Pilot projects under the call for proposals ‘Supporting the demand and supply side of the market for social enterprise finance’

Final report
Pilot projects under the call for proposals ‘Supporting the demand and supply side of the market for social enterprise finance’

Final report

authored by J. Hofman, E. Harte, L. Lepetit, N. Labrum and S. Hoorens
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Preface

Social enterprises combine social, ethical or environmental purpose with a business perspective. Their main aim is to achieve a social impact, rather than to maximise profit for owners or shareholders. Social enterprises often encounter barriers in accessing finance and risk capital and in scaling up.

The European Parliament recognised the need to overcome the barriers in the social finance market and asked the European Commission (EC) to implement a Preparatory Action ‘Social innovation driven by social business and young entrepreneurship’ according to Article 54(2) of Regulation (EU, Euratom) No. 966/2012 of the European Parliament and of the Council of 25 October 2012. To implement the action, the European Commission’s Directorate-General for Employment, Social Affairs and Inclusion (hereafter, DG EMPL) launched the call for proposals ‘Supporting the demand and supply side of the market for social enterprise finance’. The objective of the call was to identify, develop, promote and disseminate the good practice of national, regional or local governments and of financial intermediaries in assisting young social entrepreneurs at times of high youth unemployment.

Following the call, a total of 21 pilot projects of an experimental nature, designed to test the feasibility of an action and its usefulness, were chosen for funding across four strands (A, B, C, D):

- **Strand A: Establishment of social finance partnerships**
  This strand aimed to deal with the supply aspect of social finance, notably in European Union (EU) countries where the market for social finance was not yet developed. Its main aim was to help build partnerships. The budget allocated to each project in Strand A was €75 000.

- **Strand B: Establishment of social finance instruments and mechanisms**
  This strand tackled the supply side of social finance markets in countries where it was still burgeoning. Its main aim was to develop instruments to foster and formalise collaboration. The budget allocated to individual projects in Strand B was €125 000.

- **Strand C: Establishment of collaborative funding models for social enterprises**
  This strand also dealt with the supply aspect of social innovation, particularly in EU countries where various actors were operating in the social finance market on an individual, isolated basis. Its main aim was to foster market integration in these countries. The budget set aside for each project in Strand C was €125 000.

- **Strand D: Development of investment readiness support for social enterprises**
The final strand tackled the demand side of the social finance market, with a view to strengthening the investment readiness of social enterprises. The budget allocated to individual projects in Strand D was €100 000.

The EC commissioned RAND Europe and Ecorys to facilitate the implementation of these projects. The main objectives of this contract were to monitor the process of implementation of the pilot projects; to identify, assess and synthesise their outputs and results; and to share knowledge among participants before disseminating results to the wider social finance community. The research was conducted between April 2014 and December 2015. This document reports on the findings of the research, which used a combination of methods, including a review of project documentation, interviews, and workshops with the pilot projects and independent experts in the areas of social finance and social economy.

The following deliverables were produced and the following activities were carried out during the contract:

- **Inception report (unpublished).** It outlines the approach to be taken during the research.
- **Four synthesis reports (unpublished).** These documents summarise progress made by the pilot projects based on their quarterly reports.
- **Interim report (unpublished).** It describes progress made during the research and briefly presents emerging findings and preliminary answers to research questions.
- **Publication.** Published in 2016 by the European Commission Directorate-General for Employment, Social Affairs and Inclusion and authored by Varga and Hayday, the publication is titled *A Recipe Book for Social Finance: A Practical Guide on Designing and Implementing Initiatives to Develop Social Finance Instruments and Markets*.
- **Web platform.** The website http://social-enterprise-finance.eu/ was set up to facilitate engagement among the pilot projects.
- **Review of quarterly reports.** The team reviewed progress made and reported by the pilot projects using a customised report and assessment template.
- **Follow-up interviews.** In order to complement and explore the data from the review of quarterly reports, the team carried out interviews with the pilot projects.
- **Workshops.** A series of five workshops with the pilot projects and independent experts in social finance were organised to facilitate learning and sharing of experience. The proceedings from the workshops were documented in summary notes.
- **Literature review.** The team conducted a targeted review of most of the recent literature on social finance focused on addressing barriers and limitations faced by the social enterprise finance market.

A range of critical success factors were identified to make the process easier for others to follow and to make others more likely to succeed. Some of these included: building on strong networks, matching private and public funding, strengthening intermediaries, mitigating for high transaction costs, addressing both supply and demand and securing high-level support for similar initiatives. Key observations point to the importance of the EC funding to developing solutions to social finance market imperfections and addressing learning needs around general project management issues, typical problems related to research, and problems specific to social finance identified among the pilot projects. The research also shows the role of partnerships in developing, establishing and connecting financial
instruments for social enterprises. It further reviews the results achieved by the pilot projects and investigates associated success factors that aim to facilitate replication of the projects in different settings. Based on these findings, the research team provides recommendations to the EC for future developments of the social finance market in Europe.

RAND Europe is an independent not-for-profit policy research organisation that aims to improve policy- and decision-making in the public interest, through research and analysis. Ecorys is a leading European research and consultancy company that aims to deliver real benefit to society through their work. They specialise in economic, social and spatial development. This report has been peer-reviewed in accordance with RAND’s quality assurance standards.

For more information about RAND Europe or this document, please contact Stijn Hoorens (shoorens@rand.org) or Joanna Hofman (jhofman@rand.org).
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As part of the research we engaged with 21 pilot projects and a number of experts involved in developing the social enterprise finance market at the national, European and international levels. We want to thank them for their time.

We would also like to acknowledge and thank RAND Europe and Ecorys staff for their hard work and contribution to various elements of this research.

Finally, we would like to thank our quality assurance reviewers, Alessandra Cancedda at Ecorys and Emma Disley at RAND Europe, for their helpful suggestions.
**Abbreviations and acronyms**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>CEE</td>
<td>Central and Eastern Europe</td>
</tr>
<tr>
<td>CEDRA</td>
<td>Cluster za eko-društveni razvoj i inovacije</td>
</tr>
<tr>
<td>DG EMPL</td>
<td>Directorate-General for Employment, Social Affairs and Inclusion</td>
</tr>
<tr>
<td>EaSI</td>
<td>Employment and Social Innovation</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>EIF</td>
<td>European Investment Fund</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>EuSEF</td>
<td>European Social Entrepreneurship Funds</td>
</tr>
<tr>
<td>FASE</td>
<td>Finanzierungsgentur für Social Entrepreneurship</td>
</tr>
<tr>
<td>KIZ</td>
<td>Kommunikations- und Innovationszentrum</td>
</tr>
<tr>
<td>IES</td>
<td>Associaçãao Instituto de Empreendedorismo Social</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of understanding</td>
</tr>
<tr>
<td>NESsT</td>
<td>Nonprofit Enterprise and Self-sustainability Team</td>
</tr>
<tr>
<td>SE</td>
<td>Social enterprise</td>
</tr>
<tr>
<td>SEFEA</td>
<td>Società Europea Finanza Etica e Alternativa</td>
</tr>
<tr>
<td>Sol.Co.</td>
<td>Solidarietà e Cooperazione — Società cooperativa sociale consortile ONLUS</td>
</tr>
<tr>
<td>SPO</td>
<td>Social purpose organisation</td>
</tr>
<tr>
<td>TESE</td>
<td>Associação para o Desenvolvimento pela Tecnologia, Engenharia, Saúde e Educação</td>
</tr>
<tr>
<td>TISE</td>
<td>Towarzystwo Inicjatyw Społeczno-Ekonomicznych</td>
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<tr>
<td>VfM</td>
<td>Value for money</td>
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1.1 About the pilot projects

Recognising that there are barriers to developing ecosystems for social enterprises (SE) in Europe, the European Parliament asked the European Commission (EC) to implement a preparatory action titled ‘Social innovation driven by social business and young entrepreneurship’ according to Article 54(2) of Regulation (EU, Euratom) No. 966/2012 of the European Parliament and of the Council of 25 October 2012. Following this request, the EC (2013) launched the call for proposals titled ‘Supporting the demand and supply side of the market for social enterprise finance’.

The objective of the action was to identify, develop, promote and disseminate good practices of national, regional or local governments and of financial intermediaries in assisting young social entrepreneurs at times of high youth unemployment. A total of €2 million was earmarked for this preparatory action.

This research identified a wide range of outputs produced by the pilot projects: from analytical reports, to the documentation necessary for setting up new instruments and financing models, to guides and resources on social finance for SEs and investors. These outputs led to a number of results expected by the call, such as signed Memorandum of Understanding (MoU) documents, collaboration agreements, new instruments, and models set up and tested to better suit the needs of SEs and the expectations of (potential) investors. In the

---

1 The key elements of the ecosystem for social enterprises include the demand side (i.e. social enterprises), the supply side (investors), as well as enabling environment, viable business model, non-financial support other partners and stakeholders. See DG EMPL (2016).

2 Social enterprise means an undertaking, regardless of its legal form, which:

(a) In accordance with its Articles of Association, Statutes or any other statutory document establishing the business, has as its primary objective the achievement of measurable, positive social impacts, rather than generating profit for its owners, members and shareholders, where the undertaking:

(i) provides services or goods which generate a social return and/or

(ii) employs a method of production of goods or services that embodies its social objective;

(b) Uses its profits first and foremost to achieve its primary objective and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and owners, in order to ensure that any distribution of profits does not undermine the primary objective; and

(c) Is managed in an entrepreneurial, accountable and transparent way, in particular by involving workers, customers and/or stakeholders affected by its business activities.

longer term, it is hoped that these results can be scaled up and replicated and can contribute to better matching the supply of and demand for social finance.

Following a call for proposals, 21 pilot projects in 15 European Union (EU) countries were selected for funding across four strands (A, B, C, D):

- **Strand A: Establishment of social finance partnerships**
  
  This strand aimed to deal with the supply aspect of social finance, notably in EU countries where the market for social finance was not yet developed. Its main aim was to help build partnerships. The budget allocated to each project in Strand A was €75 000.

- **Strand B: Establishment of social finance instruments and mechanisms**
  
  This strand tackled the supply side of social finance markets in countries where it was still burgeoning. Its main aim was to develop instruments to foster and formalise collaboration. The budget allocated to individual projects in Strand B was €125 000.

- **Strand C: Establishment of collaborative funding models for social enterprises**
  
  This strand also dealt with the supply aspect of social innovation, particularly in EU countries where various actors were operating in the social finance market on an individual, isolated basis. Its main aim was to foster market integration in these countries. The budget set aside for each project in Strand C was €125 000.

- **Strand D: Development of investment readiness support for social enterprises**
  
  The final strand tackled the demand side of the social finance market, with a view to strengthening the investment readiness of social enterprises. The budget allocated to individual projects in Strand D was €100 000.

Overall, 11 projects were selected in the first round of funding and 10 in the second round. These projects represented diverse levels of experience in social finance and adopted varied approaches to addressing imperfections of the markets. In many ways each of these initiatives was unique and novel in the solutions it aimed to develop, in the ways it hoped to achieve these solutions, or in the particular contexts in which the solutions were to be implemented. Such a diversity of pilot projects demanded an individual and nuanced approach in which their results could be analysed. Table 1-1 presents the projects of the first and second rounds of funding.

Table 1-1 Overview of participating projects

<table>
<thead>
<tr>
<th>Strand</th>
<th>MS</th>
<th>Title, main applicant and brief description</th>
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<tbody>
<tr>
<td>A</td>
<td>EL</td>
<td>Title: Social Entrepreneurship Supporting Network (SES Net) Main applicant: Αναπτυξιακή Καρδίτσας (ΑΝ.ΚΑ S.A.) / Development Agency of Karditsa Description: The aim of this project was the establishment of a social finance local partnership in Karditsa, Greece. The project focused on replication and scalability into...</td>
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<tr>
<td>Strand</td>
<td>MS</td>
<td>Title, main applicant and brief description</td>
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<tr>
<td>A</td>
<td>IT</td>
<td>&quot;SocFin — Building partnerships for social finance in the Lombardia region&quot;&lt;br&gt;<strong>Main applicant:</strong> The Hub srl&lt;br&gt;<strong>Description:</strong> The main objective of the project was to support the development of financial instruments that benefit social enterprises and innovation in the region of Lombardia. The project aimed to complement the existing facilities, while developing both the financial tools and the investment market by raising awareness and building consensus at both the local and the EU levels.</td>
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<tr>
<td>A</td>
<td>PT</td>
<td>&quot;Alliance for Social Impact Investment&quot;&lt;br&gt;<strong>Main applicant:</strong> Associação para o Desenvolvimento pela Tecnologia, Engenharia, Saúde e Educação (TESE)&lt;br&gt;<strong>Description:</strong> The project aimed to identify and establish a partnership between investors and other key stakeholders in order to develop a social finance platform that leverages 'young' social businesses in Portugal.</td>
</tr>
<tr>
<td>A</td>
<td>DK</td>
<td>&quot;Preparing the ground for a social investment market in Denmark&quot;&lt;br&gt;<strong>Main applicant:</strong> National Board of Social Services&lt;br&gt;<strong>Description:</strong> The objectives of this project were to explore and identify social financial instruments best suited for a small, open economy. It aimed to outline specific models, determine how to ensure a favourable environment for attracting finance for Danish social entrepreneurs, and identify possible investors and intermediaries with a view to developing a social investment market.</td>
</tr>
<tr>
<td>A</td>
<td>DE</td>
<td>&quot;Fostering the development of a new financial instrument for social ventures in Germany&quot;&lt;br&gt;<strong>Main applicant:</strong> Impact in Motion GmbH&lt;br&gt;<strong>Description:</strong> This project's main objective was to establish a social finance partnership for a new financial instrument, addressing the substantial financing gap for social ventures that are seeking to raise capital for growth in Germany, particularly those started by young entrepreneurs.</td>
</tr>
<tr>
<td>A</td>
<td>PT</td>
<td>&quot;Social Investment Taskforce: Catalysing a social investment market in Portugal&quot;&lt;br&gt;<strong>Main applicant:</strong> Associação Instituto de Empreendedorismo Social (IES) / Social Investment Lab&lt;br&gt;<strong>Description:</strong> This project proposed to create a Social Investment Taskforce in Portugal and present recommendations and action plans to develop a social investment market in Portugal.</td>
</tr>
<tr>
<td>B</td>
<td>BE</td>
<td>&quot;Establishment and promotion of direct financing instruments in social enterprises&quot;&lt;br&gt;<strong>Main applicant:</strong> Réseau Financité&lt;br&gt;<strong>Description:</strong> This project aimed at promoting the implementation of association bonds and cooperatives shares, accredited by the Conseil National de la Coopération (tr. national council of cooperation).</td>
</tr>
</tbody>
</table>
| B      | PL  | "Strategy for the operations of the Social Entrepreneurship Fund for Central and Eastern Europe (CEE) — Impact Fund (EuSEF)"<br>**Main applicant:** Towarzystwo Inwestycji Społeczno-Ekonomicznych SA (TISE) / Social and Economic Investment Company<br>**Description:** The main objective of this project was to undertake the necessary preparatory
<table>
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<tr>
<th>Strand</th>
<th>MS</th>
<th>Title, main applicant and brief description</th>
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| B      | HR | **Title:** First structured financial instrument for social entrepreneurship in Croatia  
**Main applicant:** Cluster za eko-društveni razvoj i inovacije (CEDRA)  
**Description:** The objective of this scheme was the establishment of financial mechanisms for young entrepreneurs aiming to start new social enterprises in Croatia, as well as for existing small and medium-sized social enterprises. Implementation of a new financial instrument was envisioned through the establishment of a new investment fund with the EuSEF label. |
| B      | IT | **Title:** Social venture incubator  
**Main applicant:** Make a Cube  
**Description:** The overall goal of this project was to develop a social venture incubator in the area of social business, dedicated to the provision of consultancy and financial support to innovative ventures in various target areas. |
| C      | DE | **Title:** Creating fine-tuned hybrid financing packages for social enterprises on a deal-by-deal basis with an orchestrated approach combining different types of donors and investors and integrating a range of financial instruments (hereafter, Hybrid financing)  
**Main applicant:** Finanzierungsagentur für Social Entrepreneurship GmbH (FASE) / Financing Agency for Social Entrepreneurship  
**Description:** This project sought to demonstrate the feasibility and benefits of a coordinated approach to providing social finance by different types of donors, investors and public authorities. It intended to mobilise and commit potential investors to cooperate with a view to finding innovative approaches to financing social enterprises. |
| C      | EE | **Title:** Preparatory action for the launch of the social impact bond in Estonia (hereafter, SIB Estonia 2015)  
**Main applicant:** Good Deed Foundation (GDF)  
**Description:** The main objective of the project was to set up and prepare the successful launch of the first social impact bond in Estonia in 2015. |
| C      | BE | **Title:** Supporting the demand and supply side of the market for social enterprise finance  
**Main applicant:** i-propeller  
**Description:** The aim of this project was to fill the gaps of missing components in the ecosystem for social enterprises. These gaps affect the ability of the ecosystem to serve the largest number of social enterprises possible, the ease and speed with which entrepreneurs can navigate the ecosystem, and the total amount and matching of financing for social enterprises at all stages of early growth. |
| C      | IT, SE | **Title:** European ethical financial ecosystem for local partnerships supporting new social enterprises (shortened to 3E4SE Funds)  
**Main applicant:** Società Europea Finanza Etica e Alternativa (SEFEA)  
**Description:** This project aimed to establish and test a strategy for cooperation among public, ethical, alternative or cooperative funds for the development of specific local/regional financial tools supporting emerging social enterprises led by young people. |
| D      | HU, RO | **Title:** Strategic incubation to ensure investment readiness and sustainable social impact  
**Main applicant:** Nonprofit Enterprise and Self-sustainability Team (NEsS7 Europe)  
**Description:** The goal of the project was to provide long-term incubation support to early-stage social enterprises in Romania and Hungary, helping them to prepare for the
<table>
<thead>
<tr>
<th>Strand</th>
<th>MS</th>
<th>Title, main applicant and brief description</th>
</tr>
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</table>
| D      | DE | **Title:** Think Big: Social innovation driven by social business and young entrepreneurs (hereafter, Think Big)  
Main applicant: Kommunikations- und Innovationszentrum (KIZ) (tr. communication and Innovation centre) gemeinnützige Projektgesellschaft mbH  
Description: This project sought to identify the requirements and conditions of social investors to invest in social businesses, developing a support structure for social businesses and testing the methodology with 15 social entrepreneurs. |
| D      | NL | **Title:** Investment Readiness Programme  
Main applicant: Social Enterprise NL  
Description: The primary objective of this service was to help more social entrepreneurs find their way to investors and to make sure that their growth ambitions are investor-ready. To do this effectively, Social Enterprise NL planned to strengthen its own current service portfolio, which now includes a range of thematic masterclasses, training events and coaching for individual social entrepreneurs, moving from knowledge exchange to a more intense learning curve. |
| D      | UK | **Title:** Investing in our future  
Main applicant: Social Investment Scotland  
Description: The main objective of this project was to build an integrated programme to identify and define the marketplace; raise awareness of social investment; and increase knowledge, skills and positive attitudes with regards to taking on social investment. It also aimed to provide a hub of shared learning and best practice, and it served as a conduit for business planning support. |
| D      | DE | **Title:** Investment readiness for social impact  
Main applicant: Gemeinnützige Social Impact GmbH  
Description: This project was aimed at building up a structure for cooperation among experts from the finance sector. These experts will be encouraged to help social start-ups with the development of financial strategies and plans, as well as assist them with access to finance. |
| D      | IT | **Title:** Attracting communities towards social enterprise investment (hereafter, ACT Social)  
Main applicant: Solidarietà e Cooperazione — Società cooperativa sociale consortile ONLUS (hereafter, Sol.Co.)  
Description: This project envisaged the testing of a network among the social cooperatives in the Valcamonica valley in Lombardia in order to improve knowledge on the investment side and growth in appeal on the demand side. |
| D      | ES | **Title:** Social entrepreneurship finance tools and support in Europe  
Main applicant: Asociación Cultural ONDG Cives Mundi  
Description: This project planned to organise several events about social entrepreneurship in order to create a meeting point for social entrepreneurs, investing experts and institutions, helping to identify the needs and appropriate tools for finance. Selected social entrepreneurs would receive an incubation, development and launching program for their business idea. |
1.2 Objectives of the assignment and research questions

The European Commission’s Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) has commissioned RAND Europe and Ecorys to facilitate the implementation of these pilot projects. The main objectives of this contract were to monitor the process of implementation of the pilot projects; to identify, assess and synthesise their outputs and results; and to share knowledge among participants before disseminating the results to the wider social finance community.

Specifically, the contract had three main objectives:

1) monitoring the process as projects were being delivered, notably by assessing, synthesising and validating the outputs and results of the various pilot projects selected by the DG EMPL;

2) analysing and highlighting the main lessons learned among the beneficiaries of the call, notably by setting up the organised sharing of experiences as well as the validation and transfer of good practices in social finance, with a view to facilitating mutual learning;

3) disseminating and promoting the results of the project, by fostering the transfer of good practices to the wider community of stakeholders and professionals in the field of social finance.

The research aimed to answer the following eight questions, which were specified in the terms of reference and discussed with the DG EMPL at the start of the project. These were organised according to four themes:

Relevance

1) To what extent was the intervention relevant to the problems and needs identified?

Implementation

2) What were the main learning needs of the organisations implementing pilot projects?

3) What were the roles of consortia, partnerships and stakeholders’ involvement in developing and establishing or connecting financial instruments for social enterprises?

4) What were the main challenges faced in implementing the pilot projects, and how were they overcome?

---

3 In the validation process, the study team provided an independent assessment of the evidence provided by pilot projects in their reporting to substantiate their claims about progress made and results achieved. Based on the results of the validation process, the study team made recommendations to the EC to approve or reject each quarterly report.
Effectiveness

5) To what extent have the pilot projects managed to reach the planned objectives? What are the main outputs and results achieved?

6) Can the approach taken by the pilot projects be used by others? What are the critical success factors?

Lessons learned

7) What are the characteristics of effective investment readiness support for social enterprises?

8) What are the main elements that a capacity-building scheme addressing weaknesses on the supply and on the demand side of the social finance market should take into account in order to maximise its effectiveness?

The research questions matrix presented in Appendix A provided a framework for data collection and analysis of information and evidence that fed in to each of these questions.

In addition to requiring answers to the questions outlined above, the Terms of Reference required that this report provide an assessment of the approach and organisation of the preparatory action, proposals for further action and proposals for suitable communication platforms and other forms of transferring competencies and experience across Europe. Given that the RAND/Ecorys team provided services under the current set-up of the preparatory action, it is difficult to provide an independent evaluation. However, to the extent possible, an evaluative assessment, together with suggestions for the future approaches, are provided in the concluding chapter (Section 4.2).

1.3 Structure of this report

Chapter 2 outlines the methods applied in this research, i.e. the review of the projects’ quarterly reports, follow-up interviews, engagement through the web platform, workshops and a literature review.

Chapter 3 presents the findings and the answers to all eight research questions, organised according to the four themes: relevance of the intervention, implementation aspects of the pilot projects, effectiveness of the pilot projects, and lessons learned (Table 1-2).

Table 1-2 Chapter 3 structure in relation to the research questions

<table>
<thead>
<tr>
<th>Section, theme</th>
<th>Research question(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 3.1, Relevance</td>
<td>1) To what extent was the intervention relevant to the problems and needs identified?</td>
</tr>
<tr>
<td>Section 3.2 Implementation</td>
<td>2) What were the main learning needs of the organisations implementing pilot projects?</td>
</tr>
<tr>
<td></td>
<td>3) What were the roles of consortia, partnerships and stakeholders' involvement in developing and establishing or connecting financial instruments for social enterprises?</td>
</tr>
<tr>
<td>Section 3.3 Effectiveness</td>
<td>4) What were the main challenges faced in implementing the pilot projects, and how were they overcome?</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>5) To what extent have the pilot projects managed to reach the planned objectives? What are the main outputs and results achieved?</td>
</tr>
<tr>
<td></td>
<td>6) Can the approach taken by the pilot projects be used by others? What are the critical success factors?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 3.4 Lessons learned</th>
<th>7) What are the characteristics of effective investment readiness support for social enterprises?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8) What are the main elements that a capacity-building scheme addressing weaknesses on the supply and on the demand side of the social finance market should take into account in order to maximise its effectiveness?</td>
</tr>
</tbody>
</table>

Chapter 4 draws key conclusions and provides recommendations based on the analysis of the findings.

Appendices to this report include supporting documentation related to the contract.
2.1 Overview of the approach

In order to address the objectives of the contract, the team implemented an approach that involved the following methods:

- **Review of quarterly reports.** The team reviewed progress made and reported by the pilot projects using a customised report and assessment template. Based on the quarterly reports completed by the projects, the team provided synthesis reports, which it shared with the DG EMPL and the pilot projects. After having reviewed these quarterly reports, the project team recommended them for (conditional) approval or rejection by the DG EMPL.

- **Follow-up interviews.** In order to complement and explore the data from the review of quarterly reports, the team carried out nine interviews with the pilot projects.

- **Workshops.** A series of five workshops with the pilot projects and independent experts in social finance were organised to facilitate learning and sharing of experience. The proceedings from the workshops were documented in summary notes.

- **Literature review.** The team conducted a targeted review of most of the recent literature on social finance focused on addressing barriers and limitations faced by the social enterprise finance market. The results of the literature review and lessons learned from the implementation of the pilot projects were documented in a separate publication (DG EMPL 2016), as a resource to be used by initiatives aiming to develop social finance markets across Europe in the future.

- **Engagement with stakeholders through the web platform.** A web platform was developed to enable learning and exchange of experiences among the pilot projects.

Each of these methods is presented in more detail below.

2.2 Review of quarterly reports

The pilot projects self-reported progress they had made in meeting their objectives, using the quarterly report template (Appendix B). The team reviewed and assessed the quarterly reports using a customised assessment template (Appendix C).
The pilot projects were required to submit their reports on a quarterly basis (Table 2-1). These were assessed by the team, who then provided feedback to individual projects on any clarifications or additional documentations needed. Given the fact that the findings presented in this report largely rely on self-reporting, they need to be considered with caution, because they are prone to social desirability bias, meaning that the pilot projects had a vested interest in reporting that their objectives had been met and that their models and solutions were effective.

The information was gathered mainly from the perspective of one group of stakeholders (i.e. the pilot projects). The number of projects was limited, and the views and experiences of this limited set of stakeholders are not necessarily representative of the social enterprise and social finance community in the EU as a whole.

In order to ensure a consistent application of the assessment template, the first review, assessment and synthesis of reported information by the projects were organised along the following steps:

1) The reviewers familiarised themselves with all information provided by the projects.
2) Then the assessment template was tested. To do this, two reviewers reviewed the same two quarterly reports in parallel using the assessment template. The assessments were then reviewed by an independent moderator who looked at the consistency of scores and whether similar key information had been summarised across the reviews. The assessment template was slightly adjusted in light of these test reviews.
3) The reviewers then continued the reviews of the other reporting templates using the final version of the assessment templates. We note that the number and variety of pilot projects made the exact comparisons and matching impossible in some cases.4
4) The results from the reviews and assessments were summarised in synthesis reports. These were shared with the DG EMPL and the pilot projects.

Having reviewed the quarterly reports, the team recommended them for (conditional) approval or rejection by the DG EMPL.

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4 To further improve the consistency and efficiency of the assessments during the research, the reports in the last round were assessed by a single experienced team member. The consistency of assessment was further cross-checked with the previous rounds of reports.
Table 2-1 Dates of receipt of quarterly reports

<table>
<thead>
<tr>
<th></th>
<th>Baseline report</th>
<th>Second report</th>
<th>Third report</th>
<th>Fourth report</th>
</tr>
</thead>
<tbody>
<tr>
<td>First round projects</td>
<td>2014-07-17</td>
<td>2014-08-18</td>
<td>2014-12-30</td>
<td>2015-03-27</td>
</tr>
</tbody>
</table>

Note: The date listed is date when the last quarterly report was received by the team for each reporting round.

The research faced some challenges regarding the timely submission and level of detail of reporting by the pilot projects. Quarterly reports submitted by the pilot projects often described the work carried out, but did not explain how they were actually doing it (e.g. what their programmes to improve investment readiness of social enterprises entailed, how the financial instruments are meant to work, whether the projects faced any challenges and how they are coping with these). The pilot projects also did not consistently provide supporting evidence or additional documentation (such as analytical reports or materials developed in the course of the projects). This additional documentation was requested by the team to provide more meaningful insights into the results and learning generated by the pilot projects.

In March 2014, the reporting template was revised in light of these challenges, with a view to simplifying the process and teasing out more in-depth information from the projects. The team also provided continuous and detailed feedback to the pilot projects on how the quality of reporting could be further improved. Additional clarifications and explanations were sought through follow-up interviews (see Section 2.3 below) as well as bilateral consultations with the pilot projects. While the quality of quarterly reporting improved over the course of the research, projects continued to find it challenging to provide the information and evidence needed by the team.

The final technical reports submitted directly to the EC were, however, much more detailed, and the team relied on these in collating and analysing information that fed into this report wherever possible. This mitigated some of the problems outlined above. Because final technical reports were available for only some of the projects, for the remaining projects the team used the last quarterly reports. This explains the existence of some differences in the level of detail and examples provided in the remainder of this report.

2.3 Follow-up interviews

In order to complement and explore the data from the review of the quarterly reports, the team carried out nine interviews with the pilot projects. The sample was varied in terms of geographical coverage, Strand affiliation, progress made

5 These included the following 12 projects: SES Net, SocFin, Alliance for Social Impact Investment, Social Investment Taskforce, Establishment and promotion of direct financing instruments in social enterprises, Strategy for the operations of the Social Entrepreneurship Fund for CEE, Hybrid financing, SIB Estonia 2015, Strategic incubation to ensure investment readiness and sustainable social impact, Think big, Investment readiness programme, Investing in our future.
against the project objectives, and comprehensiveness of the quarterly reports. The selection of interviewees was agreed with the DG EMPL. Because the interviews were carried out with only a small sample of the projects (Table 2-2), the team did not generalise the interview findings to the entire group.

The interviews were carried out on the basis of a semi-structured interview protocol developed in accordance with the DG EMPL. The protocol, presented in Appendix D, includes a list of generic and specific questions; the latter set was customised to each interviewee. The interviews were conducted over the telephone, and each took approximately one hour. The interviews were audio recorded with the permission of interviewees, and paraphrased notes were made based on the recordings of the interviews.

Table 2-2 Overview of the interviewees

<table>
<thead>
<tr>
<th>Strand</th>
<th>MS</th>
<th>Short title of project</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>IT</td>
<td>SocFin</td>
<td>2014-08-28</td>
</tr>
<tr>
<td>A</td>
<td>PT</td>
<td>Alliance for Social Impact Investment</td>
<td>2014-10-16</td>
</tr>
<tr>
<td>B</td>
<td>BE</td>
<td>Establishment and promotion of direct financing instruments in social enterprises</td>
<td>2014-08-28</td>
</tr>
<tr>
<td>B</td>
<td>PL</td>
<td>Social Entrepreneurship Fund for CEE</td>
<td>2014-09-16</td>
</tr>
<tr>
<td>B</td>
<td>IT</td>
<td>Social venture incubator</td>
<td>2015-01-12</td>
</tr>
<tr>
<td>C</td>
<td>IT, SE</td>
<td>3E4SE Funds</td>
<td>2015-01-13</td>
</tr>
<tr>
<td>D</td>
<td>NL</td>
<td>Investment Readiness Programme</td>
<td>2014-11-28</td>
</tr>
<tr>
<td>D</td>
<td>UK</td>
<td>Investing in our future</td>
<td>2014-11-12</td>
</tr>
<tr>
<td>D</td>
<td>ES</td>
<td>Social entrepreneurship finance tools and support in Europe</td>
<td>2015-01-13</td>
</tr>
</tbody>
</table>

Key: MS — Member State BE – Belgium; ES – Spain; IT – Italy; NL – the Netherlands; PL – Poland; PT – Portugal; SE – Sweden; UK – the United Kingdom

2.4 Workshops

A series of five workshops with the pilot projects and independent experts in social finance were organised to facilitate learning and sharing of experience. These workshops proved invaluable in sharing information among and collating information from the pilot projects, but our assessment of their effectiveness also relied heavily on self-reporting by this group.

Each workshop followed a similar format, starting in the afternoon on day one, with an optional networking event in the evening, continuing with a morning session on day two, and finishing with an optional networking lunch. The workshops were carried out between June 2014 and June 2015 (Table 2-3).
Table 2-3 Overview of the workshops

<table>
<thead>
<tr>
<th>Acronym, location, dates</th>
<th>Content/issues covered</th>
<th>Participating pilot projects (number, round)</th>
<th>Participating experts</th>
</tr>
</thead>
<tbody>
<tr>
<td>W1, Brussels, 26-27 June 2014</td>
<td>Introductions and moderated presentations Presentation of the web platform Stakeholder mapping Problem and objective analysis Risk analysis</td>
<td>11, Round 1</td>
<td>Wolfgang Spiess-Knafl Christian Voigt Gerhard Bräuining</td>
</tr>
<tr>
<td>W2, Warsaw, 25-26 September 2014</td>
<td>Introductions and moderated presentations Problem identification and analysis of objectives (Round 2) Projects’ state of play Improvements to and use of the web platform Transnational dimension of projects Learning exchange I — Financing tools for social enterprises European funding opportunities (EaSI) Learning exchange II — Social impact measurement models</td>
<td>18, Rounds 1 and 2</td>
<td>Eva Varga Eva Konczal Gerhard Bräuining Wolfgang Spiess-Knafl</td>
</tr>
<tr>
<td>W3, Offenbach am Main, 15-16 January 2015</td>
<td>Portfolios of social enterprises and their needs Products and investors Organisation and management of the financial instrument Supporting social enterprises Social impact measurement</td>
<td>20, Rounds 1 and 2</td>
<td>Gerhard Bräuining Wolfgang Spiess-Knafl Katie Hill Stellina Gallipolou</td>
</tr>
<tr>
<td>W4, Rome, 16-17 April 2015</td>
<td>Investment readiness Commitment of partners Investment strategy Making use of the EU Structural and Investment Funds After the projects are over: expectations and plans for the future Taking stock of our work</td>
<td>19, Rounds 1 and 2</td>
<td>Antonella Noya Eva Varga Richard Kennedy Gerhard Bräuining</td>
</tr>
<tr>
<td>W5, Brussels, 11-12 June 2015</td>
<td>Social finance market vision by 2020 and ways of getting there Developing a coherent investment strategy and supply-side instruments European Social Entrepreneurship Funds (EuSEF) Developing demand-side support The future of social enterprise challenge Results and future of the pilot projects</td>
<td>13, Rounds 1 and 2</td>
<td>Katie Hill Wolfgang Spiess-Knafl Priscilla Boiardi Gerhard Bräuining</td>
</tr>
</tbody>
</table>

The preparation for and follow-up after the workshops included five short questionnaires administered to the pilot projects:

- three feedback questionnaires after W1, W2 (10 responses out of 18 projects present at the event), and W3 (12 responses out of 19 projects present);
- one questionnaire on financial products and investment readiness programmes implemented (17 out of 21 projects present);
• one questionnaire on using structural funds to develop a social finance market and products (13 out of 21 projects present).

The proceedings from the workshops were documented in summary notes submitted to the DG EMPL and made available to the participants via the web platform (Section 2.6).

2.5 Literature review

First, a targeted review of most of the recent literature on social finance and social enterprise development was carried out to develop a guide for social investors and intermediaries. This was undertaken and reported upon by external experts Eva Varga and Malcolm Hayday. The guide *A Recipe Book for Social Finance: A Practical Guide on Designing and Implementing Initiatives to Develop Social Finance Instruments and Markets* (DG EMPL 2016) was developed as a separate deliverable under this contract.

Second, a literature review was conducted to gather information relevant to the research questions, in order to supplement the information above and to broaden the views and approaches adopted by the pilot projects. These key and recent studies included the following (for the full list, please see the list of references):


It was beyond the scope of this project to undertake an assessment of the quality of this literature. Additional limitations are that the development of social finance market is still an under-researched area and that the studies reviewed had a number of limitations in relation to our research objectives. For example, they focused on one country, rather than all EU Member States, and they did not include control or comparison groups, which did not allow for the determination of evidence-based approaches. Therefore the findings from the literature should be seen as the best available evidence, but still only indicating promising practices that would benefit from further testing.
2.6 Engagement with stakeholders through the web platform

The web platform was not intended as a primary data collection method; it was developed to enable learning and exchange of experience among the pilot projects.

Website statistics

Website visitor data were collected between 1 February and 1 December 2015. During that time there were 3,993 visitors to the website, viewing a total of 9,937 pages. These visitors viewed an average of 2.11 pages per session, and their visits lasted on average 1 minute 38 seconds.

Table 2-4 shows the key pages of the web platform broken down by page views for both the publicly accessible pages and restricted pages.

<table>
<thead>
<tr>
<th>Page name</th>
<th>Page views</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public</strong></td>
<td></td>
</tr>
<tr>
<td>Homepage</td>
<td>4,289</td>
</tr>
<tr>
<td>About</td>
<td>125</td>
</tr>
<tr>
<td>Links</td>
<td>67</td>
</tr>
<tr>
<td>Contact us</td>
<td>57</td>
</tr>
<tr>
<td>News</td>
<td>478</td>
</tr>
<tr>
<td>Projects/initiatives</td>
<td>731</td>
</tr>
<tr>
<td>Resources</td>
<td>231</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,978</td>
</tr>
<tr>
<td><strong>Restricted</strong></td>
<td></td>
</tr>
<tr>
<td>My profile/login page</td>
<td>857</td>
</tr>
<tr>
<td>Profiles</td>
<td>409</td>
</tr>
<tr>
<td>Forum</td>
<td>179</td>
</tr>
<tr>
<td>Workshops</td>
<td>300</td>
</tr>
<tr>
<td>Upcoming events</td>
<td>215</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,960</td>
</tr>
</tbody>
</table>

The data show that a large majority of the page views on the website were of the publicly available information. During September and October 2015, we enabled comments on news articles and moved them into the restricted area to see if this encouraged more logins from registered users. Unfortunately, this was not the case. Once we had done this, we saw a decrease in visitors to the public page of the website, indicating that the news may have been the main driver of traffic to this area, as search engines revisit websites with regularly updated content.

