



EUROPEAN COMMISSION

# **Financial instruments under the European Structural and Investment Funds**

## **Summaries of the data**

**on the progress made in financing and implementing the  
financial instruments for the programming period  
2014-2020 in accordance with Article 46 of Regulation  
(EU) No 1303/2013 of the European Parliament and of the  
Council**

**Situation as at 31 December 2020**



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## **PART I: Overview**

The summaries present data on the progress made in financing and implementing financial instruments (FIs) supported by European Structural and Investment Funds (ESIF) in the 2014-2020 programming period as of 31 December 2020. They are based on data reported by the managing authorities in accordance with Article 46 of Common Provisions Regulation (EU) No 1303/2013 of the European Parliament and of the Council (CPR), the Commission Implementing Regulation (EU) No 821/2014, and Fund-specific regulations.

This edition of Annual Summaries follows the standard regulatory schedule set out in Article 46(4) CPR – managing authorities submitted the data on FIs as of 31 December 2020 in the annual implementation reports by the end of May 2021, and the actual publication of the Summaries takes place within six months after this date i.e., by the end of November 2021.

FIs are implemented using all ESI Funds in 25 Member States (MSs) including the UK<sup>1</sup>. By the end of 2020, the total programme contributions committed to FIs were nearly EUR 29 billion (EUR 23.5 billion at the end of 2019) of which EUR 21.6 billion was ESIF.

From the beginning of the 2014-2020 period, almost EUR 18.5 billion of programme contributions had been paid to FIs (EUR 11.1 billion at the end of 2019), including EUR 14.2 billion of ESIF (two thirds of all committed amounts). This means that the committed amount increased by two thirds within one year. Around EUR 13.8 billion (of which EUR 10.3 billion was ESIF) had been invested in or committed to final recipients (EUR 6.3 billion at the end of 2019), leveraging EUR 38.2 billion of investments (154% year-on-year change) at the level of final recipients (EUR 15 billion at the end of 2019). The total disbursement rate of all ESI Funds has thus jumped from 55% to 72%. This increase illustrates the effectiveness of ESIF FIs for the real economy, especially with regard to the constrained access to finance during the covid-19 crisis. It is worth highlighting that with about 365.000 SMEs supported across Europe during the crisis year, ERDF FIs reached about one thousand recipients per day.

### **Key messages:**

- The data for 2020 show that the European Union achieved the target set out in the Investment Plan for Europe to double the use of ESIF FIs in the programming period from 2014 to 2020. The crucial acceleration came in 2020. Nevertheless, in order to

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<sup>1</sup> All MSs except for DK, IE, LU. In spite of the fact that the United Kingdom was no longer an EU Member State during the reporting year, we refer to the UK as a Member State without any distinction in the text for the sake of readability and consistency of this document.

maximize the benefits of ESIF FIs for the real economy, it is necessary to **maintain the momentum** and to **further speed up** in their implementation.

- The accelerated deployment of ESIF FIs, enabled by the rapid legislative simplifications introduced by Coronavirus Response Investment Initiative Plus (CRII+), demonstrated that **ESIF FIs are able to adapt in a flexible way to the changing needs of the Member States**. ESIF FIs should remain an important tool for the recovery and the green and digital transition of the European economy. For this purpose, support to investments in these policy areas should be prioritised for the next generation of FIs.
- ESIF FIs prove to be a cost-efficient delivery mechanism of Union policies as the **reported management costs and fees (MCFs) (1.7% of amounts paid cumulatively as a share of programme resources committed to FIs, or 7.4% of the payment to final recipients) lie below the regulatory ceilings defined in the ESIF legal framework as well as in the legal framework of centrally managed financial instruments**. Moreover, some 10% of the funds have already been paid back in reflows and can thus be reused in accordance with the CPR.

Upon the coronavirus outbreak, timely adoption of CRII+ allowed managing authorities to deploy FIs in all EFI Funds to tackle the unexpected crisis for all ESI Funds:

- European Regional Development Fund (ERDF) FIs allocated EUR 7 billion for working capital for SMEs in the COVID-19 context, which is double to what the MSs allocated to working capital grants<sup>2</sup>. In total, ERDF FIs supported 478,000 SMEs, of which 375,000 qualified as microenterprises;
- Despite the COVID-19 crisis, European Social Fund (ESF) FIs impressively progressed by more than doubling the amounts committed and paid to final recipients. Of the total 7.964 final recipients supported, 4.047 were microenterprises and 3.557 individuals. The number of MSs reporting ESF FIs grew from 10 to 11, with 78 FIs set up or already operational;
- As at August 2021, 13 Rural Development Programmes (RDP) in 8 MSs offer support for stand-alone working capital, an option that was introduced by the CRII+. In total, RDP amendments added a total of EUR 94.1 million, covering also non-COVID needs. The implementation of EAFRD financial instruments is progressing well. 26 FIs are committing and paying programme contributions to final recipients, an increase of almost 50% in 2020 compared to 2019;

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<sup>2</sup> Sum of target values of COVID-19 indicators CV21 in programmes approved by the Commission in 2020.



- Following the coronavirus outbreak, the managing authority for the sole FI supported by EMFF made it possible for the final recipients to benefit from decreased interest rates from April 2020. In addition, a second Member State is now establishing a financial instrument under the EMFF.

Information on financing and implementing FIs under each of the ESI Funds is presented in Table 1.

	ERDF and CF	ESF and YEI	EAFRD	EMFF	All ESIF			
					2019	2020	Change	Change in %
<b>Number of MSs reporting on FIs</b>	25	11	11	1	25	25	0	-
<b>Programme amounts committed to FIs</b>	27.451	785	701	10	<b>23.486</b>	<b>28.947</b>	<b>+5.461</b>	<b>+23%</b>
<i>out of which ESIF</i>	20.523	543	536	8	<b>17.180</b>	<b>21.610</b>	<b>+4.430</b>	<b>+26%</b>
<b>Programme amounts paid to FIs</b>	17.784	331	366	8	<b>11.120</b>	<b>18.489</b>	<b>+7.369</b>	<b>+66%</b>
<i>out of which ESIF (A)</i>	13.681	255	281	6	<b>8.524</b>	<b>14.223</b>	<b>+5.700</b>	<b>+67%</b>
<b>Percentage of ESIF commitments paid</b>	67%	47%	52%	78%	<b>50%</b>	<b>66%</b>	<b>+16 p.p.</b>	-
<b>Financing disbursed to final recipients<sup>3</sup></b>	37.439	186	560	5	<b>15.031</b>	<b>38.190</b>	<b>+23.159</b>	<b>+154%</b>
<b>Programme amounts committed to final recipients</b>	16.845	234	228	5	<b>8.370</b>	<b>17.312</b>	<b>+8.942</b>	<b>+107%</b>
<i>out of which ESIF</i>	11.916	155	162	4	<b>6.092</b>	<b>12.237</b>	<b>+6.145</b>	<b>+101%</b>
<b>Programme amounts invested in final recipients</b>	13.420	182	201	5	<b>6.332</b>	<b>13.808</b>	<b>7.476</b>	<b>+118%</b>
<i>out of which ESIF (B)</i>	9.980	120	150	4	<b>4.701</b>	<b>10.254</b>	<b>5.553</b>	<b>+118%</b>
<b>Disbursement rate of ESIF contribution (B)/(A)</b>	73%	47%	53%	62%	<b>55%</b>	<b>72%</b>	<b>+17 p.p.</b>	-

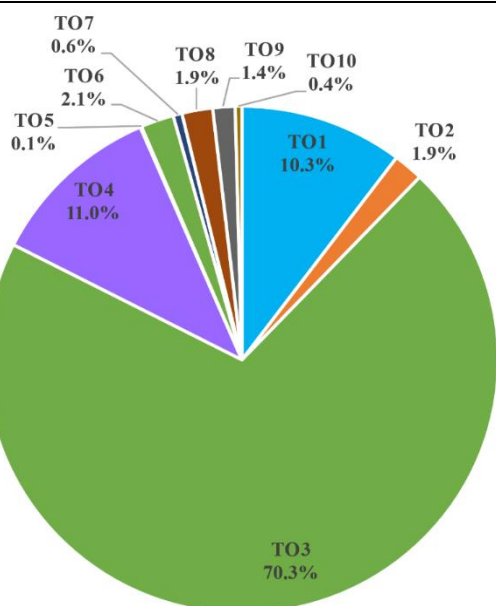
The reporting on ESIF FIs by commitments to thematic objectives (Figure 1)<sup>4</sup> shows a considerable increase in the support for small and medium-sized enterprises (SMEs) which soared from 57.3% in 2019 to 70.3% in 2020. The total committed amounts to TO3 now equal to almost EUR 15 billion. This increase is attributable to the rapid deployment of ESIF FIs to support European SMEs affected by the coronavirus outbreak.

<sup>3</sup> The full amount of loans, guaranteed loans and equity support provided to final recipients with the support of ESIF (including non-programme resources, when reported).

<sup>4</sup> There are 11 thematic objectives, which are defined in Article 9 of CPR. FIs are used in 10 of them. Where a FI addresses multiple thematic objectives, in the reported data the breakdown by TO was not provided in all cases.

The two other thematic objectives that typically account for important shares of FI allocations – TO1 in research and innovation investment and TO4 including energy efficiency support – reported a decrease compared to the previous year as TO1 dropped from 14.5% to 10.3% and TO4 from 15.6% to 11%. This decrease was also recorded in absolute terms as the overall commitments to TO1 dropped by EUR 296 million and to TO4 by EUR 336 million.

**Figure 1 Commitments to FIs in the funding agreements as percentage of total commitment by thematic objective (TO) at the end of 2020 (all ESIF)**



- TO1 - Research and Innovation
- TO2 - Information and communication technologies
- TO3 - SME competitiveness
- TO4 - Low carbon economy
- TO5 - Climate change and risk prevention
- TO6 - Environment and resource efficiency
- TO7 - Transport and energy networks
- TO8 - Employment and labour market
- TO9 - Social inclusion
- TO10 - Education and training

The following chapters present detailed information for each of the ESI Funds.

## **PART II: Chapters by funds**

## ERDF and CF

### 1. Key figures and trends

Table 2 Key progress indicators reported by managing authorities as of the end of 2020<sup>5</sup> (financial figures in EUR million)

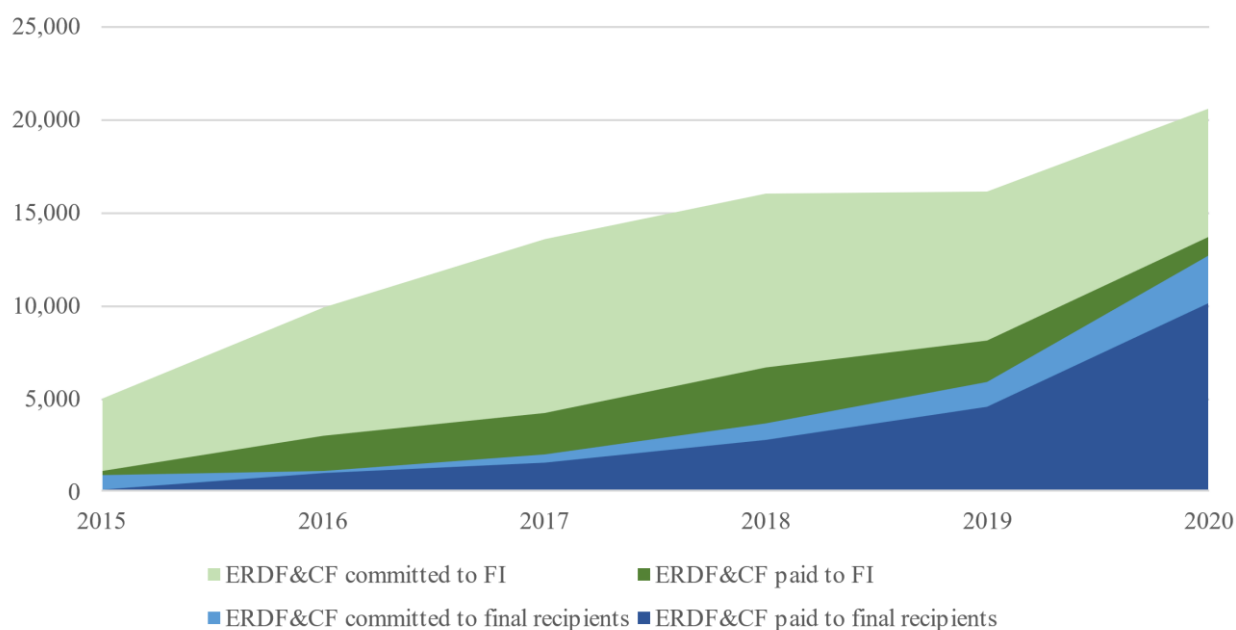
	2020	2019	Change
<b>Number of MSs reporting on FIs</b>	<b>25</b>	25	-
<b>Number of programmes reporting on FIs</b>	<b>158</b>	154	+4
<b>Programme amounts committed to FIs</b>	<b>27,451</b>	22,002	+5,449
<i>Of which ERDF or Cohesion Fund</i>	<i>20,523</i>	<i>16,107</i>	<i>+4,416</i>
<b>Programme amounts paid to FIs</b>	<b>17,784</b>	10,561	+7,223
<i>Of which ERDF or Cohesion Fund</i>	<i>13,681</i>	<i>8,100</i>	<i>+5,581</i>
<b>Programme amounts committed to final recipients</b>	<b>16,843</b>	8,127	+8,716
<i>Of which ERDF or Cohesion Fund</i>	<i>11,916</i>	<i>5,924</i>	<i>+5,992</i>
<b>Programme resources invested in final recipients</b>	<b>13,420</b>	6,131	+7,289
<i>Of which ERDF or Cohesion Fund</i>	<i>9,980</i>	<i>4,558</i>	<i>+5,422</i>
<i>Of which loans</i>	<i>6,855</i>	<i>3,140</i>	<i>+3,715</i>
<i>Of which guarantees</i>	<i>3,987</i>	<i>1,502</i>	<i>+2,485</i>
<i>Of which equity</i>	<i>2,045</i>	<i>1,281</i>	<i>+764</i>
<i>Of which other</i>	<i>312</i>	<i>208</i>	<i>+104</i>
<b>Financing (loans, guaranteed loans and equity) disbursed to final recipients<sup>6</sup></b>	<b>37,439</b>	14,665	+22,774
<b>Programme resources paid as management costs and fees</b>	<b>663</b>	393	+270
<b>Amount attributable to ERDF or Cohesion Fund repaid to FIs</b>	<b>948</b>	484	+464
<b>Final recipients supported</b>	<b>556,427</b>	143,000	+413,427
<i>Of which SMEs</i>	<i>477,915</i>	<i>111,000</i>	<i>+366,915</i>

<sup>5</sup> This summary is based on information submitted by managing authorities on the progress made in implementing FIs by the end of 2020. Programme contributions refer to ERDF, CF and related national co-financing. ESF and ESF-related national co-financing are considered in the respective section.

<sup>6</sup> Due to additional funding attracted by the FIs (see footnote 54 for FIs included in the calculation).

The overall progress since 2015 is shown in Figure 2.

**Figure 2 Overall progress from the beginning of the 2014-2020 period, EUR million**



More detailed data about specific instruments as reported by the managing authorities is available on <https://cohesiondata.ec.europa.eu>.

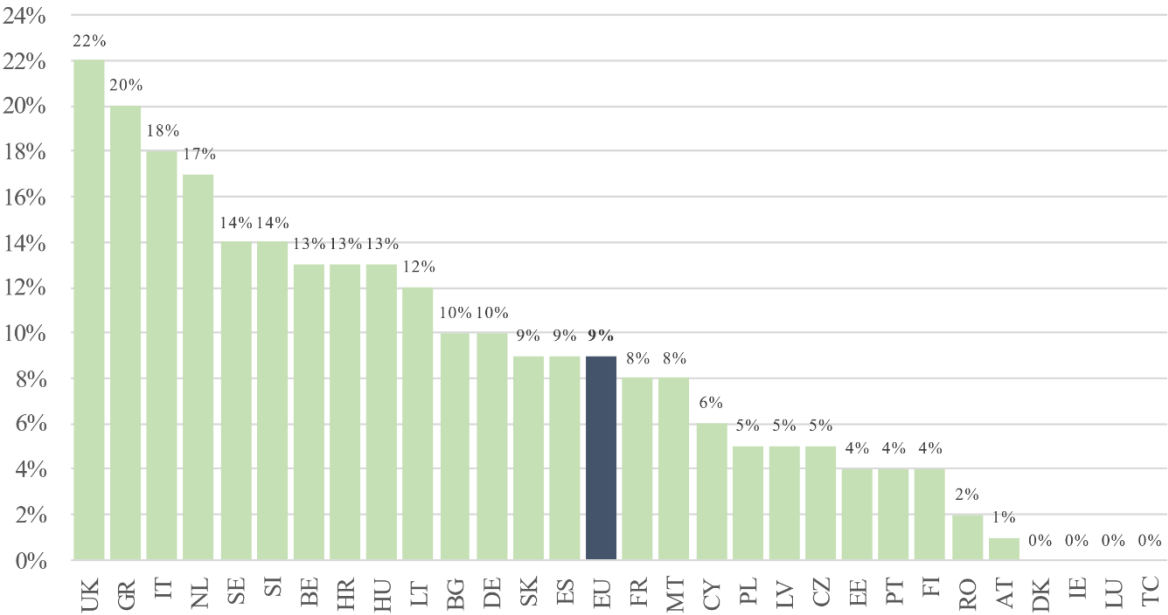
**2. Summary of data collected on FIs implemented under ERDF and CF**

**2.1 Planned use and commitments to financial instruments.**

As at the end of 2020, indicative ERDF and Cohesion Fund allocation for FIs in the submitted programmes was **EUR 22.4 billion**<sup>7</sup> or about **9%** of the total ERDF and Cohesion Fund envelope in the 2014-2020 period.

The share of FIs varies, with the highest allocation planned in the UK and GR (22% and 20% respectively), and no allocations in DK, IE and LU (Figure 3). No FIs were planned under the European Territorial Cooperation (TC) goal.

**Figure 3 ERDF and CF allocated to FIs as percent of the ERDF and CF allocated to the Member States<sup>8</sup>**



Looking at the different uptake of FIs among Member States in the 2014-2020 programming period, this cannot be explained solely by differences in the fields of intervention, the level of

<sup>7</sup> The amount submitted to the Commission on 31 December 2020 was EUR 20.6 billion. This was corrected to reflect higher commitments to FIs than indicatively planned in some Member States.

development or the size of allocations, as similar Member States have very different shares of FIs. Lessons learned from the Member States allocating more of their resources to FIs should be used to explore the potential for increased use of FIs in the 2021-2027 programming period<sup>9</sup>.

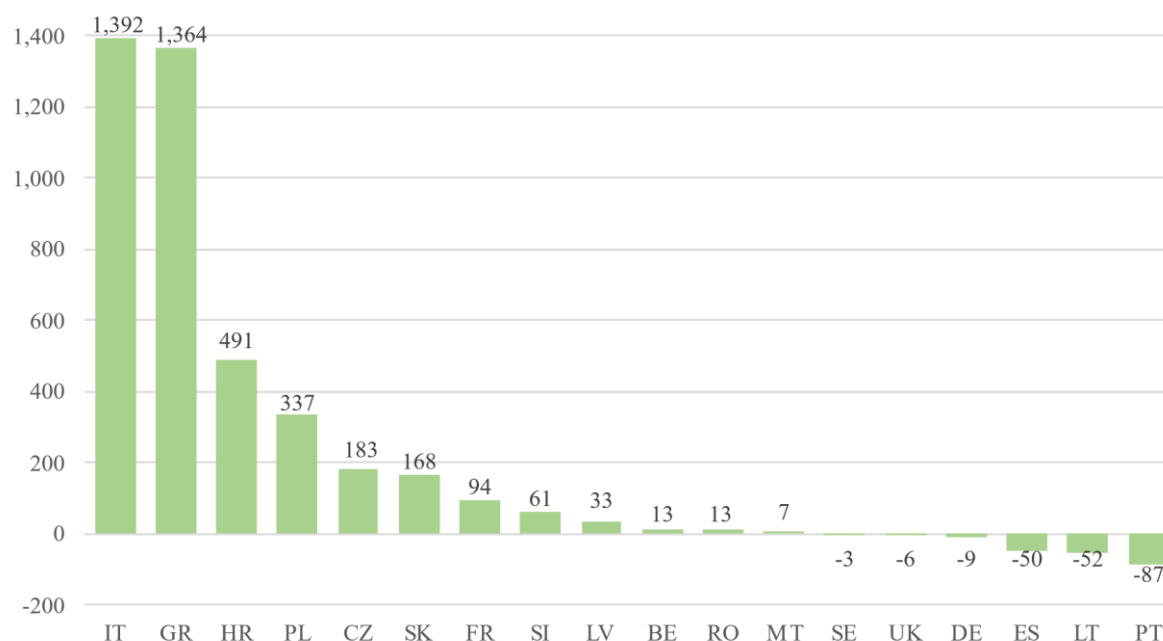
The COVID-19 crisis had significant impact on the allocation planned for FIs in the programmes, as the amount increased by almost EUR 4.0 billion by the end of 2020 compared with a year earlier. This net shift from other forms of support, primarily grants, towards FIs is remarkable given the late stage of the programming period and the fact that most of the allocation had already been committed. GR and IT reported the largest increase of planned allocations to FIs (almost EUR 1.4 billion each, see Figure 4), while CZ, HR, PL and SK also reported a significant increase (above EUR 100 million each). Most additional resources supported working capital of the SMEs in the view of the liquidity crisis caused by the covid-19 outbreak and the measures that followed. Some other resources were redirected to that same purpose, given the intention of the Member States to provide EUR 7.0 billion of COVID-19 related working capital support through FIs<sup>10</sup>.

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<sup>9</sup> See *fi-compass* (2020), Stocktaking study on financial instruments by sector, for an analysis of the five sectors having a greater potential for use of FIs in the future.

<sup>10</sup> This is the total target value of programme-specific indicator ‘CV21 – FI support to SMEs for working capital’ included in approved programmes, as retrieved on [cohesiondata.ec.europa.eu](https://cohesiondata.ec.europa.eu) on September 9, 2021. This compares to EUR 27.5 billion of ERDF, CF and related national co-financing committed to FIs. CV21 target value is over two times the value of the respective indicator (CV20) for grants. About EUR 1.5 billion of FI support to SMEs for working capital was targeted under REACT-EU.

**Figure 4 Indicative FI programme allocation: change 2019-2020 (only MS reporting a difference)**



Programme amounts committed to FIs operations<sup>11</sup> reached **EUR 27.5 billion**<sup>12</sup>, covering **92%** of the ERDF and CF planned in the programmes for this form of finance<sup>13</sup>. Figure 5 shows how each Member State performed. The amounts allocated to forms of finance in the programmes are only indicative, so the managing authorities could commit funds without waiting for amendment of the programmes. Thus, shares that are significantly lower than 100% might be a sign of delay or they might indicate that decrease in planned allocation has not yet been included in submitted programme amendments. However, the figures should converge when the relevant priority axes are amended in the future.

<sup>11</sup> 'Programme contributions committed to FIs' means the programme resources committed in the funding agreements. "Committed in funding agreements" describes the total amount of payment obligation to the fund of funds or specific fund. It includes both EU and national co-financing but excludes any expenditure which is not to be declared as eligible. The term "committed in funding agreement" should not be confused with budgetary commitments from the EU budget.

<sup>12</sup> Overall, EUR 29.3 billion of eligible cost of selected projects for the relevant forms of finance was reported by the programmes based on Article 112 CPR requirements.

<sup>13</sup> Both indicative amounts planned for FIs and resources committed to FIs increased significantly compared with a year earlier. Hence, any percentages for end 2020 calculated in this report based on such higher amounts are not fully comparable with the respective figures provided in the earlier editions of the ERDF/CF annual summaries.



A substantial increase of about EUR 5.5 billion of programme resources committed to FIs was reported compared to the end of 2019. IT (almost EUR 1.9 billion) and GR (EUR 1.7 billion) had the largest additional programme amount committed to FIs, accounting for about two thirds of the total. HR also reported a significant increase (over EUR 400 million).

**Financial instruments as part of the COVID-19 response**

In last year’s edition, we introduced the AntiCorona Guarantee implemented by the Slovak Investment Holding (SIH) as an example of a FI, which was set up to overcome the liquidity constraints caused by the COVID-19 crisis. It was one of the first FI introduced by a national promotional bank and institution (NPBI) in the EU upon the coronavirus outbreak, which employed ESIF and made use of the simplified regulatory framework (CRII+) for FIs.

The SIH Anti-Corona Guarantee was implemented in two phases. The first contract with a commercial bank was signed on 17 April 2020 for the first phase, less than 6 weeks since the first confirmed occurrence of COVID-19 virus in Slovakia. The very first loan agreement with an SME was signed in the beginning of May 2020.

<b>SIH AG 1 loan volume:</b>	<b>311.9 mil.</b>
<b>SIH AG 1 supported SMEs:</b>	<b>2.185</b>
<b>SIH AG 2 loan volume:</b>	<b>205.7 mil.</b>
<b>SIH AG 2 supported SMEs:</b>	<b>3.281</b>

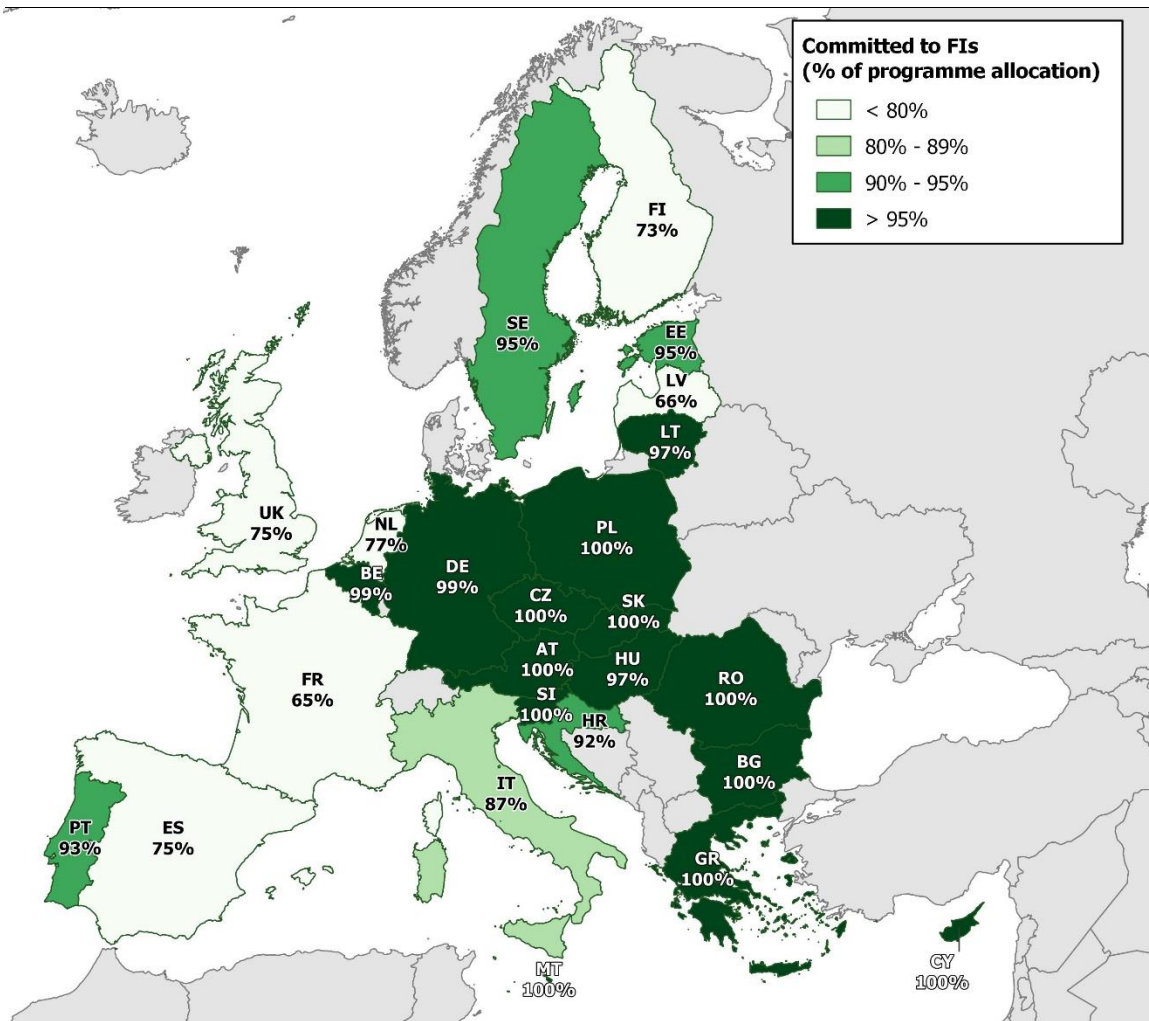
**SIH Anti-Corona Guarantee 1**

The SIH Anti-Corona Guarantee 1 was implemented in cooperation with 8 banks operating in Slovakia. This financial instrument was designed to provide a 50% capped portfolio guarantee with an 80% loan coverage. It also includes an interest rate subsidy up to 4% p.a., conditional on the client preserving existing jobs 12 months after the loan disbursement. The underlying loans have a 12-month grace period, during which supported enterprises repay neither the principal nor the interest.

**SIH Anti-Corona Guarantee 2**

The SIH Anti-Corona Guarantee 2, based on the COVID-19 State Aid Temporary Framework, is implemented by 11 banks. This instrument offers an uncapped guarantee instrument with a 90% loan coverage. Same as in the case of the Anti-Corona Guarantee 1, there is a 12-month grace period for the client. SIH introduced an interest cap on this FI which represents 3.9% p.a. for micro enterprises and 1.9% for all other enterprises. Since the Temporary Framework required a guarantee premium payable by the final recipient, SIH included a possibility of a guarantee fee subsidy, as long as the supported enterprise retains the previous level of employment within 12 months following the loan disbursement.

**Figure 5 Amounts committed to FIs (% of indicative programme allocation), as of end 2020**



Programme contributions were committed to FIs in funding agreements in 25 Member States, including EUR 20.2 billion of ERDF and EUR 0.4 billion of the Cohesion Fund. The ten largest programmes committed over EUR 600 million each, and EUR 14.1 billion of programme resources in total (see Figure 6). This was more than half of the EU aggregate figure.

