Ex-ante assessment for financial instruments in Slovakia

Case Study

- ERDF, CF and ESF
- EUR 1.3 billion
- Soft loans, portfolio guarantees, equity/quasi-equity and microfinance
- Energy production, energy efficiency, transport infrastructure, waste and water management, urban development, SMEs, social economy
- Slovakia

…focusing an ex-ante assessment on a large number of thematic objectives…
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The authors of this study are a consortium of five companies: Sweco (lead), t33, University of Strathclyde – EPRC, infeurope and Spatial Foresight.

Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Full name</th>
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<tr>
<td>CF</td>
<td>Cohesion Fund</td>
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<td>CPR</td>
<td>Common Provisions Regulation (Regulation (EU) No 1303/2013)1</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EIF</td>
<td>European Investment Fund</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>ESIF</td>
<td>European Structural and Investment Funds</td>
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<td>EU</td>
<td>European Union</td>
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<td>GBER</td>
<td>General Block Exemption Regulation</td>
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<td>GHG</td>
<td>Greenhouse gas</td>
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<td>JEREMIE</td>
<td>Joint European Resources for Micro to medium Enterprises</td>
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<td>MoF</td>
<td>Ministry of Finance (of the Slovak Republic)</td>
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<td>OP</td>
<td>Operational Programme</td>
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<td>PwC</td>
<td>PricewaterhouseCoopers</td>
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<td>SIH</td>
<td>Slovak Investment Holding</td>
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<td>SME</td>
<td>Small- and medium-sized enterprise</td>
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<td>SPV/PPP</td>
<td>Special Purpose Vehicle/Public Private Partnership</td>
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<td>SZRB AM</td>
<td>Slovak Asset Management Company – SZRB Asset Management a.s.</td>
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1. **Summary**

Several sectors in Slovakia, including small and medium-sized enterprises (SMEs), energy production and transport, have suffered from limited access to finance. Financial instruments were proposed under five national Operational Programmes (OPs) for the 2014-2020 programming period, co-funded by the European Regional and Development Fund (ERDF), Cohesion Fund (CF) or European Social Fund (ESF) to improve access to finance and contribute to the achievement of the specific objectives set out under different policy areas. The ex-ante assessment was organised by the Slovak Ministry of Finance (MoF) in cooperation with the European Investment Bank (EIB) Group. It was carried out in 2014 under the guidance of a steering group including representatives of the managing authorities of the relevant OPs. Various sources were used for information collection, such as reviews of existing documentation and literature, interviews, stakeholder consultations and workshops.

This case study describes the preparation of the ex-ante assessment in Slovakia, including how the assessment was designed to address the different Common Provisions Regulation (CPR) requirements and the lessons learned from this experience.

The involvement of several managing authorities was a challenge, as well as ensuring that the ex-ante assessment covered the same investment areas as the OPs, since the documents were developed in parallel. The MoF was very involved in the process and coordinated the efforts and inputs from the different managing authorities to ensure consistency for the whole exercise.

The study found market failures or suboptimal investment situations in each of the areas investigated, which financial instruments could address. It proposed six thematic funds, under a fund of funds structure. The fund of funds manager would be SZRB Asset Management (SZRB AM) under the supervision of the National Bank of Slovakia. The ex-ante assessment process made clear that close cooperation with all relevant stakeholders would be essential to achieve a successful outcome.

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2 Using Financial Instruments in the Slovak Republic in the 2014-2020 Programming Period. A study in support of the ex-ante Assessment, December 2014, Synthesis Report, drafted by PricewaterhouseCoopers (PwC) at the instruction and under the supervision of the EIB.

3 The ex-ante assessment does not focus on the technical assistance programme.
### Ex-ante assessment for financial instruments in Slovakia 2014-2020

#### PROPOSED FINANCIAL INSTRUMENT

**Funding source**  
ERDF, CF and ESF, OP Integrated Infrastructure, OP Quality of the Environment, OP Integrated Regional, OP Research and Innovation and OP Human Resources

**Type of financial instruments**  
Soft loans, portfolio guarantees, equity/quasi-equity, microfinance

**Financial size**  
EUR 1.305 billion

**Thematic focus**  
Energy production, energy efficiency, transport infrastructure, waste and water management, urban development, SME support, and social economy

