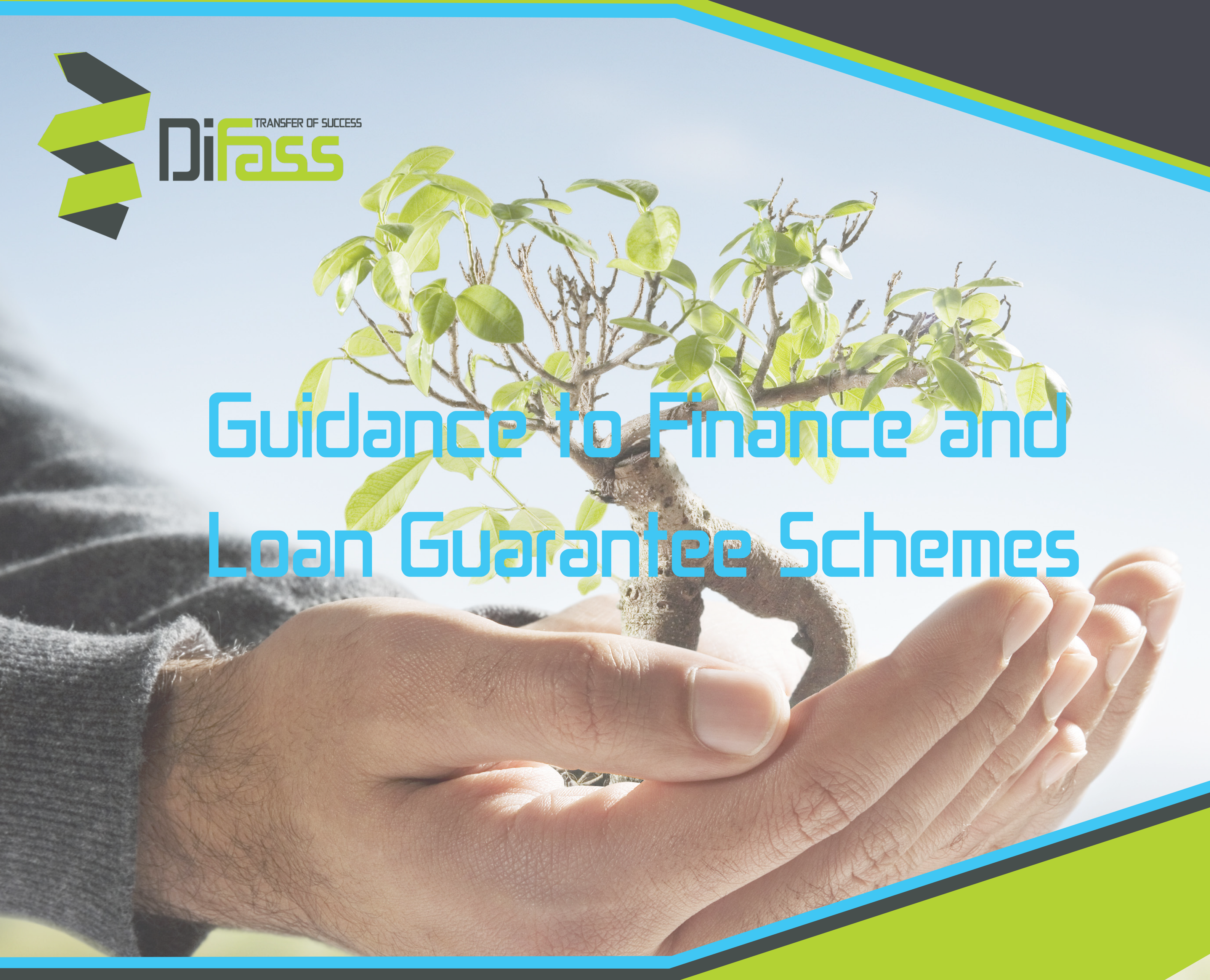


Guidance to Finance and Loan Guarantee Schemes

INTERREG IVC
INNOVATION & ENVIRONMENT
REGIONS OF EUROPE SHARING SOLUTIONS

INTRODUCTION

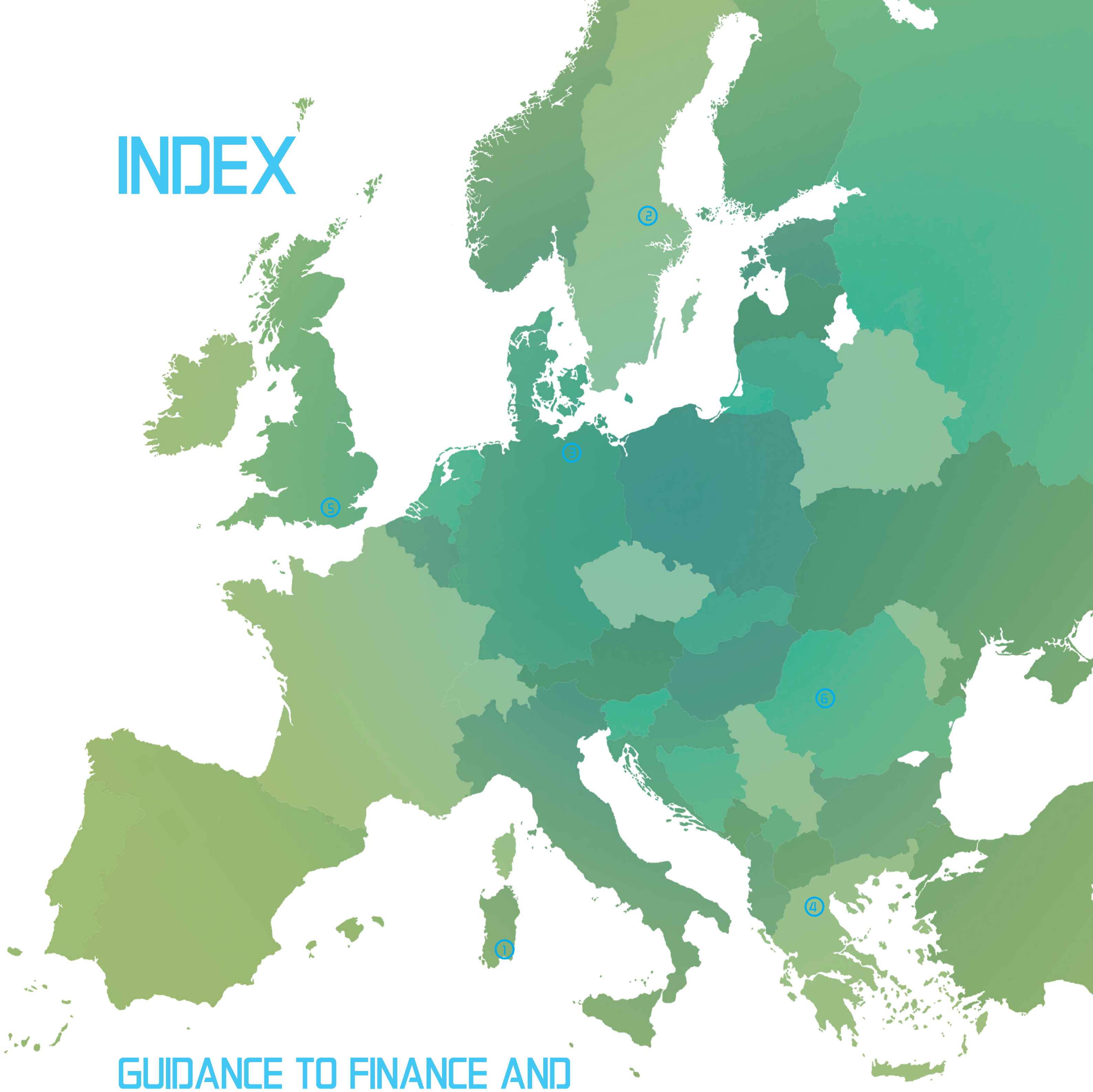
Quite often, especially in periods of economic crisis, SMEs have difficulties to access bank credit. It occurs especially when SMEs do not have sufficient collateral to offer. Guarantees are a response to the difficulties to this lack of access. A guarantee is a financial commitment provided by a guarantee company on behalf of the SME to the bank; it replaces the missing collateral by the SME and permits a bank to offer the loan, that otherwise would not be offered. The guarantee usually does not cover more than 80% of the bank loan, leaving 20% of the risk with the lender. The SME remains liable for the loan.

Guarantee schemes appeared as mutual guarantee companies. They were associations of small merchants and/or small companies. Contemporary institutions have been the result of the evolution of simple structure appeared at the 19th century. Economic and social crisis favored the development of guarantees that was reinforced by government's support.

Guarantee schemes are presented under several forms, distinguished by: the level of public involvement, the existence of counter guarantee society, the existence of a unique institution or several working on a regional or professional basis. In some countries both systems, public and private, coexist. Some systems were already established at the beginning of the 20th century and others, the new ones, were established mainly in the 1990's in European Union countries.

