

# CASE STUDY

PODLASKIE SME PROJECT  
POLAND



# SUMMARY

The Podlaskie region in Poland was one of the least developed in the European Union, characterized by unique natural resources and an agrarian economy. Thanks to the EU operational programmes, the region's infrastructure has significantly improved and economic recovery has taken place. The current development strategy of the region until 2030 sees Podlaskie as entrepreneurial partnership-based and prospective.

The regional authorities focused on the development of entrepreneurship, looking for all possible aspects of support for SMEs. The priorities of the European Union's support in the field of energy efficiency improvement and the introduction of RES were used by launching a snowball of ecological and profitable investments in SMEs with the participation of regional financial institutions, energy advisors and institutions promoting entrepreneurship in the region.



Source: [Strategy of Podlaskie](#)

# CONTEXT

Roundtables during Sustainable Energy Investment Forums have suggested and promoted cross-municipal / regional collaborations as advantageous structures to assist SMEs in connection with planning and implementation of energy efficiency and circular economy. Ideally, these can function as “one-stop-shops” that guide the SMEs through the entire value chain from screening to commissioning and monitoring.

The Podlaskie SME project – “Loans for thermomodernization of SMEs” in Podlaskie region is a concrete example of an organized cross-municipal and multi-stakeholders collaboration around the promotion of energy efficiency in SMEs.

# WHAT DID PODLASKIE SME DO

The Podlaskie SME project provided services to entrepreneurs in the identification and financing of projects improving energy efficiency by 25% in company buildings and as a result of the use of control systems, installations enabling the recovery of thermal energy generated during industrial processes or during its production, improving the energy efficiency of technological systems, energy saving and reduction of CO2 emissions into the atmosphere, the use of energy-saving devices and technologies and the implementation of energy management systems. The required effect is achieved by presenting an energy audit being subject to verification. The ex post verification of the projects is also assured.

Thanks to the decision of the regional authorities of Podlaskie, a repayable financing mechanism was launched consisting in loans with an interest rate reduced to 0%. The subsidy from EU funds from the Regional Operational Program 2014-2020 was made available to two financial intermediaries: the Loan Fund of the Podlaskie Regional Development Foundation,

which is public-private entity, and the private Eastern Fund Ltd. Both institutions had extensive experience in financing SME activities, but not in improving energy efficiency and introducing RES.

The introduction of a new product required, on the one hand, understanding by financial intermediaries and beneficiaries how to meet technical requirements, and on the other hand, how to reach entrepreneurs.

In order to better understand the technical conditions, cooperation was established with an independent advisory centre in Białystok, a branch of the National Energy Conservation Agency from Warsaw, partner of RoundBaltic project, which offered free-of-charge analyses in the form of an energy pre-audit, and an ex-ante energy audit verification service. As a result, the projects submitted by SMEs for financing were well prepared and met the technical conditions for granting loans.

The project was promoted by financial intermediaries, including non-public shareholders of the Regional Development Foundation, i.e. the Chamber of Commerce and Industry, and trade unions operating in enterprises in the region.

The EU Information Point of regional authorities actively joined the promotion of the project through

information activities addressed to entrepreneurs.

An important promoter of the project was the Association of Rural Communes of Podlaskie, which brings together all 78 non-urban communes in the region and conducts extensive activities to stimulate entrepreneurship in them.



# RESULTS

**The project has resulted in implementation of energy efficiency and RES projects in 140 SMEs that allocate 12 MEUR private and public investments.**

**Implementation of these investments will result in:**

- **Modernization of 90 SMEs buildings**
- **Construction of 59 PV plants**
- **Construction of 29 heating installations with use of RES**
- **Reduction of energy demand by 4 GWh/y**

Thanks to the established cooperation, the allocation of funds allocated for investments of this type in SMEs was fully used. Projects implemented in 140 locations in the region are good examples to be followed by other entrepreneurs. In the era of the energy crisis caused by Russia's aggression against Ukraine, the involvement of public funds in financing investments that reduce primary energy consumption is extremely necessary and appreciated by entrepreneurs.

The project fits perfectly into the strategy of the European Green Deal updated with RePower EU. Thanks to the presentation at the RoundBaltic national round table, the project has a chance to be replicated in other regions of Poland as part of the launched Regional Financial Instruments for energy efficiency with co-financing from the EU Regional Funds for 2021-2027.

