

Questions	Answers
<p>Would agro tourism be eligible under EAFRD since we get feedback that this specific segment of AGRI has been more impacted by the lock down?</p>	<p>Legal basis points out SMEs, which also include micro-enterprises. Agro-tourism would be eligible for FI instruments if MS foresees eligibility of non-agricultural activities in the RDP (e.g. sub-measures 6.4, LEADER, etc.) and respectively under the FI.</p>
<p>Do you know if the 2020 programing period is going to be given more years after 2023?</p>	<p>No extension of the current period is being discussed beyond current deadlines. We expect that in many cases the additional expenditure would mean that many authorities would spend the funds available long before, and use new MFF.</p>
<p>Is the Commission considering an extension of the eligibility period for 2014-20 period, in particular for financial instruments?</p>	<p>In respect with financial instruments, please take into account the article on the continuation of the existing FIs in the next programming period (Art. 62(1a)).</p>
<p>Can you clarify what are the specific circumstances when a simplified ex-ante assessment is needed?</p>	<p>In practice: in the COVID context, you would need the ex-ante assessment only if there is none yet (a new instrument). Any COVID-related updates are covered by the derogation.</p>
<p>Concerning the extension of existing financial instruments to a larger scope of final beneficiaries (going from GBER to Risk Finance Guidelines), does an NPI still need to notify DG-COMP? Example: using ERDF to target final beneficiaries with commercial activity older than 7 years.</p>	<p>It depends on the applicable State aid rules: under Temporary Framework, notification is always required, but if another State aid basis is used, the requirements would depend on the legal basis. For risk finance, under 2014/C 19/04 there is such need. Such final recipients can be covered by the Temporary Framework. Notification is required, but approval by the Commission is very fast. The list of already approved measures (updated daily) is here: europa.eu/competition/state_aid/what_is_new/covid_19.html</p>
<p>Is a National Development Bank considered as a National Promotional Institution?</p>	<p>The denomination does not count; a national development bank can be awarded directly a contract to manage the FI if they fulfil the conditions of Art. 38(4) CPR after Omnibus or if the conditions of in-house or inter administrative cooperation are fulfilled.</p>

<p>But because of COVID-19 the Economy is slowing down and it would be very complex to execute 2020 if we don't have longer period. is it possible to have escrow accounts?</p>	<p>No extension of 2014-2020 escrow accounts is envisaged or discussed beyond what is already possible for equity or for capitalised interest rate/guarantee fees subsidies. But 2021-2027 regulations could provide help by supporting one operation spanning both periods.</p> <p>The logic for not extending the period is that the crisis response is accelerating spending considerably and the start of the new programming period should not be delayed.</p>
<p>Is there a need to update the definition of what constitutes a viable enterprise in the forthcoming period or provide some other criteria taking into account the real circumstances?</p>	<p>For the moment, we focused on the 2014-2020 period. The ERDF rules have been adjusted so that they are in line with requirements of State aid under Temporary Framework and de minimis.</p>
<p>Please note that de minimis is possible on ad hoc cases, but the 800k ceiling is only allowed in national regulations.</p>	<p>The Temporary Framework (which in section 3.1 introduces the EUR 800 000 ceiling) indeed always requires notification of national measures, but approval of the measures by the Commission is very fast.</p>
<p>In investments as crisis response, Zagreb was hit by a strong earthquake on 22nd of March. Do you think it would be possible to expand the use of existing ESIF FI for EE for entrepreneurs to allow for financing of residential building damaged in earthquake?</p>	<p>From the FI point of view, the derogation for the ex-ante is strictly related to COVID crisis. The ex-ante has to be updated for the situation of the earthquake, but it can be easy to be done as the impact is evident and can be done internally.</p> <p>The modification of the FI in respect with public procurement rules have also to be respected in view of what you want to achieve and also the underlying programme has to allow for it.</p>
<p>How to confirm no double financing in case of working capital loan if there is no need to document that it was used for a certain purpose?</p>	<p>For example, by demonstrating that working capital needs are sufficient (in total) to justify both expenditure under the working capital FI, and the eligible expenditure of the other operation supported.</p>
<p>"One operation spanning both periods" where can I find that? Link?</p>	<p>This is a part of the draft of the 2021-2027 regulations. They have not been adopted yet, but this part is supported by Commission and legislators - so it is likely to be approved. Please contact your representative in the Council to obtain the last version of the provisionally agreed text.</p>
<p>Until when is the re-financing change valid?</p>	<p>It works with the Temporary Framework (TF) if the FI is under the TF. GBER requires for the incentive effect, so re-financing is not possible.</p>

