Outcome of the *fi-compass* survey on the use/no-use of FIs under the EMFF

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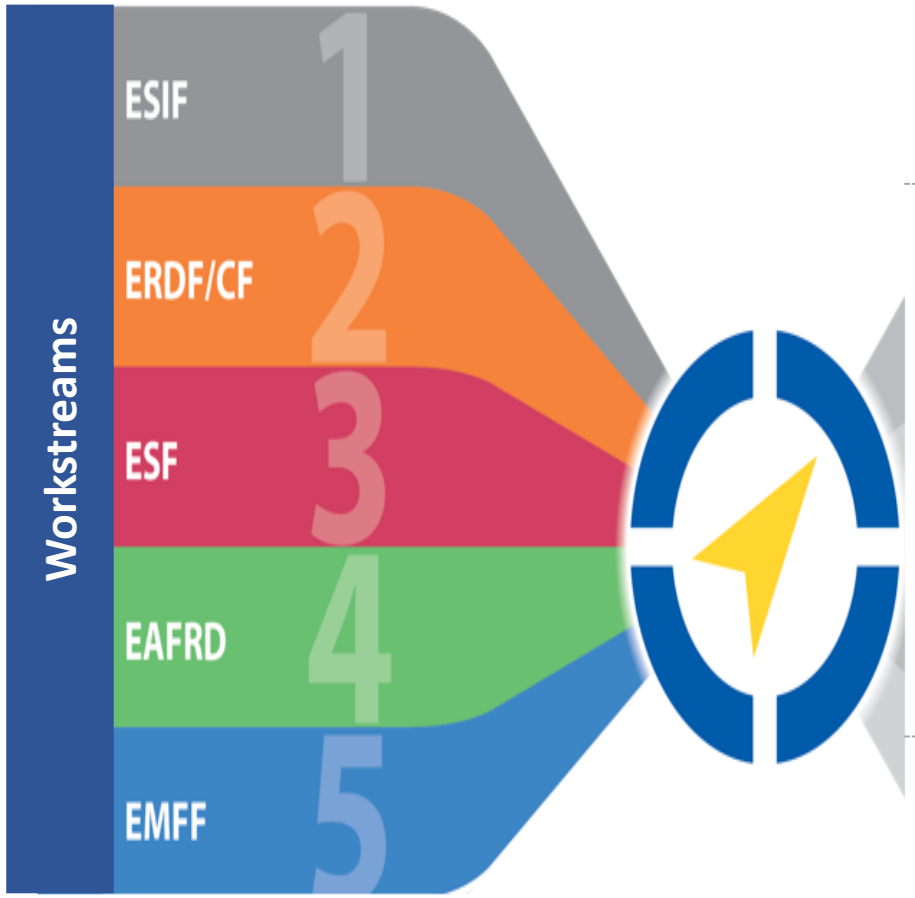
What is *fi-compass*?

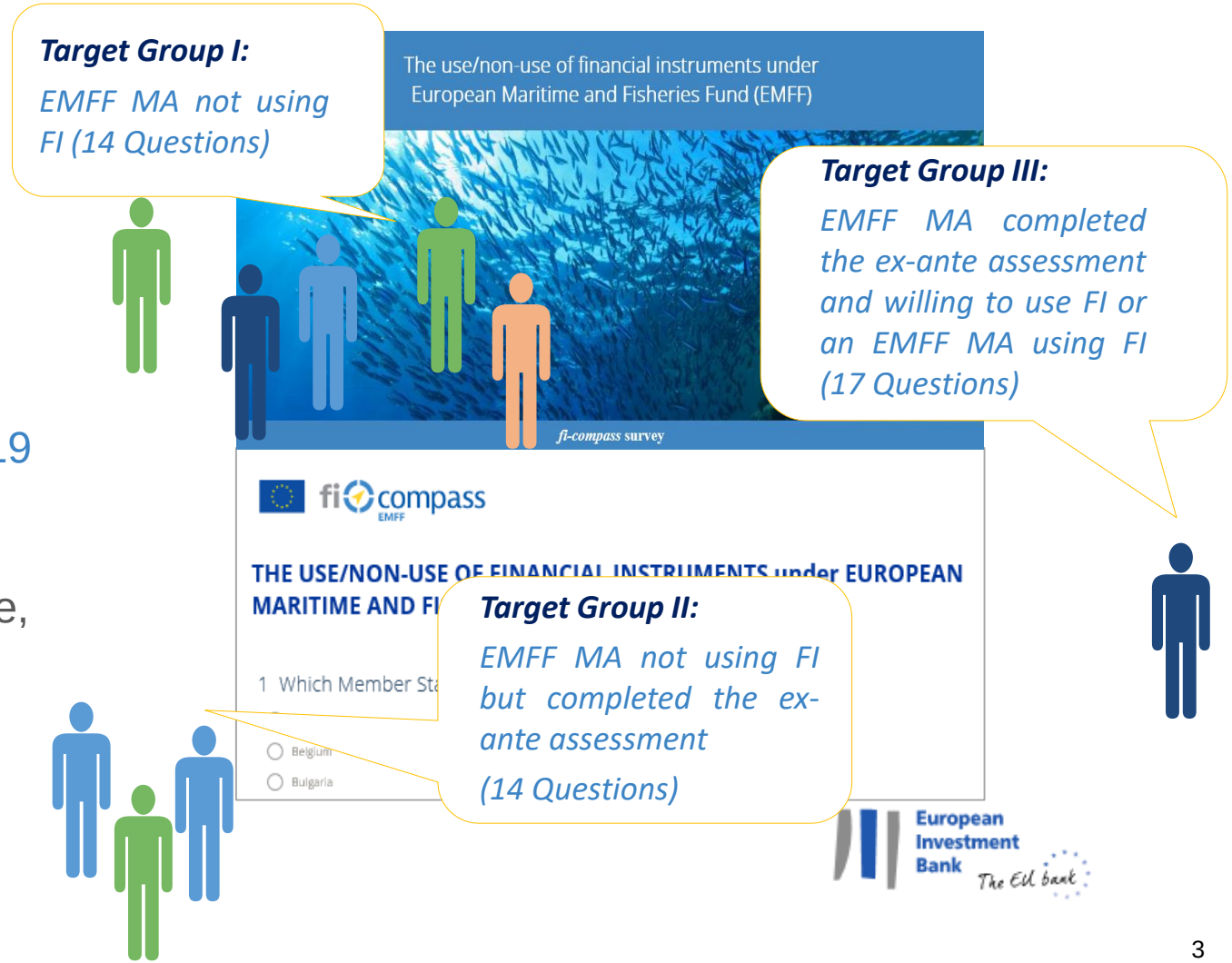


1	**Step-by-step process guidance**	throughout the entire FI life cycle consistent with regulatory provisions, evidence-based practice and the realities of ESIF Managing Authorities.
2	**Learning opportunities**	to further the necessary understanding and skills in the market.
3	**Targeted awareness raising and networking**	for Managing Authorities, the general public, potential bodies implementing FIs, private and public investors interested in co-investment opportunities, entrepreneurs or enterprises, or for other potential final recipients.
4	**Access to a single knowledge hub**	to ensure (timely and targeted) availability of information and advice.

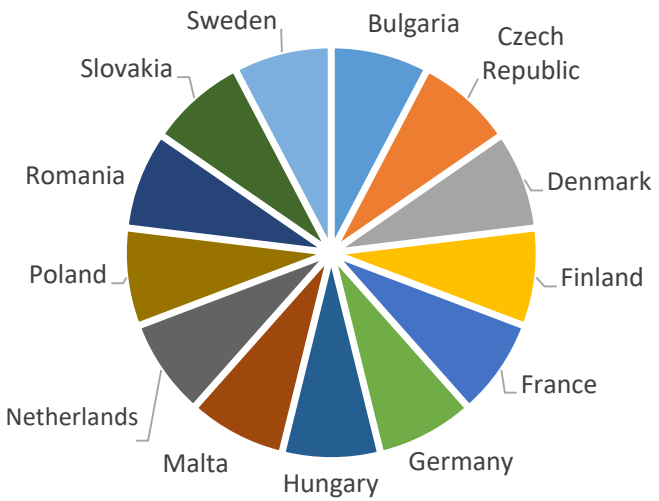
Rational and methodological approach

- ✓ Rationale: Assessing the experience of using/not using financial instruments (FIs) financed by the European Maritime and Fisheries Fund (EMFF) and exploring the potential use of FIs post-2020
- ✓ How:
  - Web-based questionnaire
  - Survey timescale: launched 10 May 2019
  - Target population: EMFF managing authorities of 27 Member States (MS)
  - Type of questions: mix of multiple choice, ranking and free text feedback
- ✓ Responses received: 17 MS replied

✓Survey structured in 3 categories:

