



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

In the Republic of Croatia, currently, 10 financial instruments are in operation, within the OP "Competitiveness and Cohesion 2014-2020". Croatian Bank for Reconstruction and Development (HBOR) currently implements ESIF Loans for growth and development, ESIF loans for energy efficiency in public buildings, ESIF loans for public lighting and ESIF loans for energy efficiency for entrepreneurs. Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO) currently implements ESIF Limited portfolio guarantee, ESIF Individual guarantee with/without interest rate subsidy, ESIF Micro loans and ESIF Small loans. European Investment Fund currently implements ESIF Risk capital fund - this financial instrument is focused on the early stages of investments for innovative entrepreneurs in technology sectors with high growth potential.

Innovative Financial Instruments in Future

For the next programming period (2021-2027), grants will probably continue to be the main instrument for implementing cohesion policy in the Republic of Croatia, but considering that in the current period financial instruments play an important role in investment policies and have a significant leverage effect, especially in times of budget constraints, it will be important to find a qualitative model for combining grants with financial instruments. This combination can be for instance as an interest rate/guarantee fee subsidy or investment grants combined with loans. For this reason, Istrian Regional Energy Agency Ltd. throughout the FIRECE project has developed a proposal for new Financial Instrument that could be implemented during 2021-2027 period particularly focused on energy efficiency investments and fostering the use of renewable energy sources. The proposal is based on a Financial Instrument that combines grants from ERDF and national sources and loans with low-interest rates.