

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT **D**
BUDGETARY AFFAIRS

Budgets

Budgetary Control



New Financial Instruments and the Role of National Promotional Banks

STUDY



DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D: BUDGETARY AFFAIRS

NEW FINANCIAL INSTRUMENTS AND THE ROLE OF NATIONAL PROMOTIONAL BANKS

STUDY

Abstract

This Paper examines the role played by National Promotional Banks and Regional Promotional Banks in implementing EU SME financial instruments across EU-28, to examine how far they are already involved in implementing these instruments and in what capacity they help to strengthen access to finance for SMEs.

The focus is on instruments implemented under shared management, as well as on those implemented under direct management by the European Commission and indirect management by the EIB and the EIF on behalf of the EC.

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AUTHORS

Centre for Strategy & Evaluation Services LLP (CSES): Mark Whittle, Jack Malan and Danilo Bianchini

RESPONSIBLE ADMINISTRATOR

Ms Rita CALATOZZOLO
Policy Department D: Budgetary Affairs
European Parliament
B-1047 Brussels
E-mail: rita.calatozzolo@europarl.europa.eu

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LIST OF ABBREVIATIONS AND GLOSSARY OF TERMS

CCS	Cultural and Creative Sector
COSME	EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs)
CEB	Council of Europe Development Bank
CPR	Common Provisions Regulation (Regulation (EU) No 1303/2013)
DG EAC	European Commission Directorate-General for Education and Culture
DG GROW	European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG RTD	European Commission Directorate-General for DG Research and Innovation
EAPB	The European Association of Public Banks
EC	European Commission
EEN	Enterprise Europe Network
EFSI	European Fund for Strategic Investments
ESIF	European Structural and Investment Funds (the "Structural Funds")
EIB	European Investment Bank
EIF	European Investment Fund
EP	European Parliament
ERC	European Research Council
FI	Financial Instruments
FoF	A Fund of Funds (an umbrella mechanism to invest venture capital into individual VC funds)
FP7	The Seventh Framework Programme for Research and Technological Development
H2020	Horizon 2020
IFI	International Financial Institution
InnovFin	"InnovFin – EU Finance for Innovators" is a joint initiative launched by the EIB and EIF in cooperation with the EC under H2020.
JESSICA	Joint European Support for Sustainable Investment in City Areas (instrument in 2007-2013 under Structural Funds)
JEREMIE	Joint European Resources for Micro to Medium Enterprises (instrument in 2007-2013 under Structural Funds to support Managing Authorities in implementing risk financing schemes)
LIFE	The LIFE Programme is the EU's financial instrument supporting environmental, nature conservation and climate action projects
LGF	Loan Guarantee Facility
MA	Managing Authorities
MFF	Multiannual Financial Framework

NCFF	Natural Capital Financing within the LIFE Programme
NPBs	National Promotional Banks
NEFI	The Network of European Financial Institutions for SMEs
PF4EE	Private Finance for Energy Efficiency within the LIFE Programme
RPBs	Regional Promotional Banks
R&I	Research and innovation
SMEG	SME Guarantee instrument under InnovFin
VC	Venture Capital

GLOSSARY OF TERMS

Financial Intermediary	A financial intermediary is an institution such as a credit institution or NPB that facilitates the channeling of funds between lenders and borrowers indirectly. The EIB Group appoints intermediaries following a call for proposals to help implement some financial intermediary schemes.
On-lending	When an organisation lends money that they have borrowed from another organisation or person.
Shared management	There are two main types of EU funding, a) funds which are either managed centrally and directly by the European Commission, or indirectly by entrusted entities such as the EIB Group e.g. for research and innovation; and b) funds whose management is shared between the EU and the Member States, e.g. the Structural & Investment Funds.

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1. INTRODUCTION

1.1. Purpose of this paper

The purpose is to verify the existence of National Promotional Banks ("NPBs") in the EU Member States and to briefly describe in what capacity/at what level they intervene in the implementation of EU SME financial instruments (including instruments supporting innovation) that leverage EU funds (covered by Title VIII of the EU Financial Regulation).

1.2. Scope

A number of EU SME financial instruments relating to the 2014-2020 programming period are within the scope of the paper where NPBs are either involved in implementation or in promoting awareness about these instruments. Some EU financial instruments within scope are implemented under **shared management** such as the European Structural and Investment Funds ("ESIFs"). Others are implemented under the European Commission's **direct or indirect management** (e.g. "COSME" and "InnovFin" under H2020, the Cultural and Creative Sector Guarantee Facility ("CCS LGF") within the Creative Europe Programme, the Private Finance for Energy Efficiency ("PF4EE") and the Natural Capital Financing Facility ("NCCF") under the LIFE programme.

1.3. Method

The paper was prepared on the basis of desk research, and interviews with the EIB and a small number of NPBs and their important financing partners ("house banks") among credit institutions. In particular, the data and information collection methods utilised were:

- **Desk research** - a review of relevant documentation relating to the existence of NPBs and their recent establishment in some EU countries and documents to help assess the nature of their role in implementing EU SME financial instruments.
- **Online questionnaire-based survey** - data was collected from NPBs on their role via an online survey developed by CSES. 18 responses were received in total, of which 11 from NPBs and 7 from regional promotional banks ("RPBs").
- **Interviews** – phone and email-based interviews were conducted with a select number of NPBs and their financing partners ("house banks"). Interviews were also undertaken with NPB-representative organisations (NEFI and the EAPB) and representatives from the EC (DG Research and Innovation, DG Grow, DG REGIO and DG Connect) and the EIB.

1.4. Report structure

This paper is structured as follows: Section 2 describes the role of NPBs in supporting the EC, the EIB and the EIF in implementing EU financial instruments schemes. Section 3.1 sets out the results from the mapping exercise of national and regional promotional banks, Section 3.2 contains "Part 1" relating to the role of NPBs in the implementation of financial instruments under shared management. Section 3.3 contains "Part 2" relating to the role of NPBs in financial instruments implemented by the Commission (either through direct or indirect management). Feedback from NPBs is also provided in Part 3. Section 4 sets out a number of tentative conclusions.

Annex A presents a summary of some of the results from the online survey. Annex B sets out the results from the mapping of national and regional promotional banks. Annex C provides a list of individuals consulted as part of the preparation of this paper and a list of organisations responding to the online survey, and Annex D provides a detailed bibliography.

2. THE ROLE OF NATIONAL PROMOTIONAL BANKS

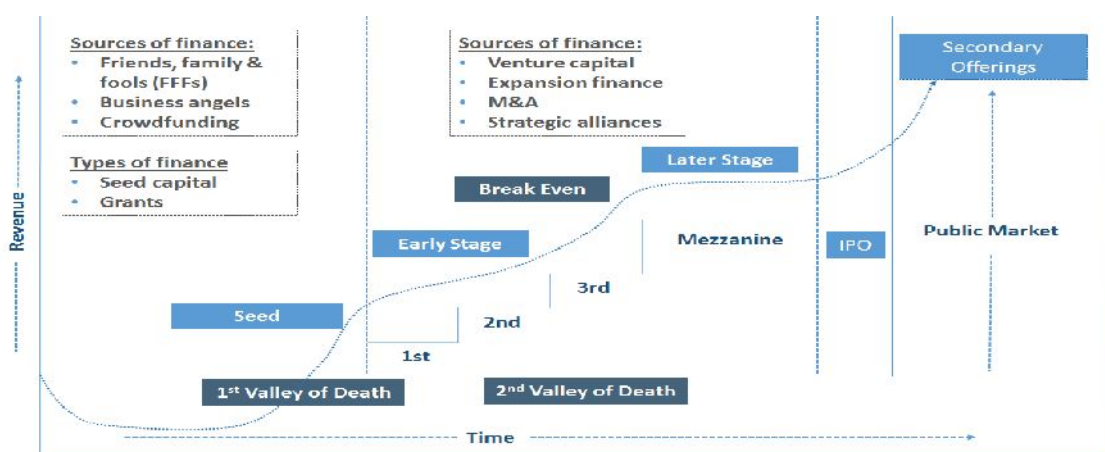
2.1. Access to Finance for SMEs – the role of EU financial instruments

Start-ups and SMEs need access to finance for a number of reasons, such as to fund growth and expansion, to invest in research and innovation, to develop new products, processes and services and to facilitate internationalisation. Many innovative start-ups and high-growth SMEs have however found it difficult to obtain access to finance. Among the practical difficulties that start-ups and SMEs face in accessing finance are lack of collateral and track record, and difficulties in persuading banks that they should lend in higher-risk, innovative sectors, or sectors where bank-lending is not yet conventional, such as the cultural and creative sectors.

Moreover, financing supply for SMEs has faced constraints in the context of the economic and financial crisis of 2007-2009. Although the situation has improved since then, and differs quite considerably between Member States, the European economic recovery remains fragile. Access to finance remains a problem for SMEs in some EU countries¹, but not in others². There continue to be difficulties in obtaining finance from conventional sources for start-ups and some types of SMEs (especially R&I-intensive and those in new / emerging sectors). EU financial instruments play an important counter-cyclical role, benefiting from the longer-term approach inherent in a 7 year multi-annual programming approach (e.g. 2007-2013, 2014-2020).

Commercial banks and public banks may be reluctant to lend to start-ups and certain types of SMEs (e.g. R&I-focused, those with higher levels of financial and technical execution risks in the development of new products and services). There are also other potential obstacles to SME lending, such as higher transaction costs in managing an SME loan portfolio due to over-fragmentation, and restrictions on bank lending due to new EU regulations concerning capital adequacy. It is important to stress that start-ups and SMEs have different financing needs at different stages in their growth and development, as reflected in the following diagram, which sets out the key stages in the SME development lifecycle.

Figure 1 - Financing stages for business start-ups and expansions



Source: CSES

¹ See the ECB Survey on access to finance for enterprises (SAFE) <https://www.ecb.europa.eu/stats/money/surveys/sme/html/index.en.html>

² There are a number of studies and publications showing that access to finance for SMEs is less of a substantive issue in Germany, Austria and some other countries. See for example the thematic fiche - http://ec.europa.eu/europe2020/pdf/themes/2015/small_medium_enterprises_access_to_finance_20151126.pdf

It can be noted that micro enterprises are more likely to make use of informal sources of funding, such as from friends and family, and to access start-up loans. Although some start-ups will benefit from venture capital, according to recent literature³, this represents only a small percentage of total funding to start-ups and SMEs. It can also be observed that some forms of funding are relatively new, such as the rapid growth and development of crowdfunding, whereas others are well-established.

2.2. EU financial instruments versus traditional grant finance

It is worth noting that in the 2014-2020 period, there has been a general shift in EU funding approaches away from one-off grant finance towards the greater use of innovative financial instruments. The objective is to strengthen the longer-term availability of finance for SMEs by maximising the sustainability of EU funds. This is facilitated by the revolving nature of EU financial instruments schemes (i.e. the funds can be recycled in the case of loan guarantees and in the case of equity, provided that successful exits are achieved). A further advantage is the opportunity to generate leverage on EU funds by attracting additional national public and private investment/co-financing.

For instance, within the Investment Plan for Europe, the EFSI⁴ will provide additional support to enable funding for existing financial instruments to be expanded through risk finance for small businesses and in research and innovation ("R&I"), including through the use of equity and quasi-equity instruments. The concept of "crowding-in" private investment is also strongly emphasised in order to achieve greater leverage of EU funds. It should be emphasised however that whilst funds channelled through EFSI can be invested in financial instruments, EFSI itself is not a financial instrument (within the meaning of Title VIII of the EU Financial Regulation).

The Investment Plan for Europe also encourages more extensive use of financial instruments, instead of traditional grants in European Structural and Investment Funds (ESIF), in areas such as SME support, R&I, CO₂ reduction, environmental and resource efficiency, ICT and sustainable transport. Funds committed to innovative financial instruments in the 2014-2020 period through ESIF are expected to have a direct leverage effect and generate additional investment of EUR 40bn–70bn, with a higher multiplier effect in the real economy by attracting private investment.

2.3. The role of the European Commission, the EIB and the EIF in implementing EU Financial Instruments for SMEs

The **European Commission** has overarching responsibility for a number of centrally-managed financial instruments, such as COSME and InnovFIN. However, the European Investment Bank (EIB) and the European Investment Fund (EIF) play an important role, as entrusted entities, in implementing each financial instrument facility on behalf of and in partnership with the European Commission. Whilst the EC retains policy responsibility and engages in monitoring of the implementation of EU FIs, the EIB and the EIF are normally involved in day to day management of the schemes on the basis of a Delegation Agreement from the EC.

The EIB Group (consisting of the EIB and the EIF) is the Entrusted Entity at EU level that has commonly been tasked with programmatic mandates relating to the indirect management of EU financial instruments schemes on the basis of Delegation Agreements signed with the European Commission.

³ A recent study for the European Commission's DG RTD on Venture Capital Fund of Funds emphasised the importance of VC for high-growth gazelles with internationalisation potential. See <https://ec.europa.eu/programmes/horizon2020/en/news/assessing-potential-eu-investment-venture-capital-and-other-risk-capital-fund-funds>

⁴ http://ec.europa.eu/growth/industry/innovation/funding/efsi/index_en.htm

In practice, financial instruments to date have only been established with the EIB and EIF having entrusted entity status with responsibility for then selecting other institutions as financial intermediaries, which includes NPBs. Consideration is however being given by the EC to give entrusted entity status to other entities in future for EU FI schemes under indirect management (e.g. such as possibly the EBRD and others). However, no decision has yet been taken in this regard.

Under Article 58(1) (c) of the EU Financial Regulation, a number of different entities may implement financial instruments under indirect management, as summarised in the box below:

Article 58 - Methods of implementation of the budget

The Commission shall implement the budget in the following ways:

- (a) Directly ('**direct management**'), by its departments, including its staff in the Union Delegations under the authority of their respective Head of Delegation, in accordance with Article 56(2), or through executive agencies as referred to in Article 62;
- (b) **under shared management** with Member States ('shared management'); or
- (c) indirectly ('**indirect management**'), where this is provided for in the basic act or in the cases referred to in points (a) to (d) of the first subparagraph of Article 54(2), by entrusting budget implementation tasks to:
 - (i) third countries or the bodies they have designated;
 - (ii) international organisations and their agencies;
 - (iii) the EIB and the European Investment Fund;
 - (iv) bodies referred to in Articles 208 and 209;
 - (v) public law bodies;
 - (vi) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - (vii) bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees

Source: REGULATION (EU, EURATOM) No 966/2012 of the EP and the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002

NPBs may therefore serve as financial intermediaries in implementing EU programmes. They may also become responsible for selecting financial intermediaries, if necessary, for the concerned financial instrument, in the same way as the EIB (or they may choose to distribute the funds directly without the use of a financial intermediary). The difference between the EIB group and other entrusted entities is that the former is explicitly named in Art. 58(1c). This article concerns entrusted entities only, and not financial intermediaries. As a result, under article 216(2) of the Rules of Application of the Financial Regulation, the Commission may entrust the EIB group directly without publishing a call to potential entrusted entities.

