



# MFB as a multi-sector Fund of Funds manager

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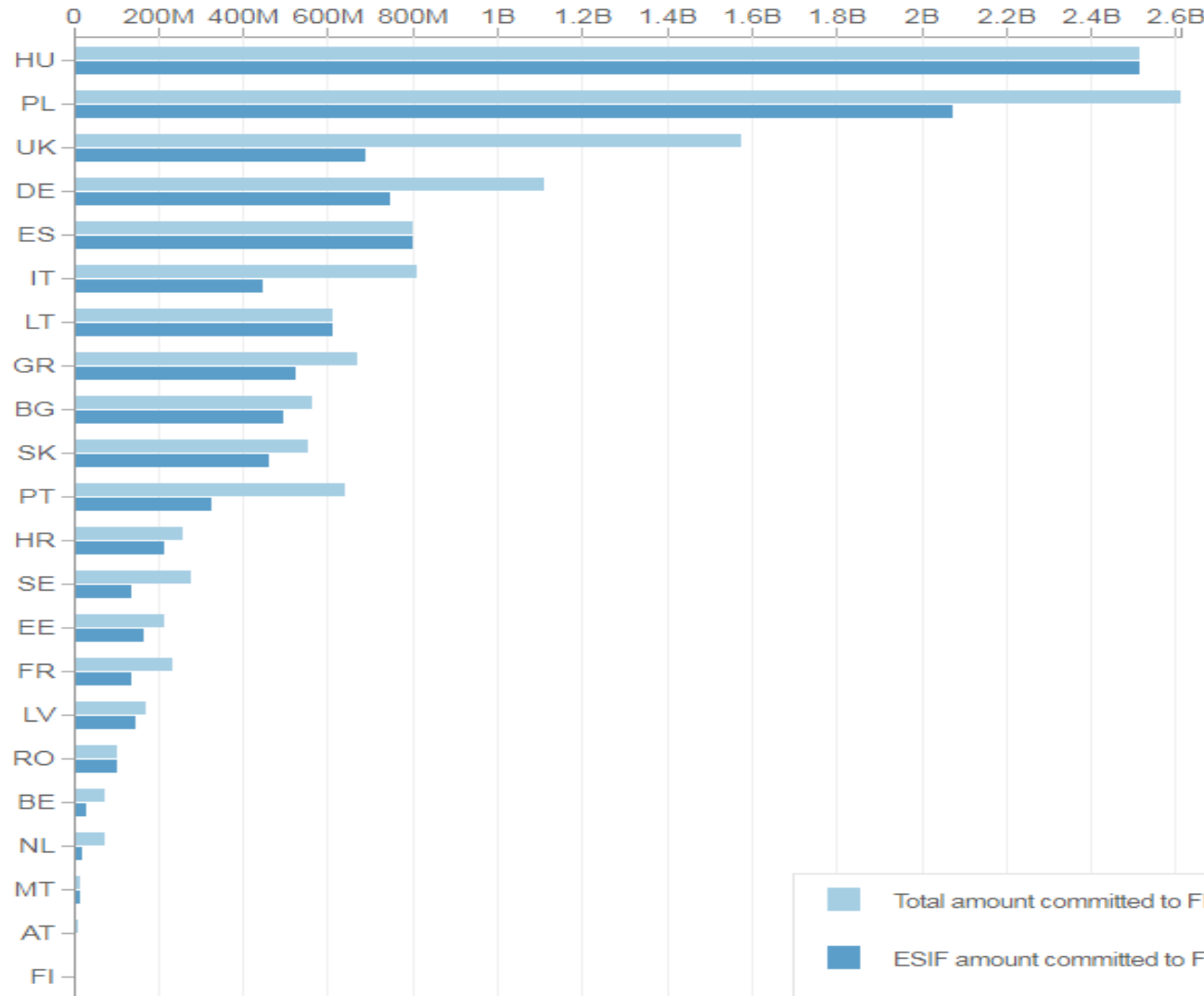
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# EU FI allocations



