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|  | EUROPEAN COMMISSION |

European Structural and Investment Funds

Guidance for Member States on

Article 42(1)(d) CPR– Eligible management costs and fees – for financial instruments managed in accordance with Article 38(4)(b) CPR

DRAFT

**DISCLAIMER**

**“***This is a working document prepared by the Commission services. On the basis of applicable EU law, it provides technical guidance for colleagues and bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds on how to interpret and apply the EU rules in this area. The aim of this document is to provide Commission services' explanations and interpretations of the said rules in order to facilitate the programme implementation and to encourage good practice(s). This guidance is without prejudice to the interpretation of the Court of Justice and the General Court or decisions of the Commission.***”**

# Background

# Regulatory references

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| **Regulation** | **Articles** |
| Reg. (EU) N° 1303/2013 Common Provisions Regulation*(hereafter CPR)* | Article 42 – Eligible expenditure at closure  |
| Reg. (EU) N° 480/2014 Commission Delegated Regulation*(hereafter CDR)* | Article 12 – Criteria for determining management costs and fees on the basis of performanceArticle 13 – Thresholds for management costs and feesArticle 14 – Reimbursement of capitalised management costs and fees for equity-based investments and micro-credit |

# Purpose of the guidance

Financial instruments (FIs) are a form of support whose success hinges on the performance of bodies implementing them. One of the decisive parameters to align the interests of the managing authorities and the bodies implementing financial instruments is the remuneration paid to the latter in the form of performance-based management costs and/or fees.

In 2007-2013 management costs and fees paid to bodies implementing FIs were calculated on the basis of the amounts contributed to the FIs and were, in many cases, decoupled from their performance (for e.g. the disbursements to final recipients). The legislation also set rather high limits for management costs and fees considered as eligible expenditure and linked them to the amounts contributed to the funds, i.e. those made at the disposal of the bodies implementing them.

Article 42(1)(d), (2), (5) and (6) CPR provide for a new approach to eligible management costs and fees, introducing a requirement for their performance orientation and new calculation of thresholds as further stipulated in Articles 12, 13 and 14 CDR.

The purpose of the guidance is to clarify how to apply the new approach to management costs and fees of bodies implementing financial instruments in accordance with Article 38(4)(b) CPR, based on questions asked by the Member States, in particular during the preparation of the CDR, as well as bilateral requests for clarification received afterwards.

This guidance note does not cover other implementation options available, namely: contribution to FIs at EU-level implemented directly or indirectly by the Commission under Article 38(1)(a) CPR, investment in capital of legal entities under Article 38(4)(a) CPR and loans and guarantees implemented directly by MA or IB under Article 38(4)(c) CPR. Dedicated guidance notes will be developed for them.

# Guidance

# General rule

Article 42(1)(d), (2), (5) and (6) CPR lays down that management costs and fees for FIs implemented in accordance with Article 38(4)(b) CPR will be considered as eligible expenditure at closure and that if they in addition respect the performance-based criteria and the thresholds set out in Articles 12, 13 and 14 CDR.

# The scope of management costs and fees

Article 42(5) CPR defines management costs as comprising direct and indirect costs which are reimbursed against evidence of expenditure whereas management fees are referred to as an agreed price for services rendered. Such agreed price may be established via a competitive market process, if the latter is applied when selecting the body implementing financial instrument(s)[[1]](#footnote-2).

The question of what constitutes eligible expenditure regarding management costs is dealt with in the first instance by national rules. Such eligible expenditure may include costs incurred by the body implementing the financial instrument as part of the preparation of investment decisions and the subsequent monitoring and follow-up of investments (e.g. technical studies, audit, legal expertise, etc) but should not include costs which are directly imputable to the preparation and/or implementation of individual projects or investment plans by final recipients, such as the costs of obtaining planning consent, technical feasibility studies, project management expenses, etc which are part of the cost of the investment. As simple and non-exhaustive examples, in the past the Commission has considered the following categories of costs as eligible management costs compatible with the principles of sound and efficient financial management:

* staff costs, including travel and subsistence expenses, the cost of offices, equipment, IT systems, consumables and supplies, directly linked to the management and investment of contributions from programmes to financial instruments; such costs being incurred in carrying out activities such as selection and tendering procedures, controls, monitoring and reporting, consultancy, information and publicity;
* overheads of the body implementing the financial instrument provided that they are based on actual costs and are allocated pro rata to the operations according to a duly justified fair and equitable method.