Content generation
We used Google Alerts to source new items. In addition, news item were regularly sourced using Scoop.it — a big data tool that gathers content from websites and social media channels based on keywords, relevant websites and social media channels identified. This provided us with access to a wide range of articles. We regularly added articles we deemed relevant to the site. Additional human resources with expertise in the topic area may have been beneficial to regularly review source websites and add relevant content to the website.

Using information from the final reports, we added profiles to the website for all 21 projects. To further engage the wider public and showcase the outcomes of the projects, we developed an interactive project map (http://www.social-enterprise-finance.eu/project-locations). Projects can also be filtered by strand. This may also encourage those projects with restricted user access to further engage with other projects about their outcomes.
CHAPTER 3  Findings

This chapter summarises the research findings in relation to the implementation of the pilot projects. The structure of this chapter reflects the key questions this research aimed to address, which, as we noted above, refer to the following themes: 1) relevance of the intervention; 2) implementation aspects of the pilot projects; 3) effectiveness of the pilot projects; and 4) lessons learned.

The findings presented below are based upon information provided by the projects in their quarterly reports, the follow-up interviews, and the themes and issues arising from the discussions in workshops — if and where applicable.

3.1 Relevance

Research question 1: To what extent was the intervention relevant to the problems and needs identified?

In order to assess whether and to what extent the EC funding was relevant to the problems and needs identified on the social finance market, the team first established what these needs and problems were. It then explored the purpose of the EC intervention and compared it with the challenges identified. Finally, the team sought to determine the barriers that the pilot projects aimed to address and how they planned to do this.

Problems and needs of the social enterprise finance market
To map the problems and needs, the team has drawn on the extensive literature in this field. Barriers to social enterprise creation and development have been discussed in the recent literature (see Davison & Heap 2013; European Commission 2011, 2015a; OECD/EU 2013; Social Impact Investment Taskforce 2014; Spiess-Knaffl & Jansen 2013). These barriers may range from legal and regulatory issues to financial resources and business support. While there are a large number of sources that describe barriers and needs, the evidence base is limited because there are few empirical studies overall, and even fewer that allow barriers to be systematically compared among Member States. With this limitation in mind, four main problems and needs can be identified. 

Access to finance has been commonly identified in many European countries (e.g. Lehner 2011; Scheuerle et al. 2013; Villeneuve-Smith & Chang 2013). The
2013 survey by Social Enterprise UK showed that access to finance was still the principal barrier faced by many social enterprises in the UK at that time. According to the survey results, 48% of social enterprises sought to raise external finance in the past 12 months (from a range of options including grants, loans, overdrafts and equity) and 39% reported access to finance as the single largest barrier to their growth and sustainability.

Social enterprises have different financing needs depending on their characteristics. Social enterprises provide services or engage in production across various fields of activity, from employment, to healthcare, to fair trade. They use different forms and amounts of financing depending on their various characteristics (e.g. field of activity, stage of maturity and form of governance). The Global Learning Exchange (2015) assessed the appetite for financing among German social enterprises at different stages of business development (ranging from a business idea to the consolidation of the business) and representing different characteristics (Table 3-1). While the monetary scope of financial needs among social enterprises may vary across Europe, a large proportion of them were assumed to have financing needs of between €200 000 and €500 000 (Spiess-Knafl & Jansen 2013).

Table 3-1 Typical financing needs of a social venture throughout its lifecycle

<table>
<thead>
<tr>
<th>IDEA STAGE</th>
<th>EARLY STAGE</th>
<th>LATER STAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>Seed</td>
<td>Start-up</td>
</tr>
<tr>
<td>Proof of concept, business plan development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company founded, product development</td>
<td>Market launch</td>
<td>Early scaling of business</td>
</tr>
<tr>
<td>Typical capital need of SEs</td>
<td>€0-100 k</td>
<td>€100-500 k</td>
</tr>
</tbody>
</table>

SOURCE: Based on Global Learning Exchange (2015)

The form of financing provides another level of complexity. The form of financing can vary across different stages of development (with grants more likely to be used at the early stage and repayable forms of finance prevalent at the maturity stage; see Davison and Heap 2013). Furthermore, there is a consensus in the literature that the available financing instruments are not well suited to social enterprises’ needs. The available financing instruments (except grants and donations) balance the rate of financial return with risk. This is well suited for mainstream investing, because there higher risks are related to higher returns. However, there is no similar relationship for the financing structure of social enterprises (DG EMPL 2016; Spiess-Knafl & Jansen 2013). Hence, the current and new instruments that try to reconcile financial return expectations with social impacts need to be carefully matched with social enterprises’ needs.

Matching supply and demand is also considered problematic for a wide range of reasons: small financing needs imply relatively high transaction costs for lenders; investors have diverse social impact and financial returns expectations (some seek primarily financial return, whereas others prioritise social impact, as is further illustrated in Figure 3-1); a relatively large number of social enterprises still rely on grants; and few are prepared to take up

Figure 3-1 Investment spectrum

Having identified the key four problems and needs found in the literature, we now move on to look at the problems the EC intervention aimed to address.

Purpose of the EC intervention and importance for pilot project activities
Access to finance that suits the specific needs of social entrepreneurs and social enterprises was identified by the EC as the specific barrier to be addressed by the call for proposals (European Commission 2013). The purpose of the call was to support the development of an impact investment market that would enable more social enterprises to take on repayable finance for developing and scaling their innovative business model:

- Through institution and capacity building with committed actors to boost the supply of social finance, and
- By facilitating and preparing access to finance for social enterprises through capacity building that generates effective demand for social finance by developing their “investment readiness”.

The main task will be to develop and establish feasible, suitable and reliable financial instruments (schemes or funds providing equity or mezzanine funding, including venture philanthropy).6

The call indicated a number of specific barriers relating to the supply and demand sides of the social finance market (Table 3-2).

---

Table 3-2 Barriers on the supply and demand sides identified in the call for proposals

<table>
<thead>
<tr>
<th>Supply side</th>
<th>Demand side</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lack of suitable financial instrument in place</td>
<td>• Insufficient orientation on capital markets, but on the grant economy</td>
</tr>
<tr>
<td>• Few investors prepared to invest</td>
<td>• Legal structures which discourage the attraction of (quasi-) equity</td>
</tr>
<tr>
<td>• Scarcity of significant public sector initiative</td>
<td>• Lack of transparency of the market for social finance</td>
</tr>
<tr>
<td>• Little experience in specifying a sustainable investment strategy and risk/return profile of a social finance fund</td>
<td>• Insufficient experience in making proposals for external financing, or for combining different sources and types of finance (e.g. grants/loans)</td>
</tr>
<tr>
<td>• Lack of capacities and tools to assess the viability of business plans and social impact</td>
<td>• Costs of getting investment ready; insufficient infrastructures/business development services/incubators, etc.</td>
</tr>
<tr>
<td>• Insufficient quality of investment propositions</td>
<td></td>
</tr>
<tr>
<td>• Absence of market facilitators (such as qualified intermediaries and market places) or business angels etc.</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: European Commission (2013)

The call did not aim to solve all the problems outlined above but, rather, to explore and test effective ways of addressing these problems with a view to identifying solutions that could be scaled up and replicated in other contexts and situations. As such, the funding was granted on a highly competitive basis in order to select strong projects with the capacity and capability to innovate and solve problems.

The interest in receiving grants is, on its own, not a good measure of how relevant and essential they are to market needs. However, it is one indication of the level of needs in this area, and it can be used in conjunction with other evidence and data.

The call generated considerable interest among organisations and institutions eligible to apply.

The pilot projects were asked to report on the importance of the funding to their market-building activities to increase the availability and use of social finance more generally. In providing this information, the team relied primarily on self-reporting of the pilot projects. Such self-reporting may be prone to selection and acquiescence biases and therefore should be interpreted with caution.

The selected pilot projects reported that without the funding from the European Commission, they would not have been able to progress with their work the same way (in that they would not have been able to carry out their market-building activities to the same extent as they did with the EC funding). According to the pilot projects, there would be a fundamental difference to 5 of them, a significant difference to 3, some difference to 10, and no difference to

---

7 Selection bias occurs when there are systematic differences in how respondents (here, the reporting pilot projects) were selected for the research — there are likely to be systematic differences between those who were selected for funding and those who were not. Acquiescence (or social desirability) bias refers to the fact that respondents want to present themselves in a positive light to funders and researchers.
only 1 (out of 20, with 1 project unable to answer the question; see Figure 3–2). Reportedly, the grants helped the pilot projects in a number of ways: by enabling them to implement projects more quickly, by providing access to a larger network and by increasing the credibility of their initiative.

It should be noted that the EC intervention also generated interest among a number of subject experts who made themselves available to participate in workshops and offered to review and/or contribute to the guide *A Recipe Book for Social Finance: A Practical Guide on Designing and Implementing Initiatives to Develop Social Finance Instruments and Markets* (DG EMPL 2016). This also points to the relevance of the EC intervention that aimed to generate knowledge on what works well and less well in social finance, and to develop new solutions to address the limitations of the current market.

Figure 3–2 Reported answers to the question ‘If your project had NOT been funded by the European Commission, how would this work have progressed differently?’

![Bar graph showing reported answers to the question](image)

**SOURCE:** Baseline reports

**Barriers reported by the pilot projects and ways they were addressed**

Among the most pertinent problems that prevent investors from providing access to finance for social entrepreneurs (and for the latter to secure investment funding), the pilot projects reported:

- the lack of awareness of what social enterprises are\(^8\);
- the lack of business management skills and investment readiness among social enterprises\(^9\);

\(^8\) Reported by seven projects. This was further supported by participants to W2: Strands A, B and C (the team does not have a record of how many workshop participants made – or agreed with – this point).

\(^9\) Reported by six projects. This was further supported by participants to W1: Strands B and C (the team does not have a record of how many workshop participants made – or agreed with – this point); W2: all participants.
the lack of an enabling regulatory and market environment;\footnote{Reported by six projects.}

• inadequate existing capital structures and financing products available to social enterprises;\footnote{Reported by five projects. This was further supported by participants to W1: Strands B and C (the team does not have a record of how many workshop participants made – or agreed with – this point).}

• insufficient collaboration and communication among stakeholders;\footnote{Supported by participants to W1: Strands B and C; W2: Strands C and D (the team does not have a record of how many workshop participants made – or agreed with – this point).}

• continuous challenges in measuring outcomes and impacts.\footnote{Supported by participants to W1: all participants; W2: Strand B and C (the team does not have a record of how many workshop participants made – or agreed with – this point).}

These problems largely reflect the barriers and issues that the EC intervention aimed to address (see Table 3-2) and those identified from the literature.

As we further describe in Chapter 3, the pilot projects have identified, planned and carried out a number of activities to address these and other barriers specific to the social finance market in their countries:

• **Strand A projects facilitated networking with stakeholders and dissemination activities.** For instance, SES Net initiated the stakeholders to setting up a Social Finance Partnership and to the processes of attracting social investors. The project organised workshops with potential partners. These included financial institutions, chambers of commerce, agricultural associations, solidarity structures, not-for-profit organisations and charities. Meetings were organised with decision-making bodies at the national level, such as legislators and ministries of labour, finance, development and competitiveness.

• **Strand B projects interacted with institutions and investors.** They did so through working groups and/or education activities to address the lack of understanding of social impact and investments. For example, since impact investment is still a very new concept in Croatia, CEDRA engaged mainly with public investors (ministries, municipalities and the European Investment Fund (EIF)) to provide information on the concept and practice of social entrepreneurship.

• **Strand C projects experimented with fostering social finance market integration.** The projects have been preparing hybrid financing deals, which combine different types of investors and different financing instruments (Hybrid financing) and expanding the choice of financial instruments available, such as social impact bonds (SIB Estonia 2015) and crowdfunding platforms (Supporting the demand and supply side of the market for social enterprise finance).

• **Strand D projects have been building capacity among entrepreneurs.** They did so to help them access social finance by developing their commercial skills through training, coaching,
mentoring and by facilitating networking and pitching opportunities with investors.

Summary conclusion
Research question 1: To what extent was the intervention relevant to the problems and needs identified?

The available data suggest that there are a number of problems and barriers for social finance and entrepreneurship. The problems identified in the literature largely correspond with the aims of the EC intervention. They were further confirmed by pilot projects which used the funding to undertake various and novel activities in attempt to test solutions of addressing (some of) these problems. The call for proposals and the EC funding have enabled the projects to implement these plans on a wider scale and/or faster than would have been possible otherwise.
3.2 Implementation

The findings presented in this section focus on learning needs among the pilot projects (as well as how and to what extent these have been addressed), the role of partners and stakeholders in their implementation and the challenges faced in project implementation.

3.2.1 Learning needs of the organisations implementing pilot projects

Research question 2: What were the main learning needs of the organisations implementing pilot projects?

In order to respond to this question, the team reviewed quarterly reports, in which the pilot projects reported on any learning needs on a regular basis. Responses to workshop feedback questionnaires and observations made by the team provided further intelligence on substantive and factual knowledge, as well as on capacity building among the pilot projects throughout the implementation phase.

Needs to improve substantive and factual knowledge
A number of the pilot projects identified topics on which they wished to have better knowledge.14 These learning needs were quite diverse; they ranged from an interest in knowing more about other projects, to specific learning needs related to impact measurement models and EC plans for market development. The most frequently expressed interests and learning needs are presented here, together with measures taken by the team and the EC to address these as part of mutual learning support.

The pilot projects reported looking for information about what other projects were doing, how they were doing it and the success and challenges they experienced along the way.15 Given that the call funded new and experimental initiatives, the pilot projects were interested in the methods of working, the approaches, and the tools used and developed by other projects. They searched for concrete results of other projects, as well as challenges in implementation and strategies to overcome these. Beside learning about the mechanics of project delivery, the pilot projects were keen to learn about social finance application models, viability aspects and key parameters of financial instruments under development.16 As we mentioned earlier, these aspects generated a great deal of attention from experts and stakeholders in the field.

14 The question was: ‘Are there specific topics which you would like to have better knowledge of, in order to increase the chance of this project being successful?’ See the reporting template, Section E, presented in Appendix B.

15 Reported by two projects and further supported by participants to Session 2 W1 and Session 3 W3 (the team does not have a record of how many workshop participants made – or agreed with – this point).

16 Reported by three projects and further supported by participants to Session 2 W1 and Session 3 W3 (the team does not have a record of how many workshop participants made – or agreed with – this point).
Among the topics of interest the pilot projects also pointed to: financial risk/financial return profile (8 out of 13 responses), portfolio management (7 out of 13 responses), and considerations for drafting a Memorandum of Understanding (6 out of 13 responses).\(^{17}\)

The activities and products under this contract aimed to address these interests and learning needs as follows:

- Workshops included moderated presentations of projects to introduce each project, as well as interactive sessions (so-called speed dating, breakout groups and World Café sessions were introduced, and informal networking opportunities were provided for the participants).
- Individual sessions at each workshop provided an opportunity for selected pilot projects to present their work and achievements in more detail; the team pro-actively looked for volunteers among projects showing significant progress or an interesting approach to the work and asked them to share their experience and learning.
- Material circulated among the pilot projects; an overview of the pilot projects, workshop summary notes, and synthesis reports available on the web platform and circulated to the pilot projects provided the means to reach out to all those unable to participate in the workshops (project staff, partners and collaborators).

As measuring outcomes and impact was recognised as a continuous challenge, the pilot projects were eager to explore different social impact measurement models, metrics, frameworks and tools used in the field.\(^{18}\) Two subsequent workshops, in Warsaw and Frankfurt, dedicated one session each to explore the subject in more detail.

Finally, the pilot projects repeatedly expressed their interest to learn more about plans developed to foster social economy in the EU and funding instruments intended by the EC.\(^{19}\) In response to this interest, the DG EMPL provided numerous updates on:

- support for social entrepreneurship under the Employment and Social Innovation (EaSI) programme;
- a study presenting a map of social enterprises in Europe;
- EU Structural and Investment Funds;
- European Social Entrepreneurship Funds (EuSEF).

The team does not have any evidence about the extent to which these activities and products addressed the learning needs of the pilot projects.

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\(^{17}\) Results of the questionnaire on using structural funds to develop social finance market and products (the team does not have a record of how many workshop participants made – or agreed with – this point).

\(^{18}\) Reported by three projects and further supported by participants to Session 2 W1 and Session 3 W3 (the team does not have a record of how many workshop participants made – or agreed with – this point).

\(^{19}\) Reported by two projects and further supported by participants to Session 2 W1 and Session 3 W3 (the team does not have a record of how many workshop participants made – or agreed with – this point).
Apart from the learning needs reported or expressed by the pilot projects, based on our analysis of the quarterly reports and our observation of inputs and interventions provided by the pilot projects during the workshops, we identified the following areas where additional capacity-building support for the pilot projects would be beneficial:

- **Levelling the playing field in social finance expertise.** Some projects showed a good understanding of social finance markets and instruments, while others were less knowledgeable in these areas. This created challenges in ensuring that the workshops were as beneficial for pilots sharing their existing knowledge as they were for those learning from others. This also necessitated that workshops included descriptions of some of the basic ideas about and principles of social finance, which introduced time pressure to discuss and explore each of the subjects in greater depth.

The guide on social finance (DG EMPL 2016) produced as part of this contract provides a starting point for intermediaries and investors. However, the guide is unlikely to remove all differences, and social finance markets will have their natural leaders as well as followers.

- **Providing tools for project design and management.** Pilot projects also represented a varied group in terms of project planning and management skills. The review of application documents and the first workshops with the pilot projects showed that some were unfamiliar with the tools and techniques that could facilitate their work (such as logic models, logframes, theory of change, problem and objective analysis techniques, stakeholder analysis, research and evaluation methods).

A number of practical tools were introduced at the workshops. The pilot projects participated in interactive sessions to analyse the core problems in social finance markets, identify and map their key stakeholders and assess risks. The guide on social finance also points to a number of practical methods that help to ensure that future initiatives in the field of social finance are well thought through and well implemented (DG EMPL 2016).

Finally, based on information provided in the quarterly reports, the team concluded that evaluation formed another area for further development. The evaluation activities reported by the pilot projects more often related to monitoring and soliciting participant feedback, rather than a comprehensive evaluation.

- **Considering equality in project planning and implementation.** In accordance with PROGRESS guidelines, gender mainstreaming should be promoted in all pilot project activities.\(^ {21} \)

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\(^{20}\) Evaluation can be defined as an evidence-based judgement of the extent to which an intervention has been effective and efficient, relevant given the needs and its objectives, and coherent. Evaluation usually relies on a number of methods to collect and analyse data from various groups of stakeholders. It does so to validate and cross-verify data from different sources (triangulation). See European Commission (2015b).

\(^{21}\) Pilot projects are funded by the Community Programme for Employment and Social Solidarity — PROGRESS (established by Decision No. 1672/2006/EC of the European Parliament and of
However, there was limited evidence on how this was done by the pilot projects. Although the pilot projects identified a number of equality considerations that were taken into account during the implementation phase, such as a balanced participation in project activities and adhering to equality and/or ethical charters and codes, the treatment of equality issues remained fairly superficial. The gender dimension was the most cited consideration among the pilot projects, whether within the team or among the supported social enterprises. Only individual projects took into account additional dimensions of equality, such as age or ethnic background (for example, one project reported integrating people to its team irrespective of these two characteristics).

The team considered equality as a possible learning area and proposed to include a session dedicated to this issue during one of the workshops. Although this turned out not to be possible due to time limitations, suggestions on how equality considerations could be taken forward by the pilot projects were discussed and explained to projects during follow-up interviews and in the synthesis reports. However, equality in social finance offers more learning opportunities in future.

Capacity building
Throughout the implementation process, the projects were asked to indicate the extent to which there has been capacity building within their own organisation and/or within that of their co-applicants.

Pilot projects reported that the EC intervention helped improve learning and skills within their staff and within their partner organisations. Out of the 17 projects, 7 reported that there had been a considerable extent of capacity building as a result of this project, 5 reported that there had been some capacity building, and a further 2 stated that there had been very little of it, and 3 were unable to answer the question (Figure 3-3). Specifically, 4 projects reported they had improved their topical knowledge and/or understanding of social finance markets in general or of specific financial instruments or funds, whereas 3 others pointed to their improved project management and design abilities.

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the Council of 24 October 2006). The Decision says: ‘Pursuant to Articles 2 and 3 of the Treaty equal treatment for men and women is a fundamental principle of Community law,... In accordance with the principle of equality between men and women, gender mainstreaming should be promoted in all sections and activities of the Programme.’
Summary conclusion
Research question 2: What were the main learning needs of the organisations implementing pilot projects?

The analysis of self-reported needs and needs identified by the team suggest that there was a combination of more general (regulatory frameworks, EU funding, policy development) and more specific information needs among the pilot projects. This includes inquiries about examples of specific financial instruments, tools and programmes delivered by other organisations, as well as more general methods and techniques used in project design and implementation. Our analysis showed that the principles of equality were incorporated in the pilot projects in only a limited way. This may mean that similar difficulties will be faced by future initiatives.

On the other hand, there is evidence for capacity building and mutual learning through the participation in a group of projects funded by the EC.

3.2.2 The role of partnerships in developing financial instruments for social enterprises

Research question 3: What were the roles of consortia, partnerships and stakeholders' involvement in developing and establishing or connecting financial instruments for social enterprises?

Partners and stakeholders involved in consortia
All of the projects developing financial instruments for social enterprises were implemented by consortia. The most typical configuration was a partnership led by a private company or a not-for-profit, which was supported by two other organisations. The consortia were either made up of the same types of organizations.

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22 Only three projects from Strand D, namely, ‘Investment readiness programme’, ‘Investing in our future’, and ‘Investment readiness for social impact’, were implemented by a single applicant.
organisations (e.g. all were not-for-profits) or combined different forms (Figure 3-4).

Figure 3-4 Examples of different set-ups of consortia and leading applicants

More important than the types of organisations they represented was the extent and type of expertise and other assets brought to the table by the consortium partners. Within the pilot projects there were examples of the same type of organisation playing different roles. For example, a public institution could be either an investor, a financial intermediary, or both. The same applied to private companies and not-for-profit organisations involved in the pilots. This phenomenon is well illustrated by the consortium led by Impact in Motion (a private company as a financial intermediary) with Ananda Ventures (a private company as an investor) and the Bertelsmann Stiftung (tr. Bertelsmann foundation) (a not-for profit as another intermediary) (Figure 3-5).
The follow-up interviews shed more light on the engagement of a wider circle of stakeholders in the implementation of the pilot projects and the development of financial instruments. Some projects worked closely with individual external experts, consultancies, foundations or organisations in order to bring in expertise to fill specific gaps in their teams and offerings (e.g. in terms of marketing skills, PR, legal advice, knowledge of the due diligence process, market research, impact measurement methods). Two interviewees emphasised complementarity in terms of expertise and roles in project implementation between their organisations and the co-applicants. This is well illustrated by the following statements:

They [i.e. the co-applicants] are very complementary to what we do, so they seem like natural partners, and it’s very logical in how we all work together. They have contacts with [social enterprises], and we are in touch with investors. (Pilot project, Strand B)

[There is] good complementarity and [a] good match. We are stronger in start-ups and social enterprises and investments and social investments and in international networks. They are stronger in traditional social enterprise environment, [they have] more links to public administration. (Pilot project, Strand A)

A number of interviewees emphasised their prior experience in working with the same partners on other initiatives. This generated shared understanding with partners and meant that they had already established principles of collaboration, thus reducing risks to the implementation of the pilot projects and increasing the likelihood of their success. As the interviewees explained:

We have a continuous communication with our partners; we know them and have worked with them in previous months and years.... This is not a new partnership for us. They are actors and foundations we’re familiar with and who are familiar with each other. (Pilot project, Strand D)

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23 Reported by three projects.
24 Reported by two projects.
25 Reported by three projects.
[We] work with them on a daily basis.... We know them well, and in [a] pragmatic way, it is easy because they’re close location-wise. (Pilot project, Strand B)

Mapping the task division among partners
In terms of the role of consortia and partners’ involvement in developing and establishing financial instruments, the team looked at the task distribution in projects under Strands A and B as documented in their applications and quarterly reports. While the range of approaches used by the pilot projects was broad, there was an emerging pattern in how the tasks and activities leading to the development of financial instruments were sequenced and split among consortium partners. These tasks and activities are briefly outlined below:

- **Assessing demand and supply.** Regardless of the type of institution or organisation represented by the main applicant, the applicant was usually responsible for the entire (or at least part of the) analysis of the current social finance market.26 The main applicant often relied on other partners to gain contacts and consult a larger pool of investors and/or social enterprises. For instance, three interviewees reportedly collaborated with social entrepreneurship networks that had extensive and direct contacts with social enterprises, although these networks did not form part of the consortium.

- **Formulating the required response, conducting a feasibility study and building consensus.** Once the assessment of the social finance market had been carried out, all co-applicants with expertise and insights into demand and supply needs were involved in selecting one or more suitable financial instruments to be developed.27 Co-applicants also took part in assessing the feasibility of such an instrument, building consensus among a wider range of stakeholders (i.e. beyond the consortium partners) and negotiating terms and conditions for other stakeholders to join in.28

- **Developing a Memorandum of Understanding.** Unsurprisingly, the main applicant was always involved in drafting and finalising the MoU. This is explained by the importance of the MoU to the success of the pilot projects.29 However, some pilot projects also indicated the involvement of co-applicants in developing this key deliverable.30

- **Developing an action plan and financial, legal and technical documentation.** Following the formulation of the MoU, some projects planned follow-up activities to operationalise its provisions, build wider support for it and, eventually, bring it to life. Some interviewees reported that their co-applicants and/or partners delivered training

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26 Reported by four projects.
27 Reported by three projects.
28 Reported by three projects.
29 A signed MoU was one of the main expected outcomes of projects funded under Strands A and C.
30 Reported by three projects.
courses, mentoring and coaching to project staff and contributed to the development of guides and training and/or information materials for social enterprises and/or potential investors.

- **Disseminating and communicating the results.** All partners were involved in communication and dissemination activities, making use of the contacts and networks they brought to the consortium.

Regarding the role of consortia and partners’ involvement in connecting financial instruments, the team looked at the task distribution in projects under Strand C. It should be noted that actions under Strand C were quite diverse, with each project taking a unique approach to linking (or creating) the financial instruments available in their countries. Therefore, it was not possible to establish similarities or draw parallels regarding the role of the consortia and partners involved. Instead, each approach is briefly presented below:

- **Developing hybrid financing.** FASE, the main applicant, worked closely with two not-for-profit organisations: Ashoka Germany and BMW Foundation acted as co-applicants, and a consortium of impact investors — together with Ashoka France, Poland and UK — acted as associated organisations. These partners provided financial contributions, support in creating hybrid financing packages for social enterprises, access to investors’ networks and expertise on different markets.

- **Establishing cooperation among public, ethical, alternative or cooperative funds.** Società Europea Finanza Etica e Alternativa (tr. European society for ethical and alternative financing) (SEFEA), the main applicant, worked with eight co-applicant organisations and three affiliated institutions to develop specific local/regional financial tools supporting social enterprises. The international partners organised and implemented a survey to assess the situation on the social finance market, with a focus on collaborative funding and support for social enterprises. Different partners from the international and regional levels were involved in developing an EU-level strategic memorandum, with the regional partners playing a more evident role during piloting, testing and fine-tuning the memorandum at the local level.

- **Setting up SIB.** The GDF, the main applicant, also worked with two not-for-profit organisations (SA Poliitikauuringute Keskus Praxis/Praxis Centre for Policy Studies and Sotsiaalsete Ettevõtete Võrgustik/Estonian Social Enterprise Network). While the GDF introduced social impact bonds to private investors and state actors, the

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31 Fédération Européenne de finances et banques ethiques et alternatives/European Federation of Ethical and Alternative Banks (FEBEA); European Network of Cities and Regions for the Social Economy/Réseaux Européen de villes & régions de l’économie sociale association internationale sans but lucratif (REVES AIBSL); Confederazione Cooperative Italiane (Confcooperative) Unione regionale di Puglia; European Network of Social Integration Enterprises; Coompanion Göteborgsregionen; Västra Götalandsregionen; Göteborgs Stad (City of Gothenburg); Diesis Coop (European Research and Development Service for the Social Economy); Société financière d’initiative industrielle par les cadres et les travailleurs (SOFICATRA).

32 Banca Popolare Etica, Ekobanken medlemsbank, Mikrofonden Vast.
partners were responsible for analysing the feasibility of using SIB in Estonia and for mapping the supply side and matching it with possible problem areas.

- **Setting up a crowdfunding platform.** i-propeller, the main applicant, worked with Oksigen Lab (as co-applicant), as well as Soya Fund, SI² Fund and Oksigen Accelerator as affiliated organisations, to establish a crowdfunding platform. Each organisation had a clear focus: securing a pipeline of deals and lowering the risk of potential investments through filling funding gaps, supporting social entrepreneurship, seeking additional funding opportunities and exploring integration possibilities.

Partner collaboration: Final considerations

**Creating a social finance market.** According to the projects, the real challenge was how one should proceed in the absence of an active social finance community. The projects took different approaches to such a situation:

- One project argued that a priority would be to create a specialised social finance provider, which would take a lead to work with the demand side to support the social enterprise community in developing procedures, operations and services that would allow that community to function properly.

- Another project claimed that working only within the social enterprise 'family' may be the first necessary step, but that in order to introduce systemic change, one should also work in parallel not only with mainstream banks and investors but also with conventional business support structures that focus on mainstream business. Such efforts to attract partners from conventional markets, active in both financial and non-financial services provision, would result in improved visibility and awareness of social entrepreneurship, increased outreach, and the potential to introduce elements of social enterprise culture to mainstream enterprises.

**Building on the existing ecosystem.** The projects agreed that when a social investment market was already in place, it was easier to develop partnerships and to improve the service and product provision.\(^{33}\) Potential partners often knew each other, but they needed an external ‘trigger’ to initiate collaboration. In many cases the role of an intermediary was to narrow the distance between the partners and to work to align often conflicting interests, as well as to coordinate the services offered. The presence of intermediaries with a good understanding of the needs of social enterprises could catalyse partnerships and collaboration at the local, regional and national levels.

**Reaping the fruits and avoiding the pitfalls of working in partnership.** The benefits of collaboration with other stakeholders, such as expertise, networks and access to markets, were recognised by the interviewees.\(^{34}\) The projects confirmed that meaningful and efficient

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33 Supported by participants to W4 (the team does not have a record of how many workshop participants made – or agreed with – this point).

34 Reported by four projects.
partnerships addressed issues critical for developing financial instruments, such as risk, impact assessment, and transaction costs. However, working with and relying on partners was also perceived as a potential risk in terms of creating dependencies for project delivery and meeting commitments.

The workshop participants emphasised the importance of project management skills that enabled planning and monitoring project delivery where multiple partners were involved. It was also recognised that involvement of all partners from the start helped mitigate the risk of failure. Some interviewees admitted that the management of partners requires time and effort. This was true particularly when the number of partners was large or when there was no track record of previous collaboration. Two interviewees also pointed to clearly defined roles of partners in project implementation — a factor that helped them ensure the work was delivered on time.

While only some interviewees thought that their networks had expanded due to the implementation of the pilot projects, those interviewees hoped that they would capitalise on these contacts in future.

Summary conclusion

Research question 3: What were the roles of consortia, partnerships and stakeholders’ involvement in developing and establishing or connecting financial instruments for social enterprises?

All projects that aimed to develop, establish or connect financial instruments for social enterprises were implemented by consortia, most often led by a private company or a not-for-profit and supported by a few other organisations. The main applicants often took on the role of intermediaries to broker a wide agreement on developing social finance markets among the key players in their regional or national context. The team concluded that it is unlikely that the objectives of such initiatives would have been met had all efforts rested on a single organisation. The importance of partnership and collaboration in developing social finance markets was also emphasised by the DG EMPL’s publication (2016).

The pilot projects reported that partners brought valuable expertise and assets to the project, regardless of the type of organisations they represented, and the collaboration between partners was generally considered by the projects as beneficial. This is particularly evident when the partners complemented each other in providing comprehensive services or products — for instance, by drawing on their networks of social enterprises and investors and matching demand with supply. Beneficial collaboration was also more likely to happen

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35 Supported by participants to W4 (the team does not have a record of how many workshop participants made – or agreed with – this point).

36 Supported by participants to W1 (the team does not have a record of how many workshop participants made – or agreed with – this point).

37 Reported by two projects.

38 Reported by two projects.

39 Reported by three projects.
through already existing partnerships that had developed common ways of working and mutual trust.

However, for a project with multiple partners to be successful it was important that one of the partners took a leadership role in delivering the work and meeting common objectives (such as drafting and finalising the MoU or other key outcomes of the project). Project management skills and clearly specified roles of the partners were critical to plan, execute, and monitor project implementation.

3.2.3 Challenges faced in implementing pilot projects and strategies to overcome these

Research question 4: What were the main challenges faced in implementing the pilot projects, and how were they overcome?

The pilot projects did not extensively report on challenges faced in project implementation. This does not mean that the problems did not exist. The reasons for limited evidence from project reporting could include the grantee’s reluctance to acknowledge difficulties to the sponsor, a perceived reporting burden or the fact that the grantee did not see that reporting problems might have learning benefits for others. However, some additional information on difficulties faced by the projects was identified through workshop discussions and interviews.

Overall, there were three categories of challenges. The first category included problems related to project management, the second group comprised typical challenges faced by research projects (as many of the pilot projects included a research component), and the third category included challenges characteristic of social finance. These are outlined in more detail below, together with approaches taken or suggested by the pilot projects to address them.

Problems related to project management

The problems ranged from administrative issues to those related to work coordination among many partners:

- **Delayed start.** Individual projects noted that the start date of their projects was later than anticipated due to a long selection process and contracting procedures required for EC funding. This required them to make changes in the timetables and to reorganise project plans and fieldwork. Flexible and adjustable project management was considered to be an important strategy to address this challenge.

- **Challenges in the coordination of work.** Individual projects with co-applicants and associated organisations faced particular challenges...

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40 The team does not have a record of how many workshop participants made – or agreed with – these points.

41 Reported by two projects and further supported by two interviewees.
due to the need for coordination and planning among partners.\footnote{42} Regular communication among partners through phone calls and meetings, as well as a clear division of tasks mentioned earlier, were said to ensure smooth collaboration and successful project delivery.

Problems typical for research projects
An assessment of the market was one of the initial activities performed by the majority of the pilot projects, and in doing so they faced a number of challenges characteristic of research studies. These problems included:

- **Fragmentation of the market and a great variety of social enterprises.** One interviewee thought that the biggest hurdle was the lack or insufficiency of information about the market, which made it difficult to diagnose the situation and plan ahead. Another project reported that this posed challenges for collating information on the social finance market and interpreting the data.\footnote{43} Data collection from a diverse and segmented population is a common challenge in conducting empirical social science research. The team note that projects could draw lessons from good practice in social research in order to address such challenges. For example, collecting data by administering large, customised surveys to a carefully chosen sample of respondents can be expensive. Some projects used this approach, but they often relied on non-representative samples of respondents. Alternative approaches used by social scientists, which could be applied by the pilot projects, aim to capture information from smaller and targeted groups of participants. We do note, however, that while this may help save costs, such methods are less suitable for extrapolating findings to the wider population.

- **Difficulties in engaging hard-to-reach groups.** Two projects reported similar difficulties: a low response rate to a self-completion questionnaire with social enterprises and a low turnout at workshops for social enterprises.\footnote{44} To respond to these challenges, the projects used alternative methods (telephone interviews), which some projects found to be more effective in soliciting responses than self-completion questionnaires. They also issued additional reminders and personal invitations and engaged in follow-up to secure the participation of social enterprises in the assessment of the social finance market and workshops, and they found these measures to be effective.

- **Difficulties in compiling case studies based on inconsistent inputs.** Synthesising information from various sources and developing a standardised way of presenting it was be problematic, especially with a great variety of services or products provided by social enterprises across various fields of activities, from employment, to healthcare, to fair trade. The project that reported this challenge modified its approach and adopted desk research to produce some of the case studies, rather

\footnote{42} Reported by one project.
\footnote{43} Reported by one project.
\footnote{44} Reported by two projects.
than relying on stakeholder inputs. The team suggests that developing templates for collecting data and harmonising the style and level of detail to be presented could further facilitate this process.

Challenges inherent to social finance
This group comprised a wide spectrum of difficulties, often related to the core problems that the pilot projects aimed to address:

- **Conflicting expectations around return on investment and social impact.** One project reported challenges in reconciling the expectations of impact investors with those of philanthropists with regard to financial and social returns on investment. In workshops and in the quarterly reports projects, participants noted the wider context around social impact measurement and how impact is perceived among investors. The existence of a broad spectrum of investors in social enterprise is discussed at length in the recent literature (EVPA 2015; Shanmugalingam et al. 2011; Social Impact Investment Taskforce 2014; Spiess-Knafl & Jansen 2013). No ‘fail-safe’ solution to working with and managing expectations of investors was identified from the literature review or by the pilot projects. Oftentimes, the solution came down to individual discussions and negotiations with potential investors.

- **High transaction costs.** These relate to the effort required to link investors with enterprises on a deal-by-deal basis. According to the projects, the high transaction costs prevented intermediaries from developing sustainable business models, meaning that they were forced to rely on philanthropic investment to supplement earned revenue. According to one project, this challenge was recognised in relation to commercial and technical start-ups, which received infrastructure and capacity-building support from public authorities across Europe. Different strategies to deal with high transaction costs included:
  - involving co-investment funds and business angels to share the costs of due diligence;
  - providing a mix of deal sizes, which helps share the burden of transaction costs across smaller and larger investments;
  - having an inclusive interpretation of the impact investment allowed in the fund;
  - involving public institutions to share management costs;
  - adjusting existing schemes for SMEs support to adapt them to the needs of social enterprises and linking with investment readiness programmes.

