



# Financial instruments for enhancing SME competitiveness

Brussels, 14 March 2017



# Welcome

Pieter COPPENS, European Investment Bank



## FOSTER TPE-PME in the Occitanie region, France

**Stéphane MOLINIER, Région Occitanie**

**Aubin BONNET, European Investment Fund**

**Thierry ARMAND, Banque Populaire du Sud**



## FOSTER TPE-PME in the Occitanie region, France

Stéphane MOLINIER, Région Occitanie

## Key characteristics

- France - Occitanie
- ERDF and EAFRD
- SME Support, also in the agricultural sector
- Building on experience from the past programming period to expand the scope of the instrument to new funds and territories
- Fund of Fund FOSTER TPE-PME (EUR 113m-116m)
- Loan, Guarantee and Equity financial instruments
- Investing EUR 700m into 5 000 SMEs in the region

TO 3



Enhancing the  
competitiveness of  
SMEs

# Strategic context

## – Background

Introduction of the region

- Region created 1 January 2016, the result of the merger of
  - Languedoc-Roussillon
  - Midi-Pyrénées
- 5.7 million inhabitants
- GDP of EUR 150bn
- 1<sup>st</sup> in creation of new enterprises
- 12% unemployment rate (above the French average)
- 8 million tourists per year
- Population growth +50.000 per year
- Twice the area of Belgium with large cities
  - Toulouse
  - Montpellier
- 50% of territory used for agriculture
- First employer: agriculture & agrifood industry
- Per capita income below French average, especially in Languedoc-Roussillon (transition region)



La Région  
**Occitanie**  
Pyrénées - Méditerranée

Among French regions:

- 5<sup>th</sup> in population
- 4<sup>th</sup> most touristic
- 3<sup>rd</sup> most farms
- 2<sup>nd</sup> in territory
- 1<sup>st</sup> rate for GDP invested in R&D: 3,7%

<http://www.regionlrmp.fr/infographies/ChiffresCles/>

# Strategic context

## – SMEs in the region

Different types of enterprises in the region:

- new technologies and innovation (digital, aerospace industry, health...)
- traditional (agriculture, tourism, crafts)
- Headquarter of Airbus

Almost 500 000 SMEs of which

- more than 95% micro enterprises
- more than 20% agriculture related

Operational Programmes focusing on:

- Supporting and fostering innovative projects
- Supporting SMEs

1<sup>st</sup> research region in France

- 227 000 students at 35 institutions for higher education
- 29 400 researchers
- 15 clusters, including aerospace

But also

- 140 000 farmers
- 123 000 craft enterprises
- 110 000 working in tourism
- 85 000 working in aerospace

# Strategic context

## – Background

**EU programmes in the Region Occitanie:**

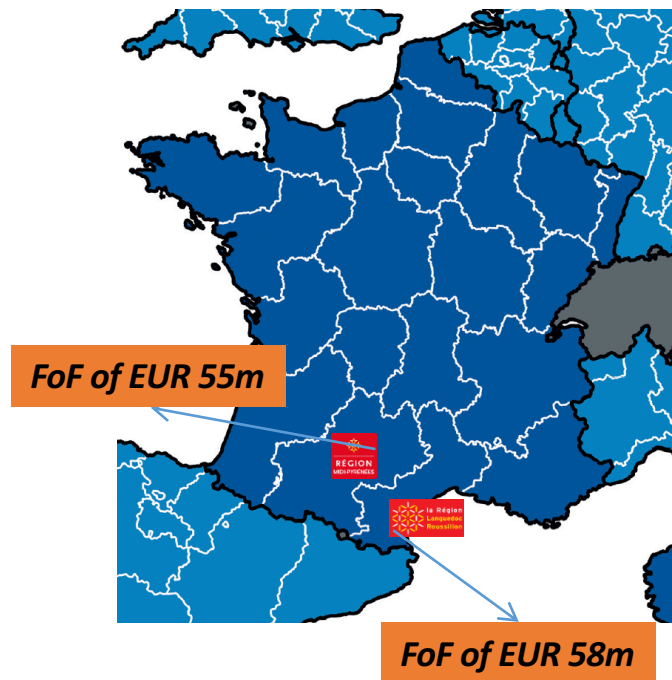
**2 Operational Programs ERDF/ESF** (for the former territories of Languedoc-Roussillon and Midi-Pyrénées)

**1 Operational Program ERDF** over the Pyrénées (mountain range)

**2 Rural Development Programs EAFRD** (for the former territories of Languedoc-Roussillon and Midi-Pyrénées)

**EUR 2.8 bn directly managed by the Region Occitanie (MA):**

- EUR 506m for Innovation and SMEs
- EUR 113m-116m for Financial Instruments





# Strategic context

## – SMEs in the region

## 2 ERDF/ESF programmes

## TO1/TO3 in Occitanie and envisaged contribution to FIs

- Languedoc-Roussillon
  - EUR 747m OP resources (ERDF/ESF + match)
  - EUR 225m for TO1/TO3
  - The total amount dedicated to Financial Instruments is EUR 58m [EUR 43m to support SMEs and EUR 15m to support final recipients active in the agricultural sector]
  - Under SMEs & Agriculture: the split is roughly 60% ERDF or EAFRD and 40% own resources from Region [Region strongly involved]
- Midi-Pyrénées
  - EUR 880m OP resources (ERDF/ESF + match)
  - EUR 280m for TO1/TO3
  - The total amount dedicated to Financial Instruments is EUR 55m [EUR 43m to support SMEs and EUR 12m to support final recipients active in the agricultural sector]
  - Under SMEs & Agriculture: the split is roughly 50% ERDF or EAFRD and 50% own resources from Region [Region strongly involved]

# Strategic context

– *SMEs in the region*



## Long experience with Financial Instruments in Occitanie:

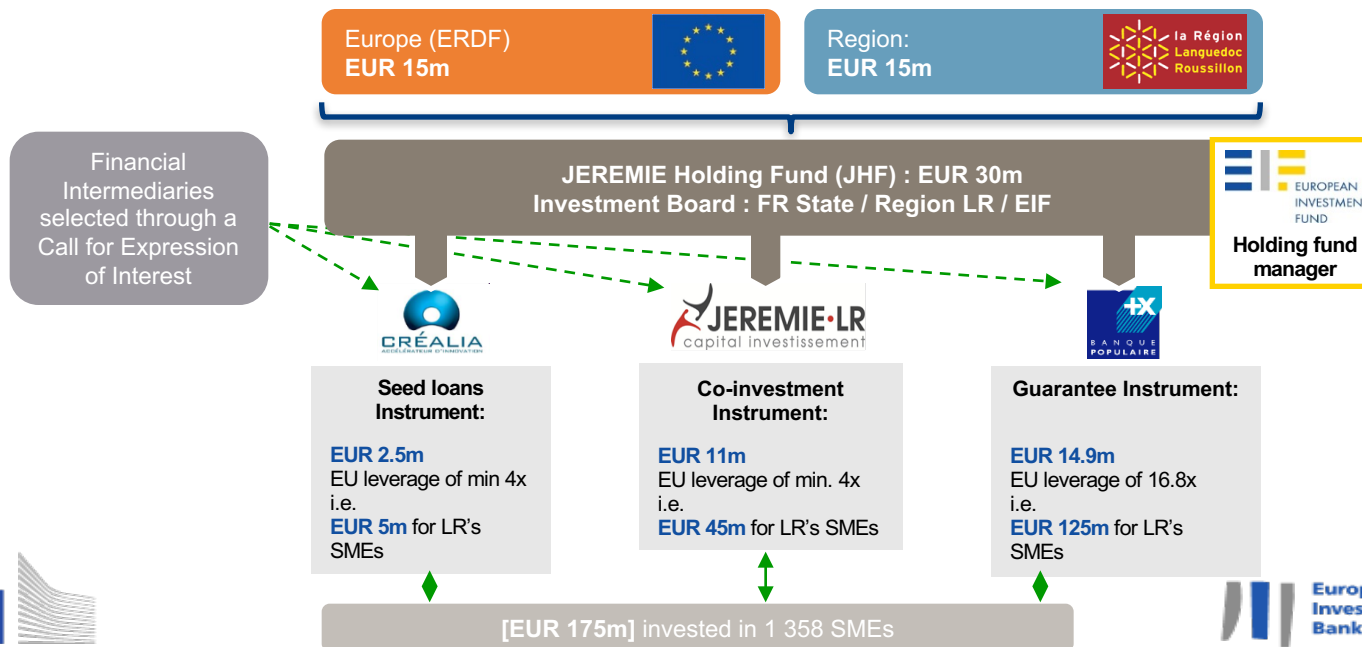
- Two venture capital companies created in early 80s nowadays merged: IRDI-SORIDEC (EUR 210m of assets under management)
- 2007-2013: Midi-Pyrénées ERDF Operational Programme  
*long experience with guarantee funds and seed loans instruments*
- 2007-2013: Languedoc-Roussillon ERDF Operational Programme  
*JEREMIE funds EUR 30m (EUR 15m ERDF + EUR 15m Region)*



