

D.T1.1.2.
*Country reports on social impact investment
with status quo diagram*

COUNTRY REPORTS ON SOCIAL IMPACT INVESTMENT WITH STATUS QUO DIAGRAM

D.T1.1.2
Deadline:
August 31st 2019)



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Austria



Austria

COUNTRY REPORT ON SOCIAL IMPACT INVESTMENT WITH STATUS QUO DIAGRAM

WP T1 Pilot Preparation
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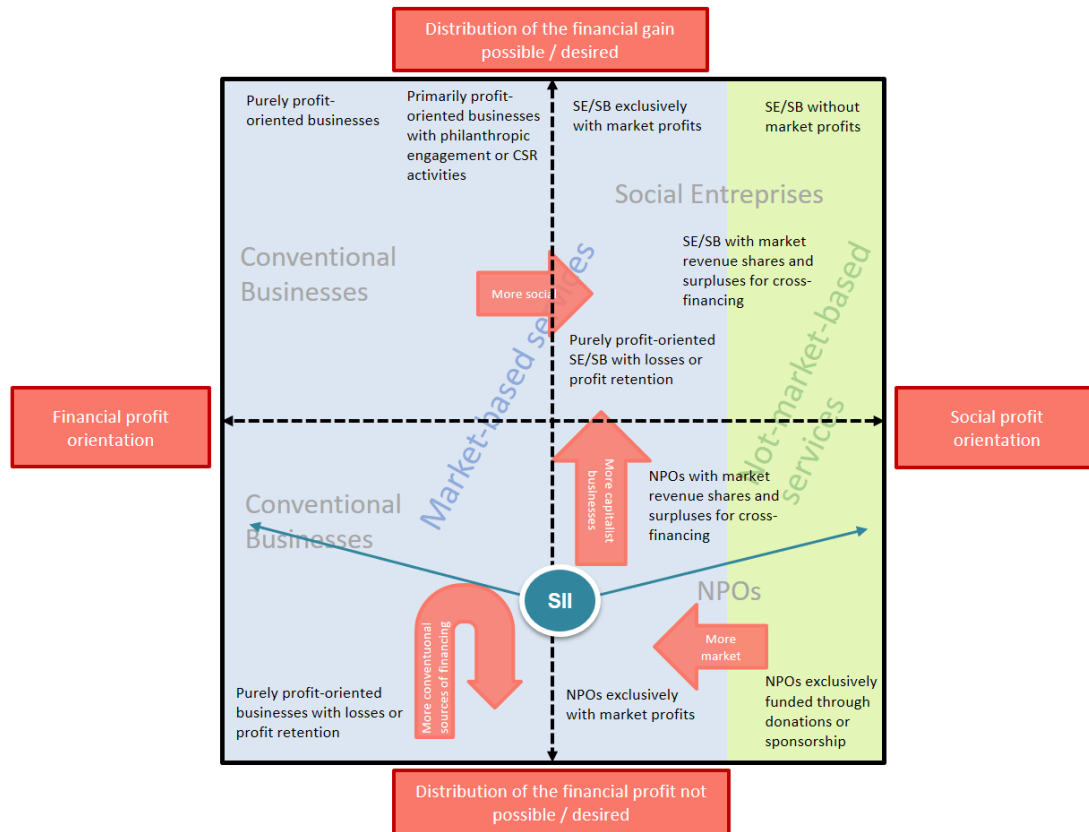
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Overview of social impact investment in Austria

1. General overview: The current status of social impact investment in Austria

In order to take a better look at impact investment at its current status in Austria, we first have to define what exactly we mean with impact investment. Currently, there is a broad range of financial interactions titled with impact investments. These can range from purely profit-oriented private investments aiming specifically at financial returns to the NPOs or social businesses focusing mainly on fulfilling their mission and thus creating mainly social returns. As shown in Figure 1, a strong financial profit orientation is usually found with conventional businesses, which function in the traditional market-led sense. Conventional business with an affinity towards social profits may choose to achieve these either through philanthropic engagement or CSR activities (e.g. corporate donations, corporate volunteering). On the other hand, there are also NPOs and social enterprises looking to fully integrate and participate in market trade, although the social motivation is still present. On the other end of the spectrum are NPOs or social businesses aiming exclusively at creating social profits. These type of organizations are only concerned about being able to remain functional (usually by means of donations or sponsorship) in order to be able to keep pursuing their goals and don't look to maximize their financial gain. As for the origin of the social impact investments, these can come either from private or public sources.

Figure 1: Placement of Social Impact Investment in the broader socio-economic context



Source: Schober (2017), own contribution: representation of Social Impact Investment

1.1. Defining Social Impact Investment

When focusing on social impact investment, the social aspect plays a crucial role, arguably even more important than the financial return. However, there is no general consensus about the proportion of social and financial returns required in order to classify as social impact investment. This vagueness is reflection by the various definitions currently co-existing in the specialized literature. Nevertheless, one thing all definitions have in common is the positive social impact that has to be generated, whether intentional or not. The differences lie mostly in the role that financial profits play for the investor as well as in how intentional the social impact is from the start.

For instance, Grabenwarter and Lichtenstein (2011) have a very strict definition for impact investment. In their view, impact investment only includes investments with a clear expectations for both financial profit and impact. Therefore, this excludes all investments where profit is not a main consideration, as they see this investment form as taking a monetary loss for the sake of social impact and thus classify it as philanthropy.

Alternative terms for this concept are for instance "social investment", which was coined by Nicholls (2008) and is defined as more than just financial flows into social or environmental projects, but rather as an ethos about the goal of these investments. Therefore, creating awareness about the potential of investments in these areas in terms of impact is also part of the concept (Nicholls 2008).

Scarlata and Alemany (2010) talk about "philanthropic venture capital investments", which again is a less radical take on the concept. In their view this investment form targets mainly social enterprises with a

potential for high social impact. Therefore, maximizing the social impact is also the main goal of the investment.

Another similar notion refers to “mission investing” (Weber, Schneeweiß 2012) in the context of investments issued by foundations. On the one hand, these investments are meant to have a positive contribution to the mission of the foundation. However, according to their definition these investments must also fulfil the minimum requirement of retaining the investment capital, but preferably to increase the profits.

OECD (2015) mainly uses the term “social impact investing” and narrows it down to transactions targeting beneficiaries in need. Furthermore, these investments should bring both public and private benefits and the investors should have at least minimal expectations for return. The measuring of the social impact also plays an important role. This concept was further developed in the follow-up study (OECD 2019).

1.2. Social Impact Investment in Austria

Donations, while not a form of impact investment, still show the willingness to participate in the funding of social projects. In Austria, all donations in 2017 amounted to the sum of 675 million euros. With 872 out of 1235 supported organisations being in the field of social issues, this is by far the most relevant area of donations. With an average donation of €113 and a participation rate of around 60% among adults, there seems to be a strong willingness to help from a private perspective (Fundraising Verband Austria 2018).

Although individuals are quite involved in charitable giving in Austria, private donations from foundations are very limited. Out of the more than 3,000 private foundations in Austria, only about 200 (i.e. 7%) have a clear public benefit purpose. Between 10 and 40 million euros are thus spent each year by private foundations on public benefit purpose activities, mainly in areas such as education and training, social services and culture. This represents only 1 to 5 euros per capita per year. Compared to many other European countries, that amount is very low. For instance, in Germany more than 95% of the 17,000 foundations have a public benefit purpose. The value they spend amounts to €180 to €230 per capita per year (SE Mapping Austria 2014).

There is a growing market for impact investments in Austria. At the start of 2018, the considerable amount of 15.2 billion Euros was estimated to have went into sustainable investments in Austria. This is around 8 percent of the total investment volume in Austria of around 175 billion Euros. However, the growth rate of 16% compared to the previous year, while impressive on paper, was actually below the average annual growth rate of 23% since 2005 (FNG 2018). Furthermore, it is unclear how much of this amount was actually invested into enterprises operating in Austria, since this number reflects only the funds put into sustainable investments overall and not strictly the money used inside the country. This numbers have to be taken with a grain of salt, because, as the different definitions show, the term impact investment is used for a number of financial activities. This is why it is important to clarify the definition of what is to be considered as impact investment. Going by the Grabenwarter/Lichtenstein (2011) definition, the numbers in the FNG statistics cited above contain investments that would qualify as impact investment, as they do not include a strict profit orientation. However, we adhere to a broader understanding of social impact investment.

In a survey about the financial situation of social enterprises only around 10 percent of the respondents stated that they have enough funding, while around 40 percent said that the means are scarce, but do suffice (SE Mapping Austria 2014). This findings further show that there is a big demand for impact investment in Austria, which is currently not met with enough supply.

There are a couple of reasons why social impact investment only represents a small share of the total investments made in Austria (see Figure 2). First, the previously mentioned perceived trade-off between impact and profitability plays an important role, depending on the positioning of the investors regarding their expectations for return. In addition, there is the strong belief among the Austrian population in a

traditionally high social spending and redistributing government, following the welfare state model. In this model it is the role of the institutions, not of the private investors, to take charge of social causes (SE Mapping Austria 2014). The governmental social spending of Austria on social issues has been close to 106 billion euros, which trumps the number of private social investments by a multitude (Statistik Austria 2018). However, this is to be expected in a country with a welfare state model. Furthermore, there can be also some legal barriers to implementing investment models for social enterprises, depending on their legal form (Don Bosco 2016). A NEOS LAB study (2016) also finds that in many social enterprises the “investment readiness”, meaning the legal form, management know-how and corporate structure, is too low or inadequately structured in order to work with outside capital.

Figure 2: Social Spending in Austria, 2018



Source: FNG 2018, Statistik Austria 2018, Fundraising Verband Austria 2018. All numbers are rounded.

Nonetheless, as presented in the following subsection 2, there are some prominent examples of impact investment initiatives in Austria. For instance, Imfino attempts to support the development of this area in Austria by connecting impact investors and sustainable entrepreneurs. This is carried out via their “Imfino Resolve” platform, aimed at matching businesses and investors with similar interests and know-how.

Another means of conducting impact investment is through social banking. Erste Bank Sparkasse has its own social banking division that operates in Austria as well as in other Central and Eastern European countries. They specialize in granting microcredits with advantageous interest rates for small enterprises and in supporting social businesses by accessing funds of the European Investment fund. Moreover, they also engage in cooperation with charity organizations and NGOs (Erste Bank Sparkasse n.d.).

In addition, there are also a number of crowdfunding platforms which aim to provide NPOs and social entrepreneurs with enough capital for operation. Most notably here are crowdfunding.at and gemeinwohlprojekte.at.

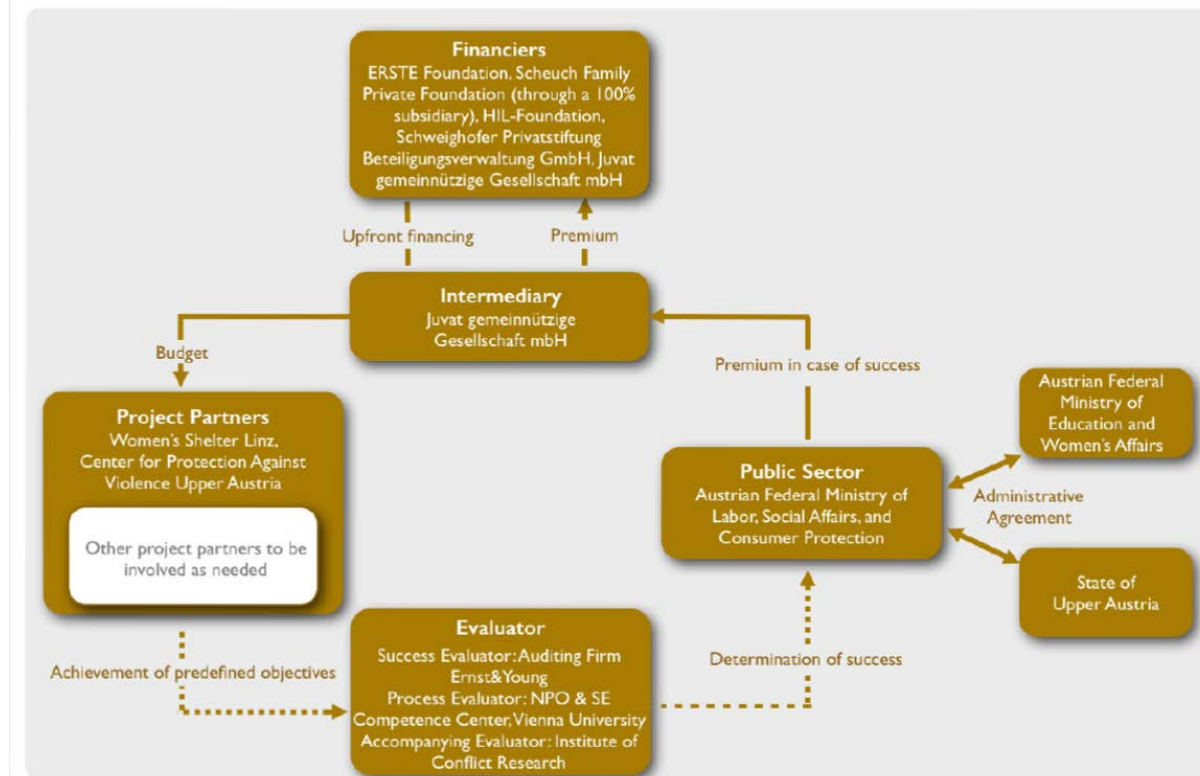
2. Social impact investment focusing on (long-term) unemployment in Austria

While no data is available on the sectoral composition of impact investments in Austria, the labour market is definitely an area of interest for possible impact investors, with a big potential for social impact. An important integration tool are for instance sheltered workshops or integrative businesses designed specifically for the employment of disabled persons. These are mostly funded either by means of public, governmental money or on a donation basis. Again, the line between social profits, such as the integration and inclusion of disadvantaged people, and the financial profitability of these concepts is blurred. Going by the Grabenwarter, Lichtenstein (2011) definition, these would not count as impact investments strictly speaking and would rather fall into the field of philanthropic efforts. However, according to more broad definitions emphasizing the requirement to fulfil the social mission without registering a loss (see for instance OECD 2015), these efforts would then again count as social impact investments.

As previously mentioned, a common characteristic of social impact investment in Austria is the mixture of public and private funding. However, as seen in Figure 2, the governmental spending on social matters greatly outweighs the private efforts in form of impact investing or donations. These findings could indicate that, in the private sector, people concentrate on other social needs, assuming that the public programs of the government suffice in this area.

A combination of public and private impact investments were also used for the creation of the first social impact bond in Austria. By definition, a social impact bond is a co-financing cooperation form between public and private (public-benefit) investors. For this form of impact investment, a financial return is only expected after the successful implementation of the social goals (Sozialministerium 2019a). Based on this type of financial instrument, the Austrian pilot project called "Economic and social empowerment for women affected by violence" was carried out between September 2015 and August 2018 and had a total budget of around 800,000 EUR. The program aimed to integrate women that have been subjected to domestic violence into the labour market with a stable job of at least 20 hours per week. As shown in Figure 3, the bond was implemented in Upper Austria by the government in coordination with NPOs and in collaboration with private companies, charitable organizations and foundations. The program offered individual support to the beneficiaries - abused women in need of occupation. The offers ranged from general assistance over education and training to job placements and career guidance. The progress of the project was subject to evaluation by a third-party evaluating authority. Private investors carried the risk until the third party evaluator can confirm the achievement of the predefined goals (Sozialministerium 2019b). This program could provide valuable learning for the implementation of the Social Impact Voucher system.

Figure 3: Concept of the Social Impact Bond pilot project in Austria, running time 2015 to 2018



Source: Sozialministerium 2019b

3. The potential of social impact investment for the Social Impact Vouchers program in Austria

3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

Since most forms work or employment, by its very definition, create some kind of value, the concept of reintegrating people into the labour market is well compatible with both the social return and the for-profit nature of social impact investment. The challenge is developing a convincing concept to get investors on board. The idea of integrating persons that are struggling both socially and financially, on a long-term basis into the labour market has a strong potential due to the transition from net receiver to net payer in the social system. Historically, this has been a thoroughly discussed topic in Austria in the past and has recently experienced a strong uptrend in public interest, especially in light of the latest wave of refugees. The already existing public awareness for the topic could be used in favour of the SIV program, in order to create appeal and convince possible investors to get involved.

The growing impact investment scene in Austria, combined with the improving legal and financial situation of social enterprises, could provide a good climate to get support for the SIV program. Keeping this in mind, the scene is still in its infancy, compared to conventional investments. Therefore, getting bigger players on board could still pose a challenge.

3.2. Concrete application of social impact investment in the context of the Social Impact Vouchers

The SIV program could be a good fit for a social impact bond administrated by the Austrian government. Official support of that kind could tremendously increase credibility towards private investors. As previously illustrated, a similar project targeting social improvements in the field of labour has already been implemented with good results as a social impact bond (Sozialministerium 2019b). Overall, there are a lot of similarities between the already implemented social impact bond and the social impact voucher program. Given that the ministry's requirements for such a program are a clearly identifiable impact and a successful cost-benefit calculation, the SIV project would have good chances to meet them and qualify.

Possible stakeholders for the implementation of the SIV Program

As illustrated in the previous subsection 2 by the example of the social impact bond in Upper Austria, possible stakeholders are on the one hand public institutions providing both financial resources as well as access to the targeted beneficiaries and, on the other hand, public benefit organizations acting again either as financers or intermediaries facilitating the access to the beneficiaries. Concretely in the case of the bond, the main upfront financers were the ERSTE Foundation, the Scheuch Private Foundation, the HIL-Foundation, the Schweighofer Privatstiftung Beteiligungsverwaltung GmbH as well as the Juvat gemeinnützige Gesellschaft mbH. Other involved players were public institutions such as the regional branch of the Austrian Federal Ministry for Labour, Social Affairs, Health and Consumer Protection or the Government. In addition, the project partners Women's Shelter Linz and the Center for Protection Against Violence Upper Austria, therefore NPOs working closely together with the target group, also played a crucial role in implementing the bond. Companies willing to employ the beneficiary are also important players (Sozialministerium 2019b).

On a more general note, with regard to the labour market, one of the biggest societies active in the area of unemployment and inclusive work in Austria is arbeitplus¹. This organization conducts many projects aiming to alleviate unemployment and coordinates its own social innovation lab. They could provide a valuable source of support for the implementation of the social impact vouchers in Austria. In addition, the Arbeitsmarktservice (AMS)², the Austrian unemployment office, would also constitute a valuable public collaborating partner for the SIV program.

¹ More information about the organization is available here: <https://arbeitplus.at/> (last accessed: 13th June 2019).

² More information about the organization is available here: <https://www.ams.at/> (last accessed: 13th June 2019).

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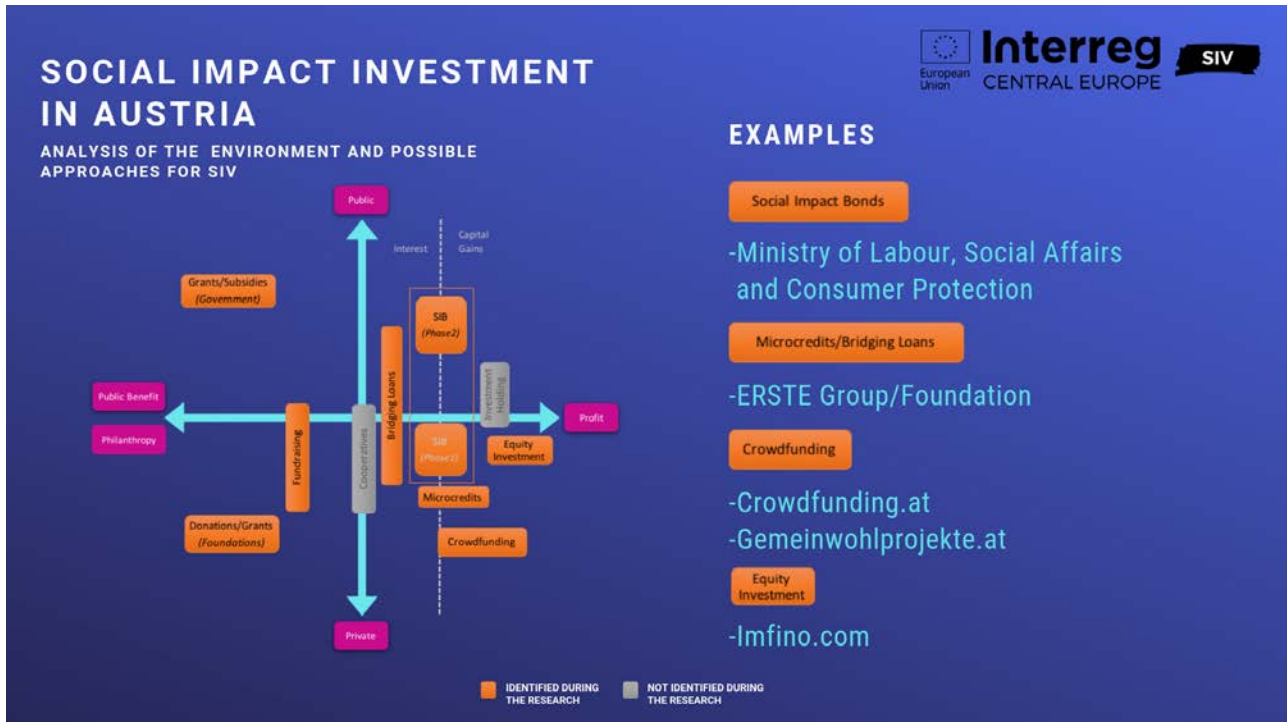
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5. Appendix

Figure 4: Summary status quo diagram of social impact investment in Austria



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Overview of social impact investment in Croatia

1. General overview: The current status of social impact investment in Croatia

From their beginnings in early 2000s, social entrepreneurship programmes have focused on integration of marginalised and difficult-to-employ groups on the labour market. Western European countries have managed to leverage the potential of social entrepreneurship to employ marginalised groups, while Central and Eastern European countries, including Croatia, have invested much less effort. The paper of Frleta and Babić (2018) deals with comparative analysis of social entrepreneurship programmes in Croatia and certain other EU countries, which are focused on employment of rehabilitated addicts. The analysis provides recommendations for the improvement of practical activities and social entrepreneurial projects aimed at the better integration of rehabilitated addicts into the labour market.

“Although Croatia joined the European Union on 1 July 2013, the idea of a Social Investment approach to tackling key social challenges is largely not present in national, regional and local social policies. Social policies tend to be more passive than active, and to favour groups with a stronger political voice, particularly war veterans and, to an extent, pensioners. There are also legacies of earlier, largely unsuccessful, attempts to promote demographic renewal in the context of a low birth-rate, an ageing population, and significant migration, particularly forced migration during the war from 1991 to 1995. Social policies tend not to be integrated with each other, even at the national level, with a series of discrete strategies for distinct ‘vulnerable groups’ existing largely as wish lists with little real investment perspective. There is also a high degree of ‘welfare parallelism’ through which social policies at local and regional levels remain uncoordinated with national policies, vary according to sub-national discretion and means, tending therefore to add to rather than alleviate regional inequalities, and benefits at local levels tend to be supplementary rather than complementary to national benefits” (Stubbs, Zrinščak 2015: 7).

“Croatia’s commitment, at least on paper, to elements of social investment, appeared stronger when, as a candidate country, Croatia drew up a Joint Memorandum on Social Inclusion (JIM) than as a Member State in relation to the Europe 2020 strategy. Although JIM commitments were not prioritised in any systematic way, they did represent a response to a wider understanding of key social challenges. In contrast, commitments within Europe 2020 appear to be largely declarative, lacking in ambition, and with no clear implementation strategy. Albeit from a very low base, Croatia does appear to have prioritised active labour market policies, especially those linked to the European Union’s Youth Guarantee, which do have more of a social investment approach to them. There is a danger, however, that too many new programmes are being introduced without clear evaluation of their impacts” ((Stubbs, Zrinščak 2015: 7)).

“One other issue which is important is that, implicitly at least, there remains a view amongst policy makers that the extended family offers a caring and supportive environment marked by inter-generational solidarity, as in an ideal typical Southern European welfare regime. However, the impacts of war, post-war growth and the current crisis means that there is an urgent need to look at the challenges for social policies posed by changing family structures as well as changing household and individual coping and risk management strategies. This would be needed to ensure that social investment complements and strengthens positive coping strategies rather than eroding them, thus increasing the rate of return on public investments in social policy” ((Stubbs, Zrinščak 2015: 7).

Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015-2020

Adopted in 2015, the “Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015-2020” represents a seminal document for the creation of a policy framework for social enterprises. The Strategy’s main objective is to boost social enterprise creation and growth in Croatia by establishing a more supportive institutional and financial environment (OECD, European Union 2017: 75).

“The Strategy was initiated through a “bottom-up” approach by a network of civil society organisations (CSOs) and social enterprises, in partnership with the government. It is largely aligned with European Union (EU) policies – particularly the Social Business Initiative (SBI). It identifies social enterprises based on nine criteria, and determines the key areas and activities for improving the institutional environment. Its main measures aim to: 1) develop and improve the legislative and institutional frameworks; 2) establish an adequate and supportive financial framework; 3) promote social entrepreneurship through education; and 4) increase social enterprises’ visibility” (OECD, European Union 2017: 75).

“The Strategy’s overall implementation relies on a horizontal and vertical approach bringing together multiple stakeholders: other relevant ministries and national government institutions, as Strategy co-owners; local authorities; local and regional development agencies; CSOs; social enterprises; financial institutions; and academia. The first operational step was the establishment of the government unit in charge of implementing the Strategy and co-ordinating activities among its co-owners” (OECD, European Union 2017: 75f).

“Several key factors could enhance the transferability of this initiative to other contexts: adopting a bottom-up approach, by developing a network or umbrella organisation representing social enterprises’ interests and needs; creating a partnership with the government (as a process owner); creating a transparent and participative model of preparation and implementation, including multi-sector stakeholders and public consultation; and relying on EU strategic documents and policies, thereby ensuring coherence with EU strategic priorities and enhancing access to EU financial resources” (OECD, European Union 2017: 76).

“The Strategy’s main objective is to create a supportive environment for social enterprises in Croatia, thereby decreasing regional disparities, increasing employment and ensuring fairer distribution of social wealth. Fostering social entrepreneurship may also help accomplish other national strategic goals, such as achieving social cohesion, combating poverty, increasing employment, creating new products and services, increasing competitiveness and protecting the environment” (OECD, European Union 2017: 77).

“The Strategy is largely founded on EU documents and policies, especially the SBI, whose concept of social enterprises informed the Strategy’s understanding and approach” (OECD, European Union 2017: 77).

“The Strategy defines social enterprises as “businesses based on the principles of social, environmental and economic sustainability, where profit/surplus is, wholly or in great part, reinvested for community benefit”. Measures to create a more enabling environment focus on four priority areas: 1) developing and improving the legislative and institutional frameworks for social enterprises; 2) establishing an adequate and supportive financial framework for social enterprises; 3) promoting the importance and role of social entrepreneurship through formal and informal education; and 4) increasing the visibility of social enterprises in Croatia. Activities in each area are managed by delegated co-owners or partners and feature defined indicators for measuring implementation, as well as specific time frames and dedicated financial resources” (OECD, European Union 2017: 77).

