



The regulatory framework for financial instruments – The new CPR

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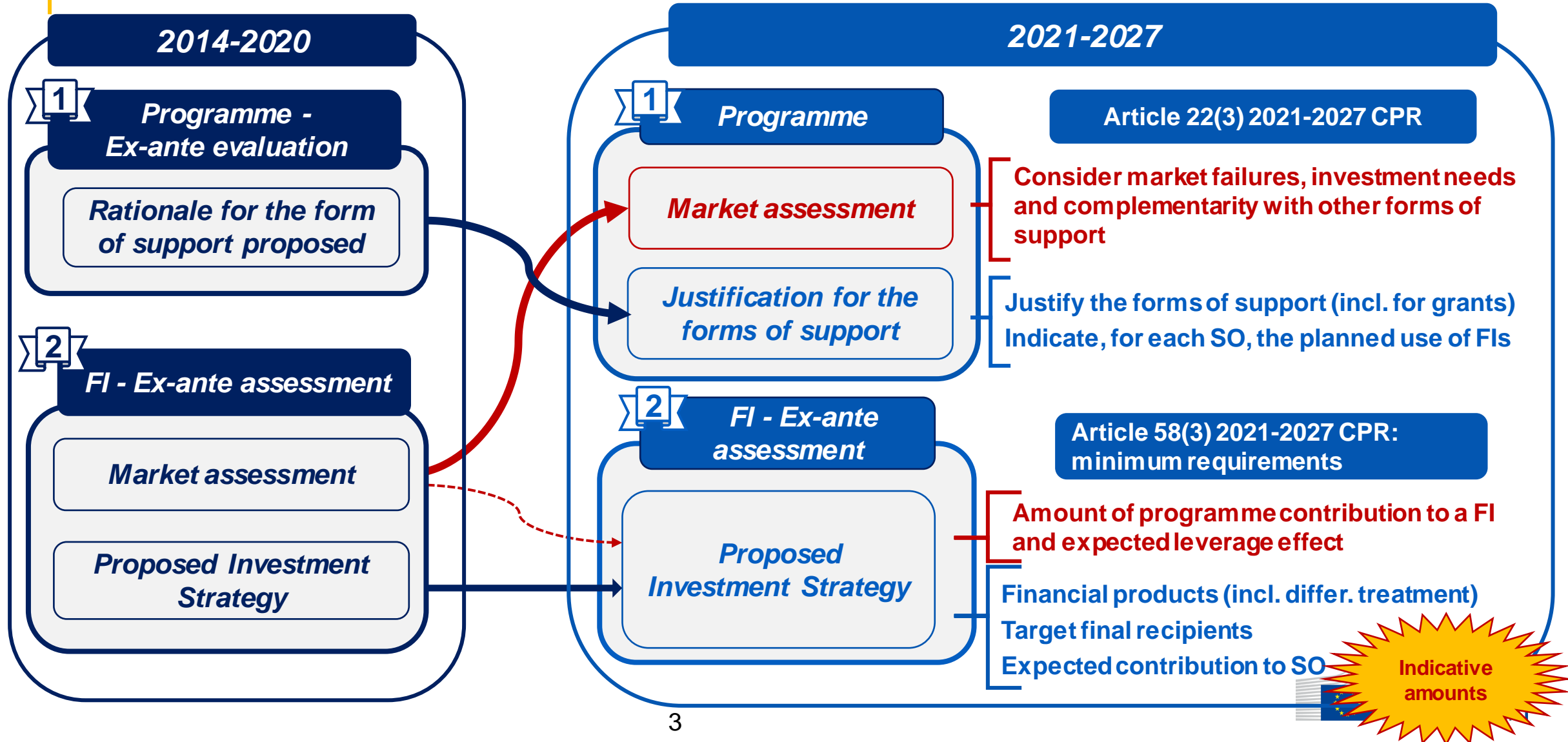