<p>Are there any liquidity supporting FI's for municipalities across EU?</p>	<p>The liquidity (working capital) support is focused on SMEs. If municipalities play a role in provision of health services, they can also benefit from related extended support. Otherwise, availability of financing and the rules remain as before the crisis.</p>
<p>Working capital: do companies need to show a shortfall in the WC for the year? Or can they apply even if there is a surplus for the year?</p>	<p>It is for national rules to set up specific criteria - taking one year's data might not be the most appropriate, you could use e.g. drop of sales in the shorter period, or other measure to see that the company was affected by the crisis.</p>
<p>For ESIF working capital loans, is it necessary to ask final beneficiary to provide evidence that the funds were paid for eligible purposes? We pay on the final beneficiaries account.</p>	<p>For working capital supported through FIs there is no such general requirement coming from the EU-level rules - it depends primarily on the conditions of support granted under a given FI. It is provision of financing which is eligible.</p>
<p>What are the steps of OP revision when among region categories, funds the member state wants to reallocate? How quick can this OP revision be?</p>	<p>Please contact the Commission (the geographic unit) bilaterally for the planned changes to the programme(s). To accelerate the procedure it is essential to agree on the necessary changes before official request for the programme modification.</p>
<p>I see that the factsheets refer to the Temporary Framework (TF) interplay with Financial Instruments (FIs). Under the 2nd TF (published on 8 May), would be possible to provide aid/support in the form of intermediated equity? CPR + Paras. 28 and 22.a TF</p>	<p>CRII and CRII Plus made no changes in relation to equity investments. For State aid compliance please contact DG COMP directly.</p>
<p>For financial instruments it is possible to use the TF aid scheme at paragraph 3.1 instead of the ones provided for in paragraphs 3.2 and 3.2</p>	<p>If the nominal value of the loans is lower than EUR 800 000, it is possible to use section 3.1. For larger loans, (guarantees covering larger loans) sections 3.2 and 3.3 are needed.</p>
<p>When new business plans are required, these are also LIGHT new business plans? If so, what does this mean, LIGHT?</p>	<p>Business plans have to be in line with the requirements of the banks. The CPR does not require anymore to give evidence that these business plans are submitted and that the support was used for the intended purpose when the loans are linked to COVID. 'Light' meaning taking into account current economic situation which is very uncertain - the Commission suggests that conditions of support are flexible to allow for the likely needed adjustments. Working capital is a broad category.</p>

Double financing for w/c is difficult to be checked since there are no supporting documents.	Checks for the eligibility of the final recipient and the eligibility of the support should be done and double financing can be checked then. Details how to check were provided in writing, please ask again the COVID task force if there is a need
Is there an estimate about how much more aid will become available by or when MS fully use the temporary relaxation measures?	There will be a voluntary mechanism to trace such expenditure, and we hope that most managing authorities would share with Commission the very basic limited data needed for such estimate.
For management verifications: I would like a confirmation that it is no longer required the verification that the support provided through FI was used for its intended purpose as a part of the supporting documents - for the COVID related support.	Yes, we confirm, Article 25a(11) introduced by CRII+ is clear about it.
Is it possible to finance pure working capital projects which are not directly linked to the COVID-19, meaning such SMEs are not working on producing special equipment's related on the COVID-19. E.g.: a hairdresser.	Yes, the support is not only for SME producing special medical requirements, but for all SMEs affected by the COVID crisis.
So there is no obligation to collect any supporting documents (like invoices etc) in case of working capital?	No, for support in the form of working capital to SMEs if necessary as a temporary measure to provide an effective response to a public health crisis is not needed. For all the other working capital support, proportionate requirements should be in place. Not always invoices are needed: see audit methodology for FIs.
Working capital - broad definition (rent, cleaning services etc.) could they be considered as working capital for COVID purposes.	Yes, for SMEs affected by the crisis.
What is the minimum amount of collateral behind a project which is financed via a FI working capital product?	That's up to national rules to decide. It is not excluded, that no collateral is required.
Could the definition of working capital be extended to rent and cleaning services for covid purposes?	The definition already covers both rent and cleaning services.
An RDI - investment to production or financing of working capital or both (health services, masks). Does working capital	For SMEs affected by the crisis and for health services - financing of working capital is not necessarily linked to any investments and they benefit from the