“The Strategy covers several policy areas: 1) access to finance, through grant schemes (linked to EU and public funds) to stimulate employment of vulnerable groups, as well as innovative social services and products, a guarantee mechanism/fund to facilitate access to finance, innovative instruments tailored to social enterprises, and other financial incentives; 2) educational activities, through both formal and informal educational programmes at different levels of education, as well as trainings, knowledge and skill

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transfer, and research activities; and 3) access to the market, through specific labels and product declarations, such as the EU Ecolabel and the EU Eco-Management and Audit Scheme (EMAS). The Strategy additionally fosters a supportive framework for public-private partnerships, and promotes the use of abandoned public assets and buildings by social enterprises. Its policy approach focuses on the provision of funding, educational programmes and capacities, and research. Additionally, it advocates creating databases, statistical reports, and good practice examples and other knowledge products related to social enterprises in Croatia” (OECD, European Union 2017: 77).

“The Strategy defines four main measures, each comprising several activities.

The measure concerning the legislative and institutional framework involves setting up the institutional unit and official register of social enterprises; conducting an in-depth analysis of the needs of existing social enterprises and the current legal framework, to harmonise legislation and introduce benefits and incentives for social enterprises; providing unused public spaces and buildings for use by social enterprises; developing partnerships between public bodies to support social entrepreneurship; and developing support for qualitative and quantitative research, and social-impact measurement methodology. This measure tends to produce evidence-based findings on the overall impact of social enterprises.

The measure concerning the financial framework entails developing a unique guarantee mechanism/fund, providing systematic financial support (grant schemes) linked to EU funds and national budget co-financing; providing loans and other incentives for social enterprises; and developing innovative financial instruments and grant schemes to foster the employment of vulnerable groups, as well as social innovation, community social services and solidarity exchange.

The measure pertaining to education focuses on promoting social entrepreneurship at all levels of education, by supporting (both financially and non-financially) educational programmes and lifelong learning projects, and producing informational publications promoting social entrepreneurship; replicating innovative educational programmes; and encouraging further education in social entrepreneurship for teachers, adults, public servants and social entrepreneurs.

Finally, the measure relating to increasing visibility and information channels aims to raise the visibility of social enterprises, by informing the media and public of their importance; producing promotional materials and highlighting examples of good practice; fostering joint promotion of social enterprises and their products in the market; and developing social-enterprise market labels.

The document briefly defines a fifth area, monitoring and evaluation, which foresees annual Council monitoring meetings and a mid-term evaluation leading to a possible revision of the Strategy.” (OECD, European Union 2017: 77).

Unfortunately implementation of the strategy is delayed and since no real implementation has taken place so far, no data are available on the activities’ impact, efficiency or cost-effectiveness.

1.1. Other social investment opportunities

No dedicated policy or budget is made available for social investment or social innovation activities in Croatia. Hence, the suggested approach relies on ministries’ practical and incremental involvement in social innovation, based on their existing budgets and capacities.

The Ministry of Entrepreneurship and Crafts is designing an innovation support scheme with a budget of EUR 80 million, which should become operational in 2016. The scheme will help innovation- driven small and medium-sized enterprises (SMEs), including start-ups and spin-offs, commercialise their innovative products and services. A horizontal approach covering a variety of sectors, including social innovation, will be applied. Grant applications offering a societal impact will receive higher scores.

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European institutions offer a number of financial support schemes for social innovation. The section below describes five of these schemes:

Horizon 2020

Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative spanning 2014-20 that aims to secure Europe's global competitiveness. Horizon 2020 takes a challenge-based approach, bringing together resources and knowledge from a variety of fields, technologies and disciplines, to cover innovation-related activities. Funding covers a number of societal challenges, including health; demographic change and well-being; food security; secure, clean and efficient energy; and smart, green and integrated transport (European Commission n.d.a).

Innovation proposals focused on societal challenges focus on large multinational projects covering one or several societal challenges. A variety of organisations (public, private and research organisations, small and medium-sized organisations) can develop project proposals based on the existing calls. Horizon 2020 pays special attention to SME co-participation and features dedicated calls focusing on social innovation.

Horizon 2020 also funds high-potential innovation through a dedicated SME Instrument offering the following benefits (European Commission n.d.b):

- business innovation grants for feasibility assessment purposes (EUR 50,000)
- business innovation grants for purposes of innovation development (EUR 500,000) and
- demonstration (EUR 2.5 million)
- free business coaching.

EU Programme for Employment and Social Innovation (EaSI)

EaSI is a financing tool aiming to promote quality and sustainable employment, guarantee adequate and decent social protection, combat social exclusion and poverty, and improve working conditions. The EaSI programme is directly managed by the European Commission and focuses on three areas (European Commission n.d.c.):

- modernising employment and social policies
- job mobility
- access to micro-finance for vulnerable groups (under EUR 25,000).

European Social Innovation Competition (EUSIC)

The European Social Innovation Competition is organised by the European Commission with the support of a consortium comprising Nesta, Kennisland, Impact-Hub, Shipyard and Matter&Co. It is open to any legal entity established in EU Member States or Horizon 2020 Associated Countries. The Competition aims to stimulate social innovation's potential to provide solutions to societal challenges, as well as foster sustainable and inclusive growth in Europe. For innovative enterprises, the Competition represents an opportunity to obtain capacity-building support, as well as greater visibility. Every year, the Competition focuses on a different topic. The 2016 edition, entitled "Integrated Futures", will support innovative entrepreneurial ideas that can turn the challenges arising from the refugee crisis and migrant integration into an opportunity for Europe. The three best projects will each be awarded a EUR 50,000 prize (European Commission n.d.d.).

However, all those instruments are very limited in size, quite complex and not specialized enough for Croatian local context hence not applicable for widest range of social needs specific for Croatia neither accessible to the wider group of social actors.

1.2. Existing financial actors and their approach to social investments

“During the last decade the majority of finance for social enterprises has come from the public budget or donors, which has been accompanied with the EU structural and investment funds, in particular the European Social Fund. Grants are the most common type of financial instruments currently coming from these sources. Also, social enterprises most commonly use grants for short-term projects or operational costs. However, these sources are not guaranteed, nor they provide a stable and continuous financial framework. This was particularly visible with the poor implementation of the SE Strategy.

Although there are some other instruments available at the moment that could be suitable for some social enterprises, such as micro loans provided through the Cooperative for Ethical Financing or Erste Social Banking, social investors and other financial intermediaries are currently almost non-existent in Croatia. One may notice that some initiatives are in a nascent stage and are about to emerge, and, at least partly, fill the existing gap.

Some argue that a greater dependence on public funds and unsophisticated financial instruments, such as grants and donations, results in a low level of interest from financiers and investors in developing tailor-made instruments for social enterprises. This may be a valid argument, bearing in mind that the majority of social enterprises, especially in the early stages, lack leaders with business and financial skills, and thus have difficulties presenting themselves as attractive investment opportunities. In addition, traditional actors in the financial sector are mostly led by investment interest, not recognizing the additional values that social enterprises generate.

Actors in the financial sector that will be described below include those that target social enterprises explicitly and also those with much broader target groups (such as impact (social) enterprises” (Vidović 2019: 71).

Grants

“EU funds have been the primary source for facilitating social enterprise development in Croatia during the last decade. The implementation of the SE Strategy relies on the ESF as its main financial source with 37 million EUR to be allocated until 2020, of which 32 million EUR is from ESF, and the rest from the public budget. Until present, 18 social enterprises or social entrepreneurship projects received grants from the MLPS as a part of the SE Strategy implementation. This makes around 1.4 million EUR or 3.8% of the total amount aim for allocation through the SE Strategy.

Sporadically and in an ad hoc manner, some local governments provide grants for non-profit actors to develop social enterprises. For example, in 2015 and 2016 the City of Zagreb gave grants for ‘social entrepreneurship development’. In total 17 projects, either run by social cooperatives or companies founded by associations, were funded with around 658,000 EUR. The City of Zagreb announced the new call for 2018, indicating that this may become a continuous scheme.

As a part of the programme “Entrepreneurial Impulse”, the Ministry of Economy, Entrepreneurship and Crafts provides various support grant schemes for SMEs and crafts projects. There are specific grant schemes for cooperatives, but not for social enterprises. This programme that was run for a few years, was stopped in 2016 and was not restarted until the end of 2018.

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The Ministry of Demography, Family, Youth and Social Policy regularly provides grants for social welfare institutions and associations that operate in the social welfare field.

The Ministry of Croatian Veterans since 2004 regularly provides grants for veterans cooperatives, including (but not specifically for) social-working cooperatives. In the period 2004-2018, the Ministry gave grants to 494 veterans cooperatives.

The Institute for Vocational Rehabilitation and Employment of Persons with Disabilities provides grants for reimbursement of additional costs associated with the employment, and grants for education and training of workers with disabilities.

National Foundation for Civil Society Development occasionally provides grants for developing activities of associations related to social entrepreneurship. However, this is an ad hoc rather than regular practice.” (Vidović 2019: 72).

Traditional banks

“There are not many initiatives in the sector of social finance. In 2016, Erste Bank Croatia launched a new micro-finance programme that supports unemployed persons who intend to become entrepreneurs. The programme is part of “Step-by-step” Social Banking programme for Southern and Eastern European countries and aims to encourage self-employment and entrepreneurial development of parts of the population without banking affiliations. In 2017 the “Step-by-step” programme started a second line of programme—one focused on development and partnership with NPOs and social enterprises. During the first year, five social enterprises received 235,000 EUR in total. A new loan line that was announced in June 2018, involves European Investment Fund (EIF) which signed an agreement with Erste Group to finance social enterprises in several countries (Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Serbia) with 50 million EUR. The deal was signed under the framework of EaSI and it was predicted that around 500 social enterprises would benefit from loans at reduced interest rates and with lower collateral requirements during the next five years.

Zagrebačka Bank and UniCredit Foundation are sporadically active in supporting social enterprises. In cooperation with NESsT they financially supported incubation of several social enterprises. Also, they provided grants for the Social Impact Award programme run by Impact HUB Zagreb. Totally they awarded six beginner social entrepreneurs with 18,000 EUR in 2014-2015 and 28,757 EUR in 2016. UniCredit launched the Social Impact Banking programme in December 2017, to support individuals, micro-enterprises and social initiatives. The programme focuses on microcredits for social groups without access to bank services, impact financing for social enterprises, and financial education and inclusion. The Social Impact Banking programme, which is initially available in Italy, is expected to be soon developed and implemented in Croatia by Zagrebačka Bank, a member of UniCredit Group.

Finally, social enterprises are eligible to apply for commercial loans at any traditional bank with high interest rates of around 7 to 10%, collateral, and other bank requirements, as they are treated the same way as commercial companies. Many small and beginner social enterprises in Croatia perceive those conditions as significant barriers. In some cases, such as Punkt, entrepreneurs decide to take a loan as a natural person, rather than taking it as a legal entity, as the latter is seen as accompanied with more risks and requirements.” (Vidović 2019: 73).

Financial intermediaries with a social orientation

“The Cooperative for Ethical Financing was established in 2014 with the purpose to initiate establishment of the first ethical bank in Croatia. They have also set their activities around creating a sustainable economic development for communities and serving social enterprises and other subjects with limited

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access to the financial market. The Cooperative has managed to fulfil some requirements set by the central bank of Croatia in order to be granted a license for a new Ethical bank; however, the first attempt was not successful. While preparing applications for the next try, they are operating quite successfully as a socially oriented financial organisation. With around 1,200 members (both individuals and legal entities) the Cooperative is one of the largest cooperatives in Croatia today. It provides various support to social enterprises and other social actors. Recently, in 2018, the Cooperative launched the call for micro-loans for social enterprises. In partnership with “Social and Economic Investment Company - TISE” from Poland, the programme obtained around 200,000 EUR for launching a business or for pre- financing of social enterprises that are members of the Cooperative for Ethical Financing. They intent to give loans in the amount 5,000 to 25,000 EUR at an interest rate of 4.5%, which is quite lower than offered by traditional banks.” (Vidović 2019: 74).

Public social investment

“The HAMAG-BICRO is a governmental agency focused on providing support and finance for small and medium-size entrepreneurial ventures, mainly through two financial instruments: loans and guarantees for SMEs taking out a bank loan. They provide micro and small loans for both operational costs and investment with lower interest rates and guarantee. They also offer several grant and voucher- grant schemes for SMEs, for innovative projects, regional cooperation etc., based on finances from the European Fund for Regional Development, International Bank for Reconstruction and Development, and other funds. They do not recognise social enterprise as a specific category, though those social enterprises that operate as companies are eligible to apply under the same conditions as other SMEs.

The HBOR is a governmental bank for development and export, which also supports the development of SMEs. They offer various financial instruments, such as loans, guarantees, export insurance, leasing for SMEs and others, and cover various types of target groups—women, start-ups, youth entrepreneurs, tourism, environmental protection, etc. Similar to HAMAG-BICRO, HBOR finance schemes, they do not recognise social enterprise as a specific category, but when they operate as a company, they are eligible to apply.

Ex-ante assessment report “Financial instruments - Employment and social entrepreneurship” that was conducted within a framework of the Operational Programme “Efficient Human Resources 2014-2020” and presented in 2018 proposed development of several financial instruments: (a) loans for financing higher education and life-long learning (with 40 million EUR); (b) loans for financing employment of persons with insufficient work experience (with 30 million EUR); (c) loans to mitigate financial exclusion (with 20 million EUR); (d) loans for financing social infrastructure and social enterprise project; and (e) venture capital fund for financing social infrastructure and social enterprise projects. The study proposed a unified management structure with HAMAG-BICRO as a founder of Fund of Funds, and up to three different financial intermediaries that would implement financial instruments (a-d) and one financial intermediary for managing the instrument (e). The implementation of these recommendations is announced for 2019.” (Vidović 2019: 74).

Private social investment

“The social investment sector in Croatia has been emerging slowly during last few years, and there are several initiatives that are in their early stage:

Business Angels interested in investing in social enterprises almost do not exist in Croatia. A rare example is individual philanthropist and investor, Nenad Bakić, who invested in social enterprise E-Glas in 2014 to support scaling up of their business—a production and sale of the home assistance software for disabled

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persons Serwantess. The model of social investment he applied was called 'mezzanine', which means an initial loan that is then transformed into equity share, upon reaching the end of the agreed period.

TISE from Poland is the social investment company focused on granting loans to NGOs, microenterprises and SMEs. TISA entered Croatia just recently, as a partner of the Cooperative for Ethical Financing in their micro-loans programme.

At the end of 2017, the Zagreb Stock Exchange (ZSE) and the EBRD launched an equity-trading platform "Progress" with the aim of facilitating access of SMEs to the capital market. This is an innovative model of incubator for SMEs— limited liability companies that want to convert into joint stock companies and raise money on the stock exchange. ZSE provides assistance in finding suitable advisors for enterprises and also advises them in finding additional funds from development banks and agencies. This platform may be used by some social enterprises that operate as companies.

Feelsgood Social Impact Venture Fund was initiated in 2016 by Croatian entrepreneur and investor, Renata Brkić, who heads the Social Impact Investment Hub "Professor Balthazar" and representative of Croatia at the World Business Angels Investment Forum. Her Fund got the support of the EIF through the Social Impact Accelerator programme. The fund is planned to be established in Croatia or Luxembourg and to invest in social and impact enterprises in Croatia and Slovenia. The envisaged fund size is 30 million EUR, with a minimum investment per enterprise amounting to approximately 1 million EUR. The launch of the fund is planned for January 2020.

The European Venture Philanthropy Association (EVPA), along with NESsT, Yunus Social Business Initiative, and the European Commission initiated CEE Social Investment Taskforce in 2017, with the aim to build a social investment movement to foster capital for social enterprises, while also preparing social enterprises to receive investments. The Taskforce is currently developing a project of establishing a seed/grant fund worth 2 million EUR for impact and social enterprises in the region.

There are several corporate foundations in Croatia, but they do not have programmes that are specifically meant for social enterprises." (Vidović 2019: 75).

Innovative social investment

"Crowdfunding became a more used instrument among social enterprises during the last five years. Since 2014 this model has been more intensely promoted through previously mentioned Crowdfunding Academy. During the last few years several social enterprises used crowdfunding for fundraising for their projects or activities, such as social enterprise "E-Glas" from Rijeka that raised around 6,800 EUR in 2014 for E-Serwantess—software for home assistance for disabled people. Association Bubamara from Vinkovci raised around 19,000 EUR in 2016 for Buba bar, a coffee shop that employs people with Down syndrome; And ACT Group from Čakovec raised around 11,200 EUR in 2017 for publishing a book Punk entrepreneurs that tells a story of their beginnings. In 2018, association K-zona raised around 27,000 EUR for the project "Fierce Women - All the Right Cards", a card game that promotes great contributions of women to society. All campaigns were donation-based or reward-based crowdfunding campaigns, which is common for civil society organisations and social enterprises. Recently, since 2017, investment or equity-based crowdfunding has become popular in Croatia.³⁵ However, social enterprises are still not attractive for this type of crowdfunding. As a part of "Social Enterprises Accelerator Programme" (run by the ACT Group), Green Energy Cooperative (ZEZ) is currently working on the development of the first online platform for crowdfunding for both civic crowdfunding and renewable energy sources crowd-investing. There are also informal crowdfunding and crowd-lending popping up sporadically around solidarity-groups. For example, members of solidarity groups gathered around local food producers to make prior payments for 'food baskets' for an agreed upon period. This money was then used as an investment in some kind of upgrade of the production—introduction of new technology or tools that will improve production or services." (Vidović 2019: 76).

Other sources of finance

“The EBRD offers a programme for supporting SMEs and women entrepreneurs that could be used by some social enterprises run by women.

The European Fund for Southeast Europe (EFSE) provides funding to micro and small enterprises and to private households through partner lending institutions. Their local activities are coordinated by Finance in Motion, an impact investing asset manager specialised in development finance. Through the EFSE Development Facility (EFSE DF) funding and capacity support are provided to financial intermediaries and other organisations working with social and impact enterprises (e.g., in Croatia EFSE DF is one of the partners of ACT Group in the implementation of the Social Enterprises Accelerator Programme).” (Vidović 2019: 77).

2. Social impact investment focusing on (long-term) unemployment in Croatia

“The only measures targeting long-term unemployed people are grants provided by Ministry of labour and pension system as described later in this chapter. Croatia’s social policy is not based on a coherent social investment approach, either at national, regional or local levels. Social policies remain largely passive, although the issue of active inclusion, including active inclusion in the labour market, has received greater attention in recent years. While all aspects of social policy remain a low political priority, those programmes which protect the rights of politically influential groups, notably war veterans and, to an extent, pensioners, tend to be prioritised at the expense of needs-based and evidence-based approaches. There is little horizontal or vertical integration of policies, with little real co-ordination between different levels of government, or between governmental and non-governmental actors. Strategies tend to be developed separately for a series of so-called ‘vulnerable groups’ although most of these strategies are little more than wish lists with low implementation potential and, crucially, too few clear timelines, indicators, or budgets. In the context of fiscal consolidation required by Croatia’s Excessive Debt Procedure, the idea of social policies as investment has remained underdeveloped and, often, long-standing or traditionally core social programmes which are compensatory in approach have tended to be better protected than more innovative social programmes which may have a stronger social investment component.

Early childhood education and care (ECEC) is seriously underdeveloped in Croatia, with already low national average enrolment rates hiding significant regional disparities, with the poorest counties having the lowest enrolment rates. National strategies have stressed the importance of expanding access but, since ECEC is a local responsibility, such strategic intent is not backed up by either funding or regulation. As it is, provision of public child care is not of optimal quality, and parents are required to pay fees and also incur in-kind costs. In addition, priority is given to children who have two working parents, limiting the impact of ECEC in terms of facilitating re-entry to the labour market.

Croatia’s means-tested child benefits scheme has some poverty alleviation effects but suffers from errors of both exclusion and inclusion. When considered alongside recent changes in the minimum income benefit, families with three or more children may now be worse off. In addition, tax breaks for parents with children tend to be regressive and not well co-ordinated with other benefits. Services for parents are rather patchy and tend to be in the cities and/or more developed parts of Croatia.

Early childhood care in Croatia tends, therefore, to be a barrier to parental participation in the labour market, particularly women’s participation, with a strong correlation between low coverage of children in ECEC and low rates of female employment, with both being lowest in the poorest parts of Croatia. One

important characteristic of the Croatian labour market is the extremely low level of part-time employment, with women having only slightly higher rates than men. At the same time, the use of time-limited labour contracts is on the increase which tends to limit the participation in the labour market of women who become pregnant since, in the majority of such cases, contracts are simply not renewed. A lack of long-term care also places pressure on extended family members, including older family members of working age, to look after children and/or relatives with disabilities. Again, the majority of this care work is undertaken by women. In addition, generous leave for multiple births or households with large numbers of children, whilst reflecting the reality of a lack of formal child care services, may also be a disincentive to re-entry into the labour market.” (Stubbs, Zrinščak 2015: 5).

2.1. Ministry of labour and pension system active employment policies

Ministry of labour and pension system as major management body for the implementation of national policies within framework of European Social Fund (ESF) in Croatia has developed a number of programmes within Smart specialization programme that are focused to active employment of several identified social groups in Croatia. The main goal of the policies, as stated by Ministry, is creating the conditions for the development of an efficient, developed and regulated labour market that will enable decent work, but also take into account the specific needs of disadvantaged people in the labour market and the existing regional differences.

These policies particularly encourage the activation and education of young and long-term unemployed persons and achieve better employability of the unemployed through targeted education.

Active employment policy measures in 2017 include:

- grants for employment
- grants for training
- self-employment support
- education for the unemployed,
- on-the-job training
- professional non-employment training
- public works
- job-support grants and the
- 'Permanent Seasonal' measure.

With a new approach in defining active employment policy measures, programme has enabled combination of different measures, especially education measures, all with the aim of improving employability (Ministry of Labour and Pension System n.d.).

3. The potential of social impact investment for the Social Impact Vouchers program in Croatia

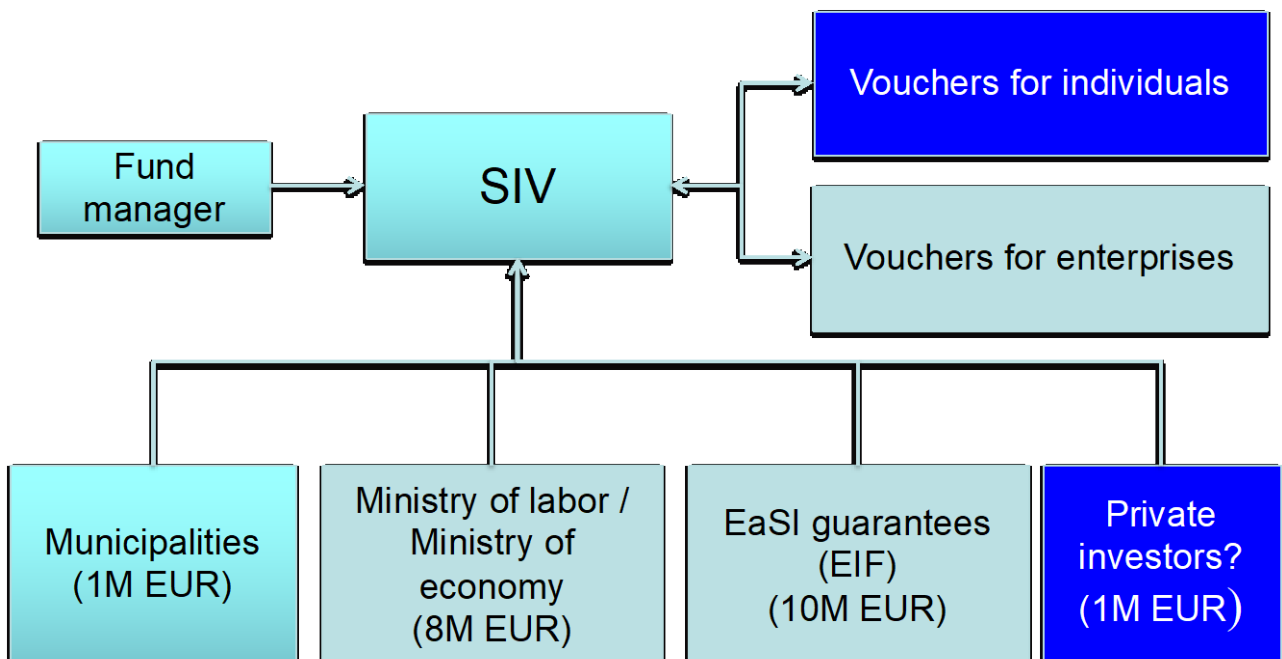
3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

Ex-ante Assessment Report on Financial Instruments Business Competitiveness, Employment, and Social Enterprises in Croatia for a period 2014-2020 identifies gap and potential for social enterprise lending (ESF). Under the priority goal 9: *“Promoting social entrepreneurship and vocational integration in social enterprises and the social and solidarity economy in order to facilitate access to employment”* the following specific goal is identified: *“9.v.5: Increase the number and sustainability of social enterprises and their employees”*. Measurable result indicators identified are increase in number of participants in employment, including self-employment, upon leaving (to increase from 30% to 60%) and increase in number of social entrepreneurs and social enterprises employees who improved their business and work related skills (to increase from 60% to 90%) (ESEP Consortium 2015: 65).

This results could be financed by financing estimated number of 170 social enterprises with remark that an additional effort is required to stimulate the establishment of new social enterprises through training, education, marketing and raising of general public awareness about the importance of social enterprises. Ex-ante assessment suggests that investment support shall be phased and FI can be offered not as seed finance but finance to support growth and expansion (including working capital) with the average investment support per beneficiary to be between 110,000-120,000 EUR and with total investment volume around 10M EUR (ESEP Consortium 2015: 71f).

The potential source of funding for SIV are national funds from ESF, government institutions dealing with unemployment, municipalities and private investors with supporting EU guarantee instrument.

Figure 1: SIV Fund Structure



Source: Own elaboration ZEF

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3.2. Concrete application of social impact investment in the context of the Social Impact Vouchers

Although many social impact investment initiatives exist in Croatia, there are still either not developed, either very limited in their size and scope or not very well designed and integrated with market needs and comprehensive enough to achieve their full potential.

