



# Supporting the Development of a Social Finance Ecosystem in Ireland

## THE HYBRID SOCIAL FINANCE INITIATIVE

Deiric Ó Broin and Paula Dolan



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## Abbreviations

- AHBs** Approved Housing Bodies
- CE** Community Employment programme
- CFI** Community Finance Ireland
- CLG** Company Limited by Guarantee
- CSP** Community Services Programme
- DCU** Dublin City University
- DRCD** Department of Rural and Community Development
- FTE** Full-time Equivalent
- ILDN** Irish Local Development Network
- IRIS** Integrated Reporting and Information System
- ISEN** Irish Social Enterprise Network
- LCDC** Local Community Development Committee
- LEADER** Liaison Entre Actions de Développement de l'Économie Rurale / Link between Actions for the Development of the Rural Economy
- LDC** Local Development Company
- SECAD** South-East Cork Area Development
- SICAP** Social Inclusion and Community Activation Programme
- WP** Work Package



## Project Background

This report draws on participatory research, peer-learning and literature review conducted in 2021/2022 for the Supporting the Development of a Social Finance Ecosystems Ireland project.

The key findings are:

1. There is a significant challenge designing a broad spectrum of financial instruments for social enterprises that are tailored to their diverse needs in the different phases of their life cycles.
2. Bespoke hybrid social finance instruments present an opportunity to develop the social enterprise sector and build a more incentivised social finance ecosystem.
3. There isn't a single immediately transferable hybrid social finance instrument. There are important differences in the elements of such financial instruments, for example, crowdfunding, crowdlending, public (municipal, regional or national state) funds, philanthropic investment, EU investment through a form of loan guarantee and investment from social or co-operative banks.
4. Very few social enterprises measure their social impact in a systematic manner.
5. There is limited capacity within public authorities and amongst social enterprises to effectively measure social impact.

Building on the report's findings, the project partners, Rethink Ireland, Dublin City University and Community Finance Ireland, developed a blended social finance model (Hybrid Social Finance), which includes a repayable loan component, a non-repayable loan component and non-financial business supports.

Recipients will receive a package of supports which will include:

Non-repayable loan	A non-repayable loan, which will be tied to agreed performance milestones
Non-financial supports	Non-financial supports, tailored to the needs of the organisation, to improve its investment readiness, develop its capacities and create social impact
Accelerator programme	An accelerator providing training in four core areas: impact management; communications; sustainability and strategy; and equality, diversity and inclusion
Project management	Continuous support focusing on building capacity and resilience in the first two years

The report strongly recommends adopting a collaborative and composite approach to evaluation and separately evaluating the discrete components of the hybrid social finance instrument, while retaining a holistic view of the social finance instrument and its impact.

The report acknowledges that this will necessitate the equivalent of a collaborative 'case work' approach to each recipient whereby representatives of the social lending organisation, the non-repayable loan provider, the accelerator provider and the project manager work together to evaluate the pilot programme. In addition, and building on the experience of other jurisdictions, the report recommends involving the social enterprise in the selection of the appropriate social impact measure.

## 1. Introduction and background

Social finance has emerged as a significant public policy priority in many European Union (EU) member states as they seek to support social enterprises addressing societal challenges. It is widely accepted that success in these endeavours “depends on the existence of a solid social finance ecosystem” (European Investment Bank 2020). This ecosystem is understood to comprise policymakers from municipal, regional and national levels, as well as social enterprises, social enterprise representative bodies, higher education institutions, social lending organisations and intermediaries.

In recent years a significant number of EU member states have been engaged in social finance pilot projects, for example the Portuguese Social Impact Bonds programme, as proofs of concept. The European Commission is financing the project Financing Social Enterprise in Ireland - Models of Impact Investing and Readiness through the Employment and Social Innovation (EaSI) programme, which is one of 14 similar projects currently being undertaken across the EU.

### Financing Social Enterprise in Ireland - Models of Impact Investing and Readiness

The purpose of this project was twofold: to contribute to the development of the social finance sector in Ireland by developing financial instruments for social enterprises; and to support the wide range of social enterprise organisations working within any area that falls under the National Social Enterprise Policy definition. At present, there is no tailored financial instrument or specific statutory budget that fits the needs of the growing social enterprise market. Moreover, there is a lack of investment readiness among social enterprises.

This project sought to address these challenges through a participatory approach beginning at the research phase and continuing throughout the project implementation. The outreach, marketing and networking actions aimed to inform and get ‘buy-in’ from stakeholders in the social enterprise landscape.

The key outputs of the project were to:

- identify and develop suitable social financial instruments that can support social enterprises at different stages of growth in Ireland;
- reinforce the investment-readiness of social enterprises with specific supports; and
- enhance key partners’ institutional commitment to implementing the financial instruments, as well as identify and suggest future potential funding streams.

### The Consortium

The consortium consisted of three partners: Rethink Ireland, Community Finance Ireland and Dublin City University, all leading institutions operating across the supply, demand and research side of social enterprise. This created a strong, experienced team with a solid financial and operational capacity. The consortium was complemented by associate partner, the Irish Social Enterprise Network.

Rethink Ireland, the lead partner, is a not-for-profit national organisation. It seeks to find and back the best social innovations across Ireland; provide them with growth capital and capacity building supports; and enable them to scale and maximise their impact. The organisation uses a venture philanthropy model (employing venture capital investing tools) alongside grants, to create a long-term social and environmental impact. The organisation will be providing investment readiness services to potential investees.

Community Finance Ireland (CFI) is an expert in the supply side of social enterprise finance and will play the role of primary developer of the social finance instrument. CFI is a potential investor in the social finance instrument. It manages a diverse, high-quality loan portfolio and has a track record of excellent credit skills and portfolio management, as well as a genuine understanding of the challenges and struggles the third sector faces.

Dublin City University (DCU) plays the role of academic and research lead. DCU has a long history of teaching, research and engagement in the area of social enterprise in Ireland and is embedded in the Irish and international social enterprise ecosystems. Since the early 1990s it has played a lead role in developing and maintaining the relationships and research required to grow and support this ecosystem in Ireland.

The consortium was complemented by associate partner, the Irish Social Enterprise Network (ISEN). ISEN is the longest established network for social enterprises, social entrepreneurs and social innovators in Ireland.

## 2. Research Findings (Social Finance)

The *Financing Social Enterprise in Ireland - Models of Impact Investing and Readiness* project had two key research elements: mapping the social finance sector in Ireland and developing appropriate evaluation methodologies for the proposed social finance instrument. This section details the results of the research undertaken in mapping the social finance sector in Ireland. Section 3 outlines the results of developing appropriate evaluation methodologies for the proposed hybrid social finance instrument.

### Mapping the Irish social finance sector

The objectives of the mapping the social finance market research included:

- assessing the social finance sector in Ireland by understanding supply and demand, including investment readiness;
- considering the transferability of social finance instruments available in other EU Member States; and
- understanding the sector’s current ecosystem and potential for further development.

While conducting the research and analysis, the research team was cognisant of, and paid particular attention to, the distinctive nature of social finance and its three interrelated elements: instruments, investors and investees. Previous research has noted that the distinctiveness of social finance derives primarily from investee characteristics, but also from the characteristics of investors (particularly their intended returns) and of instruments (Glanzel et al. 2012; European Commission 2020a; European Commission 2020b). In addition, the research team acknowledged the social, political, cultural and legal context of Ireland, the perspectives of key stakeholders and the extent to which a social finance ecosystem approach is already in situ or in the process of being adopted.

This section details the approach adopted by the research team, including:

- the relationship between the literature review, social finance survey, participatory research workshops, sectoral engagement in Ireland and parallel engagement with the other 13 European partners where quarterly sessions proved to be an excellent mechanism to test preliminary findings and clarify queries;
- the findings of the literature review;
- the development of three model financial products, in conjunction with CFI, and their testing at the participatory workshops; and
- the subsequent development of a new model product.

This section concludes with a summary of the key findings.

### Approach Adopted

The research and analysis process involved several distinct elements. First, the research team carried out a systematic literature review. The findings were used, in conjunction with CFI, to devise a number of model financial products that could be useful additions to the Irish social finance ecosystem.

Next, the research team engaged closely in sectoral consultation and with our European EaSI partners to implement the following:

- an initial literature review on social finance markets and social finance ecosystems;
- a substantial user-led/participatory research component, including a preliminary research workshop with the Social Enterprise Committee of the Irish Local Development Network, a survey and four participatory research workshops;
- ongoing engagement with the consortium partners, particularly in relation to potential social finance instruments, led by CFI;
- sector-wide engagement which involved an ongoing process of highlighting the preliminary findings, i.e., trends, challenges, gaps etc., identified with key stakeholders in the social enterprise sector, including existing and potential social finance providers; public policy makers at local, regional and national levels; social enterprise representative networks; and social enterprises; and
- completion of the research related to the development of appropriate evaluation methodologies for the hybrid social finance instrument proposed.

The research team focused on three strands of activity: 1. mapping the existing social finance market in Ireland, including sources of social finance and impact investing; 2. identifying relevant emerging trends in social finance; and 3. conducting a comparative analysis of social finance developments in three EU Member States.

### The social finance ecosystem in Ireland

Mapping the existing social finance ecosystem in Ireland included the following discrete elements:

- identification of all finance providers in the Irish social finance market and social finance funding from outside the Irish market;
- analysis of the existing conditions for financing available to social enterprises in Ireland, including general trends;
- analysis of the Irish experience of social investment bonds (contractual relationships between Government, social service providers and investors);
- examination of the criteria to be met by social enterprise in order to secure each type of funding;
- review of the relative advantage of each form of financing;
- identification of the limitations and constraints arising for social enterprise by virtue of the existing structure of the Irish social finance market; and
- analysis of current Irish Government policy promoting social finance.

## 2. Research Findings (Social Finance) contd.

### Emerging trends in social finance

In relation to the second strand, the identification of relevant emerging trends in social finance, consideration was given to the following:

- blended finance / hybrid funding models and instruments;
- social venture capital funds;
- banks - traditional, sustainable and co-operative banks and credit unions;
- loan guarantee schemes;
- quasi equity;
- crowdfunding platforms;
- angel investors / business angels;
- impact-only return - philanthropists who prioritise social or environmental returns over monetary returns;
- payment-by-results schemes, e.g. social impact bonds and blended returns;
- donation and grant funding;
- technology-driven developments; and
- incubators, accelerators, matchmakers and investment-readiness programmes.

The review also examined the relative success of various funding alternatives and their appropriateness for the Irish social finance market.

### Social finance developments in three EU Member States

The final strand, a comparative analysis of social finance developments in three EU Member States, focused on Portugal, Spain and Slovenia.

### Findings

The findings relating to the social finance ecosystem in Ireland highlight a relatively unsophisticated ecosystem, confusion around the term 'social finance', a narrow range of existing financial instruments and a limited funding base. These findings are confirmed by the participatory research workshops facilitated by the research team, along with other elements, most notably the lack of a developed social finance ecosystem, as highlighted by the Irish Government Economic and Evaluation Service's report Social Impact Investments in Ireland – Learnings from the Pilot Initiative (2016).

The social finance ecosystem remains largely unchanged since 2007; there is an intermediary body, the Social Finance Foundation, and two social lending organisations, CFI and Clann Credo. Apart from EU funding to underpin the development of new financial products by existing social lending organisations, there is no significant external social lender.

In addition to the feedback from the participatory research workshops, the findings are in line with the two social finance studies carried out to date in Ireland, Social Finance in Ireland: What it is and where it's going, with recommendations for its future development (TSA 2003) and Ireland's Social Finance Landscape (O'Leary and Brennan 2017). Despite the significant time between these studies, both highlight the themes identified in this research, i.e., the nature and extent of the social finance ecosystem in Ireland, confusion around the term 'social finance', the narrow range of financial instruments available, and the limited funding base of the Irish social finance ecosystem.