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45 Reported by one project.

46 Supported by participants to W4 (the team does not have a record of how many workshop participants made – or agreed with – this point).

47 Supported by one participant to W3 and participants to W4 (the team does not have a record of how many workshop participants made – or agreed with – this point).

48 Supported by one participant to W4.
• **Challenges in impact measurement.** Measuring social impact at the level of the social enterprise and the portfolio was considered difficult and expensive in terms of money, time and human resources yet necessary for further development of the social finance market.\[49\]

  o The projects agreed that efforts required from social enterprises should not cause too much of a burden yet should produce meaningful information, not only on outputs and outcome but on impacts. Some of the pilot projects believed this was an area where social enterprises could be supported through training and/or coaching.

  o An additional challenge identified by projects was the comparison of performance within one investment portfolio, especially considering the fact that social enterprises operate in different policy areas and impact is exerted at different moments in time and on a diverse set of stakeholders (local administration, direct beneficiaries, and a wider community). To respond to this challenge, some projects developed tools that attempted to quantify impacts across different areas, others planned including a limited list of core indicators common for social enterprises across their portfolio, and yet others envisioned an external assessment of impacts across their portfolios.

  o Finally, while different solutions to social impact measurement are available, the variety of these sometimes contributed to conflicts among funders about which system to use.\[50\] According to some of the pilot projects, this problem could be addressed by discussions and negotiations with the funders.

• **Introducing and managing change in the social finance market.** Several specific issues fall under this category: challenges to contact and recruit potential investees,\[51\] moving from discussions about investment funds to hard commitments,\[52\] and disseminating new financial products.\[53\] These difficulties are well illustrated by the following view:

> We have to start raising money, and that will be the most difficult part.... Many actors and stakeholders manifested an interest, but now the problem is engaging with them properly.... It is difficult to convince somebody to do something new.... You are not just speaking to people; you are speaking to people and to organisations. Organisations are usually resilient and used to doing things in a certain way.... Every time we try to develop innovative offers this is exactly the case. We have found people to be interested in the project but

---

\[49\] Supported by participants to W4 (the team does not have a record of how many workshop participants made – or agreed with – this point).

\[50\] Reported by one participant to W5.

\[51\] Reported by two projects.

\[52\] Reported by one project.

\[53\] Reported by one project.
now these people have to convince their organisations to engage. (Pilot project, Strand B)

Again there was no one-size-fits-all solution to these problems. According to the projects, it requires time, effort and continuous dialogue to overcome these problems. Personal contacts and trust among the stakeholders were considered to be necessary ingredients.

Finally, as mentioned earlier (see Section 3.2.1) managing change in social finance market can be difficult for those who are less familiar with project management tools and techniques.

Summary conclusion
Research question 4: What were the main challenges faced in implementing pilot projects and how were they overcome?

As we noted above, overall, the pilot projects faced three categories of challenges: generic project management issues, typical problems related to research, and problems distinctive to social finance. While the third category might seem to be the most important, without relevant knowledge, adequate skills, and strategies to address the remaining two areas, the successful implementation of the pilot projects (and indeed future similar initiatives) would also be uncertain.

Within these three categories, the main challenges reported by the pilot projects related to the delayed start of their work, insufficient intelligence on the social finance market (and difficulties in collecting information to fill intelligence gaps), and difficulties in engaging with hard-to-reach groups. However, the available data suggest that the range of problems faced by the projects was much wider. In fact, it included many barriers to developing social finance markets, such as return expectations from investments, transaction costs, and impact measurements.
3.3 Effectiveness

Below, we outline the outcomes reported by the pilot projects by strand and compare these with the expected results (see Appendix E for more detailed information). The remainder of this section presents findings that relate to the transferability of results.

3.3.1 The main outputs and results achieved

Research question 5: To what extent have the pilot projects managed to reach the planned objectives? What are the main outputs and results achieved?

The information presented here is based on the last quarterly reports provided by the pilot projects, complemented with additional documentation where relevant and possible (e.g. final technical reports to the EC, if submitted, as well as supplementary materials, including guides, analytical reports and project documentation).

Strand A: Establishment of social finance partnerships

Expected result of the pilot projects under Stand A is a Signed Memorandum of Understanding (MoU) establishing a social finance partnership between private, public and not-for-profit partners documenting:

- the commitment of the partners (including their roles and contributions) to contribute to, and to collaborate in, establishing a financial product providing access to finance for social enterprises,
- the outline of an investment strategy for this financial product (objectives, action plan, resources, risks/return profile, etc.); and
- a description of the strategy and actions planned for achieving this as well as the links and synergies with start-up and business development services for social enterprises.

Source: European Commission (2013, p.9)

Overall, Strand A projects reported that they had largely met their planned objectives and produced most of the results expected by the call. All projects were engaged in building relationships with potential partners to develop the social finance market by devising new financial instruments. The projects reported the involvement of a number of financial intermediaries and investors, such as banks (or a network of banks and credit unions), venture capital firms, financial/insurance companies, financial regulators and an employers’ associations of insurance and reinsurance companies. The projects reportedly engaged with these actors through meetings or conferences and through direct email or telephone contacts. As a result of these activities, five out of the six projects signed (or at least drafted) a MoU, with two of these projects still
expecting to reach agreements with additional partners and/or investors. Yet another project established a social finance partnership through forming a taskforce to outline a strategy and action plan for future steps in developing social finance instruments (yet without signing a MoU). The extent to which the expected results were achieved by Strand A projects is outlined in Table 3-3.

**Table 3-3 Assessment of reported effectiveness of Strand A projects**

<table>
<thead>
<tr>
<th>Project short name</th>
<th>Extent to which expected results were achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>SES Net</td>
<td>The project presented a signed MoU (ver. 1.3) that brought together eight partners committed to developing the social finance market in Greece and described the terms and conditions for the financial instrument to be further operationalised and implemented.</td>
</tr>
<tr>
<td>SocFin</td>
<td>The project presented a draft MoU that aimed at launching new financial instruments for SEs; the MoU was signed by two organisations, and it was under legal revisions by the remaining partners.</td>
</tr>
<tr>
<td>Alliance for Social Impact Investment</td>
<td>The project presented a MoU that found a suitable investment vehicle meeting the expectations of investors and investees, but a final partnership among investors has not yet been concluded.</td>
</tr>
<tr>
<td>Preparing the ground for a social investment market in Denmark</td>
<td>The project presented a draft MoU to partners which could act as a statement or letter of intent to encourage engagement in the establishment of a market for social investment in Denmark.</td>
</tr>
<tr>
<td>Fostering the development of a new financial instrument for social ventures in Germany</td>
<td>Presented a draft MoU, and the project team has already scheduled meetings with members of the social finance partnership.</td>
</tr>
<tr>
<td>Catalysing a social investment market in Portugal</td>
<td>Although no MoU was developed, the project established a taskforce, generated partners’ commitment to catalyse social finance market and outlined a strategy and action plan to achieve it.</td>
</tr>
</tbody>
</table>

**NOTE:** The assessment was made on the basis of the information available to RAND Europe/Ecorys at the time when this report was drafted.

A synthesis of the main objectives and key results reported by the pilot projects under Strand A is presented below.

**Country:** Greece  
**Main applicant:** Development Agency of Karditsa

**Title:** Social Entrepreneurship Supporting Network (SES Net)

**Objectives:** The aim of this project was the establishment of a local social finance partnership in Karditsa, Greece. The three main objectives were: 1) to develop a supply/support capacity for SEs and potential entrepreneurs; 2) to develop a model for financing SEs; and 3) to motivate potential social entrepreneurs. Reportedly, all three objectives had been fully met.

**Key results:** According to the project, the assessment of the social enterprise field and social finance market in Greece showed the need for a mechanism offering financial and non-financial support for SEs. The project resulted in signing of an MoU, which formulated rules and procedures for the partners who were committed to setting up a financial instrument. The MoU and a Strategy and Action Plan were the first tools for the partners to establish the financial
instrument. These documents also detailed the next steps for meeting the overall aim of the project.

**Country:** Italy  
**Main applicant:** The Hub srl  
**Title:** SocFin — Building Partnerships for Social Finance in the Lombardy Region  
**Objectives:** The aim of the project was to support the development of financial instruments that benefit social enterprises and innovation in the Lombardy region. The project aimed to complement the existing facilities and tools for SEs by developing both the financial instruments and the investment market, by raising awareness and building consensus at both the local and the EU levels. Reportedly, these objectives had been met.  
**Key results:** According to the project, the most meaningful result was a real prospect of launching the new financial instrument. The fundraising activity was still expected to start at the end of 2015. Among other results, the project cited signing the MoU; conducting a feasibility study for the new financial instrument; producing a handbook, titled *Launching an Impact Investing Fund in Italy*, about the results of the project; and strengthening the stakeholder network that works towards a favourable ecosystem for social innovation and social entrepreneurship in Lombardy and in Italy.

**Country:** Portugal  
**Main applicant:** TESE  
**Title:** Alliance for Social Impact Investment  
**Objectives:** The aim of the project was to establish a partnership between investors and other key stakeholders in order to develop a social finance platform that leverages young social businesses in Portugal. The final partnership among investors was not concluded at the time of writing the final technical report, but the work was continuing in order to achieve that.  
**Key results:** According to the project, the team gained strong recognition within the social institution context, allowing them to engage in policy development with a number of potential investors within Portugal and abroad. The final MoU was developed as a result of extensive work between the institutions involved and discussions with potential investors. The chosen investment vehicle for investments was a ‘daughter’ company majorly held by a social entity — a vehicle that balanced risk and guaranties with investment return.\(^{55}\)

**Country:** Denmark  
**Main applicant:** National Board of Social Services  
**Title:** Preparing the ground for a social investment market in Denmark  
**Objectives:** The objectives of this project are to explore and identify the social financial instruments best suited for a small open economy (such as the Danish model). It aims to outline specific models, determine how to ensure a favourable environment for attracting finance for Danish social entrepreneurs,\(^{54}\)  

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\(^{54}\) Sgaragli and Nannini (n.d.).  
\(^{55}\) At the time of writing of this report, social entities in Portugal were mostly associations, and there was no legal status for social enterprises that would allow the investors some degree of company control.
and identify possible investors and intermediaries with a view to developing a social investment market. Finally, the project seeks to ensure financing opportunities for young social enterprises and entrepreneurs with a focus on the early stages of development and on the expansion stage.

**Key results:** Based on the final quarterly report, the team reports success across three of its objectives. The project team undertook study trips and workshops with social enterprises as well as liaised with international partners to understand the needs and the capacity of social enterprises in Denmark. In addition to understanding workable models, the project reported having compiled a list of investors that it aimed to develop further. The project team reported not being able to ensure financing opportunities for young entrepreneurs as yet, but it stated that it had made preparations towards taking this step.

**Country:** Germany  
**Main applicant:** Impact in Motion GmbH

**Title:** Fostering the development of a new financial instrument for social ventures in Germany

**Objectives:** This project’s main objective was to establish a social finance partnership for a new financial instrument, addressing the substantial financing gap for social ventures that are seeking to raise capital for growth in Germany, particularly those started by young entrepreneurs. Additionally, the project also sought to select and develop a new high-potential financial instrument, establish a strong and committed social finance partnership and conduct a feasibility study on this financial instrument with a view to achieving a sustainable investment and implementation strategy. Finally, the project aimed to develop a MoU.

**Key results:** According to the project, the team has assessed the demand and supply for new financial instruments and produced a report on this. The project also selected an Early Stage Social Mezzanine Fund, which, they report, is the most feasible instrument they could implement in the German market. Nonetheless, the project team reported having only started its feasibility study on this financial instrument in order to develop a sustainable investment and implementation strategy. The project reported progress in developing connections with a number of potential partners. The project reported that its partner (Ananda Ventures) will invest part of its fund to more early-stage social enterprises.

**Country:** Portugal  
**Main applicant:** IES

**Title:** Catalysing a social investment market in Portugal

**Objectives:** The aim of this project was to create a social investment taskforce in Portugal and to present recommendations and action plans for different players to create a social investment market in Portugal. The main objectives were: 1) to assess and develop the supply and demand of social finance products in Portugal; 2) to identify and attract sources of social finance which are appropriate for the Portuguese market; 3) to propose suitable social finance products and market infrastructure; 4) to capitalise on know-how and live examples from other Member States, especially in the UK; and 5) to build a commitment from key stakeholders to act upon the findings of this work.
Reportedly, these objectives have been met.

**Key results:** According to the project, the most important results include a mid-term national strategy for social investment with concrete recommendations and an action plan ready for implementation. The project also argued that it had adopted a methodology that could be transposed and replicated in other countries to catalyse the social investment market through a taskforce approach. Among other results, the project listed appointing more than 20 champions of social investment within the public, private and social sectors in Portugal, as well as the launching of social investment pilots, such as the first social impact bond (SIB), by some of the taskforce members.

**Strand B: Establishment of social finance instruments and mechanisms**

Expected result of the pilot projects under Strand B is an activation and commitment of investors and intermediaries that would sign a set of legal documents required by EU and national rules to establish a financial instrument, and necessary agreements between private, public and not-for-profit-partners, documenting:

- the legal agreement of the partners (specifying their roles and contributions) to finance, set up and manage a financial tool providing access to finance for social enterprises
- the detailed investment strategy, governance structures, obligations and benefits of investors, management rules and procedures as well as monitoring and evaluation arrangements
- all contractual arrangements needed for the registration of the financial instrument, for fundraising, for investments, lending or underwriting and for the conduct of management.

*Source: European Commission (2013, p.9)*

Overall, the majority of Strand B projects reported having met their planned objectives, and about half of them produced the results expected by the call. The projects contacted potential partners, including investors and financial intermediaries, to generate commitment and establish new financial instruments. Some of them also reported having signed legal agreements (one), developed investment strategies (two), and concluded contractual arrangements (one) needed to make these instruments fully operational. The extent to which expected results were achieved by Strand B projects is outlined in Table 3-4.
Table 3-4 Assessment of reported effectiveness of Strand B projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Extent to which expected results were achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment and promotion of direct financing instruments in social enterprises</td>
<td>Neither legal agreements nor investment strategy, governance structures, rules and procedures were envisaged by the project plan, nor were these reported; however, the project reported having met the objectives stated in its application and facilitating the use of financial instruments already available.</td>
</tr>
<tr>
<td>Impact Fund</td>
<td>All constitutional and legal documents for underwriting and lending, as well as an investment strategy, were drafted.</td>
</tr>
<tr>
<td>First structured financial instrument for social entrepreneurship in Croatia</td>
<td>The required contract templates for investors, fund managers and beneficiaries and the legal documentation were drafted. Furthermore, topics for the investment strategy have been selected but, it appears, not drafted, while legal documentation (such as contracts and calls for application) has been drafted.</td>
</tr>
<tr>
<td>Social venture incubator</td>
<td>It is unclear whether this was met based on grantee reporting. The project reported to have established its fund, although there is no evidence of legal frameworks or contractual arrangements. Finally, the project reported having presented a draft of its investment strategy to potential investors.</td>
</tr>
</tbody>
</table>

NOTE: The assessment was made on the basis of the information available to RAND Europe/Ecorys at the time when this report was drafted.

A synthesis of the main objectives and key results reported by the pilot projects under Strand B is presented below.

**Country:** Belgium  
**Main applicant:** Réseau Financité

**Title:** Establishment and promotion of direct financing instruments in social enterprises

**Objectives:** This aim of the project was to promote the implementation of association bonds and cooperatives shares, accredited by the National Council of Cooperation. The main objectives were: 1) to understand the reasons why social enterprises do (or do not) use two financial tools available (association bonds and cooperatives shares); 2) to provide entrepreneurs with detailed information on the existence of, procedures for, and advantages and disadvantages of using this type of financing; 3) to support social entrepreneurs in implementing these financial tools; 4) to explain and promote these tools to the public; 5) to create a standard framework of economic, financial, non-financial and societal data for SEs offering to be communicated to potential investors; and 6) to connect social entrepreneurs who offer these two financial tools with potential investors. All these objectives were either fully or partially met.

**Key results:** According to the project, the main results were improved knowledge and understanding of the needs and gaps in the direct investment sector and enhanced expertise of stakeholders regarding the use of the financial tools (including 101 trained participants from 84 SEs, and 17 SEs provided with counselling). A platform to better match supply and demand (i.e. private investors and social enterprises who offer their direct investment products) was another example of results provided by the project, as well as the adoption of a new legislative framework in the field and efforts to adapt it to the specific needs of social enterprises.
**Country**: Poland  
**Main applicant**: TISE  
**Title**: Strategy for the operations of the Social Entrepreneurship Fund for Central and Eastern Europe (CEE) — Impact Fund (EuSEF)  
**Objectives**: The aim of this project was to undertake the necessary preparatory activities in order to set up an innovative financial instrument in the form of a EuSEF that provides finance to social enterprises. The main objectives were: 1) to prepare setting up an innovative financial instrument (including drafting necessary administrative and legal documents and procedures); 2) to build capacity and extend the scope of activities of the partners; 3) to facilitate access to finance to SEs focused on achieving social impact and striving for growth; and 4) to develop a new financial instrument suitable for SEs in Poland and other Central and Eastern Europe countries. Some of these objectives were fully or partially met. One objective has the potential to be met once the fund is established.  
**Key results**: According to the project, the main results include the identification of potential investees, as well as organisations and institutions able to provide them with necessary (additional) support. The Impact Fund for CEE identified support organisations and built them into the financial and operational plan to reduce costs and provide customised assistance to the investees. The Impact Fund for CEE promoted financial resources available for well-established organisations willing to scale and promoted the need for organisations to grow and to use resources that are available for their growth. Reportedly, these activities benefited SEs and would have a lasting impact.

<table>
<thead>
<tr>
<th>Country: Croatia</th>
<th>Main applicant: CEDRA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong>: First structured financial instrument for social entrepreneurship in Croatia</td>
<td><strong>Objectives</strong>: The objective of this scheme was the establishment of financial mechanisms for young entrepreneurs aiming to start new social enterprises in Croatia, as well as for existing small and medium-sized social enterprises. This was set within the context of increasing employment and social inclusion. Implementation of a new financial instrument was envisioned through the establishment of a new investment fund with the EuSEF label. <strong>Key results</strong>: The project reported progress in meeting its specific objective towards creating a new financial instrument. However, this is expected to be the final output of the project. In its development, the project made efforts to build partnerships with stakeholders in local municipalities, government bodies and NGOs and in small and medium-sized enterprises in order to inform individuals of the potential benefits of supporting social entrepreneurship and social innovation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country: Italy</th>
<th>Main applicant: Make a Cube³</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong>: Social venture incubator</td>
<td><strong>Objectives</strong>: The overall goal of this project was to develop a social venture incubator in the area of social business, dedicated to the provision of consultancy and financial support to innovative ventures in various target areas. <strong>Key results</strong>: The project reported having met its objectives. Through meeting</td>
</tr>
</tbody>
</table>

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with partners and holding discussions within its consortium, the project has been able to define and refine its strategy, investment profile and structure with the aim of attracting investors. The project also reported receiving support from fund managers with social expertise.

Strand C: Establishment of collaborative funding models for social enterprises

Expected result of the pilot projects under Stand C is an innovative model of cooperation between investors and intermediaries that would sign a MoU between private, public and not-for-profit partners (notably strategic philanthropic investors) documenting:

- the agreement of the partners (including their roles and contributions) to collaborate in financing social enterprises
- the detailed cooperation agreements for implementing the joint strategy, and for ensuring synergies and added value; and
- describing the actions planned to test (for a defined period — up to nine months) a fine-tuned mix of financial products that facilitates investments in social enterprises.

Source: European Commission (2013, p.9)

The pilot projects under Strand C represented a considerable mix of approaches (from developing hybrid financing to setting up social impact bonds and a crowdfunding platform). The projects reportedly engaged with a number of financial intermediaries and potential investors to establish new models of cooperation. As a result, each of the projects has at least partially met its planned objectives. One project reported having signed a MoU, one project reported having signed funding models for SEs, one project has not drafted its MoU and another is awaiting feedback from partners on the draft. The extent to which expected results were achieved by Strand C projects is outlined in Table 3-5.

Table 3-5 Assessment of reported effectiveness of Strand C projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Extent to which expected results were achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid financing</td>
<td>The project reported that, due to the nature of the project, there was no overarching MoU establishing one collaborative funding model; however, the project produced seven customised and signed funding models for individual SEs.</td>
</tr>
<tr>
<td>SIB Estonia 2015</td>
<td>The project reported that the Ministry of Social Affairs and the Ministry of Finance confirmed their commitment to the SIB in the form of a MoU and that two investors signed letters of commitment to the SIB.</td>
</tr>
<tr>
<td>Supporting the demand and supply side of the market for social enterprise finance</td>
<td>The project reported financing for social enterprises. There is no MoU, because the grantee has not yet decided to formalise its collaboration, its current approach works well.</td>
</tr>
<tr>
<td>3E4SE Funds</td>
<td>The project provided a draft MoU on which partners will provide feedback.</td>
</tr>
</tbody>
</table>
NOTE: The assessment was made on the basis of the information available to RAND Europe/Ecorys at the time when this report was drafted.

A synthesis of the main objectives and key results reported by the pilot projects under Strand C is presented below.

**Country: Germany**  
**Main applicant: FASE**

**Title:** Creating fine-tuned hybrid financing packages for social enterprises on a deal-by-deal basis with an orchestrated approach combining different types of donors and investors and integrating a range of financial instruments (Hybrid financing)

**Objectives:** The aim of the project was to create fine-tuned hybrid financing packages for social enterprises. The objectives were: 1) to demonstrate the feasibility and benefits of a coordinated approach to providing social finance by different types of donors, investors and public authorities and 2) to mobilise and commit potential investors to cooperate with a view to finding innovative approaches to financing social enterprises. Reportedly, these objectives have been met.

**Key results:** According to the project, one of the main results is the development of seven hybrid financing models that combine different types of investors and donors to provide support to SEs with outstanding ideas. These SEs often run hybrid business models combining both non-profit and for-profit business elements. The former can be financed with repayable financing instruments, and the latter rely on donations or grants. Hybrid financing models combine these two types of financiers to cover the full spectrum of financial sources and return expectations, from donation-type to investment-type. The models were piloted and tested to provide the social finance sector with blueprints of financing models that could be replicated by other investors and SEs. Among others, the results were the expansion of the investor network in Germany, Austria, Switzerland, France, the UK and Poland and their introduction to the concept of hybrid financing and an open pipeline of investment-ready social enterprises, as well as dissemination efforts (e.g. through the publication of case studies, a final report, conferences, finance roundtables with investors and social entrepreneurs in Austria, Poland, France and the UK).

**Country: Estonia**  
**Main applicant: GDF**

**Title:** Preparatory action for the launch of the social impact bond in Estonia (SIB Estonia 2015)

**Objectives:** The aim of the project was to set up and prepare the successful launch of the first social impact bond (SIB) in Estonia in 2015. The main objectives were 1) to introduce a model of impact investment in the form of SIBs to public and private investors and social enterprises in Estonia and elsewhere; 2) to identify, design and test a specific (finance) model of SIBs suitable for Estonian stakeholders; 3) to identify, test and select the suitable acute social problem for SIBs; 4) to find and prepare SEs as suitable service providers for the launch of the SIB; and 5) to secure final investment from an array of private investors and public entities up to the amount of €500 000. Reportedly, some of these objectives have been met.
**Key results:** According to the project, the main results include introducing SIBs to the Estonian government, potential investors and SEs and generating interest in, and commitment to, to testing such a performance-based financing model in the Estonian context. More specifically, the project developed a framework for implementing a SIB pilot through analysing and selecting a suitable problem area (decreasing adolescent recidivism), finding an appropriate solution (aggression replacement therapy), and finding capable and interested services providers (organisations with relevant experience of working with juvenile offenders). Finally, the project conducted a feasibility study to establish a legal framework that would be operational for the Estonian SIB and a cost-benefit assessment for the chosen intervention. However, the preparations for the set-up of the SIB had not been completed and because its completion required the government to take on multi-year commitments through a public procurement process and to sign a performance-based agreement with a successful bidder. Although investors confirmed their readiness to invest in the model, the deals to raise money had yet to be closed.

**Country:** Belgium  
**Main applicant:** i-propeller  
**Title:** Supporting the demand and supply side of the market for social enterprise finance  
**Objectives:** The aim of this initiative was to fill the gap of missing components in the ecosystem for social enterprises. These gaps affect the ability of the ecosystem to serve the largest number of social enterprises possible, the ease and speed with which entrepreneurs can navigate the ecosystem, and the total amount and matching of financing for social enterprises at all stages of early growth.  
**Key results:** The project reported having mobilised additional capital to support early-stage social enterprise and promote good practice of financial intermediaries in assisting social entrepreneurs. The project also set up a crowdfunding platform from which the first five campaigns raised €56 000. The project has also raised its visibility through media outputs.

**Country:** Italy, Sweden  
**Main applicant:** SEFEA  
**Title:** 3E4SE Funds  
**Objectives:** This project aimed to establish and test a strategy for cooperation among public, ethical, alternative or cooperative funds for the development of specific local/regional financial tools supporting emerging social enterprises led by young people. In addition, the project sought to elaborate a cooperation model at the EU level and boost the promotion of social enterprises by citizens.  
**Key results:** The project reported that its strategy for cooperation between public funds and ethical and alternative or cooperative funds is being developed and implemented locally. The project also reported producing its draft EU MoU, first draft newsletter, and interim evaluation report.
Strand D: Development of investment readiness support for social enterprises

Expected result of the pilot projects under Stand D is an improved (in particular in terms of the quality, quantity or geographical outreach) provision of:

- integrated assistance to social enterprises in delivering a realistic, but effective investment readiness plan.
- assistance in the contacts and negotiations with potential investors.

Source: European Commission (2013, p.9)

The level of achievement reported by Strand D projects was quite diverse. This reflected the considerably different approaches adopted by the projects to improve the provision of assistance to social enterprises; while some projects worked towards establishing and testing a new model of support with a limited number of SEs, others were reaching out to as many SEs as possible. All projects have been working with social enterprises to prepare them to become investment ready through coaching and training and through facilitating their interactions with potential investors.

The main challenge in assessing the extent to which the expected results were achieved by the Strand D projects is the fact that none of the projects reported their results using either benchmarking or control or comparison groups. In other words, the projects did not measure whether the level of investment readiness of SEs had changed as a result of support from the projects, and it is therefore not possible to compare the SEs with which the projects engaged with SEs that did not receive help from the projects. Therefore, the evidence from the projects is lacking as to whether they improved the way in which the assistance was provided to SEs (compared with the regular market offer). The information provided by the projects accounts of the numbers of SEs that the projects worked with. The extent to which expected results were achieved by Strand D projects is outlined in Table 3-6.

Table 3-6 Assessment of reported effectiveness of Strand D projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Extent to which expected results were achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic incubation to ensure investment readiness and sustainable social impact</td>
<td>The project assisted 18 SEs to improve their investment readiness and facilitated their contacts with potential investors.</td>
</tr>
<tr>
<td>Think big</td>
<td>The project developed a concept of an integrated support structure and tools for SEs and tested these with 15 SEs.</td>
</tr>
<tr>
<td>Investment Readiness Programme</td>
<td>The project developed a programme to improve investment readiness among SEs and tested it with eight SEs.</td>
</tr>
<tr>
<td>Investing in our future</td>
<td>The project assisted 70 organisations through ´investment ready´ workshops and engaged with 130 organisations on a bilateral basis; reached more than 750 participants through general events; developed a platform to share resources and case studies.</td>
</tr>
</tbody>
</table>

56 For more on standards of evidence, see Puttick and Ludlow (2013).
The project assisted 13 social enterprises based on the final quarterly report. Results from the cooperation phase between start-ups and volunteers have yet to be evaluated, and the grantee has reported starting a qualification process with financial experts and potential investors. A number of social enterprises have drafted an investment readiness plan.

The project assisted 12 social enterprises, providing training on financial competence and communication skills. Reported that investment readiness training was offered in March 2015. It is not clear whether the objective to arrange meetings between SEs and potential investors was met.

The project recruited 17 SEs and facilitated the establishment of contacts between these and potential investors. It is not clear if the grantee has helped with the investment readiness plans.

NOTE: The assessment was made on the basis of the information available to RAND Europe/Ecorys at the time when this report was drafted.

A synthesis of the main objectives and key results reported by the pilot projects under Strand D is presented below.

**Country:** Hungary, Romania  
**Main applicant:** NESsT Europe

**Title:** Strategic incubation to ensure investment readiness and sustainable social impact

**Objectives:** The aim of the project was to provide long-term incubation support to early-stage social enterprises in Romania and Hungary, helping them prepare for the acquisition of external financing or packages of different types of finance. The main objectives were: 1) to improve investment readiness of SEs that were self-sustainable and ready to scale and to facilitate their access to finance within 12-14 months; 2) to support SEs that were developing proofs of concept to reach sustainability and to position them to receive investments within 2-3 years; and 3) to raise awareness of SEs among investors and encourage them to become engaged. Reportedly, these objectives had been met.

**Key results:** According to the project, the main results include the support provided to 18 SEs by the members of the Business Advisory Network and portfolio managers (through one-on-one mentoring, at the Portfolio Retreat, during Social Enterprise Day in Hungary, during a pitching session in Romania and during additional events). The performance of these SEs was systematically assessed and recorded to provide NESsT with information on: 1) their social impact through the portfolio; 2) their social impact through thought leadership; 3) their sustainability; 4) their communications; and 5) their operations/finance. Among others, the results were the expansion of the Business Advisory Network by seven new members (two of whom came from the traditional investment sector) and the development of an investment plan toolkit. The project helped develop and practice pitch presentations for SEs with investment needs.

**Main applicant:** KIZ

**Country:** Germany

**Title:** Think Big: Social innovation driven by social business and young entrepreneurs

**Objectives:** The aim of the project was to increase the impact of social
enterprises by targeted and faster growth. The objectives were: 1) to generate interest to grow among the social enterprises; 2) to work with them towards their chosen growth strategies; 3) to facilitate opportunities for financing; 4) to develop necessary tools for social enterprises; and 5) to develop a support structure for SEs. These objectives have been largely met.

**Key results:** According to the project, several results were achieved. The project developed a concept proposal for a European support structure (First Point of Contact (FPoC)) and accompanying tools (i.e. Impact Measuring Matrix, Investment Readiness Check, a handbook and e-learning platform) that were piloted with 15 SEs. Also, the project developed a definition of social business for SEs and investors and raised awareness that social business can offer sustainable, cost-efficient solutions to social challenges without (or with more limited) public support.

### Country: the Netherlands

**Main applicant:** Social Enterprise NL

**Title:** Investment Readiness Programme

**Objectives:** The aim of this project was to help more social entrepreneurs find their way to investors and to make sure that their growth ambitions are investor ready. To do this effectively, Social Enterprise NL aimed to strengthen its own current service portfolio, which already included a range of thematic masterclasses, training events and coaching for individual social entrepreneurs, moving these services from knowledge exchange to a more intense learning curve. Reportedly, these objectives had been met.

**Key results:** According to the project, the main achievement related to the improvements in investment readiness of the entrepreneurs participating in the Next Level programme. All eight participants wanted to scale and sought funding to expand their current operations, but initially they were not able to raise sufficient capital. Reportedly, as a result of the programme, all developed: 1) a clear strategy for scale; 2) a commercial plan to deliver on the strategy; and 3) a financial plan and investment case. Overall, the project allowed Social Enterprise NL to test its assumptions, methodology and tools and led to a much greater understanding of what is needed to make social entrepreneurs investment ready. It also helped expand the network of investors for future editions of the (enhanced) programme.

### Country: UK

**Main applicant:** Social Investment Scotland

**Title:** Investing in our future

**Objectives:** The aim of the project was to tackle the multiple layers of barriers to taking on social investment. The main objectives were: 1) to identify and define the marketplace; 2) to raise awareness of social investment; and 3) to increase knowledge, skills and positive attitudes with regards to taking on social investment. Reportedly, these objectives had been met.

**Key results:** According to the project, the main results include a better defined marketplace and improved understanding of the SEs and an increased awareness of social investment among SEs and intermediaries (more than 750 participants were reached in total through various events, 70 organisations attended ‘Investment Ready’ workshops and 130 organisations were engaged with on a bilateral basis). Also, the project developed a platform for sharing
resources (FAQ, case studies of successful social investments, a brochure on social investing and a guide on the new social investment tax relief).

**Country:** Germany  
**Main applicant:** Gemeinnützige Social Impact GmbH

**Title:** Investment readiness for social impact  
**Objectives:** This project was aimed at building up a structure for cooperation among experts from the finance sector. These experts will be encouraged to help social start-ups with the development of financial strategies and plans, as well as assist with access to finance.  
**Key results:** The project outlined that it had held two theme events on the subject of investment and financing for social business. The project reported developing an internet platform to attract financial experts and to facilitate their matching with social start-ups. The project’s start-up programme has been rolled out at other social impact locations.

**Country:** Italy  
**Main applicant:** Sol.Co.

**Title:** Attracting communities towards social enterprise investment (ACT Social)  
**Objectives:** This project envisaged the testing, possibly as a pilot, of a network among the social cooperatives of a specific area — the Valcamonica valley in Lombardia. A financial institution, a university research centre and a cooperative training centre were to work together in order to achieve better on-field knowledge, on the investment side, and growth in appeal, on the demand side.  
**Key results:** The project stated having trained 12 social enterprises in financial competences and communication skills. In addition, they have completed the field research and dissemination activities (through a website and a best practices manual).

**Country:** Spain  
**Main applicant:** Asociación Cultural ONGD Cives Mundi

**Title:** Social entrepreneurship finance tools and support in Europe  
**Objectives:** This project aimed to organise several events about social entrepreneurship in order to create a meeting point for social entrepreneurs, investing experts and institutions and to thus help to identify the needs and appropriate tools for finance. Social entrepreneurs who show a keen interest receive an incubation, development and launching program for their business idea.  
**Key results:** The project reported developing a cluster of support for the initiatives in social innovation. Further, social entrepreneurs participating in the team’s intervention have managed to increase their collaboration with Spanish public institutions. However, the project did not manage to help social enterprises to choose financial instruments appropriate to their needs.

**Final considerations**

Before we conclude this section, it is useful to reflect on the level of evidence that can be provided to support the level of effectiveness of pilot projects.
Adapted from Puttick and Ludlow (2013) and the European Platform for Investing in Children (EPIC) (2013), the following levels of evidence can be established (see Figure 3-6):

- **Plausible explanation.** The evidence collected describes the intervention and the logical chain of what it does, why and how. Projects are able to explain how impact occurs by providing a logical, strong and plausible explanation of why an intervention could have an impact. All of the pilot projects provided a plausible explanation for their results (and, in some instances, impacts).

- **Demonstrated change.** The evidence collected demonstrates observable changes but fails to prove that these occurred due to the intervention. While it is possible that these changes may indicate an effect of the intervention, they do not evidence direct causality. Most of the projects provided evidence for achieved results (partnerships established, SEs supported, deals closed). Yet, often these results form only intermediary elements to long-term effects (such as improved access to finance).

- **Proven causality.** The evidence demonstrates that the changes occurred due to the intervention. This usually requires an evaluation that would rely on control or comparison groups (for Strand D projects) or alternative methods, such as a theory of change or contribution analysis (for projects under Strands A, B and C) to isolate the effect of the intervention. Such an evaluation would explain why and how the intervention caused (or contributed to) the observable changes. Such an evaluation would also assess whether the intervention delivers impact at a reasonable cost, making it more likely to be replicated. Such a robust impact evaluation\(^{57}\) was neither planned by individual projects, nor envisaged as part of this contract.

- **Enduring impact.** The evidence collected includes the results of a follow-up evaluation conducted sometime after the intervention came to an end and still showing positive outcomes. Given that some time needs to pass for impacts to occur, it is too early for many projects to expect (lasting) impacts at this point in time.

- **Transferability.** The evidence collected includes results of an additional evaluation of a scaled-up or replicated intervention, as well as manuals, procedures and critical success factors that allow for a successful replication of the intervention in other contexts. The evidence demonstrates that the intervention could be successfully implemented by others, on a wider scale, or in different situations. This aspect is discussed in Section 3.3.2 below.

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\(^{57}\) Impact evaluation examines the result of the intervention and attempts to provide an objective test of what changes have occurred and the extent to which these changes can be attributed to the intervention (see European Commission 2015b).
There is a large appetite for so-called best or evidence-based practices in developing social finance markets. Methodologies to identify these practices usually examine and compare effectiveness,\(^58\) transferability\(^59\) and sustainability of impacts\(^60\) — see, for instance, the evidence-based practices used by the European Platform for Investing in Children (EPIC 2013). Depending on the extent to which these criteria are met, interventions are categorised as ‘best’, ‘promising’ or ‘emergent’. It would be helpful to evaluate impacts and sustainability of solutions adopted by the pilot projects and establish whether and which of them developed best or promising practices. This would inform and facilitate decisions of future investments in developing the social finance market.

Summary conclusion
Research question 5: To what extent have the pilot projects managed to reach the planned objectives? What are the main outputs and results achieved?

Overall, it can be concluded that the expected results across all four strands have been largely achieved. There is also some evidence suggesting that projects under Strand A and C often required more time after the funding from the EC has finished to conclude the process of building partnerships and making the collaborative funding models fully operational.

In Strand A, five out of six projects delivered expected results (they signed or at least drafted a MoU, with some of the agreements being finalised at the time of reporting) and another project established a partnership through forming a taskforce. All projects reported having met their planned objectives at least partially.

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\(^{58}\) Effectiveness criteria would include the use of comparison groups, statistical significance, effect size, sample size, outcomes and attrition. See the evidence-based practices used by the European Platform for Investing in Children (EPIC 2013).

\(^{59}\) Transferability criteria would include replication in at least one additional setting beyond the original intervention, as well as availability of practice materials.

