



The interaction of private and public guarantee institutions for the SMEs' benefit

Pablo Pombo – AECEM Founding President



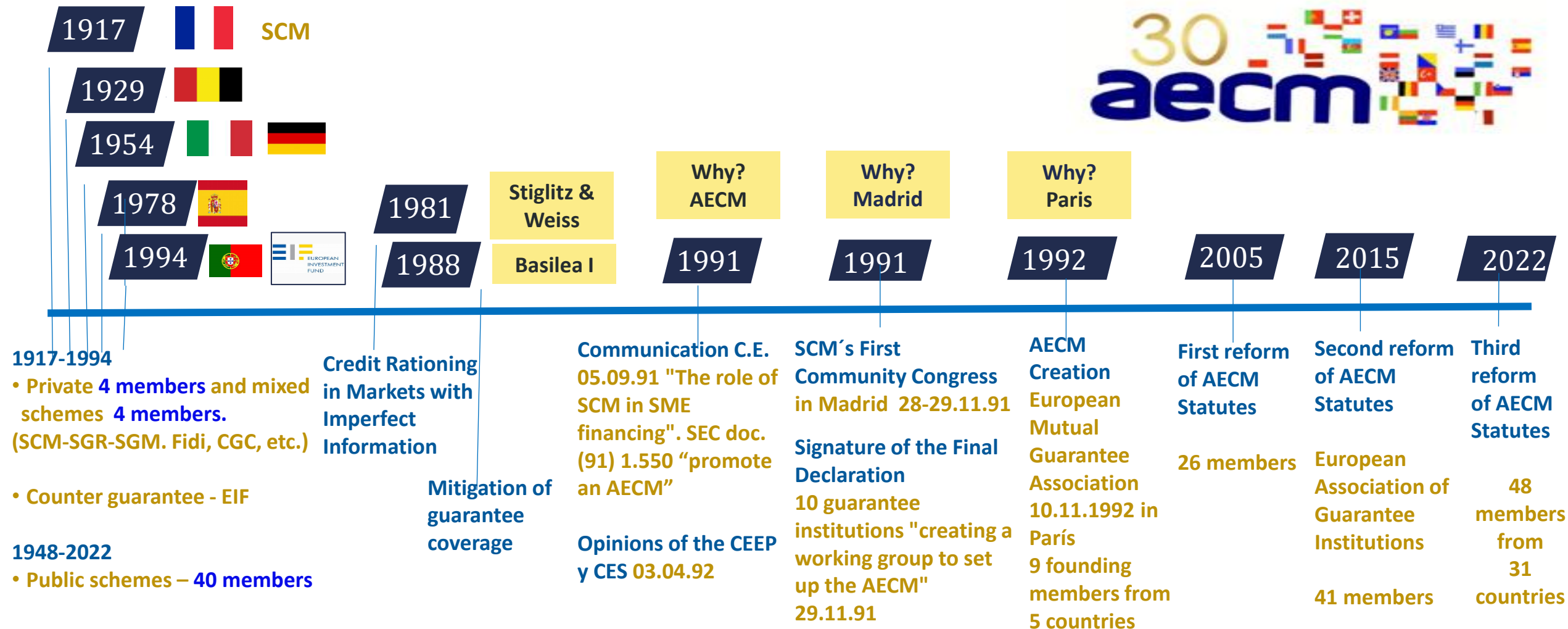
SUMMARY

1 About AECM

2
Private-mixed vs
public schemes



1. About AECM: Our history in Europe



2. Private vs Public Guarantee Schemes



- **Conceptual framework**

- ✓ Heterogeneous schemes, with a common mission, in different identified taxonomies, with different business models.
- ✓ Private origins (SCM), that persist in mixed systems with resources and/or public counter guarantee, along with a greater general development of public schemes, including with supranational counter guarantee in the EU.
- ✓ Mixed schemes remain within the scope of the current concept of public-private collaboration.

2. Private vs Public Guarantee Schemes



- **Relationship and permanent interaction effects**
 - ✓ The SME is the common objective, as well as being an instrument facilitating their access to financing under the best conditions.
 - ✓ Consolidation of the guarantee coverage, of guarantee schemes, integrated into the financial system, with a recognized mitigation value.
 - ✓ Consolidation of the role of guarantee schemes as a permanent necessity and as a counter cyclical instrument.

The AECM is everyone's home





Thank you very much for your kind attention!



European Association of Guarantee Institutions

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AECM 30 years anniversary



7.12 Bn in guaranteed loans
to over 40,000 companies

50 local offices

bpifrance

**Bpifrance : the state
guarantee institution**



14% of growth in
guarantee activity in
2021 compared to
2020



A network of 13
SOCAMA
throughout
France



Nearly 30,000 loans for a total
amount of 950 million euros



**The SOCAMA : the main
French mutual guarantee
hold by the « Banque
Populaire »**



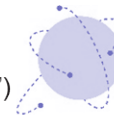
Activities of
guarantees for bank
loans : €2.2Bn of
guaranteed
outstandings



+45000 loans from
French banks
guaranteed by
Bpifrance to companies



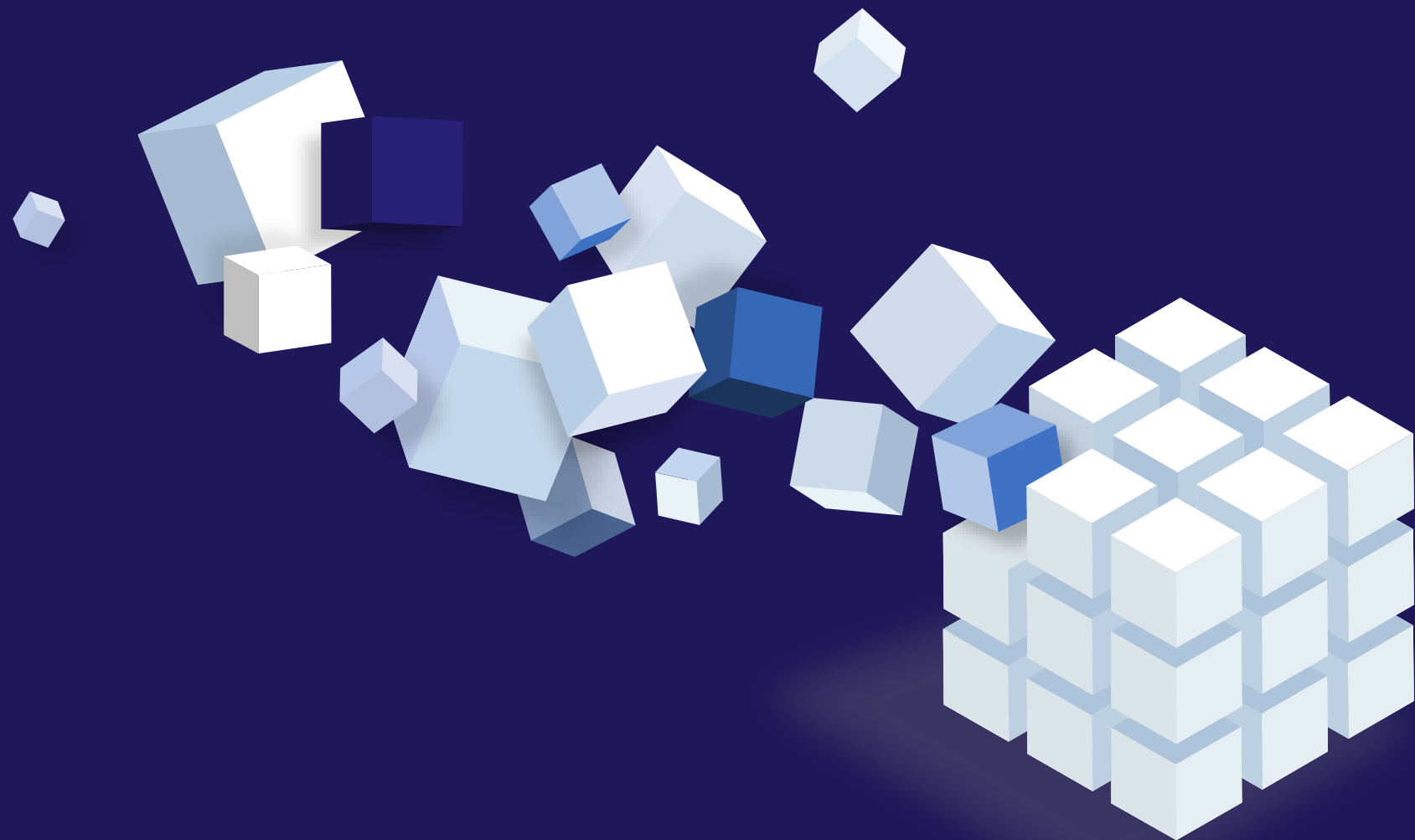
€13.96 Bn in state-guaranteed
loans ("Prêts garantis par l'Etat")



250 000 members and
800 experts volunteers



€13.96 Bn in
state-guaranteed
loans ("Prêts
garantis par
l'Etat")



Athina Chatzipetrou, CEO, Hellenic Development Bank

Mission/Vision



OUR MISSION

To facilitate business access to finance by filling market gaps, create value for society and contribute to development with economic, social and environmental benefits



100% Shareholder is the Greek State



National Development Bank



OUR VISION

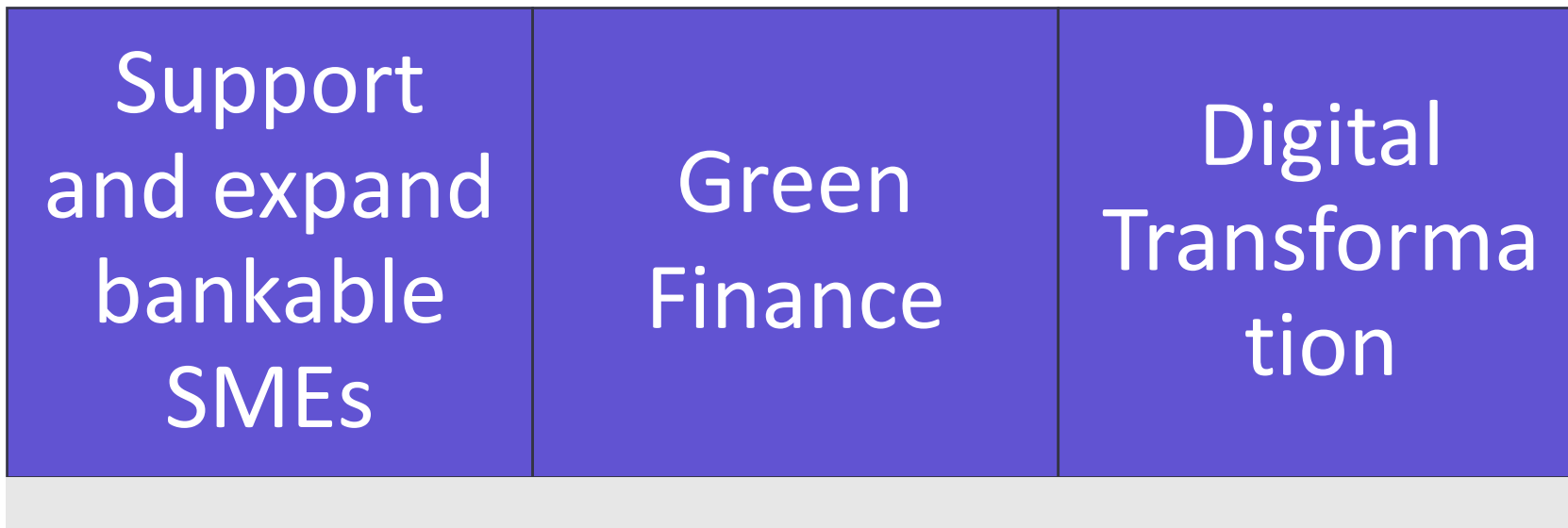
To be the reference institution for the financing of entrepreneurship in Greece. The Development Bank that covers the needs of Greek businesses.

We support those who dare, innovate and venture!

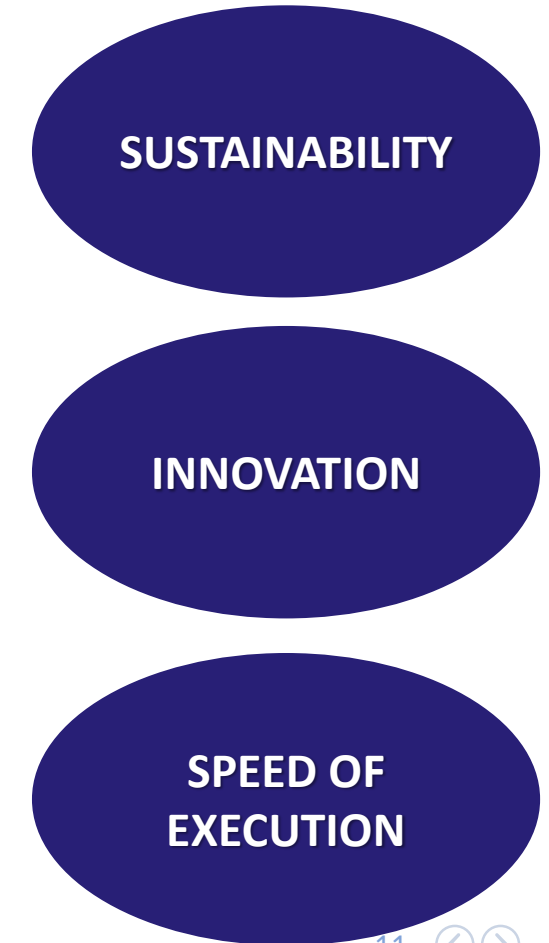


To promote sustainable and holistic development of the Greek Economy

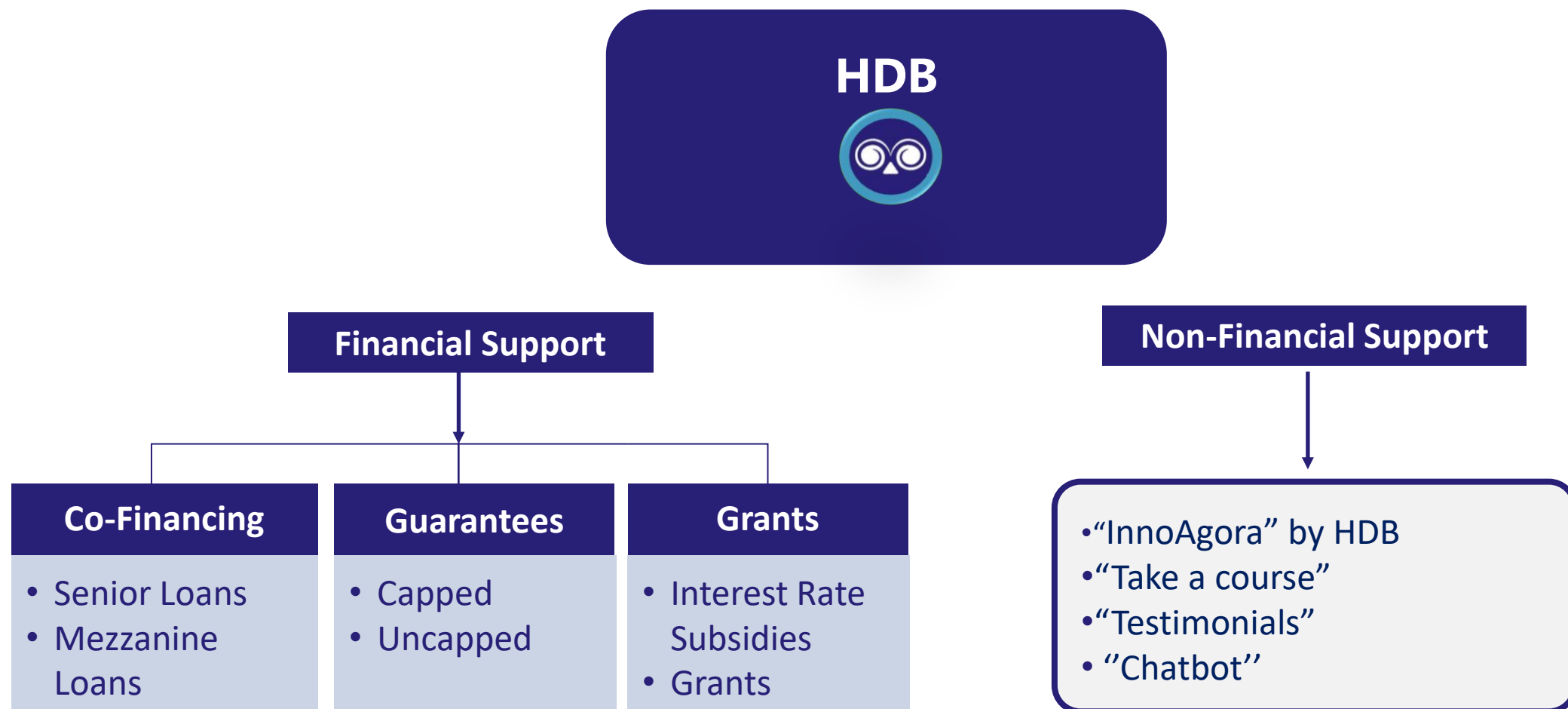
Integral aspects



OBJECTIVES



Products





■ AECM | Vienna September 2022 ■

Dr Charalampos Agiropoulos
Chief Investment & Risk Officer, TMEDE

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www.tmede.gr



OVERVIEW OF TMEDE



TMEDE is a Greek Fund established on January 1st 2017 under Greek private law.
TMEDE provides Guarantees and Loans to its Members and is the successor of **TSMEDE** in these areas



TMEDE is **exclusively funded** by contributions of its Members

TMEDE received major certifications relating to **Quality, Environmental, Anti – bribery & Compliance Management System**



TMEDE is an **active full member of AECM**, the European Association of Guarantee Institutions





OVERVIEW OF TMEDE

TMEDE has more than

30,000
members



Scientists and **Professionals** actively
contributing to sustainable development



Including more than **5,500 SME**
technical companies that constitute
the **backbone of Greek**
economy

TMEDE activities mainly consist of:

And secondly:

- **The Granting of Guarantees**
- **The Granting of Loans to its Members**
- **Real Estate Asset Management**



ACHIEVEMENTS OF TMEDE

- TMEDE has set **Digital Transformation at the top of its agenda** in a consistent effort to reduce bureaucracy and increase transparency. Thus, ensuring Sustainable Development. **In less than 9 months** (Q3 2017) from its establishment, the transition of the Fund to the digital era was successfully implemented with **quality certifications**.

99%

of our Guarantee Letters are issued via our **digital application**, a major achievement Europe - wide

- TMEDE has been formally assessed by the **ECB** following a positive recommendation from the Bank of Greece, which concurred with the opinion of the European Central Bank (ECB), the **Fund** was evaluated and accredited as **private institutional investor in Attica Bank**.
- “**ATTICABANK PROPERTIES**” has been acquired by TMEDE in 2020. Through **new forward business plan** TMEDE provides **investments of €0.5** million for 2021, accelerating its digital transformation, designing and developing new services, enhancing its human resources and upgrading its infrastructure aiming to expand its portfolio and developed its services.
- TMEDE established a wholly owned “**TMEDE Microfinance Solutions**”, licensed by the Bank of Greece. Through this **innovative financial instrument**, TMEDE meets in a comprehensive way, the needs of its members for seamless access to funding.



TMEDE's RUNNING PROJECTS

HDB – TMEDE Fund

TMEDE actively supports the construction sector including SMEs, self-employed persons and scientists which execute or design public work contracts by giving them access to finance through working capital, up to **€200K**.

EIF – European Investment Fund

TMEDE Microfinance Solutions has **successfully applied** to the EIF for becoming Financial Intermediary under the **InvestEU Microfinance and Social Portfolio Guarantee Products**. EIF is expected to approve the total amount of €30 mil. following the due diligence ongoing process (Stage 2).

European Commission (EC)

TMEDE is working with the Greek Ministry of Development and Investment on accessing finance from EC as a Financial Intermediary offering innovative guaranteed loans to SMEs and self-employed persons of the construction sector.

WE BUILD THE FUTURE BASED ON CREDIBILITY AND VISION

LICENCED MICROFINANCE INSTITUTION



**TMEDE
MICROFINANCE
SOLUTIONS**

- Fully digital financial instrument for new and existing professionals
- Microfinance granting up to **€ 25.000**

1st Innovative Private Institution – financial instrument for liquidity

JOINT GUARANTEE FUND HDB-TMEDE

In collaboration with Hellenic Development Bank



- Up to **€ 200.000** working capital, financed by bank lending
- **80%** guaranteed loans
- **€ 23 mil** disbursements on the first 3 months

1st HDB's cooperation with private institution

ENSURE THE CONTINUATION OF DEVELOPMENT OF

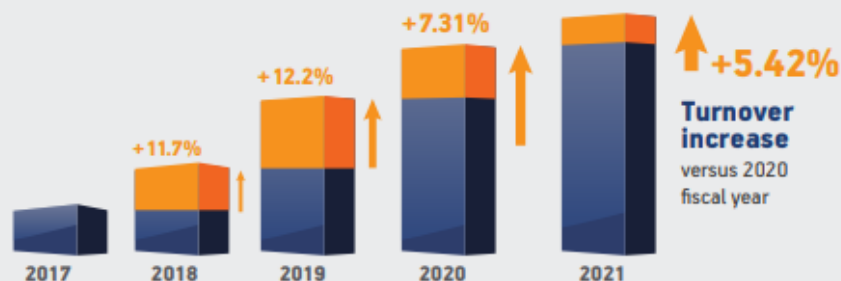


New investment plan of € 0.5 mil for upgrading infrastructure, development of services and portfolio expanding

ACCREDITED PRIVATE INSTITUTIONAL INVESTOR IN



Actively participating together with the US-based Ellington Investment Fund in the complete transformation and growth of Attica Bank through its privatization in market terms



REWARDING BENEFITS

- **30% Decrease** of the guarantee proceeds
- **Significant upgrades of the Group Insurance Contract** with 32% cost reduction

TMEDE CONSTITUTES

- Efficient and vital institution of the Technical World
- Dynamic growth multiplier for the Greek Economy
- The first fully digital service provider

The role of Development Banks

- Strategic enablers, mobilizers, or implementers of investments.
- The “Visible Hand” that mobilizes and directs the finance based on criteria other than purely financial ones, interlinked with the social and development goals.
- Create shared value not just for customers and shareholders, but for the society and the environment.
- Address market failures, have a counter-cyclical role and a greater risk tolerance than commercial banks.
- Cope with financial bottlenecks both as guarantee providers (risk bearer) for sectors perceived as high risk or not (yet) attractive, and as catalysts of investments through the development of attractive financial instruments.
- Fund activities where important externalities exist, (social returns are higher than market returns) as in the case of environmental externalities.

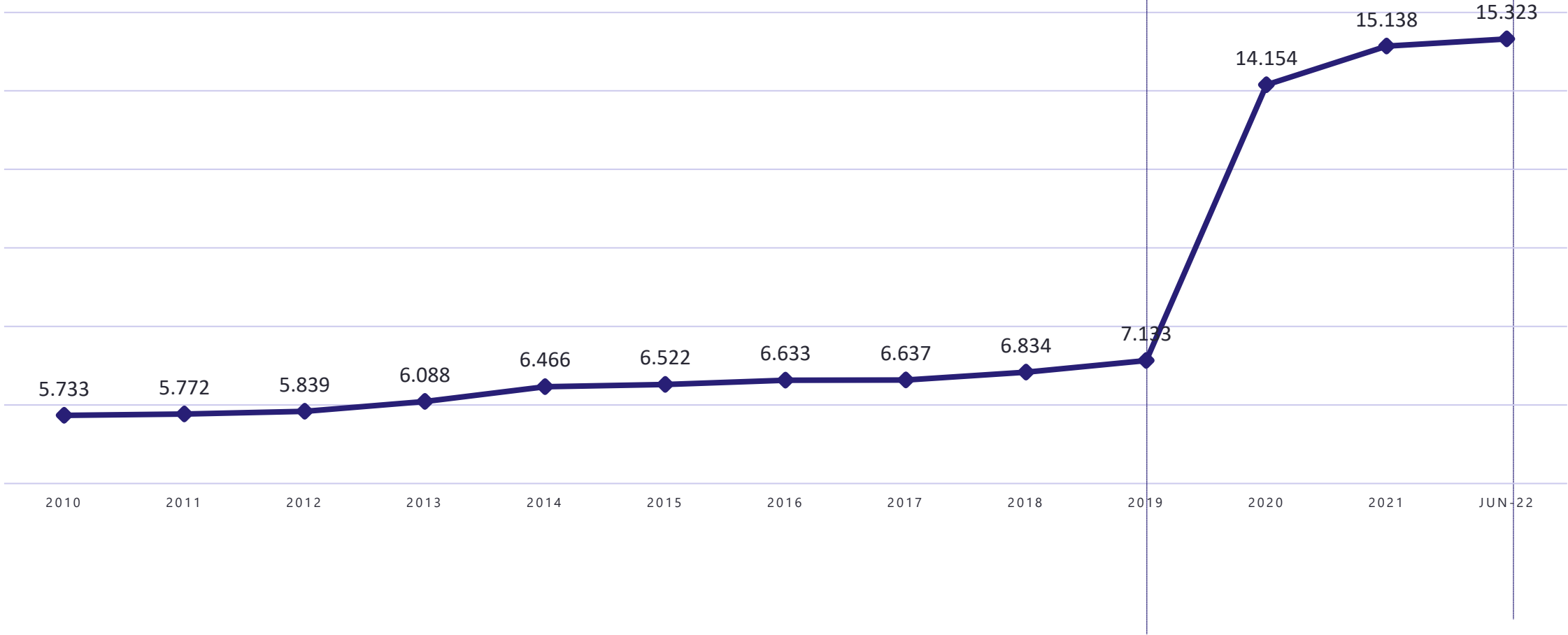
Our experience during Covid-19

- **“COVID-19 Enterprise Guarantee Fund”**: a Capped Portfolio guarantee fund with a guarantee rate of 80% per loan and has three distinct sub-portfolios, one for SMEs with a cap rate of 40%, one for Mid-Cap/Large enterprises with a cap rate of 30% and one for SBPs with a cap rate of 60%.
- **“TEPIX II”**: co-financing working capital loans by 40% and with 100% interest rate subsidy for 2 years.
- **“TADYM”**: dedicated regional fund for co-financing working capital loans by 40% and with 100% interest rate subsidy for 2 years.
- **“HDB-TMEDE Guarantee Fund”**: first Public-Private sector specific Capped Portfolio guarantee fund

2019: 280 mil. €

2022: 8,5 bil. €

VALUE OF APPROVED LOANS (MIL. EURO, CUMULATIVE)



Why HDB's CGS scheme were successful

Quick economic recovery by complementing the private financial institutions and preventing a credit default during COVID-19 crisis.

