



Innova-FI
Interreg Europe



Policy Booklet

**Financial instruments
for Innovation in
European regions**



European Union
European Regional
Development Fund



WELCOME

It is almost impossible to forget that Europe faces now one of its most serious challenges in the last decades. The pandemic of COVID-19 has exposed challenges on cohesion, on integration and an immediate need to devise a strategy for economic recovery.

In the aftermath of COVID-19, together, as Europeans, we will have to cope with the recession and also the reorganization of production to be better prepared for future pandemics. Financial instruments will play a key role in the deployment of European strategies for economic recovery and in the delivery of such policies in the most effective way.

Innova FI has been focussing on identifying good practices and exchanging knowledge on financial instruments. Within this topic, we address the three main pillars: equity, debt and guarantees in order to produce and share insights on the way different partners have implemented these instruments across Europe and how well they performed in terms of reaching the intended goals.

This booklet emphasizes the role of guarantees, a financial instrument aimed at providing state collateral to reduce the level of risk associated with more innovative investments and hence making it feasible to access normal equity and/or debt instruments, as well as impacting on the reduction of the associated price. The good combination of these instruments can be fundamental to set an adequate funding framework to companies and accelerating the dynamics of innovation across Europe. In complement, guarantees, beyond its significant multiplier effect on funding and ability to attract private resources, can also be an important tool to facilitate the synergies among instruments.

In sum, we hope that this booklet that shares the knowledge and experience of our partners can inspire you and be useful to the collective challenges that we must face towards a speedy economic recovery.

Alexandre Almeida, ANI
Lead partner of Innova-FI

Guarantee Action of Entrepreneurship Fund



GUARANTEE ACTION OF ENTREPRENEURSHIP FUND - GREECE

THE FINANCIAL INSTRUMENT

Guarantee Action of Entrepreneurship Fund (TEPIX)

FUNDING SOURCE

Funding (ERDF) through Operational Programme Competitiveness and Entrepreneurship – EPAE 2007-2013 and four Regional Operational Programs – ROPs, Attica, Macedonia – Thrace, Thessalia – Sterea Ellada – Epirus, Crete and the Aegean Islands.

TYPE OF FINANCIAL PRODUCTS

Guarantees

Financial size

EUR 121,9 million of loans from private resources (banks) were covered by EUR 85,7 million of guarantees. The committed guarantee capital of EUR 38,9 million was provided from OP and ROPs resources. The action provided for a guarantee capital of EUR 38,9 million to EUR 85,7 million of guarantees to 1206 business loans of a total size of EUR 121,9 million. Maximum guarantee coverage was up to 80% of the loan amount.

Thematic focus

SME competitiveness

Timing

12 /03/2012 - 31/1/2017

Partners involved

European Regional Development Fund, Ministry of Development, Competitiveness and Shipping, Managing Authority of the Operational Programme for Competitiveness and Entrepreneurship, the Hellenic Fund for Entrepreneurship and Development SA - ETEAN SA (transformed in 2019 into the Hellenic Development Bank- HDB), Financial Institutions, SMEs.

Absorption rate

103% for the whole Entrepreneurship Holding Fund. (EUR 383.5 million EUR - of which 38.9 million guarantee capital - out of a total of EUR 372.0 million committed from ERDF resources).

EU leverage

3,13 times¹

Leverage of public resources

3,13 times²

Re-investment

EUR 0,28 million of returns to the Holding Fund were re-invested in the TEPIX Guarantee Fund, to provide for EUR 0,87 million loans. A total of EUR 192 million of returns to the Holding Fund were committed to be re-invested beyond 2016 to business loans.

Main results

1.206 business loans were paid covered by an equal number of issued guarantees. In total the Holding Fund supported

7.913 business loans provided with favourable terms up to 31-1-2017.

1206 benefited enterprises (7.088 within the whole Holding Fund).

EUR 121,9 million of guaranteed loans were introduced in the Greek market (EUR 813.0 million within the whole Holding Fund).

¹ Total amount of finance to final recipients is 121,9 divided by the total amount of ERDF allocation of 38,9=3,13

² Leverage of public resources is the same as above (public leverage = EU leverage)

SUMMARY

This case study explains how the Guarantee Action of Entrepreneurship Fund (TEPIX) was used as a Financial Instrument of Paragraph 44 of Regulation (EC) No 1083/2006, to support and collaborate with Greek Financial Institutions for providing guaranteed loans on favourable terms to SMEs during the programming period 2007-2013.

The main scope of the Action was to promote entrepreneurship, to facilitate business access to finance and boost investment during the Greek economic crisis period. In order to achieve this, two Fund categories (Fund Units) were established, which – in collaboration with the financial institutions that expressed their interest to participate in the action – provided funding for investment projects of the Greek SMEs as well as loan guarantees according to ROPs' overall growth strategy. The guarantees were provided on a loan to loan basis, for financing activities for enterprise expansion, business development as well as the business establishment and start-up. The business plans could also be supported by other actions under the NSRF / Investment Law grant actions. The action overreached the qualitative and quantitative targets of the regional strategic planning under the 2007-2013 programming period. The main results of the action could be summarised as follows:

- 1.206 guaranteed loans, in a total of 7.917 loans with favourable terms were introduced.
- EUR 813.000.000 funds (private and public) introduced in the Greek market.

Objectives

Entrepreneurship Fund (TEPIX) was established in 2010 aiming to support small and medium-sized enterprises in their funding needs such as the need for Working Capital and/or Investment Loans by providing beneficial pricing terms. To achieve this, TEPIX aimed at investing in financial engineering instruments, such as loan guarantees and risk-sharing loans by choosing financial, or investment organizations using open call procedures. The Guarantee Action's specific objective was the successful achievement of all Operational Programmes' targets in improving the competitiveness of Greek SMEs, who were faced with the diminishing collateral values in the Greek market.

DESIGN AND SET-UP

Funding and Partners

Entrepreneurship Fund (TEPIX) was established as a Holding Fund, having the capability to invest in more than one financial instrument. Under its operation, two main Fund categories (Specific Fund Units) were established: a Loan Fund and a Guarantee Fund. These two financial instruments contributed to loans and loan guarantees until 31/1/2017. The collaborating

financial institutions used their own resources to provide loans that were guaranteed by the Entrepreneurship Fund (TEPIX) in the form of “repayable” guarantees as well as risk-sharing loans. The management of the Entrepreneurship Fund (TEPIX) was implemented by the National Entrepreneurship and Development Fund (ETEAN) SA. The Financial Intermediaries collaborating in TEPIX included all the major Hellenic commercial banks as well as co-operative banks, which responded to the open calls and fulfilled the respective criteria.

