EUROPEAN MICROFINANCE NETWORK

ATM for SMEs
Interreg Europe

European Union
European Regional Development Fund

COVID-19: Supporting MSMEs amidst uncertainty

European Microfinance Network
September 2021 – September 2022

The project is implemented through the Interreg Europe programme co-financed by ERDF

Contents

Disclaimer: This publication only reflects the author's views and the programme authorities are not liable for any use that may be made of the information contained therein.

Introduction

In 2020, there were 22,526,457 micro, small and medium companies (MSMEs) in the European Union (EU), which provided 82,432,093 jobs and generated more than half of the EU's Gross Domestic Product (GDP)[1].

For European MSMEs whose economic activities were impacted by the health restrictions, the COVID-19 crisis led to a liquidity and solvency crisis, which in turn led to a recurring question: how can we ensure, once and for all, access to financial and non-financial support for MSMEs in a time of crisis? How can we ensure the sustainability of the smallest European businesses? With which tools?

Under the 2016-2022 Interreg project[2] on "Access to Microfinance of Small and Medium Enterprises" (ATM for SMEs), the objective was to improve access to microfinance in various European regions by exchanging local knowledge on innovative solutions adopted by project partners.

As an advisory partner for this project, the European Microfinance Network (EMN) selected and summarised a series of Good Practices (GP), which were compiled into two documents[3] and shared with project partners. These publications aimed to raise awareness and support initiatives that address the needs of MSMEs through the tools of microfinance, with a specific focus on vulnerable groups (e.g. migrants and refugees, women and youth).

Interreg proved once again that microfinance is an important policy tool to fight social and financial exclusion, promote self-employment and encourage the creation of microenterprises. The growing role of microfinance is confirmed by available survey data on the sector. According to our latest survey report[4], the total number of active borrowers was 1.33 million in 2021 with a portfolio outstanding of EUR 4.4 billion.

The extension of the project allowed the consortium to focus on access to finance for MSMEs during and after the 2020-2021 worldwide COVID-19 pandemic.

Accordingly, through cases studies developed by our project partners under the supervision of the lead partner, the aim of this study is to: (1) learn about the initiatives launched by the partners during and after the crisis to support their local economy (especially MSMEs); (2) analyse how the microfinance sector supported MSMEs during the crisis; and, (3) examine how MFIs are engaged in the economic recovery efforts at the EU and national levels.

The study covers a shorter period of time (compared to the previous project) with the same objective of gathering and analysing the initiatives adopted (and still ongoing) at the national, regional and local levels. The economic context and regulatory framework (ad hoc measures and structural funds) differ from the previous study since a series of measures were adopted (at the EU level) and implemented (at the national, regional and local) to support the economic sector.

---

1 European Commission - Annual report on European SMEs 2020/2021 – July 2021

2 From April 2016 to September 2022

3 European Good Practices: ATM for SMEs Interreg Project's Experience – EMN study ; Five case studies on the relationship between microfinance and the European Social Fund (ESF) – EMN report

4 EMN and MFC Survey report - Data for 2021

European support to MSMEs

From the outbreak of the crisis to the current recovery efforts, the European institutions and Member States have adopted a series of measures. Often the source of political conflicts between the Member States and EU institutions, policy makers adopted historical measures to combat COVID-19.

EUR 2,364.3 billion[5] has been put on the table by the European Union to support the EU economy and its citizens during the crisis and to help them recover in its wake. The EU support can be classified into two strands: (1) measures adopted at the start of the crisis and (2) measures to support the economic recovery[6].

Facing the consequences of the crisis: Short- and medium-term measures to support jobs, businesses and the European economy

Facing the initial consequences of the pandemic, the European institutions adopted a series of ad hoc measures to deal with the most urgent economic repercussions.

To support businesses and preserve jobs, the European institutions designed a series of safety nets. Initiated in April 2020 by the Eurogroup, three packages totalling EUR 540 billion were established to support jobs, businesses and the European economy.

The **SURE initiative**, with a EUR 100 billion budget, aimed at mitigating unemployment. The programme provided loans to Member States to cover part of the costs related to the creation or extension of national short-time work schemes and to protect jobs (employees and self-employed) against the risk of unemployment and the loss of income. 19 Member States benefited from this support at a cost of EUR 94.3 billion. The initiative is open to Member States until the end of 2022.

The **Pan-European guarantee fund (EGF)**, with a EUR 25 billion envelope, was designed to encourage loans to companies. Managed by the European Investment Bank (EIB) and the European Investment Fund (EIF), the EGF made guarantees available for national banks, local banks and other financial intermediaries to provide funding for SMEs, mid-caps and corporate companies. 65% of the envelope was directed to SMEs.

EU countries wishing to benefit from the guarantee had to provide a guarantee proportional to their share in the EIB to cover potential losses. The EUR 25 billion envelope was expected to attract at total of EUR 200 billion of investments. The fund ended in December 2021.

The **European Stability Mechanism** (EUR 240 billion) was established to support Member States with financial assistance who are experiencing or threatened by severe financing problems.

To reduce the pressure on MSMEs and European households, in April 2020 the European Banking Authority (EBA) published its guidelines[7] on the application of **legislative and non-legislative moratoriums on loan repayments** due to the COVID-19 crisis. The objective of the moratorium was to support short-term operational and liquidity challenges faced by companies with outstanding loans. The guidelines cover the classification of forbearance and the application of the definition default.

The SURE initiative, the EGF and loan moratorium represented a punctual and temporary relief for MSMEs in Europe. These first measures were complemented by long-term measures designed to support the economic recovery and build a more sustainable economy, more resilient to potential future shocks.

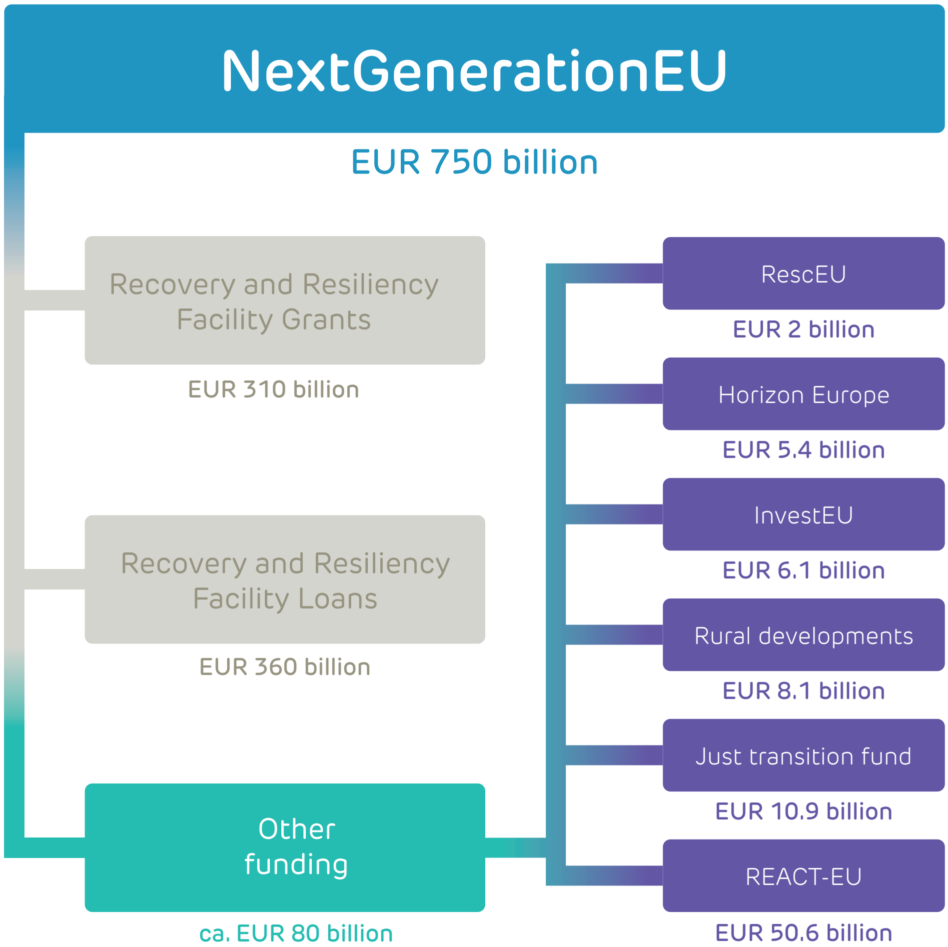
---

5 Council of the European Union (website consulted in August 2022) - https://www.consilium.europa.eu/en/policies/coronavirus/covid-19-economy/

6 European Commission - https://wm.baden-wuerttemberg.de/fileadmin/redaktion/m-wm/intern/Dateien_Downloads/Veranstaltungen/Presentation_Dr._Lackenbauer_.pdf

7 EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis

The road to the economic recovery[8]



Adopted in 2020, the Next Generation Recovery Instrument (NextGen) provides an envelope of EUR 750 billion to be divided between Member States to support the economic recovery.