<p>need to be connected to specific investment or not? Does working capital need to be connected to specific investment?</p>	<p>amended rules. For other RDI - they have to fit under TO1, which does not exclude working capital support as before.</p>
<p>What about a combination between QT aid under section 3.2. or 3.3. and a GBER aid? How is calculated the ESL to cumulate as to QT aid?</p>	<p>Please contact DG COMP directly on the specific case.</p>
<p>Are large corporates eligible according to ERDF (question to Slovakia)?</p>	<p>Yes, in line with Fund-specific rules, which have not changed much compared to before the crisis. E.g. productive investment can be eligible under TO1, TO4 and under conditions in TO2, if it contributes to one of the ERDF investment priorities.</p>
<p>Could you explain how you have adjusted an innovation and green investment instrument to COVID-19 response. I have seen that there were interesting changes to Biznesmax.</p>	<p>Please contact the PL speaker directly.</p>
<p>I see grant can be combined with new or existing FI. Can a grant be awarded to a business without combining or in conjunction with loan, guarantee, equity investment? i.e. grant as an individual piece of aid for working capital or investments.</p>	<p>Yes, support for working capital for SMEs can be provided as a stand-alone grant following the CRII amendment in Article 3(1) of ERDF Regulation.</p>
<p>We have an existing program it is an investment loan product. Now we would like to expand it with a WC-leg. Is it a new programme or not? Asking this for the ex-ante requirement. Thank you in advance.</p>	<p>It depends on the set-up you have chosen - if you just add working capital to an existing FI, you do not need ex ante. If a new FI is set up, something (very simple!) may be needed.</p>
<p>1. Rate subsidies in the existing fin. instrument to fully cover the current co-financing interest rate of the Intermediary. Provide loan solely in form of working capital, without investment component (currently the investment component is mandatory)?</p> <p>2. Extend the eligibility of self-employed persons regardless the date of registration/starting business (current condition -</p>	<p>Yes, it is possible for ERDF. Yes, at first view, the modifications look substantial as they are changing the nature of the contract. Please contact DG GROW with more details for a better analysis of the situation.</p>

<p>with not more than 3 completed financial years prior to submitting credit application)?</p> <p>3. Provide loan solely in form of working capital, without investment component (currently the investment component is mandatory)?</p> <p>Having in mind the aforementioned, shall we consider such modifications as substantial regarding Article 72 (4), a) - "Modification of contracts during their term" of DIRECTIVE 2014/24/EU?</p>	
<p>Can a region which was not included in any RDP/OP (e.g. because it is considered a super developed region) received support under CRI/CRI + reform – making use of the flexibility to shift resources between categories of regions?</p>	<p>There are no such regions, every region in EU is covered by at least one OP programme financed by ERDF.</p> <p>As regards extending programme area of an existing programme, please contact Commission bilaterally to verify - so far nobody asked such a question as far as I know</p>
<p>What do you mean by very simple VEXA in case of new FI? are there any guidelines?</p>	<p>The guidelines are both in the paper sent and leva's presentation: point by point, how to fulfil requirements of the regulation.</p>
<p>Thanks for your answers. In the event that the financial instrument implemented for the Covid-19 emergency remains within the ambit of the de minimis aid scheme. Is proof of working capital expenditure required?</p>	<p>No, the change in Article 25a(11) is not linked to the Temporary Framework, as long as the COVID measure is in place, this article applies.</p> <p>Check the guidance on audit of financial instruments: the requirements of "use for intended purpose" does not require you to collect all the invoices and prove of incurring expenditure by the enterprise. This applies also under de minimis.</p>
<p>In relation to re-financing, could you please explain the last condition mentioned on the slide in relation to FIs where signature should have occurred between Feb and April 2020?</p>	<p>It means that a new funding agreement covering loans not supported by EU budget after 1 February 2020 because of the crisis response is possible as of 1/2/2020. New amendment in CRII Plus came into force on 24 April to allow to bring programme support to such retrospective operations.</p>
<p>Following the FI compass webinar as of today, and the Fact sheet attached to this e-mail, where I found the following:</p>	<p>In the note we are saying that the loans have to be disbursed after the signature/modification of the funding agreement in order to have them eligible, but the costs could have been started to be incurred before. For working capital</p>

