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Interactive session

The proposed new Common Provisions Regulation (CPR)



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Block I: Programming

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Block I: Programming

1. Intervention logic
2. Partnership Agreement (Art. 8) and Programmes (Art. 17)
3. General principles for the articles on FIs in CPR
4. Scope of FIs (Art. 52(1)&(2))
5. Applicable law
6. Ex-ante assessment (Art. 52(3)) – managerial tool



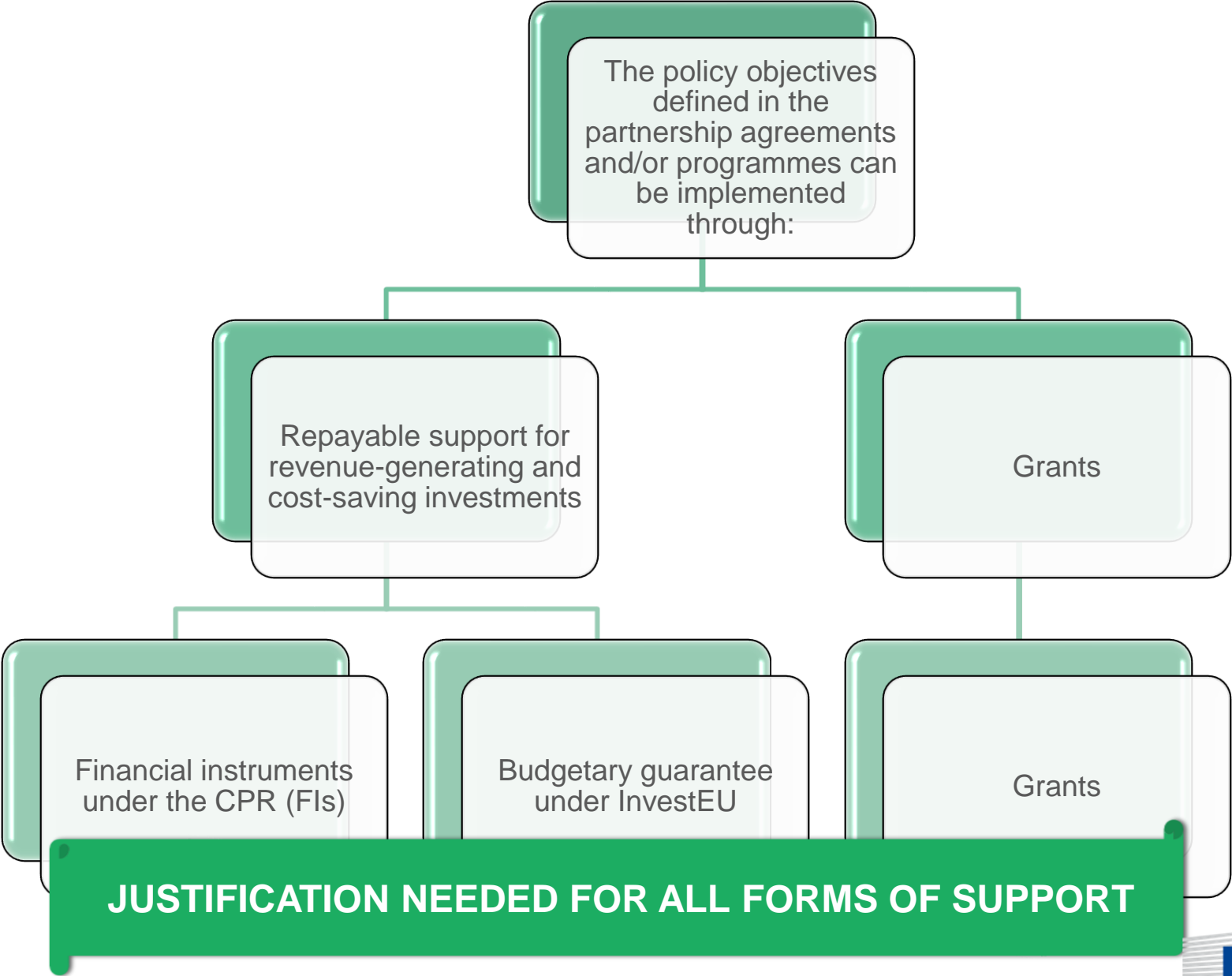
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FUTURE

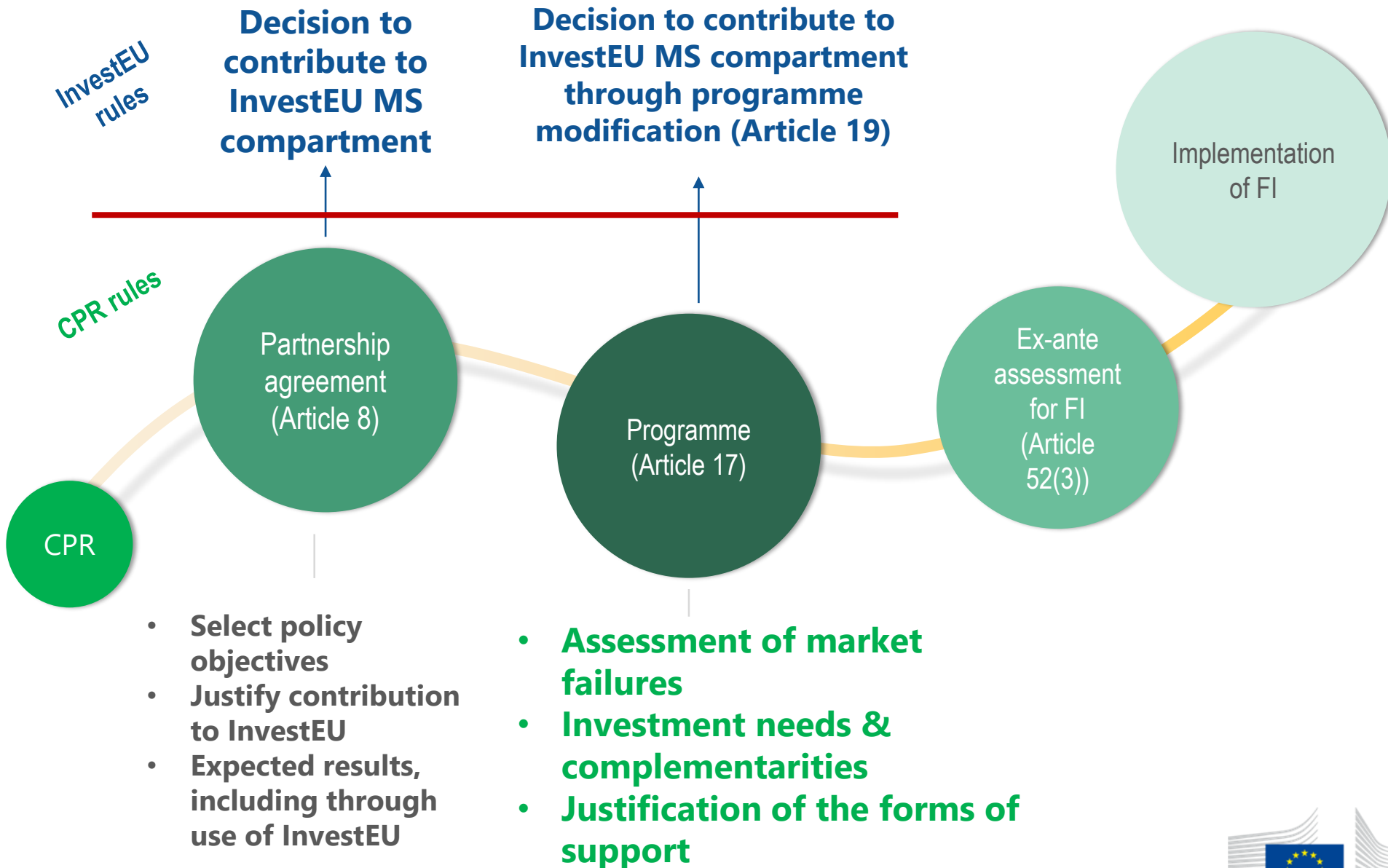
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Block I: Programming