A two-step call procedure

Financial institutions expressed their interest to participate in the programme during the call T2/2/2012 (12/3/2012). The deadline for submission was on 06.04.2012. This call leads to a partnership agreement between the ETEAN SA with 4 Banks (from which only 3 fulfilled the program) as financial intermediaries, in providing guaranteed investment loans, and working capital loans. The guaranteed loans could be combined with grants for investment projects financed by the European Regional Development Fund (ERDF) Operational Programmes. At Holding Fund level, the co-financing relationship (Private and Public funding) was initially 1:2 and finalized to 1:1 (excluding the Thematic Tourism Action). The leverage accomplished by the TEPIX (including all financial instruments and not only guarantees) was 2.12 (total loan amounts: total public funds). The leverage of achieved throughout the Guarantee Action call upon completion of the individual of products was 3.13 (total loan amounts / public capital).

Collaboration Agreements

The Banks that signed collaboration Agreements with ETEAN SA were: Eurobank, Alpha Bank and Pancretan Bank. The Agreements were signed on 31/5/2013. The expiry dates of the agreements coincided with the commitment of all guarantees issued to paid loans.

Investment strategy

The Entrepreneurship Fund (TEPIX) was **established in 2010** with an initial capital of EUR 460.000.000 for investing in financial engineering instruments, such as venture capital funds, fund guarantees and loans. In December 2012 the fund capital was increased by EUR 80.000.000 in order to specifically **support small SMEs operating in the tourism sector** in the Greek Islands. In December 2015 a release of EUR 168.000.000 from the total of EUR 540.000.000 was decided, resulting in EUR 372.000.000 of total available funds out of which the EUR 132.470.000 were allocated to the EPAE.

The Guarantee action referred to all 13 Regions of Greece. Each loan/guarantee was assigned to a specific Regional / Sectoral Operational Program related to the place of the investment or to the SME's headquarters. Therefore, the distribution of total guarantees per Region was in proportion to the amounts offered by the Regional Operational Programmes (ROP). ETEAN S.A., TEPIX's coordinator, had the responsibility to inform the financial institutions participating in **the guarantee programme** about the remaining funds per Region from the respective ROP. The overall budget distribution per ROP, as well as EPAE, is presented in the table below:

OPERATIONAL PROGRAM	BUDGET
OP Competitiveness, Entrepreneurship and Innovation (EPAnEK)	132.708.621,00
ROP Attica	132.043.682,00
ROP Thessaly – Central Greece – Epirus	15.141.449,00
ROP Crete and the Aegean Islands	20.159.538,00
ROP Macedonia - Thrace (Western)	9.469.897,00
ROP Macedonia - Thrace (Central)	62.476.813,00
TOTAL	372.000.000,00

Governance

The Coordination of the 'Guarantee Action' of Entrepreneurship Fund (TEPIX) was implemented by the **National Entrepreneurship and Development Fund SA** (ETEAN SA). ETEAN SA was established by Law 3912/2011 as a financial institution fully owned by the State, successor to the first Greek Guarantee Fund TEMPME, bearing an initial share capital of EUR 1.7 billion, of which EUR 1.5 billion in Greek Government Bonds (GGBs) and approximately EUR 213 million in cash. ETEAN SA's main responsibilities as a beneficiary and manager of TEPIX Entrepreneurship Holding Fund included the design of the open calls according to the financing gap in the Greek economy, to monitor and check the compliance of the FIs with EU and national rules and to manage effectively and with due diligence the OP / ROP resources. In April 2019, ETEAN was transformed into the **Hellenic Development Bank**.

IMPLEMENTATION / ACHIEVEMENTS

Financial products and terms

The fund guarantee was calculated as a **percentage of the final loss** (after the completion of the enforcement procedure of the other guarantees/collaterals of the loan). 100% of this amount is prepaid to the Financial Institution on notification of termination of the guarantee loan agreement and after the completion of the enforcement procedure of the other relevant guarantees / collaterals, a netting of any resulting liabilities is performed.

The financial products/subprograms of the Guarantee Fund of Guarantee Action of Entrepreneurship Fund (TEPIX) are presented in the table below:

SUB-PROGRAM	DESCRIPTION	LOAN	GUARANTEE DURATION	GUARANTEE AMOUNT
1	Investment Loans	EUR 10.000 - EUR 500.00	5-10 years with Grace Period of 6 months - 2 years	70%
2	Loans for approved investment projects under European Regional Development Fund programs /Investment law (Law 3299/2004)	Up to the equal of the total grant amount of investment. Loan amount from EUR 10.000 – EUR 500.000.	24-36 months with Grace Period of 6 months	80%
3	Business growth loans (specific purpose) /and Working Capital Loans	EUR 10.000 - EUR 800.000 Loan amount up to 30% of the total turnover of the previous operation /reaching the total wage cost of the previous year / reaching 30% of paid investment cost. (In case of a new operation the predicted total wage cost)	2-10 years with Grace Period from 6 months - 2 years	70%

Terms

- A combination of Subprogram 1 and Subprogram 2 under the same investment action was not allowed.
- In each Subprogram the loan collaterals/guarantees requested from the Financial Institute participating in the action, over and above the guarantee from TEPIX would not exceed the 50% of the initial amount of the loan. Moreover, the permanent and unique residence of the business operator was not used as collateral.
- Under Subprogram 3 the eligible enterprises were those:
 - operating during 2009-2011 or had to complete their investment projects during 2012.
 - with the financially sustainable operation.

Eligible investment activities of the SME's

- Infrastructure Investment, fixed assets and consolidated intangible assets, special research and study expenses etc.
- Activities aiming at business expansion/growth were eligible for the new SMEs /startups.

Non eligible investment activities

- Expenses directly related to exports were not eligible for financing, expenses directly related to the creation and operation of a network distribution or other current expenses related to its normal export activity.
- Costs of road freight vehicles to perform road transport freight for third parties.

Final recipients targeted

Micro, small and medium enterprises, according to EU Recommendation 2003/361/EC that operate legally in Greece (existing, new and start-up companies) and meet the requirements of their tax and insurance obligations (during loan disbursement). The eligible sectors of SMEs operations were thoroughly described in the co-finance agreements between TEPIX administration and the participating Financial Institutions. The recipients also included SMEs

that had already guarantees from ETEAN SA in past supporting programs that either had ended or were still running and are consistent with the maturity of the loans guaranteed.

Achievements

The 'Guarantee Action' of Entrepreneurship Fund (TEPIX) was one of the most important Financial instruments supporting the Greek SME's especially during the difficult socio-economic circumstances of 2010 improving their access to finance. Its main target was to contribute to the loan providing of financially sustainable micro, small and medium businesses that needed to cover expenses of their establishment, further growth/development-oriented investment projects as well as their liquidity needs. Additionally, the action supported SMEs to introduce more innovative products, procedures and services, to become more extroverted and to enhance their competitiveness.

The table below presents the overall outflows of the 'Guarantee Action' of Entrepreneurship Fund (TEPIX) per ROP as well as the Operational Program Competitiveness and Entrepreneurship 2007-2013 (EPAE).