The 2015 EC Communication on the role of NPBs⁵ describes the EIB and EIF as institutions that serve both a bilateral and multilateral promotional role⁶. *"While calling for flexible cooperation models, the group recognises the complementarities between the EIB and NPBs, where the latter can bring particular value-added based on their knowledge of the local context, business and investor communities as well as national policies and strategies. Cooperation can take place both on a bilateral and multilateral (e.g. via*

⁵ Communication COM/2015/0361 final - Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe. <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52015DC0361>

⁶ See http://www.eib.org/attachments/general/efsi_rules_applicable_to_operations.pdf

investment platforms) basis" (see page 9). As such, the EIB and EIF are important partners in the work of national and regional promotional banks at Member State level (indeed, they often co-invest, for instance, through the EIF's venture capital fund of funds programme).

Financial instruments implemented under shared management, such as the ESIFs, are implemented on a decentralised basis, and Member State's Managing Authorities play the lead role. However, there are exceptions, such as the JESSICA and JEREMIE financial instruments funded using ERDF in 2007-2013, which are off-the shelf instruments in which the EIF has played a significant role (see Section 3.2). The EIB and EIF will also play an important role in implementing the new EFSI programme, where more formal institutional cooperation will be required between the EC, the EIB and NPBs under shared management principles.

2.4. The Role of National and Regional Promotional Banks – an Introduction

In order to encourage financial intermediaries to continue to lend to start-ups and SMEs, a number of EU funding programmes are used to support EU financial instruments. These in turn enable financial intermediaries, including National and Regional Promotional Banks, to offer loan products and other types of financial instruments to SMEs either directly, or in an intermediary capacity through on-lending to other commercial and public banks and others. In addition, some national governments also provide NPBs with state guarantees and with funding to lend to SMEs. However, it should be stressed that not all NPBs are involved in SME lending, some are focused on lending for other purposes, such as to local authorities to invest in infrastructure and through public-private partnerships.

The purpose of National Promotional Bank is to facilitate access to finance for start-ups and SMEs that face obstacles to raising financing from the market. The economic rationale for NPBs is that they improve the supply of investment finance in areas affected market failures. NPBs interviewed emphasised however that it is important that the concept of "market failures" is interpreted flexibly and not restrictively as a "static" concept that can be scientifically quantified at a particular point in time. Therefore, the concept of addressing sub-optimal investment situations may provide a more accurate description.

The term National Promotional Bank ("NPB") was defined in the November 2014 EC Communication on NPBs as: *"legal entities carrying out financial activities on a professional basis which are given a mandate by a Member State or a Member State's entity at central, regional or local level, to carry out development or promotional activities"*. NPBs are public entities, whereby a substantial share of their equity is owned by the state.

On the supply side, NPBs may step in to the SME lending space when commercial banks have partially or fully withdrawn from the SME lending space, for instance, due to the comparatively high transaction costs in administering SME loan portfolios. Since such institutions have a public mandate, they are arguably better placed than private operators to address structural problems within the market.

According to the recent EC Communication, NPBs play an important role in spreading awareness among SMEs about their eligibility for relevant funding opportunities through EU-supported financial instruments and in implementing such instruments at national level. The research undertaken as part of a data collection exercise with NPBs in the preparation of this paper suggests that NPBs have a number of advantages, and complement the role in SME lending and on-lending of commercial and public banks and the EIB Group. In particular, the main advantages are their:

- remit to address sub-optimal investment situations and market failures, such as lack of access to finance for SMEs, thereby serving as a public policy instrument;
- role in the promotion of economic development and role in strengthening national and regional competitiveness;
- countercyclical role during periods of economic and financial crisis and ability to catalyse long-term finance and provide a counterbalance to the decline in commercial banking activity following the global economic and financial crisis⁷; Their in-depth understanding of access to finance issues for start-ups and SMEs in the Member State concerned and of the economic situation more generally;
- knowledge about national and regional SME finance policies and existing SME financial instruments schemes at national, regional and local levels, which can help the EIB Group to avoid duplication and maximise the value added and complementarity of EU financial instruments;
- in-depth understanding of the domestic operating context to help in prioritising EU funding allocations at national, regional and local levels for financial instruments under shared management (e.g. ESIFs, EFSI);
- financial intermediary role in 'crowding in' additional private sector co-investment through access to business and investor communities in the Member State(s) concerned;
- significant leverage effect on EU investment, by co-investing together with the EIB Group (the EIB and the EIF)⁸ with important multiplier effects by attracting private investors at subsequent financing stages;
- important role as intermediaries in the implementation of EU financial instruments and in spreading awareness among SMEs about funding opportunities through EU-supported SME financial instruments; and
- catalytic role in pooling the resources of the EIB Group, NPBs and private investors, through strengthened coordination with the EIB Group through the establishment of a Working Group and the newly established Investment Platform structures within EFSI.

Since some countries have well-established networks of Regional Promotional Banks ("RPBs"), such as Germany, Spain and to a lesser degree Italy, their role should also be considered. The role of RPBs in implementing some EU financial instruments ("FIs"), especially those implemented under shared management, should also be stressed. For example, in Germany, because of the federalised system, RPBs at the Länder level are instead involved in implementing ESIFs together with Managing Authorities, rather than KfW (KfW Förderbank, the KfW promotional Bank is the largest business unit of the group). However, KfW is still active in SME financing more generally at national level using national funding (e.g. via the *Mittelstandsbank*). This can be contrasted with countries such as France (Bpifrance) and Hungary (MDB), where the NPBs cooperate directly with MAs in delivering EU financial instruments schemes.

In some countries, such as Germany, and Austria, however NPBs do not directly market their products to SMEs but rather rely on another level of intermediation between EU financial instruments managed centrally by the EC/EIB Group i.e. commercial banks (including the important role of the savings banks / *Sparkassen*) and regional public banks at Länder level (*Landesbanken*).

⁷ A further factor here influencing withdrawal from the market by commercial banks is the process of deleveraging of bank balance sheets in response to tightened EU regulation (e.g. higher capital adequacy ratios under the Basel III Regulation).

⁸ Examples are the different instruments being implemented through the Single EU Equity Financial Instrument funded by COSME and Horizon 2020 respectively in 2014-2020, where NPBs play an important financial intermediary role.

2.5. The role of NPBs in implementing EU Financial Instruments for SMEs

National Promotional Banks (and their regional counterparts) have an important role to play in implementing EU financial instruments that benefit SMEs. The role that they play however varies depending on the financial instrument concerned and its management and implementation arrangements. In summary, the role of NPBs in relation to implementing EU financial instruments involves:

- **shared management of some EU financial instruments** when EU funding instruments are implemented on a decentralised basis at national / regional level, such as the European Structural and Investment Funds (ESIFs), where loan guarantee and equity schemes have been supported in 2007-2013 and in 2014-2020;
- a **financial intermediary role** in implementing financial instruments managed directly by the EIB and the EIF on the basis of a Delegation Agreement from the EC e.g. the Horizon 2020 SME-focused debt product, 'InnovFin SME Guarantee (SMEG)'⁹. NPBs also play an important role in “on-lending”, whereby they offer refinancing or loan guarantees to commercial and public banks that in turn lend to SMEs.
- **awareness-raising** among other commercial and private banks and among the SME target group about EU financial instruments for SMEs that can be accessed at national, regional and local levels;
- helping the EC and EIB Group to achieve **multiplier and leverage effects** through co-investment by NPBs in EU financial instruments schemes and by promoting participation among private investors through Investor Networks and through geographic, thematic and sectoral investment platforms to be set up under the EFSI; and
- general **information and advisory role** to assist SMEs in accessing relevant EU financial instruments.

The specific role of NPBs in implementing EU SME financial instruments is considered in greater detail in Section 2, with a distinction between EU financial instruments implemented under shared management, and those implemented directly by the EC (or indirectly by the EIB Group working in conjunction with financial intermediaries, such as NPBs).

Whilst EFSI is formally outside the scope of this paper, NPBs will also play a role in assisting the EIB Group and European Commission in identifying a **suitable pipeline of strategic investment projects** in each Member State (e.g. to be funded by the EFSI as part of the Investment Plan for Europe). On 22 July 2015, the Commission presented a Communication¹⁰ outlining the role of NPBs in supporting the Investment Plan for Europe's implementation. This emphasised that NPBs have an important role to play in assisting the EIB Group in identifying strategic projects at national level under the EFSI, including the important role played by investment platforms to be established at national level bringing together the EIB, NPBs and other relevant stakeholders with an interest in co-investing in EFSI strategic investment projects.

The Communication also notes that NPBs play **an important role in implementing EU SME financial instruments**. This includes financial instruments being implemented under the principle of shared management in the 2014-2020 period, such as ESIFs and instruments being managed by the European Commission but implemented by the EIB Group under EC programmatic mandates issued through delegated acts, such as the COSME and Horizon 2020 loan guarantee and equity instruments.

⁹ http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/

¹⁰ COM/2015/0361 final (full title in earlier footnote and bibliography).

NPBs play a role as financial intermediaries in implementing EIB and EIF-led EU SME financial instrument schemes. They help to implement instruments in a financial intermediary capacity and have direct contact with SMEs, whereas the EIB administers the instrument overall at an EU level (including an important role in checking the eligibility of financial intermediaries responding to calls for expressions of interest).

In addition, NPBs play an important **information and awareness-raising role** and help to draw the attention of SMEs at national level to the possibility of obtaining finance through different EU funding schemes. They also help to raise awareness among private investors about the existence of EU SME financial instruments, and their characteristics as an investment opportunity (since some schemes seek to attract private sector co-investment alongside investment by public sector investors and EU institutions).

Box 1 - Awareness-raising about and advisory services on EU financial instruments – an example from Germany

COSME funds activities that help to raise awareness about and provide information on the existence of EU financial instruments for SMEs and advice on how to access them. For example, at least four of the sixteen regional promotional banks in Germany are members of the Enterprise Europe Network ("EEN"). They have been involved in awareness-raising activities, as well as the Europa Service of the German Savings Banks Finance Group as associate member of the EEN.

It can be noted that some **commercial banks** are also involved in the implementation of EU financial instruments schemes at national level. For instance, a number of commercial banks have signed agreements under the InnovFin SME Guarantee Facility (SMEG)¹¹ and the COSME Loan Guarantee Scheme. However, NPBs also take part in these schemes.

2.6. Synergies between the role of the EC, the EIB and NPBs in implementing EU Financial Instruments

There are strong complementarities between the role of the European Commission (EC), the EIB Group and NPBs in implementing EU Financial Instruments. There is common interest among these different actors in strengthening the efficiency, effectiveness and reach of EU innovative financial instrument schemes to strengthen access to finance for SMEs. In order to examine the scope for synergies, it is first important to consider their respective roles.

The EIB focuses on the provision of loan and debt-based instruments to mid-caps¹² whilst the EIF deals with loan guarantee schemes (e.g. COSME, InnovFIN, Creative Europe and PF4EE). The EIF also is responsible for EU funded equity instruments, such as the COSME Equity Facility for Growth and operates a venture capital Fund of Funds programme¹³. In the implementation of EFSI, the EIF will play a more prominent role through increased funding for equity and quasi-equity instruments (which is also the programme where there is significant scope for NPB involvement through working in closer cooperation with the EC and EIB Group). However, at the implementation level, such instruments are dependent on agreements with financial intermediaries, such as NPBs and commercial banks, being signed to set up new, or enhance existing loan (including soft loan), loan guarantee, and equity-based schemes.

¹¹ www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/innovfin-smeg_signatures.pdf

¹² A mid cap company is a company with a market capitalization between \$2 and \$10 billion, which is calculated by multiplying the number of a company's shares outstanding by its stock price. Mid cap is an abbreviation for the term "middle capitalization".
<http://www.investopedia.com/terms/m/midcapstock.asp#ixzz46NH4YfgE>

¹³ 12 national fund of funds have been supported to date and a single cross-border FoF operates, the Baltic Innovation Fund.

NPBs also provide a mechanism through which the EIB can tap into knowledge about what is going on in the area of financial instruments for SMEs at national and regional level. Provided that there is adequate coordination between the EIB Group and NPBs, NPBs can play a useful role in helping to ensure that EU financial instrument schemes do not 'crowd out' existing national and regional financial instrument schemes.

The Investment Plan for Europe and wider literature emphasises that synergies will need to be exploited between the EFSI and the European Structural and Investment Funds (ESIF). Since NPBs have strong knowledge as to how ESIF funds are being prioritised and where funding is being allocated at national, regional and local levels, they are well-placed to help the EC and the EIB Group to ensure that the scope for synergies is maximised.

NPBs also play a role in promoting awareness about access to finance through a combination of EU financial instruments schemes (as well as national and regional schemes in some countries). For instance, several NPBs interviewed and responding to the online survey emphasised their role in signposting SMEs to different sources of innovation funding, which include commercial loans, national and regional financial instruments schemes and those that are implemented at national and regional levels, but which are EU-financed or EU-backed in the case of loan guarantees.

2.7. The role of NPBs in implementing national Financial Instruments for SMEs

More generally, it is worth recalling that NPBs are involved not only in implementing national EU FIs, but also in implementing national and regional instruments schemes. The role of NPBs in this area is useful in various ways, for instance in:

- Addressing market failures in financing supply at national and/ or regional level;
- Ensuring complementarity and avoiding duplication with EU funding instruments;
- Maintaining the supply of finance during the recent economic and financial crisis.

Interview feedback from NPBs was that the counter-cyclical role of NPBs was particularly important during the recent economic and financial crisis, when NPBs were able to roll out off-the-shelf products quite quickly and flexibly.

In some cases, such as with the KfW, this included the rapid resurrection of instruments that had been developed some time previously. Of course, the multiannual nature of EU FIs also plays an important counter-cyclical role in parallel.

3. MAPPING OF NPBS AND ASSESSMENT OF THEIR ROLE IN IMPLEMENTING EU FINANCIAL INSTRUMENTS

3.1. Mapping National and Regional Promotional Banks

A key objective of this paper is to identify the current coverage across EU-28 of NPBs and their regional counterparts. Through the research, those EU Member States where promotional banks are already well-established at national and/or regional level were identified, along with those in which they have only recently been established, and the few countries where NPBs have not yet been set up.

An online survey was undertaken with NPBs to collect basic information about which EU countries these have been established in, what role they have played to date in implementing EU financial instruments schemes, whether this was on the basis of shared management, or related to instruments managed by the EIB Group on the basis of delegated acts from the EC, the nature of the role played by NPBs (e.g. financial intermediary, awareness-raising, etc.).

It should be emphasised that although the focus was on identifying NPBs at national level, in several EU Member States, Regional Promotional Banks (RPBs) also play a major role. For instance, **Germany** has a federalised structure and Regional Promotional Banks ("RPBs") alongside the regional/local savings banks play an important role in marketing EU financial instruments. Each state (Länder) has its own development bank e.g. Thüringer Aufbaubank in Thuringia, NRW Bank in North Rhine-Westphalia, and Wirtschafts-und Infrastrukturbank in Hessen. At the state level, development banks act on behalf of regional authorities and to support the respective state (Bundesland) in implementing promotional activities and structural tasks. RPBs have also been set up in **Spain** in almost all Spanish regions, most recently in Andalucia. There are also several in **Italy**.

