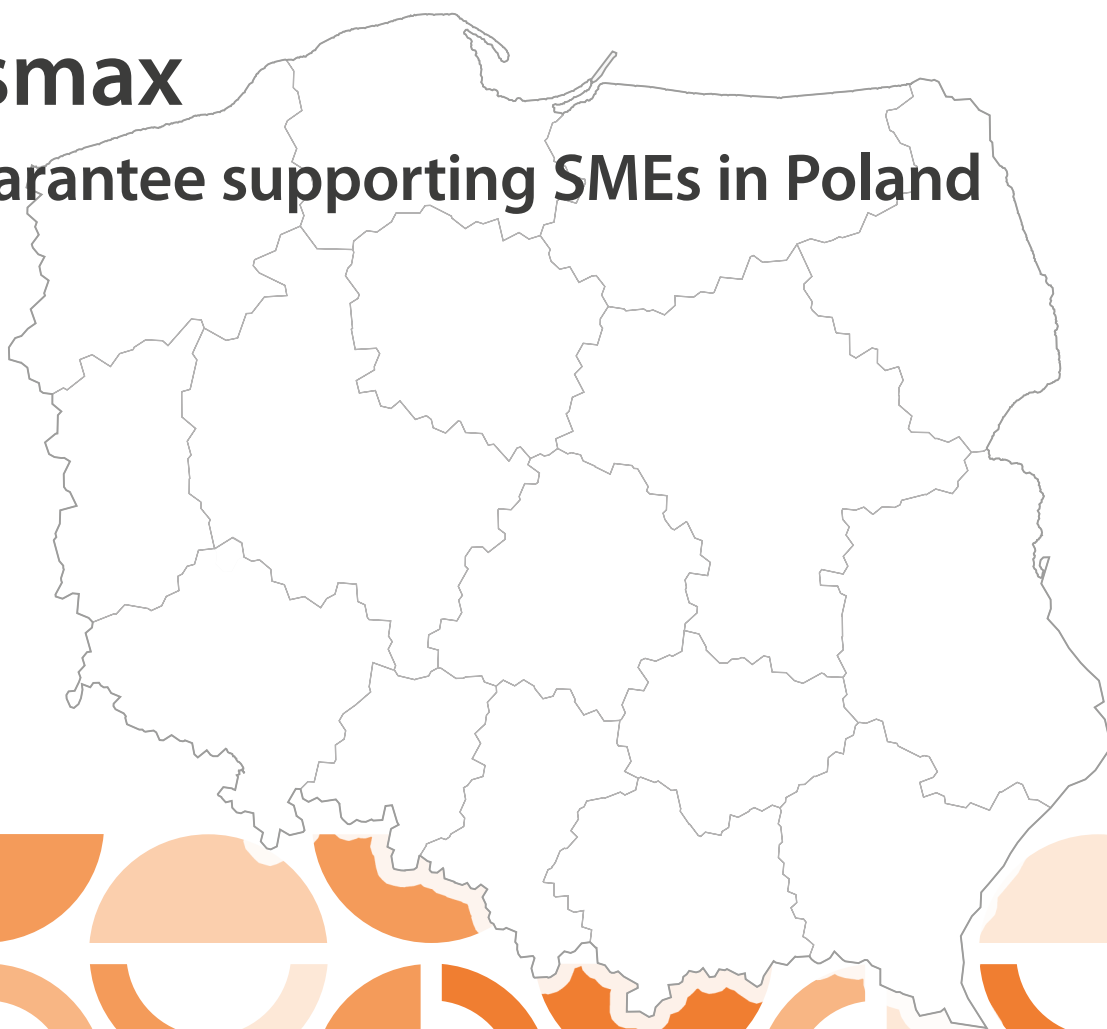




Case Study
June 2023

Biznesmax

ERDF guarantee supporting SMEs in Poland





DISCLAIMER

This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union or the European Investment Bank. Sole responsibility for the views, interpretations or conclusions contained in this document lies with the authors. No representation or warranty express or implied are given and no liability or responsibility is or will be accepted by the European Investment Bank, the European Commission or the managing authorities of programmes under EU shared management funds in relation to the accuracy or completeness of the information contained in this document and any such liability or responsibility is expressly excluded. This document is provided for information only. Financial data given in this document has not been audited, the business plans examined for the selected case studies have not been checked and the financial model used for simulations has not been audited. The case studies and financial simulations are purely for theoretical and explanatory illustration purposes. The case projects can in no way be taken to reflect projects that will actually be financed using financial instruments. Neither the European Investment Bank nor the European Commission gives any undertaking to provide any additional information on this document or correct any inaccuracies contained therein.



Abbreviations

Abbreviation	Full name
BGK	Bank Gospodarstwa Krajowego (Polish national development bank)
CPR	Common Provisions Regulation (1303/2013)
CRII	Coronavirus Response Investment Initiative
CRII Plus	Coronavirus Response Investment Initiative Plus
EEFFCB	Energy Efficiency Financial Facility for Commercial Buildings
ELENA	European Local ENergy Assistance
ESF	European Social Fund
ERDF	European Regional Development Fund
ESIF or ESI Funds	European Structural and Investment Funds
EU	European Union
GBER	General Block Exemption Regulation
GGE	Gross grant equivalent
MA	Managing authority
OP	Operational Programme
PO	Policy Objective
RDI	Research, development and innovation
SME(s)	Small and medium sized enterprise(s)
TO	Thematic Objective

Table of contents

1.THE BIZNESMAX GUARANTEE IN POLAND	6
1.1 Executive summary	6
1.2 Key takeaways from the Biznesmax guarantee fund	9
2.DESIGN OF THE FINANCIAL INSTRUMENT	12
2.1 Context	12
2.2 The 'Smart Growth' operational programme	12
2.3 Prior experience with financial instruments in Poland	13
2.4 Ex-ante assessment	14
2.5 The Biznesmax guarantee	15
2.6 Amendments to the investment strategy	17
2.7 Timetable for set-up and implementation	18
3.SET-UP OF THE BIZNESMAX GUARANTEE	19
3.1 Governance structure	19
3.2 Financial size and payments	20
3.3 State aid	21
3.4 Monitoring and reporting	22
4.IMPLEMENTATION OF THE BIZNESMAX GUARANTEE	24
4.1 Eligibility	24
4.2 Terms of financing	27
4.3 Grant support in combination with the financial instrument	29
4.4 The loan application/appraisal process	33
5.ACHIEVEMENTS	35
6.LESSONS LEARNED	37
6.1 Main success factors	37
6.2 Main challenges	38
6.3 Outlook	38

01 The Biznesmax guarantee in Poland

1.1 Executive summary

The Biznesmax guarantee is one of the largest financial instruments implemented in Poland using EU funds. It is financed from the European Regional Development Fund (ERDF) 2014-2020 Operational Programme (OP) 'Smart Growth' with a budget of ca. EUR 628 million¹ allocated from the priority axis supporting innovation in enterprises. Within the total budget, the EU contribution is supplemented by private funds via the lending banks providing national co-financing to the instrument. The current financial allocation has been reached following a series of increases to the initial contribution in line with the higher demand on the ground.

The primary objective of the instrument is supporting the development of innovative small and medium-sized enterprises (SMEs) and increasing the innovation potential in the SME sector, as well as supporting eco-efficient companies. SMEs, especially innovative enterprises, face difficulties in accessing debt financing from the banking sector for their investment projects, mainly due to the lack of adequate collateral. The guarantee provides a solution to mitigate this barrier.

The Biznesmax guarantee is a free-of-charge portfolio guarantee granted from the Guarantee Fund for support of innovative enterprises of the 'Smart Growth' Operational Programme (OP Smart Growth Guarantee Fund). The guarantee is provided by Bank Gospodarstwa Krajowego (BGK, the Polish national development bank) and made available to eligible SMEs via individual lending banks.

The guarantee can secure up to 80% of the loan value, while the individual lending banks bear the remainder of the risk of losses incurred on a loan-by-loan basis. At BGK portfolio level, the guarantee is uncapped for the lending banks. Within the portfolio guarantee, the maximum portion of the total portfolio covered by the OP Smart Growth Guarantee Fund amounts to 33%, while the remaining part of the guarantee is covered by BGK.

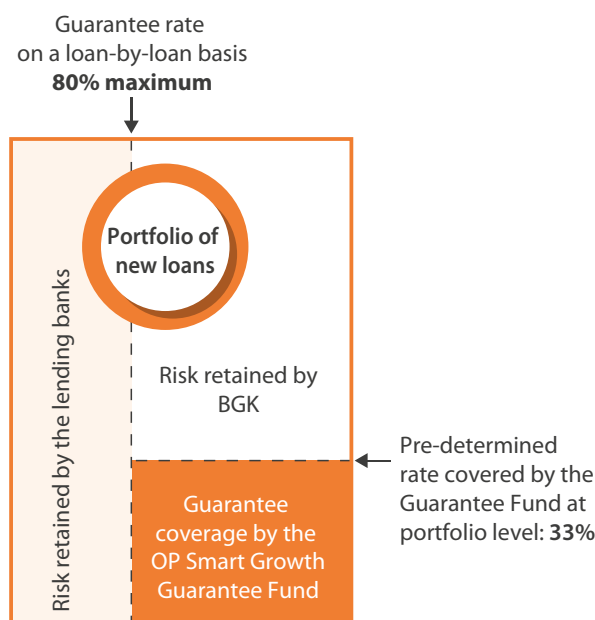


¹ The PLN/EUR exchange rate used throughout the document is the one applicable on 1 January 2023: 1 PLN = ca. 0.2136 EUR.



The structure of the Biznesmax portfolio guarantee is shown in the Figure below.

Figure 1: The Biznesmax portfolio guarantee structure



The benefits of the guarantee include for example:

- Final recipients benefit from lower financing costs due to reduced interest rates as a result of the guarantee, which has been made available to the lending banks with the condition that the financial benefit of the guarantee is fully transferred to the final recipients; and
- An additional feature of the instrument is that final recipients can potentially benefit from an interest rate subsidy on top of the loan covered by the guarantee. This subsidy can cover a major part of the interest paid during the first three years of lending.

