



# **Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 Year 2 – 2012**

## **Task 1: Financial engineering**

### **Belgium**

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**A report to the European Commission  
Directorate-General Regional Policy**

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## List of abbreviations

- CEP Competitiveness and Employment Programme
- CP Convergence Programme
- FEI Financial Engineering Instrument
- NVCB Non Venture Capital Backed Companies
- OP Operational Programme
- PIZ Priority of Intervention Zone
- PPP Private-Public-Partnership
- VAT Value Added Tax
- VC Venture Capital
- VCBC Venture Capital Backed Companies

## Executive summary

Financial Engineering Instruments (FEIs) are widely used in Belgium and have a long tradition. The ERDF has co-financed some of these since the 1994-1999 programming period and there is wide experience in managing such schemes although the arrangements set up are relatively complex. In the current programming period FEIs are supported by the Convergence Programme in Hainaut and the Competitiveness and Employment Programmes in Brussels and the Walloon Region. Finance from the ERDF for FEIs amounts to 11-12% of the total available in the Walloon region and to 5% in Brussels. No ERDF funding goes to FEIs in the Flemish region.

In the Walloon region and in Hainaut, FEIs mainly take the form of venture capital (VC) funds which receive over 90% of the ERDF allocation to these though loan guarantees and micro-credits are equally supported. In both programmes, FEIs are confined to enterprise support and are aimed at facilitating access to finance for business creation and expansion. FEIs are seen as complements rather than as alternatives to non-refundable grants. In the Brussels region, the ERDF co-finances the BRUSOC micro finance institute which helps people who have difficulties in obtaining a bank loan to get the necessary finance to become self-employed, to start a business or to initiate a social economy project in the region's priority intervention zone.

Public support for FEIs is intended to address several forms of market failure: the reluctance of banks to grant loans to SMEs, which became more frequent after the imposition of the Basle II prudential rules, the lack of micro-credit institutions and the prejudice of banks against certain categories of borrower (the young, unemployed, women and ethnic minorities, in particular). FEIs are seen as a means of promoting public-private partnerships (PPPs) and of providing business advice as well as finance.

There are no major problems in using FEIs in Belgium, though the bureaucracy associated with ERDF co-financing is perceived to be excessive and the EU regulations not always appropriate. It is also the case that the cost of business support schemes, whatever form they take, is almost certainly high because of the extreme fragmentation of the support structure in place.

In response to the implementation of Basle III prudential rules, SMEs in Belgium have called for existing public measures, especially loan guarantees, to be strengthened. Whether and to what extent ERDF finance should be used to alleviate the higher credit costs for SMEs resulting from the imposition of these rules is a question policy makers will need to consider. Since no evaluation of ERDF-co financed FEIS has so far been carried out in Belgium, this makes it all the more important to compile evidence on their effects on ultimate economic and social objectives.

## 1. Use of financial engineering instruments

### *Use of Financial Engineering Instruments (FEIs) in the programming period 2007-2013*

FEIs are supported by the Convergence Programme (CP) of Hainaut and the Competitiveness and Employment Programmes (CEPs) of Brussels and the Walloon Region. The instruments receive the largest share of ERDF funding in Hainaut (over 12% of total allocation from ERDF) and the share is only slightly smaller in the Walloon region (nearly 11%). In Brussels, finance from ERDF for FEIs amounts to only 5% of the total ERDF allocation to the region. No ERDF funding goes to FEIs in the Flemish region (Table 1).

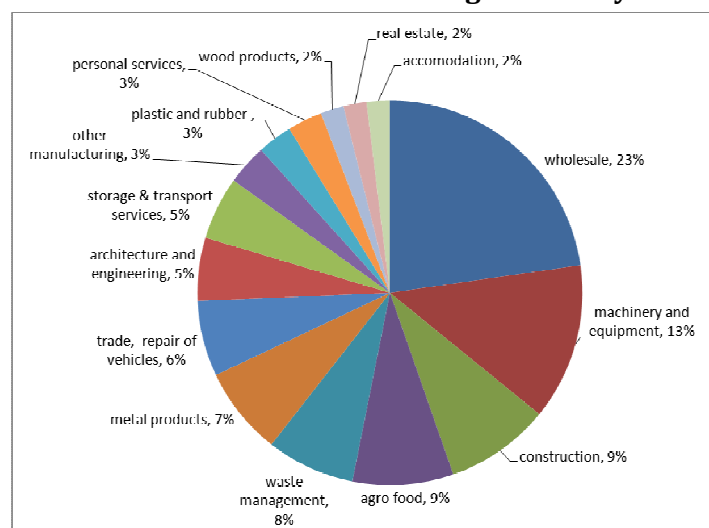
Where they are in place, FEIs are confined to supporting enterprises. The funding for the instruments represent around 20% of direct and indirect support for enterprise in Hainaut, 19% in the Walloon region and 9% in Brussels.

