

SOCIAL IMPACT INVESTMENT COMMUNITY STRATEGY FOR THE DANUBE REGION

04.1

**Final version
 12 2021**

DOCUMENT CONTROL SHEET

| | |
|---------------------|-------------------------------------------------------------------|
| Title of Document | Social Impact Investment Community Strategy for the Danube region |
| Work Package | WP4 |
| Output | O4.1 |
| File Name | Output 4.1 SII Strategy for the Danube region |
| Number of Pages | 59 |
| Dissemination Level | Public |
| Due date of Output | 31.12.2021 |

VERSIONING AND CONTRIBUTION HISTORY

| | | |
|--------------------|------------------------------------------|-------------|
| Document Version | V5 – Final | |
| Status | Final version | |
| Responsible Author | Dr. Clémentine Roth | S2i |
| Editor | Dr. Katrin Hochberg Tamás Szenttamási | S2i IFKA |
| Contributors | All Finance4SocialChange partners | |
| Last version date | 15 December 2021 | |



Social Impact Investment Community Strategy for the Danube region

December 2021



Social Impact Investment Community Strategy for the Danube region

Prepared by Steinbeis 2i GmbH

With the support of the Finance4SocialChange Partnership:

IFKA Public Benefit Non Profit Ltd. For the Development of the Industry

ZSI Centre for Social Innovation

Financing Agency for Social Entrepreneurship

Executive Agency for Higher Education,
Research, Development and Innovation Funding

BSC Business Support Centre Ltd, Kranj

Sofia Development Agency

Union of Slovak Clusters

ACT Grupa

ASHOKA Austria / CEE

University of Heidelberg / Centre for Social Investment

CCIS Chamber of Commerce and Industry of Serbia

Organisation for Small and Medium Enterprise Sector Development

Institute of Market Problems and Economic-Ecological Researches of NAS

**The content of this strategy does not reflect the official opinion of the European Union.
The responsibility for the information and views expressed in this document lies entirely
with the authors.**

Table of Content

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| List of Tables..... | 5 |
| List of Graphs..... | 5 |
| List of Abbreviations..... | 6 |
| 1 Executive summary | 7 |
| 2 Introduction..... | 8 |
| 3 Current Situation in the Danube Region | 11 |
| 3.1 Decision making..... | 11 |
| 3.2 Social entrepreneurship | 12 |
| 3.3 Social impact investment | 14 |
| 3.4 Civil society..... | 16 |
| 3.5 Development in a COVID-19 era | 18 |
| 4 Common vision and intervention areas | 21 |
| 5 Policy recommendations..... | 31 |
| Recommendation #1: Create a regulatory framework that is favourable and supporting social entrepreneurship and impact investing..... | 31 |
| Recommendation #2: Organise knowledge-building events to raise the awareness of policy makers about social entrepreneurship and impact investing..... | 32 |
| Recommendation #3: Provide more political transparency and visibility regarding the responsible ministries, services, policy experts and contact people for social entrepreneurship | 33 |
| Recommendation #4: Initiate public funding and incentives for the development of support organisations (e.g. in form of grants and subsidies) | 33 |
| Recommendation #5: Policy initiatives enabling the formation of social impact investment networks..... | 34 |
| Recommendation #6: Creation of dedicated social impact investment programmes for SEs..... | 35 |
| Recommendation #7: Develop and provide SEs with free-of-charge learning materials that are easy to understand and to put into practice..... | 36 |
| Recommendation #8: Introduction of courses or modules on social entrepreneurship and impact investment in the curriculum of educational institutions..... | 37 |
| Recommendation #9: Establish a standardised framework methodology for measuring social impact in each country that also allows for comparability between countries..... | 38 |
| Recommendation #10: Develop the activities and services of support organisations and raise their visibility | 39 |
| Recommendation #11: Create and/or strengthen networks of social enterprises | 40 |
| Recommendation #12: Improve communication at all levels..... | 41 |
| Recommendation #13: Expand/develop first-loss guarantees for early-stage funds..... | 43 |

| | |
|-------------------------------------------------------------------------------------------------------------------------------|----|
| Recommendation #14: Develop dedicated and tailored SII programmes | 44 |
| Recommendation #15: Support more private capital / private funding programmes – especially in early stage | 45 |
| Recommendation #16: Make crowdfunding a known and accessible financial source for SEs.... | 46 |
| Recommendation #17: Increase the diversity of impact investors & mission-driven financing actors..... | 47 |
| Recommendation #18: Carry out information and awareness campaigns..... | 47 |
| Recommendation #19: Enhance the visibility of models and success stories from SEs | 49 |
| Recommendation #20: Strengthen storytelling on products and services of SEs | 49 |
| 6 Dissemination & exploitation measures | 50 |
| 7 Conclusion | 51 |
| 8 Bibliography..... | 53 |
| Annex 1: Questionnaire for the survey on the effects of the COVID-19 pandemic on social enterprises in the Danube region..... | 54 |

List of Tables

| | |
|-------------------------------------------------------------------|----|
| Table 1: Priority Area actions addressed by the SII strategy..... | 29 |
|-------------------------------------------------------------------|----|

List of Graphs

| | |
|------------------------------------------------------------------------------------------------------------------------------------------|----|
| Figure 1: Framework of the strategy drafting process..... | 10 |
| Figure 2: Recommendations across the four levels | 22 |
| Figure 3: Overview of the 20 recommendations and their relation between the vision, the weaknesses addressed and intervention areas..... | 25 |

List of Abbreviations

| | |
|-------|--------------------------------------------------|
| ASP | Associated Strategic Partner |
| BSO | Business Support Organisation |
| CSEN | Croatian Social Entrepreneurs Network |
| CSR | Corporate Social Responsibility |
| ESEM | European Social Enterprise Monitor |
| ESF | European Social Fund |
| ESG | Environmental, social and governance (investing) |
| EU | European Union |
| EUSDR | European Union Strategy for the Danube Region |
| GDP | Gross Domestic Product |
| IOOI | Input – Output – Outcome – Impact |
| KPI | Key performance indicator |
| PA | Priority Area |
| PE | Private equity |
| PP | Project Partner |
| RAP | Regional action plan |
| SDG | Sustainable Development Goal |
| SE | Social enterprise |
| SEND | Social Entrepreneurship Netzwerk Deutschland |
| SIB | social impact bond |
| SII | Social Impact Investment |
| SME | Small- and medium-sized enterprise |
| SRI | Socially responsible investing |
| SWOT | Strengths, Weaknesses, Opportunities and Threats |
| VC | Venture capital |

1 Executive summary

Social entrepreneurship has become increasingly relevant in today's economy, and has also emerged among the Danube region. The Danube macro-region¹ currently lags behind global trends in the field of social entrepreneurship and social impact investments. There is currently a lack of social impact investors and policies to support the improvement of social impact investment markets. Even though the field of social impact investment is thriving and rapidly growing, it remains at a nascent stage, inefficient and too fragmented. There is a growing awareness, interest and demand from the investing side (banks, private investors, business angels). During the COVID-19 pandemic, most investors maintained or even increased their financial support to social enterprises. However, (patient) capital still has difficulty to move across borders. Whereas the investing side is now ready to invest in social enterprises, investors often face the following problem: there are not enough assets (that is social enterprises) that need investments or are investable. The number and level of maturity (investment readiness) of social enterprises is growing. For social enterprises to develop into larger companies and become both investment-ready and investable, they need funding in their early stage. Currently there are some early stage funding in the region (e.g. pre-seed, seed level) but this should be further expanded. Besides, there is a need of more tailored financial instruments for social enterprises, including more "blended" financial instruments, which would complement non-repayable grants with new forms of finance as well as a need for more cooperation between capital providers so as to build a continuum of funding instruments at all stages.

Public support – both financial and non-financial is key and public funding remains currently a major source of funding for many social enterprises in most countries of the Danube region. Yet, with the booming of impact investors, public support should aim at providing a favourable framework rather than (only) providing public funding.

The *Social Impact Investment (SII) Community Strategy for the Danube region* (hereafter: SII strategy) developed in the frame of the project Finance4SocialChange is a macro-regional strategy aiming at developing social impact investment markets by facilitating and boosting social impact investments and strengthening and supporting the sustainability and scalability of social enterprises. This document targets primarily policymakers and government agencies (e.g. national and regional public authorities as well as Priority Area coordinators and steering group members). However, it also addresses regional stakeholders including social enterprises, (impact) investors, financial intermediaries and business support organisations.

The SII strategy develops a vision for the Danube region for 2030, i.e. in a horizon of almost 10 years. According to this vision, the implementation of the (policy) recommendations presented here will lead to the development of social impact investment markets by a facilitation and boosting of social entrepreneurs as well as impact investors and in general to an improvement of the ecosystem they are embedded in. To reach this vision, the Finance4SocialChange consortium is making 20 general and transnational recommendations for the whole Danube region at four different levels – decision making, social entrepreneurship, social impact investing and civil society – taking into account the diversity of the countries and their social impact investment markets within this macro-region. The recommendations also aim at supporting the development of public funds, tools and measures for financing social enterprises, increasing the resilience of social enterprises and make them more attractive for private investors in the COVID-19 and post-COVID era.

¹ The Danube macro-region covers 14 countries among which 9 EU countries (Austria, Bulgaria, Croatia, Czech Republic, Germany – Baden-Württemberg & Bavaria, Hungary, Romania, Slovakia, Slovenia), 5 non-EU countries (Bosnia-Herzegovina, Montenegro, Moldova, Serbia and Ukraine – four provinces: Chernivetska Oblast, Ivano-Frankiviska Oblast, Zakarpatska Oblast and Odessa Oblast).

2 Introduction

The goals (and challenges) of the European Union (EU) include the promotion of peace, well-being, justice, inclusivity, diversity, scientific and technological progress, and sustainability in terms of economic growth, full employment, social progress, and environmental protection.²

Social enterprises (SEs) contribute to all these goals by tackling societal challenges, problems and needs. Their primary objective is not to generate profit for owners or shareholders, but to achieve social impact, that is “a significant, positive change that addresses a pressing societal challenge”.³ Nevertheless, they operate in an entrepreneurial way in the market to achieve those social goals.⁴ Social entrepreneurship, though it is not a brand new concept has become increasingly relevant in today’s economy and notably in Europe. The Social Business Initiative launched by the European Commission in 2011 specifically supports the development of social enterprises. The social economy represents 10% of the European Union’s Gross Domestic Product (GDP), employing more than 13 millions of workers, which represents 6% of the active EU population.⁵ Social economy is a key player in providing effective answers to current societal challenges in the EU and the world (Bratislava Declaration 2016).

Social Impact Investment (SII), the provision of finance with the explicit expectation of not only a financial, but also a measurable social return, has become increasingly relevant for the sustainable functioning of SEs.⁶ Impact investments enable social enterprises to meet their capital needs at various stages. However, the potential of impact investment has not been fully exploited so far. Impact investors are characterised by a great heterogeneity (e.g. in their expectations, due diligence, selection criteria, assessment); they can be commercial investors, fund managers, foundations, government agencies, family offices or individuals.⁷ In this document social impact investment is used synonymously with impact investing.

The project Finance4SocialChange

Social entrepreneurship and social impact investing have also emerged in the Danube region, however the macro-region currently lags behind global trends in the field of SE and social impact investments. On the one hand, there is lack of “blended” financial instruments, which would complement non-repayable grants with new forms of finance. On the other hand, there is a lack of impact investors and policies to support the improvement of social impact investment markets. This observation is at the basis of the project Finance4SocialChange, whose aim is to develop an ecosystem supporting social entrepreneurship and social impact investment, propagate innovative financial instruments and promote social impact investment-ready social enterprises in the Danube region.

In the past few years, an important change was noticeable in the mindset of banks and investors in general so that the investing side is now ready to invest in social enterprises. Yet, the problem that investors face is that there are not enough social enterprises that need investments or are investable.

² [Aims and values \(europa.eu\)](https://european-council.europa.eu/media/en/press-summaries/doc.asp?id=3242)

³ [What is Social Impact? – Business+Impact at Ross \(umich.edu\)](https://www.umich.edu/ross/what-is-social-impact/)

⁴ https://ec.europa.eu/commission/presscorner/detail/en/MEMO_11_735

⁵ [Social economy in the EU | Internal Market, Industry, Entrepreneurship and SMEs \(europa.eu\)](https://ec.europa.eu/economy_finance/social_economy_in_the_eu_en)

⁶ www.oecd.org/sti/ind/social-impact-investment.htm

⁷ Global Impact Investing Network. *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* (2018).

For social enterprises to be able to develop into larger companies that are investment-ready and investable, they first need funding in their early stage to survive. There is a need of more tailored financial instruments for social enterprises, including more blended financial instruments, which would complement non-repayable grants with new forms of finance as well as a need for more cooperation between capital providers so as to build a continuum of funding instruments at all stages.

Objective of the SII strategy

The main objective of the SII strategy for the Danube region is to **elaborate policy recommendations supporting the harmonisation of the policies and policy directions set individually by Finance4SocialChange countries and regions** in their operational programmes for the upcoming programming period of the EU (2021-2027). The policy recommendations, based on identified policy niches and good policymaking practices, shall encourage business creation and employment (of vulnerable / marginalised social groups in particular). The strategy also includes policy monitoring techniques including performance indicators and milestones and their public reporting in order to assess the effectiveness of the proposed policy improvements. With these policy recommendations, the SII community strategy aims to **implement the European Union Strategy for the Danube Region (EUSDR)** by supporting the transfer of good policymaking practices across the region and by contributing to the achievement of several objectives and targets.

This document targets primarily **policymakers and government agencies (e.g. national and regional public authorities, Priority Area coordinators, steering group members)**. However, it is also of interest and importance for regional stakeholders including social enterprises, (social impact) investors, financial intermediaries, and business support organisations (BSO) who were actively involved in the drafting process. The Social Impact Investment (SII) Strategy for the Danube region covers – at its name suggests – the **Danube macro-region**. Though it concentrates on the 11 partner countries (Austria, Bulgaria, Croatia, Germany, Hungary, Moldova, Romania, Serbia, Slovakia, Slovenia and Ukraine), its vision and recommendations address the entire region.

Methodology and structure

The SII strategy for the Danube region is based on primary and secondary sources. It combines desk research and primary data and information gathered in regular and intensive exchanges with stakeholders and experts from the fields of policy making, social entrepreneurship and social impact investing by all partners on the regional as well as transnational level over the last three years.

