Financial instruments – What is in for me?

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A note to the managing authorities of Interreg programmes

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List of Abbreviations

CEB	Central European Bank
CPR	Common Provision Regulation
EC	European Commission
EIB	European Investment Bank
EMFF	European Maritime and Fisheries Fund (2014-2020)
ESIF	European Structural and Investment Funds
FI	Financial instrument
OP	Operational programme
SME	Small and medium-sized enterprises

Introduction

Article 47 of the [new CPR][1] stipulates that beneficiaries can receive support from the European funds in the form of grants, prizes, financial instruments, or a combination thereof. Even though grants are the most common form of support in regional policy, support is not limited to this option only.

Financial instruments (FIs) are the delivery mechanism of public policy. They are one form of support that structural funds can take. FIs can be used in the context of all thematic objectives (all policy objectives in post-2020).

In contrast to grants, financial instruments:

- are expected to be repaid (i.e., due to their 'revolving' nature, invested resources are repaid by final recipients and re-invested in the programme area);
- must only be used for financially viable projects (i.e., revenue-generating or cost-saving projects), as the support from the funds has to be paid back;
- are designed to attract additional public and private resources (i.e., doing more with the same initial resources invested);
- are a delivery mechanism and not a stand-alone objective (not the end goal itself);
- do not need to replace grants but could be used in a complementary way (also, combined with grants where and if possible!). Financial instruments will not be attractive if grants exist for similar purposes!

Financial instruments are a good vehicle for the sustainable use of structural funds in some areas (e.g., support for SMEs, energy efficiency, renewable energy, urban/ sustainable infrastructure), as they allow public money to be used in a more effective and efficient way by attracting private capital to co-finance projects. Furthermore, FIs can create a legacy for reinvestments in the future (as the invested resources are expected to be repaid).

[1] References to legal provisions for the 2021-2027 programming period are made to a 'compromise text' of CPR at the moment of preparation. Some provisions could still be subject to change.

Grants have proven to be quite an effective support mechanism in EU regional policy[2], and in particular in the Interreg world for the last 30 years. More than 20 000 projects have been implemented, and more than 100 000 beneficiaries have received support from Interreg programmes in the form of grants[3].

[2] OECD 2018. Financial instruments in practice: uptake and limitations.

[3] Keep.eu data.

1. Why financial instruments in Interreg?

Why should you, as a managing authority, be interested in exploring new forms of support, in particular, financial instruments?

Here is why.

Why	Additional explanations
As a managing authority, you would like to increase the impact and efficiency of the programme funds and project results in your area, but the programme's financial resources are limited. You cannot do everything with a limited budget.	FIs allow you to do more with fewer financial resources, due to: - their revolving nature (i.e., resources invested –> repaid –> re-invested –> repaid …), thus, creating a circle; - and potential leverage effect (i.e., return of the investment). This is especially attractive, taking into consideration the potentially shrunken budget of the cohesion policy in the future, and fewer public resources available. FIs seek to attract additional public and private resources for investment in projects (final recipients). Thus, they increase the overall programme budget for investments in projects in the programme area. Since the resources have to be paid back, this creates a potential to address more final beneficiaries with the 'same' initial money. Legacy funds from FIs build sustainable, long-term public resources which are independent from the programming cycle. Once paid back, they could be used to reduce own co-financing requirements for the subsequent period, or to provide financing for additional projects outside of programmes, thus creating greater flexibility and efficiency in using public money in the long-term perspective.
As a managing authority, you would like to provide support to business development and the private sector in your programme area (in particular, support to SMEs, start-ups, young tech companies). However, these target groups find working with public administrations burdensome and unattractive (due to an	The most common challenge small and medium-sized enterprises (SMEs) face is difficulty accessing financial resources (due to unattractive commercial loans with their high requirements, too high interest rates, significant structural credit market failures, etc.)[4]. For many SMEs (at their early-stage of development, growth and scale-up stages) obtaining

