DIGITAL POLICY BRIEF

Financial Instruments

European Financial Instruments

Existing Financial Instruments

In the context of the funding schemes of the EU, innovative financial instruments are support opportunities, which are different from funding by way of direct subsidies. The concept embeds a great number of funding schemes, for instance a combination of subsidy grant and loan. According to the EU-budget plan, the share of innovative financial instruments increased significantly in the course of the Financial Framework 2014–2020. Therefore it is imperative, that innovative financial instruments and their impact are taken into consideration on a wider scale. [1]

The Financial Framework 2014-2020 period provided the following innovative financial instruments:

Innovative Financial Instruments	
Risk and equity capital instruments	Debt instruments
Equity capital instrument for innovation and development	Debt instruments to support innovation and development activity
Risk capital instrument for seed phase investments to SMEs	Project bonds to support building infrastructure objects
Equity capital instrument to support infrastructure objects	Debt instrument to SMEs

Innovative Financial Instruments in Future

Within the Financial Framework 2014-2020 **20 % of EU expenditures** have been contributed to **climate objectives** [2]. In the next programming period 2021-2027 **25 % of the EU budget** will be spent on climate investments and additional funding for Horizon Europe, reflecting the crucial role of research and innovation in driving the shift towards a clean, circular, competitive and climate neutral economy. Targeted investments, funded through grants and loans, will develop an economy for the people and foster key sectors and technologies. [3]

[1] Branten E., Purju A. (2013): Innovative Financial Instruments in EU Funding Schemes, Baltic Journal of European Studies, Vol.3

[2] European Commission (2018): EU Budget for the Future, retrieved June 29, 2020 at 10 a.m.: https://ec.europa.eu/commission/sites/beta-political/files/budget-proposals-sustainability-environment-climate-change-may2018_en.pdf

[3] European Commission (2020): Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions; Europeans's moment: Repair and Prepare for the Next Generation, 456 final

National Financial Instruments

Existing Financial Instruments

The Emilia Romagna existing IFI Fondo Energia, or rather the "Rotative Fund of subsided finance for the green economy", has been designed to support energy efficiency investments by private companies, encouraging as well intangible investments aimed at reducing the energy cost incorporated in products.

The fund provides subsidised loans with public funding of up to 70% remunerated at an interest rate of 0% and private funding of up to 30%.

During the last ERDF ROP programme (2014 - 2020), the Fondo Energia 2.0 has made it possible to grant funding for energy refurbishment for a total of 51 million euros, of which 34 M€ of regional loan, 15 M€ of external financing and 2 M€ of non-refundable funding for energy audits and feasibility studies, producing on one hand significant effects on the environment, and on the other hand greater efficiency in the production processes.

Innovative Financial Instruments in Future

For the next programming period, 2021-2027, an instrument similar to the existing one will be probably proposed. This choice will help the investing companies maintaining continuity with the previous instrument, providing the same subsides, a mix of loan instrument and guarantee fund, in order to mobilise public and private funds, and the financing of a technical assistance, in order to favour the efficient structuring of the project. In addition to those tools, the now IFI should have some innovative recommendations, such as extending the number of financial bodies, including lending crowdfunding platforms, between the private investors, rise the investment flexibility including the use of EPC as financial model and facilitate ongoing fixing, foresee longer lasting calls and differentiate the documentation required according to the type and size of the project.