



Financial instruments - Commission guidance notes

**Commission guidance
Berlin, 25 February 2016**

2014-2020 Commission guidance

➤ Guidance notes

- complementary to short guidance
- covering all issues relevant to MA/fund managers
- developed systematically
- designed to be "living" documents (section on Q&A)

Guidance notes: state of play

(notes in today's presentation are marked in bold)

Finalised

- Short guide for MA
- Glossary
- Ex-ante assessment
- Working capital
- **Combination of support**
- **Payments**
- **Management costs and fees**
- **Treasury management**
- **ESIF/EFSI (brochure)**

Forthcoming guidance

- Selection of bodies implementing FIs
- Preferential remuneration of private investors
- Eligibility in FIs
- Implementation options for FIs
- Reporting on FIs

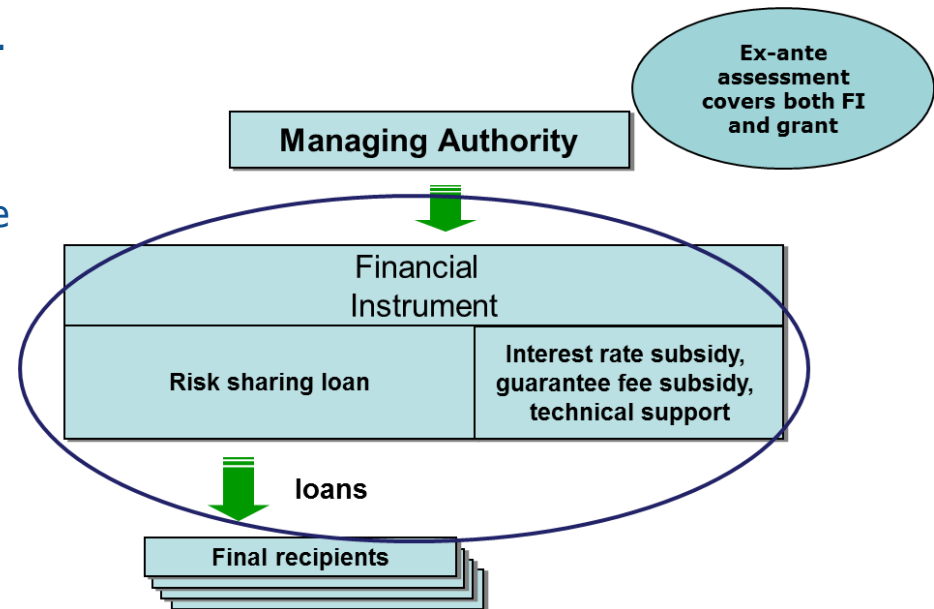
2014-2020 Commission guidance Combination (1)

- **Two types of combination** - the legal framework contains explicit provisions - CPR 37(7)(8)(9)
- The two types of combinations are envisaged also in Financial Regulation:
 - Combination of a grant and a FI within a **financial instrument operation**
 - Combination at the level of final recipient within two operations

2014-2020 Commission guidance Combination (2)

