

# The proposed new Common Provisions Regulation (CPR)

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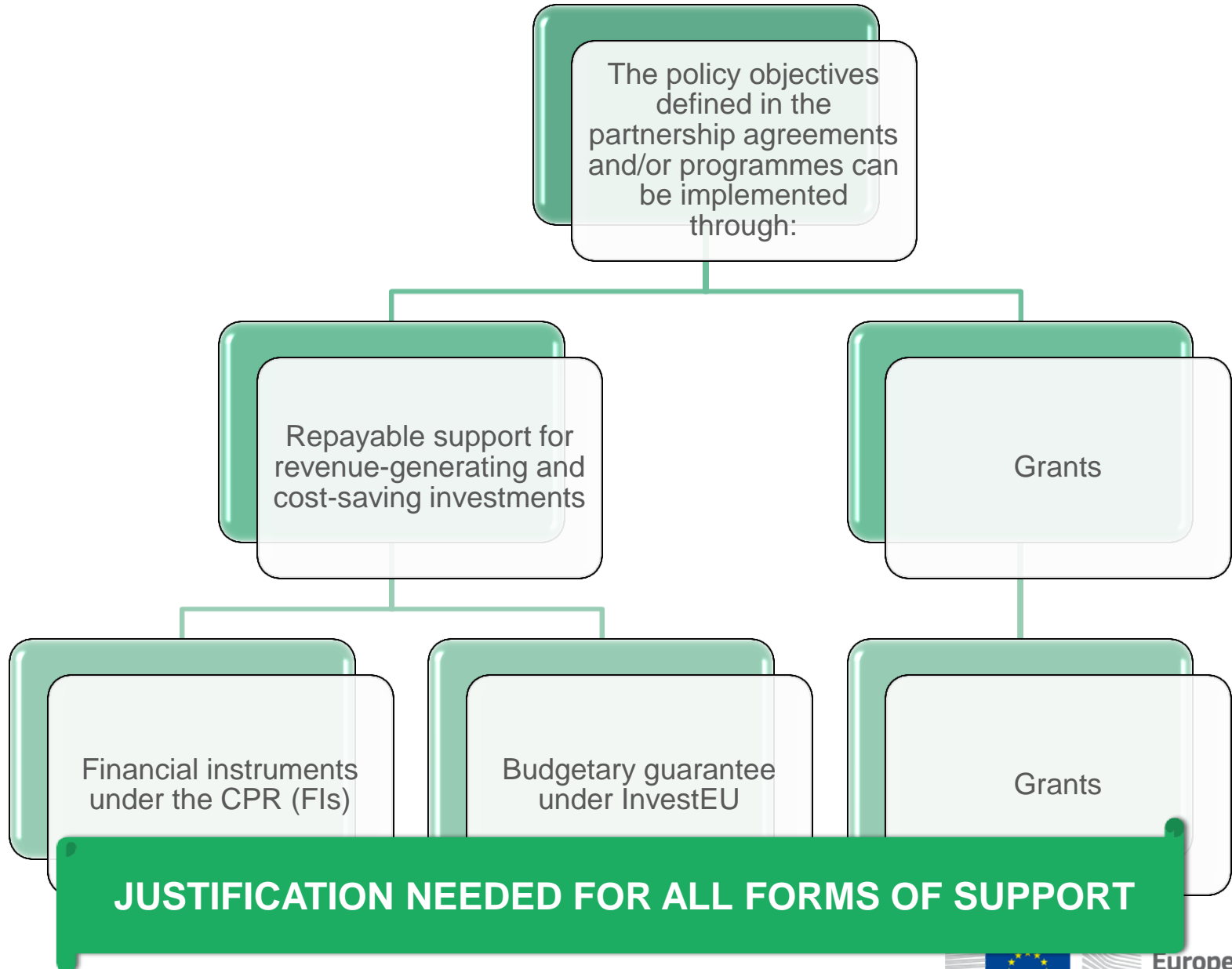
Vilnius, 20 February 2020