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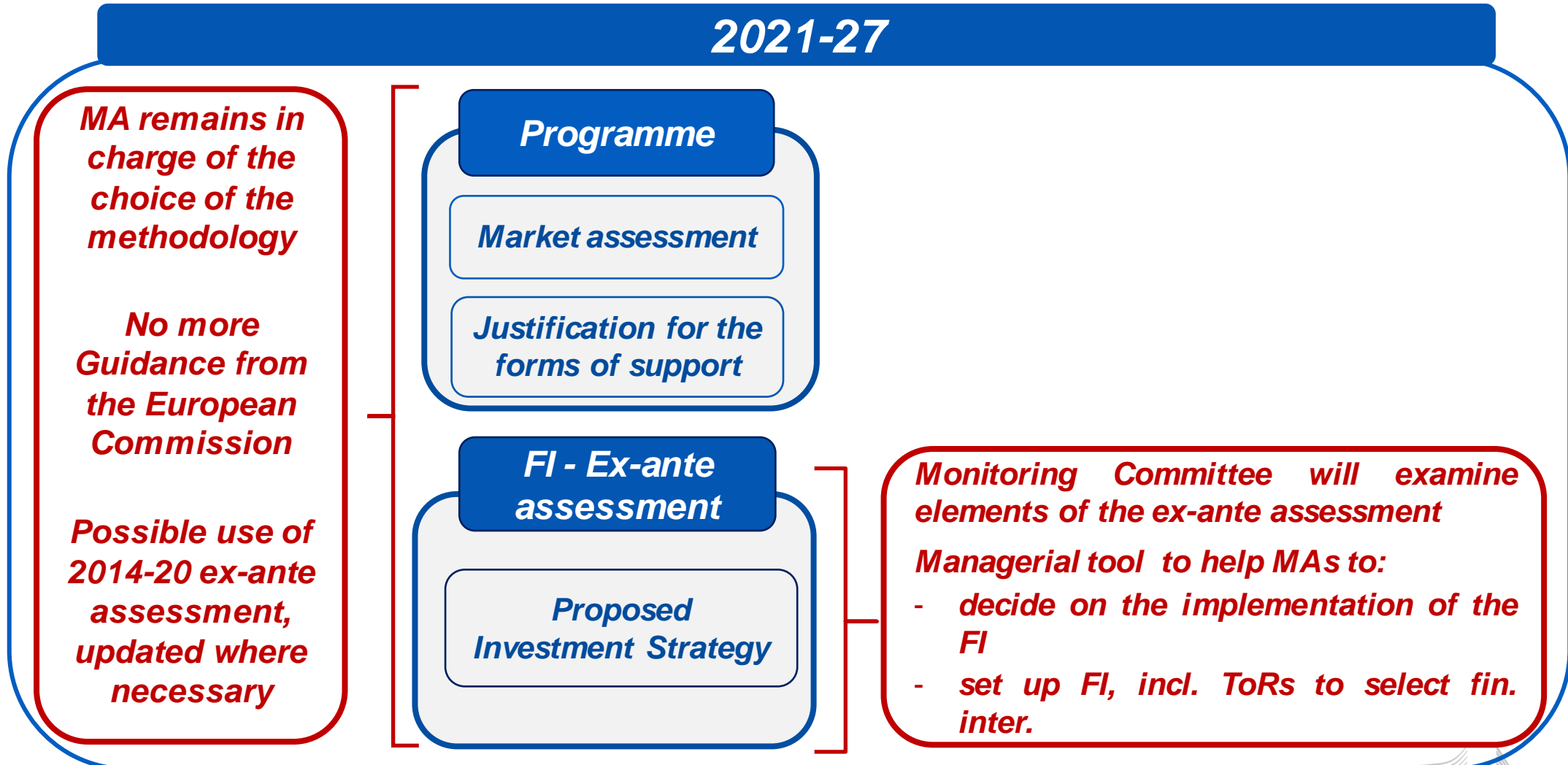
Financial instruments in 2021-2027

