fi-compass study on the use of EMFF financial instruments

Final report

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The results presented in the study do not reflect the impact of the ongoing COVID-19 pandemic and/or the effect of new support schemes set-up by Member States and/or changes in legal basis and/or policies at European level to mitigate the crisis, as surveys and data available covered a period prior to its outbreak. However, the COVID-19 pandemic is generally expected to increase the difficulties of the fisheries and aquaculture sectors in accessing finance, although this would need to be subject to further analyses by interested stakeholders, administrations and/or researchers.

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Glossary and definitions

Expression	Explanation
CPR	CPR Common Provision Regulation
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ECB	European Central Bank
EFF	European Fisheries Fund (2007–2013)
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EMFF	European Maritime and Fisheries Fund (2014–2020)
EMFAF	European Maritime Fisheries and Aquaculture Fund (2021-2027)
EMoRA	Estonian Ministry of Rural Affairs
EIF	European Investment Fund
ESIF or ESI Funds	European Structural and Investment Funds
ERDF	European Regional Development Fund
EU	European Union
FARNET	A network implementing Community-Led Local Development (CLLD) under the European Maritime and Fisheries Fund (EMFF)
IFIs	International Financial Institutions
MFF	EU's Multiannual Financial Framework
NPBIs	National Promotional Bank or Institutions
NPIs	National Promotional Institutions
OP	Operational programme
SME	Small and medium-sized enterprise
TG I	Survey Target Group I: EMFF managing authorities not using financial instruments
TG II	Survey Target Group II: EMFF managing authorities not using financial instruments but having completed the ex-ante assessment
TG III	Survey Target Group III: EMFF managing authorities having completed the ex-ante assessment and willing to use financial instruments, as well as EMFF managing authorities using financial instrument(s)

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EXECUTIVE SUMMARY

fi-compass was set-up by the European Commission (EC) and the European Investment Bank (EIB) to support Member States in understanding and making better use of financial instruments that utilise European Structural and Investment Funds (ESI Funds or ESIF).

In the framework of the fi-compass advisory platform, the European Commission, Directorate-General for Maritime Affairs and Fisheries (DG MARE) with the support of EIB (fi-compass), has carried out a study aimed at assessing the experience in the use of, or the reasons for not using, financial instruments financed by the European Maritime and Fisheries Fund (EMFF) and exploring the potential use of financial instruments post-2020.

The work under this fi-compass Study builds on:

- Feedback collected from the Member States on their experience of using or not using EMFF funded financial instruments in the 2014-2020 programming period through an online survey conducted in 2019 among the EMFF managing authorities.
- Review of the ex-ante assessments carried out by a number of EMFF managing authorities for the potential use of the EMFF funded financial instruments in the current period.
- Desk review of the regulatory provisions for use of financial instruments in the post-2020 period under the European Maritime Fisheries and Aquaculture Fund (EMFAF) and InvestEU.
- Analysis of the experiences with existing EU and national level initiatives using financial instruments to support blue economy investments.

Results from the analysis show that in 2014-2020 only Estonia implemented financial instruments under the EMFF. Following the recommendations of its updated ex-ante assessment in 2020, the Bulgarian managing authority is also in the process of setting up a financial instrument to offer loans and guarantees in support of investments in fisheries and aquacultures, including in the processing of fishery and aquaculture products, aimed at reducing harmful environmental impacts and achieving more efficient use of resources. In addition, a number of Member States carried out an ex-ante assessment for the use of financial instruments under their EMFF operational programmes, and though the possibility to proceed with implementation was considered, due to various reasons the potential financial instrument roll out has been shifted towards the 2021-2027 period (e.g. Spain, Finland).Financial instruments (including combination with grants) are an important tool under the 2021-2027 MFF, to support economic, social and territorial cohesion, natural resources and the environment. EMFAF investments through financial instruments could be used to strengthen the resilience of the aquaculture and fisheries sectors and provide the necessary scope for crisis management.

Despite current low interest rates, Member States note that specific segments of these sectors may still have limited access to commercial credit as banks are very often not willing to financially support them. Analysis reveals a general reluctance of the banking sector across the Member States to finance fisheries and aquaculture enterprises due to sector-specific risks (characterised by high number of micro and small businesses, insufficient collateral) or lack of understanding and knowledge of the potential targeted recipients. Setting up EMFAF financial instruments may have a beneficial role to tackle this market failure by providing credit risk protection to selected financial intermediaries allowing them to increase lending to the sector and at the same time leveraging additional private resources. Faced with reduced amounts of funding, the sector may also recognise that the potential to recycle funds through a financial instrument is preferable to supporting a few beneficiaries with grants.

Developing financial products to address sector-specific needs may be favourable option to make it easier and timely (compared to grants) for targeted enterprises in the sector to access funding. Financial instruments can also offer preferential loan terms, including lower interest rates, simplified loan collateral requirements, and extended grace periods.

Under the 2021-2027 draft EMFAF regulation, enterprises other than SMEs, which are involved in the processing of fishery and aquaculture products cannot be supported through grants. Instead, only financial instruments or InvestEU instruments can be used to mobilise EMFAF to support access to finance for these businesses. As a result, building on the financial institutions' expertise and involvement will be key to provide the necessary funding for this target group.

Using the lessons learnt in the 2014-2020 period, the use of financial instruments is expected to intensify during 2021-2027. The improved and more flexible implementation options will allow EMFAF managing authorities to develop tailored support packages addressing the needs of targeted groups and policy objectives, such as generational renewal (while avoiding overcapacity and overfishing), sustainable aquaculture, innovation and diversification, supporting the whole seafood value chain to face current and future challenges.

Feedback from the fi-compass EMFF survey shows that managing authorities are evaluating the use of financial instruments in the post 2020 period. A number of managing authorities are in the process of preparing their ex-ante assessments and exploring the possibility to use financial instruments in their programmes (e.g. Estonia, Finland, Czech Republic and Latvia). Decisions will depend on the outcome of the ongoing national consultations and the final provisions for the 2021-2027 MFF.

Capacity building measures aimed at enhancing EMFAF stakeholders' (i.e. managing authorities' staff, final recipients and financial intermediaries) knowledge on financial instruments could be of help to this end. Efforts to increase financial intermediaries' understanding of the EMFAF eligibility rules (e.g. complexity of the conditions related to investments on board fishing vessels) applicable to operations supported through the financial instruments may positively affect financing of the sectors and attract involvement from financial institutions. The results and experience from existing EU and national level initiatives using financial instruments to support blue economy investments, such as the BlueInvest and the PORTUGAL BLUE, may provide a valuable source of inspiration on the design of future financial instruments under the EMFAF and at EU level under InvestEU.

The content of the report is structured in three parts, each focused on one of the topics of interest: Part I discusses outcomes from the fi-compass EMFF survey, then Part II covers findings from the review of the ex-ante assessments conducted by EMFF managing authorities and Part III focuses on the potential use of EMFAF financial instruments post-2020. Each part is further divided into sections describing the elements captured by the analysis and main conclusions.

1. PART I. OUTCOMES FROM THE FI-COMPASS EMFF SURVEY

1.1 Rationale and methodological approach

1.1.1 Design and format

The EMFF survey takes stock of the use or non-use of financial instruments under the EMFF among the key stakeholders – the EMFF managing authorities of the 27 Member States. The results of the survey should be used to report on assessing their experience and exploring the potential use of financial instruments within Member States' programmes post-2020.

A preliminary analysis for the preparation of the survey showed that the use of financial instruments as a support mechanism under the EMFF operational programmes is very limited. Therefore, in order to better capture the experience of the EMFF managing authorities, the survey identified three main target groups, each addressed with a separate questionnaire.

The target groups were defined based on the stage of development in the financial instruments' life-cycle. Three main target groups were identified among respondent managing authorities, namely:

- Target Group I: EMFF managing authorities not using financial instruments;
- Target Group II: EMFF managing authorities not using financial instruments but having completed the ex-ante assessment;
- Target Group III: EMFF managing authorities having completed the ex-ante assessment and willing to use financial instruments, as well as EMFF managing authorities using financial instrument(s).

For each target group, an ad-hoc set of questions was designed and included in the questionnaire (included in ANNEXES 1-3 – Survey questionnaires) sent to the managing authorities.

The survey consisted of four blocks, including questions aiming at profiling respondents according to their experience in implementing financial instruments.

The types of questions were mainly qualitative, to be answered via rating scores, multiple choice and open answers (see ANNEXES 1-3). To minimise any type of burden or impact on respondents and encourage openness and participation, the survey was web-based (the platform chosen was Survey Monkey: https://www.surveymonkey.com/) and asked between 14 and 17 questions, depending on the target group, taking no more than 20 minutes to complete. Furthermore, respondents were informed that their responses would be treated with the necessary level of confidentiality, solely as an information source for the study's findings, and would be reported in an aggregated and anonymised way. The experience of individual managing authorities could not be identified in the outputs of the survey.

Finally, the survey included a free text box for each resource type to allow respondents to provide any further comments about the particular resource.

1.1.2 Distribution and timescale

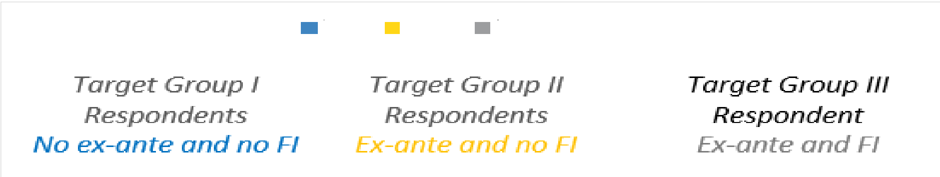
The survey was designed in close cooperation with DG MARE. It was launched in the first half of 2019 with a targeted mailing to the 27 EMFF managing authorities. A reminder mailing followed in May 2019, and the survey remained open until December 2019. The survey was advertised by an email alert from fi-compass via multiple channels, including:

- fi-compass website and social media platforms (i.e. LinkedIn and Twitter), which included a link to encourage responses;
- DG MARE (incl. geographical desk officers); internal and external events and workshops;
- other relevant transnational networks and main stakeholders organisations (e.g. FARNET).

The survey collected 18 responses (67% of the target population, i.e. 27 Member States). Austria, Belgium, Croatia, Cyprus, Greece, Latvia, Spain, Slovenia and Portugal preferred not to take part in the survey.

The analysis shows results based on aggregated data mostly categorised by type of respondent, i.e. by TG I, TG II and TG III, as shown in Figure 1.

Figure 1 Clustering and colour-coding of respondent managing authorities: TG I, TG II and TG III.

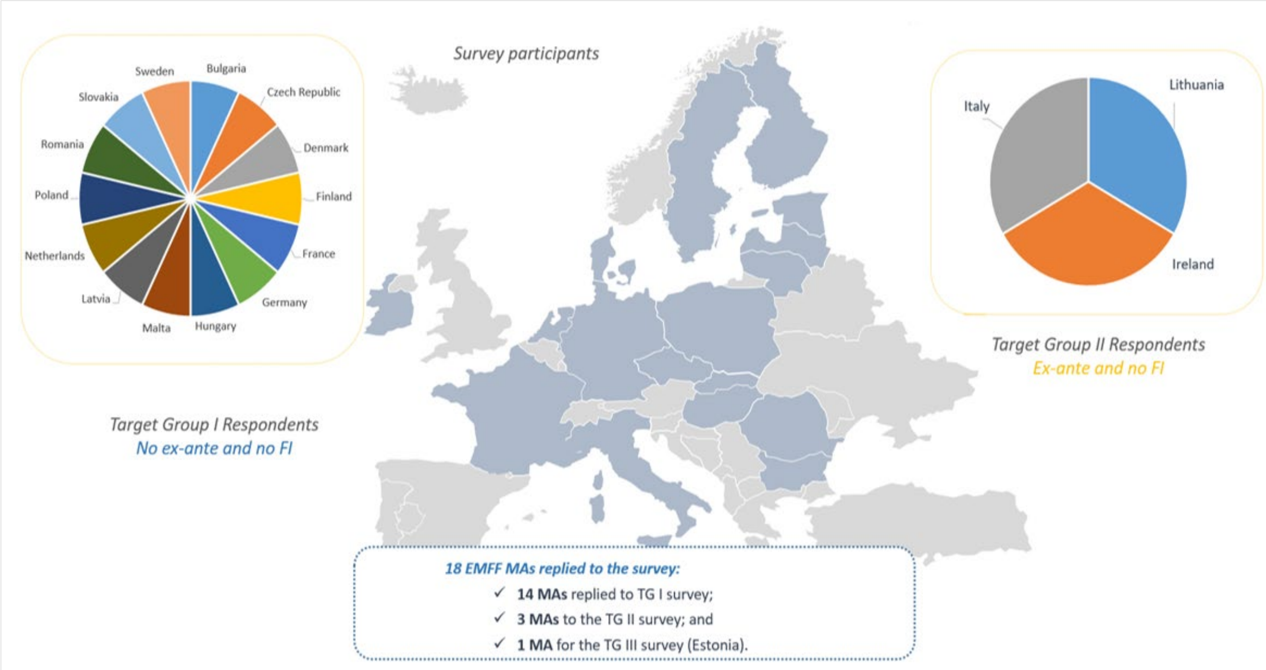


Source: fi-compass EMFF survey.

1.2 Profile of respondents

1.2.1 Responses received – geographical spread

Figure 2 Map and charts of the responses received per respondent Member State.



Source: fi-compass EMFF survey results.

Figure 2 is based on the answers to the survey and depicts the distribution of the 18 managing authorities out of 27 (i.e. 67%) who completed the survey among the different Target Groups:

- 14 respondents declared that the managing authority they represented did not implement financial instruments under the EMFF (Target Group I), namely Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Latvia, Malta, the Netherlands, Poland, Romania, Slovakia and Sweden;
- 3 respondents declared that the managing authority they represented did not implement financial instruments under the EMFF, but carried out an ex-ante assessment (Target Group II), namely Ireland, Italy and Lithuania;
- Only 1 respondent declared that the managing authority it represented, i.e. Estonia, completed the ex-ante assessment and, following its positive outcomes, implemented financial instruments under the EMFF (Target Group III).

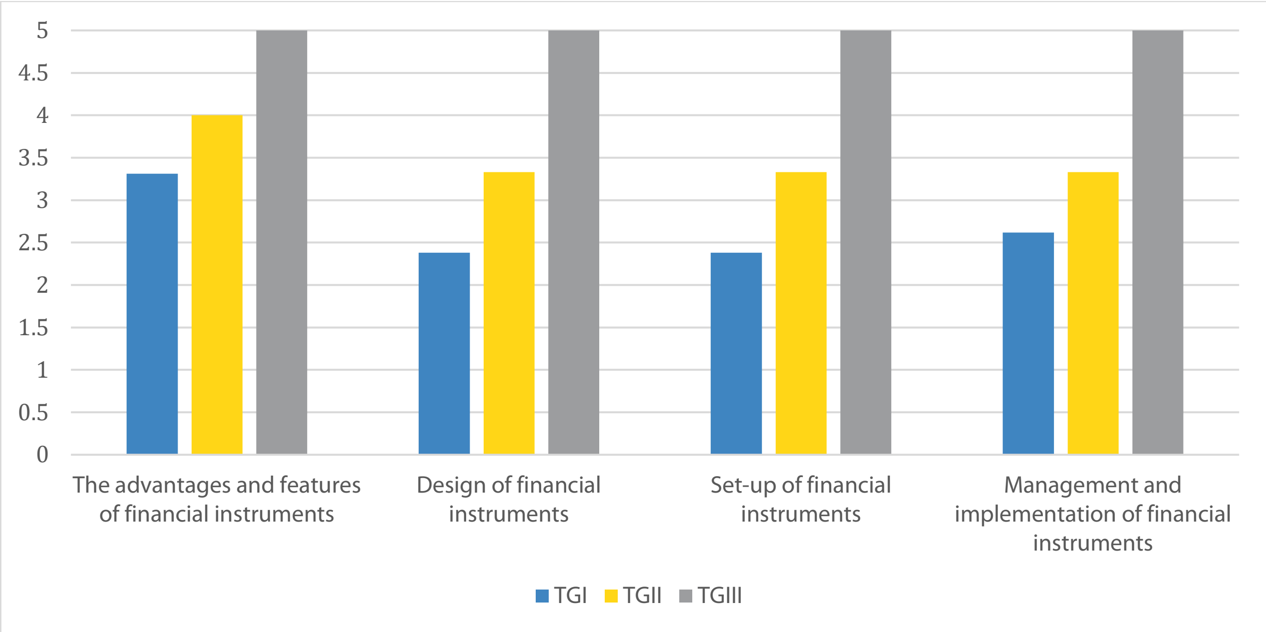
1.2.2 Knowledge on financial instruments

A survey question (Q3) aimed at assessing the self-declared knowledge of respondent managing authorities about financial instruments, on a scale from 1 ('low') to 5 ('very high'). To obtain more detailed results beyond the general self-declared level of expertise, managing authorities were asked to rate their knowledge of the different phases of the life-cycle of financial instruments, which are:

- The advantages and features of financial instruments;
- Design of financial instruments;
- Set-up of financial instruments;
- Management and implementation of financial instruments.

This question aimed to collect observations about whether the use or non-use of EMFF financial instrument(s) is related with the respondents' knowledge on the topic and if the feedback will differ among the three target groups reflecting their experience with financial instrument or involvement in its preparation.

Figure 3 What was your knowledge about financial instruments (1=low and 5=very high)?



Source: fi-compass EMFF survey results.

The chart above summarises the answers received, showing that the level of knowledge varies among the three main target groups, regardless of the life-cycle stage investigated. Overall, it can be noted that the managing authorities who carried out the ex-ante assessment (TG II) and those that have also implemented financial instruments (TG III) scored higher on this question. This most likely reflects the different degrees of involvement of EMFF managing authorities with financial instruments and/or with ex-ante work conducted, and suggests that the implementation of financial instruments constitutes a learning process for managing authorities.

