

# EVPA CONTRIBUTION TO THE EU CONSULTATION ON REINFORCING SOCIAL EUROPE

## DELIVERING ON THE EUROPEAN PILLAR OF SOCIAL RIGHTS

### 1. EVPA BACKGROUND

EVPA is a non-profit organisation based in Brussels, founded in 2004. It is the leading European network of investors *for impact*, i.e. organisations practising venture philanthropy. At the end of 2019, EVPA had **317** members in **36** countries. EVPA defines venture philanthropy (VP) as a high-engagement and long-term approach to building stronger investee organisations with a **societal purpose**, by providing them with both financial and non-financial support. Investing *for impact* covers a wide portion of the spectrum of capital (Annex 1), from **engaged grant-making** to **social investment and, to some extent, impact investing**. Our membership includes both practitioners, such as foundations, engaged grant-makers, impact funds and financial institutions, as well as other organisations like professional service firms, philanthropy advisers, and business schools.

In 2019 EVPA launched the “**Charter of investors *for impact***”<sup>1</sup>, a document that sets out ten principles that drive and distinguish the behaviour and way of working of **investors *for impact*** *vis-à-vis* other capital providers. The Charter includes the three core practices of VP, i.e. tailored financing, non-financial support and impact measurement and management, but it also covers other elements of investing *for impact*, such as including the voice of beneficiaries, long-term orientation, risk and collaboration.

EVPA is a true learning organisation that acts as a thought leader in the sector at several levels: **international, European, national and local**. EVPA fosters the appropriate use and promotion of investing *for impact* with the ultimate goal of maximising societal impact through the support of social purpose organisation that develop **solutions to pressing social problems**. Furthermore, EVPA promotes investing *for impact* also through European philanthropy and social investing networks and fosters the collaboration among them.

EVPA’s work is facilitated by a **Partnership with the European Commission, DG Employment, Social Affairs & Inclusion’s Programme for Employment and Social Innovation (EaSI)** since 2014 for the promotion of social enterprise finance.

Since the beginning, EVPA is an **active stakeholder in the GECES**, contributing especially to improving access to finance for social enterprises and enhancing their visibility. In the previous years, EVPA offered recommendations through GECES on enhancing **better public-private collaboration (PPC) at all levels, reinforcing the existing EU-level financial instruments for social enterprises and microfinance**, and putting in place mechanisms and infrastructure, including **impact measurement**, that encourage more public funding and mobilise private funding.

From the perspective of EVPA, many European funds within the current long-term budget (MFF 2014-2020) enhance PPC at both European and national/regional level and support the European Pillar of Social Rights. With the next European Budget (MFF 2021-2027), several new programmes will offer this possibility, such as the **InvestEU fund (especially the Social Investment and Skills window)**, if it will be still in place under the final budget) and the **European Social Fund Plus (ESF+)**.

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<sup>1</sup> <https://evpa.eu.com/knowledge-centre/publications/charter-of-investors-for-impact>

EVPA endorses the European Commission work on InvestEU and in particular the division in policy areas which would allow to channel the investment to reach the final policy objective. Moreover, EVPA was part of the GECES working group “Social Investment and Skills” which was established with the purpose of feeding into the preparations for the future InvestEU Fund’s “Social investment and Skills Window”, in particular in relation to microfinance and social enterprise finance. EVPA contributed important content from its various membership consultations regarding the needs of the social investment ecosystem in Europe to the working group meetings and the written summary report of those meetings.

## **2. EVPA - ACTIVE CONTRIBUTOR TO THE CONSULTATIONS FOR THE EUROPEAN PILLAR OF SOCIAL RIGHTS**

Many EVPA members are actively working to promote **social inclusion**, to **combat poverty** and discrimination, and to **reduce inequalities in the labour market**, within the health system or in access to education. Targeting almost all the 20 principles of the European Pillar of Social Rights, with **a focus on 5 main SDGs** (SDG 1 - No Poverty; SDG 3 – Good Health and well-being; SDG 10 – Reduced Inequalities; SDG 4- Quality of Education; SDG 8 – Decent Work and Economic Growth), EVPA members (mainly investors *for* impact, such as foundations, engaged grant-makers and impact funds) daily contribute to the well-being of European citizens and work for the sustainable development of Europe, by **channelling their financial and non-financial support** to a variety of sectors and investees – Social Purpose Organisations (SPOs) with and without a profitable business model and traditional businesses with intentional social impact, covering the entire Spectrum of Capital (Annex 1).

Therefore, EVPA firmly believes that its community should participate in this consultation and provide the European Commission with information on topics such as: success factors and bottlenecks of the interactions between EVPA members and the EU institutions, and policy actions or legal initiatives within the social economy ecosystem, needed on different levels (EU, national, regional, local).

To do so, this Consultation Paper follows a bottom-up approach to define the Commission’s active support to investors with the aim to foster the social economy, equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion.