# Strategic context

– Past and envisaged future

## Experience and lessons learned 2007-2013 Languedoc-Roussillon (1/2)



# Strategic context

– *Past and envisaged future*

## Experience and lessons learned 2007-2013 Languedoc-Roussillon (2/2)

- Alignment of interest
- Risk sharing private-public
- Transparent selection procedure
- Win-win:
  - MA: achieve OP objectives, leverage, revolving
  - Intermediary: risk-reduction, broader business opportunities
  - SME: preferential access to finance

**a positive experience 2007-2013**

EU leverage

**11.6x**

Financing  
provided

**EUR  
175m**

SMEs  
supported

**1 358**

Jobs  
created or  
maintained

**15 417**

# 2014-2020: The next step new FI for Occitanie

**On the basis of positive past experience  
and after ex-ante assessments,  
Occitanie decided to foster FI for 2014-  
2020:**

**EUR 113m-116m in a new FOSTER-TPE-  
PME Fund of Funds**

**Focus on ex-ante assessments:**

- A global approach of SME needs covering all sectors
- Region OCCITANIE chose EIB Group: strong experience with market assessment, FI implementation and knowledge of EU regulations



# Strategic context

## – Past and envisaged future

Comparison with 2007-2013

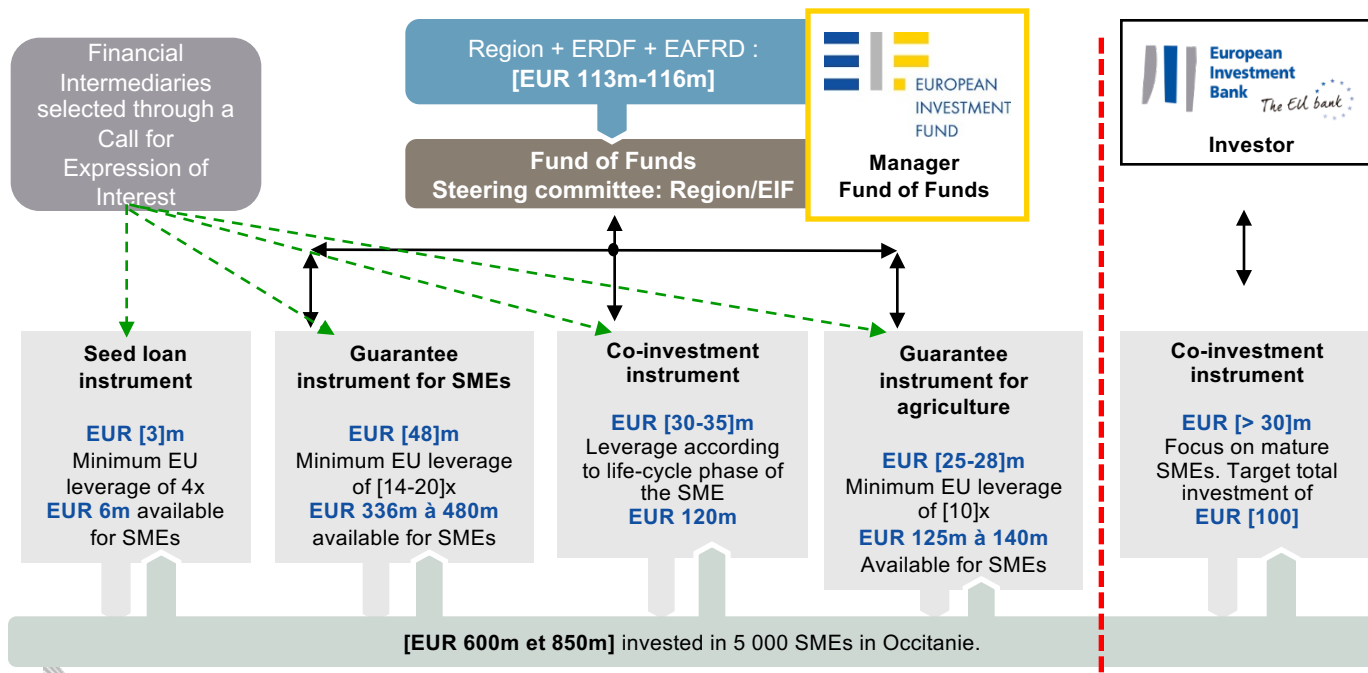
SIMILARITIES	DIFFERENCES
FoF structure	Extended territory
Managed by EIF	Size of the FoF: 3.7x From EUR 30M in 2007-2013 To about EUR 113M 2014-2020
Equity, Loan and Guarantee	New FLPG instrument under EAFRD + potentially ESIF-EFSI (subject to Omnibus)
2007-2013 : FoF : EUR 30m 1 358 SMEs with EUR 175m	2014-2020 : EUR 113m-116m About 5 000 SMEs with EUR 700m

# Strategic context

## – Past and envisaged future

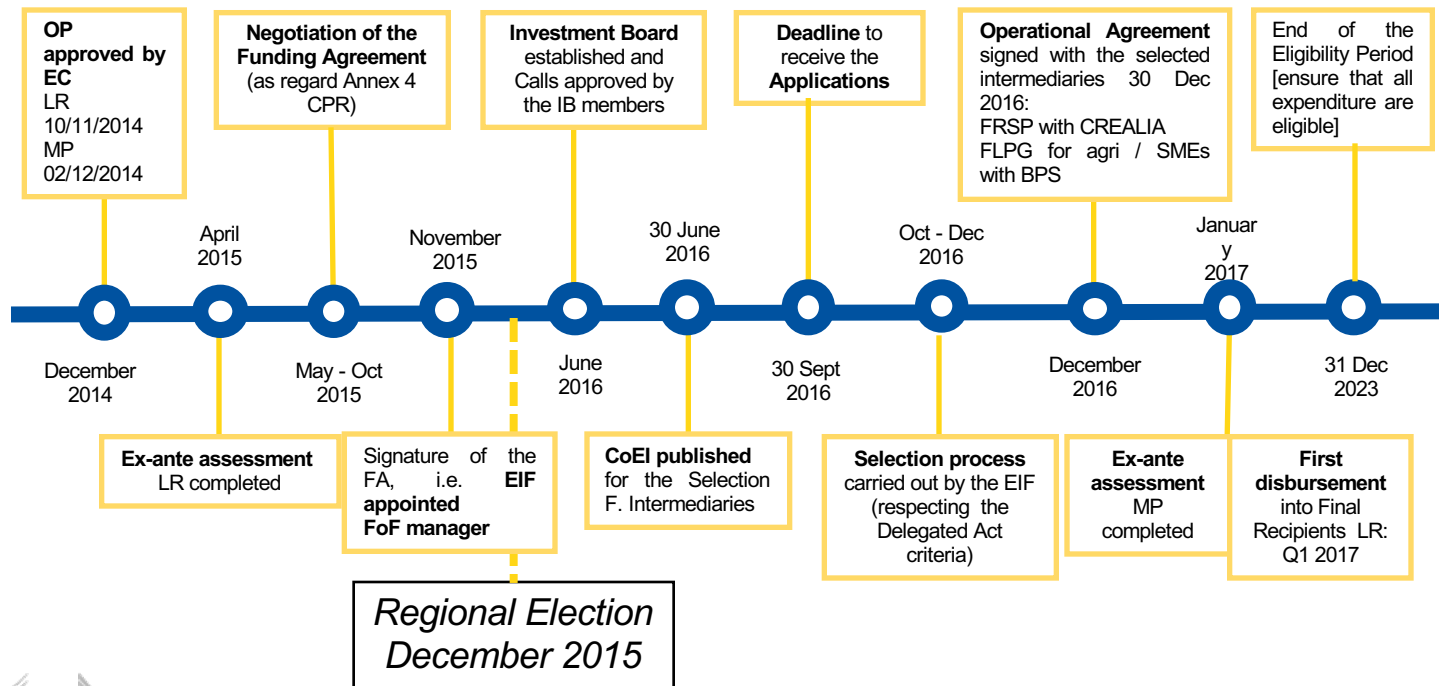


### FIs in 2014-2020 (2/2)



# Strategic context

## – Timeline





# Key messages from the MA

- Financial Instruments: a new tool for public administrations to finance economy & to boost private sector
- SME financing with a given advantage to the final recipients: SMEs (lower interest rate, lower collateral, increased investment capacity, ...)
- Risk reduction for financial intermediaries
- Partnership with a public bank in order to deal with private sectors (e.g. banks, venture capital companies...)

