



Culture & Creative Sectors Guarantee Facility

Presentation – Economics of Art
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Video introduction

http://www.eif.org/news_centre/audiovisual_library/sme-video7.htm

Cultural & Creative Sectors Guarantee Facility ('CCS GF')



EC's initiative benefiting **EU SMEs** from the
Cultural and Creative Sectors ('CCS')



CCS GF

Executive summary

- New EU-level instrument managed by **EIF** on behalf of the **European Commission** (DG Connect and DG Education and Culture)
- Aims to improve access to **debt financing** for SMEs active in CCS
- Part of **Creative Europe**, EU framework programme for CCS: **€1.46bn overall EU Commitment**
- Aggregate budget of **€121m** (equiv. to between **€600m** and **€1.0bn** worth of financing) to be deployed by the **end of 2020**
- Mandate agreed and signed on **30 June 2016**
- Open call for expression of interest launched on **18 July 2016**
- Contains two windows:
 - A free-of-charge **first-loss capped portfolio guarantee**
 - A **capacity building scheme** (expected to be available by year-end)

Lending to SMEs

Starting point

- Main differences between a **grant** and a **loan**;
- When an SME applies for a loan in a financial intermediary, **how does the bank assess the application and decide on it?**
- What **types of loan** might a SME need depending on the purpose?
- The **relevance of collateral** when an SME asks for a loan;
- **How guarantees help** financial intermediaries in extending loans to SMEs which they would not extend otherwise?



CCS

Sector specificities

- CCS account for **4.5%** of EU overall GDP and **3.8%** of total EU job market (**8.5m jobs**)
- CCS include inter alia architecture, museums, artistic crafts, audio-visual, design, festivals, music, literature, performing arts, radio and visual arts...
- CCS face difficulties in accessing funding, due to sector specificities:
 - **Intangible nature** of the assets (mainly Intellectual Property Rights)
 - **Prototype** nature of their output
 - **Niche market** of a small size, creating a lack of critical mass
 - Specific **cash flow schemes** and life-cycle, specific vehicles per project, etc.
 - **Personal collateral** is typically requested when providing finance
 - **Shortage of reliable data** which limits the possibilities of obtaining financing
- Evaluating credit risk in the CCS requires **sector specific underwriting capabilities**
- Most of European financial intermediaries **lack in-house expertise** to assess credit risk in CCS (e.g. a common practice is to request private collateral from the entrepreneurs)

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Basic characteristics

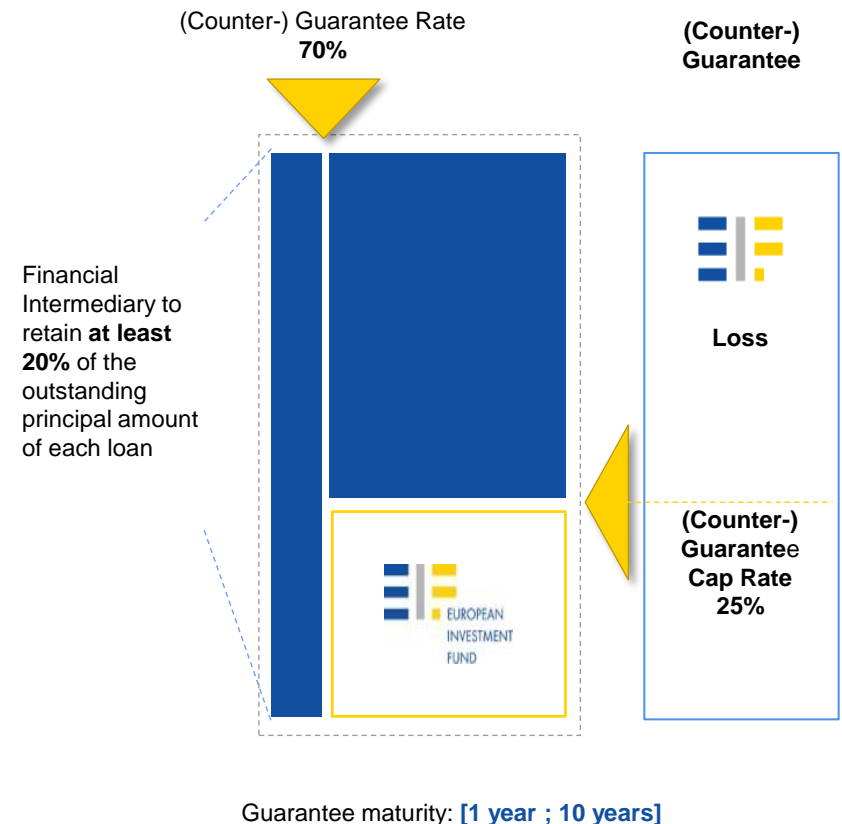
- Based on **consultations** with expert groups (financial intermediaries, CCS SMEs, policymakers and experts)
- Relies on **two main pillars**:
 - **Capacity Building**, to provide expertise on CCS financial specificities to Financial Intermediaries through a dedicated scheme similar to technical assistance;
 - **Credit risk protection** through financial **guarantees/counter-guarantees** to Financial Intermediaries (banks, alternative lenders, guarantee institutions):
 - Guarantee Rate: **up to 70%** (on a loan per loan basis)
 - Guarantee Cap Rate on the portfolio: **up to 25%** (on a portfolio basis)
 - Min. leverage effect for operations: **x5.7**
 - Through the EC Contribution- €121m – **between €600m and €1.0bn worth of loans** are expected to be made available to CCS