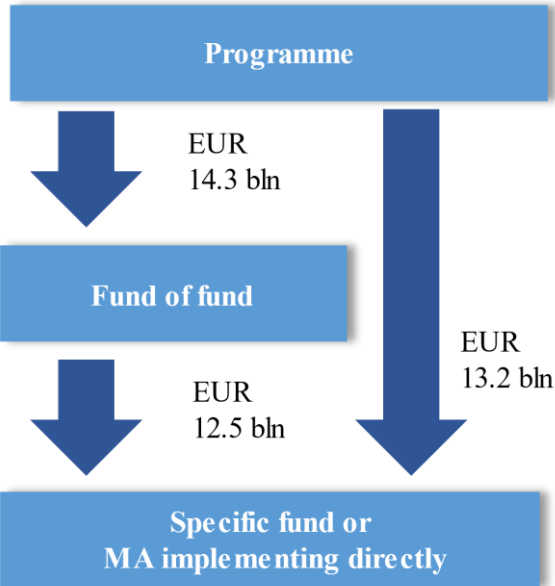
<b>Figure 6 Ten largest OPs by amount committed to FIs as of end 2020</b>			
<b>Member State</b>	<b>CCI</b>	<b>OP name</b>	<b>OP amount committed to FI</b>
GR	2014GR16M2OP001	Ανταγωνιστικότητα Επιχειρηματικότητα και Καινοτομία	2,568.0
IT	2014IT16RFOP003	PON Imprese e competitività	2,446.8
HU	2014HU16M0OP001	Gazdaságfejlesztési és Innovációs Operatív Program	2,101.1
PL	2014PL16RFOP001	Program operacyjny Inteligentny rozwój	1,593.8
UK	2014UK16RFOP001	United Kingdom -ERDF England	1,440.6
HR	2014HR16M1OP001	Operational programme competitiveness and cohesion 2014 - 2020	1,011.8
SK	2014SK16M1OP001	Integrovaná infraštruktúra	834.5
CZ	2014CZ16RFOP001	Operační program podnikání a inovace pro konkurenceschopnost	759.5
ES	2014ES16RFSM001	Iniciativa PYMEs FEDER 2014-20 PO	735.0
LT	2014LT16MAOP001	2014-2020 metų Europos Sąjungos struktūrinių fondų investicijų veiksmų programa	646.2

Managing authorities in 19 Member States committed EUR 14.3 billion to funds of funds, or 52% of programme commitments to FIs. Of these, EUR 10.5 billion is from ERDF and EUR 320 million from the Cohesion Fund. Programme resources committed in funding agreements with specific funds under a fund of funds, which is the necessary next step to provide financing to final recipients, was EUR 12.5 billion or 88% of programme funding committed to funds of funds<sup>14</sup> (70% in 2019). Most programme resources yet to be committed to financial intermediaries by the funds of funds were in PL (EUR 790 million), PT (EUR 200 million) and SK (EUR 190 million). The entire amount committed to funds of funds was yet to be committed to financial intermediaries in CY (EUR 40 million), CZ (EUR 115 million) and DE (EUR 22 million). Compared with a year earlier, most additional programme resources committed to FIs reported in 2020 were for specific funds without a fund of fund i.e., EUR 4.2 billion of EUR 5.5 billion.

<sup>14</sup> This includes possible programme resources committed at the level of financial intermediaries.

Ten programmes in DE, ES, FR, and IT reported undertaking implementation tasks directly according to Article 38(4)(d) CPR.

**Figure 7 Overview of programme resources committed by type of FI, as of end 2020**



Almost EUR 3.5 billion of programme resources - or 13% of the total - was committed to FIs managed by the EIB (EUR 1.3 billion) or the EIF (EUR 2.2 billion) in 14 Member States. In RO, CY and MT all FIs are managed by the EIB or EIF. Six Member States contributed to the SME Initiative option under Article 39 (BG, ES, FI, IT, MT and RO) for a total of EUR 1.5 billion of committed programme amounts.

**The contribution of financial instruments to climate/low carbon and digital priorities**

EU Member States provide information on the ERDF and CF support for climate change objectives using a methodology based on the categorisation of investment action. The methodology consists of assigning a specific ‘climate weighting’ to the ERDF and CF provided at a level which reflects the contribution to climate change mitigation and adaptation

goals<sup>15</sup>. As investment categories can also be broken down by forms of finance, support to climate action provided through financial instruments can also be identified.

Based on this methodology, the decided amount<sup>16</sup> of ERDF and CF support for climate action through financial instruments was over EUR 3 billion as of end 2020. The largest decided amount was for energy efficiency renovation of existing housing stock (EUR 1.4 billion), while considerable resources were also decided for energy efficiency renovation of public infrastructure (over EUR 570 million) and energy efficiency in SMEs (EUR 535 million). Overall, financial instruments accounted for 4% of ERDF and CF support decided for climate action, with the highest share of support decided for energy efficiency renovation of existing housing stock (18%) and energy efficiency in SMEs (17%).

SK reported the largest decided ERDF and CF amount for climate action through financial instruments (almost EUR 520 million), while considerable resources were also reported for LT (EUR 410 million) and HU (EUR 390 million). Where SK and LT focused on energy efficiency renovation of existing housing stock, substantial resources were decided for solar energy in HU (EUR 220 million). PL reported the largest decided amount for energy efficiency in SMEs (EUR 120 million) and the UK for energy efficiency renovation of public infrastructure (EUR 110 million). LT and SE had the largest proportion of ERDF and CF for climate action provided through FIs, respectively 24% and 21%.

By using the categorisation data submitted by the EU Member States it is equally possible to identify the ERDF and CF support decided for digital investments through FIs<sup>17</sup>. By the end of 2020, this was about EUR 470 million in total. The largest amount (EUR 270 million) was for high-speed broadband, of which EUR 260 million in PL. Considerable resources were also decided for ICT services & applications for SMEs (EUR 160 million), most of which in HU (almost EUR 120 million) and SK (almost EUR 40 million). Additionally, a considerable amount of ERDF and CF was decided for FI support to e-government services and applications in ES (EUR 32 million). BG, GR and IT also decided to use FIs to support digital investments, although the amount involved was limited.

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<sup>15</sup> For more details, see [cohesiondata.ec.europa.eu](https://cohesiondata.ec.europa.eu)

<sup>16</sup> The term *decided amount* is used for eligible cost based on Article 112 CPR - Transmission of financial data, implying a different amount than committed/allocated.

<sup>17</sup> For the intervention fields considered, see [cohesiondata.ec.europa.eu](https://cohesiondata.ec.europa.eu)

Overall, FIs accounted for 2% of ERDF and CF decided support for digital investments, with the highest share for ICT services and applications for SMEs (12%) and high-speed broadband (8%). Overall, seven Member States decided to use financial instruments to support digital investments, with HU reporting the largest proportion of ERDF and CF digital investment support provided through FIs (15%).

## 2.2 Payments to financial instruments

The current reporting exercise shows a substantial increase of payments to FIs. At the end of 2020, **EUR 17.8 billion** - of which EUR 13.7 billion of ERDF and CF - had been paid to FIs. OP resources paid to funds of funds over the 2014-2020 programming period were EUR 8.0 billion, while payments to fund of funds specific funds reached EUR 6.4 billion, or 80% of payments to funds of funds (62% in 2019).

ERDF and CF paid to FIs was 67% of the respective committed amount (50% in 2019). If SME Initiative, for which different payment schedule is applied (Article 39(7) CPR)<sup>18</sup> is excluded, the payment progress amounts to 65%.

National co-financing paid to FIs was almost EUR 4.1 billion, of which EUR 3.2 billion was from public sources and over EUR 900 million from private sources, especially in the UK (over EUR 495 million) and PL (over EUR 200 million).

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<sup>18</sup> Such payment applications are based on the amounts requested by the EIB deemed necessary to cover commitments under guarantee agreements or securitisation transactions to be finalised within the three following months.

Figure 8 ERDF and CF committed in the funding agreements and paid to FIs as of end 2020, EUR million

MS	OP amount committed to FI	ERDF&CF committed to FI	OP amount paid to FI	ERDF&CF paid to FI	Percentage of commitments paid (ERDF&CF)
AT	9.0	3.0	9.0	3.0	100%
BE	312.2	126.3	261.1	105.8	84%
BG	689.2	601.2	241.7	219.6	37%
CY	40.0	33.5	10.0	8.5	25%
CZ	832.8	813.7	545.8	532.3	65%
DE	1,646.1	1,047.6	1,176.3	756.3	72%
EE	162.7	117.5	64.8	58.8	50%
ES	1,547.4	1,352.9	1,154.1	1,027.0	76%
FI	43.0	21.5	43.0	21.5	100%
FR	981.6	470.6	728.7	343.1	73%
GR	2,691.3	2,334.4	2,107.2	1,818.7	78%
HR	1,011.8	822.1	537.7	497.6	61%
HU	2,178.0	2,139.6	1,386.4	1,364.7	64%
IT	5,001.7	3,378.0	3,831.8	2,537.8	75%
LT	646.2	645.3	452.1	451.9	70%
LV	158.2	114.5	96.9	78.4	68%
MT	44.0	41.0	37.0	34.0	83%
NL	185.6	66.0	68.7	26.9	41%
PL	3,855.2	3,143.4	2,319.4	2,055.6	65%
PT	938.0	500.9	210.3	189.8	38%
RO	383.3	362.8	347.3	332.2	92%
SE	255.2	124.5	186.2	92.8	75%
SI	422.6	318.0	211.3	159.0	50%
SK	1,260.9	999.2	511.2	410.0	41%
UK	2,154.7	945.7	1,246.5	556.2	59%
<b>Total</b>	<b>27,450.8</b>	<b>20,523.1</b>	<b>17,784.4</b>	<b>13,681.5</b>	<b>67%</b>

Before being invested into final recipients, resources paid to financial instruments are subject to treasury management, with any gains increasing the amount available for investment. By the end of 2020, as a result of such treasury operations, FIs had accrued net gains attributable to ERDF and CF<sup>19</sup> of about EUR 88 million. FIs to which EUR 6.6 billion of ERDF and CF

<sup>19</sup> Article 43 of the CPR clarifies how interest or other gains from the investment of ERDF and CF contributions to FIs should be handled.

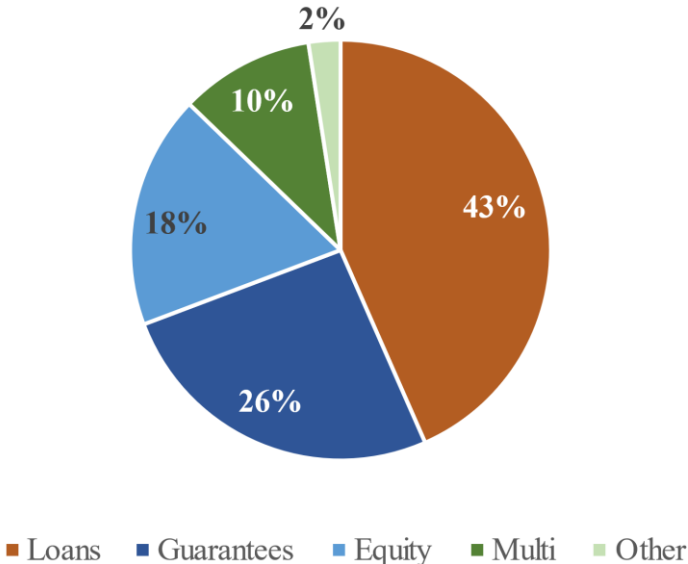
resources were paid either did not report on gains or losses from treasury operations or reported that the treasury operations had generated neither gains nor losses.

### 2.3 Products offered

Member States provided information about products offered by 839 specific funds<sup>20</sup>, with or without a fund of fund structure, and FIs managed directly by the managing authority. The largest amount of programme resources - EUR 10.9 billion - was committed to FIs providing loans, while EUR 6.5 and EUR 4.5 billion was committed to FIs providing guarantees and equity, respectively. Most resources of multi-product FIs were committed to provide loans and equity (EUR 1.6 billion). Compared with a year earlier, additional committed resources were reported especially for guarantee and loan FIs - EUR 3.6 and EUR 3.1 billion, respectively.

Loan FIs were especially important in HU and HR, representing over two thirds of their respective programme amounts committed to FIs. AT and SE only provided equity or quasi-equity and MT only guarantees. The average programme amount committed ranged between EUR 21 million for equity FIs and about EUR 59 million for guarantee FIs.

**Figure 9 Programme amounts committed to FIs by product, as of end 2020, percent**



<sup>20</sup> Information on the products an FI offers is not provided at the level of funds of funds, but only at the level of the specific fund that makes payments to final recipients.



Fifteen Member States reported other support<sup>21</sup> combined with FIs in one FI operation in the sense of Article 37(7) CPR. At the end of 2020, EUR 5.7 billion of programme resources were committed to FIs providing other support combined within the FI, compared to EUR 3.5 billion as of the end of 2019. The largest amount committed to FIs providing other support combined within the FI was in HU (over EUR 1.4 billion) and GR (almost EUR 1.1 billion).

In most cases, other support combined within the FIs provided interest rate or guarantee fee subsidies. In CZ, a loan instrument was combined with an energy audit subsidy. Subsidies to technical support were provided in combination with equity in FR and loans in LT.

## **2.4 Support to final recipients**

By the end of 2020, all reporting Member States except CY had committed some programme resources in loan and guarantee agreements or equity to final recipients.

Since the beginning of the 2014-2020 period, **EUR 13.4 billion** of programme resources had been used to support final recipients i.e., financing either paid to final recipients or to the benefit of final recipients, or set aside for guaranteed loans disbursed to final recipients. This is well over twice the programme amount used to support final recipients by the end of 2019, with an increase of EUR 7.3 billion. Almost EUR 10.0 billion of ERDF and CF was paid to final recipients i.e., 73% of ERDF and CF paid to FIs - it was 56% as of the end of 2019.

By the end of 2020, ERDF and the Cohesion Fund disbursed to final recipients covered **49% of the respective amount committed to FIs**<sup>22</sup> (28% in 2019). The total co-financing paid to final recipients was EUR 3.6 billion, of which EUR 1.0 billion from private sources. At least EUR 245 million<sup>23</sup> of private co-financing was paid at the level of the final recipients.

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<sup>21</sup> Other support combined with FIs in one FI operation is a grant support in the form of an interest rate or guarantee fee subsidy or technical support

<sup>22</sup> Programme contributions effectively paid to final recipients or, in the case of guarantee, committed for loans paid to final recipients, contribute to eligible expenditure at closure, together with other expenditure as stipulated in Article 42 CPR.

<sup>23</sup> As national co-financing can come at the level of final recipients, OP resources committed and paid to the final recipients can be larger than to the FI. However, due to the different timing of these commitments and payments, co-financing at the level of the final recipients only becomes apparent in the reported data with implementation progress.

Figure 10 Payments to FIs, commitments and payments to final recipients, as of end 2020, EUR million

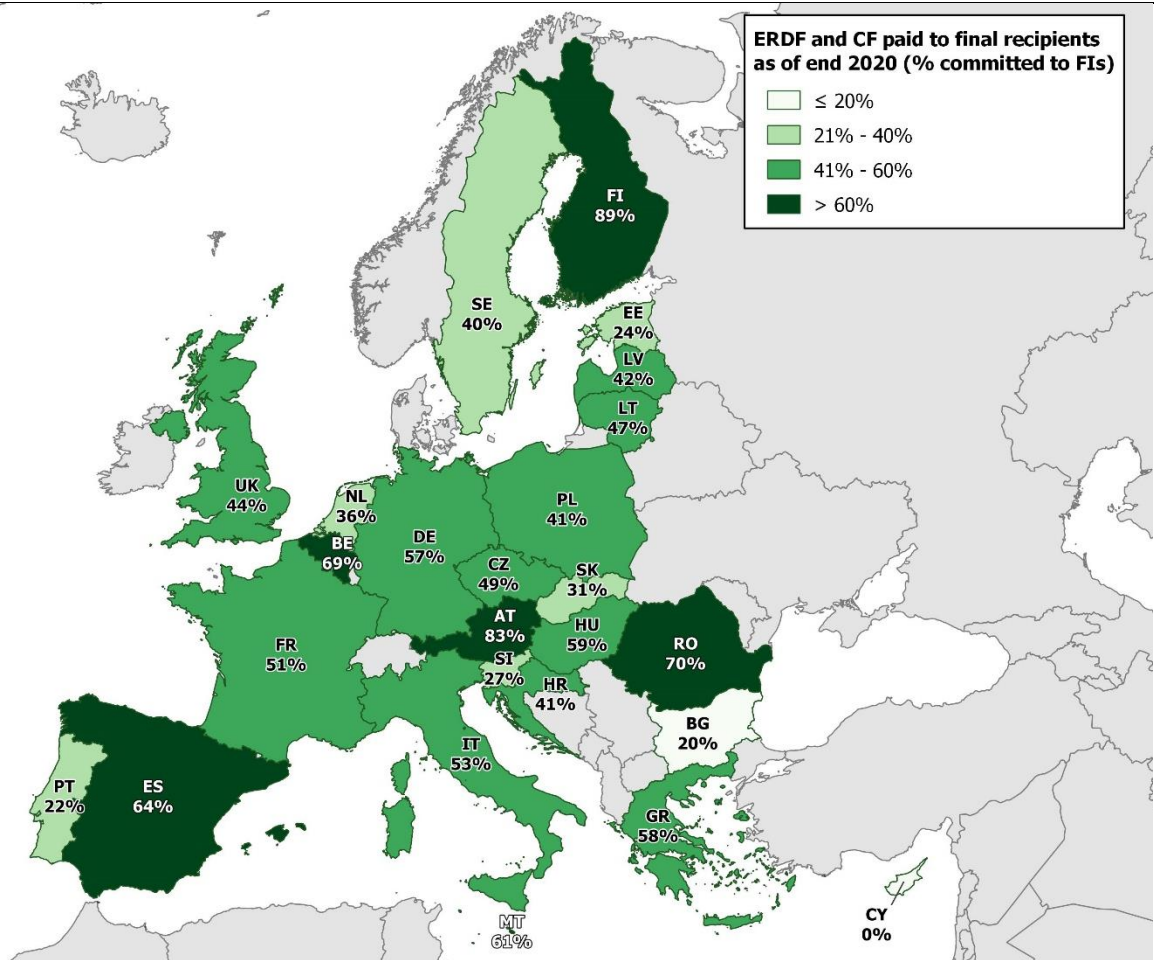
MS	OP amount paid to FI	ERDF & CF paid to FI	OP amounts committed to final recipients	ERDF & CF committed to final recipients	OP amounts paid to final recipients	ERDF & CF paid to final recipients	ERDF & CF disbursement rate
AT	9.0	3.0	7.8	2.6	7.5	2.5	83%
BE	261.1	105.8	228.7	88.6	214.6	86.5	82%
BG	241.7	219.6	159.2	149.6	126.5	121.8	55%
CY	10.0	8.5	-	-	-	-	0%
CZ	545.8	532.3	1,065.7	598.2	212.8	397.3	75%
DE	1,176.3	756.3	1,069.9	652.0	957.3	598.3	79%
EE	64.8	58.8	81.0	80.6	29.8	28.1	48%
ES	1,154.1	1,027.0	993.5	872.5	958.1	862.6	84%
FI	43.0	21.5	38.4	19.2	38.4	19.2	89%
FR	728.7	343.1	625.7	278.6	536.5	239.5	70%
GR	2,107.2	1,818.7	1,769.8	1,553.0	1,531.9	1,352.2	74%
HR	537.7	497.6	456.0	416.0	399.9	336.8	68%
HU	1,386.4	1,364.7	1,337.1	1,216.3	1,272.6	1,253.0	92%
IT	3,831.8	2,537.8	3,634.9	2,367.0	2,788.9	1,783.9	70%
LT	452.1	451.9	389.6	389.6	301.0	300.3	66%
LV	96.9	78.4	222.1	78.7	73.4	47.7	61%
MT	37.0	34.0	24.9	23.9	21.1	24.9	73%
NL	68.7	26.9	123.4	30.9	102.0	23.8	89%
PL	2,319.4	2,055.6	1,682.9	1,401.7	1,533.6	1,282.1	62%
PT	210.3	189.8	465.2	207.9	287.5	108.0	57%
RO	347.3	332.2	259.9	252.2	256.6	252.2	76%
SE	186.2	92.8	103.4	49.9	103.4	49.9	54%
SI	211.3	159.0	135.7	101.1	116.3	86.6	54%
SK	511.2	410.0	619.4	496.3	556.2	306.3	75%
UK	1,246.5	556.2	1,348.9	589.8	994.1	416.6	75%
<b>Total</b>	<b>17,784.4</b>	<b>13,681.5</b>	<b>16,843.2</b>	<b>11,916.0</b>	<b>13,419.8</b>	<b>9,980.0</b>	<b>73%</b>

Programme resources committed and not yet paid to final recipients were EUR 3.4 billion or 20% of the amounts committed to final recipients.

The amount committed to final recipients exceeds the amount invested in final recipients, as there is a time lag between signing a loan, guarantee or equity participation and the actual investment. Payments are sometimes made in tranches according to the progress of project implementation. This can be seen with instruments which started investments under each signed contract but paid out only part of the committed amounts.

There is a large variation as regards the share of funds committed to FI which reached final recipients. SME Initiative progress was considerably faster, as 79% of the ERDF committed to FIs already reached final recipients compared to an overall figure of 46% for the remaining FIs. Figure 7 shows how each MS performed.

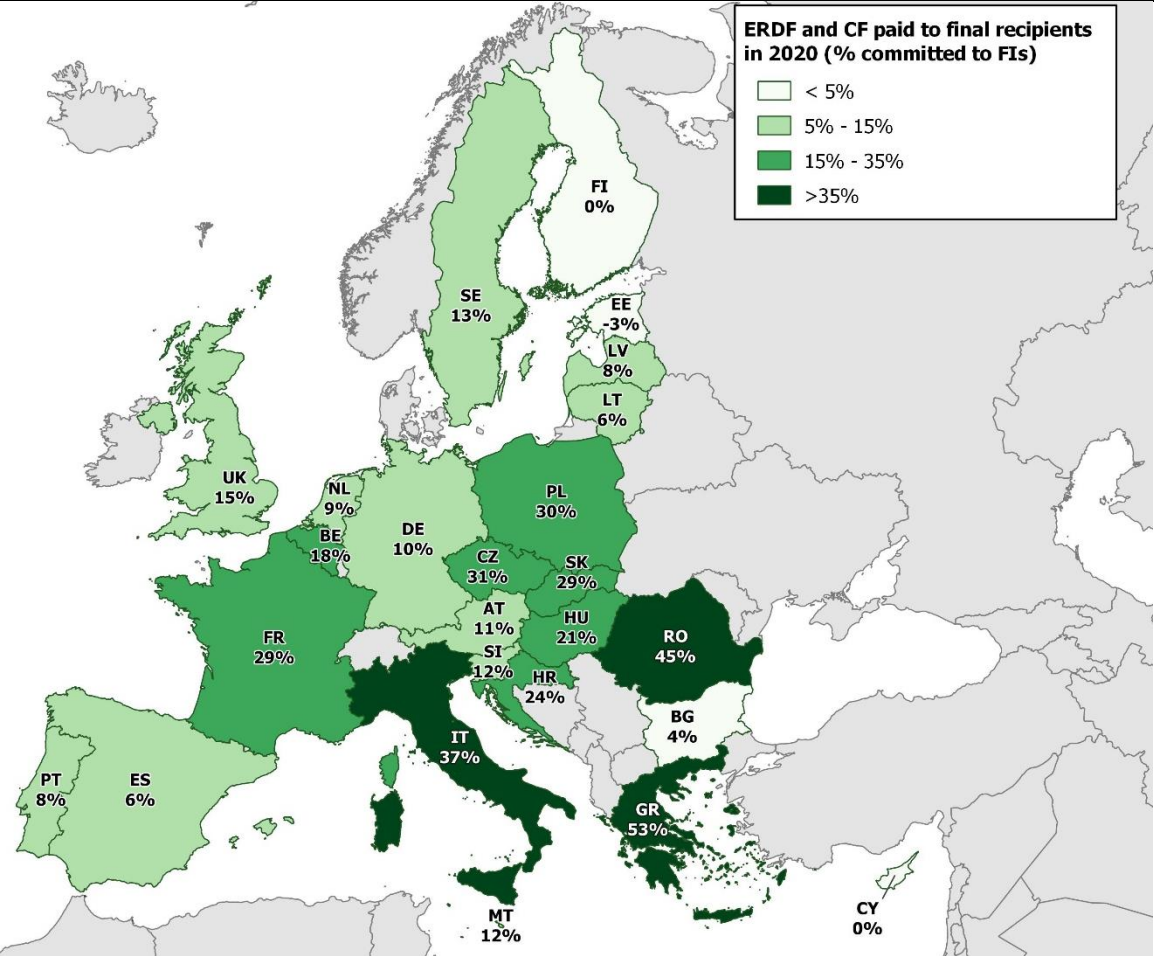
**Figure 11 ERDF and CF paid to final recipients as of end 2020, percent of ERDF and CF committed to FIs**



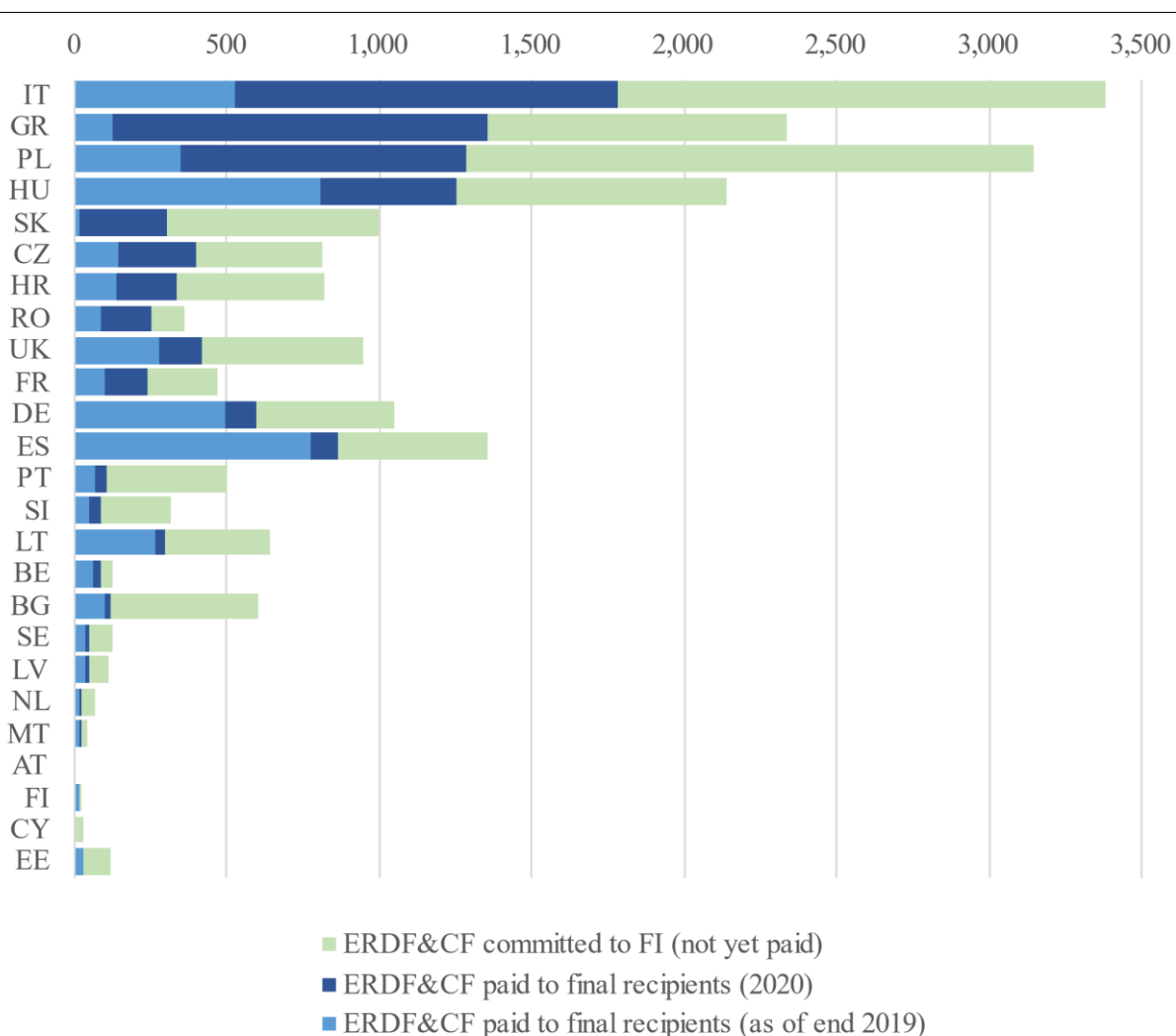
Overall, the amount of ERDF and CF disbursed to final recipients more than doubled in 2020 (from EUR 4.6 to EUR 10.0 billion) compared with the year earlier. IT and GR had the largest increases, each reporting over EUR 1.2 billion of additional ESIF paid to final recipients. PL also reported a substantial increase (EUR 935 million).

In some Member States with substantial ERDF and CF committed to FIs still to be spent as eligible expenditure, payments to final recipients showed little increase compared to the end of 2019 (see Figure 12 and Figure 13). This was the case in particular in BG (EUR 23 million increase with EUR 600 million committed to FIs), LT (EUR 36 and EUR 645 million) and PT (EUR 38 million and EUR 500 million). Small increases in some other Member States are due to a faster implementation in the years before, implying that very little or no resources were left to be paid.

**Figure 12 ERDF and CF paid to final recipients in 2020 as percent of ERDF and CF committed to FIs**



**Figure 13 ERDF and CF paid to final recipients as of end 2019 and in 2020, EUR million**



Compared with earlier reporting i.e., data as of the end of 2019, additional EUR 3.7 billion of loans was disbursed as well as over EUR 760 million equity. Additional EUR 2.7 billion was set aside for guarantees for disbursed loans and over EUR 100 million of other support combined within the FIs was paid to final recipients.

The average loan<sup>24</sup> was over EUR 40,000, ranging from EUR 16,000 in GR to EUR 590,000 in SK<sup>25</sup>. The average loan investment was also quite diverse across TOs, with the smallest average

<sup>24</sup> This only considers FIs that provided a single type of financial product.

<sup>25</sup> The high average amount in SK is influenced by a single investment of almost EUR 30 million made under the OP 'Integrated Infrastructure'. This was used to purchase technical rolling stock for rail monitor/repair.

amount being provided under TO4 (EUR 17,000). The average amount set aside for guarantees for disbursed loans was EUR 10,000, ranging from EUR 5,000 in IT to over EUR 80,000 in GR<sup>26</sup>. The average equity investment was EUR 370,000, ranging from about EUR 100,000 in FI to over EUR 1.9 million in NL.