# Key messages from the MA

- Why the MA has chosen to work with EIF:
  - Transparency of management and selection process
  - Range of financial instruments (responding to market needs)
  - Avoid conflict of interest
  - Safe: EIF is rated AAA and ensures treasury management of the Fund of Funds
- Work in full cooperation with the steering committee (COPIL) to establish a clear Investment Strategy
- Close cooperation with the MA to implement FIs (especially for the agriculture pilot project)
- Time needed to set-up the instrument
- Prospect: Juncker Plan to increase the leverage



## FOSTER TPE-PME in the Occitanie region, France

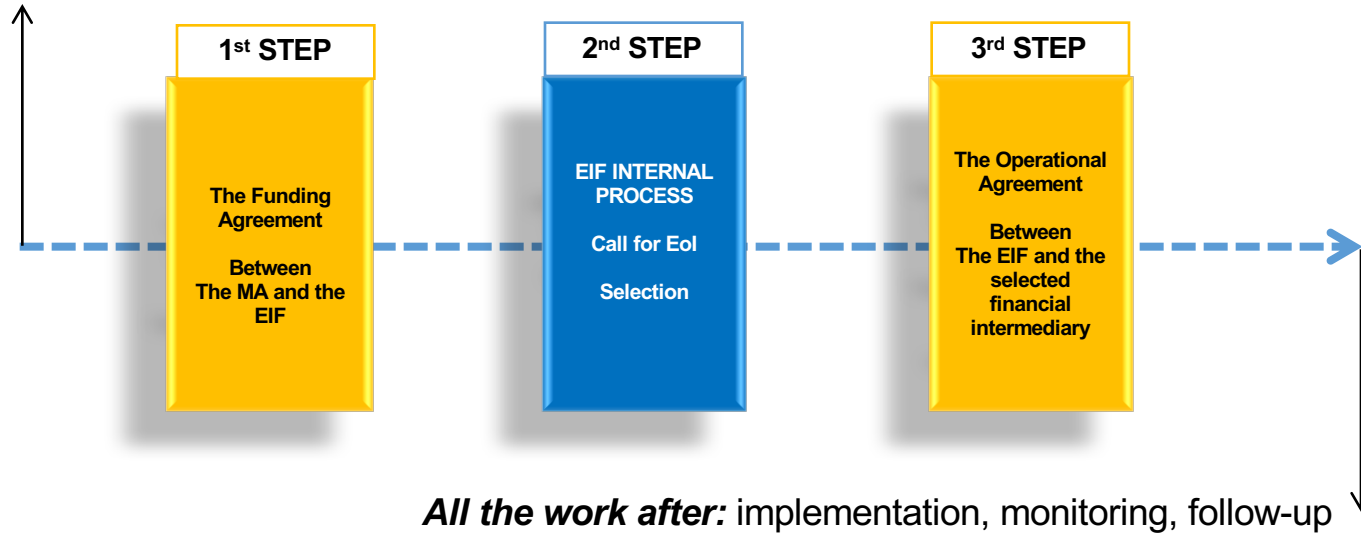
Aubin BONNET, European Investment Fund

# Design and set-up

# Design and set-up



*All the work before:* OP/RDP, Ex-ante assessment, etc.



# Design and set-up

## – Funding agreement

Legal basis: Article 38 CPR + Annex IV of CPR

The Overall aim is to define the rules between the Parties (i.e. the MA and the EIF)

Fundamental & very comprehensive text split into **Core text** and the **Annexes**

**Core text** (main elements 1/3):

- **Mandate and functions of the EIF** (the MA appoints EIF as FoF manager and body implementing the guarantee instrument pursuant Article 38.4.b.i)
- **What EIF is authorised to do by the MA?** (e.g. manage the bank account, pursue the Investment Strategy, select the Intermediaries, perform due diligence (DD), negotiate the Operational Agreement, audit, monitoring, etc.)
- What is the **process to fund the FoF bank account** (phased payments, etc.)?
- **How to use the proceeds?** (e.g. new investments into financial intermediaries, management fees (MF) payment, preferential remuneration, etc.)

# Design and set-up

## – *Funding agreement*

### **Core text** (main elements 2/3):

- How the FoF Bank Account is managed? (separate block of finance, clear flow of money, which type of bank [min rating requested] can be appointed by the EIF, etc.)
- What is the Governance? Investment Board set up by the MA, the MA appoints the chairman, the members, the observers, IB members express the position of the Region, tasks and responsibilities of the board, etc.) EIF acts as the Secretariat
- Management fees within the eligibility period [based / performance / cap]

# Design and set-up

## – *Funding agreement*



### **Core text** (main elements 3/3):

- Section on what the Operational Agreements shall include [pursuant articles 6/7 DA for e.g. transparent selection, annex IV of CPR]
- Section on State Aid
- Section Monitoring & Reporting: progress report to be provided by the EIF to the MA [at least comply with Article 46 CPR ]
- Section on Effective date / Termination





# Design and set-up

## – *Funding agreement*

The 2nd part of the FA is the **annexes**:

- **Investment Strategy** (i) how to invest: ex-ante main recommendation, mode of implementation, description of the underlying financial instruments, (ii) who are the Final Recipients, State aid, how to disinvest for each instrument, how to use the proceeds, (iii) Business plan
- **Risk policy of the FoF** (detailed explanation of the risk for the MA linked to the respective underlying financial instruments (equity as well as debt)
- Section related to the **selection process** of the financial intermediaries (ref. article 7 of the DA)
- Comprehensive and detailed section on the **Progress Report** (from EIF to the MA) coherent with Article 46 CPR report
- Other sections : treasury management, governance, etc.

# Design and set-up

## – Funding agreement

## State aid provisions

### For debt instruments:

- De-minimis for debt instruments [FRSP & FLPG]. Basically, not really an issue because of the loan size [in average around EUR 80 000]. *Comprehensive calculation is provided by the EIF to the Intermediary especially for the FLPG;*
- *For Agri: distinction regarding the qualification of the product (Aid intensity: Agri product Vs State Aid: Non Agri product)*

### For equity/co-investment instrument:

- Article 21 GBER, overall the investment amount + preferential % for very early stage, the concept of commercial and profit oriented investment is relevant

# Lessons learned on the FA

– *EIF point of view*



- **Is a fundamental and comprehensive document** laying down the framework for FI implementation between the MA and the EIF, which shall comply with the EU regulations
- **Each Party shall be comfortable** with the document [for e.g. payment, MF, task & responsibilities, progress report, treasury management, who is doing what regarding State Aid, etc.]
- Regarding the Investment Strategy (and the related risk policy) **better to fix that before entering into a long FA negotiation**
- **Market Testing and close collaboration with the MA** is of paramount importance in all the process
- **Certain level of flexibility to be retained** [reality of the market might be slightly different]

