

# Financial Instruments in the ERDF 2014-2020 Programme

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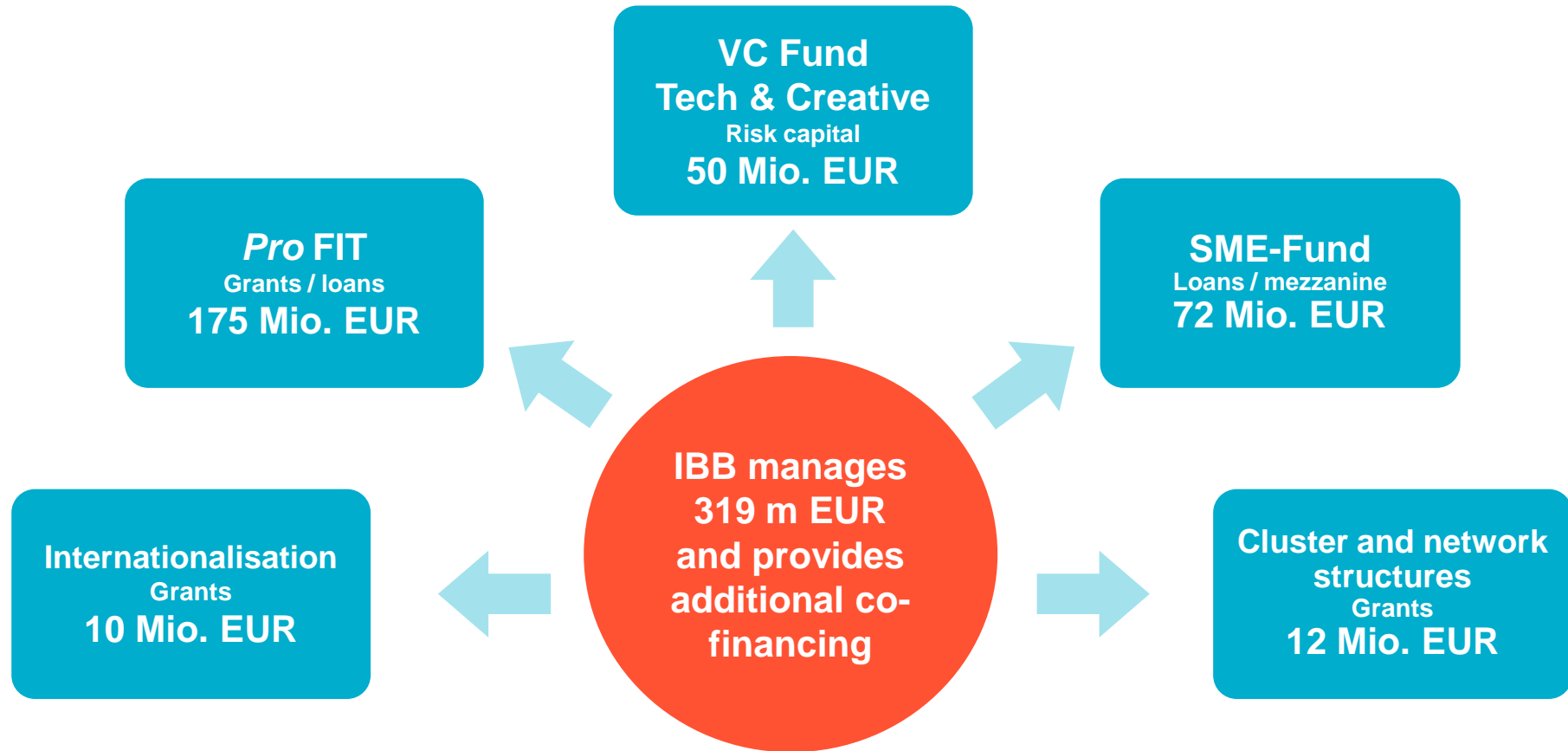
Vienna, 2 June 2015