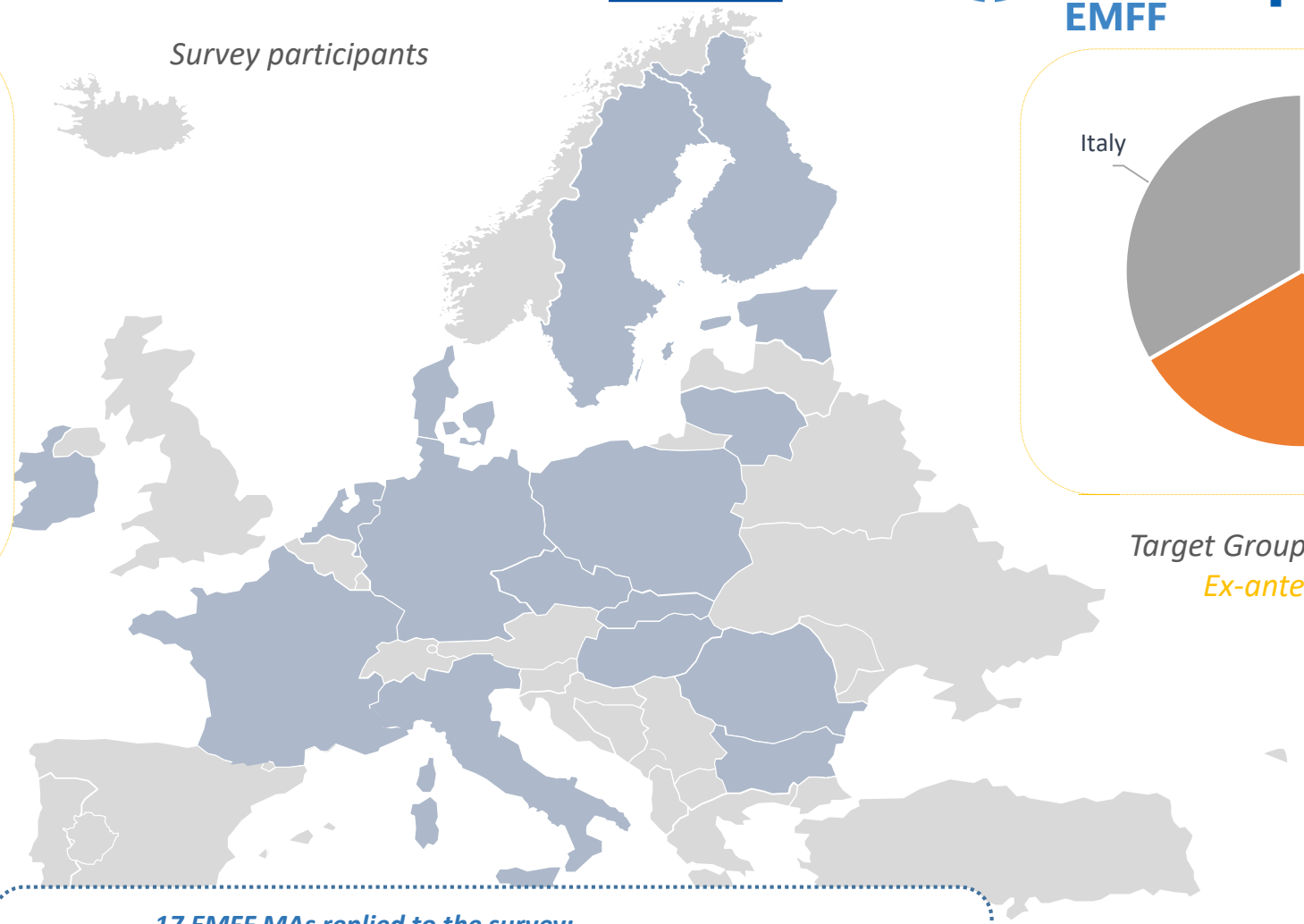


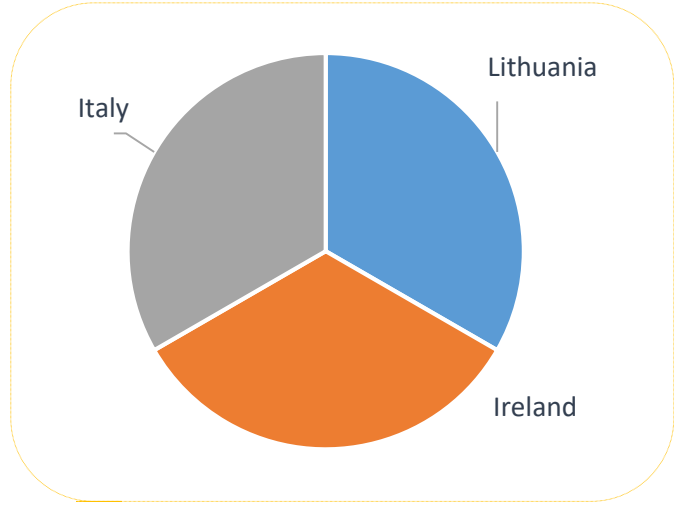
Responses received



Target Group I Respondents
No ex-ante and no FI

Survey participants





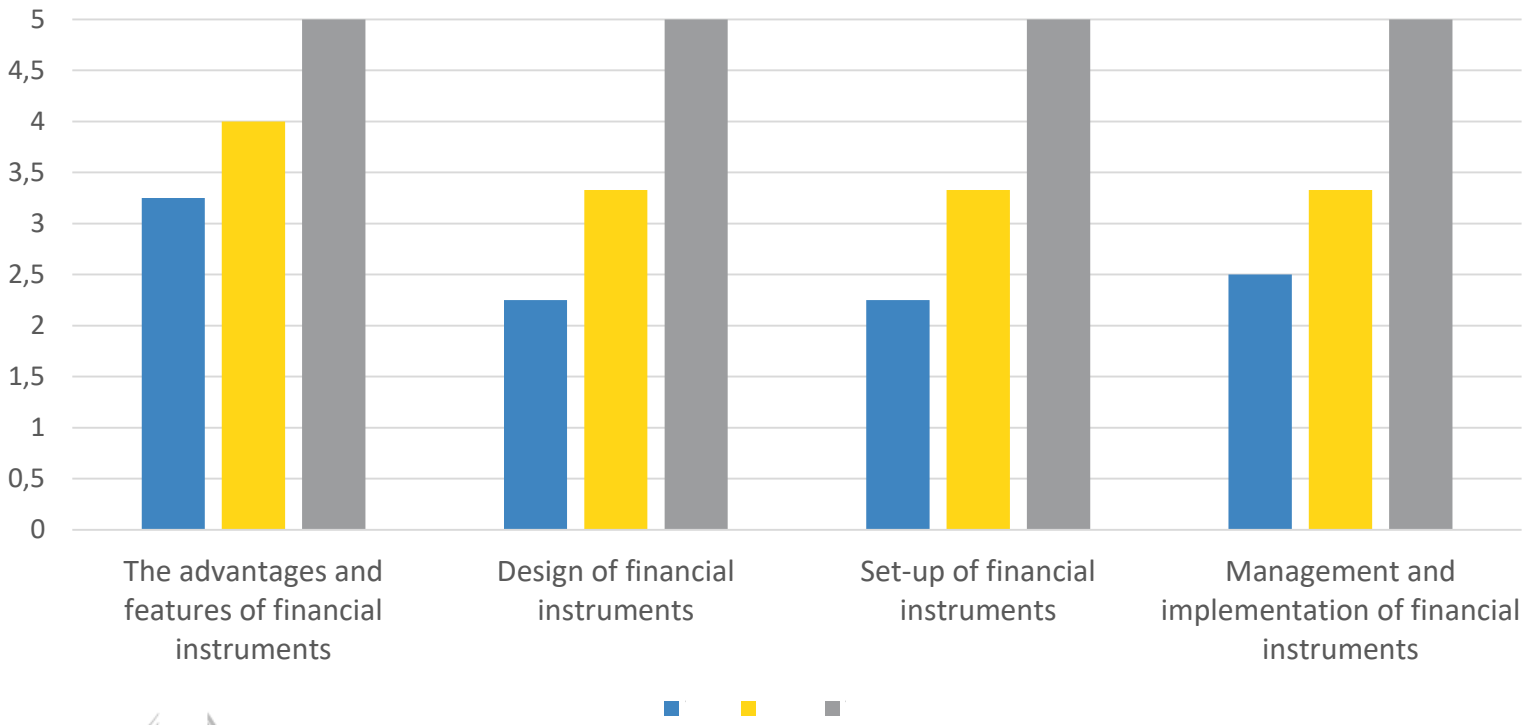
Target Group II Respondents
Ex-ante and no FI

17 EMFF MAs replied to the survey:

- ✓ **13 MAs** replied to TG I survey;
- ✓ **3 MAs** to the TG II survey; and
- ✓ **1 MA** for the TG III survey (Estonia).

Financial instruments - Level of knowledge

What was your knowledge about financial instruments (1=low and 5=very high)?