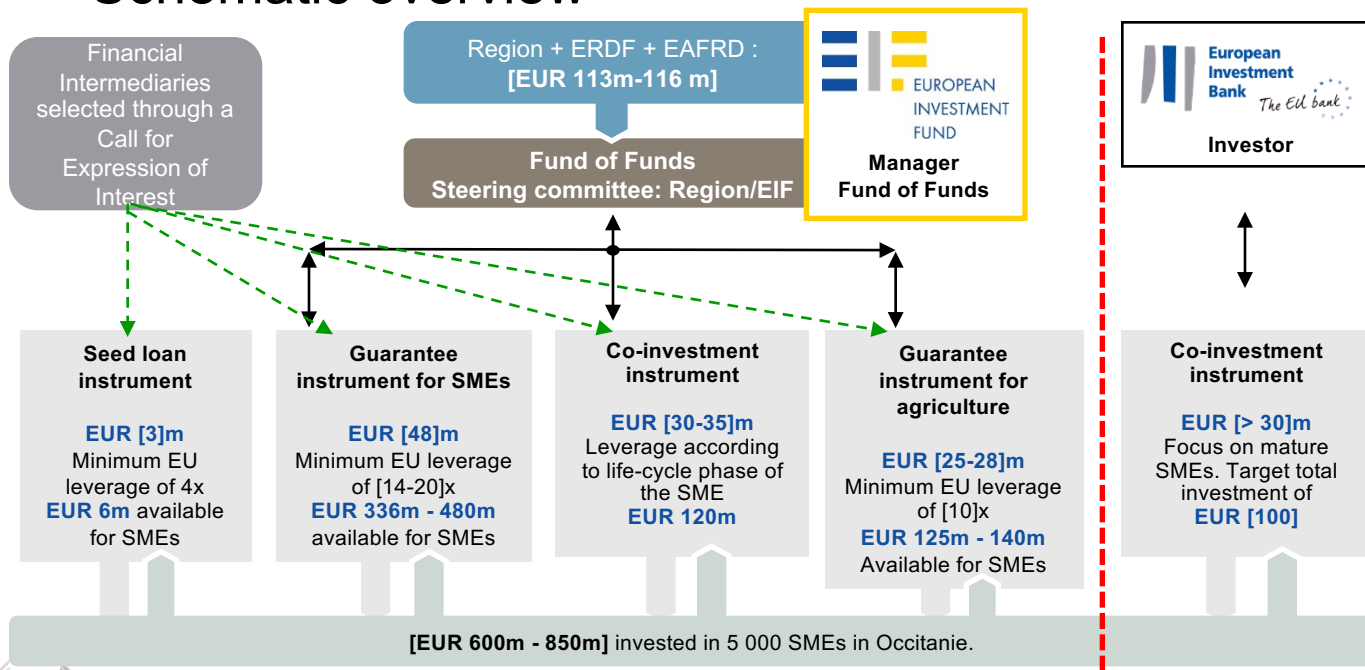


# Design and set-up

## – Implementation structure



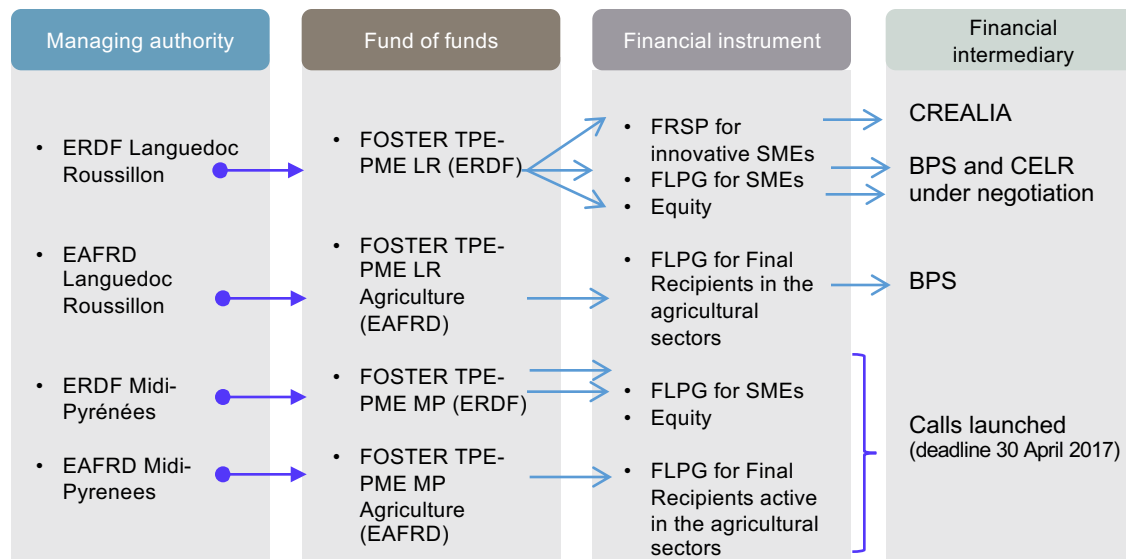
### Schematic overview



# Design and set-up

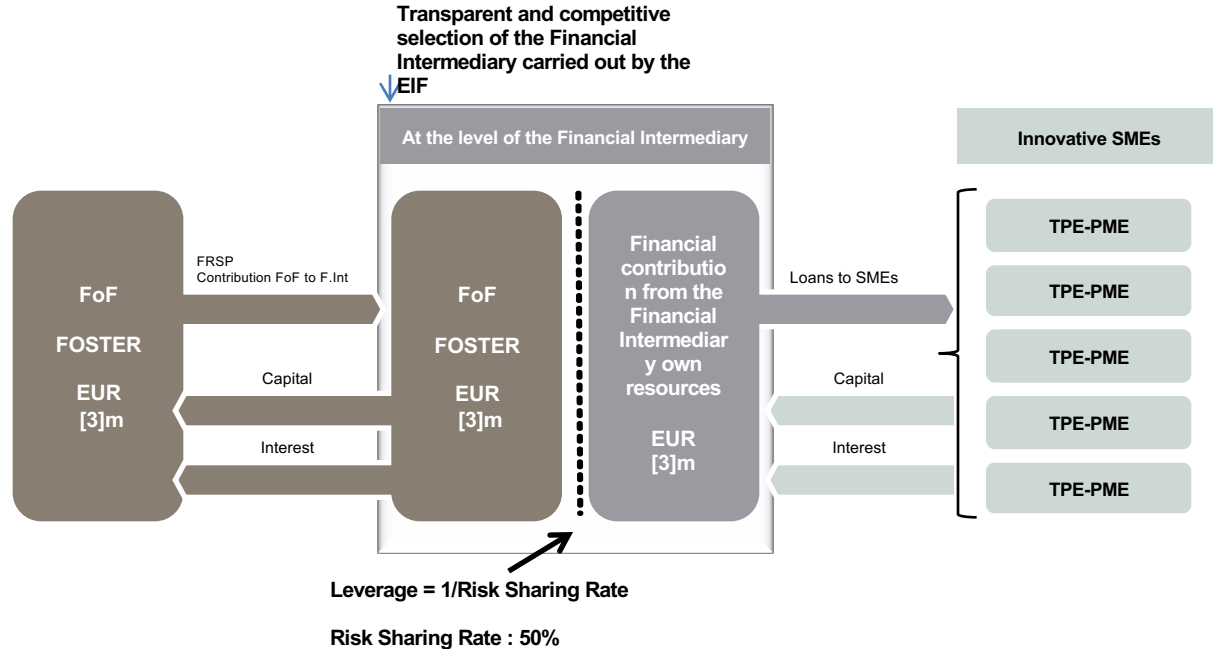
## – Implementation structure

### Schematic overview



# Design and set-up

## - FRSP for innovative SMEs



# Design and set-up

## - FRSP for innovative SMEs



- **Fund of Funds contribution:** EUR 3m
- **Purpose:**
  - Support innovation in the LR region
  - Start-up (Entrepreneurs with the objective to build up their SMEs in the next 6 months)
- **Target:** SME (1<sup>st</sup> target: seed loan SME with less than 3 years since inception, or entrepreneurs with the duty to set up their SME in the next 6 months; 2<sup>nd</sup> target: primo development, SME who was already supported via a seed loan)
- **Total amount of the loan:** max EUR 100 000 (interest free loan, without personal guarantee required)
- **Eligibility:** Assets, working capital (in the framework of an expansion plan)
- **Availability Period:** 36 months
- **Maturity of the loans:** Min. 6 months, max. 48 months (including the grace period of 12 months)
- **Others:** Risk sharing between the FoF and the FI: 50%/50%
- **State Aid:** De-minimis regulation



# Main advantage of FRSP instruments

**For successful implementation each party has to find its own interest**

For MA:

- Alignment of interest (Financial Intermediary “skin in the game”)
- Finance viable investment
- Address the regional policy objective as regard financing innovation

For the Intermediary:

- Financial Intermediary gets additional funding for final recipients at a very good price
- Reduce the risk of the intermediary (more willing to extend loans to SMEs)

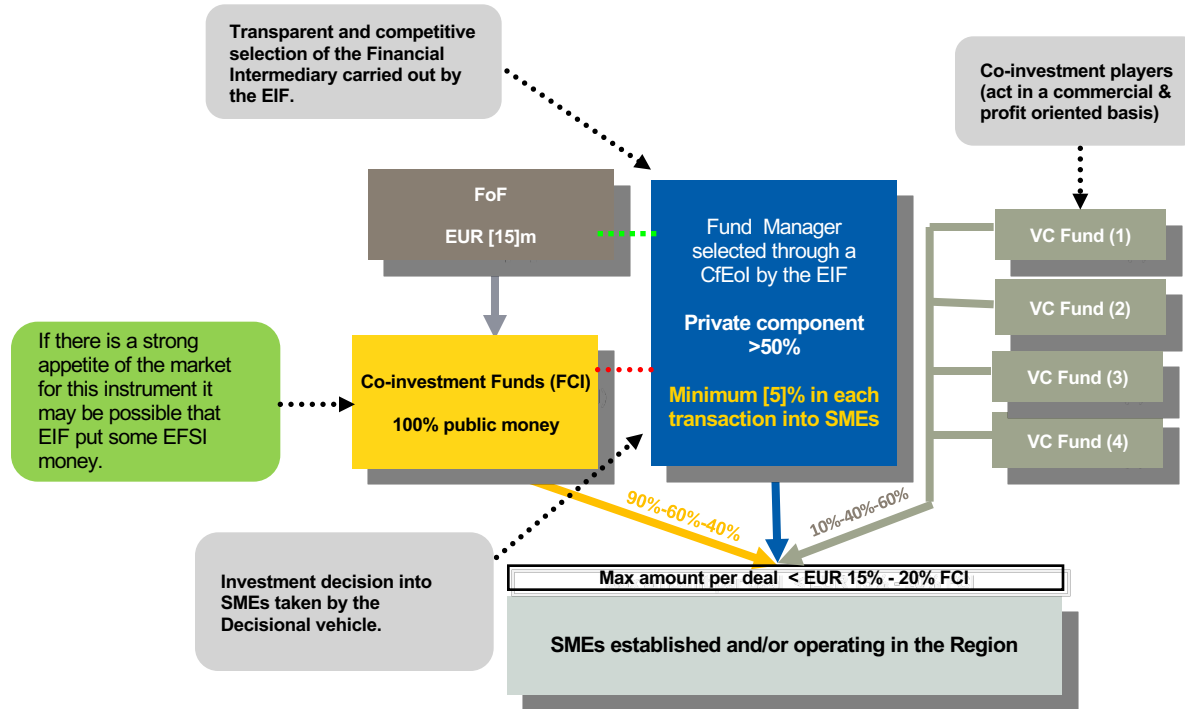
For SMEs:

- Easier access to finance, through a reduced interest rate
- Lower collateral requirement
- Extended grace period



# Design and set-up

## - Equity instrument



# Design and set-up

## - *Equity instrument*



- **Fund size of the co-investment vehicle:** EUR 15 m
- **Purpose:** Facilitate SMEs with high potential access to finance
- **Maturity of the fund:** 10 years
- **Max amount for a SME:** max 15% of the size of the fund
- **Sectors:** All sectors (except the non eligible ones). Specific attention to innovative and technology SMEs with a high potential
- **Investment period:** 31/12/2023
- **Stage of intervention:** Small enterprises (up to expansion); Medium enterprises (seed + start-up)
- Co-investment vehicle + other co-investors act according to the “pari passu” principle
- **Fund distribution according to the cascade principle:** FoF is entitled to paid-in capital + hurdle rate (at least 5%); thereafter carried interest split 80/20
- **State Aid:** article 21 GBER



# Main advantage of the co-investment instruments

**For successful implementation each party has to find its own interest**

For MA:

- Alignment of interest (Financial Intermediary “skin in the game”);
- Finance viable investment;
- Address the regional policy objective : SMEs with high potential of growth (including innovative SMEs);
- Potential EFSI component;

For the Intermediary:

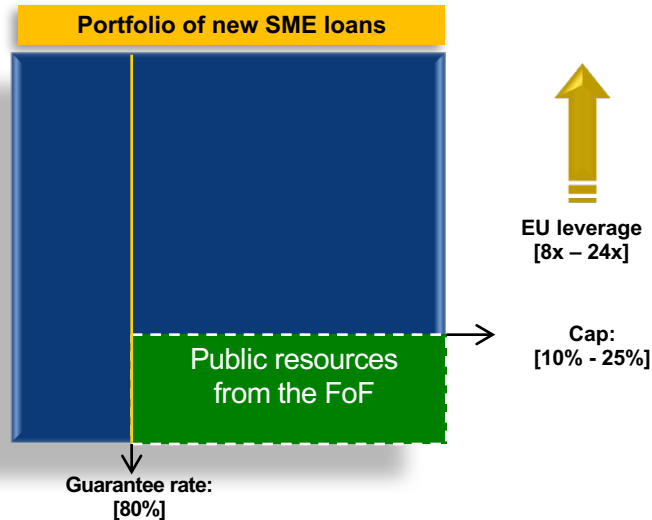
- Co-investment approach Vs Conventional (i.e. no fundraising needed / able to start very quickly);
- Very independent in its decision making process (Only one who takes the decision to invest in SMEs);

For SMEs:

- Able to access to finance at the very beginning in the life cycle of the SMEs;
- Reinforce the Equity of the SMEs allowing to access then to debt products.

# Design and set-up

## - FLPG



- Same concept: one under ERDF (SMEs), one under EAFRD (Final Recipients active in the Agri sector)
- Guarantee rate: 80%
- Cap Rate: [10% - 25%]
- Structure: Each loan is covered at 80% within the limit of the Cap Rate
- Financial Intermediary has to pass the advantage onto SMEs

# Design and set-up

– *ESIF-EFSI combination*



- Combination of resources is under examination with the EIB
- Create additional leverage on the public resources / very interesting (financially speaking for the MA) and interesting for the local economy (more money, more investments, more jobs, with **fewer** public resources)
- Subject to Omnibus



# Design and set-up

## – *Selection of bodies implementing the FI*



Call for expression of interest + selection process

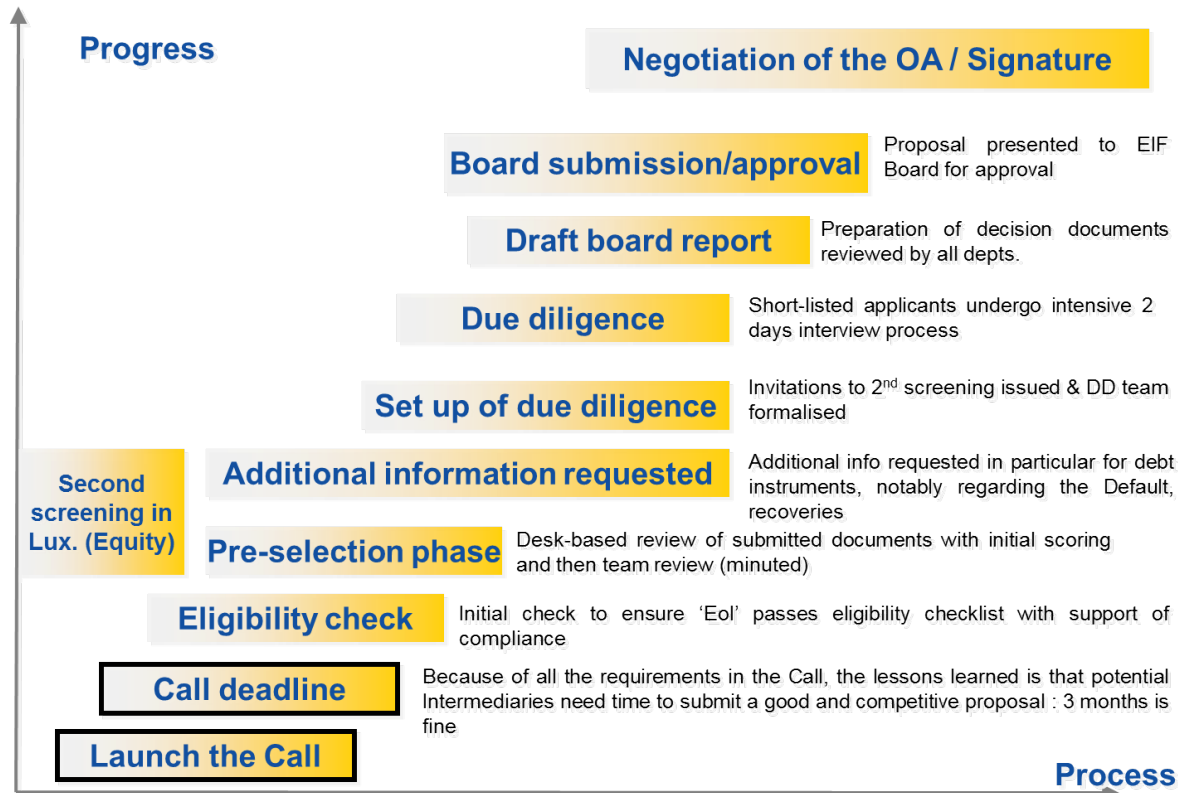
Once the Parties (MA & EIF) agree on the Funding Agreement, the next steps are:

