

IMPLEMENTATION OF FINANCIAL INSTRUMENTS IN THE CZECH REPUBLIC

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FINANCIAL INSTRUMENTS - GENERALLY

Financial instruments (FI) were used to a small extent in past years in forms of:

- ▶ Guarantees
- ▶ Loans (with lower interest rate) - CMZR (Czech Moravian Guarantee and Development Bank)

15 different FI are expected to be used in up to 7 Operational Programs within the period 2014 - 2020, mainly in the field of:

- ▶ Small and Medium-sized Enterprises (8)
- ▶ **Energy Efficiency (4)**
- ▶ Brownfield regeneration (1)
- ▶ Transport (1) and
- ▶ Waste management (1)

EXPERIENCE WITH FI IN THE CZECH REP. FROM NATIONAL SOURCES

In the past years FI were used :

- ▶ To support small and medium-sized business development
 - ➔ (financial support from CMZR Bank; 15 000 guarantees in total amount 57 bill. CZK, 4800 loans to small and medium-sized businesses)

- ▶ To support housing development
 - ➔ Guarantees 287 mil. CZK, loans 800 mil. CZK, support for elimination of floods consequences 699 mil CZK, young family support 9,27 bill. CZK
 - ➔ Target groups: municipalities, home owners
 - ➔ Cooperation CMZR & State Fund for Housing Development

- ▶ To support the technical infrastructure development (particularly municipalities) CMZR provided
 - ➔ 270 municipality loans in total amount 5,3 bill. CZK
 - ➔ From European Investment Bank, State National Budget the CMZB provided 145 bill. CZK for transportation projects, water management projects and for flood prevention projects

EXPERIENCE WITH FI IN THE CZECH REP. FROM STRUCTURAL FUNDS

In the programming period 2007-2013 the most important FI was the Loan and Guarantee Fund within the Operational Program Enterprise and Innovation (OPPI) managed by CMZRB

- ▶ 2100 guarantees in total amount of 11,4 bill. CZK
- ▶ 570 loans in total amount of 3,9 bill. CZK
- ▶ Soft loans for technology, also leading to savings (but not main objective of programme)

CMZB also manages a loan fund for city development within JESSICA initiative with allocation 500 mil. CZK – mainly projects on brownfield regeneration

In period 2007-2013, one percent of SCF were allocated as FI, this should increase to up to 10% for the period 2014-2020

FINANCIAL INSTRUMENTS – IMPLEMENTATION 1/2

In compliance with the Regulation n. 1303/2013 MS may implement FIs as follows:

- ▶ **Use the FIs sets on European level** (so called SME initiative – waivering of funding in favour of the Commission - so far used only by Malta, Spain and Italy with very small volumes of resources)

- ▶ **Use the FI managed by the governing body on its responsibility**
 - ➔ Investment into the capital of existing or newly founded companies focused on FI realisation
 - ➔ Entrust executive tasks to EIB/EIF (e.g. ROP MS)
 - ➔ Entrust the executive tasks to the international financial institutions founded by MS or Financial Institutions domiciled in a MS whose task is to achieve the public interest under control of public authority (**CMZR – Czech Moravian Guarantee and Development Bank**)
 - ➔ public or private entity (the result of a tender)
 - ➔ the executive tasks takes over the governing body in case of loans and guarantees

FINANCIAL INSTRUMENTS - PLANNED

List of planned FIs:

- ▶ **OPEIC** (OPPIK) – 5 FI focused on a no. of topics (1FI for SME in total amount 380 mil. €; 1 FI for Brownfield regeneration approx. 20 mil. €; 1 FI for Energy Efficiency approx. 31 mil. €)
- ▶ **IROP** – FI focused on building insulation expected 78 mil. €.
- ▶ **OPE** (OPZP)– 1 FI for Energy Efficiency in public sector, allocation expected 37 mil. € and 1 FI in the field of waste
- ▶ **RDP** – FI in upgrading technology in agricultural production, allocation expected in 5-10 % of the whole budget.
- ▶ **OPE (employment)**– FI for the social entrepreneurship development (allocation up to 5 % of the Operational Programme Employment)
- ▶ **OP PPR (Praha)**– FI in the field of small and medium-sized businesses (allocation 5 % of the programme budget) and possibly Energy Efficiency FI (allocation up to 15 % of the programme budget)
- ▶ **OP Transport** – FI not currently specified (allocation up to 5 % from the whole budget)