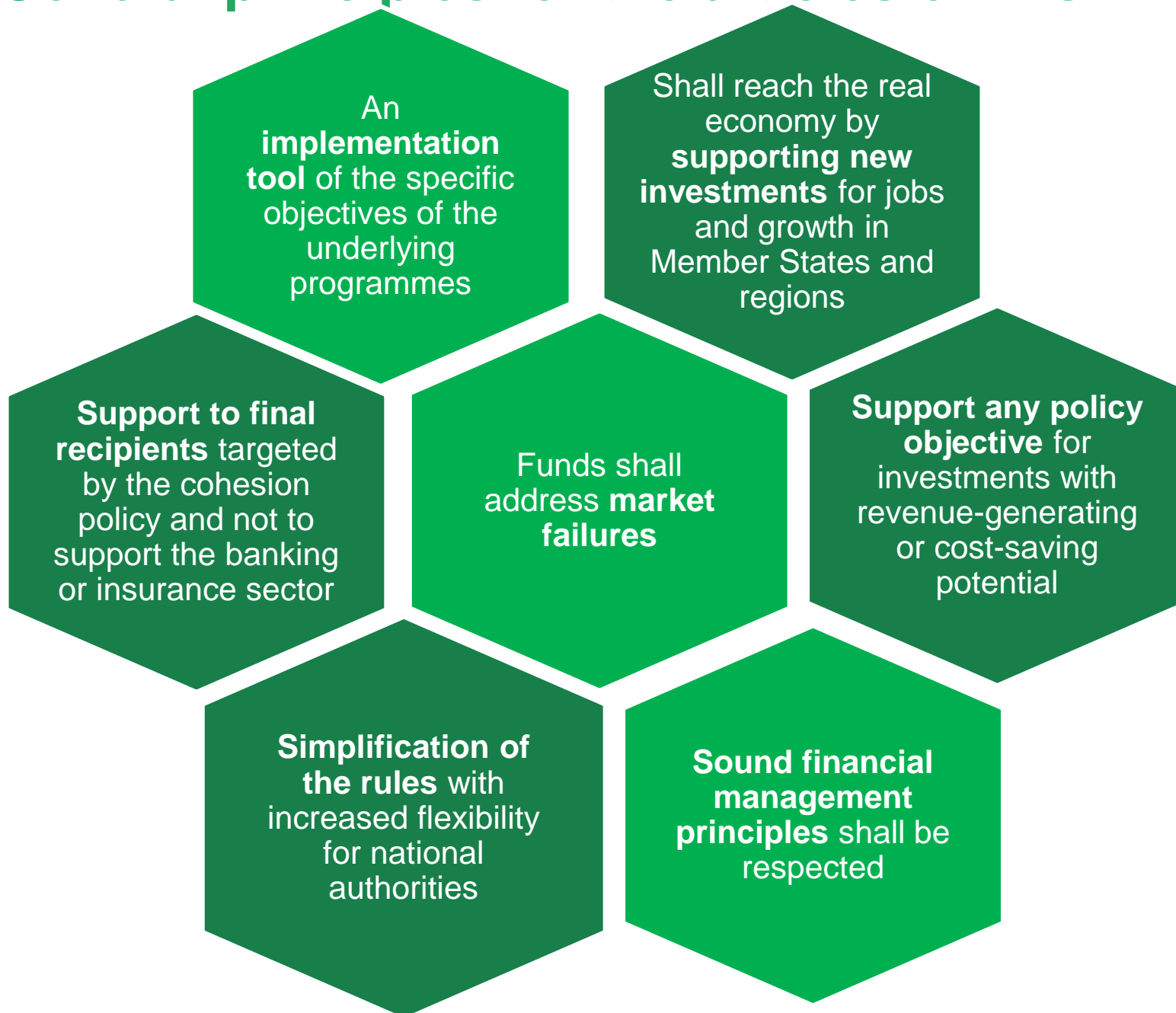
Intervention logic



Partnership Agreement (Art. 8) and Programmes (Art. 17)



General principles for the articles on FIs in CPR



Applicable law



State aid and public procurement rules

- CPR cannot create derogations which are breaching the Treaty in this respect



Entrust implementation tasks of FIs directly to:

- EIB or International Financial Institutions
- Publicly-owned banks or institutions on the basis of: in-house or inter-administrative cooperation rules (Art. 12 Public Procurement Directive - PPD) or fulfilling the conditions of Article 38(4)(iii) Omnibus Regulation