\(^{60}\) Sustainability of impact criteria would look for results of a follow-up conducted for a particular intervention.
In Strand B, some projects reported having signed legal agreements (one), developed investment strategies (two), and concluded contractual arrangements (one) that were needed to make these instruments fully operational. All projects reported having met their planned objectives at least partially, although the process of establishing financial instruments has not yet been completed for all.

In Strand C, two projects reported, respectively, having signed a MoU or having drafted a MoU and awaiting feedback from partners on the draft. Another project reported having signed funding models for SEs (instead of a MoU), and the remaining project has not drafted its MoU. All projects reported having met their planned objectives at least partially.

Finally, all Strand D projects designed their investment readiness programmes and/or structures and piloted these with a number of SEs. Reportedly, these programmes and/or structures were successful in facilitating access to finance for SEs, and in one case the programme allowed the project to reach a large number on SEs from remote areas.

3.3.2 Transferability of results

Research question 6: Can the approach taken by the pilot projects be used by others? What are the critical success factors?

Initial considerations
The available evidence points to a plethora of outputs produced by the pilot projects that represent the direct products of projects’ activities. These outputs include: analytical reports, meetings with (potential) collaborators, documentation necessary for setting up new instruments and financing models, guides and resources on social finance for SEs and investors, training sessions delivered and a number of events organised to bring together SEs and investors. The majority of the pilot projects delivered activities and outputs that aimed to affect both the demand and supply sides of the social finance market (rather than focusing exclusively on one dimension of the problem area).

These outputs led to a number of results expected by the call, such as a signed MoU, collaboration agreements, new instruments and models set up and tested, and these contributed to a better understanding of market needs and a better awareness of social finance among SEs and of SEs among (potential) investors. In the longer term, these results were hoped (by the projects) to contribute to better matching of supply of and demand for social finance.

A combined and simplified logic model of pilot project interventions was reconstructed by the team based on the call and project documentation (see Figure 3-7). It is presented below to help structure thinking about future interventions of a similar nature and to facilitate an evaluation of the projects’ ultimate objectives and impacts.
Figure 3-7 A combined and simplified logic model of the pilot project interventions

NOTE: Dotted lines represent less evident (or less expected) results and impacts.
Extent to which results of the projects are transferable to other regions/countries

Of the 21 projects, 19 reported that their initiatives could be replicated, while 1 project stated that its experience is not transferable and 1 project was not sure about transferability.

Assessments of transferability can be structured according to two questions:

- **Has the project proved effective?** While unsuccessful interventions might offer important lessons for others, if an intervention was effective in developing social finance markets in one setting, one can at least hope it could be effective elsewhere. Most of the pilot projects claimed that their approach was successful (see Section 3.3.1), which may provide a sufficient incentive to organisations that face similar problems to follow their example.

- **How does one ensure the same level of success?** In developing social finance markets, the context in which interventions are implemented is extremely important. Therefore, what worked in one country might not be appropriate in another. The availability of project materials (handbooks, manuals, project documentation, curriculum, etc.) that explain in sufficient detail the implementation process, assumptions and conditions that need to be in place for the project to be replicated are essential for assessing transferability (see, for instance, Figure 3-8). Not all projects that claimed that their results could be replicated provided satisfactory explanations or evidence to show how this could be done. Information from those that did is synthesised below.

Critical success factors, enablers and lessons learned

In order to facilitate the adoption of similar approaches by other initiatives, the pilot projects provided information on critical success factors (CSFs). Defined by Johnson and Friesen (1995, p. 5), CSFs are the few things that must go well to ensure success for a manager or an organization, and, therefore, they represent those managerial or enterprise areas that must be given special and continual attention to bring about high performance. CSFs include issues vital to an organization’s current operating activities and to its future success.

Some of the identified CSFs were common to more than one project, while others were specific to a particular context or to a solution adopted (this distinction is maintained below). Among the common factors critical to success of similar initiatives, the projects reported:

- **Establishing strong networks.** Projects operating both on the supply and on the demand sides believed this factor was particularly important. The former emphasised the need to engage actors operating on the supply side, to build (or expand) a regional network of impact-oriented investors, and to understand their preferences in order to match them with individual SEs. Evidence from the projects indicates that such networks, if not present already, should be developed as soon

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61 Reported by six projects.
as possible in the life of a project to provide market intelligence and mitigate risks during the implementation of future initiatives; in the long term, these networks could also contribute to projects’ sustainability. On the demand side, projects highlighted the benefits of drawing on expert networks to reach out and provide investment readiness support to SEs.

- **Matching private and public funding.**\(^{62}\) According to projects, both types of funding were needed. The projects noted that there was a strong reliance of SEs on public support in some countries and that few impact investors willing to provide early-stage (and higher-risk) financing. Pooling resources from public and private investors not only increases the overall level of funding available, but also facilitates a better match between investees and investors by allowing them to finance different stages of development or different business models that are more suitable for grants or repayable forms of financing, respectively.

- **Recognising the role of intermediaries.**\(^{63}\) The projects called for recognising and strengthening the role of specialist intermediaries that link potential investors and donors on the supply side with SEs on the demand side. Intermediaries were considered to be an important factor contributing to the successful development of social finance markets. This is well illustrated by the following opinion:

Identifying partners early on was vital. We cannot get to 3,500 social enterprises ourselves but there are a number of intermediaries ... [and] we had meetings with all of them. (Pilot project, Strand D)

- **Mitigating for high transaction costs.**\(^{64}\) To avoid high transactions costs, many investors move to late-stage (and less risky) investments. This widens the financial gap for early-stage SEs. According to the pilot projects, public and/or philanthropic capital was needed for SEs themselves and for intermediaries that operate in this niche market at high transaction costs (see more on this in Section 3.2.3).

- **Addressing supply and demand — two sides of the same coin.**\(^{65}\) Some projects called for developing financial and non-financial support in parallel, as they considered both aspects equally important. This is well illustrated by projects developing new financial instruments that dedicated efforts and resources to identify investees that might be interested in their products (e.g. TISE). The same applies to projects providing investment readiness support that complement their efforts with facilitating access to finance.

- **Securing high-level support.**\(^{66}\) A number of projects noted the importance of government support, well-established organisations, and

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\(^{62}\) Reported by five projects.  
\(^{63}\) Reported by three projects.  
\(^{64}\) Reported by two projects.  
\(^{65}\) Reported by three projects.  
\(^{66}\) Reported by three projects.
buy-in from high-level officials. For many of the initiatives, changes at a political level could affect their success. As practical suggestions, projects pointed to: involving high-level officials early on in the process, focusing on the level unlikely to be affected by political elections, keeping up to speed with political developments, and setting up meetings well in advance to fit them into busy agendas.

Some examples of project-specific factors that can decide the success or failure of future similar initiatives are provided below.

Figure 3-8 Examples of specific critical success factors detailed by the pilot projects

FASE — Hybrid financing
Critical success factors for replicating this approach identified by the project:

- low complexity of the developed financing models so that a wide range of financial instruments can be integrated into customised investment packages;
- affordable transaction costs of such a coordinated approach;
- general openness of SEs and impact-oriented investors to replicate the identified financial instruments and role models;
- adequate legal frameworks and low costs for model adaptation of transferring the financing models from the pilot region (Germany) to other European jurisdictions.

The process to follow:

- Build a regional network of impact-oriented investors.
- Understand the preferences of each investor in order to match them with individual SEs.
- Select potential SEs.
- Consult SEs on their business model, business plan, suitable financing instruments and structures.
- Prepare a teaser for investors.
- Support SEs in preparing the documentation necessary for the investment process.
- Identify potential investors and moderate discussions between SE and investor(s).
- Obtain an investment proposal.
- Support SE in the in-depth examination by investor (due diligence), in negotiations, and then in finalising legal and tax arrangements.

GDF — SIB Estonia 2015
In selecting a social issue to be addressed by a SIB, one needs to map the entire ecosystem around it:

- The supply side has to be screened for potential service providers (because without them the concept fails).
- Potential interventions need to be evidence based (otherwise the project might be too risky for the government and investors).
- The current costs of the social problem to the government as well as the costs of the potential intervention need to be known (as these need to be compared to make a business case to the government).
- The legal framework has to be feasible for the government to make a commitment.
As all these elements have to fit together, the project has to work on these activities in parallel, rather than in sequence.

### Social Enterprise NL — Investment Readiness Programme

- The provider of the model training programme must be a network organisation with access to large networks of:
  - expert coaches who can invest significant time and can be matched with SEs according to their specific needs;
  - other contributors and stakeholders willing to commit to the project and provide their expertise at some of the programme’s sessions.

While the Next Level programme had no blueprint or documentation about how it was run, the project was willing to share its experience and know-how. The project advised that the process to be replicated by others wanting to try this approach is as follows:

- Evaluate the programme and costs to determine the feasibility of replication in another country.
- Find a sponsor (if necessary).
- Translate marketing materials and approaches into the language of the participants.
- Test the market by setting up a website and asking a few SEs for feedback and expression of interest.
- Identify a programme director, speakers and a core set of trainers/coaches.
- Take a final go/no go decision.
- If the decision is affirmative, implement the programme.

The projects emphasised that developing finance markets is a long-term process. It requires continuous (rather than one-off) funding. It is time and resource intensive (requiring calls for a number of multilateral and bilateral meetings to design financial instruments, strategy, etc.). And it necessitates specific knowledge, skills and expertise, including:

- **Good knowledge and understanding of impact investing.** Understanding the mechanisms of social finance, reasons for different risk appetite, return expectations, transaction costs, and more, as well as possible strategies and tactics to overcome these were considered essential for an effective implementation of similar projects. According to the projects, good practices developed by others and sharing experiences on effective solutions were essential to address this knowledge gap. Among some practical suggestions for mitigation strategies, two projects emphasised good preparations (strong business cases, well pre-structured investment opportunities, proof of concept for investments exceeding a certain monetary value, explanation of the match with investors’ strategy and values) in order to attract impact investors.

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67 Reported by three projects.
- **Familiarity with regulatory frameworks.** The projects generally agreed that the institutional and legal frameworks in each country bore important implications for the feasibility of applying similar solutions in other countries. According to some projects, this called for a solid understanding of regulatory frameworks, necessary adaptations or alternative solutions that need to be employed to successfully transfer practices from abroad. For instance, one project had to learn about the crowdfunding context in Belgium, including the operational specifics of setting up a crowdfunding site, payment arrangements, fraud and anti-money laundering protections, other legal disclaimers and privacy requirements. However, this specific approach would have to be adjusted to regulatory frameworks in other countries where a crowdfunding platform for SEs has not yet been established. It is useful to keep in mind that pro-bono legal and tax advisors could sometimes help to adapt the chosen solution to the specific legal framework.

- **Awareness of context-specific issues faced by the social enterprise sector.** According to some projects, interactions with stakeholders in the sector were critical to understanding their context-specific needs and the challenges faced by SEs. The projects emphasised that they had gained a better understanding of the sector through the implementation of their projects. One project underlined the importance of distinguishing the issues faced by (all) entrepreneurs — caused by the overall economic situation — from the challenges specific to SEs. Another project pointed to building trust and working for the benefit of individual SEs, to address specific issues they faced, including signposting them to other funders if and when appropriate, listening to their needs and adapting services and products offered, and meeting SEs on terms and at times and places that suit them best.

- **Ability to draw on a diverse range of expertise.** The projects pointed to networking events that provide opportunities to identify relevant partners and form alliances with other stakeholders. One interviewee emphasised the ability to find people with a varied background and different types of expertise as critical to their success. For example, one project that developed an impact fund for social enterprises considered developing relationships with other initiatives aiming to improve investment readiness of SEs, in order to secure a pipeline of potential investees for their instrument.

- **Ability to communicate clearly.** Given information asymmetries between investors and SEs, two projects stressed the importance of clarifying to social entrepreneurs the principles and possibilities of social finance in simple terms to facilitate their decision on taking up (or not taking up) this form of funding. Another project pointed to fluency in English or another common language, which was considered necessary for pitching to international investors.

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68 Reported by four projects.
69 Reported by four projects.
70 Reported by two projects.
Some projects pointed to additional resources, such as a knowledge centre, learning platforms and examples of social impact investing from continental Europe, as further enablers of their success. A number of projects took stock of their learning and the materials they had developed and made them publically available; this practice was most common among Strand A and Strand C projects. Examples of some final publications are provided below in Figure 3-9.

Figure 3-9 Materials documenting projects’ experiences

<table>
<thead>
<tr>
<th>Strand A</th>
<th>Strand B</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Handbook: Launching an Impact Investing Fund in Italy&lt;sup&gt;71&lt;/sup&gt;</td>
<td>• Presentations: Training for cooperatives; Training for non-profits; Citizen workshop&lt;sup&gt;76&lt;/sup&gt;</td>
</tr>
<tr>
<td>• A Blueprint for Portugal’s Emerging Social Investment Market&lt;sup&gt;72&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>• Report on the Field Study on the Greek Social Enterprises Financial and Funding Needs&lt;sup&gt;73&lt;/sup&gt;</td>
<td></td>
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<tr>
<td>• Guide concrete steps other organisations (in Greece/in other EU Member States) could do in order to replicate the pilot project&lt;sup&gt;74&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>• Closing the Gap — Developing a New Financing Vehicle for Social Ventures in Germany&lt;sup&gt;75&lt;/sup&gt;</td>
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<tr>
<th>Strand C</th>
<th>Strand D</th>
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<tr>
<td>• Creating Collaborative Funding Models for Social Enterprises: How Fine-tuned, State-of-the-Art Hybrid Financing Packages Can Build Bridges and Channel More Investment Capital into the Social Entrepreneurship Sector&lt;sup&gt;77&lt;/sup&gt;</td>
<td>• Description of the Investment-Readiness Check (IRC) and Impact Measuring Matrix v. 2.0&lt;sup&gt;80&lt;/sup&gt;</td>
</tr>
<tr>
<td>• Social Impact Bonds: Feasibility Study on Implementing Social Impact Bonds in Estonia: Final Report and Lessons Learned&lt;sup&gt;78&lt;/sup&gt;</td>
<td>• Spanish Social Entrepreneurship Immersion Program (second edition)&lt;sup&gt;81&lt;/sup&gt;</td>
</tr>
<tr>
<td>• Guideline to set up Local Memorandums (draft)&lt;sup&gt;79&lt;/sup&gt;</td>
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<sup>71</sup> Sgaragli et al. (2015).
<sup>72</sup> Portuguese Social Investment Taskforce (2015).
<sup>73</sup> SES Net. Project documentation, unpublished, no date.
<sup>75</sup> Choi and Mummert (2015).
<sup>76</sup> Réseau Financité. Project documentation, unpublished, no date.
<sup>77</sup> FASE (2015).
<sup>78</sup> GDF (2015).
<sup>79</sup> 3E4SE. Project documentation, unpublished, no date.
<sup>80</sup> KIZ. Project documentation, unpublished, no date.
<sup>81</sup> El Hueco (2015).
Summary conclusion

Research question 6: Can the approach taken by pilot projects be used by others? What are critical success factors?

The self-reported data suggest that the vast majority of the projects felt that their approaches and solutions could be applied by similar initiatives in other regions or countries. However, only in some instances were these approaches and solutions well documented (although all projects claimed to be open to sharing their experiences with others).

As we explained in Section 3.3.1, transferability of solutions and programmes requires evaluation evidence of an effectively scaled-up or replicated intervention, and it requires project documentation that allows for a successful implementation in other contexts. The pilot projects provided evidence that facilitates replication of their approaches by others, yet this has not taken place. In fact, some of the approaches adopted by the pilot projects were replicating other practices. SIBs in Estonia and Portugal are a good example of adapting an existing solution to new contexts or problems. Similarly, the approach taken by NESsT has been replicated by the organisation in several different settings as well.

The available evidence shows that, in some instances, approaches adopted by the pilot projects were well explained and able to demonstrate achieved (short-term) results.

The projects have identified what they consider to be a range of critical success factors that can help in replicating similar initiatives across Europe. These included: building on strong networks, matching private and public funding, strengthening intermediaries, mitigating for high transaction costs, addressing both supply and demand and securing high-level support for similar initiatives. A specific skill set and expertise could further enable the success of future projects.
3.4 Lessons learnt

3.4.1 Characteristics of effective investment readiness support for social enterprises

Research question 7: What are the characteristics of effective investment readiness support for social enterprises?

This research question relates to projects under Strand D that focused on strengthening the investment readiness of SEs through improving the provision of assistance to SEs in terms of quality, quantity or geographical outreach. In particular, the question looks at the characteristics of such support that make it effective, referring to the effectiveness criterion presented in Section 3.4.1 and seeking to explore conditions that make investment readiness programmes suited for SEs’ needs and successful in delivering the support.

To answer this question, the team looked at self-reported information on recruitment and selection relating to investment readiness programmes developed by the pilot projects, as well as the support offered and indicators of success. Where relevant and appropriate, this information is supplemented by and compared with approaches identified in the literature.

Defining investment readiness support

Investment readiness support aims to bring a social enterprise to a stage where it has the systems, processes and business model to be able to attract investment (Big Potential, n.d.a). This could include a wide range of services, such as providing an interim finance director; service testing; standardised due diligence packs (business plan, accounts, legal information, etc.); providing training, coaching, and mentoring; as well as facilitated access to investors. Investment readiness programmes may take the form of non-financial support or of grants provided to buy necessary business support. They can be provided on a one-to-one basis or through group work.

The European Venture Philanthropy Association (EVPA) defines non-financial support as ‘the support services VPOs [venture philanthropy organisations] offer to investees (SPO)[social purpose organisations] to increase their societal impact, organisational resilience and financial sustainability, i.e. the three core areas of development of the SPO’. These three areas are explained in Table 3-7.

The provision of investment readiness support varies among countries. According to the EVPA, non-financial support is offered by a majority of venture philanthropy organisations. In the UK alone there are over 30 providers of support approved by the Investment and Contract Readiness Fund

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82 Boiardi and Hehenberger (2015).
83 Hehenberger et al. (2014).
One of the most well-known programmes of investment readiness support in the UK is the Big Venture Challenge.\textsuperscript{86}

<table>
<thead>
<tr>
<th>Social impact</th>
<th>The social change on the target population resulting from an SPO’s actions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial sustainability</td>
<td>The assessment that an SPO will have sufficient resources to continue pursuing its social mission, whether they come from other funders or from own revenue-generating activities.</td>
</tr>
<tr>
<td>Organisational resilience</td>
<td>The assessment of the degree of maturity of an SPO, in terms of the degree of development of the management team and organisation (governance, fund-raising capacity etc.)</td>
</tr>
</tbody>
</table>

\textit{SOURCE: © EVPA, Boiardi and Hehenberger (2015)}

The information provided below draws on two main sources: 1) experiences of the pilot projects under Strand D and 2) recent publications on investment readiness support for SEs (including Boiardi and Hehenberger 2015; Ronicle and Fox 2015).

Below, we present a synthesis of different approaches adopted by the pilot projects, highlighting the unique characteristics that are considered to have contributed to their effectiveness. However, it should be noted, as we mentioned earlier, that the data presented here are limited to information self-reported by the pilot projects (see Section 3.3.1).

Recruitment and selection

The pilot projects under Strand D presented diverse approaches to supporting the investment readiness of SEs. Some attempted to develop a model of support to be tested with a limited number of SEs (e.g. KIZ, Social Enterprise NL), while others aimed to reach out to as many SEs as possible, to make them aware of social investment and, if appropriate, provide relevant support in securing it (e.g. SIS).

These differences had implications for how many SEs were recruited and selected to participate in the programmes and in what manner, with the pilot projects supporting or engaging with between 15 and more than 130 organisations. The criteria used to select participants varied as well, with some projects looking for SEs that had passed the proof-of-concept stage and that

\textsuperscript{84} The ICRF is a £10 million fund, managed by the Social Investment Business on behalf of the Office for Civil Society, that aims to ensure that social enterprises are better prepared to secure investments and compete for public service contracts. For the list of providers, see: http://www.beinvestmentready.org.uk/providers/

\textsuperscript{85} The Big Potential is a £10 million fund launched by The Big Lottery Fund in 2014 to help charities and social enterprises get investment ready. For the list of providers, see: http://www.bigpotential.org.uk/directory

\textsuperscript{86} The Big Venture Challenge, an intensive, 12 month programme funded by the Big Lottery Fund and run by UnLtd, is designed to help raise external investment (debt or equity) of between £50,000 and £500,000. For more information, see: https://unltd.org.uk/bvc/
had a viable business plan, and other projects looking for more inclusive initiatives, allowing any third sector organisation interested in improving their investment readiness. Some examples of the criteria used are presented in Figure 3-10 below.

Figure 3-10 Approaches to recruitment and selection of social enterprises to investment readiness programmes

NESsT followed a structured system for assessing applications to its investment readiness programmes. Early-stage initiatives and enterprises were targeted by specific calls, and applications were assessed according to the following three criteria:

- the social impact of the idea;
- the viability of the business case;
- the strength of the team.

In a first stage of preparation, NESsT worked together with the selected initiatives and pro-bono experts to develop a business plan for the beneficiaries. In a subsequent stage, these business plans were pitched to NESsT’s business advisory panel and external experts. The results of these marketing presentations and an assessment of the scaling potential of the ideas determined which initiatives were invited to make up part of the portfolio, where they would be supported for several years. The grantee indicated that about 40% of the applicants were invited to take part in the business planning stage and approximately 25% of the original applicants were invited to the portfolio.

Two other projects, by Cives Mundi and Sol.Co, actively searched for SEs to be included in their portfolios, rather than screening applications. Interested SEs were identified through networks, in-person meetings, social media platforms and social innovation competitions.

The selection criteria for participating in the programme included the full-time commitment of at least one employee of the applicant. Cives Mundi also indicated it was seeking:

- innovative entrepreneurs aiming to address social problems;
- entrepreneurs who have prospects of becoming economically sustainable;
- businesses with the potential to scale up or be replicated.

Support needed and offered

The available literature encourages investment readiness to be viewed as a journey and stresses that providers of investment readiness support need to be clear about which part of the journey they are ready to join (Table 3-8). In order to establish where the main challenges for selected SEs were placed, a number of the pilot projects conducted a needs assessment. For instance, KIZ87 dedicated the first phase of its programme to individually assessing the needs in order to customise the investment readiness support provided in the remainder of the programme (see more below). A number of practical tools, including

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87 Reported by four projects.
different needs assessment tools, developed by EVPA are included in the recent publication by Boiardi and Hehenberger (2015).

Table 3-8 Investment readiness journey

<table>
<thead>
<tr>
<th>Key needs</th>
<th>Blueprint</th>
<th>Validate</th>
<th>Prepare</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation capability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy development and</td>
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<tr>
<td>business planning</td>
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<tr>
<td>Talent networks</td>
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<tr>
<td>Seed funding</td>
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<tr>
<td>Operationalisation of the</td>
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<tr>
<td>model</td>
<td></td>
<td></td>
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<tr>
<td>Focus on cost, value</td>
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<tr>
<td>and pricing</td>
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<tr>
<td>Learning orientation and</td>
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<tr>
<td>flexibility</td>
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<td></td>
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<tr>
<td>Innovation capability</td>
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<td></td>
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<tr>
<td>Funds to facilitate</td>
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<tr>
<td>market trials and refinement</td>
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<tr>
<td>Support to SEs with concepts</td>
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<tr>
<td>to develop into a product</td>
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<tr>
<td>or service</td>
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<td>Support to SEs with an</td>
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<tr>
<td>investable product or</td>
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<tr>
<td>service to help develop an</td>
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<tr>
<td>investment readiness strategy</td>
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<tr>
<td>and plan</td>
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<tr>
<td>Support to SEs to measure</td>
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<td>and improve their</td>
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<tr>
<td>social impact and</td>
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<td>demonstrate it to</td>
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<tr>
<td>investors</td>
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<tr>
<td>Support to SEs that are</td>
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<tr>
<td>almost investment and</td>
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<tr>
<td>contract ready but</td>
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<td>need some</td>
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<tr>
<td>technical support</td>
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<td>to secure a</td>
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<tr>
<td>specific investment or</td>
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<tr>
<td>contract opportunity</td>
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</table>

SOURCE: Based on ICRF (n.d.); Koch et al. (2012); Ronicle and Fox (2015)

Providers of investment readiness support usually specialise in certain areas and rarely cover the full spectrum of possible assistance, which could include:

- business planning to develop or scale services;
- collecting evidence for product development;
- developing and creating vehicles for social investment;
- developing products and services;
- drawing in appropriate talent and skills;
- improving governance and partnership working;
- improving reporting and controls;
- improving sales and marketing plans;
- improving social impact measurement;
- engaging in marketing, promotion and networking with investors and others;
- planning and structuring investment deals;
- strengthening financial modelling;
• strengthening managerial/financial capability;
• providing support in bidding for a contract;
• providing support with increasing trading income.88

The assistance provided by the pilot projects largely occurred in the following areas: business advice, performance management and social impact, communication and branding, strategies for scale, a commercial plan, a financial plan and an investment case. Some examples of the format and content of the support are presented below:

• KIZ developed a model that offered support over 17 months in total. During the two-month orientation phase, three discussions with a coach were provided to analyse the situation, finalise business ideas and make decisions on the further course of action. During the three-month concept phase, each SE was provided with 10 discussions with a coach on its business plan, on impact measurement and on finance. This was complemented with one-day workshops to explore these issues in a wider group of SEs. The 12-month implementation phase included monthly progress reviews with a coach, who also facilitated contacts with potential investors. This was complemented by a series of half-day workshops dedicated to sales, leadership and success. Throughout the 17 months’ duration of the project, the participants had access to an e-learning platform (ELLI — social business), an online community, and moderated monthly group meetings (held for two hours in the evenings).

• Social Enterprise NL designed the Next Level Programme, which ran for three months and which offered five intensive, full-day sessions. The programme involved group work and individual sessions with coaches and meetings with investors. During the program, SEs developed a strategy for scale, a commercial plan to deliver on the strategy, a financial plan and an investment case. One-on-one support and the active engagement of coaches, who could also act as liaisons to their investor networks, were considered to be particularly important.

• Sol.Co. offered training on financial tools and business planning in a 140-hour course. The training also addressed such topics as communication and social reporting. In addition, the programme offered a package of 80 hours of coaching for the boards of social cooperatives.

• NESsT provided three types of support: 1) financial; 2) capacity-building; and 3) social capital (networking). Goals and progress in these three areas were assessed through a balanced scorecard approach. Each SE was coupled with a portfolio manager from NESsT and, depending on its needs, a pro-bono member of the Business Advisory Network (BAN). In addition to these individuals, in some cases a business professional was made available to offer additional mentoring (e.g. for reviewing loan applications). The SEs participating in the programme also benefit from yearly portfolio retreats, where SEs worked together with invited experts and BAN members.

• Cives Mundi offered a programme consisting of 11 sessions to explore and finalise strategies and business models, a dedicated tutor to monitor

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88 The list draws from the categories identified by Big Potential (n.d.b).
progress and assist in identifying financing opportunities, mentors and experts available to provide specialised advice (on issues related to commerce, tax, accountancy and more) on a needs basis. Cives Mundi also facilitated access to a wider network of investors and stakeholders.

More examples of different delivery models, as well as their advantages and disadvantages, are presented by Boiardi and Hehenberger (2015, pp. 93-4).

According to the pilot projects, the most valuable areas of support included knowledge about financial tools, along with the development of business skills, such as sales skills and a scaling strategy, and the assessment of business models.89 This is in line with the recent findings from an evaluation of the ICRF in the UK that highlighted areas where investment readiness support added the most value (Ronicle and Fox 2015). These included:

- improved quality of the quantitative aspect of bids, such as financial modelling, providing accounts of financial performance and structuring investments — making these aspects more robust and articulating them better;
- confidence in tough negotiation gained through reliance on more accurate business models (or the presence of the support provider at the negotiations);
- better understanding of the markets thanks to advisors liaising between SEs and investors and ensuring that both sides fully understand each other.

The pilot projects noted that some characteristics of the support provided had an impact on the effectiveness of a project. These included: duration of the support, quality of trainers, a good match between a trainer and a SE, flexibility in arranging training sessions and workshops, and commitment from participants.

Among the factors influencing the delivery of investment readiness programmes, EVPA listed the investment focus, the co-investing policy and the size of the investment (Table 3-8Table 3-9). However, the team does not have sufficient evidence from the review of the pilot projects to confirm these findings.

Table 3-9 Strategic factors influencing delivery

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
</tr>
</thead>
</table>
| Investment focus | Geography: The level of economic development, ecosystem and institutional settings, administrative boundaries and proximity to SEs shape the support provision and might affect its delivery.  
Sector: Generalist programmes and providers may struggle with sometimes sector-specific needs where SEs need to be supported, while support with a narrow focus might miss addressing some basic issues. |
| Co-investing     | Co-investors might complement and broaden the range of support offered and add value.                                                                 |

89 Reported by two projects.
Measuring performance of investment readiness programmes

Differences in the forms and content of the support provision, as well as the lack of uniform indicators for the performance of investment readiness programmes, make comparisons among different models used by the pilot projects very difficult.

The pilot projects provided suggestions and thoughts on the possible indicators, such as: number of successful investments, satisfaction of the investee with the size of the investment, or social impact of the investment. One project also noted that the number of pitches (marketing presentations), even if the pitches did not lead to an investment could be an appropriate indicator for early-stage support programmes. This is because the unsuccessful pitches could have positive effects (e.g. led to new ideas and partners, understanding of the context relating to financial/investment tools, understanding the number of financing organisations that have an interest in the project based on the demonstrated good practices).

Another project suggested the need for indicators based on the failure rate, existence of economic and financial plans approved by the venture capital partner working with the SEs, number of pitches given and number of deals closed (even if the value of the investment raised was not high).

The pilot projects also noted the possibility of using willingness to pay (or contribute to) the support received as an indicator of the quality, suitability and affordability of the services. One project reported charging a small amount for its services to underline their value, although sometimes the payment could be made in kind (for example, by providing expertise or peer support for other SEs). Another project linked payments to progress made by each SE. If the SE achieved its milestones, it paid increments in the fees; otherwise the provider would cover the cost.

However, some projects believed that charging the full costs was not feasible and sometimes went against the mission of the providers, as support to SEs also fulfilled their social goals. This view is supported by the findings of a recent evaluation of the ICRF, which suggest that although SEs might not be able to pay for investment readiness support at present, there was a strong appetite for applying for support where SEs contribute towards some of the costs.

A comparison of different models of support offered through some of the UK programmes is presented below (Table 3-10). The results are only available at an aggregated level (i.e. information on the performance of individual providers of investment readiness support is not available). The need for comparing performance among the individual providers was also one of the most

| Size of ticket | The size of the financing, the value of non-financial support provided and the influence over the social purpose organisation should be aligned to provide an effective mix. |

**SOURCE**: Based on © EVPA. Boiardi and Hehenberger (2015)

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90 Supported by participants to W4 (the team does not have a record of how many workshop participants made – or agreed with – this point).

91 Ronicle and Fox (2015).
important conclusions by Hazenberg (2015, p. 9), who called for a more robust evaluation of providers’ performance.

Table 3-10 Comparison of the performance of three UK investment readiness support funds

<table>
<thead>
<tr>
<th></th>
<th>Investment and Contract Readiness Fund (ICRF)</th>
<th>Big Venture Challenge (2011-2012 pilot)</th>
<th>Big Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value</td>
<td>£13.2 m</td>
<td>£625 000</td>
<td>£1 m</td>
</tr>
<tr>
<td>Form of support</td>
<td>Grants</td>
<td>Match funding (partly repayable)</td>
<td>Grants</td>
</tr>
<tr>
<td>Supported SEs</td>
<td>155</td>
<td>25</td>
<td>32 (plus 13 pending)</td>
</tr>
<tr>
<td>Results</td>
<td>• 50 % (78) secured at least one contract or investment</td>
<td>• 48 % (12) secured investment deals</td>
<td>• Not available yet</td>
</tr>
<tr>
<td></td>
<td>• £233 m raised in contracts and investments</td>
<td>• £1.8 m raised in investments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• VfM: £18 for every £1 invested</td>
<td>• VfM: £3 for every £1 invested</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 35 % increase in the aggregated quarterly turnover across the social ventures</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: VfM — Value for money
SOURCE: Based on Hazenberg (2015); Ronicle and Fox (2015); UnLtd (n.d.)

These programmes differ from the models developed and implemented by the pilot projects under Strand D in that the EC funding allowed the pilot projects to experiment with different forms of investment readiness support. As such, the pilot projects offered alternative models of assistance. The team recommend that their effectiveness should be independently evaluated to determine more and less promising ways of providing such support and the associated costs, which are important factors when considering replication of these models in other settings (see Section 3.3.2).

Summary conclusion
Research question 7: What are the characteristics of effective investment readiness support for social enterprises?

The available data on the effectiveness of investment readiness support provided by the pilot projects and on the factors that determine effectiveness are somewhat limited in that they relate to perceptions and opinions of the participating pilot projects. However, based on this and additional evidence from the recent literature, it can be concluded that:
There is no-one-size-fits-all type of investment readiness support; different models are available and they each have their advantages and disadvantages (e.g. breadth vs. depth of assistance provided, structured training programmes vs. grants to pay for entirely customised business support on the market).

The available indicators and benchmarks for investment readiness support are limited to a few funds that provide grants to SEs to pay for customised assistance from a range of (social finance) market providers, but this is still emerging evidence. These indicators show success rates of approximately 50% in securing investment and positive returns on invested funding.

There was broad agreement among the pilot projects and findings from recent research that, in order to be effective:

- **Investment readiness support has to be flexible and tailored to the needs of SEs.** This requires a thorough assessment of their needs, a mix of general and sector-specific expertise to address these (or good signposting to point SEs to more suitable providers), clear communication of what is offered, and a format that allows SEs to participate (and continue to run their businesses).

- **Investment readiness support needs to be able to depend on the quality of trainers and the training offer.** This usually involves a pool of highly experienced experts or partners to draw from, as well as continuous quality checks of the performance of the programme (and of the trainers/support providers).

- **Investment readiness support needs to attract and maintain committed participants.** This requires a well thought through recruitment and selection strategy and builds on the two points made above. There is also some evidence that financial contribution from SEs might also increase their commitment to the support received.

- **Investment readiness support needs to be able to facilitate access to finance.** This includes providing networking opportunities with invited investors, providing financing to selected participants and assisting in negotiations and deal making to close the gap between a SE and an investor.

### 3.4.2 Elements to consider in developing an effective capacity-building scheme

Research question 8: What are the main elements that a capacity-building scheme addressing weaknesses on the supply and on the demand side of the social finance market should take into account in order to maximise its effectiveness?

The answer to this question draws on evidence collected during the research, findings presented in previous sections of this report, and the guide by the DG
EMPL (2016) to identify aspects that need to be considered when designing and implementing initiatives to develop social finance instruments and markets. These are summarised below.

Addressing weaknesses on the supply and the demand sides of the social finance market is a process that includes a number of steps (summarised in Figure 3-11) and that requires time, resources and patience:

1) **An assessment of the social enterprise field and social finance market** is the first step and a key to success for any capacity-building scheme. It is essential to have a good understanding of who SEs are, what they need finance for and when, what constitutes the wider ecosystem (such as the regulatory environment, potential partners and stakeholders) and what the problems to be addressed are. Expertise in social finance, as well as capacity to effectively use research methods, could make an important difference to this initial stage (see Section 3.2.3).

2) Ensuring clarity on the above allows initiatives supporting SEs to be designed in a way that targets problems by **setting a vision and clear objectives related to the demand or the supply side or both**. At this point it is important to look for alliances and build on partnership with other organisations that complement the skills, expertise or assets required for the successful implementation of the scheme (see Section 3.2.2).

3) Initiatives that focus on the supply side of the market need to consider different choices when **building their investment strategy and developing financial instruments**. These include the investment focus, types of investees, forms and size of investment, transaction costs, conflicting expectations on returns and social impact (Section 3.2.3 refers to some of these). Keeping financing simple should be one of the guiding principles in designing new schemes (DG EMPL 2016, p. 85).

4) Initiatives that focus on the demand side may want to **look at different types of non-financial support providers, their focus, and their possible models of support before they start building their intervention strategy**. Some of the factors that need to be considered are presented in Section 3.4.1.

5) A fully developed **capacity scheme needs to be tested through a pilot**, and a chosen investment (or intervention) strategy may have to be fine-tuned to bring more and better results. The timeframe of the EC funding was too short for most of the pilot projects that focused on the supply side of the market (Strands A, B and C) to finalise partnerships and pilot their solutions. However, projects addressing weaknesses on the demand side (Strand D) were able to pilot their new programmes and packages and were able to incorporate some of the learning in next editions of their models (e.g. Social Enterprise NL).

6) Each scheme ought to have **impact measurement arrangements built in before it is implemented and rolled**. These should capture impact at the investee and the investor (or intermediary) levels. It is important to evaluate the impact of such schemes and to build an
evidence base on what works well (and less well) in developing the social finance market (see Section 3.3.2). Such evidence is widely sought after, as shown by the pilot projects and the interest generated by their results.

Figure 3-11 Developing social finance instruments and markets

SOURCE: Copyright © European Union. European Commission, DG EMPL, Varga and Hayday (authors) (2016)

As noted by the DG EMPL (2016), there is no tried-and-tested formula or recipe for developing social finance instruments and markets, but some of the key messages include:

- **Investor vision and goals have to be the basis of the investment strategy.** No meaningful evaluation of social and financial impact can be performed without them.
- **Social finance packages must respond to the needs and goals of the social enterprise,** so it is critical to identify those before making an investment. [...]  
- **The investor’s risk appetite, in terms of both social and financial return, will be a key consideration in the investment strategy,** so investors should be honest and articulate their expectations. [...]  
- **Intermediaries are natural partners to investors. Collaboration with and support for them** also enhances the performance of social enterprises and reduces mission and financial risk.92

92 DG EMPL (2016, pp. 87-88) – authors’ emphasis.
CHAPTER 4  Key conclusions and recommendations

This report documents and synthesises the lessons from the 21 pilot projects funded by the DG EMPL under the preparatory action to support the development of the demand and supply sides of the social finance market. The contract sought to monitor the process of the implementation of the pilot projects; to identify, assess and synthesise their outputs and results; and to share knowledge among these projects, as well as the wider social finance community.