During the crisis period the average size of guarantees grew considerably, as a consequence of SMEs' difficulties on financing. According to the European Association of Mutual Guarantee, the number of outstanding guarantees passed from less than 1,5 million on 2006 to almost 2,2 millions on 2013 while the volume of guarantees rises to 80 billion Euros against 30 billion on 2000. The number of beneficiaries SMEs passed from 1,7 millions on 2006 to almost 3 millions on 2013. Italy is the main beneficiary country, (43% of outstanding guarantees towards AECM total), followed by France (21.5%), Germany (7.5%) and Spain (6%).

INDEX



GUIDANCE TO FINANCE AND LOAN GUARANTEE SCHEMES

1 ERDF REGIONAL GUARANTEE FUND

1. SUMMARY OF GOOD PRACTICE

Overview and aims

The economic structure of Sardinia makes it difficult for SMEs and micro businesses to access credit channels. Set up in 2009 as a result of regional policies, the Regional Guarantee Fund aims to facilitate access to credit for Sardinian based SMEs. The Fund enables co-counter and/or direct guarantees on financial transactions granted by Consortia Fidi (guarantee consortium), banks or leasing for business companies. Guarantees can be used to enable viable SMEs to access new sources of funding or refinance existing loans. The management of the Fund is entrusted to SFIRS, the in-house financial company of the Autonomous Region of Sardinia set up to implement the guarantee policies and plans of the Regional Centre for Planning.

