Financial Instruments 2014-2020 under European Structural and Investment Funds (ESIF)

Brussels, 19-20 January 2015

Financial Instruments under JEREMIE
In Bulgaria

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- Why did the MA implement Financial Instruments?
- How was it set-up?
- What has been the impact of the financial instrument and what are the lessons learned so far?

MA Perspective: Why did we implement Financial Instruments?

- Financial instruments in BG are set-up **as a dedicated axis under OP "Competitiveness"** which has an overall budget of EUR 1.16bn;
- Implementation of financial instruments allowed for addressing the serious **market failures** in the debt and venture capital markets in BG that could be addressed only through **a long-term strategy of tailor-made financial instruments**;
- EIF selected as a partner due to **expertise, proven capacity in the matter and transparency** of the entire management process;
- JEREMIE portfolio in BG comprises of 5 equity and debt products providing tailor-made support **at each stage of SME lifecycle**;
- Initial budget of EUR 199m later increased to EUR 349m from other axes due to **better impact and utilization potential.**

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First Loss Portfolio Guarantee need and set up

Address main debt market inefficiency:

- SMEs inability to borrow credit – lack of sufficient collateral;
- Credit enhancement product aimed at improving access to credit for SMEs;

✓ Only 1/3 of loan applications turn successful*
✓ Majority of micro and small companies experience difficulties or unable to borrow

FLPG set-up:

- Budget of EUR 72.2m resulting in a portfolio of EUR 361m;
- Strong interest from banking sector to the Call for EoI;
- Ensured a diversified mix of selected banks to fully cover the SME spectrum in BG, incl. regionally;

✓ 5x multiplier of ERDF funds
✓ Banks representing 80% of the whole sector applied
✓ 5 selected intermediaries

FLPG results:

- Over 4,700 loans extended to date with avg. loan size of circa EUR 60k;
- Overall collateralization of FLPG portfolio stands at 48% compared to over 100% in the banking sector;
- Reduction of interest rate ranging 0.5% - 2.5%;
- Full utilisation and further budget increase;

✓ 60% micro companies
✓ Tangible transfer of benefit to SMEs
✓ Funding riskier projects that otherwise will not be funded

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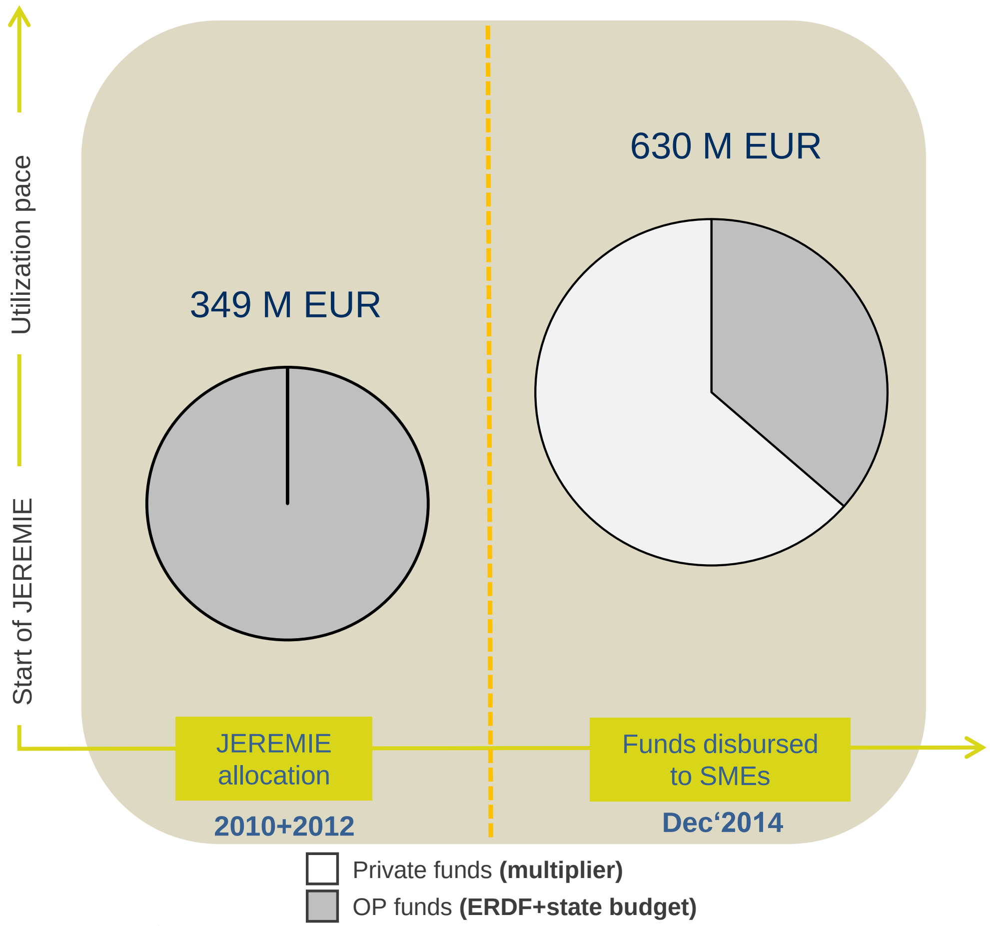
Overall JEREMIE results & next steps