Managing authorities and bodies implementing financial instruments, including funds of funds, will agree on the form of remuneration which is appropriate in a given case: management costs, management fees or a combination of them. However, as the CPR requires that management costs and fees are performance-based, remuneration based on management costs only must also respect this requirement.

Provisions regarding the calculation and payment of management costs incurred or of the management fees of the financial instruments must be included in the funding agreement between a managing authority and a body implementing financial instrument(s), in line with Annex IV(1)(h) CPR.

These provisions take into account the performance-based criteria provided by Article 12(1) CDR, namely:

* the disbursement of contribution provided by the ESI Funds programme,
* the resources paid back from investments or from the release of resources committed for guarantee contracts[[2]](#footnote-3),
* the quality of measures accompanying the investment before and after the investment decision to maximise its impact, and
* the contribution of the financial instrument to the objectives and outputs of the programme.

The MA defines how to translate the criteria into more concrete requirements/targets for the purpose of remuneration, adapted to the requirements of the operational programme and local needs and conditions. The performance of a body implementing financial instrument(s) should always be tracked in relation to target values agreed normally in the respective Funding Agreement. For instance, performance could be linked to the number of eligible SMEs that receive financing; geographical or sectorial coverage; ability to raise additional resources; jobs created – always comparing values achieved to those initially agreed.

If arrangement fees, such as advisory, legal or accounting fees, are charged by the body implementing the financial instrument to final recipients, they must not be included in the management costs and fees to be paid to the body by the managing authority and declared by the latter as eligible. Otherwise, the body implementing the financial instrument would be remunerated twice for the same service (by final recipients and by the managing authority).

# Eligibility period of management costs and fees

As a general rule, management costs and fees are eligible as of the date of the signature of the relevant funding agreement provided that all other eligibility criteria are fulfilled.

Management costs and fees incurred for preparatory work in relation to the financial instrument before the signature of the relevant funding agreement, and which according to the general rule above become eligible after the signature, may only be included in the eligible expenditure if incurred after the date when the formal decision selecting the body concerned was taken.

The eligibility period for management costs and fees ends on 31 December 2023, however, more flexibility is provided for equity-based instruments and micro-credit for which the repayment periods are usually longer and which require more intensive assistance: According to Article 42(2) CPR and Article 14(1) CDR, management costs and fees that are related to equity-based instruments and micro-credit investments made into final recipients within eligibility period but which are to be paid to the fund manager within 6 years after the eligibility period may be considered eligible expenditure at closure, if:

* they cannot be covered from repaid resources which are attributable to the support from ESI Funds in line with Article 44 and 45 CPR, e.g. because such resources are already used up for further investments through the same or other financial instrument or preferential remuneration of private investors or public investors operating under the market economy principle in line with Article 44 (1) CPR;
* the amount corresponding to their capitalised (discounted) total value at the end of the eligibility period is paid into an escrow account[[3]](#footnote-4) specifically set up for that purpose[[4]](#footnote-5); and
* they respect the annual ceilings provided in Article 14 (2) and (3) CDR (see section 2.5).

# Amount of eligible management costs and fees

# Applicability of thresholds for eligible management costs and fees at closure

As outlined above, to be considered eligible at closure management costs and fees charged by bodies that implement financial instruments, including funds of funds must not exceed the thresholds which are set out in Article 13(1), (2) and (3) CDR.

As these represent ceilings, Managing Authorities are encouraged to lay down in the funding agreement management costs and fees below the thresholds, taking each time into account the context of the given financial instrument(s).

If the body implementing the financial instrument, including fund of funds, was selected through a competitive tender in accordance with applicable rules[[5]](#footnote-6) that would set the remuneration level, and the competitive tender proved the need for higher management costs and fees, then according to Article 13(6) CDR then the thresholds do not apply. This situation should be seen as truly exceptional since a competitive tender is normally expected to result in lower remuneration levels due to competition. Please also note that under certain national legislation, a maximum threshold may need to be specified in the tender.

Furthermore, in line with Article 13(5) CDR where the majority of the capital invested in financial intermediaries providing equity is provided by private investors or public investors operating under market economy principle and the programme contribution[[6]](#footnote-7) is provided *pari passu* with the private investors, the management costs and fees have to conform to market terms and must not exceed those payable by the private investors. This provision introduces thus a mechanism allowing to claim higher (or lower) management cost and fees than those under Article 13(1)(2)(3) CDR, in function of those requested under the market conditions.