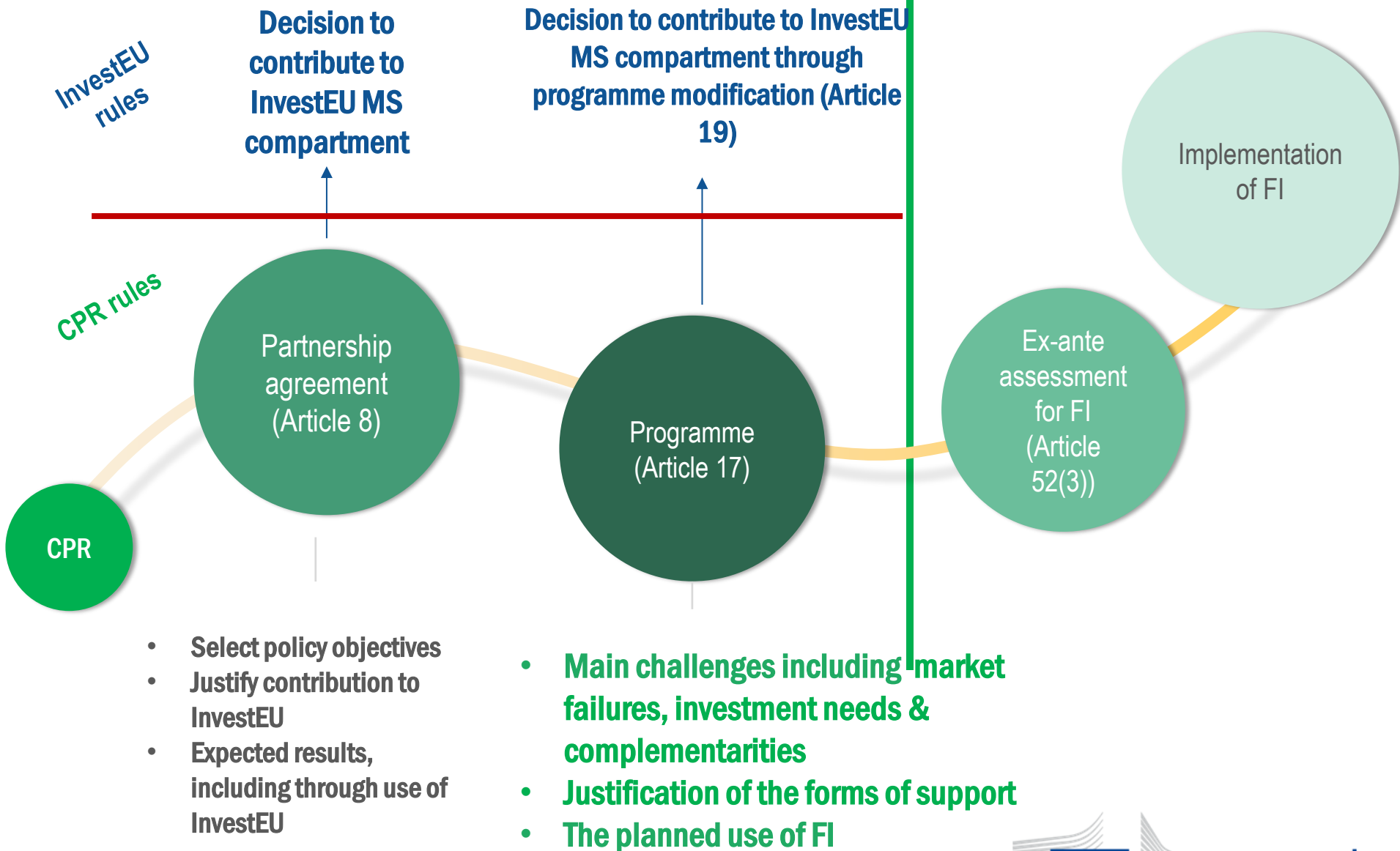
## Part I: Programming and specific issues of FI

1. Intervention logic
2. Partnership Agreement (Art. 8) and Programmes (Art. 17)
3. Combination: (i) in two operations; (ii) in one operation
4. Continuation of FI across programming periods
5. Management costs and fees (direct award) and payment claims

# Intervention logic



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



# 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**

# Combination - Articles 52(4) to (7)

Combination of  
different forms  
of support

In 2 different  
streams with  
own rules

In 1 operation  
under FI  
rules

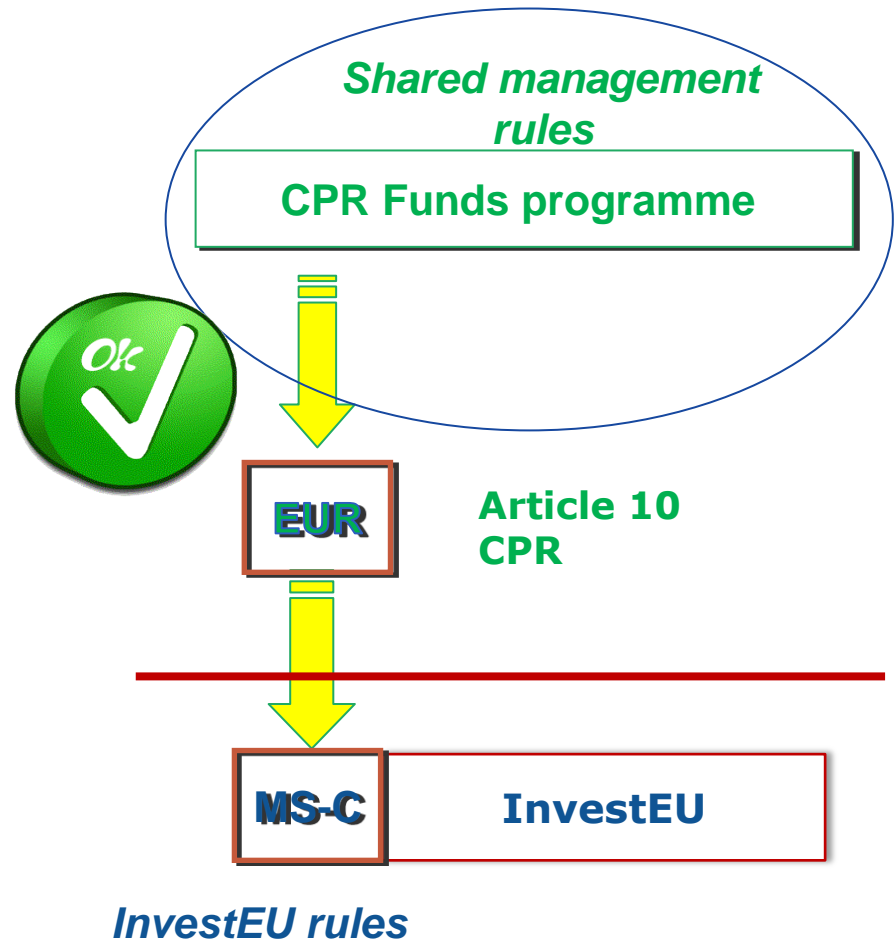
## Key principles of combination:

- 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**



# Combination in 2 separate streams - Article 52(4)

- Combination in TWO separate operations: each form of support following its own rules
- Combination of two streams of support is done at final recipient level
- 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 is part of the funding agreement & is provided by the body implementing the FI



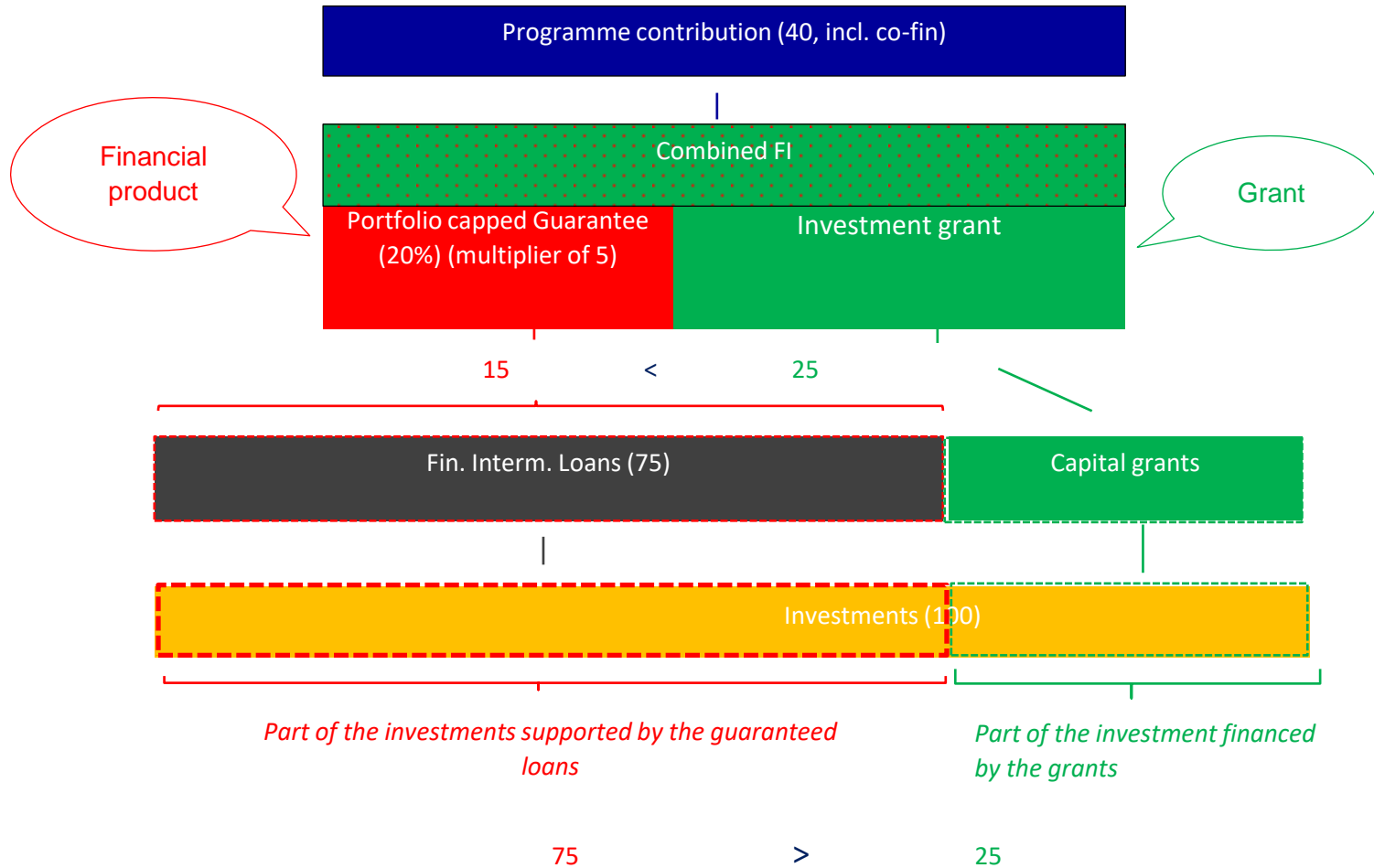
Grant has a lower value than the investment supported by the FI product

