continuously for one year.

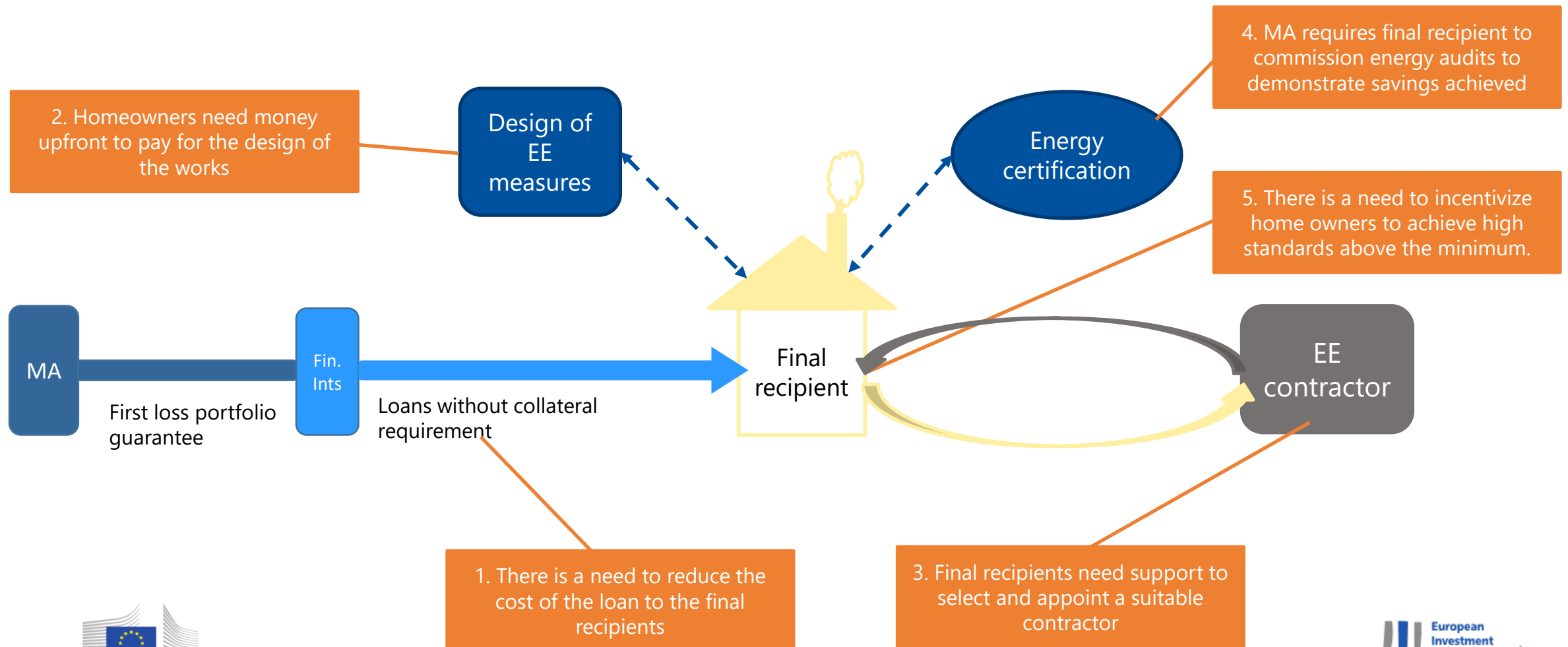
[Read more](#)



# Combination with grant – to unlock financing opportunities



# Grant support for EE financial instruments





# Feasibility study for financial instruments under ERDF 2021-2027 in South Muntenia

## Background, scope and timing





# Background information

## Regional Fund for Local Authorities



- RDA is considering to develop a financial instrument that provides loans to local authorities for tourism and business infrastructure projects
- Potential roles for the financial instrument could include:
  - Supporting project preparation through technical support grants
  - Financing project implementation, alongside grant finance
  - Achieving long-term financial sustainability becoming an independent financing body in the long term
- RDA is open to consider combining grants with financial instruments in one operation
- Potential projects could include incubators and industrial parks, tourism infrastructure and similar infrastructure projects

# Background information

## Energy Efficiency in Housing



- RDA wishes to explore a financial instrument to provide loans to owners of individual houses (not apartments), potentially in combination with grant, to make them more energy efficient
- Potential support provided by the financial instrument could include:
  - Grant financing or 'in kind support' for technical support to home-owners to develop renovation plans
  - Long-term, low-cost loan finance
  - Capital rebate or other investment grant to meet part of the cost of the works
- RDA would like to understand the potential implementation arrangements including the potential to use a grant/loan combination provided by one or more financial intermediaries.
- The potential to develop a 'one-stop shop' integrated delivery platform is also considered

# Feasibility study

## Scope and timing



- t33 and EY, in conjunction with EIB fi-compass experts, are preparing a feasibility study on the potential use of financial instruments
- The study includes:
  - Task 1 - Market assessment for the two sectors, through desk-based research, interviews and workshops
  - Task 2 - Recommendations of potential implementation strategy for the proposed financial instruments
  - Task 3 - Support for meetings and workshops
- Timing for submission
  - Task 1 - Early October 2021
  - Task 2 - Last November 2021
  - Task 3 – September – December 2021



# Feasibility study for financial instruments under ERDF 2021-2027 in South Muntenia

## Stakeholder consultation



# Stakeholder consultation

## Meetings and invitation to provide information



- Participatory bottom-up public consultation, actively involving both local and national public authorities, professional associations, as well other relevant stakeholders
- 15 – 17 September 2021 meetings with the local public authorities and the banking sector to raise awareness and discuss their willingness and availability to be involved
- Meetings complemented by the invitation to provide information through questionnaires prepared by EY and t33
- A summary of the analysis will be published on SM RDA website: [www.adrmuntenia.ro](http://www.adrmuntenia.ro)
- Further information on the can be obtained from the RDA: [amsudmuntenia@adrmuntenia.ro](mailto:amsudmuntenia@adrmuntenia.ro)

# Stakeholder consultation

## Financial intermediaries, why to get involved



- Diversification/expansion of product offer and opportunity to reach new clients
- Opportunity to be involved as fund manager(s)
- Successful experiences already in place
- Regions and Member States exploring potential for increased use of FIs in the 2021-2027 programming period

# Study questionnaires

## How to provide your contribution



- Separate templates for tourism and business infrastructure, energy efficiency and financial intermediaries
- Addressing, among others:
  - Market failures, regulatory and other non-financial barriers
  - Project pipeline / potential demand for future support
  - Ability of final recipients to raise co-investment
  - Availability of private finance to support investment and its ability to meet the needs
- Thanks in advance for providing your contribution by September 23, 2021



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