

Communication and visibility activities for financial instrument operations – Why, what and how?

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Financial instruments and communication & visibility

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Do more with less



- FIs as the answer to current and real questions
 - where there is a need for innovation in all sectors of the economy – innovation in technologies, products, ... but also innovation in ways to finance these innovations
 - where all levels of governments are faced with cuts and lower available funds and budgets
- FIs can offer specific benefits in specific areas
 - leverage effect: the possibility to attract private and other sources of funding
 - revolving nature: generate additional flows of money through repayments or interest
 - investing in financially viable investments in sectors with an identified market or access to finance gap
 - derisking investments in high-risk sectors (innovation, start-ups, ...)
- Good experiences vs. untapped potential
- Raising awareness
- Sharing the knowledge
- Marketing the financial products for the biggest possible impact

Financial instruments in Cohesion policy context



Financial instruments are a delivery mode for Cohesion policy objectives

Financial instruments help trigger investments on the ground, maximising private investment with minimum public support

Financial instruments represent a more efficient and sustainable alternative to traditional grant-based support

Financial instruments are chosen as a rule when investments are income generating or cost-saving



Impact in numbers

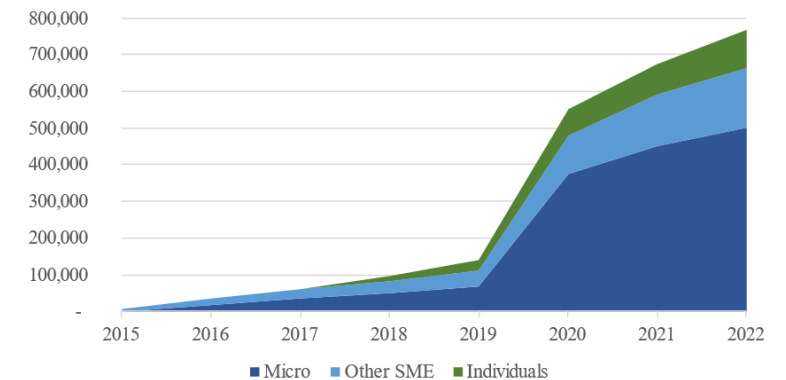
In 2014-2020:

Leverage:

- EUR 17 billion of ESIF contributions led to **EUR 62 billion** financing mobilised
- On average, each euro paid to final recipients or set aside for guaranteed loans generated **3.8 times** financing

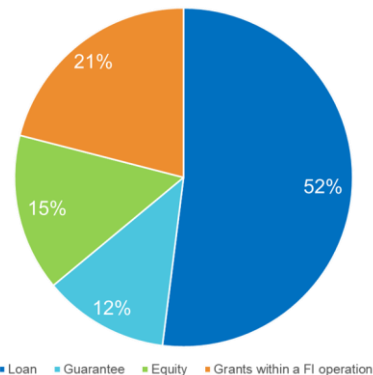
Support to final recipients:

- **771 000** final recipients (665 000 SMEs, out of which over 500 000 microenterprises)

