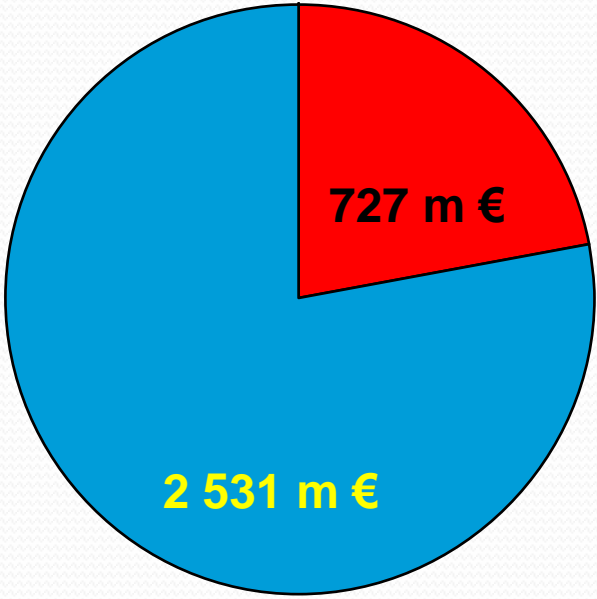




# **New delivery model in Hungary for ESIF financial instruments**

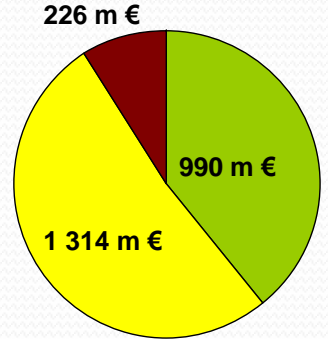
# Economic Development Operational Program Resources 2007-2013