FIs supported almost 557,000<sup>27</sup> final recipients (about 143,000 at end 2019). SMEs were the largest group with 478,000, of which 375,000 qualified as microenterprises. Large enterprises supported were 384. Most SMEs received support through guarantees (369,000), while over 4,000 SMEs were supported through equity investments. Supported final recipients also included over 74,500 individuals, mostly receiving loans (48,000), and 3,650 other final recipients<sup>28</sup>. Compared to the end of 2019, an additional 365,000 SMEs were supported, of which 308,000 microenterprises. The national OP ‘Imprese e competitività’ in IT reported that almost 260 000 more SMEs were supported compared with a year earlier. This corresponds to the considerable increase of resources paid to final recipients by this OP. It also reflects the fact that the vast majority of SMEs supported under the OP received guarantees, implying a relatively small programme contribution i.e., amount set aside for guaranteed loans.

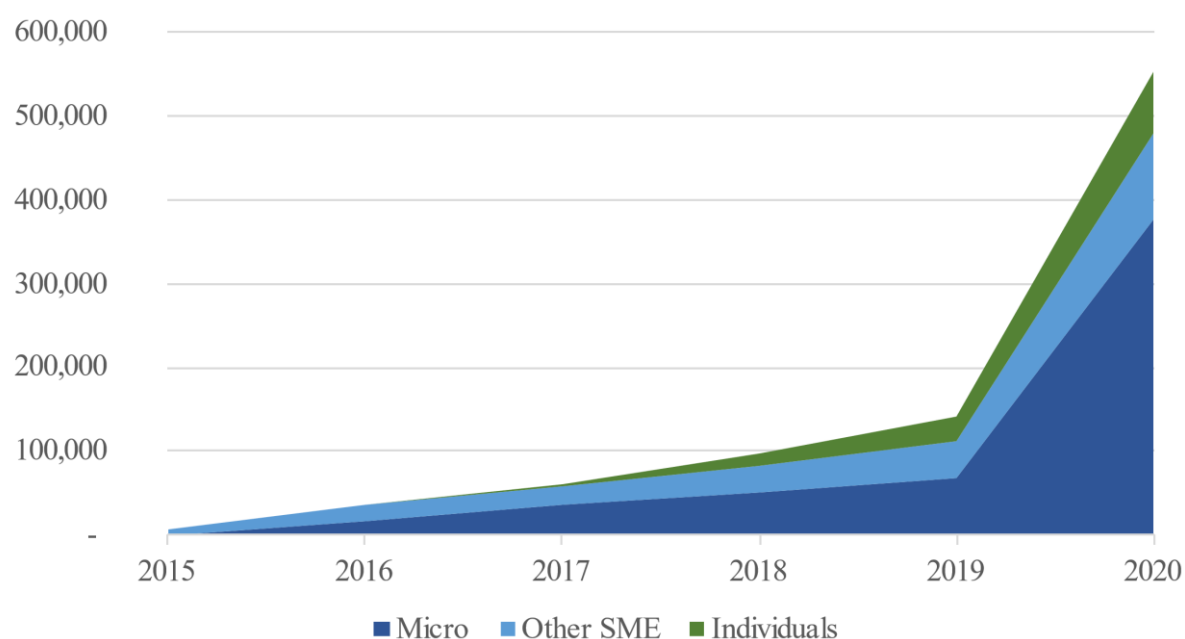
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<sup>26</sup> With an average loan actually paid to final recipients of about EUR 260,000 in GR.

<sup>27</sup> Investments made in final recipients were 536,000. Investments were not reported or no investments were reported for FIs that paid EUR 855 million to almost 8,000 final recipients. The difference between the number of investments and final recipients could also be due to some final recipients receiving more than one investment.

<sup>28</sup> Data on support other than for SMEs is strongly influenced by a small number of products: of the 74,500 individuals supported, 50,000 received loans and other support combined within the financial instrument for energy efficiency interventions in GR and 16,800 loans for research and innovation in HU. Of the 3,650 ‘Other’ final recipients, almost 2,600 received loans under TO4 mainly in LT, but also in PL and SK, while almost 300 received loans under TO3 in FR.

**Figure 14 Number of final recipients supported, 2015-2020 (main types)**



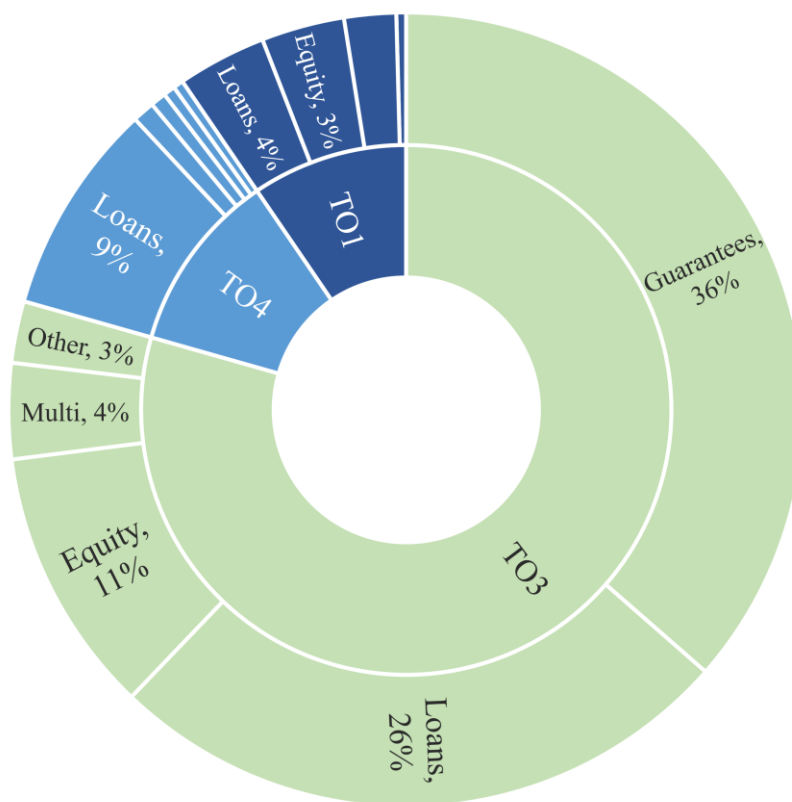
## 2.5 Thematic objectives<sup>29</sup>

Overall<sup>30</sup>, 23 Member States committed EUR 14.4 billion of ERDF to FIs supporting SMEs (TO3). This is followed by support to low carbon economy (TO4) with EUR 2.3 billion in 20 Member States and by R&D and innovation (TO1) with EUR 2.2 billion in 17 Member States. While the amounts committed to FIs significantly increased under TO3 (+EUR 5.1 billion, +54%) compared to the previous reporting exercise, reduced amounts committed to FIs were reported under TO1 (- EUR 300 million, - 12%) and TO4 (- EUR 335 million, - 13%). Most resources were committed to provide both loans and equity under TO1, whereas loans were the main financial product under TO4. The dominant financial product under TO3 were guarantees.

<sup>29</sup> There is no legal obligation to report on specific FI amounts per TO but the SFC makes it possible for MAs to submit such information voluntarily. Information on amounts under TOs was reported for all but 13 OPs in BG, CY, CZ, DE, FR, IT, PL, and the UK. ESIF committed by TOs by some FIs in CZ, DE, FR, HU, IT, MT, PL and SK exceeded ESIF committed to the FI, for a total of about EUR 328 million. In most other cases a priority axis is clearly linked to a single TO, therefore the amounts for a given TO are available from the information provided under the priority axis. The amounts can also be derived for multi-TO priority axes when reporting under Article 46 CPR indicates a single TO for a given FI. Overall, EUR 20.1 billion, or 99% ERDF and CF commitments to FIs could be classified by TO. Breakdown of committed amounts by TOs could not be derived by other data reported by the Member States for some FIs in BG, CY, DE, EE, FR, IT and the UK.

<sup>30</sup> The amounts do not include FIs where the managing authorities undertake implementation directly.

**Figure 15 ERDF and CF committed by TO and financial product<sup>31</sup>, percent**



Extending the scope of FIs to other TOs has been taken up by fewer Member States:

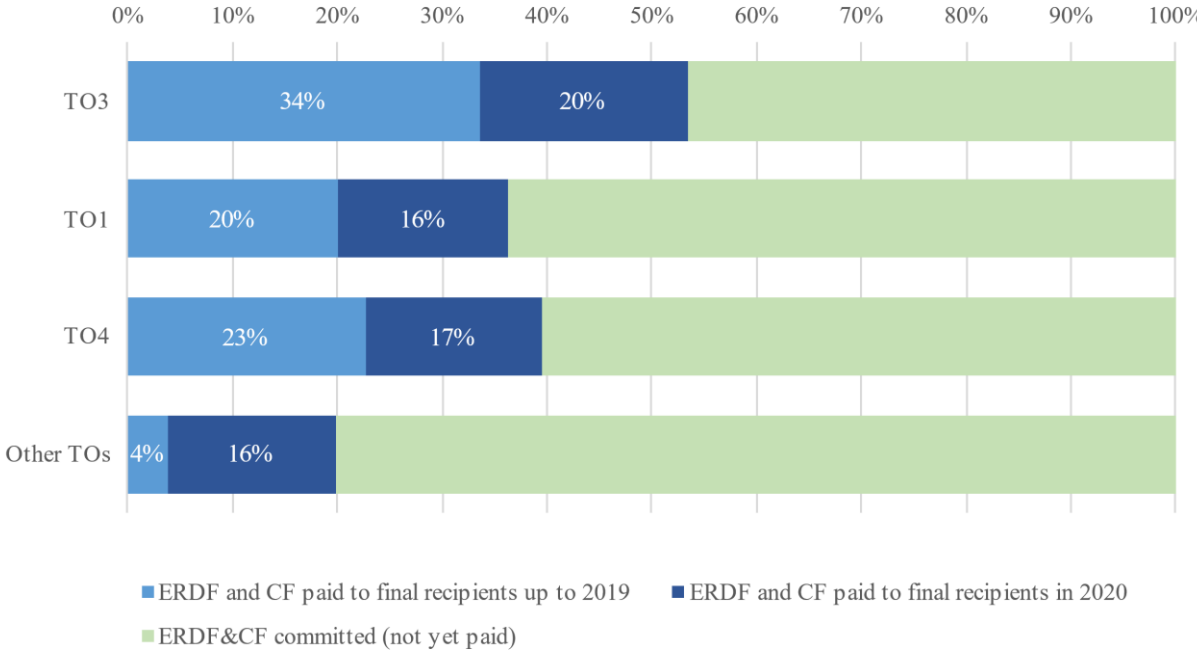
- Seven Member States committed EUR 440 million of ERDF and CF for environment and resource efficiency (TO6), with the highest amount (EUR 182 million) in BG;
- HU (over EUR 140 million), PL (EUR 230 million) and ES (almost EUR 30 million) committed EUR 400 million of ERDF for ICT (TO2) FIs;
- PL committed considerable resources to social inclusion (TO9, EUR 156 million), while ES, NL, PT and SK also made commitments to this thematic objective;
- SK is the only Member State with resources committed to the transport sector (TO7), for a total EUR 119 million ERDF and CF;
- Limited ERDF amounts were committed to address climate change and risk prevention and management in CZ and employment and labour mobility in HU and SK.

<sup>31</sup> Information on the products an FI offers is not provided at the level of funds of funds, but only at the level that makes payments to final recipients.



Figure 16 shows that there are differences in the implementation speed of TOs. Compared to last year reporting, higher additional payments to final recipients as a share of ERDF and CF committed to FIs were reported under TO3, with all other TOs also showing substantial progress. TO3 progress is the most impressive, because at the same time the respective amount committed increased significantly (hence percentages are calculated from considerably higher committed amounts).

**Figure 16 ERDF and CF amounts paid to final recipients as percentage of commitments, per TO<sup>32</sup>**

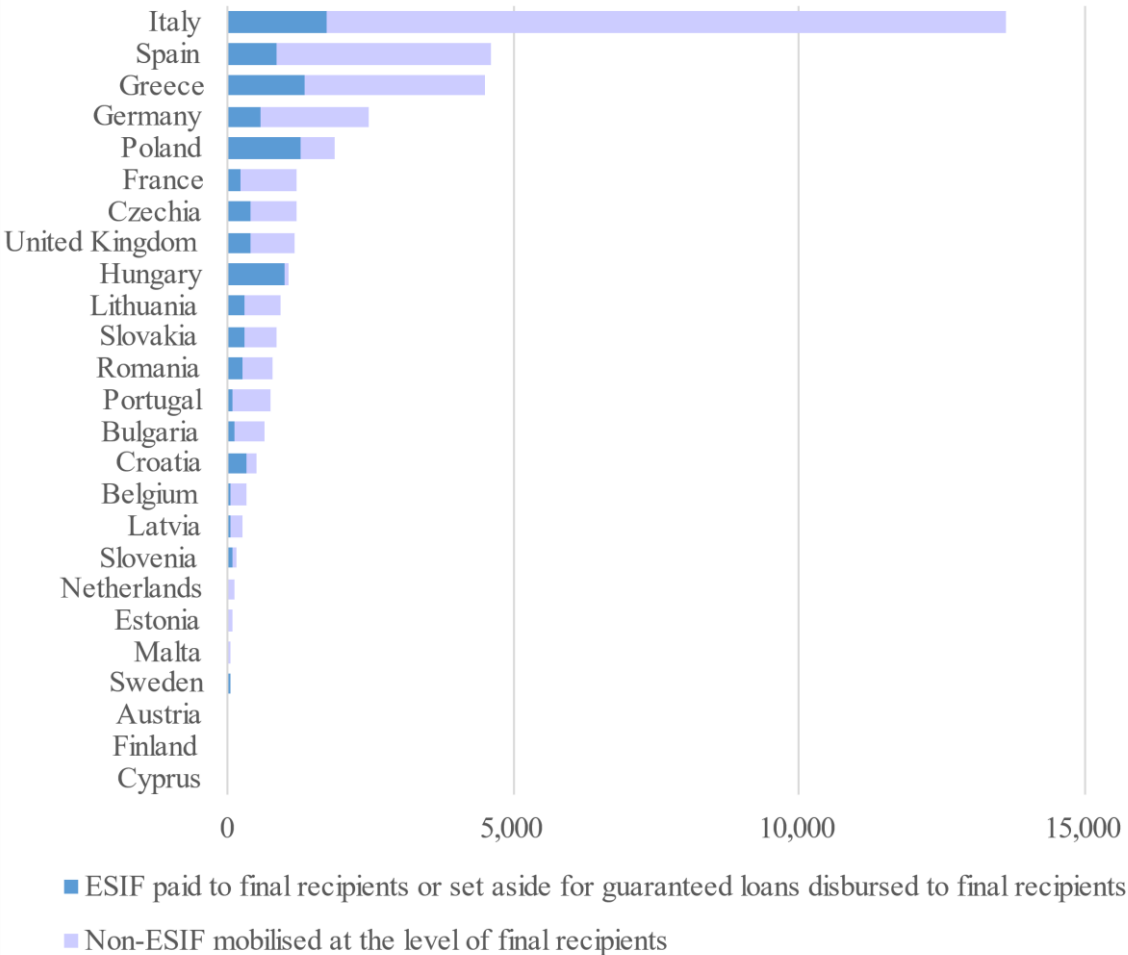


<sup>32</sup> The analysis does not consider FIs with resources committed to more TOs, accounting for about a fifth of ERDF and CF to FIs. Payments to final recipients or, in the case of guarantee, resources set aside for loans paid to final recipients, contribute to eligible expenditure at closure, together with other expenditure as stipulated in Article 42 CPR. It should also be noted that progress up to 2019 was calculated based on resources reported as committed to FIs by the end of that year.

### 2.6 Leverage

By the end of 2020, EUR 10.0 billion of ERDF and CF paid to final recipients mobilised **EUR 37.4 billion of financing** (loans, loans backed by guarantees supported from programme resources, and equity support or similar)<sup>33</sup>. Mobilised resources vary across the Member States, depending on their co-financing rates, the local market conditions and the financial products provided. The largest amount was in IT (EUR 13.6 billion), ES (EUR 4.6 billion), GR (EUR 4.5 billion), DE (EUR 2.5 billion) and PL (EUR 1.9 billion). Figure 17 provides the breakdown of reimbursable financing provided to final recipients in each Member State.

**Figure 17 Amount of reimbursable financing provided to final recipients as of end 2020, EUR million<sup>34</sup>**



<sup>33</sup> The calculation excludes particularly high leverage figures, as described in footnote 54.

<sup>34</sup> In addition to loans and equity, non-ESIF mobilised at the level of final recipients includes guaranteed loans paid to final recipients net of ESIF committed in guarantee. Guaranteed loans paid to final recipients also includes new debt finance created by the SME Initiative – see CPR Article 39(10).

Most resources were paid as guaranteed loans, for a total of EUR 24.0 billion. In addition, EUR 3.0 billion of private contributions were mobilised at the level of final recipients through loans and over EUR 2.3 billion through equity. Private resources mobilised at the level of final recipients<sup>35</sup> through loans exceeded ESIF paid to final recipients in GR (EUR 1.4 billion and EUR 550 million) and LT (EUR 430 million and 250 million). In the case of equity, this was the case in twelve Member States, with the largest private amounts mobilised in DE (EUR 1.1 billion) and the UK (EUR 385 million) and considerable amounts also mobilised in PT, FR, BE and SK (over EUR 100 million each). Figure 18 details the private contribution mobilised at the level of final recipients by financial product and Member State.

Compared to the end of 2019, over EUR 16.6 billion of additional guaranteed loans was paid to final recipients, of which EUR 11.8 billion in IT and over EUR 2.2 billion in GR. Additional private contributions mobilised at the level of final recipients were almost EUR 1.2 billion through loans and over EUR 735 million through equity.

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<sup>35</sup> Including both national co-financing and non-programme resources.

### **Improving Energy Efficiency in Multi-Apartment Residential Buildings in Latvia**

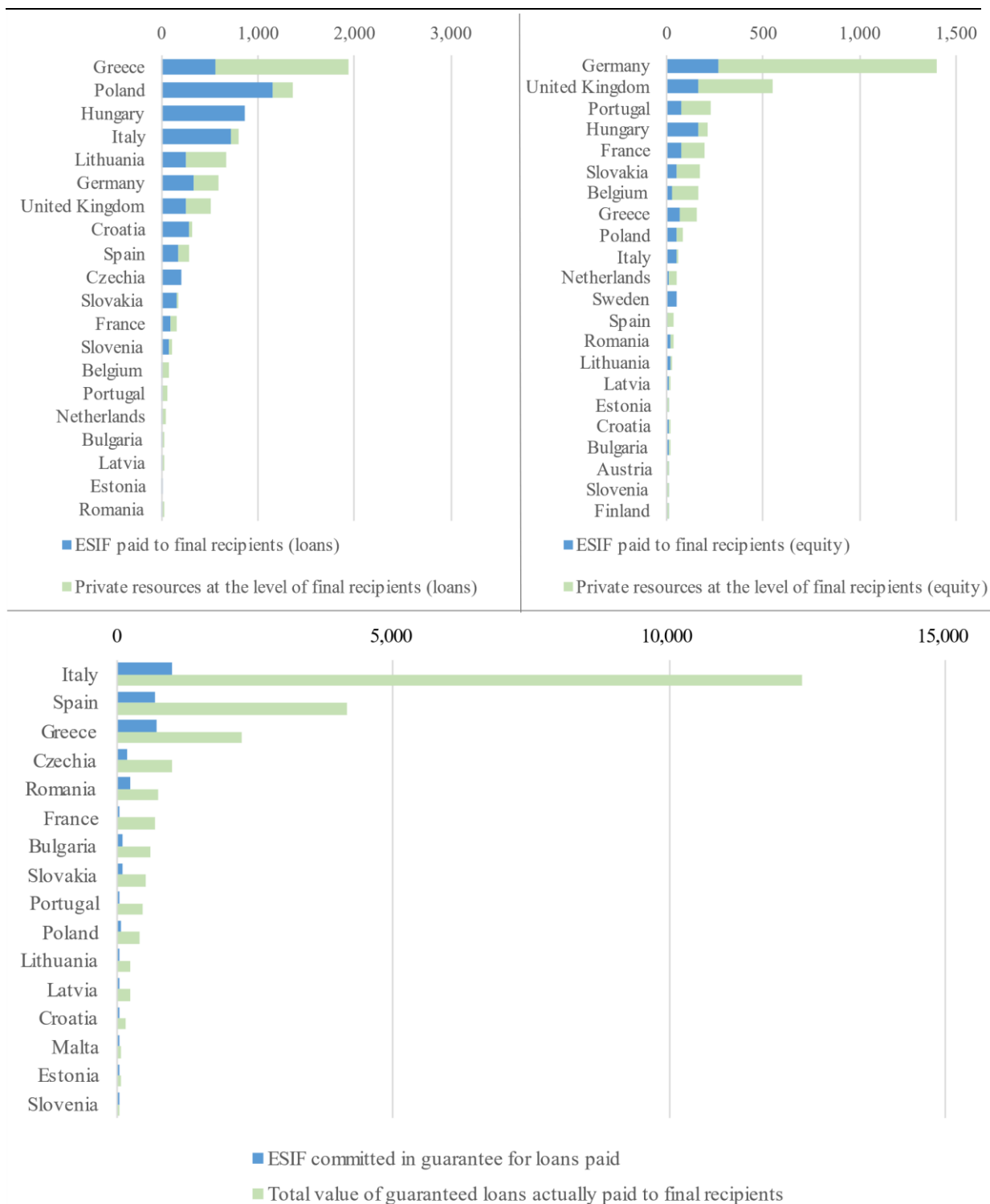
This successful Latvian *DME finanšu instruments* supports energy efficiency improvement, smart energy management as well as the use of renewable energy resources at multi-apartment residential buildings. The FI is implemented by ALTUM, the national promotional bank of Latvia, and consists of a loan and a guarantee product. The total commitments from the programme resources to the financial instrument amount to EUR 25 million. In addition, ALTUM manages a separate ERDF grant scheme from which grants cover up to 50% of the eligible costs of the investment. Homeowner associations need to file one single application with their commercial banks to apply for loan and grant support.

ALTUM provides individual guarantees for loans provided by a commercial bank or an alternative investment fund of up to 80% of the principal, for a period of up to 20 years. By the end of 2020, there were 172 guaranteed loans signed with final recipients. The total leverage of this guarantee product hit 9.05, meaning that every euro set aside for the ERDF guarantee triggered additional 8 euro of additional investment in Latvia.

Under the same FI, ALTUM also offers loans for the applicants whose loan application was rejected by their commercial bank. ALTUM offers a promotional loan covering up to 50% of eligible costs with a repayment term of up to 20 years. Targeting mostly small projects or houses in less developed areas, this product tripled the number of contract signed with final recipients from 21 to 61 in the course of the crisis year 2020. Moreover, the ALTUM loans achieved a total leverage effect of 3.74, demonstrating their ability to mobilise significant private investment.

Given the small size of the Latvian market and the relatively large size of the projects supported, *DME finanšu instruments* proved to be an exemplary delivery mechanism for achieving Union's climate objectives, while saving energy costs of Latvian households.

**Figure 18 Private contribution mobilised at the level of final recipients by financial product<sup>36</sup> and Member State as of end 2020, EUR million**



<sup>36</sup> The total value of guaranteed loans actually paid to final recipients also includes the total value of new debt finance created by SME Initiative – see CPR Article 39(10).

Reporting on expected leverage is only obligatory in annual implementation reports submitted in 2017, 2019 and in the final report, so this year it was provided on a voluntary basis.

The data to calculate achieved leverage has been provided for<sup>37</sup>:

- 451 loan FIs, with a median achieved leverage of 1.3 (207 and 2.2 in 2019);
- 87 guarantee FIs, with a median achieved leverage of 4.8 (42 and 6.1 in 2019);
- 211 equity FIs, with a median achieved leverage of 1.8 (155 and 2.4 in 2019).

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<sup>37</sup> Achieved leverage figures include FIs of which managing authorities undertake implementation directly. Particularly high leverage figures, as defined in footnote 54, are not counted.

The ability to attract additional resources is one of the key characteristic of FIs and one of the arguments for promoting their use to deliver ESIF policy objectives. A definition of the leverage effect is provided in Financial Regulation (EU, Euratom 2018/1046) in Article 2(38) as *‘the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution’*.

The leverage effect is referred to in the CPR in two main contexts: as 'expected leverage effect' which is established on the basis of the ex ante assessment and in the funding agreement with the body implementing the FI; and after launching the FI as 'achieved leverage effect'. Additional resources, and hence leverage, can be accumulated at different levels: fund of funds (if applicable), specific funds and final recipients.

In the reporting, managing authorities provide the expected leverage effect according to the funding agreement for each FI. The achieved leverage effect, though, is calculated within SFC2014 to ensure a unified calculation across programmes and FIs. The formula for achieved leverage is:

$$\text{Achieved leverage effect} = \frac{\text{Total amount of finance which reached eligible final recipients as of the end of a reporting year}}{\text{Eligible ESIF support which effectively contributed to the total amount of finance indicated in the numerator}}$$

The total amount of finance which reached eligible final recipients is the sum of (1) the ESIF contribution which reached final recipients; (2) the national co-financing (public or private) which reached final recipients; (3) the contribution by other investors which reached final recipients, and (4) the amount of other forms of support combined in a single FI operation which reached final recipients.

The ESIF support which contributed to the total amount of finance reaching final recipients includes ESIF resources invested in final recipients and the ESIF share of management costs and fees.

## 2.7 Management costs and fees

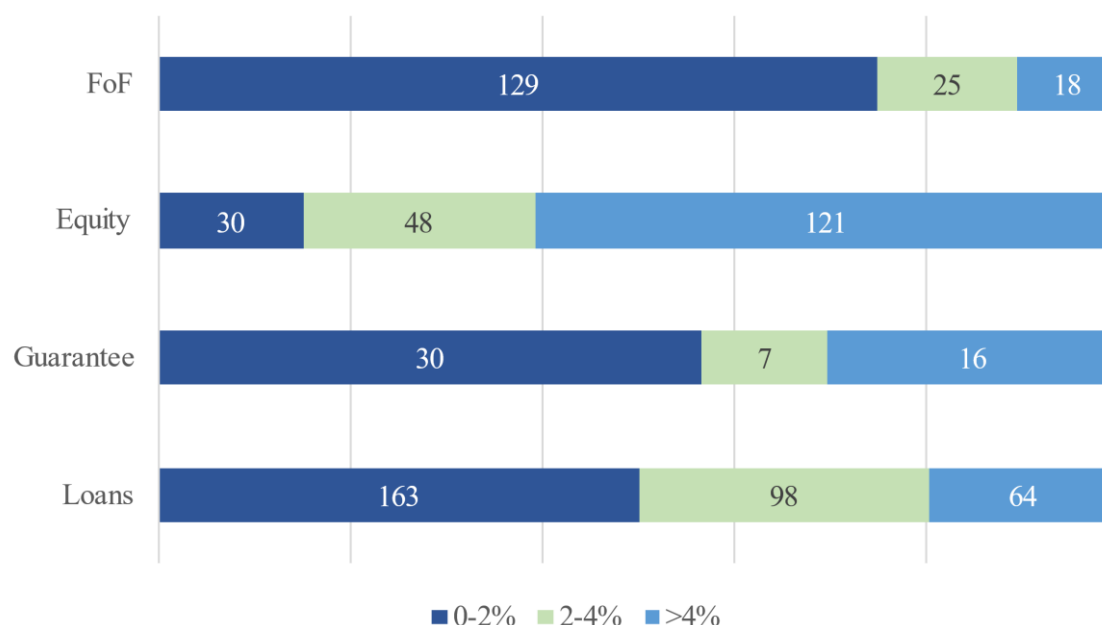
23 Member States reported that EUR 663 million of MCFs had been paid to FIs by the end of 2020. Only MCFs paid from programme resources are reported. Of the total MCFs, EUR 185 million or 28% was paid as performance-based remuneration.

Thresholds and criteria for determining the programme contribution to management costs and fees, including on the basis of performance, are set out in Articles 12 and 13 of Commission Delegated Regulation (EU) No 480/2014, and aim at increasing the efficiency and effectiveness of investments undertaken by the FIs. The performance-based remuneration considers the disbursement of contributions from programmes, resources repaid from investments or from the release of resources committed for guarantee contracts, the quality of measures accompanying the investment before and after the investment decision to increase its impact and the FI contribution to programme objectives and outputs.

For those FIs with at least some MCFs paid, these were 1.6% and 2.5% of the programme resources committed to fund of funds and specific funds, including fund of funds specific funds, respectively (Figure 19 provides a more detailed breakdown by type of financial product). This is below the thresholds stipulated by Article 13 of Commission Delegated Regulation 480/2014. When compared to the amounts already paid to final recipients, MCFs constituted 7.4% of the payments.



**Figure 19 Breakdown of FIs by type of financial instrument and financial product, and MCFs paid cummulatively as a share of programme resources committed to FIs<sup>38</sup>**



## 2.8 Amounts repaid and reinvested

By the end of 2020, resources were repaid to FIs in 21 Member States<sup>39</sup>. In total EUR 948 million attributable to support from ESIF had been paid back (EUR 484 million at the end of 2019), or 10% of the reimbursable ERDF and CF paid to final recipients.

An important characteristic of FIs, in comparison to grants, is that they can generate reflows. These reflows consist of capital repayments, such as loan principal or the repayment of equity participations as well as the release of amounts set aside for guarantees. Furthermore, these amounts also include interest, guarantee fees, dividends or other capital gains. According to Articles 43a and 44 of the CPR these resources returned which are attributable to ESIF contribution are to be reused until the end of the eligibility period, for:

- Differentiated treatment of investors operating under the market economy principle, as well as of the EIB when using the EU guarantee under EFSI;

<sup>38</sup> FIs providing more or other financial products are not included in the figure.

<sup>39</sup> i.e., all Member States with reimbursable ESIF resources paid to FIs, except for FI, MT and RO. FIs which provided EUR 790 million of ERDF and CF support to final recipients (or 8% of ERDF and CF paid to final recipients), did not report on the amounts repaid. Other FIs reported that resources had not yet been repaid, covering EUR 2.7 billion - or over a fourth - of ERDF and CF paid to final recipients.

- Further investments through the same or other FIs;
- To cover the losses resulting from negative interest;
- Reimbursement of management costs incurred and payment of management fees for the FI.

After the end of the eligibility period, the resources returned should be re-used in line with Article 45 CPR.

The repaid resources were mostly from capital repayments (EUR 840 million) and to FIs providing loans (EUR 857 million in 19 Member States). The highest repayment from loan investments was in LT (over EUR 210 million), PL (EUR 146 million) and DE (EUR 140 million). As shown in Figure 20, loan amounts attributable to ESIF not (yet) repaid<sup>40</sup> were the highest in PL (EUR 987 million) and HU (EUR 778 million).

