Financial instruments for the Social Economy in Catalonia

ICF

The public financial institution of Catalonia

October 2018
Territorial Scope: Catalonia

+7 M inhabitants
GDP + €230 billion

As part of the Spain’s economy
Population - 16%
GDP – 20%

Barcelona - capital and largest city
More than 900 municipalities.

As an Autonomous Community has a Regional Government.
Who we are

ICF is a public financial institution subject to private law and wholly owned by the Government of Catalonia.

- Financial autonomy (not dependent of the public budged)
- Subject to the European regulations for credit institutions.
- Member of the European Association of Public Banks (EAPB)

What we do

ICF promotes and facilitates financing to enterprises in order to contribute to the growth and sustainability of Catalonia.

<table>
<thead>
<tr>
<th>Loans</th>
<th>Guarantees</th>
<th>Venture Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing fixed assets</td>
<td>Facilitating access to credit, Avalis SGR (Reciprocal Guarantee Society)</td>
<td>Equity investments</td>
</tr>
<tr>
<td>and working capital investments</td>
<td></td>
<td>Direct investments and Funds of Funds.</td>
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Lending activity Portfolio + €2,200.- +5,800 clients

Investment in 31 funds (€157 M)
Collaborating with other stakeholders - attracting additional resources, both public and private.
Getting funding from Capital Markets, but also from the European Regional Development Fund.
With an investment focus of risk sharing, with commercial banks and investors.
Offering financial Instruments, developed in collaboration with the Government of Catalonia.
On line - www.icf.cat - with a private area, accessible for clients and collaborators.
Who we are, What we do, How we do it

Financial Products

Lending activity

Loans and participative loans

Social economy

- Cooperative and Social Economy
- Social Housing for rent
- Culture

Innovation & Growth

- Eurocrèdit (for SME)
- SME Industry
- Eco Green
- Co-investment with private investors
ICF - Financial Instruments for the social economy

Financial Instrument: Social and cooperative Economy

Loans for companies in the social and cooperative economy to finance:
- investments
- working capital needs
- advances on public sector contracts
- capital increases in the companies themselves

Target group
- Cooperatives
- Worker-owned companies
- Social integration enterprises.
- Foundations and associations (business activity and registered undertaking a social service).

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>AMOUNT (€)</th>
<th>%</th>
<th>TERM / Grace Period</th>
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<tbody>
<tr>
<td>Investments</td>
<td>30,000 - 1,000,000.-</td>
<td>Max. 80%</td>
<td>Max 15 years / 2 years</td>
</tr>
<tr>
<td>Working Capital</td>
<td>30,000 - 100,000.-</td>
<td>Max. 100%</td>
<td>Max 5 years / 2 years</td>
</tr>
<tr>
<td>Advances on P. Contracts</td>
<td>30,000 - 300,000.-</td>
<td>Contract amount - interests</td>
<td>1 year</td>
</tr>
<tr>
<td>Capitalization</td>
<td>Min 10,000.-</td>
<td>Min €100,000.- / cooperative</td>
<td>Max 8 years</td>
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</tbody>
</table>

Interest rate: depending on the rating – at present is Euribor + % (max. 3.95%)
**Involved actors**

<table>
<thead>
<tr>
<th>Mission and Resources</th>
<th>Contribution of the parties</th>
</tr>
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<tbody>
<tr>
<td><strong>ICF</strong>&lt;br&gt;The Public Financial Institution</td>
<td>Promotes and facilitates financing to enterprises for the growth and sustainability.  &lt;br&gt;Has the resources and the experience for the financial analysis.</td>
</tr>
<tr>
<td><strong>Government of Catalonia</strong>&lt;br&gt;Regional Ministry (Labour, Social Affairs and Family)</td>
<td>Promote inclusion and sustainable jobs.  &lt;br&gt;Has the knowledge of the market needs.</td>
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</table>
Product development

Implementation: Launched on 1991 for the cooperative economy
After 2012 has included other targets.

Institutional framework:
• Collaboration Agreement and Public offer
• Economic Resources:
  ICF €18 M - funding revolving – Around € 8 M for 2018-2019
  Government of Catalonia – Fund of €11.7 M – Risk assumed €0.8 M

Weaknesses and difficulties from the social economy
• Entities focused on the social service offered and non profit oriented.
• Revenues linked to grants and short term public contracts.
• Lack of collaterals (specially in cooperative, associations, foundations, where the property is shared). In many cases, operating under an administrative concession.

Needs from the Government of Catalonia
• Budget efficiency, in the use of its resources.
• Encourage the private sector to offer social services.
Output and results

Social and cooperative credit line - 131 operations for €31.9 million.


Our clients explain their projects (videos published on the web)

<table>
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<tr>
<th>Activity</th>
<th>Financed Project</th>
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<tbody>
<tr>
<td>Tallers Guinardó</td>
<td>Cooperative, with a labour insertion Center, with 120 people with intellectual disability, occupied in graphic and manipulated arts.</td>
</tr>
<tr>
<td>Nou Patufet SCCL</td>
<td>Scohol in Barcelona, operating since 1966, was going to close due to the retirement of the owner.</td>
</tr>
<tr>
<td>Fundació Psique</td>
<td>Foundation offering services to people with intellectual disability. Since 1974</td>
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</table>
**Main strengths**

The risk assumption complements collaterals.

The instrument has a leverage effect to attract additional resources, both public and private, encouraging a greater impact on society). Also co-financing with commercial banks.

As a revolving credit line, generates additional flows of money with a further reutilization Allows a permanent offer through repayments.

Is an instrument tailored to the needs, with terms an conditions adapted to the purpose.

The experience to develop other financial instruments.
ICF Social Housing

€250 M
2,800 officially protected homes

Catalan Housing Agency (AHC)
Issue an eligibility report & offers a grant
+ ICF (Public Financial Institution)
Analyze and manage the loans

Acquisition For municipalities, non-profit entities, third sector enterprises, to acquire homes at reduced prices for social rentals.

Local authorities, non-profit and third sector bodies, and social developers.
€ 110 million
1.800 flats

Promotion For developers based in Catalonia building social housing for rent.

Private and public Promoters
€ 140 million
1.000 flats

25 year term
Fixed interest rate: 2%
(Interest 4.25% - Grant 2.25%)
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