



EU access to finance policies and COSME financial instruments for SMEs

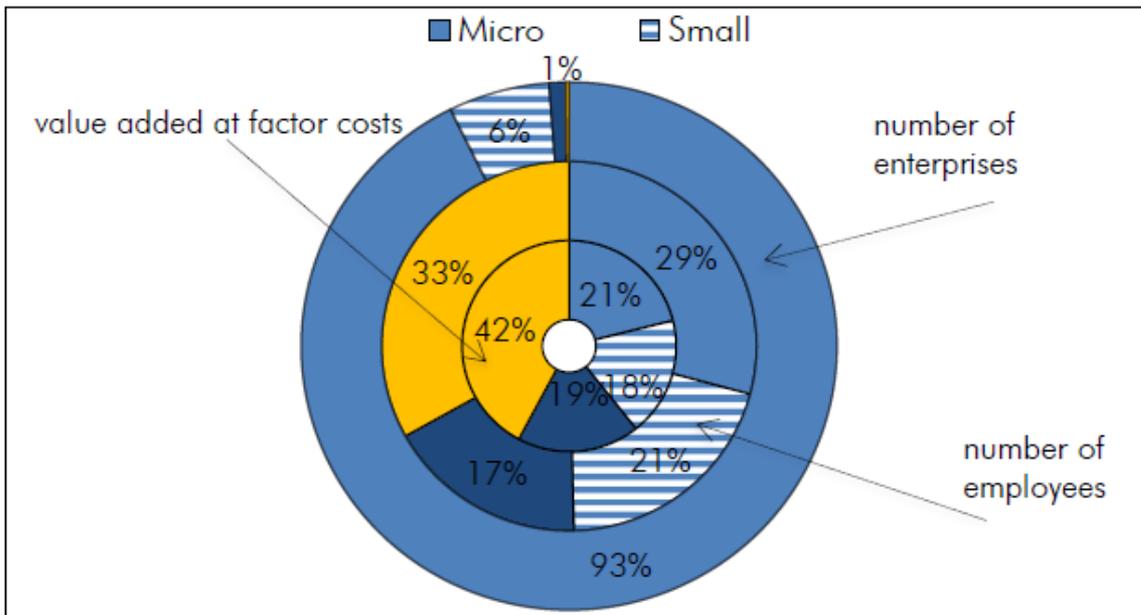
Armando Melone

DG for Internal Market, Industry, Entrepreneurship and SMEs

Unit H3: COSME Financial Instruments

Small and Medium-sized Enterprises in EU

EU definition (EC)	Employees	Annual turnover	or	Balance sheet total
Micro	<10	≤ EUR 2m		≤ EUR 2m
Small	<50	≤ EUR 10m		≤ EUR 10m
Medium-sized	<250	≤ EUR 50m		≤ EUR 43m



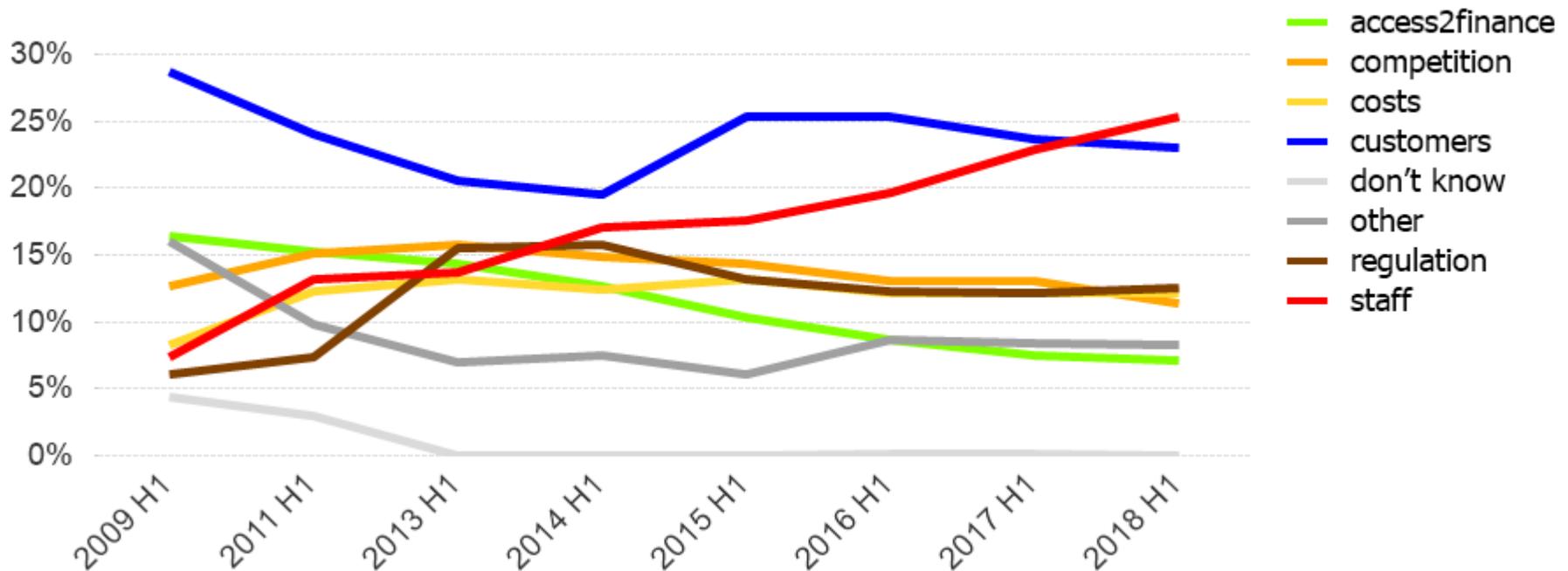
- 22.3 million of SMEs

- SMEs are 99.8% of the total number of companies in EU

- 90 million people employed by SMEs (67% of total)

