

Debt instruments in Greece during the pandemic

Timotheos Rekkas
National expert, Greece



Hellenic Ministry for Economy & Investments

General Secretariat for Industry

Directorate General for Industrial & Entrepreneurship Policy

Directorate for the Support of SMEs

Head of Unit C' Entrepreneurship Development and SMEs' Access to Finance

SME Envoys Finance

**Exchange of good practices on
national solvency measures for
SMEs during and after the Covid-
19 crisis**

Online workshop, 28-9-2021



3 Major initiatives

01

The Entrepreneurship Fund II

02

COVID-19 Business Guarantee Fund

03

Subsidy Loans for Existing SMEs Loans Affected by the COVID-19 Virus Pandemic Measures

01

The Entrepreneurship Fund II

Total budget:

b. 1 euro

BENEFICIARIES:

SMEs

FINACIAL INSTRUMENTS

Program "Entrepreneurship Finance"

Total budget: m. 990 euro

For:

- ✓ Investments for development reasons with the following conditions (Sub-program 1)
- ✓ Provision of working capital (Sub-program 2)
- ✓ Measures during COVID-19 crisis: Provision of working capital with interest rate subsidy with the following conditions (Sub-programs 3 & 4)

Financed by:
ERDF 2014-2020

POLICY OBJECTIVES

- ✓ Sub-programs 1 & 2: Investments – Working Capital (before COVID-19 crisis)
- ✓ Sub-programs 3 & 4: Working Capital (during COVID-19 crisis)

REGULATORY FRAMEWORK

- ✓ EC Regulation 651/2014, Section 3 "Aid for access to finance for SMEs", articles 21-22.
- ✓ The State aid Temporary Framework based on Article 107(3)(b) TFEU which enables EU Member States to compensate companies for the damage directly caused by exceptional occurrences, such as those caused by the COVID-19 outbreak.

01

The Entrepreneurship Fund II

01

Sub-program 1: Investments for development reasons

Sub-program 2: Provision of working capital

Public funds: m. 366 € + m. 549,46 € (private funds) → Total fund's budget: m. 915,75 € (proportion: 40% - 60%)

Launched: June 2018 (before COVID-19 crisis)

-
- Co-investment proportion: 40% public funds – 60% private funds.
 - Purpose of funding: Investment.
 - Loan Amount: €25.000 - €1,5 million.
 - Interest Rate: Average interest rate (0% interest rate offered by HDB S.A. and interest rate offered by participating Banks according to market conditions).
 - Collateral: Up to 120% of loan's amount.
 - Duration: 5-10 years.
 - Grace period: 6 to 24 months (interest accrued).
 - Instalments: Agreed between bank and client.
 - Fees charged: Up to 0,5% but they shall not exceed € 4.000/contract.

01

The Entrepreneurship Fund II

01

Sub-program 1: Investments for development reasons

- Co-investment proportion: 40% public funds – 60% private funds.
- Purpose of funding: Investment.
- Loan Amount: €25.000 – €1,5 million.
- Interest Rate: Average interest rate (0% interest rate offered by HDB S.A. and interest rate offered by participating Banks according to market conditions).
- Collateral: Up to 120% of loan's amount.
- Duration: 5-10 years.
- Grace period: 6 to 24 months (interest accrued).
- Instalments: Agreed between bank and client.
- Fees charged: up to 0,5% but they shall not exceed € 4.000/contract.

Types of eligible loans for:

- Financing during primary stages (seed, start-up capital)
- Expansion reasons, activities
- Entering new markets

01

The Entrepreneurship Fund II

01

Sub-program 2: Provision of working capital

- Co-investment proportion: 40% public funds – 60% private funds.
- Purpose of funding: Working capital.
- Loan Amount: €10.000 - €500.000.
- Interest Rate: Average interest rate (0% interest rate offered by HDB S.A. and interest rate offered by participating Banks according to market conditions).
- Collateral: Up to 120% of loan's amount.
- Duration: 24 up to 60 months.
- Grace period: 6 to 24 months.
- Instalments: Agreed between bank and client.
- Fees charged: up to 0,5% of the loan amount but they shall not exceed €4.000/contract.

Types of eligible loans for:

- Financing during primary stages (seed, start-up capital)
- Expansion reasons, activities
- Entering new markets

Subproject 1

Total number of approved loans: 721

Total volume of loans: m. 119,3 €

<https://hdb.gr/ypoprogramma1/>

Subproject 2

Total number of approved loans: 1.352

Total volume of loans: m. 254,3 €

<https://hdb.gr/ypoprogramma2/>

01

The Entrepreneurship Fund II

01

Sub-program 3 (during COVID-19 crisis): Provision of working capital with interest rate subsidy
Public funds: m. 516,3 € + m. 773,7 € (private funds) → Total fund's budget: b. 1,3 € (proportion: 40% - 60%)
Launched: April 2020 (during COVID-19 crisis)

