



Financial instruments in Cohesion Policy and combination with grants

Agne Kazlauskaite, Policy officer at Financial Instruments and International Financial Relations Unit, DG REGIO, European Commission

 #ficompass



MS	OP amount paid to FI	ERDF & CF paid to FI	OP amounts paid to final recipients	ERDF & CF paid to final recipients	ERDF & CF disbursement rate
AT	9.0	3.0	7.8	2.585	86%
BE	295.8	126.2	288.2	119.8	95%
BG	419.2	372.5	318.3	276.0	74%
CY	10.0	8.5	-	-	0%
CZ	773.1	758.7	698.8	686.7	91%
DE	1,463.1	954.9	1,325.6	827.6	87%
EE	82.2	69.6	71.3	58.7	84%
ES	1,680.4	1,435.4	1,400.6	1,082.9	75%
FI	41.4	20.7	38.4	19.2	93%
FR	1,164.5	539.4	1,082.7	400.4	74%
GR	2,724.3	2,165.8	2,254.9	1,735.5	80%
HR	680.0	672.5	615.6	564.2	84%
HU	2,369.3	2,116.5	2,052.5	2,028.7	96%
IT	5,705.0	4,593.2	5,016.2	4,013.6	87%
LT	559.4	559.4	497.1	495.3	89%
LV	203.9	154.8	153.0	107.4	69%
MT	43.3	40.3	32.5	31.2	77%
NL	126.1	49.6	171.4	42.9	87%
PL	3,484.5	3,068.2	2,495.9	2,050.4	67%
PT	388.1	318.7	484.5	193.1	61%
RO	328.5	316.4	292.7	283.2	90%
SE	231.9	115.5	164.8	79.9	69%
SI	401.1	299.7	283.3	210.6	70%
SK	1,091.9	873.6	900.3	603.9	69%
UK	1,821.1	769.2	1,492.3	626.1	81%
Total	26,097.1	20,402.5	22,138.6	16,539.9	81%

Progress report for 2014-2020 period as of end 2022*

Payments to FIs, commitments and payments to final recipients, as of end 2022, EUR million

As of the end of 2022, final recipients received **more than EUR 16.5 billion** from ERDF and CF, a significant increase compared to the EUR 13.4 billion disbursed by the end of 2021.

*Based on the 'Summaries of the data on the progress made in financing and implementing the financial instruments for the programming period 2014-2020 in accordance with Article 46 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council', planned to be published on 30th Nov 2023.



