



**Implementing loan and counter-guarantee financial instrument within the National Fund for Social Entrepreneurship (OP Knowledge, Education, Development 2014-2020, Poland)**

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# Summary



## Key characteristics

- **Poland (all regions)**
- **ESF OP Knowledge Education Development 2014-2020** (in Polish called '**POWER**')
- **Thematic Objective 9:** *Promoting social inclusion, combating poverty and any discrimination*
- **ESF Investment Priority 9v:** *Promoting social entrepreneurship and vocational integration in social enterprises and the social and solidarity economy in order to facilitate access to employment*
- **FoF+Body implementing the FI:** Bank Gospodarstwa Krajowego (BGK), Poland
- **Loan and counter-guarantee FI within the National Fund for Social Entrepreneurship:** loan fund (total budget of over EUR 36 million), counter-guarantee fund (total budget of ca EUR 1 million)



### Thematic Objective 9

Promoting social inclusion, combating poverty and any discrimination



# Strategic context

Block 1



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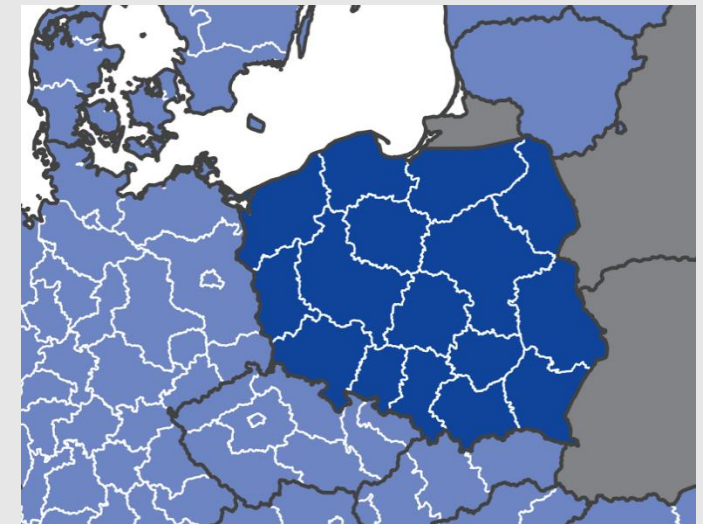
# Strategic context

## – Background



## Introduction of the intervention area – Poland (1/2)

- Land – 312.7 thousand km<sup>2</sup>
- Population – 38.5 million (2015)
- Capital – Warsaw
- 16 regions, 18 major cities
- GDP per capita in PPP – 69% of EU28 average (2015)
- Real GDP growth – 3.9% (2015)
- Unemployment – 9.8% (end 2015)
- Poverty/social exclusion risk – 23.4% (2015)



# Strategic context

## – Specificity of the TO



## TO of the FI – TO9

- TO9 in the **Polish Partnership Agreement** is targeted at **Europe 2020** goals
- TO9 main **intervention areas** in the PA:
  - **social and professional activation**
  - **support to the social economy sector**
  - **intervention in the area of health**
  - **urban regeneration**
- **IPs: 9a, 9b, 9d (CPR); 9i, 9iv, 9v, 9vi (ESF)**

### Thematic Objective 9



#### Key facts

- TO9 in the PA: EUR 6.8 billion of EU funding (ERDF+ESF+YEI+EAFRD), or about 7.9% of PA total EU funding
- The ESF+YEI allocation to TO9: EUR 2.7 billion, or about 20.3% of total ESF+YEI allocation for PL



# Strategic context

– *Specificity of the TO*



## FI intervention logic (1/7)

TO9 (**EUR 6.8 billion EU funding**) is implemented through **ESIF OPs**. The **most relevant OPs** for achieving TO9 are:

- (1) National OP – POWER 2014-2020** (ESF: EUR 0.3 billion; the FI + grants)
- (2) 16 Regional OPs 2014-2020** (ESF+ERDF: EUR 4.9 billion; other ESIF FIs + grants)

The FI is a continuation of a (pilot) FI with loans implemented under the **national ESF-funded OP Human Capital 2007-2013** (currently in the monitoring period)



# Strategic context

– *Specificity of the TO*



## FI intervention logic (2/7)

- **Coordination and demarcation between POWER and 16 ROPs in regard to social economy support (IP 9v)** is provided by „*Guidelines for the implementation of projects in the area of social inclusion and combating poverty using the resources of the European Social Fund and the European Regional Development Fund 2014-2020*”, issued by the 'Partnership Agreement Coordinating Body in regard to ESF' (i.e. the Minister of Economic Development) to regulate the entire TO9 intervention area



# Strategic context

– *Specificity of the TO*



## FI intervention logic (3/7)

- The FI functions in the context of the TO9-related domestic **National Programme for Social Economy Development (NPSED)**
- Established under NSPED the **social economy support system in Poland** has **two main components**:
  - (1) Creating “environment” for SEE creation and growth** including soft support by country-wide Social Economy Support Units
  - (2) Providing finance to SEE** through the ESF 2014-2020 and 2007-2013, and state budget resources





# Strategic context

## – *Specificity of the TO*



FI intervention logic (4/7)

### Ad. (1) “Environment” for SEE creation and growth

#### **Social Economy Support Units:**

- a country-wide network of entities, mostly operated by NGOs
- based in sub-regions (at the level of c.a. NUTS3)
- ESF-financed under POWER and ROPs 2014-2020
- subjected to the process of certification (=accreditation)
- offering a framework of business advisory services to SEE (also related to applying to the FI)
- streamlining ESF-funded ROP grants for transforming SEE into social enterprises, or for facilitating social start-ups



# Strategic context

– Specificity of the TO



## FI intervention logic (5/7)

### Ad. (2) Providing finance to SEE

- NPSED envisages the **National Fund for Social Entrepreneurship (NFSE)**, which incorporates the FI and a non-ESIF FI for SEEs based on the legacy funds from the pilot FI under ESF OP Human Capital 2007-2013 (also BGK managed)

NPSED			
ROPs 2014-2020	POWER 2014-2020	Other sources	
Grants for social enterprises creation	The FI	FI based on OP Human Capital 2007-2013 legacy funds	= NFSE
	Grants to social economy system	State budget instruments	



# Strategic context

– *Specificity of the TO*



## FI intervention logic (6/7)

**The FI** is financed under **POWER 2014-2020 Measure 2.9:**

Objectives:

- (1) **Increasing in the number of Social Economy Entities using FIs (= the FI)**
- (2) Enhancing the system of support to SEE (= grants)

Types of operations:

- (1) **the FI: (a) extending the loan offer; (b) offer of new products**
- (2) Equipping social enterprises in knowledge on public procurement law (grants)
- (3) Over-regional SEE networks (grants)
- (4) Quality marks for SEE and authorities supporting SEE (grants)
- (5) Coordinating activities in the area of social economy (grants)
- (6) Increasing the competence of Social Economy Support Units (grants)
- (7) Increasing the quality of social economy support services (grants)
- (8) Education in support of social economy (grants)



