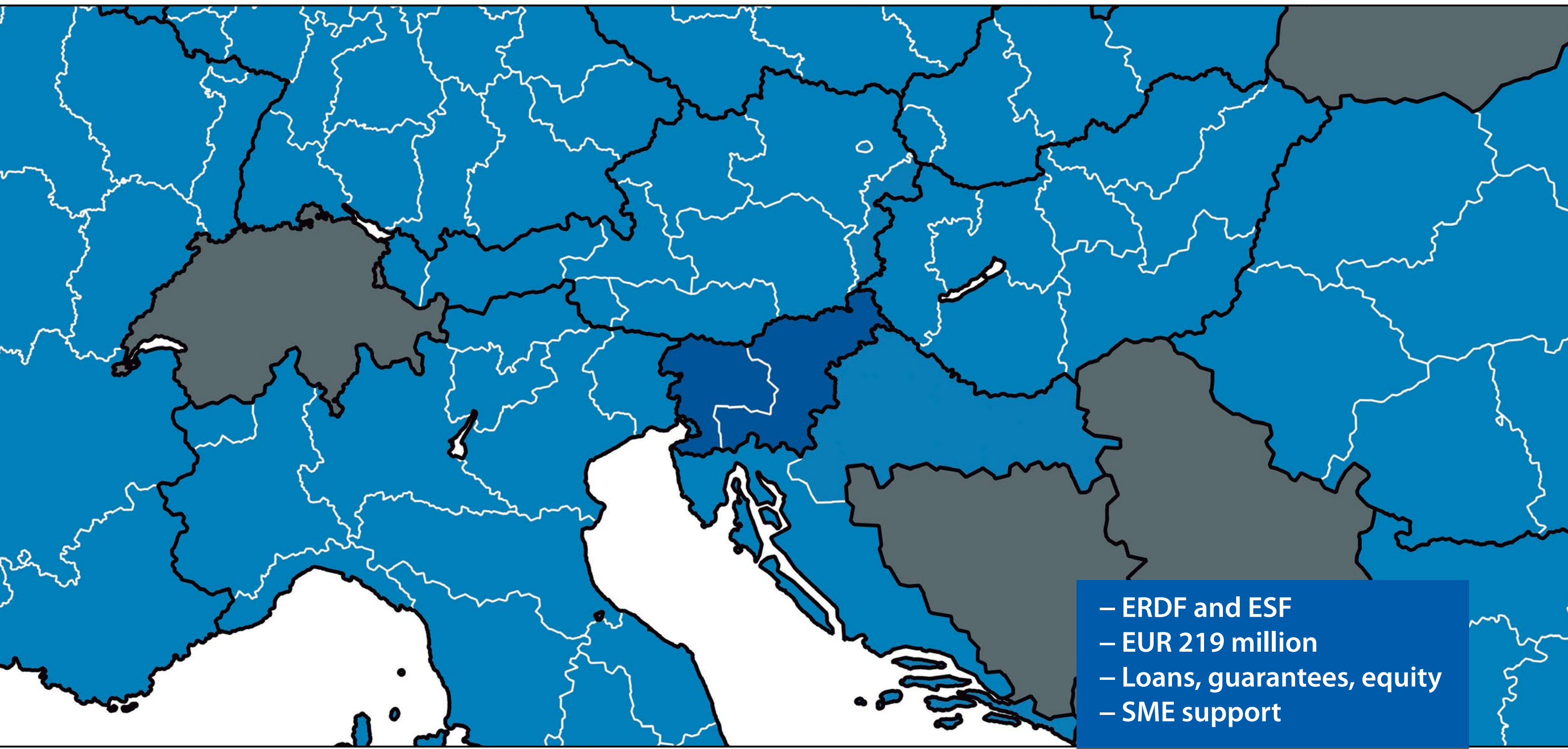

– ERDF and ESF
– EUR 219 million
– Loans, guarantees, equity
– SME support

... contributing to a better business environment through synergies between different forms of support ...

Programme of Financial Engineering Instruments for SMEs, Slovenia

Case Study

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The authors of this study are a consortium of five companies: Sweco (lead), t33, University of Strathclyde – EPRC, infeurope and Spatial Foresight.