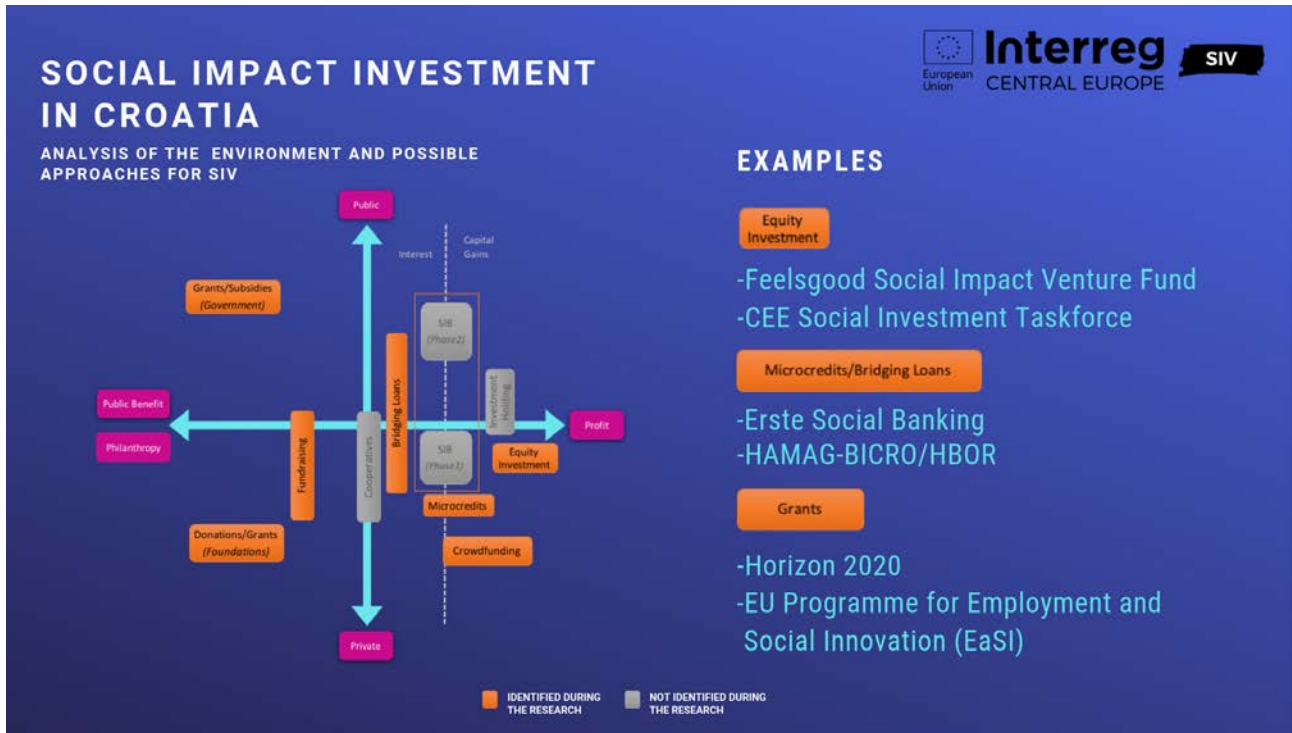
In the design of social impact investment vouchers to Croatian context we would need to create gap analysis that would bring together objectives of SIV project (addressing long-term unemployment issue of underprivileged groups including migrants) with existing measures and instruments and with identified current market needs in order to design programmes that would have maximal efficiency from the perspective of developing Croatian impact investment ecosystem.

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5. Appendix

Figure 2: Summary status quo diagram of social impact investment in Croatia



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Czech Republic

COUNTRY REPORT ON SOCIAL IMPACT INVESTMENT WITH STATUS QUO DIAGRAM

WP T1 Pilot Preparation
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Deadline: August 31st 2019

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Overview of social impact investment in the Czech Republic

1. General overview: The current status of social impact investment in the Czech Republic

There are 13 EU Member States that belong to the category of incipient social impact investment markets: Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Greece, Hungary, Latvia, Netherlands, Romania, Slovakia and Spain. Incipient local markets represent the majority (almost 50%) of the EU Member States' landscape and can be found in Western, Central and Eastern Europe, thus confirming that it is not possible, so far and under the present circumstances, to observe any geographical trend. In none of these local markets can we see a highly developed demand and supply for a market infrastructure (Maduro et al. 2018).

Salamon (2014) defined the term "Philanthropication through Privatization" which means the process of generating significant gifted charitable foundations from the proceeds of privatization of state-owned or state-controlled assets. A figure that gives an idea of the overall comparative image is a number that indicates the number and volume of assets for countries that have been affected by this change process since the 1990s (see Table 1) (Maduro et al. 2018).

Table 1: A "Philanthropication through Privatisation" comparison across countries

Country	Foundations		Assets	
	Number	%	Amount (US\$ Millions)	%
Austria	33	6.1%	\$4,882.9	3.6%
Belgium	1	0.2%	\$408.2	0.3%
Brazil	3	0.6%	\$2,542.8	1.9%
Canada	1	0.2%	\$53.0	0.0%
Czech Republic	73	13.5%	\$206.7	0.2%
Germany	29	5.4%	\$15,672.1	11.6%
Hungary	1	0.2%	N/A	N/A
Italy	103	19.1%	\$72,021.9	53.4%
Netherlands	1	0.2%	\$497.8	0.4%
New Zealand	36	6.7%	\$7,073.7	5.2%
Norway	4	0.7%	\$6,227.7	4.6%
Poland	4	0.7%	\$511.3	0.4%
Slovakia	2	0.4%	\$24.7	0.0%
Sweden	35	6.5%	\$1,478.8	1.1%
United Kingdom	9	1.7%	\$3,170.7	2.4%
United States	199	36.9%	\$19,988.5	14.8%
Other	5	0.9%	N/A	N/A
Total	539	100%	\$134,760.8	100%

Social Impact Bonds (SIBs) is a relatively new concept. The SIBs concept is still not set up in the Czech Republic, but examples from abroad have the expectation, that this will be a promising new financing model for social service delivery. By making private investment available to social programs, SIBs are expectations to bring innovation, more money, and better outcomes for society's most disadvantaged people. Private investors would be paid a return only if the program achieved the predetermined outcomes (Škrabal 2019)¹.

So, the term of fundraising is more often used as a source for financing social services and work with disadvantaged people in the Czech Republic. The main aim of fundraising is collecting money to achieve a specific project or organization goal. In the Czech Republic, funding for such activities may be secured by means of (Škrabal 2019):

- own resources,
- crowdfunding,
- loans,
- grants,
- funds,
- subsidies.

Own resources represent revenue from the activities of the organization, for instance through the organization of various campaigns, events or sales of products and services. Crowdfunding is a method of financing, where a larger number of individuals contribute small amounts in order to reach the target amount. Crowdfunding finances interesting projects, products or companies. Organizations can also provide interest-free financial loans during the transition period (Škrabal 2019).

To obtain funds within grants and subsidies, one can contact the following institutions in the Czech Republic (Škrabal 2019):

- foundations - local, national, international,
- local action groups (LAG) / Microregions,
- municipalities,
- regions,
- national funds (ministries),
- European Structural Funds (SF, RDP, convergence).

Many grants or subsidies are distributed according to legal personality, ie that funds are earmarked for their support - for example, only for public administration or only for non-profit organizations or business entities. Therefore, it is always important to familiarize oneself with the terms of the grant. For orientation in the current calls for project applications, it is recommended to use the so-called Grant Calendars, which offer an overview of current grant or subsidy calls from different levels of funding opportunities (Škrabal 2019).

1.1. Information about European Funds

European Union funds are a key tool for implementing European cohesion policy in the Czech Republic. Finances invested by these funds aim to reduce social and economic disparities. Through various operational programs, applicants can draw finances from these funds (Dotace EU n.d.a).

The following Structural and Investment Funds are currently available (Dotace EU n.d.a):

- European Regional Development Fund
- European Social Fund

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- Cohesion Fund
- European Agricultural Fund for Rural Development
- European Maritime and Fisheries Fund

Programming period 2014-2020

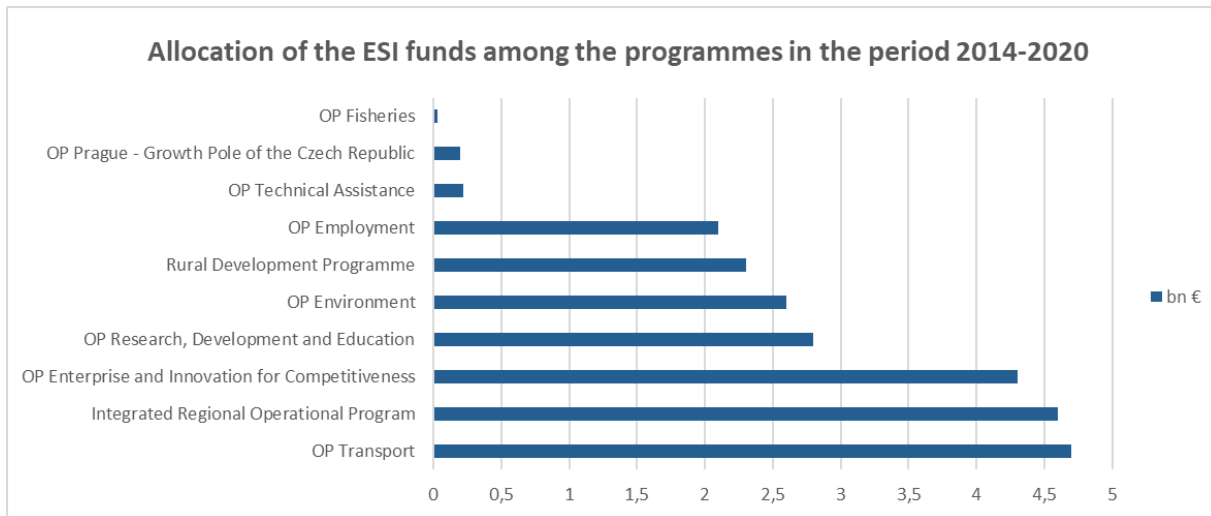
Almost 24 billion euros from the European Structural and Investment Funds were allocated to the Czech Republic in the 2014-2020 programming period. The Czech Republic draws finances through 10 thematic programs. Other resources are then available in the European Territorial Cooperation programs. The European Union's intention is to ensure that the ESI Funds contribute as much as possible to the implementation of the Europe 2020 concept - A strategy for Smart, Sustainable and Inclusive Growth. The national development priorities for the 2014-2020 programming period are given by individual programs that enable the drawing of funds from ESI funds. They can be divided into thematic programs focusing on specific areas and the European Territorial Cooperation programs, which requires cross-border cooperation (Dotace EU n.d.b).

The following thematic operational programmes are currently running (Dotace EU n.d.b):

- Operational Programme Enterprise and Innovation for Competitiveness
- Operational Programme Research, Development and Education
- Operational Programme Employment
- Operational Programme Transport
- Operational Programme Environment
- Integrated Regional Operational Program
- Operational Programme Prague - Growth Pole of the Czech Republic
- Operational Programme Technical Assistance
- Operational Program Fisheries
- Rural Development Programme
- European Territorial Cooperation Programmes

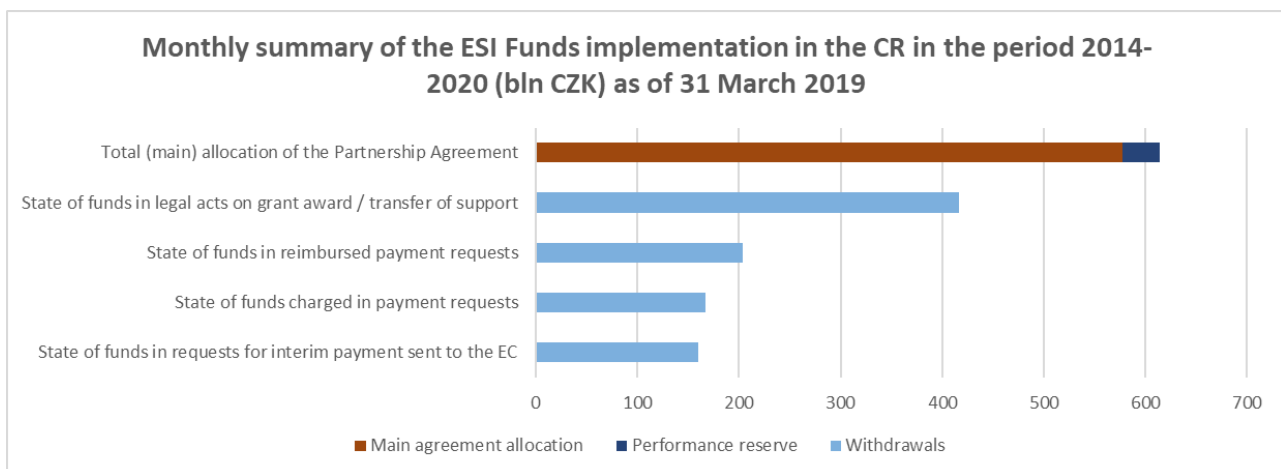
Figure 1 below provides an overview over the amount of funds available for each of the thematic operational programmes running in the current period. The absorption of the funds invested in this period is depicted in Figure 2.

Figure 1: Allocation of the ESI Funds among the programmes in the period 2014 - 2020



Source: Dotace EU n.d.b

Figure 2: Monthly summary of the ESI Funds implementation in the CR in the period 2014-2020 (bln CZK) as of 31 March 2019



Source: Dotace EU n.d.c

As of 31 March 2019, a total of 897 calls with an allocation of CZK 715.3 billion (Union contribution) had been announced for all programs since the beginning of the programming period. Of all programs, as of 31 March 2019, it announced the highest volume of calls due to the main allocation of the OP Fisheries, OP Transport and OP Prague - growth pole of the Czech Republic. In addition to launching calls, managing authorities are also dedicated to receiving aid applications and evaluating them. Applicants whose application meets the set evaluation criteria and are recommended for funding are issued legal acts on granting / transferring aid. As of March 31 2019, legal acts were issued on granting / transferring support for CZK 416.7 billion. The highest share of financial resources in legal acts on granting / transfer of support with respect to its main allocation was reported by OP Employment, OP Research, Development and Education and OP Technical Assistance (Dotace EU n.d.d.).

The legal acts are followed by the implementation of the projects and the reimbursement of the eligible expenditure of the projects on the basis of the payment requests from the beneficiaries. By the end of March 2019 CZK 203.8 billion had been paid. Most of the funds were paid in respect of the Rural Development

Program, the OP Employment and the OP Research, Development and Education with respect to the main program allocation. At the end of March 2019, the amount of funds charged in payment requests amounted to CZK 166.9 billion. The largest amount of funds was accounted for by the Rural Development Program, OP Employment and OP Technical Assistance. By the end of March 2019, applications for payment of all programs with a total value of CZK 159.5 billion had been sent to the EC (Dotace EU n.d.d.).

1.2. Financing of non-governmental non-profit organizations in the Czech Republic through national sources

The analysis of the financing of non-governmental non-profit organizations from the state budget, regional budgets and the City of Prague, municipalities and state funds, published by the Office of the Government, monitors the volume of public contracts provided to non-profit organizations. On 1 January 2016, according to the Czech Statistical Office, more than 85,000 associations and 25,000 affiliated associations, 2,672 public benefit corporations, 397 registered institutes, 517 foundations and 1,558 endowment funds were registered in the Czech Republic. Nonprofit organizations established 252 school legal entities, 938 legal entities, and 4,127 religious legal entities (Socialni Politika 2018).

In 2016, CZK 17.9 billion was provided in the form of a subsidy, of which CZK 10,873.4 million came from the state budget, CZK 2,846.7 million came from the regional budgets and CZK 3,948.7 million came from municipal budgets and CZK 221.0 million came from state funds of the Czech Republic. In 2016, 13,442 subsidies were provided to non-profit organizations from the state budget. 85% of the subsidy volume was provided only from two chapters - Ministry of Education, Youth and Sports and Ministry of Labor and Social Affairs (Socialni Politika 2018).

1.3. Financing through foundations

Foundations are inherently professional donors with often over 20 years of operation. In 2018, there were 2,296 foundations and endowment funds in the Czech Republic. Of this, 480 were foundations and 1,816 were endowment funds. Foundations and endowment funds distributed EUR 65,875,880.971 in 2017 (Donors Forum n.d.a.). The most influential foundations and funds in the Czech Republic are presented below in Table 2.

Table 2: Overview of TOP 10 foundations and funds by volume of distributed contributions in 2017 in Euros²

Order	Name	Volume of distributed foundation contributions	Foundation capital
1	GOOD ANGEL, foundation	7 553 865,51	39 154,27
2	Foundation ČEZ	7 281 317,15	19 577,13
3	Foundation AGROFERT	4 888 448,67	19 577,13
4	Endowment fund Avast	3 831 049,33	19 577,13
5	The Kellner Family Foundation	3 432 615,51	39 154,27
6	The Charta 77 Foundation	2 171 675,25	2 999 857,09
7	F-Foundation	1 702 719,85	1 920 662,88
8	Foundation GCP	1 531 127,64	39 154,27
9	Foundation Sirius	1 332 889,58	19 968,68
10	Civil Society Development Foundation	1 242 469,46	3 282 889,58

Source: Donors Forum n.d.b

² Exchange rate of euro is converted as of 29.12.2017, ČNB

Summary - Fundraising and donation in the Czech Republic:³

- EUR 2,64 billion in the Operational Program Employment - European funds (Dotace EU n.d.c.),
- EUR 695, 82 million from national sources to finance the non-profit sector (Socialni Politika 2018),
- EUR 310, 98 million for public benefit purposes (Donors Forum n.d.c.),
- individual donors EUR 73, 86 million (Donors Forum n.d.c.),
- corporate donation EUR 151, 6 million (Donors Forum n.d.c),
- foundations and funds EUR 66, 1 million (Donors Forum n.d.c.),
- EUR 24, 49 million in public collections, of which approximately EUR 1, 48 million through donor SMS. DMS or Donor SMS is a way of sending small funds to accounts of foundations and non-profit organizations within various public collections (Donors Forum n.d.c).

2. Social impact investment focusing on (long-term) unemployment in the Czech Republic

2.1. General context: Definition and recognition

In the Czech Republic, there is no legal form for investment in social impacts and there are no tax benefits. The Czech concept of social impact investment is more or less oriented on the support of social enterprises and the implementation of tools of active labour market policies by government bodies (labour offices) and private bodies (job seekers agencies, consultancy / advisory oriented firms and NGOs) (Social Entrepreneurship Network 2014).

More than 70% of existing social enterprises in the Czech Republic employ people with disabilities, which is influenced by tradition, current tools and the status of this kind of disadvantage. However, social enterprises employing disadvantaged categories, such as the Roma, the homeless people, former drug addicts, can be found more and more often, which shows an increasing trend of spreading investment in social impacts in the country (Social Entrepreneurship Network 2014).

Social impact investment is also supported by Operational program Employment, by the priority axes 2 Social inclusion and by Measure Social Innovation and International Cooperation. Some of these activities are incorporated - grants for setting up social enterprises and opening access to other financial instruments. OP Entrepreneurship and Innovation providing financial support, such as loans and guarantees for social enterprises - but only SMEs are eligible applicants. NGOs do not fall into this category, so financial instruments are not available to them only to a part of social enterprises (Social Entrepreneurship Network 2014).

In general, the growth and development of investment in social impacts in the Czech Republic is underdeveloped. There is a growing need to include social impact on the agenda in society, but there is a lack of political support and there is no comprehensive support system. However, there are several opportunities and programs that specialize in promoting social innovation, both public and private initiatives. However, the current support offer focuses more on first steps support and overlooks support in the following stages of the life cycle. Support is provided mainly to NGOs and only to a few organizations. There are still no support organizations for measure investment in social impacts and there are no common criteria to compare the quality of existing support services. In the Czech Republic, a systematic support structure is needed to help stabilize existing social innovation and help develop new ones (Social Entrepreneurship Network 2014).

³ Exchange rate of euro is converted as of 31.12.2018, ČNB

2.2. Best practice examples for social impact investment focusing on unemployment in the Czech Republic

List of different current and past initiatives supporting social impact investment in Czech Republic (Social Entrepreneurship Network 2014):

The Union of Czech Production Cooperatives - Provides free advice, including legal and loans, to cooperatives. It is financed by cooperative membership fees and own income (Social Entrepreneurship Network 2014).

The VIA Foundation - Operates the Accelerator of the Academy of Social Entrepreneurship. Organizes seminars for NGOs that want to start with social entrepreneurship activities (Social Entrepreneurship Network 2014).

P3 - People, Planet, Profit, o.p.s. - Provides training and advice to start-ups and existing social enterprises and also provides consultations to municipalities and regional authorities (Social Entrepreneurship Network 2014).

Vodafone Foundation - Offers a programme One year in a different way that connects a business person with a non-governmental organization or social enterprise and paid their salary (Social Entrepreneurship Network 2014).

CSOB bank - In cooperation with P3 - People, Planet, Profit, o.p.s., ČSOB supports stabilisation and development of the existing social enterprises through financial support and expert advice. So far, over CZK 5.5 million have been used to support 35 social enterprises (ČSOB).

KPMG - Provides professional services to nonprofits free of charge and offers a programme One year together (KPMG n.d.).

MoLSA - Offers consulting services to existing and future employers who want to start a social enterprise. Now there is a project to support social entrepreneurship in the Czech Republic, which builds on the previous one. Within the previous project, a total of 60 work placements were concluded with 94 persons for a total of 244 days (České sociální podnikání n.d.b.).

NESSt Incubator - NESSt invests in social enterprises that create jobs for people in need. They provide a tailored financing approach and support social entrepreneurs in emerging markets (NESST n.d.).

BEC - Business and Employment Co-operative

BEC is an organization established in 2012. The main objective is to support rural employment through the implementation of the BEC methodology - Business and employment centres. BEC coop operates mainly in the Olomouc and Moravian-Silesian Region.

Given that the BEC method is of high relevance for the SIV programme, a more detailed description follows below.

BEC - general information:

- provides support for disadvantaged people to target on their self-employment and integration into the labour market based on the principles of social economy and social entrepreneurship,
- creates better conditions for their members to enter the labour market,
- serves primarily to support business activities of our members to promote their common interests, to protect the interests of members and mutual cooperation and assistance,
- provides a wide range of business activities in many fields,

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- works within the context of our registered business activities to ensure long-term sustainability of created jobs, developing and expanding business skills for disadvantaged and vulnerable persons/groups on the labour market (BEC n.d.).

The innovative aspects of the BEC method consist in leading groups of people to gain entrepreneurial skills through training, coaching, and mentoring them to bear joint responsibility for their decisions and their prosperity. It motivates them to a common participatory benefit, which leads to long-term stabilization and development of entrepreneurial activities and self-employment (BEC n.d.).

BEC offers the starting entrepreneurs an easy transition from inactivity to employment. Under the guidance of experts (the founding members of the team) the new entrepreneurs (staff team - employees) can experiment with their business ideas. BEC provides a safe environment to achieve control over their working life, but with the support of group of people who are dealing with similar problems and want to share their enthusiasm and experiences. BEC helps overcome one of the most discouraging business development problems - isolation, lack of ambition, knowledge and confidence needed for the development of entrepreneurial careers (BEC n.d.).

The added value of the BEC team is its contribution to economic and sustainable development in rural areas by supporting disadvantaged people from these areas (mostly unemployed). It provides a valuable knowledge transfer, economic activity and helps maintain social life in rural areas. BECs enable budding entrepreneurs to experiment with their business idea while benefiting from a secure income. The innovation methodology BECs introduce is that once the business is established the entrepreneur is not forced to leave and set up independently, but can stay and become a full member of the co-operative. The micro-enterprises thus combine to form one multi-activity enterprise whose members provide a mutually supportive environment for each other (BEC n.d.).

BEC model in the Czech Republic:

In the Czech Republic, six pilot projects were implemented on the basis of business-employment cooperatives (the so-called BEC method). Projects ran from 14 to 24 months. There were 392 people interested in participating in these projects. Of these, 238 people (61%) participated. On average, approximately 34 participants a year participated in these projects (2012 - 15; 2013 - 36; 2014 - 48; 2015 - 23; 2016 - 5; 2017 - 87; 2018 - 29) (CPKP 2018)⁴.

56 project participants received a wage contribution for 6-12 months to test their business plan within 5 cooperatives applying the BEC method.

The most important impacts observed since 2017 on the BEC model in terms of social benefits include the following (Glumbíková, Gojová 2018)⁵:

- The net impact compared to the support of the state per one unemployed person in one calendar year reaches 130,030 - 14,658 CZK per person supported by projects.
- The total income of cooperatives amounted to CZK 2,208,118, which is also expressed by other market performances of cooperatives that were not connected by supported persons. On average, cooperatives contributed to the local economy with a market turnover of CZK 552,030 per team. The total gross revenues of the cooperatives reached 275,769 CZK.

HUB Prague, Ostrava, Brno - Impact Academy is an intensive transformation program aimed at civil society organizations, social enterprises and donor representatives. It offers a six-month program to enable

⁴ An internal document that is not converted to electronic form

⁵ An internal document that is not converted to electronic form

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organizations to improve their impact-oriented approach. With the help of experts from the Czech Republic and abroad it helps to develop its own system of impact assessment of its activities (Impact Academy n.d.).

The Centre for Social Economy of the Prague Social Services Centre - Provides advice and training to employers, disadvantaged individuals and social enterprise start-ups (Social Entrepreneurship Network 2014).

Fokus Praha - An NGO that provides social services to mentally ill people, supports the social business model, but their capacity is limited (Social Entrepreneurship Network 2014). (Social Entrepreneurship Network 2014).

PPSD - Personal Advice Social Cooperative - Provides a paid consulting to social enterprises in the Southern Moravia (Social Entrepreneurship Network 2014).

Cluster SINEC - A cluster of social entrepreneurship and social innovation - Provides assistance to social enterprises in North Moravia (Social Entrepreneurship Network 2014).

Association for quality evaluation and Endowment fund - The Work of Disabled trademark for organizations employing people with disabilities is organized by the Endowment fund for support of employment of disabled people with its partner, the Association for quality evaluation. The grading process is based on audit procedures (Social Entrepreneurship Network 2014).

České sociální podnikání- The main source of information about social entrepreneurship. There are many audios, articles and videos available and there is access to a special YouTube channel. It also keeps a database of social enterprises with an interactive map and sorting according to the region, target group, field of activity, place of business and social utility (České sociální podnikání n.d.a).

CSR Association - A new CSR award entitled "We do business in a responsible way". The prize has three categories - for SMEs, family businesses and social enterprises (Social Entrepreneurship Network 2014).

Centres of Socially Oriented Innovations

This incubator provides support for development and better use of human potential in rural regions. Its main tool consists in socially oriented innovations - new methods of work which are more efficient in solving current needs not only in social areas. The Centre of Socially oriented Innovations (CSI) is situated in Šumperk where socially oriented innovations are practically implemented. In CSIs, in cooperation with experts, socially oriented project plans are designed and implemented. The CSIs also includes education activities (courses and study visits) which offer practical experience with innovation application (CpKP n.d.).

Social Innovation Centers (CSIs) are an open space to work, meet and educate everyone who needs or wants to get new ideas or anyone that want to find a creative place to reflect on the world of innovation. CSI is used as Co-working centers, Social innovation incubator and as a place for education and personal growth. CSI users are participants in training events, those interested in individual project topic consultations, and people who use CSI - space visitors, have registration cards that include attendance lists. CSI promotes the emergence of functioning communities and programs that promote social innovation (Škrabal 2014).

Erste Asset Management - Responsible Funding

Erste Asset Management's sustainable funds invest in companies that meet stringent environmental, corporate governance and general social responsibility criteria (Erste Asset Management n.d.a).

Within the investment department, experts focus exclusively on sustainable investment. The investment process is a so-called "integrative" approach. The core of this process is the ESG analysis, which refers to environmental, social and (corporate) aspects of governance (Erste Asset Management n.d.b).

The Erste publishes the responsibility magazine ERSTE RESPONSIBLE RETURN - The ESG Letter discusses topics that are both controversial and up-to-date and informs about our responsible funds.

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Karel Janeček Foundation (NKJ) and #ThreeTwoOne Workshop

The Karel Janeček Foundation invests in the form of “impact investment” in socially beneficial innovation projects in the field of civil society and education promotion and support, which have an enthusiastic and capable team, a sustainable financial model and the ambition to have a positive impact on thousands of users or customers (Strouhal 2017).