ESIF 2014-2020: Financial Instruments Implementation by Member State

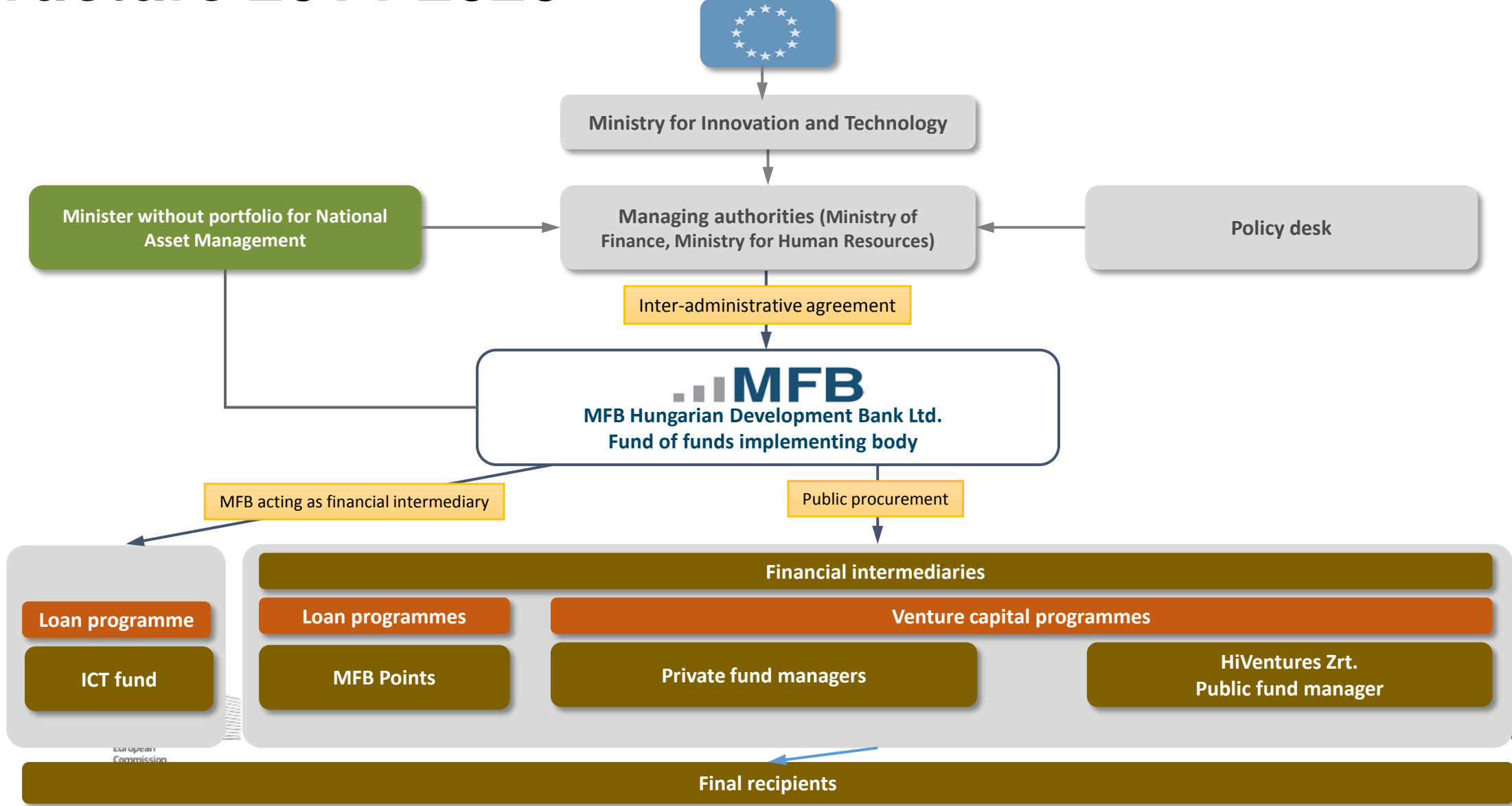


- Hungary has the biggest volume of ESIF FIs in the EU
- Hungary used the option to have one priority only made up of FIs

