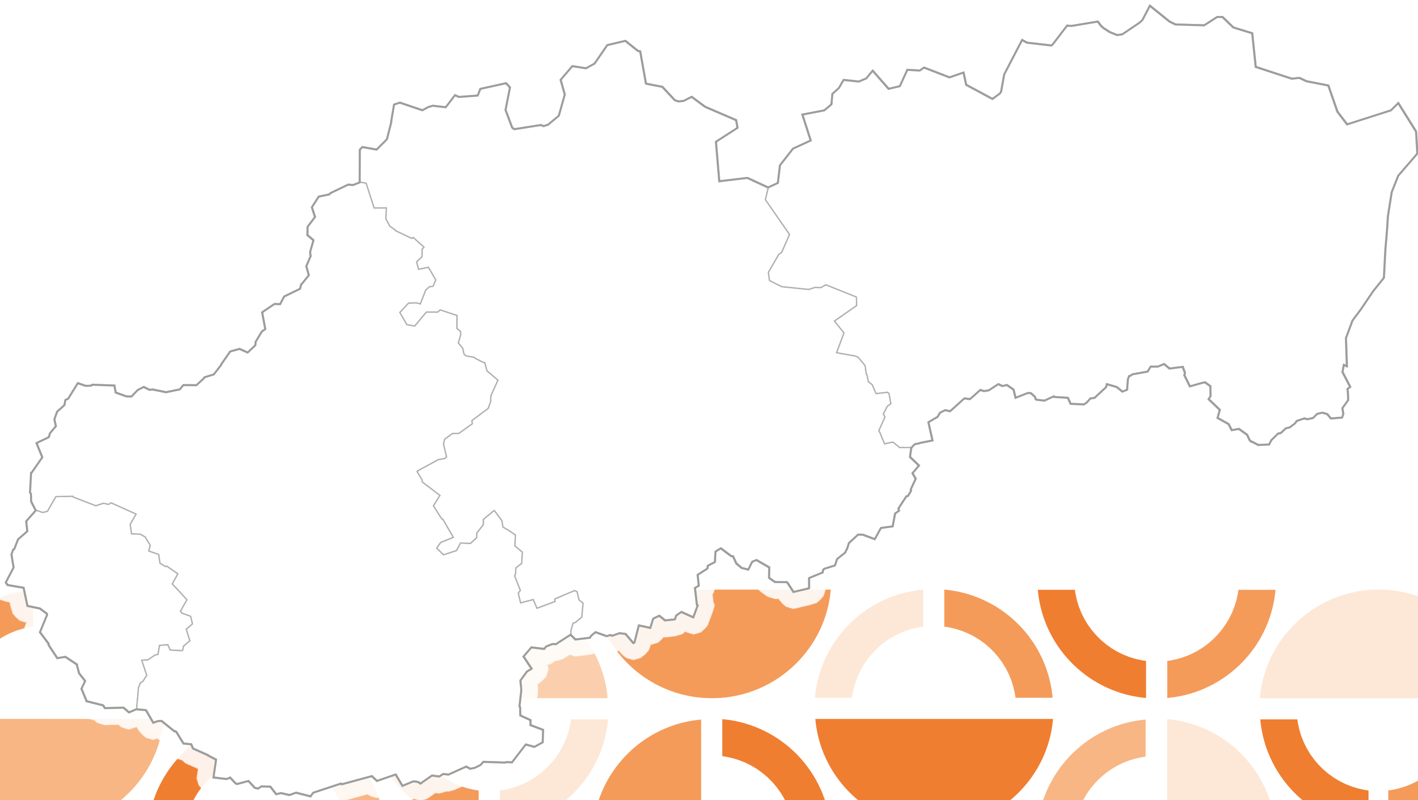
fi compass ERDF

Case Study
April 2023

Slovak Investment Holding

Multi-sector financial instruments in Slovakia



European Commission

European Investment Bank

DISCLAIMER

This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union or the European Investment Bank. Sole responsibility for the views, interpretations or conclusions contained in this document lies with the authors. No representation or warranty express or implied are given and no liability or responsibility is or will be accepted by the European Investment Bank, the European Commission or the managing authorities of Structural Funds Operational Programmes in relation to the accuracy or completeness of the information contained in this document and any such liability or responsibility is expressly excluded. This document is provided for information only. Financial data given in this document has not been audited, the business plans examined for the selected case studies have not been checked and the financial model used for simulations has not been audited. The case studies and financial simulations are purely for theoretical and explanatory illustration purposes. The case projects can in no way be taken to reflect projects that will actually be financed using Financial Instruments. Neither the European Investment Bank nor the European Commission gives any undertaking to provide any additional information on this document or correct any inaccuracies contained therein.

Abbreviations

Abbreviation	Full name
AIR	Annual Implementation Report
CF	Cohesion Fund
CPR	Common Provisions Regulation (No. 1303/2013)
CRII / CRII+	Coronavirus Response Investment Initiative
EC	European Commission
ECB	European Central Bank
EIB	European Investment Bank
EPC	Energy Performance Contracting
ERDF	European Regional Development Fund
ESCO	Energy Service Companies
ESF	European Social Fund
ESIF or ESI Funds	European Structural and Investment Funds
EU	European Union
FA	Funding Agreement
FLPG	First-Loss Portfolio Guarantee
FoF	Fund of Funds
GBER	General Block Exemption Regulation (No. 651/2014)
GGE	Gross Grant Equivalent
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
KPI	Key Performance Indicator
MA	Managing Authority

MRC	Marginalised Roma Communities
MS	Member State
NDF I.	National Development Fund I.
NDF II.	National Development Fund II.
OP	Operational Programme
OP HR	OP Human Resources
OP II	OP Integrated Infrastructure
IROP	Integrated Regional OP
OP QE	OP Quality of the Environment
OP R&I	OP Research and Innovation
PRSL	Portfolio Risk-Sharing Loan
RDI	Research, Development and Innovation
RE	Renewable Energy
SAM	Slovak Asset Management
SZRB AM	SZRB (Slovak Guarantee and Development Bank) Asset Management Company
SIH	Slovak Investment Holding
SMEs	Small and medium sized enterprises
TFEU	Treaty on the Functioning of the European Union
TO	Thematic Objective
VFF	Venture to Future Fund

Table of contents

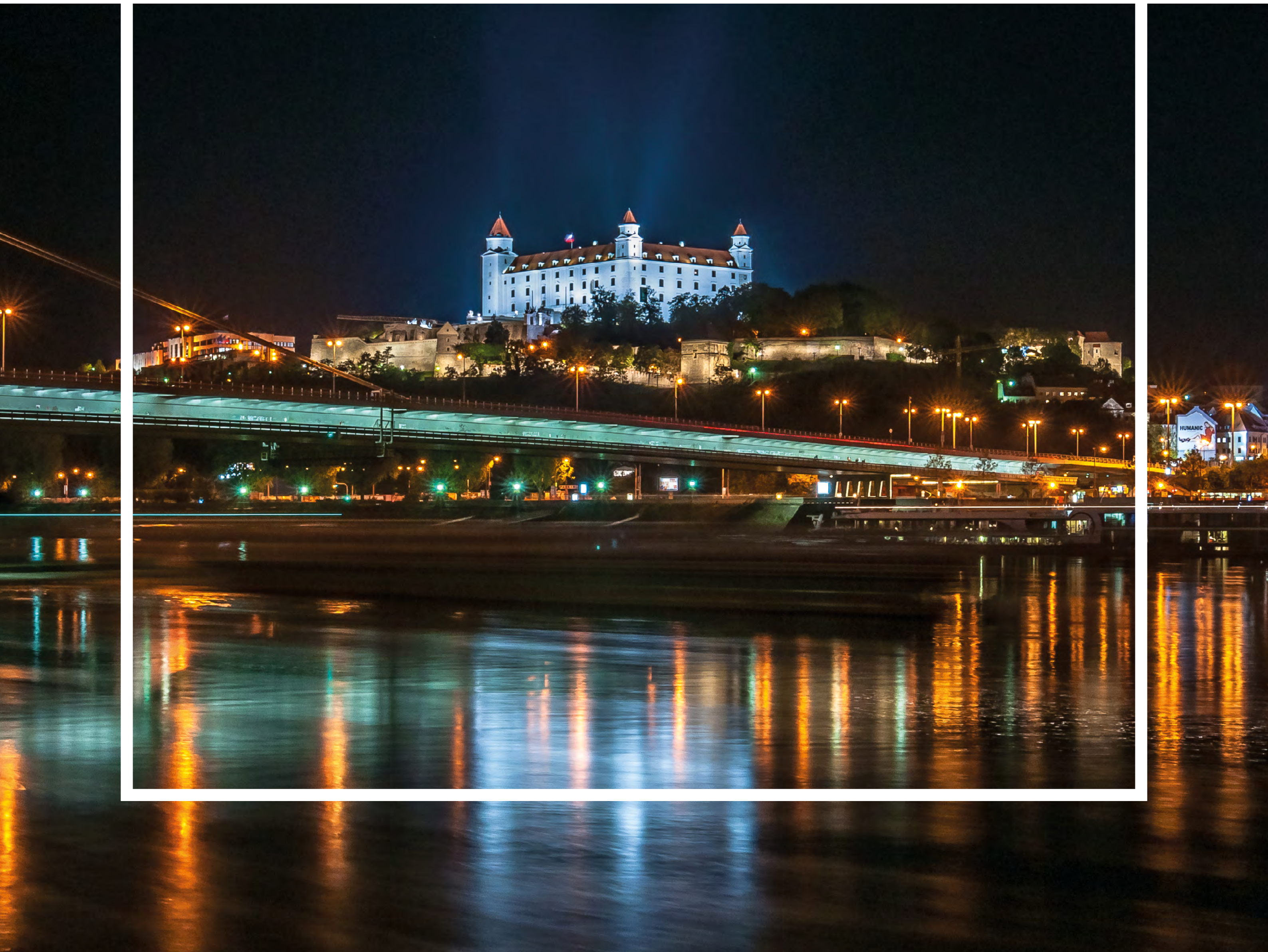
01

Financial instruments under Slovak Investment Holding

1.1 Executive Summary

Slovak Investment Holding (SIH) is a joint stock company 100% owned by the Slovak Guarantee and Development Bank that was created by the Slovak Government in 2014. SIH has been entrusted, through the Ministry of Finance, to manage the Fund of Funds of EU shared management financial instruments.

Its National Development Fund II. (NDF II.) is designated specifically as the body implementing financial instruments in the programming period 2014-2020. Through NDF II. SIH manages over EUR 1 billion of EU shared management fund programme resources, through a number of loan, guarantee and equity financial instruments. In addition, SIH has invested resources into projects directly, without financial intermediaries, in sectors including transport infrastructure, energy efficiency, SMEs, creative and cultural industry, and social economy.



Funding sources
ERDF, CF and ESF (OP Integrated Infrastructure[1], OP Quality of Environment, Integrated Regional OP and OP Human Resources).

Type of financial products
loans, guarantees, equity/quasi-equity, microfinance.

Financial size
EUR 1 025 million[2] (out of which EUR 830 million from OP Integrated Infrastructure, EUR 102 million from OP Quality of the Environment, EUR 63 million from OP Human Resources and EUR 29 million from OP Integrated Regional). The total financial size includes ca. EUR 90 million for a grant component (i.e. interest rate subsidies, technical support).

Thematic focus
Transport infrastructure, energy efficiency, waste management and renewable energy, SME support, social economy, cultural and creative industry.

Timing
From 2015 to 2023.

Partners involved
Coordinating Body
Ministry of Finance of the Slovak Republic
Managing authorities
Ministry of Transport, Ministry of Environment, Ministry of Investments, Regional Development and Informatization, Ministry of Labour.
Intermediate Bodies
Slovak Innovation and Energy Agency, Ministry of Interior, Ministry of Economy[3]
FoF manager
Slovak Investment Holding
Lending banks
Slovenská sporiteľňa, Tatra banka, Všeobecná úverová banka, Československá obchodná banka, Slovenská záručná a rozvojová banka, UniCredit Bank, J & T Banka, 365.bank, Oberbank, BKS Bank.
Fund Managers
Wasteland Investment Management, CEE Capital Management, IPM Avanea Eco Management, Vision Ventures, CB Investment Management, Zero Gravity Capital, CB ESPRI, Sociálni inovátori Impact Capital.

