



2nd meeting of the structured dialogue between

**AECM, EAPB, ELTI, NEFI
and DG REGIO Unit B.3.**

20 January 2022

AGENDA

1. Introductory round

- a. Opening statement by DG REGIO HoU Jonathan Denness
- b. Opening remarks by EAPB Sec Gen Marcel Roy

2. Common Provisions Regulation & current developments

- a. Answers to submitted questions, space for discussion under each point
- b. Presented by Julien Millet, Oana Dordain, Ieva Zalite, Filip Chraska

3. General/other questions from NPBI and their associations

- a. Presented by Filip Chraska & Aron Kerpel-Fronius

4. AoB

1. Introduction

REGIO.B3 Head of Unit: Jonathan Denness

- Progress in programming since the last meeting with a varying pace across the Member States
- FIs an important aspect of negotiations between REGIO and MSs, please help us promote them in your MS!
- Our unit is developing off-the-shelf financial instruments as well as a dedicated instrument for the New European Bauhaus initiative

1. Introduction

ESIF financial instruments implementation in 2020

- Positive data from our [Annual Summaries 2020](#)
- EU achieved the target set out in the Investment Plan for Europe to double the use of ESIF FIs in the programming period 2014-2020
- CRII+ & increased allocations for covid-19-related FIs (IT, GR, CZ, SK, FR...) to provide aid for SMEs

	2019	2020
Paid to FIs	EUR 11 bn	EUR 18 bn
Financing for FR	EUR 15 bn	EUR 37 bn
Number of FR	143 000	556 000

1. Introduction

- Opening by EAPB Secretary General Marcel Roy

2. Common Provisions Regulation

Remaining questions

Audit methodology – overbooking declaration (MFB)

Could you please clarify and explain what are the rules for using overbooking declaration for FIs in connection with the closure of the programming period and what is the legal basis thereof?

→ Full answer in writing

2. Common Provisions Regulation

Remaining questions

IBB: Annex XI: Requirements of management and control systems and expected Guidelines on the closure of operational programmes, etc... (e.g. „For the expenditure to be considered eligible at closure, national authorities must have assurance that the contribution paid to the final recipient is used for its intended purpose.”)

How to proof for example the use for intended purpose in the case of working capital / start-up capital other than payment to the business account? Could guidelines for national auditors be more specific on those issues as they are always brought up by auditors.

→ Full answer in writing

2. Common Provisions Regulation

Art. 7 of ERDF Regulation - ERDF and the CF should not support an undertaking in difficulty

What does unless authorized under de minimis mean?

Regarding risk capital finance is there any way to use the adjusted definition of the risk capital guidelines or have an exception in the case of pari-passu conditions?

→ Full answer in writing

2. Common Provisions Regulation

Questions & Answers reg. Art. 50 - visibility requirements

**Could you clarify whether the subparagraph c) of the first paragraph of article 50 of new CPR applies to bodies implementing financial instruments and/or final beneficiaries?
If the latter is true could you confirm that it does not apply to general SME financing that includes among others working capital and general start-up costs?**

→ Full answer in writing

The request to display durable plaques or billboards only applies to financed operations that consist predominately of physical investments (i.e. infrastructure projects) i.e. it does not apply to general SME financing that includes among others working capital and general start-up costs.

If this interpretation is not shared: The aim of many FI is access to finance and leverage of private investment and not any particular investment. How to make SMEs displaying plaques for a loan they paid market-conform interest or fees for (often to their bank as intermediary)? Who is to pay the fine, the fund manager? Who will check conformity, the private intermediaries?

→ Full answer in writing

2. Common Provisions Regulation

Questions & Answers reg. Art. 58. – MFB questions

Scope of financing: working capital

Is it possible to finance working capital from ERDF in the form of FI, without any limitations, and the new ERDF regulation limited the use of working capital only for grants, not for FIs?

→ Full answer in writing

Scope of financing: transfer of proprietary rights

Do we understand correctly that irrespective of the wording of the new legislation, the scope of FIs will not be trimmed and still includes the transfer of proprietary rights too?

→ Full answer in writing (The cost of transfer of proprietary rights in enterprises falls under investments in intangible assets, and is thus possible under the new CPR.)

2. Common Provisions Regulation

Questions & Answers reg. Art. 58. – MFB questions

When combining FI with grant under one operation, are both components to be provided by the same entity?

