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FI4INN

Guidelines on setting significant KPIs to evaluate the process

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The Evolving Role of Financial Instruments

Financial instruments (FIs) have evolved far beyond their origins as vehicles for capital deployment. Whether backed by public, private, or blended sources, they are now critical tools in shaping systemic change— addressing societal challenges, accelerating innovation, and steering economies toward green and inclusive futures.

This evolution demands a more robust, multidimensional approach to evaluating FIs. Traditional metrics— such as internal rate of return or fund absorption rate— no longer suffice. Decision- makers must now also account for impact: on people, on places, and on the planet.

This report offers a dual-focus evaluation framework. It first presents a set of general KPIs for all types of FIs, and then zooms in on public and blended FIs, which must demonstrate their value in fulfilling government mandates. The aim is to empower FI managers, regional policymakers, and public agencies to design instruments that are not only efficient but also transformative.

Why Evaluate Beyond Financial Returns?

Governments and development banks are increasingly held accountable not just for how they spend, but for the outcomes they enable. As public scrutiny grows, so too does the need for transparency and legitimacy in the design and deployment of financial tools. Simultaneously, private sector impact investors and blended finance providers are seeking clearer evidence that capital is doing more than generating profit— it must also create measurable socia and environmental value.

A new generation of financial instruments is emerging— mission- driven, equity-oriented, and climate-resilient. These must be assessed using KPIs that reflect complexity: from startup ecosystem health to carbon emissions avoided; from local job creation to digital equity outcomes.

Recommended KPIs for Evaluating Financial Instruments (All T ypes)

	Category	Example KPIs	Explanation
FI Process KPIs	**Deployment Efficiency**	Time from approval to disbursement; % of funds allocated vs absorbed	Measures speed and effectiveness of fund delivery, avoiding delays that may hamper implementation.
	Risk and Leverage	Leverage ratio (public/private); default rate; risk-adjusted return	Evaluates how well public or catalytic funding mobilizes private capital, and the risk exposure of the portfolio.
	Stakeholder Reach	# of applicants; diversity of recipients by sector, size, geography	Ensures the FI is accessible and inclusive across sectors, regions, and demographic groups.
	Transparency	Availability of decision criteria; stakeholder engagement	Assesses how open the FI is in its selection process, critical for legitimacy and trust.
	Innovation Fit	% of supported ventures with disruptive or deep tech elements	Captures the alignment of funded ventures with innovation goals or national S3 priorities.

	Impact Area	Sample KPIs	Explanation
Outcome-Oriented KPIs (Investee Performance)	**Environmental Impact**	Tons of CO_2e avoided; % energy efficiency gain	Quantifies contribution to climate goals, especially important for green investments.
	Social Inclusion	# of jobs for underserved groups; % ventures led by women/migrants	Tracks social equity outcomes, including how well the instrument supports disadvantaged populations.
	Economic Performence	Revenue growth; job creation; % survival after 2 years	Indicates the health and scalability of the supported enterprises.
	SDG Alignment	% of portfolio contributing to SDGs	Measures relevance of the portfolio to broader societal goals.
	Innovation Output	TRL progress; IP developed; new product launches	Demonstrates concrete innovation outcomes tied to the FI's mandate.

Public and Blended FIs: Evaluating for Public Value

Public financial instruments are policy tools before they are market mechanisms. Their ultimate success is measured not just in repayment rates, but in achieving policy goals: reducing youth unemployment, accelerating the green transition, supporting SMEs in lagging regions, and strengthening social cohesion.

Blended instruments, which combine public and private capital, also carry dual mandates. They must mobilize capital while also reaching underserved markets—and their evaluation must capture this balance.

Key Trends in Public FI Evaluation

1. **Outcome-Based Budgeting**
   Funding is increasingly tied to the achievement of predefined results, such as job creation or emissions reduction, rather than just fund absorption.
2. **Blended Finance with Purpose**
   Blended instruments are used to de-risk sectors where private capital hesitates—such as early-stage social innovation or deep climate technologies.
3. **Mission-Oriented Instruments**
   These FIs are designed to deliver on specific public missions such as net-zero emissions, digital equity, or regional cohesion. Evaluation frameworks must reflect those mission goals.
4. **Inclusive Entrepreneurship Focus**
   Many public FIs now mandate quotas or targets for supporting entrepreneurs who face systemic barriers—women, youth, ethnic minorities, or rural populations.

