

TAKING  
**COOPERATION**  
FORWARD

 GREENER SMES FOR A MORE SUSTAINABLE WORLD - FINAL EVENT  
16.09.2020

 **Examples of innovative financial instruments  
developed with FIRECE project**

 FIRECE CE1131 | EXTERNAL EXPERT | Nóra FELFÖLDI-SZŰCS, PhD

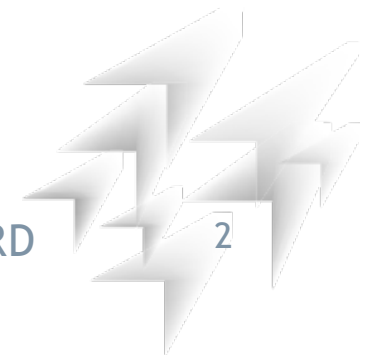
Introduction

Evaluation  
criteria

IFIs designed  
within the  
project

Assessment of  
IFIs according to  
the evaluation  
criteria

Conclusions



- Aim of the present report:

Evaluation of the ex-ante assessment of innovative financial instruments (FI) designed by the partners within the frame of FIRECE.

- Objectives of FIRECE project:

“FIRECE project links to the specific objective because it will support public sector to plan and manage instruments able to achieve saving targets. The implementation of Innovative financial instruments and the assessment of the projects submitted by SMEs for energy savings will contribute to achieve the indicators contained in the Regional Energy Plans. Finally, FIRECE contributes to the achievements of the energy saving targets planned at worldwide and EU level.”

(<https://www.interreg-central.eu/Content.Node/FIRECE.html>, downloaded August, 2020)



## The partners in FIRECE project who developed an innovative financial instrument:

- Federal Province of Upper Austria, Austria
- South Transdanubian Regional Innovation Agency, Hungary
- PP3 Emilia - Romagna Region (ERR), Italy
- Marshal Office of the Lubelskie Voivodeship in Lublin Magdalena Rzemieniak, Poland
- IRENA, the Istarska Regionalna Energetska Agencija Ltd, Croatia
- Fraunhofer IMW, the Fraunhofer Center for International Management and Knowledge Economy, Germany



## The present evaluation of the six proposed FI is based on the following reports:

- “Preparation of PA 1: CE Ex-Ante Assessment Analysis report” D.T2.1.2 (Austria)
- “Finalisation of the Ex-Ante assessment analysis and IFI’s implementation in Austria” D.T2.4.2.
- „Innovative Financial Instruments for industry low carbon energy transition in Central Europe. Finalisation of the Innovative Financial Instrument in Hungary” D.T2.4.6.
- „D.T2.4.5 - FINALISATION OF THE INNOVATIVE FINANCIAL INSTRUMENT IN EMILIA-ROMAGNA REGION”.
- A.T2.1 and A.T2.4 „Support for regional authorities to develop an ex-ante evaluation analysis”. (Poland)
- “EX-ANTE ASSESSMENT FOR THE IMPLEMENTATION OF FINANCIAL INSTRUMENTS IN THE INVESTMENT AREAS OF ENERGY EFFICIENCY AND USE OF RENEWABLE ENERGY SOURCES FOR THE ISTRIAN COUNTY” D.T.2.1.2 – „Preparation of PA1: CE Ex-Ante Assessment Analysis report”
- D.T.2.4.3 – „ Ex-Ante Assessment finalisation and feasibility study for the IFI implementation in Croatia”.
- “Preparation of PA 1: CE Ex-Ante Assessment Analysis report (Saxony, Germany) D.T2.1.2”
- “Finalisation of the ex-ante assessment. Analysis and implementation of the FI in Germany D.T2.4.1”.



# EVALUATION CRITERIA

The following eight evaluation criteria were given ex ante and the content (questions and the belonging scores) for each criterion was to be defined in the present report:

- Scope of the Assessed Financial Instrument 10 points
- Value Added of the Financial Instrument 10 points
- Assessment of the Additional Resources 10 points
- Incorporation of Previous Experiences 15 points
- Proposed Investment Strategy 10 points
- Expected results of the Financial Instrument 15 points
- Involvement of Stakeholders 15 points
- Transferability 15 points



## Venture capital + loan element

- **Scope:**

Venture financing young, highly innovative and growth-oriented companies in Upper Austria.

- **Investment strategy:**

The FI is the re-launch of Upper Austrian High-Tech Fund which offered typical and atypical silent partnerships, open participations in the basic or share capital as well as limited liability capital and loans with profit participation or subordinated loans.

