Macro-regional conference on EAFRD financial instruments for agriculture and rural development in 2014-2020

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Financial Engineering Support for Social Economy Development
Bank Gospodarstwa Krajowego, Poland

24 October 2016, Warsaw
BGK’s pilot project

The Financial Engineering support for the social economy development.

Realized under the Measure 1.4 Human Capital Operational Programme 2007-2013

Financial means: The European Social Fund

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BGK’s pilot project

✓ aims:
  • Social Economy Entities’ (SEEs) development and business activities extension
  • testing the effectiveness of FI instead of grant system
✓ budget: ca. EUR 8.25 m. Second turn of means: ca. EUR 3.26 m.
✓ beneficiaries (SEEs), eg.:
  • foundations and associations
  • social co-operatives, cooperatives of disabled and blind people, labour co-operatives
  • organizational units of churches and religious associations
  • sport clubs
  • public companies and Ltd. companies – running non for profit

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Financial Instruments (preferential loans):

- max. maturity of 60 months
- max. grace period of a capital repayment 6 months
- max. amount of the loan: ca. EUR 24,000
- annual interest rate – 0.5 of the discount rate with possibility to lower to 0.25 of the discount rate (currently 0.88% with a possibility to lower to 0.44%)
- de minimis aid
- standard loan security: a borrower’s blank promissory note (additional security depending on the risk assessment)
- no fees and commissions
- loan covers up to 100% costs of an undertaking
BGK’s pilot project

Objectives of the Project:

- provision of at least 250 loans to SEEs running business throughout the country
- consulting services to minimum 200 borrowers
- creation of 50 new jobs

Results incl. second turn of means (end of Sept. 2016):

- 467 granted loans (374 SEEs)
- 241 borrowers supported with consulting services (4 000 hours of a free advise)
- 507 new jobs (269 for women)
BGK’s project: *The Implementation of loan and re-guarantee Financial Instruments within the National Fund for Social Entrepreneurship* under the 2.9 Measure of the Operational Programme Knowledge Education Development 2014-2020
BGK will act as the manager of the National Fund for Social Entrepreneurship

Aim: the increase of number of SEEs using returnable financial instruments, including loan and guarantees

Indicators:

- support at least 2030 SEEs
- create at least 1250 jobs

Budget of the project:

- over EUR 32 m. for loans
- ca. EUR 1 m. for re-guarantees

The capital for support will increase as a result of revolving nature of the support
Beneficiaries of the support:

The group of entities entitled to the support is similar to the pilot project, but has been expanded to:

- start-ups,
- medium enterprises
- re-integration entities carrying out social and work reintegration services for people at risk of social exclusion
- entities not conducting economic activities

The financial Instrument has been expanded to:

- working capital
- more flexible parameters of the loan

Financial Intermediaries:

24 October 2016 – opening offers under the public procurement (tender) in order to choose financial institutions, that will act as Financial Intermediaries in five macro-regions
Additional conditions:

- SEEs must belong to SMEs’ sector
- Legal personality apart from reintegration entities
- SEEs’ governing body can’t be a local government unit
- Indication of realistic source of repayment of loans
- Ensure the financial feasibility of supported investments or undertakings
- Generate social impact
Loan for start

- SEE running no longer than 12 months
- value of a loan – ca. EUR 24 thou. and max. ca. EUR 48 thou. per one entity
- max. maturity of 60 months
- max. grace period of a capital repayment 6 months
- annual interest rate – at the rediscount rate of the National Bank of Poland (currently 1,75%) with possibility to lower to 0.5 of the discount rate (currently 0.88%), when the purpose / one of the objectives pursued the project is to create a new / new jobs
- no fees or commissions
- loan security: depend on BGK or Financial Intermediary, but preferred a borrower’s blank promissory note
Loan for development

- SEE running longer than 12 months
- Value of a loan – max. ca. EUR 120 thou. and max. ca. EUR 240 thou. per one entity
- Max. maturity of 84 months
- Max. grace period of a capital repayment 6 months
- Annual interest rate
  - For loans up to EUR 24 thou. - at the rediscount rate of the National Bank of Poland with possibility to lower to 0.5 of the discount rate, if one of the objectives is to create a new job
  - For loans over EUR 24 thou. - at the market level, not higher than a Financial Intermediary has declared in the tender offer, with possibility to lower, if one of the objectives is to create new jobs
- No fees or commissions
- Loan security: depend on BGK or Financial Intermediary, but in case of loans over EUR 24 thou. preferred a borrower’s blank promissory note
# Allocation among macro-regions

**Designated number of loans/borrowers in macro-regions**

<table>
<thead>
<tr>
<th>Macro-region</th>
<th>Allocation (ca. EUR m.)</th>
<th>Number of loans/borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro-region I (kujawsko-pomorskie, łódzkie, mazowieckie)</td>
<td>8,78</td>
<td>550</td>
</tr>
<tr>
<td>Macro-region II (lubelskie, podkarpackie, podlaskie)</td>
<td>4,95</td>
<td>311</td>
</tr>
<tr>
<td>Macro-region III (dolnośląskie, lubuskie, wielkopolskie, opolskie)</td>
<td>7,51</td>
<td>471</td>
</tr>
<tr>
<td>Macro-region IV (zachodniopomorskie, pomorskie, warmińsko-mazurskie)</td>
<td>4,57</td>
<td>286</td>
</tr>
<tr>
<td>Macro-region V (śląskie, świętokrzyskie, małopolskie)</td>
<td>6,58</td>
<td>412</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,39</strong></td>
<td><strong>2030</strong></td>
</tr>
</tbody>
</table>

All location among macro-regions
Exemplars

The „EMAUS” Association (by Lublin)

Land of Camomile from Hołowna in the lubelskie region

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Exemplars

The Social Co-operative „OPOKA”– Outstanding Social Entrepreneur of the Year 2014

Dom Nasutów Nasutowskie Przedsiębiorstwo Społeczne Sp. z o.o. (private limited company)

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Exemplars

Zamek Wojnowice Sp. z o.o.
(private limited company)

The Social Co-operative
„Ogród Dokumentów”
from Jarosław

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Thank you

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