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PORA

Razvojna agencija
Podravine i Prigorja

SOCIAL AND TECHNOLOGICAL INNOVATION IN MICROFINANCE – BEST PRACTICE

Oslo, March 20th 2017



STRATEGIC FRAMEWORK

- **Strategy for the Development of Social Entrepreneurship 2015-2020 - the general aim is to establish an incentive environment for the promotion and development of social entrepreneurship in the Republic of Croatia in order to reduce regional differences and ensure an increase in the level of employment and fairer distribution and management of social wealth**

STRATEGIC FRAMEWORK

- **Measures defined in the Strategy for the Development of Social Entrepreneurship 2015-2020:**
 - 1. Establishment and improvement of the legislative and institutional framework for the development of social entrepreneurship**
 - 2. Establishment of a financial framework for the effective performance of social entrepreneurs**
 - 3. Promotion of the importance and role of social entrepreneurship through all forms of education**
 - 4. Ensuring the visibility of the role and possibilities of social entrepreneurship in the Republic of Croatia and informing the general public about social entrepreneurship issues**
 - 5. Monitoring of the implementation of the Strategy**

Best practice - EUSEF FUND

- **CEDRA – National cluster for eco-social innovations and development**
- **6 regional centers in Croatia – Zagreb, Čakovec, Osijek, Rijeka, Split, Dubrovnik**
- **offering know-how and support services to social entrepreneurs**
- **participating in policy preparations and advocacy**
- **founding member of Cooperative for Ethical Financing**

Best practice - EUSEF FUND

- **project financed by European Commission**
- **fund for investments in social economy**
- **loan and equity based**
- **total worth 15,5 mil. EUR**
- **financial instrument for implementation of Croatian Strategy for development of social entrepreneurship**
- **possibility to expand it to a regional fund (interest from Slovenia and Greece)**
- **combination with non-financial support services (obligatory use of mentoring and extensive reporting)**

FUNDING SERVICES OF EUSEF FUND

**Loans (microcredit) – 70% of 15,5 mil.
EUR**

- **up to 150.000,00 EUR**
- **interest: 4%**
- **grace period: 24 months**
- **duration: 5-7 years**
- **expected fail rate: 2%**

Equity – 30% of 15,5 mil. EUR

- **up to 500.000,00 EUR**
- **10-25% stake**
- **exit period: 5-7 years**
- **expected fail rate: 5%**
- **expected IRR: 5-7%**

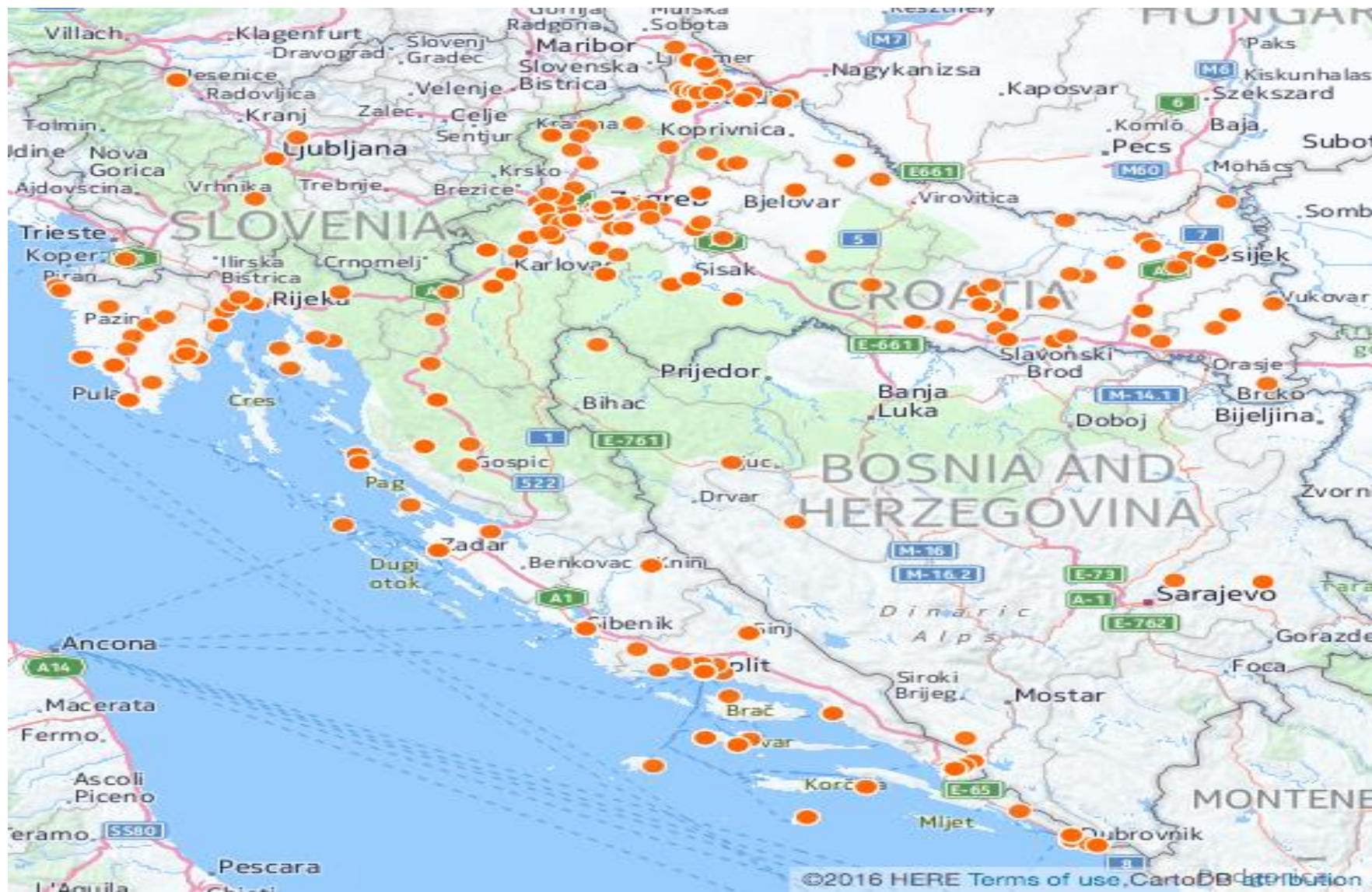
INNOVATIONS

- **integration of various types of financial instruments (bank, fund, crowdfunding)**
- **own open-source IT solutions for project monitoring**
- **proactive risk mitigation**
- **statistical link between social impact and cost of risk**
- **smart combination of physical and virtual social networks**
- **replicability of the system**

RISKS

- **lack of funding for the development of the whole system**
- **legislative & taxation barriers for cooperatives**
- **lack of clear definition of social enterprises**
- **EUSEF funding structure dependent on political decisions of (local) government**
- **banking regulator and financial players need to be educated about social finance and ethical banks**

PRESENCE



CONCLUSIONS

- **need for investments with more than financial return – clear social mission**
- **fair measurement of impact needed**
- **long-term planning and support mechanisms**
- **use of technology to create more efficient systems and boost physical social networks**
- **thinking in terms of complete value chains**
- **support to large number of small entities is more robust than small number of large**
- **risk of detachment through growth**

Thank you for your attention!

**PORA Regional Development Agency for Promotion and
Implementation of Development Activities in Koprivnica Križevci
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