



OP HRD Risk-sharing Micro-Finance facility in Bulgaria in the 2014-2020 programming period

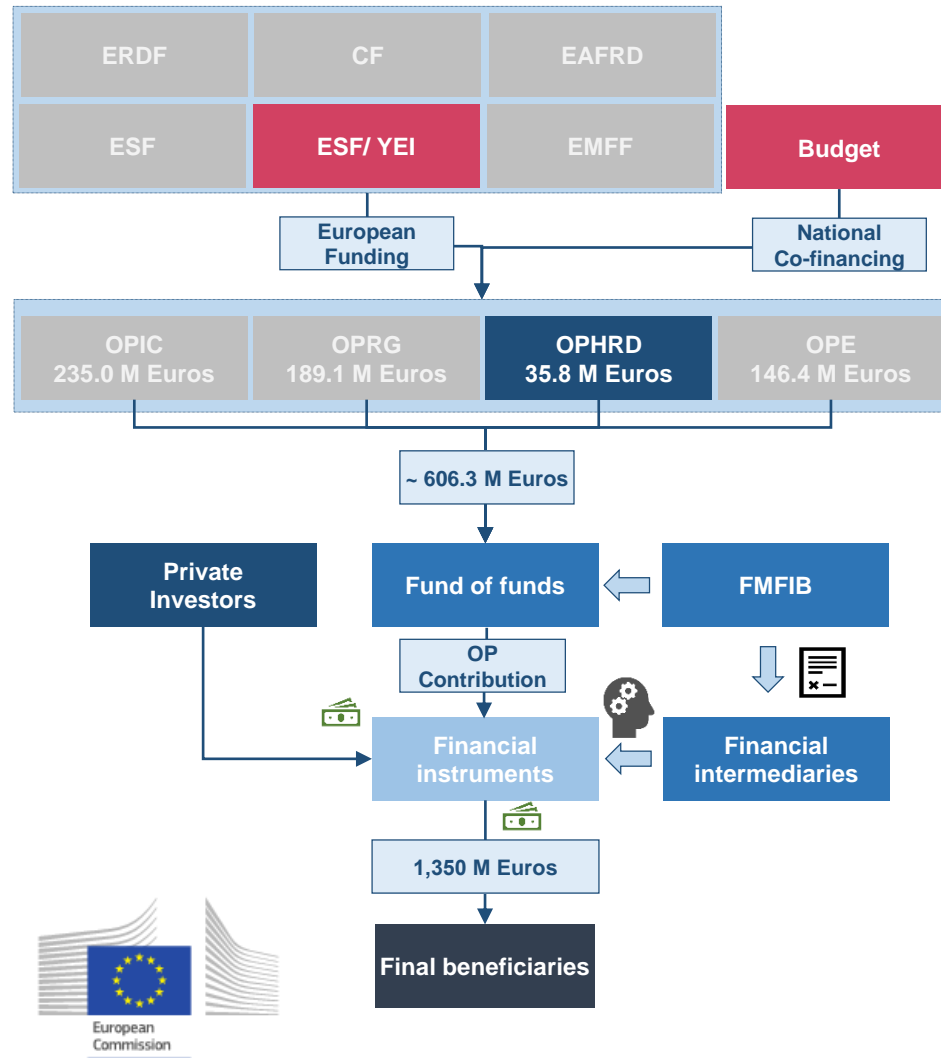
Dimitar Cherkezov, Fund Manager of Financial Instruments in Bulgaria (FMFIB)



 #ficompass



Implementation structure of the financial instruments in BG



- FMFIB is the FoF manager...
- ... and our corporate mission is the effective implementation of FIs in BG;

FMFIB:

- Established in October 2015;
- Operational since the beginning of 2016;
- Accredited to manage EU funds in May 2016;
- Envisaged to manage assets in excess of EUR 606 mln allocated by four OPs;
- It is expected FoF to mobilize about EUR 1.35 bln to support businesses and municipalities.