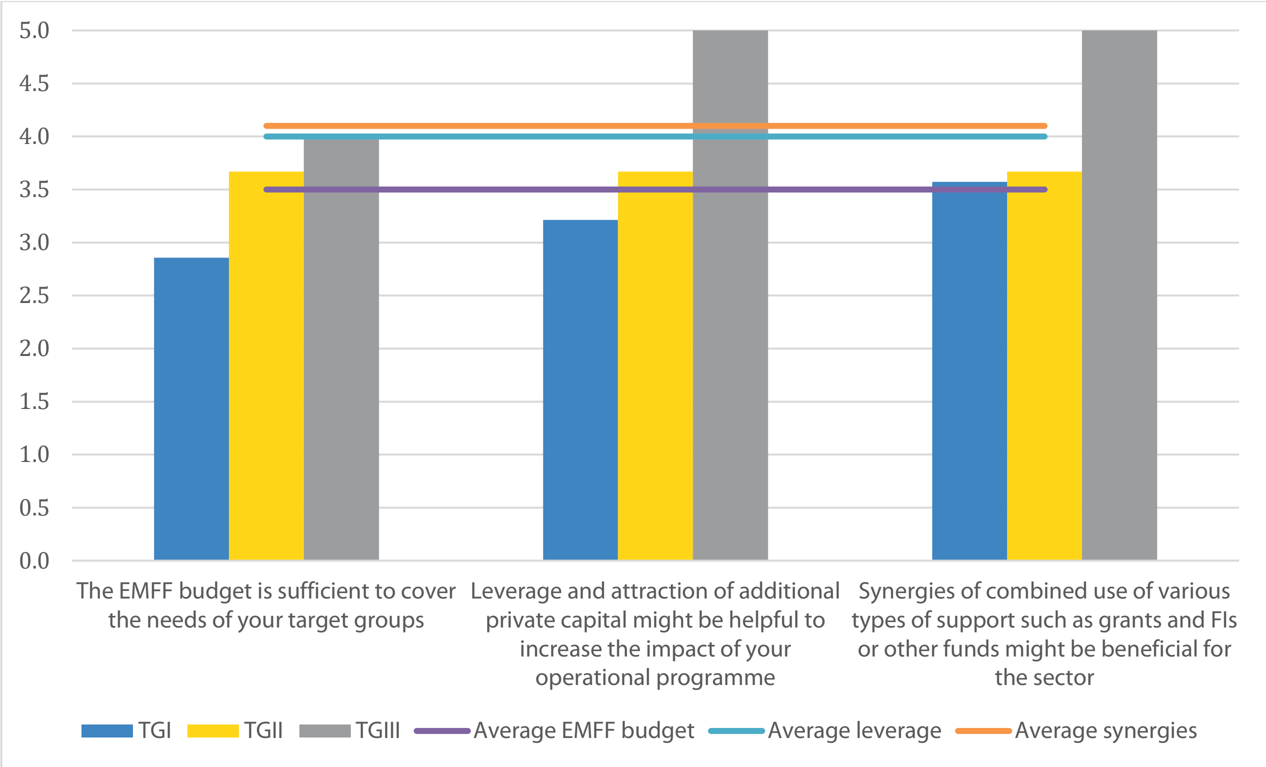
This is confirmed by the breakdown into the different life-cycle phases, where managing authorities falling under the first two target groups (i.e. with no financial instruments or with only the ex-ante assessment completed) show some knowledge on the general features and advantages of financial instruments, while the self-declared level of knowledge on the subsequent life-cycle phases on which they have not been involved, declines.

Bearing in mind that financial instruments are generally seen as instrumental to access to finance, the survey sought also to investigate whether the EMFF budget allocated to each authority was in their view sufficient to cover the financing needs of their target groups, as well as whether potential additional funding from private sources or synergies of combined use of various types of support (e.g. grants and financial instruments or other funds) could be useful to unlock the potential of the sector and/or generate leverage and crowd-in effects.

With regard to this query, the results of the three target groups were relatively aligned, with the highest score obtained by the potential to exploit synergies and the lowest score attributed to the question on the adequacy of funding allocated to Member States under the EMFF.

Overall, managing authorities which have at least completed an ex-ante assessment value more the potential attraction of private capital and the opportunities of support combination. On the one hand, it can be argued that managing authorities that did not implement financial instruments (TG I) because they perceived less need to leverage resources; on the other hand it is also possible that a limited knowledge of the opportunities that financial instruments can offer influenced their perception of these needs.

Figure 4 To what extent do you agree to the following? (1=low and 5=very high)



Source: fi-compass EMFF survey results, Q6.

Box 1. Case study on 'Financial Instrument for Fisheries and Aquaculture 2014-2020, Estonia'

The fi-compass 'Financial Instrument for Fisheries and Aquaculture 2014-2020, Estonia' [1] case study provides an overview of the implementation of Estonia's EMFF financial instrument set-up during the 2014-2020 programming period. It offers a good example of how final recipients in the fisheries and aquaculture sectors could benefit from financial products that complement grant financing.

EUR 15 million were allocated to the financial instrument, which was set-up to fill a market gap in financing for aquaculture and fish processing enterprises, as identified by the ex-ante assessment. These sectors experienced limited access to finance and unfavourable banking conditions such as a lack of microfinancing, high collateral requirements and short repayment periods. This was especially evident for micro and small enterprises, as well as for new and growing enterprises.

Since January 2017, the financial instrument is operational and helps addressing this funding gap by targeting aquaculture and fishery enterprises looking to develop capacity. Eligible investments can improve technological systems, increase efficiency, bring new products to market or increase the quality and added value of products.

Estonia has established financial instruments using three of the European Structural and Investment Funds, namely the EMFF, the European Agricultural Fund for Rural Development (EAFRD) and the European Regional Development Fund (ERDF). The financial instrument under the 2014-2020 EAFRD programme was launched in 2016, making Estonia the first Member State to provide loans for farm investments. In addition, long-term and positive experience with similar instruments funded by the national budget, as well as with European Fisheries Fund (EFF) investment loans during the 2007-2013 programming period, contributed to a successful start for the

[1] Available on the fi-compass website, https://www.fi-compass.eu/publication/case-studies/case-study-fisheries-and-aquaculture-estonia.

EMFF 2014-2020 financial instrument. The ex-ante assessment for the use of financial instrument in post-2020 period has been finalised in April 2020 confirming the existence of a market gap in the sectors and recommending the use of financial instruments.

The Estonian Ministry of Rural Affairs (EMoRA) is the managing authority in charge of the instrument; other partners involved in the implementation include the MES (Rural Development Foundation, Body implementing the financial instrument), the Agricultural Registers and Information Board (ARIB, paying agency) and a number of credit and financial institutions (co-investors). The size of the Estonian EMFF financial instrument is set at EUR 15 million, 75% of which financed with EMFF OP resources and the remaining portion with resources from national contribution. In June 2018, the managing authority had already committed EUR 11.25 million.

Table 1 Main characteristics of the financial products.

	Investment loans for aquaculture development	Long-term investment loans for fish processors	Growth loans for fish processors
Budget allocation	EUR 4 million	EUR 4 million	EUR 3.2 million
Target group	SMEs	SMEs	SMEs
Amount	EUR 10 000 – 400 000 direct loan or co-lending	EUR 100 000 – 500 000 (EUR 100 000 – 500 000 per member of producer organisation) co-lending with banks of at least 30%	EUR 10 000 – 100 000 direct loan or co-lending
Duration	Up to 15 years (including up to 5 years grace period)	Up to 15 years (including up to 5 years grace period)	Up to 5 years (including up to 2 years grace period)
Collateral	At least 50%	At least 80%	At least 50%
Interest rates and other conditions	Market conditions or lower than the market: • 6% + ECB refinancing • Rate (collateral at least 50%); • 4% + ECB (collateral at least 60%); • 2% + ECB (collateral at least 80%).	Market conditions	Market conditions or lower than the market: • 6% + ECB refinancing; • Rate (collateral at least 50%); • 4% + ECB (collateral at least 60%); • 2% + ECB (collateral at least 80%).

Since the financial instrument opened for applications at the end of January 2017 until June 2020, there have been:

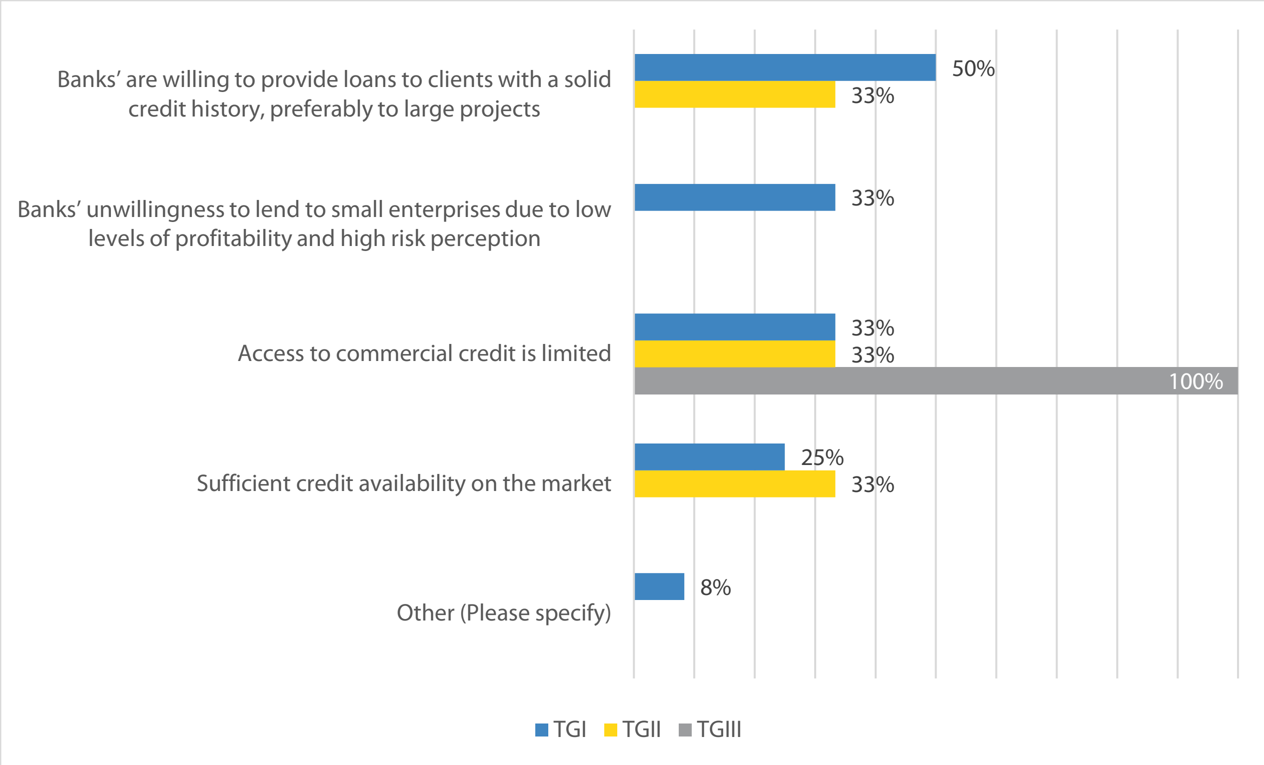
- 24 applications approved (for about EUR 4.71 million, or 31.4% of the EUR 15 million allocation), 10 for growth loans for fish processors (about EUR 632 855) and seven for long-term investment loans for fish processors (about EUR 3.5 million). Five loans for aquaculture development investment were signed of which the contribution from the EMFF amount to EUR 653 286;
- More than EUR 438 592 of private co-investment.

1.3 Feedback on current experiences with EMFF financial instruments

The survey requested (Q5) respondents to provide feedback about their experience with financial instruments. Several relevant aspects have been outlined below.

1.3.1 Access to finance conditions for the EMFF target groups

Figure 5 How do you assess the current market situation in your country related to the access to finance for your target groups?



Source: fi-compass EMFF survey results.

Managing authorities from all Target Groups seem to agree that access to finance for businesses in the fisheries sector is rather constrained. Furthermore, most managing authorities surveyed agreed that banks tend to grant loans to those businesses with a substantial credit track record and that involve large projects. It is worth highlighting how this response tends to be in line with the considerations that may be retrieved from the average answer to Q10[2] concerning start-ups, i.e. that financial instruments are recognised as potentially providing the most benefit to support businesses with a high innovation potential, as well as considered as high risk. This point is further developed in the session reviewing the outcomes of the ex-ante assessments, especially in the section analysing viable financial instruments and products for the fisheries and aquaculture sectors (see Section 2.3).

The fact that the only managing authority implementing financial instruments (TG III) assigned the highest rating to the question on access to commercial credit is due to the fact that it performed the ex-ante assessment, and thus had a sounder view of the national situation and funding gaps. This is why it can be assumed that the managing authority opted to introduce financial instruments to address the abovementioned financing shortcomings.

Overall, two main aspects related to market conditions for the sector that could be potentially addressed with financial instruments can be highlighted, namely:

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

[2] Q10 What is the potential for FIs to be applied under the following EMFF measures?

In addition and related to this point, the feedback from the ex-ante assessments carried out for the use of EMFF financial instruments, as discussed more in detail in Section 2.2, showed the following main challenges identified as market failures in the maritime and fisheries sector:

- Specific risks related to the maritime and fisheries sectors, entailing that access to credit is difficult for seafood SMEs, particularly in aquaculture. This is further aggravated by the existence of information asymmetries between capital providers and final recipients. To address these issues, specific financing schemes should be considered;
- The cost of credit is higher for the seafood sector compared to the food sector in general.

This feedback indicates that financial instruments could play a favourable role in leveraging additional private resources to cover financial needs of the sector, including possible synergies by using combination of different tools, e.g. financial instruments and grants together.

1.3.2 Reasons for not using financial instruments in the operational programme per Target Group

In this section, only answers from TG I – 'EMFF managing authorities not using FI' and TG II – 'EMFF managing authorities not using financial instruments but having completed the ex-ante assessment' are analysed.

<u>Target Group I</u>

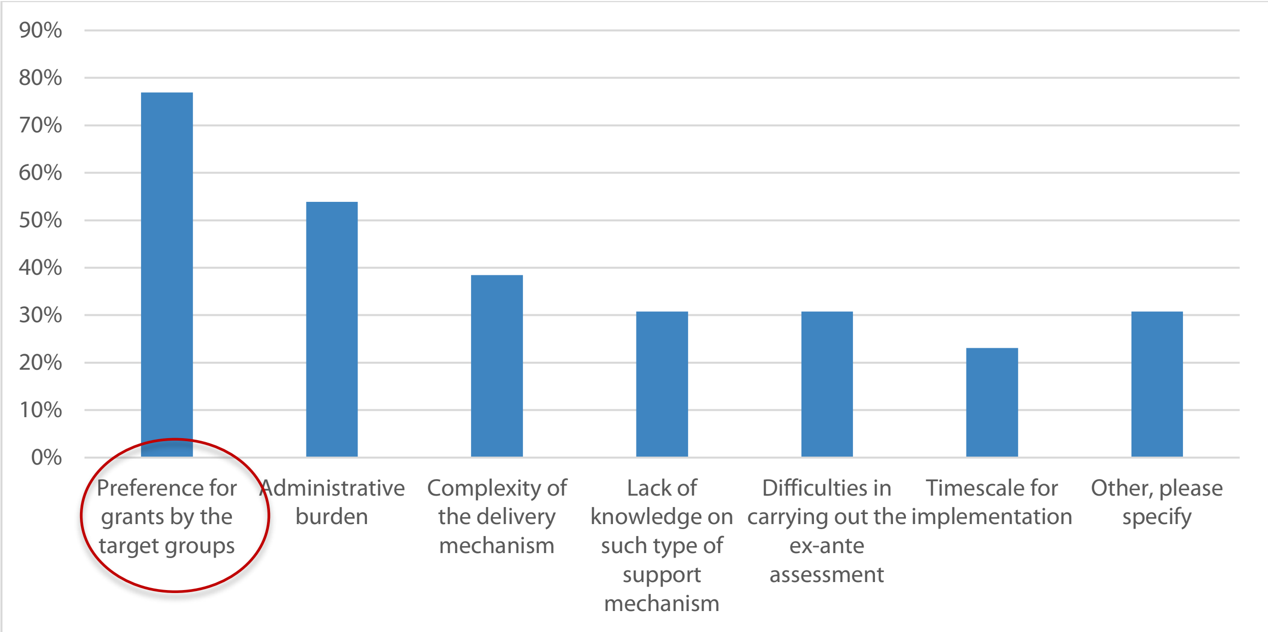
A question (Q7) aimed to assess whether those EMFF managing authorities not implementing financial instruments had nevertheless considered the option to implement financial instruments as a support mechanism in their national operational programmes. In contrast to their final decision not to opt for this possibility, more than half of respondents responded positively to this query.

In order to understand the rationale behind the above choice, then a question (Q8) aimed at capturing the reasons why managing authorities did not setup financial instruments.

The main reason managing authorities cited is that final recipients prefer another type of financing (Figure 6), i.e. grants, with almost 80% of respondents agreeing on this point. Half of the respondents also argued that they would incur additional administrative burden if they decided to implement these instruments, so it would not be worth allocating the already scarce resources available to the sector for this purpose.

Other responses given by managing authorities for their decision not to implement financial instruments included: the mechanism to deliver financial instruments is too complex for their capabilities (40% of respondents) and that they do not have enough knowledge on the subject (30% of respondents) or risk running into too many difficulties should they decide to carry out an ex-ante assessment. Finally, one in four respondents considered the timescale for implementation as a barrier to the implementation of financial instruments.

Figure 6 What were the main reasons for your decision not to use FIs in your operational programme?



Source: fi-compass EMFF survey results.

Target Group II

Perhaps even more critical is to understand why those managing authorities that carried out an ex-ante assessment actually decided, despite its positive outcome, to discontinue their process without undertaking the necessary steps for launching the financial instruments proposed.

The responses given by the managing authorities of TG II are varied, with:

- one managing authority selecting 'complexity of the delivery mechanism';
- one managing authority selecting 'administrative burden'; and
- one managing authority selecting 'timescale for implementation'.