Abbreviations

Abbreviation	Full name
EIF	European Investment Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
OP	Operational Programme
OP HRD	Operational Programme for Human Resources Development
OP SRDP	Operational Programme for Strengthening Regional Development Potential
PFEI	Programme of Financial Engineering Instruments for the period 2009-2013
SEF	Slovene Enterprise Fund
SME	Small and medium-sized enterprise

Table of contents

1 Summary

This study describes how European Union (EU) co-financed financial instruments mixed with grants contributed to a better business environment through different forms of support under the 'Programme of Financial Engineering Instruments for small and medium-sized enterprises' (PFEI). This innovative programme combined different funding sources and created synergies such as encouraging debt financing with grants and strengthening access to financial products with technical support. Its financial products (loans, guarantees, and equity investments combined with technical support) were targeted at micro, small and medium-sized enterprises (SMEs) and funded through the 2007-2013 Operational Programme (OP) 'Strengthening Regional Development Potentials' (SRDP) by the European Regional Development Fund (ERDF) and the 2007-2013 OP 'Human Resources Development' (HRD) by the European Social Fund (ESF), as well as national resources. The PFEI helped SMEs tackle low productivity, liquidity constraints and under-capitalisation. An example described here is 'Acies bio', an innovative enterprise that quickly expanded its activities through support received from the PFEI through the Slovene Enterprise Fund (SEF).

This case study shows how prompt reactions to changing financial markets can promote private investment and stimulate economic growth. The financial instruments directly assisted 2 294 SMEs with EUR 387 million of financing at lower than market rates, as well as with coaching and technical support. This stimulated EUR 708 million in direct investment as of December 2015. The products were funded from the ERDF and ESF (53%), national financing (32.2%), SEF's own resources (7.4%), and revolving funds (7.4%), partly from 2004-2009 and partly from the 2007-2013 programming period (starting in 2009).

Close cooperation between public authorities, financial intermediaries and other public and private bodies ensured financial products that were suitable to the needs of final recipients, contributing to the success of the initiative. However, the benefits of financial instruments were not well understood at the start. This was overcome through consultation and awareness-raising campaigns.

The SEF will continue to use ERDF funds to contribute to business development in Slovenia in the 2014-2020 programming period. It will do so by adopting swift, simple, transparent and efficient procedures that minimise the time and effort required to invest. A lesson learned is to identify the needs of final recipients and react suitably with resource and product combinations.

THE FINANCIAL INSTRUMENT

Funding sources

ERDF 2007-2013 OP SRDP and ESF 2007-2013 OP HRD

Type of financial products

Loans, guarantees with interest rate subsidies, equity, quasi-equity

Financial size

EUR 136.6 million from OP resources, combination of EU Funds with EUR 105.9 million from ERDF and EUR 10.2 million from ESF plus EUR 20.5 million EUR of national co-financing
PFEI also included other public and private resources of EUR 82.4 million that were used together with the OP resources
Total PFEI support was EUR 218.8 million

Thematic focus

SME support

Timing

June 2009 to December 2016

Partners involved

Government Office for Development and European Cohesion Policy (managing authority)
SEF (holding fund manager)
Commercial banks, venture capital companies, business angels, other private investors
Synergy partner support for entrepreneurs, such as incubators and technological parks

ACHIEVEMENTS

Absorption rate

All resources were absorbed by the end of 2016

EU leverage

5.8 times[1]

Leverage of public resources

3 times[2]

Re-investment

Repayments from 2016 onwards

Main outputs

2 294 SMEs supported with EUR 387 million of financial support unlocked EUR 708 million in total SME investment as at 31st December 2015. Through the PFEI programme and other financial instruments, 7 300 new jobs were created and another 88 000 maintained.

1 EU leverage is calculated as the total amount of finance reaching final recipients (i.e. EUR 708 million) divided by the total amount of EU Funds allocation to this financial instrument (i.e. EUR 116.1 million).

2 Leverage of public resources is calculated as the total amount of finance to eligible final recipients, i.e. EUR 708 million, divided by the total amount of public resources allocated to this financial instrument, i.e. EUR 219 million. It does not include the reuse of resources returned to the instrument.

2 Objectives

SMEs in Slovenia have faced difficulties in obtaining financing for development investment, both in their early stages as well as in their development and growth stages. Structural problems have been reflected in the slow growth of SMEs and the low percentage of innovative and high-tech enterprises. Problems escalated with the 2009 economic crisis as companies struggled with lower orders and less liquidity.

Bank loans required high collateral, especially due to the economic and financial uncertainty. These high collateral requirements and an increasingly stringent system of credit rating, meant resources were inadequate or inaccessible for SMEs in their early development period. Also, SMEs often did not take advantage of existing financial opportunities because of a lack of information about the potential funding or a lack of capacity to present their company, business idea and funding needs to potential investors. In addition, there was a shortage of entrepreneurial know-how for the set-up and implementation of high-tech and innovative projects.

The venture capital market was insignificant, with Slovenia's share of venture capital investments to gross domestic product ranking very low in comparison to other European countries. Despite the lack of venture capital, there was no decrease in the creation of new companies, but conditions for fast-growing businesses were not as favourable. The lack of venture capital also hindered formation of high-tech companies needing more seed and start-up capital that, due to their innovativeness and higher risks, could not obtain sufficient funding from other sources.