The guarantee was the financial instrument product of choice for the managing authority, as it brings the highest multiplier ratio among the financial product types, which can create greater impact on the ground than the other forms of support.

The managing authority entrusted BGK as the body implementing the financial instrument. The guaranteed loans are provided via participating lending banks. The first loan covered by the Biznesmax guarantee was contracted in September 2017.

Biznesmax covered initially loans for investment projects of innovative entrepreneurs ('innovation path'). In 2019, a new support path was created to focus on green investment projects in SMEs with a measurable environmental effect in areas such as circular economy, electromobility, renewable energy and energy storage ('green path').

The Biznesmax guarantee was able to react promptly to the shifting needs of SMEs in Poland after the outbreak of the COVID-19 pandemic as the scope of support was extended to include the possibility of financing the current liquidity needs of enterprises, alongside the measures already in place to support investments.

The demand for support from the guarantee instrument has been high, especially after the introduction of this new working capital guarantee line for liquidity support. As at 31 January 2023, the instrument has supported over 2 000 enterprises in Poland with an overall amount of ca. EUR 1.38 billion. Ca. 54% of the final recipients have received liquidity support due to the COVID-19 outbreak, while the rest was provided for investments as well as working capital loans linked to the investment projects.



Funding sources

ERDF 2014-2020 OP 'Smart Growth'

Type of financial products

Guarantees in combination with interest rate subsidies

Financial size

Ca. EUR 628 million from the OP 'Smart Growth', including ca. EUR 531 million from ERDF and ca. EUR 97 million from national contribution via private co-financing. The allocation of the instrument includes ca. EUR 132 million for interest rate subsidies.

In total, the financial instrument is expected to support loans to final recipients of a value of up to ca. EUR 1.5 billion.

Thematic focus

Thematic Objective 3: Enhancing the competitiveness of small and medium-sized enterprises (SMEs)

Timing

From 2016 to 2023²

Partners involved***Managing authority***

Ministry of Development Funds and Regional Policy, Poland

Body implementing the financial instrument

Bank Gospodarstwa Krajowego (BGK)

Lending banks

Alior Bank S.A., Bank Millennium S.A., Bank Ochrony Środowiska S.A., Bank Pekao S.A., Bank Polskiej Spółdzielczości S.A., Bank Spółdzielczy w Brodnicy, BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., PKO Bank Polski S.A., Santander Bank Polska S.A., SGB-Bank S.A.

² With the interest rate subsidy being available until 31 December 2027 in relation to loans provided within the eligibility period.



1.2 Key takeaways from the Biznesmax guarantee fund

Biznesmax is a portfolio guarantee provided to the lending banks that applied successfully to participate in the instrument. The well-tested governance structure, with clear roles of the relevant stakeholders and the intensive knowledge sharing between the managing authority, BGK and the lending banks was paramount for the quick deployment and success of the instrument.

The Biznesmax guarantee has mobilised finance from 12 lending banks in the form of low-cost loans for SMEs in Poland. The straightforwardness of this financial instrument has enabled it to be deployed flexibly and adjusted easily to the changing circumstances, which has led to a high demand for the product.

The use of the flexibilities of the Common Provisions Regulation (CPR) to combine the financial instrument with a grant element in form of an interest rate subsidy in a single operation has resulted in an attractive product capable of meeting the different financing needs of a range of different types of final recipients.

The guarantee combined with an interest rate subsidy, which initially covered investment projects of 'innovative entrepreneurs' that fulfilled at least one of the set criteria, was later extended to provide finance for green projects. This was a strong public intervention to stimulate financially an important investment area with much potential for SMEs in Poland. Furthermore, to mitigate the negative impacts of the COVID-19 outbreak and in accordance with the new regulatory flexibilities of the Coronavirus Response Investment Initiative (CRII³) and Coronavirus Response Investment Initiative Plus (CRII Plus⁴), the eligibility of the guarantee was further extended to cover also working capital and liquidity needs of SMEs in Poland.

Green projects can be complex and challenging for many SMEs. Such investment projects need to be comprehensively prepared beforehand to be suitable for finance. To support such companies in their investment ideas, a client-centric 'one stop shop' has been developed by some lending banks. Thanks to this, final recipients obtain one main partner that accompanies them throughout the full process from the investment idea, through project development, to obtaining financing and execution. This integrated approach has helped lending banks to develop a project pipeline of bankable investments.

3 Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative).

4 Regulation (EU) 2020/558 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak.



Huras Konstrukcja i Budowa Maszyn sp. z o.o.

Sector: Manufacturing of machinery

Total value of the investment: ca. EUR 2.3m

Loan amount: ca. EUR 1.7m

Lending bank: BNP Paribas Bank Polska S.A.

Biznesmax guarantee path: 'Innovation path'



Huras Konstrukcja i Budowa Maszyn sp. z o.o. is a family-owned SME established in 1998 in Poland. The company manufactures machinery and specialised equipment used in a range of automated production lines mainly in the automotive, telecommunication and medical sectors. The company is globally oriented and produces equipment especially for European and Asian markets.

To grow further and strengthen their industry position, the company decided to upgrade their production site in Nowa Wieś Legnicka, Lower Silesian Voivodship. An additional production hall and a connector to the existing premises were constructed. The investment included also the installation of water, sanitary sewage, rainwater drainage as well as an internal power line. The investment was completed in September 2022 and has enabled the company to further develop and create new jobs.



The total cost of the investment was ca. EUR 2.3 million, out of which ca. EUR 1.7 million (ca. 74% of the investment costs) was covered by the loan provided to the company by the Legnica branch of BNP Paribas Bank Polska S.A. The company qualified for the ERDF co-financed Biznesmax guarantee by meeting one of the 17 innovative entrepreneur criteria: in the last 5 years it has implemented a green investment with an ecological effect (a photovoltaic system). The loan was provided with a maturity of 10 years and falls under regional aid under the General Block Exemption Regulation (GBER). The Biznesmax guarantee secures 80% of the loan and is combined with an interest rate subsidy to the benefit of the company.



Design of the financial instrument

2.1 Context

Poland is located in Central Europe, with land borders with seven countries, including EU Member States Germany, Czech Republic, Slovakia and Lithuania. With its population of ca. 38 million people, it is the 5th most populous EU Member State. Its territory extends from the Baltic Sea in the north to the Sudeten and Carpathian Mountains in the south. Poland joined the European Union in 2004. The country is divided into 16 regions (voivodships). Poland's currency is the Polish Złoty (PLN).

Around 60% of the country's population lives in urban areas and 40% in rural areas⁵. The most populous region is the Masovian Voivodeship, including Warsaw – Poland's capital. The south of Poland, especially the area between Wrocław and Kraków, have the highest population density, including the Katowice metropolitan area, Poland's largest urban conurbation.

The most important sectors of Poland's economy in 2020 were wholesale and retail trade, transport, accommodation and food services (24.9%), industry (24.2%) and public administration, defence, education, human health and social work activities (15.3%). Intra-EU trade accounts for 74% of Poland's exports (Germany 29%, Czechia 6% and France 5%). In terms of imports, 67% come from EU Member States (Germany 27%, the Netherlands 6% and Italy 5%)⁶.

One of Poland's main development goals is its transition to a low carbon economy through energy efficiency and the increased use of renewable energy sources. Additionally, Poland aspires to considerably increase R&D expenditure of enterprises and shift to an innovation-based development. EU Cohesion Policy resources in the 2014-2020 programming period have been aimed at addressing inter alia these main development gaps and thus strengthening social, economic and territorial cohesion⁷. Poland's Cohesion Policy has been delivered in the 2014-2020 programming period by 23 OPs on both national and regional level⁸.

2.2 The 'Smart Growth' operational programme

'Smart Growth' is a national OP for the 2014-2020 programming period in Poland. The second largest amount of EU funding for 2014-2020 in Poland was allocated to this programme⁹. Its total financial allocation amounts to ca. EUR 10.5 billion, which is split mainly between two Thematic Objectives, TO1 'Research & Innovation' (ca. EUR 6.8 billion) and TO3 'Competitiveness of SMEs' (ca. EUR 3.2 billion) as well as a relatively smaller portion dedicated to 'Fostering crisis repair and resilience' (ca. EUR 300 million) and 'Technical Assistance' (ca. EUR 200 million).

In the 2014–2020 period, ca. EUR 2.8 billion of European Structural and Investment Funds (ESIF) budget has been allocated to financial instruments in Poland, which corresponds to ca. 4% of the Member State's ERDF and European Social Fund (ESF) budget. Within the OP 'Smart Growth', funds for financial instruments account for approximately

5 <https://stat.gov.pl/obszary-tematyczne/ludnosc/ludnosc/ludnosc-stan-i-struktura-ludnosci-oraz-ruch-naturalny-w-przekroju-terytorialnym-stan-w-dniu-30-06-2021,6,30.html> (17.04.2023).

6 https://european-union.europa.eu/principles-countries-history/country-profiles/poland_en (17.04.2023).

7 https://ec.europa.eu/info/sites/default/files/partnership-agreement-poland-summary-may2014_en.pdf (17.04.2023).

8 Ibidem.

9 <https://www.poir.gov.pl/> (17.04.2023).



10% of the overall budget. The main policy objective of the OP is to increase of innovation of the Polish economy through increased expenditure by the enterprises on research, development and innovation (RDI). ‘Smart Growth’ is EU’s largest OP financing RDI. Actions under the OP focus on supporting company innovation and strengthening the links between business and science and thus enhancing the commercialisation and practical application of RDI results in the economy.

However, at the start of the programming period, the expenditure of Polish enterprises on research and development was still low and amounted to only 25% of the EU average. The objective of the ‘Smart Growth’ programme was to change this situation by encouraging companies to spend more on RDI. This would result in creating new jobs, placing innovative products and services on the market and would ultimately lead to an increased competitiveness of the Polish economy.

Within the investment priority 3 (c) ‘Supporting the creation and the extension of advanced capacities for product and service development’, the OP lays down the strategic considerations for supporting the implementation of RDI projects including the potential use of financial instruments¹⁰. The OP gives priority to eco-innovations, such as innovative technologies in the field of environment protection, including the reduction of greenhouse gas emissions and air pollution as well as adaptation to climate change. The types of projects that could be implemented under the OP include the following:

- Research and development projects;
- Implementation of results of RDI works;
- Infrastructure for RDI;
- Technology transfer;
- Purchase of services necessary for starting and carrying out innovation activities;
- Activities related to entering foreign markets; and
- Development of RDI personnel.