With regards to the second strand, i.e., the identification of relevant emerging trends in social finance, the research found that many social enterprises expressed considerable confusion on the use of terminology including:

- What constitutes finance? Is it debt finance instruments, access to public finance or support to access such finance, new types of contracts, including social impact bonds (SIBs) and payment-by results (PBR) contractual arrangements and/or restricted contracts (social clauses)?
- What is social finance? Is social finance only 'social' if it comes from social economy finance providers, such as co-operative banks and credit unions? Can social finance only be provided by social banks? Secinaro et al. (2020) argue that social finance is distinct from such organisations whereas the European Commission's A Recipe Book for Social Finance (2020b) includes grants as a form of social finance. Is social finance only for social innovations or for social enterprises (Moore, Westley and Nicholls 2012), and is it the same as social investment?
- What are social impact bonds, Sustainable Development Goal (SDG)-related social bonds (AIB 2021), social return on investment, social clauses, impact investing, social outcomes contracts, social innovation, social impact measurement and social impact vs social outcomes?

In addition to finding a lack of clarity around the terminology, the research equally showed confusion around the relationship between sources of finance; types of applications; the nature and type of financial instrument; the type, nature and extent of return; and what is 'social', where is the 'social', and where does it begin and end in the cycle? This lack of clarity was confirmed by responses from the survey and the participatory research workshops (see Appendices I-IV).

In relation to the identification of relevant emerging trends in social finance, the research adopted the EU Commission's social finance taxonomy and examined four broad categories of financial instruments and approaches (2020b) (some of which were distinct, while others were overlapping), including:

- grants and gifts;
- repayable finance, e.g. debt capital;
- semi-repayable finance, e.g. guarantees, mezzanine capital and hybrid capital; and
- equity capital.

The Irish social finance market remains limited in comparison to a number of EU member states, in particular Belgium, Spain and France. That being said, some aspects of the social finance ecosystem are more developed. Two components stand out: the first is the recognition of the importance and usefulness of accelerator and investment readiness programmes, and the second, while broader and slightly more diffuse, is the contribution of local governments in Ireland to supporting social enterprises through mentoring, business development supports and grant aid to social enterprises (See Figure 1 and Table 1).

In addition, the demand side of the system is very desegregated, and the distinct elements have little relationship to each other. For example, the Approved Housing Bodies (AHBs), such as Clúid Housing with approximately 9,300 units or Tuath Housing with 8,200 units, do not have a problem accessing finance. Early-stage social enterprises, including co-operatives, are often eligible for state grant aid through a number of programmes, e.g. SICAP, CE, LEADER or CSP, though there are often obstacles.



## 2. Research Findings (Social Finance) contd.

Figure 1 Key areas in the assessment of the social finance market



Following consultations with members of the EaSI consortium and engagement with our European partners, it was agreed that the research team would review the experience of Portugal, Spain and Slovenia in relation to the comparative analysis of social finance developments. This complemented the work carried out by CFI in WP3, identifying best EU practices to adapt to the Irish context. In relation to the three analyses, it is important to note that, along with the considerable recent research available on the three member states, the research team was able to participate in quarterly discussions with EaSI partners from 13 other EU member states, including Spain. These meetings proved to be an excellent augmentary process.

In relation to the three member states, there was considerable documentation to signify that the following were considered relevant:

**Portugal** - The significant capacity of the Portuguese public authorities, public agencies and intermediaries to manage EU funds in a social enterprise-facing manner appears to have been a major contributor to the success of their efforts to further develop the social finance ecosystem in Portugal.

The loan guarantee scheme was considered the most beneficial and straightforward financial instrument. There was a recognition that building capacity in the social finance ecosystem involves real costs and these need to be considered.

**Spain** - In addition to the work of a wide variety of regional co-operative banking networks, particularly in the Basque country, there was considerable evidence of well-designed and successful crowdfunding/ crowdlending initiatives, for example Social Bolsa. Furthermore, there were several promising initiatives where municipal authorities partnered with social finance providers to develop and manage crowdfunding initiatives.

**Slovenia** - There are several areas where Slovenia's experience and existing policy framework appeared very similar to Ireland. These included its SME-influenced policy approach, as distinct from a social economy-influenced approach, and the embryonic stage of its social finance ecosystem. Another similarity was its strong interest in donation-based crowdfunding platforms, similar to Hoojandja, and the equity-based crowdfunding platform, Fundwise, both located in Estonia.

Source: European Commission (2020b: 51)



## 2. Research Findings (Social Finance) contd.

Table 1 Categories of financial instruments

	Grants/Gifts	Repayable Finance	Semi-repayable Finance	Equity Capital
Demand	<p>✓</p> <p>Current default model of funding for vast majority of social enterprises (CSP, CE, SICAP, LEADER).</p> <p>Marked reluctance to move from grant model of funding.</p>	<p>✓</p> <p>Appears to be a consolidation of the norm of repayable finance for social enterprises with some exceptions.</p>	<p>✓</p> <p>Definite sectoral interest but marked reluctance to move from default grant model of funding or reordering of the grant, income or social finance mix.</p>	<p>✗</p> <p>Very significant resistance to allowing equity capital. Perceived to be against the values of the sector.</p>
Supply	<p>✓</p> <p>A wide variety of state grants available through local and national agencies.</p> <p>Numerous examples of philanthropic giving and utilisation.</p> <p>Consolidation of the role of philanthropic intermediaries.</p>	<p>✓</p> <p>SFF, SLOs, commercial banks and some credit unions provide access to such finance.</p>	<p>✗</p> <p>Some examples of loan guarantee schemes</p>	<p>✓ and ✗</p> <p>CLG legal form, charitable status and cultural barriers are obstacles for most social enterprises.</p> <p>Examples are primarily in AHB sector</p>

Source: European Commission (2020b)

Both the completed sectoral consultations, along with the research findings, accord that the demand for repayable resources is still not very high in Ireland. This is not particularly unusual and would appear, from the research team’s consultation with the 13 EaSI partners, to be replicated in many EU member states.

On the supply side, the traditional banking sector appears to be able to meet a substantial amount of the demand for repayable resources. This appears to be the case, especially in countries where social enterprises are widely acknowledged and regulated (OECD 2017; Lyon and Owen 2019), and evidence would suggest that new suppliers are entering this market segment. That said, the main problem is that repayable resources are mostly shaped according to a traditional investment rationale, expecting high and short-term returns that social enterprises are unable to guarantee.

Another issue worth highlighting is that there’s limited evidence that conventional financial institutions are ready to invest in social enterprises in many EU member states, including Ireland, Estonia, Malta and Portugal. Equally, social enterprises in many EU member states are not yet ‘investor-ready’ (European Commission 2020a; European Commission 2020b).

The United Kingdom, while no longer an EU member state, is an interesting case in point. Against an alleged gap in finance, the policy response has been to increase the availability of debt finance, including the establishment of a government-facilitated social impact investment wholesaler, Big Society Capital, and promote the development of the UK social impact investor. Big Society Capital is funded by English dormant bank accounts, and the four main UK high street banks: Barclays, HSBC, Lloyds Banking Group and Natwest Group. This response has been criticised by stakeholders for two main reasons. First, there is limited evidence that the social investment, particularly social impact bonds, has supported capacity-building or innovation (Huckfield 2020), and second, it is not the most convenient means of raising capital, given the availability of debt finance supplied by traditional banking institutions at less expensive rates (Commission on Social Investing 2020).

In light of this, the main challenge seems to be to make a complex and broad spectrum of financial instruments available to social enterprises that are tailored to their diverse needs in the different phases of their life cycles. Of particular interest are crowdfunding initiatives, including equity crowdfunding and funding from venture philanthropy that have been supported by EU initiatives,

especially in the context of the EaSI programme. Additional funding opportunities were also highlighted by the research workshops and the sectoral consultees, for example long-term ‘patient capital’ from community shares that provide investment into infrastructure.

Finally, there was evidence that bespoke hybrid financial instruments present an opportunity to develop the social enterprise sector and build a more incentivising social finance ecosystem. However, there wasn’t a single, and immediately transferable, model of hybrid financial instrument available. There were important differences in the elements of such a hybrid financial instrument, for example crowdfunding, crowdlending, national public (municipal or state) funds, philanthropic investment, EU investment through a form of loan guarantee, and investment from social and co-operative banks (Rodert and Zvolská 2015).

### Participatory Research Workshops

A preliminary workshop was held on 22nd April 2021 with the members of the Social Enterprise Committee of the Irish Local Development Network. This workshop provided an opportunity to test the technology and the research team’s approach to running an online research workshop. In addition, the preliminary workshop provided an opportunity to discuss the findings of the initial literature review with the key social enterprises’ support staff in Ireland and request input into the final design of the draft survey instrument. The members of the committee also agreed to disseminate the survey instrument when it was finalised and to advertise the participatory research workshops when the schedule was agreed.

The participatory research workshops were held online on 5th, 12th and 26th November 2021. Each of the workshops had a separate theme exploring issues encountered by social enterprise. The workshop themes were informed by responses to the survey conducted by the research team earlier in the project (see Appendix IV for details). The final workshop was held on 5th May 2022.

The workshop themes were:

- organisational structure, form, status and potential relationships with a group structure;
- nature and extent of relationships with social finance providers and credit unions; and
- social impact reporting and investment readiness.

These topics were agreed with the project team and consortium partners and were approved to match with the financial proposed products arising from the analyses carried out by DCU and CFI.

The workshops commenced with an introduction to the EaSI project, the consortium partners and its EU-wide scope, followed by an overview of the project objectives, the research methodology and

the expected outputs. Participants were given details of the project website and social media. Participants were also provided with the project email and were encouraged to get in touch if they wished to share anything related to social enterprise finance. Several of the workshop participants were in contact about the project with helpful insights and observations. These contributions are included in the analysis which follows.

Most of the participants engaged with the social finance survey conducted by the researchers, and the workshops presented an excellent opportunity to share some of the survey findings with these participants. A custom-designed summary of the findings relating to each of the workshop themes was presented at each workshop. This was followed by an online presentation exploring the specific workshop theme. The presentation content was informed by social enterprise challenges reported in the literature, as well as issues raised by respondents in the aforementioned survey. Following this presentation, participants were asked to respond to a series of questions relating to the workshop theme via the Zoom chat function.

In the second half of the workshop, participants were divided into three online breakout groups and were introduced to a different model social finance instrument: loan guarantee, crowdlending and quasi equity. The three model instruments, designed in collaboration with CFI, were a form of repayable social finance and were chosen based on their successful operation in other jurisdictions. This was confirmed by literature on social enterprise finance and official EU reports. CFI also conducted broad-ranging interviews with social finance providers across Europe to fully understand the process and operations of the products. This thorough research preparatory phase ensured the model products’ designs were realistic and workable.

During each breakout session, participants were presented with details and a full explanation of one model product. The presentations covered the means by which the funding might be sourced and the obligations on social enterprise borrowers, including repayment obligations and possible consequences of failure to repay. It was made clear to participants that these products were designed for research purposes and did not actually exist in the market.

Participant engagement was excellent in each of the workshop sessions and breakout groups. Many of the attendees were from large, well-established social enterprises and all had significant experience in and in-depth knowledge of the social enterprise sector in Ireland. Participants asked plenty of questions to ensure they understood the products.