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



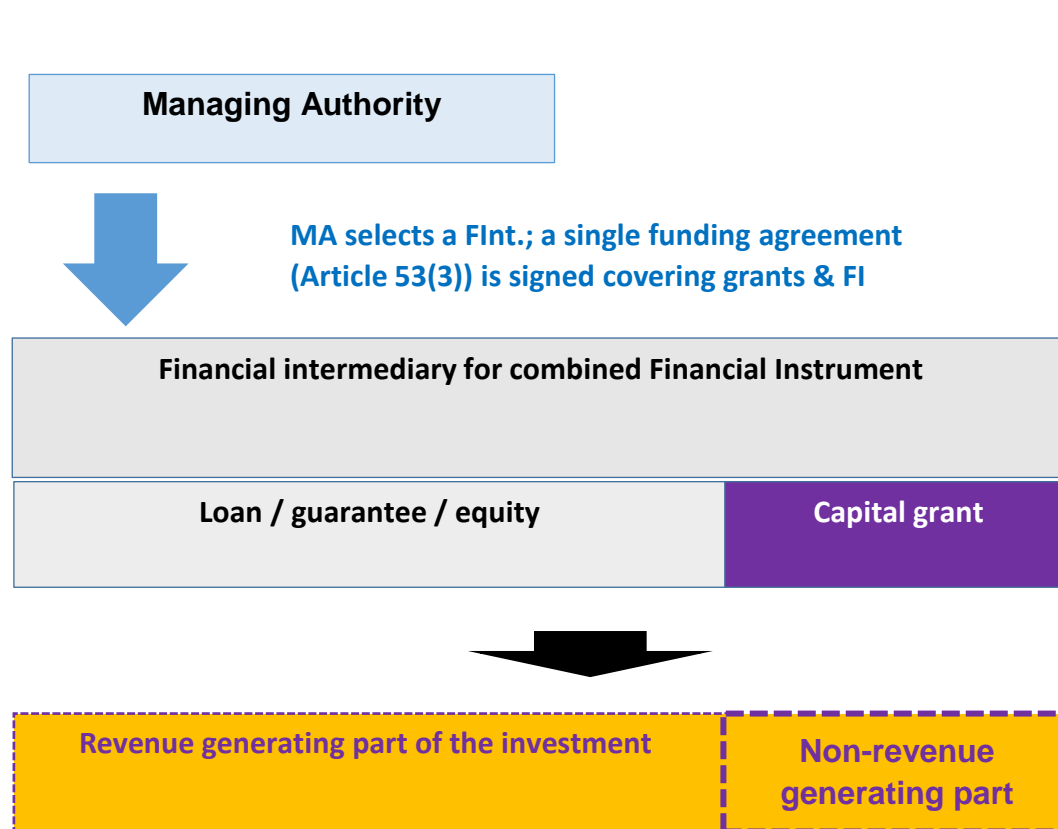
# Combination - Article 52(5)