4 EIF RMA, Kraemer-Eis, Botsari, Gvetadze, Lang and Torfs, Working Paper 2019/57, European Small Business Finance Outlook, 2019.

extensive administrative burden, long application and assessment procedures, no advance payments but reimbursement, and numerous and lengthy audits and controls).	financing from commercial lenders (debt or equity) is still a hurdle (especially in MS with less developed markets)[5]. The rationale of FIs is to address these market failures (where commercial products, such as loans, are not attractive to SMEs) related to private sector access to financing. With FIs, the MA can provide the financial support that SMEs need: - to launch their products on the markets faster, - to speed up and scale up their operations (marketing, commercial expansion, etc.), - to allow for R&D&I activities to innovate and keep up with market developments, - to invest in new technologies to be competitive, - to boost business, - to use financial institutions to better assess the business prospects of the projects. FIs allow SMEs to innovate, to be creative, to invest in new technologies, to grow, to sustain market impact, to get them ready to export, etc. FIs allow developing economy in terms of business growth. FIs provide up-front financing, rather than reimbursing costs, thus they might be more useful to the supported beneficiaries.
As a managing authority, you expect projects to deliver sustainable and high-quality results. You expect project results to attract new investments after the end of project implementation. You would like to increase the number of market-oriented projects supported by your programme funds.	In preparation for the 2021-2027 programming period, the programme needs to justify that the selected form of support (be that financial instrument, prize or grant, or a combination) is the most appropriate one (Article 17(3) [new CRP], Article 17(4)(c) [new ETC]). This is a new requirement in the post-2020 period, which is applicable not only when the programme plans to allocate some financial resources to the FIs, but also where grants or any other form of support is used. FIs are appropriate and suitable only for income-generating, financially viable projects (this has to be assessed in the ex-ante assessment of the instrument). In the 2021-2027 period it will also be much easier to combine financial instruments with grants in one project (where the grant constitutes the

[5] EIB. Final report. Gap analysis for small and medium-sized enterprises financing in the European Union. 2019.

	smaller part), thus making it possible to finance projects which are only partially financially viable (as is usually the case in more ambitious energy efficiency projects). Such projects would benefit from simpler financial instrument rules, while having to repay only a part of the investment costs. FIs have a high potential to scale up Interreg projects' results, as FIs should be implemented only where such market potential exists. Interreg programmes' beneficiaries are very often seeking support from the programme to bring their results into the market (which is difficult to do only with public funds). For instance, exclusively funded public infrastructures quite often suffer from higher investment costs and inefficiencies. This is where FIs could help.
As a managing authority, you would like to provide <u>support only to the high-quality project applications.</u>	In the FIs, public resources, together with private resources, can create a financial envelope that will address market failures. The revolving nature of the FIs allows its resources to be returned and guarantees greater attention to project quality. The project's quality might be increased because of the due diligence involved in private sector project assessment[6] (private sector's expertise in assessment of projects' viability). FIs allow links to be built with the private sector.
As a managing authority, you would like to <u>improve the financial management and liquidity of your programme's funds</u> (especially at the beginning of the programme's implementation). In the post-2020 period, technical assistance (TA) might not be a separate priority axis, but could be reimbursed as a flat rate of the amounts certified to the EC. On top of this, only 95%[7] of the amounts included in the interim payment application is reimbursed (known as retention). At the beginning of	In the 2014-2020 programming period, the expenditure declared to the EC contains the phased application for the interim payments ("advances") of the programme contributions paid to the financial instrument. This would be simplified in the 2021-2027 period, when ensuring that at least [25%] of the advance is available throughout the programming period. This could be an additional tool for programmes to speed up their spending at the beginning of the programme implementation (as the 'advance' amount transferred to the FI counts as 'spent', thus qualifies for being included when calculating decommitment targets to be met).

[6] OECD 2018. Financial instruments in practice: uptake and limitations.