The full results from the non-exhaustive mapping exercise are provided in a table in Annex C. Among the findings from the mapping assessment were that:

- Almost all EU countries have now established NPBs, reflecting their growing role. Some NPBs are long-established and have significant experience in implementing EU SME financial instruments in an intermediary capacity, such as KfW (Germany), Cassa Depositi (Italy) and BGK (Poland).
- Other NPBs were only established recently, such as the Strategic Banking Corporation of Ireland (SBCI) and the Portuguese Development Financial Institution (Portugal), which were both set up in the past three years.
- The only countries where there are currently not any NPBs are Greece and Malta, which are both in the process of setting up a new NPB, and Belgium. Belgium is however a specific case, since a fund previously existed at national level, but there is an ongoing process of setting up regional promotional banks instead.
- Whilst most EU countries operate a single NPB at national level, some EU countries have also established Regional Promotional Banks, such as Germany¹⁴ - which has a federalised structure, and the regional savings banks play an important role - Spain and Italy, where there are several RPBs. In addition, a small number of national NPBs have opened regional branches e.g. Exim bank in Romania.
- Although the majority of NPBs are focused on the provision of finance to SMEs (using EU, national and regional funding), some promotional banks do not work with companies, but are focused on the provision of finance to local authorities or to fund social projects. They are nevertheless included since they are classified as NPBs in national legislation.

¹⁴ There are promotional banks in all 16 Federal states with the largest ones in Baden-Württemberg, Bavaria and North Rhine-Westphalia.

3.2. Part 1 – The role of NPBs in the implementation of EU Financial Instruments under shared management

In the 2014-2020 period, there are a number of EU funding programmes where financial instruments are implemented under shared management¹⁵, such as the European Structural and Investment Funds (ESIFs) and the European Fund for Strategic Investments (EFSI).

An overview of the programmes within scope being implemented through shared management is provided in the table on the following page. It should be noted that the focus is on the Structural Funds in the 2007-2013 period and ESIF in the 2014-2020 programming period, and on instruments falling within the scope of EFSI, such as the “SME Initiative” (2014-2020) and the JEREMIE and JESSICA instruments from the 2007-2013 period.

Table 1 - EU Financial Instruments 2007-2013 and 2014-2020 (shared management)

EU FINANCIAL INSTRUMENTS	DESCRIPTION OF FI	MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS (AND THE ROLE OF NPBS)
2014-2020 European Structural and Investment Funds (ESIF)	<p>ESIF is one of the largest areas of the EU budget (EUR 454 billion in 2014-20 period). There is expected to be an increase in expenditure on FIs by Managing Authorities to approximately EUR 19 billion).</p> <p>Financial Instruments (FIs) help to transform EU resources under the ESIF into financial products such as loans, guarantees, equity and other risk-financing mechanisms.</p> <p>ESIF encompasses a number of different EU programmes, namely the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD) and the European Maritime & Fisheries Fund (EMFF).</p> <p>The ERDF, ESF and Cohesion Fund are most relevant, because EU SME financial instruments schemes have been set up by Managing Authorities (MAs) or on their behalf by an entrusted agency or an implementing agency.</p> <p>The legal framework for FIs within ESIFs is provided by the Financial Regulation and its Implementing Rules, the CPR, the ESI Fund-specific regulations, and the applicable state aid framework.</p> <p>The common regulatory framework (and thematic objectives) of the five ESIFs offer the possibility of pooling different ESI funds in one FI operation, using the implementation structure, whether through a fund of fund structure or an alternative mechanism.</p>	<p>Shared management.</p> <p>DG REGIO plays a monitoring role in coordinating ESIFs, but the ESIFs themselves are implemented on a decentralised basis on the basis of Operational Programmes prepared by Managing Authorities (MAs) who oversee the use of resources at national / regional levels.</p> <p>MAs use ESIF allocations and place them in FIs through a financial intermediary (or a Fund of Funds) from which eligible final beneficiaries can be financed.</p> <p>Alternative options for MAs as to how to implement FI schemes has been developed in guidance by DG REGIO¹⁶ (<i>also see explanatory text following table</i>).</p> <p>Some NPBs have designed national SME FI products that can be incorporated into regional Structural Funds programmes.</p>

¹⁵ http://ec.europa.eu/regional_policy/en/policy/what/glossary/s/shared-management

¹⁶ Financial instruments in ESIF programmes 2014-2020 - A short reference guide for Managing Authorities. http://ec.europa.eu/regional_policy/en/information/publications/guides/2014/financial-instruments-in-esif-programmes-2014-2020-a-short-reference-guide-for-managing-authorities

EU FINANCIAL INSTRUMENTS	DESCRIPTION OF FI	MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS (AND THE ROLE OF NPBS)
	There is a requirement to indicate at priority axis level where financial instruments have been put forward in Operational Programmes on the basis of the ex-ante evaluation of the OP and with reference to the thematic objectives selected in the PA, supplemented by information from the on-going ex-ante assessment(s).	
2014-2020 The “SME Initiative” 2014-20¹⁷	<p>The SME Initiative is a joint financial instrument of the EC and the EIB Group (i.e. the EIB and the EIF) which aims to stimulate SME financing by providing partial risk cover for SME loan portfolios of originating financial institutions. Alongside the European Structural and Investment Funds (“ESIF”) resources contributed by the Member States, the SME Initiative is co-funded by the EU through COSME and/or Horizon 2020 resources as well as EIB Group resources.</p> <p>MS can contribute up to 7% of its total ERDF and EAFRD allocation to the SME initiative, with a global ceiling at EU level of EUR 8.5 billion (2011 prices).</p>	<p>Shared management.</p> <p>ESIF is coordinated jointly between the EC (DG REGIO) and the EIB Group.</p>
2007-2013 ERDF Structural Funds JEREMIE: Joint European Resources for Micro to Medium Enterprises	<p>JEREMIE is an EC initiative developed together with the EIF. It promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions¹⁸.</p>	<p>Shared management.</p> <p>The EIB Group (the EIF) manages the JEREMIE instrument. Managing Authorities may use the facility when their country determined that additional external support was needed to administer financial instruments schemes.</p> <p>NPBs may respond to Calls for Expressions of Interest by the EIB to provide technical expertise and serve as fund managers.</p>
2007-2013 ERDF Structural Funds JESSICA: Joint European Support for Sustainable Investment in City Areas	<p>JESSICA is an EC initiative developed in co-operation with the EIB and the Council of Europe Development Bank (CEB). It supports sustainable urban development and regeneration through financial engineering mechanisms.</p>	<p>Shared management.</p> <p>The EIB manages the JESSICA instrument overall. Managing Authorities may use the facility when their country determined that additional external support was needed to administer financial instruments schemes.</p> <p>NPBs may respond to Calls for Expressions of Interest to serve as fund managers.</p>

¹⁷ http://www.eif.org/what_we_do/guarantees/sme_initiative/

¹⁸ See http://ec.europa.eu/regional_policy/en/funding/special-support-instruments/ and http://eif.org/what_we_do/resources/jeremie/

Under shared management, the main EU FIs in which NPBs and RPBs have the most extensive involvement is the **European Structural and Investment Funds (ESIF) 2014-2020** and the **2007-2013 predecessor programme (the “Structural Funds”)**.

Under decentralised management, it is up to individual Managing Authorities as to which types of interventions to invest resources in and whether FI schemes should form part of the overall programming mix. Ex-ante evaluations by Managing Authorities must contain a high-level gap analysis justifying the rationale for using FIs within OPs. The percentage dedicated to FIs – and the specific types of instruments used (e.g. loans, loans with interest rate subsidies, loan guarantees, equity) – also therefore varies considerably across EU Member States.

Under shared management, there are a number of alternative ways in which FI schemes under the ESIFs¹⁹ can be implemented, according to Article 38 of the Common Provisions Regulation (CPR)²⁰ No 1303/2013 (Implementation of financial instruments), as explained in the following box:

Box 2 - Article 38 of the Common Provisions Regulation (CPR) – summarising type of entities that can implement ESIFs financial instruments schemes

- Directly by Managing Authorities
- By a dedicated Implementing Agency tasked with implementing a specific FI scheme.
- Delegated to an entrusted entity, either directly to the EIB group or to another International Financial Institution (IFI) or body fulfilling the relevant conditions in the (Article 38(4b) of the CPR). As part of this option, MAs can use off-the-shelf financial instruments, as set out in an implementing act (c.f. Article 38(3a)).
- Investment in the capital of existing or in a newly created legal entity, either directly by an MA (or through an intermediate body).
- Implementing financial instruments through the "EU SME initiative" (using a combination of ESIF, COSME or Horizon 2020 funds although this instrument has been little used to date

Source: Common Provisions Regulation (CPR), Regulation (EU) No 1303/2013

A contrast can be drawn between instruments that are custom-designed, either directly by the MA, a dedicated Implementing Agency or by a specialist financial provider, such as a NPB. Further details about off-the-shelf instruments and their potential use is now provided. Through a 2014 Implementing Regulation²¹, templates to standardise tools for MAs have been developed, known as “off-the-shelf” instruments. These are financial instruments designed by the Commission/ EIB group that have been standardised (e.g. basic instrument design, contractual aspects etc.) to help Managing Authorities to set up financial instruments schemes under ESIFs.

It should be stressed that these are only one possibility among a number of different approaches to shared management when implementing FIs under ESIF. The 2014 Implementing Regulation on ESIFs²² sets out standard conditions for a number different products (including a loan instrument for SMEs, a guarantee instrument for SMEs, an equity instrument for SMEs, and a loan fund for energy efficiency or renewable energies in the housing sector). Some ESIFs such as the EAFRD in the field of rural development appear more likely in 2014-2020 to offer loan, guarantee and equity off-the-shelf instruments.

¹⁹ Five options are outlined in the DG REGIO document “Financial instruments in ESIF programmes 2014-2020 - A short reference guide for Managing Authorities”.

²⁰ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303>

²¹ 2014 Commission Implementing Regulation - (EU) No 964/2014 laying down rules for the application of Regulation (EU) No 1303/2013 as regards standard terms and conditions for financial instruments.

²² Idem.

The planned allocations from the different ESIFs (e.g. the ERDF, ESF, EMFF etc.) into financial instruments have increased considerably between the 2007-2013 and 2014-2020 periods, with an increase from an estimated EUR 12 billion to a projected EUR 19 billion²³. This reflects the transition away from grant towards revolving finance through financial instruments. It is also interesting to note that there has also been a major increase in the allocation to innovative financial instruments in those individual ESIFs that made less use of such instruments in previous periods, such as the ESF, the EAFRD and the EMFF (although the latter remains small in absolute funding terms). However, it can be noted that there was a significant over-allocation and under-allocation phenomenon to FIs in different Member States in the previous MFF.

There was some feedback from interviewees and online consultation respondents as to the value added that NPBs play in helping to implement ESIFs. Firstly, NPBs have played a role in the design stage of ESIFs in the 2014-2020 financial perspective. The European Commission's DG REGIO asked MAs to nominate NPBs to participate in a working group that advised the Commission on the development of the ESIF Regulation and in particular, on aspects related to financial instruments within ESIFs. At the national level, NPBs will have fed back to MAs their views on the draft ESIF Regulation, which underwent a series of revisions prior to its finalisation.

Secondly, NPBs have actively participated in the actual implementation of FI schemes, when MAs have decided that NPBs would be well-placed to implement schemes on their behalf. In some instances, NPBs have set up nationally-branded risk financing products that regional MAs can decide to allocate a proportion of their funding to, so that final recipients (i.e. SMEs) have access to different products (*e.g. loans backed by guarantees, interest rate subsidies*). In other EU countries, bespoke FI schemes have been set up at regional rather than national level. This includes a number of schemes in which NPBs have been involved, tapping into the expertise and knowledge of both regional and national NPBs.

Thirdly, NPBs have played a useful role in strengthening the leverage effect of ESIF financial instruments by providing a national co-financing contribution (often alongside other public investors). They have also been useful in attracting private investors. Securing private sector contributions to FI schemes is not only useful from a leverage on EU funds perspective, but is also required by the State aid rules, depending on the type of aid to SMEs²⁴. Useful feedback was received through the survey on participation in EU FI schemes under Shared Management. Many NPBs responding to the survey are extensively involved in implementing EU FI schemes under the framework of the ESIFs, reflecting the strongly decentralised nature of the programmes. NPBs and RPBs have over successive programming periods established relationships with relevant Managing Authorities in their Member State and provide technical capacity to implement such schemes (since MAs do not generally have this expertise in-house).

In Germany, RPBs play a prominent role in the implementation of ESIFs, reflecting the federalised structure. For example, Investitionsbank Sachsen-Anhalt/Promotional Bank of the federal state of Saxony-Anhalt responded to the online survey that they are involved in the "development, set-up, implementation and closure of tailor-made financial instruments at regional level". Interestingly, rather than working in a third party financial intermediary capacity, they are directly involved in implementing ESIF as an Intermediate Body of the Managing Authority and Certifying Authority. In other countries, NPBs have had involvement in implementing EU FI schemes in the 2007-2013 period, and in some cases, also the 2014-2020 period.

²³ See Table 2 of EC Communication, Investing in jobs and growth - maximising the contribution of European Structural and Investment Funds COM(2015) 639 final, <https://ec.europa.eu/transparency/regdoc/rep/1/2015/EN/1-2015-639-EN-F1-1.PDF>

²⁴ Reference should be made here to Article 21 (risk finance aid) of the General Block Exemption Regulation (GBER) and to Title VIII of the EU Financial Regulation (financial instruments).

Box 3 - Example of involvement of a NPB in implementing ESIFs, Poland

In **Poland**, the NPB (BGK) has helped to implement FIs funded through Structural Funds in 2007-2013 at the level of individual Operational Programmes. For instance, BGK served as the Holding Fund Manager in 2007-2013 in respect of the OP for the Development of Eastern Poland (central OP for 5 regions), financed through the ERDF. In addition, BGK has been involved in implementation of FI at regional level by implementing the JESSICA Initiative (3 regions) where BGK operated the Urban Development Fund and also served as the Holding Fund Manager in JEREMIE (6 regions), both of which were funded through ERDF. BGK has also played an important role as a national Holding Fund Manager in respect of FI schemes using the ESF, i.e. the Financing Scheme for Entities in the Social Economy through the Human Capital OP and in respect of the ERDF (Holding Fund Manager in Guarantee Fund for the OP "Innovative Economy") and lastly as an Implementing Agency for Technology Credit (a "hybrid instrument"). In 2014-2020, BGK hopes to be able to continue implementation of similar schemes, but the decision process is still ongoing.

Source: CSES analysis of survey response from BGK.