Combination of a grant and a FI within a **financial instrument operation**

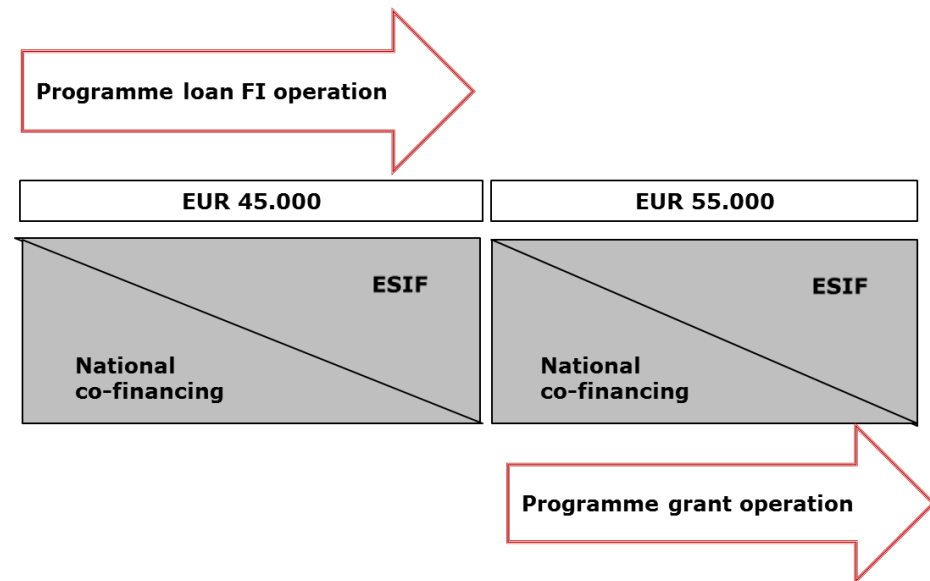
1. Grant is **directly related to financial instrument** targeting the same final recipients (interest rate subsidy, guarantee fee subsidy, technical support). **It is NOT a grant for the investment in final recipient.**
2. Grant and financial instrument constitute a **single operation**, which falls under the **provisions of Title IV** and is financed from the **same priority axis / measure** (and the same ESI Fund)
3. A contribution from MA to FI operation (covering both a FI and a grant) is justified and estimated in ex-ante assessment.
4. Compliance with State aid rules is needed.
5. For each form of support **separate records** have to be maintained.



2014-2020 Commission guidance Combination (3)

Combination at the level of final recipient within two operations

1. **Combination** of support takes place **at the level of final recipients** ("beneficiary" in case of grants). The same body (enterprise) receives support from a grant and from a FI. Combination **can cover the same investment or even the same expenditure item**.
2. Combination results in **two separate operations** with distinct eligible expenditure.
3. The **sum of all forms of support \leq total amount of the expenditure** item concerned.
4. State aid rules have to be respected (e.g. on cumulation, on own contribution free from state aid by the beneficiary in regional aid)
5. **Grants cannot be used to reimburse support from FI.**
6. **FI cannot be used to pre-finance the grants.**



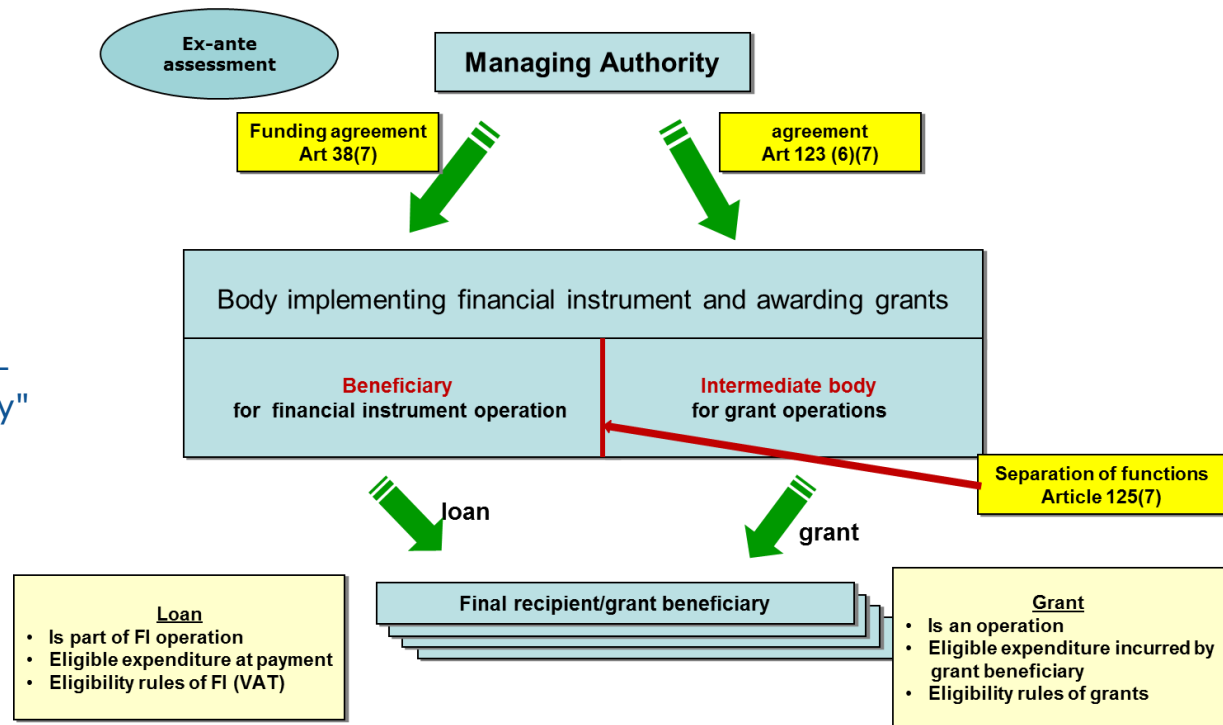
2014-2020 Commission guidance Combination (4)

