

### III.1.2 MEASURE 1.2 Improvement of accessibility to external financing of enterprises' investments under SOP ICE

<b>The Operational Programme</b>	SOP-ICE
<b>Priority</b>	Development of enterprise and improvement of innovativeness through strengthening of business support institutions
<b>Measure</b>	Improvement of accessibility to external financing of enterprises' investments
<b>Submeasure</b>	1.2.1 Contribution of capital to micro-loan funds, 1.2.2 Contribution of capital to guarantee funds, 1.2.3 Supporting the emergence of seed capital funds.
<b>Areas of intervention</b>	165
<b>Measure number</b>	1.2
<b>Duration of Measure</b>	May 2004 –June 2008
<b>The Managing Authority</b>	The Minister responsible for regional development
<b>Intermediate Body</b>	The Minister responsible for economy
<b>Implementing Institution</b>	PAED
<b>Beneficiaries</b>	1.2.1 - Regional and local loan funds 1.2.2 - Regional and local credit warranty funds 1.2.3 - Seed capital funds
<b>The Paying Authority</b>	The Minister responsible for public finance
<b>Type of aid</b>	Financial subsidies
<b>Maximum aid (as % of the eligible expenditure)</b>	Fund subsidies: 1.2.1 – 70% 1.2.2 – 80% 1.2.3 – 50% Support for all kinds of funds can not be lower than PLN 3 million and can not exceed PLN 50 million Support for entrepreneurs: 1.2.1, 1.2.2 – <i>de minimis</i> principle. 1.2.3 – according to the State aid scheme.
<b>Total public support</b>	EUR 217.84 million
<b>The ERDF financial support</b>	EUR 174.00 million
<b>National public support</b>	EUR 43.84 million
<b>Private financial support</b>	EUR 43.29 million
<b>Total public contribution (%)</b>	83,42%
<b>The ERDF share in total public contribution (%)</b>	79,88%
<b>The national share in total public contribution (%)</b>	20,12%
<b>The ERDF share in total budget (%)</b>	66,63%

<b>The national share in total budget (%)</b>	16,79%
<b>The private share in total budget (%)</b>	16,58%
<b>Steering Committee members</b>	The Steering Committee comprises of: - representatives of the Managing Authority, - representatives of the Intermediate Body, - representatives of the ERDF monitoring and control unit, - representatives of ministries relevant for the scope of Measures implemented under the SOP-ICE, - representatives of national organisations of regional self-governments - representatives of social and economic partners.
<b>Members of Working Group for projects assessment</b>	- representatives of the Managing Authority (optionally), - representatives of the Intermediate Body involved in Measure 1.2, - representatives of Final Beneficiary (Implementing Authority) involved in Measure 1.2, -experts.

### **Area of intervention: 165**

#### **Objective of the Measure 1.2**

The objective of the Measure is to facilitate entrepreneurs' access to external sources of investment financing.

#### **Rationale**

Implementation of the Measure results from a necessity to provide enterprises with a possibility of using external, not banking, investment financing sources. Considering high costs and tough conditions of obtaining credits, as well as insufficient banking offer for small and medium-sized enterprises, especially micro-enterprises, the financial support for development of credit guarantee funds and micro-loan funds system as well as of the seed capital funds is of a major importance.

Micro-loan funds and guarantee funds functioning in Poland are non banking institutions which may be treated as alternative forms of support for small firms in respect of access to external sources of financing.

Guarantee funds and micro-loan funds act in different forms of legal entities: limited liability companies, foundations and associations. They are independent of each other. As to the assets structure at the disposal of the funds, these are private means.

The seed capital funds will be established by interested financial institutions and management companies out of the public finance sector. The shareholders of such fund will be investors, among others: banks, para-banking institutions, entrepreneurs, regional institutions, self-governments, etc. It is expected that in the first phase main investors will be regional and local self-governments together with supporting them organisations, foundations and education institutions. The legal form of funds will

enable participation in the management of companies in which the funds would have shares.

### **Description of the Measure**

The objective of the Measure will be achieved by means of the following Submeasures:

#### **1.2.1 Contribution of capital to micro-loan funds**

The subjects of this Submeasure will be micro-loan funds. Completion of this Submeasure will result in increasing the capital of loan funds. Finally, financial resources supporting the loan funds will be available for small and medium-sized enterprises operating in Poland, which will benefit from loans provided by supported loan funds.

#### **1.2.2 Contribution of capital to guarantee funds**

The subjects of this Submeasure will be guarantee funds. Completion of this Submeasure will result in increasing the capital of guarantee funds. Finally, financial resources supporting the guarantee funds will be available for small and medium-sized enterprises operating in Poland, which will benefit from guarantees provided by the supported guarantee funds.

#### **1.2.3. Supporting the emergence of seed capital funds<sup>1</sup>**

The subjects of this Submeasure will be newly emerged seed capital funds. Completion of this Submeasure will result in establishment of at least five seed capital funds in Poland. Finally, financial resources supporting the seed capital funds will be available for small and medium-sized enterprises start-ups operating in Poland, which will benefit from the seed capital or other form of early stage financing provided by the seed capital funds.

The implementation of this Measure will be in line with Guide to Risk Capital Financing in Regional Policy.

#### **Tools of intervention**

Public financial support under the Measure 1.2 is provided in the form of subsidies given as a reimbursement of a part of eligible expenditure incurred under realization of a project of granting micro-loan, guarantee or making a capital investment.

Projects within the framework of the Measure 1.2 are implemented all over Poland.