# Investitionsbank Berlin - Overview

- IBB is the **regional development bank** of the Land Berlin, established in 2004 as an independent institute under public law
- **Balance-sheet** sum: 20.5 bn EUR
- **Equity** 689 m EUR
- **627 employees**
- IBB offers **financial instruments** for business development, part. start-ups, innovation, housing, climate and infrastructure
- As **credit institute** in the legal sense of the banking act (KWG), IBB is under control of the Federal Financial Supervisory Authority (BaFin)
- IBB's liabilities are **guaranteed by the Land** and thus profits from preferential refinancing terms on the capital market ("AAA" by Fitch)

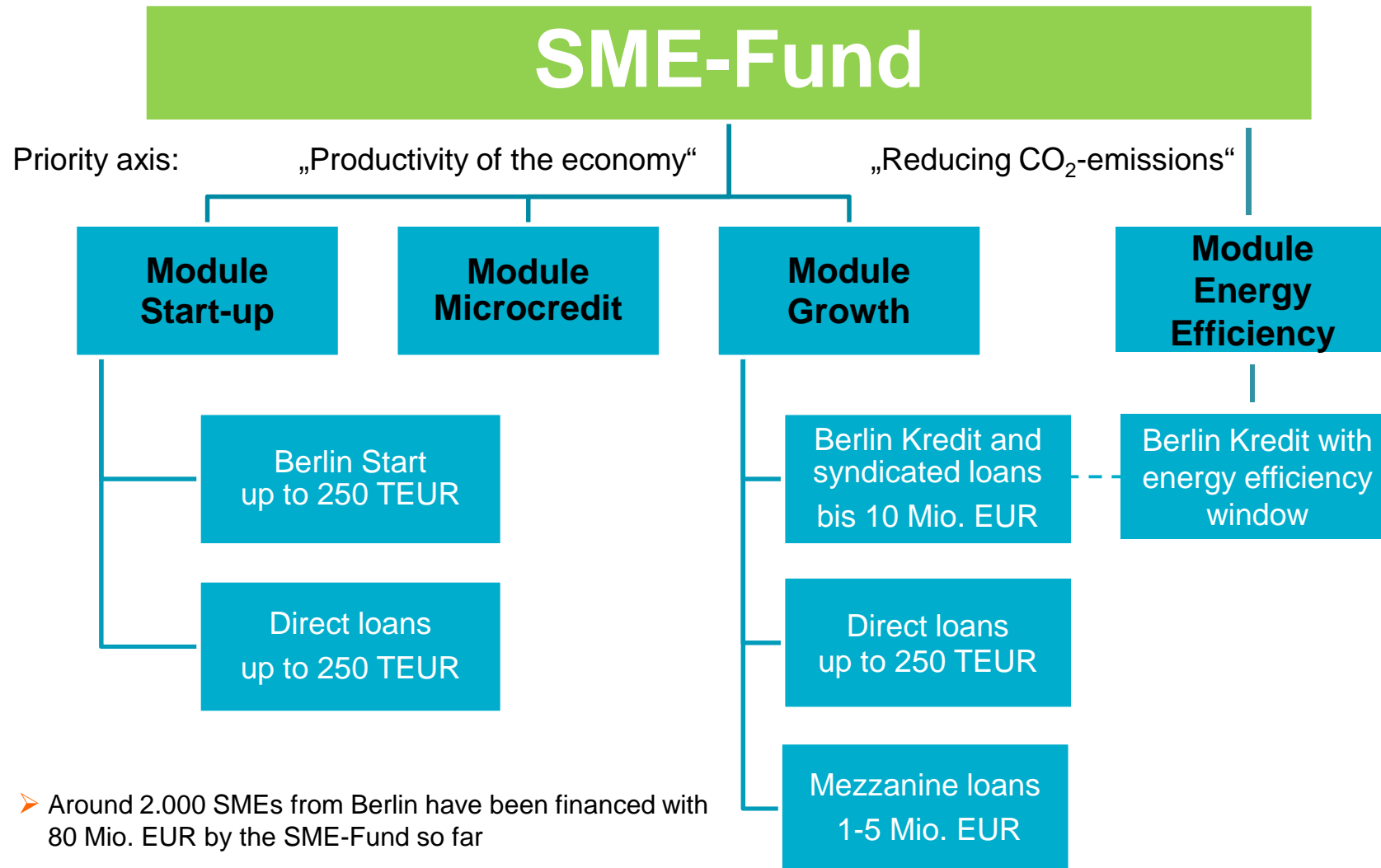


# IBB is major actor implementing EU structural policy



Berlin receives 635 m EUR ERDF-funds in 2014-2020 period, half of which is managed by IBB, two thirds of which in revolving financial instruments