## 2. Research Findings (Social Finance) contd.

The overall reaction to the project and the model products was very positive. The quasi equity product was the least popular. There was interest in crowdfunding, especially if there would be local authority involvement as an intermediary platform or fund matcher. Participants appeared to be most comfortable with the loan guarantee product, although there were some comments concerning state welfare initiatives being funded by private organisations taking on debt finance. There was an overriding view that the loan guarantee product had the potential to empower social enterprises, giving them the opportunity to demonstrate their ability to repay debt and acquire a credit rating without having to resort to personal guarantees.

In general, there was a strong opinion that all of the products were complex, and the participants queried whether the Irish social enterprise finance ecosystem was ready for them. There was also discussion regarding the ongoing reliance of many Irish social enterprises on donations and grant funding. These comments accorded with the findings of the social enterprise finance survey carried out by the research team in 2021.

There was much commentary on the fact that many Irish social enterprises are not investment ready. Many appear to have no experience of debt or investment finance and there is a view that there is limited support available to help these organisations move to investment readiness. In addition to the lack of investment readiness supports, there was also significant discussion about the lack of social enterprise business supports generally.

The results of both the survey and the workshops were shared with the wider project team. This data was also combined with the data collected from the DCU research team's literature review and the research undertaken by CFI. The combined findings suggested that there would be a benefit in conducting a fourth workshop with a fourth model product. The research also indicated this product would need to be more straightforward, provide a transitional route between grant funding and debt or equity finance, and include supports for the business to maximise the likelihood of success in terms of repayment and achieving the target social impact.

After evaluating all of the research inputs, the project team decided that this fourth product should be a repayable/non-repayable finance hybrid product with wrap around, tailor-made, non-financial business supports. The model product was designed by CFI and Rethink Ireland. A fourth participatory research workshop was designed and delivered by DCU and the workshop findings were shared with the entire project team.

The final proposed product was presented to a fourth participatory workshop on 5th May 2022. Unlike the three initial workshops, the

fourth did not have an overarching theme. The purpose was solely to elicit reaction to the fourth model product.

The product was described to participants as follows:

- €50,000 finance over five years made up of 50% non-repayable and 50% repayable finance, to be supplemented by non-financial supports tailor-made to each social enterprise. The value of non-financial supports to be €10,000 - €20,000;
- Aimed at early-stage social enterprises or social enterprises entering new markets that would probably be first-time borrowers. Inability to demonstrate repayment capacity based on trading records, coupled with no assets or collateral and no community of followers, makes these organisations unattractive to traditional lenders. At the same time, their commercial focus excludes them from fundraising and/or accessing certain grant aid; and
- With the objectives of providing lending without a need for personal guarantees and allowing social enterprises to develop a credit record. The social lender delivering this product would undertake careful due diligence, determine the social impact and identify a successful business case and repayment capacity, with the aim of minimising the potential for default across the portfolio (see Appendix VI for details).

The workshop participants were very encouraged that the product design considered the experiences of social enterprises and allowed for access to a relatively large tranche of funding at start-up phase. The fact that it could facilitate access to finance without audited accounts or a trading track record was seen as a significant plus, as was the elimination of the need for personal guarantees. The addition of business supports was also seen as a very positive feature of the product.

Workshop participants suggested exploring the possibility of peer learning during the provision of non-financial supports. The participants observed that many of the government's business supports did not extend to social enterprises with a start-up idea that had yet to be developed, but they did suggest that such support could be a product add-on to help start-ups benefit from this finance.

There was some concern that engagement with non-financial supports could be too much of a commitment for busy early-stage social entrepreneurs. It was also seen as critical that non-financial supports be tailor-made for each social enterprise.



### 3. Research findings (evaluating social finance instruments)

As noted above, the Financing Social Enterprise in Ireland - Models of Impact Investing and Readiness project had two key research elements. The first related to mapping the social finance sector in Ireland and the second to the development of appropriate evaluation methodologies for the proposed social finance instrument. This section details the results of the second element.

The objectives of the research were:

- to develop and test a set of indicators that appropriately capture effectiveness of the existing social finance instruments, and to design guidelines and replicable practices to that effect; and
- to develop and test means for evaluating financial instruments with the majority of the research focusing on effectiveness and equity.

It is important to note that the project's original aim was to develop and test a financial instrument with social enterprises, and that the research objectives, as they related to evaluating social finance instruments, were to develop and test evaluation instruments against this live test. Due to the global pandemic and the subsequent constraints on the project's activities, however, this was not possible. As such, an alternative approach was adopted in conjunction with the consortium partners.

The research team reviewed published studies and experiences to evaluate social finance instrument projects. This review was distinct from the other research undertaken, as it focused more narrowly on evaluating social finance instruments, rather than focusing more broadly on the Irish sector. A key focus of this research was to identify actionable research insights that could help inform the evaluation approach the project would take. The review was presented as an annotated bibliography with commentary, for distribution among EaSI partners. An interim report was also produced on these instruments.

#### Discussing complex blended/hybrid finance instruments Workshops

There is considerable literature on the challenges of evaluating such finance instruments, as well as the complexity of these instruments (OECD 2021). A key challenge in evaluating such instruments involves the use and application of different types and models of hybrid finance by social lenders / social finance institutions. This "heavily influences the scope and specificities of interventions that evaluations need to cover" (OECD 2021, 12). Another challenge relates to the evaluation of long and complex value chains which are often inherent to hybrid social finance interventions. In such cases, the expectation is that those involved in evaluating hybrid social finance instruments need to combine different tools to answer their evaluation questions.

Sometimes even minor differences in funding can have a significant effect on the performance of the blended finance intervention without always being obvious. Moreover, evaluating hybrid finance instruments require financial sector experts, who are often difficult to find and quite expensive, as well as evaluators qualified to assess social impact. For the purposes of the Financing Social Enterprise in Ireland - Models of Impact Investing and Readiness project, it is proposed that the social lending organisation will assess the finance element of the hybrid social finance instrument and the main social lending organisations in Ireland have developed considerable expertise in this area.

#### Measuring social impact

A key finding of the survey and participatory research workshops was the lack of experience many social enterprises exhibited in measuring or assessing their impact. Social enterprises in receipt of public funds, specifically those managed by the Irish state-sponsored organisation Pobal, who is mandated to administer and manage government and EU funding aimed at supporting social inclusion in the country, were more experienced, but confusion persisted over what constituted impact as opposed to outputs, outcomes or even social value. As Reynolds et al. (2018, 1) observed, there was "a lack of common understanding about exactly what impact measurement is and what it entails [leaving] many organisations without a playbook for designing and implementing an impact measurement programme".

At its most straightforward, measuring social impact:

- demonstrates the value of the social enterprises' work to funders, lenders, donors and community and corporate partners;
- allows managers to better understand what works within the social enterprise and constitutes a form of management information and business intelligence; and
- from a funder's perspective, is a fundamental requirement of any policy initiative as it shows whether a programme has achieved policy intent.

That being said, measuring social impact is not straightforward. For example, a leading proponent of such measures, Social Value Ireland (2023) outlines four widely used approaches:

- social impact analysis;
- social return on investment analysis;
- social cost benefit analysis; and
- social accounting and audit.



However, as noted above, few social enterprises participate in such measures, and there is evidence that both social enterprises and social lending organisations rarely engage with impact measurement to establish legitimacy prior to their engagement and in the early stages of their relationship (Lall, 2019). The research undertaken for this project found that social enterprises and social lending organisations recognise that performance measurement and reporting standards are important and enable social enterprises to report on impact, return and risk profile. In addition, there was recognition that if properly designed, such measures would also enable better management decision making, and promote transparency and increased confidence in the information disclosed to stakeholders, including public funders and social lending organisations.

Internationally, the need to evaluate social finance has driven a process of standardising information about social finance and has "led to the emergence of impact measurement and reporting systems" (Andrikopoulos 2020, 7). It has been claimed that such standardisation, primarily driven by investors, was required to reduce the "uncertainty about blended (social and financial) value and to reflect the priorities of a large network of impact investors" (2020, 8).

The development of standardised social impact measurement and reporting systems is based on the expectation that the demand for information by funders and social lending organisations will result in the production of structured information, such as reports and metrics. The availability of this information will, in turn, reduce the uncertainty that funders and social lenders perceive and lead to more funds being made available to social enterprises, hopefully resulting in a "bidirectional" (Andrikopoulos 2020, 7) relationship between the development of accepted social impact measurements and the growth of the social economy.

It is important to note that the discourse in Ireland relating to the measurement of social impact remains at quite an early stage of development and therefore the research undertaken for this project finds that there is limited capacity amongst many social enterprises to engage in such measurement and analysis. Furthermore, the capacity amongst public funders and social lenders in Ireland to assess and evaluate such impact measurement is, with some limited exceptions, still at a developmental stage. When compared to Germany where almost 68% of the surveyed social entrepreneurs regularly track the achievement of their impact goals (Hoffmann, Scharpe and Wunsch, 2021), the scale of the challenge becomes clearer.



### 3. Research findings (evaluating social finance instruments) contd.

Figure 2 What is social impact?

Input	Output	Outcomes	Impact	Social Value
The costs involved in delivering the Award (to the National Award Operator, Award Unit, participant, volunteer, supporter etc.)	Participants undertake regular activities in four main sections: Physical Recreation, Voluntary Service, Skills and Adventurous Journey (and Gold Residential Project)	Participants develop social and emotional capabilities such as: <ul style="list-style-type: none"> <li>Confidence</li> <li>Managing feeling</li> <li>Communication</li> <li>Problem Solving</li> <li>Resilience and determination</li> <li>Creativity and adaptability</li> </ul>	This leads to longer terms impacts, such as: <ul style="list-style-type: none"> <li>Improved employability and earning potential</li> <li>Improved physical health and fitness</li> <li>Improved mental health and emotional wellbeing</li> <li>Increased engagement with charitable and community causes</li> <li>Improved environmental impact</li> <li>Increased social cohesion</li> <li>Reduced offending</li> </ul>	The financial value of the impacts on an individual and community, identified using welfare economics. Including: <ul style="list-style-type: none"> <li>Value generated for charities through participants' volunteering</li> <li>Value produced through improved health and wellbeing of participants</li> <li>Value experienced by Award volunteers through training</li> <li>Value created through increased life satisfaction of participants</li> </ul>

Source: Pobal 2022

It is also important to note that international organisations, including the International Labour Organisation (ILO 2015) and the Organisation for Economic Co-operation and Development (OECD 2021), stress the importance of a shared understanding of social impact measurement and note that, despite the claims of some, the "concept and practice of social impact measurement need to be clarified and streamlined" (OECD 2021, 13). The lack of a clear and agreed definition of social impact makes it difficult for stakeholders, in particular social enterprises and social lending organisations, to understand and translate it into meaningful practices. As noted above, several methods exist to measure social impact, but they are not necessarily consistent among themselves or adapted to the Irish social enterprise ecosystem (see Figure 2).

An important contribution to promote social impact measurement would be for public bodies, particularly those funding social enterprises, to implement a range of possible initiatives to:

- improve the policy framework;
- deliver methodological guidance;
- produce impact evidence; and
- support capacity development (see Figure 3).

The four categories are neither exhaustive nor mutually exclusive. Oftentimes, policy-level initiatives will embed and set the stage for other, more operational activities, such as capacity building.

Figure 3 Policy initiatives to support social impact measurement for social and solidarity economic organisations



Source: OECD (2021, 17)

What would an effective evaluation approach look like?

The proposed financial instrument is a hybrid social finance model which includes:

- a repayable loan;
- a non-repayable loan; and
- a programme of non-financial business supports.

The programme of non-financial business supports is composed of two distinct, though related, components. The first component involves mandatory participation in a bespoke accelerator providing training in four core areas:

- impact management;
- communications;
- sustainability and strategy; and
- equality, diversity and inclusion.