Key resources

Programme Partners

The Regional Centre for Planning
SFIRS – the in-house holding company
13 'Consortia Fidi' (Guarantee Consortium)
9 Banks and Leasing Companies

Programme funding

The Fund is supported by a total budget of €243.2M; €5M from regional resources, €5M from national resources and €232.2M from the EU The fund provides guarantees, (not finance i.e. loans or grants). Guarantees issued to SMEs by the Fund are subject to value limits of €1.5M per transaction subject to 'De Minimis' criteria and €2.5M per business subject to criteria associated with the State guarantee scheme.

Eligibility criteria

Open to sectors in the trade, manufacturing, construction, tourism, service industry and in some cases the agricultural sector, SMEs must have their headquarters in the Sardinian region and be up to date with tax and social security contributions. The criteria used to assess applications is determined by the length of time a company has been trading, with newly constituted companies (newco) operating for <3 years, start-up companies operating for 3-5 years and consolidated companies active for > 5 years all eligible for the scheme.

Terms and conditions

The percentage of guarantee awarded depends on the nature of the guarantee:

- Direct guarantees can reach 60% of the loan granted and up to a maximum of 80% in cases of innovative investments
- Counter-guarantee can achieve up to 80% of the guarantee granted by the Consortia ConFIDI
- The co-guarantee system grants up to 40% of the credit guaranteed equal to the guarantee granted by ConFIDI. (This guarantee can be free of charge if it applies to the aid status associated with De Minimis).

2. IMPLEMENTATION

Businesses seeking funding can apply to one of the 13 Consortia Fidi for co/counter guarantees and to one of 9 Banks/Financial Institutions participating in the scheme for direct guarantees.The Consortium Fidi or Bank concerned undertake an initial assessment of the application and if considered a viable proposition, submit a request for a guarantee of the financial instrument selected to SFIRS for the final assessment. Eligible transactions for ERDF Regional Guarantees include:

Lending/Re-Financing

- To consolidate or extend short-term debt/ bank finance and unused loan potential
- To renegotiate loans/funding for rate reduction and reduce the cost of instalments

New Funding

- For financial transactions of any kind – to obtain additional finance to that already in place for a minimum of 12 months and a maximum of 18 months or until the natural expiry date, whichever happens first
- Financial transactions with a lifetime of not less than 18 months and not more than 144 months

- To cover investment programmes aimed at supporting processes of growth and innovation.

The current turnaround time for assessment and notification of decisions is 45-60 days with the application process considered to be of medium difficulty. Marketing activity has been used to publicise the availability of the Guarantee Fund and the Banks/Financial Institutions involved provided with training and coaching to strengthen their knowledge of the scheme.

Key Stats

Results from September 2010 (the programme start) to 31st December 2012 are as follows:

KEY MEASURE	Estimated total
Applications Submitted*	1675
Nos of Applications Submitted for Assessment	1637
Applications Approved	1332
Value of guarantees granted to successful SMEs**	€75.5M
Value of credit lines issued as a result of guarantee investment	€249.8M

*1573 Counter Guarantees/102 Direct Guarantees
** 80% of the amount requested

95% of applications are for counter guarantees, with direct guarantees launched in March 2012 accounting for 6% of applications received to date.

3. KEY LEARNING POINTS AND OPPORTUNITIES

What worked well?

Accreditation process for Consortia Fidi
Agreements with banks and credit institutions.

What didn't work so well?

It took a lot of time to create the network with consortia and banks so although the instrument was set up in 2009, it didn't become operational until September 2010. Operational requirements for banks included formal accreditation and the signing of a general agreement with the national bank association enabling banks to operate the scheme. Other aspects that didn't work so well included the use of postal application procedures and the development of a web based support service and database, (not used as anticipated by stakeholders/businesses).

Planned Improvements to implementation procedures include:

- An agreed definition of the criteria of outstanding loans / credit lines capable of being secured together by banks and CONFIDI;
- An online application process and marketing and awareness raising of the Guarantee Fund;
- Amendments to the 'Rules of Implementation' of the Fund and an in depth review of the application process for agricultural companies

Legacy

A formal assessment of the impact and legacy benefits will be undertaken this year. With one third of the resources of the instrument used to date, partners expect requests for guarantees to increase 'at a time of economic crisis'

Transferability

Networking with the main stakeholders involved, particularly banks who have direct relationships with businesses is a very crucial point Reliant on funds from ERDF

FURTHER INFORMATION

http://www.sfirs.it
http://www.regione.sardegna.it
DIFASS You Tube Channel:
http://www.youtube.com/watch?v=sfnu9JygopY

CONTACT

Originator	Antonello Chessa
Website	www.regione.sardegna.it
E mail	crp.direzione@regione.sardegna.it
Tel	+39 070 6064698

2 REGIONAL SEED FINANCING

1. SUMMARY OF GOOD PRACTICE

Overview and aims

With no funds available to help finance businesses, the Teknikdalen Foundation needed to find alternative solutions to help SME Entrepreneurs at their Incubator gain access to the finance they need to help them to grow. The Regional Seed Financing Forum was set up to provide an organised platform that enables early stage growth companies to pitch their ideas to a range of private and public investors offering loans or grants. The Forum aims to facilitate contact between possible funders and at the same time, improve the company's pitching ability, helping them to access the third party funding available.

