



Financing SME's Digital Transformation: Online solutions combining  
guarantees and loans  
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**WE** Wallonie  
Entrepreneurs

# Wallonie Entrepreneure

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“Wallonie Entrepreneure” (WE) is the enterprise agency and business development bank of Wallonia (one of the 3 regions in Belgium).

With our 3 complementary activities, we are at the service of entrepreneurs in Wallonia:

Information &  
Awareness raising

Support

Funding



# Funding activities

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**Target :** from self employed to large companies

## Three main financial products

- **Risk capital/equity financing :** throughout the life of the company
- **Loans :** standardized (always subordinated) and tailor-made (convertible, bullet, unsecured, secured, subordinated,...)
- **Direct guarantees :** to create leverage on bank loans

## Strategy self employed and SME's

- Presence during the complete business life cycle of the company : creation, growth projects and transfer
- Support entrepreneurship “in general” (all sectors and **specific incentives for digitalization and energy transition**)
  - ➔ Multi-sector expertise
- Guiding principle : risk sharing with private sector (equity: entrepreneurs, shareholders, investors+ banks)
- Mindset:
  - ✓ To propose financial solutions with a focus on business needs expressed by SMEs
  - ✓ To reduce administrative burdens for SMEs and partners (banks) ➔ SMEs can focus on their core business
- Decision process – Credit Committee every week except for commitments below 75.000 EUR – decision delegated to banks

# Program we would like to highlight - Online Solutions with an incentive in digitalization

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## The basic offer :

- An **Online** guarantee of **75%** with a **maximum commitment of EUR 75.000** with **European Investment Fund support** (counter-guarantee of 50%)  
**and/or**
- An **Online** subordinated loan of up to the same amount as the bank loan and **up to EUR 75.000** with **European Regional Development Fund (ERDF) support** (40 % funding)
  
- **Through our online platform**



# The platform – a simple and easy-to-use tool



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## How does it work ?

- ✓ Signed legal framework agreement between WE and the bank that specifies terms of operation of WE, its rights and obligations as well as those of the banks
- ✓ Decision to commit WE through a loan and/or a guarantee delegated to the bank
- ✓ Online platform accessible to banks by login and password
- ✓ Letter of guarantee issued directly
- ✓ Loan agreement generated through the platform and sent to the company for signature
- ✓ Platform directly connected to our guarantees and loans management systems

# An incentive for digitalization – The Online Digit Loan

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**Type of financing :** Subordinated loan in cofinancing with bank loan(s), repayable quarterly

**Features :** Any investment related to digital transformation

**Amount of the Online Digit Loan :** Maximum **EUR 75.000**/project and **maximum 2X the amount of the bank loan(s) loan(s)**

**Duration :** Maximum the term of the bank loan with the highest amount and maximum 10 years (+ grace period of maximum 2 years)

**Interest rate :** Bank rate - 2% with a floor of 2,5%

**Collateral :** No collateral required

# The Online Digit Loan

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## Investments linked to digital transformation :

- ✓ IT infrastructure & hardware : computer, tablet, fixed or mobile payment terminals, smartphone, internet connection, physical servers, cloud solutions, cabling installation, ...
- ✓ Software : ERP, CRM, MES, RH , finance, invoicing, ...
- ✓ Web marketing solutions : website, online sales system, ...
- ✓ IT outsourcing
- ✓ IT security (cybersecurity solutions)
- ✓ In-house digital skills (recruitment of IT profiles, project staff, training, ...)
- ✓ Advances technologies (AI, connected objects, robots, digital or automated (production) tools, machines, ...)
- ✓ Others



## An example – IT equipment and online sales system

Investments		Funding		
	Amount EUR		Amount EUR	%
IT equipment	35.000	Bank loan 5 years*	35.000	33%
Online sales system	70.000	WE - Online Digit Loan- 5 years	70.000	67%
	105.000		105.000	100%
*Online guarantee 60%				
Bank risk	13%			
WE risk (before EIF counter-guarantee)	87%			

## Some innovative features we would like to highlight

- Fully delegated – immediate confirmation of the agreement
- Automated checks performed by the platform (sector, last financial statements published, not in financial difficulty, eligible purpose of the loan, duration, ...) → if exception, warning, analysis and decision
- Easy-to-understand features
- A small dedicated team / 4 FTE's for the whole process – new transactions (800/year), follow up of the outstanding ones (3.000)
- No administrative procedures for the SME's – can focus on their core business
- Incentives for digital transformation – also for energy transition
- Solutions aimed primarily at very small businesses and self-employed in sectors often considered riskier
- Bank filter to mitigate the risk – low default rate – more than 10 years experience on similar products

# Current challenges on digital transformation and how we are addressing them

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- Digitalization is still a subject not sufficiently addressed by SME's. And yet they are aware that, whatever their sector, if they want to remain competitive, they need to start thinking about the subject
  - non financials services offered by our institution besides financial services to raise awareness and offer advice on how to begin and implement a digitalization process
- Most softwares contributing to the digitalization are subscription-based (SaaS) – OPEX
- CAPEX in SME's for digital transformation most of the time included in a more global budget – probably covered by our basic offer
  - meeting with digitalization specialists in federations representing entrepreneurs to better understand and specify market needs and potentially adapt the solution
  - a lower interest rate as incentive ?

**Thank you for your attention**



Viviane Mol  
Business Unit Manager Loans and Guarantees  
[viviane.mol@wallonie-entreprenre.be](mailto:viviane.mol@wallonie-entreprenre.be)  
+32 494 51 93 59