



# **BGK's role in the implementation of EU financial instruments in Poland – experiences and challenges ahead**

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# Bank Gospodarstwa Krajowego



**Established  
in 1924**

- HQ in Warsaw
- 16 branches
- Ca. 1400 employees

**The only  
state owned  
development  
bank in  
Poland**

- Supervised by the Ministry of Economic Development
- Subject to oversight by the National Financial Supervision Authority (KNF)
- Strong State support

**BGK's activity  
on the  
following  
acts:**

- Act on Bank Gospodarstwa Krajowego (14 March 2003 as amended)
- Decree establishing the bylaw of BGK (11 May 2010)
- Banking Law (29 August 1997)

# BGK's experiences in MFF 2007-2013

- In 2007-2013 programming period BGK played various roles in the implementation of financial instruments financed by the **ERDF and ESF** with total value of approx. **EUR 1 bn**

## **JEREMIE scheme implemented in 6 regions**

- BGK as Manager of Holding Funds (MHF)

## **Financial engineering scheme under Eastern Poland Development OP**

- BGK as Manager of Holding Fund (MHF)

## **Technology Credit Fund under OP Innovative Economy**

- Implementing Agency

## **Pilot project for financing social economy entities under Human Capital OP**

- BGK as Manager of Holding Fund (MHF)

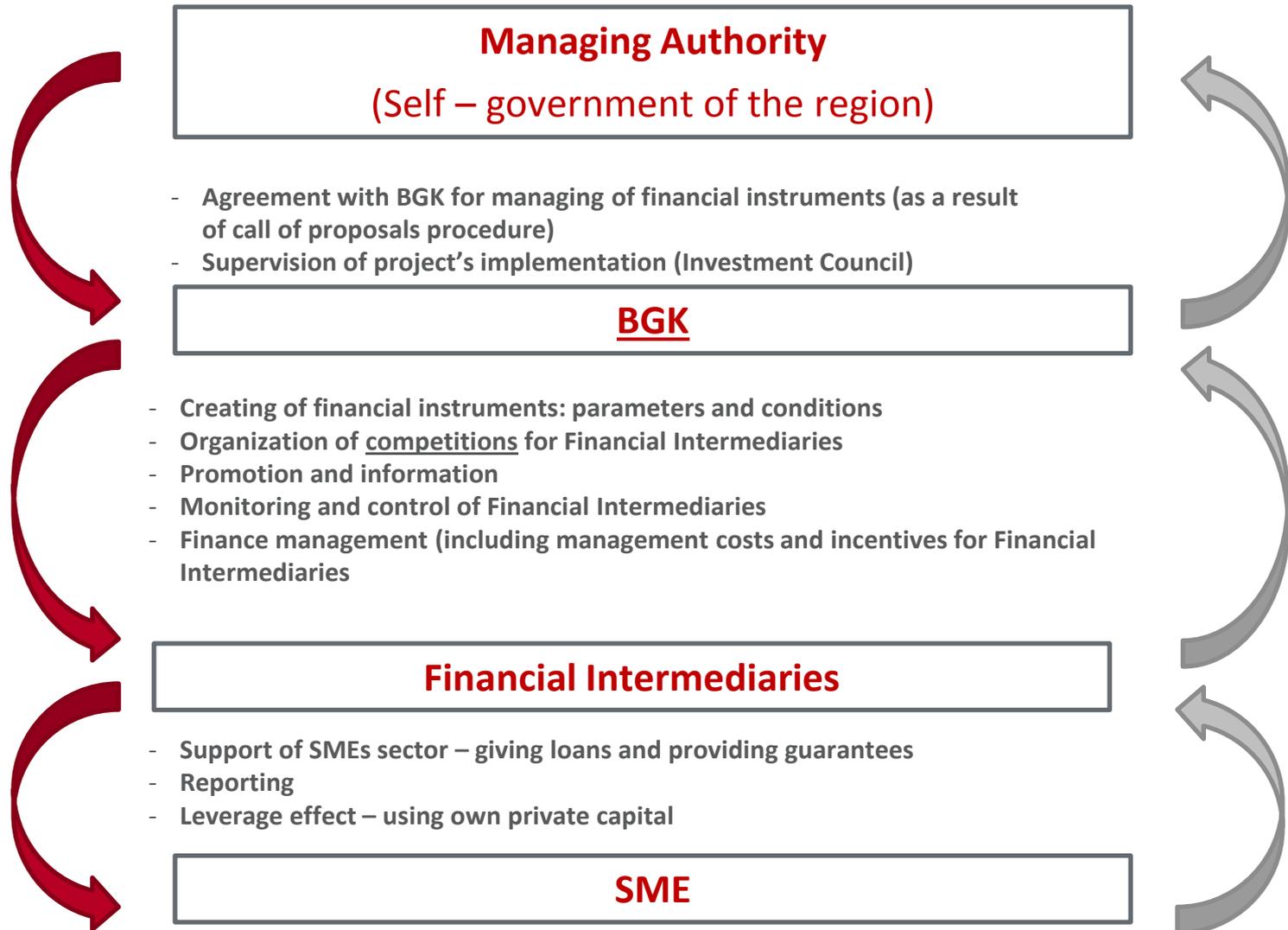
## **JESSICA initiative implemented in 3 regions**

