FIRECE – Interreg CENTRAL EUROPE Project CE1131

WPT1 Increasing competence to manage Regional Energy Plans and elaboration of the FIRECE action plan

FIRECE Action Plan to strengthen the contribute of industry sector to low carbon energy transition

DELIVERABLE
D.T1.5.1

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1. Introduction, references and definitions

This Action Plan provides the methodological path for the development of Innovative Financial Instruments. The aim is to illustrate the different phases and activities of FIs in a coherent roadmap.

The document capitalises inputs from the activity A. T1.1, and A.T1.4 and feedback from the activity A.T1.3 and consists of a transnational CE roadmap to implement Innovative Financial Instruments and use them for Energy Plans, particularly for the public support to CE industry to invest for Energy Efficiency and Renewable Energy Sources .
The document will be used to set up IFIs in A. T2.4.

The general reference framework consists of the set of structural funds created by the EU and the related regulations, which form the basis on which to develop the innovative financial instruments that are the goal of the Firece project.

The structure of this document and the indications provided have been elaborated on the basis of the informative documentation made available by the European Commission, in particular through the fi-compass platform[1].

Regulatory References[2]

Regulation	Articles
Reg. (EU) N° 1303/2013 Common Provisions Regulation *(acronym CPR)*	Title IV - Financial instruments
Reg. (EU, EURATOM) N° 966/2012 Financial Regulation (*acronim FR*)	Article 2 - Definitions Article 140 - Principles and conditions applicable to financial instruments
Delegated Reg. (EU) N° 1268/2012 Rules of Application (*acronim RAP*)	Article 223 – Leverage effect
Reg. (EU) N° 575/2013 of 26 June 2013	Regulation on prudential requirements for credit institutions and investment firms
Commission Recommendation (2003/361/EC) of 6 May 2013 (*acronym CR*)	Recommendation concerning the definition of micro, small and medium-sized entreprises

Table 1 - Principal regulatory references

[1] https://www.fi-compass.eu/resources
[2] EC - Guidance for Member States on Financial Instruments - Glossary
https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_glossary.pdf

Definitions[3]

Term	Definition	Reference
Audit authority	The audit authority is a national, regional or local public authority or body designated for each operational programme and responsible for verifying the effective functioning of the management and control system. It also monitors project compliance with national and European regulations. The Member State will designate an audit authority for each operational programme (along with a managing authority and certifying authority). The audit authority's tasks include checking whether the management and control systems are working efficiently (system audits). It is also responsible for carrying out controls focusing specifically on declared expenditure (operational audits). Ensuring adequate separation of functions between the main authorities (managing/certifying authorities, intermediate bodies) is an important part of these controls.	
Beneficiary	A public or private body and, for the purposes of the EAFRD Regulation and of the EMFF Regulation only, a natural person, responsible for initiating or both initiating and implementing operations; and in the context of State aid schemes, the body which receives the aid; and in the context of financial instruments under Title IV of Part Two CPR, it means the body that implements the financial instrument or the fund of funds as appropriate.	Article 2(10) CPR
Certifying Authority	A certifying authority is responsible for guaranteeing the accuracy and probity of statements of expenditure and requests for payments before they are sent to the European Commission. Management of the European Regional Development Fund, European Social Fund and Cohesion Fund is shared with member countries, regions and other intermediary bodies. A certifying authority is nominated by one or more of the aforementioned groups for each operational programme co-financed by these Funds. Specific responsibilities of certifying authorities include: • certifying compatibility of expenditure with national and EU rules and criteria • ensuring sufficient information is received from the relevant Managing Authorities to support their claims • taking account of audit reports • maintaining computerised records • keeping account of unused/recovered funds to be returned to the Commission	Article 106 CPR