3.3. Part 2 - The role of NPBs in the implementation of EU Financial Instruments managed by the European Commission and the EIB Group

In Part 2 of the paper, we focus on EU financial instruments schemes where the EC has set up EU-level instruments and either manages these directly, or more commonly indirectly through a delegated act to the EIF. These schemes are then implemented using financial intermediaries, such as national and regional promotional banks. In the table below, an overview of financial instruments is provided, focusing on the 2014-2020 period, but taking into account relevant instruments from 2007-2013.

Table 2 - EU Financial Instruments Managed by the EC and EIF - the role of NPBs

SPECIFIC FINANCIAL INSTRUMENTS	DESCRIPTION OF FI	MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS (AND THE ROLE OF NPBS)
2014-2020 InnovFin SME Guarantee/ Horizon 2020	<p>The InnovFin SME Guarantee²⁵ instrument builds on the success of the Risk Sharing Instrument (RSI) implemented in FP7. The scheme provides guarantees and counter-guarantees on debt financing between EUR 25000 and EUR 7.5m. The aim is to improve access to loan finance for innovative SMEs and small midcaps (up to 499 employees).</p> <p>Financial intermediaries are guaranteed or counter-guaranteed against a portion of their potential losses by the EIF.</p>	<p>H2020 InnovFin scheme is coordinated by DG RTD and managed on the basis of a Delegation Agreement with the EIF.</p> <p>The EIF manages the SME parts of the instruments.</p> <p>This facility is being rolled out through financial intermediaries, including a number of NPBs. NPBs and any bank or non-bank lender can act as a financial intermediary of Horizon 2020's intermediated debt products.</p>

²⁵ http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/

SPECIFIC FINANCIAL INSTRUMENTS	DESCRIPTION OF FI	MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS (AND THE ROLE OF NPBS)
2014-2020 The Loan Guarantee Facility (LGF)/ COSME	<p>The Loan Guarantee Facility²⁶ supports guarantees and counter-guarantees for financial intermediaries (e.g. guarantee organisations, banks, leasing companies and NPBS) to help them to provide more loan and lease finance to SMEs. This facility also includes the securitisation of SME debt-finance portfolios.</p> <p>By sharing the risk, COSME guarantees allow financial intermediaries to expand the range of SMEs and types of financial transactions they can support. The impact is expected to be substantial with a leverage effect for every euro invested of 30:1. It is expected that up to 330,000 SMEs will receive loans backed by COSME guarantees, with total value of lending reaching up to EUR 21 billion. There is no specific-sector focus.</p>	<p>Coordinated by DG GROW but the EIF manages the LGF on the basis of a Delegation Agreement with the EIF</p> <p>This facility is being rolled out through financial intermediaries, including NPBS.</p> <p>Potential intermediaries must respond to a Call for Expression of Interest. Intermediaries are then guaranteed or counter-guaranteed against a portion of their potential losses by the EIB Group against a portion of their potential losses by the EIF.</p>
2014-2020 Equity Facility for Growth / COSME	<p>The Equity Facility for Growth (EFG)²⁷ is a successor to the High Growth and Innovative SME Facility ("GIF2"), under the Competitiveness and Innovation Framework Programme (CIP), implemented in 2007-2013.</p> <p>Through COSME EFG, the EIF invests in selected venture capital and private equity funds – acting as financial intermediaries – that provide funding to SMEs predominantly in their expansion and growth stages (in particular, for those operating across borders). The fund managers will operate on a commercial basis, to ensure that investments are focused on SMEs with the greatest growth potential.</p> <p>Up to EUR 30m may be invested in selected financial intermediaries, limited to 25% of total commitments at any fund closing. The EIF typically participates in the first closing of a selected fund.</p>	<p>Coordinated by DG GROW but managed on the basis of a delegation agreement with the EIF.</p> <p>Different types of financial institutions can become intermediaries, including NPBS.</p> <p>Potential intermediaries must respond to a Call for Expression of Interest.</p> <p>In order to become a financial intermediary in the EFG, applicants must among other conditions: (1) Provide long-term equity and/or quasi-equity financing and (2) commit to invest at least 50% of invested amounts into SMEs at the growth and expansion-stage, according to applicable legislation, established and operating in one or more of the EU Member States and COSME Participating Countries.</p>

²⁶ http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm

²⁷ http://www.eif.org/what_we_do/equity/single_eu_equity_instrument/cosme_efg/index.htm

SPECIFIC FINANCIAL INSTRUMENTS	DESCRIPTION OF FI	MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS (AND THE ROLE OF NPBS)
2014-2020 Natural Capital Financing Facility (NCFF)/ LIFE Programme	<p>The EIB will provide loans and investments in funds that support projects to promote the preservation of natural capital, including adaptation to climate change, in EU Member States.</p> <p>The total budget for the Investment Facility amounts to EUR 100 - 125 million for 2014-2017. The EC contributes EUR 50 million as a guarantee for the investments and finances a EUR 10 million support facility. The available funding under the NCFF is expected to support projects under the following themes: (1) Payments for Ecosystem Services (2) Green Infrastructure (3) Innovative pro-biodiversity and adaptation investments and (4) Biodiversity offsets. Financing of some 9-12 projects is envisaged over the 2015-2017 period.²⁸</p>	<p>Not a specific role for NPBs but such entities can participate.</p> <p>Recipients of NCFF financing can be public and private entities, including public authorities, land owners and businesses and private non-commercial organisations such as NGOs.</p> <p>Financial institutions can also benefit from the NCFF as investors, providing match funding for the NCFF financing or as financial intermediaries helping the EIB to invest its funds.</p>
2014-2020 Private Finance for Energy Efficiency instruments (PF4EE) / LIFE Programme	<p>PF4EE²⁹ is a loan guarantee facility. It has so far been implemented in the Czech Republic, France and Spain. It is based on a joint agreement between the EIB and the EC which aims to address the limited access to adequate and affordable commercial financing for energy efficiency investments.</p> <p>The instrument targets projects which support the implementation of EU MS' National Energy Efficiency Action Plans or other energy efficiency programmes. The PF4EE instrument will provide (i) a portfolio-based credit risk protection provided by means of cash-collateral (Risk Sharing Facility), together with long-term financing from the EIB (EIB Loan for Energy Efficiency) and (ii) expert support services for the Financial Intermediaries (Expert Support Facility).</p>	<p>Only commercial banks are eligible to participate in the PF4EE as financial intermediaries.</p>
2014-2020 Cultural and Creative Sector Guarantee Facility ("CCS LGF") within the Creative Europe Programme	<p>Within the cross-sectoral strand of the Creative Europe programme³⁰, the CCS LGF will be established and launched in 2016 to facilitate access to finance for SMEs in the cultural and creative sectors (CCS).</p> <p>The objective is to encourage greater lending to SMEs in the CCS by improving the risk-assessment capabilities of participating financial intermediaries and their knowledge about the specific financial needs of companies and individuals in the CCS, thereby encouraging them to increase their lending activities to SMEs in the CCS. The CCS LGF will consist of two main pillars to be managed by the EIF:</p> <ol style="list-style-type: none"> 1. Credit risk protection through a capped guarantee 2. Capacity-building 	<p>The Guarantee Facility will be managed by the EIB on behalf of the European Commission's DG CONNECT.</p> <p>Financial intermediaries can submit an application to the EIF under an open call for Expression of Interests.</p> <p>NPBs can become financial intermediaries provided they meet the eligibility criteria.</p>

²⁸ http://ec.europa.eu/environment/life/funding/financial_instruments/ncff.htm

²⁹ <http://www.eib.org/products/blending/pf4ee/index.htm>

³⁰ Creative Europe more generally supports projects in the areas of culture, the media as well as cross-sectoral projects. <http://ec.europa.eu/programmes/creative-europe/>

SPECIFIC FINANCIAL INSTRUMENTS	DESCRIPTION OF FI	MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS (AND THE ROLE OF NPBS)
	<p>Through the provision of (capped) guarantees and counter-guarantees to financial intermediaries providing financing to SMEs in the CCS, the EIF will enhance access to finance to these SMEs. The mandate also includes Capacity Building activities for selected financial intermediaries who would benefit from the guarantees and would acquire specific expertise about key elements of the CCS (<i>e.g. credit risk assessment</i>).</p> <p>The initial allocation through the Creative Europe Programme is estimated at EUR 121million starting in 2016. The capped guarantee should result in a leverage factor of at least x 5.7, and should help leverage in about EUR 600 million in additional lending to SMEs in the CCS³¹.</p>	
<p>2007-2013</p> <p>The Risk-Sharing Instrument (RSI)³²</p>	<p>The RSI was supported through FP7 and aimed at improving access to debt finance of innovative SMEs and Small Mid-Caps to support their research & innovation projects.</p> <p>The RSI was a scheme with pilot characteristics that led the way to the launch of the InnovFin scheme in H2020 (see entries above).</p>	<p>RSI's financial resources have been fully deployed through selected financial intermediaries across the EU, which have provided loans, financial leases and loan guarantees to research-based SMEs and Small Mid-Caps.</p> <p>The SMEs aspects of the RSI were implemented by the EIF. The RSI was part of the Risk Sharing Finance Facility (RSFF), managed by the EIB, mainly addressing large Corporates and Mid-Caps.</p>

A number of EU SME financial instruments, notably the InnovFin SME Guarantee Scheme and SME Venture Capital focus on **supporting innovative SMEs**. However, it should be noted that the definition of innovation³³ can be very broad, and many types of start-ups and SMEs may in fact be eligible for support. The research found that this is not always appreciated by SMEs or wider stakeholders.

The above analysis only examines the most relevant SME-focused FI schemes. Equity instruments under InnovFin (funded through Horizon 2020) and the COSME Programme are collectively known as the **Single EU Equity Financial Instrument**. There is a total budget of EUR 3.5 billion but this includes not only SME instruments, but also loan and equity for mid-caps. The Single EU Debt Financial Instrument incorporates two windows, the COSME Loan Guarantee Facility (LGF) and the InnovFin SME Guarantee.

³¹ http://ec.europa.eu/programmes/creative-europe/opportunities/cross-sector-support/index_en.htm

³² http://www.eif.org/what_we_do/guarantees/RSI/

³³ For instance, the Oslo definition of innovation distinguishes between four main types of innovation - product, process, marketing and organisational innovation. See <http://ec.europa.eu/eurostat/documents/3859598/5889925/OSLO-EN.PDF>

Feedback was received on the extent of participation in EU FI schemes by NPBs and commercial banks managed and implemented by the EC and the EIB Group. In relation to the **InnovFin SME Guarantee** scheme (SMEG), the latest available data³⁴ from end February 2016 shows that since the scheme started in June 2014, there is already extensive participation by NPBs intermediaries through signed agreements with the EIB. For instance, the Austria Wirtschaftsservice GmbH, Danish Growth Fund, Bpifrance, KfW (Kreditanstalt für Wiederaufbau), the regional NPB (Bürgschaftsbank Baden-Württemberg) in Germany have all signed agreements to implement the SMEG in an intermediary capacity. It can also be noted that a number of commercial banks, such as Banque Internationale à Luxembourg and ING (both Luxembourg), Credito Emiliano S.p.A. (CREDEM) and Italy Mediocredito Trentino-Alto Adige S.p.A (both Italy), and Barclays Bank and Santander Bank (both the UK) and Inveready Venture Finance (Spain) have all signed agreements, among others. In relation to the InnovFin MidCap Guarantee scheme, no NPBs have so far been involved, only commercial banks.

An example of how a NPB plays an intermediary role in implementing EU FIs (in this case, the SMEG within InnovFin) and interacts directly with SMEs who are the final beneficiaries is provided in the following box:

Box 4 - Bpifrance – example of national products backed by the InnovFin SME Guarantee scheme

EU-level instrument – the InnovFin SME Guarantee scheme under the Horizon 2020 initiative provides guarantees and counter-guarantees on debt financing of between EUR 25,000 and EUR 7.5 million to improve access to loan finance for innovative SMEs and small midcaps (up to 499 employees). Financial intermediaries are guaranteed by EIF against a proportion of their losses incurred on the debt financing covered.

National instrument – Bpifrance, the French public investment bank, has signed two different agreements with the EIF, which administers the InnovFin SME Guarantee scheme (SMEG)³⁵. Bpifrance has then branded these EIF-backed loan instruments at national level as part of its own product portfolio, which is then marketed directly to SMEs. Under the agreement, BPI France will provide finance to innovative companies in France for a total of EUR 420 million over the period 2015-2017 (guaranteed by the EIF). The two loan products are:

- The **Start-Up loan scheme ("Prêt d'Amorçage investissement" ("PAi"))** to address the financing needs of start-up companies. It will combine this product with the EU guarantee at a 40 % guarantee rate.
- The **Innovation Loan (the "Prêt pour l'innovation" – PPI)**. The EU guarantee will also enable Bpifrance to continue to support its own product for innovative SMEs and small mid-caps in France and to increase the scale of the program (in terms of beneficiaries and maximum loan amount). The innovation Loan will be backed by the EU guarantee at a 50 % guarantee rate.

Source: Interview with Bpifrance and EIF press release³⁶

Some RPBs are also involved in Financial Intermediation in the InnovFin SME Guarantee Facility. For example, L-Bank stated that they are involved in Financial Intermediation for funds from the InnovFin SMEG through their InnovFin 70 guarantee programme³⁷.

³⁴ www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/innovfin-smeg_signatures.pdf

³⁵ http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/

³⁶ http://www.eif.org/what_we_do/guarantees/news/2015/efsi_bpi.htm

³⁷ www.l-bank.de/lbank/inhalt/nav/foerderungen-und-finanzierungen/alle-foerderangebote/umunternehmensfinanzierung-und-marktmanagement/innovfin70.xml?ceid=126004.

Turning to the **COSME programme**, a list of intermediaries selected to implement COSME is also available³⁸. A number of NPBs are again represented, although with less intermediaries appointed under the COSME-LGF at this stage than for the InnovFIN loan guarantee scheme. Examples are the Austria Wirtschaftsservice GmbH, the Danish Growth Fund, Estonia KredEx Credit and Export Guarantee Fund, KfW (Germany), a regional NPB Buergschaftsbank North Rhine-Westphalia (Germany), and Bank Gospodarstwa Krajowego (BGK in Poland). There has also been strong participation by commercial banks in the COSME-LGF, such as by the Komerční Banka (Czech Republic), GE Capital Equipment Finance (France), K&H Bank (Hungary), and Italy Banca del Mezzogiorno – MedioCredito Centrale S.p.A. and Credito Emiliano S.p.A. (CREDEM) (Italy).

The following example relates to a long-standing SME financing scheme being implemented at national level by a NPB using an EIF-backed counter-guarantee to take part in on-lending through guarantee schemes operated by other commercial and public banks that work directly with SME clients. The scheme is particularly interesting because it has been continued using EU guarantees over successive programming periods.

Box 5 - The ERP Start-up Loan-StartGeld

KfW Förderbank (KfW promotional Bank)

EU-level instrument – the COSME Loan Guarantee scheme. Under the COSME-LGF, the EIF provides a counter-guarantee to financial intermediaries that have applied for support. This in turn allows NPBs such as KfW to secure counter-guarantees for SME loan portfolios. Since in Germany, there is a strongly federalised banking system, KfW does not offer products directly to SMEs but rather serves in an intermediary capacity (on-lending). It provides loan guarantees to different types of banks (e.g. commercial banks, savings banks) who then market the StartGeld instrument on the basis described below.