Project partners carried out 98 qualitative interviews with social enterprises and social impact investors between September and December 2018. In addition, the SII strategy integrates the results of various workshops with stakeholders on the regional and transnational level. The consortium organised:

- 37 regional stakeholder group workshops
- 51 local policy focus groups
- 3 policy learning dialogues
- 1 transnational community building workshop
- 2 transnational policy coordination workshops

This strategy is the result of a **participatory and iterative process**. It was **developed in two stages**: Key outcomes and results of the regional stakeholder group workshops and interviews together with desk

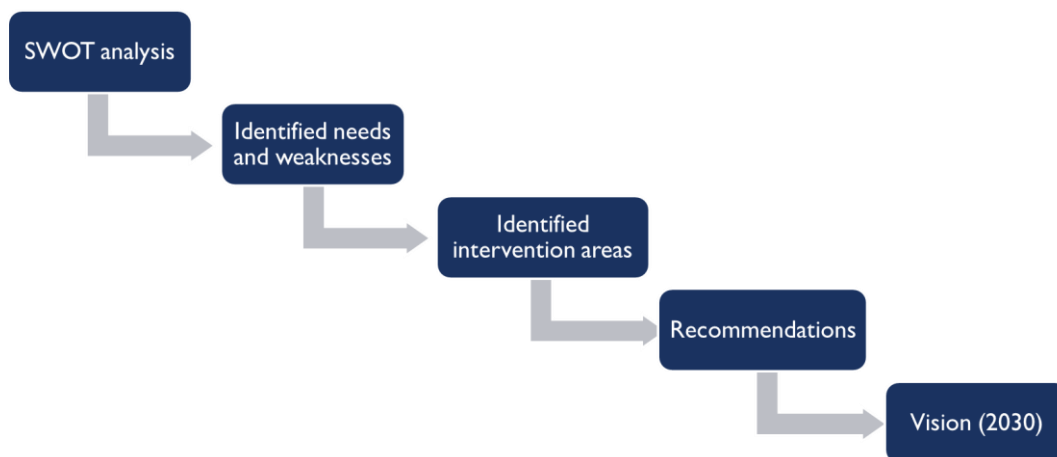
research and expertise within the consortium formed the basis of a **mid-term strategy**, that was prepared in September 2019. This mid-term strategy was based on a SWOT analysis (detailed in Chapter 3) that helped to identify needs and weaknesses to address as well as intervention areas for which we developed a number of recommendations.

The mid-term strategy served as working document and was discussed with a wide spectrum of stakeholders – in particular policy-makers, social entrepreneurs and investors – during the first round of local policy focus groups in spring 2020, the SII Council meeting in September 2019 and the first policy learning dialogue in March 2020. The feedback gathered at these occasions was summed up in the Report on midterm review and public consultation (D4.1.1) in April 2020. Based on this feedback and the inputs collected in the second, third and fourth round of local policy focus groups in autumn 2020, spring 2021 and autumn 2021, the second and third policy learning dialogues and SII Council meetings in October 2020 and April 2021, and the transnational policy coordination workshops in September and November 2021, the **strategy was finalised**.

Furthermore, this strategy is supplemented by regional action plans. While the strategy provides an overarching frame for the entire Danube region, the situations in the individual Danube countries vary a lot – be it in terms of the regulatory frameworks, cultural settings and mindset. Regional action plans contribute to the implementation of the strategy through specific actions that are tailored to the national situation and needs.

The graph below (Figure 1) depicts the framework and the different steps of the strategy drafting process.

Figure 1: Framework of the strategy drafting process



In the following chapter (Chapter 3), the current situation of social entrepreneurship and social impact investment in the Danube region in a COVID-19 era is presented to provide a background, motivation and rationale for the SII strategy. On these premises, a vision for 2030 accompanied by several concrete objectives in line with EU strategies and policies is introduced in Chapter 4. Chapter 5 makes 20 general and transnational recommendations at the levels of decision making, social entrepreneurship, social impact investing and civil society for the whole Danube region, taking into account the diversity of the countries and of their social impact investment markets within this macro-region. The document ends with a presentation of the dissemination and exploitation measures regarding the SII strategy (Chapter 6), and a conclusion summing up the most important aspects (Chapter 8).

3 Current Situation in the Danube Region

As an overview over the current situation in the Danube Region regarding social entrepreneurship and social impact investment, a SWOT analysis from the viewpoint of SEs was conducted by each Finance4SocialChange partner. Strengths, Weaknesses, Opportunities and Threats were analysed at four levels: **Decision making** (e.g. do policy makers have a good understanding of SE/SII?), **social entrepreneurship** (e.g. how many social entrepreneurs are there already? How well educated are they on business/management skills or impact measurement?), **social impact investment** (e.g. how common is impact investment? Are there any incentives for investors?), and the **civil society** (e.g. how visible is social entrepreneurship in everyday life? Do people acknowledge SEs and value their products?). The combined result of these SWOT analyses is detailed below.

3.1 Decision making

Strengths

In the last decade, the growing interest in social entrepreneurship has been supported and accompanied by a growing public involvement. In some countries, policymakers clarified the legal definition and framework of social enterprises (Slovakia, Slovenia, Hungary, Croatia). In Slovakia and Slovenia “registered social enterprise” is now a legal status of its own though a social enterprise can also take a different legal form. In fact in most Danube countries, social enterprises can take different legal forms (e.g. companies with limited liability, associations, cooperative, etc.) and sometimes even adopt a hybrid form (Germany).

Public authorities also play an important role in setting up and/or supporting a local social enterprise ecosystem through direct and indirect financial as well as non-financial support (counselling, access to facilities, incubator and accelerator programmes) to **social enterprises and capacity-building organisations** (e.g. chambers of commerce, development agencies, social impact labs) (Slovakia, Moldova, Bulgaria, Romania, Hungary, Slovenia).

In addition, there are a number of EU funds and programmes for social enterprises and for supporting local SE ecosystems – sometimes these EU support schemes are the main public support schemes for social enterprises stem from European funding.

Weaknesses

In several Danube countries, a **clear or specific legal framework including fiscal advantages for social entrepreneurship is still lacking** (Croatia, Serbia, Moldova, Romania). In Germany, social enterprises are struggling to find the most appropriate legal status. Excessive administrative burden (Slovakia) or limited capacity of administrations to understand the potential role of SEs (Romania) are factors that impede the take-off of social enterprises. Social clauses in public procurement processes are often not applied by municipalities and public authorities (Slovakia).

Stakeholders do not always speak the same language, which leads to some misunderstandings: for instance public institutions, business and private sectors misunderstand the concept of social entrepreneurship (Serbia) while social entrepreneurship and impact investments are used differently by different players (Germany). This translates a certain **lack of connection between stakeholders**, which should be remedied through the organisation of knowledge-building events.

There is a **lack of transparency and visibility regarding the responsible ministries, services, policy experts and contact persons**. In some countries such as Germany, Slovakia, Serbia or Romania, social entrepreneurship falls into the responsibility of different ministries (e.g. Ministry of Economic Affairs and Ministry of Social Affairs in Baden-Württemberg, Germany) which leads at times to inconsistencies or redundancies in the policies, lesser feeling of responsibility, confusion as regards whom to contact.

A major weakness lies in the **lack of public financial support**: few funding opportunities available specifically for SEs (Germany), limited access to suitable financing for social entrepreneurship (Serbia, Bulgaria, Moldova), lack of public funds for support organisation specialised in social entrepreneurship – e.g. incubators, accelerators, intermediaries, foundations, etc. (Croatia).

Opportunities

Social entrepreneurship and social investment has been set high on the EU agenda. The **development of a legal framework for social enterprises in some countries** (e.g. Moldova, Slovakia, Romania) **open up new opportunities for SEs** such as the extensive use of reserved right to participate in public procurement based on the Public Procurement Act - “reserved contract” (Slovakia).

With the COVID-19 pandemic, **governments have become more aware of the role of SEs** (not only in terms of jobs they create but also in terms of services and products they offer) and therefore of the need to support their development through improved related policies, legislation and a willingness to develop a social enterprise friendly environment (Hungary, Bulgaria, Romania). SEs are eligible to various funding opportunities – though this funding programmes are not always specifically tailored for them but rather for startups and SMEs.

Threats

While more legislation is being made, it may lead to some issues such as a conceptual and legislative disintegration of SEs and SMEs (Hungary), too strong criteria to obtain the status of SE (Moldova) but also a disconnection between the policy initiatives and funding with the actual needs of the sector (Serbia).

The **development of repayable capital / impact investment is linked to high risks for useful social organisations** since if social investment gets adopted public funding for the same services might decline and lead to the disappearance of these organisations (Bulgaria).

3.2 Social entrepreneurship

Strengths

Social enterprises are flourishing in the Danube region and the local ecosystems already show a number of strengths in the fields of education, upskilling and mentoring of SEs. Social entrepreneurship (theory) is well covered at German universities. Several German SEs have grown into a substantial size and serve as good examples (e.g. AfB, which is Europe’s largest non-profit IT-Company, that create jobs for people with disabilities by refurbishing and remarketing used IT and mobile devices⁸). Given their innovative approaches to societal, environmental but also financial and organisational problems,

⁸ More information on AfB’s website: <https://www.afb-group.de/en/home/>

SEs provide good examples and practices that can be transferred / adapted. Social entrepreneurs tend to be optimistic, creative and are aware of the need to innovate.

In Germany, SEs are focused on good business models because there are few funding opportunities dedicated to them specifically. In Hungary, there is not only a growing awareness and commitment to financial sustainability from SEs but also a growing number of SEs that gained/have experiences on loans and refundable financial instruments. In a number of countries (Moldova, Romania, Slovakia), social enterprises play a major role in supporting both marginalised communities (notably by including them on the labour market) and rural communities.

Some local ecosystems are already well developed (Austria, Germany) and some are less so. In Croatia and Romania, a core group of stakeholders (investors, entrepreneurs, support organisations, academia, etc.) is well connected and ready to develop and implement collective impact initiatives.

Weaknesses

Many social entrepreneurs in all Danube countries show a number of weaknesses that hinder them in developing into sustainable and good investment-ready ventures:

- **Lack of financial and managerial knowledge, experience and skills** for initiating and/or managing social enterprises but also for scaling up activities (Moldova, Romania, Hungary, Serbia, Slovakia) and managing people from marginalised groups (Slovakia).
- **Lack of knowledge, experience and commitment to measure social impact** (Croatia, Moldova, Romania, Bulgaria, Hungary, Slovenia, Serbia). This is at times linked to the fact that they lack clearly defined criteria for assessing the social impact of their businesses (Serbia, Bulgaria).
- **Lack of financial stability** notably due to strong grant dependency, weak business orientation, lack of access to international markets (Hungary, Croatia, Slovakia) but also their small size, lack of assets and capital, and higher business risks that render SEs less attractive for financial institutions and investors (Hungary, Serbia).
- **Lack of awareness of all relevant funding opportunities combined with weak capacity in gathering all necessary information** (Germany)
- **Lack of marketable products and services** (Hungary, Serbia) – lower work efficiency of disadvantaged employees compared to conventional enterprises (Slovakia)

Although social enterprises are involved in networks and coalitions, they often remain weak in

- Developing business relationships with other stakeholders (other SEs, SMEs or conventional enterprises) or in finding suitable partners in different fields
- Connecting social and economic stakeholders (Germany)
- Lobbying their cause at the political level (Hungary, Romania)
- Advocating their concept and demonstrating the benefits to the general public (Romania, Serbia)

Opportunities

Social enterprises are growingly **aware of the need of measuring their impact** and to include impact measurement in their business models – not only to be in a stronger position when looking for investors and communicating with the general public but also to be able to maximise the social impact of and upscale their products and services.

The existence of **EU funds and programs as well as other international donor programs boost the development of social entrepreneurship** by supporting the creation of social enterprises and opening traditional SMEs to carry out social entrepreneurial activities – in some Danube countries (Serbia, Hungary, Moldova, Romania).

Social enterprises play a key role in supporting the **integration of marginalised communities** (e.g. people with disabilities, long-term unemployed people, rural communities) in the labour market (Moldova, Romania, Slovakia).

The **development of national and European social entrepreneur networks** (e.g. Social Entrepreneurship Netzwerk Deutschland – SEND, Croatian Social Entrepreneurs Network, Euclid Network) provide an opportunity to increase the visibility and recognition of social entrepreneurs within their countries but also at the European level through joint activities (for instance the European Social Enterprise Monitor - ESEM⁹).

Threats

Economic crises often hit social enterprises first due to their lack of business knowledge. The COVID-19 crisis had indeed a clear negative impact on planned investments, working conditions, work schedules and financial liquidity of social enterprises in the Danube region. This aspect will be more detailed in Subchapter 3.5 on the development in a COVID-19 era.

3.3 Social impact investment

Social impact investment remains at a rather nascent stage in the Danube region (Bulgaria, Croatia, Hungary, Moldova Romania, Serbia, Slovakia, Ukraine) although a few countries have now a strong core of impact investors (Germany, Austria). The field of social impact investment is thriving (60 million EUR 2-3 years ago, 2.8 billion now).

Strengths

Erste Bank, UniCredit but also TISE Poland are well established in the Danube region and provide social banking programs (e.g. social impact banking initiative from UniCredit; social finance Instrument quasit-equity and investment readiness support from Erste Bank in cooperation with Impact Hub Vienna). With Erste Bank and UniCredit, two giant players offer social banking programme, which is promising. This conveys a growing interest towards social impact investment opportunities and social entrepreneurship development by Western European funds and international donors. There are as well a number of innovative funding instruments through private foundations, family offices and investment funds. The SII market is growing as there is a clear demand from the banking / investing side. Besides, one can observe an increasing awareness about using different and more tailored financial instruments/vehicles.

In Germany, there are already a number of impact investors (banks and business angels) and an established social venture capital (VC) and private equity (PE) ecosystem with a lot of money in family offices ready to be invested. In addition, new funds are emerging with already committed capital (>100 million Euro invested in impact investing).

⁹ <https://euclidnetwork.eu/portfolio-posts/european-social-enterprise-monitor-esem/>

In Slovenia, Croatia, Serbia and Hungary, several impact investors associations and funds were created in the past 5 years such as Found 05¹⁰ (Foundation for Social and Impact Investment is a private foundation that supports social entrepreneurship and social innovation in Slovenia), FeelsGood (social impact investment Fund initiated in 2016 in Slovenia and Croatia), Smart Kolektiv (Smart Kolektiv established the Smart Impact Fund – Fund for Impact Economy,¹¹ which is an innovative program of financial support that allows companies in Serbia to apply for interest-free credits in the amount of 50.000 euros and for mentorship training program lasting 3 to 5 years in Serbia), Impact ventures and Association of Impact Investors (in Hungary).

Weaknesses

In most countries, the **level of knowledge on impact and impact measurement remains rather low** in the local ecosystems. More generally, we still do not know enough about what is impact and how to measure it. For this we need to gather evidence (hence the importance of social enterprise monitors). Besides, **adapted financial instruments are still lacking: only few impact funds, microcredits, hybrid financing products, social impact bonds**. Furthermore, **(patient) capital has still difficulty to move across borders**. Even though there are **some early stage funding in the region (e.g. pre-seed, seed level), they are not enough**.

In Bulgaria there is still no unanimous understanding related to social impact measurement and social impact investment is not developed yet. Even though impact measurement and management systems in impact investment organisations are in place in Croatia, this is not always enough (limited implementation is diluting the real impact of having impact measurement and management systems).