The second component relates to building capacity and resilience in the first two years of operation.

The participatory research workshops highlighted the concerns of social enterprises regarding how social impact measurement, against which they might be required to report, would be determined. In other jurisdictions social enterprises can choose from a menu of social impact measurements (Lall 2019). Therefore, while social enterprises can have some flexibility in selecting measures that are appropriate for them, it is likely that they may initially find the measurement process an additional burden, but in time they are likely to see its value (McGuinness et al. 2019).

In this regard it is important to note the lessons of the My Journey initiative that measures social impact. This initiative, developed by Pobal service recipients and development organisations, aims to identify goals and to show progress on achieving them over time. It is a quick and easy questionnaire suitable for anyone 15 years and older, and can be used in individual and group settings. It is designed for repeat use to show what has changed (Pobal 2020).

In this context the recommendation is to adopt a collaborative and composite approach to the evaluation. In addition, the advice is to evaluate the discrete components of the hybrid social finance instrument separately, while retaining an overarching view of the social finance instrument.

This approach will necessitate the equivalent of a collaborative 'case work' approach to each investee whereby representatives of the social lending organisation, the non-repayable loan provider, the accelerator provider and the project manager, work together to evaluate the pilot programme. In addition, and building on the experience of other jurisdictions, the recommendation is to involve the social enterprise in the selection of the appropriate social impact measure (Mazzei et al. 2020).



### 3. Research findings (evaluating social finance instruments) contd.

Table 2 Evaluating recipients of the hybrid social finance instrument

Component	What is being evaluated?	Who is evaluating?	Basis of evaluation
1.	Participation in accelerator programme	Accelerator provider	Achieving agreed programme learning outcomes, including: (a) attendance; (b) completion of development goals, e.g. draft strategy; and (c) agreeing a social impact measurement and reporting process.
2.	Drawing down of repayable loan	Social lending organisation	Standard debt finance evaluation criteria, e.g. meeting repayment schedule requirements.
3.	Drawing down of non-repayable loan	Social lending organisation and accelerator provider on behalf of the public funder or philanthropic funder	Completion of Component 1 and meeting ongoing requirements of Component 2 (repayable loan).
4.	Building capacity and resilience in the first two years of operation	Capacity and resilience programme provider	Achieving agreed programme learning outcomes, including: (a) completion of agreed development goals; (b) avoidance of mission drift; and (c) meeting ongoing requirements of Component 2 (repayable loan).

A key recommendation is that the partners overseeing the delivery of the hybrid social finance instrument devise an agreed set of protocols to govern the distinct 'evaluatable' components. These partners could include the:

- accelerator programme provider;
- social lending organisation;
- capacity and resilience programme provider; and
- public funder and/or philanthropic funder.

As noted above, social enterprises often simply report on input metrics such as the budget or the number of participants completing a programme. These fall short of measuring the impact one might expect an initiative to have. This is due in part to the following:

- lack of investment in monitoring and evaluation;
- low capabilities in monitoring and evaluation among those delivering new programmes;
- lack of clearly defined and agreed concepts, for example what specific competences might be expected to establish a successful social enterprise; and
- key performance indicators.

A common misperception is that evaluation is only applicable at the end of a programme. On the contrary, it is critical that monitoring and evaluation occur at all stages of the social finance instrument life cycle (OECD 2023). The key evaluation inputs in the early stages of impact measurement consist of a needs diagnosis, which involves collating data on:

- problems faced by the target groups that the social enterprise proposes to work with;
- current activities; and
- options for addressing the needs.

It also involves ex-ante evaluations, which can be used to assess the proposed activities' relevance and coherence, as well as agree key performance indicators and procedures for subsequent evaluations. Recent evaluation evidence underlines the importance for social enterprises to design initiatives with specific objectives and target groups in mind.

When agreeing the social impact measurement with the social enterprise, it is important to consider a range of factors:

- **Relevance:** to what extent is the social enterprise's proposed initiative aligned with the priorities of the proposed target group and its programme objectives?
- **Effectiveness:** are the initiative's objectives being achieved?
- **Efficiency:** are there more resourceful ways of implementing the proposed initiative?
- **Impact:** what are the expected positive and negative changes, including intended and unintended aspects, to the participants following their participation in the proposed activities?
- **Sustainability of the proposed activity:** are the benefits of the initiative likely to continue into the future (OECD 2023)?

Evaluating the proposed hybrid social finance instrument is challenging for several reasons. First, many organisations, including public, private and civil society organisations, have very limited capacity to evaluate such initiatives. This is expected; the research findings of organisations, such as the OECD, have clearly highlighted such gaps in capacity. Second, many social enterprises are equally challenged to evaluate their impact. This reflects the confusion surrounding the use of the term 'impact', the heretofore limited use of impact measurement methodologies, and many social enterprises' lack of capacity.



## 4. Conclusions

Following the completion of both research components, the research team, in conjunction with our EaSI partners, draws a number of conclusions:

- the Irish social enterprise finance ecosystem is in the early stages of development but is ready for development;
- many Irish social enterprises continue to be dependent on grant aid and have chosen charitable status to access this funding;
- social enterprises tend to have quite limited experience with debt finance and equity investment;
- exclusion from historic sources of finance is a concern for social enterprises that are considering newer financial instruments designed around debt or quasi equity;
- social enterprises recognise that engaging with finance outside of grant aid could be a catalyst to growing their social impact, but need assistance in moving from grant dependency to becoming self-financing;
- social enterprises need greater investment readiness and business development supports;
- a hybrid non-repayable/repayable finance product with business supports would meet the needs of many early-stage Irish social enterprises;
- very few social enterprises measure their social impact in a systematic manner; and
- there is limited capacity within public authorities and amongst social enterprises to effectively measure social impact.

In the context of a significant increase in social enterprise and social finance providers in Europe, there is a “compelling argument to study both phenomena together” (Lall 2019, 574). Social enterprises increasingly rely on social lending organisations to fund their growth, and social lending organisations spend considerable effort in identifying, screening and assessing social enterprises as potential investees. Given the focus on a shared social mission, measuring social impact is a critical component of this relationship (Glänzel and Scheurle 2016; Grimes 2010; Miller et al. 2010). By using impact measurement as a mechanism to develop and manage their own performance and their relationship to each other, both social enterprises and social lending organisations can succeed.



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## Appendix I

### EaSI Social Finance Project survey results summary

The following are some high-level results from the survey. The survey was commenced 360 times and was validly completed 180 times. Only data from the completed surveys is included.

#### 1. In what year was your Social Enterprise established?

Just over one third were established more than 20 years ago. One quarter are less than five years old.

#### 2. Is your Social Enterprise urban or rural-based?

- 33% Urban
- 39% Rural
- 28% Both urban and rural

#### 3. What is your Social Enterprise's annual turnover?

- 38% Less than €50,000
- 29% Between €50,000 and €200,000
- 33% More than €200,000

#### 4. What is your Social Enterprise's annual unrestricted traded income?

- 41% Less than €20,000
- 34% Between €20,000 and €100,000
- 24% More than €100,000

#### 5. What percentage of your income is derived from traded income?

- 20% Less than 10%
- 50% Less than 50%
- 20% More than 80%

#### 6. How many employees does your Social Enterprise employ? (full-time equivalents)

- 56% Less than 5
- 28% Between 5 and 10
- 17% More than 10

#### 7. What is the primary activity of your Social Enterprise?

Most of the respondents fall into the following categories of activity, with many operating in more than one category:

- Community / Sport / Social Inclusion / Local Development (Over 40%)
- Health, including Disability, Mental Health, Age-Related Health (Over 20%)
- Employment
- Environment
- Education and Training
- Food
- Housing
- SE Support

#### 8. How is your Social Enterprise incorporated?

- 68% Company Limited by Guarantee (CLG)
- 7% Private Company Limited by Shares (LTD)
- 6% Unincorporated Social Enterprise / Sole Trader
- 5% Co-operative
- 4% Designated Activity Company (DAC) Limited by Guarantee
- 1% Designated Activity Company (DAC) Limited by Shares
- 1% Unlimited Company
- 1% Partnership
- 6% Other

#### 9. Is your Social Enterprise part of a group of organisations i.e., is it made up of parent and subsidiary organisations?

- 80% No
- 20% Yes

#### 10. Does your Social Enterprise have charitable status?

- 59% Yes
- 36% No
- 6% Status Pending

#### 11. When your Social Enterprise was originally established, which of the following sources of funding/finance were used? Choose all that apply.

- 56% Government Grants
- 47% Donations
- 36% Other Grants (e.g. LEADER, SICAP)
- 29% Personal Funding
- 21% Member Fees
- 16% Philanthropy
- 13% Family/Friends/Local Community (Interest Free)
- 13% Bank Loan
- 9% Social Finance Provider Loan (e.g. Community Finance Ireland / Clann Credo)
- 8% Government Contracts
- 5% Private Investment (Interest Free)
- 3% Credit Union Loan
- 2% Family/Friends/Local Community (Interest Bearing)
- 2% Crowdfunding (Interest Free)
- 1% Crowdfunding (Interest Bearing)
- 1% Private Investment (Interest Bearing)
- 6% Other

#### 12. What are your Social Enterprise's primary sources of funding/finance at the moment? Choose all that apply.

Please scroll down to view all available options.

- 76% Traded Income
- 64% Government Grants
- 35% Other Grants (e.g. LEADER, SICAP)
- 34% Donations
- 18% Member Fees
- 16% Philanthropy
- 9% Social Finance Provider Loan (e.g. Community Finance Ireland/ Clann Credo)
- 8% Government Contracts
- 8% Personal Funding
- 7% Bank Loan
- 5% Family/Friends/Local Community (Interest Free)

- 3% Credit Union Loan
- 2% Crowdfunding (Interest Free)
- 1% Family/Friends/Local Community (Interest Bearing)
- 1% Crowdfunding (Interest Bearing)
- 1% Private Investment (Interest Free)
- 1% Private Investment (Interest Bearing)
- 7% Other

#### 13. Other than small credit card balances or small overdrafts, has your Social Enterprise ever found itself in a situation where it needed to borrow to fund/finance day-to-day expenses?

- 77% No
- 23% Yes

#### 14. If YES, what was the source of this finance? Choose all that apply.

- 43% Traditional Bank Overdraft
- 25% Traditional Bank Loan
- 40% Social Finance Provider (e.g. Community Finance Ireland / Clann Credo)
- 18% Family/Friends/Local Community (Interest Free)
- 10% Credit Union Loan
- 3% Family/Friends/Local Community (Interest Bearing)
- 3% Factoring
- 0% Credit Union Overdraft
- 15% Other

#### 15. Was this borrowing secured?

- 50% Yes
- 50% No

Selected comments for not securing borrowing:

- "If we were not part of a Local Development Company we would have been in trouble with the business model of having to purchase the materials up front [to] complete the work but only get the grant after the work was done and inspected. The interest on an ongoing bank overdraft of that size would have been unsustainable for the enterprise."

## Appendix I

- "We could not access funding due to falling between the cracks of private business and charity at a time when social enterprise was not widely understood. This is still an issue and we are considering changing our structure to a cooperative but will likely not access funding to make this change easier."
- "2 of our main staff have had to chip in out of their savings via short term loans to ease cash flow crises at different points."
- "Family and friends helped but as a Cooperative we are barred from most traditional means of funding. The current definition of Social enterprise also excludes us from that stream."

Selected comments where the respondents did secure borrowing:

- "Doing a renovation of the facility and required bridging loan... to secure payment cover until drawdowns of grants can be met."
- "Board Members personally liable for Credit Union loan."
- "We had to place our own money in an account to secure the overdraft."