The expenditure for operations fostering crisis response capacities in the context of the COVID-19 outbreak shall be eligible as from 1 February 2020. However, in case of ESIF financial instruments, the expenditure is eligible from the date the adequate amendments (if needed) are introduced in the funding agreements.

I would like to check my understanding – does this mean that ESIF WC COVID Loans can only finance costs occurred after the date of the Amendment of the Funding agreement?

For example, if a Managing authority decides to reallocate one part of ESIF proceeds (concretely EAFRD) from current ESIF FI Investment Loans to ESIF WC loans (the later being a new FI) then the later one can finance WC expenditures occurred only after the date of the amended funding agreement?

Could you please also help us with the information where from this criteria derives because we do not see the exception related to ESIF FI in the CRII (also attached to this email).

support in the form of FI there is no need to link a loan to a cost, the SME has liquidity issues due to the crisis and they need a loan for working capital to solve its liquidity problems and this loan has to be disbursed after the signature/modification of the FA.

This eligibility rule for FIs comes from the CPR rules which were not changed in the CRI or CRI+ regulations:

- In accordance with Article 2(9) CPR, a financial instrument operation is defined as the financial contribution from a programme to a financial instrument and the subsequent financial support provided by this financial instrument. These two elements, namely: 1) a programme contribution to the financial instrument and 2) support from the financial instrument to final recipients, constitute sequentially an operation.

- As provided for in Article 2(10) CPR, a beneficiary is a body that implements the (specific) financial instrument or the fund of funds, as appropriate. This body becomes a beneficiary on the basis of a funding agreement or a strategy document, depending on the implementation option chosen. The negotiation and signature of the funding agreement should be preceded by the obligatory ex-ante assessment, by the submission of the ex-ante assessment to the monitoring committee, by the managing authority's decision to contribute programme resources to the financial instrument and finally the selection of the body implementing the financial instrument. In financial instruments implemented in accordance with Article 38(4)(d) CPR, following the ex-ante assessment, a strategy document is developed and submitted to the monitoring committee and in this case the beneficiary is the managing authority (or the intermediate body).

A financial instrument should be established following the legal and chronological sequence above, meaning that support to final recipients or for the benefit of final recipients granted by financial instruments can be eligible as of the date of the programme contribution to the financial instrument (which occurs only after the signature of the funding agreement). In financial

	<p>instruments implemented in accordance with Article 38(4)(d) expenditure can be eligible as of the date of presentation of a strategy document for examination by the monitoring committee.</p> <p>The contribution of the programme to the financial instrument should, therefore, precede the support provided by the financial instrument to the final recipients. Contrary to what happens in grant operations where programme support is provided in the form of reimbursement of expenditure already incurred and paid by a beneficiary, in the case of financial instruments the programme support precedes the investment by the final recipient by providing to the final recipient the means of financing to carry out the planned investment.</p> <p>It is also highlighted that as set out in Article 42(5) CPR, management costs and fees are eligible as of the date of the signature of the relevant funding agreement, provided that all other eligibility criteria are fulfilled. However, management costs and fees incurred for the preparatory work in relation to the FI before the signature of the relevant funding agreement, and which according to the general rule above become eligible after the signature, may only be included in the eligible expenditure if incurred after the date when the formal decision selecting the body concerned was taken.</p>
<p>Will it be possible to maintain a current financial instrument under EAFRD in the next programming period, using the CRII and CRII+ simplifications? Will a new ex-ante assessment be needed?</p>	<p>In accordance with current draft version of future CPR Art.52(1), managing authorities may provide CAP Strategic Plan contribution to existing or newly created financial instruments (FIs) which contribute to achieving specific objectives, provided the regulatory framework of 2021-2027 is respected. However, continuation in the period of 2021-2027 of an instrument set-up in the period of 2014-2020 is only possible, if the original selection procedure and the Funding Agreement signed for the period 2014-2020 foresaw the possibility of the continuation. In the case of FIs set-up in 2014-2020 through direct award of a contract in line with Art.38(4)(b) CPR, such continuation possibility can be also introduced through an amendment to the original Funding Agreement.</p>