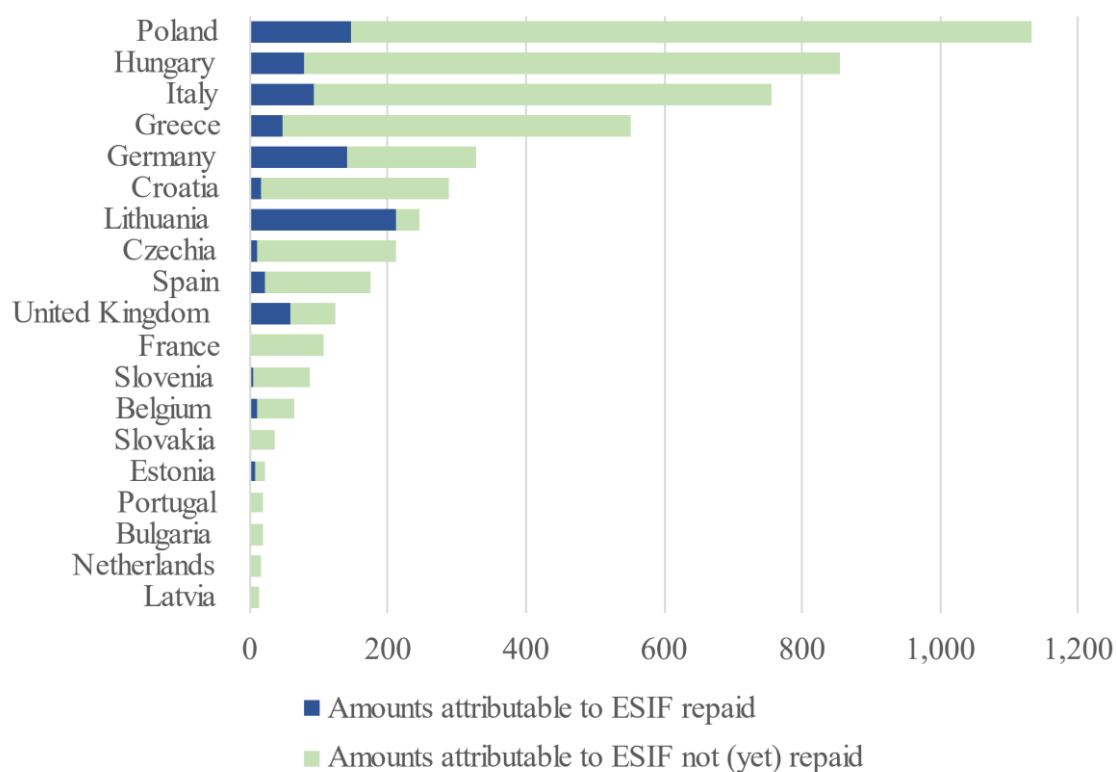
Of the amounts repaid to FIs and attributable to support from ERDF and CF, EUR 225 million or 27% had been reused by the end of 2020<sup>41</sup>. Most of the ERDF and CF reused was in LT (EUR 173 million or 81% of the respective amount repaid). Overall, almost EUR 610 million or 73%<sup>41</sup> of support attributable to ERDF and CF repaid to FI had not yet been reused, most of which in DE (EUR 158 million) and PL (EUR 114 million).

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<sup>40</sup> Loan amounts attributable to ESIF not (yet) repaid refer to the ERDF and CF paid to the final recipients that was not returned to the financial instrument but can be expected to be partly returned at some point. It is calculated as the difference between ERDF and CF paid to final recipients and the amounts repaid to the financial instrument attributable to support from ERDF and CF.

<sup>41</sup> FIs to which EUR 114 million attributable to support from ERDF and CF was repaid (or 12% of ERDF and CF repaid), did not report on the amounts reused. FIs that did not report on reused resources are excluded from the figure.

**Figure 20 Amounts attributable to ESIF repaid by end 2020 (loan products)<sup>42</sup>, EUR million**



Overall, EUR 73 million or 3% of the loan amounts disbursed by the respective FIs was reported as defaulted. There was EUR 116 million or 8% of the amount committed by the respective FIs for guarantees provided called due to loan defaults. Default rates vary across FIs, depending on local market conditions, investment strategies i.e., riskiness of final recipients targeted, and timing i.e., defaults increase over time.

## 2.9 Value of equity participation

At end 2020, equity participations were valued at EUR 1.3 billion, or 71% of the programme resources paid to final recipients by those FIs (over EUR 1.8 billion or 92% of total equity investments<sup>43</sup>). The value of equity participations as a share of investment value varied widely

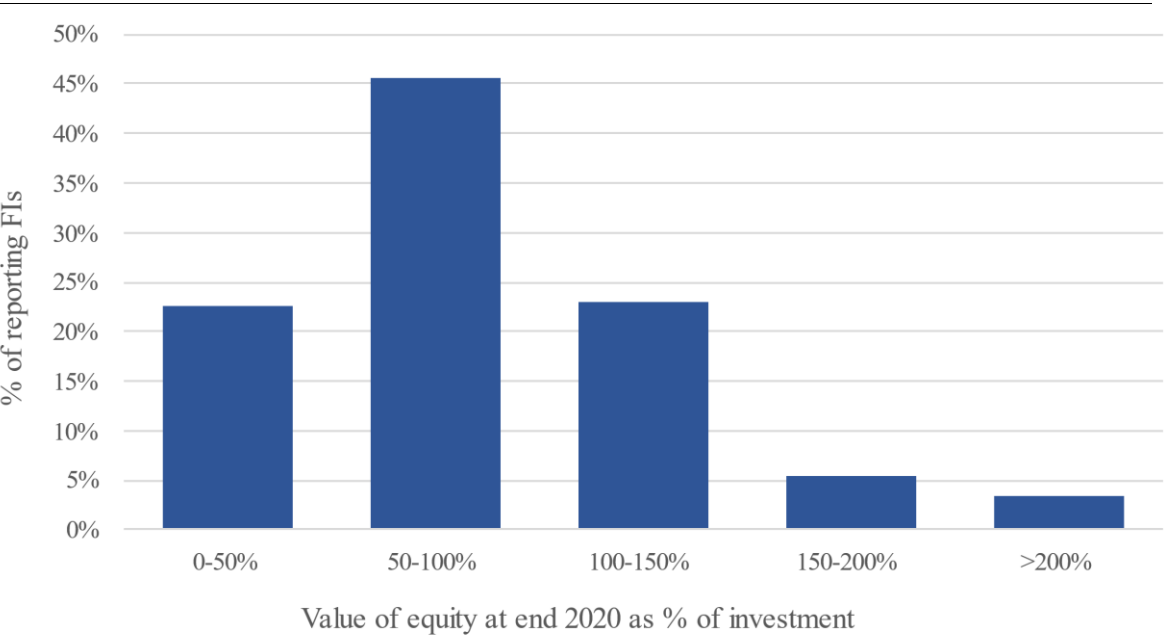
<sup>42</sup> The chart only considers FIs providing loans and reporting on resources attributable to ESIF.

<sup>43</sup> FIs which did not report the value of their equity investments as of the end 2020 are not considered, nor FIs which reported a null value of their equity investments, as this also indicates a lack of reporting. FIs that invested almost EUR 170 million in equity did not report or reported a null value for their equity investments. Amounts invested by these FIs were 8% of the total equity investments at the end of the reporting period with the highest amount for IT (EUR 58 million or 90% the respective equity paid to final recipients).

across FIs (see Figure 21). Resources attributable to ESIF support repaid to FIs providing only equity investments were EUR 61 million or 4% of the respective payments to final recipients.

The value of equity participations in enterprises made by venture capital funds or co-investment facilities depends on the performance of the enterprises and may increase or decrease over the period of investment. Actual reflows from the capital investment will only be available with an exit, which may happen many years after initial investment. In order to have information on the progress over time, the managing authorities report on the value of equity participations. The amount to be reported should be the book value of the investment at the end of the reporting year which, depending on the applicable accounting rules, is calculated as: "Book value = nominal value of investments +/- fair-value movement – impairments of assets."

**Figure 21 Reporting FIs by value of equity participations as a share of investment value<sup>44</sup>**



<sup>44</sup> Resources repaid to the FIs attributable to ESIF support are not considered in the figure. Additionally, 15% of the FIs reported the same value for the investment and the equity participations, possibly indicating that an updated evaluation of the participations had still to be carried out. These FIs, represented in the '100-150%' column of the chart, made EUR 108 million of equity payments to final recipients or 5% of the total.

### **Financial instruments supporting innovative start-ups in Berlin**

The German capital runs under TO1 *Strengthening research, technological development and innovation* two successful equity instruments *VC Fonds Kreativwirtschaft Berlin II* and *VC Fonds Technologie Berlin II*. Both equity funds are implemented by the regional development bank *Investitionsbank Berlin* (IBB). The importance of both instruments for the dynamic high-tech and start-up scene in Berlin, which suffered a sudden outflow of available financing upon the coronavirus outbreak, is highlighted by the fact that both funds were topped up with EUR 22 million from REACT-EU resources.

Both financial instruments are available to the market through the Venture Capital Fonds from IBB Ventures. Eligible recipients must fall within one of the following categories: creative industries, life science, industrial technologies or Information and Communication Technologies (ICT). Moreover, they must be in the early phase of development, have their business based in Berlin, and fulfill EU's SME definition.

The initial investments into eligible start-ups typically range between EUR 200,000 and EUR 1 million. In order to support growth of promising recipients, the investment together with other co-investors can be increased to up to EUR 4 million in the subsequent financing rounds.

As of 2020, payments to both instruments combined reached EUR 95 million and the total number of supported companies increased to 90. Moreover, the rule of minority share by IBB Ventures and a lead by a private co-investor ensures an achieved leverage effect, which amounted to 10.87 (*Kreativwirtschaft Berlin II*) and 11.83 (*Technologie Berlin II*) by the end of 2020.

### 3. Conclusions

The data in this summary shows a substantial increase of resources committed to FIs together with a rapid acceleration in the implementation of FIs in 2020, as part of the response to the COVID-19 pandemic. Programme contributions committed to FIs increased by almost EUR 5.5 billion to reach EUR 27.5 billion, including EUR 20.5 billion from ERDF and CF. Programme resources committed increased especially in IT (over EUR 1.8 billion of additional resources) and GR (EUR 1.7 billion), while considerable additional resources were committed also in CZ, FR, HR, PL, SK and the UK (over EUR 200 million each). A total of EUR 17.8 billion (or 65%) of the programme amounts committed had been paid to FIs, including EUR 13.7 billion of ERDF and CF.

By the end of 2020, over EUR 16.8 billion of programme resources was committed to final recipients, of which over EUR 11.9 billion of ERDF and CF. About EUR 13.4 billion of that committed amount had been paid to final recipients, of which almost EUR 10.0 billion was ERDF and CF.

Of the ERDF and CF committed to FIs (i.e. EUR 20.5 bn), almost EUR 10 billion or 49% was invested in final recipients. This shows a similar pattern with the 2007-2013 programming period, where the comparable figure for the end of 2014 was 51%. However, such progress has been achieved based on ERDF and CF resources committed to FIs that were almost two times as large as the respective amount in the 2007-2013 programming period i.e., over EUR 20 billion compared to about EUR 11 billion in the previous period.

This data also indicates a dramatic increase in payments of ERDF and CF to final recipients. The ERDF and CF paid to final recipients was well over two times that reported as paid as of the end of 2019, with an increase of EUR 5.4 billion. The largest increase was in IT and GR, each reporting over EUR 1.2 billion of additional ESIF paid to final recipients, while PL also reported a substantial increase (EUR 935 million).

Compared with earlier reporting i.e., data as of the end of 2019, additional EUR 3.7 billion of loans was disbursed as well as over EUR 760 million equity. Additional EUR 2.7 billion was set aside for guarantees for disbursed loans and over EUR 100 million of other support combined within the financial instruments was paid to final recipients. Notwithstanding the

continued progress, there were significant differences across Member States in the pace of FIs implementation.

This reporting exercise confirms previous encouraging findings in terms of the capacity of FIs to attract additional resources. By the end of 2020, EUR 37.7 billion of reimbursable financing had been provided to final recipients, with an almost EUR 23 billion increase compared with a year earlier<sup>45</sup>. The largest increase was in IT (EUR 12.4 billion of additional financing), GR (EUR 4.1 billion) and PL (almost 1.4 billion).

Most resources were paid as guaranteed loans, for a total of EUR 24.0 billion (or additional EUR 16.0 billion as compared to the end of 2019). In addition, EUR 3.0 billion of private contributions was mobilised at the level of final recipients through loans (EUR 1.1 billion by the end of 2019) and over EUR 2.3 billion through equity (EUR 1.6 billion by the end of 2019).

Supported final recipients increased by over 413,000 to reach almost 557,000. Of these, SMEs were the largest group with 478,000, of which 375,000 qualified as microenterprises. SMEs were supported mostly through guarantees (369,000), including four out of five of the 365,000 additional supported SMEs reported in 2020. Over 84,000 households improved their energy consumption classification (almost 57,000 by the end of 2019) and EUR 545 million of private investment had matched public support in innovation and R&D projects through FIs (EUR 470 million by the end of 2019).

The reported data also indicates increasing returns as EUR 948 million attributable to support from ERDF and CF had been paid back to FIs (EUR 484 million at the end of 2019), mostly to FIs providing loans. This was about 10% of reimbursable ERDF and CF paid to final recipients. Of the amounts repaid to FIs and attributable to support from ERDF and CF, EUR 225 million or 24% was reported to have been reused.

Gaps and inconsistencies in the data demonstrate that there is still scope for improving the quality of data reported. Some of the data had already been corrected in the versions resubmitted by the managing authorities and available on cohesion policy open data platform<sup>46</sup>, while other

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<sup>45</sup> The calculation excludes particularly high leverage figures, as described in footnote 54.

<sup>46</sup> [cohesiondata.ec.europa.eu](https://cohesiondata.ec.europa.eu)

would only be reflected in the next year's summaries. The Commission will put in place further actions to provide guidance and support to Member States, to ensure the summaries of data are based on the most complete and accurate information.

## **Annex 1: Methodological assumptions**

ERDF and CF FI data was submitted based on the reporting model in line with Commission Implementing Regulation (EU) No 821/2014 through the SFC2014<sup>47</sup>, as part of the annual implementation reports. On the basis of the initial quality checks, the Commission sent requests to MAs to re-check certain potentially inaccurate data. The complete dataset was downloaded from SFC2014 on 14 June 2021 and it has been manually corrected on the basis of inputs from managing authorities which have been received by 21 July 2021.

Data on FIs is provided in SFC on three levels: a) the programme, b) the instrument and c) the product(s). Programme level covers information about the FIs, including financial intermediaries under funds of funds. The level of product was introduced to report on FIs providing more financial products. This level covers the amounts committed and invested in final recipients, number of contracts signed and investments made and the number and type of final recipients. The remaining information is to be provided at the level of the FI.

For this year reporting, 25 Member States submitted data to the Commission, that is all Member States with indicatively planned amounts to FIs. All these Member States are implementing FIs under ERDF, while BG, CY, LT, PT, SI and SK also reported on FIs under CF.

The data covers 158 programmes or four more programmes than last year reporting. Of these, one is only CF, five bring together CF and ERDF, 15 combine ERDF and ESF and one combines the three Funds<sup>48</sup>. The data covers 92% of ERDF and CF programmes with indicative

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<sup>47</sup> SFC2014 ensures the electronic exchange of information concerning shared fund management between Member States and the European Commission.

<sup>48</sup> ESF contributions to FIs are reported in the chapter on ESF and YEI.



planned allocations to FIs<sup>49</sup>. In 5 Member States, 34 programmes implement instruments covering multiple programmes.

Member States reported 1,022 FIs either being set up or already operational. These included 149 funds of funds, 598 specific funds under funds of funds, 270 specific funds without funds of funds and 14 FIs directly implemented by the managing authorities<sup>50</sup>.

Automatic and manual quality checks on both compulsory and optional data identified some inconsistencies<sup>51</sup> and potential inaccuracies, as detailed under the relevant sections of this report. Notwithstanding such reporting inaccuracies, summary statistics in this report remain reliable in most cases. Individual instances where such inaccuracies may have an impact on reliability are duly noted throughout the document.

In some cases, the data submitted by managing authorities was processed as follows:

- Amounts indicatively allocated to FIs in the programmes were corrected to reflect higher commitments to FIs in BG, CZ, GR, MT, PL, RO, SI, SK;
- FIs with the same name receiving contributions from more than one priority axis or more than one programme were counted as one FI;
- Nine FIs with no reported ex ante assessment completion date have been included in the dataset<sup>52</sup>;
- Reporting concerning SME Initiative set-up was complemented and adjusted according to data available to the Commission as part of reporting on COSME and Horizon 2020;
- Commitments and payments to final recipients were used as a proxy for commitments and payments to FIs of which managing authorities undertake implementation directly<sup>53</sup>;

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<sup>49</sup> 13 OPs reported indicative planned allocations to FIs but did not report on FI implementation progress. Seven OPs reported based on Article 46 CPR but did not report on indicative planned allocations to FIs.

<sup>50</sup> Some FIs were reported under more types. Some managing authorities in DE, ES and FR chose to implement FIs providing loans or guarantees directly under Article 38(4)(d).

<sup>51</sup> Inconsistencies in data series sometimes indicate that previously inaccurate information has been corrected.

<sup>52</sup> Four of these FIs were included only in the total count of FIs, as they did not report any further detail. The other five were included in the dataset as they reported signing a funding agreement.

<sup>53</sup> Managing authorities are not required to report this data.

- ERDF/CF commitments/payments to FIs were used as a proxy for ERDF/CF commitments/payments to final recipients, for FIs with larger ERDF/CF commitments/payments to final recipients than to FIs. In these cases, national co-financing was increased accordingly to keep the respective programme commitments/payments to final recipients;
- Particularly high figures for expected and achieved leverage were not considered<sup>54</sup>.

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<sup>54</sup> Based on leverage figures of FIs supported by cohesion policy in 2007-2013, as well as FIs supported by the general budget in 2014-2020, leverage of more than 20 for guarantee and equity instruments, and 10 for loan instruments respectively were excluded.

## **ESF and YEI**

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## 1. Executive summary

**Table 1 Key figures reported by managing authorities as of the end of 2020 (financial figures in EUR million)**

	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Number of MS reporting on FIs</b>	11	10	+1
<b>Number of programmes reporting on FIs</b>	31	30	+1
<b>Programme amounts committed to FIs</b>	785	820	-35
<i>Of which ESIF</i>	<i>543</i>	<i>575</i>	<i>-32</i>
<b>Programme amounts paid to FIs</b>	331	265	+66
<i>Of which ESF and YEI</i>	<i>255</i>	<i>197</i>	<i>+58</i>
<b>Programme amounts committed to final recipients</b>	234	116	+118
<i>Of which ESF and YEI</i>	<i>155</i>	<i>76</i>	<i>+79</i>
<b>Programme resources paid to final recipients</b>	182	87	+95
<i>Of which ESF and YEI</i>	<i>120</i>	<i>58</i>	<i>+62</i>
<i>Of which loans or microloans</i>	<i>121</i>	<i>87</i>	<i>+34</i>
<b>Financing (loans, guaranteed loans and equity) disbursed to final recipients<sup>55</sup></b>	186	89	97
<b>Programme resources paid as management costs and fees</b>	10	7	+3
<b>Amount attributable to ESIF support paid back to FIs</b>	24	11	+13
<b>Final recipients supported</b>	7,964	4,175	+3,789
<i>Of which microenterprises</i>	<i>4,047</i>	<i>2,065</i>	<i>+1,982</i>

<sup>55</sup> This is calculated as: for loan and equity FIs, the sum of ESF/YEI paid to final recipients and non-ESIF contribution mobilised at the level of final recipients; for guarantee FIs, the total value of the guaranteed loans paid to final recipients.

## 1.1 Main findings and key figures

For this year reporting, managing authorities in 11 Member States reported on the progress of 31 OPs with setting up and implementing ESF and YEI co-funded FIs by the end of 2020.

Overall, 78 FIs were reported as being set up or already operational (55 in 2019). OP contributions of EUR 785 million were committed to these FIs, including EUR 543 million of ESF (see Figure 22). ES<sup>56</sup> reported first time commitments of OP resources to FIs. EUR 330 million were paid to FIs, including EUR 240 million of ESF and EUR 15 million of YEI.

Most FIs supported by ESF and YEI were established under thematic objective (TO) 8 ‘promoting sustainable and quality employment and supporting labour mobility’. There were also FIs under TO 9 ‘promoting social inclusion, combating poverty and any discrimination’ in BG, CZ, HU, IT and PL. TO 10 ‘investing in education, training and lifelong learning’ was addressed by FIs in IT, MT and PT. Managing authorities mainly established loan or micro-loan schemes with a few exceptions, including equity FIs in DE, PL, PT and SK and guarantees in MT and PT.

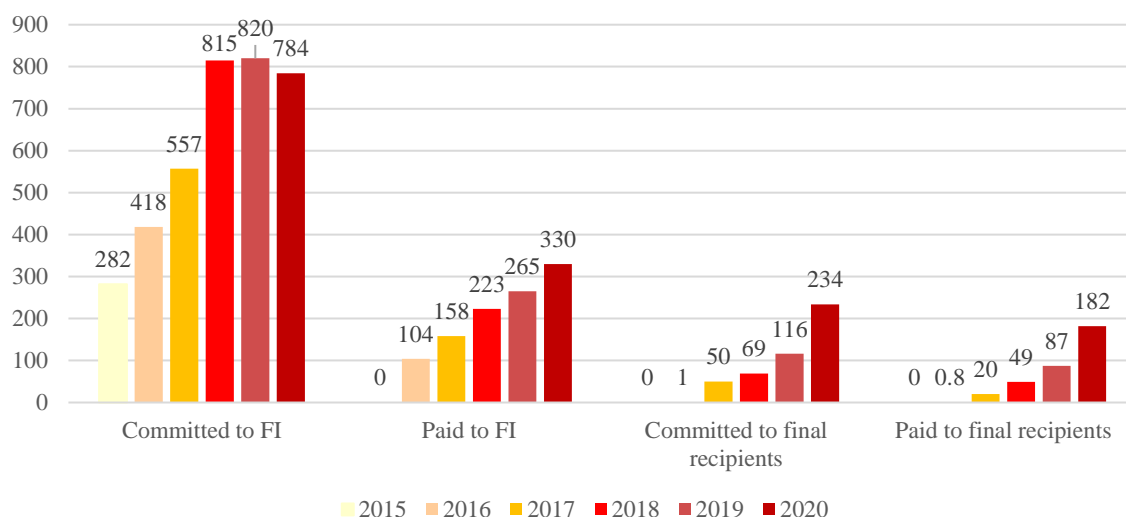
FIs in all reporting Member States except ES had committed resources to final recipients, for a total of EUR 234 million of OP resources of which EUR 155 million of ESF. These FIs had paid EUR 182 million to final recipients, including EUR 120 million of ESF.

By the end of 2020, FIs supported over 7,964 final recipients, of which 4,047 were microenterprises and 3,557 individuals.

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<sup>56</sup> Member States are identified by ISO Alpha-2 code.

**Figure 22 OP commitments and payments to FIs and final recipients (EUR million)**



## 1.2 Main messages

FIs can be co-funded by the ESF to support investment priorities established in ESF OPs. They are not an alternative to grants but an additional form of finance that can result in more resources pursuing the same goals.

Indications from 2014-2020 OPs were that 10 Member States plan to commit over EUR 770 million from ESF and YEI to FIs or about 0.8% of the ESF and YEI allocations. Figure 23 highlights the variations between Member States, with the highest allocations planned in LT, IT, MT and RO.

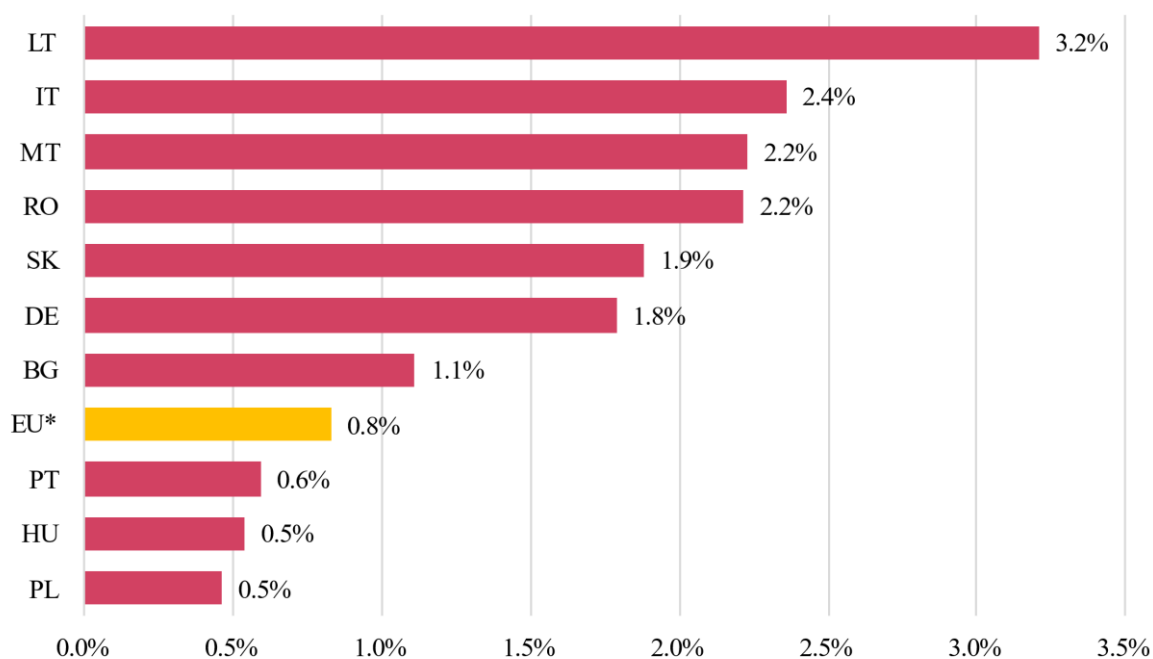
Article 96(2)(b)(vi) CPR requires OPs to set out, for each priority axis other than technical assistance, the corresponding categories of intervention and an indicative breakdown of the programmed resources. Nomenclature for the categories of intervention are provided in Annex I of CIR No 215/2014, including codes for the forms of finance. On this basis, managing authorities include indicative amounts planned for FIs in their programmes. These are subject to variation during the programming period, including based on mandatory ex-ante assessments, which may recommend different allocations or not to proceed with FIs.

The reported data shows a reduction in planned ESF and YEI allocations to FIs in some Member States compared to the last reporting exercise, especially in PT (EUR 41 million)

and IT (EUR 32 million). A decrease was also reported in RO (EUR 23 million), BG (EUR 13 million) and PL (EUR 11 million).

Nonetheless, the data in this summary also shows that a considerable difference remains in some Member States between the indicative planned amounts and the resources committed to FIs<sup>57</sup> by the end of 2020. According to the indicative plans, EUR 230 million of ESF and YEI was yet to be committed to FIs, of which EUR 110 million in RO and EUR 100 million in IT. These differences might be a sign of delay or they might indicate that planned amounts to FIs have not yet been decreased in the submitted programme amendments. In this case, planned and committed amount figures should converge when the relevant priority axes are amended in the future.

**Figure 23 Share of ESF and YEI 2014-2020 allocations to FI per country, end 2020<sup>58</sup>**



\* EU share refers to all Member States

Both ESF and YEI commitments and disbursements to final recipients showed a modest increase, also when compared to the respective amounts committed to the FI. There were

<sup>57</sup> Indicative planned amounts refer to resources programmed for FIs as set out based on Article 96(2)(b)(vi) CPR. Resources committed to FIs refers to data transmitted by managing authorities according to Article 46 CPR.

<sup>58</sup> Only Member States reporting on indicative planned amounts for FIs based on Article 96(2)(b)(vi) CPR are included in the chart. ES is not shown as it only reported FIs according to Article 46 CPR.

no payments yet to final recipients in ES, where the funding agreement of the only FI having been established was signed in July 2018. Very limited progress - less than 10% of ESF and YEI committed to financial instruments - was also reported in BG, CZ, HU, IT, PT and SK.

While managing authorities reported that almost EUR 10 million of management costs and fees had been paid from OP resources, accrued interest and gains from treasury management attributable to ESF also totalled EUR 10 million.

Additionally, almost EUR 24 million had been repaid to FIs that was attributable to support from ESF, or 20% of the ESF amount paid to final recipients.

ESF and YEI FIs showed a limited capacity to mobilise additional finance. While this is in line with managing authority expectations, it also reflects the risks involved in financing the type of final recipients supported by these FIs, which makes it harder to attract investors. Overall, EUR 8 million of private resources were mobilised by loan FIs and EUR 21 million through equity FI, most of which in PL and DE respectively.

**Figure 24 FI implementation progress by Member State, end 2020 (EUR)**

MS	N° of OPs	ESF committed to FI	ESF paid to FI	YEI paid to FI	ESF committed to final recipients	ESF paid to final recipients
BG	1	30,450,606	7,390,899	234,966	1,992,031	1,838,130
CZ	1	11,878,210	3,001,412	-	1,398,973	737,632
DE	2	103,600,000	59,034,050	-	38,080,982	35,705,092
ES	1	3,500,000	900,000	-	-	-
HU	1	4,024,178	1,583,804	-	1,762,756	1,583,804
IT	8	188,275,382	60,570,876	14,712,363	39,630,208	24,783,281
LT	1	24,546,803	24,546,803	-	19,358,955	18,974,309
MT	1	2,400,000	2,400,000	-	702,105	373,842
PL	12	79,629,137	48,128,367	-	30,735,797	30,455,672
PT	2	45,000,000	20,000,000	-	6,163,484	3,752,034
SK	1	49,725,000	12,431,250	-	15,250,477	1,625,891
<b>EU</b>	<b>31</b>	<b>543,029,316</b>	<b>239,987,461</b>	<b>14,947,329</b>	<b>155,075,768</b>	<b>119,829,686</b>



## 2. Reporting exercise 2020

Data were submitted based on the reporting template prepared by the Commission and submitted through the SFC2014<sup>59</sup> reporting module as part of the annual implementation reports.

Data on FIs is provided in SFC on three levels: a) the OP, b) the instrument and c) the product(s). OP level covers information about the FIs, including financial intermediaries under funds of funds. The level of product was introduced to report on FIs providing more financial products. This level covers the amounts committed and invested in final recipients, number of contracts signed and investments made and the number and type of final recipients. The remaining information is to be provided at the level of the FI.

For this reporting, which refers to the end of 2020, 11 Member States using FIs under ESF submitted data to the Commission. BG and IT also reported co-financing FIs using both ESF and YEI. While 34 OPs had planned amounts for FIs, 31 OPs reported FI data based on Article 46 CPR<sup>60</sup>. There were also 6 OPs with no planned amounts for FIs that reported based on Article 46 CPR. Among the reporting OPs, one brings together ESF and YEI and one only concerns YEI. IT reported on a multi-OP FI implemented through a specific fund structure ('Fondo Rotativo Nazionale SELFIEmployment').