Implementation of projects under the Measure 1.2 will contribute to achievement of one of the detailed Priority 1 objectives, which was defined as facilitation of investment financing. In case of 1.2.3 equity investments, a financial support is addressed exclusively to funds managing companies. The Measure 1.2 will also allow for the achievement of the Priority 1 objective, defined as facilitation of enterprise functioning in the Single European Market, due to support provided by business environment institutions.

The Measure 1.2 relates directly to investment projects, which are to be completed under Priority 2 of this Programme. Facilitation of accessibility to external financing for enterprises will improve the process of investment projects completion under the

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<sup>1</sup> It is not expected to build up seed capital funds by public administration, but to give incentives in the form of the capital in case a seed capital fund is created by managing companies.

Measure 2.2 (support for product and technological competitiveness of enterprises), the Measure 2.3 (improvement of competitiveness of SMEs through investments) and the Measure 2.4 (support for investment adapting enterprises to environmental protection standards) through the possibility of benefiting from external financial sources provided by enterprises implementing investment projects. Support for the seed capital funds supporting establishment of start-ups, especially based on advanced technologies with substantial market potential, will be co-ordinated with advice for this type of start-ups under the Measure 2.1.

#### Relations to other operational programmes

Micro-loans, credit guarantees and seed capital provided by financial institutions will also be available for entrepreneurs who carry out investment projects under the Integrated Regional Development Operational Programme.

#### The expected results and outcomes

Implementation of this Measure shall contribute to:

- an increase in the number of micro-loan and credit guarantee funds operating in Poland,
- a more even distribution of micro-loan and credit guarantee funds in Poland,
- improvement of operational capacities of micro-loan and credit guarantee funds,
- establishment of the seed capital funds,
- improvement of entrepreneurs' access to external financing sources,
- facilitation of undertaking business activity,
- emergence of innovative firms, including advanced technologies based firms with substantial market potential,
- an increase in the enterprise investments level, as well as of production development and modernisation through increasing the number of investment projects implemented by enterprises,
- creation of new jobs, including jobs in value added sectors of the economy.

#### **Implementation of the EU horizontal policies**

Projects implemented under the Measure shall as far as possible take into account horizontal policies of the European Union, especially those related to environment, equal opportunities and the information society. It would be achieved by inclusion of issues relating to implementation of horizontal policies into the project selection criteria.

Submitted projects will be assessed with regard to their potential in promoting environmental issues. Capability of Beneficiary funds to estimate environmental impact of investment projects supported by them will be also taken into account during the assessment of the project.

Project appraisal will also include issues related to promoting information society. Institutions applying for assistance will be scored with regard to ICT use. Account will be taken of their experience in supporting businesses that make use of new technologies, particularly of telecommunication and IT. Financial assistance to businesses in the form of micro-loans, guarantees or seed capital will positively contribute to promoting the information society in Poland.

In the scope of the European Union equal opportunities policy, preferred will be projects supporting less favoured entities in starting and running business activity, for instance women, natural persons and legal entities seated in areas of limited access to external sources of capital, people threatened by social exclusion.

### **Beneficiaries (Implementing Institutions), Final Beneficiaries**

Beneficiary (Implementing Institution) for the Measure 1.2 is PAED.

Final Beneficiaries of the Measure include:

- Regional and local micro-loan funds
- Regional and local credit guarantee funds,
- Seed capital funds.

### **Monitoring indicators**

Monitoring indicators of output, result and impact are included in the Annex 3 - Summary of the SOP-ICE Measures monitoring indicators.

The output indicators will be measured during the monitoring process after completion of individual projects.

Results (except for leverage effect indicator) will be measured by financial institutions that will benefit from the support within the framework of the present Measure during a period of 2 years from the completion of projects.

The impacts will be presented on the basis of a research carried out by PAED and financing institutions from among the enterprises benefiting from financial instruments provided under the Measure 1.2.

### **Financial plan and levels of support for the Measure 1.2**

The Measure may be financed up to 70% of total eligible project expenditure in case of micro-loans funds, up to 80% of total eligible project expenditure in case of guarantee funds and up to 50% of total eligible project expenditure in case of seed capital funds. Support for all kinds of funds can not be lower than PLN 3 million and can not exceed PLN 50 million.

In case of support provided to entrepreneurs by funds, in case of Submeasures 1.2.1 and 1.2.2, in general it is not planned to provide State aid, however, if it occurs in specific projects, it will be provided on the de minimis principle.

In case of the Submeasure 1.2.3 State aid will be provided according to support programmes approved by the European Commission.

The amount of EUR 261.13 million is envisaged for the implementation of the Measure 1.2. It includes EUR 174.00 million from ERDF, EUR 43.84 million from the national budget and EUR 43.29 million from private resources.

In case of the Submeasure 1.2.1 maximum co-financing will account for 70% of total eligible project expenditure.

In case of the Submeasure 1.2.2 maximum co-financing will account for 80% of total eligible project expenditure.

In case of the Submeasure 1.2.3 maximum co-financing will account for 50% of total eligible project expenditure.

The Managing Authority granting financial support is responsible for maintenance of national funds and ERDF resources in proportion.

**Financial table for the Measure 1.2 (EUR million)**

Measure	Total cost	Total public support	ERDF support	Total national public support	Private resources
	1 (2+5)	2 (3+4)	3	4	5
<b>Measure 1.2. Improvement of accessibility to external financing of enterprises' investments</b>	261.13	217.84	174.00	43.84	43.29

The scheme of document flow and control procedure for Measure 1 . 2 is specified in Annex 10a - The scheme of document flow and control procedure under the SOP-ICE for Measures 1.1, 1.2, 1.3, 1.4, 1.5, 2.2 and 2.4.