2.3 Prior experience with financial instruments in Poland

Poland had limited experience in using financial instruments to support RDI activities prior to the launch of the Biznesmax guarantee instrument. Most publicly financed debt instruments, including loans and guarantees, had targeted the SME sector in general, without specifically addressing the needs of innovative enterprises.

Before setting up the guarantee fund, a pilot project was carried out under the 2007-2013 ‘Innovative Economy’ OP. This instrument was launched in the final stage of programme implementation with a relatively small budget of ca. EUR 53 million. Support in the form of a guarantee product was quickly disbursed among entrepreneurs, which proved that there was a need for this form of support. The quick absorption was facilitated by the application of uniform criteria for the guarantee product that avoided fragmentation and allowed economies of scale. Such standardisation of the conditions and terms of support have not been common in Poland, which affected negatively the interest of final recipients in the available financing and ultimately the scale of business investments (which is below the EU average). From the supply side, experience from this initiative proved that guarantee products are simple, understandable and easy to implement for the banking sector. It also showed the importance of working closely with the potential lending banks when designing the instrument, verifying

¹⁰ The financial instrument is expected to contribute to the following policy objectives (PO):

- Policy Objective I: A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity;
- Policy Objective II: A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility.



the proposed features of the product against their market experience. One additional takeaway from this pilot was that in order to support innovative businesses, additional investment incentives should be attached to the guarantee instrument, e.g. a combination with grant in the form of interest rate subsidies and/or technical assistance, and that the instrument should ideally also cover loans for working capital.

2.4 Ex-ante assessment

The ex-ante assessment was carried out to assess the existence of market gaps or deficiencies in financing for RDI in view of a potential implementation of financial instruments to address the financing gap. The assessment aimed to justify the appropriateness, adequacy and necessity of the proposed financial instruments in achieving certain investment priorities for the OP 'Smart Growth' in the 2014-2020 programming period.

According to the ex-ante assessment, 70% of innovative companies had carried out RDI activities in the last three years. However, due to the high risks associated with such projects, own resources had remained the main source of funding. Among those companies seeking external bank financing, smaller enterprises, in particular those without credit history, had found it difficult to obtain a loan.

The ex-ante assessment estimated the range of the financial gap for SMEs was between EUR 360 million and EUR 640 million per year. Narrowing it down to debt financing, the annual gap was estimated to be around EUR 260 million.

A study carried out as part of the ex-ante assessment found that the highest proportion of the financing gap was related to enterprises involved in medical engineering technology, environmentally friendly transport solutions, sensors and smart sensor networks, healthy food, technologies for water treatment, reclamation and water consumption, the manufacture of pharmaceutical products.

In order to mitigate the financing gap, the ex-ante assessment identified three debt and four equity financial instruments for the market segment:

- Debt 1: to provide an incentive for equity investors to complement the invested capital with debt financing available on preferential terms and to provide early-growth equity companies with external debt capital that is not available to such companies on the commercial market;
- Debt 2: to take over part of the risks associated with the implementation of innovative projects financed by bank loans by securing their repayment, to increase the availability of loans for innovative projects;
- Debt 3: to combine commercial banks' investment loans with grants disbursed in the form of a premium (mixed facility);
- Equity A: to support the commercialisation of R&D projects in the incubation and technological acceleration phases;
- Equity B: to support incubation processes of innovative companies and to increase the interest of private investors in innovation projects at the earliest stages of development;
- Equity C: to improve the accessibility of the SME sector to equity financing and to develop the venture capital ecosystem and to increase the activity of private investors to invest in SMEs carrying out innovative projects with high market potential;
- Equity D: to support the development of companies from the start-up stage until the innovative product or service enters the market.



The recommendations of the ex-ante assessment reflected how guarantee and equity instruments generally target different types of enterprises. Equity instruments are designed to support innovative, high-growth companies in the early stages of development. These are companies that usually do not use bank financing due to the early stage of development and the related lack of creditworthiness. For such entities, the optimal form of support is venture capital equity financing. On the other hand, debt instruments are aimed more at companies that can already apply for bank financing, but at the same time do not have sufficient collateral to obtain financing. Nevertheless, it can be assumed that some early-stage companies that benefited from equity support might benefit from support in the form of a guaranteed bank loan in the next phase of their development.

The Biznesmax guarantee fund was set up following the recommendations related to the Debt 2 instrument mentioned above. In that respect, the ex-ante assessment recommended as the best option a structure with a guarantee fund and a network of lending banks with national coverage so that the financing would be widely available for the relevant SMEs. The body implementing the guarantee fund should select the banks interested in the distribution of guarantees either through a call for expression of interest or in the form of continuous access (until the allocation has been exhausted) provided that the minimum criteria have been met. The lending banks should also have adequate capacity and experience in assessing the economic potential of projects proposed for funding.

2.5 The Biznesmax guarantee

The financial product is a guarantee facility that provides a loan repayment guarantee with optional interest rate subsidy. The latter is subject to compliance with the terms of the credit line. The guarantee is offered free of charge in respect of each eligible loan contracted by the banks thanks to the contribution of funding from the OP 'Smart Growth'. The managing authority entrusted the implementation of the guarantee to BGK, the Polish state-owned development bank, established in 1924 and with the mission to support social and economic growth of Poland and the public finance sector in the performance of its task. The Biznesmax guarantee is one of several financial instruments implemented by BGK.

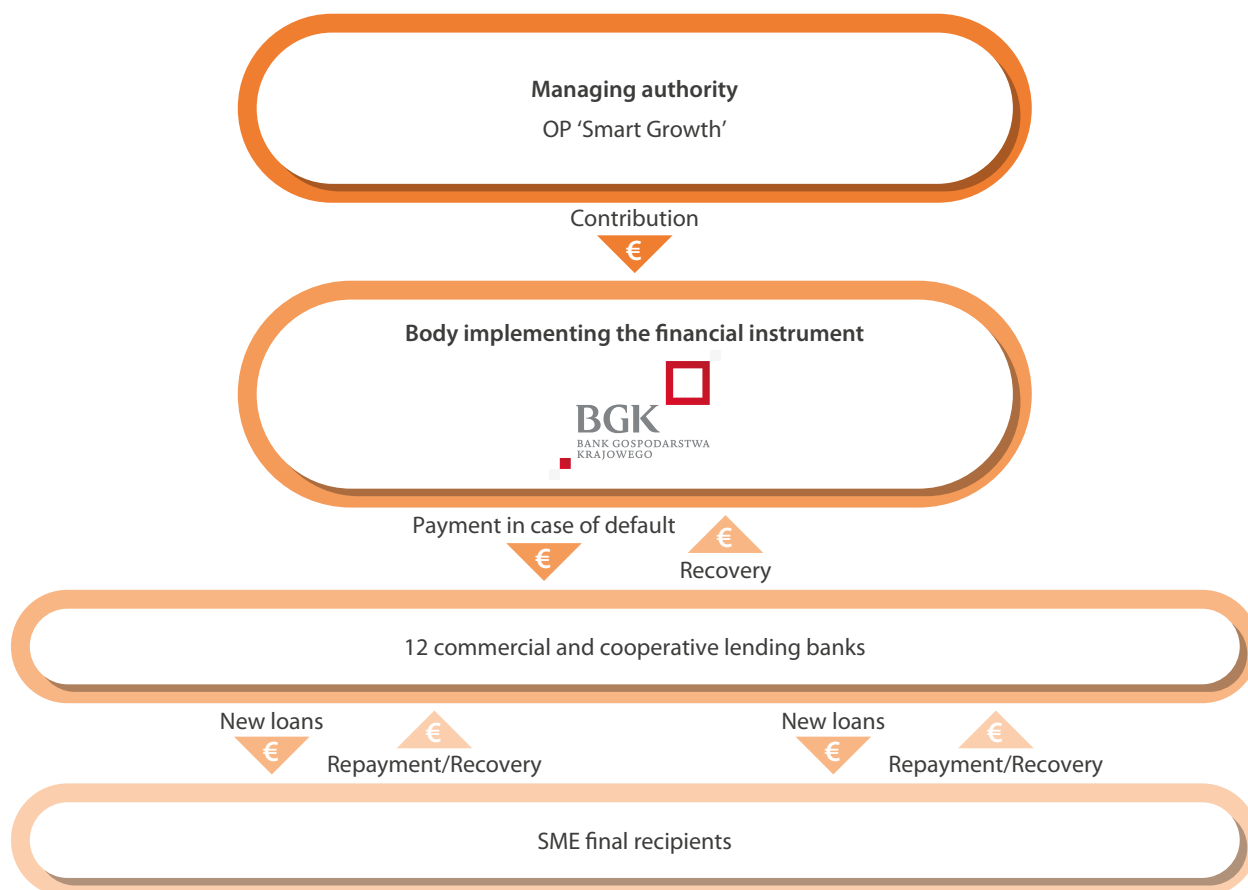
The guarantee constitutes a collateral for the repayment of the loan intended for financing the development of business activity of innovative enterprises. The value of an individual guarantee may be of maximum EUR 2.5 million. The guarantee can cover up to 80% of the loan and is granted for the period of up to 20 years in the form of de minimis aid or regional investment aid.

As the guarantee does not cover the entire loan, the lending banks have an important incentive to ensure that their capital is used to finance innovative and at the same time financially viable projects. The average guarantee rate as at 31 January 2023, based on the terms actually agreed between BGK and the lending banks is 62%, which has allowed the crowding-in of additional private resources and hence has created higher leverage than initially expected.

The guarantee financial instrument was implemented in combination with a grant element to provide interest rate subsidies for the benefit of final recipients. A total of ca. EUR 132 million of grant was committed in this way to support the Biznesmax guarantee.



Figure 2: The design of the Biznesmax guarantee instrument



The guarantees are provided for investments by innovative SMEs, or investments by SMEs in green projects, such as circular economy, energy efficiency (equipment and buildings), renewable energy or e-mobility.