1 With the merger of the OP Integrated Infrastructure and the OP Research and Innovation the latter has been incorporated into the OPII with a single managing authority (Ministry of Transport).
2 The total financial size excludes FoF managers fees, free allocations (yet not contracted, committed), free sources (yet not committed or disbursed).
3 After the merger of the OP II and OP RI, the Ministry of Economy has been acting as intermediate authority with delegated powers from the Ministry of Transport.

The NDF II. provides support from a diverse array of financial instruments. SMEs are able to access finance through both loan and equity funds, depending on their needs. The different financial instruments are designed to ensure that finance is available to businesses at all stages of their life cycle. In addition the investment strategy of SIH targeted waste management as one of the priority sectors for investment. Three financial intermediaries were appointed to attract private investors (at least 30%) to invest in the modernisation of the waste management in the country including re-use and recycling facilities and municipal waste treatment plants.

In addition, an innovative approach has been taken to help support Energy Service Companies (ESCOs) to deliver Energy Efficiency projects. The sector is further supported by products for SMEs and residential properties.

SIH is now well established as a centre of excellence for financial instruments in Slovakia. Working closely with the Ministry of Finance, it is a strategic partner to the managing authorities both in relation to the implementation of the established financial instruments and the planning of future initiatives. The strategic benefit SIH brings to the Ministry of Finance was underlined in 2020, when they were able to move quickly to reprioritise resources and introduce the SIH Anti-Corona Guarantee product which supported low-cost loans to Slovak businesses affected by the COVID-19 crisis.

1.2 Key takeaways from the SIH

SIH was set up by the Slovak government to enable local expertise to be developed in relation to the design and implementation of financial instruments using EU shared management funds. The creation of the Fund of Funds manager has secured this objective and SIH now manages almost all of the ESIF financial instruments in the Member State[4].

As well as acting as the Holding Fund manager, selecting and managing financial intermediaries delivering financial instruments, SIH has directly invested by way of loan, equity and quasi-equity investments in final recipients in sectors as diverse as transport, social economy, cultural and creative industry and energy efficiency. As a result of its innovative approach SIH has built up a track record in these sectors.

The direct investment model has also been applied to support the development of the ESCO sector as part of the country's response to the Climate crisis. A loan made direct to an ESCO has helped finance their expansion to undertake energy efficiency retrofitting works to public buildings and SMEs.

4 The sole exception is an energy efficiency measure implemented by ŠFRB, the State Housing Development Fund.

02 Design of the financial instrument

2.1 Context

The Slovak Republic is a Central European country that sits at an important trade and cultural intersection due to its geographical location. The most important sectors of its economy in 2020 were industry (24.1%), wholesale and retail trade, transport, accommodation and food services (18.4%) and public administration, defence, education, human health and social work activities (16.8%).

Exports and investment have been key drivers of Slovakia's growth in recent years. Trade with other EU countries accounts for 79% of Slovakia's exports (Germany 22%, Czechia 11% and Poland 8%), while outside the EU, 4% of exports go to both the United States and the United Kingdom and 3% to China. In terms of imports, 80% come from EU countries (Germany 20%, Czechia 18% and Austria 9%), while outside the EU 4% come from South Korea and China and 3% from Russia. The country's banking sector is sound and predominantly foreign owned.

Slovakia has been a member of the euro area since 2009. In the period up to 2022, the ECB's monetary policy created a very low interest rate environment favourable to investments and driving up economic growth. However, at the same time the relatively modest returns on loans, which made new lending less attractive, decreased the overall amount of finance available to borrowers.

At the beginning of the 2014-2020 programming period, commercial banks were focusing mainly on small, retail loans and home mortgages, while the financing of large corporate projects was on a downward trend. Access to commercial bank financing for SMEs was limited by the absence amongst potential final recipients of sufficient credit history, stable revenues and substantial own capital, especially amongst newly established companies and micro-enterprises that represented the vast majority of companies in Slovakia.

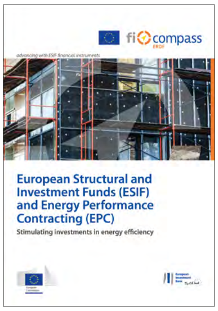
2.2 Previous experience with financial instruments in Slovakia

Slovakia launched its first ERDF funded financial instruments under the Joint European Resources for Micro to Medium Enterprises (JEREMIE) programme, the flagship initiative launched during the 2007-2013 programming period to promote increased access to finance for SMEs in the EU. The European Investment Fund (EIF) was entrusted to manage the holding fund from 2009 until the end of 2015 when the management was transferred to the Slovak Investment Holding. Several financial instruments were implemented through selected financial intermediaries, including a portfolio risk sharing loan, a first loss portfolio guarantee and venture capital instruments. After the closure of the programming period in 2016, reflows from the repayment of the funds have been reinvested back into the sector via new financial instruments, including the Central European Fund of Funds and Venture to Future Fund.

Another financial instruments initiative developed in the 2007-2013 programming period was the launch of an urban development fund under the JESSICA initiative (Joint European Support for Sustainable Investment in City Areas). The Slovak fund was launched in 2013 by Štátny fond rozvoja bývania (ŠFRB), the State Housing Development Fund, to address the needs for soft loans specifically in the area of energy efficiency in residential buildings. The managing authority decided to implement the instrument directly, without using financial intermediaries, which meant that the leverage effect of the instrument was limited to the managing authority's own contribution of the fund. Within the first year, the registered applications exceeded 95% of the available budget. On one hand this proved the high demand for repayable forms of support in that sector. On the other hand, however, one of the lessons learned from the instrument was that the attraction of additional public and private resources is fundamental to maximise impact on the ground.

Learning lessons from the early experiences, the managing authorities in Slovakia commenced the subsequent programming period with an enhanced budgetary commitment towards financial instruments. Moreover, compared to the 2007-2013 programming period, in the 2014-2020 programming period, managing authorities had much wider scope and possibilities for providing a contribution to financial instruments thanks to a more favourable regulatory framework.

Energy Performance Contracting[5]



Further information about Energy Performance Contracting and EU shared management funds can be found in the fi-compass factsheet, 'European Structural and Investment Funds (ESIF) and Energy Performance Contracting (EPC)'.

2.3 Ex-ante assessment

The ex-ante assessment was initiated by the Ministry of Finance in 2014 with the aim to verify the existence of market failures and sub-optimal investment situations related to the availability of financing for eligible projects/final recipients under the following five ESIF Operational Programmes (OPs):

- OP Integrated Infrastructure (OP II): the relevant objectives of the OP II included the development of low-carbon transport system, the promotion of noise-reduction measures and enhanced regional and local mobility, including multimodal links;
- OP Quality of the Environment (OP QE): the aim of the OPQE was promotion of sustainable and efficient use of natural resources, ensuring environmental protection, active adaptation to climate change and support for an energy-efficient low-carbon economy;
- Integrated Regional OP (IROP): IROP aimed to improve the quality of life and ensuring the sustainable provision of public services with the emphasis on balanced and sustainable development based on greater competitiveness as well as social and territorial cohesion;
- OP Research and Innovation (OP R&I): financial instruments under the OP R&I aimed at contributing to the objectives related to enhancing research and innovation infrastructure and capacity, as well as developing links and synergies between research institutions and businesses. With the merger of the OP Integrated Infrastructure and the OP Research and Innovation the budget originally allocated to the latter has been transferred to the OPII;
- OP Human Resources (OP HR): the objectives of the OPHR included improving access to financial resources for Social Economy Entities, Social Enterprises and Social Impact Enterprises, improving access to the labour market for the long-term unemployed and supporting entrepreneurship amongst disadvantaged groups.

5 fi-compass factsheet European Structural and Investment Funds (ESIF) and Energy Performance Contracting (EPC), https://www.fi-compass.eu/publication/factsheets/european-structural-and-investment-funds-esif-and-energy-performance

Ex-ante assessment for financial instruments in Slovakia[6]

The fi-compass case study – published in November 2016 – describes how the assessment was designed to address the different Common Provisions Regulation (CPR) requirements and the lessons learned from this experience.

An ex-ante assessment was commissioned by the Ministry of Finance of the Slovak Republic on behalf of the Managing Authorities ad of the five OPs (two of which were later merged, resulting in a reduction to four OPs). The stakeholders involved the European Commission, SIH as the appointed fund manager as well as the EIB and the EIF that were managing the assessments.

The ex-ante assessment was divided into two tasks:

- General considerations and guidance on the use of the FIs covering Thematic Objectives in Slovakia;
- Specific guidance and analysis on the use of FIs in the three main areas of application.

The financing gap was quantified by the ex-ante assessment only with respect to SME financing, nevertheless the study confirmed the existence of the funding gap for the public investment sectors as well. The financing gap for financially viable SMEs ranged between EUR 275-304 million for short-term loans and between EUR 381-422 million for medium and long-term loans. The financing gap was even higher for microfinance (between EUR 744-822 million). In addition, the ex-ante assessment highlighted the underdeveloped state of the equity market with relatively low activity of private investors in the venture capital or private equity market. The financing gap was estimated between EUR 138-643 million for that sector.

Based on the market failures and financing gaps identified, the ex-ante assessment recommended the following financial allocations per sectors:

Table 1: Recommended financial allocation per sectors.

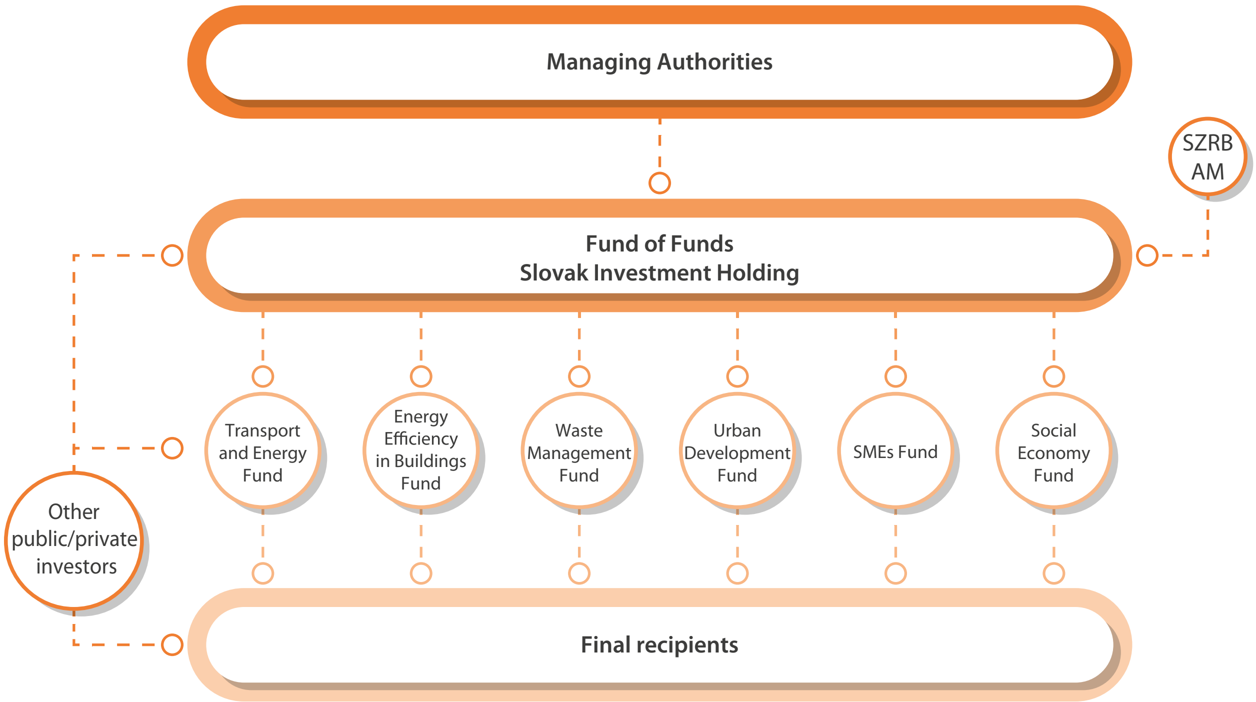
Sector	Financial allocation
Transport infrastructure and energy production	EUR 600 million
Energy efficiency in buildings	EUR 117 million
Waste and water management	EUR 75 million
Municipal and urban development	EUR 268 million
SME financing	EUR 210 million
Social Economy	EUR 35 million
TOTAL	**EUR 1 305 million**

Source: PWC (2014): Using Financial Instruments in the Slovak Republic in the 2014-2020 Programming Period. A study in support of the Ex-ante Assessment.