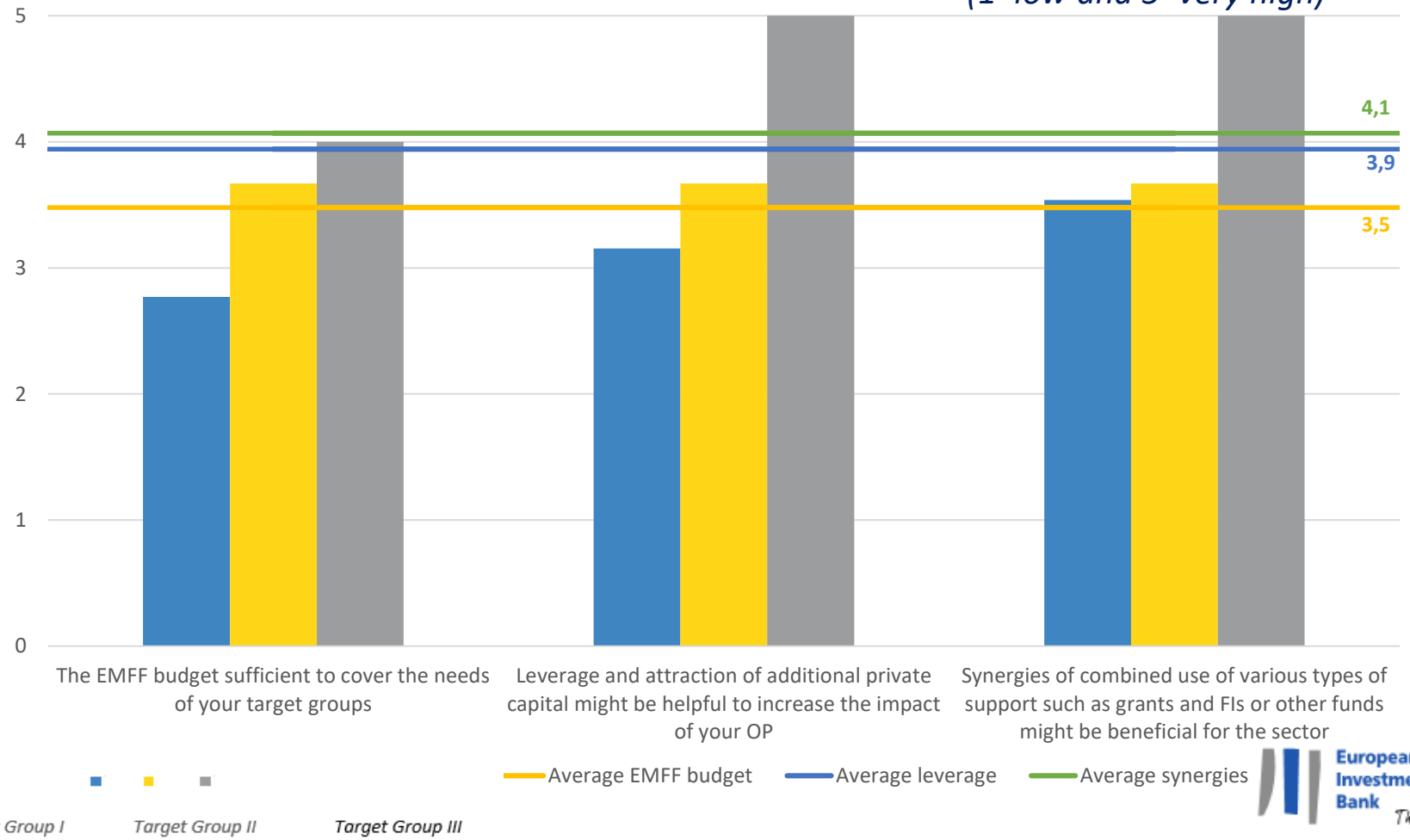


Key findings

- ✓ **Level of knowledge about FIs varies** among the three respondent groups and **per topic**
- ✓ **Managing authorities (MA) from TG I** who have not completed the ex-ante **rated lower their knowledge regarding the design and the set-up of financial instruments**
- ✓ **MA from TG II** who carried out an ex-ante indicated to **have on average good knowledge of financial instruments**, especially about the advantages

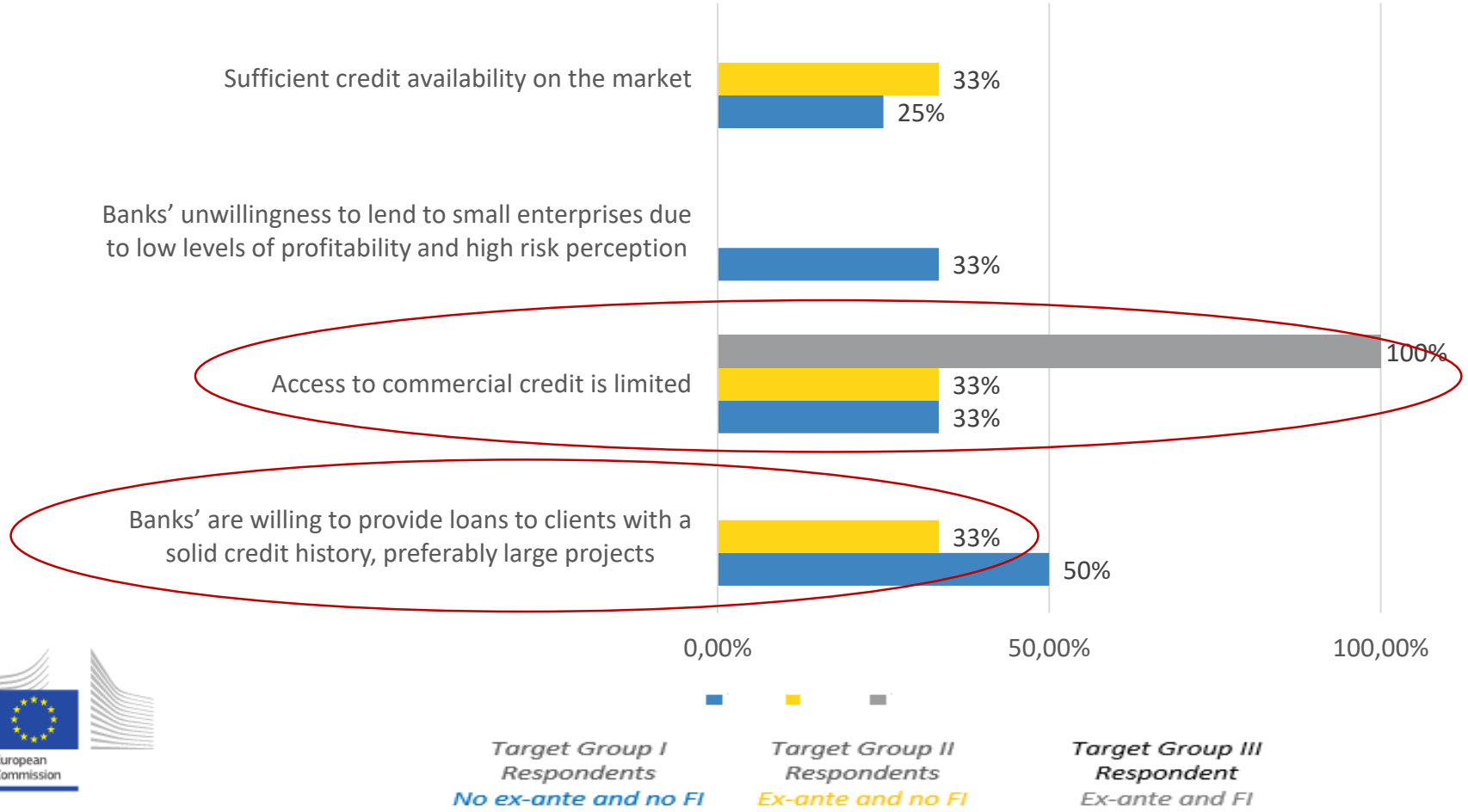
Financial instruments – key features

To what extent do you agree to the following?
(1=low and 5=very high)



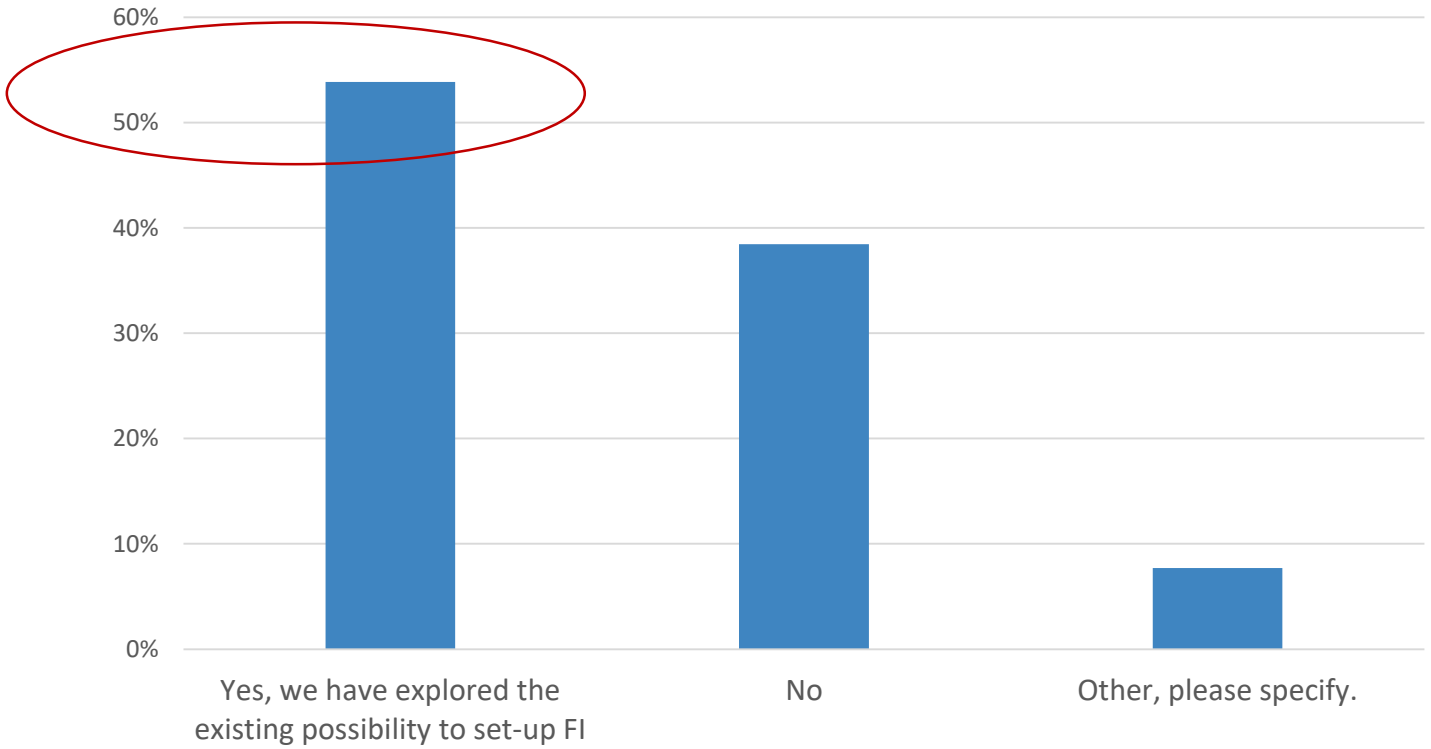
Access to finance conditions for the EMFF target groups

How do you assess the current market situation in your country related to the access to finance for your target groups? (multiple answers possible)



Use of financial instruments – Target Group I

Have you considered options to use FIs as a support mechanism in your Operational Programme (OP)?