- EIF prepares the Call(s) documentation
- IB members approve the Call(s) + Publish the Call(s)
- EIF to carry out the selection process + revert to the IB members
- EIF negotiates the OA and signs the OA with the selected Financial Intermediaries



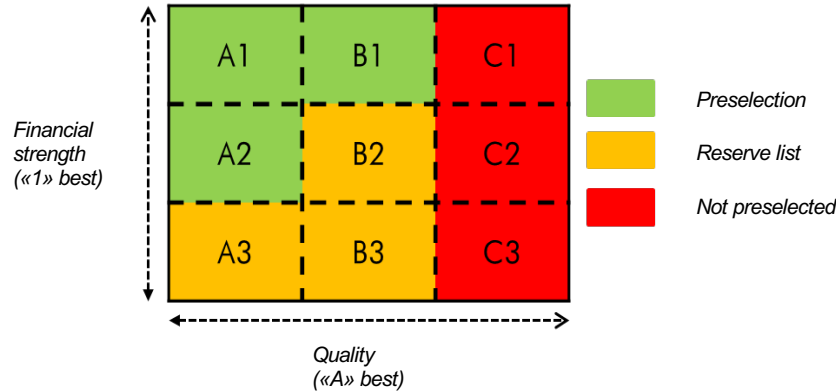
# Design and set-up

## – Selection of bodies implementing the FI



# Design and set-up

– Selection of bodies implementing the FI



Example:

**Preselection phase n°1:**  
Formel assessment of the Application received

**Preselection phase n°2:**  
Qualitative assessment of the Application

**Preselection phase n°3:**  
Financial robustness of the Applicant + Portfolio assessment



# Design and set-up

## – *Selection of bodies implementing the FI*



Main formal/selection criteria

- **Legal capacity** of the Financial Intermediary to carry out the tasks of implementation of the financial instrument under national and EU law
- **The economic and financial capacity** of the Financial Intermediary to carry out the work
- **Organizational capacity of the Financial Intermediary:** organisational structure, governance framework, internal control system, accounting system
- **Experience of the Financial Intermediary** with the implementation of “similar” financial instruments

# Design and set-up

## – Selection of bodies implementing the FI



### Main qualitative/award criteria

- **Track Record** (before)
- **Offer** in terms of implementation (after): origination strategy, marketing/visibility, duration, type of SMEs, maturity, amount,...
- **Experience of the Financial Intermediary** (*especially* for Equity type of instrument)
- **Advantage pass onto the Final Recipient:** especially for Guarantee FLPG and for Loans type of instrument
  - ✓ An important point to take into account in the selection process as referred also in the DA
  - ✓ Key element for the EIF in its selection process
- **Ability of the Financial Intermediary to raise resources** for investments in final recipients
- **Level of management costs and fees**
- **Other specific requirements**, for e.g. financial start-ups, quarterly report requirements, audit,...



# Design and set-up

## – *Selection of bodies implementing the FI*



### Lessons learned on the call and selection process (1/2)

- It is easier to establish the Call documentation on the basis of a clear Investment Strategy agreed between the Parties
- Calls shall be approved by the Investment Board members as the Call is one of the most important the documents regarding the FI
- Calls shall be very detailed, shall include the list of document requested [the investment strategy of the Intermediary, the Team dedicated to the instrument, the financial statements, ..., and the advantage that the Intermediary will undertake to pass onto SMEs]
- To submit an application: lot of work is needed, 2/3 months might be necessary to answer

# Design and set-up

## – *Selection of bodies implementing the FI*



Lessons learned on the call and selection process (2/2)

Selection process shall be based on a strictly competitive basis:

- The best value for money for the tax payers, hence it happens that Intermediaries are not “Happy”
- Working with all Intermediaries might not incentivize to pass the advantage onto SMEs

# Design and set-up

## – Governance



- Full involvement of the Investment Board's members in the definition and implementation of the instrument is very important
- Quick and effective decisions often need to be taken in order to adapt the investment strategy to the market condition / IB members need to be high level / able to take decision / strong advisory members 100% needed
- Strategic decisions will be taken by the Investment Board on:
  - The investment strategy / reorientation of the IS
  - Calls documentation / Main criteria + scoring to assess the applications



# Design and set-up

## – Operational Agreement(s) OA



- **Legal basis:** Article 38 CPR + Annex IV of CPR;
- **The overall aim** is to define the rules between the Parties (i.e. the **EIF and each Financial Intermediary selected**);
- Shall be in line with the main concept & principals agreed with **the MA in the FA**;
- Regulates in a (very) detailed way all the **features of the each instrument** of the IS (for e.g.
  - investment strategy of the intermediary for this instrument,
  - advantage pass onto SMEs,
  - implementation/communication strategy,
  - exit strategy



# Lessons learned

## - Key success factors



- Keep It Simple and Smart (**KISS**): how best to translate policy objectives in market instruments;
- Should be **market driven**: Importance of ex-ante assessment + market testing;
- **Competitive selection process** to provide the best value for money for the MA (some intermediaries not Happy, but SMEs shall get better conditions);
- **Alignment of interests**: Managing Authority, (FoF), Financial Intermediary, Final Recipient;
- Appropriate **governance** structure (involvement of the right stakeholders at the right beginning + Constructive **collaboration** vs “not my problem” attitude);
- Flexible **investment strategy**;
- Financial intermediaries **as the champions** of the instrument / tasks-liabilities of the Intermediary shall be accurately defined in the OA ;
- **Times is needed (i.e. March 2017 now or never !!!)**.