**Table 1: Allocation of ERDF to Financial Engineering Instruments in the 2000-2006**

	Total allocation of ERDF	Share of ERDF allocated to FEIs	Allocation of ERDF to direct and indirect enterprise support <sup>1</sup>	Share of FEIs in direct and indirect enterprise support
	EUR million	%	EUR million	%
Hainaut	449	12.3	280	19.7
Walloon Region	283	10.9	162	18.9
Brussels Region	58	5.0	32	9.0
Flemish Region	201	0.0	88	0.0
Total	990	9.0	562	15.8

Source: DG Regio Data, Data from Walloon government <http://europe.wallonie.be/?q=node/18>

**Figure 1: Distribution of disbursements from funding for FEIs by sector of activity**



Source: own calculations based on information from the AIRs 2011.  
Note: date refer to the situation by end-2010.

<sup>1</sup> See Annex Table A for the definition of direct and indirect enterprise support in terms of the priority themes covered. To ease comparison, the definition is the same as in the Belgian country reports on achievement of Cohesion policy for 2010 and 2011 available at the DG REGIO [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/pdf/eval2007/country\\_reports/belgium.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/country_reports/belgium.pdf) and [http://ec.europa.eu/regional\\_policy/information/evaluations/index\\_fr.cfm#1](http://ec.europa.eu/regional_policy/information/evaluations/index_fr.cfm#1).

In terms of sectors of activity, the distribution of funding at end-2010 shows that ERDF co-financed FEIs mainly support wholesaling (23%), machinery and equipment (13%), construction (9%), agro-food (9%), waste management (8%) and metal products (7%)<sup>2</sup> (Figure 1).

### ***Form of FEIs***

In the ***Walloon region and in Hainaut***, FEIs take the form of venture capital (VC) funds, loan guaranties and micro-credits. The VC funds finance subordinated loans as well as both, unsecured and secured loans. The overall value<sup>3</sup> of the ERDF co-financed VC fund amounts to EUR 107 million in Hainaut and EUR 71 million in the rest of the Walloon region. Three different areas of support are financed:

- investment undertaken by SMEs;
- SMEs developing projects to protect the environment;
- R&D and innovation carried out by SMEs.

The overall budget available for ERDF co-financed guarantee schemes and micro-credits in the Walloon region is EUR 15.9 million of which the Hainaut region accounts for EUR 10 million. Three types of intervention are supported: “traditional” loan guaranties, “second layer guarantee” for loan guaranties issued by the Mutual Guarantee Associations of the region and micro-credits for micro-enterprises.

In the ***Brussels region***, FEIs are mainly aimed at supporting social inclusion and promoting the social economy. ERDF co-finances the BRUSOC micro finance institute which helps people who have difficulties in obtaining a bank loan to get the necessary finance to become self-employed, to start a business or to initiate a social economy project in the region’s priority intervention zone (PIZ). Depending on the type of business or project, the support takes the form of micro-credit, seed capital or cash credit.

### ***Comparison of use with initial plans and with use in previous periods***

Financial engineering has a long tradition in Belgium and is widely developed right across the country including in the Flemish region where no ERDF finance is used for this purpose. In the Walloon region, ERDF co-financed FEIs were implemented for the first time in the 1994-1999 programming period. The allocation to these has been increased over time, from 9% of total ERDF in the 2000-2006 period to nearly 12% in the current programming period. In the Brussels region, the ERDF has co-financed BRUSOC since the 2000-2006 programming period.