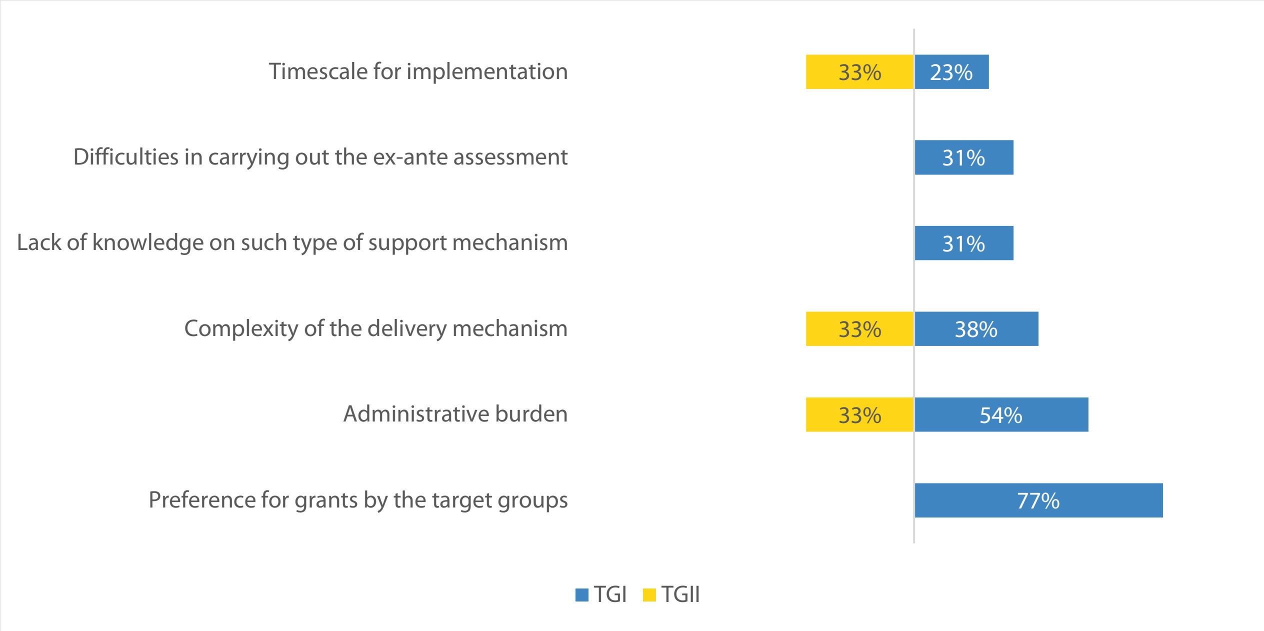
Given the divergence of responses and the narrow size of the sample (three EMFF managing authorities), it is difficult to reach a firm conclusion with regard to the reasons that led these managing authorities not to implement financial instruments.

Nevertheless, two assumptions can be made with some degree of confidence in this regard: first, the ex-ante assessment process was completed rather late in the programming period, i.e. towards the end of 2018, leaving managing authorities without sufficient time to setup financial instruments under the current programming period. This leads to the second assumption, namely that the managing authorities of TG II may plan to implement financial instruments in the next programming period from 2021 to 2027.

Approximately 70% of the respondents from TG I took the opportunity to include further reasons why they were not implementing financial instruments via the open text answer (Q9), reporting that:

- Financial instruments may affect absorption capacity under the EMFF operational programme.
- Ensuring consistency with State aid rules may result in additional burdens for managing authorities.
- The need for investments and purchase of equipment may have not yet reached the level required to set-up financial instruments.

Figure 7 Comparison between the reasons for not implementing financial instruments under the current operational programme given by TG I and TG II.



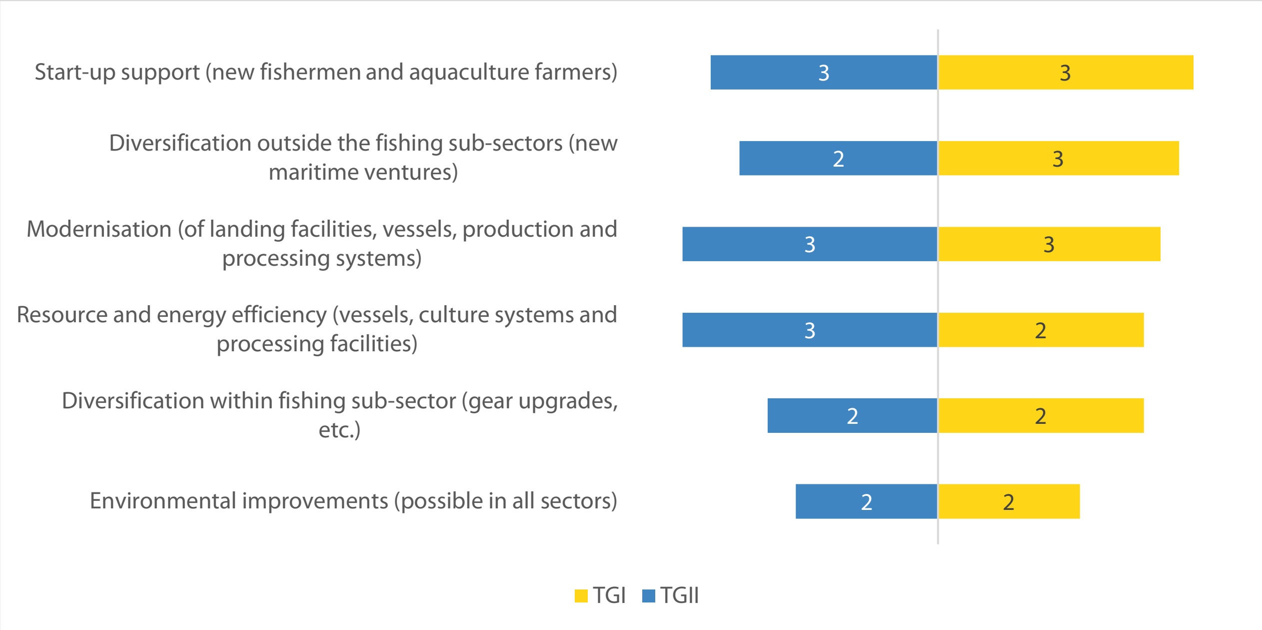
Source: fi-compass EMFF survey results.

1.4 Feedback about the potential to use financial instruments under EMFAF and needs for support

1.4.1 Potential areas for use of financial instruments

A question[3] asked respondents to rate from 1 to 5 six proposed EMFF measures / areas of intervention where the use of financial instruments could potentially be suitable. The three target groups unanimously ranked the highest 'start-up support' and 'modernisation', followed by 'diversification outside the fishing sub-sectors' and 'resource and energy efficiency', as shown in Figure 8 below. This could serve as an indication of the areas where access to finance is considered to be constrained, and the future prospects for the use of EMFF financial instruments are brightest.

Figure 8 What is the potential for FIs to be applied under the following EMFF measures (1=low and 5=very high)?



Source: fi-compass EMFF survey results.

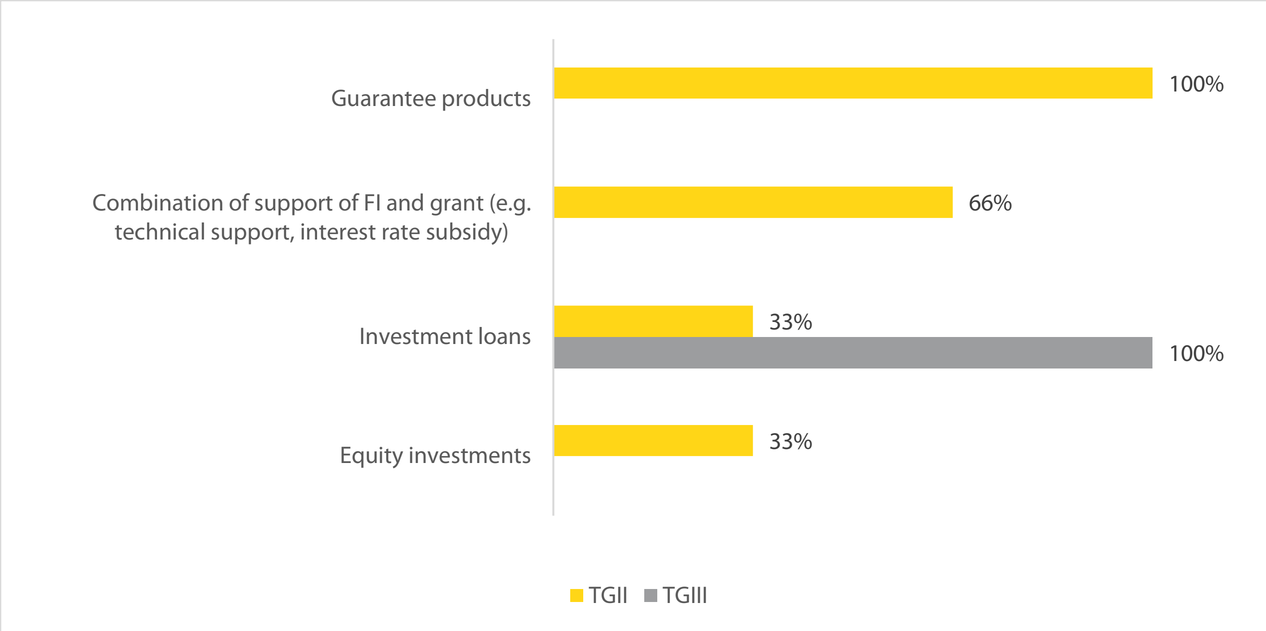
Another key to interpret the responses received might be related to the sectors' specificities in the different Member States, which could have an impact on the score attributed to EMFF measures with higher potential for financial instruments. One, applying especially to the managing authorities of TG I, which have not carried out any ex-ante assessment, is that the capacity to implement financial instruments may be missing first and foremost within the managing authorities themselves. Of a more general nature are the other two hypotheses advanced, namely that some areas are simply not relevant to all EU Member States (e.g. for landlocked countries), and that some target groups prefer to use grants, as explained in Section 5.2.

[3] Respectively, Q 10 in TG I Questionnaire, Q 13 in TG II Questionnaire and Q21 in TG III Questionnaire.

1.4.2 Type of financial instruments recommended by the ex-ante assessments conducted

A question in the survey asked managing authorities (TG II (Q11) and TG III (Q13) that have carried out an ex-ante assessment about the recommended type of financial instruments to be used. Most suitable financial instruments' products suggested for the analysed sectors include debt products mainly in the form of guarantees and investment loans, followed by equity and combination of support. Further details on this can be also found in Section 2.3 of the report.

Figure 9 What are the types of financial instruments' products suggested in the ex-ante assessment? (Multiple answers possible)



Source: fi-compass EMFF survey results.

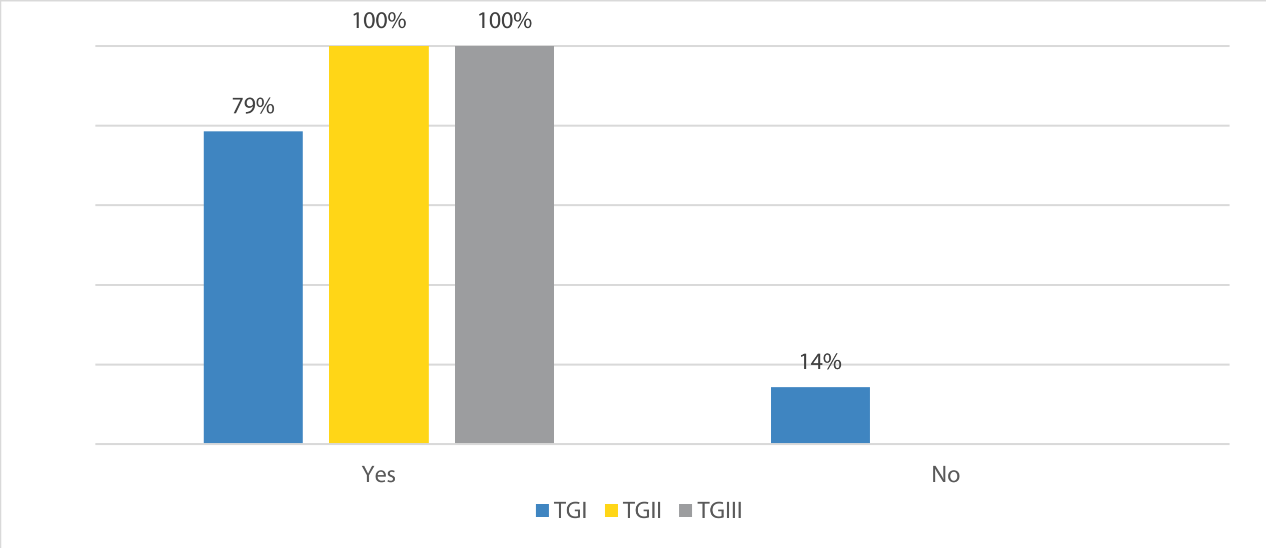
1.4.3 Capacity building needs – key findings

The survey comprised some questions (for all target groups) aimed at enquiring on potential actions for furthering the take-up of financial instruments under EMFF in the future, including assessing the needs for support of EMFF managing authorities, financial intermediaries and other stakeholders.

Respondents were asked if there is a need for capacity building with regard to financial instruments for the EMFF managing authorities, as well as to provide their view on the types of support on the use of financial instruments that should be extended to other relevant stakeholders, such as financial intermediaries and other stakeholders. Across all the managing authorities (TG I (Q11), TG II (Q14) and TG III (Q22)) the response was positive, as follows:

- 85% of respondents from managing authorities with no ex-ante and not currently using financial instruments highlighted that they need capacity building;
- 100% of the managing authorities that have carried out an ex-ante assessment also responded that there is certainly a need for capacity building for the all the stakeholders involved.

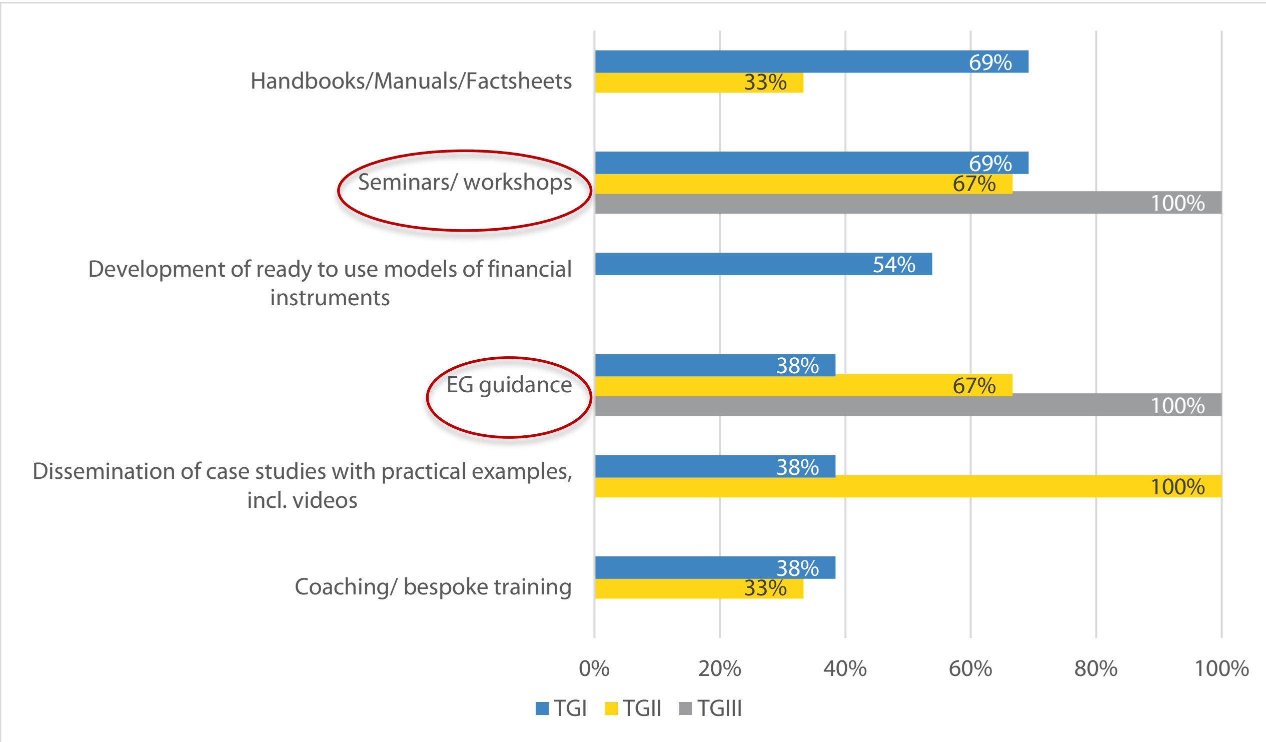
Figure 10 Do you think that there is a capacity building need for EMFF Managing authorities, financial intermediaries, other stakeholders with regard to financial instruments?



Source: fi-compass EMFF survey results.

In addition, respondents were asked (TG I (Q13), TG II (Q16) and TG III (Q24)) to indicate the most suitable form of advice or support needed to encourage take-up of EMFF financial instruments from a defined menu of activities. 78% (average) of respondents across the three target groups chose seminars and workshops as the most suitable form of advice (led by TG III). Then EC Guidance was rated second highest (70%) and especially by TG III. Furthermore, TG II highlighted their preference for case studies with practical examples to (most probably) help increase awareness. When looking at the choice between the three types of respondents, TG I scored most highly handbooks and manual factsheets, which more or less coincides with the preference of the TG III for guidance.

Figure 11 What is the most suitable form of advice or support for you to use financial instruments? (Multiple answers possible)



Source: fi-compass EMFF survey results.

1.4.4 Main areas where support is needed

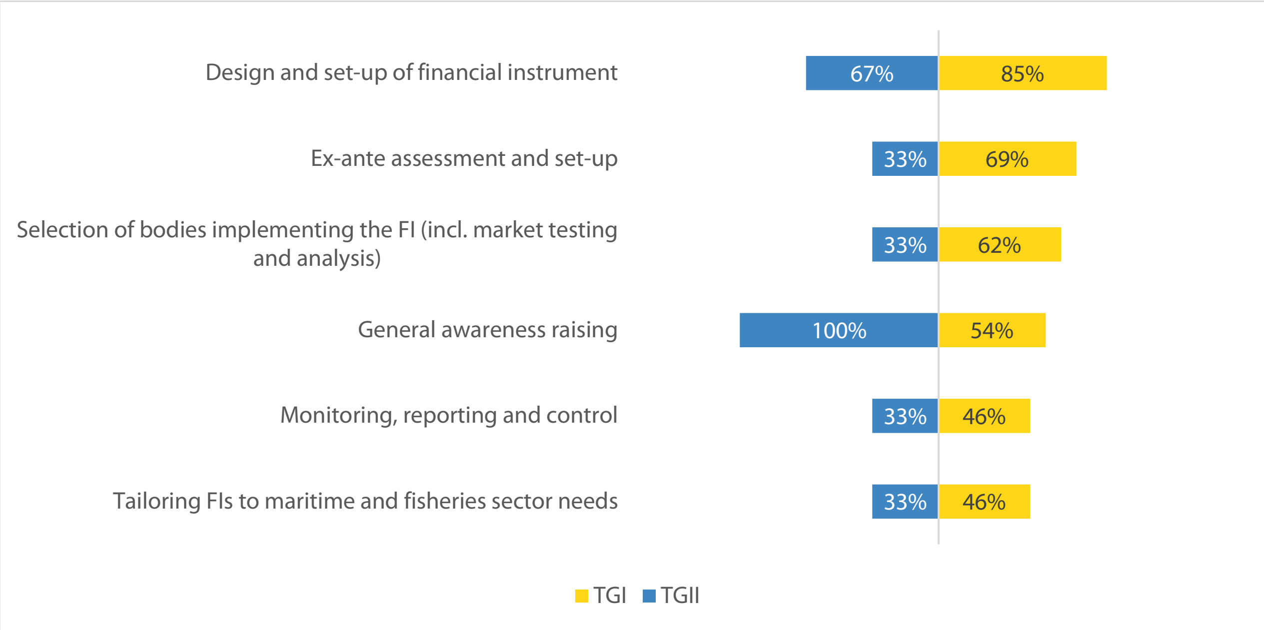
A question in the survey (TG I (Q12), TG II (Q15) and TG III (Q23)) enquired about the specific areas where support is needed**.**

The managing authorities from TG I with no ex-ante assessment and no financial instruments indicated a need for support at the early stage of the financial instrument life-cycle: 92% consider there is a need for support in the design and set-up of financial instruments; followed by 75% support with ex-ante assessment and the financial instruments set-up; and 67% requested support with selection of bodies implementing financial instruments.