The agreements concluded between BGK and the lending banks include the obligation of the lending banks to transfer the benefits under the guarantee to the final recipients, in return to the guarantee offered free of charge.

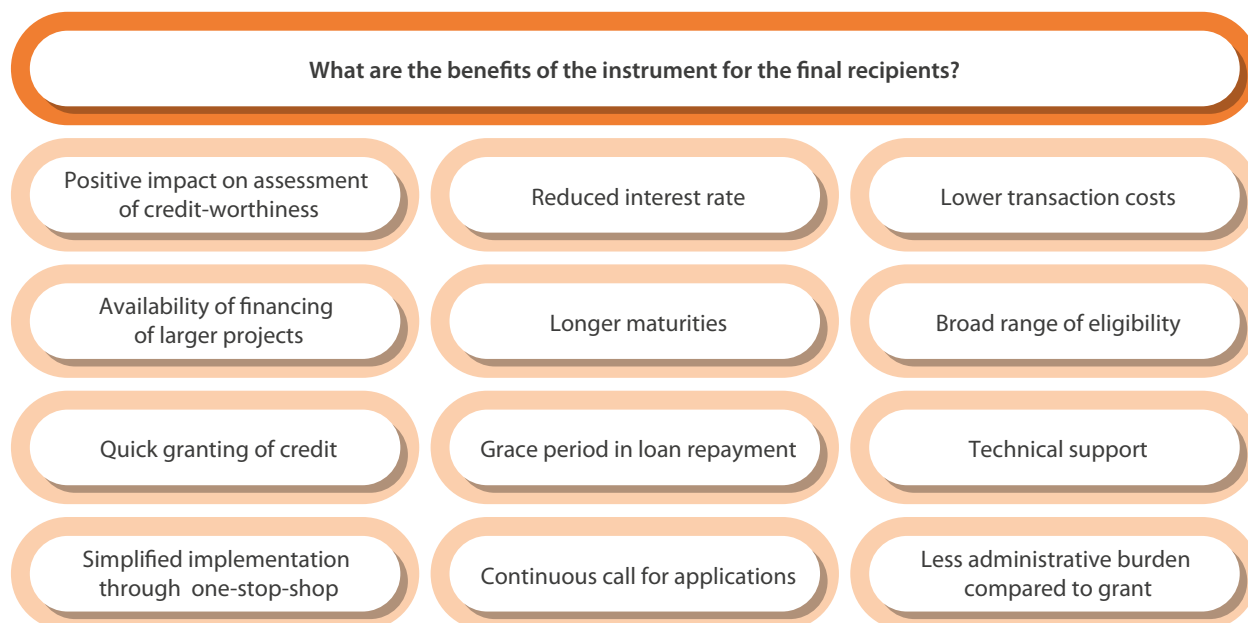
The benefits at the level of final recipients include the reduction of the loan costs in the form of lower margins and consequently reduced interest rates as well as lower commissions, together with other preferential conditions of the loan agreement, e.g. extension of the debt repayment deadline, grace period in debt repayment, higher loan amount. The final recipients benefit also from broader eligibility of expenditures including costs related to working capital, general costs, VAT etc., allowing to cover the entire investment period including the preparation phase.

Additionally, one of the lending banks, BNP Paribas Bank Polska S.A., secured ELENA¹¹ grant support to fund technical assistance for energy efficiency and renewable energy projects. Both support forms are offered to the clients together in the form of a 'one-stop-shop'.

¹¹ ELENA (European Local ENergy Assistance) is a technical assistance platform for energy efficiency and renewable energy investments targeting buildings and innovative urban transport provided by the EIB and funded by the European Commission. More information available under: <https://www.eib.org/en/products/advisory-services/elena/index.htm> (17.04.2023).



Figure 3: The benefits of the Biznesmax guarantee passed on to final recipients



2.6 Amendments to the investment strategy

The current scope of the Biznesmax guarantee is the result of an evolving investment strategy which has continued to develop since the launch of the financial instrument in 2017. Initially, the focus of the investment strategy was innovative SMEs ('innovation path'). This was aligned with the initial objectives of the OP to increase the level of innovative enterprises.

In 2019, the investment strategy was amended to incorporate green projects into the financing options ('green path'). The creation of this additional guarantee path was intended to broaden the group of enterprises that could benefit from support, while encouraging SMEs to undertake investments that will enhance their energy efficiency or green transformation. Such amendment was also welcomed by the lending banks, increasingly interested in supporting green investments.

In 2020, as a response to the COVID-19 outbreak, the EU regulatory framework was amended, with the aim of providing additional flexibility to address the economic consequences of the pandemic. The new provisions introduced to the CPR by CRII and CRII Plus provided exceptional flexibility for the support of liquidity needs of SMEs affected by COVID-19.

Accordingly, the Biznesmax guarantee facility was further developed to support SMEs affected by the COVID-19 pandemic. The support package consisted of a liquidity credit line including a revolving and non-revolving working capital loans, which allowed the financing of the day-to-day business activities of the SMEs. The liquidity credit lines did not have to be related to the ongoing or completed investment and were released on simpler terms – without having to submit financial and accounting documents to the bank. The flexibility measures also included the withdrawal of the list of eligible costs of the projects for investments supported under de minimis. As a consequence, the SMEs did not have to submit a project plan for obtaining the guarantee. The enhanced support measures also changed the interest rate subsidy system so that it also covered revolving credit facilities and extended the effective period with higher annual rates.



2.7 Timetable for set-up and implementation

Table 1 below provides the timeline of the key set-up and implementation steps of the Biznesmax financial instrument.

Table 1: Set-up and implementation timeline of Biznesmax

Time period	Actions taken
August 2014	Ex-ante assessment for the use of financial instruments in 2014-2020 OP 'Smart Growth' completed
February 2015	2014-2020 OP 'Smart Growth' approved by the European Commission, envisaging the use of FIs for innovative SMEs
November 2016	Funding agreement and investment strategy signed between BGK and the managing authority
April 2017	Collection of applications by BGK from lending banks
September 2017	First disbursement to final recipient in the 'innovation path'
March 2019	Amendment of the investment strategy to incorporate green projects ('green path')
June 2019	First disbursement to final recipient in the 'green path'
March 2020	Amendment of the investment strategy in response to the COVID-19 crisis
April 2020	First disbursement to final recipients with COVID-19 liquidity support
December 2023	End of eligibility period for the COVID-19 conditions
December 2023	End of eligibility period for the financial instrument

03 Set-up of the Biznesmax guarantee

3.1 Governance structure

The Biznesmax guarantee financial instrument is managed under the responsibility of the ERDF managing authority for the 2014-2020 OP 'Smart Growth', the Ministry of Development Funds and Regional Policy in Poland, in line with Art. 38 (1) (b) CPR. The managing authority has entrusted BGK as the body implementing the financial instrument in line with Art. 38(4)(b)(iii) CPR. The latter allowed the implementation tasks to be awarded directly to BGK, as a publicly owned financial institution that strives to achieve objectives of public interest in Poland.

Biznesmax provides guarantees to financial institutions involved in lending to SMEs. For the selection of lending banks, an invitation to submit applications was published on BGK's website. When submitting their applications, lending banks had to ensure compliance with certain formal criteria, including standards related to liquidity and solvency. After the verification of the formal requirements and the assessment of the application carried out by BGK, a cooperation agreement was signed between each individual lending bank and BGK. The invitation to submit applications by potential partner banks is carried out continuously without application periods. BGK assesses the applications according to the formal requirements set out in the invitation in order to secure efficient deployment of the guarantee instrument.

The cooperation agreements define the guarantee portfolio limits, determined according to the risk assessment carried out by BGK. Within these limits, the lending banks can cover eligible loans with the guarantees. Eligibility, including the applicant's creditworthiness and the feasibility of the project, is assessed by the lending banks before the loan is guaranteed.

In total, 17 commercial and cooperative banks have participated in the implementation of the instrument. Banks may also withdraw their participation as lending banks from Biznesmax. Over time, the number of lending banks decreased to 12. This was mainly due to the merger of banks and the withdrawal of certain, typically smaller banks with different customer profiles, from the cooperation due to the low number of interested clients.

To ensure adequate visibility of the Biznesmax guarantee, BGK runs a dedicated product site with the necessary information for potential final recipients, including the basic features of the product, main benefits for final recipient, a calculator including a self-assessment tool for the eligibility of the project and a collection of Frequently Asked Questions¹². The information on the Biznesmax guarantee is also available at the website of the Polish Development Fund and the managing authority as well as the websites of the individual lending banks which offer the product. In addition, BGK participates every year in numerous meetings, training sessions, conferences and webinars organised for financial institutions and entrepreneurs where the experiences are shared and practical information is disseminated on how to obtain a loan and interest rate subsidy with the help of the guarantee instrument.

