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**SZÉCHENYI**

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**ATM for SMEs**

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# SUSTAINABILITY AND EFFICIENCY OF MICROFINANCE PROGRAMMES

## APPLICATION AND SELECTION PROCEDURES OF THE COMBINED SCHEME IN THE ECONOMIC DEVELOPMENT OPERATIONAL PROGRAMME (EDOP) 2007-2013

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Managing Authority for EDIOP

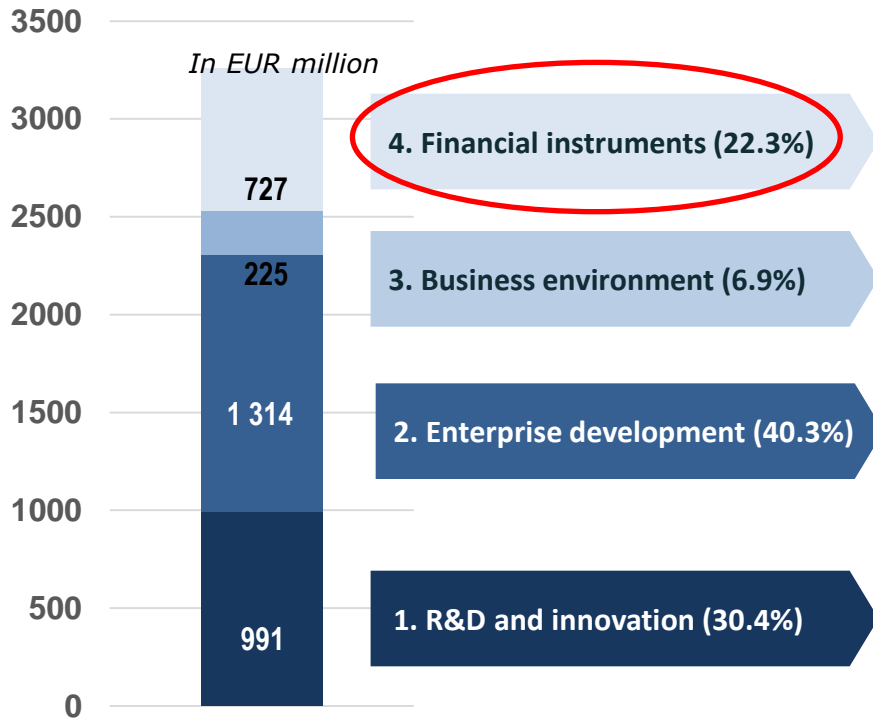
1st study trip

Offenbach, 24-26 October 2016

# Introduction of the combined microcredit and grant scheme (CMCG)

## Setting the scene... - Structure of the funding programme (3/1)

### Priorities of the Economic Development Operational Programme (EDOP) 2007-2013



### Summary of priorities

Helping SMEs with lack of resources by improving the accessibility to credit; refundable assistance; novel financial instruments in EU assistance system

Improvement of external operational environment of companies, especially improvement of information communication infrastructure and logistics centres