The managing authorities from TG II that completed the ex-ante assessment but did not use financial instruments also seem to indicate similar types of support needs, 100% of the respondents from this group need support with general awareness raising; and 67% need support with design and set-up of financial instruments.

Responses seem to fully reflect the needs arising depending on the level of involvement with financial instruments. The request for general awareness training also takes into account the need to improve the understanding of financial instruments among the other stakeholder than the managing authorities.

Figure 12 From the managing authority's perspective, what are the main areas/topics in which support is required when using financial instruments? (Multiple answers possible)



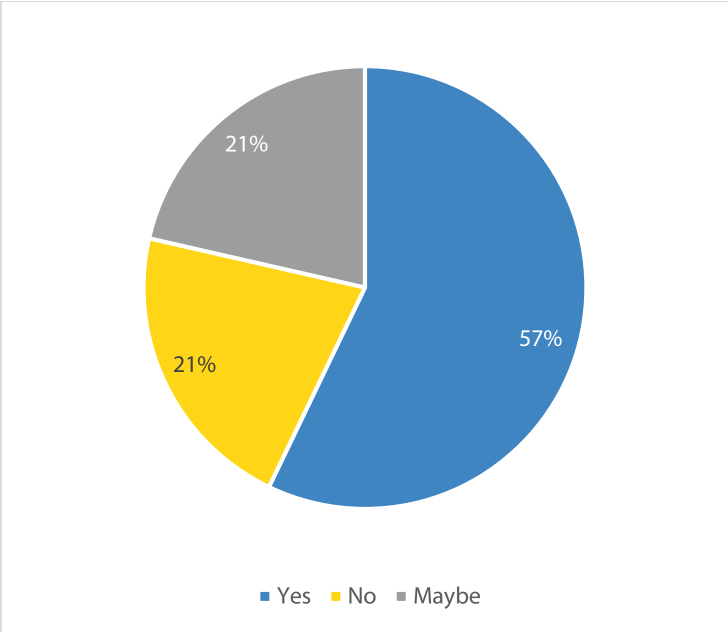
Source: fi-compass EMFF survey results.

1.5 Feedback about the potential use of financial instruments in the programmes post-2020: main messages on the future outlook

A question was asked only to the managing authorities from TG I (Q9) about their intentions to use EMFAF financial instruments in the next programming period. The majority of the respondents (62%) from the group indicated that they might potentially use financial instruments post-2020.

Additional qualitative considerations were provided by the respondents on this point, including the need to gauge the appetite of the sector, outcomes from ex-ante assessments underway, complexity and additional costs in view of financial instruments implementation, etc.. The feedback to this question indicates that suitable capacity building support might facilitate the uptake of financial instruments post-2020. Raising awareness among the potential final recipients could be considered, as well as facilitating the change from grant dependency.

Figure 13 Could financial instruments be potentially used in your country as a type of support in the next MFF?



Source: fi-compass EMFF survey results.

The feedback received from the respondents about their intentions to consider using financial instruments in the next period indicates that EMFF managing authorities are aware of this type of support mechanism and are open to exploring its use. In addition, 2021-2027 legal framework proposal provides for a number simplifications on the rules for financial instruments and flexibilities on combination of support, which could further encourage EMFF stakeholders in this direction.

1.6 Conclusions

The responses collected from the survey represent 67% of the targeted respondents and therefore the feedback could be considered as representative of the population. Content-wise, the analysis of the survey suggests the following main conclusions:

- There is potential for greater use of EMFF financial instruments. Although experience in implementing EMFF financial instruments in the 2014-2020 programming period is limited, feedback received shows that EMFF managing authorities have experience in using this type of tool in the past (e.g. Bulgaria, Estonia, Latvia, Romania) and are considering the use of financial instruments in the post-2020 MFF. The main reasons pointed out by managing authorities which completed the ex-ante assessment process for the use of financial instruments in 2014-2020 but decided not to go ahead include the complexity of the delivery mechanism, administrative burden, as well as the small size of possible programme allocations combined with lack of economies of scale. The timeframe for implementation was also a factor and some of them are considering to implement the proposed financial instrument in next programming period.
- Grants remain an important type of support for many Member States and targeted recipients' preference for grants was ranked as the most important constraint when considering the use of financial instruments. This suggests that consideration should be given to exploring the scope to combine grants with financial instruments to leverage additional resources and face market needs. Managing authorities seem to possess a good understanding of the OP measures that could be implemented with financial instruments.
- Possible areas for financial instruments that have been indicated as most suitable are start-up support, modernisation, resource and energy efficiency, and diversification within and outside fishing sub-sectors.
- Debt products are the most relevant financial products to be used in the sector, both in the form of guarantees and loans. It is worth noting that these types of financial instrument products have been among the ones suggested in the ex-ante assessments conducted for the use of EMFF financial instruments, as further detailed in Section 2.3 of the report.
- The level of knowledge varies among the representatives of the three target groups surveys. Indeed, results show that the majority of the managing authorities not using financial instruments gave a low score for their knowledge related to the early stages of development in the financial instruments' life-cycle, i.e. the design and set up of the financial instruments. Capacity building could be considered as an important factor for improving the knowledge and skills of the managing authorities.
- There is a clear indication that capacity building activities are needed for all EMFF managing authorities, as well as for the other stakeholders involved in the financial instruments' implementation. Possible general awareness raising could be considered to increase the understanding and knowledge of the potential targeted recipients. This could have an impact on the grant dependency in the sector.
- Overall, the main barriers to implementation highlighted by the survey are the preference for grants by the target groups, administrative burdens and the complexity of the set-up and implementation mechanism.

Building on the survey's feedback, the fi-compass EMFF work stream could help to address some of the points raised, in particular:

- ✓ Providing capacity building activities needed for EMFF managing authorities, as well as for the other stakeholders involved in financial instruments' implementation. The most preferred type of support indicated by the respondents includes workshops and tailored training, as well as guidance and practical case studies. Furthermore, offering tailored capacity building support to EMFF managing authorities and stakeholders interested in setting-up financial instruments related to the preparation and implementation of financial instruments – i.e. support managing authorities' decision-making/problem-solving process, towards financial instruments barriers/bottlenecks – would in all likelihood prove useful.
- ✓ Helping to strengthen the EMFF managing authority community providing access to financial instruments resources and serving as a practitioners' platform for exchanges between stakeholders on topics related to the set-up and/or implementation of EMFF financial instruments.

2. PART II. MAIN FINDINGS FROM THE REVIEW OF THE 2014-2020 EX-ANTE ASSESSMENTS CONDUCTED

2.1 Context overview

Despite the low uptake of EMFF financial instruments in the 2014-2020 period, a number of ex-ante assessments were carried out by nine EMFF managing authorities to assess whether their national fisheries and aquaculture sectors could benefit from the implementation of EMFF funded financial instruments. The Member States concerned are, in alphabetical order, Bulgaria, Croatia, Czech Republic, Estonia, Finland, Ireland, Italy, Lithuania and Spain.

Figure 14 Member states that carried out ex-ante assessments for the implementation of FI under EMFF in the 2014-2020 period.

Source: Own elaboration.

The reports were compiled in accordance with the specific requirements for scope and content of ex-ante assessments set out in Article 37 (2) of Regulation (EU) No 1303/2013 (CPR). In this respect, the ex-ante assessment methodology is intended as a toolbox encompassing good practice and providing practical guidance to managing authorities in the preparation and completion of the ex-ante assessment of the financial instruments envisaged in the programme(s).

To this end, the ex-ante assessments carried out by the above EMFF managing authorities analysed in detail market failures and suboptimal investment situations, as well as opportunities and potential demand for different types of financial products. In most cases, they also provide proposals for the programming and management of suitable financial instruments, as well as their investment strategy.

With the exception of the Estonian and Bulgarian managing authorities, the main outcomes of the ex-ante assessments did not lead to the design and set-up of financial instrument for fisheries and aquaculture under the respective EMFF operational programmes, since the aforementioned managing authorities deemed that other forms of financial support were better suited to the needs and particularities of the sector, at least for the 2014-2020 period.

In this respect, grants are generally more recognised by, and accessible to, target final recipients, and significantly more marketed in the fisheries and aquaculture sectors than financial instruments. Overall, the ex-ante assessments indicate that grant dependency in the sector is an important factor for the successful implementation of a financial instrument. Ensuring complementarity between the two types of support should be a key objective for the managing authorities in order to better address the needs of the relevant target groups and avoid potential competition. In addition, financial instruments can be combined with grants reaching more beneficiaries and mobilising higher amounts of assistance than grants alone.

Estonia setup financial instruments using EMFF resources and targeting the fisheries and aquaculture sectors, in line with their long-term and positive experience with similar instruments funded by the national budget, as well as with other European Structural and Investment Funds (i.e. the EAFRD and ERDF).

In 2020, following the recommendations of the updated ex-ante assessment, Bulgaria[4] also decided to go ahead with the set-up of a financial instrument under its operational programme with a pilot budget allocation of EUR 2.76 million[5] for low-interest loans and guarantees for loans provided by commercial banks. The two types of loans are expected to be used either as independent sources of funding for eligible projects or as complementary funding for projects, which have received approval for EMFF grants. The instrument aims to support investments in fisheries and aquacultures, including the processing of fishery and aquaculture products, aimed at reducing harmful environmental impacts and achieving more efficient use of resources. The funds can also be used for supporting project proposals that contribute to the implementation of local development strategies and to the improvement of the economic and social welfare of fishing communities.[6] For the implementation of the financial instruments, in March 2021 the Bulgarian EMFF managing authority signed a funding agreement with the Fund Manager of Financial Instruments in Bulgaria, the National Fund of Funds responsible for the management of all ESIF financial instruments in the country, and the products are expected to be available to final recipients by the end of the year.

Among the other seven Member States under review, six made use of financial instruments under other ESIF programmes, in particular to support regional development and cohesion policies through ERDF, the agricultural sector through EAFRD, and human capital and the job market through ESF. It is worth highlighting some insights about these countries. First of all, in Finland the central role of the banking sector is still prevalent in the financing of private final beneficiaries (SMEs in particular), and this fact can partially explain the extent of financial instruments active under ESIF (i.e. two under ERDF), as can be seen in Table 2. Also in Croatia the number of financial instruments active under ESIF (e.g. ERDF, EAFRD) is gradually increasing since its accession to the EU on 1 July 2013. Lastly, financial instruments in the Czech Republic, although not yet widespread, are increasingly used to support national economic and social development, to the extent that the managing authority commissioned an ex-ante assessment for use of financial instruments under EAFRD, resulting in a recommendation to implement financial instruments in the agricultural sector in the period 2021-2027.

It should be highlighted that Ireland, on the other hand, is the exception, as it has no previous experience in the management of EU funds through financial instruments. Nonetheless, Ireland has experience with publicly funded national schemes such as the Future Growth Loan Scheme, a long-term loan offered by the Strategic Banking Corporation of Ireland with the support of the Department of Enterprise, Trade and Employment, the Department of Agriculture, Food and Marine, the European Investment Bank and the European Investment Fund (EIF).

A summary of the state of play of all ESIF financial instruments active in Member States at stake in the 2014-2020 period is provided in Table 2[7].

[4] Source: Bulgarian ex-ante assessment: 'Предварителна оценка за прилагане на финансов инструмент по ПМДР 2014-2020', 2014, Европул Кънсалтинг ООД, available here: http://oprsr.government.bg/wp-content/uploads/2012/10/IARA_fin_instrumenti_doklad_.pdf and and its update 'Предварителна оценка за прилагане на финансов инструмент по ПМДР 2014- 2020', 2020, available here https://www.eufunds.bg/sites/default/files/uploads/pmdr/docs/2020-02/EMFF_EX_PMDR_11%2002%202020%20ACT-.pdf.
[5] The following exchange rate is being used: INFOEURO at February 2020, 1 EUR =1.95583 BGN.
[6] Source: Fund Manager of Financial Instruments in Bulgaria, March, 2021. Further information available at: The Fund of Funds will support loans for the Fisheries sector | FMFIB.
[7] Source: https://www.fi-compass.eu/fisiyc and https://cohesiondata.ec.europa.eu/Country-Level/ESIF-14-20-FIs-Implementation-by-MS-ESIF-Committed/vi4p-bw9r.

Table 2 Other ESIF financial instruments active in Member States that carried out ex-ante assessments for the implementation of FI under EMFF in 2014-2020 period.

Member State	ERDF	ESF	EAFRD	EMFF	CF
Bulgaria	14	4	1	1	1
Croatia	9	n/a	4	n/a	n/a
Czech Republic	6	n/a	n/a	n/a	n/a
Estonia	4	n/a	1	3	n/a
Finland	2	n/a	n/a	n/a	n/a
Ireland	n/a	n/a	n/a	n/a	n/a
Italy	97	10	15	n/a	n/a
Lithuania	26	2	n/a	n/a	n/a
Spain	27	n/a	1	n/a	n/a

Source: ESIF 2014-2020: volume of financial instruments approved by Member State, data from the European Commission (https://cohesiondata.ec.europa.eu/Country-Level/ESIF-14-20-FIs-Implementation-by-MS-ESIF-Committed/vi4p-bw9r).

Nevertheless, the number of ESIF financial instruments in the EU Member States generally reflects the size of the Member State, as well as the existence of ESIF regional managing authorities.

2.2 Assessment of market environment for the fisheries and aquaculture sectors, and respective failures identified

This section lays out the main constraints and challenges the fisheries and aquaculture sectors are facing across the Member States that carried out the ex-ante assessments for use of EMFF financial instruments. It focuses on the issues identified, and is not intended as a comprehensive analysis of all challenges and constraints in the sector. Rather, it aims to provide a summary of these, with emphasis on the observations that were found to be relevant to most of the Member States examined.

In the fisheries and aquaculture sectors, access to finance has been identified as a key challenge that can hinder the growth of businesses and sub-sectors. All ex-ante assessments analysed point out that companies – especially SMEs – may find it difficult to secure investment, for example in purchasing and upgrading equipment, and investing in new technologies, and human resources development and training. The result is that SMEs from these sectors are not as efficient and productive as they could potentially be, and therefore they risk losing their medium and long-term competitive advantage. Indeed, if substantial underinvestment in a sector occurs, a loss of market share and competitiveness is expected to follow. However, some of the Member States analysed, such as Finland, Italy and Spain, have partially addressed this matter and supported SMEs through the launch of EU guarantee schemes, such as COSME, InnovFin and/or the SME Initiative. These guarantee schemes are primarily targeted at sectors other than fisheries but the latter is also covered.

In the case of fisheries and aquaculture sectors, it is important that potential bottlenecks to financing shall be addressed from the perspective of the various actors along the value chain and in country-specific context. According to the Finnish assessment of the financing gaps in the country, the situation of upstream operators, such as fishers, is different from those of downstream operators, such as fish processors. In particular, in the case of larger fish processing undertakings, credit institutions would examine the financial needs of the undertakings in the same way as the financing needs of SMEs in other industries, in particular the financial soundness and the viability.

Business structures are also very different in the fisheries value chain. There are a large number of micro-enterprises and/or partnerships upstream in the chain, whose business volumes are rather modest. It goes without saying that individual investment needs of companies of this size are relatively small. In Finland[8], for instance, the overall industry includes about 1 700 companies, of which about 1 300 are sea and coastal fishing businesses. Most of these companies can be categorised as micro or small enterprises, whose annual turnover of fishing is less than EUR 10 000.

Another key issue is that the return on investment in marine sectors is often realised over the long term and is perceived as more risky. There is also a widespread lack of understanding of the fisheries and aquaculture sectors by lenders, for example how assets are viewed and how this relates to risk assessment. That being said, financing methods depend on the structure of the sector and its level of development.

Clear, long-term public sector measures, including funding, would make it possible to mobilise private finance for the development of a sustainable and economically viable business in the sectors. However, financial actors are hesitant to invest, when there is too much uncertainty. The financial sector tends to offer better financing conditions to businesses with profitable long-term activity and stable where the cash flows. Debt finance would not normally be funded without security. As stated in the preliminary assessment, there are a number of significant uncertainties in the fisheries industry in all Member States that have carried out ex-ante assessments which justify the need to recommend publicly supported financial instruments in order to facilitate the necessary changes in the various parts of the value chain and as a whole to ensure the future sustainability of the fisheries sector.

Below is a list of the main market failures outlined by the ex-ante assessments carried out for the implementation of financial instruments under EMFF in 2014-2020 period. For the sake of clarity, these market failures have been grouped according to whether they are demand-side or supply-side market failures.

Demand-side market failures:

- <u>Projects are being oriented towards equipment renewal and other operational expenditures.</u> Aquaculture businesses are mainly investing in the refurbishment of equipment or in basic equipment required to work. These investments will not generate additional revenues that will allow loan repayment and are considered risky by the banks. Banks would prefer investment related to innovation and performance improvement, which is less common in the sector. In this respect, the Finnish case provides an interesting example: in recent years, the choice of fish available to consumers has been limited mainly to salmonids, with other traditional

[8]Source: Ennakkoarvion laatiminen rahoitusinstrumenttien käyttöönottamisesta Euroopan meri – ja kalatalousrahastosta, Lokakuu 2019, Gaia Consulting Oy.

local fish varieties not available to consumers in the same volumes. This example clearly shows what a mismatch between supply and demand means, and highlights the need for new ideas, product development and innovative approaches to resolve such a gap, not least with regard to funding solutions. It also highlights another specific feature of the beginning of the industry's value chain, which should not be disregarded when designing potential financial instruments. In order to ensure the continuity of fishing, inshore and inland fishing, it is necessary to be able to identify ways to secure the succession of older fishers. There is a risk that generational renewal and the lack of new entrepreneurs in the fisheries sector will become an issue for the sector.