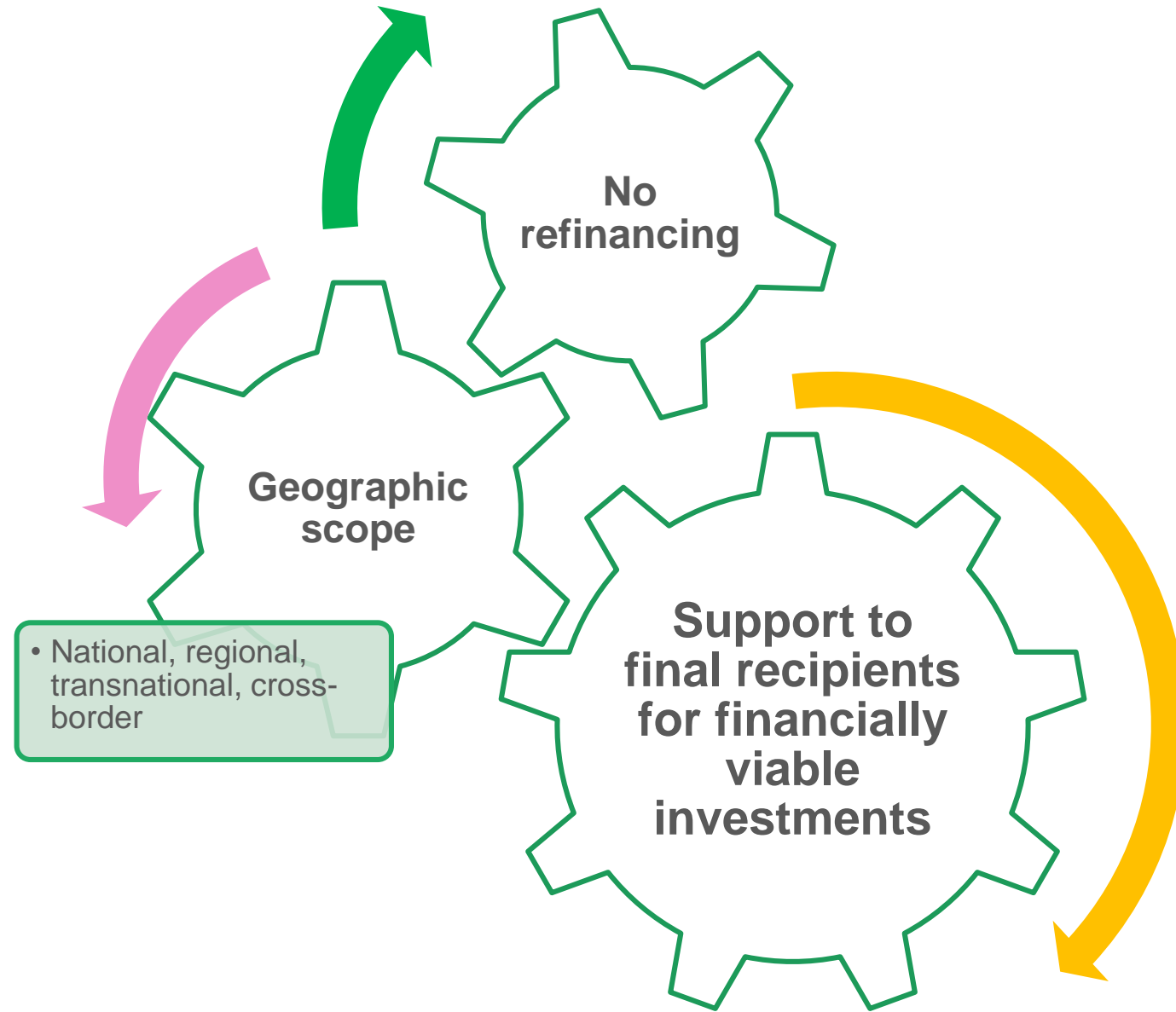


A publicly-owned bank or institution directly entrusted as a Holding Fund select financial intermediaries based on PPD



It is possible to contribute to existing FIs, but the rules on PP have to be respected – the relevant contract can include already such additional financial contributions

Scope of FIs (Art. 52(1)&(2))



Ex-ante assessment (Art. 52(3)) – managerial tool

NEW! Programming

NEW! Ex-ante assessment only for Financial instruments

Minimum requirements

Article 52(3)

- proposed amount and estimated leverage effect
- proposed financial products, including the possible need for differentiated treatment of investors
- proposed target group of final recipients;
- expected contribution of the financial instrument to the achievement of specific objectives

Possibility to use existing or updated ex-ante assessment

Monitoring committee examines elements of ex-ante assessment and the strategy document

Drafted or updated under responsibility of MA

Methodology at discretion of MA

No guidance from the Commission

Purpose: accelerate set-up of FI





Block II: Implementation

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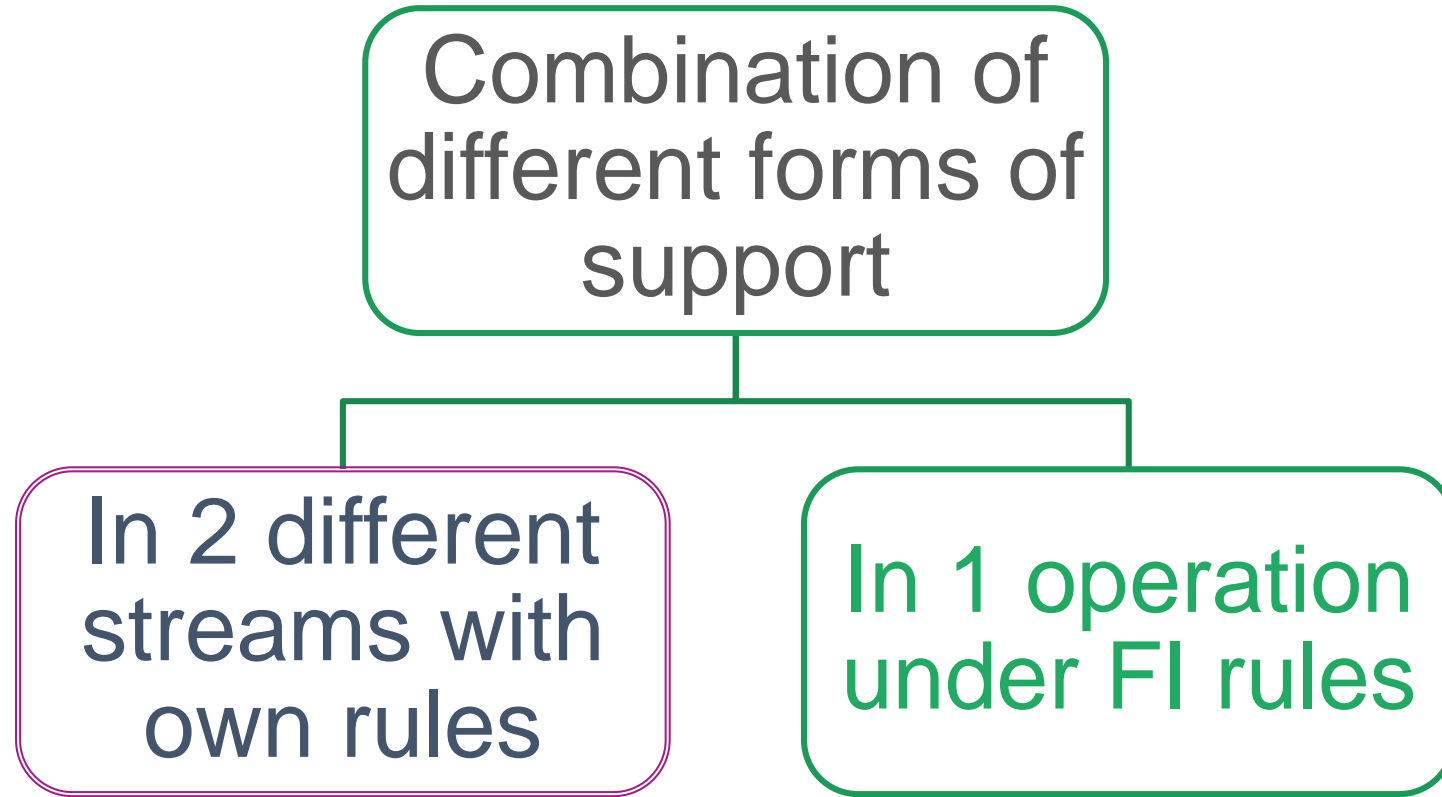