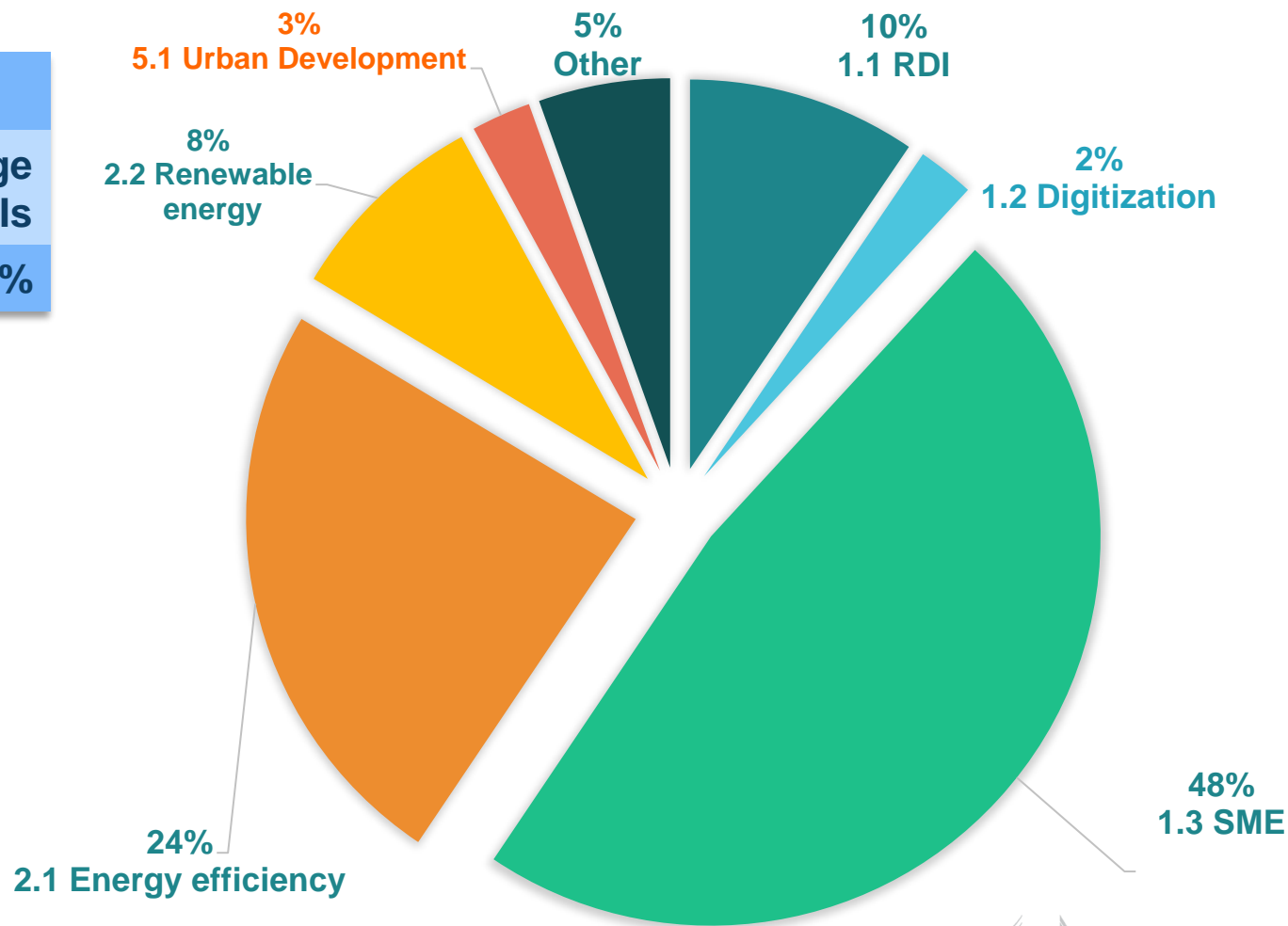
FIs allocation for 2021-2027 period by Policy Objective

Total Allocation ERDF + CF

Grant Total	FIs allocations	Percentage allocation to FIs
244,579 bn €	17,790 bn €	7.27%

RSO1.1 RDI	1,688 bn €
RSO1.2 Digitization	0,417 bn €
RSO1.3 SME	8,459 bn €
RSO2.1 Energy efficiency	4,296 bn €
RSO2.2 Renewable energy	1,506 bn €
RSO5.1 Urban Development	0,439 bn €
Other	0,970 bn €

COMMITMENTS BY SPECIFIC OBJECTIVE



	RSO.1.3 SME		
Iu	Grants 1.3	FI total 1.3	FI % 1.3
AT	112,845,772.00 €	- €	0.00%
BE	87,655,555.00 €	81,565,585.00 €	48.20%
BG	90,000,000.00 €	115,000,000.00 €	56.10%
CY	40,000,000.00 €	- €	0.00%
CZ	122,381,552.00 €	270,294,638.00 €	68.83%
DE	1,039,942,053.00 €	550,854,403.00 €	34.63%
DK	40,939,598.00 €	- €	0.00%
EE	161,965,206.00 €	17,540,000.00 €	9.77%
EL	1,480,072,851.00 €	644,468,558.00 €	30.33%
ES	1,238,061,304.00 €	272,146,582.00 €	18.02%
FI	224,036,700.00 €	- €	0.00%
FR	956,841,523.00 €	540,470,672.00 €	36.10%
HR	283,768,284.00 €	243,198,284.00 €	46.15%
HU	1,266,559,421.00 €	654,322,836.00 €	34.06%
IE	64,283,169.00 €	- €	0.00%
IT	1,805,368,413.00 €	2,130,178,106.00 €	54.13%
LT	48,202,271.00 €	147,431,521.00 €	75.36%
LU	1,807,382.00 €	- €	0.00%
LV	68,743,750.00 €	135,779,000.00 €	66.39%
MT	40,800,000.00 €	9,795,066.00 €	19.36%
NL	- €	- €	NA
PL	1,512,219,216.00 €	1,542,704,155.00 €	50.50%
PT	2,825,860,201.00 €	280,729,639.00 €	9.04%
RO	1,037,062,468.00 €	517,450,000.00 €	33.29%
SE	161,588,383.00 €	72,722,699.00 €	31.04%
SI	114,181,825.00 €	69,000,000.00 €	37.67%
SK	48,800,000.00 €	164,000,000.00 €	77.07%
	14,873,986,897.00 €	8,459,651,744.00 €	36.26%

