



## **JEREMIE Romania**

**Implementation steps following  
signature of the Funding Agreement**

**Bratislava, 16 October 2008**



# Agenda

**Structural Funds in Romania**

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**Why JEREMIE & Funding Agreement**

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**Initial Steps After Signature**

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**Selection Criteria & Reporting**

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**Investment Board**

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**JEREMIE Products & Selection Process**

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# Structural Funds

**NSRF 2007 – 2013 EUR** 19.7 bn (approved June 2007)

Development of  
Basic  
Infrastructure  
(60%)

**Long-term  
Economic  
Competitiveness  
(15%)**

Development  
of Human  
Capital (20%)

Effective  
Administrative  
Capacity (5%)

4  
Priorities

**Global Objective:** 15-20% additional growth of GDP by 2015



# Long-term Economic Competitiveness

- Objective: Increase of Romanian companies' productivity up to 55% of EU average by 2015
- SOP Increase of Economic Competitiveness
- Budget: EUR 3.01bn public + 1.25bn private sources



# SOP Increase of Economic Competitiveness

## ■ Priority Axes:

- Innovative & eco-efficient productive system (incl. “*Access to finance for SMEs*”)
- R&D and innovation for competitiveness
- ICT for private and public sectors
- Increasing energy efficiency and security of supply



# Why JEREMIE (1)

- Difficult access of SMEs to finance
  - insufficient & not diversified financial products offered by banks to their SME clients
  - high interest rates
  - high collaterals / securities
  - insufficient capacity of existing credit guarantee schemes
  - virtually non-existent VC funds



■ ***Need to resort to innovative instruments***



## Why JEREMIE (2)

- Need to start a pilot scheme;
- Reluctance to initiate a vehicle funded only from national resources (low experience in the RO administration) vs. JEREMIE as an “EU-sponsored” initiative;
- Drafting the Competitiveness SOP – opportunity to go for more innovative measures to boost competitiveness;
- Benefit from the gap analysis which identified market failures and recommended actions;
- JEREMIE + EIF experience = excellent package deal.



***JEREMIE was a natural option***



# Why EIF

- EU institution and a long-term partner for Romania (as EIB Group Member)
- Strong know-how in the design and implementation of Financial Engineering instruments (operations in over 30 countries)
- Market credibility for investors & potential financial intermediaries
- International network: access to investors, resources, management teams/expertise
- Option of direct award offered by the EC Reg as compared to cumbersome public tender
- Low costs (“cost recovery” system)



# JEREMIE Funding Agreement

- Result of a long yet fruitful negotiation between Govt of Romania and EIF (6 months)
- FA in full compliance with the requirements of EC Regs – not an easy task!
- Signed Feb 2008 – Govt Decision
- EIF appointed as HF
- Allocation of EUR 100m to the HF (single tranche)
- Investment Strategy and Planning agreed
- Investment Board foreseen – strategic steering



# Steps after FA signature

- Govt Ordinance issued to regulate financial and budgetary matters (e.g. EUR payment, settlement of Costs and Additional Expenses with EIF)
- Specific rules for eligibility of expenditure (in line with the FA) - approved by Order of the Minister of Economy and Finance
- Transfer of EUR 100 m to the HF account
- Appointment of members of Investment Board
- MA and EIF cooperation on preparing the first call for expression of interest
- MA and EIF cooperation on finalising management and control requirements for JEREMIE

# Why Romania

- 1<sup>st</sup> FA in New Member State
- Significant growth potential
- Established internationalised banking sector...  
however
- Improvements in SME access to finance  
needed

# Steps after signature

- Selection of a custodian bank for JEREMIE Holding Fund based on EIF procedures
- **Preparation of treasury management**
- Request to MEF to transfer funds to JHF

# Treasury Management

- Funding Agreement – AAA-rated institution to be selected as treasury manager (safety first)
- Instruments restricted to term deposits only
- Comparison of quotes on the market
- Selection of the EIB
- EIB: New treasury products for JEREMIE & JESSICA under development

# Staffing

- Allocation of a project manager responsible for the mandate in Luxembourg HQ
- Opening of an EIF office jointly with the EIB Group in Bucharest
- Appointment of local staff – mandate relationship management



# Selection Criteria

- General rules adopted by MC for all interventions under Competitiveness SOP (under review by EIF)
- Specific selection rules applicable to JEREMIE operations – to be issued by MA
- The specific rules will be applied by EIF in the selection of beneficiaries and operations



# Reporting

- Two types of reports in FA
  - Quarterly progress
  - Annual progress
- Comprehensive draft quarterly report from EIF sent to Investment Board and MA for discussion
- Annual report will feed into the SOP Annual Implementation Report
- EIF must ensure proper collection of data from the Financial Intermediaries



# Investment Board

- 5 members:
  - 2 from the Ministry of Economy and Finance (Chairman and Deputy Chairman)
  - 1 from the Ministry of SMEs
  - the Secretary General of the Romanian Association of Banks
  - A President of a county-level Chamber of Commerce and Industry
- No members from MA – supervision of implementation
- 2 EIF observers



# Investment Board

Strategic Steering regarding:

- Investment Strategy and Planning
- Operations
- Reporting & Monitoring process
- Budgets
- Analysis of impact on the economy

# Investment Board

- Key counterpart during implementation
- Further place of discussions on investment strategy and implementation
  - Asset allocation
  - Priority between instruments/targets
  - Changing market conditions