To search for suitable projects, the Karel Janeček Foundation has launched the so-called #ThreeTwoOne accelerators. The first and basic one is the #ThreeTwoOne Workshop which is a six-day workshop for projects that address the educational challenge of an active education or civil society in an innovative way and have the ambition to impact thousands of people and are at the very beginning of the plan and need to verify their business (Karel Janecek Foundation n.d.a.).

Two more programs follow the accelerator #ThreeTwoOne Workshop. #ThreeTwoOne Let´s get investors, which is designed for projects that already have a user-verified product. And #ThreeTwoOne Ready, which offers a more mature impact project with a long-term individual program (Karel Janecek Foundation n.d.b.).

Tilia Impact Ventures

Tilia Impact Ventures is the first investment fund with a strong social impact in the Czech Republic. It aims to support start-ups that address different societal challenges, including environmental protection, disadvantaged inclusion, transparency in society and the quality of education. The fund is supported by experienced investors and well-known philanthropists. According to a survey by the European Venture Philanthropy Association, its members (including 32 investment funds for social impact) invested € 545 million in debt, equity and hybrid financial instruments in 2017. Tilia Impact Ventures is one of the first such funds in the whole region of Central and Eastern Europe (Tilia Impact Ventures n.d.a.).

Tilia Impact Ventures offers both financial support and non-financial assistance through strategic or expert consultations. The aim of this combination is to help investors achieve sustainable growth, accelerate their social mission and increase the impact of their activities. The fund is planned for 9 years and aims to support a total of 8-10 enterprises (Tilia Impact Ventures n.d.b.).

Social Responsibility Association

In the Czech Republic, the Social Responsibility Association is the largest UN initiative in the field of corporate social responsibility and SDGs, and as part of its vision it is the largest CSR platform in the country. A-CSR defends the interests of 280+ members of the corporate, non-profit, educational and public sectors to increase their potential and competence in CSR and SDG. In active dialogue with the state, A-CSR significantly influences corporate social responsibility policy and the sustainable development agenda (A-CSR n.d.).

Ashoka

For more than 30 years, Ashoka has been a world leader in promoting social entrepreneurship. It seeks out extraordinary people with an entrepreneurial spirit, and addresses the most pressing issues that society is currently facing. After an intensive screening phase, candidates are nominated to undergo a multilevel international selection process. By 2020 Austria Ashoka wants to support 12 social entrepreneurs who will make clear changes in Austrian society.

Ashoka Fellows receive an individual stipend from an international network that will cover the cost of living for three years, that allowing Fellows to focus fully on developing their projects. Fellows also provides access to a network of investors, pro-bono partners and pro-bono consultants. The Fellowship Program emphasizes scaling and maximizing efficiency, so the solution can feel exactly where it is needed. Many businesses use exchanges with Ashoka Fellows to gain a new approach to innovation and the development of sustainable business practices. This exchange creates new products and services that have a real social impact and address the most pressing problems of being together (Ashoka n.d.).

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Social Impact Award

It is the largest social-business acceleration and training program in 30 countries around the world, offering young people financial and educational support. It is designed for people aged 14 to 30 who want to turn their ideas into reality and change the world for the better. The finalists of the Social Impact Awards are judged by the jury, and its assessment is based on four criteria: social impact, innovation, feasibility and progress (Social impact award n.d.).

In 2018, nine teams were selected for the program, they received (idem):

- technical support within the three-month summer acceleration program
- PwC mentoring program worth CZK 160,000

The three best projects were awarded at the end of the program (idem):

- € 1,500 financial support
- Copy General voucher of CZK 3,500

Call of Olomouc Region "Support of the Innovative Environment"

In 2016, the Olomouc Region prepared a call to "Support the innovation environment" within the Operational Program Employment, where the supported activities are the creation and development of capacities for the development and dissemination of innovations. Its addressees were also NGOs and social service providers. The call focuses on four areas for strengthening the social innovation ecosystem to address employment, social inclusion and governance issues (Olomoucky kraj 2016):

1. **Data platforms** shall endeavor to identify and use data sources in the form of open data to increase the efficiency of the public, business and non-profit sectors in addressing employment, social inclusion and governance problems.
2. **Knowledge platforms or the creation and development of advocacy capacities** (in the areas of homelessness, juveniles leaving institutional care, socially excluded localities, aging populations, mental illnesses, migration and prison).
3. **Accelerators / Incubators** with their activities support new solutions that respond to social problems in the field of social integration, employment and public administration.
4. **Investment in impact** is the creation and promotion of infrastructure that helps the development of the social capital market and motivates stakeholders to create and exploit innovative and sustainable social impact.

Innovation market

The innovation market is the offer of services of Prague research institutes and research institutes of universities for entrepreneurs and companies. It contains a detailed description of each service offered, including contacts to the service provider. The aim of the project is to make it easier for business entities to implement product and service innovations by finding a suitable partner for solving their innovation (Trh Inovaci n.d.).

Investment Fund - NN Investment Patnrns

The fund aims to invest in companies around the world that generate positive social and environmental impacts. The Fund may invest up to 20% of its net assets directly on the Chinese mainland through the Stock Connect. It is a mutual market access program, which allows investors to trade selected securities. The portfolio is structured across different social themes, countries and sectors. The fund does not aim to pay dividends, but to continue to invest all profits (NN Investment partners n.d.).

Enterprise and Innovation Agency

The aim of this program is to develop communication and share know-how between the business and research spheres, which business entities can use to launch and deepen their innovation activities. Increasing the interaction between business and research organizations will have a direct impact on strengthening the competitiveness of SMEs (Enterprise and Innovation Agency n.d.a).

Support recipients are small and medium enterprises. Support is provided up to a maximum of 75% of proven eligible costs. The minimum absolute subsidy for one project is CZK 50,000 and the maximum for one project is CZK 299,999. Supported activities are the purchase of advisory and innovative support services from research and dissemination organizations or accredited laboratories with the aim of launching or intensifying innovative activities of SMEs (Enterprise and Innovation Agency n.d.b.).

3. The potential of social impact investment for the Social Impact Vouchers program in the Czech Republic

3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

3.1.1. Crowdfunding

Crowdfunding is a method of financing, where a larger number of individuals contribute small amounts in order to reach the target amount. Interesting projects, products or companies can be financed with crowdfunding. Thanks to crowdfunding, thousands of projects have already been realized worldwide that would otherwise have remained in the drawer. Indeed, crowdfunding allows one to use social networks, personal contacts and a viral effect to get a starting capital. The contributors have the power to decide which project they will help to live with, thanks to crowdfunding. At the same time, people can use their project to reach endless numbers of investors and turn interesting ideas into reality (Crowder n.d.a)

Crowder - helps creatives, innovators and entrepreneurs orient themselves in Czech and foreign crowdfunding (Crowder n.d.a)

Types of crowdfunding (Crowder n.d.a):

- Charitable
- Reward
- Loan
- Share

Charitable crowdfunding - is most often used by NGOs to finance socially beneficial projects. People contribute because they believe in the benefits of the project and expect only a good feeling for their contribution (Crowder n.d.b).

Foreign portals: Gofundme.com

Czech portals: Peněždroj.cz

Reward crowdfunding - is the most widespread form of crowdfunding. Projects funded in this form are often artistic or otherwise engaging. People then receive a reward for their contribution (Crowder n.d.b.).

Foreign portals: Kickstarter.com, Indiegogo.com

Czech portals: Hithit.cz, Startovac.cz, Peněždroj.cz, Nakopni.me

Reward crowdfunding prospers in the Czech Republic as the most famous crowdfunding platforms focus on crowdfunding rewards. The largest portal is Hithit.cz, which has become a synonym for reward crowdfunding

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in the Czech Republic. The portal Startovač.cz and the portal Peněždroj.cz, which brought the combined crowdfunding to the Czech Republic, also deserve attention. Contributors can offer you a reward, but also share money. The first Czech bank to provide crowdfunding financing is Reifeisen Bank. Odtartováno.cz quickly gained attention, but after a few months the portal was closed (Crowder n.d.c).

Loan crowdfunding - people contribute to the loan and become project or corporate lenders. Loans have fixed interest and duration, and lenders see what the funds are used for. They can thus entrust their finances to a sector of interest to them (Crowder n.d.b).

Foreign portals: Prosper, Funding Circle, LendingClub

Czech portals: Zonky.cz, Pujcmefirme.cz, Symcredit.cz

The largest portal providing crowdfunding loans in the Czech Republic is Zonky.cz which focuses on consumer loans. There are also loan portals for smaller companies and entrepreneurs such as Fundlift.cz, pujcmefirme.cz and symcredit.com (Crowder n.d.c).

Share crowdfunding - people get their share of ownership of the project or company for their contributions. They can earn money, but they can also lose everything (Crowder n.d.b).

Foreign portals: OfferBoard, CircleUp, OurCrowd, CrowdCube

Czech portals: Peněždroj.cz, Fundlift.cz

3.1.2. Voucher Systems in the Czech Republic

The voucher system has no established tradition in the Czech Republic. Here, vouchers are seen i as means for innovation to support the creative industry and science.

Innovative vouchers in the Czech Republic

In 2009, the South Moravian Innovation Center was inspired by the original Dutch model of innovation grants. Innovation vouchers then expanded rapidly and are now in 11 regions of the Czech Republic. It is about supporting startups and experienced companies that want to change the world. In all regions they are covered by public finances. Innovation vouchers are organized by the relevant regional centers or regional authorities, so their design varies slightly from area to area (JIC n.d.).

So far, there has been a total of the Czech Republic:

- 2019 applications submitted,
- 810 vouchers are allocated,
- for more than CZK 149 million.

Prague voucher / Prazsky Voucher

It is a team of the Prague City Hall, which helps to start the path to success and business development. It offers five unique projects supported by means of the Prague vouchers. The aim of the Prague Vouchers is to support Prague's entrepreneurs to develop and to be able to have competitive companies.

Prague vouchers are focused on the following five areas (Prazsky Voucher n.d.):

- Innovation projects
- Creative services
- Foreign incubation
- Exhibitions and fairs
- Mentoring and coaching

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Creative vouchers BRNO

A creative voucher is a one-off financial support that is provided to companies from the South Moravian Region that create a product or service in the main sectors of the Regional Innovation Strategy or to companies which are part of the value chain of such a company. The creative voucher covers 75% of the order price, up to CZK 100,000. The company pays the entire order and the JIC then returns the voucher. However, the minimum total value of the contract must be CZK 50,000 excluding VAT (Kreativni Vouchery n.d.).

Creative vouchers of the Central Bohemia Region

A creative voucher is a one-time financial support that aims to encourage small and medium-sized enterprises (SMEs) to collaborate with creative people. Linking the corporate and creative sectors should help businesses design or promote a product or service, set up a better marketing strategy, or create a portfolio for PR communications, etc. The creative voucher is designed exclusively to buy creative services.

The provider of a creative voucher is the Central Bohemian Innovation Center, the Association. The lowest amount that can be claimed is CZK 50,000, the highest CZK 300,000 for industrial design projects or CZK 200,000 for other creative services from the fields defined in the Call. The maximum aid intensity is 75% of the total eligible costs (SIC n.d.).

3.1.3. Programs supporting start-ups

There are many competitions in the Czech Republic as well as abroad that support start-up projects. The advantage of these competitions is not only in gaining opportunities, such as expert advice and consultation from reputable experts, but also in gaining the opportunity to get valuable prizes that can be used to develop the organization.

Runs of the year

The program focuses on supporting start-up regional entrepreneurs, especially small entrepreneurs. It is a project of the telecommunication company T-Mobile Czech Republic, which is implemented by the company as part of its corporate social responsibility strategy. The main goal is to support entrepreneurs in the beginning of their business, so that their projects not only bring profit but also benefit their surroundings, complement the service that is missing on the spot, contribute to employment (T-Mobile rozjezdy n.d.).

Czech innovation

One can submit your project to the competition, which is innovative and has the potential to bring or already brings about change at the local or global level and at the same time has the prerequisites for successful commercial development (Czech Innovation n.d.).

Social Impact Award

The program is an international competition for young people, university students who have an idea for solving social and environmental problems around them in a sustainable, innovative and creative way (Social impact award n.d.).

NASTARTUJTESE.CZ

Komerční banka's grant program for good business ideas (Nastartujtese n.d.).

Darujme.cz

This is an online fundraising programme of the VIA Foundation focused on social entrepreneurship support of NGOs (Darujme n.d.).

3.2. Concrete application of social impact investment in the context of the Social Impact Vouchers

We envision applying the BEC method presented in subsection 2.2 for the implementation of the Social Impact Voucher programme in the Czech Republic. The specific steps for implementation are described in more detail below, both in text form and as an infographic (see Figure 3).

Phases of the BEC method (Škrabal 2018):

a. Preparing for business - Step by step to a business plan

Participants are still unemployed or are interested in changing jobs, and are developing their business plan as part of the "Step by step to business" training module. Furthermore, they receive benefits from employment offices or are employed.

b. Business Testing - Paid Businessman

Participants implement their business plan under the protection of the BEC cooperative. They become "paid entrepreneurs" - the employees of the cooperative to secure full-time or part-time jobs. They continue to build business and receive methodological and administrative support in starting a business. They are paid social and health insurance, income taxes and double-entry accounting.

c. Self-employment - Self-employed

Participants become full-fledged entrepreneurs or they have an extended employment contract with the BEC team. At the same time, there is an offer to participate in the management of the cooperative. Entrepreneur and cooperative member with full voting rights.

The procedure for using the voucher system (Škrabal 2018):

- a. **Applicant** - those interested in using the voucher system must send a CV and cover letter.
- b. **Participant** - the applicant becomes a participant after writing the entry agreement and completing the entry diagnostic questionnaire.
- c. **Education** - the participants are intensively preparing for the start of their business in the education phase. The aim of this phase is to teach BEC participants how to develop their business plans and what steps are necessary to start their business activities properly. At the end of this phase, the business plans of the participants are being defended and their results evaluated. This step should prepare for their "testing" in a real market environment under the auspices of BEC cooperatives.

This phase is divided into two parts:

- Theoretical part - especially legislation related to business and accounting, and the course itself - business plan "STEP BY STEP",
- Practical part - own creation of business plan and continuous consultation.

Consultation topics within individual and group counseling will be based on the specific needs of the project participants:

- business start-up (marketing, law, accounting, etc.)
- feedback from the BEC team (mainly economic sustainability),
- in the labor market - for those who opt for a job search during pilot testing.

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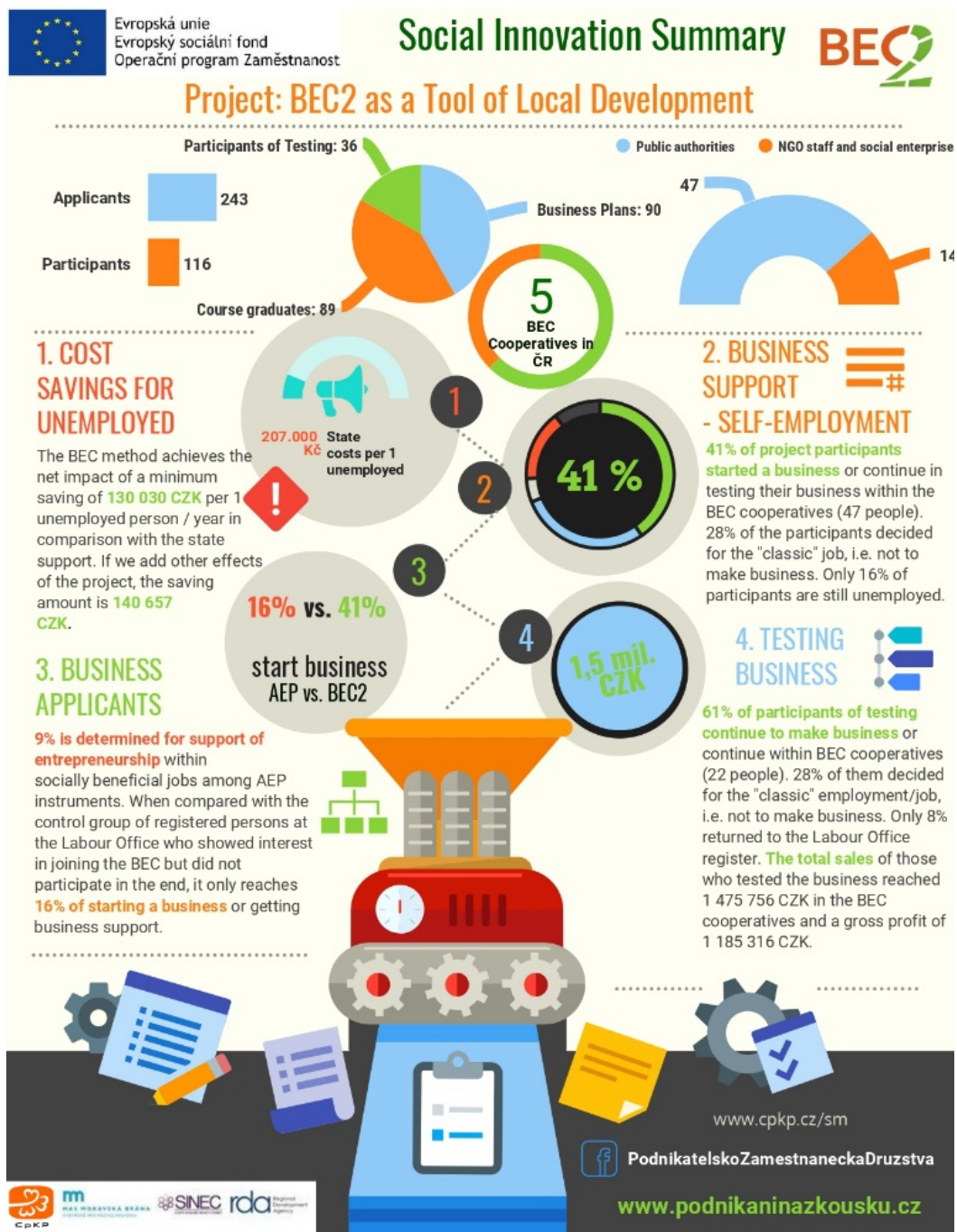
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d. **Testing** - Business testing is a crucial phase of the social innovation BEC - Employment Cooperatives. At this stage, the so-called "paid entrepreneur" can verify that the business is competitive in a real market environment by reducing the risks associated with starting an own business. The testing is carried out by creating working conditions within the business employment cooperatives, ie. wage guarantee and setting of working conditions to make a specific sale of ware / products or services by the testing participant.

Description of participants to the business testing phase:

- is a job seeker or inactive person,
- is successful in the educational phase and has its own business plan created and defended,
- is interested in joining the BEC - Business-Employment Cooperatives,
- gives a part-time guarantee of 6-12 months for the BEC teams,
- is entitled to CZK 13,400 / month super-gross wages,
- is contractually bound to the BEC cooperative, which pays social and health insurance,
- is part of an systematic and ongoing guidance throughout its testing.

Figure 3: Description of the BEC programme



Source: CPKP 2019

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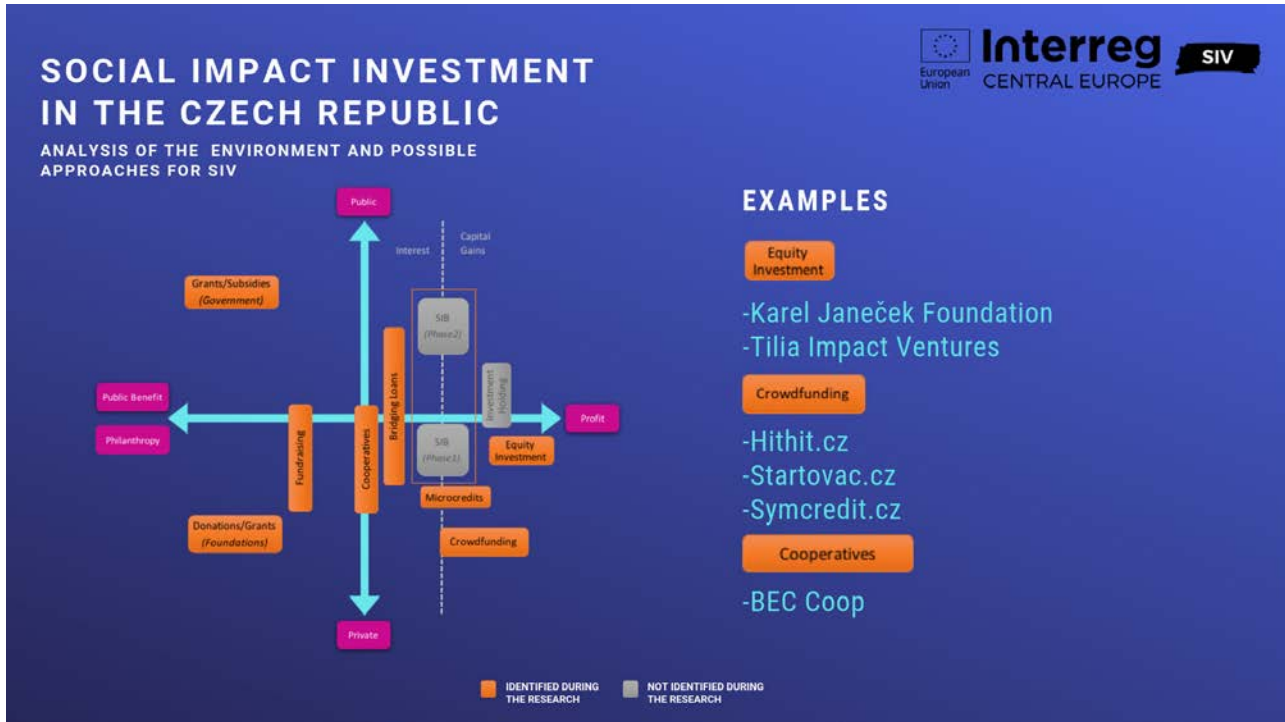


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5. Appendix

Figure 4: Summary status quo diagram of social impact investment in the Czech Republic



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Germany

COUNTRY REPORT ON SOCIAL IMPACT INVESTMENT WITH STATUS QUO DIAGRAM

WP T1 Pilot Preparation
Deliverable D.T1.1.2.

Deadline: August 31st 2019

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Overview of social impact investment in Germany

1. General overview: the current status of social impact investment in Germany

1.1. Categories and specific types of investment

In the context of investments, four categories have to be distinguished (see Figure 1). The relevant aspects for the SIV-Project in Germany are given in the field of social impact investing (SII) and donations. Along the different fields, the actor providing the capital has different expectations on the usage of the capital. This may range from a mere moral expectation, e.g. charity, to a competitive return on investment.

Figure 1: Classification of the term „social impact investment“

Sustainable Investments			
Traditional investing	Socially responsible investing	Social impact investing	Donations
Delivering competitive financial returns			
	Mitigating environmental, social and governmental risks		
		Active pursuit of environment, social and governance opportunities	
		Achieving measurable solutions	
Interest-bearing Return on Capital			diverse expectations

Source: Impact in Motion 2014: 9.

The OECD (2015) defines SII as it follows: “[SII] is the provision of finance to organisations with the explicit expectation of a measurable social, as well as financial, return” (OECD 2015: 13). In the context of SII, public funding is not considered as a form of SII, as with this form of investment the focus is on private capital. Nonetheless, in some specific segments, semi-public organisations such as state-banks are involved to leverage investments. However, taking Figure 1 into consideration, this can be classified as “Interest-bearing Social Impact Investing”, as adapted from German Almanac of Sustainability (German Council for Sustainable Development 2018). Of critical importance for the SIV Project are the three types presented in Table 1, which are useful to illustrate the current situation of sustainable and social investment.

Table 1: Overview of the different types of social impact investment based on the expectations for return and impact

Types of SII	Description	Return	Impact	Stakeholder
1 Active pursuit of environment, social and governance opportunities with capital from donations and institutional investments.	Problems are addressed with financial means ranging from donors to impact investing, with a broad range of financial instruments.	No financial return	Partially measured	Private individuals, foundations, public organisations
2 achieving measurable solutions with capital from donation and institutional investments.	Both donations and social impact investing categories may have expectations of achieving measurable outcomes.	Financial return possible, yet no precondition	Measurement required and integral to the investment	foundations, public organisations
3 Social impact investment with capital from institutional investments	Specific investments of distinguished problems.	Competitive, market based, yet below market values are accepted.	critically measured	Private institutions, professional investors

Source: Own illustration NAS

1.1.1. Investment Type 1

Stakeholders in the first type:

Broad

Annual investment in type one:

Financial contributions in this segment are too broad to differentiate. If, for example, public contributions can also be regarded in this segment.

1.1.2. Investment Type 2

Stakeholders in the second type:

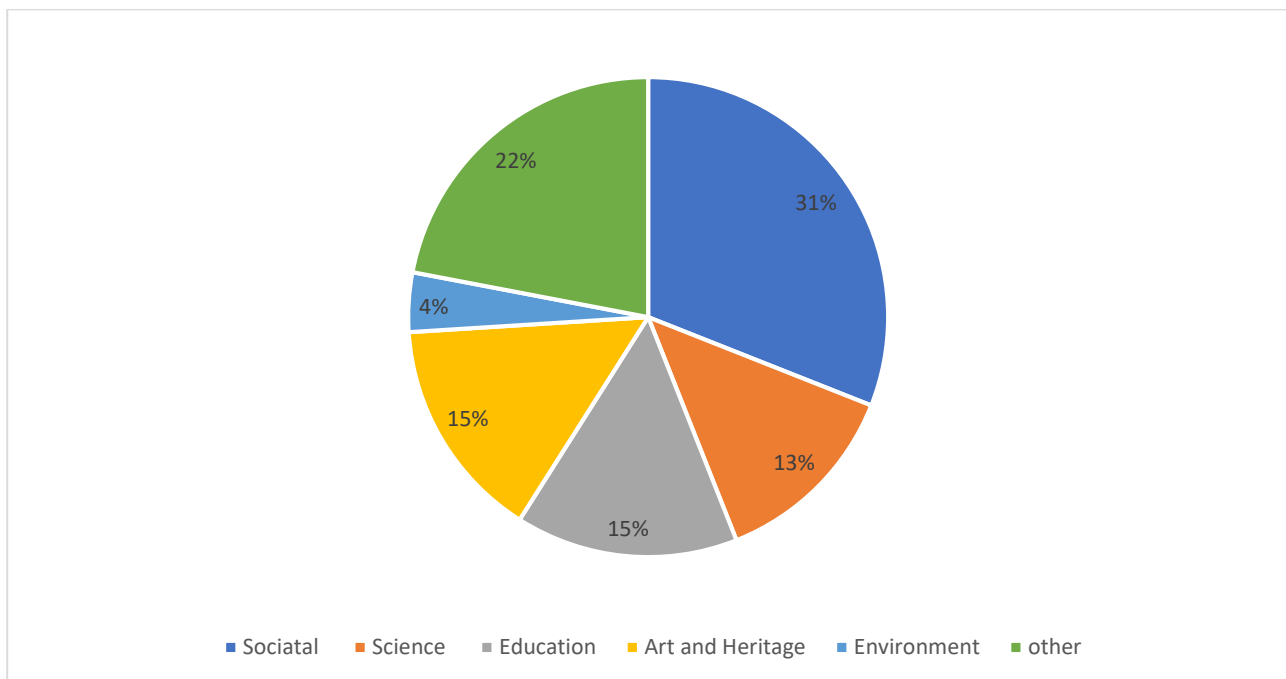
Foundations are dominant

Annual Investments in type 2:

1.800.000.000 EUR (Bundesverband Deutscher Stiftungen 2012).

A representation of the distribution of the funds is available in Figure 2.