- BGK as Urban Development Fund (financial intermediary)

## **Guarantee Fund for innovative SMEs (OP Innovative Economy)**

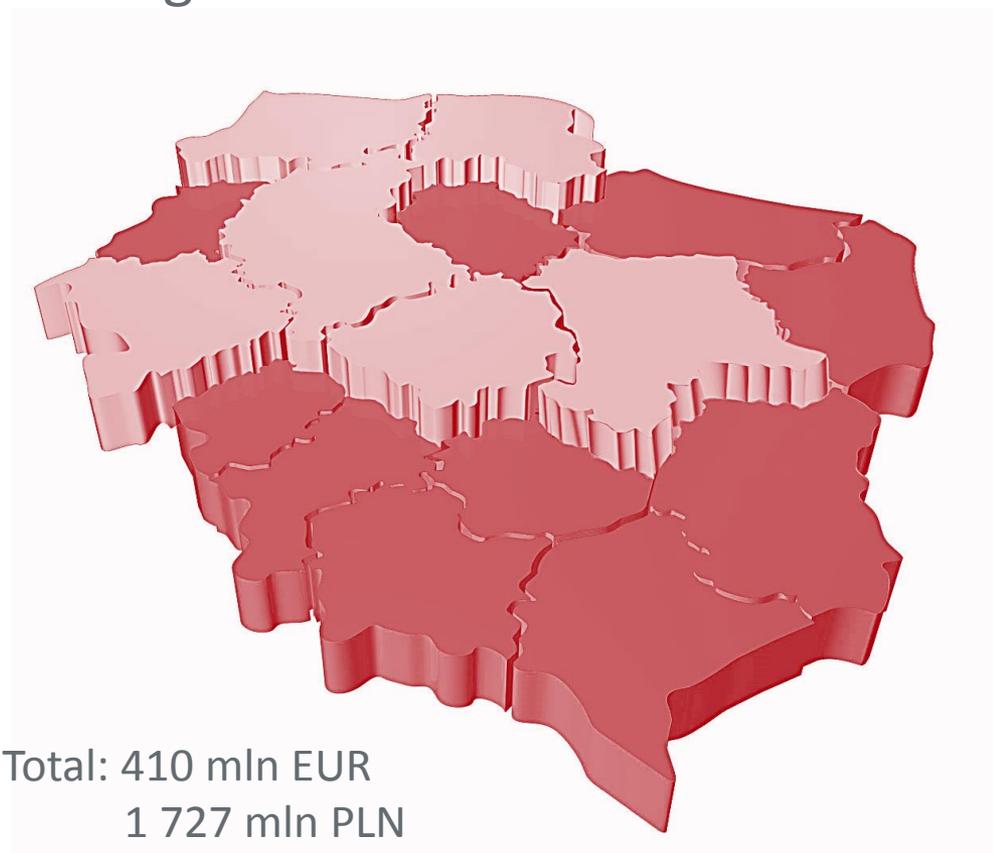
- BGK as Manager of Holding Fund (MHF)