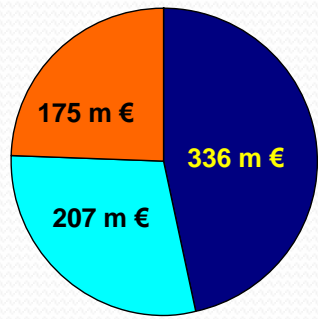
■ FEI ■ Grant

Grant

FEI

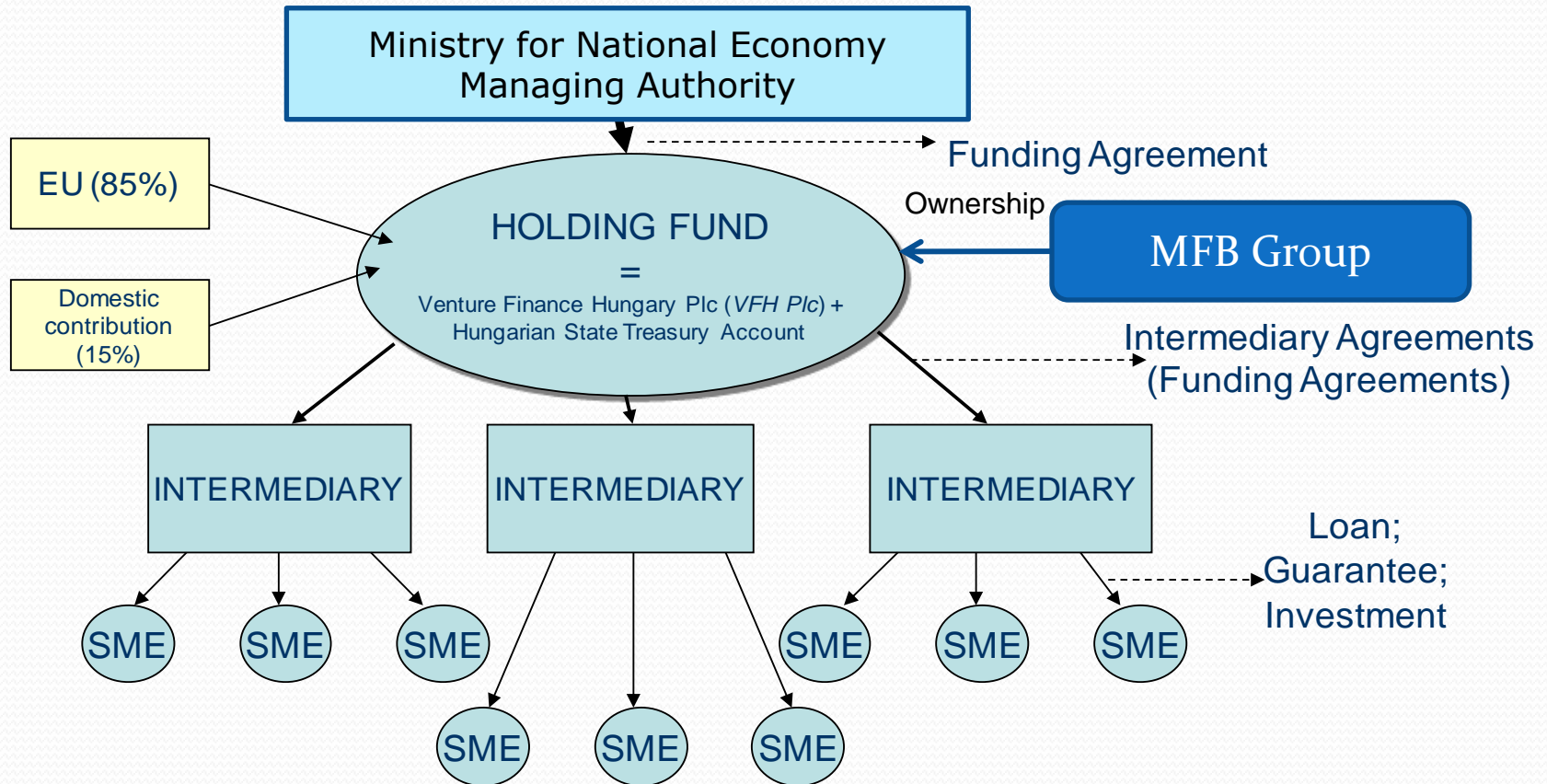


■ R&D&I ■ Bus. Develop ■ Bus. Env.



■ Loan ■ Guarantee ■ VC

# Overview on financing structure



## Venture Finance Hungary Plc. (MV)

- Established in May 2007 with the aim of developing and running financial programmes which will expand the financing options of Hungary's micro-, small- and medium-sized enterprises (*JEREMIE initiative*)
- **Sole activity:** fund Management of financial resources committed by European Union and Hungary
  - Designated as the Holding Fund Manager by Article 21 (4) of Hungarian Government Decree 255/2006 (XII. 8.)
- Belongs to the Group of Hungarian Development Bank (MFB), 100% owned by MAG-Hungarian Economic Development Centre Plc (the Implementing Agency of EDOP). Share capital: HUF 2 billion (EUR 7 million)
- Scope of activities and obligations were determined by the National Development Agency (NDA)
- Equivalent financial service provider - compliant with BASEL II. criteria
- Controlled and regulated by Hungarian Financial Supervisory Authority

# Objectives of the JEREMIE program in Hungary

Repayable forms of assistance for SME's by improving the accessibility of:

- ✓ **Credits:** to provide loans for companies that otherwise would not receive loans or not in adequate quantity
  - combined micro loan,
  - investment loan,
  
- ✓ **Guarantees:** To draw in other sources in order to reach desired leverage effect
  - portfolio guarantee,
  - counter guarantee
  
- ✓ **Venture Capital:** To support innovative companies or companies that are able to show a rapid growth – that would not achieve such growth without assistance

## Main results of the FIs

1. In the frame of JEREMIE Program (including the private contribution) a total amount of HUF 228,3 billion HUF (**~EUR 761 million**) was disbursed in favor of the final beneficiaries
2. Number of financial intermediaries reached **161 partners**
3. Number of agreements concluded with **financial intermediaries are 412**
4. Number of final beneficiaries (SMEs) amounted **16 718 enterprises**

# Main figures

Total amount disbursed in favour of final recipients including the private contribution of the financial intermediaries.