Factors that influence the guarantee scheme



Historic Default Rates
Supply and Demand
Max guarantee amount
Duration
Eligibility Criteria

Guarantee Schemes Based on

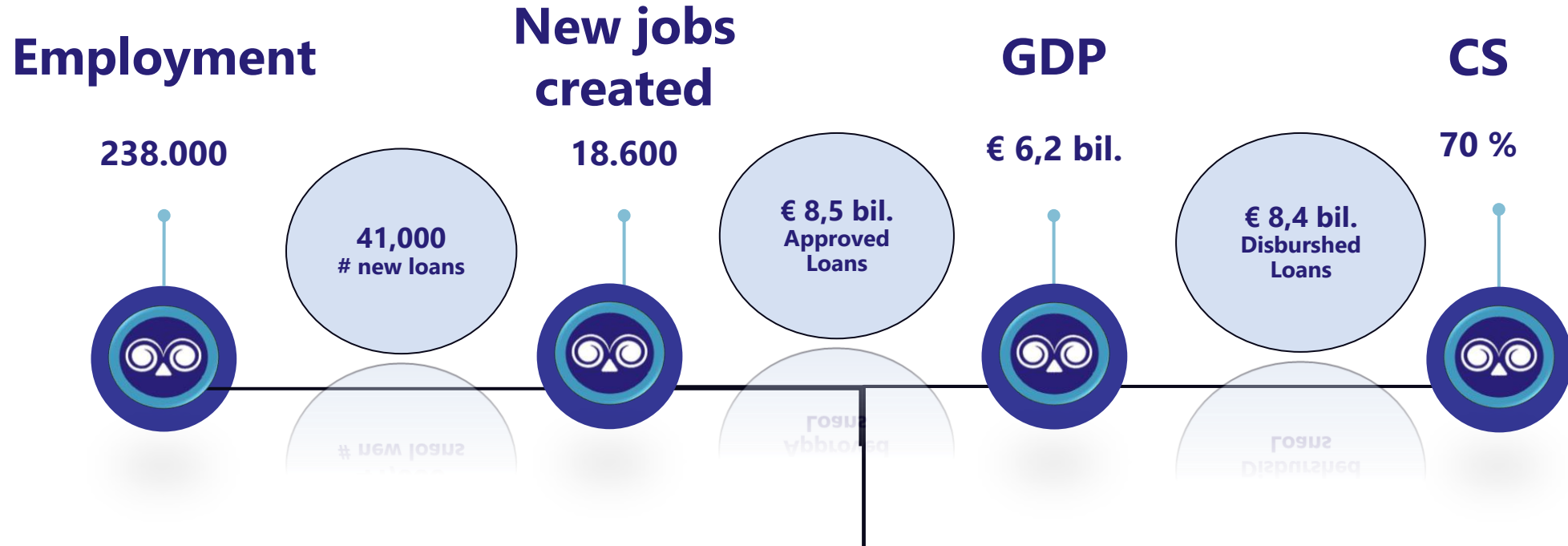


Cost-Benefit Analysis
Isometric and Balanced distribution of financial risk

KEY TO CGS SUCCESS:

- Appealing to borrowers by providing quick access to finance and avoiding charging an excessive fee;
- Simple, fast and automated processes;
- Appealing to lenders by guaranteeing a significant share of loans with high quality guarantee;
- Ensuring that the provision of guarantees will not entail fiscal costs.

Impact



For every € 1 of GVA (Gross Value Added) created by HDB's loan programs, the bank contributes with an additional € 2 to Greece's GDP (Financing for companies that essentially participate in the production model for the maintenance and growth of the Gross National Product)

Source: Wifor study (2021),
Metron Analysis study
(2021)

PUBLIC AND PRIVATE SECTOR COLLABORATION



Public & private guarantee fund co-investment



The cooperation between **HDB** & the Public Works Engineering Contractors Fund (**TMEDE**), is the first co-investment where a Public and a Private entity co-invest on the Fund level.



Significant multiplier effect for the TMEDE funds (x 2.4), in comparison with its direct guarantees program.



The HDB-TMEDE Guarantee Fund was established to support and facilitate access to finance for Greek engineers and contractors. Eligible for Small & Medium-sized Enterprises (SMEs) of the sector.



Launched in Sept. 2021 under the **Temporary Framework for COVID19** which ended in June 2022. In order to continue supporting the sector, HDB proceeded to the prolongation of the scheme under the **de minimis regulation**.

Public & private guarantee fund co-investment

Portfolio guarantees for **working capital loans** to **construction and technical companies** implementing projects for the public sector.

Guarantee Rate per Loan: **80%**

Guarantee fee: **Zero (Subsidized)**

Cap Guarantee per Portfolio: **50%**

Public Funding (HDB): € 19.6 M

Private Funding (TMEDE): € 8.4 M

Financial Institutions participating: 9

x 2.4

Total
Portfolio
€ 67,5 M



€ 27 mil.
Approved loans

Loan Characteristics



**Guarantee per
loan: 80%**



**Guarantee Fee:
Subsidized**



**Loan Amount
Up to 200.000 €**



**Loan Maturity
5 Years**

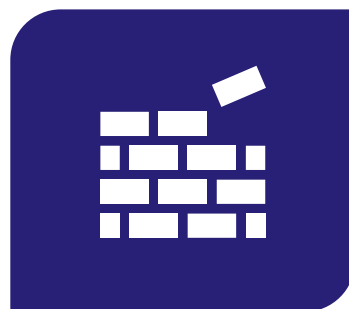
Eligible Sectors



**Architecture &
Engineering**



**Technical tests and
analysis**



**Building
Constructions**



Civil Engineering



R&D in Engineering

Thank you!

SGR

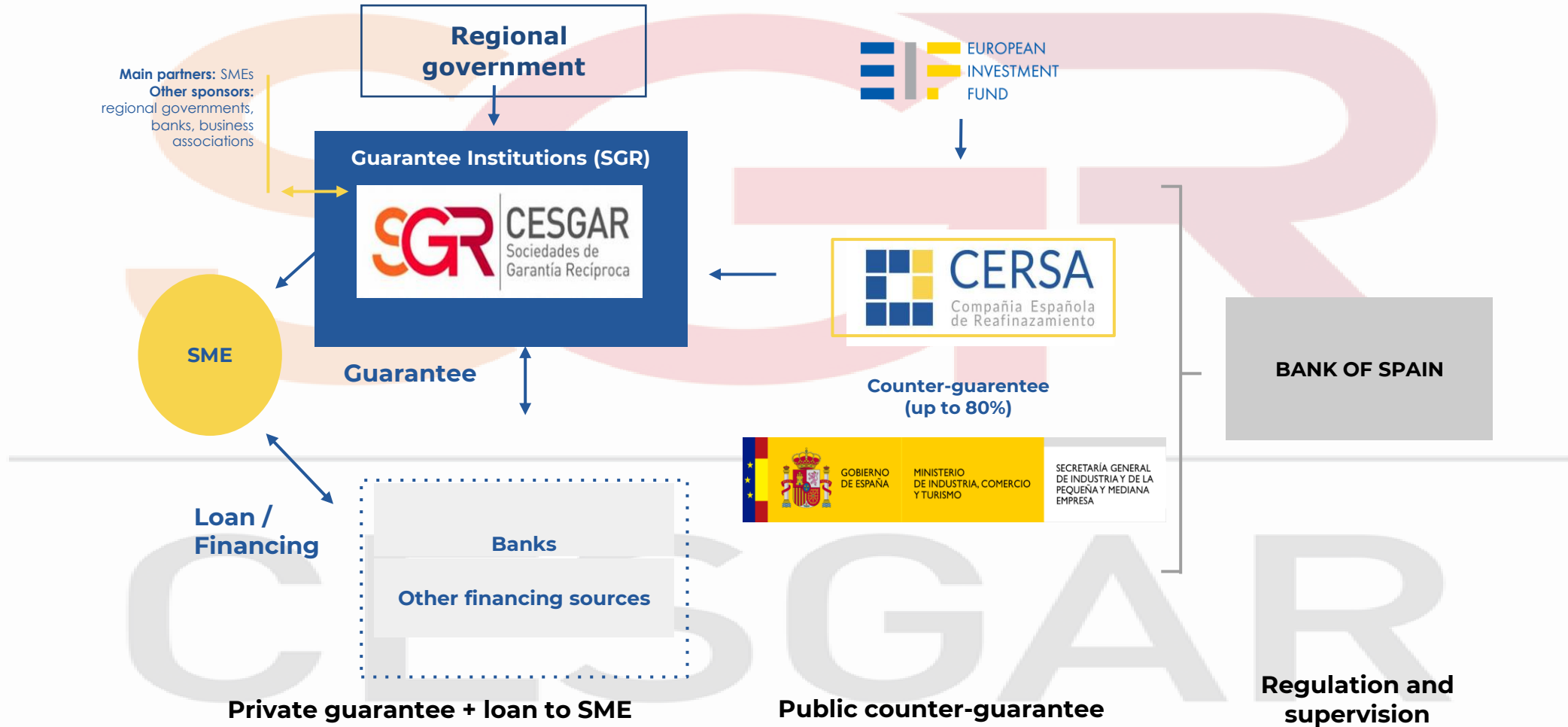
**The interplay of mutual, private, and public guarantee
institutions for the benefit of SMEs**

CESGAR

MGS objectives, main characteristics and activity data

- In Spain the business framework is made up of 99% of SMEs and the self-employed who contribute 65% to GDP and 75% to employment.
- The MGS (**SGR**) are private financial entities, supervised by the Bank of Spain. The mission is to grant guarantees to facilitate access to credit for SMEs and the self-employed under better conditions of interest rate and repayment term.
- The MGS System in Spain has at least one SGR in each Autonomous Community, in addition to one of a sectoral nature. The capillarity of the System facilitates access to SMEs thanks to direct contact in any region and sector.
- The guarantee granted by an SGR is **liquid, automatic and effective upon first demand**.
- In 2020, thanks to **the special Covid-19 lines**, the national guarantee system injected close to 2,730 million euros, from 37,940 formalized guarantees, which represented an **increase of 93%** in the amount provided with respect to 2019. Many MGS **multiplied their activity by 2**.
- As of June 30, 2022, the SGR in Spain had 166,916 SMEs with a contribution to employment of 898,374 jobs and an induced investment of 51,020 million euros.
- An example of public-private collaboration and a key element for the sustainability of the sector is the public counter-guarantee system developed by CERSA, our greatest counter-guarantee support.

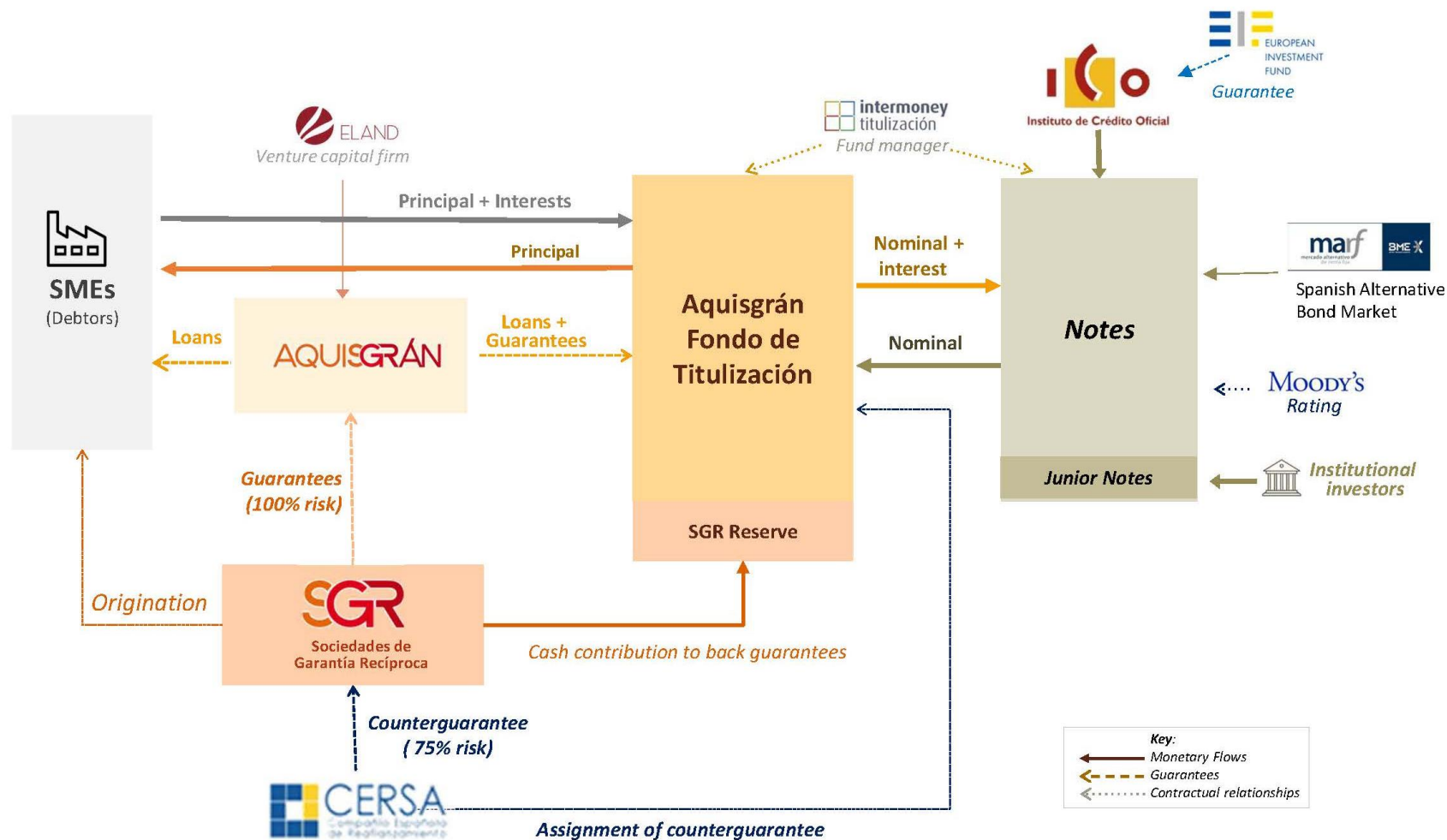
Public – private scheme



AQUISGRÁN new source of financing for SME's

- AQUISGRÁN is an initiative launched by the Spanish guarantee companies (SGR). It guarantees financing to SMEs and self-employed complementary to bank lending and is financed by bonds, quoted in the Spanish Stock market subscribed by the Spanish national development bank ICO with EIF backing. It is planned that these bonds will be subscribed by institutional investors in the future.
- The maximum loan amount is kEUR 250 and the maximum duration is 10 years.
- The conditions of this product are particularly favourable due to the fact that : 1) no financial intermediary is involved, 2) low operating costs thanks to the light structure of the product, 3) low guarantee fee thanks to a counter-guarantee from CERSA and the support of the regional governments. The total cost of financing therefore amounts to approximately 4 % p.a. with a fixed interest rate of around 3 % p.a. and a guarantee commission of 1 % p.a. The beneficiary needs to become a member of the SGR by contributing 3 to 4 % of the amount of the loan to its capital. This will be returned upon full repayment of the guaranteed loan.
- For more information: <https://www.aquisgran.es/>

Aquisgrán: structure



**ESPAÑA
PUEDE.**

**PLAN DE RECUPERACIÓN,
TRANSFORMACIÓN Y
RESILIENCIA**

PROGRAMA DE APOYO AL EMPRENDIMIENTO INDUSTRIAL



Política Industrial e Impulso a la PYME

#NextGenerationEU
#EspañaPuede
#PlandeRecuperación





CHARACTERISTICS AND OBJECTIVE OF THE PROGRAM

- Increase the weight of industrial GDP in the economy, in line with European Union policy.
- Increase the size of the industrial company.
- The potential market failure of the private sector to provide long-term industrial finance for entrepreneurship and growth.
- BUDGET: 75 MEUR for 2021-2023
- OBJETIVE: promote entrepreneurship or the growth of smaller industrial companies, improving their access to financing support a minimum of 1,500 operations by the end of 2023. It is expected to reach up to 3,000 operations.
- OPERATIONS: the financing of investments in new industrial facilities or expansion and improvement of the competitiveness of existing ones, guaranteed by the SGR.
- SUBSIDY: the financing costs (maximum financing costs of EUR 200,000) that will include: the guarantee commission of the SGR, the interest on the loan and the expenses of studying and opening the guarantee operation and the loan.
- BENEFICIARY COMPANIES: SMEs whose activity is carried out in the manufacturing and industry services sectors (according to CNAE indicated in the point "Eligible Activities").

The role of Cersa: the counterguarantor

Gives coverage to a very important part of the guarantees granted by the SGR to SMEs/self-employed according to the following criteria:

- Additionality. The objective is to expand the financial capacity of the system through public counterguarantee and to support the greatest number of SMEs, allowing better access to financing.
 - Greater support for segments with greater needs and difficulties in accessing credit. Growing companies, innovation, digitization and sustainability projects benefit from the highest percentages of coverage.
 - Coordination with the EU. In the relationship with the European Union, criteria for defining SMEs and permitted state and minimis aids are coordinated, and CERSA's activity is supported in EIF programs.
 - Support in the analysis capacity of SGR and the capillarity of their network. CERSA carries out the work of supervision and control of the approved operations, verifying that they adapt to the eligibility criteria and established coverage.
-
- Automation and eligibility. The counterguarantee contract establishes objective criteria that determine that it can be known a priori if a guarantee operation is eligible to be counterguaranteed by CERSA and in what percentage.
 - The minimum risk assumed by the SGR directly must be 20%.

The role of Cersa: efficiency of the SGR system

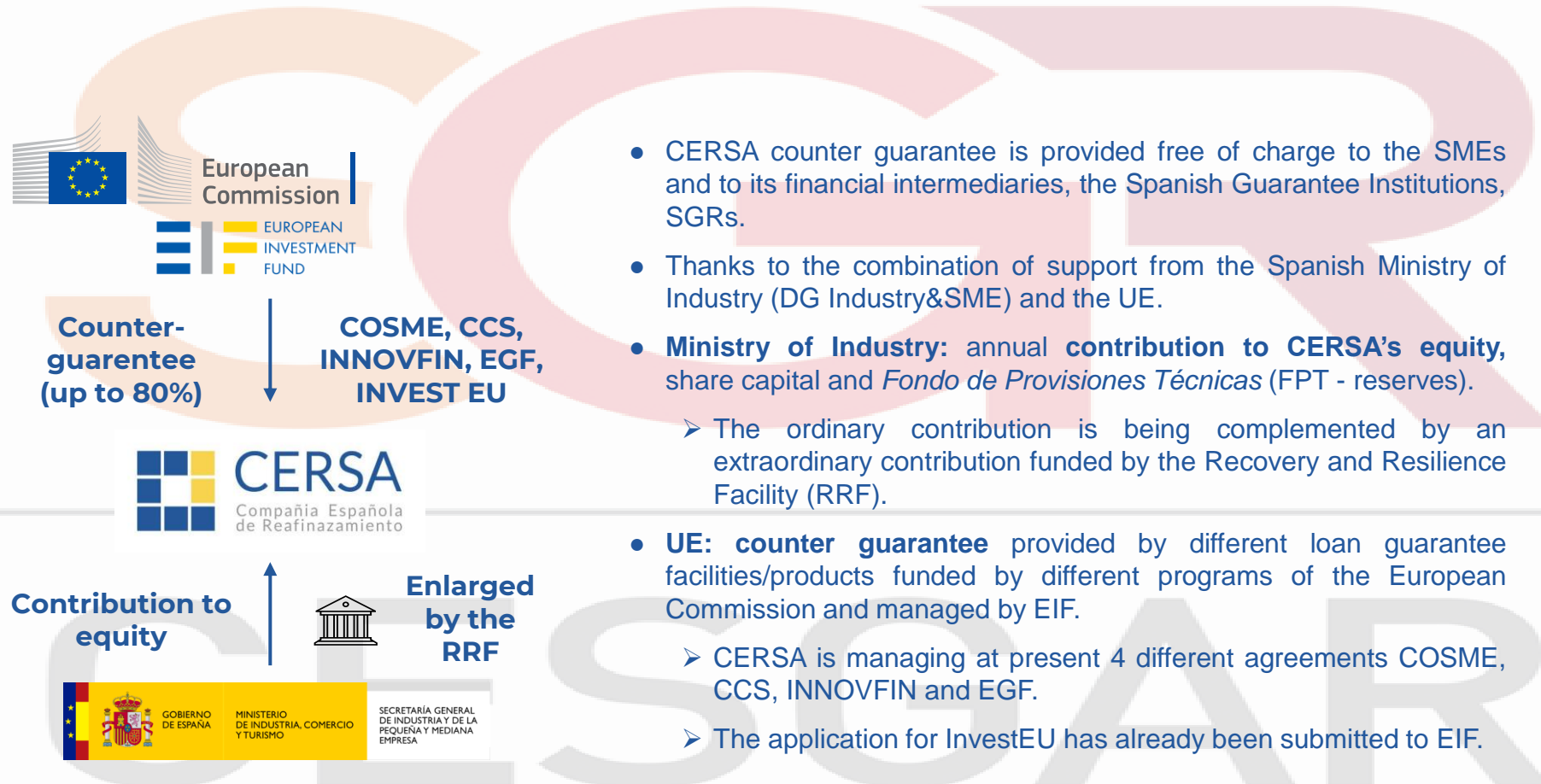
Multiplier effect

The structure of the Guarantee System allows the contribution of public resources through two channels:

- At the state level, through participation in CERSA.
 - At the regional level, through the participation of the Autonomous Communities.
- One of the advantages of public contributions to the Guarantee System in relation to direct aid for financing SMEs is the multiplier effect on induced financing, based on solvency requirements. The effect is different depending on whether the contributions are made to CERSA or directly to the SGR.
- Another advantage of contributions to the guarantee system compared to direct aid is found in the rotation of its impact over time, given that as the credits guaranteed by the SGR are amortized, the resources initially contributed are released and used to finance new projects
-

CESGAR

CERSA's Resources



From crisis to recovery: Optimal support of SMEs

Talking Points Martin Godel Intervention AECM

Dear President of the European Association of Guarantee Institutions
(AECM) (Mister Guy Selbherr)

Dear Honorary President (Mister Pablo Pombo)

Dear Secretary General (Madame Katrin Sturm)

Distinguished Guests,

“Promoting structural change for a new sustainable Europe” is the title of the AECM Annual Event 2022. As in these days we are looking at more structural change than we might like; and we are facing an immense pressure for sustainable energy provision than ever before, this title deserves the award for best timeliness.

It is my great pleasure to join you today in the most beautiful and dynamic city of Vienna. Not only knows the AECM how to choose conference titles, but also a fantastic conference venue.

I have the honour to chair the OECD Committee on SMEs and Entrepreneurship - in short CSMEE - and want to share some insights from an international perspective as well as a glimpse from a national experience, as I am also in charge of Switzerland's Small and Medium Size Enterprise policy.

The AECM participates officially as an observer to the CSMEE. But make no mistake - your Secretary General, Katrin, is playing a very active role sharing the AECM's experiences within the Committee and is in no way a passive observer. I thank you Katrin for your always-valuable contributions to the discussions!

I am pleased to walk with you in the next minutes the journey from crisis to recovery. Unfortunately, and I am less pleased about this part of the path, we might go backwards to the future, walking into the next crises.

Looking back at the Covid-19-pandemic

Over the last two years, your clients, in particular the Small- and Medium-sized Enterprises have been at the centre of several storms and disruptions of historic proportions - and they still are!

First, the COVID-19 pandemic delivered an unprecedented shock, depressing demand, disrupting supply chains and affecting business operations. SMEs were over-represented in the most affected sectors where they accounted for nearly 75 percent of jobs.

Since the beginning of the economic disruptions due to Covid-19, governments stepped in with unprecedented and bold measures. In most OECD countries, between 20 and 40 % of SMEs received government support in one form or another in the year 2020.

In Europe, no less than 34 credit guarantee schemes have been introduced and at least 35 guarantee institutions have extended their guarantee offer to support SMEs facing lockdown measures.

At the same time, 23 guarantee institutions have introduced accelerated procedures and relaxed their documentation requirements in order to simplify access to finance for small businesses in difficulty.

The Swiss experience

I am sure, all of you could tell some stories about these early days of the pandemic. Let me give you some insights from Switzerland. On March 20st, 2020, the Swiss Government announced a historic support package over 20 billion Swiss francs channeled through loans issued by the banks; guaranteed by the 4 loan guarantee organizations backed up by the Swiss Government. The privately organized loan guarantee organizations were essential pillars for this system.

A non-bureaucratic procedure under the slogan “**lend first, check later**” was set up for the occasion so that companies in difficulty could obtain credit within a few hours - at the most within a couple of days.

A few numbers:

- 125 banks participated on a voluntary basis [*...and on a side note: streamlining 125 banks within weeks is not a job you want to apply for,)*]
- Total loan guarantees amounted to 17 billion Euros, that is about 2,4 % of GDP
- More than 20 % of companies in Switzerland received such a guaranteed loan.
- 83 % of loans went to micro enterprises with less than 10 employees; 14 % of loans went to small enterprises up to 50 employees.
- Already 6 of the 17 billion of granted loans have been fully repaid

Although it is too soon for a full conclusion, we can already say that the main objectives of the program have been achieved:

- The program contributed to low level of bankruptcies in particular for SMEs and value chains could be preserved;
- We estimated at the outset of the program a default rate of 15 %. Most recent estimates are down to 12 %.
- Although procedures were extremely lean, we observe a relatively low level of abuse.
 - 8.1 percent of all loans granted were or are subject to an individual case review due to suspected abuse - by the way, according to the slogan “lend first, check later”, we checked every single loan after it was granted.

- o Criminal proceedings are pending in 1.2 percent of all loans and
- o tribunals sentenced 0.2 percent of all companies who received a loan.

In short; this support was vital for Switzerland's economy and I am sure most of you can say the same about your country. Loan guarantees kept credit flowing to SMEs when they needed it most.

The 2022 OECD SME Financing Scoreboard documented that government-provided loan guarantees more than doubled in 2020 and direct lending to SMEs was up by 17 % on the previous year.

The members of AECM provided a significant contribution to this success. Without you, this would not have been possible to implement! I said to the Swiss loan guarantee organizations and I want to say it here to you all: **You, the loan guarantee organizations, you are the hidden heroes of the Covid-19-pandemic! Thank you for the job you have done!**

And your job is not finished. Your institutions continue to have a critical role to play in the optimal support for SMEs.

And on a side note, I am happy that the Swiss loan guarantee organizations joined the AECM - one of the few good things that came out of this virus....

Let's go back to the big picture.

During the Covid-pandemic, monetary policy interventions pushed interest rates down to record lows, with the median SME interest rate falling by 0.4 percentage points in 2020, the largest reduction since 2009.

While the support and easing monetary conditions were crucial to address liquidity shortages, they also implied higher levels of debt for many SMEs - and this needs to be tackled going forward!

To avoid entering a vicious cycle of ever growing debts, SMEs need better access to alternative financing instruments to reduce their dependence on debt. Further, high level of debts might hinder necessary investments and prevent undertaking the long-term investments needed to adapt to major trends such as the green and digital transition.