	RSO2.1 Energy efficiency		
MS	Grants 2.1	FI total 2.1	FI %
AT	147,760,819.00 €	- €	0.00%
BE	143,122,445.00 €	- €	0.00%
BG	4,000,000.00 €	110,000,000.00 €	96.49%
CY	84,000,000.00 €	6,000,000.00 €	6.67%
CZ	892,647,002.00 €	74,991,380.00 €	7.75%
DE	1,606,490,971.00 €	50,000,000.00 €	3.02%
DK	- €	- €	NA
EE	411,900,000.00 €	35,100,000.00 €	7.85%
EL	1,007,892,039.00 €	- €	0.00%
ES	1,743,415,235.00 €	32,735,856.00 €	1.84%
FI	107,209,000.00 €	- €	0.00%
FR	763,198,461.00 €	40,000,000.00 €	4.98%
HR	185,000,000.00 €	239,000,000.00 €	56.37%
HU	645,743,750.00 €	516,637,272.00 €	44.45%
IE	118,714,815.00 €	- €	0.00%
IT	1,121,455,482.00 €	321,613,019.00 €	22.18%
LT	238,014,162.00 €	364,919,964.00 €	60.52%
LU	2,118,028.00 €	- €	0.00%
LV	254,836,451.00 €	147,235,431.00 €	36.62%
MT	- €	6,000,000.00 €	100.00%
NL	15,400,812.00 €	1,597,549.00 €	9.40%
PL	5,248,863,659.00 €	1,353,352,066.00 €	20.50%
PT	806,534,168.00 €	103,165,832.00 €	11.34%
RO	1,210,166,295.00 €	377,750,000.00 €	23.79%
SE	20,324,061.00 €	- €	0.00%
SI	87,685,433.00 €	15,000,000.00 €	14.61%
SK	342,790,891.00 €	501,550,000.00 €	59.40%
	Total 17,209,283,979.00 €	4,296,648,369.00 €	19.97%