No decisions are made at the Forum itself, it is not a decision making forum. Business ideas are submitted and loans, grants and other financial instruments are discussed. Prospective funders use the information and their impressions to follow their own decision-making process. The Teknikdalen Foundation does not take any stake equity or interest in the companies they work with, they are totally objective.

Key resources

Programme partners

Commercial Banks and Private Investors (not currently including Angel Investors/Venture Capital providers)
Almi - State/Regional Funders
The County Administrative Board
Regional Business Incubator; experienced business coaches.

Programme funding

No funding is involved. The purpose of the Forum is to introduce businesses to potential sources of funding.

Eligibility criteria

The Forum is open to all start-up companies with growth potential located at the Incubator – no other criteria or terms and conditions are required.

2. IMPLEMENTATION

Guided by its motto of 'Keeping It Simple', the Forum uses a very simple process:

STEP 1

Partners and businesses are bought together around a table.

STEP 2

Using a predesigned form and agreed format the entrepreneur delivers their pitch. The pitch, normally 15 minutes, is followed by a Q & A session.

STEP 3

The entrepreneur gets immediate feedback; partners provide direct verbal feedback on what was good, what was not so good and what could be improved.

STEP 4

The entrepreneur then leaves the room enabling partners to discuss their overall impressions.

FOLLOW UP

No funding decisions are made at the Forum itself. Prospective funders use the information and their impressions of the entrepreneur's pitch to follow their own decision-making process. The amount and terms of any investment arising from the Forum is agreed between the parties involved i.e. the business itself and potential financiers. This also includes circumstances where more than one funder may express interest in the company leaving it to the business to decide which funder to sign up with.

- Companies receive advance guidance and support from Incubator staff to help them prepare their pitch. Although all businesses at the incubator are strongly encouraged to make a pitch, participation is voluntary, not compulsory. The application process itself is exceptionally easy.
- Even if the company does not need any capital, the Forum provides them with early exposure to external financing. Providing them with the opportunity to experience the process and test and check the viability of their idea, before investing their time and resources. The company gains invaluable feedback on their idea at an early stage of development.

- The Incubator plans to run 4 half day Forums attended by 3-4 companies each year. Managed using existing resources, the Forum is organised by 2-3 staff from the Teknikdalen Foundation who also provide training and coaching to help prepare businesses for their pitch.

Key Stats

The Forum started in 2008 but has recently been reorganised therefore reliable results and outcomes are not yet available.

3. KEY LEARNING POINTS AND OPPORTUNITIES

The Regional Seed Financing Forum reports a range of benefits arising from the programme for banks, investors and the Incubator as well as the businesses themselves:

- **Banks** advise that they want to be involved in the early stages of the company's development, even if they cannot lend money to early stage businesses; they want to be part of the process at the outset. The Forum provides them with the opportunity to spot potential customers as well as discuss their impressions of each pitch and exchange views with other partners.
- **Business Incubators** benefit by having companies who are better prepared to appear before investors. Feedback from the Forum has also helped the Incubator improve the advice and support given to companies and helped them attract more interest and companies to the Incubator itself.
- **Businesses** benefit from training, enabling them to deliver an effective in pitch in front of people who have funds available and a chance to access finance at one meeting. They also get immediate feedback. The training helps the business prepare and cover the right issues i.e. not to talk too much about the technology involved but focus on client marketing and revenue streams.

Spintos International AB, a former incubator business who has developed a bespoke real time watch with a range of innovative features for Football Referees used the Regional Seed Financing Forum to pitch their idea and access finance. Provided with advance training to downplay the technical aspects of their product and enhance the client value, their pitch was successful. Helping them to realise that the domestic i.e. Swedish market was too small, the Forum enabled them to access necessary finance to engage the Swedish Trade Council which helped them enter into the wider overseas markets.

Legacy

The Forum has provided a cost effective model enabling start-up companies to test the viability of their ideas at the outset, be better prepared for meetings with investors and when the timing is right gain access to finance. Entrepreneurs are good at developing products and services, Investors are good at making money, the Regional Seed Financing Forum brings them together

Transferability

Easy to implement with low costs. Banks in other countries may not be interested. The model is only open to Incubator based businesses, a small proportion of start-up businesses.

FURTHER INFORMATION

DIFASS You Tube Channel:
http://www.youtube.com/watch?v=U_l5TDuBBUQ

CONTACT

Originator	Sture Ericsson
Website	www.teknikdalen.se
E mail	teknikdalen@teknikdalen.se
Tel	+46 243 734 00

3 BMV EXPRESS

1. SUMMARY OF GOOD PRACTICE

Overview and aims

The purpose of the BMV Express 'quick guarantee' loan scheme is to help viable, SMEs and self- employed professionals access the finance needed to help them compete and grow their business.

Providing lenders with up to 70% guarantee of the value of each individual loan approved and proposed by the lender, the Buergschaftsbank Mecklenburg-Vorpommern (BMV) aim to provide a simple, fast track guarantee service for established SMEs. Guarantees can be advised in 24 hours and can be used to guarantee loans to finance investments, inventories and equipment, but cannot be used for rescheduling of debts.

Key resources

Programme funding

BMV provide guarantees of up to 70% of the value of the loans for loans ranging from €35,000 (€25,000 guarantee) and the maximum €150,000 (€105,000 guarantee). Smaller value loans can be made available in exceptional cases. BMV charges include €150 for processing each application plus 1% pa of credit amount. (Loans guaranteed by BMV attract lower interest rates).

Eligibility criteria

Open to SMEs and self-employed professionals located in the Mecklenburg-Vorpommern State of Northern Germany. The scheme is not open to entrepreneurs or start-up businesses.

Terms and Conditions

The term of each guarantee is dependent on the purpose of the loan. Guarantees for loans to purchase inventories and supplies have a maximum lifetime of 8 years; investments 15 years and structural property i.e. buildings/construction up to 23 years.

2. IMPLEMENTATION

BMV have three guarantee instruments:

Guarantee Scheme	Threshold	Typical Assessment (days)
BMV Express	€105,000	24 hours
BMV Classic (Self Competence Guarantee)	€120,000	14 days (to allow for the time needed to source coaching/consulting services provided)
BMV Classic (Approval Panel Guarantee)	€1M	3 weeks

Businesses seeking finance approach the local Bank holding their business account who complete an interactive online application enabling an instant assessment. Eligible applications are then automatically forwarded to the guarantee bank, i.e. BMV, for assessment and decision.

Applications for loan guarantees of €1M or more must be supported by a statement from the Chamber of Commerce and are subject to a Panel review.

Provision of 5 key requirements

- One annual financial statement, (or cash statement for businesses trading for < 18 months)
- Personal capital i.e. assets
- A positive balance after withdrawals. A positive EBITDA (Earnings before Interest, Taxes, Depreciation & Amortisation)
- No negative indicators (no account overdraft > 30 days, court orders, statutory declarations etc.)
- A credit rating (Creditreform) of < 300

With a purpose built software package developed by an external software provider and BMV staff, the online process provides the facility for instant assessments.

Key Stats

Key results in 2012.

KEY MEASURE	Estimated total
Applications Submitted	74
Applications Accepted	68 (91,9%)
Funding Granted	€3,894K
Funding Grnerated By Beneficiary	€5,563K

3. KEY LEARNING POINTS AND OPPORTUNITIES

What worked well

- Procedure run by local bank who know their customers.
- Good collaboration between local bank (public or private bank).
- No public administration is involved at decision-making.
- An easy/simple application process; standardised process, real time response and approval.

Strengths

Approval/guarantees within 24 hours. Clearly defined standards of credit worthiness (5 criteria) Competitive 'cost of finance', despite costs associated with the guarantee.

Weaknesses

Start-ups and entrepreneurs excluded. Funding criteria excludes rescheduling of debts

Transferability

Possible to promote scheme/process to other regions subject to gaining regional commitment Good opportunities for an existing guarantee bank to create and implement a similar product.

Legacy

Proven, fast process. Provides a sustainable guarantee to stabilise SMEs/businesses

FURTHER INFORMATION

http://www.technologiezentrum.de

DIFASS You Tube Channel:

http://www.youtube.com/watch?v=iKa-38gJz6E

CONTACT

Originator	Mario Kokowsky
Website	www.buergschaftsbank-mv.de
E mail	gf@technologiezentrum.de
Tel	+49 3834 550-500

4 ETEAN

1. SUMMARY OF GOOD PRACTICE

Overview and aims

Set up in 2011 as a legal entity and successor to the Guarantee Fund for Small and Very Small Enterprises, (TEMPME), ETEAN is a national initiative supervised by the Bank of Greece which aims to facilitate the access of Micro Businesses and SMEs (MSMEs) to the financial market. Entrepreneurship is a top priority in Greece and ETEAN offers a portfolio of innovative programmes focusing on specific activities aimed at offsetting risks for a risk adverse banking sector, helping to support entrepreneurs and encourage economic growth. Programmes include innovative special purpose funds, co-financing loans and/or guarantees at attractive terms as well as extensions of guarantees and co-guarantees. Other programmes include development of a Business Angels Network and Mediterranean Business Angel Market, an Entrepreneurship Fund and a Guarantee Provision for the issue of Guarantee Letters addressed to suppliers of goods and services, the only active programme currently avail ble. Located in Athens, ETEAN has no regional branches and operates its service through indirectsecondary networks of approved banks. Aid is given to MSMEs in the form of guarantees and loan subsidies. SMEs apply to any of the banks participating in the schemes who in turn act as agents requesting the guarantee facility from ETEAN.

Key resources

Programme Partners

Led by ETEAN the scheme is run in association with 13 Commercial lenders (5 of them cooperative banks) acting as approved agents for the scheme.

Funding: Funding Body & SME Contribution

ETEAN manages a fund provided by the Greek government and the EU. The Fund is fully owned by the Greek State bearing an initial share capital of €1.7BN, of which €1.5BN is in Greek Government Bonds (GGBs) and approximately €213M in cash. Incentive Laws mean that SMEs must provide a minimum of 25% of the investment requiredwith 25-50% provided by the state.

Eligibility criteria

The programme is open to all Micro, Small and Medium Enterprises from start-ups, new and established businesses and any legal businesses operating in the region subject to quota subsidies and the overall subsidy percentage defined in the "Regional state aid map".

Terms and conditions

The Guarantee facility remains open to MSMEs until November 2013 and/or when the Fund is used. Letters of guarantee issued to eligible businesses for use with suppliers of goods and services are valid for a maximum of two years with guarantees ranging from €10-150K.