In 2008, a European Investment Fund (EIF) evaluation on the access to finance for micro, small and medium-sized enterprises in Slovenia identified major market failures justifying the use of public support. In October 2009, the government acknowledged market gaps in SME financing and created the programme of financial instruments for the 2009-2013 period, which included equity and debt products. This strategy for implementing financial instruments was under SRDP OP priority axis one, 'Competitiveness and Research Excellence' and under the HRD OP priority axis 'Equality of opportunity and promoting social inclusion'. An overarching strategy highlights where to target financial instruments. It encompasses all financial instruments described in this case study, and recommends a holding fund, in this case the SEF.

PFEI was designed to combine different funding resources, creating synergies and ensuring strong support. The process of implementing financial instruments benefited from the know-how of the managing authority, who had already implemented financial instruments in the 2004-2006 period, and the expertise of other partner institutions, including the Ministry of Economy and the Ministry of Finance. Gaining political support and establishing a general understanding of the advantages of financial instruments was challenging.

Before PFEI, so before the strategy for implementing financial instruments using ERDF, was put in place, SMEs in Slovenia could access grants through SEF for investment in new technical equipment, as well as loan guarantees with interest rate subsidies. SEF was assigned responsibility in the SRDP OP for promoting entrepreneurship, which includes both financial instruments and grants. In 2008 and 2009, before PFEI, SEF had disbursed almost EUR 84 million in grants to SMEs. With PFEI, the majority of grants for SMEs were replaced by financial instruments.

Acies Bio: Objectives

Acies Bio is a research organisation providing state of the art biotechnology and organic synthesis services to the pharmaceutical, biotech, chemical, agro, and food sectors. The company offers customers full support from idea conception, through research, to product development. It covers all key development steps for the efficient production of biosynthetic natural products, their semi-synthetic derivatives, or entirely synthetic compounds.

Although the company had been planning a strategic expansion for several years, it could not get the necessary financing. A guarantee with interest rate subsidies from PFEI and a grant for new laboratory equipment from the SEF made the expansion possible. Using this support, the company funded an entirely new laboratory and increased laboratory space by 200 m^2. They also strengthened their capacity in organic synthetic chemistry.

Through this investment, the company has expanded the services it offers to pharmaceutical customers. The company also increased its potential to enter new markets and reach new customers. Moreover, it can now fund its own development projects more easily.

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3 Design and set-up

The financial instrument was set up under the OP SDRP to fill a market gap in SME access to finance and to promote entrepreneurship. It provided venture capital funds, guarantees and technical support through the SEF, acting as a holding fund manager, which also combined PFEI assistance with other private and nationally funded financial instruments targeted at the same final recipients.

3.1 Preceding events

Financial instruments in the form of loan guarantees with interest rate subsidies, were foreseen in the 2007 draft for OP SRDP by the managing authority, the Government Office for Development and European Cohesion Policy. The 2008 EIF study quantified gaps in microfinance, credit and guarantees for expansion activities, venture capital and business angel networks. The SRDP OP aimed to fill these gaps by providing finance combined with entrepreneurship support services, development and research. The synergies tackled several gaps identified in the study, namely:

- **Low provision of finance** for SMEs for further growth and expansion, especially microfinance, domestic credits and guarantees. Growing companies with a high share of research and development did not have adequate cash flow or tangible assets large enough to be used as collateral.
- **Finance not adapted to SME needs** – banks treat microenterprises as individuals, offering them consumer credits. Growth often stops when they exhaust their private sources of finance.
- **Under-developed venture capital activities** compared to GDP and to other Central European Member States. In addition, the study also found very few business angel networks.

In October 2009, the government adopted the PFEI. In the same year, the Ministry of Economy signed a funding agreement with SEF to implement the financial instrument programme, which continued to the end of 2016. After October 2009, when PFEI provided a strategic direction for financial assistance to entrepreneurship through SEF, equity products were also introduced, and a significant part of the grants were replaced by financial products.

SEF was directly awarded the management of this set of instruments through a holding fund established as a separate block of finance within SEF, under ERDF provisions. The new set of tools, including financial instruments and grants (in the form of interest rate subsidies) under PFEI were managed by SEF. At the same time the fund ran its own and nationally funded instruments.

3.2 Funding and partners

The main funding partners in the PFEI financial instruments were the **managing authority**, represented by the Government Office for Development and European Cohesion Policy, the **holding fund manager**, SEF, and **private co-investors** such as business angels, commercial banks and venture capitalists. These different funding sources were administered through a holding fund managed by SEF. They were bundled together with other national support and repaid funds, to achieve economies of scale and maximise the impact.