DISBURSEMENTS/OP	NUMBER OF LOANS	LOAN VALUE/ PORTFOLIO VOLUME	VALUE OF GUARANTEE	TOTAL VALUE
OP Competitiveness, Entrepreneurship and Innovation	3.391	127.823.896,63	7.621.857,35	135.445.753,98
ROP Attica	2.387	114.841.104,16	18.826.748,26	133.667.852,42
ROP Thessaly – Central Greece – Epirus	314	14.715.352,82	1.172.478,21	20.174.159,63
ROP Crete and Aegean Islands	577	19.119.054,51	1.055.105,12	133.667.852,42
ROP Macedonia - Thrace (Western)	110	4.197.651,84	839.732,05	5.037.383,89
ROP Macedonia - Thrace (Central)	1.138	60.248.710,79	9.356.756,77	69.605.467,56
Total	7.917	340.945.770,75	38.872.677,76	379.818.448,51

Quantitative targets reached

The tables below present the satisfaction percentage of quantitative targets determined in the introduction of TEPIX Holding Fund action.

OPERATIONAL PROGRAM	INDEX	TARGET NUMBER	NUMBER REACHED	PERCENTAGE OF SATISFACTION
ROP Macedonia - Thrace (Central)	Number of Loans	500	1011	202%
ROP Macedonia - Thrace (Western)		200	102	51%
ROP Attica		1300	2076	160%
ROP Thessaly – Central Greece – Epirus		300	278	93%
ROP Crete and the Aegean Islands		320	526	164%
OP Competitiveness, Entrepreneurship and Innovation		1300	3095	238%
Total		3920	7088	181%

Table 1 - Number of Loans /& Number of Enterprises using the financial instruments of TEPIX

OPERATIONAL PROGRAM	INDEX	TARGET NUMBER	NUMBER REACHED	PERCENTAGE OF SATISFACTION
ROP Macedonia - Thrace (Central)	Amount of induced investments	76,88	161,03	209%
ROP Macedonia - Thrace (Western)		11,66	11,31	97%
ROP Attica		191,93	292,55	152%
ROP Thessaly – Central Greece – Epirus		18,1	35,13	194%
ROP Crete and the Aegean Islands		36,36	37,35	103%
OP Competitiveness, Entrepreneurship and Innovation		195,16	280,42	144%
Total		530,09	817,79	154%

Table 2 – Amount of Induced Investments

The number of total funds both private and public introduced in market was EUR 817 mil. These correspond to 7.917 both loan and guarantee financial instruments with favourable terms for a total of 7.088 benefited enterprises.

Legacy Funds

The Legacy Funds to be used for more supporting actions to the SME's reached a total of EUR 384.185.433, 24 and were distributed as follows:

LEGACY FUNDS	
ROP Macedonia - Thrace (Central)	70.264.493,56
ROP Macedonia - Thrace (Western)	5.078.111,02
ROP Attica	134.884.927,32
ROP Thessaly – Central Greece – Epirus	16.016.514, 15
ROP Crete and the Aegean Islands	20. 719.892, 71
OP Competitiveness, Entrepreneurship and Innovation	137.179.639,47
Total	384.143.578,24

Table 3 - Amount of Induced Investments

Needs for re-design consideration

- The financial instruments were created during a period of difficult economic circumstances, financial instability and continuous introduction of fiscal measurements; therefore, the design of the products was subject to continuous adjustments. As a result, a delay occurred in the disbursement of the funds to the real economy.
- The extension of the deadline of the action until 31/1/2017 enhanced significantly the absorption rate mostly for entrepreneurship supporting activities.

OUTLOOK

Entrepreneurship Fund (TEPIX) aimed to support small and medium-sized enterprises by providing financial engineering instruments, such as loan guarantees and risk-sharing loans via financial, or investment organizations using open call procedures. Under the Guarantee Fund of TEPIX the financial products introduced were: 1) Investment Loans from 10.000€ to 500.000€ with 70% guarantee for 5-10 years guarantee period, 2) Loans for approved projects under ERDF from 10.000€ to 500.000€ with 80% guarantee and a guarantee duration of 24-36 months as well as 3) Business growth loans /and Working Capital Loans from 10.000€ to 800.000€ with 70% guarantee and a guarantee duration of 2-10 years. This 'Guarantee Action' under TEPIX was one important financial support to the Greek SME's during the 2010 economic crisis. It contributed to the loan providing for businesses that needed to cover establishment expenses, further growth/development-oriented investment projects as well as other liquidity needs. Moreover, the action supported SMEs to introduce more innovative products, procedures and services, to become more extroverted and to enhance their competitiveness. Via the TEPIX Fund, totally, 817 mil. €. were introduced in the market (private and public funds) corresponding to 7.917 both loan and guarantee financial instruments and 7.088 enterprises benefited. In case of re-introduction, stakeholders must take into consideration that a fast and unvarying design of the FI reassures effective disbursement of the funds to the real economy.

Programme of Financial Engineering Instruments for SMEs

PROGRAMME OF FINANCIAL ENGINEERING INSTRUMENTS FOR SMES

THE FINANCIAL INSTRUMENT

FUNDING SOURCE

ERDF 2007-2013 OP SRDP
and ESF 2007-2013 OP HRD

TYPE OF FINANCIAL PRODUCTS

Loans, guarantees with interest rate subsidies, equity, quasi-equity

Financial size

EUR 136.6 million from OP resources, a combination of EU Funds with EUR 105.9 million from ERDF and EUR 10.2 million from ESF plus EUR 20.5 million EUR of national co-financing
PFEI also included other public and private resources of EUR 82.4 million that were used together with the OP resources
Total PFEI support was EUR 218.8 million

Thematic focus

SME support

Timing

June 2009 to December 2016

Partners involved

Government Office for Development and European Cohesion Policy (managing authority) SEF (holding fund manager)
Commercial banks, venture capital companies, business angels, other private investors

Synergy partner support for entrepreneurs, such as incubators and technological parks

Absorption rate

All resources were absorbed by the end of 2016

EU leverage³

5.8 times

Main results

- 2.294 SMEs supported with EUR 387 million of financial support unlocked EUR 708 million in total SME investment as at 31st December 2015. Through the PFEI programme and other financial instruments,
- 7 300 new jobs were created and another 88.000 maintained.

³ EU leverage is calculated as the total amount of finance to eligible final recipients, i.e. EUR 39.3 million (in this case made up of the Innovation Fund's EUR 13.64 million and the investment it triggered from private actors of EUR 25.66 million), divided by the total amount of ERDF allocation to this financial instrument, i.e. EUR 6.14 million. It does not include the reuse of resources returned to the instrument.

SUMMARY

This study describes how European Union (EU) co-financed financial instruments mixed with grants contributed to a better business environment through different forms of support under the 'Programme of Financial Engineering Instruments for small and medium-sized enterprises' (PFEI).

This innovative programme combined different funding sources and created synergies such as encouraging debt financing with grants and strengthening access to financial products with technical support. Its financial products (loans, guarantees, and equity investments combined with blending financial instruments with grants) were targeted at micro, small and medium-sized enterprises (SMEs) and funded through the 2007-2013 Operational Programme (OP) 'Strengthening Regional Development Potentials' (SRDP) by the European Regional Development Fund (ERDF) and the 2007-2013 OP 'Human Resources Development' (HRD) by the European Social Fund (ESF), as well as national resources. The PFEI helped SMEs tackle low productivity, liquidity constraints and under-capitalisation.