### 16. Has your Social Enterprise ever borrowed to fund the strategic growth of the enterprise?

70% No

30% Yes

### 17. If YES, what was the source of this finance? Choose all that apply.

51% Social Finance Provider (e.g. Community Finance Ireland / Clann Credo)

43% Traditional Bank

19% Family/Friends/Local Community (Interest Free)

11% Credit Union

11% Leasing/Hire Purchase

2% Family/Friends/Local Community (Interest Bearing)

15% Other

### 18. Was this borrowing secured?

62% Yes

38% No

Selected comments where the respondents were able to secure borrowing:

- "Based on incoming grant aid LEADER."
- "One of the loans had to have personal Guarantees from two directors. In another case the equipment was hire purchased."

Selected comments where the respondents weren't able to secure borrowing:

- "Relatively small loan."
- "Bridging Loan pending grants being paid."
- "Personal loan guarantee."
- "Against property."

### 19. Do you envisage your Social Enterprise borrowing in the future?

53% Yes

47% No

### 20. If YES, what source of finance will you consider? Choose all that apply.

73% Social Finance Provider (e.g. Community Finance Ireland/ Clann Credo)

39% Traditional Bank

33% Credit Union

18% Leasing/Hire purchase

17% Family/Friends/Local Community (Interest Free)

9% Family/Friends/Local Community (Interest Bearing)

10% Other

### 21. Has your Social Enterprise ever had the benefit of a loan being guaranteed by another person or entity?

86% No

9% Personal Guarantee

5% Other Guarantee

### 22. If your Social Enterprise was provided with the appropriate supports to organise it, would you consider using crowdfunding to finance the growth of your Social Enterprise?

82% Yes

18% No

Selected reasons for not considering Crowdfunding:

- "It does not fit with our mission."
- "As a Local Development Company we avoid competing with our communities so leave crowdfunding and such to the local communities to finance their own local projects."
- "We don't seek donations from the public."
- "Tried it and not successful!"
- "Too much hassle and we are providing a service that saves the government money. Maybe the government should step up."

- "Good relationship with Bank and unfamiliar with the process."
- "Subject to government contract funding criteria and conditions."
- "I know nothing about it."
- "Because we are a voluntary organisation with registered charity status."
- "It's a waste of time, distracting from the work, producing erratic amounts of money and impossible to plan for."
- "Inability to predict income."
- "Don't like the impression it gives to the wider public. Not mainstream enough."

### 23. Would your Social Enterprise consider using private investment to grow? This could require shareholder involvement in governance and control and/or the payment of dividends to investors/shareholders.

50% Yes

50% No

Selected reasons for not considering private investment:

- "We are a company limited by guarantee, we do not have shareholders and our board are all volunteers. That would be a large undertaking, so I don't think we are in a position to think about that now."
- "It is a social enterprise with social impacts where the traded income goes back to our organisation, so we could continue [to] advance our mission and objectives."
- "Charitable Status."
- "It would not be appropriate with regard to our constitution, our objectives and governance."
- "Reluctant to look at payments of dividends to investors as an option."
- "It would not fit with the mission of the organisation."
- "Would make running of the organisation more difficult and time consuming."
- "Governance of CLG companies require no ownership."
- "Unfamiliar with the process."
- "We operate with a voluntary board, no shareholders."
- "We are a charity and would wish all our funds to be used and reinvested in the charity."
- "Don't think it would be suitable as we are non-profit and don't see how we could attract shareholders."
- "This is just a mechanism for the Social Enterprise to be taken over by the private sector and simply become an economic initiative, missing out on real social engagement and impact."
- "Lose our autonomy."
- "Voluntary run board of directors. Our raison d'etre is to provide services for the community. Potential private investment may seek to alter aims/goals. All earnings are reinvested in the community centre. Potential payment if dividends would impact this."

- "Our Constitution prohibits same."
- "Our club ethos is very strong and we would be concerned about shareholder interference. We don't aim to make money, we provide a service to the community."
  - "As a charity and a not-for-profit entity we don't think that would sit well. Philanthropy is one thing investment another."
  - "We feel that paying of dividends wouldn't match our ethos as a charitable organisation."
  - "Like independence."
  - "No shareholders."
  - "It may dilute our charitable aims and sidestep the wishes of our volunteers."

### 24. Does your Social Enterprise formally measure/report its social impact?

73% No

27% Yes

### 25. Would your Social Enterprise consider agreeing to certain performance/impact targets (related to your Social Enterprise purpose) in order to access finance?

90% Yes

10% No

Selected reasons for answering No:

- "Again we are a not for profit and for the benefit of the community."
- "The answer, may be 'yes or no' depending on the performance/impact targets."
- "It would really depend on what they are, and who set them. We are already tied to a set of targets via government funding, and more could just complicate things."
- "We are a CSP Programme. Our performance is reported to Pobal."
- "Finance would have to be at very low interest to make it attractive".
- "Not sure what that means."
- "It would simply lead to the Enterprise being taken over by the financial/economic sector to serve their purposes."
- "These are not required to access finance for mainstream organisation, why would social enterprise be any different?"

## Appendix I

### 26. Has your Social Enterprise experienced any of the following issues accessing finance

Choose as many as apply.

Please scroll down to view all available options.

78% Unsuccessful grant funding application

41% Difficulty identifying suitable sources of available finance

32% Restrictions on or inadequate level of funding offered

15% Excluded from grant funding due to incompatible call deadlines

14% Failure to raise adequate match funding

12% Requirement to sign personal guarantees to access funding

9% Inadequate communication/explanation of terms and conditions attached to finance

9% A slow no from a finance provider

9% Refusal of loan application by traditional bank

6% Failure to raise adequate funding by crowdfunding

5% Refusal of loan application by credit union

5% Refusal of loan application by a social finance provider

5% Difficulty in providing required due diligence information to finance provider

13% Other

### 27. Has your Social Enterprise ever had to limit its delivery of social impact due to a lack of finance/funding?

57% Yes

43% No

Selected reasons for answering yes:

- "Without funding you cannot grow the enterprise and hence its positive impact is hampered."
- "Finding it extremely difficult to understand how move [to] forward without using my own money to do so as I cannot manage the selling myself in writing part of application process."
- "Replacement of equipment is expensive and if we don't have our equipment in good working order it can slow down our service delivery. Acquiring funding for the replacement of equipment can be difficult."
- "We approached LEO in 2019 for funding for our subsidiary company. They were deemed ineligible, as the combined workforces of the 2 associated companies was higher than LEO's limit for clients. We were advised they would be regarded as ineligible for EI support - although they have no competitors locally, they do in other parts of Ireland and EI take a nationwide view when it comes to assessing displacement. If

LEO

and EI are to take more of a role in implementing social enterprise policy, then displacement needs to be properly addressed. Displacement is fundamental to social enterprise - to transfer wealth, growth and opportunity from where it is currently located into disadvantaged communities and sectors in order to achieve a fairer society. It should not be a dirty word."

- "Would like to expand and set up more social enterprises, but the initial capital is always the issue..."
- "We could always do more with more, it's the nature of all social enterprises I would think."
- "On occasion our services have been limited due to lack of finance/funding, this has resulted in the cancelation of services within the community."
- "Inability to finance staff positions leading to a limitation in production and reduction in orders."
- "We have a waiting list for services."
- "Turned away work as we had not enough staff to complete the work on hand."
- "We need to develop a sales team to grow the business. We have not been successful in accessing funds to do this. We cannot fund this ourselves at present."
- "Lack of funding led to cancellation of projects."
- "If we had greater funding we could do so much more for our target communities."
- "We endeavour to continuously improve and enhance our facility and service offering. Available funding is always a constraint to implementing new capital projects so we improve and develop piece by piece."
- "All new enterprises need funding/staffing to develop - this can be impossible to get in advance of setting it up."
- "As a start-up, we need seed funding. We haven't yet received that. So far we have made an impact with very little money. We are working with volunteers only."
- "We have inadequate operational funding all the time. Capital funding is readily accessible even of with effort. Unrestricted operational funding is very difficult to access in any sustainable way."
- "Post 2009 we lost a huge amount of funding which meant less staff hours so less time with clients. Also a lot of admin time then went into sourcing more funding."
- "Getting stuck at a certain level of capacity when growth or scaling possible but unsupported."
- "Were very, very, very slowly refused a loan from Clann Credo a few years ago when we had the opportunity of opening a shop for the first time. No feedback as to why. An extremely dispiriting and distressing experience."
- "Mendicity Social enterprise could double in size, reaching twice as many people who need employment if we had a stable financial base. We are limited by our resources."

- "We can only provide what we can afford and that depends on traded income."
- "We planned to take on extra staff on our boat with the support of Rethinking Ireland grant aid this summer. This would have led to 20 per cent more boat trips for people with disabilities but we were not successful in our application so the trips cannot operate. This was bitterly disappointing for the people with disability."

### 28. Would your Social Enterprise benefit from assistance in preparing to source and secure finance i.e., improve investment readiness?

78% Yes

22% No

Selected reasons for answering yes:

- "We have worked with investment angel mentors in the past and would do so again."
- "As an autistic person I would benefit from being shown once how to do a funding application from start to finish. With a concrete example in full I would have no difficulty doing my own applications."
- "We need to address our social impact in greater depth - how to measure it and how to communicate it."
- "Would require help in accessing available grants."
- "We are very much driven by our vision and not necessarily good in preparing business plans, etc."
- "We are always open to advice and guidance especially in navigating funding sources within the EU."
- "We are a small organisation who lack expertise in the area of securing finance, any help would benefit our organisation and the community we support."
- "Roadmap of grant[s] that are available and other forms of finance that could be linked to social hubs such as ours. Planning rather than reacting."
- "But not for privatisation or private shareholding. We would benefit from assistance in preparing a set of documentation as back up for funding/grant applications."
- "Nothing better than the "know how" to get funding."
- "We are ready to expand but require approval of funding. We have the land and the expertise, but not the money."
- "If we received direction on where we could apply for the higher amounts of funding it would be great."
- "As a voluntary run centre we find the burden of applications, governance and reporting to be quite heavy and this limits the number of finance options that are feasible for us."
- "Bridging finance options to pay invoices pending grant payments would be of interest."
- "Sometimes it [is] hard to know what would suit and the amount of paperwork [is] overwhelming and then not to be successful?"

- "We need help in stress testing expansion ideas."
- "What is investment readiness?"
- "This year alone we applied for 10 grants, we secured one it is a drop in the ocean ..."
- "Sign posting, and strategic planning support."
- "We are in the process of remodelling ourselves as a CLG. This will provide new financial management challenges. In addition, we do not have financial expertise on our committee and a full understanding of the perspectives of financial institutions would be helpful."
- "I am at the early stages of development and would benefit from some advice on how to proceed."
- "Yes with pitch and investment deck. Though biggest barrier to funding will continue to be charitable status which prohibits equity and while debt is possible it is more difficult to access."
- "Identifying alternative sources of funding can be a challenge."
- "To know what is required in advance to accessing/secure different types of finance for future strategic development and finance to support this."
- "Preparing business plans and projected income."

Selected reasons for answering no:

- "We are currently too early in the process to focus on investment readiness, we would certainly be interested in assistance to become investment ready in about 12 months, with a view to raising investment in around 18 months."
- "We have a good team in place when we have to apply for funding and help is always at hand but even with a very good application there is no guarantee."
- "We are receiving supports from ReThink in this regard at present."
- "We really don't want to buy into a neoliberal model of profit driven investment and generating returns for rentier capitalists. That goes against what we are trying to achieve, which is to create and trial different economic models based on community ownership."