|  | 31th December 2015  |              |               |                          |             |              |
|--|---------------------|--------------|---------------|--------------------------|-------------|--------------|
|  | Number of contracts |              |               | Contract volume (bn HUF) |             |              |
|  | EDOP                | CHOP         | Total         | EDOP                     | CHOP        | Total        |
| <b>Refinancing loans</b>               | 12 300              | 3 113        | 15 413        | 117,5                    | 32,4        | 149,9        |
| <b>Guarantees</b>                      | 830                 | 385          | 1 215         | 26,15                    | 17,3        | 43,45        |
| <b>Venture capital</b>                 | 76                  | 14           | 90            | 30                       | 4,9         | 34,9         |
| <b>Total (bn HUF)</b>                  | <b>13 206</b>       | <b>3 512</b> | <b>16 718</b> | <b>173,7</b>             | <b>54,6</b> | <b>228,3</b> |
| Total (million EUR)<br>EUR 1 = HUF 300 |                     |              |               | 578,8                    | 182         | 760,8        |

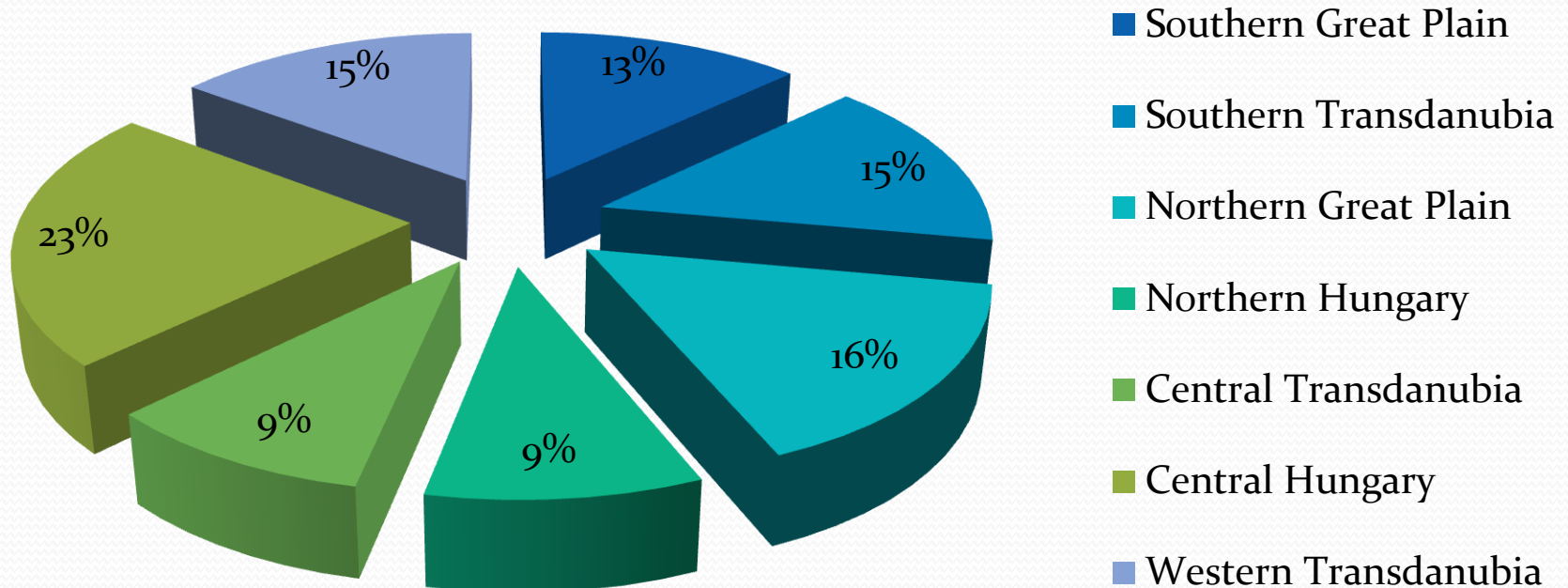
# Types of Financial Intermediaries

- Savings cooperatives
- Financial enterprises
- Commercial banks
- Fund managers
- Microfinance providers



