

# COSME

Programme for the  
Competitiveness of  
Enterprises and SMEs  
*2014-2020*



# Access to finance for SMEs

**István NÉMETH**

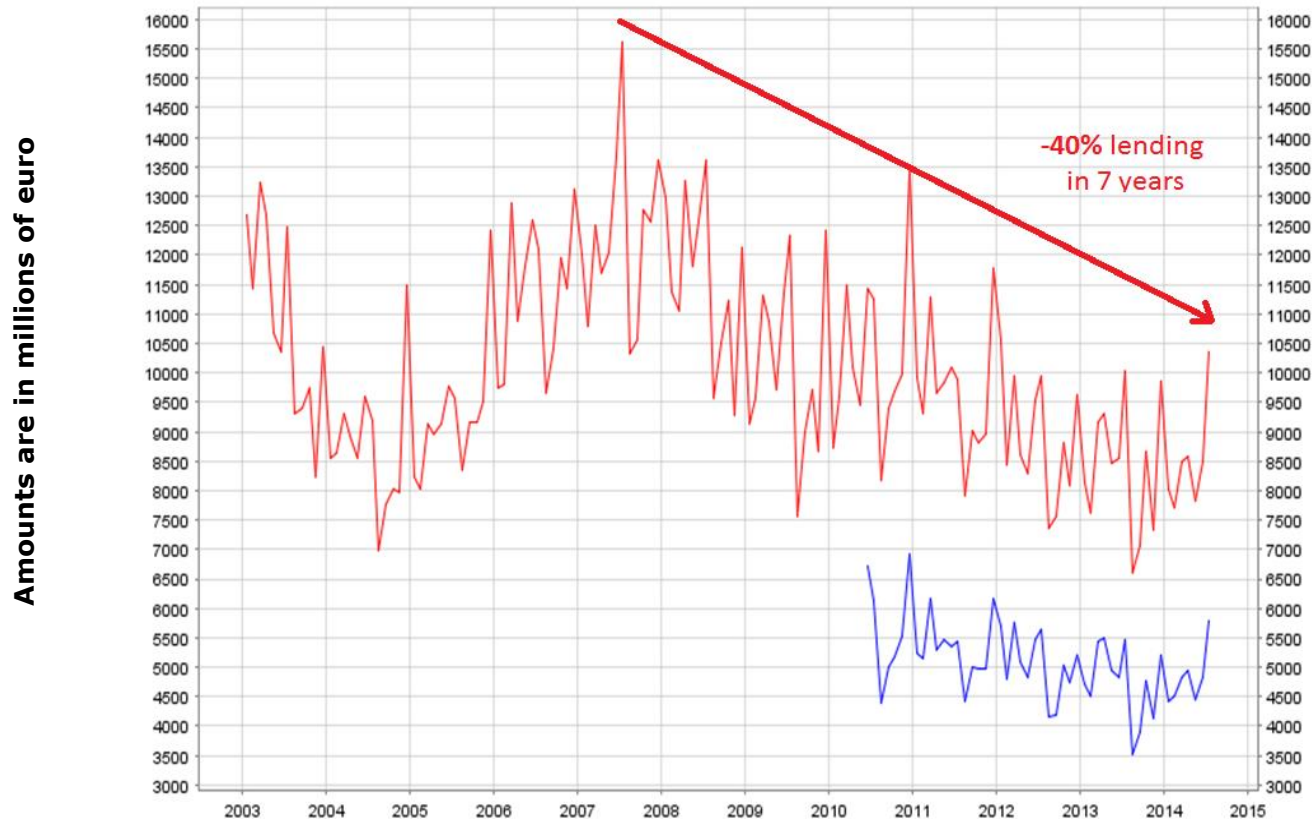
**European Commission**

**DG for Internal Market, Industry,  
Entrepreneurship and SMEs**