In Croatia and Romania – the situation remains characterised by a **lack of tailored, sustainable financial instruments and programs for social enterprises and an underdeveloped venture philanthropy market**. In Croatia, social entrepreneurship remains mainly publicly funded – by the EU, government and traditional loan programs through grants, donations and subsidies. This is notably due to the fact that the legal form of the majority of Croatian social enterprises is ineligible for equity and hybrid financial instruments. Besides, impact investors support or may be repelled by high transaction and other costs due to the small deal sizes and additional resources needed related to mentoring, impact measurement & management or finding exit opportunities. In Romania, EU-funded programmes provided financial and technical support to hundreds of social economy start-ups, but their performance and sustainability has been poor in the majority of cases, due to lack of post-implementation assistance. Moreover, there are few incentives for obtaining a social enterprise certificate, leading many social entrepreneurs to operate outside the current legal framework.

Opportunities

Austria and Germany developed **social impact bonds (SIBs)** but they still face challenges.¹² After a first “hype” around SIBs in 2014/2015, this instrument to scale social innovation is nowadays seen a bit more sceptical. This is due to the fact that the first SIBs in Germany and Austria have unfortunately

¹⁰ www.sklad05.si/

¹¹ <http://smarkolektiv.org/en/home/>

¹² See also AlpSib project whose aim was to support innovative ways to involve private investments to finance services of social interest and that developed a methodology for social impact investing policies. The project shows good practices from Germany, Austria and France. <https://www.alpine-space.org/projects/alpsib/en/about/about-alpsib/>

failed to deliver clear results, the setup-costs are seen as too high and the coordination of the involved parties is rather complex.

In Hungary and Croatia, things are currently moving thanks to ongoing initiatives that aim at implementing tailored impact financing. In Hungary, commercial banks started social financing programmes and provide now financial and non-financial support to SEs (see UniCredit and Erste Bank examples above). Besides, **new and committed impact investors and their networks appeared on the social finance market in the last few years** (Association of Impact Investors, Impact Ventures). In Croatia, investment readiness programs are also expected to enhance the social entrepreneurship and impact investment ecosystem in Croatia. In Bulgaria, interest in creating a social impact investment market/ecosystem is emerging. In general, cooperation between capital providers needs to be increased in the entire Danube region.

Given the large foundation ecosystem in Germany, there is a **huge (mostly untapped) potential from foundations to help channel funds into impact investing** (to give an idea: 100 billion Euros are under management of foundations).¹³

Threats

The development of social impact investment is challenging the current status quo in Bulgaria where public funding might decline for some services when/if there are supported by social investment. The German impact investment ecosystem that involves private foundations and family offices can be both an asset (see opportunities section above) but also a threat. Indeed, a financial crisis would bring many market participants (e.g. family offices) to leave the market as they are depending on the dividends of the large family firms in Germany.

Investors are increasingly interested in environmental, social and governance (ESG) issues. Such considerations are also at the core of impact investing. New players in the field of ESG investing and socially responsible investing (SRI) are diluting the term “impact”. ESG investing is booming but most concentrate on the E (environment) part, and there is some fear that the “S” (social) part will not even be a third of it.

3.4 Civil society

The major topic as regards civil society concerns awareness.

Strengths

Citizens in various partner countries show interest in the concepts of social entrepreneurship and of corporate social responsibility (CSR). While in Germany, the important role of foundations in the social entrepreneurship ecosystem is long known and recognised among the general population – be it as provider of social services, as support organisation/intermediary and even as impact investor, in other Danube countries, this is a rather new trend. In Romania for instance, the trust of citizens in the role and utility of foundations has been constantly increasing in the last 20 years (from 19% in 1998 to 51% in 2016). Furthermore, in countries such as Germany students become acquainted with these notions at universities that provide good theoretical cover. In Slovakia for instance, several universities offer study programmes devoted to the social economy and social entrepreneurship

¹³ <https://www.welt.de/dieweltbewegen/article13796403/Wie-das-Vermoege-n-deutscher-Stiftungen-versickert.html>

Weaknesses

There remains however a low level of awareness and knowledge about social entrepreneurship and positive effects/impact of SEs' operations amongst the general public in Croatia, Hungary, Moldova Romania and Serbia.

There exist some negative perceptions of the SE sector in a few partner countries (Slovenia, Croatia, Slovakia, Hungary) due to various reasons. In Croatia, some misperception is due to the fact that the term "social" tends to be negatively connoted (heritage of the Communist era). This explains why in this country the term *impact entrepreneurship* is often preferred. In Slovakia, there was some distrust towards social entrepreneurship due to former media scandals associated with EU funds and received financial support. However, the perception of SEs by public has become more positive these days. In Slovenia the negative perception of the sector hinders the development of specialised support services (not enough capital, not many people would like to get involved). In Hungary, the negative perceptions of social enterprises and entrepreneurship also prevails, especially in case of social cooperatives due to the negative connotations of expressions linked with socialist economic systems (e.g. social, cooperative) and the negative experiences of recent European Social Fund (ESF) financed funding programs, frequently misused by social enterprises, mainly social cooperatives in Hungary.

Furthermore, many products and services from SE remains insufficiently visible and recognised (Serbia). As regards impact investment, this clearly remains a concept that is unfamiliar in many Danube countries (Croatia, Romania, Bulgaria).

Opportunities

Social entrepreneurship – when known and correctly understood – is met with high public acceptance. Raising awareness and willingness therefore represents a clear opportunity for this sector in the entire Danube region, this includes raising willingness of a certain share of consumers to pay more for products/services with a social and/or environmental impact (Croatia), raising awareness and sharing the understanding of the social entrepreneurship as an innovative business vision bringing positive change through the provision of creative solutions to societal problems such as unemployment, poverty and social exclusion (Serbia). In Moldova, the social economy sector remains at a nascent stage. Encouraging volunteering could boost the development of this sector. In some countries, information and awareness campaigns on the opportunities and functioning of companies in the social economy have already been carried out such as #kupujem odgovorno /#kupukem odgovorno in Croatia and Slovenia.

Albeit hard, the COVID-19 pandemic proved to be an opportunity for many SEs with a clear increase in the demand for their products and services. The visibility of social enterprises has increased since the COVID-19 crisis erupted. This is due in no small part to the additional services that many social enterprises have developed for their target groups during the crisis. In addition, there are start-ups specifically designed to find solutions to the challenges related to COVID-19. This shows the importance of encouraging the openness and involvement of the civil societies in building a more stable, resilient and sustainable social enterprise ecosystem.

Threats

strengthening extremism, disinformation regarding certain topics relevant for social enterprises like migration, COVID-19 situation, activities of civil organisations but also growing control and

centralization of civil societies in Central and Eastern European countries are real threats for the involvement of the civil society

3.5 Development in a COVID-19 era

Since the COVID-19 pandemic started to impact severely the society and economy, governments fought to aid them and keep business and social life running as much as possible. Most of the measures introduced do not target specifically SEs, but are generally open to all businesses including social entrepreneurs. In Austria for instance, public aid was initially geared to the needs of conventional companies. However, as the Covid-19 crisis progressed, support services became more and more adapted.

The support for social innovators has varied greatly from country to country and quick money was rarely there. Even when relief funds were available, it has not been enough. Strategic partnerships have proved to be crucial, as well as a genuine collaboration between the government and private actors.

The majority of measures were financial: direct funding programmes, state aid and/or guarantees. Some states eased the conditions of payment and taxes for enterprises who fulfilled certain conditions, including SEs. One of the main focuses of the financial initiatives was to help enterprises keep their employees and further pay their wages (ensure job stability), or to help them overcome the negative economic consequences or even restart business (Austria, Germany, Bulgaria, Slovakia, Romania). With these focuses, Bulgaria specifically implemented a tool for urgent business support in the sectors "Transport", "Accommodation and food service" and "Tourism".

Countries in the Danube region implemented also various general support measures. Germany and Bulgaria tried to involve the society to provide suggestions for possible solutions. In the Bavarian "#WeVsVirus Hackathon" that was supported by the German government, there were 28,000 participants making it the largest hackathon in the world. Result: about 147 projects were selected as viable and 51 solutions are in use after the completion of the implementation program. Other projects from the hackathon that were not in the implementation program also remain active. The "Europe" Programme of Sofia Municipality supports the cooperation between the civil society and the local government in Sofia in the application of good European practices at local level.

Several eastern European countries offered programmes that include tailored workshops and training, coaching and mentoring. Such sets of activities were aimed to support technology transfer and digitalization (and knowledge on how to implement new business models based on them in the new conditions caused by the pandemic restrictions, thus increasing the resilience of companies in coping with the effects of the COVID-19 pandemic). Romania implemented an Impact Accelerator, a program for social entrepreneurs and NGOs, offering consulting and resources for businesses destabilized by the pandemic. In the program, social businesses and participating NGOs will work to increase their social impact but also to ensure their sustainability and financial autonomy, scaling methods and the transformation of services, processes or skills into marketable products. In Slovenia, a public call for vouchers aimed to encourage micro, small and medium-sized enterprises to raise their digital competences whereas in Moldova, an SME digitization support tool was set up to facilitate SME's transfer of technology and digital development.

On the impact of the COVID-19 pandemic on social enterprises in the Danube region

The COVID-19 crisis had a **clear negative impact** on **planned investments, working conditions, work schedules** and **financial liquidity**. In addition, the COVID-19 pandemic also had a rather negative effect – though to a lesser extent – on **external communication** (e.g. with clients, partners, suppliers) and the **provision of services**.¹⁴

However, **the COVID-19 pandemic also had a number of positive effects**: The most evident concerns **digitalization**. Indeed, the crisis clearly forced SEs to improve and speed up their digital transition: many SEs mentioned that they developed new digital offers and services such as online trainings or workshops. These new digital services and offers could (at least partly) compensate the loss of revenues on the “standard” offers and services. In general, the pandemics affected positively those SEs that work in the field of digitalization (for instance SE helping to digitalize the school system). Another domain in which the COVID-19 pandemic had a rather positive effect is on the **innovative capacities** of SEs, although there are important variations across the countries. Here as well, the crisis served as triggering factor to rethink and enhance innovation processes and results. Many social entrepreneurs used the time of the first lockdown when they had to stop their activities to think with their teams strategically about their organizations development. In addition, there are areas in which the COVID-19 pandemic had a clear positive effect in some countries only such as the **provision of services** in Bulgaria and Germany or the **demand for products and services** in Germany and Slovenia.

There are **great variation between SEs across countries not only in terms of the intensity of the impact but also in terms of trends (negative or positive). Some countries show clear specific features**. For instance, **Hungarian SEs** stand clearly out as mentioning the most frequently but also having the highest negative impact in most of the fields (innovative capacity, financial liquidity, provision of services, demand for products but also external communication and planned investment). On the other hand **Croatian SEs** appear to be more resilient and in fact able to draw positive effect in areas such as working conditions, workflow and financial liquidity where the majority of respondents and countries are negatively impacted. For the majority of **Bulgarian SEs**, the COVID-19 pandemic had clear benefits not only in the field of digitalization and innovative capacities but also on external communication and provision of services. The crisis was in that case a forced opportunity for change that most Bulgarian SEs seized.

On the measures taken to mitigate the impact of the COVID-19 pandemics

A clear majority of the online survey respondents (58%) introduced internal mitigation measures in the last 18 months in order to limit the impact of the COVID-19 pandemic. Mitigation measures were the most frequent in Moldova but also common in Bulgaria, Serbia and Austria. This was least common in Slovakia and Croatia. In all countries, the **two main mitigation measures taken were temporary pause of activity** and **reducing the number of active employees** (about one third of the survey respondents mentioned that their enterprise had to resort to layoffs). Holding back and postponing bill payment came as third measure. **Digitalisation** (including creation of online services and focus on online sales) also served as mitigation measure in a number of SEs. Further individual mitigation

¹⁴ The analysis in this section is mainly based on the results of an online survey on the effects of the COVID-19 pandemic on social enterprises in the Danube region. 105 SEs from 11 countries filled the online survey, which was available online between September and December 2021. The survey was built on three main blocks: The impact of the COVID-19 pandemics, the measures taken to mitigate the impact of the COVID-19 pandemics and the expectations for the future. Detailed results of this survey are available in D7.1.3.

measures included work optimisation, the reduction of production, postponing development, and paid leave.

A slight majority of the respondents involved additional funding in order to mitigate the impact of the COVID-19 pandemic on their organization. This was most common in Serbia, Moldova and Austria where more than half did and the least common in Hungary where only one third did. **Non-refundable financial support (e.g. grants, donations, direct cash benefits) was by far the most used funding.** In second place came loans and credits. In Bulgaria, the majority of entrepreneurs admitted their unwillingness to apply for business loans as the terms and conditions would aggravate and not improve their situation. Respondents also mentioned various other source of additional funding such as crowdfunding, personal savings or loans, but also EU/national projects, and private people or companies. The **additional funding mainly came from the state (about 40%) and from foundations (about 30%).** However, most investors maintained (or even increased) their financial support during / since COVID-19 pandemic.

The **participation in a state, regional or municipal crisis management program was rather uncommon.** Among those who did, short-term work (loss compensation - subsidy for temporary reductions in the number of hours worked) and special tenders / calls for proposals were the most frequent ones and then job protection wage subsidy. In Austria and Germany the system of “*Kurzarbeit*” (reduced working time compensated with subsidized salaries) sustained and helped unburden business.

When we look at the reasons for not taking part in any state, regional or municipal crisis management program, this **low participation is mainly due to the fact that these programmes were not relevant to the enterprise and/or the enterprise was not eligible.** Many non-profit-oriented SEs have been unable to take advantage of many government assistance programs due to funding conditions. Furthermore **15% of the survey respondents answered that they were not aware of the possibilities available.** This is the third most cited reason for not taking part in such programmes, which shows the need for better, more visible and targeted communication to raise awareness about such possibilities.

On the expectations for the future

The COVID-19 pandemic had a huge impact on SEs in the Danube region in the last 18 months and brought them to a momentum. Social enterprises whose business model is difficult to adapt to the changed conditions, such as cultural institutions and services where personal contact is indispensable, were particularly hard hit. They are now just as dependent on state support as are classically profit-oriented companies that have to close their doors temporarily.

This **impact has not only been manifold and deep, it is also expected to last - which shows the disruptive character of this crisis.** The COVID-19 pandemic is also expected to have lasting effects in many aspects: **digitalization, demand for products and services,** but also **workflow and internal processes, working conditions** (including home office), **innovative capacities, financial stability and financial liquidity.** Interestingly, this covers all areas, independent of their negative or positive impact in the first place.

The pandemic, with its share of restrictions, fundamentally changed the operations of the social enterprises. The **crisis showed the high resilience and innovative capacity of SEs** who were able to reorganize themselves (notably in terms of their business models, working conditions, workflow and

internal processes) and their products/services. It also **forced them to embrace digitalization in a quicker and deeper manner** than most would otherwise have done. The proven ability of social entrepreneurs to implement innovative solutions to complex social problems, even against resistance, is benefiting them in the corona crisis. As a result, many were able to quickly create innovative digital offerings and acquire new funding. Nevertheless, support – notably from public institutions – remains key for many SEs.