#ficompass

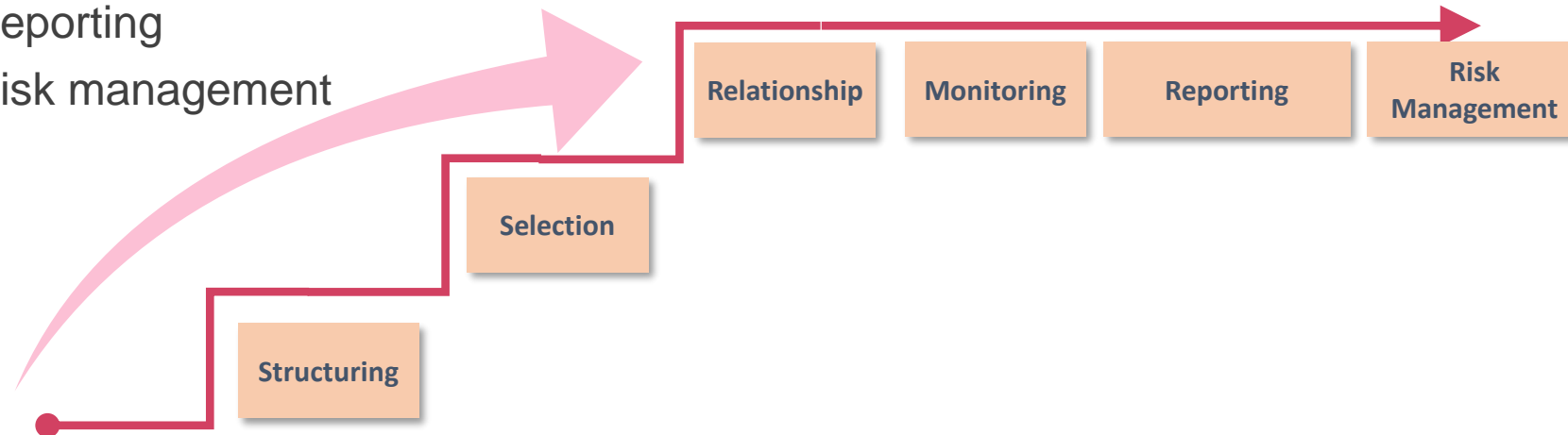


OPHRD Financial Instruments



- OPHRD MA mandates FMFIB to manage the OP's Financial Instruments, including:
 - Structuring the FIs
 - Selection of financial intermediaries
 - Managing the relationship with selected intermediaries
 - Monitoring the FIs implementation
 - Reporting
 - Risk management

- The Financial intermediaries shall work on:
 - Identification of eligible final recipients
 - Assessment of creditworthiness
 - Credit documentation
 - Credit management, monitoring and reporting



#ficompass



FIs for Microfinancing under OPHRD



OPHRD FIs

**Microcredit funded
risk-sharing
instrument
EUR 27 mln**

**Capped portfolio
guarantee instrument
EUR 8.8 mln**

Final recipients

Category A

- Start-ups up to 2 years before application, registered from Unemployed; Youth under 30; People with disabilities.

Category B

- Social Enterprises (existing)
- and Start-ups (all other than ones included in category A).

- Eligible loans – for investments in tangible and intangible assets, working capital, personal training.
- Co-financing from FIs at least 20% or 30% in each microloan.
- State aid issues – FI is set up in accordance with COMMISSION REGULATION (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.