National instrument – ERP Start-up Loan-StartGeld: The StartGeld instrument is available for start-up entrepreneurs and young companies in Germany. Start-ups are able to apply for KfW loans of up to EUR 100,000 through their regular banks (known as house-banks) for up to three years after starting their businesses. At the beginning of 2016, the target group of StartGeld was extended to start-ups up to five years after starting their businesses, using additional EU support through the EFSI. The loans are available with two different terms to maturity (between five and ten years). The interest rates currently stand at 2.05% (five years) and 2.70% (ten years).

KfW assumes 80% of the credit risk for ERP start-up loans, so banks involved in an intermediation capacity in marketing the start-up loan product (commercial banks, including savings banks and regional promotional banks) only have to assume 20% of the credit risk for loans made to their clients. Information and awareness-raising about the StartGeld start-up loan product is undertaken by commercial, cooperative and savings banks that have direct contact with SMEs. This is in contrast with the approach in some other European countries where NPBs may have direct contact with, and make loans directly to start-ups.

Sources of financing: The scheme was originally set up in 1998 using the EU-funded Growth and Employment Programme. The scheme is one of the longest-standing NPB-implemented EU FI schemes and has benefited from funding support in several successive programming periods e.g. the CIP in 2007-2013 and the COSME programme in 2014-2020 through an EIF counter-guarantee. In future, the ERP Start-up Loan will also be backed by the European Fund for Strategic Investments (EFSI). It can also be noted that InnovFin supports KfW's promotional activities for innovative companies within the KfW Entrepreneur Loan – Plus.

³⁸ www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/cosme_lfg_signatures.pdf

Achievements: Under COSME and its predecessor CIP, i.e. in 2007-2015, some 52,000 start-ups and young enterprises were final beneficiaries of KfW's StartGeld programme, with more than 55 percent of these getting this loan from a savings bank.

Source: Interview with KfW, desk research³⁹

There is as yet no published information on the extent of interest among NPBs and other financial intermediaries in the Equity Facility for Growth (EFG).

Within the **Creative Europe programme**, the CCS LGF is part of the Creative Europe programme, implemented by DG CNECT and DG EAC. The scheme is in the process of being set up and will start during the course of this year, the first year that a budget line was allocated within the programming period. The EC is currently in the process of finalising the signature of a Delegation Agreement with the EIF to implement the loan guarantee facility. In relation to the role of NPBs in instrument design, the LGF was prepared via an expert group that served as a sounding board and included NPBs representative organisations.

In terms of the eligibility criteria to participate, NPBs are eligible to apply for, and sign a guarantee agreement with the EIF. Applications from NPBs to become financial intermediaries will be assessed on the same basis as other private or public banks (with a commercial remit). One area where NPBs may have a particular role is the capacity-building and technical assistance element of the scheme which is consultancy-based. The task will be to provide relevant information to banks. Since NPBs often act as guarantee institutions, they may be well-placed to play an awareness-raising role to help trickle down information to other financial institutions about the scheme.

The **Natural Capital Financing Facility (NCFF)** within the LIFE Programme is a quite small funding programme, reflecting its current status as a pilot scheme. Since only 10 projects will be supported across EU-28, and there are monitoring requirements concerned with reporting on policy-oriented outcomes relating to biodiversity, there has not as yet been any interest from either NPBs or commercial banks in participating in the funding scheme. According to the EIB, the NCFF may attract applications to take part from specialist financial providers and micro credit institutions instead. Commercial banks will tend to be interested in larger-scale EU funding programmes, such as those to maintain and enhance the supply of SME finance (e.g. the loan guarantee instruments within COSME and H2020).

The **Private Finance for Energy Efficiency (PF4EE)**, which is also within the LIFE Programme, aims to increase private financing for investments in energy efficiency enhancing projects. As the name suggests however, only commercial banks are able to take part. An interviewee from the EIB commented that the EIB has other financing mandates that provide loan guarantees to enable NPBs such as the KfW to provide loans that allow householders to improve energy efficiency, the KfW Energy Efficiency Programme - Production Facilities and Processes, and the KfW Energy Efficiency Programme - Energy-Efficient Construction and Refurbishment, which provides loans to promote energy efficiency⁴⁰. However, two NPBs interviewed commented that they would ideally also liked to have participated in this new scheme.

³⁹ See <https://www.kfw.de/inlandsfoerderung/Unternehmen/Gr%C3%BCnden-Erweitern/>

⁴⁰ <https://www.kfw.de/inlandsfoerderung/Unternehmen/Energie-Umwelt/index-2.html>

3.4. Part 3 - Feedback during the data collection exercise

The results from the data collection exercise (interviews, online survey responses) are now outlined. Reference should also be made to Annex B, which analyses the feedback received through the online survey in greater detail.

In the following table, selected examples of different ways in which Member States are involved in implementing EU FI schemes is provided. It should be noted that whilst the main focus is on outlining involvement in the EU FIs within scope, where appropriate, involvement in other EU FIs are also mentioned.

Box 6 - Examples of the role of NPBs in implementing EU FI schemes

Austria Wirtschaftsservice GmbH

- Counter Guarantees under COSME and InnovFin: EUR 290m loan volume in 2015 and 2016.
- Other: AWTG has implemented a Business Angels Fund with the EIF. The AWTG will also participate in the European Advisory Hub managed by the EIB under EFSI.

Croatian Bank for Reconstruction and Development

- The EIF and Croatian Bank for Reconstruction and Development have signed a direct portfolio guarantee agreement under the Competitiveness and Innovation Framework Programmes (CIP) in August 2014.

Czech-Moravian Guarantee and Development Bank

- Structural Funds 2007-2013 programming period: CMZRB implemented financial instruments, loans and guarantees, for one operational programme of OPPI, the OP Enterprise and Innovation (EIC), using ERDF.
- ESIFs 2014-2020: CMZRB is going to manage financial instruments of OPPI successor - OP EIC (OP) Enterprise and Innovation for Competitiveness.
- COSME LGF: CMZRB concluded a counter-guarantee agreement with EIF for the period 2015-2017

Estonia, KredEx

- COSME-LGF: KredEx concluded a counter-guarantee with the EIF.
- Other: KredEx is part of the EIF's Fund of Funds programme since it established a FoF, the Baltic Innovation Fund, together with the EIF (EFSI) and other NPBs in Lithuania and Latvia to provide equity to entrepreneurs by investing in underlying venture capital funds.

France, Bpifrance

- Structural Funds 2007-2013: EUR 140m of ERDF under management through three main instruments: grants, a repayable advances fund and a guarantee fund, all tailor-made.
- Structural Funds 2014-2020: soft loans and guarantee funds
- Risk-Sharing Instrument (RSI)⁴¹ 2007-2013: Bpifrance concluded an agreement with the EIF in September 2013, foreseeing 50 % EIF guarantee over a loan programme of EUR 200m for innovative SMEs (EIF Innovation loan). The loan has very attractive conditions for SMEs as it does not require any collateral and sets a 2 years' grace period. EUR 200m have been issued in only 15 months.
- Bpifrance concluded two InnovFin SMEG agreements with EIF in May 2015. This was the first transaction in Europe to benefit from the Juncker Plan. The SMEG agreements covered the following:

⁴¹ http://www.eif.org/what_we_do/guarantees/RSI/

- Extension of the EIF Innovation Loan - EUR 320m with a 50 % EIF guarantee - to small Midcaps with up to 500 employees and increased maximum loan amount up to EUR 5m.
- Launch of a new EIF Seed Investment Loan of EUR 100m in size with a 40 % EIF guarantee. The loan targeted innovative start-ups of less than 5 years which access to new equity funds from investors for an amount up to EUR 500k with EUR 1 of debt for EUR 2 equity raised. The result achieved in 8 months was of EUR 200m of Innovation loans and EUR 50m of Seed Investment Loans.
- Other: (1) previous experience in implementing equity instruments together with the EIF, including EIF Co-investments in more than 50 venture capital and growth funds with the EIF since 2000; (2) EIF investment in four Bpifrance FoF in the 1990s, although the EIF now focuses more on co-investment; (3) An EIF and Bpifrance co-investment agreement has been signed in December 2014. The Memorandum of Understanding states that EIF and Bpifrance intend to invest jointly EUR 500m- EUR 600m in venture capital and growth funds over the next 4 years.

Germany, KfW⁴²

- COSME supports KfW's promotional activities for start-ups within the "Start-Up Loan – StartGeld"
- InnovFin supports KfW's promotional activities for innovative companies within the KfW Entrepreneur Loan - Plus
- Both programmes are implemented through the German Banking sector
- With the help of a guarantee from the European Investment Fund KfW assume 80 % of the credit risk normally incurred by the banks. In many cases, this makes the loan financing possible for start-ups. The "Start-Up Loan – Universal" also enables companies to finance succession and takeover projects, an aspect that is becoming increasingly important in light of demographic changes.
- KfW offers a broad range of promotional programmes for SMEs financing needs, such as the "ERP Innovation Programme" or the "ERP Regional Promotion Programme". The "ERP Innovation program" supports SMEs by providing long-term loans at favourable conditions for close-to-market research and development of new products, processes or services; the aim of "ERP Regional Promotion Programme" is to promote investments in structurally weak regions at particularly attractive conditions.

Hungary, the Hungarian Development Bank Private Limited Company (<https://www.mfb.hu/en>)

- Fund-of-funds for all ESIF Financial Instruments in Hungary;
- Global Loan intermediary for the EIB and project co-financier with the EIB;
- However, MFB does not participate in financial instruments managed on a centralised basis.

Ireland, Strategic Banking Corporation of Ireland (SBCI)

- SBCI implements risk sharing for SME lending under EFSI via COSME and InnovFin Guarantees.

Italy, Cassa Depositi e Prestiti (CDP)

- At the end of 2015, the EIF signed an agreement with CDP and SACE to support SMEs:
 - InnovFin agreement provides CDP's support on bank loans to innovative companies over the next two years through counter-guarantee, this is expected to generate a loan portfolio of EUR 600 million.

⁴² <https://www.kfw.de/KfW-Group/About-KfW/Identit%C3%A4t/Geschichte-der-KfW/Themenfelder/Mittelstandsfo%C3%B6rderung/> - info about SME promotion within KfW

- The COSME agreement provides CDP and SACE with a counter-guarantee allowing the organisation to increase its guarantee volumes, supporting financially underserved SMEs. This is expected to leverage a loan portfolio of EUR 400 million.

Latvia

- Altum is a state guarantee institution. Along with national state guarantee institutions in Lithuania and Estonia, it has co-financed the Baltic Innovation Fund, a venture capital fund with funding of EUR 20m. This fund is managed by the EIF and is part of the EIF's Fund of Funds programme.

Poland, BGK

- Structural Funds in 2007-2013:
 - Urban Development Fund in JESSICA (3 regions); ERDF
 - Holding Fund Manager in JEREMIE (6 regions); ERDF
 - Holding Fund Manager in OP Development of Eastern Poland (central OP for 5 regions); ERDF
 - Holding Fund Manager in Social Economy Entities Financing; OP Human Capital; ESF
 - Holding Fund Manager in Guarantee Fund - OP Innovative Economy; ERDF
- Implementing Agency in Technology Credit ("hybrid instrument") - continued in 2014-2020 in slightly modified formula
- COSME and InnovFin under Horizon 2020 – role as a financial intermediary
- Has set up the Polish Growth Fund of Funds in conjunction with the EIF as part of the EIF's Fund of Funds programme.

Spain, ICO

- ICO is not currently involved in COSME or InnovFin. The reason for non-participation is that ICO usually operates via their own lending system. Unlike with EIF-backed counter-guarantees, they do not retain a percentage of the final recipient's risk. However, ICO are currently working on adapting their products so that in future, it should be possible to use some EU FIs.
- If ICO is involved in future in implementing EU financial instruments, then these will be implemented under mandate from the Spanish government

The UK (British Business Bank).

The EU programmes that the BBB are working with include:

- Structural Funds in 2007-2013
 - Regional finance through JEREMIE
- 2014-2020 programming period
 - The "Help to Grow" loan guarantee scheme (InnovFin).
 - The development of an equity programme via the EFSI SME equity window (under development through cooperation with the EIF).
 - EIF counter guarantee for the ENABLE funding programme.

Source: CSES assessment of the data collected through online survey. *The exception is the assessment for Italy, which was prepared on the basis of desk research only.

Differences can be observed in the box above between EU countries with regard to the **extent and nature of the involvement of NPBs in implementing EU FIs**. For instance, some NPBs appear to be involved in implementing all types of schemes whereas others are only involved in a single instrument. Here, a link can also be made to the results of the mapping exercise (see Section 3.1) which showed that there are some NPBs with longstanding experience that have already been involved in implementing FIs over successive programming periods whereas others are less experience or were established more recently.

The online survey also showed that **many NPBs play an important role both in delivering FIs under shared management** and in assisting the EC/EIB to deliver centralised instruments in a **financial intermediary capacity**. However, there are some NPBs that are only involved in FIs implemented under shared management, whereas other are only involved in centrally managed instruments. For example, the Hungarian MDB has only been involved in ESIFs and not in centrally managed instruments, but conversely KfW (Germany) and KredEx (Estonia) have not been involved in ESIFs but in centrally managed instruments.

Bpifrance and BGK have been involved in both types of EU FIs. The BBB (UK) was involved in a small way in Structural Funds in 2007-2013 in relation to the JEREMIE equity scheme but is mainly involved in centrally managed instruments in 2014-2020. Bpifrance pointed out that the rules under ESIFs are being very complex. They can act as a disincentive for market players such as venture funds since the management of the fund would be changed (going far from market-practices) due the regulatory burden. It will however continue to actively participate in equity-based schemes through bilateral cooperation on fund of funds and co-investment in VC funds with the EIF.

There was broad agreement among stakeholders interviewed that the **involvement of NPBs in implementing EU FIs was likely to be greater in the 2014-2020 period** compared with the 2007-2013 period, with a stronger emphasis in ESIFs on the role of FIs in which finance is revolving rather than on grant schemes. The interview feedback suggests that NPBs also play a prominent role in awareness-raising about EU-supported SME financial products through direct contact with SMEs and indirectly by working with banks and credit institutions that also play a role in implementing these instruments by offering FI products to final beneficiaries.

In the new member States, an observation was made that since ESIFs are relatively well-funded in the 2014-2020 period, reflecting socio-economic disparities, they are less likely to take part in centrally-managed funding schemes and more likely to utilise ESIF funding for FI schemes. This also reflects pressure to utilise EU funding and to ensure high levels of absorption (commitments and payments) so as to minimise the risk of de-commitments under the N+2 and N+3 rules. For instance, Hungary's MDB has not as yet accessed centralised EU FIs. However, it is difficult to generalise across all new member states, since Poland's BGK has participated in ESIFs, COSME and InnovFin under H2020.

