



Financial instruments under the ESF in Marche Region – Loan of Honour

Rome, 21 October



INTRODUCTION

Marche Region



- One of the most industrialised regions in Italy.
- Regional model of development based on micro, small and medium-sized enterprises (SMEs) located in industrial districts.
- 1.500.000 inhabitants.
- 160.000 SMEs.
- 9.2% unemployment rate.
- 62.2% employment rate, but 70.5 men and 54.0 women.



INTRODUCTION

Description of the initiative

- Loan of Honour backed by a guarantee scheme.
- ESF, Regional Axis Employability.
- The project has been developed over the course of three cycles (2006-2008, 2010-2012 and 2013-2015) in two programming periods (2000-2006 and 2007-2013).
- The loan took the form of microcredit to promote entrepreneurship, offering jobless individuals the resources and training needed to set up a business.
- Sectors of interventions: production of goods/manufacturing, trade and services.



INTRODUCTION

Objectives

- To facilitate the access to credit for those who have difficulties in obtaining financing through the traditional banking channels (especially young people).
- To provide training tools and specialist support to good ideas.
- Helping to start up new businesses in the medium-term, excluding the use of borrower collaterals of any kind and providing free technical assistance (training).

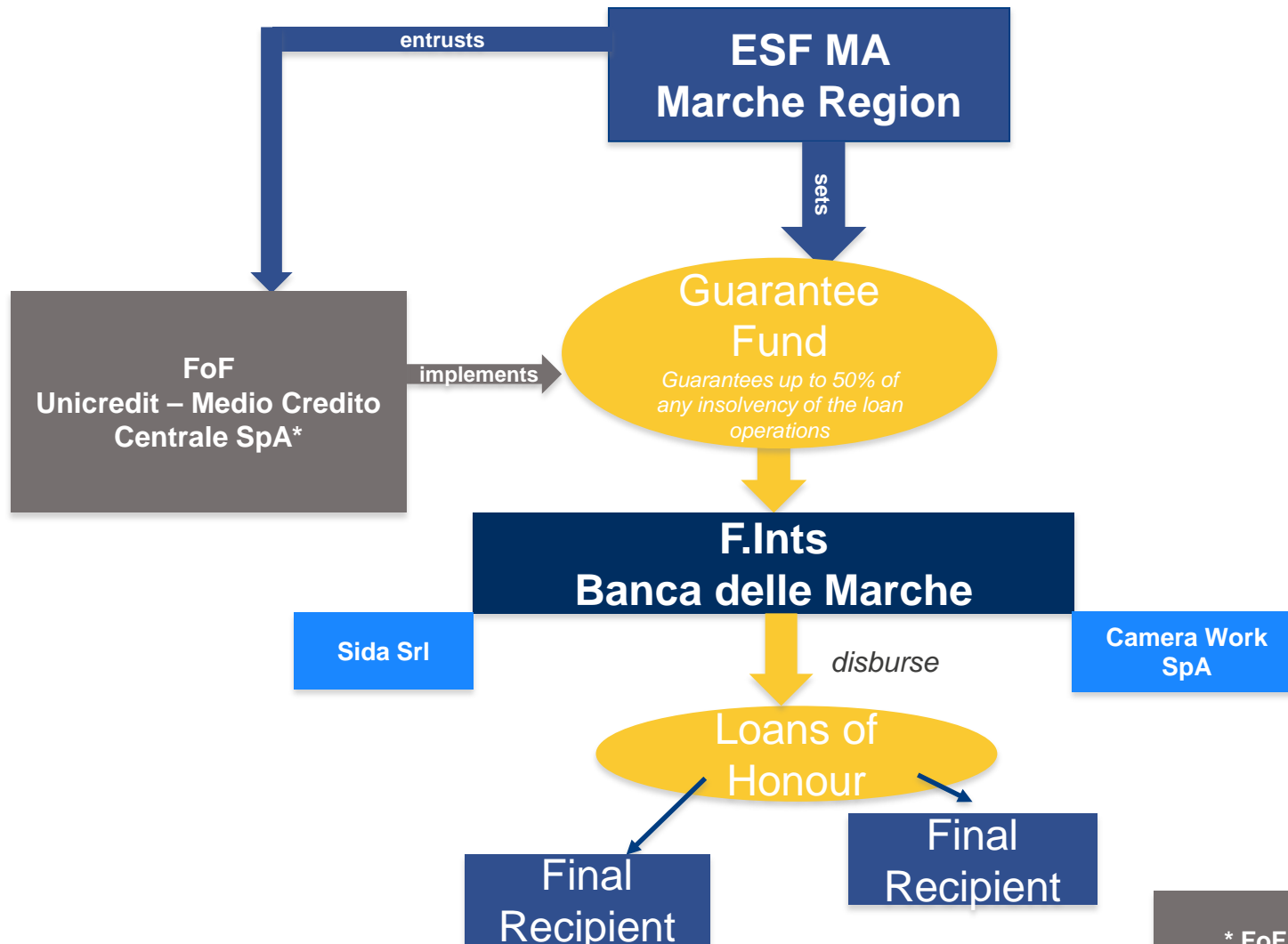


KEY FEATURES

- **SOCIAL NEEDS:** Setting up initiatives able to support entrepreneurship and job creation through the use of loans covering the launch and management of new businesses.
- **DEMAND SIDE:** Unemployed/jobseekers, layoff workers, employed women “over 35”.
- **SUPPLY SIDE:** OP 2007-2013 resources (ESF + national co-financing) combined with private resources.
- **FINANCIAL INTERMEDIARIES/PARTNERS:** Commercial banks; consulting/training companies.
- **ENABLING ENVIRONMENT:** Supporting the socio-economic development of the Region, and reducing the dependence on public assistance employment programs.



GOVERNANCE STRUCTURE



* FoF designed by the Investment Committee



FINANCIAL PRODUCT

Guarantee Scheme

Backing the Loan of Honour, it guarantees Banca delle Marche up to 50% of any insolvency

Loan of Honour