4 Common vision and intervention areas

Based on desk research, continuous exchange with various stakeholders and discussion within the consortium, the Finance4SocialChange partnership has elaborated a shared vision regarding the situation of social entrepreneurship and social impact investment in the Danube region (and more generally in the EU). The horizon of this vision is 2030.

The consortium envisions that the impact of the policy recommendations presented in the SII strategy in the next 10 years will be the development of social impact investment markets by a facilitation and boost of social entrepreneurs as well as impact investors and an improvement of the ecosystem they are embedded in. Social entrepreneurship will be a natural opportunity for any type of investment and a standard criterion for investors.

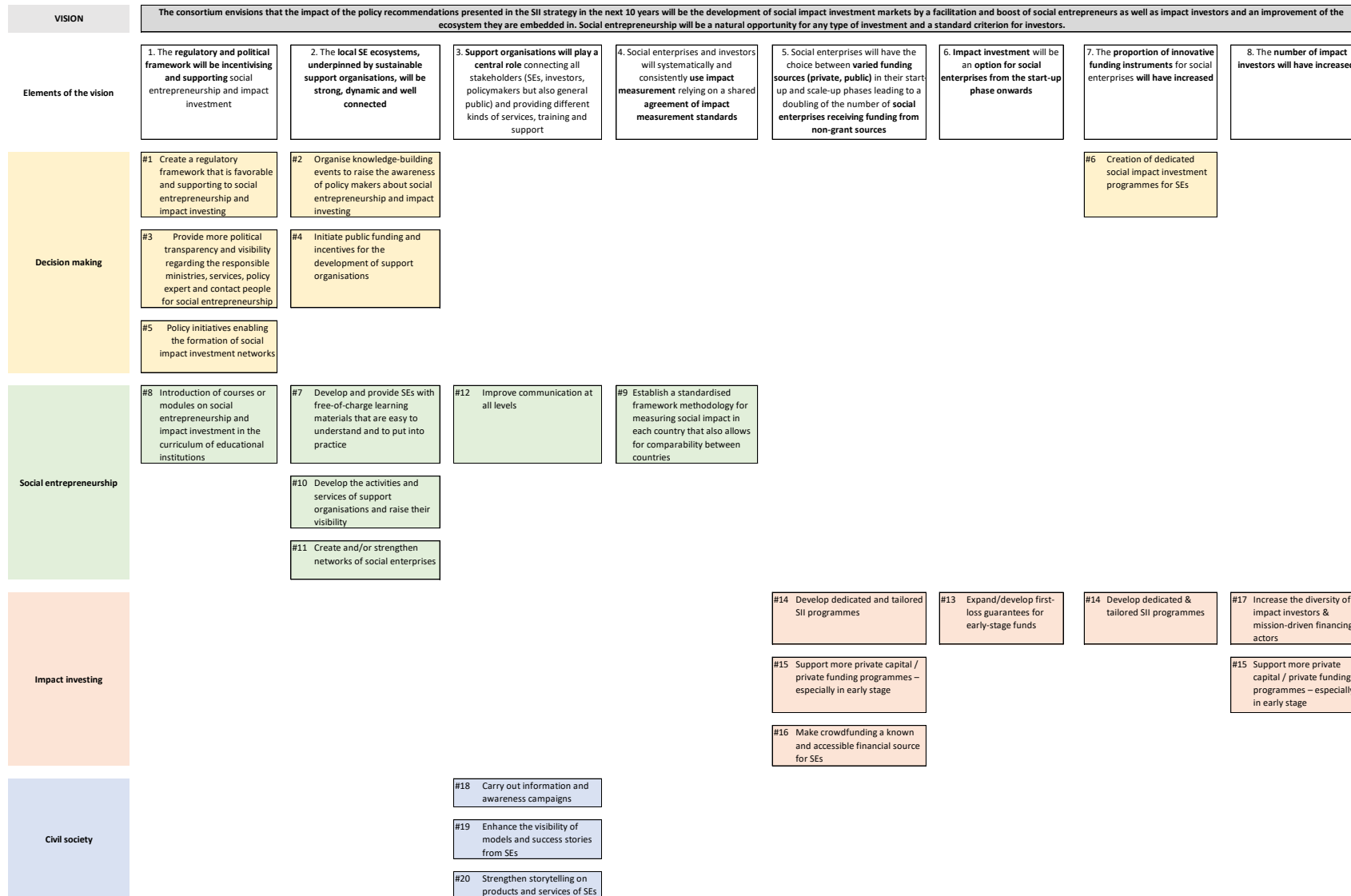
In 2030 we envision that the share of SEs in the GDP of the Danube region will have strongly increased and that social enterprises will not only play a central role in employing millions of workers but also in providing innovative and effective answers to current societal challenges.

More concretely, the vision for 2030 reads as follows:

1. The **regulatory and political framework will be incentivising and supporting** social entrepreneurship and impact investment
2. The **local SE ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected**
3. **Support organisations will play a central role** connecting all stakeholders (SEs, investors, policymakers but also general public) and providing different kinds of services, training and support
4. Social enterprises and investors will systematically and consistently **use impact measurement** relying on a shared **agreement of impact measurement standards**
5. Social enterprises will have the choice between **varied funding sources (private, public)** in their start-up and scale-up phases leading to a doubling of the number of **social enterprises receiving funding from non-grant sources**
6. **Impact investment** will be an **option for social enterprises from the start-up phase onwards**
7. The **proportion of innovative funding instruments** for social enterprises **will have increased**
8. The **number of impact investors will have increased**

The SII strategy makes **20 recommendations**, which are **classified along the four levels (decision-making, social entrepreneurship, impact investing and civil society)**, as shown in Figure 2.

Figure 2: Recommendations across the four levels



Based on the SWOT analysis presented in Chapter 3, the Consortium identified **6 intervention areas**:

- 1- Regulatory framework and political initiatives
- 2- Financing
- 3- Education
- 4- Ecosystem development
- 5- Communication
- 6- Understanding and measurement of social impact

The intervention areas reflect the afore-presented weaknesses and shortcomings of the Danube region.

The **recommendations** are also **classified along the six intervention areas**. The recommendations aim at mitigating the weaknesses and threats identified in the SWOT analysis while making use of the strengths and opportunities and are elaborated in the following. To support the recommendations, monitoring techniques such as performance indicators and milestones are suggested, as well as public reporting of the achievements made to assess the effectiveness of the recommendations. The **implementation of the recommendations and actions** will occur on two levels:

- At the **local-national level**: the recommendations will be supported by the implementation of the regional action plans in all partner regions
- At the **regional-European level**: the recommendations will be supported through the cooperation with PA coordinators

In the description of the recommendations, two levels of implementation are mentioned: the local-national level and the regional level (meaning the Danube region).

The paragraph below summarizes the main weaknesses and opportunities and the related recommendations that are detailed in the next chapter.

Decision making level

Weaknesses

- Lack of clear or specific legal framework including fiscal advantages for social entrepreneurship (#1)
- Lack of connection between stakeholders (#2, #5)
- Stakeholders do not always speak the same language (#2)
- Lack of transparency and visibility regarding the responsible ministries, services, policy experts and contact persons (#3)
- Lack of public financial support for SEs and for support organisation specialised in social entrepreneurship – e.g. incubators, accelerators, intermediaries, foundations, etc. (#4, #6)

SE level

Weaknesses

- Lack of financial and managerial knowledge, experience and skills for initiating and/or managing social enterprises, managing people from marginalised groups but also for scaling up activities (#7, #8, #10)

- Lack of knowledge, experience and commitment to measure social impact (#9)
- Lack of financial stability notably due to strong grant dependency, weak business orientation, lack of access to international markets but also their small size, lack of assets and capital, and higher business risks that render SEs less attractive for financial institutions and investors (#14, #15, #17)
- Lack of marketable products and services (#20)
- Weakness of SEs in developing business relationships with other stakeholders (other SEs, SMEs or conventional enterprises) or in finding suitable partners in different fields at the national and European level (#11, #12)
- Weakness of SEs in lobbying their cause at the political level (#2, #11)
- Weakness of SEs in advocating their concept and demonstrating the benefits to the general public (#19)

Impact Investing level

Weaknesses

- Low level of knowledge on impact and impact measurement (#8, #10)
- Lack of adapted financial instruments (only few impact funds, microcredits, hybrid financing products, social impact bonds) (#13, #14, #15, #16)
- Not enough early stage funding in the region (e.g. pre-seed, seed level) (#13, #15)

Civil society level

Weaknesses

- Low level of awareness and knowledge about social entrepreneurship and positive effects/impact of SEs' operations amongst the general public (#18, #19)
- Negative perceptions of the SE sector in a few partner countries (#18, #19)
- Many products and services from SE remains insufficiently visible and recognised (#20)

As Figure 3 below shows, each intervention area has 3-6 recommendations and each recommendation addresses at least one element of the vision and one intervention area.

Figure 3: Overview of the 20 recommendations and their relation between the vision, the weaknesses addressed and intervention areas

| # | Recommendation | Level | Weakness addressed | Element of the vision addressed | Intervention area |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| 1 | Create a regulatory framework that is favorable and supporting to social entrepreneurship and impact investing | Decision-making | <ul style="list-style-type: none"> Lack of clear or specific legal framework including fiscal advantages for social entrepreneurship | 1 The regulatory and political framework will be incentivizing and supporting social entrepreneurship and impact investment | 1) Regulatory framework and political initiatives |
| 2 | Organise knowledge-building events to raise the awareness of policy makers about social entrepreneurship and impact investing | | <ul style="list-style-type: none"> Lack of connection between stakeholders Stakeholders do not always speak the same language Weakness of SEs in lobbying their cause at the political level | 2 The local SE ecosystems, underpinned by sustainable support organizations, will be strong, dynamic and well connected | 1) Regulatory framework and political initiatives 4) Ecosystem development |
| 3 | Provide more political transparency and visibility regarding the responsible ministries, services, policy expert and contact people for social entrepreneurship | | <ul style="list-style-type: none"> Lack of transparency and visibility regarding the responsible ministries, services, policy experts and contact persons | 1 The regulatory and political framework will be incentivizing and supporting social entrepreneurship and impact investment | 4) Ecosystem development 5) Communication |
| 4 | Initiate public funding and incentives for the development of support organisations | | <ul style="list-style-type: none"> Lack of public financial support for SEs and for support organisation specialised in social entrepreneurship – e.g. incubators, accelerators, intermediaries, foundations, etc | 2 The local SE ecosystems, underpinned by sustainable support organizations, will be strong, dynamic and well connected | 2) Financing 4) Ecosystem development |
| 5 | Policy initiatives enabling the formation of social impact investment networks | | <ul style="list-style-type: none"> Lack of connection between stakeholders Stakeholders do not always speak the same language | 1 The regulatory and political framework will be incentivizing and supporting social entrepreneurship and impact investment | 1) Regulatory framework and political initiatives 4) Ecosystem development |
| 6 | Creation of dedicated social impact investment programmes for SEs | | <ul style="list-style-type: none"> Lack of public financial support for SEs and for support organisation specialised in social entrepreneurship | 7 The proportion of innovative funding instruments for SEs will increase | 1) Regulatory framework and political initiatives 2) Financing |

| # | Recommendation | Level | Weakness addressed | Element of the vision addressed | Intervention area |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| 7 | Develop and provide SEs with free-of-charge learning materials that are easy to understand and to put into practice | Social entrepreneurship | <ul style="list-style-type: none"> Lack of public financial support for SEs and for support organisation specialised in social entrepreneurship – e.g. incubators, accelerators, intermediaries, foundations, etc. Lack of financial and managerial knowledge, experience and skills for initiating and/or managing social enterprises, managing people from marginalised groups but also for scaling up activities | 2 The local SE ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected | 3) Education 5) Communication |
| 8 | Introduction of courses or modules on social entrepreneurship and impact investment in the curriculum of educational institutions | | <ul style="list-style-type: none"> Lack of financial and managerial knowledge, experience and skills for initiating and/or managing social enterprises, managing people from marginalised groups but also for scaling up activities Low level of knowledge on impact and impact measurement | 1 The regulatory and political framework will be incentivising and supporting social entrepreneurship and impact investment | 3) Education |
| 9 | Establish a standardised framework methodology for measuring social impact in each country that also allows for comparability between countries | | <ul style="list-style-type: none"> Lack of knowledge, experience and commitment to measure social impact | 4 SEs and investors will systematically and consistently use impact measurement, relying on shared agreement of impact measurement standards | 6) Understanding and measurement of social impact |
| 10 | Develop the activities and services of support organisations and raise their visibility | | <ul style="list-style-type: none"> Lack of financial and managerial knowledge, experience and skills for initiating and/or managing social enterprises, managing people from marginalised groups but also for scaling up activities Low level of knowledge on impact and impact measurement | 2 The local SE ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected | 3) Education |
| 11 | Create and/or strengthen networks of SEs | | <ul style="list-style-type: none"> Weakness of SEs in developing business relationships with other stakeholders (other SEs, SMEs or conventional enterprises) or in finding suitable partners in different fields at the national and European level Weakness of SEs in lobbying their cause at the political level | 2 The local SE ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected | 4) Ecosystem development 5) Communication |
| 12 | Improve communication at all levels | | <ul style="list-style-type: none"> Weakness of SEs in developing business relationships with other stakeholders (other SEs, SMEs or conventional enterprises) or in finding suitable partners in different fields at the national and European level | 3 Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support | 5) Communication |
| 13 | Expand/develop first-loss guarantees for early-stage funds | | <ul style="list-style-type: none"> Lack of adapted financial instruments Not enough early stage funding in the region | 6 Impact investment will be an option for SEs from the startup phase onward | 2) Financing |

| # | Recommendation | Level | Weakness addressed | Element of the vision addressed | Intervention area |
|----|---------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| 14 | Develop dedicated and tailored SII programmes | Impact investing | <ul style="list-style-type: none"> Lack of financial stability Lack of adapted financial instruments | <p>5 SEs will have the choice between varied funding sources in their startup and scaleup phases leading to a doubling of the increased number of SEs receiving funding from non-grant sources;</p> <p>7 The proportion of innovative funding instruments for SEs will increase</p> | 2) Financing |
| 15 | Support more private capital / private funding programmes – especially in early stage | | <ul style="list-style-type: none"> Lack of financial stability Not enough early stage funding in the region Lack of adapted financial instruments | <p>5 SEs will have the choice between varied funding sources in their startup and scaleup phases leading to a doubling of the increased number of SEs receiving funding from non-grant sources;</p> <p>8 The number of impact investors will have increased</p> | 2) Financing |
| 16 | Make crowdfunding a known and accessible financial source for SEs | | <ul style="list-style-type: none"> Lack of adapted financial instruments | <p>5 SEs will have the choice between varied funding sources in their startup and scaleup phases leading to a doubling of the increased number of SEs receiving funding from non-grant sources</p> | 2) Financing |
| 17 | Increase the diversity of impact investors & mission-driven financing actors | | <ul style="list-style-type: none"> Lack of financial stability of SEs | <p>8 increased number of impact investors</p> | 2) Financing |
| 18 | Carry out information and awareness campaigns | Civil society | <ul style="list-style-type: none"> Low level of awareness and knowledge about social entrepreneurship and positive effects/impact of SEs' operations amongst the general public Negative perceptions of the SE sector in a few partner countries | <p>3 Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support</p> | 5) Communication 3) Education |
| 19 | Enhance the visibility of models and success stories from SEs | | <ul style="list-style-type: none"> Weakness of SEs in advocating their concept and demonstrating the benefits to the general public Low level of awareness and knowledge about social entrepreneurship and positive effects/impact of SEs' operations amongst the general public Negative perceptions of the SE sector in a few partner countries | <p>3 Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support</p> | 5) Communication |
| 20 | Strengthen storytelling on products and services of SEs | | <ul style="list-style-type: none"> Lack of marketable products and services Many products and services from SE remains insufficiently visible and recognised | <p>3 Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support</p> | 5) Communication |

Finally, the vision, intervention areas and recommendations that are developed in this strategy take stock of the latest findings and trends regarding social entrepreneurship and impact investment and capitalise results of other Interreg projects including SENSES,¹⁵ ACCELERATOR¹⁶, CrowdStream¹⁷, InnoSchool¹⁸, ASIS¹⁹, Albsib²⁰, DelFin²¹, SOCIAL SEEDS²², and DepoSIt²³. In addition they are in line with various European strategies and policies, as elaborated in:

- The Social Business Initiative (2011)
- Innovation Union flagship of Europe 2020 (2014-2020)
- Horizon Europe (2021-2027)
- The EU Strategy for the Danube region (EUSDR) (2020)

The Social Business Initiative (SBI), launched in 2011, introduced a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation.²⁴ The action plan contained 11 priority measures organised around 3 themes (making it easier for social enterprises to obtain funding, increasing the visibility of social entrepreneurship, making the legal environment friendlier for social enterprises).