- **Funding:**

1/3 financed by participating banks and 2/3 financed by Federal Province of Upper Austria or ERDF

Equity capital: from EUR 250,000 up to EUR 1.5 million

Loans: no information



## Grant and state-supported credit facilities and compulsory energy audit

- **Scope:**

SME sector in Hungary

- **Construction:**

Component 'A': an energy audit will be prepared to every beneficiary company as an indirect subvention.

→ 300 audited companies

→ Total volume of financing: 4.0 billion HUF

Component 'B': all audited SMEs can apply for a combined financial solution. The financing is composed of grant and state-supported credit facilities.

→ 250 supported companies

→ Total volume of financing: 25.0 billion HUF





# IFI OF PP3 EMILIA - ROMAGNA REGION (ERR), ITALY

## Loan + guarantee + free technical assistance element

- **Scope:**

Final beneficiaries of the loan instrument: enterprises, SMEs, area companies, production area managers and ESCos. The guarantee elements targets SMEs, ESCo including, individually or in association, professionals and their associations.

- **Aims:**

- Loan element: Promotion of new businesses and the growth of SMEs, the EE processes in enterprises and self-production of energy from RES and business investment in industrial research programmes.
- Guarantee Fund: supporting the access to credit

- **Funding:**

- Loan element: initial public funding of EUR 26.6 million
- Guarantee fund: EUR 35 million
- Technical assistance unit: EUR 10 million (approximately 4%-10% of the final project)

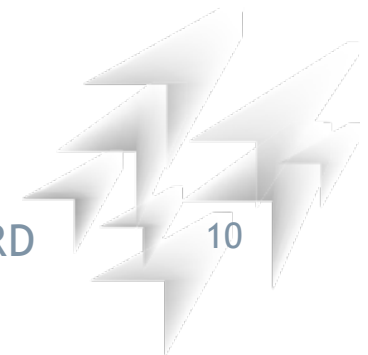


## Loan and grant component for small and medium firms and loan, grant plus guarantee for micros

- **Construction:**

- Instrument I: Loan+Subsidy for small and medium companies in a volume of PLN 500,000 - 1.5 million, where the loan component creates the 50% - 75% of the project value.
- Instrument II: Loan+Subsidy for micro companies in a volume of PLN 250,000, where the loan component creates the 33% - 67% of the project value.
- Instrument III: Loan+Subsidy+Guarantee for micro companies in a volume of PLN 250,000, where the loan component creates the 33% - 67% of the project value, the guarantee covers from 50% to 100% of the loan.

35% of funds allocated to the micro firms.



## Grant + loan element

- **Scope:**

Targeting Istrian SMEs with a focus on energy efficiency and use of RES

- **Investment strategy:**

- Total volume: approximately HRK 148 million,
- Eligible cost of one single beneficer: HRK 75.000 - 3.750.000.
- Share of the grant element: 10.00% - 30.00%,
- Loan amount: HRK 52.500 - HRK 3.375.000.



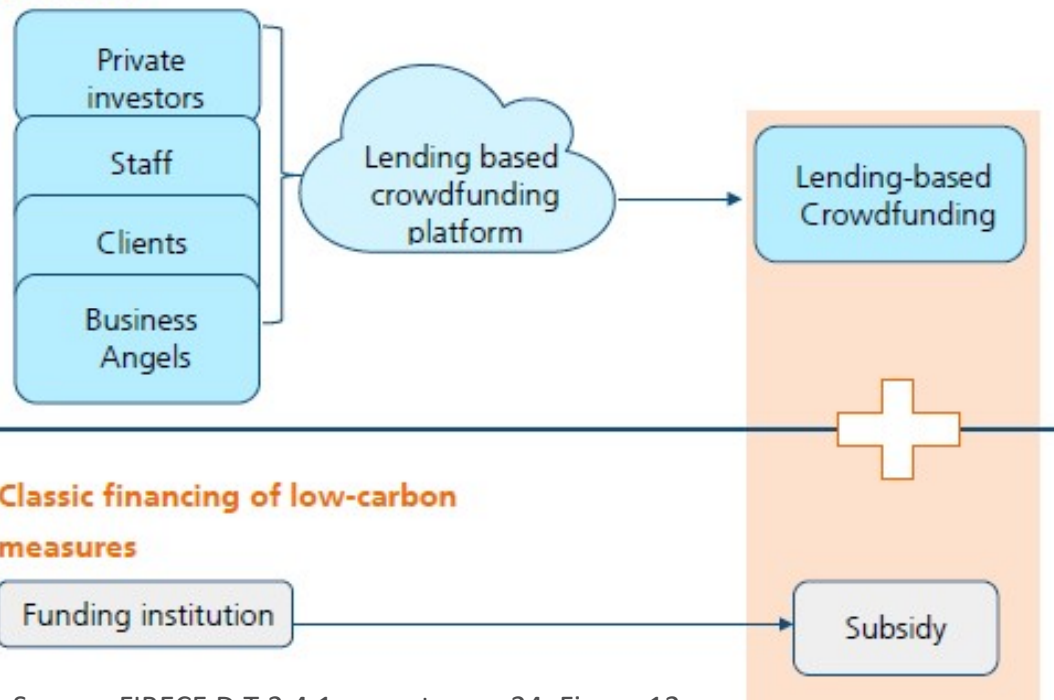
## Matchlending composed of lending-based crowdfunding and public grant