Combination at the level of final recipient within two operations

In **combination within two operations** loan and grant can be given:

- **by the same body** (it will be "beneficiary" for FI and "intermediate body" in case of grant)
- **to the same body** (e.g. enterprise)- ("final recipient" for FI and "beneficiary" for grant)
- **for the same project** or even expenditure item (e.g. machinery)

!!! NOT for the same eligible expenditure (the same expenditure cannot be declared twice to COM) !!!



2014-2020 Commission guidance

Phased payments

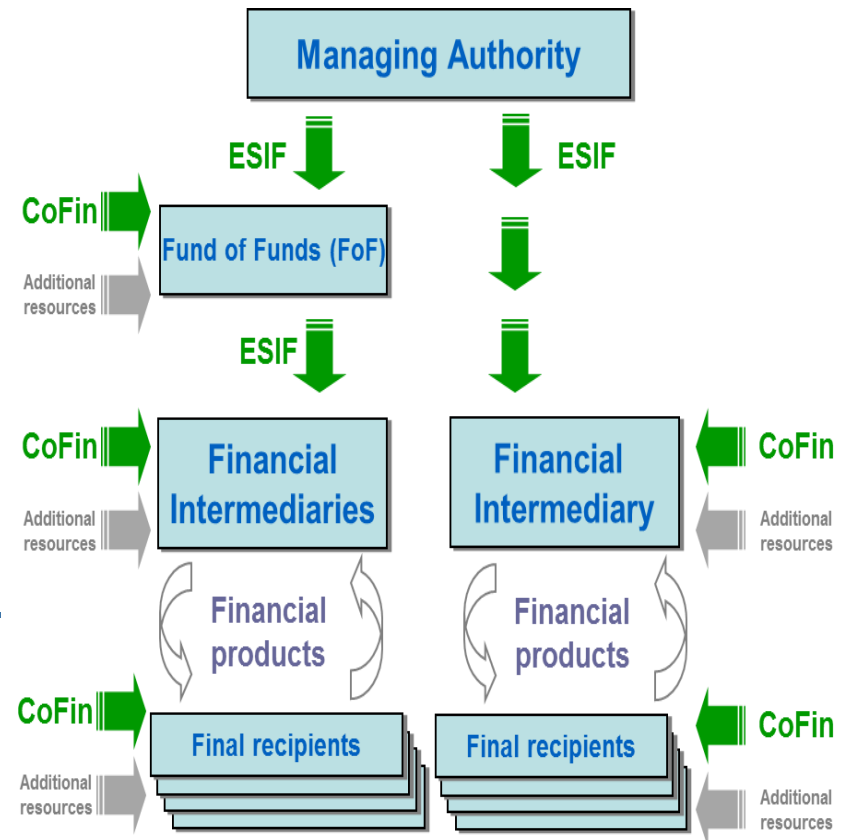
Main concepts:

1. ESIF programme contribution to financial instrument (ESIF contribution and national co-financing)

2. National co-financing at the level of FI operation

- can be different than at PA level,
- can be private/public,
- can come at different levels: MA (e.g. regional budget), FoF (e.g. national resources), financial intermediary (e.g. own resources), or at the level of investment in final recipient (e.g. co-investment by business angel).