Innovation Union flagship of Europe 2020 was research and innovation policy that aimed at securing Europe's global competitiveness through the implementation of 30 action plans. This flagship notably aimed at removing obstacles to innovation but also at changing the way public and private sectors work together.

The new research and innovation framework programme of the EU – Horizon Europe – is a key funding programme for research and innovation for the period 2021-2027 with a budget of €95.5 billion that also has for objective to boost EU's competitiveness, growth and recovery through boosting economic growth, promoting industrial competitiveness, optimising investment impact and increasing the resilience of EU's enterprises and society.²⁵

Finally, the SII strategy also take into account the EUSDR new action plan from 2020.²⁶ The EUSDR Action Plan aims to unlock the full potential of the Danube Region notably through the initiation and implementation of joint actions such as building networks, offering mutual learning, striving for harmonisation, aligning policies, building capacities.

The SII strategy supports the Priority Areas 7, 8 and 9 of the EUSDR: PA7 "Knowledge society", PA8 "competitiveness of enterprises" and PA9 "People and skills". The following table details how the SII strategy contributes to specific targets of both priority areas.

¹⁵ www.interreg-danube.eu/approved-projects/senses

¹⁶ www.interreg-danube.eu/approved-projects/accelerator

¹⁷ www.interreg-danube.eu/approved-projects/crowdstream

¹⁸ www.interreg-danube.eu/approved-projects/innoschool

¹⁹ <https://socialinnovationstrategy.eu/>

²⁰ <https://www.alpine-space.org/projects/alpsib/en/about-alpsib>

²¹ <https://www.interreg-central.eu/Content.Node/Delfin.html>

²² <https://www.interregeurope.eu/socialseeds/>

²³ <https://www.depositproject.eu/>

²⁴ [Social enterprises \(europa.eu\)](http://SocialEnterprises.europa.eu)

²⁵ https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en

²⁶ See <https://danube-region.eu/about/targets/> and the EUSDR action plan ([EUSDR-ACTION-PLAN-SWD202059-final.pdf](https://danube-region.eu/interreg-action-plan-swd202059-final.pdf) (danube-region.eu))

Table 1: Priority Area actions addressed by the SII strategy

| Priority Area | Concerned Action | How it is addressed in the SII strategy |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PA7 | Action 4: to increase awareness & visibility of science and innovation in the Danube region | <p>Given the aim of this strategy, which is to support the development and visibility of social enterprises that often propose (social) innovations, all recommendations directly or indirectly contribute to increase awareness and visibility of innovation in the Danube region.</p> <p>Recommendation #7 addresses the need and makes suggestions how to strengthen the innovative capacity of social enterprises (notably through trainings, acquisition of soft and hard skills)</p> <p>Recommendations #18 (Carry out information and awareness campaigns) and #19 (Enhance the visibility of models and success stories from SEs) aim to raise awareness and visibility of innovation through the aspect of social enterprises</p> |
| PA8 | Action 1: to foster cooperation and exchange of knowledge between SMEs, academia, the public sector and civil society in areas of competence in the DR | <p>Recommendation #2 (Organise knowledge-building events to raise the awareness of policy makers about social entrepreneurship and impact investing), #12 (improve communication at all levels) and #18 (Carry out information and awareness campaigns) contribute to support increased cooperation and exchange of knowledge between different stakeholders including SMEs, academia, the public sector and civil society.</p> <p>Recommendation #8 (Introduction of courses or modules on social entrepreneurship and impact investment in the curriculum of educational institutions) encourages partnerships between academia and business support organisations</p> |
| PA8 | Action 3: Improvement of framework conditions, support programs and capacity building of stakeholders, to enhance the collaboration between cluster initiatives and regional innovation strategies, with an accent on rural areas | <p>Recommendation #1 (Create a regulatory framework that is favourable and supporting to social entrepreneurship and impact investing) addresses the improvement of framework conditions & support programmes</p> <p>Recommendation #10 (Develop the activities and services of support organisations and raise their visibility) tackles the need for improving support programmes and capacity building</p> <p>Recommendations #2 (Organise knowledge-building events to raise the awareness of policy makers about social entrepreneurship and impact investing) and #11 (Create and/or strengthen networks of SEs) strive to enhance the collaboration and exchange between all stakeholders and strive to foster community-building (through networks and clusters)</p> |

| | | |
|-------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>PA8</p> | <p>Action 4: to improve business support to strengthen the innovative and digital capacities of female-led-SMEs</p> | <p>Recommendation #4 (Initiate public funding and incentives for the development of support organisations) and #10 (Develop the activities and services of support organisations and raise their visibility) both address the need to support the development, visibility, sustainability and activities/services of business support organisations that provide services, trainings and mentoring to social enterprises (including female-led companies)</p> <p>Recommendation #7 (Develop and provide SEs with learning materials that are easy to understand and to put into practice and free-of-charge) is another concrete recommendation for business support organisations (as provider) and social enterprises (as beneficiaries) that address the innovative and digital capacities of social enterprises</p> <p>Replication of /sustained training and workshops (#AirMOOC, impact investing workshops)</p> |
| <p>PA9</p> | <p>Action 3: integration of vulnerable groups into the labour market</p> | <p>The SII strategy as a whole supports this action given its objective to support social entrepreneurship and the strong connection between social enterprises and the employment of vulnerable groups. In countries such as Slovakia, Romania, Moldova or Bulgaria, social enterprises are often dedicated to integrating vulnerable groups</p> |
| <p>PA9</p> | <p>Action 6: relevant and high-quality knowledge, skills and competences</p> | <p>Recommendation #7 (Develop and provide SEs with learning materials that are easy to understand and to put into practice and free-of-charge) support the development of training and workshops (e.g. #AirMOOC, impact investing workshops) targeting individuals and social enterprises and aiming at building capacity (enhance soft and hard skills, increased knowledge and competence through practical applied case studies and exercises)</p> <p>Recommendation #8 (Introduction of courses or modules on social entrepreneurship and impact investment in the curriculum of educational institutions) also aims at providing pupils and students with business skills and knowledge</p> |

5 Policy recommendations

Level of decision making

Recommendation #1: Create a regulatory framework that is favourable and supporting social entrepreneurship and impact investing

Relevance and background: One important pre-condition to build a SII ecosystem is to create a legal and regulatory framework that takes the heterogeneity of social enterprises into account. For this to be achieved, a common understanding of what the most suitable legal forms for SEs could be needs to be built up. Regional stakeholders in the different partner countries share the opinion that a clear definition or status of SE with specific and clear laws associated with fiscal incentives would boost SEs at the national level. However, the possibility for SEs to choose between different legal forms also has upsides (e.g. it can be better tailored to SE mission and activities). Hence, if we recommend to develop a common legal framework across the EU, this should not be understood as aiming at a specific or single status of SE but rather as using a more narrowed typology of legal forms for SEs, which would be beneficial to create or simplify transnational synergies and cooperation possibilities (interoperability) at the regional/EU level. Besides, our point is also to encourage linking the status of social enterprise not only to a legal form but also to the measurable and proven social/environmental impact of the enterprise.

Intervention area: 1) regulatory framework and political initiatives

Addressed weakness: Lack of clear or specific legal framework including fiscal advantages for social entrepreneurship

Element of the vision addressed: The regulatory and political framework will be incentivising and supporting social entrepreneurship and impact investment

Audience:

- **Implementers:** policymakers
- **Beneficiaries:** social enterprises, impact investors

Implementation level: local-national and regional

Monitoring indicator / milestone:

- Existence/creation of fiscal incentives attached to SE legal status
- Creation of a EU-wide typology of legal forms (that allows differences between countries but provide equivalencies) – a common ground for any legal harmonization could be the measurable and proven social/environmental impact
- Existence/creation of fiscal incentives for impact investors

Concrete examples from the regional action plans:

- Germany (Baden-Württemberg) – task 2: Creation of a category “Social enterprise” in the enterprise register or databank of the Baden-Württemberg Chamber of Commerce and Industry, connected to a knowledge centre for SEs
- Moldova – task 1: Elaborate the Action Plan for development of social entrepreneurship 2021 - 2025
- Serbia – task 1: Drafting a law of Social Entrepreneurship

Recommendation #2: Organise knowledge-building events to raise the awareness of policy makers about social entrepreneurship and impact investing

Relevance and background: In addition to the provision of a clear legal framework for SEs, there is a need for clarification to eliminate a number of confusion and misunderstandings regarding the SEs' distinctive character, business model, and types of activities. The situation is heterogeneous in the Danube region with some countries where policy makers and political actors already have a very good understanding of the concepts of social impact investment and social entrepreneurship and others where this is not the case at all (Romania). For the latter category of countries, we recommend the organisation of (regular) knowledge-building events to raise the awareness of policy makers about social entrepreneurship and impact investing but also about existing issues and barriers (see e.g. ASIS project with the organisation of knowledge building events to raise awareness of policymakers about social innovation or the DelFin project). Such events should be organised both at the local/national level but also at the transnational level to foster exchange and synergies. By bringing together different stakeholders and experts, these events will not only contribute to knowledge exchange, knowledge building of policymakers but also to the development of the local ecosystems.

Intervention areas: 1) regulatory framework and political initiatives; 4) ecosystem development

Addressed weaknesses:

- Lack of connection between stakeholders
- Stakeholders do not always speak the same language
- Weakness of SEs in lobbying their cause at the political level

Element of the vision addressed: The local ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected

Audience:

- **Implementers:** support organisations, social entrepreneur networks, policymakers
- **Beneficiaries:** local and national public authorities, policymakers, social enterprises, investors

Implementation level: local-national and regional

Monitoring indicator / milestone:

- Organisation of regular knowledge-building events (for instance through local networks of social entrepreneurs)
- Organisation of a yearly transnational series of knowledge-building events (for instance through Euclid network)

Concrete examples from the regional action plans:

- Romania – task 1: Setup of a Social Entrepreneurship Forum.
- Bulgaria – tasks 1 & 4: Organisation of knowledge sharing event(s); Training for public servants and potential social investors to raise the capacity and commitment of public officials and fund managers to understand social impact and help the process of amending public regulation.
- Hungary – tasks 1 & 2: Organisation of quarterly Impact Roundtable. These roundtables aim to prepare and support policy makers in the implementation of policy and elaboration of legislative ideas to improve the policy and legal environment of social impact investments

Recommendation #3: Provide more political transparency and visibility regarding the responsible ministries, services, policy experts and contact people for social entrepreneurship

Relevance and background: There is a need for more transparency and visibility regarding the responsible ministries, services, policy experts and contact persons. In some countries such as Germany, Slovakia or Romania, social entrepreneurship falls into the responsibility of different ministries (e.g. Ministry of Economic Affairs and Ministry of Social Affairs in Baden-Württemberg, Germany) which may lead to inconsistencies or redundancies in the policies, lesser feeling of responsibility, confusion as regards whom to contact. In Slovakia, effort is being made to streamline the cooperation between relevant ministries through a responsible body dealing with the topic of SE and the promotion of cooperation between several ministries.

Intervention areas: 4) Ecosystem development; 5) communication

Addressed weakness: Lack of transparency and visibility regarding the responsible ministries, services, policy experts and contact persons

Element of the vision addressed: The regulatory framework will be incentivising and supporting social entrepreneurship and impact investment

Audience:

- **Implementers:** policymakers
- **Beneficiaries:** support organisations, social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- Social entrepreneurship located under the responsibility of one ministry or clear cooperation between the different relevant ministries (e.g. working group, coordination body)
- At least one policy expert on these topics (social entrepreneurship and social impact investing) at the ministerial level in the country / region

Concrete examples from the regional action plans:

- Germany (Bavaria) – task 2: Introduce a federal coordination body in Germany for SEs to create clear responsible contact persons on state and federal level for social innovation/ social economy.
- Romania – task 1: Setting up of a working group including actors in the ministries who have responsibilities in social entrepreneurship and relevant stakeholders from business, research and non-governmental sectors with the aim of working on an updated version of the legislation.
- Slovakia – task 2: Setting up interdepartmental cooperation

Recommendation #4: Initiate public funding and incentives for the development of support organisations

Relevance and background: Support organisations (intermediaries, incubators, accelerators, co-working places, foundations, etc.), play a key role in enhancing the connection and collaboration of all stakeholders, in increasing investment readiness through financial and non-financial support, in

turning traditional enterprises into social / impact enterprises. And yet, these support organisations often have no sustainable financing sources for that purpose. In other words, there is a need to support the support organisations (e.g. in the form of grants and subsidies). The case of Croatia is telling: Currently the financing of the operation of Croatian specialised support organisations is mostly dependent on EU projects and corporate donations, leading to uncertainty and discontinuity of programs. Public funding would contribute to the sustainability of specialised support programs for social entrepreneurship development.

Recommendation closely relates to recommendation #11: Both address support organisation but while the focus of this recommendation (#4) is on their financing, the focus of Recommendation #11 is on their activities.