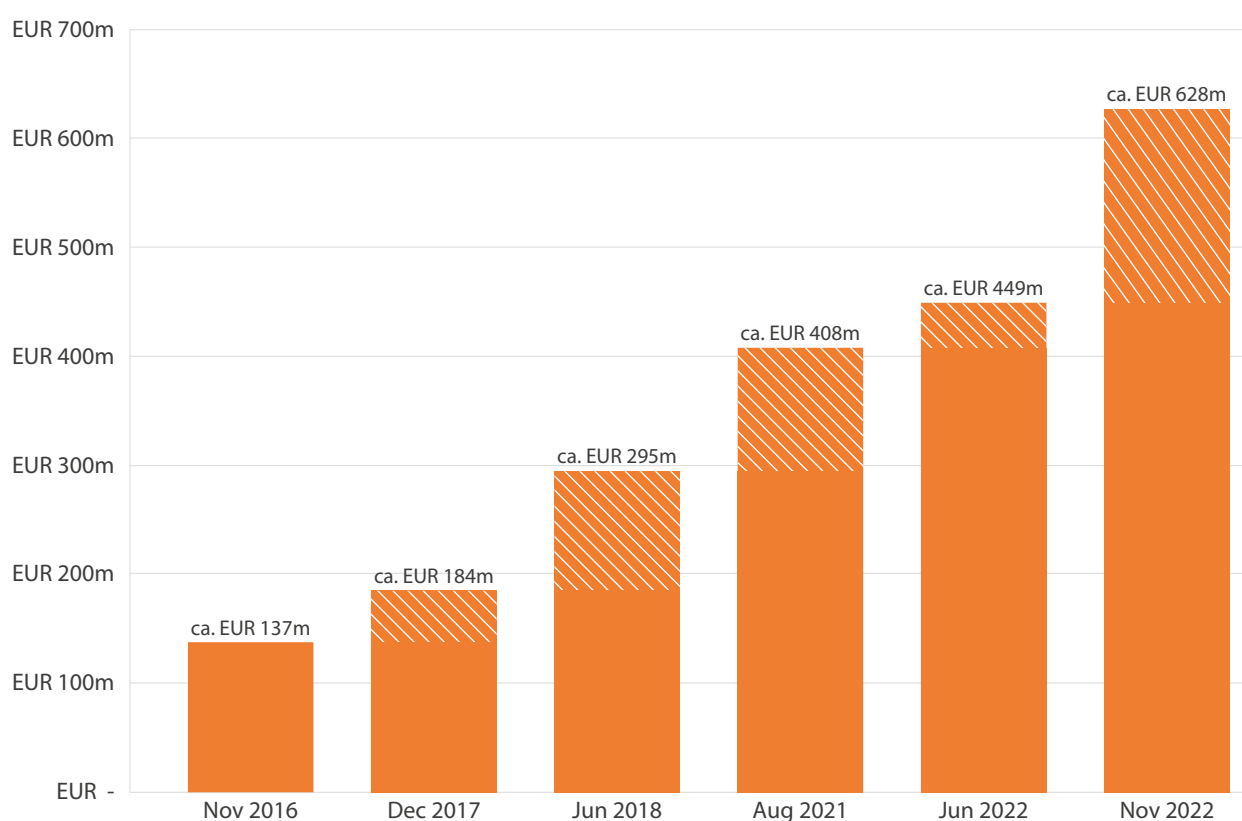
¹² <https://www.bgk.pl/male-i-srednie-przedsiębiorstwa/zabezpieczenie-finansowania/gwarancja-biznesmax-z-dotacja/> (17.04.2023).



3.2 Financial size and payments

Out of the EUR 2.8 billion of ESIF 2014-2020 budget allocated to financial instruments in Poland, the initial allocation to the Biznesmax guarantee fund was EUR 137 million. However, in response to the high demand for the instrument, the contribution has been increased several times since then. The demand, already high thanks to the attractive combination with the interest rate subsidy as well as the introduction of the additional 'green path', increased substantially thanks to the introduction of the flexible liquidity support due to the COVID-19 outbreak. The figure below presents the evolution of the contributions as a result of the increases.

Figure 4: Increases of the financial contribution



Currently, the guarantee fund itself accounts for ca. EUR 628 million contribution from the OP, including EUR 132 million for interest rate subsidies. The amount allocated to guarantees is EUR 387 million. With that contribution, together with the additional private co-financing, the financial instrument is expected to support loans to final recipients of up to ca. EUR 1.5 billion.

Table 2: Current funding sources and amounts

Funding source	Amount
OP 'Smart Growth'	EUR 628 million
out of which from ERDF	EUR 531 million
out of which from national private co-financing	EUR 97 million



The national co-financing comes from private resources, i.e. from the commercial banking sector. It consists of the amount of the loans issued by the lending banks not secured with the guarantee, EUR 97 million representing the indicative minimum of such contribution.

The financial contribution of the managing authority is paid in tranches in accordance with Art. 41(1) CPR. This resulted in the following payment schedule:

- The first tranche of 25% of the total contribution paid upon signature of the funding agreement in December 2016;
- The second tranche, for the next 25%, paid in December 2020, after at least 60% of the first tranche has been used;
- The third tranche, for the next 25%, paid in March 2022, after at least 85% of the first two tranches has been used;
- The fourth tranche, for the last 25%, shall be paid once at least 85% of the first three tranches has been used.

As at 31 January 2023, the value of the guarantees provided amounted to ca. EUR 852 million, which (taking into account the 33% guarantee coverage of the Guarantee Fund) corresponds to ca. EUR 284 million of contribution by the managing authority. This has in turn led to the mobilisation of a total value of loans to SMEs of ca. EUR 1.38 billion, reflecting the average guarantee rate of 62% (~EUR 852 million x 100/62).

3.3 State aid¹³

The terms of the cooperation agreements between BGK and the lending banks require the full benefit of the guarantee to be passed on to the final recipient. By achieving this, the instrument is free of state aid at the level of the body implementing the financial instrument and at the level of the financial institutions. State aid is therefore relevant only at the level of final recipients. For final recipients, the guarantee is granted either as *de minimis* aid¹⁴ or regional investment aid under the General Block Exemption Regulation (GBER)¹⁵, while interest rate subsidies constitute *de minimis* aid.

The guarantee is available as *de minimis* aid for SMEs in all sectors, except for some limitations, including primary agriculture and the fishery and aquaculture sector. The maximum aid available to the final recipient is conditional to all *de minimis* aid received by the SME in the given fiscal year and the two preceding years not exceeding EUR 200 000 cumulatively. Only for SMEs performing road freight transport, such threshold is set at EUR 100 000. It is important to note that the amount of aid is not equivalent to the amount of loan provided, as only the gross grant equivalent (GGE) of the support should be counted as *de minimis* aid. Taking that into account, the overall aid element of the guarantee should be calculated using the sum of the GGE and any potential interest rate subsidy received, according to the *de minimis* formula.

In case the guarantee is subject to *de minimis* rules, the applicant should submit an application for *de minimis* aid to the lending bank, including the relevant documentation in line with the purpose of the loan.

Similarly, the interest rate subsidy constitutes *de minimis* aid. The subsidy is calculated on the basis of the annual interest rate charged and taking into account the disbursed amount of the loan principal (or credit limit granted in case of non-revolving working capital loans). For loans committed until 31 December 2021, the subsidy may amount up to 5% of the principal loan amount annually. For loans committed from 1 January 2022, the annual rate for calculating the subsidy in the first year of lending is 8%, while it amounts to 4% in the next two years of lending. In any case, the subsidy shall not exceed the value of the interest paid by the final recipient for the period covered by the subsidy.

¹³ It is the Member State's responsibility to ensure compliance with State aid rules when they give aid through financial instruments (co-) financed by EU shared management funds. This section presents the State aid regime adopted in Poland and is not an assessment or official position of the European Commission.

¹⁴ Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid.

¹⁵ Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.



In case the eligibility requirements for the *de minimis* aid cannot be met, regional investment aid under Art. 14 GBER is the other State aid regime under which the loan can be provided to final recipients. The eligibility conditions include that:

- the application is submitted to the lending bank before any work on the project has started;
- the eligible costs include tangible assets (including acquisition of land and immovable property), intangible assets (e.g. patents, licences, know-how and other intellectual property rights) and the acquisition of construction work and materials;
- the final recipient undertakes to maintain the investment for at least five years, or at least three years in the case of SMEs, after completion of the investment; and
- the regional investment aid shall be aggregated with other aid or *de minimis* aid granted to the undertaking concerned in respect of the same eligible costs, regardless of its form and origin, and shall not exceed the maximum aid intensity or amount as defined.

By May 2022, 92% of the guaranteed loans were granted under *de minimis* rules and 8% under GBER. This ratio is a bit more balanced regarding the value of the loans committed, with 82% and 18% granted under the two state aid regimes, respectively.

3.4 Monitoring and reporting

The funding agreement concluded between the managing authority and BGK defines the reporting requirements. Under the agreement, BGK provides the managing authority with monthly information documents as well as an annual report on the implementation of the financial instrument.

The monthly information documents provide up-to-date analyses with data including:

- the total number and value of the loans committed/disbursed;
- the total number and value of the guarantees granted;
- the number and value of the guarantees granted per lending bank;
- the territorial deployment per region;
- the type of loans covered with the guarantee; and
- the loans committed by sector and by size of the business of the final recipients.

The annual reports are supplemented by a yearly evaluation survey using both qualitative and quantitative data on the basis of the answers provided by a representative sample of final recipients and bank advisers.

The information included in the reports provided by BGK feeds into the annual implementation reports that the managing authority submits to the EC according to Art. 46(2) CPR. The report includes the description of the financial instrument and implementation arrangements, the financial performance of the financial instrument, the progress in achieving the expected leverage effect, etc. It also provides performance data for the contribution of the financial instrument to the achievement of the indicators of the priority concerned.

BGK has put in place a number of measures to facilitate the monitoring of the implementation of the programme by the partner financial institutions to ensure that the lending banks implement the facility in accordance with the portfolio guarantee agreement. For this purpose, BGK carries out scheduled and ad hoc controls at the level of the lending banks to assess the eligibility of the guarantee coverage of the loans within the selected sample of transactions.



04 Implementation of the Biznesmax guarantee

4.1 Eligibility

The Biznesmax guarantee is available to entrepreneurs:

- Residing in Poland;
- belonging to the SME sector in accordance with the EU definition of an SME in Annex I to the EU Regulation No. 651/2014;
- eligible for de minimis aid or regional investment aid;
- meeting the access criteria of one of the two Biznesmax paths:
 - 'Innovation path': the company implementing the project meets at least 1 of 17 criteria for an 'innovative entrepreneur', or
 - 'Green path': the company carrying out a green innovation project with an ecological effect.

The 'innovation path' is available to implement projects by 'innovative entrepreneurs', based on 17 general access criteria.

Biznesmax 'innovative entrepreneur' criteria:

1. It has applied for protection or holds exclusive rights in respect of an invention protected by a patent or a utility model covered by a protection right or an industrial design covered by the right to register or topography of the integrated circuit covered by the registration right.
2. As a tenant of a technology park or business incubator, it received support for innovative activities.
3. It has the status of a research and development centre.
4. It has a functioning research and development department within the company's organisational structure, where it employs at least one full-time person as part of the research staff.
5. It is an investor carrying out innovation activities in the technology park.
6. Is an entity belonging to a 'National Key Cluster' [Krajowy Klaster Kluczowy; a list of these clusters is available here: <https://www.gov.pl/web/rozwoj-technologie/krajowe-klastry-kluczowe>].
7. The loan intends to allocate funds to a project involving the placing on the market a new/improved product, service or process, including the implementation of its own or acquired research and development (R&D) results, and plans to achieve a 30% increase in revenue within 3 years of completion of the project.
8. Over the past 5 years, it has attracted a venture capital investor or a business angel to finance innovation activities.