As economies emerged from the crisis in 2021, the OECD observed positive rebound in the access to alternative financing instruments. The latest data captured in the forthcoming 2023 OECD Scoreboard highlights that, in 2021 leasing and factoring activities recovered strongly, and VC growth was on unprecedented levels. **On the other hand, lending and credit conditions for SMEs tightened.**

As the world economy was just beginning to leave the COVID shock behind, high inflation not experienced in the last 20 years (!) started to adversely impact the recovery.

Moreover, Russia's large-scale aggression against Ukraine, has triggered a new set of deep shocks directly threatening the economic rebound in particular due to sky rocketing energy prices but also in various fields such as food or other necessary materials.

GDP Growth for the OECD area is projected to slow sharply this year, down 1.5 percentage points as projected earlier to about 3 percentage points.

While the developments in 2021 are a response to the recovery, in 2022 the new set of economic shocks is adversely affecting SME finance again.

For example, we are seeing an even stronger tightening of lending conditions and a sharp decline on equity finance with many companies struggling to raise capital.

While in 2021 interest rates increased in half of the observed countries, in 2022 they are now rising in most countries as a response to the high inflation.

The recent rise of interest rates by central banks to tame inflation will also impact interest rates of new SME loans and on the cost of existing SME loans with floating interest rates. All this will aggravate the debt position of SMEs.

However, and here one of a few dim positive elements - inflation rates above existing interest rates might make debt repayment easier for SMEs, especially if turnover growth approximately aligns with the inflation rate.

From the perspective of the loan guarantees: Despite the fact that a number of credit guarantee schemes were extended throughout 2021, they registered an annual drop of 20 %, and it is likely that they will continue to decline in 2022.

So, has 2021 just been a transition year from crisis to recovery or is it just a parenthesis between two crises?
The short answer: Unfortunately, this is what it looks like.

A wave of bankruptcies was avoided in 2020; naturally they started to rise again in 2021 and we see them further rising in several European countries in 2022.

This is not a surprise, as SMEs are yet again facing diminishing revenues with energy and commodity prices surging, and inflation rising - due in part to the effects of the war in Ukraine.

As such, public support needs to continue to stand ready for the new challenges that SMEs face.

For instance, credit guarantees proved valuable in keeping financing flowing despite the economic downturn, de-risking investments to SMEs, and ensuring governments' support was channelled to reach firms.

In the recovery phase, credit guarantees with beneficial conditions can also support funding to help SMEs cope with the rising prices, as well as address needs towards the green transformation. This is even more urgent not only to achieve ambitious climate objectives, but also to enhance energy efficiency, which the current crisis highlighted as a major vulnerability.

Interestingly, investments in green technology - be it in order to produce and store energy or reduce energy consumption - show generally high Returns on Investment. **You, the loan guarantee organizations can play an active part to promote the green transition - I invite you to use make use of this opportunity!**

What does the CSMEE do in this context?

The OECD Committee on SMEs and Entrepreneurship has a longstanding expertise on SME and entrepreneurship policy and an extensive ongoing programme of work.

It leads the OECD work ranging from SME and entrepreneurship finance to SME scale-up, greening, digitalisation and entrepreneurial education and skills.

Its main role is to provide representatives of member countries, ministries in charge of SMEs, SME agencies and associations, including AECM, with evidence-based research, policy advice, capacity-building assistance, and a platform for knowledge sharing.

The SME Financing Scoreboard and the SME and Entrepreneurship Outlook enable countries to benchmark their performance on relevant SME- and entrepreneurship-related topics and monitor their progress in achieving their objectives.

The Committee also provides high-level policy guidance in collaboration with important international forums, which is often the basis for national policy roadmaps.

For example, in June of this year, the Committee approved the 2022 Updated G20/OECD High-Level Principles on SME Financing, which incorporate key guidance to enhance Fintech, resilience on SME Finance in times of crisis and SME access to sustainable finance.

Particularly on this last topic, we created the new OECD Platform on Financing SMEs for Sustainability, to work hand in hand with public and private financial institutions to enhance SME access to finance for their green investments.

Perhaps most importantly, the Committee developed the *OECD Recommendation on SME and Entrepreneurship Policy*, adopted by the OECD Council at Ministerial level last June. It provides an evidence-based, holistic framework to support countries in developing coherent, effective and efficient SME and entrepreneurship policies. **I invite you to have a look at these recommendations and approach your governments offering your support to implement these recommendations.**

These are just some of the most recent examples of our work, and we aim to continue to collaborate with governments and associations like the AECM on this important effort of placing SMEs as the main actors to build resilient economies.

I thank you all for your hard work in favour of SMEs.

The challenges are not getting less, let's embrace them together.

Thank you.

Information about Martin for the AECM Staff:

Martin Godel is Head of SME Policy and Deputy Head of the Directorate for Economic Promotion, State Secretariat for Economic Affairs (SECO). Among his responsibilities, he looks after matters related to SME Financing and reducing regulatory cost for SME, including digital government for SMEs. Martin is also the Chair of the OECD Committee on SMEs and Entrepreneurship.

Guidelines for Integrating Climate Change Mitigation and Adaptation into Credit Guarantee Schemes for SMEs

AECM Annual Event 2022



WORLD BANK GROUP
Equitable Growth, Finance & Institutions



Strengthening Financial Sectors

Pietro Calice
Senior Financial Economist
World Bank

Why the ‘Guidelines’?

- ▶ SMEs are central to efforts aimed at decarbonizing economies while at the same time they are directly impacted by climate change
- ▶ The capacity of SMEs to adopt sustainable practices and seize ‘green’ business opportunities while adapting to climate change generally faces size-related constraints, including obstacles in getting access to finance
- ▶ CGSs remain the policy instrument of choice to ease access to finance by SMEs and can play an important role to support SME access to ‘green’ finance by acting both as ‘enablers’ and ‘shock absorbers’
- ▶ To that end, CGSs need to mainstream climate action across their strategies and operations, and while the ‘Principles’ remain sufficiently broad and flexible to accommodate the incorporation of climate change mitigation and adaptation, CGSs could benefit from further specific guidance

Approach to ‘greening’ CGSs

- ▶ The Guidelines aim to promote a principles-based approach on integrating climate change mitigation and adaptation in CGSs
- ▶ Drafted in a way to accommodate different legal, regulatory, and institutional settings across jurisdictions, in some circumstances implementation may be challenging and an appropriate transitional period is recommended
- ▶ Avoid unintended consequences and ensure continuous support to activities that do no harm, address exposure to climate-related and environmental risks, and are not inconsistent with country policies on low-carbon, resilient development
- ▶ Effectively ‘greening’ PCGSs requires two important enablers: (i) clear taxonomies around environmentally sustainable activities, and (ii) a robust and proportionate climate disclosure framework applicable to both partner financial institutions and SMEs
- ▶ The eight Guidelines are organized around four key areas: (i) committing to ‘green’ strategies; (ii) managing climate-related and environmental risks; (iii) promoting climate-smart objectives; and (iv) accounting for climate performance

Committing to 'green' strategies

Integrate climate change related challenges and opportunities in the strategy (reference 'Principles': #1 and #5)

- ✓ Understand what climate change entails for the business to make informed decisions
- ✓ Explicitly consider response to the objectives set out under international agreements and in domestic climate policies
- ✓ Develop an internal roadmap to help organize the work and clarify roles and responsibilities

Have a conducive governance and management structure (reference 'Principle': #6)

- ✓ Have roles and responsibilities related to climate change mitigation and adaptation clearly assigned
- ✓ Ensure that Board and executive management have adequate collective knowledge, skills, experience, and an understanding of how climate change poses risks and generates business opportunities

Have adequate funding to support 'green' strategy and operations (reference 'Principle': #2)

- ✓ Necessary funding and financial support is needed to help SMEs with the 'green' transition while achieving outreach and additionality with financial sustainability and compliance with relevant regulations
- ✓ Consider tapping international climate finance sources

Managing climate-related and environmental risks

Incorporate climate-related and environmental financial risks in the risk management and internal control framework (reference 'Principles': #7 and #8)

- ✓ Build an understanding of how climate change affects relevant sectors and markets and the capability to measure exposures to climate change (physical risks and transition risks)
- ✓ Work with industry associations and engage in dialogue with partner financial institutions and SME borrowers to develop the relevant methodologies and data infrastructure
- ▶ ✓ Adopt a strategic approach to managing and/or mitigating climate-related and environmental risks in line with the business strategy, and adapt policies, procedures, risk limits and risk controls as appropriate
- ✓ Consider climate-related and environmental risks at all relevant stages of the screening and monitoring process (e.g., implement an environmental due diligence)
- ✓ Adjust credit risk classification methods in order to identify and evaluate climate-related and environmental risks in the portfolio, and mitigate risks (e.g., through limits and/or reinsurance)
- ✓ Ensure that the audit and compliance function is tasked with ensuring that climate-related and environmental risks are duly considered and effectively integrated in all relevant processes

Promoting climate-smart objectives

Align eligibility and qualification criteria with the 'green' strategy (reference 'Principle': #9)

- ✓ Align eligibility criteria for SMEs with the taxonomies available
- ✓ Select partner financial institutions that are committed to environmental sustainability
- ✓ Align product offering with that of partner financial institutions and develop new products as appropriate

Incorporate climate change considerations in the operational toolkit (reference 'Principles': #11 and #12)

- ✓ Augment the operational toolkit (coverage ratios, pricing, tenors, grace periods and technical assistance) to incorporate climate change considerations to inform the definition of the contractual parameters
- ✓ Use the operational toolkit to differentiate exposures and provide the right set of incentives for climate change adaptation and mitigation
- ✓ Under crisis-related circumstances (e.g., a climate-related natural disaster) that require the provision of emergency financing to SMEs, risk-sharing and risk-based pricing could be waived

Accounting for climate performance

Adopt a robust monitoring and evaluation system to measure climate performance (reference 'Principle': #16)

- ✓ Establish a sound framework for systematically assessing climate performance based on practicality and meaningfulness for the mandate
- ✓ As an initial step, adopt 'green' metrics (e.g., number of guaranteed 'green' projects, value of guaranteed 'green' projects, share of guaranteed 'green' projects)
- ✓ Work with industry associations to develop common methodologies

Disclose climate-related information and metrics (reference 'Principle': #15)

- ✓ Unless there are relevant regulations in place, align disclosure standards with global or regional initiatives (e.g., TCFD, ISSB)
- ✓ At a minimum, disclose (i) policies and practices in relation to climate change matters; (ii) climate performance metrics; and (iii) material climate-related and environmental risk exposures as well as measures taken to mitigate such risks

Thank you for your attention



Pietro Calice

Senior Financial Sector Economist

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An exploration of climate-related financial risks for credit guarantee schemes in Europe

AECM Annual Event 2022

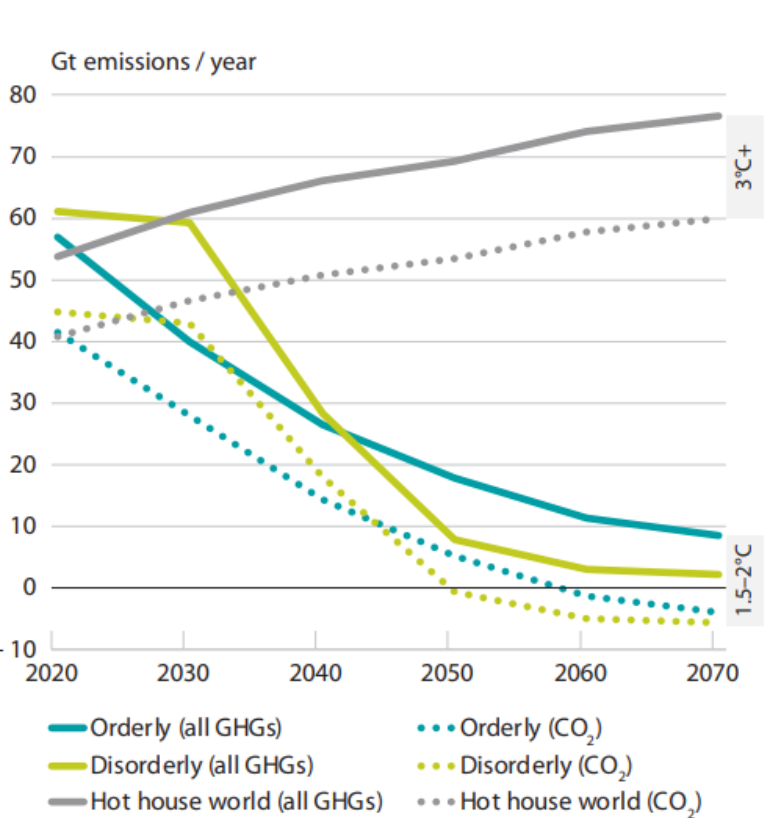


With funding by the EU

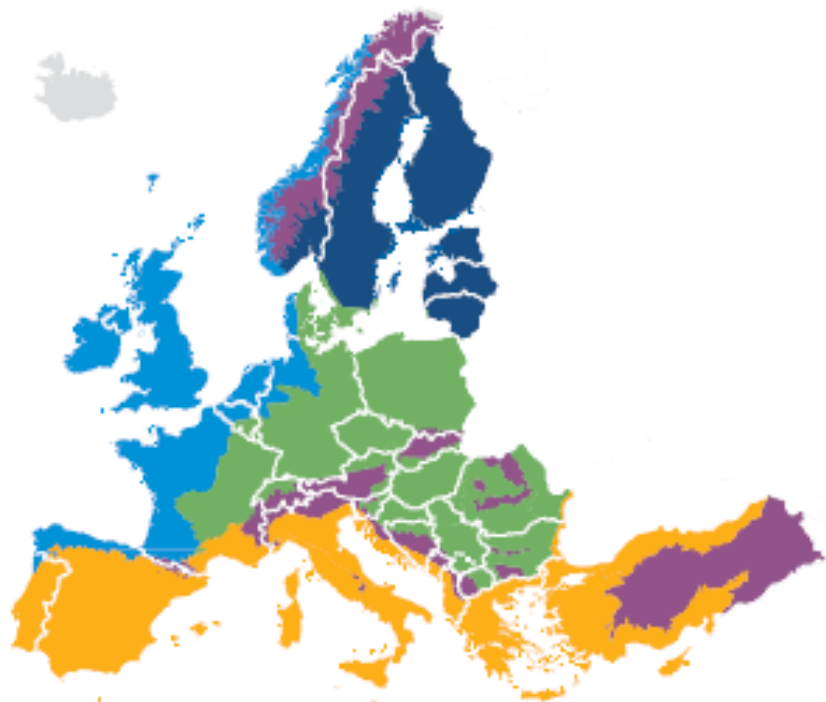
Henk Jan Reinders
Financial Sector Specialist
World Bank

Climate change can lead to physical and transition risks

Projected CO₂-emission paths and associated risks



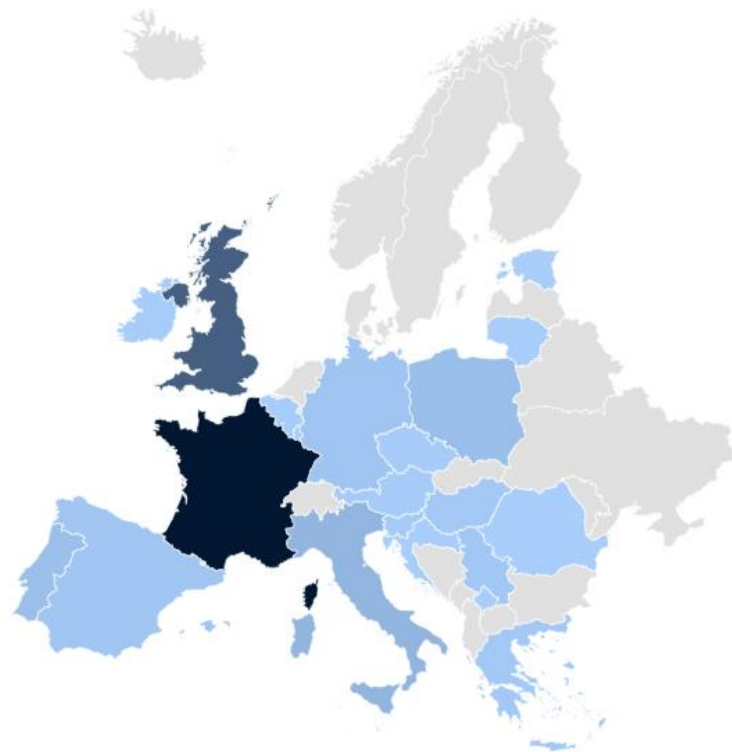
Climate change is affecting all regions in Europe, but the impacts are not uniform



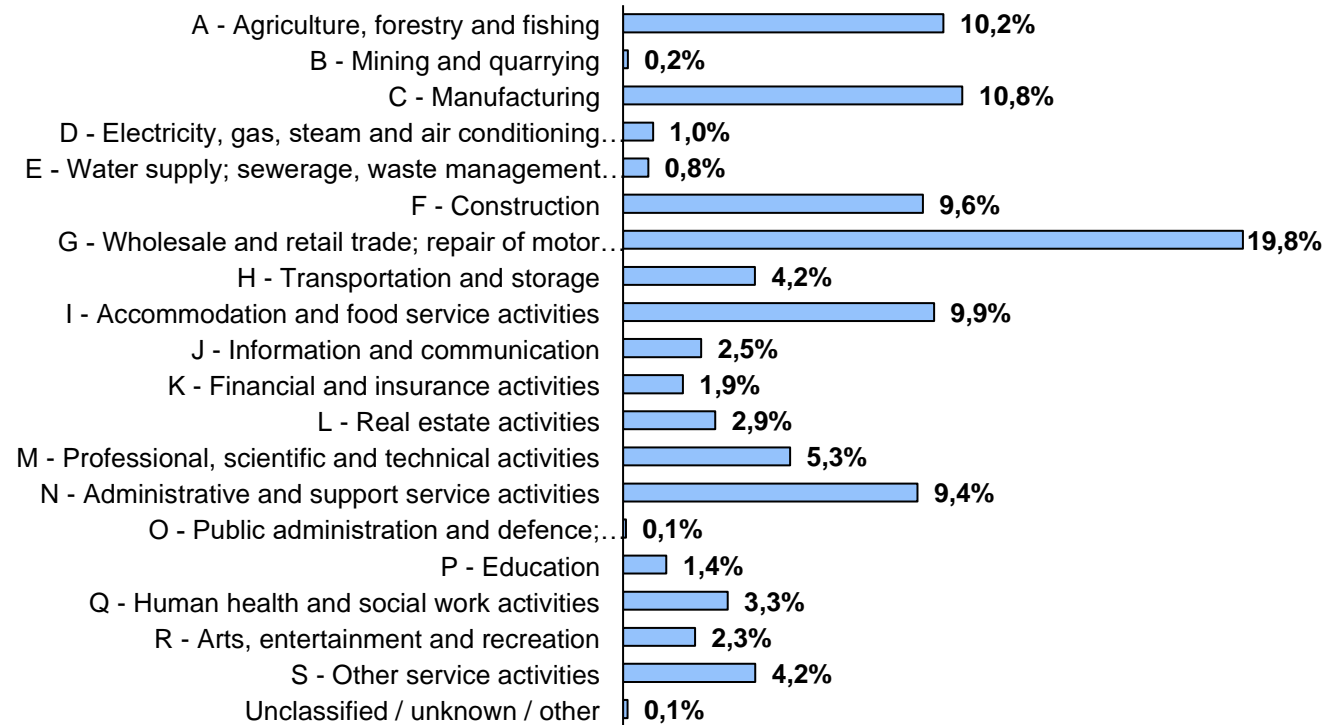
- **Mediterranean region:** hotspot, having the highest numbers of severely affected sectors and domains. This includes large increases in heat extremes, increasing the risks of droughts and forest fires. Most economic sectors negatively affected, including crop yields and livestock production.
- **Atlantic region:** increase in heavy precipitation events, increasing river flow and risk of river flooding.
- **Continental region:** increase in heat extremes, decrease in summer precipitation. Increasing risk of river flooding and forest fires. Increased demand for cooling.
- **Mountain regions:** increasing risk of landslides and rock falls. Higher than average temperature increase.
- **Boreal region:** increase in heavy precipitation events. Increased crop yields and higher potential for forest growth.
- **Coastal zones:** sea level rise and associated increasing risk of coastal flooding.

With your help we collected spatial and sectoral exposure data to assess exposures to physical and transition risks

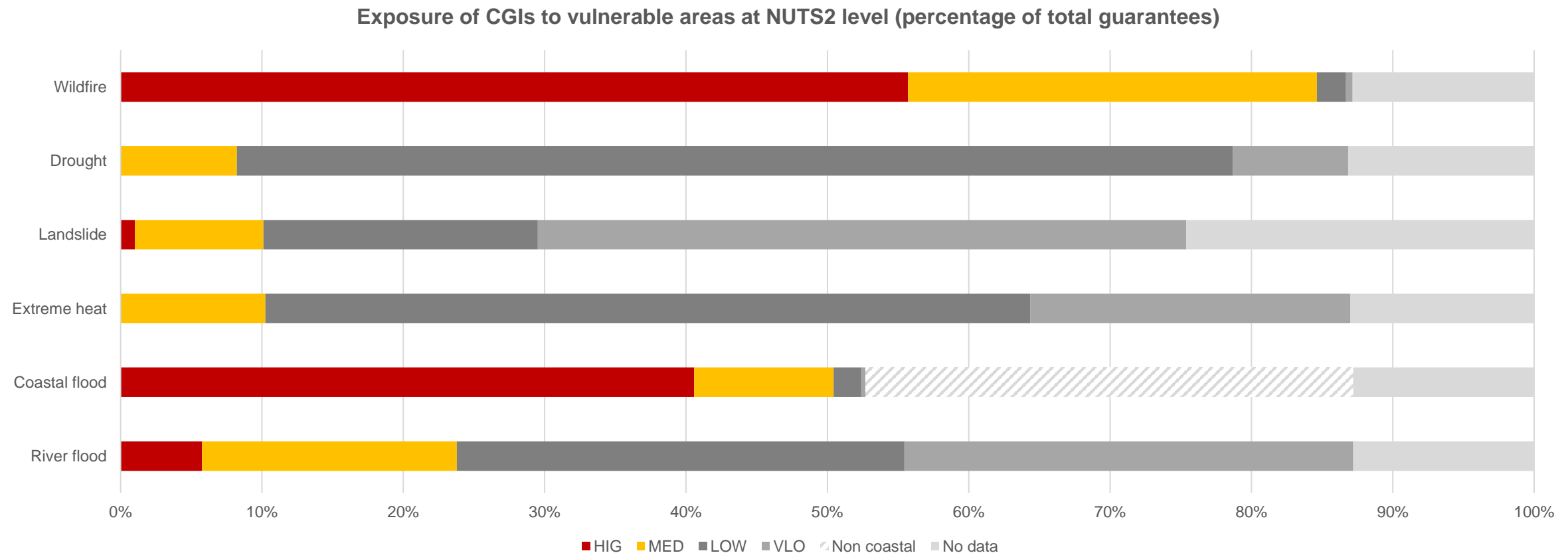
Guarantees per country



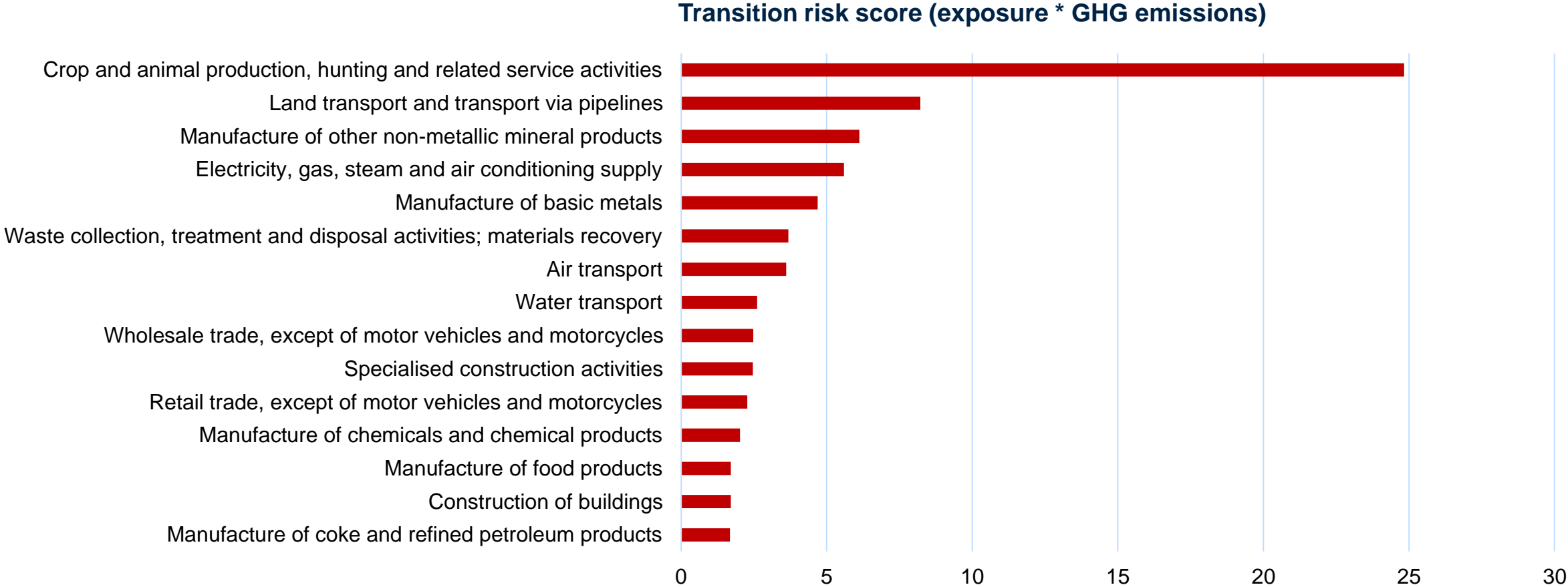
Guarantees per sector (percentage of total)



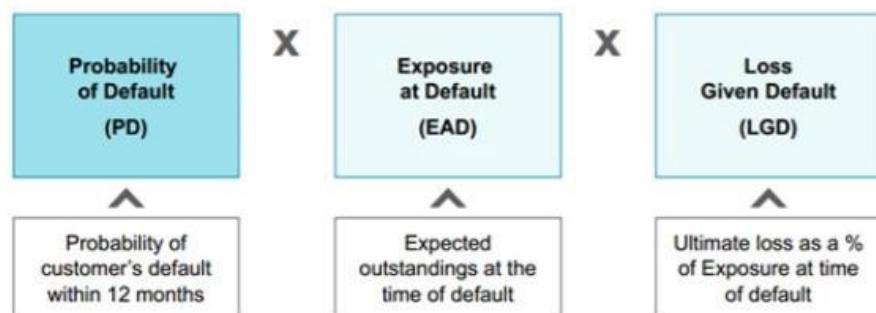
Physical risks: CGSs in Europe are exposed to a broad range of climate-related hazards



Transition risks: highest weighted exposure to agriculture, land transport, and mineral products



Overall: based on ECB scenarios, annual expected losses could rise substantially (~5-10%)



Sector	Baseline	(A) Orderly transition (2025)		(B) Hot house world (2050)	
		Stressed	Difference	Stressed	Difference
A - Agriculture, forestry and fishing	208	213	5	231	23
B - Mining and quarrying	3	15	11	3	0
C - Manufacturing	220	235	15	233	13
D - Electricity, gas, steam, and A/C	19	73	54	21	2
E - Water supply, sewerage, and waste	16	17	1	17	1
F - Construction	195	198	3	203	9
G - Wholesale and retail trade	402	431	29	430	28
H - Transportation and storage	86	94	9	89	4
I - Accommodation and food services	202	204	2	215	14
J - Information and communication	51	51	0	53	2
L - Real estate activities	60	61	1	64	4
M - Professional, scientific, and technical	108	127	19	112	4
R - Arts, entertainment, and recreation	47	48	1	51	5
Other	416	446	30	437	21
Total	2,032	2,213	181	2,160	128

Summary of main findings

► **CGSs in Europe are exposed to transition risks in a broad range of sectors as well as to physical risks in vulnerable sectors and regions.**

- The effects of climate change differ throughout Europe, with the Mediterranean region being the most vulnerable overall. This region faces large increases in heat extremes, increasing the risks of droughts and forest fires.
- We find the main high-risk exposures to be for wildfire (56 percent of aggregate CGSs' portfolios in our sample), coastal flood (41 percent), and river flood (6 percent).
- Based on GHG emissions data, we find that 72 percent of the transition risk for CGSs is driven by five sectors: agriculture, land transport, wholesale and retail trade, and utilities.
- CGIs are not highly exposed to the most GHG (and capital) intensive sectors, such as coke, refining, utilities, and air transport
- We estimate that for transition and physical risk scenarios the annual expected loss on the guarantee portfolio could increase by EUR 181 million and EUR 128 million, respectively.