#### THE EX-ANTE ASSESSMENT

**Players involved in the ex-ante assessment**  
- Ministry of Finance of the Slovak Republic (process initiator)  
- European Investment Bank (EIB) (ex-ante assessment manager for Volume I: energy, transport, waste and urban)  
- European Investment Fund (EIF) (ex-ante assessment manager for Volume II: SMEs)  
- PricewaterhouseCoopers (PwC) (external consultancy responsible for conducting the ex-ante analyses and drafting the reports under EIB and EIF supervision)  

**Timing of the ex-ante assessment**  
March to December 2014

**Main results of the ex-ante assessment**  
The ex-ante assessment recommended financial instrument support organised through a limited number of specific funds under a fund of funds structure. Slovakia’s previous experience of using ERDF financial instruments proved helpful when developing the ex-ante assessment.

**Definition of ex-ante assessment**  
According to Article 37 of the CPR, the support of financial instruments shall be based on an ex-ante assessment which has established evidence of market failures or suboptimal investment situations and the estimated level and scope of public investment needs, including types of financial instruments to be supported. According to the CPR, European Structural and Investment Funds (ESIF) can be used to support financial instruments under one or more programmes, to contribute to different specific objectives under a priority (Article 37). The ex-ante assessment must be completed before the managing authority makes programme contributions to a financial instrument. The ex-ante assessment must not be confused with an ex-ante evaluation of the OP.

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2. Design and set-up of the ex-ante assessment

In Slovakia, the vast majority of public investments are financed through grants, while financial instruments have not been used extensively. During the previous programming period (2007-2013), Slovakia’s involvement with financial instruments was limited to just 1.1% of its Structural Fund resources, compared to an EU average of 3.1%. Against this background, the Ministry of Finance was mandated by the Slovak government to explore the potential use of financial instruments to support national investment priorities and contribute to efficient implementation of ESIF. The ex-ante assessment aimed at providing guidance on the envisaged use of financial instruments to contribute to the 2014-2020 programming period objectives of the five national OPs in Slovakia. While the Ministry of Finance was the initiator, a steering group ensured that the assessment reflected the views of all stakeholders.

2.1 Objectives of the ex-ante assessment

The ex-ante assessment aimed to identify market failures or suboptimal investment situations existing in various policy areas relevant to ESIF programmes. Subject to the identification of a need for support through financial instruments, the assessment was also intended to support their design and implementation.

Past experience with financial instruments was analysed in an effort to draw lessons on success factors and to mitigate risks. Additionally, the ex-ante assessment focused on ensuring consistency with other forms of public intervention, including grants, and identifying any possible crowding out of private sector finance.

2.2 Consistency with the Operational Programme

Another objective of the ex-ante assessment was to ensure that ESIF allocations to financial instruments would contribute to the achievement of the specific objectives of the OPs. The policy areas in the ex-ante assessment corresponded to thematic objectives and OPs, including OP Integrated Infrastructure, OP Quality of the Environment, OP Integrated Regional, OP Research and Innovation, and OP Human Resources.

The ex-ante assessment was organised in two volumes addressing five policy areas. Volume I focused on public investment in:

(a) Energy production;
(b) Transport infrastructure;
(c) Waste management;
(d) Urban development, including energy efficiency in buildings.

Volume II addressed:
(e) Financing of SMEs, with a special focus on energy efficiency and the social economy.

2.3 First steps of the ex-ante assessment

The initiator of the ex-ante assessment was the Ministry of Finance (MoF), although it was not acting as a managing authority. The ex-ante assessment involved all interested managing authorities, at a time when the OPs were still being drafted. It was officially launched in March 2014, when a Technical Assistance Services Agreement was signed between the MoF and the EIB. No public procurement was necessary and the EIB was directly appointed. The EIB managed the ex-ante assessment for Volume I and the EIF for Volume II.

The EIB selected PwC to prepare parts of the study under their supervision. The MoF cooperated closely with the EIB and played a coordination role consolidating inputs from all managing authorities. It also provided general support to implementation of the assessment.

A steering group was set up to consult stakeholders during the whole ex-ante assessment. It included representatives of managing authorities from the relevant OPs, the MoF and SZRB AM. The latter is a subsidiary of the Slovak Guarantee and Development Bank and one of the most important SME financing actors in Slovakia. It is a specialised state-owned bank that focuses on supporting SMEs. The European Bank for Reconstruction and Development (EBRD) attended the meetings as an observer, although it was not directly involved in preparation of the ex-ante assessment.

