



Social Capital Fund

DENMARK

ACCELERATION

The Social Capital Fund (Den Sociale Kapitalfond) initiative was founded in 2011 to test new solutions for an entrenched social issue in Denmark: social exclusion of vulnerable segments of the population. Estimates suggest that over the past years, more than 400,000 people have been excluded from the labour market, falling into poverty and social exclusion and thus becoming unable to contribute to the country's development and affecting the sustainability of Denmark's welfare state.

Despite Government's multiple attempts to create the incentives for companies to hire vulnerable people, only 1/3 of small and medium-sized enterprises have done so. Unsatisfied with these results, the Social Capital Fund (SCF) was launched with the aim of proving that it is possible to improve the access of vulnerable people to the job market whilst yielding financial returns. As a result, SCF focused on supporting enterprises in growing their businesses, expanding labour demand and creating opportunities for those who struggle to find their way into the labour market.

How Social Capital Fund works

Since its inception, SCF's work streams have evolved towards offering a range of support services, including: (1) an impact investment fund that invests in Danish social enterprises whose main focus is to create new opportunities for marginalized groups; and (2) acceleration programmes for enterprises across all development stages, providing tools and customized support for them to grow.

DESCRIPTION OF SCF'S ACCELERATION PROGRAMMES

| | SOCIAL GROWTH PROGRAMME | SOCIAL STARTUP |
|-------------------------------|---|--|
| Year of creation | 2013 | 2014 |
| Goal | Strengthen the sustainability of existing social enterprises | To develop new social enterprises |
| Duration | 6 months | 6 months (+ 6 months extension) |
| Type of support/activities | Individual support; Training in marketing, strategy and operations; Bootcamps and knowledge sharing events; Access to a wider network. | Individual business development support for 6 months, provided by some of Denmark's best experts in different areas; After this, participants are either offered mentoring support or help in setting up advisory boards to support them along the way. |
| Financial support opportunity | Eligible to apply for a donation of DKK 100,000 for further development. | Eligible to apply for start-up capital, including development funds and loans. |

Until 2015, having supported 46 enterprises, SCF contributed to the creation of 281 training placements, 69 social enterprises and 158 cases of progress and education of unemployed people. In addition, 54 standard jobs were created. SCF made 6 direct investments in these ventures

From 2016 onwards, 1,511 people have been employed, entered into training or education in 46 of the above-mentioned ventures; from this, 68% were previously excluded from the labour market. Enterprises' turnover grew, on average, by 30% and summed up to 6.8 million DKK in profits after taxes.

Implications

As a result of a successful implementation and outcomes of the acceleration programmes, an improved and financially sustainable version is now being implemented. SCF was approached by municipalities in Denmark to launch accelerator programmes that integrate marginalised people into the labour market in each of these regions.

Acceleration Programme – 2nd Edition: four interesting features

- 1. This new acceleration programme relies on a robust and sustainable business model, in which municipalities pay for outcomes achieved (payment by results).** An acceleration programme is set up in each municipality. The participant costs are disbursed by the municipality in 3 instalments. This full payment is only made if, and only if, the municipality have saved money.
- 2. The new acceleration programme has been fine-tuned according to lessons learned from the previous two acceleration programmes.** In this case, the programme is divided into an intensive business development phase, whereby resources and support provided are tailored to meet each enterprise's needs, followed by a six-month follow-up programme.
- 3. Savings from unemployment benefits that would be a burden for municipalities are channelled to pay for the integration of vulnerable people.** Estimations were based on the average number of people employed by each enterprise and direct savings accumulated for 3 years.
- 4. Data is carefully collected and used to inform the programme's design and strengthen the projects business case.** Participant enterprises and municipalities commit to share their financial and outcomes (beneficiaries' employment status) data with SCF.

The project is the first of its kind in Denmark and therefore the legal framework has been uncertain. As late as September 2017, an alternative possibility that enables municipalities to finance the entire accelerator program has been found. Until this moment, municipalities were not allowed to cover certain costs of the programme. Alternative capital sources, coming from TrygFonden, Tuborgfonden, Bikubenfonden, Markedsmodningsfonden - philanthropist funds established under the Ministry of business and financial affairs, were topping up the deal to compensate for the remaining cost.

The future outlook of SCF acceleration programmes is very promising. Legislation had been amended to facilitate municipality outcome payments. Potential private investors are approaching the sector, interested in learning more about this payment mechanism. SCF believes that the programme is on track to scale to more and more municipalities, hopefully to all 98 municipalities in Denmark. What started as a private initiative, benefited from public sector collaboration in finding its route to scale and wider dissemination, reaching a much higher impact.

More information

For more information about the acceleration programmes at SCF, please visit: www.densocialekapitalfond.dk or contact Birgitte Frost Mathiesen (Program Director) at bfm@socialkapitalfond.dk

Contact

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