



Developments on Financial Instruments for the 2014 + Programme

Ex Ante Assessments & Off the Shelf Models



Ex Ante Assessments



Ex Ante Assessments – What's Required?



- ❖ The draft regulations require that support from Programme resources to a Financial Instrument must be based on an *ex-ante* assessment
- ❖ An ex ante assessment must establish evidence of market failure, establish the presence of sub-optimal investment situations, and estimate the level and scope of public investment needs
- ❖ The ex-ante assessment must be completed before the MA decides to make Programme contributions to a Financial Instrument and shall be submitted to the Monitoring Committee
- ❖ The ex ante assessment is a new requirement for the 2014-2020 programme – it builds on the approach developed for the JESSICA evaluation studies funded by the Commission and EIB for the 2007-13 programme, but requires a lot more detail.....

What must be covered:



- ❖ An analysis of market failures, suboptimal investment situations, and investment needs for policy areas and Thematic Objectives
- ❖ Identification of the investment priorities to be addressed with a view to contribute to the strategy and results of the relevant programmes and to be supported through financial instruments
- ❖ An assessment of the value added of the proposed financial instruments, including their consistency with other forms of public intervention addressing the same market
- ❖ Possible state aid implications, **the proportionality of the envisaged intervention and measures to be taken to minimise market distortion.**

What must be covered continued.....



- ❖ **An estimate of additional public and private resources to be potentially raised by the financial instrument down to project level**
- ❖ **As appropriate an assessment of the need for, and level of and mechanisms to establish preferential remuneration to attract counterpart resources from private investors**
- ❖ An assessment of relevant lessons learnt from similar initiatives carried out by the Member State previously
- ❖ **The proposed investment strategy**, including an examination of options for implementation arrangements, financial products to be offered, final recipients targeted, **envisaged combination with grant support as appropriate.**
- ❖ **A specification of the expected results and how the financial instrument concerned is expected to contribute to the achievement of the specific objectives and results**



Also important to consider at an early stage



- ❖ The indicative timetable for implementation:
 - ❖ Both the implementation of the fund but also the actual deployment of funds on the ground
 - ❖ May need to consider extent to which technical assistance may be necessary to bring projects to a state of investment readiness (Network theme)
- ❖ Need for a state aid notification (Network theme)
- ❖ As part of the value added assessment, the extent to which other forms of public funding could be usefully channelled through the financial instrument i.e. make it more than just an ERDF plus match vehicle
- ❖ Role of fund managers and role of FI within wider governance of City/Region (Network theme)

Guidance Available



- ❖ EIB is working with the Commission to develop guidance for Managing Authorities to assist in the completion of effective ex ante assessments

- ❖ There will be general guidance produced for each of the 11 Thematic Objectives and then more detailed guidance for 4 key areas, where there is expected to be the greatest initial demand for financial instruments:
 - ❖ Research, technological development and innovation
 - ❖ SMEs
 - ❖ Low Carbon
 - ❖ Inter territorial development with a specific focus on sustainable urban development