Table 1: Funding sources for PFEI as at 31st December 2015

Funding sources	EUR
ERDF, ESF and national co-financing	136.6 million
- of which ERDF and ESF	116.1 million
- and national co-financing	20.5 million

Within PFEI, OP resources were combined with EUR 82.4 million from other sources, as below:

Table 2: Additional funding sources within the SEF, used to create synergies with PFEI resources

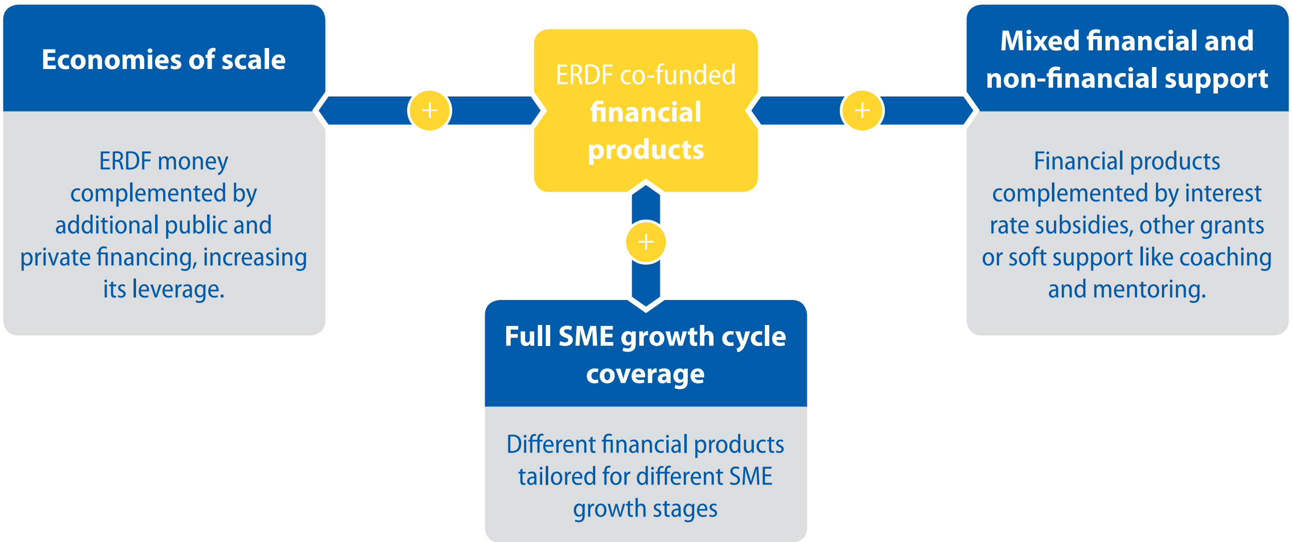
Funding sources	EUR
Additional public – national financing	50 million
Private (SEF)	16.1million
Revolving funds from 2004-2009	16.3 million
TOTAL	82.4 million

In addition, PFEI attracted additional private finance. Its venture capital compartment invested alongside four private investors, leading to a mix of 49% public funds from PFEI and 51% from private investors particularly interested in young and start-up enterprises. As with the guarantee compartment, PFEI shared credit risks with commercial banks.

3.3 Investment strategy

The PFEI investment strategy resulted from the October 2009 PFEI framework, as well as the funding agreement between the managing authority and the holding fund manager, concluded the same year. The strategy took advantage of the 'catch-all' quality of the holding fund manager. As a public entity, SEF could combine ERDF, national and own resources to create economies of scale and synergies in the types of support offered. In addition, SEF also reaped the benefits of its vast network of private partners, to involve them as co-investors in financial instruments. As illustrated in the previous sub-section, PFEI funds complemented other funding to better assist final recipients creating several synergies, as illustrated in the figure below:

Figure 1: Synergies between ERDF co-funded financial products and other support measures



The investment strategy of PFEI was combined with that of the SEF to create synergies. This allowed for different financial products: equity, quasi-equity, loans and guarantees, combined with interest rate subsidies and non-financial support such as coaching and technical advice. Equity, quasi-equity, loans and guarantees combined with interest rate subsidies were funded through PFEI, coaching and technical advice were funded by resources outside PFEI.

The combination of financial and non-financial support was another important synergy achieved by SEF, allowing SMEs to not only obtain financing, but also to learn how to use it better. SEF identified the need for combining funding and non-financial support from earlier experience with delivering business support. In 2014, the seed capital product included non-financial support in the form of coaching and mentoring by experts from Slovene incubators and technology parks, as well as by advisors from outside Slovenia. Technical support, such as coaching, networking and incubator services, particularly important in the earlier stages of enterprise development, was free of charge.

Support was also available during the application process. Enterprises used free software on the fund website to start their application process, including writing their business plan. Fund advisors provided advice free of charge.

3.4 Governance

Several players were involved in the PFEI governance structure. This sub-section looks at the governance structure of the holding fund manager, which combined PFEI assistance with other support to maximise the effect.