The financial instruments directly assisted 2 294 SMEs with EUR 387 million of financing at lower than market rates, as well as with coaching and technical support. This stimulated EUR 708 million in direct investment as of December 2015. The products were funded from the ERDF and ESF (53%), national financing (32.2%), SEF's own resources (7.4%), and revolving funds (7.4%), partly from 2004-2009 and partly from the 2007-2013 programming period (starting in 2009).

Close cooperation between public authorities, financial intermediaries and other public and private bodies ensured financial products that were suitable to the needs of final recipients, contributing to the success of the initiative. However, the benefits of financial instruments were not well understood at the start. The reason was that almost all the support for SMEs were available in the form of grants. This was overcome through consultation and awareness-raising campaigns.

The SEF will continue to use ERDF funds to contribute to business development in Slovenia in the 2014-2020 programming period. It will do so by adopting swift, simple, transparent and efficient procedures that minimise the time and effort required to invest.

Objectives

SMEs in Slovenia have faced difficulties in obtaining financing for development investment, both in their early stages as well as in their development and growth stages. Structural problems have been reflected in the slow growth of SMEs and the low percentage of innovative and high-tech enterprises. Problems escalated with the 2009 economic crisis as companies struggled with lower orders and less liquidity.

Bank loans required high collateral, especially due to economic and financial uncertainty.

These high collateral requirements and an increasingly stringent system of credit rating meant resources were inadequate or inaccessible for SMEs in their early development period. Also, SMEs often did not take advantage of existing financial opportunities because of a lack of information about the potential funding or a lack of capacity to present their company, business idea and funding needs to potential investors. In addition, there was a shortage of entrepreneurial know-how for the set-up and implementation of high-tech and innovative projects.

The venture capital market was insignificant, with Slovenia's share of venture capital investments to gross domestic product ranking very low in comparison to other European countries. Despite the lack of venture capital, there was no decrease in the creation of new companies, but conditions for fast-growing businesses were not as favourable. The lack of venture capital also hindered the formation of high-tech companies needing more seed and start-up capital that, due to their innovativeness and higher risks, could not obtain sufficient funding from other sources.

DESIGN AND SET-UP

The financial instrument was set up under the OP SDRP to fill a market gap in SME access to finance and to promote entrepreneurship. It provided venture capital funds, guarantees and microloans through the SEF, acting as a holding fund manager, which also combined PFEI assistance with other private and nationally-funded financial instruments targeted at the same final recipients. Financial instruments in the form of loan guarantees with subsidies of interest rate were foreseen in the 2007 draft for OP SRDP by the managing authority, the Government Office for Development and European Cohesion Policy.

In October 2009, the government adopted the PFEI (financial instrument programme). In the same year, the Ministry of Economy signed a funding agreement with SEF to implement the (PFEI), which continued to the end of 2016. After October 2009, when PFEI provided a strategic direction for financial assistance to entrepreneurship through SEF, equity products were also introduced, and a significant part of the grants for investments was replaced by financial products.

SEF was directly awarded the management of this set of instruments through a holding fund established as a separate block of finance within SEF, under ERDF provisions. The new set of tools, including financial instruments and grants (in the form of interest rate subsidies) under PFEI were managed by SEF. At the same time, the fund ran its own and nationally funded instruments.

Funding and Partners

The main funding partners in the PFEI financial instruments were the managing authority, represented by the Government Office for Development and European Cohesion Policy, the holding fund manager, SEF, and private co-investors such as business angels, commercial banks and venture capitalists. These different funding sources were administered through a holding fund managed by SEF. They were bundled together with other national support and

FUNDING SOURCES	EUR
ERDF, ESF and national co-financing	136.6 million
- of which ERDF and ESF	116.1 million
- and national co-financing	20.5 million

Table 4 - Funding sources for PFEI as at 31st December 2015

Within PFEI, OP resources were combined with EUR 82.4 million from other sources, as below:

FUNDING SOURCES	EUR
Additional public – national financing	50 million
Private (SEF)	16.1million
Revolving funds from 2004-2009	16.3 million
TOTAL	82.4 million

Table 5 - Additional funding sources within the SEF, used to create synergies with PFEI resources

Investment strategy

The PFEI investment strategy resulted from the October 2009 PFEI framework, as well as the funding agreement between the Ministry of Economic Development and Technology (acting as an intermediary body) and the Slovene Enterprise Fund, concluded the same year. The strategy took advantage of the 'catch-all' quality of the holding fund manager. As a public entity, SEF could combine ERDF, national and own resources to create economies of scale and synergies in the types of support offered. In addition, SEF also reaped the benefits of its vast network of private partners, to involve them as co-investors in financial instruments. As illustrated in the previous sub-section, PFEI funds complemented other funding to better assist final recipients creating several synergies, as illustrated in the figure below:

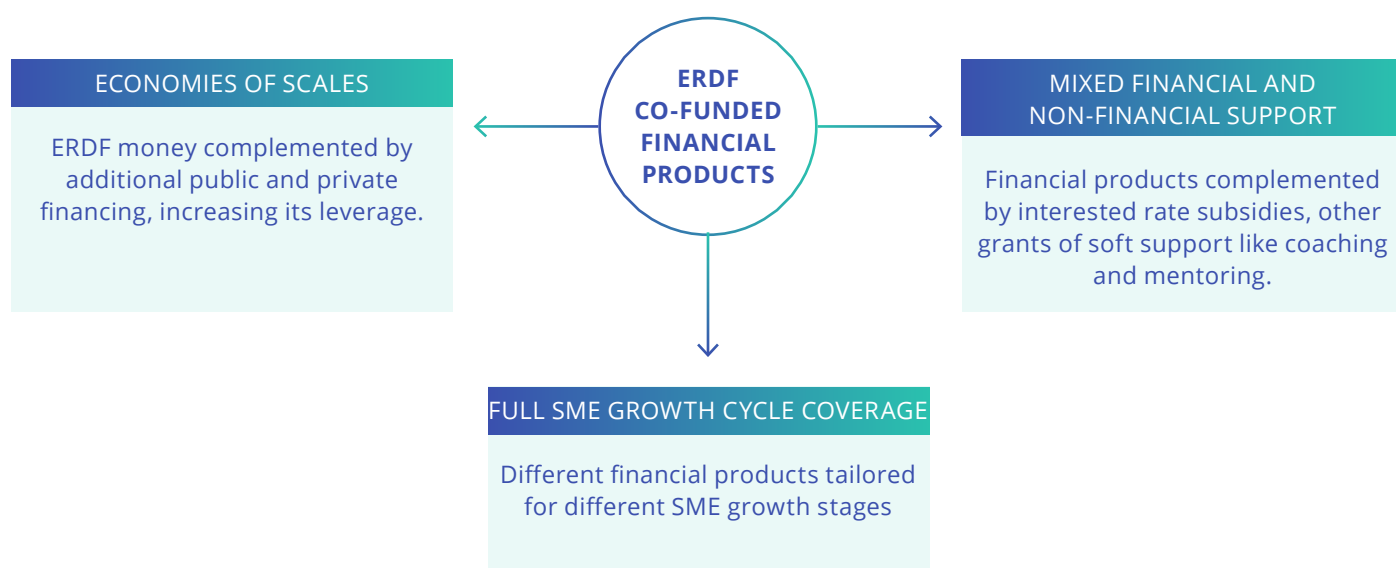


Figure 1 - Synergies between ERDF co-funded financial products and other support measures

The investment strategy of PFEI was combined with that of the SEF to create synergies. This allowed for different financial products: equity, quasi-equity, loans and guarantees, combined with subsidies of interest rate and non-financial support such as coaching, mentoring, training and technical advice. Equity, quasi-equity, loans and guarantees combined with subsidies of interest rate were funded through PFEI, coaching and technical advice were funded by resources outside PFEI.