[7] References to legal provisions for the 2021-2027 programming period are made to a 'compromise text' of CPR at the moment of preparation. Some provisions could still be subject to change.

the programme implementation (when setting up the programme, launching calls and not having projects running yet), this could create some challenges as to financial resources available to pay for programme staff and suchlike.	The TA of the programme should not be used to administer the FI! Management costs and fees for FIs are paid separately to the programme's TA. This means those costs are also taken into consideration for the calculation of the TA flat rate when certifying to the EC.
In your programme, many projects generate revenues, thus there is return on public investment.	Revenue generation (along with creating non-financial impacts; i.e., contribution to economic, social, environmental impacts) is one of the significant elements to consider when assessing the type (grants, financial instruments, prizes or combinations of these) and amount of financial support to be provided by the programme's funds. In the 2014-2020 period, net revenues have to be calculated in advance/ during project implementation and deducted from the ESI funds support (e.g., using discounted net revenue, flat rate for specific sectors of subsectors in advance, during or after project implementation). When it comes to the 2021-2027 period, there are no specific provisions to regulate net revenues. However, there is a reference to financial instruments and revenue-generating projects: 'Financial instruments will be a key delivery mechanism for 2021-2027 investments generating revenue or costs savings.' (CPR, Title V: Financial support and Article 52(2) [new CPR]). Keeping the good governance approach where each euro must be a useful euro, financial instruments could be used for financially viable projects, which Interreg programmes also provide support to (currently with grants).
As a programme, you know that many of your current/ potential beneficiaries are/ will be struggling due to the reimbursement nature of grants. Extensive management verifications and lengthy reimbursement time prevents some partners with limited financial liquidity from participating in your programme.	All FIs products (loans, guarantees, equity support) provide financial support upfront, bringing a clear advantage for Interreg beneficiaries. FIs provide a wide range of financial products (e.g., different types of loans, guarantees, equity) to meet the different financial needs of various beneficiaries. The 2021-2027 provisions allow for simpler combination (in one project) of financial instruments with a grant component where it is needed, where the simpler financial instrument rules would apply.

As an MA, you would like to simplify the audit and control requirements for your programme's beneficiaries.	Audit and control work is performed at the level of the MA and the bodies implementing financial instruments. The final recipients, *beneficiaries* in the Interreg vocabulary, are not affected by audit and control (only in duly justified cases). Final recipients (e.g., SMEs) are free from an audit burden – that in itself is a huge simplification for companies and for the management structures to be interested in the FIs.
If you are aware that at the national/ regional level FIs exist – there could be a potential to establish a dedicated product for Interreg programme(s).	Having up and running FIs at the national level brings advantages when it comes to the Interreg FIs set-up – there is no need to set-up an instrument from scratch – using existing implementation structures and financial expertise of bodies implementing FIs.

2. Where to start

When preparing for the next programming period, you should start with *your own analysis* of the situation in the area where your programme operates. Knowing the economic and territorial characteristics of the area will help you to select the relevant policy objectives and specific objectives along which to provide co-financing. For sectors such as SMEs support or energy efficiency, the market analysis could also show if there is any market niche in the area and specific needs of some beneficiaries in your programme which are not addressed with other funding sources, existing commercial offers, other instruments, etc.

For the next programming period, the provisions of Article 17(3)(b) [new CPR], Article 17(4)(c) [new ETC][8] require analysis and justification for the selected policy objectives, corresponding priorities, specific objectives, and – the novelty - forms of support. This implies that grants should not be a default option for the delivery of the programme's objectives. Where there is a potential for projects to generate revenues and/ or to save costs, financial instruments should be the key delivery mechanism.

If the conclusion of the analysis is that financial instruments are potentially to be used and the authorities want to include FIs as a form of support in the programmes, the next step is to *perform the 'first stage' of the ex-ante assessment of FIs* in your programme.

[8] Article 17(3)(b) [new CPR], Article 17(4)(c) [new ETC].