[3] https://ec.europa.eu/regional_policy/en/policy/what/glossary/

Early-stage capital	Seed and start-up capital.	Article 37(4) CPR
Equity investment	Provision of capital to a firm, invested directly or indirectly in return for total or partial ownership of that firm and where the equity investor may assume some management control of the firm and may share the firm's profits.	Article 2(m) FR
European Fund for Strategic Investments *acronym EFSI*	The European Fund for Strategic Investments represents the first pillar of the Investment Plan for Europe. The European Commission and the European Investment Bank (EIB) Group launched the EFSI to help overcome the investment gap in the EU by mobilising private financing for strategic investments. With EFSI support, the EIB Group provides financing for economically and technically viable projects, including projects with a higher risk profile than ordinary EIB activities. Emphasis is put on the following key sectors: (i) transport, energy and the digital economy; (ii) environment and resource efficiency; (iii) human capital, culture and health; (iv) research, development and innovation; (v) support to SMEs and Mid-Caps. The EFSI may finance Investment Platforms, to channel a financial contribution to a number of investment projects with a thematic or geographic focus, as well as operations with National Promotional Banks (NPBs). The EFSI provides risk financing instruments (no grants) via the European Investment Bank with no geographical or sectorial quota but based on market demand for investment financing.	
European Structural and Investment Funds *acronym ESIF*	For the 2014-2020 programming period European Structural and Investment funds are: European Regional Development Fund, Cohesion Fund, European Social Fund, European Agricultural Fund for Rural Development, and European Maritime and Fisheries Fund. The ESI Funds can finance projects via grants and financial instruments and are part of the programmes implemented by Managing authorities in the Member States.	
Ex-ante assessment	An assessment which precedes the European Structural and Investment Funds (ESIF) programme contribution to a financial instrument and which establishes evidence of market failures or sub-optimal investment situations and the estimated level and the scope of public investment needs, including types of financial instruments.	Article 37(2)(3) CPR
Final recipient *acronym FR*	A legal or natural person receiving financial support from a financial instrument.	Article 2(12) CPR
Financial Instrument *acronym FI*	Union measures of financial support provided on a complementary basis from the budget to address one or more specific policy objectives of the Union. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants.	Article 2(p) FR Article 37(7)(8)(9) CPR
Financial Intermediary *acronym FInt*	Financial Intermediary refers to the body acting as an intermediary between the supply and demand of financial products.	
Fund of Funds	A fund set up with the objective of contributing support from a programme or programmes to several financial instruments. Where financial instruments are implemented through a fund of	Article 2(27) CPR

acronym FoF	funds, the body implementing the fund of funds shall be considered to be the only beneficiary.	
Funding agreement	Contract governing the terms and conditions for contribution from ESIF programme to financial instrument. This will be established between a Managing Authority and the body that implements the fund of funds or between a Managing Authority or the body that implements the fund of funds and the body that implements the financial instrument.	Article 38(7) CPR
Guarantee	A written commitment to assume responsibility for all or part of a third party's debt or obligation or for the successful performance by that third party of its obligations if an event occurs which triggers such guarantee, such as a loan default.	Article 2(l) FR
Loan	An agreement which obliges the lender to make available to the borrower an agreed sum of money for an agreed period of time and under which the borrower is obliged to repay that amount within the agreed time.	Article 2(k) FR
Leverage effect	"The Union contribution to a financial instrument shall aim at mobilising a global investment exceeding the size of the Union contribution according to the indicators defined in advance". Article 223 – The leverage effect of Union funds shall be equal to the amount of finance to eligible final recipients divided by the amount of the Union contribution. In the ESIF context, the leverage is the sum of the amount of ESIF funding and of the additional public and private resources raised divided by the nominal amount of the ESI Funds contribution.	Article 140 FR Article 223 RAP
Management costs and fees	Management costs refer to direct or indirect cost items reimbursed against evidence of expenditure. Management fees refer to an agreed price for services rendered established via a competitive market process, where applicable. Management costs and fees are based on a performance based calculation methodology.	Article 42 CPR
Monitoring committee	Member States are required to appoint monitoring committees to check that operational programmes (OPs) which use European Structural and Investment (ESI) funding are being correctly implemented. These committees are chaired by the relevant Member State (or managing authority) and comprise regional, economic and social partners. A monitoring committee's key tasks include: • assessing the effectiveness and quality of OPs, • approving criteria for financing under each OP, • making periodical reviews of OPs and their progress towards specific targets, • examining the results of implementation to assess whether those targets have been met, • where necessary, proposing revisions to OPs, including changes related to their financial management.	Article 48 CPR
Operation	A project, contract, action or group of projects selected by the managing authorities of the programmes concerned, or under their responsibility, that contributes to the objectives of a priority or priorities; *in the context of financial instruments, an operation is constituted by the financial contributions from a*	Article 2(9) CPR

