



fi-compass ESF+ study on workers buyout: key findings and recommendations

Miglena Dobрева, Financial Instruments Advisor,
Financial Institutions Department, European
Investment Bank

Cristina Dumitrescu, Head of Inclusive Finance,
European Investment Fund

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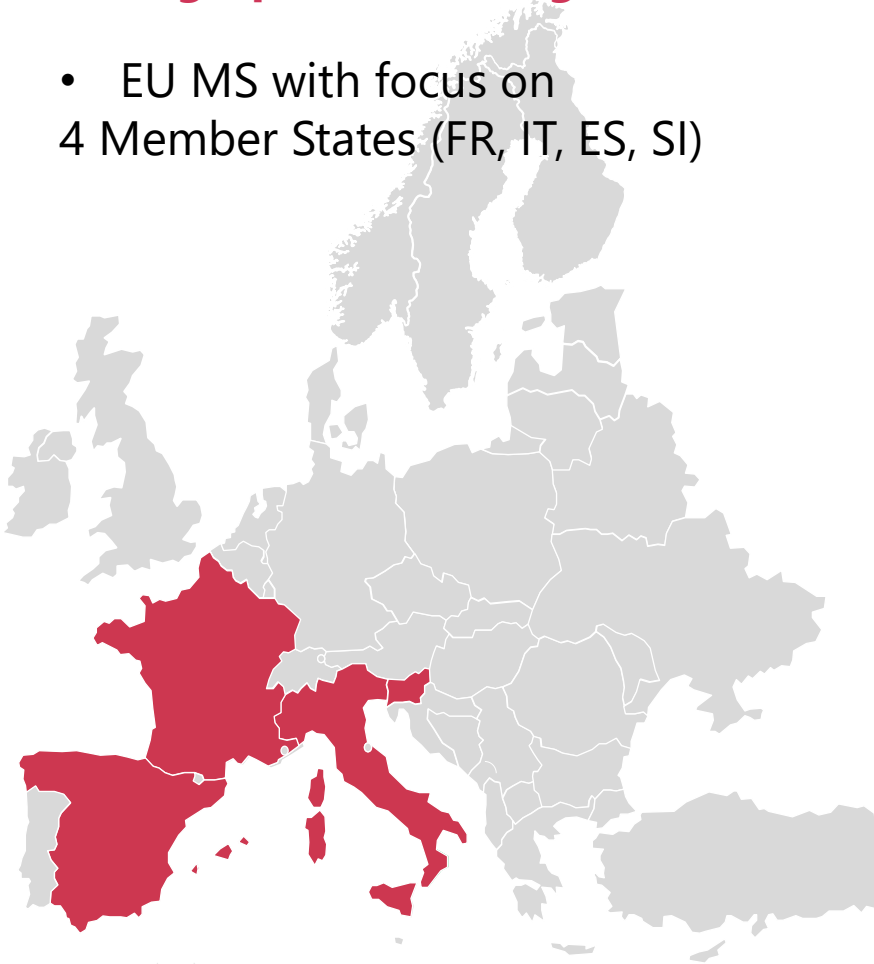
Scope of the fi-compass WBO study

Background and initiation



✓ **Geographical coverage:**

- EU MS with focus on 4 Member States (FR, IT, ES, SI)



✓ **Objectives**

- Better understand the phenomenon of WBO needs and preconditions
- Provide an overview of the financing needs and implication of WBO
- Exploring the ground for supporting WBOs through ESF+ financial instruments and grants as a way to preserve jobs and skills in the EU workforce
- Provide recommendations to managing authorities and involved stakeholders

✓ **Timeline:** May 2023 - October 2024

✓ **Methodology:**

- Desk research
- Interviews, focus groups, workshops with EIBG and other relevant stakeholders
- Close collaboration and support from CECOP and local associations, incl. engagement of local experts

