



## Loan Funds for Social Enterprises (TISE, Poland)

Michał Radziwiłł, TISE, Poland



 #ficompass



## About TISE (Social and Economic Investment Company)



- Celebrates **25th anniversary** of activities: fully owned subsidiary of the French Bank Crédit Coopératif (leading institution in European social finance )
- 1991-2005, venture capital fund supporting the development of micro and small entrepreneurs in Poland
- 2002 – founding member of FEBEA (European Federation of Ethical and Alternative Banks)
- 2006-now – management of CoopEst – Lender to MFIs and small socially minded financial institutions
- 2008-now – granting loans to social economy players and to micro and small entrepreneurs
- 2012-now – management of JEREMIE funds for micro- and small businesses
- 2013-2016 TISE management of the pilot project co-financed by the European Social Fund, micro-loans for social businesses (**EUR 9m**, around **500 loans** granted);
- 2014 – loan for microfinancing (under Progress Microfinance initiative)
- 2014 – member of EVPA
- 2016 – granting loans with the **EaSI guarantee (funded by the European Union under EaSI initiative)** for social enterprises (Poland and other Central and Eastern European countries).
- 2017 - management of the project co-financed by the European Social Fund, loans for micro- and small social businesses of **EUR 7m**, (around **450 loans** to be granted);
- 2017 - start of „Social Impact Bonds Accelerator” project
- 2017 - co-founder and active member of the CEE Social Investment Task Force



 #ficompass



## Social Economy entities in Poland



- **social cooperatives** (~1,400)
- **non-governmental institutions** (over 76,000 entities, including 7,667 public benefit organizations)
- **cooperatives of the disabled and the blind** (~ 300)
- **cooperatives of employees** (~ 600 )
- **ZAZ** (Vocational Training Center, 68),
- **WTZ** (Occupational Therapy Workshop, 684)
- **other institutions** such as:
  - ✓ associations of local governments,
  - ✓ limited liability and joint stock companies



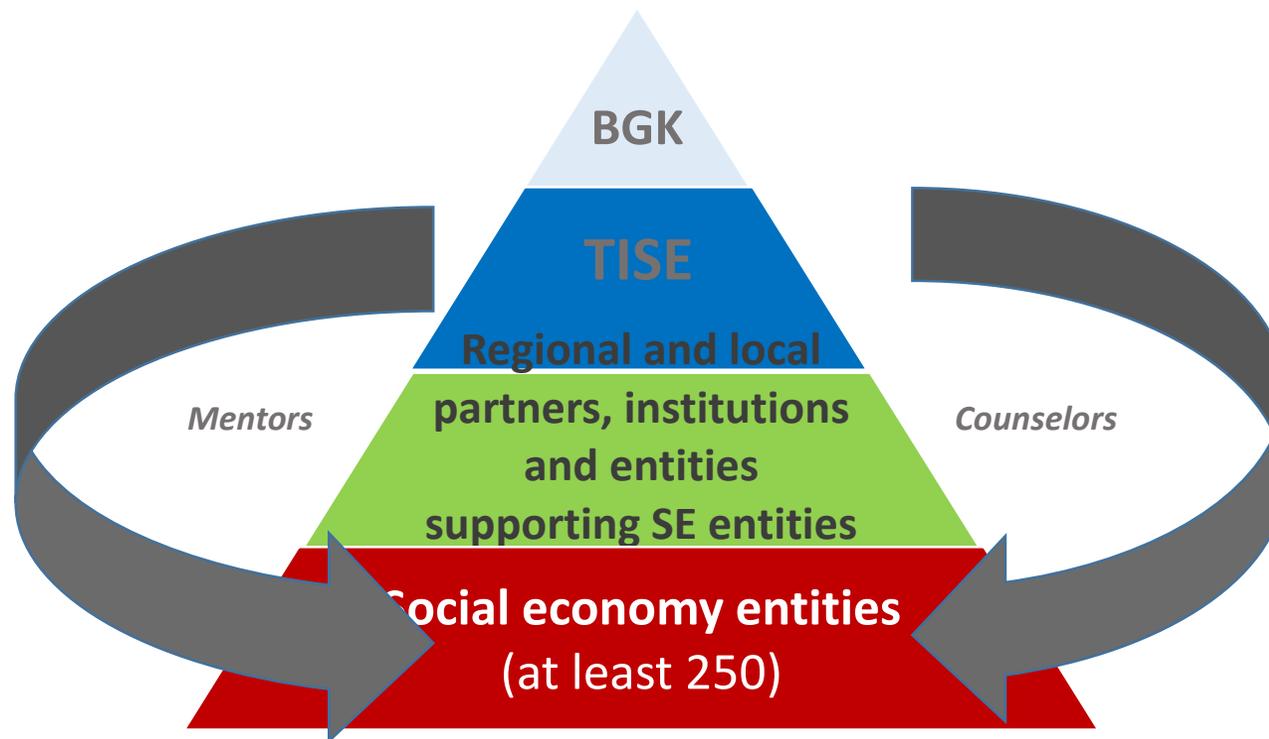
## ES Fund - loans for social economy entities