Important problem for SMEs – EU trends

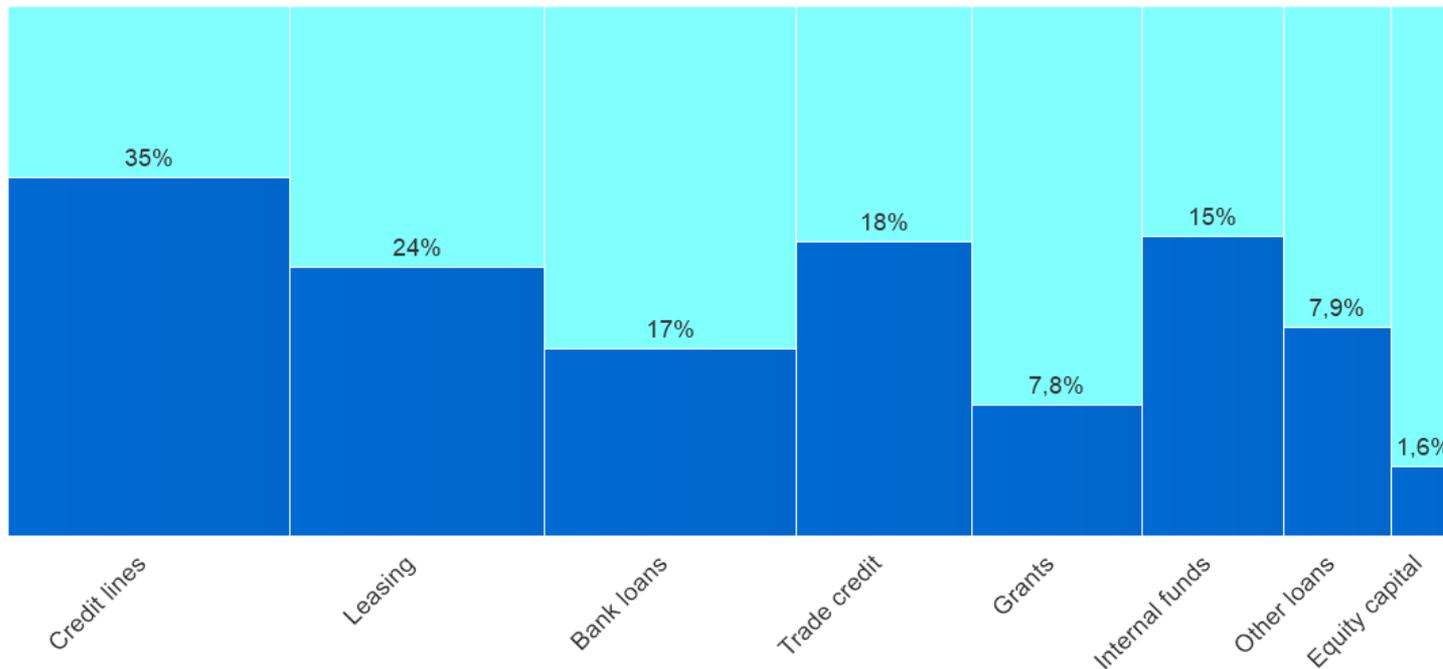
European Union



percentage of respondents that considered those problems as most important for their enterprise in the past six months
 Data from "Survey on the Access to Finance of Enterprises (SAFE)"
 November 2018, <http://ec.europa.eu/growth/safe>

