What is JEREMIE?

The JEREMIE initiative (“Joint European Resources for Micro to Medium Enterprises”) offers EU Member States, through their national or regional Managing Authorities, the opportunity to use part of their European Union (EU) Structural Funds to finance small and medium-sized enterprises (SMEs) by means of equity, loans or guarantees, through a revolving Holding Fund acting as an umbrella fund.

This initiative was developed by the European Commission (EC) and the European Investment Fund (EIF), which is part of the European Investment Bank (EIB) Group.

Who is eligible?

As an umbrella fund, JEREMIE will target financial intermediaries, not SMEs directly.

The JEREMIE Holding Fund can provide SME-focused financial instruments including guarantees, co-guarantees and counter-guarantees, equity guarantees, (micro) loans, securitisation, venture capital, Business Angel Matching Funds, and investments in Technology Transfer funds to Financial Intermediaries. These Financial Intermediaries provide SMEs (the final beneficiaries) with loans and equity participation. JEREMIE will not provide any grants to SMEs.

The Holding Fund develops an Investment Strategy prior to the signature of a JEREMIE Funding Agreement between the EIF and a national/regional government of an EU Member State. The national/regional counterpart transfers the funds allocated to JEREMIE to a JEREMIE bank account, a call for expression of interest is launched and Financial Intermediaries are selected based on a due diligence process. The decision is taken with the involvement of the Investment Board.

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1 According to the definition recommended by the European Commission in 2003, SMEs are micro, small and medium-sized enterprises with fewer than 250 employees, turnover of max. EUR 50m or a balance sheet total of max. EUR 43m.
EU Member States implement the JEREMIE initiative by establishing a Holding Fund funded through their Structural Funds. The Holding Fund can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable (EC Regulation 1083/2006 and Implementation Regulation 1828/2006).

Managing Authorities can award management either directly to the EIF or any national institution or indirectly by way of tender to a financial institution through a service contract.

This allows the Managing Authorities to delegate some of the tasks required in implementing JEREMIE – such as establishing specific criteria for making investments, appraising and recommending operations, negotiating contractual arrangements, monitoring and reporting on the performance of the Holding Fund – to appropriate professionals.

The Holding Funds can be set up either as a “ring-fenced block of finance” managed by the Holding Fund manager on behalf and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV). The choice of the legal structure depends very much on the level of sophistication of the JEREMIE Holding Fund and on the respective national legal framework.

An Investment Board allows the Managing Authority (which manages the EU Structural Funds) to influence the strategy and decision-making of the Holding Fund.

Acting as an umbrella fund, the Holding Fund will partner a wide spectrum of local SME financial institutions such as SME finance operators, venture capital funds, loan funds, technology transfer vehicles, microfinance providers, banks and guarantee funds. The funds made available to these financial institutions by the Holding Fund will be used to finance the creation and development of SMEs.
Preparing the ground for JEREMIE: the evaluation phase

At the beginning of 2006, the EC (Directorate-General for Regional Policy) and the EIF joined forces to prepare the ground for this new initiative. The EIF set up a JEREMIE team whose objectives were threefold:

- Assessing the demand and supply for financial engineering and identifying SME finance market failures in regions and Member States in JEREMIE evaluation studies, so-called "gap analyses";
- Assisting Managing Authorities in the programming phase of the cohesion policy;
- Advising the Managing Authorities on the practical arrangements for implementing a JEREMIE Holding Fund.

The EIF has produced 55 gap analyses for EU Member States and regions interested in JEREMIE, through a standard "evaluation" methodology.

The European Commission has published the Executive Summaries of the JEREMIE evaluation studies which can be found on: http://ec.europa.eu/regional_policy/funds/2007/jjeremie_en.htm.

What are the benefits of using JEREMIE?

The principal benefits are:

- **Flexibility**: Contributions from the Operational Programmes to the JEREMIE Holding Fund will be eligible for interim up-front payment by the European Regional Development Fund and the European Social Fund giving Managing Authorities more flexibility in allocating these resources; Structural Fund contributions to the Holding Funds must be invested in SMEs by 2015;

- **Benefits of a portfolio approach**: The Holding Fund will be able to re-allocate the resources to products in a flexible way, depending on the actual demand over time. The umbrella-fund approach will allow a diversification of risks and expected returns;

- **Recycling of funds**: The Holding Fund is of a revolving nature, receiving repayments from the financial intermediaries for further investments in the SME sector. This makes SME support via EU Structural Funds sustainable compared to using the pure grant approach;

- **Leverage**: A significant advantage of JEREMIE is its potential ability to engage the financial sector, either at the Holding Fund level, with additional capital from financial institutions, and/or at the level of the financial instruments through public/private co-financing, e.g. in cooperation with the EIB;

- **The EIF’s expertise** as a Holding Fund manager can be of particular added value in the less-developed regions/Member States, where there is a need for capacity-building initiatives and transfer of know-how between local institutions and the EIF;

- In those regions where JEREMIE is managed by another body, the EIF can also be involved as an adviser, for a wide range of services such as due diligence/second opinions, setting-up of financial vehicles, etc.

The JEREMIE initiative provides regions and Member States with the possibility of benefiting from a flexible, efficient, "visible" and revolving financial platform for SMEs, through a long-term partnership with their local financial institutions.

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2 The EU Structural Funds from which national and regional Managing Authorities can allocate money to a JEREMIE Holding Fund.
Signed JEREMIE Funding Agreements

1. Greece EUR 250m
2. Romania EUR 100m
3. Latvia EUR 91.5m
4. Lithuania EUR 210m
5. Languedoc Roussillon (France) EUR 30m
6. Campania (Italy) EUR 90m
7. Slovakia EUR 100m
8. Cyprus EUR 20m
9. Bulgaria EUR 200m
10. Sicily (Italy)ERDF: EUR 60m
11. Sicily (Italy) ESF: EUR 15m
12. Malta EUR 10m
13. Calabria (Italy) EUR 45m
14. Provence-Alpes-Côte d’Azur (France) EUR 20m

Who to contact?

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