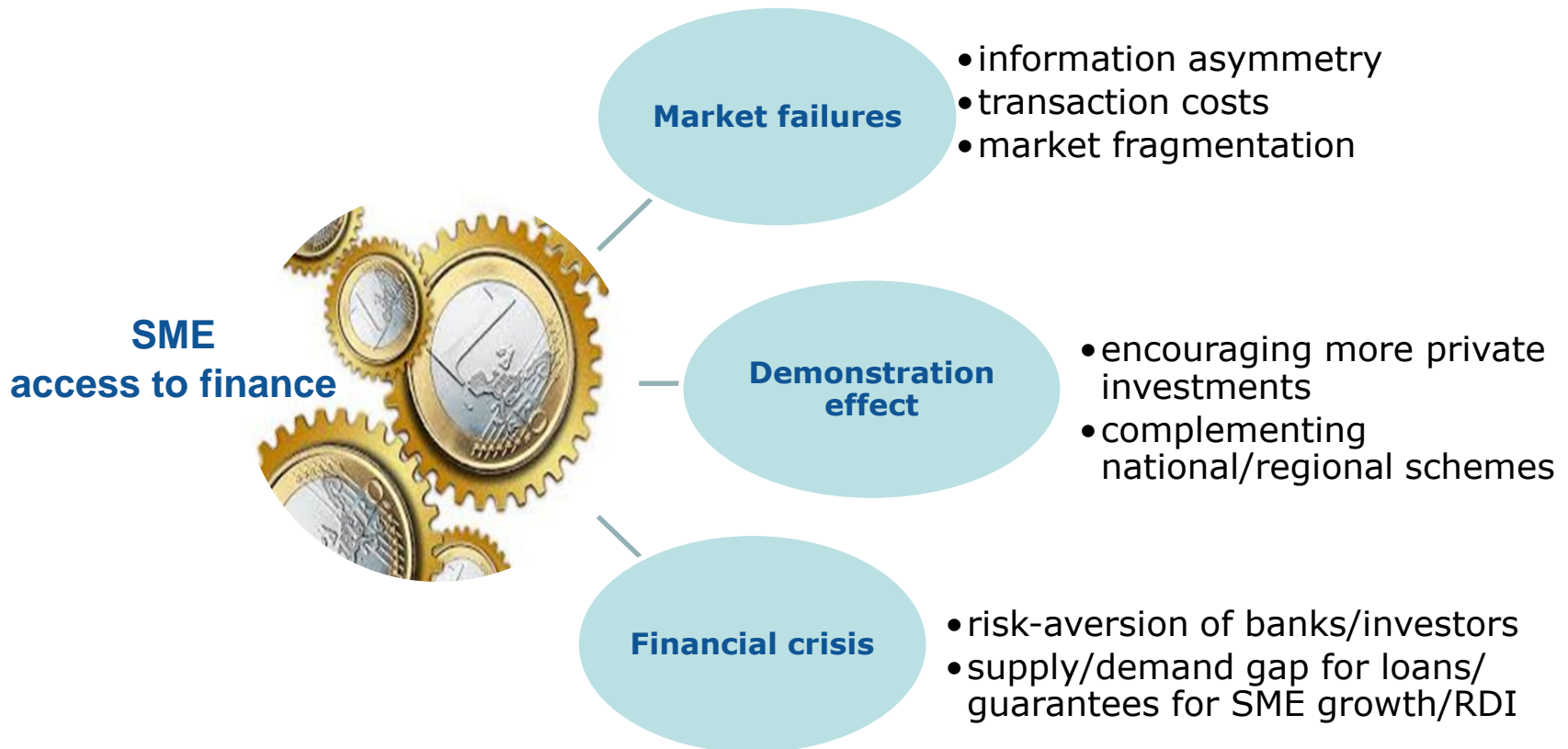
Why EU intervention needed?  
EU financial instruments for SMEs  
Building on success – results achieved: CIP  
COSME programme  
Loan guarantee facility & Equity facility  
Reporting and visibility requirements  
Single portal on Access to Finance