Relevant and used financing types for SMEs in the EU

European Union

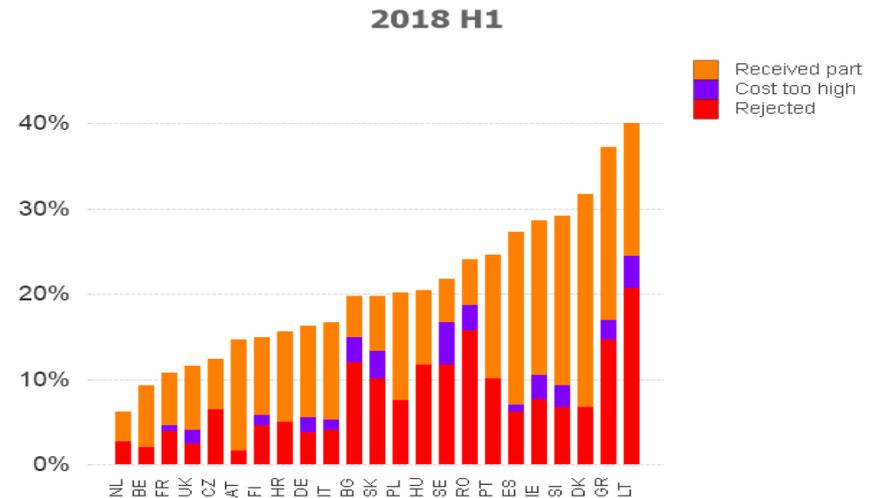
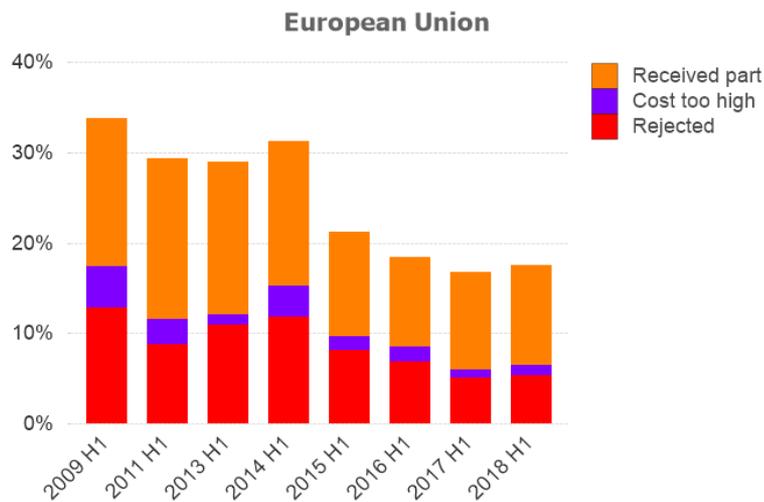


■ Relevant, not used
 ■ Relevant and used

percentage of respondents that considered those sources of financing as relevant, that is, have you used them in the past or considered using them in the future

Data from "Survey on the Access to Finance of Enterprises (SAFE)"
November 2018, <http://ec.europa.eu/growth/safe>

Bank loan – application & outcome EU



ACCESS TO FINANCE

*COSME LGF
COSME EFG*

Min 60%

BUSINESS ENVIRONMENT

*CLUSTERS, TOURISM, LIGHT INDUSTRIES
INNOVATION AND TECHNOLOGY, SKILLS...*

~11%

COSME PROGRAMME

€2,3 billion

2014-2020

ACCESS TO MARKETS

*ENTERPRISE EUROPE NETWORK (EEN)
IPR HELPDESKS...*

~21,5%

ENTREPRENEURSHIP

*ERASMUS FOR YOUNG ENTREPRENEURS,
TRANSFER OF BUSINESS...*

~2,5%



COSME Financial Instruments 2014-2020

Support those SMEs which would otherwise not obtain financing

- **Loan Guarantee Facility (LGF):** Focus on higher risk SMEs/riskier transactions
- **Equity Facility for Growth (EFG):** Focus investments into risk capital funds which target SMEs in their growth and expansion phase on a cross-border basis and/or help SMEs to internationalise

COSME Financial Instruments: Loan Guarantee Facility

- ❑ Guarantees to financial intermediaries for newly generated SME financing portfolios (national promotional banks, guarantee societies, commercial banks, leasing companies, etc.)
- ❑ Policy objective: Support for transactions which otherwise would not have taken place (e.g. perceived higher SME risk, insufficient collateral)

Technical details of COSME guarantees

- All economic sectors are covered
- Max. loan amount €150,000
- Min. duration of transaction 12 months
- Max. guarantee of 10 years, underlying transaction can be longer
- Application is made to a local bank and the bank takes financing decision and sets conditions

SMEs supported by COSME LGF

- ✓ EUR 20.3 billion of financing provided
- ✓ 380,000 SMEs supported in 27 countries
- ✓ out of which 50% start-ups (<5 years)
- ✓ 90% are micro-companies < 10 employes
- ✓ average loan size EUR 42,500

COSME Equity Facility for Growth (EFG)

- ❑ Supporting the development of a self-sustainable pan-European risk capital market
- ❑ Investments into risk capital funds which target SMEs in their growth and expansion phase on a cross-border basis and/or help SMEs to internationalise

COSME EFG – implementation on 30 September 2018

- ✓ 13 fund agreements signed + 1 Pan-European VC Fund-of-Funds
- ✓ Invested into 38 eligible companies

As at 30.09.2018 (* conditional signatures)	COSME EFG ticket (excluding EIF 5% co-investment)	Targeted sector focus
ACT V Venture Capital Fund	€ 11.4m	ICT
ARX IV	€ 9.5m	Generalist
<i>Not to be disclosed (*)</i>	€ 9.5m	Generalist
Caphorn Invest II	€ 14.3m	ICT
Diorama Investments	€ 19m	Generalist
EMH Digital Growth Fund	€ 9.5m	ICT
<i>Not to be disclosed (*)</i>	€ 7.1m	Generalist
Folmer Equity Fund II	€ 9.5m	Generalist
Keen Venture Fund	€ 17.6m	ICT
Panakes	€ 6.2m	Life Science
SET Fund II	€ 6.6m	Energy & Environment
Standout Capital	€ 11.5m	ICT
Aurora Europe (FoF)	€ 20.0 m	ICT, green tech
<i>Not to be disclosed (*)</i>	€ 9.5m	generalist
TOTAL	€ 151.7m	

Financial Instruments for SMEs



What is available?

