Procedure file

Basic information

INI - Own-initiative procedure	2016/2302(INI)	Procedure completed
Right funding mix for Europe?s regions: balancing financial instruments and grants in EU cohesion policy Subject 4.70.02 Cohesion policy, Cohesion Fund (CF)		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	REGI Regional Development	NOVAKOV Andrey	16/06/2016
		Shadow rapporteur RODRIGUES Liliana TOMAŠIĆ Ruža TAKKULA Hannu ROPĖ Bronis D'AMATO Rosa	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets (Associated committee)	GARDIAZABAL RUBIAL Eider	31/08/2016
	ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
	AGRI Agriculture and Rural Development		

Key events

24/11/2016	Committee referral announced in Parliament		
24/11/2016	Referral to associated committees announced in Parliament		
21/03/2017	Vote in committee		
31/03/2017	Committee report tabled for plenary	A8-0139/2017	Summary
18/05/2017	Results of vote in Parliament		
18/05/2017	Debate in Parliament		

18/05/2017	Decision by Parliament	T8-0222/2017	Summary
18/05/2017	End of procedure in Parliament		

Technical information

Procedure reference	2016/2302(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	REGI/8/06950

Documentation gateway

Committee draft report		PE595.766	20/12/2016	EP	
Amendments tabled in committee		PE599.633	06/02/2017	EP	
Amendments tabled in committee		PE599.627	06/02/2017	EP	
Committee opinion	AGRI	PE595.568	01/03/2017	EP	
Committee opinion	BUDG	PE595.760	27/03/2017	EP	
Committee report tabled for plenary, single reading		A8-0139/2017	31/03/2017	EP	Summary
Text adopted by Parliament, single reading		T8-0222/2017	18/05/2017	EP	Summary
Commission response to text adopted in plenary		SP(2017)511	26/09/2017	EC	

Right funding mix for Europe?s regions: balancing financial instruments and grants in EU cohesion policy

The Committee on Regional Development adopted the own-initiative report by Andrey NOVAKOV (EPP, BG) on the right funding mix for Europes regions: balancing financial instruments and grants in EU cohesion policy.

The Committee on Budgets, exercising its prerogative as an associated committee in accordance with Article 54 of the Rules of Procedure, also gave its opinion on the report.

As a reminder, delivery methods of EU Cohesion Policy consist mainly of a mix of grants and financial instruments (microfinance, loans, guarantees, equity and venture capital), invested through the ESI Funds under shared management (involving national authorities and intermediaries) or centrally managed by the Commission and the EIB Group.

Impact of grants and financial instruments: Members noted that between 2007 and 2013, the European Structural and Investment (ESI) Funds investment through grants and financial instruments resulted in solid impact and visible results by investments in EU regions, which amounted to EUR 347.6 billion, excluding national co-financing and additionally leveraged resources.

Members welcomed the fact that in 2014-2020, the EU is expected to invest EUR 454 billion through ESI Funds, and with national co-financing for the investment in the form of grants and financial instruments the sum is expected to rise to EUR 637 billion.

According to estimations, allocations in financial instruments from the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF) would be almost twice as high as the 2014-2020 period, reaching EUR 20.9 billion, compared to the 2007-2013 period.

Although they are supporting the same cohesion policy objectives, ESI Funds grants and financial instruments, under shared management, have different intervention logic and application. Depending on the type of the project, grants have various strengths as compared to financial instruments. Financial instruments offer advantages, such as leverage and revolving effects, the attraction of private capital and coverage of specific investment gaps through high-quality bankable projects.

Financial instruments performance challenges: while recognising the importance of using financial instruments in cohesion policy operations, Members noted that there are significant differences across the EU regarding the penetration of financial instruments. Members noted that implementation delays to ESI Funds may affect disbursement rates, revolving and leverage.

Simplification, synergies and technical assistance solutions: the report highlighted that, despite the Commissions actions, complexity still exists in improving regulation and limiting formalities, which constitute disincentives to use financial instruments.

Members insisted on the need to:

- combine much more easily ESI Funds microcredit, loans, guarantees, equity and venture capital, while ensuring the same level of transparency, democratic scrutiny, reporting and control;
- ensure a level playing field in state aid rules concerning all financial instruments in order to avoid preferential treatment of certain sources of funding over others, especially in the field of SME support;
- identify opportunities for simplification and synergies through the auditing process;
- explore the potential of combining grants and financial instruments, notably through: (i) guidance to authorities; (ii) further simplification and harmonisation for the rules that concern combining different ESI Funds, as well as for the rules that concern combining the ESI Funds with instruments such as Horizon 2020 and EFSI; (iii) easing the regulatory burden by facilitating the abovementioned combining of allocations from more than one programme to the same financial instrument;
- improve technical assistance practices targeting local or regional stakeholders, as well as at all partners involved, adopt a joint technical assistance plan by the Commission and the EIB comprising financial and non-financial advisory activities, especially for major projects, as well as capacity-building, training, support and the exchange of knowledge and experience;
- raise the profile of ESI Funds investments and to make it clearer that EU funding is involved.