Target Group I Respondents
No ex-ante and no FI

Main reasons for Managing Authorities (MA) that replied "yes"

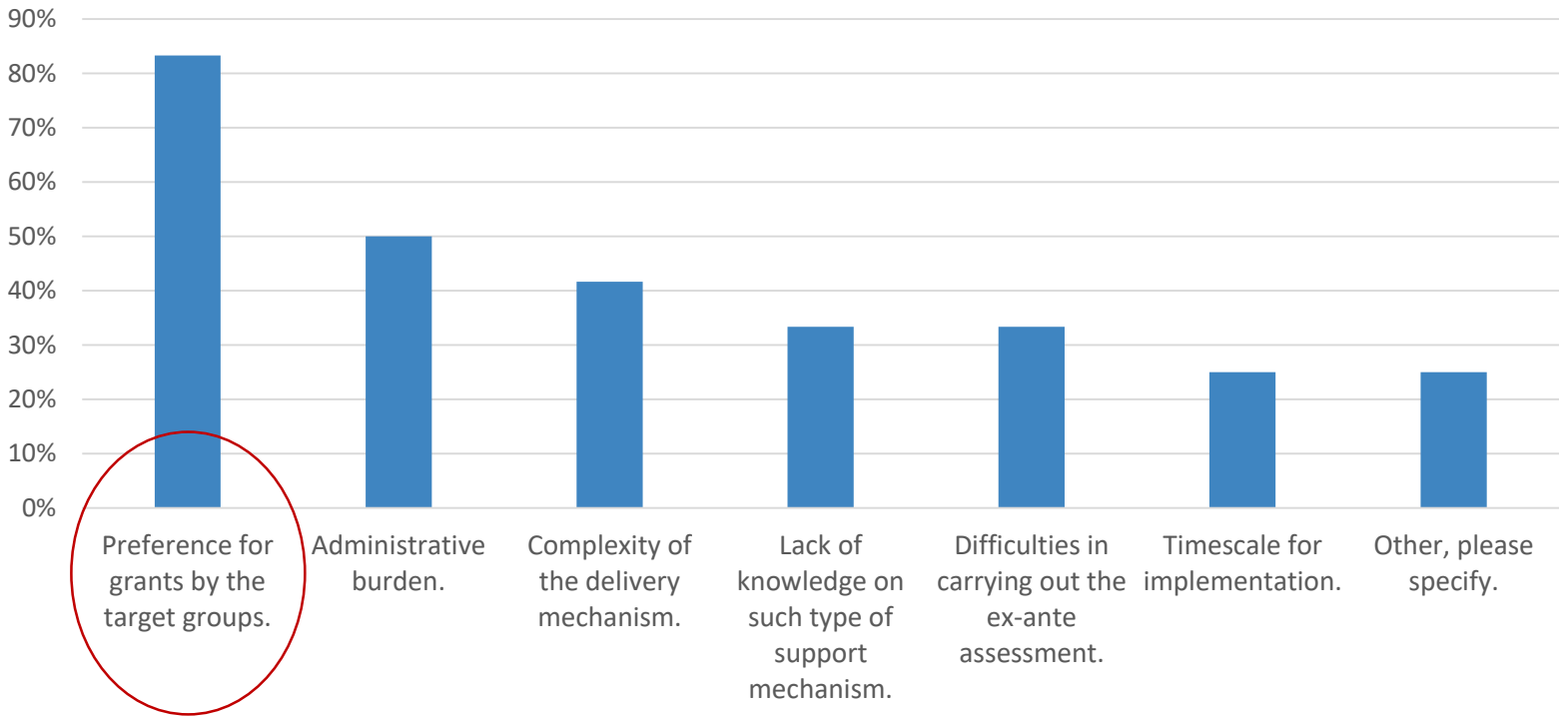
- ✓ Ex-ante study conducted or about to be finalised

Main reasons for replying "no"

- ✓ Ex-ante study not performed
- ✓ Too costly for the MA to set-up and management FIs, and
- ✓ Grants are more attractive for stakeholders

Reasons for not using FIs in the OP - Target Group I

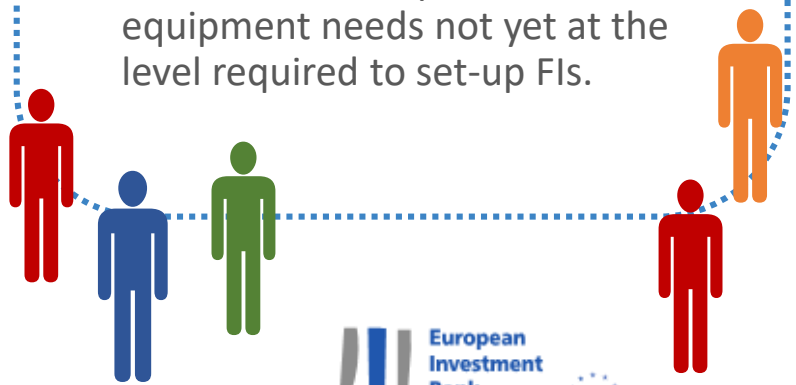
What were the main reasons for your decision not to use FIs in your OP? (multiple answers possible)



Target Group I
Respondents
No ex-ante and no FI

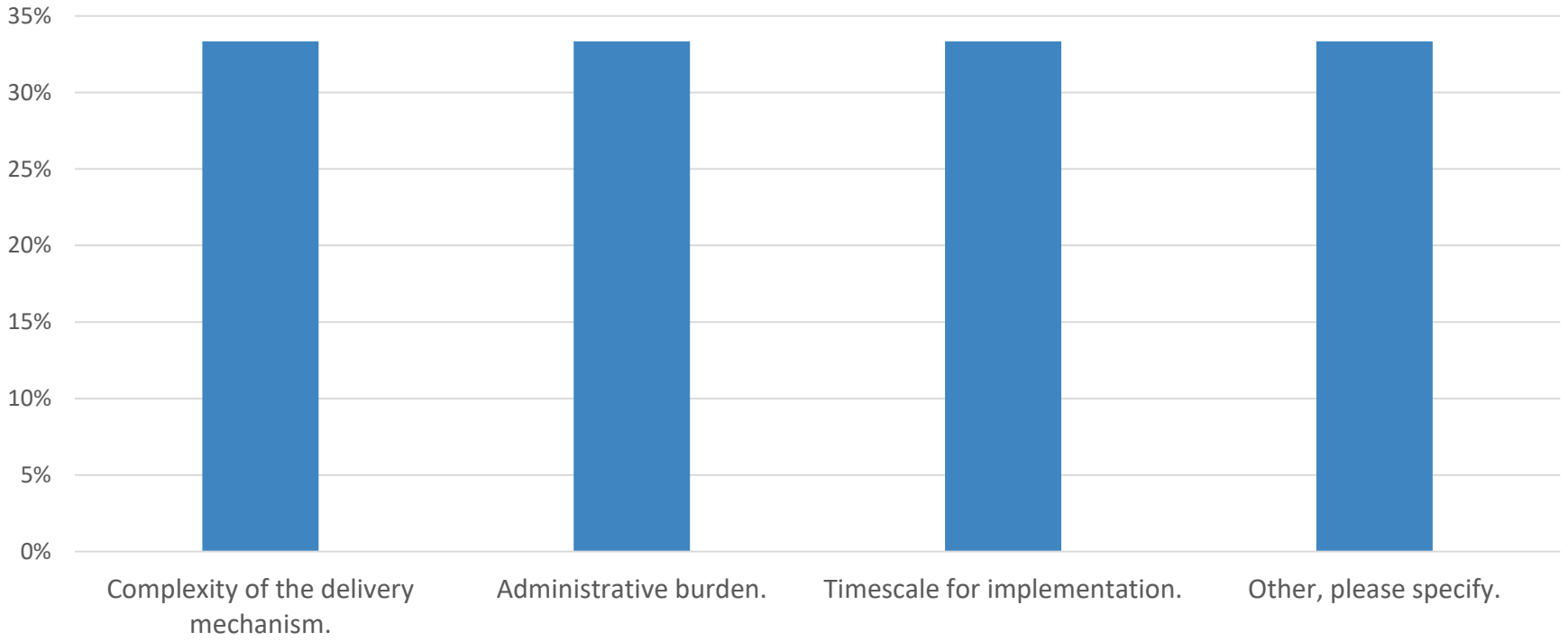
Additional assumptions:

- ✓ Further a**ssessment of the interest** of the target beneficiaries needed**;**
- ✓ FI may affect absorption capacity;
- ✓ Not enough **resources**;
- ✓ **Administrative burden**;
- ✓ Consistency with State aid rules;
- ✓ **Grants are preferred** by stakeholders; and
- ✓ Investments and purchase of equipment needs not yet at the level required to set-up FIs.



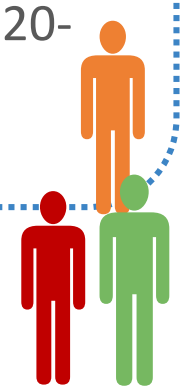
Reasons for not using FIs in the OP – Target Group II

If the ex-ante assessment proposed the use of FIs as a form of support in your OP what are the reasons for not using FI?