- <u>Seasonal nature of production.</u> The ex-ante carried out by the Czech Republic[9] points out how fisheries are exposed to very strong fluctuations in both production and sales during the year, with credit institutions perceiving this matter as adding risk to this type of business. The result is either a refusal of funding or additional 'risk margins', higher interests, more demanding liability requirements or shorter maturities.

- <u>Influence of external factors on the fish production/farming process (unexpected risks of nature and man-made disasters, weather, water scarcity and quality, illnesses of breeds, etc.).</u> The viability of fishermen's business is strongly influenced by factors beyond their reach. As credit institutions regard this type of project as riskier, the consequence is that these projects are either rejected or entail additional 'risk margin', 'higher interest', more demanding liability requirements or shorter maturities. The ex-ante assessments of Bulgaria[10], Czech Republic and Croatia [11] clearly underline this failure, with Croatia pointing out that fish production/breeding is exposed to unforeseen natural risks and man-made disasters, as well as breed diseases, which puts pressure on the amount of guarantees required by lenders.

- <u>Regulatory aspects of operating.</u> Regulatory constrains particularly impact aquaculture sector (e.g. licensing). Just to name an example drawn from the Croatian and Finnish ex-ante assessments, fishing and fish farming are subject to authorisation and, in the case of fisheries, a number of stocks are subject to various restrictions in order to ensure the sustainability of fish stocks. The necessity to follow national regulation can be costly for a company and can be considered as a risk for credit institutions if companies are not able to able to meet regulatory criteria. Another interesting indication is offered by the ex-ante assessment conducted in Italy[12], which mentions the regulation on catch limits and closed fishing seasons, not in terms of legislation in the strict sense of the term, but in view of the relatively long timeframe for disbursement of compensation to the affected fishermen or owners of fishing vessels – in extreme cases, it may take a couple of years. The Irish ex-ante assessment[13] highlights how regulatory constraints affect the aquaculture sector in particular (e.g. licensing). The need to adhere to national regulation can be costly for farms and can become a risk for credit institutions should such fish farms being unable to comply with regulatory requirements. This regulatory pressure can also cause a sub-optimal investment situation for aquaculture businesses.

- <u>The demand for loans among fishermen as the main potential beneficiaries for loans in energy efficiency, catch selection, diversification of value added to fish products is limited or nearly non-existent.</u> In the fisheries sector, fishermen are not willing to borrow funds for the measures promoted by national programmes, such as diversification, environmental and innovation led investment: as the market price of the fished products does not reflect eco-related actions or services, fishers have difficulties in considering investments into environment and nature conservation measures. Many fishermen have taken some long-term commercial loans for the purchase of vessels several years ago, and this still influences their current operations. Vessels are usually used as collateral to secure most of their loans. Since 2017, uncertainty about the EU fish quotas has pushed fishers to adopt a rather conservative approach in relation to access to finance. In terms of current access to finance the fishermen claim to: (a) use only commercial loans while they have no experience with other financial instruments, (b) have problems in securing reliable collateral for commercial loans, (c) find administration costs and costs of development of business plans for obtaining

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[9] Source: Analýza zavedení finančních nástrojů v OP Rybářství 2020+, Finální verze analýzy, 27.8.2018, IREAS centrum, s. r. o.

[10] Source: 'Предварителна оценка за прилагане на финансов инструмент по ПМДР 2014-2020', 2014, Европул Консалтинг ООД; 'Предварителна оценка за прилагане на финансов инструмент по ПМДР 2014- 2020', 2020.

[11] Source: Ex-ante assessment of the use of financial instruments for investments in fishery and aquaculture sector for the programming period 2014-2020, November 2015, STRATEGIC Planning and Development Ltd.

[12] Source: Valutazione ex ante degli strumenti finanziari per il piano nazionale della pesca, Rapporto, Ref. Ares (2018)4962059 - 27.09.2018, UNIVERSITÀ DEGLI STUDI DI CASSINO E DEL LAZIO MERIDIONALE DIPARTIMENTO DI ECONOMIA E GIURISPRUDENZA, Responsabile scientifico: Marcello De Rosa.

[13] Source: Indecon Ex-ante Assessment of the Use of Financial Instruments within Ireland's European Agricultural Fund for Rural Development, and European Maritime and Fisheries Fund operational programmes, June 2017, Indecon.

loans too expensive. There is no clear and direct correlation between capital invested and increased income or savings.

Supply side observations:

- Lack of specific financial instruments or products available for the fishery and aquaculture sectors from national financial institutions. This failure is clearly evidenced and emphasised by all the ex-ante assessments examined in this report. Overall, these sectors do not have adequate financial support to develop their business. The financial market depends on commercial loans provided by banks and more favourable loans for agriculture and fishery provided by the specialised financial institutions. It follows that young, micro and/or small-scale enterprises, especially in fishery sector, are the ones facing most difficulties accessing the credit market.
- Banking conditions. The lack of credit history for SMEs can be considered by credit institutions as a reason for not providing the loan. Hence, banks will not provide funding even if the projects are viable. Collaterals – especially for early stage companies – are often requested by credit institutions and are seen as an obstacle by businesses. In addition, collateral requirements can sometimes exceed the funding request. The lack of collateral can also be considered as a reason to reject lending applications because of the potential risk that credit institutions might be exposed to. Lastly, limited economic margins can be considered by credit institutions as an additional reason for not granting the loan. Similarly to the failures listed above, all ex-ante assessments identify this gap as a major constraint to access to finance in the fisheries and aquaculture sectors, with Bulgaria, Italy and Spain detailing all hindering factors (e.g. credit history, risk aversion, asymmetric information, credit crunch, price and profit margin volatility etc.).
- Information asymmetries and imperfect transmission of information. Credit institutions do not have qualified expertise to assess aquaculture projects and evaluate the capacity of the project to generate new financial revenue sufficient to pay back the return financing, as pointed out by the Italian and Spanish ex-ante assessments.
- Complexity in predicting future cash flows. Business plans provided alongside with loan applications are important in the creditworthiness assessment of both the applicant and the project. Thus credit institutions must make sure that applicants will realise their investments/projects while being very dependent on external conditions (e.g., weather, water quality, quantity of products). In addition, credit institutions can be sceptical about the entrepreneurial skills of fishermen which can often lead to the rejection of the loan application.
- High transaction costs for small investments. Credit institutions are not willing to engage in small lending operations, close in size to micro-finance. This often translates into high loan interest rates and collateral requirements, as underlined by the Czech and Estonian ex-ante assessment. For example in Estonia[14], banks are not interested in new micro-enterprises and do not usually provide long-term (seven or more years) loans or investment loans under EUR 100 000.
- Some aquaculture areas have high dependency on public support. This specific dependence is related to the urgency and effort required to finance the investment. In addition, financing supply is cautious with funding of aquaculture projects which can be seen by the limited financing offer and the restricted share of loan applicant that are able to secure the financing of their projects under normal market conditions. In addition, pre-funding and co-funding of a project is limited or problematic for some applicants. A certain number of them do not have the opportunity to implement their projects even if the project is well structured and a potential return on investment is possible.
- Financing innovation. Supporting innovative activities and/or investment in innovation in fisheries and aquaculture is considered more risky than in other economic sectors and the lack of specialisation in the financial sector aggravates this even more. High level of collateral is required from banks to provide loans for innovative projects, which makes access to finance for start-up businesses and new entrants in the sector even more challenging. .

[14] Source: Ex-ante assessment report on financial instruments for 'Estonian Rural Development Programme 2014-2020' and 'European Maritime and Fisheries Fund (EMFF) 2014-2020 operational programme', 2014, Ernst & Young Baltic.

- Neglected positive externalities. Positive externalities generated by financing projects in the fisheries and aquaculture sectors (e.g. creation of jobs, innovation and sustainable growth) is not taken into consideration by lending institutions while assessing companies' business plan and its viability.

Based on the review of the ex-ante assessments carried for the use of EMFF financial instruments in the Member States, it could be concluded that funding gap exists in the fisheries, as well as in agriculture. The estimated gap figures for fisheries and aquaculture sectors vary across the countries and less in terms of different sectors. For example, Spain stands out with a market gap in the range of EUR 197.8 – 392.5 million, followed by EUR 20 million in Ireland, EUR 8.2 million[15] in Bulgaria, EUR 8.1 million in Italy, and EUR 1.5 in Lithuania. The analysis shows that financial instruments could be a suitable solution to address these gaps and that the managing authority's decision should reflect the market determinants and country specific situation.

[15] Source: 'Предварителна оценка за прилагане на финансов инструмент по ПМДР 2014-2020', 2014, Европул Кънсалтинг ООД. The following exchange rate is being used: INFOEURO in 2014, 1 EUR =1.95583 BGN.

2.3 Proposed types of financial instruments and products

The introduction of financial instruments as a form of intervention to support the fisheries and aquaculture sectors should be seen as a gradual process, with SMEs from these sectors being considered as the main target group to be supported through the instruments. Indeed, the uncertainty of the evolution of credit supply and demand for these sectors should not be underestimated, setting for example a pilot phase in the financial instrument(s) implementation with prudent programme allocations. Careful preparation and the appropriateness of financial instruments can play a key role in the creation of their success factors. When planning the instrument, it is important to ensure that it is designed to reflect actual and sufficiently broad needs in the market. The planning process must also take account of national economic contexts, legal requirements, policy orientations and, for example, the financial appetite of credit institutions towards the activities of target enterprises and the sectors at stake. For instance, according to Estonia's experience, financial instruments do not – and should not – always replace other aid schemes, but rather complement them.

Overall, financial instruments must contribute to a faster and more efficient implementation of operational programmes, the growth and sustainability of the fisheries and aquaculture sectors, and improve the availability of financial resources. The funding of the financial instrument should be proportional to the estimated credit gap for each sectors.

In addition to the implementation of financial instruments, most ex-ante assessments recommended the provision of technical support to key stakeholders, namely entrepreneurs and credit institutions. On this proposed measure, the Spanish ex-ante assessment goes further into detail, suggesting to provide early training and counselling services for entrepreneurs to help them to submit more bankable investment proposals. Financial institutions could also benefit from technical support solutions helping them to better assess the projects' feasibility, as well as support related to subsequent monitoring of the investments supported. In addition, administrative burdens that could hinder implementation of financial instruments should be reduced, so as not to discourage the use of financial instruments.

In light of the market failures outlined in Section 2.2 and based on the ex-ante assessments carried out for the use of EMFF financial instruments in the 2014-2020 period, the types of financial instruments products recommended in the different Member States to address the gap include inter alia:

- ✓ Capped portfolio guarantees;
- ✓ Risk sharing loans;
- ✓ Co-investment Facility.

It is also suggested to maintain subsidies programmes that directly generate income and are directed, for example, to environmental objectives and to sub-sectors or target groups 'most in need'. Financial instruments should be implemented either by measures whose projects have the potential for financially sustainable activities, but whose applicants (e.g. micro or small enterprises and start-ups) have limited access to finance from commercial banks. Funds returned as a result of the use of the financial measure may be reinvested to finance other projects.

Enterprises in the different parts of the chain face different challenges and it should be ensured that the financial instrument takes these challenges into account. The central element of Estonia's financial instruments has been the good knowledge and understanding of the fisheries sector by the body implementing the instrument, which is also shared with the banks that generally do not possess such knowledge.

Box 2. Main types of financial instruments products proposed by the ex-ante assessments

Capped portfolio guarantee (guarantee instrument)

Member States' ex-ante assessments envisaging this product: Bulgaria, Czech Republic, Finland, Ireland, Italy, Spain.

Given the limited access to finance for SMEs in the fisheries sector and in particular for micro-enterprises (i.e. due to lack of sufficient collateral and relatively high credit risk), setting up of a guarantee type of instrument has been suggested in a number of Member States as a suitable solution to address the market failures identified in short, medium and long-term debt financing.

The features of the instrument could allow a higher leverage effect on the programme contributions and thus mobilising additional private resources to address the market gap and the main constraints faced by the sector in access to finance. By providing credit risk protection to the selected financial intermediaries, this instrument would normally allow SMEs to benefit from bank financing at favourable terms, including:

- Lower or no collateral requirements, as well as lower risk premiums;
- Longer loan maturities;
- Lower or no guarantee fees; and/or
- More flexible repayment schedules.

These features may vary according to the managing authority's policy objectives and criteria set for the selection of the financial intermediaries, the offers submitted by the candidates and the outcome of the negotiation process between the managing authority and the selected candidates.

Co-investment facility (co-investment instrument)

Member States' ex-ante assessments envisaging this product: Finland[16], Ireland.

The objective of the co-Investment instrument is to build a portfolio of equity investments into SMEs, pooling together the resources of the EMFF programme, the financial intermediary's own resources and private co-investors resources.

This financial instrument aims to support investment in SMEs at different stages of their development - seed, start-up, and expansion - or for the realisation of new projects, penetration of new markets or new developments by existing enterprises. In line with the objectives of the programme, for example particular focus could be put on SMEs developing a new type of business, which usually are considered to have a higher risk profile.

The purpose of a co-investment instrument could be to:

- Provide more capital to increase investment volumes for SMEs in the fisheries sector at different stages of their development;
- To co-invest with market investors (business angels, venture capital funds, venture capital and private equity operators), in order to attract other equity investors; and
- The development of a profitable business in the medium term.

The co-investment facility investing on a *pari passu* basis together with other private operators (co-investors) acquires shares in fisheries SMEs. Other co-investors should be economically and legally independent from the financial intermediary managing the co-investment facility.

In addition to providing the target companies with investment capital, the co-investment fund manager plays an important role in securing the necessary rights to support the management and growth of the business. Typically the shareholders' agreement will allow the fund manager to follow closely the key decision for the business development of the company.

Risk sharing loan (loan instrument)

Member States' ex-ante assessments envisaging this product: Bulgaria, Czech Republic, Estonia, Finland, Ireland, Italy, Lithuania, Spain.

[16] In the Finnish ex-ante assessment report, this product is referred as collective investment instrument.

A loan instrument for fisheries and aquaculture SMEs based on a portfolio risk-sharing loan model could be set up with contributions from the EMFF programme and additional resources of the financial intermediary to finance a portfolio of newly originated loans. The EMFF programme contribution and the additional resources provided by the intermediary bear, at any time, the losses and benefits in proportion to their contributions (pro-rata). This type of financial product could target micro, small and medium-sized enterprises dealing with (or starting) production of aquaculture products and fish processing, who need additional capital but who have difficulties in obtaining a bank loan.

The objective of this instrument is to facilitate access to finance for SMEs by providing the financial intermediary with a financial contribution and credit risk sharing, so that SMEs receive more funding on preferential terms, such as:

- Lower interest rates;
- Longer repayment periods;
- Possibility of grace periods; and
- In some cases, reduced collateral requirements.

Based on the market failures identified in the specific Member State, the characteristics of the instrument could be tailored to better address the needs of the target group. For example, micro loans (normally less than EUR 25 000) could be offered to micro enterprises in farming, commerce, handcraft, food, etc., which often face constraints in access to credit because they lack collateral and a credit history.

It should be mentioned that some ex-ante assessments, including those carried out by Bulgaria, Czech Republic and Ireland, recommend the design of some financial products resulting from the combination of other products, such as a risk-sharing loan and a grant, or a risk-sharing loan and interest rate/guarantee fee subsidy.

More on the theme of complementarity, financial instruments could be designed to be accessible to enterprises in the agriculture and seafood sectors, allowing to combine EAFRD and EMFF funding (e.g. Estonia, Ireland, Italy, Latvia, and Lithuania). Indeed, the ex-ante assessments highlighted how a financial instrument targeting the seafood sector has difficulties in reaching a minimum critical mass and therefore could not be considered as viable. In addition, the ex-ante assessment carried out by the Irish managing authority suggests that the funding of the financial instrument should be proportional to the estimated credit gap of each sector, namely agriculture (EUR 23 million), and fisheries and aquaculture (EUR 4 million). However, it should be borne in mind that these forecasts may vary over time depending on demand trends.

Another aspect in this context analysed by the Finnish ex-ante assessment[17] refers to possible integration of EMFF with other innovative funding solutions and aid measures, such as impact investing. Given the wide range of development challenges faced by fisheries and aquaculture sectors, but their likewise growth potential, investing in sustainability and efficiency is becoming a viable option for financing projects of significant impact on society. Moreover, fisheries and aquaculture industry transcends the mere economic impact, as it is also closely linked to environmental and social considerations.

For example, the Finnish ex-ante assessment highlighted two innovative financing solutions of this type, namely Social Impact Bonds (SIB)[18] and Blue Bonds[19] (sustainable fisheries financing), which can provide additional ways to finance the future development of a sustainable fisheries sector. The Social Impact Bond (SIB) is a form of impact investing, in which institutional and private investors fund services that promote well-being and assume the risks associated with the provision of these services. Projects are given precise, measurable targets, which reflect the desired increase in well-being. The public sector only pays for results that are in line with the set targets. As for Blue Bonds, in January 2019, the Nordic Investment Bank (NIB) issued a SEK 2 billion (EUR 195 million) bond to protect and rehabilitate the Baltic Sea. The bond[20] was issued under the NIB Environmental Bond Framework, focusing on water projects and lending to waste water treatment and water pollution prevention projects, storm water systems and flood protection, protection of water resources, protection and restoration of water and marine ecosystems and related biodiversity.

[17] Source: Ennakkoarvion laatiminen rahoitusinstrumenttien käyttöönottamisesta Euroopan meri – ja kalatalousrahastosta, Lokakuu, 2019, Gaia Consulting Oy.
[18] Source: https://www.sitra.fi/en/projects/sib-funds/.
[19] Source: https://www.nib.int/who_we_are/news_and_media/news_press_releases/3170/nib_issues_first_nordic-baltic_blue_bond.
[20] The bond has a maturity of five years and a coupon of 0.375%, and was twice oversubscribed. Overall, by marketing the bond as a Blue Bond, the NIB tried to raise awareness of the damage being suffered by the Baltic Sea, allowing investors to specifically target water investments to address these Baltic Sea challenges. Source: https://www.nib.int/who_we_are/news_and_media/news_press_releases/3170/nib_issues_first_nordic-baltic_blue_bond.

2.4 Main types of financial instrument implementation options

As with grant schemes, the administrative burden associated with the set-up and implementation of financial instruments could turn out to be rather heavy. In this regard, given the size of the EMFF budget and the needs to obtain a sufficient critical mass to justify implementation and management cost, it might be advisable to managing authorities to set-up instruments in synergy with other funds as suggested for Ireland and Lithuania (see Box 3).