The first part of report highlights the **market needs** and **challenges** faced by the main stakeholders in different geographies. It investigates why some of these are not or are inadequately met by existing EU, national, or local programmes, policies or regulations. The analysis is based on in-depth **interviews conducted by the EVPA Policy Team** with key active members of EVPA (some of whom are also EVPA Board members) as well as data collected through the **2020 Investing for Impact Survey**, a rigorous social investor market analysis conducted by the **EVPA Knowledge Centre**. This analysis was built on the previous work proceeded by the EVPA over the past 10+ years, including the information from prior consultations and research. This paper confirms and complements many points emerged within the Social Business Initiative Study presented during the GECES meeting on the 1<sup>st</sup> of October 2020.

For the second part of this paper, **EVPA offers concrete suggestions** as to how the experienced market gaps may be addressed by different tools and instruments, as well as channelling the EU institution’s focus on the most important topics to be addressed in the coming programming period.

## **3. METHODOLOGY**

Central to this paper is the qualitative research done by the EVPA Policy Team through interviews specifically conducted for the EU Consultations and the quantitative analysis of the Industry Survey, realised by the EVPA Knowledge Centre:

1. A group of experts, active in the social finance ecosystem was invited by EVPA to support the analysis of different market failures and potential solutions to overcome them at the 3 levels of governance: EU, national and local. A total of seven experts from EU members states participated in individual interviews held at the premises of the European Venture Philanthropy Association in September 2020 (Table 1). All the selected organisations were also respondents for the Industry Survey Report.

*Table 1. Group of Experts involved in the EC Consultations Reinforcing Social Economy*

	<b>Organisation</b>	<b>Interviewed Expert</b>	<b>Country</b>
1	FASE	Markus Freiburg	Germany
2	FERD	Katinka Greve Leiner	Norway
3	Fondazione Cottino	Guisepe Dell'Erba	Italy
4	Genio	Madeleine Clarke	Ireland
5	Yunus Social Business	Saskia Bruysten	Germany
6	Calouste Gulbenkian Foundation	Luis de Melo Jeronimo	Portugal
7	Ship2B	Cristina San Salvador	Spain

2. Every two years, EVPA conducts an Industry Survey and provides independent statistics on investing *for* impact. Our aim is to better understand practitioners' strategies and practices, so that we can identify and share the latest trends within the social investment ecosystem. The knowledge acquired through this data collection is fundamental to developing new initiatives and to fully unleash the impact potential that lies in the investing *for* impact community. It provides valuable data on the: **amount of investment across Europe, main sectors of investment, different sources of funding, average investment duration per financial instrument, and types of investment and collaboration**, etc. This paper will draw on the data collected from foundations and engaged grant-making organisations (n ≈ 60), as well as **impact funds** (n ≈ 46).
3. In the background of this analysis we also used information gathered by the EVPA Policy Team, through the activities performed under the partnership with the EC (within EaSI programme), such as interacting with experts for the National Policy Nexus project<sup>2</sup>, contributing to the Social Business Initiative, and mediating exchanges with members participating in the EVPA Policy webinars and sessions under the Annual Conference, as well as during the external events where EVPA was directly involved.

#### **4. DESCRIPTION OF THE SOCIAL INVESTMENT SPACE – EVPA MEMBERS**

According to the data analysis of the Industry Survey, 61 foundations and engaged grant-makers (EGMs) channel their support in sectors such as **Education, Health, Social Services, Agriculture and Culture and Recreation**, putting final beneficiaries at the core of their activities. **Children and youth and people suffering from poverty** are the most targeted category of beneficiaries, followed by **people with disabilities and women**. All their activities are aligned with the long-term strategy developed under the UN SDGs, with the majority of them focussing on SDG 1 – No Poverty, SDG 3 – Good Health and Well

<sup>2</sup> <https://evpa.eu.com/policy/nexus-2020>

Being, SDG 10 – Reduced Inequalities, SDG 4- Quality of Education and SDG 8 – Decent Work and Economic Growth<sup>3</sup> (Annex 2, Figure 1).

Regarding the impact funds (35 fund managers representing 57 funds), we observed a focus on **Education, Agriculture, Health, and Environment**, addressing solutions for **unemployed people, people in poverty, children and youth, and people with disabilities**. Their strategies are following the same SDGs as foundations and EGM, but with a slightly different distribution<sup>4</sup> (Annex 2, Figure 2).

These statistics show an increased investment directed towards a better inclusion of vulnerable groups and the critical sectors which can facilitate this inclusion. Aligning to the Industry Survey results and cross-checking them with the group of experts during interviews, EVPA identified the main broad priorities of investors among the EVPA network for the next programming period: social and labour market inclusion, training and education, social enterprise development, healthcare, and social investment/banking.