Towards the right funding mix for the post-2020 period: Members recognised that both grants and financial instruments have their specific roles in cohesion policy but that they share the same focus on the way to achieving the five headline targets of the Europe 2020 strategy. Financial instruments perform better in well-developed regions and metropolitan areas, while grants address regional structural issues in outermost regions and regions with high harmonised unemployment rate.

The report emphasised the need to ensure that financial instruments do not replace grants as the principal tool of cohesion policy. It recalled that existing experience in delivery of ESI Funds indicates that the funding mix of grants and financial instruments addresses country-specific realities and that the funding mix cannot result in a one-size-fits-all solution.

Right funding mix for Europe?s regions: balancing financial instruments and grants in EU cohesion policy

The European Parliament adopted by 497 votes to 69, with 62 abstentions, a resolution on the right funding mix for Europes regions: balancing financial instruments and grants in EU cohesion policy.

As a reminder, delivery methods of EU Cohesion Policy consist mainly of a mix of grants and financial instruments (microfinance, loans, guarantees, equity and venture capital), invested through the ESI Funds under shared management (involving national authorities and intermediaries) or centrally managed by the Commission and the EIB Group.

Impact of grants and financial instruments: Members noted that:

- between 2007 and 2013, the European Structural and Investment (ESI) Funds investment through grants and financial instruments resulted in solid impact and visible results by investments in EU regions, which amounted to EUR 347.6 billion, excluding national co-financing and additionally leveraged resources;
- between 2014 and 2020, the EU is expected to invest EUR 454 billion through ESI Funds, and with national co-financing for the investment in the form of grants and financial instruments the sum is expected to rise to EUR 637 billion.

According to estimations, allocations in financial instruments from the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF) would twice as high as the 2014-2020 period, compared to 6 % of the overall cohesion policy allocation in 2014-2020 of EUR 351.8 billion.

Although they are supporting the same cohesion policy objectives, ESI Funds grants and financial instruments, under shared management, have different intervention logic and application:

- depending on the type of the project, grants have various strengths as compared to financial instruments. They support projects that do not necessarily generate revenue, providing funding to projects that for various reasons cannot attract private or public funding;
- financial instruments offer advantages, such as leverage and revolving effects, the attraction of private capital and coverage of specific investment gaps through high-quality bankable projects.

Financial instruments performance challenges and solutions: while recognising the importance of using financial instruments in cohesion policy operations, Members noted that there are significant differences across the EU regarding the penetration of financial instruments.

Despite the Commissions actions in optimising regulation and reducing red tape, Parliament stressed that complexity still exists and issues such as the long set-up time and administrative burden for recipients are disincentives to use financial instruments.

Members insisted on the need to:

- combine much more easily ESI Funds microcredit, loans, guarantees, equity and venture capital, while ensuring the same level of transparency, democratic scrutiny, reporting and control;
- ensure a level playing field in state aid rules concerning all financial instruments in order to avoid preferential treatment of certain sources of funding over others, especially in the field of SME support;
- identify opportunities for simplification and synergies through the auditing process;
- explore the potential of combining grants and financial instruments, notably through: (i) guidance to authorities; (ii) further simplification and harmonisation for the rules that concern combining different ESI Funds, as well as for the rules that concern combining the ESI Funds with instruments such as Horizon 2020 and EFSI; (iii) easing the regulatory burden by facilitating the abovementioned combining of allocations from more than one programme to the same financial instrument;

- improve technical assistance practices targeting local or regional stakeholders, as well as at all partners involved, adopt a joint technical assistance plan by the Commission and the EIB comprising financial and non-financial advisory activities, especially for major projects, as well as capacity-building, training, support and the exchange of knowledge and experience;
- raise the profile of ESI Funds investments and to make it clearer that EU funding is involved.

Towards the right funding mix for the post-2020 period: Parliament recognised that both grants and financial instruments have their specific roles in cohesion policy but that they share the same focus on the way to achieving the five headline targets of the Europe 2020 strategy. Financial instruments perform better in well-developed regions and metropolitan areas, while grants address regional structural issues in outermost regions and regions with high harmonised unemployment rate.

Lastly, Parliament emphasised the need to ensure that financial instruments do not replace grants as the principal tool of cohesion policy. It indicated that the funding mix of grants and financial instruments addresses country-specific realities and that the funding mix cannot result in a one-size-fits-all solution.