Overview of the main WBO models



	Cooperative conversion	ESOP* / EOT**	ESPP***
Main features	An operating company is converted to an employee-owned cooperative, which includes workers as members (and sometimes external investors as members in addition to workers).	A special purpose vehicle (e.g. a cooperative) is founded that buys a share of the company (0-100%) from the existing owners, only employees are beneficiaries/ members of the SPV, the acquisition debt is financed through leverage (future profits used to pay off the acquisition).	A profit-sharing scheme where employees can direct profits to buy newly issued shares by the company.
Challenges	Full conversion of the operating company is a complex process that requires a well-developed institutional infrastructure.	Dedicated financial instruments are essential to complement seller's credit in financing the WBO, regulatory certainty and tax incentives important to promote WBOs.	The model rarely leads to substantial WBOs, generally a minor share of company is held by employees through ESPP. Not suitable as a tool for ownership succession.
Presence in EU countries	France, Italy and Spain.	Slovenia and Hungary (outside EU- the US, UK, and Canada).	France, Germany, Austria, Hungary and Slovenia.

Notes: * Employee stock ownership plan (ESOP) ** Employee Ownership Trust (EOT) *** Employee share purchase plan (ESPP)

Needs and preconditions (1)



- Quantifying WBOs in Europe: Poor statistical data to document the trends on WBOs
- Legal Frameworks: Enabling environment in FR, IT and SP vs. legal framework underway in SI
- Governance structure and economic rights: Common principles of the cooperative model, but details differ
- Ideal targets for WBOs: No ideal targets in theory, but several enabling conditions
- Motivations and rationale for a WBO: Traditionally, crisis management; succession planning is expected to rise however



France

- WBOs in the form of cooperatives happen when a company has financial difficulties, is close to, or already bankrupt/insolvent. In these cases, WBOs aim to save jobs.
- Increasingly, also when a company is in good shape to deal with a succession issue of an ageing business owner.



Spain

- Saving jobs – however this motivation is losing ground.
- Retirement/Succession planning is the main motivation – not necessary for SMEs above 50 employees and highly profitable businesses where there are more opportunities for owners to exit with a third investor.



Slovenia

- Succession planning of ageing business owner, legacy.
- Saving jobs when the company has financial difficulties or is insolvent.
- Protecting the company against a hostile takeover.
- Motivation and rewarding the employees.



Italy

- WBOs are mainly driven by a crisis / bankruptcy / insolvency.
- Most of the WBOs in Italy occurred after the 2008 financial crisis.
- WBOs driven by succession issues are still relatively new, but a growing concern.