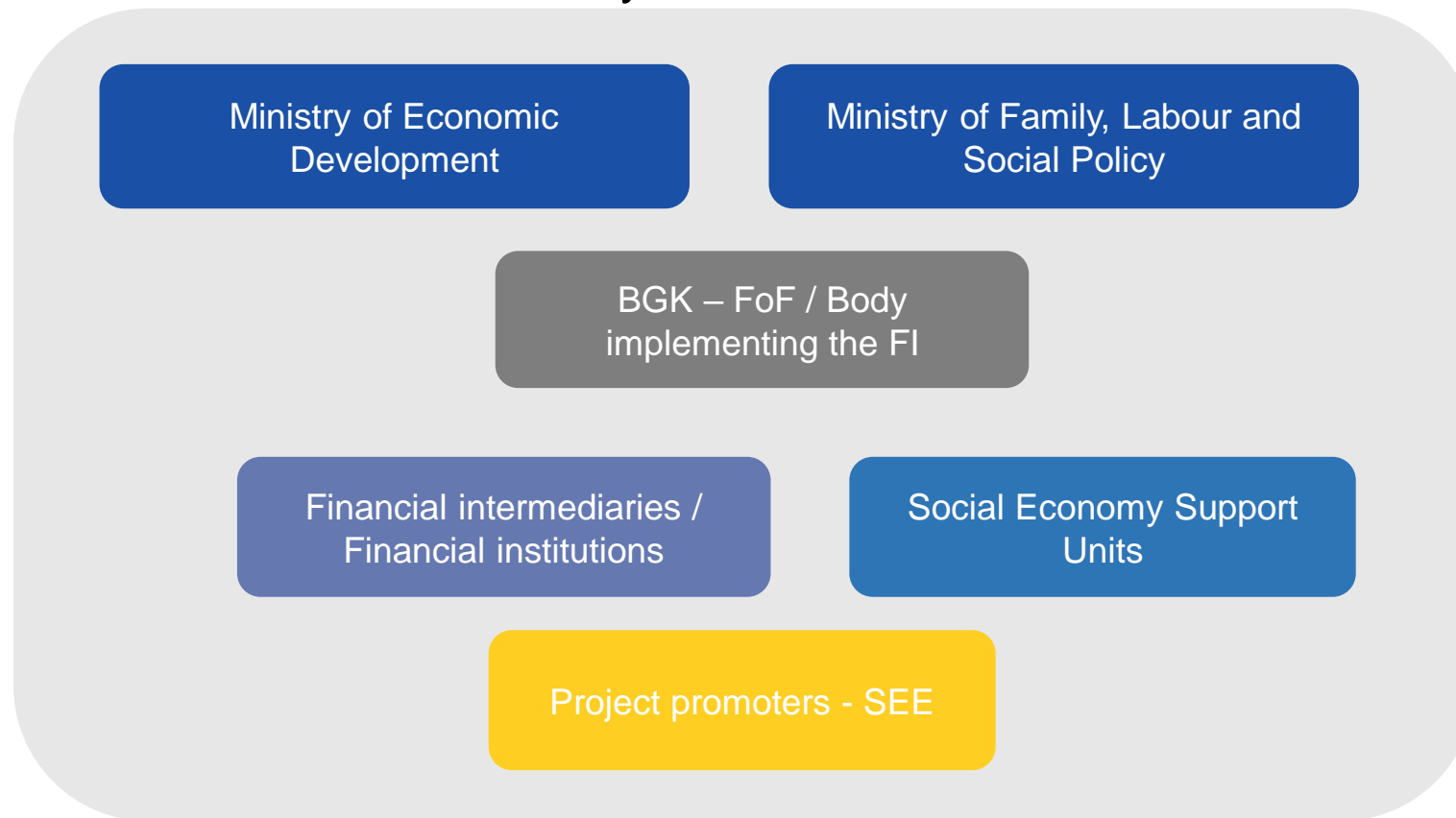
# Strategic context

– *Specificity of the TO*



## FI intervention logic (7/7)

**Key stakeholders** involved in the delivery of the NSPED/NFSE and the FI



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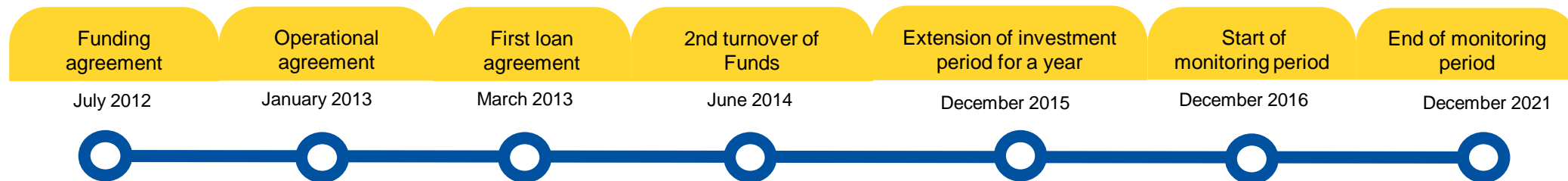
# Strategic context

– *Past and envisaged future*



## Experience and lessons learnt 2007-2013 (1/6)

- **Pilot project:** *Financial engineering support for the development of the social economy, national OP Human Capital 2007-2013*
- **FI products:** preferential loans (finance) + soft services (advisory)
- **Implementing structure:** Holding Fund (BGK) and Financial Intermediary for 5 loan funds in 5 Polish macroregions (TISE)



# Strategic context

– *Past and envisaged future*



## Experience and lessons learnt 2007-2013 (2/6)

### The financial product – preferential loan:

- Designed for **SEE development and business activity extension**
- **Amount:** max. ca. EUR 23.6 thousand, up to 100% of an undertaking
- **Maturity:** max. 5 years
- **Grace period:** max. 6 months
- **Interest rate:** half of the Central Bank promissory note rediscount rate (e.g. 0.88%), with possibility to lower to a quarter (e.g. 0.44%); **de minimis aid**
- **Collateral:** blank promissory note as standard (depending on risk)
- **Commissions and fees:** none



# Strategic context

– *Past and envisaged future*



## Experience and lessons learnt 2007-2013 (3/6)

- **Capital** of ca. EUR 5.94 million for loans in the initial investment period until end 2015
- Ca. EUR 93 thousand for **soft support** (advisory services)
- As a result of high demand, **the 2nd turnover** of capital started in June 2014
- The investment period was **extended** to end 2016 and the capital was increased with EUR 0.6 million from the additional IB resources. This approach allowed to narrow the '**funding gap**' (i.e. SEE funding available) between the 2007-2013 Loan Fund and the 2014-2020 Loan Fund launched in Q1 2017
- Since April 2017, the legacy funds have also been used to introduce a **new Guarantee Fund**