## 5. CHALLENGES AND MARKET FAILURES ASSESSMENT OF THE EU'S SOCIAL IMPACT INVESTMENT ECOSYSTEM

### 1. Different stages of social finance development across Europe

Across the European continent, social finance and social entrepreneurship ecosystems are in very different stages of development. According to the percentage of total investment of foundations and EGMs, only 2% was directed to Central and Eastern Europe (CEE), while 52% was domestically spent in Western Europe<sup>5</sup>. In terms of impact funds, EVPA shows 0.5% of total expenditure by impact funds invested in CEE and 62% domestically invested in Western Europe.<sup>6</sup> However, even where these funds were set up, the markets are **missing investment-ready social enterprises** and **specific financial instruments**. Due to the early stage of development for the ecosystem, financial instruments are not yet sufficiently piloted or deployed and most financial instruments are linked at the moment with grants and donations, which can easily distort the market. At the same time, there is a strong need of capacity building for SMEs, entrepreneurs and financial intermediaries, to co-invest and co-create financial instruments which can address and solve social issues.

The different stages of development in social investment were also identified among Western European markets. Some of the interviewed experts mentioned the groups of **South-Western regions (Spain and Portugal)** and **North-Western countries (England, Ireland, the Netherlands, Belgium)** as “**leading countries**” in social innovations and financial support for building initiatives with specific social purposes. These countries are perceived as being more advanced in their collaboration with national and regional governments, and in aligning to the EU funding framework and non-financial support. **EVPA observed more interactions among members from this groups of countries and the European Commission** (under EaSi programme or grants obtained through Structural Funds), **EIB** (under Advisory Hub), **EIF** (co-investments for creating Social Impact Bonds<sup>7</sup>), as well as, having **more intermediation infrastructure** (financial intermediaries supporting the development of small community-driven initiatives and local start-ups).

The creation of the intermediation infrastructure was one of the critical aspects for the development and proper functioning of the UK entrepreneurial ecosystem and impact investment market, which has become one of the reference markets for social impact investment. According to the SBI study, the awareness and visibility of SE for **social financial intermediaries** has increased significantly in more

<sup>3</sup> The 2020 Investing for Impact Survey Infographic- [“A Deep-Dive into Foundations and Engaged Grant-making Organisations”](#), page 2

<sup>4</sup> The 2020 Investing for Impact Survey Infographic- [“A Deep-Dive into Impact Funds”](#), page 3

<sup>5</sup> Ibid 3, page 1

<sup>6</sup> Ibid 4, page 3

<sup>7</sup> E.g. BNP Paribas Social Impact Bonds in Belgium and France – [EVPA Policy Nexus](#)

developed countries such as Italy, France, Ireland, or Spain, and the supply of available social finance has substantially grown for the past 10 years. EVPA analysis shows that financial intermediaries' development is much more incipient in CEE countries, and there is still more effort required to support financial intermediaries in the area and to improve the understanding of social actors on their role.

Figure 5.1.1. % of total spend in Western Europe in € by foundations/EGMs per country (n=36)

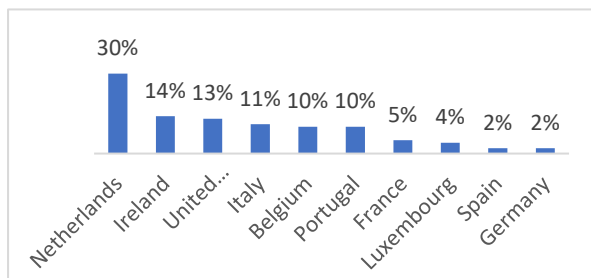
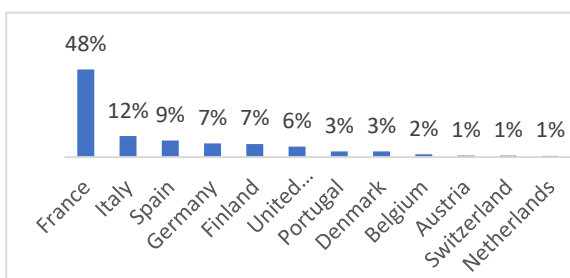


Figure 5.1.2. % of total spend in Western Europe in € by impact funds per country (n=19)



*\*These graphs are based on ad-hoc analysis conducted for this article with the data of the 2020 Investing for Impact Survey*

Investors in many Western member states face difficulties in tailoring social investment initiatives at the national/regional level that have the potential of scale-up at the EU level. At the same time, the different legal frameworks across states hinder the cross-borders scale-up. For example, the qualitative data shows that Germany is considered still in a learning phase regarding the alignment of national initiatives to the EU level opportunities, as the market development is stuck between the responsibility of different national ministries and the activities performed at the EU scale. Considering this challenge, the Commission's activity showing best practices and case-studies with potential of scale-up and diffusion in other countries or at the EU level by using EU funding, is highly appreciated by practitioners and social investors.