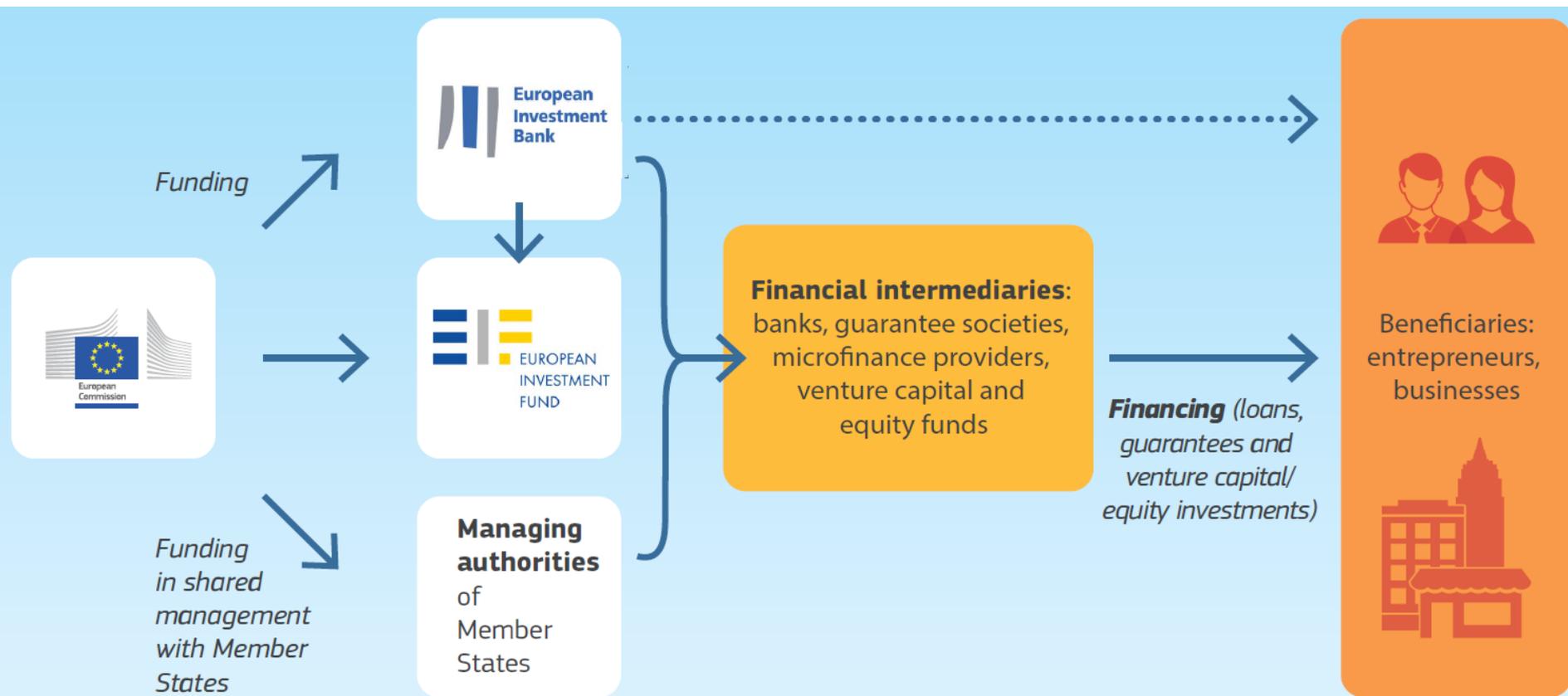
Who is eligible for EU funding?
Start-ups | Entrepreneurs | Businesses
=> **any size/ any sector**



Programme	Type	Amount
Social Change & Innovation	Microfinance	< €25.000
	Investments	< €500.000
COSME	Guarantees	< €150.000
	Equity	
Creative Europe	Guarantees	
InnovFin (Horizon 2020)	Guarantees	€25.000 - €7.500.000
	Equity	
Private Finance for Energy Efficiency	Loans	< €5.000.000
Natural Capital Financing Facility	Loans, equity	€5.000.000 - €15.000.000
European Investment Bank, European Investment Fund, European Structural and Investment Funds, European Fund for Strategic Investments	Loans, guarantees, equity	

Focus	Size of company		
	Micro	SMEs	Small mid caps
Micro-enterprises	✓		
Social enterprises	✓	✓	
General	✓	✓	
Growth, expansion stage	✓	✓	
Cultural and creative sector	✓	✓	
Research, development, innovation	✓	✓	✓
Start-up, early stage	✓	✓	✓
Energy efficiency	✓	✓	✓
Preservation of natural capital, climate change	✓	✓	✓
General	✓	✓	✓