- **Streamlined**
 - Less prescriptive *ex ante* assessment
 - Strategic part integrated into programming
 - Can be started earlier and can continue from 2014-2020
- Facilitating **combination of grants and financial instruments**
 - Also use for only partially self-financing investments, e.g. social enterprises, or
 - more ambitious projects, e.g. achieve pre-agreed objectives for the creation of jobs in a social enterprise
- **Simpler rules** for payments and management costs and fees
- Option to use **single rules under InvestEU**

Change in the intervention rationale in 2021-2027

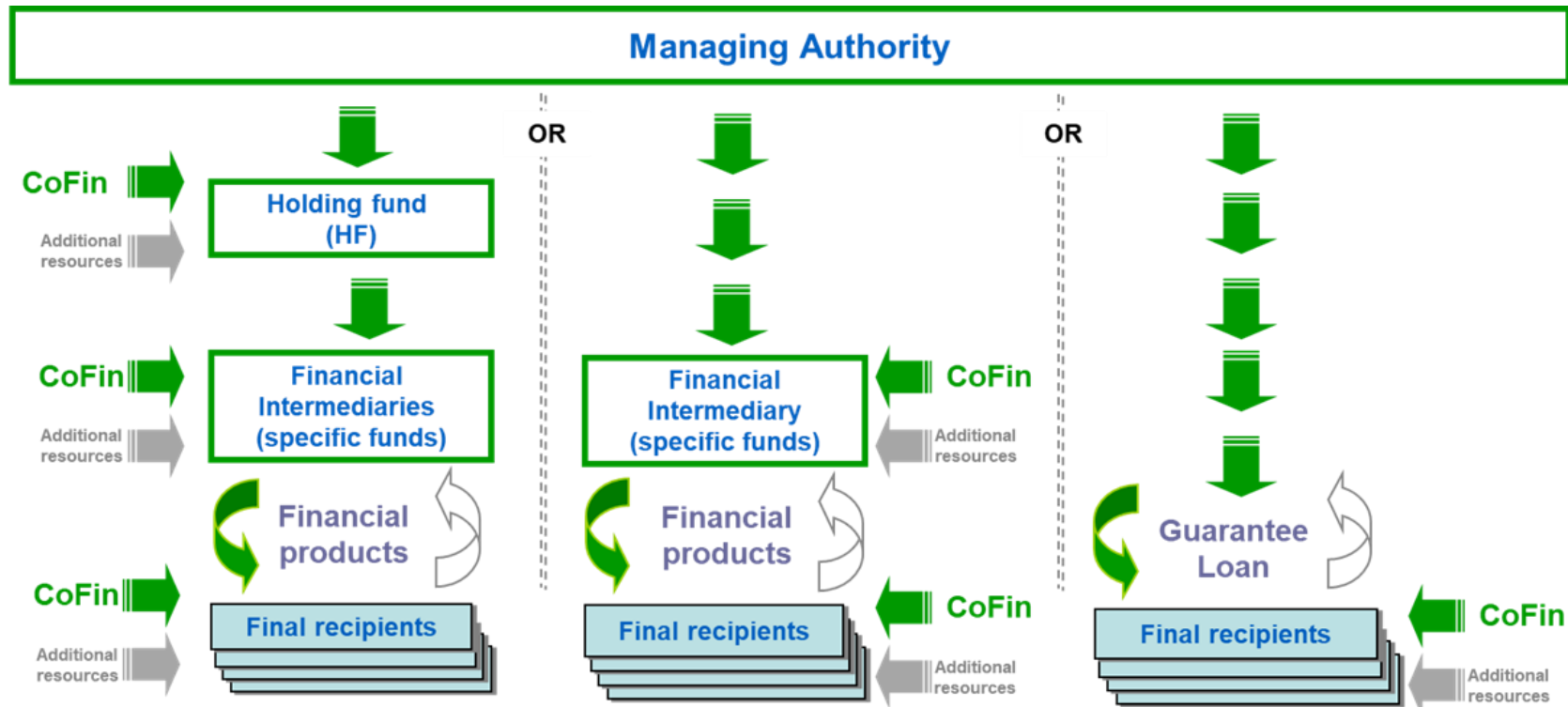


Change in the intervention rationale in 2021-2027



Implementation options - Article 59

- Continuation of basic flexible implementation options
 - management of FIs by the managing authority itself (**Article 59(1)**) – **only for loans and guarantees, no MCF – the same as in 2014-2020**, or
 - management of FIs (by third parties) **under the responsibility of the managing authority (Article 59(2))**