#ficompass



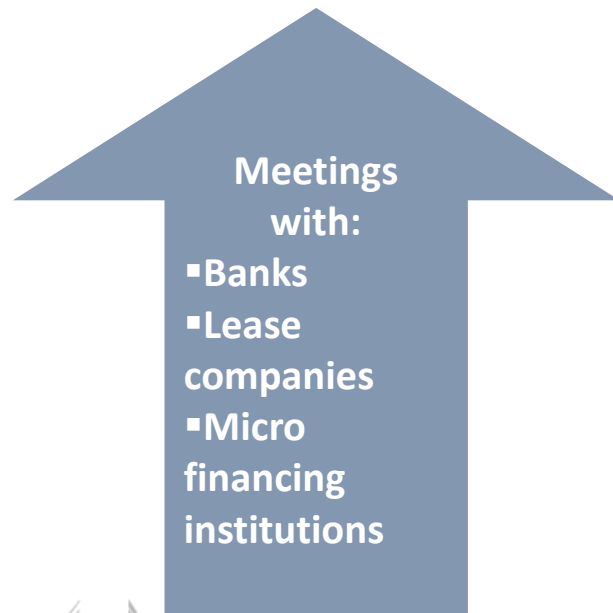
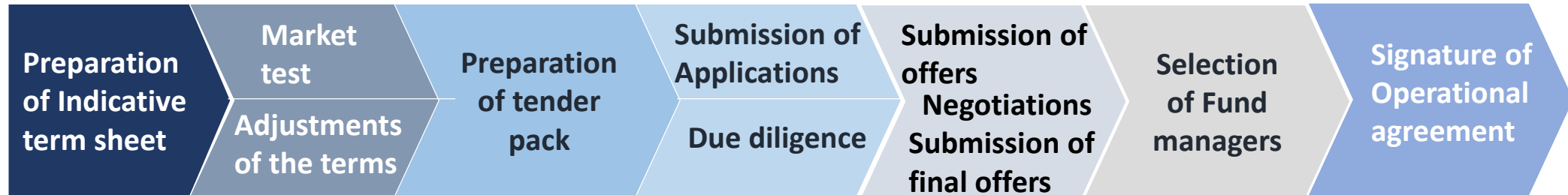
Microloan Terms & Conditions



Amount and currency	<ul style="list-style-type: none">▪ from 5,000 BGN to 48,895 BGN/EUR 25 000;▪ In BGN or in EUR.
Type	<ul style="list-style-type: none">▪ Investment and working capital financing;▪ Financial leasing.
Term	<ul style="list-style-type: none">▪ Up to 10 years;▪ Up to 2 years grace period on principal;▪ Working capital financing - according to internal policy of the intermediary.
Price	<ul style="list-style-type: none">▪ OP amount at 0 %;▪ Co-financing at market interest rate;▪ Weighted average rate.
Collateral	<ul style="list-style-type: none">▪ Under the standard policy of the intermediary...▪ ...as, collateral and conditions reflect favorable terms of financing and risk-sharing with FMFIB.



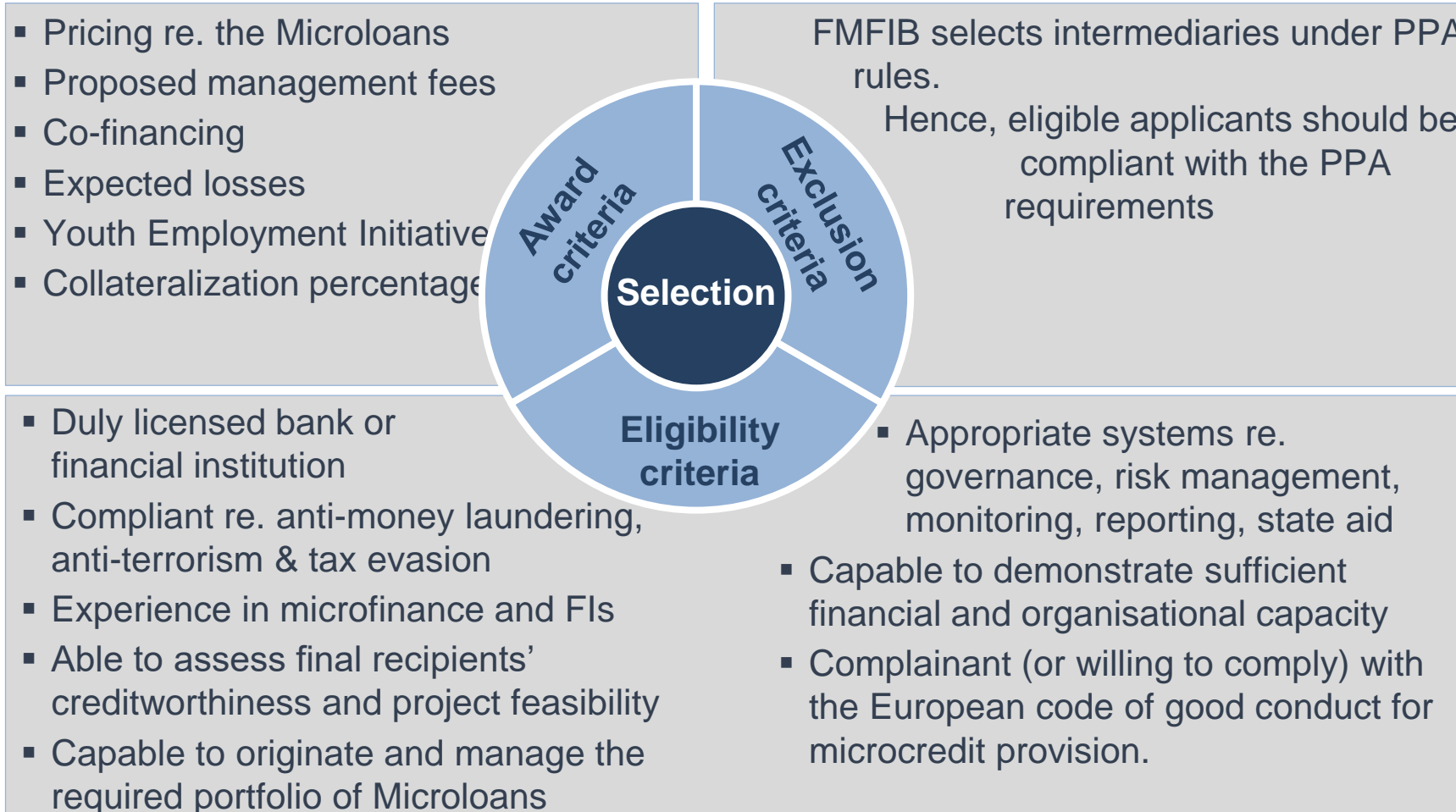
The Process of selection FIs Microfinancing with risk sharing instrument