The above situations set the rules for eligible management costs and fees. Management costs and fees exceeding the ceilings will be treated as ineligible. Managing authorities may pay such higher management costs and fees to bodies implementing financial instruments if they consider it justified (and in compliance with state aid rules in relation to a possible overcompensation of a fund manager) but such management costs and fees must not be covered from ESI Funds programme resources, but others, e.g. from resources attributable to the support from ESI Funds programmes which are paid back according to Article 44(1)(c) of the CPR, or from own resources.

# Thresholds for eligible management costs and fees at closure

Article 13(1), (2) and (3) CDR defines the thresholds for management costs and fees declared as eligible at closure as "the sum of" […]. This means that any of the **thresholds should be understood as an aggregate value over the whole eligibility period** and not on an annual basis.

The CDR sets out different thresholds for management costs and fees in function of the implementation options (with our without a fund of funds) and type of instrument: loans, guarantees, equity, micro credit or "other" products, i.e. technical support, interest rate subsidies or guarantee fee subsidies in accordance with Article 37(7) CPR.

When establishing the eligible management costs and fees at closure for any of the cases outlined in the above paragraph, both thresholds need to be calculated and **the lower amount resulting from the calculation will determine the amount of eligible costs and fees of a given body implementing given financial instrument, including fund of funds where applicable.** Whereas one of the two thresholds is calculated based on the progress in the implementation, the second represents a " general - cap rate - threshold: For fund of funds the first threshold is set out in Article 13(1) CDR and the second is the threshold provided in Article 13(3)(a) CDR. For the other instruments the first one is set in Article 13(2) CDR and the second one is the respective threshold provided in Article 13(3)(b) to (f) CDR.

The thresholds linked to the implementation progress consist of two elements: base remuneration, and performance-based remuneration. As a principle, the base remuneration is calculated as a percentage of amounts entrusted to the implementing body for further investments whereas the performance-based remuneration is calculated as a percentage of the amounts effectively disbursed:

* The amounts entrusted for implementation mean programme contributions paid to the given fund, with the exception of equity funds, where they refer to programme contributions committed under the relevant funding agreement.
* The amounts disbursed by the implementing body are in the case of fund of funds programme contributions paid to the financial intermediaries, in the case of guarantee funds programme contributions committed to outstanding guarantee contracts, and in all other cases programme contributions paid to final recipients, as well as resources re-invested which are attributable to programme contributions.

The percentages for both, the base remuneration and the performance-based remuneration are calculated on the basis of rates p.a. applied *pro rata temporis* on the above mentioned amounts. The *pro-rata temporis* calculation incentivises early disbursements and to be meaningful should reflect changes on real time basis.

For the calculation *pro rata temporis* Article 13 CDR defines the beginning and the end of the period for which a given calculation can be made, depending on the implementation level (fund of funds or specific fund) and type of instrument.

Regarding the beginning of the period, it is for instance:

* for the base remuneration of the fund of funds manager, the date of the effective payment of programme contributions to the fund of funds,
* for the base remuneration for equity fund manager, the date of the signature of the funding agreement, or
* for the performance remuneration of a guarantee fund manager, the date of commitment of the guarantee.

Regarding the end of the period, it is for instance:

* for the base remuneration of a fund of fund manager, the end of the eligibility period, repayment to the managing authorities or the date of winding up whichever is earlier, or
* for the performance remuneration of a loan fund manager the moment of repayment of the investment (loans) by final recipients, the end of the recovery procedure in case of default or the end of eligibility period, whichever is earlier.

The below table outlines the general - cap rate - thresholds, as well as the rates p.a. applicable to base remuneration and performance remuneration, as provided in Article 13(1) and (2) CDR.

|  |  |  |
| --- | --- | --- |
| **Body implementing…** | **General –cap rate-****thresholds** |  |
| **Base remuneration: rates p.a./*pro rata temporis*** | **Performance remuneration: rates p.a./*pro rata temporis*** |
| **Fund of Funds** | 7.00% | For first 12 months\* 3.00% | 0.50% |
| For next 12 months\* 1.00% | 0.50% |
| Following years 0.50% | 0.50% |
| **Loans** | 8.00% | 0.50% | 1.00% |
| **Guarantees** | 10.00% | 0.50% | 1.50% |
| **Equity** | 20.00% | For first 24 months\* 2.50%\*\* | 2.50% |
| Following years 1.00%\*\* | 2.50% |
| **Micro credit** | 10.00% | 0.50% | 1.50% |
| **Other** | 6.00% | 0.50% | 0.50% |
|  |  |  |  |
|  |  |  |  |
| \* This relates to the period after the signature of the Funding Agreement, the higher rate can be used only within this period but effectively only for the time from the effective payment of programme contributions to the FoF. |
| \*\* For equity, base remuneration linked to amounts committed to the financial instrument |  |
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Furthermore Article 13(4) CDR clarifies that the thresholds must not be cumulated for the same programme contribution, or the same re-invested resources which are attributable to programme contributions, if the same body acts for one part of resources as a fund of fund manager and for another part of resources as e.g. a guarantee fund manager.