This stage of the ex-ante assessment in a certain way is already integrated in the territorial analysis of the programme area (as you will need to justify the appropriateness of the selected policy objectives and forms of support when drafting your Cooperation Programme). Also, at this point, *it does not have to be excessive or too detailed.* How can you find out if there is some niche in the market or if there are some special needs among beneficiaries? You do not need to reinvent the wheel here – do desk research by analysing existing literature (the most recent one!), pull together relevant existing resources, and draw conclusions about whether further investment is needed. If there is no available data, you can perform your own survey among potential beneficiaries (i.e., final recipients), organise interviews with key stakeholders, or set up a focus group or panel of experts.

At the same time, before deploying your internal resources into this new (for Interreg) area, *you should have support from your programme's stakeholders*: support from the Member States of your programme area is a must 'ingredient' to get this structure work! You should also research financial institutions that would be willing to be an implementing partner for your FI structure (e.g., some financial institutions might be reluctant to work with public bodies, etc.). You should talk to potential partners, try to establish a network, and 'test the water' before committing to FIs.

Once you have concluded that FIs should become part of your programme's portfolio and you have the backing from your stakeholders, there is still the WHAT and WHEN to consider.

When are financial instruments suitable?

If in the areas which you would like to support:

- there are potential projects which are financially suitable, or
- there are potential projects which would be financially suitable with a complementary grant component, and
- the initial assessment shows that there are financial institutions which could be interested in implementing the measures on your behalf,

then financial instruments might be for you.

3. What is needed from your side?

Before taking a decision on implementing a financial instrument, you have to ensure:

- *Sufficient financial resources* – you do not need to close the market gap identified in the ex-ante assessment with public resources only (the gap might be too big). Still, a critical mass of financial resources is required. FI can be set up with contributions from more than one programme (also from OPs at the national and/or regional levels).

- *Time* – setting-up FI might take some time at the beginning, but the slow start-up pays off with the first allocation of financial resources to the FI. (The set-up can take up to 2 years – depending on the existing financial institutions, experience and expertise in the FIs, and so on. This time could be shortened significantly if you opt for an Interreg-specific product within an existing institutional system; e.g., those set up for mainstream programmes).

- *Expertise in the programme area* – existing financial institutions which have the capacity to manage and implement FIs and, preferably, experience in implementing FIs at national/ regional level (if not implemented directly by the MA).

- *Engagement and dedication of your programme's stakeholders to do things differently* – in the beginning, a change of mind-set is needed, which does not happen overnight but takes time.

- *The FI should be as simple and lean as possible* – this will improve understanding and cooperation between the stakeholders involved, reduce implementation risks (e.g., eligibility, State Aid), and make it understandable and attractive to final recipients (in Interreg vocabulary – *beneficiaries*).

If you are considering establishing and implementing a financial instrument in your programme, but you do not have specialised financial and fund management expertise (within the MA), it is possible to delegate the implementation of the financial instrument to other bodies (for example, existing structures, like fund of funds). It is also possible to entrust the implementation tasks of the FI to the European Investment Bank and EIB Group (even without a competitive process); to the national or international public financial institution where the MS is a shareholder; to any other public or private body following a competitive procurement process. <u>You do not need to do all the hard work yourself! If you have the commitment to the FI, you can get help with the rest.</u>

4. When to start?

As mentioned above, the draft Regulations do not set any deadline as to when the ex-ante assessment of the financial instruments should be done. However, already when the draft Cooperation Programme is submitted for approval to the EC, you should indicate areas where FIs will be used. Later, the only thing that has to be respected is that the ex-ante assessment (a simplified first step, as described above) has to be completed before 'the MA decides to make programme contributions to financial instruments' (Article 52(3) [new CPR]). Furthermore, results of the existing ex-ante analysis of the FIs covering some part or the entire territory of your programme area can be used. (You do not need to do it from scratch; you can build upon existing data).

During the fully-fledged ex-ante assessment of the FI (with the help of external experts, which can be done after your programme is approved by the EC), the programme needs to decide on (Article 52(3) [new CPR]):

- the proposed amount of the programme contribution to an FI and the expected leverage effect,
- the proposed financial products to be offered,
- the proposed target group of final recipients,
- the expected contribution of the financial instrument to the achievement of specific objectives.

