INVESTING *FOR* IMPACT

EVPA REPORT

15 YEARS OF IMPACT

TAKING STOCK AND LOOKING AHEAD

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15 YEARS OF IMPACT

TAKING STOCK AND LOOKING AHEAD

Alessia Gianoncelli, Gianluca Gaggiotti,
Priscilla Boiardi and Arnau Picón Martínez

European Venture Philanthropy Association
November 2019

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FOREWORD

In 2004, a group of experienced venture capitalists had an extraordinary insight – their capital, investment expertise, and knowledge of innovation could be deployed to support social entrepreneurs who were developing sustainable solutions to society's most entrenched and neglected problems.

They moved from insight to action and launched a new approach called venture philanthropy (VP) characterized by tailored financing, non-financial support and a concern for impact measurement and management. They also understood that this practice of VP was important but complex and not easily replicable, so they decided to create an organization that could serve as the catalyst for a new field. Thus was born the European Venture Philanthropy Association (EVPA).

In 2019, as we celebrate the 15th anniversary of the founding of EVPA, venture philanthropy and social investment in Europe has indeed come a long way. In many countries there is now a vibrant community of social investment funds and foundations backed by supporting organisations. The principles of the venture philanthropy approach have been disseminated and adopted by key stakeholders, including investment funds, foundations, corporate social investors and public actors. At the European level, the European Commission has become an important supporter of this entrepreneurial approach of philanthropy and investing to address social issues. Moreover, impact, understood as the creation of differentiated value for society, has become a key driver of investment decisions, mobilising hundreds of billions worldwide for purpose-driven investments for the common good. In this new context, EVPA has grown as it nurtured the ecosystem and is now a vibrant community of more than 300 members in Europe.

As the field developed and the shift of the mainstream financial sector towards impact became palpable in recent years, new practices and strategies emerged and impact started to be seen as a motivation that should be present for any investment. Thus, last year, we clarified the distinction between investing *with* impact, where impact is a secondary dimension of investing alongside financial return, and investing *for* impact, a segment where impact is the key dimension driving investment decisions. The world of EVPA is the field of investing *for* impact!

With this anniversary report we take stock of the situation of the ecosystem of venture philanthropy and social investment with its key opportunities and main challenges, and elaborate on its aspiration to distinctively contribute to the greater good. We also present the "Charter of investors *for* impact", a document that presents the ten principles that drive and distinguish investors *for* impact's behaviours and actions *vis-à-vis* other investors. The Charter was co-developed with EVPA members, practitioners and experts, to better reflect the field's distinctiveness. Alongside the Charter, the "Roadmap for investors *for* impact", identifies the key actions that investors *for* impact should undertake to preserve impact integrity, to gain recognition as key agents for innovation in the impact space, and to speed-up the shift towards a sustainable and more inclusive future. This is a journey that we are constructing together.

A final word of appreciation to the 70 practitioners and experts who contributed to this report, to all EVPA members, our co-travellers on this journey, for their active support, and to the multiple funders and stakeholders that make this travel possible and worthwhile. Also a big thank you to the extraordinary team of EVPA's Knowledge Centre for putting this report together.

We both feel proud and privileged to be part of this journey. We hope you enjoy the reading and look forward to your reflections.

With best regards,

Filipe Santos
Chair of EVPA
Dean of Católica-Lisbon School of Business & Economics

