IDB – FICSIMM

PRODUCT SHEET

Portfolio Guarantee for SMEs — Supporting Energy Efficiency Investment Projects

The financial instrument targeting the retrofitting of micro, small and medium-sized enterprises represents an essential step for increasing the competitiveness of the Romanian economy. In a business environment increasingly oriented towards energy efficiency, digitalisation and sustainability, SMEs operating with outdated equipment face high production costs, low productivity and difficulties in meeting new European standards. By accessing this financing mechanism, SMEs will be able to replace energy-intensive and underperforming equipment with modern technologies, thereby reducing resource consumption, optimising operational costs and improving their competitive position on the market.

GENERAL CHARACTERISTICS OF THE GUARANTEE	
IDB Strategic Pillar	Pillar 1 — Improving access to financing for micro-enterprises and SMEs, including start-ups, innovative companies, microfinance and agriculture. Ensuring better access to financing for targeted SMEs (full benefit transferred to SMEs), addressing concrete and well-identified market failures.
Need for a financial instrument for SME retrofitting	Romanian industry faces significant challenges caused by the use of outdated production equipment, which affects the energy efficiency and competitiveness of SMEs. In many sectors, the technology in use is obsolete, leading to high energy consumption, large greenhouse gas emissions and significant resource losses. These deficiencies prevent SMEs from meeting the new European requirements on sustainability and energy efficiency. In an economic environment increasingly oriented towards the green and digital transition, Romanian SMEs need support to modernise their production lines and adopt high-performance technologies that enable them to become more efficient.
Instrument type	**Capped Portfolio Guarantee** with an energy audit grant component and capital rebate **Guarantee component:** The capped portfolio guarantee provides financial intermediaries with loan-by-loan credit risk coverage, up to a set guarantee rate, for the creation of a portfolio of new SME loans, up to a maximum guarantee cap rate called CAP, which represents the maximum portfolio loss assumed for payment by IDB. **Interest rate reduction component for SME financing as a result of the IDB guarantee:** The existence of the IDB guarantee developed from the Modernisation Fund optimises the risk costs of the financial intermediaries (FIs) participating in the instrument, thereby reducing the total costs at which SMEs access the credit facility. Details on the impact of this IDB guarantee on the cost of loans

	granted to SMEs are provided under the section "Benefit Transfer Calculation". **Energy audit grant component:** The instrument provides a grant of €20,000 for consultancy on energy consumption optimisation, selection of energy-efficient equipment and the development of personalised energy plans, or for carrying out the energy audit required to underpin the full retrofitting and energy efficiency plan that the SME intends to implement. **Capital rebate component:** The instrument provides a 10% reduction of the principal (capital rebate) upon completion of the investment for projects achieving a minimum 30% energy efficiency improvement on the equipment and/or installations replaced through the financing.
Distribution model	Through financial intermediaries (banks and other financial intermediaries)
Application process for financial institutions	1. Pre-selection process based on the formal request of financial intermediaries to benefit from the IDB portfolio guarantee (capped or uncapped) by submitting a guarantee application. 2. Analysis and evaluation process of pre-selected financial institutions (due diligence). 3. Formal approval of financial intermediaries' participation in the IDB portfolio guarantee. 4. Negotiation of guarantee agreements with financial institutions and signing of documents. 5. Advisory support and implementation assistance.
Guarantee rate	**50%**
Maximum guarantee cap rate (for CAPPED guarantees only)	**20%**
Volume of guarantees administered by IDB	**€1.2 billion**
Expected financing volume in the market (SME retrofitting investment projects)	**€2.4 billion**
Number of SMEs impacted	**3,500 companies**
Contribution from the Modernisation Fund	The Modernisation Fund (MF), administered by IDB under a mandate, provides the capital backing for the portfolio guarantee instrument. IDB acts as the national implementing institution for MF-financed instruments in Romania, in line with the Fund's eligible investment priorities, which include energy efficiency improvements for SMEs.
Contribution of Financial Intermediaries (FIs)	● Financing is 100% covered from FI resources.

	● In return, FIs benefit from a guarantee for loans granted to SMEs, from the contribution of the Modernisation Fund administered under mandate by IDB, as follows: ○ MF (via IDB) assumes 50% of losses, in line with the guarantee rate. ○ FIs assume 50% of losses, in a risk-sharing mechanism.
Guarantee commission	**0%** for SMEs **X%** for IDB, as fund administrator
Purpose of the guarantee	Facilitating access to financing for eligible micro-enterprises and SMEs (EU definition) making investments for: ● Replacement of outdated production / storage / processing equipment with equipment certified for high energy efficiency. ● Reduction of energy consumption and greenhouse gas emissions. ● Adoption of green technologies. The guarantee entails a mechanism by which financial benefits are transferred to final beneficiaries by the selected financial institutions. The guarantee covers loans or leasing.
Guarantee currency	RON and EUR
Availability period	Up to 3 years
Inclusion period	Throughout the availability period + 6 months after, provided all included transactions are approved before the end of the availability period.
Inclusion mechanism	All eligible transactions of all eligible beneficiaries, in accordance with the provisions of the guarantee agreements, which the selected financial intermediary decides to include in the cap, following internal approval. Inclusion in the guarantee will take place quarterly, based on the reporting framework established between IDB and the financial intermediary.
Guarantee coverage	The guarantee covers losses incurred under agreements with financial institutions, based on the guarantee rate and the guarantee cap rate specified in each agreement with the financial intermediary.
Definition of default	Includes, with respect to a loan granted to the final beneficiary: (i) the financial institution can demonstrate at any time that it is unlikely that a final beneficiary will fulfil its payment obligations; **or** (ii) a final beneficiary has not fulfilled any payment obligation under the contracted loan for at least 90 consecutive calendar days.
Covered losses and loss sharing	Covered losses are the outstanding principal and standard interest (excluding overdue interest, commissions and any other outstanding costs and expenses). The distribution between the FI and IDB, as fund administrator, of amounts resulting from the enforcement of collateral on the