Source: European Commission (end of 2016)



# FI Implementation structure 2014-2020



# Institutional roles

## Managing Authorities

- Approves implementation framework
- Decides/provides funding for products
- Tranch payments to fund of funds
- Controls the work of MFB
- Handles grant applications + payments (combined products)

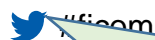


- ✓ *Expertise in banking + implementing EU funds*
- ✓ *Good knowledge of the Hungarian market + financing gaps*

- Develops financial products
- Selects financial intermediaries
- Sets universal rules of procedures
- Controls operations of intermediaries
- Audits projects/intermediaries
- Approves loan applications of over HUF 300m
- Manages repayments
- Manages claims in case of default/irregularity
- Payments to financial intermediaries

## Financial intermediaries

- Product sales, client connections
- Decision on loan applications (under HUF 300m)
- Payments to final recipients
- Manages contracts
- Monitors final recipients and fulfilment of projects



# FI Products 2014-2020



| TO  | Loan programs (11)  | Combined loan programs (9)  | Venture capital programs (7)   |
|-----|---|---|--|
| T01 | Loan program for supporting RDI activities of enterprises (EDIOP)   | Combined loan program for supporting RDI activities of enterprises (EDIOP)  | National technological and intellectual property venture capital program (EDIOP)<br>Smart specialisation venture capital program (EDIOP, CCHOP)                                    |
| T02 | Digital welfare loan programme (EDIOP)<br>Loan program for the development of NGA and area networks (linked to grant; EDIOP)          | Combined loan programs for supporting ICT development (4 programs; EDIOP)   | Specialized seed and pre-seed investment fund for start-up ICT companies venture capital program (EDIOP)<br>Digitalisation Fund (EDIOP)<br>Digital welfare capital program (EDIOP) |
| T03 | Loan program for enhancing competitiveness of SMEs (EDIOP, CCHOP)<br>Loan program for the technological modernisation of SMEs (EDIOP) | Combined loan program for supporting capacity expansion of SMEs (EDIOP)<br>Combined loan program for supporting medium-sized food companies (EDIOP) | Irinyi venture capital program (EDIOP)   |
| T04 | Energy loan program for SMEs (EDIOP)<br>Loan program for improving energy efficiency in the housing sector (EDIOP, CCHOP)             | Combined loan program for improving energy efficiency of SMEs' buildings with the use of renewable energy (EDIOP, CCHOP)                            | -  |
| T08 | Loan program for promoting of employment (EDIOP)  | -   | -  |
| T09 | HRDOP financial instrument loan programme   | -   | -  |

# Implementation progress



| FI Products by OPs | Available amount (mEUR) | Amount requested for Projects (%) | Decided amount (%) | Contracted amount (%) |
|--------------------|-------------------------|-----------------------------------|--------------------|-----------------------|
| Loans              | 1 082,59                | 87%                               | 49%                | 41%                   |
| Combined products  | 606,90                  | 130%                              | 44%                | 36%                   |
| Venture Capital    | 420,70                  | 8%                                | 8%                 | 7%                    |
| <b>SUM</b>         | <b>2 110,19</b>         | <b>83%</b>                        | <b>39%</b>         | <b>33%</b>            |



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# Experiences of MFB – challenges



- ➔ Launching of system is time-consuming: ex-ante assessment, selection of financial intermediaries (**public procurement**), development of products
- ➔ Simultaneous application of public procurement rules and Com. Reg. 480/2014 (CDR)
- ➔ Compliance with **state aid** rules
- ➔ Universal **rules of procedure** and documentation templates for loan programmes
- ➔ FI **product range**: high demand for TO3 products; challenges to generate interest among non-typical bank customers
- ➔ Complex procedure for **combined products** – more burden for final recipient
- ➔ **Indicators** in FIs: data collection and verification requirement – more administrative burden for final recipients
- ➔ **Acting as financial intermediary in the implementation** of ICT Broadband loans – more burden on MFB, need to apply distinct regulations



