



**Financial instruments in Slovakia
within 2014-2020 programming period –
Insights on financing student loans**

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Public investment in Slovakia



- In the area of public investments, Slovakia is dependent on ESI Funds
- More than 80% of all public investments are financed from ESIF
- The question is simple: what to do when the ESIF will run out?
- The answer is even simpler: financial instruments



Previous experiences with FIs in Slovakia



- Some experience from the 2007-2013 period with the use of financial instruments in JEREMIE and JESSICA initiatives (with the help of EIF)
- Based on experiences from 2007-2013 decision was made for 2014-2030 to set up special purpose vehicle – Fund of funds
- Fund of funds – founded by the state, centrally managed investment company being responsible for implementing of ESI Funds in the form of financial instruments



Structure of FIs proposed for 2014-2020



- The role of the Fund of funds:
 - build the know-how and expertise
 - management of the legacy funds from 2007-2013 period
 - way to implement financial instruments in 2014-2020 period
 - reuse the funds for public investments in Slovakia for many years to come, even after the end of cohesion policy
- The investment company will attract funds both from ESIF and for the private sector



Set up of FIs in Slovakia



- 1) In 2014 government decided that at least 3% of the ESIF allocation will be used for financial instruments
- 2) Comprehensive ex-ante analysis
 - done in 2014 for all Operational Programmes (centrally managed approach)
 - prepared by European Investment Bank and PwC
 - updated in 2017-2018, extension to new sectors and areas
- 3) Slovak Investment Holding was set up under Slovak Development and Guarantee Bank as a Fund of funds structure
- 4) Drafting and approving of a special Law 323/2015 Coll. on financial instruments
- 5) Signing of funding agreements and transfer of funds to the SIH



Additional ex-ante analysis of public R&D sector



- 1) Realisation: October 2018 – June 2019
- 2) Focus on 3 target groups within public R&D:
 - State sector (Slovak Academy of Sciences and other state research inst.)
 - University sector (public universities and their spin-offs initiated by students or empl.)
 - Independent non-profit R&D inst. & individuals (private persons) engaged in R&D
- 3) Analysis in line with Art 37 of the CPR (investment needs, market offer, identification of financial gaps)
- 4) Assessment of financial needs of research in different TRL phases
- 5) Identification of 7 financial instruments (overall absorption: EUR 88,6m – EUR 138,3m)
 - Out of them 4 targeted i.a. on students: loan, guarantee, subordinated loan and fund to support prototypisation