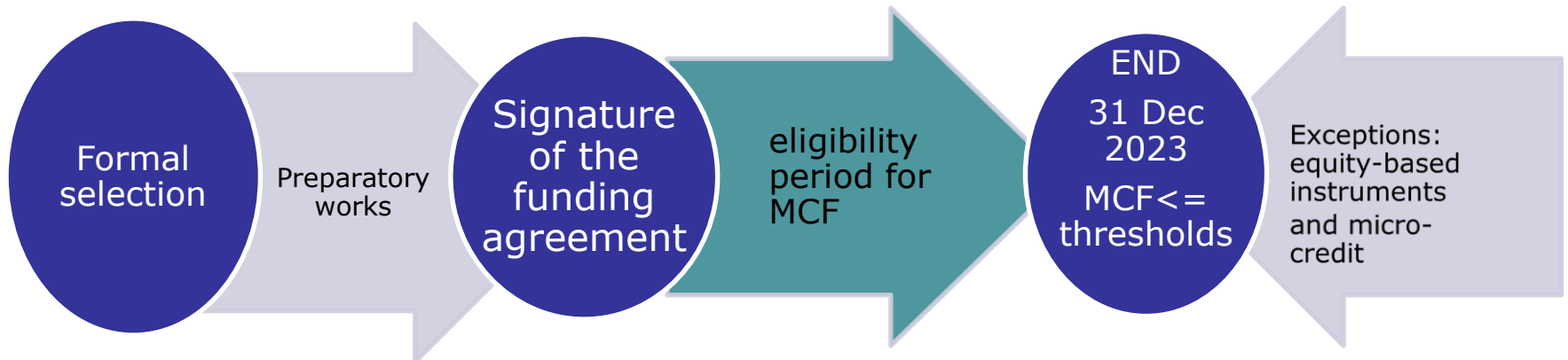
!!! Own contribution by final recipient does NOT count as national co-financing



2014-2020 Commission guidance

Management Costs and Fees/MCF (1)

Eligibility period



2014-2020 Commission guidance Management Costs and Fees/MCF (2)

Eligible MCF

1. **At closure**, they should **not exceed** the amount calculated in accordance with CDR Art. 13 which is a sum of:
 - **base remuneration** (the basis is programme contribution to FI, the investments in final recipients are not relevant here)
 - **performance remuneration** (the basis are investments in final recipients)
2. **Different calculation of thresholds** in function of the **implementation options** (with or without a fund of funds) and **type of instrument**
3. The **amount** calculated **under point 1** is to be **capped** by a general threshold on the entire programme contribution

2014-2020 Commission guidance Management Costs and Fees/MCF (3)

Eligible MCF

The **methodology** of calculation eligible MCF **does not apply if:**

1. The **body implementing** the financial instrument **is selected through a competitive tender** which proves the need for higher MCF, or
2. **For equity** where the **majority of the capital invested** in financial intermediaries **is provided by private investors or public investors** operating under market economy principle and the programme contribution is provided ***pari passu*** with the private investors

Higher MCF can be paid from non-ESIF resources, e.g. from resources attributable to the support from ESI Funds programmes which are paid back from investments in final recipients, or from own resources (but state aid rules apply)

2014-2020 Commission guidance Treasury management (1)

- **Relevant only** to the ESIF support paid into the FoF/FI but not yet invested in final recipients (*not relevant under direct implementation of FIs*)
- ESIF support to be invested on a temporary basis in line with the principles of **sound financial management**, follow a prudent treasury and investment behaviour (pre-agreed in the FA)
- Any **gains** from the treasury management:
 - are additional (but not programme) resources;
 - should be used until the end of the eligibility period for the same purposes (either within the same FI, or if wound up - in another FI or form of support, in line with the OP priority objectives)