- The terms and conditions of programme contributions to FIs are to be set out in the **funding agreements** and **strategy documents** (Annex X)

Combination - Articles 58(4) to (7)

Combination of different forms of support



In 2 different streams with own rules

- Combination in TWO separate operations: each form of support following its own rules
- Combination of two streams of support is done at final recipient level
- Combination with EU level instruments at the level of the FI (e.g. ESIF/EFSD) – Not possible under CPR => but possible through a financial contribution to InvestEU => a single set of rules



In 1 operation under FI rules – major change in 2021-2027 New! capital rebates



- A single funding agreement for grants and FI
- Grant linked and necessary
- Grant lower than the value of the investments supported by the financial products
- Both distinct forms of support provided by the body implementing the financial instrument
- FI rules apply



Key principles of combination:

- The sum of all forms of support \leq total amount of the expenditure item concerned
- Grants cannot be used to reimburse support from FI
- FI cannot be used to pre-finance the grants
- Separate records should be kept for each source of support

Management costs and fees – Article 68(4)

Simplified rules for management costs and fees

1

Differentiated thresholds in case of **direct award of contract**:

- holding funds,
- specific funds

The **threshold** is applied to **programme contribution disbursed to final recipients or amount set aside for guarantee contracts** – final amount known at closure

2

3

Performance-based with a methodology to be defined by the managing authority in case of direct award and competitive tender

No thresholds in case of **competitive tender**

4

5

Management costs and fees – direct award of contract

Holding fund



5%

If a guarantee or a loan fund operates in the holding fund structure

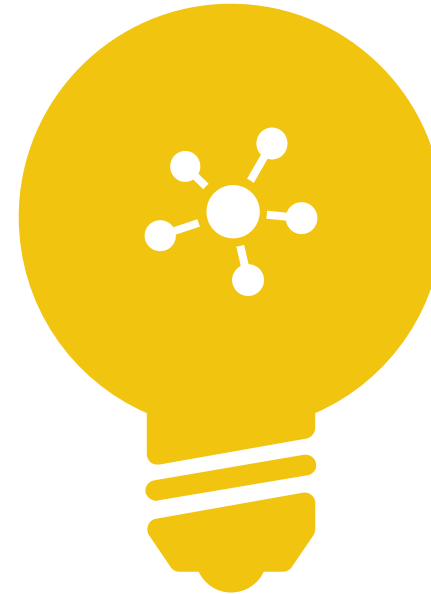
Holding fund



7%

If an equity fund operates in the holding fund structure

Specific fund



7%

Loans and guarantees

Specific fund



15%

Equity

Eligibility for FIs Article 68(2)

NEW! Continuation of the FIs across two consecutive periods *(to replace escrow accounts)*

Provisions aim to cover the following issues:

Continuation of the existing FIs from the current period to the next one and/or from post-2020 to the subsequent one

Also for: interest rates & guarantee fees subsidies, MCF for equity-based instruments, follow-on investments, etc.