Results

- ✓ JEREMIE is the most recognizable SME support initiative in BG;
- ✓ Current multiplier of 1.8x on public funds to reach 2.5x by end-2015;
- ✓ Over 7,300 operations supported;
- ✓ JEREMIE utilization exceeding 70% and on good track of being fully deployed by end-2015;
- ✓ BG entrepreneurial ecosystem completely transformed due to JEREMIE effect;
- ✓ Sofia is the top 3rd start-up hub for risk capital in Europe for 2013;

MA plans & next steps

- ✓ Continue increasing FIs significance;
- ✓ New SMEs OP already envisages EUR 355m for FIs;
- ✓ Both Guarantee and Risk Capital measures envisaged;

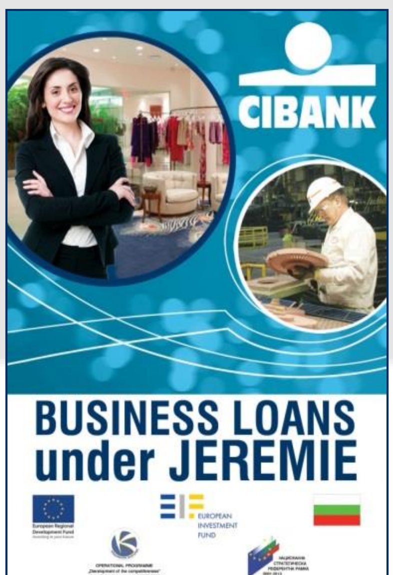
The FLPG example of CIBANK

CIBANK
Member of KBC group

- **SME** focus
- Usage of **15 FIs** (**EIB; EIF**, EAFRD, EMFF, etc.)
- **38%** of the SME portfolio covered by credit guarantees

FLPG DEVELOPMENT

- Budget - **EUR 71m**
- Utilization – 86%
- **473 loans**
- Average loan – EUR 130k
- IL/WCL – 19/81%



IMPACT

on SMEs

- **reduced collaterals** (50%)
- **reduced interest** (up to 2.5%); with **EIB** (up to 3.5%);
- reduced **fees** (by 50%)
- **effective** EU support

on CIBANK

- **credit risk** reduction
- effective and efficient **recovery** (EIF guarantee)
- **capital** relief (EIF - AAA guarantor)

the spillover effect

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Lessons learned

- FIs transferred **tangible benefits** to the SMEs
- **Demand** for SME credit guarantees
- It is a **capacity building** process
- Further **simplification** is needed
- **The partnership** between all the key stakeholders is of key importance

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Thanks for your attention !

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