# Experiences of MFB – lessons learnt



- Close cooperation with MAs is essential for smooth implementation
- Proportionate audit burden for FIs
- Regulation of FIs should be made closer to market logic / lending expertise is essential
- Grants combined with FIs are a popular form of support – but the implementation needs to be simplified
- More incentives for final recipients are desirable in the case of FIs (e.g. performance based payment)





# Case study - New loan product: the SME Technology loan



## GINOP-8.3.5-18 Loan Program for the technological modernisation of micro-, small- and medium-sized enterprises

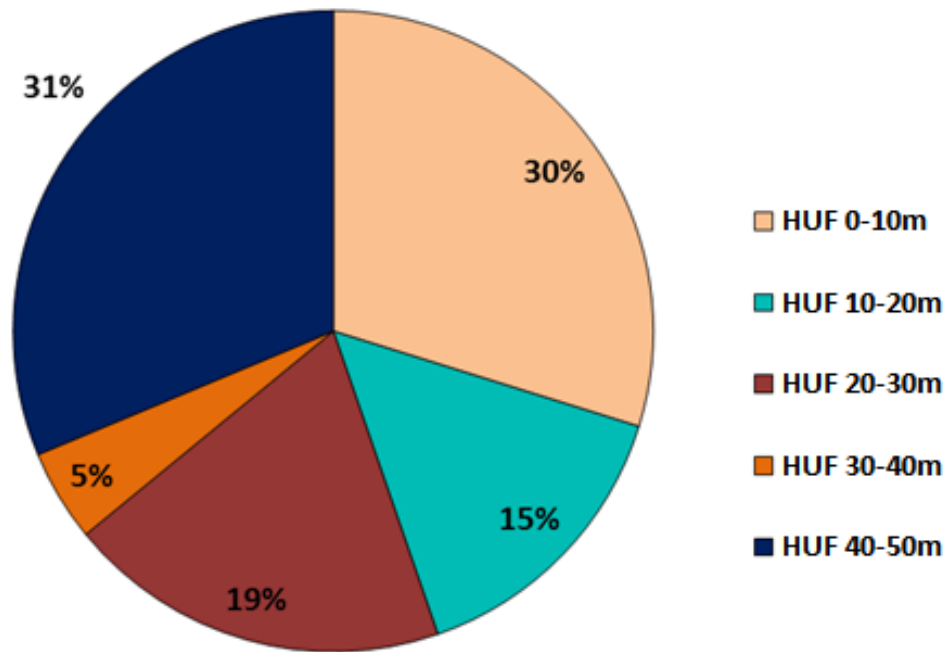
|                            |  |  |
|----------------------------|--|--|
| <b>Budget</b>              | HUF 79,63bn (~EUR 250m)  |  |
| <b>Final recipients</b>    | SMEs   |  |
| <b>Main objectives</b>     | Purchase of equipment (including ICT equipment), leading to a technological modernisation of the applicant, intangible assets. |  |
| <b>Financing structure</b> | <b>Ratio of private contribution</b>   | Minimum 10%  |
|                            | <b>Amount of loan</b>  | Minimum HUF 1m (~EUR 3200)<br>Maximum HUF 50m (~EUR 160 000) |
| <b>Interest rate</b>       | 0% p.a.  |  |
| <b>Term</b>                | 2-7 years  |  |
| <b>Grace period</b>        | Max. 12 months from signing the loan agreement   |  |
| <b>State aid category</b>  | De minimis   |  |