6 fi-compass Case study (Ex-ante assessment for financial instruments in Slovakia), https://www.fi-compass.eu/publication/case-studies/case-study-ex-ante-assessment-financial-instruments-slovakia

For the governance structure, the ex-ante assessment recommended a national Fund of Funds (FoF) structure with six specific funds focusing on the above sectors where market gaps were identified. The FoF would be managed by SZRB Asset Management Company (SZRB AM), a subsidiary of the Slovak Guarantee and Development Bank specialised in SME financing. In 2018, the company went through a comprehensive rebranding, which resulted in the change of names. As a result, SZRB AM was renamed SIH and SIH FoF is now called NDF II. The recommended products included soft loans, (portfolio) guarantees, potentially with an interest subsidy element as well as equity/quasi-equity investments.

Figure 1: Proposed governance structure.



Source: fi-compass (2016): Ex-ante assessment for financial instruments in Slovakia.

2.4 The financial instruments launched under SIH

In order to build local capacity and to have a long-term, integrated, national support system for the implementation of financial instruments, the Slovak government established a holding fund under the responsibility of the Ministry of Finance.

The holding fund is characterised by portfolio, comprising all EU shared management funds, including equity funds, loan funds and guarantee funds with various sources of funding and a common decision-making process across the OPs involved.

The Slovak Government established the Slovak Investment Holding (SIH) with the main objective to support public and private investments in strategic sectors in the country, slightly different from the ones identified by the ex-ante assessment.

The targeted sectors of SIH include:

- Transport infrastructure;
- Energy efficiency;
- Waste management and renewable energy;
- SME financing;
- Social Economy;
- Cultural and creative industry.

A Luxembourg-based investment fund?

One recommendation made by the ex-ante assessment was to establish the holding fund as a Luxembourg-based Specialised Investment Fund with a legal form of partnership limited by shares and a double-layer structure with an umbrella fund and specific sub-funds corresponding to one investment programme or one investment solution.

The rationale for a Luxembourg-based legal entity was that it would facilitate the attraction of investors due to the internationally recognised regulatory framework and favourable tax environment. In the end, the holding fund was established in Slovakia, but the double-layer structure recommended by the ex-ante was followed.

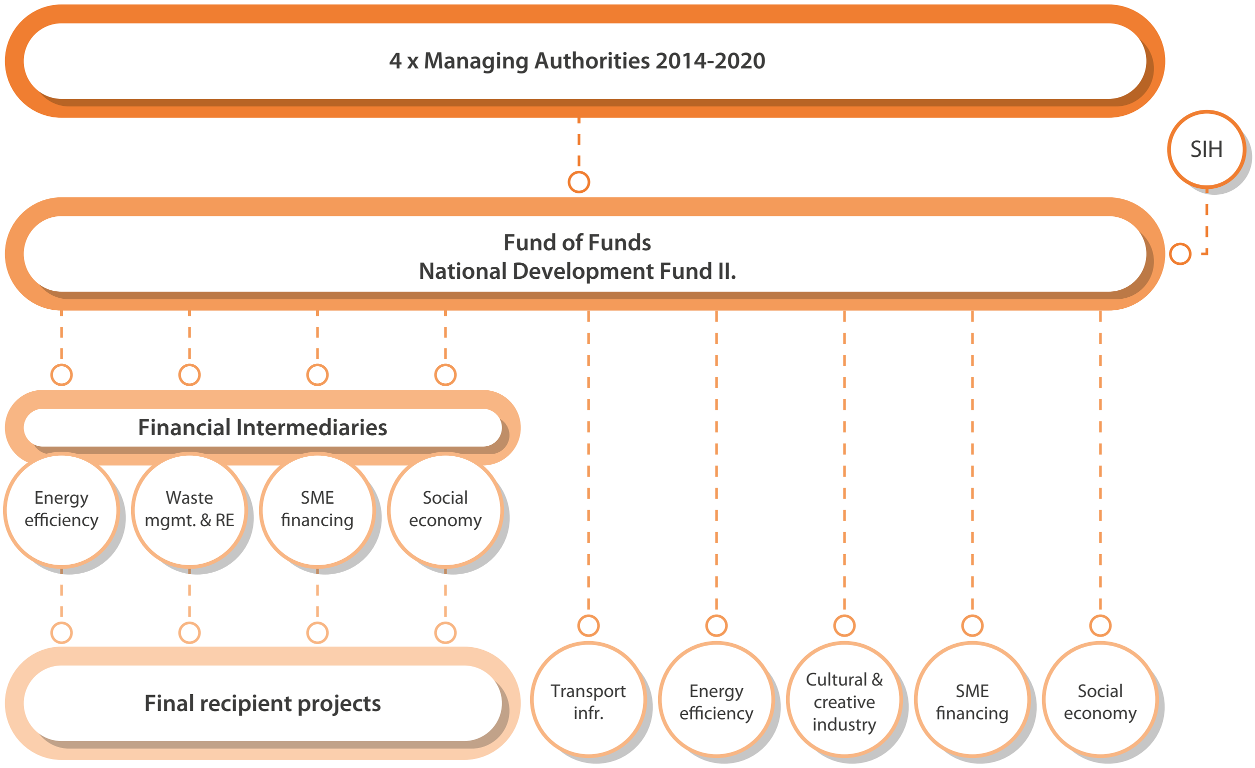
SIH was established and became operational in May 2014.

Due to changing circumstances since the beginning of the programming period, SIH has adapted its product offering to meet emerging needs of the Slovak economy. In particular, SIH has developed the capacity to make direct investments in projects, to complement the financial instruments managed by selected financial intermediaries.

The first investment concluded by SIH was the direct quasi-equity investment (in the form of a mezzanine loan provided to Zero Bypass Limited) for the D4R7 motorway project in 2016. Investments via financial intermediaries started with the first call launched in 2017 for a loan and guarantee instruments to support SMEs and energy efficiency projects in residential buildings. Investments for final recipients in waste management and renewable energy sources, the general SME sector, and the social economy followed. Direct investments have been carried out also in the energy efficiency, the cultural and creative industry, the social economy and the SME sectors.

The final governance structure designed for the financial instruments in the 2014-2020 programming period is presented in the Figure 2 below.

Figure 2: Implemented governance structure.



2.5 Timetable for set-up and implementation

The timeline for the set-up of the holding fund and its financial instruments is described in the table below.

Table 2: Set-up and implementation timeline of the financial instrument under SIH.

Time period	Actions taken
December 2013	Approval of the government resolution for the creation of a new holding fund.
May 2014	SIH becomes operational as fund manager of the holding fund.
December 2014	Ex-ante assessment completed for the possible implementation of financial instruments in support of the public investment priorities in the Slovak Republic during the 2014-2020 Programming Period.
May 2015 – November 2018	Funding agreements signed between managing authorities and SIH.
June 2018	Updates of the ex-ante assessment for OP II & IROP, OP HR, OP QE, OP R&I.
Debt instruments	
August 2018	Signature of the financing agreement with the Slovak Guarantee and Development Bank for a portfolio risk sharing loan instrument supporting SMEs. Current NDF II. allocation amounts to EUR 34.2 million.
August 2018	Signature of the financing agreement with UniCredit Bank for a first loss portfolio guarantee instrument supporting SMEs. Current NDF II. allocation amounts to EUR 5.6 million.
April 2019	Signature of a direct long-term loan agreement with Slovak Railways (ŽSR) for rail infrastructure projects. Current NDF II. allocation amounts to EUR 43.2 million.
July 2019	Signature of the financing agreement with OTP Bank[7] for a Portfolio Risk Sharing Loan (PRSL) instrument for energy efficiency in residential buildings. Current NDF II. allocation amounts to ca. EUR 357 000.
September 2019 – December 2022	Various contracts have been signed for the implementation of debt instruments for ESCOs for energy efficiency of enterprises and public buildings. The total NDF II. allocation currently amounts to EUR 34.4 million.
November 2019	Signature of the financing agreement with Slovenská sporiteľňa for a first loss portfolio guarantee instrument with grant component for social enterprises amounting to EUR 5.85 million and separately a standard first loss portfolio guarantee instrument for enterprises investing in RDI projects. Current NDF II. allocation of the latter amounts to EUR 3.8 million. Slovenská sporiteľňa has also partnered with SIH for the implementation of a PRSL instrument for energy efficiency in residential buildings with an amount of EUR 22 million.

7 Now Československá obchodná banka, after the merger with OTP Banka Slovensko in 2022.

December 2019	Signature of the financing agreement with Towarzystwo Inwestycji Społeczno-Ekonomicznych TISE SA for a first loss portfolio guarantee instrument with grant component for social enterprises amounting to EUR 1.46 million.
March 2020	Launch of the Anti-Corona Guarantee programme for SMEs impacted by the COVID-19 pandemic with an FLPG instrument with a grant component. Current NDF II. allocation amounts to ca. EUR 433 million.
June 2020	Launch of the Anti-Corona Guarantee 2 programme for SMEs impacted by the COVID-19 pandemic with an FLPG instrument. Current NDF II. allocation amounts to ca. EUR 183 million.
November 2021	Signature of the financing agreement with Slovenská sporiteľňa for a portfolio risk-sharing loan instrument with grant component for social enterprises amounting to EUR 9.8 million.
October 2022	Signature of the direct loan agreement with the non-profit organisation Litterra for the revitalization of the First Slovak Literary Grammar School. NDF II. allocation amounts to EUR 2.4 million.
Equity instruments	
June 2016	Direct quasi-equity investment in the transport sector in collaboration with Zero Bypass Limited Consortium. NDF II. allocation amounts to EUR 27.9 million.
March 2018	Direct equity investment in the energy sector in collaboration with GA Drilling. NDF II. allocation amounts to EUR 6.6 million.
June 2018	Direct equity investment in the digital economy/tourism sector in collaboration with Boataround. NDF II. allocation amounts to ca. EUR 735 000.
December 2018	Direct equity investment in the electromobility sector in collaboration with GreenWay Infrastructure. NDF II. allocation amounts to EUR 5 million.
May 2019	Direct equity investment in the industrial technology sector in collaboration with Qres Technologies. NDF II. allocation amounts to EUR 2.4 million.
June 2019	Launch of equity financial instrument for environmental projects in collaboration with three fund managers (Wasteland Investment Management, CEE Capital Management and IPM Avanea Eco Management). Total NDF II. allocation amounts to EUR 67.8 million.
June 2019	Direct quasi-equity investment in the aviation/automotive industry sector in collaboration with AeroMobil R&D NDF II. allocation amounts to EUR 3.1 million.
September 2019	Direct quasi-equity investment in the energy sector in collaboration with KOOR. NDF II. allocation amounts to EUR 2 million.
October 2019	Direct equity investment in the energy sector in collaboration with ENSTRA. NDF II. allocation amounts to EUR 2.8 million.

November 2019	Launch of equity financial instruments for small enterprises in early-stage business life cycle in in a cooperation with three fund managers (Vision Ventures, CB Investment Management and Zero Gravity Capital). Total NDF II. allocation amounts to EUR 68.1 million.
February 2020	Direct equity investment into the joint venture company Dostupný Domov (Affordable Home) with co-investors Social Financing SK/Slovenská sporiteľňa of the ERSTE Group and Slovenská sporiteľňa Foundation. NDF II. allocation amounts to EUR 25 million.
March 2020	Direct equity investment in the metal-working industry in collaboration with Omnia KLF. NDF II. allocation amounts to EUR 3.5 million.
May 2020	Direct quasi-equity investment in the e-commerce sector in collaboration with GymBeam. NDF II. allocation amounts to EUR 2 million.
September 2020	Launch of the Anti-Corona Capital programme in collaboration with the Slovak Alliance for Innovation Economy (SAPIE) with support from the Ministry of Finance (MF SR). Current NDF II. allocation amounts to EUR 3.9 million.
November 2021	Joint project launched with the City of Bratislava for the reconstruction and operation of Grössling Spa and Municipal Library. NDF II. allocation amounts to EUR 4.1 million.
June 2022	Venture Capital Funds investing in social enterprises launched in co-operation with fund managers CB ESPRI and Social Innovators Impact Capital. Current NDF II. allocation with a grant component amounts to EUR 22.6 million.