The Recovery and Resilience Facility (RRF) will be distributed from 2021 to 2026 in two different formats: grants (non-repayable transfers with a total envelope of EUR 312.5 billion) and loans (with favourable conditions for the States, with a total envelope of EUR 360 billion).

The objective of the RRF is to "*promote the Union's economic, social and territorial cohesion by improving resilience, crisis preparedness, adjustment capacity and growth potential of the Member States, by mitigating the social and economic impact of that crisis*"[9]. With this package, the European Union will provide Member States with significant financial assistance to implement the recovery plan and unlock public and private investments. The package will support, among other pillars, the development of a well-functioning internal market with strong small and medium enterprises (SMEs).

To access this facility, EU Member States had to submit their Recovery and Resilience Plan to the European Commission; the plan must be aligned with the EU priorities and must respect certain requirements (for instance, 37% of the budget must go to climate investments and 20% to digital transitions).

On top of the grants and loans attributed to Member States to support the recovery, a series of other EU fundings have been increased to support MSMEs during the recovery.

REACT-EU[10], the Recovery Assistance for Cohesion and the Territories of Europe, has been allocated a budget of EUR 50.6 billion (EUR 39.6 billion were allocated in 2021 and EUR 11 billion in 2022).

REACTEU is a continuation of the measures implemented at the beginning of the crisis. The funding is meant for investment contributing to the green and digital transition and the economic recovery, specifically for investments in growth and jobs.

[8] European Commission - https://ec.europa.eu/info/sites/default/files/recovery_package_ema_5_june.pdf

[9] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, article 4

[10] Regulation (EU) 2020/2221 of the European Parliament and of the Council of 23 December 2020 amending Regulation (EU) No 1303/2013 as regards additional resources and implementing arrangements to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and its social consequences and for preparing a green, digital and resilient recovery of the economy (REACT-EU).

The budget allocated through REACT-EU is disbursed through the European Social Fund (ESF), the European Regional Development Fund (ERDF), the Fund for European Aid to the Most Deprived (FEAD) and the Youth Employment Initiative. These additional resources came from cohesion resources from the 2014-2020 Multiannual financial framework (MFF) and the Next Generation EU instrument.

Under **ERDF**, the addional amounts are directed (among other objectives) towards working capital or investment support to SMEs. Under ESF, the additional funding is used to support job maintenance, including the self-employed.

Next Generation EU also added EUR 5.6 billion to **InvestEU** to boost investment, innovation and job creation in Europe.

MSMEs facing the crisis: the road to a "*well-functioning internal market with strong SMEs*"[11]

The November 2021 SME Envoy[12] report indicates that smaller companies were the main beneficiaries of EU funding: the national, regional and local measures consisted mostly of working capital and sort-term funding to address liquidity issues. We also found several mentoring and business development services addressed to entrepreneurs that were funded by the EU.

It is too soon to measure the impact of the recovery package deployed at the EU level. However, the SME Envoy report notes that the number of bankruptcies did not drastically increase in 2020 or 2021, which can be explained by the support measures adopted by governments (loan moratoriums, State loans, tax holidays, etc.).

As governments scale down support schemes, the report indicates that many MSMEs might still struggle financially and could reach the limits of their debt capacity. In particular, this might be the case for the most vulnerable MSMEs who don't have access to traditional funding. Now, the main challenge is to avoid the cliff effect, a scenario where many, especially the most vulnerable, may not be financially prepared to make payments when moratoriums are promptly rolled back.

The good practices presented below represent a sample of the measures applied by governments at the regional and national level. Financed by REACT-EU, ERDF, and national or private funds, the measures presented below highlight the financial and non-financial support to MSMEs as recommended by the European Parliament in its INI report adopted in December 2020.[13] [14]

In this report, the policy maker indicated that 75% of SME financing comes from bank lending. But what about the smallest enterprises who do not have access to traditional banking services?

Micro-enterprises[15] represent a significant proportion of European SMEs (approximately 21 million in 2020). The European Parliament notes that micro-enterprises often experience difficulties to access finance and lack knowledge regarding the opportunities that are available at the European and national levels.

The good practices summarised below are an example that microfinance represents an alternative to ensure the support and sustainability of the smallest businesses, not only during an economic crisis but also as part of the recovery and (digital) transition process.

---

11 RRF regulation, article 3

12 The Network of SME Envoys co-ordinates and evaluates the implementation of the SME Strategy at EU, national and regional level. It publishes reports on issues related to the implementation of the SME Strategy and other SME policy actions, SMEs in general and any issue related to enterprises, entrepreneurs and entrepreneurship. It reports to the Council of Competitiveness Ministers on a yearly basis. The Network of SME Envoys gather one representative per Member State and is chaired by the EU SME envoy. The EU SME Envoy published a report in October 2021.

13 INI report (article 225 TFEU) – a resolution or a report prepared by a parliamentary committee on its own initiative on an issue that they feel requires new European Union legislation. When adopted by the European Parliament, the report is sent to the European Commission who must answer the European Parliament on whether the European Commission will submit a legislative report.

14 A new strategy for European SMEs - European Parliament resolution of 16 December 2020 on a new strategy for European SMEs (2020/2131(INI))

15 A micro-enterprise is defined as a company with less than 10 employees, a turn-over and a balance sheet total below 2 million euros - Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC)

Good Practices

Project Partner	Country	Initiative	Financial support (microcredit, grants) or deferral measures	Non-financial support	Digitalisation
Fejér Enterprise Agency	Hungary	Resilience package of Fejér Enterprise Agency	✓	✓	
Hungarian Ministry of Finance	Hungary	Interest free fast loan programme for relaunch (Fast loan)	✓		
Hungarian Ministry of Finance	Hungary	Working capital loan programme for SMEs	✓		
European Business and Innovation Centre of Burgos (CEEI Burgos)	Spain	Grants for digitisation, promotion and e-commerce activities to boost economy in rural areas after COVID-19 impact	✓		✓
KIZ SINNOVA company for social innovation	Germany	SOS Mentoring		✓	✓
Zala County Foundation for Enterprise Promotion	Hungary	Loan Moratorium: Preventing bankruptcy of micro-enterprises financed by ZMVA	✓		
Autonomous Region of Sardinia – Regional Department for Planning	Italy	FEIS - Fondo di Emergenza Imprese Sardegna (Sardinian Enterprises Emergency Fund)	✓		
PORA Regional development agency of Koprivnica Križevci County	Croatia	COVID-19 working capital loan	✓		
Świętokrzyskie Region – Marshal Office of Świętokrzyskie Region	Poland	Vouchers for the purchase of specialist consultancy services for micro, small and medium-sized enterprises affected by the COVID-19 pandemic		✓	✓

1. Resilience package of Fejér Enterprise Agency

Fejér Enterprise Agency - FEA (enterprise development agency and microcredit provider)

National and regional context during and after the pandemic

Government actions to ease the impact of the sanitary restrictions were adopted in an effort to mitigate the economic impacts of the crisis.

The two main measures included: a credit moratorium (as advised at the EU level by the European Banking Authority - EBA) and social tax subsidies, which were among the most popular measures requested by MSMEs.

EU fund supporting this initiative

This initiative was financed by the organisation.

Objective of the initiative

A three step support scheme was offered to MSMEs facing the economic consequences of the COVID-19 pandemic with the objective of supporting their restructuring and survival.

Time frame

The initiative started in March 2020 and is ongoing.

Sector and scope

Micro- and small enterprises in Central Hungary

Keywords

Microloans · SMEs

Institutional Profile

Presentation	Fejér Enterprise Agency (FEA) was established in 1991 by 47 founders as a non-profit organisation in Székesfehérvár to handle Hungarian enterprise development projects in Fejér county. It offers loans, advice, and business development services (BDS). The main objectives of the foundation are to facilitate the establishment and development of micro, small and medium-sized enterprises and to boost economic activity. To this end, the foundation provides its beneficiaries with information, knowledge and financial support.
Type of organisation	Non-governmental organisation
Country	Hungary
Products & services provided	Non-financial services
Number of clients	56
Target audience	Micro- and small enterprises in Central Hungary
Organisation website	www.rva.hu

Overview of the good practice

At the outbreak of the crisis, FEA conducted a survey among its beneficiaries and MSMEs to gather information on the consequences of the crisis and assess their situation and needs. Most beneficiaries declared that they had financial reserves for only one or two months.