Three steering group meetings were held to define the scope and content of the study, and discuss the first interim and the draft final version of the analysis.

The ex-ante assessment was completed in December 2014, when the final version of the report was made available to the key stakeholders. Although the preparation took longer than expected, the time schedule for carrying out the study was sufficient.
3. **The ex-ante assessment study**

The supply and demand for: (a) financing of public investment projects; and (b) SME financing were analysed in the ex-ante assessment to identify, and where possible quantify, gaps that could be addressed by financial instruments. Based on this assessment and lessons learnt during the 2007-2013 programming period, a proposed investment strategy was drafted. It set out proposals for the financial instruments and their implementation structure. The suggested set-up of the financial instruments, i.e. organised into six funds, took into consideration the identified market failures in the policy areas in question and the specific objectives of the relevant priorities of the five national OPs (co-funded under ERDF, CF or ESF). The ex-ante assessment also identified a number of result indicators that could be used to determine financial instrument effectiveness.

3.1 **Market assessment part**

Various data sources and methods were used to identify and analyse financing gaps.

Under Volume I of the study, existing document review, interviews with stakeholders, stakeholder consultation and workshops were used to collect information on the supply and demand for finance from public investment projects and to identify possible market failures and suboptimal investment situations in each sector.

First, **existing documentation** for energy production, infrastructure, waste management, energy efficiency, and municipal and urban development was analysed. This included analyses of the financial environment, instruments and funds, strategic documents and programmes such as the National Regional Development Strategy of the Slovak Republic, as well as thematic and sector specific analyses.

Additionally, representatives from the managing authorities, financial institutions, and other regional, national and social stakeholders were **interviewed**.

**Stakeholder consultation** addressed the 50 largest cities of the Slovak Republic and 42 large corporations in the sectors of transport infrastructure, water management infrastructure, waste management and energy.

This was complemented by **workshops** with the Steering Group members to discuss, adjust and validate the proposed investment strategy.

Various data sources were also used for Volume II of the study, to analyse supply, demand and the financing gaps for SMEs in Slovakia. These comprised: (1) a literature review, including analysis of SME-specific indicators developed in former studies; (2) interviews with key stakeholders in SME finance in Slovakia; and (3) an online survey of a representative sample of SMEs in the country.

**The literature review** identified and analysed information on the macroeconomic environment in Slovakia; policy priorities of the managing authorities for the 2014-2020 programming period; the regulatory environment relevant for SMEs and financial instruments in Slovakia; existing indicators and information on SME financing (both demand and supply side); and successes, failures and lessons to be learned from previous use of financial instruments.
Interviews were carried out with stakeholders involved in SME financing, including financial institutions and supply side representatives, demand side representatives and policy makers. In total, 32 interviews were conducted with banks, associations, managing authorities, local representatives of EU institutions, social finance organisations, national agencies, universities and equity investment providers.

There was an online survey of SMEs in Slovakia. A questionnaire was sent to about 6% of the more than 24,000 SMEs in the country, with valid responses from 375 enterprises. The questionnaire included 25 questions. The first set of questions focused on identification of the company including information about staff. The second part identified any sources of funding, success and difficulties in obtaining various types of finance, reasons for seeking finance, any types of guarantee needed for loans, sources of equity finance, amounts of loan and equity funding sought and obtained during the preceding three years. Additional questions addressed energy efficiency projects carried out in the previous three years and their rationale.

The assessment identified a number of general market failures and suboptimal investment situations in Slovakia, as listed in the figure. In addition to these, sector-specific failures were identified for each investment area (energy production, infrastructure, waste and water management, urban development and SME) that also needed to be considered when assessing the market gaps. These failures determined significant funding gaps though not all were quantifiable.

The study examined supply and demand for financing public investment projects and SMEs in order to identify, and where possible quantify, gaps that could be addressed by financial instruments.

Where quantifying was not possible, namely in the public investment sector, the case for a suboptimal investment situation was made through an analysis of the unwillingness of the financial market to finance projects already in the pipeline. Although such market gaps were not quantified, on the demand side the analysis showed that significant financial support was needed in all investment areas and that using financial instruments could help bridge a sizable part of the existing gaps.