Conditions to be fulfilled cumulatively:

- FI operation already approved under one period and the financial instrument implementation continues in the subsequent period
- The necessary legal and financial agreements have been made to ensure the continuation
- The eligible expenditure related to one period is declared to the Commission only during that period

Payments – Article 92

Financial instruments (FI) specificities in payment applications submitted by MSs to the EC

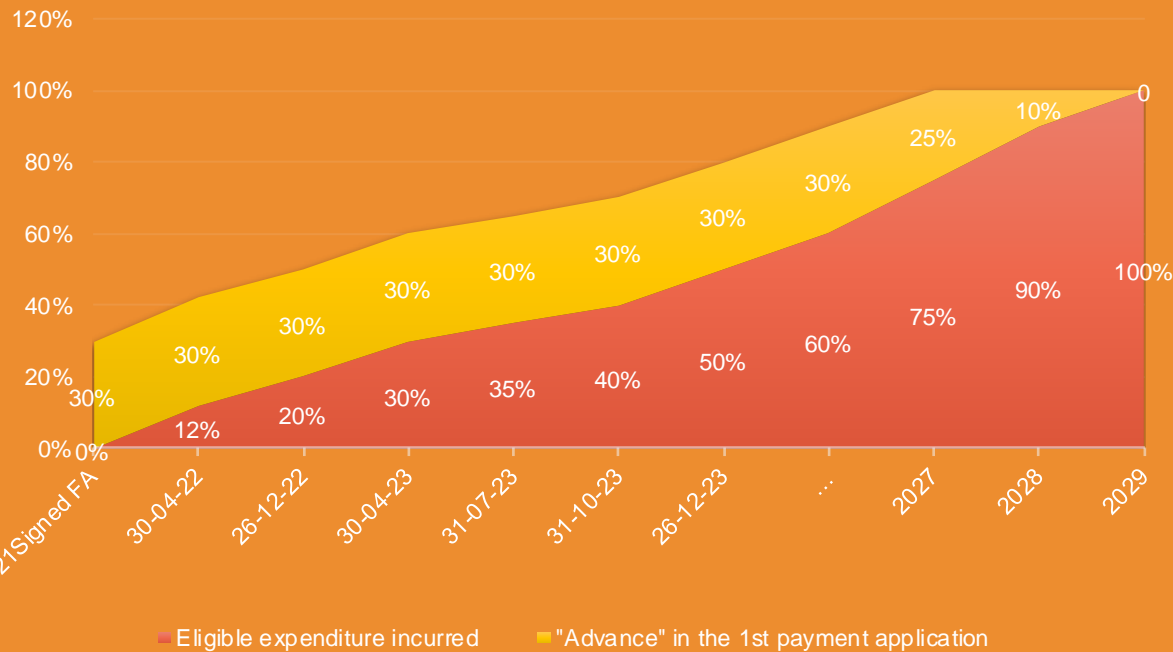
In case of direct implementation (Art. 92(1)): eligible expenditure incurred in line with Art. 68(1)

NEW approach to submitting payment applications in case of FIs managed under the responsibility of the MA

NEW! The 30% included in the first payment application is cleared no later than in the final accounting year and also disclosed separately in the appendix to the payment application Art. 92(3)

Payments – Article 92 - example

Example of liquidity levels for FI



Amount signed in the funding agreement = 500
 Amount included in the first payment application = 150

Comments	Priority	Amount included in the first payment application and paid to the financial instrument in accordance with Article 92 (max 30% of the total amount of programme contributions committed to [the] financial instrument[s] under the relevant funding agreement)		Corresponding cleared amount as referred to in Article 92(3) ¹	
		(A) Total amount of programme contributions paid to financial instruments	(B) Total amount of corresponding public contribution	(C) Total amount of programme contributions pursuant to Article 92(2)(b)	(D) Total amount of corresponding public contribution
2021 Signed FA	Priority 1	150	150	0	0
30-04-22	Priority 1	150	150	0	0
26-12-22	Priority 1	150	150	0	0
30-04-23	Priority 1	150	150	0	0
31-07-23	Priority 1	150	150	0	0
31-10-23	Priority 1	150	150	0	0
26-12-23	Priority 1	150	150	0	0
...	Priority 1	150	150	0	0
2027	Priority 1	150	150	0	0
2028	Priority 1	150	150	50	50
2029	Priority 1	150	150	150	150