Although the allocation of ERDF to FEIs has not been modified during the course of the present period, their use and the budget for them has been increased by the Walloon government because of the crisis which made it even more difficult for companies to get finance from banks<sup>4</sup>.

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<sup>2</sup> It should be noticed that for around one third of disbursements the sector of activity of the recipient company is not specified in the Annual Implementation reports. These are taken out for the calculation of the indicated shares.

<sup>3</sup> Including the national public and private contribution. A detailed decomposition is included in Annex Table B.

<sup>4</sup> See Recovery Plan of the Walloon Government 2008 and prolongation until 2014 of the measures; Government decision as of January 2012.

## 2. Rationale for using financial engineering instruments

### ***Reasons given in OPs (or by the relevant authorities) for the use of FEIs rather than grants***

There is no discussion as such in the programme documents about the use of FEIs *rather* than non-refundable grants. By examining the measures supported by the various schemes it is evident, however, that FEIs and non-refundable grants are complements and as such are used for different purposes and to meet different policy objectives.

Support provided to enterprises in the form of non-refundable grants for investment or business start-up is mainly aimed at promoting structural change by prioritising activities which are in line with the strategic choices of the region. The OPs of both the Walloon region and Hainaut emphasise that direct aid for business creation and expansion in the form of non-refundable grants is a means of supporting the *poles of competitiveness* policy<sup>5</sup> pursued. Aid is intended to be concentrated on those categories of enterprise which have the greatest potential for growth and job creation and which contribute most to the development of *poles of competitiveness*. The eligibility criteria for non-refundable grants reflect this policy objective.

Conversely, FEIs apply to all businesses in the area eligible for support. Their purpose is to facilitate access to finance for business creation and expansion in general. There are no particular eligibility criteria in terms of sectors of activity apart from those set out in Regulation (EC) No 800/2008<sup>6</sup>. The OPs emphasise moreover that instruments are used in synergy with non-refundable grants but also with advanced support services for SMEs and R&D support. This is an additional indication of the intended complementarity.

### ***Reference in OPs to market failure***

SMEs are seen as essential components of the Walloon economy. The OPs recognise the difficulties that SMEs have to find the finance they need to develop and this harms job creation and growth. Banks are reluctant to grant loans. Credit rationing and outright refusals to lend have become more frequent since the imposition of the Basle II prudential rules<sup>7</sup>. Micro businesses and the self-employed face the biggest difficulties of obtaining the finance they need particularly in the start-up phase but also when expanding their activity. It is not made clear why this is so but it can be assumed that insufficient collateral and/or the absence of a “financial history” amplifies the perceived risk.

In addition, the OPs mention the lack of micro-credit institutions in the Walloon region and consequently the limited use of micro-credits. In 2007, at the start of the current programming period, around 14,000 new enterprises were initiated in the region, according to VAT

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<sup>5</sup> The poles of competitiveness policy focuses on six areas of technology: health (“Biowin”), agro-industry (“Wagralim”), mechanical engineering (“Mecatech”), aeronautics and space (“Skywin”), transport and logistics (“Logistics in Wallonia”) and since 2010, environmental technologies.

<sup>6</sup> Following Regulation (EC) No 800/2008 support from FEIs excludes the following sectors of activity: Agriculture; Mining, the extraction of lignite and peat; Electricity, gas, steam and hot water supply; the Sale, maintenance and repair of motor vehicles and motorcycles; Wholesaling on a fee or contract basis, Retailing; Restaurants; Railway transport; Financial intermediation and insurance; Real estate; Renting; Education, and Health, social and household services.

<sup>7</sup> The application of Basle III is anticipated to increase the pressure on SMEs in this regard. The liquidity rules imposed by Basle III on the banking sector in the short term (the Liquidity Coverage Ratio) and in the long term (the Net Stable Funding Ratio) will inevitably increase interest rates and the collateral requested.

applications, but only 400 micro credits were granted<sup>8</sup>. These numbers tend to indicate that there is a gap between the potential demand for micro-credits and the supply.

The OPs also mention that banks are prejudiced against certain categories of borrower (the young, unemployed, women and ethnic minorities, in particular) that consequently face difficulty in obtaining the necessary capital to start a business or to become self-employed.

Related to the above, the OPs also mention that banks tend as well to give preference to loans for consumer durables over those for investment, since the risk involved is perceived to be lower.