- **Scope:**

Saxon SMEs with the aim to contribute to FIRECE goals

- **Investment strategy:**

### Alternative financing of low-carbon measures



Source: FIRECE D.T.2.4.1. report page 24, Figure 12

# SCOPE OF THE ASSESSED FINANCIAL INSTRUMENTS

- **The main focus of FIRECE**: is to develop FIs which contribute to the low-carbon energy transition among SMEs in CE area.
- **A well designed FI reflects** the current economic development of the country and the typical life cycle and financial needs of target group while it should also harmonize with the European, national and regional directives and strategies concerning the potential beneficiaries at the same time.

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
1. Scope of the assessed financial instrument (max. 10 points)	7	9	8	9	9	8



# SCOPE OF THE ASSESSED FINANCIAL INSTRUMENTS

- Projects of lower volume can be covered by the proposed FIs
- Several FIs include a consultancy service which is a good practice and is worth to overtake by other partners.
- The designed interventions harmonize with the aims of FIRECE.
  - FIs of Poland and Croatia are derived from national or regional strategic programs or documents.
  - Upper Austria's FI has a more general scope.
- The financial needs of targets are usually partially unsatisfied.
- The novelty of the proposed FI shows moderate differences.



## The added value can be interpreted several ways: qualitative vs. quantitative

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
2. Value added of the financial instrument (max. 10 points)	5	9	9	10	9	8

- The qualitative analysis on the value added and the consistency with already running interventions is discussed in all reports. (See general findings of qualitative value added)
- The quantitative analysis of value added consisting of leverage and multiplicative effects remained in some of the reports limited.
- Most of the constructions contain 3 or 4 elements which help to set lower barriers to entry for applicants than other existing financial products available on the market. (guarantee, consultation, preferential interest rate, simplified application process, short approval process)



**To achieve the forecasted leverage and multiplicative effects, the source of additional financing should be deeply explored.**

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
3. Assessment of the additional resources (max. 10 points)	5	9	9	7	8	9

- The estimation of the available volume of financing opportunities on the market is less discussed in most of the reports.
- As the most successful topic, several private products are mentioned in the reports but the way how they can be attached to the FI is less frequently treated.
- Further improvement of reports: to build a concept how the identified additional resources can be used within FIRECE projects.





**A separated supply and demand side assessment helps to explorer potential market failures and to estimate the market gap, the missing part of external financing in SMEs' activity.**

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
4. Incorporation of previous experiences (max. 15 points)	12	13	12	15	15	15

- Detailed overview of running or previous public programs in general and specially suitably to energy related projects → detecting market failures
- Firms often have no information on their real energy costs thus energy savings are often expensive due to incoherent energy efficiency plans.
- A common challenge of several countries is the role of grants within the public programs.



## Partially discussed in the presented constructions of IFIs

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
5. Proposed investment strategy (max. 10 points)	7	8	10	8	8	7

- Austria: venture capital and loan element
- Hungary: grant and state-supported credit facilities and compulsory energy audit
- Italy: loan plus guarantee instrument with free consultancy element
- Poland: loan and grant component for small and medium firms and loan plus guarantee for micros
- Croatia: grant plus loan element
- Saxony: matchlending composed of lending-based crowdfunding and public grant

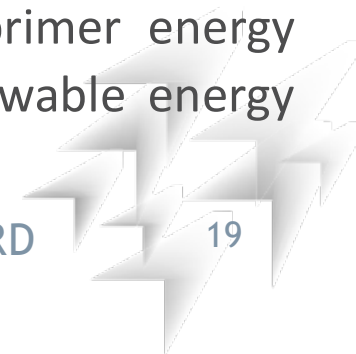


# EXPECTED RESULTS OF THE FINANCIAL INSTRUMENT

**The FIRECE Project aims to contribute to the implementation of the Regional Energy Plans and contribute to achieve the targets (in terms of Energy savings and RES) planned at EU and National Level.**