- In 2012 TISE won the public tender on the whole territory of Poland (divided for the purpose into five macro-regions) to run a pilot project testing the financial revolving instrument before scaling up in the new programme 2014-2020 (the policy tending to minimize grants and extend revolving financial instruments)
- Credit risk fully taken by BGK operating the programme on behalf of the Polish Ministries of Development and Labour
- Interest subsidised by BGK
- Fee based on the amount of loans to be granted determined for the whole programme



## Pilot project - parties



 #ficompass



## Pilot project - objectives



- Granting at least 251 loans by 30/06/2015 for the maximum total amount of PLN 25 M; project deadline – December 2020;
- Providing advisory services to at least 200 social economy entities by 30/09/2015; in total 4 000 hrs,
- total value of the de minimis aid – EUR 100 K;
- Creating minimum 50 jobs;
- Assessing the financial situation of the social enterprises based on the group of financed and rejected clients;
- Determining the financial needs of the social economy entities;
- Checking in practice the risk assessment methodology designed for the sector proposed by BGK.





## Pilot project - fixed parameters

- Maximum amount: 100.000 PLN
- Interest rate: 0.44% - 0.88% (de minimis aid)
- Maturity : Up to 60 months
- Maximum grace period: Up to 6 months
- Maximum financing: Up to 100% of an investment
- Charges and fees: None
- Advisory services Free of charge (de minimis aid)
- Maximum number of hours 30 per borrower

## Pilot project – results:



	OBJECTIVES	RESULTS
No of loans granted	250	500
No of social enterprises that received a loan	250	450
Capital granted in loans	6m EUR	9 m EUR
Jobs created	50	500



 #ficompass





## Conclusions of the pilot programme



- Low maximum loan amount ;
- Fixed maximum maturity;
- Only investment and job creation purpose can be financed  
- no possibility to use a loan for working capital ;
- Unavailability for SE entities employing more than 50 employees - exclusion of many workers' cooperatives and cooperatives of the disabled and blind;
- Unavailability for start-ups



## Financing needs identified during the pilot programme



- Wider range of financial products:
  - ✓ working capital and liquidity loans;
  - ✓ Investment and development financing;
  - ✓ Quasi capital – social VC, subordinate loans, mezzanine;
- Bigger amounts
- Longer financing period
- Available also for: start-ups, enterprises employing more than 50 employees,
- Financial participation of the financial intermediaries