Among the areas where NPBs interviewed identified particular value added and complementarity with the work of the EC and the EIB were: providing a direct link to, and an understanding of the financing needs of SMEs, the capacity to serve as a bridge between the indirect role of the EIB Group in administering EU FI schemes and actual implementation at national, regional and local levels and ensuring that duplication is avoided with existing national and regional FI schemes supported domestically.

A number of regional promotional banks also provided feedback through the online survey as to the types of EU FI schemes in which they are involved.

Box 7 - Examples of the role of RPBs in implementing EU FI schemes

The examples below are from Germany. Only three EU MS have established RPBs – Germany, Italy and Spain.

NRW Bank

- Using EIF guarantees for promotional programmes (e. g. CIP-Guarantee: NRW.BANK, Mittelstandskredit EIF).
- Participating in projects financed by the European Investment Bank.
- Acting as a granting authority for co-financed EFRE-Means during the 5th and 6th funding period (e.g. Microloan, CHP-Investment Loan, Enterprise Europe Network-advisory service)
In future, in the 2014-2020 period:
 - Using the InnovFin guarantee with EFSI support.
 - Implementing financial instruments as a financial intermediary (e. g. NRW.BANK).
 - EU Stadtentwicklungskredit (Product-Development).

L-Bank

- Financial intermediation for grants from the ERDF and the ESF as well as grants/loans from the European Agricultural Fund for Rural Development (EAFRD)⁴³.
- Financial Intermediation for funds from the EIF SME Guarantee Facility through the InnovFin 70 guarantee programme.

Investitionsbank Sachsen-Anhalt/Promotional Bank of the federal state of Saxony-Anhalt

- ESIFs - the development, set-up, implementation and closure of tailor-made financial instruments at regional level.
- Cooperation with the EIB and the European Commission in the implementation of EU financial instruments schemes.
- Cooperation with EIB with regard to refinancing.

Hamburgische Investitions- und Förderbank

- ESIFs - implementing nearly all ERDF-financed programmes on behalf of the Managing Authority of the City of Hamburg.
- COSME and InnovFin under Horizon 2020 - awareness-raising role only (as being part of the Enterprise Europe Network (EEN)).
- Imminent use of InnovFin SME Guarantee Facility.

Bremer Aufbau-Bank GmbH

By working with KfW, access to a range of EU-financed schemes that are marketed to SME clients, using branded products, for instance to support start-ups and SMEs in the fields of Innovation, Start-Ups (loans, Venture Capital) and loans and guarantees to encourage energy efficiency.

Saarländische Investitionskreditbank AG (SIKB)

- Financial instrument scheme in preparation for period 2014–2020 together with local authorities (Saarland).

⁴³www.l-bank.de/lbank/inhalt/nav/foerderungen-und-finanzierungen/alle-foerderangebote/fhfinanzhilfen/europaeischer-fonds-fuer-regionale-entwicklung-efre.xml?ceid=121516&suche=true ERDF, www.l-bank.de/lbank/inhalt/nav/foerderungen-und-finanzierungen/alle-foerderangebote/fhfinanzhilfen/europaeischer-sozialfonds-esf.xml?ceid=100292&suche=true, ESF and www.l-bank.de/lbank/inhalt/nav/foerderungen-und-finanzierungen/alle-foerderangebote/wfwirtschaftsfoerderung/entwicklungsprogramm-laendlicher-raum-elr.xml?ceid=100191&suche=true EAFRD

LfA Förderbank Bayern focusing on the Bavaria region

- Signed cooperation with the EIF based on the CIP and the RSI in 2007-2013.
- In 2014-2020, have signed a cooperation agreement with the EIF to use COSME and InnovFin.
- Used ERDF funds in previous Multiannual Financial Framework periods, but will not do so in 2014- 2020.

There are number of **challenges for NPBs in implementing EU financial instruments**. One of the issues raised by NPBs through interviews is that there are concerns that in the 2014-2020 period, the ESIFs Regulation (and supporting guidance relating to the use of EU financial instruments) are in their view overly complicated. This was viewed as potentially deterring NPBs from implementing FI schemes under shared management under ESIFs, especially equity schemes. There appears to be less of an issue in relation to loan (guarantees, soft loans) schemes.

The rules that must be followed in implementing EU financial instruments schemes set out in Title VIII of the EU Financial Regulation⁴⁴ were also regarded as too complex and potentially administratively burdensome. There were also concerns that the guidance issued by the EC was strongly driven by state aids and competition considerations, but with a need for further practical guidance as to how NPBs could be involved in implementing ESIFs-supported FIs. However, it was pointed out by DG REGIO that a working group helped to comment on the draft of the ESIF Regulation and this included NPB representation. Some Member States preferred more detailed codification of the rules. The problem of national gold-plating in ESIFs (a situation whereby additional national rules are super-imposed at the Member State or regional level) was also mentioned by DG REGIO.

Nevertheless, a position paper that was presented to the EPP SME Circle in coordination with Network of European Financial Institutions for SMEs ("NEFI") by BGK⁴⁵ states that "the regulatory framework is complicated and requires additional guidance from the Commission. In many cases, the legislation transposes rules for financial instruments from grants and differentiates the rules applicable to the European Investment Bank group from those applicable to national public financial institutions, including national and regional promotional banks".

Moreover, through the interview programme and online survey, a promotional banks in France noted that they will not use equity schemes in 2014-2020 since the rules appear to be overly complex. A RPB in Germany commented that although they had used ERDF funds in previous Multiannual Financial Framework periods, they will not do so in 2014- 2020, due to the perceived high level of administrative burden in participating in FI schemes.

Title VIII of the EU's Financial Regulation, which relates to EU financial instruments, and deals with relevant issues for NPBs, such as state aids and competition rules, was also viewed as being quite complex by at least two NPBs interviewed.

Another issue raised in the interviews was that NPBs operate in a complex regulatory framework, because they are subject to both rules applicable to other market participants in the private sector, as well as rules applicable to public sector institutions/ legal entities, which may put them at a competitive disadvantage compared with commercial banks. As public institutions, they are subject to regulation as public entities (e.g. public procurement rules, state aid rules for development financial institutions) and as banks, in common with their commercial counterparts, they are also subject to regulation governing their banking activities), such as capital adequacy rules under Basel

⁴⁴ http://ec.europa.eu/smart-regulation/evaluation/docs/syn_pub_rf_mode_en.pdf

⁴⁵ Legal impediments on the path to the smooth implementation of financial instruments ("FI") for SMEs from ESIFs in the Multiannual Financial Framework 2014-2020 (MFF 2014-2020), Bank Gospodarstwa Krajowego ("BGK"), Poland for the EPP SME Circle in coordination with Network of European Financial Institutions for SMEs ("NEFI"). Note, the study is not publicly available.

III, etc. This concern expressed by two NPBs interviewed appears to have been identified in earlier literature⁴⁶.

"Promotional banks face a particular challenge that they are subject to different types of regulations. NPBs have a public mission, but at the same time must align themselves with market principles, which can cause conflict. Legal rules and regulations may cause difficulties in practice for promotional banks: regulations intended to ensure a level playing field in the free market are often not suitable for the promotional tasks these banks have to carry out in a non-competitive manner in their role as public entities".

NPBs are subject to the state aid rules and new NPBs must formally notify the European Commission for approval, which checks that their activities are not likely to distort the internal market by "crowding out" commercial providers.

Nevertheless, despite these constraints, NPBs were positive overall about their role in implementing EU FIs, and indeed, in some instances, would like to be more actively involved in future. The use of EU FIs in combination with national and / or regional FIs was seen as strongly in keeping with the public interest mandate of promotional and development banks.

Lastly, it was noted by interviewees that some NPBs would like to play a more direct role in the implementation of EU financial instruments in future, not only as financial intermediaries, but through a more direct implementation role, on a similar basis to the EIB Group.

⁴⁶ Promotional Banks in Germany, Acting in the public interest (January 2014) www.voeb.de/download/publikation-foerderbanken-englisch.pdf

4. CONCLUSIONS

The Terms of Reference for this paper focused primarily on a data collection exercise to map NPBs and RPBs at national and regional level. It is nevertheless possible to draw a number of conclusions from the data and information collected from NPBs, and from the interviews with NPBs involved in implementing different EU financial instruments.

4.1. The mapping of NPBs

- Almost all EU Member States have now established a National Promotional Bank, with the exceptions of Greece and Malta, which are in the process of setting up NPBs.
- Several countries have only established a NPB within the last three years (namely Ireland, Portugal and the UK). The purpose was to help to implement EU financial instruments.
- In other countries, there has been a process of restructuring the national NPB, leading to the establishment of one or more new NPBs (e.g. Latvia set up a new NPB which resulted from the merger of 3 organisations, Belgium has closed its national NPB and has established regional promotional banks instead).
- The mapping exercise identified several countries, such as Germany and Spain, where regional promotional banks have been set up, not only at national level.

4.2. The role of NPBs in implementing EU financial instruments schemes

- The fact that almost all EU countries have established (one or more) NPBs demonstrates their value as a mechanism for implementing SME financial instruments, both those using EU funding, as well as for national and regional FI schemes.
- NPBs are already playing an important role in implementing EU financial instruments in the 2007-2013 and 2014-2020 programming periods (through shared management and in an intermediary capacity in the case of centralised instruments).
- The growing importance of national (and regional) NPBs in implementing EU financial instruments, mostly in an intermediary capacity, has been recognised in the recent 2015 Commission Communication⁴⁷.
- The increasingly important role played by NPBs has been accentuated following the adoption of the EC's Investment Plan for Europe, which emphasised their role in delivering the objectives of the European Fund for Strategic Investments (EFSI), as well as other EU programmes, notably the ESIFs (commonly called the "Structural Funds").
- The research found evidence of considerable diversity among NPBs in terms of their length of experience, level of financing and access to refinancing for on-lending.
- NPBs - sometimes through on-lending to public and commercial banks who then in turn serve as intermediaries - are already closely involved in implementing EU loan guarantee schemes funded through COSME and InnovFin respectively in a financial intermediary capacity at national level.
- NPBs cannot take part in the PF4EE, since this is targeted at commercial banks. They are also not likely to be involved in the NCFE due to the pilot nature of the instrument, its comparatively small budget, and the need to focus on biodiversity related policy objectives. They can however take part in the future Creative Europe LGF, where there could be a strong role for them in promoting awareness about the scheme to other banks.

⁴⁷ COM/2015/0361 final – see footnote 4 for title.

- NPBs are less involved in equity-based EU FIs. This partly reflects the fact that equity schemes in 2014-2020 got underway later than the loan guarantee schemes (e.g. InnovFIN SMEG and COSME-LGF). However, it can also be observed that whilst some NPBs do have divisions that are involved in equity, some focus more on conventional banking activities (e.g. loans, loan guarantees).
- The online survey results identified considerable heterogeneity among NPBs active across the EU. The nature of their involvement in implementing EU FIs was partly dependent on their length of experience, and the scale of their activities (which in turn was dependent on access to national financing resources).

4.3. Strengthening the role of NPBs in New EU Financial Instruments

It is worth considering how the involvement of NPBs in implementing EU financial instruments schemes might be further strengthened.

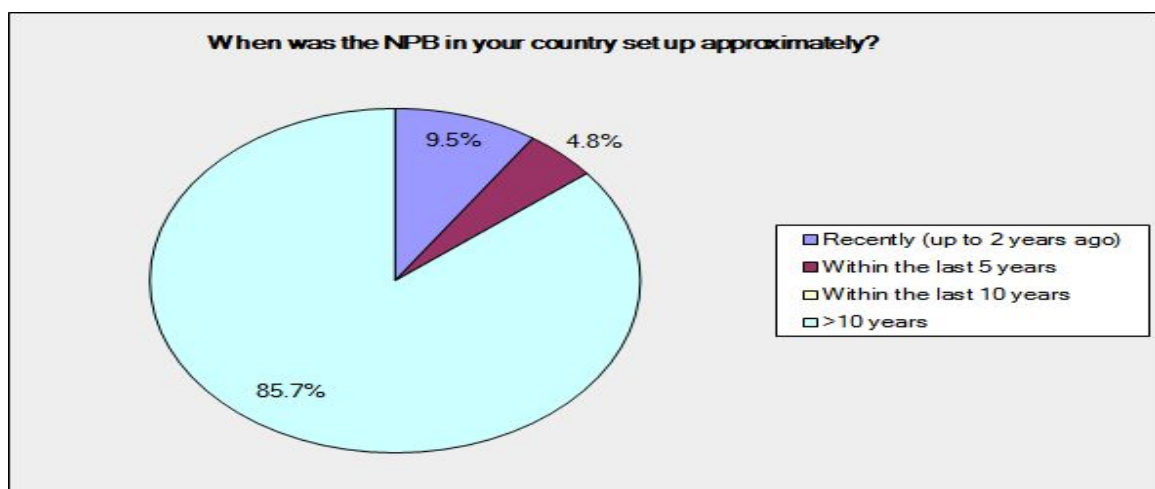
- The value added of the involvement of NPBs could be further maximised by building on the steps being taken through EFSI to formalise institutional cooperation between the EC, EIB and NPBs. The recent establishment of an EFSI working group which has representation from NPBs appears to be a positive step in this regard.
- More formal cooperation could for instance help to ensure that EU SME FIs schemes do not crowd out existing national and regional SME-targeted FI schemes.
- The branding of EU FIs could be further strengthened so that the ultimate beneficiaries (SMEs) are aware that loan products (backed by guarantees for instance) are EU funded. The feedback suggests that SMEs currently choose from a portfolio of products, some of which are purely national, others of which have an EU funded component, but may be unaware that this is the case.
- The awareness-raising role of the NPBs in respect of EU financial instruments should be further enhanced by encouraging more NPBs to participate in the European Enterprise Network which uses COSME funding for awareness-raising activities.
- Title VIII of the EU Financial Regulation relating to financial instruments could be simplified (and/or supported by operational guidance). A message from NPBs was that *"Whilst state aids and competition issues are important, this should not detract from the need to provide clearer explanations as to how NPBs can get involved in the set-up and implementation of EU FI schemes"*.
- The rules for the implementation of some EU financial instruments were viewed by some NPBs as being too complex. Part of the problem was perceived as being that they are required to follow several different documents that set out the rules (e.g. the Financial Regulation and its Application Rules, the GBER), in addition to the core Programme Regulation.
- However, according to several sources, the problem lies in the fact that there are quite a few "guidance notes" issued by the European Commission relating to the 2014-2020 period that deal with financial instruments. These were viewed as being difficult to understand, given the need to interpret these in conjunction with the legislation.

ANNEX A: RESULTS FROM THE ONLINE SURVEY OF NPBs

Whilst the results from the online survey have been incorporated qualitatively into Section 3.4 (feedback from the data collection exercise), further quantitative analysis of the responses is provided in this annex.