The ex-ante assessments carried out in the eight Member States, reviewed in the framework of this study, also proposed governance options to manage the financial instruments laid out in Section 2.3. This Section provides a summary of the main elements of the three implementation options suggested:

- ✓ Structure of the financial instrument without use of third party/mandated entities (without Fund of Funds). Should only one financial instrument be established and taking into account the country specific context, an appropriate approach might be the use of a structure without Fund of Funds, whereby the managing authority entrusts funds directly to the selected financial intermediaries. Then, the latter in turn, disburse them to the final recipients, in particular eligible SMEs, entrepreneurs and project promoters. Within this option, major part of the responsibilities and obligations relating to any aspect of the implementation, management and control of the financial instrument, e.g. selecting financial intermediaries or ensuring the monitoring of funding disbursements, lies with the managing authority. In view of this option, considerable capacity and resource input on the part of the managing authority might be necessary to facilitate the set-up and implementation of the process. Another aspect to be considered in case of this option is the limited flexibility in the management of the funding agreements, e.g. difficult to reallocate resources between financial intermediaries.
- ✓ Structure of the financial instrument through a fund of funds, potentially managed by IFIs, NPBIs, the EIB Group or other mandated entity, in accordance with the Common Provision Regulation[21]. Again, depending on the country-specific situation, this solution is mostly considered but not only, if the objective of the managing authority is to set up and manage several financial instruments in parallel. The fund of funds manager is appointed by the managing authority and must have a sound investment management structure to ensure that the terms and standards of quality, independence and professional expertise are trustworthy and transparent. Thus, this implementation option is preferred and adopted in Member States, where the skills and knowledge of the managing authorities on financial instruments are limited, also allowing to reduce the administrative burden and resource input needed. Under this structure, the managing authority first entrusts the Fund of Funds manager, who then selects, and manages the professional relationship with, the financial intermediaries. In this case, the managing authority could rely on the Fund of Funds procedures (i.e. procurement, selection, management, etc.), envisage different types of financial instruments in the investment strategy, and adjust their implementation according to market potential changes. As an alternative to a structure of the financial instrument without Fund of Funds, the Fund of Funds solution provides the managing authority with greater flexibility: if needed, resources could be more easily reallocated between financial intermediaries and instruments, albeit within a single administrative structure.
- ✓ The managing authority may directly provide loans or guarantees to final recipients without a fund of funds structure. This option is foreseen in the CPR (only in case of loans and guarantees) allowing the managing authority itself (or an intermediate body) to directly implement the financial instrument, i.e. to provide loans and guarantees to final recipients rather than via financial intermediaries. This option does not require signature of a funding agreement, but of a 'strategy paper' to be submitted to the Monitoring Committee and relatively quick implementation if the managing authority already has experience with such type of support instrument. In addition, existing payment procedures in place for the EMFF grants could be used (i.e. 'ex-post' reimbursement of loans disbursed or guarantees incurred). Management costs and fees are not eligible expenditure, but the costs of the managing authority related to the implementation of the instrument can be covered using the Programme's Technical Assistance budget. This option provides the managing authority with a more substantial role and autonomy, but also greater obligations (e.g. monitoring and reporting), which makes this solution suitable, when the managing authority has sufficient technical knowledge for loans or guarantees, and must deal with a limited number of interventions that do not justify the creation of a stand-alone fund.

[21] According to Article 38(4) of the CPR, the body implementing financial instruments 'shall ensure compliance with applicable law, including rules covering the ESI Funds, State aid, public procurement and relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud'. According to Article 38(5) of the same regulation, 'financial intermediaries shall be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interest'.

It is also worth pointing out that some managing authorities, such as Croatia, did not provide for the establishment and management of any instrument, since no financial instruments were foreseen in the EMFF Programme, and the ex-ante assessment did not clearly justify the allocation of funds and the establishment of a financial instrument to the managing authority.

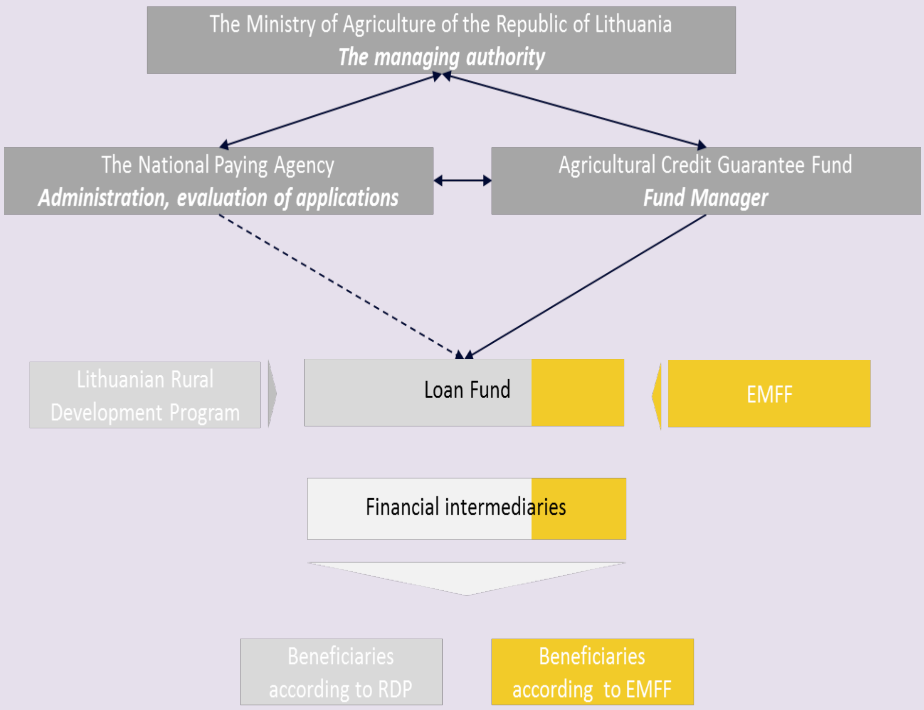
For example, the Box below illustrates a proposed implementation structure in Lithuania.

Box 3. Proposed financial instrument implementation structure in Lithuania

As highlighted by the ex-ante assessment carried out by Lithuania, risk-sharing loans, financed by the EMFF, could be applied. The ex-ante assessment proposed to apply this type of product to support productive investment in aquaculture and processing of fisheries products.

Based on the limited size of the EMFF fund for Lithuania, and considering the administrative burden and the cost for the set-up and management of a financial instrument, the ex-ante assessment suggested to evaluate the possibility to set-up an instrument combining EMFF with other ESI funds (e.g. the EAFRD). This would create synergies and ensure a higher level of efficiency.

Figure 15 Suggested financial instruments implementation scheme in Lithuania.



Source: EMFF ex-ante assessment commissioned by the Lithuanian managing authority, 2018.

2.5 Conclusions

Based on the review of ex-ante assessments carried out in this Part, the fisheries and aquaculture sectors display serious market failures, challenges and uncertainties, which should be addressed effectively. In this respect, all ex-ante assessment findings agree that one of the key solutions to the above issues could be the development and implementation of ad-hoc/pilot financial instruments.

These sectors are facing a number of transformations and, in the environmental sustainability context, uncertainty about the supply of financial resources is increasing, hampering the development and allocation of investments required to ensure the continuity and a sustainable reforming process. In addition to national policies and measures, the ex-ante assessments showed that efforts are being made to promote the development of the sectors through the EU Common Fisheries Policy.

Clear, sound and long-term public sector interventions, including financial support, should mobilise private funding for the development of a sustainable and economically viable activity in the sectors. Indeed, the financial sector tends to impose conditions and request for collateral and/or guarantees as a condition sine qua non for debt financing. As evidenced in the ex-ante assessments, there are a number of significant uncertainties in the fisheries and aquaculture sectors that justify the recommendation of publicly funded financial instruments to address market failures, achieve required structural changes along the value chain and, overall, ensure the future sustainability of these sectors. Finland and the Czech Republic have already outlined a prospective investment strategy for the post-2020 period, in which the use of financial instruments under EMFAF is envisaged or considered.

Given the wide range of development challenges facing the fisheries and aquaculture sectors, but their likewise growth potential, an integrated use of EMFF funding with other innovative funding solutions and aid measures viable for the development of these sectors could be further examined. In this respect, it is important to note that, inter alia, impact investing in sustainability and efficiency is becoming a viable option for financing projects of significant impact on society (e.g. using innovative financing solutions such as Social Impact Bonds and Blue Bond). Moreover fisheries and aquaculture industry transcend the mere economic impact, as it is also closely linked to environmental and social considerations.

3. PART III. EXPLORING THE POTENTIAL USE OF EMFAF FINANCIAL INSTRUMENTS POST-2020

3.1 A glimpse in the regulatory provisions for the 2021-2027 programing period

The 2021-2027 MFF, boosted by the Next Generation EU recovery fund, provides an ambitious and comprehensive package of investment for EU Member States. The EU budget aims to support a green and digital recovery plan, creating and supporting jobs and building a stronger and more resilient union for Europe's future generations.

The European Maritime, Fisheries and Aquaculture Fund (EMFAF) for the period 2021-2027[22] amounts to EUR 6.108 billion. It supports the EU common fisheries policy (CFP), the EU maritime policy and the EU agenda for international ocean governance by providing financial support for developing innovative projects ensuring that aquatic and maritime resources are used sustainably. It is expected that EUR 5.311 billion will be implemented under 'shared management' through national programmes co-financed between the EU and Member States, while the remaining sum will be implemented directly by the European Commission ('direct management'). In line with the European Green Deal, actions under the fund will contribute to achieving the horizontal targets set in the MFF for climate and biodiversity objectives (i.e. 30% of all EU expenditure towards meeting climate objectives; 7.5% of annual EU spending in 2024 and 10% in 2026 and 2027 towards meeting biodiversity objectives).The EMFAF support can be provided through grants and through financial instruments.

Financial instruments (including in combination with grants) remain an important tool, supporting investment under the 2021-2027 MFF in economic, social and territorial cohesion and natural resources and the environment. EMFAF investments through financial instruments could be used to strengthen the resilience of the aquaculture and fisheries sectors and provide the necessary scope for crisis management. Furthermore, if the support is provided in the form of financial instruments, the draft EMFAF Regulation[23] provides for 100% intensity of the public aid[24] and no requirement for private funding.

The final compromise text of the draft 2021-2027 Common Provisions Regulation (CPR)[25], published by the European Commission in February 2021, includes at Articles 52-56 the rules governing the implementation of financial instruments, applicable for the EMFAF financial instruments. This provides a simplified, more flexible framework for the implementation of loan, guarantee and equity financial instruments, including greater scope to combine grants in a single operation to maximize the impact of the investments.

In addition, Article 10 of the CPR provides a possibility to the Member State to contribute to InvestEU (Member State compartment and/or for the InvestEU Advisory Hub) up to 2 % of the initial allocation of each Fund. Member States, with the agreement of the managing authority concerned, have the possibility to further allocate an amount of up to 3% of the initial national allocation of each Fund after 1 January 2023 through one or more programme amendment requests. Such contributions shall be used for support under the same programme objective or objectives in the form of financial instruments or budgetary guarantees and shall be implemented following the rules established in the InvestEU Regulation[26].

Building on the lessons learnt in 2014-2020 period and recognising the advantages of financial instruments, their use is expected to further intensify due to the improved and more flexible implementation options. The latter will further allow EMFAF managing authorities to develop tailored support packages addressing needs of targeted groups and policy objectives, such as generational renewal (while avoiding overcapacity and overfishing), support for the whole seafood value chain to face current and future challenges.

[22] According to EU legislators' provisional agreement reached on 04/12/2020 on how EU countries will be able to spend funds allocated to fisheries and aquaculture for 2021-2027. Further see: https://www.europarl.europa.eu/news/en/press-room/20201126IPR92519/6-1-billion-eur-for-sustainable-fisheries-and-safeguarding-fishing-communities.
[23] EMFAF Regulation text agreed at political level, available here: https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/PECH/DV/2021/02-22/EMFAF_consolidated_clean_EN.pdf.
[24] With the exception of financial instruments related to operations supported under Articles 16, 16a and 16b of the EMFAF Regulation in which cases the maximum aid intensity rate is capped at 40% as specified in Annex III of the same Regulation.
[25] CPR text agreed at political level, available here: https://data.consilium.europa.eu/doc/document/ST-6180-2021-INIT/en/pdf.
[26] In accordance with Article 10 of Regulation (EU) 2021/523 of the European Parliament and the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017, available here: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0523&qid=1620199987347.

Financial instruments co-funded by the EMFAF could be a sustainable and efficient way to contribute to sustainable and profitable fisheries and aquaculture and to the development of local coastal communities, in particular through the following investments:

- Investment in energy-efficiency technology and equipment and for the purchase of selective gears;
- Productive investments in aquaculture and in the processing sector;Improvement of health, safety and working conditions on board fishing vessels,;
- Investment in innovative blue economy projects in local communities;

In line with the objectives of the European Green Deal and Sustainable Development Goal 14[27], they can support a broad range of development objectives to the benefit of a wide range of recipients with the potential for funds to be reused for further investments.

Financial instruments can be co-funded by the EMFAF to support the investment priorities outlined in the EMFAF programmes by Member States. Financial instruments funded by the EMFAF can potentially support the majority of measures covered by the EMFAF, provided that they address an identified market gap, i.e. areas of activity where banks are unwilling to lend and/or where the private sector is unwilling to invest.

Financial instruments are available to all kinds of recipients within the fishery and aquaculture sectors undertaking revenue-generating or cost-savings projects. As was the case in the EMFF regulation[28], the EMFAF stipulates that in the processing sector, support to enterprises that are not SMEs can only be provided by means of financial instruments[29] or through InvestEU, as well as in the case of productive aquaculture investments. EMFAF financial instruments may therefore play a significant role for this target group. Faced with reduced amounts of funding relying on the financial institutions' involvement and expertise will be key to address its financing needs.

An additional possibility is to explore synergies with other financial instruments already set up or to be established under the other shared management funds ERDF, ESF+ or EAFRD. A broad range of EMFAF-supported financial instruments can be potentially implemented taking the form of loans, guarantees, equity or combination of support measures. Financial instruments can also be offered in combination with grants and other forms of support. It is often necessary to improve 'investment readiness' as a pre-requisite for attracting investment funds. Simplifications offered in the new CPR regarding combination of support allow for more flexibilities, such as application of same eligibility rules (i.e. the rules of the financial instrument) to both financial instrument and grants, the possibility that the combined type of support is provided by the same body implementing the financial instrument, performance based grants in the form of capital rebates, etc.

Financial instruments co-funded by the EMFAF can contribute to the long-term development and diversification of the sector and investment in it by supporting activities in areas where levels of investment have often been suboptimal and stimulating the development of commercially-viable projects thus opening up new market opportunities. They can also create opportunities for investors and financial intermediaries. Access to financing has typically been costly and difficult for firms in the fisheries and aquaculture sector. Developing financial products to address sector-specific needs may be a favourable option to make it easier and timely compared to grants for targeted enterprises in the sector to access funding for their projects.

Efforts aimed at increasing financial intermediaries' understanding of the EMFAF eligibility rules (e.g. complexity of the conditions related to investments on board fishing vessels) applicable to operations supported through the financial instruments may positively affect financing of the sectors and attract involvement from financial institutions.

In 2014-2020, apart from Estonia, financial instruments were not used under the European Maritime and Fisheries Fund (EMFF). In addition, a number of Member States carried out an ex-ante assessment for the use of financial instruments under their EMFF operational programmes and though a decision to proceed with implementation was considered, due to various reasons the potential financial instrument roll out had been shifted towards the 2021-2027 period (e.g. Spain, Finland).

Feedback from the fi-compass EMFF survey shows that managing authorities consider use of financial instruments in the post-2020 period, which could further benefit from the simplification and flexibilities introduced to financial instruments' rules in the proposed 2021-2027 CPR. Capacity building measures aimed at further enhancing EMFAF

[27] Sustainable Development Goal 14: Conserve and sustainably use the oceans, seas and marine resources. More information available at https://www.un.org/sustainabledevelopment/oceans/.
[28] See Article 69(2) of Regulation (EC) 508/2014 of the European Parliament and the Council of 15 May 2014 on the European Maritime and Fisheries Fund (available here: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0508-20201201&qid=1620745419934&from=EN) and Article 25 Processing of fishery and aquaculture products of the EMFAF Regulation text agreed at political level.
[29] In line with the provisions of Article 52 Financial instruments of the CPR text agreed at political level.

stakeholders – managing authorities staff, final recipients and financial intermediaries – knowledge on financial instruments could be of help.

3.2 Other financial instruments and initiatives at national and EU level

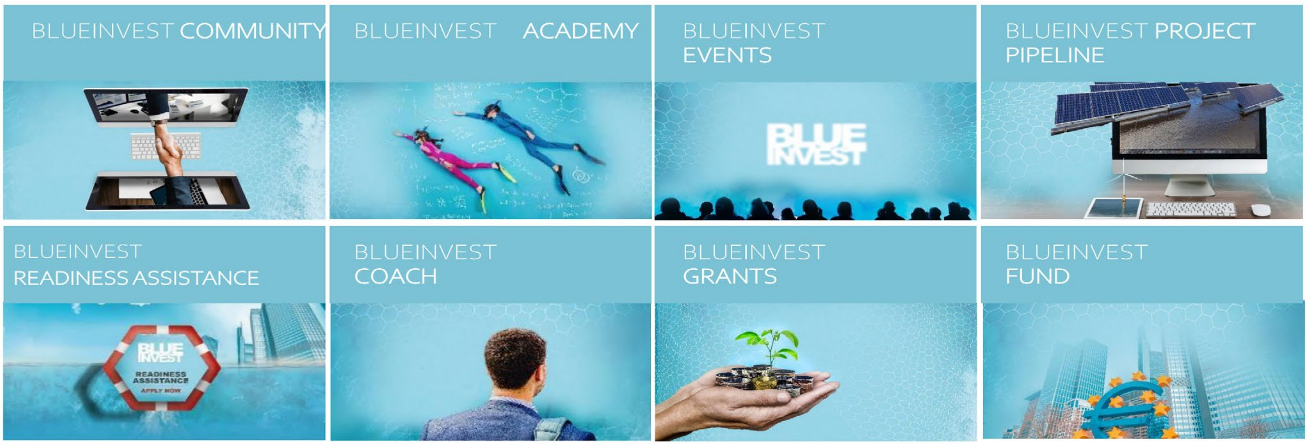
Although over the 2007-2013 and 2014-2020 programming periods only a few Member States have been using financial instruments respectively under EFF and EMFF, operational knowledge indicates that there is a progress on the ground, that ex-ante assessments have been undertaken and decisions on whether and how to proceed are discussed in view of the post-2020 MFF. In addition, evidence collected for the purpose of this analysis through desk research and interviews with relevant stakeholders show there is a potential for increasing the use of financial instruments for supporting sustainable fisheries and aquaculture and investments in blue economy. This Section provides a brief overview of two initiatives in support of Blue Economy objectives set up at EU and at national level in Portugal.