2. IMPLEMENTATION

ETEAN act as administrative agents for three portfolios of MSME funds enabling eligible Entrepreneurs to access funds for investment loans (for assets and equipment) and working capital. The Guarantee Provision for the issuance of Guarantee Letters, addressed to suppliers of goods and services, provides MSMEs suppliers with an assurance of their ability to pay for the goods and services they need to conduct their own business. With a minimum facility of €10K and a maximum accumulative guarantee limit of €150K companies can apply for up to 3 Guarantee letters which can be used to participate in tenders, to enable them to undertake their contractual responsibilities and to receive an advanced payment. With a total programme budget of €45M (enabling issue of letters of €90M), ETEANs Guarantee covers 50% of the value of each letter, with ETEAN charging a commission of 0.5% on the loan value. Undergoing a two stage evaluation process* the Guarantee scheme is subject to evaluation and approval by the Bank and ETEAN.

Step 1 The company

- Applies to a co-operating bank, completing a standard ETEAN form

Step 2 The bank timescale: 15 working days

- Process the application and checks the availability of ETEAN programme funds
- Undertakes a standard evaluation of the SME's credit history
- Assesses the risk and issues an e note to ETEAN of the outcome

Step 3 ETEAN timescale: 10 working days

- Undertakes automated checks to verify the eligibility of the applicant
- Uses both the banks and its own assessment to decide on the outcome
- Informs the bank of its decision

Step 4 The bank

- Informs the company of the outcome of the process

Key Stats Results to Date

Set up in 2011 and trading for 3 years, results for the ETEAN and TEMPME programme up until October 2012 are as follows:

KEY MEASURE	Results to date
ETEAN & TEMPE programme	**Western Macedonia**
Loans granted	10
Guarantees awarded	€114,3 M
Number of Beneficiaries	1.893
Jobs Preserved at a Regional Level	4.141

3. KEY LEARNING POINTS AND OPPORTUNITIES

Legacy

Although a national tool, the low interest rates for loans/guarantees and level of investment and private investment generated by ETEAN schemes has had a positive impact on the Western Macedonia Region. However, the financial repercussions arising from the economic crisis has created liquidity problems for national banks who don't give any loans to companies waiting for 'recapitalisation'. Originally considered easy to access, the economic crisis has made access to the full range of funding and programmes originally provided by ETEAN more difficult.

What worked well

Strong public/state support in deteriorating conditions for MSMEs. Figures show that many MSMEs have benefited from ETEAN programmes The programme means that the 'risk' is shared by three parties; the region/state, bank and the SME, rather than two parties (the SME and the Bank) Overall, funding increases liquidity, which in turn, increases company competitiveness

What didn't work so well?

The assessment process is viewed as overly bureaucratic and could benefit from simplification There is no provision for parallel support i.e. consulting or training, which could be useful for many, companies e.g. those with poor financial management skills. Lack of decentralisation.

Transferability

The programme has provided flexibility for mature companies and start-ups in almost every sector, for any kind of intervention, (investments, working capital and guarantee for tenders) Risk sharing 50-50 The opportunity for centralisation and quick electronic procedures.

FURTHER INFORMATION

http://www.pdm.gov.gr

DIFASS You Tube Channel:

http://www.youtube.com/watch?v=QFJIdSu9Azs

CONTACT

Originator	Theodore Theodoropoulos
Website	http://www.etean.gr
E mail	theodoropoulos@hotmail.com
Tel	+302461052728

5 ENTERPRISE FINANCE GUARANTEE SCHEME

1. SUMMARY OF GOOD PRACTICE

Overview and aims

The Enterprise Finance Guarantee (EFG) is a loan guarantee scheme aimed at encouraging lending to viable SMEs. Introduced in January 2009 in response to the credit crunch the EFG was set up to replace the previous Small Firms Loan Guarantee Scheme and address market failure in the provision of debt finance; helping those businesses lacking the adequate security or proven financial track record needed to obtain normal commercial loans. Providing approved lenders with a 75% government backed guarantee of the value of each individual loan approved and proposed by the lender, the EFG aims to facilitate lending that would not otherwise take place. Open to most sectors, lending criteria are made by the lender with government providing a guarantee, playing no role in the loan decision process itself.

Key resources

Programme Partners

Led by the Department for Business Innovation and Skills (BIS) the scheme is administered by a managing agency with 43 commercial lenders including main 'High Street Banks' who account for 90% of the Guarantees, acting as approved agents for the scheme.

Funding: Funding Body & SME Contribution

Funded by a State budget of £33.7M (2011), loans are subject to an Annual Claim Limit. Business costs include an annual premium of 2% over the standard interest rate towards the cost of providing the guarantee or facility limit in addition to the normal costs and fees charged by the lender.

Eligibility criteria

EFG is open to UK SMEs in sectors with an annual turnover of < £41M who are unable to provide any/sufficient additional security to lenders (normal De Minimis rules apply). Agricultural, fisheries, coal, transport and forestry sectors are excluded from the scheme.