In particular, this report provides the final synthesis assessment of the results of the pilot projects (see Section 3.3 and Appendix E) and lessons learnt from their experiences (presented throughout Chapter 3, but mainly in Sections 3.3.2 and 3.4.1).

Based on the evidence collated, this final chapter brings together key conclusions and suggests recommendations developed by the team in relation to the four areas of analysis covered in this research: 1) relevance; 2) implementation; 3) effectiveness; and 4) lessons learnt. It also makes some observations on the approach and organisation of the preparatory action and highlights implications for future interventions at the EU level.

4.1 Key conclusions and recommendations

Relevance
This research found that in relation to research question 1, ‘To what extent was the intervention relevant to the problems and needs identified?’ the EC intervention responded to common problems and challenges of the social finance market across the countries of the European Union. The available research and literature presented in Section 3.1 suggest that underdevelopment of, and mismatches between, the supply and demand sides of the market leave many social enterprises without adequate financial instruments to allow them to develop and grow. These problems and barriers (highlighted in the call) were also confirmed by the pilot projects.

Funding from the EC allowed the pilot projects to try to test various ways in which these problems could be addressed, to consolidate experiences and to generate important lessons for similar initiatives.
Many had already planned approaches to address one or more of these barriers. The call for proposals and the EC funding enabled the projects to implement these plans on a wider scale and/or faster than would have been possible without this funding.

Through the workshop interactions and individual contacts facilitated by the EC intervention, the pilot projects developed an emerging community, bringing together a unique set of experiences on developing, adapting and scaling up financing instruments, models and investment readiness programmes to different European contexts. Moreover, feedback from the pilot projects suggested that the workshops and interactions among participants were successful in facilitating mutual learning and sharing experiences.

**Building on the relevance of the EC intervention and the creation of the European community of practice in the area of social finance development, the team recommends that the EC:**

1) **Consider further ways in which, after the EC funding has stopped, the community of pilot projects can continue to be supported and maintain the network that has been created.**

**Implementation**

In relation to research question 2, ‘What were the main learning needs of the organisations implementing pilot projects?’ this research found some general and specific issues relating to the pilot projects that could have had better knowledge (as presented in Section 3.2.1). These included issues related to regulatory frameworks; promising examples of financial instruments, tools and programmes; as well as project design and management techniques (such as logic models, logframes, theory of change, problem and objective analysis techniques, stakeholder analysis, research and evaluation methods). However, the research found some evidence that at least some of the pilot projects have been able to fill these knowledge gaps as a result of the EC initiative.

The experience of the pilot projects shows that the involvement of partners and stakeholders in developing, establishing and connecting financial instruments for SEs (research question 3) was critical to their success (see Section 3.2.2). In particular, financial intermediaries — often represented by the main applicant — played a major role in bringing everyone together and steering the work in order to achieve the expected results. The pilot projects reported that their partners (from a range of sectors) contributed valuable expertise and assets to the projects. Sound project management and building on existing partnerships was thought to be particularly useful as well. At the same time, the involvement of the partners and associated organisations was evident, largely through self-reporting of the leading applicant. Partners participated in workshops to only a limited extent, and the level of engagement through the web platform remained low.

The main implementation challenges presented in Section 3.2.3 (research question 4, ‘What were the main challenges faced in implementing the pilot projects, and how were they overcome?’) reported by the pilot projects related to the delayed start of their work, insufficient intelligence on the social finance market and difficulties in engaging hard-to-reach groups. However, the research team identified further challenges that had not been identified by the
projects themselves, suggesting that the range of problems faced by the projects was wider. The challenges identified by the research team include barriers to developing social finance markets, such as return expectations from investments, transaction costs and impact measurements.

Overall, the research identified three main types of challenges that were faced by the pilot projects during the implementation: 1) general project management issues; 2) typical problems related to research; and 3) problems specific to social finance. All three had implications for the successful implementation of the pilot projects and are likely to be faced by future initiatives.

As with the learning needs identified in relation to research question 1, this research found that the pilot projects developed their internal capacity and skills relevant to the challenges faced (in terms of both project management and social finance) during the implementation of their initiatives. However, it is important to note that these projects represented diverse levels of experience in social finance. Therefore, some had to learn quite a lot during the project implementation, while others were ready to start from the moment they received the funding.

Building on the diverse range of learning needs and implementation challenges identified and presented in Section 3.2, the team recommends that the EC:

   2) Allow for or build in a more complex and intensive support and specialist advice for future initiatives in this sector.

Given the importance of partners and collaborators to the successful development of social finance markets, as outlined in Section 3.2.2, the team also recommends that the EC:

   3) Consider alternative methods to engage with and expand the pool of stakeholders benefitting from and contributing to the exchange of experiences and ideas. These could include moderated online sessions or focus groups on specific subjects, webinars and Q&A sessions with subject experts, project and partner presentations via virtual meetings, and more.

Effectiveness

In relation to research question 5, ‘To what extent have the pilot projects managed to reach the planned objectives? What are the main outputs and results achieved?’ this research shows that the expected results across all four strands have been largely achieved. There is some evidence to suggest that projects under Strands A and C often required more time to conclude the process of building partnerships and making the collaborative funding models fully operational. A synthesis of the key results by strand is presented below.

<table>
<thead>
<tr>
<th>Strand A</th>
<th>Purpose: help build partnerships leading to the development of new financial instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expected results: a signed MoU, commitment of partners, outline of an investment strategy and links with business development services for SEs</td>
</tr>
<tr>
<td></td>
<td>Five out of six projects delivered expected results (signed or at least drafted a</td>
</tr>
</tbody>
</table>
MoU with some of agreements were being finalised at the time of reporting) and another project established a partnership through forming a taskforce. All projects reported having met their planned objectives at least partially.

### Strand B

**Purpose:** develop instruments to foster and formalise collaboration  
**Expected results:** legal documents, an investment strategy and collaboration arrangements

Some projects reported having signed legal agreements (one), developed investment strategies (two), and concluded contractual arrangements (one) that were needed to make these instruments fully operational. All projects reported having met their planned objectives at least partially, although the process of establishing financial instruments has not yet been completed for all.

### Strand C

**Purpose:** foster social finance market integration  
**Expected results:** a signed MoU and collaboration agreement for implementing a joint strategy and an action plan for piloting new models

Two projects reported, respectively, having signed a MoU or having drafted a MoU and awaiting feedback from partners on the draft. Another project reported having signed funding models for SEs (instead of a MoU), and the remaining project has not drafted its MoU. All projects reported having met their planned objectives at least partially.

### Strand D

**Purpose:** strengthen the investment readiness of SEs  
**Expected results:** improved provision of assistance to SEs in terms of quality, quantity or geographical outreach

All projects designed their investment readiness programmes and/or structures and piloted these with a number of SEs. Reportedly, these programmes and/or structures were successful in facilitating access to finance for SEs, and in one case it allowed the project to reach a large number on SEs from remote areas.

The pilot projects produced a wide range of types of outputs: analytical reports, meetings with (potential) collaborators, documentation necessary for setting up new instruments and financing models, guides and resources on social finance for SEs and investors, training sessions delivered and a number of events organised to bring together SEs and investors.

These outputs led to a number of results expected by the call, such as a signed MoU, collaboration agreements, new instruments and models set up and tested. They also contributed to a better understanding of market needs and a better awareness of social finance among SEs and of SEs among (potential) investors. In the longer term, these results are hoped to contribute to better matching of supply and demand for social finance.

The team recommends that the EC:

1. **Request that all pilot projects make these outputs and outcomes available for a wider community by uploading them to the web platform or an alternative space where they can be readily found,**
order to inform future similar initiatives and to build the knowledge base for interested stakeholders and subject experts.

Compared with the assessment of outputs and results, the research provides a more nuanced response to research question 6, ‘Can the approach taken by the pilot projects be used by others? What are the critical success factors?’ The vast majority of the pilot projects were open to and optimistic about the possibilities of their approaches and solutions being replicated by others. In most cases, these approaches and solutions were well documented, but their effects and impacts had not fully materialised by the end of the initiative or had not been evaluated in a robust way. This places some limitations on the ability of other projects to adopt similar approaches. However, a range of possible critical success factors identified by the projects and the research team may make the process easier and more likely to succeed. These might be seen as promising practices that could be tested and evaluated by other, similar projects in the future.

Some of the pointers and recommendations based on lessons learnt include: build on strong networks, match private and public funding, strengthen intermediaries, mitigate for high transaction costs, address both supply and demand and secure high-level support for similar initiatives.

The team recommends that the EC:

5) Address the evidence gap through an impact evaluation of models and programmes developed by the pilot projects to identify and promote practices that prove effective, transferable and likely to bring sustainable solutions to problems and challenged common to the social finance market.

6) Make additional funding available to allow projects to pilot their solutions and to evaluate their effectiveness.

Lessons learnt

In relation to research questions 7 and 8, the research demonstrates that there is no-one-size-fits-all type of investment or intervention strategy to address the limitations of the social finance market. There was broad agreement among the pilot projects and the findings from recent research that, in order to be effective, investment readiness support:

• has to be flexible and tailored to the needs of SEs;
• needs to be able to largely depend on the quality of trainers and the training they offer;
• needs to attract and maintain committed participants;
• should facilitate access to finance.

Any such instruments and initiatives need to be carefully designed and adapted to local ecosystems. This process requires resources and patience. A number of guides developed recently provide useful and practical advice for all those who embark on such a journey. Two that are particularly relevant to the subject are:

• DG EMPL. 2016. A Recipe Book for Social Finance: A Practical Guide on Designing and Implementing Initiatives to Develop Social Finance
The team recommends that the EC, EVPA, pilot projects and other relevant stakeholders:

7) Continue their efforts to seek solutions and address barriers to the social finance market in Europe.

4.2 Observations on the approach and organisation of the preparatory action and implications for future activities

This section sets out some cross-cutting lessons regarding the preparatory action and the experience of conducting this research. Most of the evidence presented here has not been presented in the preceding chapters as it does not relate specifically to the four areas of analysis that were the focus of the evaluation. The information below was provided by the pilot projects through feedback questionnaires following the workshops, group discussions at the workshops or individual and informal feedback shared with the team. It also includes reflection and learning from the research team, based on the experience of involvement in the preparatory action.

Timing and funding
The pilot projects received funding for up to 12 months, and the individual amount did not exceed €125,000. The funding was divided into four strands. Three (A, B and C) aimed to address weaknesses on the supply side, and one (D) aimed to address weaknesses on the demand side of the market.

As noted by the pilot projects participating in the workshop in Rome, the duration of funding could have been longer to allow projects to fully complete their work and bear fruit. A longer timeframe could have also helped identify models and solutions that were effective and that could be replicated in other regions or countries. Additional and longer-term future funding could be used to exploit this opportunity.

The evidence presented in the report showed that many projects considered financial and non-financial support to be almost equally important to the successful implementation of their initiatives. The projects participating in the workshop in Rome did not find the distinction among strands very useful. Based on this, if the split between the demand and supply side were to remain in a future action, the EC may want to consider allowing (or even encouraging) projects to address both dimensions.

Reporting
As outlined in Section 2.2, the pilot projects were required to submit reports to the research team on a quarterly basis. The feedback received on project
reporting and assessment was mixed. On the one hand, some projects considered the assessments to be helpful for their work. On the other hand, some projects regarded the requirements as too burdensome and obstructive. If similar reporting requirements were included in future initiatives, project reports could be further simplified.

As explained in Chapter 2, the quality and timeliness of reports were also mixed. This affected the timelines and quality of syntheses of lessons learnt that were shared with the DG EMPL and among the pilot projects. It is possible that a simplified report template might also improve quality and timeliness of reporting.

Workshops

As part of the EC initiative, five workshops were organised to gather together the pilot projects and subject experts. These workshops took place on a quarterly basis.

The pilot projects provided positive feedback on the content and networking opportunities provided by the workshops. Bringing together stakeholders active in this area was seen to be beneficial; reportedly, it led to professional collaboration within and across different strands, as well as with participating experts.

Meetings in person were considered to be invaluable, but participants felt that there was not sufficient time to discuss all issues in great depth. To address this, some further improvements to future workshops could include:

- providing material and requesting inputs from participants in advance of a meeting to facilitate preparation;
- limiting the number of specific questions to be addressed in sessions;
- extending the time for discussions and networking.

It may also be helpful to complement in-person workshops with other collaborative tools and methods (see Recommendation 3 and the web platform below).

Web platform

Website visitors

The website created by the team consisted of two main areas, namely, public and restricted. In future initiatives, if there is an intention to reach a wider audience, then more content will need to be posted in the public domain than was planned as part of this contract. If the intention is to engage with those accessing the restricted area (i.e. the projects), then the research team would recommend focussing on adding regular, relevant content to this area through the forum, where conversations can take place.

Language used

If the suggestion to place more material on the public parts of the web platform is to be implemented, the team would suggest that, because some of the materials and tools produced by the projects relate to technical aspects of finance, it may be necessary to assign resources to ensuring that the language
used on the public pages is plain English, in order for this content to appeal to a wider and international audience who might not be fluent in English. We would recommend that a web editor be employed for future websites to re-write content provided by topic experts/academics who write in a more technical manner.

**Content gathering**

During this research project, the team used Scoop.it to identify and access a wide range of articles. Because finding relevant articles requires knowledge of the topic, we recommend that, in future, topic experts be given time to review possible content for the web portal and to approve content before it is published on the site. This would help ensure that the content is relevant and of high quality and that there is a regular flow of such content.

**Platform**

Unless there are bespoke requirements, we would recommend using existing software where possible, e.g. Yammer for collaborating and sharing documents in a private space. This tool (and others available that are like it) is free (with limitations) and would allow for more resources to be focused on the platform’s community management role, rather than on technical developers. A community manager is now a more recognised role in knowledge sharing environments, and this person helps to encourage users to collaborate and to share learning. These roles can be resource heavy (e.g. one day per week allocated to the community); however, in the experience of the research team, they are crucial to platforms where shared learning and knowledge exchange is key. A simple website (or web page on Europa) could be established for disseminating information to a wider (public) audience.

**Limitations of the research**

As described in Chapter 2, key limitations to the research are its reliance on self-reported data from the pilot projects being evaluated about the key results and the fact that the contract did not envisage a formal evaluation of the models and instruments developed. These are important constraints when considering transferability of the results and lessons learnt.
References


Appendices
## Appendix A: Study question matrix

<table>
<thead>
<tr>
<th>Study area</th>
<th>Study question</th>
<th>Judgement criteria/information</th>
<th>Evidence base and information source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Relevance</strong></td>
<td>1: To what extent was the intervention relevant to the problems and needs identified?</td>
<td>Extent to which the call for proposal addressed the barriers that social entrepreneurs face in Europe and helps to build capacity in participating organisations</td>
<td>Evidence generated during workshops</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Areas for improvement in the EC intervention, particularly in terms of participation and capacity building</td>
<td>Review of quarterly reports (Sections C and F)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alignment between the intervention and the issue at stake</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continued relevance of the initial objectives of the intervention</td>
<td>Key informant interviews</td>
</tr>
<tr>
<td>Study area</td>
<td>Study question</td>
<td>Judgement criteria/information</td>
<td>Evidence base and information source</td>
</tr>
<tr>
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</tr>
<tr>
<td>II.</td>
<td>2: What were the main learning needs of the organisations implementing the pilot projects?</td>
<td>List of learning needs for each organisation (either specific themes or issues which are crucial to successfully implement a pilot, or areas to be prioritised in terms of knowledge needs, where weaknesses have been identified through reporting or by the organisations themselves) Common themes in terms of learning needs across organisations</td>
<td>Review of quarterly reports (Section F) Key informant interviews Information retrieved through the web platform Evidence generated during workshops</td>
</tr>
<tr>
<td>Implementation</td>
<td>3: What were the roles of consortia, partnerships and stakeholder involvement in developing and establishing or connecting financial instruments for social enterprises?</td>
<td>Understanding the types of consortia formed (patterns, involvement of actors at various stages, etc.) Mapping the extent to which the tasks were split across partners, depending on the types of organisations forming part of the consortium (public, private, third sector organisation, etc.)</td>
<td>Key informant interviews Review of quarterly reports (Section A) Engagement with stakeholders through the web platform Evidence generated during workshops</td>
</tr>
<tr>
<td></td>
<td>4: What were the main challenges faced in implementing the pilot projects, and how were they overcome?</td>
<td>List of challenges faced (either internally, in terms of implementation, or externally, [compare with the roles of consortia partnerships and stakeholders as they are typically described in the literature (both in terms of developing and setting up financial instruments for social enterprise and in terms of connecting these instruments)])</td>
<td>Review of quarterly reports and reporting documents (Section D)</td>
</tr>
</tbody>
</table>

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2016
<table>
<thead>
<tr>
<th>Study area</th>
<th>Study question</th>
<th>Judgement criteria/information</th>
<th>Evidence base and information source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>in terms of cooperation issues etc.) Types of strategies adopted to address the challenges</td>
<td>Key informant interviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Information retrieved through the web platform</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Evidence generated during workshops</td>
</tr>
<tr>
<td>III. Effectiveness</td>
<td>5: To what extent have the pilot projects managed to reach the planned objectives? What are the main outputs and results achieved?</td>
<td>Extent to which activities/milestones of the projects were implemented as originally planned</td>
<td>Review of quarterly reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extent to which results achieved contributed to the planned objectives</td>
<td>Key informant interviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Types of outputs and results achieved (particularly if some outputs/results were significantly above or below the initial plan)</td>
<td>Engagement with stakeholders through the web platform</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Evidence generated during workshops</td>
</tr>
<tr>
<td></td>
<td>6: Can the approach taken by the pilot projects be used by others? What are the critical success factors?</td>
<td>Extent to which results of the projects are transferable to other regions/countries</td>
<td>Review of quarterly reports; see the template provided</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List of critical success factors and enablers based on the data examined</td>
<td>Evidence generated during workshops</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Literature review</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Factors specific to the pilot projects that may hamper transferability</td>
<td>Review of quarterly reports; see the template provided</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Evidence generated during workshops</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Key informant interviews</td>
</tr>
<tr>
<td>IV. Lessons learned</td>
<td>7: What are the characteristics of effective investment readiness support for social enterprises?</td>
<td>Capacity of organisations involved to receive and use investments</td>
<td>Key informant interviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Common patterns associated with high</td>
<td>Evidence generated during workshops</td>
</tr>
<tr>
<td>Study area</td>
<td>Study question</td>
<td>Judgement criteria/information</td>
<td>Evidence base and information source</td>
</tr>
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</tr>
<tr>
<td></td>
<td></td>
<td>levels of social investment readiness</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Results and findings made by grantees in Strand D with regard to effective investment readiness support</td>
<td>Review of quarterly reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Factors of effective investment readiness support for social enterprise</td>
<td>Literature review</td>
</tr>
</tbody>
</table>
| 8:         | What are the main elements that a capacity-building scheme addressing weaknesses on the supply and demand sides of the social finance market should take into account in order to maximise its effectiveness? | Crucial factors to take into account to maximise the effectiveness of social investment | Key informant interviews
Evidence generated during workshops
Literature review
Evidence from remaining study questions
Engagement with stakeholders through the web platform |
Appendix B: Reporting template
This reporting document is a tool to help you report on the results that your project has generated and to highlight areas for learning for the partners and stakeholders of your project but also for other organisations involved in this preparatory action. The information collected will inform the Commission about the progress of your individual project against the objectives you set out in your grant application. Data will be aggregated so that the European Commission can obtain insights at strands and action levels. The European Commission will also use the information to monitor progress and approve ongoing progress payments.

This reporting document is one of a number of mechanisms for facilitating sharing of experience and expertise. To this end, the Commission has charged RAND Europe with the tasks of monitoring and assessing progress, and organising mutual learning amongst the grantees of this preparatory action. RAND Europe is contractually bound to strict confidentiality on all information received from grantees, and from the Commission.

In line with Article I.13 of the grant agreement, you are asked to complete this form by inserting your answers into the spaces provided. You should then save the document as a new version and return to functional mailbox EPPA/EMPL (EMPL-VP-2013-017@ec.europa.eu), with a copy to RAND Europe (dschwepp@rand.org).

Having completed a baseline reporting document, you will be asked to complete a follow-up progress reporting document on a quarterly basis until the end of the eligibility period of your grant, as per the reporting timelines communicated to you by the European Commission. RAND Europe may also contact you following a reporting milestone for a brief discussion about the progress you have made.

Please answer each question below. We anticipate that this document should take approximately 60 minutes to complete. If you have any questions, please get in touch with Daniel Schweppenstedde at RAND Europe (dschwepp@rand.org) or Patrizia Mammarella at the European Commission (Patrizia.MAMMARELLA@ec.europa.eu).

SECTION A: GENERAL INFORMATION

ALL: Reference period

<table>
<thead>
<tr>
<th>Activities performed between</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Deadline for submission of the report</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>
SECTION B: PROJECT ACTIVITIES

ALL: Your activities and milestones at this point were planned to be:

Please summarise activities and milestones planned for the period from the start of the project to [date].
Please report separately on each group of activities and/or component of your action.
Please multiply the table if necessary.

| Activity 1 |  |
| Activity 2 |  |
| Activity 3 |  |
| Activity 4 |  |

ALL: Were there any changes to the original action plan?

Please tick √ one option.

☐ Yes
☐ No

If yes, please describe any variance from the original action plan. Describe how and why, provide justification of the change(s) made and impact on project implementation.

ALL: Have these milestones planned for this reporting period been reached?

Please tick √ one option.

☐ Yes, all of them
☐ Yes, some of them
☐ No, none of them

If the milestones have been reached, please provide details below.

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Date achieved / Applicant or co-applicant responsible / Other relevant information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
</tbody>
</table>
If the milestones have not been reached, please provide any relevant information about delays in reaching them.

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Reasons for delays / Applicant or co-applicant responsible / Other relevant information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
</tbody>
</table>

SECTION C: OUTPUTS AND RESULTS ACHIEVED

SECTION C1: FINANCIAL ASPECTS

For strand A, B, C only: What financial institutions have you involved in your project so far?

Please provide an overview of institutions and/or organisations (such as potential investors) indicating their type and involvement in the project. Multiply the table if necessary.

<table>
<thead>
<tr>
<th>Name of the organisation</th>
<th>Type of intermediary (Please tick √ one option)</th>
<th>Involvement in the project (Please tick √ one option)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bank</td>
<td>Workshop/focus group</td>
</tr>
<tr>
<td></td>
<td>Credit union</td>
<td>Meeting/conference</td>
</tr>
<tr>
<td></td>
<td>Finance/insurance company</td>
<td>Interview</td>
</tr>
<tr>
<td></td>
<td>Private equity firm</td>
<td>Email/telephone contact</td>
</tr>
<tr>
<td></td>
<td>Venture capital firm</td>
<td>Other, please specify</td>
</tr>
<tr>
<td></td>
<td>Business angel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other, please specify</td>
<td></td>
</tr>
</tbody>
</table>

For strand A, B, C only: How do you mobilise first (and follow-on) investors and raise the money?

Please explain below your strategies to make investors commit their money and why they are (or are not) effective. If your strategies differ depending on the type of investors, please indicate the differences and explain these below.
**For Strand A, B, C only:** What type of (private/public) investor will commit to participate in the financial instrument? What is the financial risk/financial return profile?

*Please provide your answer below. If no decision has been taken yet, please explain the options you consider. In the case of public investors, please specify if European Structural and Investment Funds (e.g. the European Social Fund, the European Regional Development Fund) will be used.*

| Instrument 1: ........
| E.g. minimum and maximum deal size?
| Time scale for repayments/exits?
| Modulation of repayments?
| Secured vs. unsecured lending?
| Etc. |

**ALL:** Which financial products are being integrated in your financial instrument (Strands A and B) /through the services offered through your project (Strands C and D)?

*Please tick √ all those that apply.*

- Non-repayable financial support (grants, awards, scholarships, etc.). In the case of grants, please specify in the text box below if these include European Structural and Investment Funds (e.g. the European Social Fund, the European Regional Development Fund).
- Loans
- Venture capital (equity)
- Quasi-equity
- Guarantees
- Co-investments
- Mezzanine funding
- Other, please specify in the text box below

**For Strand A, B, C only:** Please specify for each financial product under what conditions it will be offered and the reason for the choice of conditions. Please add also estimates of default rate and how this is reflected in the design of the instrument.

*Please list description below for each financial instrument offered. Even if no decision has been taken yet, please explain the options you consider and the reason for choosing them.*
SECTION C2: ORGANISATION AND MANAGEMENT OF FINANCIAL INSTRUMENTS

For Strand A, B, C only: How will the instrument be managed?

*Please describe below the management and organisation of the instrument. If no decision has been taken yet, please explain the options you consider.*

- Who will manage the instrument?
- How will management be selected and remunerated?
- Code of conduct available?
- Legal form used or envisaged to establish the instrument (e.g. separate bank account / new legal entity / EuSEF etc.)
- What action will be taken in case of default?

For Strand A, B, C only: What type of related services will be offered? Who will provide these services and how will they be financed?

*Please provide your answer below. If no decision has been taken yet, please explain the options you consider.*

- Capacity building?
- Investment readiness support?
- Business development services?
- Etc.

SECTION C3: SOCIAL IMPACT MEASUREMENT

For Strand A, B, C only: What is the expected relation between social impact and financial return that investors will seek to follow (e.g. ‘trade-off’ or ‘lock-step’)?

*Please provide your answer below. If no decision has been taken yet, please explain the options you consider.*

For Strand A, B, C only: How will aggregate social impact of the financial instrument be measured?

*Please provide your answer below. If no decision has been taken yet, please explain the options you consider.*

- Who will be responsible for conducting, who for covering the costs of social impact measurement?
- How will social impact be measured?
- What will be required from investees regarding social impact measurement?
- Your role in supporting investees in social impact measurement?
SECTION C4: TYPES OF SOCIAL ENTERPRISES INVOLVED

For Strand D only: How many social enterprises have you involved in your project so far?

*Please provide numbers below.*

<table>
<thead>
<tr>
<th>Involvement in the project</th>
<th>Social enterprises in their early stages*</th>
<th>Of which social enterprises started or developed by young people**</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruited to participate in the project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needs assessment carried out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In training / Trained</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In coaching / Completed coaching</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Early stages of social enterprises may be defined as contexts where these social enterprises face various barriers. These may include the lack of suitable social finance instruments in place, few investors willing to participate in them, or low public sector initiatives and low levels of social investment.

** The term “young” refers to both the age and/or the early-stage experience as entrepreneur (EC, 2013).

For Strand D only: What type of social enterprises have you involved in your project so far?

*Please provide an overview of the enterprises indicating their type and involvement in the project. Multiply the table if necessary.*

<table>
<thead>
<tr>
<th>Name of the enterprise</th>
<th>Key characteristics</th>
<th>Your assessment of their stage of development* (Please tick only one option)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1......................</td>
<td>Age</td>
<td>Existence</td>
</tr>
<tr>
<td></td>
<td>Size (no. of employees)</td>
<td>Survival</td>
</tr>
<tr>
<td></td>
<td>Size (turnover)</td>
<td>Success</td>
</tr>
<tr>
<td></td>
<td>Sector</td>
<td>Take-off</td>
</tr>
<tr>
<td></td>
<td>Location</td>
<td>Resource maturity</td>
</tr>
</tbody>
</table>
* (1) **Existence** – focused on identifying customers and delivering products or services; (2) **Survival** – form workable business entities, but struggle to break even and stay in business; (3) **Success** – need to decide whether to expand or keep the enterprise stable; (4) **Take-off** – focused on how to make the firm grow and how to finance it; and (5) **Resource maturity** – achieving the advantages of size, financial resources, and managerial talents (Lewis, 1983).

For Strand A, B, C only: **What are the key features of selected portfolio firms?**

Please provide characteristics of the supported portfolio of SEs in terms of their size (no of employees, turnover), stage of their investment journey (e.g. early-stage, first-scaling, late-stage social enterprises), sectors they represent, etc.

For Strand D only: **How have you recruited social enterprises for your project?**

Please provide your answers below.

How have you approached SEs and engaged with them?
What criteria have you used to select SEs for your project?
Have you experienced any problems re drop out, additional support required, etc.?

For Strand A, B, C only: **How will you recruit potential investees for your fund?**

Please provide your answers below.

How will you approach SEs and engaged with them?
What criteria will you use to select SEs for your fund?
Do you expect any problems re recruitment, selection, drop out, additional support required, etc.?
Who will carry out the due diligence procedure?

For Strand D only: **What assistance do you provide to social enterprises in your project?**

Please describe the support you offer to social enterprises and indicate characteristics that you think make it particularly effective.

E.g.

Description of the overall approach taken (e.g. coaching/mentoring of social enterprises individually or in groups, specific mobilisation activities and the staged selection processes)

Key areas in which support was provided (e.g. strategic and management skills; market analysis, impact measurement and reporting; accountancy, finances and tax planning; customer base development; branding; public sector procurement processes)
**SECTION C5: REPLICATION**

**ALL:** Can the results of your project be replicated?

For example, can these results be used by others / in other regions or countries?

Please tick √ one option.

- Yes
- No
- I don’t know

If yes, what are the requirements and conditions that have to be in place for similar initiatives to be successful / for others to replicate / scale up your ideas?

*Please provide your answer below.*

If no, can you explain why?

**SECTION C6: ASSESSMENT OF RESULTS**

For Strand A only: We expected that by the end of your project you will have signed a Memorandum of Understanding (MoU) establishing a social finance partnership.

How advanced are you in meeting this objective?

*Please attach draft / final documentation or include a summary of key elements and provisions of the MoU below.*

*Please describe the commitments, roles, responsibilities, resources, capabilities of the partners in the partnership (and how these partners have been mobilised).*

For Strand B only: We expected that by the end of your project you will have established a financial instrument (legal agreement, detailed investment strategy, etc.)

How advanced are you in meeting this objective?

*Please attach draft / final documentation or include a summary of key elements and provisions of the legal agreement, detailed investment strategy below.*
Please describe the steps taken and still to be taken to have the approval of the financial regulatory/supervisory authority, e.g. contractual arrangements needed for the registration of the financial instrument, for fundraising, for investments, lending or underwriting, and for the conduct of management.

Please describe the strategy and actions planned to ensure the sustainability of the financial instrument.

For Strand C only: We expected that by the end of your project you will have signed a Memorandum of Understanding (MoU) establishing collaborative funding model for social enterprises.

How advanced are you in meeting this objective?

Please attach draft / final documentation or include a summary of key elements and provisions of the MoU below.

Please describe the agreements and arrangements made between the different types of social finance providers (including their roles and contributions).

For Strand D only: We expected that by the end of your project you will have developed an improved or integrated assistance to social enterprises.

How advanced are you in meeting this objective?

Please attach draft / final documentation or include a summary of key elements of the ‘readiness-investment’ model you have developed.

Please present the results achieved so far

E.g.
Results achieved can be presented on the basis of a set of suitable activity and output indicators, such as:

- number and type of social enterprises that the beneficiary contacted, screened, accepted to participate;
- number and type of social enterprises that drafted an investment readiness plan that changed business routines as a result of their participation,
- number and type of social enterprises which concluded a financial agreement (size, type etc) as a result of their participation etc.

ALL: To what extent have you met the objectives you set out in your application?

Please list the objectives of your project below and explain how you have met each (fully, partially, not at all) and explain how and why.
Objective 1 (met fully, met partially, not met at all)
Why and how?
What facilitated meeting this objective?
What challenges have you faced in meeting this objective and how did you cope with these?

Objective 2....

ALL: What other outputs and results have you achieved so far?
Please describe results achieved from the start of the project until [date].

ALL: How did you make sure that equality considerations were taken into account in your work?
These can relate to ensuring an appropriate mix of people in your team, ensuring that all activities were accessible to all, making sure that all dimensions, in particular the gender dimension, were taken into account in your work. Please provide your answer below.

SECTION E: PROJECT COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

ALL: Are there any connections, overlaps or synergies with other ongoing projects or activities in which your organisation is involved?
Please tick one option.

Yes
No
I don’t know

If yes, please provide details below.
SECTION F: LEARNING AND CAPACITY BUILDING

ALL: Please write up a list of lessons that other organisations might find useful in the future in relation to the following points:
- practical implementation of your project (e.g. learning to manage deadlines, approaches towards financial stakeholders, etc.)
- working within your specific environment (e.g. learning on situational developments, regulations in your country/state, etc.)

*Please describe below.*

ALL: Is there any aspect of your project that you believe might be interesting for the European Commission, other grantees or a wider audience to know about? For example, this might be a particular success, a challenging area, a notable impact, a key finding or result. If so, please use the space provided to describe it.

ALL: Are there specific topics which you would like to have better knowledge of, in order to increase the chance of this project being successful? *Please provide the list of these topics below.*

SECTION G: NEXT STEPS

ALL: What activities are you planning to undertake in the next 3 months? *Please provide an (updated) planning in the text box below.*

ALL: Do you have any other comments?
THANK YOU FOR YOUR PARTICIPATION

Please return your completed document to functional mailbox EPPA/EMPL (EMPL-VP-2013-017@ec.europa.eu), with a copy to RAND Europe (dschwepp@rand.org).
Appendix C: Assessment template
REVIEW OF PILOT PROJECTS UNDER A PREPARATORY ACTION ON SOCIAL INNOVATION AND YOUNG ENTREPRENEURSHIP AND MUTUAL LEARNING SUPPORT

ASSESSMENT TEMPLATE

SECTION A: GENERAL INFORMATION

<table>
<thead>
<tr>
<th>Lead applicant:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Project title:</td>
<td></td>
</tr>
<tr>
<td>Strand:</td>
<td></td>
</tr>
<tr>
<td>Reference period:</td>
<td></td>
</tr>
<tr>
<td>Reviewer:</td>
<td></td>
</tr>
<tr>
<td>Date of assessment:</td>
<td></td>
</tr>
</tbody>
</table>

SECTION B: PROJECT ACTIVITIES

B.1 Please review the reporting template (Section B) and assess progress made in project implementation. Please indicate your assessment on the Red, Amber, Green scale as defined below.

- **Green**
  - There is reporting and evidence to show that all activities and milestones have been achieved as expected at this stage AND all co-applicants have provided their input as agreed (which indicates that the project is on track)

- **Amber**
  - There is reporting and evidence to show that only some activities and milestones have been achieved as expected at this stage OR that some of co-applicants have not provided their inputs as agreed (which indicates that there might be difficulties in project implementation)

- **Red**
  - There is reporting and evidence to show that only some activities and milestones have been achieved as expected at this stage AND that some of co-applicants have not provided their inputs as agreed (which indicates that there might be significant difficulties in project implementation)

Justification

**Example score:**  

Green

Further contextual information / comments

Recommendation/suggested action
### SECTION C: OUTPUTS AND OUTCOMES ACHIEVED

**C.1** Please review the reporting template (Section C) and assess progress made in meeting objectives set out in the grant agreement. Please indicate your assessment on the Red, Amber, Green scale as defined below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is reporting and evidence to show that progress towards project objectives has been made to the extent that would be expected at this stage (which indicates that the objectives are on track to being met)</td>
<td>Green</td>
</tr>
<tr>
<td>There is reporting and evidence to show that progress towards half or a majority of project objectives has been made to the extent that would be expected at this stage (which indicates that there might be barriers to the objectives being met in full)</td>
<td>Amber</td>
</tr>
<tr>
<td>There is reporting and evidence to show that progress towards less than half of the objectives has been made to the extent that would be expected at this stage (which indicates that there might be significant barriers to the objectives being met in full)</td>
<td>Red</td>
</tr>
</tbody>
</table>

**Justification**

Example score: **Amber**

**Further contextual information / comments**

**Recommendation/suggested action**

---

**C.2** Please review the reporting template (Section C) and assess the likelihood for the project results to be scaled up and/or transferred to other regions/countries. Please indicate your assessment on the Red, Amber, Green scale as defined below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is reporting and evidence to show that projects results can be replicated, relevant critical success factors have been identified AND the opportunities to test it are being exploited (which indicates that project results are likely to be replicated (scaled up or transferred))</td>
<td>Green</td>
</tr>
<tr>
<td>There is reporting and evidence to show that projects results can be replicated AND some critical success factors have been identified (which indicates that there might be some difficulties for project results to be replicated (scaled up or transferred))</td>
<td>Amber</td>
</tr>
<tr>
<td>There is reporting and evidence to show that projects results cannot be replicated or critical success factors have not been identified (which indicates that there might be significant difficulties for project results to be replicated (scaled up or transferred))</td>
<td>Red</td>
</tr>
</tbody>
</table>

**Justification**

Example score: **Red**
### SECTION D: PROBLEMS, CHALLENGES AND SOLUTIONS

**D.1 Please review the reporting template (Section A, B, D) and assess the ability of the project to identify challenges, manage risks and changes. Please indicate your assessment on the Red, Amber, Green scale as defined below.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is reporting and evidence to show that the project has identified relevant challenges and risks and have developed adequate plans/strategies to manage them (which indicates that project management actively supports the achievement of the objectives)</td>
<td><strong>Green</strong></td>
</tr>
<tr>
<td>There is reporting and evidence to show that the project has identified challenges and risks AND have developed adequate plans/strategies to manage some of them (which indicates that project management supports the achievement of the objectives to some extent)</td>
<td><strong>Amber</strong></td>
</tr>
<tr>
<td>There is reporting and evidence to show that the project has missed to identify relevant challenges and risks OR have not developed adequate plans/strategies to manage them (which indicates that project management fails to support the achievement of the objectives)</td>
<td><strong>Red</strong></td>
</tr>
</tbody>
</table>

**Justification**

**Example score:**

- Green

**Further contextual information / comments**

**Recommendation/suggested action**

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### SECTION E: PROJECT COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

**E.1 Please review the reporting template (Section E) and assess project internal communication and stakeholder engagement. Please indicate your assessment on the Red, Amber, Green scale as defined below.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is reporting and evidence to show that the applicant and co-applicants communicate frequently using various methods AND that</td>
<td><strong>Green</strong></td>
</tr>
</tbody>
</table>
opportunities to inform about the projects have been exploited AND that the plans to engage with stakeholders have been pursued to the extent expected at this stage (which indicates that internal and external communication fully supports the achievement of project objectives)

<p>| |</p>
<table>
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</thead>
<tbody>
<tr>
<td><strong>Amber</strong></td>
</tr>
</tbody>
</table>

There is reporting and evidence to show that the applicant and co-applicants communicate regularly AND that opportunities to inform about the projects have not been exploited OR that the plans to engage with stakeholders have not been pursued to the extent expected at this stage (which indicates that internal communication supports the achievement of project objectives but external communication might be facing some barriers)

<p>| |</p>
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<tbody>
<tr>
<td><strong>Red</strong></td>
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</tbody>
</table>

There is reporting and evidence to show that the applicant and co-applicants does not communicate on a regular basis OR that opportunities to inform about the projects have not been exploited OR that the plans to engage with stakeholders have not been pursued to the extent expected at this stage (which indicates that internal and external communication fails to supports the achievement of project objectives)

<p>| |</p>
<table>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Red</strong></td>
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</tbody>
</table>

### SECTION F: LEARNING AND CAPACITY BUILDING

F.1 Please review the reporting template (Section A, E, F) and assess learning generated by the project. Please indicate your assessment on the Red, Amber, Green scale as defined below.

