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**The Financial Engineering Instruments
Analysis as Support of Cohesion and
Innovation Policy of the European
Union**

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Aim

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- analysis of financial engineering instruments created to support the implementation of the European Union Cohesion Policy goals in the 2007 – 13 (organisation and form of the support including a brief evaluation of the amount of support provided from these initiatives within the EU Cohesion and Innovation Policy)

Introduction

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- In EU programming period of 2007-2013 period, besides financing Cohesion Policy from traditional instruments – structural funds and Cohesion Fund – specific financial instruments were set.
- These **financial engineering instruments** had not been used in Cohesion policy before, they had already been proved within the European Union Innovation policy supporting competitiveness and innovation in the SME sector within the Multi-Annual Programme (2001-2005)

Introduction

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- These new initiatives by using the sources of both public and private capital, would increase the efficiency of Cohesion Policy, and reach the synergy with the effect of the EU innovation policy, based on the SME segment and microenterprise support.
- NFI were designed in cooperation of the European Commission, the European Investment Bank, the European Bank for Reconstruction, and other financial institutions for the area of financial innovations.

Objectives and Methodology

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We will deal with the initiatives:

- ❑ **JASPERS** (Joint Assistance in Supporting Projects in European Regions),
- ❑ **JEREMIE** (Joint European Resources for Micro-to-Medium Enterprises),
- ❑ **JESSICA** (Joint European Support for Sustainable Investment in City Areas)
- ❑ **JASMINE** - initiative since 2009 (Joint Action to Support Micro-finance Institutions in Europe)

Objectives and Methodology ^{*5}

Individual initiatives will be methodologically analysed in the order as they formed historically. For each initiative the paper will analyse:

- institutional and legal basis of the initiative
- orientation and subjects of support
- the form of help and financial instruments used

Part of the analysis will also be created by **aggregate data** on provided forms of financial support in relation to the European Union Cohesion Policy including: **deposits into basic capital, granted loans, and guarantees** stated in the last available statistics of the EU on 31 December 2014.

Results – JASPERS initiative

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The objective of the JASPERS was to provide to the EU member countries technical support in drawing structural help. The assistance had the following forms (key field was help in TENs projects):

- **project preparation** including cost-benefit analysis, environmental evaluation and planning project cycle procedures
- **judging project documentation** including the feasibility study and drawing an application for financial support
- **consultancy** as for the compliance with the EU laws, namely in the area of environment

Results – JESSICA initiative

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The objective of the JESSICA was to support a sustainable growth and employment in urban areas of the EU so called poles of development. Forms:

- from the ERDF subsidies were allocated to **Urban Development Funds (UDF)**, which invest them into the partnership of public and private sectors (PPP projects) or other projects included in the integrated plan of sustainable urban development. This investment can have the form of **deposits into equity, credits, or commercial credits guarantees**;
- to allocate finance from the UDF by using specific **holding funds** which were founded for the purpose of investments to urban areas

Results – JEREMIE initiative

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Objective: Promoting the access to finance for the development of microenterprises and the SME segment in the EU regions. Forms:

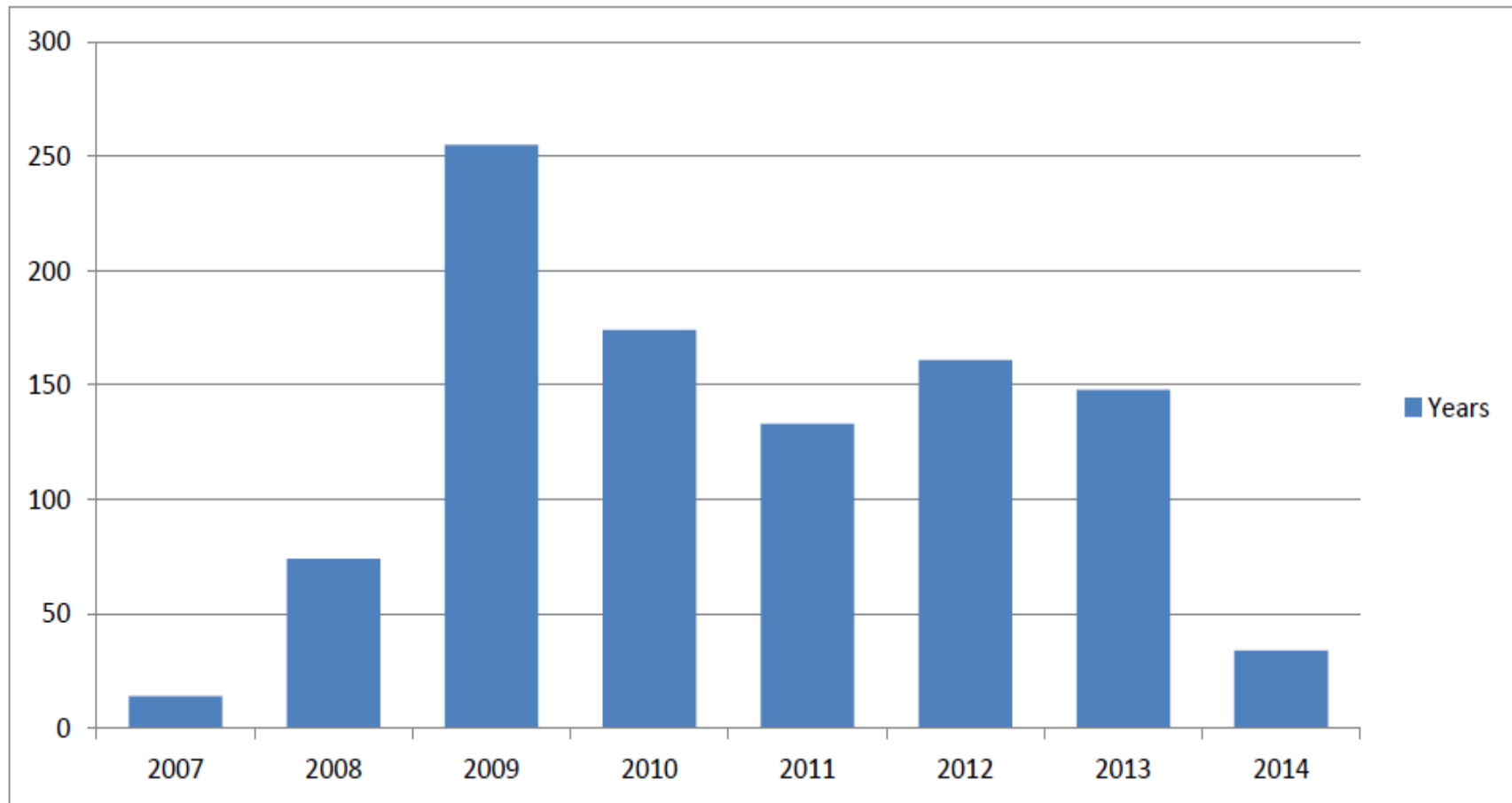
- from ERDF contributions were allocated to credit funds, guarantee funds and venture capital funds.
- From JEREMIE initiative into a special holding fund created on the national level, which included development capital funds, seed funds, funds for start-up and spin-off companies, guarantee funds, funds oriented at transfer of technologies, and microloan providers.

Results – JASMINE initiative

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- Objective: strengthening the capacity and sustainability of financial intermediaries – microcredit providers for small and medium enterprises and microenterprises.
- the JASMINE the key role was played by the European Investment Fund (EIF) which provided nonbank financial intermediaries with technical aid. That was co-financed from the sources of the European Commission.
 - The source of microloans was the European Investment Bank and within the JASMINE initiative it was also possible to provide microloan providers with direct capital participation.

Results - Figure 1: Number of FEIs in the period of 2007-13 ^{*10}



Results – Amounts (in mil. €) from Cohesion Policy (programming period 2007-13) paid to the FEIs ^{*11}

- Ad Table 1

Conclusion

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- The reason for NFI was in accordance with the new Cohesion Policy concept, next in relation to Fiscal Compact not to burden the public finance system and not to deepen public debt. New financial instruments were used– deposits into company equity, revolving type microloans, guarantees or holding funds.
- As the EU statistics on 31 December 2014 prove, in the period of 2007-13 the total of **952 projects** in the amount of **€16.018 million** were supported from FEIs in the EU regions covered by the cohesion aid.
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Thanks for your attention