Q&A – Financial instruments: Wishful thinking or Reality?

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Who is a 'lender' in a financial instrument?

Depending on the implementation structure of the financial instrument (FI), a lender is a body implementing financial instrument. If the Managing authority implements the FI directly, then it becomes a lender.

Are there current Interreg programmes that use FI? Is yes, the Financial intermediary is common to the Programme?

FIs are not implemented by any Interreg programme yet.

In the contest of an IPA-CBC trilateral programme, if we decide to use the FIs in the next period, can we use a single financial institution for all the participating Countries or we need of a single financial institution for each country?

If possible under national law / such a common institution exists, it would be strongly encouraged. The problem is that often even banks present in many countries tend to operate de-facto independently. But if you have such a common institution, present everywhere, this would simplify the FI implementation.

In case, the intermediate body is not a commercial bank, but a national promotional bank[1] of a MS, is it possible to allocate money on the other side of the border?

It depends on the law (and practical constraints) of the target country. EU rules do not prohibit that, but it might be difficult in practice.

1 National promotional banks and institutions (NPBIs) are legal entities carrying out financial, development and promotional activities on a professional basis which are given a mandate by a Member State at central, regional or local level (definition from the EIB website).

I assume that a Holding Fund will be located in a MA country so how to ensure the equal access to the fund?

The Holding Fund (HF) might be in one country, but then you can use financial intermediaries in each of the countries, and the funds could be pre-allocated to them.

I assume that the projects will still have to be a "partnership" type of projects; therefore, is should not be so simple to have multiple intermediaries around (on different sides of the borders) with pre-allocated funds!

The Interreg eligibility / partnership rules (as well as cross-border character) should still apply. But this does not have to be in contradiction with using the country-specific financial institutions, if eligible projects are fulfilling the requirement. The instrument could be used to coordinate procedures across borders, but some country-specific requirements would still apply as the financial requirements are not uniform: the SMEs could use the same bank which they use normally, but the product would be designed in such a way that the supporting documents are the same.

Who (which structure/organization) will perform assessment of (partnership) applications for funding so as to ensure fair treatment?

The default solution would be that the assessment is done by financial intermediaries, but you (as a MA) can provide for different arrangements. E.g. in Czechia, for national instruments, the MA separated the task and kept it at the MA or Holding Fund level, as they have not trusted the financial intermediaries. In Interreg, e.g., you can have a first check of partnership done by JS, or somebody, and make a "certificate" a necessary condition for submission of a loan application, so the financial intermediary's job would be just to check if the certificate has been granted.

Could you elaborate more on a FI structure: MA+HF+ financial intermediaries – should it be on each sides of the border?

HF is not always needed, and if you use, e.g., EIB (European Investment Bank) maybe just one on both sides of the border is fine. But indeed, it means that you need to rely on existing institutions (guarantees which are provided to normal banks usually rely on existing banking procedures) or have big enough allocation to justify the set-up.

Is a ‘working capital’ eligible under FIs?

“Working capital" is, as a rule (except for COVID response) exclusively available through financial instruments! Working capital support for SMEs through financial instruments was already eligible under Article 37(4) of the CPR[2]. The modifications introduced by CRII/CRII+ enable ESIF financial instruments to finance SME working capital easily and quickly as an effective response to the public health crisis. This support is not only for SMEs producing special medical requirements, but for all SMEs affected by the COVID crisis.

2 Read more in the EC Guidance for member States on Article 37(4) CPR – Support to enterprises/working capital.