The combination of financial and non-financial support was another important synergy achieved by SEF, allowing SMEs to not only obtain financing but also to learn how to use it better. SEF identified the need for combining funding and non-financial support from earlier experience with delivering business support. In 2014, the seed capital product included non-financial support in the form of coaching and mentoring by experts from Slovene incubators and technology parks, as well as by advisors from outside Slovenia. Technical support, such as coaching, mentoring, training, networking and incubator services, particularly important in the earlier stages of enterprise development, was free of charge for SMEs.

Support was also available during the application process. Enterprises used free software on the fund website to start their application process, including writing their business plan. Fund advisors provided advice free of charge.

Governance

Several players were involved in the PFEI governance structure. This sub-section looks at the governance structure of the holding fund manager, which combined PFEI assistance with other support to maximise the effect. Established in 1992, SEF was the PFEI holding fund manager, overseen by a supervisory board with members from the Ministry of Economy, Ministry of Finance, Chamber of Craft of Slovenia, Chamber of Commerce and Industry of Slovenia, the Bank Association of Slovenia and Government Office for Development and European Cohesion Policy. The holding fund manager benefited from the expertise and network of its supervisory board, to carry out its duties in the most effective way.

IMPLEMENTATION / ACHIEVEMENTS

Governance

The holding fund manager offered financial products tailored to the different needs of SMEs during their development, as illustrated in the figure below. It supported enterprises at the start with seed capital, in their growth phase with venture capital and more mature companies with guarantees and loans. This ensured the effectiveness of support and improved the survival rate of target enterprises. The PFEI financed equity (seed capital, direct capital investment, venture capital), microloans and guarantees with subsidies of interest rate. The different products addressed all SMEs, within the limits of State aid provisions, irrespective of their activity. They supported start-ups, development and global growth, business model renewal and innovation. Some products paid special attention to specific sectors or policy aspects such as female entrepreneurship, creative industries, or socially beneficial products and services. In general, the products targeted SMEs from start-up to growth and expansion phases.

Achievements

The PFEI framework, as well as financial instruments not co-funded by the EU and delivered by the holding fund manager, played an important role in ensuring financial resources for SMEs in Slovenia. The holding fund promotes economic growth and employment and by the end of December 2015, PFEI had supported 2 294 enterprises with EUR 387 million and activated EUR 708 million in investments.

PFEI started in 2009 and as of 31st December 2015 the results of the programme were:

GUARANTEES	1 577 supported enterprises EUR 288.4 million of guarantees EUR 50.4 million interest rate subsidies EUR 607.5 million investment
MICROCREDITS	639 supported enterprises EUR 14.9 million microcredits EUR 26.2 million investment
VENTURE CAPITAL	4 venture capital companies 29 high-technology enterprises EUR 29.0 million investment via PFEI EUR 68.3 million total investment
SEED CAPITAL	45 supported young enterprises EUR 3.8 million financial resources EUR 6.4 million investment

OUTLOOK

Based on an *ex-ante* assessment carried out in 2015, the holding fund manager will continue to provide equity and debt financing instruments to young and more developed SMEs in 2014-2020 using ERDF funding. Financial incentives will be tailored to the needs of SMEs and will be offered as guarantees with interest rate subsidies, direct credits for special purposes, equity financing such as venture capital, seed capital and mezzanine capital, as well as special incentives for specific target groups.

A major objective for the future is to induce changes in financial markets especially in the risk-averse attitude of banks. Financial products offered by the holding fund manager aim to have a long-term impact on opportunities for SMEs. Good experience through financial instruments can encourage commercial banks to collaborate with SMEs in the future. This has been partly achieved through guarantees, but there is much room for improvement.

Financial incentives will be used to finance activities such as starting an enterprise, development and innovation in an enterprise, fast global growth, female entrepreneurship, creative industries, business model renewal and socially beneficial products and services.

Guarantee Fund for investments in venture capital, Friuli Venezia Giulia Region



GUARANTEE FUND FOR INVESTMENTS IN VENTURE CAPITAL, FRIULI VENEZIA GIULIA REGION

THE FINANCIAL INSTRUMENT

FUNDING SOURCE

Regional budget

TYPE OF FINANCIAL PRODUCTS

Guarantee

Financial size
EUR 5,5 million

Thematic focus
Research & innovation

Timing
No deadline

Partners involved
Friuli Venezia Giulia Region (manging
authorities

Absorption rate
100%

EU leverage⁴
No EU allocations

Re-investment
Revolving instrument

Main results
5-10 investment operations foreseen

Leverage of public resources
1,42

⁴ EU leverage is calculated as the total amount of finance to eligible final recipients, i.e. EUR 39.3 million (in this case made up of the Innovation Fund's EUR 13.64 million and the investment it triggered from private actors of EUR 25.66 million), divided by the total amount of ERDF allocation to this financial instrument, i.e. EUR 6.14 million. It does not include the reuse of resources returned to the instrument.

⁵ Leverage of public resources is calculated as the total amount of finance to eligible final recipients, i.e. EUR 39.3 million, divided by the total amount of programme allocated to the financial instrument, i.e. 13.64 million. It does not include the reuse of resources returned to the instrument.

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SUMMARY

The **Guarantee Fund** for venture capital investments was set-up with regional resources of **Friuli Venezia Giulia region** in Italy to strengthen equity investments into innovative startups of the region.

The instrument was authorized with the 2019 Stability Law and became operational in October 2019. The purpose of the Guarantee Fund is to **support the interventions of venture capitalists**, meaning those financial intermediaries or holding companies, who participate in funding rounds in early stages or growth phases of startups, acquiring a significant minority in the share capital. The Guarantee Fund **does not carry out direct venture capital interventions** but provides guarantees for such operations free of charges for the final beneficiaries. This instrument offers venture capitalists the opportunity to reduce the risk associated with the investments in share capital and loans in the form of subordinated and unsecured debt. The fund guarantees a majority share of the investment with consequent coverage of a substantial part of losses occurred in case the investment does not result in a successful exit.