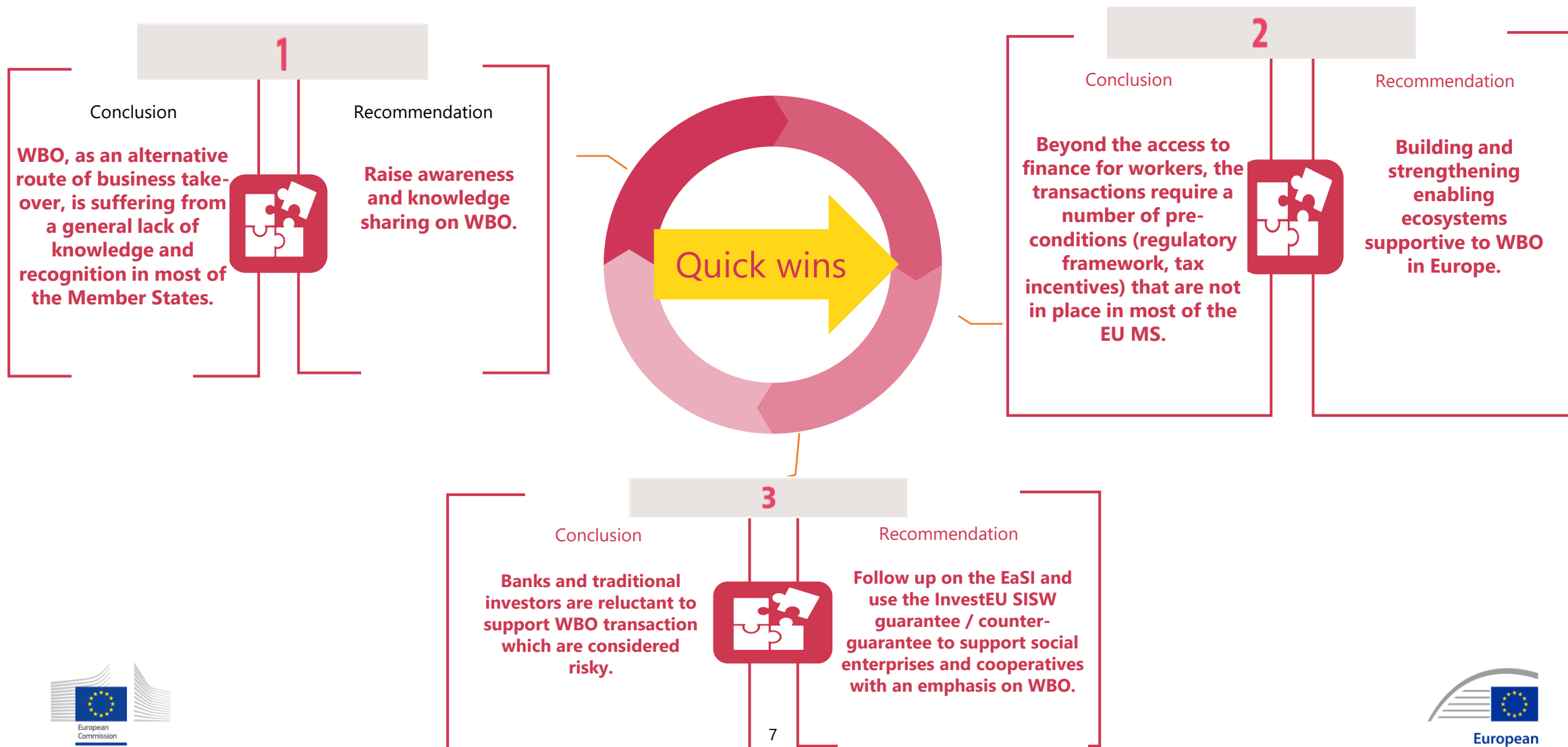
Needs and preconditions (2)

