



# 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](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

In the Czech Republic, there is a relatively broad offer of financial mechanisms that companies (industry) can use to finance their projects on energy efficiency or installation of renewable energy sources. They include grants, soft loans and EPC; however, there is a lack of possibilities to combine them together.

The main source of financing is represented by EDRF funding through the Operational Programme Enterprise and Innovation for Competitiveness (OPEIC) that provides subsidies for both SMEs and large companies. It is focused on (larger) investment projects while small-scale projects as well as “soft” projects (e.g. implementation of energy management, energy analyses, etc.) can be funded via the national Programme EFEKT. Both OPEIC and EFEKT are foreseen in the national Energy Plan as supportive measures.

Financial instruments, in a form of soft loans, are operated by the Czech-Moravian Guarantee and Development Bank (CMZRB). Two programmes have been introduced:

- 1) Programme Energy Savings available for companies of any size located outside Prague region;
- 2) Programme ENER targeting SMEs from Prague. They include also a small grant component, which can be used for elaboration of an energy audit, as well as a 7% ‘grant bonus’ to be provided when certain energy performance is achieved.

Regarding the Energy Performance Contracting (EPC), the ESCO market is very well developed in the Czech Republic. Nevertheless, this type of financing is used mostly for public sector projects, whereas private sector projects are usually considered too risky by ESCOs and there are only few successful examples.

### Innovative Financial Instruments in Future

Two financial instruments are considered to be explored for the new programming period 2021 - 2027. (These were discussed between the FIRECE project - partner ENVIROS, and the programme coordinators and operators - Ministry of Industry and Trade and CMZRB.)

1. Smaller projects, defined as those with eligible cost up to 200 thous. € (alternatively 120 thous. €), will be financed only through financial instruments - soft loans. Based on project results (= reached savings), the project could receive a ‘grant bonus’ in a form of remission of final instalments. The loans could be provided either by the CMZRB directly, or by commercial banks; in the latter scheme, the CMZRB would play a role of the ‘fund of funds’.
2. Large projects, i.e. over 200 / 120 thous. €, will receive a grant up to the maximum amount set by the EU State Aid rules, that can be combined with a soft loan. Both the grant and the loan will be provided within the relevant Operational Programme managed by the Ministry of Industry and Trade.