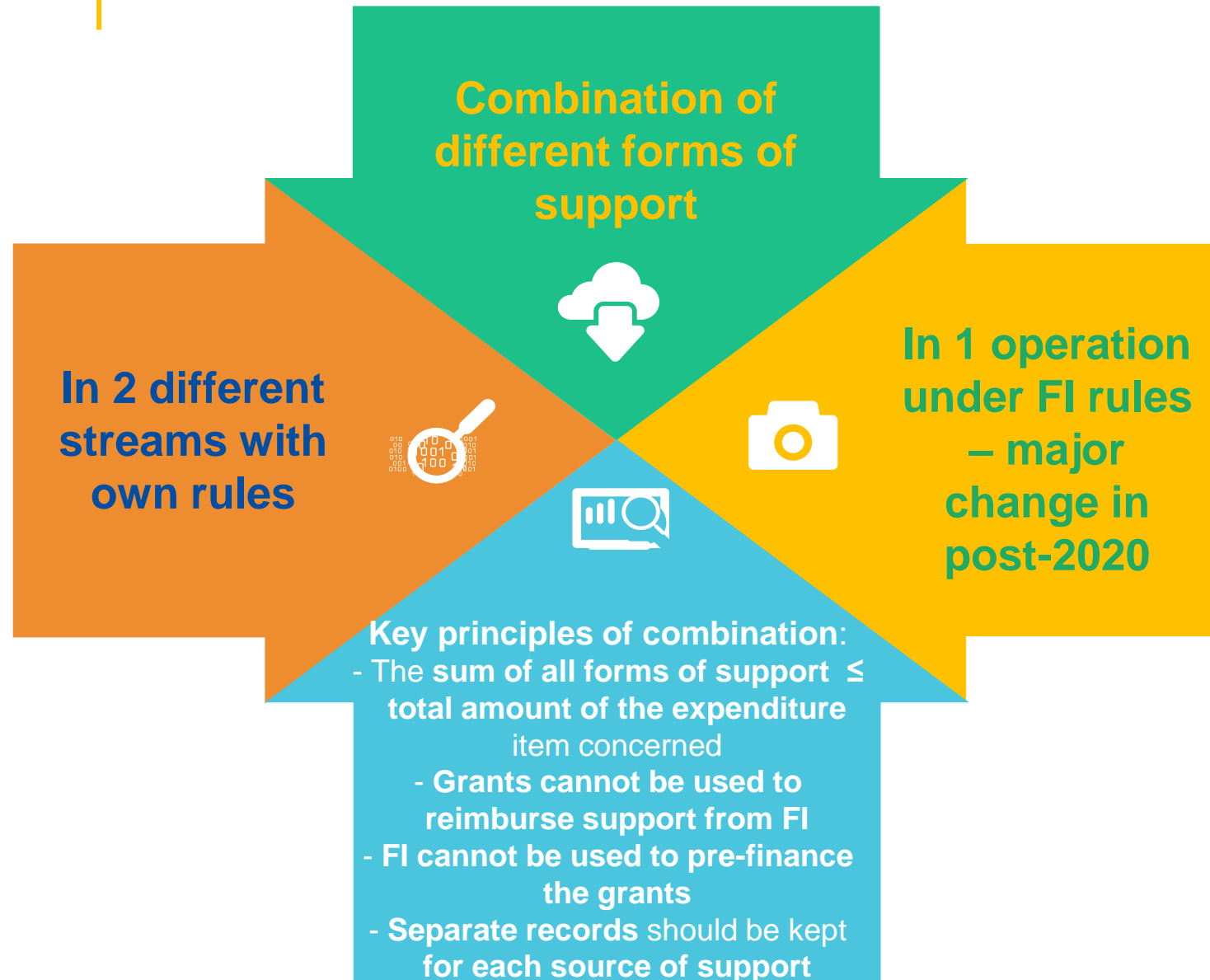
Combination of FIs and grants



The combination of financial instruments (FI) with grants under shared management can play an important role in **delivering EU policy objectives** and addressing market failures related to **projects' design, economic viability and access to finance issues.**

- Combinations are needed where **investments are not capable of generating sufficient economic returns** or cost savings to be viable without additional support.
- Combinations may also be used to **stimulate investment demand, pursue ambitious policy objectives** and **attract private financing to** address large market failures...

CPR 2021-2027 Articles 58 (4) to (7)



New possibilities for combination in 1 operation

Make **direct payment to the final recipients** (and not only to the benefit of the final recipients as in the 2014-2020 period).

New type of grants, not only subsidies of:

- **interest rate,**
 - **guarantee fee,**
 - **technical support**
- but also:

- **capital grants**
- **performance-based grants**

Combination in one operation

Grant is directly linked & necessary to the FI

Grant is part of the funding agreement (Annex IX) & is provided by the body implementing the FI (HF/FInt.)



The programme support in the form of grants does not exceed the investments supported by the FI product

FI rules apply to grants when combined in one FI operation

Combination in one operation – implementation issues



Frequently asked questions

- How and where to show that grants are linked and necessary to the FI?