In practice, it is normally known from the very beginning that the same body will act for some of the allocations as fund of funds manager and for some as e.g. manager of a guarantee fund. In such a case the funding agreement(s) signed with this body should differentiate these two roles from the very beginning and the type of remuneration should follow accordingly. In case the decision of whether the body acting as a fund of funds manager starts acting as e.g. manager of a guarantee fund is taken later, MAs should be aware of the risk that the implementation of the guarantee fund may be postponed to maximise the management costs and fees due for management of the fund of funds (especially in the first 12 months after the signature of the Funding Agreement).

Nevertheless, as soon as the decision is taken at the fund of fund level to allocate a specific amount to the guarantee fund, as of the moment of this decision and as substantiated by a corresponding material proof, the basis for the calculation of the base remuneration of the fund of fund decreases by the amount allocated to the guarantee fund. In addition, this amount does not count as basis for the calculation of the performance remuneration of the fund of funds as there is no other body (financial intermediary), i.e. also no additional workload related to selection and governance, involved. However, as of this moment this amount counts as the basis for calculation of the base remuneration of the guarantee fund manager and depending on implementation progress will also serve as the basis for the calculation of its performance remuneration.

# Example for calculation of eligible management costs and fees at closure

The below table presents a calculation of eligible management costs and fees in the following schematic scenario:

On 1 January 2015 MA signs the Funding Agreement with a Fund of Funds manager (FoF) for an amount of €100 million (=committed amount);

*1 Jan-31 Jan*

* *eligible management costs and fees of FoF: €0*

On 1 February 2015 the MA pays to the FoF €25 million (25% of the committed amount)[[7]](#footnote-8);

*1 Feb-31 May*

* *eligible management costs and fees of FoF: €0.25 million = €25 million \* 3% \* 120 days/360 days[[8]](#footnote-9) [base remuneration]*

On 1 June 2015 the FoF signs agreements with two specific funds: one for loans (€15 million) and one for equity (€10 million) fund;

*1 Jun-30 Jun*

* *eligible management costs and fees of FoF: €0.06 million = €25 million \* 3% \* 30/360 [base remuneration]*
* *eligible management costs and fees of the loan fund: €0 million*
* *eligible management costs and fees of the equity fund: €0.02 million = €10 million \* 2.5% \* 30/360 [base remuneration]*

On 1 July 2015 the FoF pays €15 million to the loan fund and €10 to the equity fund;

*1 Jul-31 Dec*

* *eligible management costs and fees of FoF:*

 *€0.375 million = €25 million \* 3% \* 180/360 [base remuneration] AND €0.062 million = €25 million \* 0.5% \* 180/360 [performance remuneration]*

*Total: € 0.437 million*

* *eligible management costs and fees of the loan fund: €0.037 million = €15 million \* 0.5% \* 180/360 [base remuneration]*
* *eligible management costs and fees of the equity fund: €0.125 million = €10 million \* 2.5% \* 180/360 [base remuneration]*

On 31 December 2015 €10 million of loans are disbursed and € 5 million equity are disbursed to final recipients;

*1 Jan 16 –31 Jan 16*

* *eligible management costs and fees of FoF: €0.02 million = €25 million \* 1% (as these are the next 12 months after the Funding Agreement was signed!) \* 30/360 [base remuneration] AND*

*€0.01 million = €25 million \* 0.5% \* 1/12 [performance remuneration]*

*Total: €0.03 million*

* *eligible management costs and fees of the loan fund: €0.006 million = €15 million \* 0.5% \* 30/360 [base remuneration] AND*

 *€0.008 million = €10 million \* 1% \* 30/360 [performance remuneration]*

*Total: €0.014 million*

* *eligible management costs and fees of the equity fund: €0.02 million = €10 million \* 2.5% \* 30/360 [base remuneration] AND €0.01 million = €5 million \* 2.5% \*30/360 [performance remuneration]*

*Total: €0.03 million*

Since in the example more than 60% of the programme contributions paid to the financial instrument have already been disbursed, the next step will most probably be the transfer of the second tranche of €25 million by the MA to the FoF. This would reinitiate the cycle and first increase the basis for the calculation of FoF base remuneration and then also the basis for all the other calculations.