Steven Serneels
CEO and Board Member of EVPA

EXECUTIVE SUMMARY

THE EVOLVING IMPACT ECOSYSTEM

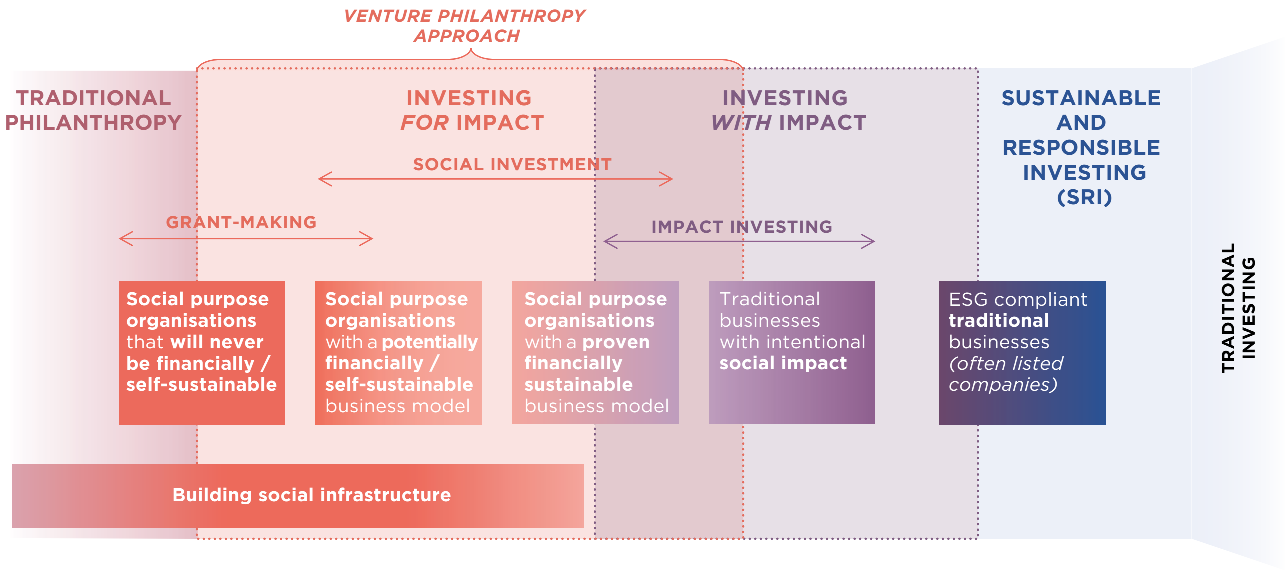
The world we live in is one of profound social issues. As we try to fight climate change and global warming, we have realised the deep divide between the rich and the poor of the world, and the limits of neo-liberal capitalism in tackling and solving the problems we face. The good news is that the impact economy is gaining traction and social inclusion is on top of the agendas of world leaders.

As we observe the developments at global level, we also have to recognise that the impact ecosystem evolved very differently in Europe if we compare it to other areas of the world. The different evolution is due to the specificity of the European context. Compared to other geographies, in Europe we have a stronger presence of the public sector, often referred to as "welfare", which has the duty to provide services for its citizens. The increasing scarcity of public resources of the European welfare services opened up a space for innovation and public-private collaborations, but without the private replacing the public. In Europe, private sector organisations interested in social impact and sustainability support innovative societal solutions to pressing societal issues, *alongside* public funders and policy-makers.

For EVPA, 2019 is an important year as it is our 15th anniversary. We see this occasion as the perfect opportunity to look back at what happened in the impact ecosystem and, more importantly, to look forward. With this report, we aim to do both by painting the picture of the impact space in Europe today, focusing on current trends, and by providing the outlook for the future of the sector. At the end of this report, we present concrete actions that practitioners will need to take, if we want to fulfil the expectations we set out for investing *for* impact.

PLACING INVESTOR *FOR* IMPACT IN THE SPECTRUM OF IMPACT STRATEGIES

The first issue we want to tackle with this report is transparency. Looking back at the last 15 years, and forward to the next era, as more capital becomes available for solving social issues, and more and diverse players enter the impact ecosystem, questions arise regarding impact washing and impact integrity, the latter being fundamental for the credibility of the entire social impact investment movement. For this reason, it is crucial to improve clarity around the role of the different capital providers, and on how they can best contribute to making lasting, positive change. We believe that the spectrum below, developed taking into account the inputs of a group of 50+ experts and practitioners of the impact ecosystem, helps clarify where different impact strategies fit in the social impact ecosystem.