► **Most CGIs expect climate risks to impact their future performance and are planning to embed these risks in the time to come**

- Almost 70 percent of the survey respondents indicates that they are planning to conduct a climate risk analysis in the future.

Thank you for your attention



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شركة ضمان مخاطر الائتمان ش.م.م
CREDIT GUARANTEE COMPANY S.A.E

Credit Guarantee Company

AECM Annual Event

EMGN Network

CGC-EGYPT

15 September 2022



Guarantee Schemes & Transformation

Revolutionary Transformation → **NO OPTION**



- **NEW RISK CHALLENGES**
- **NEW CLUSTERS & TARGET GROUPS**
- **NEW MARKET CHARACTERISTICS**
- **NEW BUSINESS FORMS**



ROAD TO A NEW ERA

Guarantee Schemes & Transformation

Guarantee Schemes



OPPORTUNITY



PROPER PLACEMENT on the **Economic Development**
map

Guarantee Schemes & Transformation

ARE WE READY



NOT YET

Guarantee Schemes & Transformation

Guarantee Industry REFORM



Macro & Micro level changes Needed

As well as Internal & External changes

Guarantee Schemes & Transformation

Macro & Micro



POLICYMAKERS SUPPORT – BUT do we have their
BELIEVE in the **NEW** Guarantee role!!

STAKEHOLDERS – good alignment **BUT** do they **ACCEPT** the
NEW Guarantee role!!

Guarantee Schemes & Transformation

Legal & Regulatory

Special Guarantee **LAW (ACT)**

Ownership

Balanced **PRIVATE & PUBLIC**

Financial Sustainability

Fixed % of financial resources
GRANTED ANNUALLY by the **GOV.**

Guarantee Schemes & Transformation

Operation Sustainability



Guarantee Schemes & Transformation

YES – A LOT IS NEEDED



**GUARANTEE SCHEMES & NETWORKS COORDINATED
WORK ENVIRONMENT**



TO PAVE THE WAY TO A NEW GUARANTEE ERA

Thank you

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The role of CDP in supporting the twin transition – Focus on guarantees

16 September 2022



Agenda

- ① **CDP's strategy in supporting the twin transition**
- ② **Focus on guarantees**
- ③ **Annexes**

1 CDP at a glance

CDP mission

Promoting Italy's **sustainable development**, by using savings responsibly to drive growth and employment and support **innovation and business competitiveness**, infrastructure and local development

Shareholders



Italian **National Promotional Institution** and **Development Finance Institution**



Joint-stock company with **public/private shareholders** ensuring **market-oriented governance**



Unique institution **managing Italian private savings** since 1850



Strategically for Italian economy and **trustworthy partner** of private investors and Italian savers

Key Figures (€/bn)



1 Commitment in 10 Areas of UN 2030 Agenda and NRRP

The 4 major challenges of the Country



Climate change and ecosystem protection



Inclusive and sustainable growth



Digitisation and innovation



Rethinking **value chains**

...10 Areas of Action have been identified for CDP...

- ① Energy transition
- ② Circular economy
- ③ Safeguarding local areas
- ④ Social infrastructure
- ⑤ Capital markets
- ⑥ Digitisation
- ⑦ Technological innovation
- ⑧ Support to strategic supply chains
- ⑨ International cooperation
- ⑩ Transport/logistics hubs

...in line with the UN SDGs and the NRRP's mission

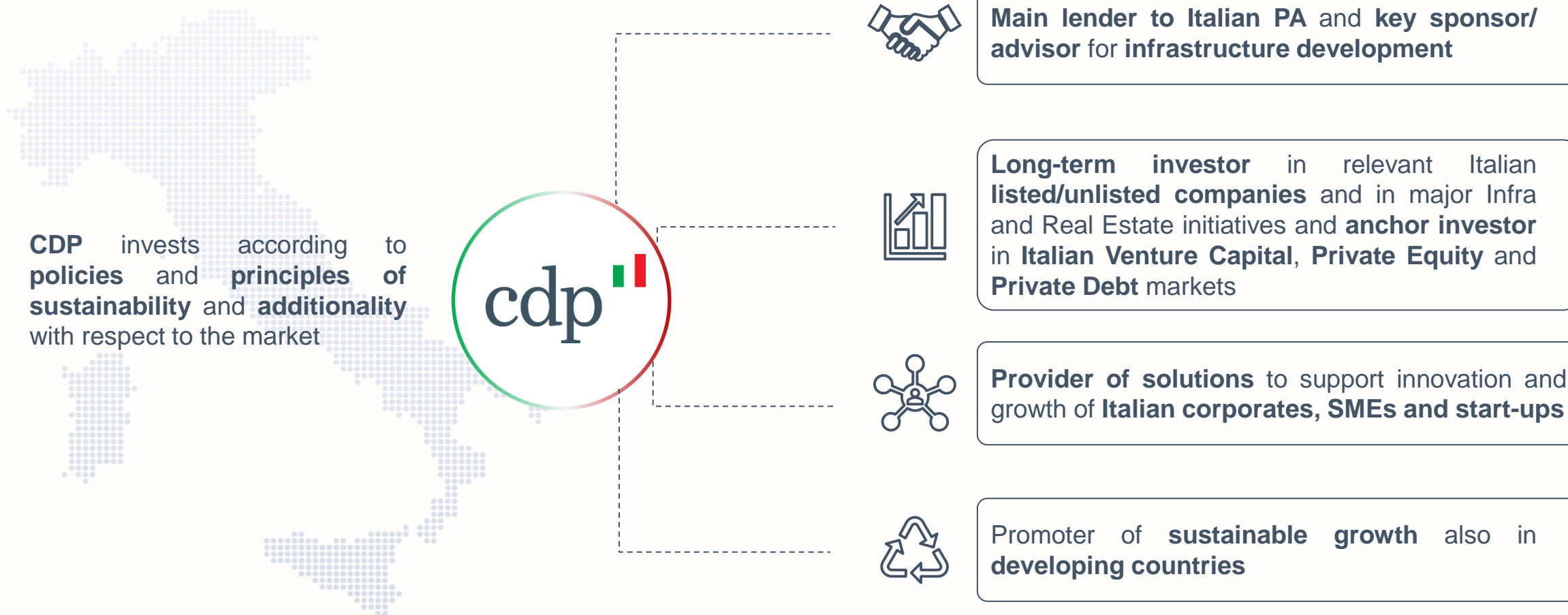
UN Sustainable Development Goals (UN SDGs) of the 2030 Agenda for Sustainable Development



Mission of the **National Recovery and Resilience Plan (NRRP)**

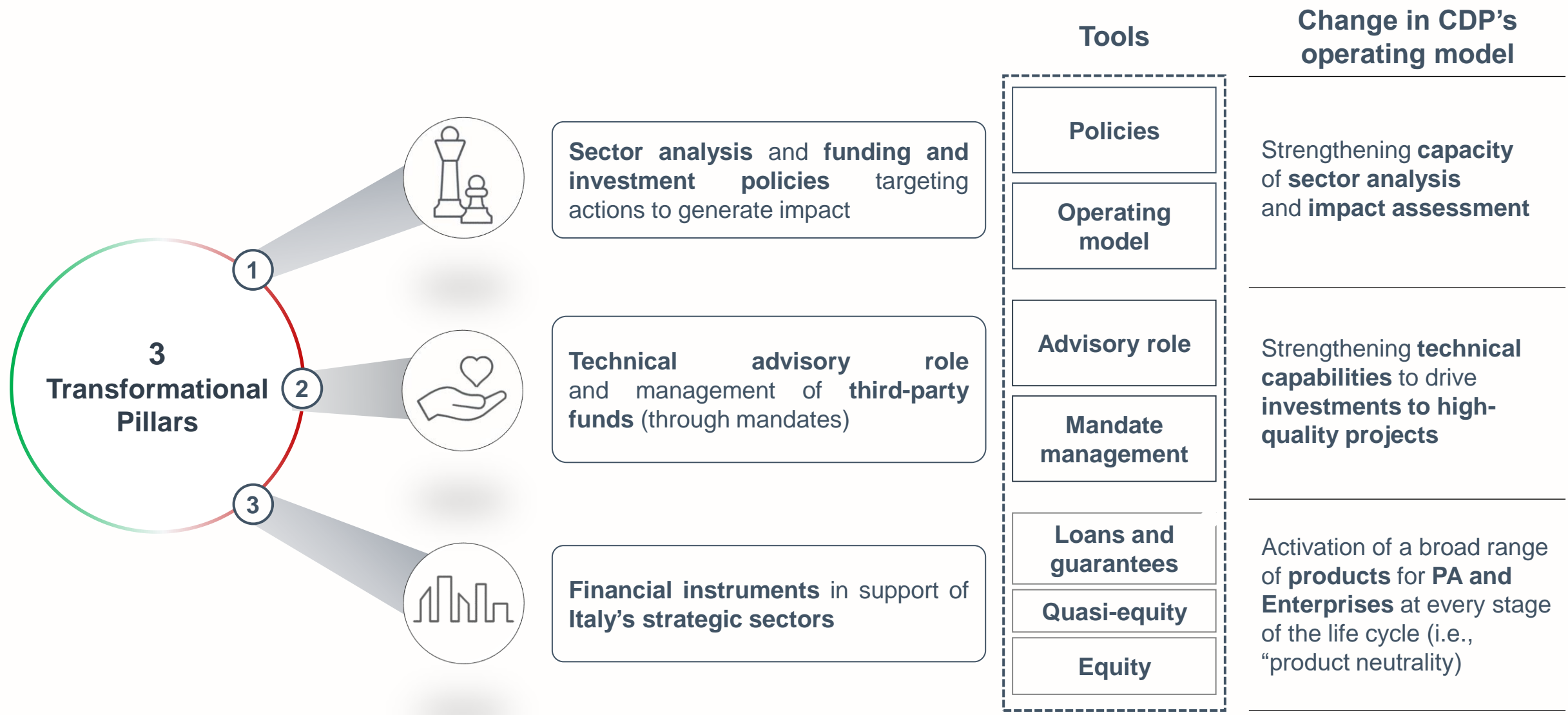


1 Catalyst for Italy's Sustainable Growth

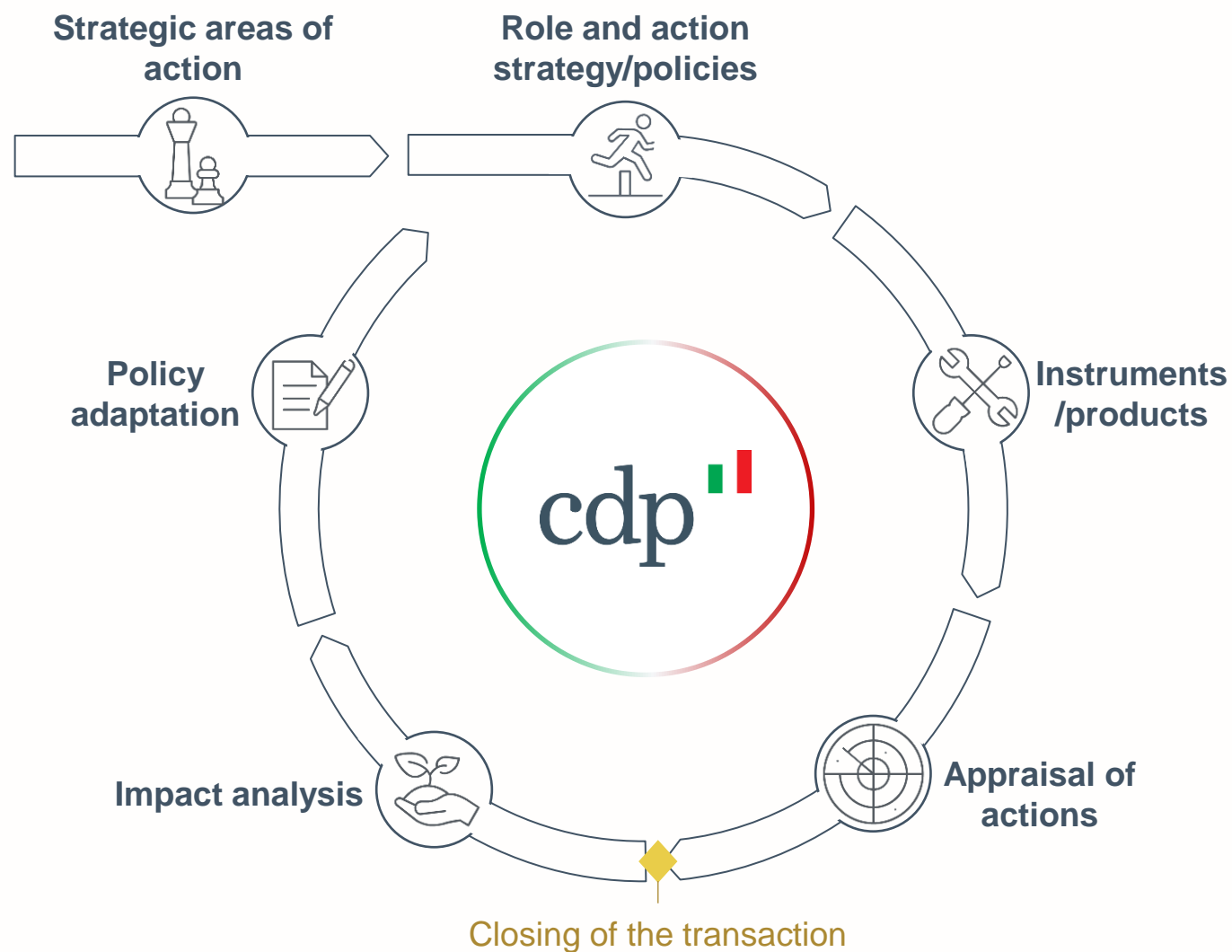


Creating cutting-edge standards with a focus on ESG criteria to become a benchmark for the market, while developing new markets by leveraging resources and technical expertise

1 Transformational Pillars introduced by 2022-2024 strategic plan



1 New Operating Model



Activities



Analysis of **macro and sector trends**, identification of **gaps**



Formulation of **action strategy** to fill the gaps identified and analysis of **complementarity** with the market



Identification of **instruments/products** and forms of **risk mitigation**



Financial, technical, sustainability and legal **appraisal of projects** and **implementation** of the action



Impact analysis verifying the achievement of the targets set

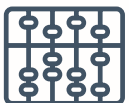


Continuous **adaptation of policies** based on available evidence

1 Technical Competence Centers Focusing on Strategic Sectors

The scope of the competence centers

1



Technical and sustainability ex-ante assessment in projects valuation and support in monitoring

2



Support to the advisory teams with respect to technical consulting mandates on programs /projects

3



Technical support in the origination/development of special projects (technical know how to orient and develop new projects)

Competence centers and intervention areas



Urban regeneration and infrastructures

- 1 Urban regeneration
- 2 Infrastructural hubs
- 3 Social infrastructures
- 4 Transport infrastructures



Innovation and digitalization

- 1 Innovation
- 2 Digitalization
- 3 Industrials



Natural resources energy and environment

- 1 Energy
- 2 Energy efficiency and technologies
- 3 Circular economy
- 4 Environment and water

Cross-area project mgmt for **business building initiatives** through “**Special projects**” unit

2 Support to SMEs' and Corporates

Lines of business



Approach

- **Complementarity with banking and financial sector** and **anticyclical action**
- **Synergic** with national and international institutions
- **Focused on MLT** tools to support investments
- Strongly **integrated** with CDP Group actions and instruments
- Focused on **additionality**
- **Crowding-in** of private and public resources on the financing transactions



2 Guarantees to SMEs' and start-ups

Enhancing indirect investment support and SMEs' and start-ups' growth plans, leveraging efficiently on third parties' financial resources (Italian Regions' and EU funds)

Initiatives

Main elements

a

Guarantees for Banks' capital relief

- **Risk sharing and capital relief initiatives** carried out through the **support of regional, national, and EU resources, which allow CDP to offer guarantees to financial institutions** (including public guarantee funds), thus supporting Italian SMEs' and start-ups' growth plans

b

Revolving Fund for Enterprises («FRI»)

- Sponsored by different Italian Ministries (e.g. MiSE, MiPAAF)¹ or Regions, **FRI is based** on the provision of **public grants to enterprises, subsidized loans by CDP, in pool with market financing by commercial banks, and supported by a subsidiary State guarantee**
- **This subsidized credit facility is made available to SMEs' and start-ups** in several sectors to support specific investments

c

Basket bonds

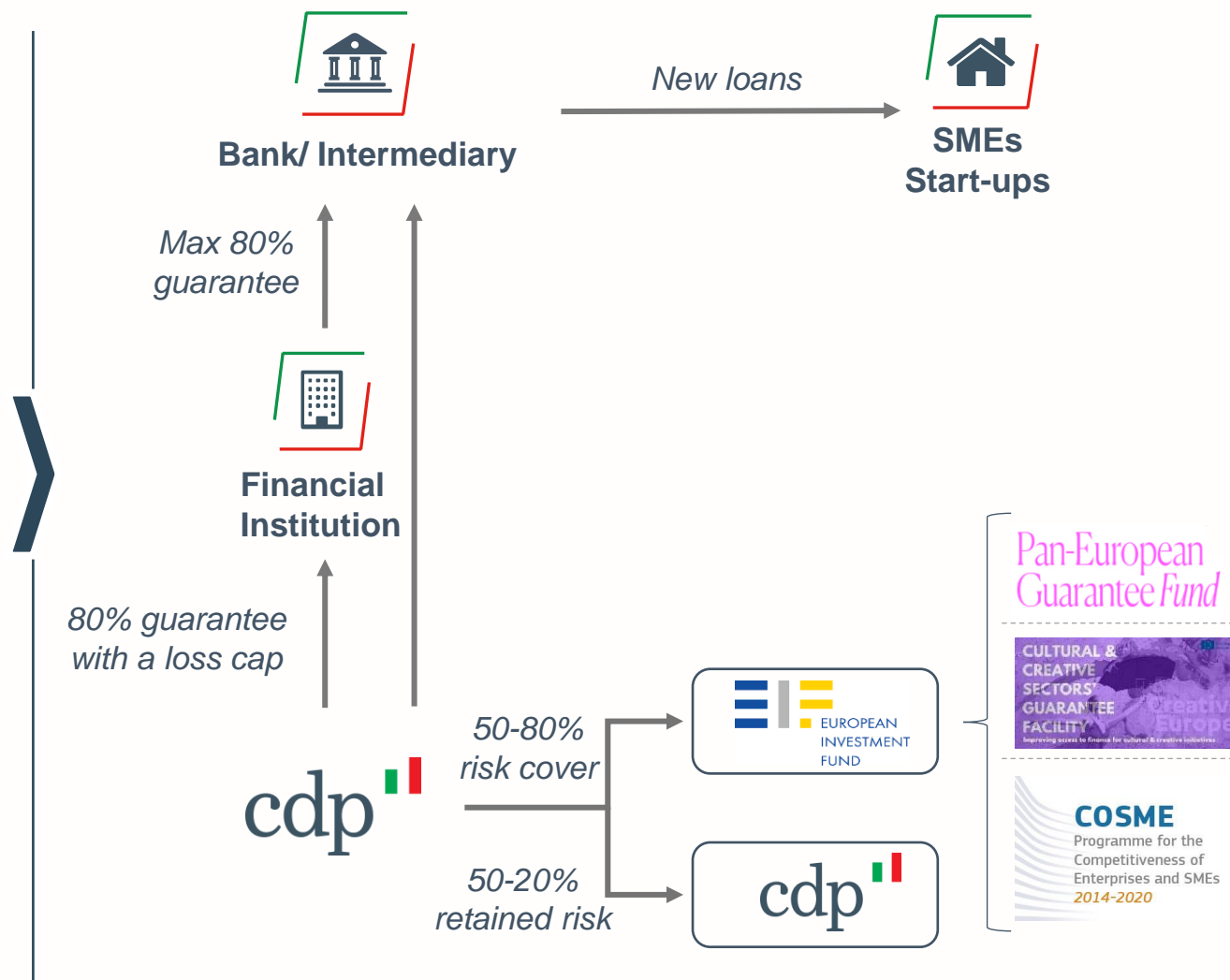
- **Investments in securitization transactions backed by newly originated “mini-bond” issued by pre-selected panels of Italian SMEs'**
- Through the bond-pooling mechanism, **Basket bonds allow participating enterprises to reach sufficient critical mass to attract institutional/international investors** (such as CDP, the EIB etc.)
- **To improve the risk-return profile of the bonds**, public resources to **cover first losses** are made available **by Regions and EU**

Capped guarantees for Italian SMEs and start-ups



















Main elements

- CDP is committed to strengthening the capital of the Italian financial institutions (FIs) by providing guarantees and counter-guarantees, partially covering its exposure through EU funds (i.e. COSME, Creative Europe, EGF)¹
- The final objective is to support **access to finance by Italian enterprises**
- CDP provides FIs with **80% guarantees**, covering losses up to a predetermined amount. **A share of CDP exposure**, ranging from 50 to 80%, is typically covered by the **European Investment Fund (EIF)** through funds available under various EU programs
- Thanks to CDP guarantees, **FIs are able to free-up regulatory/economic capital**, thus allowing for an increase in the amount of financing that can be granted to Italian SMEs
- Since 2017, **CDP has activated a number of key initiatives** (see next slide for details), **providing guarantees** for an overall amount of **~16,5 €/billion**, thus supporting the provision of **~26 €/billion of new bank loans** in favor of almost **200,000 Italian enterprises**

Scheme



2a Guarantee deals since 2017

Initiative	Partners	Description	EU funds	Resources activated	Leverage effect ¹
EGF	   	<ul style="list-style-type: none"> 80% CDP guarantee on a 12.5 €/billion portfolio. CDP backed by the EIF through the European Guarantee Fund (EGF). Inclusion period will end on Dec 31, 2022. The target is to finance ~90,000 SMEs 	1,05 €/bn	10 €/bn	11,9x
COSME 2 + COSME Covid	   	<ul style="list-style-type: none"> 80% CDP guarantee on a 3.6 €/billion portfolio (maximum loan amount: 150 €/k; minimum duration: 12 months). CDP backed by the EIF through COSME. ~64,000 reached SMEs 	140,8 €/mln	3,6 €/bn	32,2x
CCS	   	<ul style="list-style-type: none"> 80% CDP guarantee on a 280 €/million portfolio (maximum loan amount: 2 €/million; minimum duration: 12 months). CDP backed by the EIF through Creative Europe. ~2.200 SMEs in the creative and cultural sector reached 	19,6 €/mln	280 €/mln	12,5x
COSME 1	     	<ul style="list-style-type: none"> 80% CDP guarantee on a 2.5 €/billion portfolio (maximum loan amount: 150 €/k; minimum duration: 12 months). CDP backed by the EIF through COSME. ~48,000 reached SMEs 	112,5 €/mln	2,5 €/bn	27,8x