Figure 2: Investments in type 2 by field of activity. Baseline is the 1.8 Billion EUR as available capital to foundations in Germany.



Source: Bundesverband Deutscher Stiftungen 2012

1.1.3. Investment Type 3

Stakeholders in the third type:

- The structure of the German SII market (Type 3) continues to be heavily influenced by the activities of the two established social venture capital fund managers (Bon Venture and Ananda Ventures), which is reflected in the investment focus and the asset classes employed in the market. Both funds have a portfolio with investments in education/ training, greentec and health care (Bertelsmann Stiftung 2016: 18, 31; own research).
- Detailed analysis of the individual market participants (capital supply, intermediaries, capital demand and market environment) demonstrates that the young German SII market is still in an experimental phase and is struggling with major structural shortcomings: a small investor base, few intermediaries with little diversification, a limited number of investment products, few investment-ready impact-driven organisations and continued need for assistance in developing a functioning market environment with advisers and supporters. Overall, market-building efforts and financing are still in the hands of a small number of private and civil-society actors (Bertelsmann Stiftung 2016: 17).

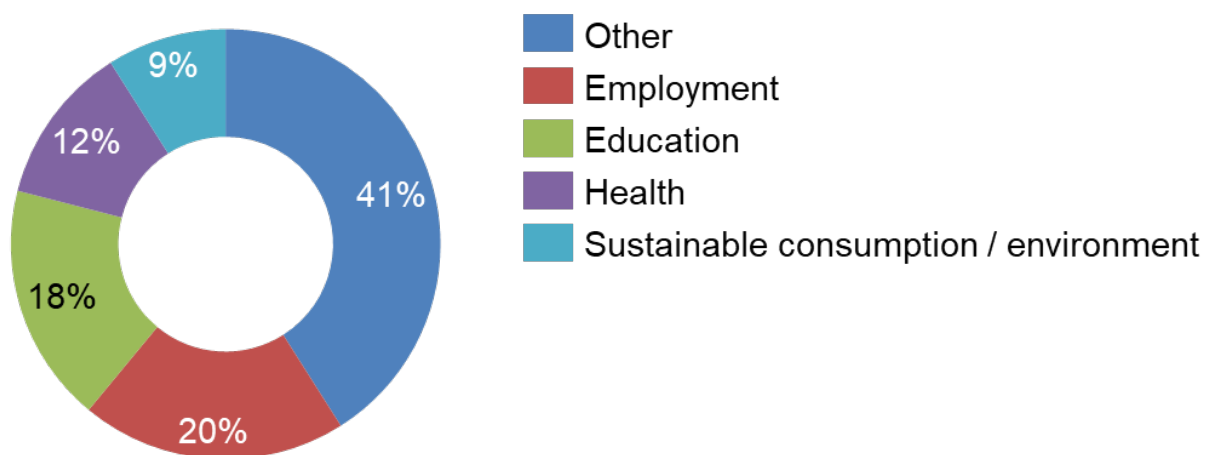
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- Example: Ananda Ventures (n.d.), with a portfolio of 80 Million EUR. Current portfolio of 21 investment cases.

Annual Investments in type 3:

- In total numbers the annual investments are estimated at about 8 Million EUR (estimation based on figures provided by Bundesverband Deutscher Stiftungen (2012) und Impact in Motion (2014).
- In terms of the number of transactions, most impact investments from 2013 to 2015 were made in employment (20 percent) and education (18 percent), followed by health (12 percent) and sustainable consumption/environment (9 percent) (see Figure 3). This distribution reflects the primary investment interests of the largest intermediaries and investors on the market. Ageing society, inclusion, equality, regional development and the promotion of social entrepreneurship are further sectors in which impact investments were made during the period under review (Bertelsmann Stiftung 2016: 21).

Figure 3: Distribution of social impact investments by sectors, 2013 to 2015



Source: Bertelsmann Stiftung 2016: 21

2. Social impact investment focusing on (long-term) unemployment in Germany

- Public investment is dominant with approx. 37 billion EUR p.a. (Bundeshaushalt 2019). This includes both active and passive labour market support schemes. Passive measures include living costs, active measures are directed towards trainings for a re-integration into the labour market.
- Public money explicitly on long-term unemployment is set within a new program, which was launched in 2019. The program allows for a full coverage of labour costs for companies for a

period of one year and 90% by the second year. The target group a long-term unemployed, which have had no regular income over the past 7 years.

- SII type 3 - approx. 1.8 Mio EUR, yet not for long-term unemployed. (Bundesverband Deutscher Stiftungen 2012)

3. The potential of social impact investment for the Social Impact Vouchers program in Germany

Reasonably high due to:

- High attention of key stakeholders in this field

The main intermediaries and drivers in this field have taken this topic on their agenda. For example, a Social Impact Investment Taskforce (SIITF), a transnational network, has been set up in 2013 of which the German section is chaired by the Bertelsmann foundation. More so, within the context of promoting the start-up economy, investment in “social innovations” have also gained further attention. Paradigmatic is the case of the Social Impact Accelerator F-LANE by Vodafone (<https://www.f-lane.com/>), which sets its goal to foster “social ventures that utilise technology to empower women worldwide” (<https://www.f-lane.com/>). For foundations this field has a high visibility due to the positive social impact the investments create, while the financial return is still a low scale.

- Progressing maturity

The network of stakeholders has evolved with more intermediaries and institutional investors fostering the market. This includes funds such as Ananda with a portfolio of 80 Million EUR as well as financial facilitators such as fase (Fase n.d.).

- New asset/ investment class for foundations

Traditional asset classes are mainly in the range of commodities, infrastructure, real estate, stocks etc, and have only a slight intersection with sustainable investments (Figure 1). Nonetheless, large funds such as the Norwegian Government Pension Fund are creating a new category of asset class, which is looking at sustainable investments (Norges Bank Investment Management n.d.)

This asset class is new to foundations and therefore fulfils two criteria, which make a portfolio of this sort interesting, firstly the aspect of newness secondly the aspect of conforming to societal values.

3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

With regard to capital contributions for labour market integration, the idea of supporting the assumption of solid investment is based on three points:

1. Labour shortages

Demographic change and good economic conditions have created the conditions for companies to invest in training and recruitment. This makes a voucher system a credible investment case.

2. Inadequate state intervention

Despite a shift towards instruments of welfare state promotion of labour market policy that are better tailored to the LTU target group, much urgently needed labour potential is still being lost.

3. Relocation of capital resources and interests

The growth of potential (also non-philanthropic) investors whose goals are oriented towards social impact as a form of return and who are prepared to take a calculable risk in the case of innovative approaches (new asset class).

3.2. Concrete application of social impact investment in the context of the Social Impact Vouchers

The Social-Impact Voucher is financed by the fund currently being established.

The basis of the fund is a hybrid form of financing which includes both social impact investments with calculated risk, expected effects and benefits for the investors and donations (type 3). In addition, the fund is invested on a revolving basis in order to achieve a translation of advantages and benefits over time. Investors, donors and also the beneficiaries LTU and employers can thus count on an appropriately sustainable existence of the fund.

The investment field for SIV is concrete (derived from the needs and potentials identified):

Financing of a flexible, innovative service structure that acts as an intermediary between the needs and requirements of potential employers as well as those of the seeking employees/defined target groups and also generates social impact.

The service structure to be financed comprises

- Online services (use of elaborated digital possibilities)
- Experience-based recruiting and coaching services (for employees and employers)
- Networking services (players and customers, combinations and supplements with public forms of financing)
- Analytical services (ongoing systematic analysis of impact factors, impact analysis)

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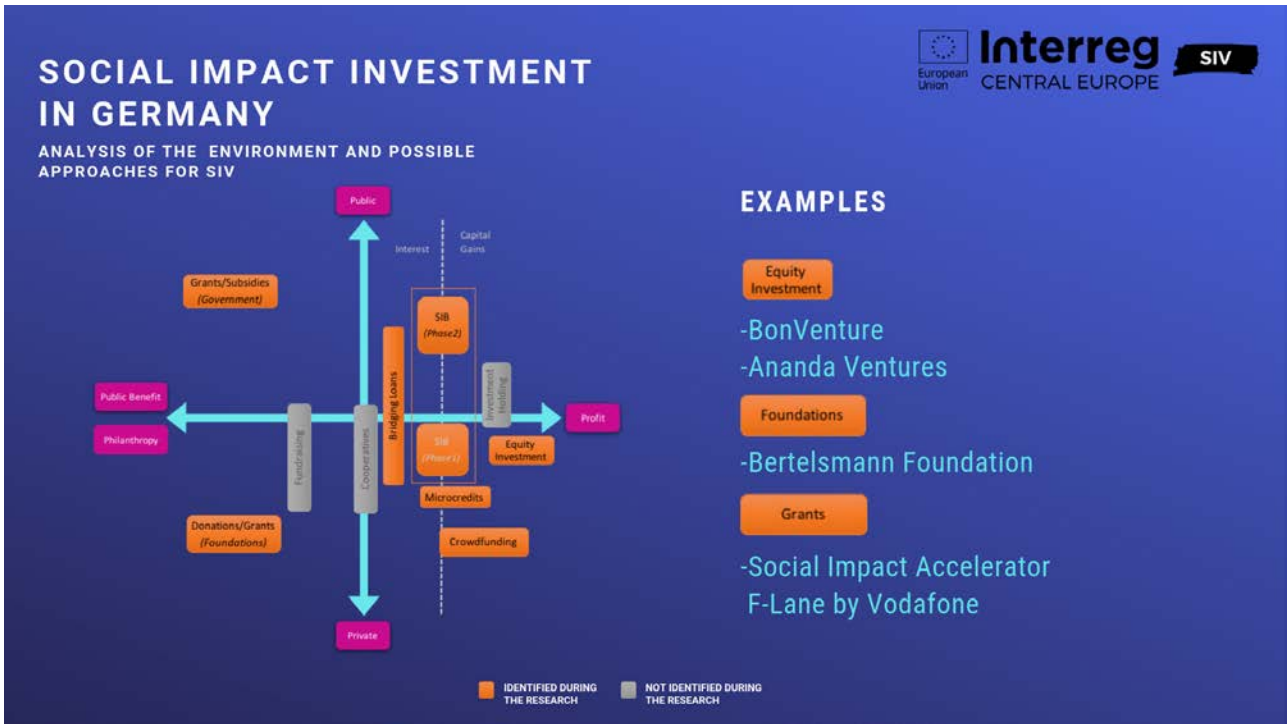
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5. Appendix

Figure 4: Summary status quo diagram on social impact investment in Germany



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Hungary

COUNTRY REPORT ON SOCIAL IMPACT INVESTMENT WITH STATUS QUO DIAGRAM

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Tables and Figures

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Overview of social impact investment in Hungary

1. General overview: the current status of social impact investment in Hungary

1.1. Private donations in Hungary

The only available information on public and private donations is the yearly published short info sheet of the Central Statistics Office (KSH) on the non-profit sector. The last available data refers to 2017. According to this, the total income of the non-profit sector was HUF 207 billion (EUR 637 million). The source breakdown is: 44 % state or other public, 12 % private donations, 25 % income related to the basic activity 18 % income of the business activity. However, the non-profit sector has only limited influence employment (less than 5 % of the active Hungarian workforce is employed in the sector), both kind of the donations were aimed to support the basic activity of the organizations, not to increase the employment. The other problem with this data is that it includes the donations to church organization and sport clubs.

1.2. Overview of social impact investment in Hungary

In Hungary, there are only a few initiatives of private social impact investment (SII).

The main reasons for the scarce possibilities currently available for the Hungarian SII sector are:

- The social entrepreneurship sector is underdeveloped and therefore it is not ready yet to attract private investors
- Starting in 2016, there is a government-run grant program (EDIOP 5.1.2) in two calls, which provides grants to the SE sector, valued at HUF 21 billion (EUR 65 million). In addition, there is also a subsidized loan program (EDIOP 8.8.1) available for social enterprises, valued at HUF 10 billion (EUR 30 million). The program's main focus is creating new jobs. The target groups are unemployed and disabled persons. The funds are provided by the EDIOP - Economic Development and Innovation Operational Programme, Priority 8, NSO 17.1. (Palyazat n.d.) As long as the program offers grants, the social enterprises have no incentives to attract private funds.
- Social enterprises are still in need of both financial and non-financial assistance, in order to establish their still questionable financial sustainability. The Hungarian SE sector has been existing more 12 years now, but its main issues have been the lack management and business knowledge and lack of financing. With EU financed government program the second one seems to be solved for the time being, they still in need in business consultancy. We also think that after the grant is used, they will need financing to sustain their activity and keep their employees.
- The private investors have not yet realized the significance and potential of social impact investment.

1.2.1. Best practice examples for social impact investors in Hungary

There is one private investment fund managing company, which manages two investment funds:

a. IMPACT VENTURES I. PRIVATE EQUITY FUND (Impact Ventures n.d.a)

Fund size: EUR 17 million

Investment period: 18 Dec 2018 - 18 Dec 2023

Term of the Fund: 10 years

Potential investment phase: early, growth

Investment ticket size: EUR 0.3 - 2 million

Follow-on investment possible: yes

Geographical focus: Hungary and EU member and candidate member states

b. IMPACT VENTURES II. PRIVATE EQUITY FUND (Impact Ventures n.d.a)

Fund size: EUR 4 million

Investment period: 18 Dec 2018 - 18 Dec 2023

Term of the Fund: 10 years

Potential investment phase: seed, early

Investment ticket size: EUR 100 - 300 thousand

Follow-on investment possible: yes

Geographical focus: Hungary and EU member and candidate member states

The funds can only invest in companies, but they do not have a specific target group. Although the name includes "private", the funds for the original investment were provided by the European Investment Fund (EIF) (50 %) and the Hungarian Investment Bank (40 %). Only 10 % came from a private company, which is owned by Hungarian National Bank Foundation (MFB Invest n.d.)

The funds started in early 2019. Originally, they were planned for investment in Hungary and the Central-Eastern European (CEE) region. The lack of investment ready social enterprises in the region resulted in a widening of the geographical scope. This now includes all territory of the EU.

The available public information shows two portfolio members only, but the ticket size and other relevant information is not available (Impact Ventures n.d.b).

There are also a few so-called "Angel Investors", who execute small scale investments into social enterprises, but there is no public information available on their activities.

2. Social impact investment focusing on (long-term) unemployment in Hungary.

None.

There is one "honorable mention" - the Napra - Forgó Non-profit Public Benefit Ltd. This is a private company labeled as a social enterprise, owned by a group of Hungarian executives. Napra Forgó Nonprofit Public Benefit Ltd. (NAF) has been active for 15 years with the main aim to contribute to create employment possibilities for disadvantaged people who are able and want to work in order to keep their self-esteem and to advance themselves. The company does not collect and distribute donations for them but provides them one of the most important things in life: a workplace. Among the main target groups are young employees and employees with reduced work capacity (Napr Forgó n.d.). The original investment was HUF 3 million (EUR 1000). The company has long time experience in the labour market.

3. The potential of social impact investment for the Social Impact Vouchers program in Hungary.

3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

The idea has not been considered yet in any level to our knowledge.

3.2. Concrete application of social impact investment in the context of the Social Impact Vouchers

None to date, but we can only think of some kind of co-financing (public-private), where the public financing aims at supporting the employment and the private part functions as business investment.

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4. Literature

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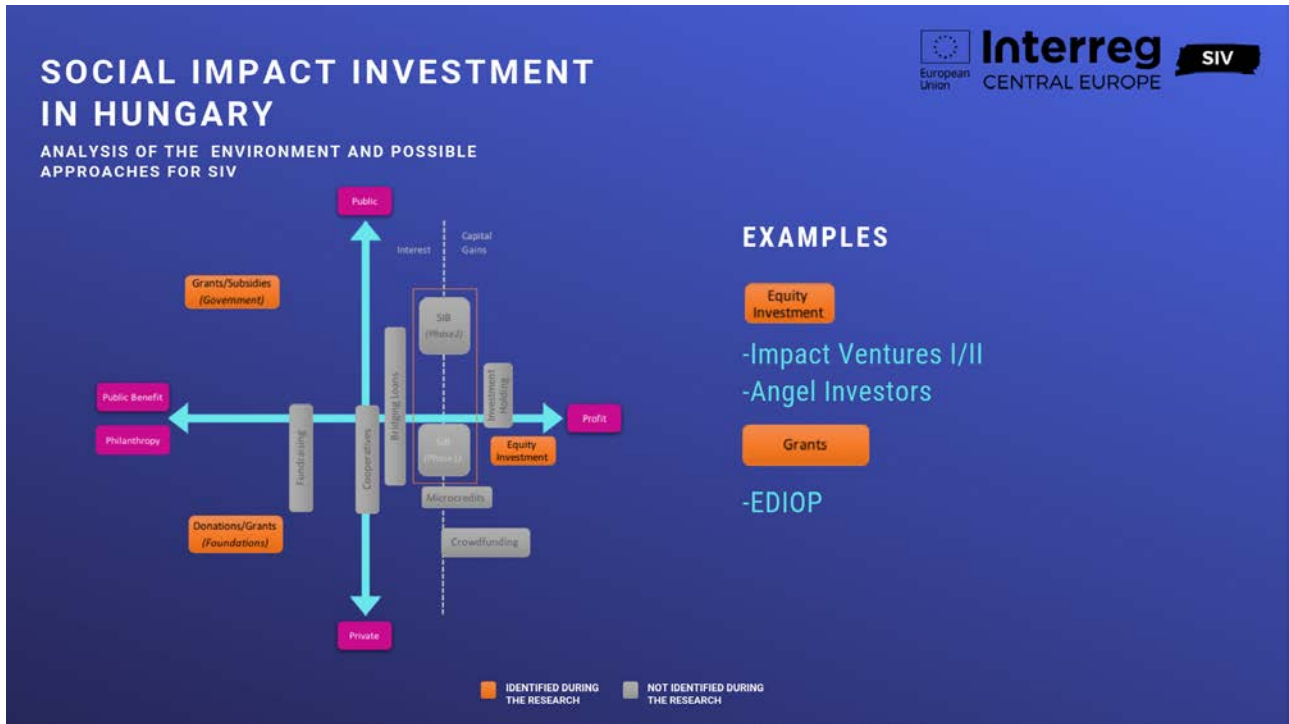
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5. Appendix

Figure 1: Summary status quo diagram of social impact investment in Hungary



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Overview of social impact investment in Poland

1. General overview: The current status of social impact investment in Poland

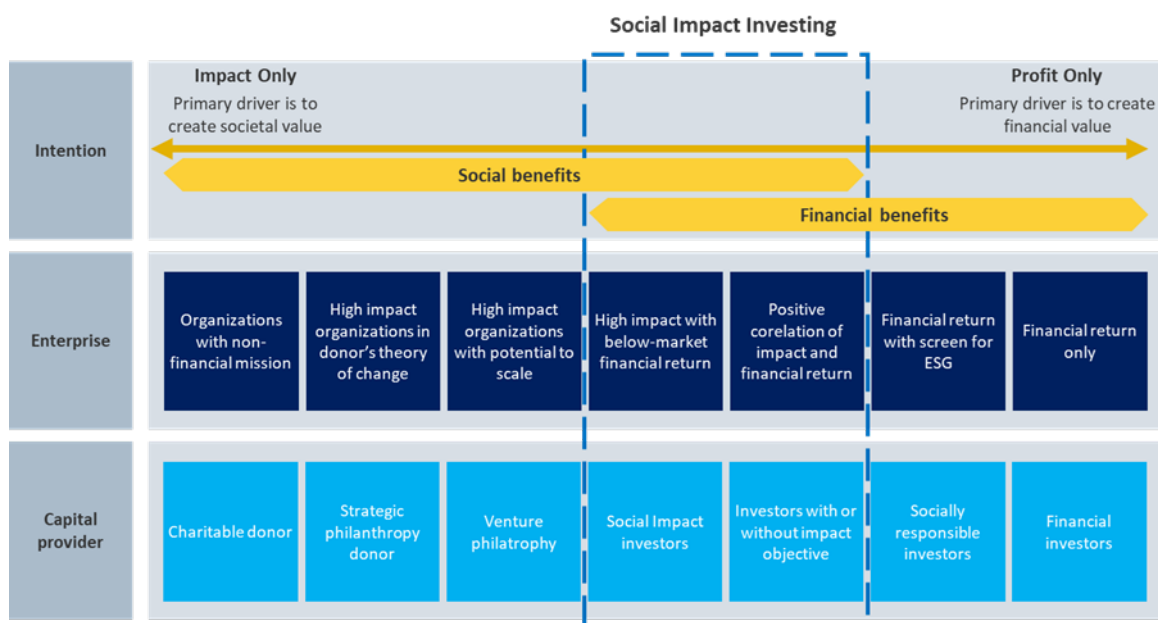
1.1. Definition of social impact investment

Social impact investing is an innovative investment strategy of providing capital to companies, organizations, funds and projects with the intention to generate social impact alongside financial return. Social impact relates to the long-term positive changes, for individuals, communities, and society as a whole, which result from activities or services provided by the organization.

The term impact investment dates back to 2008, when the Rockefeller Foundation first used it when there was an emerging conversation on how to use capital differently. The idea of social impact investment builds on the concept of Ethical Investing and Corporate Social Responsibility, but moves way beyond those two concepts. Traditionally, governments, public founders, philanthropies and NGOs have dominated the social sector. Currently however, new market-based players are gaining a significant share of the market. Social impact investors leverage the potential of private capital and use economic principles to produce positive change to social problems (Dallmann 2018).

As shown in Figure 1, the spectrum of investment intentions ranges from impact only investments to profit only investments. Social impact investing is situated in between philanthropy and private equity, donation and for profit investment. Its distinctive characteristic is its purposeful intention to generate both financial and social returns.

Figure 1: Illustration of the investment spectrum



Source: Own elaboration

Social impact investment involves private investment that contributes to the public benefit. This ranges from “impact-first” investors, who are willing to provide funding for organizations that are not able to generate market returns, to “financial-first” investors, who are more traditional investors but with an interest in also having a social impact. A growing number of high net worth individuals, family offices, foundations and institutional investors have become interested in finding investments that deliver both a social and a financial return. Financial goals can range from capital preservation to a market rate of return. Social goals can include improving socio-economic, social or environmental conditions (Wilson 2014). Recently, market approaches are gaining big popularity as an effective mechanism to provide impact at scale. Increasing support of the private sector to the public sector in creating innovative solutions to the world’s most pressing problems drives the high growth of the impact investing market. Public agencies, which have traditionally been related to impact, are not able to provide enough capital to satisfy all social and environmental needs. According to the UN, private capital needs to address the shortfall of 2.5 trillion USD required to solve challenges of modern society (UNCTAD 2017).

1.2. Overview of the social impact investment ecosystem and its instruments

Social investing refers to the process of resourcing organizations, projects or individuals which are committed to social mission with monetary capital. Providing financial resources to mission-driven organization can occur through many different forms of instruments, all of which have different financial/social return profiles. As in traditional finance, social investment instruments can be divided into debt and equity investments, such as loans, guarantees, mezzanine, bonds and shares. There are also new instruments such as micro-credit or crowd funding. Investment can be realized through dedicated funds which invest in one type of instrument or mix of different instruments (Reeder/Colantonio 2013). The most frequently used instruments are private equity, private debt and real assets. Private equity impact investments can achieve market returns, which are comparable to conventional private equity (OECD 2019). Social impact investments can also be used to finance social services and social infrastructure. In these types of arrangements, payments are normally made based on achieving agreed outcomes rather than on inputs or activities (NSW Government n.d.). An example of such a “pay-for-success” instruments are social impact bonds, which are being applied around the world increasingly often. They are used to address a range of social issues, including workforce development, foster care, education, health care and homelessness. Social impact investment refers to both traditional instruments and innovative financial instruments (see Table 1) (Maduro et al. 2018).

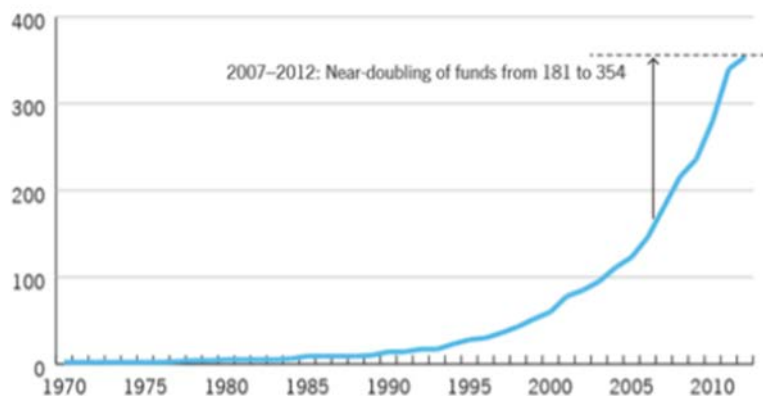
Table 1: Traditional and innovative social impact investment instruments

Traditional Instruments	Innovative Instruments
Public contributions	Microfinance / Microcredit
Tax breaks	Crowdfunding
Generated income	Social bonds
Donations / Grants	Social impact bonds
Loans	Charitable bonds / Retail charity bonds
Equity	Funds
Convertible bonds	Revenue participation agreements
Mezzanine / Subordinate debt	Guarantee funds

Social Impact Investment starts with a social need being addressed. On the demand side, the key actors addressing social needs are service delivery organizations. Social enterprises seek to develop innovative ways to tackle social challenges through market mechanisms. These organizations need capital to grow, but often face greater obstacles than mainstream firms. In response, a social investment market has grown over the past decade to address these needs as well as to develop additional approaches for financing solutions to social issues. Impact investors invest in social enterprises, providing capital to un-proven business models at early stages across many different sectors. They are more flexible than main-stream investors are and allow investees to grow and scale up at a steady pace. Apart from capital, they also provide business guidance and mentorship. Impact investing brings extra value to the economy. By providing patient capital and supporting entrepreneurs, it catalyzes the growth of social opportunities, which are often underestimated by traditional financial institutions (Wilson 2014).

On the supply side, capital providers are increasingly interested in social impact investment as a way to diversify their investments and pursue social, as well as financial, goals. Capital providers include: high net worth individuals, corporations, governments, retail investors and foundations. Their assets are managed by different kinds of asset managers: investment advisors, fund managers, family offices, foundations, banks, corporations, investment funds, pension funds and others. The number of social investment funds is increasing (see Figure 2) (Wilson 2014).

Figure 2: Number of impact investment funds globally, 1970-2012



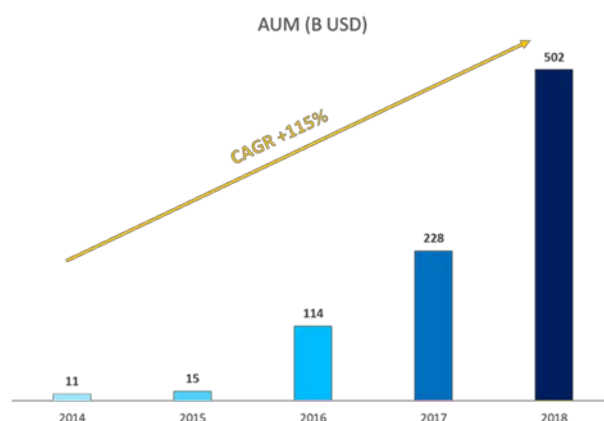
Source: Clark et al. 2012

As well as traditional investment funds, impact investing funds can either work as an independent organizations or can be affiliated with some big banks or development institutions. They focus their investment strategies on different sectors, geographies or development stages. Usually, they pursue to achieve market returns and therefore they invest in different financial instruments such as grants, subsidized loans and equity. Most of the venture capital funds based on impact investing idea are small and first time funds which do not have any track record which makes it hard for them to attract investors with big capital. Their approach to financial returns differ depending on their mission and projects which they decide to support. There are funds which provide non-returnable grants focusing only on social returns of their activities while some other ones set high financial targets and use portfolio approach in order to mitigate risks and balance social and financial returns. Usually, funds engage in a project for a period of three to five years while they provide financial and non-financial support to help a given organization become financially self-sustainable until the end of investment horizon (Wilson 2014).

