Functionality and advantages of regional tailor-made financial instruments under ESI-Funds – loan-funds in Saxony-Anhalt –

We consult.
We finance.
We promote.

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15.02.2019
1. Definition of Financial Instruments

**Article 2 No. 11 of the Regulation (EU) No. 1303/2013**

'financial instruments' means financial instruments as defined in the Financial Regulation, save where otherwise provided in this Regulation.

**Article 2 No. 29 der VO (EU) 2018/1046**

‘financial instrument’ means a Union measure of financial support provided from the budget to address one or more specific policy objectives of the Union which may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and which may, where appropriate, be combined with other forms of financial support or with funds under shared management or funds of the European Development Fund (EDF);
1. Ways of structuring

1. Use of financial instruments set up at Union level (managed direct or indirectly by the Commission)

2. Use of financial instruments, which combining contribution from operational programme with products from the EIB within the EFSI framework

3. Use of financial instruments at national, regional, transnational or cross-border level, managed by or under responsibility of the managing authority
1. Ways of structuring

Options for the managing authority

1. Invest in the capital of existing or newly created legal entities

2. Entrust implementation task through the direct award of a contract to
   - the EIB
   - an international financial institutions in which a member state is a shareholder
   - a publicly-owned bank or institution, established as a legal entity carrying out financial activities on a professional basis, which fulfils certain conditions:

3. entrust implementation tasks to another body governed by public or private law

4. undertake implementation tasks directly

- Set up an off the shelf financial instrument
- Set up a regional tailor-made financial instrument
2. Schematic presentation of the Mittelstands- und Gründer-Darlehensfonds

The “Mittelstands- und Gründer-Darlehensfonds” is a regional tailor-made financial instrument managed under the responsibility of the managing authority which provides funding in the form of loans to SMEs and start-ups.

Explanations
- ERDF: financial resources from European Regional Development Fund
- COFI: national financial resources as co-financing
- LR: loan resources
- LR rev.: re-use of returns (revolving)
- MC: management costs
1. Financial instruments are suitable to support the achievement of important cohesion policy objectives as they can be targeted at market failures.

2. In the event of a decrease in budgetary resources, financial instruments allow the repeated use of subsidies for the same priorities beyond the funding period.

3. Involving private or public capital at the level of the financial instrument or project generates a leverage effect for the EU budget.
3. Main advantages of regional tailor-made FI

1. Targeted use of a wide range of funding instruments (grants, loans, equity interests, guarantees) offers favorable conditions for a funding policy tailored to the needs of the individual project.

2. Financial instruments can be used in all areas of funding.

3. Due to repayment obligations for funding recipients, the projects are carried out according to strict economic standards, even if public funds are used (basically no knock-on effect).

2. Regional Level funding policy

1. Possible savings if a development bank is involved in the necessary provision of funds for national co-financing

2. No additional state-level expenditure for the administration of these instruments

3. Payment into a financial instrument (25% tranche) represents the actual expenditure in the context of a financial request for the EU Commission
3. Main advantages of regional tailor-made FI

1. Projects such as small-scale business start-ups or innovation-based start-ups are only made possible through the offer of Financial Instruments.

2. Additional offer of financing resources, which is only available to a limited extent or not at all on the capital market, generates better access to debt, mezzanine and equity capital.

3. Additional offers will stimulate measures to improve the competitiveness of enterprises, which will increase the stability of enterprises in the long term.

4. Due to the implementation of such instruments by development banks, no private-sector objectives are pursued with the offer. Thus, following public interest, projects can be monitored over the entire loan term.
4. Facts of the SME-loan-fund in the funding period 2007-2013

<table>
<thead>
<tr>
<th>Conclusion of contract/start</th>
<th>29.01.2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution from operational program</td>
<td>EUR 321.8 million (EUR 236.5 million from ERDF)</td>
</tr>
<tr>
<td>Credit volume</td>
<td>EUR 332.5 million</td>
</tr>
<tr>
<td>Number of credit commitments</td>
<td>1,362</td>
</tr>
</tbody>
</table>
## 4. Results from the SME loan-fund in the funding period 2007-2013

### Date of settlement for completion of operational programme

| Date of settlement | 30.06.2016 |

### Secured workplaces

| Secured workplaces | 17,913 (thereof 4,132 for women) |

### Important audits

<table>
<thead>
<tr>
<th>Auditing body</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-Commission (DG Regio)</td>
<td>September 2009</td>
</tr>
<tr>
<td>European Court of Auditors</td>
<td>November 2009</td>
</tr>
<tr>
<td></td>
<td>February 2012</td>
</tr>
<tr>
<td>Saxony-Anhalt Court of Auditors</td>
<td>December 2014</td>
</tr>
</tbody>
</table>

**21.04.2017 Conversion into the “KMU-Folgefonds” (“SME Follow-up Fund”)**
5. Two examples of financed SME

SME in the food industry sector
Start-up project:
- Construction of a production facility for the manufacture of meat and sausage products from native wild animals
- Total investment volume EUR 1.22 million
- Financing IB EUR 0.50 million Start-up loan and EUR 0.30 million grant from programme Joint Federal Government/Länder scheme for “Improving the Regional Economic Structures”
- Financing with the borrowers bank

SME in the tourism sector
Construction of a 4-star hotel
- Total investment volume EUR 7.65 million
- Grant EUR 2.22 million from programme Joint Federal Government/Länder scheme for “Improving the Regional Economic Structures”
- Financing IB loan EUR 1.50 million
- Approx. 26 new jobs planned
6. Funding period 2021-2027 – wishes for adaptation

- Adequacy of management costs and fees for implementation
- Responsibilities of final recipients for visibility and communication
- Frequency and scope for transmission of data
- Dealing with negative investment returns
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Many thanks for your attention!
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