3.2.1 BlueInvest Fund

As of early 2020, the European Commission (EC) and the EIF have been making available additional resources through initiatives under the EFSI Equity Instrument and InnovFin Equity to further support sector specific innovations, such as artificial intelligence, block chain, space technology, impact investing and blue economy. The latter sector is expected to play an important role in the transformation to a carbon-neutral economy by 2050, an ambition announced in the European Green Deal.

In the context of these initiatives, the EC and the EIF launched in January 2020 the BlueInvest Fund - a new equity initiative supporting the EU policy objective to stimulate investments in the innovative blue economy under the EFSI Equity Instrument under the Expansion and Growth Window, supported by the Investment Plan for Europe[30]. The EFSI resources allocated by the EC to the BlueInvest Fund amount to EUR 75 million and the management the Fund has been entrusted to the EIF. Through the BlueInvest framework, DG MARE, Executive Agency for Small and Medium-sized Enterprises (EASME) and EIF aim at providing different financial tools to support the growth of EU early-stage businesses, SMEs and scale-ups active in the blue economy sector

Figure 16 BlueInvest Features.



Source: BlueInvest platform[31], 2020.

The BlueInvest Fund is part of the BlueInvest[32] initiative aimed to boost innovation and investment in sustainable technologies for the blue economy, by supporting readiness and access to finance for early-stage businesses, SMEs and scale-ups. Enabled by the European Maritime and Fisheries Fund, managed by DG MARE, the BlueInvest features include an online community, investment readiness assistance for companies, investor engagement, events, an academy and a projects pipeline.

[30] The Investment Plan for Europe (2014-2020) focuses on boosting investment to generate jobs and growth by making smarter use of financial resources, removing obstacles to investment, and providing visibility and technical assistance to investment projects.

[31] Presentation, DG MARE, EIF, PwC, 14 May 2020, WEBINAR SERIES Introducing the BlueInvest Fund: Sustainable financing for the Blue Economy, available at: https://webgate.ec.europa.eu/maritimeforum/en/system/files/blueinvest_webinar_investors_intro_to_blueinvest.pdf.

[32] More information about BlueInvest is available at https://webgate.ec.europa.eu/maritimeforum/en/frontpage/1451.

The BlueInvest Fund is managed by the EIF and will provide financing to underlying equity funds that strategically target and support companies in the blue economy sector. Thanks to the financing offered by the EIF backed by EFSI, financial intermediaries are able to invest into eligible final recipients, enhancing their expansion and sustainable growth.

The financing support under the BlueInvest Fund, taking the form of (quasi-) equity investment, is made available through a fully delegated model by EIF to financial intermediaries. For this purpose, in March 2020 the EIF launched a Call for Expression of Interest (CoEI)[33] to select financial intermediaries. The framework under which the equity investments under the BlueInvest Fund shall be made available will be set by EIF in the funding agreements to be signed with the selected financial intermediaries.

Final recipients shall address themselves to the selected financial intermediaries to request financing and benefit from the BlueInvest Fund. The selection of portfolio companies and funding approval lie solely with the financial intermediary, according to their investment strategy and the rules of the BlueInvest Fund.

The financial intermediaries under the BlueInvest Fund are expected to build a portfolio of investments in EU companies at early and/or expansion and growth stage, which are:

- Active in research, development or operations of the blue economy-related activities; or
- Exploiting marine environment data or information in order to research, develop or manufacture products and/or services; or
- Transferring non-blue economy sectors technologies and/or data to BE-related activities; or
- Otherwise pursuing digitalisation in blue economy technologies, products or services.

Eligible target final recipients under the instrument include SMEs, Small Mid-caps[34], Social Enterprises or Social Sector Organisations established or operating in the EU.

In addition, companies included in the portfolio of EIF-backed funds under BlueInvest may simultaneously benefit from EMFF grant schemes available under a DG MARE Call for proposals and managed by the Executive Agency for Small and Medium-sized Enterprises. By these means, the objective is to support innovative technologies and/or maritime services improve their market readiness and advance towards market entry, at the same time fund managers would benefit from a de-risking component of their investment. The 2019 Blue Economy Window call was launched with a total budget of EUR 22.5 million and from the 104 proposals submitted 10 high-profile candidates were retained for funding. The 2020 BlueInvest call (with EUR 20 million budget) remained opened for applications until the end of November 2020.[35]

Thanks to BlueInvest the EIF provides equity investments to or alongside funds or other entities focusing directly or indirectly in the marine and maritime sectors. The scope is to attract additional private investment and catalyse the development of this sector, e.g. each financial intermediary shall allocate at least 50% of the invested amounts in the target final recipients. Through this initiative, the EIF shall invest in equity funds whose investment strategies target partially or fully economic activities including lower greenhouse gas emissions, a more circular economy, energy security, adaptation to climate change, inclusion of coastal communities, creation of high-value blue economy jobs, better coastal protection, sustainable use of natural or cultural capital.

At its deadline in November 2020, the second Call for Expression of Interest resulted in an oversubscription, indicating the strong interest from the market for this types of initiatives. It is expected that by 2021, BlueInvest Fund could commit all the allocated resources in several funds selected by the EIF. As of January 2021, EIF has deployed EUR 45 million of the EUR 75 million BlueInvest pilot initiative in two fund funds - Astanor Ventures and Blue Horizon Ventures I[36]. Three additional fund investments have already been approved and are expected to be signed in the coming months, thus mobilising over EUR 300 million of equity funding for investment in innovative and sustainable ventures active in the Blue Economy.

[33] EFSI Equity Instrument, Guidance for funds investing in the Blue Economy, https://www.eif.org/what_we_do/equity/efsi/index.htm.
[34] Small mid-cap is an enterprise (within the meaning of Article 1 of the Title I of the Annex of the Commission Recommendation 2003/361/EC) which: a) has up to 499 employees calculated in accordance with Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation; and b) is not an SME.
[35] Source: BlueInvest platform, https://webgate.ec.europa.eu/maritimeforum/en/frontpage/1451.
[36]Source: EIF, 2021, https://www.eif.org/what_we_do/equity/news/2021/first-blueinvest-fund-agreements-secure-eur-45-million-blue-economy.htm.

Hence the BlueInvest Fund aims to cover a broad range of blue economy-related activities in various geographies, in an attempt to foster the emergence of a self-sufficient Blue Economy Venture Capital ecosystem with the potential to attract at least EUR 150 million from private sources.

Building on the comprehensive model of the BlueInvest initiative, the quick roll out of the BlueInvest Fund will allow to understand the needs of the blue economy sector to develop efficient dedicated financing tools also in the coming years. Lessons learnt from the experience of BlueInvest could be helpful for the design and formulation of the future EMFAF or InvestEU initiatives for the Blue economy in line with EU Green Deal goals, offering a broad package tailored to the sector needs, i.e. combination of support.

The BlueInvest initiative also played an important catalytic role for setting up the PORTUGAL BLUE financial instrument programme aimed at supporting blue economy investments in Portugal (Section 3.2.2) showing grounds for the potential use of such support instruments in future.

3.2.2 PORTUGAL BLUE initiative for blue economy investments

PORTUGAL BLUE is an initiative launched in August 2020 by the European Investment Fund (EIF) and the Portuguese national promotional institution, Instituição Financeira de Desenvolvimento (IFD) under a National Promotional Institution (NPI) Framework Agreement with Fundo de Capital e Quase Capital (FCQC) aiming at supporting Portuguese companies active in the area of Blue Economy[37] with a view to access early-stage, growth and expansion equity capital. PORTUGAL BLUE consist of a EUR 50 million equity investment programme co-financed by the Portuguese Ministry of Sea with resources from Fundo Azul[38], to support one or more funds targeting blue economy investments primarily in Portugal and seeking to achieve measurable climate and sustainable development impact.

The EIF and IFD each contributed EUR 25 million to this joint programme, which is expected to catalyse over EUR 75 million of investments into final recipient companies. The aim is to crowd in additional resources from private investors, and commit the funding into up to two funds (financial intermediaries) focused on blue economy with a climate impact and sustainable development objectives.

An open Call for Expression of Interest[39] was launched at the end of October 2020 by EIF in cooperation with IFD to select financial intermediaries.

The objective of PORTUGAL BLUE is to foster the Portuguese blue economy ecosystem by providing funding to start-ups, SMEs, Mid-caps[40] through venture capital and private equity funds managed by teams based in Portugal. PORTUGAL BLUE aims at building local capacity by supporting emerging fund managers which focus a significant part (at least 1.5x the amounts drawn down from IFD managed resources under PORTUGAL BLUE for the purpose of investments) of their investments into companies operating in blue economy sectors. In addition, the Investment Fund Manager must endorse and adhere to the Sustainable Blue Economy Finance Principles[41] and to the EIF Environmental, Social and Corporate Governance (ESG) Principles.[42] Furthermore, it is expected that a methodology will be developed with a view to measure and report on climate and sustainable development impact of investments, by means of establishing specific climate and sustainable development performance indicators upon which the access to carried interest may be contingent.

Targeted final recipients under the PORTUGAL BLUE initiative are SMEs or Midcaps active in the blue economy. Blue economy refers to all economic activities that take place in the marine environment or that use sea resources as an input, as well as economic activities outside the marine environment that are involved in the production of goods or the provision of services that will contribute to those activities. They can also be land-based activities such as, micro-algae production and processing, land-based aquaculture, or similar activities.

[37]Blue Economy, in principle, includes economic activities that take place in the marine environment or that use sea resources as an input, as well as economic activities outside the marine environment that are involved in the production of goods or the provision of services that will contribute to those activities. They can also, in principle, be land-based activities such as, for instance, micro-algae production and processing, land-based aquaculture, or similar. EIF's CoEI, 2020, available at https://www.eif.org/what_we_do/resources/portugal-blue/calls/coei-portugal-blue.pdf.
[38]Further information is available at https://www.dgpm.mm.gov.pt/fundo-azul.
[39]The Call for Expression of Interest with details on how to apply is available at https://www.eif.org/what_we_do/resources/portugal-blue/calls/coei-portugal-blue.pdf.
[40]Means an enterprise which together with the enterprise(s) it controls and the enterprise(s) (if any) which have direct or indirect control over it (i) has up to 3 000 employees on a full-time equivalent basis and (ii) is not an SME.
[41] Source: https://ec.europa.eu/maritimeaffairs/befp_en.
[42] Source: https://www.eif.org/news_centre/publications/esg-principles.htm.

The PORTUGAL BLUE initiative is a good example (even though in its early stage of implementation) of how the use of equity financial instruments could catalyse additional private investments for blue economy investments in Portugal and contribute to development of the local blue economy ecosystem. In addition, the initiative is seeking to achieve positive climate impact and sustainable development and thus will contribute to meeting EU Green Deal goals.

3.3 Member States preparations for the use of EMFAF financial instruments

Looking ahead at the 2021-2027 period, a number of EMFAF managing authorities are in the process of preparing their ex-ante assessments and exploring the possibility to use financial instruments in their programmes, inter alia, Estonia, Finland, Czech Republic and Latvia. Decisions will depend on the outcomes of the ongoing national consultations and the final provisions for the 2021-2027 MFF framework.

The proposed rules for financial instruments' implementation (i.e. ex-ante assessment preparation) in the 2021-2027 Common Provisions Regulation could facilitate the set-up and use of financial instruments under the EMFAF.

Estonia commissioned in 2019 the preparation of an ex-ante assessment covering both the potential use of financial instruments in the framework of the 2021-2027 EAFRD and EMFAF. The study completed in April 2020 identified an estimated demand for finance in fisheries sector of approximately EUR 28 million. Based on the Estonian experiences with the 2014-2020 EMFF financial instruments, the proposed EMFAF Programme allocation to address the gap identified for the post 2020 period is approximately EUR 11 million. The expected leverage to the Estonian EMFAF resources is 2.5 times. In order to achieve the goals of Estonian and EU environmental and climate policy, further investments in fisheries sector might be required, which could lead to an increased demand for the financial instruments products. Main findings of the ex-ante assessment regarding market situation for the sector indicated that there is need for long-term investments and loans with lower interest rates, start-ups and young entrepreneurs have difficulties to obtain loans, banks lack sector-specific knowledge, as well as existing market failure in vessel modernisations.

As indicated in PART II:

- The Finnish EMFF managing authority completed in October 2019 its ex-ante assessment for financial instruments. The assessment studied the whole value chain (fishing and aquaculture and processing) showing that access to finance conditions vary for different parts of the value chain. A market gap was identified for financial instruments in the fishing sector, especially for small-scale fisheries, which could be possibly addressed through a guarantee instrument. In addition, a risk-sharing loan instrument and collective investment instrument have been recommended to be considered for set-up in 2021-2027. The managing authority is exploring the possibility to roll out the proposed financial instruments implementation in its post-2020 programme after the legal base is approved.
- The Czech ex-ante assessment concluded that all possible types of financial instruments products (loans, guarantees and equity) could be considered suitable for addressing aquaculture fisheries sectors needs in the Czech Republic during the 2021-2027 programming, as well as a combination of support with grants. The ex-ante assessment recommended that the proposed investment strategy for the future financial instrument should take into account the country specificities and to develop the possibility of linking the use of loans combined with grants ('net soft loans') with the provision of specialised advice. On the supply side, two main constraints have been identified by the banks when assessing the viability of aquaculture businesses - lack of positive cash flow, as well as the lack of sufficient collateral.
- Latvia launched a national horizontal ex-ante assessment in preparation for the 2021-2027 programming period looking at the possible use of financial instruments as a support tool under the five shared management funds – EAFRD, ERDF, CF, ESF+ and EMFAF. This exercise is expected to be completed in the second half of 2020 and will determine the decision of the Latvian EMFAF managing authority for the future.

Results from the ex-ante assessments underway and feedback from managing authorities show that the use of financial instruments, as a form of support, is being taken into account by the managing authorities in the EU Member States, as well as that access to finance is constrained for fisheries and aquaculture sectors that could be addressed with financial instruments. Decisions to use of financial instruments will depend on the outcome of the ongoing national consultations in each Member State and the final provisions for the 2021-2027 MFF.

3.4 Conclusions

Results from the analysis show that in 2014-2020, Estonia successfully implemented financial instruments under the European Maritime and Fisheries Fund (EMFF). Following the recommendations of its updated ex-ante assessment as of February 2020, the Bulgarian managing authority is also in the process of setting up a financial instrument to offer loans and guarantees in support of investments in fisheries and aquacultures, including in the processing of fishery and aquaculture products, aimed at reducing harmful environmental impacts and achieving more efficient use of resources. In addition, a number of Member States carried out an ex-ante assessment for the use of financial instruments under their EMFF operational programmes and though a decision to proceed with implementation was considered, due to various reasons the potential financial instrument roll out had been shifted towards the 2021-2027 period (e.g. Spain, Finland). For the remainder of Member States financial instruments were not considered as a tool for investment of EMFF.

Feedback from the fi-compass EMFF survey shows that managing authorities are actively considering the use of financial instruments in the post-2020 period. This is supported by the simplification and flexibilities introduced to financial instruments' rules in the politically agreed text of the draft 2021-2027 CPR. Capacity building measures aimed at further enhancing EMFAF stakeholders – managing authorities' staff, final recipients and financial intermediaries – knowledge on financial instruments would help support this activity.

In addition, the results and lessons learnt from existing EU and national level initiatives that use financial instruments to support blue economy investments (such as the BlueInvest and the PORTUGAL BLUE initiatives) may provide a valuable source of inspiration on the development of future financial instruments under the EMFAF and at EU level under InvestEU.

Financial instruments (including in combination with grants) remain an important tool, supporting investment under the 2021-2027 MFF in economic, social and territorial cohesion and natural resources and the environment. EMFAF investments through financial instruments could be used to strengthen the resilience of the aquaculture and fisheries sectors and provide the necessary scope for crisis management.

Despite current low interest rates, Member States note that specific segments of these sectors may still have limited access to commercial credit as banks are very often not willing to financially support them. Analysis reveals a reluctance of the banking sector across the Member States to finance fisheries and aquaculture enterprises due to sector-specific risks (characterised by a high number of micro and small businesses, insufficient collateral) or lack of understanding and knowledge of the potential targeted recipients. Setting up EMFAF financial instruments may have a beneficial role to tackle this market failure by providing credit risk protection to selected financial intermediaries allowing them to increase lending to the sector and at the same time leveraging additional private resources. Faced with reduced amounts of funding, the sector may also recognise the potential to recycle funds through a financial instrument is preferable to supporting a few beneficiaries with grants.

Developing financial products to address sector-specific needs may be favourable option to make it easier and timely compared to grants for targeted enterprises in the sector to access funding for their projects. EMFAF financial instruments can be used to offer preferential loan terms, including lower interest rates, simplified loan collateral requirements, and extended grace periods.

EMFAF financial instruments may play a significant financing role in the processing of fishery and aquaculture products (incl. productive aquaculture investments) sectors in 2021-2027 MFF. As was the case under the previous programming period, enterprises other than SMEs cannot be supported through grants. Only financial instruments and InvestEU can be used to mobilise EMFAF to support these businesses. As a result, building on the financial institutions' expertise and involvement will be key to provide the necessary funding for this target group.

Nevertheless, efforts to increase financial intermediaries' understanding and knowledge of the EMFAF eligibility rules (e.g. complexity of the conditions related to investments on board fishing vessels) applicable to operations supported through the financial instruments may positively affect financing of the sectors and attract involvement from the financial institutions side.