The results of the fully-fledged assessment of the FI might show that the amount of the initially planned programme contribution to the FI (included in the Cooperation Programme) needs to be adjusted. It is possible to do that by submitting a modification request to the EC. At the same time, the results of the ex-ante assessment might show that there is actually no need to deploy that specific financial instrument, because the demand was wrongly estimated, or due to other existing and more attractive instruments available in the area (or other reasons). In such a situation, it is also possible to 'revert' the initially planned programme's contribution to the financial instrument and to use it in the other forms of support (e.g., grants) or in another area.

It is possible to adjust the initially planned programme's contribution to the FI according to the results of the fully-fledged ex-ante assessment, which is done after your programme has been approved by the EC (as modification of the Cooperation Programme).

5. Questions and concerns

Below, you will find some of the commonly asked questions and concerns that Interreg programmes might have when thinking about financial instruments. Before postponing your acquaintance with financial instruments, take a look below – you might find answers to some of your questions/concerns here!

Question/ concern	Further information
Mandatory ex-ante assessment of FIs brings an additional burden.	The ex-ante assessment of FIs could be done in 3 steps: • Step 1 could be partly covered by the territorial assessment (to be done as part of the programming).

	Justification for the most relevant form of support (be that grants, financial instrument, prizes or combinations of these) should be provided in the 2021-2027 programming period (Article 17(3)(b) [new CPR]), Article 17(4)(c) [new ETC] anyway. • Step 2 – concise but more detailed ex-ante assessment to decide on the key parameters (can be done after the programme's decision to contribute to the FI). • Step 3: all the technical details would be filled-in when drafting the investment strategy, together with the financial institution implementing the instrument and using their expertise. This would be a 'living document' which could be adjusted flexibly when conditions change, without any need to amend the programme or the ex-ante assessment.
How to run a financial instrument? How to secure proper financial resources? The TA budget is already limited for the next programming period.	<u>The costs for running FIs are not considered TA.</u> Bodies implementing FIs will receive reimbursement of their management costs and fees (which are eligible expenditure of the FI projects). FIs may also be implemented either directly by the MAs or under the responsibility of the MA by other authorized bodies. <u>Making use of the financial expertise of a competent private or public financial institution is a key success factor of FIs.</u> It is possible to entrust the implementation of the FI through the direct award (i.e., with no competitive process) to EIB, EIF, international financial institutions or national promotional institutions (when certain criteria are met).
How to select a body to implement a financial instrument on behalf of the MA? (Additional procedures and additional resources are needed for that.)	See the question above. If the MA entrusts the implementation of the FI through a direct award, there is no need to run a competitive process – these bodies are fully authorised by the EC to perform these tasks. In other cases, bodies implementing financial instruments on behalf of the MA should be selected following the Public Procurement Directive. The EC provides a detailed guidance on the selection of the bodies implementing the FIs.
We do not have expertise in drafting the funding agreements/ investment	Elements of the funding agreement and strategy documents can be found in Annex IX of the [new CPR]. This already helps cover the minimum requirements.

