Financial instruments – Rules for Payments under Article 92(2) CPR

Radka Konstantinova, Policy officer, Unit B3, DG REGIO, European Commission

#ficompass
#ERDF20212027

European Commission

European Investment Bank
The EU bank

Article 92(2) Regulation 2021/1060

- Streamlined rules on payments
- Link between payments to FIs and corresponding disbursements to final recipients
- Different from payments based on advances in 2014-2020 ->liquidity ensured through the 1st payment claim (which can be up to 30% of the programme contribution)
- Immediate reimbursement of the eligible expenditure (cashflow)
- Eligible expenditure in the programmes, the frequency of submission of payment claims should respect the provisions of Art.91(1) CPR

Payments – Article 92 CPR -30% advance

FA is signed → Program contributions are committed to FIs → Up to 30% can be claimed, if paid to FI

- The arrangements in Art 92(2) sets out the rules for the MS so it regulates the relationship between Member state and European Commission only!
- The 30% advance can be used for MCF and liquidity purposes;
- There can be further/different arrangements negotiated between Managing authorities and Fund Manager;
- There is only one first 1 “first” payment application for each funding agreement
- The managing authority may choose to claim a lower amount in the first payment application, for example 20% of the total amount of programme contribution committed in the funding agreement, but it is not possible to claim later the remaining 10%. 20% will be the amount to be cleared no later than in the final accounting year in line with Article 92(3) CPR.

Example- Appendix 1 of Annex XXIII

Assumptions

<u>Managing Authority XYZ has Funding Agreement for a Financial Instrument (loan)</u>

Managing authority signs for FI loans **100** mln euros.
Management costs and fees (MCF) for the Fund Manager are **5%.**

Max amount of loans to be disbursed 95,24 mln euros (100/1,05)

Max amount of MCF - 4.8 mln euros (100-95,24)

Example- Appendix 1 of Annex XXIII

- ✓ Advance 30 → payment claim
- ✓ Eligible expenditure 10,5 mln eur → payment claim
- ✓ Eligible expenditure 63 mln eur → 3,5 clearance, to be disclosed in column C
  → 59,5 eligible expenditure → payment claim
- ✓ Eligible expenditure 26,5 → for clearance
- ✓ Total eligible expenditure declared 100 → cleared 3,5+26,5=30

Example- Appendix 1 of Annex XXIII

10mln loans+0,5mln MCF

corresponding amount entered in the accounts in accordance with Article 92(3) related to the 30% clearance no later than final acc. year

Events	Priority	Total amount of programme contributions paid to financial instruments (mln EUR) (A)	Total amount of corresponding public contribution (mln EUR) (B)	Total amount of programme contributions pursuant to Article 92(2)(b) (mln EUR) (C)	Total amount of corresponding public contribution (mln EUR) (D)	Total amount of eligible expenditure
2021 Signed FA	Priority 1	30	30	0	0	0
30-04-2022	Priority 1	0	0	0	0	10,5
26-12-2022	Priority 1	0	0	3,5	3,5	63+10,5=73,5
30-04-2023	Priority 1	0	0	3,5+26,5=30	30	26,5+73,5=100

When clearance starts, the corresponding amounts in column C and D are not to be included in payment application

30mln -3,5 mln clearing (73,5 mln-70mln)

60 mln loans+3mln MCF

63mln-3,5mln

Annex XXIII payment application

Priority	Total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations in accordance with point (a)of Article 91(3) and point c of Article 91(4) mln EUR (B)
Priority 1	30
Priority 1	10,5
Priority 1	59,5
Priority 1	nothing

#ficompass
#ERDF20212027

European Commission

NB to consider in the payment claim

- **Footnote of the Appendix 1 of the payment claim (**Annex XXIII to the CPR). The eligible expenditure to clear the advance of up to 30% included in the first payment application **should not be included in the payment claim itself,** as it would constitute double declaration.

- **The expenditure which is not yet used to clear the advance** should **not** be recorded in the Appendix 1 columns C and D.

- Once the eligible expenditure referred to in Article 68(1) CPR included in the payment claims has reached **70%** of the total amount of programme **contribution committed in the funding agreement**, the managing authority will have **to start clearing the advance of up to 30% requested** in the first payment application. (Art. 92(3) CPR)

- The same principles for filling in Appendix 1 of the payment claims also apply to Appendix 3 of annual accounts.

- When the Funding agreement is increased by committing additional programme resources, it is not possible to claim the pre-financing for the top-up.

- When the Funding agreement is decreased, it is not possible to reduce the pre-financing.

Question 1 Purpose of the advance 30%

- The advance should have been paid to the FI before it could be submitted in a payment claim to the EC
- It could be used for MCF as the fund managers might need to start implementing the FI and they need to be remunerated for this.
- It could be used for liquidity purposes (this is only an advanced payment and is not a reimbursement for eligible expenditure)
- The amount of eligible MCF included in the subsequent payment applications either should comply with regulatory thresholds.

Question 2 Implication of decrease of Funding agreement on the advance already paid.

- The FA can cover more than one financial instrument and the advance is related to the amount committed in the funding agreement, not to the financial instrument. The advance is not automatically 30%.
- If the amount committed in the FA is reduced during the implementation, the amount requested as an advance in the first payment application remains and will have to be cleared as stipulated in Article 92(3) CPR.
- The MA should exercise its competence when setting up FI and signing FA to avoid scenarios when advance could potentially be used to park FI allocations.

ERDF

Thank you!

www.fi-compass.eu

Follow us:

fi-compass is provided by the European Commission in partnership with the European Investment Bank

events@fi-compass.eu I www.fi-compass.eu