Financial implications of WBO

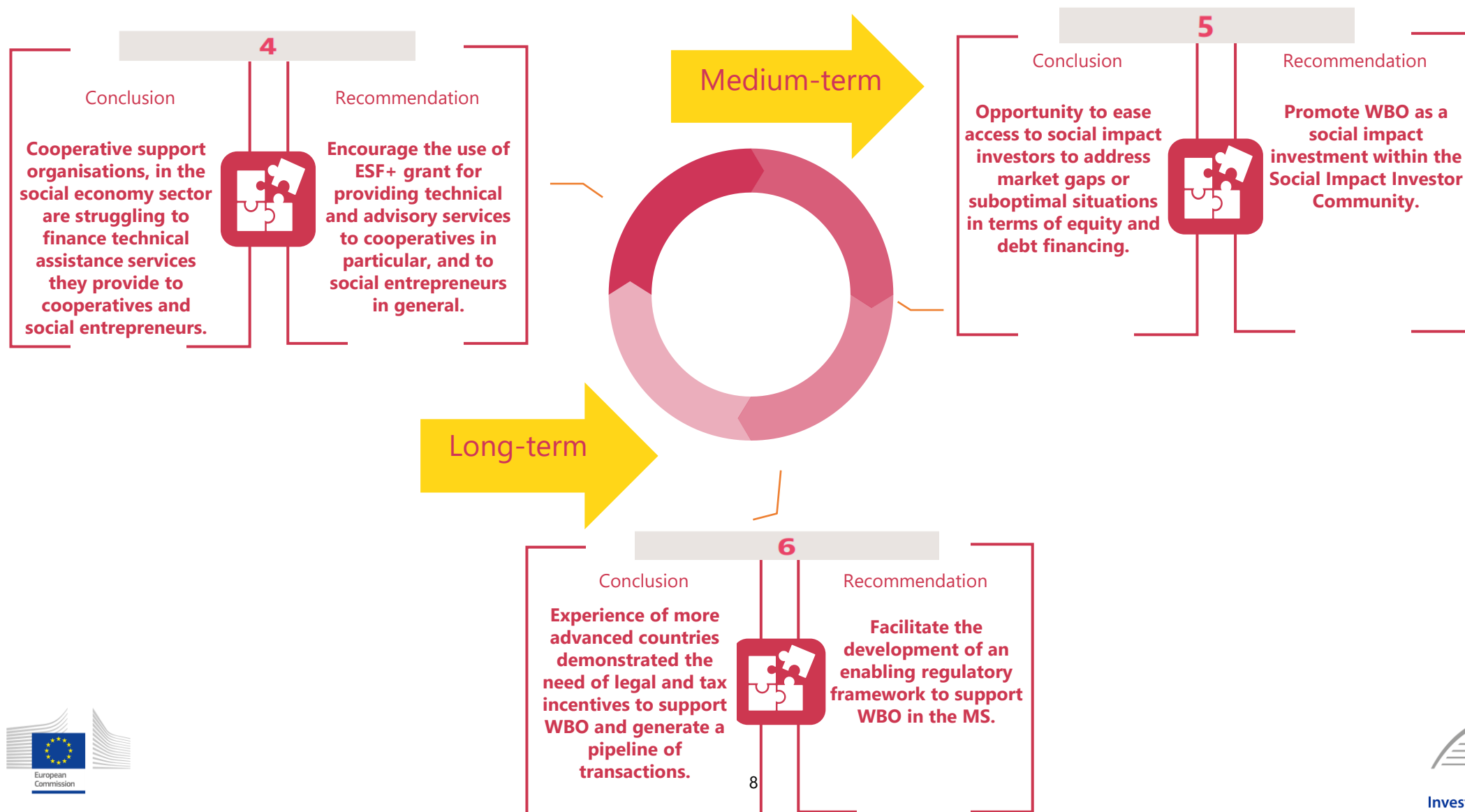


- **WBOs are supported by many public and private stakeholders**, which provide a relatively large portfolio of financial instruments and advisory services to workers to manage WBO transactions
- **Role of the cooperative movement:** FR, ES, IT feature well developed own ecosystems of financial instruments and advisory services to support the cooperative sector in general, incl. WBO, and to substitute (to a certain extent) traditional investors
- Traditional **banking sector** (mainly credit unions) also offers loans to workers or cooperatives.
- **Type of financial support, includes** similar products in FR, ES and IT including loans, grants in some regions, guarantees and equity.
 - available financial instruments enable actions on different levels, contributions to the company's capital, the raising of debt, and risk coverage – in a complementary way which is key to covering WBO operations.

Conclusions and recommendations (1)



Conclusions and recommendations (2)

