



# COSME Financial Instruments for SMEs

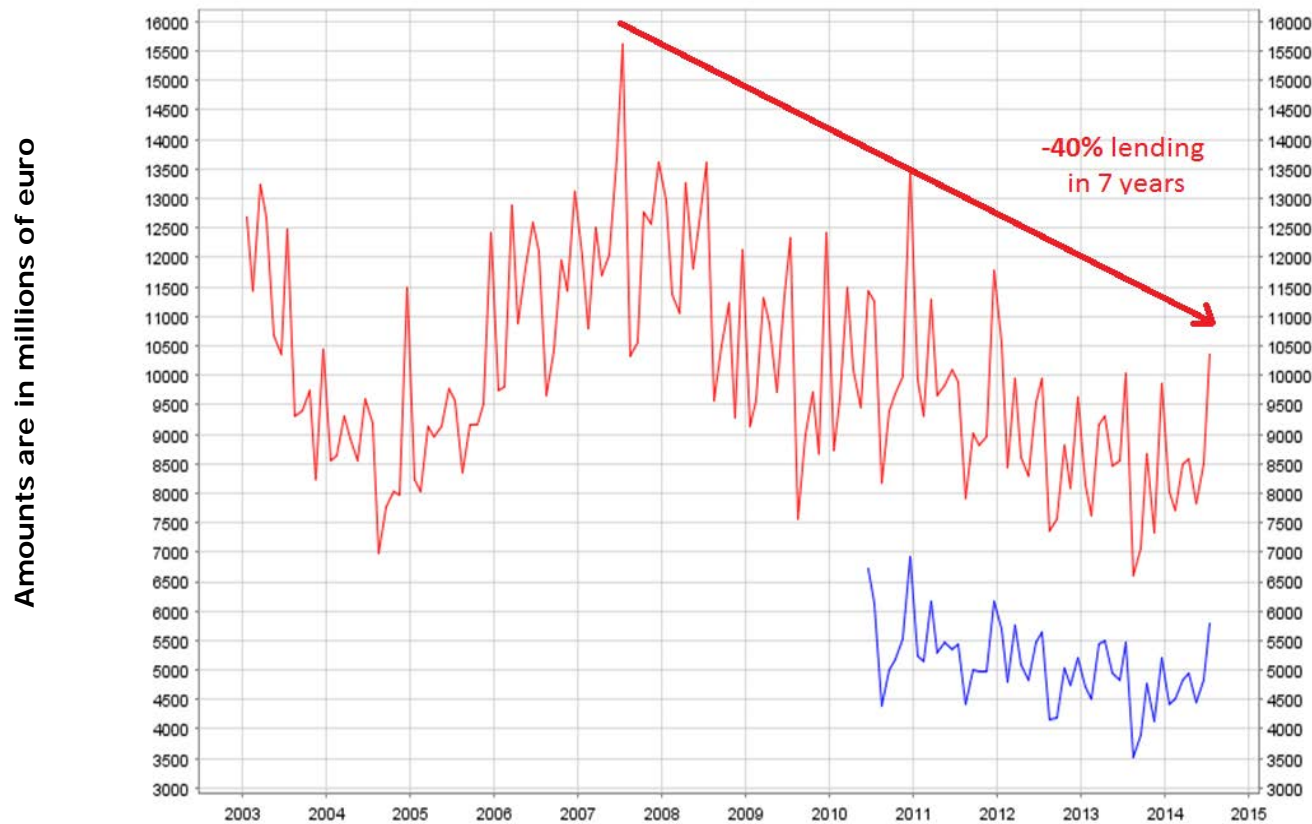
Stockholm, 4 February 2015

**Directorate-General for Internal Market, Industry,  
Entrepreneurship and SMEs (DG GROW)**

Unit F3: SME Access to Finance

Astrid Bartels (Policy Officer): [astrid.bartels@ec.europa.eu](mailto:astrid.bartels@ec.europa.eu) <sup>1</sup>

# Significantly decreased lending in the EUR zone since financial crisis



# The financing situation of Swedish SMEs is positive, but there is increased interest in financing

- ❑ Low usage of over-draft facilities, 14% of Swedish SMEs used it in the past 6 months (37% EU average)
- ❑ Low usage of bank loans, 9% usage (13% EU average)
- ❑ Leasing appears preferred financing form as it was used by 50% of SMEs in the past 6 months (29% EU average)
- ❑ BUT: Swedish SMEs report increased requirements for the next 6 months in the following areas:
  - ❑ Bank loans (23% versus EU average of 20%)
  - ❑ Overdraft facilities (28% versus EU average of 25%)
  - ❑ Equity (19% versus EU average of 14%)



# EU Financial Instruments (2014-2020)

## Central EU instruments

## European Structural and Investment Funds (ESIF)

Jobs, Growth and Social Cohesion

### COSME (€1.4bn)

Guarantees with a particular focus on financing of SMEs up to €150.000 (Call published)  
Risk capital predominantly into SMEs at the growth and expansion stage (Call published)