Established in 1992, SEF was the PFEI **holding fund manager,** overseen by a **supervisory board** with members from the Ministry of Economy, Ministry of Finance, Chamber of Craft of Slovenia, Chamber of Commerce and Industry of Slovenia, the Bank Association of Slovenia and Government Office for Development and European Affairs. The holding fund manager benefited from the expertise and network of its supervisory board, to carry out its duties in the most effective way.

In addition to the holding fund manager, several partners took part in the implementation of PFEI. **Venture capital companies, private investors and business angels** contributed to equity products, particularly for start-ups and young enterprises. In implementing guarantees, the holding fund manager cooperated with **commercial banks** to share risks of financing SMEs.

The holding fund manager regularly cooperated with the existing **support environment for entrepreneurs**, such as incubators and technology parks providing coaching and mentoring to young and start-up enterprises. Finally, **international players and associations** such as the EIF and the European Association of Guarantee Institutions also helped ensure synergies, for instance through EIF counter-guarantees provided to financial products from the holding fund manager.

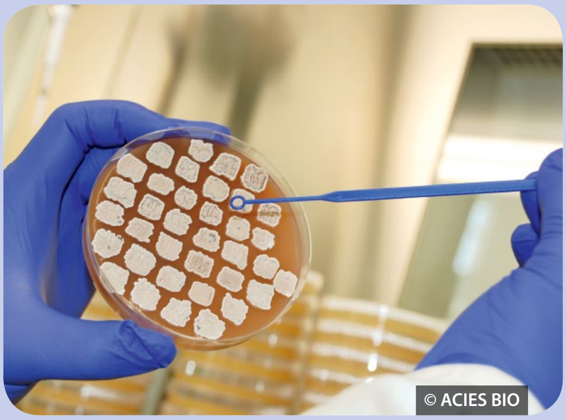
The financial products were promoted by the fund through its website, which is well known among entrepreneurs, and through a newsletter. Promotional material, such as brochures and leaflets with basic information on products, was handed out, especially at entrepreneurial workshops, events, round tables, and info points, where enterprises could get information about the products in one place, along with individual consulting. Promotional activities were successful since all financial resources have been disbursed.

The basic monitoring and reporting mechanisms for financial instruments are defined in PFEI but additional requirements are defined in individual contracts with investors. Monitoring and reporting is specific for each financial product (guarantees, loans, and equity), as financial products are evaluated separately.

Acies Bio: Application and administration

Acies Bio was planning to expand its capacity in the field of chemistry for several years, but was not able to fund it from their own budget. They decided to apply for a guarantee from SEF which, combined with a grant for technical equipment, could provide the finance needed for development.

They interacted with SEF and a bank, from whom they got a loan. They got most information from the SEF website. The whole process ran swiftly and they did not experience major administrative burden.



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4 Implementation

The financial instrument provided different financial products to SMEs, according to final recipient needs and development stages. SMEs were also supported during preparation of applications, as well as through mentoring, coaching, training and workshops. The strategy was reviewed with the changing economic situation, adding debt and microcredits to better suit market demand and help SMEs counter the effects of the financial crisis.