# JEREMIE Products

- Drawing on EIF's established position in the market
- Luxembourg-based expertise:
  - Transaction & relationship management
  - Product development team
- ERDF & State Aid expertise
- Discussions on product's compliance with:
  - DG Regio (eligibility)
  - DG Comp (compliance with state aid rules)
  - MA & other relevant stakeholders

# JEREMIE Products

- Products to be launched
  - 2008
    - Portfolio guarantees
    - Counter-guarantees
  - 2009
    - Portfolio guarantees
    - Guarantee of third party funding
    - Venture capital

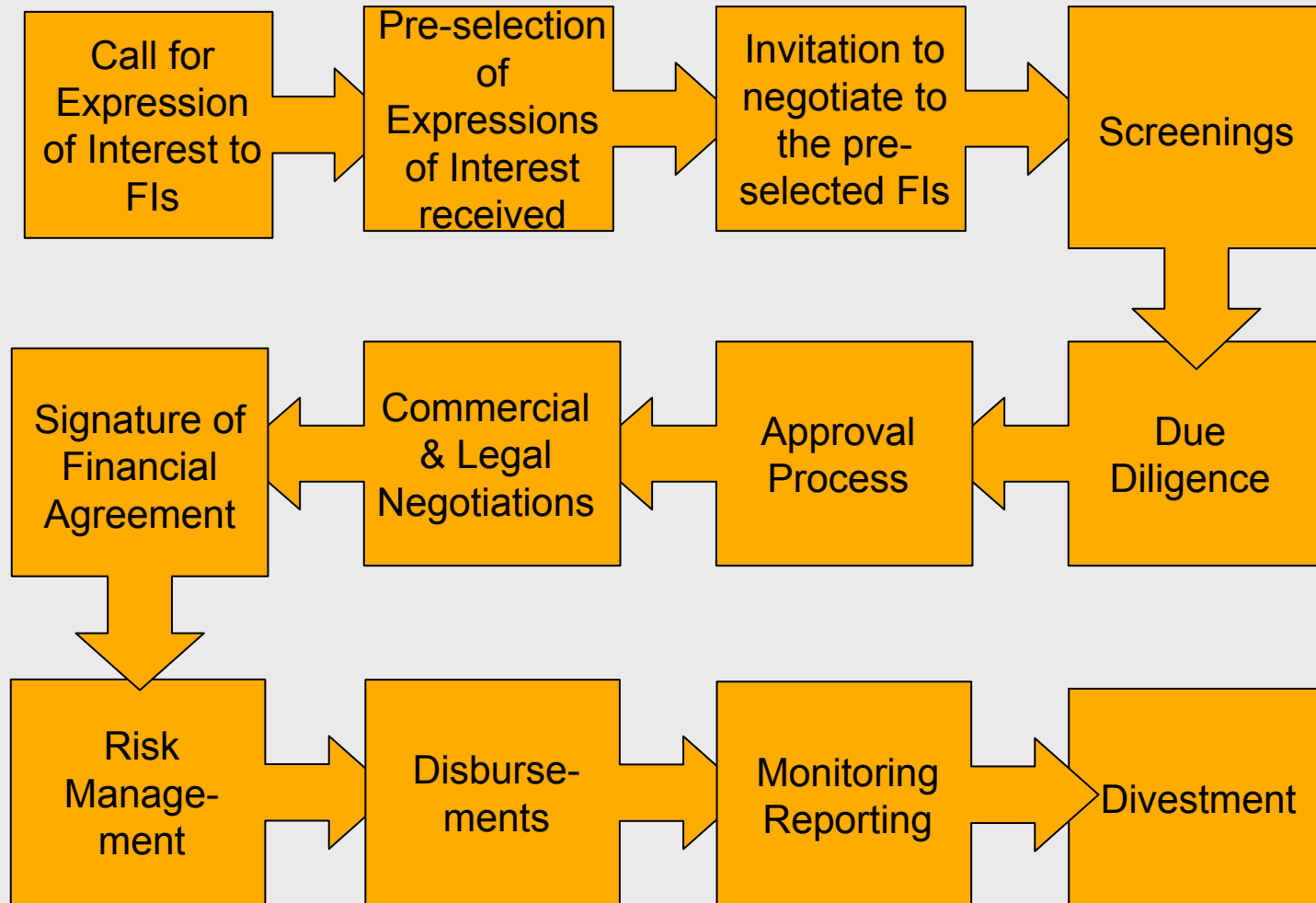
# Selection Process

- FIs to be selected via calls for expression of interest
- Selection criteria approved by the Monitoring Committee to be observed (and adjusted if needed)
- EIF internal selection procedure to be applied

# Selection Process

- Two step procedure to be applied:
  - Call for expression of interest
  - Invitation to Negotiate addressed to selected intermediaries
- Commercial analysis

# Selection Process





# Next Steps

- First IB meeting – October 2008
- Finalise reporting procedures
- Finalise selection criteria for all Operations
  - analysis of state aid implications (together with EIF and the Commission)
- Partial recovery of the investment from the EC – 86% (interim payment)

# Next Steps

- Launch the first selection process
  - Agree the selection procedure with MA
  - Agree ToRs of instruments with Commission and MA
- Operations to be signed in Q1 2009



# Thank You!

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