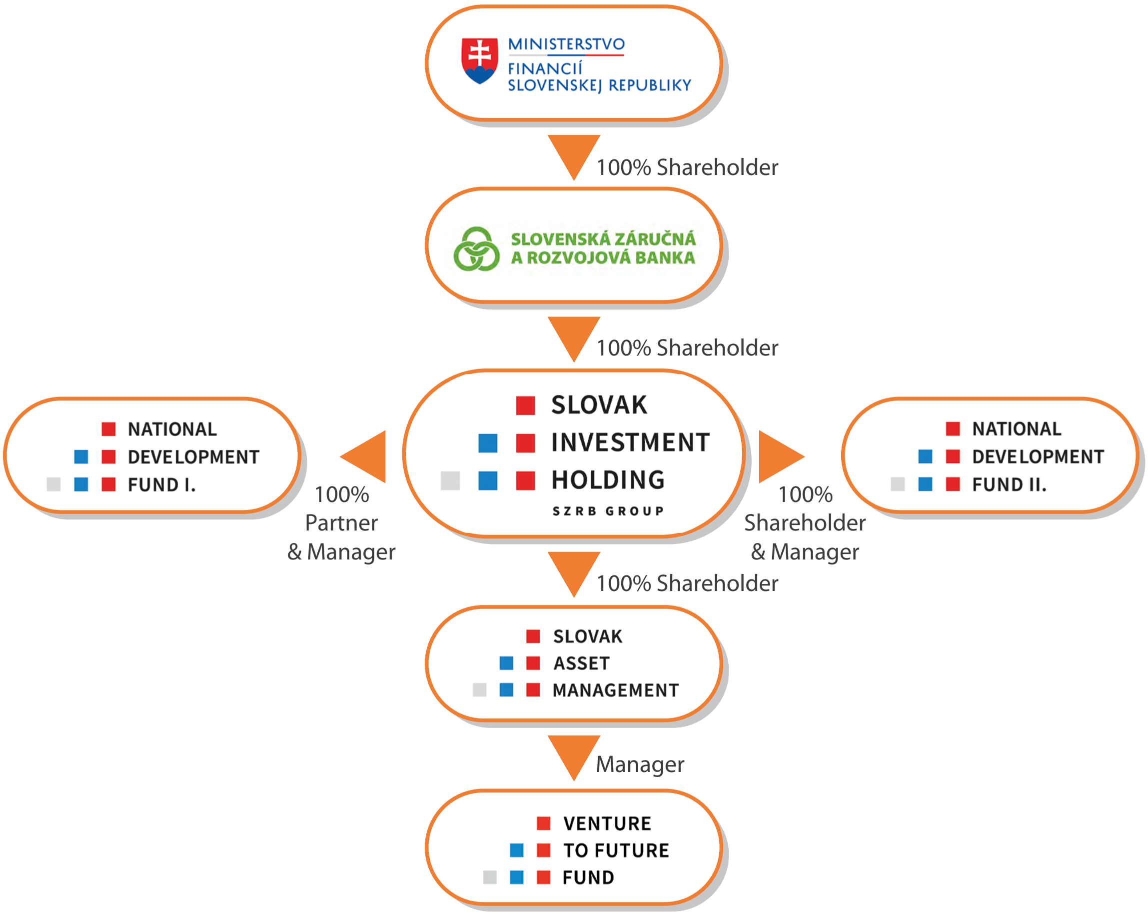

KEBAB

Slovak Investment Holding and its financial instruments

3.1 Slovak Investment Holding

Slovak Investment Holding (SIH) is a joint stock company 100% owned by the Slovak Guarantee and Development Bank, officially established on 1 May 2014 (by the resolution No. 736/2013 of 18 December 2013 of the Government of the Slovak Republic) as an implementing body and the manager of the holding fund for the implementation of financial instruments at the national level. The resolution also postulated that, subject to the ex-ante assessment, a minimum allocation of 3% of each Operational Programme shall be used for financial instruments. The allocation was allocated in the form of equity to National Development Fund II.

Figure 3: Ownership structure of SIH.



Source: Slovak Investment Holding.

SIH is responsible for launching the calls for the selection of financial intermediaries, their evaluation, selection and signing of operational agreements, and responsible for the implementation of operations, financial supervision and compliance of operations with national rules and EU legislation.

SIH today manages two sub-funds and has set up another asset management company:

- National Development Fund II., the body implementing ESIF financial instruments in the programming period 2014-2020;
- National Development Fund I. (NDF I.), taken over from the EIF, which handles the portfolio of investments funded under the JEREMIE programme from EU Structural Funds in the 2007-2013 programming period;
- Slovak Asset Management (SAM), which is to manage state assets to mobilise domestic and foreign private investors or international financial institutions. The first, and currently only fund managed by SAM is the Venture to Future Fund (VFF).

3.2 The National Development Fund II. sectoral investment programmes

Overall, EUR 1 025 million has been allocated from the relevant OPs through NDF II. to the instruments, almost twice the amount originally committed in 2017. The table below presents the available funds (net of management fees) contributed from the OPs for each sector.

Table 3: Funding sources and amounts

Sector	Funding source	Amount
Transport infrastructure	OP Integrated Infrastructure	EUR 71.1 million
Energy efficiency	Integrated Regional OP	EUR 22.4 million
	OP Quality of Environment	EUR 34.4 million
Waste management and renewable energy	OP Quality of Environment	EUR 67.8 million
Cultural and creative industry	Integrated Regional OP	EUR 6.5 million
SME financing	OP Integrated Infrastructure[8]	EUR 759.6 million
Social Economy	OP Human Resources	EUR 63.3 million
	Total	**EUR 1 025 million**

The financial instruments under the NDF II. have been implemented in two ways, either via financial intermediaries when the funds are provided to the final recipients through a financial institution (commercial banks or fund managers), or directly, with SIH acting as the manager of the particular fund or instrument.

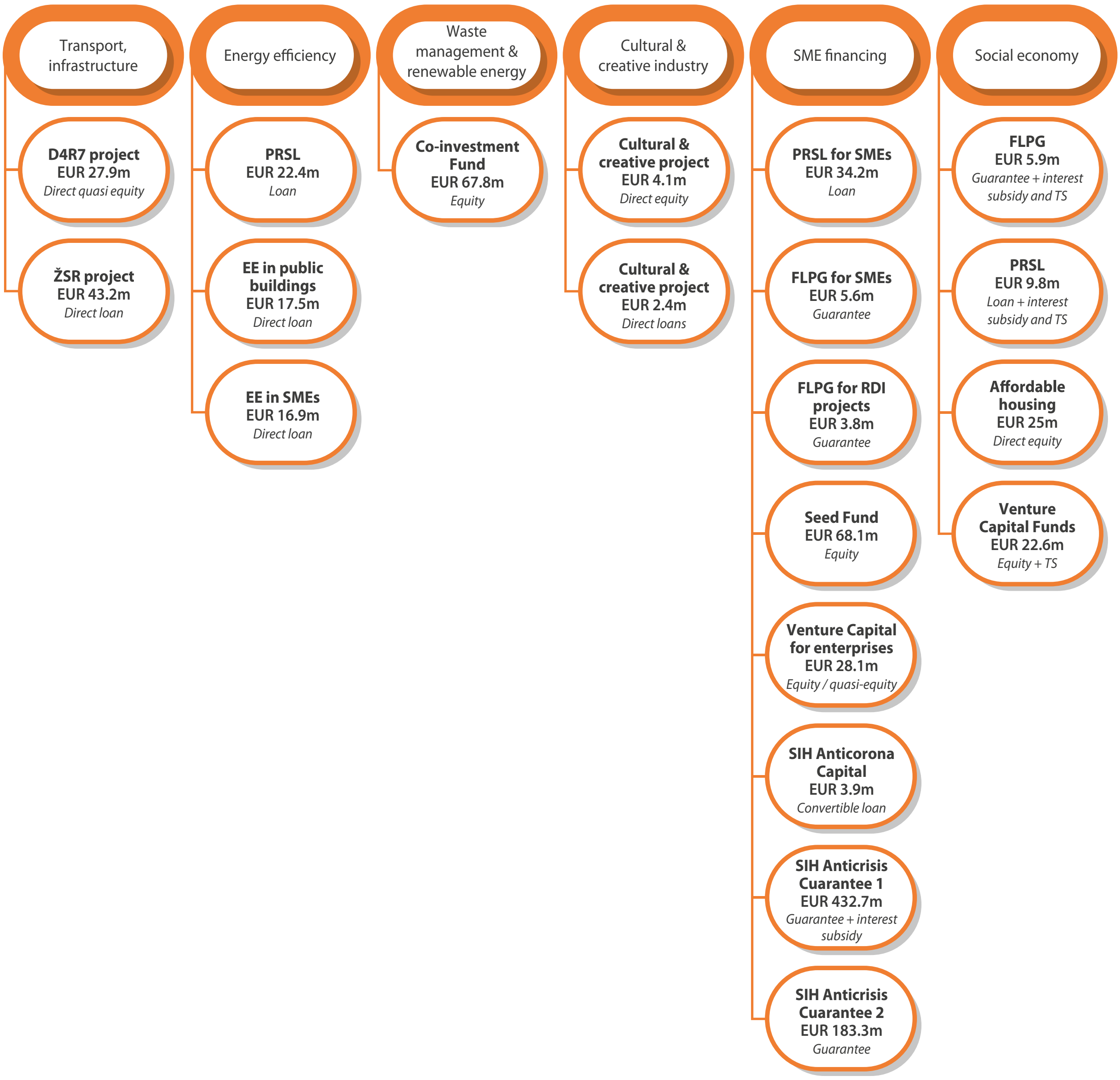
The first option is typically used when there are high number of final recipients and relatively low average volume of financing. The contribution from NDF II. is leveraged by the co-financing contributed by the intermediaries or by other co-investors attracted by the intermediaries. The selection of the final recipients in this case is delegated to the financial institutions or fund managers, that provide the financing in accordance with the terms and conditions, including eligibility requirements, defined in line with the investment strategy.

8 Incorporated from the OP Research & Innovation.

The second option is usually the preferred way of implementation when the number of projects is relatively low and the investment volumes are high. In case of direct SME support, SIH applies the co-investment model, which means that SIH would invest only if there is a co-investment by an independent private investor.

The financial instruments offer various types of financial products, providing loans, guarantees equity or quasi-equity. These include both generalist products, such as portfolio risk-sharing loans (PRSL) and first-loss portfolio guarantees (FLPG), as well as tailored solutions for specific markets, in various forms, both debt and equity, such as venture capital. The latter could be implemented either directly by SIH or indirectly via an external fund manager. The financial instruments implemented in each sector as at the end of 2022 are summarised in the graph below.

Figure 4: Implemented financial instruments per sectors.



Source: fi-compass (2023) based on Slovak Investment Holding, data as at end 2022.

04 Set-up of the holding fund

4.1 Governance

Pursuant to Article 38(4)(b) of the CPR, the Slovak Government entrusted the implementation tasks of the financial instruments, through the direct award of a contract, to SIH to act as the fund manager of the holding fund in which EU shared management funds would be invested in (i.e. NDF II.) The corresponding government resolution was approved in 2013 and became operational on 1 May 2014.

Based on the implementing procedures approved by the Slovak Government (Resolution No 736/2013), the implementation of the financial instruments has been carried out via tripartite funding agreements concluded with the relevant managing authorities, the holding fund (NDF II.) and the fund manager (SIH).

Under the funding agreements, the managing authority contributed the funds to SIH, which invested the funds in the equity of NDF II. SIH is responsible for the selection of financial intermediaries and for the coordination of the multiple funds to prevent overlaps and conflicts among investment priorities. In return for the services provided under the funding agreements, the manager of the holding fund is entitled to receive management fees in accordance with the limits set by the CPR.

The Ministry of Finance of the Slovak Republic acts as the Coordinating Body for Financial Instruments. The roles and responsibilities of the coordinating body consists of, in particular, the development of a management system, including procedural manuals, the provision of methodological guidance and cooperation with other entities involved in the implementation to ensure compliance with state aid rules.

Governance of NDF II. is through a Supervisory Board with the Chair and at least two other members appointed and empowered by the Ministry of Finance and one member nominated by each managing authority contributing to the holding fund. The Supervisory Board is responsible for the approval of the investment strategies, the monitoring of the operations of the holding fund and the review of the annual accounts. The managing authorities are not directly involved in the adoption of the investment decisions, but through their representation in the Supervisory Board, they can monitor all operations.

4.2 Selection of financial intermediaries

The selection process of financial intermediaries was typically carried out via public procurement. The process consists of the development of the selection procedure, including the terms and conditions for the financial intermediaries, the identification or selection of the financial intermediaries and in cases where the procedure allows for it, the negotiation of the operational agreements with the selected intermediaries. A key step in the process is the market testing during which economic operators active in the relevant sector are contacted and the initial product features of the proposed financial instruments are tested to verify the capacity of the market to meet the requirements.