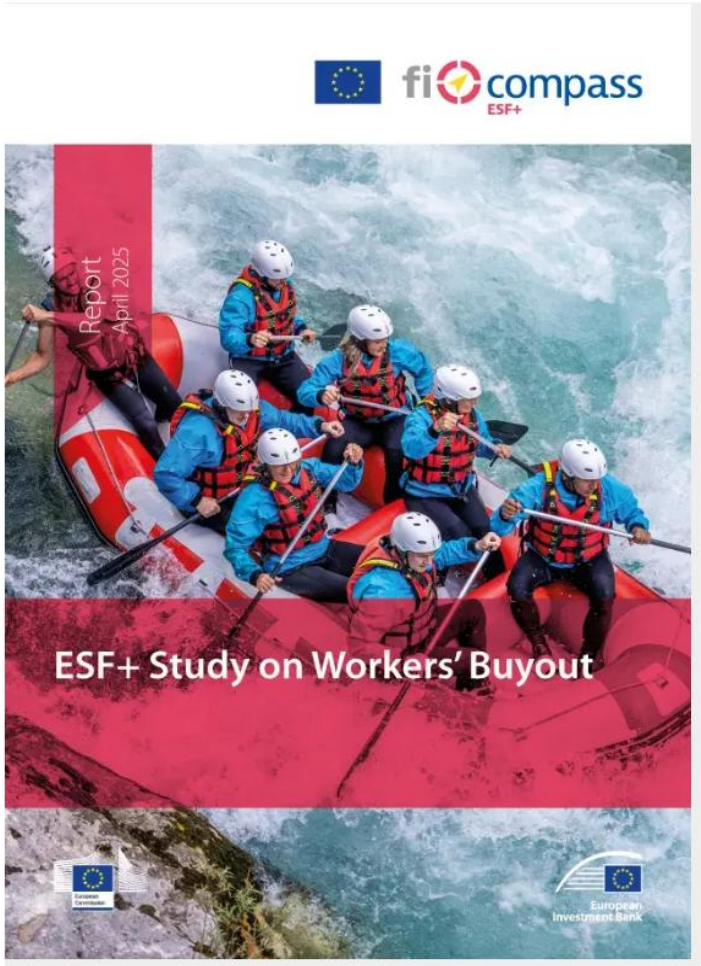


Potential use of ESF+ resources and role of EIBG



- Limited use of ESF+ to support WBOs in cooperatives so far, but potential for using in the form of:
 - ✓ **Grants** (advisory services) to support organisations (national associations of cooperatives, enterprise support organisations and financial institutions) that promote the cooperative model and offer technical advisory services to cooperatives and WBO both for due diligence development, viability plans, and legal support, as well as guidance in finding financing and
 - ✓ **Financial instruments** (guarantees) to support access to finance for WBOs - at minimum continuation of EaSI/InvestEU Social Entrepreneurship Portfolio Guarantee Product-like guarantee
- Practical hints for managing authorities: WBO on the policy agenda and greater use of ESF+ to support WBO

ESF+ Study on Workers' Buyout





Thank you!



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Spain & EIF Social Entrepreneurship activity

*fi-compass WBO session
Madrid, 09.04.2025*

1 in 4 entrepreneurs fail to access the financing they need...

Hindering innovation, job creation and growth



**Innovative
start-up**

“It’s very hard
to find
financing
for a start-up”

**Frusack
CZ**



**High growth
scale-up**

“At that point in our
development, with
no profit to show,
getting a loan was
close to
impossible”

**Sonnen
DE**



**Social
entrepreneur**

“Finding financing
at that stage of the
business is very difficult,
especially in the social
enterprise sector”

**Helioz
AT**



**Start-up in
an unserved
sector**

“Our long careers in
the fashion industry
were not enough to
convince the banks”

**KAAI
BE**



**Tech start-up
in an
unserved
country**

“All we had was
programming know-how
and a will to succeed.
No business
experience,
no support, no money”

**SmartBill
RO**

Source: *The European Small Business Finance Outlook*, the June edition of the EIF’s research paper covering state of small businesses’ access to finance in Europe.

...especially when they are social enterprises

Social enterprises play an essential role in supporting **sustainable economic growth** and **social inclusion**



