



Structural programme loans: additional financing for regional investment

Factsheet

An online course (MOOC) for regional and local authorities

What are structural programme loans?

A great deal of the EU budget is focused on cohesion policy. The main instruments are the structural funds, which are divided into five main funds: Cohesion Funds, European Development Regional Funds, European Social Fund, European Agricultural Funds for Rural Development, and European Maritime and Fishery Funds. These funds are supporting the development strategy of regions and countries, each dedicated to different components of their economic and social development.

The structural funds are aimed at new investments in the regions and have to be complemented by additional funds provided mainly by regions and countries. Since the 2000-06 programming period, the European Investment Bank (EIB) has developed a financial instrument to **assist the regions and countries to find these additional resources, and comply with the additional funds to implement their programmes**. This instrument is known as structural programme loans (SPLs).

SPLs represent additional financing to absorb EU funds. The main characteristics of SPLs are:

- They **support entire programmes**, consisting of thousands of small projects that could never get EIB's funds separately, since the EIB only finances large projects directly. This instrument allows smaller regions to finance one or several programmes supported by EU funds
- They are **fundamentally multisector**, that is, they are used to finance projects

targeting different sectors such as research and development, basic infrastructure, environment, SMEs and any other sector that promotes the objectives established in the operational programmes

Are there any conditions to be eligible for SPLs?

SPLs support the EU policy by blending grants and loans. Therefore, SPLs are always linked to EU policy and EU structural funds mechanisms, including the establishment of management authorities and adequate control mechanisms as well as solid information systems.

There are some limitations in the EIB's lending policy:

- For **regions classified as less developed, transition or under transitory measures** (that is, with co-financing rates of more than 70%), the EIB and the EU contributions aggregated cannot exceed 90% of the total investment cost of the programme financed
- For **regions classified as developed**, the cumulative ratio decreases to 70%

How is the appraisal of the project conducted?

In the EIB's terminology, the "project" is the programme or programmes to be supported. This project consists of a single or several programmes



financed by the EU and approved by the European Commission.

The appraisal comprises:

- **Analysis of the development strategy.** This includes, among others, the Smart Specialisation Strategy, sectorial strategies, climate change strategies, as well as the quality of the programme and the selection criteria of the associated sub-projects
- **Analysis of the control systems** established in the EU regulations and the implementation of the execution, monitoring and control. Audits and physical follow up: the promoter's capacity to implement the sub-projects
- **Due diligence:** analysis of the administration capacity regarding public procurement, state aid, environment and biodiversity and, social aspects in some cases

The EIB:

- Analyses, with the information provided by the promoter, the **strategy and the team capacity**. The information is provided in the questionnaire and during the appraisal mission and other documentation
- Proposes **allocation and reporting systems** adapted to the promoter's information system and the standardisation included in the EU regulations
- Requires a **project implementation unit/coordinator** to manage EIB's project

To this end, the region or promoter has to **provide information** about the following aspects:

- Horizontal issues
 - Institutional capacity and scenarios
 - Monitoring and control systems: information system
 - Scope of the EIB's project
 - Environment: general issues, environmental and biodiversity procedures
 - Climate change: mitigation and adaptation
 - Public procurement and state aid

- Sectorial issues: this varies according to the sectors financed
 - Research and development and innovation (RDI)
 - Water
 - Waste
 - Transport
 - Small and medium-sized enterprises (SMEs)
 - Urban
 - Natural and cultural heritage
- Indicator table by priorities: code, name, unit, target. The EIB will use a small sample of the set of indicators established in the programmes

With the information provided by the region, the EIB can elaborate an appraisal report describing sectors, project selection criteria, institutional capacity and monitoring to be approved by the EIB's Board of Directors.

How do SPLs work in practice?

SPLs are meant to pre-finance the regions, and, to this end, an upfront disbursement of maximum 30% of the signed loan is possible. To proceed to further disbursements, the EIB has to guarantee that the loan is dedicated to sub-projects supported by the programmes. This is ensured by the **allocation procedure** described below.



In summary the disbursements are done as follows:

- First disbursement: 30% maximum of the signed loan
- Second and consecutive disbursements:
 - Maximum disbursement: the maximum allocated from the previous disbursements
- The EIB can limit the maximum number of disbursements

Contractual obligations approved by the Board of Directors are detailed in the contract.

How is the project monitored and followed up?

The region sends an annual Project Progress Report containing updated information on the implementation of the programme and the sub-

projects allocated to the EIB loan. This reporting method is agreed with the region during the appraisal mission and it is detailed in the contract. During project execution, the EIB can make visits to verify the implementation of projects allocated and may attend Monitoring Committee meetings.

At closure, all projects allocated EIB's funds have to be completed. The region will send a final allocation table with the actual costs of the sub-projects, as well as the following information:

- Final update of the indicators by priority axis
- Detailed information for projects of more than 50 million euros
- Information about irregularities unreported

The EIB can make a visit to a sample of projects for which detailed information will be requested.

A structural programme loan to better equip Galicia for the future

Galicia is a Spanish region located in the North East of the Iberian Peninsula. It has a population of 2.8 million inhabitants. Over 24% of the population will be over 65 years old in 2021. Around 17% live in municipalities of less than 5 000 people.

*The **EUR 400m structural programme loan from the EIB aims at supporting the region** to implement its EU co-financed programmes and other non EU co-financed eligible projects. The loan will support a total investment of about EUR 2 500m.*

*In the **environmental sector**, it embraces investments to protect and enhance Galician natural resources, involving projects in the water, waste, energy and climate action sectors. Among others, the objective is to take advantage of Galicia's sea and forest rich environment.*

*The **knowledge economy sector** comprises research and development, education and information society projects in sectors where the region shows a comparative advantage in resources and economic know-how. Other projects target solutions to deal with the region's aging population.*

Galician operational programmes are based on the Smart Specialisation (RIS3), a strategy that identifies the comparative advantages of the region to innovate processes and products and which is a



condition to receive structural funds in innovative sectors and processes.

The regional IS3 in Galicia has been elaborated through an **open procedure involving the main stakeholders**: enterprises, investment funds, clusters, research centres, the public administration, social entities, universities, etc. The strategy is summarised in three challenges:

• **Innovative management of natural and cultural resources**

- Upgrading of the sea resources: cosmetics, bio-fuels, aquaculture,..
- Modernisation of the agriculture: applications based on information and communications technology (ICT), water use efficiency, SMEs
- Modernisation of the livestock, fishing and forestry
- Improvement of energy production from natural resources: biomass

• **The future industrial model in Galicia**

- Modernisation of the tourist sector and of the cultural industries using ICT
- Diversification of the leading factors; car, shipbuilding, textile, stone, wood and paper
- Improvement of the industrial competitiveness: process innovation, ICT
- Boosting knowledge economy: nanotechnology, industrial biotechnology, new materials...

• **Technological solutions for healthy life style**

- Active aging; adaptation of the health and care system
- Healthy and safe food, functional foods

Disclaimer

The content of this document and any opinions expressed therein do not necessarily represent the official position of the European Committee of the Regions (CoR). It is addressed to the participants of the online course (MOOC) of the CoR on "EU budget and funding for regions and cities". Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the CoR is given prior notice and sent a copy.

Manuscript completed in October 2016

European Committee of the Regions | Directorate for Communication
Rue Belliard/Belliardstraat 99-101 | 1040 Bruxelles/Brussel | Belgium

www.cor.europa.eu

© European Union, 2016