According to the online survey, NPBs are already **well-established in most EU countries**. In particular, Austria, Croatia, the Czech Republic, Estonia, Germany, Hungary, Poland, Spain and the United Kingdom reported that they have set up a NPB more than ten years ago. Conversely, in the United Kingdom and in Ireland, an NPB was set-up only recently. One respondent indicated that in their Member State, there is the intention to set up an additional NPB in future. Desk research found that the NPB in Portugal was also set up less than 2 years ago.

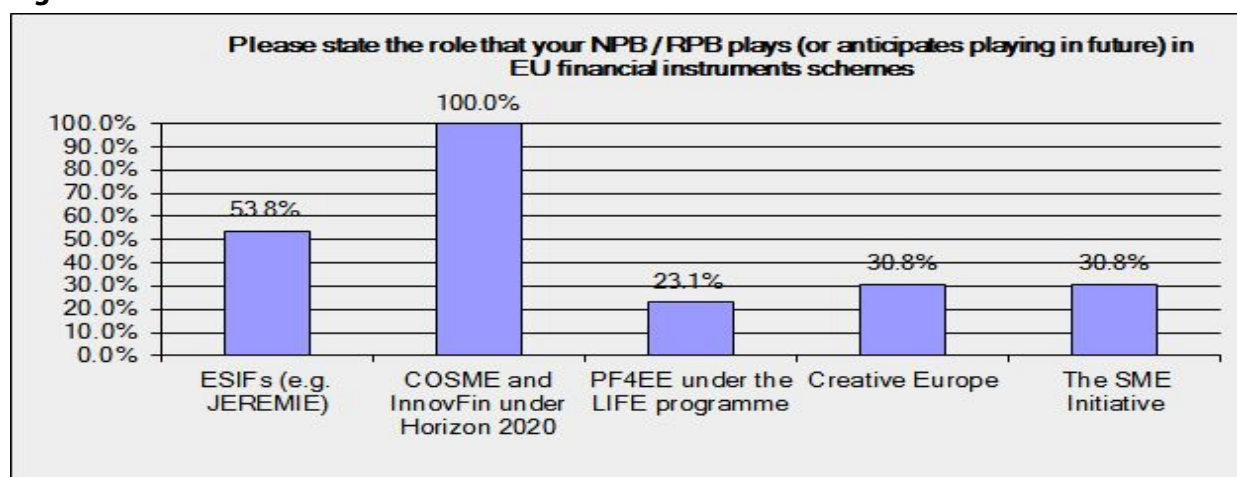
Figure 2 - When was the NPB in your country set up approximately?



Source: online survey, number of answers =17

With regard to the **implementation of EU financial instruments**, six countries that responded to the online survey reported that they were already involved in the implementation of ESIF in the previous programming period (Austria, Czech Republic, Estonia, France, Hungary and Poland) and a further three NPBs are going to be involved in implementation in the current 2014-2020 programming period in the near future (Croatia, United Kingdom and Poland).

With regard to the extent to which NPBs and RPBs responding to the survey are already involved, or anticipate playing a role in future in implementing different EU financial instruments, it can be observed that all respondents to this question already have a role in implementing COSME and InnovFin, or envisage applying for funding in future.

Figure 3 - The role of NPBs and RPBs in EU FI schemes

Source: online survey, number of answers =13

The survey data shows that NPBs are already playing an **important role in the implementation of the COSME Loan Guarantee Facility scheme** and in the **InnovFIN SME Guarantee Facility** (Horizon 2020). For example, NPBs in Austria and Germany are involved in a financial intermediary capacity in both schemes, whilst the Czech Republic and Poland are only involved in the COSME Loan Guarantee Facility (LGF) and France in the InnovFIN SME Guarantee Facility.

The seven responses from RPBs⁴⁸ indicated that they are mainly involved in implementing financial instruments at regional level through ESIFs. In the case of larger RPBs, such as NRW Bank, are also involved in implementing FIs in cooperation with the EIB. In some instances, RPBs are moreover involved through the EEN in information and awareness-raising activities in respect of the COSME programme. For instance, the NRW BANK mentioned that it was involved in the 2007-2013 period in working with EIF-backed guarantees that could be used for promotional programmes (e.g. funded by the CIP-Guarantee and NRW BANK and the Mittelstandskredit scheme in which the EIF has also participated).

The role that NPBs anticipate playing in future in respect of the implementation of the newer EU financial instruments within scope, such as the PF4EE under the LIFE Programme in the field of energy efficiency is only presently being implemented by the NPB in the United Kingdom. NPBs in Austria and France report being interested in being involved in the implementation of the future loan guarantee instrument within the Creative Europe Programme, which is in the process of being set up by DG Connect in conjunction with the EIB. Conversely, NPBs do not yet appear to be involved in the implementation of the COSME Equity facility for Growth (EFG) and in the InnovFIN SME Venture Capital scheme, partly because these schemes got underway later than the guarantee instruments. However, it is also important to mention that not all NPBs are able to get involved in implementing equity-based instruments since this depends on their legal status and purpose at national / regional level. Whilst several NPBs are involved in equity, such as KfW (DE), Bpifrance (FR), the BBB (UK), Invega (LT) etc. there are others that have no involvement in equity.

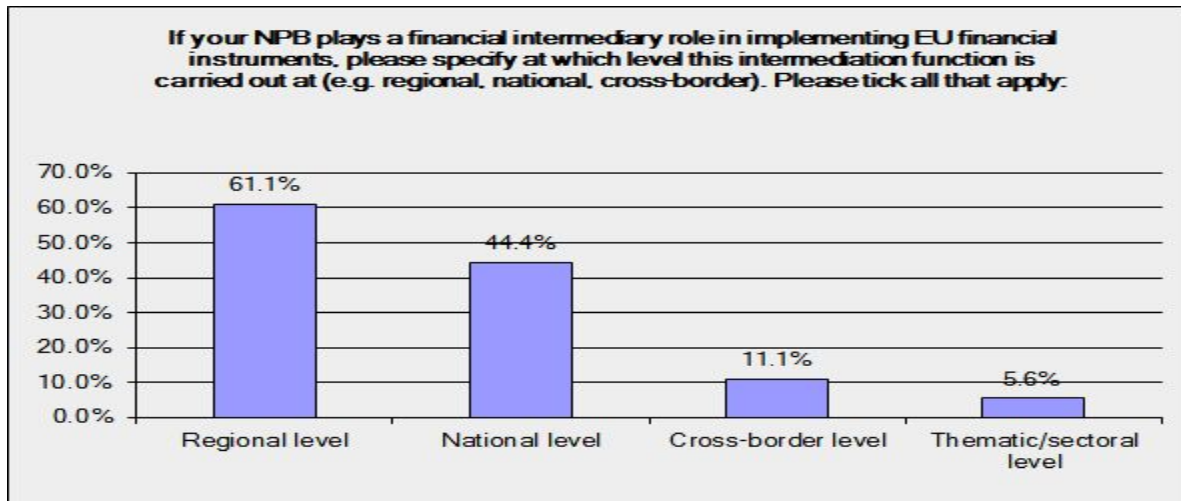
The online survey highlights that NPBs are commonly involved mainly at the national level (as shown in the table below), although some, such as France and Poland, also play an important intermediation

⁴⁸ The survey responses from RPBs were all from Germany. Although this is not geographically representative, the RPBs in Germany are long-established and only three EU Member States in total presently appear to have established RPBs (although there are stakeholders interested in setting up such a structure in future in other countries, such as Ireland).

role at the regional level. Only four countries report that they are involved at different levels of intermediation: in Poland (BGK) and the UK (British Business Bank), the NPB operates at both a regional and national level.

In France (Bpifrance), the intermediation level of the NPB is national, regional and cross-border while Ireland reported intermediation at both a national and a thematic/sectoral level. The level of intermediation of NPBs is set out in the Figure on the following page:

Figure 4 - Level of intermediation of NPBs



Source: online survey, number of answers =17

In Germany⁴⁹ evidence shows that Regional Public Banks (RPBs) are closely involved in the implementation of ESIFs (formerly, Structural Funds). However, they are also involved in a wider range of EU FIs. For example, in Bavaria and Hamburg, RPBs also report being involved in the implementation of COSME and InnovFIN Guarantee Facilities. In Bavaria, the RPB plays a financial intermediary role through the participation in EIF Risk Capital Resources (RCR) through the EIF Facility while in Hamburg the RPB is only involved in awareness-raising activities. As a result, RPBs in Germany have strong relationships with KfW at national level and with other RPBs at the federal state level. There does not appear to be direct contact and relationships with the European Commission, except through indirect contact via Managing Authorities of ESIFs, who may have periodic contact with officials from DG REGIO).

⁴⁹ Three Regional Public Banks in Germany responded to the survey, namely Hamburgische Investitions- und Förderbank, Saarländische Investitionskreditbank AG (SIKB) and LfA Förderbank Bayern.

ANNEX B: RESULTS FROM THE MAPPING OF NATIONAL AND REGIONAL PROMOTIONAL BANKS

A key objective of this paper is to identify the current coverage across EU-28 of NPBs and their regional counterparts. Through the research, those EU Member States where promotional banks are already well-established at national and/ or regional level were identified, along with those in which they have only recently been established, and the few countries where NPBs have not yet been set up. The information below is mainly based on desk research.

The results from the mapping exercise are provided below:

Table 3 - Mapping of National Promotional Banks and Regional Promotional Banks (non-exhaustive)

COUNTRY	YEAR ESTABLISHED	NPB	WEBLINKS AND NOTES
AT	1954	Austria Wirtschaftsservice (AWS)	AWS is the Austrian federal promotional bank. It assists companies in their implementation of innovative projects by granting loans, awarding subsidies and issuing guarantees at favorable interest rates
BE	NA	National None presently	Belgium has a decentralised promotional landscape reflecting its federal structure. A national fund to support SMEs (<i>Fonds de participation</i>) is being liquidated and competencies have been transferred to several regional institutions.
BE	2002	Société Wallonne de Financement et de Garantie des Petites et Moyennes Entreprises (SOWALFIN)	The SOWALFIN is a public limited company established by the Walloon Government in 2002 in order to facilitate access to finance for businesses. The incorporation of our company reflects the consistency and coordination of financial tools of Wallonia for SMEs.
BE	1995	Participatiemaatschappij Vlaanderen (PMV)	The Participatiemaatschappij Vlaanderen (PMV) is an independent organization owned by the Flemish government which supports economic investment initiatives in Flanders . The PMV was established on 31 July 1995 as a specialised subdivision of the GIMV and became an independent organization 26 June 1997.
BG	1999	Bulgarian Development Bank	BDB is a financial institution 99.9%-owned by the Bulgarian state. It is the successor of Encouragement Bank established in 1999. Its focus is to support SMEs.
CZ	1992	Czech-Moravian Guarantee and Development Bank (CMZRB)	The CMZRB supports SMEs through different types of support tools as bank guarantees, preferential loans and interest rate loan subsidies.
CY	1963	Cyprus Development Bank (CDB)	CBD was set up as a public development bank in 1963 but was privatised in 2008. There is a fund dedicated to promoting entrepreneurship and several regional investment agencies.
DE	1948	National Kreditanstalt für Wiederaufbau (KfW)	KfW is the most important and active SME on-lending partner for commercial and regional banks in Germany. It also works with German municipalities. They operate a number of long-established loan schemes for start-ups and SMEs.
DE	1949	National Rentenbank	Rentenbank was established by federal law and has a mandate to support the development of the agricultural sector and rural areas.

COUNTRY	YEAR ESTABLISHED	NPB	WEBLINKS AND NOTES
DE	Various foundation dates	<p>Regional Promotional Banks</p> <p>List of RPBs:</p> <p>NRW BANK (1991)</p> <p>L-Bank</p> <p>Landeskreditbank Baden-Württemberg (1998)</p> <p>Förderbank Investitionsbank Berlin (1993)</p> <p>LFA Bayern (1951)</p> <p>Bayerische Landesbodenkreditanstalt (1973)</p> <p>Investitionsbank des Landes Brandenburg (1992)</p> <p>Hamburgische Investitions- und Förderbank (2013)</p> <p>Landesförderinstitut Mecklenburg-Vorpommern (1994)</p> <p>Investitions- und Strukturbank Rheinland-Pfalz (1993)</p> <p>Investitionsbank Sachsen-Anhalt (2004)</p> <p>Investitionsbank Schleswig-Holstein (2003)</p> <p>Saarländische Investitionskreditbank AG (1951)</p> <p>Bremer Aufbaubank (1980)</p> <p>State Development Bank of the Free State of Saxony (SAB) (1991)</p> <p>Thüringer Aufbaubank (1992)</p> <p>Wirtschafts-Infrastrukturbank Hessen (WiBank)</p>	<p>There are 16 Regional Promotional Banks in Germany in addition to the two NPBs. Among the largest are Baden-Württemberg (L-Bank), Bavaria (LfA Förderbank Bayern) and North Rhine-Westphalia (NRW.Bank). The RPBs in Germany are involved within Managing Authorities at state level in delivering FI schemes through ESIFs in 2014-2020 and predecessor programmes.</p> <p>Examples of RPBs includes:</p> <p>NRW Bank provides funding for economic, social, municipal, infrastructure and housing promotion projects in the State of North Rhine-Westphalia</p> <p>L-Bank in the State of Baden-Wuerttemberg promotes access to finance for SMEs through the provision of low interest rate loans in its operating region. L-Bank provides guarantees and to a very limited extent, also equity investments.</p> <p>Reference should also be made to the list of RPBs in Germany in the previous column.</p>

COUNTRY	YEAR ESTABLISHED	NPB	WEBLINKS AND NOTES
DK	1992	Vækstfonden (Danish Growth Fund) Kommunekredit	Vækstfonden operates the Danish Growth Fund. DGF invests equity and provides loans and loan guarantees to SMEs. Together with private investors, DGK co-financed growth in more than 5,400 Danish companies with a total commitment of more than DKK 15 billion. Kommunekredit aims to provide cheap financing to support Danish communities.
EE	2001	KredEx	KredEx helps SMEs and enterprises develop quicker and expand more safely offering loans, venture capital, credit insurance and guarantees backed by state guarantee. Has also co-financed the Baltic Innovation fund managed by the EIF, together with other NPBs (LT and LV).
EL	Not yet launched	Institute for Growth	The European Investment Bank Group (EIB) signed a Memorandum of Understanding with the Hellenic Republic concerning the contribution of the EIB to the "Institution for Growth in Greece" (IfG) in 2014. See - http://europa.eu/rapid/press-release_BEI-14-91_en.htm However, no further information is available.
ES	National >10 years	Instituto de Crédito Oficial (ICO)	The Instituto de Crédito Oficial is a state-owned bank attached to the Ministry of Economic Affairs and Competitiveness via the State Secretariat for Economy and Enterprise Support. It supports start-up and SMEs through loans and VC but is not involved in EU financial instruments within scope. It does however participate in the EIB's fund of funds programme.
ES	N/A	Regional Promotional Banks IDEA Agency (Innovation and Development of Andalusia)	IDEA is the regional development Agency of the Andalusian Government and the instrument specialized in the promotion of innovation in the Andalusian society. The mission of IDEA Agency is to contribute to regional economic and social development and to provide support to Andalusian companies and entrepreneurs. The Agency IDEA coordinates CESEAND, the member of the Enterprise Europe Network for the region of Andalusia (Spain).
ES	1990	Instituto Valenciano de Finanzas	The IVF addresses regional financial needs, including the needs of SMEs in accessing finance. IVF is an entity of public law under Article 5.2 of the Law on Public Finance of the "Generalitat Valenciana", regulated by Law 5/2013 on fiscal, administrative management, and the organisation of the Generalitat (DOCV 27/12/2013).
FI	1999	FINNVERA	Finnvera is a specialised financing company owned by the State of Finland and it is the official Export Credit Agency (ECA) of Finland. Finnvera provides financing for start-ups and funding for SME growth and internationalisation and guarantees against risks arising from exports. Finnvera strengthens the operating potential and competitiveness of Finnish enterprises by offering loans, domestic guarantees, venture capital investments, export credit guarantees and other services associated with the financing of exports.
FI	1990	Municipality Finance Plc	Municipality Finance Plc (Kuntarahoitus Oyj) is a credit institution specialised in financing local government sector and state-subsidised social housing production. MuniFin is one of Finland's largest financial institutions. Municipality Finance aims to promote welfare in Finland through the financing of municipal projects related to basic infrastructure, healthcare, education and