### 29. What other forms of financing for Social Enterprise could or should be introduced in Ireland?

See Appendix II.

### 30. Please add any additional comments regarding Social Enterprise finance in Ireland.

See Appendix III.

## Appendix II

### 29. What other forms of financing for Social Enterprise could or should be introduced in Ireland?

"A mix of multi-annual funding funded job posts admin grants or shared admin services schemes and funding expansion of Enterprise Ireland innovation voucher scheme to not for profits a similar voucher for impact/evaluation expertise, which is most valuable and least resourced tool for maximising impact and therefore value for money."

"More flexibility in supports of social enterprises that focus on the environment. CSP programme is too narrow".

"Well governed asset trust/Land trusts."

"Access to financial mentoring/advice on an ongoing basis for SE's. One stop shop/online resource for SE financial information. Clarity on Government programmes such as CSP and access to same."

"Don't know as there are donations, members fees, grants, government funding, if applicable all allowed in Ireland."

"Pobal CSP is necessary or we could not continue. The CSP scheme should cover the full minimum wage and the PRSI as it is doing during the pandemic."

"For sole traders to allow micro businesses to create impact and thrive. Finance based on proven track record".

"1% - 2% loan finance."

"Currently the funding is a wage subsidy, our building and infrastructure needs investment and we cannot afford the upgrades."

"Being funded through POBAL the grant they give only covers about €9.35/hour for the FTE position. This is considerably below minimum wage and does not cover the PRSI E/R element either. Also the manager's PRSI E/R is not covered either. Therefore, before the CSP even turns a light on for business they are in the red to cover the costs of employment!!!!"

"We feel that we have received adequate funding from Grants in Ireland to help open our Centre."

"Finance for research in collaboration with learning institutions where the institute gets the finance for a specific project that progresses a social enterprise."

"Early start ups should have access to more funding to get going and allow projects connect with their stakeholders to help things move along."

"For social enterprise companies that are commercial entities and not just charitable."

"There is considerable funding available through Enterprise Ireland, which is exclusively available to 'for profit' ventures, mostly focused

on ventures which will ultimately if successful be sold to a foreign investor. Much of this funding could be diverted to not for profit, genuine social enterprises, where the goals are to provide a social good and generate sustainable long-term employment."

"Access to finance for upgrades or service development at an interest free rate would be very beneficial."

"Contribution toward wages."

"More innovative models based around private sector involvement could be developed, e.g., social impact bonds or equity structures. Shareholders could contribute share capital with limited dividend potential and the option for the social enterprise to buy back shares at fixed prices over the long term."

"More localised research and geographical location should be adapted from local authority funding."

"Keep loans low interest."

"Interest free loans from public funds to help were co-funding requirements."

"Social enterprises should be encouraged and supported by government by way of grant support. Social enterprises are another way of building the economy. It is a win-win situation - creating employment, good for the economy and also addressing various social, economic and environmental issues."

"There are not enough formal private investment funds available to SE in Ireland. I feel it is an untapped market as the sector demonstrates year on year growth."

"The Covid crises exposed how dependent we had become on local fundraising just to pay running costs. The voluntary groups who use the centre only pay small rents, nowhere near enough to cover running costs. No one on the management committee want to put up rents and become unpopular. It was becoming harder to run fundraiser even before Covid arrived. One of the main reasons it is so hard to attract new and younger people to serve on committees, they don't want to get involved in selling tickets and in fundraising generally. People are just interested in what will benefit their own immediate circle and not the community in general. The grant application process has become much more complex and time consuming. It's a big commitment on a person's time and then doing the returns. Most management committees of the likes of community centres and resource centres are in the older age bracket and the effects of the Covid crises has been an awful blow after all the work they put in over so many years to keep things running and afloat for the benefit of their community."

"Easier access to unrestricted funds that help SE's grow the way they want to and to develop with the needs as they arise in front of them."

"1. VAT exemption on social enterprise sales and raw materials.  
2. Employment Schemes focused solely on small to medium enterprises to support retention and expansion."

"We think what is being provided by POBAL is adequate to meet our needs."

"Tax incentives for companies to gift to their local social enterprise. Finance that can be linked to professional fees - getting the right people on board and having the money to back this expertise. Social Enterprises operate on a tight budget and much of the finances that is available has limits to its usage. Getting the right advice and guidance is essential. Often you find that grants/finance cannot support this time of role."

"Impact bonds. Community Benefit Share Offers. Equity based approaches."

"Support to win government contracts - social procurement."

"Support for running costs as well as capital expenditure (audit, insurance, rent etc.). Second hand as well as new vehicles should be eligible for Dormant Accounts Staffing Grants in line with the requirements of the enterprise."

"More Grants."

"CSP funding contribution to FTE's needs to improve so that SE's can pay better wages."

"The funding towards labour costs is the most crucial. Currently CSP. The numbers of employment grants should be increased in accordance with the service being provided. Animation type funding/Start-up/short-term pilot exercise, requiring short term finance to allow Local Development Companies trial services where they see a gap or need and if proven they could then move to full blown Social Enterprises. The pre-development cannot always be just a book exercise Feasibility Study in any new service it is best to try a pilot after the book exercise then evaluate and recalibrate before rolling out the service. The current emphasis on funding Capital Expenditure rather than the combination of capital and start up current to get the enterprise over its first 20 months or so would be really useful. The Government Contracts should be explored further under the prism of 'ethical' or 'social dividend' rather than using the 'cheapest price' barometer. A government/Local Authority/ Health Board Contract could have a real stabilising effect on a Social Enterprise."

"Access to R&D funding for charities as offered to limited companies e.g. Enterprise Ireland Innovation Voucher."

"I cannot answer this directly, but I do believe that investments and supports in emotional well-being will be advantages to our country as a whole. a reconnection of society that can empathise with others, individuals who can identify real values that enhance people's lives at all levels not just for financial but for emotional

rewards this outcome will lead to a more balanced way of living and bring society together in a oneness so that individuals can find contentment and value in their lives. Any investment or support in emotional well-being can and will be perpetual, as it will grow and grow particularly in our children improving their limbic imprinting in a positive way enabling them to have more positive outcomes during their lives which will be beneficial to society as a whole."

"Funding by its very name should always be there to help any struggling enterprises without any strings attached. Many are stuck with day to day running costs, amenity bills, insurance etc.... and Grant Aid will only cover specific projects."

"Funding for pilot programmes, start-ups, items difficult to fund like training, governance etc."

"As we do not have the expertise on this we cannot answer."

"Rolling funding for an average of 3 years rather than annual funding. This allows for recruitment of staff, setup of service and better establishment of enterprises as funding is guaranteed for 3 years. If specific and achievable targets are met within those 3 years annual rolling funding could be considered based on increasing targets and service delivery."

"Private equity - but this would require different legal structures. Work Integration Social Enterprises like ours have been corralled by State programmes into being Charities in order to deliver labour market programmes. This in turn has restricted how we can be financed. Also, we should be able to access finance/grants through state agencies that support the mainstream business sector."

"I will have to research on what other types of financing that could be suitable for enterprises in Ireland."

"Percentage of funding made available from lottery funding."

"A focus on heritage community enterprises which I feel are not taken very seriously at the moment, even though they do provide employment and community involvement."

"There should be a specific social enterprise stream of financing introduced into all financial institutions (which is reflected even in all form filling actions - how many times do you need to explain to bank personnel that we have no shareholders - that no one director has over 25% voting powers, etc.) and which deals with our reality. This can also be said in the case of government agencies."

"I think we should be given a set budget every year rather than filling up section 39 grant aid form every year."

"Wage funding that tracks changes in minimum wage, thereby avoiding a funding gap."

"Government or Bank. The key issue is that lenders do not understand the sector."

## Appendix II

"Revenue funding and loan repayment support. All too often funding is available for capital works or equipment provision but support is more useful in help with overheads and salaries."

"Government Loans."

"A more equal division of funding for the smaller groups as the majority of the larger funded institutions tend to use a large % of funding on salaries and other costs where smaller self-funded charitable community-based groups use their funding for the projects they wish to implement."

"Long term loans for renewables that are paid back using any excess energy being diverted to the grid as repayment."

"The restoration of the buildings."

"We need more ethical funds to support businesses aiming to work toward achieving targets set out in the UN SDGs."

"Low interest loans for short term projects would be very helpful."

"Annual subsidies towards running costs of community facilities."

"Yearly Support to Community Centres like ours to cover insurance light and heat expenses."

"Regional banking system."

"Capital funding would assist us to buy our own building."

"For groups like us the funding that we get from Pobal and Rethink is what we need i.e., in advance so we can recruit new people without getting into debt. We are wary of taking on programmes for government Departments as we know that for other charities, who we work closely with, this can be very difficult due to slow payments particularly from the bigger Departments."

"Regular funding for new social enterprises (1-2 years operating). Feasibility funding for pre-start-up social enterprises. Access to LEO funding supports for social enterprises who will be operating locally or regionally - maybe nationally - but without the potential for international trading."

"Supported employment."

"Rates of affordable levels, as at the moment interest rates are high but we have to have the comfort for continuity of project."

"Capitol funds to improve the services."

"Block grants coming from mainstream funding to cover the core overhead costs such as Staff and overheads. Any other funding should then be for the stations or bodies to make a case for assistance and explaining the benefits of what the grants would deliver."

"There should be simpler forms of funding for capital investment as this is an area that is very difficult to achieve, and a lot of charity organisations have great difficulty in finding or making an application for."

"More support for community owned retail shops."

"A scale from 1 to 10 should be used. We are in operation 9 years. Social enterprises flourish, meet the needs of others, allow people to belong. On that scale it should have guidelines showing where the project should be now based on impact, Employee numbers, capital costs, social Impact. If they are below par, and I know we are because we had no investment, then find someone who sees the work as a great opportunity and help them move up the scale. We are still using second-hand goods, the project has been self-sufficient without any help from government bodies, we have no paid staff, and we are still here. The question is how long and really who cares. We survived through a depression in 2012, Covid, and we still work with those at a disadvantage each day."

"More effective, easier attained finance that doesn't have a high interest rate."

"Definitely the insurance for all community centres and voluntary services needs to be addressed i.e., maybe have CSP or other get involved."

"Government funds for capital projects."

"Graduate placements aimed at the Social Enterprise sector."

"Streamline and standardise the funding application process to reduce the admin overhead for applications. More long-term funding to enable career path development v short term 1-3 year funding provision."

"The administration side of running a Social Enterprise is very time consuming."

"Funding to support sustainability works, including capital building projects, operational funding for fittings upgrades, training of staff on sustainability measures. Board training on sustainability measures."

"More local youth-based programmes from 13 to 16 years."

"Grants to sustain existing social enterprises."

"Employers PRSI is a real challenge. Social enterprises should have more favourable treatment similar to other publicly funded sectors. The following are some quotes from a Forfás report issued in 2012/3 Some quotes from FORFÁS SOCIAL ENTERPRISE IN IRELAND: SECTORAL OPPORTUNITIES AND POLICY ISSUES, a report commissioned by the Dept for Enterprise in 2012/13. 'Where social enterprises provide a service to government, consideration needs to be given to classifying this income as fee-for-services and not grants.' 'As outlined earlier, one of the issues with the data from social enterprises in filed accounts is that income from services provided

to government is often listed as grants instead of traded income. Where funding from government is for a service that is provided this might be better reflected as traded income rather than grants and this should be further examined.' 'For the most part, social enterprises adopt a wide variety of generic legal structures within countries that are usually influenced by the tax and charitable laws of the country. In four of the countries (UK, Italy, some States of the USA, and China) legal structures have been created for social enterprise that incorporate specific social purpose clauses and in some cases are directly linked to tax exemption provisions. The provision of tax exemptions to social enterprises is a key feature of countries with developed sector policies (such as the USA and Australia)."