	programme to financial instruments and the subsequent financial support provided by those financial instruments. In the case of financial instruments organised through a fund of funds, an operation is constituted by the contribution to the fund of funds, subsequent contributions to financial intermediaries and subsequent investments in final recipients.	
Quasi-equity investments	A type of financing that ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity. Quasi-equity investments can be structured as debt, typically unsecured and subordinated and in some cases convertible into equity, or as preferred equity.	Article 2(n) FR
Risk-sharing instrument	A financial instrument which allows for the sharing of a defined risk between two or more entities, where appropriate in exchange for an agreed remuneration.	Article 2(o) FR
Securitisation	A transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics: (a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; (b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme. For ESIF, securitisation is possible under the SME initiative (Article 39 CPR) only i.e. for ERDF and EAFRD contributions to the SMEI.	Regulation 575/2013 Article 39 CPR
SMEs	Small- and medium-sized enterprises – as defined in EU law: EC recommendation 2003/361. The main factors determining whether a company is an SME are: 1.number of employees and 2.either turnover or balance sheet total Company category / Employees / Turnover or / Balance sheet total medium-sized / < 250 / ≤ 50 M€ / ≤ 43 M€ Small / < 50 / ≤ 10 M€ / ≤ 10 M€ Micro / < 10 / ≤ 2 M€ / ≤ 2 M€	Article 2(28) CPR and Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC)
Support from the ESI Funds	Support from the ESI Funds means support from one or more of the following funds: European Regional Development Fund, European Social Fund, Cohesion Fund, European Agriculture Fund for Rural Development, European Maritime and Fisheries Fund. Support from the ESI Funds does not include the national co-financing.	Articles 43, 44, 45 CPR
Working capital	Difference between current assets and current liabilities of an enterprise.	Article 37(4) CPR

Table 2 - Basic definitions

2. Implementation scheme

The implementation of the financial instrument is structured according to 4 phases:

1. Design
    - reference of the FI in the Regional Operative Programme
    - ex-ante assessment
    - selection of bodies implementing FI
    - signature of funding agreement
2. Set up
    - definition of management and governance structure
    - opening of the accounts
    - documentation, management and control system
    - implementation capability
3. Implementation
    - selection of FRs
    - payments
    - monitoring and reporting
    - management verification and audit
    - reusing of repayments
    - revision of the ex-ante assessment
4. Winding-up
    - execution of the exit strategy
    - re-use of resources
    - winding-up of the FI

This plan focuses mainly on the implementation scheme according to the art. 38 (4) (a) of the CPR which can be graphically represented as follows:

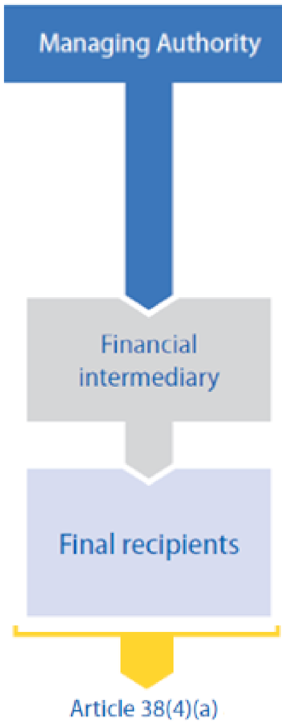

Figure 1 - Implementation option under Article 38 (source:fi-compass)

3. Development of the plan

Each stage of development of the plan is specified in its main activities, with reference to the main EU regulatory provisions and with the recommendations to the Managing Authorities.

3.1 Design phase activities

1. **MA references the FI** in the Regional Operative Programme: MA includes information on the IF for better understanding of the objectives. This information will not be too prescriptive because in any case the decision to implement an FI is taken on the basis of the ex-ante assessment which can be updated if conditions change.

   Main regulatory provisions: Art 96(2)(b)(iii) CPR - Art. 120(5) of the CPR allows a 10% increase of the maximum co financing rate where the whole of a priority axis is delivered through FIs.

2. **MA organises the ex ante assessment** to provide evidence-based decision making in the design and implementation of FIs taking account of, inter alia, State aid issues. The MA must submit the document to the Monitoring Committee for information. The summary of the ex-ante assessment must be published and the assessment must be completed before the MA decides to contribute program resources to an FI.

   Main regulatory provisions: Art 37(1)-(2) CPR - Implementiing Regulations Reg. (EU) No. 964/2014.

3. **Selection of the implementation option and of the body implementing FI** :
   MA guarantees that the most suitable entity is chosen in accordance with the applicable law, including public procurement rules and according to the criteria established by art. 7 of the regulation (EU) n. 480/2014. These include economic and financial profitability, the ability to implement the FI, effective and efficient internal control and accounting systems, a solid methodology for selecting the FRs and the possibility of adding financial resources. The MA considers further criteria: training for internal staff of the F.Int as well as effective marketing, communication plans for potential FRs and the involvement of technical figures and support standards for the implementation of bankable energy efficiency interventions.

   Main regulatory provisions: Art 37(7), Art. 38(1)-(4)-(5) CPR - Implementing Regulations Reg. (EU) No. 964/2014- Delegated Regulation 480/2014 Art. 7.

4. **Drafting and signature of the funding agreement**

   The financing agreement is the legal commitment between MA and F. Int, which includes, among other things:

   • investment strategy, including implementing provisions, on financial products offered, FR target and any combination with subsidies

   • business plan or equivalent document for the FI, including the expected leverage effect. If the financial product is a guarantee, the MA must establish a multiplier coefficient through a prudent ex-ante risk assessment.