1.3. The social impact investment market

The global social impact investment market is growing rapidly. Both in terms of new entrants as well as in terms of increasing portfolio commitments by those already operating on the market. Social impact investment is attracting more and more interest from mainstream commercial finance, including institutional investors, asset managers and multinational companies (OECD 2019).

Figure 3: The development of global social impact investment market between 2014 and 2018



Source: Own elaboration based on GIIN (Mudaliar et al. 2019)

The Global Impact Investor Network estimates from the latest annual survey that, in 2018, there was USD 502 billion in impact investing assets, which is roughly double that of the previous year. The compound annual growth rate (CAGR) of the last 5 years has been at 115% (see Figure 3) (Mudaliar et al. 2019).

1.4. The environment for the development of social investment in Poland

Poland has become a high-income nation in a short time compared to other middle-income countries. According to the World Bank, economic growth in Poland has averaged a consistent 3,6% over the past decade due to steadily increasing productivity, strengthened institutions, investment in human capital and successful macroeconomic management. Poland has a record-low unemployment (more details in chapter 3.2.1), which is stimulating wage increase and supporting consumption. Investment is also increasing. However, a tightening labor market is causing some concerns over labor shortages. Despite Poland's strong economy in 2018 with increasing output and declining unemployment, Poland faces many social challenges, which are common for most of the developed countries e.g. ageing population, lifestyle diseases, shrinking workforce and widening social inequalities. The emerging costs of those challenges are immense. Therefore, there is a big demand for an innovative financial solution, which will be able to tackle those. Scale of societal challenges reveal big opportunity for social impact investment in the Polish market. The key factor that can contribute to solving the main social problems, is investing in the development of stable organizations and impact projects, which can carry out their activities on a larger scale. In Poland, there is an urgent need to allocate existing resources in this way.

The success of social investments in Poland is closely related to the geographical location of the region, the proximity of other EU markets and the qualifications and entrepreneurship of people involved in social activities. The strong infrastructure of the social sector and the awareness of existing challenges guarantee

that, due to adequate financing of such activities, the situation and living conditions of beneficiaries of social activities can be significantly improved in the long-term perspective (Forbes 2018).

Banks play a minor role in the development of social impact investment in Poland. They are reluctant to offer loans for the development of impact projects. Generally, they require security on property. Often-times, people who plan to establish an enterprise need to pledge their own flats / houses in order to get a loan from the bank. This presents a big obstacle to social business creation. Organizations with a social mission still exist in the mindset of society and thereby, in the mentality of business owners and corporate decision makers as institutions "asking for help". On the other hand, there are a number of alternative funding mechanisms designed for innovative entrepreneurial initiatives, particularly in the form of grants.

Social entrepreneurship in Poland went through a number of legal regulations, among which the most important ones were the Act of Law on Public Benefit and Volunteer Work (2003 No 96/873) and the first Law on Social Employment (2003 No 122/1143). Within a couple of years, the Law on Investment Funds and Management of Alternative Investment Funds (2004 No 1355, 2215, 2243, 2244; 2019 No 730, 875), the Law on Professional Activation Centers (2004 No. 99/1001) and the Law on Social Cooperatives (2006 No 651) were enacted. They were all together designed to develop social capital. The advantage of the Polish regulations is that they give the possibility to choose between numerous organizational forms according to planned activities, which guarantees flexibility. Apart from the already existing acts of law, there are some other regulations which aim to stimulate activities with a social mission. Recently, the cooperation between social enterprises and government, especially local governments, and the Offices of Labor and Social Welfare Centers has increased. At the same time this cooperation still require a lot of bureaucracy work. (Praszquier et al. 2014).

1.5. Social entrepreneurship

Social entrepreneurship is a sphere of social and economic life, positioned between the entrepreneurial sector and the sector of nonprofit social organizations. This sphere has been developing in Poland for nearly a decade, however, it has not been defined in the Polish legal system yet. According to the preliminary draft of the Act on Social Economy and Solidarity (2017), *"a social enterprise is an entity that carries out economic activities that benefit the society and at the same time:*

1. *the primary objective of its activity is the professional and social reintegration of people at risk of social exclusion or the implementation of social services of general interest or public tasks in the field of local development*
2. *it does not distribute profit or balance surplus between shareholders or employees*
3. *the management structure or ownership structure is based on shared management*
4. *the share of public sector ownership does not exceed 50%*
5. *employs no less than three employees*
6. *remuneration of employed persons does not exceed three times the average monthly remuneration in the enterprise sector*
7. *employs at least 50% of people at risk of social exclusion*
8. *the obligatory process of professional and social reintegration of people at risk of social exclusion will last for at least 12 to 36 months."* (Ministry of Family, Labour and Social Policy 2017).

This very detailed definition was created for the needs of EU funded projects, which target disadvantaged groups who are at risk of social exclusion. In other Western countries social entrepreneurship is used in the context of startups and other companies which develop and implement solutions to social, cultural and

environmental issues. At its most basic level it refers to doing business for a social cause. Around the world, there are many opinions about what constitutes social entrepreneurship. Some believe the definition only applies to businesses that make money and work toward improving a designated problem by providing services or goods to the consumers. Others say business owners who work to solve social problem by using public money are also social entrepreneurs. Therefore, social enterprises can take on many different forms - starting from organizations, which depend on donations and grants to commercial companies, which are entirely financially independent (Martin/Osberg 2007).

According to the official list of the Department of Social and Solidarity Economics, nearly 1,000 social enterprises are active in Poland. These are primarily social cooperatives, but also some foundations, associations and non-profit companies (DES 2019). According to Polish law, a social cooperative is an entity combining the characteristics of an enterprise and a non-governmental organization. By law, its purpose is to return its members to social life and labor market. The institution of a social cooperative was introduced in Poland in 2004. Its current legal structure makes it unattractive for potential investors, because it makes impossible for them to achieve financial profits.

At the same time, a group of enterprises, which are called startups of positive influence, is growing in Poland. This group would be more in line with the definition of social entrepreneurship, which is used in the Western world. More and more Polish business leaders and entrepreneurs create solutions that are both eco-friendly, socially beneficial and economically valuable. Polish startups of positive influence are usually built in such a way that from the very beginning, they have a global scope, they use new technologies and they directly connect groups of people in order to meet their needs. They often work in the P2P model¹. In the business models they adopt, attention is paid to open innovations that enable cooperation at various stages of product and service development. Some of these companies are growing fast, building revenues and market value, some are still at the startup stage and others quit after several months of trials (Andrzejewska et al 2019). Currently, there are 360 enterprises in the online database of Polish startups of positive influence prepared by Kozminsky University (Lista startupów pozytywnego wpływu 2019).

1.6. Organizations active in the social impact investment sphere in Poland

There are only few organizations active on the Polish market, which could be associated with social impact investment. While being involved in a number of different activities, which benefit society, some of them are focused on generating financial gains for their shareholders while contributing to positive social change, whereas some others target solely social benefits with no intention of creating financial profits. Therefore, it depends on the adopted definition of social impact investment, if they should be considered as relevant actors or not. Studying only publicly available materials, it is very often not easy to distinguish what is the case for a given organization.

EVPA (European Venture Philanthropy Association)

The European Venture Philanthropy Association is a community of organizations, which create positive societal impact through venture philanthropy and social investment. Its mission is to increase funding, expertise and efficiency of venture philanthropy and social investment and co-create a well-functioning ecosystem for societal impact. Therefore, EVPA does not act as a social impact investor per se, however, due to its educational and supporting functions, it is an important actor on the market. EVPA community includes venture philanthropy funds, social investors, grant making foundations, impact investing funds, private equity firms, professional service firms, philanthropy advisers, banks and business schools.

¹ Peer-to-peer model is an alternative to traditional business models. It works on the premise of playing matchmaker between individuals with service to offer and others who could use that service.

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Currently, it includes more than 275 members from over 30 countries. There are three members from Poland: The Academy for the Development of Philanthropy in Poland, TISE and the Valores Foundation (EVPA n.d.).

Valores Foundation

The foundation operates since 2014 in the area of venture philanthropy. Its mission is to increase the impact of social assistance. It provides financial and non-financial support to social organizations active in the service of people with physical and intellectual disabilities, children, convicted persons, refugees and expatriates. The foundation's activity combines granting support and competence support in the form of mentoring in the area of finance, fundraising, communication, and team building. The Valores team works with the organizations it supports for three years and, together with the management of the respective organizations, decides on the areas of commitment and allocation of funds (Forbes, 2018). Currently, the foundation supports 8 organizations. Together with the Polish Society of Capital Investors, the foundation implements the Social Business Accelerator (SBA). As part of the SBA, the most experienced people representing the investment fund community in Poland use their experience, professional skills and contacts to support the development of social organizations. They work with them, just like with their portfolio companies, offering their knowledge and time. Thanks to this support, social organizations acting for children, education, for equalizing the opportunities of disabled people, environmental protection, the refugee situation or social re-adaptation of inmates, can increase their effectiveness and scope of influence (Valores n.d.).

FASE

This German organization was set up by the international Ashoka organization, which is raising capital for enterprises that combine business with social impact. FASE supports selected social enterprises in gaining capital for business development, it searches for both private and institutional investors and offers various forms of financing. The agency proposes hybrid solutions, combining philanthropic support and traditional investment. Such initiatives, based on cooperation of foundations, institutions, business angels and social enterprises, serve the development of a stable financial structure and business model, ensuring the profitability of a given social enterprise. Before they provide support, they measure the potential social impact of the company (based on social KPIs), assess the scalability of a business model and evaluate already implemented projects (it can be a pilot project). The company must earn operating income and its development plans must be related to the need for financing at the level of EUR 50,000 or higher. FASE started its operations in Poland in 2017 (FASE n.d.).

TISE SA (Towarzystwo Inicjatyw Społeczno-Ekonomicznych)

TISE is a social and economic investment company established in 1991. Its mission is to provide financial and advisory services to supporting the development of local initiatives for sustainable growth, in particular in the area of social economy and the growth of micro, small, and medium-sized businesses, NGOs and social enterprises by granting loans. Initially, TISE dealt with capital investments on the market of small and medium-sized enterprises (venture capital) as well as loan and sub-sovereign loan guarantees. Since 2008, TISE has been providing loans to non-governmental organizations, social enterprises and micro, small and medium enterprises. Funds for this purpose come from its own resources, and, from 2012, also from funds entrusted by Bank Gospodarstwa Krajowego within the framework of the implementation of agreements with the European Union (Operational Program Development of Eastern Poland, JEREMIE initiatives and the European Investment Fund). TISE has already provided 4,000 loans, the cumulative value of which amounts to EUR 140 million (TISE n.d.).

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Ashoka

The International Organization of Social Innovators, Ashoka searches for and brings together people who introduce new, unconventional solutions to social problems. Every year it selects around 100 people from around the world that are distinguished by special social entrepreneurship, which they call innovators for the public good (Ashoka). Ashoka has been supporting leading social entrepreneurs in Poland since the mid-1990s. In 2015, Ashoka conducted the first initiative in the Polish social economy environment, which launched a modern approach to social entrepreneurship - Social StartUp. Several industries were selected in the competition: environmental protection, education, economic development, human rights, health care and organizations seeking to prove that their ideas for social enterprises lead to specific perceptible social changes (Andrzejewska et al 2019).

Simpact

Simpact Fund is the first investment fund in Poland based on the idea of impact investing. Simpact is a Venture Capital fund investing in projects at an early stage of development. It provides capital needed for commercialization of technological innovations, business development and scaling to foreign markets. Simpact's mission is to scale new technological innovations that solve the most important problems of the modern world in an effective and financially sustainable way. The key criteria for investment in a given project is its technological innovation, commercial potential and expected positive impact on society and/or the environment. The Simpact Fund was created as part of the Bridge Alfa program implemented by the National Center for Research and Development. The private investors of the fund include: Foundation for Polish Science, Cooperation Fund Foundation and Kozminski University. Simpact began its operations in 2017 and has so far invested in 11 impact startups (Simpact n.d.).

NESsT

NESsT supports the development of social enterprises that create decent jobs for those who face the greatest difficulties in accessing employment in Latin America and Central and Eastern Europe. It implements its mission through raising philanthropic capital and investments in social enterprises, creating jobs for people from the poorest, isolated, discriminated and, non-professional groups as well as a low level of education. In Poland, NESsT invests in social enterprises that support potential employees by offering them training and employment in developing sectors of IT services and outsourcing of business processes. Selected social enterprises receive co-financing of up to USD 20,000 for business development, as well as training and consulting, among others, in the scope of refining a business plan or setting the direction of the company's development. NESsT is a charitable organization collecting capital from supporters in the form of donations, which means that it does not have an intention of creating financial re-turn. According to data from 2017, NESsT invested in six social enterprises in Poland, which contributed to the creation of 219 decent jobs and income opportunities. The equivalent of the funds involved is USD 331,000 (NESsT n.d.).

Double Challenge Fund

The Double Challenge Fund is a venture philanthropy-type fund, established by the Academy for the Development of Philanthropy in Poland. The mission of the fund is to save and support significant social initiatives in their effort towards sustainability and stability. It provides returnable and non-returnable financial support and non-financial support in the form of advisory, mentoring and training to local organizations. To its investors it provides social and financial returns (Podwójne Wyzwanie n.d.).

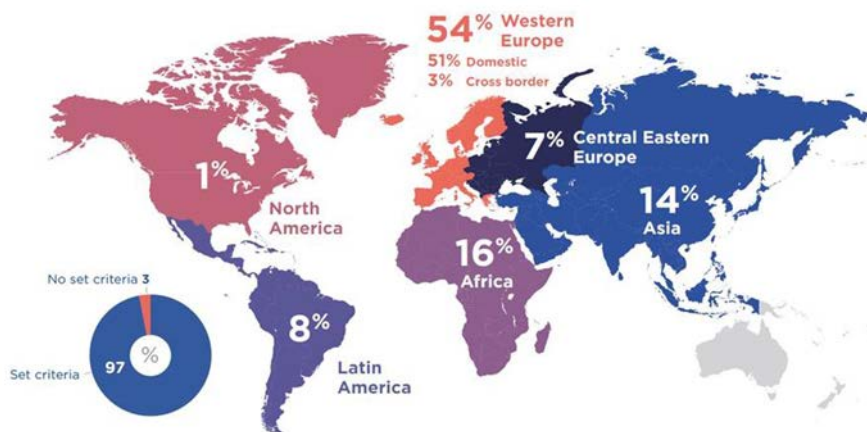
Pekao S.A.

The bank Pekao S.A. was founded in 1929 and is currently one of the largest financial institutions in Central and Eastern Europe. It is a Polish, international universal bank, the largest corporate bank and leader in the private banking segment. In 2018, Pekao expanded its portfolio of products offered to Polish individual clients with solutions that enable social impact investment. Centralny Dom Maklerski Pekao S.A. successfully implemented the offer of structured certificates based on shares of Vestas Wind Systems, fulfilling the assumptions of the impact investing strategy. Vestas is the world's largest producer of wind turbines, with high standards of social responsibility. The company decided to support the 17 UN Sustainable Development Goals². Moreover, it assumes that it can create added value for 6 of them. Pekao announced that it will implement further products related to companies that meet the objectives of impact investing, as well as indexes and investment funds in this sector (PRnews 2018).

1.7. The Polish social impact investment market

The analysis conducted by the European Venture Philanthropy Association (EVPA 2018) shows that only 7% of European funds for venture philanthropy and social impact investment go to Central and Eastern Europe, while as many as 54% of the funds allocated to solve social problems, actually finance activities in Western Europe (see Figure 4). There are no data that would indicate what percentage of these funds goes to Poland, but it can be concluded that it is less than 1%.

Figure 4: Geographic Focus of Venture Philanthropy and Social Impact Investment

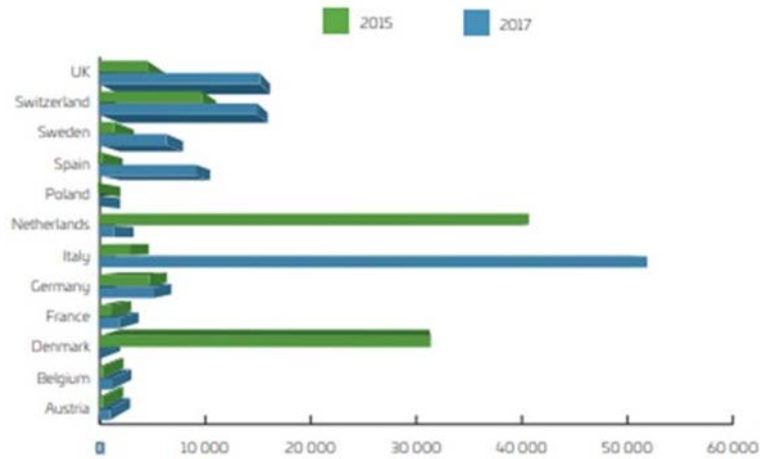


Source: EVPA 2018

When looking at the size of social impact investment assets under management, Poland is far behind most of the other European countries (see Figure 5). According to data provided by Eurosif, there has been a notable increase in social investment in Spain and in Italy and encouraging signs in Sweden, Belgium and UK in recent years. Poland does not experience a big change in this regard (Eurosif 2018).

² <https://sustainabledevelopment.un.org/?menu=1300>

Figure 5: Impact investing by country



Source: Eurosif, 2018

Comparative assessment of the social impact investment markets in 28 EU Member States made by JRC Science Hub in 2017 shows that the Polish social impact investing market is an infant market. The analytical framework of the assessment considered 3 broad and general criteria which is market infrastructure, demand and supply. There were three levels established for each criteria: low, medium and high (see Table 2) (Maduro et al 2018).

Table 2: Description and maturity levels for each market component

Criteria	Low level	Medium level	High level
1. Market Infrastructure	Any sign of public policy or initiative to promote the ecosystem	Some efforts/signs of public policy or initiative to promote the ecosystem	A coherent set of efforts/initiatives of public policies to promote the ecosystem – existing agenda
2. Demand Side	Insignificant number of social service providers and no signs of capacity building specialists	Significant number of social service providers or existence of capacity building specialists	Significant number of social service providers and existence of capacity building specialists
3. Supply Side	Insignificant number of social investors and no signs of existence of social impact investment specialists / advisors	Significant number of social investors or existence of social impact investment specialists / advisors	Significant number of social investors and existence of social impact investment specialists / advisors

Source: Maduro et al 2018

As a result of the analysis, Poland has been placed more or less in the middle of the classification (see Table 3). Incipient local markets represent almost 50% of the EU Member States' landscape and can be found in Western, Central and Eastern Europe. Poland has neither a highly developed demand, supply nor market infrastructure. However, the Polish market seems to be driven by demand and market infrastructure rather than supply. This means that the biggest challenge of the Polish market is that there is a small number of social investors and low availability of capital dedicated to social impact investing (Maduro et al 2018).

Table 3: Social impact investment market maturity scores

	Name	Market Infrastructure	Demand Side	Supply Side	Final Score
1	Austria	1	1	2	4
2	Belgium	1	2	3	6
3	Bulgaria	2	1	1	4
4	Croatia	3	2	1	6
5	Cyprus	1	1	1	3
6	Czech Republic	1	1	1	3
7	Denmark	1	1	1	3
8	Estonia	1	1	1	3
9	Finland	1	3	2	6
10	France	3	3	3	9
11	Germany	3	3	3	9
12	Greece	1	2	1	4
13	Hungary	1	1	1	3
14	Ireland	2	3	2	7
15	Italy	3	2	3	8
16	Latvia	2	1	1	4
17	Lithuania	2	2	1	5
18	Luxembourg	3	1	2	6
19	Malta	2	2	1	5
20	Netherlands	1	2	1	4
21	Poland	2	2	1	5
22	Portugal	3	3	2	8
23	Romania	2	1	1	4
24	Slovakia	1	1	1	3
25	Slovenia	3	2	2	7
26	Spain	1	1	2	4
27	Sweden	3	2	1	6
28	United Kingdom	3	3	3	9

Source: Maduro et al 2018

Low engagement of entrepreneurs supporting business philanthropy and impact investment is due to a low popularization of issues related to these initiatives. Among the social investors, there are mainly HNWI³, foundations, small philanthropic funds and government agencies. There is a lot of capital on the Polish market and there seem to be an increasing interest of investors investing into social impact, but they are still just a small fraction of the Polish investment market. Polish investors seem to be confused with social impact projects being positioned between charities and “real business”, meaning “profit” and “non-profit”. Most of them use clear divisions - either donation to charities and intention of achieving social outcomes or investment with expectation of financial profit. The idea of expanding their investment in what they traditionally would treat as a not-for-profit area is foreign to many of them. They do not understand that there is a third way with social impact investment, combining those two elements.

In Poland, investments combining economic activity with a defined social impact rely mainly on non-returnable instruments such as grants and donations. Their operational model is not prepared for reimbursable funds and, in most cases, presents limited financial sustainability. Consequently, oftentimes they are insufficiently prepared to put forward social innovation projects. Moreover, many Polish social impact projects are not very good in communicating their mission, financial needs and possibilities of social and financial profits. The existing deficit on organizational/management skills of most of these organizations prevent them from fully entering a new space of impact investment and social innovation and benefiting from it.

Those Polish projects that develop social innovations and want to scale them in a financially sustainable way often find traditional funding not easily available. At the same time, their nature often restricts access to new financing instruments. They either finance themselves through an organic and patient growth or

³ High-net-worth-individuals - people whose investible assets exceed a given amount. Typically, value greater than USD 1M.

through the goodwill of traditional philanthropists - for instance foundations, corporations and high net - worth individuals.

Despite the positive social-impact potential, impact investment is still a niche market in Poland with underdeveloped ecosystem of few specialized investors and a small number of intermediaries and target investment-ready enterprises.

2. Social impact investment focusing on (long-term) unemployment in Poland

So far, there has been only a few examples of social impact investment focused on unemployment conducted in Poland. There are a few organizations, which use impact investment in order to fight unemployment. However, most of the social services dedicated to unemployed people are provided by public social service providers, including the Labor Fund and the European Social Fund (Chłoń-Domińczak et al 2015).

2.1. Publicly financed actions focused on unemployment

Polish public policy in the area of labor market and social exclusion is addressed through active labor market policies, unemployment benefits, minimum income scheme and some social services. Their role as social instruments remains ambiguous. The unemployment benefit is the main cash support to the registered unemployed. Other cash support for the unemployed includes stipends paid during trainings, so called activation allowance, payments of pension, work accidents, health contributions and some others.

Effectiveness of the main unemployment benefits scheme is debatable as its role as a social investment instrument. Unemployment benefits are more advantageous for people with a long employment record (higher rates), for seniors aged 50+ (longer benefit duration), living in a region of high unemployment (longer benefit duration), and in some other cases. The benefit rate is set gross and it is indexed with inflation every year. The rate is differentiated based on the following criteria: it is higher during the first three months of benefit payment - EUR 195/month and lower afterwards - EUR 153/month. This rate is also higher by 20% for unemployed with an employment record of at least 20 years and 20% lower if the employment record is shorter than 5 years (Brzostek 2018). The average level of benefit in 2018 amounted to EUR 173/month. In any case, the benefit rate is notably lower than a minimum wage - EUR 493 in 2018 (Skowron, 2018). Payments of all cash benefits are made out of the Labor Fund. Social protection benefits paid to the unemployed amounted to EUR 398,562,434 and absorbed 0.4% of public spending (Rada Ministrów 2019).

Social assistance is the most important "minimum income" scheme in Poland. Examination of the statistics and regulations show that its effectiveness is rather low and coordination with other schemes, such as family allowance or unemployment benefit, is weak. Therefore, it cannot be seen as a well-developed social investment instrument. Social assistance is based on the Act on Social Welfare (2004, No 64/593). It provides for cash and non-cash benefits. The main income benefits are income-tested and they are granted if at least one of the additional vulnerability conditions is met, for instance: poverty, orphan hood, homelessness, disability, unemployment, long-lasting illness, domestic violence. Non-income test-ed support may be granted as well, mostly in the form of in-kind benefits or services like meals, fuel, shelter and long-term care. The level of social assistance benefits is set as the difference between threshold and the applicant's income. Sometimes, payments are delayed due to the lack of funds. More-over, the provision of benefits does not encourage beneficiaries to become more active. Overall, the expenditure on social assistance is low by European standards. In 2018, it has reached EUR 6,060,345,081 which amounted to 6.5% of the total public spending (Rada Ministrów 2019).

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In Poland, there are also many actions with focus on unemployment, which are financed by EU funds. The European Social Fund (ESF) is one of the five main funds through which the European Union supports the socio-economic development of all member countries. The ESF supports the pursuit of a high level of employment, high-quality jobs and improved access to the labor market as well as geographical and occupational mobility of employees. In the period 2014-2020, the EU allocated over EUR 80 billion to the European Social Fund, which is almost a quarter of its expenditure on regional development policy. For Poland, about 13.2 billion euro was allocated from this pool. This is much more than in 2007-2013, when Poland had at its disposal just over EUR 11 billion. At the national level, there is one Operational Pro-gram - the Knowledge Education Development (POWER n.d.), which received EUR 4.4 billion, which is approximately 34% of the total funds. The remaining over 66% were divided between 16 regional programs (Fundusze Europejskie n.d.).

Under the PO WER program, the following activities are implemented:

- implementation of activities targeted at young people aged 15-29 who are unemployed, which will contribute to their professional activation and improvement of the situation on the labor market.
- implementing system and structure reforms in selected areas of public policies that are regarded as key from the point of view of the Europe 2020 strategy and national reform programs
- supporting the quality, efficiency and openness of higher education
- implementation of atypical, innovative and transnational activities, leading to the development of solutions to test them before moving to the implementation phase
- activities related to the implementation and development of preventive programs in the field of diseases, adversely affecting labor resources
- technical support (POWER n.d.).

Under the 16 Regional Operational Programs, the activities related to active job search and raising professional qualifications of the unemployed and jobseekers as well as people in a difficult situation and at risk of social exclusion are continued. Actions targeted at the development of entrepreneurship among people aged over 29, including to create social enterprises that create new jobs, and trainings, help young people to get the skills needed in the labor market (Fundusze Europejskie n.d.).

All of the publicly financed actions are not typical social impact investment, as they are not focused on achieving any financial results. However, they have a positive impact on unemployment in Poland.