9. It has incurred in the last 3 financial years expenditure on innovation activity equivalent to at least 10% of the total turnover for that period or, in the case of a start-up without financial history, in the current tax period.
10. Over the past 5 years, it has brought a new/improved good, process or service to the market and recorded a 30 % increase in revenues during that period.
11. In the last 3 years, it has benefited from an innovation service provided by an accredited business support institution or has been involved in the acceleration process.
12. In the past 5 years, it has received and made good use of support under one of the European, national or regional programmes to support entrepreneurship, including RDI.
13. In the last 5 years, when applying for funding under programmes supporting the development of entrepreneurship, including RDI, it has met the selection criteria for projects, as confirmed by the outcome of the substantive assessment.
14. Over the past 5 years, it has been awarded at least one of the national or international innovation awards.
15. Over the last 3 financial years, its revenues have increased on average by 15 % per year.
16. In the last 3 years, it has been the recipient or provider of technology within the Technology Transfer Platform [Platforma Transferu Technologii – <https://ptt.arp.pl/>].
17. Over the past 5 years, it has carried out a green investment with an ecological effect.

An entrepreneur applying for a loan under the 'innovation path' must provide evidence that it carries out innovative activities or it is a fast-growing enterprise.

The 'green path' provides support for green investment projects with an environmental effect ('green projects'). Loan applicants can receive financing for green innovation investment projects with an environmental impact, fitting one out of 10 set categories.

Green innovation investment projects with an environmental impact in one of the categories:

1. Circular economy.
2. Electromobility.
3. Renewable energy sources.
4. Energy storage.
5. Installations for the recovery of inter alia non-ferrous metals, chemicals, oils and fuels and cellulosic pulp from production processes.
6. Technologies for the production of alternative fuels.
7. Technologies to reduce electricity or heat consumption.
8. Energy renovation of residential and service buildings.
9. Investments in cogeneration.
10. Development of district heating networks



Interjarek Sp. z o.o.

Sector(s): food production, trade

Lending bank: ESBANK Bank Spółdzielczy
(part of the SGB-Bank S.A. Group)

Loan amount: ca. EUR 214 000

Biznesmax guarantee path: 'Green path'



Interjarek Sp. z o. o. is a family-owned SME in Gołuchów, Greater Poland Voivodeship, producing a wide range of spices, seasoning mixtures and hampers. The company distributes its products under its own brands and supplies other large producers in Poland and other EU Member States. The company achieved its market position thanks to the high-quality standards of its products and its RDI investments.

The company undertook an investment to install a photovoltaic system of 1 315 solar panels with a capacity to produce nearly 500 kWp. This capacity covers nearly all of the company's energy needs. The photovoltaics system was installed on land of the company which could not be used for construction of buildings. The financing for the investment was provided by ESBANK Bank Spółdzielczy which is a regional cooperative bank and part of the SGB-Bank S.A. Group in Poland. The loan amount of ca. EUR 214 000 is secured by the Biznesmax guarantee with 80% guarantee rate.



Thanks to this investment, Interjarek Sp. z o. o. was able to significantly lower its energy costs and ensure independence from energy suppliers. The technology ensures that even in the worst periods in terms of sunshine the investment will generate a financial surplus. At the same time, the production of its own energy makes the company less prone to energy price turbulences.



According to the CPR, the projects supported by the financial instrument should be assessed as financially viable, meaning they can generate sufficient revenues or cost savings to pay back the loan. The use of financial instruments is restricted to new investments. Therefore, only the elements of the business plan which are not physically completed or fully implemented at the date of the investment decision can be financed.

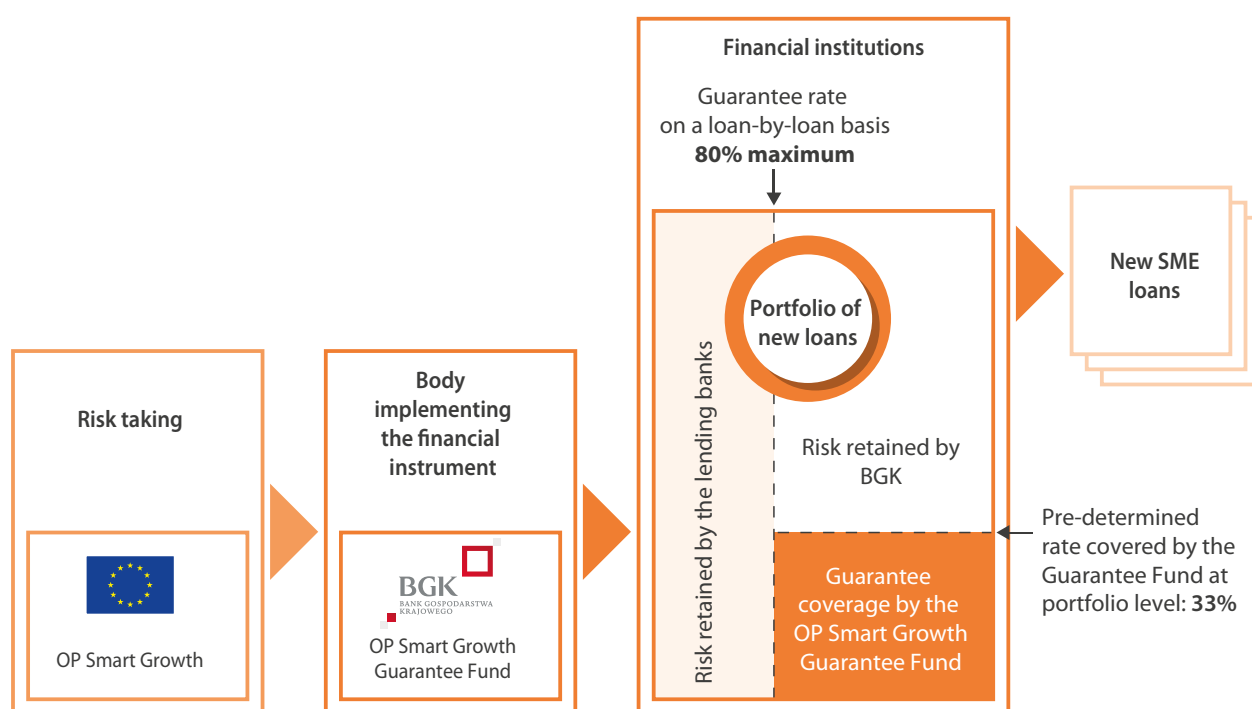
The costs covered by the loans can include tangible and intangible expenditures, accompanying costs as well as working capital (e.g. overhead costs, raw materials, semi-products, etc.) linked to the investment project.

In relation to the COVID-19 flexibility measures, the scope of support has been extended to financing current liquidity needs with the introduction of revolving working capital loans.

4.2 Terms of financing

The Biznesmax guarantee is provided to lending banks free of charge to enable them to build up a portfolio of loans in eligible enterprises. It provides coverage on a loan-by-loan basis against losses up to the guarantee rate of up to 80% (maximum portion of the value of each loan covered by the guarantee). According to the guarantee agreements between BGK and the individual lending banks, the average guarantee rate as at 31 January 2023 amounts to 62% across the loan portfolios. This structure ensures that the risk of the underlying loans is shared between BGK and the lending banks responsible for making the loans to final recipients. The risk coverage of the Guarantee Fund at portfolio level is 33%. The remaining risk, up to the guarantee rate, at portfolio level is retained by BGK. This loss protection mechanism provided by the Guarantee Fund to lending banks has the advantage that it provides partial capital relief to the lending banks building up new portfolios of loans which can improve their lending capacity as well.

Figure 5: The product mechanisms of the Biznesmax guarantee





The key terms of the Biznesmax guarantee are described in Table 3 below.

Table 3: Key characteristics of the Biznesmax guarantee

Loan amount	Regional investment aid: up to EUR 2.5 million <i>De minimis</i> aid: up to EUR 1.5 million
Guarantee rate	Up to 80%
Preferential interest rate	5% (until end of 2021)
Guarantee fee	Free of charge
Maturity of the guarantee	Regional investment aid: Up to 20 years <i>De minimis</i> aid: Up to 10 years
Interest rate subsidy	Up to 5% or 8%/4% ¹⁶ of the principal amount disbursed for up to 3 years.
Eligible final recipients	SMEs established and operating in Poland that meet the criteria of the 'innovation path' or 'green path'
Eligible operations	<ul style="list-style-type: none"> • 'Innovation path': projects implemented by 'innovative entrepreneurs'; • 'Green path': green innovation investment project with an ecological effect ('green project')
Eligible costs	Investment support: <ul style="list-style-type: none"> • Investment costs for tangible and intangible assets, incl. construction works and materials, purchase of real estate or land (up to 10% of the underlying loan¹⁷), financial leasing; • Accompanying costs (up to 20% of the investment costs); • Working capital as a supplement to an ongoing or completed investment (up to 50% of the investment costs)¹⁸ COVID-19 liquidity support: <ul style="list-style-type: none"> • Financing costs of current operation
Eligibility period	Until 31 December 2023

¹⁶ Depending on the time the loan covered by the guarantee was granted to the final recipient, the rate applicable for the subsidy is 5% if the loan agreement was signed before 31 December 2021, and 8% (first year) and 4% (subsequent years) if it was signed after that date.

¹⁷ In the case of developed land, it is possible to exceed 10% of the total eligible costs, in duly justified cases showing that the expenditure in question is directly related to the project and relates to the borrower's production activity.

¹⁸ Only for loans under *de minimis*.



4.3 Grant support in combination with the financial instrument

The Biznesmax guarantee has been designed in a way that it is complementary with other support instruments. It means that while it offers the possibility to be combined with other sources of financing, it shall not crowd-out potential financing from the private sector and shall not provide double financing for the same expenditure items already covered by grants.