¹ This amount shall not be included in the payment application

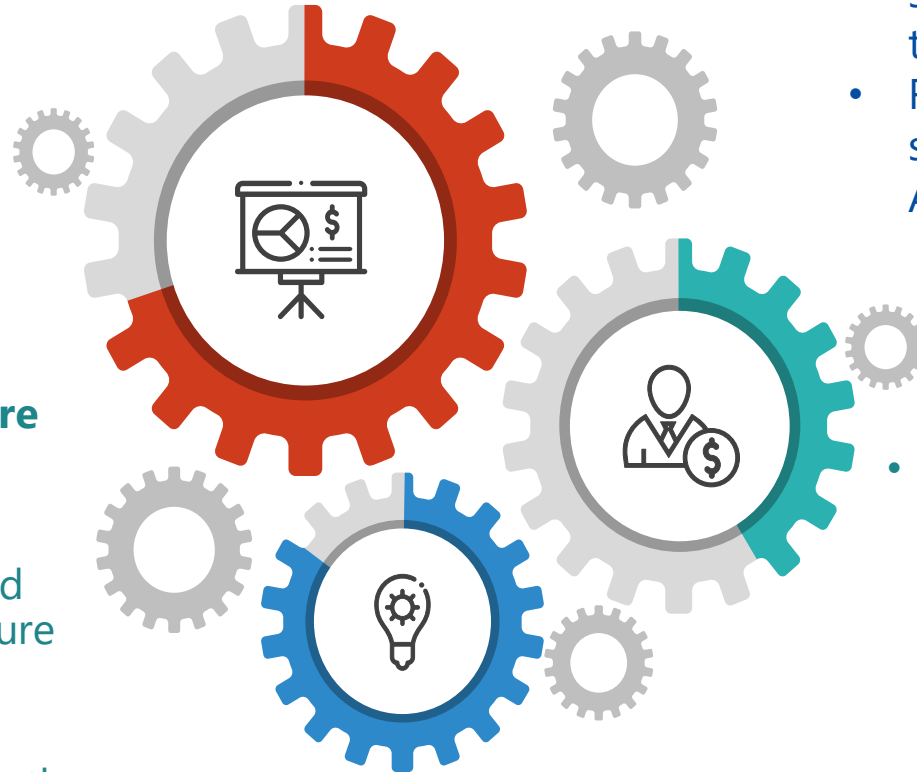
Reporting (Article 42)

NEW! joint transmission of data on grants and FIs

SIMPLIFIED! fewer reporting requirements

In addition a few FI specific data are collected:

- Eligible expenditure by product
- Amount of management costs and fees declared as eligible expenditure
- The amount, by type of financial product, of private and public resources mobilized in addition to the Funds



- Interest and other gains generated by support from the Funds to FIs, as referred to in Article 60
- Resources returned attributable to support from the Funds, as referred to in Article 62

- Total value of loans, equity or quasi-equity investments in final recipients which were guaranteed with programme resources and which were disbursed to final recipients

- **Frequency of reporting of FI data – twice a year**

Publicity (Article 50)

Which paragraphs of Article 50 are applicable to financial instruments?

Article 50(1)(a) and (b), the first sentence of Article 50(1)(d), Article 50(3) apply to beneficiaries and bodies implementing financial instruments as defined respectively in Article 2(9)(e) and Article 2(22) of the CPR.

Article 50(1)(c) has to be read together with Article 50(2) and it is applicable to final recipients.