Intervention areas: 2) financing; 4) ecosystem development

Addressed weakness: Lack of public financial support for SEs and for support organisation specialised in social entrepreneurship – e.g. incubators, accelerators, intermediaries, foundations, etc

Element of the vision addressed: The local ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected

Audience:

- **Implementers:** policymakers
- **Beneficiaries:** support organisations, social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- Existence of at least one support organisation in the region/country
- Number of support organisations with at least 3 years of existence and without fixed-term financing (as indicators for sustainability)
- Existence of public funding for support organisations

Concrete examples from the regional action plans:

- Croatia – task 1: Initiating public funding programs for specialised support organizations

Recommendation #5: Policy initiatives enabling the formation of social impact investment networks

Relevance and background: Stakeholders in the different partner countries widely share the opinion that public authorities are and/or should be a key player. The SWOT analysis shows that there is a need for policy initiatives enabling the formation of social impact investment networks. The public sector should encourage the development of impact investors and of social impact investment networks through policies that for instance reduce the risks of investments in SEs in the stage of initial investment.

Intervention areas: 1) regulatory framework and political initiatives, 4) ecosystem development

Addressed weaknesses:

- Lack of connection between stakeholders
- Stakeholders do not always speak the same language

Element of the vision addressed: The regulatory framework will be incentivising and supporting social entrepreneurship and impact investment

Audience:

- **Implementers:** policymakers
- **Beneficiaries:** investors, social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- Existence of a social impact investment network in the region/country

Concrete examples from the regional action plans:

- Austria – task 1: Policy strategy for increasing inflow of private funding into the SE sector
- Germany (Baden-Württemberg) – task 4: Roundtables on impact investing / Impact Investor Clubs

Recommendation #6: Creation of dedicated social impact investment programmes for SEs

Relevance and background: There are a number of funding programmes in the different Danube countries that are open for SEs such as programmes for SMEs or for start-ups. We recommend public authorities/policy makers to review the existing support opportunities. Indeed, even though they are theoretically eligible for these programmes, practical results show that SEs are often unable to apply or do not frequently get access to the funding. Hence, there is a need for dedicated social impact investment programmes for SEs.

Intervention areas: 1) regulatory framework and political initiatives; 2) financing

Addressed weakness: Lack of public financial support for SEs and for support organisation specialised in social entrepreneurship

Element of the vision addressed: The proportion of innovative funding instruments for SEs will increase

Audience:

- **Implementers:** policy-makers
- **Beneficiaries:** social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- Existence of social impact investment programme specifically targeting social enterprises in the country/region

Concrete examples from the regional action plans:

- Bulgaria – task 2: Evaluation and testing of municipal financing mechanisms; launch of a pilot SI funding scheme
- Austria – task 2: Continuity & Sustainability of funding programs

Level of Social Entrepreneurship

Recommendation #7: Develop and provide SEs with free-of-charge learning materials that are easy to understand and to put into practice

Relevance and background:

In order to be market ready and then successful on the market, social enterprises need to become competitive or at least have an entrepreneurial spirit, but a major weakness of SEs in the Danube region is the lack of business, financial, fundraising and management knowledge and hence of efficient governance structures and financially sustainable business models. Regional stakeholders massively and unanimously share the view that social entrepreneurs need to acquire or increase managerial skills in order to be successful. Strengthening the business skills of social entrepreneurs as well as their financial literacy will help them address potential investors (speaking the same language). Besides, it is of major importance that SEs communicate (well) about their business model and needs to potential investors. In addition to physical trainings provided by BSOs, online education via platforms such as Finance4SocialChange's [#AirMOOC](#), cross-border exchange and knowledge sharing events are proposed.

Learning materials that are easy to understand and to put into practice and free-of-charge, not only covering basic hard and soft skills, but also introducing a hands-on approach to impact assessment could be of great value to SEs in the Danube region. The latter is especially important to familiarise social entrepreneurs with the concept of impact assessment and to push for systematic integration of impact assessment in business model.

Intervention areas: 3) education; 5) communication

Addressed weaknesses:

- Lack of public financial support for SEs and for support organisation specialised in social entrepreneurship – e.g. incubators, accelerators, intermediaries, foundations, etc.
- Lack of financial and managerial knowledge, experience and skills for initiating and/or managing social enterprises, managing people from marginalised groups but also for scaling up activities

Element of the vision addressed: The local ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected

Audience:

- **Implementers:** support organisations
- **Beneficiaries:** social enterprises

Implementation level: local-national and regional

Monitoring indicator / milestone:

- Dissemination / sustainability of #AirMOOC
- (Number of) partnerships with universities for training/study programmes

Concrete examples from the regional action plans:

- Austria – tasks 6 and 8: Education and training for social entrepreneurs; university partnerships for impact assessment

- Romania – task 6: Developing partnership with universities which offer study programmes in marketing
- Slovakia – task 4: Training of managers of social enterprises

Recommendation #8: Introduction of courses or modules on social entrepreneurship and impact investment in the curriculum of educational institutions

Relevance and background: The introduction of courses or modules in the curriculum of educational institutions (school, universities) would help familiarise the young generation with the concept of impact investment (and social entrepreneurship). It would be judicious to integrate awareness-raising and training about social entrepreneurship in existing educational programmes and curricula (as e.g. in the Interreg Danube project [InnoSchools](#)). Educational institutions can be a potential carrier for the development of social entrepreneurship. The wish for increased cooperation with universities/higher education institutions was observable in different regional action plans.

Intervention area: 3) education

Addressed weaknesses:

- Lack of financial and managerial knowledge, experience and skills for initiating and/or managing social enterprises, managing people from marginalised groups but also for scaling up activities
- Low level of knowledge on impact and impact measurement

Element of the vision addressed: The regulatory and political framework will be incentivising and supporting social entrepreneurship and impact investment

Audience:

- **Implementers:** educational / higher education and research institutions, support organisations
- **Beneficiaries:** social enterprises

Implementation level: local/national

Monitoring indicator / milestone:

- Courses and modules covering the topics of social entrepreneurship, social impact investment
- Partnerships with educational institutions

Concrete examples from the regional action plans:

- Austria – task 8: Development of university partnerships for impact assessment to provide SEs with affordable and high-quality impact assessment studies
- Moldova – task 6: Developing the potential of young people to create human, environment and community friendly businesses
- Romania – task 6: Develop educational programmes in high schools and universities highlighting the importance of social economy development at regional/national level or integrating specific training for social entrepreneurship as a cross-cutting competence (developed trans-curricular); suggestion to develop and incorporate a new optional discipline “Social Entrepreneurship” in the high-school curriculum
- Slovakia – task 8: Enhancement of cooperation with secondary schools and universities

Recommendation #9: Establish a standardised framework methodology for measuring social impact in each country that also allows for comparability between countries

Relevance and background: Although most SEs have a clear definition of their outputs, outcomes and impacts, only very few SEs have installed a system to regularly and systematically assess indicators to measure outcomes and impacts. It is a major challenge for SEs to find the right balance between financial monitoring that is convincing to investors and enables risk assessment but does not put an additional burden to the investees, which is also due to missing impact measurement knowledge, techniques and methodologies of SEs. Stakeholders agree that impact measurement is crucial for attracting investors and materially show added value of the SE. Hence, there are already first positive aspirations to develop mechanisms of measuring social impact of SEs.

We recommend to make social impact measurement a key element and criterion of social entrepreneurship and to establish a standardized impact measurement/assessment framework, which includes several methodologies validated and accepted by the partner countries in the Danube region. Establishing a framework for measuring social impact is important. Focus should be made on the existing models and on choosing one that fits the regulatory frameworks within the countries (German speaking regions, the IOOI 'Input – Output – Outcome – Impact' method seems to be the most accepted measurement framework under investors and also SEs). Impact key performance indicators (KPIs) from different sectors have to be comparable (comparing them on the percentage level achieved).

Intervention area: 6) Understanding and measurement of social impact

Addressed weakness: Lack of knowledge, experience and commitment to measure social impact

Element of the vision addressed: SEs and investors will systematically and consistently use impact measurement, relying on shared agreement of impact measurement standards

Audience:

- **Implementers:** support organisations, social entrepreneur networks, social enterprises, investors
- **Beneficiaries:** social enterprises, investors

Implementation level: local/national and regional

Monitoring indicator / milestone:

- Agreement on a framework methodology for measuring social impact in each country
- Development of international certification of social entrepreneurs
- National regulations/frameworks for measuring social impact

Concrete examples from the regional action plans:

- Bulgaria – task 5: Testing of different methods of measuring social impact to develop a common framework how to set measurable impact objectives and track their achievement and develop a shared understanding of social impact investment
- Hungary – tasks 4 & 7: Development of social impact measurement frameworks, tools and methodologies for SEs and for investors in Hungary: supporting impact measurement at SEs and at investors
- Romania – task 9: including new indicators for investors

Recommendation #10: Develop the activities and services of support organisations and raise their visibility

Relevance and background: There are examples of education and consulting services regarding management and impact measurement available to entrepreneurs. These aspirations towards impact measurement as a standard for all SEs and investors need to be deepened and education and consulting services supported, also to mitigate the challenge for some SEs to afford available education and consulting services. Hence, the development of business support organisations that can offer, among other services, trainings, coaching, mentoring and professional expertise (in legal and financial matters notably but also in (digital) sales and marketing) needs to be supported, and the visibility of the existing BSOs increased. One of the results of the online survey on the effects of the COVID-19 crisis is that SEs need to develop their capacity, skills and know-how regarding application for funding; respondents mentioned the need for more support in applying for funding (e.g. tenders, project applications, procurement, investment, crowdfunding). SEs would also appreciate more support in finding potential partners and buyers to enable them to develop their business. A further recommendation consists in the provision of education, counselling and mentoring on Sustainable Development Goals (SDGs) integration and on investment readiness to both existing and potential (so far non-)social enterprises.

Intervention area: 3) education

Addressed weaknesses:

- Lack of financial and managerial knowledge, experience and skills for initiating and/or managing social enterprises, managing people from marginalised groups but also for scaling up activities
- Low level of knowledge on impact and impact measurement

Element of the vision addressed: The local SE ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected

Audience:

- **Implementers:** support organisations, social entrepreneur networks
- **Beneficiaries:** social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- Number of support organisations providing trainings, coaching, mentoring and professional expertise (per country / region)
- Number of local hubs

Concrete examples from the regional action plans:

- Bulgaria – tasks 1 & 3: Knowledge sharing event(s); Training for social sector organisations
- Croatia – tasks 2 & 5: Enhancing Sustainable Development Goals (SDGs) integration and investment readiness of existing and potential social enterprises; Awareness raising and education on the social entrepreneurship and impact investment concept
- Germany (Baden-Württemberg) – task 3: trainings, coaching and targeted counselling of SEs regarding increasing competitiveness for social enterprises

- Romania – task 1: Creating a Policy Lab/Hub on social entrepreneurship
- Serbia – task 4: Capacity-building activities for social entrepreneurs (workshops aiming at improving entrepreneurial skills and knowledge)

Recommendation #11: Create and/or strengthen networks of social enterprises

Relevance and background: Stakeholders need (and wish) to **create or strengthen networks of social enterprises** in order to **share knowledge and information, pool resources, address and solve common issues, increase their visibility and organise themselves and defend their interests (lobby)**. Lobbyism is important to make the larger ecosystem favourable for SEs and investors likewise.

The development of national and European social entrepreneur networks (e.g Social Entrepreneurship Netzwerk Deutschland – SEND, Croatian Social Entrepreneurs Network, Euclid Network) provides an opportunity to increase the visibility and recognition of social entrepreneurs within their countries but also at the European level through joint activities (for instance the European Social Enterprise Monitor - ESEM²⁷). This is why we encourage the creation or strengthening of social entrepreneur networks.

In Germany, Austria, Romania, Slovakia, Croatia and Ukraine, there are attempts to provide platforms or registers and to connect existing networks of SE to coordinate and steer common activities. In Germany, it is also planned to support the setup of additional local innovation and founding hubs open for SEs, to create more locally embedded brokers/intermediaries able to connect investors and SEs.

Intervention areas: 4) Ecosystem development, 5) communication

Addressed weaknesses:

- Weakness of SEs in developing business relationships with other stakeholders (other SEs, SMEs or conventional enterprises) or in finding suitable partners in different fields at the national and European level
- Weakness of SEs in lobbying their cause at the political level

Element of the vision addressed: The local SE ecosystems, underpinned by sustainable support organisations, will be strong, dynamic and well connected

Audience:

- **Implementers:** support organisations, social entrepreneur networks, social enterprises
- **Beneficiaries:** social enterprises

Implementation level: local-national and regional

Monitoring indicator / milestone:

- Existence of social entrepreneurship network in each partner country (for instance SEND model)
- Organisation of networking events (SE ↔ SE and SE ↔ investors) by support organisations
- Increase in the number of social enterprises participating in the European Social Enterprise Monitors (ESEM) and national Social Enterprise Monitors (e.g. DSEM in Germany)
- Increased membership of the Euclid network

²⁷ <https://euclidnetwork.eu/portfolio-posts/european-social-enterprise-monitor-esem/>

Concrete examples from the regional action plans:

- Austria – tasks 3 & 7: Matchmaking of investors and social entrepreneurs; Platform for SE professionals and mid-level managers
- Germany (Bavaria) – task 3: support the setup of additional local innovation and founding hubs
- Romania – tasks 5 & 12: Connecting the existing networks of social entrepreneurs under the same umbrella; Task 12: Measuring social enterprises
- Slovakia – task 5: Support the development of association of social enterprises
- Ukraine – task 2: Development of horizontal links between social stakeholders and connecting the existing networks of social entrepreneurs

Recommendation #12: Improve communication at all levels

Relevance and background: While a common vocabulary supports the development of a shared understanding at the transnational level (Danube and European level), it is also pertinent to adjust the discourse locally to be more appropriate. Adequate terms contribute to foster a favourable environment and raise interest. Besides, a shift in the discourse on social finance towards the necessary match between competencies and the investee's needs (instead of the amount invested) would be welcome.

Communication is necessary at various levels:

Among social entrepreneurs to pool knowledge, exchange good practices and increase their visibility; between SEs and impact investors to develop a shared understanding of the concept of social entrepreneurship and expectations; with public authorities to sensitise about their needs and obtain more support (see Recommendation #2); with conventional companies; with the general population to raise awareness about the specificity of their impact, business model (see Recommendation #18).

For an improved communication, SEs need to meet/exchange – which is why clusters and networking events connecting entrepreneurs (entrepreneurs ↔ entrepreneurs) and investors (entrepreneurs ↔ investors) would be helpful. Such events would give an opportunity and answer the crucial need to exchange experience, share success stories, disseminate knowledge about social entrepreneurship, trends and developments (among entrepreneurs). Sharing success stories and (business) models from other SEs can help (would-be social) entrepreneurs find the right legal form for their enterprise through concrete examples.

The organisation of events (e.g. networking, pitching-matching events) would bring the different stakeholders together, support exchange and improve communication.