In what refers to the Nordic group of countries, if 2 years ago the social finance ecosystem was dominated by grant and donation-based funding from public and philanthropic funds (Swedish Heritage Fund, Finnish Innovation Fund) and governments in the Nordics were lacking a wide uptake of payment-by-results instruments such as outcome-based procurement or social impact bonds, recently, according to some interviewees, the investment ecosystem has started to evolve in this direction, and is now in a stage of development (e.g. Finnish SIBs<sup>8</sup>). However, it is necessary to develop capacity in national public institutions to understand and support these new initiatives. ‘

Also, here should be an increased attention to specific case studies on sustainable social innovation and entrepreneurship, as the non-financial and financial support for social entrepreneurial initiatives have played a critical role in the Nordics' impact investment ecosystem, but do not receive enough attention from the EU institutions.<sup>9</sup> As their initiatives are not very visible at the European level, it is more difficult for foundations and EGMs to engage in collaborations at the EU level.

**Many members have suggested to the EU institutions to consider the heterogenous social investment space in Europe and build all the EU-level support measures considering the diversity of actors and geographies.**

<sup>8</sup> <https://www.sitra.fi/en/projects/sib-funds/#what-is-it-about>

<sup>9</sup> e.g.1. Danish Social Capital Fund which can be scaled-up/implemented in the other Nordic countries, too; e.g.2. Norwegian social welfare system and social investments which can represent an example for the other Nordic countries, even if not part of the EU.

The CEE region, found in an early stage of development, needs intensified non-financial support on capacity building and technical assistance (to incubate more social enterprises), as well as financial support to set up more investment funds. The creation of more intermediaries to channel funding might be necessary for further stages of development.

At the level of more developed countries regarding social impact funds and intermediaries, more case-studies to reflect the investment mechanisms/market are needed, as well as a more intensified collaboration and exchanges of best practices among public-private sectors and among practitioners and investors.

## 2. Coherence between EU regulations and national frameworks and priorities

Many of the interviewees highlighted the difficulties faced during the current programming period in matching the EC/ EU institutions priorities and requirements to the national and regional guidelines. In countries such as Italy, Portugal, and Germany, these challenges were observed from 3 dimensions:

- (1) the lack of coherence was perceived as a consequence of poor communication from the Commission to the national authorities and to beneficiaries of the EU funds – EU grants recipients and contractors;
- (2) the lack of coherence was noticed as an effect of national political short-termism (both short-term targets easily achievable during a political cycle and the quick changes in the political leadership) and the long-term focus of the EC;
- (3) the lack of coherence was perceived as an aftermath of different national legislations and the uniform communication/measures from the side of the EU institutions.

All the interviewees suggested to the EC to carefully re-analyse what are the requirements on each measure regarding policy priorities and funding at the EU level, and which ones should be left for national/regional authorities and addressed at the national level. EVPA highlights that the development of social economy cannot be built on fragmented measures but requires an ecosystem perspective.

At the same time clearer communication efforts should be put forward between the EC and national public institutions, as well as between the national/ regional authorities and social investors. The language employed should be aligned with the national communication style. EVPA supports the SBI recommendation on promoting a consistent use of concepts and definitions, as there is a need for a common understanding and an overall framework of terms related to the social economy used in European countries. The standardization of language should at the same time consider the specific needs of different types of organisations according to their national setting, location, size.

*“Communication around policymakers should reach various stakeholders, part of the private sector: SMEs, social entrepreneurs, foundations, funds makers etc, not only governmental bodies, agencies and entities which work in direct contact/very closely with the EC/European Institution (usually communication stops there). The communication should get mainstream and reach all the groups of stakeholders active on the social economy space. Also, the communication should not be only on the opportunities for stakeholders, but also more intensified on the social problems identified at the European level, that should earn more attention & solution-oriented action plans and implementation.”*  
- EVPA member, during the interviews specially designed for the EU Consultations of Reinforcing Social Europe.



### 3. Access to the EU financial/non-financial support and the public-private collaboration

A big share of the Industry Survey respondents was involved in **collaborations with the public sectors (other than co-investment)**: 66% of the foundations and EGMs, and 36% of impact funds. Also looking at co-investment, foundations and EGMs (38%) engaged more with the public sector compared to impact funds (15%).<sup>10</sup> At the same time, financial resources come from different sources, but only a very small percentage comes from the EU institutions.<sup>11</sup> Cross-checking by interviews with members, and by interacting with the team involved in the SBI study, the relatively small percentage of co-investment/EU funds absorption can be explained by the following causes:

- (1) **Heavy administrative and operational burdens** in initiating and continuing a more in-depth interaction with the EU institutions: too many steps for taking-up call of applications for tenders, a difficult process for reporting after implementation, less flexibility in adapting the activities during a period of 2-4 years (the time period of a tender/grant);
- (2) **Lacking resources, mainly time and people** for dedicating special attention to the EU “products”, understanding and making use of them;
- (3) **Higher costs than benefits**: usually, for finding the good tender of application/ fund/ EU programme to apply to, the stakeholders active within the social economy market need to hire a consultancy firm/ intermediary acquainted with the EU framework. Even if receiving additional non-financial support and capacity building for external parties, there are big chances that the organisation does not win the tender/ does not receive the grant/ does not participate in the process of co-creation financial instruments. This risk is not taken by many small stakeholders on the market, even if they have the potential of scaling-up their products within the social economy ecosystem.
- (4) **More pre-financing needed**: many organisations do not apply to the EU funds, e.g. mainly structural funds such as ESF, as the share of money received at the beginning of the programme (first allocation) is not enough to start and sustain the project without a consistent contribution from own resources.