Terms and conditions

EFG loans range from a minimum of £1,000 to a maximum of £1M with normal repayment terms ranging from 3 months to 10 years. The EFG scheme can be used to:

- Finance new term loans, for working capital or investment purposes e.g. R & D
- Refinance existing loan terms, where the loan is at risk due to deteriorating value of security or where the borrower is struggling to meet existing loan repayments
- Convert part of, or all of, an existing utilised overdraft to a term loan, to release capacity in the overdraft to meet working capital requirements
- Provide a guarantee on invoice finance facilities to support an agreed additional advance on a SME's debtor book to supplement the invoice finance facility on commercial terms already in place (available for terms up to three years)
- Finance an overdraft guarantee, providing a guarantee on new or increased overdraft borrowing where the SME is viable but has inadequate security to meet a lender's requirements for the overdraft

2. IMPLEMENTATION

Key Steps - How it Works

Management and day to day operational activities associated with the EFG scheme are resourced by a managing agency employing six staff:

STEP 1

Businesses seeking debt finance can approach one or more of the participating lenders, primarily commercial banks.

STEP 2

Lenders assess loan applications against the standard lending assessment necessary for a commercial loan.

Step 3

If the lender considers the business is viable, but lacking the necessary security needed to meet normal lending requirements, the lender considers an EFG option.

STEP 4

If considered appropriate the lender records details of the borrower, confirming their eligibility and loan facility required via a secure Web Portal

STEP 5

The application goes through the Lender's credit sanctioning process. Eligibility for EFG is confirmed once the proposal has been credit sanctioned and funds agreed by the managing agency. The government plays no role in the loan decision process itself.

EFG can only be used to support businesses considered able to repay their loan in full, the scheme cannot be used to provide a temporary fix for unviable businesses. As in standard commercial practice lenders are entitled to take security and/or personal guarantees, ensuring a personal commitment to repayment from the business, (but under EFG guidelines not a charge over a principal private residence). This also ensures a three-way risk sharing between borrower, lender and the government. The borrower is responsible for repayment of the total (i.e. 100%) EFG facility, not just the 25% outside the coverage of the of the government guarantee. Lenders are obliged to follow their standard commercial recovery procedure and if necessary realisation of security where defaults occur before making a claim against the government guarantee. The guarantee provides protection to the lender in the event of default by the borrower, (it is not insurance for the borrower in the event of their inability to repay the loan).

Key Stats

20,000 loans have been offered and 17,500 loans representing a total loan value of £1.8Bn, accounting for 2% of the commercial loan market place, have been drawn down since the programme started in 2009. Evaluation of data relating to the 2009 cohort of 6,724 businesses assessed in 2012, is as follows:

KEY MEASURE	Estimated total
Number of Jobs Created	6500
Nos of Jobs Saved	12,400
Net Additional Sales Created	£1344M
Net Additional Gross Value Added (jobs created)	£567M
Net Additional Gross Value Added (jobs saved)	£704M
Net Additional Labour Productivity	£332M
Net Exporting	£460M
Net Economic Benefit Total/ Per Exchequer	£1,092M/£33.50

Current default rates are 28%, lower than the previous scheme, but higher than other standard commercial loans. 63% of applications take longer than 1 month to process. Associated administrative costs are £800K (€938K).

3. KEY LEARNING POINTS AND OPPORTUNITIES

Survey results published in Feb. 2013 report the scheme is addressing market failure and is an important source of funding for businesses otherwise refused finance. EFG borrowers have fared well in terms of employment and sales growth compared to non-borrowers in 2009-12 from EFG businesses growing by 33% and employment by 21%. The scheme has provided a net benefit and net economic gain of £1.1Bn to the UK economy.

What worked well

The BIS premium (2%) appears to be set at the right level with 4 out of 10 businesses reporting that they would have been deterred from drawing down the loan if it had been raised to 3%. The changes to eligibility from the predecessor scheme have enabled improved access from a wider range of businesses to the scheme, e.g. new businesses started by young people.

Challenges/Weaknesses

Policy changes introduced in 2010 set a 20 day target to process applications. Banks still apply their standard credit scoring process, so there is no change to Banking systems for this scheme. There is no data available on how many people were put off from applying, or of those offered, why 2,500 loans were not taken up.

Transferability

Opportunities: Viewed as a simple National scheme and viewed as relatively simple to introduce. Provides quick support to SMEs with a simple process of evaluating projects
Threats: Needs ongoing state/central bank involvement.

FURTHER INFORMATION

DIFASS You Tube Channel:
http://www.youtube.com/watch?v=ecVh-oMOvzU

CONTACT

Originator	Jackie Walker
Website	www.wsxenterprise.co.uk
E mail	jackie.walker@wsxenterprise.co.uk
Tel	01329 223242

6 NATIONAL LOAN GUARANTEE FUND

1. SUMMARY OF GOOD PRACTICE

Overview and aims

Introduced in 2001 by the Romanian Government, the aim of the National Loan Guarantee Fund (NLGF) is to help viable SMEs lacking adequate security to access finance by providing commercial banks and other financial institutions with guarantees for a range of different funding instruments.

Set up as a joint-stock non-banking institution, with the Ministry of Economy, Trade and Business Environment appointed as the sole shareholder, the scheme is operated in 22 regions throughout the country.

Key resources

Programme Partners

- Commercial Banks
- Non-banking Financial Institutions located in Romania
- FNGCIMM SA–IFN has 30 Guarantee Agreements with commercial banks and financial institutions operating the scheme. Agreements stipulate the contractual obligations of each party; the value and payment of guarantee commissions and calculation and payment of the guarantee granted.

