



ES Fund TISE

POLAND

FUNDING

The Polish social investment market is still at its infancy age. Looking at the demand side, social economy sector looks smaller than in other European countries, as well as quite diversified and fragmented. Seeking for financial sustainability through the development of robust business models is still yet not at the heart of what these organisations do. Hence, most lack the adequate conditions to grow, such as financial and non-financial support schemes.

In 2008, the Prime Minister convened a taskforce to promote social economy in the country. ES Fund (Social Economy Fund) is one of the policies that have unfolded from that.

Presentation

ES Fund TISE is a Pilot program that provides loans to impact-driven organisations (for and not for profit), coupled with free investment readiness support. It is a cornerstone initiative in the Polish market, which aims at strengthening the capacity of impact driven organisations, while testing the applicability of innovative financial instruments.

The fund was created in 2013, endowed with capital from European Structural Funds, under the European Union Human Capital Operation Programme. The overall budget was 9.3 million euros, including management costs and third parties' costs. TISE, a loan fund manager with more than 25 years of experience in financing entrepreneurs, is leading this project.

Main features	Financial product: Loans Max. amount: EUR 25 000 Repayment period: 5 years Grace period: up to 6 months Interest rates and additional fees: Below market price
Eligibility criteria	<ul style="list-style-type: none">- Co-operatives, NGO doing business, non-profit companies- Small social enterprises with less than 50 employees that have an annual turnover under EUR 10 M and at least 12 months of activity.
Distinguishing features	Regional allocation and distributions: Funds were proportionally allocated to each macro-region, according to the number of social economy support centers in the area; Preferential pricing: Below-market loans were offered at one-half or one-quarter the rediscount rates, with no upfront administration fee or any extra charge Free advisory services: Post investment services that help strengthening the financial capacity of the organisations, increasing the probability of repayment
Total budget	EUR 9.3 M , from the European Social Fund (EUR 6,2 M), national public sources (EUR 1,1 M) and supplementary funding (mainly from loan capital repayments and project revenues).
Governance	TISE (Financial Intermediary): provides loans; manages the lending process and performance BGK State Development Bank (Fund Manager): manages holding-fund resources, transfers loans to TISE, controls the effectiveness of TISE, oversees the utilisation of returned resources Ministry of Family, Labour and Social (Intermediary Body): monitors the project, provides funds Ministry of Economic Development (Managing Authority): performs checks and periodical evaluations of the project
Time Span	Full disbursement between 2013 and 2015; Full repayment between 2013 and 2020

Implications

ES Fund offers innovative financial and non-financial support under flexible conditions to promote small social enterprises access to external finance. ES Fund is part of a broader strategy to promote social innovation in the country and to address the most entrenched social issues, in a sustainable way.

In the first implementation cycle (2013- 2015), TISE has granted 431 loans to 371 social enterprises, helped creating 436 new jobs and sustaining over 1400 jobs, largely exceeded target expectations. In addition, TISE provided formal post-investment counselling to 241 enterprises. On average, the loans were sized EUR 16 K and paid in 4.2 years. Average interest rates charged were 1.2% and default rate was about 6.8%.

TISE believes that it has contributed to strength the operational and financial capacity of organisations supported and to scale their impact.

- **Main lessons learned:** Flexible financing schemes are needed not only for small size enterprises, but also by medium and large ones. Moreover, loans profile should be more diversified and ideally customized, according to each organizations' characteristics. In addition, chasing wide geographical spread and having a skilled financial intermediary were key factors for the success of the project.
- **Main challenges:** the lack of participation of experienced local partners to communicate and promote the fund to potential beneficiaries. Besides this, in a prior stage, defining the eligibility criteria, setting the loan parameters and agreeing on the due diligence methodology was also reported to be difficult, adding to the fact that public procurement regime was found rigid and that changes/adaptions could not be incorporated along the way.

It has been a successful experience, yielding relevant insights to test and design financial instruments that address the needs of social enterprises throughout Europe. Pre-conditions for a successful replicability include an understanding of the financial needs of social enterprises in each jurisdiction and the existence of an experienced network of financial intermediaries and local partners that help reaching out to beneficiaries, as well as support them preparing applications and managing the funds.

More information

- For more information about the Polish ecosystem for social enterprise:
 - [Social Enterprise in Poland: Institutional and Historical Context \(ICSEM\)](#)
 - [Social enterprises and their eco-systems: A European mapping report: Poland](#)
- For more information about the ES Fund TISE:
 - [Boosting Social Enterprise Development; OCDE Good Practice Compendium:](#)
 - [ES Fund TISE: Loan Fund for Social Economy \(fi-compass\)](#)

Contact

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