#ficompass



Selection of Financial Intermediaries



#ficompass



Implementation



- ❑ Operational Agreements were signed on 8th December 2017 with 2 FIs selected
- ❑ Attractive interest rates ranging from 2.9% to 7.2 %
- ❑ Some microcredits have been already provided to Final Recipients to finance:
 - Start up for cleaning company owned by YEI person in the city of Pleven, EUR 9 000, 4 new jobs will be created;
 - Start up for small family hotel@restaurant in the city of Smolyan, EUR 4 000, 5 job swill be created
 - Start up for introduction of an innovative mobile application in the capital city of Sofia, EUR 15 000, 3 jobs will be created
- ❑ There are 15 loan applications that are being analysed for:
 - Opening a car wash - EUR 15 000
 - Opening of a hairdressing salon - EUR 25 000;
 - Opening of a butchery shop - EUR 25 000;
 - Opening a clothes shop – EUR 3000;
 - Opening a bar - EUR 3000;
 - Opening a shop for bridal clothes - EUR 10 000.
 - Opening a courier company - EUR 10 000.
 - Online platform to support education - EUR 15 000;
 - Truck service and parking - EUR 25 000;
 - Opening of a printing works – EUR 7 500;



Lessons learned & Next steps



Lessons learned

- Market testing is important to:
 - Raise awareness
 - Soft update of ex-ante assessment
 - Re-affirmation of the market failures
 - Testing of indicative structure of the product
- Proper communication of the PPA process of selection
- Proper sizing of lots
- Administrative burden fears the banks
- Commercial banks vs Microfinancing institutions

Next steps

- Subsequent market test conducted with prospective institutions that did not submit offers despite initial interest
- Changes discussed affecting the Investment Strategy & New Microloan Terms & Conditions:
 - Funded vs. unfunded FIs
 - Size of the microfinancing loan
 - Co-financing level
 - Collateralization on FoF participation
 - Reduction of administrative burden





THANK YOU FOR YOUR ATTENTION!



 #ficompass





financial instruments revolving capacity building
 added value **ERDF** funding agreement **ESF** EU guidance
 governance
 technical support seminars leverage financial intermediaries microfinance
 co-financing **ESIF** case studies
 investments **fi-compass** final recipients
 business plan **Thank you** thematic objectives
 advisory services guarantees banks loans **EaSI** equity
 private investors life cycle combination of support
EAFRD conferences factsheets
 fund of funds **EMFF** investment strategy **CF**
 managing authorities manuals