This instrument is aimed at addressing the issues occurred in the attempt to constitute a regional venture capital fund with resources from ERDF ROP for the programming period 2014/2020. In 2018, the regional administration published a call for the selection of the financial intermediary in charge of managing the regional venture capital fund, but the tender procedure failed as no bids were submitted. The feedbacks collected from the industry's operators have pointed out that fund managers are generally not interested in managing funds with less than Euro 20 million under management since there would not be an appropriate trade-off between risk and return. Therefore, in 2019, the regional administration designed and implemented an **alternative financial instrument** with the same endowment of public resources to support the regional venture capital market without undertaking direct venture capital operations.

Objectives

This financial instrument represents a first attempt of the regional administration to provide public support to the venture capital industry. Friuli Venezia Giulia region has consolidated over the years different support measures in the form of subsidized loans and guarantee instruments.

Public financial instruments to support the equity market are still under-developed, in particular for the early stage, showing a gap in the market. The venture capital industry, which is taking its first steps in the local entrepreneurial landscape, lacks forms of facilitation, today concentrated in the stages of the company's maturity.

For this reason, the regional administration has designed an alternative and innovative

instrument to boost the activity of venture capitalists. The Guarantee Fund strives to remove part of the risk that venture capitalists have to bear with the objective of increasing the number of interventions. Ultimately, the instrument allows catalyzing private rescues in favour of the most promising innovative startups of the region. This public intervention in the venture capital market has been triggered by a suboptimal investment situation coupled with consequent unmet investment needs. Moreover, the instrument strives to ensure longer-term sustainability through the revolving effect addressing the challenge of promoting more efficient usage of public resources.

DESIGN AND SET-UP

Funding and Partners

The regional administration has committed Euro 5,5 million from the regional resources to the instrument, which is managed by the already established Management Committee of the Revolving Fund for Economic Initiatives. A positive evaluation of the business plan of the start-up from the promoting investor is required before presenting the application to the Secretariat of Management Committee. The Secretariat of Management Committee receives each application presented by the investors and decides on the guarantee request.

Investment strategy

The aim of the guarantee fund is to support the intervention of venture capitalists, meaning those individuals of financial intermediaries that invest in early-stage phase of start-ups acquiring a significant minority share. Venture capital investments are financing operations in companies in their startup phase, meaning companies that have been operating for no more than five years. The typical investment horizon of venture capitalist is 3-7 years with the aim to make a successful exit, either in the form of an IPO or in the form of a trade sale. The equity subscription is often coupled with debt financing operations to offer greater financial endowments to the company. Venture capital operations are highly risky due to the high mortality rate of companies in the startups' phase.

Governance

The instrument has been activated within the Revolving Fund for Economic Initiatives (FRIE), which boasts already a consolidated governance structure. The Management Committee of the Revolving Fund for Economic Initiatives requires a positive evaluation of the business plan of the start-up from the promoting investor in order to decide on the guarantee's request.

IMPLEMENTATION / ACHIEVEMENTS

The fund provides guarantees to financial intermediaries and holding companies, as defined by the Italian Fiscal Regulation, that operate investments into innovative startups as part of their core business. Those financial intermediaries and holding companies should have a proven track record, considering the high risk that the fund is bearing by providing guarantees

to them. Accordingly, the fund provides guarantees only venture capitalists that have been operating for at least 5 years and that made investments into at least 10 companies over the last 10 years. Furthermore, it is required a horizon of at least 3 years for the supported investment initiatives.

Financial products and terms

In accordance with Regulation (EU) 651/2014 the guarantee can be provided to the following operations:

- 1) Investments in preferred equity as a subscription of shares with a put option
- 2) Unsecured or subordinated loans, including mezzanine and convertible debt, to be subscribed along with investments in the form of preferred equity and/or coupled with an investment in the form of equity.

The equity investment must compulsorily be present and, if coupled with a debt operation, the amount of equity subscription in the form of preferred shares must be at least 1/5 of the amount of debt subscription. In case of equity subscription in the form of ordinary shares, the amount of equity subscription should be at least 1/10 of the amount of debt subscription and the amount of the equity investment will not be covered by the guarantee.

The guarantee is provided free of commission on the eligible operations for an amount up to 70% of the investment operation and for a total guaranteed amount up to Euro 1 million. The guarantee will cover the amount of the loss which is equal to the difference between the purchase price and the selling price of the shares. If the conditions for exercising the put option are not met and therefore a selling price is not available, an estimated fair value will be used to estimate the amount of the loss.

The investment operation must be completed, with all the amount being paid to the beneficiary, within 24 months from the approval of the guarantee eligibility. The guarantee is offered for the entire time horizon of the investment operation, provided that it does not exceed 7 years.

In case of need to ask for the execution of the guarantee, the venture capitalists have to fill a request to the Management Committee of the Revolving Fund for Economic Initiatives. A preliminary amount equal to 50% of the guarantee is paid to the investor. The final payment is operated after the conclusion of the winding-up operations.

Reimbursement of the entire amount of the investment operation in the form of equity is operated in case of:

- Sale of the shares for the final beneficiary
- Deadline of the last term for exercising the put option
- Reduction of the share capital to zero for covering accrued losses

Final recipients targeted

The final recipients targeted are innovative start-ups, as provided by the Italian Law, with head and operations office in Friuli Venezia Giulia Region. Eligible undertakings are unlisted small enterprises up to five years following their registration with a yearly turnover lower

than 5 million Euros, which have not yet distributed profits and are not the result of a merger, split-up or selling-off of a company or branch.

The company must produce, develop and commercialize innovative goods or services of high technological value and have an innovative character demonstrated by the fulfilment of at least one of the following criteria:

- 1) at least 15% of the company's expenses are dedicated to R&D activities;
- 2) at least 1/3 of the total workforce are PhD students, holders of a PhD or researchers; alternatively, 2/3 of the total workforce must hold a Master's degree;
- 3) the enterprise is the holder, depositary or licensee of a registered patent (industrial property) or the owner of a program for originally registered computers.

AGE	Newly established or have been incorporated for less than 5 years
CORPORATE STRUCTURE	They have their headquarters in Italy, or in another EU/EEA Member State provided that they have a production facility or a branch in Italy
TURNOVER	Annual turnover lower than €5 million
PROFIT DISTRIBUTION	They do not distribute their profits and have not done so in the past
CORPORATE PURPOSE	Their corporate purpose concerns, predominantly or exclusively, the development, production and commercialisation of innovative products or services with a clear technological component
INCORPORATION	They are not the result of a company merger or split-up, or of a business or branch transfer
INNOVATION-RELATED INDICATORS	R&D expenditure of at least 15% of the higher value between turnover and annual costs
	The total workforce includes at least 1/3 of PhDs, PhD students or researchers, or at least 2/3 of the team hold a master's degree
	Owner or licensee of a registered patent

Table 6 - Legal notion of Innovative Startups

Achievements

This instrument represents a first attempt of the regional administration to support the regional VC market and to meet the financing needs of companies in the early stage. The fund will target operations for a value of up to 1 million Euro per startup and aims at using all the allocated resources. Therefore, a minimum of five operations conducted with the support of the fund is envisaged.