Funding Body & SME Contribution

Operated by the Government through the National Bank of Romania the scheme provides guarantees, (not finance i.e. loans or grants).

Eligibility criteria

With the exception of businesses involved in the arms and ammunition or gambling and betting sectors the scheme is available to all types of SMEs legally registered in Romania.

Terms and conditions

The Fund can only be used to issue guarantees and Guarantee Agreements signed with the commercial banks and non- banking financial institutions approved by the scheme;

The Fund provides guarantees of up to 80% of the amount awarded over the lifetime of a loan, charging a commission of between 1.3% and 3% for the facility.

2. IMPLEMENTATION

Key Steps - How it Works

Using a range of instruments; bank guarantee letters, letters of security, personal investment and bridging loans the scheme guarantees:

- Medium and long term financing; investment loans including loans for the construction, rehabilitation, consolidation, expansion of industrial and commercial buildings and purchase of equipment.
- Short-term financing for working capital, bank guarantee letters and any other type of financing, except refinancing of old debt, requiring guarantees.

Key steps for obtaining the guarantee:

STEP 1 - The company submits a standard bank application to one of the banks participating in the scheme and requests a guarantee from NLFG

STEP 2 - The bank/financial institution assesses the loan documentation and if considered eligible, submits a request to the NGLF to share the risk and issue a guarantee

STEP 3 - The Fund undertakes its own analysis, and subject to approval, issues a guarantee and signs the guarantee letter with the bank. Decisions are made in 7 days

STEP 4 - The lender informs the company of the outcome of the process and signs the loan contract with the company.

Four other types of guarantees are provided through the NLGF, for instance through subsidiary funds.

Key Stats - Key results 2011

Key Measure	Total	Value
Applications submitted at regional level	265	€43.9M
Applications Approved:		
Sfantu Gheorghe LGF		€8.7M
FNGCIMM		€28.1M
Total Applications approved at regional level	212	€36.8M
Jobs Supported	4,000	
Commission fees charged on guaranteed amount	1.3-3%	

3. KEY LEARNING POINTS AND OPPORTUNITIES

What worked well for SMEs

- Availability of guarantees granted by the Fund has eliminated the main cause of loan refusals
- Establishing a direct relationship with a local agent i.e. Bank enables a faster response to any questions arising from applications, reducing any delays in the application process. Decisions are made in 7 days
- The uncertainty of loan/ guarantee letters approval is reduced
- Removing the need for personal real estate security reduces the costs for loan/guarantee letters and makes bank financing more flexible

What worked well for Banks/Financial Institutions

- The provision of 'irrevocable and unconditional guarantees' of up to 80% from the FNGCIMM offsets the risk for Banks/Financial Institutions involved
- If SMEs default on payments, banks can recover their money from the scheme more quickly; funds guaranteed through the scheme can be recovered within 90 days after the commencement of judicial proceedings. Recovering loans in the form of mortgage securities before the availability of the scheme, would take a minimum of 2 years
- Reduction in the number of provisional loans issued.
- An increase in the number of loans issued to viable businesses lacking security without the need for additional personal guarantees.

What worked well for the FNGCIMM SA – IFN

- Local representation enables banks to offer the right products to the right beneficiaries
- Demand for guarantees is high. Developing an online application process and setting a maximum ceiling/ threshold for funds enabled a significant reduction in assessing applications and issuing guarantees
- Good cooperation with governments and key partner financial institutions
- Comparisons of 2011/2012 results show a 12% increase in securing grants with 11,000 SMEs securing grants of €700M, (up by 37% in the previous year).

At present FNGCIMM SA–IFN has proven a good instrument for supporting the development of the SME sector in Romania. 'The prudent management of the Fund' against a background of a reduction of non-governmental loans granted during 2012, has seen the number of default payments decrease and the scheme 'generating a net profit of approx. €6.1M, the highest level of the overall activity of the institution'. (FNGCIMM)

Transferability

Transfer opportunities arise from:

- Involving public, national or regional, administrations, improving the functionality of national bodies i.e. governments and national banks running national schemes
- The ability of the scheme to adapt its approach to the diverse requirements of SMEs, optimising internal structures and processes, flexible funding covering a range of sectors
- Removing the need for personal guarantees from SMEs optimising approval of loans
- The principle of 'risk sharing'

Threats for the future and transferability:

- Withdrawal of public administration and national support
- Changes in government policy supporting SMEs

FURTHER INFORMATION

DIFASS You Tube Channel:
http://www.youtube.com/watch?v=hUN_6r9Hs1I

CONTACT

Originator	Andreea Potinteu
Website	http://www.adrcentru.ro/
E mail	office@adrcentru.ro
Tel	40 258-818 616

DiFass
TRANSFER OF SUCCESS

Project Partners

Stiftelsen Teknikdalen

REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

TZV TECHNOLOGIE ZENTRUM VORPOMMERN

AGENȚIA pentru DEZVOLTARE REGIONALĂ CENTRU

W|S|X
WSX Enterprise Limited

INTERREG IVC
INNOVATION & ENVIRONMENT
REGIONS OF EUROPE SHARING SOLUTIONS