### ***Perceived benefits of using FEIs rather than grants***

Strong links and interaction between the different economic and social actors are seen as features which ease exchange of information and knowledge and facilitate growth. It is an explicit goal in the OPs to intensify public-private-partnership (PPP) including for financing enterprises and projects. One of the objectives of FEIs is to get the private sector more involved in supporting the development of the region in general and *poles of competitiveness* in particular. They are seen as a means of achieving because they are flexible and offer the possibility of providing innovative measures in particular situations. In this regard, it can be noted that the “Invests”, the bodies in charge of delivering FEIs in the Walloon region, perceive their mission as one of mediation between different people and companies in their search for financial solutions.

Non-refundable grants do not always meet the needs of specific categories of enterprise. This is particularly the case for university spin-offs but also for the broader range of innovative SMEs. These companies are not only looking for finance but equally for advice and experience in various areas, including management and the setting of strategic objectives. A survey carried out in the Walloon region indicates that 59% of spin-offs and 33% of innovative SMEs prefer “active”, rather than passive financial participation with involvement of creditors in decision making (e.g. as members of the board or as executive directors). The survey also shows that 74% of spin-offs and a significant minority (33%) of innovative SMEs prefer finance from FEIs and business angels to public grants and subsidies<sup>9</sup>.

A potential benefit of FEIs over non-refundable grants which is not highlighted as such in the OPs but which is expressed by policy makers is that the funds provided through FEIs might lead companies to adopt a more competitive business response than those from non-refundable grants. In this context, the OPs refer to a lack of dynamism of businesses and to insufficient “entrepreneurial spirit”. The long tradition of grant-based intervention in the Walloon region might have contributed to the development of a culture of enterprises expecting to be assisted. A broader use of FEIs might help to rectify this.

The revolving nature of FEIs is equally seen as an advantage over non-refundable grants in so far as the funding can potentially benefit more than one company. In this context the OPs and other programming documents refer to the greater leverage and multiplier effects of FEIs. No explicit objectives are, however, set in this regard.

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<sup>8</sup> Source: Programme Complements of CP Hainaut and CEP Walloon region, 2010.

<sup>9</sup> Harlez Y., Schwienbacher A., Van Wymeersch C., (2008), « Le financement par capital-risque des entreprises innovantes en Wallonie », Rapport de synthèse, UCL, FUNDP Namur.

### **Relative costs**

In the Walloon region ERDF co-financed FEIs have been in place since the 1994-1999 programming period and in Brussels since the 2000-2006 period. The set-up costs have, therefore, already been incurred. Moreover, FEIs are managed and implemented by bodies which were already in place at the time that they were first co-financed by EU funds.

There is no direct evidence on the cost involved in using FEIs as compared with non-refundable grants, but it is reasonable to suppose that the smaller the amount of support the greater the administrative cost is likely to be in relative terms.

It is worth mentioning in this regard that the cost of support schemes of any kind can be assumed to be high in the Walloon region, because of the extreme fragmentation of the support structures in place. FEIs are delivered by an impressive number of operators either operating in specific geographical areas, as in the case of the 9 different “Invests” in the region<sup>10</sup>, or in specific sectors. The system lacks effective coordination and there is little interaction between operators and this is a likely source of inefficiency (because of fragmentation of resources and support, an absence of critical mass, a lack of consolidated information on the support available and so on). Support for spin-offs alone is provided by 27 different measures implemented by different operators<sup>11</sup>. Evaluations have repeatedly highlighted the weaknesses of the public support structure in place<sup>12</sup> and SMEs have increasingly called for simplification<sup>13</sup>. Although signs of improvements can be observed, progress is slow.

### **3. The effectiveness of financial engineering instruments: selected examples**

This section concentrates on the ERDF co-financed FEIs implemented under the CP in Hainaut and the CEP in the Walloon region. As noted above, these are VCs, guarantee schemes and micro-credits.

#### ***Differences in objectives and in the way that they are operated between FEIs implemented under Cohesion policy and private schemes***

There are no private interventions comparable to those co-financed by the ERDF because the private sector is not willing to finance certain kinds of investment (e.g. non tangible investment and R&D) and to provide finance to particular categories of firm (e.g. SMEs, micro-enterprises or spin-offs) and individuals (e.g. the young or the unemployed)<sup>14</sup>. Overall, the main difference between FEIs supported by public money, including the ERDF, and FEIs funded by private money is in the objectives pursued. While the ultimate goal of the former is economic growth and job creation by helping SMEs to get the finance necessary to start up, expand and to adopt

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<sup>10</sup> See section 4.

<sup>11</sup> For an average number of 5 (!) spin-offs created a year in the period 1999-2010.

<sup>12</sup> Some of these are:

Harlez Y., Schwiendbacher A., Van Wymeersch C., (2008), “Le financement par capital-risque des entreprises innovantes en Wallonie”, Rapport de synthèse, UCL, FUNDP Namur.

Pirnay F., Surlemont B., Degroof E J.J., (2006), “Les déterminants de la croissance des spin-offs universitaires”, HEC-ULg.

COMASE, (2010), “Evaluation des spin-offs créées dans les universités et les hautes écoles de la Communauté française”, study for the Walloon Government - DG06.

<sup>13</sup> Rapport du 1<sup>er</sup> Parlement des PME de Wallonie in the context of Small Business Act for Europe, (2011).

<sup>14</sup> See section 3.



or develop better technologies so as to increase productivity and competitiveness, the objective of private funded FEIs is to make profits.

Another difference is in the focus and geographical coverage. In contrast to many private funds which tend to be specialised in specific technologies, activities or stages in the company life-cycle, ERDF co-financed FEIs apply to a broad spectrum of industries and services and are not targeted at a specific group. ERDF co-financed FEIs can only be provided to companies established in the Walloon region which is not the case for privately funded instruments.

***Influence of managing authorities over the way the funds provided by FEI are allocated and over the businesses receiving support***

The arrangements set up to manage ERDF co-financed FEIs in the Walloon region are relatively complex. Information about this is dispersed and it is difficult to get an overview of the structure of control. The allocation from the ERDF goes to 6 different subsidiaries of the “Invests”<sup>15</sup> responsible for the administration of VC interventions. There are nine “Invests” in Wallonia three of which are involved in the Hainaut CP<sup>16</sup> and three of which in the Walloon region CEP<sup>17</sup>. “Invests” are public-private partnerships (PPPs)<sup>18</sup> and the Walloon region is represented in these through its intermediary body SOWALFIN SA in which it holds 84% of the capital. Most of their means of action come from drawing rights granted by the Walloon Region. SOWALFIN SA is the main coordinator of “Invests”. The provision of ERDF co-financed loan guarantees and micro-credit is under the responsibility of SOCAMUT which is also a subsidiary of SOWALFIN SA<sup>19</sup>.

Accordingly, the managing authority represented by SOWALFIN SA has the possibility of controlling the way FEIs are set up and over the systems put in place to distribute them. SOWALFIN SA also has responsibility for ensuring compliance with the criteria set out in the OPs as well as with EU and national regulations relating to the instruments concerned. The funding decisions as such however are the responsibility of the “Invests’ subsidiaries”. In addition to providing finance they also act as advisers and assist companies to develop their activities. Fund managers tend to have solid knowledge of local businesses, though their number seems to be too small in practice to enable a sufficiently pro-active approach to be followed<sup>20</sup>.

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<sup>15</sup> “Invests” are bodies responsible for promoting the economic development of specific areas mainly by assisting SMEs and stimulating entrepreneurship.

<sup>16</sup> The Invests involved in FEIs in the Hainaut CP are: (1) SAMBRINVEST with the subsidiary SA FCR Convergence, (2) IBC with the subsidiary SA IMBC Convergence, (3) HOCCINCEST with the subsidiary SA WAPICARIS.

<sup>17</sup> The Invests involved in FEIs in the Walloon region CEP are: (1) MEUSINVEST with the subsidiary SA INNODEM2, NAMUR INVEST with the subsidiary SA Namur Développement Compétitivité and (3) Luxembourg Développement with the subsidiary SA Luxembourg Développement Europe

<sup>18</sup> Around 50% of the funding comes from private investors and 50% from the Walloon region.

<sup>19</sup> See Annex Figure A.

