Financial Instruments in Poland
State of Play

Marta Leśniak – Regional Operational Programmes Department, Ministry of Economic Development

#ficompas
Financial instruments in OPs - experience

2004 – 2006
➢ limited support for loan and guarantee funds (Sectoral Operational Programme „Improvement of Competitiveness of Enterprises”)

2007 – 2013 – expansion in use of FIs
➢ support for loan and guarantee funds in Regional Operational Programmes, Innovative Economy OP, Human Capital OP, Development of Eastern Poland OP
➢ venture capital in Innovative Economy OP
Total EU allocation for Poland in EU budget 2007-2013: **67,3bn EUR**

**FIs allocation:** 1,1bn EUR (1,6% of total allocation)

**FIs implemented in:**
- ROPs: **829mln EUR** (JEREMIE and JESSICA)
- Innovative Economy OP: **233m EUR** (venture capital, loans and guarantees for innovative projects)
- Human Capital OP: **38m EUR** (preferential loans for social economy entities and individuals for starting up an enterprise)
- Development of Eastern Poland OP: **39m EUR** (loans and guarantees for SMEs)

Then -> REUSE
### Value of support provided by FIs 2007-2013 (as of 31.12.2015)

<table>
<thead>
<tr>
<th>OP</th>
<th>Name of FI</th>
<th>Body implementing FI</th>
<th>Contribution from OP (m PLN)</th>
<th>Contribution from EU (m PLN)</th>
<th>Number of investments supported</th>
<th>Value of support from FIs (m PLN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROPs</td>
<td>JEREMIE Initiative – support for SMEs (loans and guarantees)</td>
<td>BGK (national bank) – as a holding fund manager in 6 ROPs regional loan or guarantee funds, regional development agencies, regional banks and other legal bodies</td>
<td>3 087</td>
<td>2 694</td>
<td>loans: 30 278 (26 758 for micro) guarantees: 14 717 (10 866 for micro)</td>
<td>loans: 3 395 (2 519 for micro)</td>
</tr>
<tr>
<td>ROPs</td>
<td>JESSICA Initiative – support for city projects (loans)</td>
<td>EIB - – as a holding fund manager in 5 ROPs</td>
<td>1 147</td>
<td>944</td>
<td>164</td>
<td>1 175</td>
</tr>
<tr>
<td>Innovative Economy OP</td>
<td>Equity Fund</td>
<td>National Capital Fund</td>
<td>316</td>
<td>269</td>
<td>133</td>
<td>224</td>
</tr>
<tr>
<td>Innovative Economy OP</td>
<td>Loan Fund for Innovation</td>
<td>Polish Agency for Enterprise Development</td>
<td>200</td>
<td>170</td>
<td>52</td>
<td>83</td>
</tr>
<tr>
<td>Innovative Economy OP</td>
<td>Guarantee Fund for Innovation</td>
<td>BGK (national bank)</td>
<td>250</td>
<td>213</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Human Capital OP</td>
<td>Loan Fund for social economy enterprises</td>
<td>BGK (national bank) – as a holding fund manager</td>
<td>33</td>
<td>28</td>
<td>381</td>
<td>30</td>
</tr>
<tr>
<td>Human Capital OP</td>
<td>Loan Fund for business start-ups</td>
<td>regional development agencies, regional banks and other legal bodies</td>
<td>158</td>
<td>143</td>
<td>3 111</td>
<td>124</td>
</tr>
<tr>
<td>Development of Eastern Poland OP</td>
<td>Loan and Guarantee Fund for SMEs</td>
<td>BGK (national bank) – as a holding fund manager</td>
<td>199</td>
<td>169</td>
<td>loans: 2 685 guarantees: 226</td>
<td>loans: 228</td>
</tr>
</tbody>
</table>

#ficompass
Funding agreements for FIs in ROPs 2007-2013 (m PLN) – as on 31.12.2015

Value of funding agreements with bodies implementing FIs / final recipients

4 411,7 / 6 792,5
Funding agreements for JEREMIE in ROPs 2007-2013 (m PLN) – as on 31.12.2015

Value of funding agreements with bodies implementing FIs /final recipients

3 264.5 / 5 606.1

#ficompas
Lessons learnt

Advantages:
- Revolving funds remain in the programme area
- Leverage resources increase the impact of OP
- Financing provided before investment takes place
- Better quality of projects (investments must be economically viable)

Main bottlenecks:
- Insufficient EU law regulation on FIs
- EC audits on FIs: in many cases there were no specific rules for FIs, therefore the auditors applied to FIs rules applicable to grants
- Combination of different forms of support, lack of rules
- Supporting documents for expenditure at the level of final recipient (the same as for grants?)
Lessons learnt

- Implementation options
  - HF option more suited for large scale intervention
- Micro enterprises are the main recipient of FIs support
- Implementation of FIs is more complex than grants and require more business-like qualifications (rather than only administrative ones)
- Room for improvement
  - Need for better legislation concerning FIs but not over-regulation
  - Need for technical support /dissemination of knowledge and good practice
Further expansion in use of FIs, based on *ex ante assessments*

