



## Financial instrument (FI) to support social economy under OP Employment

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MINISTRY  
OF REGIONAL  
DEVELOPMENT CZ



# Need to be emphasized at the very beginning

## Social services vs enterprises



### ➤ Social services

- Existing legal framework
- Multi-resource financing
  - state care allowance
  - client's/user's payment
  - regional and municipal subsidies
  - others (private, donations, ESIF grants etc.)

### ➤ Social enterprises

- No legal framework
- ESIF grants
- Benefits from Active labour policy



# State of play in Czech Republic



- Still a **very small number** of social enterprises
- **Slow development** of social economy, the sector is still weak
- Reasons?
  - Interrupted tradition of a social entrepreneurship
  - Discredited cooperative movement
  - Weakness of NGOs, limited ability to carry the business risk
  - Lack of political will (central government)
  - Awareness of regional offices varies



# State of play in Czech Republic (2)



More than 200 social enterprises are registered, 90 % of them are WISEs



**We've been using grants to support social economy for 10 years**



Support is provided by several calls for proposals + Support structure project from the beginning

- ✓ **Calls are from two OPs (20 mil. Euro each)** – the Employment Operational Programme (ESF) and the Integrated Regional Operational programme (ERDF) – **MA of these OPs are from different ministries (MoLSA and MoRD)**
- ✓ Close link between OPs was planned
- ✓ The original idea of a flexible coordination between the ERDF and ESF schemes faded
- ✓ MoRD no longer plans any further call to support social economy



# Operational Programme “Employment”



- ✓ 90 projects
- ✓ 12 mil. EUR
- ✓ 366 vulnerable people supported



# How about lessons learned?



## Strengths

- Global **grants helped to move forward** the consolidation of the sector
- **Learning process** for all stakeholders, mostly for MoLSA
- Increased awareness of the government about social entrepreneurship, proved by SE global grants
- **New partnerships** between stakeholders have been established and they worked well
- Increasing number of on-going good practices



# How about lessons learned?



## Weaknesses

- Only WISE are perceived as social enterprises
- Social enterprises **got used to a grant support**
- The implementation of the **joint grant schemes did not work well**
- Two sets of complicated administrative rules for each global grant, ERDF being more difficult than ESF
- Business sector was not fully involved





# Why financial instruments?



- Sector is **lacking financial resources** (other than grants or subsidies)  
It is said and proved that various sources of funding are crucial for the sector development.
- **For each development stage of the enterprise (life cycle), a different approach should be used**
  - ✓ Grants (for start-up)
  - ✓ Loans (for start-ups or enterprises in early stage of development)
  - ✓ Microcredit (for small enterprises or self-entrepreneurship)
  - ✓ Guarantees (for larger investments)

...



# What's our aim?



- **MoLSA is implementing Financial instruments to promote social economy enterprises in this programming period**
- **Lack of money is a key issue in the market – needs to be proved by ex-ante assessment** (ex-ante conditionality – examined absorption capacity, proposed the best investment strategy, financial intermediary etc.)
- When to start? The sooner, the better
- **The aim is to promote tailor made financial instruments**
  - ✓ Loans with non financial support/consultancy



# What's our aim? (2)



- Pilot FI is prepared under the SO 2.1.2 “Social economy development”
- **FI will be available in all regions**, including Prague
- The **whole allocation for FI: 15,5 mil EUR**
- ESIF financial allocation for FI: 12,02 mil EUR (0,6% of the whole ESIF allocation for OP)

# How do we do so far?



- the **ex-ante assessment** was **completed in 2017**
- the ex-ante **conclusions have been verified in the beginning of 2019** and are **still valid**
- the investment strategy of FI was finalized in the beginning of 2019
- **implementation structure without Fund of Funds**
- tailor-made FI
- fund manager - the MA plans to direct award the Czech-Moravian Guarantee and Development Bank (CMGDB) = national development bank

## How do we do so far? (2)



- Selection of fund manager/ signature of funding agreement expected in May/June of 2019
- Negotiation of the funding agreement with CMGDB completed in April 2019
- The funding agreement has been sent to the national authorities for the mandatory consultation – process underway
- Currently working together with CMGDB on the call for proposals

# Setting up the financial product



- **Amount of loan up to 100%** of the envisaged project eligible expenditure
- **Loan maturity up to 10 years/12 years** for real estate loans
- **Fixed interest rate from 0,0% p.a.** (interest free loan in the first call for proposals)
- Grace period up to 36 months
- Optional **consulting services for final recipients**
- Detailed setting of the financial product will be specified in calls for proposals