As shown in the figure above, in between the two extremes of the spectrum – traditional philanthropy and sustainable and responsible investing –, we have defined two main impact strategies: investing *for* impact and investing *with* impact. On the one hand, investors *for* impact are capital providers that take risks that no one else can – or is prepared to– take, putting the social purpose organisation (SPO) or the social innovation and the end beneficiaries at the centre. Investors *for* impact are, hence, those that apply more extensively the venture philanthropy approach, i.e. those doing impact measurement and management, non-financial support and tailored financing. On the other hand, investors *with* impact have access to larger pools of resources, but need to guarantee a certain financial return on their investments alongside the positive impact they have the intention to generate. The level of risk that investors *with* impact can take is often limited because of their mandates.

As some capital providers such as foundations, banks and corporate social investors can adopt different impact strategies, we used the spectrum to "map" the diverse streams of activities aimed at generating a positive social impact on societies. This mapping exercise is aimed at further clarifying the role of complex institutions and at identifying collaboration opportunities.

PAST AND FUTURE OF THE VP PRACTICES

As the adoption of the venture philanthropy core practices is a key success factor for investors *for* impact, in this report we dived into their past evolution and their outlook to better identify the path forward. The report provides an in-depth look into each of the three core practices, and summarises the key challenges for the future of each practice. Below are the main insights related to impact measurement and management, non-financial support and tailored financing.

Main insights - Impact Measurement and Management (IMM)
Investors *for* impact mainly focus on managing impact, collecting useful impact insights to take better-informed decisions. Investors with impact are more dedicated to impact measurement and comparability.
Investors *for* impact take a bottom-up approach to IMM. They start from the activities of the investee and co-develop impact objectives (and indicators) with the SPO.
IMM has several limitations and challenges, starting by the varying definition of impact itself, as well as the difficulty of not only measuring outputs but also identifying outcome measures.
The increasing degree of standardisation in IMM is improving measurability and comparability, but it does not necessarily increase the understanding of what changes for the final beneficiaries. Whether a unique commonly agreed framework of IMM is desirable or not is still an ongoing debate.
EVPA has created a 5-step process to IMM. The EVPA process has informed the European Standard for IMM developed by the GECES (i.e. the European Commission Expert Group on Social Entrepreneurship).

Main insights - Non-Financial Support (NFS)
Investors *for* impact mostly invest in early stage and innovative SPOs. Hence, non-financial support plays a central role for them, as it helps de-risk the investment, strengthen the SPO and maximise its chances of success.
Early-stage SPOs tend to require more standardised, basic capacity building. Mature organisations tend to need NFS that is more tailored to their specific activities.
NFS is typically delivered by providing access to networks (including new distribution channels and client segments), by giving advice and mentoring, and by taking a seat on the board of the investee – in case of equity investments. It is crucial to understand in which cases it is more beneficial to provide NFS on an individual basis and when it should be delivered in a group setting.
Is it particularly challenging to measure and manage the added value that investors *for* impact provide through their NFS, in terms of social impact, financial sustainability and organisational resilience. Commonly agreed methodologies and tools to measure and manage NFS are still missing.
EVPA has created a 5-step process to deliver non-financial support. The process is coupled with practical tools to help investors *for* impact map their own assets, assess the needs of the SPO, develop the NFS plan, deliver NFS and assess its value and impact.

Main insights - Tailored Financing (TF)
A number of characteristics of the SPO have an influence on what financial instrument should be deployed. These characteristics include the type (e.g. NGO, social enterprise), the stage of development (e.g. early stage, growth, scaling) and – most importantly – the business model.
To best serve the needs of the investees, investors *for* impact may innovate their financial offer, by expanding the range of financial instruments deployed and using hybrid financial instruments such as mezzanine finance, recoverable grants or convertible loans.
Investors *for* impact might face several challenges while expanding their financial offer, for example legal constraints and lack of the appropriate financial expertise.
Investors deploying one type of financial instrument can also apply tailored financing, first by assessing the financial needs of the potential investee, and then investing only in case the financial instrument available suits the needs of the SPO.
EVPA has created a 3-step process to guide investors in tailoring the financial offer to the needs of each investee.