How do EU financial instruments work in practice

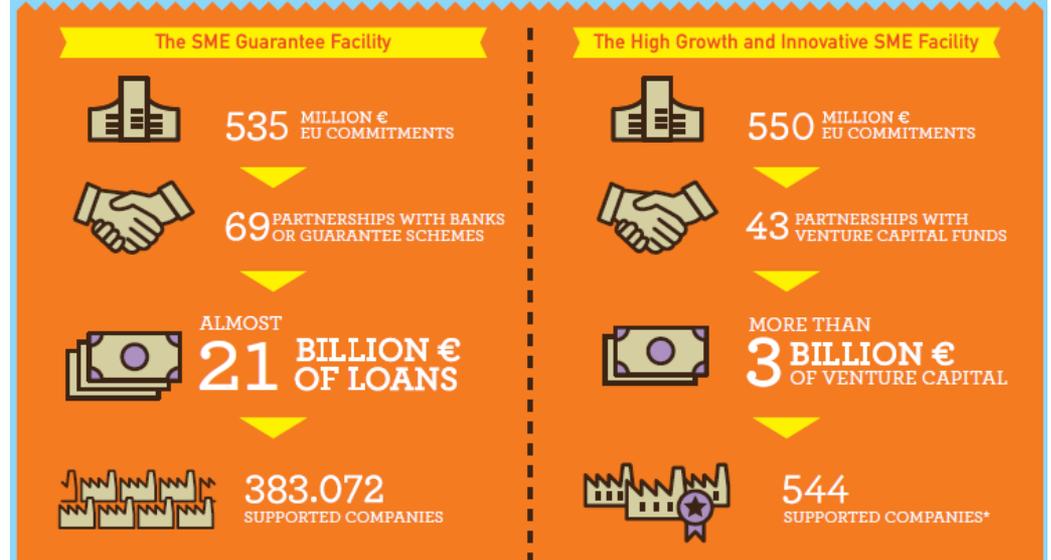
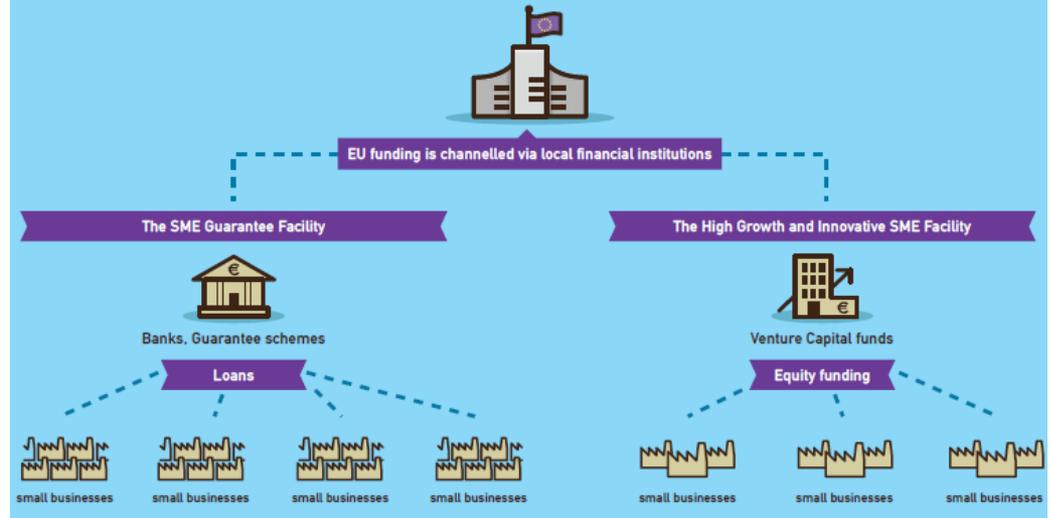




European Commission

The Competitiveness and Innovation Framework Programme 2007-13

Results of the financial instruments under the 2007-2013 Competitiveness and Innovation Framework Programme



www.access2finance.eu

programmes

► Access to finance

Exchanges for
young
entrepreneurs

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

How it works

More information

EU grants, funds and programmes (calls for proposals)



Help & advice

News

10/02/2014 - [UK: First Progress Microfinance agreement with internet lender Ezbob](#)

22/01/2014 - [Call for proposals - Enterprise Europe Network \(2015-2020\)](#)

11/12/2013 - [First Horizon 2020 calls for projects published](#)

Related topics

For enterprises & entrepreneurs

- Start-ups
- Public contracts - Rules & procedures

[Questions about the EU?](#)

- 00 800 6 7 8 9 10 11
- E-mail
- Europe Direct centres
- Web chat

www.access2finance.eu



Poland

Advanced search

Type of finance	Company category	Amount of finance	Investment focus	Sources of Finance
<input type="checkbox"/> Loan/ guarantee <input type="checkbox"/> Equity/ venture capital	<input type="checkbox"/> Start-up/ self-employed <input type="checkbox"/> Micro (< 10 employees) <input type="checkbox"/> SME (10-249 employees) <input type="checkbox"/> Small mid-cap (250-499 employees) <input type="checkbox"/> Mid-cap (500-3000 employees) <input type="checkbox"/> Large-cap (> 3000 employees)	<input type="checkbox"/> 0 - € 24 999 <input type="checkbox"/> 25 000 - 7.5 million € <input type="checkbox"/> > 7.5 million €	<input type="checkbox"/> All sectors/ general <input type="checkbox"/> Research, development and innovation <input type="checkbox"/> Start-up <input type="checkbox"/> Equity/ venture capital <input type="checkbox"/> Early stage (seed and start-up) <input type="checkbox"/> Expansion stage (growth) <input type="checkbox"/> Generalist <input type="checkbox"/> ICT sector <input type="checkbox"/> Life sciences <input type="checkbox"/> Cleantech	<input checked="" type="checkbox"/> All sources <input type="checkbox"/> CIP <input type="checkbox"/> EIB <input type="checkbox"/> EIF <input type="checkbox"/> Progress Microfinance <input type="checkbox"/> RSFF <input type="checkbox"/> RS1 <input type="checkbox"/> Structural Funds - National sources of finance