At the end of the eligibility period the total amount resulting from the above calculation for the whole implementation cycle per fund will be compared with the respective "flat-rate" thresholds per fund. The lower of the two thresholds per fund will represent the amount of eligible management costs and fees at closure per fund: the fund of fund, the loan fund and the equity fund. The sum of the eligible management costs and fees for the three funds (provided that no further funds were created between 31 January 2016 and the end of the eligibility period) will represent the total eligible management costs and fees at closure for the financial instrument as a whole.

# Specific Thresholds for Capitalised management costs and fees for equity-based instruments and micro-credit

Article 14 (2) CDR sets a specific threshold for eligible capitalised management costs and fees for micro-credit to be paid to the fund manager after the end of the eligibility period. It is calculated as follows: 1% p.a. of the programme contributions paid to the final recipients as eligible loans within the eligibility period but which have yet to be paid back, calculated *pro rata temporis* from the end of the eligibility period until the repayment of the investment, the end of the recovery in the case of defaults or the maximum period of six years in line with Article 42(2) CPR, whichever of the three is earlier.

Article 14(3) CDR provides a specific threshold for eligible management costs and fees for equity-based instruments to be paid to the fund managed after the end of the eligibility period. It is calculated as follows: 1.5% p.a. of the programme contributions paid to the final recipients as eligible equity investment which have yet to be paid back, calculated *pro rata temporis* from the end of the eligibility period until the repayment of the investment, the end of the recovery in the case of defaults or the maximum period of six years in line with Article 42(2) CPR, whichever of the three is earlier.

# Monitoring of management costs and fees

According to Article 12(2) CDR, the managing authority has to inform the monitoring committee about the provisions regarding the performance-based calculation of management costs and fees of the financial instruments. The Commission recommends that the monitoring committee is informed before the relevant funding agreements are signed as it was good practice in some cases in the 2007-2013 already. The monitoring committee also receives reports on an annual basis on the management costs and fees effectively paid in the preceding calendar year.

According to Article 46(2)(e) CPR the specific report on financial instruments includes the information about the management costs incurred or management fees paid, by each financial instrument and by programme and priority or measure.

**ANNEX: Questions and Answers**

1. **Does the methodology for the calculation of eligible management costs and fees to be agreed between the MA and the body implementing financial instruments (and included in the Funding Agreement) need to strictly reflect the calculation methodology as stipulated in Article 13 CDR?**

No, the exact method for remuneration is to be decided between the MA and the relevant bodies implementing financial instruments. However, the remuneration method needs to include performance-based criteria in accordance with Article 12 CDR. As explained above, Article 13 CDR sets limits for eligible management costs and fees at closure. So the more the remuneration method agreed between the MA and the relevant bodies implementing financial instruments resembles the method applied in this Article, the smaller should be the difference between the actually paid management costs and fees and the costs which will be considered as eligible costs to be claimed for ESI Funds reimbursement.

1. **Why are the general-cap rate - thresholds of Article 13(3) CDR necessary in addition to the thresholds set out in Article 13(1) and (2) CDR?**

The two thresholds together aim at a reasonable balance between the performance of financial instruments in terms of investments, in line with policy objectives, and the incurred management costs and fees. The thresholds of Article 13(1) and (2) CDR were designed to reward quick disbursements towards final recipients. The general- cap rate - thresholds of Article 13 CDR were introduced to mitigate the risk that quick disbursement becomes the main incentive and other aspects like quality of the investment are possibly ignored, and that the funds continue to be remunerated years after the work linked to certain investments has largely been concluded.

1. **The calculation in a "simple example" is already complicated. How are MA supposed to carry out much more complex calculations?**

The bodies implementing financial instruments in their daily business should set up information and accounting systems to make such calculations automatically.

## Can additional performance-based remuneration be agreed e.g. with a body implementing an equity fund in the form of gains from the increased value of the fund?

If the fund manager acts as a "service provider" only, i.e. it implements programme resources on behalf of the managing authority, he has the right to receive management costs and fees in line with Article 42(5) CPR and Article 12 CDR and its eligible management costs and fees at closure are determined according to the thresholds of Articles 13 and 14 CDR.