The maximum amounts of loans: € 25 000 in the case of sole companies and companies with less than three members; € 50 000 in the case of companies with at least 3 members. The duration of the loan is 6 years at a fixed interest rate and including the spread of 3.2%. The borrower repays the loan after 12 months since the first payment in 6 years (monthly tranches).



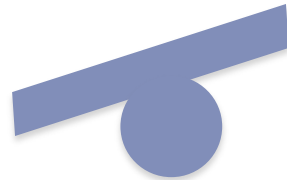
FINANCIAL PRODUCT

Leverage effect

- The leverage effect of the guarantee scheme was

€16.393.765,10 of Loans

€3.800.000 of guarantees (1.500.560 ESF)



Leverage x4.31 (total programme contribution)

Leverage X 10,89 (ESF contribution)



RESULTS

Main figures

- 867 microenterprises benefited from the guarantee.
- 1355 new firms financed over the course of 3 cycles (2006-2008, 2010-2012 and 2013-2015).

Call	Implementation Period	Partial guarantee	Loans	
			Achieved	Target
1st call	2006-2008	no guarantee	488	500
2nd call	2010-2012	guarantee	480	400
3rd call	2013-2015	guarantee	387	400
		Total	1355	1300

n° of loans	job coefficient	jobs created
1355	2.5	3387.5
n° of ent.	average loan	total amount of loan covered by
867	18.908	16.393.765



RESULTS

- Reduction of information asymmetry as the regional Government partially financed the guarantee.
- The partial guarantee is a disincentive for the F.Ints to behave opportunistically and to carry out an appropriate screening of the potential borrower as it provides its resources and risk part of the capital.
- These kind of initiatives are further less costly than direct financing and co-financing in terms of public funds.



LESSONS LEARNED

- Loans perform better than grants in enhancing commitment and consciousness between the lender and the borrower.
- Importance of actors involved being locally-bounded as the network and the knowledge of the context allows a fast and effective delivery of the policy.
- The non-financial services are of crucial importance in the development of the business and the microfinance constraint regarding the professional nature of the services
- The presence of the tutor gives credibility to the project when it is assessed by the bank and has been crucial in the first year of business life.
- The MA is about to launch the fourth call of the Loan of Honour setting up a system of result oriented professional non-services: the beneficiary will be helped in the business plan's draft and in the first year of activity by an expert paid only after the financing from the bank.



Thank you for your attention !



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