During the COVID-19 crisis situation, SIH tested out an alternative approach of an 'open access' to a guarantee for any and all qualifying financial institutions. Thus, with respect to the Anti-Corona Guarantee instrument, an approach without public procurement was adopted, which was possible due to the nature of the financial instrument (free-of-charge guarantee), the fact that selected financial institutions would not provide a service to SIH (no public contract) and since SIH launched an open call for expression of interest with the intention to provide access to the guarantee for each applicant meeting the eligibility criteria (no selection of qualified financial institutions). The guarantee under the financial instrument is allocated to each contracted financial institution, without individually negotiating the clauses of the agreement.

Having successfully verified the utility as well as the legality of the open access method, SIH is intending to use it in in the new programming period in preference to public procurement for all guarantee instruments and indeed, wherever possible.

4.3 State aid[9]

The financial instruments managed by SIH under NDF II. use EU resources in shared management, that qualify as state resources. Therefore, provided that all the other elements of the notion of State aid defined in Article 107 (1) TFEU are fulfilled[10], the operation would have to comply with State aid rules. Compliance with State aid rules is therefore a requirement at all levels involved in the implementation, such as the body implementing the financial instrument or financial intermediaries, the co-investors in the operations and the final recipients of the financing.

At the level of the body implementing the financial instrument or the financial intermediaries State aid compliance is achieved by ensuring that the remuneration (i.e. management costs and fees) of the financial intermediary and the holding fund reflects the current market remuneration in comparable situations, which is the case when the latter has been selected through an open, transparent, non-discriminatory and objective selection procedure. Additionally, the terms of the Funding Agreement should ensure that the financial advantage of the public contribution to the instrument is fully passed on to the final recipients.

Investments under the Market Economy Operator Principle (MEOP)

Investments are made under MEOP if they are:

a) pari passu with an independent private investor:

- the public and private investors share the same risks and rewards;
- the investment of public and private investor is made by way of the same investment transaction and

b) the intervention of the private investor is of real economic significance (at least 30% of the investment)

At the level of co-investors, if the investment is carried out pari passu between the public and private investors then the transaction does not constitute State aid. In case of the growth equity and quasi-equity financial instruments, the minimum participation of the co-investors is set at 30% of the total size of the investment by SIH, which fulfils the criteria related to the economic significance and mitigates the risk for the holding fund at the same time.

In the case of final recipients, State aid compliance is achieved through either the *de minimis rules*[11], using the safe harbour principle, under the General Block Exemption Regulation (GBER, or Regulation 651/2014[12]) or under the COVID-19 State Aid Temporary Framework[13] .

9 It is the Member State's responsibility to ensure compliance with State aid rules when they give aid through financial instruments (co-) financed by EU shared management funds. This section presents the state aid regime adopted in Slovakia and is not an assessment or official position of the European Commission.

10 Based on Article 107(1) TFEU, the presence of State aid includes the following requirements: 1) The recipient is an 'undertaking'; 2) The support 'favours' an undertaking, that is to say: confers an 'advantage'; 3) The support 'distorts competition' and 'affects trade between Member States'.

11 Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

12 Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

13 Communication from the Commission Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak C/2020/1863.

For the individual sectors and types of financing, the applicable State aid schemes include:

- SME sector: for the seed capital instruments, aid was granted in accordance with Article 22 of GBER,. FLPG and PRSL instruments as well as the first phase of the SIH Anti-Corona Guarantee instrument were implemented in accordance with Regulation 1407/2013 (de minimis). The second phase of the SIH Anti-Corona Guarantee as well as the SIH Anti-Corona Capital instrument were implemented under the COVID-19 State Aid Temporary Framework;
- Energy efficiency: for investments in residential buildings, the aid was granted in accordance with Article 39 of GBER. For energy efficiency investments in enterprises and public buildings, aid was granted for ESCOs using the safe harbour principle;
- Social economy: aid under this scheme is granted in accordance with Article 21 or Article 22 of GBER;
- Cultural and creative industry: aid under this scheme is granted in accordance with Article 55 of GBER.

4.4 Monitoring and reporting

In order to comply with the regulatory requirements (i.e. Article 46 of the CPR) and to assess the compliance of the implementation with the policy objectives of the OPs and investment strategies, continuous monitoring via reporting and controls is carried out at different levels of the governance structure. These levels include the managing authorities, the fund manager and the financial intermediaries.

Data with respect to the implementation status and the achievement of the performance indicators are aggregated for the relevant period of time in the following reports:

- Annex to the Annual Implementation Report (AIR);
- Annual progress report;
- Semi-annual progress report;
- Report on the implementation of the FI.

The special report on operations involving financial instruments attached to the AIR is submitted to the EC by the managing authorities, partially on the basis of the annual reports provided by SIH, as the fund manager. The AIR includes a description of the financial instruments, the identification of the implementing bodies, the total amount of programme contributions, the amounts committed to financial instruments and the amount disbursed to final recipients, the assessment of the progress with respect to leverage achieved and performance indicators.

As well as the annual reports, SIH is also required to submit a six-monthly progress report to allow for the timely monitoring of the implementation, in particular with respect to the objectives defined in the investment strategy. Within 12 months from the signature of the funding agreement, SIH was required to communicate to the Supervisory Board the details of the monitoring tools and procedures to be used for the reporting. The managing authorities have the right to control both the monitoring activities as well as the information contained in the reports in line with the control procedures laid down by the Coordinating Body.

In addition, the financial intermediaries have the obligation to provide a report on the implementation of the FI to the fund manager on their respective deployment status. The reports are provided on a quarterly basis, unless a more frequent reporting is set in the operational agreements. The purpose of these reports is to keep up-to-date information on the status and progress of the financial instruments and to identify in a timely manner any issues during implementation which may require intervention.

Similarly to reporting, controls of the implementation are carried out at multiple levels, such as:

- Management verification by the MA at SIH;
- Management verification by the MA at the financial intermediaries;
- Management verification by the MA at the final recipients;
- Monitoring by SIH at the financial intermediaries;
- Monitoring by SIH at the final recipients.

Controls at the level of the final recipients, however, are carried out first on the basis of the documentation and data obtained from the financial intermediary or SIH and only when such supporting evidence is deemed to be insufficient can the audits be conducted at the premises of the final recipients (in line with Article 40 (3) of the CPR).

4.5 Communication

The communication activities of SIH have reflected its role as manager of the National Development Fund II.. A comprehensive website[14] has been developed providing transparency in terms of the governance of the organisation and the financial instruments it is implementing.

The website is the main communication and information channel for final and potential beneficiaries and the public about funding opportunities through the financial instruments under EU shared management funds, as well as the source for all actors involved in the implementation status of financial instruments. The website provides basic information about both direct investments and investments through financial intermediaries.

In addition, SIH has been actively advertising the funding opportunities for small and medium-sized enterprises by publishing the relevant background information and application documents for the financial instruments launched. In addition, the various financial intermediaries implemented under SIH have also undertaken their own communication activities on their respective websites as well as with the publication of articles and via social media.

Venture to Future Fund

The experience gained by SIH making direct equity and quasi-equity investments has led to the creation of a new venture capital fund, known as Venture to Future Fund (VFF), which has successfully attracted investment from public and private investors including the European Investment Bank (EIB). It was launched in early 2020 with assets under management of EUR 40 million overall.

VFF, which also uses reflows from earlier ERDF financial instruments, is complementary to the ESIF financial instruments, also providing larger (follow-on) investments to growing businesses, including those that have previously been supported by the early stage funds.

The fund’s investment strategy is to support innovative and technological companies operating in Slovakia, or with a direct capital link to Slovakia, with the potential to expand into other European and global markets.

14 https://www.sih.sk/

05 Implementation of SIH financial instruments

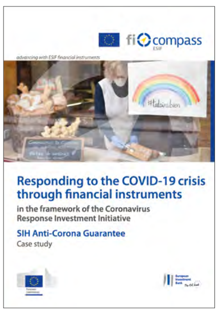
5.1 Overview

SIH has implemented a wide range of financial instrument product types across six different sectors of the Slovak economy, providing a strong implementation tool for managing authorities and the country's Ministry of Finance. As well as developing the capacity to implement financial instruments generally, developing expertise in selection, State aid and monitoring and reporting of financial instruments, SIH has successfully developed its strategy to make direct investments into projects.

The FoF structure has allowed both the development of a programme for delivery of the four operational programmes during the implementation period and a flexible tool enabling the Ministry of Finance to respond to changing circumstances. This was illustrated by the development of the two new tools to support Slovakia's businesses during the COVID-19 pandemic, the SIH Anti-Corona Guarantee and the SIH Anti-Corona Capital programme.

SIH launched the Anti-Corona Capital Programme, in cooperation with the Slovak Alliance for Innovative Economy and the Ministry of Finance, in order to mitigate the impact of the COVID-19 crisis on the venture capital market, including cancellations or postponements of investments. The goal of the programme was to support innovation-oriented companies by providing quasi-equity investments in the form of convertible loans to finance investments in innovation and development. EUR 3.9 million was allocated to the programme which was implemented directly by SIH.

The SIH Anti-Corona Guarantee[15]


fi compass

Responding to the COVID-19 crisis through financial instruments

in the framework of the Coronavirus Response Investment Initiative

SIH Anti-Corona Guarantee

Case study

The fi-compass publication published in 2020 included a mini-case study of the SIH Anti-Corona guarantee which aimed to help alleviate the difficulties faced by the SMEs as a result of the health and safety measures put in place due to the coronavirus.

SIH implemented the new product in less than four months providing emergency liquidity support to SMEs.

Under Phase 1, ca. EUR 350 million was allocated by NDF II. to set up first loss portfolio guarantees, including 4% p.a. interest rate subsidy with participating banks. This was followed by an additional NDF II. allocation of ca. EUR 183 million in phase 2 which featured individual guarantees covering 90% of the lending banks' risks on a loan-by-loan basis. The maturity of the bridge loans ranged from 2 to 6 years (with 12 months grace period) with a loan amount up to EUR 2 million. The maximum interest rates for eligible final recipients are 3.9% p.a. for micro-enterprises and 1.9% p.a. for other enterprises.

15 fi-compass factsheet – Responding to the COVID-19 crisis through financial instruments: SIH Anti-Corona Guarantee, https://www.fi-compass.eu/publication/case-studies/case-study-ex-ante-assessment-financial-instruments-slovakia

The first call for application was launched in September 2020 and a further call was launched in May 2021. The minimum loan amount is EUR 200 000. The maturity of the loans could be from 18 to 36 months with the maximum amount of up to EUR 714 000. The loans can be converted into equity at the time of a qualifying event. In case of automatic (at the next qualifying investment round or a normal liquidity event) or optional (at maturity) conversion, the interest to be accrued to the principal of the loan is set at 8%. In the absence of conversion, the loan becomes repayable with interest.

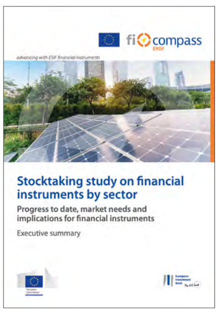
5.2 Direct investments in transport infrastructure

Investments in transport infrastructure are supported by the budget of the Operational Programme for Integrated Infrastructure (OPII). The ultimate objective of the financial instruments under OP II is to build new and upgrade existing transport infrastructure in Slovakia and thereby removing key bottlenecks in transport infrastructure, building intelligent transport systems and improving transport infrastructure safety.

SIH has implemented three investments in the sector directly: one for the design, construction, operation and financing of a new section of the D4R7 motorway around Bratislava via a quasi-equity instrument (in the form of a mezzanine loan provided to Zero Bypass Limited) with a net allocation of EUR 28 million and two supporting railway infrastructure projects.

The latter has been carried out in two phases so far by ŽSR (Slovak Railways). The initial support was provided via a direct long-term loan instrument of EUR 30 million net allocation contracted in April 2019. The project consisted of the purchase of a diagnostic testing vehicles for measuring the technical condition of railway infrastructure in order to improve the identification of railway defects. The project allowed the early detection and diagnosis of railway defects which could prevent accidents and generate maintenance savings. As a continuation of the investment, during 2022, SIH provided loan financing in the amount of EUR 13 million for the reconstruction of the platforms and tracks of the Košice railway station in cooperation with ŽSR once again. The mentioned railway station has a significant impact on improving the quality and comfort of public transport as well as the business environment in the entire eastern region of the country.