CMZR BANK

CMZR Bank's long-term goals and primary business are focused on providing assistance to small and medium-sized enterprises (SMEs)

Trend of the future development of CMZRB should be similar to foreign development banks. The aim is to create strong national development bank with a network of branches.

The German KfW is taken as inspiration for developing new activities for the CMZRB

A growth of allocated financial amount for the period 2014- 2020 from SF is expected.

All FI should be channeled through CMZRB

The important preconditions for the CMZRB development:

- ▶ experience with FI implementation of projects in total amount of 141 bill. CZK (and 51 000 clients)
- ▶ Active participation for preparing of new FI 2014+
- ▶ Cooperation and experience with European Investment Bank
- ▶ The bank is owned by the state (for 100% since 2012)

CMZRB

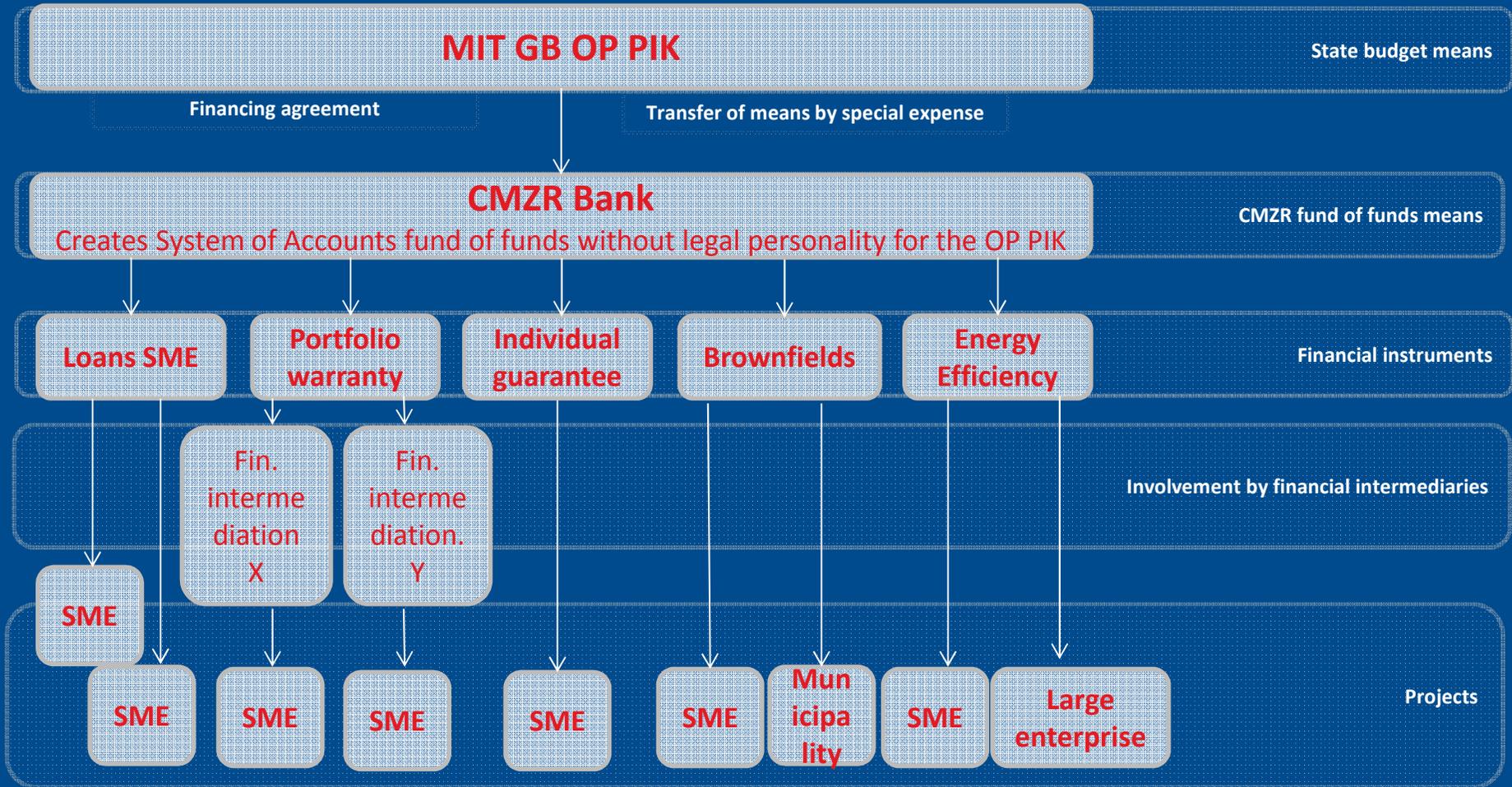
The state can consider two fundamental ways of implementing the intervention with use of FI