THE PROVIDERS OF SOCIAL IMPACT CAPITAL

After looking at the practices adopted by investors *for* impact, we provide an analysis of the providers of social impact capital. In particular, we look at those investors that constitute the core of EVPA's membership: social impact funds and foundations, social investment crowd-funding platforms, corporate social investors (CSIs), banks and the public sector. We complement our analysis by looking at institutional investors, asset management companies, and family offices, international NGOs and development finance institutions (DFIs). After explaining the role each capital provider has in the impact ecosystem, we look at how they contribute to shaping the market, and at the challenges and opportunities they will face in the future, as summarised below.

SOCIAL IMPACT FUNDS

Social impact funds are the early adopters of the venture philanthropy approach in Europe. Social impact funds deploy different forms of debt and equity to mostly support innovative business models that tackle societal issues that have the potential to scale.

Strengths

- Real 'innovators scouts' of the social impact ecosystem
- Unique position - know what it means to innovate in the social impact space (from the private side)
- Create the pipeline for the rest of the sector
- Can take the risk to scale disruptive solutions

Challenges

- Match needs and requests of investors with the ones of the underlying SPOs
- Improve communications of both failures and successes to help market to scale
- Build a data sharing infrastructure to share key information about successful business models

Risks/Threats

- Scale in size while investing *for* impact and preserving impact integrity
- Institutional and traditional investors diluting the innovation/impact focus of social Impact funds

Opportunities

- Collaborate with foundations to exploit complementarities
- Collaborate with the public sector to scale
- Scale business models that are already working in other countries
- Leverage knowledge of network organisations to better understand EU funding practices

Strengths

- Low cost and widely accessible technology
- Access the financial and non-financial resources of the crowd

Challenges

- Structure the relationship between the crowd and the SPO
- Provide follow-on investment through second round
- Generation of track records to build trust and expand

Risks/Threats

- Lack of exit opportunities that guarantee the sustainability of the impact

Opportunities

- Tool to democratise social impact
- Growing demand for easily-accessible social investment opportunities

SOCIAL INVESTMENT CROWDFUNDING PLATFORMS

Social investment crowdfunding platforms work as social impact funds, and deploy equity to support early-stage and risky social enterprises. The main difference with social impact funds lies in the source of funding, i.e. these platforms rely mainly on contributions coming from individual investors.

FOUNDATIONS

Foundations, together with social impact funds, were the pioneers of the venture philanthropy approach.

Today, foundations have started to go beyond engaged grant-making and deploy a wide range of financial instruments to support a variety of SPOs. At the same time, foundations are looking at how to align the investment of their assets with the purpose they pursue through their grant-making activities via the so-called “mission-related investments” (MRIs).

Strengths

- Large budgets
- Possibility to take risks with grant-making
- When endowed can have a long-term vision and system change approach
- Possibility to support a range of diverse SPOs

Challenges

- Complex legal environments
- Sometimes not agile
- Transparent governance while setting up new social investment structure/body
- Finding good professional staff with an investment background

Risks/Threats

- Difficult to balance grant-making and social investment
- Endowments not working for the cause

Opportunities

- Mission-related investments (MRIs)
- Social investment
- Payment by Result (PbR)
- Collaborate with social impact funds to exploit complementarities
- Finance evidence building in sectors that have the potential to deliver massive social impact

Strengths

- Access to financial and non-financial resources from the corporateion
- Corporate employees can engage with the SPOs supported by the CSI

Challenges

- Generate indirect social impact through transitioning corporate's business model
- Need to communicate positioning and alignment with corporate's business

Risks/Threats

- White, green and impact washing if relation with the corporation is not clarified

Opportunities

- CSIs can adopt strategies for impact without the pressure of generating short term returns
- CSIs can help the corporation understand the social and environmental issues they face, and help spot social innovation opportunities

CORPORATE SOCIAL INVESTORS

Corporate social investors (CSI) are vehicles formally related to a company that aim to create social impact – i.e. impact-first or impact-only organisations linked to companies. Examples are corporate foundations, shareholder foundations, corporate social businesses, corporate social impact funds, and corporate social accelerators. Due to their connection to a company, CSIs play a specific role in the impact ecosystem as they can generate a positive social impact on society (*direct* social impact) tapping into the resources of the company, while pushing it to change its business practices, to become more sustainable (*indirect* social impact).