*“For example, a better access to financial resources requires not only available funds, but also access to specific financial products at local level, a specific understanding and treatment of the social economy in the financial entities, as well as and financial capacities in social economy organisations.”*  
– SBI study, Conclusions and Policy options, page 8.

The interviewees highlighted the importance of financial intermediaries’ support for small organisations and entrepreneurs in accessing EU funding (additional financing is needed before the phase of the first payment from the EC) and deploy this funding through different financial instruments, as the awareness on EU Funding opportunities it is not enough. It was suggested to the EU institutions to focus more on the role of financial intermediaries (e.g. foundations etc.) and to offer them additional support/funding. The EU funding can be channelled through intermediaries such as social investment funds and foundations who have the capacity to access EU funding and can then support social enterprises.

Also, payment by milestones and payment by results were suggested by all the interviewees as a means to incentivize results rather than upfront administration efforts. This method of repayment is preferred by social investors, instead of payment by costs declared.

Enhanced EU public-private collaboration might be achieved through further clarity and simplification brought to official communication, rather than through the regulation itself. The current communication gap between the EU institutions level and the intermediaries' side can be

<sup>10</sup> this % is based on analysis conducted for this article with the data of the 2020 Investing for Impact Survey.

<sup>11</sup> Under the factsheets of the Industry Survey Report on Foundations’ and EGMs’ sources of finance, we can see the category “other”, which include a very small share of funding received from the EU institutions – page 2.

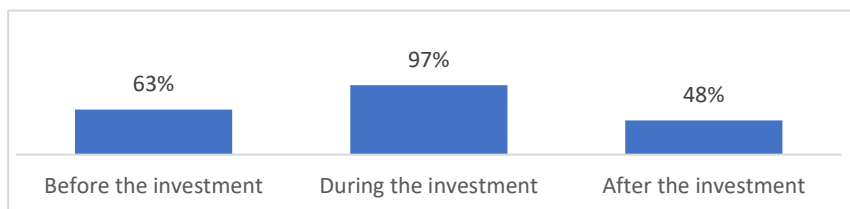
solved by using a common language and terms. At the suggestions of our members, by facilitating exchanges among organisations collaborating already with the EU institutions and new-entry stakeholders into the EU framework, the interaction between EC/EIF/EIB etc. and social stakeholders might intensify. These recommendations emphasise the importance of the second Pillar presented in the SBI paper, supporting the job creation, innovation, and fair and just economic development at the EU level: namely “Visibility, recognition and understanding”.

*“There was a lot done on narrowing the gap between the top-down approach of the EC and bottom-up approach of the private sector investors and social enterprises, and we can see some results in a certain way, but I think it will be the wrong interpretation that there is already sufficiently done. I think the gap is still significantly there and it represents one of the main challenges for the future.” –EVPA member, during the interviews specially designed for the EU Consultations of Reinforcing Social Europe.*

#### 4. Need of non-financial support and capacity building

The 2020 Investing for Impact Survey shows that EVPA members provide investees with capacity building through non-financial support: SPOs received non-financial support from impact funds managers on activities such as strategic planning (94%), IMM (94%), fundraising (94%), and governance (94%), sometimes even before receiving the financial support. Among the support offered by foundations and EGMs, 88% was offered on strategic support, 85% – support with Impact Measurement and Management (IMM), 85% – support with fundraising. The data gives further evidence that if the EU is interested in strengthening the work of social enterprises, an effective way is through supporting investors for impact. Under the context of Next Generation EU, as well as the new long-term EU budget, many EVPA members would highly appreciate the non-financial support directly given by the EC/European agencies/bodies to further strengthen their own organizations and pass that on to the social enterprise ecosystem. **This type of assistance is perceived in the future as being increasingly necessary.**

*Figure 5.4.1. Stages of investments at which NFS is provided to investees by foundations/EGMs (n=65)*



As identified by our members, in ecosystems similar to Germany, there is still a considerable need for capacity building in 2 areas:

- **investment readiness** - difficulties for social enterprises to self-finance and low success rate of self-sustainability cases;
- **difficulties for investors for impact in supporting the cost of providing non-financial support.** Impact funds are becoming increasingly mainstream, attracting institutional investors with higher demands for financial returns, while the need for non-financial support by their investees is becoming clearer. . Therefore, impact funds need a complementary funding source for technical assistance facilities to fund the provision of non-financial support from the European Commission.

**At the same time, the non-financial support is more needed during the investment, then at the starting and closing phases.**



The interviewees mentioned the critical role of the Advisory Hub (EIB) in offering non-financial support to different social stakeholders, encouraging the other EU institutions to follow the good example and replicate it on different EU programmes/initiatives/ funds.