# JEREMIE scheme: BGK as a Holding Fund Manager – Fund of Funds



# JEREMIE 2007-2013 at BGK

- **MANAGER OF HOLDING FUND**
- Resources from Regional Operational Programmes



July 2009

**Wielkopolskie** voivodship  
PLN 501.3 million (€ 119,36 milion)

August 2009

**Pomorskie** voivodship  
PLN 287.4 million (€ 68,43 milion)

September 2009

**Dolnoslaskie** voivodship  
PLN 405.7 million (€ 96,60 milion)

September 2009

**Lodzkie** voivodship  
PLN 188.6 million (€ 44,91 milion)

September 2009

**Zachodniopomorskie** voivodship  
PLN 280.0 million (€ 66,67 milion)

December 2012

**Mazowieckie** voivodship  
PLN 66.5 million (€ 15,61 milion)

# Type of financial products offered and financial intermediaries

- **Global loans** – for loan funds, banks, other financial institutions
- **Counter-guarantees** – for guarantee funds
- **Portfolio guarantees** – for banks (commercial and cooperative), other financial institutions
- **Equity Fund** – for investment funds and asset managers
- **Specially streamed products** (ex. Loan for innovative SMEs, counter-guarantees for SMEs from less developed areas) – depend on parameters

# SUCCESS of JEREMIE Programme

As for August 31 2016

Number of agreements with  
financial intermediaries

317

Number of competitions for financial  
intermediaries

84

Promotional  
events

more  
than  
700

Supported  
SMEs

30 154

178,98%

5,35 bn  
PLN/  
1,27 bln  
EUR

Leverage effect  
(JEREMIE contribution  
410 mln EUR)