   The information necessary for the financing agreement is normally requested by the MA or provided by F.Int as part of the selection process. Management costs and taxes must also be agreed, taking into account the provisions of the law.

   Main regulatory provisions: Art 38(7)+Annex IV Art. 42(5)-(6) CPR - Delegated Regulation 480/2014 Art. 12, 13.

3.2 Set up phase activities

1. **Setting up the governance structure** established in the financing agreement, wich becomes operational. In particular, the decision-making process is activated according to the roles and responsibilities of the different figures. The governance structure can be adapted to the specificities of the FI and the local procedures, including the definition of the specific provisions necessary to ensure proper governance.
   A "steering committee" can be set up, composed of members of the MA, the fund manager and other relevant parties, with the task of controlling the responsibilities, including compliance with legal obligations, implementing the investment strategy and signaling the need for its review according to market developments after the revision of the ex-ante assessment.

   Main regulatory provisions: Art 6(2)-(3) CPR.

2. **Opening of a fiduciary account and transfer of resources**: F.Int opens a separate account for the FI or a fiduciary account in their name on behalf of the Managing Authority or establishes the FI as separate financial block with clearly distinct accounting. This ensures proper accounting and a control path. Under the funding agreement rules are established for payments and treasury managemenent. MA transfers resources to the FI as agreed in the funding agreement and requires the first interim payment (request of payment) for a maximum of 25% of the total amount of program contributions committed in the FI. From the outset it is appropriate to include the use of interest and other gains in the regular reporting.

   Main regulatory provisions: Art 38(6)-(10) CPR - Implementing Regulations Reg. (EU) No. 821/2014 Art. 1.

3. **System documentation, management and control**: the financing agreement defines an adequate system for documentation, management and control: at this stage MA ensures that the system is operational. MA requests the F.Int. to provide templates for reporting as part of the selection process.

   Main regulatory provisions: Art 40, Art. 46 CPR - Implementing Regulations Reg. (EU) No. 821/2014 Art. 1 - Delegated Regulation 480/2014 Art. 9.

4. **Setting up operational structure**: the F.Int., possibly with preventive training, organizes the structures and develops the necessary skills to ensure an efficient channeling and adequate promotion of the FI. MA requests examples of marketing material as part of the selection process.

3.3 Implementation

1. **Selection, funding and disbursement:** FRs are informed of the availability of the FIs and the requirements to access them. Eligibility, risk and returns on potential investments must be assessed, together with their ability to provide positive impacts in line with the investment strategy: in this sense the tender must also support the possibility of using skills and techniques that guarantee the bankability of the projects, as EPC facilitators and project certification standards. The staff of the F. Int. is trained in the documentation and evaluation procedures.

   Main regulatory provisions: Delegated Regulation 480/2014 Art. 6(1).

2. **Payments**: financial planning must take into consideration not only the absorption capacity, but also predict the outlay flows, with this flow of payments:

- from F.Int to MA: F.Int. prepares the request for each payment from the MA as agreed in the financing agreement; in the case of the 2nd and each subsequent payment, declaring the resources provided (or engaged in the case of guarantees) as well as the management costs and fees
- from MA to Certifying Authority: MA verifies the information from F.Int. and transfers the information to the certification authority (if MA is not performing the certification functions)
- from Certifying Authority to Commission: the Certification Authority (or MA that incorporates the functions) sends the first request for payment of max. 25% of the contribution committed to the program to the Commission. Once 60% of this amount has been reached as eligible expenditure:
  - a second application can be submitted for a further 25%
  - subsequent applications can only be submitted when 85% of the payments of previous applications have been spent.

Payments from MA to F. Int follow the same steps.

Main regulatory provisions: Art 41, 42 CPR - Implementing Regulations Reg. (EU) No. 821/2014 , Art. 6, Annex IV.

3. **Monitoring and reporting**:
   - from F.Int to MA: F.Int. regularly reports to the MA the support paid to FRs (or resources committed as guarantees), management costs and taxes, the value of investments and the results of internal controls and monitoring. F.Int. receives information such as output and result indicators directly from the FR. Reporting rules are established in the financing agreement.
   - from MA to Monitoring Committee and European Commmission: MA verifies the information from the F.Int. and prepares a report on the implementation of the SFs attached to the annual implementation report (AIR). In particular, the monitoring committee examines the progress of financial instruments. Based on the AIR, the Commission prepares a summary of the progress made by the FIs for the Parliament and the Council.

   Main regulatory provisions: Art. 46 Annex IV CPR - Implementing Regulations Reg. (EU) No. 821/2014 Art. 2, Annex 1 - Delegated Regulation 480/2014 Art. 9.