"Seed-funding for social enterprises. All the funding provided by LEO should be available to social enterprises as well."

"Lower interest rate loans Government backed investment loans (low interest / long term)."

"A simple and effect Community Share Purchasing tool? Everything we have looked at seems complicated and does not clearly highlight to 'social investors' their arms-length role."

"Operational finance is the real difficulty. The Community Support Program has the potential to provide that form of funding but it became transformed to a job activation scheme with a focus on employment for the marginalised. While that is a laudable scheme in its own right it is too big a challenge for a small SE. The new CSP may help with this and should be expanded and given additional resources."

"Should be an initial grant or feasibility study funding to test an idea and to help with the initial incorporation costs."

"Previously in Ireland we had the Social Economy Scheme - managed by FAS/Dept of Social Protection - this was a wage subvention and also a training programme. It was extremely beneficial."

"More Government involvement in getting much lower interest rates or giving assistance to get 0% interest finance for social enterprise. Especially in rural Ireland where raising finance is so difficult when the main businesses are reliant on a short window of income from Tourists and Visitors. Access to low interest rates as available in other EU Countries."

"Some form of low - 0% government backed funding loans specifically for social enterprises."

"Loans from credit unions to cooperatives as they understand this structure best. Outsourcing of some of the burdens for SEs letting them get on with core work- specifically- Government supported agencies to do impact measurement and grant applications for SEs Core staff cost supports with clear pathways to move from scheme workers to employees."

"We believe the funding is available but almost impossible to access due to Mn Ag Gaire being a start-up and has no previous dealings with funding institutions."

"Low interest loans for social impact especially in relation to climate change. Poor provision of loans to social enterprise in Ireland."

"Start-up grants with packages for employment/job creation. (They probably exist?)"

"Blended long term financial arrangements. Social and solidarity investment and regenerative funds to provide a livelihood for those involved. A lower fee for female investment opportunity to reflect the wage divide and lack of funds to invest for females e.g. Mikrofonden. Sweden is investing in cooperatives in Sweden, many managed by woman. www.mikrofonden.se . Capital plus knowledge = impact. Smaller investment opportunities for those who do wish to back social enterprises stephanie@impactfinancecenter.org and we will share curriculum, playbook, and workbook <https://www.wfco.org/giving/WIIGC>. The Credit Union no longer open small enterprise accounts and the banks fee are prohibitive."

"It is difficult, but not impossible to get seed funding. Then the successful enterprises succeed in accessing long term funding. It's the funding to get from A to B that appears to be particularly difficult! Building your evidence and articulating your impact."

"If there was an equivalent of equity for a CLG we might be interested. We might be interested in a large investment of growth capital when the time is right."

"Specific funds tied to financial and social returns."

"Seed capital. Social impact bonds. Communal loan notes. CSR loan notes from large companies where the interest is used for further charitable or philanthropic needs."

"Salary top ups."

"Start-up loans with a lower bar - we found ourselves able to avail of a credit union loan with personal guarantee (I put my house on the line) and then got a bigger loan from Western Development Commission with support from them in creating an acceptable business plan & cash flow forecasts. It would be great if small low interest 5-10k loans were easier to access with less documentation so smaller orgs that wouldn't afford accountants etc could access them. Community Interest Companies (as in UK) are a good model which would let local communities' own assets."

"Grants, wage subsidies, rates waivers."

"Finance at the same cost as banks, not more."

"Certification would help. Retail alliances. Government grants on a match-funding agreement."

## Appendix II contd

"Organisational and Core capacity funding- A lot of supporting institutions see project funding as the way to support as they have a start middle and end and the funding body, investor can say 'This engaged xx people with and impact of xxx' which will be true, but these systems have little longevity and lasting impact. Project funds are great for developing relationships/partnerships but they do not consider the capacity issues all of these Social Enterprises encounter. Investing in the core team over time is where the real impact and growth will happen. A 3-5 year co-financed investment/mentoring plan in staffing with the outcome of the organisation being able to fully fund this position in the long term from its own income developed through this persons/peoples work over the 3-5 years. The successful organisation would also deliver the analytics/statistics of growth to the funder/investor to monitor/justify the investment, a tracking system of growth for the section of the organisation/overall organisation this person is working in would be in place. This would have multiple projects delivered, organisational capacity growth and more, all of which the funder/investor would be associated with due to investing in the person/position who is delivering these outcomes."

"Low interest long-term loans that don't require personal security of directors, state guaranteed. Micro-funding for current expenditure and small purchases."

"Financing aimed specifically at providing accounting and legal services so small enterprises with limited income can get their governance in order - this would be a massive support."

"Blockchain opportunities such as Giveth Impact Investment in a more meaningful way rather that is accessible to more customers Building on the tools in existence - IFC impact management principles, CAAS etc."

"Seed Funding to initiate."

"Finance for capital spends, finance for organisations who may have hit a difficult period of trading e.g. at present. Finance to employ people on the basis that generated income will finance the employee in the future."

"Social welfare should provide assistance to anyone with a viable social enterprise business plan. This would be a start."

"Community shares represents a viable but underdeveloped options in Ireland. More options involving partnerships and/or group purchasing should also be explored."

"Social Impact Bonds and Community Share offerings which would allow pension funds and individuals to invest. Ideally these should cover a genuine spread of investments to mitigate risks and should allow investors to enjoy a return on their investment, both financial and emotional. Removal of the ridiculous requirement for 100% of surplus to be used for the "Social Purposes", (25% is considered normal in the rest of the world, 51% the gold standard) to allow

equity investment to be sourced. why should people be punished for doing good? Equity investment would also allow rapid expansion."

"Not sure of all available sources in order to determine new forms."

"Community Shares - community equity investment in cooperative social enterprises with limited rate of return."

"Increased Philanthropy."

## Appendix III

Survey Q30 responses (selected)

### 30. Please add any additional comments regarding Social Enterprise finance in Ireland.

"We get no Social Enterprise finance despite operating as a CLG and providing services for local communities. Social Enterprises need to be better supported - we would be able to do so much more if it was possible to employ staff. Chicken and egg situation - we don't have enough income to employ staff and our business cannot grow without staff."

"- SE initiatives bidding for buildings and land for social enterprise is unable to compete with investors for profit, growing trend that the local market and local interest is being trumped by external for-profit purchase of assets and buildings. I have seen a number of not-for-profit community development projects being outbid or unable to access land/buildings etc. - Value of these local assets and potential community development, provision of homes, livelihoods and other opportunities is usurped by corporate and often international purchasers. - Community potential is taken out of the local asset map and leaves the country. - Rural towns, communities loose not only these opportunities but also loose these bright young people with a social interest in building community whom also leave along with these assets. - We are left with inaccessible gated estates, idle buildings purchased for investment and a disenfranchised local community with a richness of ideas, motivation and nowhere to plant the initiatives. - We need the equivalent of a land commission to protect these local assets or a percentage of them. -It appears that Ireland is being opened very widely to accommodate external investors, the financial gain is short sighted as it loses the medium to long term social and financial dividend of vibrant local sustainable communities. - Please widen the lens and realise that finance and sustainable local communities are inextricably linked. - SE structures have to invest in social capital and asset financing. - A local enterprise I am running now promoting positive food culture will lose its lease in two years and the property [Belonging to the diocese will be sold to the highest bidder]. -That will be the end of that purpose-built project which had 750 k infrastructural investment from EU funds in 2013. - SE finance in Ireland could look at these numerous scenarios and invest in purchase of local infrastructure for SE hubs that are run and facilitate the numerous business plans that perish due

to lack of infrastructure, or due to competition in the open market with foreign investment. A lot of parallels here with the affordable housing dynamics where local families and individuals suffer the same fate. Big need for change very soon or we will be left with a very hollow rural landscape with threadbare community. Similar to Dublin's developments in the past 12-15 years lots of corporate owned infrastructure and minimal community life."

"It would be nice to have easier access to grants at County Council level. The overall grant funds available are so small when divided up between every application. It makes it very difficult to get the funding to get even one project off the ground. With no project up and running, it is very difficult to get subsequent grants as there is no history of project completion."

"It is becoming more difficult to get board members for voluntary organisations and the Pobal CSP has been crucial for these organisations that are the social enterprises. The CSP should be amended to cover the full staff costs. The voluntary contribution of board members should be appreciated for the work being done in communities."

"Looking for funding and filling in applications takes a huge amount of time and effort. It's very hard to do the work, create the impact and do all of that and be refused again and again."

"I believe it operates by a who you know and not what you know."

"If you are not good with forms your already left behind unless you crowd fund your finance. In small rural communities this is not that successful as the pool of funders is small. Mentor ship around finance would be very useful".

"I think if you have a project that has a genuine social interest, legal structure should not effect funding, especially if you're starting out and have no funding behind you. All genuine social projects should be given access to same supports."

"More recognition of a Ltd. registered social enterprise with clearly defined social impacts."

"Increasing traded income should be rewarded - Over the medium-term SE should aim to depend less on funding and move toward sustainability achieved through increased traded income."

"Geographical location is essential in our social enterprise financing."

"There is a lot of information and support available if required."

"It is right that big Charities that help the homeless, venerable adults and children should get first call on government funding. There are the small entities like community centres and resource centres all over rural Ireland like ourselves providing all sorts of activities on a small scale, but none the less of worth. The Covid crises hit hard and exposed our vulnerabilities. There were grants for material things, what we really needed was help to keep running to ride out the

crises. Once there is a building and facilities you can't just not insure them. You still have an electricity bill. We still had to get audited accounts done. Thankfully this year this was realised and we are very grateful for this."

"It can be too cumbersome to access and the path from donor to cause is obstructed a lot with agencies who need to justify their own existence instead of providing real efficient help to SE's. This can add to so much duplication in applications and time-consuming delays for the enterprises that should be spending their time on their cause. I realise the need for accountability but this is overdone in my opinion as against the actual support."

"Special VAT status?"

"We have found the POBAL funding very successful and helpful to us."

"Important to support organisations to communicate Social Return on Investment (SROI) and that this be part of the criteria for funding."

"I would like if there was a second look at the policy that decrees that Social Enterprises should concentrate on the financially unviable aspects of enterprise. I feel there is too narrow a definition and even fear of an accusation of anti-competitive practice in allowing Social Enterprises Compete. One gets the feeling that if the Social Enterprise does all the R&D takes all the risk in the earlier years, then builds the demand and business that somehow that should then be hived off and privatised rather than go on and develop as a Social Enterprise."

"More help to smaller enterprises."

"Really important for newer charities and to assist restructuring or enterprises taking on new innovative projects."

"With regard to grants and in particular the amount of time that goes into completing applications perhaps if there was an initial short application with description of proposed works for relevant funders to consider if applicable."

"Our experience with social finance lending has been positive."

"Government provide the horse racing industry and the greyhound industry with yearly grants. Why can't social enterprise receive a similar grant yearly?"

"At one stage, we had contacted Shannon Dev around a small loan - we would have needed to employ another person in order to deal with the application itself and were informed that the same level of energy was needed for a small loan as is a large loan - this was not an option. I believe that if agencies really understood the concept, they would be more forth coming in support."

"Two main factors provide uncertainty in our organisation. Firstly our funding gap between wage support and minimum wage. Secondly, the level of pay/funded hours for management is minimal and

### Appendix III contd

insufficient to attract competent staff that can successfully guide a business and ensure that it generates sufficient traded income to be viable in order to have the desired social impact."