COUNTRY	YEAR ESTABLISHED	NPB	WEBLINKS AND NOTES
			the environment. A significant portion of its lending is used for socially responsible projects.
FR	2013	Bpifrance (and its predecessor Caisse des Dépôts et Consignations (CDC))	Bpifrance is a public investment bank and resulted from a merger of different funds that carried out promotional activities, among other responsibilities. Since the 1 st of January 2013 Bpifrance has been tasked by the French government with promoting competitiveness by providing A2F for start-ups and SMEs through loan guarantee instruments and equity. Bpifrance, whose two equal shareholders are the French State and the Deposits and Consignment Fund (Caisse des Dépôts), acts in support of public policy at national and regional levels.
FR	2013	Agence France Locale	Agence France Locale was created further to the new banking legislation dated 26 July 2013 and was granted a banking license on 12 January 2015. Agence France Locale is 100%-owned by French Local authorities. Its mandate is to raise cost-efficient resources in capital markets by pooling together the funding needs of member local authorities. Agence France Locale aims at providing French local authorities with alternative funding sources.
HR	1991	HBOR (Hrvatska banka za obnovu i razvitak)	HBOR is the development and export bank of the Republic of Croatia. It provides loans and loan guarantees to SMEs.
HU	1991	Hungarian Development Bank (MFB)	The Hungarian Development Bank is a specialised financial institution, established in 1991, with a mandate to provide funds for Hungary's medium and long-term development. MFB is 100%-owned by the Hungarian State. MFB engages in lending (both directly and through on-lending), and provides financing for SMEs, municipalities, public entities, state owned companies and state development investments considered significant in terms of the national economy and government backed projects of national importance. It also invests in venture and equity capital financing (via Group members).
HU	1994	Hungarian EXIMBANK	The state-owned Eximbank and MEHIB perform the tasks of Hungary's export credit agency, which are regulated by the legislative frameworks of the OECD and the EU, with the basic objective of facilitating the sale of Hungarian goods and services in foreign markets.
IE	2014	Strategic Banking Corporation of Ireland (SBCI)	The SBCI is a new, strategic SME funding company. Its goal is to ensure access to flexible funding for Irish SMEs. The SBCI is a vital new part of the country's financial architecture. By taking a fresh approach to funding SMEs in Ireland, the long-term potential of the sector to drive economic growth and job creation will be actively supported.
IT	1850	Cassa di Risparmio di Roma e di Napoli (CdR)	CDP assists SMEs and businesses of all sizes, in the export and internationalization process, with Venture Capital funds and investing as a long-term partner in relevant Italian companies.
IT	1952	Banca del Mezzogiorno MedioCredito Centrale S.p.A.	Banca del Mezzogiorno MedioCredito Centrale is mainly engaged in the management of two funds of the Ministry of Economic Development, namely the Central Guarantee Fund, through which access to credit for SMEs is encouraged, and Sustainable growth Fund, designed to support and promote research and development projects. The Bank is a leader in managing business incentives co-financed by the Structural Funds in particular in

COUNTRY	YEAR ESTABLISHED	NPB	WEBLINKS AND NOTES
			areas of research and innovation.
IT	1977	Finpiemonte	Finpiemonte is a regional promotional bank that has operated since 1977 in support of the development and competitiveness of the Piedmonte region. The bank helps to coordinate regional economic policy. Finpiemonte holds interests in a number of technology-oriented start-ups and SMEs, in particular those located within science and technology parks, incubators and ICT foundations.
IT	1967	Friulia	Since its creation in 1967, the regional holding company Friulia has implemented 1,500 projects in over 700 enterprises. It provides guarantees and takes equity stakes in SMEs.
LT	2002 (est.)	Invega	Invega stands for UAB "Investicijų ir verslo garantijos" INVEGA has funded the Baltic Innovation fund managed by the EIF.
LV	2015 (1993)	Latvian Single Development Institution (LGA)	Altum was formally approved as a development institution in 2015, but it was originally set up in 1993. Altum resulted from the merger of three institutions (Altum, the LGA and the RDF). Altum operates as a development financial institution. The company implements state aid programmes to SMEs and promotes start-ups. It provides loans, guarantees, equity injections or grants to SMEs (including start-ups, and micro-enterprises) and also supports mid-caps
LU	1978	Société Nationale de Crédit et d'Investissement (SNCI)	SNCI is a public-law banking institution. It distributes grants start-ups/transmission loans to newly incorporated or inherited SME's. It may also finance investments of Luxembourg companies abroad. SNCI may also take equity positions.
MT	2016	Malta Development Bank	Due to be established in 2016. No further information.
NL	2005	Bank Nederlandse Gemeenten (BNG)	BNG Bank is a specialised financial institution for the public sector. Clients are local authorities, public sector housing, healthcare and educational institutions and public utilities. BNG Bank provides customised financial services. They also participate in public-private partnership (PPP). The Bank does not appear to be SME-focused.
NL	1954	Nederlandse Waterschaps Bank (NWB)	Nederlandse Waterschapsbank N.V. (NWB Bank) is a leading financial services provider for the public sector. The bank arranges short-term and long-term loans for water authorities, municipalities, provinces, social housing, healthcare, educational institutions, public-private partnerships ("PPP") and activities in the field of water supply and the environment. The Bank does not appear to be SME-focused.
PL	1924	Bank Gospodarstwa Krajowego (BGK)	BGK is the only state-owned bank in Poland. The bank's activities are focused on supporting and financing public sector entities and enterprises from selected industries (including those supported under the "Polish Investment programme), and indirectly (through the system of guarantees to other banks that in turn provide loan products to SMEs). Also operates the Polish Growth Fund of Funds together with the EIB.
PT	2014	Portuguese Development Financial Institution Instituição Financeira de Desenvolvimento,	IFD is a financial company whose object is conducting operations aimed at addressing the market failures in financing small and medium enterprises, through the management of investment funds, other autonomous assets or of other similar instruments. IFD can also develop the SME consulting activity related to capital structure, business strategy and related issues, as well as in the

COUNTRY	YEAR ESTABLISHED	NPB	WEBLINKS AND NOTES
		(IFD)	field of mergers and acquisition of companies.
RO	1992	Exim Bank	Exim Bank provides funding to companies and public authorities using EU money (matching funds credits, pre-funding, comfort letters and guarantees).
SE	1994	Almi Företagspartner	Almi's activities include advisory services and financing, in the form of loans and equity capital, in all phases of entrepreneurship from concept to business success. Almi's services are intended to supplement the private market in meeting companies' needs for financing and advice.
SE	1992	Kommuninvest of Sweden Local Government Debt Office	Kommuninvest consists of two divisions, Kommuninvest i Sverige AB, which provides credit and financial advice and, the cooperative society Kommuninvest Cooperative Society, which provides financing to local government
SI	1994	SID Bank	SID Bank provides services of export credits and investment insurance. The main activity provided for its own account is financing of business transactions in the area of market gaps (SME, research, environment, internationalization, etc.).
SK	2014 1991	Slovenský Investičný Holding Slovenská Záručná a Rozvojová Banka	Slovak Investment Holding Company was founded in 2014 as a means to implement the financial instruments in the programming period 2014-2020 in accordance with the Slovak government-approved "economic policy to stimulate economic growth." Slovak Investment Holding was established by SZRB.
UK	2014	British Business Bank	The British Business Bank became independent in 2014. The BBB is 100% Government owned, but independently managed. It brings expertise and Government money to the smaller business finance markets. The BBB aims to improve finance markets for smaller businesses SMEs and small mid-cap businesses.
UK	2015	Green Investment Bank	The UK Green Investment Bank was created by UK Government to back green projects, on commercial terms, across the UK and to mobilise other private sector capital into the UK's green economy.
UK	1991	Scottish Investment Bank (Scottish Enterprise)	The Scottish Investment Bank supports the delivery of the wider Scottish Enterprise business plan by stimulating the SME funding market in Scotland. Examples of funds that are EU-financed are the Scottish Co-investment Fund, Scottish Venture Fund and the Scottish Loan Fund.

ANNEX C: LIST OF INTERVIEWS AND ORGANISATIONS RESPONDING TO SURVEY

Table 4 - List of individuals/organisations interviewed (by phone and email)

NAME (S)	POSITION	ORGANISATION
Dominique De Crayencour	Chairman	The Long-Term Investors Club (LTIC)
Lola Merveille and Christian Dubarry	Liaison Office to the EU	Bpifrance (NPB)
Bertram Reddig	Head of "EuropaService/Promotional Finance"	Deutscher Sparkassen und Giroverband (DSGV)
Steve Rogers	InnovFIN Policy officer, Unit B3: SMEs, Financial Engineering & State Aid.	European Commission, DG RTD
Armando Melone	Policy officer, Unit H3: COSME Financial Instruments	DG for Internal Market, Industry, Entrepreneurship and SMEs (DG GROWTH)
Stefan Appel and Rachel Lancry	Head of Unit and Deputy Head of Unit	European Commission, DG REGIO
Maciej Szymanowicz	Policy Officer, MEDIA Support Programmes	European Commission, DG CONNECT
Katarina Malmnäs	Natural Capital Financing Facility (Climate Change & Environment, New Products and Special Transactions)	European Investment Bank
Attila Szabó	PF4EE (Climate Change & Environment, New Products and Special Transactions)	European Investment Bank
Annette Fritz	Management Affairs	KfW (Germany)
Csaba Harsányi	Brussels representative officer	MFB (Hungary)
Nina Tschofen	NEFI Coordinator	NEFI - Network of European Financial Institutions for Small and Medium Sized Enterprises
Julien Ernoult	Director	The European Association of Public Banks (EAPB)
Germaine H. Klein	Associate Director	Bank Management and Financing Association of German Public Banks

Table 5 - List of NPB and RPB respondents to the online survey

ORGANISATION	
National Promotional Banks	
1.	Strategic Banking Corporation of Ireland
2.	Instituto de Credito Oficial (ICO)
3.	Croatian Bank for reconstruction and development
4.	KredEx
5.	Hungarian Development Bank (MFB)
6.	Bpifrance
7.	Czech-Moravian Guarantee and Development Bank (CMZRB)
8.	KfW Bankengruppe
9.	Austria Wirtschaftsservice GmbH
10.	The British Business Bank
11.	Bank Gospodarstwa Krajowego
Regional Promotional Banks	
12.	Hamburgische Investitions und Förderbank
13.	Saarländische Investitionskreditbank AG (SIKB)
14.	LfA Förderbank Bayern
15.	NRW Bank
16.	L-Bank
17.	Investitionsbank Sachsen-Anhalt/Promotional Bank of the federal state of Saxony-Anhalt (Germany)
18.	Bremer Aufbau-Bank GmbH

ANNEX D: BIBLIOGRAPHY

EU Programme Regulations and related documents

Financial Instruments under shared management

- Regulation 2015/1017 (of 25 June 2015) of the European Parliament and of the Council 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.
- Regulation establishing the ESIF Programme - 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.
- Financial instruments in ESIF programmes 2014-2020 - A short reference guide for Managing Authorities.
- Combination of support from a Financial Instrument with other forms of support.
- General methodology covering all thematic objectives - Quick reference guide.
- Common Provisions Regulation. Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013.

Financial Instruments under direct and indirect management

- Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020).
- Regulation establishing the COSME Programme (Regulation (EU) No 1287/2013).
- Regulation establishing the LIFE Programme (Regulation (EU) No 1293/2013).
- Title VIII of the EU's Financial Regulation which relates to EU financial instruments - available from http://ec.europa.eu/smart-regulation/evaluation/docs/syn_pub_rf_mode_en.pdf
- General Block Exemption Regulation (GBER) - Commission Regulation (EU) N°651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. Applicable as of 1 July 2014.
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- Study on public financial institutions in Europe; Mathias Schmit, Laurent Gheeraert, Thierry Denuit, Cédric Warny, 2011.
- Bpifrance - position paper "Proposals for simplifying the implementation of financial instruments co-financed by ESIFs over the programming period 2014-2020".
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- Paper on legal impediments on the path to the smooth implementation of financial instruments ("FI") for Small and Medium-Sized Enterprises ("SME") from European Structural and Investment Funds ("ESIF") in the Multiannual Financial Framework 2014-2020 (MFF 2014-2020), prepared by Bank Gospodarstwa Krajowego ("BGK"), Poland for the EPP SME Circle in coordination with Network of European Financial Institutions for SMEs ("NEFI"). Note – not publicly available.

Weblinks for programme-related information

- ECB Survey on Access to Finance of Enterprises (SAFE).
<https://www.ecb.europa.eu/stats/money/surveys/sme/html/index.en.html>
- European Structural and Investment Funds (ESIFs) – financial instruments schemes
<http://www.eib.org/products/blending/esif/>
- COSME and InnovFIN – Loan Guarantee Facility
www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/ LGF is a successor to the SME Guarantee Facility (SMEG), successfully implemented by EIF under the Competitiveness and Innovation Framework Programme (CIP) in the period 2007-2013. NPBs serve as financial intermediaries under the COSME programme.
- The EU's SME initiative - www.eif.org/what_we_do/guarantees/sme_initiative/

- Creative Europe Programme under DG EAC - <http://ec.europa.eu/programmes/creative-europe/>
- The LIFE programme's Private Finance for Energy Efficiency (PF4EE) - www.eib.org/pf4e
http://ec.europa.eu/environment/life/funding/financial_instruments/pf4ee.htm
- The LIFE programme's Natural Capital Financing Facility (NCFF)
http://ec.europa.eu/environment/life/funding/financial_instruments/ncff.htm
- Creative Europe Programme the Cultural and Creative Sectors Loan Guarantee Facility (FAQ)
<http://www.creativeeuropeireland.eu/content/resources/18.%20faq-financial-instrument.pdf>


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