

SOCIAL IMPACT INVESTMENT COMMUNITY COUNCIL

O4.4

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List of Abbreviations

| | |
|-----|-------------------------------|
| BSO | Business Support Organization |
| LP | Lead Partner |
| O | Output |
| PP | Project Partner |
| SE | Social enterprise |
| SII | Social Impact Investment |
| SO | Specific objective |
| WP | Work Package |

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Executive summary

The project Finance4SocialChange aims at developing practical solutions on impact investing to improve and strengthen the social financing sector in the Danube region.

Thematic Work Package (WP) 4 occupies a central role since it deals with strategy development”. In the framework of Activity 4.3, **the consortium has established a Social Impact Investment (SII) Community Council**. This structure is supporting the consortium in developing – both at the local level and for the Danube region – an ecosystem that involves all relevant stakeholders (political actors and public authorities, start-up and scale-up social enterprises, intermediaries, investors and civil society). **The establishment of this council represents one project output (O4.4).**

Introduction

This deliverable reports on the **establishment of the Social Impact Investment Community Council** (hereafter: SII Community Council). The goal of this council is to improve/strengthen impact investment – at the local level (partner regions or countries) and at the level of the Danube region. The aim of this report is to outline the role of the SII Community Council, show its current composition and list its activities (both past and upcoming).

1. Role of the Social Impact Investment Community Council

The establishment of the SII Community Council represents one project output: Output 4.4. This output relates to the second and third specific objective (SO): “promote social impact investment readiness” (SO2) and “stimulating access to innovative financing tools and instruments” (SO3).

The general aim of the SII community council is to foster a common understanding between various stakeholders (policymakers, investors, SEs and civil society) at the local level and Danubian level. The council will support policy dialogue, encourage policy alignment and lobby for policy documents. This is why **the SII community council will monitor the entire strategy development** (policymaking cycle that is accompanied with trust building, transnational and capacity building events). The added-value of the council is the **common development of the social entrepreneurship environment and impact investment landscape (regional ecosystem).**

The role of the SII community council is manifold:

- support policy dialogue between diverse policy makers: Priority Area Coordinators and Steering committee members, national and regional public authorities, policymakers and government agencies – locally (partner region) and transnationally (Danube region)
- promote policy harmonization among partner countries
- create a common understanding of SII markets and ecosystems in DR
- channel the strategic development of the SII markets in the DR in terms of financial resources as well as the legal and political scope for action

The SII community council will concretely support the Finance4SocialChange consortium via the following actions:

- monitor the elaboration of the SII Community Strategy (D4.1.2)
- supervise the creation of the regional action plans (D4.2.1)
- monitor the planning and implementation of the local pilot SII initiatives (D6.2.1)

The working language of the council is English. Participation in the council is voluntary and for free.

2. Composition of the Social Impact Investment Community Council

The council comprises 25 members. Each Project Partner (PP) nominated 2 representatives. Austria and Baden-Württemberg represent an exception: ZSI and ASHOKA on the one hand and SEZ/S2i and UHEI on the other agreed on 2 representatives. In addition, IFKA is – at least during the duration of the project – part of the council and acts as coordinator. After the end of the project, the coordination may be transferred to an active stakeholder.

The SII community council includes stakeholders with different profiles that are relevant for the project:

- Public authorities (national and regional policymakers and government agencies, PACs, SG members)
- Social enterprises (start-ups and scale-ups) and business support organizations (BSO)
- social impact investors, financial intermediaries and donor organizations (SE catalysts)
- civil society

In order to ensure that the four categories are represented in a balanced manner, project partners were asked to send their member suggestions to the Lead Partner (LP) and SEZ/S2i beforehand for validation. There is a clear overlap between the composition of the Political/Technical Advisory Boards and the SII Community Council. The nomination process took place over the summer 2019. Due to the withdrawal of the Croatian partner from the consortium in the course of Period 3, the two Croatian seats have been remaining vacant so far. Annex 1 provides the list of the current composition of the SII community council (stand of October 2019).

3. Activities of the Social Impact Investment Community Council

Past activities:

A **first meeting with SII council members** was organized in **Stuttgart** on **19 September 2019**. Six members from five partner countries (Austria, Bulgaria, Germany, Serbia and Slovenia) attended the meeting. The following table lists the participating members and their profile.

Table 1: Profile of the participating members

| Country | Name | Organization | Category |
|-----------------|----------------------------|---|--------------|
| <i>Austria</i> | Alexandra Nitzlader | Investor | investor |
| <i>Bulgaria</i> | Alexandar Safarov | Start-up Accelerator Sofia | BSO |
| <i>Germany</i> | Sebastian Große-Puppendahl | Advisor to the Commissioner for Europe of Baden-Württemberg | policy-maker |
| <i>Serbia</i> | Neda Stanković | Smart Kolektiv ¹ | BSO |
| <i>Slovenia</i> | Janez Topolšek | Slovenian Ministry of economic development and technology | policy-maker |
| <i>Slovenia</i> | Tilen Šarlah ² | FeelsGood impact Investment Fund for Croatia & Slovenia | investor |

¹ Smart Kolektiv was delegated to come to Stuttgart by Jelena Milovanović who is the representative from the Office of the Prime minister.