2.2. Employment created by social enterprises

One of the problems, which the social entrepreneurship attempts to address, is the employment of those who do not have jobs and are socially excluded. Social enterprises act as a facilitator of integration and reintegration. People who are at risk of exclusion have a chance to perform work that is valued and socially useful. Thanks to the reintegration process, those who have changed their lives can escape the downward spiral in order to create a new social order in the place they live. Above all, social entrepreneurship provides work, which is linked to peoples potential, a job that gives them joy and pleasure. In recent times, the employment of people with disabilities gained more and more interest. Moreover, social cooperatives arise next to correctional institutions. There are more ideas that respond to specific social needs, such as enterprises, in which mentally ill people are engaged in environmental activities, including garbage segregation. These are examples of activities that do not stigmatize people, but strive to find suitable work for them. Social entrepreneurship plays an important role in changing negative stereotypical thinking about excluded groups such as disabled, addicted, or homeless. Bringing to light new social problems raises greater

awareness and sensitivity in society to the issues, which have been previously neglected. Social actions attempted to solve a problem of unemployment among people with disabilities, different sexual orientation, autistics, refugees and former prisoners. Social entrepreneurship has also become an answer to the problems of unemployed young people, or those who might be at risk of unemployment. Thanks to social entrepreneurship, young people can create their own business. On the one hand, it provides essential services to the public and on the other hand guarantees workplaces for those who are entering the labor market. In conclusion, social entrepreneurship introduced positive social change, however, in the opinion of experts, these changes are still on a small scale and do not address the significant social problems of Poland (Praszquier et al 2014).

2.3. Organizations contributing to solving problem of unemployment within their investment

Simpact

Simpact is an impact investing venture capital fund in Poland. It invests in tech-driven projects with scalable business model and deliberate intention of creating positive social change in the world. Simpact identifies three impact areas, which guide its impact strategy and capital engagement. One of those impact areas is Demographics, which represents demographic problems of modern society, including population growth, ageing population, migration and unemployment. Therefore, when building its portfolio, Simpact invests in projects, which tackle problem of unemployment, among others. Currently, there are two startups in Simpact's portfolio, which develop a solution that have a direct positive influence on employment:

- Take Task - it develops a business tool for performing various types of micro tasks in many different locations around the world, by internal employees or the external community of users of Take Task application. Take Task is based on the idea of sharing economy, taking advantage of new opportunities such as the growing importance of the Internet and the rapid development of modern information and communication technologies. It connects organizations that need people to work with the people who are looking for a job and facilitates the task management process, bringing benefits to both clients and employees. By bringing changes in the recruitment of employees and providing work, Take Task develops alternative forms of employment and makes the labor market more flexible.
- iCodeTrust - the project provides an online platform dedicated to coding blended education with intensive courses and practical boot camps, which provide vocational education and reflect job market demands. The company prepares its graduates for the job market and connects them with potential employers. The company also creates courses dedicated to various social groups such as: children, single mothers and people with disabilities. Specialists in the fields of IT and programming above average often continue their professional path - which may suggest that they have no problems finding employment and are satisfied with its conditions. Among the professions perceived by the Ministry of Interior and Administration as strategic, the lowest percentage of the unemployed is noted among IT specialists.

Simpact provides capital for the development of the project and it takes part of equity. It has invested PLN 1 million in Take Task and PLN 1 million in iCodeTrust. 80% of the funds invested come from the Intelligent Development program financed from European funds (Simpact n.d.).

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NESsT

In Poland, NESsT invests in social enterprises that support potential employees by offering them training and employment in the growing sectors of IT services, business process outsourcing or in care services. NESsT has invested in six social enterprises in Poland, which contributed to the creation of 219 decent jobs and income opportunities. 1010 people were trained in the subject of social entrepreneurship. The value of the investment is over USD 331,000. Examples of projects in which NESsT has invested (NESsT n.d.):

- Coders Lab - this project trains youth across all levels of education in programming skills, so that they can build a career in the IT sector. It helps at-risk youth leaving the foster care system to gain independence and secure jobs in the IT industry. Eighty percent of its graduates go on to find IT jobs and pursue IT career tracks.
- Dimpact - a social enterprise that offers affordable training packages that provide young people and women with specialized skills and hands-on training to help jumpstart their careers in the BPO/IT industry. In collaboration with corporate partners, the social enterprise adjusts their curriculum to meet the needs of the labor market and develops mechanisms to support graduates with securing employment.
- Siedlisko - runs a nursing home providing full-time high quality care for seniors and people with chronic illnesses. It also delivers catering and laundry services to local companies, individuals and public institutions. The social enterprise trains and employs youth with intellectual disabilities and long-term unemployed people as caregivers of the residents as well as in running the catering and laundry services.

2.4. Social impact bonds

In Poland, social bonds have not yet been implemented, but the first steps in this area have already been made. In March 2018, the Polish Ministry of Investment and Development completed the evaluation of applications in the competition for the development of the Polish social bond model in the subject "Social Bonds as a tool to increase the efficiency of service provision in ESF support areas". Five organizations have been selected for co-financing, which in total were meant to receive over PLN 1.4 million for the implementation of their projects. There are examples of pilot projects, which will focus on solving unemployment problems:

Warsaw city "SIB - an innovative mechanism for financing social services for people with disabilities in Warsaw"

The ultimate goal of the project will be to improve the quality and effectiveness of the activities of Warsaw to increase the employment of people with disabilities. The recipients of the project will be residents of Warsaw with a moderate or significant degree of disability. Stakeholders will include public institutions, non-governmental organizations, financial institutions and employers' organizations interested in providing social services or capital. As part of the undertaking, the package of professional activation services is assumed. Planned result (Krawiec 2018):

- Employment of 50 people with disabilities in the open labor market by min 3 month over a 6 months period
- Maintaining employment by 1 person with disability for a period of 4-12 months over a period of 15 months
- Maintaining employment by 1 person with disability over a period longer than 12 months

Dolnośląskie Labor Office „DoIOS”

The aim of the project is to improve the quality of activities in the field of labor market instruments used by public employment services, including finding a social organization that in one place will provide the maximum assistance tailored to the needs of a given person. It was noted that unemployed people using the support of local government institutions must seek help in each of them separately. The target group will be the long-term unemployed with a fixed help profile II, residing in places affected by public transport dysfunction and with little or no job offers (Krawiec 2018).

Development of social bonds in Poland is still on a very early stage. None of the proposed projects has yet started. There are still no legal structures in Poland that would regulate the functioning of the new instrument of social bonds especially there are no acts, which would determine mechanism of payment for improved social outcomes. Therefore it can be assumed, that it will take some time before pilot projects will be implemented.

3. The potential of social impact investment for the Social Impact Vouchers program in Poland

3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

Social Impact Vouchers (SIV) is a program designed to create job opportunities for long-term unemployed people by reducing reluctance of potential employers via financial incentives based on a voucher system. The voucher system will be financed via the Social Impact Fund (SIF). The fund will be based on private capital provided by investors and will have a legal form adequate for each country.

Authors of the program specify the following factors as main arguments in favor of the creation of the SIV:

- Persistent unemployment
- Expected rise of unemployment due to increasing number of refugees
- Reluctance among companies to hire people from disadvantaged groups
- Increasing labour shortage in high-skilled jobs and low-skilled jobs
- SMEs' difficulties in reaching full productivity
- Limited public financial capabilities to solve problem of unemployment and labour shortage

Therefore, the main objective of the program is to reduce barriers for a substantial engagement between jobseekers and SMEs. Companies will get additional financial incentives to hire people from groups that so far had difficulties achieving economic integration in the society, which will potentially lead to:

- The reduction of long-term unemployment
- The decrease of labour shortage
- The increase of productivity of SMEs
- The integration of migrants and other disadvantage groups into society and the labour market

The voucher system is going to counter inability to find job of long-term unemployed people who are at risk of discrimination. There are several groups, which pose the primary target:

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- Migrants
- Previous offenders
- Low skilled people
- Ethnic minorities

Small and medium companies will receive vouchers as an incentive to hire people from target groups mentioned above. Vouchers will cover labour costs for three months for one employee regarding small-scale work. The SME will pay regular wage to the employee, yet it will be refunded for this through the value of the voucher. This means that companies will be reimbursed for hiring disadvantaged people. At the same time, both SME and employee will be further supported by the program in order to maintain their cooperation and achieve a long-lasting employment contract, which is the ultimate goal of the program. If the company decides to keep a jobseeker beyond the duration of the reimbursement, it will pay a small commission to the fund. SMEs will be the final beneficiaries of the program, meaning that the value of the received service will be considered as a grant for them under the de minimis regime⁴.

It is planned to organize voucher recruiting events in order to inform target groups about the possibilities of the program. In each country, there will be 6 events per year organized in coordination with relevant partners such as job centers or unemployment agencies. During the event, people from target groups will be registered in the dedicated database Cube, which will cover all the necessary information about jobseekers: age, employment status, special needs, location, formal and non-formal qualifications etc. Data collected in Cube will be used for matching, coaching, communication and evaluation. Moreover, there will be a digital registration for SMEs, which want to make use of the vouchers. Information of the launch of the registration will be provided to relevant stakeholders such as chamber of commerce and crafts, RDAs, business support agencies etc. The registration system will collect data on requirements and capabilities of SMEs. Online application is going to ensure independency and scalability. The matchmaking tool will link all data points from SME registration and Cube to match jobseekers with re-quests of SMEs. The matchmaking will be a semi-automatic, statistically supported process based on a learning algorithm. Information about successful matching will be sent to jobseeker and employer and the system will facilitate establishing of the date and place of the first meeting. SMEs will be regularly contacted to report on evaluation of employee's work. Information about work experience will be up-dated in the system to improve the accuracy and efficiency of the whole process. To improve the success rate of employment retention, it is planned to use coaching concept in the form of digital system, which will support communication of the employee and employer with the goal to sign a permanent employment contract. If the company decides to keep the employee beyond the duration of the intervention, it will pay a small commission to the fund. Refunding process will be convenient, fast and in accordance with the state law and tax regulations.

According to the description of the project, the capital of the fund will be provided by philanthropic funds, social impact investors, philanthropic organizations, trust funds and charitable trusts. It is assumed that the capitalization of the fund will amount to EUR 1 M in 2020 and EUR 1.2 M in 2021. The lifetime of the fund is calculated for 5-10 years. The concept assumes refunding mechanisms, which will enable the fund to grow and revolve. The commission fee paid by employer after successful placement of the employee will be channeled back to the fund in order to ensure sustainability.

⁴ De minimis aid - one of the form of financial support for enterprises provided by European Union.

3.2. Concrete application of social impact investment in the context of the Social Impact Vouchers

3.2.1. Demand side - need for the SIV program in Poland

It seems that one of the main assumptions of the SIV program is not fulfilled in the Polish context. Poland does not suffer from persistent unemployment. Since 2013, the unemployment rate in Poland is constantly declining. According to the GUS (Central Statistical Office), it has decreased to 5.5% in April 2019 from 6.2% in the corresponding month of the previous year (Statistics Poland 2019). According to the European Union's Eurostat statistic agency, which uses a different methodology, unemployment in Poland in March 2019 was a modest 3.4%. This is the lowest jobless rate since 1990 (Eurostat 2019). The decline in the unemployment rate is the result of the economic progress Poland has made over the past 29 years and the current prosperity of the global economy. This has translated to a growing number of new work places. Another reason for a low jobless rate is the emigration of hundreds of thousands of Poles to other EU countries.

On the other hand, Poland does indeed experience labor shortage. Due to raising demand and very low unemployment, many Polish employers have been struggling to find qualified workers. The lack of labor is both in high-qualified jobs and in low-skilled ones. The shortage of workers is visible in almost every industry. However, "blue collar" workers in sectors such as production, logistic or construction are the ones that are the most difficult to find. Thus, it is more and more common for employers to look to foreign countries to find workers they need. Poland has opened its borders in order to address sever labor shortages. In 2018, it has issued 40% more work permits than the previous year and almost five times more than in 2015, according to GUS. The permits were issued to citizens of 125 countries, with over 70% going to Ukrainians, the largest non-EU group working in the country. People from Nepal (6.1%) and Belarus were next, followed by India and Bangladesh, reflecting the recent increase in labor migration from South Asia to Poland (Streetwise n.d.).

Therefore, Poland has one of the lowest unemployment rates in Europe and at the same time it is struggling to find labor. Experts are warning that, if the shortage of workers worsens, it could suppress the economic growth of Poland. They note that one of the biggest challenges for Poland is to continue attracting workers from abroad and encouraging them to stay (Streetwise n.d.).

At the same time, in 2018 there was 383.3 thousand long-term unemployed people (unemployed for more than 12 months), which accounted for 39.6% of the total number of unemployed people (Ministry of Family, Labour and Social Policy 2019). Simplified calculations show that 2.2% of Polish society experience the problem of long-term unemployment. This means that the scale of the problem of long-term unemployment is not very big. According to the SIV program description, the main target groups are unemployed people, including migrants, offenders and people with low qualifications. However, data presented in the first report "Overview of long-term unemployment in Poland" show that in Poland the following groups as the most exposed to long-term unemployment:

- People with low qualifications
- People with limited work experience
- Older people
- Migrants
- People living in powiats characterized by a small number of available jobs and lacking of good transportation system

Therefore, it seems that a target group of SIV program should be reconsidered.

As mentioned before, in Poland, there are many EU financed projects which focus on unemployment. It seems that the Polish market is highly saturated with initiatives, which offer support to unemployed people. Organizations which are responsible for the projects implementation often struggle to attract the adequate number of participants. Participation in a training or internship funded by the EU most often results in being dropped from the labor office register. Thus, many unemployed individuals decide not to participate in a project, and instead stay unemployed for a prolonged period and choose life on the welfare payments. Therefore, it is probable that during the implementation of the SIV program, it will be a challenge to assure the interest of the target group.

3.2.2. Supply side - prospects for the SIV program in Poland

According to SIV program description, the capital of the fund will be provided by private investors. Philanthropic funds, social impact investors, philanthropic organizations, trust funds and charitable trusts were mentioned as an example. It is assumed that the capitalization of the fund will amount to EUR 1 M in 2020 and EUR 1.2 M in 2021. Although currently there is a lot of capital on the Polish private market, an analysis of the Polish social impact investment market shows a lack of private social investors - as presented in the previous subsections 1 and 2. Research identified only a few organizations, which are active on the Polish market, most of which manage public assets or private-public assets. Moreover, a description of the project suggest that the program is not designed with the intention to provide financial returns to investors. Even though it assumes refunding mechanism, its intention is to enable the fund to revolve rather than ensure profit for initial capital providers. This means that investors will neither earn profit nor even retain their capital. Therefore, it seems to be more justified to look for potential investors among philanthropic organization rather than social impact investors, who, in principle, invest with an intention of generating financial returns alongside social benefits. Hence, it is important to identify a group of potential investors, which will be interested in providing capital to the SIV program.

Inspired by the best practice of social impact investing, it is highly recommended to define specific impact metrics of the SIV program, which will measure the social outcomes of the program. It will be very important for potential investor to understand what value is being created. This will be the focal point of the evaluation that will be conducted in the later stages of the program. Impact measurement is a powerful way for investors to assess the intended impact of prospective opportunities as well as the on-going impact of their investment portfolios. By understanding the extent to which their investments can achieve or have achieved social and environmental goals, investors can hold themselves accountable and allocate their resources accordingly. Therefore, it is important to clarify the impact measurement of the SIV program.

Another possible challenge in securing capital from investors is the level of professionalism of the Polish social impact market. For potential investors, the quality of service is one of the most important factors to decide on their engagement. Therefore, an evaluation of the management team is a crucial process during the assessment of the potential investment opportunity. Due to the early stage of the development of the Polish social impact investment market, there are not many experienced people within this field. Finding qualified fund managers who will be able to carry out proven operating processes will be a deciding point in the creation of the fund.

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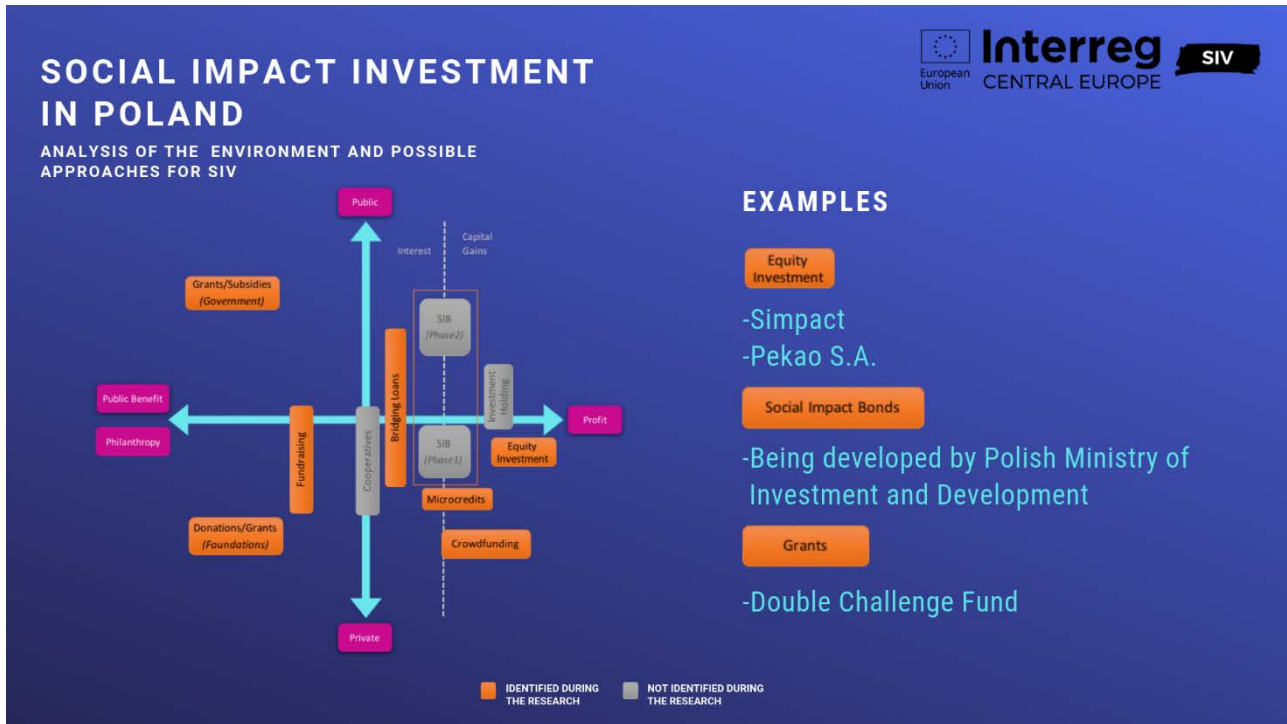
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5. Appendix

Figure 6: Summary status quo diagram of social impact investment in Poland



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Slovakia

COUNTRY REPORT ON SOCIAL IMPACT INVESTMENT WITH STATUS QUO DIAGRAM

WP T1 Pilot Preparation
Deliverable D.T1.1.2.

Deadline: August 31st 2019

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Overview of social impact investment in Slovakia

1. General overview: The current status of social impact investment in Slovakia

1.1. Private donations in Slovakia

The main source of private donations for the third sector in Slovakia is tax assignment of individual persons and legal entities.

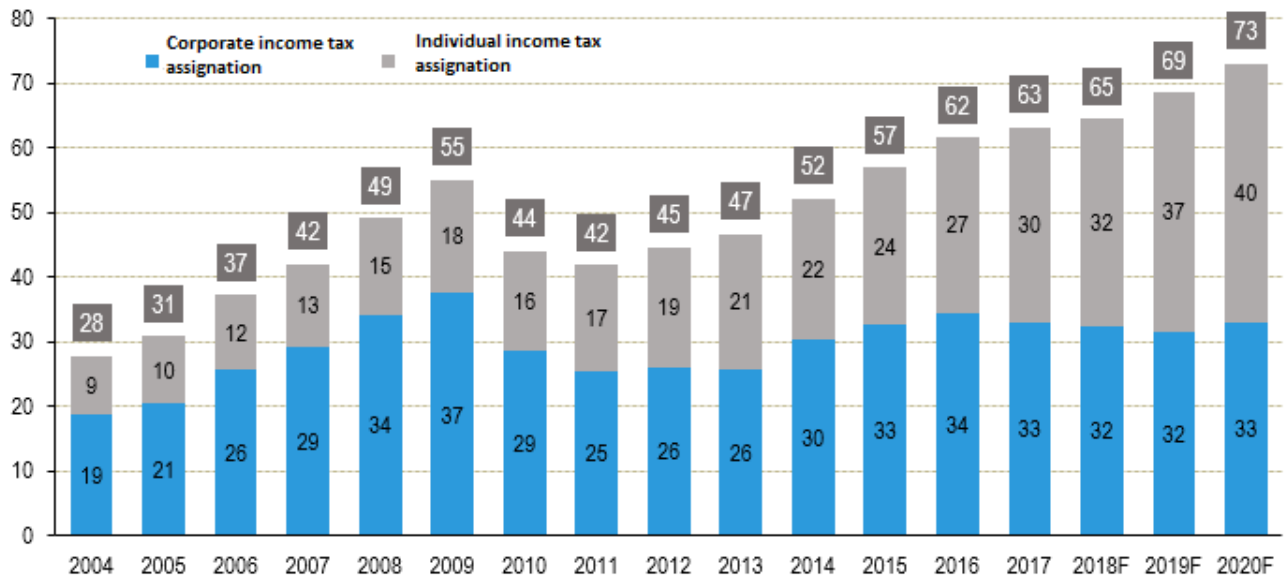
Each natural person who has paid income tax can direct 2% or 3 % of the tax to the third sector organization, i.e. foundations, non-profit organizations and civic corporations. These organizations have to be registered for obtaining the tax assignment. Minimum provided assignment accounts for EUR 3. Persons who have volunteered for at least 40 hours per year may direct up to 3 % of the income tax to organizations (Institute for Financial Policy, 2018).

Legal entities may assign a tax of 2% or 1%, subject to a minimum assignment of € 8. An entity that has donated funds at least equal to 0.5% of the tax paid may be assigned 2% (Institute for Financial Policy, 2018).

Based on the memorandum between Ministry of Finance of the Slovak Republic and non-governmental organizations, the Ministry publishes data on the development of individual and legal person tax assignments together with the forecast for the following years (see Figure 1). The figures for 2018 have been already published, nevertheless, without more detailed data on the share of the assignation of individual and corporate tax income. Altogether 14,915 entities (foundations, non-profit organizations and civic associations) received € 68,343,044.58 thanks to tax assignment in 2018 (Institute for Financial Policy, 2018). Inter alia, many corporates have established their own foundations and thus transfer their tax assignment to them.¹

¹ See the complete list of all registered organizations and the sum of obtained tax assignments at: <https://www.finance.gov.sk/sk/financie/institut-financnej-politiky/ekonomicke-statistiky/assignacia-dane/>

Figure 1: Development of the assignment of the individual and corporate income tax in the period 2004-2017, including the forecast for 2018-2020



Source: Institute for Financial Policy n.d.

1.2. Overview of social impact investment in Slovakia

Social impact investing or social impact funding remains a new and almost unknown concept in the Slovak context. Currently, only a small number of actors are known to address this issue. The list of main actors in the field of social impact investment is divided into the third sector, the private and the public sector.

Besides, Slovakia does not belong to the leading countries in terms of funding. The following Table 1 shows the investment fund shares in the EU countries, including in Slovakia:

Table 1: Investment fund shares issued broken down by investment policy and type of fund**1.2.3 Investment fund shares issued broken down by investment policy and type of fund**

Data reference: March 2019; EUR billions; not seasonally adjusted; outstanding amounts at end of period)

	Total	Funds by investment policy						Funds by type	
		Bond funds	Equity funds	Mixed funds	Real estate funds	Hedge funds	Other funds	Open-end funds	Closed-end funds
Euro area	11,789.9	3,277.6	3,406.7	3,054.0	674.9	426.1	950.6	11,418.2	371.7
Belgium	165.8	20.9	44.8	93.5	-	-	6.6	165.8	-
Germany	2,237.9	446.7	307.7	1,041.8	231.5	3.7	206.5	2,186.6	-
Estonia	1.1	0.0	0.4	-	0.5	0.0	-	0.4	0.7
Ireland	2,157.7	682.8	811.3	266.6	17.0	185.6	194.6	2,117.9	39.9
Greece	5.6	1.3	1.1	0.8	2.4	-	0.0	3.2	2.4
Spain	300.7	82.5	45.5	65.5	1.1	2.7	103.4	294.1	-
France	1,251.6	286.7	311.3	336.1	106.4	1.5	209.5	1,251.6	-
Italy	324.3	99.5	40.6	120.2	56.6	7.5	-	249.3	75.0
Cyprus	4.4	-	1.7	0.6	-	0.1	-	3.9	0.4
Latvia	0.4	0.2	0.2	0.0	0.1	0.0	0.0	0.2	0.2
Lithuania	0.9	0.0	0.1	0.0	0.6	0.0	0.2	0.3	0.7
Luxembourg	4,107.8	1,308.8	1,406.0	1,015.1	106.9	200.6	70.3	4,002.5	105.3
Malta	12.2	1.8	3.2	1.1	-	0.1	-	11.7	0.5
Netherlands	877.7	216.6	348.8	19.7	121.6	23.3	147.8	807.5	70.2
Austria	181.6	67.6	29.4	75.6	8.7	0.2	0.2	181.0	-
Portugal	26.0	7.4	1.9	1.8	11.0	0.0	3.9	15.4	10.6
Slovenia	2.6	0.2	1.7	0.8	-	-	-	2.6	-
Slovakia	6.9	1.6	0.5	3.3	1.4	-	0.1	6.9	0.0
Finland	124.7	52.9	50.5	11.6	8.3	0.8	-	117.3	-

Source: ECB.

Source: European Central Bank, 2019

1.3. Examples for social impact investors in Slovakia**1.3.1. Public sector:****Slovak Investment Holding**

Slovak Investment Holding, a. s. is a joint stock company 100% claimed and established by the Slovak Guarantee and Development Bank. SIH's primary target is to help open and private interests in key segments in Slovakia. SIH has satisfied this objective through its four main activities (Slovak Investment Holding, n.d.):

- **National Development Fund I. (idem):**

National Development Fund I. (NDF I.) is a venture organization that was built up with the end goal of the execution of money related instruments from the EU Structural Funds in Slovakia during the 2007-2013 programming period. NDF I's. has depended on the JEREMIE activity, which has serves as support tool to accessing finance for SMEs.

NDF I.'s financial instruments have a recoverable form and are implemented through financial intermediaries. Funding is provided by means of the following financial instruments:

- venture capital instruments
- portfolio guarantees
- portfolio loans

- **National Development Fund II. (idem):**

National Development Fund II. (NDF II.) is an investment fund through which financial instruments from the European Structural and Investment Funds are being implemented during the 2014-2020 programming period. NDF II. is managed by the SIH Company. Financial resources allocated to NDF II. as of the 31st December 2017 amount to EUR 623 mil. NDF II.'s investment strategy is based on operational

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programmes from which funds were invested into NDF II. and on financing agreements between the managing/intermediate bodies, SIH and NDF II.

Financial instruments implemented via NDF II. are repayable. Individual financial instruments are tailored to the specificities of each investment area, with purpose to maximise the benefit for the final beneficiaries.

Financial products implemented through NDF II. include guarantee, loan and equity products. NDF II. investments can be implemented through financial intermediaries or directly to final beneficiaries.

NDF II.'s main objective is to improve access to financing for projects and institutions that are active in the following areas:

- Transport infrastructure (direct investment)
- Energy efficiency (through financial intermediaries)
- Waste management (through financial intermediaries)
- Social economy (direct investment + through financial intermediaries)
- SMEs (direct investment + through financial intermediaries).