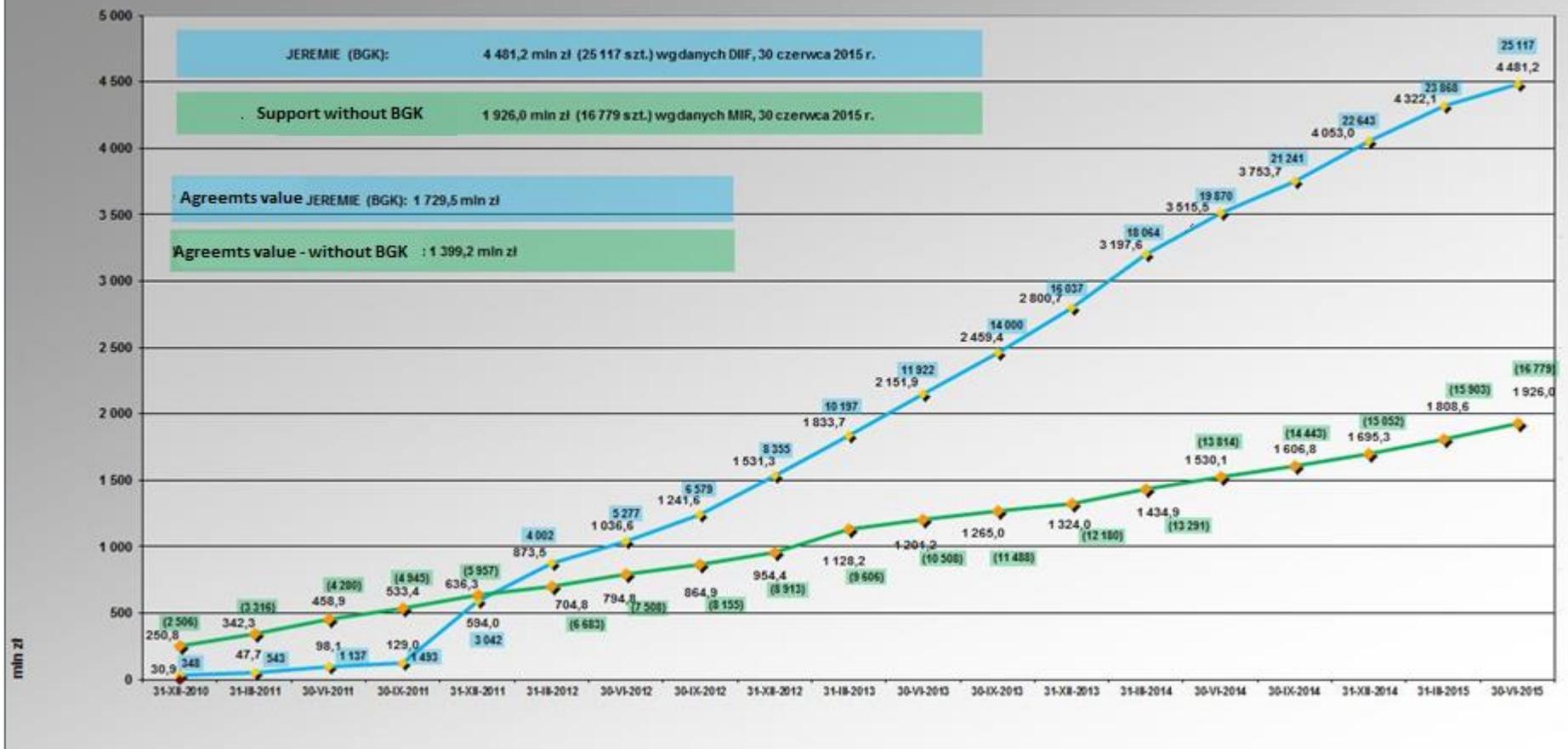
74

Use of UE funds from  
ROPs (re-use of funds)

Number of financial  
intermediaries

# Implementation rate

## Agreements with final beneficiaries



# Advantages of JEREMIE Programme (1/2)

- In the framework of basic legal frames BGK has created flexible and effective system offering different financial instruments covering needs on the market

## Individually adjusted investment strategies

- 6 individual Investment Strategies (for each region, respecting all regional differences)
- based on financial gap analysis for each region, but still less formalised

## Targeted allocation of resources

- allocation targeted SMEs incl. start-ups and companies challenged in access to finance

## Quick and not overformalized selection of financial intermediaries

- selection of financial intermediaries conducted based on competitive procedures

# Advantages of JEREMIE Programme (2/2)

## Flexibility

- **option to adapt parameters** of financial instruments when there is no demand from the market

## Incentives

- system of **financial incentives and sanctions** for financial intermediaries

## Synergy effect

- coming from implementing 6 regional projects and 1 for Eastern Poland – **lower costs of MHF**, not exceeding 0,5% of total allocation

## Revolving nature

- mechanism ensuring **more effective use of public resources** – enabling to support many more beneficiaries

# BGK as a Manager of Holding Fund under ESF

- BGK has successfully implemented a pilot project for financing social economy entities under Human Capital Operational Programme 2007-2013

**33 mln PLN/7,5 mln EUR – total budget**

- **Loans for social economy entities in Poland**
  - creating a special instruments for enterprises which are often excluded from commercial financing (too risky beneficiaries).
- **Additionally, BGK is implementing a Governmental Programme for supporting entrepreneurship, which plays a complimentary role**
  - loans for unemployed, especially for young people. Implementation is based on similar to JEREMIE scheme, but based on budgetary resources.