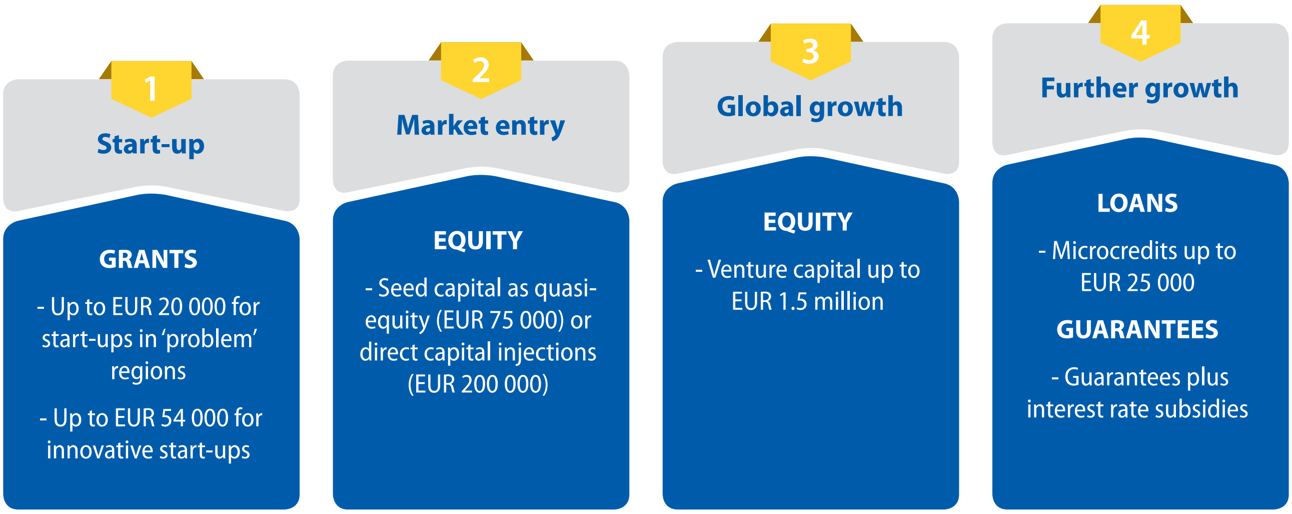
4.1 State aid

State aid for equity financing instruments through the holding fund was implemented under Article 29 Regulation 800/2008/EC.[3] Also, a special scheme of State aid was introduced for venture capital companies at Member State level. According to the programme of measures to promote entrepreneurship and competitiveness for 2007-2013, debt financing instruments were *de minimis* aid.

4.2 Financial products and terms

The holding fund manager offered financial products tailored to the different needs of SMEs during their development, as illustrated in the figure below. It supported enterprises at the start with seed capital, in their growth phase with venture capital and more mature companies with guarantees and loans. This ensured the effectiveness of support and improved the survival rate of target enterprises. The PFEI financed equity (seed capital, direct capital investment, venture capital), loans and guarantees with an interest rate subsidy.

Figure 2: Financial products offered by the holding fund manager throughout the SME development cycle



3 European Commission, Regulation No 800/2008 of 6th August 2008 'Declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation)'.

For **start-ups**, holding fund manager products were tailored for innovative start-ups and 'problem' region[4] start-ups. For innovative start-ups, it provided grants with a coaching programme.

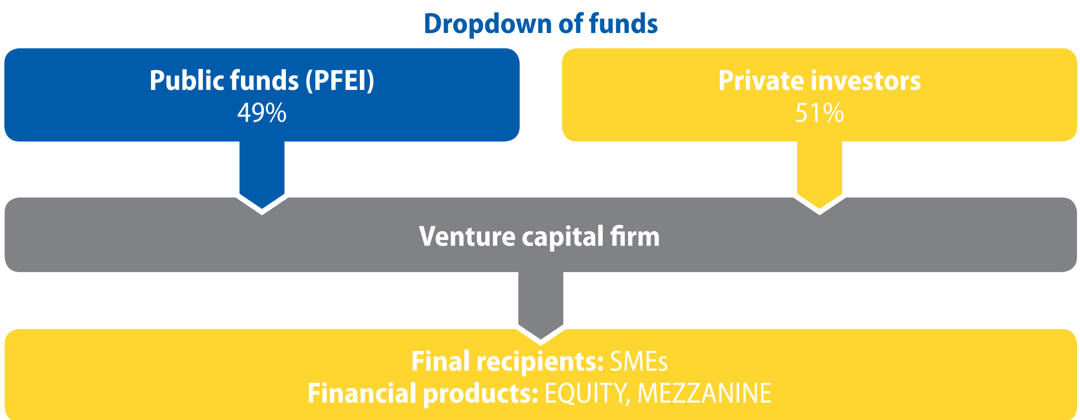
'Problem' regions are areas with internal structural problems or external influences where the economic situation has deteriorated and the unemployment has reached 17%. These include the area of Maribor and its surroundings, the Kolpa Valley, and the municipalities of Hrastnik, Radeče and Trbovlje. For these regions with high unemployment, the fund offered grants to increase SME survival rates. These products were not covered by PFEI financing, but from other SEF funds.

For the **market entry phase**, the holding fund provided seed capital, either alone or together with private investors. This was covered by PFEI financing. Such intervention involved quasi-equity up to EUR 75 000 and direct capital investments up to EUR 200 000, combined with an extensive coaching programme.

Figure 3: Delivery of seed capital equity products

Under the **global growth phase**, the holding fund, through PFEI funding, provided higher amounts of venture capital, up to EUR 1.5 million per enterprise per year, through four partner venture capital firms. This could be either direct capital investment or direct capital investment coupled with mezzanine loans, and helped SMEs to expand and enter global markets. As shown below, the four partner venture capital firms received 49% public, i.e. PFEI, funds and combined them with 51% of private funds.

Figure 4: Delivery of venture capital products



4 http://www.mgrt.gov.si/si/delovna_podrocja/regionalni_razvoj/regionalna_politika/problemska_obmocja_z_visoko_brezposelnostjo/. Legislative base: Promotion of Balanced Regional Development Act (Official Gazette of RS, no. 20/11 and 57/12) and Decree on the implementation of endogenous regional policy measures.