### 5. Need of blended finance and patient capital

Investors *for* impact use financial instruments (FIs) to provide a better customised support. Also, they use FIs other than grants to support SPOs for longer. After equity, the hybrid FIs tend to have the highest investment duration.

Figure 5.5.1. Average investment duration distribution per financial Instrument – % of foundations/EGMs

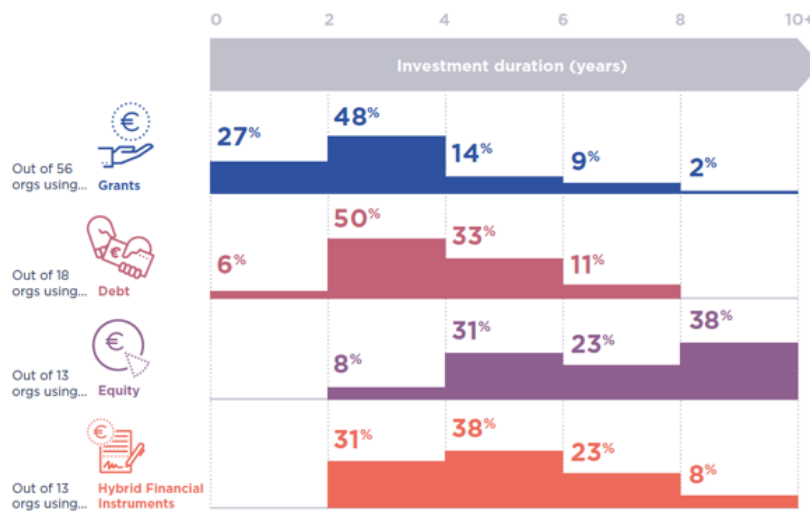
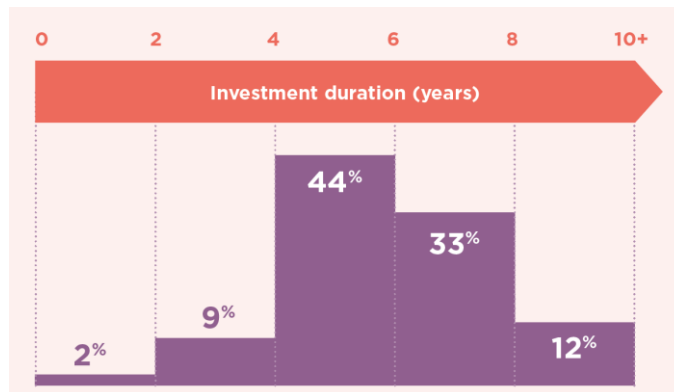


Figure 5.5.2. Average investment duration distribution – % of impact funds (n=57)



On one side, the EVPA members contributing to this Consultation Paper, consider that more support is needed for providing **patient capital for social enterprises**, as well as more **intensive leverage of hybrid finance opportunities**. An eco-system approach is essential as social investments employ a diverse range of financial instruments (guarantees, debt and equity) combined with advisory support and grants. At the same time, it would be necessary that the EU institutions increase the awareness of **the use of hybrid financial instruments** as they: **(1)** increase the effectiveness in supporting SPOs by providing them with tailored financing, **(2)** promotes the sustainability and the capacity of investees, **(3)** reduce the risks associated with achieving impact or financial goals for different actors, and **(4)** increase the resources brought into VP/SI space – and the efficient allocation of them.

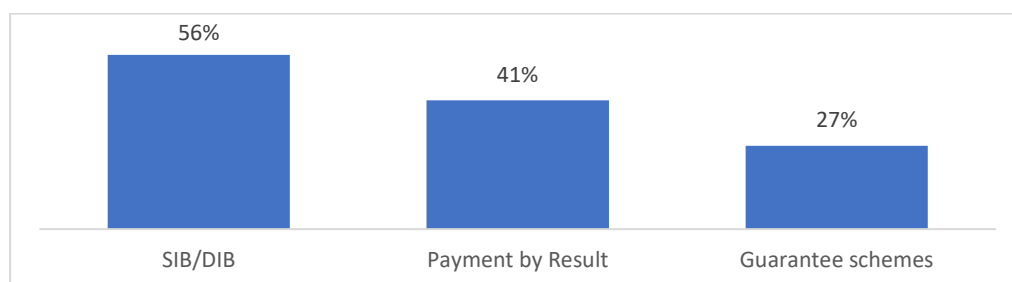
On the other hand, the social investment sector (both at the EU and national levels) is not very well developed in combining investments from EFSI and EaSI, or grants from ESF+, and merge them with impact-related funding. There is a huge potential for establishing these mechanisms at the EU level and facilitating better connection of impact investors with social enterprises. As a best practice regarding the use of the EU funding for establishing an impact fund, EVPA can point to FASE’s impact fund – ESIF, currently the only European impact fund that provides mezzanine capital and is partially secured by a European Investment Fund (EIF) guarantee.<sup>12</sup>

EVPA and its members consider that the need of combining funds at the EU level and the creation of patient capital can be addressed through the continuity in the implementation of InvestEU during the next programming period, as planned within the first proposal from the EC, as well as the connection between Invest EU and other EU programmes, notably the ESF+, under the Social Skills Window.