# Financial Instruments for debt financing



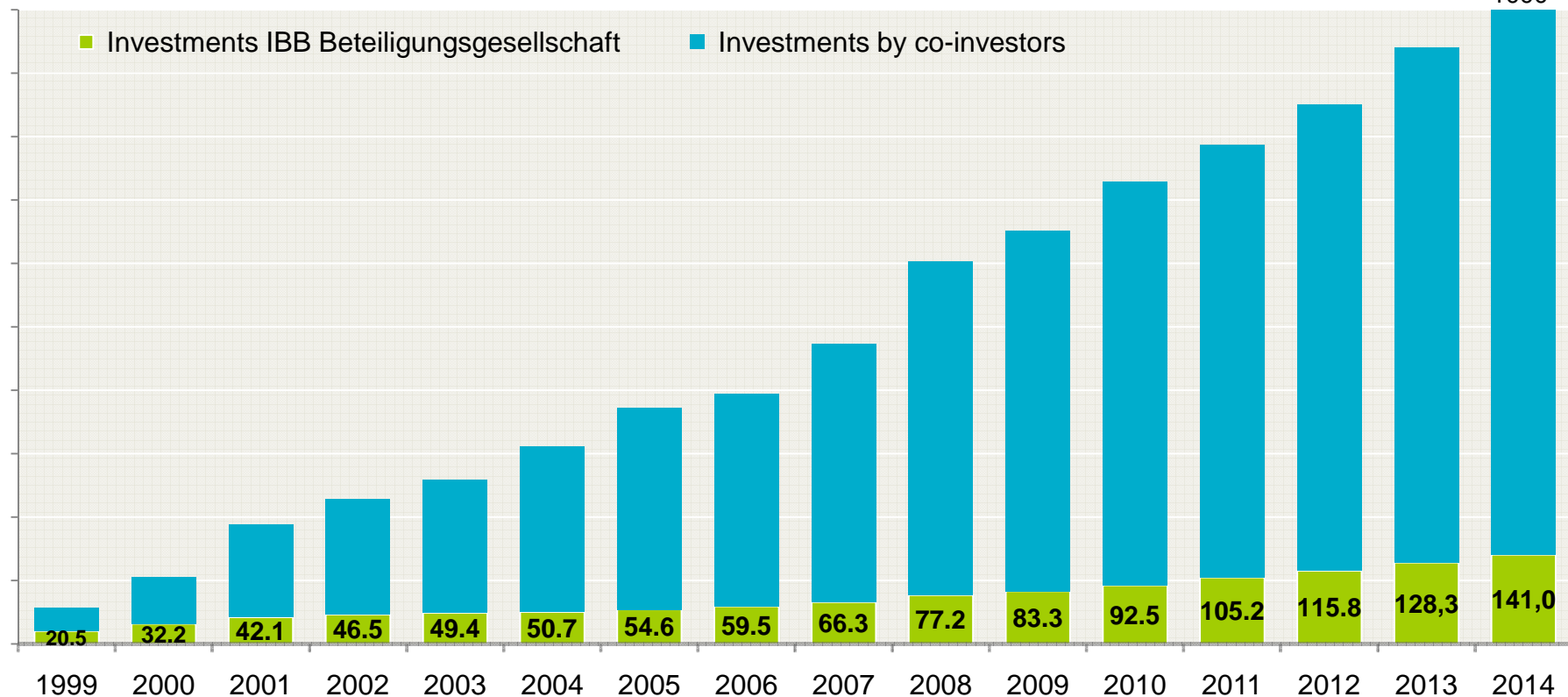
➤ Around 2.000 SMEs from Berlin have been financed with 80 Mio. EUR by the SME-Fund so far