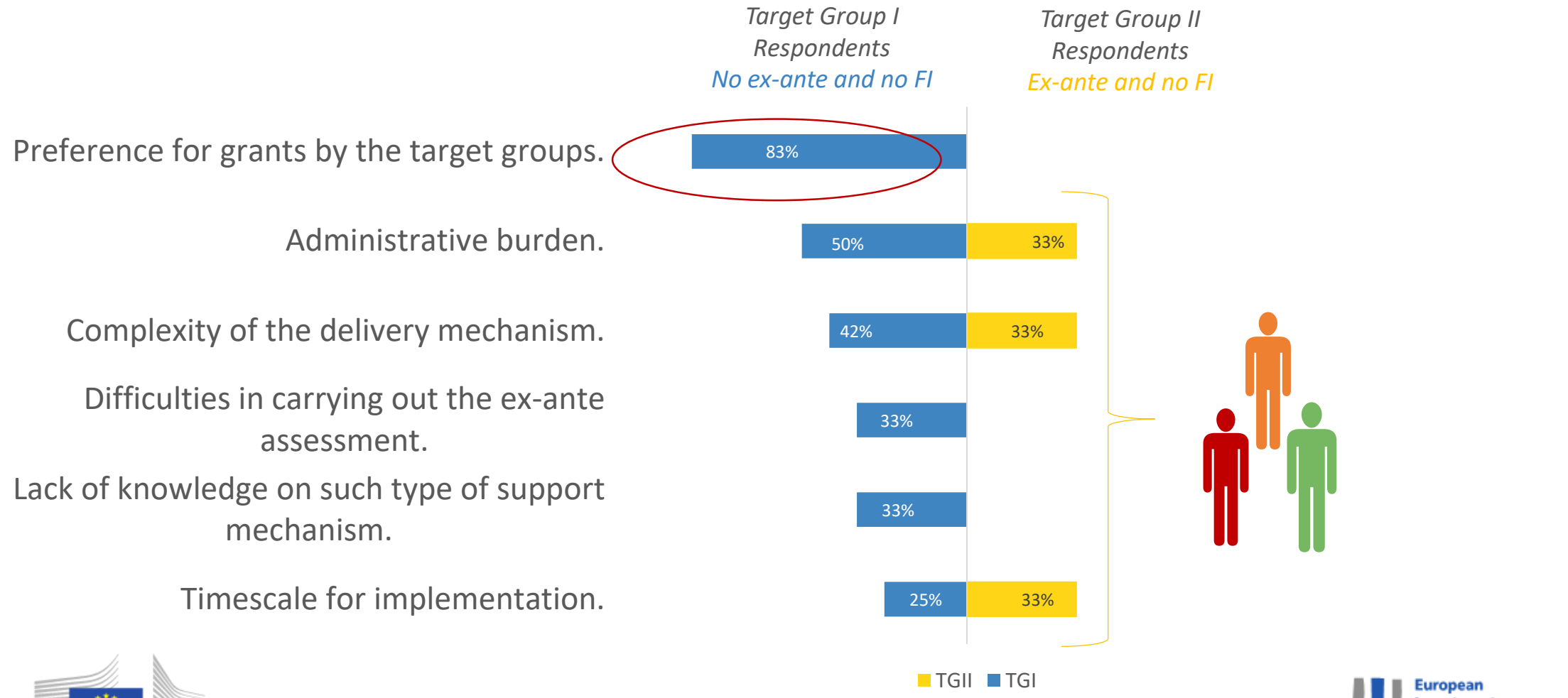
Additional assumptions:

- ✓ The ex-ante study finished late 2018; or
- ✓ Planning to set-up FIs for the period 2020-2027.



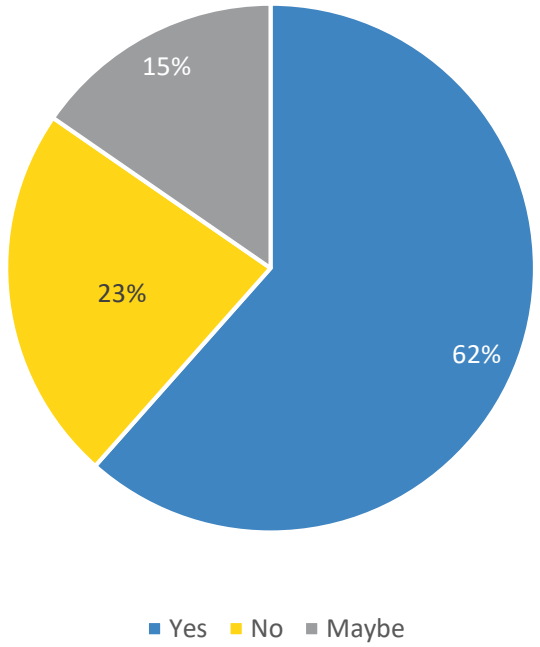
Target Group II
Respondents
Ex-ante and no FI

Reasons for not using FIs in the OP – Target Groups I and II



Potential use of FIs in the OP post 2020 –Target Group I

Could FIs be potentially used in your country as a type of support in the next MFF?



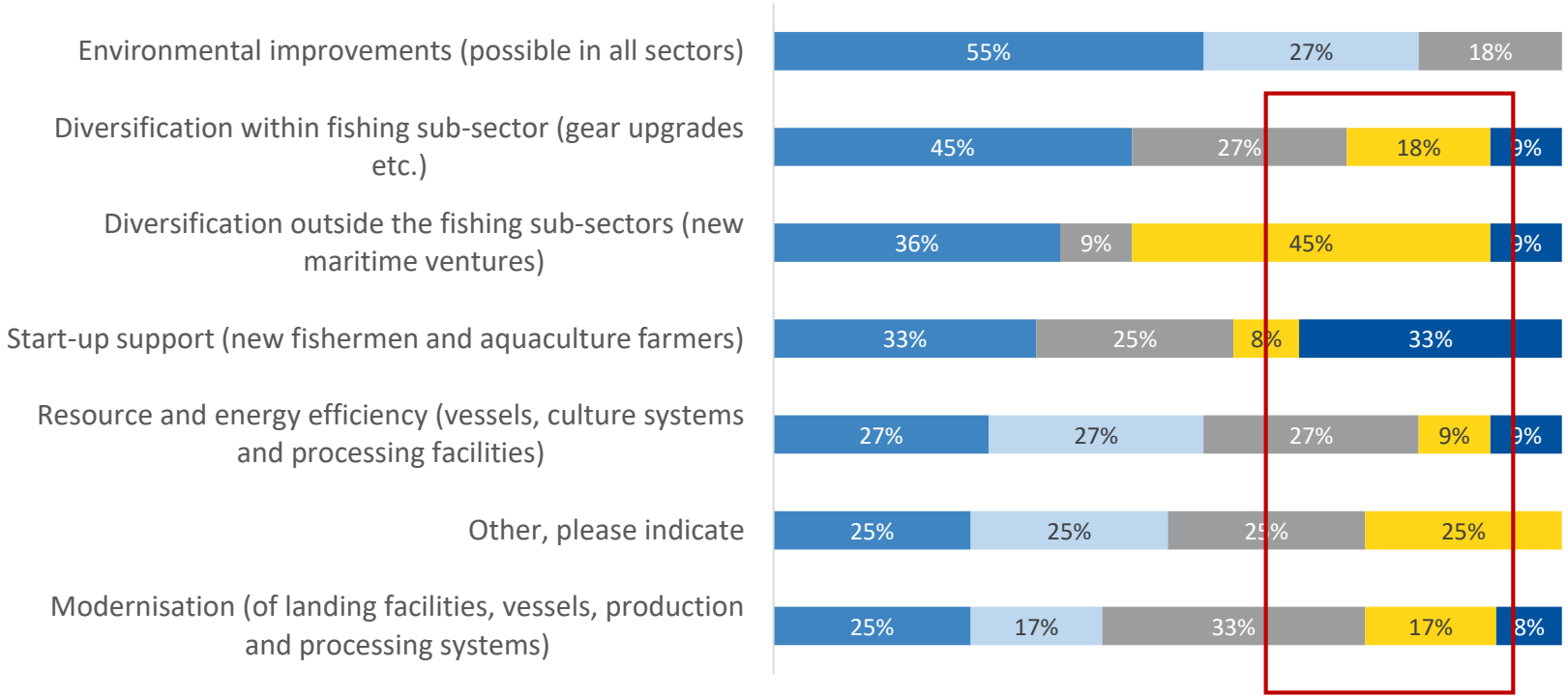
Target Group I
Respondents
No ex-ante and no FI

Key findings and assumptions:

- ✓ **Majority of the respondents** (62%) responded that they might potentially use FIs post 2020
- ✓ Still **need to gauge the appetite** of the sector
- ✓ Some are still in process of deciding
- ✓ **Ex-ante evaluation undertaken and on-going**
- ✓ **Difficulties to implement**
- ✓ **Under expertise** for productive investments in aquaculture (companies of a certain size), for investment related to the fishing fleet and "start-up capital" for young fishermen
- ✓ **Too costly**
- ✓ Some decided to **use only grants in the next programming period**

Potential areas for use of FIs – Target Group I

What is the potential for FIs to be applied under the following EMFF measures (1=low and 5=very high)?



Target Group I
Respondents
No ex-ante and no FI

Key reasons for lack of potential:

- ✓ **No potential** in the MA;
- ✓ **Some areas are not relevant** to landlocked countries; or
- ✓ Prefer to use **grants**

