



Fondo Europeo de Desarrollo Regional

“Una manera de hacer Europa”

EX ANTE ASSESSMENT FOR THE FINANCIAL INSTRUMENTS 2014-2020 IN REGIÓN DE MURCIA EXECUTIVE SUMMARY

Updated version, September 24th 2021

EX ANTE ASSESSMENT FOR 2014-2020 ERDF FINANCIAL INSTRUMENTS IN REGIÓN DE MURCIA. UPDATED VERSION, SEPTEMBER 24TH 2021

Article 37 of Regulation 1303/2013 prescribes that the support through Financial Instruments shall be based on an ex ante assessment, which demonstrates the existence of market deficiencies or suboptimal investment situations.

This ex ante assessment has been carried out by Red2Red – Afi-CAP on behalf of Instituto de Fomento de la Región de Murcia (hereinafter, INFO), which is considering the implementation of Financial Instruments to partly execute the 2014-2020 ERDF Operational Programme of Región de Murcia (hereinafter, Murcia). The ex ante assessment encompasses two elements: a market assessment and a set of provisions intended for the management of the Financial Instruments.

The first version of the ex ante assessment was subscribed dated March 16th, 2017. However, due to recent changes in the regional environment due to the Covid-19, it has been necessary to make changes to the initially designed approach. The final version is therefore dated September 24th, 2021.

Proposal of Financial Instruments

The Ex Ante Evaluation carried out and updated on September 24th, 2021 proposes the following financial instruments:

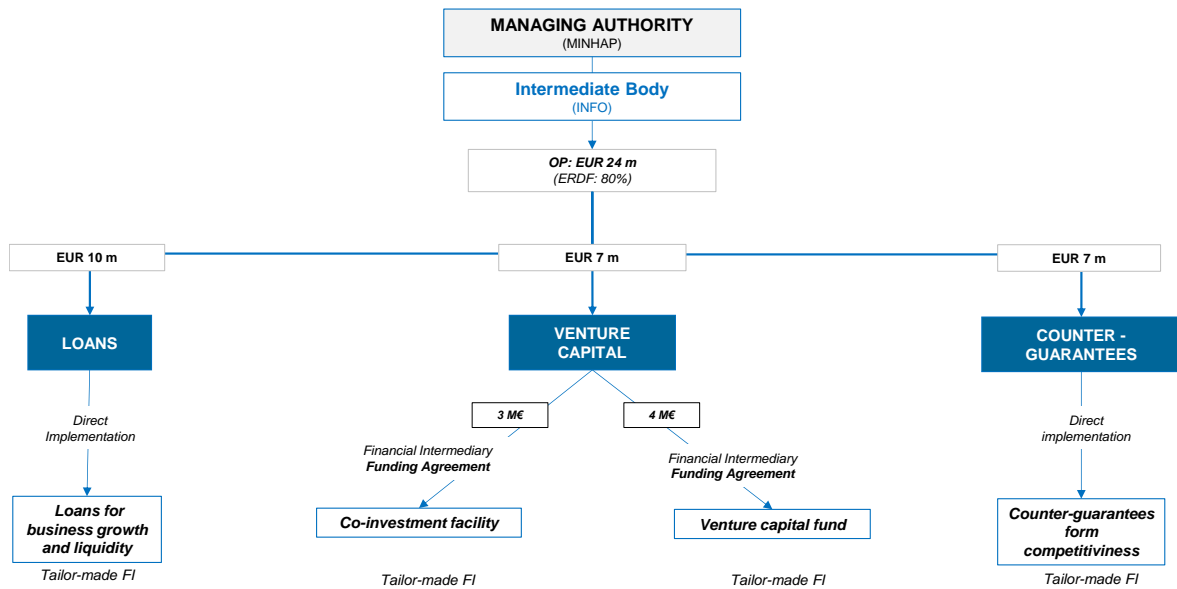
Financial Instrument	Goal	Investment Priority in the 2014-2020 ERDF Operational Programme	Public contribution
Co-investment Venture Capital - Early Stage	Partially cover the funding gap for early stage venture capital.	3.a	EUR 3.000.000
Venture Capital - Late Stage	Partially cover the funding gap for late stage venture capital	3.d	EUR 4.000.000
Counter-guarantees	Partially cover the funding gap for guaranteed credit	3.d	EUR 7.000.000

<p>Loan financial instrument for business growth and liquidity needs due to exceptional circumstances deriving from Covid-19</p>	<p>Partially address the funding gap identified in the investment credit market as well as liquidity needs due to exceptional circumstances (Covid-19).</p>	<p>3.d</p>	<p>EUR 10.000.000</p>
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Functioning and management of the 2014-2020 Financial Instruments

The establishment of independent financial instruments is proposed. This is a result of the foreseen selection of financial intermediaries to manage the venture capital financial instruments, tapping into their management skills, experience and diversification potential. So, the implementation tasks shall be delegated to a private entity in accordance with article 38.4. c) of Regulation 1303/2013.