The supply side analysis for sectors addressed under Volume I revealed that financing for public projects was limited, with commercial banks focusing on mortgages, SMEs and microfinance. Among the factors limiting the supply of commercial bank financing for such projects are the high level of indebtedness and poor administrative capacity of local authorities, lack of long-term projects and investment strategies, and the fact that municipal revenues are subject to fluctuation.
Ex-ante assessment for financial instruments in Slovakia

Case Study

On the demand side for the SME sector, although Slovakia has proved resilient against the crisis, the market entered into a transition process which affects SMEs. In particular, SMEs became dependent on larger companies and failed to develop a healthy credit history and cooperation with financial institutions. For example, the potential financing gap for microfinance, especially for existing micro-enterprises in 2014, ranges between EUR 744 million and EUR 822 million. The gap in microfinance for social inclusion was estimated at EUR 587 million. The analysis in Volume II highlights a strong preference among SMEs for leasing products with an estimated financing gap of EUR 533 – 611 million.

The analysis suggested that financial instruments could add value in a number of ways by addressing the market failures, and provided expectations in terms of co-investment interest for many of the investment areas. Based on the experience with financial instruments in the 2007-2013 programming period, the analysis also provided recommendations to help maximise additional resources from public and private funding sources.

For example, investment in energy production sector projects through financial instruments will help achieve policy objectives aiming to offset and reduce greenhouse gas (GHG) emissions. These energy projects will generate power from less-emitting technologies such as natural gas, or from renewable energy sources such as hydro, wind, solar, or geothermal. This offset in GHG emissions carries with it a monetary and socio-economic value, which is important in demonstrating part of the added-value of the financial instruments.

As the great majority of public investment in Slovakia is currently funded via grants, the value added of financial instruments in Volume I of the ex-ante assessment is considered either against a baseline of grant funding or no investment at all, as appropriate.

On the SME side, given the market failures identified, the qualitative value added of financial instruments in Slovakia is significant in many respects. It includes the introduction of new instruments such as accelerator/technology transfer or microcredit instruments (guarantees and interest subsidies) and socially-oriented instruments. In addition, it stimulates a new generation of investors such as international financial institutions, private investors and recycled JEREMIE 2007-2013 funds at the level of:

- sub-funds of Slovak Investment Holding;
- financial intermediaries;
- realised projects.
of entrepreneurs in the innovative sector through the accelerator, seed funds and/or technology transfer instruments. The main element of quantitative value added of the proposed financial instruments is the leverage on ESIF resources that could vary from a leverage of 1.1x at financial instrument level in the case of seed funds and accelerators, where the qualitative dimension prevails through the funding provision for higher-risk early stage projects where traditional financing is harder to come by, to typically a minimum 5x leverage for portfolio guarantee instruments (depending on the results of the ex-ante risk analysis) which address more mature companies with bankable projects.

Important lessons could be learned from experience of the 2007-2013 programming period:

Firstly, the importance of expanding the range of financial products. In the past, financial instruments in Slovakia were primarily loans and guarantees, with other forms such as equity remaining less developed. In future, more products should better meet the wide range of financing needs.

Secondly, more additional resources are needed. The JESSICA-type instrument implemented in 2013 failed to attract significant additional public or private resources. In future, financial instruments should maximise outside resources consistent with the policy goals of the fund.

Thirdly, more awareness-raising and market-enabling activities are needed to counter the lack of experience with ESIF financial instruments among financial institutions and potential final recipients in Slovakia.

Fourthly, there should be a pipeline of mature, feasible projects, eligible for financing.

In addition, the need to evaluate and monitor the performance of financial instruments was also addressed. Future financial instruments need to include performance tracking measures so managing authorities can be sure that the funding they allocate has an impact on the relevant priorities.

Last but not least, experience demonstrated the need to decrease administrative burden, when applying for funding. This was the most frequently-cited obstacle in stakeholder consultations.

3.2 Delivery and management of the proposed financial instrument(s)

The proposed financial instruments in Slovakia fall under a large number of policy areas and five OPs. There is also a relative lack of first-hand experience with financial instruments. Given the implementation options foreseen in the CPR, the ex-ante assessment recommended that financial
Article 37(2)(e)

Proposed investment strategy

The proposed investment strategy envisages an umbrella structure of fund of funds. Six thematic sub-funds have been identified:

1. Transport Infrastructure and Energy Production Fund;
2. Energy Efficiency in Buildings Fund;
3. Waste and Water Management Fund;
4. Municipal and Urban Development Fund;
5. SME Financing Fund;

Instruments would be delivered through a fund of funds with a limited number of specific funds, as described below.

