

ELTI Workshop

SME's and Mid Caps' access to Finance

European Initiative on Small & Mid Caps (EISMID)

20th January 2020

Diagnostic

A massive need for long term SMID refinancing

- We are in the context of a seriously damaged financial structure of European SME's that had been initially cushioned, but that cannot endure the length and magnitude of this crisis
- Nevertheless, **SME's are the backbone of the European economy**, creating the majority of jobs and which represent the greatest contributor to the economy's development potential

What we propose

A European Initiative to consolidate SMID equity

A project under consideration

An opportunity to optimize EU and national efforts in a coordinated initiative

- To meet the European priorities: Recovery Plan, Capital Market Union (CMU), InvestEU
- To strengthen national stimulus measures

The key idea is to combine top down (EU) and a bottom up (Member States) approaches at the service of European SME's

To support a decentralized approach (1/2)

The principle of subsidiarity

I Focus on the national level

The major action should take place at the national level with the relevant NPBI as hub for intervention:

- No European capital market segment for financing SME's, the financial markets for SME's remain national
- The best level to understand the needs is within the NPBI, which has the best expertise to arrange relevant instruments to finance SME's

To support a decentralized approach (2/2)

The principle of subsidiarity

II

Set up national funds

In each Member State, the domestic NPBI would:

- Set up a national fund to meet the financial needs of local companies (custom approach)
- Select appropriate & strategic sectors (e.g. Tech, ESG...)
- Attract interested investors at the local level

*French (CDC Croissance) and Italian (CDP/FII)
approaches to be briefly presented and discussed*

To promote a European Platform (1/2)

I Strategic goals

- Develop a market segment dedicated to European Corporate Finance for SME's (CMU)
- Encourage a common investment culture between national financial managers and the EIB/EIF group, based on existing funds or new ones
- EIB/EIF group to acquire expertise in investing in listed Small & Mid Caps Markets

To promote a European Platform (2/2)

II

Technicalities

- Mobilize European Funding to invest in national funds
- Develop coordination at the European level (best practices, common guidelines ...)
- Prepare a 2nd step in the mid-term: opportunity of a single European fund to be considered

Functional diagram for the proposed European small- and mid-cap investment initiative

Project under consideration European Small- and Mid-Cap Investment Platform

Holding structure

- 1) Supervision: functioning of the platform via a Supervisory Board
- 2) Composition: European public investors (EIB/EIF, European Commission) and third-party investors (mainly NPBI representatives)
- 3) Support: European management structure with strict limits on its operating expenses

Management

- 1) Responsibilities:
 - Asset allocation
 - Definition and monitoring of the overall management approach applicable to national funds (reporting requirements and performance criteria)
 - Awarding of European quality labels (ESG, technology)
 - Investment (via national funds or directly in companies)
- 2) Composition: via an Investment Committee
 - EIF
 - National Managers

National funds (NFs) / NPBI

1. Holding structure

- 1) Supervision of the fund: via the operations of the local management company
- 2) Composition
 - EIB/EIF representative
 - NPBI / Third-party public & private investors

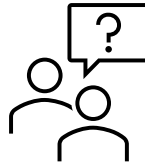
2. Management

- 1) Responsibilities
 - Asset allocation
 - Investment, reporting

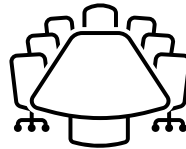
Direct investment in small and mid-cap companies

Next steps

I Questions/Answers



II Expression of interest



Contact :

Christophe Bourdillon: Christophe.Bourdillon@caissedesdepots.fr

Antonio Pace: antonio.pace@fondoitaliano.it