→ Full answer in writing

BDB question:

Is it possible to be combine the support from Funds under shared management with InvestEU Fund in a single financial product (aside from the possibility under art. 14)? Are the recycled funds subject of similar combination rules?

→ *No, InvestEU and shared management funds cannot be combined in a single financial product. As far as recycled funds are concerned, they have to be reused within the same or other instrument during the eligibility period (Art 62.1). After the end of the eligibility period, they have to be used in accordance with policy objectives of the programme(s) under which they were set up – also in other FIs or in forms of grants (Art 62.2).*

2. Common Provisions Regulation

HBOR follow-up questions Art. 58. paragraph 5 – concerning double-financing

- 1) Is it possible to combine an ESIF loan (financial instrument) with an EIF guarantee in a single operation?**
- 2) Is it possible to combine an ESIF loan (financial instrument) with an RRF grant (separate operations, loan would be used to close the financial construction of the project) / complete project funding?**
- 3) Is it possible to combine ESIF funds with InvestEU funding?**

1) For example, in a risk sharing loan, the EIF guarantee may be provided on the contribution provided by the financial intermediary, but not on the ESIF share, as ESIF are envisaged to provide better than market conditions. For the future design of FI/products the provisions of differentiated treatment of investors may be considered in line with the provisions of Article 61 CPR.

2) In principle it could be possible but the Member State must take all the necessary steps to avoid double funding. If MS consider such combination of support, the Commission invites the MS to discuss on a case by case basis and demonstrate that the specific costs covered by CPR Funds will be excluded under RRF. The Member State should be able to explain how the mechanism, the management and verification of operations, the adequate audit trail of the expenditure as well as contractual relationship between MA, MS authorities responsible for implementation of RRF and the bodies implementing FI will be ensured to avoid double financing from the CPR Funds and RRF at the same time.

3) Yes, at the level of the final recipient, but not at the level of the instrument.

2. Common Provisions Regulation

Questions & Answers reg. Art. 58. – NRW Bank question

As far as we understand, both the FI and the grant resources have to be ERDF (or ESF) resources. Does the EU-COM think it's possible to extend Art. 58 CPR and the simplified procedural rules for combined FIs from ESIF to products with a share of national resources (e.g. on the occasion of the mid-term review of the period 2021-2027)?

→ It might, from our point of view, be cost-effective to use established loan programs from national resources and combine them with EU resources for the grant share as a capital rebate. Credit institutions could e.g. spare the process of product development in this way.

→ On top of that the EU-resources not needed for the loan part could be implemented elsewhere.

→ This does not preclude, however, that the grant and the loan is provided under the same agreement/contract signed by the SME with a promotional bank, in which case the promotional bank could act as an intermediate body to deliver the grant. The costs covered by the loan guaranteed or provided by the promotional bank could be declared as part of national co-financing for the grant operation. The terms and conditions of the programme support between the MA and the beneficiary for the grant operation will cover the financing plan (Article 73(3) CPR). Whether the private contribution is taken into account as the programme national co-financing, depends on whether the programme is on the total or public contribution (Article 112(2) (a) and (b) CPR).

→ Full answer in writing.

2. Common Provisions Regulation

IBB: Article 62 (2) - resources paid after the eligibility period

Are MCFs eligible expenditure after the end of the eligibility period subject to any threshold similar to Art. 68, paragraph 4?

→ Full answer in writing (No, the CPR does not regulate the thresholds for MCF after the end of the eligibility period.)

2. Common Provisions Regulation

Art. 68 paragraph 4 – MCFs – MFB question 1

A) Should the thresholds of 5% and 7% be calculated in respect of the total program period?

→ Full answer in writing

B) Is there any provision applicable to the management cost other than the limits? In our understanding performance-based nature of management costs clearly follows from the fact, that the threshold is only applied in respect of the disbursed loans, and therefore there is no need to prove performance otherwise.

→ Full answer in writing

2. Common Provisions Regulation

Art. 68 paragraph 4 – MCFs – HBOR Follow-up questions

Would you please give an example on performance fees calculation?

→ It is a simple percentage calculation.

How will the MCF for combined financial instruments be computed and how will the financial intermediary be remunerated to manage combined FI and grants in one single operation?

→ In the 2021- 27 programming period, when grants and financial instruments are combined in one single operation, MCFs are calculated on the combined amount of grants and financial instruments.

→ The percentage of eligible MCFs for the given type of product (loan, guarantee, equity, micro-credit etc.) will apply also for the grant component, i.e. there will be no specific MCF rate for the grant component.