The envisaged form of support could be identified and justified **at programme level, or in the ex-ante assessment, or in any other document** during the set-up phase or during the implementation if such a need for grant emerges.

- How the grant component is calculated and how/who is implementing it?

The **funding agreement (FA)** should clearly **describe the calculation methodology of the grant element(s)** to be provided and determine whether the body implementing the combined FI has any room for manoeuvre to modify grant features on a case-by-case basis, depending on investments and/or final recipients.

Both forms of support (grant and FI) shall be provided **by the body implementing the financial instrument**. Therefore, in practice, a FInt. may manage the financial product part of a combined financial instrument while the **HF would be in charge of managing the grant part**.

- Why banks do not want to implement grants?

Banks have understandable reservations about **how the grant component will work in practice**. MAs should address these concerns during the design of the FIs combined with grant.

The Funding Agreement (FA) signed between the MA and bodies implementing FI shall foresee **simple implementation modalities for combined FI**.

Combination in one operation – implementation issues



Frequently asked questions

- **How are expenses for the management of the grant component paid?**

The **Management Costs and Fees (MCFs)** for managing **both the FI and grant components** of a combined operation are eligible under Article 68(1)(d) CPR. The MCF percentages apply also to grant components when combined in one FI operation.

- **Which rules do we apply for audit of FI and grant combinations, and how irregularities are treated?**

FI audit principles apply in the same way to the repayable part and to the grant element of the FI if they are combined in one single operation. This means, among others, that no audit will be performed at the final recipient level on the grant element.

When addressing irregularities in the context of a FI and grant combined in a single operation, various scenarios may arise:

- a) If there is **an irregularity at the level of the grant**, but the loan is regular and eligible, the Commission can reimburse only the loan, but not the grant component. The grant component may have to be recovered from the final recipient as it was agreed in the funding agreement. Bodies implementing FI shall not be asked by MA to payback the grant.
- b) If there is **an irregularity at the level of the loan** but the grant component is regular and eligible, the Commission can reimburse only the grant component, but not the loan. In this case, there is no obligation to call back the grant. The recovery of the loan follows the normal market practice of the body implementing the FI as stipulated in the funding agreement.

Example of combination - RDI

Germany (Brandenburg): ProFIT

ERDF co-financed financial instrument, Research, Innovation and Technology Promotion Program for SMEs and research institutions, IBB (2014-20)

- **increase of the innovation intensity** of the Brandenburg economy in terms of sustainable, new or improved products, processes and services as well as cooperation between science, industry and technology transfer
- delivered through ERDF co-financed non-repayable grants and/or subsidised loans depending on the innovation phase. **Grants are up to EUR 3m per project.**
- the phases of experimental development and market preparation/launch are supported by **low-interest loans** as far as SMEs are concerned. **Loan support is up to EUR 3m per project.**

Loans and grants can be combined and cover up to 100% of the eligible expenses.

In the 2021-27 programming period, such financial instrument could be implemented through the combination of a capital grant and a loan **in one operation.**

Resources – further reading

- ✓ fi-compass notes from a **Knowledge Hub** workshops:
<https://www.fi-compass.eu/publication/factsheet/fi-compass-knowledge-hub-implementation-grants-and-financial-instruments>

<https://www.fi-compass.eu/publication/factsheets/fi-compass-knowledge-hub-combination-financial-instruments-grants>
- ✓ fi-compass **brochure** is published on the fi-compass website:
<https://www.fi-compass.eu/publication/factsheets/combination-financial-instruments-and-grants-under-shared-management-funds>
- ✓ fi-compass **podcast** on combination:
<https://www.fi-compass.eu/podcasts/calling-the-tune/episode-3-combination>
- ✓ fi-compass **case studies**:
<https://www.fi-compass.eu/resources/case-studies>



Thank you!

www.fi-compass.eu

Follow us:    



fi-compass is provided by the European Commission in partnership with the European Investment Bank
Copyright © European Investment Bank 2023
events@fi-compass.eu | www.fi-compass.eu