Finally, **further growth phase** products assisted well-established SMEs regardless of their age. Products offered by the holding fund manager included microcredits and guarantees combined with interest rate subsidies or counter-guarantees. Up to EUR 25 000 of fixed interest rate microcredits covered up to 85% of eligible costs for a maximum of 5 years. These were also covered by PFEI funding. Guarantees combined with interest rate subsidies could finance low-technology or high-technology projects. The conditions were slightly different with low-technology guarantees covering 60-80% of loans up to EUR 1.25 million for a maximum of 10 years with a rate of 6-month EURIBOR + 0.95%. High-technology guarantees covered 80% of loans up to EUR 937 500 for a maximum of 10 years with a rate of 6-month EURIBOR. Finally, counter-guarantees supported regional guarantee schemes to cover SME collateral requirements.

There were several advantages to the financial products offered by the holding fund manager. Compared to commercial funding, SMEs benefited from lower interest rates, lower collateral requirements, longer maturity, and a grace period. The financial instruments were further differentiated as specifically as possible in line with final recipient needs. In addition, SMEs benefited from support when preparing applications, as well as advice in the form of mentoring, coaching, training and workshops. The holding fund manager acted as a one-stop-shop for all the needs of any SME applying for funding.

The products and their terms and conditions were described on the holding fund manager website. In addition, the financial products were promoted through events such as workshops and round tables, a newsletter, as well as promotional material such as brochures and leaflets. SEF advisors also actively promoted the fund's products.

4.3 Final recipients targeted

The different products addressed all SMEs, within the limits of State aid provisions, irrespective of their activity. They supported start-ups, development and global growth, business model renewal and innovation. Some products paid special attention to specific sectors or policy aspects such as female entrepreneurship, creative industries, or socially beneficial products and services. In general, the products targeted SMEs from start-up to growth and expansion phases.

SMEs submitted applications for financial products in the framework of periodic calls for proposals. A call for venture and mezzanine capital was launched 2010, followed in 2011 by a call for guarantees. From then the holding fund, in this case acting as a guarantee fund, published a call for guarantees at the beginning of each year, as well as several other calls. From 2012 this included one for microcredits each year. In 2014, the first tendering process for seed capital was launched.

The holding fund manager also organised or co-organised events to promote its own products and entrepreneurial spirit in general, as well as to exchange experience with international players and associations. These included the EIF and the European Association of Guarantee Institutions, who also helped ensure the synergies of the scheme. The SEF has cooperated with the EIF since 2004, when the EIF was implementing the Multiannual Programme for Enterprises and Entrepreneurship 2004-2006. SEF also obtained counter-guarantees from the EIF for its guarantee schemes, both then and during the Competitiveness and Innovation Programme 2007-2013.

4.4 Changes in strategy

After the PFEI strategy was established in October 2009, the economic situation changed significantly and the programme was continuously adapted to the transformation of the economic and financial ecosystem and the related needs of SMEs. The simplistic initial set of products, although they had synergies with other nationally- or privately-funded instruments, gradually developed into a wide range of improved combinations that best suited market demand.

In 2009, PFEI plans envisaged only offering equity products. Despite the crisis the instruments attracted private investors for a public-private partnership.

From 2009 to 2015, PFEI was supplemented and amended according to market conditions and policy orientation. The largest impact on the fund was from the financial crisis, which has affected Slovenia with a lack of debt financing from banks. Then, the holding fund also started financing SMEs with debt products and lastly added microcredits for micro and small companies.

5 Achievements

The PFEI framework, as well as financial instruments not co-funded by the EU and delivered by the holding fund manager, played an important role in ensuring financial resources for SMEs in Slovenia. The holding fund promotes economic growth and employment and by the end of December 2015 PFEI had supported 2 294 enterprises with EUR 387 million and activated EUR 708 million in investments.

PFEI started in 2009 and as of 31st December 2015 the results of the programme were:

Table 3: Results of the PFEI programme

Guarantees	**1 577** supported enterprises **EUR 288.4 million** of guarantees **EUR 50.4 million** interest rate subsidies **EUR 607.5 million** investment
Microcredits	**639** supported enterprises **EUR 14.9 million** microcredits **EUR 26.2 million** investment
Venture capital	**4** venture capital companies **29** high-technology enterprises **EUR 29.0 million** investment via PFEI **EUR 68.3 million** total investment
Seed capital	**45** supported young enterprises **EUR 3.8 million** financial resources **EUR 6.4 million** investment

Beside the outputs, SEF achieved considerable results:

- Through support from the holding fund manager, including both PFEI and other instruments, enterprises preserved 88 000 jobs and created 7 300 new jobs.
- There were 1.5 new jobs created per enterprise within three years of an investment.
- The average value added increase in that time was 15% per employee.
- The results of the fund's support for young enterprises include 1 642 new jobs created in start-ups, 400 newly established enterprises with a survival rate of 87% since 2006 and 755 innovative projects.

