



**Ex-ante assessment
process of financial
instruments**

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Objectives of the ex-ante assessment:



Legislative framework: Title IV of the Common Provisions Regulation No 1303/2013 of 17 December 2013, Articles 37 – 46 (OJ L 347), Delegated and Implementing Acts adopted by the Commission

1. Is mandatory

2. **Assesses the rationale for a FI** against prevalent **market failure** and to ensure that the FI will contribute to the achievement of the Programme and **ESIF objectives**

3. Helps to **avoid overlaps** and inconsistencies between instruments implemented at different levels

4. To be completed before the MA decides to make Programme contributions to a Financial Instrument

When does the ex-ante assessment happen?



Logical structure of the ex-ante assessment



Article 37 (2) of the CPR

points (a) to (d)

Block 1

“Market
assessment”

points (e) to (g)

Block 2

“Delivery and
management”

Block 1: Market assessment



Article 37(2)(a)

Market failure, suboptimal investment situations and investment needs

Article 37(2)(b)

Value added

Article 37(2)(c)

Additional resources to be potentially raised

Article 37(2)(d)

Lessons learnt

Size and scope of the FI

Combination / policy mix and understanding of the ecosystem – State aid implication

Technical feasibility, understanding of the market, business plan

What are the common types of market failure?



Type* <i>* Not exhaustive</i>	Example	Focus areas
Informational asymmetry	Innovative start-ups may find it difficult to access funding since finance providers are not familiar with their product and have difficulties in assessing the capability and future profitability of the company	FA 1A FA 2A
Unstable markets	Recent financial crisis or price volatility in certain agricultural markets (e.g. milk sector)	FA 2A
Externalities	Agricultural activities contribute to landscape and biodiversity conservation but the price of agricultural commodities does not account for these services	FA 4A
Public goods	Basic infrastructure is considered as public goods	FA 6C

What is a market failure and financial gap?



Has to be consistent with the RDP objective



- banking policy
- lack of credit history
- lack of collateral
- no experience

MARKET FAILURE
-
justification to support

Financial instruments

- lack of sustainability of business model
- non efficient firm as final recipient

NO MARKET FAILURE

How to measure a market gap?



Demand

- Level of financing needed per target or the volume of financing needed
- Potential number of applications or the potential number of projects

Tools

Literature review
and data gathering

Interviews and
focus groups

Estimate of financing gap,
market weaknesses,
suboptimal investment
situations and investment
needs

Online surveys

Other

Supply

- Identification of the public and private finance providers active in the market
- Analysis of the possible re-use of future resources paid back to the financial instrument

Block 2: Delivery & management



Article 37(2)(e)

Proposed investment strategy

Article 37(2)(f)

Expected results

Article 37(2)(g)

Provisions for the update and review of the ex-ante assessment

Choice of financial products



Key steps to define the Investment Strategy



Phase 1

Defining the scale and focus of the FI

consistency between the market assessment and of the value added assessment

most appropriate financial product

potential final recipients

Phase 2

Defining the governance structure of the FI

pros and cons of the different options for implementation

co-financing structure - in particular the possible combination of the FI with grants

Key points of the Investment Strategy



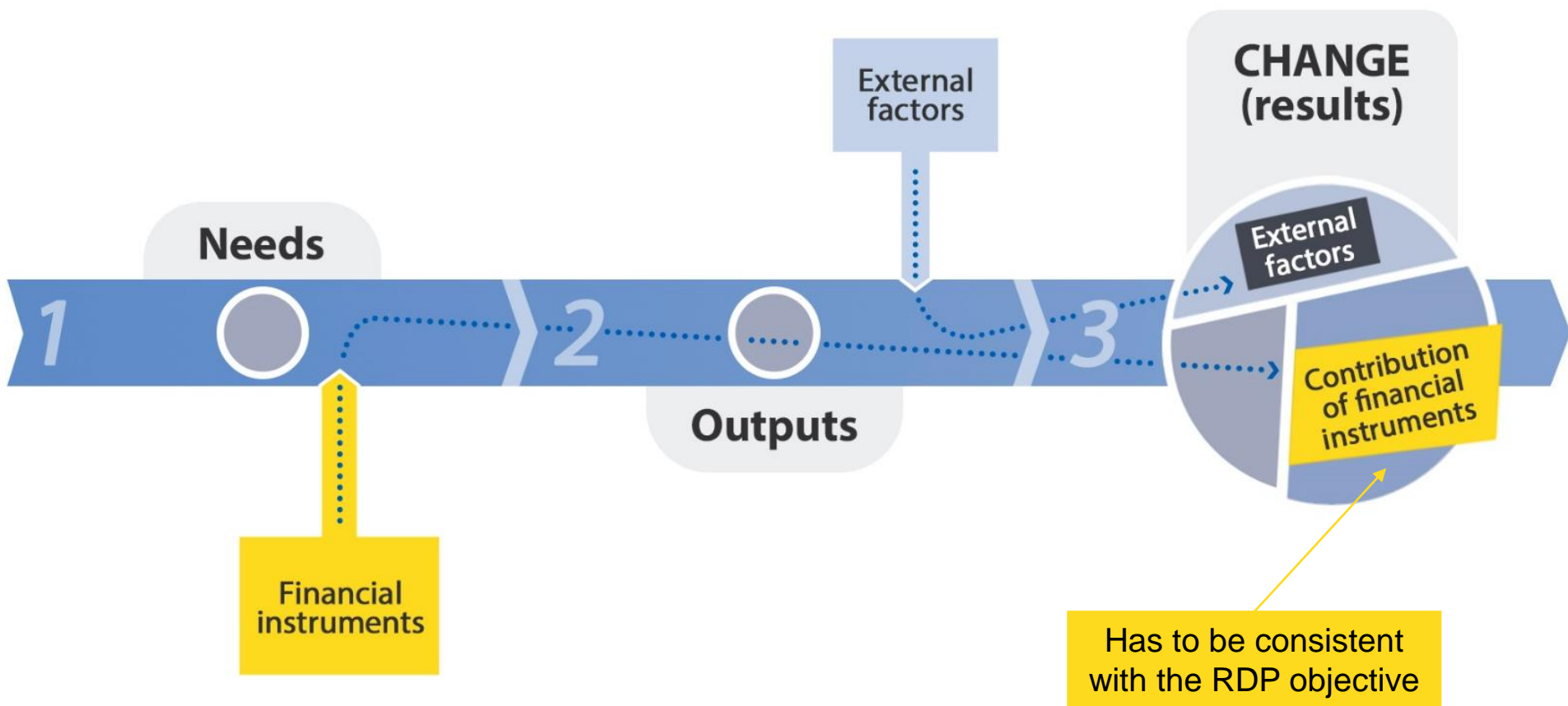
The financial products

- Loans
- Guarantees
- Venture capital / private equity

The implementation structure

- Central management at Union level
- Shared management
- Direct Management

Understanding the results...



Factors for a successful implementation of ex-ante



- Realistic time scale required
- Need relevant stakeholder engagement
- Managing expectations may be required
- Developing robust ex-ante assessments

Ex ante provides preliminary information

For a successful implementation a thorough market assessment is needed