## □ Example of combination of FI with grant in ONE FI operation



# Combination - Article 52(5)

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

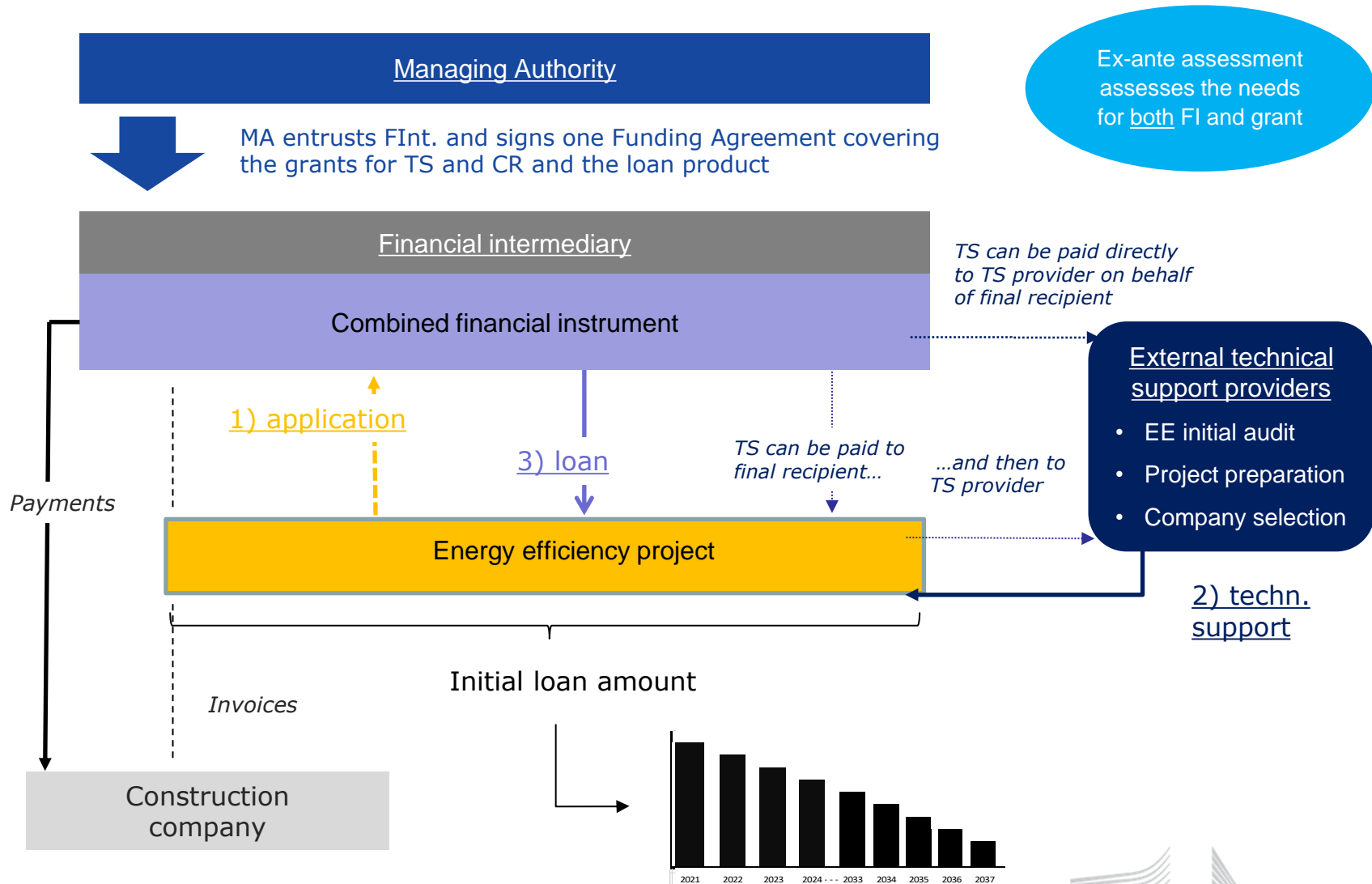


Ex-ante assessment assesses the needs for both FI and grant

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

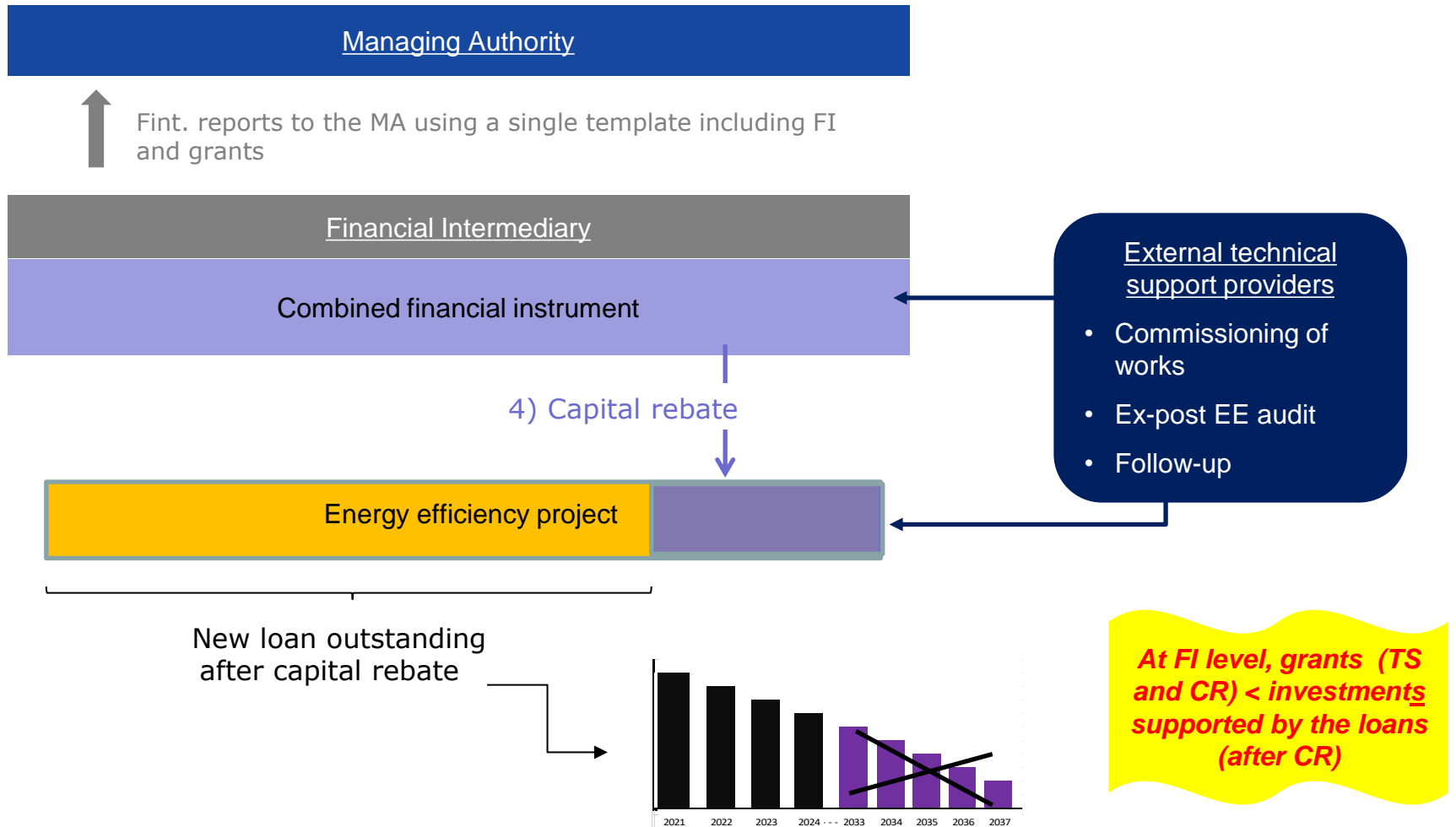
# Combination - Article 52(5)