Transport Infrastructure and Energy Production Fund. This fund would support transportation infrastructure and energy production projects, as well as large and small scale renewable energy generation and co-generation projects. Soft loans and guarantees could reduce the uncertainty of investment in transport during construction. Equity investments could be made in established Special Purpose Vehicle/Public Private Partnership (SPV/PPP) schemes. For energy production projects, soft loans were proposed, as they could support the whole project cycle, as well as equity or quasi-equity investments for new facility construction or expansion.

Energy Efficiency in Buildings Fund. This fund would support the construction and refurbishment of residential and public buildings for the purpose of increasing energy efficiency. Long duration soft loans are proposed for this fund where the monthly repayments approximate to the energy savings. An energy audit of the building would be a prerequisite for a loan.

Waste and Water Management Fund. This fund would support waste and water management projects including the construction of waste collection, separation and processing facilities and equipment, gasification projects, sewer system expansion and water purification plant construction. For this fund, mainly equity and loans, but also guarantees are proposed. Such projects are carried out by regional utilities, which are financially constrained not by debt limits, but by a lack of capital. Therefore, equity could enable these utilities to obtain loans or other private funding. Guarantees could be provided to third party investors to cover construction and other repayment risks.

Municipal and Urban Development Fund. This fund supports a diverse range of projects, including cultural heritage site regeneration, public transit infrastructure projects, and educational and training projects. Several products are proposed, including guarantees, soft loans, equity, quasi-equity and combining financial instruments with grants.

SME Fund. This fund addresses innovation and entrepreneurship as well as energy efficiency in SMEs. For innovation and entrepreneurship, it would support SMEs at their early, seed and growth stages. Therefore, early-stage equity funds, an accelerator and seed fund as well as technology transfer funds are proposed. Other products include an SME portfolio guarantee instrument, interest subsidy risk-sharing instruments and an equity fund for growth stage companies. A portfolio guarantee instrument would be used for energy efficiency investments.

Social Economy Fund. This fund would support social SMEs by providing guarantees and risk-sharing loans, as well as equity. It would provide both funding and non-financial support via mentoring. A microfinance guarantee instrument and a social microfinance interest subsidy risk sharing instrument would support employment and social inclusion.
In terms of governance, the ex-ante assessment proposed a structure where managing authorities would transfer their funds to Slovak Investment Holding (SIH), a fund of funds managed by the SZRB AM (see Figure 1). SIH would be responsible for selecting and contracting financial intermediaries as well as for monitoring and controlling implementation. SIH would manage six thematic funds, in line with OP investment priorities. Financial resources available to the fund of funds would include contributions from the five OPs, co-investment from international financial institutions and private investors as well as recycled JEREMIE\textsuperscript{6} 2007-2013 funds. Additional public and private funding could come into play either at the level of the fund of funds, the specific funds, or the individual investments.

![Figure 1: Fund of funds structure](image)


The ex-ante assessment mentions issues to be solved before establishing the fund of funds. Among these are the investor stratification strategy\textsuperscript{7}, financial flows ensuring compliance with the CPR, composition of the management board and the investment committee for each specific fund, treasury management and a resource and competence map.

In addition, necessary implementation steps include the preparation of funding agreements, a procurement process to select financial intermediaries, operational agreements and the procedure manual, opening cash accounts, treasury and risk management guidelines, as well as reporting and monitoring manuals.

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\textsuperscript{6} Acronym for ‘Joint European Resources for Micro to Medium Enterprises’ and refers to a joint initiative developed by the European Commission (Directorate General for Regional and Urban Policy) in cooperation with the European Investment Bank Group and other financial institutions during the 2007-2013 programming period.