CCS GF Mechanism

Main eligibility criteria

- **Newly originated** debt financing (loans, leases, ...)
- Purpose: **business transfers, investments, working capital financing**
- Max. loan principal amount: **€2m**
- Min. loan maturity: **12 months**
- Eligible SMEs are expected to be established and operating in a Participating Country* and:
 - A SME **active in the CCS** (defined by NACE code)
 - Any SME **with a project in the CCS** to be financed
 - A SME having met certain CCS criteria in the last 2 years (e.g. **CCS awards, prizes...**)

Structure



Aims to support and produce a positive impact along the **entire value chain**



1. Development & Pre-production

- Author
- Screenplay writing
- Convertible loan for instance

2. Production & Post-production

- Movie producer
- Television programmes, animation and special effects
- Bank guarantee for instance

3. Distribution

- Theater
- Digitalisation equipment (purchase and maintenance)
- Revolver Credit Line/ Leasing/ CapEx loan

4. Preservation

- Footage processing & conversion company
- Storage
- Secured loan

End

Annexes

The European Investment Fund

'EIF'



“ We have designed and implemented financial solutions for 20 years and so far supported more than 1.5 million SMEs ”



“ We pursue EU policy objectives and financial sustainability ”



1994
Starts providing **guarantees** to financial intermediaries ; in 1997 offer expands to **venture capital**

2000
EIB becomes majority shareholder and makes EIF the “SME risk finance specialist”

2004
EIF starts to manage the first SME focussed fund-of-funds on behalf of an EU Member State

2014
EIF's role strengthened with capital increase for the benefit of Europe

Shareholders
unique tripartite structure: 63.7% EIB, 24.3% European Commission, 12% 26 public & private financial institutions

Overall EIF commitment of EUR 14bn (outstanding amount)

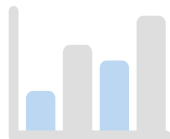
AAA-rated by three major rating agencies

Strong capital base of EUR 4.5bn

“ We provide risk financing to stimulate entrepreneurship, innovation and student mobility in Europe ”



“ To support smart, sustainable and inclusive growth for the benefit of Europe ”



Making finance more accessible to SMEs and Master's students

Offering ranging from venture capital to guarantees and microfinance

Working with financial intermediaries across the **EU-28 EFTA countries, (potential) candidate countries**

Supporting the market in a countercyclical way

Be Europe's leading investor in venture and growth capital & a **catalyst** to promote **lending & microfinance**

Support innovation, entrepreneurship and higher education, and bring together **public and private** partners

Fill the financing gap and leverage public funds by attracting **private capital**

Achieve policy objectives and **return on capital**

Supporting SMEs and mid-caps through mobilised resources: EUR 77bn*

*Since start of operations

CCS GF

Relevant definitions

- The CCS is defined (EC) as follows:

mean all cultural and creative sectors whose activities are based on cultural values and/or artistic and other creative expressions, whether those activities are market- or non-market-oriented, whatever the type of structure that carries them out, and irrespective of how that structure is financed. Those activities include the development, the creation, the production, the dissemination and the preservation of goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education or management.

