

ES FUND TISE: STRUCTURAL FUNDS AND SUCCESSFUL PARTNERSHIPS

TISE, Poland

Objective of the Good Practice:

Providing loans to social enterprises through the establishment of a successful partnership between the Ministry of Economic Development and TISE (an institution specialised in this target group).

Timeframe of Good Practice:

2013 - 2021

Keywords:

Successful Partnership, Structural Funds

Institutional profile

Social and Economic Investment Company, TISE SA has 25 years of business history. It was established in 1991 by the BISE Bank, Foundation for Social and Economic Initiatives (FISE) and the French investment fund SIDI. Today it is owned by the French bank Credit Cooperatif, which has financed social economy projects for over 120 years. In 2002, TISE joined the European Federation of Ethical and Alternative Banks – FEBEA, formed by 22 institutions financing social and ethical projects. TISE still remains the only Polish representative in FEBEA.

Type of Organisation

Investment Company

Country

Poland

Products & Services provided

- **Financial:** Business microloans, guarantees, subordinated loans
- **Non-financial:** Mentoring, Support services to social entrepreneurs

Gross Loan Portfolio

EUR 9.3 Million
(As of May 2016)

Number of clients

431 loans to 371 social enterprises
(As of May 2016)

Target Audience

Social enterprises and entrepreneurs excluded from the mainstream financial services

Organisation Website

<https://www.tise.pl>

Overview of Good Practice

The ES Fund TISE-Loan Fund is a pilot programme that aims to provide repayable financial instruments combined with non-financial services to social enterprises in Poland. Although the Polish economy is still relatively small and diversified, there was limited access to finance for social enterprises since they usually lack capital at adequate terms for mainstream finance providers.

TISE was developed after the European Commission recommended the introduction of repayable instruments, abandoning the previous model of non-repayable loans. It was supported by substantial latent demand for external financing together with the attractive conditions of the loans. Borrowers received preferential terms and a simplified application process in order to tackle the initial aversion to repayable instruments. On average, the loans were EUR 16,000 and repaid in 4.2 years. Average interest rates were 1.2%. Borrowers were also encouraged to receive at least 30 hours of mentoring and training.

To deliver this financial instrument, a partnership model was established among four institutions: the Managing Authority is the Ministry of Economic Development and is in charge of the regular project evaluations; TISE is the financial intermediary which provides the loans and manages the lending process and performance; BGK State Development Bank acts as the Fund Manager and operates the holding-fund resources, transfers loans and controls the effectiveness of the financial intermediary as well as oversees the utilisation of returned resources; and lastly the Ministry of Family, Labour and Social acts as the Intermediary Body monitoring the project and providing funds.

Another important aspect includes the 40 partnerships with non-governmental organisations and existing social economy support centres established by TISE to promote the project.

Innovativeness

The social economy sector in Poland is underdeveloped compared to other EU member States. Social enterprises and social economy entities lack not only financing but also business skills, which hinders their success. Targeting this sector directly helps to tackle unemployment and social exclusion, generating positive impact in self-employment and entrepreneurship.

Furthermore, the approach taken with this instrument allowed the sector to move from a grant scheme to a repayable loan. This highlights the beneficial aspects of microfinance as a virtuous cycle of growth and allows for the reuse of the funds.

Efficiency and Sustainability

The fund received supplementary funding from the loan capital repayments and project revenues. Since this was a pilot project testing the change from a grant to a repayable loan, the positive and successful response of the target population resulted in the extension of the project and an increase in its initial budget.

Additionally, the pilot's success was in large part driven by the selection of the financial intermediary. TISE is one of the two specialised institutions that offer financing for the small, but growing, social economy sector. The financial intermediary's familiarity with the market provided sufficient understanding of the needs of the borrowers and the overall sector.

Outcomes

The fund's investment period lasted from 2013 – 2015, and the repayment and monitoring phase is scheduled until 2020. The initial budget was EUR 7.3 million but given the positive results regarding the timeline, quality of services delivered and the number of jobs created (exceeding the initial target of 50 jobs within social enterprises), the project has been extended until 2021. The overall budget was increased to EUR 9.3 Million, 85% of which was financed by the European Social Fund with the rest coming from national, public sources.

The objectives of the pilot project included:

- Granting loans to at least 21 existing social enterprises;
- Providing 30 hours of free advisory services to improve the professional competency of at least 200 social business owners and employees;
- Creating at least 50 new jobs;
- Testing the risk-assessment methodology developed by BGK for this sector; and,
- Diagnosing the need of social enterprises.

After the first implementation cycle ending in December 2015, there were no write-offs reported and the default rate was approximately 6.8%. TISE granted 431 loans to 371 social enterprises, helping to creating 436 new jobs and sustaining over 1,400 jobs, largely exceeding target expectations. TISE also provided formal post-investment counselling to 241 enterprises.

Lessons Learned

To address credit risk, loans should be complemented by guarantees. Some enterprises that are seasonal need more flexible products and this scheme did not address this aspect.

Another lesson indicates the importance of strong and broad promotion through marketing efforts, which proved to be more effective than the local presence of the financial intermediary. In this instance, TISE employees could travel out of the city to visit customers.



Source / Further Readings

[Boosting Social Enterprise Development Good Practice Compendium, OECD](#)