



Combination of different forms of support

- Role of different bodies in the implementation of financial instruments

Szilvia Bencze,
DG AGRI, European Commission

Combination of different forms of support under EAFRD

'One operation'

Combination is possible for the same project, provided the following conditions are fulfilled:

- Art.37(9) R.1303/2013 (CPR):
 - combined support does not exceed the total amount of the expenditure item → FIs cannot be used to prefinance grants, grants cannot be used to repay FI support
- Art.37 (8-9) of CPR + EAFRD context: distinct public eligible expenditure, separate records
- Overall public aid (FI GGE + grant) respects applicable aid ceilings (Annex II and State aid limits, if applicable)



Combination of supports under EAFRD

grant + financial instrument (incl. working capital) – *TFEU Annex I Example*

Total cost of the investment: EUR 100 000



Working capital: EUR 200 000

Justified, proportionate and proven by documentation

GRANT

- Eligible expenditure for grant = EUR 100 000
- Aid intensity e.g. max 40%
- **Provided grant amount = EUR 30 000**
i.e., total public expenditure to be declared to the Commission

FINANCIAL INSTRUMENT – fully public loan fund (LOAN with 1.6%pp interest rate benefit)

- Investment finance (10y) = EUR 60 000,
 - Gross Grant Equivalent = EUR 4 200
 - Working capital finance (3y) = EUR 200 000
 - Gross Grant Equivalent = EUR 5 800
- Total public expenditure (payment to final recipient) Art. 42(1)(a) = EUR 260 000
- **Total Gross Grant Equivalent = EUR 10 000**, i.e. public aid

- Total public expenditure for the project = **EUR 290 000 = 30 000 + 60 000 + 200 000**
→ the combined support provided to the investment does not exceed the total amount of the investment concerned

- Overall public aid = **EUR 40 000 = 30 000 + 10 000**

- I. Aid intensity of the entire project:
 $40\,000 / (100\,000 + 200\,000) = 13.3\%$
- II. Aid intensity of the investment:
 $(30\,000 + 4\,200) / 100\,000 = 34.2\%$
→ **the maximum EAFRD aid intensity of 40% is respected at the level of both the investment and the entire project**



Combination of supports under EAFRD

grant + financial instrument (incl. working capital) – *TFEU non Annex I Example*

Total cost of the investment: EUR 100 000



Working capital: EUR 200 000

Justified, proportionate and proven by documentation

Under general *de minimis* Reg.

GRANT under e.g. ABER

- Eligible expenditure for grant = EUR 100 000
- Aid intensity e.g. max 40%
- **Provided grant amount = EUR 30 000**
i.e., total public expenditure to be declared to the Commission

FINANCIAL INSTRUMENT – fully public loan fund (LOAN with 1.6%pp interest rate benefit)

- Investment finance (10y) = EUR 60 000,
 - Gross Grant Equivalent = EUR 4 200
 - Working capital finance (3y) = EUR 200 000
 - Gross Grant Equivalent = EUR 5 800
- Total public expenditure (payment to final recipient) Art. 42(1)(a) = EUR 260 000

- Total public expenditure for the project = **EUR 290 000 = 30 000 + 60 000 + 200 000**
→ the combined support provided to the investment does not exceed the total amount of the investment concerned

- Public aid for the investment = **EUR 34 200 = 30 000 + 4 200**
- Public aid for the working capital = **EUR 5 800**

I. Aid intensity of the entire project:
 $40\,000 / (100\,000 + 200\,000) = 13.3\%$

II. Aid intensity of the investment:
 $34\,200 / 100\,000 = 34.2\%$

II. Aid (GGE) of the working capital is below the general *de minimis* ceiling

Role of the Managing Authority

- Strategic decisions on the RDP contribution, targeted segment, extent of benefits to final recipients, key parameters (also relying on the ex-ante assessment)
- Establishing the conditions in the Funding Agreements in negotiation with the implementing body/ies, amongst others on:
 - Eligibility criteria for selecting final recipients
 - Management cost and fees for the implementing bodies (EC Guidance)
 - Communication channel between the MA/PA and the FI manager, also related to State aid and/or cumulation of aid
 - Control procedures and related documentation towards the FI bodies, and control framework required on the side of the implementing bodies
 - Reporting framework
 - Revision/exit policy
- Reporting towards the EC
- etc.



Role of the Paying Agency

- Management verifications by the PA is required during the set-up and the implementation (DA 480/2014 Art.9)
 - Before payments to the FI, administrative checks must be always done by the PA on the documents submitted by the beneficiary
 - On-the-spot checks are also required for FI operations, but not necessarily before payments to the FI, but in any case before the annual clearance, and ideally only on the level of the FoF/implementing bodies, except for cases of suspicion of fraud
 - EIF as FoF/FI manager cannot be controlled on-the-spot by MS authorities, but based on submitted control reports
- ESIF Guidance on Management Verifications
- Certification Bodies: Same principles as for the management verifications (Art.40(3) CPR)
- Payment to FI based on the achievement of the thresholds set out in Art.41(1)(c) CPR
- Registering combined supported projects + State aid registry

Role of the FoF/implementing bodies

- Deployment of RDP resources following sound financial management practices
- Selecting final recipients based on viability and eligibility
- Depending on the approach and decision of the MA, mentoring, counselling the final recipient (related costs!)
- Following up the financed projects, taking necessary steps to ensure the repayment of the finance, recovery actions, where unavoidable
- Establishing the necessary control and monitoring procedures and infrastructure
- Collecting and aggregating the reporting data to be provided to the MA for the annual implementation report + quarterly information on payments to the final recipients