The complete set of data up to 31 December 2020 was downloaded from SFC2014 on 14 June 2021. Automatic and manual quality checks on both compulsory and optional data identified some inconsistencies<sup>61</sup> and potential inaccuracies, as detailed later in the report. Notwithstanding such reporting inaccuracies, summary statistics in this report remain reliable in most cases. Individual instances where such inaccuracies may have an impact on reliability are duly noted throughout the document.

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<sup>59</sup> SFC2014's main function is the electronic exchange of information concerning funds in shared management between Member States and the European Commission.

<sup>60</sup> OPs reporting based on Article 46 CPR were: 2014BG05M9OP001, 2014CZ05M9OP001, 2014DE05SFOP002, 2014DE05SFOP012, 2014ES05SFOP020, 2014HU05M2OP001, 2014IT05M9OP001, 2014IT05SFOP002, 2014IT05SFOP005, 2014IT05SFOP016, 2014IT05SFOP020, 2014IT05SFOP021, 2014IT16M2OP005, 2014IT16M2OP006, 2014LT16MAOP001, 2014MT05SFOP001, 2014PL05M9OP001, 2014PL16M2OP001, 2014PL16M2OP003, 2014PL16M2OP004, 2014PL16M2OP005, 2014PL16M2OP006, 2014PL16M2OP008, 2014PL16M2OP009, 2014PL16M2OP010, 2014PL16M2OP012, 2014PL16M2OP013, 2014PL16M2OP016, 2014PT05SFOP001, 2014PT16M3OP001, 2014SK05M0OP001.

<sup>61</sup> Inconsistencies of time series sometimes indicate that previously inaccurate data has been corrected.

In the report, FIs with the same name receiving contributions from more than one priority axis or more than one OP were counted as one FI.

### 3. Summary of data collected on FIs implemented under ESF and YEI

Member States reported 78 FIs established as at the end of 2020. Of these, 20 were funds of funds, 16 were specific funds without a fund of funds and 42 were specific funds under a fund of funds structure. PL has the most FIs (39), followed by IT (12).

**Figure 25 Overview of implementation by Member State, end 2020 (ESF and YEI)**

MS	N° of fund of funds	N° of specific funds	N° of fund of funds specific funds	Ex-ante assessment completed	Funding agreements signed
BG	2	-	4	2	6
CZ	-	1	-	1	1
DE	-	2	-	2	2
ES	1	-	-	1	1
HU	1	-	5	1	6
IT	1	9	2	10	12
LT	1	-	1	1	2
MT	-	1	-	1	1
PL	12	2	25	14	39
PT	1	1	2	2	4
SK	1	-	3	1	4
<b>Total</b>	<b>20</b>	<b>16</b>	<b>42</b>	<b>36</b>	<b>78</b>

Comprehensive reporting requirements allow Member States to report on the progress of FI implementation from being set up, including the progress of ex-ante assessments, designation or selection of the bodies implementing FIs and signature of the funding agreements.

By the end of 2020, ex-ante assessments had been completed for all 36 funds of funds or specific funds without a fund of funds structure. Managing authorities had signed funding agreements with all 78 FIs.

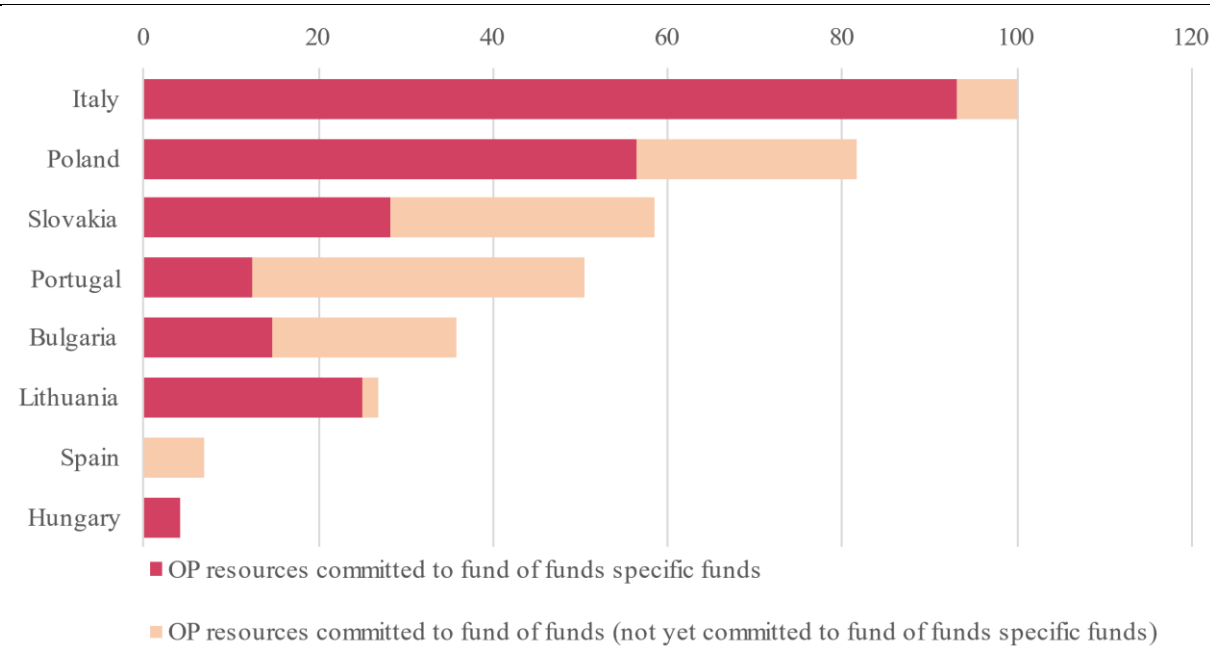
The obligation to conduct an ex-ante assessment is a key factor for the 2014-2020 programming period. According to Article 37(2) CPR, the mandatory ex-ante assessment for FIs must establish evidence of market failure (or suboptimal investment situations) and estimate the level and scope of public investment needs. This assessment must also set out the most suitable types of FIs. Moreover, under Article 37(3) CPR, the ex-ante assessment must be submitted to the OP monitoring committee for information and its summary findings and conclusions must be published within three months of being finalised.

### 3.1 Amounts committed and paid to FIs

At the end of 2020, 11 Member States had committed EUR 785 million of OP contributions to FIs in funding agreements, including EUR 543 million of ESF (Figure 27). Most OP resources were committed to FIs in IT (EUR 308 million) and DE (EUR 170 million). Overall, EUR 107 million were committed to FIs having entrusted implementation tasks to the EIB in IT (EUR 100 million, all committed by the ‘Ricerca e innovazione’ programme) and PL (EUR 7 million). This is about 14% of the programme resources committed to FIs.

Managing authorities in all reporting Member States except CZ, DE and MT made commitments to funds of funds, for a total of EUR 365 million of OP resources including EUR 294 million ESF. Over 130 million of OP resources had yet to be committed to specific funds under funds of funds, especially in PT (EUR 38 million), and SK (EUR 30 million), PL (EUR 25 million) and BG (EUR 21 million). Eight funds of funds committed less than EUR 5 million each, all in PL except one in HU.

**Figure 26 OP amounts committed to funds of funds per Member State (EUR million)**



Subsequent payments had been made in each of the FIs where managing authorities had committed programme contributions in funding agreements. OP resources of EUR 331 million were paid to FIs, including EUR 240 million ESF and EUR 15 million YEI. National co-financing paid to FIs

was EUR 91 million<sup>62</sup>, of which EUR 84 million was from public resources and EUR 7 million from private sources. Private co-financing was reported by 13 FIs in LT and PL.

**Figure 27 Amounts committed in the funding agreements and paid to FIs, end 2020 (EUR)<sup>63</sup>**

MS	OP amount committed to FI	ESF committed to FI	OP amount paid to FI	of which ESF	of which YEI
BG	35,803,516	30,450,606	8,715,913	7,390,899	234,966
CZ	15,314,373	11,878,210	3,869,670	3,001,412	-
DE	170,219,000	103,600,000	95,284,750	59,034,050	-
ES	7,000,000	3,500,000	1,800,000	900,000	-
HU	4,235,977	4,024,178	1,667,162	1,583,804	-
IT	307,690,006	188,275,382	96,319,994	60,570,876	14,712,363
LT	26,810,562	24,546,803	26,810,562	24,546,803	-
MT	3,000,000	2,400,000	3,000,000	2,400,000	-
PL	93,765,958	79,629,137	55,046,047	48,128,367	-
PT	62,291,319	45,000,000	23,529,412	20,000,000	-
SK	58,500,000	49,725,000	14,625,000	12,431,250	-
<b>EU</b>	<b>784,630,710</b>	<b>543,029,316</b>	<b>330,668,509</b>	<b>239,987,461</b>	<b>14,947,329</b>

### 3.2 Support to final recipients

By the end of 2020, 48 FIs in ten Member States (all those reporting except ES) had committed EUR 234 million to final recipients, including EUR 155 million of ESIF. There were 8,978 contract signed, each committing over EUR 25,000 of OP resources on average.

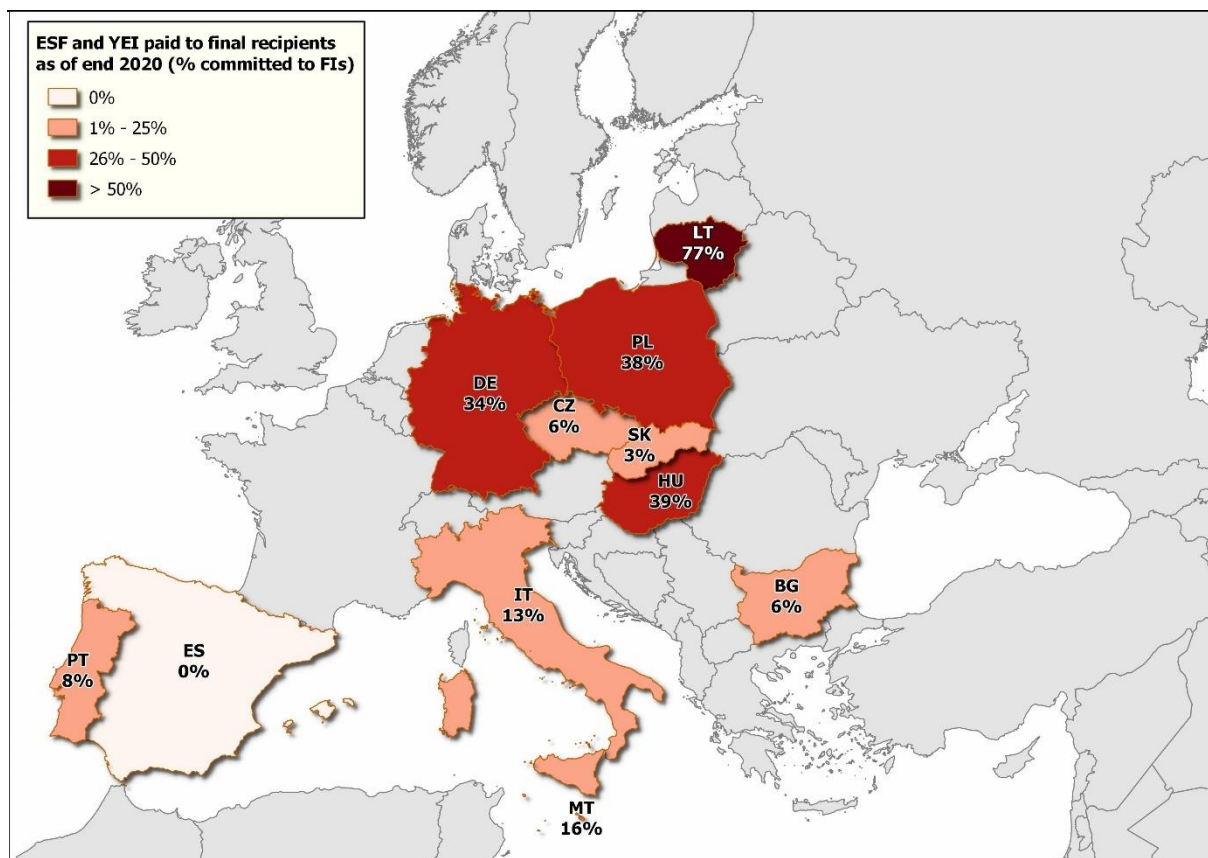
Each of these FIs had also made payments to final recipients, totalling EUR 182 million of OP resources, of which EUR 120 million was ESIF<sup>64</sup>. Overall, ESF and YEI paid to final recipients was 22% of the respective amount committed to FIs, with large differences between Member States (see Figure 28). National co-financing of EUR 51 million was paid from both public and private sources.

<sup>62</sup> The sum of ESF, YEI and national resources reported as paid to the FI ‘Fondo Rotativo Nazionale SELFIEmployment’ in IT exceeded the respective OP amounts paid to the FI.

<sup>63</sup> Less YEI resources were reported paid to FIs in HU compared to last year reporting exercise.

<sup>64</sup> OP ESF Bund Deutschland 2014-2020 reported for the first time on resources paid to final recipients. OP resources paid to final recipients were reported to be EUR 51 million, of which EUR 30 million ESIF.

**Figure 28 ESF and YEI paid to final recipients as of end 2020, percent of ESF and YEI committed to FIs**



There were 7,976 investments, which paid about EUR 23,000 of OP resources on average, with the highest average investment<sup>65</sup> in DE (around EUR 34,000) and the lowest in MT (EUR 2,900 set aside for guaranteed loans under TO10).

Payments to final recipients increased by EUR 94 million since the end of 2019<sup>66</sup>. Of these, EUR 61 million was ESF and YEI, or 11% of ESF and YEI committed to FI. Over EUR 80 million of OP resources paid to FIs by the end of 2019 had not yet been invested two years later.

<sup>65</sup> This only considers FIs reporting on both payments to final recipients and the respective number of investments. It excludes SK where the number of investments made in final recipients was considered implausible.

<sup>66</sup> Of this, EUR 51 million was paid by OP ESF Bund Deutschland 2014-2020, which reported for the first time on resources paid to final recipients.

**Figure 29 Payments to FIs, commitments and payments to final recipients, end 2020 (EUR)<sup>67</sup>**

MS	OP amount paid to FI	of which ESF	of which YEI	OP amount committed to final recipients	of which ESIF	OP amount invested in final recipients	of which ESIF
BG	8,715,913	7,390,899	234,966	2,340,155	1,992,031	2,159,095	1,838,130
CZ	3,869,670	3,001,412	-	1,398,973	1,398,973	951,016	737,632
DE	95,284,750	59,034,050	-	59,664,346	38,080,982	57,799,519	35,705,092
ES	1,800,000	900,000	-	-	-	-	-
HU	1,667,162	1,583,804	-	1,855,534	1,762,756	1,667,163	1,583,804
IT	96,319,994	60,570,876	14,712,363	80,619,389	39,630,208	51,696,350	24,783,281
LT	26,810,562	24,546,803	-	21,509,949	19,358,955	21,082,565	18,974,309
MT	3,000,000	2,400,000	-	877,632	702,105	467,303	373,842
PL	55,046,047	48,128,367	-	37,611,999	30,735,797	37,261,721	30,455,672
PT	23,529,412	20,000,000	-	10,262,395	6,163,484	6,691,928	3,752,034
SK	14,625,000	12,431,250	-	17,941,738	15,250,477	1,912,813	1,625,891
<b>EU</b>	<b>330,668,509</b>	<b>239,987,461</b>	<b>14,947,329</b>	<b>234,082,109</b>	<b>155,075,768</b>	<b>181,689,471</b>	<b>119,829,686</b>

The vast majority of FIs<sup>68</sup> provided loans or micro-loans, for a total of EUR 121 million. FIs only providing micro-loans paid EUR 60 million to final recipients, with FIs in BG, DE, and LT disbursing only this type of loans. Guarantees were provided in MT and PT, and equity in DE, PL, PT and SK.

Overall, 18 FIs in CZ, IT, MT, PL, PT and SK reported support combined with FIs in the sense of Article 37(7) CPR, which establishes that FIs may be combined with grants, interest rate or guarantee fee subsidies. By the end of 2020, these FIs paid about EUR 25 million of OPs resources to final recipients and only a tiny amount of other support combined within the FI i.e., in one operation. CPR rules for the 2021-2027 programming period extend the combination options and allow disbursement of the combined support directly to final recipients. This will make it easier for managing authorities to expand the reach of FI support through such combinations.

<sup>67</sup> Payments from ESF, YEI and national resources were reported to exceed OP amounts paid to one FI in IT.

<sup>68</sup> Information on the type of products an FI offers is not provided at the fund of funds level, but only at the level of payments to final recipients.

### 3.3 Final recipients supported

As at the end of 2020, FIs supported over 7,960 final recipients<sup>69</sup>, of which 4,047 were microenterprises and 3,557 individuals (Figure 30). Two out of three final recipients were provided with loans.

**Figure 30 Number and type of final recipients supported by product, end 2020**

<b>Product</b>	<b>Large enterprises</b>	<b>SMEs</b>	<b>of which microenterprises</b>	<b>Individuals</b>	<b>Other</b>	<b>Total</b>
Loans	-	3,090	2,879	2,208	7	5,305
Guarantees	-	-	-	1,349	-	1,349
Equity	1	1,308	1,168	-	1	1,310
<b>Total</b>	<b>1</b>	<b>4,398</b>	<b>4,047</b>	<b>3,557</b>	<b>8</b>	<b>7,964</b>

Support was provided only to SMEs in CZ, DE, HU and LT, while BG and PL also strongly focused on SMEs. MT only supported individuals by providing guarantees.

**Figure 31 Number of final recipients supported by Member State, end 2020**

<b>Member State</b>	<b>BG</b>	<b>CZ</b>	<b>DE</b>	<b>HU</b>	<b>IT</b>	<b>LT</b>	<b>MT</b>	<b>PL</b>	<b>PT</b>	<b>SK</b>	<b>Total</b>
Number of final recipients	238	6	1,295	106	2,389	1,085	177	1,488	1,179	1	<b>7,964</b>

### 3.4 Management costs and fees

Member States reported over EUR 10 million of management costs and fees paid from OP resources. Of these, EUR 4.9 million or 48% was paid as performance-based remuneration.

In 2007-2013, management costs paid to implementing bodies were calculated on the basis of amounts contributed to the FI and were, in many cases, decoupled from performance. Based on lessons learned, management costs and fees in 2014-2020 are linked to performance in delivering funds to final recipients. Applicable thresholds and criteria for determining management costs and fees on the basis of performance are set out in Articles 12 and 13 of Commission Delegated Regulation (EU) No 480/2014. These aim at increasing the efficiency and effectiveness of investments and avoiding undesirable practices such as double charging costs to both final recipients as well as ESF and YEI.

<sup>69</sup> Although resources were paid to final recipients by OP ESF Sachsen, the programme reported that no final recipients were supported.



The performance-based approach should consider disbursement of contributions provided by ESF and YEI, resources paid back from investments or from the release of resources committed for guarantees, as well as the quality of measures before and after the investment decision to maximise its impact and the contribution of the FI to the objectives and outputs of the programme.

FIs indicating that management costs and fees have not yet been paid to implementing bodies by the end of 2020 were paid EUR 144 million of OP resources, most of which in DE and IT. Overall, of the OP resources paid to these FIs, EUR 55 million were disbursed to FIs having signed a funding agreement by the end of 2018. Two FIs in IT and PT did not report on management costs and fees<sup>70</sup>, possibly indicating that no management costs and fees were to be paid from the OP contributions.

### **3.5 Interest and gains from treasury management, and amounts repaid and reinvested**

By the end of 2020, accrued interest and gains attributable to ESF totalled EUR 10 million<sup>71</sup>. Negative interest and gains were reported by some FIs in BG, DE and IT.

Article 43 of the CPR clarifies how managing authorities should deal with interest or other gains from the investment of ESF and YEI contributions to FIs. The 2014-2020 rules provide for reporting on this from the outset. For 2007-2013, information about treasury management was reported only at closure.

An important characteristic of FIs, in comparison to grants, is that they can generate reflows. These include capital repayments, such as loan principal, an exit from an equity participation as well as the release of amounts set aside for guarantees. Other gains include interest, guarantee fees, dividends and other gains.

According to Article 43a and Article 44 of the CPR resources attributable to ESIF support paid back to FIs should be used for:

- Further investments through the same or other FIs;

<sup>70</sup> 'Fondo Regionale Occupazione, Inclusione e Sviluppo' under the 'Calabria ERDF ESF' programme and 'FIS Capital' under the 'Programa Operacional da Competitividade e Internacionalização'.

<sup>71</sup> FIs with EUR 13 million of paid OP resources did not report on interest and gains attributable to ESF. FIs having been paid over EUR 37 million of OP resources reported no interest and gains generated by ESF payments.

- Differentiated treatment of investors operating under the market economy principle;
- Reimbursement of management costs and fees of the FIs;
- Covering the losses in the nominal amount of the ESI Funds contribution to the financial instrument resulting from negative interest.

As at the end of 2020, 38 FIs reported that EUR 24 million had been returned which was attributable to support from ESF, or 20% of the ESF amount paid to final recipients. Most of the returns attributable to support from ESF were in LT (almost EUR 8 million) and PL (EUR 7 million).

### **3.6 Value of equity participation**

The value of equity participations made by venture capital funds or co-investment facilities depends on the performance of the enterprises in which they invest. The value may increase or decrease but reflows are only available at the moment of an exit, which may happen many years after the initial investment.

In order to have information on progress, managing authorities report on the value of equity participations. This is the book value of the investment at the end of the reporting year. Depending on the applicable accounting rules: 'Book value = nominal value of investments adjusted for fair-value movement, less impairments of assets'.

By the end of 2020, DE, PL, PT and SK had made equity investments in final recipients. Investments were by far the largest in DE (EUR 50 million or 85% of the total). However, the respective value of equity participations was not reported. SK reported the same value for the investment and the equity participations, possibly indicating that an updated evaluation of the participations had still to be carried out.

### 3.7 Leverage

Reporting on non-OP resources mobilised through FIs and expected leverage is only obligatory in annual implementation reports in 2017, 2019 and the final report. While such reporting was optional this year, many FIs still did report on their expected leverage. Overall, EUR 640 million of OP resources was committed to FIs reporting on expected leverage. Achieved leverage figures could also be calculated for FIs to which over EUR 610 million of OP resources was committed<sup>72</sup>.

The ability to attract additional resources is a key characteristic of FIs and one of the arguments for promoting their use to deliver ESIF policy objectives. A definition of leverage is provided in the Financial Regulation (EU, Euratom 2018/1046) in Article 2(38) as *‘the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution’*.

The CPR refers to the 'expected leverage effect', which is established on the basis of the ex-ante assessment and signature of the funding agreement with the body implementing the FI. After launching the FI, there is an 'achieved leverage effect'. Additional resources, and hence leverage, can be accumulated at the levels of fund of funds (if applicable), specific funds and final recipients.

In the reporting, managing authorities provide the expected leverage stipulated in the funding agreement for each FI. Achieved leverage is calculated under SFC2014 to ensure coherence across OPs and FIs. The formula for achieved leverage is:

Achieved leverage effect =	$\frac{\text{Total amount which reached eligible final recipients as at the end of a reported year}}{\text{Eligible ESIF support which contributed to the total amount indicated in the numerator}}$
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The total finance which reached eligible final recipients is the sum of the (1) ESIF contribution; (2) national co-financing (public or private); (3) contributions from other investors, and (4) other forms of support combined in a single FI operation.

ESIF support, which contributed to the amount reaching final recipients, includes ESIF resources invested in final recipients and the ESIF share of management costs and fees.

<sup>72</sup> The loan FI ‘Fondo Microcredito FSE’, set-up under the OP ‘Sardegna FSE’ in IT, was excluded from the analysis, as its reported achieved leverage of above 20 was considered to be possibly inaccurate.

Expected leverage for loan FIs ranged between 1.0 and 2.0, with the typical i.e., median value being 1.2. Achieved leverage for loan FIs showed a similar range and typical value, showing that FI capacity to mobilise additional finance was aligned with initial managing authority expectations. Loan FIs mobilised EUR 8 million of private resources at the level of the final recipients, mostly in PL.

Expected leverage was also reported for seven guarantee FIs, ranging from 2.0 to 7.8, and five equity FIs (between 1.6 and 2.1). Where achieved leverage could be calculated for some of these FIs - two guarantee and four equity FIs – it was broadly in line with expected leverage stipulated in the funding agreement. Overall, EUR 1.2 million was set aside for EUR 7.3 million of guaranteed loans paid to final recipients in MT and PT.

### **3.8 Indicators and achievements**

Information concerning the FI contribution to priority axis indicators is compulsory in 2017, 2019 and at closure. Indicator information was therefore optional for this reporting exercise.

Of 58 specific funds, under or without a fund of funds, 19 reported on contribution to the priority axis using common indicators. These FIs supported 825 unemployed people, including long-term unemployed (CO01), or 5% of their 15,273 target, and 447 inactive people (CO03) of the 3,720 targeted (12%). In addition, 374 participants with tertiary education (ISCED 5 to 8) were supported, or 8% of the respective target (4,834).

Specific targets should be fixed in the funding agreements against which progress is reported. Reporting is no longer limited to only one indicator 'jobs created' as in the 2007-2013 programming period. Managing authorities can choose from a list of output indicators approved in the OPs.

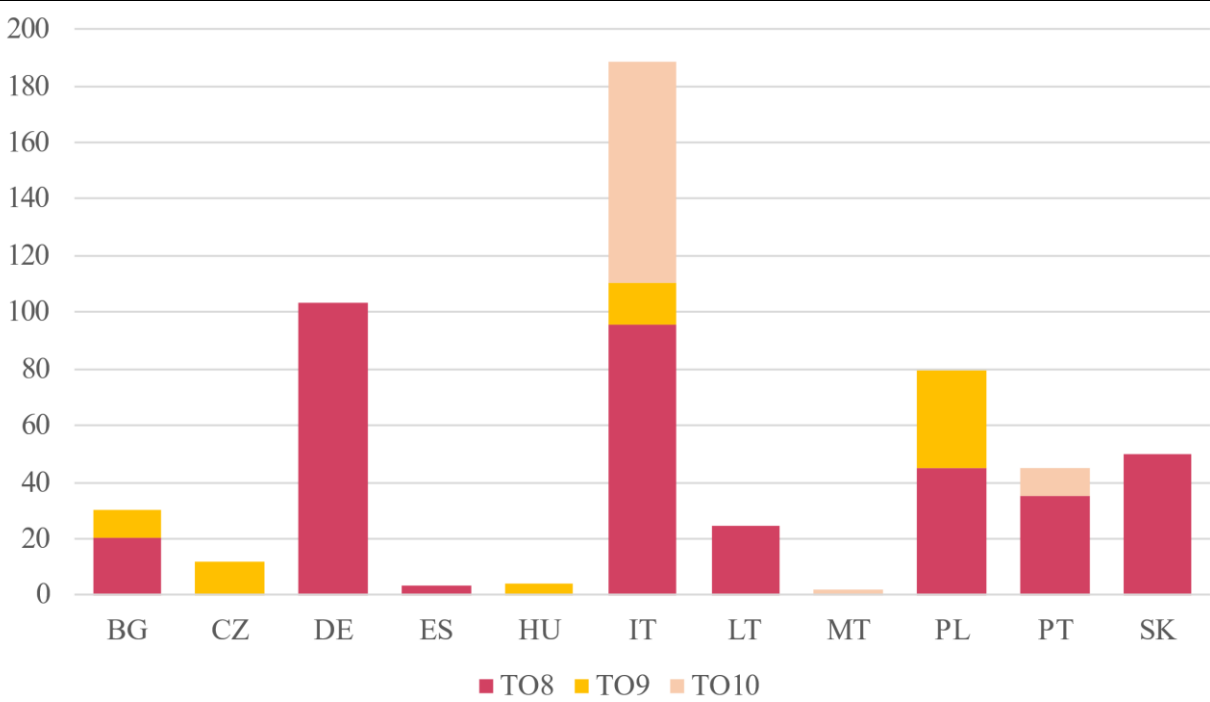
Overall, 106 SMEs (including cooperative and social economy enterprises) were supported (CO23), or 5% of the respective target (2,066). The reported achieved value was only a tiny fraction of the supported SMEs (see section 3.3). This can be attributable to optional reporting and some FIs not using common indicators, as well as due to approaches used by managing authorities to report on indicators e.g., reporting on indicators only at a later stage of FI implementation.

**4. Reporting by thematic objectives**

Although reporting on specific amounts under TOs is not a legal obligation under the CPR, this information was reported for all funds of funds and specific funds without a fund of fund structure.

About EUR 377 million or over two thirds of ESF commitments to FIs were for TO8, while EUR 90 million and EUR 75 million were committed for TO10 and TO9. The highest ESF resources committed to TO10 and TO9 were in IT and PL respectively (see Figure 32).

**Figure 32 ESF amounts committed per TO and Member State, end 2020 (EUR million)**



With EUR 21 million of ESIF resources paid to final recipients by the end of 2020, TO9 had the highest rate of disbursement of committed resources (28%). FIs with ESF and YEI resources committed to TO8 paid about a fourth of their committed amounts to final recipients (EUR 94 million out of EUR 377 million committed). FIs addressing TO10 reported little progress (EUR 5 million), also given to most resources having been committed only at a later stage in the 2014-2020 programming period.

## 5. Conclusions

By the end of 2020, EUR 785 million of OP resources were committed to FIs, of which EUR 543 million was ESIF. This is about 0.6% of the ESF and YEI resources for the 2014-2020 programming period and below the amount indicatively planned for FIs (EUR 773 million or 0.8% of the ESF and YEI resources). Indicatively planned resources exceeded ESF and YEI committed amounts especially in RO and IT, for a total of over EUR 200 million<sup>73</sup>.

Overall, OP amounts committed to FIs decreased by EUR 35 million compared to the latest reporting exercise, with a considerable decrease in PT (EUR 49 million) and additional resources committed in IT (EUR 18 million). ES reported for the first time on OP resources committed to FIs. Of the committed resources, EUR 330 million was paid to FIs, including EUR 240 million of ESF and 15 million of YEI.

By the end of 2020, ESF and YEI disbursements to final recipients were 22% of the respective amounts committed to the FIs, with a modest increase compared to the latest reporting exercise. There were no payments yet to final recipients in ES, while very limited progress - less than 10% of ESF and YEI committed to financial instruments - was reported in BG, CZ, HU, IT, PT and SK. FIs with resources committed to TO9 had a slightly higher rate of disbursement to final recipients.

Member States reported that almost EUR 10 million of management costs and fees had been paid from OP resources, while accrued interest and gains from treasury management attributable to ESF also totalled EUR 10 million. Overall, EUR 24 million had been repaid to FIs which was attributable to support from ESF, or 20% of the ESF amount paid to final recipients.

Information reported on leverage indicates a limited capacity of ESF and YEI contributions to mobilise additional finance. While this is in line with managing authority expectations, it also reflects the risks involved in financing the type of final recipients supported by these FIs, such as unemployed and inactive people. In addition, a small average investment size implies higher transaction costs, which makes it harder to attract investors. Overall, EUR 8 million of private resources were mobilised by loan FIs at the level of the final recipients and EUR 21 million through equity FIs, most of which in PL and DE respectively.

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<sup>73</sup> Indicative planned amounts refer to resources programmed for FIs as set out based on Article 96(2)(b)(vi) CPR. Resources committed to FIs refers to data transmitted by managing authorities based on according to Article 46 CPR.

Substantial efforts have been made over the years by the Commission to improve the quality of data by providing guidance. Nonetheless, quality checks identified some potential improvements concerning the completeness and accuracy of data. ESF managing authorities are invited to pay particular attention to these elements for the next reporting exercise.

# EAFRD

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## 1. Executive summary

In 2020, Managing Authorities (MAs) of Rural Development Programmes (RDPs) continued with the implementation and set-up of financial instruments under the European Agricultural Fund for Rural Development (EAFRD). Implementation progressed substantially, although the number of EAFRD financial instruments (FIs) only increased by two between 1 January 2020 and 31 December 2020. Equity instruments were not set up by the end of 2020.

By the end of the reporting period (31 December 2020), MAs of 55 RDPs - out of the total 112 - had initiated an ex-ante assessment for FIs (in accordance with Article 37 of the CPR). Of these 55, 43 had completed their assessment. By end of 2020, FIs were programmed in 33 RDPs in 13 Member States (MSs) with a total public budget of EUR 809 million, out of which EUR 610 million came from the EAFRD, a small increase compared to 2019.

By the end of 2020, 33 MAs had launched the selection of implementing bodies and 28 of them had signed 30 funding agreements in 11 Member States. Total commitments to FIs increased to EUR 701 million, EUR 536 million of which were due to the EAFRD.<sup>74</sup> All EAFRD FIs are tailor-made loan and guarantee instruments.

In 2020, 25 FIs paid money to final recipients (7 more than 2019). MAs have reported EUR 228 million of RDP contributions committed for final recipients in loan contracts or set aside for guarantees. The actual payments made to final recipients amounted to EUR 201 million (2019: 109 million), EUR 150 million (2019: 81 million) of which came from the EAFRD.

The number of final recipients supported increased by more than three times from 1 372 in 2019 to 4 403 by the end of 2020, receiving support through 4824 loan and/or guarantee contracts. The proportion of SMEs (including micro-enterprises) reached 99.7%<sup>75</sup> of all final recipients. The bulk of the SMEs is made up of 3 972 micro-enterprises which made up 90.2% of all final recipients.

The largest proportion of final recipients belong to the largest farm size category with 50 hectares or more. Together with the second largest category of 20-50 hectares, they make up 77% of all the final recipients supported by FIs; 11% of the final recipients belong to the size category of below 5 hectare.

The share of the primary agricultural sector (incl. wine) in the number of financed projects increased from 85% in 2019 to 88% in 2020. Correspondingly, the share of non-agricultural businesses fell to 12%.

20 MAs paid EUR 6.5 million for management costs and fees (MCF) to 20 funds of funds, 18 specific funds implemented under a fund of funds and 11 stand-alone specific funds. Out of this, EUR 5.0 million was reported to have been paid as base remuneration and EUR 1.6 million as performance based remuneration.

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<sup>74</sup> Excluding the specific fund of Puglia, which was wound up in October 2020 EUR 698 million were committed to FIs out of which 534.5 were EAFRD resources on 31.12.2020. No money was committed or paid to final recipients under this SF.

<sup>75</sup> Individual farms and family farms fall under the enterprise-, most probably microenterprise, category under the EC Recommendation 2003/361/EC.

Achieved leverage data was provided by 15 loan and 17 guarantee FIs under 23 RDPs. Loan FIs' achieved leverage value varied between 1.04 and 11.63, with a median<sup>76</sup> achieved leverage of 2.06. Guarantee FIs' achieved leverage value varied between 1.23 and 15.42, with a median achieved leverage of 9.08.

Loan FIs provided EUR 150.3 million RDP resources via loans to final recipients, including national co-finance. Together with additional national public and private financing (excluding national co-finance, which is already included in the RDP figure), this brings the total to EUR 259.0 million of loan financing for final recipients. RDP guarantees generated a loan portfolio of EUR 282.5 million with just EUR 51.2 million from RDP resources. In summary, EUR 201.5 million RDP contributions generated EUR 541.4 million paid to or to the benefit of final recipients.

In response to the COVID pandemic, legislation was passed to allow MS to respond quickly. These new possibilities introduced by the CRII+ legislation include for example support for stand-alone working capital. As at August 2021, 13 Rural Development Programmes (RDP) in 8 MSs offer support for stand-alone working capital, an option that was introduced by the CRII+. In total, RDP amendments added a total of EUR 94.1 million, covering also non-COVID needs<sup>77</sup>.

## **2. 2020 reporting exercise**

### **• Data submission and collection**

EAFRD MAs report on the implementation of FIs in the annual implementation report of RDPs, in accordance with Article 46 of Regulation (EU) No 1303/2013 and via the dedicated module in SFC2014<sup>78</sup>.

Data on the EAFRD FIs are reported in SFC2014 on three levels: per RDP (introduction module), per financial instrument (per measure<sup>79</sup>), and per product(s) provided by the FI. The RDP 2014-2020 measures relevant for this summary of data are: M04 - Investments in physical assets (Art. 17), M06 - Farm and business development (Art. 19), M08 - Investments in forest area development and improvement of the viability of forests (Art. 21-26) and M019 – support for leader local development (Art. 42-44).

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<sup>76</sup> The median is the middle number in a sorted list of values and can be more descriptive in certain cases than the average. In the case of the leverage of different sized and different structured instruments, the median of leverages can better demonstrate the overall picture.

<sup>77</sup> This information is taken from submitted RDP amendments

<sup>78</sup> The first reporting exercise on FIs for RDPs 2014-2020 covering the years 2014&2015 was carried out outside SFC2014, based on an Excel template completed by the RDP MAs.

<sup>79</sup> Measures with relevance to one or more Union priorities for Rural development in 2014-2020 programming period, as listed in Annex VI of Regulation (EU) No 1305/2013.

- **Quantity and quality of the data provided**

Under EAFRD, all 112 RDPs have to provide basic information on the implementation of FIs (see results in Figure ). Detailed reporting was compulsory for 28 RDPs, where the funding agreements for FIs were signed by the end of 2020. The quality checks of the AIRs by the Commission revealed some discrepancies in FIs data and missing information, which can be due to a number of MAs with FIs entering into the roll-out phase. Where necessary, the Commission has informed the EAFRD MAs about the quality checks of data through the letters used for the quality assessment process of the AIR. Thanks to the close collaboration between DG AGRI services and RDP MAs, the majority and most important missing or inaccurate data could be, respectively, completed or corrected.

Areas with the highest error rates or no data reported:

- identification of the implementing bodies in case of Fund of Funds (FoF) structures;
- identification of the EFSI-EAFRD type of instrument
- differentiation between the data for the layer of the FoF versus the SF/FoF (selection procedure, commitments, payments, MCF, additional resources);
- additional national financing amount mistakenly included in the RDP contribution
- management cost and fees, broken down by base and performance based remuneration;
- interest and other gains, repaid amounts;
- reporting individual farmers and family farms under the “Individuals” category.

Following the exchanges with the MAs and all subsequent corrections, the data on FIs reported in the 2020 AIRs can be considered reliable and comparable with the 2019 data. All figures reported either come directly from the reports by the MAs or are our own calculations based on those reported figures unless otherwise indicated.

### **3. Summary of data collected on the set-up of financial instruments under EAFRD**

#### **3.1 Progress in set-up of Financial instruments and in selection of the implementing bodies**

##### **Programming, ex-ante assessment, selection procedure and funding agreements**

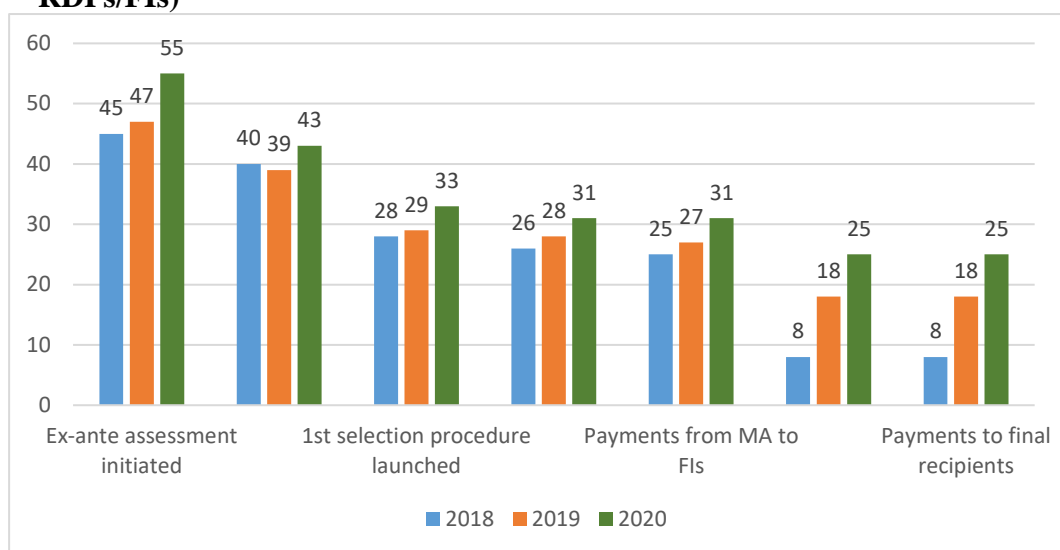
By the end of 2020, 55 out of the 112 RDP MAs had started ex-ante assessments required for setting up financial instruments, out of which 43 assessments were completed (Figure 1). 33 RDPs in 11 Member States<sup>80</sup> contained allocations for FI type of support amounting to EUR 809 million (out of which EUR 610 million EAFRD), which is a small increase compared to 2019. 33 MAs had launched the procedure to select implementing bodies, out of which 28 signed 31<sup>81</sup> funding agreements in 11 Member States.

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<sup>80</sup> Including 5 RDPs, Castilla-La Mancha, Navarra, Basilicata, Lithuania, Slovakia which had not signed a Funding Agreement by 31.12.2020.

<sup>81</sup> Including Puglia's specific Fund which was wound up in October 2020.

**Figure 1. Progress in setting-up of FIs under EAFRD until end of 2020 (number of RDPs/FIs)**

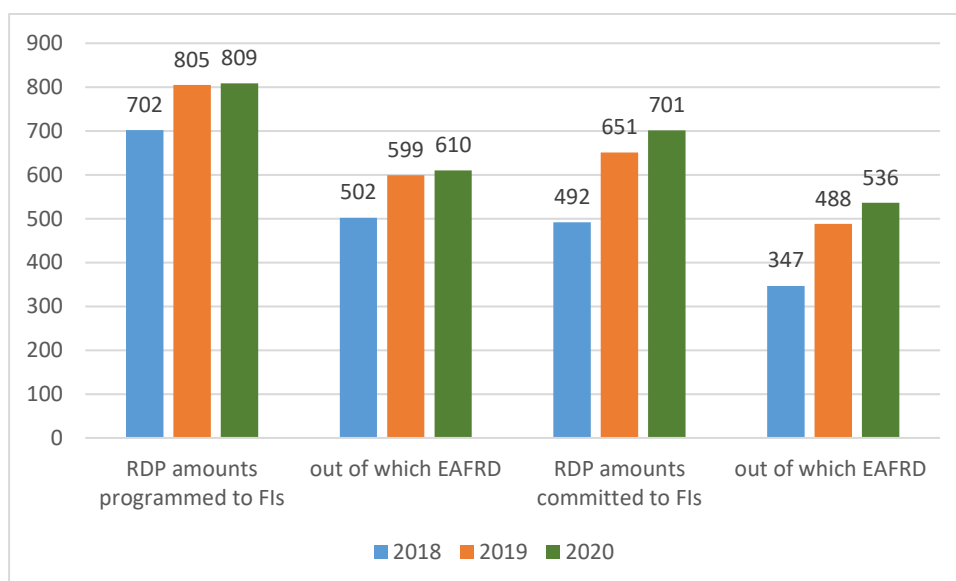


*Note: Data on ex-ante assessments and selection procedure show number of RDPs, while data on funding agreements, payments and commitments show number of FIs*

*\*\*1 FIs in Puglia was discontinued in autumn 2020, reducing the number of FIs and Funding agreements at 31.12.2020 to 30*

Compared to 2019, there has been another increase in commitments made by Managing Authorities in signed funding agreements, reaching the level of EUR 701 million total RDP commitment (out of which EUR 536 million EAFRD) (Figure 2), which is 87% of the total programmed FI allocations. For details per RDP, see Table 1.

**Figure 2 Development of programming FIs and amounts committed in Funding Agreements, by end of reporting years (million EUR)**

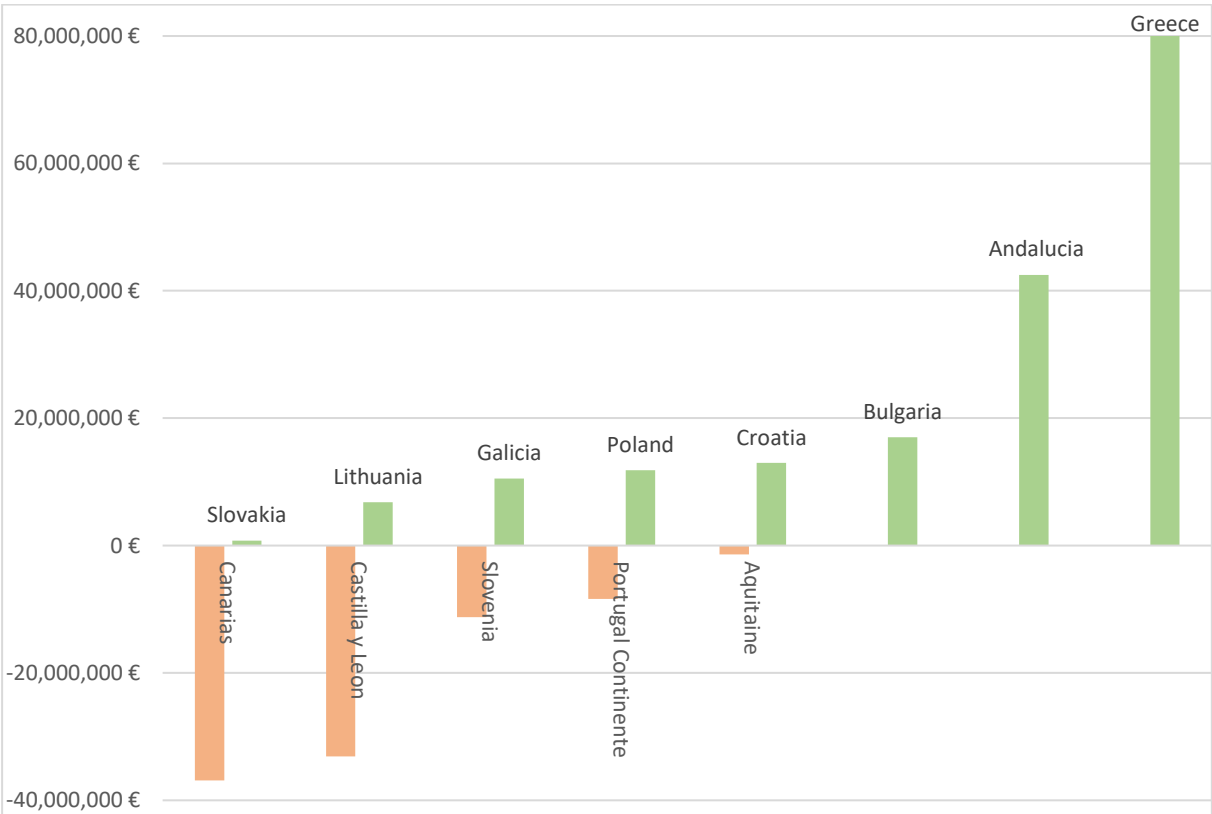


*\*excluding Puglia's specific fund which was wound up in October 2020, EUR 698 million were committed to FIs out of which 534.5 were EAFRD resources on 31.12.2020.*

Under the 31 signed Funding Agreements, MAs reported to have paid out 53% (amounting to EUR 375.1 million) of the committed RDP resources to the implementing bodies till end of 2020.

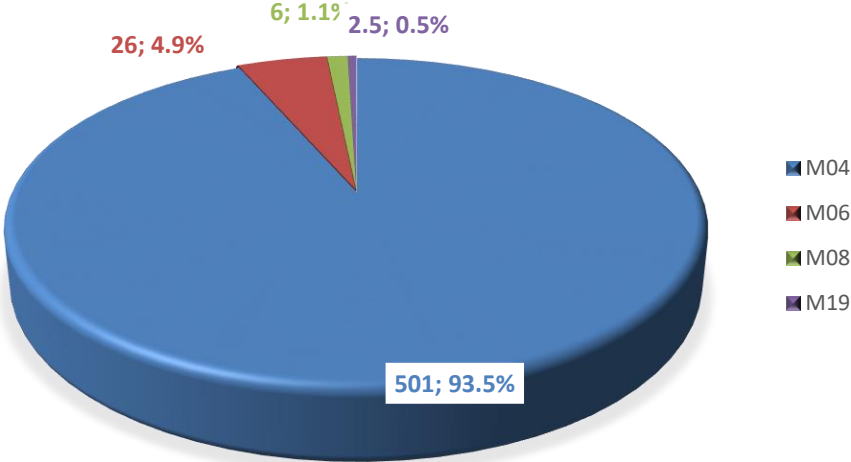
The general increase in programme contributions to FIs in RDPs masks some diverging developments between RDPs. For example, Greece was the Member State whose RDP added the most money (green columns) compared to 2019 followed by the region of Andalucía (Spain). Bulgaria, Lithuania and Slovakia programmed money for FIs for the first time. On the other end of the spectrum (red columns for reductions in the amount programmed for FIs), Canarias and Slovenia removed all money from FIs and no longer has a FI (see figure 3 below). RDPs not mentioned maintained the amount programmed for FIs.

**Figure 3 RDP amounts programmed for FI in 2020 compared to 2019 in EUR**



94% of EAFRD commitments in funding agreements were made under measure 4 “Investments”, while 5% were allocated to measure 6, “Business start-up and development”, and 1% was allocated under measure 8, “Investments in forestry and 0.5% under M19 “Support for leader local development” (see Figure 4). This distribution has changed only minimally compared to 2019.

Figure 4 EAFRD commitments to FIs per measure, as of end of 2020 (in million EUR & %)



**Table 1 RDP amounts programed to FIs and committed in the funding agreements as of end of 2020 (in million EUR)**

MS	RDP	RDP programmed for FIs	out of which EAFRD	RDP amounts committed to FIs	out of which EAFRD	RDP committed/ programmed
BG	Bulgaria	20,0	17,0	20,0	17,0	100%
DE	Mecklenburg-Vorpommern	5,9	5,0	5,9	5,0	100%
EE	Estonia	39,5	35,5	39,5	35,5	100%
EL	Greece	113,9	110,0	80,0	80,0	70%
ES	Andalucía	50,0	42,5	50,0	42,5	100%
	Castilla-La Mancha*	21,6	18,8	0	0	0%
	Castilla y León	37,5	24,9	37,5	24,9	100%
	Extremadura	5,1	3,8	5,1	3,8	100%
	Galicia	14,0	10,5	14,0	10,5	100%
	Navarra*	22,6	7,0	0	0	0%
FR	Poitou-Charentes	2,7	2,0	2,7	2,0	100%
	Aquitaine	13,7	8,6	13,7	8,6	100%
	Midi-Pyrénées	12,0	6,4	12,0	6,4	100%
	Limousin	4,1	3,0	4,1	3,0	100%
	Languedoc-Roussillon	15,0	9,5	15,0	9,5	100%
	PACA	8,0	5,0	8,0	5,0	100%
HR	Croatia	85,8	73,0	85,8	73,0	100%
IT	Emilia Romagna	6,0	2,6	6,0	2,6	100%
	FVG	16,1	6,9	16,1	6,9	100%
	Lombardia	35,4	15,2	35,4	15,2	100%
	Piemonte	5,0	2,2	5,0	2,2	100%
	Toscana	9,8	4,2	9,8	4,2	100%
	Umbria	19,0	8,2	5,0	2,2	26%
	Veneto	15,1	6,5	15,0	6,5	100%
	Basilicata*	5,0	3,0	0	0	0%
	Calabria	10,0	6,1	10,0	6,1	100%
	Campania	10,0	6,1	10,0	6,1	100%
	Puglia**	15,0	9,1	13,0	7,9	87%
LT	Lithuania*	8	6,8	0	0	0%
PL	Poland	68,6	43,7	68,6	43,7	100%
PT	Continente	20,1	18,5	20,1	18,5	100%
RO	Romania	94,0	87,8	93,9	87,8	100%
SK	Slovakia*	1,0	0,8	0	0,0	0%
	Total	809,4	609,9	701,2	536,3	87%

\*Lithuania, Navarra, Castilla-La Mancha, Basilicata and Slovakia have not had not signed a FA in 2020

\*\*Puglia's second FI was discontinued in October 2020; without it Puglia committed EUR 10 million to FIs, out of which EUR 6.1 million were EAFRD resources

- **Implementation arrangements and legal status of FIs**

All EAFRD FIs are set up at national or regional level. In total 26 FIs were created in accordance with Article 38(1)(b) of the CPR, while another 5 FIs (Portugal, Greece, and the region of Nouvelle Aquitaine in France) combine resources of EFSI and EAFRD in accordance with Article 38(1)(c) of the CPR. EAFRD Managing Authorities did not contribute to the SME Initiative or other EU level instruments under Article 38(1)(a) of the CPR.

Instead of investing in capital or managing directly, all EAFRD MAs have decided to entrust implementation tasks, either through a direct award of a contract as did 23 FIs (5 of them used direct award of contract to combine EFSI-EAFRD resources), or through entrustment to a body under public or private law in 8 cases.

EIF has been entrusted to implement 15 FIs out of the 31, while 10 FIs are implemented by bodies governed by public or private law, 4 FIs are implemented by publicly owned bank or institution, and 2 FI are implemented by the EIB.

The implementation is arranged through a Fund of Funds structure under 20 FIs (EUR 441 million of RDP commitment, out of which EUR 351.5 million is EAFRD), having 25 Specific Funds (SF/FoF). Single-layer Specific Funds are entrusted for the implementation of 11 FIs (EUR 269.5 million RDP resources, out of which EUR 185 million is EAFRD).

Only Croatia<sup>82</sup> implements its FIs both through Fund of Funds and through Specific Funds. (SFs) The French region of PACA implements two SFs.

Looking at the instruments which are up and running (established Specific Funds and Specific Funds under FoFs), the share of guarantee instruments of total EAFRD commitments is increasing after a slow start, reaching 54% of EAFRD commitments (EUR 226 million) by the end of 2020. The loan instruments in implementation account for 46% of the EAFRD commitments, (EUR 195.6 million; see Figure 5). Looking at the total RDP commitments (including the national public co-financing amounts), the commitments to guarantee instruments also exceeded the commitments to loan instruments (EUR 364 million versus EUR 250 million).

**Figure 5 Distribution of EAFRD commitments to financial products under FIs with completed implementation structure, as of end of 2020 (in million EUR, %)**



<sup>82</sup> Puglia did the same until it wound up its specific fund in October 2020



### 3.2 Investments in final recipients, performance of financial instruments

Overall 25<sup>83</sup> instruments (under 28 RDPs) committed EUR 228 million RDP support to final recipients, which is almost twice as much the amount of 2019. Similarly, disbursements – or in the case of guarantees set aside for guaranteeing disbursed loans - to final recipients almost doubled to EUR 201 million of RDP resources (see Table 2). Compared to the total RDP payments made to implementing bodies, this implies an overall disbursement rate of 43% by the end of 2020.

The Italian Friuli-Venezia-Giulia (FVG) loan fund absorbed its entire budget already by 2018, while the oldest operational EAFRD FI, the Estonian loan fund, reached 98% disbursement of the total RDP resources committed to the FI. The Bulgarian instruments is a newcomer and it has not yet disbursed money to final recipients (FRs) by the end of the reporting period.

Progress was rapid in Midi-Pyrénées, Croatia, and Romania. Their disbursement rates more than doubled to 60%, 50% and 39% respectively. Poland and Castilla y León (Spain) each roughly quintupled their disbursement rates.

Lombardia's disbursement rate rose by almost 20% points to 47%. The German region of Mecklenburg-Vorpommern managed to double its disbursement rate in 2020 to 24%, given its widening of the targeted groups.

Poitou-Charentes and Limousin achieved a disbursement rate of 17% during their first year of being fully operational, Aquitaine 29%.

Concerning Table 2 one should keep in mind that Puglia discontinued one of its two financial instruments in October 2020 which is why the table shows the figure for both FIs. The figures for the remaining FI in Puglia are EUR 10 million to committed FIs, out of which 6.1 million were EAFRD resources and it paid 2.5 million to its FI out of which 1.5 million were EAFRD resources.

The Table 2 shows the figures for both of Puglia's FIs. For the remaining FI the RDP amount paid to FI is EUR 2.5 million, out of which 1.5 million are EAFRD resources. The RDP and EAFRD amount committed to FRs are the same as those paid to FRs, EUR 0.6 million out of which EUR 0.4 million are EAFRD resources.

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<sup>83</sup> Puglia's second FIs did not commit any money to final recipients before it was wound up.

**Table 2 Take-up of FIs, investments in final recipients (in million EUR)**

MS	RDP	RDP amounts committed to FIs	out of which EAFRD	RDP amounts paid to FIs	out of which EAFRD	Payment rate to FIs (vs total RDP commitments)	RDP amount committed to FRs or set aside for guarantees	out of which EAFRD	RDP amount invested in FR or set aside for guarantees	out of which EAFRD	Disbursement rate		
											in relation to RDP comts. to FIs	in relation to RDP payments to FIs	in relation to RDP comts. to FR recipients
BG	Bulgaria	20,0	17,0	5,0	4,3	25%	0,0	0,0	0,0	0,0	-	-	-
DE	Mecklenburg-	5,9	5,0	2,5	2,1	42%	1,4	1,2	1,4	1,2	24%	57%	100%
EE	Estonia	39,5	35,5	39,5	35,5	100%	39,3	35,4	38,5	34,7	98%	98%	98%
	Greece	80,0	80,0	20,0	20,0	25%	0,2	0,2	0,2	0,2	0%	1%	100%
ES	Andalucía	50,0	42,5	12,5	10,6	25%	0,0	0,0	0,0	0,0	0%	0%	0%
	Castilla y León	37,5	24,9	22,1	13,9	59%	12,2	7,7	12,2	7,7	32%	55%	100%
	Extremadura	5,1	3,8	1,2	0,9	23%	0,0	0,0	0,0	0,0	0%	0%	0%
	Galicia	14,0	10,5	3	2,25	21%	0,0	0,0	0,0	0,0	0%	0%	0%
FR	Poitou-Charentes	2,739	2,0	2,7	2,0	100%	0,5	0,3	0,5	0,2	17%	17%	87%
	Aquitaine	13,7	8,6	13,7	8,6	100%	4,6	2,2	4,0	1,9	29%	29%	87%
	Midi-Pyrénées	12,0	6,4	12,0	6,4	100%	7,4	3,9	7,2	3,8	60%	60%	98%
	Limousin	4,1	3,0	4,1	3,0	100%	0,8	0,4	0,7	0,3	17%	17%	87%
	Languedoc-Roussillon	15,0	9,5	15,0	9,5	100%	6,7	4,2	6,0	3,8	40%	40%	89%
	PACA	8,0	5,0	1,7	0,0	21%	1,1	0,0	0,8	0,0	10%	47%	73%
HR	Croatia	85,8	73,0	67,6	57,5	79%	43,8	36,5	43,0	36,5	50%	64%	98%
IT	Emilia Romagna	6,0	2,6	1,5	0,6	25%	4,3	0,9	0,5	0,2	8%	33%	12%
	FVG	16,1	6,9	16,1	6,9	100%	16,1	6,9	16,1	6,9	100%	100%	100%
	Lombardia	35,4	15,2	16,6	7,2	47%	32,5	14,0	16,5	7,1	47%	100%	51%
	Piemonte	5,0	2,2	1,3	0,5	25%	0,2	0,1	0,2	0,1	3%	14%	100%
	Toscana	9,8	4,2	2,5	1,1	25%	0,4	0,2	0,4	0,2	4%	16%	91%
	Umbria	5,0	2,2	1,3	0,5	25%	0,0	0,0	0,0	0,0	0%	0%	0%
	Veneto	15,0	6,5	3,8	1,6	25%	0,3	0,1	0,3	0,1	2%	7%	100%
	Calabria	10,0	6,1	2,5	1,5	25%	0,5	0,3	0,5	0,3	5%	21%	100%
	Campania	10,0	6,1	2,5	1,5	25%	0,2	0,1	0,2	0,1	2%	7%	100%
	Puglia*	13,0	7,9	3,3	2,0	25%	0,6	0,4	0,6	0,4	5%	18%	96%
LT	Lithuania	0	0	0	0	0%	0,0	0,0	0,0	0,0	0%	0%	0%
PL	Poland	68,6	43,7	16,5	10,5	24%	14,5	9,2	14,5	9,2	21%	88%	100%
PT	Continente	20,1	18,5	5,0	4,6	25%	1,5	1,3	0,8	0,7	4%	15%	52%
RO	Romania	93,9	87,8	70,4	65,8	75%	38,6	36,0	36,4	34,0	39%	52%	94%
	<b>Total</b>	<b>701,2</b>	<b>536,3</b>	<b>365,6</b>	<b>280,8</b>	<b>52%</b>	<b>227,7</b>	<b>161,6</b>	<b>201,4</b>	<b>149,7</b>	<b>28%</b>	<b>43%</b>	<b>91%</b>

The number of final recipients supported by the EAFRD more than tripled to 4403 (through 4824 financing contracts) against the backdrop of the COVID-19 pandemic by end of 2020. About 64% of the financing contracts were made under guarantee FIs, while 36% of them originated from loans (see Table 3). This is a change from last year when the majority was due to loan instruments.