4. **Management verifications and audit**: MA performs management audits during the planning period, set-up and implementation phase of financial instruments: these checks are necessary for the approval by the Certification Authority of payment applications to the Commission. F.Int performs performance checks and monitoring visit. The audit authority performs audits on the MA and F.Int. and can also be controlled at the FR level: these checks are carried out only if MA level support documents are inaccurate or unavailable.

   Main regulatory provisions: Art. 40, Art. 125, Art. 127 CPR - Delegated Regulation 480/2014 Art. 9, Art. 25

5. **Reusing of repayments**: revolving resources are part of the added value of the FI: the availability of the resources reimbursed will be taken into account already in the ex ante assessment when assessing the market gap, the size of the FI and the amount of the programme contribution to it.

   Main regulatory provisions: Art. 44 CPR

6. **Revision of the ex-ante assessment**: the periodic revision of the ex-ante evaluation and possibly also of the financing agreement is envisaged to change the economic situation, the market or the legislation, to adapt different terms and conditions to the new circumstances.

   Main regulatory provisions: Art. 38(7) + Annex IV CPR

3.4 Winding-up

1. **Execution of exit strategy:** the exit is the preliminary step in the liquidation process: it must be planned and implemented carefully, referring to the recovery of the resources invested in the FRs, which could lead to sales Provisions must be established for the exit of resources.

2. **Re-use of resources:** resources returned before the end of the eligibility period can be reused for:
   - further investments through the same or other FIs, if compatible
   - preferential remuneration of private investors or public investors who operate according to the market economy principle,
   - who provides additional resources to the RU or who co-invests at the FR level
   - reimbursement of costs and management fees of FI.

   Resources reimbursed include capital repayments with commissions and other earnings or returns, such as interest, guarantee commissions, dividends or other income generated by the instrument.
   Resource reuse is governed by the financing agreement.

   Main regulatory provisions: Art. 45 CPR

3. **Winding-up of FI**: FIs can continue to work after the resources attributable to public funds have been disbursed or an FI can complete its life cycle and be liquidated. In the context of the liquidation of FI, the accounts must be closed and the investors paid their share plus any surplus on the investments made. Resources attributable to ESIF funds should be used in the same FI or, following the exit route of those resources, in other FIs, if justified by market conditions.

4. Combination of European Funds

With the aim of increasing the leverage effect and more easily attracting the co-investors, it is possible to combine ESI funds with the EFSI[4] in an investment platform that provides useful products to reduce the risk profile of projects and facilitate more accessible funding, in particular for projects with longer-term payback periods, such as those related to energy efficiency.[5]
Main regulatory provisions: Art. 38(1)(a), 39(a) CPR,

You can therefore take advantage of these possibilities[6]:

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[4] Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub, and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2015.169.01.0001.01.ENG

[5] EFSI Rules applicable to operations with Investment Platforms and National Promotional Banks or Institutions- https://enrd.ec.europa.eu/sites/enrd/files/w6_efsi2_rules_investment-platforms.pdf

[6] https://www.fi-compass.eu/sites/default/files/publications/7-Desmond-Gardner-Combination-of-financial-instruments-with-other-forms-of-support.pdf

- the MA can contribute ERDF funds to financial instruments that combine ESI funds with EFSI
- you can entrust yourself to a fund manager already selected by the EIB, in case of contribution of the ESI funds to an existing EFSI instrument, without the need for a second selection procedure
- the ESI Funds can take a subordinate position with respect to the EFSI as guarantee instruments
- the payment of the tranches is in line with the calendar of payments for other investors agreed in the Funding Agreement.

Let's consider 2 possible ways[7]:

1. MA sets up a new investment platform (FI under CPR) in which the EFSI and other investors invest their resources in the form of multi-level funds
2. MA makes a contribution from the ESI Funds program to an existing investment platform (FI under CPR) set up with financial resources from the EFSI at regional level: the investment platform will then invest the contributions of the EFSI and the separate ESI funds in the final recipients

The concept is summarized as follows:

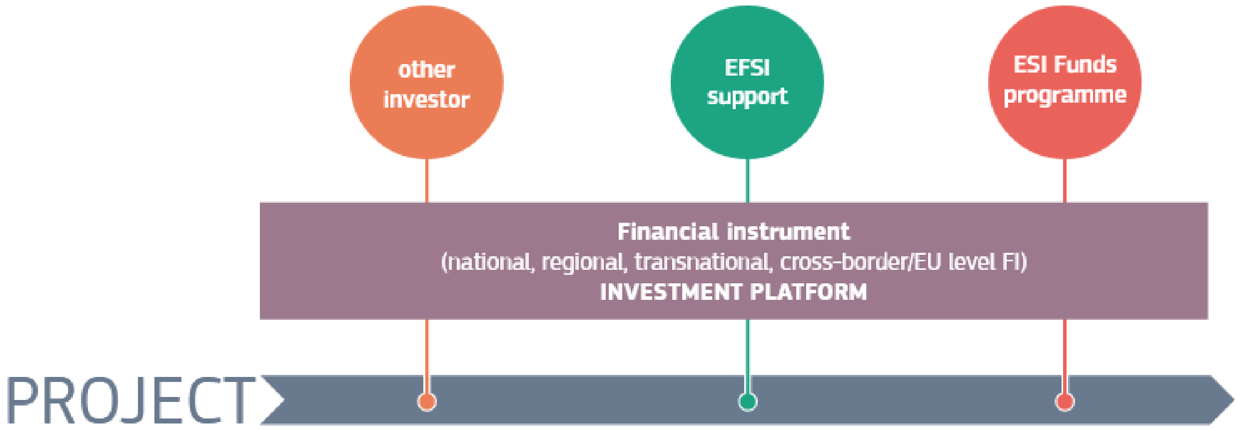

Figure 2 - ESIF contribution on EFSI platform (source:EC)

4.1 Layered fund

The layered fund is structured in 3 classes of risk, clearly segregated in terms of risk and return:

- senior debt tranche (low risk-taking): to leverage private investors
- mezzanine tranche: financed by EIB/using EFSI
- first-loss-piece (high risk-taking): financed by ESI Funds or other national/regional public budget funds

The remuneration and/or reimbursement of the First-loss-piece will only take place after remuneration and/or reimbursement for the Senior tranche holders and the Mezzanine tranche holders respectively, as per normal market practice.
The ESI Funds would be committed as first-loss-piece coverage, clearly distinct from the use of EFSI resources via separate records and covering distinct expenditures: in practice, ESI Funds would only be used to absorb the first losses arising from underlying projects up to the limit of

[7] European Structural and Investment FUNDS and European Fund for Strategic Investments complementarities https://www.fi-compass.eu/publication/ec-regulatory-guidance/new-guidelines-combining-european-structural-and-investment

the committed amount, whereas EFSI resources would only be used to absorb further losses, clearly distinct from those covered by the ESI Funds.

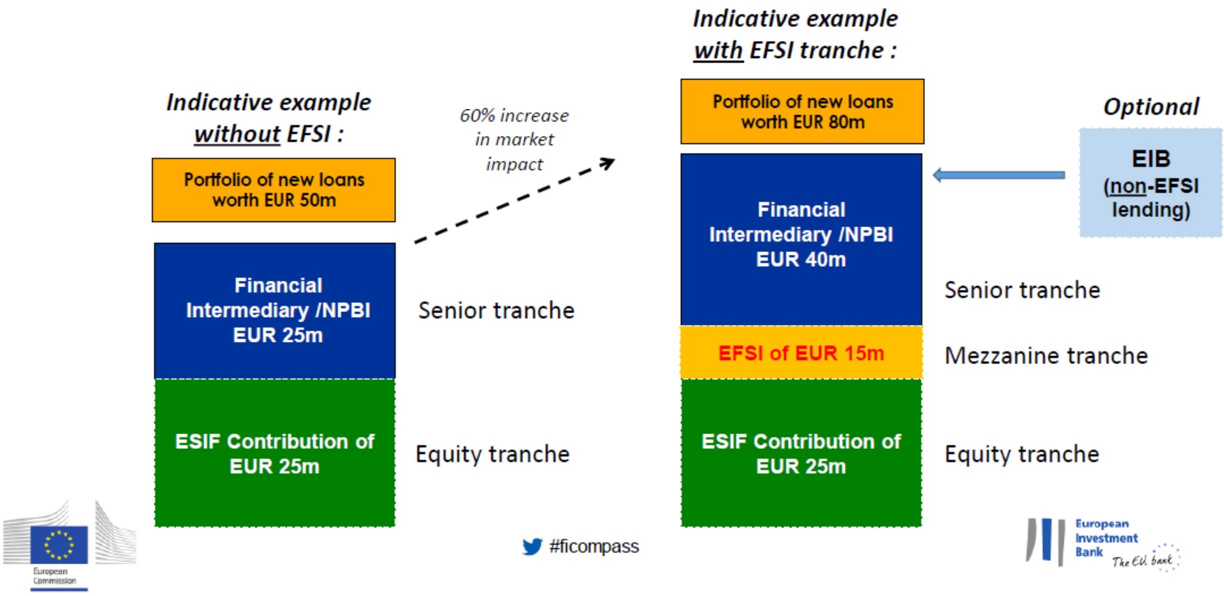

Figure 3 – Example of a layered fund (source:ficompass)