\textsuperscript{7} The term investor stratification strategy refers to the classification of the different investors, in order to maximise the capacity of the envisaged structure to attract co-investment.
The financial instruments would contribute to achieving specific objectives in ESIF programmes. As such, the ex-ante assessment proposed results indicators that could assess the performance of each specific fund in the context of the respective OPs. For example, ‘share of renewable energy sources in gross final energy consumption’ can assess the contribution of the energy production fund, which is the same result indicator used under Priority Axis 4 (energy efficient low-carbon economy in all sectors) of the OP Quality of the Environment. For the performance of financial instruments in transport infrastructure proposed result indicators include ‘number of vehicle hours lost to traffic congestion’, ‘length of newly built or upgraded roads’ and ‘share of railway transport in passenger transport performance’.

For assessment of the Energy Efficiency in Buildings Fund, the ex-ante assessment suggests result indicators like ‘CO2 generation relative to GDP’ and ‘improvement of final energy use of residential/public buildings’.

The performance of the Waste Management Fund under the OP could be measured with result indicators such as: ‘share of recovered waste on the total amount of waste produced’.

For the fund covering municipal and urban development, which the ex-ante assessment proposes as a catch-all for municipal and urban development projects, proposed indicators include: ‘reduction of pollution in cities due to traffic exhaust’, ‘increase of gross school readiness of children in kindergartens’, ‘average property values’ and ‘increase in added value rate (share of added value in receipts) in supported sectors’.

For the SME Fund, expected results could be evaluated on the basis of ‘survival rate of new enterprises on the market after two years’ and ‘number of energy efficiency projects supported’.
The results of the Social Economy Fund could be assessed with: ‘number of social SMEs funded’ or ‘number of long-term unemployed hired and remaining employed for at least one year’.

While overall responsibility for the financial instruments monitoring and implementation lies with the managing authorities, SIH will be in charge of implementation and monitoring operations managed by the financial intermediaries. If market conditions change, the MoF may carry out a review or update of the ex-ante assessment.
4. Successes and shortcomings

The ex-ante assessment identified market failures for a number of policy areas. These require public investment, as well as support for SME access to finance and the social economy. The proposed investment strategy builds on Slovakia’s experience with financial instruments in the 2007-2013 programming period and is consistent with the objectives of the OPs in the 2014-2020 programming period.

4.1 Main success factors

The ex-ante assessment was developed in close cooperation with all the main stakeholders, which ensured that the study could at all stages incorporate programming changes while OPs were still under development. Experience with financial instruments in the 2007-2013 programming period was also considered beneficial, with valuable recommendations on the most suitable conditions for a successful set-up of the new instruments.

4.2 Main shortcomings

The involvement of several managing authorities in the ex-ante assessment was a challenge, which was overcome thanks to the coordination by the MoF. The MoF played a key role gathering input from the different managing authorities and stakeholders during the ex-ante assessment process.

Furthermore, it was difficult to ensure a complete match between the scope of the OPs and the ex-ante assessment, as the two were developed in parallel. For this reason, brownfields were covered by the ex-ante and subsequently excluded from the support, while large enterprises, that were not eligible for support at the time of carrying out the ex-ante assessment, were later included in the OPs.

Another challenge was that the ex-ante assessment methodology had to be designed by the MoF before the European Commission provided a detailed methodology. The latter could have been used as reference or inspiration and ease the ex-ante assessment process.
5. Lessons learned

Early involvement of key stakeholders in the ex-ante assessment process ensured that the scope of the study was appropriate and the contents relevant. Previous experience with financial instruments provided useful lessons for designing the investment strategy for the 2014-2020 programming period, such as the expected capacity to attract public and private co-investment.

Different methods were needed for the market assessment. Estimation of the demand for public investment required the help of key policy stakeholders to identify existing pipelines of potential projects in the policy areas. The study could differentiate between the potential and viable market gap for debt products targeting SMEs, as well as between short-term finance and longer term loans. In order to fully cover the microfinancing sector, the analysis scope was extended to cover companies to be created by people struggling to re-enter active employment. This went beyond focusing only on existing micro-enterprises.

An external contractor experienced in financial instruments provided independent advice throughout the whole ex-ante assessment process. This increased professional capacity, while keeping findings and recommendations accessible and suitable as a basis for informed policy decisions.

The ex-ante assessment identified financing gaps in all the policy areas under consideration and provided recommendations on, inter alia, maximising the added value from financial instruments, the most suitable governance structure and issues to be addressed before financial instruments could be established. These have been the starting point for the managing authorities in the process of setting up the financial instruments under the respective OPs.