Through this survey, MSMEs expressed their main needs as the following:

- support to restructure their businesses;
- finding new supply chains;
- developing new working methodologies;
- defining new markets: how to reach consumers while under lockdown through new marketing tools and channels;
- access to new financial instruments (i.e., microloans combined with non-repayable subsidies).

Following the survey, FEA developed and launched a business development support package designed to help MSMEs in their recovery efforts.

The support package is designed as a three-step approach that allows beneficiaries to choose whether they want to take part to the whole process or only the initial phase.

Step 1: Deliverance of recommendations on areas for improvement in the context of the pandemic
An automated on-line tool has been developed, beneficiaries are invited to fill a questionnaire and the online tool delivers the recommendations for improvement.

Step 2: Organisation of a meeting with the MSMEs (in person or video call)
The objective of the meeting is to assess the areas where the MSMEs need further assistance (restructuration, need of funding...).

Step 3: Access to finance
Based on the needs and situation of the beneficiary, access to a micro-loan was considered.

The 3 steps programme addressed the following areas:

- the restructuration of the business activities in the context of sanitary restriction and economic crisis;
- defining new business strategies to ensure the growth of the business: new markets and new markets linkages, finding new distribution channels to extend the market coverage;
- support in developing the MSMEs competence in digitalisation;
- support the MSMEs in securing access to funding.

Innovativeness

The three-step support scheme allows MSMEs to choose whether or not to pursue the programme following the first set of on-line recommendations.

The objective of the programme is to strengthen the resiliency of MSMEs impacted by COVID-19: the combination of business development services and financial tools aims at redesigning the business model and strategy rather than keeping the business on life support.

Outcomes

This microfinance programme had wider coverage compared to previous initiatives launched by the organisation as new MSMEs reached out to the organisation and completed (at least) the two first steps of the programme. The online process gives immediate feedback to SMEs, which allowed FEA to react quickly with the implementation of Step 2.

Efficiency & lessons learned

The initiative was followed up by a survey for MSMEs who were granted a microloan. The funding was used to redesign or invest in new projects, which allowed them to survive to the crisis. 90% of MSMEs declared that without access to the microloan, they would not have been able to realise their project.

The organisation quickly designed the initiative, which was adapted to the needs of the MSMEs, reached its goals by supporting the smallest companies during the crisis.

In the future, FEA would like to increase the available funding. However, non-profit foundations cannot be involved as financial intermediaries in any major microfinance programmes in Hungary.

2. Interest-free fast loan programme for relaunch & Working capital loan for SMEs

MINISTRY OF FINANCE

Ministry of Finance Hungary, Managing Authority (MA) for Economic Development and Innovation Operational Programme (EDIOP), National Development Agency

National and regional context during and after the pandemic

The Hungarian government launched several measures to support SMEs with liquidity problems, including:
- loans moratoriums;
- a loans programme to support the survival of MSMEs through working capital;
- an interest-free loan programme for the technological modernisation of SMEs.

EU fund supporting this initiative

The first initiative was financed by REACT EU.

In Hungary, the Economic Development and Innovation Operational Programme (EDIOP) received additional resources of EUR 411 million. This money was used for an interest-free working capital loan instrument to support more than 8,000 SMEs and support a wage subsidy scheme for workers in enterprises affected by the COVID-19 lockdown measures.

The second initiative was financed by ERDF with a EUR 534.89 million allocation.

Objective of the initiative

This initiative focused on supporting the sectors that were the most affected by the pandemic (tourism and hospitality).

Time frame

First initiative: 8 March 2021 to 30 November 2021
Second initiative: 12 June 2020 to 10 June 2021

Sector and scope

Tourism and hospitality were initially prioritised; the programme later opened up to SMEs who experienced an income drop of more than 30% on a year-by-year basis (from 2019 to 2020).

Keywords

REACT-EU | Working capital | SMEs | Zero-interest loan

Institutional Profile

Presentation	Managing Authority (MA) for the Economic Development Operational Programme (EDIOP) at the National Development Agency. **EDIOP** The EDIOP aims to stimulate economic sectors in the less developed regions of Hungary. The programme focuses, among other things, on the competitiveness of small-and medium sized enterprises, research and innovation as well as employment. Among funding priorities, the programme focuses on increasing the competitiveness and productivity of SMEs, employment and tourism.
Type of organisation	Government body
Country	Hungary
Products & services provided	Working loan
Gross Loan Portfolio	1st initiative: EUR 285.71 million 2nd initiative: EUR 534.89 million
Number of clients	1st initiative: 9,800 applications and 7,800 approved 2nd initiative: 2,776 applications and 2,206 approved
Target audience	SMEs
Organisation website	https://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/europe/2014hu16m0op001

Overview of the good practices

The Managing Authority for EDIOP launched two temporary aid initiatives to support SMEs during the two years of the crisis.

	Interest-free fast loan programme for relaunch (Fast loan)
Target recipients and territorial scope	The fast loan was first open to SMEs from all regions in Hungary from the sectors most affected by the crisis when the health safety measures adopted. The initiative then opened up to include medium-sized enterprises, irrespective of sector, whose income fell by more than 30% in 2020 (compared to 2019).
Maximum amount of microloans disbursed	EUR 28,571
Interest rate	0%
Expected own resources from the borrower	None
Disbursement of the microloans	100% of the loan disbursed in one time
Requirement of collateral	Ownership full payment guarantee, surety bond 20% coverage of outstanding capital by real estate Bank guarantee Security deposit
Eligible costs	Stock purchase, operating costs, wages, overhead
Loan term	10 years
Grace period	3 years

	Working capital loan programme for SMEs
Target recipients and territorial scope	The initiative targeted SMEs with no sectoral restrictions from less developed regions in Hungary (6 of 7 regions). The objective was to ease their liquidity constraints.
Maximum amount of microloans disbursed	**In 2020**: EUR 428,571 **In 2021**: EUR 228,571 **Average ticket size**: EUR 218,687
Interest rate	0%
Expected own resources from the borrower	0%
Requirement of collateral	- Ownership full payment guarantee/ surety bond - Coverage of 20% of outstanding capital by real estate bank guarantee, security deposit
Eligible costs	Stock purchase, operating costs, wages, and overheads
Loan term	5 years
Grace period	2 years

Innovativeness

The disbursement of these loans was subject to simplified conditions: the collateral requirements were reduced and the total amount of the loan was disbursed in one payment.

In the context of the crisis, the simplicity and speed with which these loans were granted was particularly important for both financial intermediaries and SMEs.

Outcomes

2nd initiative (as of November 2021)

- 80% of the programme allocation were allocated (EUR 230 million);
- 9,500 SMEs applied for a fast loan (83% of applications were approved);
- 73% of the loan contracts (6,790 loans and EUR 168.25 million) were disbursed.

1st initiative (as of November 2021)

- 2,776 SMEs applied for a total of EUR 559 million;
- 2,206 loan applications were approved for a total of EUR 473.5 million;
- 1,953 beneficiaries were financed.

Efficiency & lessons learned

Originally an investment loan product, it was amended to serve as working capital. The simplicity and agility of the initiative has made it a success. The initiative was a method to quickly support SMEs from the beginning of the crisis. The initiative was quickly established (within two months) and the average time to disburse the loan to applicants was 30 days.

3. Grants for digitisation, promotion, and e-commerce activities to boost economy in rural areas after COVID-19

Centro Europe de Empresas e Innovación (CEEI) Burgos & Society for the Provincial Development of Burgos focused on rural areas (SODEBUR)

National and regional context during and after the pandemic

To support SMEs in Spain, the government launched several measures such as:
- Moratorium on the repayment of credits, tax debts, and public contributions;
- Credit guarantee programmes for SMEs;
- Direct aid schemes to help SMEs pay outstanding costs: rent, employees wages, social contributions, etc.;
- A restructuring fund with a EUR 3 billion envelop;
- A recapitalisation fund with a EUR 1 billion envelop to recapitalise SMEs with the support of the public company Cofides.

More information is available here.

EU fund supporting this initiative

The initiative was financially supported with regional funds.