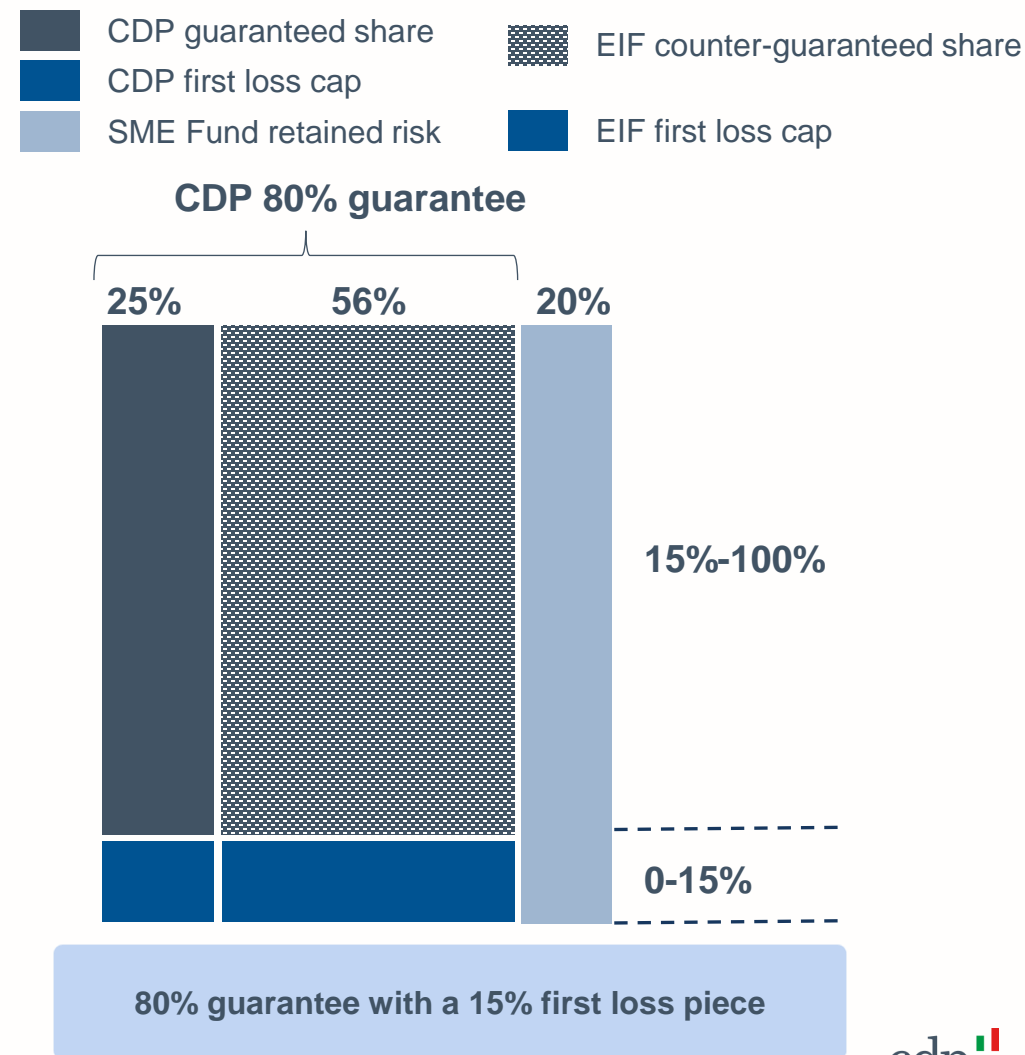
 Focus in the next slide

Focus on the 2022 counter-guarantee deal in favor of the Italian Guarantee Fund

Description

- In 2022, CDP has launched a new counter-guarantee deal in favor of the Italian **Guarantee Fund for SMEs** (“SME Fund”) aiming at facilitating access to finance by SMEs eligible under the **European Guarantee Fund (EGF) Program**
- The transaction consists in an **80% capped counter-guarantee issued by CDP on a 12.5 €/bn new guarantee portfolio originated by the SME Fund in favor of Italian small and medium-sized enterprises**. CDP’s exposure is covered at 70% by European Investment Fund (EIF) through the EGF Program
- **Loans respecting the eligibility requirements** (e.g. duration between 3 months and 10 years; maximum guarantee amount by the SME Fund of 3,214 €/mln) **are automatically included by the SME Fund manager in the portfolio covered by CDP**
- **The ramp-up phase of the initiative will end on 31 December 2022** (under EGF 3.1 Temporary Framework)
- Taking into account all the deals structured in favor of the SME Fund, as of today, **CDP provided this important public facility with an overall amount of EU resources of more than 1.3 €/bn**

EGF portfolio scheme

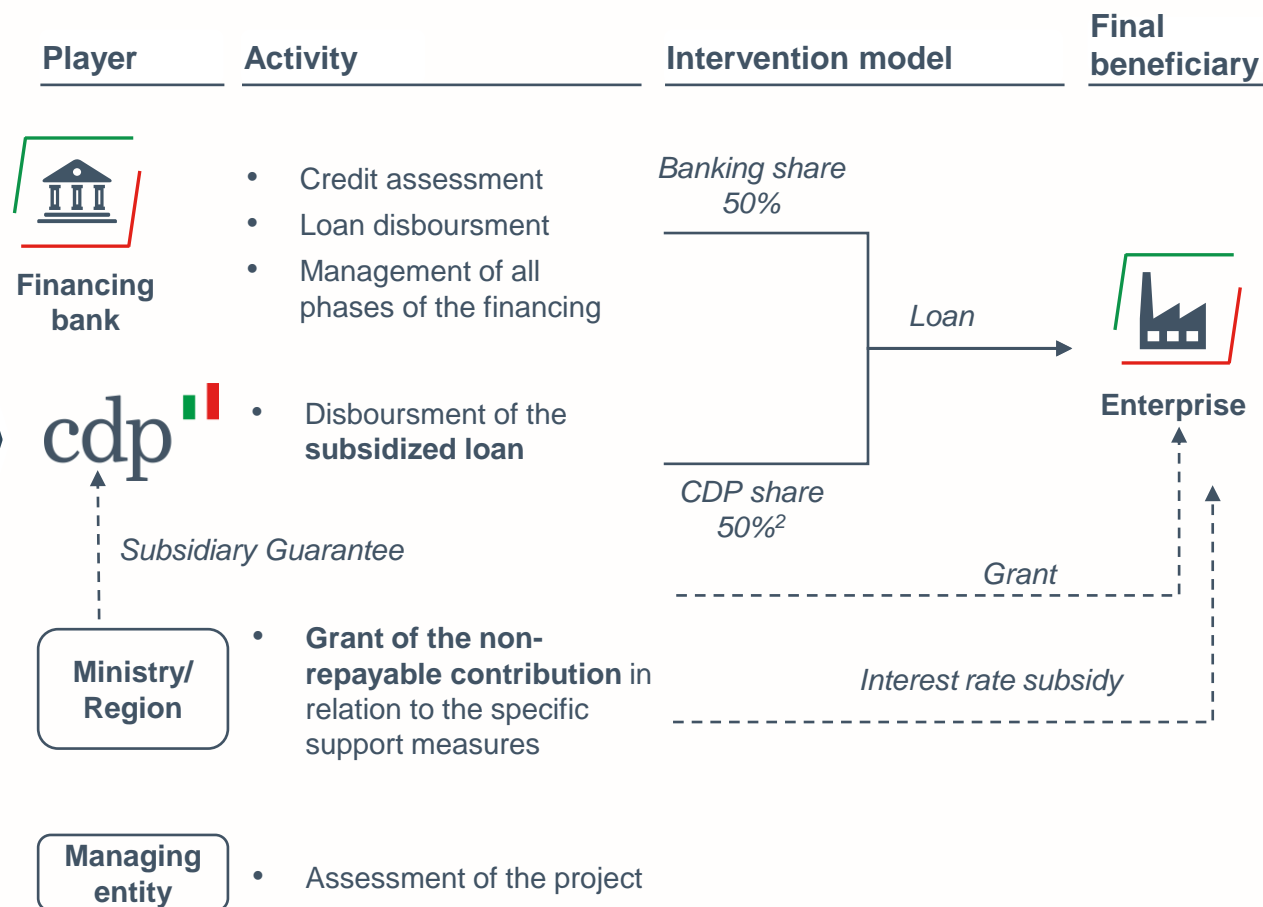


2b Intervention scheme of the FRI (1/2)

Description

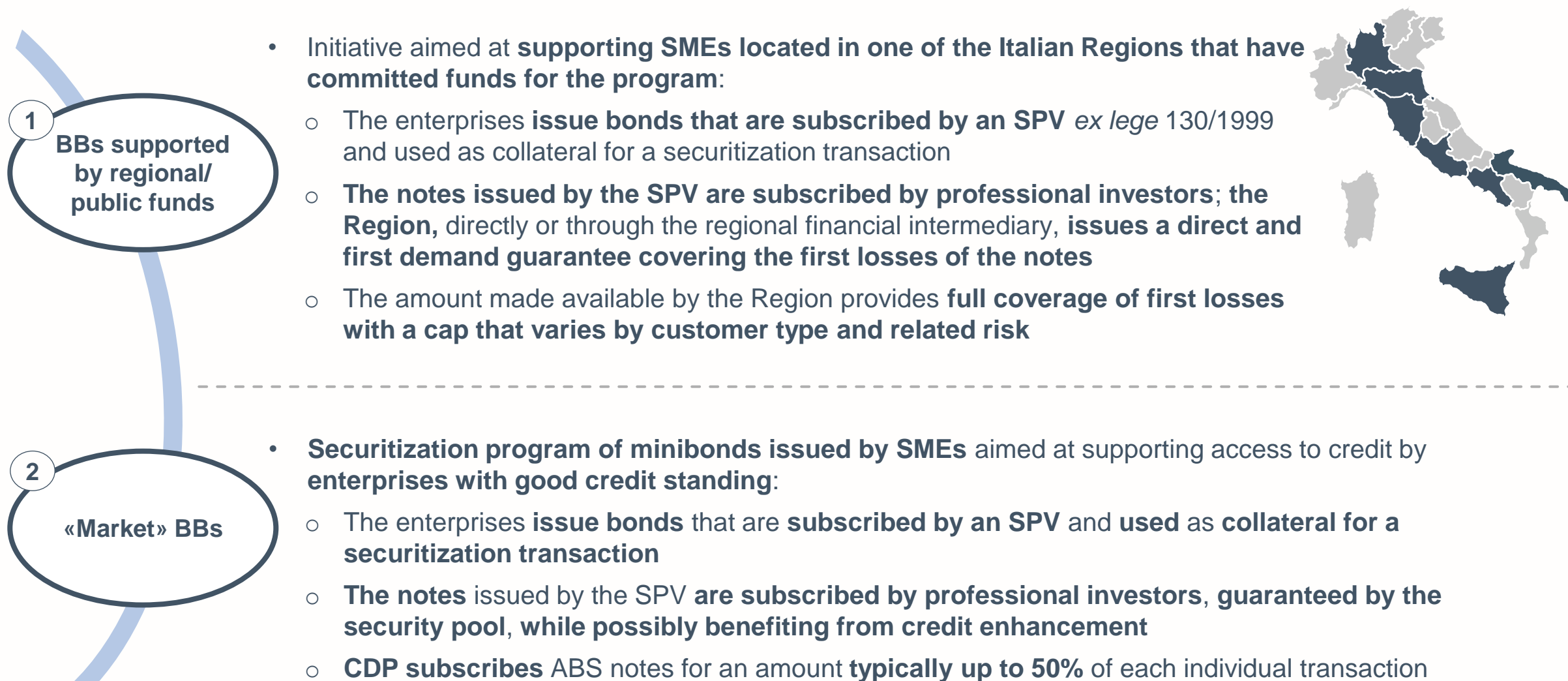
- The **Revolving Fund for Enterprises¹ (FRI)** is one of the **subsidized credit facilities instruments** that CDP offers to support the Italian productive sector
- Through the FRI, **CDP can support Ministries** in structuring interventions to **boost companies' investment plans, using public resources efficiently** and attracting private resources (i.e. banks' share of the loans)
- FRI's main features are:
 - **Subsidized interest rate: approximately 0.5%**, based on the different initiatives
 - **Subsidiary Guarantee** by Italian State on CDP's exposure
 - **Long tenors**, with a maximum duration of 15 years and a grace period of 36 months
 - **Percentage of subsidized loans** usually equal to **50% of the loan amount** in combination with an equivalent amount provided by a bank at market condition
 - **Credit assessment and loan management by partner banks** on a mandate basis
- The FRI initiatives that are being launched/ active are:
 - **FRI Agriculture**
 - **FRI Tourism**
 - **FRI Green New Deal**
 - **FRI Social Enterprise**
 - **FRI Circular Economy**

Structure

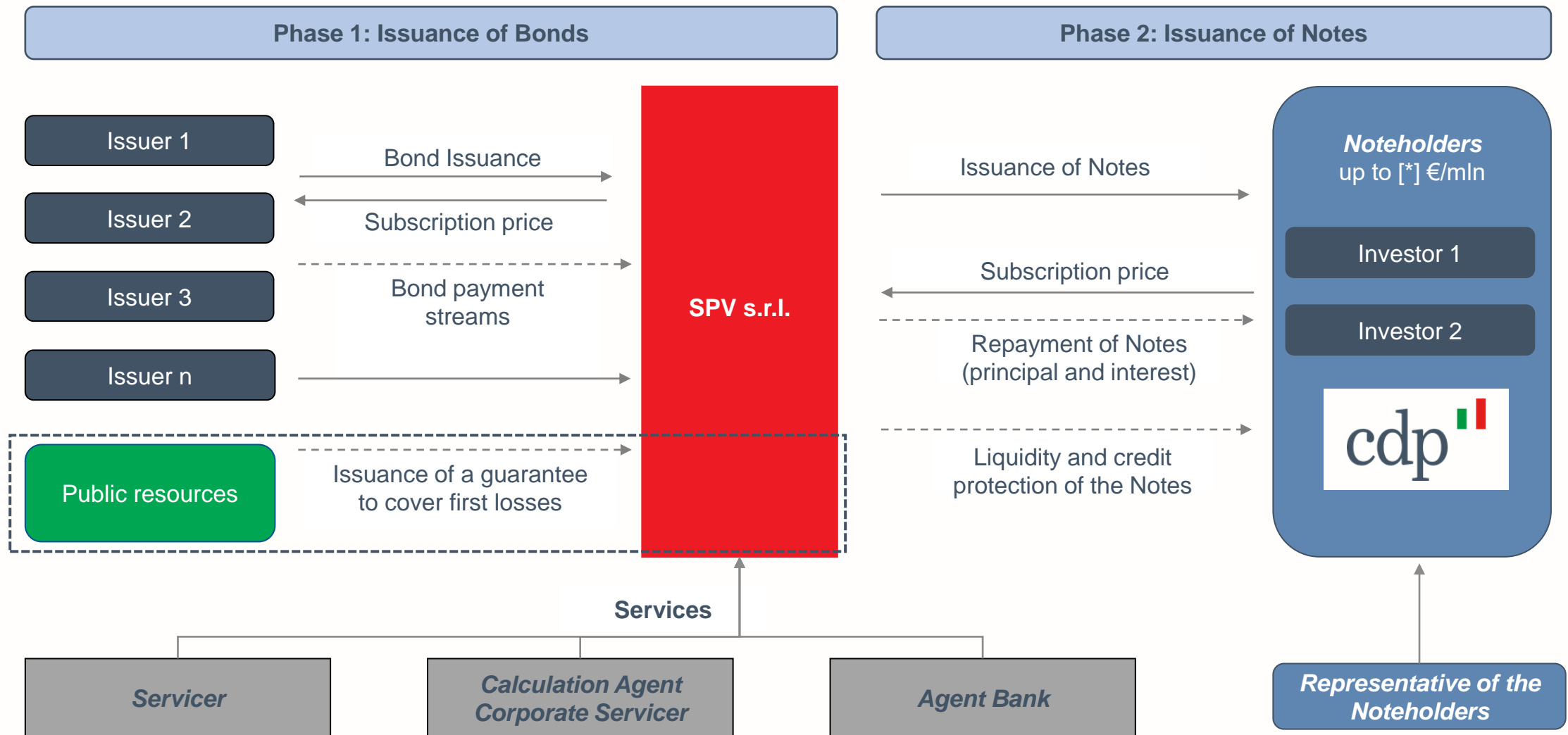


Key feature	FRI Green New Deal	FRI Economia Circolare
Framework	<ul style="list-style-type: none"> The Ministry of Economic Development (“MiSE) is enacting a measure on the “Fondo per la crescita sostenibile» (FCS) to support enterprises in obtaining subsidized loan for research, development and innovation projects, in the field of ecological and circular transition. The intervention, which pursues the goals of the "Italian Green New Deal, provides non-repayable grants, complemented by CDP’s subsidized loans 	<ul style="list-style-type: none"> The MiSE is undertaking an intervention of the “Fondo per la crescita sostenibile» (FCS) in favor of research and development projects in the circular economy to support research, development and testing of innovative solutions for the efficient and sustainable use of resources. The intervention provides non-repayable grants, complemented by CDP subsidized loans
Final beneficiary	<ul style="list-style-type: none"> Enterprises of any size engaged in industrial, agro-industrial, handicraft, industry service and research center activities 	<ul style="list-style-type: none"> Enterprises of any size engaged in industrial, agro-industrial, handicraft, industry service and research center activities
Eligible expenses	<ul style="list-style-type: none"> Projects in line with the scope of the Italian Green New Deal (e.g. decarbonization of the economy, circular economy, reduction of plastic use and replacement of plastics with alternative materials) Industrial research and experimental development activities aimed at developing new products, processes or services 	<ul style="list-style-type: none"> Industrial research and experimental development activities aimed at the realization of new products, processes or services through the development of Key Enabling Technologies (KETs) Projects should be aimed at the productive reconversion of economic activities within the circular economy
Subsidized credit facilities	<ul style="list-style-type: none"> Grant of the non-repayable contribution: 15% for industrial research and experimental development activities and advisory costs related to industrialization activities; 10% for the acquisition of fixed assets for industrialization activities FRI disbursement of the subsidized loan equal to 60% of eligible expenses 	<ul style="list-style-type: none"> Grant of the non-repayable contribution: 20% for micro, small enterprises and research organizations; 15% for medium-sized enterprises and 10% for large enterprises FRI disbursement of the subsidized loan equal to 50% of the eligible expenses
Funding	<ul style="list-style-type: none"> 150 €/mln for the non-repayable contribution 600 €/mln from FRI resources for the subsidized loans 	<ul style="list-style-type: none"> 62,8 €/mln for the non-repayable grant 157 €/mln from FRI resources for the subsidized loans

CDP plays the role of anchor investor to support the development of the “basket bond”



2c Typical scheme of a Basket bond supported by public funds



Sustainability Increasingly part of CDP's Pillars

CDP Pillars¹



Mission & Values

CDP's mission, which aims at **promoting Italy's economic, social and environmental development**, has **never changed over time**, although its scope of action has expanded considerably, even **throughout all discontinuities and transition phases** that have shaped **CDP and the Country's history**

Integrity, Inclusion, Environmental Responsibility, Impact and Expertise: the set of principles and values that CDP Group recognizes, accepts and shares are outlined in the **Code of Ethics²**, which **all members of corporate bodies and employees undertake to follow** and about which **all stakeholders** (e.g., contractors, consultants, partners, suppliers, business associates) are **informed**



Integrated Governance

CDP's **corporate governance model** is based on the **principle of sustainable development since 2021**, after the Shareholders' Meeting of 27 May 2021 approved the **amendment to CDP's By-Laws³** introducing the above principle

Within **CDP's Board of Directors**, the Risk Committee, renamed "**Risk and Sustainability Committee**", has **broadened its scope of responsibility in 2021**, being assigned with **specific functions of control and guidance concerning ESG matters**

1. Along with i) Mission and Values and ii) Integrated Governance, the four pillars on which CDP's everyday operations rest are: iii) Internal Control Systems (capable of safeguarding the Company's assets and guaranteeing observance of the applicable laws and regulations) and iv) Risk Management Model (capable of taking advantage of all opportunities that arise)
2. Further details available on CDP Code of Ethics at https://www.cdp.it/sitointernet/it/codice_etico.page
3. Further details available on CDP Articles of Association at https://www.cdp.it/sitointernet/en/statuto_cdp.page

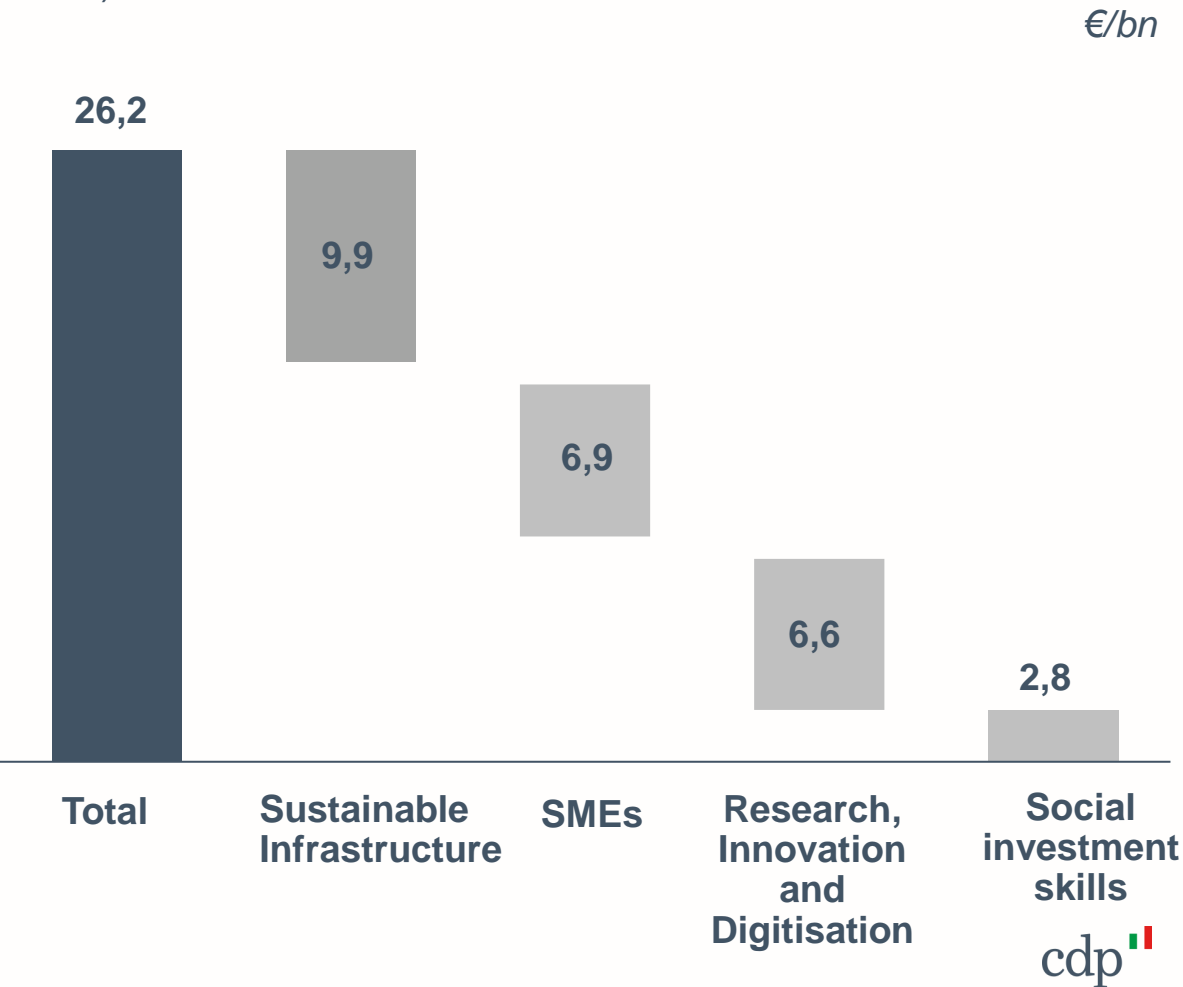
InvestEU: main features of the Program

Program Overview





- The **InvestEU Programme** supports **sustainable investment, innovation and job creation** in Europe. It aims to trigger more than 372 €/bn in additional investment in the EU over the period 2021-27
- It will **bring together**, under one roof, the **European Fund for Strategic Investments** and **13 other EU financial instruments**
- It provides for **direct access to the EU guarantee for implementing partners (IPs) other than the EIB Group**
- The three components of the Program are:
 - **InvestEU Fund: EU budget guarantees** to provide risk cover to IPs that offer financial products under the 4 policy windows
 - **InvestEU Advisory Hub: EU grants** to IPs to support the provision of advisory services in favor of enterprises or public entities to facilitate project design and development and access to finance
 - **InvestEU portal: dedicated tool to support visibility of investment opportunities in the Union**, thus helping project promoters seeking funding opportunities

InvestEU guarantee allocation per policy windows

Available guarantees up to 26.2 €/bn (financial envelope of 10.28 €/bn)



CDP and CDP Equity as Italy's Implementing Partners of the InvestEU program

Main steps	Description
  Pillar Assessment	<ul style="list-style-type: none">Starting from November 2019, CDP and CDP Equity have undergone an assessment exercise through which the EU evaluate an organisation's compliance with the European Commission's (EC) requirements for indirect management (so-called "Pillar Assessment")The Pillar Assessment process was successfully concluded on October 2021 for CDP and on April 2022 for CDP Equity, which were respectively accredited by the EC to become Implementing Partners of the InvestEU program for the period from 2021-2027
 Call for Expression of Interest	<ul style="list-style-type: none">CDP and CDP Equity participated in the first Call for Expression of Interest under the InvestEU Fund (two cut-off dates in June and October 2021), requesting an overall guarantee amount of 1 €/billion to support financial products to be offered under all the 4 policy windowsCDP also participated in the Call for Expression of Interest for the InvestEU Advisory Hub to become an EC Advisory Partner (requesting the maximum contribution amount: 5 €/mln per Advisory Partner)
 Agreements with the EC	<ul style="list-style-type: none">Negotiations with the EC started in January 2022. The signing of the guarantee agreements under the InvestEU Fund (for both CDP and CDP Equity) is expected by the of Q3 2022The negotiations under the InvestEU Advisory HUB ended last July 4th, with the signing of the contribution agreement between CDP and the EC

InnoRate - a European Technology Assessment Tool

Possibility of Joint Effort for Building
Internationally Accepted Technology Rating
System

Hee-Chang (Leo) PARK

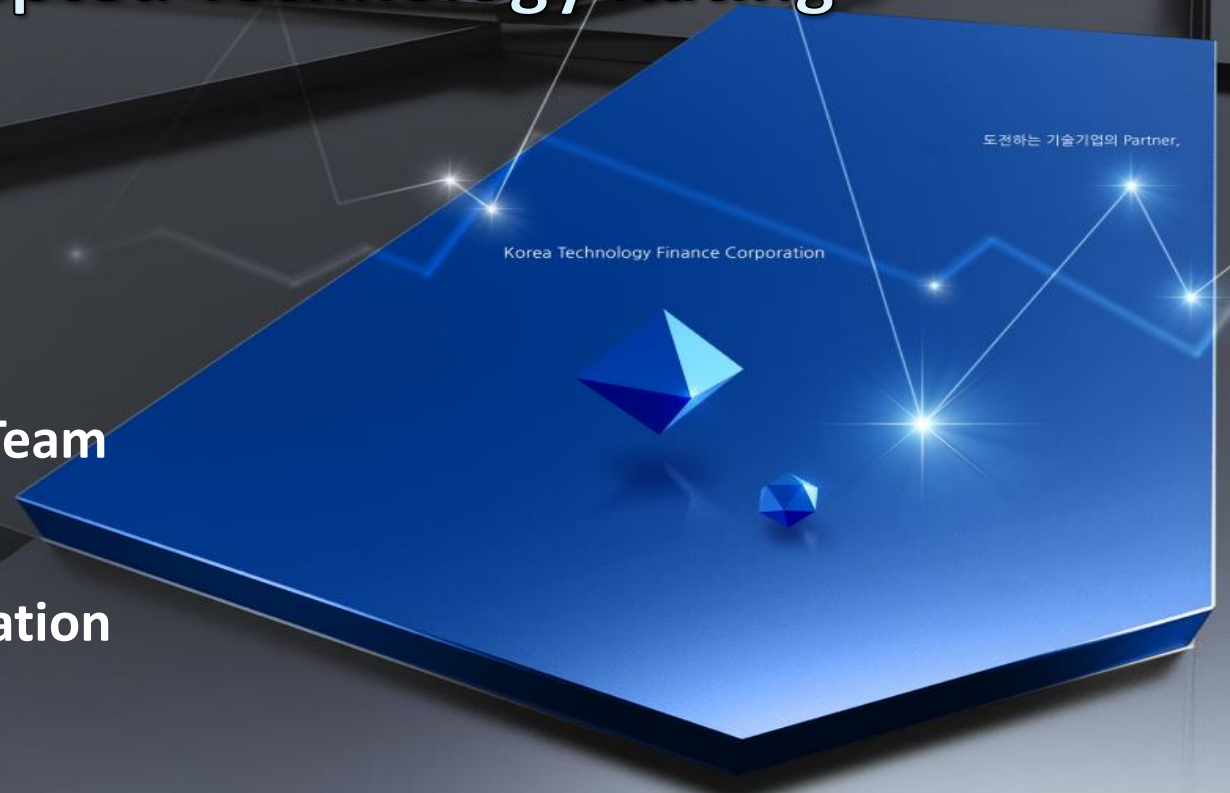
Team Head & Director

Technology Evaluation Modeling Team

Technology Appraisal Department

Korea Technology Finance Corporation

(KOTEC/Kibo)