# Financial Instruments for risk capital financing

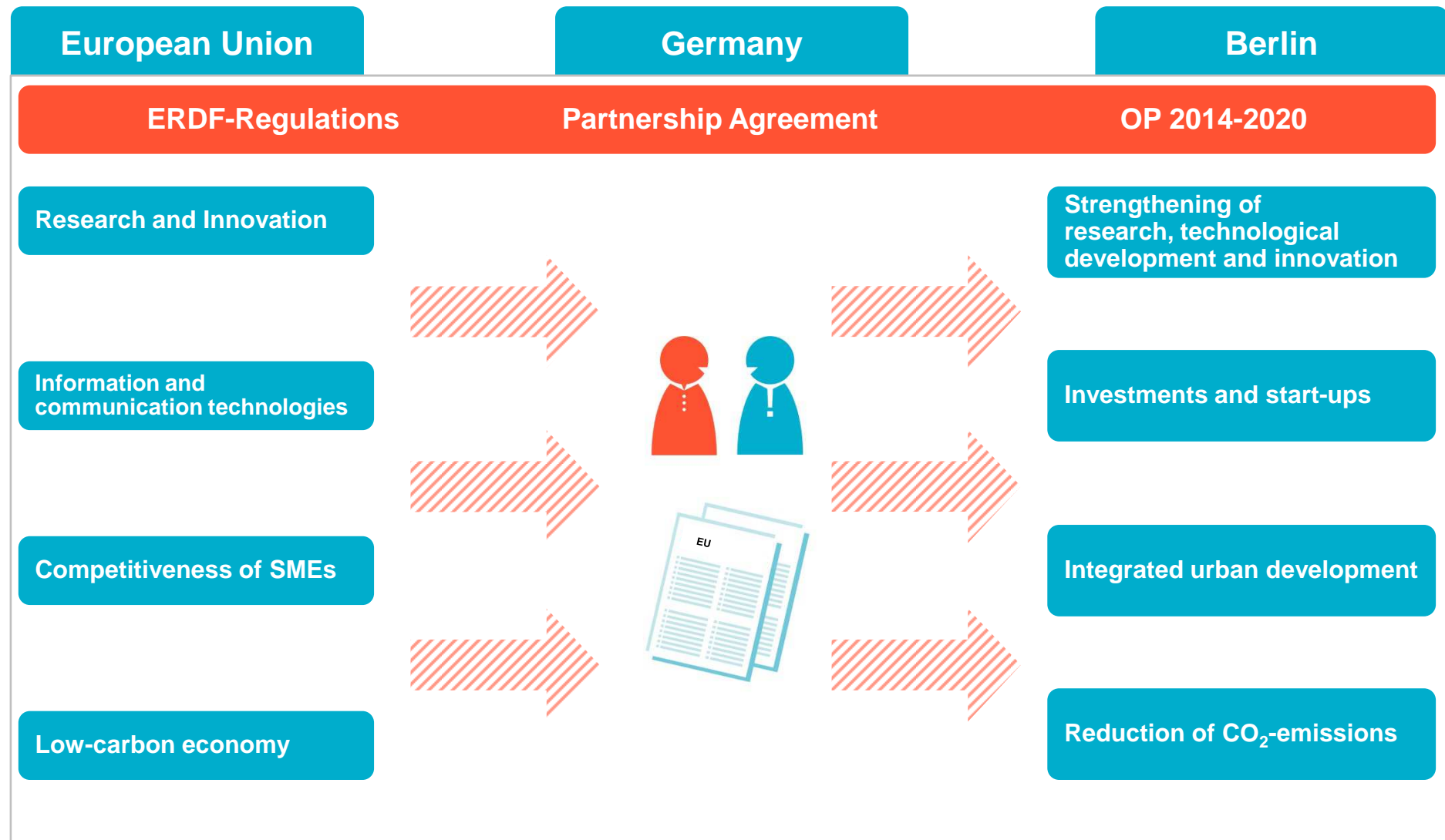
## IBB Beteiligungsgesellschaft mbH

VC Fund Berlin | VC Fund Creative Industries Berlin | VC Fund Technology Berlin

### Investments [€m]



# Priorities of ERDF...



... analogue to economic policies in Berlin

# Advantages of revolving financial instruments

- Revolving, sustainable use of public money in the region
- Leverage of additional private resources and know-how, increase of impact
- Counters market failures
- High efficiency and effectiveness of public money
- Better quality of projects / commercial discipline (investment must be repaid)
- Reducing of market distortions
- Financing provided before investment takes place (different from grants)
- Incentives to use FIs as alternative to grants (move away from "grant dependency" culture)