Alternatively, the counter-guarantee and loan financial instruments shall be directly implemented, as article 38.4 d) offers. It has to be highlighted that the Intermediate Body is deemed to have adequate skills and experience at its disposal to directly manage the financial instruments, as an independent manager would be able to.



Co-investment early stage venture capital Financial Instrument

This Financial Instrument is based on the off-the-shelf co-investment facility foreseen in Regulation 2016/1157.

The Financial Instrument for early stages will be established as capital fund managed by a financial intermediary that will invest in SMEs.

Additional investments will be leveraged by means of co-investments with private investors on a deal-by-deal basis. The financial intermediary will have to contribute at least 1% of total resources in the fund. The remainder shall be drawn from the public contribution of the Operational Programme.

The stake in SMEs of the Financial Instrument must be capped at 70%, with a 30% private contribution, for State aid reasons.

The financial intermediary will sign a funding agreement with INFO and will be responsible for deal identification, due diligence, selection, documentation and execution of all investments in equity and quasi-equity.

The approach of this tool remains unchanged from the initial version of the Ex Ante Assessment dated March 16, 2017.

Late stage venture capital Financial Instrument

Late stage venture capital Financial Instrument This Financial Instrument shall finance SMEs with growth potential. The Financial Instruments must contribute with a maximum of 33% of the total volume of the fund or investment vehicle and the financial intermediary shall contribute with at least 67% of the total resources.

The financial intermediary will sign a funding agreement with INFO and will be responsible for deal identification, due diligence, selection, documentation and execution of all investments in equity and quasi-equity.

The approach of this tool remains unchanged from the initial version of the Ex Ante Assessment dated March 16, 2017.

Counter-guarantee Financial Instrument

It is foreseen that INFO will directly grant guarantees to SMEs as Intermediate Body. INFO will provide a Strategy Document, which will be presented to the Managing Authority and the Monitoring Committee.

INFO and the entities selected by means of a tender process will sign a reguarantee contract complementary attached to the previous existence of a reguarantee contract with CERSA, which must be lower than 75% of the guarantee granted by the selected entity. INFO will grant a counter-guarantee covering principal and interest on the guarantee operations granted by the selected entities. The eligible projects will be the ones previously established in the reguarantee contract with CERSA.

The approach of this instrument remains unchanged from the initial version of the Ex ante Assessment dated March 16th, 2017. However, its implementation has been discarded.

Loans Financial Instruments for business growth and liquidity needs due to exceptional circumstances derived from Covid-19

It is foreseen that INFO itself will directly grant loans to the target SMEs, in the investment priority 3.d of the Operational Program, in accordance with Regulation 1303/2013.

The instrument is intended to provide funding to finance business plans or business projects for growth or expansion with investments in tangible and intangible assets and associated working capital, in general:

- ❑ Projects aimed at improving and optimizing productive capacities through the modernization and renovation of the company's fixed assets, acquisition of new assets, advanced machinery, digitalization, automation and improvement of processes.
- ❑ Investments related to new establishments or expansion of productive capacity of existing ones.
- ❑ Investments related to the development of new products, improvement of existing ones and services.
- ❑ In those cases where exceptional circumstances apply (Covid-19) the destination of the funds may be 100% linked to liquidity needs derived from that situation (purpose incorporated in the updated version of the Ex Ante Evaluation, dated September 24th, 2021)

The Covid-19 Loan Financial Instrument for Business Growth and Liquidity Needs in Exceptional Circumstances is aimed at the lower & middle tier market, i.e., SMEs, including the self-employed, in the consolidation or expansion phase.

Due to exceptional public health circumstances in the Region of Murcia, support will be provided to companies with working capital needs. In any case, the final beneficiaries will be SMEs as defined in the Commission Recommendation 2003/361/EC of May 6, 2003, with their main place of business in the Region of Murcia and which are going to undertake investments in the Autonomous Community.