

## CEE Taskforce: social entrepreneurship and impact investing initiative in CEE

### **Context**

A growing number of entrepreneurs use market-based solutions to solve critical social problems. These entrepreneurs create jobs for local economies, make connections to regional and global markets, and increase access to critical goods and services for underserved communities. However, these entrepreneurs face several barriers preventing them to achieve impact at scale and full financial success.

Indeed, a lack of business development services such as incubators, mentoring and training schemes, and investment readiness support, has been identified as one of the biggest barriers to the development of social entrepreneurship. This is especially true in Central and Eastern Europe (CEE).<sup>1</sup> In some countries in the Balkans there are start-up support initiatives that social entrepreneurs can tap into, but they lack quality (i.e. highly skilled mentors/program officers and good connections to markets and partners, within and beyond CEE) and most of them focus on ITC.

When it comes to incubators and other social entrepreneur development organisations operating in CEE, more than 75% of their annual budgets are donor-imposed and have to be used for specific purposes.<sup>2</sup> Entrepreneurs often face very distinct challenges (such as market access for export, know-how on operational excellence, middle-management staffing requirements, etc.). Those challenges are difficult to address with standardized programs but can most effectively be tackled by providing access to a pool of experts and knowledge that entrepreneurs can tap into. CEE is a region critically lacking the right level and type of resources: experts say that only 35% of European resources for social enterprises are spent in CEE and venture philanthropy investment is 65 times lower in CEE than in Western Europe.<sup>3</sup>

Another significant challenge facing entrepreneurs is raising appropriate financing that balances impact and financial return. While social impact investing is growing rapidly in Europe, social entrepreneurs are facing difficulties in raising capital below \$250,000 and much smaller amounts. Social impact investors cite the lack of access to early-stage capital, not demanding high returns, as the most significant challenge to industry growth.<sup>4</sup>

EVPA, NESSt, Yunus Social Business Initiative, the European Commission and GSEN have identified the need to work together to solve these critical issues in CEE.

### **Ambitions of the initiative for 2017-2018:**

1. developing and strengthening the ecosystem for social entrepreneurship and impact investing in CEE, including the identification of the most helpful existing mainstream business support programs, and promoting them among social entrepreneurs.
2. particularly attracting more and better adapted resources for early-stage social enterprises (supply, demand and intermediaries)
3. showcasing investment examples from CEE, and
4. positioning CEE in the global movement to develop and grow the social impact investing sector.

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<sup>1</sup> [A map of social enterprises and their eco-systems in Europe](#), EU, December 2014

<sup>2</sup> [From Seed to Impact](#), GSEN, June 2015

<sup>3</sup> European Venture Philanthropy and Social Investment 2013/2014, The EVPA Survey

<sup>4</sup> 2016 Annual Impact Investor Survey

### **Methodology:**

1. Organizing a small Steering Group represented by key players in the sector to lead the initiative
2. Consulting with stakeholders throughout the region to co-create a regional agenda (building on Western European experiences and knowledge)
3. Raising awareness of the industry and what needs to happen to grow it and ensure strong social impact
4. Influencing and connecting strategic players including business and government
5. Supporting co-investments and growth of investments overall by sharing deals and pipeline, etc. Identifying and supporting the scale of selected social enterprises that can serve as a role model and point of proof for social entrepreneurship in CEE.

### **Expected outcomes:**

1. Bring more funding for early stage impact investing to the region
2. Increase the pipeline of investment ready social enterprises
3. Increased number of actors involved in social entrepreneurship and impact investing in CEE
4. Increased knowledge about the impact investing space in CEE (incl. data and statistics)
5. New financial resources and instruments for social entrepreneurs and their supporters in CEE, specifically in the so-called “missing middle”, i.e. early-stage, affordable patient capital below 250,000 USD.
6. Greater awareness of social entrepreneurship and impact investing in CEE

### **Suggested Priorities for 2017 and possible deliverables:**

1. Regional Agenda
  - a. Priorities for the next 2 to 3 years in CEE including: to be finalized in March, in person, during Steering Group meeting. Input to be collected during remote meetings
    - i. Priority action and implementation plans (e.g.: deal making platform)
    - ii. Policy priorities and national plans
    - iii. Links with ongoing EU / other projects and initiatives (i.e. EaSI, EFSI, Interreg, EIB/EIF, EBRD and NESsT in the Balkans etc.)
    - iv. Key stakeholder mapping/ database
    - v. Key regional / global events mapping.
2. National Agendas
3. Production of content/ recommendations
  - a. Report on the State of Social Impact Investing sector in CEE (based on shared methodology across countries) – to finalize the baseline by the end of the year; to track progress in 2018 and to be launched by 2018 EVPA Conference in CEE
    - i. Key players
    - ii. Size of the industry
    - iii. investments made
    - iv. What is missing?
      1. More investment ready SEs
      2. More soft capital
  - b. Case studies: EVPA currently does 5.

4. Deal making: showcase at least two interesting early stage investments made in 2017, exemplifying the hands on support provided to them Yunus, NESsT, TISE, ERSTE Social Banking Initiative
5. External communications and awareness raising: create campaign building on the content from the report findings and the case studies. Produce a white paper with a common vision and a common narrative. Invest in high level marketing for the region, in order to make it more attractive for investors. Connect with the Global Steering Group<sup>5</sup> branding and communication platform.

#### **Suggested milestones:**

- March 2017: Kick-off meeting in CEE (Poland)
- April 2017: Follow-up meeting with larger CEE group
- April 2017: finalize the report methodology. December 2017: have the baseline
- Global Social Impact Investment Steering Group meeting Chicago: June 2017
- End of May / beginning of June: 2<sup>nd</sup> physical meeting in CEE. Focus on the report and concrete steps
- End of 2017: 3rd physical meeting, prior or after the EVPA conference (TBC). Have a CEE TF side event
- Early 2018: 4th physical meeting in CEE
- Late 2018: EVPA Annual Conference in CEE

#### **Next steps:**

- Create a database of key contacts and organisations in CEE: EVPA and GSEN to start a Google doc that will be completed during the initiative
- Map out existing initiatives / plans (financial resources?) that are complementary to build on them: GSEN
- Map out relevant regional and global events. Ensure CEE TF representation.
- Organise the kick-off meeting in CEE: March 27-28. Location: Warsaw. EVPA & Academy for Philanthropy Development provides logistic support.
- Collect, share and store in a single place resources that are useful for starting this project (e.g. stakeholder mapping produced by IFKA)
- Start the common narrative piece: involve Foundation Dokukino – Darko

#### **Roles (other operational roles will be defined as the work plan gets more detailed)**

Initial Steering Group – still subject to change depending on the engagement of participants:

- Roxana Damaschin-Tecu [rdamaschin@nesst.org](mailto:rdamaschin@nesst.org) (NESsT)
- Georgia Efremova, [Georgia.EFREMOVA@ec.europa.eu](mailto:Georgia.EFREMOVA@ec.europa.eu) (European Commission)
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<sup>5</sup> <http://www.socialimpactinvestment.org/>