## Short conclusion

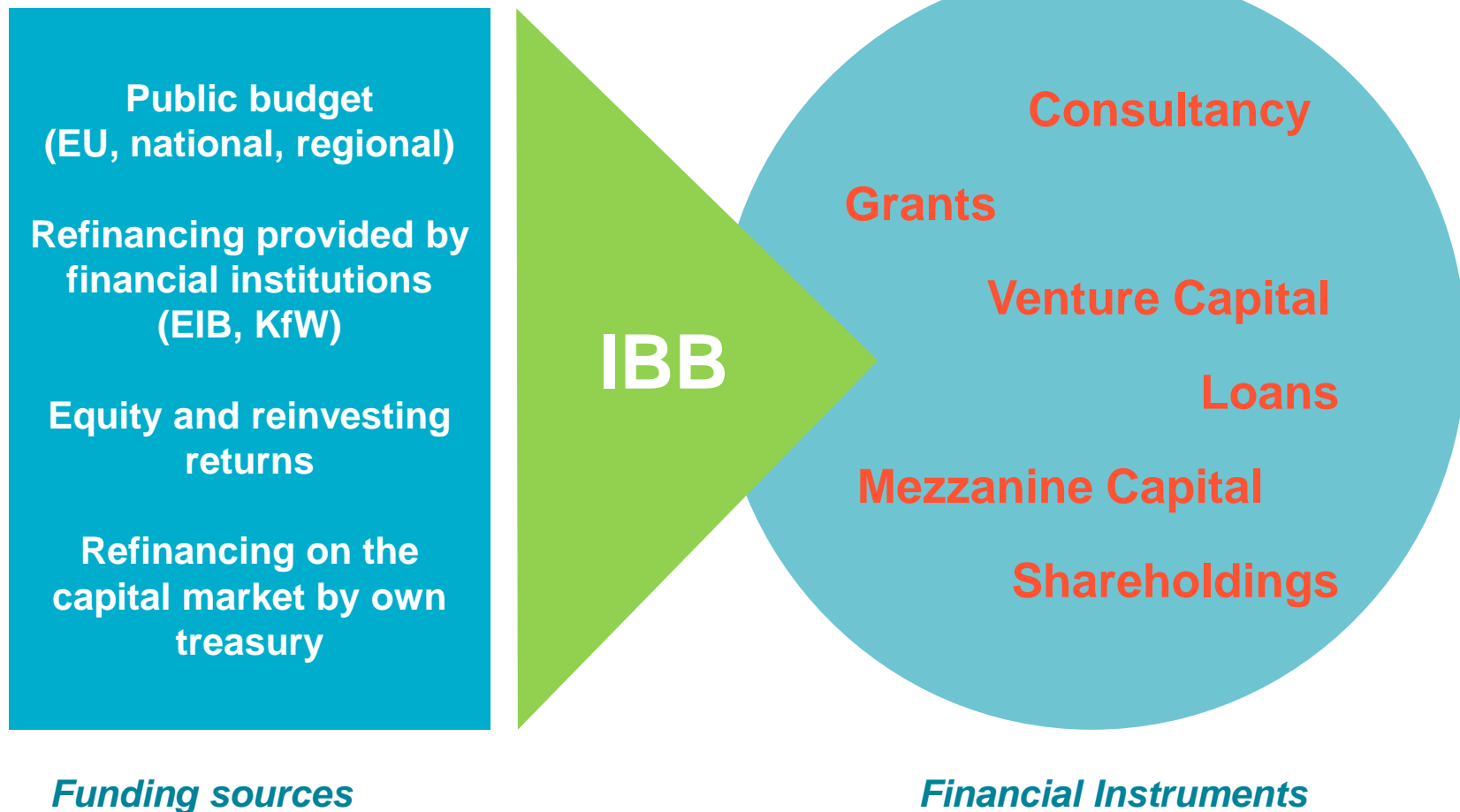
- With the implementation of a (micro-) credit and VC-Funds in 2004, IBB was one of the first in Germany to test the revolving use of Structural Funds money.
- The supporting role of promotional banks in Germany has proven, that publicly financed capital products can counter partial market failures.
- 
- Financial instruments help to mobilize additional public or private co-investments.
- They also help to increase the efficiency and effectiveness of public resource allocation.
- And financial instruments provide a variety of incentives to better performance, including greater financial discipline at the level of supported projects.