Regarding the CRII simplifications and their continuation for post2020, i.e. Art.25a(11) CPR, the provision expires with the CPR Regulation. However, the simplifications are partly already foreseen in the post2020 simplification process, so a continuation is possible, if it complies with the post2020 regulatory framework:

- Regarding EAFRD, the future CAP Strategic Plan Regulation (CAP SPR) provides for a much wider possibility in Article 74(3), namely standalone working capital finance with a Gross Grant Equivalent of up to EUR 200 000 (similarly to the general de minimis ceiling for other ESI Funds), not limited to SMEs. As a general principle, support under the CAP SP, including working capital finance should be in line with the objectives of the CAP SP (it should relate to an eligible final recipients and its eligible activity).
- Business plan is required in general for support in the form of financial instruments, but as described in the EGESIF paper related to COVID, **for working capital finance the “verification of financial statements for a company at the moment of investment selection for funding should usually be sufficient**, without any need to provide specific prove of expenditure incurred. The loan is given based on an analysis of the balance sheet and the foreseen evolution of short term financing needs. Requesting invoices to justify the use of the working capital financing *would already not be normal banking practice.*” This can be considered as a general approach, irrespective of a crisis. In case of final recipients without detailed financial statements, **an equivalent document or business plan can also suffice as justification for the requested working capital finance.**
- The requirements of future Article 52(3) CPR on ex-ante assessments need to be fulfilled (may be based on existing or updated *ex ante* assessments), but it legally does not include anymore the justification for the use of the FI for different purposes (this is required though in the Programme through Article 17(3) CPR, and should also be reflected in the CAP Strategic Plan documentation through the SWOT, needs assessment and intervention

	<p>strategy in accordance with Article 95 CAP SPR and the rationale for the use of FI shall be appraised in the ex-ante evaluation of the CAP Strategic Plan in line with Article 125 CAP SPR). If the aftermath of the covid crisis is still relevant, the justification can be to refer to Commission's communication '<i>Coordinated economic response to the COVID-19 Outbreak</i>' COM(2020) 112 final.</p> <ul style="list-style-type: none"> - Furthermore, Article 80(3) CAP SPR continues to enable crisis measures under the CAP Strategic Plans, similarly to Article 60(1) of R.1305/2013, and having the above simplifications also in place, it should enable Member States to respond to any potential crisis situation in a similar manner. - Other COVID-related changes to the Annual Implementation Report or to the timing and level of management verifications, on-the-spot checks are put in place for the current year only.
<p>Aid provided under the State aid Temporary Framework must also respect the aid intensities under the relevant EAFRD regulations – Can you please describe how this works in practice?</p>	<ol style="list-style-type: none"> 1) If a project (e.g. investment) was earlier selected for EAFRD support (grant and/or FI), any additional support (e.g. interest rate subsidy) provided to the same project under the TF shall also respect the aid intensity originally applicable to the project under State aid Regulations or Annex II to R.1305/2013. 2) For COVID-related standalone working capital finance for SMEs under EAFRD FIs, Art.25a(11) defines a financing ceiling of EUR 200 000. <ol style="list-style-type: none"> a. For agriculture, there is no other limitation, as State aid rules are not applicable to EAFRD support to agriculture. EAFRD aid intensities are not applicable due to the derogation in Art.25a(11). b. Besides the financing ceiling, for non-agricultural activities (outside the scope of Art.42 TFEU), cumulation rules depend on the applied legal basis (e.g. de minimis may be cumulated with TF, block exemption aid intensities cannot be exceeded).