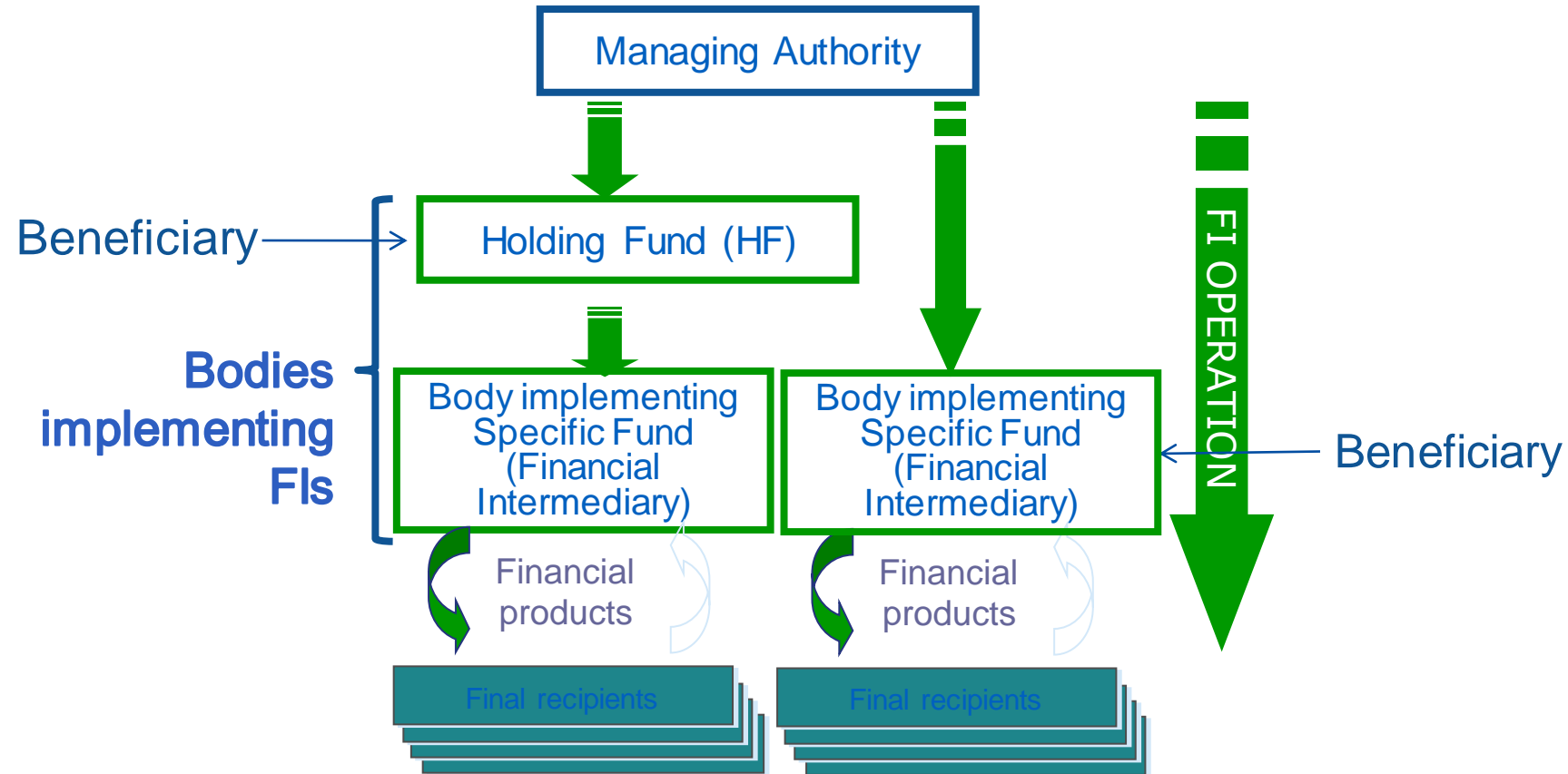
The second subparagraph of Article 50(2) provides that beneficiaries of financial instruments should, by way of contractual terms, e.g. in loan agreements signed with final recipients, ensure that final recipients comply with the requirements in Article 50(1)(c).

The second sentence of Article 50(1)(d) does not apply to financial instruments beneficiaries as this point applies only to natural persons.

Article 50(1)(e) applies to beneficiaries and bodies implementing financial instruments in case of:

- where the FI operation is included in the list of operations of strategic importance; and
- operations whose total cost exceed EUR 10 000 000.

Definitions - Article 2 - continuation of the same concepts clarified – no change in substance



 Programme contribution (Funds + national co-financing)



Thank you!

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