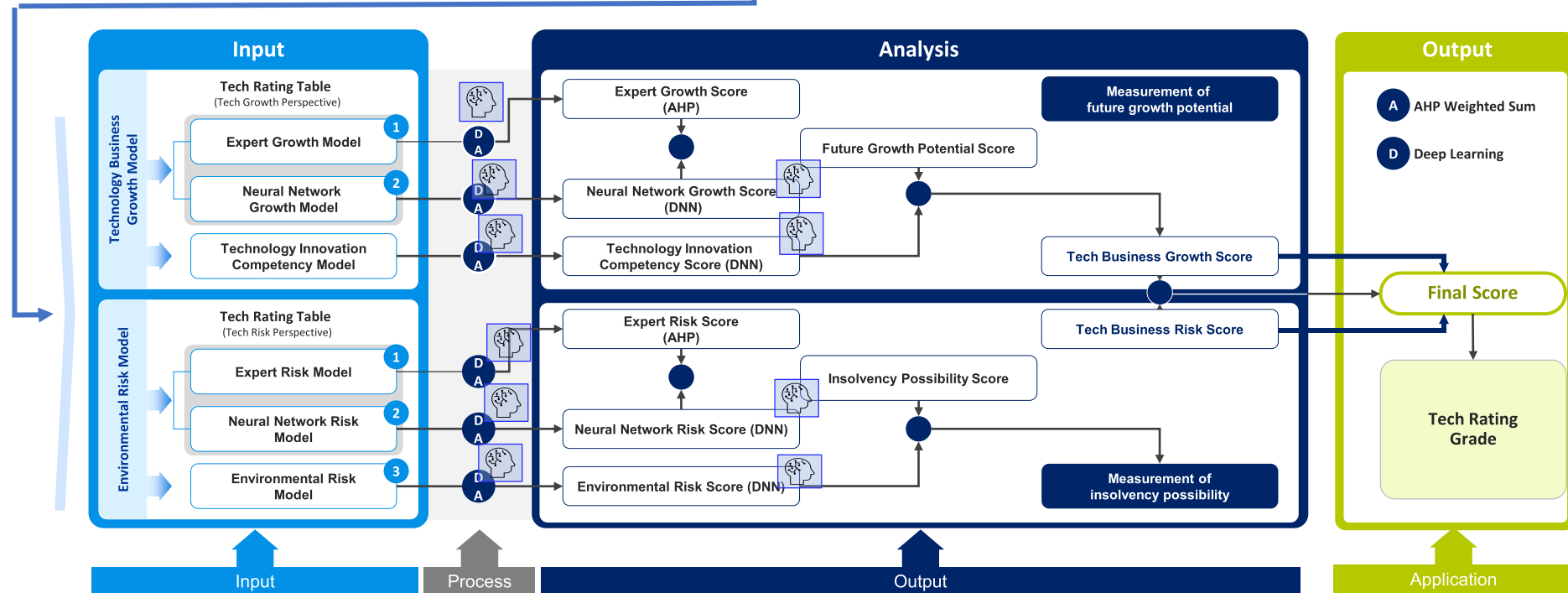
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About InnoRate and TRS cooperation



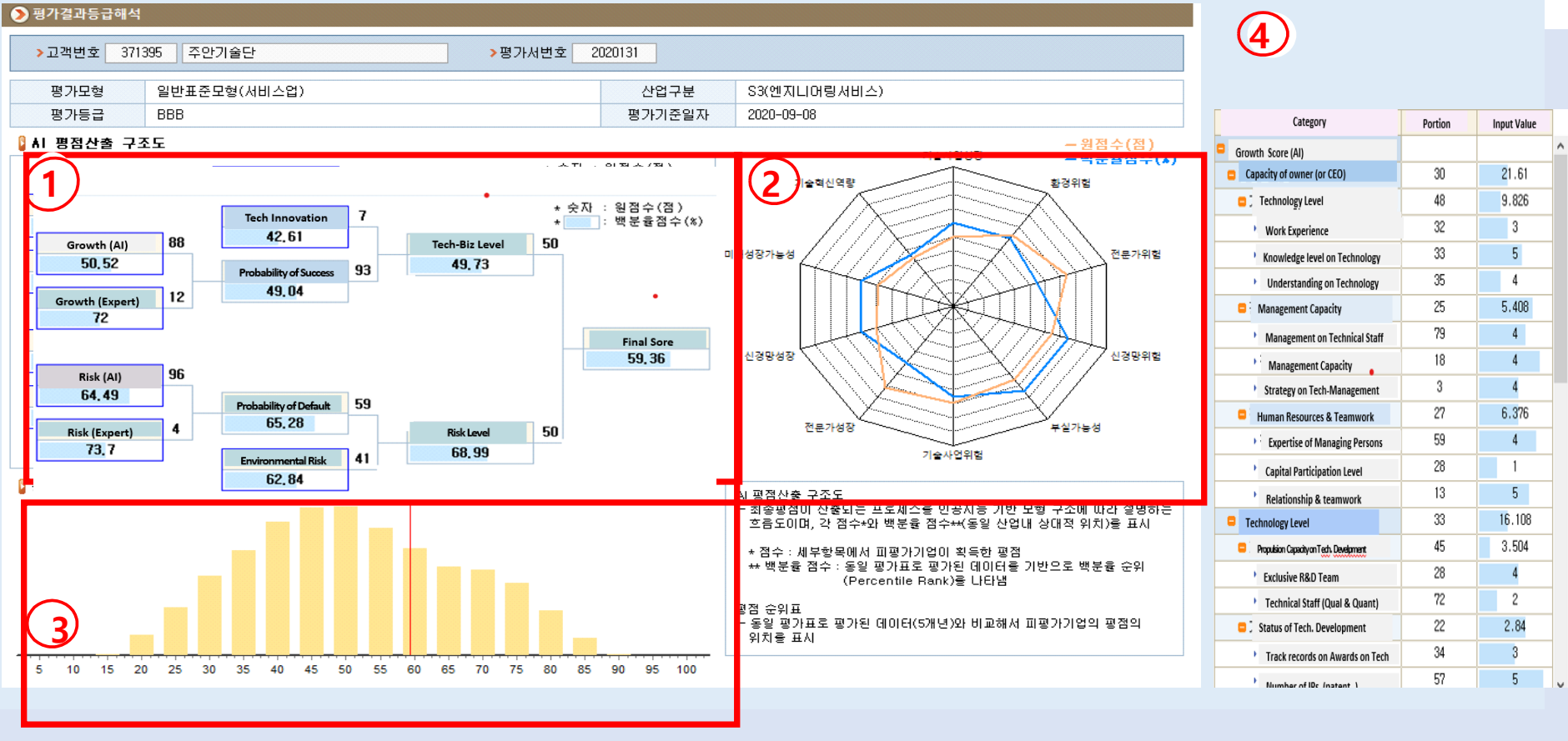
New Version of KTRS (AiRate): Big Data & AI (from Jan.2021)

External
Data



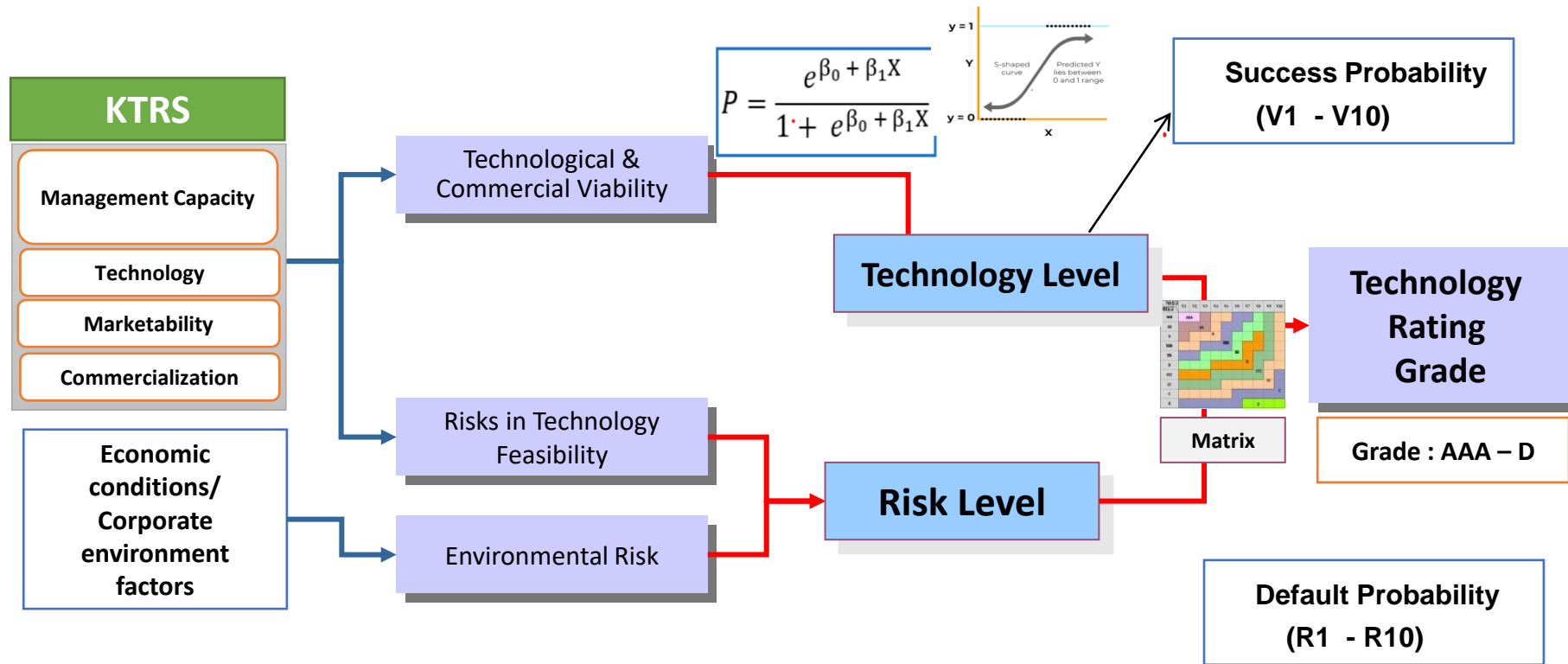
- 1 **Big Data** Based Scoring Algorithm: Leverage many open API and Cumulated Evaluation Data
- 2 Enhance **Predictive Power** of Model through **AI** (Deep Learning Algorithm)
- 3 **Man-Machine collaboration** through the organic combination of evaluations by artificial intelligence and experts

Tech Rating Results Analysis Module



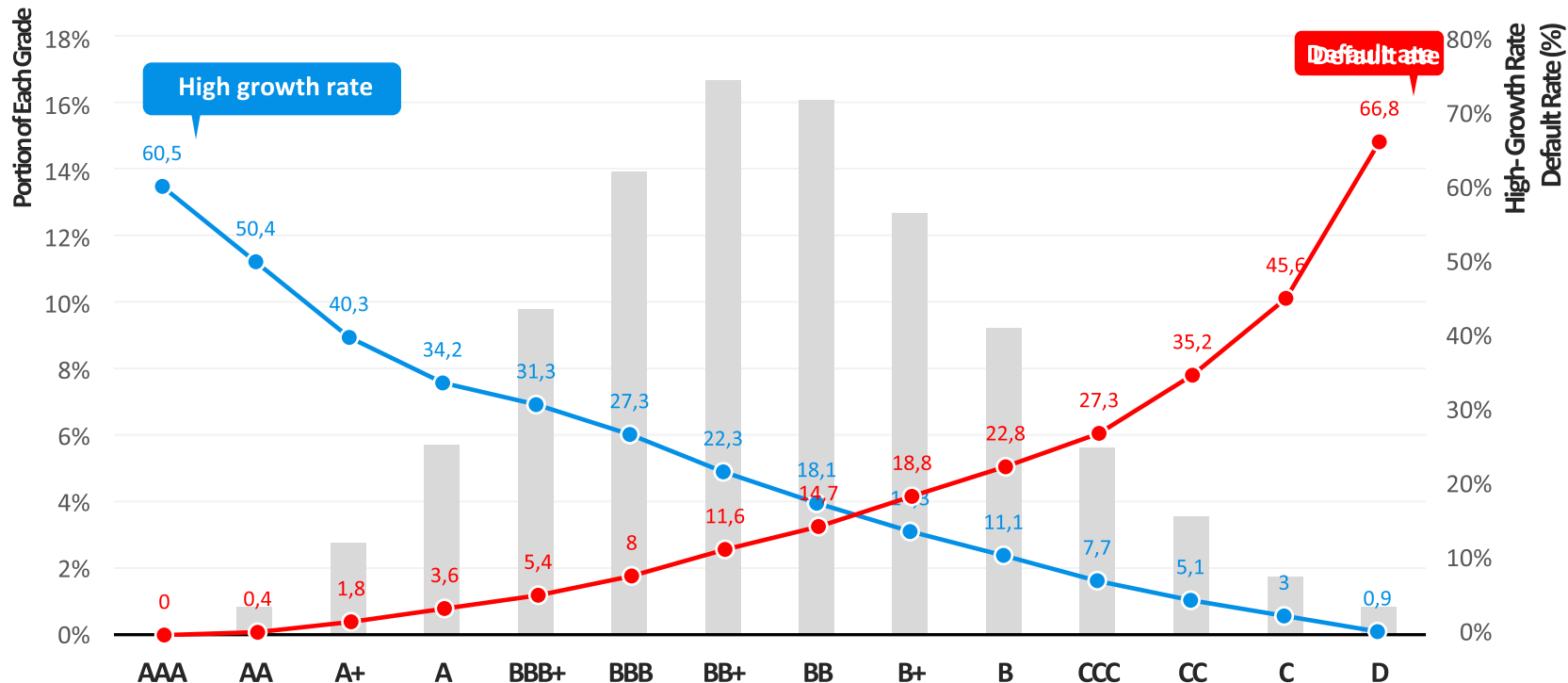
- ① Based on the algorithm structure of the entire system, the flow of scoring and the **percentile rank** for individual scores are provided
- ② The '①' item is provided in the form of a **radar chart** to increase visibility (Comparison AI score vs. Expert Score)
- ③ The distribution and position of tech rating data and scores in individual sub-models are provided
- ④ Provides scores and percentile ranks for input variables (each criteria) in a sub-model

It is possible to interpret the final grade by providing the appraiser with the flow of score calculation and the score and percentile rank for each sub-model



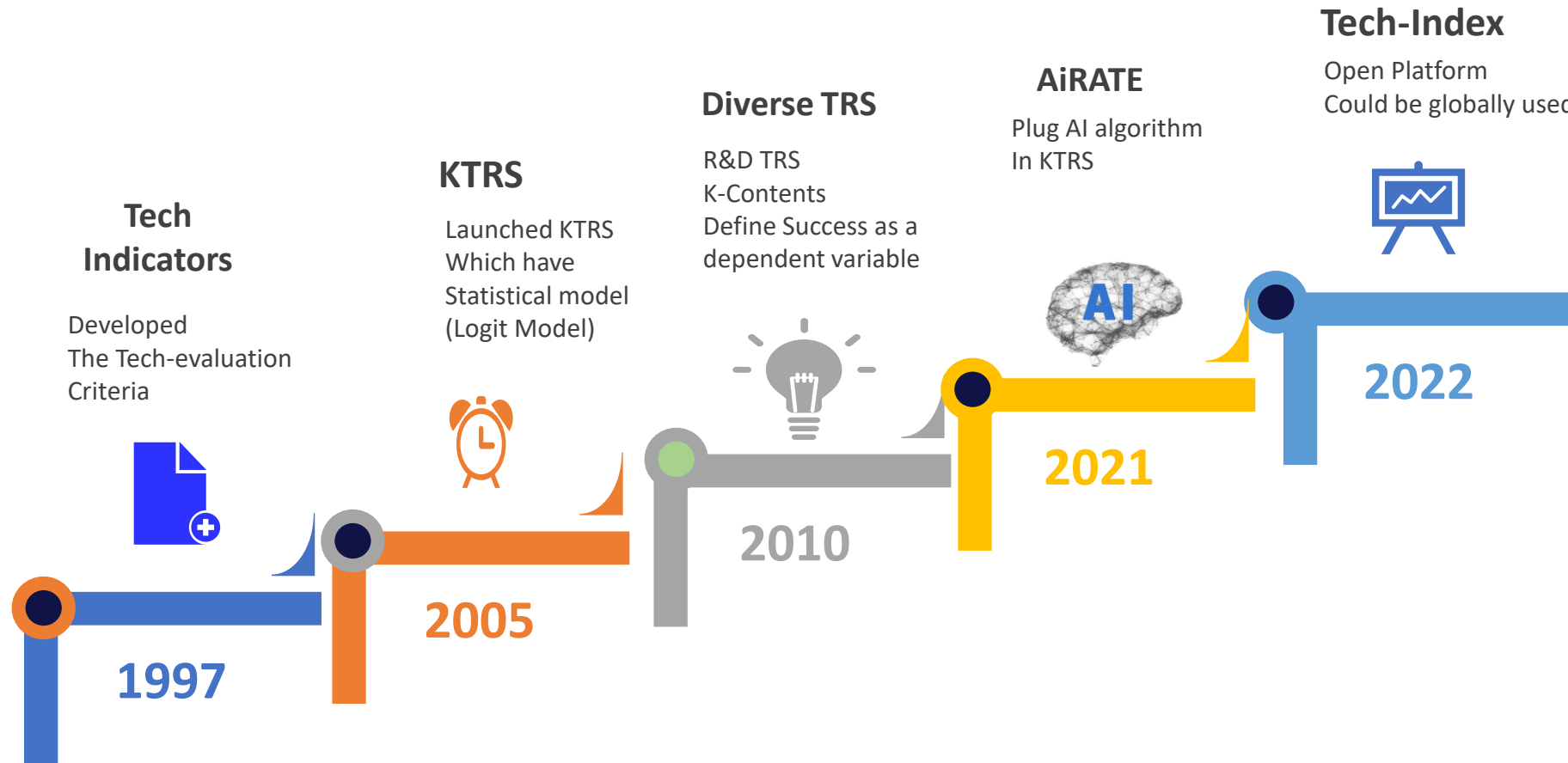
- The algorithm is based on AHP and Logistic regression
- But, it was hard to make a balance predictive power on success and risk(default) at the same time
- Need a re-scaling & recalculation process annually

Feature: Well-Balanced Distribution of SAGR and Default Rate by Grade



- Growth-measuring index ➡ High growth rate & Risk measuring index ➡ Default rate
- Shows higher correlation between KTRS grade and default rate in real case
- In the case of general credit-based financial institutions, the adequacy of credit rating was measured based solely on the default rate.
- Since KOTEC is a policy-based financial institution, it required a measuring index for the “growth potential” of an enterprise. The “high growth rate (SAGR : Size-Adjusted Growth Rate)” criterion is applied.

Development of KTRS



KOTEC strived to future develop its Technology Rating System through the various cooperation with inside/outside of Korea

What is InnoRate Project?

- InnoRate is a H2020 project that aims to facilitate tech-driven SMEs showcase their potential and access more easily financial solutions necessary to scale and grow.
- For more information, please click www.innorate-project.eu

Overview of InnoRate Consortium

Topic	“Data-driven tools for supporting and improving the decision-making processes of invest for financing innovative SMEs”
Start Date(Duration)	1 January 2019 (36 Months)
EU Budget	€ 2.998.00,00

**Q-PLAN INTERNATIONAL**

ADVISORS PC
WWW.qplan-intl.gr

**TECH TOUR GLOBAL**

Bulgaria
www.techtour.com

**EY ADVISORY S.p.A**

Italy
www.ey.com

**EUROPEAN BUSINESS AND INNOVATION CENTRE**

NEWWORK AISBL
www.ebn.eu

**JOLT CAPITAL SAS**

France
www.jolr-capital.com

**WHITE RESEARCH SPRL**

Belgium
www.white-research.eu

**ONTOTEXT AD**

Bulgaria
www.ontotext.com

**UNISMART PADOVA**

ENTERPRISE S7|
ITALY

**KOREA TECHLOGY FINANCE CORPORATION(KOTEC)**

Republic of Korea
www.kibo.or.kr



**Exceptional case co-working with
countries outside of EU area**



InnoRate Technology Rating System

InnoRate Technology Rating System (ITRS)

"A forward-looking technology assessment and rating methodology for the European context"

Leverages an objective and tested technology assessment and rating methodology (KTRS).



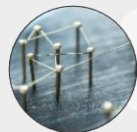
The KTRS has a track record of assessing over 200,000 cases and helping SMEs acquire more than EUR 75 billion of guarantee funding in the Republic of Korea.



Grasps both quantitative and qualitative (hard-to-quantify) aspects of the technological potential – rates the market potential and risk of an innovation.



Comprised of 36 assessment indicators in 4 business perspectives: Management, Technology, Marketability, and Business Feasibility



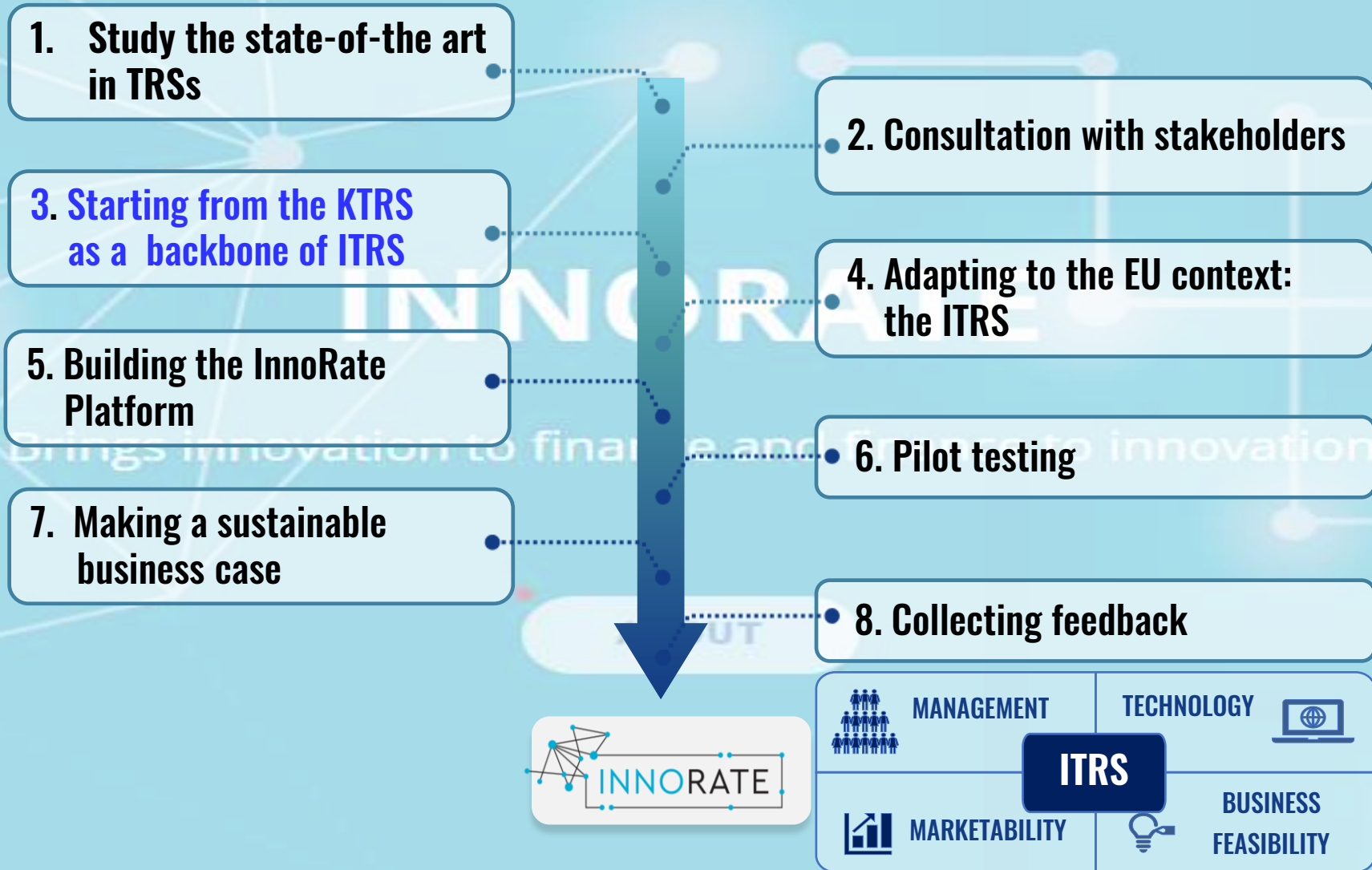
Customisable rating weights per use case and per company's development stage (start-up, growth, mature).



Easily applied to companies in diverse technological domains.

