

**PROGRAMME: Jeremie ESF**

**Originator:** Federica Rosi, Finlombarda S.p.A, Italy

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**E mail:** Federica.Rosi@finlombarda.it **Tel:** 390260744479

## 1. SUMMARY OF GOOD PRACTICE

### ▪ Overview & Aims

Set up as an experimental initiative in 2008, the first in this field in Europe at the time, the aim of the **Jeremie ESF initiative is to provide a means of covering the financial gap for organisations in cooperatives that need to strengthen their assets in order to access finance.**

Jeremie ESF fund acts as a combined loan and guarantee instrument and facility for members of cooperatives who can receive a micro loan of up to €4,000 enabling entrepreneurs to increase their capital and access previously unavailable bank loans.

### ▪ Key Resources

#### – Programme Partners

Lombardy Region as Managing Authority, Finlombarda, an affiliated institution of Lombardy Region acting as the fund manager and banks acting as co-investors.

#### – Funding: Funding Body & SME Contribution

€20M from Jeremie ESF (Regional Axis 3/Social Inclusion Fund) + €17.45M from Banks involved. Each cooperative can receive a maximum of €200K to comply with the de minimis regulation.

### ▪ Eligibility Criteria

Initiative aimed at Social Cooperatives (Type A, B) and work/production cooperatives

### ▪ Terms and Conditions

#### – The fund is used to capitalise cooperatives through the means of loans to their members.

Final recipient must be members or future members of the cooperatives. Loans are subject to monthly repayment terms at normal market interest rates and repaid to the bank. Final recipients who stay with the cooperative for at least 5 years **are not required to repay the proportion, (€2,000) funded from the Jeremie scheme.**

## 2. IMPLEMENTATION

Managed by Finlombarda the front office activity is managed by the banks involved who also check and evaluate applications.

- **Key Steps – How it Works**

The initiative is a **combined instrument** providing **micro loans backed by a loan guarantee**. Funded from two sources, €2,000 from Jeremie ESF fund and €2,000 from the respective banks (with the Jeremie guarantee), loans are granted to eligible shareholders in each cooperative participating in the scheme, who then effectively undertake to pay new equity shares into their own cooperative.

Financial intermediaries i.e. banks were selected through an open public tender enabling the fund manager to obtain the best market conditions in terms of cost, time and procedures and a good geographical spread, ensuring the initiative reaches widest possible regional dissemination. Each cooperative is eligible for a maximum of €200K that can be used to provide finance for up to 50 of their members. Each cooperative makes a formal undertaking to increase its own capital with the cooperative members effectively underwriting the loan application.

Shareholders pay back the total amount of bank loan €2,000 over 5 years to the bank; **shareholders remaining in the cooperative for 5 years or more are not required to pay the remaining balance.**

- **Key Stats**

Running from 2008 to 2015 the results as at 31<sup>st</sup> December 2013 are as follows:

KEY MEASURE	ESTIMATED TOTAL
Applications Received	9,428
Applications Supported i.e. financed and active	7,718
Funding Granted (€15.6M from the fund itself & €15.6M from banks involved)	€31.2M
SME Funding (own funding sources not required)	N/A

Fund manager fees account for less than 2% per year, less than the ceiling set out by the EC.

### 3. KEY LEARNING POINTS & OPPORTUNITIES

The Lombardy Region was the first to implement a financial engineering instrument supported by the ESF. The impact of the programme has been really positive with funds used to finance 526 cooperatives which in turn have helped 7,718 member businesses to access finance.

- **What worked well/Strengths**

Good cooperation between public and private sector enabling partners and cooperatives to extend the scheme to geographical areas never reached before.

Routing funds through cooperatives has enabled the introduction of social aspects in a Jeremie Instrument.



Flexible – only half of capital must be guaranteed.

- **Challenges/Weaknesses**

Questions were raised on the design of the instrument, in particular enabling cooperative members of 5 years or more to retain the Jeremie portion of the loan without repayment. This was later accepted.

- **Transferability**

- Opportunities: considered a good practice instrument with potential to be repeated in programme 2014-2020
- Threats: focus on cooperatives may not be applicable to other countries/regions.

**FURTHER INFORMATION:**

DIFASS You Tube Channel:

<http://www.youtube.com/watch?v=Hyke0pfNIHM&index=6&list=PLdapWZuBHseXBUAiHpWLd7QwCVII7UaBH>

Lombardy Region:

<http://www.regione.lombardia.it/cs/Satellite?c=Page&childpagename=HomeSPRL/HomePageLayout&cid=1194454760265&pagename=HMSPRLWrapper&rendermode=live>