# Final recipients by regions EDOP and CHOP

**Total number of final beneficiary clients reached almost 16 800**



## Key features in 2014 - 2020

- One priority axis (no. 8) of the **Economic Competitiveness and Innovation OP** dedicated to FIs
- Source: ERDF
- Budget: app. 2,350 MEUR (26,37% of OP) (3x)
- Mainly JEREMIE type instruments, but also others

# Key features in 2014 - 2020

## Resource allocation plan

| Thematic CP objective | Amount (EUR)  | % of total OP |
|-----------------------|---------------|---------------|
| 1                     | 652 392 881   | 7,31          |
| 2                     | 307 920 301   | 3,45          |
| 3                     | 724 805 587   | 8,12          |
| 4                     | 567 196 540   | 6,36          |
| 8                     | 100 570 116   | 1,13          |
| TOTAL FI              | 2,352,885,425 | 26,37         |

## Key features in 2014 - 2020

- MFB is the designated Fund-of-funds by Government Decree 272/2014. (XI. 5.)
- In house award
- In practice MV is merged into MFB
- EU Competence Centre within MFB
  - ✓ *EU funds*
  - ✓ *EU law*
  - ✓ *EU liaison*

**2007 - 2013**

## Key findings

- Low risk customers preferred by Financial Intermediaries
- Limited or no access to finance for higher risk clients
- Lack of motivation to disburse quickly
- Partial Risk taking by FIs
- Costs devolved to SMEs

**&**

**2014 - 2020**

## Changes

- Objective: to reach maximum number of clients – max. access to finance
- Centralised management
- MFB contracts clients
- FIs act as agent network: oversee disbursements, carry out administrative tasks
- Risk is borne by the programme account

2007 - 2013

2014 - 2020

## Key features

&

## Changes

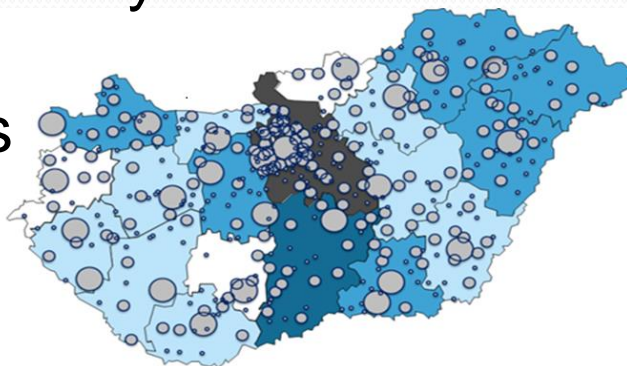
- Funding provided by MFB at 0,4%
- 5-7% margin for FIs to cover risks-costs-profit
- 6-9% interest rate for clients

- Funding provided at 0%
- Minimal cost reimbursement for FIs
- Performance fee proportionate to disbursement
- This fee is in total 1,5-2% p.a. of the disbursed amount

(8-10% for the whole programming period)

## Key features in 2014 - 2020

- MFB launched a public procurement to select FIs to form a network
- After 14 (!) negotiation rounds a consortium of four was selected
- „**MFB points**” to be installed at branches of FIs
- 442 MFB points by the end of 2016
- 83% of SMEs covered



| Number of MFB points | Settlements  |
|----------------------|--------------|
| 3                    | Budapest     |
| 23                   | Large cities |
| 159                  | > 10 000     |
| 257                  | < 10 000     |

## Key features in 2014 - 2020

Financial instruments: follow the objectives of the priority axes of the OP

| CP thematic objectives |  |
|------------------------|--|
| No.                    | Topic  |
| 3.                     | SME competitiveness  |
| 1.                     | Research, technological development and innovation   |
| 4.                     | Supporting the shift towards a low-carbon economy in all sectors                             |
| 2.                     | Enhancing access to, and use and quality of information and communication technologies (ICT) |
| 8.                     | Promoting sustainable and quality employment and supporting labour mobility                  |



# Thanks for your kind attention!

Csaba Harsányi