



MED MSMEs

Policies for inclusive growth

THIS PROGRAMME IS FUNDED BY THE EUROPEAN UNION



Support to an Enabling Business Environment for
MSMEs Development & Financial Inclusion

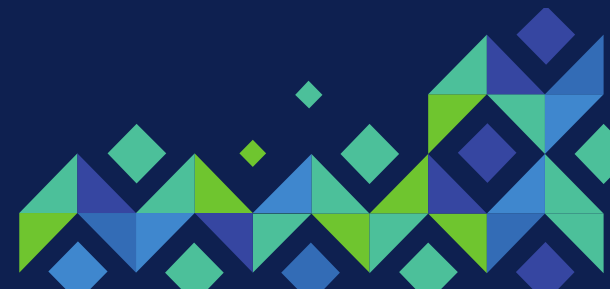


Regional Risk Sharing Mechanism in the South Med

BOOSTING IMPACT: THE EXTRA MILE

Christophe MALHERBE – 24 October 2023

GOPA
WORLDWIDE CONSULTANTS





4 strategic options - 5 modalities



Panel: 11 institutions consulted in 7 countries

Interview organized around 5 key topics

- Situation analysis
 - Prospects
- Regional Risk Sharing Mechanism additionality
 - Main identified risks
- Possible governance structure
 - Recommendations



- Reaffirming the role of NGCs

Strategic: NGCs are at forefront to support both new business opportunities and post COVID recovery

- Can a RRSM boost impact?

Open new markets, expand the portfolio, raising the risk ceilings, tackling excess default and curating COVID portfolio

- Common interest of NGCs?

Minimum common denominator among NGCs: digitalization, fintech, innovative finance, target territories



Questions 4 - 6

- Pandemic impact on NGCs and specific treatment measures?
Yes, especially because expected increase of NPL and PAR
- How to create additionality and economic leverage?
Data, know how, TA, exchange of practices on green and impact investments can provide market-based incentives, generate economies of scale and risk PF diversification
- What governance, business model, financial and operational settings?

Term sheet to include all consultation recommendations



Orientations

- 52% of participants supported the idea of a **guarantee – industry support instrument** (as opposed to transaction-based crosscutting interventions)
- 72% pleaded for an intervention that would foster **innovation with an increased participation of the private sector**
- 76% would prefer to tackle simultaneously the **COVID NPL** issue and unleash **intervention capacities for new practices**



RRSM key additionality

- Becoming a **centre of excellence** / generating economies of scale
- Harmonized **data framework** to mitigate additional risk
- Availing tools to **manage new risks**
- Supporting **new products** with little risk history
- Assist in **pricing** those new risks
- **Cost benefit analysis** to compute EIRRs



Four intervention strategies

TARGETED AT PORTFOLIOS

- Option 1** Scaling up existing operation (traditional)
- Option 2** Supporting innovative green businesses (new segments)