## FOSTER TPE-PME in the Occitanie region, France

Thierry ARMAND, Banque Populaire du Sud





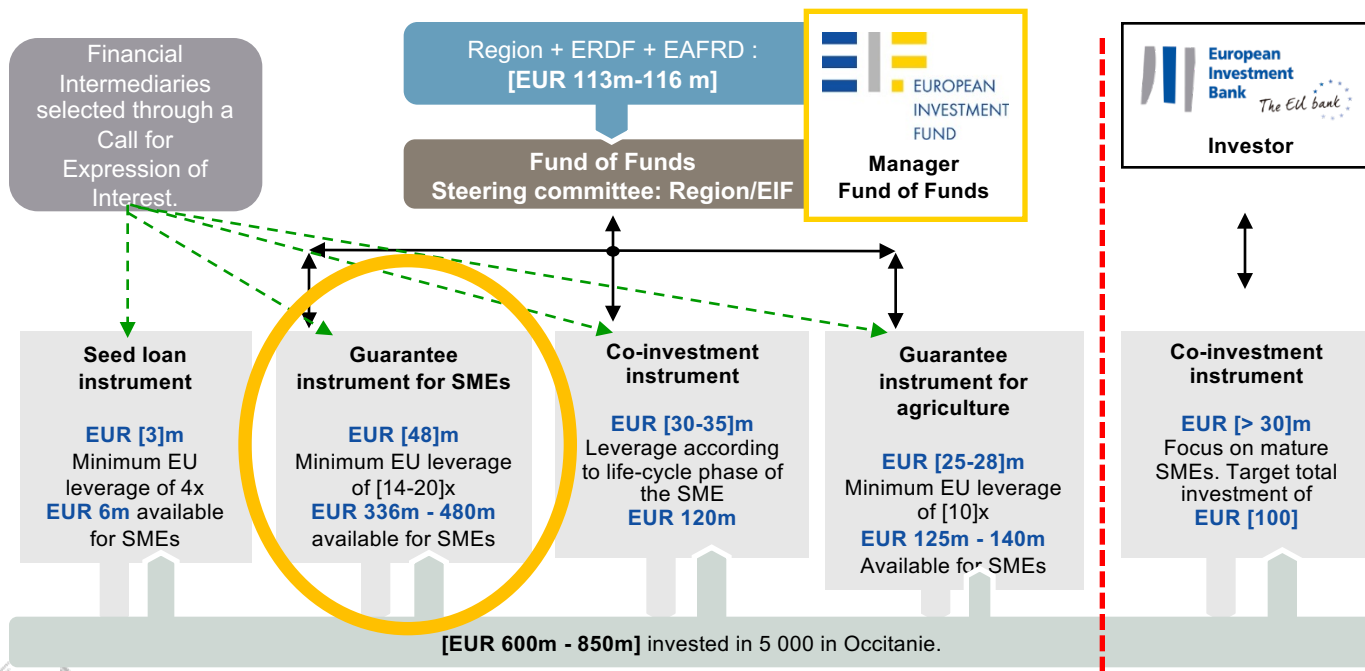


# Implementation of the guarantee instrument

Perspective of a financial intermediary

# Implementation

## - Financial instruments established



# Implementation

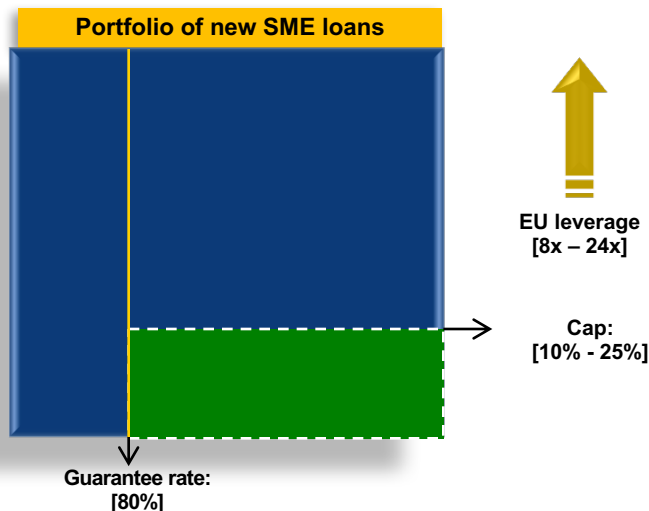
## - Guarantee instrument

Parameters for SME instrument  
(indicative numbers)

EUR 25m from the FoF will allow the intermediary to build a portfolio of new loans of EUR 100-250m.

The financial intermediary has 24-36 months to constitute the portfolio.

The risk of each individual loan will be covered for 80% within the cap of the portfolio according to its risk profile (up to 10-25%).



# Implementation

## - *Guarantee instrument*



### Parameters (SME Languedoc-Roussillon)

**EIF** is the body implementing the guarantee instrument

**Selected intermediaries:** Banque Populaire du Sud [*and Caisse d'Epargne du LR*]

**Amount of public funds:** BPS manages EUR [15m for ERDF-SMEs + EUR 13.5m for EAFRD-Agri]

**Portfolio of loans to be constituted:** EUR [156m + 67m]

**Objective:** improve access to finance for SMEs, for example

- Lower interest rate and/or collateral
- Exemption personal guarantees of the entrepreneur

**Guarantee rate:** [80%] covering final losses on individual loans up to the cap

**Multiplier** [4-12] set up by the EIF following thorough Due Diligence

**Period:** [36] months to constitute the loan portfolio, starting from signature of the agreement between EIF and the financial intermediary

**Eligibility:** SMEs (based on the EC recommendation) operating on the territory of Languedoc-Roussillon. Primo-development, subordinated loans, <EUR 25 000, etc.



# Implementation

## - *Guarantee instrument*



## Parameters (SME Languedoc-Roussillon)

**Term of loans:** minimum 12 months, maximum 120 months

**Maximum amount** of loans assuming a guarantee rate of 80%:

- EUR 930 000 (<10 year)
- EUR 1 875 000 (<5 year)
- Maximum amount per loan can be limited on the basis of diversification of the total portfolio

**Guarantee payment:** maximum 60 days after request

**Automatic coverage:** all loans within the criteria of the guarantee are automatically covered on the basis of a quarterly report sent to EIF.

**State aid:** the financial intermediary receives an advantage via the guarantee, which is passed on the SME => calculation of the gross grant equivalent.

**Other:** loans to SMEs are provided via the financial intermediary according to its standard procedures.



# Implementation

## - *Guarantee instrument*

## Parameters (SME Languedoc-Roussillon)

### Non-eligible SMEs:

- SME in difficulties
- SMEs outside the territory of Languedoc-Roussillon
- SMEs part of an excluded sector:
  - Sector of agriculture, fisheries, aquaculture and other sectors excluded on the basis of State aid rules
  - Production, trade or other activities seen as illegal
  - Cloning, genetically modified organisms
  - Production and trade of tobacco and alcohol
  - Arms/ammunition
  - Gambling

# Implementation

## - Guarantee instrument

## What happens in case of default?

### Example of a loan with following characteristics:

- Loan of EUR 600 000
- Guarantee rate 80%
- Default of EUR 100 000
- Amount recovered EUR 20 000

	EIF- 80%	Bank- 20%
Default	80 000	20 000
Recovered	16 000	4 000
Net loss	64 000	16 000

### Conclusion:

- without the guarantee, loss of EUR 80 000 for bank
- with the guarantee, loss limited to EUR 16 000

Removed from guaranteed amount

# Implementation

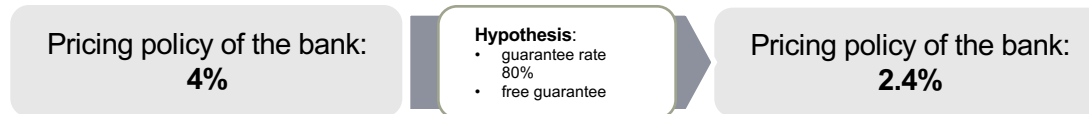
## - Guarantee instrument

Advantage for SME: the concept

### Indicative example

*Without the proposed guarantee instrument*

*With the proposed guarantee instrument*



Indicative breakdown of the cost structure of the selected bank

<b>RISK</b>	<b>2%</b>
<b>ADMINISTRATION</b>	<b>1%</b>
<b>LIQUIDITY</b>	<b>1%</b>

<b>RISK</b> (0.2*2%)+(0)	<b>0.4%</b>	<b>0%</b>
<b>ADMINISTRATION</b>	<b>1%</b>	
<b>LIQUIDITY</b>	<b>1%</b>	



# Implementation

- *Guarantee instrument*



## Advantage for SME

The **interest rate** is **reduced by at least 40 basis points per year** compared to similar transactions without guarantee