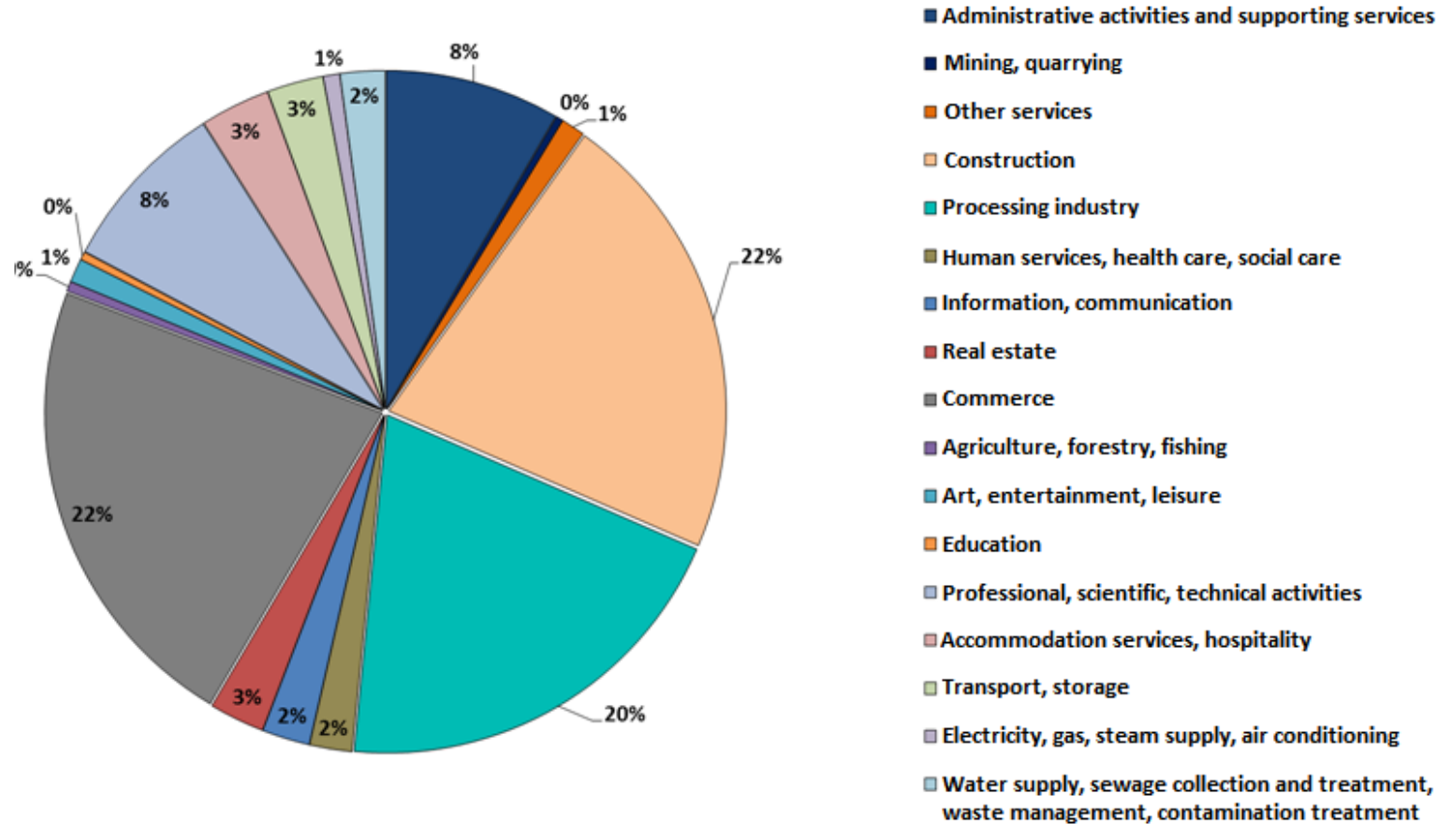
# New loan product: the SME Technology loan - **progress**



Amounts applied for



Applications by sector



**Implementation progress:**  
**Amount covered by applications: 13%**  
**Amount covered by positive decisions: 4,8%, Amount covered by contracts: 2%**