- ▶ via institutions created for this purpose (e.g. theoretically the state itself)
- ▶ via tendered commercial subjects (e.g. banks) owned by the state

The advantages of involving commercial financial institutions:

- ▶ minimal possible disruption of the market environment in the field of financial services
- ▶ best conditions for recipients of public interventions in obtaining commercial financial services
- ▶ avoiding duplication of capacity building for management of financial instruments
- ▶ reduce operational risks in the implementation of public interventions
- ▶ reinforced control and protection of public funds
- ▶ faster and more efficient implementation of financial instruments financed by the Structural Funds

POSSIBLE INVOLVEMENT OF CMZR TO OP FONDS ESI 2014-2020 IMPLEMENTATION MODEL EXAMPLE OP PIK



THE CONSIDERED PARAMETERS OF FINANCIAL INSTRUMENTS FOR OP PIK ENERGY EFFICIENCY

Focus:

- ▶ Investment projects in Energy Efficiency and CHP

Form of support:

- ▶ Combined support
- ▶ Subsidized loan with a lower interest rate and prolonged repayment period
- ▶ Financial contributions for interest payments (interest rate subsidy)
- ▶ Reimbursement of the energy audit cost and verification of savings (financial contribution)

Amount of support

- ▶ Depends on the call conditions. Regarding previous experiences with Eco-energy OPEI, the maximum loan amount is 840 000 €.

THE CONSIDERED PARAMETERS OF FINANCIAL INSTRUMENTS FOR OP PIK ENERGY EFFICIENCY

The Implemented structure

- ▶ The CMZRB fond of funds and the FI administrator

The Final Beneficiaries

- ▶ MSE and large enterprises

Proposed project pipeline

- ▶ The project is financed by a loan provided by CMZRB after verification of the bank criteria and giving evidence of the expected energy savings and specific investment costs based on energy audit.
- ▶ Energy audit is subsequently fully reimbursed within *de minimis* regime if the loan is used. (and the energy savings target is verified)
- ▶ In case of compliance the remaining interest is markedly reduced. If savings are not fulfilled the project is excluded from the portfolio OP PIK, and runs in full commercial regime.

THE CONSIDERED PARAMETERS OF FINANCIAL INSTRUMENTS FOR OP PIK ENERGY EFFICIENCY

Benefits for the final recipient

- ▶ In addition, fast and 100% reimbursement of eligible costs, de minimis aid for energy consulting (audit, verification), lower administrative burden, no need of tender (not subsidized by the contracting authority or according to PPvD) on technology.
- ▶ When fulfilling the savings the rest of the loan repayment with lower interest rates.

Expected allocation

- ▶ 31 mil. €. Possibly more after using up all the money and function verification
- ▶ Expected results: supporting 90 projects for SME (large companies not excluded). Expected savings through FI 2 PJ saved on final consumption annually

THANK YOU FOR YOUR ATTENTION.



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