Block II: Implementation

1. Combination - Articles 52(4) to (7)
2. Implementation options (Article 53)
3. Eligibility for FIs (Articles 58 & 62)
4. MCF and Payment Claim for the HF

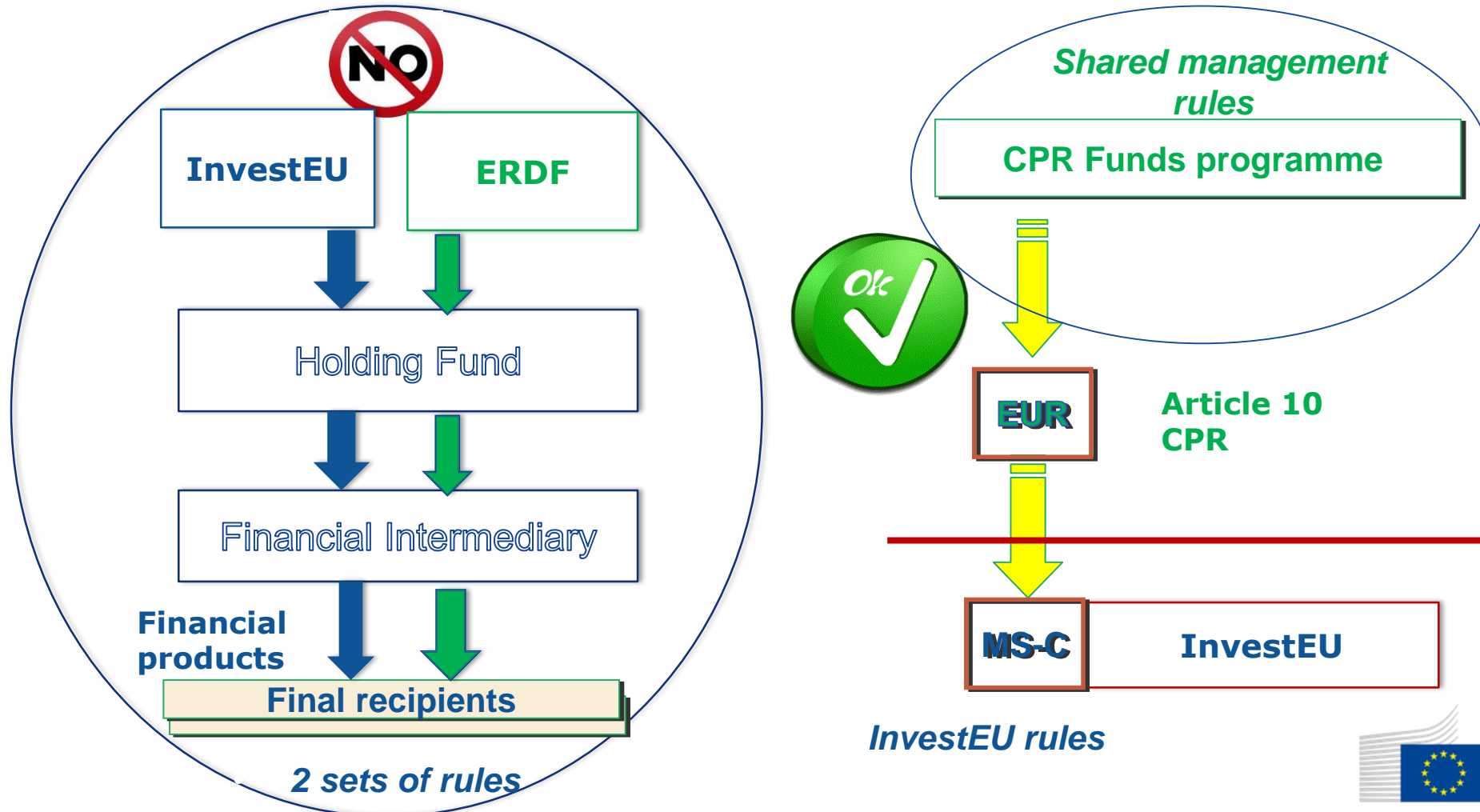
Combination - Articles 52(4) to (7)



- The **sum of all forms of support** \leq **total amount of the expenditure** item concerned
- **Grants cannot be used to reimburse support from FI; FI cannot be used to pre-finance the grants**

5. Combination in 2 separate streams - Article 52(4)

- Combination with EU level instruments at the level of the FI (e.g. SME Initiative, ESIF/EFSI) – **Not possible under CPR**, but possible through a financial contribution to InvestEU to ensure a single set of rules
- Combination at the level of final recipient with EU level instruments possible!



Combination in one FI operation - Article 52(5)

FI rules apply to the grant!