Keyword search

Search

Financial Intermediaries	Region of activity	Type of finance	Amount of finance	Investment focus	Additional Information	Sources of Finance
Tarnowska Agencja Rozwoju Regionalnego Phone: 00 48 146213450 Fax: 00 48 146213955 Email Website Managing authorities	woj. malopolskie	Loan/ Guarantee	< 250.000 PLN		Loan fund for entrepreneurs affected by natural disasters, credit guarantees, Loan - Guarantee Fund "Malopolskie Inwestycje"	Structural Funds - National sources of finance
Bank BPH SA Email Website		Loan/ Guarantee	< 25.000 €	Start-up, Early stage (seed and start-up)	Investment Loan - investment expenditure to create a new, modernise or expand an existing fixed asset, Auto Loan - credit for purchase of vehicles and other means of transportation for Small segment Clients.	CIP
Inicjatywa Mikro Phone: 00 48 12 427 03 46 Fax: 00 48 12 421 12 75 Email Website		Loan/ Guarantee	< 25.000 €	Start-up, Early stage (seed and start-up)	Microloans (up to € 25 000), including for disadvantaged and underrepresented groups, for starting or developing a microenterprise (with less than 10 employees).	Progress Microfinance

Download PDF

A key contribution to jobs and growth:

- **Unlock investment:** for companies, SMEs, infrastructure, long term investment and support the Commission's Investment Plan
- **Better connect savings to growth across borders:** MS with both small and large capital markets have much to gain;
- **Make the financial system more stable:** developed capital markets can cushion the impact of a contraction in bank lending;
- **Deepen integration and increase competition:** supporting EMU, lowering costs and increasing competitiveness.

Why does CMU matter?

- **Mid-sized companies** receive five times as much funding from capital markets in the US;
- **Venture capital markets** as deep as the US could have provided an additional €90bn over the past five years;
- Safely restarting **securitisation** markets to just half of pre-crisis levels equivalent to over €100bn of additional funding, €20bn for SMEs;
- Europe has **€2trn infrastructure investment needs** in the coming years.

Our approach:

European
Commission

- CMU implies a structural change in EU financial system: initiate **irreversible processes to move towards CMU for EU-28 by 2019**;
- **Early action** to build momentum and heavy investment in developing sound bases for longer-term work;
- A **comprehensive approach** spanning the diverse, multiple issues raised in the consultation: no single lever will work.
- **Better Regulation:** Explore different options before deciding on form: (no action, support industry, supervisory convergence, better enforcement, opt-in EU regimes, harmonisation).

The Mid-Term Review - challenges

Future departure of the UK from the Single Market



Strengthening EU-27 capital markets

Uneven standards of supervision and enforcement



Make the supervisory framework more effective and consistent

FinTech is transforming capital markets



Increase competition and lower costs for businesses and investors

Europe must face environmental and social challenges



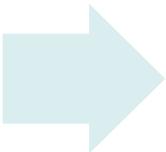
Re-engineer the financial system to make investments more sustainable

Challenges set out in CMU Action Plan remain as relevant as ever



Need for ambitious implementation of outstanding CMU actions

Capital markets are very diverse across Europe



Savers and businesses in all Member States should benefit from capital markets

Thank you!



EU BUDGET FOR THE FUTURE MFF 2021-2027

Investment support under the
next MFF – InvestEU





European
Commission

The programmes replaced

Equity Instruments

Guarantee Instruments

Risk Sharing Instruments

CEF
Equity

EaSI
Guarantee

COSME
Loan
Guarantee
Facility

Natural
Capital
Fin. Fac.

COSME
EFG

EFSI

Private
Finance
for Energy
Efficiency

Innovfin
Risk
Sharing

EaSI
Capacity
Building IW

Innovfin
Debt

CEF
Debt
Instrument

Innovfin
Equity

Student Loans
GF

Cultural
and
Creative
Sector GF

InvestEU

InvestEU Fund key principles

- Single Fund: a single regulation and single agreement with implementing partners
- Policy driven approach implemented through thematic policy windows
- Budgetary Guarantee
- Blending: harmonised combination rules
- Complementarity between EU level and MS level
- Simplification and Flexibility

InvestEU indicative budget allocation

Window	Budgetary guarantee	Mobilised investment (estimate)
Sustainable infrastructure	11 500	185 000
Research, Innovation and Digitisation	11 250	200 000
SMEs	11 250	215 000
Social investment and skills	4 000	50 000
TOTAL (<i>EUR Million, in current prices</i>)	38 000	650 000

- **The size of the EU guarantee proposed is EUR 38bn. and the provisioning rate 40 %, i.e. EUR 15.2 bn needed for the provisioning (EUR 14.2 bn. budg. Allocation + EUR 1bn. from reflows)**
- **Budget for InvestEU Advisory Hub, InvestEU Portal and accompanying measures is proposed to be EUR 525m.**
- **InvestEU is expected to mobilise more than EUR 650 billion of additional investment across Europe**

InvestEU implementing partners

InvestEU Fund backs the financial products provided by the implementing partners.