The D4R7 Bratislava ring road – quasi-equity financing for a PPP infrastructure project[16]



The Public-Private Partnership for the Bratislava bypass ring road called D4R7 is part financed through a quasi-equity direct investment made by SIH which provides a mezzanine loan into the scheme. The project financed by the SIH consists of a new 27 km section of the D4R7 motorway, constructed with dual two-lane carriageway with some dual three-lane stretches. It is located on the strategic trans-European transport network (TEN-T) and connects the R7 expressway with the existing D1 and D2 motorways. The infrastructure development results in an increased transport capacity to the Slovak Capital and the neighbouring region, with enhanced safety and more reliable journey times.

The fi-compass mini-case study describes how an ERDF financial instrument investment can be combined with both public and private financing at project level.

16 fi-compass Stocktaking study on financial instruments by sector - The Slovak mezzanine loan to a PPP for the Bratislava ring road, https://www.fi-compass.eu/publication/case-studies/stocktaking-study-financial-instruments-sector-slovak-mezzanine-loan-ppp

5.3 Renewable Energy and Waste financial instrument

Investments in waste management and renewable energy have been supported under the OP Quality of Environment via the financing agreement signed between SIH and the Ministry of Environment in April 2015. The relevant objectives of the OP were to increase the rate of waste recovery, with a focus on preparation for re-use and recycling as well as promoting the prevention of biodegradable municipal waste as well as to invest in renewable energy sources.

The investments have been implemented through three co-investment funds, which make equity investments in the form of capital injections into the target companies alongside other investors, independent of both the targets and NDF II.

The total net allocated budget available for investments in waste management is EUR 62.37 million with additional EUR 5.47 million allocated for renewable energy sources. Due to the relatively small amount of the latter, instead of establishing a separate fund, the budget was assigned to the highest ranked bidder among the fund managers selected for financial instrument implementation in waste management.

The following three fund managers have been selected to set up specific funds focused on the specific environmental goals.

Wasteland Investment Management

wasteland
investment management

Wasteland Investment Management is a fund manager and co-investor that manages and invests in the Slovak Energy and Waste Fund (SEOF), an alternative investment fund launched in 2019. The fund focuses its investment in waste economy (80%) and renewable energy sources (20%). Regarding the geographical scope, investments in waste management covers the entire territory of Slovakia, while investments in renewable energy sources are implemented in all Slovak regions except the Bratislava region. It uses equity and quasi-equity financial products, with min. 30% participation of independent investors of the value of each investment, under *pari passu* conditions

IPM Avanea Eco Management

IPM

IPM Avanea Eco Management belongs to the IPM Group, a British-Slovak investment company that supports projects and companies in the field of infrastructure and technological innovation. The fund was established in March 2019, with the mission to provide financial and strategic support to companies operating in the field of waste management. It focuses on investments in the latest technological innovations, creation of new capacities in recycling, sorting and recovery of waste and transformation of waste management. The investment period was set for 2019-2023 for equity and quasi-equity financing. The fund supports both new projects that have not yet been implemented, but also already operating companies that would like to expand, increase capacity or innovate technologically.

CEE Capital Management

CEE CAPITAL
INVESTMENT MANAGEMENT & ADVISORY

CEE Capital Management is a management company of environmental investment funds in Slovakia. Their first major project was the management and administration of investment projects under the co-investment Fund WTEP, which specializes in investment projects in the field of waste management. It uses equity investment instruments, with private investors' co-investment of minimum 30% on a pari passu basis. Eligible projects include support for preventing the creation of biodegradable municipal waste, construction of new facilities for the reuse of waste, support for the sorted collection of municipal waste components, including mechanical treatment of municipal waste, construction of new facilities and reconstruction of existing facilities for the recycling of hazardous waste, increasing environmental awareness for reuse of hazardous/non-hazardous waste, etc.

Sector(s): renewable energy
Intermediary: Wasteland Management
Total value of the investments: EUR 7.9 million
Amount of financing: EUR 5.53 million
Locations: Bratislava, Slovak republic

KOOR OZE is the partner of the company KOOR, which has been operating as ESCO in the field of energy services since 2010 and has implemented over 220 projects of guaranteed energy savings.

The company implements the installation of renewable energy technologies, such as solar energy for the production of heat and heat pumps that use aerothermal, hydrothermal or geothermal energy for the production of electricity. They install new sources of renewable energy as a replacement for the current sources without RE or as a supplement to current sources that do not have RE elements.

The investments via the fund contribute to the goal to support the development of RE installations without additional grant schemes and to demonstrate their financial viability using private resources. The main impacts include the reduction of greenhouse gases and the long-term sustainability of the sector.

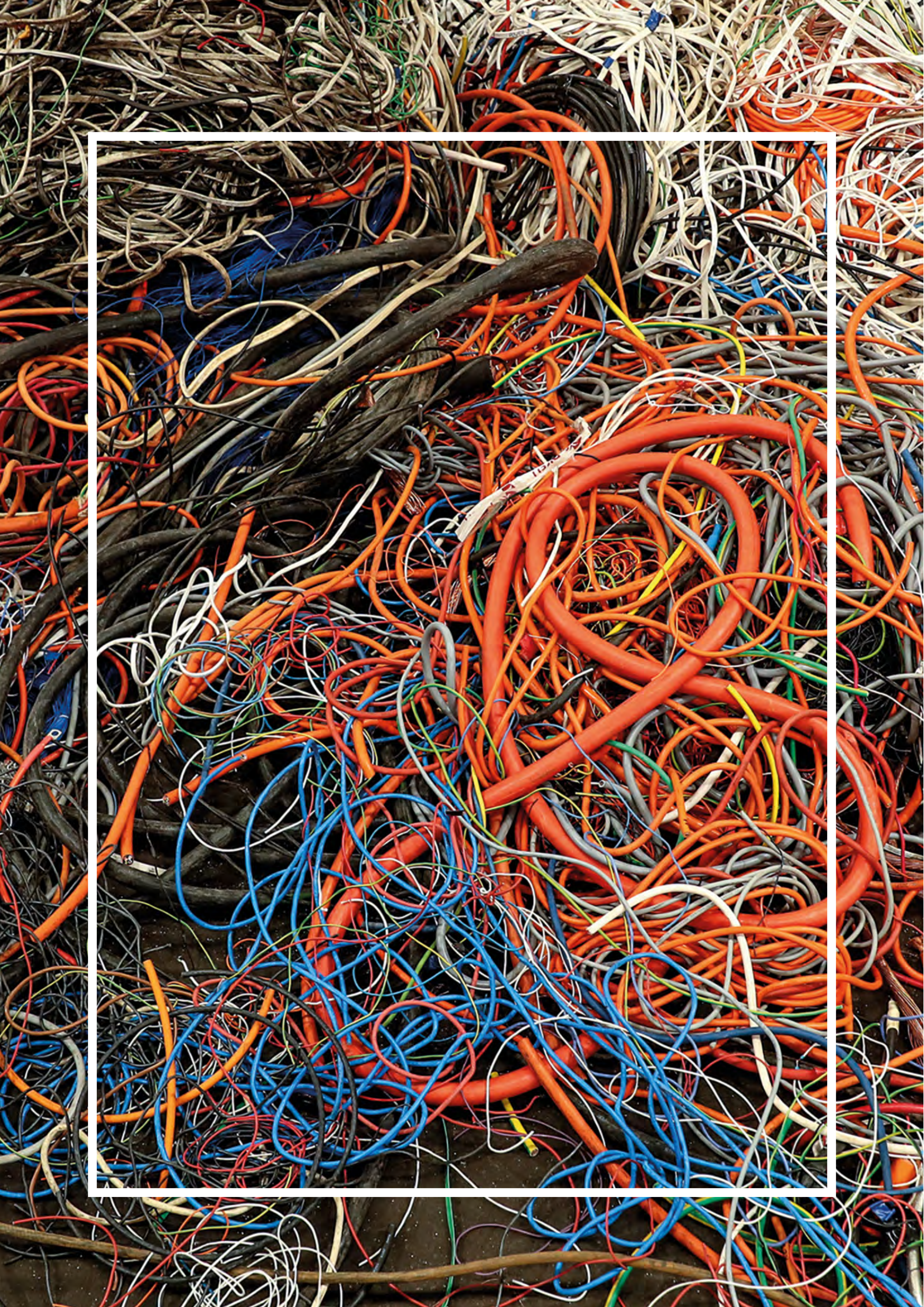
Sector(s): waste management
Total value of the investment: EUR 0.6 million
Amount of financing: EUR 0.6 million
Location: Bratislava, Slovakia

Sensoneo is a company based in the Slovak republic which develops and provides innovative waste management solutions that enable towns and companies to manage waste efficiently and transparently thereby increasing environmental friendliness and quality of life. It has a unique intelligent technology, the company is driving a revolution on how to manage waste. The solution they offer combines proprietary monitoring sensors, advanced tracking devices and sophisticated software, enabling towns and businesses to comprehensively digitise waste management. Their aim is to make waste streams more transparent, make strategic decisions based on real data and optimise transport logistics.

The solution is designed to be easily and quickly installed in any country in the world - it is flexible, agile, easy to integrate and connect from everywhere, as long as there is an access to internet. The solution and some individual tools of Sensoneo are currently used in more than 60 countries around the world in over than 340 (primarily pilot) projects.

The company holds the European Innovation Council's Accelerator grant supporting innovative 'green deal technologies' and is a member of SAPIE (Slovak Alliance for Innovation Economy).

SIH has concluded an investment in SENSONEO under its SIH Anti-Corona Capital Programme which provided capital for innovative companies during the COVID-19 pandemic.



5.4 Energy Efficiency

Energy efficiency projects under SIH have been financed from two operational programmes:

- OP Quality of Environment (public buildings and enterprise sector) based on the financing agreement signed in May 2015;
- Integrated Regional OP (residential buildings sector) based on the financing agreement signed in September 2015.

The implementation of the energy efficiency projects for public buildings and SMEs has been carried out via direct loan financing using the instrument of Energy Performance Contracting (EPC). EPC is an investment model that involves an energy savings company (i.e. ESCO) contracted by the owner of a building or a facility to carry out the necessary energy efficiency measures on the building (including the design, the financing, the implementation as well as maintenance). In return for the service resulting in a reduced energy consumption, the ESCO receives regular payments from the clients, as long as the predefined level of energy savings are maintained (i.e. Guaranteed Energy Services, or GES). The ESCO has relative flexibility in the way the renovation of the building should be carried out, such as improvement of the thermal performance, modernisation of the heating system, modernisation of lighting, modernisation of lifts, elimination of system failures by insulation to reduce energy consumption.

The advantages of the EPC model is that it mobilises private financial sources, it transfers the project risk as well as the responsibility for the operations to the ESCO and it creates a strong incentive for an optimal cost-benefit ratio for the project.

In case of public buildings, the EPC concept implies that the obligations of the municipalities which result from the implementation of the necessary energy measures under the set conditions do not enter into the public debt of the municipalities, while these obligations are repaid from the savings achieved in the implementation of the energy measures in question.

The net budget allocated for energy efficiency investments is EUR 17.5 million for public buildings and EUR 16.9 million for SMEs.

The energy efficiency investments in the residential sector have been implemented through intermediated financing with contributions from the Integrated Regional OP. For that purpose, SIH has developed a state aid scheme for an Energy Loan Facility. Under the scheme, the aid is provided in the form of soft loans through financial intermediaries selected by the fund manager following an open and transparent competition.

Originally EUR 80 million was allocated to two portfolio risk-sharing loan instruments signed with two selected intermediaries (OTP Banka Slovensko[17] and Slovenská sporiteľňa). However, the initial budget has been decreased due to the COVID-19 outbreak, and funds have been partially released for that purpose in early 2021. Consequently, the current NDF II. allocation for the instrument amounts to EUR 22.4 million.

The instrument provides loans with reduced interest rate to final recipients that intend to improve the energy performance of residential buildings. The beneficiaries of the aid are owners of apartments and non-residential premises who carry out an economic activity and are represented either by an administrator who manages the multi-apartment building on the basis of a management contract concluded pursuant to specific legislation or by an association of owners of apartments and non-residential premises in a multi-apartment building.

17 Now Československá obchodná banka, after the merger with OTP Banka Slovensko in 2022.

5.5 SME financing, including venture capital financing

The SME sector is supported via their RDI activities in line with the priorities of the OP II (i.e. enhancing RDI infrastructure and capacities and developing links and synergies between enterprises, research and development centres and the higher education sector). The financing agreement was signed in January 2016.