## Example: Energy efficiency – capital rebate



# Combination - Article 52(5)

## Example: Energy efficiency – capital rebate



# 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

# Example: continuation – (Article 62(1a))

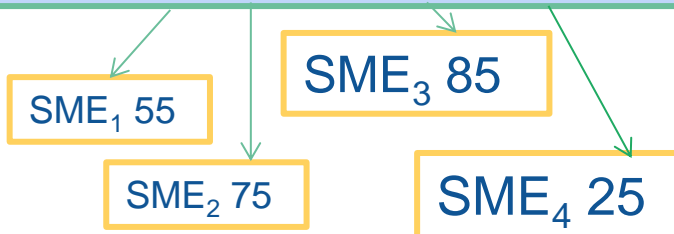
FI OPERATION approved in programming period A and continues in programming period B

End of eligibility of programming period A

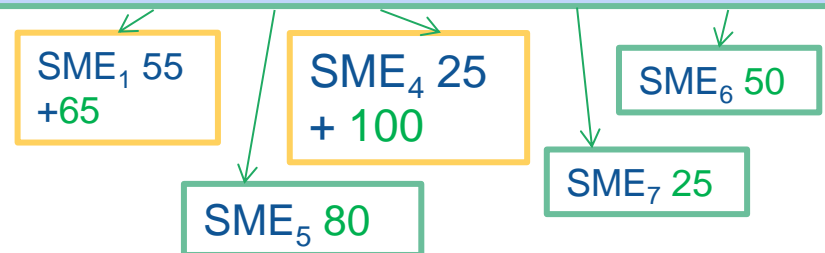
MA contributes programme resources of 150 (ERDF + national public) in programming period A

MA contributes programme resources of 200 (ERDF + national public) in programming period B

**Co-investment facility:** Equity fund manager selected in open competition to manage the volume of the fund of up to 600 with 20% performance based MCF. In addition to programme resources of 350 it has to provide co-financing of minimum 1% with own resources on each deal and attract co-financing of other investors 40%-60% on a deal by deal basis. The funding agreement sets out the conditions that the fund may continue to provide investments in the subsequent programming period.



**240 investment in FR + 48 MCF = Eligible expenditure** declared to the Commission in relation to the programming period A



**320 investment in FR + 64 MCF = Eligible expenditure** declared to the Commission in relation to the programming period B