"We have found it extremely difficult to raise funds for our service since Covid Closures."

"The sector has been curtailed and hurt during the years of the pandemic. Help is needed not just for existing enterprises, but for the vision to see that the demand for social enterprise will grow."

"It seems that the government thinking in support terms will not consider sales development as a legitimate element in developing the enterprise."

"We were very grateful for CFI (previously UCIT) backing."

"Social Enterprises provide services where these services would otherwise not be provided. Therefore the solution is to finance them properly or don't have the service or government provide the service entirely."

"Speeding up grant repayments that ease cash flow and encourage the use of social funding."

"As a social enterprise we have had no issues in receiving funding for smaller projects, however we are having difficulty in finding a funding body that provides funding between €5000 and €10000. More direction in this level of funding would be beneficial."

"The credit unions should be supporting social enterprises, as many have large deposits and are simply lending for new car purchase and funding holidays. They should be lending to small and fledgling enterprises and they should be allowed to carry some risk."

"Community Finance Ireland has assisted us in moving our project forward. We would not have been able to do it without their support."

"More acknowledgement of the work done by the volunteers that run community facilities."

"Our experience of it is very positive."

"Longer funding of 3 to 5 years as in many EU projects would be desirable as a year to a year and a half funding can be too short to attract good expertise. Indeed when we recruit we are trying to offer a career with a pension scheme etc."

"Transitioning out of COVID, organisations are looking for grant funding rather than loans as most reserves have been decimated during the pandemic. It will take at least 2-3 years for them to recover reliable traded income + finances from other sources (fundraising/donations etc). Any loan availability would have to fit into this reality and understand the mindset of the founder/managers/boards involved."

"We have used Community Finance Ireland. Fantastic service no problems were very fortunate to be able to pay the loan off early. A pleasure to deal with."

"I think once we have shown our capacity to show solid company returns over many years and that capacity is there, rates should be decreased with the proven track record and perhaps as was with social welfare clients, which work with MABS or credit unions or community finance providers rates should be at the lowest it can be for to assist projects achieve the community goals involved."

"Community radio stations already access the available enterprise they have at their disposal as under the terms of their licence agreements, they can advertise for local businesses in their broadcast areas. The Covid-19 restrictions and the closure of businesses had a severely negative impact on community radio stations' ability to raise advertising income and secure businesses to sponsor programming. Community radio stations were deemed an essential service under Government's framework, yet the restrictions had a negative impact on our ability to raise funds, create new programming and work with our volunteers and outreach roles."

"Key issues: Government hasn't fully embraced the social enterprise model. LEOs should be given a role in supporting community-based retail development. The rural post office issues could be addressed through the social enterprise model by supporting the redevelopment of post offices into already existing community buildings if there was the will to do so."

"I think a financial background is required in order to complete this survey which I don't have. Just a comment. There is far too much responsibility put on volunteers in relation to finance and administration. After all most volunteers are providing services which the Government should be providing in communities."

"CSP and Wheel do great work and constantly provide updates, information and coaching. We have been successful over the years in securing grants from SECAD, Cork County Council, sports grants but it's quite an onerous task for volunteers given the time and energy required as most of us are in full time employment with families."

"Streamline and standardise the funding application process to reduce the admin overhead for applications. More long-term funding to enable career path development v short term 1-3 year funding provision."

"It is very hard to get financed and only the passionate and people who really believe in what they are doing can hang on, but there is a limit for everyone. There should be finance for start-ups with excellent and workable ideas."

"We have had a positive experience to date availing of finance from SFI and would recommended it to other organisations."

"Excellent work is being done by the social enterprise funders. However, it is operational funding that is the fundamental issue. Many social enterprises will never be in a position to be self-financing and ways of providing operational funding to such entities in a stable ongoing way (subject of course to SLAs and so on) is critical."

"Would love to see more funding available for early-stage SEs."

"We would like to see more attractive financing sources and Grants specifically aimed at low-income voluntary Groups as ourselves serving all aspects of the Community Hall, the Business Hub, Tidy Towns, Energy retro fits on private and Community Buildings, maintenance and upkeep of the village Amenity Areas. All require finance and generally in the Midland Counties the Small Rural Community's struggle to keep their heritage buildings in good condition."

"A better understanding is needed of the spectrum in the sector. For example if a SE under CSP funding is being pushed to increase its traded income in an area where profit making businesses are struggling to start-up or grow it is unrealistic to expect that training staff alone will help increase traded incomes. In addition, the dependency on scheme workers is unsustainable and destabilising for SEs, for example a Tús worker is recruited - with some skills but once trained in cannot expect to continue in employment as there is no support for that and the management cannot plan growth strategies with high staffing turnover. Finance needs to match needs in a more customisable way with care. Some SEs operate as close to profit-making business with viable services or products but others by necessity are closer to community services and time and energy must go to fulfilling that role and government funding should be adequate for these services. An example during Covid is that Pobal asked CSPs to maintain living wages for employees despite not increasing their level of payments at a time when traded incomes disappeared. More detailed sectoral consultations are needed - focus groups- key rapporteur interviews - commissioned reports such as those by NESC would help gain better understanding of what is needed."

"Credit unions should be our primary funder at low interest rates, the options open to social enterprises in Ireland is very limited, and with no creativity whatsoever."

"Thanks for starting this important initiative and we at Ava Housing CLG would be delighted to engage further."

"Would like to find out more about low-risk ways of securing growth stage funding."

"Social enterprises are not understood and are presumed to be loss making beggars looking for handouts."

"Work with organisations like Social Enterprise Ireland which has a very good vetting process for Social Enterprises. Support initially with seed capital and use social impact bonds to help selected SEs to grow."

"More feedback from social finance providers would be great - after spending many weeks on an application, we were never told why Clann Credo wouldn't fund us but we have grown and created 6 jobs since that happened, so obviously we would have been a good bet! Our local credit union funded us via a 10k loan with personal guarantee so it was possible, but not everyone would be able or willing to guarantee a loan. The Western Development Commission have been amazing, they really supported us to create the business plan/cash flow forecasts they needed to see to access a loan, but we had to go looking and only heard of them through word of mouth, so better ways to see and understand the funding options would be helpful. We will never, ever participate in any greenwash, socialwash or profit driven operations because we believe those models are part of the problems we're trying to solve, so some finance options are off the table for us - it would be more a case of the finance providers proving that they meet our standards than the other way around. Donations in kind are very significant for us, some way of accessing for example space to work in short term would actually make more difference to us than cash loans at this point, maybe something to look at?"

"Wages are the most significant obstacle to growing our small but ambitious social enterprise."

"Support small enterprises with legal and accounting support to get their governance in place so they can credibly approach any type of funding provider for funding - enable SSE's to trade effectively with the proper governance structures in place!"

"Looking forward to following the project - disappointed to see an all-male lineup this morning. Surely we are past that and equality being spoken of so vocally in Rethink."

"Funding system for SE in Ireland is disconnected. No system to support people at initiation/seed stage. Follow up funding requirements make people make too early decisions on SE structures which do not help the development of the ideas. This also builds an understandable bias towards funding of established organisations as against innovative new ideas within existing financing structures. There is also within current system a bias towards tangible assets as against services".

"The entire process at the moment is far too slow. We have been delayed through a number of funding channels waiting for organisations to commit to funding or delays signing off on funding. These delays are often beyond our control and add significant amount of work in what is an already challenging environment to operate in."

## Financing Social Enterprise in Ireland

Models of Impact Investing & Readiness



We are pleased to invite you to take part in a workshop for Social Enterprises as part of the 'Financing Social Enterprise in Ireland' project. Thank you for the time you have already given participating in our survey. We would like to invite you to hear about some of the survey findings and to give you an opportunity to share more on social enterprise finance with us and other Social Enterprises. We will hold three workshops via Zoom, the dates and workshop topics are:

Date & Time	Workshop Topic
Friday 5 <sup>th</sup> November 2021 from 15:00 until 16:30	Workshop 1: Organisational structure, form, status and potential relationships with a group structure
Friday 12 <sup>th</sup> November 2021 from 15:00 until 16:30	Workshop 2: Nature and extent of relationships with social finance providers and credit unions
Friday 19 <sup>th</sup> November 2021 from 15:00 until 16:30	Workshop 3: Social impact reporting and investment readiness

If you can attend any of these workshops, please fill in this Form preferably before 18<sup>th</sup> October 2021:

<https://forms.gle/CRbUHnKx51LscmnPA>

For those attending, we will forward a Zoom invite and any further information required to take part. There will be no prework or homework!

In addition to presentations and discussions on the themes outlined above, each workshop will contain three separate breakout sessions, exploring alternative repayable social finance products:

**\* Crowdfunding \*Loan Guarantee \*Participating Equity**

You are being invited to this workshop because of your experience and your willingness to engage with this research. The outputs of these workshops will include the development of social finance instruments and investment-readiness supports. This is a unique opportunity to help design and deliver tailor-made finance solutions for Social Enterprises across Ireland.

We are a consortium comprising **Social Innovation Fund Ireland** (Rethink), **Community Finance Ireland** and **Dublin City University** (supported by the **Irish Social Enterprise Network** as associate partner).

Funded by the European Programme for Employment and Social Innovation (EaSI) under their initiative supporting 'Actions to boost the development of finance markets for Social Enterprise', we are one of 14 social finance projects currently being undertaken across Europe.

If you have any questions, please do not hesitate to contact us at [hello@socialfinance.ie](mailto:hello@socialfinance.ie) we will reply as soon as we can.

Hope to see you at the workshops

Team @ SocialFinance.ie



### The Social Finance Instrument

The pilot financial instrument is a blended social finance model (Hybrid Social Finance) which includes:

1. A repayable loan
2. A non-repayable loan
3. Non-financial business supports

Awardees will receive a package of supports which will include:

FUND AWARD	OVERVIEW
Non - repayable loan	A non-repayable loan which will be delivered tied to agreed performance milestones
Non - financial supports	Non-financial supports tailored to the needs of the organisation to improve its investment readiness, develop its capacities and create social impact
Accelerator programme	An accelerator providing training in four core areas: · Impact management · Communications · Sustainability and strategy · Equality, diversity and inclusion
Project management	Continuous support focusing on building capacity and resilience in the first two years

### Rolling out the new blended social finance product - A pilot phase

As part of a proposed pilot, social enterprises could apply for a total sum of between €20,000 (€10,000 repayable loan) and €100,000 (€50,000 repayable loan) finance over 5 years. The pilot will run for 1.5 years including two open calls, selecting 10 awardees in each call. Potential learnings from the selection process of the first call will inform the second call.

Proposed criteria:

- Start-up (less than 2 years)/new product/ market
- First time borrower
- New or no trading record, and/or no security, and/or no asset base
- Advantageous criteria: Social enterprises engaging meaningfully with ex-prisoners, recovering addicts, the travelling community, migrants, female led social enterprises
- Measurable social impact

### Finance Details (for an example €50,000 of financing):

Rethink Ireland provide

- €25,000 non-repayable loan
- Non-financial support (value €10,000)

Community Finance Ireland provide

- €25,000 repayable loan @ 6.25%
- Unsecured

The Net Result

- The Social Enterprise gets €50,000 of funding
- Non-repayable loan subject to full compliance with business support actions, and adherence to repayable loan schedule
- Non-financial support value at €10,000
- Repays a total of €29,173 over 5 years (assumed variable rate of 6.25% as of Nov 2022). Social enterprise builds a credit rating, opening access to other sources of future finance
- Blended cost of support (i.e. €50,000 at a cost of €4,173) = 3.2%

\* Assumes rate of 6.25% as at Nov 2022. Variable and subject to change.