Too risky for banks



Not profitable enough for VCs



Too large for microfinance



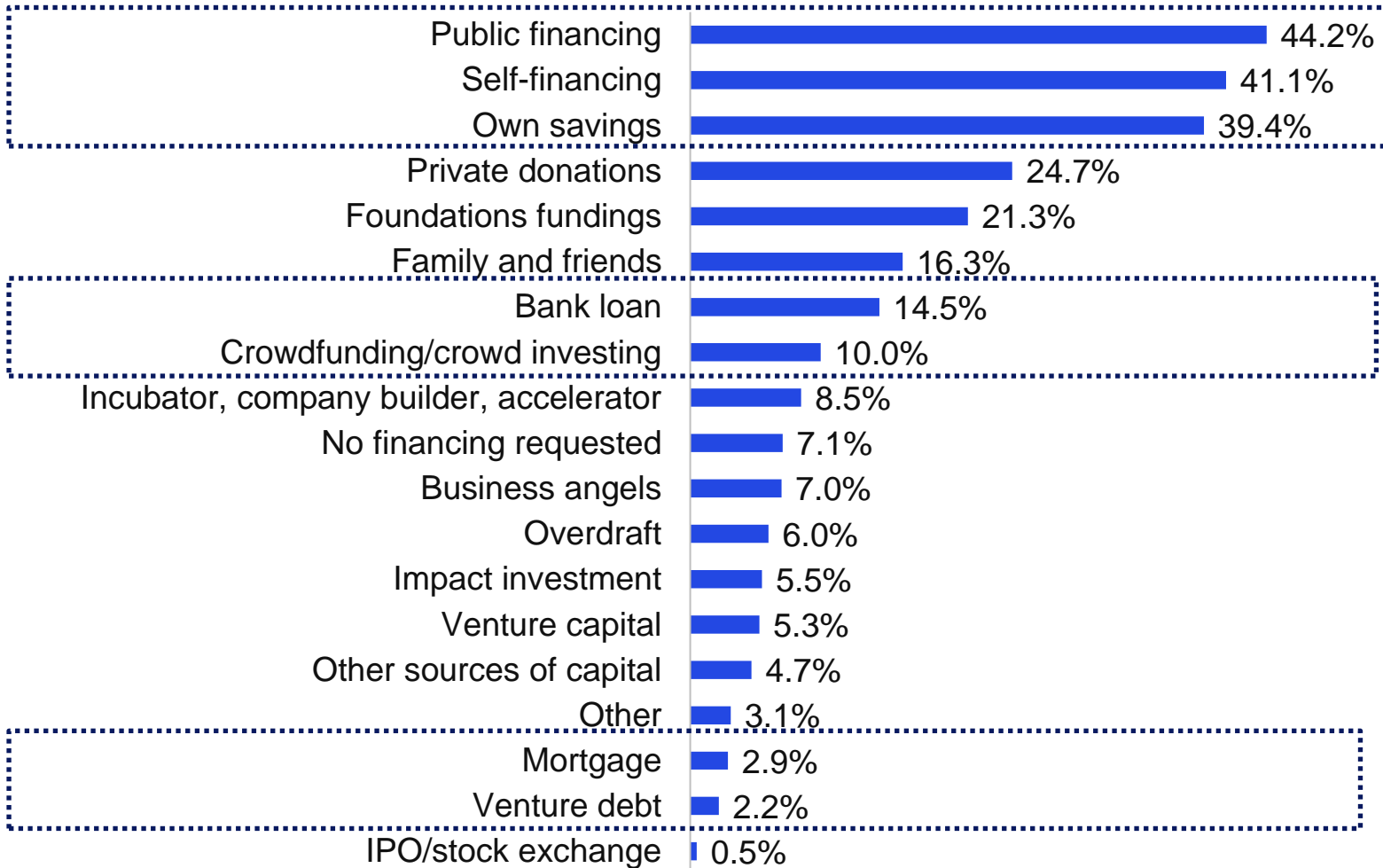
Too small for institutional investors

Funding gap
estimated at €6.7
billion between
2021-2027

Need for
dedicated social
finance market

Financing sources for social enterprises

Use of different financing sources for social enterprises (SE) in 2022 according to a recent survey on SE in Europe.



- **Public financing** represents the most frequent financing source for SE, followed by self-financing strategies:
- **Early-stage SEs** (seed and startup phases) relied on **personal savings**, friends and family contributions, and incubator/accelerator funding
- While at **later stages** they more frequently sought public financing, private donations and to a **smaller part bank financing**.

EIF's approach to social finance

Target Recipients

Wide variety of economic operators that are often grouped in different clusters according to their predominant characteristics (e.g. profit orientation).

→ **Common denominator: pursuit of impact.**

Sectors

The instruments are sector-agnostic, as focused on the intentional, positive and measurable impact of the target recipient.

Approach

1. **Social impact** business models
2. **Traditional** business models run in a **social way**
3. **Geographically-focused** business models
4. **Proprietary Impact performance** methodology

Typical areas in the social impact programmes



Why to work with the EIF?