<sup>20</sup> COMASE, (2010), “Evaluation des spin-offs créées dans les universités et les hautes écoles de la Communauté française”, study for the Walloon Government - DG06.

### ***Criteria businesses need to fulfil in order to receive support from the funds***

There are a number of general criteria which beneficiaries need to meet in order to be eligible for FEI support. These largely correspond to the criteria set out in EC regulation 800/2008<sup>21</sup>:

- meeting the EU definition of SMEs, with priority given to interventions for small and micro enterprises;
- having established, or undertaken to establish, a place of business in the Walloon region;
- not belonging to one of the sectors of activity excluded from the scope of Regulation (EC) No 800/2008;
- not being regarded as an undertaking in difficulty within the meaning of Article 1, § 7 Regulation (EC) No 800/2008;
- not being an undertaking which is subject to an outstanding recovery order following a previous Commission Decision declaring an aid illegal and incompatible with the common market.

Depending on the type of intervention, a private contribution of 25% or more of eligible costs is often necessary.

Each co-funding decision must demonstrate economic profitability and technical feasibility and viability. It is unclear however whether and to what extent the funds invested are intended to produce a return on investment. There is no clear position on this question on the part of the Commission either.

### ***Criteria for assessing the performance of FEIs and targets set***

No criteria have been set in the programming documents for assessing the performance of FEIs in terms of profitability. The indicators used to monitor progress in implementing the instruments and the outcome of the investment financed are the same as for non-refundable grants and reflect the ultimate purpose of job creation.

**Table 2: Progress in implementing ERDF co-financed FEIs in Hainaut and the Walloon region 2007-2013**

	VC		Guarantee and micro-credits	
	Hainaut	Walloon Region	Hainaut	Walloon Region
<b>number of enterprises</b>				
• supported	120	70	106	136
• created	24	24	24	59
• supported in expansion	96	46	54	35
• supported in takeover	-	-	28	42
<b>number of jobs</b>				
• already created	178	145		
• created once project finalised	273	307	54	162
• consolidated once project finalised	-	-	317	194

Source: AIRs 2010.

<sup>21</sup> COMMISSION REGULATION (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty.

Output is assessed by the number of enterprises supported and results by the number of enterprises set up or expanded and the number of jobs created. Table 2 summarises the situation at end-2010.

It is worth noting that the targets set for FEIs are aggregated with those for investment grants. Taken together the measures achieved the targets set as at end-2010.

#### 4. Main problems in using financial engineering instruments

As already mentioned above, FEIs are widely used in Belgium. The ERDF has co-financed some of these since the 1994-1999 programming period and there is broad experience in managing schemes. There are no particular problems which are worth mentioning.

It is however the case that the bureaucracy associated with ERDF co-financing is perceived to be excessive and the EU regulations not always appropriate. In the 2000-2006 period, “Invests” were subject to a reference rate set by the European Commission which was higher than, or the same as, the rate offered by banks during the economic slowdown. Because the regulations failed to foresee the possibility the rate being adjusted to market conditions, ERDF co-financed FEIs were relatively unattractive during this period. In the current programming period, the minimum rate which ERDF co-financed FEIs need to apply is equivalent to EURIBOR (i.e. the rate at which Eurozone banks lend unsecured funds to each other in the interbank market).

The complexity and fragmentation of the support structure and the potential inefficiency which arises from this have already been mentioned in section 3. In this regard, it is worth noting that the division of the overall ERDF allocation for FEIs between the 6 “Invests” responsible for delivering the support might be an additional source of inefficiency. The mid-term evaluation of the previous programming period highlighted that in several sub-regions the funding was too high relative to demand while in others it was the reverse. Although funding can be reallocated, in practice, to do so has transaction costs.

#### 5. Evaluations of financial engineering instruments

No evaluations of ERDF-co financed FEIs as such have so far been carried out in Belgium. There are however a number of evaluations which have either aimed at assessing the needs of SMEs in this respect so to provide an adequate public response or at appraising the impact of the instruments. Most of these evaluations have been financed by regional authorities and are not readily available to the public but a number of academic studies have also been carried out. Some of the more interesting are summarised below.