Grant is directly linked & necessary

Grant has a lower value than the investment supported by the FI product

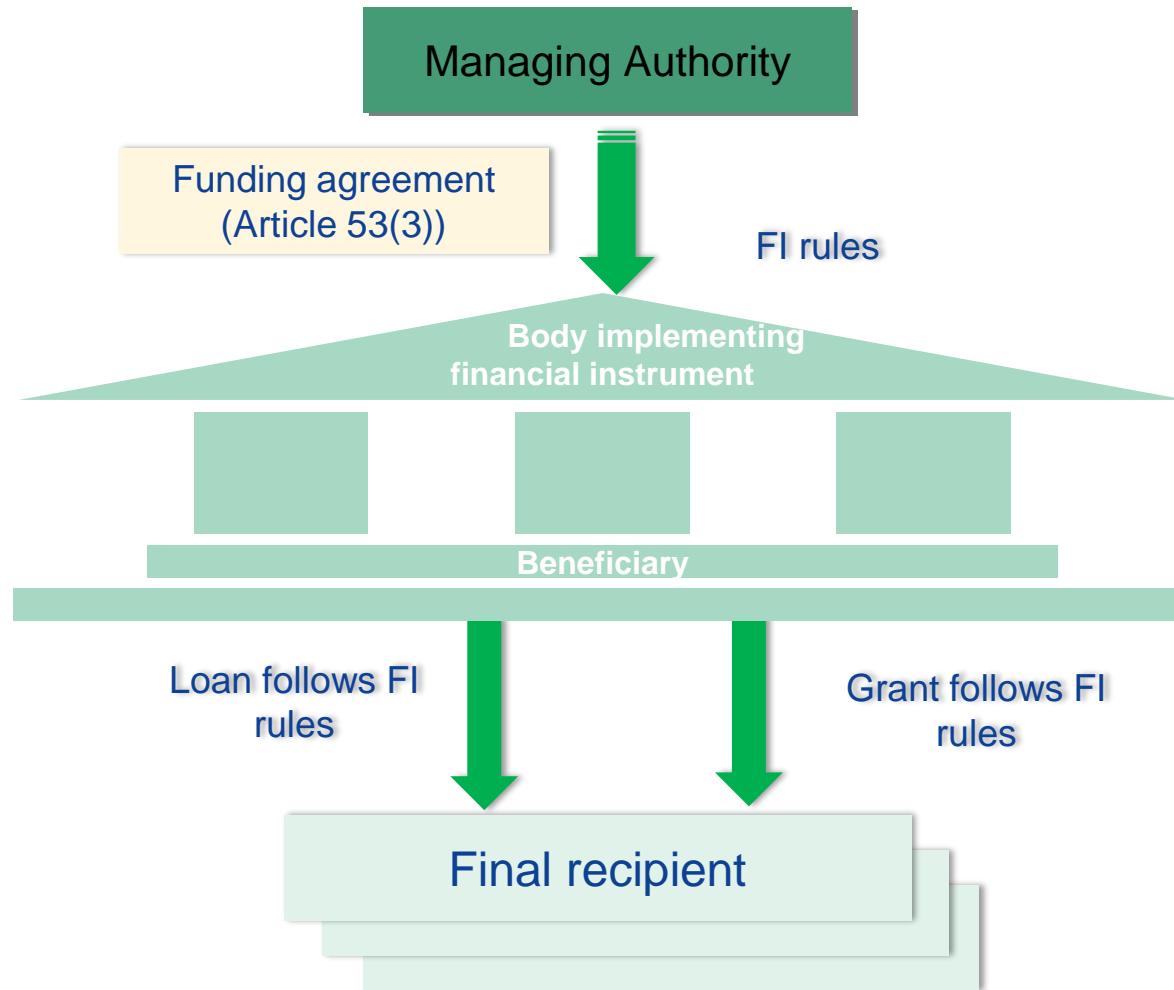
Grant is part of the funding agreement & is provided by the body implementing the FI

Examples: capital rebates, investment grants, interest rate & guarantee fees subsidies, etc.



Combination - Article 52(5)

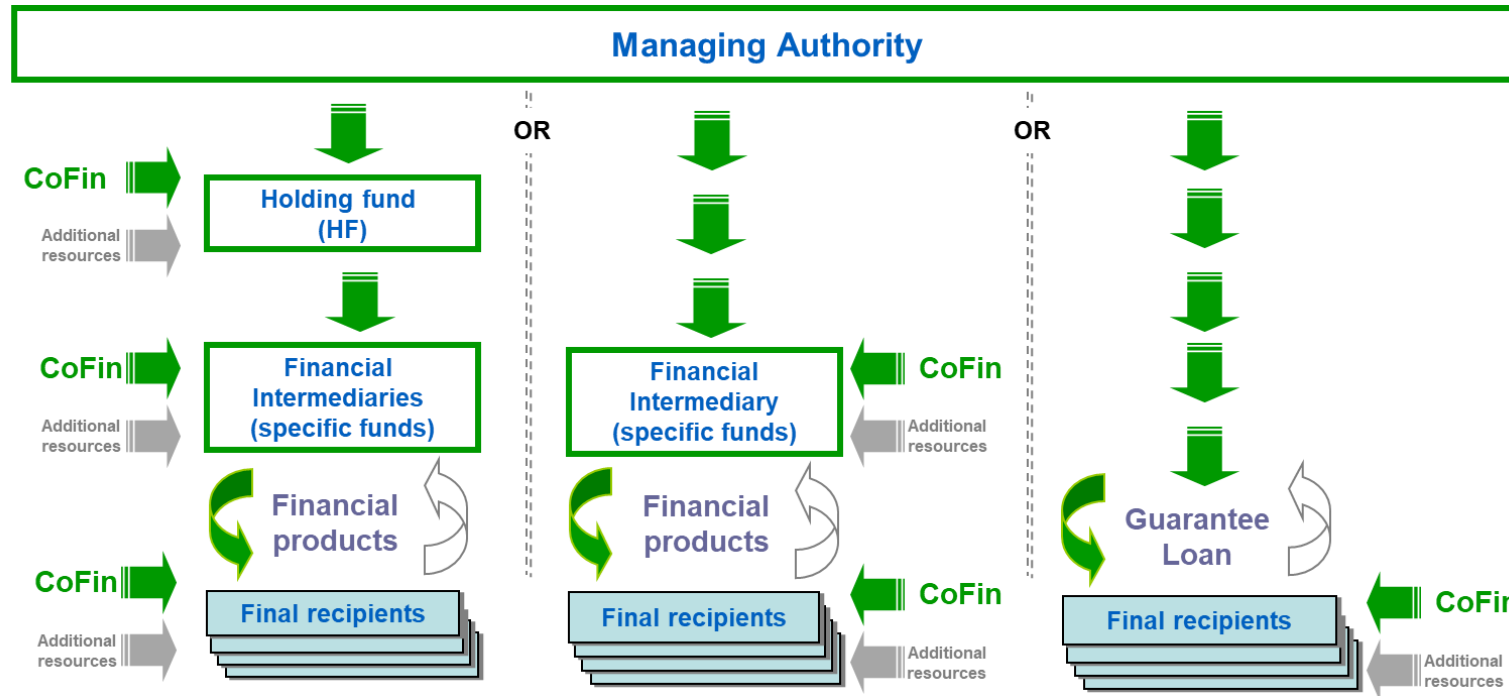
- **Example of combination of FI with grant in ONE FI operation :** investment grant under FI rules and within FI structure