# Complementary information

# Funding and instruments



# Principles of promotional activities

## ➤ **Principle of subsidiarity**

- No substitution of EU or national support schemes

## ➤ **Non-competitiveness**

- Cooperation in a non-discriminatory manner with all commercial banks

## ➤ **State aid conformity**

- All activities have to adhere to state aid laws with regard to their customers

## ➤ **Compliance with MaRisk**

- Promotional banks are managed on commercial principles and subject to banking authorities rules

## ➤ **Berlin effect**

- Performing it's task only in or with positive impact for the region that their authority is responsible for

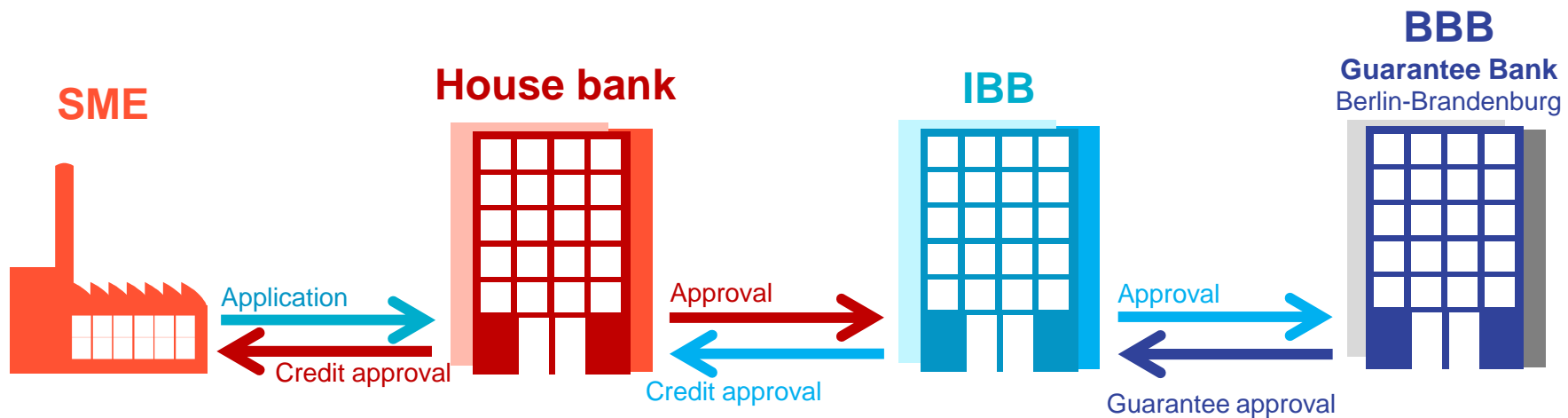
## ➤ **Authorisation by the Land**

- Obligation to explicitly act on public mission in a limited number of business areas

# Business model

## Financing and risk partnership with commercial banks

1. Direct finance (e.g. grants, micro-credits)
2. House bank principle (refinancing with or without partial guarantee)
3. Co-financing (e.g. pari-passu loans and venture capital, guarantees)



House Bank Principle (e.g. Berlin Start, Berlin Kredit)