OUTLOOK

Venture capital is largely accepted as a key contributor to the financing of RTDI-driven businesses. Venture capitalists are well-equipped to evaluate the risk-return potential of RTDI-

driven businesses and may be actively involved in the operations of their investments. The Italian Venture Capital industry is still lagging behind many other European counties: in 2018 Italian investments in VC accounted for 0.5 billion Euro, while top markets as UK, Germany and France accounted, respectively, for 7.7, 4.4, 3.7 billion Euro.

However, a change of pace is occurring in the latest months showing that the Italian VC market is scaling-up. In this context, public interventions in the market may be very helpful to drive the Italian VC market to a more mature stage. The guarantee mechanism designed and implemented in FVG region represents, therefore, an interesting example of how policymakers at a regional level can show a commitment to boost the VC market leveraging on public funds.

SPANISH CASE STUDY AFIN SGR

The Valencian economy is basically made up of small businesses; 90% of them have less than 10 workers, with a weak capital and equity structure that hinders their growth and innovation processes. In this context, in the 80s of the last century, a new-born Valencia regional government promoted the birth of the SGR - the Reciprocal Guarantee Society of the Region of Valencia, as a way to facilitate access to the financial instruments of the companies of the region.

Innova-Fi
Interreg Europe



AFIN SGR

THE FINANCIAL INSTRUMENT

FUNDING SOURCE

Created by the Regional Government (around the 45% of the capital)
Contributions from the financial entities
Quota from the SMEs beneficiaries of the guarantees.
Complementary funds from CESGAR, the Spanish SGR Group in the case of innovation or RTD Investment

TYPE OF FINANCIAL PRODUCTS

Guarantee

Financial size

EUR 30 Million

Thematic focus

SME Guarantee

Timing

From 1981

Partners involved

Protective partner: Generalitat Valenciana - Regional Government of Valencia, financial entities and savings banks and professional associations

Participative partners: SMEs, whose subscribed capital is linked to the living risk

Absorption rate

All resources are absorbed every year

EU leverage⁶

Guarantees represent 4 to 6% of the investment

Re-investment

TBD

Main results

more than 7,900 participating partners, whose projects have been supported
362 guarantees in 2019, amounting to almost € 30 million

Leverage of public resources⁷

TBD

⁶ EU leverage is calculated as the total amount of finance to eligible final recipients, i.e. EUR 39.3 million (in this case made up of the Innovation Fund's EUR 13.64 million and the investment it triggered from private actors of EUR 25.66 million), divided by the total amount of ERDF allocation to this financial instrument, i.e. EUR 6.14 million. It does not include the reuse of resources returned to the instrument.

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SUMMARY

The Valencian economy is basically made up of small businesses; 90% of them have less than 10 workers, with a weak capital and equity structure that hinders their growth and innovation processes.

In this context, in the 80s of the last century, a new-born Valencia regional government promoted the birth of the SGR - the Reciprocal Guarantee Society of the Region of Valencia, as a way to facilitate access to the financial instruments of the companies of the region.

AFIN SGR's mission is to facilitate access to credit for SMEs. Our goal is to become the strategic partner of small and medium entrepreneurs, providing greater professionalization and knowledge of market opportunities in financing requests. Our activity includes providing guarantees to the project, negotiating better financing conditions, and offering information and advice to solve financing needs. This support is implemented through the granting of guarantees: we are guarantors of entrepreneurs before Public Organizations (IVF Lines for SMEs and freelancers, CDTI, Reindustrialization, etc.), before financial entities (we have agreements with Banco Sabadell, Bankia, BBVA, Caixabank, among others), before crowdlending companies (MytripleA and Colectual) and before the employer's own suppliers.

Objectives

Our goal is to become the strategic partner of the small business owner, providing more professionalization and knowledge of market opportunities in financing requests.

For this we have adapted (designed) our catalogue so that the applicant can easily identify the product according to their need.

DESIGN AND SET-UP

AFIN SGR is a mixed company: on the one hand we are a private non-profit entity, regulated by BdE, and, at the same time, we are an instrument of economic policy, since we have public support, both at the Ministry level as of Generalitat Valenciana, directly and through the IVF.

These supports make it possible for us to negotiate more competitive conditions and greater volume of financing for SMEs and freelancers, thus covering market defects and making it easier for small businesses to access the best public-private financing alternative.

Funding and Partners

AFIN SGR is founded in 1981. It is a private non-profit entity, regulated by BdE.

Our partners are, on the one hand, the participating partners, whose subscribed capital is

linked to the living risk we have with them, and on the other, the protective partners whose capital is free and not linked to the activity we carry out.

Among the protective partners of AFIN SGR, the Valencian Institute of Finance stands out with a participation of around 45% of the capital of the company. Hence, we are a credit policy instrument for SMEs and freelancers of the Generalitat Valenciana

Investment strategy

Our market is practically the whole Valencian business fabric, since this is mostly made up of self-employed, micro-enterprises and SMEs, which are the type of business that we can guarantee.

We finance both investment and current projects, up to € 750,000, including a maximum of € 500,000 for working capital.

The business model of AFIN SGR is looking for diversification, with the company's objective being that the average amount of the guarantees does not exceed € 150,000.

Governance

AFIN SGR is a Financial Entity that has a commercial character and is governed by Law 1/1994, of March 11, on the Legal Regime of Reciprocal Guarantee Companies and complementary Provisions, its Statutes, and the Bank of Spain Circulars that affect it.

The granting of guarantees is based on a Step System of Committees, made up of house technicians and directors, depending on the amount and risk, minimizing bureaucratic and documentary requirements.

IMPLEMENTATION / ACHIEVEMENTS

We guarantee the financing of all those investment or current projects, of growing companies, and especially those that incorporate innovation components, necessary for the dynamization of the Valencian economy.

With our guarantee, the employer can also anticipate the subsidies granted by public bodies or guarantee the deferred payment of the merchandise received to the supplier.

Financial products and terms

In AFIN we have created a new range of products focused on the real and specific problems of freelancers, microenterprises and SMEs.



A product portfolio adapted to the needs of our customers.

ESTRELLA	CREA	CASH	ADAPTA	IMPULSA	PÚBLICA	INTERNACIONAL
Empresa Estrella Línea IVF	Jóvenes emprendedores	Aplazamiento pago a proveedores	Garantía de ejecución ante empresa privada	Compra de espacio	Anticipo de subvenciones	Implantación en el exterior
Línea Afin - Cajas Rurales para autónomos	Garantía de Proyectos Sector Cultural		Microcréditos	Reforma de negocio	Préstamos CDTI	Apoyo a la exportación
	Aval Cultura Afin	Compra de existencias	Préstamo ICO Afin SGR	Inversión en maquinaria	Financiación proyectos subvencionados	Garantía de suministro
	Subvenciones Federación de Sociedades Musicales			Renovación de herramientas	Licitación de obras o servicios públicos	Garantía de ejecución de obras y servicios internacionales
				Transformación digital		Promoción internacional

These are the conditions:

- Study commission: 0.5%
 - Guarantee commission: 0.8 to 1.55%, for innovative projects
 - Subscription of Social Capital SGR: 1 to 4%
- Limits and deadlines:
- Investment with real guarantee: 15 years
 - Investment without real guarantee: 10 years
 - Maximum investment amount: € 750,000

Concession Process:

1. **SUBMIT YOUR APPLICATION.** Fill out the application form that you will find on our website afinsgr.es
2. **ACCEPTANCE PRE-VIABILITY.** We review your request and in 2-3 days you will know if it

is accepted for processing

3. DOCUMENTATION AND STUDY. Within 2 weeks you will know if your application has been approved

4. DEFINITIVE APPROVAL

Final recipients targeted

Companies and freelancers that operate in any sector or branch of activity with establishment in the Valencian Community (except for the real estate sector), and whose headquarters, or the development of the activity, is within the Valencia Region.