Body implementing financial instrument provides both financial products and grants according to FI rules

Implementation options (Article 53)

- Continuation of basic flexible implementation options, but with **SIMPLIFIED** conditions
 - management of FIs by the managing authority itself (**Art. 53(1)**) – **only for loans and guarantees, no MCF** – the same as in 2014-2020, or
 - management of FIs (by third parties) **under the responsibility of the managing authority (Art. 53(2))**



- The terms and conditions of programme contributions to FIs are to be set out in the funding agreements and strategy documents (Annex IX)

Implementation options (Article 53)

The **financial liability of the managing authority** shall not exceed the amount committed by the managing authority to the financial instrument under the relevant funding agreements (Article 53(4)):

Purpose to protect MA

The provision does not exclude that the MA agrees to have other legal commitments outside the programme resources with the bodies implementing FIs as it is also the case now

Selection process of final recipients Article 53(5) shall be **transparent and shall not give rise to a conflict of interest**

Eligibility criteria to be respected

General principles respected by the normal banking practice

Also applicable in the situations where the MA implements directly loans and guarantees

Separate accounts or an accounting code per priority and per category of region for each programme contribution and for resources referred to in Article 54 and 56 respectively (Article 53(7)):

Separate records per category of region are necessary for the programming, reporting requirements and the payment claims

Distinction by the category of region important to prepare payment claims

Another account to be created for the resources returned (Article 56) and a separate account for the interest and gains from the treasury management



Eligibility for FIs (Articles 58 & 62)

Translation of the already existing rules (Art. 42(1) CPR and Art. 8 CDR for guarantees)

Rules incentivise implementation during the programming period + continuation of the FIs across two consecutive periods

Eligibility is aligned with the article on payments – the 25% paid in advance shall correspond to eligible expenditure when cleared

Rules **CLARIFIED**, for guarantee instruments (e.g. “multiplier ratio”)

Covers already the eligibility for financial leases treated as loans

VAT eligible & durability not applicable

Eligibility

Eligibility for FIs (Article 62(1a))

NEW! Continuation of the FIs across two consecutive periods *(to replace escrow accounts)*

Proposal aimed to cover the following issues:

Continuation of the existing FIs from the current period to the next one and/or from post-2020 to the subsequent one

Also for: interest rates & guarantee fees subsidies, MCF for equity-based instruments, follow-on investments, etc.

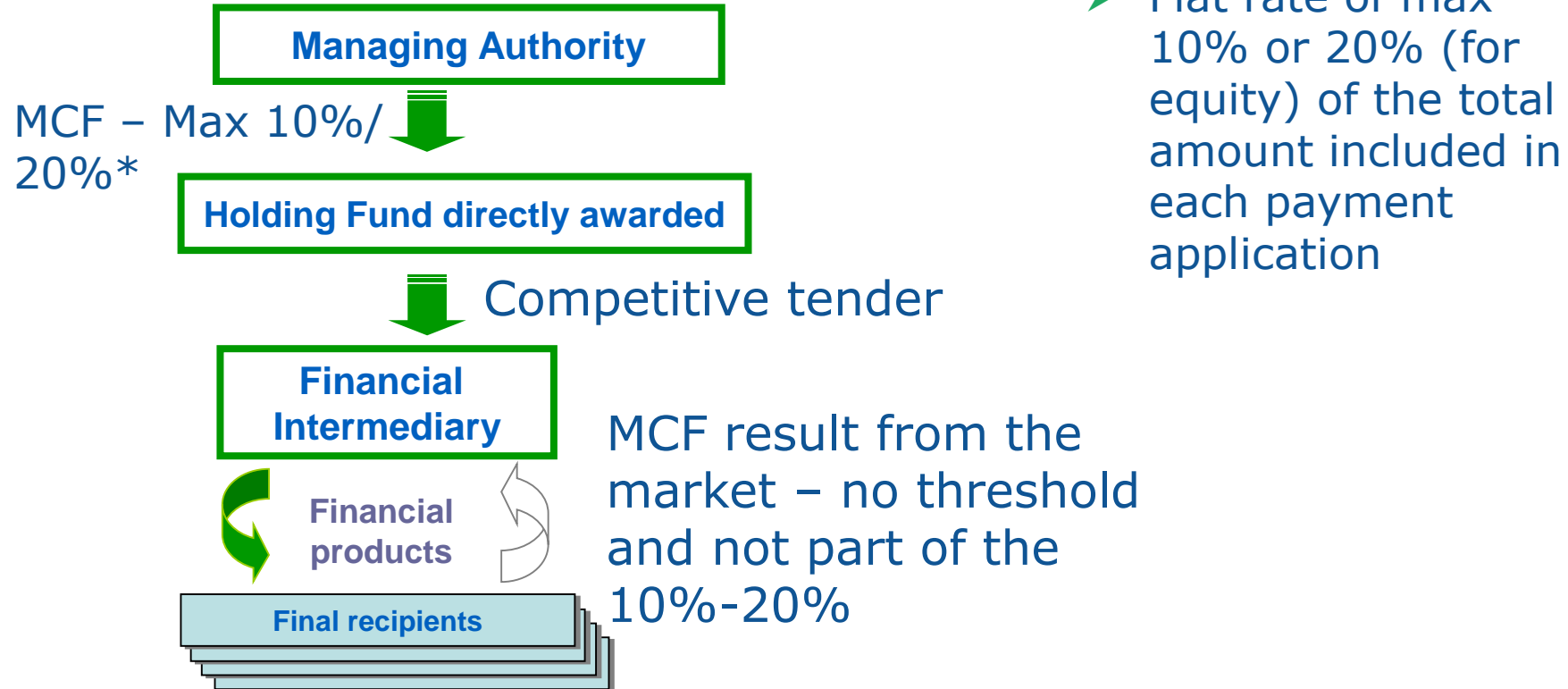


Conditions to be fulfilled cumulatively:

- FI operation already approved under one period and the financial instrument implementation continues in the subsequent period
- The necessary legal and financial commitments have been made to ensure the continuation
- The eligible expenditure related to one period is declared to the Commission only during that period

Eligibility for FIs – MCF (Article 62(3))

- **NEW!** Simplified rules for management costs and fees
- *Presentation of the Council proposal*



* 10%-20% of programme contribution disbursed to final recipients or amount set aside in guarantee contracts – final amount known at closure

Example: MCF and Payment Claim for the HF

- Art. 86 – Payment applications submitted by MSs to the EC:

Funding Agreement signed for 100								
Scenario 1: full absorption at closure								
In the First Payment Claim (PC)				In the 3rd PC = same as 2nd PC				34
Advance	(Art. 86(2)(a))	35%x100	35					
MCF	(Art. 86(2)(c))	10%x35	3,5					
Total in the 1st PC			38,5					
In the 2nd PC				In the 4th PC				
Eligible expenditure LOANS	(Art. 86(2)(b))		20	Eligible expenditure LOANS	(Art. 86(2)(b))		15	
Eligible expenditure EQUITY	(Art. 86(2)(b))		10	Eligible expenditure EQUITY	(Art. 86(2)(b))		10	
MCF Loans	(Art. 86(2)(c))	10%x20	2	MCF Loans	(Art. 86(2)(c))	10%x20	1,5	
MCF Equity	(Art. 86(2)(c))	20%x10	2	MCF Equity	(Art. 86(2)(c))	20%x10	2	
Total in the 2nd PC			34	Total in the 4th PC			28,5	

	Advance	Eligible expenditure (cumulative)	Payment by the EC	Cumulative payments by the EC
1st PC	35	3,5	38,5	38,5
2nd PC	35	3,5+34=37,5	34	72,5
3rd PC	35	3,5+34+34=71,5	34-6,5=27,5	100
4th PC	35	71,5+28,5=100	0	100

Example: MCF and Payment Claim at the HF level

■ Art. 86 – Payment applications submitted by MSs to the EC:

Funding Agreement signed for 100

Scenario 1: partial absorption at closure

In the First Payment Claim (PC)				In the 3rd PC = same as 2nd PC			
Advance	(Art. 86(2)(a)	5%x100	35				
MCF	(Art. 86(2)(c)	10%x35	3,5				
Total in the 1st PC			38,5				
In the 2nd PC				In the 4th PC			
Eligible expenditure LOANS	(Art. 86(2)(b)		20	Eligible expenditure LOANS	(Art. 86(2)(b)		10
Eligible expenditure EQUITY	(Art. 86(2)(b)		10	Eligible expenditure EQUITY	(Art. 86(2)(b)		5
MCF Loans	(Art. 86(2)(c)	10%x20	2	MCF Loans	(Art. 86(2)(c)	10%x20	1
MCF Equity	(Art. 86(2)(c)	20%x10	2	MCF Equity	(Art. 86(2)(c)	20%x10	1
Total in the 2nd PC			34	Total in the 4th PC			17

	Advance	Eligible expenditure (cumulative)	Payment by the EC	Cumulative payments by the EC
1st PC	35	3,5	38,5	38,5
2nd PC	35	3,5+34=37,5	34	72,5
3rd PC	35	3,5+34+34= 71,5	34-6,5= 27,5	100
4th PC	35	71,5+17= 88,5	0	88,5-100=-11,5

To be paid back to the EC



Block III: Other aspects

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Block III: Other aspects

1. Interest and other gains (Article 54)
2. Differentiated treatment (Article 55)
3. Re-use of resources (Article 56) Reporting on FIs (Article 37(3) CPR)
4. Definitions for FIs (Article 2)
5. Publicity: responsibilities of beneficiaries (Article 45 CPR)

Interest and other gains (Article 54)

Support from the Funds paid to financial instruments to be:

Placed in accounts in financial institutions

Managed in line with treasury management and sound financial management – **treatment of the Funds in the same way as the own resources of the bank**

Interest and other gains attributable to support from the Funds to be:

used for the same objective(s) in the same FI as the initial support from the Funds, i.e. **for investments in final recipients and management costs and fees**

following the winding up of that FI, in other FIs or other forms of support, until the end of eligibility period

Interest and other gains not used accordingly need to be deducted from eligible expenditure as it is the case now and was in 2007-2013

Differentiated treatment (Article 55)

A situation where **an investor** operating under the market economy principle (private or public) **does not share the same risks and rewards**

Same principles as in Omnibus but SIMPLIFIED!

No need for subordination to other EU funds – absence of the possibility of combination of the Funds with e.g. InvestEU at the level of the FI under the CPR

The rationale of differentiated treatment is **to incentivise investors operating under the market economy principle** to co-invest in public policy projects in areas of high risk/low return



Its need to be justified in the ex-ante assessment

The level of such differentiated treatment cannot exceed what is necessary to create incentives for attracting private resources

To be proven by external sources e.g. a competitive process or an independent assessment – **not by the body benefiting from the differentiated treatment**

Re-use of resources (Article 56)

One of the advantages of FIs is legacy; therefore **resources returned** should be used to enhance the economic impact where there are market failures

Before the end of the eligibility period (Art. 56(1))

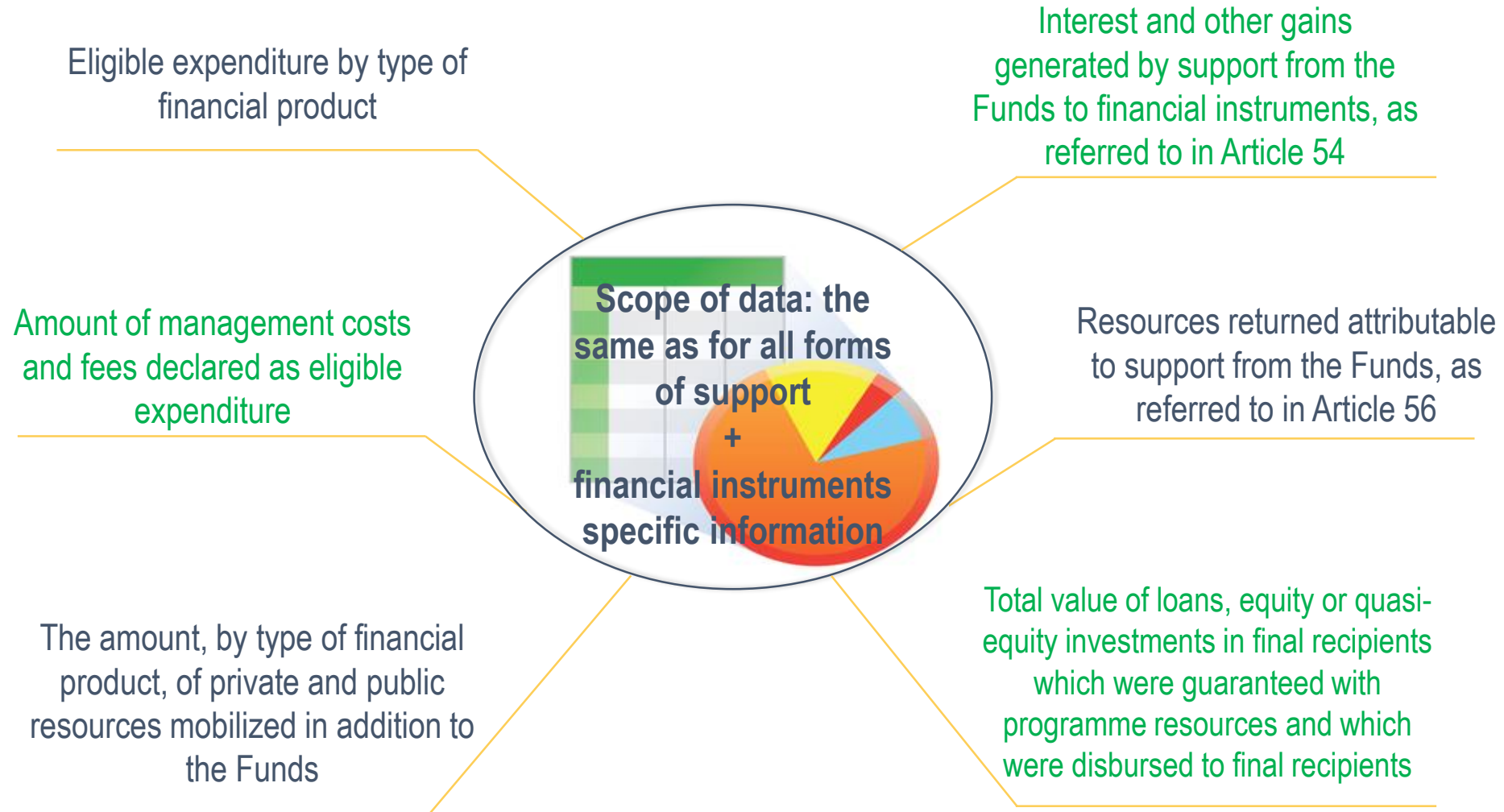
- re-use in the same or other FIs for further investments in final recipients
- cover the losses from the negative interest
- for any management costs and fees associated to such further investments;