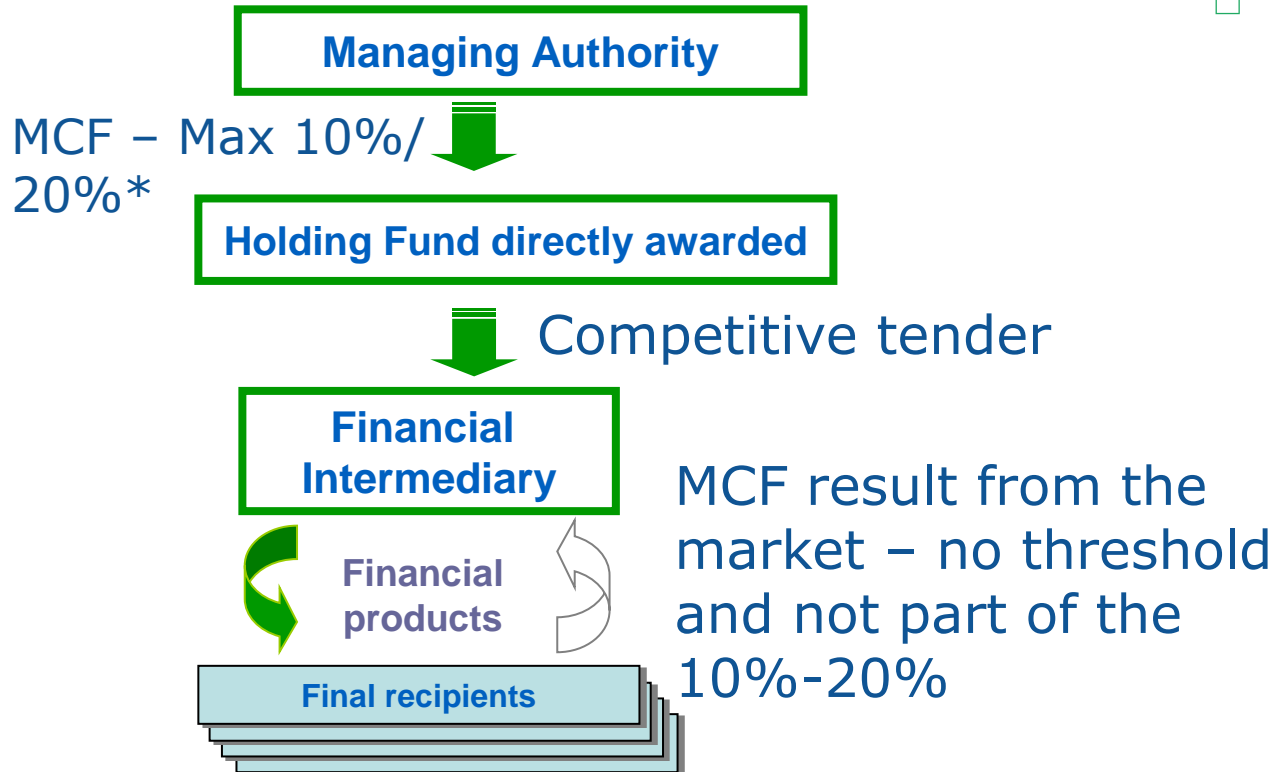


# Eligibility for FIs – MCF (Article 62(3))

□ **NEW!** Simplified rules for management costs and fees

□ *Presentation of the Council proposal*

□ Flat rate of max 10% or 20% (for equity) of the total amount included in each payment application



\* 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

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		
Advance	(Art. 86(2)(a))	35%x100	35 Eligible expenditure LOANS	(Art. 86(2)(b))	20
MCF	(Art. 86(2)(c))	10%x35	3.5 Eligible expenditure EQUITY	(Art. 86(2)(b))	10
<b>Total in the 1st PC</b>			<b>38.5</b>		
			MCF Loans	(Art. 86(2)(c))	7%x20 = 1.40
			MCF Equity	(Art. 86(2)(c))	20%x10 = 2
			MCF Loans HF	(Art. 86(2)(c))	10%x20 = 2
			MCF Equity HF	(Art. 86(2)(c))	20%x10 = 2
			<b>Total in the 3rd PC</b>		<b>37.4</b>
In the 2nd PC			In the 4th PC		
Eligible expenditure LOANS	(Art. 86(2)(b))		21.4 Eligible expenditure LOANS	(Art. 86(2)(b))	10
Eligible expenditure EQUITY	(Art. 86(2)(b))		10 Eligible expenditure EQUITY	(Art. 86(2)(b))	6
MCF Loans	(Art. 86(2)(c))	7%x21.4	1.50 MCF Loans	(Art. 86(2)(c))	7%x10 = 0.7
MCF Equity	(Art. 86(2)(c))	20%x10	2 MCF Equity	(Art. 86(2)(c))	20%x6 = 1.2
MCF Loans HF	(Art. 86(2)(c))	10%x21.4	2.14 MCF Loans HF	(Art. 86(2)(c))	10%x10 = 1
MCF Equity HF	(Art. 86(2)(c))	20%x10	2 MCF Equity HF	(Art. 86(2)(c))	20%x6 = 1.2
<b>Total in the 2nd PC</b>			<b>39.04</b>	<b>Total in the 4th PC</b>	<b>20.1</b>

	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+39.04=42.54	39.04	77.54
3rd PC	35	3.5+39.04+37.4= <b>79.94</b>	37.4-14.94= <b>22.46</b>	<b>100</b>
4th PC	35	79.94+20.06= <b>100</b>	<b>0</b>	<b>100</b>

# Example: MCF and Payment Claim

Art. 86 – Payment applications submitted by MSs to the EC: funding agreement signed for **100**; scenario 2: *partial absorption at closure*