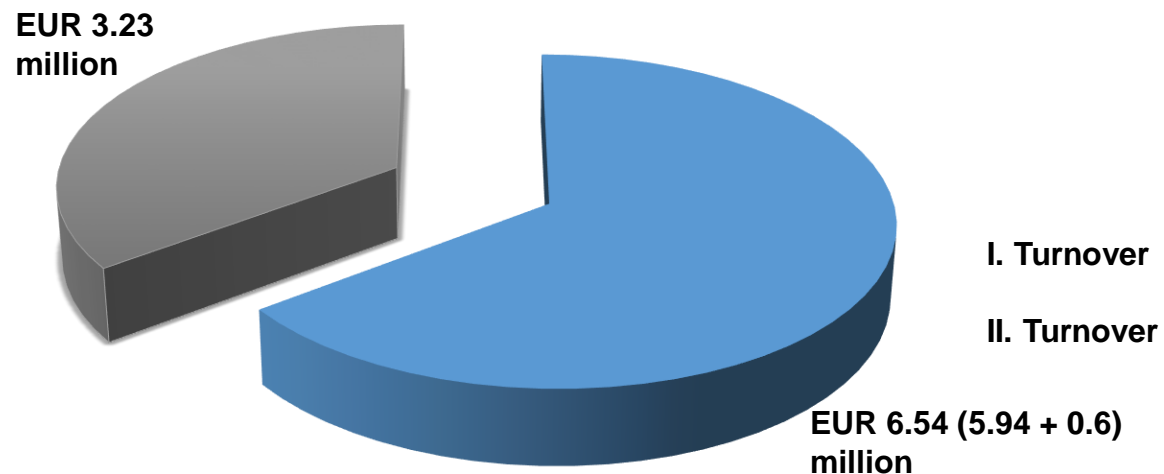
# Strategic context

– Past and envisaged future



## Experience and lessons learnt 2007-2013 (4/6)

Resources transferred by the Holding Fund to the Financial Intermediary



1 PLN = 0.2359 EUR

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### Indicators

Absorption

**100%**

Employment generation

**507**  
new jobs

Final recipients

**406**  
entities

Other

**500**  
loans





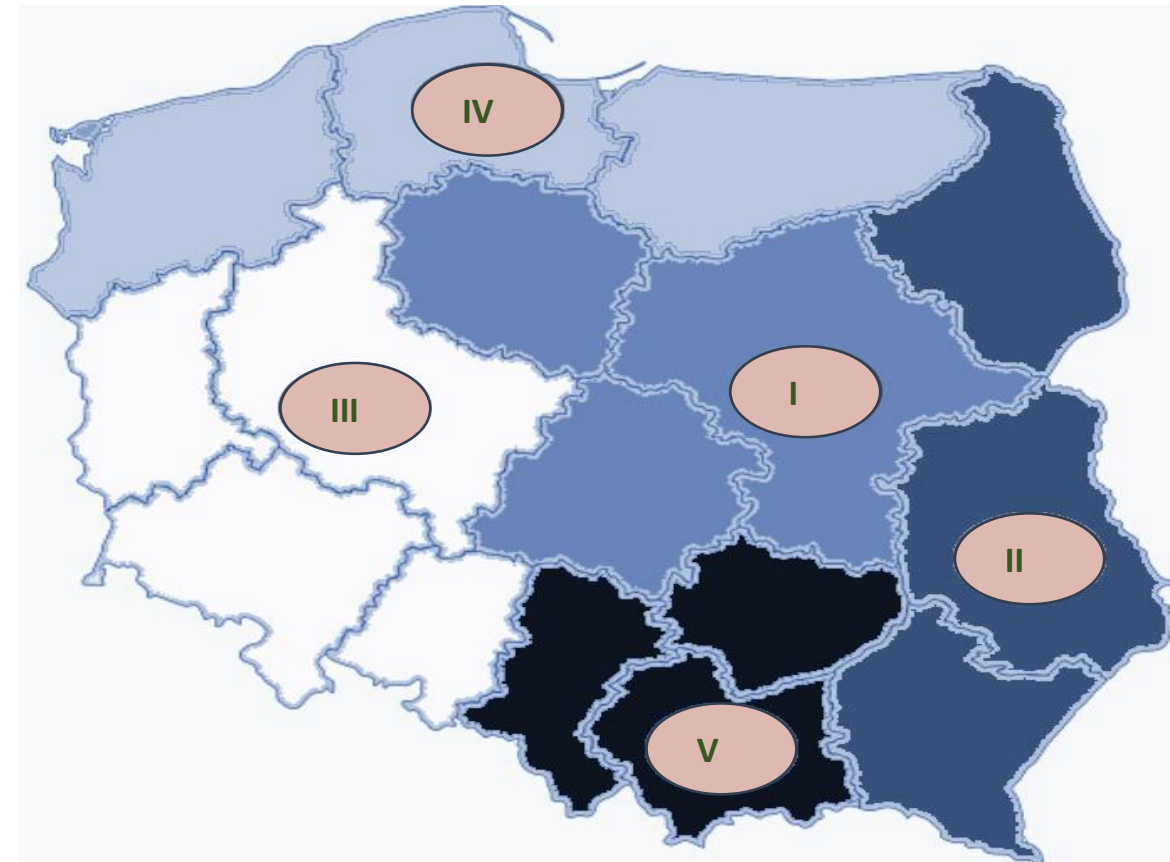
# Strategic context

– *Past and envisaged future*



## Experience and lessons learnt 2007-2013 (5/6)

- 46% of disbursed funds went to **social cooperatives**, 40,8% to **NGOs**
- 73% had the status of **microenterprises**, 27% **small enterprises**
- Funds of the 1st turnover were disbursed fastest in macroregions II and V, and in highest amounts in macroregions I and III



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# Strategic context

– *Past and envisaged future*



## Experience and lessons learnt 2007-2013 (6/6)

### Success factors:

- Addressing the funding gap on the market
- Access to finance on preferential terms
- High demand for investment financing from SEE
- Well-penetrated final recipient market by the Holding Fund Manager and the Financial Intermediary
- Complex advisory services offer within the FI



# Strategic context

– *Past and envisaged future*



## FIs in 2014-2020 (1/3)

- **POWER 2014-2020, TO9, IP9v**
- **Objective:** increasing and easing SEE access to finance for development; job creation in SEEs
- Loan and counter-guarantee FI within the National Fund for Social Entrepreneurship
- **Continuation of SEE Loan Fund**
- **New SEE Counter-guarantee Fund**
- **Space for potential Social VC Fund**



Comparison with 2007-2013

SIMILARITIES	DIFFERENCES
Holding Fund/FoF	Soft support outside of the FI
Loan Fund	More FI products
Deployed in 5 macroregions	Products more tailored to SEE needs
Involvement of BGK and TISE	Additional new F.Int. - FRW

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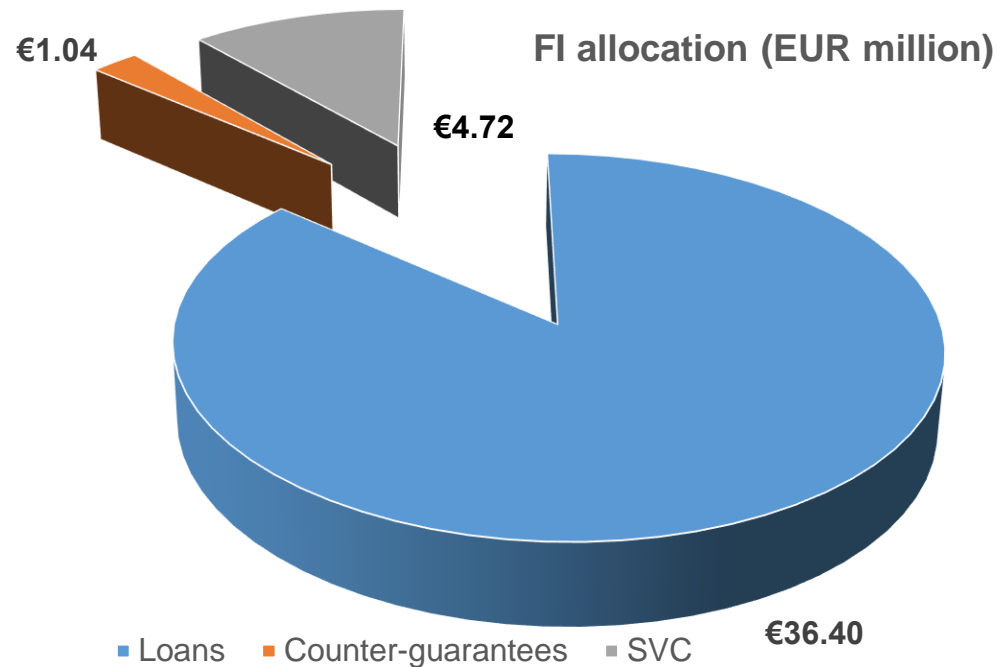
# Strategic context

– Past and envisaged future



## FIs in 2014-2020 (2/3)

- Total FI allocation under POWER is EUR 42.2 million\*



### Indicators

Employment generation	<b>1250</b> new jobs
Final recipients	<b>2030</b> loans

\* including F.Ints' own contribution of min. 10% of the OP contribution for loans and counter-guarantees, as envisaged in the funding agreement.