- Co-investment proportion: 40% public funds – 60% private funds.
- Purpose of funding: Working capital loans with interest rate subsidies for up to two (2) years.
- Loan Amount: €10.000 – €500.000 and up to 50% of their turnover or up to 50% of current year's orders.
- Interest Rate: Average interest rate. Actually, 0% interest rate is offered by HDB S.A. while an interest rate is offered by participating banks according to market conditions. The interest rate of each loan for the first two years is subsidized 100% from the Entrepreneurship Fund II resources. Interest rate shall not exceed 8% during the subsidy period (2 years).
- Duration: 24 to 60 months.
- Possibility for a grace period up to 6 months.
- Instalments: Agreed between bank and client.
- Fees charged: up to 0,5% of the loan amount but they shall not exceed €4.000/contract.

01

The Entrepreneurship Fund II

01

Sub-program 3 (during COVID-19 crisis): Provision of working capital with interest rate subsidy

Eligible companies:

- SMEs facing serious economic difficulties because of the negative effects of the spread of COVID – 19 in a variety of sectors (manufacturing, commerce, services).
- Companies in financial difficulties were not eligible to participate in the program.

Condition:

- Beneficiaries were obliged to keep the same number of total staff as the one before March 2020 for a two year period.

State-aid is in line with Article 107, par. 2 and 3 of TFEU, as well as chapters 3.1, 4 and 5 of European Commission's Announcement 1863(2020)/19.3.2020 (Temporary Framework for State aid measures to support the economy during the current outbreak of the COVID-19 pandemic).

For the implementation of Sub-program 3, €300 million were added to the initial budget of the Entrepreneurship Fund II aiming to address liquidity problems of Greek SMEs during COVID-19 pandemic.

Subproject 3:

Total number of approved loans: 10.185

Total volume of loans: b. 1,3 €

<https://hdb.gr/ypoprogramma3/>

01

The Entrepreneurship Fund II

01

Sub-program 4 (during COVID-19 crisis): Provision of working capital with interest rate subsidy

Public funds: b. 1 € + b. 1,3 €(private funds) → Total fund's budget: b. 2,3 €

Launched: April 2020 (during COVID-19 crisis)

Co-investment proportion: 5% public funds – 95% private funds.

- Purpose of funding: Working capital loans with interest rate subsidies for up to two (2) years.
- Loan Amount: €10.000 – €500.000 and up to 50% of their turnover or up to 50% of current year's orders.
- Interest Rate: Average interest rate. Actually, 0% interest rate is offered by HDB S.A. while an interest rate is offered by participating banks according to market conditions. The interest rate of each loan for the first two years is subsidized 100% from the Entrepreneurship Fund II resources. Interest rate shall not exceed 8% during the subsidy period (2 years).
- Duration: 24 to 60 months.
- Possibility for a grace period up to 6 months.
- Instalments: Agreed between bank and client.
- Fees charged: up to 0,5% of the loan amount but they shall not exceed €4.000/contract.

01

The Entrepreneurship Fund II

01

Sub-program 4 (during COVID-19 crisis): Provision of working capital with interest rate subsidy

Eligible companies:

- SMEs which have submitted a loan application under Subprogram 3 but none of their applications was approved due to lack of public resources to fund these applications.
- SMEs facing serious economic difficulties because of the negative effects of the spread of COVID – 19 in a variety of sectors (manufacturing, commerce, services).
- Companies in financial difficulties were not eligible to participate in the program.

Conditions:

- Beneficiaries were obliged to keep the same number of total staff as the one before March 2020 when the Temporary State Aid Framework was announced by the Commission for a two year period.
- SMEs which have received at least one loan under sub-programs 1, 2 and 3 of the Entrepreneurship Fund II's "Business Funding" program or have received a loan guaranteed by the "COVID 19 Business Guarantee Fund" are not eligible for Sub-program 4.

For the implementation of Sub-program 4, € 180 million were added to the initial budget of the Entrepreneurship Fund II aiming to address liquidity problems of Greek SMEs during COVID-19 pandemic.

Subproject 4:

Total number of approved loans: 7.129

Total volume of loans: m. 429,9 €

<https://hdb.gr/ypoprogramma4/>

01

The Entrepreneurship Fund II

01

The Entrepreneurship Fund II – Outcomes (31 May 2021)

Subproject 1

Total number of approved loans: 721
Total volume of loans: m. 119,3 €

Subproject 2

Total number of approved loans: 1.352
Total volume of loans: m. 254,3 €

Subproject 3:

Total number of approved loans: 10.185
Total volume of loans: b. 1,3 €

Subproject 4:

Total number of approved loans: 7.129
Total volume of loans: m. 429,9 €

Total number of approved loans : 19.387
Total volume of loans: b. 2,1 €

COVID-19 crisis (Subs 3&4):

-Aggregated number of approved loans: 17.314 (89,3% of total number of approved loans).
- Aggregated volume of loans: b. 1,73 € (82,4% of Total volume of loans)