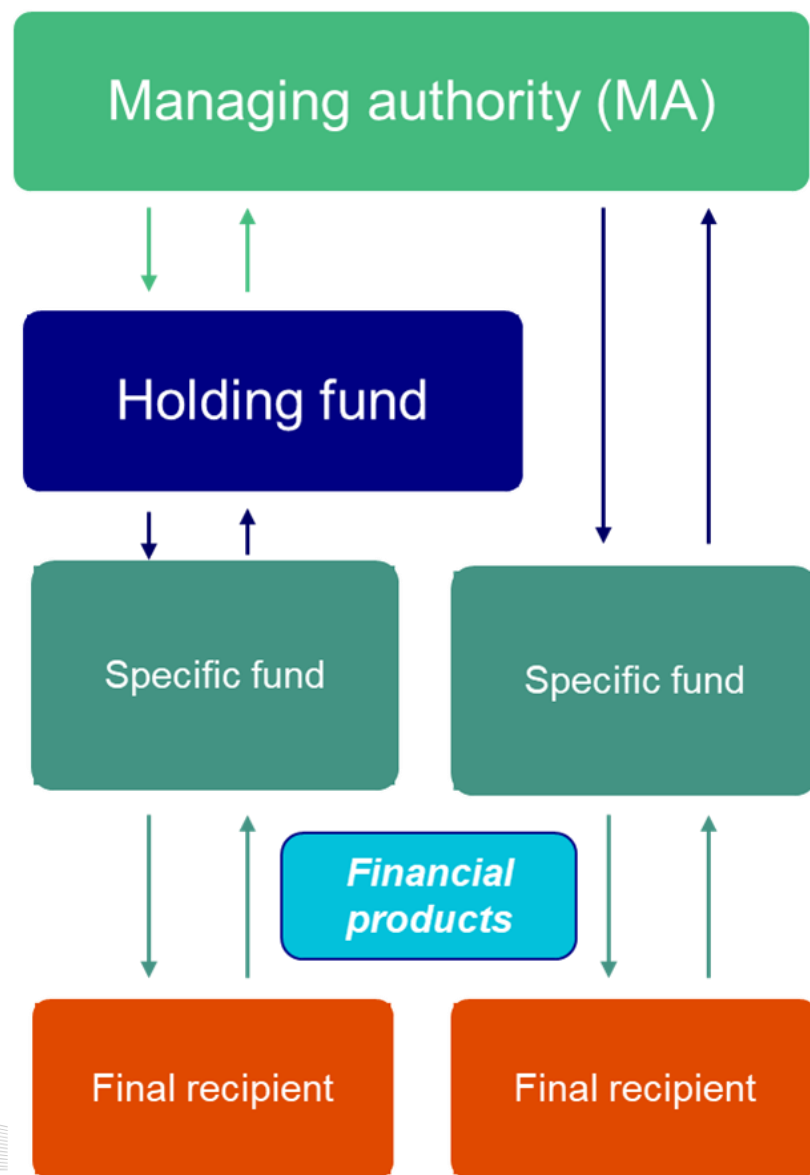


In 2021-2027:

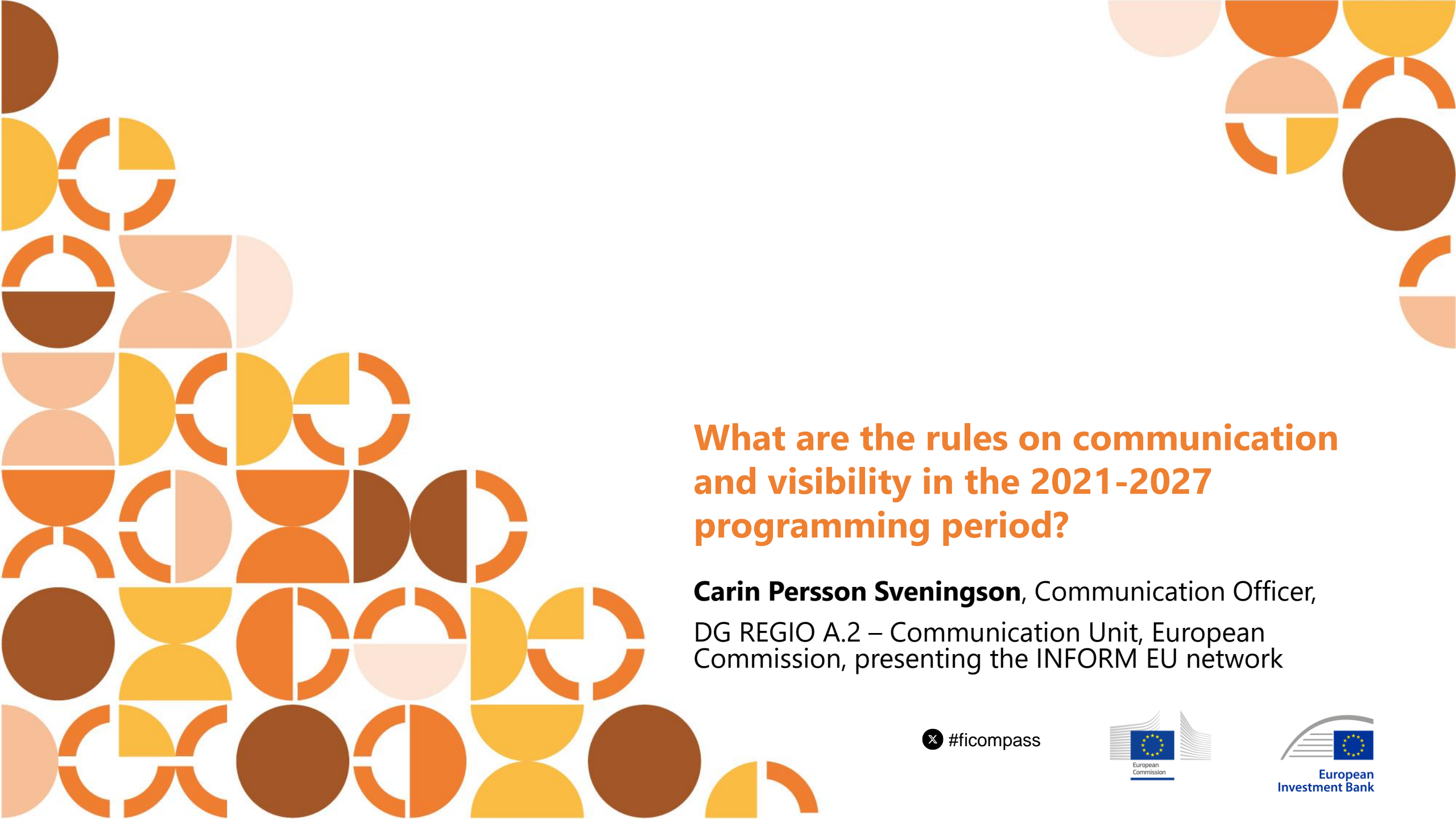
- EUR 15 billion committed to FIs through funding agreements
- EUR 1,5 billion paid to final recipients and counting