1 PLN = 0.2359 EUR



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# Strategic context

– *Past and envisaged future*



## FIs in 2014-2020 (3/3)

- Further use of more innovative funding instruments, i.e. potentially Social Venture Capital, is also envisaged within POWER
- Within **the 16 ROPs no FIs aimed at SEEs (TO9) will be implemented**. Under TO9 the ROPs will support with grants the socially excluded who will be able to receive resources for job creation by creating new SEEs and creating jobs in existing SEEs
- Within **the 16 ROPs FIs can be launched under TO8** to combat unemployment

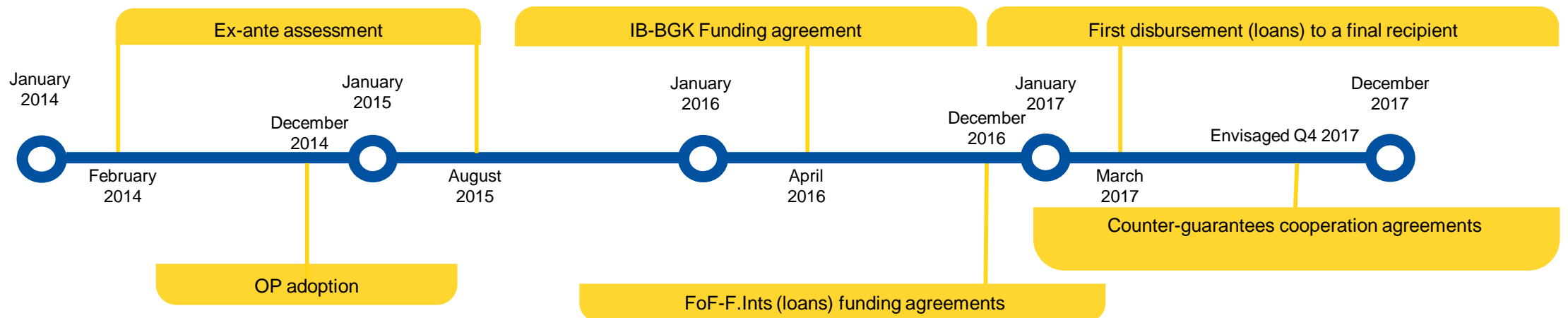


# Strategic context

## – Timeline



**Milestones:** OP adoption, ex-ante assessments, IB-FoF/Body implementing the FI funding agreement, completion of F.Int. (loans) selection process – FoF-F.Ints funding agreements, first disbursement (loans) to a final recipient; Financial Institutions (counter-guarantees) selection process – Body Implementing the FI-Financial Institutions cooperation agreements



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# Ex-ante assessment

## – Approach



## Overview

- **External studies** (service procured by the MA)
- *Ex-ante assessment of FIs in support of social economy entities and young people (11.2013-02.2014)*
- *Ex-ante risk assessment for the use of financial guarantee instruments offered to SEE within the framework of POWER (04-08.2015)*
- The latter employs the provisions of the *fi-compass* methodology issued in April 2014
- **Results presented to the OP Monitoring Committee** in September 2015



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# Ex-ante assessment

## – *The study*



Market assessment – Market failure, suboptimal investment

- Ex-ante assessment identified **the market failure**
- The difference between demand and supply for funds (**the financial gap**) in 2013 was set at approx. **EUR 154.5 million** (non-realized investment expenditures). The financing requirement (unmet demand) that could be **covered by loans and credits amounted to EUR 12.1 million.**
- The financial gap **directly affected 60 social co-operatives and about 500 NGO.** 63% of inquired SEEs said that in 2013 they lacked funds for business development
- The assessment indicated **that the financial gap would increase in subsequent years**





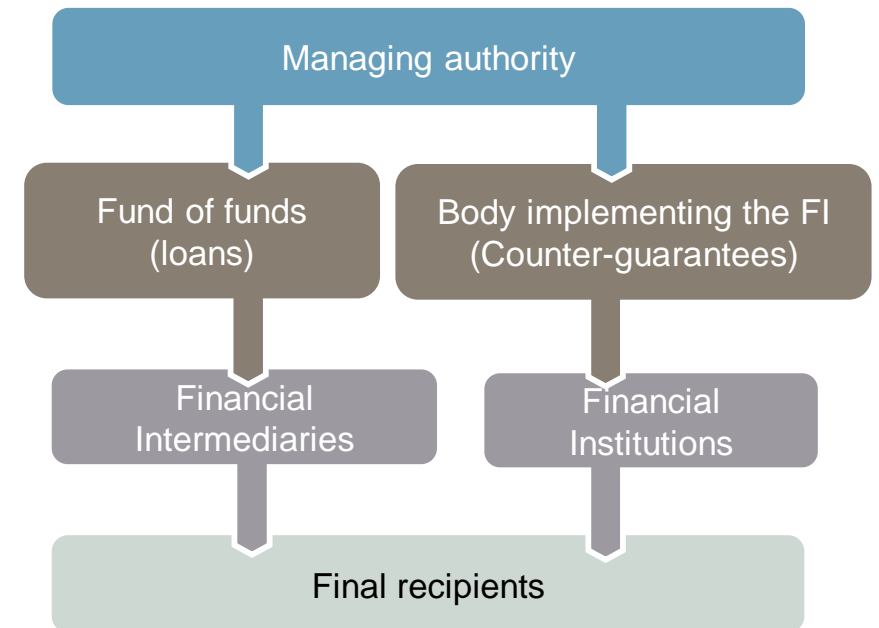
# Ex-ante assessment

– *The study*



## Delivery and management – Proposed investment strategy

- **Increase in FI allocation vs FI 2007-2013**
- **Implementing structure with FoF for Loans and Body implementing the FI for Counter-guarantees**
- **Proposed products:** loans, counter-guarantees, potentially Social Venture Capital
- Identification of **the target group**



# Ex-ante assessment

– *Recommendations and lessons learnt*



## Lessons learnt (1/2)

### Conclusions of the assessments were used in designing the FI 2014-2020:

- It led to an increase of **5x in FI allocation** between 2007-2013 and 2014-2020
- It allowed to set the **assumptions for the investment strategy**
- It helped to estimate **the size and composition of the target group** (e.g. eligible entities were extended to enterprises of "medium-size" status, entities implementing reintegration functions, such as Vocational Training Centers)
- It led to an extension of products to **loans for starting-up a SEE and loans for development** of existing SEE, as well as **counter-guarantees**
- It led to an expansion of eligible expenditure to **working capital**



# Ex-ante assessment

– Recommendations and lessons learnt



## Lessons learnt (2/2)

- Direction of available resources into **FI products**:

2007-2013	2014-2020	
Legacy funds	ESF (POWER)	
Guarantee Fund	Loan Fund Counter-guarantee Fund	Social VC





# Design & Set up

Block 2



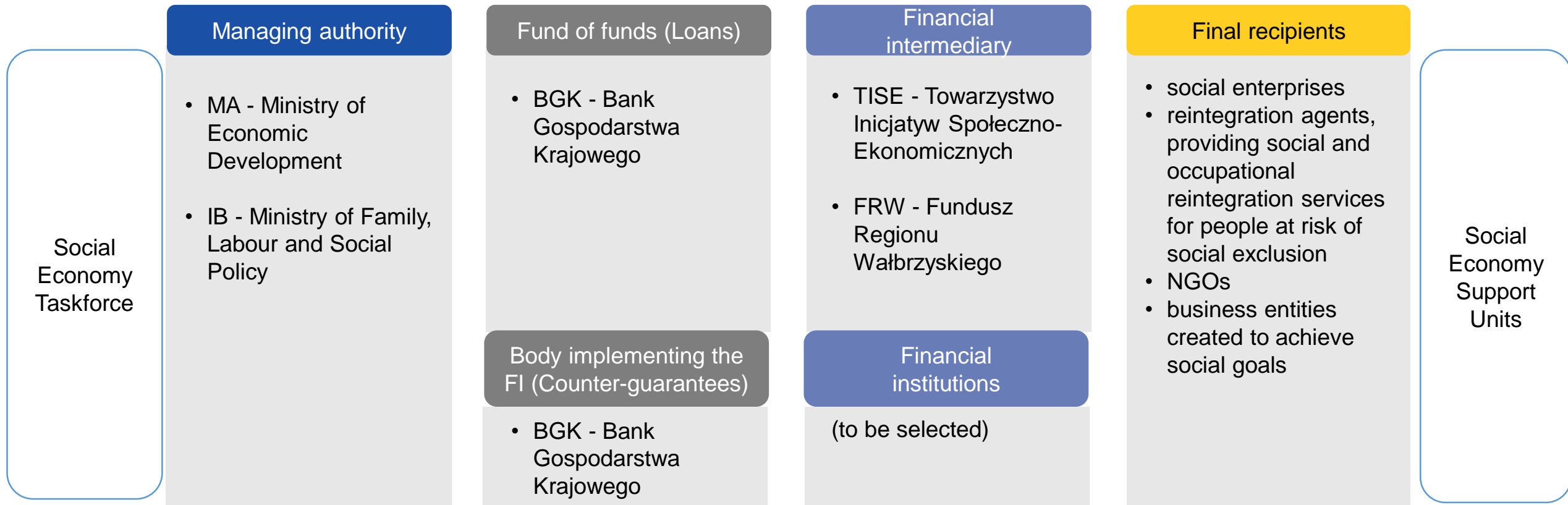
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# Design and set-up



