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Social Impact Investment Community Strategy for the Danube region

20 recommendations to boost social
entrepreneurs and impact investors



Steinbeis
Europa Zentrum

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Social Impact Investment Community
Strategy for the Danube region

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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 possibilities 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.

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-Frankivskia Oblast, Zakarpatska Oblast and Odessa Oblast).

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This Social Impact Investment (SII) Community Strategy for the Danube region developed in the frame of the project Finance4Social-Change 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. It contains 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 implementation of these recommendation should 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.