	financing and from amicable recoveries is made as recoveries are collected, proportionally with participation in risk-sharing. The amounts thus resulting, net of recovery costs, shall be distributed proportionally with the risk assumed by each party and shall proportionally reduce the claim arising from the guarantee payment made by IDB to the FI.
Guarantee payment to Financial Intermediaries (FIs)	Following the occurrence of a loss related to a default event, IDB will make guarantee payments to the FI under the guarantee within 60 days.
State aid	Both types of portfolio guarantees are granted under the de minimis regulation: Regulation (EU) No 2831/2023 and Regulation (EU) 2024/3118. The conditions to be met in order to comply with these regulations are as follows: ● Maximum aid value: €300,000 over 3 consecutive years, or €50,000 for the agricultural sector, per single undertaking. ● The beneficiary is not subject to collective insolvency proceedings and does not meet the criteria under national law for collective insolvency proceedings to be opened at the request of its creditors. ● FIs must fully transfer the benefit. Other SME-specific conditions and FI conditions, where applicable, in accordance with state aid/de minimis legislation (the option for one variant or another will be at IDB's discretion, following analysis of conditions and ease of implementation).
Benefit transfer calculation	The portfolio guarantee provided by IDB reduces the risk assumed by financial institutions in granting financing to SMEs. This risk reduction allows FIs to adjust financing conditions in favour of SMEs, by lowering the risk margin applied to guaranteed loans. Thus, SMEs benefit from lower total financing costs. The transfer of the guarantee benefit to SMEs is achieved through the adjustment of the interest rate and other credit-related costs, as established during the Due Diligence process and in the bilateral guarantee agreements. **Benefit = CCs − CCg** **CCs** = standard credit cost that the FI would apply without the IDB guarantee, reflecting the total perceived risk. **CCg** = adjusted credit cost after application of the guarantee, reflecting the reduced perceived risk. A lower final financing cost indicates that the perceived default risk has been significantly reduced thanks to the IDB guarantee, enabling financial institutions to offer SMEs lower total financing costs. Thus, the mechanism ensures the effective transfer of the guarantee benefit to final beneficiaries through more advantageous financing conditions.
State aid monitoring	**In accordance with the provisions of the applicable state aid regulations.**

Recovery of illegal and incompatible state aid	IDB has in place a procedure for the recovery of illegal and incompatible state aid.
DNSH	TBD — the IDB methodology or the MF methodology may be applicable.

GENERAL CHARACTERISTICS OF LOANS GRANTED TO SMEs UNDER THE IDB GUARANTEE ADMINISTERED ON BEHALF OF THE MODERNISATION FUND	
Loan purpose for final beneficiary SMEs	Loans will be used exclusively for **investments in tangible and intangible assets**, for the purpose of: ● Replacement of outdated production equipment with equipment certified for high energy efficiency. ● Reduction of energy consumption and greenhouse gas emissions. ● Adoption of green technologies. **NEW LOANS ONLY — NO REFINANCING.**
Eligible SMEs	Eligible final beneficiaries are: ● SMEs as defined in EU Recommendation 2003/361 constituting a single risk, in accordance with Article 2(2) of the Regulation. ● Active on the Romanian market. ● Not subject to collective insolvency proceedings and not meeting the criteria provided by Romanian legislation in this regard. **Eligible industrial sectors:** ● SMEs with industrial (manufacturing) activity. ● SMEs from strategic sectors of the Romanian economy (e.g. automotive, agri-food, construction, IT). ● SMEs active in agriculture.
Eligible equipment	● Modern machinery, equipment or systems that optimise production processes, with high energy efficiency. ● Digital solutions for energy efficiency control and production optimisation.
Maximum transaction amount	**Max €5 million** equivalent in RON (maximum amount subject to adjustment in accordance with state aid legislation).
Min. / Max. Tenor	12 months / 10 years
SME eligibility conditions	● No non-performing loans with banks and no outstanding fiscal/budgetary obligations. ● No litigation with the Ministry of Finance, ANAF, or IDB. ● No outstanding loans, including leasing financing, at the date of application; or, if overdue amounts exist, they are classified in categories A or B in the Credit Register (CRC) database.

	● Not listed in the Payment Incidents Bureau database with prohibition to issue cheques or with major incidents relating to promissory notes in the last 6 months prior to the date of the state guarantee application. ● Not subject to preventive composition proceedings, restructuring agreement or collective insolvency proceedings, and not meeting the criteria provided under domestic law for collective insolvency proceedings to be opened at the request of creditors; not subject to enforcement proceedings. ● Commits to use the loan amounts exclusively for the purposes declared in the credit agreement and not to use these amounts for: ○ Repayment of loans granted by shareholders/partners or the granting of loans to third parties (within or outside the group). ○ Distribution of dividends or other payments to shareholders/partners. ○ Payment of debts to the state budget, exclusively. **Must present a retrofitting plan demonstrating the impact on efficiency and competitiveness.**
Monitoring mechanisms	**Independent audit** to ensure the correct use of funds and access to the grant components (both for ensuring the energy audit and for meeting the minimum 30% energy efficiency performance indicator). **Performance indicators:** number of SMEs financed, productivity increase, reduction in energy consumption, volume of greenhouse gas emissions reduced, etc.