All regional stakeholders similarly pointed at the importance of enhancing the cooperation between different actors (public authorities and policy makers, enterprises, support organisations, public and private foundations, investors, higher education and research institutions), especially aiming for a better involvement of public authorities and an increased cooperation with the industry or conventional enterprises. SEs market access could not only be improved by making their products more competitive, but also by strengthening business relations to other companies and establishing bounds and contracts with regional and local authorities in the field of social services.

A stronger cooperation between social enterprises and the traditional industrial sector (especially large enterprises) would also open up further opportunities such as developing new collaboration with

existing organisations to produce more social impact. Also, by bringing financial resources large companies could for instance encourage local social entrepreneurs to establish new start-ups (Slovenia). SAP (Germany) is providing a concrete illustration of a multinational with a strong CSR policy: it launched in October 2020 5 & 5 by '25 with the aim to direct 5% of addressable procurement spend to social enterprises and to diverse suppliers by 2025.²⁸

Intervention area: 5) communication

Addressed weakness: Weakness of SEs in developing business relationships with other stakeholders (other SEs, SMEs or conventional enterprises) or in finding suitable partners in different fields at the national and European level

Element of the vision addressed: Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support

Audience:

- **Implementers:** support organisations, social entrepreneur networks, social enterprises, impact investors, policy makers, conventional (especially large) enterprises
- **Beneficiaries:** all SE/SII players

Implementation level: local-national

Monitoring indicator / milestone:

- Organisation of networking events (SE ↔ SE ; SE ↔ investors ; SE ↔ policy makers) by support organisations

Concrete examples from the regional action plans:

- Bulgaria – task 1: Knowledge sharing event(s)
- Germany (Baden-Württemberg) – task 4: Roundtables on impact investing / Impact Investor Clubs
- Hungary – task 5: Pitching-matching events (SEs/investors)

Serbia – task 5: Creating partnership with bigger companies to unlock other potential markets

Level of social impact investing

The lack of access to tailored financing and continued non-financial support is one of the most significant barriers to the sustainability and development of social enterprises. Currently, many social entrepreneurs are unable to meet traditional investors' requirements and therefore (have to) rely and depend on unsustainable sources of financing, resulting in unsustainable businesses and also in some cases in moral hazard.

The design of tailored financing programs would contribute to finding the most appropriate instruments that address the social enterprises' need to balance social/environmental and financial returns, focus on financing tools that are already available, especially in the private sector (as social banking or impact funds) and EU and national government financing (how they are functioning now

²⁸ [Social and Inclusive Entrepreneurship | Purpose and Promise | About SAP SE](#)

and how they can be changed in the next EU financing period). Focus should be paid not only to strengthen access to non-repayable funding but also to refundable financial instruments and loans.

Dedicated Social Impact Investing (SII) programmes are needed. The importance and relevance of SII has to be acknowledged on a structural level, and then translated into operational support programmes.

Boosting the role of private capital investment in the SII framework is a crucial tool to kick-start a broad movement of flourishing social enterprises. Mission-driven investors supporting the mission of social enterprises in a long-term basis and interested in a long-term financial return on investment are needed in order to build a strong impact investment ecosystem.

It is important to point at the fact that impact investing in the narrower sense might not be relevant or the best option of attracting financial capital for all social enterprises. In some cases, donations or grants may be more suitable. Impact investors should take on mission-driven advisors that understand the specific field the SE is engaged in, and find the right balance between a thorough assessment process and cost-effectiveness.

In general, it would be important to raise awareness and the visibility about the existing funding possibilities and programmes available for social enterprises. 15% of the respondents to the online survey showed that they were not aware of the possibilities available to them during the COVID-19 crisis.

The objective of the recommendations in this section is to provide help not only to the top 10% of the social enterprises (that will anyway manage to finance themselves) but also and rather help other SEs through the creation of new / other funding pipelines.

Recommendation #13: Expand/develop first-loss guarantees for early-stage funds

Relevance and background: A good example of how to unlock the power of catalytic and impact-first impact investing is the [European Social Innovation and Impact Fund \(ESIIF\)](#). Boosted by the so-called [EaSI Guarantee](#), a catalytic instrument used by the European Union and disbursed by the European Investment Fund, the ESIIF goes way beyond the ‘warm impact glow’ to foster social innovation at scale. After it took FASE more than 5 years to conceptualise, design and kick off this innovative concept, the ESIIF is now aiming to provide mezzanine capital to a target number of 60 early-stage social enterprises across Europe. The ESIIF is a closed ‘Special AIF’ (AIF = Alternative Investment Fund), with FASE in the role of the initiator and investment pipeline creator and avesco Financial Services as the fund’s manager. Professional and semi-professional investors get a choice between a more conservative senior or a more risky junior tranche, which supports the fund in addressing the massively underserved missing middle of social enterprise finance that the EU has a very keen interest in. “The added value of social enterprises is clear, but often, getting access to finance is the missing link”, said European Commissioner for Jobs and Social Rights, Nicolas Schmit, upon first closing of the ESIIF last year in October. “We must keep investing in the social economy, to create jobs, to help improve people’s lives and to strengthen our societies’ resilience. This is more important than ever in the context of the [Covid-19] crisis.” The EaSI guarantee is only one instrument in the entire toolbox of the EU and has a strong catalytic and de-risking effect: by partially securing the ESIIF against losses (i.e.

defaults in its portfolio of mezzanine financings), it helps to mobilise more investors to support early-stage social enterprises on their ambitious journeys to scale.

Intervention areas: 2) financing

Addressed weaknesses:

- Lack of adapted financial instruments
- Not enough early stage funding in the region

Element of the vision addressed: Impact investment will be an option for SEs from the start-up phase onward

Audience:

- **Implementers:** investors
- **Beneficiaries:** social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- Number of SEs that benefited from the ESIF

Concrete examples from the regional action plans:

- Germany (Bavaria) – task 4: Implement the European Social Innovation and Impact Fund (ESIIF)

Recommendation #14: Develop dedicated and tailored SII programmes

Relevance and background: It is important to develop tailored SII programmes. The state can play a key role in this aspect by encouraging the development of funding programmes: SIB or SIB-like financing (reduced costs for society should be priced and financed), short-term programmes to cover living costs for impact founders, funding (debt, convertibles, grants), coverage of incubator and advisory costs. Finally, state programmes should be reviewed to see whether impact/social entrepreneurs are equally eligible.

Intervention areas: 2) financing

Addressed weaknesses:

- Lack of adapted financial instruments
- Lack of financial stability

Element of the vision addressed: SEs will have the choice between varied funding sources in their start-up and scaleup phases leading to a doubling of the increased number of SEs receiving funding from non-grant sources; The proportion of innovative funding instruments for SEs will increase

Audience:

- **Implementers:** policymakers, investors, financial intermediaries, support organisations
- **Beneficiaries:** social enterprises

Implementation level: local-national and regional

Monitoring indicator / milestone:

- New tailored SII programmes
- Good practices shared

Concrete examples from the regional action plans:

- Austria - task 4: Continuation & expansion of Social Impact Bonds
- Croatia – task 3: Designing and implementing tailored, repayable impact financing instruments
- Germany (Baden-Württemberg) – task 5: Impact investing through public banks
- Moldova – task 3: Create a funding scheme within the program for the development of social entrepreneurship in the Republic of Moldova

Recommendation #15: Support more private capital / private funding programmes – especially in early stage

Relevance and background: One root problem is that early stage start-ups are dying in the “valley of death” and collapse before they can grow into large companies. This is why, there is a need to focus more on the early stage of impact innovations. The state / public authorities can play a key role in incentivising impact angels (as in the model of the INVEST-program in Germany with 20% investment top-up) and developing public-private partnerships where the private sector works together with public entities to create and kick-start investment activities. Examples for this are fund-of-fund concepts, where public money used to invest in private Venture Capital (VC) funds, co-investment schemes, where public money doubles the investments of business angels via syndication, or governmental funds covering the risks of investment in SEs. Investors are typically aiming at investing more than 500k euros because of the institutional nature with high volume funds, the search and transaction costs but also because small ticket funds are not commercially viable²⁹.

Some countries attempt to connect impact investors to impact investment collectives or funds (e.g. Austria, Germany). In Croatia and Slovenia, there already is a “FeelsGood Impact Investment Fund” (EIF and private co-investment), which will be presented to stakeholders, start-ups, social enterprises and enterprises with social impact during the next years. To attract more private money, some countries (e.g. Germany, Austria, Hungary) plan to organise regular meetings or other adequate platforms for matchmaking between potential impact investors (e.g. Business Angels) and SEs or traditional SMEs with social mission.

Intervention areas: 2) financing

Addressed weaknesses:

- Lack of financial stability
- Lack of adapted financial instruments
- Not enough early stage funding in the region

Element of the vision addressed: SEs will have the choice between varied funding sources in their start-up and scaleup phases leading to a doubling of the increased number of SEs receiving funding from non-grant sources; The number of impact investors will have increased

²⁹ Some of the information are based on Sébastien Martin (Impact associates GmbH)’s keynote speech on Impact Investing in Germany during the online transnational policy coordination workshop on 29 September 2021.

Audience:

- **Implementers:** impact investors, private investors
- **Beneficiaries:** social enterprises

Implementation level: local-national and regional

Monitoring indicator / milestone:

- Increased number of public-private partnerships
- Increased number of impact angels
- Increased number of private funding programmes

Concrete examples from the regional action plans:

- Germany (Bavaria) – task 4: Implement the European Social Innovation and Impact Fund (ESIIF)
- Moldova – task 4: Organise meetings with participation of financial institutions to identify opportunities to support social enterprises
- Serbia – task 6: creation of a Smart Impact Fund - Fund for development of impact economy to provide SEs with long-term professional and financial support in various stages of development
- Slovakia – task 7 : Streamlining of the possibilities of financing social enterprises
- Slovenia – task 4: Promotion of “FeelsGood impact Investment Fund for Croatia & Slovenia”
Austria - task 9: setup impact investment collectives or funds and encourage co-investments

Recommendation #16: Make crowdfunding a known and accessible financial source for SEs

Relevance and background: Policy makers should aim for a sustainable development of local/regional social entrepreneurship ecosystems. For this, it would be beneficial to make sure that crowdfunding is a known and accessible financial source for SEs. Crowdfunding provides an opportunity to acquire investment funds for social enterprises beyond the traditional investor landscape.

Intervention areas: 2) financing

Addressed weaknesses: Lack of adapted financial instruments

Element of the vision addressed: SEs will have the choice between varied funding sources in their start-up and scale-up phases, increased number of SEs receiving funding from non-grant sources

Audience:

- **Implementers:** civil society, individuals
- **Beneficiaries:** social enterprises

Implementation level: (mainly) local-national

Monitoring indicator / milestone:

- Number of SEs crowd-funded

Concrete example from the regional action plans:

- Austria – task 10: Encourage crowd investment/financing schemes for SE

Recommendation #17: Increase the diversity of impact investors & mission-driven financing actors

Relevance and background: To support the development of private finance programs, public authorities should relax the regulatory framework and enable non-banking / microfinance institutions to function, because they, unlike banks, target riskier categories of clients. Creating fiscal incentives for social impact investment could also encourage investors to turn to social impact investment.

There is a need of a shared understanding of the concept of social impact investment to remove barriers. Knowledge-building events on the side of potential impact investors would contribute to develop such a shared understanding but would also encourage more investors and financing actors to become impact-/mission-drive. In Croatia for instance, the Co-Impact Foundation plans to provide education and consultancy related to corporate social responsibility programs, venture philanthropy and impact investment.

Intervention areas: 2) financing

Addressed weaknesses: Lack of financial stability of SEs notably due to strong grant dependency but also their small size, lack of assets and capital, and higher business risks that render SEs less attractive for financial institutions and investors

Element of the vision addressed: The number of impact investors will have increased

Audience:

- **Implementers:** investors, policymakers, investor networks
- **Beneficiaries:** social enterprises, SMEs

Implementation level: local-national and regional

Monitoring indicator / milestone:

- More and more diverse impact investors and mission driven financing actors in the region
- Existence of fiscal incentives for social impact investments

Concrete examples from the regional action plans:

- Germany (Bavaria) – task 5: Knowledge sharing with potential impact investors
- Hungary – task 6: Preparation of impact investors

Level of the civil society

Recommendation #18: Carry out information and awareness campaigns

Relevance and background: As social entrepreneurship and impact investment are rather new phenomena in most partner regions, there is a clear need for more, better and targeted communication. Awareness campaigns with clear and powerful messages should be tailored to different target groups and activities should associate different stakeholders and particularly SEs and impact investors to bridge the current gap. Awareness raising campaigns and education on the social entrepreneurship and impact investment concepts could contribute to inspire new actors to become social entrepreneurs and impact investors and convert traditional enterprises/investors into impact enterprises/investors. For instance, your people / students with a good social business idea should be

encouraged to develop it into a business – notably through the organisation of awareness-raising events/activities done at schools / universities and in settings where “normal” founders operate.

There are plans for different awareness campaigns e.g. in Germany, Austria, Hungary, Slovakia, Romania, Ukraine, Croatia and Slovenia to increase consumer awareness and engage civil society in social entrepreneurship (such as #kupujem odgovorno/#kupukem odgovorno in Croatia and Slovenia). Examples for these tasks are annual one-day or one-week open interactive events, workshop and seminars, conferences, impact days, promotion of success stories and best practice examples, presentation of products and services of SEs, promotion and information about products under a special label, and communication platforms as press conferences, PR articles, webpages, social media etc. The awareness campaigns should engage stakeholders from all sectors, including the finance sector.

Intervention areas: 3) education; 5) communication

Addressed weaknesses:

- Weakness

Element of the vision addressed: Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support

Audience:

- **Implementers:** policymakers, social enterprises networks, support organisations, higher education and research institutions/schools
- **Beneficiaries:** social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- An information and awareness campaign on the opportunities and functioning of companies in the social economy carried out in each country (e.g. #Buy social or #Social Saturday in England, #kupujem odgovorno /#kupukem odgovorno in Croatia and Slovenia) - targeting general public
- Information and awareness campaigns targeting students (schools, universities)
- National prize for the best social enterprise and for best social investor involving all quadruple-helix actors

Concrete examples from the regional action plans:

- Slovenia – task 5: Buy responsible campaign (marketing strategy, presentation of products and services of SEs)
- Austria – task 12: Collective impact campaigns to engage civil society in social entrepreneurship
- Ukraine - task 5: Encourage and support local community participation in the development and establishment of innovative social projects

Recommendation #19: Enhance the visibility of models and success stories from SEs

Relevance and background: Stakeholders point at the need for enhancing the visibility of models and success stories: This would not only help and guide would-be and existing social entrepreneurs but also contribute to familiarise a wider audience with the particularities, benefits and successful models of SEs. A concrete suggestion towards familiarising and sensitising about social entrepreneurship are publicly financed publicity or posters for social enterprises visible in the public space.

This recommendation also relates to Recommendation #10 when support organisations should strengthen their support to SEs in finding potential partners and buyers to enable them to develop their business.