2014-2020 Commission guidance Treasury management (2)

- Within the same FI, it is recommended that the use of gains should "**mirror**" the use of the initial ESIF contribution:
 - by being added to the capital of the fund and used for investments in FR, and
 - being used to cover a proportionate share of the MCF.
- The interest and other gains are **not eligible** expenditure at closure.
- **Reporting**
 - FI/MA – reporting modalities to be part of the FA; the MA obliged to ensure that adequate records of the use of interest and other gains are maintained (Art 43(3))
 - MA/COM – MA to send information on the interest and other gains generated from the support from the ESI Funds to the FI, as annex to the AIR (Article 46(1)(g) CPR)

2014-2020 Commission guidance ESIF/EFSI (1)

EFSD features:

- The Investment Plan for Europe is based on three pillars – one of them is EFSD (European Fund for Strategic Investments)
- EFSD support will take the form of financial instruments (**no grant support**)
- EFSD has its own governance: **Steering Board** and **Investment Committee**
- EFSD has **no geographical or sectorial** allocations
- EFSD, through EIB, will support **high risk** profile projects or projects bringing **additionality**

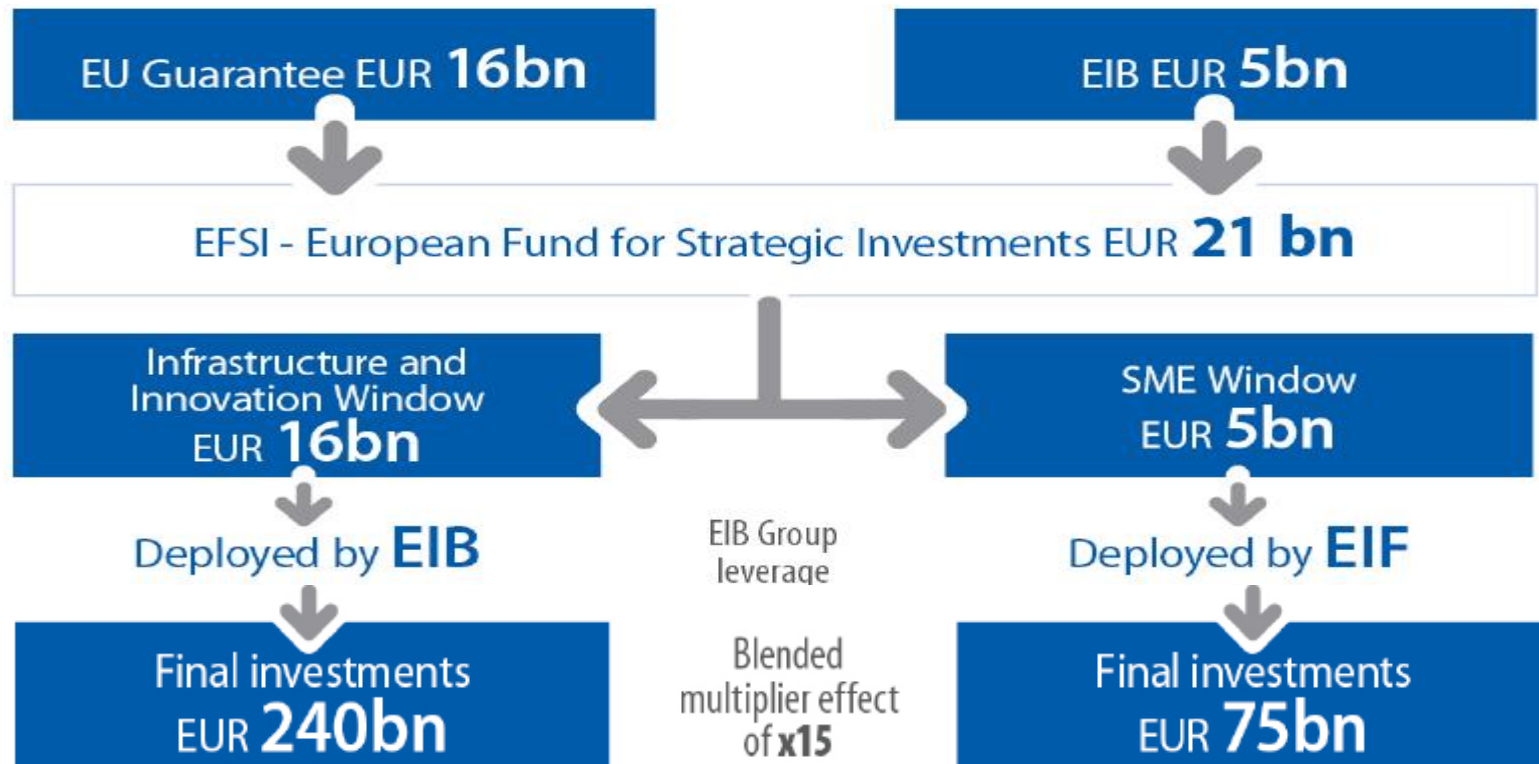


2014-2020 Commission guidance ESIF/EFSI (2)

How much under ESIF and EFSI?

- **ESI Funds** are some **EUR 450 bn**
- **EFSI** shall mobilise **EUR 315 bn** in 3 years (15x leverage), under an EU guarantee of EUR 21 bn, implemented via two components:
 - an **Infrastructure and Innovation Window (IIW)** through EIB to support investments of **EUR 240 bn**
 - an **SME window (SMEW)** through EIF to support investments of **EUR 75 bn**

2014-2020 Commission guidance ESIF/EFSI (3)





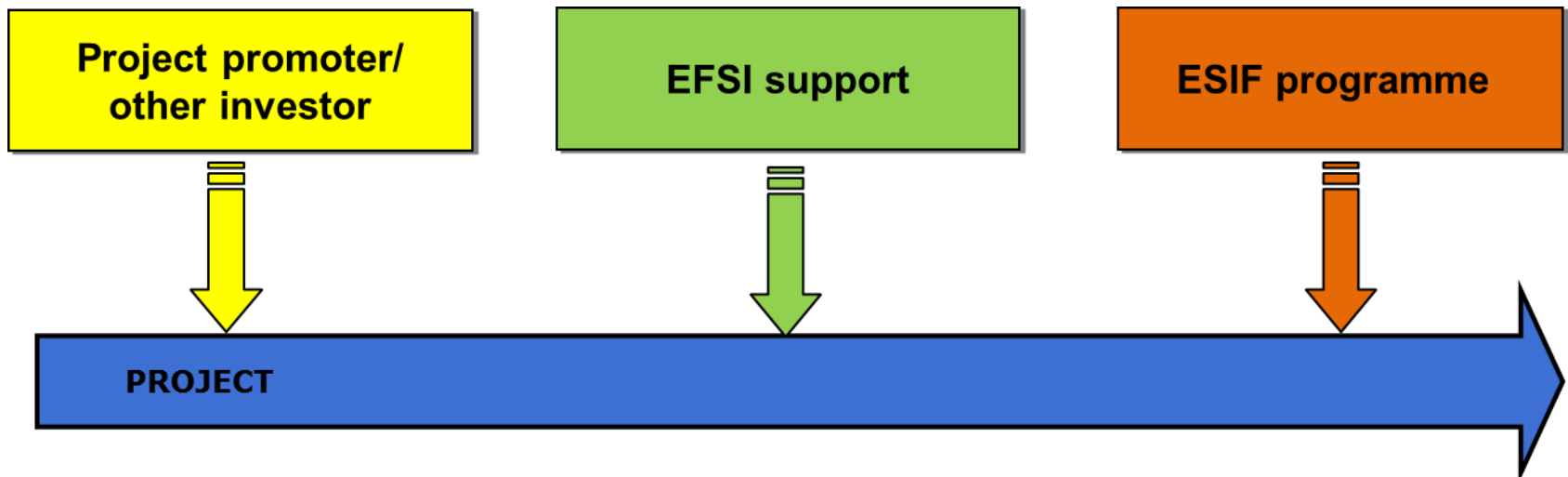
2014-2020 Commission guidance ESIF/EFSI (4)