If he acts as a co-investor, i.e. invests his own resources, he can participate in the gains, however, in a normal case on a *pari passu* basis. If *pari passu* risk sharing is not ensured such arrangement may involve preferential remuneration of a private investor or a public investor operating under the market economy principle. The need for and extent of preferential remuneration needs to be carefully checked and described already in the ex-ante assessment, in particular in light of the state aid rules.

## Why are the thresholds normally linked to programme contributions paid to the fund managers and not to contributions committed?

Linking remuneration to resources committed to a fund is not performance-oriented as it does not contain an incentive to disburse the money further down to final recipients. To take into account the specificity of equity instruments in which the preparation of investment is a long procedure, the CDR foresees an exception: The base remuneration of the equity fund is calculated on the basis of the commitment to the fund providing equity. In addition, the rate for the base remuneration of equity fund managers is 2.5% p.a. for the first 24 months after the signature of the funding agreement.

## The tasks of fund of funds involve a significant share of preparatory steps, e.g. deciding on the portfolio or selection of financial intermediaries, before the payment of programme contributions to the latter can take place. Does the calculation methodology take it into account?

Yes. Article 13(1)(a) CDR sets a higher rate for the base remuneration of a fund of funds manager: 3% p.a. in the first 12 months and 1% in the next 12 months after the signature of the funding agreement.

## If there is a change of the body managing a fund of fund during the implementation, would the rate of 3% for the first 12 months after the signature of the Funding Agreement and 1% for the next 12 months apply for his base remuneration?

These higher rates are justified by the fact that significant share of preparatory work, e.g. selection of financial intermediaries, is needed before the first disbursements to the latter can take place. Therefore, they apply only to new amounts to be implemented by the fund of funds manager (independently of which body exercises this function) and not to a new body exercising the role of the fund of funds manager if there are no such new amounts entrusted to him.

## In the case of a financial instruments implemented with a FoF, does the general - cap rate - threshold for the FoF apply to the whole instrument, i.e. would also cap the management costs and fees of the financial intermediaries implementing the specific funds, or in such a case the thresholds for the FoF and the financial intermediary are cumulative?

7% limit for the aggregate amount of management costs and fees over the eligibility period defined in Article 13(3)(a) CDR is applicable to the management costs and fees charged only by the fund of fund manager. If there are further management costs and fees charged by financial intermediaries, then for these costs and fees the thresholds defined in Article 13(3)(b) to (f) CDR are applied.

1. See guidance note on selection (pending) [↑](#footnote-ref-2)
2. Resources committed for guarantee contracts mean the amount of programme contribution (ESI Funds + national co-financing) which has been committed/set aside by the manager of the guarantee fund to cover losses which may result from new loans or other risk sharing instruments disbursed to final recipients by financial intermediary/ies for new investments. The commitment is done when the manager of the guarantee fund signs an agreement with the financial intermediary/ies. [↑](#footnote-ref-3)
3. Escrow account as defined in Article 2(26) CPR means a bank account covered by a written agreement between a managing authority or an intermediate body and the body implementing a financial instrument, or, in the case of a PPP operation, a written agreement between a public body beneficiary and the private partner approved by the managing authority or an intermediate body, set up specifically to hold funds to be paid out after the eligibility period, exclusively for the purposes provided for in point (c) of Article 42(1) CPR, Article 42(2) CPR, Article 42(3) CPR and Article 64 CPR, or a bank account set up on terms providing equivalent guarantees on the payments out of the funds. [↑](#footnote-ref-4)
4. Please note that according to Article 14(4) CDR any resources left in the escrow account after the period referred to under Article 42(2) CPR or as a result of an unexpected winding-up of the financial instrument before the end of that period, are to be used in accordance with Article 45 CPR. [↑](#footnote-ref-5)
5. See guidance note on selection (pending). [↑](#footnote-ref-6)
6. Programme contribution means the relevant ESI Fund and the corresponding national co-financing. [↑](#footnote-ref-7)
7. The 25% correspond to the phased payments from the Commission to the MAs according to Article 41(1) CPR. It is recommended that the payments from the MAs to the Fund(s) follow this scheme as well in the spirit of sound financial management. [↑](#footnote-ref-8)
8. This simplified method for *pro rata temporis* calculation uses 30 days per month and 360 days per year corresponds to the day-count convention in the Eurosystem in its monetary policy operations. Managing authorities are free to use another method for at least daily-based calculation, e.g. using the real number of month days and 365 days for the year. [↑](#footnote-ref-9)