² Mr. Šarlah was delegated by Primož Šporor from Fund 05 as the latter could not attend the meeting.

During the event in Stuttgart, the council members provided feedback to the consortium on the blended learning, the transnational competition and the SII Community Strategy. The minutes of the meeting are attached in Annex 2.

Upcoming activities:

Further meetings will take place on the occasion of the 3 *policy learning dialogue workshops* organized in Serbia (P4), Romania (P5) and Croatia (P6) and 1 *transnational community-building workshop* in Hungary in P6. Furthermore, project partners are going to invite the council members to participate in the *local policy focus groups* (D4.2.3) in P4, P5 and P6.

Concretely, the next SII community council meeting will take place on **9-10 March 2020** in **Belgrade** back to back with the first policy learning dialogue.

Conclusion & recommendations

The first meeting in Stuttgart already brought several lessons: First, the input and feedback provided by the Council members clearly confirmed the relevance and necessity of involving external experts in the project activities. Second, the presence of people with different profiles ensures that different perspective are taken into account. Finally, it also provides concrete opportunities for networking and transnational collaboration.

The exchange was crucial to validate our ideas and plan regarding the SII Community Strategy, the trainings and the competition, bring new ideas and perspectives (in terms of country and sector) and disseminate our activities. This is why the consortium will pay great care to involve as many council members as possible in the upcoming project events. The next event – the first policy learning dialogue workshop – will take place in Belgrade on 9-10 March 2020.

Annex 1: Composition of the SII Community Council

Finance4SocialChange

Community Council members



2019

| | Country | First name | Last name | Position & Organization | Category |
|----|-----------------------------------|------------|------------------|---|------------------------------|
| 1 | Hungary | Anna | Meszaros | IFKA | |
| 2 | Hungary | Elemér | Eszter | Impact Ventures Fund | investor |
| 3 | Hungary | Krisztina | Szabó | Head of Department for Financial Products at Ministry of Finance | policy-maker |
| 4 | Germany, Baden-Württemberg | Manuel | Kreitmeier | SocEnt BW, Social Enterprise Network | social enterprise |
| 5 | Germany, Baden-Württemberg | Sebastian | Große-Puppenthal | Advisor to the Commissioner for Europe of Baden-Württemberg | policy-maker |
| 6 | Germany, Bavaria | Sabine | Kaiser | PE/VC Consultant | investor |
| 7 | Germany, Bavaria | Alexandra | Heraeus | Boardmember Heraeus Bildungsstiftung | civil society |
| 8 | Serbia | Jelena | Milovanović | Social Inclusion and Poverty Reduction Unit – Government of the Republic of Serbia | policy-maker |
| 9 | Serbia | Jelena | Mihajlović | Standing Conference of Towns and Municipalities | civil society / policy-maker |
| 10 | Moldova | Constantin | Țurcanu | senior consultant, Ministry of Economy and Infrastructure | policy-maker |
| 11 | Moldova | Sergiu | Gurău | Executive Director at Eco-Razeni association | civil society |
| 12 | Slovenia | Janez | Topolšek | Head of Division for Social Entrepreneurship, Cooperatives and Economic Democracy in Ministry of economic development and technology | policy-maker |
| 13 | Slovenia | Primol | Šporar | No profit l.t.d, innovative social service | social enterprise |
| 14 | Bulgaria | Nikolay | Tsenkov | Executive Director of Sofia Guarantee Fund for SMEs | investor |
| 15 | Bulgaria | Alexander | Safarov | Startup Accelerator Sofia manager | social enterprise |
| 16 | Austria | Alexandra | Nitzlader | Impact Investor | investor |
| 17 | Austria | Matthias | Weichhart | Austrian Research Promotion Agency (FFG) | investor |
| 18 | Slovakia | Danka | Moravcikova | sociologist at Slovak University of Agriculture/representative of civil society | civil society |
| 19 | Slovakia | Alena | Šranková | Institute of Social Economy | policy-maker |
| 20 | Romania | Dana | Craioveanu | ImpactHub Bucharest | social enterprise |
| 21 | Romania | Roxana | Damaschin-Tecu | Regional Director CEE NESsT, co-founder UnLoc | social enterprise |
| 22 | Ukraine | Volodymyr | Bychek | Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine, Head of the Department for Interregional and Cross Border Cooperation of the Department for Regional Development | policy-maker |
| 23 | Ukraine | Dmitry | Radulov | Director of the Department of Economic Policy and Strategic Planning of the Odessa Regional State Administration | policy-maker |
| 24 | Croatia | | | | |
| 25 | Croatia | | | | |

Annex 2: Meeting minutes (19 September 2019)

PAB/TAB & Social Impact Investment Community Council Meeting Minutes

Schedule: 19 September 2019, 09:30 – 12:30

Venue: Welthaus Stuttgart e.V. – Charlottenplatz 17, 70173 Stuttgart

Participants:

- Sebastian Große-Puppenthal – Advisor to the Commissioner for Europe of Baden-Württemberg
- Alexandra Nitzlader - Investor
- Janez Topolšek – Slovenian Ministry of Economic Development and Technology
- Tilen Šarlah – FeelsGood Impact Investment Fund for Croatia & Serbia
- Alexandar Safarov – Start-up Accelerator Sofia
- Neda Stanković – Smart Kolektiv
- Áron Jakab – IFKA
- Mike Nagorkin – IFKA
- Bernadett Szabó – IFKA
- Helmut Gassler – ZSI
- Adrian Fuchs – FASE
- Raluca Coscodaru – UEFISCDI
- Elena Simion – UEFISCDI
- Franja Grabovšek Schmidt – BSC Kranj
- Alenka Sluga – BSC Kranj
- Clémentine Roth – SEZ / S2i
- Sevdalina Voynova – SDA
- Denitsa Lozanova – SDA
- Dominika Pančáková – UKS
- Alexander Kesselring - ASHOKA
- Volker Then – UHEI
- Milica Pavić – CCIS
- Srđan Popović – CCIS
- Aliona Cravețchi – ODIMM
- Petru Gurgurov - ODIMM

Mike Nagorkin (IFKA) presented the project Finance4SocialChange. Clémentine Roth (SEZ/S2i) then welcomed the participants, introduced herself and opened the presentation round. During the

presentation round, participants introduced themselves but also mentioned the situation of social entrepreneurship and impact investing in their country and explained their personal interest on the topic. A lively discussion was engaged about impact investment (difference between investment for impact and investment with impact) and social entrepreneurship. Participants agreed on a common definition based on 3 characteristics. A **social enterprise** has to demonstrate:

1. social impact model (how to solve a social problem)
2. business model (where financial resources are coming from)
3. sustainability (how the SE plans or is able to exist more than 2 years)

On the other hand, a **social investor** is an organization or individual that is financially supporting social enterprises.

Volker Then (UHEI) and Adrian Fuchs (FASE) then presented the **blended trainings and the international competition** (Work Package 5 and 6). Trainings will be composed of online and offline (or face-to-face) trainings. The online training will be ready by February 2020 and completed by April 2020. It will contain 6 different modules: management and governance of SEs, social enterprise strategies, transfer and scaling, communication, social impact measurement, and finance. The online courses, which will be in English, will be opened to all interested stakeholders. It primarily targets social enterprises but also investors and policy-makers. Each module will therefore contain components that are tailored for these target groups. An added-value for investors in attending the blended learning is to get more acquainted with social entrepreneurs and their needs. A mobilization campaign will be set to spread the word about the trainings. An issue that remains to be addressed concerns how to keep the material updated after the end of the project.

In parallel the transnational competition will start. The consortium will aim at reaching 300 applications of SEs in the whole Danube region. Even though the competition and the training are distinct, e.g. social enterprises do not need to take part in the blended learning for being eligible to the competition, project partners will encourage SEs to follow the training program as it will help them prepare for the competition. In a second stage, face-to-face training will be restricted since it will only be offered to the 30 selected social enterprises. These trainings will be offered in the local language. Furthermore, it was suggested to organize special workshops for investors.

As regards the competition: it will also be a two stage process. In the first stage, social enterprises will hand a concept note. In-house selection of 30 SEs for the next stage. In the second stage, the selected SEs will hand in a full business plan and then pitch.

During the discussion on the competition, several points were raised:

- **Durability:** given the effort required to set the competition, important that it be more than a one-time event
- **Motivation for participation:** not only or not particularly to find an investor but also/rather gain visibility and make new contacts

The competition shall aim at connecting investors and SEs with other networks.

The final point on the meeting agenda concerned the **Social Impact Investment strategy** (Work Package 4). Clémentine Roth (SEZ/S2i) presented the first draft of the strategy. Council members and project partners provided useful feedback and suggestions:

- **Be clear(er) about social impact in the vision**
 - o Need first to agree: do we need a strategy for SE financing market?
 - o Need to make sure that all stakeholders recognize themselves in this strategy
- **Integrate social innovation / smart specialization / internal market in the strategy**
- Make the strategy **user-friendly** (ideally would be a kind of manual)
 - o Provide elements of resources and options how to get there
 - o Provide concrete elements regarding impact measurements
- Strategy requires **institutional continuity**
- **Social enterprises:**
 - o Most SEs have hybrid models of financing (mix of grants, revenues, loans...)
- **Investors:**
 - o Be clear that “investor” here means any person or organization financing social enterprises
 - o Private investors face 2 difficulties: At the beginning (public catalytic investment) and at the end (exit is very difficult, establish a secondary market)
 - o Public sector: should provide guarantee and act as risk reduction
- **Cooperation between research and SEs:** how universities can offer impact assessment to SEs
- **Impact measurement:** Not possible to agree on a single set of standards. Besides, this is a value driven field: people have different perceptions concerning what is relevant or not - which is irreconcilable. GECES report lists different sets of standards and propose a standardized approach to social impact measurement (identify objectives and stakeholders; set relevant measurement; measure, validate & value; report, learn and improve). The report also shows common characteristics regarding standards for measurement reporting. The main issue for impact measurement is the choice of proxies (to validate impact).