That has the consideration of SMEs according to European regulations, therefore companies that employ less than 250 people and whose annual turnover does not exceed 50 million euros or whose annual balance sheet does not exceed 43 million euros.

Achievements

AFIN SGR has more than 7,900 participating partners, whose projects we have supported. In 2019 AFIN SGR carried out 5,925 commercial actions that allowed it to contact 3,645 entrepreneurs, who submitted 1,325 applications for guarantees amounting to € 140 million. These efforts culminated in the formalization of 362 guarantees amounting to almost € 30 million, doubling the volume of guarantee concessions of the previous year.

OUTLOOK

The RGS are an agile and efficient solution to promote SME credit. They allow:

- to reduce the cost of SME financing;
- to reduce the risk to credit institutions; and
- to maximise the efficiency of public contributions.

Added value of the Guarantee System

FOR THE SME	FOR CREDIT ENTITIES	FOR THE ADMINISTRATIONS
<ul style="list-style-type: none"> - Credit access for feasible projects - Less cost and more extended funding period - Flexibility: for all SMEs and needs of financing/solving - Less exigence of enterprise guarantees - Support and financial advice for the enterprise - Personalised service and answer promptness 	<ul style="list-style-type: none"> - Less risk exposure for the client and improvement of the credit quality - Reduction of the capital consume: qualification of the endorsement by Banco de España - Quality and endorsement liquidity: total coverture for bad loans and default endorsements, elimination of provisions - Profitability over capital of the endorsed operations - The RGS track default endorsement and recovery. 	<ul style="list-style-type: none"> - Efficient channelling of public resources for SMEs: multiplying effect - Resources leverage, experience and capillary network of the RGS - Contrasted macro/microeconomic effect - Efficient instrument of enterprise promotion with special attention to SMEs and entrepreneurs - Promotion of public-private collaboration

Strategic sectoral challenges

- Digitalisation
- New services/products and projects
- Institutional relations
- European relations
- Best practices (working groups)

The Guarantee System capillarity facilitates its access to SMEs and gives the possibility of establishing a direct contact with enterprises of any region and sector. Moreover, the experience and high level of know-how that RGS have on SMEs and their environment is translated into an added value for financing institutions.

The high quality of the endorsement granted by a RGS is found in its condition of liquid, automatic and efficient guarantee at first demand, covering the 100% of the financing operation.

The activity of the RGS maximises the efficiency on the contribution of the Public Administration for business promotion due to the multiplying effect of its activity. An example of public-private collaboration and key element for the sustainability of the sector is the public counterguarantee undergone by CERSA.

Key Policy Recommendations



When setting up the financial instruments, it is of crucial importance to tailor the products to the needs of the enterprises in different development phases. Financial instruments have to reflect the needs of the businesses, which means that a thorough analysis of the terrain has to be made. Knowing the exact state can help setting up such financial instruments that can effectively answer the research, development, innovation and other challenges.

Before setting up the financial instruments, an in-depth and thorough gap analysis is needed. It is of crucial importance to evaluate whether offered financial instruments reached their purpose, to which extend and what should be improved to maximize efficiency. The aim of the analysis which financial instruments can boost the development potential of the country.

Procedures of setting up the financial instruments should be efficient, simple, swift and transparent. Financial instruments have to be simple and efficient in order to easily adapt or answer the market needs or to certain circumstances and particularly to be easily accessible to final recipients (with minimization of administrative procedures). Transparency should be granted by clear rules and procedures throughout the process.

Furthermore, some other lessons can be drawn from the Italian Case Study - Guarantee Fund for investments in VC – even if this is an FI in the early stage of implementation and from the Greek Case Study. The experience of the Friuli Venezia Giulia region can be used to provide recommendations to policymakers in charge of designing public intervention in the European VC ecosystem. In the absence of an in-house financial institution, the only viable alternative for a regional managing authority willing to create a regional VC fund is to conduct a competitive bidding procedure to select the fund manager. This bidding procedure becomes challenging when the funds to be managed avail of limited resources, as there would not be a fair ratio between risk and return. This guarantee fund may, therefore, represent a viable alternative for supporting the early-stage equity market when a limited amount of public resources is available for that purpose.

The Greek case is more particular since for Greece there is an urgent need for a regional managing authority willing to create targeted financial instruments based on specified financial needs of the local/ regional enterprises. The Guarantee Action, although it referred to 13 Greek regions, had to compromise nation-wide needs, distributing the total guarantees per Region as a proportion to the amounts offered by the Regional Operational Programmes (ROPs). Additionally, there is a need to design instruments based on macroeconomic perspectives for local, regional as well as national economic growth, exploiting the maximum of the ESIF and state aid rules and - at the same time shifting - the focus from support to enterprises for confronting a temporary crisis to sustainable market growth and innovation. Furthermore, apart from a long-term macroeconomic based design, the financial instruments should be

designed in a user-centric approach being less bureaucratic, more flexible and addressing the needs of different industries and sectors.

General Recommendations to consider:

1. Comprehensive digitization of the system and its interconnections to facilitate SME access to the system and speed of decisions: In the same way that is promoting industry 4.0, all the SMEs in their relationship with funding providers and public administrations must take the path to use more and more digital ways to interconnect. In guarantee instruments, this will facilitate the presentation of the dossiers by the company, the information demand by the system, and the approbation of the guarantee. The objective must be to complete the procedure in 48 hours.

2. Integrate new financial instruments, such as crowdfunding, crowdlending, etc. in guarantee societies: Guarantee instruments are normally addressed to obtain loans from the financial institutions, both private and public. It will be important to promote their use in the access to the new financial instruments, providing to the investors with a (partial?) guarantee of their investments.

3. Increase the guarantee society's resources to increase the number of SMEs that can use the guarantee system: As more resources will have available the guarantees societies, fixed, long-term, medium-term, etc., more operations will be covered, and more investments, innovations, etc. will be planned and deployed by the SMEs.

4. Access to a European guarantee system that allows investments of greater volume and/or risks to boost innovation in SMEs: If we have European cooperation projects to develop research and innovation activities, to design and market new products or services, to access new markets... why not have a European system to provide guarantees to SMEs that are going to develop these projects? This solution can facilitate cooperation between companies from different countries, for the development of complex products or access to new markets and allow for the necessary increase in size and competitiveness.

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