2. Common Provisions Regulation

MFB: Art. 68 paragraph 1 point b) - redeemed guarantees shall qualify as eligible expenditure

Do we understand correctly that the new CPR provides that both redeemed and committed but not, yet or ever, redeemed guarantees shall qualify as eligible expenditure? Could you please confirm our understanding?

→ Full answer in writing

SID Banka: Art. 68 paragraph 2 point – continuation of FIs from the old period

Do we understand correctly that the said provision refers to the so-called first use of resources attributable to the support from the Funds and not to the reuse of these resources?

→ Full answer in writing

3. General/other questions from members

ELTI: Art. 38 of EU Regulation n. 1303/2013

Reg. the possibility for NPBIs to be direct beneficiaries of Structural and Investment Funds, in light of the amendment of art. 38 of EU Regulation n. 1303/2013. It seems that such a possibility is already quite clearly expressed in the Regulation, however a further confirmation from the Commission would be useful.

→ Yes, NPBIs may be directly awarded the contract for the implementation of the financial instrument by the Managing Authority, provided they fulfill all conditions set out in Article 59(3)c or in Article 12 of Directive 2014/24/EU.

3. General/other questions from members

ELTI: Overview from DG Regio of the InvestEU member state compartment.

- Negotiations underway with Bulgaria, Czech Republic, and Finland for contributions via PA
- Possibility to contribute via Programme Amendment from 01.01.2023

ELTI: Public Sector Loan Facility, 3rd pillar of the just transition mechanism: the view of DG Regio concerning the adoption of the just transition plans in the EU, and therefore the level of implementation of the loans facility by the EIB.

- Territorial Just Transition Plans adoption foreseen for Q2 2022 – currently no TJTPs adopted
- PSLF work programme under discussion
- PSLF launch also foreseen for Q2 2022
- Currently only EIB implementation is foreseen

3. General/other questions from members

ELTI: Housing renewal: DG Regio is promoting the use of ERDF financial instruments in this area. As NPBI, we fully agree ! What are the most efficient instruments in this sector from DG REGIO point of view?

There are examples of successful loan and guarantee instruments in energy efficiency and housing renewal investment. In order to boost the level of ambition of supported housing renewal process, we would particularly recommend to consider the combinations of a financial instrument with grant in one operation, as the saved energy costs will allow for repayment of the FI component, while the grant component will allow for ambitious and innovative solutions which do not necessarily generate sufficient or measurable costs savings.

All information on combinations can be found in this factsheet:

Combination of financial instruments and grants under shared management funds in the 2021-2027 programming period

https://www.fi-compass.eu/sites/default/files/publications/Combination%20of%20financial%20instruments%20and%20grants_1.pdf

3. General/other questions from members

HBOR: Will the DNSH (Do no significant Harm) - principle be implemented on operational program level or it will have to be proven on each individual investment financed from ESIF funds, no matter if one is financed through grant contract or supported by ESIF financial instruments?

The ex-ante compatibility with the DNSH principle under cohesion policy is to be ensured at the level of the definition of the types of actions in the programmes. There is no need to separate the assessment by the form of support. Therefore, the principles should be applied to the financial instruments in the same way as for the grants.

Please give us an example of using a capital rebate in combination with a financial instrument in a single operation as enabled by the new CPR. For which types of operations is the use of such a scheme most appropriate (energy efficiency projects ...)?

All information and examples can be found in this comprehensive factsheet:

Combination of financial instruments and grants under shared management funds in the 2021-2027 programming period

https://www.fi-compass.eu/sites/default/files/publications/Combination%20of%20financial%20instruments%20and%20grants_1.pdf

3. General/other questions from members

When implementing a financial instrument as a fund of funds is it possible for HBOR to contribute its own funds alongside ESIF funding? Is this regulated, and if yes, by which regulation/article? If it is possible, does the same regulation apply also for the EMFAF?

→ National co-financing can be contributed at any level, see Article 59 (8), and the CPR provisions apply also for EMFAF.

There is an official question from the Managing Authority on this issue, for which the reply is now being consulted with the shared management DGs. Our written answer will be published soon.

HBOR is implementing financial instruments for SMEs through commercial banks, and we had to select them through a process of public procurement. Is it possible to select commercial banks according to the new CPR without using public procurement and if yes under which conditions?

→ Public procurement rules apply in an unchanged way, there is no derogation.



European
Commission

4. AoB