



Financial Engineering Instruments in the Czech Republic in 2007-2013 period

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1. Loan and Guarantee Fund in OP Enterprise and Innovation
 2. Jessica in ROP Moravia-Silesia
 3. Jessica in IOP
 4. Lessons learnt



Loans and Guarantees in OP EI

„Transformation of CMZRB“



Investment strategy

Loan Fund START / PROGRESS

Supported activities

- Set-up of new enterprises
- Promotion of SMEs
- Increase competitiveness

Final recipients

- Micro-enterprises
- SMEs

Financial products

- Interest-free loans
- Subordinated loans
- Interest rate subsidies

Guarantee Fund START / ZÁRUKA

Supported activities

- Set-up of new enterprises
- Promotion of SMEs
- Increase competitiveness

Final recipients

- Micro-enterprises
- SMEs

Financial products

- Individual / Portfolio guarantees
- Guarantee fee subsidies
- Interest rate subsidies



Timeline

- 2007: Ministry of Industry and Trade (MA of OP EI) signed funding agreements with Czech-Moravian Guarantee and Development Bank (CMZRB)
- 2007-2012: Calls for projects, disbursements
- 2008-2012: Gradual development of the regulatory framework for FEIs
- 2010-2014: Seed/VC Fund project
- 2013-2015: Commission audit mission, financial corrections, reallocations within the OP EI, ex-ante assessment in OP EIC





Jessica in ROP MS

„Pioneer region and the EIB“



Investment strategy

Supported activities

- **Regeneration/revitalization of brownfields**
- Other sustainable urban development projects (development of tourism, improvement of public service infrastructure)

Final recipients

- **Municipalities, enterprises**, NGOs, associations, public bodies and enterprises, MS region and its bodies

Financial products

- Low-interest loans, up to 15 years maturity, up to 100 / 170 million CZK



Timeline - tailoring the scheme

2009-2010

- EIB's gap assessment and feasibility study (PwC)
- Funding agreement with EIB => Jessica HF MS, 507 million CZK entrusted, Investment board created



2011-2013

- EIB procures UDFs (CMZRB, Contera), operational agreements, first calls for projects
- First disbursements in 2013, preparations to overtake EIB's HF duties



2014-2015

- MA overtakes EIB's HF duties (Department of Jessica, Council of Experts)
- Additional contribution to UDF Contera, agreement to reallocate UDF CMZRB's undisbursed funds to UDF Contera
- Further disbursements and closure-related measures



Jessica loans in IOP

“Involving commercial banks”



Investment strategy

Supported activities

- Modernisation/reconstruction of (multi)apartment buildings
- Reconstruction of properties for social housing

Final recipients

- Owners of (multi)apartments, housing/owner associations, municipalities, NGOs (social housing)

Financial products

- Low-interest loans (fixed IR 0,52/1,52/2,52 %), 10/20/30 years maturity, loan up to 120 million CZK, minimal collateral

Program JESSICA

Projekt rozvoje znevýhodněných městských zón



Timeline

2011-2012

- Preparatory work
- SHDF appointed Holding fund manager, 609 million CZK entrusted

2013

- Procurement of the financial intermediary (Komerční banka)

2014-2015

- Early 2014 first applications for loans and first disbursements
- Solid take-up, original allocation disbursed by now (150 projects)
- Reflows, second investment cycle?
- Ex-ante assessment in IROP



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Lessons learnt



Lessons learnt

- Procurement issues
- Regulatory framework and time factor
- Awareness raising



Procurement issues

- Several FEIs failed due to delays/complications when procuring the fund manager
 - Seed/VC Fund in OP EI
 - Jessica FEI in OP Prague Competitiveness and ROP Central Moravia
- Lessons learnt
 - Procurement process => in line with ESIF requirements, yet attractive for financial intermediaries
 - Tailoring the structure, EIB/EIF involvement in the set-up phase? (Seed/VC fund => National Innovation Fund in OP EIC)
 - In-house solutions and direct awards



Regulatory framework and Time factor

- Lessons learnt
 - Need for comprehensive regulatory framework from the outset for proper set-up of FIs (Commission audit findings resulting in financial corrections in OP EI)
 - => Transformation of CMZRB into fully state-owned bank, envisaged transformation into National Promotional Bank
 - Rather late start of implementation of some FEIs in the 2007-2013 period
 - => Preparation of FIs in the 2014-2020 period started early, exchange of experience and transfer of best practice
 - Working group for FIs
 - Fall series of FIs events



Awareness raising

- Prevalent preference for grant types of support
 - Low awareness of repayable types of support
 - Low commercial interest rates environment
 - Lessons learnt
- ⇒ Continuous awareness raising campaigns
- Fall series of FIs events
 - 05/10/2015 National FIs conference (ESIF/EFSI)
 - 19/10/2015 P2P TAIEX workshop with Lithuanian experts
 - **10/11/2015 fi-compass seminar**
 - 25/11/2015 FIs workshop within Czech V4 group presidency



Thank you

www.fi-compass.eu