Objective of the initiative

Given the importance of the digital economy and how COVID-19 has catalysed online commerce, SODEBUR launched this call for grant funding to help companies boost their digital positioning. Specifically, it aimed at carrying out digitalisation, promotion and online marketing activities for the promotion of economic recovery as a result of COVID-19.

Time frame

1st call - Launched: 15 March 2020 | Closed: 31 March 2021
2nd call - Launched: 1 April 2021 | Closed: 2 November 2021

Sector and scope

Self-employed workers and small companies whose tax address and activity are both registered in the rural areas of Burgos' province.

Keywords

Digitalisation | Grants | SMEs

Institutional Profile

Presentation	The Society for the Provincial Development of Burgos (SODEBUR) works to promote social and economic development in the Province of Burgos. It is a limited society entirely owned by the Burgos Provincial Government. SODEBUR carries out its work in five areas: energy, industry, tourism, institutional cooperation and economic and social promotion.
Type of organisation	Public body
Country	Spain
Products & services provided	Business microloans and grants
Maximum amount of payment	EUR 4,000
Number of clients	1st Call: 100 beneficiaries 2nd Call: 96 beneficiaries
Budget	1st call: EUR 275,000 2nd call: EUR 275,000
Target audience	Self-employed and small companies of Burgos province
Organisation website	sodebur.es

Overview of the good practice

The activities eligible for funding include:

- Activities related to marketing promotion: video marketing campaigns, social networks, online advertising and positioning expenses;
- Marketing activities such as expenses for the development and implementation of web platforms or programmes for the sale of goods and services;
- Positioning on electtronic commerce platforms.

The total grant amount for each call was EUR 275,000. The maximum amount granted to final beneficiaries was EUR 4,000.

Innovativeness

Due to the importance of the digital economy, the call was launched to help companies boost their digital positioning and take the opportunity that the COVID-19 crisis presented with regards to digitalisation.

Outcomes

Under the first call, 100 grants were distributed for a total amount of EUR 273,808. 34 applications were rejected as they did not respect the criteria required to receive the grant.

Under the second call, 96 grants were distributed according to the score received, fully reaching the total budget of EUR 275,000. 45 additional grant requests were rejected, despite respecting the criteria of the grant, because the total budget was exceeded.

Efficiency & lessons learned

SODEBUR valued this initiative as something positive for the region, and the expectations were met.

The initial idea was to support the digitalisation of rural SMEs after the COVID-19 crisis to give online visibility to their products and services and to support them in maintaining their activity during the pandemic.

The success of the first call encouraged the institution to open a second call, which was funded with assets originally intended for other initiatives.

In addition, since some of the companies that met the criteria of the second call were left out as the budget was exceeded, a third call is currently being evaluated. The scope might also potentially extend to other rural areas as well.

Testimony from a client

Laura Peña, owner and manager of Casuca San Cristobal:
"*The dream of opening my grandmother's old bar became a reality thanks to the microcredit from Sodebur. In order to reopen the bar a major reform was necessary, which I would not have been able to do without the credit.*"

4. SOS Mentoring

KIZ SINNIVA & Autoocupació

National and regional context during and after the pandemic

The COVID-19 pandemic impacted the hospitality sector in Catalunya and other industries such as food production, marketing services and child services.

The pandemic especially impacted small and micro businesses, as well as vulnerable groups (e.g., women, youth and migrants).

EU fund supporting this initiative

Regional funds

Objective of the initiative

The objective of this monitoring programme is to support entrepreneurs for a period of up to one year to work out their business difficulties and ensure the growth and sustainability of their new activities.

Time frame

From 2020

Sector and scope

The initiative targeted entrepreneurs, self-employed in the post-start-up phase in Catalunya (Spain).

Keywords

Mentorship SMEs

Institutional Profile

Presentation	Autoocupació is a not-for-profit Entrepreneurship Support Organisation (ESO). Autoocupació has been operating in the inclusive entrepreneurship sector for 30 years. The organisation offers strategic and financial advice for a broad range of entrepreneurs according to their development needs. Autoocupació is one of the founding members of Youth Business Spain who have set up a successful mentoring programme across different regions in Spain.
Type of organisation	Not-for-profit organisation
Country	Spain
Products & services provided	Non-financial services: mentoring programme to support new businesses in their first year
Number of clients	1,109 small businesses have been enrolled in the programme since its launch in April 2020
Target audience	Existing entrepreneurs and self-employed in the post-start-up phase. Hospitality was the main sector targeted as well as women, young and migrant entrepreneurs.
Organisation website	www.autoocupacio.org/en

Overview of the good practice

The SOS mentoring programme has been available since April 2020 in 20 EU countries, with the objective of supporting new businesses for a period of three months up to one year to ensure the growth and sustainability of their new business.

The programme brings together:

- A mentee: an entrepreneur who is affected by the COVID-19 pandemic.
- A mentor: a volunteer with business experience who followed a training webinar series of six hours (handled by Youth Business International) to train the mentee on the aspects of managing change process, on how to deal with uncertainty, the process models, the development and improvement of a business model.

The objective of the programme is to strengthen entrepreneurs' trust in their decision-making process and to give the mentee the tools to adapt their business model in a rapidly changing environment.

The mentoring topics are set jointly by the mentor and mentee, depending on the latter's needs: e.g., business plan, finding customers, pricing modules, marketing, market definition, financing, etc.

To ensure the success of the programme between the mentee and the mentor, the two parties are familiarised with the process model and the ground rules with the support of a mentoring coordinator, who oversees the matching and coordination between the mentee and mentor. Among the matching criteria, it is required that both the mentor and mentee come from the same background/sector.

The pair is working on a weekly or a bi-weekly basis for a period of three months up to one year, with some collaborations continuing up to two years. The mentee and mentor are free to continue their collaboration if they wish to pursue the programme together.

Innovativeness

The SOS mentoring programme was not specifically designed for businesses experiencing a crisis; however, due to the pandemic, the programme was successfully adapted and converted into online meetings which required a new and innovative approach. The pandemic and consequent digitalisation brought some challenges to the process, such as issues to access data in remote areas or the use of computers, with some mentees being uncomfortable with the use of this new technology.

The challenge and innovativeness also prepares mentees and mentors to deal with an unprecedented situation and define new priorities in a new economic context. Based on the perceived needs from mentees and mentors, training topics were defined with a team of experts over a period of six weeks. These webinars can be seen as peer-to-peer learning between mentors and other mentors.

Outcomes

The programme was launched in April 2020 and by November 2021, some 1,109 small enterprises had been supported under this programme. Of the 1,109 small businesses, 1,048 were still running, representing a 94% success rate (the previous programme had an 87% success rate over five years, establishing a good base of knowledge).

Both mentors and mentoring coordinators filled in a survey after their activities:

- 55% of them found the SOS Mentoring training extremely useful, 40% found it very useful;
- 97% of them felt encouraged to try a new mentoring approach in their mentoring sessions;
- All of them would recommend the SOS mentoring training to a peer/colleague;
- Many of them appreciated the interactivity and practicality of the tools;
- A recurring suggested topic for future training was mental health and self-care for mentors.

Efficiency & lessons learned

The SOS Mentoring programme received several awards in Spain and was recognised as one of the most effective volunteer programmes in Spain.

The implementation of the programme cost EUR 500 per match, which was covered by public and private funds.

Compared to the annual tax paid by businesses (~EUR 5,000 per year), the monitoring represents an investment to ensure the growth and sustainability of these businesses leading to a potential increase of tax revenues in the future.

The implementation process was a success:

- **Peer learning and cooperation**: to develop the topics and training methodology, a group of experts from four countries (Spain, Germany, the UK and Russia) was created. The peer learning between the mentors contributed to the development of the mentors' expertise and led to a high acceptance of the suggested processes and training techniques.
- **Rapid delivery and implementation of the trainings**: Development and implementation of the trainings happened simultaneously to iterate and improve the training methodology.

5. Loan moratorium: Preventing bankruptcy of micro-enterprises financed by ZMVA

Zala County Foundation for Enterprise Promotion (ZMVA)

National and regional context during and after the pandemic

Due to the outbreak of the COVID-19 crisis, the Hungarian government established several measures in March 2020. These measures supported citizens, national institutions, the banking system and entrepreneurs.

Specifically, the Hungarian Government imposed a moratorium in March 2020 to deliver urgent financial help for both citizens and SMEs.

The Hungarian regulations (47/2020. (III. 18.) and 62/2020. (III. 24.)) created a loan moratorium and interest rate ceiling for entrepreneurs and citizens until 31 December 2020. The measure was extended until 30 June 2022.