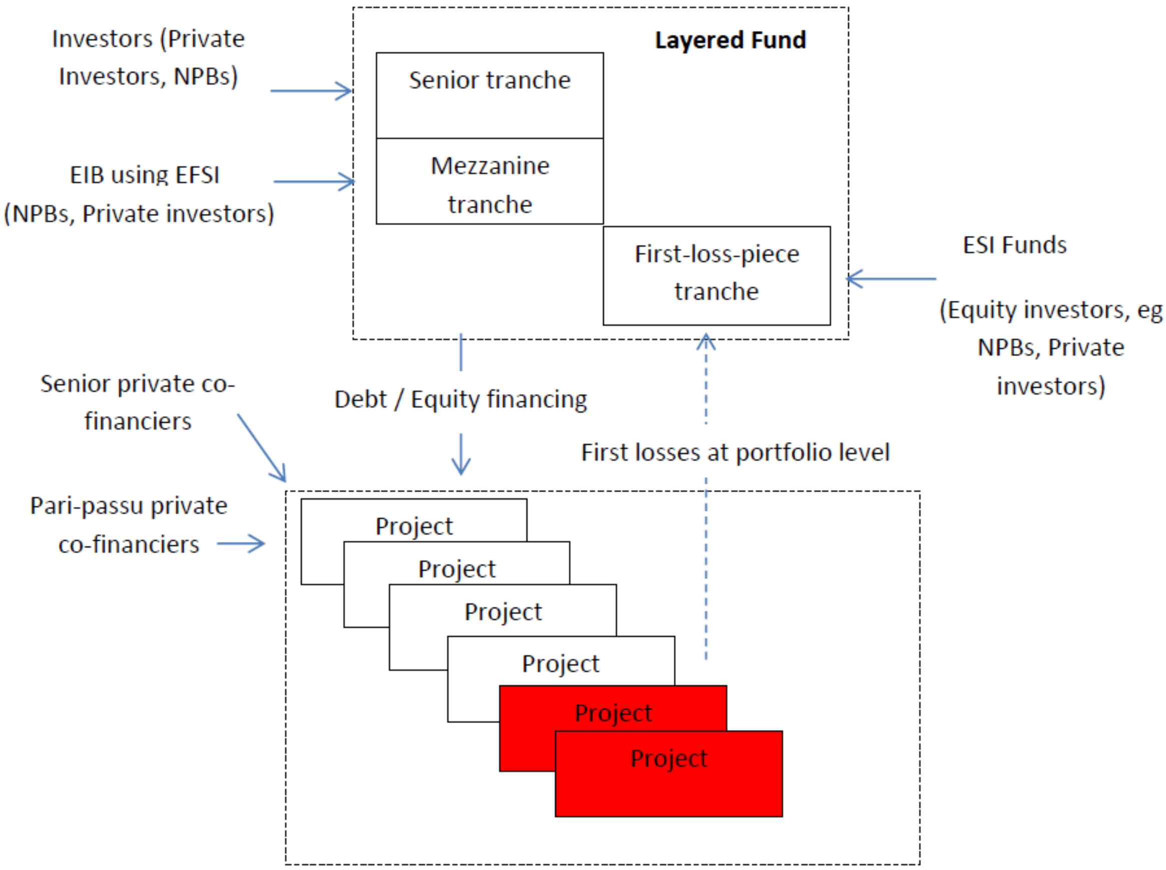

Figure 4 – Application scheme of the layered fund (source: EC)

If the layered fund is newly created and uses ESI Funds, it should be subject to the ex-ante assessment for ESI Funds financial instruments prescribed under the CPR. The approval of the use of ESI Funds is the responsibility of the Managing Authority.
The approval of the use of the EU Guarantee under EFSI is the responsibility of the EFSI Investment Committee, following EIB due diligence, under the Infrastructure and Innovation window.
The approval of individual projects is the responsibility of the layered fund governance.

4.2 Capped guarantee[8]

Capped guarantee providing credit risk coverage on a loan by loan basis, for the creation of a portfolio of new loans/leases to Final Recipients by a Financial Intermediary, up to a maximum loss amount (cap).

With reference to Figure 5, Cap Amount is available to cover losses in the Final Recipients loan portfolio: for each loan defaulting, [Y]% (guarantee rate) of the covered loss is paid to the bank and this holds until [X]% (cap rate) of the portfolio is covered.

The aim of the instrument is credit risk coverage up to a certain limit, allowing the F.Int. to facilitate FR access to finance at better/preferential conditions (interest rate and/or collateral reductions); guarantee rate is up to 80% on a loan by loan basis (credit risk retains by the financial intermediary in no case less than 20%) and the cap rate is to be determined in the ex-ante risk assessment. Leverage is typically 3 to 6.