TARGETED AT THE GUARANTY SECTOR

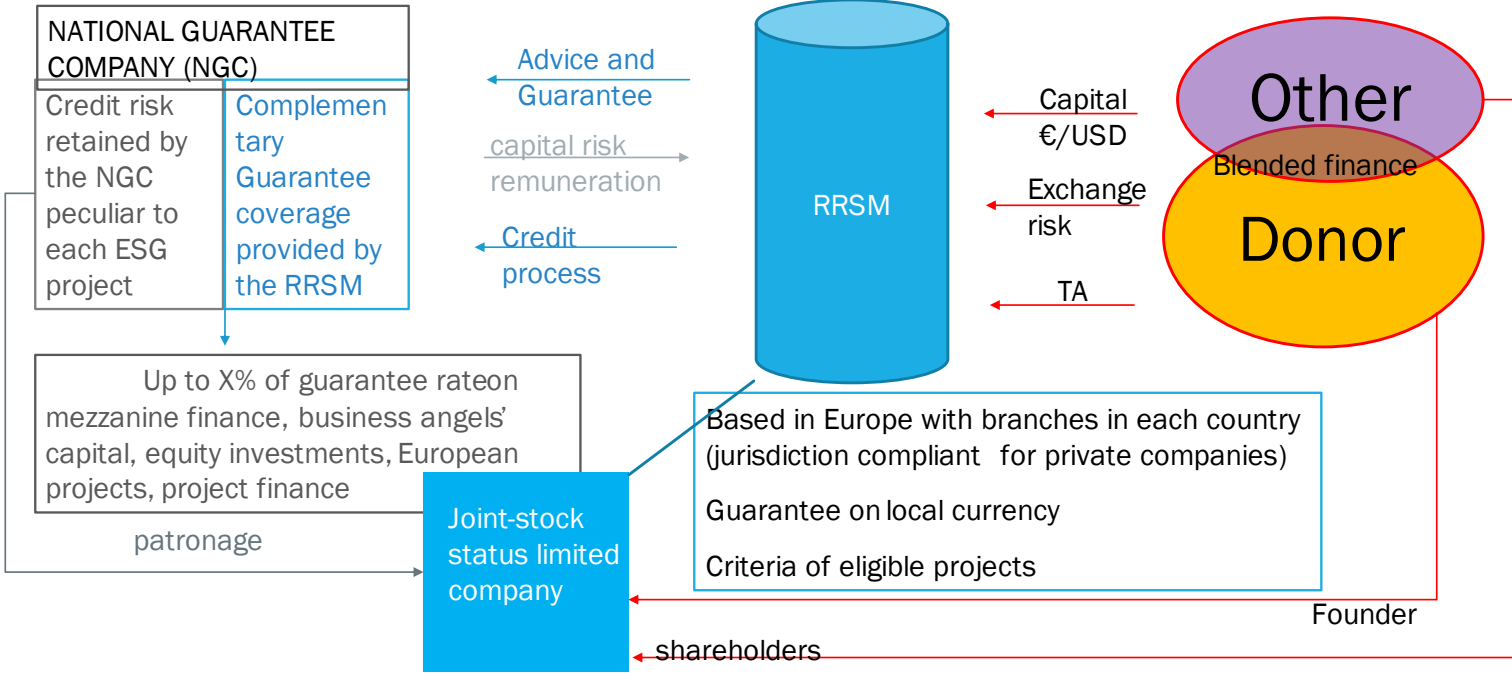
- Option 3** Fostering sector innovation through PS involvement
- Option 4** Increasing the sector resilience (COVID NPLs 4 recovery)