# 2014-2020: Plans and achievements so far

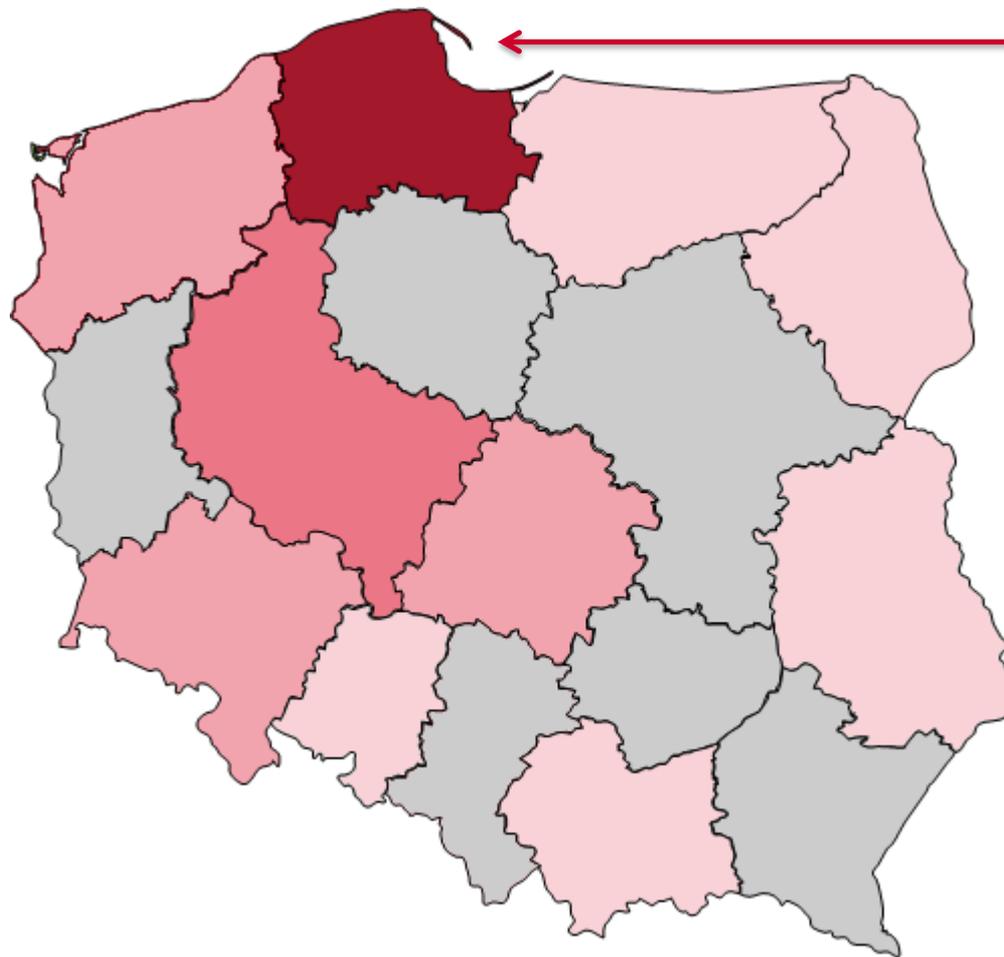
**Strengthening the role of BGK in the area of EU funds financial instruments implementation is one of main priorities for BGK**

- BGK is preparing itself for financial instruments implementation as a **Manager of Fund of Funds in every possible area**
  - SMEs support, energy efficiency, revitalization, employment etc.

## State of play:

- BGK is a **Manager of Fund of Funds** in PO WER – ESF financed programme offering support of **social economy entities**
  - total budget of **159 mln PLN/38 mln EUR**.
- BGK has concluded **agreement with Pomorskie** (Pomerania) voivodship – **September 30, 2016**
  - based on public-public cooperation (article 12 of 2014/24/UE Directive)
- BGK is now negotiating agreements with other regions in Poland.
- Important **challenge on the way:**
  - EC Guidelines for Member States on the selection of bodies implementing financial instruments issued only in July 2016!

# Negotiations progress



First agreement  
concluded on  
30 September  
-  
Pomerania region

# Challenges 2014-2020

## Regulatory framework

- ✓ CPR and guidelines (11 as for today!)
- ✓ complicated and overregulated for managing of Fund of Funds

### Selected issues:

- Selection of financial intermediaries
  - public procurement rules (not flexible rules, very formal) as a principle although article 38 (5) of CPR is much wider,
- Management costs and fees
  - limited in a way that there is a strong need to create a special IT tool to calculate them,
- Ex-ante analyses on every stage
  - created demand for ex-ante analyses,
- Uncertainty as for combining of financial instruments within EFSI and with EFSI.

There is a strong expectation for more efficient implementation...

**Thank you for your attention**

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