## Implementation structure



# Design and set-up



## Stakeholders (1/3)

- **MA** in Ministry of Economic Development supervises the implementation of the entire POWER
- **Social Economy Taskforce** – body established to oversee the correct and effective functioning of the FI and provide knowledge exchange, gathering all the relevant implementation stakeholders. It is led by the MA and gathers: Ministry of Family, Labor and Social Policy, National Bank of Poland, representatives of the National Committee for Development of Social Economy, representatives of Social Economy Support Units, representatives of the social economy sector (final recipients), representatives of the banking sector, PA Coordinating Body in the Ministry of Economic Development



# Design and set-up



## Stakeholders (2/3)

- Ministry of Family, Labour and Social Policy acts as a **POWER Intermediate Body (IB)** relevant to the FI and signs funding agreement with FoF
- BGK (*State Development Bank of Poland*) is the **FoF (for the Loan Fund) and the Body implementing the FI (for the Counter-guarantee Fund)** who selects F.Ints. for the Loan Fund in public procurement procedure and establishes cooperation through offer inquiries with Financial Institutions providing guarantees counter-guaranteed by BGK for the Counter-guarantee Fund



# Design and set-up



## Stakeholders (3/3)

- TISE and FRW selected as **Financial Intermediaries for the Loan Fund**;
- **Financial Institutions for the Counter-guarantee Fund** to be selected
- **Social Economy Support Units** function outside of the FI and provide soft support of all kinds to SEE (including how to economize the social activity and use FI sources)





# Design and set-up



## Strategy

- The POWER MA prepared a **document** for FI design and set-up – *Assumptions for FI support to social economy under POWER* (July 2016), based on ex-ante assessment results, to be taken into account during the FoF and Financial Intermediaries selection
- The FI as POWER operation received a domestic status of a **non-competitive project**, allowing the MA to sign the funding agreement with the FoF just as it meets the operation selection criteria established by the OP Monitoring Committee especially for this kind of operation



# Design and set-up



## Target group

- The SEE target group was defined in the before mentioned „*Guidelines for the implementation of projects in the area of social inclusion and combating poverty using the resources of the European Social Fund and the European Regional Development Fund 2014-2020*”, regulating TO9 implementation under the PA
- The **eligible final recipients** are:
  - (1) social enterprises (social cooperatives)
  - (2) reintegration agents, providing social and occupational reintegration services for people at risk of social exclusion
  - (3) NGOs
  - (4) business entities created to achieve social goals (NGOs, cooperatives, non-profit companies)

for **investments of social impact** (as defined by the Ministry of Family, Labour and Social Policy)

- **Only legal persons, proving their SME status and not governed by local public authority units** can be final recipients of the FI



# Design and set-up

– *Selection of bodies implementing the FI*



BGK – Bank Gospodarstwa Krajowego (*State Development Bank of Poland*) – FoF (Loans) + Body implementing the FI (Counter-guarantees)

- BGK as manager of **the FoF (for the Loan Fund)** and **the body implementing the FI (for the Counter-guarantee Fund)** was appointed by the EC decision approving POWER and in line with the national regulation – Art. 28 sec. 2 of the *Parliamentary Act of 11 July 2014 on the implementation of Cohesion Policy programmes financed in the financial perspective 2014-2020*



# Design and set-up

## – Selection of bodies implementing the FI



### Financial Intermediaries for Loans

- Selected in an unrestricted **public procurement procedure** (35% price, 35% quality, 30% conditions of own contribution provision)
- **TISE operates in macroregions I, II, IV, V**
- **FRW operates in macroregion III**

### Financial Institutions providing guarantees covered by BGK Counter-guarantees

- To be selected through offer inquiries / cooperation agreements with BGK (envisaged in Q3-Q4 2017)

#### Quality selection criteria

- Experience in deploying FIs,
- Experience in services for SEE,
- Concept for local reach to the target group, which will guarantee fund availability for every final recipient interested,
- Disbursement pace,
- Participation of Financial Intermediary in a fund of at least 15% - in the case of loans.



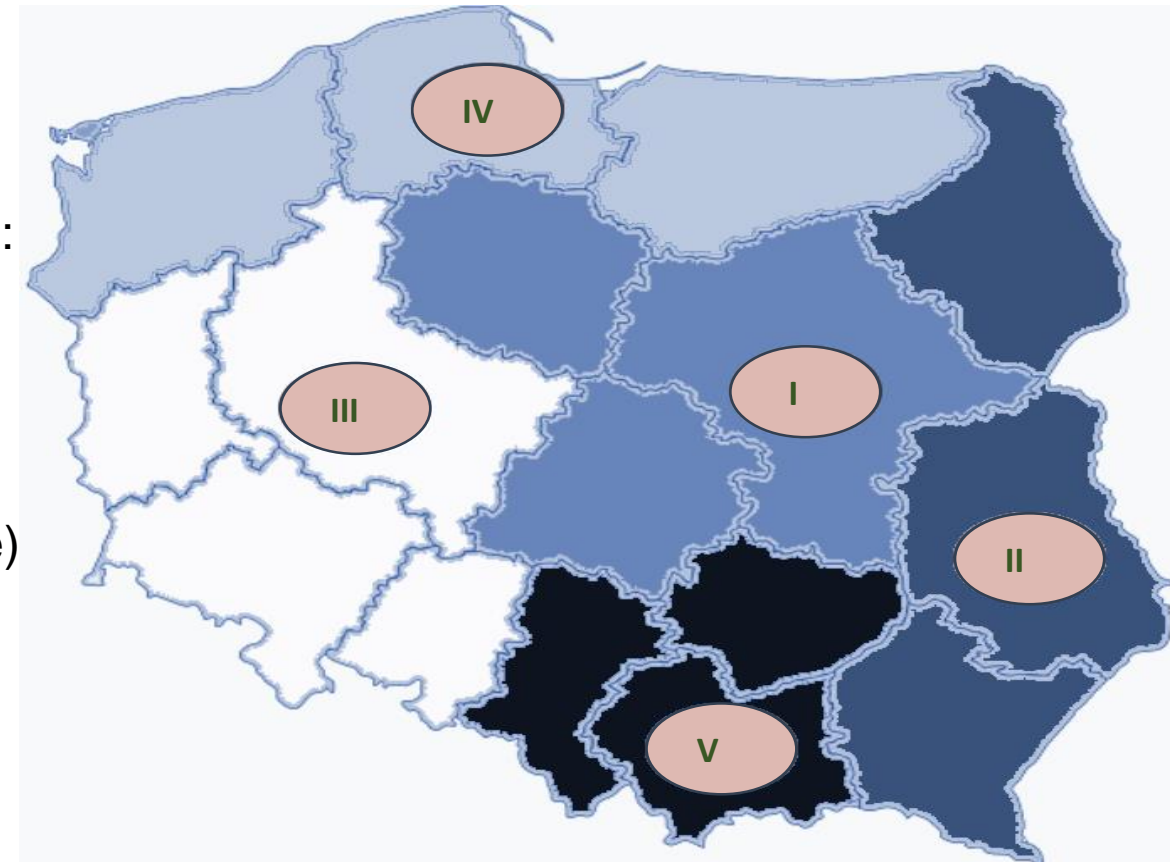
# Design and set-up



## Target area (1/3)

The Loan Fund shall be deployed in **5 macroregions**:

- I (Regions: Mazowieckie, Kujawsko-Pomorskie, Łódzkie)
- II (Podlaskie, Lubelskie, Podkarpackie)
- III (Dolnośląskie, Lubuskie, Wielkopolskie, Opolskie)
- IV (Zachodniopomorskie, Pomorskie, Warmińsko-Mazurskie)
- V (Śląskie, Świętokrzyskie, Małopolskie)