In the First Payment Claim (PC)			In the 3rd PC		
Advance	(Art. 86(2)(a))	35%x100	35 Eligible expenditure LOANS	(Art. 86(2)(b))	20
MCF	(Art. 86(2)(c))	10%x35	3.5 Eligible expenditure EQUITY	(Art. 86(2)(b))	10
<b>Total in the 1st PC</b>			<b>38.5 MCF Loans</b>	(Art. 86(2)(c))	7%x20
			MCF Equity	(Art. 86(2)(c))	20%x10
			MCF Loans HF	(Art. 86(2)(c))	10%x20
			MCF Equity HF	(Art. 86(2)(c))	20%x10
			<b>Total in the 3rd PC</b>		<b>37.4</b>
In the 2nd PC			In the 4th PC		
Eligible expenditure LOANS	(Art. 86(2)(b))		21.4 Eligible expenditure LOANS	(Art. 86(2)(b))	7
Eligible expenditure EQUITY	(Art. 86(2)(b))		10 Eligible expenditure EQUITY	(Art. 86(2)(b))	4
MCF Loans	(Art. 86(2)(c))	7%x21.4	1.50 MCF Loans	(Art. 86(2)(c))	7%x7
MCF Equity	(Art. 86(2)(c))	20%x10	2 MCF Equity	(Art. 86(2)(c))	20%x4
MCF Loans HF	(Art. 86(2)(c))	10%x21.4	2.14 MCF Loans HF	(Art. 86(2)(c))	10%x7
MCF Equity HF	(Art. 86(2)(c))	20%x10	2 MCF Equity HF	(Art. 86(2)(c))	20%x4
<b>Total in the 2nd PC</b>			<b>39.04 Total in the 4th PC</b>		<b>13.79</b>

	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+39.04=42.54	39.04	77.54
3rd PC	35	3.5+39.04+37.4= <b>79.94</b>	37.4-14.94= <b>22.46</b>	<b>100</b>
4th PC	35	79.94+13.79= <b>93.73</b>	<b>0</b>	<b>93.73-100=-6.27</b> To be paid back to the EC

## Part II: Latest update after the trilogue meetings

# State of play

- 3 trilogues at technical level took place on Block IV
- Issues left for **the political trilogues**:
  - InvestEU and differentiated treatment
  - Grants under conditions
  - Direct award article from Omnibus
  - « used for intended purposes » EP AM
  - VAT
  - MCF
- 1 SMWP discussing the results of the trilogies:
  - Positive feedback and some flexibility indicated by some MS for the level of MCF



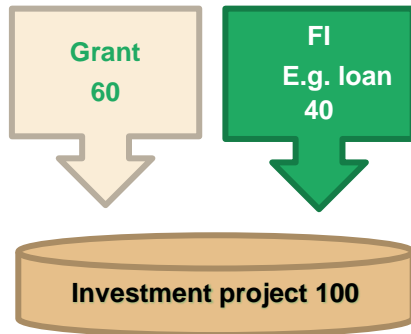
**Thank you!**

**Q&A**



# Back-up slides

# Example: Combination in 2 separate streams - Article 52(4)

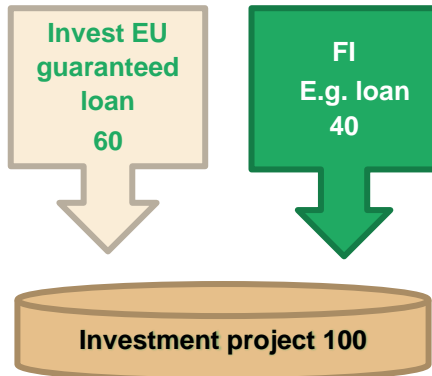


## Example 1: Eligible expenditure declared to EC:

- Grant: 60
- Loan: 40

Total ERDF reimbursement (at 50% co-financing rate):

$$(60 + 40) * 50\% = 50$$



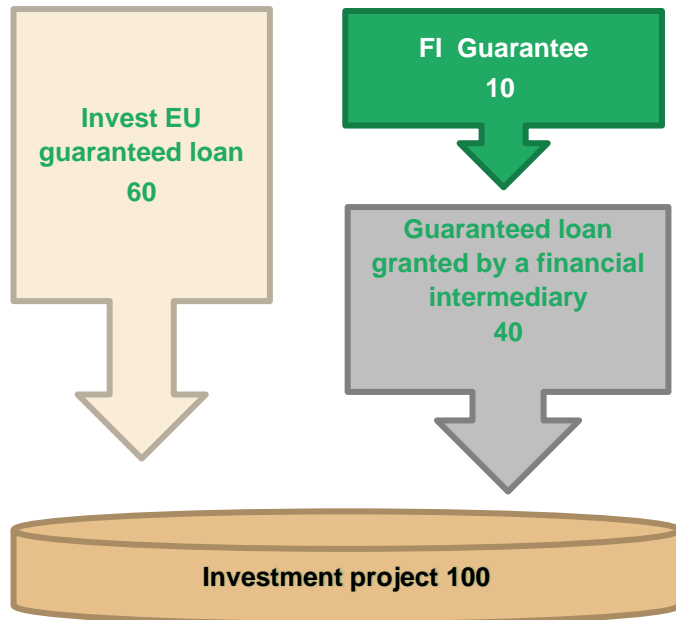
## Example 2: Eligible expenditure declared to EC:

- Loan: 40

Total ERDF reimbursement (at 50% co-financing rate):

$$40 * 50\% = 20$$

# Example: Combination in 2 separate streams - Article 52(4)



## Example 3: Eligible expenditure declared to EC:

- Guarantee = 10

Total ERDF reimbursement (at 50% co-financing rate):

$$10 * 50\% = 5$$

The same loan cannot benefit from the Invest EU guarantee and from the FI guarantee under shared management. The FI guarantee under shared management shall apply to a separate loan.