### Social Change & Innovation (€193m)

Microfinance to micro-enterprises  
Investments of up to €500.000 to social enterprises  
(call expected Q1 2015)

### Creative Europe (€120m)

Guarantees for cultural and creative sector (call expected end 2015/2016)

### Horizon 2020 (InnovFin) (€2.7bn)

Guarantees to RDI-driven/ innovative SMEs & small midcaps between €25k and €7.5m and ambitious RDI projects (Call published)  
risk capital at the early and start-up phase (call expected 2015)  
Financing of large innovation projects

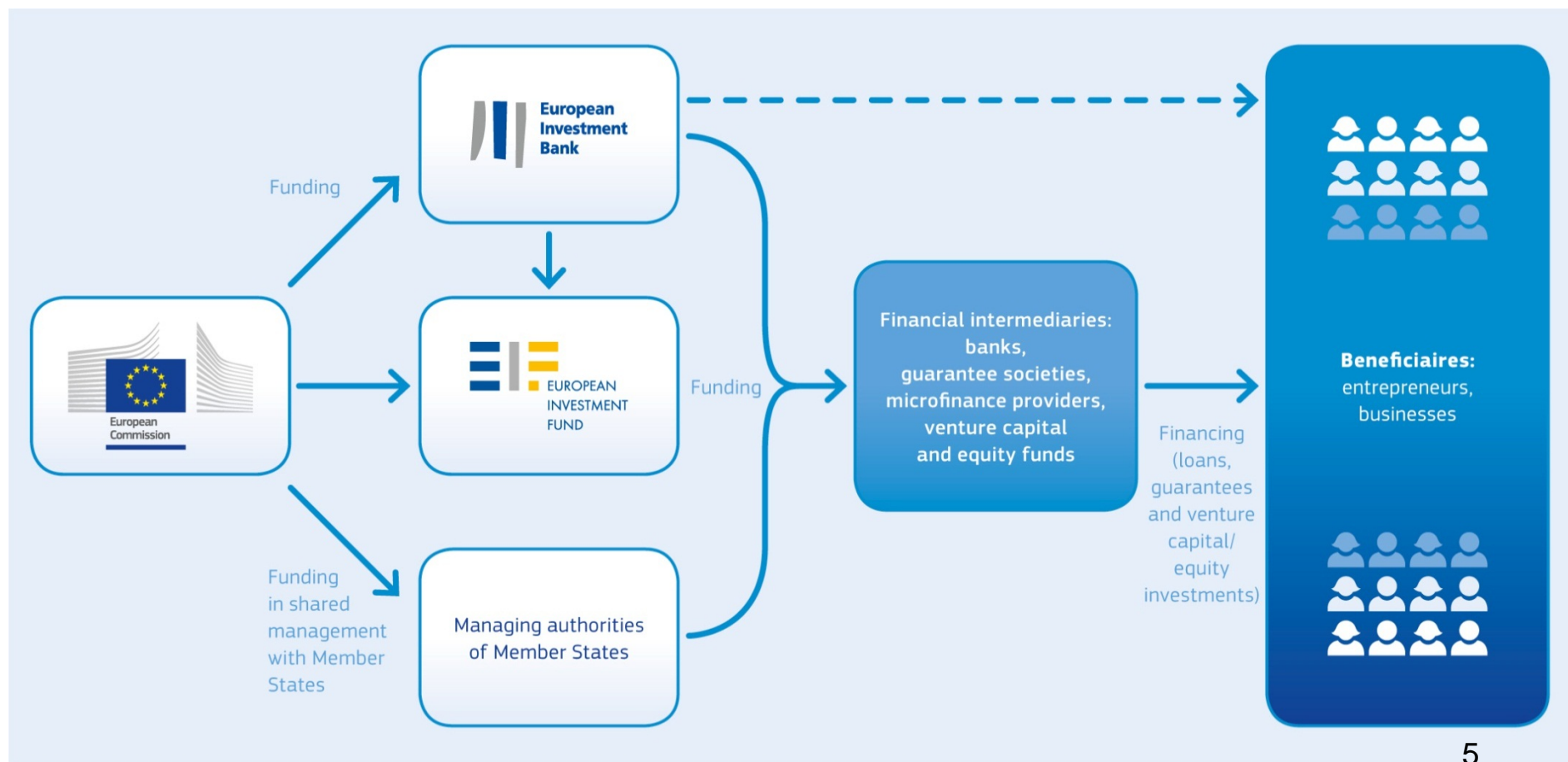
Research, Development, Innovation

Loans, guarantees, venture capital/equity or grants for SMEs

- EU level instrument (contribution of Member State funds from Operational Programmes to centrally managed EU programs)
- Off-the shelf instruments
- Tailor-made instruments



# How do EU financial instruments work in practice – overview



# COSME Programme (2014 – 2020)

- ❑ First European programme which is only dedicated to the support of SMEs
- ❑ Total budget of € 2.5 billion of which **60%** (~ **€ 1.4 billion**) support financial instruments
- ❑ Debt and equity financial instrument for SMEs
  - Loan Guarantee Facility (LGF)
  - Equity Facility for Growth (EFG)