It was essential for SMEs to reduce their monthly financial burdens to avoid bankruptcy. In some cases, it also allowed SMEs to retain their employees.

Even though the moratorium measures were only compulsory for banks, ZMVA also decided to apply the moratorium.

EU fund supporting this initiative

National funds: National Microcredit Fund and Zala Regional Fund

Objective of the initiative

Reduce the monthly financial burden of SMEs to avoid bankruptcy and maintain employment.

Time frame

March 2020 – June 2022

Sector and scope

Micro-enterprises financed by ZMVA from National Microcredit Fund and Zala Regional Fund

Keywords

Loan moratorium | SMEs | Debt relief

Institutional Profile

Presentation	Zala County Foundation for Enterprise Promotion (ZMVA) was established by the Zalaegerszeg County government in 1992. The objective of ZMVA is to promote the economic development of Zalaegerszeg County, support the establishment, survival and the growth of micro and small enterprises by operating a central promotion office and a county-level sub-office network.
Type of organisation	Foundation
Country	Hungary
Products & services provided	Microloans and business development services
Number of clients	95 in 2020; 181 in 2021
Target audience	Micro-enterprises established in Zala county and financed by ZMVA from National Microcredit Fund and Zala Regional Fund.
Organisation website	zmva.hu

Overview of the good practice

After publication of the national decrees in March 2020, ZMVA launched a survey within their 8,000 SME clients to evaluate the consequences of the crisis on their economic activities and financial needs.

The survey showed that SMEs experienced:
- A loss of revenue due to cancelled orders;
- A loss of income due to the restrictions on trading, services and hospitalities activities;
- A decrease of economic activities leading to industry closures and increased unemployment.

ZMVA decided to apply a moratorium on loans repayments to reduce their clients' financial burden and allow them to pursue their economic activities. The moratorium was open to clients who received support from the National Microcredit Fund and the Zala Regional Fund.

Outcomes

	National Microcredit Fund	Regional Microcredit Fund
Active loans 2020	83	347
Portfolio 2020	HUF 369 million (> EUR 1 million)	HUF 1.059 million (EUR 3 million)
Moratoria granted	27	68
Active loans 2021	80	315
Portfolio 2021	HUF 441 million (> EUR 1.25 million)	HUF 918 million (EUR 2.55 million)
Moratoria granted	29	152

Efficiency & lessons learned

The moratorium turned out to be quite successful: less than 7% of the 131 enterprises who originally applied in 2020 were unable to stabilize their business processes. The remaining 93% are still running their businesses.

The clients who left the moratorium program voluntary, or those who were not eligible by November 2021, did not have to pay higher instalments. To avoid the cliff effect, the duration of their credits was extended by 1.5-2 years to avoid later bankruptcies.

Testimony from a client

Fischer Metall Ltd, a micro company working in the metal industry, benefit from the moratorium.

	2020	2021
Revenue	16,513	74,314
Profit	-25,370	7,049
Equity	-20,979	3,000

Due to the pandemic in 2020, the enterprise lost nearly all of its orders and equity. Despite the situation, Fischer Meta Kft. did not fire its employees since it wanted to rebuild after the crisis. Thanks to the moratorium (over a year and half), the company had successfully restarted its business activities and managed to restore their equity in 2021.

6. Fondo di Emergenza Imprese Sardegna (Sardinian Enterprises Emergency Fund - FEIS)

REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

Autonomous Region of Sardinia

National and overall impact of the pandemic at national level

Italy has been one of the most affected countries in Europe by COVID-19 in terms of infections and human lives lost. In terms of the economy, Italy experienced an 8.8% contraction of its Gross Domestic Product (GDP) in 2020.

Like other countries, the contraction of the Italian GDP is due not only to the suspension of the social and productive activities, but also to the great dependence of Italian economy on the service sector. Tourism was the most affected sector by COVID-19. The crisis has brought the Italian public debt to 160% of GDP. Other heavily affected sectors include the automotive and transport sectors.

With an 8% decrease of GDP, Sardinia's economy has experienced a slightly more contained decline compared to other regions in Italy.

The COVID-19 pandemic has led to a drop in production and demand due to the suspension of many economic activities. In Sardinia, the services sector was the most impacted (e.g., tourism, transport, entertainment), followed by the industrial sector (e.g., production of chemical and oil refining).

By contrast, agri-food production and the digitalisation sector recorded a growth in turnover.

Measures adopted to support the economy

Decreto cura Italia Legislative Decree 18/2020 ("cura Italia" decree): thanks to this decree, companies have extensively used and accessed the public guarantee system that was introduced by Legislative Decree 23/2020.

With the aim of limiting the effects of the pandemic, starting from March 2020, the Italian Government has provided various measures to support the liquidity of companies, including a moratorium on bank debts for micro, small and medium-sized enterprises. These measures were introduced by the "*cura Italia*" decree alongside the strengthening of the public guarantee system on new credit that was envisaged by the "liquidity" decree. In addition to the moratoriums pursuant to law, private measures were also enacted, thanks to the implementation of agreements and memoranda of understanding between banks and the concerned counterparties.

Decreto Rilancio allocates an additional EUR 155 billion to the Italian economy to face the unprecedented crisis and support the country's recovery. *Decreto Rilancio* aimed at guaranteeing liquidity and support for Italian companies, ensuring their stability in the emergency period and facilitating their post-crisis recovery.

In 2020, the following national mitigation measures were established in Sardinia to support businesses impacted by the sanitary restrictions:

- The suspension of the payments of microcredit loans, provided by the various extraordinary legislative measures issued during 2020. This measure has been useful for local MSMEs and concerns loans due from 17 March 2020 until 30 June 2021
- The maximum amount of microcredit was increased from EUR 35,000 to EUR 50,000.
- The extension of direct guarantees from the "Guarantee Fund for SMEs" to companies belonging to the agricultural and fisheries sector.
- The extension of direct guarantees of the "Guarantee Fund for SMEs" to microcredit operators to finance their own financial intermediation activities.

EU fund supporting this initiative

European Regional Development Fund (ERDF) and Sardinian Regional funds

Objective of the initiative

The Sardinian Enterprises Emergency Fund (FEIS) was launched to support the regional economy during the Covid-19 crisis, specifically the entrepreneurial sectors that were most impacted by the sanitary measures.

Time frame

The measures were implemented from March 2020 until June 2022.

Sector and scope

The measure was adopted to support regional MSMEs and large enterprises in manufacturing, services and tourism, which constitute a substantial part of Sardinia's economic activity and were among the most impacted by the crisis.

Keywords

- Emergency fund
- Regional development
- Sardinia
- MSMEs
- Big enterprises
- COVID-19

Institutional Profile

Presentation	Autonomous Region of Sardinia
Type of organisation	Government body
Country	Italy
Products & services provided	Financial product: Zero or low interest loans
Gross Loan Portfolio	EUR 150 million for each initiative
Number of clients	First initiative: 131 beneficiaries Second initiative: 9 beneficiaries
Target audience	Regional MSMEs and BEs operating in manufacturing, services, tourism
Organisation website	www.regione.sardegna.it

Overview of the good practice

The Sardinian Enterprises Emergency Fund (FEIS) was launched in 2020 to financially support the regional economy during the COVID-19 crisis (specifically the entrepreneurial sector).

It consists of mid- and long-term loans for financial liquidity (up to 15 years) and investments (up to 20 years).

Measure 1	Fondo di Emergenza Imprese Sardegna - Sardinia
Timeframe	The measure was launched in 2020 and ended in June 2022
Target recipients and territorial scope	MSMEs and large companies operating in manufacturing, services, and tourism in Sardinia
EU funds supporting the initiative	The European Regional Fund and regional funds
Maximum amount of microloan disbursed	Up to EUR 800,000
Interest rate	0%
Quantitative outputs	131 beneficiaries (from 3,407 applications), with an allocation of 65% of the dedicated budget (*last update: September 2021*)
Budget	EUR 150 million: EUR 120 million from ERDF Sardinia OP 2014 - 2020, TO 3 Competitiveness; EUR 30 million from Regional Funds).
Maximum ticket size	EUR 800,000: for MSMEs, the resources came from ERDF Sardinia; for large companies, resources came from regional resources.
Eligible costs	Liquidity and Investment
Loan term	15 years for liquidity; 20 years for investment
Grace period	24 months

Measure 2	Fondo di Emergenza Imprese Sardegna - Sardinia
Target recipients and territorial scope	MSMEs and large enterprises operating in manufacturing, services, and tourism in Sardinia
Maximum amount of microloan disbursed	Up to EUR 5 million for each beneficiary (EU resources for MSMEs, regional resources for large enterprise)
Interest rate	Low-interest rate (for loans up to 6 years) or market interest rates (for loans 6+ years)
Quantitative outputs	19 beneficiaries (from 395 applications), with an allocation of 65% of the dedicated budget (*last update: September 2021*)
Budget	EUR 150 million: EUR 120 million from ERDF Sardinia OP 2014 - 2020, TO 3 Competitiveness; EUR 30 million from Regional Funds).
Maximum ticket size	EUR 5,000,000
Eligible costs	Liquidity and Investment
Loan term	15 years for liquidity; 20 years for investment
Grace period	24 months

Outcomes

Measure 1: From 3,407 applications, 131 beneficiaries received a loan, which represents 65% of the budget of EUR 150 million.