Building on the lessons learnt in 2014-2020 period and recognising the advantages of financial instruments, their use is expected to further intensify due to the improved and more flexible implementation options. The latter will further allow EMFAF managing authorities to develop tailored support packages addressing the needs of targeted groups and policy objectives, such as generational renewal (while avoiding overcapacity and overfishing), sustainable aquaculture, innovation and diversification, support for the whole seafood value chain to face current and future challenges. Taking the specific conclusions together, the overall messages from the study are as follows:

1. There is the potential for greater use of EMFAF financial instruments – although limited experience in 2014-2020 programming period.
   - ✓ *Managing authorities went through an ex-ante assessment process for the use of financial instruments but decided not to go ahead, mainly because of the complexity of the delivery mechanism and administrative burden.*
2. Grants remain an important type of support for many Member States, but results show there is scope to combine grants with financial instruments in the future, to leverage additional resources and address market needs.
   - ✓ *Possible sectors for financial instruments indicated - diversification within/outside the fishing sectors, modernisation, start-up support, energy efficiency, etc..*
3. The level of knowledge varies among the representatives of the three target groups surveys - results show that the majority of the managing authorities (not using financial instruments) scored as low their knowledge related to early stages of development in the financial instruments life-cycle, i.e. the design and set up of the financial instruments.
4. Capacity building activities are needed for all EMFF/EMFAF managing authorities, as well as for the other stakeholders involved in the financial instruments implementation.
   - ✓ *The most preferred type of support includes workshops and tailored training, as well as guidance and practical case studies.*

ANNEXES

A.1 Survey questionnaire for TG I

THE USE/NON-USE OF FINANCIAL INSTRUMENTS under EUROPEAN MARITIME AND FISHERIES FUND (EMFF)

Survey Target Group I

1. Which Member State do you represent?

☐ Austria
☐ Belgium
☐ Bulgaria
☐ Croatia
☐ Cyprus
☐ Czech Republic
☐ Denmark
☐ Estonia
☐ Finland
☐ France
☐ Germany
☐ Greece
☐ Hungary
☐ Ireland
☐ Italy
☐ Latvia
☐ Lithuania
☐ Luxembourg
☐ Malta
☐ Netherlands
☐ Poland
☐ Portugal
☐ Romania
☐ Slovakia
☐ Slovenia
☐ Spain
☐ Sweden
☐ United Kingdom

2. How are you currently involved in financial instruments?

☐ No involvement/Not using FIs/No ex-ante assessment completed (I)
☐ Ex-ante assessment completed but decision not to use FI (II)
☐ Ex-ante assessment completed/Setting up FI/Implementing FIs (III)

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

	1	**2**	**3**	**4**	**5**
The advantages and features of financial instruments	☐	☐	☐	☐	☐
Design of financial instruments	☐	☐	☐	☐	☐
Set-up of financial instruments	☐	☐	☐	☐	☐
Management and implementation of financial instruments	☐	☐	☐	☐	☐

4. Has the managing authority that you represent implemented financial instruments in the previous programming period?

☐ Yes

☐ No

If yes, please share your experience with implementing FIs in the previous programming period.

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

☐ Access to commercial credit is limited

☐ Sufficient credit availability on the market

☐ Banks' are willing to provide loans to clients with a solid credit history, preferably to large projects

☐ Banks' unwillingness to lend to small enterprises due to low levels of profitability and high risk perception

☐ Other (please specify)

Please comment here.

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

	1	2	3	4	5
The EMFF budget at your disposal is sufficient to cover the needs of your target groups	☐	☐	☐	☐	☐
Leverage and attraction of additional private capital might be helpful to increase the impact of your Operational Programme	☐	☐	☐	☐	☐
Synergies of combined use of various types of support such as grants and FIs or other funds might be beneficial for the sector	☐	☐	☐	☐	☐

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

☐ Yes, we have explored the existing possibility to set-up FI

☐ No

☐ Other, please specify

Please comment here.

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

☐ Lack of knowledge on such type of support mechanism

☐ Difficulties in carrying out the ex-ante assessment

☐ Preference for grants by the target groups

☐ Complexity of the delivery mechanism

☐ Administrative burden

☐ Timescale for implementation

☐ Other, please specify

Please comment here.

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

☐ Yes, we have explored the existing possibility to set-up FI

☐ No

☐ Maybe

Please comment here.

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

	1	**2**	**3**	**4**	**5**
Diversification within fishing sub-sector (gear upgrades etc.)	☐	☐	☐	☐	☐
Diversification outside the fishing sub-sectors (new maritime ventures)	☐	☐	☐	☐	☐
Start-up support (new fishermen and aquaculture farmers)	☐	☐	☐	☐	☐
Resource and energy efficiency (vessels, culture systems and processing facilities)	☐	☐	☐	☐	☐

Modernisation (of landing facilities, vessels, production and processing systems)	☐	☐	☐	☐	☐
Environmental improvements (possible in all sectors)	☐	☐	☐	☐	☐
Other, please indicate	☐	☐	☐	☐	☐

Please comment here.

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

☐ Yes

☐ No

☐ Other, please specify

Please comment here.

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

☐ Ex-ate assessment and set-up

☐ Design and set-up of financial instrument

☐ Selection of bodies implementing the FI (incl. market testing and analysis)

☐ Tailoring FIs to maritime and fisheries sector needs

☐ Monitoring, reporting and control

☐ General awareness raising

13. What is the most suitable form of advice or support for you in view of using FIs? (Multiple answers possible)

☐ Seminars/workshops

☐ Coaching/bespoke training

☐ Dissemination of case studies with practical examples, incl. videos

☐ Handbooks/Manuals/Factsheets

☐ EG guidance

☐ Development of ready to use models of financial instruments

☐ Other, please specify

Please comment here.

14. Do you have any further ideas or suggestions related to using FIs under EMFF?

A.2 Survey questionnaire for TG II

THE USE/NON-USE OF FINANCIAL INSTRUMENTS under EUROPEAN MARITIME AND FISHERIES FUND (EMFF)

Survey Target Group II

1. Which Member State do you represent?

☐ Austria
☐ Belgium
☐ Bulgaria
☐ Croatia
☐ Cyprus
☐ Czech Republic
☐ Denmark
☐ Estonia
☐ Finland
☐ France
☐ Germany
☐ Greece
☐ Hungary
☐ Ireland
☐ Italy
☐ Latvia
☐ Lithuania
☐ Luxembourg
☐ Malta
☐ Netherlands
☐ Poland
☐ Portugal
☐ Romania
☐ Slovakia
☐ Slovenia
☐ Spain
☐ Sweden
☐ United Kingdom

2. How are you currently involved in financial instruments?

☐ No involvement/Not using FIs/No ex-ante assessment completed (I)
☐ Ex-ante assessment completed but decision not to use FI (II)
☐ Ex-ante assessment completed/Setting up FI/Implementing FIs (III)

3. What is your level knowledge about financial instruments (1=low and 5=very high)?

	1	**2**	**3**	**4**	**5**
The advantages and features of financial instruments	☐	☐	☐	☐	☐
Design of financial instruments	☐	☐	☐	☐	☐
Set-up of financial instruments	☐	☐	☐	☐	☐
Management and implementation of financial instruments	☐	☐	☐	☐	☐

4. Has the managing authority that you represent implemented financial instruments in the previous programming period?

☐ Yes
☐ No

If yes, please share your experience with implementing FIs in the previous programming period.

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

- ☐ Access to commercial credit is limited
- ☐ Sufficient credit availability on the market
- ☐ Banks' are willing to provide loans to clients with a solid credit history, preferably to large projects
- ☐ Banks' unwillingness to lend to small enterprises due to low levels of profitability and high risk perception
- ☐ Other (please specify)

Please comment here.

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

	1	2	3	4	5
The EMFF budget at your disposal is sufficient to cover the needs of your target groups	☐	☐	☐	☐	☐
Leverage and attraction of additional private capital might be helpful to increase the impact of your Operational Programme	☐	☐	☐	☐	☐
Synergies of combined use of various types of support such as grants and FIs or other funds might be beneficial for the sector	☐	☐	☐	☐	☐

7. Does the ex-ante assessment proposed the use of FIs as a form of support in your OP?

- ☐ Yes
- ☐ No
- ☐ Other, please specify

Please comment here.

8. Could you please share your views on the results of the ex-ante assessment completed? (Multiple answers possible)

☐ The ex-ante assessment was a useful exercise

☐ The recommendations of the ex-ante assessment will be straightforward to implement

☐ The recommendations of the ex-ante assessment on FI will be followed closely

☐ The recommendations provide a good basis for implementing FIs

Other, please specify.

9. 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?

☐ Lack of knowledge on such type of support mechanism

☐ Preference for grants by the target groups

☐ Complexity of the delivery mechanism

☐ Administrative burden

☐ Timescale for implementation

☐ Other, please specify

Please comment here.

10. What are the main issues identified resulting from the ex-ante assessment related to the market failure in maritime and fisheries sector in your country?

☐ Difficulties in assessing technology and understanding of the sector in general, seasonality

☐ Specific risks of maritime and fisheries activity

☐ Information asymmetry

☐ Specific financing schemes

☐ Related interest rates, collateral requirements, maturity of the loan

☐ Legal requirements

☐ Other, please specify

Please comment here.

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

☐ Equity investments

☐ Guarantee products

☐ Working capital loans

☐ Investment loans

☐ Combination of support of FI and grant (e.g technical support, interest rate subsidy

☐ Other, please specify

Please comment here.

12. Could you please share your views on the implementation options for ESIF FIs? (Multiple answers possible)

☐ There are too many different implementation options

☐ There is sufficient flexibility in the implementation options regarding fund of funds or use of specific financial instruments

☐ The options are set out clearly in the CPR

☐ There is sufficient guidance on which options are best suited to which circumstances

☐ Other, please specify

Please comment here.

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

	1	**2**	**3**	**4**	**5**
Diversification within fishing sub-sector (gear upgrades etc.)	☐	☐	☐	☐	☐
Diversification outside the fishing sub-sectors (new maritime ventures)	☐	☐	☐	☐	☐
Start-up support (new fishermen and aquaculture farmers)	☐	☐	☐	☐	☐
Resource and energy efficiency (vessels, culture systems and processing facilities)	☐	☐	☐	☐	☐
Modernisation (of landing facilities, vessels, production and processing systems)	☐	☐	☐	☐	☐

Environmental improvements (possible in all sectors)	☐	☐	☐	☐	☐
Other, please indicate	☐	☐	☐	☐	☐

Please comment here.

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

☐ Yes

☐ No

☐ Other, please specify

Please comment here.

15. What does the managing authority consider as the main areas/topics in which support is required with regard to FIs? (Multiple answers possible)

☐ Ex-ante assessment and set-up

☐ Design and set-up of financial instrument

☐ Selection of bodies implementing the FI (incl. market testing and analysis)

☐ Tailoring FIs to maritime and fisheries sector needs

☐ Monitoring, reporting and control

☐ General awareness raising

16. What is the most suitable form of advice or support for you in view of using FIs? (Multiple answers possible)

☐ Seminars/workshops

☐ Coaching/bespoke training

☐ Dissemination of case studies with practical examples, incl. videos

☐ Handbooks/Manuals/Factsheets

☐ EG guidance

☐ Development of ready to use models of financial instruments

☐ Other, please specify

Please comment here.

17. Do you have any further ideas or suggestions related to using FIs under EMFF?

A.3 Survey questionnaire for TG III

THE USE/NON-USE OF FINANCIAL INSTRUMENTS under EUROPEAN MARITIME AND FISHERIES FUND (EMFF)

Survey Target Group III

1. Which Member State do you represent?

☐ Austria
☐ Belgium
☐ Bulgaria
☐ Croatia
☐ Cyprus
☐ Czech Republic
☐ Denmark
☐ Estonia
☐ Finland
☐ France
☐ Germany
☐ Greece
☐ Hungary
☐ Ireland
☐ Italy
☐ Latvia
☐ Lithuania
☐ Luxembourg
☐ Malta
☐ Netherlands
☐ Poland
☐ Portugal
☐ Romania
☐ Slovakia
☐ Slovenia
☐ Spain
☐ Sweden
☐ United Kingdom

2. How are you currently involved in financial instruments?

☐ No involvement/Not using FIs/No ex-ante assessment completed (I)
☐ Ex-ante assessment completed but decision not to use FI (II)
☐ Ex-ante assessment completed/Setting up FI/Implementing FIs (III)

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

	1	2	3	4	5
The advantages and features of financial instruments	☐	☐	☐	☐	☐
Design of financial instruments	☐	☐	☐	☐	☐
Set-up of financial instruments	☐	☐	☐	☐	☐
Management and implementation of financial instruments	☐	☐	☐	☐	☐

4. Has the managing authority that you represent implemented financial instruments in the previous programming period?

☐ Yes
☐ No

If yes, please share your experience with implementing FIs in the previous programming period.

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

☐ Access to commercial credit is limited

☐ Sufficient credit availability on the market

☐ Banks' are willing to provide loans to clients with a solid credit history, preferably to large projects

☐ Banks' unwillingness to lend to small enterprises due to low levels of profitability and high risk perception

☐ Other (please specify)

Please comment here.

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

	1	2	3	4	5
The EMFF budget at your disposal is sufficient to cover the needs of your target groups	☐	☐	☐	☐	☐
Leverage and attraction of additional private capital might be helpful to increase the impact of your Operational Programme	☐	☐	☐	☐	☐
Synergies of combined use of various types of support such as grants and FIs or other funds might be beneficial for the sector	☐	☐	☐	☐	☐

7. Ex-ante assessment proposed the use of FIs as a form of support in your OP?

☐ Yes

☐ No

☐ Other, please specify

Please comment here.

8. Could you please share your views on the results of the ex-ante assessment completed? (Multiple answers possible)

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

Other, please specify.

9. What are the main issues identified resulting from the ex-ante assessment related to the market failure in maritime and fisheries sector in your country?

- ☐ Difficulties in assessing technology and understanding of the sector in general, seasonality
- ☐ Specific risks of maritime and fisheries activity
- ☐ Information asymmetry
- ☐ Specific financing schemes
- ☐ Related interest rates, collateral requirements, maturity of the loan
- ☐ Legal requirements
- ☐ Other, please specify

Please comment here.

10. What are the types of financial instruments' products suggested in the ex-ante assessment?

- ☐ Equity investments
- ☐ Guarantee products
- ☐ Working capital loans
- ☐ Investment loans
- ☐ Combination of support of FI and grant (e.g. technical support, interest rate subsidy
- ☐ Other, please specify

Please comment here.

11. At what stage of the implementation of your financial instrument are you currently? (Multiple answers possible)

☐ Just completed the ex-ante assessment and willing to set-up FIs

☐ Financial instrument design for maritime and fishery needs and set-up

☐ Selection of bodies implementing the FI

☐ Drafting funding agreement(s)

☐ Implementation of the FI

12. What are the main areas or sectors in which financial instruments are (to be) used? (Multiple answers possible)

☐ Fisheries

☐ Aquaculture

☐ Seafood Processing

☐ Other (please specify)

Please comment here.

13. What types of financial products do you use or plan to use under the EMFF OP? (Multiple answers possible)

☐ Loans

☐ Guarantees

☐ Equity

☐ Other (please specify)

Please comment here.

14. Do you intend to use any of the "off –the-shelf" (OTS) instruments introduced by the EC?

☐ Yes

☐ No, the ex-ante assessment recommended using tailor-made FIs for our needs

☐ Use of OTS was considered but available OTS were not suitable to address the specific needs of the sector

☐ National and sectoral circumstances

☐ Other, please specify

Please comment here.

15. What are the main challenges encountered when designing and setting-up the financial instrument? (Multiple answers possible)

- ☐ Legislative provisions for FIs are more complex than grants instruments
- ☐ Lack of knowledge and experience on financial instruments
- ☐ Requirement of the ex-ante assessment
- ☐ Difficulties in carrying out the ex-ante assessment
- ☐ Time needed to conduct the ex-ante assessment
- ☐ Procurement process for the ex-ante assessment
- ☐ Preference for grants by the targeted group
- ☐ Complexity of the delivery mechanism
- ☐ Selection of bodies implementing financial instruments
- ☐ Drafting and negotiating the funding agreement
- ☐ Setting up the governance and management structures (including reporting and accounting systems)
- ☐ Administrative burden
- ☐ Modification of the OP needed
- ☐ Scale (size of projects, critical mass, management costs)
- ☐ Other, please specify

Please comment here.

16. What type of implementation option have you decided to use for your financial instrument?

- ☐ Financial instruments set up at Union level, managed directly or indirectly by the Commission
- ☐ Financial instruments set up at national level, managed by or under the responsibility of the managing authority

17. What is the implementation structure you have decided to use for the management of your FIs?

- ☐ MA implements the FI(s) through a Fund of Funds that selects the financial intermediaries
- ☐ MA implements the FI(s) without a Fund of Funds and selects itself the bodies implementing the financial instruments(s)
- ☐ MA implements directly loans or guarantees (Art. 38(4)(c) CPR
- ☐ Other, please specify

Please comment here.

18. What are the challenges and critical issues do you face when implementing financial instruments? (Multiple answers possible)

- ☐ Combination of support
- ☐ State Aid
- ☐ Implementation options
- ☐ Design and set-up of financial instruments
- ☐ Set-up of governance structures
- ☐ Reporting
- ☐ Payments and management verifications and control
- ☐ Other, please specify
- ☐ Not applicable

Please comment here.

19. What do you think about the different implementation options for ESIF FIs? (Multiple answers possible)

- ☐ There are too many different implementation options
- ☐ There is sufficient flexibility in the implementation options regarding fund of funds or use of specific financial instruments
- ☐ The options are set out clearly in the CPR
- ☐ There is sufficient guidance on which options are best suited to which circumstances
- ☐ Other, please specify

Please comment here.

20. What is your view on the provisions for the selection of implementing bodies? (Multiple answers possible)

- ☐ The requirements for selecting implementing bodies are too constraining
- ☐ The regulations enable us to select the most appropriate body/ies to implement FIs
- ☐ The guidance available on how to select implementing bodies is sufficient
- ☐ Not applicable
- ☐ Other, please specify

Please comment here.

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

	1	2	3	4	5
Diversification within fishing sub-sector (gear upgrades etc.)	☐	☐	☐	☐	☐
Diversification outside the fishing sub-sectors (new maritime ventures)	☐	☐	☐	☐	☐
Start-up support (new fishermen and aquaculture farmers)	☐	☐	☐	☐	☐
Resource and energy efficiency (vessels, culture systems and processing facilities)	☐	☐	☐	☐	☐
Modernisation (of landing facilities, vessels, production and processing systems)	☐	☐	☐	☐	☐
Environmental improvements (possible in all sectors)	☐	☐	☐	☐	☐
Other, please indicate	☐	☐	☐	☐	☐

Please comment here.

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

☐ Yes

☐ No

☐ Other, please specify

Please comment here.

23. From the managing authority's perspective, what are the main areas/topics in which support is required for implementing FIs? (Multiple answers possible)

☐ Ex-ante assessment and set-up

☐ Design and set-up of financial instrument

☐ Selection of bodies implementing the FI (incl. market testing and analysis)

☐ Tailoring FIs to maritime and fisheries sector needs

☐ Monitoring, reporting and control

☐ General awareness raising

24. What is the most suitable form of advice or support for you in view of using FIs? (Multiple answers possible)

☐ Seminars/workshops

☐ Coaching/bespoke training

☐ Dissemination of case studies with practical examples, incl. videos

☐ Handbooks/Manuals/Factsheets

☐ EG guidance

☐ Development of ready to use models of financial instruments

☐ Other, please specify

Please comment here.

25. Do you have any further ideas or suggestions related to using FIs under EMFF?

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