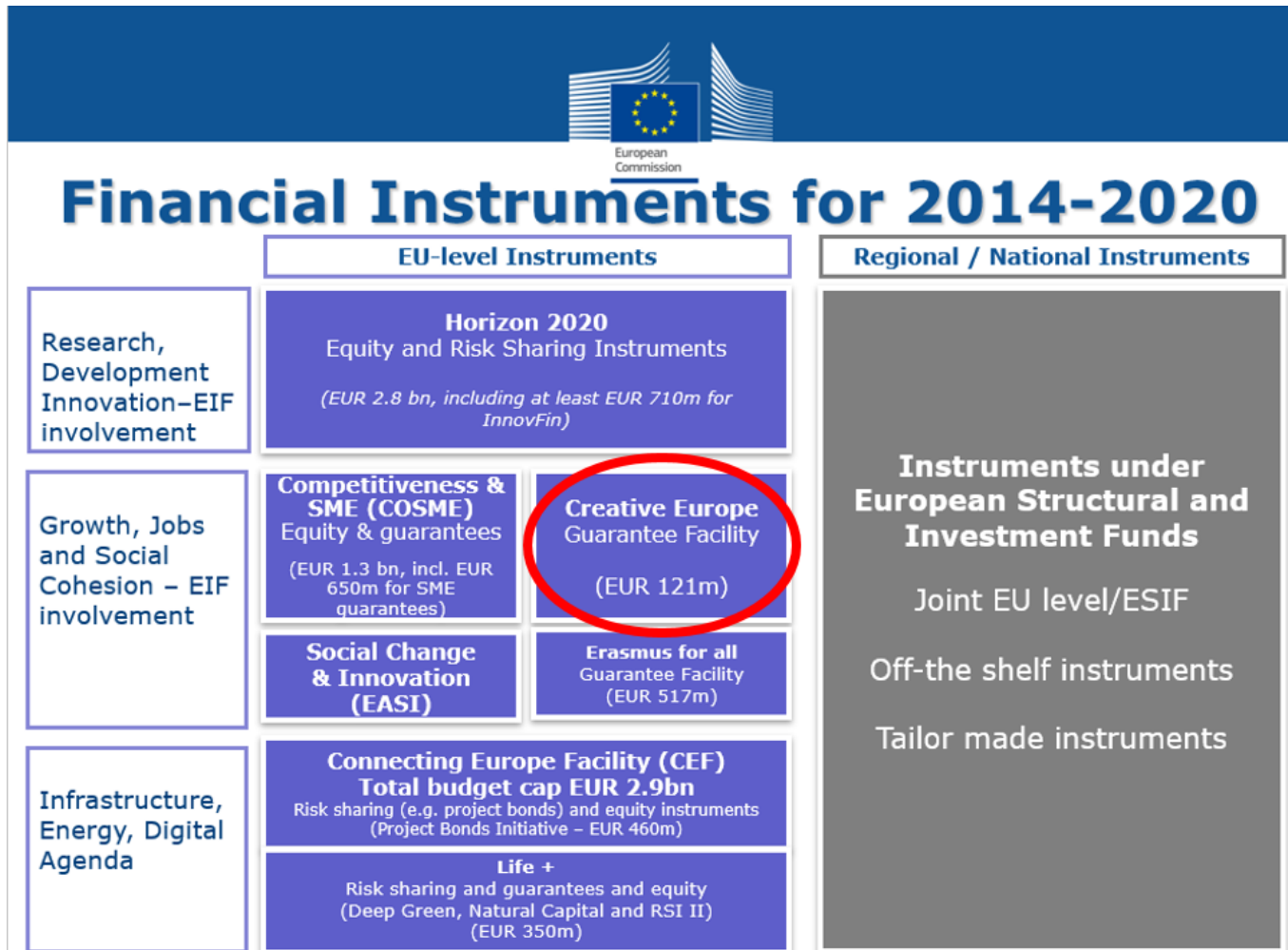
The cultural and creative sectors include inter alia **architecture, archives, libraries and museums, artistic crafts, audio-visual (including film, television, video games and multimedia), tangible and intangible cultural heritage, design, festivals, music, literature, performing arts, publishing, radio and visual arts.**

- A SME is defined (EC) as follow:

means any enterprise with less than 250 employees and having a turnover of less than EUR 50 million or total assets less than EUR 43 million; also not belonging to a group exceeding such thresholds.

- Public Enterprises are also eligible under the CCS GF. A Public Enterprise is defined (EC) as follow: means a SME not complying with the SME definition above but exclusively because detention of shares of the SME by public bodies exceeds the limits defined in Art. 3.4 of the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36).

'14 – '20 Financial Instruments Mapping



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