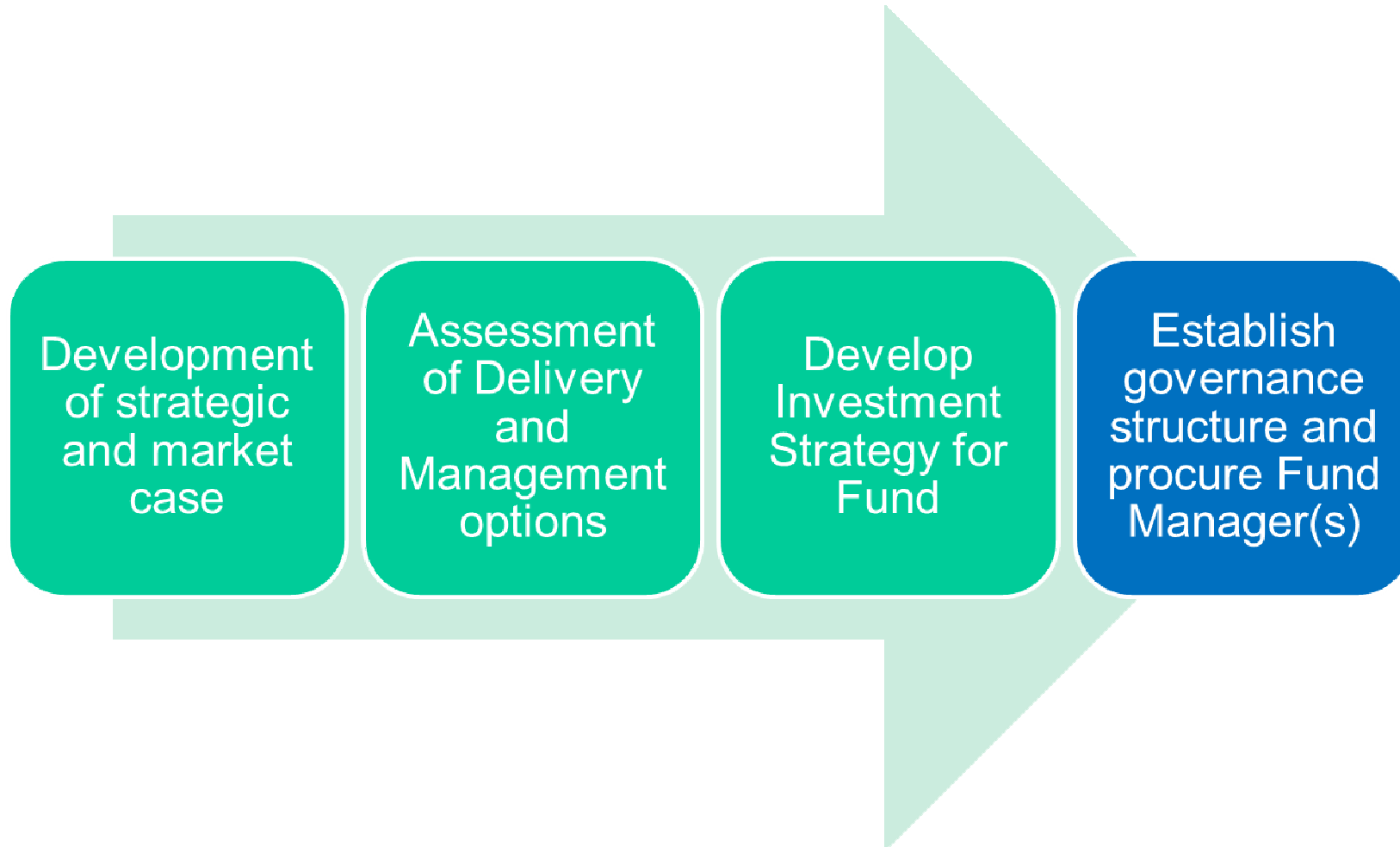


Guidance Detail

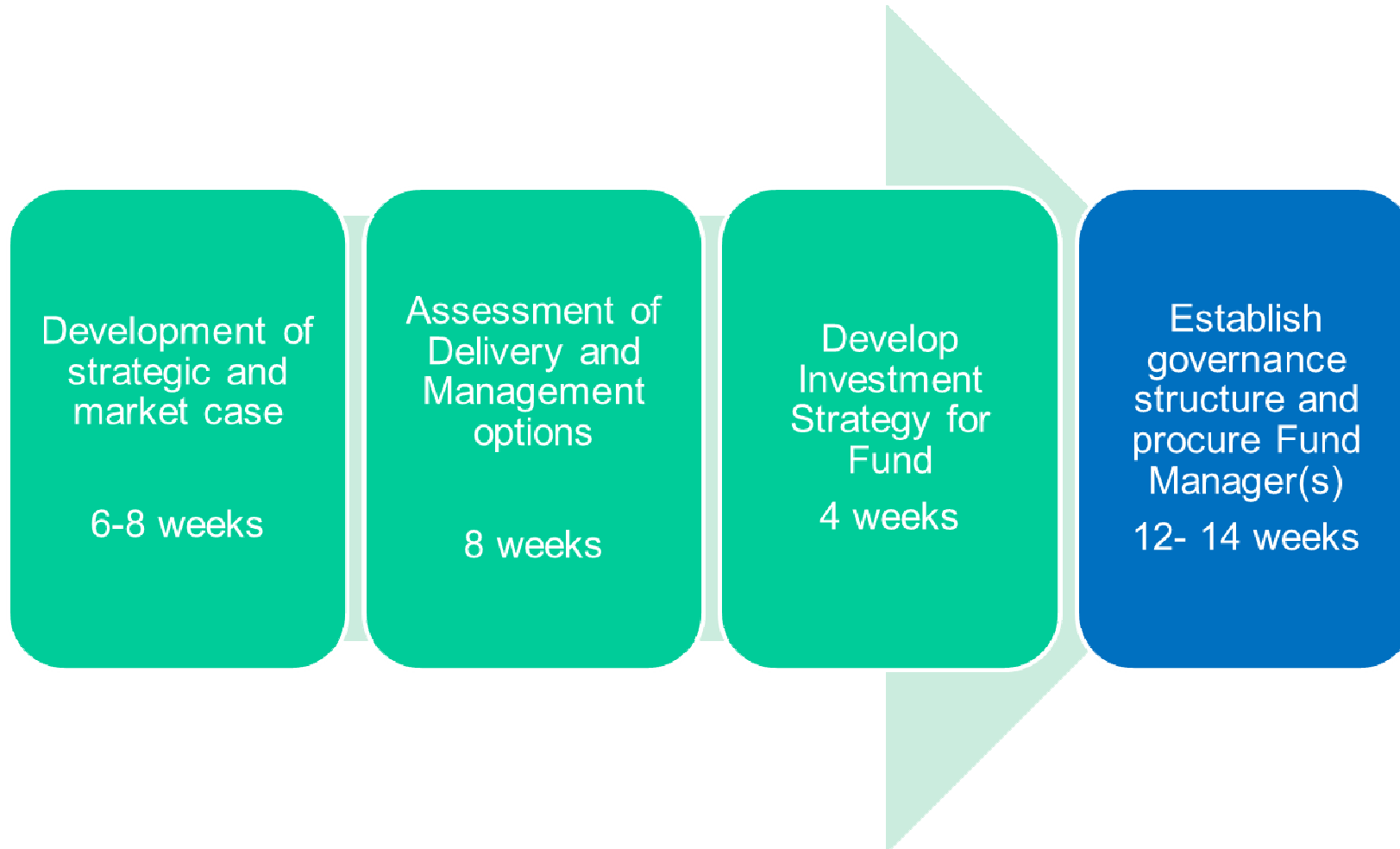


- The Guidance will develop a Methodology for carrying out an ex-ante assessment, including:
 - A step-by-step procedure to carry out the ex-ante assessment, including appropriate reference documents and best practice examples
 - A detailed standard structure / list of contents for the ex-ante assessment document
 - It is envisaged that independent consultants will undertake the assessments, overseen by Managing Authorities/Regions/Cities interested in establishing FIs

Development Phases



Indicative Timing



Implications for Partner Cities



- Indicative timetable overleaf equates to 8-9 months complete Ex Ante Assessment and to procure a Fund Manager
- Need to also factor in 2- 3 months to conclude legal agreements
- This means MAs/Regions/Cities need to be thinking about gearing up to start ex ante assessments this autumn, if they want to have FIs in place by the end of 2014.....





Any Questions?



Off the Shelf Models

Off the Shelf Models - Objectives



- ❖ To provide standard terms and conditions for a set of predefined financial instruments
- ❖ Assist MAs with the design and the management of the most commonly used financial products, in particular for specific sectors where financial instruments are expected to play an important role contributing to the Europe 2020 objectives
- ❖ Models are to be based on the implementation experiences and lessons learnt during the current programming period



What will be covered?



- Off-the-shelf instruments will include the most relevant requirements of EU procurement law and some relevant elements from previous experiences
- Off-the-shelf instruments will take into account State aid rules and will aim to be structured in such a way that their terms and conditions do not require State aid notification and subsequent clearance from the European Commission.
- Term sheets will be provided with a minimum set of technical and legal requirements for each of the instruments





The Potential Models



- ❖ Loan for SMEs based on a portfolio risk sharing loan model
- ❖ Guarantee for SMEs
- ❖ Venture Capital fund for SMEs and start-up companies based on a co-investment model
- ❖ Loan for energy efficiency and renewable energies in the residential building sector
- ❖ Loan for Urban Development



Any Questions?