# Significantly decreased lending in the EUR zone since financial crisis



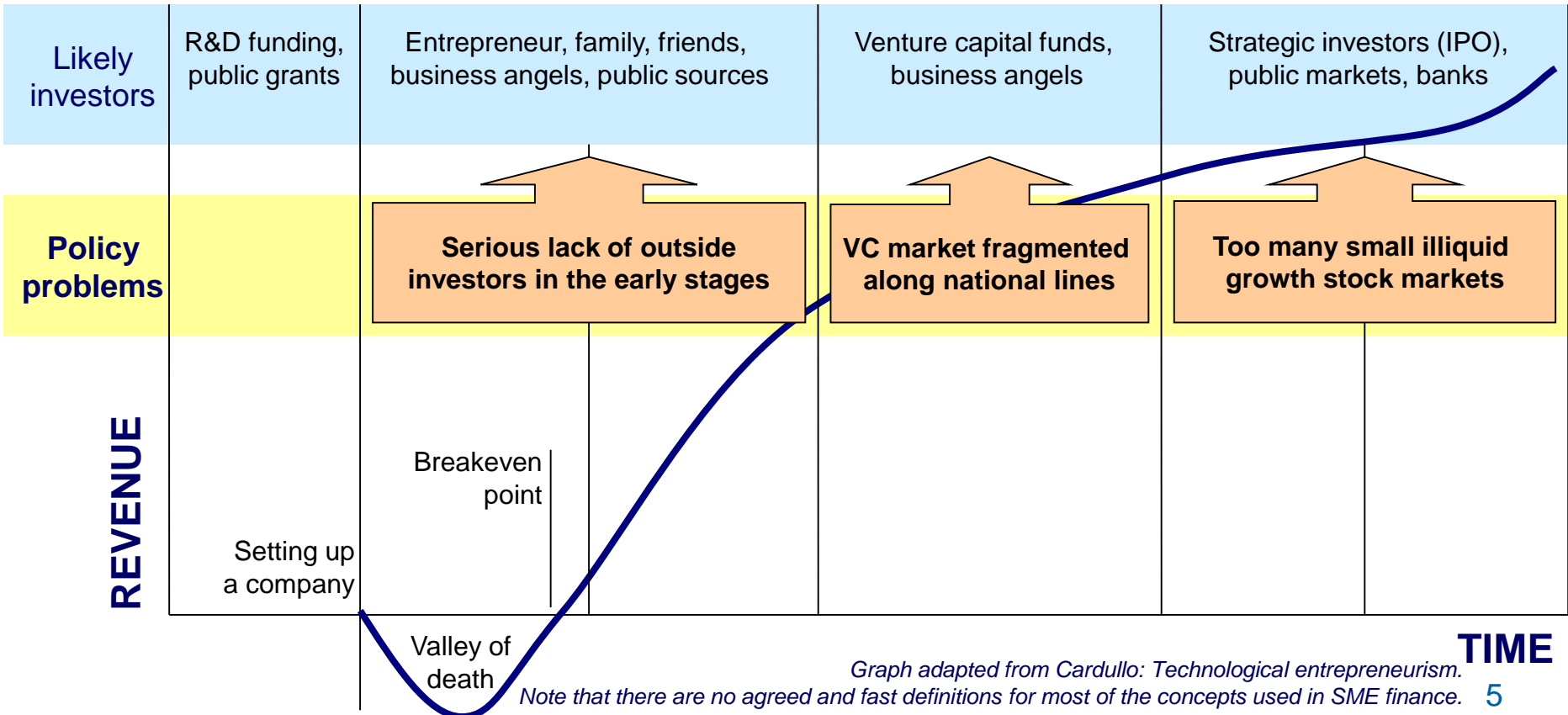
Source: ECB monthly statistics of new loans with a maturity of more than 1 year and up to € 1 mio (up to € 250,000)<sup>3</sup>

# Why EU intervention needed?



# Financing needs throughout a business life cycle

Pre-seed, technology transfer    Seed and start-up    Early expansion    Expansion    Late expansion



# Why EU intervention needed?

Evidence – survey results:

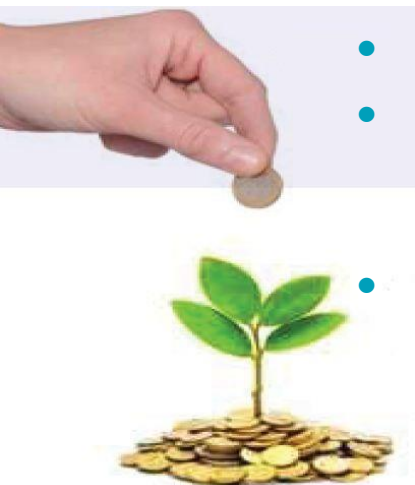
- **Bank loans** are not always available



Data from "Survey on the Access to Finance of Enterprises (SAFE)", November 2014, <http://ec.europa.eu/enterprise/policies/finance/data>

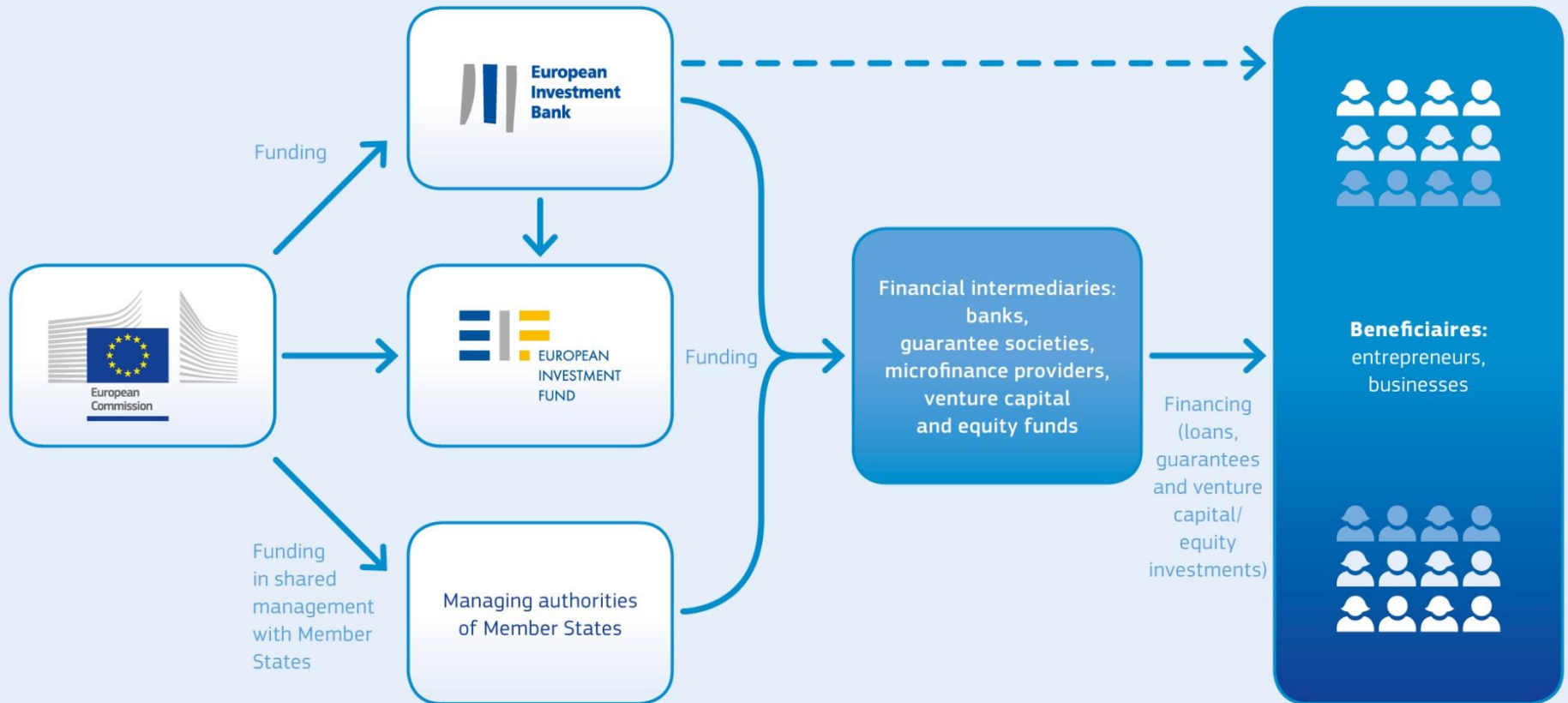
# EU financial instruments for SMEs

- Part of the EU toolkit for **more than 15 years**
- Efficient way of spending the EU budget - **leverage**
- Broad range of interventions:
  - **Guarantees** to mutual guarantee societies and banks lending to SMEs
  - **Equity** participations for early and growth stage investments
- Common features:
  - Aim to **increase access to finance** for SMEs
  - Delivered via **financial intermediaries** on behalf of the European Commission
    - mutual guarantee societies, banks, funds, etc.
  - Operated by the EIB/EIF





# EU financial instruments in practice





# EU Financial Instruments (2014-2020)

## Central EU instruments

### 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

## 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

Jobs, Growth and  
Social Cohesion

Research,  
Development,  
Innovation

# Results achieved: CIP (2007-13+)

## Debt financing

**57** financial intermediaries

**>356,000** SMEs

**>€ 18.6 bn** of financing

## Equity financing

**43** investment in VC funds

**€ 3 bn** of financing

Employment: 380.000 jobs

"X": €1 guarantees -> €30 loans

90% of beneficiaries: micro



# 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**) for financial instruments
- ❑ It also supports internationalisation and access to markets, creates an environment favorable to competitiveness and encourages an entrepreneurial culture

# 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**

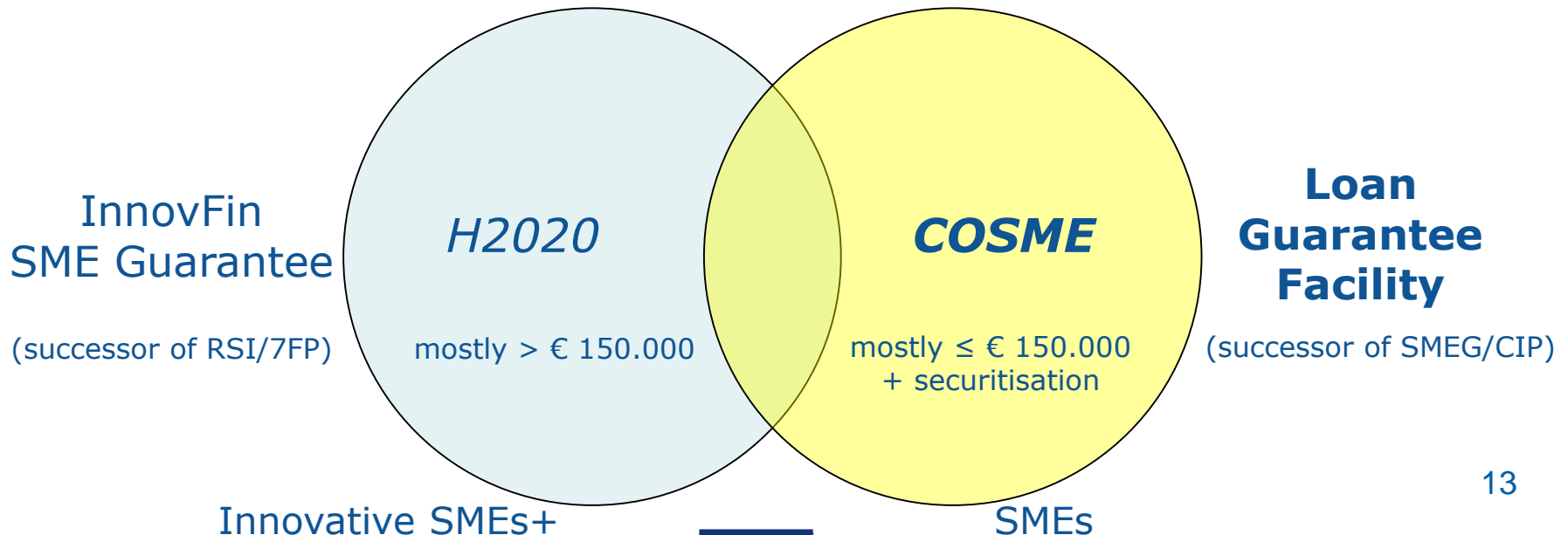
**Overall target:** Provide support to up to 330,000 SMEs; provide up to € 21.5 billion in financing across the Participating Countries

# COSME financial instruments

## Loan Guarantee Facility

- guarantees for loans to SMEs up to € 150 000\*
- securitisation of SME debt finance portfolios

\* above € 150 000 for SMEs not qualifying for InnovFin (Horizon 2020)



# 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)

# Options of Loan Guarantee Facility

## 1) New product with higher risk

**Transactions with more risky new features for SMEs which are not yet provided by Financial Intermediary**

### **Applicants need to prove:**

How does it differ from existing products?

Envisaged volumes & pricing

Implementation strategy

## 2) Increase in volumes

**Guarantee product:** Substantially increase in SME financing volumes to which FI has not been actively lending

**Counter-guarantee product:** Substantially increase in guarantees volumes

### **Applicants need to prove:**

Debt finance granted past 3 years

Envisaged volumes



# Loan guarantees - details

## Beneficiaries

- SMEs in EU28 or participating countries
- through debt financial intermediaries (banks, guarantee societies etc.)

## Guarantees

- capped, portfolio, free of charge, first loss guarantee
- (guarantee rate:  $\leq 50\%$ , cap rate:  $\leq 20\%$ )

## Additionality

- transactions with a higher risk profile
- e.g. start-ups, less collateral, longer maturity

## Duration

- transaction (loan): min 12 months
- guarantee: max 10 years

## Amount

- $\leq \text{€ } 150.000$ : every SME
- $> \text{€ } 150.000$ : SME not qualifying for InnovFin (H2020)

## Products

- wide range: working capital, investment loans,
- subordinated loans, bank guarantees, leasing