##### ***BVA, (2007), Venture Capital Impact Study***

The analysis compares the financial and economic development of Venture Capital-Backed Companies (VCBCs) in Belgium with a sample of comparable companies that did not receive venture capital (NVCBCs). The study concluded that VCBCs take more risks than NVCBCs but on average have higher growth rates in the long-term. VCBCs also found to invest more and more quickly than NVCBCs and this had a positive effect on employment and both fixed and financial assets. The effect on sales and value-added was significantly positive only four years after the investment had taken place. Once cash flow was positive, a significant proportion of VCBCs undertook new investment and this tended to generate cumulative growth effects.

***Harlez Y., Schwienbacher A., Van Wymeersch C., (2008), "Le financement par capital-risque des entreprises innovantes en Wallonie", Rapport de synthèse, UCL, FUNDP Namur***

The study assessed the structure of the supply of and demand for venture capital in Wallonia and showed that overall there was no lack of such capital in the region. A large number of private and public bodies provided a broad range of general and specialised funds. Potentially there was a lack of capital for specific investment exceeding EUR 1.5 million. The study recommended that VC funds in general and specialised funds in particular should provide not only capital but also advice and assistance to the companies in which they invest.

The study equally draws attention to the pronounced fragmentation of the system for providing venture capital as well as public resources in this area. The main implication for policy is a need for simplification.

***Proximity Finance Foundation, CeFiP, (2007), "L'impact de la micro-finance en Belgique"***

The study analysed the development of micro-finance in Belgium and assessed the effect of the funding by comparing the situation of individuals who had received micro-credits with a benchmark group of people who had not. The study starts by highlighting the fact that neither the practice of micro-financing nor the institutions which provide support are sufficiently known by the general public. It then shows that FEIs have a positive effect on the ventures supported in terms of employment and personal development. Around 67% of those who started their own business by means of a micro-credit were previously unemployed. After 5 years, 61% of those supported were still in business. Even those who stopped trading were able to acquire experience and gained more self-esteem which increased the possibility of finding a job. The study concluded that micro-finance is an effective policy measure for increasing economic and social integration in Belgium.

## **6. Concluding remarks**

The bank barometer published by Ernst and Young in March 2012 shows that two thirds of Belgian banks expect their clients to face higher credit costs as a result of the implementation of Basel III, the prudential rules of which are likely to lead to a significant deterioration in the terms and conditions for granting loans to SMEs. In Belgium, SMEs have called for existing public measures, especially loan guarantees, to be strengthened in response to these developments. Whether and to what extent ERDF finance should be used to make good the "side effects" of Basle III is a question policy makers will need to consider. This makes it all the more important to compile evidence on the use made of FEIs by Member States across the EU and their effects on ultimate economic and social objectives.

