

European resources for micro- and medium-sized enterprises



The European Commission and the European Investment Fund have launched a new form of financing using EU Structural Funds. Everything you need to know about the JEREMIE initiative and how it can help your small or medium enterprise is in the following article.

Origins of the Initiative

The JEREMIE (Joint European Resources for Micro to Medium Enterprises) initiative was developed in cooperation with the European Commission and the European Investment Fund (EIF). This initiative provides EU member states and regions with new options to invest and reinvest EU Structural Funds using financial instruments as opposed to more standard grants.

The JEREMIE funds are repayable. This enables leveraging them to their maximum. The funds can be used to generate an increased added value and to be deployed over the long run to the benefit of small and medium enterprises (SME). As a result, this can ensure sustainable support for the SME sector using EU Structural Funds, especially when compared to a purely grant-based approach.

The initiative does not directly target companies, rather it involves financial intermediaries. In Slovakia, the initiative is being implemented via Slovenský záručný a rozvojový fond s. r. o., with its activities managed by the European Investment Fund.

For whom are the funds intended?

JEREMIE funds are intended to support small and medium enterprises in the form of repayable financial instruments and not grants (see the overview of the scheme below).

The JEREMIE initiative has €100 million in funds available to Slovakia from three Operational Programs (Competitiveness and Economic Growth, Research and Development and the Bratislava Region). Only two financial instruments are now being implemented (venture capital and portfolio guarantees) with the third instrument so far undecided. Nevertheless, even the current allocation of EU funds to support the SME sector can be leveraged into a much larger amount of capital. Contributions from EU Structural Funds to the umbrella JEREMIE Holding Fund must be invested in SMEs by 2015.

A portion of the funds allocated from EU Structural Funds can be used in the following areas:

- The creation of new enterprises or expansion of existing enterprises
- Enterprise access to invest-

ment capital to modernize and diversify their activities

- Development of new products
- Securing and expansion of market access
- Research and development focused on enterprise needs, technology transfer, innovation and enterprise
- Productive investments that create and protect sustainable jobs

€100 million - the funds available to Slovakia from the JEREMIE initiative

Primary JEREMIE benefits:

1. Recycling of funds – the Holding Fund is revolving in nature, and repayments from the financial intermediaries are used to make additional investments in the SME sector.
2. Portfolio approach – the Holding Fund is capable of flexibly re-allocating resources to one or more financial products depending on actual demand over time. This enables diversification of both risk and expected returns.
3. Leverage – the JEREMIE initiative has the potential to engage the financial sector either at the level of the Holding Fund with additional capital, or through co-financing.
4. Flexibility – Managing authorities will have increased flexibility when allocating funds since contributions from operational programs to the JEREMIE Holding Fund will be eligible for receiving interim pre-financing payments from the European Regional Development Fund

and the European Social Fund.
5. European Investment Fund (EIF) experience – The EIF's experience in less developed states and regions represents a particular source of added value.

European Investment Fund (EIF)

The main role of the EIF is to support Europe's SME sector by facilitating easier access to financing. The EIF drafts and creates venture capital and guarantee instruments that are appropriate for the given segment and that meet EU goals for supporting innovation, research and development, enterprise, growth and employment. The EIF is owned by the European Investment Bank, the European Commission and other private and public banks and financial institutions.

Slovenský záručný a rozvojový fond (SZRF)

Slovenský záručný a rozvojový fond s. r. o. was established within the JEREMIE initiative as a state-owned company in which the EIF holds a stake along with the Slovak Guarantee and Development Bank, and through which it concludes contracts with financial intermediaries.

The SZRF, as the administrator of the local JEREMIE Holding Fund, has the following roles:

- Structuring investments
- Selecting financial intermediaries
- Investment administration
- Monitoring and reporting activities
- Attracting investor syndicates
- Close cooperation with national or regional authorities

Equity	Start-up	Early phase	Expansion
	Venture Capital		
Debt	Microcredit / Global Loans / Subordinated Loans		
	Guaranteed Operations		
Quasi-equity	Participating Loans		Mezzanine Lending
Other instruments	Technology	Business Angels	
	Transfer Funding		

Source: www.eif.org/jeremie



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