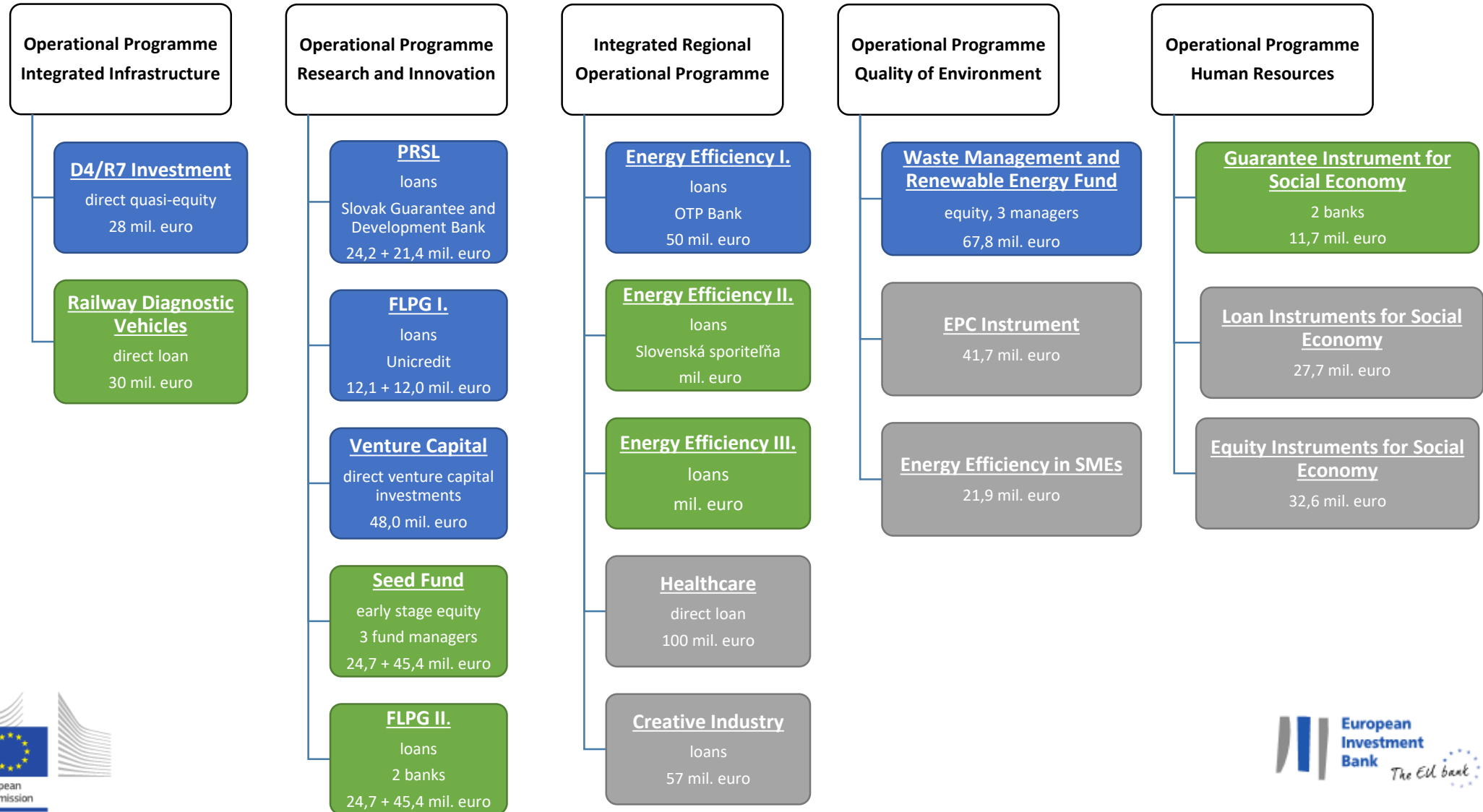
Slovak Investment Holding structure



- Slovak Investment Holding: Fund of funds manager
- National Development Fund I: legacy funds from 2007-2013
- National Development Fund II: financial instruments from 2014-2020
- Slovak Asset Management: manager for non-ESIF financial instruments
- European Investment Advisory: part of EFSI advisory



Structure of FIs in Slovakia



Key Challenges



- Persistent affiliation to grant support
- National gold plating
- Excessive verification and audit requirements
- Ex-ante: just a snapshot in time, requires lengthy updates
- Combination of financial instruments and grants
- Equity: eligibility period and management costs and fees not in line with market standards
- Public procurement issues
- State aid issues



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Proposed use of FIs in the period 2021-2027



Cohesion Policy 2021-2027 Measures under PO 1 where financial instruments are envisaged	FIs (ERDF)	FIs (ESF)
Specific objective 1.1 Extension of research and innovation capacities and utilisation of advanced technologies		
Measure 1.1.1 Support of cooperation between academic institutions and companies	X	
Measure 1.1.2 Development of human capacities within R&D	X	X
Specific objective 1.4 Development of skills for intelligent specialisation industrial transformation and entrepreneurship		
Measure 1.4.5 Conditional support of university students	X	X



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Financial support of university students in Slovakia



- Calls for proposals – OP Human resources
 - Support to university education
 - Connection of university education with the market needs
 - Support of students in educational fields
- Fund for support of Education (FNPV) – specialised public fund (*approx. EUR 3-4m of loans provided yearly*)
 - Micro loans for students – up to EUR 3 500
 - Micro loans for doctorands – up to EUR 6 000
 - Micro loans for teachers – up to EUR 15 000
- National stipend programme – managed by SAIA
- Stipends/ scholarships provided by universities



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FIs supporting students – Open issues



- Decreasing number of students/ outmigration – consequences towards absorption capacity
- Financing of returns
- Lacking experiences with returnable support
- Credits to individual persons – higher requirements for guarantees/ collateralisation
- Rising trends in personal bankruptcy
- Combination of credits with grants – partial transfer of credit into grant
- Rate of default and sustainability of the FI



