

JEREMIE & JEREMIE Cyprus – Informative document

What is JEREMIE?

JEREMIE is a new initiative developed by the European Commission and the European Investment Bank (EIB) Group, represented by the European Investment Fund (EIF), in the context of the EU programming period 2007-2013.

Its initials stand for “Joint European Resources for Small and Medium-sized Enterprises”.

JEREMIE offers the possibility to Member States to create a Holding Fund (HF), and within it to transform part of their EU Structural Fund (SF) allocations and also National Resources¹, into various financial instruments for the support of SMEs.

What is the EIF?

The EIF is the European Union’s specialised financial institution for SMEs, and it belongs to the EIB group.

Who can manage a HF? What about JEREMIE Cyprus?

EU Member States have the possibility to select either the EIF or any other qualified Financial Institution according to the provisions of the applicable EU SFs regulation.

The Republic of Cyprus has decided to appoint the EIF as the HF manager.

What are the benefits of using JEREMIE in Cyprus?

The principal benefits are:

- Portfolio approach and flexibility: Various financial products can be designed and implemented in Cyprus with substantial flexibility as far as the allocation of resources between them is concerned. Products will be designed according to market needs;
- Re-investment of funds: The HF is of revolving nature, meaning that the financial products will be provided on a repayment basis and not as grants. This implies that returns will be utilised again and again, either through the same or different financial products, for the benefit of SMEs;
- Leverage: A significant implied advantage of JEREMIE is its potential ability to engage the financial sector to contribute in the financial products that will eventually reach the SMEs. This is expected to happen at product level and in various forms, depending on the type of financial product envisaged – i.e. risk sharing (for guarantees), co-financing for loans and co-investing for equity investments;
- The EIF’s expertise in the sector of SME financing can be of particular value added, especially in the design and implementation of suitable financial products that will address correctly the needs of the SMEs in line with local market reality.

What is the amount destined for JEREMIE Cyprus?

The Republic of Cyprus (RoC) will inject an initial amount of EUR 20 m into the HF.

¹ that are normally added to the SF for the creation of the various Operational Programmes aiming to support EU objectives.

Who is eligible?

In principle, all SMEs falling within the definition of the EC Recommendation 2003/361EC of 06/05/2003 (OJ L124, 20.05.2003) are eligible. In a nutshell an enterprise qualifies as an SME if it employs less than 250 persons and it has an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total value not exceeding EUR 43 million.

Each financial product however may be subject to more detailed eligibility rules, which will be communicated once the product is launched.

How could an eligible SME profit from JEREMIE?

According to the provisions of applicable SF regulation, financial products are to be channelled to eligible SMEs through Financial Intermediaries (FIs). Therefore, in order for eligible SMEs to benefit from JEREMIE resources, they would need to approach those FIs that will be selected by the EIF. The public will be formally informed about the selected FIs in due course. FIs will be selected on the basis of a call for expression of interest/tender procedure. In Cyprus, FIs for debt products (which are expected to be launched first) could be either qualified commercial banks or credit co-operative institutions, whereas for equity products, FIs could be qualified venture capital funds.

What kinds of products are envisaged for JEREMIE Cyprus?

For products to be successful they need to be attractive to both the SMEs – i.e. to cover their current needs according to prevailing market conditions – and to the FIs that will be eventually responsible to undertake them, contribute to them and channel them to the market.

On this basis, various discussions took place at pre-implementation phase between the EIF, various Cypriot Ministries involved in JEREMIE implementation, SMEs associations and local FIs.

As a result of these discussions two products have been designed.

Namely:

- a co-financing product where the HF will co-finance on a loan by loan basis eligible SMEs loans with the selected FIs; and
- a guarantee product where the HF will provide guarantees to support eligible loans that will be provided from the selected FIs to SMEs.

To be noted that both products are still subject to further reflection and approval from the relevant supervisory/management HF bodies.

What are the main benefits expected for the SMEs?

JEREMIE products aim to facilitate access to finance to eligible SMEs, especially in the context of the current negative financial and economic conditions. In particular, the initial JEREMIE products are expected to result in lower interest rates, longer loan repayment and grace periods and also potentially lower collateral requirements for the SMEs.

What type of expenditure could be supported from JEREMIE?

JEREMIE products in principle will support both Investment as well as Working capital needs.

When are the first products expected to reach the market?

It is a common wish of all parties involved for the products to reach the SMEs urgently, especially in the context of the current market conditions. Nonetheless, it needs to be appreciated and understood that JEREMIE funds (being Structural Funds) are governed from and subject to various regulatory provisions that need to be respected at various stages before any support eventually reaches eligible SMEs.

On the basis of the above, the objective is to launch the first products within Q3 of 2009.

What will EIF's remuneration be for managing the HF for Cyprus?

The EIF, in line with the provisions of applicable regulation, will be entitled to receive a reimbursement of its costs, up to a maximum amount of 2% p.a. (as provided for in the regulation).

How many HF's will the EIF manage?

The EIF has currently signed 6 National (Greece, Romania, Slovakia, Latvia, Lithuania and Cyprus) and 2 Regional (in France – Languedoc Roussillon, and Italy - Campagna) HF agreements. Also, advanced negotiations are currently taking place with Malta and Bulgaria.

The EIF may also offer advisory services to those HF to which it will not be appointed as the HF manager.