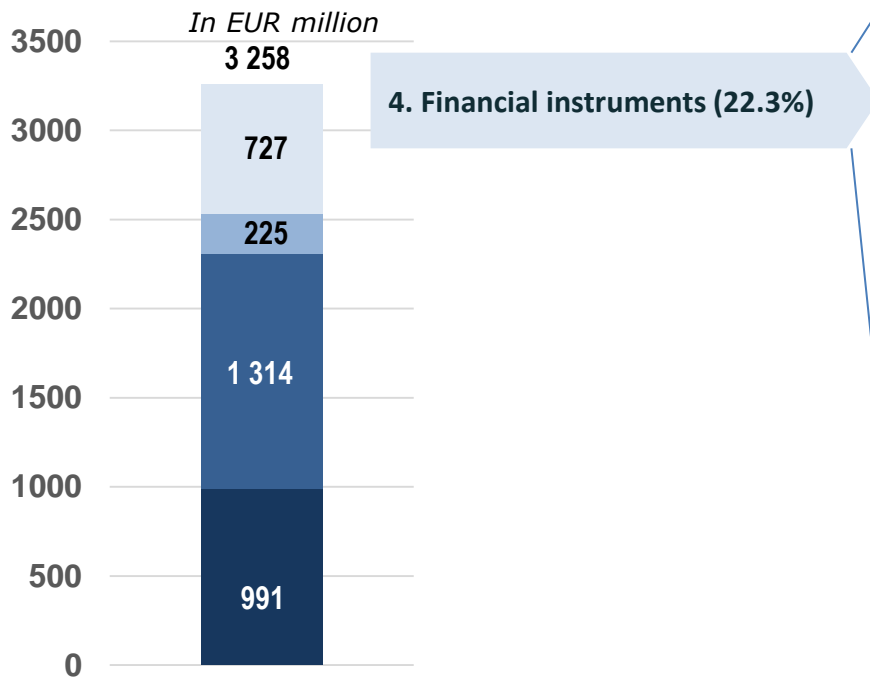
Complex development of enterprises with growth potential; their technological modernisation, and motivation of organisational development and modern process management

Enhancing R&D&I activity; intensification of co-operation between actors of R&D&I process; development of growth poles; clusters; market improvement

# Introduction of the combined microcredit and grant scheme (CMCG)

## Setting the scene... - Structure of the funding programme (3/2)

### Priorities of the Economic Development Operational Programme (EDOP) 2007-2013



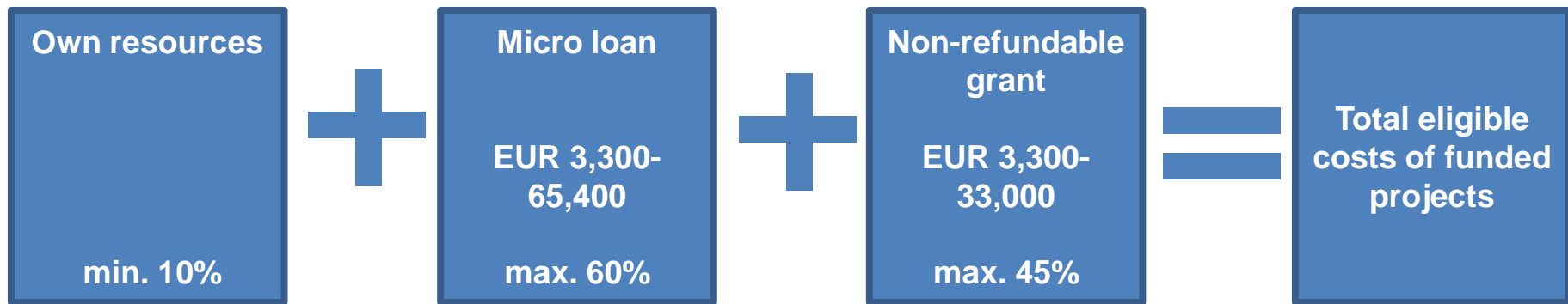
### Products

<b>Loan</b>	<ul style="list-style-type: none"> <li>New Széchenyi Loan programme</li> <li><b>Combined Microcredit and grant programme</b></li> <li>New Hungary SME loan programme</li> <li>New Hungary Working capital loan programme</li> </ul>
<b>Guarantee</b>	<ul style="list-style-type: none"> <li>New Széchenyi Loan Guarantee programme</li> <li>New Széchenyi Counter-guarantee programme</li> <li>Combined Loan with Guarantee – pilot programme</li> </ul>
<b>Venture capital</b>	<ul style="list-style-type: none"> <li>New Széchenyi Venture Capital seed sub-programme</li> <li>New Széchenyi Venture Capital Growth sub-programme</li> <li>New Hungary Venture Capital programme</li> </ul>