Intervention area: 5) communication

Addressed weaknesses:

- Weakness of SEs in advocating their concept and demonstrating the benefits to the general public
- Low level of awareness and knowledge about social entrepreneurship and positive effects/impact of SEs' operations amongst the general public
- Negative perceptions of the SE sector in a few partner countries

Element of the vision addressed: Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support

Audience:

- **Implementers:** policymakers, social enterprises, support organisations
- **Beneficiaries:** social enterprises

Implementation level: local-national

Monitoring indicator / milestone:

- media presence of successful social entrepreneurs /social enterprises (they could serve as "champions")
- publicly financed publicity or posters for social enterprises visible in the public space

Concrete examples from the regional action plans:

- Moldova – task 5: Promoting social entrepreneurship by sharing success stories
- Romania – task 10: Promoting success stories
- Ukraine – task 4: Dissemination of best practices and success-stories

Recommendation #20: Strengthen storytelling on products and services of SEs

Relevance and background: Social enterprises should strengthen the storytelling on their products and services to engage more buyers but also as a way to increase their visibility. They should convince buyers about the intrinsic quality, particularity and added value of their products and services (rather than simply relying on the idea that consumers will buy and use because they come from a social enterprise). To do so, SEs need to turn their products and services into marketable ones.

Intervention area: 5) communication

Addressed weaknesses:

- Lack of marketable products and services
- Many products and services from SE remains insufficiently visible and recognised

Element of the vision addressed: Support organisations will play a central role connecting all stakeholders and providing different kinds of services, trainings and support

Audience:

- **Implementers:** social enterprises
- **Beneficiaries:** social enterprises, buyers

Implementation level: (mostly) local-national

Monitoring indicator / milestone:

- Increased (media) visibility of products and services (e.g. number of articles, followers, likes, shared stories)

Concrete example from the regional action plans:

- Serbia - task 7: creation of impact narrative in the public

6 Dissemination & exploitation measures

This SII Community strategy for the Danube region will be promoted by all project partners, and made available to other organisations, regions/countries outside of the current partnership and programme area. Project partners are committed to circulate the strategy to their regional/national policymakers and to lobby to take the recommendations into account in the planning of the upcoming regional and national operational programmes. The strategy will be also disseminated to other regions through the ASPs EURADA (covering Europe) and CEI (covering Adriatic Ionic Macro-region).

The strategy will be widely disseminated through the following channels and means: It will be

- uploaded and accessible on the [project website](#),
- communicated in the project newsletter,
- mailed to all local stakeholders listed in the project databank,
- presented at events in which project partners are participating,
- circulated to relevant government agencies, policymakers and public authorities,
- circulated to EUSDR PA coordinators.

In view of supporting the implementation and sustainability of the strategy, the Finance4SocialChange consortium will strive to continue the implementation of the regional action plans. Finally, the consortium will work on identifying opportunities to

- build on and exploit the activities and results of the Finance4SocialChange project,
- monitor the implementation of the strategy and regional action plans.

7 Conclusion

Social entrepreneurship has clearly gained visibility and momentum in the Danube region not the least as a consequence of the COVID-19 pandemic. This momentum needs to be seized. By providing a framework with concrete recommendations, the SII strategy helps the effort to ensure that social entrepreneurship and social impact investment is and remains on the political agenda, to develop SII markets and support the sustainability and scalability of social enterprises. The recommendations aim at supporting the development of public funds, tools and measures for financing social enterprises, increasing the resilience of social enterprises and make them more attractive for private investors in the COVID-19 and post-COVID era. In order to keep the momentum, we need 1) to increase ownership, 2) “flag” the issue by increasing the public profile of social entrepreneurship and SII but also 3) bring all players and stakeholders together and build coalition. This is why it is important that SEs and impact investors organise themselves in networks to share knowledge and experience, pool resources, better connect among each other at the national, regional and European level but also to strengthen the social enterprise monitors. Besides, we need to further push for a common understanding, methodology (what is impact, how to measure it) and systematic use of impact measurement – both for SEs and investors.

The corona crisis showed the high resilience and innovative capacity of SEs who were able to reorganise themselves and their products/services. It also forced them to embrace digitalisation in a quicker and deeper manner than most would otherwise have done. The proven ability of social entrepreneurs to implement innovative solutions to complex social problems, even against resistance, is benefiting them in the corona crisis. As a result, many were able to quickly create innovative digital offerings and acquire new funding. Finally, albeit hard, the COVID-19 pandemic proved to be an opportunity for the majority of the participating SEs with a clear increase in the demand for their products and services. The visibility of social enterprises has increased since the COVID-19 crisis erupted. This is due in no small part to the additional services that many social enterprises have developed for their target groups during the crisis. In addition, there are start-ups specifically designed to find solutions to the challenges related to COVID-19.

Even though the field of social impact investment is thriving and rapidly growing, it remains at a nascent stage, inefficient and too fragmented. There is a growing awareness, interest and demand from the investing side (e.g. banks, private investors, business angels). During the COVID-19 pandemic, most investors maintained or even increased their financial support to social enterprises (e.g. FASE fund, matching fund). The banking sector is now ready and willing to invest in social enterprises. However, (patient) capital still has difficulty to move across borders. Whereas the investing side is now ready to invest in social enterprises, investors often face the following problem: there are not enough assets (that is social enterprises) that need investments or are investable. The number and level of maturity (investment readiness) of social enterprises is growing. For social enterprises to develop into larger companies and become both investment-ready and investable, they need funding in their early stage. Currently there are some early stage funding in the region (e.g. pre-seed, seed level) but this needs to be further expanded. Besides, there is a need of more tailored financial instruments for social enterprises, including more “blended” financial instruments, which would complement non-repayable grants with new forms of finance as well as a need for more cooperation between capital providers so as to build a continuum of funding instruments at all stages.

Public support – both financial and non-financial is key and public funding remains currently a major source of funding for many social enterprises in most countries of the Danube region. Yet, with the booming of impact investors, public support should aim at providing a favourable framework rather than (only) providing public funding.

The results of Finance4SocialChange and other (European) projects show that they are already various successful case studies, good practices, funding instruments, programmes but also training material available. This needs to be shared and made visible so as to encourage their sustainability and replicability in other contexts and when possible some standardisation. This strategy shows the need for concerted action and makes concrete suggestions how to tackle the challenges in a systemic and transnational way.

8 Bibliography

- Council conclusions on “the promotion of the social economy as a key driver of economic and social development in Europe” (7 December 2015)
- European Commission (2020). *Social Enterprises and their Eco-systems: Developments in Europe – comparative synthesis report*.
- European Commission (2019). *A recipe book for social finance. Second edition: A practical guide on designing and implementing initiatives to develop social finance instruments and markets*. Authors: Eva Varga and Malcolm Hayday. Luxembourg: Publications Office of the European Union.
- European Commission (2016), *Social enterprises and the social economy going forward: A call for action from the Commission Expert Group on Social Entrepreneurship (GECES)*.
- European Commission (2014), GECES Subgroup on Impact Measurement. *Proposed Approaches to Social Impact Measurement*.
- EUSDR Action Plan (April 2020): [EUSDR-ACTION-PLAN-SWD202059-final.pdf \(danube-region.eu\)](#)
- Finance4SocialChange Project (2021), *D7.1.3 – Chapter COVID effects*.
- GECES General report (2016), *Social enterprises and the social economy going forward*.
- Global Impact Investing Network (2018), *Roadmap for the Future of Impact Investing: Reshaping Financial Markets*.
- Mannheim Declaration on Social Economy: <https://www.euses2020.eu/mannheim-declaration/>
- SENSES project (2019), *Social Enterprise Strategy for the Danube Region*.
- Social Economy Europe (2020), *The Impact of COVID-19 on Social Economy Enterprises*. Authors: Jessica Fiorelli, Laura Gafforio.
- Social Entrepreneurship Netzwerk Deutschland (2021), *Finanzierung von Sozialen Innovationen – internationale Vergleichsstudie*.
- Social Entrepreneurship in Europe – An OECD-European Commission Project www.oecd.org/cfe/leed/social-entrepreneurship-oecd-ec.htm

Projects:

- ACCELERATOR: www.interreg-danube.eu/approved-projects/accelerator
- AlpSib: <https://www.alpine-space.org/projects/alpsib/en/about/about-alpsib/>
- ASIS: <https://socialinnovationstrategy.eu/>
- CrowdStream: www.interreg-danube.eu/approved-projects/crowdstream
- DelFin: <https://www.interreg-central.eu/Content.Node/Delfin.html>
- DepoSIt: <https://www.depositproject.eu/>
- InnoSchool: www.interreg-danube.eu/approved-projects/innoschool
- SENSES: www.interreg-danube.eu/approved-projects/senses
- SOCIAL SEEDS: <https://www.interregeurope.eu/socialseeds/>

Annex 1: Questionnaire for the survey on the effects of the COVID-19 pandemic on social enterprises in the Danube region

Basic information

1- Name of your organisation*

2- Country of origin of your organisation (in case of a transnational organisation, country where the headquarters are located)*

3- Legal form of your organisation ((e.g. non-profit limited liability company, association, registered social enterprise)*)

Impact of the COVID-19 pandemics

4- Which impact did the COVID-19 pandemic have on your organisation in the last 18 months on the following aspects:*

- 1. Work schedules
- 2. Working conditions
- 3. Workflow, internal processes and communication
- 4. Digitalisation
- 5. Innovative capacities
- 6. Production of goods
- 7. Provision of services
- 8. Demand for your products and services
- 9. External communication (e.g. with clients, partners, suppliers)
- 10. Procurement of goods
- 11. Financial liquidity
- 12. Planned investments

very negative – negative – neutral – positive – very positive – N/A

5- In case the COVID-19 pandemic affected your organisation in a way not addressed in the previous question, please specify.

Measures taken to mitigate the impact of the COVID-19 pandemics

6- Did your organisation introduce internal mitigation measures in the last 18 months in order to limit the impact of the COVID-19 pandemic?*

- 1. Yes (leads to Q7)
- 2. No (leads to Q10?)

7- What kind of mitigation measures were these? Multiple answers are possible.

- 1. Temporary pause of activity
- 2. Reducing the number of active employees or their working hours (layoffs)
- 3. Lowering or holding back the salaries of employees
- 4. Holding back and postponing bill payments
- 5. Closing down one or more units, branches or offices
- 6. Other

8- In case your organisation introduced other kinds of internal mitigation measures not addressed in the previous question, please specify.

9- If the enterprise had to resort to layoffs, please indicate which groups were the most affected. Multiple answers are possible.

- 1. No specific group can be defined
- 2. Employees with short-term or fixed-term contracts
- 3. Employees under 25 years
- 4. Employees over 50 years
- 5. Employees with lower levels of education
- 6. Employees with reduced working capacities
- 7. Other

10- Did you involve additional funding in order to mitigate the impact of the COVID-19 pandemic on your organisation?

- 1. Yes (leads to Q11)
- 2. No (leads to Q14)

11- Please indicate the type of additional funding your organisation resorted to. Multiple answers are possible.

- 1. Loans, credits (including overdraft, leasing, factoring, guarantee scheme)
- 2. Non-refundable financial support (e.g. grants, donations, direct cash benefits)
- 3. Investment (risk capital, impact investment)
- 4. Other

12- If you received other types of additional funding, please specify.

13- From whom did your organisation get additional funding? Multiple answers are possible.

- 1. State
- 2. Regional and/or local government
- 3. Private banks and investors
- 4. Foundations
- 5. Other

14- If other, please specify.

15- Did your organisation take part in any state/regional/municipal crisis management programs in the last 18 months?*

- 1. Yes → leads to Q18
- 2. No → leads to Q20

16- In which kind of state/regional/municipal crisis management program did your organisation take part? Multiple answers are possible.*

- 1. Short-term work (subsidy for temporary reductions in the number of hours worked)
- 2. Exemption from social security contributions
- 3. Job protection wage subsidy
- 4. Job-creating wage subsidy
- 5. Deferral of tax payment
- 6. Tax exemption or itemised deduction
- 7. Rent payment exemption
- 8. Vouchers
- 9. Special tenders / calls for proposals

17- If your organisation benefited from other kinds of state/regional/municipal crisis management programs, please specify.

18- What was/were the reason(s) for not taking part in any state/regional/municipal crisis management program? Multiple answers are possible.*

- 1. My enterprise was not eligible
- 2. Not aware of the possibilities available
- 3. Too much administration
- 4. It would not have solved the problem
- 5. Not relevant to my enterprise
- 6. Other

19- If your organisation had other reasons for not taking part in any state/regional/municipal crisis management programs, please specify.

Expectations for the future

20- Regarding your expectations for the future, please tell us whether the COVID-19 pandemic will have a long-lasting impact on your organisation on the following aspects*

- 1. Working conditions (e.g. home office)
- 2. Workflow and internal processes
- 3. Digitalisation
- 4. Innovative capacities
- 5. Financial liquidity
- 6. Financial stability
- 7. Procurement of goods
- 8. Demand for your products and services

Strongly disagree – disagree – neutral – agree – strongly agree – N/A

21- In case there will be other long-lasting impacts in your organisation, please specify.

22- Would the following public support or measures help your organisation recover faster from the COVID-19 pandemic or in a post-COVID era?*

- 1. Tax and contribution reductions, discounts
- 2. Wage and contribution subsidies

- 3. Providing an advantage for social enterprises in public procurement (application of EU regulations on socially responsible public procurements in domestic practice)
- 4. Non-repayable investment grants (real estate, assets, vehicles, stocks)
- 5. Non-repayable funding (e.g. competitiveness-enhancing grants, innovation grants, human resource development grants)
- 6. Non-financial support (training, mentoring, counseling)
- 7. Faster, simpler, more flexible administration (grant applications, loan applications, tax matters)
- 8. Faster grant and loan application evaluation, faster credit evaluation
- 9. Acceleration of payment requests' evaluation and reimbursements

Strongly disagree – disagree – neutral – agree – strongly agree – N/A

23- If other kinds of public support and measures would be needed, please specify.

24- Would the following interventions help your organisation recover faster from the COVID-19 pandemic and in a post-COVID era?

- 1. Support for access to refundable financial instruments, loans
- 2. Support for acquisition of other funding (investments, crowdfunding, etc.)
- 3. Finding potential partners and buyers, support for market access
- 4. Crisis management consultancy
- 5. Organisation of competitions
- 6. Expert consultation
- 7. Continuous mentoring
- 8. Training (e.g. on management & governance, social impact measurement, finance, scaling, or communication)

Strongly disagree – disagree – neither agree nor disagree – agree – strongly agree

25- Please specify the kind of interventions needed (especially regarding expert consultation, continuous mentoring and training).

26- Is there something you would like to add (for instance an aspect or issue that has not been addressed)?

27- Are you interested in the results of this survey?*

- 1. Yes
- 2. No

If yes

28- Your name*

29- Your e-mail address*

Thank you very much for your answers and for the time taken to fill this questionnaire!