# Design and set-up



## Target area (2/3)

- The **division into macroregions is the same as for the FI 2007-2013** and is based on two variables – the number of social co-operatives and the number of NGOs active on a given area
- For each macroregion there are specific allocation and target indicators:

	Breakdown of FI allocations	Specific target indicators
Macroregion	% of total funds available	Each macroregion
I	27.1%	339 jobs, 550 loans
II	15.3%	191 jobs, 311 loans
III	23.2%	290 jobs, 471 loans
IV	14.1%	176 jobs, 286 loans
V	20.3%	254 jobs, 412 loans

- It is assumed that the allocations of funds to macroregions will be verified in the middle of the implementation period



# Design and set-up



## Implementation period

- **Investment period 2016-2023, monitoring until 2028**
- **Performance milestones** in 2018, 2020, 2021 and 2023

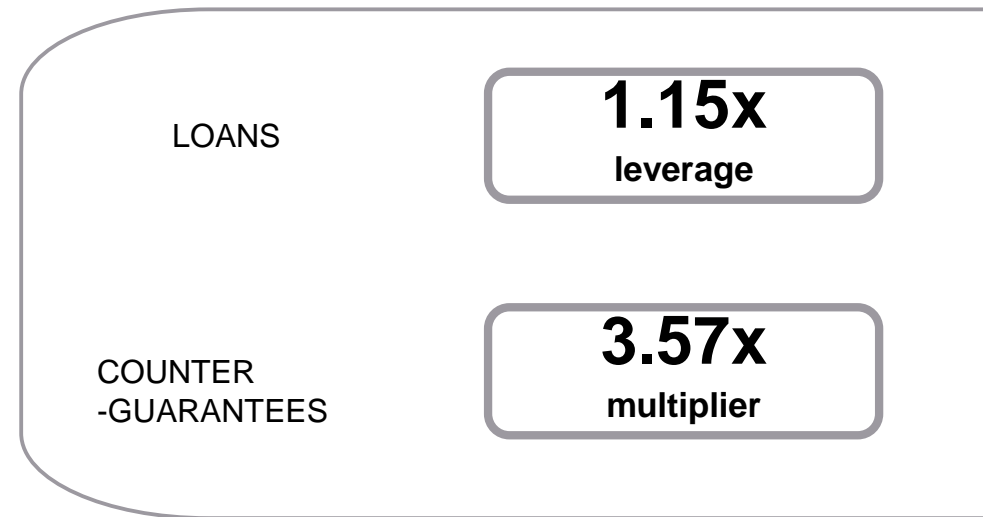


# Design and set-up



## Investment strategy

- Prepared based on **ex-ante assessments, experience from pilot FI 2007-2013, and OP provisions**



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# Design and set-up



## Payments

- Based on **phased contribution**

### Phased contribution

- up to **25%** on each interim payment
- if at least **60/85%** of previous payment(s) has been spent as eligible expenditure

# Design and set-up



## Management cost and fees (1/2)

### BGK management costs:

- Based on Regulation 1303/2013 [Art. 42(5,6)] and Regulation 480/2014 [Art. 13]
- Will be set on the basis of **actual expenses incurred**
- Need to meet the milestones
- Limits for BGK in the implementation of loans:
  - 1st year: 3% of the contribution paid from the OP + 0.5% of the contribution paid to the Financial Intermediaries
  - 2nd year: 1% of the contribution paid from the OP + 0.5% of the contribution paid to the Financial Intermediaries
  - 3rd year and over: 0.5% of the contribution paid from the OP + 0.5% of the contribution paid to the Financial Intermediaries
  - Max 7% of the contribution paid from the OP during the eligibility period
- Limits for BGK in the implementation of counter-guarantees:
  - For all years: 0.5% of the contribution paid from the OP + 1.5% of the contribution paid from the OP involved under outstanding guarantee agreements
  - Max 10% of the contribution paid from the OP during the eligibility period



# Design and set-up



## Management cost and fees (2/2)

### Management costs of Financial Intermediaries:

- On the levels from the offers from Financial Intermediaries in the public procurement selection process
- Up to 13-20%, depending on the macroregion
- Related to performance in lending activity – paid out in two tranches:
  - 70% of the entitled amount on disbursement of a loan
  - 30% of the entitled amount on the basis of repayment of a loan



# Design and set-up



## Account / Treasury management

- All FI resources managed by BGK as well as by Financial Intermediaries need to be on **fiduciary accounts**

## Re-use

- Funds returned to the FI / generated profits will be used in compliance with FI goals for **at least 8 years** after the project completion



# Design and set-up



## Visibility and publicity

- **Stakeholders of all levels are responsible for FI promotion and marketing**
- **MA, IB: webpages, conferences**
- **BGK: promotion of entire FI**
- **Financial Intermediaries: personal reach to final recipients and through Social Economy Support Centres**

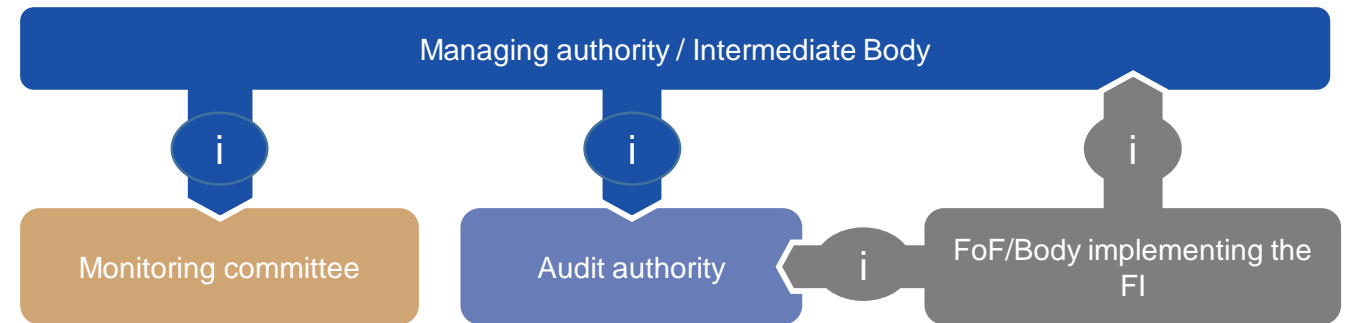


# Monitoring, control and reporting system in place for FIs



## Main bodies and institutions involved in the process

- **BGK is subject to audit and control** procedures from all the authorised bodies, including particularly MA, IB, AA as well as EU institutions



# Monitoring, control and reporting system in place for FIs



## Overview

- **BGK gathers and provides the MA all the monitoring information on the FI to be presented with the OP Annual Implementation Report**, as requested in CPR Art. 46
- **Following the BGK payment schedule established under the funding agreement, BGK submits payment claims to the IB** to settle the payments, as well as to provide relevant FI reporting information, as requested in the regulations from the ESIF national coordination (e.g. *Guidelines of the Minister of Economic Development on Monitoring*, as well as *on Electronic Data Gathering and Processing for 2014-2020*)
- **Every 3 months Financial Intermediaries submit reports to BGK** which are basis for settlement of payments as well as for monitoring purposes





# Implementation

Block 3



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# Implementation



General overview of the FIs established under the Investment strategy

- **Loan Fund:**
  - TISE
  - FRW
- **Counter-guarantee Fund:** (Q3/Q4 2017)