Total EU allocation for Poland in EU budget 2014-2020: **76,6bn EUR**

- FIs estimated allocation: **3,4bn EUR ESIF** (4,4% of total allocation)
  - ROPs: **1,7bn EUR** (loans, guarantees, equity)
  - Smart Growth OP: **1,1bn EUR** (loans, guarantees, equity)
  - Infrastructure and Environment OP: **556m EUR** (loans)
  - Knowledge Education Development OP: **36m EUR** (loans, guarantees)
- Ex-ante assessments for most of OPs 2014-2020 have been already finished
- Financial gap – mostly micro-enterprises
- Justification for the implementation of FIs in SMEs support and urban projects (as in 2007-2013) but also in new areas such as: energy effectiveness, renewable resources of energy, employment or labour mobility. More focus on FIs in R&D
- Recommendation on combination of FIs with grants – but under strict EU rules may be difficult
- No final decision on FIs by MAs so far mostly because of problematic issues on selection of bodies implementing FIs
### Envisaged FIs allocation within OPs 2014-2020 (based on ex-ante assessment)

<table>
<thead>
<tr>
<th>Funding source (OP and ESIF)</th>
<th>Envisaged ESIF allocation (m EUR)</th>
<th>ESIF + national public or private co-financing (m EUR)</th>
<th>Thematic objective (TO)</th>
<th>With a FoF or without a FoF</th>
<th>Envisaged financial products</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 Regional Operational Programmes (ERDF and ESF)</td>
<td>1 727</td>
<td>1 985</td>
<td>TO 1, 3, 4, 8, 9, 10</td>
<td>some with FoF some without FoF</td>
<td>loans, guarantee and perhaps equity</td>
</tr>
<tr>
<td>Infrastructure and Environment OP (ERDF and CF)</td>
<td>556</td>
<td>654</td>
<td>TO 4</td>
<td>FoF</td>
<td>loans</td>
</tr>
<tr>
<td>Smart Growth (ERDF)</td>
<td>1 095</td>
<td>1 260</td>
<td>TO 1 and 3</td>
<td>FoF</td>
<td>loans, guarantees and equity</td>
</tr>
<tr>
<td>Knowledge Education Development (ESF)</td>
<td>36</td>
<td>42</td>
<td>TO 9</td>
<td>FoF</td>
<td>loans and guarantees</td>
</tr>
</tbody>
</table>
Envisaged FIs allocation to TOs (based on ex-ante assessment)

<table>
<thead>
<tr>
<th>TO</th>
<th>ESIF allocation to TO (m EUR)</th>
<th>ESIF allocation to FIs (m EUR)</th>
<th>Share amount of FIs in ESIF allocation (in %)</th>
<th>Programme contribution to FIs (ESIF and national co-financing) (m EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TO 1 – R&amp;D innovation</td>
<td>8 149,83</td>
<td>604,26</td>
<td>7%</td>
<td>693,06</td>
</tr>
<tr>
<td>TO 2 - ICT</td>
<td>3 095,60</td>
<td>0,00</td>
<td>0%</td>
<td>0,00</td>
</tr>
<tr>
<td>TO 3 – SMEs</td>
<td>6 603,07</td>
<td>1 613,51</td>
<td>24%</td>
<td>1 851,98</td>
</tr>
<tr>
<td>TO 4 – low carbon economy</td>
<td>9 551,98</td>
<td>910,99</td>
<td>10%</td>
<td>1 057,59</td>
</tr>
<tr>
<td>TO 5 – climate change adaptation</td>
<td>1 055,33</td>
<td>0,00</td>
<td>0%</td>
<td>0,00</td>
</tr>
<tr>
<td>TO 6 – environmental protection</td>
<td>5 379,17</td>
<td>0,00</td>
<td>0%</td>
<td>0,00</td>
</tr>
<tr>
<td>TO 7 – transport and infrastructure</td>
<td>23 566,21</td>
<td>0,00</td>
<td>0%</td>
<td>0,00</td>
</tr>
<tr>
<td>TO 8 – employment and labour mobility</td>
<td>5 275,61</td>
<td>79,47</td>
<td>2%</td>
<td>92,92</td>
</tr>
<tr>
<td>TO 9 – social inclusion, combating poverty</td>
<td>5 365,52</td>
<td>164,63</td>
<td>3%</td>
<td>197,24</td>
</tr>
<tr>
<td>TO 10 – education and training</td>
<td>4 581,50</td>
<td>40,84</td>
<td>1%</td>
<td>48,04</td>
</tr>
<tr>
<td>TOTAL</td>
<td>72 623,81</td>
<td>3 413,71</td>
<td>5%</td>
<td>3 940,83</td>
</tr>
</tbody>
</table>
Challenges

- selection of bodies implementing FIs (public procurement rules?)
- documentation for support provided through FIs (invoices or documents of equivalent probative value?)
- combination of FIs with other form of support (too rigid rules)
What is needed?

- comprehensive flexible regulatory framework
- dissemination of good practice and sharing knowledge and good practice
- promotion of financial instruments
Thank you

ERDF

ESIF

EaSI

EMFF

CF