The procedure to choose implementing partners follows the provisions of the FR, which opens eligibility to;

- EIB Group (privileged partner, exp. volume ~ 75%)
- Other IFIs (EBRD, COE Bank..)
- National Promotional Banks and Institutions
- Other entities fulfilling the criteria laid down in the FR in Art. 62.1

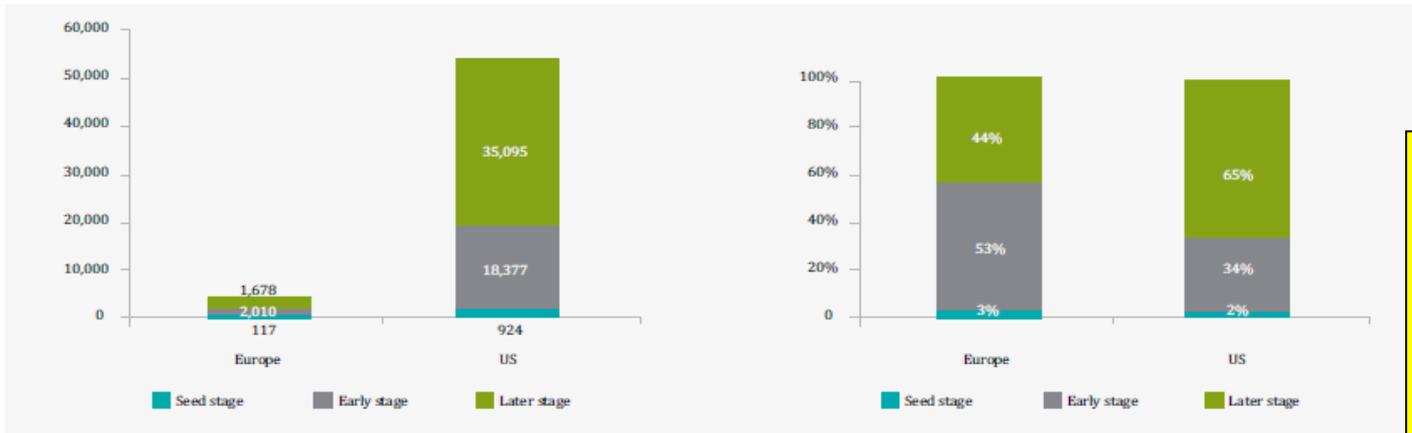


Start-up and Scale-up Initiative

Growing bigger: Vital choices for successful start-ups

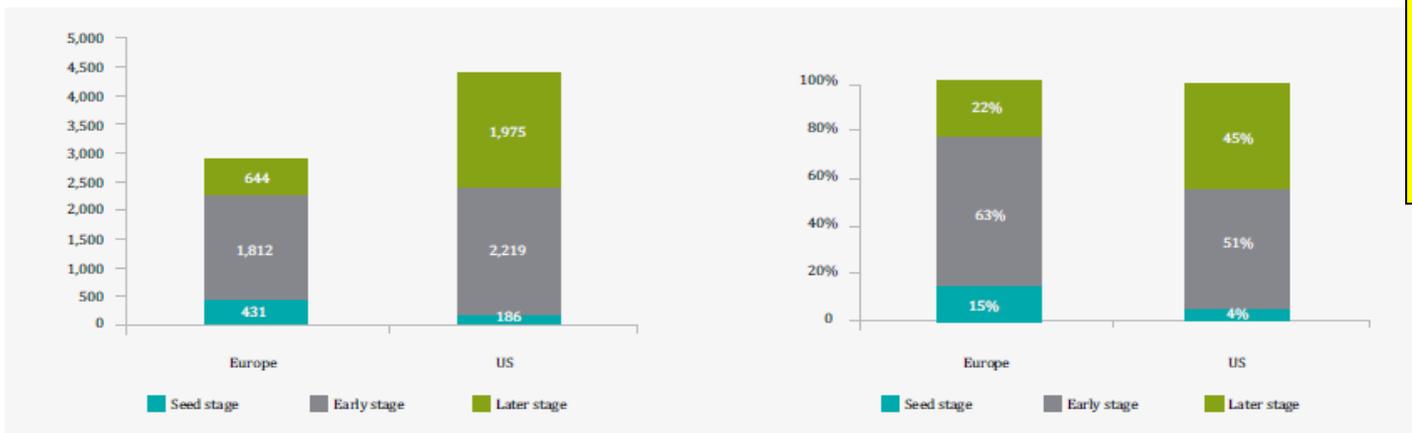


Absolute and relative 2015 VC investments in Europe and the US by stage of development (€m)



Sources: InvestEurope and NVCA

Absolute and relative 2015 VC-backed companies in Europe and the US by stage of development (number of companies)