# Introduction of the combined microcredit and grant scheme (CMCG)

## Setting the scene... - Structure of the funding programme (3/3)

### Composition of the CMCG product



### Target group

Micro-, small and medium-sized enterprises facing difficulties in accessing finance

### Results

- Number of contracts: 7820
- Contracted volume (micro-loan): EUR 173.4 million

# Procedure of CMCG

## Project life cycle

Submission of project application

Project selection

Approval

Contracting

Monitoring and reimbursement

Micro-loan

SME submit its application through a one-stop platform

Micro-loan assessment

Joint approval decision for the applicant SME

Micro-loan contract with financial intermediary

According to the rules of the financial intermediary

Grant

Grant assessment

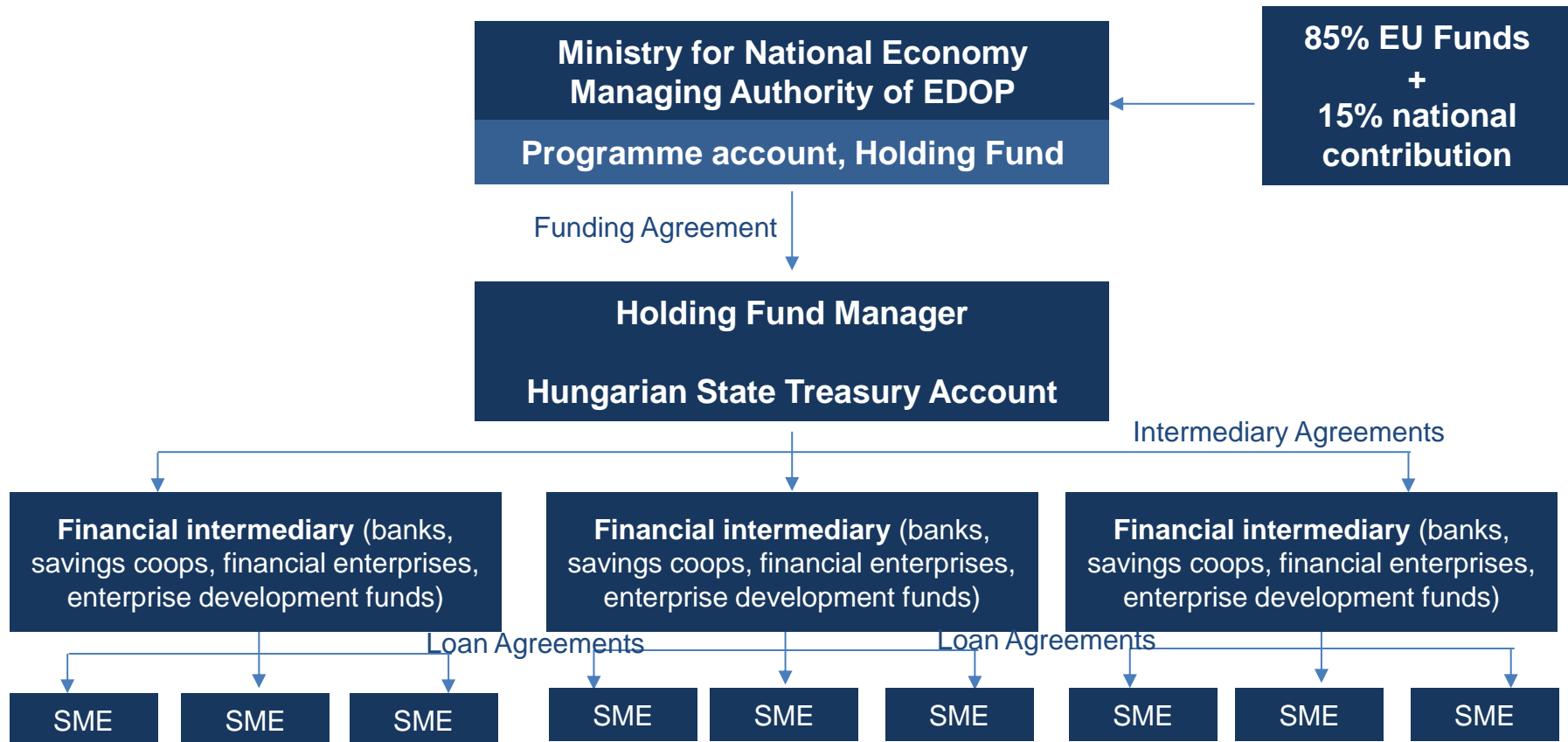
Grant contract with managing authority

According to the rules of the managing authority

- A large number of different actors were involved in the implementation but harmonised procedures at application and approval brought efficiency for the CMCG scheme appreciated by clients
- Room for further development in the current period (IT system, harmonised project selection criteria, etc)

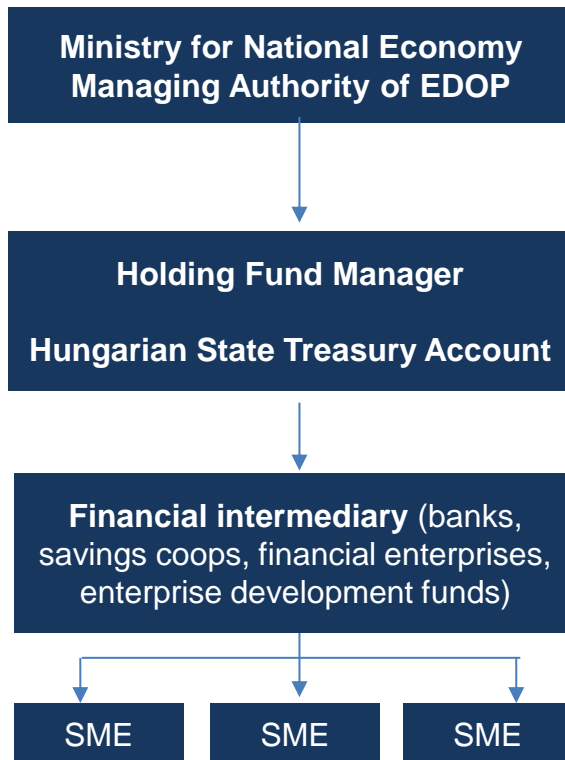
# Implementation system

## Overview on implementation structure at CMCG



# Implementation system

## Overview on implementation structure at CMCG



- Financial intermediaries were selected through open calls
- The Holding Fund Manager conducted the selection process
- A broad set of financial institutions (in total 140) were selected including micro-financing organisations:
  - 29 banks
  - 55 saving coops
  - 56 microfinance institutions
- The overwhelming majority of the selected financial intermediaries had proven track record – this contributed to a large extent to the sustainability of the scheme
- Thanks mainly to microfinance institutions micro enterprises in small settlements were reachable

# Conclusions, recommendations

## Efficiency and sustainability of the CMCG scheme

### Conclusions

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- Efficiency of the CMCG scheme was supported by one-stop solutions of the involved actors at the application and approval phase
- Sustainability of the CMCG scheme was secured by using existing financial intermediaries for the loan part of the product

### Recommendations

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- Further unification of processes of the two legs (loan and grant) could be aimed at (project selection, contracting, monitoring)
- The underlying IT platforms could be merged, unified



# Case study (Combined Micro Credit and Grant scheme)

- <https://www.fi-compass.eu/publication/case-studies/case-study-combined-micro-credit-and-grant-scheme>

- Elaboration and implementation of a Hungarian ERDF-funded financial instrument.
- Reduced the market gap in SME finance.
- Provided micro financing opportunities to micro enterprises.
- Described the objectives of the fund.
- Set up of the financial instrument, strategy, achievements and lessons learned.



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**Thank you for your kind attention!**

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