



COSME Financial Instruments for SMEs

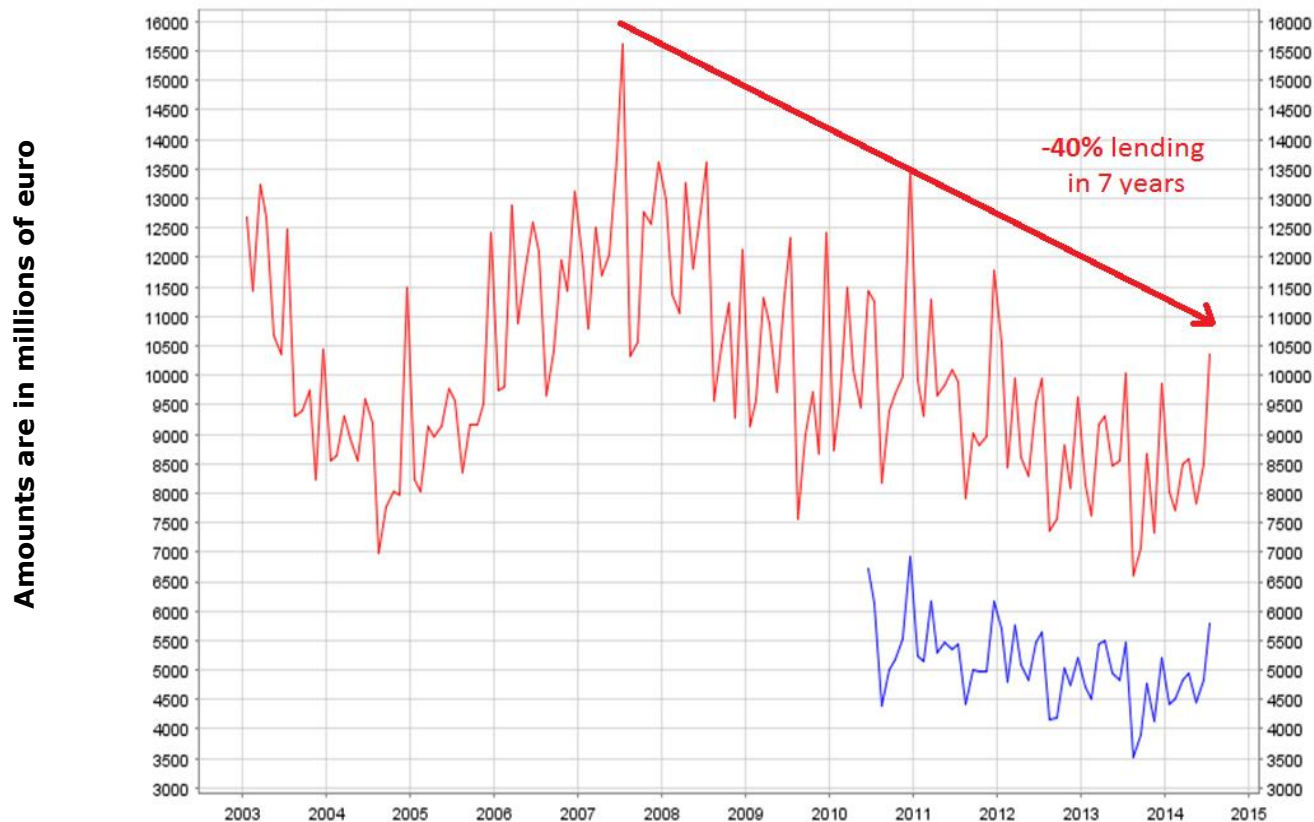
Helsinki, 5 February 2015

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

Unit F3: SME Access to Finance

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Significantly decreased lending in the EUR zone since financial crisis



Source: ECB monthly statistics of new loans with a maturity of more than 1 year and up to € 1 mio (up to € 250,000)²

Finnish SMEs believe that public support for financing has diminished

- Latest Survey on the Access to Finance of Enterprises:
 - ❖ 2% of Finnish SMEs believe that public support (including through guarantees) has improved (6% EU average)
 - ❖ 28% of SMEs believe that it has deteriorated (21% EU average)
- BUT Finnish SMEs report demand for bank loans (term loans)
 - ❖ 16% have used bank loans in the past 6 months (13% EU average)

EU Financial Instruments (2014-2020)