Set-up of a financial instrument and key terminology



FIs	Financial instruments
SMF	EU shared management funds 2021-2027: ERDF & CF, ESF+, EAFRD, EMFAF, AMIF, BMVI and ISF
MA	Managing authority
Beneficiary	Body that implements the financial instrument or the holding fund
Final recipient (FR)	A legal or natural person receiving financial support from a financial instrument
Financial intermediary (F.Int)	A specialised financial organisation able to deploy financial resources to target groups of final recipients
Holding fund	A fund set up under the responsibility of a managing authority under one or more programmes, to implement one or more specific funds (Art 2(20) CPR)
Specific Fund	A fund through which a managing authority or a holding fund provides financial products to final recipients (Art 2(21) CPR)
Financial products	Loans, guarantees, (quasi-) equity



What are the rules on communication and visibility in the 2021-2027 programming period?

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Requirements



Use of the EU emblem

The emblem with the funding statement shall be prominently featured on all communication materials relating to the implementation of an operation, used for the public or for participants.



Visibility

Art. 47

Managing authorities

Communication via the programme website from objectives to achievements.

Calls for proposals and lists of operations.

Transparency and communication

Art. 49

Beneficiaries and bodies implementing financial instruments

Acknowledge the support:

- > Website and social media aims to results (continuous)
- > Documents/communication material
- > In the premises: posters, billboards or plaques

Ensure final recipients comply with the requirement 50-1-c

Transparency and communication

Art. 50



Communication and visibility: specificities for FIs

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Visibility requirements for bodies implementing the FIs – from Art. 50 (CPR 21-27)



1) Beneficiaries and **bodies implementing financial instruments** shall acknowledge support from the Funds, including resources reused in accordance with Article 62, to the operation by:

(a) providing on the beneficiary's official website, where such a site exists, and social media sites, a short description of the operation, proportionate to the level of support, including its aims and results, and highlighting the financial support from the Union;

(b) providing a statement highlighting the support from the Union in a visible manner on documents and communication material relating to the implementation of the operation, intended for the public or for participants;

(d) for operations not falling under point (c), displaying at a location clearly visible to the public at least one poster of a minimum size A3 or equivalent electronic display with information about the operation highlighting the support from the Funds; (...)

3) Where the beneficiary does not comply with its obligations under Article 47 or paragraphs 1 and 2 of this Article, and where remedial actions have not been put into place, the managing authority shall apply measures, taking into account the principle of proportionality, by cancelling up to 3 % of the support from the Funds to the operation concerned.