# Advantages of house bank cooperation for beneficiary

**Interest reduction**

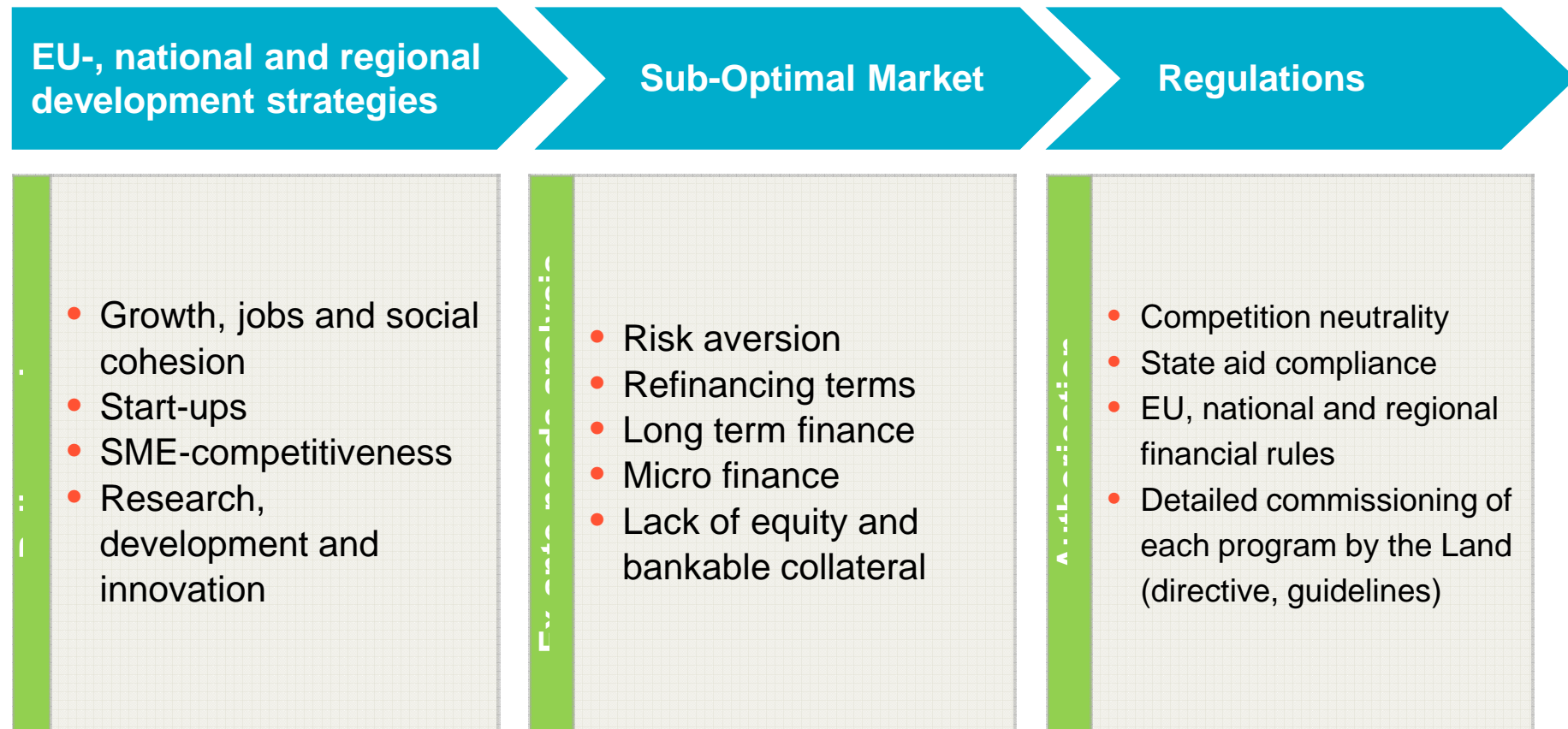
**Risk sharing**

**Provision of collateral**

**Structural flexibility**

# From strategy to product

## Implementation process



## Europe 2020 Goals

Competitiveness  
and Innovation  
Framework  
Programme (CIP)

Cohesion Policy  
(ERDF)

### Regional Innovation Strategy (InnoBB)

ICT / Media

Life Science

Optical Tech

Mobility

Energy Tech

### IBB Programmes

Pro FIT

Berlin  
Kredit  
Innovativ

VC-Fund  
Tech

Coaching  
Bonus

# Revolving ERDF-Financial Instruments at IBB (2007-2013)