Source: InnoRate Consortium Presentation for European Big Data Value Forum, <https://ebdvf.eu>

Developing InnoRate Technology Rating System



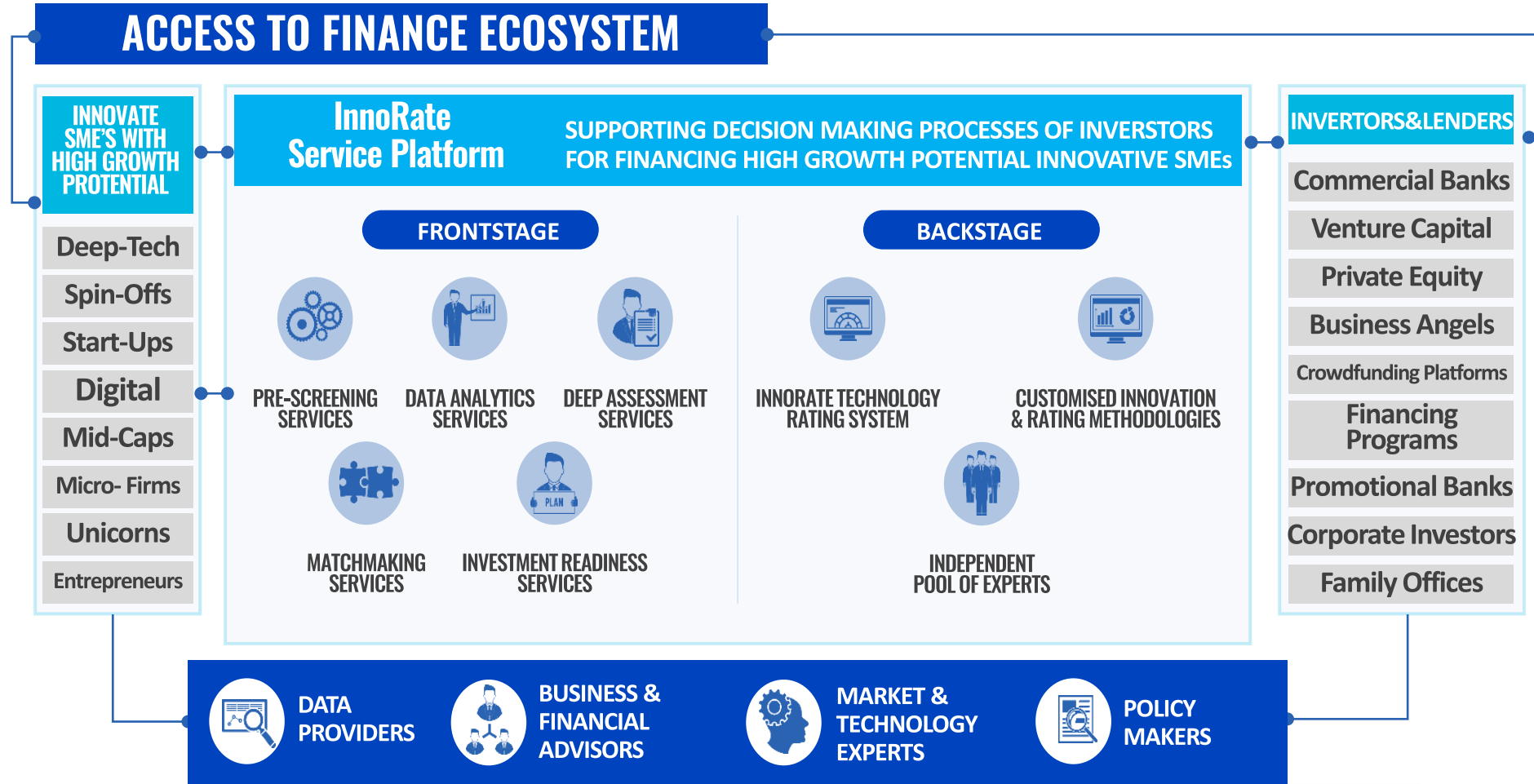
InnoRate Technology Rating System : Focus Indicators

✓ InnoRate has the similar structure(module) and indicators compared with KOTEC's TRS indicators
(KTRS + TRS for R&D + α)

✓ Difference: InnoRate has two assessment process (quick assessment + deep assessment)

	MANAGEMENT	TECHNOLOGY COMPETENCY	MARKETABILITY	BUSINESS FEASIBILITY
QUICK ASSESSMENT	<ul style="list-style-type: none"> • Work Experience in the Same Industry • Technical Expertise • Production and Utilization of IPR • Capital participation 	<ul style="list-style-type: none"> • R & D Organization • Technical Employees • R&D Environment • Technology Development Achievement & Awards • Retention of IPRs • Management of Technology Development 	<ul style="list-style-type: none"> • Market & Growth Potential • Competitive Environment 	<ul style="list-style-type: none"> • Production capacity • Funding Capacity
DEEP ASSESSMENT	<ul style="list-style-type: none"> • Technical Understanding • Management of Technical Employees • Management Competency • Technology management strategy • Professional Expertise of the Management • Relationship between CEO and Management and Management Capability 	<ul style="list-style-type: none"> • R & D Investment • Management of Technology Development • Uniqueness of Technology • Difficulty of Imitation • Phases in tech life cycle • Commercialization Stages of Technology • Independence of tech • Ripple effect of tech 	<ul style="list-style-type: none"> • Size of target market • Legal Factors • Awareness • Market share • Competitive Advantage of Product(s) 	<ul style="list-style-type: none"> • Marketing capacity • Appropriateness of investment size • Funding Capacity • Diversity and stability of markets • Return on Investment (ROI) Potential

Overview of InnoRate Platform



Platform which crowds in private financial institutions to the area of 'technopreneurs'

Long & Deep Discussion of Developing TRS with EU

Jun. 2013 (Euro-SME 2013)



Nov. 2012 (IPF Final)



Nov. 2011 (IPF Study Visit)



May 2017 (DG RTD)



Nov. 2017 (Agreement with EIB)



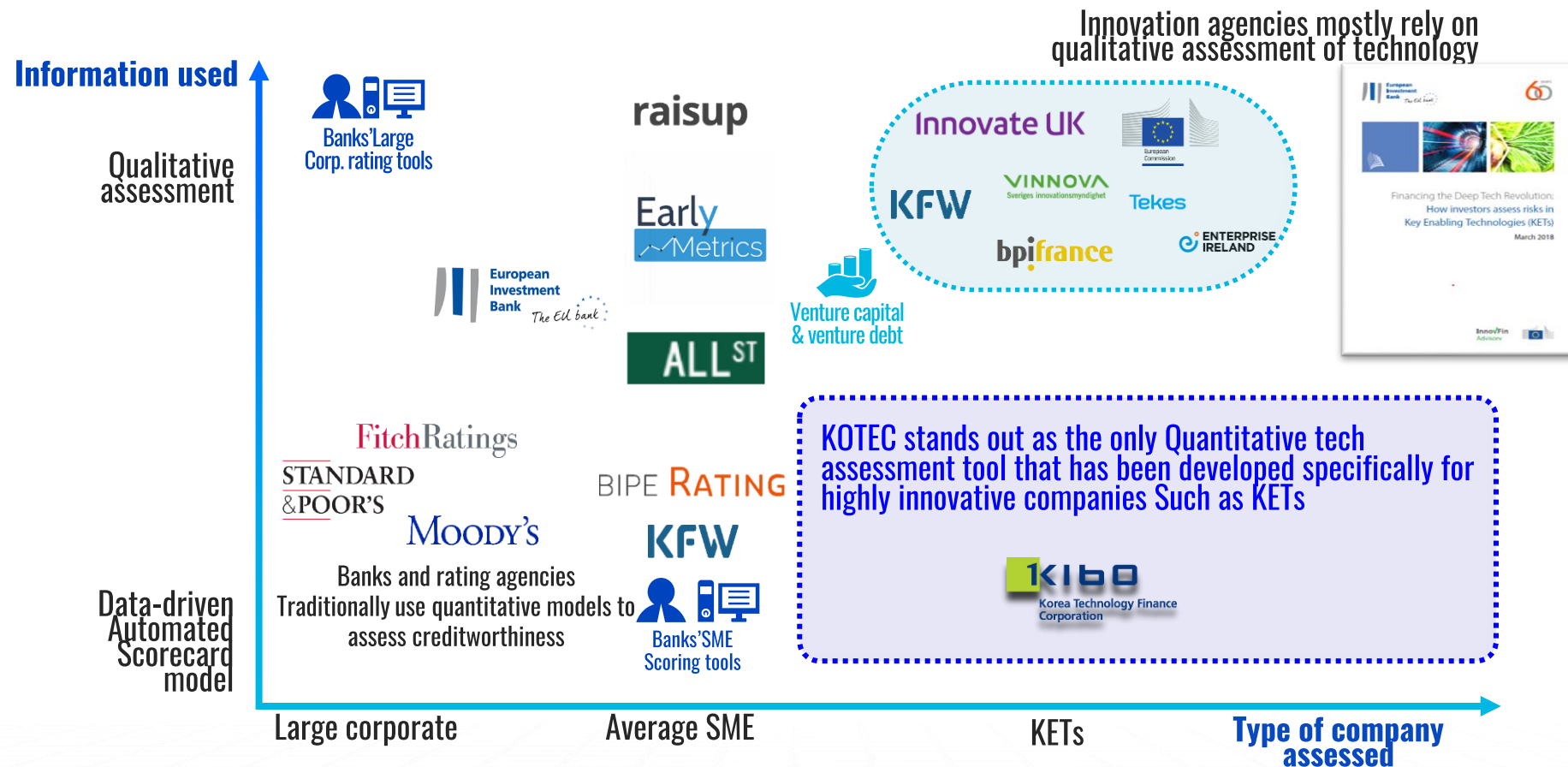
Jan. 2018 (Pilot Test)



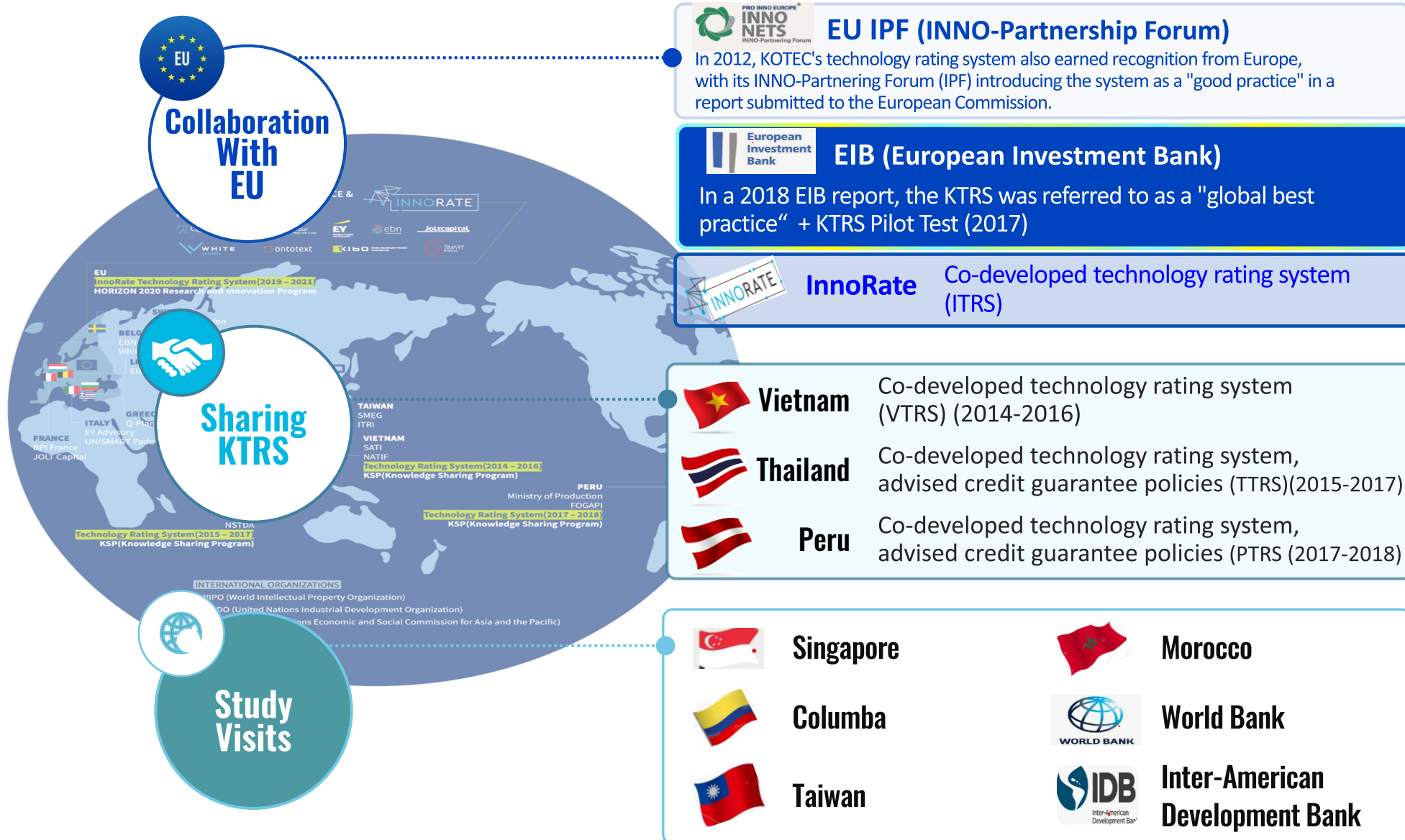
InnoRate Project was not realized just in a day....it has been through many researches and studies

The Reason Behind of KTRS in Europe

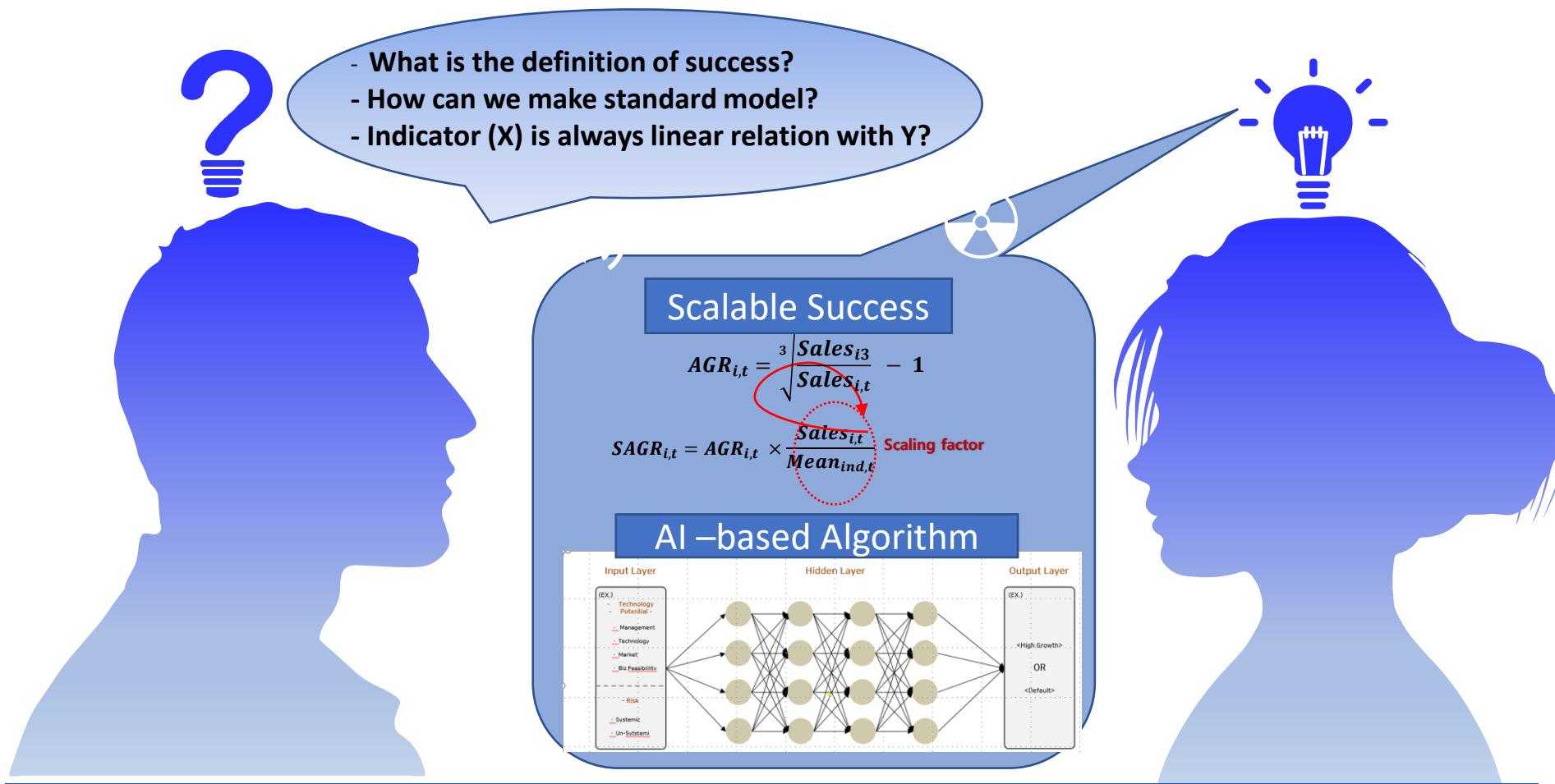
- ✓ InnovFin Advisory (EIB) published "Financing the Deep Tech Revolution" (March 2018) selected KOTEC's case as one of the best practice
- ✓ The report to reduce information asymmetry and effective rating tool for highly innovative companies such as KETs (Key Enabling Technologies)



KOTEC's Global Cooperation Activities on Introducing KTRS



Transferring KTRS is not just giving...It's a learning opportunity




- The insightful questions during co-projects inspired KOTEC to further develop its KTRS
- KOTEC found the value of co-project and knowledge sharing
- started to think of co-studying the possibility to develop globally accepted TRS

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116



What is TRS?

Why TRS is important?



Why Technology Appraisal(Rating) is important for SMEs?

Case 1 OO Implant Ltd.

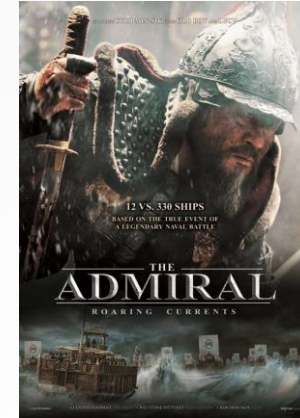
- Founded in 25 Jan 1988
- Transformed its major products from Toothpaste to Implant
- Unique 3D design Implant using Laser Beam Scanning
- 45 Patents (including Pending)
- Financial Credit Rate **CC** (Poor Cash Flow ↔ Too Much R&D)
Vs. KTRS Rate **A** (Strong IP, Technical Staff...)
- Became the 3rd market player in Korea (export to 70 countries)



Why Technology Appraisal(Rating) is important for SMEs?

Case 2 OO graph Co.,Ltd.

- Graphic Design startup which produces special effects on film making
- Wanted to receive licensing agreement from a research institute (ETRI*)
* ETRI: Electronics & Telecommunications Research Institute
- “Multi-point of view computer graphics” → Saving Time
- Needed Money for licensing contract
- Financial Credit Rate **B-** (No Financial Record)
Vs. KTRS Rate **A** (Technological edge. Technical Market Feasibility)
- The moive “The Admiral” had 17million viewers (the unbreakable records in Korea)



Credit Rating System vs. Technology Rating System

Credit Rating System	Technology Rating System
Predicts the credit risk for an enterprise	Predicts the commercialization probability for a technology held by an enterprise
Focuses on the history of an enterprise Assessment base - Past	Focuses on the future growth potential of an enterprise Assessment base – Future
Valuates tangible assets Factory sites, buildings, machines, etc.	Valuates intangible assets Business rights, patents, R&D expenses, etc.
Mainly analyzes financial results	Mainly analyzes non-financial results
Banks' credit rating models	KTRS (AIRATE)

In assessment of venture businesses / startups		
Credit rating system	No business history in the past	Low rating
Technology rating system	Future growth potential	High rating

Technology Rating System is an effective evaluation tool especially to Technology Driven Start-Ups as well as R&D Intensive SMEs.

The Reason behind the interest on KTRS

It is a Global Trend

Global Industry Shift

- ☐ Capital(Labor) Intensive ➡ Technology(Innovation) Intensive
- ☐ Intangible Assets (i.e. IP) became more valuable than before



Need a right measure (different point of view to evaluate)

- ☐ To find SMEs with innovative technology and idea
- ☐ Financial records of companies ≠ the real value of companies



Relieve Information Asymmetry between FIs and SMEs

- ☐ Lack of tangible collaterals in early stage SMEs
- ☐ FIs have much information on credit but not enough on tech potential of SMEs



Globally Accepted Technology Rating Criteria



It was not just a transplant process of KTRS

- KOTEC also could learn many valuables from counterparts
- became Key Drivers which further develop KTRS
- found out we have common goals around the world



How about making TRS globally accepted like CRS?

- Regular co research and study?
- Vigorous exchange of idea on how to standardized TRS
- Designing globally effective tool to identify tech-driven SMEs



Data Matters...

- If we set up the similar rating approach....then,
- Need to supplement global credit rating system
- Could be possible if we share evaluation data

Let's work together

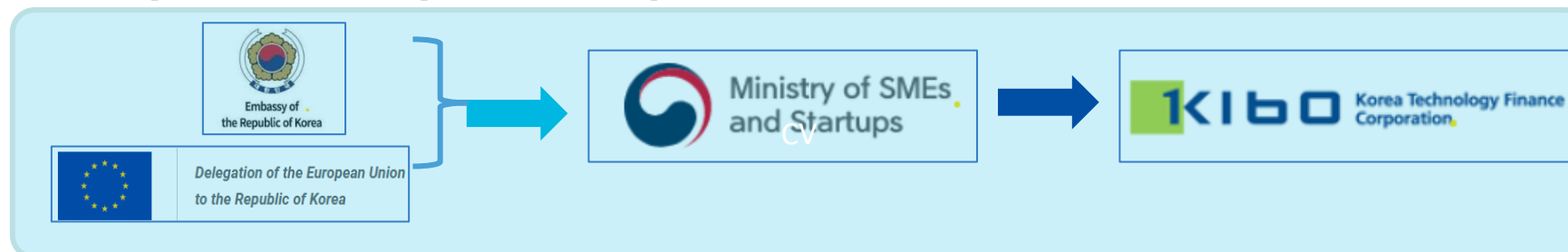
▪ The exchanges of experts (Knowledge Sharing)



▪ Co-develop the Study platform for technology rating and financial support for Tech-based SMEs

- Formulate study group under AECM or EU Study Novel Financial Products and
- Study on how to further develop TRS in a global way
- Research on novel financial products for tech-driven SMEs
- Expedite Technology Transfer/Joint R&D

▪ Official process of cooperation request





Appendix: About KOTEC



Credit Guarantee Institutions in Republic of Korea

Full Name



Korea Credit
Guarantee Fund



Korea Technology
Finance Corporation



Korea Regional Credit
Guarantee Foundation

Establishment

1976

1989

1996

Mission

contribute to the balanced development
by establishing
sound credit order

to facilitate financing of **new
technology-based startups
and SMEs**

to the promotion of welfare of
the populace in regional
economy

Target
Clients

SMEs in General

**Tech-based /
Innovative SMEs**

Regional
Micro/SMEs

Management
Ministry



Financial Services
Commission



Ministry of SMEs
and Startups



Ministry of SMEs
and Startups

+



Local Governments

Corporate
Rating System

Credit Rating System

**KOTEC Technology
Rating System(KTRS)**

Credit Rating System

What makes KOTEC differentiate from other CGCs?

Conventional Guarantee Scheme's Role

- Relieving the SMEs' problems
 - Information Asymmetries
 - Lack of Collateral
 - Transaction costs for small-scale Lending
- Effective Policy Vehicle
 - Protecting SMEs
 - Countercyclical Measure
 - Secure Employment

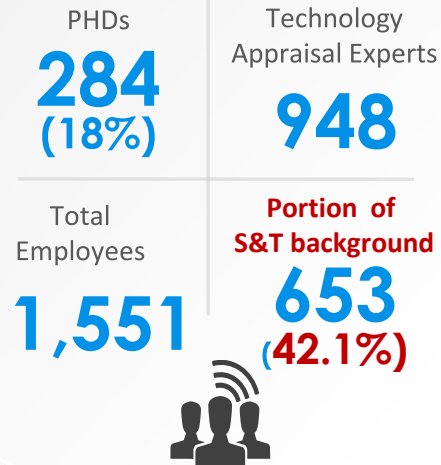


KOTEC's Role

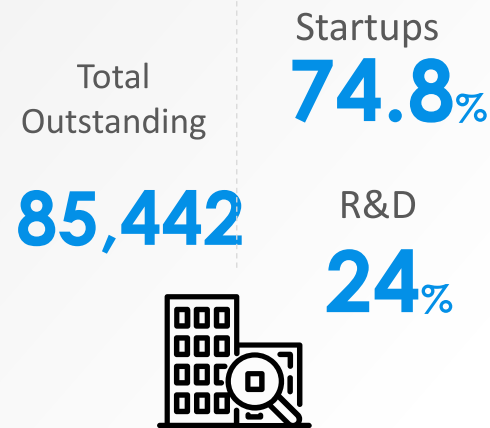
- **Bridging Innovation and SMEs**
 - Derive Business from R&D result
 - Boost R&D activities of SMES
- **Screening Next Growth Engines**
 - Small Business can be "Super Star"
 - Identifying Promising SMEs
 - Focusing on Startups
 - Keep pace with industrial Policy

**KOTEC's position is somewhere between
Innovation Promotion Agency and Credit Guarantee Institution**

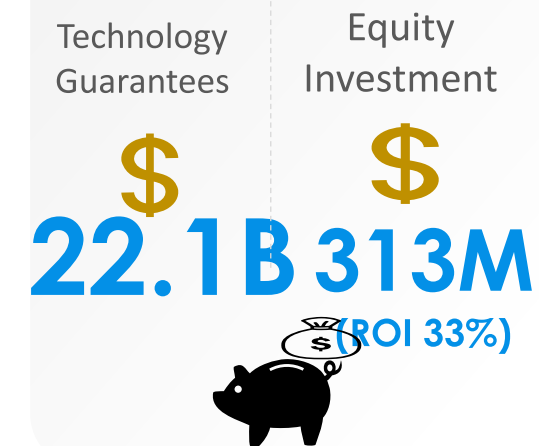
Workforce



Client Companies



Finance



TRS



Tech. Transfer



Target companies



Tech-based Start-ups

Have been established for less than 7 years

Geared with Novel Idea/Technology
Takes majority (74.8%) of KOTEC's client portfolio (as a number of companies)



Govt's Innovation Focuses

19 Next Growth Engines
6 Major Industries

IT(Information),BT(Bio)NT(Nano),CT(Culture), ET(Environment), ST(Space) **Take +40%** of KOTEC' client portfolio (as a number of companies)

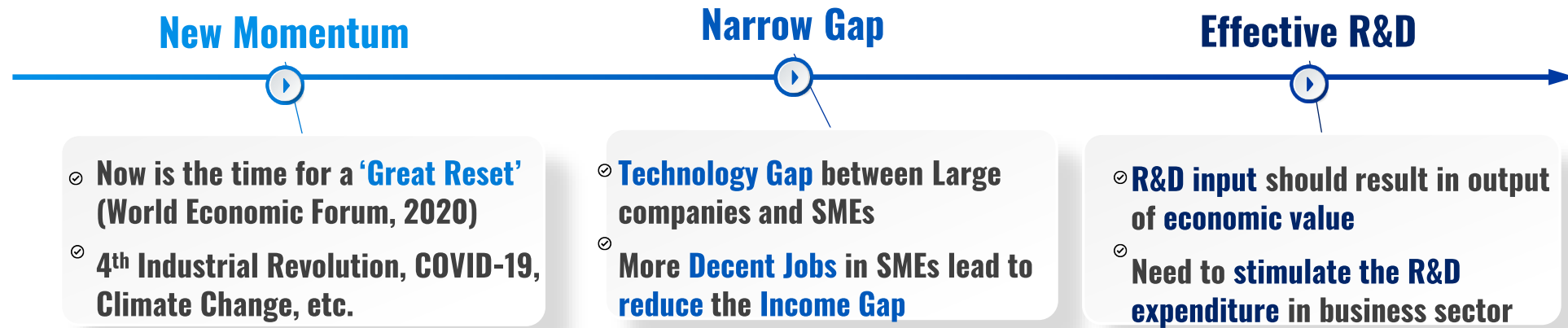


Knowledge-based Services

Engineering
Cultural Contents

TV Drama, Musical, Game (Online, Mobile), Character, Animation

Major Mission of KOTEC



Gross Domestic Spending on R&D, 2019, % of GDP, OECD data

Rank	Country	% of GDP	Rank	Country	% of GDP
1	Israel	4.93	17	European Union(27)	2.11
2	Korea	4.64	20	United Kingdom	1.75
3	Chinese Taipei	3.49	22	Canada	1.59
4	Sweden	3.38	24	Italy	1.46
5	Japan	3.20	29	Spain	1.12
6	Germany	3.19	38	Argentina	0.46
9	United States	3.06	39	Colombia	0.32
13	China	2.11	40	Mexico	0.28