Central EU instruments

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

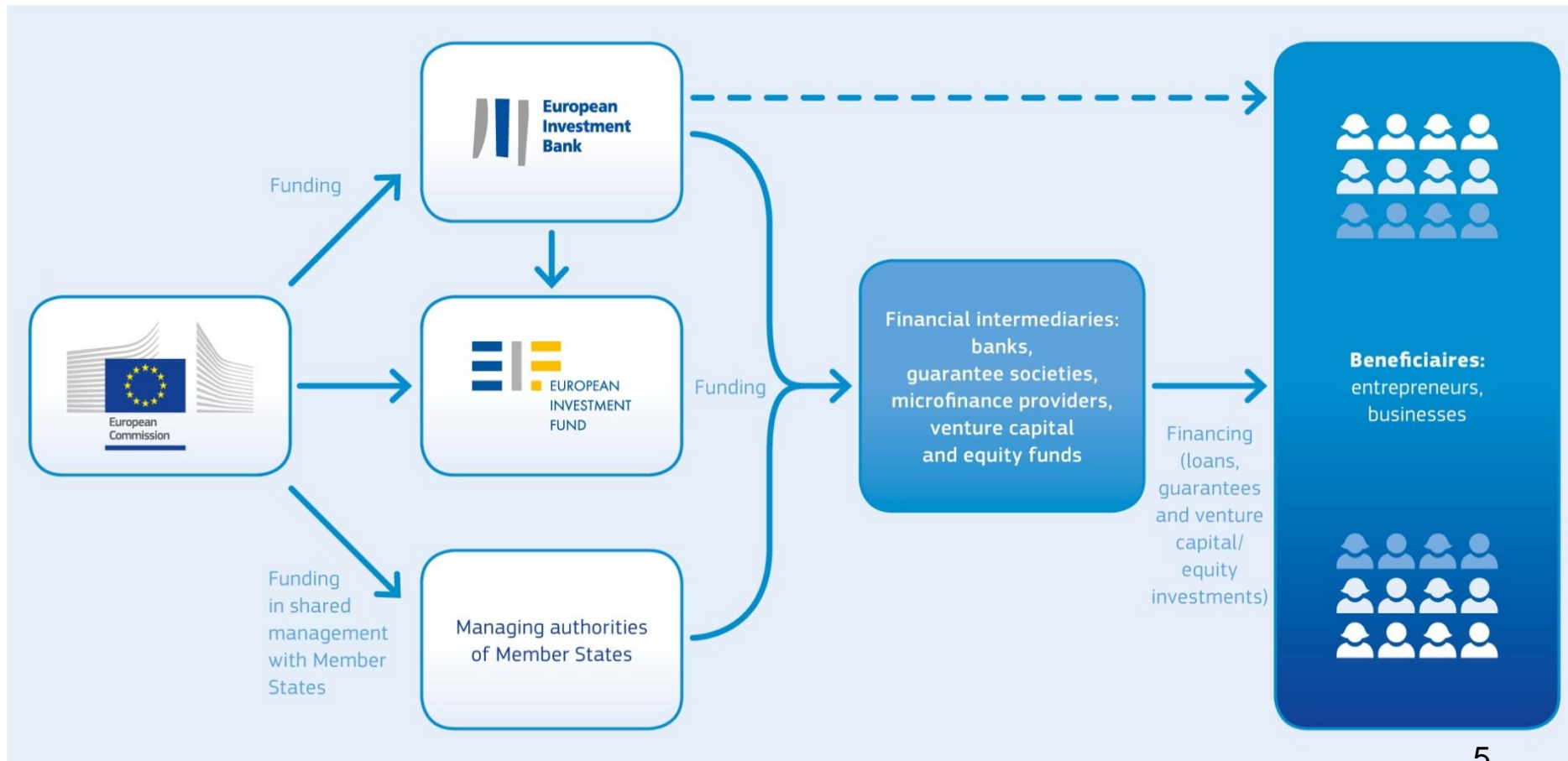
Research,
Development,
Innovation

European Structural and Investment Funds (ESIF)

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

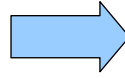
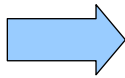
- entire guarantee or loan portfolio of guarantee institutions or promotional banks; OR
- most risky 25% of current portfolio by internal rating



*Conditional
guarantee*

Reporting requirements

Quarterly
reporting of
Financial
Intermediary



Annual report



- Information about **Financial Intermediaries** and **SMEs**
- Share of **EU contribution** (guarantee 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
interests¹¹

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

- ❑ **Early-stage equity facility under Horizon 2020 under preparation** (call expected to be published in 2015)



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Funding

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Access to finance

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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

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Help & advice

Questions about the

Thank you for your attention!