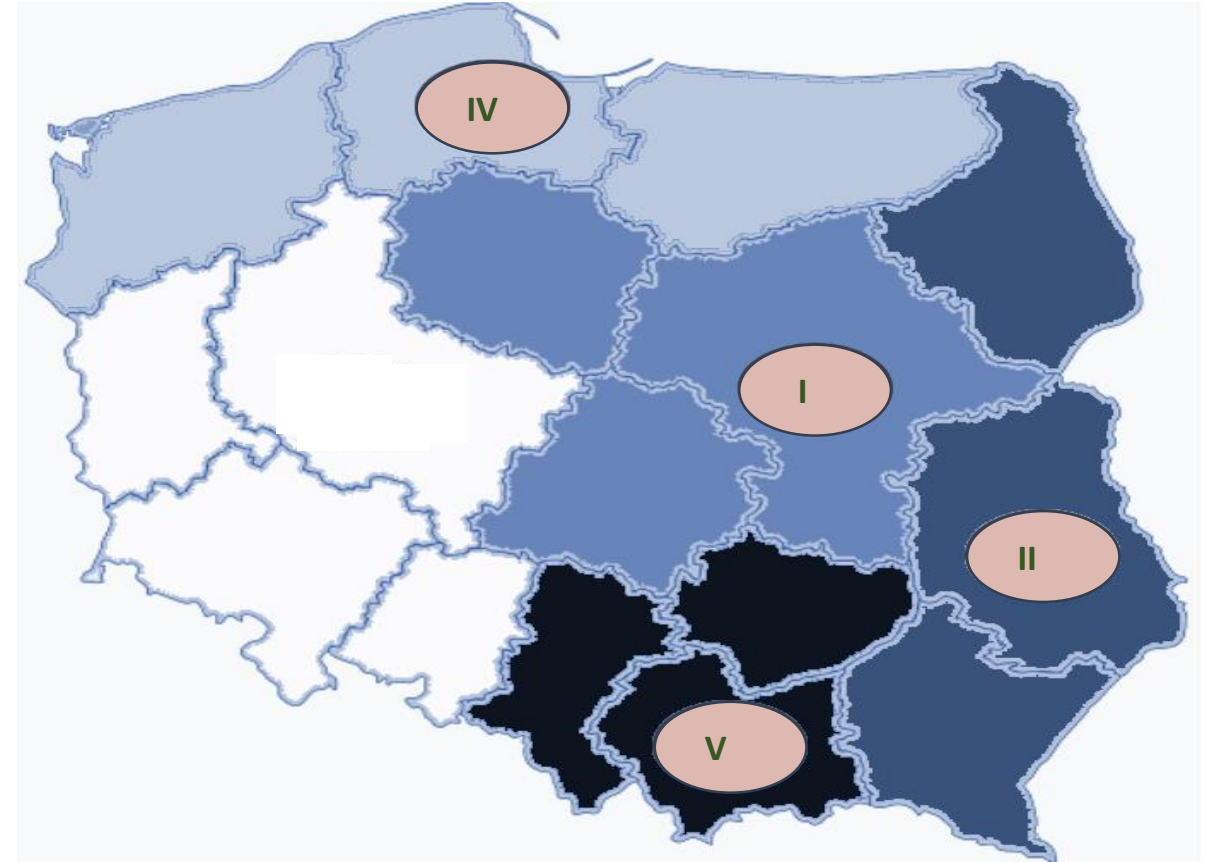


# Implementation



## A case of Financial Intermediary – TISE (1/2)

- TISE – Social and Economic Investment Company has 25 years of business history. Since 2008 has been actively granting loans to NGOs, microenterprises and SMEs
- Selected in the public procurement as a Financial Intermediary for **4 macroregions (I, II, IV, V)**
- For each macroregion there are specific: **maximum loan fund budgets, target indicators to be achieved, and levels of Financial Intermediary's contribution under risk-sharing**



# Implementation



## A case of Financial Intermediary – TISE (2/2)

- For **the 1st tranche paid out from the FoF for TISE**, the relevant numbers for each macroregion are:

	<u>Max. Loan fund budget</u>	<u>TISE own share</u>	<u>Targets:</u>	
<b>I:</b>	EUR 2.5 million;	20%;	95 jobs,	157 loans
<b>II:</b>	EUR 1.36 million;	16%;	49 jobs,	82 loans
<b>IV:</b>	EUR 1.28 million;	18%;	54 jobs,	89 loans
<b>V:</b>	EUR 1.85 million;	18%;	71 jobs,	118 loans

- With the lending activity, as part of its mission, TISE offers also own support to final recipients in preparing loan applications and advice on sustainability of SEE business activity



# Implementation

## – *Loan*



## Loan for starting-up (1/2)

- Designed for SEE which operate **no longer than 12 months**
- **Amount:** up to EUR 23.6 thousand for one loan, but not more than EUR 47.2 thousand for one SEE (it is possible for the same enterprise to apply twice)
- **Maturity:** 5 years
- **Grace period:** up to 6 months
- **Interest rate:** at the promissory note (bill of exchange) rediscount rate of Polish Central Bank; reduced by half if a new job is created (i.e. 0.88%)



# Implementation

## – Loan



## Loan for starting-up (2/2)

- In the case of loan financing from Financial Intermediary's own funds, interest rate reduction is provided in the form of **interest subsidy**. In case no new job is created, the value of the gross grant equivalent is calculated in relation to the Central Bank promissory note rediscount rate
- **Commissions and fees:** none
- **Collateral:** Financial Intermediary's specified, but blank promissory note (bill of exchange) is preferred
- **Permissible loss ratio:** 30% (Financial Intermediaries cover the loss exceeding the ratio, but all net amounts recovered decrease the Financial Intermediaries' contribution)



# Implementation

## – *Loan*



## Loan for development (1/2)

- Designed for SEE, which operate **over 12 months**
- **Amount:** according to needs, up to EUR 117.9 thousand per loan, but not more than EUR 235.8 thousand per one SEE involved in a given loan period (it is possible for the same enterprise to apply more than once)
- **Maturity:** 7 years
- **Grace period:** up to 6 months
- **Interest rate:** depends on the amount of the loan



# Implementation

## – *Loan*



## Loan for development (2/2)

- **Interest rate:** for loans up to EUR 23.6 thousand – at the level of Central Bank promissory note rediscount rate, with the opportunity to reduce interest by half provided job creation. For loans over EUR 23.6 thousand – at market level, with the opportunity to reduce the interest to the level of Central Bank promissory note rediscount rate, provided job creation (as a rule: 1 job per every ca. EUR 23.6 thousand of loan)
- **Commissions and fees:** none
- **Collateral:** Financial Intermediaries specified, with loans up to EUR 23.6 thousand blank promissory note is preferred
- **Permissible loss ratio:** 20% (Financial Intermediaries cover the loss exceeding the ratio, but all net amounts recovered decrease the Financial Intermediaries' contribution)



# Implementation

– *Loan*



## Risk-sharing

- The Financial Intermediary decides on **the financing structure of each loan** between the use of OP (public) and own (private) contributions
- The **level of risk-sharing**, i.e. combination of OP and own contribution levels – obligatory Financial Intermediary's contribution of min. 15% of the OP contribution – needs to be maintained at the level of entire loan portfolio