Where the loans are provided in combination with investment grants from a separate operation, the loan component is used to finance separate costs of the investment for which financing had not been provided via the relevant grant scheme. These are typically costs that are not eligible under the grants, but that are necessary to carry out the entire investment. The project supported by the Biznesmax guarantee may be an extension or continuation of an ongoing project that received support from other sources for financing.

4.3.1 Interest rate subsidy

Final recipients are eligible to benefit from a subsidy of the interest paid on the loan provided they comply with the eligibility requirements, including:

- the project has been verified to have been implemented in accordance with the investment plan approved as part of the guarantee application (investment guarantee granted as regional investment aid);
- financing was in the line with the purpose of the loan specified in the loan agreement (investment guarantee granted as *de minimis* aid);
- the loan was used to finance current business activities (working capital facility guarantee granted as *de minimis* aid).

The period of this subsidy would cover maximum 3 years from the date of the loan disbursement and the grant can cover up to 5% of the disbursed credit principal for each year of the covered period (from 2022 the applicable rate has been decreased first to 3.33% then later it was changed to 8% and 4% for the first year and the subsequent years of lending, respectively). If the maturity of the loan is less than 3 years, the period covered by the subsidy is reduced accordingly. This way, SMEs could benefit from a subsidy of up to 15% of the disbursed loan amount (5% x 3 years) or up to 16% of the disbursed loan amount (8% + 4% + 4%) in case of loans committed after 31 December 2021.

To be eligible for the subsidy, the loan must be covered by the Biznesmax guarantee by 31 December 2023. When a loan application is approved, the lending bank must include in the award the definition of the terms for making the interest rate subsidy granted to the final recipient. It is a requirement that the terms of the loan are no less favourable than if no subsidy was awarded.

Combination of financial instruments and grants



The fi-compass factsheet 'Combination of financial instruments and grants under shared management funds in the 2021-2027 programming period' describes how enhanced flexibilities of the Common Provisions Regulation (CPR) can be used to combine financial instruments and grant support, such as interest rate subsidies, technical assistance, investment grant and capital rebates, in a single operation. Governed by financial instrument rules, combined financial instrument-grant operations are expected to play an important part in scaling up the use of financial instruments to support Cohesion policy in the 2021-2027 period. The factsheet describes the options available under the regulations and provides practical examples of how the flexibilities can be applied in practice.

For further reading, see: <https://www.fi-compass.eu/publication/factsheets/combination-financial-instruments-and-grants-under-shared-management-funds>.

4.3.2 Pulling together different forms of support – the 'one stop shop' approach

Carrying out green projects can be complex and challenging for SMEs. The companies might need to approach a number of different counterparts for support in the different stages of their project. Such a 'decentralised' approach might be burdensome, time-consuming and in effect discouraging for companies.

To facilitate the access to the full range of support available, BNP Paribas Bank Polska S.A., one of the lending banks of Biznesmax, established a 'one stop shop' for SMEs considering carrying out green investment projects. The 'one stop shop' pulls together the following different forms of support:

- Project development assistance provided in the framework of the ELENA¹⁹ facility;
- the Biznesmax guarantee for loans for green projects in SMEs, in combination with a potential interest rate subsidy; and
- Leasing for renewable energy sources.

ELENA was launched in connection with the Energy Efficiency Financial Facility for Commercial Buildings (EEFFCB²⁰), a comprehensive package of project development services to encourage companies to implement energy efficiency investments and installation of renewable energy systems. Under ELENA, the following project development activities can be funded for building-related measures:

- Energy audits;
- Technical support; and
- Preparation of technical documentation, covering up to 90% of the underlying costs.

The support from ELENA is provided separately from the potential subsequent support by Biznesmax. Support from ELENA is available also to mid-caps, whereas only SMEs are eligible for support through Biznesmax.

¹⁹ The ELENA (European Local ENergy Assistance) facility is implemented by the European Investment Bank (EIB) in the framework of an agreement with the European Commission (EC). More information available here: <https://www.eib.org/en/products/advisory-services/elena/index.htm> (17.04.2023).

²⁰ The EIB ELENA fiche: <https://www.eib.org/attachments/documents/project-factsheet-energy-efficiency-financing-eeffcb-en.pdf> (17.04.2023).



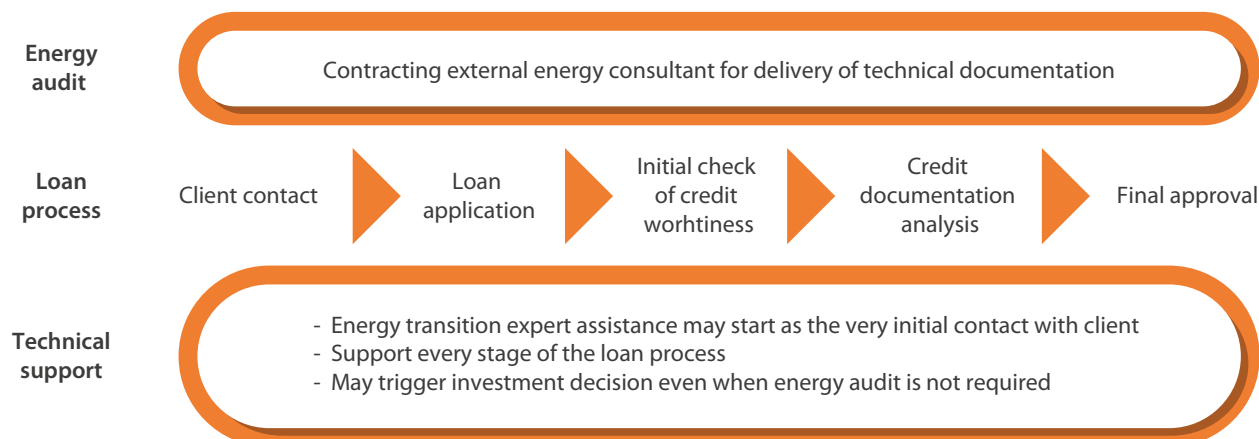
Using the 'one stop shop' means that the companies have one single main partner accompanying them throughout the complete process from investment idea, through project development, to obtaining financing and execution of the investment. Such a client-centric, integrated approach might help lending banks to develop a project pipeline of bankable green investments projects.

Figure 6: The 'one stop shop' application process



BNP Paribas Bank Polska S.A. launched their 'one stop shop' in February 2020. An important initial task was the establishing of the technical support team and embedding the 'one stop shop' into the structure of the bank. The team of seven energy transition experts was created. The experts are located in seven respective regions of Poland. Six of the experts were hired externally and one expert has been promoted internally. They work hand-in-hand with the companies in the different stages of the loan process.

Figure 7: Role of energy transition experts in the loan process



The marketing of the 'one stop shop' has been challenging due to coinciding external factors including the COVID-19 outbreak and the war in Ukraine, and their effect on Polish companies. Despite the attractive features of the 'one stop shop', the pipeline of supported projects was rather limited in the first year of the COVID-19 outbreak, as SMEs were less interested in energy transformation and long-term investments. Instead, demand focused mainly on working capital support. In 2021, despite the liquidity needs of the SMEs still being the main drivers for financing, due to the rising energy prices, the interest for the programme started to increase. Participation was also enhanced by the proactive promotional activities of the bank, including events, webinars and a series of business breakfasts.



As at mid-2022, BNP Paribas Bank Polska S.A. supported through its 'one stop shop' 124 companies and their green investment projects of a total amount of ca. EUR 14 million. The pipeline of projects that received technical support under the 'one stop shop' is growing and a part of these might benefit from financing already through the successor of Biznesmax under the new ERDF 'European Funds for Smart Economy' (Fundusze Europejskie dla Nowoczesnej Gospodarki, FENG) programme for the 2021-2027 programming period in Poland.

ARMAT

Sector(s): Manufacturing, trade, waste management

Lending bank: BNP Paribas Bank Polska S.A.

Total value of the investment: ca. EUR 556 000

Loan amount: not disclosed

Biznesmax guarantee path: 'Green path'



ARMAT is a family-run SME located in Wilczkowice Górne, Masovian Voivodeship, Poland. The company is a producer and wholesale supplier of synthetic construction materials, including a range of foils used in construction and agriculture. The company recycles specific types of plastic waste into granules which are then re-used for its own products.

ARMAT decided to undertake an investment to expand and renovate the company's existing office building and to install a photovoltaic system to partly cover the energy use of the company. The investment is expected to be completed in 2023.

The company finances part of the investment costs through a loan provided by BNP Paribas Bank Polska S.A. and is an example of a final recipient supported through the 'green path' of the ERDF co-financed Biznesmax guarantee. ARMAT benefitted from the 'one stop shop' support package of this lending bank involved in Biznesmax. As part of this integrated service, an energy transformation expert of BNP Paribas Bank Polska S.A. supported the company's project preparation and provided technical advisory support. This non-financial support was provided to the company free of charge under the ELENA initiative.

Thanks to the investment, ARMAT will be able to reduce its energy costs and as a result, increase its competitiveness on the market.



Photovoltaic system in construction in autumn 2022



4.4 The loan application/appraisal process

The final recipients apply for both the loan and the guarantee in parallel. The application for the guarantee is addressed to BGK, but the assessment is delegated to the lending bank. The coverage of the loan by the Biznesmax guarantee is subject to certain conditions verified by the lending bank, including the creditworthiness of the final recipient, as well as operation-specific eligibility requirements. The lending bank documents the results of their assessment of compliance with the conditions for covering the loan under the guarantee. The final recipient is also required to complete and submit an investment project plan annexed to the application for the guarantee. The investment project plan should include the location of the investment, the objective of the project, the rationale for the investment project, the justification for meeting the eligibility conditions and the planned results.

To ease the application process for the final recipients, the client relationship managers of the lending banks are typically available to support the companies with completing the documentation. The final recipients can also participate in meetings, workshops and conferences organised by BGK, often in cooperation with other institutions, and may learn from the instruction materials available on the dedicated website. Resources available include the manual for eligibility criteria, instructions for filing of the applications, product-specific qualification checklist, product-specific presentations and a support calculator.

After approval of the application for the guarantee and having agreed on the terms and conditions of the loan, the final recipient signs the loan agreement that contains the terms of both the loan and guarantee. In the event of any doubts with regards to the application documents, the lending bank can consult BGK before the lending decision is taken.