ESIF-EFSI complementarities:

- **Brochure** on ESIF-EFSI complementarities presented by VP Katainen and Commissioner Crețu on 22 February (already on INFOREGIO, fi-compass... websites, sent to EGESIF...)
- Legal bases of both ESIF and EFSI allow for contributions to support each other's objectives (**complementarity element**)
- Their **combination** is possible: at **project** level, **financial instrument** level and through **investment platforms**
- Implementation process has to respect applicable rules (**CPR and EFSI Regulations**)
- **State aid rules** apply on a case-by-case basis

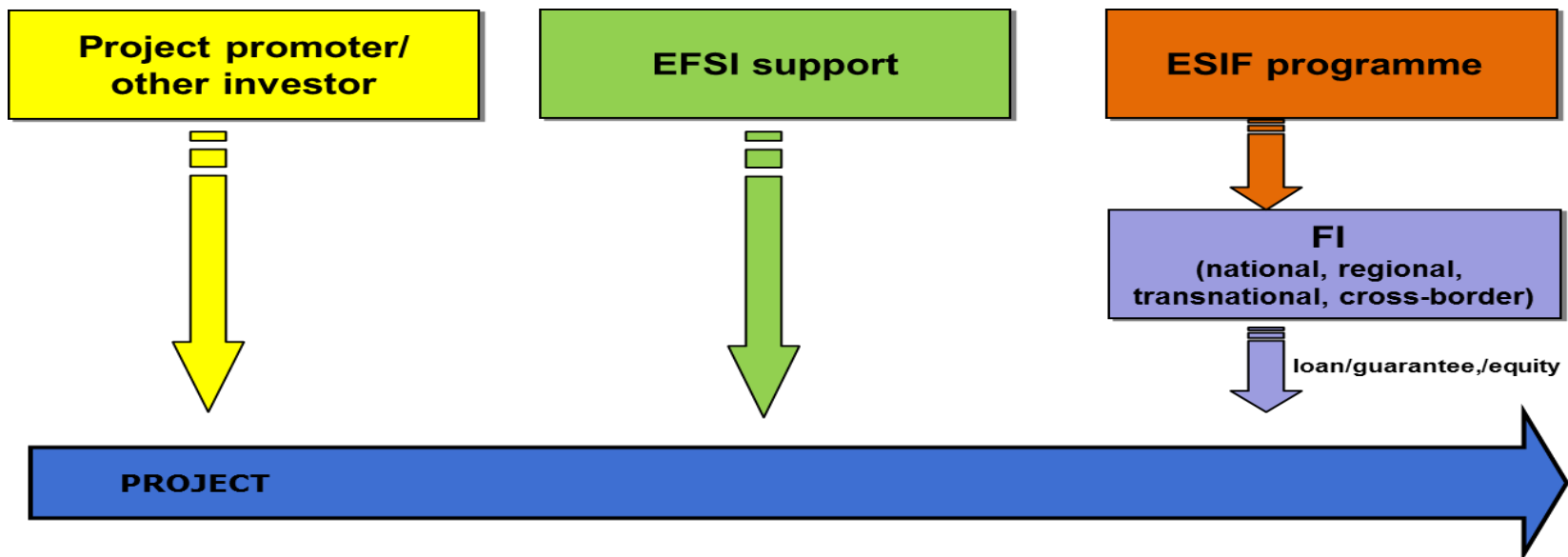
2014-2020 Commission guidance ESIF/EFSI (5)