01

The Entrepreneurship Fund II

Regulatory framework: Temporary framework for state aid measures to support the economy during the current outbreak of COVID-19 disease

1st cycle (May 2020):

- Initial budget: € 1 billion.
- €500 million are addressed to portfolio guarantee for SME's and €500 million to portfolio guarantee for large companies
- Eligible companies: SMEs and large enterprises, both viable and not characterized undertaking in difficulty (as mentioned in EC Regulation GBER 651/2014 and have a debt < 90 days on the date of application.
- Guarantee rate 80% per loan.
- Guarantee cap rate: For SMEs 40%, for large enterprises 30%.
- The guarantee premium is granted by the Greek government in a total amount up to €800.000 per working capital loan which could have duration of 1-5 years.

2nd cycle (2020):

- Additional budget: € 780 million.
- Differentiation compared to the 1st cycle: 75% to 90% of new loans of the second cycle of the COVID-19 Business Guarantee Fund are addressed with priority to SMEs.

3rd cycle (May 2021):

- Total available funds: € 460 million.
- Eligible companies: Micro enterprises with max turnover € 200.000.
- Loans up to € 50.000 or € 25.000 for companies established in 2020 and 2021.
- Guarantee rate 80% per loan.

Outcomes (May 2021):

Total number of approved loans: 13.931 (95,5% SMEs)

Total volume of loans: b. 5,9 € (58% SMEs)

<https://hdb.gr/tameio-egguodosia-covid/>

Regulatory framework: Temporary framework for state aid measures to support the economy during the current outbreak of COVID-19 disease.

1st cycle (April 2020):

- The program concerns the interest rates subsidy of existing SMEs loans which were affected negatively in economic terms by the measures against the spread of COVID-19 pandemic.
- Public expenditure: € 750 million.
- The program provides direct subsidies to SMEs for covering current contractual interest rates of SMEs' loans (e.g., securitized loans, bond issue loans, credit agreements and lines of credit)
- Eligible companies: Creditworthy/viable SMEs operating in sectors which face serious financial difficulties.
- Companies in financial difficulties are not eligible to participate in the program.

2nd cycle (February 2021):

- Public expenditure: € 200 million.

Outcomes (July 2021):

Total number of approved loans: 31.624

Total volume of loans: m. 216,7 €

National RRP “Greece 2.0”



General objectives

1. Digital transformation
2. Green transition
3. Sustainable development and inclusive growth
4. Social and territorial cohesion.
5. Health, social and institutional resilience
6. Policies for next generations, education and skills

National RRP “Greece 2.0” – Axis 4.4: Strengthening the financial sector and capital markets

01

NATIONAL STRATEGY FOR MONITORING AND
MANAGEMENT OF PRIVATE DEBT AND
ESTABLISHMENT OF A PUBLIC CREDIT OFFICE

02

ACCELERATION OF PRIVATE DEBT RESTRUCTURING
PROCESSES - SECOND CHANCE

03

CREDIT EXTENSION OBSERVATORY

National RRP “Greece 2.0” – Axis 4.6: Modernize and improve resilience of key economic sectors

01

PROGRAM “SMART MANUFACTURING”

Grants

Public sources: € 75 million

Beneficiaries: SMEs

Aid rate: max 50% of eligible business plans' budget

Regulation: EC 651/2014, art. 14

Objective: Adaptation of Greek manufacturing sector's
SMEs to the requirements of Industry 4.0

Eligible actions:

- AI/Big data analysis and management
- Smart manufacturing technologies (M2M, MES)
- Robotics

02

PROGRAM “NEW INDUSTRIAL PARKS”

Grants

Public sources: € 100 million

Beneficiaries: industrial park's management body/operator

Regulation: EC 651/2014, art. 56

National RRP “Greece 2.0” –

Axis 4.7: Competitiveness improvement and support of private investments

Loans for:

- Digital transformation
- Green transition
- Extroversion
- Economies of scale
- Innovation, research & development

Budget: € 12 b.

Interventions scheduled:

- Loans through cooperation with EIB, EBRD
- Loans through banks/intermediate financial organizations
- Equity through FoF:

Mezzanine FoF (public funds: €400 m.)

Innovation FoF (public funds: €100 m.)

Expected results:

- ✓ Mobilization of additional private funds up to € 6,5 b. and additional bank funds of up to € 12.7 b. by the end of 2025.
- ✓ Creation of new productive investments totaling up to € 32 b. by the end of 2025.
- ✓ Reduction of the investment gap in the Greek economy by 1/3.

Many thanks for your attention!

Timotheos Rekkas



Hellenic Ministry for Development & Investments
General Secretariat for Industry
Directorate General for Industrial & Entrepreneurship Policy
Directorate for the Support of SMEs

Head of Unit C' "Entrepreneurship Development and SMEs'
Access to Finance"

Email: rekkas_t@ggb.gr

Phone number: +30 210 38 93 915

Mobile: +30 697 378 48 68