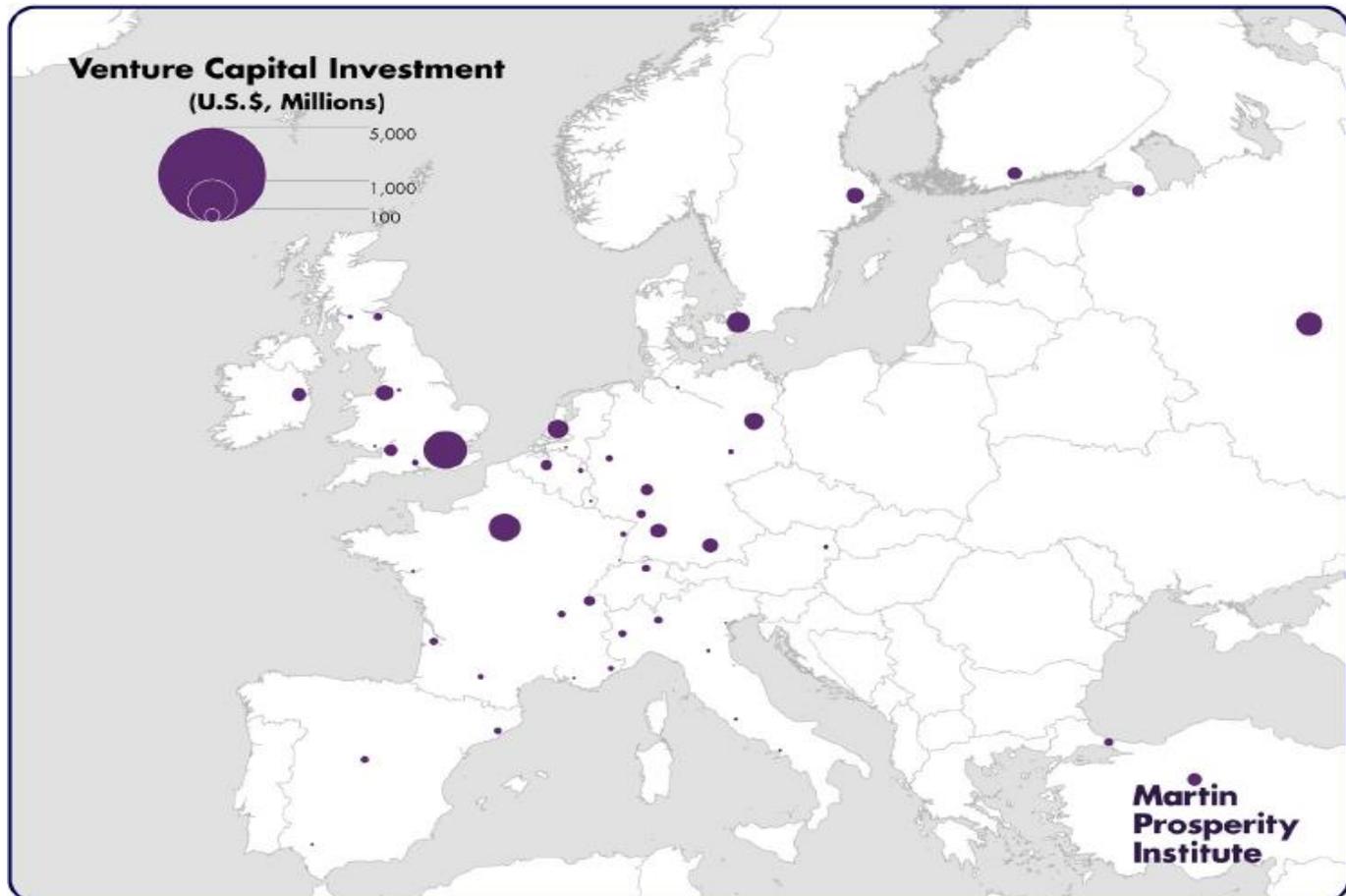


Sources: InvestEurope and NVCA

Venture capital for later stage rounds in the EU is still insufficient also because funds are much smaller and fragmented

Venture capital is very concentrated geographically in the EU

Venture capital investment in Europe (in millions USD)



Crowdfunding and Start-up Initiative

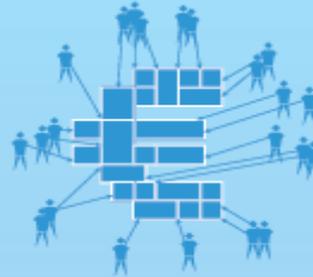
Traditional funding

vs

Crowdfunding



Large amounts from one,
or a few sources



Many small sums from
a large group of individuals

A pan-European platform where Member States can share best practice on crowdfunding together with an assessment of possible measures in the area of alternative sources of finance.

Peer lending

The crowd lends money to a company with the understanding that the money will be repaid with interest. It is very similar to traditional borrowing from a bank, except that you borrow from lots of investors.



Equity crowdfunding

Sale of a stake in a business to a number of investors in return for investment. The idea is similar to how common stock is bought or sold on a stock exchange, or to a venture capital.

Current initiatives

Raising awareness - The EU Guide for SMEs

- offers information for SMEs and gives practical tips on how to access crowdfunding
- available at: http://ec.europa.eu/growth/access-to-finance/funding-policies/crowdfunding/index_en.htm