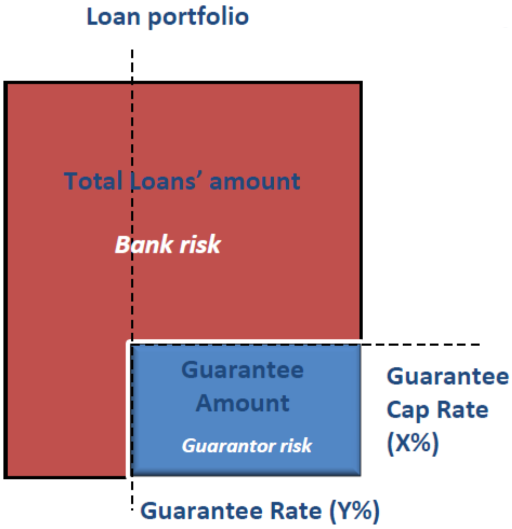

Figure 5 – Capped guarantee scheme (source: European Investment Fund)

[8] https://www.fi-compass.eu/sites/default/files/publications/Bruno_Robino_How_does_a_Guarantee_scheme_work_0.pdf

Using an ESIF contribution in combination with EFSI, it is possible to enhance the leverage, as shown in the following figure:

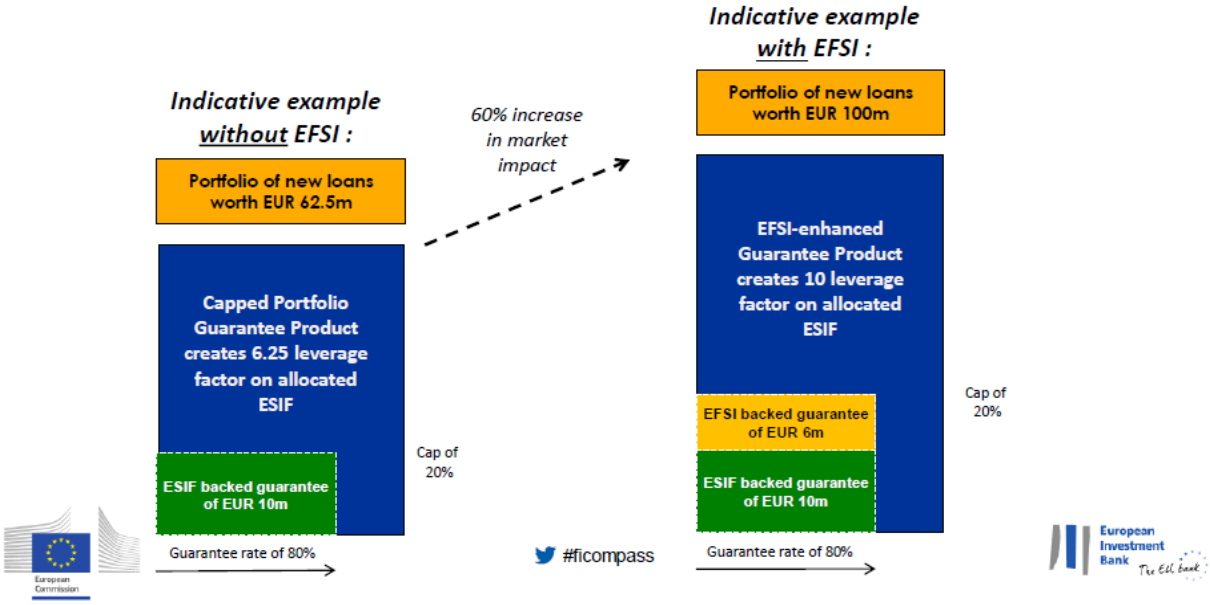

Figure 6 – Example of capped guarantee (source:ficompass)

5. Summary of recommendations

We summarize the elements to be taken into consideration during the execution of the ex-ante assessment for the definition of a new innovative FI:

- more effective use of public funds, building on EFSI blending with ESIF funds
- supporting the project pipeline with grants for investment grade energy audits and the adoption of project development assistance facilities
- change the risks perception related to energy efficiency investments, supporting the use of procedures for the correct evaluation of investments in energy and economic terms and commonly accepted underwriting framework
- support to the development of energy performance contracting
- intensify the activity of information on the availability of FIs and of tools to support for energy efficiency.

6. References

1. https://www.fi-compass.eu/resources
2. EC - Guidance for Member States on Financial Instruments - Glossary https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_glossary.pdf
3. https://ec.europa.eu/regional_policy/en/policy/what/glossary/
4. Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub, and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2015.169.01.0001.01.ENG

5. EFSI Rules applicable to operations with Investment Platforms and National Promotional Banks or Institutions
https://enrd.ec.europa.eu/sites/enrd/files/w6_efsi2_rules_investment-platforms.pdf