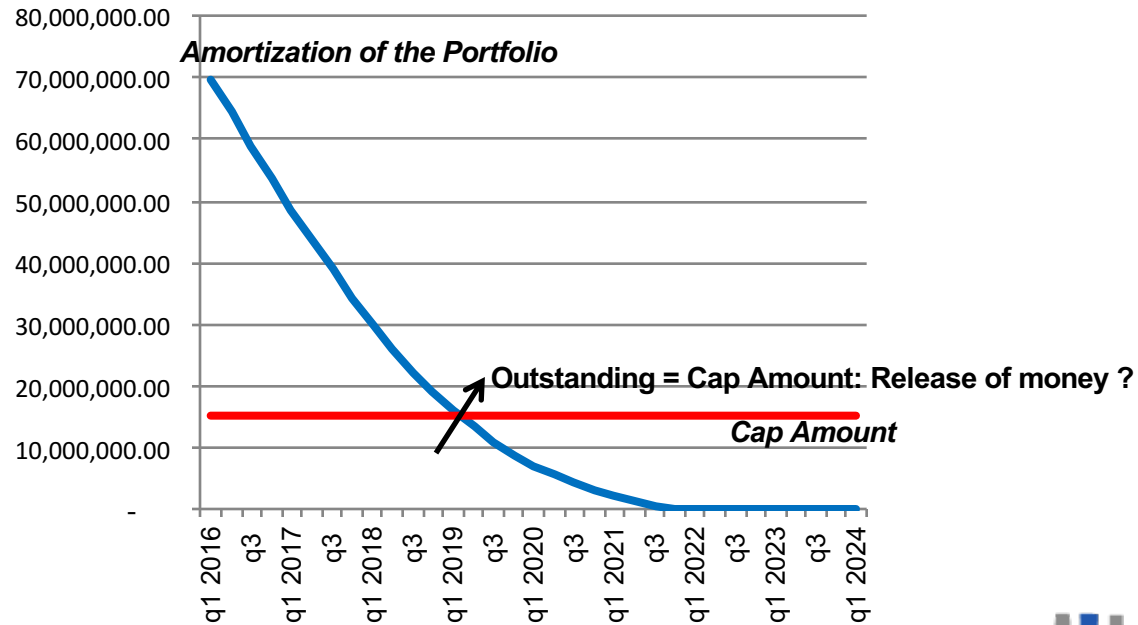
The **personal guarantees required** from the entrepreneur or its assets are limited to **maximum 20%** of the initial loan amount



# Implementation

## - Guarantee instrument

### Example of the reflows under a guarantee



# Implementation

## - *Guarantee instrument*



## Impact on activities of the financial intermediary

- Significant advantages passed onto SMEs (Interest rate reduction + lower collateral requirements) increase / attract potential new customers
- Speed up the internal decision making process
- Support SMEs that would not have been financed at those condition otherwise
- Reduce fragmentation in access to finance between SMEs

# Implementation

## - *Guarantee instrument*

## Success factors and challenges

### Key success factors

- 80% risk coverage + with a good buffer (cap rate), then provide comfort to BPS to support “risky” SMEs
- Quick payment (< 90 days) in case of default
- Broad eligibility criteria

### Main requirements specifically related to the FI

- Follow additional reporting / visibility requirements
- Compliance with eligibility conditions

# Implementation

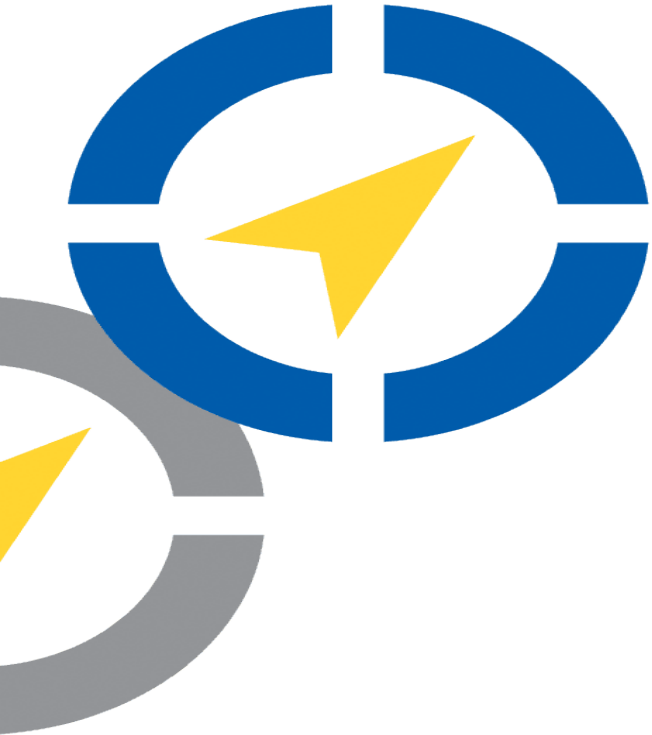
- *Guarantee instrument*



## The EAFRD financial instrument

Based on the SME guarantee instrument with different final recipients and eligibilities in line with the Rural Development Programme.

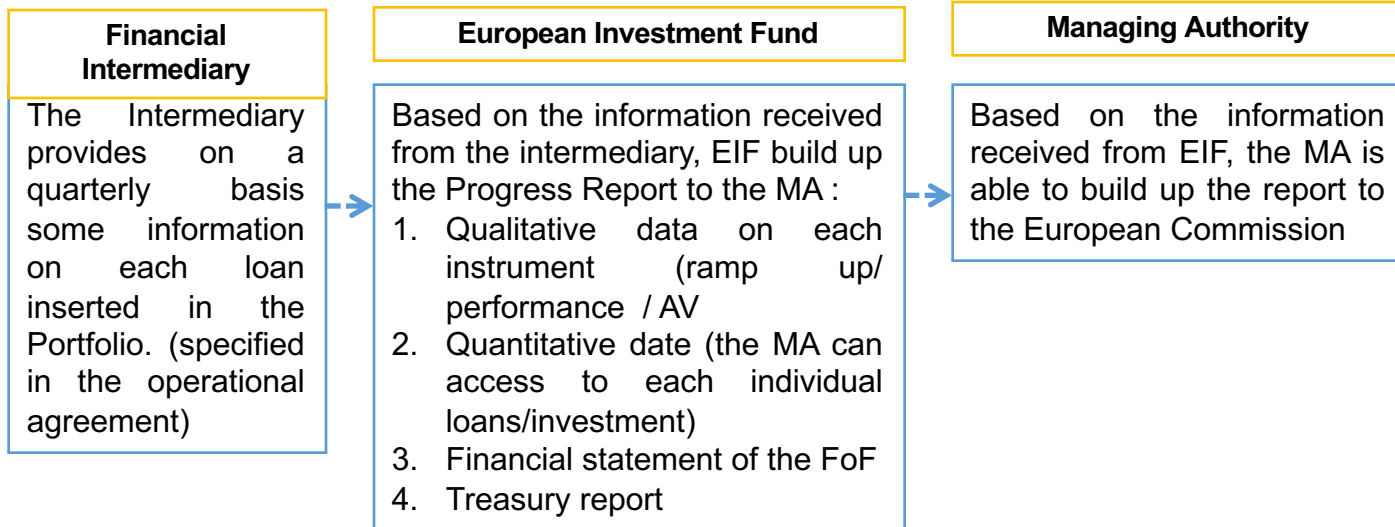




# FOSTER TPE-PME in the Occitanie region, France

Aubin BONNET, European Investment Fund

# Monitoring, control and reporting



# Monitoring, control and reporting

## State aid:

On a loan by loan basis, the selected Financial Intermediary shall calculate the GGE (based on comprehensive methodology provided by the EIF) and ensure that de-minimis ceiling is not reached.





# FOSTER TPE-PME in the Occitanie region, France

Stéphane MOLINIER, Région Occitanie



# Recap and conclusions

**Managing Authority**  
**Fund of Funds manager**  
**Financial Intermediary**

# Recommendations and lessons learned

- The design and set-up have to be based on market conditions (importance of ex-ante assessment)
- Find how best to translate policy objectives set in the OP in market instruments
- Permanent dialogue between FoF manager and financial intermediaries (objectives, characteristics of the instrument, Q&A during set-up, communication,...)
- Align different interests between public and private sector
- Channel the public contribution to the final recipients

# Recommendations and lessons learned

- Ensure a transparent and competitive selection process
- Timing is very important. The process takes time (ex-ante, market testing, financing agreement, selection process, negotiating conditions, risk analysis for guarantees,...)
- Aim for a win-win involving all parties:
  - Managing authority: leverage, revolving funds, OP objectives, visibility, job creation,..
  - Financial intermediary: funding, risk-reduction, fast default settlement, guarantee free of charge,...
  - SME: preferential and easy access to finance (lower interest rate, reduced guarantees) improving investment capacity,...



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



# COFFEE BREAK



# Questions & Answers

**Moderation: Bruno ROBINO, EIB**  
**Stéphane MOLINIER, Région Occitanie**  
**Aubin BONNET, European Investment Fund**  
**Thierry ARMAND, Banque Populaire du Sud**



# LUNCH BREAK