# Policy Objective of the COSME debt financial instruments

- ❑ **Loan Guarantee Facility for Growth (LGF)**
- ❑ Support those SMEs which would otherwise not obtain financing
  - Focus on **higher risk SMEs**

**Overall target:** Provide support to up to 330,000 SMEs; provide up to € 21.5 billion in financing across the Participating Countries

# Targeted risk-sharing instruments for SMEs under COSME (Debt)

- ❑ **Guarantees and counter-guarantees** for Financial Intermediaries providing higher credit risk financing to SMEs
- ❑ Guarantees for the **mezzanine** tranche of **securitisation** transactions of SME loan portfolios coupled with a clear contractual undertaking to build up a new SME loan portfolio
- ❑ Can be **combined** with financial instruments at national and **regional level**
- ❑ **Consistent with State Aid rules**, no notification requirements
- ❑ **No sector exclusions** (but EIF restricted sectors)



# Details of the Loan Guarantee Facility

## Capped portfolio guarantees

**free of charge**, first loss guarantee  
(Guarantee rate per loan:  $\leq 50\%$ , cap rate:  $\leq 20\%$ )

## Strict focus on additionality

**newly originated** transactions with a **higher risk profile** (e.g. start-ups, reduced collateral, longer maturity)

## Wide range of interventions

**Working capital, investment loans, subordinated loans, bank guarantees, leasing**

## Duration

**min. 12 months** (transaction) – **max. 10 years** (guarantee)

## Principal amount

**$\leq \text{€ } 150,000$** : for any type of SME  
 **$> \text{€ } 150,000$** : for SMEs not eligible in principle under Horizon 2020 (InnovFin) – verification through checklist

## Guarantee terms

Guarantee payment upon default, with pro-rata sharing of recoveries  
**Repayment schedule**: fixed or revolving

# Higher credit risk transactions under COSME LGF

## Option 1

Target higher risk profile clients/products through:

- New product set up for start-ups; OR
- Extension in maturities and/or reduction in collateral; OR
- New products or existing products offered to previously excluded client sectors



*Unconditional  
guarantee*

## Option 2

Increase in volumes of (guarantees of) loans to SMEs related to

- entire guarantee or loan portfolio of guarantee institutions or promotional banks; OR
- most risky 25% of current portfolio by internal rating

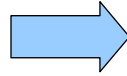
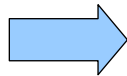


*Conditional  
guarantee*



# Reporting requirements

Quarterly reporting of Financial Intermediary



Annual report



- Information about **Financial Intermediaries** and **SMEs**
- Share of **EU contribution** (guarantee cap amount under COSME) per Financial Intermediary
- Performance** of financial instruments (e.g. volume, leverage)
- Guarantee calls** made

## Annual ex-post publication by EIF

- List of (Sub-) Financial Intermediaries (guarantee cap amount)
- List of SMEs (for LGF only recipients which receive > EUR 150,000)

unless it risks harming commercial interests<sup>11</sup>



# Visibility requirements

## Each Financial Intermediary shall:

- inform SMEs that financing is made possible through the financial backing of the EU under COSME
- create a dedicated section on its website or a clear link to this information regarding the type of financing offered, investment focus, description of eligibility criteria, and information on the application procedure to be followed
- include in any press release that the Financial Intermediary has benefited from the support of the EU under the COSME Programme



# COSME call for expression of interest:

Financial institutions invited to apply by **30 Sept 2020**

- ❑ **Debt facility** (to provide guarantees and counter-guarantees to cover loans for SMEs with a particular focus on financing of SMEs up to €150.000)
  - [http://www.eif.org/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/cosme-loan-facility-growth/index.htm](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm)
  
- ❑ **Equity facility** (for venture capital funds that invest into SMEs at the growth and expansion-stage)
  - [http://www.eif.org/what\\_we\\_do/equity/single\\_eu\\_equity\\_instrument/cosme\\_efg/index.htm](http://www.eif.org/what_we_do/equity/single_eu_equity_instrument/cosme_efg/index.htm)
  
- ❑ **Early-stage equity facility under Horizon 2020 under preparation** (call expected to be published in 2015)



## Funding

- [EU funding programmes](#)
- [Access to finance](#)**
- [Exchanges for young entrepreneurs](#)

Updated 11/2014

## Access to finance

Share on [f](#) [t](#) [g+](#) [in](#)

### Access to EU finance

This site will help you to apply for finance supported by the European Union. To access EU finance, click on your country to locate banks or venture capital funds that provide finance supported by the EU:

Select a country



[www.access2finance.eu](http://www.access2finance.eu)

### News

- 11/11/2014 - [Spain - Bankinter and EIF sign the first InnovFin guarantee](#)
- 08/08/2014 - [Financial institutions invited to apply for new COSME & Horizon programme](#)
- 01/05/2014 - [Horizon 2020: Launch of calls for SME Instrument](#)

### Related topics

- For enterprises & entrepreneurs
- [Start-ups](#)
  - [Public contracts - Rules & procedures](#)

### Help & advice

Questions about the



**Thank you for your attention!**