## LESSONS LEARNED

Thanks to the RoundBaltic project, a regional point of independent consulting for SMEs was created, whose activities ensure transparency in the selection of technologies based on the qualitative assessment of projects in the form of energy audits. Initial free consultancy allows beneficiaries to shorten the way to meet the technical conditions to take advantage of preferential financing.

Regional financial institutions located close to the market reach beneficiaries faster thanks to the use of professional energy consultancy.

Elevating the project to the level of RoundBaltic roundtables drew the attention of the central authorities to the need to support regional and local initiatives conducive to the development of green investments in enterprises.

## INVOLVING THE FINANCIAL SECTOR

In order to avoid a catastrophe related to global warming, it is necessary to take steps to drastically reduce greenhouse gas emissions, increase energy efficiency and protect the natural environment. This, in turn, requires gigantic investments. According to the analysis of the United Nations Framework Convention on Climate Change, commissioned by Bank Ochrony Środowiska (BOŚ - Bank of Environment Protection) in Poland, investments exceeding 300B€ by 2030 will be necessary to carry out the green transformation only in Poland. Despite the planned significant supply of public funds, more than half of the demand for green financing will have to be satisfied by the financial sector and private investors.

The Polish Bank Gospodarstwa Krajowego (BGK - Bank of State Economy), which was established in 1924, implements a financial instrument in the form of a non-competitive project "Establishment and recapitalization of the Guarantee Fund to support innovative

enterprises" co-financed from European Funds from the Smart Development Operational Program in 2014-2020 with a budget of 800B€. The aim of the project is to support the development of innovative enterprises and to increase the innovation potential in the SME sector, taking into account ecologically effective companies. As a result of the leverage multiplier adopted in the project, funds from the Guarantee Fund intended for the implementation of the guarantee action make it possible to grant approximately 1.4B€ of guarantees in the first trade, which, using the maximum guarantee level (80%), can secure the repayment of loans with a value of approximately 1.8B€. An additional amount of funds worth 197M€ allows entrepreneurs to be granted supplementary support in the form of subsidies for paying interest on the loan. In 2023, the BGK launched a credit line with support from EU Fund for Modern Economy 2021-2027 in form of grant of 30%-70% (depending on location) with a budget of 74ME for investments in improving efficiency and RES in SMEs and mid-cap enterprises. Both products are offered by 18 intermediary banks.

One of these banks is the state-owned BOŚ established in 1990 to finance sustainable investments. The bank offers e.g. dedicated loans for pro-ecological projects, organizes issues of green bonds and acts as an intermediary in granting subsidies (national and EU) for

pro-ecological projects, which can additionally be combined with banking products. At the end of 2022, pro-ecological loans in BOŚ accounted for 40,8 % of total loan balance, this share is systematically growing. The Department of Environmental Policy, ESG and Taxonomy of BOŚ also indicates its involvement in projects aimed at improving the energy efficiency of residential and public buildings, development of RES, modernization of street lighting, construction and modernization of heating networks and construction of charging stations for electric vehicles.

The financial sector in Poland is becoming greener also due to customer preferences. They notice that the choice of many ESG-friendly banking products not only does not increase the price of the service, but even saves money. Resignation from paper correspondence eliminates the bill fee, an eco-plastic payment card is attached to the account free of charge, and the choice of an eco-mortgage for a building with lower energy demand lowers the interest rate on the loan. According to the Kearney report, as much as 30% of bank customers is ready to pay 5 to 10 percent. more for a product that includes ESG factors than for one that does not. It is worth noting that in all the analysed categories, Poles showed the highest expectations (the study covered 89 European retail banks, including 7 operating in Poland).



## NEXT STEPS

In Podlaskie Region the regional Authorities took decision about continuation of Regional Financing Instrument for energy efficiency and RES in SMEs with budget of 22MEURO co-financed by EU Fund for Podlaskie for 2021-2027.

The Instrument is envisaged as the loan provided by the intermediary financing institution (public or private), softened by the appropriate credit redemption. Implementation is expected early 2024 after selection

of intermediary financing institutions. It is expected that next 250 SMEs in the region will strengthen their own market position thanks to implementation of sustainable investments.



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## *Disclaimer*

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This Case Study was elaborated as part of the RoundBaltic project bringing together representatives of the financial and energy efficiency sectors at regional and national roundtables to discuss and find solutions to the challenge of energy efficiency finance in the three target countries Poland, Latvia and Denmark.

Key focus areas have been to ensure an investment friendly framework along designing of financing instruments in accordance with the EU financial pillars more effective use of public funds, aggregation and project development assistance and de-risking.



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 967051.