The applications for the payment of the interest rate subsidy are assessed on a continuous, 'first come, first served' basis and can be accepted until 31 December 2027 or until the programme resources committed to FI are exhausted if earlier than the end of the eligibility period. First, the lending banks carry out a formal assessment of the applications to be submitted according to the template specified by BGK, which is followed by the qualitative assessment of the compliance with the eligibility conditions (as defined in section 4.3.1 above) carried out by BGK.



05 Achievements

The Biznesmax guarantee financial instrument has proved to be capable in relation to both its initial objective of increasing investment by Polish companies in RDI and the subsequent additional targets in relation to investment in low carbon projects and support during the COVID-19 pandemic.

This success has in part been achieved by ensuring the product is straightforward and easy to implement by the lending banks. The involvement of 12 of Poland's leading banks in the implementation of the financial instrument has ensured that the Biznesmax backed low-cost loans have been made available nationwide, benefiting from the banks' existing networks and expertise to reach eligible final recipients.

Furthermore, the financial instrument has stimulated interest amongst the banks to commit more of their own resources to RDI and green projects, as demonstrated by the fact that the actual guarantee rate achieved is 62% compared with the possible maximum of 80%. This shows how ERDF financial instruments can foster greater engagement by private institutions in sectors such as RDI where historically there has been a lack of investment. This in turn stimulates demand and creates a virtuous circle which should lead to an increase in activity in RDI and green investment in the future.

The financial instrument also played an important role to support SMEs during the COVID-19 pandemic, providing an existing governance and implementation structure that was able to quickly adapt to provide support to the economy, taking advantage of the regulatory flexibilities provided by the CRII and CRII Plus. The enabling of liquidity support in 2020 also significantly increased the interest of SMEs in the product. The value of the guarantees committed in the period from April 2020 until March 2022 is 7.5 times larger than the value of the guarantees committed in the longer period from October 2017 to March 2020, before the COVID-19 outbreak.

Additionally, the experience during the implementation of the financial instrument, in particular in relation to the extension of the financial instrument's investment strategy to cover green projects and the response to COVID-19, has provided the managing authority and BGK with important intelligence which will help them design future generations of financial instruments using EU shared management funds.

The disbursement of the loans commenced in September 2017. By 31 January 2023, 2 009 final recipients have been supported with an overall value of EUR 1.38 billion. From inception until 2022, the majority of the guarantees (89%) were provided to final recipients within the 'innovation path', while 11% were provided within the 'green path'. Among the pathways of the pre-defined access criteria, the most used by far (37% of final recipients) has been the condition requiring an increase of revenues by at least 15% over the previous 3 years, which indicates an important uptake of the guarantees by fast-growing companies.

Overall, the facility is well-advanced in terms of the relevant key performance indicators. The results achieved and the corresponding target values are summarised in the table below.

Table 4: Key performance indicators

Indicator	Target value	Achieved results ²¹
Number of supported guarantee funds	1	1
Number of final recipients supported by guarantee funds	2 320	2 009
Number of enterprises receiving financial support other than grants due to the COVID-19 outbreak	1 624	1 077
Value of guarantees provided	EUR 1.2bn	EUR 852m
Total value of grants provided in the form of interest rate subsidies	EUR 132m	EUR 17m
Value of loans granted in result of guarantees provided	EUR 1.5bn	EUR 1.38bn

It should be noted that the total amount of grant disbursed as interest rate subsidy is still quite low at this stage. This is due to the fact that such sums are only disbursed once the project has been implemented. As such, the disbursement of interest rate subsidy is expected to significantly accelerate towards the end of the programme as projects are completed.

4M INVEST Medard Jakś

Sector(s): Trade, services

Lending banks: SGB-Bank S.A. and Bank Spółdzielczy w Nakle nad Notecią

Loan amount: ca. EUR 345 000

Biznesmax guarantee path: 'Green path'



4M INVEST Medard Jakś is an SME from Nakło and Notecią, Kuyavian-Pomeranian Voivodeship, Poland. The company operates a number of shops, including medical equipment suppliers.

The company undertook an investment to build a dental centre connected with a medical equipment shop. This low-energy building includes inter alia a photovoltaics system as well as a heat pump. The investment allowed the company to purchase of a hyperbaric chamber.

The investment was partly financed through a loan provided by SGB-Bank S.A., one of the lending banks of Biznesmax, and Bank Spółdzielczy w Nakle nad Notecią, a local cooperative bank. The principal loan amount was ca. EUR 345 000, 80% of which was covered by the Biznesmax guarantee. The company has benefitted also from the interest rate subsidy.

In addition to the energy cost savings and environmental benefits due to the eco-friendly technologies used, the expected results of the investment include an increased attractiveness of the services provided in the new facility, as clients can receive high-quality and complex services at a single location.

²¹ All achieved results correspond to the state of play as of 31 January 2023.

06 Lessons learned

6.1 Main success factors

The guarantee financial instrument has provided a flexible solution capable of adapting to meet emerging economic challenges

The Biznesmax guarantee fund has proved to be an effective instrument supporting the investment activities of innovative entrepreneurs with its simple and easily implementable rules for the lending banks, which made it possible to be applied on a large scale. At the same time, the instrument was designed with the right flexibility to allow for the necessary adjustments when needed, for example by offering the financial liquidity support in times of economic uncertainty.

Combination of the financial instrument with an interest rate subsidy has been straightforward and easy to implement by participating banks

A unique feature of the financial instrument is the combination of the guarantee with the interest rate subsidy under one single operation. The interest rate subsidy reduces the cost of financing for SMEs significantly. Hence, this type of support has encouraged a wider group of SMEs, traditionally reluctant to use debt (or other types of external financing) to explore the possibility of financing investment with bank loans.

Robust governance arrangements have underpinned the successful implementation of the financial instrument and underlying loans

The managing authority decided to use a well-tested governance structure that proved to be successful during the implementation of the pilot initiative in the 2007-2013 programming period. Within this structure, each stakeholder was assigned with the roles that matched their competences. As such, the managing authority focused on setting up the framework for the implementation, verifying its coherence with the programme and the relevant regulations. BGK, as the body implementing the financial instrument, was responsible to set out the investment strategy and placing the guarantee product on the market for the lending banks, who would disburse the guaranteed loans among the SMEs. The choice of BGK in that role was justified by its extensive experience in the implementation of guarantee instruments, with the use of various funding, including national and European funds and a well-established cooperation network with commercial banks active in Poland.

Early and open cooperation with the banking sector is important to secure private sector engagement with the financial instrument

The guarantee fund is implemented with the participation of the banking sector. Therefore, good cooperation and proactive knowledge-sharing between BGK and the lending banks was of paramount importance for the success of the instrument. It included interactions at various levels especially concerning ESIF-related regulatory requirements, verification of documents, etc.



6.2 Main challenges

A challenge was to prepare a financial product offering favourable conditions and the right incentives for entrepreneurs to apply for the loans. SMEs in Poland generally prefer safer development strategies, especially in the case of innovative projects that generate additional risk for the entrepreneur, which would limit the share of external financing and would rather favour the use of own funds. Therefore, the guarantee product had to be designed with the eligibility conditions and product features that would encourage innovative SMEs to invest in their development with the help of external debt finance.

The instrument also needed to be designed in a way to avoid major overlaps in financing available for the same type of projects (e.g. energy renovation of buildings) through potentially competing support forms provided by different bodies or on different levels (national, regional).

Another challenge for the participating stakeholders was to make sure that the Biznesmax guarantee was used to support the innovation investment projects as initially intended, despite external factors, especially the COVID-19 pandemic and the war in Ukraine, that adversely impacted SMEs' interest in such long-term investments. In these difficult times, companies would much rather receive support for their liquidity needs than to start new projects. Nevertheless, the lending banks involved made an effort to promote the use of the guarantee to support as much as possible investment projects. They supported the final recipients at times throughout the project development process, assisting them with the complex and time-consuming regulatory procedures associated with the implementation of their green projects (e.g. photovoltaic system installation). The lending banks' significant efforts to create project pipelines of suitable projects will not be lost. The investments, if not financed through Biznesmax with resources from the 2014-2020 programming period, might be supported in the future from the successor of Biznesmax under the 2021-2027 'European Funds for Smart Economy' ERDF programme in Poland.

6.3 Outlook

In the 2021-2027 programming period, within the 'European Funds for Smart Economy' ERDF programme, the managing authority plans to continue supporting innovative projects with the use of financial instruments, both guarantees and equity investments. In the case of guarantees, it is planned to develop this form of financing by supplementing it with additional forms of support, such as capital rebate as well as technical assistance. In order to further improve the incentives for entrepreneurs to implement innovative projects. The managing authority intends to separate two guarantee instruments for Policy Objective 1 'A more competitive and smarter Europe' (PO1) and Policy Objective 2 'A greener, low carbon transitioning towards a net zero carbon economy' (PO2), with different objectives and eligibility rules. The interest rate subsidy component is expected to be kept, but only for working capital financing. For investment projects, capital grants will be combined with the financial instruments in a single operation.

With the introduction of the additional guarantee line for green projects under the Biznesmax facility, the goal of the managing authority on one hand was to raise interest of entrepreneurs in the implementation of green investments and to increase the appetite of commercial banks in financing these types of projects. On the other hand, it is also considered as a pilot before the start of the new 2021-2027 ERDF programme, where the managing authority intends to launch a separate guarantee instrument, which will be dedicated entirely to supporting green projects contributing to the policy objectives of more environment-friendly, low-emission and resilient economy.

In that respect, to further encourage entrepreneurs to implement green projects, the managing authority is planning to combine the guarantee instrument with a subsidy that will repay part of the bank loan. Such support will contribute to a significant reduction of investment financing costs and therefore will increase the number of entrepreneurs who decide to implement ecological solutions in their company. The combination is intended to be implemented in a single operation, with the body implementing the financial instrument also in charge of implementing the grant element.



www.fi-compass.eu
contact@fi-compass.eu
© EIB (2023)

European Commission
Directorate-General
Regional and Urban Policy
Unit B.3 "Financial Instruments
and IFIs' Relations"
B-1049 Brussels

European Investment Bank
Advisory Services
fi-compass
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg