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## Annex

### Annex Table A – Direct and indirect enterprise support: correspondence with fields of intervention (FOI)

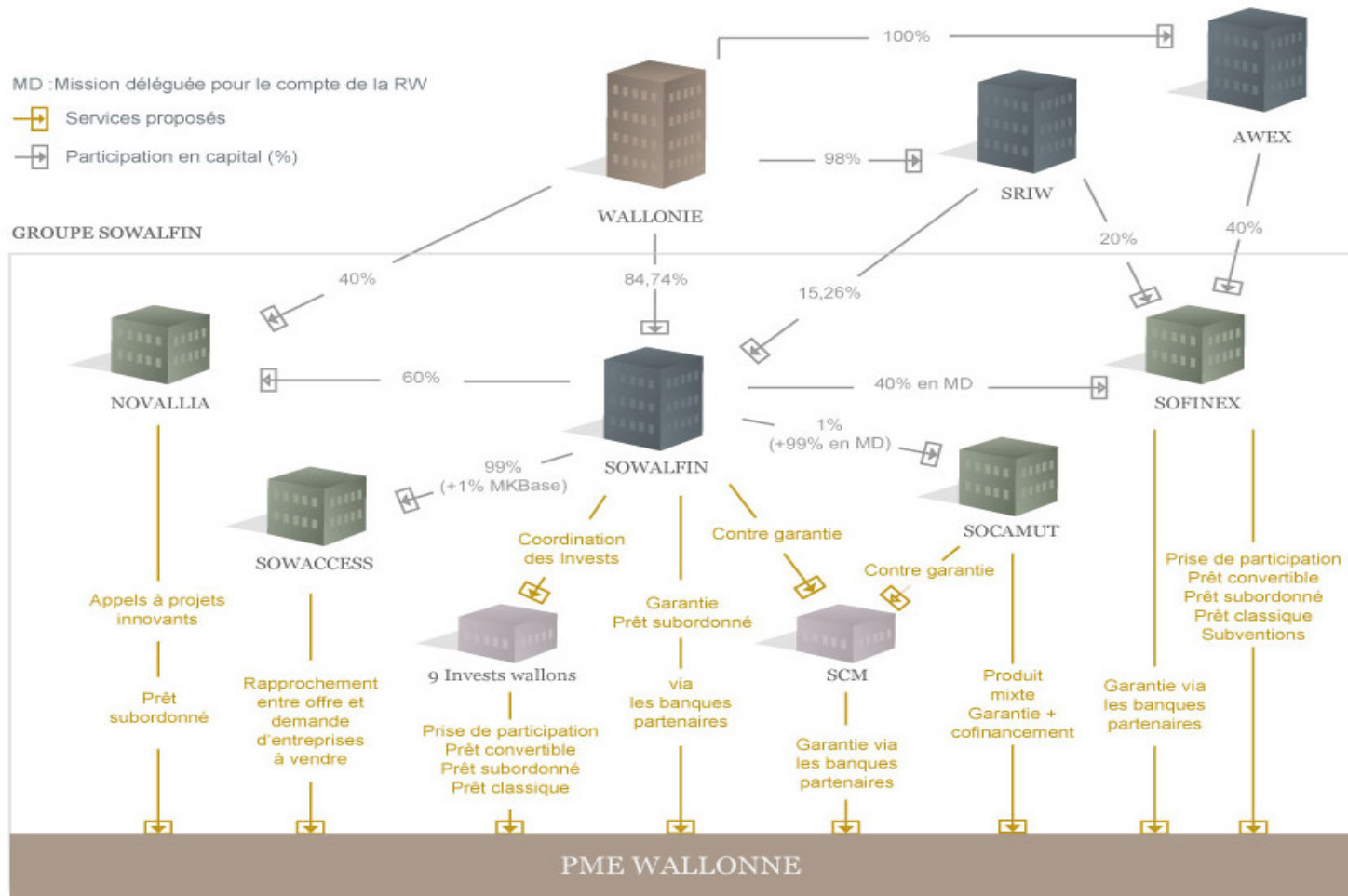
Policy area		Code	Priority themes
Direct and indirect enterprise support	RTDI and linked activities	01	R&TD activities in research centres
		02	R&TD infrastructure and centres of competence in a specific technology
		05	Advanced support services for firms and groups of firms
		07	Investment in firms directly linked to research and innovation (...)
		74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...
	Innovation support for SMEs	03	Technology transfer and improvement of cooperation networks ...
		04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
		06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)
		09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
		14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
		15	Other measures for improving access to and efficient use of ICT by SMEs
	ICT and related services	11	Information and communication technologies (...)
		12	Information and communication technologies (TEN-ICT)
		13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)
	Other investment in firms	08	Other investment in firms

**Annex Table B – Funding of FEIs in the CP of Hainaut and the CEP in the Walloon region - 2007-2013**

	Total funding FEIs EUR million	ERDF	Public national %	Private national
<b>CP Hainaut</b>				
VC (SOWALFIN –Invests)	107.28	47.7	52.3	19.3
Guarantee + Micro credits (SOCAMUT)	10.01	40.0	60.0	0.0
Total FEIs	117.29	47.1	52.9	17.6
<b>CEP Walloon region</b>				
VC – (SOWALFIN –Invests)	70.83	40.0	43.8	16.2
Guarantee + Micro credit (SOCAMUT)	5.87	40.0	60.0	0.0
Total FEIs	76.70	40.0	45.0	15.0

Source: Walloon Government

**Annex Figure A - Structure of SOWALFIN SA and control of ERDF co-financed FEIs in the CP of Hainaut and the CEP of the Walloon region**



ERDF co-financed VC are implemented by 6 out of 9 "Invests wallons"; ERDF co-financed loan guarantee schemes and micro-credits are implemented by SOCAMUT