# Implementation

– *Loan*



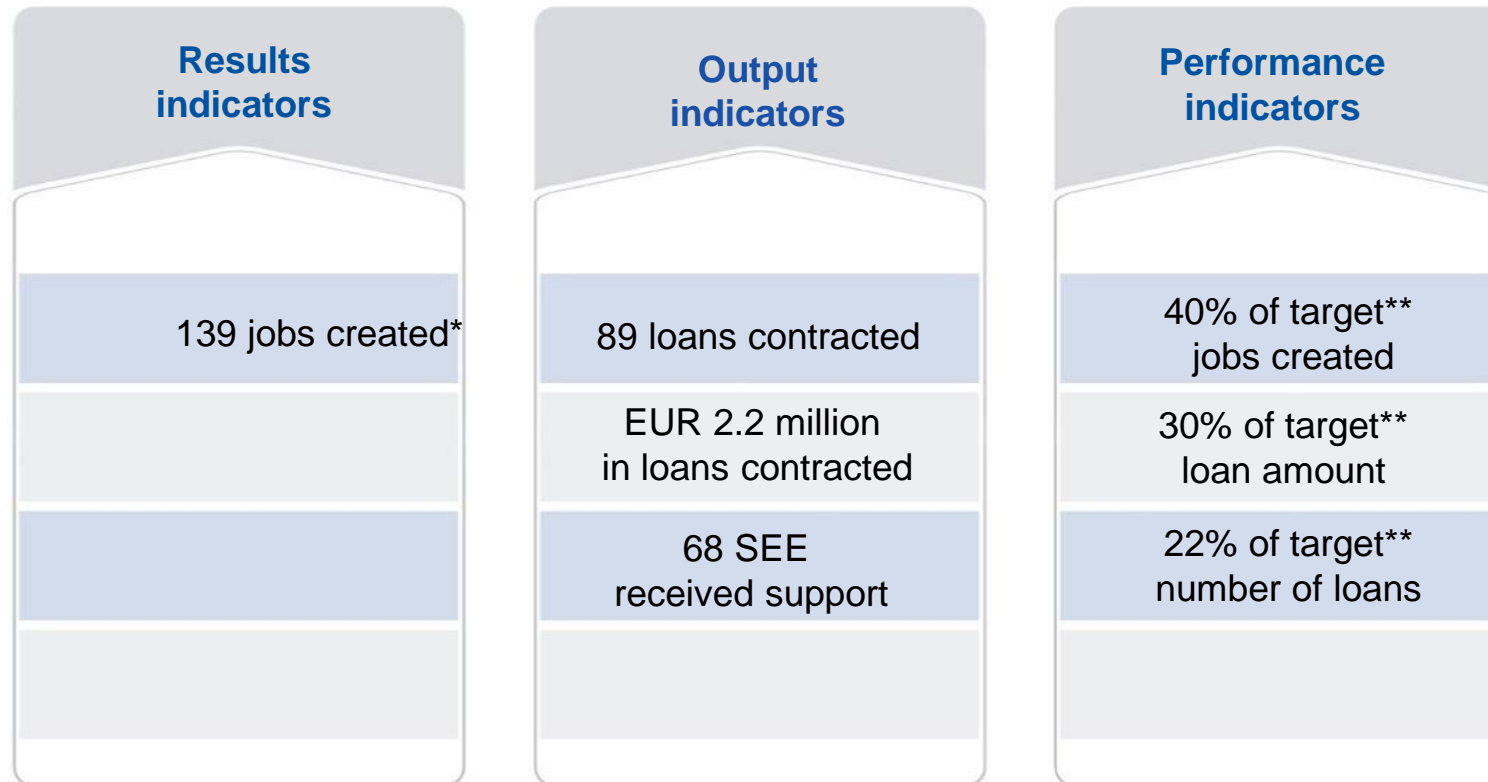
## State aid provisions

- **Two kinds of *de minimis* aid application at the level of final recipient:**
  - reduced interest rate (for projects with high social impact), or
  - interest rate subsidy



# State of play and results

as of June 2017



Source: BGK based on monitoring data

\* - as declared by borrowers to be created

\*\* - applies only to the 1st tranche of OP resources paid out from the FoF to the Loan Fund



# Implementation

## – Counter-guarantee



## Counter-guarantee

- Product designed for financial institutions offering guarantees to SEE. It establishes a limit of funds granted to an institution co-operating with BGK in order to build a portfolio of guarantees for credit / loan / leasing obligations of SEEs in other financial institutions
- Reduces the risk weight and thus the cost of credit / loan leasing for SEE in other financial institutions
- Entities eligible to apply for counter-guarantee are institutions that sign a cooperation agreement with BGK (in an offer enquiry procedure)



# Implementation

## – Counter-guarantee



### Counter-guarantee

- **Pilot solution**
- **Expected budget:** over EUR 1 million
- **Counter-guarantee amount:** up to 70% of the guarantee and up to EUR 33 thousand
- **Guarantee amount that can be covered by counter-guarantee:** up to EUR 47.2 thousand
- **Commissions and fees:** none
- **Guarantee period:** up to 60 months
- **Guarantee may include:** any loans / credits (including revolving) related to SEE activities
- Establishing cooperation with a financial institution providing guarantees is planned for Q3/Q4 2017



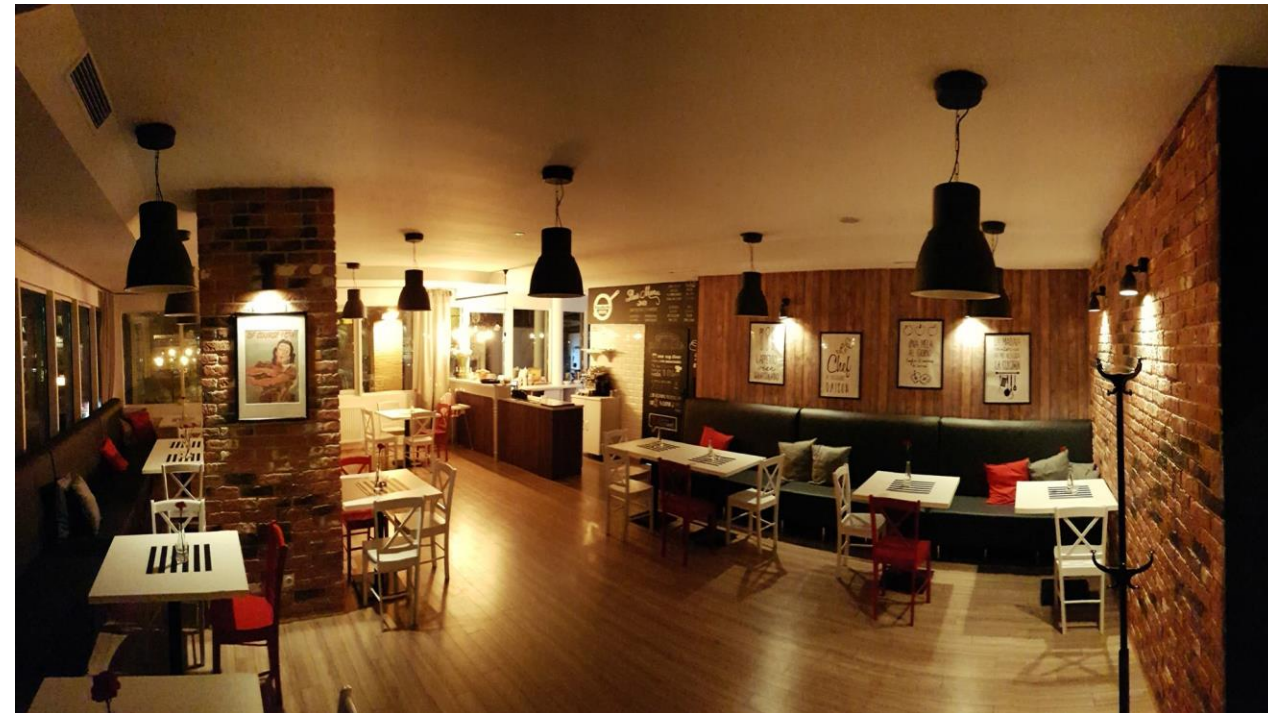
# Project Example 1

## – Final recipients



### Social Cooperative “Nalesnikarnia2.0” (Pancake Factory 2.0)

- Loan: EUR 23.6 thousand
- Interest rate: 0,88% p.a.
- Maturity: 5 years
- Social achievements: 7 jobs created, 5 more expected
- Example of “social franchising” – 2nd restaurant of this brand, 1st opened with 2007-2013 ESF OP FI loan



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## Project Example 2 – *Final recipients*



### Fundacja JemyEko.pl (*“We Eat Eco” Foundation*)

- Loan: EUR 21.5 thousand
- Interest rate: 0,88 % p.a.
- Maturity: 5 years
- Social achievement: 4 jobs (incl. 1 disabled, 2 unemployed)
- Traditional + online shop with eco-food





financial instruments  
 revolving capacity building  
 added value **ERDF** funding agreement  
 governance **ESF** EU guidance  
 technical support seminars leverage financial intermediaries ex-ante assessment  
 co-financing **ESIF** microfinance case studies  
 investments **fi-compass** final recipients  
 business plan **Thank you** thematic objectives  
 advisory services guarantees banks loans **EaSI** equity  
 private investors life cycle combination of support  
**EAFRD** conferences factsheets  
 fund of funds **EMFF** investment strategy **CF**  
 managing authorities manuals



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