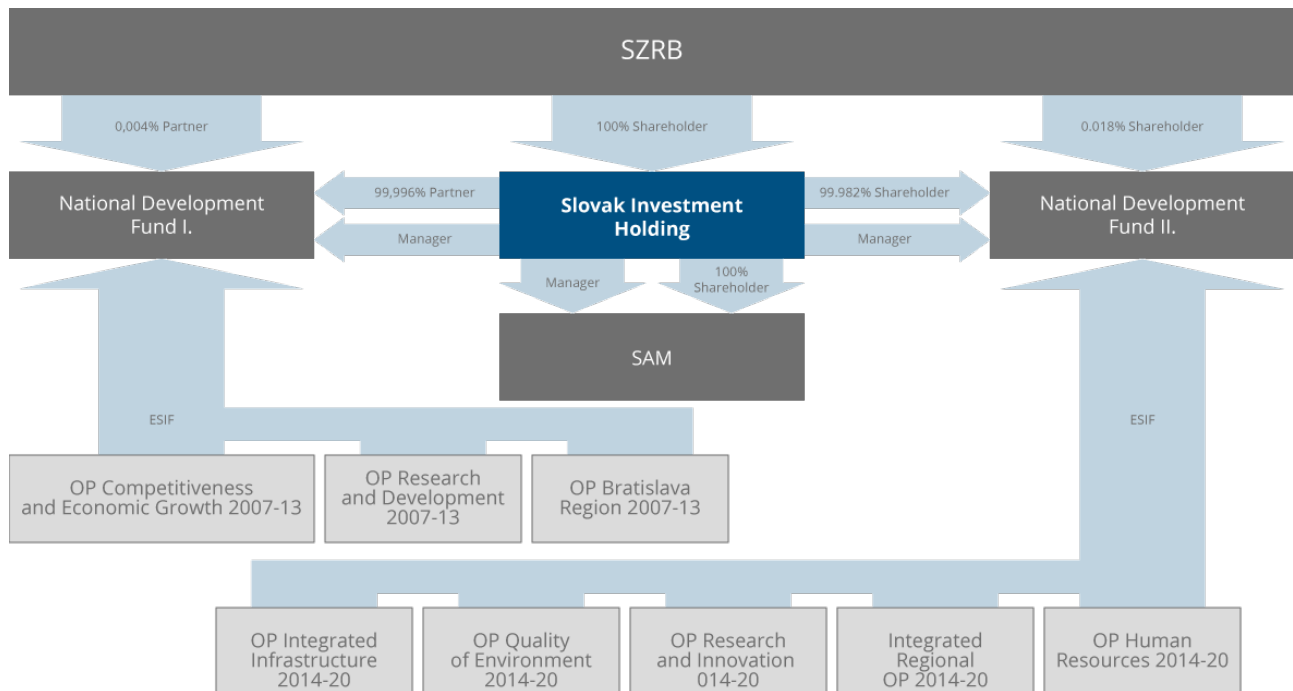
- **Slovak Asset Management (idem):**

The main objective of Slovak Asset Management (SAM) is the management of state assets with the aim of mobilizing domestic and foreign private co-investors respectively. As the only part of the Slovak Invest Holding group, SAM focuses on investing from sources outside the EU budget. SAM was established in June 2017 and is authorized by the National Bank of Slovakia to create and manage alternative investment funds in EU Member States.

- **European Investment Advisory (idem):**

SIH is a partner organization of the European Investment Bank under the Investment Plan for Europe ('the Juncker Plan'). Providing information on public and private security in Slovakia and on EIB financial services provides assistance under EFSI and EIAH (European Investment Advisory Center). European Union February 2016 Memorandum of Understanding.

Figure 2 below illustrates the ownership structure of the Slovak Investment Holding.

Figure 2: Ownership structure of the Slovak Investment Holding

Source: Slovak Investment Holding n.d.

1.3.2. Third sector:

Pontis Foundation

The Pontis Foundation launched the first SigniFinance conference in June 2019: The Conference on Investing with Social Impact. It is one of the first efforts to discuss this issue further. The main speakers were representatives from Tilia Impact Ventures, the European Venture Philanthropy Association and UNDP Armenia. The Director of the Social Banking Program of Slovenská sporiteľňa, the Program Director of the Pontis Foundation, the Orange Foundation Administrator, and the Deputy Prime Minister's Deputy for Investment and Crowdberry participated in the panel discussion on the state of the forms of impact financing (Pontis Foundation 2019).

Pontis connects companies, NGOs, state institutions, communities and individuals to work together in order to bring about positive changes in education, responsible entrepreneurship and the fight against corruption and poverty. Lately, the foundation has started to dedicate itself to social innovations, including social investing (idem).

1.3.3. Private sector: Banks

Slovenská sporiteľňa

Slovenská sporiteľňa should be a pioneer in social impact funding in Slovakia. As part of the Erste Group, it is currently preparing a new Social Banking Programme - Krok za krokom (Step by Step) (Slovenská sporiteľňa n.d.).

Krok za krokom - the social banking program of Erste Group - is aimed at addressing the needs of social groups that are routinely overlooked by banks in Central and Eastern Europe (CEE) and Austria. The program strengthens the financial inclusion of low-income individuals, start-ups and social organizations. It offers

them fair access to basic financial products, solid counselling and continuous mentoring in financial matters, so that these people can gain the financial confidence they need to improve their lives. Access to social banking emphasizes the promotion of inclusive growth in Central and Eastern Europe. The aim of the social bank is to provide approaches as well as basic, adequate and affordable financial products and advice to individuals that previously had no access to them (idem).

The new program is aimed at often overlooked groups, such as low-income individuals, start-ups and social organizations. The program aims to create 5,000 new jobs by 2019, to provide funding to 500 social organizations and to improve the financial stability of 25,000 people in the low-income group. By 2019, when Erste celebrates its 200th anniversary, the program will be launched in all local banks. The Step-by-Step program will be gradually introduced in the Erste Group network of local banks and in their partnerships with NGOs. It also builds on the programs that Erste Group subsidiaries in the CEE region have already introduced and it works with existing social banking projects, such as Zweite Sparkasse in Austria² (launched in 2006) and the Romanian good.bee Credit³ (launched in 2009), in order to create a unique infrastructure for financial inclusion throughout the region (Slovenská sporiteľňa n.d.).

In June 2019, the bank launched an Academy of Social Economy. Its aim is to provide education for, news on and inspiration to the social economy. The aim of the Academy of Social Economy is to teach non-profit organizations to do business and to obtain additional sources of funding. Additionally, it also is a tool to achieve social benefit and to teach entrepreneurs to do business with a socially beneficial overlap. The ambition of the program is to support the development of social entrepreneurship in Slovakia and to assist social entrepreneurs in the implementation of socio-beneficial business activities. The Academy wants to contribute to creating a more responsible and equitable society (Akademiase n.d.).

Československá obchodná banka

The approach of Československá obchodná banka (Czechoslovak Trade Bank) is to support socially responsible investment, i.e. (1) the investment which has a positive impact on society, the environment and the world; (2) takes into account the needs of the future generations. Socially responsible investments can be made directly through investing in shares of companies that meet these criteria (Československá obchodná banka n.d.).

Another option for socially responsible investments is to invest into thematic funds. For example, the bank invest in companies that work to tackle issues such as climate change, the lack of drinking water (water supply) or the development of alternative energy sources (renewable energy) (idem).

As part of its activities, this bank does not invest in activities that include the following areas (idem):

- controversial arms industry (such as cluster bombs, mines, chemical and nuclear weapons)
- companies that seriously violate the UN Global Compact (human rights, corruption, environment, etc.)
- Investing in farming or livestock, as ČSOB does not want to be involved in speculation on food prices
- controversial landscapes (Československá obchodná banka, n.d.).

² For more information see: <https://www.sparkasse.at/diezweitesparkasse/bank-der-zweiten-chance>

³ For more information see: <https://www.goodbeecredit.ro/>

2. Social impact investment focusing on (long-term) unemployment in Slovakia

When referring to the OECD definition of the social impact investment - *“the provision of finance to organisations addressing social needs with the explicit expectation of a measurable social, as well as financial return”* (OECD, n.d.) - currently, there are no tools focusing on unemployment applied in Slovakia. Nevertheless, the state and its organizations have implemented a set of different measures to deal with the (long-term) unemployment, mostly defined as active labour market measures.

The aim of active labour market policy is primarily to create space for facilitating and accelerating the transition of unemployed citizens into the labour process, i.e. to maintain and increase people's ability to work and find their place in the labour market through specific programmes. The active labour market policy implements and supports measures, programmes, projects and activities that facilitate the integration and reintegration of jobseekers, particularly disadvantaged in the labour market, through active labour market measures. An active labour market policy is implemented through programmes and projects that include (Central Office of Labour, Social Affairs and Family 2019):

- national projects approved by the Ministry and implemented by the Central Office of Labour, Social Affairs and Family (Central Office) or regional offices;
- projects to improve the position of job seekers on the labour market, approved by the Ministry and implemented by the Central Office;
- projects to improve the position of job seekers on the labour market, which are approved by the headquarters and implemented by the Central Office;
- projects to improve the position of job seekers on the labour market, which are approved by the ministry or Central Office and carried out by the authority or legal entity or natural person;
- pilot projects to verify new active labour market measures approved by the Ministry and implemented by the Ministry, pilot projects or pilot programs to support the development of regional or local employment, approved by the Central Office.

The active measures on the labour market are being distinguished into three categories: (1) measures increasing employability of the jobseekers, (2) measures increasing the employment and (3) measures for maintaining existing jobs. The total spending on active labour market measures is illustrated in Table 2 below.

Table 2: The development of expenses spent for active labour market measures in the period 2010-2018

YEAR	2010	2011	2012	2013	2014	2015	2016	2017	2018
Active labour market measures (expenses in mil. €)	186, 46	162,313	141,966	127,325	129,284	135,033	171,605	165,167	186, 46

Source: Central Office of Labour, Social Affairs and Family, 2019

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Measures increasing employability of job seekers

Measures increasing the employability are oriented on the supply side of the labour market - for potential development of the labour force and increasing employability and labour mobility - include (Central Office of Labour, Social Affairs and Family 2019):

- providing compensation for parts of travel expenses for jobseekers related to the entrance interview or selection procedure with the employer
- information and advisory services;
- professional advisory services;
- education and training for the job market of jobseekers and employers;
- allowance for graduate practice;
- contribution to the activation activity in the form of smaller municipal services for the municipality or in the form of smaller services for the self-governing region;
- contribution to activation activities in the form of voluntary service.

Measures increasing the employment

Measures are aimed at stimulating labour demand, in particular by providing contributions to employers and jobseekers to create new jobs, namely (Central Office of Labour, Social Affairs and Family 2019):

- employment placement;
- allowance for self-employment;
- allowance for employment of disadvantaged jobseekers;
- contribution to the development of local and regional employment;
- contribution to the creation of a job in the first periodically paid job;
- contribution to the creation of a new job;
- allowance for the establishment of a sheltered workshop and sheltered workplace;
- contribution to a disabled person for the pursuit or pursuit of a self-employed activity.

Measures maintaining existing jobs

Measures maintaining existing jobs are aimed at supporting the retention of employees in employment, maintaining existing jobs and preventing the abolition of existing jobs or collective redundancies (Central Office of Labour, Social Affairs and Family 2019):

- education and training for the employee's labour market;
- allowance to support job retention;
- allowance for work attendance;
- allowance for labour mobility;
- transport allowance;
- allowance for relocation for work;

- allowance for integration company;
- compensatory allowances for the integration undertaking;
- allowance for keeping a citizen with disabilities in employment;
- allowance for the activity of a work assistant.

3. The potential of social impact investment for the Social Impact Vouchers program in Slovakia

3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

We see the potential of gaining more investment into the Social Impact Vouchers from private equity. The project setting is appropriately chosen, as at the beginning we can pilot test the voucher system from shared resources from other SIV project partners. Test results will help convince potential investors to invest their money into the Social Impact Fund. We assume that these potential investors (and simultaneously future employers) could primarily be larger companies, who have a problem with finding employees, who want to support a socially responsible business and who potentially aim to diversity their investments and pursue both social and financial goals.

Moreover, the system of vouchers has lately been implemented from the side of the public sector - e.g. in form of creative vouchers to stimulate the cooperation between creative sectors and SMEs and innovation vouchers to support the cooperation between SMEs and research institutions (Ministry of Economy of the Slovak Republic, n.d.)

3.2. Concrete application of social impact investment in the context of the Social Impact Vouchers

We consider the voucher system to be funded through a Social Impact Fund as a suitable system. It is an innovative system in Slovakia that will have to gain the trust of all stakeholders - employers, employees and potential future investors.

Identified stakeholders:

To analyse the target group and to consult the voucher system setting, Centire envisages cooperating with:

- Ministry of Labour, Social Affairs and Family
- The Central Office of Labour, Social Affairs and Family
- Social Insurance Agency
- INESS - Institute of Economic and Social Studies
- Institute for Labour and Family Research
- Slovak Academy of Sciences - Institute for Forecasting

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Centire envisages involving following institution in the establishment of the Social Impact Fund in Slovakia:

- Slovenska sporitelna (the largest commercial bank in Slovakia)
- Slovak Innovation and Energy Agency
- Slovak Business Agency
- Slovak Chamber of Commerce (including regional branches)
- Bratislava Innovation Center
- Klub 500 (association of the biggest Slovak employers employing more than 500 people)
- job agencies
- professional associations
- leasing companies
- companies.

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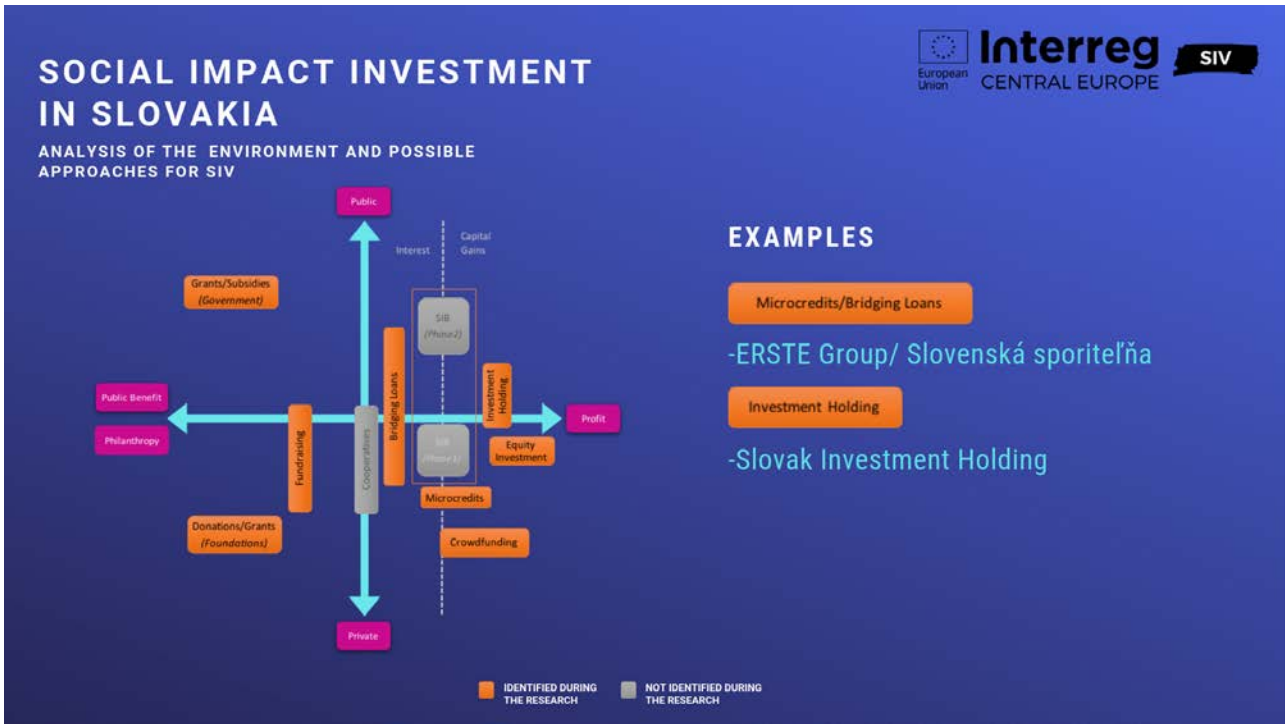
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5. Appendix

Figure 3: Summary status quo diagram of social impact investment in Slovakia



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Slovenia

COUNTRY REPORT ON SOCIAL IMPACT INVESTMENT WITH STATUS QUO DIAGRAM

WP T1 Pilot Preparation
Deliverable D.T1.1.2.

Deadline: August 31st 2019

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Overview of social impact investment in Slovenia

1. General overview: The current status of social impact investment in Slovenia

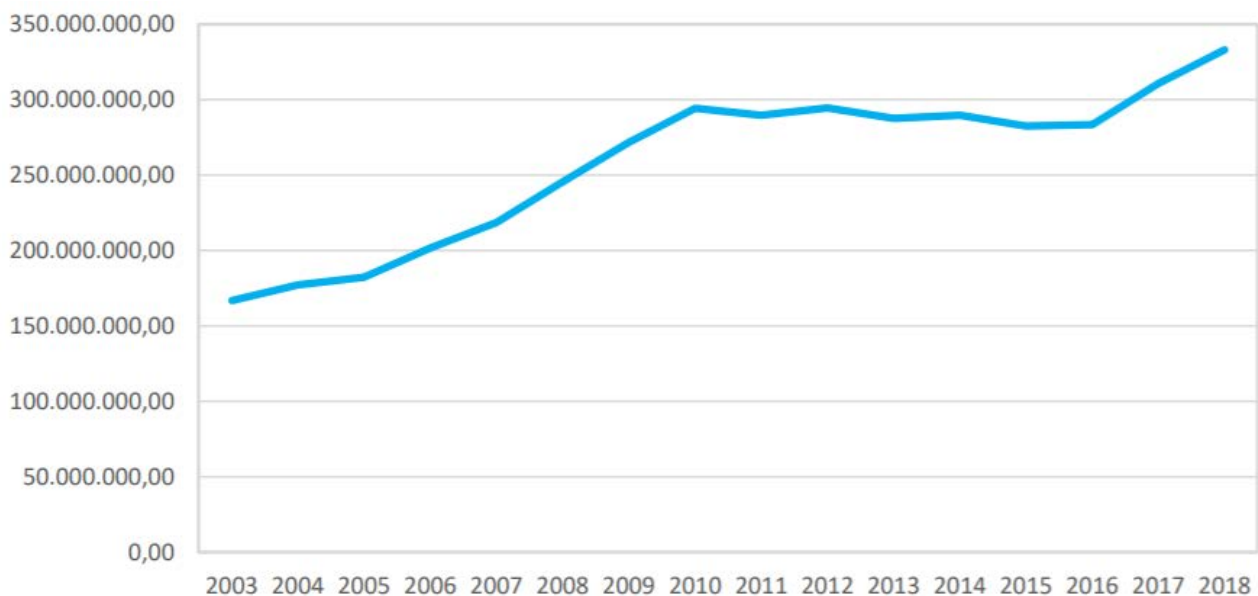
Currently, Slovenia has only a scarce number of stakeholders dealing with social impact investment.

1.1. Donations in Slovenia

It's practically impossible to get reliable insight into how many funds did organizations receive in a form of private and corporate donations.

However, there are stats showing the amount of public funds organizations received. In 2018, organizations received EUR 333.15 million in public funds, which is 7.23% more than in 2017. There's been a steady increase in public funds ever since 2003 (see Figure 1) (Stražiščar 2019).

Figure 1: Development of public funds available in Slovenia, 2003 to 2018



Source: Stražiščar 2019

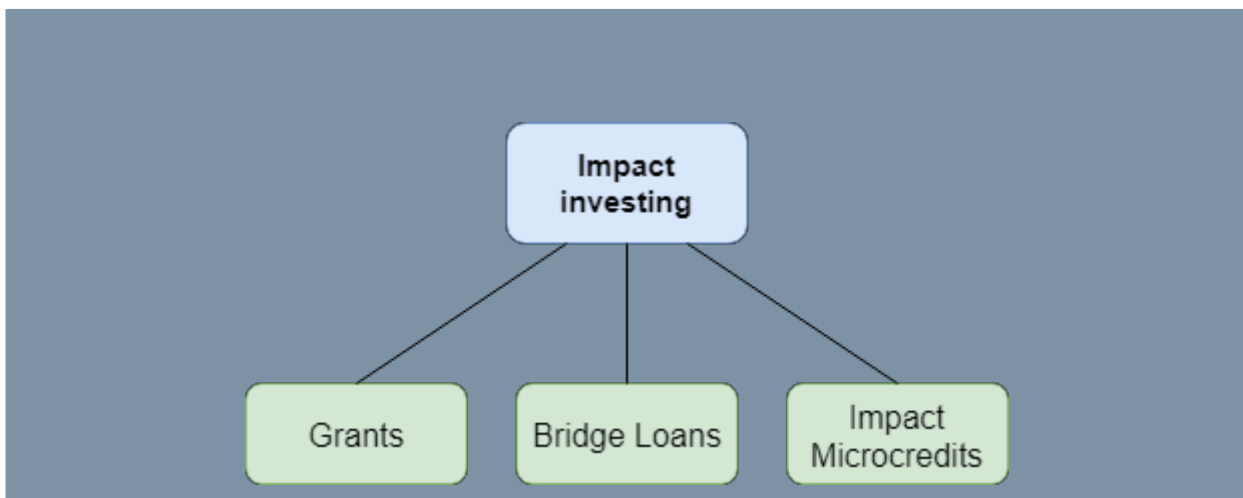
In this statistic, both public funds from municipalities and ministries are included.

1.2. Private Social Impact Investment in Slovenia

When it comes to social impact investing, currently, only one Slovenian organization offers different funding schemes related to this form of investment for organizations with a focus on social topics. Fund 05 - Foundation for Social and Impact investments offers a wide spectrum of financial mechanisms for social enterprises and NGOs.

Figure 2 provides an overview over the different forms of impact investment available in Slovenia at the moment.

Figure 2: Forms of impact investing in Slovenia



Source: Own representation Fund05

One of the most important and popular mechanism is the 0.5% investment program. This allows individuals to donate 0.5% of their income tax to a cause of their choice, therefore making it an ideal solution for individuals to dedicate their funds to a social enterprise or a non-profit organization (Pravno informacijski sistem PISRS 2006).

The 0.5% mechanism is defined in the 142nd Article of the Personal Income Tax Act. Each year any resident may require that up to 0.5% of personal income tax is intended to finance general-useful purposes. It is done via the submission of a form stating the individual's preferences (PISRS 2006). In 2019, a bit more than EUR 5 million will be donated to 5,394 organizations. The YoY growth in comparison with 2018 is thus 9.6% (Financial Administration of the Republic of Slovenia n.d.).

Another mechanism is Impact Microcredit, which is offered to expanding social enterprises. It is offered by Sparkasse bank for social enterprises who are already on the market but are trying to scale up - by investing in their equipment. Even though it is a minor mechanism (it's been invested roughly EUR 26,000 in the last four years), it's still showing an effort towards creating a tailor-made solution for the social companies. The microcredit is assured by organizations actively searching for the 0.5% donations, which serve as a partial guarantee of return (Fund05 n.d.).

Bridge loans are intended to offer funds to organizations that have already secured resources (for example, by means of EU projects). They are meant to prevent liquidity issues that often come with such projects. Sparkasse bank is again the representative of commercial banks supporting social

enterprises and non-profit organizations. So far there have been EUR 677,069 investments into organizations.

A study on Social Impact Bonds was also recently conducted in Slovenia, stating that, although potential could be identified for the implementation of such instruments, there are still some challenges to overcome. Namely, the legal framework will need to adapt, especially when it comes to state budgets paying to the investors (Kump et al. n.d.).

This topic has not been covered in our country, however, there's been an idea within the social enterprise community for a while now. SIV project is definitely a pioneer when it comes to implementation.

2. Social impact investment focusing on (long-term) unemployment in Slovenia

Currently, Slovenia does not have any private social impact investing dedicated to long-term unemployment.

2.1. Public investments into the social sector in Slovenia

Due to the strong welfare state, the majority of welfare issues are currently solved directly by the state or by the third sector. However, the strongly developed third sector mainly runs on commissions from the state, and partially from private funding (e.g. raising funds, creating supporting business opportunities).

The public initiatives focusing on the long term unemployment are divided into several segments.

Long-term unemployment among youth

Local NGOs dealing with youth unemployment were a part of a Ministry for Education program, financially supported by ESF. The most recent program was from 2016 until September 2018. 10 youth NGOs were involved in the program on the national level, receiving EUR 5 million. KPI on the national level was 465 employments of the youngsters involved in the program. The KPI was achieved and surpassed (URSM n.d.). A similar program is intended to start once again in 2020.

Long-term unemployment in general

The public tender "Javna dela" is specifically for employing long-term unemployed individuals. In 2019, Slovenia is dedication EUR 15 million for employing 2,800 long-term unemployed individuals. The funds are intended for covering taxes associated with salaries and thus lowering the sum needed to be paid by companies. However, organizations must ensure employees receive mentors responsible for their re-activation (ZRSZ 2018).

3. The potential of social impact investment for the Social Impact Vouchers program in Slovenia

3.1. General considerations concerning investment possibilities in the Social Impact Vouchers

Fear of privatizing the social services

The public administration and service providers are generally not in favour of private capital entering into the field of social services provision, especially where there is a demand for a particular return rate. This could cause a reduction in the scope and range of social services if they get privatized.

Lack of social impact investors

Although there are investors active in the private sector, there is (almost) no capital available for social impact investments. The possible funders from the private sector that are acquainted with the concept of social entrepreneurship in Slovenia are not very interested in working with companies looking for social impact investors. Investors are looking for investment opportunities, for which most Slovenian social enterprises do not have sufficient capacities, and the financial returns are not high enough (Kump et al n.d.).

The capacity of social service providers

Most commonly, social enterprises or non-profit organizations are service providers, however, this does not necessarily have to be the case (they can become more capital intensive). Therefore, it is very important that social enterprises have the skills and capacity to provide services. At another EU project focusing on social enterprises called SENTINEL, concerns were verbally expressed that there were not enough social entrepreneurs with a business background (Interreg SENTINEL n.d.).

Difficulties with identifying social problems

Slovenia is a welfare state and numerous social services are provided by the public sector. Besides, there are currently numerous on-going projects/programs in the field of social services that are led by volunteer organizations, philanthropic organizations, and various associations which are partly financed by the EU (ESF) or by the Slovenian government. Therefore, it is difficult for private initiatives supported by social impact investment to find their niche on the market.

3.1. Concrete application of social impact investment in the context of the Social Impact Vouchers

There are possible applications of social impact investment in the context of social impact vouchers.

For Slovenia, probably the most feasible application of vouchers would be to link them to the employment of vulnerable groups - as a priority we selected low educated long-term unemployed group, including:

- People with primary school education or less
- People with lower secondary school education

Some other target groups could also be examined as possible areas of intervention (NEETs, elderly unemployed etc.).

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Vouchers are going to be further developed with the help of the Ministry of Economic Development and Technology's pilot project, which is also focusing on social impact bonds. The project is supported by the European Commission.

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5. Appendix

Figure 3: Summary status quo diagram of social impact investment in Slovenia