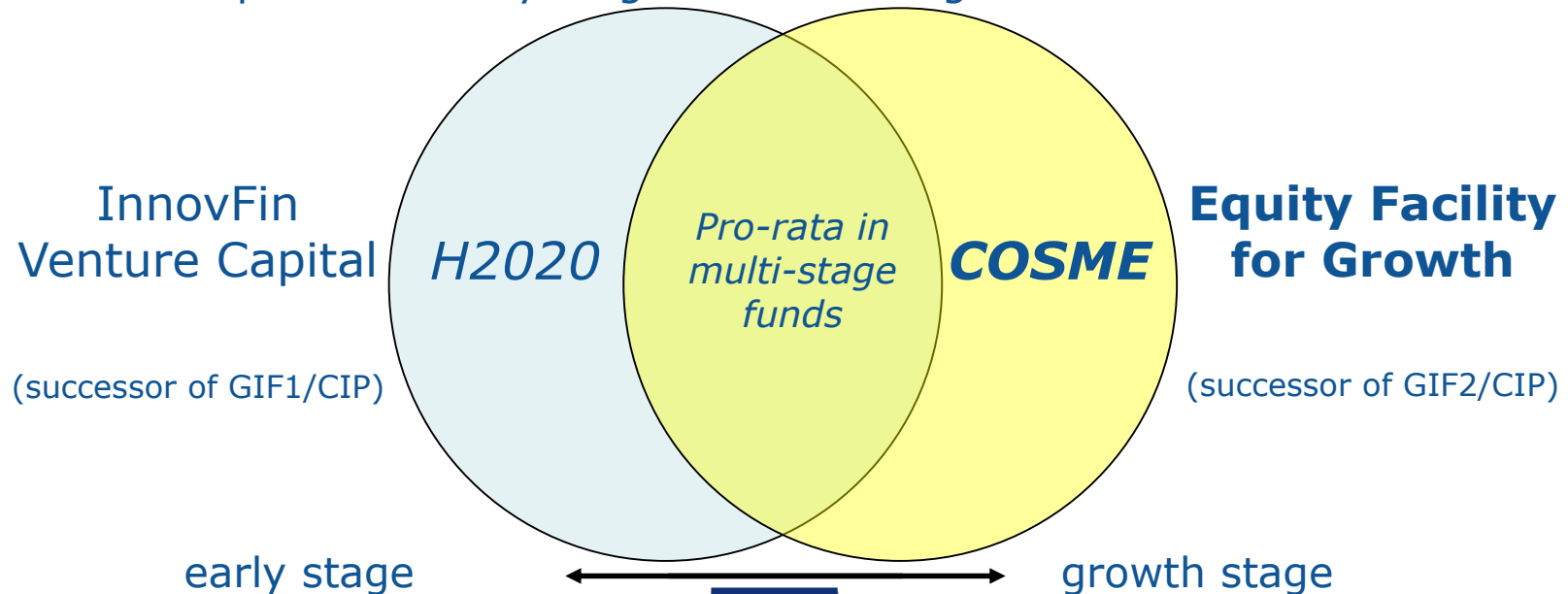
## Terms

- guarantee payment upon default
- pro-rata sharing of recoveries

# COSME financial instruments

## Equity Facility for Growth

- focus: growth stage
- final beneficiaries: growth-oriented SMEs
- also possible: early stage and multistage funds



# Equity facility - details

## Beneficiaries

- growth SMEs (UE 28+)
- through Venture Capital funds

## Eligibility

- minimum eligibility criteria:
- e.g. investment focus, management team, reporting

## Additionality

- funds must contribute to the creation of a pan-European VC market

## Duration

- long-term investments (5 to 15 year positions)

## Amount

- 7,5% - 25% of total VC fund capital,
- max € 30 mln

## Type of funds

- possibility of joint investments with InnovFin (Horizon 2020) -
- - pro-rata funding for multi-stage funds

## Business angels

- possibility of co-investments with business angels
- - as long as minimum eligibility criteria are met

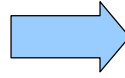
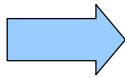
# COSME call for expression of interest:

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%20we%20do/guarantees/single%20eu%20debt%20instrument/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%20we%20do/equity/single%20eu%20equity%20instrument/cosme%20efg/index.htm)

# 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  
interests

# 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



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Product requirements

**Funding**

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Environment



## Funding

EU funding programmes

Access to finance

Exchanges for young entrepreneurs

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## Access to finance

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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



How it works



More information



How can I get direct EU grants?





# Links to EU related funding

## **Access to finance portal**

[http://europa.eu/youreurope/business/funding-grants/access-to-finance/index\\_en.htm](http://europa.eu/youreurope/business/funding-grants/access-to-finance/index_en.htm)

## **DG Growth website**

[http://ec.europa.eu/growth/access-to-finance/index\\_en.htm](http://ec.europa.eu/growth/access-to-finance/index_en.htm)

## **Direct EU grants**

[http://ec.europa.eu/contracts\\_grants/grants\\_en.htm](http://ec.europa.eu/contracts_grants/grants_en.htm)