The PFEI programme was successful, exceeding initial objectives and expectations. The objectives of the PFEI were directly related to the specific objectives of the OP SRDP and are listed below:

- number of new jobs created;
- an average increase in value added per employee in supported SMEs;
- the number of supported SMEs; and
- stimulated private investment in supported projects.

The resources offered through financial instruments in PFEI are gradually re-entering the system to be re-used for other SME projects with re-investments starting in 2017, when most repayments will be made. The PFEI also attracted numerous private co-investors, leveraging its funds for the benefit of SMEs.

Acies Bio: Achievements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The investment in combination with a grant was a great opportunity for Acies Bio to employ four new researchers and promote their new laboratories and services. The new lab facilitates the development of the enterprise and fosters the skills of employees.

The results of the investment are not yet measurable in profit terms, since gaining new customers in this field is a long and complicated process, but the company is convinced that the investment will start paying off in the next few years.

Acies Bio has good and stable financial results. The company is convinced this was strategically a very good investment and should provide a competitive advantage for the enterprise, considering the services they can offer as well as their own development.

They would apply for another financial instrument in the future. They need support for their research and development projects. Recently, they developed a new molecule that may cure a rare children's disease. After testing on cellular and animal models, clinical tests will start soon. Acies is currently looking for funding or partner opportunities to support the high costs of preclinical and clinical trials.

6 Lessons learned

Identifying the needs of final recipients and reacting with resource and product combinations to ensure successful implementation of financial instruments is important. Another lesson learned is that the first step for an effective programme is a thorough gap analysis of SME financing needs and market conditions. After the main gaps are identified, the products have to be developed minimising the time and effort before disbursement to the final recipient. This procedure should be as swift, simple, transparent and efficient as possible. In order to fulfil these requirements, products have to be tailored to the needs of final recipients. PFEI, by gradually changing its investment strategy, adapted its products to the needs of the target group and to macroeconomic conditions.

6.1 Main challenges

Consultation and awareness raising campaigns among enterprises and public officials were of significant importance with a new instrument or product, to accommodate low awareness of the benefits of financial instruments.

When setting up the financial instruments, it was challenging to **tailor the products to the needs of the enterprises** in different development phases and at the same time comply with legal requirements.

When PFEI was starting to be implemented, it took considerable effort to establish a suitable information system as well as monitoring and reporting instruments at European and national levels.

6.2 Main success factors

There are several success factors that led to the PFEI's impact and synergies for its final recipients. First, the **combination of ERDF with national resources** ensured a larger pool of resources and more diverse options for final recipients. The development of financial products and combinations tailored to the needs of final recipients, including to an SME's development stage was also beneficial.

Another achievement was that a **critical mass of enterprises was reached** creating a meaningful impact on the broader macroeconomic landscape in Slovenia. This was to a large extent due to good cooperation with financial intermediaries such as banks, venture capital firms and business angels. The fund has had very positive experience of cooperating with commercial banks, which are open to working with public institutions. This is perceived as a benefit in terms of new synergies, macroeconomic effects and shared risks. A great achievement was also steadily improved cooperation with venture capital companies.

The **flexibility of the holding fund manager to adapt products to market demand** was also important, especially in times of financial instability. This is notable, since the macroeconomic landscape at the end of the period differed considerably from when the PFEI strategy was initially designed, back in 2009. This flexibility has also been due to SEF's constant research and the development of new products responding to market needs. PFEI enabled a broad range of financial products to be designed by the holding fund manager according to market conditions. These could also be complemented by additional advisory services, which made them more appropriate with new or changing market conditions.

In addition, SEF coupled financial support with technical support, beginning with advice and assistance in the application phase. In the next phases, mentoring, coaching, workshops, networking and incubator services were offered to beneficiaries free of charge, to maximise results.

Other key success factors of PFEI are the **experience and long tradition** of the holding fund manager. The manager established open and focused cooperation between all partners and reacted to the economic situation promptly.

6.3 Outlook

Based on an ex-ante assessment carried out in 2015, the holding fund manager will continue to provide equity and debt financing instruments to young and more developed SMEs in 2014-2020 using ERDF funding. Financial incentives will be tailored to the needs of SMEs and will be offered as guarantees with interest rate subsidies, direct credits for special purposes, equity financing such as venture capital, seed capital and mezzanine capital, as well as special incentives for specific target groups.

A major objective for the future is to induce changes in financial markets especially in the risk-averse attitude of banks. Financial products offered by the holding fund manager aim to have a long-term impact on opportunities for SMEs. Good experience through financial instruments can encourage commercial banks to collaborate with SMEs in the future. This has been partly achieved through guarantees, but there is much room for improvement.

Financial incentives will be used to finance activities such as starting an enterprise, development and innovation in an enterprise, fast global growth, female entrepreneurship, creative industries, business model renewal and socially beneficial products and services.

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