SIH has provided financing both directly as well as via intermediaries. The latter includes debt instruments (i.e. risk-sharing loan, loss portfolio guarantee) as well as equity (i.e. seed capital).

A portfolio risk sharing loan instrument has been implemented via SZRB (Slovak Guarantee and Development Bank) with an NDF II. contribution of EUR 34.2 million.

Two first-loss portfolio guarantee instruments have been deployed via selected financial intermediaries (UniCredit Bank and Slovenská sporiteľňa), one standard and another targeting RDI projects with a total net allocation of EUR 5.6 million for the former and EUR 3.78 million for the latter.

On the equity side, ca. EUR 68 million has been committed by SIH. In addition to the support of the SME sector, such investments have contributed to develop the equity ecosystem in Slovakia by introducing new fund managers to the market. The following three fund managers selected between October 2019 and February 2020 through public procurement to manage financial instruments providing seed capital to support small enterprises in early-stage business life cycle.

CB Investment Management

CB Investment Management is the manager of an investment fund specializing in investments in start-ups, small and medium-sized enterprises operating in Slovakia and real estate projects. They provide growth capital and technical support during and after the investment process. Companies can apply for fund investments in the range of EUR 200 000 to EUR 1.6 million, with the possibility of doubling the amount of investment in one investment round via the Crowdberry platform, which the largest Czech-Slovak alternative investment platform with a network of 3 000 investors.

Zero Gravity Capital

Zero Gravity Capital supports businesses from their earliest stages to their expansion phase. They provide a new dimension of start-up ecosystem to boost any innovative businesses through their 0100 Ventures holding. Together with funding they organize key European venture capital & start-up conferences and provide software development resources as well as co-working spaces and transaction advisory services.

Vision Ventures

Vision Ventures is a VC investor focused on pre-seed and seed investments in Slovakia. They provide financing from EUR 100k up to EUR 1.6 million in various sectors. The actual investment size depends mainly on the need for financing and the development stage of the company.

Sector(s): waste management
Intermediary: CEE Capital Management
Total value of the investment: EUR 4.75 million
Amount of financing: EUR 3.325 million
Location: Trenčianske Jastrabie, Slovak republic

Recable was founded in 2021 as a limited liability company. The company deals with the recycling of cable waste based on copper and aluminum, classified as non-hazardous waste. The cable waste processing technology is built in the company's own production premises in the village of Svinná in north-western Slovakia. Recable is well-known for using the most modern method of separating non-ferrous metals from plastics.

The company, in addition to the cable waste recycling itself, ensures the handling and transportation of the material using its own mechanisms and means of transport, and at the same time offers a customer service for the processing of cable waste.

Co-investors in this project are PROCAS. and Fond WTEP who finance this project and at the same time own shares in RECABLE. PROCAS was founded in 2013 and deals with business and consulting activities in the field of non-hazardous waste management, engineering production and assembly of steel structures. However, its activity follows on from the business activity carried out by the partners of PROCAS in the field of non-hazardous waste management since 2007. Fund WTEP is a co-investment fund managed by CEE Capital Management The investment strategy of the WTEP Fund is the preparation and implementation of projects in the field of waste management and material recovery of waste.

Sector(s): work integration
Intermediary: CB ESPRI
Total value of the investment: EUR 95 000
Amount of financing: EUR 95 000
Location: Gelnica, Slovakia

CIBEKA's core business is the provision of comprehensive laundry and ironing services for the hotel, catering, industrial and healthcare sectors. The company is an officially registered Work Integration Social Enterprise, employing disadvantaged and/or vulnerable persons who represent over 30% of the total workforce.

Based in Eastern Slovakia, CIBEKA is working to achieve positive social impact by focusing on the provision of employment for members of both the Marginalised Roma Communities and the majority population, as well as elimination of social tensions within the community.

The company received NDF II. finance in the form of quasi-equity investment from the Impact One fund, run by the CB ESPRI in the role of the financial intermediary.

Following the decision of the Board of Directors in 2017, since 2018 SIH has also made direct venture capital investments in SMEs in their growth phase via equity and quasi-equity (such as convertible loans) instruments. Supported companies include:

- GA Drilling: plasma technology for oil and natural gas extraction;
- Boataround: online reservation of boats, yachts and catamarans;
- GreenWay Infrastructure: electric vehicle charging station network;
- AeroMobil R&D: flying hybrid vehicle;
- Qres Technologies: industrial large-format digital printers;
- ENSTRA: modern and intelligent solutions for the rationalisation of energy distribution;
- KOOR: innovative elements in providing guaranteed energy savings and energy management;
- OMNIA KLF: metal working industry, electromobility;
- GymBeam: innovative integrated eCommerce platform for a healthy nutrition and lifestyle.

In addition, SIH has provided direct support (convertible loans) to innovative enterprises under the SIH Anticorona Capital facility. Supported companies under SIH Anticorona Capital include:

- Sensoneo: solutions for efficient waste management;
- Filmzie: streaming platform based on principle Advertising-based Video on Demand;
- PeWaS: aquaholder system to support growth of seeds and prevent seeds from penetration of pesticides to the seed;
- Streamstar: livestream video production;
- NEXINEO: solution for computer and virtual services designed for schools;
- Pygmalios: computer consulting services;
- TapGest: management and business consulting services - developing and operating of digital intelligent monitors for advertising purposes.

These financing forms allow SIH to acquire a stake in the assets of the target enterprise. After increasing the value of the investment, SIH exits the enterprise and sells its stake to a third investor. Funds used in this way are returned to SIH and can be reused to support new projects in the same investment area.

Sector(s): education, health, social inclusion
Intermediary: Slovenská sporiteľňa
Total value of the investment: EUR 2.295 million
Amount of financing: EUR 0.6 million
Location: Bratislava, Slovakia

Centrum Svetielko

Centrum Svetielko is a regeneration, therapy and education centre for children and young people with multiple disabilities, established by the civic association Viera – Láska – Nádej.

The centre's priority is to provide a comprehensive service for children and young people with severe disabilities. Using an appropriate combination of therapeutic, rehabilitative, educational and social services, it is able to assist with many diagnoses and help families cope with difficult life situations.

The organisation received a loan from Slovenská sporiteľňa, supported by the Social Economy First Loss Portfolio Guarantee, to expand to Eastern Slovakia and construct a new centre building in the town of Prešov.

5.6 Social Economy

The financial instruments funded by the OP HR (with EUR 63.3 million NDF II. allocation) are a part of a larger social economy support ecosystem, which was built up gradually over the years in co-operation between the Ministry of Finance and the Ministry of Labour. This ecosystem included the creation of new legislation, the Social Economy Act[18], an advisory infrastructure in the form of regional centres for the support of social economy, and a grant scheme awarding non-repayable support in the necessary amounts complementary to and conditional on financial instrument support. SIH has also long enjoyed a constructive, co-operative relationship with the Ministry of Interior in the particular sub-field of support for the Marginalised Roma Communities (MRC).

The financial instruments themselves include three instruments implemented via financial intermediaries, namely the Social Economy Guarantee Instrument, the Social Economy Loan Instrument and the Social Economy Equity instrument. The bulk of the allocation comes from ESF, while a minority share in all apart from the Social Economy Equity Instrument was financed by ERDF as well, via the Priority Axis of OP HR devoted to the improvement of living conditions of the Marginalised Roma Communities (MRC)[19].

The intermediated instruments are used to support both social enterprises and social impact enterprises and to raise the living standards of the MRC members both by increasing their employment through social enterprises and by improving their housing conditions.

As of 2023, the Guarantee Instrument and the Loan Instrument are implemented via Slovenská sporiteľňa, the Slovak subsidiary of the ERSTE Group.

The Equity Instrument is implemented via two fund managers, CB ESPRI and the Sociálni inovátori Impact Capital.

Sector(s): medical
Intermediary: Zero Gravity Capital
Total value of the investment: EUR 1.6 million
Amount of financing: EUR 1.6 million
Location: Šamorín, Slovak republic

Powerful Medical is a medical company backed by 28 world-class cardiologists and led by an expert Scientific Board with decades of experience in both daily patient care as well as clinical research and medical devices. The company aims to support human-made clinical decisions with artificial intelligence to empower healthcare professionals in their daily decision-making. They operate in Israel, Belgium, and Slovakia and are now expanding to the US.

The company is currently developing life-saving technology, which assists specialist doctors in diagnosing and treating of cardiovascular diseases.

SIH in collaboration with Powerful Medical's financial intermediary - Zero Gravity Capital have used part of funds administered within NDF II. to invest into the company. The investment by the financial instrument was designed to support the business in the initial stage of its life cycle.

18 Act No. 112/2018 Coll. on Social Economy and Social Enterprises
19 The ESF allocation is to generally promote employment via support to social enterprises, while the ERDF allocation is earmarked for the improvement in the living conditions of the Marginalised Roma Communities.

CB ESPRI

The asset manager CB ESPRI is a joint venture of the ESPRI and Crowdberry companies.

ESPRI is a research and consulting firm working primarily in the areas of employment, social welfare, education and public administration. Since its establishment in 2007, it has been involved in several major research projects from the EU's 7th Framework Programme for Research and Development or Horizon 2020. Currently it is coordinating a network of European experts on the economics of education for DG EAC. The Crowdberry investment platform was established in 2015 with the aim to professionalise the investment environment and promote direct local investment in Czech and Slovak companies and real estate. The roughly EUR 40 million in capital invested so far has helped dozens of innovative companies to grow, including GymBeam, MultiplexDX, Boataround, Ecocapsule and others (see section on SME financing). Crowdberry also manages several investment funds focusing on startups, real estate or positive social impact investments.

Sociálni inovátori Impact Capital

The management company Sociálni inovátori Impact Capital (SIIC) follows on from 10 years of pioneering activity of the cooperative Sociálni inovátori in the field of financing projects and organizations with a socially beneficial impact. Sociálni inovátori aims to support those involved in tackling social challenges, bringing about systemic change in solutions to social problems. They help recipients to develop a business model and funding structure and provide financial resources to implement and scale solutions. SIIC's mission is to show that responsible businesses that contribute to solving social challenges are not only sustainable, but shall also grow, innovate and set the direction for the rest of the economy. Through the newly launched SIIC Investment Fund, they aim to invest in organisations with a positive social impact in education, health/social care, community development and employment.

5.7 Cultural and creative industry

SIH has been supporting the cultural and creative industries sector through the direct implementation of two initiatives, funded by the Integrated Regional Operational Programme.

The first project is the revitalisation of a national cultural monument, the site of the 19th century educational establishment, the First Slovak Literary Gymnasium in the town of Revúca. The project envisages creation of a modern, interactive exposition – a museum for all the senses. The aim is the promotion of language, educating the general public in the field of literature, theatre, cosmology and mineralogy, but also providing a base for the creative industry professionals. In order to realise the initiative, a long-term investment loan of EUR 2.4 million was granted to the non-profit organisation Littera n.o., established by the Banská Bystrica Self-Governing Region.

The main goal of the second project is to renovate the historic Grössling City Baths in Bratislava, in order to allow visitors to immerse themselves in the spa atmosphere, relax, but also peruse books in a newly-opened City Library branch, which will be offering an artistic residency programme for writers and translators. The newly built café will become an open space with a children's zone and a reading room for the daily press and book news. The concept also includes the renovation of the public spaces and the building's surroundings and the creation of a park. The project is realised via rather unconventional method of co-operation between the state and local government, in the Slovak context – namely, the establishment of a joint venture (MKK Grössling), into which NDF II. will invest a total of EUR 4.1 million from its IROP cultural and creative industry allocation and the Capital City of Bratislava will invest a combination of a cash injection and in-kind contributions in the form of buildings and land.

06 Achievements

SIH has managed to contribute effectively to tackle the negative economic consequences brought by the COVID-19 pandemic. Both the equity and the guarantee instruments have been implemented successfully within a very short time, which was crucial in such circumstances. The initial allocation to the Anti-Corona Guarantee was relatively low, but it was quickly increased in line with the great demand for the initiative. The guarantee instrument was implemented in two phases, each adjusted to the current and most pressing needs (such as liquidity issues). The demand for the instrument was especially high under phase 1, where an interest-rate subsidy element was embedded in the product.

Overall, nearly 7 800 SMEs have been contracted under the two phases of the Anti-Corona Guarantee so far with a total amount of EUR 920.5 million. With respect to the equity instrument under the Anti-Corona Capital facility, 40 applications have been received from which eight have been selected for funding.