strategy (with bodies to which implementation of the FI is delegated) – how not to miss out something?	Moreover, technical documents could be drafted together with the body implementing financial instruments (thus, the two worlds are brought together – Interreg and experts in financial management). Choosing a structure with a holding fund (in the 2014-2020 period, called 'fund of funds') which then takes care of contractual relationships with financial intermediaries is also a useful way to address this issue.
To what extent the MA will be involved in the process of establishing and implementing the FI (if implementation tasks are delegated to other bodies, e.g., fund of funds, or EIB)? How to ensure that the FI and offered financial products are in line with the programme's objectives? To what extent the MA remains in control of the financial resources that are allocated to the financial instrument?	The most important rules will be laid down in the investment strategy and the funding agreement signed between the fund manager (if the FI is implemented with this structure) and the MA. The body implementing the financial instrument will then sign funding agreement(s) with the selected financial intermediaries (according to the eligibility rules of the FIs and the eligibility rules of final recipients, and in line with the investment strategy and funding agreement signed between the body implementing the financial instruments and the MA). The investment strategy could be updated when needed. These documents should clearly define the future responsibilities of all parties involved. Also, provisions for reporting (frequency, content of reports) should be laid down in these documents. The body implementing financial instruments (financial intermediary) is responsible for providing the MA with the list of selected investments.
The MA is not involved in the selection of the final recipients. How to ensure their eligibility? How to ensure that the investment decision is made in line with the programme's objectives and contributes to the programme's indicators? How to ensure that the fund of fund manager will build a portfolio of projects contributing to the objectives of the programme?	<u>Most of the work is performed, discussed and agreed upon with the body implementing the financial instrument in the negotiation phase, and should be reflected in the funding agreement and investment strategy.</u> This will cover provisions for the eligibility of final recipients (*beneficiaries* in Interreg vocabulary), as well as the scope of preventive measures, should problems occur.

How to ensure compliance with State Aid rules for FIs?	FIs often involve multi-layered structures with the aim to create incentives for various market subjects. This may constitute State aid to investors, financial intermediaries and to final recipients and, thus, must be compliant with State aid rules. Depending on conditions of repayment, it is usually just a fraction and not the full value of a loan which counts as amount of State aid so such aid usually can be implemented under the *de minimis* rules.

How to convince your programme's stakeholders that it makes sense to dedicate some of the programme's resources to a financial instrument (and, most probably, have it run by an 'external' financial institution; e.g., EIB, EIF or national promotional institution)? Use arguments from this note or get in touch with your Interact colleagues to get more information (iuliia.kauk@interact-eu.net, grzegorz.golda@interact-eu.net).

6. Case studies

Even though financial instruments have been present in EU Cohesion Policy since 1994, there are no examples of financial instruments in the Interreg world. In the 2014-2020 programming period, financial instruments represent around 6% of ESI funds, and there are plenty of examples of successful instruments implemented by different national and regional operational programmes.

Below, we provide a few examples of good practice in the implementation of financial instruments[9]. We hope this will be interesting and inspiring for the potential Interreg FI pilot.

1) Financial instruments for fisheries and aquaculture 2014-2020, Estonia

This FI provides support (loans) to aquaculture and fish processing enterprises looking to develop capacity (improve technological systems, increase efficiency, bring new products to market, or increase the quality and added-value of products).

[9] All case studies (along with many more) can be found on the fi-compass website.

Key takeaways from the Estonian example from an Interreg perspective:

- Small size of the instrument (EUR 15 million of OP resources, out of which 75% - from EMFF, 25% - national funding) – sufficient financial resources do not necessarily have to be significant financial resources.
- It is implemented in parallel to a larger rural instrument, benefitting from its existing implementation structure and expertise.
- Niche sector: fisheries and aquaculture. Many Interreg programmes provide co-financing for projects in these sectors (it also has a clear cross-border dimension). Keep.eu provides a good overview of how Interreg projects have been addressing different fisheries-related problems and opportunities.
- Duration of the instrument: 6 years. The FI does not have to last for decades; it can be realised within one programming period.
- Very targeted: aquaculture and fish processing SMEs (funding gap identified in the ex-ante assessment).
- Target audience of FIs does not always have to be large
- Simple lean structure of the FI: managing authority, intermediary (body implementing FI, MES), paying agency.

Find out more about this financial instrument here.

2) Energy savings in existing housing programme, Greece

This FI provides support (loan combined with grant) to household energy saving investments in residential buildings and addresses natural persons (homeowners in Greece). The financial instrument aimed to address the reluctance of private investors to fund energy efficiency projects in residential buildings.

Key takeaways from the Greek example from an Interreg perspective:

- Funding source: 2 sectoral OPs and 4 regional OPs. Financial resources from different levels (national/regional), as well as across borders (from several Interreg programmes) can be combined as the FI's funding source.
- Financial product: a package made up of a partially subsidised loan combined with grants based on the individual final recipient's income (15 – up to 70% grant intensity based on final recipient criteria; i.e., personal and family income). The grant part covered part of the investment costs, the cost of the energy audit and the project consultant (when submitting an application).