## New programme - TISE POWER- loans for social economy entities



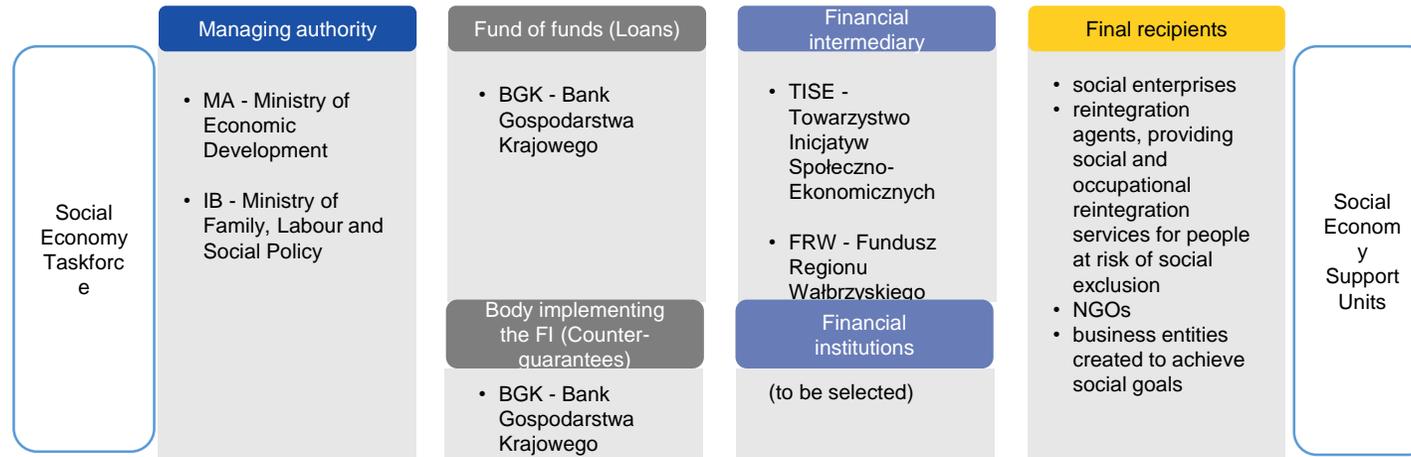
- At the end of December 2016, TISE signed with BGK an agreement to run a preferential loan fund for social companies.
- EUR **7m** lending funds come from the Operational Programme Knowledge Education Development (POWER).
- By June 2018, TISE will have to grant at least **446 loans** in 12 regions - voivodships (in the remaining 4 regions the Wałbrzych Region Fund will act as operator).
- Social businesses - borrowers of the programme will create at least **270** new jobs.



# Design and set-up



## Implementation structure



#ficompass





## Implementation – Loan

### Loan for start ups

- Designed for SEE which operate no longer than 12 months
- Amount: up to EUR 23,600 for one loan, but not more than EUR 47,200 for one SEE (it is possible for the same enterprise to apply twice)
- Maturity: 5 years
- Grace period: up to 6 months
- Interest rate: 0.88%, reduced by half if a new job is created
- In the case of loan financing from own funds, interest rate reduction is provided in the form of interest subsidy.
- Commissions and fees: none
- Possible loss ratio: 30% (TISE covers the loss exceeding the ratio)



## Implementation – Loan

### Loan for development

- Designed for SEE, which operate over 12 months
- Amount: according to needs, up to EUR 117,900 per loan, but not more than EUR 235,800 per one SEE involved in a given loan period (it is possible for the same enterprise to apply more than once)
- Maturity: 7 years
- Grace period: up to 6 months
- Interest rate: depends on the amount of the loan
- Commissions and fees: none
- Possible loss ratio: 20% (TISE covers the loss exceeding the ratio)



### TISE's borrowers - a few examples





## DALBA Brewery Social Cooperative







## Bialskie Cuda Social Cooperative





## Pottery village non-profit company





**Thank you**

**Michał Radziwiłł**

**[www.tise.pl](http://www.tise.pl) [tise@tise.pl](mailto:tise@tise.pl) [facebook/tisesa](https://www.facebook.com/tisesa)**



 **#ficompass**





financial instruments  
 revolving capacity building  
 added value **ERDF** funding agreement  
 governance **ESF** EU guidance  
 technical support seminars leverage financial intermediaries ex-ante assessment  
 co-financing **ESIF** microfinance case studies  
 investments **fi-compass** final recipients  
 business plan **Thank you** thematic objectives  
 advisory services guarantees banks loans **EaSI** equity  
 private investors life cycle combination of support  
**EAFRD** conferences factsheets  
 fund of funds **EMFF** investment strategy **CF**  
 managing authorities manuals