<p>| |</p>
<table>
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<tbody>
<tr>
<td><strong>Green</strong></td>
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</tbody>
</table>

There is reporting and evidence to show that the project identified lessons learnt, acted upon them AND facilitated learning for others (which indicates that project has significantly contributed to mutual learning)

<p>| |</p>
<table>
<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amber</strong></td>
</tr>
</tbody>
</table>

There is reporting and evidence to show that the project identified lessons learnt AND acted upon them OR facilitated learning for others (which indicates that the project has contributed to mutual learning to some extent)

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Red</strong></td>
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</tbody>
</table>

There is reporting and evidence to show that the project identified lessons learnt (which indicates that the project has contributed to mutual learning to limited extent)

<p>| |</p>
<table>
<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example score: Red</strong></td>
</tr>
</tbody>
</table>

### Justification

**Example score:**

**Amber**

**Further contextual information / comments**

**Recommendation/suggested action**
<table>
<thead>
<tr>
<th>Further contextual information / comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation/suggested action</td>
</tr>
</tbody>
</table>
Appendix D: Interview protocol

INTRODUCTION

- **Purpose of the interview**: In this section the interviewer will introduce the purposes of the study, focusing on fostering the exchange of knowledge based on the lessons learned in the pilot projects.

- **Process**: Some of the questions will be general (and will be asked to all grantees) while others will be tailored to the individual grantee and each Strand, based on observations from reviewing the quarterly reports.

- **Timing**: The interviews will take approximately one hour.

- **Data management and confidentiality**: The grantees will be asked whether the interview can be recorded for the purpose of note-taking. Where direct quotes are used, for instance as examples to illustrate a point about major lessons, the quotes will be sent to the grantee for review and approval first. Grantees will be encouraged to use these insights to enrich their reports in subsequent reporting rounds.

- **Reporting and next steps**: The outcomes will be used in the project deliverables, notably to provide answers to specific research questions, to support the individual reports of the beneficiaries selected for the interview and the synthesis reports and to provide a basis for a discussion and knowledge share during the workshops.
GENERAL QUESTIONS

I. CONTEXT AND CURRENT POSITION

1. Can you summarise the objectives of your project and how they relate to the goals of this Strand? 
2. What are the accomplishments of your project so far?
3. In relation to the grant that you received under this preparatory action:
   a. To what extent do you think your work has delivered against the objectives of this Strand?
   b. To what extent do you think our work has delivered against the problems and needs identified?
4. Along the way, what has facilitated progress and what has hindered it?

II. COLLABORATION, NETWORKS AND LINKS

5. Could you briefly describe the involvement of co-applicants in your project?
6. Are you working with other organisations that support you in the implementation of your project?
   a. If yes, could you explain their involvement?
   b. If not, do you think your partnership is complete or are you planning to expand collaboration in future?
7. Have your networks/connections changed over the project implementation?
   a. What has driven these changes?
   b. What have been the effects of these changes?
8. Has this project affected any other external activity or organisation that is not directly connected to the funded work?
9. What has been your experience with working with co-applicant organisations and other stakeholders on this project?
   a. What factors have facilitated and hindered the collaboration?
   b. What were the benefits and costs of this collaboration from your point of view?
   c. Will your experience working with co-applicants and other stakeholders in the pilot, influence your work on similar projects in the future? If yes, how?

III. CAPACITY BUILDING AND MUTUAL LEARNING

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94 The interviewer will briefly summarise the relevant objectives to the interviewee based on the intervention logic developed at the first workshop.
95 The interviewer will briefly summarise the relevant objectives to the interviewee based on the intervention logic developed at the first workshop.
10. Were there specific topics which you or your co-applicant organisations would like to have better knowledge of at the outset of the project to increase the chance of it being successful? If yes, what were they?

11. Have you or your co-applicant organisations identified any new areas in which additional information or skills will be helpful for the project going forward? If yes, what are they?

12. Has the participation in this preparatory action affected your work in general or capacity to deliver the project in particular?
   a. If yes, can you explain how and provide examples?
   b. If not, can you explain why?

13. Have you or your co-applicant organisations shared your experience and knowledge with other grant beneficiaries or similar initiatives so far?
   a. If yes, can you explain how and provide examples?
   b. If not, can you explain why?

14. Based on your experience and knowledge of the social finance/social innovation sector, what do you see as the main learning need of funders, enterprises and other stakeholder active in this context?

15. Is there any other additional type of support to capacity-building and mutual learning that could be implemented in the future? If yes, what could it be?

**SPECIFIC PROCESS AND RESULTS RELATED QUESTIONS**

(PLEASE NOTE: examples listed below are for illustration only - questions in this section will be based on individual quarterly reports and will be seeking clarifications wherever the answers to the questions in the reporting template can be further elaborated upon.)

**PROJECT ACTIVITIES**

Context: The description of activities is at a high level.

Question: Can you provide further detail on what these activities entailed?

Context: There has been a change of activities from the original action plan.

Question: Could you provide further detail on what prompted the change and how are you managing it? How do you think this change will affect the outcomes of the project?

**OUTPUTS AND OUTCOMES ACHIEVED**

Context: You reported to successfully achieve X results and that these can be used by others.
Question: What do you see as the main success factors in obtaining these results? Can you explain how other organisations can make use of them and under what conditions?

PROBLEMS, CHALLENGES AND SOLUTIONS

Context: You indicated some problem during the implementation of the activities (summarise the problems).
Question: Can you provide further detail on these obstacles? What were their origins, scale and how did they affect the implementation of your project? Do you consider that your actions taken to overcome these obstacles have been successful? If not, why not? Are there any lessons you can share with other organisations that may face similar difficulties?

PROJECT COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

Context: You reported one lesson learnt from the process of engaging with stakeholders.
Question: Could you explain your approach to engaging with these stakeholders and their role in the project?

LEARNING AND CAPACITY BUILDING

Context: You listed a number of lessons learnt from other grant beneficiaries during the project implementation.
Question: What were the mechanisms that you consider to have been most / least useful for exchanging experiences with other grantees?

NEXT WORKSHOP

Context: It seems that you have gained significant insights into X that might be of interests to other grant beneficiaries.
Question: Would you be open to share your experience and facilitate a session on this issue at the forthcoming workshop? We would like to support you in preparing a 10 minutes presentation on this subject and defining points for a discussion with other participants.
Appendix E: Synthesis assessment of results of the pilot projects

This section outlines the results of the implementation of the pilot projects. The aim is to track the outcomes and outputs of the work conducted to see how these feed into reaching the projects’ and the strands’ objectives.

Strand A: Establishment of social finance partnerships

This strand aims to deal with the ‘supply’ aspect of social finance, notably in EU countries where the market for social finance is not yet developed. Its main aim is to help build partnerships.

First round of grantees

Social Entrepreneurship Supporting Network (SES Net)

Αναπτυξιακή Καρδίτσας (AN.KA S.A.)/Development Agency of Karditsa

Greece

June 2014–May 2015

This grantee planned to conduct activities in five areas up to this point. These activities included project management, assessment of the demand for the services provided by the grantee, drafting a Memorandum of Understanding, conducting a suitability and feasibility assessment of establishing a sustainable finance mechanism, and conducting communications and dissemination activities and training.

According to the grantee, some of its planned milestones have been met. The grantee has reported that some of its milestones have not been met because some of its activities had not yet concluded at the time of reporting. The grantee organised a series of project meetings at the regional and national levels to plan awareness-raising activities with its stakeholders, and these were finished by November 2014. The fifth project meeting, held in November 2014, was designed to prepare for the MoU. Field research carried out by the grantee involved researching registered social enterprises in Thessaly and distributing questionnaires to these organisations. The questionnaire focused in more detail on the financial demands of social cooperative enterprises, and the results feature in the Report on the Field Study on the Greek Social Enterprises Financial and Funding Needs, provided by the grantee.

The SES Network has an online presence and uses media, such as blogs, to disseminate its messages, and it has compiled a communication plan. The grantee uses online networking, and it has compiled mailing lists through which it can reach people. Consequently, the grantee reported having met one of its objectives, namely, motivating social enterprises. The grantee identified two additional objectives in its pilot project. The grantee has reportedly supplied incubator services to social enterprises and potential entrepreneurs in Thessaly,
The grantee has interacted with a number of financial institutions, mainly cooperative and alternative banks and credit unions, in the context of the project. The grantee expects the following to become involved in the project: institutional investors; public benefit and philanthropic foundations; retail investors; regional, national and EU funders; development agencies; as well as so-called business angels and venture capital and venture philanthropy organisations. The grantee did not specify the financial risk or financial return profiles of these potential stakeholders, information that could prove useful in determining where best to target time and resources. The grantee is integrating a number of financial products into its financial instrument, e.g. quasi-equity, guarantees, microfinance, crowdfunding, grants and donations, and related support. Guarantees will be offered in the initial phase through cooperative banks, as will microfinance products, although these will also be integrated independently in the maturity phase. Both quasi-equity and crowdfunding will be offered during the development phase, while grants and donations are expected to provide support throughout.

The grantee expects that the initial investors will be the participants of the MoU once it is finalised, as it is still a work in progress. These parties are then expected, along with the management team, to help mobilise additional investors through dissemination activities.

All in all, it would appear that the grantee has achieved its objectives in creating and facilitating partnerships and has met some of its milestones in the course of its implementation.
workshop listed in WP5 that was originally due to take place between December 2014 and April 2015. This was to allow for a deeper exchange on the development of social finance instruments among experts, based on a detailed draft of the intended financial tool.

The grantee has explained that it met milestones in WPs 1, 2 and 3 between June 2014 and November 2014. These work packages focused on the analysis of supply and demand for social finance and good practice examples of social finance in the EU (WP1), data collection on barriers to and expectations of social finance (WP2) and field research mapping potential investors (WP3). Some of the outputs of these work packages include a working report on desk research findings, a good practice report and a mapping of the Italian players and stakeholders. Not all milestones were reported to have been met under WP3, and the grantee has stated that it intends to continue its one-to-one meetings and direct mail campaign in order to allow more investors to become involved with the grantee’s initiative. The grantee has reported that a number of the activities under WP4, which aim to build consensus, have been undertaken, including one-to-one meetings. The grantee has provided no update on its progress or success in completing its activities under WP5.

The grantee has interacted with six individual financial institutions throughout the course of implementing its pilot project. The grantee’s strategy for mobilising first and follow-on investors includes interacting with interested parties on an individual (one-to-one) level. The main points of discussion with potential investors were designed to allow them to answer their clients’ requests and to make socially aware investments, to respond well to the needs of social enterprises, to diversify their portfolio, to identify impact investment tools, and to respond to the changes and emerging players in the field of social enterprise. The grantee has reported that each of its discussions with potential investors has highlighted their interest in investing in start-ups with a social purpose.

The grantee believes that its financial instrument will be funded mainly by private investors with an interest in social finance, by commercial banks, and by social venture capital. In addition, ethical banks, business angels, foundations and banks interested mainly in the third sector might also get involved. The grantee mentioned, however, that it may be able to access resources from the European Social Fund and the European Regional Development Fund.

In setting up the financial instrument, the grantee will rely on professionals with a wealth of experience in consulting, fund management and the financial sector. These professionals will have also demonstrated an interest in social funding and in environmental as well as social issues. The grantee is looking to integrate venture capital and quasi-equity products into its financial instrument but argues that it is still too early to understand the requisite conditions for specific products offered by the financial entity. The grantee and its associated partners have not yet determined the code of conduct to be followed in terms of managing the financial instrument, nor have they decided what legal form the entity should take. Similarly, because many factors need to be taken into consideration in the event of a default, the grantee has not yet defined specific actions to be executed should such an event occur. The grantee has already decided on a number of related services that could be offered by its initiative, including pre-investment support, business model consulting, mentoring, an assessment of market potential, accounting and legal support, business development, networking, marketing, and communication, to name but a few.

The Italian legal context relating to social finance is still under development, and the expected relation between social impact and financial return that investors will seek to follow is still under evaluation. According to the grantee, the aggregate social impact of the financial instruments will be measured by investees at their own expense, as required by Italian law when entities receive the status of innovative start-up with a social purpose.

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96 The venture capital firm Oltre Venture and the banks Unicredit Spa Bank, Banca Etica, Fondazione Cariplo, Banca Prossima, and Banca Esperia.
The grantee has outlined the characteristics of its portfolio firms. Portfolio firms are required to have no more than 50 employees and a maximum annual turnover of €10 million. The grantee understands that technology and impact can be used and occur in any sector. Therefore portfolio firms are not restricted by the sector in which they operate as long as they have a clear understanding of the technology they use and an idea of the social impact they can have. The grantee reported that only early-stage investment to Series B financing will be considered without providing further explanation on this point.

The grantee plans to attract investees to the fund by undertaking a number of activities, including making direct contact with social enterprises involved in the Impact Hub and partner networks, and conducting marketing activities, email engagement and workshops. Social enterprises will be selected based on the sustainability of their business model, their calculation of the expected ratio between social impact and financial returns, and opportunities for transferability and scalability in other regions or countries, to name a few examples.

The grantee has reportedly fully met three of its four objectives and has partially met its fourth objective, which is to ‘discover ... the needs and constraints of each of the players involved in order to focus on how to develop the financial instrument’. The fourth objective is still a work in progress, as stakeholders need to understand the nature and scope of the financial instrument and the role and level of involvement of the stakeholder in its use. In addition to conducting desk research on the EU players and the supply and demand sides of social finance in Lombardy, Italy, and mapping the demand side and identifying potential investors (as reported in the last reporting phase), the grantee has organised activities around consensus building and capacity building. In terms of consensus building, the grantee has organised a seminar on creating awareness of social finance and held a workshop that targeted the key players involved on how to set up the partnership. In terms of capacity building, the grantee mentioned a workshop involving four experts from ‘two of the most influential European organisations on the development of social finance instruments’. It is unclear from the reporting when this workshop was carried out.

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**Alliance for Social Impact Investment**

**Associação para o Desenvolvimento pela Tecnologia, Engenharia, Saúde e Educação (TESE)**

**Portugal**

**June 2014–May 2015**

TESE outlined a number of activities to be undertaken under three general headings: project and consortium management, preparation activities (such as benchmarking exercises, social investment market analysis and focus groups), and implementation (e.g. dissemination of results, negotiation with potential investors). The grantee reported having made changes to the original action plan due to the lack ‘of hard factual numerical data’, the need to adjust the original expectations in order to have increased impact, the need to involve policymakers and the need to create a business case in order to convince investors to become involved. The grantee also explained the need to adjust its original plan in order to allow for scale and scalability, which would lead the grantee to favour development capital over seeding capital.

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97 These objectives were to 1) deepen the knowledge of the social enterprise ecosystem in Italy, with particular reference to the Lombardy region; 2) deepen the knowledge of the market of social finance in Italy; 3) develop a network of the main players in the ecosystem (on both the demand and the supply sides) and involve them; and 4) discover the needs and constraints of each of the players involved in order to focus on how to develop the financial instrument.
The grantee explained that the likelihood of a start-up project making €150,000 is low (without giving further contextual information); consequently, the grantee explained, it is important to focus on models where there is evidence of success to improve the impact of the grantee’s efforts. The grantee also reported that informal contact was established with potential funders and that this highlighted the need for a strong business case. To this end, the grantee has decided to develop two or three business cases to attract funding.

Further to this, the grantee has reported that the Portuguese government has established its investment priorities, which match the project team’s initial recommendations.

Some of the milestones for the final reporting phase have been reached, according to the grantee’s report. The grantee planned to attend the workshop in Offenbach-am-Main on 15 and 16 January 2015 and has undertaken logistical preparations for an event for the dissemination of results between December 2014 and February 2015. The grantee’s reporting is somewhat unclear, especially in terms of the milestones that were reached. The grantee has reported that it did not meet each of its milestones, including updating the project’s blog, meeting an expert, disseminating its results at an event, and holding a consortium intercalary meeting. However, it would appear that the grantee has completed each of these tasks and is perhaps reporting its delay in reaching these milestones rather than its inability to reach these milestones.

The grantee has interacted with five types of financial institutions: 11 banks, a finance/insurance company, a business angel, an employers’ association and a foundation. The grantee plans to mobilise investors by presenting investment dossiers that include the projects’ information and data. The grantee explained that this decision came out of a workshop attended by 14 potential investors who would seek to invest in ‘credible projects led by credible teams’. Once a potential investor signals its interest in investing in a project, the investors and investees are expected to sign a MoU in order to make their agreement legally binding. Although the grantee appears to have a strategy on how to raise money, it has not yet firmly decided on what type of investor (public or private) will become involved with the project. The grantee has, however, considered commercial enterprises, venture capital organisations, commercial banks, foundations, business angels and investment funds (from the private side), as well as public funds from the Portuguese social innovation fund Portugal Inovação Social 2020 and EU structural funds (see Figure E-1). The grantee expects high risk and low return. It did not further elaborate on this point.
The grantee reported that it will integrate loans, venture capital equity, co-investments and mezzanine funding into its financial instrument. The grantee intends to offer the venture capital equity to daughter companies making an equivalent profit, while the quasi-equity (integrated loans) and the mezzanine funding will be offered to daughter companies with asymmetric profit. Finally, the grantee mentioned that debt will be carried by the mother companies without any governance and that there are currently no deals under co-investments. In each case, the grantee reported that the default is immaterial. The financial partner of the consortium, will receive a management fee to manage the fund. The grantee reported that it expects to establish the financial instrument through a legal form. The grantee says that, in the case of default, it expects to follow the standard conditions, without specifically mentioning how this will affect the project or how the consortium will deal with the consequences.

The grantee states that will provide other related services beyond the financial instrument, including capacity building, investment readiness support, business development, social impact measurement and consulting services. In its report, the grantee elaborated on each consortium member’s responsibilities vis-à-vis the services and on its financing plan (see Table E-1).
The grantee has specified that investors are ‘expected to seek a double-bottom line objective’ which marries social impact with financial return. However, the grantee explains that the nature of its work is new and that it has not yet specified any trade-offs or expectations of the relationship between social impact and financial return. The grantee expects to follow the methodology of the French body CDI or of an Social Return On Investment to measure impact; it gave no further explanation to explain this. The grantee noted that investees will be expected to submit financial data and to record their activities in order to track the social impact of their projects; however, the grantee was unsure of the scope of the question on impact measurement and did not give any further response. The grantee also categorised potential portfolio firms by size and annual turnover (as outlined in Table E-2).

Table E-1. Service delivery responsibility

<table>
<thead>
<tr>
<th>Services</th>
<th>Who</th>
<th>Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building</td>
<td>TESE/FSI</td>
<td>TESE has a Programme called MAIS that reach more than 100 organizations and it's supported by Memoria Foundation; Accenture and EAFGrants/Paid service from May onwards</td>
</tr>
<tr>
<td>Investment readiness support</td>
<td>FSI</td>
<td>Paid service from May onwards</td>
</tr>
<tr>
<td>Business development</td>
<td>FSI</td>
<td>Paid service from May onwards</td>
</tr>
<tr>
<td>Social Impact measurement</td>
<td>TESE/FSI</td>
<td>Paid service from May onwards</td>
</tr>
<tr>
<td>Consulting</td>
<td>TESE/FSI</td>
<td>Paid service from May onwards</td>
</tr>
</tbody>
</table>

**SOURCE**: Information provided by TESE (grantee Strand A)

Potential investees will be selected based on three criteria: 1) openness to new social finance approaches; 2) readiness to develop new expertise in this field; and 3) operational and financial capacity. The grantee has not stated how it will measure openness to new social finance approaches or readiness to develop new expertise. The grantee expects that some social enterprises will decline further assistance as more strategic decisions are required;

Table E-2. Potential portfolio firms

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Size (n’employees, turnover)</th>
<th>Stage of Investment</th>
<th>Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>80; 1 629 785€</td>
<td>Early stage</td>
<td>Integration of young excluded through Circus &amp; Arts, Association/ IPSS</td>
</tr>
<tr>
<td>Case 2</td>
<td>123; 2 774 654€</td>
<td>Early stage</td>
<td>Social Care, holiday colony for the under privileged, school Foundation/ IPSS</td>
</tr>
<tr>
<td>Case 3</td>
<td>6; 64 019 €</td>
<td>Early stage</td>
<td>IT/NPO (Startup)</td>
</tr>
<tr>
<td>Case 4</td>
<td>28; 1 000 000€</td>
<td>Early stage</td>
<td>Care and education of Mentally Disabled Association/IPSS</td>
</tr>
</tbody>
</table>

**SOURCE**: Information provided by TESE (grantee Strand A)
conversely, the grantee expects that some social enterprises will need further support, especially in reaching ‘work agreement thresholds’. It provided no further clarification provided on this last point.

The grantee’s pilot project sought to meet three objectives: 1) to increase awareness of potential investors of the benefits of social investment for leveraging social entrepreneurs (reportedly met); 2) to consolidate knowledge on other Member States relating to practices in social investment (reportedly met); and 3) to promote new relationships between social investors seeking greater consensus to facilitate agreement on the mechanisms for social innovation and its operationalisation (reportedly partially met). The grantee cited changing approaches to investment in social projects and changing market conditions as positive factors influencing the grantee’s success in meeting its first objective; further, the grantee’s networks with French and British organisations helped it in its knowledge-building activities under its second objective. The final objective has not been fully met due to the difficulties that arise when a new market is developing — difficulties that are mainly linked to sufficient awareness of developments, connecting stakeholders and understanding both the supply and demand sides of social finance. Nonetheless, the grantee feels that it has had some level of success in raising awareness at its workshop, held 11 February 2015. This workshop provided the grantee with the opportunity to gauge the interest among social organisations in changing their structural and financial models and to allow investors to learn more about how they can invest in SEs.

Finally, TESE, the Portuguese social investment lab IES and the Calouste Gulbenkian Foundation are collaborating to prepare a social impact bond to more effectively tackle youth unemployment.

Second round of grantees

**Preparing the ground for a social investment market in Denmark**

*Socialstyrelsen/National Board of Social Services*  
*Denmark*  
*September 2014–May 2015*

The grantee had planned to lead four activities throughout the duration of its project. These included a kick-off meeting; workshops in Warsaw, Frankfurt and Denmark; hiring an external consultant; and organising a study trip to the UK on 25 January as an additional activity for this reporting phase. The grantee reported having successfully achieved its planned activities in previous reporting phases, which included organising study visits to the UK (20-30 January 2015) and Italy (4-6 March 2015), conducting a workshop for social enterprises (25 February 2015), and organising the project’s steering group meeting (held 23 March 2015). The grantee also reported on the tasks already completed by the external consultant, including research work analysing existing knowledge about social finance, providing best practices examples, and providing examples of successful social finance models and instruments. The consultant also contributed to defining how international experiences could be replicated in the Danish context, and the consultant started a social finance market analysis.

The grantee’s groundwork expressly aimed at setting the conditions for developing financial instruments specifically targeted at social enterprises. The grantee hoped to recruit potential investors through a workshop organised on 30 April 2015. At this time, it intended to present its knowledge about social finance in other countries, gathered from its previously organised
workshops, to potential investors. The grantee’s April workshop would launch the creation of a social finance market, and its conclusions would be used to create its MoU. At the moment, only two financial organisations are known by the grantee to provide capital to social enterprises. Therefore, the grantee counted on the workshop to provide a better understanding of the entry conditions of investors and, notably, the financial instruments they plan to rely on. The social finance market is still embryonic; therefore, investors should be assured of stable financial returns when investing in social enterprises. Impact investing is not well known by investors, who still may view social impact and financial return as mutually exclusive concepts.

The grantee expects to provide financial support for capacity building. It expects to enhance the capacity of investees to effectively measure their social impact through facilitating the creation of investment readiness programmes and through supporting local business services. In addition, the grantee plans to provide services to both the demand and supply sides in order to reduce the gap between them. However, no specific details have been given on the nature of those services.

Social enterprises would be approached by two different means: 1) through the Vækstcenter for Socialøkonomiske Virksomheder/National Centre for Social Enterprises and its web platform (www.socialvirksomhed.dk) and 2) by relying on the national registration system for social enterprises. The social enterprise market is still burgeoning; therefore, social enterprises are characterised by early-stage development and weak investment maturity. They do not seem to constitute an ideal profile for investors and therefore need to build their capacity. As a consequence, the grantee forecasts a need for provision of financial support for capacity building. The investors involved in the project will be required to perform a social impact assessment in cooperation with their investees. The grantee expects to enhance the capacity of investees to effectively measure their social impact through facilitating the creation of investment readiness programmes and supporting local business services.

Overall, the grantee partially managed to reach its objectives. Even though the grantee gained knowledge of the social finance market through various workshops with potential investors, it nonetheless still lacks knowledge of international best practice examples that could fit in to the local market context. The workshop that were to be held in April and the recommendations of the external consultant would help the grantee to close this gap and lay the foundations for the development of the social finance market. The activities set up also helped the grantee to acquire knowledge of applicable investment models and to identify relevant investors and intermediaries who might participate in the project. Furthermore, the grantee mentions the usefulness of the network developed through the project to gather international experiences. Finally, the awareness-raising and capacity-building activities led by the National Centre for Social Enterprises contribute in reinforcing the implementation of the project.

In the last monitoring report, the grantee stated that it had achieved some of the milestones. These milestones mainly include several field trips to the UK and Italy, as well as attending and organising various types of meetings (Steering Group meetings, a workshop, a dialogue review group meeting). The external consultant also produced a range of other materials on social innovation in Denmark and the EU. In addition, the key deliverable — the consultation paper — has been produced. However, this paper has not yet been internationally or nationally reviewed. The final conference and final reporting have not been achieved.

The fact that the last milestones have not yet been achieved relates to the election of a new Danish parliament (18 June 2015) and the subsequent establishment of a new Danish government (28 June 2015). During that period, no civil servants in the government were able to engage in any external meetings. This has been communicated to the European Commission, and an extension of the deadline until the end of August was agreed upon.
While a revised planning has been presented to the Commission, achieving all the project’s objectives poses a challenge because the grantee is confronted with various challenges. The trajectory towards a signed MoU (which hasn’t materialised yet) has been characterised by the beneficiary as ‘bumpy’, mostly because of the immaturity of the market and the ‘identification of a gap of understanding between supply and demand side.’

Other challenges listed in the report include the limited availability of experiences from abroad that are transferrable to the Danish context and the challenge of attracting sufficient attention for the workshop.

The grantee provided a list of lessons, which might be useful to other organisations, in its reporting:

- A multidisciplinary team clearly adds value, especially in terms of putting together social and business skills.
- Information, both public/formal and ‘common knowledge’, must be handled with extreme care, probed, questioned, and deepened, as perceptions often differ substantially from reality.
- A profound mentality change will have to occur in the market before material change is to be seen.
- Engaging the financial sector in developing a social investment market takes a lot of convincing and a tight focus on risk-minimisation efforts.
- The practical implementation of a social investment market depends on social capacity building on the supply side and investor readiness capacity building on the demand side.
- Social impact lending from banks is limited by the effects of the financial crisis.

Fostering the development of a new financial instrument for social ventures in Germany

Impact in Motion GmbH

Germany

July 2014–August 2015

Impact in Motion, together with its co-applicants, the Bertelsmann Stiftung and Ananda Ventures (the management company of the Social Venture Fund), seeks to establish a social finance partnership for a new financial instrument addressing the financing gap between €100,000 and €500,000 for social ventures (in particular those started by young entrepreneurs) that are seeking to raise capital for growth in Germany.

Through an in-depth assessment of demand and supply and an evaluation of suitable financial products already successfully implemented in other Member States, the grantee aimed to identify a new, high-potential financial instrument for the German market. The project was to concentrate on sustainable, standardised and scalable financial instruments (e.g. revenue sharing agreements, social bonds, first-loss vehicles/hybrid financing) that have the potential to mobilise large-scale funds involving private, institutional and public funders. A strong social finance partnership was to be established for this new, high-potential financial instrument, involving relevant stakeholders (i.e. investors, intermediaries and start-up/business development services) from private, public and not-for profit organisations to further contribute to the implementation of this instrument in the German market.
The project had the following objectives:

- effectively closing the gap in supply of social finance for innovative social ventures in Germany by fostering the development of a new, suitable financial instrument, to be selected based on an in-depth analysis of potential demand and supply;
- reinforcing learning from more developed social financial markets in other Member States by focusing on transferring instruments to Germany that have already been successfully implemented in these markets;
- mobilising large-scale funds from private, institutional and public funders by concentrating on the development of a sustainable, standardised and scalable financial instrument;
- building a strong and committed social finance partnership involving investors and intermediaries that enables less experienced social investors to participate in the German social finance market and reinforces knowledge transfer from more experienced investors (e.g. with regards to developing a sustainable investment strategy).

In order to achieve these objectives, the project foresaw the following activities:

1) assessing the potential demand and supply for new financial instruments, especially with regards to financial instruments that have already been successfully implemented in other Member States;
2) selecting a new, high-potential financial instrument to be further developed through a rigorous evaluation of demand-side and supply-side section criteria;
3) establishing a strong and committed social financial partnership to further develop the selected instrument;
4) conducting a feasibility study on the selected financial instrument in order to develop a sustainable investment and implementation strategy;
5) developing the Memorandum of Understanding to be signed by the social finance partnership, documenting their commitment to contribute to and collaborate in establishing the new financial instrument.

After having identified potential partners, Impact in Motion liaised with them and secured their commitment for a partnership. A kick-off meeting with the partners has been held. Key partners include an experienced venture capital investor (Thomas Jetter) and a business angel (Marco Janezic), to ensure the inclusion of extensive experience in seed financing. The non-profit consulting company Phineo has also been included in the partnership. It developed a rating system for social organisations and the Phineo ‘impact label’. A MoU has been drafted by Impact in Motion.

As a result of the intensive discussion with its partner Ananda Ventures about the topic of seed financing of social entrepreneurs, Ananda Ventures has decided to invest (within its mandate) a part of its fund volume into more early-stage social enterprises with a capital demand between €100 000 and €500 000. (Ananda Ventures normally invests a minimum of €500 000 in the first round.)

At the end of the reporting period, the project beneficiary had already extensively developed concrete views on the results of this project. These concern:

- the criteria for desired investors and the way to mobilise investors;
- the financial products to be integrated in the financial instrument (equity, quasi-equity, mezzanine funding);
- the criteria for each financial product offered;
• the way the instrument will be managed (the legal form of the investment company, two professional investment managers, their requirements, their remuneration, code of conduct);
• the services to be offered;
• the portfolio of firms to be selected (social tech start-ups in their seed and start-up stages) in various areas:
  o pro-active scouting areas (ethical consumption, education, health, resource efficiency)
  o passive deal-flow-generation areas (sustainable development, justice and safety, climate change and energy, social welfare)
  o opportunistic areas (social economy, media, democracy and inclusion);
• the way social enterprises are selected (including the selection criteria).

Being on the brink of finalising the project, the grantee reported to have learned the following key lessons:

• During the course of a project it may often be necessary to continuously adapt to new insights and developments and to manage deviations from the original project plan, without losing sight of the overall objective.
• The first module was a rather academic exercise, during which the writing of the report consumed a lot of time. In hindsight it might have been more pragmatic to make a decision on a financial instrument relatively early and be able to spend a bit more time on identifying and developing case studies of successful examples of social entrepreneurship. At the same time, the grantee reported that the study is downloaded quite often from its website and that it believes that, at the end of the day, publishing its findings had more impact.
• Meeting and exchanging information with other project members has been immensely helpful.

Grupo de Trabalho para o Investimento Social (GTIS)/Social Investment Taskforce
Social Investment Taskforce: Catalysing a social investment market in Portugal
Laboratório de Investimento Social/Social Investment Lab
Associação Instituto de Empreendedorismo Social (IES)
September 2014–August 2015

With this project, IES and its partners foresaw creating Grupo de Trabalho para o Investimento Social in Portugal. It was to be established and complete its work over a period of 12 months. The GTIS was to pave the way for the creation of a social investment market in Portugal. The implementation was to be supported by a consortium led by IES, in cooperation with FCG and Social Finance.

In more specific terms, the grantee pursued the following objectives:

1) assessing and developing the demand for social finance products;
2) identifying potential sources of social finance;
3) proposing suitable social finance products and market infrastructure;
4) capitalising on the know-how and existing case studies from other Member States;
5) building a commitment from key stakeholders.
The GTIS basically aimed to deliver a set of recommendations with the objective of laying the foundations for the development of a social investment market in Portugal and report specifically on young entrepreneurs and on the levels of capital that can support the development of their businesses. These recommendations could be a reference point for development of other EU markets and could enable social and young entrepreneurs to take on social finance instruments. The recommendations will inform an action plan that will define roles and responsibilities in building the market. GTIS aimed to achieve its objectives by engaging key partners from the private, public and non-profit sectors as GTIS members and through consultation with a broad range of stakeholders. A number of organisations have already been approached and have indicated their support. The GTIS was to be supported by a consortium, which was to develop materials and implement the engagement strategy, including a series of key initiatives and strategic workshops that will be critical to informing this work.

The grantee reported having achieved all its objectives. The grantee assessed and developed the supply and demand sides of social finance products in Portugal (objective 1) and identified and attracted sources of social finance which are appropriate for the Portuguese market (objective 2) through research and analysis on different priority areas identified by the members of the taskforce, which was materialised in 10 research pieces that describe the different issues, identify how they have been addressed internationally, and provide an application of best international practices to the Portuguese context. In addition, the grantee collected know-how, experiences and visions of the members in the sub-group meetings, plenary sessions and one-to-one meetings. The grantee also collected know-how, experiences and visions of relevant key players in the social, public and private sectors through a focus groups.

Furthermore, the grantee proposed suitable social finance products and market infrastructure (objective 3) in its final report. The final report comprises the outcomes of a thorough assessment of the potential social investment market in Portugal, which is the rationale for the final set of recommendations of the taskforce. This report was written in close collaboration with Social Finance and the IES team, under the supervision of the Calouste Gulbenkian Foundation. One of the recommendations (recommendation 2) is about testing innovative social finance instruments, such as social impact bonds, revenue participation agreements and unsecured loans. In the grantee’s report, the rationale and relevance of the recommendation for Portugal are discussed first. After this, the three types of innovative social instruments that are suggested to be tested are explained in detail. The advantages offered by each instrument to social organisations, investors and public entities (in the SIB case) are also presented. CAF (Charities Aid Foundation) Venturesome and Futurebuilders Fund in the UK are the two international examples provided to illustrate the innovative debt and equity financing forms. As for the SIBs, the Portuguese case study by Academia de Código Júnior serves as best practice. The lessons learned with the selected best practices are also presented. Lastly, the grantee’s report presents a roadmap for the implementation of this recommendation, which includes three tasks to be undertaken within different time periods. The outcomes and first movers for each task are also described in the roadmap.

In addition, the grantee managed to capitalise on know-how and live examples from other Member States, especially in the UK (objective 4). All the activities undertaken by the team were undertaken by referring to international best practices and by bringing to the meetings experts on different topics to present to the members. In the final report, the five recommendations chapters include a summary of the discussion on relevance of each recommendation, a list of examples of national and international best practices and the respective lessons learned, and a roadmap for implementation of the recommendations. International best practices provided include: BBVA (Banco Bilbao Vizcaya Argentaria), Momentum (Spain), Investment and Contract Readiness Fund (UK), CAF Venturesome
(UK), Futurebuilders (UK), Academia de Código Júnior SIB (Portugal), and Le comptoir d’innovation (France).

Finally, the grantee achieved building a commitment from key stakeholders to act upon the findings of this work (objective 5). This commitment has been gradually achieved through the series of meetings that have been held over the course of the project. One-to-one meetings proved most beneficial to validate and address the intentions of the members to actively participate in the creation of the market.

The members’ final commitment became a fact when they ‘signed’ the final report, which translated in approving the final report and providing the institution’s logo to be included in the report. Most of the members attended the public presentation of the report at the Social Innovation World Forum’15, on 26 June 2015. Five of the members were part of the panel that presented to a wide audience the results of the project. All the members requested a lot of hard copies of the report to distribute within their networks and teams. Four members were interviewed by Jornal de Negócios (an economic newspaper) to explain the aim of the project, the final outcomes and their commitment to take the agenda forward. Some members have already asked for a next meeting in order to discuss the next steps and to coordinate and monitor the implementation of the recommendations (this meeting was scheduled for September 2015). Some others have asked for individual meetings with the support team (consortium) to debate the role that their institution can play in developing the market.