After the end of the eligibility period (Art. 56(2))

- re-use for at least 8 years in accordance with the policy objectives of the relevant programme(s) (in form of FIs or other forms of support)

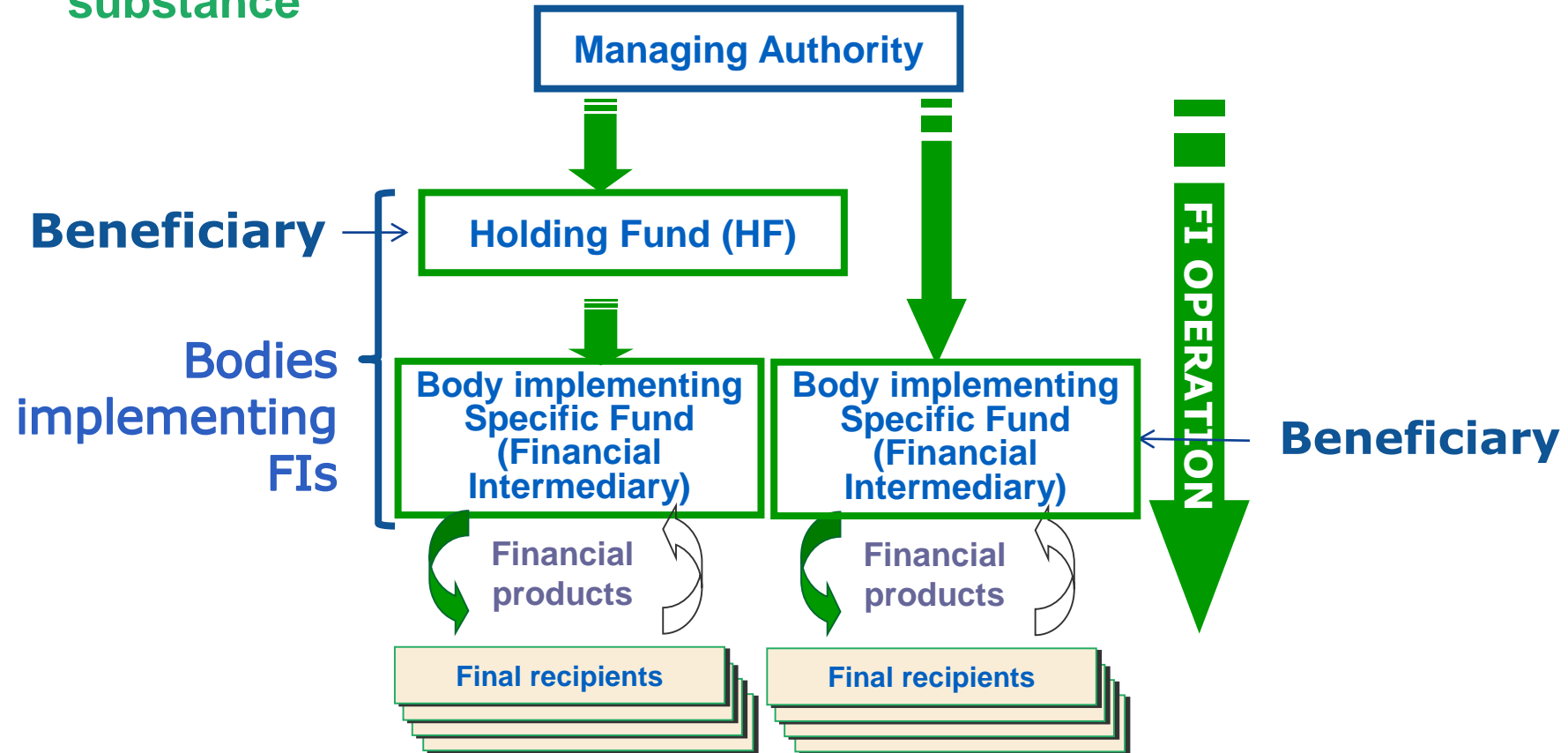
Reporting on FIs (Article 37(3) CPR) and Table 8 of Annex VII

- **NEW!** joint transmission of data on grants and FIs
- **SIMPLIFIED!** fewer reporting requirements



Definitions for FIs (Article 2)

- Continuation of the same concepts clarified – No change in substance



 Programme contribution (Funds + national co-financing)

Publicity: responsibilities of beneficiaries (Article 45 CPR)



Ensure the visibility of the Union funding and provide coherent, effective and targeted information to multiple audiences, including the media and the public

Statement that highlights the support from the Funds on documents and communication materials (used for the public or participants)

Short, proportionate description of the operation at their professional website/social media site, highlighting the Union support

