



# 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 Hungary, the Economic Development and Innovation Operational Programme (EDIOP) funds are those financial instruments, which support the energy efficiency investments of the SMEs. The main goal is to strengthen the competitiveness of the business sector by reducing overall direct energy costs by increasing energy efficiency and the use of renewable energy sources. The EDIOP is aimed at micro, small and medium-sized enterprises by reducing primary energy consumption and increasing the use of renewable energy sources in order to achieve a reduction in greenhouse gas emissions.

Activities to increase the use of renewable energy:

- Installation of a solar system to partially or completely meet the DHW demand of the building involved in the development and / or for heating assistance and / or cooling
- Construction of briquettes, pellets, wood chips, wood gasification boiler system in order to partially or completely satisfy the heating and DHW needs of the building involved in the development
- Installation of a solar system for the production of grid electricity, exclusively for the supply of electricity to the building involved in the development and the economic and production processes taking place in it
- Use of heat pump systems for heating and / or cooling and / or domestic hot water production and / or heating assistance

Activities to improve energy efficiency:

- Improving the thermal properties of buildings and reducing their heat loss
- Modernization of heating, cooling and domestic hot water systems in buildings
- Energy saving conversion of existing indoor and outdoor lighting systems

### Innovative Financial Instruments in Future

South-Transdanubian Regional Innovation Agency Nonprofit Ltd., in the frame of the FIRECE project has developed a proposal for new Innovative Financial Instrument that could be implemented during the next 2021-2027 programming period. The proposed financial instrument aims at supporting investments of SMEs for energy efficiency and advanced energy technology adaption purposes. The main goal is to reach optimal operation with the lowest energy consumption possible, and maximalise the energy efficiency of buildings and facilities. For an efficient operation, the Innovative Financial Instrument will be composed of two components. Component 'A' includes a thorough due diligence for approximately 300 businesses, ensuring nation-wide coverage by an independent expert consortium. This activity will result in a detailed Energy Innovation Roadmap at each SME, including financial background and possibilities, and the feasibility study of the energy efficiency investment. Businesses examined will have the opportunity to apply for subsidized loans to implement the developments within the framework of Component 'B'. Both components are able to be financed from the Operational Programme budget (with a possibility to attract private investment in the long run), through an Energy Fund established by the Ministry of Finance.