Measure 2: From 395 applications, 19 beneficiaries received a loan, which represents 65% of the dedicated budget of EUR 150 million.

Innovativeness

The main innovation brought by this initiative was the ability to disburse loans for liquidity purposes at a 0% interest rate. The loans allowed the receiving enterprises (97% of which were SMEs) to cope with the consequences of the financial crisis brought by COVID-19. This resilience was possible by retaining employees and reinforcing the financial structure of businesses (the FEIS long term of 15 years allowed enterprises to also restructure their existing debts).

Efficiency & lessons learned

These measures had a clear impact on the regional area of Sardinia, and combined with the Enterprises Emergency Fund, they brought microcredit demand back to pre-COVID-19 levels.

In the temporary legislative framework adopted to support the regional economy against COVID-19, the first lesson is that exceptional circumstances cannot be dealt with through ordinary measures. Looking ahead, we must be aware that exceptional crises required rapid exceptional actions since it is likely that ordinary actions won't help.

The second lesson is that flexibility is essential. The set of balanced actions adopted by Sardinia Region has generated strong participation by regional companies.

The third lesson is to meet the needs of beneficiaries. The adoption of the FEIS instrument was prepared by meeting and talking with regional actors to focus on their needs and better shape the proper actions. The FEIS outcomes show that the method has been appreciated by the beneficiaries.

7. COVID-19 working capital loan

PORA Regional Development Agency of Koprivnica Križevci County

HAMAG-BICRO (Croatian Agency for Small Business, Innovation, and Investment)

National and regional context during and after the pandemic

Since March 2020, the Croatian government has adopted a series of measures to support SMEs:

- The Croatian Employment Service implemented measures to preserve jobs and retain employees in sectors most affected by the crisis. Financial support was set at EUR 530 per employee.

- the Croatian Agency for SMEs, Innovations and Investments (HAMAG BICRO) launched six measures:
  1. A moratorium on loans;
  2. An increased allocation of the ESIF Micro Working Capital Loans instrument for micro and small entrepreneurs;
  3. A reduction of interest rates on investment loans and ESIF micro and small loans;
  4. An increase of the maximum guarantee rate for working capital loans from 65% to 80% of the loan principal (ESIF individual guarantee);
  5. The establishment of a new financial instrument "COVID-19 loans" for working capital for SMEs with an interest rate of 0.25% and a grace period up to 12 months.
  6. The establishment of a new financial instrument "Microloan Working Capital Loan for Rural Development."

- The Croatian Bank for Reconstruction and Development launched a "*Working Capital measure COVID-19*" as a temporary measure within the Working Capital Lending program. The loans were approved up to HRK 100,000 with an interest rate of 2.00% for up to three years with a year grace period.

At the national as well as at the regional level (Koprivnica-Križevci County - KKC), the entrepreneurship structure is mostly made up of micro, small and medium-sized enterprises (MSMEs).

Statistic data of the Croatian Financial Agency for entrepreneurs at the national and regional level of the Koprivnica Križevci County

Regional level	2019	2020	2021
Entreprises (MSMEs and large entreprises)	1,993 entreprises: • 1,753 microentreprises • 213 small entreprises • 21 mid-sized entreprises • 6 large entreprises	2,035 entreprises: • 1,785 microentreprises • 218 small entreprises • 25 mid-sized entreprises • 7 large entreprises	2,060 entreprises: • 1,794 micro entreprises • 236 small entrepreneurs • 23 mid-sized entrepreneurs • 7 large entrepreneurs
Total income	EUR 1.641 billion	EUR 1.698 billion	EUR 1.826 billion
Export	EUR 426 million	EUR 455 million	EUR 470 million

National level	2019	2020	2021
Entreprises (MSMEs and large entreprises)	136,260	139,009	144,259
Total income	EUR 106.150 billion	EUR 99.178 billion	EUR 118.099 billion
Export	EUR 20.193 billion	EUR 18.799 billion	EUR 25.212 billion

EU fund supporting this initiative

European Regional Development Fund (ERDF)

Objective of the initiative

The objective of this initiative was to provide additional liquidity to MSMEs affected by the COVID-19 pandemic, reduce interest rates and reduce the level of required collateral.

Time frame

From March 2020 to January 2022

Sector and scope

MSMEs that needed financial assistance due to the crisis caused by the COVID-19 pandemic

Keywords

Working capital | Regional development | SMEs

Institutional Profile

Presentation	HAMAG-BICRO is the "*Croatian Agency for Small Business, Innovation and Investment*" and falls under the supervision of the Ministry of the Economy and Sustainable Development. The objective of the agency is to encourage investment, financing (e.g., lending, guarantee, etc.) and support (e.g., research, development, and application of modern technologies) for small businesses. The agency is also responsible for the development and the coordination of national policy measures related to innovation and the necessary financial instruments with the ultimate goal of motivating the private and public sectors to invest in research and development. The agency also provides financial support to innovative and technology-oriented companies in Croatia.
Type of organisation	Regional development
Country	Croatia
Gross Loan Portfolio	EUR 3,256,660 (regional level)
Number of clients	63 (regional level)
Products & services provided	Working capital loan
Target audience	MSMEs affected by the crisis
Organisation website	hamagbicro.hr

Overview of the good practice

The financial instrument "COVID-19 working capital loan" was provided for MSMEs affected by the COVID-19 pandemic and was funded by the European Regional Development Fund. HAMAG-BICRO directly approved working capital loans to MSMEs.

The objective of this financial instrument was to provide additional liquidity to MSMEs with reduced interest rates and less required collateral.

The programme is addressed to MSMEs who were active for at least three months in 2019 and who experienced a 20% or more decline of revenue compared to 2020. The programme covered all of Croatia.

The eligible costs were:

- Staff costs;
- Procurement of raw materials;
- Settlement of obligations towards suppliers;
- Overhead costs;
- Rent costs;
- Settlement of short-term liabilities to financial institutions;
- Other operating costs.

	COVID -19 Working Capital Loan
Target recipients and territorial scope	MSMEs affected by the COVID-19 crisis
Maximum amount of microloan disbursed	EUR 100,000
Interest rate	0.25%
Quantitative outputs	**National Level**: 5,320 loans, for a total value of EUR 274,839,680 **Regional Level**: 63 loans, for a total value of EUR 3,256,660
Eligible costs	Liquidity
Loan term	6 months
Grace period	12 months
Collateral instrument	Debenture of borrower
Loan Repayment Period	Up to 5 years including the grace period

Outcomes

An innovative element of the "*COVID-19 working capital loan*" is that the loan was intended exclusively for small businesses affected by COVID-19 that were active for at least three months in 2019 and who experienced a 20% loss of revenue in 2020.

This financial instrument enabled MSMEs to maintain their liquidity and business stability.

The loan application and processing of loans was carried out online. The digitalisation of the process accelerated the approval of "*COVID-19 working capital loans*" and made it easier for MSMEs to apply.

Innovativeness

At the national level, the instrument approved 5,320 MSMEs loans for a total of EUR 274,839,680.

According to HAMAG-BICRO, the Croatian Agency for Small Business, Innovation, and Investment, 63 working capital loans were disbursed in Koprivnica-Križevci County between 17 March 2020 and 12 January 2022 for a total of EUR 3,256,660.

Most MSMEs requesting support came from the hospitality sector (e.g., bars, restaurants, facilities preparing and serving food).

Of the 63 entrepreneurs granted a loan, 59 are still economically active which proves that the loans contributed positively to their sustainability.

Efficiency & lessons learned

According to the statistical data, the "COVID-19 working capital loan" had a positive impact on MSMEs. Due to favourable loan approval conditions (e.g., interest rate, repayment period, collateral, loan grace period) MSMEs have been provided financial security and sufficient time to ensure business liquidity due to the crisis caused by the COVID-19 pandemic.