Scenario 3 Private Company

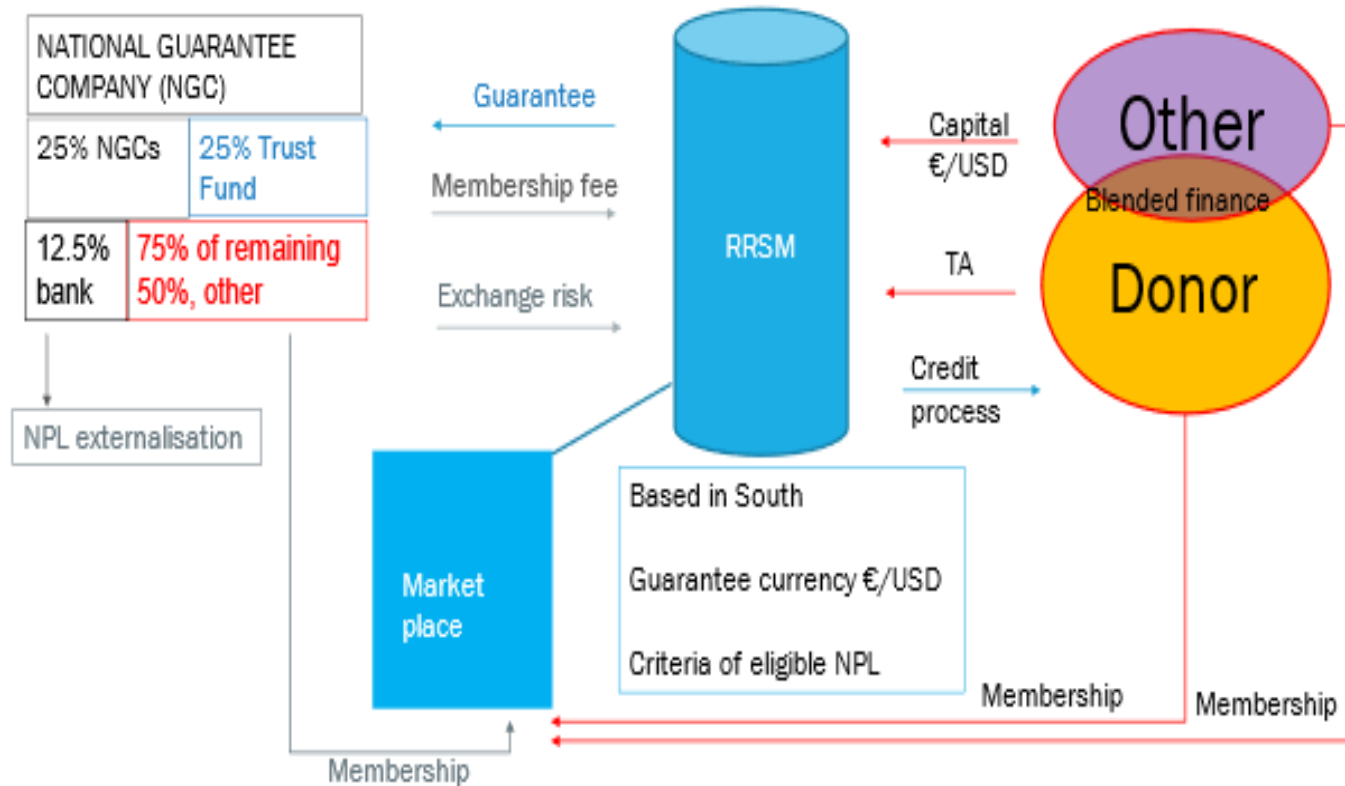
SCENARIO 3 PRIVATELY OWNED COMPANY

Mandate: Portfolio of BLENDED (% of new/old) guarantees (max amount)



SCENARIO 5 COVID AND NPL TRUST FUND

Mandate: Portfolio of COVID/NPL EXISTING guarantee (max amount)

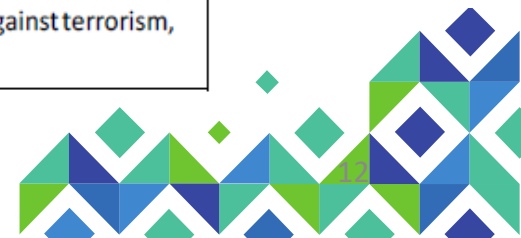


Some Recommendations

- The RRSM could be...
 - _ Providing **capital** and **subsidising** the guaranty fee
 - _ Pushing up the **coverage closer to 80-100%** in impact sectors
 - _ Offering sufficiently attractive conditions (such as a **negative premium**) to incentivize
 - _ Availing **equity guarantees and first loss blanket** to channel capital toward specific sectors e.g. collaterals for digital companies, women entrepreneurs
 - _ **Supporting data sharing** at regional level
 - _ Harmonized **ESG reporting framework**



<p>Structuring fees</p>	<p><i>Costs related to the legal structuring are significant, normally counting between 1 and 3% of the amount depending on the complexity of the facility. These costs, advanced by the “sponsors”, are reimbursed on the paid-in capital upon creation, creation that is usually subject to a closing size.</i></p> <p><i>This closing size – commanded by the business model and the risk diversification policy – allows also keeping costs within the range of 1 to 3%.</i></p> <p><i>In this case as a very first approach, the minimum size should be 50 M€ (TBC).</i></p>
<p>Governing Law and language</p>	<p>The terms of the Guarantee Agreement shall be in the English and French language and the Guarantee Agreement shall be governed by the laws of the elected incorporation country of the RCGM.</p>
<p>Base Currency</p>	<p>Beneficiary Transactions can be denominated in EUR or certain other currencies or in more than one currency. If the Portfolio consists of Beneficiary Transactions denominated in EUR and another currency, the Base Currency shall typically be EUR. If the Portfolio consists of Beneficiary Transactions denominated in currencies other than EUR only, one of such currencies shall be designated as the Base Currency.</p>
<p>Guarantee Currency</p>	<p>The Guarantee shall be expressed in the Base Currency.</p> <p>All amounts and payments made under the Guarantee Agreement by and to the RCGM shall be in the Base Currency, except for payments made by the RCGM to the NGC in respect of Defaulted Amounts. The latter payment will be made, at the RCGM’s discretion, either in the currency in which such Defaulted Amounts have been incurred or in the Base Currency.</p>
<p>Parti- pants</p>	<p>Guarantee institutions duly authorized to carry guarantee activities according to the applicable legislation, established or operating in one or several of the Participating Countries. Such institutions shall comply with the relevant international and incorporation standards and legislation, where applicable, on the prevention of money laundering, the fight against terrorism, tax fraud, tax evasion and artificial arrangements aimed at tax avoidance.</p>



The background of the slide is a complex, abstract geometric pattern. It consists of numerous overlapping triangles and squares in various shades of blue, teal, and light green. The shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to recede into the distance while others are in the foreground. The overall effect is a vibrant, multi-colored mosaic.

Thank you