In its final monitoring report, the grantee stated that ‘some of the milestones’ have been achieved. Several activities, workshops and research activities, in particular, produced a variety of outputs, most notably the Final Report of the GTIS. This report was presented at the fifth GTIS meeting, which was attended by, among others, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility, Marianne Thyssen. With this presentation (and subsequent discussions), the project had almost reached its end. An example of an activity that still needed to be undertaken is the webinar titled Introduction to social investment (originally postponed to September). The consortium intends to use this webinar for further dissemination of the conclusions of the project, and it wanted to use the momentum when members discuss the final steps of this project after the summer period.

In terms of lessons learned, the project beneficiary reported multiple lessons:

- Members’ interest and engagement are crucial.
- The launch of a Portuguese social investment pilot project attracted interest around the taskforce project.
- Members should not be expected to have a heavy workload. The grantee conducted the research and analysis to provide members with materials for discussion.
- Members should be listened to, and their views must be incorporated into the decision-making process.
- Often, senior representation from influential institutions can inhibit some members from sharing their views. Taking this into account, the support team was flexible and provided different formats for meetings, such as one-to-one meetings with each member individually, to discuss the final recommendations, the implementation roadmap and to solicit feedback, or splitting the members into three thematic groups according to their expertise and profile to promote a live debate among members.
- The level of seniority of members can be an indicator for the eventual buy-in from the institutions they represent.
- Technology was used in order to boost the efficiency of meetings and member engagement. For example, the grantee used a live voting app on tablet devices.
• It is important to book meetings in advance to allow members to manage their diaries/agendas, and to send reminders before meetings and to respond to any queries members may have. The grantee would schedule some meetings and events 12 months in advance.

• Members often respond well to expert input and relevant experts’ presence at meetings.

Strand B: Establishment of social finance instruments and mechanisms

This strand tackles the ‘supply’ side of social finance markets, in countries where it is still burgeoning. Its main aim is to develop instruments to foster and formalise collaboration.

First round of grantees

Establishment and promotion of direct financing instruments in social enterprises

Réseau Financité
Belgium
January 2014–January 2015

Réseau Financité had planned its activities around 13 themes, which were based around research (information questionnaire); outreach (creating a website to link social enterprise and investors, organising an information session, creating an award for social innovation); and delivering outputs (such as creating an information grid, writing up a report on the questionnaire data and drafting a practical guide on financial tools for social enterprise). This practical guide was prepared by using information the grantee gathered in a survey, and it informs social entrepreneurs how to implement and use the studied financial tools. As it had mentioned in its previous reporting, the grantee has made changes to its original action plan; these changes mainly centred on merging two awards into one. In addition, the grantee also amended the number of workshops it planned to host due to poor attendance and instead planned shorter sessions around direct investing.

The project has yielded many results, and each of its planned milestones has been reached. As has already reported, the grantee has established its website, which serves as a forum to present financial products by social enterprises, and it has conducted four out of five planned training sessions (one was cancelled due to poor attendance) to explain direct financing tools. The grantee has reportedly met its project objectives to varying degrees. Of its six objectives, four were met fully, one was met ‘almost fully’, and another was partially met. The grantee has been able to: 1) understand how social enterprises may or may not use the financial tools exempted from publication in the Belgian prospectus; 2) provide entrepreneurs with information on these financing tools, to coordinate a standard framework for social enterprises; and 3) connect social entrepreneurs and investors seeking to act in a local setting. Although the grantee had wanted to provide support to entrepreneurs in correctly implementing the direct financing instruments, there was insufficient time to do this within the scope of the project. Nonetheless, the grantee did manage to provide some consultation to 17 social enterprises. Furthermore, the grantee has shown that it achieved success in its outreach activities (namely, its investment manual and its film, both available on its website). It does not claim full success for this objective, as it did not manage to conduct all of its planned workshops.

The purpose of this project was to engage with the general public about direct investment in social enterprises. This means that the grantee does not rely on financial intermediaries to
support social enterprises. The products being used are accredited by CNC cooperatives and not-for-profit association bonds. The grantee has been asked to provide additional information relating to the nature of these products.

The grantee discussed that initial and follow-on investment is usually achieved through networking and word of mouth. First investors are usually found through the closest stakeholders of the social enterprise seeking funding and through a series of communication tools that the pilot project developed. Given the nature of direct investment, the majority of expected funders will be ‘private citizens’; institutional investors (either private or public) might engage in funding, but due to concerns about liquidity, they are not the most likely type of investor. The grantee reports that a number of conditions exist that can impact on the use of a given financial product (e.g. cooperative shares and bonds), e.g. social enterprises’ financial stability, market conditions, and the nature of the financial product. For example, investors can only acquire €5 000 each in cooperative shares, with an overall maximum of €5 000 000 per annum. The grantee stated that not-for-profit bonds have varying conditions, although no further explanation was provided in the grantee’s report. The nature of the financial instruments puts the onus on potential investors to be sure of their actions and to verify the financial stability of their chosen social enterprise.

Social enterprises will use and manage their financial products (i.e. cooperative shares or bonds), while the pilot project team will manage communication, as well as the technical and institutional aspects of the financial products. On its website, the grantee has outlined the risks to investors involved in using these forms of financing. It is important to note that the grantee has not envisaged any specific action in the event of default and that there is no code of conduct. The grantee explains that there may be a trade-off in terms of the social impact a social enterprise is likely to have and its financial return. Each of the grantee’s selected social enterprises has a high likelihood of achieving social impact. Given the breadth and scope of these impacts, the grantee does not plan to record an aggregate social impact of the financial instrument. Given the diversity of the social enterprises, the grantee has simply indicated that a key feature of their portfolio firms is that they are young enterprises.

A number of related services were already being offered to social enterprises by the grantee, including advice services, counselling and training. A website ‘was created to act as an interface between interested investors and social enterprise investees’.

Three umbrella activities were envisaged by this grantee. These centred on 1) research activities (defining the potential beneficiaries profile, reviewing potential investment opportunities, market research, reviewing regulatory and tax requirements, etc.); 2) drafting governance investment procedures and internal regulations; and 3) drafting practical documents, such as management agreements, an investment memorandum and agreement, and the contractual arrangements for underwriting and lending. The reported changes to the project implementation were linked to the apparent need for further work based on existing documents. These documents could be adapted to suit the scope of this current project, leading to work being conducted internally rather than being commissioned to an external legal sub-contractor.
The grantee reported that some of its project milestones for this period were met, including helping to create a potential pipeline, identifying potential investors, finalising the financial projections which were presented to potential investors, market research/benchmarking, and developing capacities for managing investments. Each of the actions feed into the preparatory activities to establish a new financial instrument for social enterprises. The grantee has provided no update on the milestones that have not yet been reached since the last reporting phase. In total, the grantee had six objectives that were woven into its project, three of which have been met.

During its project’s lifetime, the grantee has executed many preparatory activities to set up its innovative financial instrument and has drafted the requisite legal, constitutional and internal documents. The grantee had aimed, in addition to this, to develop a project centred on the new financial instrument suitable for social enterprises in Poland and other Central and Eastern European countries. However, the grantee and its partners have not been able to extend the scope of their activities or of the jurisdictions in which they work, and they are still working towards enabling financially stable social enterprises who seek access to social finance to gain such access. In addition to the milestones and objectives, this grantee has reported other outputs and results relating to the activities of its pilot project. Some of these results include creating contacts and networks and generating interest among social enterprises on new sources of funding. All necessary constitutional and legal documents have been drafted, and the grantee expects that these will be validated towards the end of its project.

Some members of the project team have engaged in capacity-building activities, such as project management, which had the added intention of improving language competencies.

The grantee has already involved the European Investment Fund, a bank, and a private equity firm in its project. The grantee held meetings with the EIF in May 2014 and with Erste Bank and with a representative of the Slovak ministry of finance in July 2014. The grantee has presented its fund to the EIF. Further, the grantee has also garnered interest from the Polish ministry of infrastructure and development in the planned new source of financing for social enterprise and has solicited interest from other parties with whom potential future collaborations may arise.

Second round of grantees

First structured financial instrument for social entrepreneurship in Croatia
Cluster za eko-društveni razvoj i inovacije (CEDRA)
September 2014–April 2015

With this project, CEDRA Croatia and its partners — Impact HUB, Società Europea Finanza Etica e Alternativa (SEFEA), Mara d.o.o., International Development Agency Ltd, LEADER Mreža Hrvatske (LMH)/Leader Network Croatia, and attorney-at-law Tomislav Valičević — seek to increase employment and social inclusion by providing assistance in the development of social enterprises and enabling access to finance for social enterprises in their early stages and to enterprises started by young people.

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8 In the last reporting phase, the grantee reported having not met three of its intended milestones, namely, selecting a legal company/lawyer; reviewing the requirements for getting the European Social Entrepreneurship Funds (EuSEF) label on the national level; and obtaining a final decision on the fund’s legal status (although the decision on the location had already been taken).
The project is expected to produce a detailed financial model and plan of investments in the social economy; development of legal and organisational frameworks for the establishment of sustainable financial instrument; development of IT technology and support for management of the investments and relationships with the financed projects; establishment of systems for legal and financial monitoring and codification of principles and practices; and development of a network of potential and actual customers of the financial instrument. The action requires work by different types of experts, such as social economy experts, legal experts, IT experts, business analysts, financial analysts and scientists. The action brings together practitioners in the fields of social entrepreneurship and financial modelling, legal experts, international best practices experts and technology experts.

In addition, the project will bring forward a strategy for and commitment to a newly formed fund for the financial instrument and the according investments. Also, the action will produce the first structured support in Croatia for investments in the social economy and in young entrepreneurship.

Finally, the action will develop a management system of such contractual relationships that a) carries out and streamlines the management of obligations, benefits and potential of all contractual parties; b) monitors and evaluates the progress of contractual obligations in real time; c) conducts future individual-party and systemic risk assessments; d) leverages capabilities of the contractual parties for systemic risk mitigation; and e) connects the individual potentials of various contractual parties for opportunities.

More specifically, the project aims to:

1) present information and education activities on the concept and practice of eco-social innovation, entrepreneurship and development in Croatia, the EU and globally;
2) engage in advocacy and achieve policy-level impact, including support for the creation and optimisation of the national Strategy for Social Entrepreneurship, for legislation around this strategy, and for recognition of the terms, tools and concepts among crucial decision-making stakeholders at the local, regional, national and international levels. This is to support the establishment of the enabling eco-system for eco-social innovation, entrepreneurship and development initiatives in Croatia and the wider region;
3) develop and establish a national functional network of independent, self-reliant but synergistically inter-connected regional support centres for eco-social innovation, entrepreneurship and development that would provide all relevant expertise, resources and tools to those interested in applying these concepts and practices at the local level;
4) create and experiment with new models and instruments of developmental support for organisations and communities through innovation, including the creation of new structures and financial resources and adequate the human and social capital needed for successful local and regional development, based on application of the eco-social innovation and entrepreneurship.

In order to achieve these objectives, the project includes several work packages, covering the creation of a detailed plan and model of investments in the social economy (WP1); the design and implementation of technology and IT tools for the management and monitoring of investments and their relationships with project performance (WP2); the establishment of a legal framework and codification of established principles and practices for social finance (WP3); and the execution of, pilot investments in, and evaluation of the financial instrument (WP4).

The project has managed to achieve most of its milestones. The grantee has produced a detailed investment strategy, including precise investment criteria, and has drafted the
general management system specifications to design the IT tools. Prototyping the software for the management system is still in progress, but computerised management of projects is already ensured through the Tryton platform. However, the grantee has not (yet) managed to develop a user interface and reporting sub-systems. It invokes the legal regulations and investors’ lack of clarity as reasons for this delay. The interface should therefore be able to be launched once those issues have been clarified. Furthermore, the grantee has drafted the general contract templates to be signed by the partners based on their respective expectations and on best practice examples. The grantee is, however, waiting for the investors’ and regulatory agencies’ recommendations to finalise the documents. Finally, the grantee has evaluated and included 12 social enterprises in the project database and plans to perform additional individual risk assessments before selecting enterprises for funding.

The fund would target investors valuing social impact rather than financial returns but expecting investees’ financial sustainability over the medium and long terms. Besides, the fund would target long-term investors, as they are expected to keep their shares (of a minimum of €100) for at least seven years. Therefore the grantee plans to involve in the project public entities, such as municipalities, ministries (labour, entrepreneurship), authorities responsible for the implementation of various European funds (European Social Fund, European Regional Development Fund) and the European Investment Fund, as well as private investors expected to become involved through equity ownership. The grantee expects investors’ decisions to be based, notably, on the number of new jobs created within the funded firms, the economic impact of firms’ activities, the contribution to the common good, educational possibilities and the link between social impact and expected risk.

In order to diversify the risk and ensure investment stability, the grantee has planned to gather a diversified portfolio covering firms in various sectors and geographical locations. The firms portfolio is therefore expected to gather projects from already existing companies seeking to expand their geographical or sectorial activities, new social enterprises and well-established NGOs willing to set up as social enterprises. Furthermore, it would encompass projects already relying on external sources of funding and high social impact projects financed through grants. Second, the grantee expects to mitigate and monitor risks through the development of key performance indicators, monitoring procedures and additional control mechanisms based on the risk profile of the financed project and specific to each financial product — for instance, involvement in the project management structure through equity ownership or inclusion of specific mitigation measures in the business plan. The profits generated through those investments would solely be used by the fund to finance capacity expansion and services.

The grantee plans to integrate loans, equity, quasi-equity and guarantees as financial products within the fund, divided into two main categories with different investment and risk profiles.

The grantee has detailed precisely the various investment mechanisms through which it expects investors would contribute to the fund: equity and quasi-equity, securitised and unsecuritised debt instruments, units or shares in one or several other qualifying funds, and secured or unsecured loans. The default rate would account for each project’s economic specificities.

The grantee has planned to create a new legal entity to manage the instrument. The fund’s management would rely on both internal and external actors. Internally employees would encompass various profiles, including social development, financial and risk management experts, as well as business analysts. Externally, the fund would rely on its partner organisations network to source specialists in various economic and business fields who have strong knowledge of the various projects’ regional contexts. The grantee envisaged the development of mentoring services through a vouchers system and through relying on the expertise provided by partner organisations, notably incubators or accelerators in various
disciplines. The fund’s IT infrastructure would support the evaluation and monitoring procedures for the financed projects.

The grantee has developed detailed procedures to invest in one of the fund’s financial products. Risk evaluations would be led by three fund members from diversified professional backgrounds, who would have the responsibility along with the credit management board to select projects to invest in. Furthermore, risk simulations would be performed and would be integrated within the evaluation procedure. The grantee anticipates covering management costs through the profits created by investments. The fund has adopted a code of conduct for ethical investments developed by the Federation of European Ethical and Alternative Banks (FEBEA), on which it expects to base its financial decisions.

In order to prevent cases of default, the grantee has considered financing projects in phases and implementing a monitoring system at each implementation stage. In case of default, it has planned to use standard guarantee instruments, such as a bill of exchange. Furthermore, the grantee expresses the wish for investment risks to be covered by national or European Union guarantee mechanisms, targeting a 50 % coverage rate.

In terms of linking social impact with financial returns, the grantee has not yet decided whether it would adopt a trade-off or a lock-step model. Social impact measurement would be ensured both internally and externally by partner organisations, based on a methodology created by the grantee in order to ‘couple social impact with perceived social impact and chance of failure/success’. Through this method, the grantee expects to show that higher social impact is correlated with lower risk. The grantee mentions the various stakeholders that would be interested in social impact measurement based on diverse motivations, including the various actors in the social economy sector, the cooperative for ethical financing, the Croatian government, local governments willing to reduce unemployment and improve social services, the European Commission, the EIF and the FEBEA. The grantee mentions the lack of established procedures and of best practice examples regarding social impact measurement.

The grantee distributed a survey to 2,000 organisations in order to recruit social enterprises from all over the country. The grantee specifically targeted ‘innovative and self-sustainable social enterprises that will be able to provide social services or employment to the community over the long term’.

Firms selected in the portfolio are described as being either innovative or expanding social enterprises or clusters of social enterprises. They should rely on advanced technology to promote solutions to social problems and/or seek to expand geographically. The fund would invest in various development stages and in diversified sectors. Indeed, the 84 surveyed enterprises interested in the EUSEF fund represented 11 different sectors; of these, 34 % were at early stages, 17 % were at first scaling stages, and 10 % were late stage enterprises. Firms interested in receiving funding would have to be evaluated based on their economic, ecological and social impact.

The grantee has anticipated some factors that could affect the dropout rate, including legislative framework limitations, lack of financing and infrastructure, and a weak supporting environment. Due diligence would be carried out by the fund in order to identify project risks and benefits and tailor the financial product to the project’s profile.

Overall, the grantee is about to achieve its commitment to establish a financial instrument for social enterprises. General contract templates for the legal agreement have been drafted and are anticipated to be signed in the following reporting period. The various steps taken to achieve this legal agreement have consisted of meetings with involved partners, research and documentation work, team coordination meetings and internal peer-reviews mechanisms. In addition, the grantee has developed its investment strategy based on various risk profiles and scenarios, which in turn will determine the investor profiles, as well as on specific targeted sectors in which investments are likely to reach the highest impact (organic agriculture,
renewable energy, sustainable small-scale tourism, associated production, IT and social innovation). The grantee has planned to implement its investment strategy through open calls and expects to ensure the sustainability of the fund through the successful implementation of the legal framework, evaluation procedures, IT infrastructure, monitoring framework and open knowledge database. The grantee hopes that these various elements could serve to highlight best practice examples in the field of social entrepreneurship and, thereby, to raise awareness of the importance of a social economy. The ultimate goal is to achieve additional political measures specifically targeted at developing a social economy.

The grantee is making progress in achieving both the general and specific objectives detailed in its application. The creation of the fund, under the European Social Entrepreneurship Fund (EuSEF) label, should be finalised by the end of the project, thereby contributing to improving employment and social inclusion through its support of social enterprises. Despite the challenges the project has had to face (lack of clear definition and legal framework about social entrepreneurship, difficulty in accessing finance for start-ups and lack of supportive environment), the grantee explains that the recent governmental strategy on social entrepreneurship would help raise awareness among investors and foster access to finance for social enterprises.

The grantee also extensively reported on lessons learned. During the implementation of the activity WP4A (surveying and evaluation of potential projects for financing), it was evident that there is an increased demand for instruments for social financing in Croatia. Both the NGO and SME sectors showed great interest in finding out more about the possibilities of the EuSEF fund, which can be shown not only by the number of enquiries, emails and phone calls received, but also by the number of surveys answered. The database for selected portfolio firms is filled with 12 initial projects and will be regularly updated with new information as it is collected. Before they are included in the database, projects are screened and converted to a predefined template so that all projects have a similar document structure for easier overview of and searching through the database. Information about the projects will be supplemented by an initial risk assessment before they will be considered for financing from the fund.

During the implementation of activity WP1D, the grantee has learned that regardless of the risk appetite, the main focus of the investments will be in the fields in which gap analysis of the demand for finance in Croatia is showing the maximum potential for new social enterprises. Those sectors are organic agriculture, renewable energy, sustainable small-scale tourism, associated production, IT and social innovation. Depending of the risk appetite, the mixture of that investment will change from lower risk investments (such as investments in wind turbines) to higher risk ones (such as investments in new technologies in unmanned public transport).

For the WP2B activity implementation, a special meeting for the presentation of the software platform is going to be organised for the project partners.

During the project implementation, three networking workshops were organised. Since the programme requires each grantee to attend four workshops over the course of its project implementation, the grantee has so far attended one workshop in Warsaw (Poland), one in Offenbach (Germany), and three in Rome (Italy).
Social venture incubator

Make a Cube³

Italy

September 2014–August 2015

The project addressed one of the priorities of the EU Programme for Employment and Social Innovation (EaSI), in particular by providing support for social innovation and introducing specific financial instruments for the ‘new’ asset class of social enterprises. This issue is particularly relevant in countries such as Italy, which has a relatively low level of development of the social finance market despite the presence of a solid and grounded fabric of social enterprises. Despite rhetorical statements from some, there are very few investors, banks or institutions fully involved in the social finance market (excluding traditional financial means, such as loans or grants). Early-stage investments suffer from a typical situation of market failure, due to an asymmetry of information, a lack of tangible assets, limited possibilities to protect intellectual property, and, at the same time, a high rate of failure for new ventures.

The key issue that the project tries to tackle relates to the fact that innovative entrepreneurial projects have limited or virtually no access to equity funding in the very initial phase of business development, when even a small amount of pre-seed and seed money can make a huge difference in project development. In the social business market, this situation is even worse, for various reasons, among which, limited scalability, limited willingness to pay for different services, the still-dominant presence of the welfare state, and a lack of understanding on the part of venture capital specialists of the innovative nature of products and services. The non-profit nature of many entrepreneurial projects, combined with a legislative framework that makes it difficult or even impossible to account for capital gains, are additional barriers to the attraction of early-stage investors. Therefore, the proposal aims at developing a model and a practical example of a social business incubator that combines typical managerial support with a social venture capital approach designed to support the development of new businesses.

The project is implemented by a consortium led by Make a Cube³, which is working together with Euricse, R&P Legal and the Uman Foundation. Established in late 2011, Make a Cube³ is the first private incubator in Italy dedicated to social and environmental innovation. Make a Cube³ provides comprehensive advice to start-ups that show a sound, sustainable and scalable/replicable business model, with high potential for creating social and environmental value through their core business.

The project foresees the following six core activities:

1. Provide regular progress reports, based on minutes of the project meetings, the contents of the website, interim and final reports, and cost statements.
2. Create a clear and detailed definition of the incubation approach and business model and of the investment strategy of the social venture incubator.
3. Establish an analytical framework for social/environmental performance measurement and a social/financial performance-based remuneration system.
4. Create a roadshow plan and get all relevant documents signed.
5. Design the legal structure, write statutes and by-laws, design and implement a governance system (board, investing committee, management team and advisors appointed), obtain articles of incorporation (new venture start-up or upgrade).
6. Write a position paper (analysis and policy recommendations) and create a set of incentives and measures for incubation and public financing of new social ventures.

A total of 19 financial institutions have expressed interest in the project, either through meetings and conferences or through interviews, emails, and phone contacts with the grantee. Of these, 7 are banks, credit unions or finance/insurance companies, 5 are foundations and related associations, and 3 are venture capital firms. The remainder are split among a business angel network, a pension fund and big listed companies.

However, despite the interest expressed by investors in becoming involved, the grantee reported not yet having signed a binding investment agreement with any of them. The new Italian regulation on venture capital appears to be the cause of this delay. In the meantime, the grantee has selected eight candidates to constitute the investment committee.

The grantee described the main features of the investment strategy in detail, as well as the particularities of the social venture incubator that is to be developed. Targeted social enterprises would have to meet certain characteristics, such as the number of months in existence (no more than 48), the social or environmental impact they seek to achieve, their innovative nature and their high potential for scalability and replicability in terms of operations and impact. Eight sectors of investment would be prioritised. The grantee plans to recruit social entrepreneurs by relying on various means, including spontaneous online applications, thematic calls, acceleration programs, workshops and other initiatives set up throughout the country, such as start-up weekends or bootcamps. The grantee would also rely on its local partners. Another option considered consists in recruiting a team to manage a project developed in-house. Social enterprises would have to go through a financial screening and social impact assessment before being selected.

The financial instrument aims at providing venture capital to social enterprises through two fundraising rounds (targeting €15-18 million for the first round and €20-25 million for the second one). The grantee targets preferably patient investors with a long holding period (five to seven years) and accepting a return on investment of 2 %. Big listed corporations (and the related corporate foundations) and local development agencies will be targeted, as well as national and European public bodies that already have shown their interest. The instrument will support enterprises at various development stages and aims to accompany them in their growth. The investment type and dimension would depend on the enterprise’s stage of development. The grantee reports investment specificities and requirements at the early (including pre-seed, seed and first-stage), expansion and replacement stages.

The instrument’s management would be ensured both by a simplified form of collective investment fund (Società di gestione del risparmio (SGR)), which would be managed by an asset management firm that would be in charge of compliance and risk management, and by Make a Cube, which would be responsible for portfolio management and social performance assessment. Management fees would be computed based on a flat management fee, carried interest and financial and social performance.

The grantee has scrutinised the several legal forms this instrument could take. It could be constituted as a simplified SGR or use a compartment within an existing fund. Alternatively, the grantee has analysed the possibility of creating a financial vehicle to be listed on the stock exchange or a new so-called private limited corporation.

The incubator would also provide incubation services to social entrepreneurs to foster their capacity building, business development and investment readiness. Those services would be financed by the investees with a share of the social incubator–invested funds. The balance between social and financial returns is taken seriously by the grantee, which, it states, will fully integrate social and environmental dimensions into investment criteria and develop its performance measurement system accordingly.
Social impact would be measured both by the grantee, which would design absolute and relative key performance indicators tailored to each investee and analyse the impact at the portfolio level, and by the investees, which would be required to complete the application form, contribute in collaboration with the grantee to establish key performance indicators at the beginning of the investment period, set up a social performance monitoring process, monitor indicators and arrange annual social reporting. The grantee would have a specific role in supporting social impact measurement and setting impact targets. The grantee is still working towards the achievement of its commitments. The grantee has managed to reach two of the four objectives presented in its proposal, precisely defining the investment approach and selecting social metrics to be applied to social enterprises. However, the legal form the incubator would take might require further discussions, expected to be completed by the end of the project. The project has developed a detailed strategy for the establishment of a social venture incubator, which would be further developed.

In its final monitoring report, the grantee states that the business plan and investment strategy for the social venture incubator have been redrafted and presented to institutional investors. In addition, the methodology for measuring social performance has been finalised. The roadshow to attract investors is ongoing. A final seminar was scheduled to take place on 3 September in Rome, hosted by the Italian ministry of social affairs.

Key lessons learned are:

- Working with financial stakeholders and collecting investment commitments requires continuity, continuous engagement, and revisions of the proposal and, at the same time, a firm commitment to meet social objectives.
- Working under the auspices of the European Commission has been of great importance in terms of reputation and, more importantly, in terms of discipline, timing and quality of outputs.

**Strand C: Establishment of collaborative funding models for social enterprises**

This strand deals with the ‘supply’ aspect of social innovation, particularly in EU countries where various actors are operating in the social finance market on an individual, isolated basis. Its main aim is to foster market integration in these countries.

First round of grantees

**Hybrid financing**

*Finanzierungsagentur für Social Entrepreneurship (FASE) (tr. financing agency for social entrepreneurship)*

*Germany*

*June 2014–May 2015*

In seeking to provide finance to social enterprise, the project aims to develop ‘innovative models of cooperation between investors and intermediaries’ and to expand the network by drawing donors and investors to invest ‘in an open pipeline of investment-ready social enterprises’. Overall, the grantee envisaged the following four activities over the duration of its project: 1) including extending its investor network to other European countries; 2) developing cooperation models for different types of investors; 3) piloting and testing hybrid financing models with transaction support; and 4) disseminating knowledge. Unlike some
other projects, the grantee did not produce a MoU, because each deal reached between a social enterprise and investors is tailor made.

The grantee reported having reached each of its milestones. By 28 February 2015, the grantee had reportedly undertaken between 50 and 60 (although the exact number had not yet been determined) meetings and calls with additional impact investors; identified cooperation models from potential funders (donors, investors, public bodies); worked with selected social enterprises in raising hybrid growth capital and laying the foundations for social finance round-tables; and prepared case studies. The grantee has provided a number of documents as annexes to its main reporting that attest to the completion of its activities and milestones. Included in these documents are the EU cooperation agreement, copies of presentations, case studies, drafts of its early-stage co-investment fund, and its scoring tool, to list but a few.

The grantee identified three financial institutions (two banks and a venture capital firm) with whom it had engaged during the lifetime of its project. In addition, the grantee ‘built a network of impact investors that are interested in early-stage financing of innovative social enterprise’. The grantee has taken a multiple-step, deal-by-deal approach to matching investors with social enterprises. First, the grantee arranged meetings with impact investors from a range of backgrounds (e.g. banking, philanthropy, the public sector) — who were usually identified through the grantee’s network and partners’ networks — and made efforts to understand their preferences. Second, the grantee contacted investors from within its network to provide them with information on specific social enterprises in order to gauge their interest before making a presentation. Third, the grantee built investment coalitions among investors; deal was made once the required number of investors to reach the necessary sum had been agreed upon. The grantee explains that this deal-by-deal approach is a time-consuming but worthwhile process because it facilitates investment between compatible investors and social enterprises with context-specific deals.

Given that each of the deals is managed and decided individually between social enterprises and investors, no separate legal framework is required. The grantee has also noted that it has a co-investment fund that is intended to match both the contribution of the lead investor (between €50 000 and €200 000) and the financing conditions. The grantee intends on building the co-investment fund by seeking investments from a variety of public, private and philanthropic sources. Generally, the monetary value of the deals ranged between €100 000 and €500 000 over more than five years, with an internal rate of return (IRR) of 4 % and 10 % per annum (depending on the investors’ preferences). In addition, social enterprises can expect a flexible repayment scheme depending on their liquidity, and the deals are usually executed under unsecured lending terms. The grantee does not feel prepared to report on the expected default rate, but it notes that an OECD study shows a lower default rate (10-30 %) for social impact investments.99 A default is likely to have a higher impact on investors, especially if they support multiple deals. Social enterprises will be supported bilaterally by investors, and this will be more apparent in the case of default, turnaround or other difficult situations.

The grantee has described three types of investors: impact first, impact only and finance first. Many investors are concerned mainly with impact first, given that they support a social mission. As a consequence, many investors accept the trade-off between social impact and lower financial return. The grantee will rely on social enterprises to measure their social impact based on ‘specific impact metrics’. The grantee does not expect to aggregate measurements of social impact as it does not see any value in comparing impact across different projects. Impact areas vary greatly, and comparison makes only limited sense (e.g. ‘how to value one employed disabled person versus an improvement of education for disadvantage[d] pupils’).

The grantee has mainly focused on early-stage social enterprises in Germany and Austria, which come from a range of sectors (e.g. education, energy, unemployment). Social enterprises have been recruited as a result of the grantee approaching them to become involved in their project; however, a number of social enterprises have become involved after having learned of the grantee’s work through the grantee’s website. Due diligence is undertaken by the investors. The grantee conducts a pre-screening of social enterprises but is restrained from undertaking any due diligence procedures due to issues around regulation and liability.

Coalition building among investors forms the basis of the project’s investment strategy. Usually, coalitions of two to four different types of investors are formed (e.g. social venture funds with public co-investment funds, or business angels with foundations). The grantee expects that a number of financial intermediaries will contribute funds from European Structural and Investment Funds. The grantee has stated that the social enterprises with which it works are high risk and offer little financial return (e.g. IRR 4-10 %) given their early stage. The expected financial risk/financial return varies with each social enterprise.

The grantee has outlined six financial products that it is integrating into its financial instrument, including non-repayable financial supports (e.g. grants that have philanthropic backing or that could potentially come from European Structural and Investment Funds), loans, venture capital, co-investments, mezzanine funding and coalition funding run on a deal-by-deal basis.

The grantee has no specific management responsibilities in relation to the financial instruments. In return for its services, the grantee will extract a ‘success’ fee of 5% of the financing volume from grantees. The grantee envisages support for social enterprise in investment readiness and in transaction support in raising growth capital.

The grantee is confident that it has met the main objective of its pilot project, which was to establish fine-tuned hybrid financing packages for social enterprises. More specifically, the grantee has demonstrated the feasibility and the benefits of such an approach and has been able to mobilise investors from a number of European countries to engage with it. The grantee also expected to expand the scope of its project to regions outside of Germany and Austria.

Preparatory action for the launch of the social impact bond in Estonia
Heateo Sihtasutus/Good Deed Foundation (GDF)
Estonia
June 2014–May 2015

The grantee outlined nine areas of activities. These activities, many of which would span several reporting rounds, were outlined in the grantee’s report. The grantee has also provided a copy of its revised work plan. The grantee had planned on the following activities in the implementation of its pilot project:

1) introduction of social impact bonds (SIB) as a model to private investors and state actors;
2) analysis and comparison of existing research on potential applicable problems in Estonian social policies and fields for SIB, and an accompanying report;
3) analysis of the supply side of the SIB, involving mapping potential social enterprises as service providers in the SIB, with a special focus on young entrepreneurs;
4) negotiations with interested stakeholders (ministries) and the selection of the problem the SIB will be directed to;
5) analysis and design of the impact measurement system for the bond;
6) preparation and dissemination of information on the project’s progress and consultation with potentially eligible social enterprises;
7) creation of the legal documents and framework necessary for the set-up of SIB;
8) final meeting and agreements between stakeholders to sign a mutual agreement for the set-up of SIB;
9) dissemination and publication of work done.

In the previous reporting round, the grantee demonstrated an ability to adapt to the challenges it faced. Although the grantee has not reached all of its milestones, it has completed some and reported that some activities are still a work in progress. Many of its ongoing activities involve meeting potential investors, designing an impact measurement for the bond, dissemination, and the creation of the necessary legal documents.

The grantee has interacted with five types of financial institutions (banks, business angels, venture capital, public-private financial sector cluster organisations, and individuals (business people)). Given the investment landscape in Estonia, the grantee reports that it will rely on philanthropists and ‘companies with social nerve’ to invest in social enterprise. The grantee approached umbrella organisations in order to meet with potential investors, and it credits Estonia’s well-connected business network with facilitating access to investors. The grantee expects the main funders to be business angels with a philanthropic interest. To date, €105 000 has reportedly been secured in investments. At the time of reporting, the grantee had not yet calculated the financial risk and return of its financial instrument. The grantee is offering social impact bonds, but loans, non-repayable financial supports and mezzanine funding are related to the grantee’s main proposed financial instrument. For example, the grantee would like to create a so-called special purpose vehicle (SPV) through which investors could provide a loan or mezzanine funding. The specifics of the SPV have not yet been defined.

The grantee has not been able to fully complete a number of the required fields in the reporting template. There are many legal and developmental aspects of the financial tool that are yet to be defined and established. The SPV would be a new legal entity managed by the Good Deed Foundation; the legal framework for the SIB is still under consideration. The financial, legal and impact measurement framework had not yet been developed at the time of reporting. The grantee has not determined the exact related services that will be offered to grantees, as this will be linked to the ‘profile and level of the service provider’. In this vein, the grantee cannot report whether there will be trade-offs between financial return and social impact, but it expects, given the nature of the funding (i.e. from philanthropy budgets), that financial return is not expected, while long-term impacts will be prioritised.

In explaining who is responsible for covering the costs of social impact measurement, the grantee reported that any measurement of social impact is considered an intervention and that therefore its costs will be covered by the investments, with the impact to be measured by an independent audit firm. The grantee specified that, when mapping potential investees, it will confirm that they have prior experience in impact measurement. The grantee has specified that it will support the investees by allowing them to build capacity and by providing expert knowledge. To date, the grantee has identified three organisations through its mapping exercise. Each of these organisations has demonstrated interest in social impact bonds, is active in the field of youth work and has five years of experience. Although the reporting is sometimes unclear, it appears that social enterprises are approached through an umbrella organisation, namely, the grantee’s partner Estonian Social Enterprise Network. Social enterprises must show that they have management, financial and operating capacity;
that they seek to have social impact; and that they are motivated to participate in the SIB model.

The grantee highlights that it plans to sign its Memorandum of Understanding with government ministries once all parties have identified the problem area. However, the grantee has not reported its progress in drafting or signing its MoU, choosing instead to outline the key elements for inclusion in the document. It does appear, however, that the grantee has identified youth issues (juvenile offenders/recidivism of adolescents) as the social problem to be addressed through its SIB.

In previous reporting, the grantee mentioned its problems in meeting its objectives, noting that this has been mainly connected to its dependence on external parties (e.g. public officials). Although the grantee has demonstrated its willingness and ability to put mechanisms in place to deal with delays in its project, its core objective to set up and prepare the launch of Estonia’s first social impact bond has not yet been met. Nonetheless, the grantee has reported having met some of its sub-objectives, including introducing a model of social impact bonds to public and private investors and identifying and testing a social problem for social impact bonds. The grantee has also mentioned its progress on two other objectives, which were partially met. The first of these was to identify, design and test specific social impact bond models for Estonian stakeholders, and the second was to make recommendations for setting up social impact bonds (or similar impact investments) in Estonia and other EU Member States. The former objective cannot be fully met due to issues at the legal and policy levels, resulting in a situation that does not accommodate this particular financial model. In order to help progress its objective, the grantee has arranged to meet with experts and lawyers to discuss potential solutions. The latter objective appears to hinge on the grantee having completed the preparatory work and written up its case study. The grantee will meet with the European Venture Philanthropy Association and share its insights and experiences.

The grantee cites awareness raising of the impact of social investment and creating a network of stakeholders as its greatest successes from its project. This was achieved through a presentation to the municipality of Tallinn, an event at the Arengufond (the Estonian development fund), and a media appearance.

Second round of grantees

**Supporting the demand and supply side of the market for social enterprise finance**

**i-propeller**  
**Belgium**  
**September 2014–August 2015**

i-propeller, in collaboration with Oxigen Lab and the SI² Fund, aims to fill missing components in the ecosystem for social enterprises, which affects the ability of the ecosystem to serve the largest number of social enterprises possible, the ease and speed with which entrepreneurs can navigate the ecosystem, and the total amount and matching of financing for social enterprises at all stages of early growth. The action seeks to provide a complete chain of services, in particular around seed finance, and to develop close cooperation within the ecosystem through common methodologies, knowledge sharing, joint processes and coordinated action. As part of the specific work on finance, the action will seek to secure additional seed financing through high-net-worth individuals and individual investors.
coordinated through a crowdfunding platform, in an arrangement that can mutually reinforce and de-risk funding for investors, backed by capital guarantees that, together with reinforcing mechanisms, will increase the amount of capital available for social entrepreneurs. Specific methodological and process work will be carried out to ensure the highest possible coordination and collaboration over intake, review, support and funding of social enterprises. Specific activities in this action include agreement structuring for investors, capital guarantees and ecosystem partners; development of the crowdfunding platform and methodology; and process integration work, followed by alpha testing and a four-month pilot period and backed by robust monitoring to capture learning from the action.