The most important lesson from the financial instrument "COVID-19 working capital loan" is that these kind of loans provide short-term liquidity to MSMEs to help them overcome the partial or complete inability to perform their economic activity.

8. Vouchers for the purchase of specialist consultancy services for MSMEs affected by the COVID-19 pandemic

Marshal's Office of the Świętokrzyskie Voivodeship, Investment and Development Department, Innovation and Knowledge Transfer Section

ŚWIĘTOKRZYSKIE VOIVODESHIP

National and regional context during and after the pandemic

The Covid-19 pandemic led to significant restrictions on the activities of Świętokrzyskie companies and caused a large decline in their turnover. In addition, the imposed safety requirements for workers, which included the obligation to maintain a safe distance between workers, meant that many companies had to adopt a shift system or switch entirely to remote working.

Companies could not carry out orders that required direct contact, which further reduced the number of orders and lowered revenues. For sectors such as cosmetics, catering and tourism, the pandemic led to a complete standstill.

These restrictions had a negative impact on the liquidity of businesses and the payment of current liabilities. During that period, there was a record demand for extensive support in terms of optimisation, restructuring or other assistance in surviving the period of a sharp fall in turnover.

EU fund supporting this initiative

European Regional Development Fund (ERDF)

Objective of the initiative

To mitigate the effects of the current and future economic situation related to the COVID-19 crisis on MSMEs, eg. maintaining the company on the local market and/or protecting jobs.

Time frame

1st call: May 21st 2020 to May 27th 2020. The maximum duration of the consultancy service was 6 months

2nd call: October 1st 2020 to October 12th 2020. The maximum duration of the consultancy service was 3 months

Sector and scope

1st call: MSMEs actively operating in Świętokrzyskie Voivodeship for at least three months and who were affected by the COVID-19 outbreak

2nd call: SMEs suffering the consequences of the outbreak and whose financial situation, despite the opening of the economy, was still fragile. Support was targeted towards SMEs that had experienced a drop in turnover (sales revenue) of at least 30% over the selected three months, and who did not receive funding in the previous call.

Keywords

ERDF | SMEs | Support | Vouchers | Consultancy services

Institutional Profile

Presentation	Marshal's Office of the Świętokrzyskie Voivodeship
Type of organisation	Territorial self-government body
Country	Poland, Świętokrzyskie Voivodeship
Products & services provided	Financial support for non-financial services
Total granted co-financing	1st **call**: 8,899,700 PLN (~EUR 2 million) 2nd **call**: 277,182 PLN (~EUR 60,000)
Number of clients	1st **call**: 186 contracts 2nd **call**: 12 contracts
Target audience	SMEs registered in the Świętokrzyskie region suffering the consequences of the crisis
Organisation website	www.swietokrzyskie.pro/en

Overview of the good practice

Under this initiative, two calls for proposals were carried out targeting MSMEs active in the Świętokrzyskie region that were affected by the COVID-19 outbreak.

Support was allocated in the form of vouchers for the purchase of advisory services, which were implemented by service providers, qualified entities (i.e. Business Environment Institutions*) and companies providing advisory services to SMEs (e.g. regional and local development agencies, training and advisory centres, organisations representing entrepreneurs, technology transfer centres, research and development institutes and centres, innovation and entrepreneurship centres, law firms, tax advisory firms). The initiative was very responsive to the needs of SMEs.

**A Business Environment Institution (BEI) is an entity carrying out activities aimed at the development of entrepreneurship and innovation, non-profit or allocating its profit to statutory purposes in accordance with the provisions of the statute or another equivalent founding document, having a material, technical base as well as human and competence resources necessary to provide services for the SME sector.*

	Vouchers for the purchase of specialist consultancy for SMEs
Target recipients and territorial scope	1st **call**: SMEs actively operating in the Świętokrzyskie Voivodeship region affected by the COVID-19 outbreak 2nd **call**: SMEs suffering the consequences of the outbreak and whose financial situation, despite the opening of the economy, was still fragile
Maximum amount of funding for a consultancy service	1st **call**: 50,000 PLN (~EUR 10,500) 2nd **call**: 25,000 PLN (~EUR 5,600)
Value of voucher co-financing	1st **call**: 100% of eligible costs 2nd **call**: 85% of eligible costs
Maximum duration of consultancy services	1st **call**: 6 months 2nd **call**: 3 months
Number of applicants	1st **call**: 398 2nd **call**: 25
Number of contracts signed	1st **call**: 186 2nd **call**: 12
Value of granted co-financing	1st **call**: PLN 8,899,700 (~EUR 2 million) 2nd **call**: PLN 277,182 (~EUR 60,000)

The catalogue of consultancy services eligible to be co-financed was the same for both calls; for the second call, the delivery of the consultancy services requested by the SMEs had to be duly justified in terms of mitigating the impact of the current and future economic situation related to tackling the consequences of COVID-19.

The catalogue of consultancy services did not indicate specific services to apply for. It was up to the entrepreneurs themselves to decide which services they needed. The list below highlights some of the most recurring services requested from the entrepreneurs:

- Support for the transition to online working;
- Consulting on changing the method of delivering services;
- Services on legal matters, e.g., application of the transitional provisions introduced by COVID-19 and its impact on the renegotiation of long-term contracts, including commercial contracts, restructuring or protection from creditors;
- Legal support for empowerment introduced by legislation related to the current epidemic;
- Analysis of the possibility and impact of using force majeure clauses in contracts or statutory documentation;
- Services in the area of financial issues, e.g., obtaining aid financing and implementing other measures to cover the financial gap, loss of liquidity, etc.;
- Development of modernisation investments for the digitalisation of company processes;
- Analysis of the existing business model and development of new models, taking into account market changes resulting from the epidemic;
- Advice on adapting the sales and service model of products and services to changes in customer needs and behaviour;
- Development of remedial sales, pricing or marketing strategies that allow for a rapid return to operability after the economic crisis caused by the epidemic.

The most requested services were the following:

- Support for transition to remote working;
- Advice on changing the way a company delivers its services;
- Services on legal matters, e.g., application of the transitional provisions introduced by the COVID-19 epidemic and its consequences, renegotiation of long-term contracts, including commercial contracts, restructuring or protection from creditors;
- Legal support regarding entitlements introduced by legislation related to the prevailing epidemic, assistance with drafting the relevant documents;
- Analysis of the feasibility and impact of using force majeure clauses in contractual or statutory documentation;
- Services on financial issues, e.g., obtaining aid financing and implementing other measures to cover the financial gap, loss of liquidity, etc.

The selection process worked according to the following criteria:

- The application must concern a consultancy service aimed at mitigating the effects of the current and future economic situation of the SME in relation to combating the consequences of COVID-19 and, inter alia, aimed at maintaining the company on the market and/or protecting jobs;
- The applicant had to meet the definition of a micro, small or medium entrepreneur from Annex No. I to the Commission Regulation (EU) No. 651/2014;
- The applicant had not exceeded the amount of *de minimis* aid limit;
- The applicant planning to implement the advisory service must have been actively engaged in a business activity for not less than three months from the day preceding the submission of the application;
- The applicant must have a registered office or branch of the business activity in the Świętokrzyskie region.

Outcomes

198 vouchers for advisory services were granted.

As part of each of the services provided, documentation was prepared with conclusions and recommendations to improve the situation of a given SME.

In addition, if necessary, companies were equipped with fixed assets that were needed to receive and implement the advisory services, such as the purchase of hardware and software enabling the transition to remote working.

Innovativeness

The initiative envisages a demand-side scheme for the delivery of advisory services. The provision of vouchers to Świętokrzyskie companies was financed based on an individual analysis of their needs and development plans.

SMEs determined the advisory services and selected the service providers themselves.. The catalogue of advisory services was open for SMEs to decide; the specific situation of each company required unique services to be delivered. The vouchers were tailored to the needs of each entrepreneur, which minimised the risk of financing misguided services.

Efficiency & lessons learned

So far, companies that have received funding for advisory services are still economically active, their financial liquidity has been maintained and existing jobs have also been preserved.

Each entrepreneur was required to fill in a satisfaction survey after the implementation of the advisory service.

The usefulness of the initiative was very highly rated by entrepreneurs who received financial support for advisory services. The research showed that the support provided was responsive to the needs of SMEs and the advisory services brought several benefits to Świętokrzyskie companies affected by the pandemic. Cooperation between SMEs and service providers was very positive. Entrepreneurs highly valued the service providers, who were not only responsible for delivering the advisory service, but were also responsible for overseeing the entire task.