In 2014-2020 the grant part was provided from national resources. In post2020, it would be possible to have both the grant and the loan delivered through the same project in a "one-stop-shop" which as a whole is co-financed by EU resources. The grant component could be provided upfront, making the project financially viable, or the support might start as a loan, which in the case of achieving certain performance target, would be repaid only in part (the final recipient benefiting from a so-called "capital rebate").

The topic could be relevant for Interreg, as many Interreg projects aim at contributing to increasing energy efficiency awareness in regions and changing people's approach to energy efficiency (e.g., projects New assessment methodology for social, sustainable and eco-friendly housing, Action for Energy Efficiency in Baltic Cities, Autonomous intelligent buildings of zero energy consumption and many more, which you can find in keep.eu). In this area a pure financial instrument is usually not sufficient and needs to be accompanied by a grant to make any project viable. For inspiration: joint actions aimed at developing energy efficiency standards in different industries across borders; implementing energy saving measures in public buildings, etc.

Find out more about this financial instrument here.

3) "New Széchenyi" Combined Micro Credit and Grant scheme (CMCG), Hungary (2007-2013)

The financial instrument provided support (combination of loans and grant) to SMEs (including micro-enterprises). Quite often, micro-enterprises have limited funding for covering own contribution, which prevents them from applying for loans.

Key takeaways from the Hungarian example from an Interreg perspective:

- Very targeted: micro-enterprises facing difficulties in obtaining loans from commercial banks. FIs do not need to target a wide group of recipients but can be tailor-made.
- Example of the FI with a combination of a loan (micro-credit) and grant: 45% - loan, 45% - grant, 10% - own contribution from SMEs.
- Interesting example of involving a high number of financial intermediaries (over 140): mainly small micro-financing institutions, local enterprise development foundations, saving cooperatives – as commercial banks were not interested in micro-financing at that time due to the high transaction costs. This allowed for a wider market coverage and all regions involved.

Find out more about this financial instrument here.

4) Financial instruments for urban development in Portugal – IFFRU 2020

This financial instrument targets the improvement of buildings that are more than 30 years old, abandoned industrial spaces and units, social housing (including private units within a social housing building) and public spaces. Typically, the works will improve the general condition of the building and must include interventions to improve the energy efficiency of the building.

Key takeaways from the Portuguese example from an Interreg perspective:

- Funding source: combination of funds from 8 ESIF OPs with EIB, CEB and national resources.
- Example of FI financing not only improvement of old buildings' energy efficiency, but also rehabilitation and revitalization.
- National coverage, but local approach. Municipalities were heavily involved through the network of focal points.
- Communication – communicating about a very complex product in a simple and understandable manner through a wide range of channels (e.g., public information sessions, email helpdesk, one-to-one meetings).

Find out more about this financial instrument here.

7. Find out more about financial instruments

Are you now interested, and would you like to get more general information about financial instruments (e.g., actors to involve, types of financial products, implementation structures, real-life examples)?

Below, you will find some useful directories with resources about FIs.

1. Fi-compass – is a platform developed by the EC together with the EIB, which provides practical know-how and learning tools on financial instruments. Under Library, you will find legal provisions for the FIs, EC Regulatory Guidance, videos and publications. Under publications you will find manuals and handbooks, factsheets and brochures, as well as case studies (examples of good practice implementation of FIs in structural funds).

2. You can find out more about FIs in the Interreg context in Interact's publication 'Financial instruments in European Territorial Cooperation programmes 2014-2020'. Note: This publication was produced in 2013, thus many legal provisions have changed, and a lot has happened in the field. Nonetheless, this publication

provides a good overview of what the process of setting up FIs in Interreg could be like, as well as some basic information on the benefits and challenges of FIs for Interreg.