



European
Commission



EAFRD Financial instruments

- combination of supports

- loans vs guarantees

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Combination of supports under EAFRD

***Question:** Can a project - being eligible under EAFRD - receive different forms of support? Eg. grant combined with financial instrument, or support from RDP combined with additional finance from EFSI/COSME.*

***Reply:** An investment (project) may receive combination of supports, if the following conditions are respected:*

- separate records are kept for the different forms of support in accordance with Article 37 (8) of Regulation (EU) No 1303/2013 (CPR),
- **Overall public aid** (FI gross grant equivalent + grant) to enterprises for a project shall **comply with the aid limits** laid down in the applicable legal framework, **i.e. Annex II** to R.1305/2013 and **State aid rules for cumulation of aid.**



Combination of supports under EAFRD

- in the context of EAFRD support only, the **total public eligible expenditure** under the grant support must be **distinct from the total public eligible expenditure under the financial instrument** support in accordance with Article 37(8) CPR. In case of combination with **EFSI/COSME**, the public expenditure provided from the RDP cannot overlap with the expenditures financed by EFSI/COSME.
- in accordance with Art. 37(9) CPR "the **sum of all forms of support** combined **does not exceed the total amount of the expenditure** item concerned. Grants shall not be used to reimburse support received from financial instruments. Financial instruments shall not be used to pre-finance grants."

Combination of supports under EAFRD - Example



Total eligible expenditure = **EUR 100 000**

Separate records for operations with distinct public expenditures for each source of assistance

- **Loan = EUR 65 000**, i.e., total public expenditure (payment to final recipient) Art. 42(1)(a) CPR
- Gross Grant Equivalent = EUR 2 000, i.e., public aid

- Total public expenditure = **EUR 100 000 (35 000 + 65 000)**
 - the sum does not exceed the total amount of the expenditure concerned

- Eligible investment for **grant** operation at the level of the final recipient (farmer) = EUR 100 000
- Aid intensity for this operation = 35% public aid of the total eligible expenditure
- **Maximum public contribution = EUR 35 000**, i.e., total public expenditure of grant to be declared to the Commission and at the same time the public aid

- Overall public aid = **EUR 37 000 (35 000 + 2 000) or 37%**
→ the maximum EAFRD aid intensity of 40% is respected at the level of the project



Combination of supports under EAFRD vs. under ERDF

The combination of supports for the same grant project is possible and easier under EAFRD due to the different co-financing structure:

Co-financing provisions for ERDF:

R.1303/2013 Art.120(2)

the Commission decision shall set out whether the co-financing rate for the priority axis is to be applied to:

- (a) **total eligible expenditure, including public and private expenditure**; or
- (b) eligible public expenditure.

Co-financing provisions for EAFRD:

R.1305/2013

The EAFRD contribution shall be calculated **on the basis of the amount of eligible public expenditure**. 3 Art.59(2)

Choice of the appropriate FI product

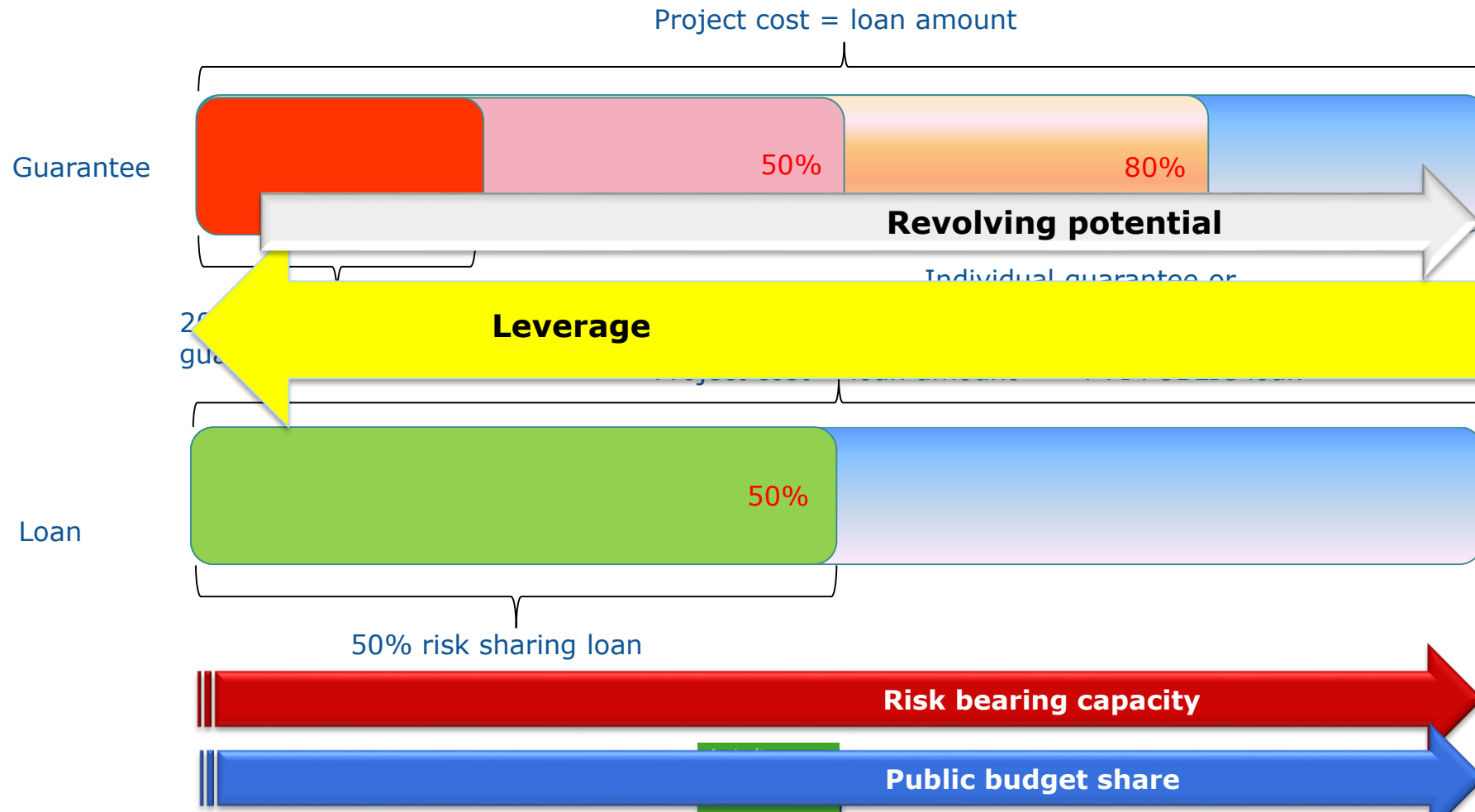
- CPR Art.37(2)(b) the ex-ante assessment shall assess the "*the added value of the financial instruments that are being considered for support from the ESI Funds, **consistency with other forms of public intervention addressing the same market***"
- Mapping the existing instruments:
 - Interest rate subsidies
 - Soft loans with preferential conditions
 - National/regional guarantee schemes, state counter-guarantee
- **FIs should/are able to provide more benefits than what is already available**
- **More benefits for final recipients inevitably requires more benefit for the banks in some form, two key factors:**
 - Liquidity
 - Risk bearing capacity



- Further possible favourable conditions:
- Collateral level
 - Duration
 - Repayment schedule
 - Eligible expenditures (working capital!)
 - No state aid – Annex I

Choice of the appropriate FI product

Potentials of the different FI products





Thank you for your attention