- KOTEC contributes to the R&D capacity of SMEs and Startups
- KOTEC leads the R&D results to the success in the commercial market

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129

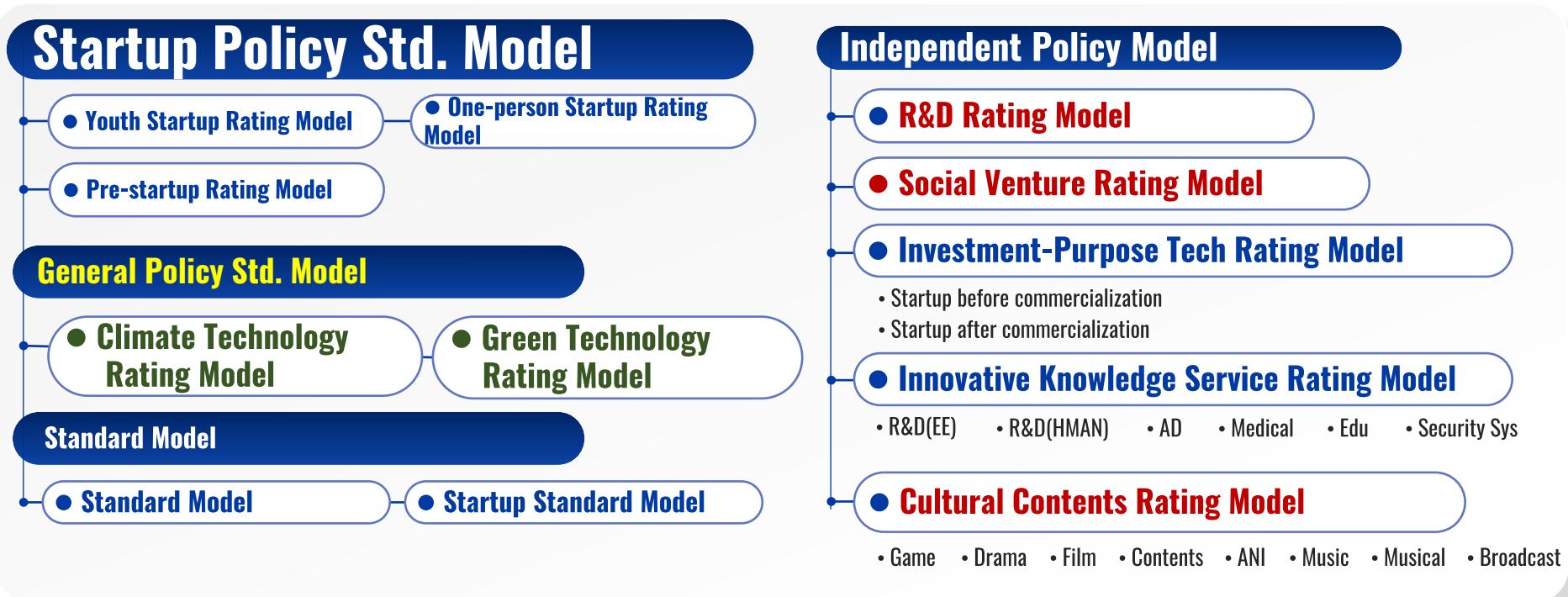
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Diverse Type of KTRS

2 Industry Groups – 10 Industries

Manufacturing Group (M)	Metal.	Mech.	EE	Chem, Textile	Env. Bio	Other Mfg.
Service Group (S)	S/W	IT Service	Engineering Service	Other Service		

4 Categories 12 Models



Thank You Stay in Touch

33 Munhyeon Finance St., Nam-Gu, Busan, Korea 48400

Tel : +82-51-606-7632

Email : 1414@kibo.or.kr, leopark91@gmail.com

Leo (Hee-Chang) PARK

KOTEC

Adding Value to Technologies

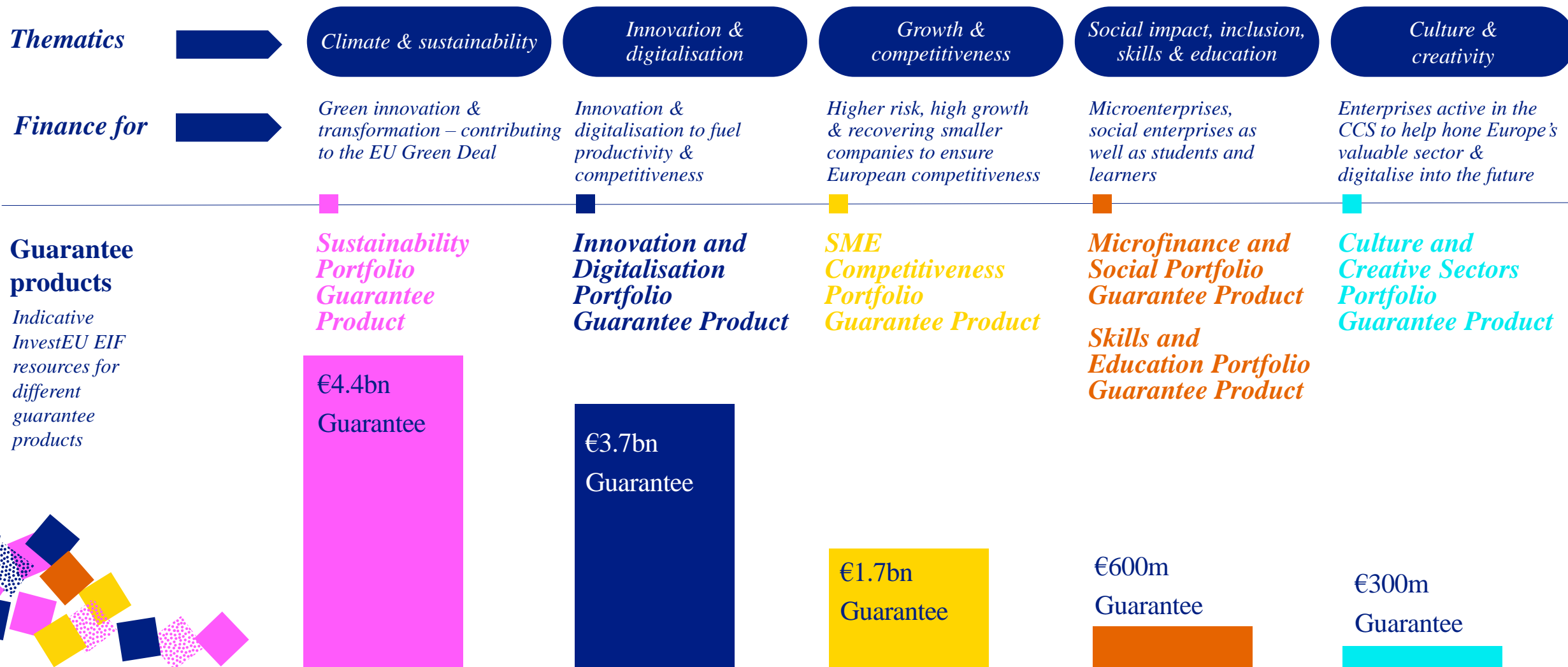
「No.1 Partner for Innovative Growth of SMEs and Startups」



InvestEU – EIF Guarantee Products



Total of EUR 10.7bn available across a range of products & target areas



IEU – Implementation status

130 Applications received*

- Covering one or more thematic products
- Most financial intermediaries (FIs) applied for at least two thematics - in total **314 requests for IEU guarantee products**

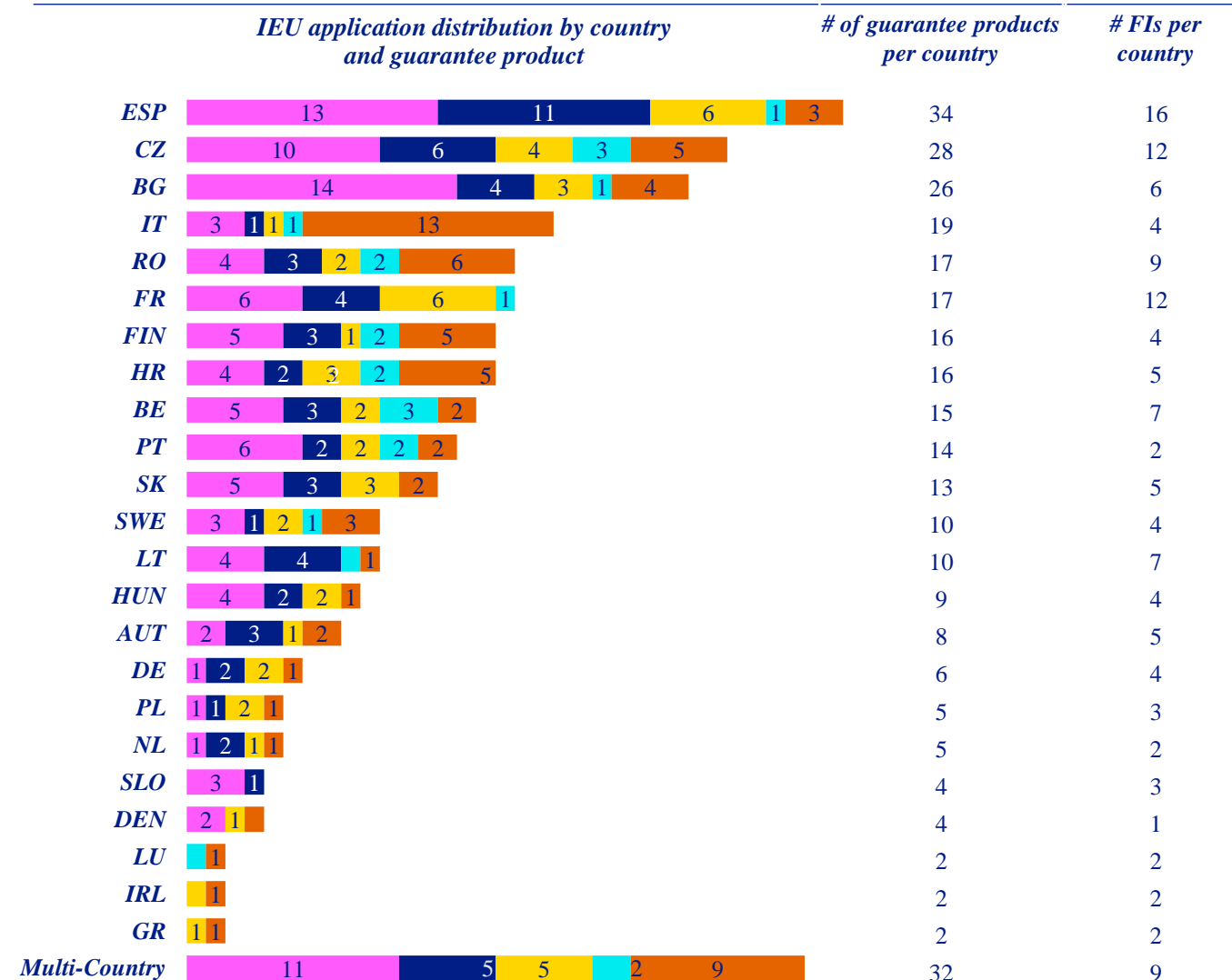
of requests per IEU guarantee products



Covering 23 EU Member states

- Applications from Malta, Cyprus and Estonia expected to come by YE

Requested amount exceeds available budget





aecm
ASOCIACIÓN EUROPEA DE INSTITUCIONES DE GARANTÍA

THE GUARANTEES COUNTERCYCLICAL ROLE PERSPECTIVES AND TRENDS



REGAR
RED IBEROAMERICANA DE GARANTÍAS

SEPTIEMBRE 2022

OPERATES AS IBEROAMERICAN NETWORK SINCE 1998, ESTABLISHED AS AN ASSOCIATION IN 2017
24 SUCCESSIVE EDITIONS OF THE IBEROAMERICAN FORUM ON GUARANTEE SYSTEMS.



11 Countries
19 Institutions

STRATEGIC PARTNERS



STATISTICS

Observatory of the statistics of Latin American guarantee systems/schemes, Spain and Portugal

ANNUAL SURVEYS

Comparative analysis, Latin American and European.
Collaboration of **REGAR – AECM**

STUDIES AND PUBLICATIONS

"Guarantees and Financing", collaborative publications with other institutions, since 2008



SCIENTIFIC SPACE

Research and publications on guarantee systems in the scientific and academic fields.

TASK FORCE

Impact and Additionality Assessment Guidelines on 'greening' credit guarantee schemes

INTERNSHIPS AND TRAINING

Within the framework of the Ibero-American Forums and **Annual Internship Program**



DIMENSION OF THE REGION'S GUARANTEE SYSTEMS 2020

A SIGNIFICANT INCREASE IN THE ACTIVITY OF GUARANTEES, PARTICULARLY IN PROGRAMS TO SUPPORT THE RECOVERY OF PRODUCTIVE ACTIVITY, WITH RELEVANCE OF NATIONAL COVID GUARANTEE PROGRAMS

**CURRENT
GUARANTEES**

66,203
Mill. US\$

203%



**CURRENT
CREDIT**

88,658
Mill. US\$

121%



SMEs

6,414,186

82%



**GUARANTEES
/ YEAR**

53,957
Mill. US\$

297%



**CREDIT
/ YEAR**

75,122
Mill. US\$

103%



**SMEs
/ YEAR**

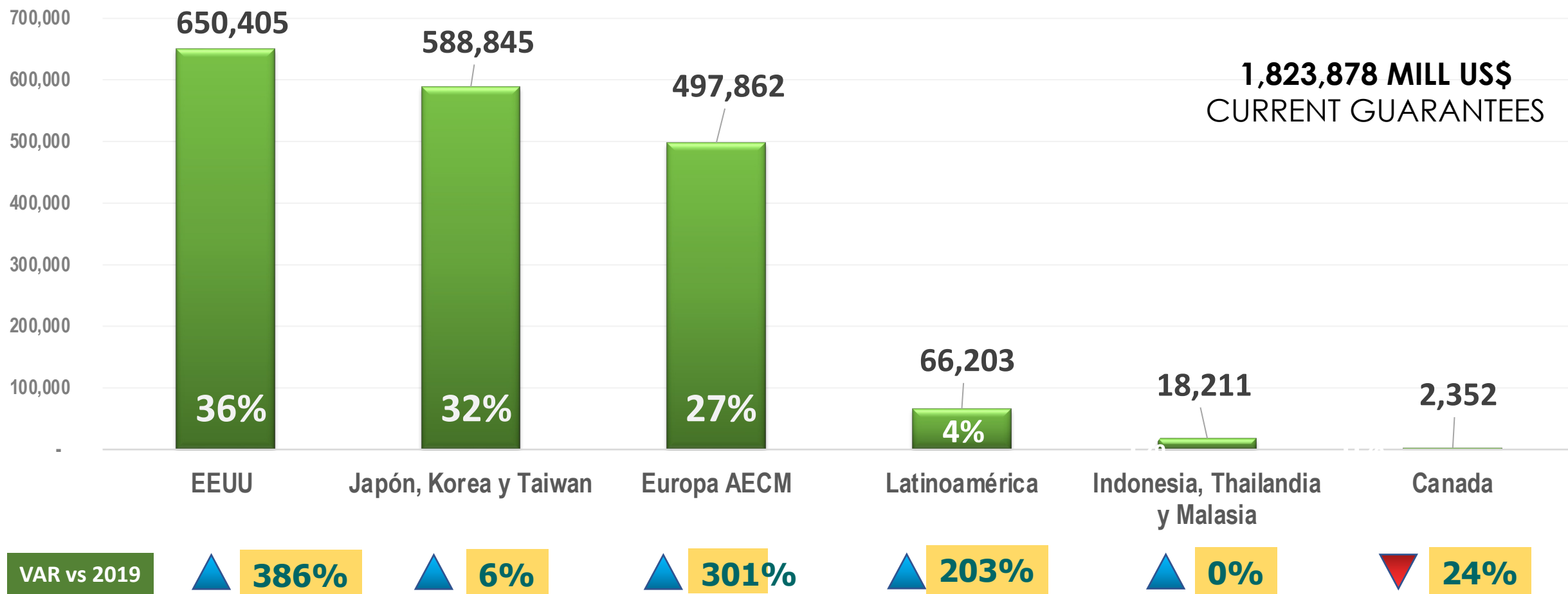
3,457,305

170%



A GLOBAL VISION: **CURRENT GUARANTEES** 2020 (millions US\$)

LATIN AMERICA INCREASES 203% BEING ONE OF THE REGIONS WITH THE HIGHEST GROWTH AND MORE THAN 66 BILLION US\$ IN CURRENT GUARANTEES

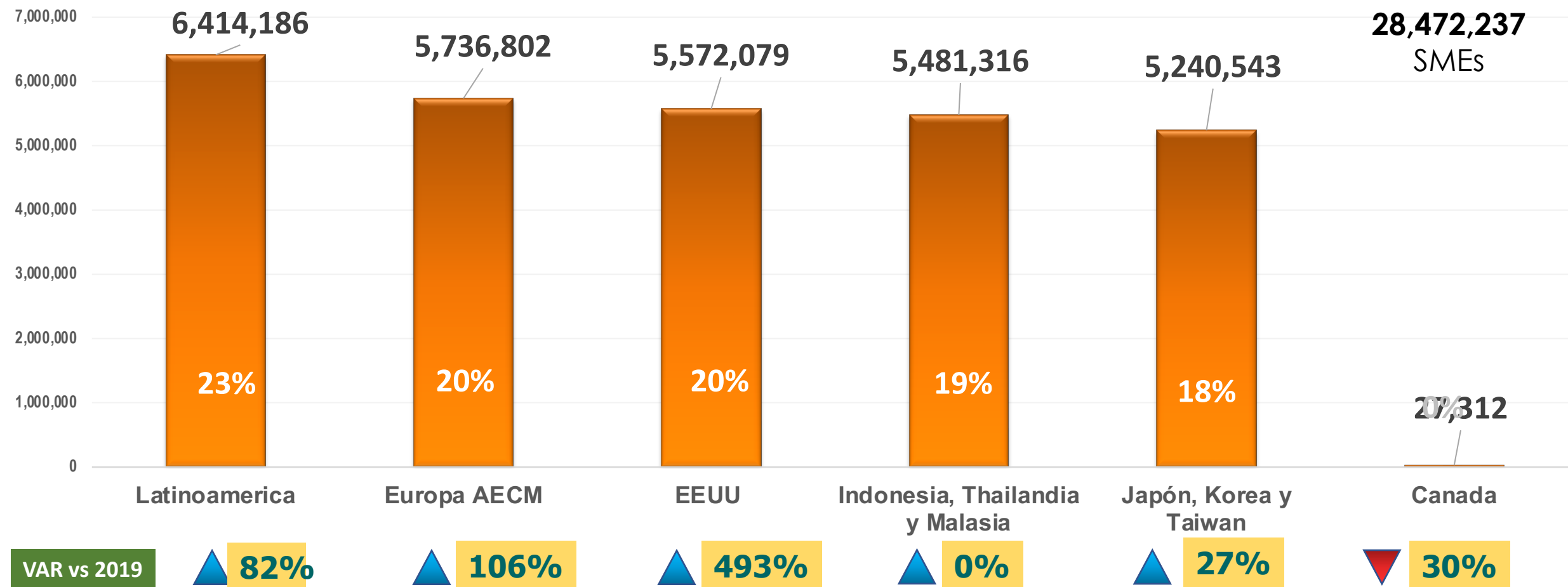


Source: Statistical Report on the Activity of THE REGAR Guarantees

U.S.: New product (COVID EIDL Loan) with better conditions to support small businesses. / Europe AECM: Spain approved a line of State Guarantees of up to 122.175 million dollars. / LATAM: Peru: the National Government implemented the "REACTIVA Peru" Program (Cofide) with an amount of up to US \$ 16,577 million in guarantees.

A GLOBAL VISION: **NUMBER OF SMES** WITH CURRENT GUARANTEES 2020

LATIN AMERICA WITH MORE THAN 6 MILLION COMPANIES SUPPORTED WITH GUARANTEES IS THE REGION WITH THE LARGEST CONTRIBUTION

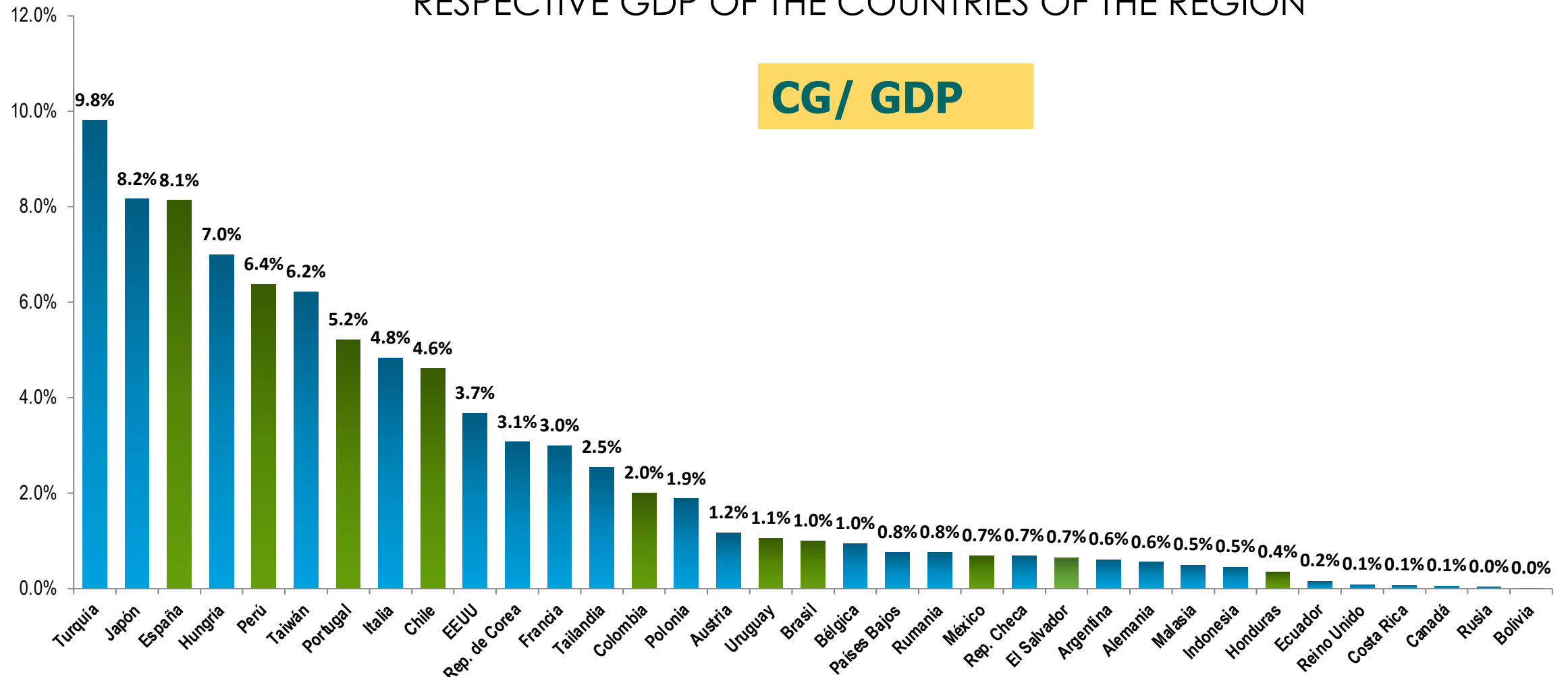


Source: Statistical Report on the Activity of THE REGAR Guarantees

U.S.: New product (COVID EIDL Loan) with better conditions to support small businesses. / Europe AECM: Spain approved a line of State Guarantees of up to 122.175 million dollars. /

LATAM: Peru: the National Government implemented the "REACTIVA Peru" Program (COFIDE) with an amount of up to US \$ 16,577 million in guarantees.

LATIN AMERICA IMPROVING THE REPRESENTATIVENESS INDICES IN THE RESPECTIVE GDP OF THE COUNTRIES OF THE REGION



Source: Statistical Report on the Activity of THE REGAR Guarantees

Spain approved a line of State Guarantees of up to 122,175 million dollars. / Peru: the National Government implemented the "Reactiva Peru" Program with an amount of up to US\$ 16,577 million in guarantees.

EXPANSION AND GROWTH, RETURNING TO AVERAGES HIGHER THAN BEFORE THE CRISIS.

01

RESOURCES

Public policies more **oriented towards social programs** and financial inclusion

02

RECONFORMACIÓN

Industries changed their business models and **the map of sectors changed**

04

SHARED RISK

New risk structures with reinsurance and reassurance.

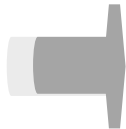
05

SPECIALIZATION

Increasing specialization in **instruments and types of mechanisms.**



EXPANSION AND GROWTH, RETURNING TO AVERAGES HIGHER THAN BEFORE THE CRISIS.



THE ACTIVITY OF GUARANTEES WILL ONCE AGAIN FOCUS ON THE DEVELOPMENT AND GROWTH OF THE SUBSTANTIAL ACTIVITIES OF SMES.



CONTINUITY OF THE RELEVANT ROLE OF THE STATE IN THE IMPLEMENTATION AND DEVELOPMENT, COEXISTING WITH PRIVATE PARTICIPATION.



POLICY REVIEW, NEW REQUIREMENTS FOR MULTILATERAL LINES, ADDITIONAL COSTS, GSCS WILL BE RELEVANTS.



DIGITAL TRANSFORMATION AND CLIMATE CHANGE WILL IMPACT MODELS, RISK AND OPERATION

THANK YOU!!!



A poster for the XXV Foro Iberoamericano. The top section is dark blue with the event logo and text: "XXV FORO IBEROAMERICANO Sistemas de Garantías y Financiamiento PYMES". Below this, a circular inset shows a modern building. The main text reads: "El tiempo para reactivar es hoy, cuando el sol iberoamericano brilla desde el océano de El Salvador." The bottom section features a large photo of a modern building at night. Below the photo, it says "Regístrate ya" and "12 - 14 de octubre 2022 El Salvador". At the bottom, there are logos for REGAR, BANDESAL, and the Government of El Salvador, followed by a list of strategic partners: ALIDE, ANEP, OEF, CEF, aecm, IFC, BID, and a globe icon.

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