5. **Trust Through Transparency**
   Open calls, participatory design, and public dashboards are increasingly the norm, helping ensure public trust and legitimacy.

Public Value-Oriented KPI Framework

	Category	Example KPIs	Policy goal
FI Process KPIs (Policy-Linked)	**Efficiency & Reach**	Avg. time to disbursement; % budget spent	**Timely deployment**
	Equity & Inclusion	% of funding to women, youth, or rural-led ventures	**Social equity**
	Transparency	Criteria publication; stakeholder involvement	**Public accountability**
	Additionality	% of investees without alternative financing	**Market failure correction**
	Leverage	Private € per public € invested	**Capital efficiency**

	Goal Area	Sample KPIs	Explanation
Beneficiary KPIs (Mission-Aligned Outcomes)	**Local Job Creation**	# of decent jobs created; regional distribution	Focuses on employment impact and rural or lagging regions.
	Innovation Output	TRL increase; digital/green innovations piloted	Tracks technology maturity and relevance to EU missions.
	Climate Performance	CO_2e savings; improved energy/resource use	Reflects environmental contribution of supported projects.
	Social Impact	# of vulnerable populations served; inclusive hiring	Captures equity in service delivery and employment.
	Resilience & Growth	% still active after 2 years; revenue/funding progression	Gauges long-term viability and growth trajectory.

Real-World Good Practices

- **Austria: aws Seedfinancing Impact**
  The Austrian Wirtschaftsservice (aws) includes an impact reporting requirement in its equity financing instruments. Startups are asked to report on their SDG contribution, including gender inclusion, environmental sustainability, and innovation outcomes. This has helped aws fine-tune its portfolio and enhance accountability in venture support.
- **Slovenia: Smart Specialisation Strategy (S3)**
  Slovenia links its financial instruments to specific RIS3 goals. Each FI must demonstrate how it

supports the development of smart specialisation areas such as sustainable tourism, advanced manufacturing, or green mobility. Regional KPIs measure outcomes like patents filed, new collaborations, or uptake of digital tools in SMEs.

- **Germany: Social Impact Bonds (SIBs)**
  In North Rhine-Westphalia, a SIB for NEET youth linked funding to actual job placement outcomes. If the service provider did not meet the employment targets, public funding was withheld. This created a powerful incentive structure for performance, while also protecting public budgets from non-performing interventions.
- **Italy: Climate-Oriented Blended Finance**
  In Italy, regional development banks paired public guarantees with subordinated loans for early-stage climate tech ventures. The KPIs were ambitious—each funded company had to demonstrate projected CO_2 reduction and energy efficiency gains. Results were verified through third-party audits, and follow-on funding was contingent on milestone achievement.

Recommendations for Public FI Managers

- **Design with Impact from the Start**
  Define expected societal outcomes in the FI's design phase. Include them in calls, selection criteria, and contracts.
- **Align with Government Strategies**
  Ensure the instrument maps onto relevant public mandates such as National Recovery Plans, Cohesion Policy priorities, or local economic development strategies.
- **Balance Quant and Qual**
  Use mixed methods to understand both numeric KPIs and qualitative dimensions of change (stories, case studies, beneficiary interviews).
- **Use Technology for Monitoring**
  Adopt simple M&E platforms to streamline data collection and visualization for public reporting.
- **Share Learning and Iterate**
  Create peer learning environments and after-action reviews to improve each generation of instruments.

Final Reflection: Finance as Public Architecture

As financial instruments take on more ambitious missions, their evaluation must do the same. Success in tomorrow's investment landscape means achieving system change—not just financial solvency. By adopting a broader impact lens, public and blended financial instruments can be not only efficient, but deeply meaningful—turning capital into long-term resilience, equity, and innovation This requires:

- **New ways of measuring public value**
- **Stronger links between funding and societal goals**
- **A commitment to transparency, iteration, and learning**