Visibility requirements for final recipients – from Art. 50 (CPR 21-27)



When total cost of the investment is higher than EUR 500,000:

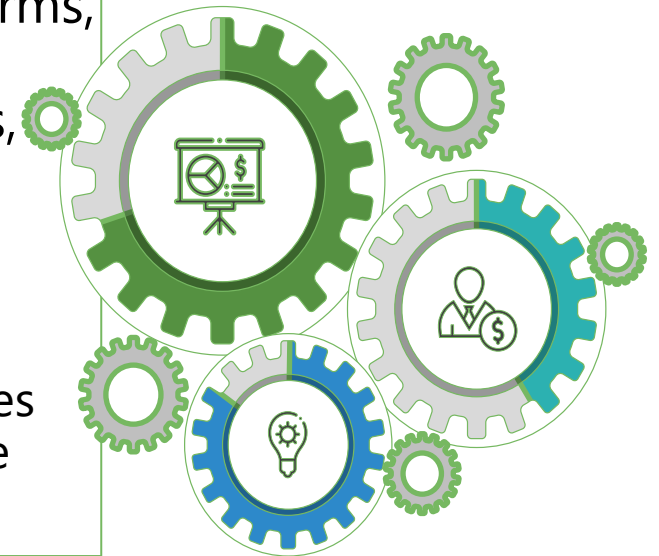
final recipients should display durable plaques or billboards clearly visible to the public as soon as physical investment starts or purchased equipment is installed

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

Bodies implementing financial instruments should, by way of contractual terms, e.g. ***in loan agreements signed with final recipients***, ensure that final recipients comply with this stipulation. In case of breach of their obligations, the contractual terms in this respect apply to final recipients.

Support to working capital is outside the scope of this provision (no physical investment/ purchase of equipment/tangible asset).

Final recipients should recognise the contribution of EU funds (Operational guidelines for recipients of EU funding, i.e. by using the standard visibility tools provided by the Commission)





How will the communication and visibility rules be monitored and controlled?

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AUDIT OF VISIBILITY RULES FOR FI

Bodies implementing FI:



- **Legal basis:** Article 50(1)(a) and (b), the first sentence of Article 50(1)(d), Article 50(1)(e) and Article 50(3) of the CPR.
- **CHECK based contractual arrangements (MA-HF; HF-SF; MA-SF) and perform on-the-spot visits:**
 - the beneficiary's official website and social media sites;
 - a statement highlighting the support from the Union is displayed in a visible manner on documents and communication material;
 - at least one poster of a minimum size A3 or equivalent electronic display at a location clearly visible to the public.
 - for operations of strategic importance and operations > EUR 10 000 000, a communication event or activity was organised.



AUDIT OF VISIBILITY RULES FOR FI

Final recipients:

- **Legal basis:** Article 50(1)(c), Article 50(2) and Article 50(3) of the CPR.
- **IF** the operation (**total cost of the investment** = amount of funding set out in the contract agreement, e.g. ERDF, national programme, non-programme resources) > EUR 500,000 and it involves **physical investments** or **installation of purchased equipment**.
- **CHECK** whether the **contractual arrangements**, e.g. loan agreements signed by beneficiaries with final recipients contain the requirements in Article 50(1)(c) of the CPR.
- **Verification level:** at the body implementing the FI.
- **N/A** to working capital or to acquisition of intangible assets.
- **“Substance over form” principle:** the proportion of the physical investment in the total investment matters. **Recommended:** a clause in the contract for the obligation of the final recipient to inform the body implementing the FI.



AUDIT OF VISIBILITY RULES FOR FI

Possible implications

- Audit verifications => check for an audit trail on visibility
 - at AA level or at MA level
 - at the level of bodies implementing FI (beneficiaries = ultimately accountable)
- Incompliance
 - at MA level: not verifying that the visibility obligation has been cascaded down in contractual arrangements and therefore non-application of Article 50(3) of the CPR (cancel up to 3% of the support from the Funds to the operation concerned) => **system findings**
 - at body implementing a Holding Fund or body implementing a Specific Fund:
 - non-observance of the visibility requirements in Articles 50(1)(a)-(b) => **breach of contractual arrangements**
 - non-observance of the visibility requirements in Articles 50(2) and 50(1)(c) => **the obligation not included in the contractual terms with final recipients**

For ALL incompliance cases => **RISK**: possible net financial corrections if no remedial actions



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