## 6. Focus on payments by results

Many investors *for* impact have engaged in structuring and supporting payments-by-results mechanisms. Out of the 41 foundations and EGMs that participated in the Industry Survey Report, 41% implemented payments by results, and 56% engaged in social impact bonds (SIBs) or development impact bonds (DIBs).

Figure 5.5.3. Involvement of foundations/EGMs in hybrid financial mechanisms



However, tracking expenditure based on impact is not always easy and it needs additional financial and non-financial support.

*“SIBs should pay for outcomes and the investors should be reimbursed, but actually, the process has more layers and complicated procedures. Initially, the structures of the SIBs should provide evidence for the outcomes expected by conducting a feasibility study, which takes time, finance, and expertise. Some of the organisations might not have resources for that.” - EVPA member, during the interviews specially designed for the EU Consultations of Reinforcing Social Europe.*

Some of the main hurdles faced in structuring SIBs and other payments-by-results mechanisms were directly linked to:

- Lack of funding for feasibility studies;
- Lack of long-term focus of public administration;
- Difficulty of coordinating public entities around social challenge that touches on numerous aspects and thus jurisdictions (e.g. children in care concerns education, social services, etc.);

<sup>12</sup> <https://fa-se.de/en/blog-en/press-release-successful-first-closing-for-the-esiif/>

- Lack of data to monetize specific social impacts for public administration to estimate cost savings (necessary to build unit cost databases);

EVPA and its members considers that more support should be given regarding the upfront payment and the knowledge needed to set-up the feasibility studies needed to structure a SIB.

At the same time, EVPA truly believes that the European Union Institutions play a very valuable and critical role in building the social investment ecosystem. For enhancing this role, the EC should adapt the rules of the EU funds according to the financial mechanisms (payment-by-results) used in the market such as SIBs (if the instruments are different, so are the rules). If the EC wants to innovate the use of funds, it also requires to innovate the internal procedures of having access to these funds and streamline them. It is very important to facilitate funding in the social sector under the new framework and the regulations should consider including the new types of mechanisms proposed by the market, including payments by results.

## 6. EVPA CONCLUDING SUGGESTIONS

After proceeding the qualitative and quantitative analysis presented above, EVPA gathers all the learnings in the following main take-aways and suggestions for the EC:

1. The EC should better communicate information about funding opportunities on its websites and other information channels. It is suggested to use showcasing methods at the EU level of investment/success stories and best practices among practitioners from the national level and to connect these practitioners in a more dynamic and direct interaction. EVPA believes that knowledge and sharing of practices are fundamental assets to support the impact market building. Also, the centralisation and simplification of the information presented through the EC's communication channels would be highly appreciated.

It might be useful if the EC introduces more learning opportunities by sharing of best practices as well as lessons learned. The EC shall implement more targeted gatherings and address homogeneous groups of attendants to allow deeper discussions. It would be valuable to create a step-by-step guide to access funding.

2. The EC should establish support mechanisms (technical assistance and capacity building) during the investment period, as the non-financial support is perceived as being the most important asset in the coming period. Individually assigned consultants, investment manager and case manager can be valuable to the implementation of the respective funding mechanism by past and current beneficiaries, e.g. structures similar to the EIB Advisory Hub. At the same time, a valuable support would be the funding of technical assistance facilities, as investors for impact could offer the capacity building themselves.
3. The Commission shall continue its efforts to build capacity in the sector, and explore opportunities to combine capacity building efforts through grants, equity investments, and hybrid financial instruments.
4. An eco-system approach is essential as social investments required during the current period a diverse range of financial instruments (guarantees, debt and equity) combined with advisory support and grants. Grants are an important complementary form of support. Hybrid financing i.e.

mixing different risk/return/impact profiles in order to de-risk private capital had a particular role to play when combining funding from different sources, or which combined contributions at an EU level with contributions from a member state.