Recognition

Frequent dialog

Support networks

Invited as speakers

- Work with **diverse types of market players**: no matter the size (credit unions) - the legal form (NGO);
- **Product adapted to the local context**: local currency, local legal opinion.

with European Commission (DG EMPL):

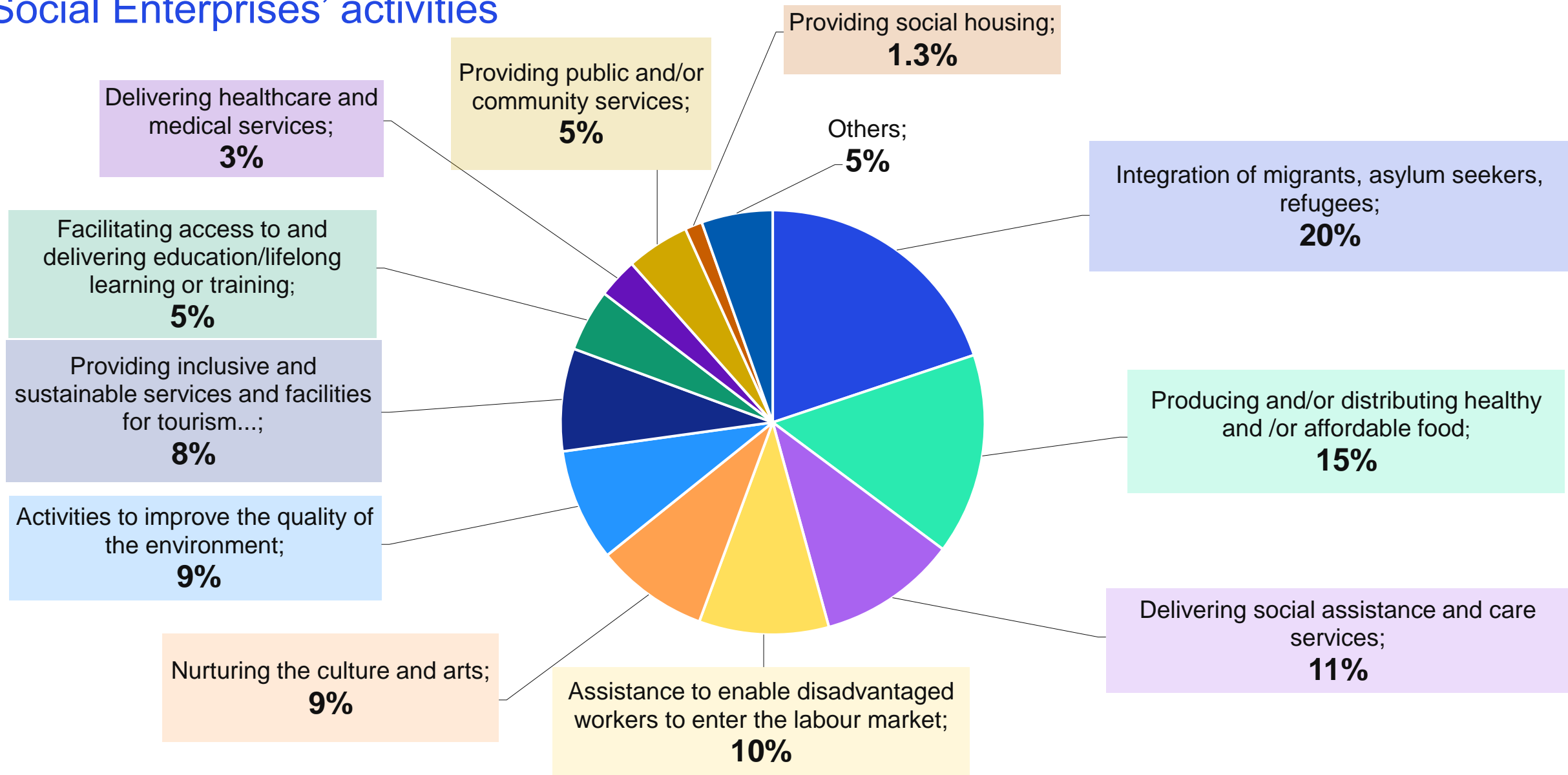
- **Identifying market gaps** in terms of both funding needs but also required products;
- **Setting-up best market practices**: EU Code of Good Conduct, Business Development Services requirement, Social Business Declaration.
- **Raising market awareness**: fi-Compass, SIFTA events.

- Sponsoring and/or active participation in the **annual conferences** of EMN, MFC, FEBEA, Invest Europe*, support for the Annual Microfinance Market Survey undertaken by EMN&MFC.
- Support for the Maria Novak **research award**.
- **Investment Readiness Trainings** for the NBFIs, in cooperation with SIFTA.

at various **industry events**, also as guest speakers for microfinance university programs (Montpellier Business School, Solvay Business School).

