Financial instruments for social entrepreneurship

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Idea for supporting Social Economy

• Three pillars for the development and support of social economy in Slovakia:
  • new legislation
  • financial support
  • advisory infrastructure

• In financial support, combination of financial instruments and grants must have priority
Legislation and Advisory Infrastructure

• The Social Economy and Social Enterprises Act (No. 112/2018 Coll.):
  • new definition of social enterprise, similar to EaSI Regulation
  • various forms of support, including the combination of a grants and financial instrument

• New Advisory:
  • ESF national project *The Social Economy Institute*
  • Includes regional Social Economy support Centres
Financial Support

• Financial Instruments:
  • 72 mil. EUR allocated from the Ministry of Social Affairs and the Ministry of Interior to the National Development Fund II under the management of SIH
  • both ERDF and ESF resources

• Grant programme:
  • ESF national project *Investment Aid for Social Enterprises – the Non-Repayable Segment*
Financial Instruments

• Guarantee Instrument:
  • 11,7 mil. EUR
  • based on FLPG, uses GBER for State Aid
  • is at the Public Procurement Office for verification of PP

• Loan Instrument:
  • 27,7 mil. EUR
  • PRSL/subordinated debt for social enterprises
  • municipal housing loan
  • microcredit for self-help housing construction
  • PP should start Q2/2019

• Equity Instruments:
  • 32,6 mil. EUR
Combination of grants and financial instruments

• Combination CPR Art. 37 (7); coincidence CPR Art. 37 (8)
• Commission Guidance: restrictive interpretation
• Result:
  • One project, one set of ESIF criteria, but two decision-making processes
  • Needless coordination problem for authorities
  • Double administrative burden for applicants
  • Increased uncertainty; mismatch in timing of support
State Aid

• doable, but takes a long time
• details might make life more difficult (e.g. GBER Art. 21 (18))
• no special clauses for financial instruments or social enterprises
• unclear how e.g. subordinated debt works under GBER (GGE calculation)
• approval of the State Aid Schemes took nearly year
Eligibility

• ESF priorities: Support for business creation & social enterprises

• previous ban on purchases of ‘furniture, equipment, vehicles’ not included in the current ESF Regulation (No. 1304/2013)

• nevertheless, widespread conviction ESF for ‘soft measures only’

• implementation delays due to eligibility disputes
Financial Instruments

Operational Programme Integrated Infrastructure
- D4/R7 Investment
  - direct quasi-equity
  - 28 mil. euro

Operational Programme Research and Innovation
- Railway Diagnostic Vehicles
  - direct loan
  - 30 mil. euro
- PRSL
  - loans
  - Slovak Guarantee and Development Bank
  - 24.2 + 21.4 mil. euro
- FLPG I.
  - loans
  - Unicredit
  - 12.1 + 12.0 mil. euro

Integrated Regional Operational Programme
- Venture Capital
  - direct venture capital investments
  - 48.0 mil. euro
- Energy Efficiency I.
  - loans
  - OTP Bank
  - 50 mil. euro
- Energy Efficiency II.
  - loans
  - Slovenská sporiteľňa
  - mil. euro
- Energy Efficiency III.
  - loans
  - mil. euro

Operational Programme Quality of Environment
- Seed Fund
  - early stage equity
  - 3 fund managers
  - 24.7 + 45.4 mil. euro
- FLPG II.
  - loans
  - 2 banks
  - 24.7 + 45.4 mil. euro
- Waste Management and Renewable Energy Fund
  - equity, 3 managers
  - 67.8 mil. euro
- EPC Instrument
  - 41.7 mil. euro
- Energy Efficiency in SMEs
  - 21.9 mil. euro
- Creative Industry
  - loans
  - 57 mil. euro
- Healthcare
  - direct loan
  - 100 mil. euro

Operational Programme Human Resources
- Guarantee Instrument for Social Economy
  - 2 banks
  - 11.7 mil. euro
- Loan Instruments for Social Economy
  - 27.7 mil. euro
- Equity Instruments for Social Economy
  - 32.6 mil. euro

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European Commission