



fi  compass

Financial Instruments in Malta – State of Play

Malta, 25th January 2016



twitter: [#ficompass](https://twitter.com/ficompass)





Financial Instruments: Pre 2007-2013

A number of financing initiatives had been launched in the past without the desired success:

- **Technology Venture Fund:** set up by the Maltese Government in 2001 through the Malta Development Corporation to support the development of technology and innovation for SMEs
- **Malta BAN:** a national representative for Business Angels and Business Angels syndicates.
- **Soft Loans from Malta Enterprise:** Direct loans to SMEs and large enterprises at low interest rates in order to support new investment projects in the manufacturing industry
- **Micro Guarantee Facility from Malta Enterprise:** guarantee of up to 80% on loans < €100k to finance projects leading to business enhancement, growth and development.



Financial Instrument: GAP Assessment

In 2006, the Government of Malta asked the European Investment Fund (EIF) to draw up an SME Financing Gap Assessment and to make recommendations based on this analysis. It highlighted the SMEs face a limitations in their ability to access to finance including:

- SMEs financed their activities by mortgaging their own personal assets
- It was difficult for SMEs to access innovative financing tools due to their small size
- Banks applied severe lending conditions
- More awareness was needed



Financial Instruments 2007-2013

EIF were selected to manage the Holding Fund allocated to JEREMIE charging a flat annual management fee amounting to 2% per annum of the Funds allocated

The Gap Analysis, identified a number of options, amongst which the First Loss Portfolio Guarantee. The latter was the option implemented under the JEREMIE mandate

JEREMIE had a multiplier of 5.8x





Nationally funded Financial Instruments Pilot Project: B Start (Malta Enterprise)

- Seed funding over a twelve (12) month period of up to €25,000.
- Initial installment of up to €10,000 is paid once the project is approved.
- Subsequent installments are paid quarterly after the Corporation reviews and endorses that the progress achieved is in line with the business plan as approved or as adjusted to adapt to market requirements.
- The maximum grant awarded through subsequent payments shall be capped at €600 per Full Time Employee engaged in the undertaking multiplied by the number of full months elapsed from previous payment.



Nationally funded Financial Instruments

Pilot Project: Start-up Finance (Malta Enterprise)

- Support linked to equity: a repayable grant equivalent to the value of private equity held in the company. The grant will be disbursed in a maximum of three (3) tranches of not more €100,000 over a period of twenty four (24) months.
- Support linked to procurement of equipment: The equipment must be new and shall be considered as a security against the repayment of the grant. (maximum support €500,000)
- Support linked to Crowdfunding: Malta Enterprise may agree to match any amount pledged through a pre-approved crowdfunding campaign, up to a maximum of €50,000 per campaign.



ESIF 2014-2020

- More ambitious allocation of funds allocated to SMEs through Financial Instruments, including the participation in the SME initiative
- Plan in having more than one Financial Intermediary, possible implementing different instruments with the aim to ensure greater competition, better rates and increased awareness
- Greater focus on Micro-SMEs and the introduction of the concept of microfinance
- The financing of Working Capital is still under analysis at a national level and most probable initially financed through a national instrument
- The consideration of the possibility of an equity instrument to be financed through the reflows of the current JEREMIE instrument



fi  compass

Thank you

www.fi-compass.eu