# What are the expectations?



- Piloting the new way of financing
  - **We are expecting lower support from ESF in the next programming period**
  - **Less money will be granted**
- What are the benefits of the FI?
  - ✓ **Money from the revolving** – could be used again
  - ✓ **More supported projects**
  - ✓ **Bigger investment efficiency**
  - ✓ **Better quality of business plans**
  - ✓ **Faster and easier administration, transparency**



# EX-ANTE ANALYSIS OF FINANCIAL INSTRUMENTS TO PROMOTE SOCIAL

[Je Vaše podnikání závislé na podpoře z veřejných zdrojů?] - v rozjezdové fázi jednoznačně, výhledově předpokládáme, že se bez veřejné podpory dokážeme obejít

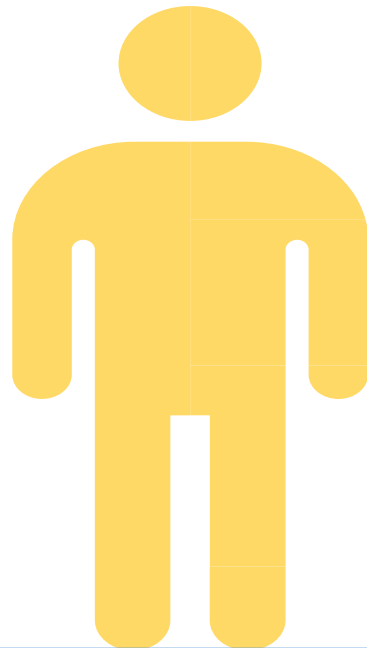
Máme zájem "pouze" o finanční podporu rozjezdu, v dalších letech neplánujeme využívat dotační zdroje. Míjíme financovat podnikání vlastními vytvořenými příjmy.

Když jsem peníze potřeboval, žádná banka mi nechtěla půjčit

Neuměli bychom zvládnout obrovskou administrativní zátěž, která se s dotacemi pojí

[Uvažujete žádat z OP Z]? [Určitě Ne,] nesmyslná pravidla a složitost podnikatelského záměru v kombinaci s "chytrostí," hodnotitelů nás od toho odradila, orientujeme se na SZIF, kde je sice % podpory menší, ale byrokracie snesitelná

**Vox populi**



Vzhledem k tomu, že z druhé výzvy bylo rozdáno méně než 25 % alokace, velice zvažujeme, zda máme znovu vynakládat síly na psaní dalšího projektu

Čistě "komerčně - podnikatelsky" bez veřejných zdrojů nedokážeme sociálně podnikat a udržet žádoucí počet pracovních míst pro zaměstnance, natož pro vedení

[Uvažujete žádat z OP Z]? [Spíše Ano,] ale pro narůstající administrativní překážky máme z tohoto kroku obavy...



# What is the offer from the support structure project?



- **Project Support of Social Entrepreneurship in the Czech Republic**

- Promotion – web, spots, events
- **Local consultants** to provide information and help in regions
- **Traineeships/Internships** in the social enterprises
- **Experts/Coaches** (gastronomy, risk management, marketing etc.)
- Workshops



# www.ceske-socialni-podnikani.cz



fi  compass  
ESF



# Register of social enterprises



Map shows where the companies are:

**Adresář sociálních podniků** SEZNAM MAPA STÁŽE

Oblast podnikání Kraj Společenská prospěšnost hledaný výraz Hledat Vymazat filtr

- ☐ Hlavní město Praha
- ☐ Středočeský kraj
- ☐ Plzeňský kraj
- ☐ Karlovarský kraj
- ☐ Jihočeský kraj
- ☐ Vysočina
- ☐ Liberecký kraj
- ☐ Ústecký kraj
- ☐ Královéhradecký kraj
- ☐ Pardubický kraj
- ☐ Jihomoravský kraj
- ☐ Zlínský kraj
- ☐ Olomoucký kraj
- ☐ Moravskoslezský kraj

**1. selský pivovár**  
www.selsky-pivovarek.cz  
Jiráskova 946, 76701 Kroměříž (Zlínský kraj)  
776465304

Co děláme?  
Vaříme pivo.

Proč je náš podnik sociální?  
#ficompass

Mapa Satelitní

Kroměříž

Google Data map ©2017 Google Podmínky použití

European Commission

Investment Bank The Ed bank



# Thank you for your attention!

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 #ficompass







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