Areas with most potential for use of FIs

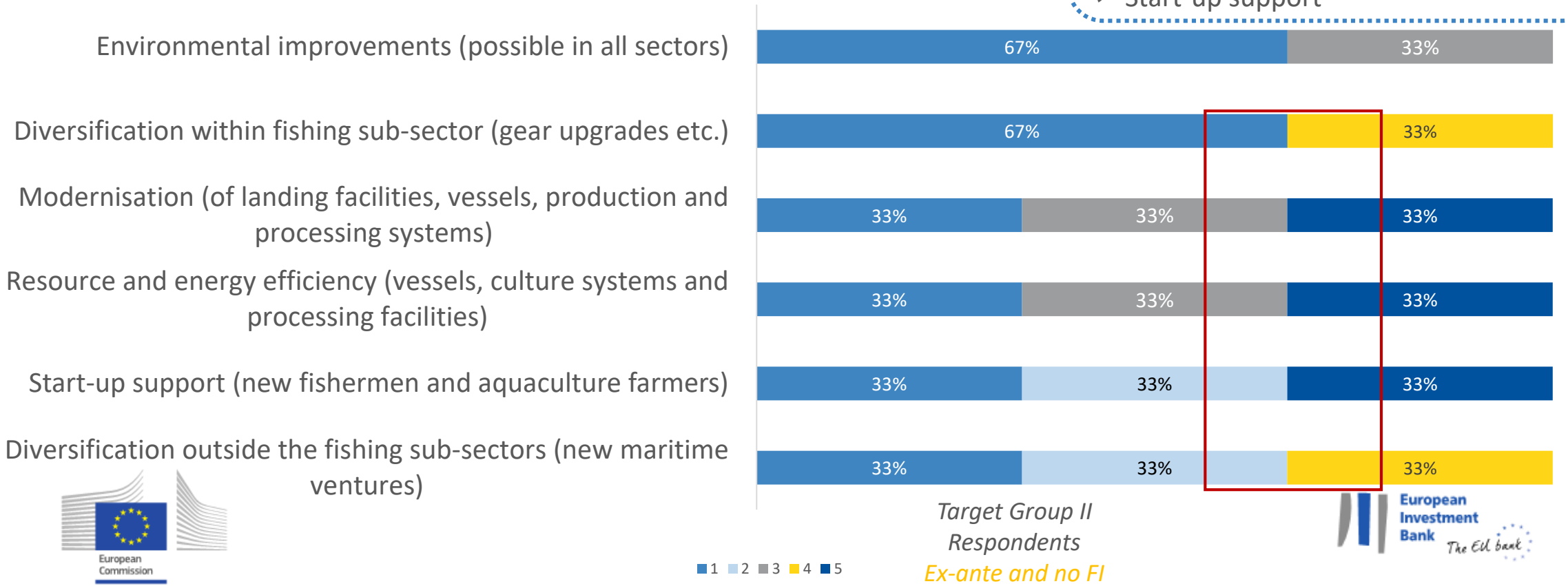
- ✓ **Diversification** within and outside the fishing sub-sectors; and
- ✓ **Start-up** supports.

Potential areas for use of FIs – Target Group II

What is the potential for FIs to be applied under the following EMFF measures (1=low and 5=very high)?

Areas of potential for use of FI:

- ✓ Modernisation;
- ✓ Resource and energy efficiency; and
- ✓ Start-up support

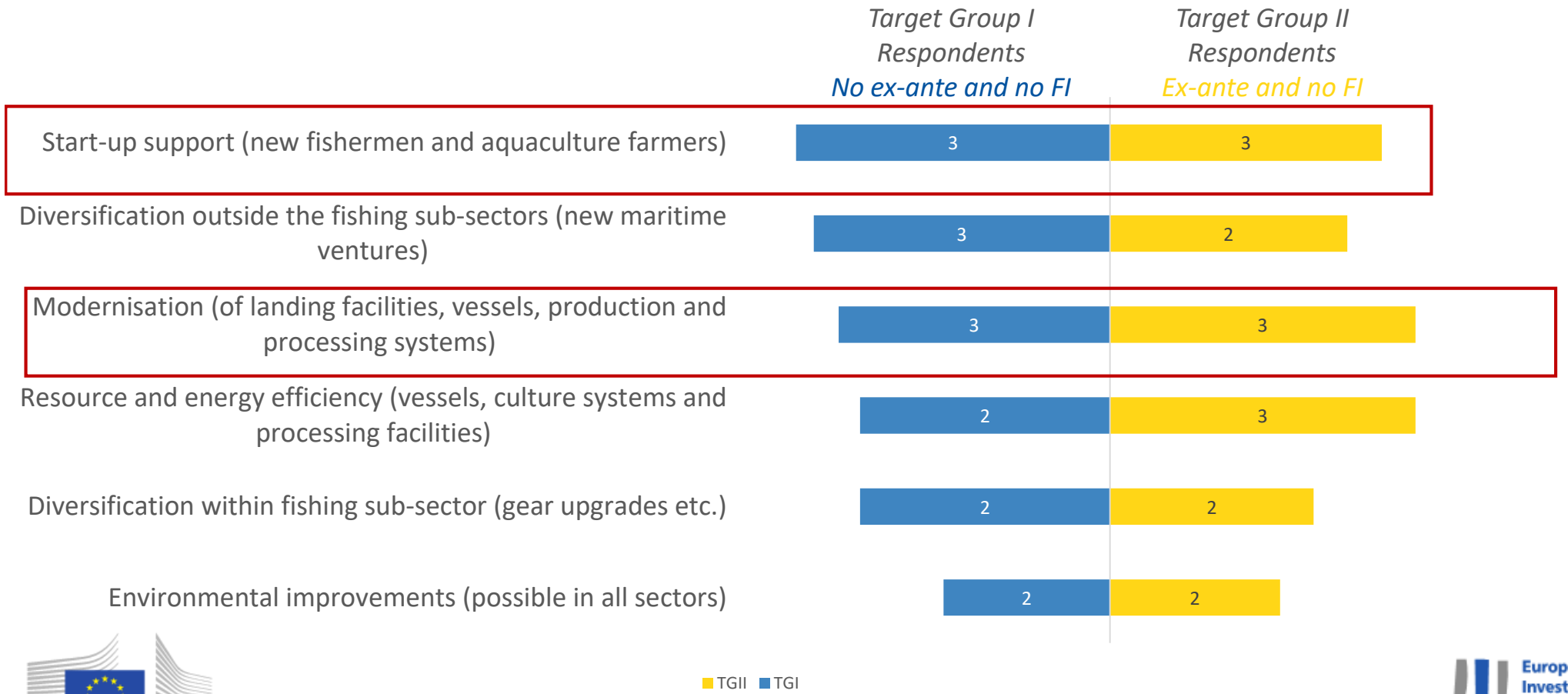


Target Group II Respondents

Ex-ante and no FI

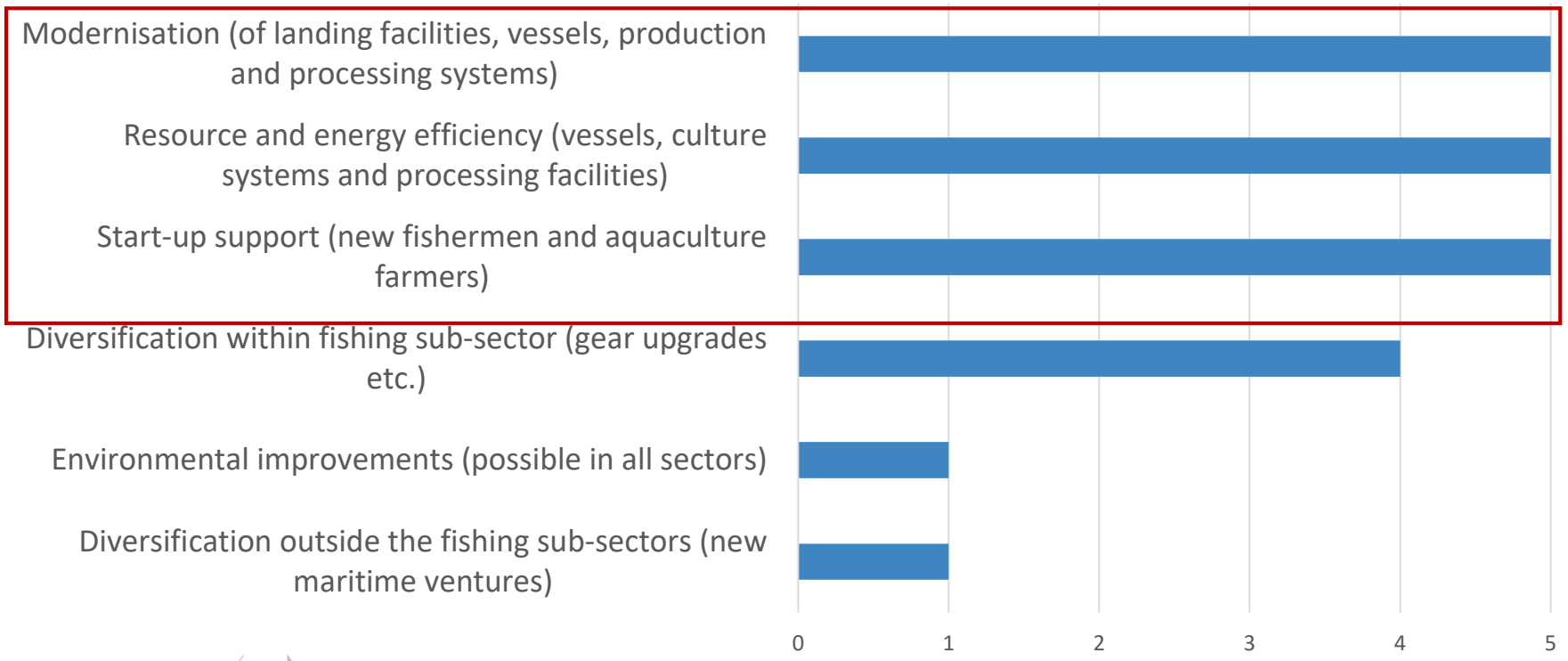
Potential areas for use of FIs – Target Group I vs Target Group II

What is the potential for FIs to be applied under the following EMFF measures (1=low and 5=very high)?



Potential areas for use of FIs –Target Group III

What is the potential for FIs to be applied under the following EMFF measures (1=low and 5=very high)?