Testimony from a client

Set up in 2009, REFAL LTD is a group of fruit and vegetable producers uniting fruit growers and farmers from the Sandomierz area. They deal with the storage, sorting and sale of fruit and vegetables.

During the COVID-19 crisis, the company experienced:

- A significant drop in turnover;
- A reduced interest of potential contractors in purchasing fruit and vegetables, especially for foreign markets;
- Substantial logistical problems in exporting goods to markets, including difficult access to containers, transport and packaging;
- A reduction in financial liquidity.

Thanks to the consultancy services implemented through the vouchers project, Refal LTD has planned to implement a new business model that will enable the diversification of its commercial offer and a better adaptation to the Polish market. A professional consulting service provided the opportunity to develop an optimal business model and adjust the sales model to alleviate the economic impacts of COVID-19.

Conclusions & Policy Recommendations

As presented in the cases above, the measures launched at the national, regional and local level can be summarised into two strands:

- Financial support to maintain the liquidity and solvency of MSMEs with (micro)loans and moratoriums on loan repayments;

- Tailored non-financial programmes: business development services, mentoring and consultancy services to help adapt MSMEs' economic activities to the new economic context (digitalisation, business models, etc.).

While specific measures have been unlocked at the EU level to scale up support to jobs and businesses, it seems that the measures launched on the ground were managed by established organisations and structures, as indicated by the SME Envoy report.[16]. To spread funding received from the EU level, national and regional authorities relied on market participants such as MFIs and organisations that provide non-financial services to MSMEs.

At the national level, substantial financial support was directed to MSMEs; several Member States also focused support on debt solutions. Although this was the best solution at the time, many MSMEs now risk reaching the limit of their debt capacity, bringing their future sustainability into question.

For businesses who benefited from the moratorium or (micro)loans, the question today is how to ensure the sustainability and future financing of these actors. The SME Envoy report indicates that for smaller companies, the key to ensure financing for SMEs who accumulated debt due to the crisis would be to accompany them in the phasing out of the support measures to avoid an insolvency crisis and cliff effect. Business development services and mentoring programmes provided by MFIs represent one of the best options to accompany those small actors from the most vulnerable groups.

However, in some countries, microfinance experienced a decline from the beginning of the crisis due to a lack of support from the authorities as interest rates were not lowered amidst the economic uncertainty. In Sardinia for instance, microfinance slowed down in 2020 due to economic uncertainty and the consecutive closures of commercial activities. Measures have been adopted to support the sector: maximum thresholds (for instance in Italy) were increased and the guarantee funds for SME financing to MFIs were also increased. In some countries, such as Poland, interest rates were lowered to 0% to improve the attractiveness of microfinance.

At the EU level, to support and strengthen access to finance from MFIs to micro-businesses, the European Commission and European Investment Fund (EIF) adapted the conditions of the EaSI guarantee by increasing the guarantee and counter guarantee rate from 80% to 90%; extending the guarantee coverage from 6 to 7 years for microfinance and from 10 to 11 years for social entrepreneurship; and, increasing the loan thresholds from EUR 25,000 to EUR 50,000 and from EUR 500,000 to EUR 1,000,000)[17]. The experience of COVID-19 illustrated the need to improve loan conditions offered by specialised MFIs in times of crisis.

For some MFIs, the crisis accelerated the digitalisation of their lending processes, simplifying access to finance for entrepreneurs. To pursue this trend and simplify access to microfinance for MSMEs, MFIs will support to implement the regulatory and technical requirements to digitalise their processes.

[16] SME Envoy report

[17] EMN-MFC Webinar New support measures under the EaSI Programme

Recommendations

As part of the best practice exchanges, the regular partner meetings also provided an opportunity to develop recommendations based on the experiences from the ground.

These recommendations were mapped to three distinct time periods:

1. The initial outbreak of the crisis, where the first emergency measures were adopted at the EU and national level;
2. The measures adopted during the crisis to support the economy;
3. The measures adopted at the end of the crisis to foster the economic recovery.

Outbreak of the crisis

- Evaluate the situation and needs of MSMEs as a first step
- **Funding**:
  - Simplified and accellerate access to funding for viable businesses: liquidity and working capital
  - More funding with low or 0% interest rate as implemented in the good practices
  - Develop measures at the local level to ensure that the smallest business have easy access to these funding
  - More funding with the same conditions as shown in the cases
  - Target the most vulnerable business with flexible and tailored products
  - Apply reliefs measures (moratoria, tax holidays…)
- **Reactivity and increased cooperation accross the different levels of authorities for a rapid delivery of the support**

During the crisis

- Support the digitalisation of businesses to expand their market, to adapt their process to the new economic context and to improve access to finance
- Support with financial and non-financial services the adaptation of the business models to the economic context
- Support marketing competences to create new markets and increase the demand
- Support the creation of networks in each sector to trigger more collaboration between entrepreneurs

Towards the economic recovery

- Domestic production: encourage local market supply and encourage digitalisation of the local economy
- Education and more information to entrepreneurs to give them more support and information when they are confronted to difficult situations such as the pandemic (information of State and regional aids, application processes for grants, loans and non-financial services…)
- Green transition and digitalisation: inform and educate entrepreneurs to foster the green transition using digital tools
- Resilience and be prepared for the future: governments should be more present to ensure the survival of businesses rather than spending money on unemployment benefits
- Microfinance is known for being fast, quick and flexible and governments should rely more on MFIs in the future

Implementation of the recommendations by project partners

This table summarises the main recommendations applied by project partners in the good practices presented above.

	Fejér Enterprise Agency	Hungarian Ministry of Finance	Hungarian Ministry of Finance	European Business and Innovation Centre of Burgos (CEEI Burgos)
Initiative → / Recommendation ↓	*Resilience package of Fejér Enterprise Agency*	*Interest-free fast loan programme for relaunch (Fast loan)*	*Working capital loan programme for SMEs*	*Grants for digitisation, promotion, and e-commerce activities to boost economy in rural areas after COVID-19 impact*
Evaluate the needs of MSMEs	★			
Rapid, flexible, and simplified access to funding with low interest rate	★	★	★	
Apply relief measures to support liquidity				
Advisory services, tailored business development service and mentoring	★			
Support the digitalisation of entrepreneurs and MFIs				★
Support to restructure business and marketing model				
Create regional and local network				
Support microfinance as provider of simplified and flexible financing and BDS	★			

Initiative → Recommendation ↓	KIZ SINNOVA company for social innovation	Zala County Foundation for Enterprise Promotion	Autonomous Region of Sardinia – Regional Dept. for Planning	PORA Regional development agency of Koprivnica Križevci County	Świętokrzyskie Region – Marshal Office of Świętokrzyskie Region
	SOS Mentoring	*Loan Moratorium: Preventing bankruptcy of micro-enterprises financed by ZMVA*	*FEIS - Fondo di Emergenza Imprese Sardegna (Sardinian Enterprises Emergency Fund)*	*COVID-19 working capital loan*	*Vouchers for the purchase of specialist consultancy services for MSMEs affected by the COVID-19 pandemic*
Evaluate the needs of MSMEs	★	★	★	★	★
Rapid, flexible, and simplified access to funding with low interest rate				★	
Apply relief measures to support liquidity		★			
Advisory services, tailored business development service and mentoring	★				★
Support the digitalisation of entrepreneurs and MFIs	★				★
Support to restructure business and marketing model	★				★
Create regional and local network					
Support microfinance as provider of simplified and flexible financing and BDS			★		

List of partners

The extension of the Interreg ATMs for SMEs project from September 2021 to September 2022 brought together several project partners, including.

- Fejér Enterprise Agency (lead partner)
  Hungary
- Hungarian Ministry of Finance
  Hungary
- European Business and Innovation Centre of Burgos (CEEI Burgos)
  Spain
- KIZ SINNOVA
  Germany
- Zala County Foundation for Enterprise Promotion
  Hungary
- Autonomous Region of Sardinia, Regional Department for Planning
  Italy
- PORA Regional development agency of Koprivnica Križevci County
  Croatia
- Świętokrzyskie Region, Marshal Office of Świętokrzyskie Region
  Poland
- European Microfinance Network
  Belgium

ATM for SMEs
Interreg Europe

European Union
European Regional
Development Fund

EUROPEAN
MICROFINANCE
NETWORK

European Microfinance Network (EMN) aisbl
Avenue des Arts 7-8 - 1210 Brussels - Belgium
www.european-microfinance.org