In the case of the Portfolio Risk-Sharing Loan instrument, 98 SMEs were supported by 110 loans, while the two FLPG instruments financed 126 investments of 111 enterprises. With regard to the intermediated equity instrument, the Seed Funds, 70 micro and small enterprises were supported through three financial intermediaries in their start-up/development project.

Moreover, aside from the sheer number of enterprises supported by the ordinary business instruments, SIH also promoted several novel measures which, albeit relatively small in number, represent a pioneering effort in the Slovak context.

In case of the transport infrastructure projects, the Public-Private Partnership for the Bratislava bypass ring road partially financed through the mezzanine loan instrument, alone accounts for a total contracted amount of EUR 106 million, all of which have been disbursed as well by December 2022. Regarding the extended rail infrastructure projects, EUR 43 million of the convertible loan instrument has been contracted with EUR 40 million disbursements by that date.

With regard to the area of the environment and the green transition, SIH has achieved some progress which represents a good stepping stone to the new programming period. In particular, in the area of promoting energy efficiency in residential buildings, by the end of 2022, a total of 86 loans have been granted through two financial intermediaries, Slovenská sporiteľňa and ČSOB (formerly OTP) for the implementation of energy efficiency measures in residential buildings, with 79 fully or partially drawn. At the same time, 497 households reached an improved energy class thanks to the measures already implemented.

In the case of support in smart energy management and the use of renewable energy in public infrastructures, including public buildings, support has so far been directed through the provision of direct medium-term loans (with a maturity of up to 20 years) to companies which subsequently use these resources to ensure the implementation of energy measures in entrusted buildings (owned by the state, municipalities and their organisations). By the end of December 2022, a total of EUR 17.5 million in loans had been granted to two companies, and energy measures had been implemented in 11 municipalities.

In the sector of energy efficiency and the use of energy from renewable sources in enterprises, support to date has been channelled through the provision of direct medium-term loans (with a maturity of up to 10 years) to companies which subsequently use these resources to ensure the implementation of energy measures in the target enterprises. By the end of December 2022, a total of six companies had been granted loans totalling EUR 18.9 million, and energy measures had been implemented in 15 target companies.

In the waste management sector, support from financial instruments has so far been directed towards the creation or support of 14 target companies. The types of projects financed are in the fields of textile waste, plastic waste, liquid waste, construction waste, bio-degradable waste and metal/radioactive waste, respectively. In the case of three of the target companies, the support has already been reflected in an increase in non-hazardous waste treatment capacity.

Regarding the renewable energy production and distribution (RES) sector, support from financial instruments has been provided to one target company, in the form of equity input into the creation and subsequent development of the company together with other independent investors.

With respect to the waste management and RES projects, at the beginning disbursements were lagging behind due to the fact that the fund managers needed to invest on pari passu terms with other private sector co-investors at 70%-30% or 50%-50% rate. The search for interested co-investors slowed down the contracting process. This was exacerbated by the COVID-19 outbreak as well as the requirement to acquire and environmental assessment prior to implementation. Despite the relatively slow start, by December 2022, EUR 45 million of the EUR 74 million contracted amount had been disbursed.

With regard to the social economy, despite the challenging nature of the work required to overcome bureaucratic inertia, and the concomitant slow start of implementation, the financial intermediary Slovenská sporiteľňa has granted 11 loans on the basis of the Social Economy Guarantee Instrument to a total of nine social enterprises, while in the case of the Social Economy Loan Instrument, 39 loans were granted to individuals for the improvement of the Marginalised Roma Communities housing conditions via self-built housing or reconstruction of properties.

In the case of the equity instruments in the social economy sector, despite the agreements with the financial intermediaries having been signed only in April-May 2022, in less than a year to December 2022, support has been received by 11 social/social impact enterprises, and it is clear that many more are in the pipeline.

Within the cultural and creative industry, two projects described above stand out. In this context, it is important to note that the priority for projects in the cultural and creative industries is not to make a profit, but above all to contribute to improving the quality of life and ensuring the sustainable provision of public services with an impact on balanced and sustainable territorial development through the creation of sustainable projects. For the two projects, the total contracted amount as at December 2022 reached EUR 6.5 million.

The financial performance of the financial instruments as at December 2022 is shown in Table 4.

While the more innovative and progressive initiatives have not reached the same quantitative results as the more 'plain vanilla' business support instruments, the qualitative impact of these novel measures cannot be overstated, especially set against the background of the often excessively risk-averse public sector and civil service in Slovakia. At any rate, SIH's work in the 2014-2020 programming period has been successful. The company is now well positioned to take advantage of its accumulated skills and experience to push the financial instruments implementation even further forward in the programming period 2021-2027.

Table 4: Financial performance of the financial instruments.

Financial Instrument	Number of final beneficiaries	Number of investments	Contracted Amount (in million EUR)	Disbursed Amount (in million EUR)
PRSL for SMEs	98	110	31	26
FLPG for SMEs	100	112	48	46
FLPG for RDI projects	11	14	8	8
Seed Fund	70	83	59	53
Venture capital for enterprises	10	15	79	64
SIH Anti-Corona (Anti-Crisis) Guarantee 1	4 502	4 854	717	700
SIH Anti-Corona Guarantee 2	3 277	3 301	204	203
SIH Anti-Corona Capital	8	8	4	4
Direct investment in transport projects	2	3	149	146
PRSL for residential buildings renovation	60	86	32	23
Energy efficiency in public buildings	2	2	19	19
Energy efficiency in SMEs	6	6	19	14
Waste management and RES projects	15	15	74	45
FLPG for social enterprises	9	11	8	8
PRSL for social enterprises	-	39	1	0,5
Affordable housing	1	1	50	23
Social Economy Venture Capital	11	12	2	2
Cultural and creative industry projects	2	2	16	12
Total	**8 173**	**8 674**	**1 520**	**1 396,5**

Source: Slovak Investment Holding. Data as at December 2022.

07 Lessons learned

7.1 Main success factors

The establishment of SIH as centralised holding fund has contributed to the local capacity-building in the country.

The Slovak Government has decided to create a new local entity in charge of investments in strategic sectors, while recruiting and retaining staff locally, which enabled the development of an investment expertise capacity in the country. The centralised approach for the management of the financial instruments of various sectors allowed to build a comprehensive national support system with a strategic long-term vision for investments.

The application of an innovative approach in the selection process of financial intermediaries allowed a quick reaction to the economic shock caused by the COVID-19 outbreak.

With respect to the Anti-Corona Guarantee instrument, SIH took advantage of the possibility of a selection method without public procurement, and to finalise an operational agreement with the selected financial institutions without the need to negotiate the terms with them individually. Overall, this approach allowed a quick and effective implementation of a COVID-19 response measure in Slovakia.

SIH has adopted a balanced product mix to meet all existing and emerging needs of the economy with a full range of financial instruments.

The product offering of the holding funds includes both standard instruments and tailored solutions for specific market needs. Traditionally, Slovakia was lacking a substantial number of venture capital investors focusing on technological start-ups. The emergence of SIH as direct equity investor has proven to be a catalyst for further co-investments from the private sector, which contributed to the development of the equity ecosystem in the country.

Strong direct contact with the financial intermediaries and a coordinated approach within the network contributed to the effective launch of the numerous instruments.

SIH has established and maintained close ties with financial intermediaries, including banks as well as fund managers. Having SIH as the single central entity in charge of all the instruments under the NDF II. allowed the implementation of the instruments in a coordinated way with the network of intermediaries.

A favourable regulatory framework brought forward by the Omnibus regulations was fundamental for the promotion of financial instruments under ESIF.

The amendments to the CPR introduced by the Omnibus regulations in 2018 brought significant positive impact in the deployment of financial instrument, notably with extended eligibility criteria, greater flexibility and new opportunities thanks to the wider scope allowed for repayable forms of instruments. SIH was also able to react quickly to the flexibilities introduced under the Coronavirus Response Investment Initiative[20] (CRII) and CRII+[21] to deploy financial instruments to support businesses during the health crisis.

20 Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative).

21 Regulation (EU) 2020/558 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak.

7.2 Main challenges

One of the greatest challenges was the delayed launch of several instruments under the waste management sector and SME financing (seed capital) due to the aborted financial intermediary selection process via a call for expression of interest, which SIH spent some time preparing before it became clear that public procurement would have to be used instead.

Secondly, these public procurement procedures proved deeply inflexible, with the national regulations in Slovakia in practice not allowing amendments of the operational agreements after contract signing as regards the increase of the allocation (exceeding the maximum commitment set in the contract) or the redistribution of the commitments among the contracted intermediaries, even if market circumstances changed. This was due to the fact that until recently, any potential amendments would have to be examined ex ante by the Public Procurement Authority, causing significant delays and risks of uncertainty in the process. The lesson learned is that instruments would have to be designed in a way that provides the necessary flexibility for adjustments according to future changes in the market, keeping in mind the public procurement rules. Possible flexibilities could arise in the future as a result of the amendment of the Public Procurement Act to only require ex post examination of the contract amendments.

Additionally, the financial instruments targeting the waste sector were adversely affected by the COVID-19 crisis, which slowed down the commitment decisions by co-investors to support several schemes. The regulatory approvals, including the need for an environmental assessment also impacted on the rate at which resources were paid to final recipients. Nevertheless, the financial instruments remain on track to meet their targets by the end of the eligibility period.

The design and implementation of the instruments in the social economy were challenging, due to the lack of previous experience in implementing similar instruments in the sector. The intermediated instruments experienced long delays, especially due to the nature of the public procurement process in Slovakia, which in the case of these instruments involved by far the longest ex-ante inspections of all of SIH's instruments. The instruments were also impacted by the COVID-19 restrictions, as well as administrative procedures with regard to the managing authority (Ministry of Labour). Finally, the absence of the complementary grant scheme, which took many years to prepare, also delayed the launch of the financial instruments, as both forms of support needed to be designed consistently. Potential final beneficiaries, waiting to see the availability and conditions of non-repayable support were reluctant to request support under the financial instrument until such information were provided causing a temporary shortfall in demand. Nevertheless, despite all the difficulties, the whole ESF allocation, as well as the smaller ERDF allocation earmarked for the MRC support have been contracted in the end.

Compliance with the State aid rules, when there is a grant component included, has created administrative complications for financial intermediaries. Among the available state aid schemes, the de minimis had the limitation of the relatively small GGE amount, whereas the GBER is characterised by rather extensive eligibility conditions that need to be verified by the financial intermediaries prior to contracting the final recipient transactions.

The financial instruments are implemented under a multi-layered governance structure, where the reporting as well as the controls of the implementation are carried out at multiple levels, involving six managing authorities, the fund manager and the financial intermediaries. This has created a significant administrative burden with extended reporting work, and milestones to be documented as well as duplication of the negotiations regarding the funding agreements.

The comprehensive product mix of financial instruments implemented in numerous sectors in parallel required a concentrated effort by SIH. In retrospect, this has proved to be less effective than a more focused approach with a smaller number of instruments implemented at the same time. In the next programming period, the application of a more streamlined approach would be explored, with a reduced number of financial instruments.

7.3 Outlook

Within the next programming period, in line with the foreseen simplification measures, the launch of a single call for guarantee instruments is envisaged for SME financing, the social economy sector and for energy efficiency. They would also include a grant component, to be provided on a performance basis, notably in the form of a capital rebate on the condition that certain predefined KPIs are reached. A combination product with an interest-rate subsidy could potentially be considered under the social economy sector as well, despite the concern amongst financial intermediaries that it may be more difficult to administer such products. Final recipients could also benefit from technical support under the envisaged instruments.

Loan instruments are not envisaged in these sectors from the outset. However, SIH would keep the possibility open to introduce a loan instrument as well in the future, in case the economic circumstances change (i.e. increase of basic interest rates).

For seed capital and waste management, the continuation of an equity instruments similar to the ones implemented in the current programming period is envisaged, through financial intermediaries and without a grant component.

Direct investment would be implemented in areas where the impact is nation-wide (e.g. transport sector). For the direct investments SIH intends to use also the reflows from previous instruments.

In the future, the possibilities for a simplified governance structure would be investigated, with potentially only one funding agreement signed between the holding fund and a managing authority improving the efficiency of the implementation and reducing the duplications and administrative burdens on the governance bodies.

www.fi-compass.eu
contact@fi-compass.eu

European Commission
Directorate-General
Regional and Urban Policy
Unit B.3 "Financial Instruments
and IFIs' Relations"
B-1049 Brussels

European Investment Bank
Advisory Services fi-compass
98-100, boulevard Konrad Adenauer
L-2950 LUXEMBOURG