Key areas noted:

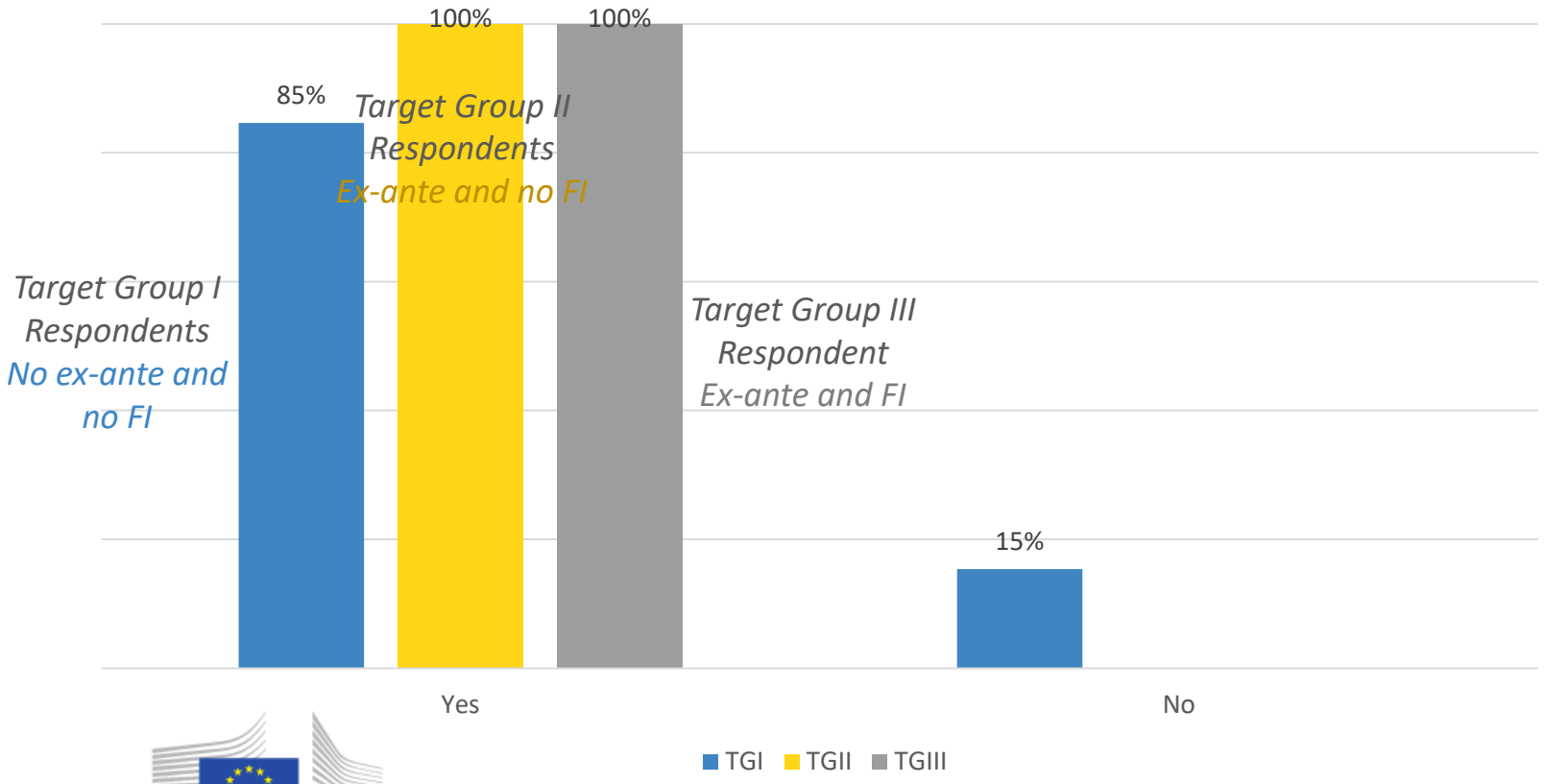
- Modernisation
- Resource and energy efficiency, and
- Start-up support

→ Similar to TGI and TGII

Target Group III
Respondent
Ex-ante and FI

Capacity building needs

Do you think that there is a capacity building need for EMFF Managing Authorities, Financial intermediaries, other stakeholders with regard to FIs?

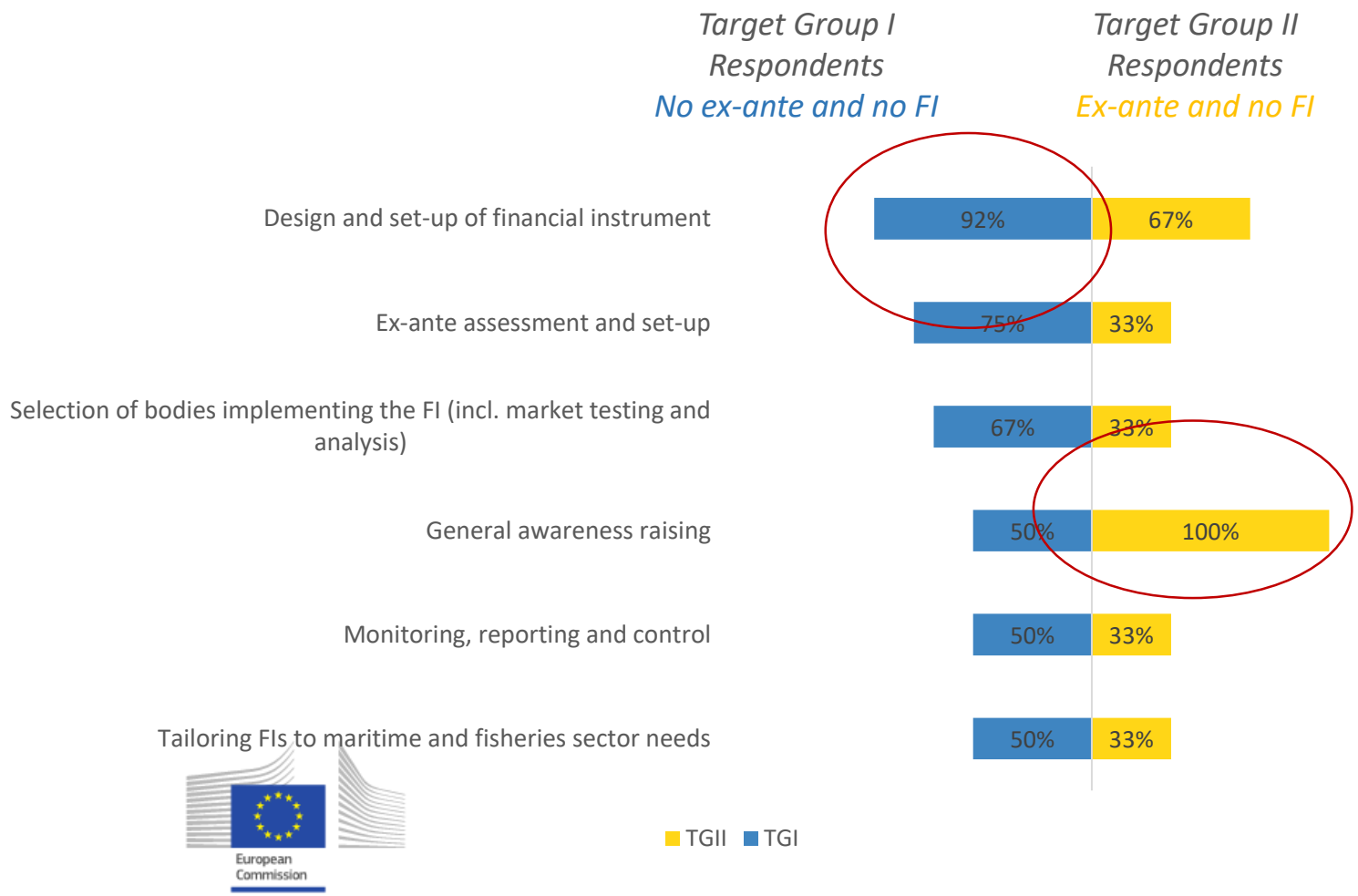


Key findings:

- ✓ **85% of respondents** from MAs with no ex-ante and not currently using FIs highlighted that they need capacity building
- ✓ **100% of the MAs** that have done the ex-ante and either use of not use FIs also responded that **there is certainly a need for capacity building for the all the stakeholders involved**

Main areas where support is needed – Target Groups I and II

From the managing authority's perspective, what are the main areas/topics in which support is required when using FIs? (multiple answers possible)



Key findings:

MAs with no ex-ante and no FI indicated **need for support at the early stage of the FIs life-cycle:**

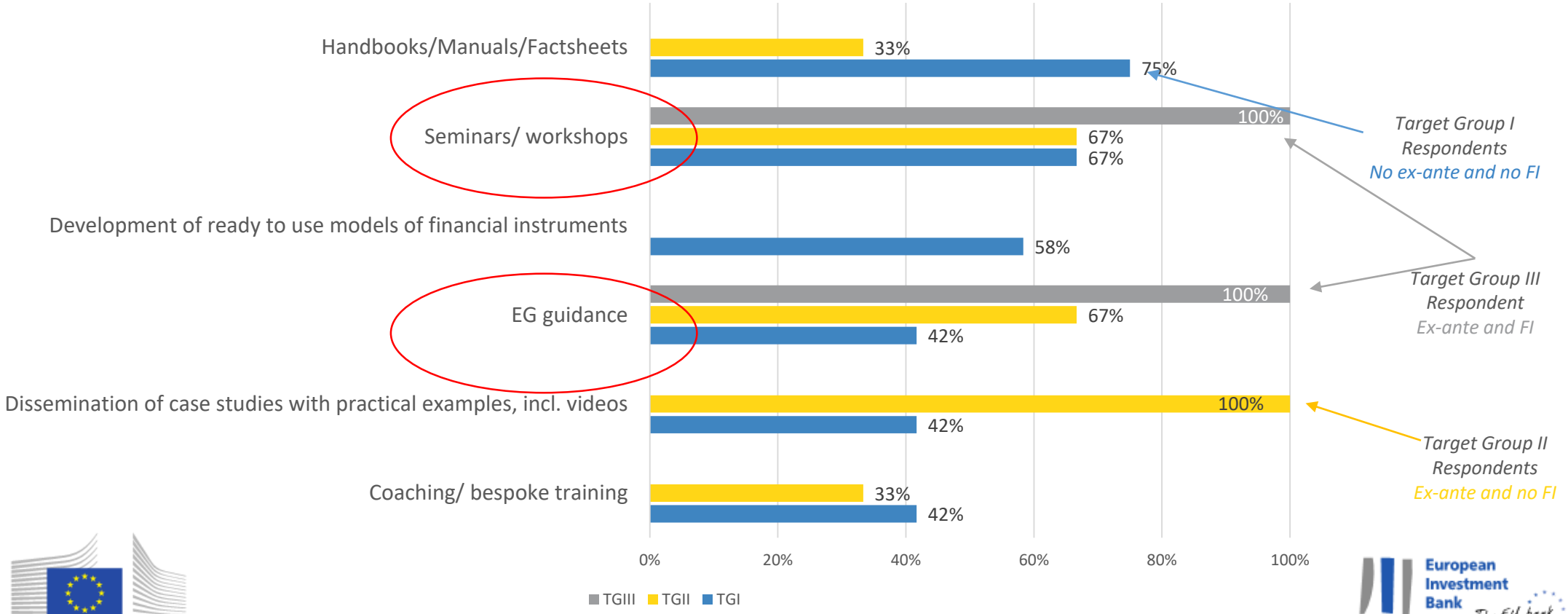
- ✓ **92%** consider there is a **need for support in the design and set-up of financial instrument**;
- ✓ **75%** n**eed support with ex-ante assessment** and set-up; and
- ✓ **67%** need support with **selection of bodies implementing FI**.