**Table 3 Final recipients supported by EAFRD FIs, by end of 2020**

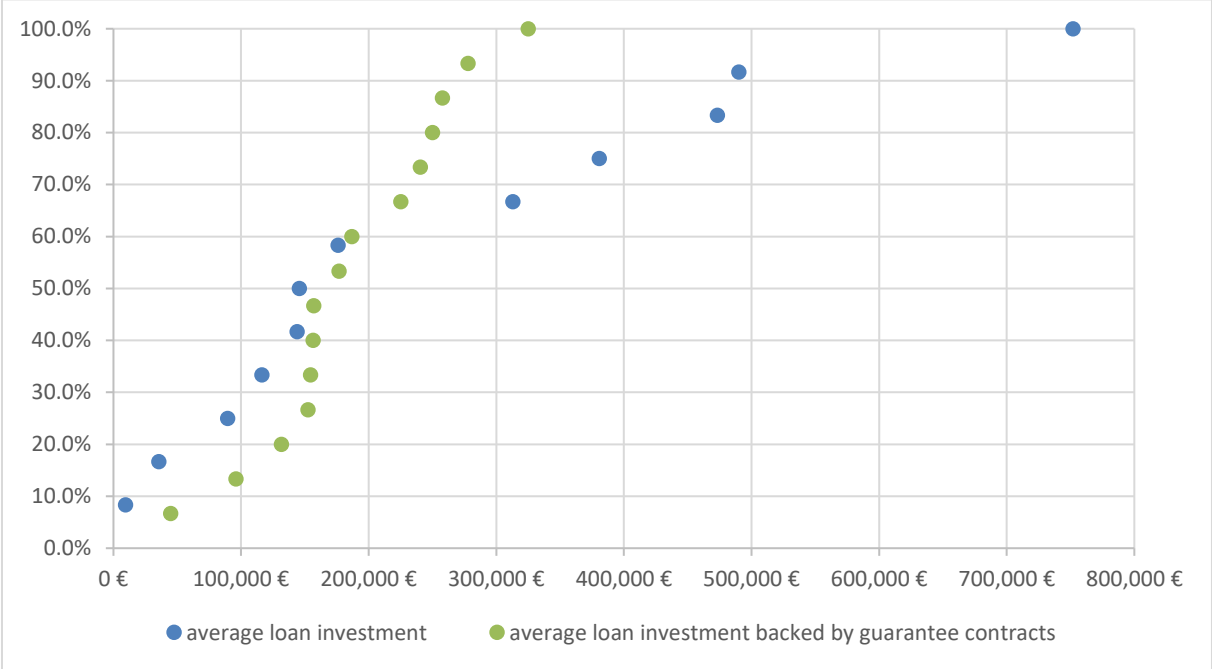
RDP	large enterprises A	SMEs B	out of which are micro-enterprises	Other C	Total nr of final recipients supported A+B+C	Total nr of loan contracts signed with final recipients	Total nr of guarantee contracts for final recipients	Total nr of financing contracts signed
Bulgaria	0	0	0	0	0	0	0	0
Mecklenburg-Vorpommern	0	3	3	0	3	6	0	6
Estonia	0	216	195	0	216	232	0	232
Greece	0	1	1	0	1	0	1	1
Castilla y León	3	356	304	0	359	0	408	408
Extremadura	0	0	0	0	0	0	0	0
Galicia	0	0	0	0	0	0	0	0
Poitou-Charentes	0	19	19	0	19	0	22	22
Aquitaine	0	160	159	0	160	0	189	189
Midi-Pyrénées	0	275	270	0	275	0	330	330
Limousin	0	28	28	0	28	0	34	34
Languedoc-Roussillon	0	262	241	0	262	0	312	312
PACA	0	22	0	0	22	21	12	33
Croatia	0	878	835	0	878	871	7	878
Emilia Romagna	0	9	2	0	9	0	9	9
FVG	0	57	31	0	57	57	0	57
Lombardia	7	12	0	0	19	22	0	22
Piemonte	0	2	1	0	2	0	3	3
Toscana	0	9	6	0	9	0	10	10
Umbria	0	0	0	0	0	0	0	0
Veneto	0	3	0	0	3	0	3	3
Calabria	0	6	3	0	6	0	8	8
Campania	0	2	0	0	2	0	2	2
Puglia	0	15	10	0	15	0	15	15
Poland	0	1.604	1.527	0	1604	0	1670	1670
Continente	1	30	22	0	31	0	31	31
Romania	2	421	315	0	423	549	0	549
<b>Total</b>	<b>13</b>	<b>4379</b>	<b>3972</b>	<b>0</b>	<b>4403</b>	<b>1758</b>	<b>3066</b>	<b>4824</b>
<b>percentage</b>	<b>0,3%</b>	<b>99,7%</b>	<b>90,2%</b>	<b>0,0%</b>	<b>100,0%</b>	<b>36,4%</b>	<b>63,6%</b>	<b>100,0%</b>

\* PACA and Croatia have two Funding Agreements for implementing FIs. Puglia had two until October 2020.

Croatia was the RDP with most recipients with 420 in 2019 and reached 878 final recipients in 2020. Poland reached 1604 FRs in 2020 during its first full year of implementation. For both RDPs the overwhelming number of FRs are micro-enterprises, which holds true for most RDPS. However, the Italian RDPs of Emilia-Romagna and Lombardia have more SMEs or large enterprises than micro-enterprises. About half of all the large enterprises supported under the EAFRD can be found in Lombardia (7 out of 13).

Romania with 423 FRs and Castilla y León with 359 FRs both roughly doubled their number of FRs compared to 2019 as did Midi-Pyrénées. Aquitaine reached 160 FRs in its first year of operation.

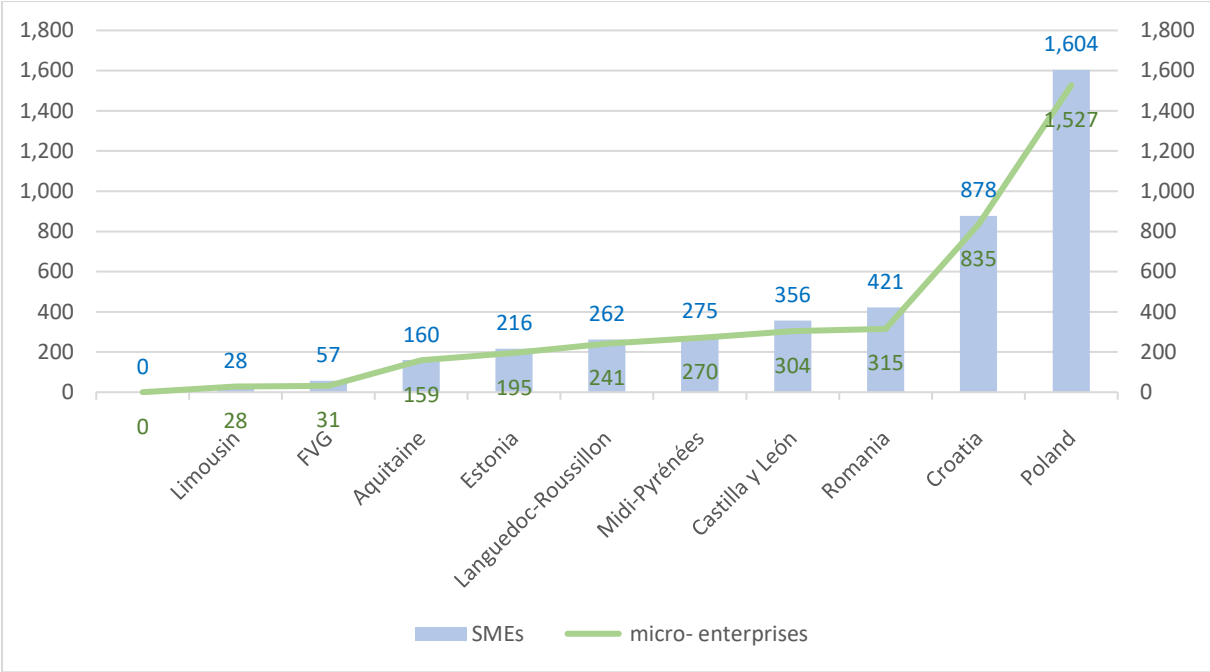
**Figure 6 Average loan size per product type in EUR**



\*One guarantee instrument from Croatia and one loan instrument from FVG have not been included in the graph as the size of 1 million and 1.4 million respectively would distort the graph. This graph includes financing related to RDP and additional national financing.

The final recipients of EAFRD FIs are predominantly (99.7%) from the SME category, and 90% of all final recipients fall under the micro-enterprise category (which includes also the family farms and individual farmers without legal entity). This reflects the general size structure of the sector. Only 13 large enterprises received finance from EAFRD FIs. See figure 7 on FIs with more than 25 final recipients.

**Figure 7 Final recipients supported under EAFRD FIs, by RDP and size category**

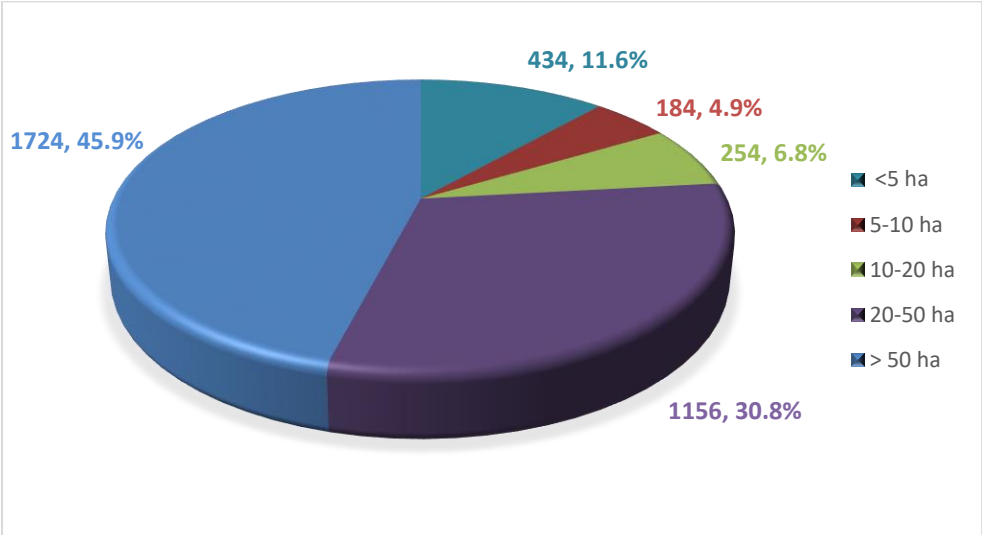


*Figures in blue and the blue columns show the number of SMEs (incl. microenterprises), figures in green and the green line shows the number of microenterprises. FIs under RDPs with less than 25 final recipients are not shown on the graph (see Table 3).*

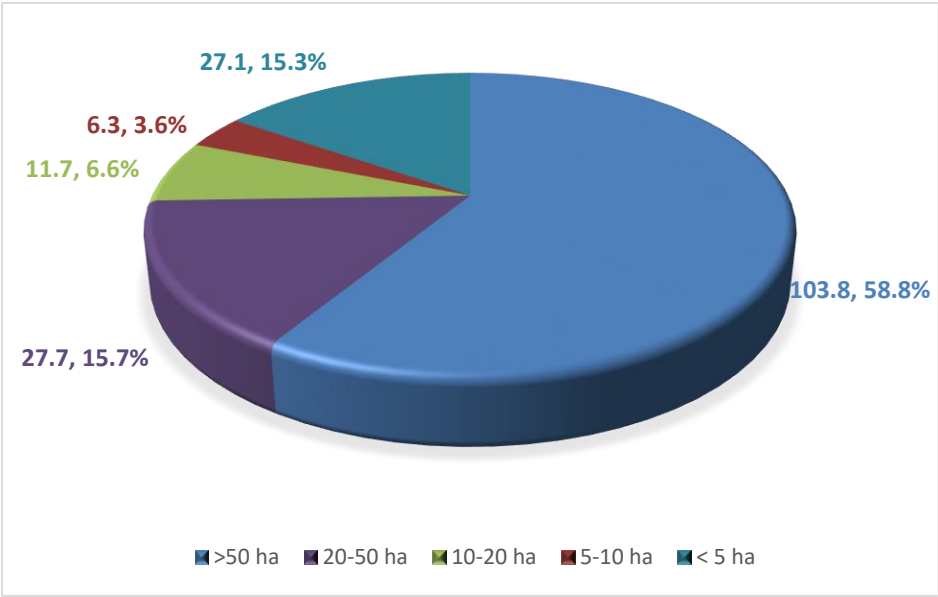
Due to the EAFRD-specific monitoring framework, the MAs are also required to report on the sub-sector and size category of the final recipients supported by the FIs under measure 4, “Investments” and measure 6, “Business start-up and development”. Data was reported for the majority of the running FIs.

Size-wise, the distribution of support among the size categories reflect similar proportions when looking at the number of supported projects and the related public expenditure disbursed. For example, 46% of the supported projects belong to a farm holding in the category above 50 hectare. Similarly, 59% of the total public expenditure was disbursed to the farm holdings in the same size category. About 23% of the supported projects fall in the size category below 20 hectare and are receiving 26% of the FI support (related public expenditure; see Figure 9).

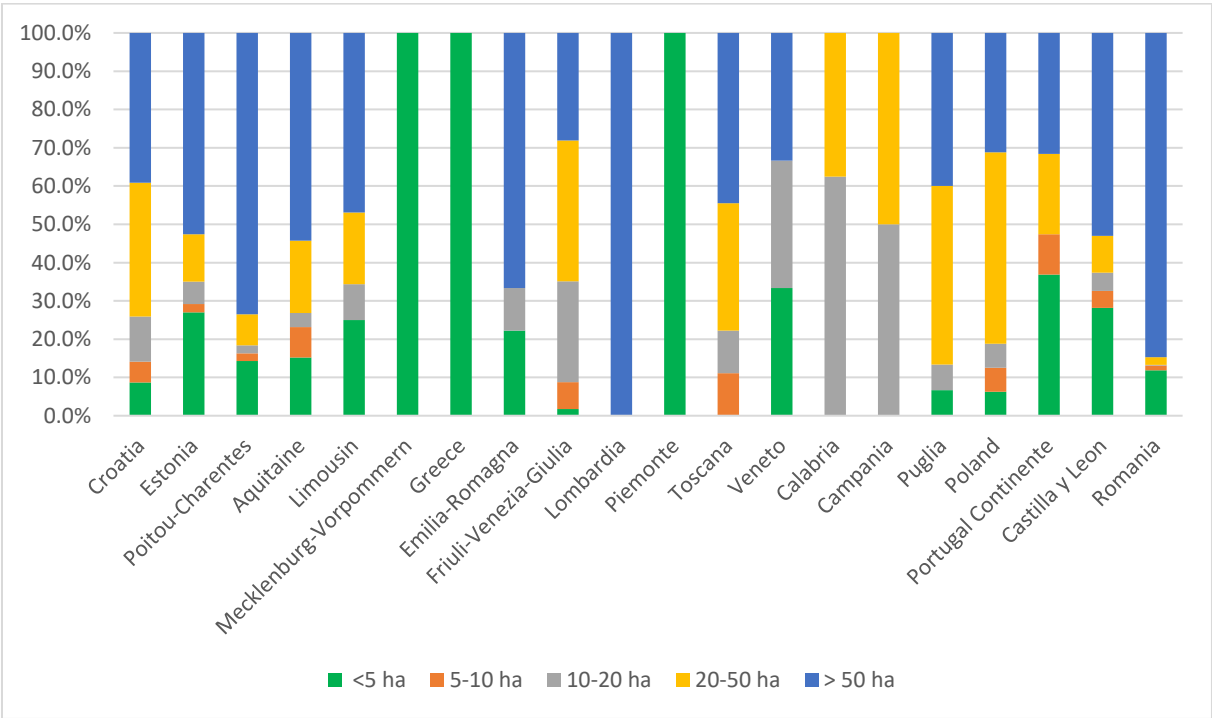
**Figure 8 Distribution of FI support among the different holding size categories under EAFRD, by end of 2020 (based on number of supported projects)**



**Figure 9 Distribution of payments in mio EUR and % of total to different holding categories, differentiated by size under EAFRD in 2020**

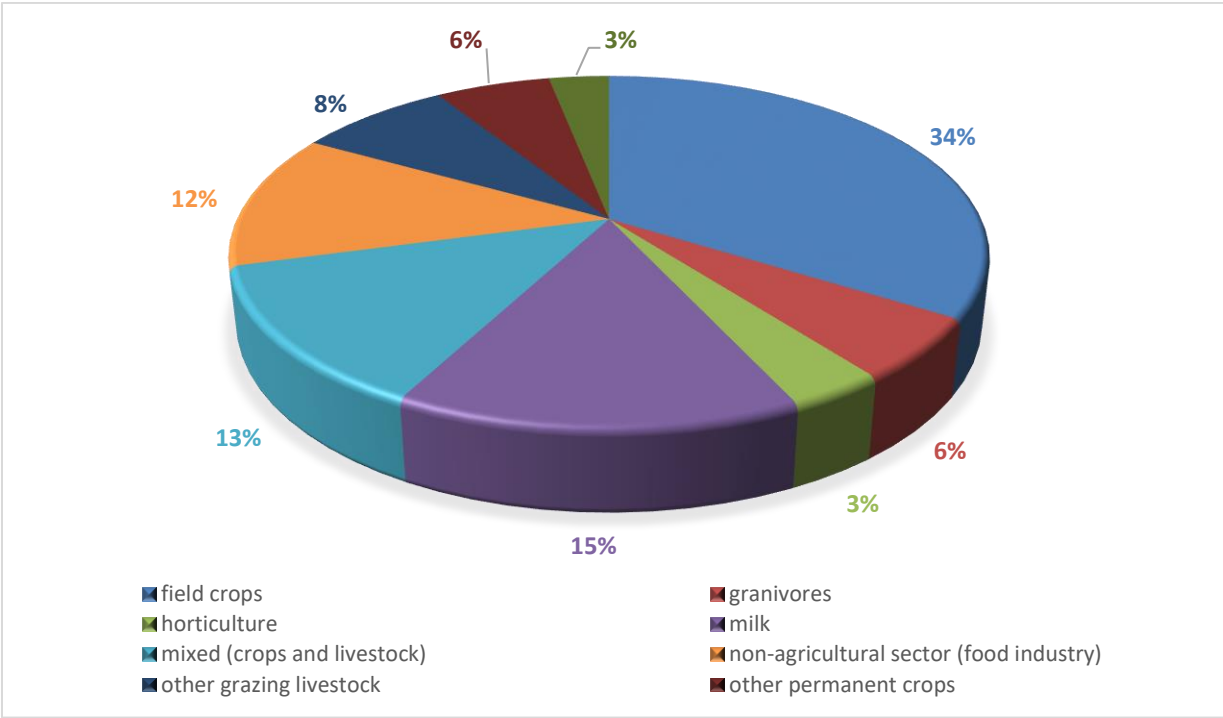


**Figure 10 Distribution of FI support according to the holding size categories, by RDP (based on the number of supported projects)**

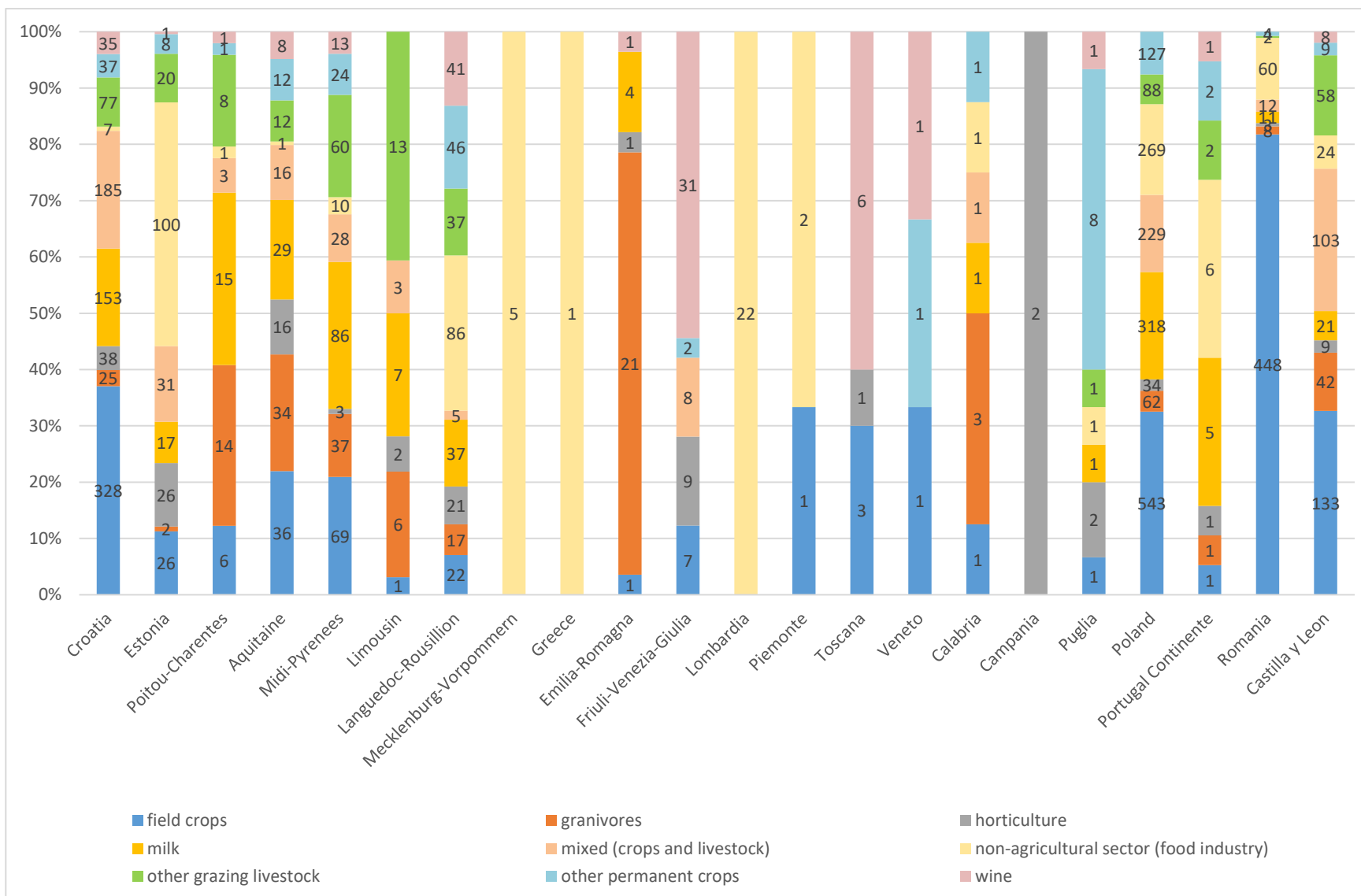


In 2020, the trend of a shift in the distribution of FI payments in favour of the primary agricultural sector (incl. field crops, granivores, horticulture, milk, mixed, other grazing livestock, other permanent crops and wine) versus the non-agricultural sector continued. About 88% of all financed projects belonged to the primary agricultural sector. The share of projects linked to field crops fell a bit to 34%, while the dairy sector increased to ca. 15%. Granivores and permanent crops slightly increased their share, while horticulture and wine’s decreased (see Figure 11).

**Figure 11 Distribution of FI support among the different sub-sectors under the EAFRD by nr of operations, by end of 2020**



**Figure 12 Distribution of FI support among the different sub-sectors, by RDP (based on nr of supported projects)**





While some RDPs like Greece<sup>84</sup>, Lombardia<sup>85</sup> and Mecklenburg-Vorpommern provided support in 2020 only to the non-agricultural sector others such as Castilla y León, Croatia and Aquitaine provided support to great variety of sectors and mainly to agricultural ones. Toscana, Veneto and Campania did not support the non-agricultural sector at all (see Figure 12).

When it comes to payments to final recipients, those under Measure 4 amounted to EUR 188.5 million total RDP resources (out of which EUR 138.1 million EAFRD). Payments to final recipients under Measure 6 amounted to EUR 11.8 million total RDP resources (out of which EUR 10.7 million EAFRD). Payments to final recipients under Measure 8 amounted to EUR 1.1 million total RDP resources (out of which EUR 0.9 million EAFRD). There were no payments to final recipients under measure 19 yet. However, payments to the FI under M019 amounted to 2.5 million. Bulgaria signed its FA only in 2020, and it has not yet paid EAFRD funds to final recipients (see Figure 13 for a representation in percentages). The amount of payments under the respective reflects the programming, M04 is the most commonly programmed measure followed by M06.

**Figure 13 Amounts paid to final recipient (FR) as percentage of commitments per measure (EAFRD)**

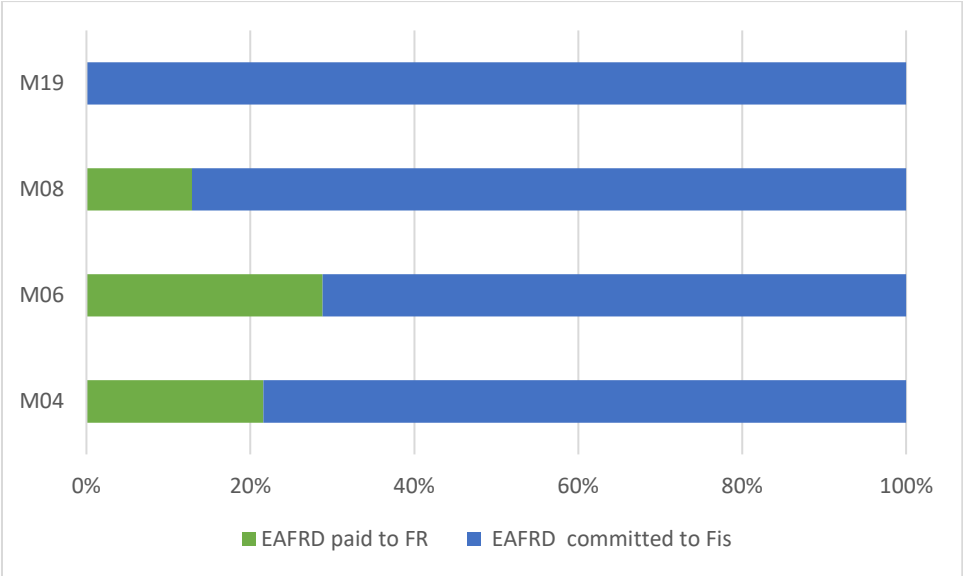
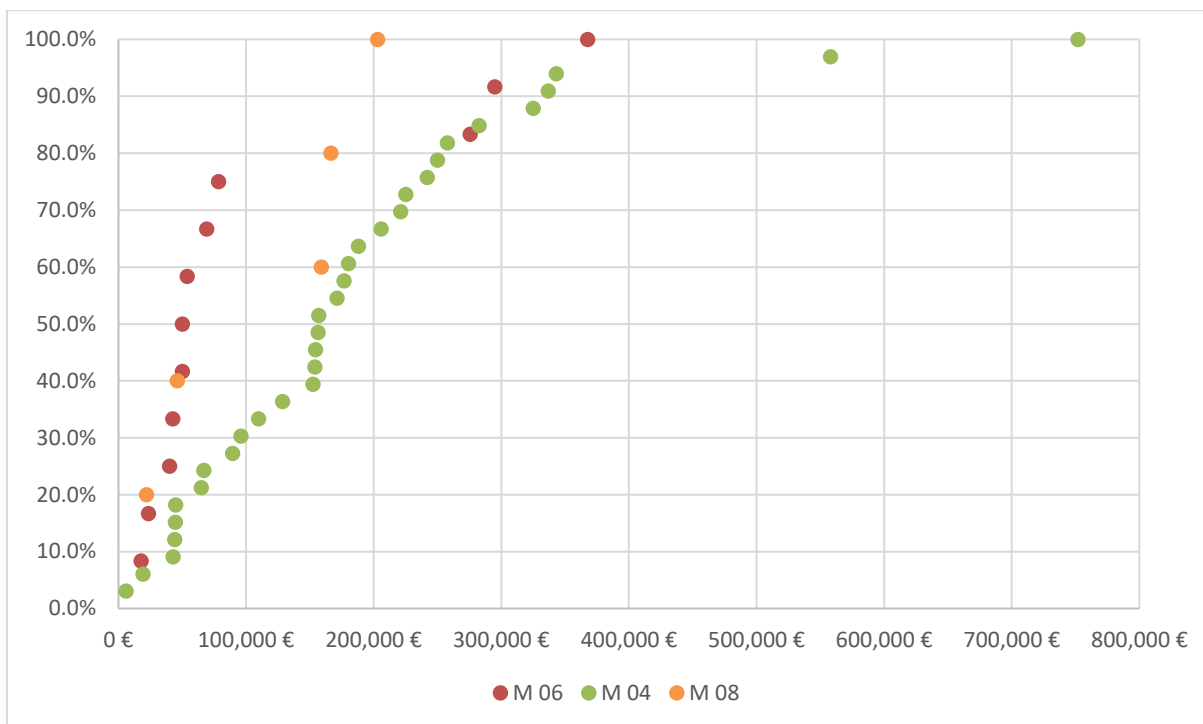


Figure shows the average financing amount under the different measures under the different FIs (in the case of loan FIs it shows the loans, while in case of guarantee FIs it shows the average loan amount that is guaranteed).

<sup>84</sup> Greece started its implementation in December 2020

<sup>85</sup> Lombardia FI has its focus on food processing

**Figure 14 Average loan size per measure in EUR (total RDP contribution)**

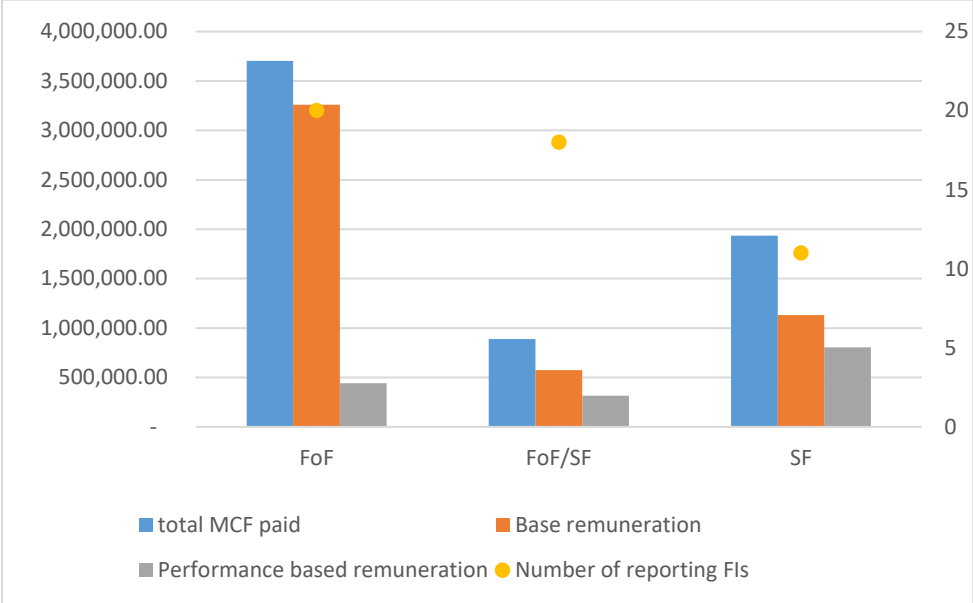


*This graph does not show investments by a Croatian guarantee instrument as its average guaranteed loan size of EUR 1.4 million would distort the graph.*

- **Management costs and fees**

20 MAs paid EUR 6.5 million for management costs and fees (MCF) to 20 Funds of funds, 18 specific funds implemented under a Fund of funds and 11 stand-alone specific funds. Out of this, EUR 5.0 million was reported to have been paid as base remuneration and EUR 1.6 million as performance based remuneration. In total, 20 Fund of Funds reported management costs and fees totalling EUR 3.70 million, 18 Specific Funds under FoFs reported EUR 0.89 million and 11 Specific Funds reported EUR 1.93 million (Figure 15).