In specific terms, the project objectives are:

- Coordinate decision-making and funding between the SI2 Fund, the Oya Fund, the Oksigen Lab and the Oksigen Accelerator (along with any other sources of seed funding), specifically through funding criteria and a new crowdfunding platform.
- Develop intake and eligibility criteria (for example, standards for describing and assessing social impact) in order to standardise how social entrepreneurs work with providers in the ecosystem, criteria that would be open for other organisations to adopt and participate in if desired.
- Cultivate transparency for social entrepreneurs throughout the ecosystem, by having consistent and integrated intake procedures and processes for re-directing social entrepreneurs to appropriate service providers and financial intermediaries, and by equipping key coaching resources to better advise social entrepreneurs on a planned mix of funding sources.
- Develop a new platform for crowdfunding, allowing established professional funds to cooperate with individual investors to fund social enterprises, including mobilising investors through a four-month trial of a new crowdfunding platform.
- Commit new capital sources into the ecosystem, in particular the Oya Fund (with letter of intent), the possibility of other seed capital sources, and individual investors — which today have no suitable means to access investment opportunities — through a crowdfunding platform.

The work needed to achieve these objective is divided into five activity phases:

- **Activity 1.** Upfront work to set out the action, conduct initial research into options and specify detailed deliverable expectations;
- **Activity 2.** Development of processes and methodologies, negotiations of agreements for partnership and capital provision, and selection of IT providers for processes and crowdfunding and necessary configuration work;
- **Activity 3.** Initial testing of all processes, including crowdfunding procedures within the ecosystem and pre-launch of the crowdfunding platform to the public, including a marketing campaign to generate buzz in advance of the launch of the pilot campaigns;
- **Activity 4.** A period of testing for ecosystem integration processes, tracking effectiveness, as well as launch of a minimum of three live crowdfunding campaigns to test crowdfunding market reception;
- **Activity 5.** Gathering of output and outcomes from the pilot and analysis to revise financial and collaboration model assumptions and variables.
The grantee targets retail investors and appeals to their desire to have impact by supporting early-stage social entrepreneurs. Retail investors are being asked to provide support through donations, while having the possibility to receive in-kind rewards. Financial risks and returns are highly dependent on each project, and the grantee is not able to provide any projection. The grantee targets investors highly interested in high social impact entrepreneurs who value social return over financial return. It is, however, working on a long-term co-investment instrument with its partner, Oya Seed, which would consist of a convertible loan and would enable financial return to be connected to social impact. Social impact measurement is, however, not well developed. At this stage of the project, the grantee did not set up any specific requirements for social impact reporting, and it expresses the need to harmonise practices among the various members of the consortium.

Crowdfunding is based on a so-called all-or-nothing model (often referred to as AON), and the default procedure is not automated; in case the project does not reach the amount targeted, individual funders need to ask for repayment individually. In addition to the donations and reward-based system on which the crowdfunding is already based, the grantee plans to further investigate convertible loans as a tool to connect the financial return to the social impact. However, at the moment, the firms’ portfolios are characterised by their small size and diversity, impeding the grantee from predicting the risk and thus the return rates on investment.

Social enterprises are characterised by their early stage of development or scaling up process. They cover issues in three main categories: environment, health and wellbeing, and social inclusion. They are generally small structures, ranging from one to six employees, with a turnover of €50 000 to €1 million.

The project is recruiting social entrepreneurs in three different ways: through the crowdfunding platform itself; through the consortium members (Oksigen Lab and SI² Fund), which already partner with social enterprises; and, finally, through co-financing agreements to be established in the future. The existence of a social mission would be the sole selection criterion to be able to post a project on the platform. The long-term sustainability of the platform depends on the number of social enterprises the grantee will be able to recruit, which explains the low entry requirements. The use of additional criteria, such as team characteristics and business model, should be harmonised among the partners.

The project is part of an ecosystem supporting social enterprises in Belgium constituted by i-propeller, Oksigen Lab and SI² Fund. Oksigen Lab will have the responsibility of managing the web platform and, notably, the e-wallet used for payment. At the moment, no fees are charged to the social entrepreneurs, but the grantee plans to take a 5 % commission in addition to transaction fees. The grantee has set up an individualised coaching programme for social enterprises seeking funding on the platform. The payment for this programme is ensured through service contracts or success-based insurance models and could rely on crowdfunding in the future.

The project beneficiary has implemented its project on the basis of a revised action plan that has been followed throughout the reporting period. The objective of the revised action plan was to refocus the content of the project and facilitate easier monitoring of the deliverables. A range of new activities milestones have been presented. The project beneficiary extensively reported on the milestones that have been reached per work package. These vary from the launch of proper M&E tools to the fine-tuning of the initial business model; securing of additional funding for social enterprises; and the launch of a marketing plan and, in particular, the crowdfunding instrument (Oksigen Crowd).

Key outcomes of the project include the successful establishment of the crowdfunding platform and the fact that the five first campaigns managed to raise €56 000 via 427 donors/investors to enlarge their community for endorsers/supporters. The project
moreover generated much attention in the press through print articles and a comprehensive social media presence, leading to new requests for crowdfunding campaigns.

The grantee is still working towards the completion of the objectives set in its project plan. It has partially managed to raise additional capital for early-stage social enterprises and to specifically mobilise funding for young social entrepreneurs. The grantee was limited in the achievement of those objectives by regulatory constraints and project timelines, but it plans to further investigate mutual reinforcing mechanisms and to test equity models. Oksigen activities starting in April should contribute towards supporting sustainable growth of early-stage enterprises. The objective of developing the impact investment market through a mechanism to ‘blend crowdfunding with institutional investors’ could not be met during the timeframe of the project. However the grantee has achieved designing the website and providing guidance documents on designing a successful crowdfunding campaign. The legal documentation and marketing strategy have been drafted.

The grantee is also still working towards the completion of the objective to establish a collaborative funding model for social enterprises, but it expresses confidence in meeting the objective. In order to ensure the project’s sustainability, the grantee should work towards engaging long-term institutional investors, continue ongoing technical developments of the crowdfunding platform and work towards ensuring an integration of all parties of the ecosystem.

In its last monitoring report, the grantee reported that not all milestones had been reached. For instance, additional funding could only be arranged for two of the five social enterprises. At the same time, however, in those cases where milestones could not yet be reached (e.g. dissemination of the results of the project), the beneficiary already reported on the preparatory work in order to reach them on time (e.g. on external communication that resulted in media attention for the project and the Commission).

Only two of the five social enterprises managed to attract additional funding (from Oya Seed) on top of their crowdfunding, so the project also lags behind schedule on this issue. In addition, the beneficiary reports (on the basis of the pilots) that it proved difficult to attract a wide range of investors through crowdfunding, as they are mainly limited to family, friends and customers of the enterprises. Such factors clearly hinder the achievement of objectives.

Key lessons learned are:

- We have learned about the operational specifics of setting up a crowdfunding site, including payment arrangements, fraud and anti-money laundering protections, other legal disclaimers and privacy requirements.
- We have developed practical guides, specific to social enterprises, around designing rewards for a crowdfunding campaign and developing a successful campaign plan, including a timeline of work that needs to be done to mobilise a crowd of supporters both in preparation for a campaign launch and during a campaign.
- We have also dealt with issues around design and branding, including how to convey key information in a compelling but clear way, how to think about branding within a family of brandings, etc.
- We have also learned about developing functional requirements for IT builds, and using them to evaluate and negotiate with potential service providers. This includes ensuring all essential requirements can be feasibly covered without letting the delivery deadline for the platform slip.
- We have a clear view on the required resources/efforts required to prepare and manage a crowdfunding campaign.
- It remains challenging to convert the large crowd (who are not yet familiar with the projects) into donors/investors.
- Continuous community management is key for crowdfunding.
- Pure donation models do not work well in Belgium. It needs to be combined with exclusive and well-designed rewards (pre-sell of a product/service for instance).

**European ethical financial ecosystem for local partnerships supporting new social enterprises (3E4SE Funds)**

*Società Europea Finanza Etica e Alternativa (SEFEA)*

*Italy and Sweden*

*September 2014–August 2015*

SEFEA and its consortium of various Italian and Swedish partners seek to develop a strategy for cooperation between public funds and ethical and alternative or cooperative funds for the development of specific local/regional financial tools to support (emerging) social enterprises (led by young people). The project was organised in three phases:

1) a survey phase to survey existing models of cooperation among different funds;
2) an elaboration phase for a general Memorandum of Understanding, identifying
   i) the role and function of each fund of different origin (coming from different partners)
   ii) a methodology for the establishment of a joint, or partnership, fund
   iii) the methodology for the use of the joint fund at the local and regional levels (context analysis, legal analysis, fine tuning, etc.)
   iv) the model social impact measurement approach to be used;
3) a testing phase consisting of
   i) the development of local memorandums based on the directions provided by the general European memorandum and
   ii) the testing of the local memorandums (i.e. application of the newly created fund based on a concrete operational strategy/business plan) on a concrete case in two geographical areas.

The results of the testing phase will allow the grantee to fine-tune the EU-level memorandum. At the same time, the testing phase will pave the way for at least two regional partnership/joint funds bringing together different resources, both of local and exogenous origins, in order to promote the development of social enterprises led by young people.

The more precise aim of the 3E4SE project is to establish and test a strategy for cooperation between public funds and ethical and alternative or cooperative funds for the development of specific local/regional financial tools supporting social enterprises and to elaborate a model for cooperation at EU level, involving ethical financing players, representatives of the beneficiaries, and public authorities. The aim of the project is not to establish a specific financial tool, but to provide general guidelines for the creation of local financial tools supporting social enterprises, to be applied by the interested actors according to the specific local needs.

The grantee stressed that its project is not targeted directly at creating a specific financing instrument, but has a more indirect role in providing guidance, notably through a final memorandum, for the creation of such instruments at the local level tailored to the specific
needs of the local stakeholders and the contexts in which they operate. More specifically, the final memorandum will include management guidance, suggest various supporting services to be set up, investigate possible methodologies to assess social and environmental impact, and identify approaches to involve social enterprises. The grantee refers to the social enterprise definition provided by the European Commission as well as the one given by Social Economy Europe as bases for its selection criteria.

In its final monitoring report, the grantee stated that the establishment of a set of clear guidelines has been achieved. Local partners are implementing these guidelines, testing them and providing feedback. In addition, the grantee has drafted an EU-level memorandum to be signed by all EU partners (financing players, representatives of the beneficiaries and public authorities). Also, local workshops in Italy and Sweden have been prepared, and communication and evaluation plans have been approved. However, the grantee had to delay the organisation of those local workshops in Sweden and Italy in order to allow more time for the project’s local implementation.

At the time of writing, the grantee is working to collect feedback on the related content and to integrate the partners’ contributions to finalise the document. Based on reporting, the project should be able to create local memoranda and cooperation strategies. Furthermore, the participation of several civil organisations and networks in the project would ensure a better involvement of EU citizens in promoting social entrepreneurship.

The enhanced involvement of citizens to promote social enterprises has already been partially achieved. Through the dissemination of a questionnaire during the test phase, the first EU workshop, the two local workshops and the dissemination of the newsletter, the partnership has already involved several citizens organisations and networks. The website will also be a tool to spread the project and results among citizens, and the EU memorandum will further support such dissemination activities. This activity will be further developed through the next EU workshop and the implementation of the communication plan.

A final model for cooperation at the EU level, involving ethical financing players, representatives of the beneficiaries and public authorities, is underway as inputs and contributions for the headings and issues that will comprise the final guidelines for the cooperation model are being collected. This model will then be promoted and disseminated to the EU-level partners.

Key lessons learned include:

- Sometimes it could be more efficient to manage communication separately with core partners (in our case EU + 1 national coordinator) and local partners. In fact, there are different levels and organizations with different interests. Nevertheless, this has to be balanced with the issue of keeping all partners well updated on what is going on in the project.
- Direct visits of project leader to local partnership can clarify concepts and roles more easily than via email or Skype conference call.
- Wideness and variety of the partnership allows to obtain different kind of feedbacks and provides an opportunity to foster mutual learning and to improve collaboration among different stakeholders, but it requires a higher coordination and balancing effort.
- In case of presence of local tests, local coordinators can be appointed at local level in order to coordinate local work and involve local stakeholders.
- Social enterprises often have difficulties in approaching technical financial aspects (for example in answering the initial survey) and need support in dealing with them, in order to provide more useful feedbacks for the project.
Public bodies can have difficulties in signing agreements/memorandums, also considering that there can be changes in the local administration during the approval/implementation of the project: find as soon as possible the people in charge of taking the decisions you need and try to make them sign initial agreements that can then ease the signature of following documents, even in case of internal changes.

Strand D: Development of investment readiness support for social enterprises.

The final strand tackles the demand side of the social finance market, with a view to strengthening the investment readiness of social enterprises.

First round of grantees

Strategic incubation to ensure investment readiness and sustainable social impact

NESsT Europe

Hungary and Romania

June 2014–May 2015

NESsT Europe is delivering its project in two countries: Hungary and Romania. This grantee had planned eight activities for the duration of its project. Some of these activities included providing in-person and online mentoring to social enterprises, involving pro-bono business advisors, managing performance and social impact, and enhancing the communication and branding capacities of social enterprises. Other activities centred on holding a so-called Social Enterprise Day and Social Enterprise Marketplace, preparation of a portfolio retreat for 18 enterprises in Hungary and Romania, pitching sessions for social enterprises to raise awareness of their activities, and interesting potential investors and raising visibility and awareness of social enterprise and their impact.

In the previous reporting phase, the grantees explained that it had met some of its planned milestones in November 2014. Although the grantee reportedly reached some of its milestones in this reporting phase, some activities leading to these milestones are still in progress, e.g. continued provision of one-to-one enterprise mentoring to grantees and undertaking performance assessments every three months during the project’s lifetime. There were, however, two modifications to the original action plan. First, the grantee had decided to conduct meetings with portfolio firms via Skype rather than face-to-face due to time and geographical constraints. This has led the grantees to report that it has not met each of its objectives. Second, the grantee did not organise its planned Social Enterprise Day in Romania on 23 April 2015, ‘due to an excess of project commitments’ and will instead select an appropriate date in the quarter following the fourth reporting phase.

As outlined in the previous reporting round, the grantee has involved a number of social enterprises in its project so far, and this has not changed in the last reporting quarter. The grantee has identified 23 enterprises in their early stages, 12 of which were started or developed by young entrepreneurs. Of those identified, 18 social enterprises have been recruited (9 of which were started or developed by young entrepreneurs) and have been subjected to a needs assessment and engaged in coaching.

The grantee has provided information on each of the 18 social enterprises involved in the pilot project so far, 10 of which are located in Hungary and 8 of which are located in Romania (the grantee has provided up-to-date information on these social enterprises).
Eight organisations have been classed as being in the take-off stage\(^{100}\) of development (five are in Hungary and three in Romania). At the time of the grantee writing its report, these organisations are between 3 and 10 years old; have between 5 and 13 employees; and cover a range of sectors, including food services, fashion, children’s book publishing, cultural and education services, technology, environmental protection and green products. Four enterprises (two from Hungary and two from Romania) are in the survival phase of development and come from the fair trade, fashion, green products and services, community tourism and construction sectors. Each of these enterprises is aged between two and seven years old and employs between two and nine individuals. Three enterprises (all from Hungary) are in the existence stage in community economic development, tourism and the chocolate industry, respectively; of these, two are less than one year old and the third is two years old. Each of these enterprises has unpaid employees, and one also has 10 paid staff members. Three enterprises recruited by the grantee (all in Romania) are in the success stage of development and have between two and six staff members and have been operating between one and three years. Social enterprises have been chosen from the NESsT portfolio and have demonstrated their potential to scale and to achieve social impact. Both NESsT Hungary and NESsT Romania offer a range of services to social enterprises based on their individual needs, including technical assistance, communications support, strategic planning, facilitating connections among stakeholders, coaching sessions, and business-related consultation and advice.

The grantee is integrating non-repayable financial support and guarantees into the services in its project.

The grantee has outlined the progress and status of some social enterprises, but has not explicitly reported on its progress towards meeting the Strand D objective of developing improved or integrated assistance to social enterprises. Similarly, the grantee outlined three objectives for its project, but has not explicitly stated the extent to which each has been met. The grantee credits its more than 20 years of experience in the field with its success in preparing self-sustaining social enterprises ready to scale within 12-14 months and in supporting social enterprises in developing proofs of concept to reach sustainability in order to receive investments within 2-3 years. Meeting these objectives highlighted some challenges, including insufficient financial support. This can affect early-stage impact investors, who may find it hard to accommodate the sums of less than €100 000 often required by early-stage enterprises. The grantee has also reportedly met its third objective, to raise awareness of social enterprise among investors, facilitated by NESsT’s reputation and its ability to generate interest from its network. Nonetheless, unrealistic expectations around return on investment by traditional investors remain a challenge for social enterprises. The grantee did not update its reporting from previous reporting rounds relating to other project outcomes or results. In the previous reporting phase, the grantee mentioned it was able to match social enterprises with a number of investors and establish a cooperation with a technology accelerator in order to understand more about social enterprises and organise an eight-week Action Learning Workshop series with a coaching company, in addition to providing intensive one-to-one counselling with portfolio members.

\(^{100}\) Based on a five-stage model: 1) existence — focused on identifying customers and delivering products or services; 2) survival — form workable business entities, but struggle to break even and stay in business; 3) success — need to decide whether to expand or keep the enterprise stable; 4) take-off — focused on how to make the firm grow and how to finance it; and 5) resource maturity — achieving the advantages of size, financial resources, and managerial talents (Lewis, Virginia L. and Churchill, Neil C., The Five Stages of Small Business Growth (1983)).
KIZ had scheduled four activities over the duration of its project:

1) identifying the requirements and conditions of social investors to invest in social enterprises;

2) developing support structures for social businesses;

3) testing the methodology with 15 social enterprises;

4) managing and administering the programme.

All milestones have been met within the project’s lifetime, and the grantee has produced its first draft manual, titled Social Business Support. In addition to its originally scheduled activities, the grantee adapted the KIZ e-learning platform ELLI for small businesses, which had been developed for educating micro-loan customers. The grantee has identified 25 social enterprises, 16 of which have been recruited. Each of these 16 social enterprises has been involved in coaching, and 4 of the beneficiaries have already completed the coaching stage. In total, 10 of the identified social enterprises were developed by young people, and 8 of these enterprises have been recruited.

In this reporting phase, the grantee described the 16 social enterprises which have become involved in the project so far (5 in the existence phase, 4 in the survival phase, 1 in the success phase, 4 in the take-off phase, 1 in the existence/success phase and 1 in the survival/take-off phase). These social enterprises fall into the health, crime prevention, social work, development aid and international understanding sectors. These social enterprises range in age from 2 years (based on available information) to 32 years and have a range of between 1 and 95 employees. Many of these enterprises also rely on voluntary staff; three enterprises explicitly state that they benefit from voluntary labour. Social enterprises were selected on the basis that they were either start-ups or existing businesses with a social idea amenable to scalability where social enterprises could demonstrate entrepreneurial qualities.

The grantee has provided coaching to social enterprises as its related service. The grantee had wished to provide group coaching to social enterprises, but because it could not rely on the participation of a steady number of organisations, it instead adjusted its ELLI e-learning platform to accommodate social businesses. The grantee has mentioned four areas (business strategy assistance, business planning, access to finance and impact measurement) where its support to social enterprise has been crystallised, without providing further contextual information.

The grantee is integrating non-repayable financial support, loans and quasi-equity through the services offered in its project.

The grantee has advanced in developing improved or integrated assistance to social enterprises through the creation of a framework for its support structure (Manual for

101 ‘Young’ here refers to both the age and/or the early-stage experience as entrepreneur (European Commission 2013).
Drafting a Business Plan for SB). The grantee has provided a list of customers and has developed a catalogue of requirements, thus allowing for its ‘investment readiness check’.

The grantee has reportedly met its three project objectives: 1) identify the requirements and conditions of social investors to invest in social business; 2) develop a support structure for social business; and 3) test the methodology with 15 entrepreneurs. The grantee has developed a set of tools for social business (e-learning and instructions for developing a business plan). It cited its main challenges as having to extract key points only for its catalogue of requirements and the needs of social enterprises that emerged over the course of the project lifetime.

The grantee also mentioned its impact measurement matrix, presented and discussed during the Warsaw workshop (September 2015).

Investment Readiness Programme
Social Enterprise NL
the Netherlands
May 2014–January 2015

The grantee had envisaged four activities over the course of its project. The final activities involved a mixture of management, reporting to the EU, sessions with experts and organising the closing investment forum with impact investors and other stakeholders. The grantee has reported no changes to its initial action plan, although in previous reporting rounds it had spoken of changes in allocating one coach to each social enterprise, the intended benefit of which was to enable social enterprises to engage more effectively with this form of support. The grantee has met each of its scheduled milestones, completing its final forum (eindforum) in December 2014.

The grantee provided an update on the number of social enterprises involved in the project. However, its reporting was unclear, and the study team cannot determine whether there were changes in the overall number of social enterprises or simply in the number of social enterprises who had engaged in coaching. As of the third reporting phase, 70 social enterprises had been identified: 43 of which were started or developed by young people (defined by the grantee as individuals under 35 years of age); 20 of these organisations signed up for the programme. A needs assessment has been conducted on each of these. Eight have been involved in training, and nine have been engaged in coaching. In the fourth reporting phase, the grantee stated that seven social enterprises had been involved in coaching, five of which were started or developed by young people.

The grantee has identified eight different types of social entrepreneurs in its fourth reporting phase (six enterprises are in the take-off stage and two are in either in the survival or in the success stage). The social enterprises come from a range of sectors, from care and social cohesion to renewable energy. The newest social enterprise is two years old, while the oldest was established more than five years ago.

The grantee reported that it recruits operational mission-driven social enterprises that have advanced to their proof-of-concept stage with the ambition to scale within the coming 6-12 months. The social enterprises must also need external capital of between €100,000 and €500,000. Finally, the entrepreneur must have €1,000 to participate in the grantee’s programme and have a supporting business plan. This response was not updated in the final reporting stage.

The grantee has offered the following five financial products through its project’s services: non-repayable financial support, loans, venture capital, quasi-equity and co-investments.
The grantee points to its network building (and, as a consequence, trust building) as its main achievement. The grantee also reported that it provided support to social enterprises through subjects like ‘positioning, marketing, and impact measurement’. In addition, Social Enterprise NL is confident that its contribution through its programme and final forum has been valuable for the sector.

**Investing in our future**

**Social Investment Scotland**

**United Kingdom**

January 2014–December 2014

Four activities were conducted according to the grantee. The grantee has reportedly met all of its milestones, although it did state that it had fewer visitors to the Hub site than previously anticipated due to a delay in going live. In summary, the grantee has identified and defined the marketplace through research; raised awareness of social investment; and developed and implemented workshops, the online portal and one-to-one business support services.

In the first reporting phase, the grantee outlined its changes to the original action plan to allow for more workshops, given the positive feedback the grantee received from participants. The grantee believes that the workshops will eventually have a positive effect on the attendees. The grantee also resolved to organise its workshops in-house. The action plan has not changed since.

The grantee reported involving 71 social enterprises in workshops that aimed to ‘increase knowledge of social investment’ and 133 in coaching. The table below outlines the number of social enterprises involved in the grantee’s pilot project.

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<thead>
<tr>
<th>Number of social enterprises involved in pilot project</th>
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<tbody>
<tr>
<td><strong>Overall project reach summary:</strong></td>
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<tr>
<td>Number of organisations attending 1-2-1s</td>
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<tr>
<td>Number of participants at workshops</td>
</tr>
<tr>
<td>Number of participants at general events</td>
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<tr>
<td>TOTAL number of participants</td>
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<tr>
<td>TOTAL number of trading third sector organisations in Scotland</td>
</tr>
<tr>
<td>Reach as a % of total trading third sector organisations</td>
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**SOURCE:** Information provided by Social Investment Scotland (grantee Strand D)

In terms of practical outcomes of the project, the grantee has underlined its improved capacity to engage with key stakeholders and to increase its resources to facilitate more one-on-one conversations. Overall, the grantee has made a number of observations on how its results contributed to meeting its objectives. The results of the project have allowed the grantee to map organisations by sector and geographically and to raise awareness of its activities through social media. The grantee used social media to disseminate case studies daily and to share good examples of investment products and the organisations that provide them. In addition, the grantee has increased its knowledge, skills and its positive attitudes relating to taking on social investment and in business planning support.
Second round of grantees

Investment readiness for social impact
Gemeinnützige Social Impact GmbH
Germany
September 2014–August 2015

With the program Investment readiness for social impact, the organisation Social Impact seeks to create a structure for cooperation between experts from the financial sector and social start-ups. Financial experts support social start-ups in developing financing strategies and financial plans as well as in accessing capital providers. It is an integrated training and coaching program for social start-ups in the field of ‘financing’.

The aim of the assistance program is to empower social start-ups to align their financial and their communication and acquisition plans to private investors. At the core of the program is the support of experts from the financial industry itself. In order for this program to be carried out successfully, a dedicated pre-selection process of appropriate social start-ups as well as financial experts were required. Furthermore, both the social start-ups as well as the financial experts must be prepared to cooperate. The selection and preparation of both groups of participants is done by the project staff and external lecturers from Social Impact. Social start-ups will be supported, e.g. when preparing financial plans, via a high-quality training program. The core of this program will be provided by the financial experts. As these become closely attached to the social entrepreneurs, the gap between the demand and supply sides in the segment Social Finance is expected to be closed for a number of social start-ups. The financial experts can possibly even make contacts with investors directly.

This pilot project potentially forms the basis for new forms of support to social entrepreneurs.

A set of seven activities were foreseen to achieve these objectives:

1. Acquisition: Choose 8-10 financial experts.
2. Preparation: Prepare start-ups and financial experts through ‘qualification programme’ with coaches for the matching process.
5. Financial resource acquisition: Present social start-up's business concepts to banks and investors.
6. Accompanying and evaluation phase: Evaluate the process and organise formats to facilitate exchange of experiences.
7. Preparation for transfer and scaling: Develop work materials and information for social entrepreneurs, as well as corporate volunteering concepts for financial institutions.

Meanwhile, the grantee has conducted kick-off workshops in February and March 2015 in Frankfurt and Berlin, which created tandems between financial experts and start-ups. The ongoing cooperation process between these actors aims to improve the start-ups’ financing strategy.
In total, the grantee has identified 172 eligible enterprises and has selected 15 early-stage young entrepreneurs for participation in the pilot project. A needs assessment has been carried out for all selected entrepreneurs, and they have also benefited from training and coaching. Throughout the implementation of its project, the grantee encountered difficulties in selecting social entrepreneurs. Indeed, conflicting commitments and ethical concerns regarding one of the partner financial institutions led some social enterprises to drop out from the programme.

In addition, the grantee has put in place a coaching and training programme intended to enhance social enterprises’ readiness for investment, notably by reviewing their business model and financing strategies.

In its latest monitoring report, the grantee stated that some milestones have been achieved above expectations: 15 financial experts (8-10 planned) have been (voluntarily) supporting 13 social start-ups (8-10 planned) in tandem to improve their investment readiness. All of them have participated in a qualification programme to prepare them for cooperation. In addition to the 13 selected start-ups, another 10 are potentially interested in participating in the programme. These milestones were achieved in part through the intensified involvement of the Deutsche Bank (who delivers the financial experts). Also, an internet platform ‘patrons portal’ has been developed to attract financial experts and to facilitate their matching up with social start-ups.

Finally, the grantee provided a long list of lessons learned:

1) Find one strong partner: It’s necessary to find a strong partner (financial institution) to implement the project the way we did. It would not have been possible to cover the whole range of consulting demands together with a partner company which is not as big and well positioned as Deutsche Bank.

2) Exclusiveness: It’s only possible to work with ONE partner. Deutsche Bank is very interested in owning the topic of partnering with social businesses exclusively. Deutsche Bank would not accept any competitor being part of the project.

3) Nationwide offices: It was definitely an advantage for us to have several Social Impact offices all over the country. That makes it much easier to make the project scalable, e.g. in terms of events, mentor sessions, etc.

4) Process-support from both involved institutions: A success factor is also that the all- over process was supported and monitored by both institutions: Social Impact and Deutsche Bank. To control the process hand in hand shortens coordination and decision making.

5) Time factor: The longer the project lasts and the better it is known within the organizations, the easier it is to scale and develop it to a next level. We definitely go on in 2016.

6) Communications — do good and talk about it: Try to make even small successes of the project visible within the organisations. Try to make sure that all participants of the project become step by step its ambassadors. In addition: as the project gets visible, the partner is able to use it for its public relations and brand positioning, which is in fact one of the main benefits for the financial institution.

7) Enable word-of-mouth: Within Deutsche Bank, many potential volunteers heard from colleagues who had good experiences with the mentoring program about the possibility to get involved with the program. Again: Make participants into ambassadors!

8) Social innovation is on the rise: On side of Deutsche Bank there is an increasing demand to learn about social innovation.
as a business model. This may be a first weak sign of an overall cultural shift within the company.

9) Less is more: Enable the tandems and frame the process of working together, but try to avoid giving more specifications than necessary. We’ve learned that tandems work best together if you respect their individual needs, their individual way of communicating with each other and the individual way of solving problems together.

10) Objectives and structure of the mentoring program: We assume that the participants agree that they are convinced by the exchange of knowledge between social business and corporations. We also got feedback from some participants that they think the mentoring program supports the knowledge exchange between social businesses and corporations. We developed a short survey to validate this and other assumptions (please find the survey attached). The survey will be sent to participants of the program in mid-/late September.

11) General appreciation and role of the mentor: First feedback says that overall mentors enjoyed their mentoring and felt they gave additional value to start-ups and learned new things. This aspect is also covered by the survey.

12) Motivation of the mentors: First feedback shows that the strongest motivation seems to be related to the personal satisfaction in giving and receiving knowledge as mentors. Which other factors may be relevant is also covered by the survey.

13) Matching quality: First feedback revealed that the quality of the match between mentors and mentees was good. We will validate this assumption in the survey and figure out eventual improvements on the process.

14) Duration of the program: First feedback of mentors and mentees revealed that the duration of the program should be longer. We will validate this assumption in the survey.

15) Quality of process support by Social Impact: We think, overall mentors and startups are satisfied with the support of Social Impact. We will ascertain the quality of access to information about the process as well as the quality of communication etc.

16) Progress: First feedback revealed that mentors were mainly able to support start-ups in their overall business case and also in preparing startups to be investment ready. On a first view, the expectation that mentors also have positive influence on gaining access to investors seems not be confirmed. We will validate this in the survey.

ACT Social
Solidarietà e Cooperazione Camunia — Società cooperativa sociale consortile ONLUS (Sol.Co. Camunia — s.c.s.c. ONLUS)
Italy
September 2014–August 2015

The project from the local consortium Sol.Co. Camunia and its partners Casa Padana Banca di Credito Cooperativo and SOCIALIS has been established as a pilot experience of a model of the relationship between the finance sector (supply) and the social cooperative sector
(demand) aimed at overcoming the gap between potential capital and development projects for social enterprises, through both a better on-field knowledge of investors and a growth in appeal of the demand.

In order to achieve these goals, the project was set up as a pilot of a network (steering committee) among the social cooperatives in the Valcamonica valley in Lombardia, a financial institution, a university research centre and a cooperative training centre. This network should facilitate closeness between social cooperatives and investors and allow them to strike up a fruitful relationship — in a nutshell, to cut the distance between demand and supply of impact investment. The pilot aimed to:

1) deepen the knowledge of the concrete existence of potential funds for the development and the innovation of social cooperatives;
2) assess and identify the barriers that today impede the concrete matching between demand and supply;
3) identify the most important areas of improvement for social cooperatives in order for them to become appealing.

The project eventually envisages a phase of strengthening of the model through a best practices manual and website and their dissemination through concrete institutional networks.

Concrete project activities include:

1) provision of training to social enterprise managers on key issues, such as cooperative identity, management and interpersonal skills, relationship with stakeholders, social marketing;
2) organisation of one-to-one mentoring meetings between the social cooperative and the investor;
3) on-the-job coaching of social enterprises with a member in the board in order to better select areas of development and innovative actions to be proposed to investors during the matching process;
4) presentation of matching results.

The grantee stated that it has already identified and recruited 12 social enterprises in its project, all of which are currently in training. Of the social enterprises identified by the grantee, 11 are in the resource maturity phase of their project, while 1 has not been classified by its stage of development. The enterprises vary in age from 8 to 87 years and employ between 23 and 93 individuals. Social enterprises were recruited not just because of their association or intended association with the Sol.Co. consortium, and the grantee has not experienced any problems in terms of drop-outs or additional support needed. The grantee has not outlined how the social enterprises became associated with the Sol.Co. consortium; therefore, the criteria and characteristics they had to meet in order to participate in the investment readiness programme offered by the grantee are not known.

The grantee explained that the social enterprises that it has involved in its projects have the opportunity to participate in the roadshow and present themselves to potential investors. The social enterprises will participate in five workshops in addition to taking part in three events which are to be led by Sol.Co. In total, the grantee expects social enterprises to take part in 12 events with stakeholders. Although the grantee is providing social enterprises with the opportunity to make themselves known to a wider audience, it has not detailed its progress in terms of developing integrated assistance to the grantees. Therefore, its progress in meeting its strand objective to develop improved or integrated assistance to social enterprise is unclear. In addition to this strand objective, the pilot project aimed to meet four objectives listed as organisations (met fully), training (met partially), on-the-ground research.
(met partially) and dissemination (not met at all). Again, the reporting is unclear and provides no contextual information regarding the objectives or any concrete lessons or reporting on how these objectives were met.

In its last monitoring report, the grantee stated that several planned milestones were delayed. An amended project plan was submitted to the EC and was approved on September 2. For these milestones, research has been undertaken and training and coaching provided. Activities that were delayed include the matching session between 12 SEs and 12 potential investors and the presentation of the sustainability report. With regard to the matching session, the Steering Committee advised Sol.Co. and the EC to arrange 12 × 12 meetings in order to optimise the chance that SEs indeed get funded.

According to the grantee, the steering committee has proved to be a very useful tool for partner coordination and a powerful programming instrument. The objectives that have been achieved are:

- Training (met fully)
- On-the-ground research (met fully)
- Dissemination (met partially, in progress)
- Dissemination (met partially, website (completed) and best practices manual (in progress))

Social entrepreneurship finance tools and support in Europe
Asociación Cultural ONGD Cives Mundi
Spain
September 2014–August 2015

Cives Mundi and its partners planned to organise several dissemination events about social entrepreneurship in order to create a meeting point for social entrepreneurs, investment experts and institutions. The objective was to identify the needs and appropriate tools for finance.

More specific objectives of this project included an analysis and reflection on the present and future of social entrepreneurship in EU Member States from different perspectives: legislation, funding, civil society, good praxis, initiatives for incubation, social entrepreneurs, etc. Specific events were organised to gather the different actors that belong to the social entrepreneurship movement in Europe in order to enhance networking and the transfer of knowledge to these actors and to propose new ideas and solutions to the problems and weaknesses of social entrepreneurs in the EU.

Furthermore, the project intended to disseminate the new funding tools for social entrepreneurship in Europe, especially venture capital funds for social entrepreneurs, and to raise awareness in Spain in particular about the initiatives of the European Commission to promote social entrepreneurship.

The project also sought to pass on good practices and innovations in the European social funding sector that can be replicated in Spain.

Finally, the project offered support in choosing the appropriate financial instruments for the different needs of the social company and to emphasise the importance of elaborating a clear and coherent presentation when looking for possible investors.

In order to facilitate the achievement of its objectives, two events were organised to recruit social entrepreneurs, namely, a starter contest in October 2014 and the Caña social events in Soria, Spain. The grantee developed a variety of services to assist social entrepreneurs. They
included mentoring, access to several investment instruments, media communication and IT support, to name but a few.

Several social entrepreneurs subsequently participated in the incubation programme SIEP and in the spring meeting. The main objective of these events was to identify the needs and appropriate tools for finance among SEs. In addition, Cives Mundi aims with this project to create a meeting point between social entrepreneurs and people interested in the matter to make the sector more dynamic.

The project beneficiary reported that the events were very successful. The SIEP programme offered training, tutoring, and mentoring to social entrepreneurs while at the same time creating a community among them and seeking to enhance the visibility of their social enterprises. The results of the incubation programme fed the spring meeting. A ‘Declaration for Soria Regarding Social Entrepreneurship’ was produced at that meeting. While the declaration has not (yet) been provided to the research team, the beneficiary provided the programmes, the list of 36 speakers, the list of participants, as well as evidence of media coverage.

Objectives that have been met fully so far include the gathering of different actors that belong to the social entrepreneurship movement in Europe. This objective has been fully met through the Caña social events, the SIEP incubation programme and the spring meeting. In addition, the dissemination of new funding tools for social entrepreneurship in Europe, especially venture capital funds for social entrepreneurs, has been achieved as the social entrepreneurs familiarised themselves with new funding tools in the course of the incubation programme SIEP.

Awareness about the initiatives of the European Commission to promote social entrepreneurship could also be raised in Spain, as the agenda of the project’s spring meeting included sessions on social entrepreneurship initiatives of the EC. The Commission itself participated in the spring meeting.

All the activities, most notably SIEP and the spring meeting, offered the possibility for participating social entrepreneurs to engage in the exchange of good practices.

Ultimately an enhancement of the ecosystem of El Hueco in Soria has been achieved, forming a cluster of support for the initiatives for social innovation. The participating social entrepreneurs have managed to increase their collaboration with Spanish public institutions, achieving concurrency as well as European invitations. What’s more, the number of collaborations between distinct entities participating in the project for access to European assistance has surged.

The grantee reported to have learned the following key lessons:

- The social events caused a greater diffusion of actions. It is important to work with longer time interval between events, and it is important to find the right location for events to attract relevant entrepreneurs.
- The training schedule under the SIEP program proved difficult since participating social entrepreneurs came from different parts of Spain. It proved difficult to accommodate all the different time schedules.
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