MAs that completed the ex-ante but did not use FIs also seem to have similar type of support:

- ✓ **100%** of respondents need support with general awareness raising; and
- ✓ **67%** need support with design and set-up of FIs.

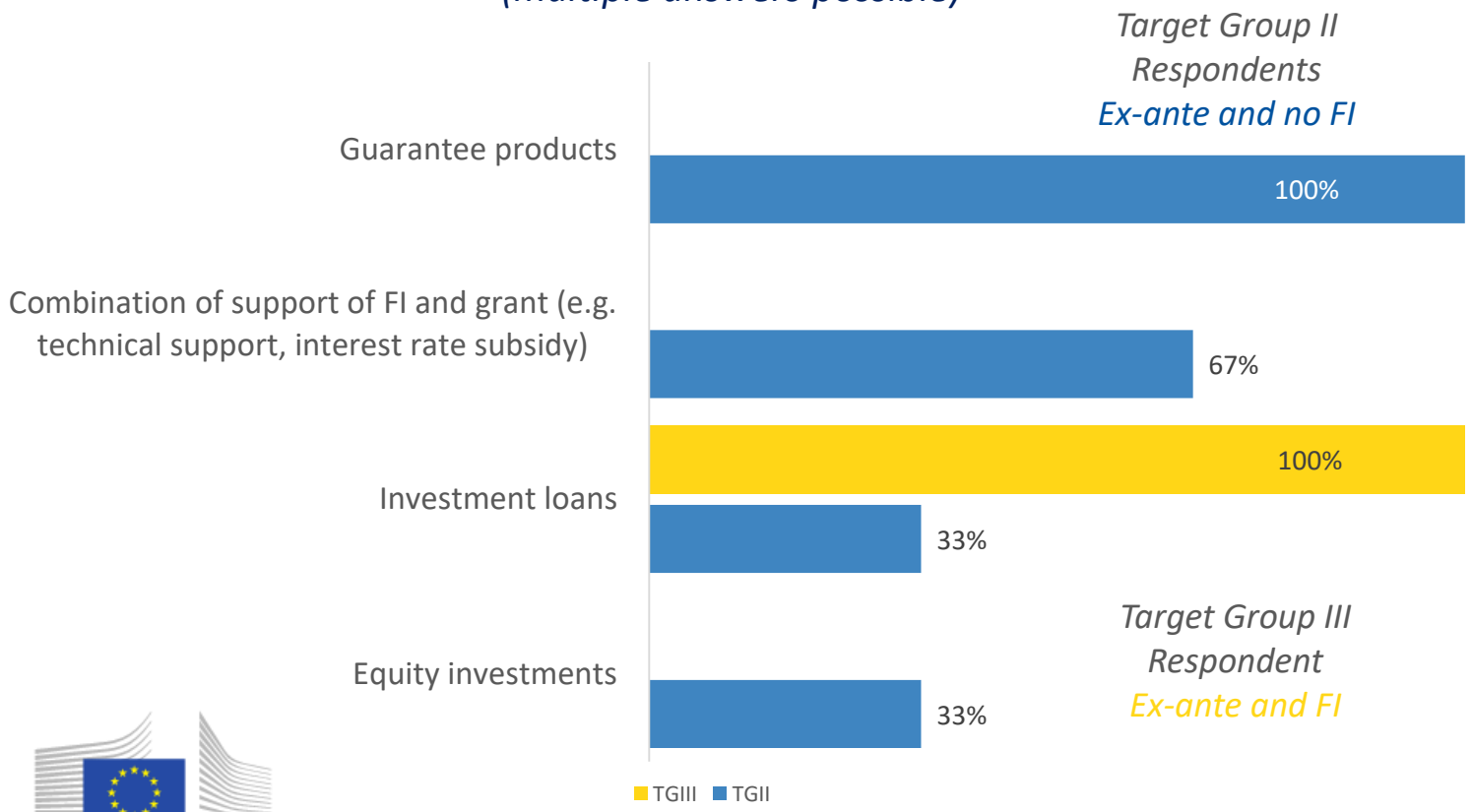
Most suitable type of support for the MAs across the three groups

What is the most suitable form of advice or support for you to use FIs? (multiple answers possible)



Type of financial instruments recommended by the ex-ante – Target Groups II and III

What are the types of financial instruments' products suggested in the ex-ante assessment? (multiple answers possible)



Main financial instruments' products suggested in the ex-antes conducted for the use of EMFF FIs

- ✓ Debt products – guarantees and loans
- ✓ Combination of support of FIs and grant

TG I: MAs with no ex-ante and not using FIs – key findings

Experience with FI

- Some MAs have positive experience with use of FI in previous programing period and consider using FI post 2020.
- MAs with no involvement with FI scored lower their knowledge on FI design and set-up.

Main constraints for not using EMFF FIs:

- Preference for grants by the target groups. Administrative burden with complexity of the mechanism. Appetite of the sector needs to be further assessed. Difficulties to carry out the ex-ante assessment.
- Lack of knowledge on this type of support mechanism. Insufficient resources. Ensuring consistency with state aid rules.

Preferred type of capacity building and support measures, includes:

- Handbooks, manuals, guidelines. Seminars, workshops and coaching sessions. Case studies examples and general awareness raising.

Measures with potential to use of FI under EMFF highlighted:

- Modernisation / Resource and energy efficiency / Start-up support / Diversification within and outside fishing subsectors.

TG II: MAs with ex-ante but not using FIs – key findings

1 Current market situation

- Banks' are willing to provide loans to clients with a solid credit history, preferably for large projects.
- Access to commercial credit in the countries varies and in general seems to be considered rather limited.

2 Ex-ante assessment process

- Difficulties to prepare a good quality ex-ante assessment.
- The recommendations provided are considered as a good basis for the implementation of the FIs.

3 Main challenges identified by the ex-ante related to market failure in maritime and fisheries sector, include:

- Specific risks of maritime and fisheries sectors. Access to credit is difficult for seafood SMEs, particularly in aquaculture.
- Cost of credit is higher for the seafood sector compared to the food sector in general. Information asymmetry. Specific financing schemes are needed.

4 Type of FI products planned to be used, include:

- Guarantee products / investment loans / Interest rate subsidies and partial loan guarantees combined with grants / Equity investments.

5 Main reasons for not using FI:

- Complexity of the delivery mechanism. Timescale for implementation. The FI need to be combined with RDP FI. Administrative burden.
- Implementation of FI considered/planned for the 2021-2027 programing period.

TG III: MA using FIs – key findings

Past experience with FI

- Positive experience with FI for fisheries and aquaculture sector supported through EFF 2007-2013
- Total loan amount provided: EUR million to 18 final recipients (EUR 5 million fro investment in production and processing for aquaculture enterprises and over EUR 1 million for producer organisations)

Ex-ante assessment process

- The ex-ante assessment was a useful exercise
- The recommendations of the ex-ante assessment will be straightforward to implement
- The recommendations provide a good basis for implementing FIs

Main challenges and main areas/sectors with potential to use FI

- Administrative burden / Restriction due to EMFF regulation (lack of flexibility)
- Fisheries / Aquaculture / Seafood processing

Type of FI planned to be used and type and structure of implementation decided

- Loans & equity
- Financial instruments set up at national level, managed by or under the responsibility of the managing authority
- MA implements the FI without Funds of Funds and selects itself the bodies implementing the financial instruments

Main areas/topics where support is needed

- Tailoring FIs to maritime and fisheries sector needs

Conclusions

- ✓ ***Limited experience with EMFF FIs*** *- the majority of the EMFF managing authorities does not use financial instruments under their 2014-2020 EMFF OPs, except one.*
- ✓ ***Some have carried out ex-ante assessments for the use of FIs*** *but decided not to go ahead mainly because of complexity of the delivery mechanism and administrative burden.*

- ✓ ***Grants remain the most used and preferred type of support*** *in many Member States although* ***results show willingness to explore the use of FIs*** *in next MFF for diversification within/outside the fishing sectors, modernization, start-up support, EE, etc.*

- ✓ ***Level of knowledge varies among the representatives*** *of the three target groups surveys - results show that* ***majority of the MAs*** *(not using FIs)* ***scored lower their knowledge related to early stages of development in the FIs life-cycle,*** *i.e. the design and set up of the FIs.*

- ✓ ***Capacity building activities needed*** *for all EMFF Managing authorities, as well as for the other stakeholders involved in the FIs implementation.*
- ✓ *Most preferred* ***type of support indicated by the respondents includes workshops and tailored trainings****, as well as guidance and practical case studies.*


financial instruments
capacity building
revolving
added value
ERDF
funding agreement
ESF
EU guidance
governance
ex-ante assessment
technical support
seminars
leverage
financial intermediaries
microfinance
co-financing
case studies
investments
ESIF
fi-compass
final recipients
business plan
Thank you
thematic objectives
advisory services
guarantees
loans
CF
equity
banks
life cycle
combination of support
EAFRD
private investors
factsheets
conferences
EMFF
investment strategy
fund of funds
manuals
managing authorities