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
6. Expected results of the financial instrument (max. 15 points)	5	14	10	13	11	4

- The efficiency of authorities in reaching and financing targets: Number of approached targets or number of beneficiaries and total amount of investment. → target figures
- The performance of FI at the beneficer's level: financial figures of the supported firms, size of the project, number of employees at the beneficer, value drivers related to energy efficiency (like number and surface area of facilities that have increased energy efficiency, amount of electricity saved).
- The energy related results at regional or national level: decrease in primer energy consumption measured in PJ/year , amount of energy gained from renewable energy sources measured in PJ/year.

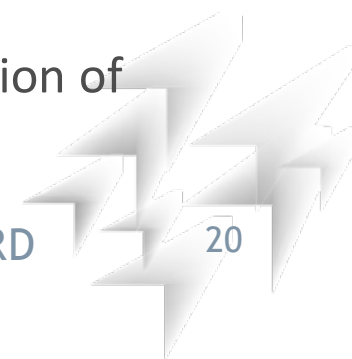


First in the design phase of the project, a high number of stakeholders are desired.

In the implementation phase a clear coordination among different participants from the supporter side (authorities, fund managers) is a key element in the success of the program. Their well defined scope of activity helps to avoid failures of the subvention process.

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
7. Involvement of stakeholders (max. 15 points)	15	13	12	14	15	14

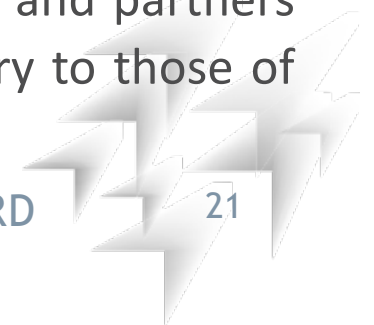
- Partners identified successfully the main stakeholders in their projects.
- Partners usually approached several future or potential stakeholders during the design phase. Interviews, workshops were conducted with the participation of authorities, market actors or other supply side agents; surveys helped to understand needs of target group.
- The level of workout regarding the governance structure or the clear definition of participants is not homogenate among partners.



**As the FIRECE partners are regional actors of member states in the EU it is important that they should design solutions which can be applied on the national and European level. An important question when considering transferability is the assessment of the applied methodology.**

Evaluation areas and evaluation criteria	Austria	Hungary	Italy	Poland	Croatia	Saxony
8. Transferability (max. 15 points)	12	14	11	14	14	13

- There are several examples for qualitative and quantitative research projects.
- Foreign good practices are only partially part of assessment. In many cases just a construction or the name of the program/product is mentioned.
- All the constructions can be transferred to other member states but the proposed FIs cannot be treated as general and standardized solutions. Before transferring good practices to other countries the related circumstances should be explored and partners should consider whether similar problems are to be solved at their country to those of the designer partner's country.



- With the Innovative Financial Instruments, partner regions will improve their capacity to meet Energy savings and RES targets according to their Regional Energy Plans and will contribute to reach the targeted % of savings and reduction of fossil fuel by Industry.
- The designed FIs will be able to contribute to FIRECE goals.
- Similarities: The FIs are derived from the local market failures and special needs of regional/national SME sector. Thus the findings regarding market failures shows certain similarities, there is a chance that the assessed six constructions can be partially or entirely transferred as good practices to partner countries.
- Differences of FIs are usually due to the different level of economic development and market situation.



## The scoring of the six FIs shows a moderate variance.

- The most established assessment was conducted by the Polish, Istrian and Hungarian partner.
- In case of two innovative solutions, the Italian and the Saxon (German) report can be improved by simply providing more information on the lowly scored criteria.
- In case of Upper-Austria there are three criteria (value added, additional resources, expected results) where a deeper assessment can help to achieve a more favourable final score.

## Scoring of decision criteria:

- The most successful parts: previous experiences, involvement of stakeholders and transferability.
- Large heterogeneity appeared in the assessment of value added and additional resources.
- The expected results were only partially part of the reports.
- Proposed investment strategy and scope of the FI are generally appropriately covered by the partners.





Nóra FELFÖLDI-SZÚCS, PhD



[szucsnora@gmail.com](mailto:szucsnora@gmail.com)



+36 20 772 2841

