

Training Programme CBA

CBA: co-financing rate

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Translating facts into vision

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Content

- What is co-financing?
- Link to CBA - when is co-financing relevant?
- Approach towards calculating the co-financing rate and the size of EU grant
- Example

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What is co-financing

- The co-financing rate is the percentage that defines how much of the eligible costs are covered by EU financing by grants
- Regulations define the maximum ceiling to apply for each Fund and establish the general principles for the formulation of the percentage:
 - SF: 75% of objective 1 and 80-85% in MS CF
 - CF: 80-85%
 - ISPA: 75%, may go up to 85%

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What is co-financing

Currently, the procedure set forth by the EC provides for the calculation of the financing gap, through which the co-financing rate to apply to eligible costs is determined

This is the basis for determining the size of the EU grant

Link to CBA - when relevant?

- To assess whether the project *is worth* co-financing
 - Economic NPV > 0
- To assess whether the project *needs* co-financing
 - Financial NPV < 0

Financing scheme Expected Profitability*	Mainly loans (* low grants)	Loans + Grants	Public grants
Medium - high	<ul style="list-style-type: none"> - Airports - Energy - Tourism - Telecom/ICT - Industrial estates and business parks - Productive investments 		
Medium		<ul style="list-style-type: none"> - Solid waste - Ports 	
Medium- low		<ul style="list-style-type: none"> - Tolled roads - Public transport - Water supply and waste water treatment plants 	
Low			<ul style="list-style-type: none"> - Railways - Health care - Education - Research, innovation and technology transfer
None			<ul style="list-style-type: none"> - Roads without tolls - Flood prevention

3 steps to determine EU grant

Step 1. Find the funding-gap rate (R)

$$R = \text{Max EE/DIC}$$

Max EE is the *maximum eligible expenditure* = DIC-DNR

DIC is the *discounted investment cost*

DNR is the *discounted net revenue* = discounted revenues - discounted operating costs + discounted residual value

Step 2. Find the "decision amount" (DA), i.e. the amount to which the co-financing rate applies

$$DA = EC * R$$

Where EC is the eligible cost

Step 3. Find the (maximum) EU grant

$$\text{EU grant} = DA * \text{Max CRpa}$$

where Max CRpa is the maximum co-financing rate fixed for the priority axis in the Commission's decision adopting the operational programme



Example: waste treatment The incinerator

- Example

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