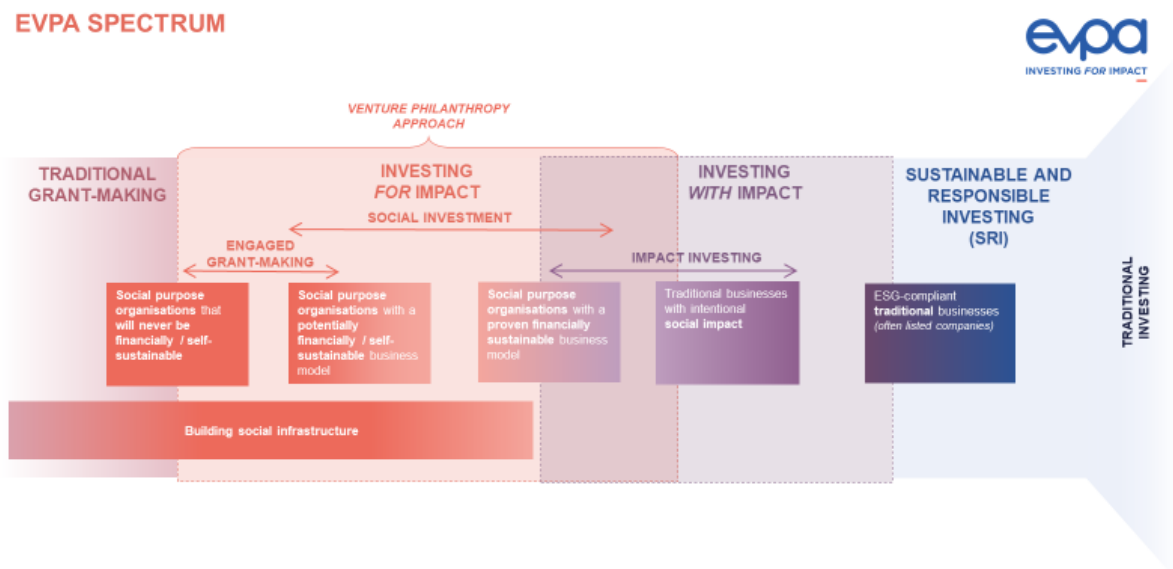
**Considering this, EVPA highly supports the first proposal of the EC on Invest EU, and all the synergies between Invest EU and other EU programmes, notably the ESF+ with the Invest EU's Social Investment and Skills Window.**

5. The lack of capital for early stage ventures and social innovation requires more support mechanisms from the Commission targeted at technical assistance and preferential risk-return profiles to leverage private capital.
6. Considering the new types of hybrid financial mechanisms (i.e. payments by results/outcome-based finance), **EVPA stresses the strong need within the social investment ecosystem to receive support on data collection at the EU level, impact measurement and evaluation.** With more and better data, investors would be able to make better decisions, which in turn means there would be more efficient allocation of capital. Policymakers could consider a contribution to building the necessary data infrastructure.

## 7. ANNEXES

### ANNEX 1

Figure 1. The EVPA Impact Ecosystem Spectrum



## ANNEX 2

Figure 1. The 2020 Investing for Impact Survey Infographic - Investment focus of foundations/EGMs

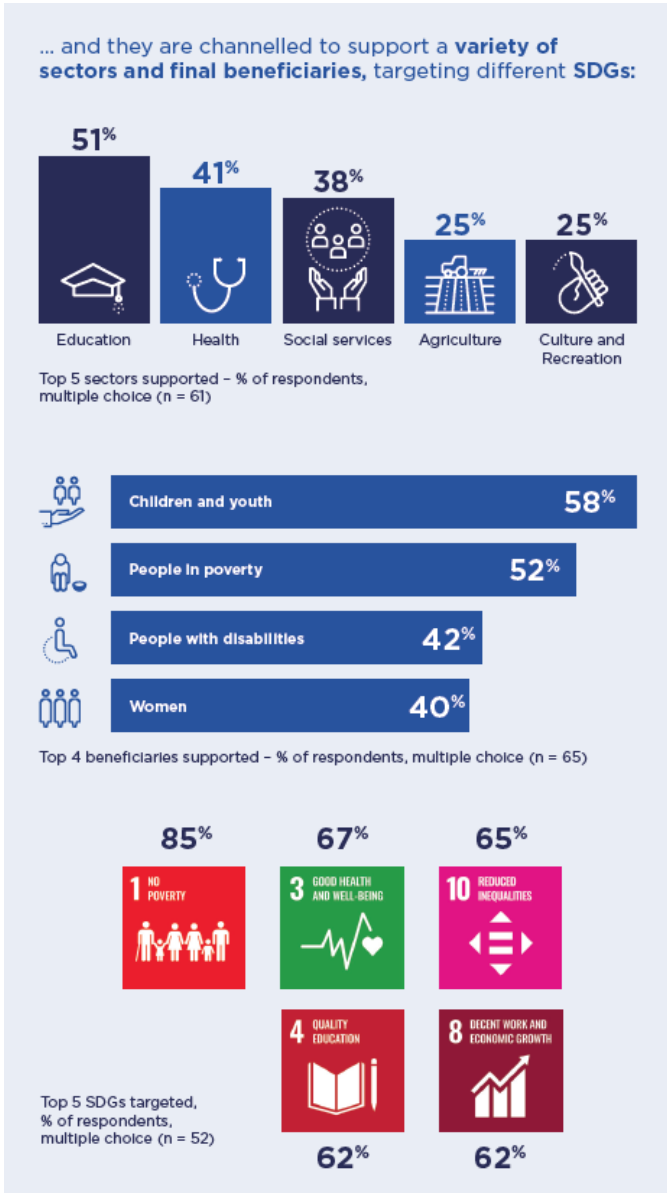


Figure 2. The 2020 Investing for Impact Survey Infographic c- Investment focus of impact funds