**Figure 15 Management costs and fees paid in EUR, by type of FI, and number of reporting FIs**

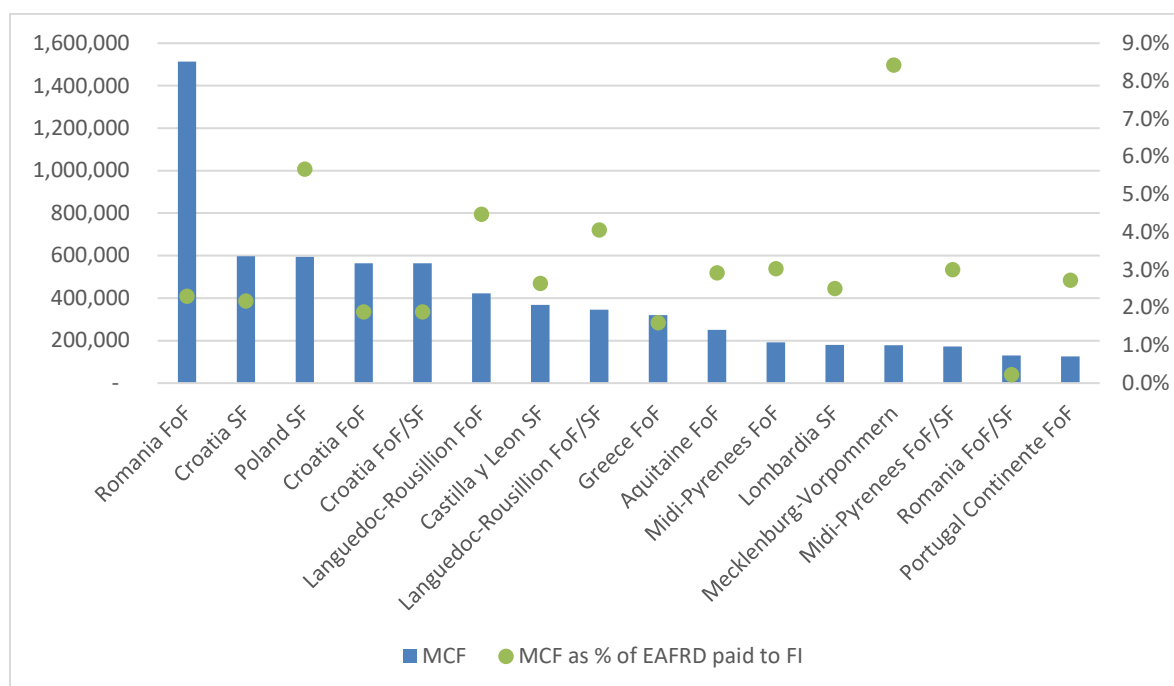


Though the regulatory ceilings are defined per annum by closure, it can be stated that the EAFRD FIs are majorly far below the legal ceilings<sup>86</sup>, as of end of 2020. Romania paid most for management costs and fees totalling little over EUR 1.5 million, however, being the largest in terms of budget EAFRD FI, this fee still constitutes only 2.3% of the RDP amount transferred to the FI. Poland and Mecklenburg Vorpommern paid relatively high amounts for MCF as expressed in percentage of EAFRD amounts paid to the FI, but assumedly it is due to the initial set-up costs in Poland’s case (see Figure 16).

Galicia, Andalucía and Friuli-Venezia-Giulia did not report management costs and fees. The two Spanish RDPs are at the beginning of their implementation of financial instruments so this is to be expected. Estonia also does not report MCF because it does not pay them out of the original programme contributions but from re-paid resources, which is in fact a good practice as these re-paid resources become ownership of the Member State and have to be used for purposes similar to the original one.

<sup>86</sup> Defined in Article 13 of Commission Delegated Regulation (EU) No 480/2014.

**Figure 16 Amount of total management costs and fees paid in EUR and as percentage of EAFRD payments to the FI, by end of 2020**



Note: \* The graph shows the paid management costs and fees and the percentages compared to the payment to the FI separately for FoF and SF/FoF layer. The graph show only FIs paying more than EUR 100 000 in fees.

\*\* Estonia is not indicated because it paid management costs and fees from re-paid resources.

- **Interest and other gains generated by support from the EAFRD to the financial instrument, resources paid back to financial instrument and amounts repaid and reinvested**

Reporting on treasury management is fulfilled by 11 Specific Funds and 17 Fund of Funds. By end of 2020, the amount from interest and other gains generated through treasury operations was EUR 1.3 million, increasing from EUR 0.82 million in 2019. This amount was generated mostly by Romania, another reported almost a minus of 80 000 EUR reflecting the low interest environment. Repaid resources are reported to amount to EUR 11.0 million, out of which Estonia alone reported EUR 5.7 million, followed by Romania which reported EUR 2.9 million and Croatia which reported EUR 1.0 million. The resources re-paid consisted of EUR 7.7 million capital repayments and EUR 3.3 million gains, other earnings and yields.

Estonia reported having paid 1.6 mio management cost and fees from re-paid resources and another 3.1 mio EUR of re-used EAFRD Funds. The only other RDP to report that was FVG in Italy with 0.44 mio EUR.

- **Performance of the financial instrument, including leverage**

In line with Article 2(38) of the Financial Regulation, “leverage effect” is defined as the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution. Thus, the smaller the share of Union funding in a financial instrument and

in the final financial product reaching the final recipient, the higher the potential leverage effect of the instrument. Consequently, the expected leverage of the capped portfolio guarantee of FIs are significantly higher than that of the loan type FIs.

Achieved leverage data was provided by 15 loan and 17 guarantee FIs under 23 RDPs. Loan FIs' achieved leverage value varied between 1.04 and 11.63, with a median<sup>87</sup> achieved leverage of 2.06. Guarantee FIs' achieved leverage value varied between 1.23 and 15.42, with a median achieved leverage of 9.08 (Figure 17). Guarantee instruments achieve by their very nature higher leverages than loans. The variations between guarantee instruments is due to their specific design (portfolio guarantee or 1 to 1 guarantee) and characteristics, what final recipients they target, in which sectors and so on. The same applies to the variation between loan instruments.

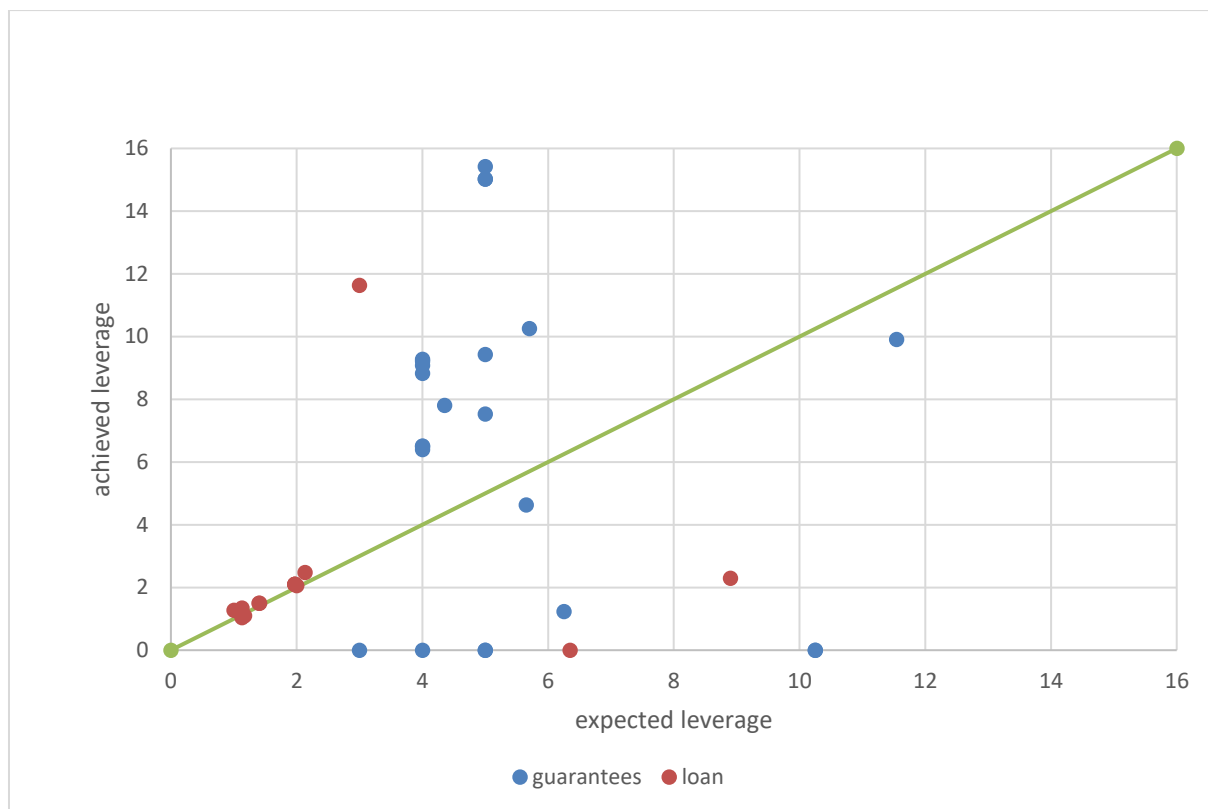
Loan FIs provided EUR 150.3 million RDP resources via loans to final recipients, together with additional national public and private financing (excluding the RDP national co-finance) reaching in total EUR 259.0 million loan financing for final recipients. RDP guarantees on the other hand generated a loan portfolio of EUR 282.5 million with just EUR 51.2 million from RDP resources. In summary, EUR 201.5 million RDP contributions generated EUR 541.4 million paid to or to the benefit of final recipients. Taking all FIs under the RDPs into account, EAFRD resources triggered an aggregated leverage of 2.69 of in 2020.

At the end of the reporting period, one EAFRD FIs was being wound down, Puglia's specific fund.

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<sup>87</sup> The median is the middle number in a sorted list of values and can be more descriptive in certain cases than the average. In the case of the leverage of different sized and different structured instruments, the median of leverages can better demonstrate the overall picture. For example, within the achieved leverage range for all loan instruments, the median of 2.06 indicates that 50% of the instruments have lower leverage than 2.06, while 50% of instruments have higher leverage.

**Figure 17 Achieved leverage versus expected leverage per type of FI (EAFRD)**



*Note: \*Leverage is calculated per product and per Specific Fund, therefore FIs under RDPs might have more than one leverage figures.*

*\*\*The graph displays all reported leverage amounts even if 0 is achieved for example because the FI is new and no or almost no money has been paid to FR yet. Also the FI that was wound down did not report an achieved leverage and was set to 0.*

### 3.3 Contribution of Financial Instruments to Focus areas and objectives under the cap

#### 3.3.1 Contribution to rural development focus areas

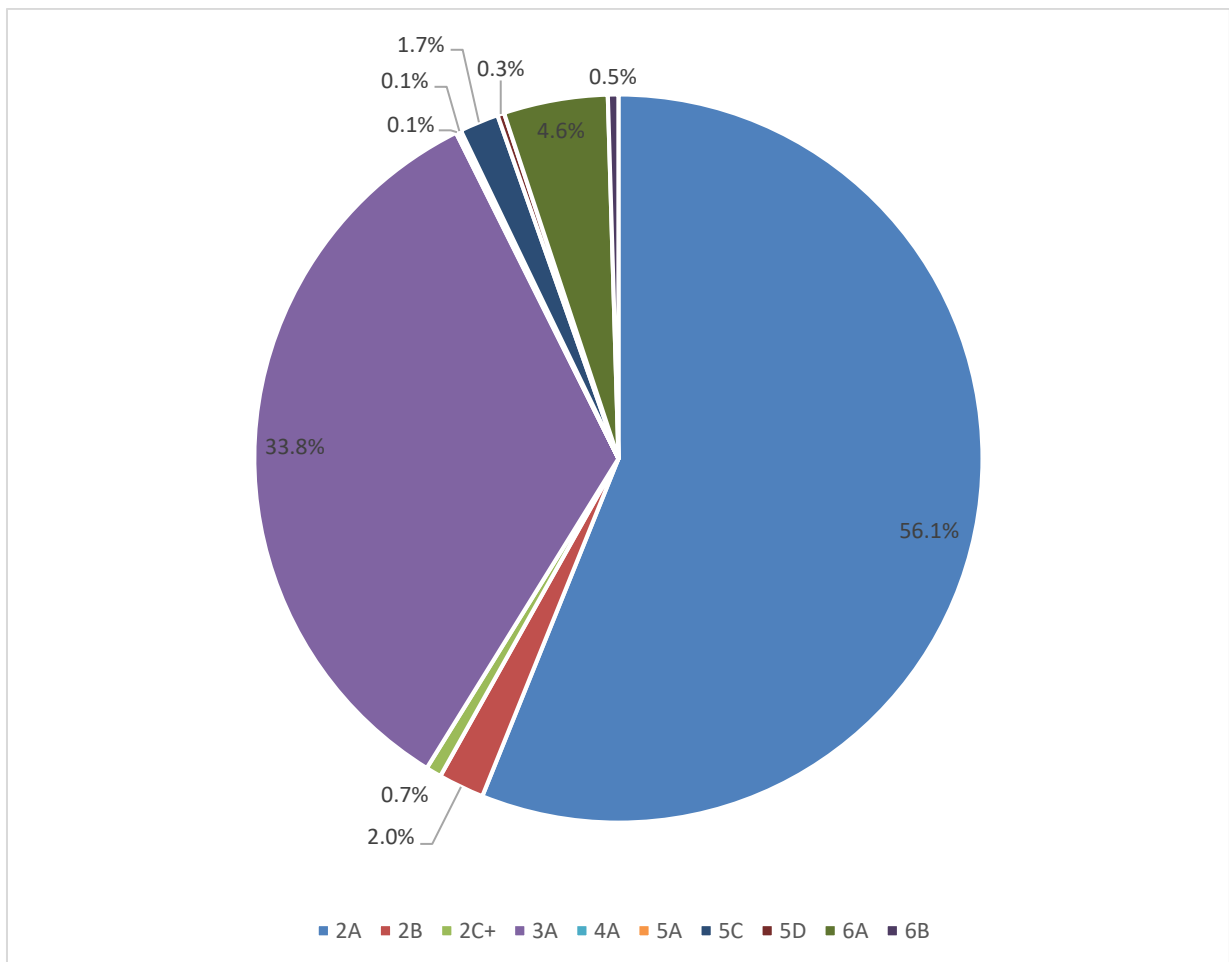
Six EU Rural Development policy priorities covering 18 focus areas provide the basis for rolling out support from the European Agricultural Fund for Rural Development (EAFRD) to rural areas. By end of 2020, Member States signed Funding Agreements for the implementation of FIs with EAFRD commitments under the following priorities and focus areas:

- Union Priority 2 Farm Viability and Competitiveness:
  - FA 2A Improving the economic performance of all farms and facilitating farm restructuring and modernisation;
  - FA 2B Generational renewal;
  - FA 2C+ Improvement of the sustainability and competitiveness of forest enterprises;
- Union Priority 3 Food Chain Organisation and Risk Management:

- FA 3A Improving competitiveness of primary producers by better integrating them into the agri-food chain;
- Union Priority 4 Restoring, preserving and enhancing ecosystems related to agriculture and forestry:
  - FA 4A Restoring, preserving and enhancing biodiversity and high nature value farming;
- Union Priority 5 Resource-efficient, Climate-resilient Economy:
  - FA 5A Increasing efficiency in water use by agriculture;
  - FA 5C Facilitating the supply and use of renewable sources of energy;
  - FA 5D Reducing green house gas and ammonia emissions from agriculture;
- Union Priority 6 Social Inclusion and Economic Development:
  - FA 6A Facilitating diversification, creation and development of small enterprises, as well as job creation;
- FA 6B Fostering local development in rural areas.

The indicative allocations in Funding Agreements by end of 2020 shows that MAs increased the allocations to projects aiming at improving competitiveness both under FA 2A and 3A, reaching the level of 56% and 34% of all EAFRD commitments respectively, and together with FA 2C+ they represent 90% of all EAFRD commitments, the same as 2019. Commitments to focus areas FA 6A Diversification & rural businesses and FA 5C Renewable energy amount to ca. 5% and 2% respectively. Commitments to FA 2B Generational renewal remain at 2%. New is that money was committed to 6B, fostering local development this year, 5% of all commitments (see Table 4 and Figure 18).

**Figure 18 EAFRD amounts committed under FIs funding agreements to rural development focus areas (%)**





**Table 4 EAFRD amounts committed under FIs funding agreements to rural development focus areas (in million EUR)**

<b>RDP/FA</b>	<b>2A</b>	<b>2B</b>	<b>2C+</b>	<b>3A</b>	<b>4A</b>	<b>5A</b>	<b>5C</b>	<b>5D</b>	<b>6A</b>	<b>6B</b>	<b>Total</b>
<b>Bulgaria</b>	13.0								1.5	2.5	<b>17.0</b>
<b>Croatia</b>	47.2		3.7	5.7			8.1	1.6	6.8		<b>73.0</b>
<b>Estonia</b>	19.0			5.2			1.3		10.1		<b>35.5</b>
<b>Poitou-Charentes</b>	2.0										<b>2.0</b>
<b>Aquitaine</b>	8.6										<b>8.6</b>
<b>Midi-Pyrénées</b>				6.4							<b>6.4</b>
<b>Limousin</b>	3.0										<b>3.0</b>
<b>Languedoc-Roussillon</b>	3.1			6.2					0.2		<b>9.5</b>
<b>PACA</b>		5.0									<b>5.0</b>
<b>Mecklenburg-Vorpommern</b>				1.5					3.5		<b>5.0</b>
<b>Greece</b>	32.0			48.0							<b>80.0</b>
<b>Emilia-Romagna</b>	0.9			1.7							<b>2.6</b>
<b>Friuli-Venezia Giulia</b>	3.8			3.2							<b>7.0</b>
<b>Lombardia</b>				15.2							<b>15.2</b>
<b>Piemonte</b>	0.9			2.5							<b>2.2</b>
<b>Toscana</b>	1.7			2.5							<b>4.2</b>
<b>Umbria</b>	0.9			1.3							<b>2.2</b>
<b>Veneto</b>	0.9			5.6							<b>6.5</b>
<b>Calabria</b>	3.6			2.4							<b>6.1</b>
<b>Campania</b>	3.0			3.0							<b>6.1</b>
<b>Puglia</b>	5.4	0.4		2.1							<b>8.0</b>
<b>Poland</b>	13.1			30.6							<b>43.7</b>
<b>Portugal Continente</b>	18.5										<b>18.5</b>
<b>Romania</b>	79.0			7.8					1.0		<b>87.8</b>
<b>Andalucía</b>	25.5			17.0							<b>42.5</b>
<b>Castilla y León</b>	15.0	4.5		4.4		0.8			0.3		<b>25.0</b>
<b>Extremadura</b>	1.0	1.0		1.3	0.5						<b>3.8</b>
<b>Galicia</b>				9.0					1.5		<b>10.5</b>
<b>Total</b>	<b>301.0</b>	<b>11.0</b>	<b>3.7</b>	<b>181.4</b>	<b>0.5</b>	<b>0.8</b>	<b>9.4</b>	<b>1.6</b>	<b>24.8</b>	<b>2.5</b>	<b>536.4</b>

*\*eventual discrepancies are due to all numbers having been rounded.*

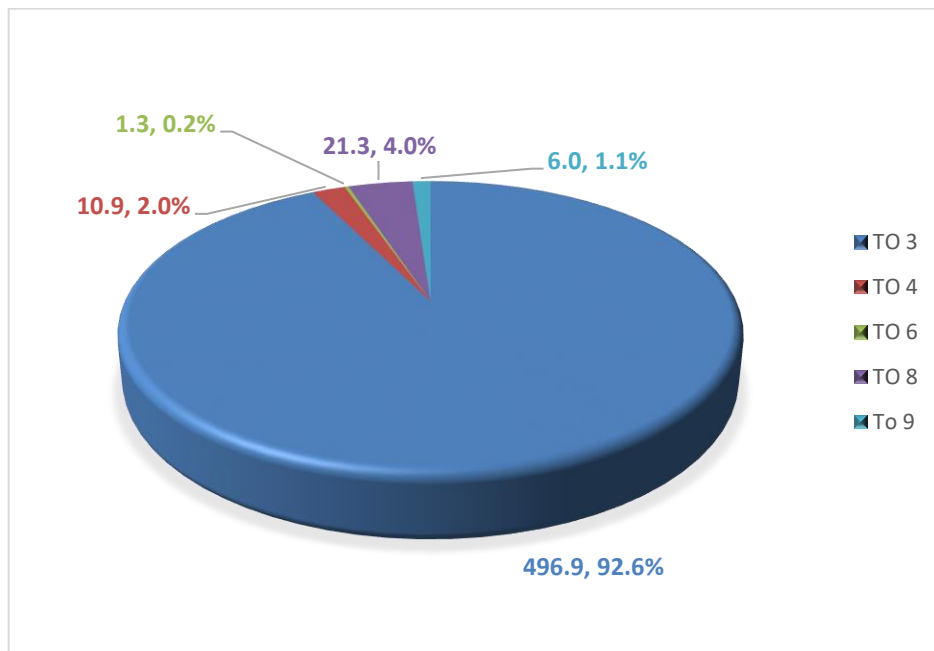
### 3.3.2 Contribution to thematic objectives

In order to contribute to the Union strategy for smart, sustainable and inclusive growth, including economic, social and territorial cohesion, each ESI Fund shall provide support to a number of thematic objectives defined in the Common Provisions Regulation. EAFRD FIs are reported to pursue the following thematic objectives, with TO9 being newly reported this year, whereas the use of TO5 was not reported anymore.

- TO3 - Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)
- TO4 - Supporting the shift towards a low-carbon economy in all sectors
- TO5 - Promoting climate change adaptation, risk prevention and management
- TO6 - Preserving and protecting the environment and promoting resource efficiency
- TO8 - Promoting sustainable and quality employment and supporting labour mobility
- TO9 –Social Inclusion

Similarly to the tendency demonstrated in relation to the RD focus areas, the EAFRD FI allocations are predominantly committed to competitiveness related SME financing (TO3). It received EUR 496.9 million as of end of 2020 receiving 93% of the total funding amounting to EUR 536.4 million. TO3 funding increased by EUR 48 million compared to 2019. The share of commitments going to TO4 and TO8 decreased slightly (see Figure 19 Table 5).

**Figure 19 EAFRD amounts committed to FIs by Thematic objective in million EUR and in % , as of end of 2020**



**Table 5 EAFRD amounts committed by Thematic objective, as of end of 2020 (in million EUR)**

RDP/TOs	Competitiveness	Green Growth		Inclusive Growth		Total
	TO3	TO4	TO6	TO8	TO9	
<b>Bulgaria</b>	13.0			1.5	2.5	<b>17.0</b>
<b>Mecklenburg Vorpommern</b>	1.5				3.5	<b>5.0</b>
<b>Estonia</b>	24.2	1.3		10.1		<b>35.5</b>
<b>Andalucía</b>	42.5					<b>42.5</b>
<b>Castilla y León</b>	23.9		0.8	0.3		<b>24.9</b>
<b>Extremadura</b>	3.3		0.5			<b>3.8</b>
<b>Galicia</b>	9.0			1.5		<b>10.5</b>
<b>Poitou-Charentes</b>	2.0					<b>2.0</b>
<b>Aquitaine</b>	8.6					<b>8.6</b>
<b>Midi-Pyrénées</b>	6.4					<b>6.4</b>
<b>Limousin</b>	3.0					<b>3.0</b>
<b>Languedoc-Roussillon</b>	9.3			0.2		<b>9.5</b>
<b>PACA</b>	5.0					<b>5.0</b>
<b>Greece</b>	80.0					<b>80.0</b>
<b>Croatia</b>	56.5	9.7		6.8		<b>73.0</b>
<b>Emilia-Romagna</b>	2.6					<b>2.6</b>
<b>Friuli-Venezia Giulia</b>	6.9					<b>6.9</b>
<b>Lombardia</b>	15.2					<b>15.2</b>
<b>Piemonte</b>	2.2					<b>2.2</b>
<b>Toscana</b>	4.2					<b>4.2</b>
<b>Umbria</b>	2.2					<b>2.2</b>
<b>Veneto</b>	6.5					<b>6.5</b>
<b>Calabria</b>	6.0					<b>6.0</b>
<b>Campania</b>	6.0					<b>6.0</b>
<b>Puglia</b>	7.9					<b>7.9</b>
<b>Poland</b>	43.7					<b>43.7</b>
<b>Portugal Continente</b>	18.5					<b>18.5</b>
<b>Romania</b>	86.8			1.0		<b>87.8</b>
<b>Total</b>	<b>496.9</b>	<b>10.9</b>	<b>1.3</b>	<b>21.3</b>	<b>6.0</b>	<b>536.4</b>

*\*eventual discrepancies are due to all numbers having been rounded.*

### 3.3.3 FIs contributions to the achievement of output indicators

The information concerning contribution of the FI to the achievement of the programme indicators was not compulsory in the annual implementation report submitted in year 2021 (AIR 2020), consequently only 15 RDPs report on M04 and 5 on M06. Figure 20 indicates the aggregated target and achieved output indicators for the FIs.

**Figure 20 FI Contributions to the achievement of output indicators 2020**

	<b>Indicators</b>	<b>Target value</b>	<b>Achieved value</b>	<b>Achievement rate</b>
<b>M04</b>	O1 Total public expenditure	728.281.734	158.572.091	21,8%
	O2 Total investment	1.101.416.978	319.939.833	29,0%
	O3 Nr. of actions operations supported	6.877	3.203	46,6%
	O4 Nr of holdings beneficiaries supported	4.954	2.792	56,4%
<b>M06</b>	O1 Total public expenditure	22.241.826	11.808.042	53,1%
	O2 Total investment	13.854.866	8.970.825	64,7%
	O3 Nr. of actions operations supported	212	14	6,6%
	O4 Nr of holdings beneficiaries supported	175	125	71,4%

#### **4. Conclusions**

The data presented in this chapter represent the information on the progress of setting up and operating FIs under Rural Development Programmes by the 31/12/2020. A significant progress in the implementation could be observed as financial instruments mature and implementation progresses from setting up to paying into the FI to committing and then paying to final recipients. The extended eligibility period until 2025 will help these instruments deploy their resources. However, some FIs have already completely disbursed their initial budgets.

Guarantee Funds are now gaining in importance compared to Loan Funds and the achieved leverage can be very high. The distribution of resources is dominated by SMEs and micro-enterprises. Looking at the sub-sectors, it can be seen that a wide range of agricultural specialisations and types of farms receive support, showing that financial instruments have a wide and far-reaching impact on finance for agriculture.

The added flexibilities offered for FIs introduced in reaction to the Corona-19 health crisis, such as the provision of standalone working capital finance for affected SMEs aided the implementation of many instruments. It allowed the agricultural sector to secure liquidity, which helped farmers to overcome this period of crisis. It is probable that more money will be programmed for FIs in RDP amendments in reaction to the ongoing COVID-19 crisis. We also expect that member states will include FIs in their newly drafted CAP Strategic Plans. Furthermore, the possibility to continue with FIs across periods could be of interest to some Member States.

## **EMFF**

Until 2020, only Estonia has implemented financial instruments under the EMFF 2014-2020.

Following the recommendations of its updated ex-ante assessment in 2020, the Bulgarian managing authority started the process of setting up a financial instrument to offer loans and guarantees in support of investments in aquaculture, the processing of fishery and aquaculture products and CLLD, aimed at achieving more efficient use of resources.

In addition, during the programming period 2014-2020, a number of Member States carried out an ex-ante assessment for the use of financial instruments under their EMFF operational programmes, and though the possibility to proceed with implementation was considered, due to various reasons the potential financial instrument roll out has been shifted towards the 2021-2027 period (e.g. Spain, Finland, Italy).

In 2020, Estonia registered a marginal increase compared with the previous year:

1. Growth loan for micro-enterprises and small enterprises that are launching or engaged in fish processing:

- An amount of EUR 1.6 million has been paid out to the body implementing the financial instruments - Estonian Rural Development Foundation (the total amount committed in the funding agreement is EUR 3.5 million). There are ten loan recipients, who have received a total of around EUR 0.6 million.

2. Long-term investment loan for enterprises launching or engaged in fish processing:

- An amount of EUR 4 million has been paid out to the Estonian Rural Development Foundation (the total amount committed in the funding agreement is EUR 4.3 million). There are seven loan recipients, who have received a total of EUR 3.5 million.

3. Investment loan for enterprises launching or engaged in the production of aquaculture products:

- An amount of EUR 2 million has been paid out to the Estonian Rural Development Foundation (the total amount committed in the funding agreement is EUR 2.2 million). There are five loan recipients, who have received a total of EUR 0.7 million.

The use of financial instruments in Estonia has been rather positive, although the take-up from the sector has been slowed down during 2020. The relatively low uptake under the EMFF is linked with the small scale of the sector, lower demand as a similarity loan product for the aquaculture sector was successfully implemented in the past under the EFF 2007-2014 and the uncertain economic environment in the recent years.

Following the coronavirus outbreak, the EMFF managing authority made it possible for the final recipients in Estonia to benefit from decreased interest rates from April 2020. At the same time, the unused budget initially planned to be allocated to financial instruments was diverted to emergency Covid-19 related measures to support the sector.

### **Key figures reported by managing authorities for state of play at 31/12/2020**

- **EUR 10 million** planned to support the processing of fisheries products and the aquaculture sector through financial instruments.
- Three agreements were signed for a total amount of **EUR 10 million** (EUR 7.5 million from EMFF and national EUR 2.5 million), of which **EUR 7.7 million** were already paid to the body implementing the FI.
- Payments to final beneficiaries amount to **EUR 4.8 million**, EMFF contributing with EUR 3.6 million.