



European Union

European Structural
and Investment Funds

**European Structural and Investment Funds
2014 - 2020**

Growth Programme for England

ESI Funds Growth Programme Board

ERDF Financial Instruments: Ex-ante Assessments

Purpose:

The completion of an Ex-ante Assessment is compulsory for all Financial Instrument projects under EC Regulations, as is the requirement that these must be submitted to the Board for information. Four Financial Instruments were approved by the Managing Authority in November and their Ex-ante Assessments are attached.

Recommendation(s):

That the Growth Programme Board accepts for information the following Ex-ante Assessments:

- The Northern Powerhouse Investment Fund;
- North East Fund;
- Midlands Engine Investment Fund; and
- Greater Manchester Urban Development Fund.

Summary:

The EC's Common Provisions Regulation sets a requirement for each Financial Instrument project in the 2014-20 ESIF Programme to undertake a compulsory ex-ante assessment.

These must be completed before the Managing Authority decides to make the ERDF contribution to the project. Furthermore, upon completion, it must be submitted to the Growth Programme Board (Programme Monitoring Committee) for information, and the assessment's summary findings and conclusions published within three months.

Grant Funding Agreements for four Financial Instrument projects were contracted before the Autumn Statement. Therefore, the Ex-ante Assessments for these are provided for information as required by EC Regulations.

Ex-ante Assessments

1. The requirement for each Financial Instrument project in the 2014-20 ESIF Programme to undertake a compulsory ex-ante assessment was introduced in the EC's Common Provisions Regulation (Regulation (EU) No 1303/2013 - Article 37).
2. The overall objective of the ex-ante assessment is to promote the use of sound evidence-based decision making when designing and implementing FIs.
3. The Regulation sets out that support of Financial Instruments shall be based on an ex ante assessment which has established evidence of market failures or suboptimal investment situations (the Market Analysis - Block 1); and on the estimated level and scope of public investment needs, including types of financial instruments to be supported (Delivery & Management - Block 2). A brief description of the requirements of an ex-ante assessment is set out in annex 1.
4. The ex-ante assessment can be performed in stages, but it must be completed before the Managing Authority decides to make the programme contribution to the project.
5. Finally, the ex-ante assessment must be submitted to the Programme Monitoring Committee for information, and its summary findings and conclusions published within three months of their date of finalisation.

The Projects

6. The MA has completed its appraisal of the first four ERDF Financial Instrument projects applications submitted using the agreed appraisals process; and Grant Funding Agreements (GFAs) were signed in November before the Autumn Statement. These were:

Project	FI Type	Applicant	ERDF	Match	Total Investment
Northern Powerhouse Investment Fund	Access to Finance	Department for BEIS	£140.4m	£261.6m	£402m
Midlands Engine Investment Fund	Access to Finance	Department for BEIS	£78.5m	£187.5m	£266m
The North East Fund	Access to Finance	North Tyneside Council	£58.5m	£86m	£144.5m
Greater Manchester Fund of Funds	Urban Development & Energy Efficiency	Greater Manchester Combined Authority	£60m	£60m	£120m
Totals			£337.4m	£595.1m	£932.5m

7. The ex-ante assessments for these were completed and assessed as part of the MA's project appraisal process before the GFAs were signed. They are now provided to the Board for information together with a summary outlining the project approved – see attached. These are very large documents, so please consider carefully before printing. They will be published on the Department's website by mid-February.
8. Ex-ante Assessments for other ERDF Financial Instruments will be shared with the Board and published as projects are approved.

John Horseman
Financial Instruments Policy Manager, DCLG
23 November 2016

Article 37 (2) requirements	Description	Market Analysis – Block 1
a) Analysis of market failures, suboptimal investment situations and investment needs	<ul style="list-style-type: none"> • Identification of the main reasons, type and size of market failure and suboptimal investment situations with a good practice methodology to make sure the FI resources are used where they make a difference; • FI needs to contribute to the strategy and to the expected results of the relevant Programme(s) by bridging a viability gap or a financing gap. 	
b) Value added of the financial instruments	<ul style="list-style-type: none"> • Check the value added of the FI; • Consistency with other forms of public intervention addressing the same market failure to limit overlap and avoid conflicting targets; • Possible State aid implications including the proportionality of the envisaged intervention to the identified market needs; • Measures to minimise market distortion resulting from the FI. 	
c) Additional public and private resources	<ul style="list-style-type: none"> • Estimate of additional public and private resources to be potentially raised by the FI; • Co-financing down to the level of the final recipient; • Expected leverage effect; • If relevant, an assessment of the need for and level of preferential remuneration to attract counterpart resources from private investors. 	
d) Lessons learnt	<ul style="list-style-type: none"> • Analysis of lessons learnt from similar or instruments considered relevant in the past; • Analysis of ex-ante assessments carried out by the MS in the past; • Application of these lessons to make sure that the FI builds on existing and acquired knowledge. 	Delivery & Management - Block 2
e) Proposed investment strategy	<ul style="list-style-type: none"> • Thematic and geographical coverage of the FI; • Ensure that within the meaning of Article 38, the most appropriate implementation option is chosen in regard to the country/regional situation; • Financial products to be offered to ensure an adequate response to market needs; • Final recipients targeted; • If relevant, envisaged combination with grant support to maximise efficiency and ensure minimum intensity of the support element/element of subsidy. 	
f) Expected results	<ul style="list-style-type: none"> • Specification of the expected results and outputs of the FI within the priority of the Programme(s); • Definition of reference and target values based on the specific contribution of the FI to the priority of the Programme results and outputs indicators. 	
g) Provisions allowing the ex-ante assessment to be reviewed	<ul style="list-style-type: none"> • Rationale for the revision of the ex-ante assessment; • Practical and methodological procedures to update the ex-ante assessment; • Steps to adapt the FI implementation. 	