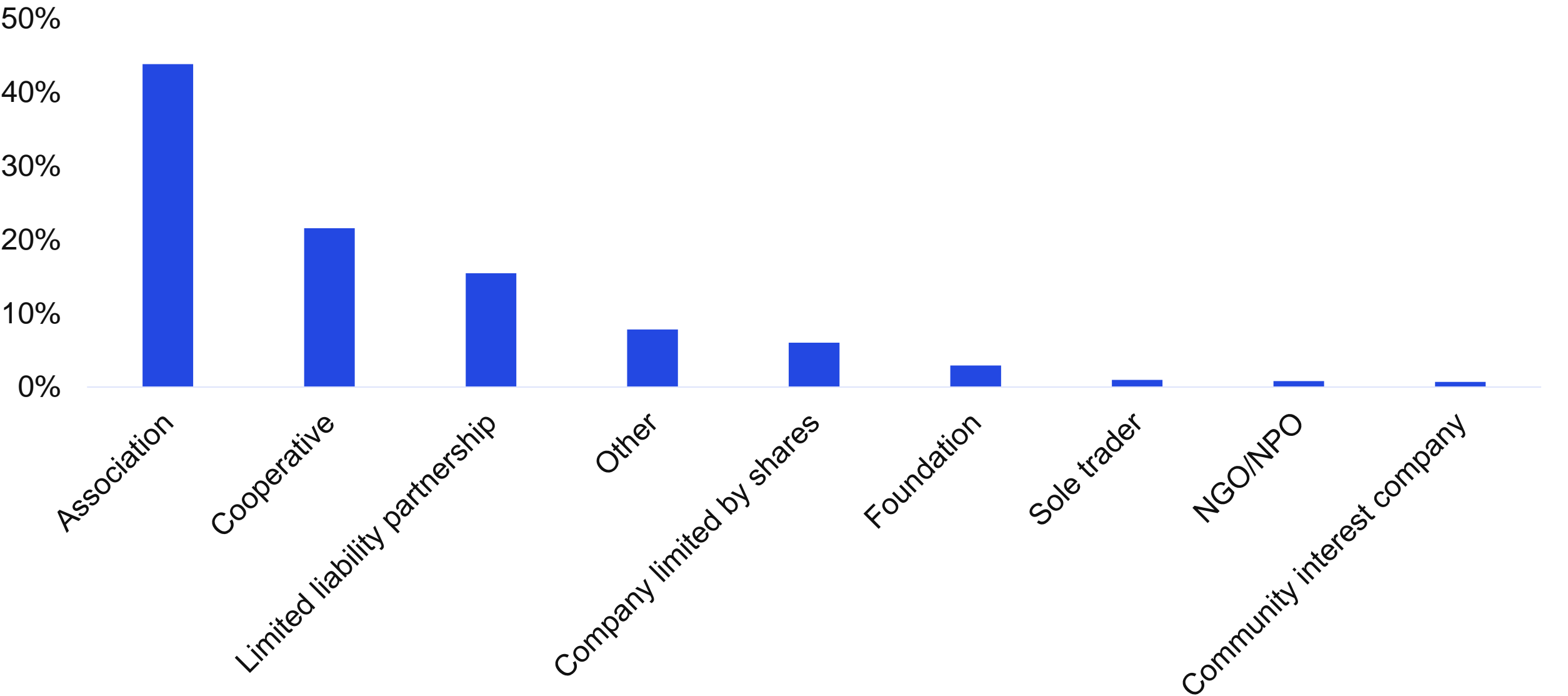
Social impact achieved

Social Enterprises' activities



Social impact achieved

Social Enterprises' legal form



Follow our stories and work



Cristina Dumitrescu
Head of Inclusive Finance

c.dumitrescu@eif.org

To find out more
please visit us at:
[**www.eif.org**](http://www.eif.org)

**European
Investment Fund**
37B avenue J.F.
Kennedy

L-2968 Luxembourg
Phone: +352 24851



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