ESIF and EFSI combination – Project level



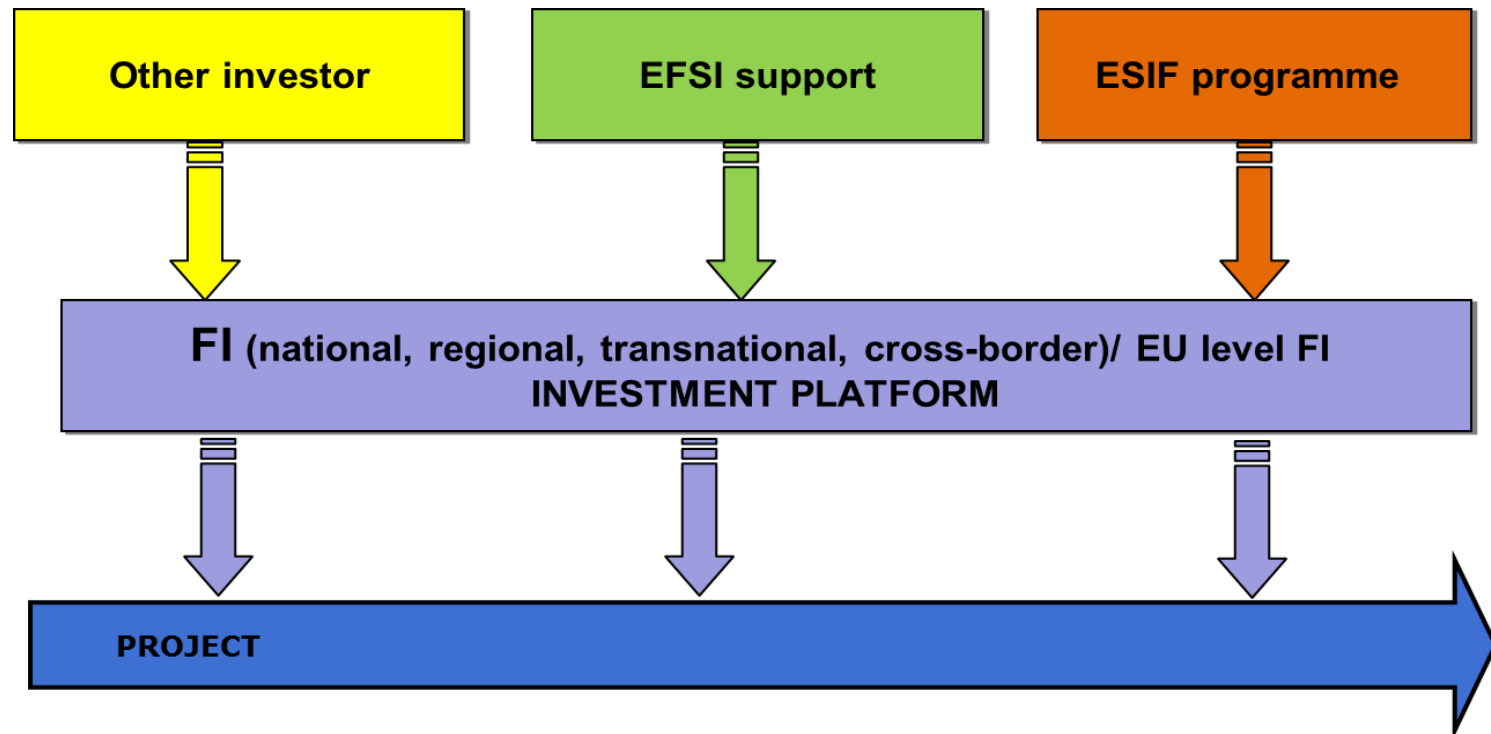
2014-2020 Commission guidance ESIF/EFSI (6)

ESIF and EFSI combination – Project level



2014-2020 Commission guidance ESIF/EFSI (7)

ESIF and EFSI combination – Financial instrument/investment platform level



Vielen Dank für Ihre Aufmerksamkeit!

Q&A