BANKS

Banks are becoming increasingly relevant in the impact ecosystem, mainly as a response to the growing demand for a new, responsible and sustainable way of banking coming from civil society. Due to their large financial and non-financial resources, banks can perform a wide variety of activities aimed at generating a positive impact on the society.

Strengths

- Advantageous position to implement strategies *for* impact and *with* impact
- Access to large pools of financial and non-financial resources (e.g. wide network of stakeholders)
- Expertise in financial management and in working with entrepreneurs

Challenges

- Act as catalyst to encourage their own company and other banks to embed impact in investment strategies
- High transaction and due-diligence costs of small-sized deals
- IMM systems have to consider wide range of assets, financial instruments and stakeholders

Risks/Threats

- Need for transparency and adequate IMM to avoid impact washing
- Need to divest quickly from harmful industries as society claims for more sustainable banking behaviour

Opportunities

- Role in developing new products and offers to grow demand of social banking
- Common agenda for responsible banking, led by UNEP FI
- Focus on social impact can improve the relation between banks and society

A discussion on the role of different actors in the impact ecosystem in Europe would be incomplete without analysing the role of the public sector. In Europe, the public sector has a key role in providing services for citizens and is the largest actor that can (help to) scale. Many of the innovations brought forward by investors *for* impact are either co-created with the public sector or scaled by the public sector.

In the report we look first at the most important public policies that have shaped the impact ecosystem in Europe (see "The European Policy Context" section). We then look at the role of the public sector as funder of social innovation, providing guidance on how to maximise the impact of public-private collaborations.

We conclude the section on capital providers by looking at other institutions, such as institutional investors, asset management companies and family offices, international NGOs and development finance institutions (DFIs) that have shown a growing interest in the impact ecosystem, and we provide an outlook of the role they will play in the future.

THE CHARTER AND ROADMAP OF INVESTORS *FOR* IMPACT

As the impact ecosystem is booming and both investing *with* impact and sustainable and responsible investing are becoming mainstream, investors *for* impact should be bolder in describing their contribution to the space, despite the smaller amount of resources available to gain recognition with all stakeholders.

That is why at the end of the report we present the "Charter of investors *for* impact", a document that presents the ten principles that drive and distinguish the behaviour and way of working of investors *for* impact *vis-á-vis* other investors. The Charter was co-developed with EVPA members, practitioners and experts, to reflect their uniqueness. Alongside the Charter, the "Roadmap for investors *for* impact", identifies three key areas of actions upon which investors *for* impact should work on and devote their energies and resources in the years to come: data, knowledge and expertise and thought leadership.

THE "CHARTER OF INVESTORS *FOR* IMPACT"

The following ten principles identify the distinctive characteristics that differentiate investors *for* impact from other organisations engaging in investments also aimed at generating a positive social impact on society.

In Part 3.1. of this report each principle is elaborated more in detail.


INVESTORS FOR IMPACT
1. ARE PROBLEM-FOCUSED AND SOLUTIONS-ORIENTED, INNOVATING THE WAY TO TACKLE SOCIETAL CHALLENGES
2. PUT THE FINAL BENEFICIARIES AT THE CENTRE OF THE SOLUTIONS
3. ARE HIGHLY ENGAGED FOR THE LONG-TERM, STRIVING FOR LASTING IMPACT
4. TAKE RISKS THAT MOST OTHERS ARE NOT PREPARED TO TAKE
5. MEASURE AND MANAGE SOCIAL IMPACT
6. PROVIDE EXTENSIVE NON-FINANCIAL SUPPORT
7. TAILOR THEIR FINANCIAL SUPPORT TO THE NEEDS AND CHARACTERISTICS OF SOCIAL PURPOSE ORGANISATIONS
8. PROACTIVELY ENHANCE COLLABORATION WITH OTHERS
9. WORK TO FOSTER THE MOBILISATION OF RESOURCES IN THE SOCIAL IMPACT ECOSYSTEM
10. UPHOLD HIGH ETHICAL STANDARDS

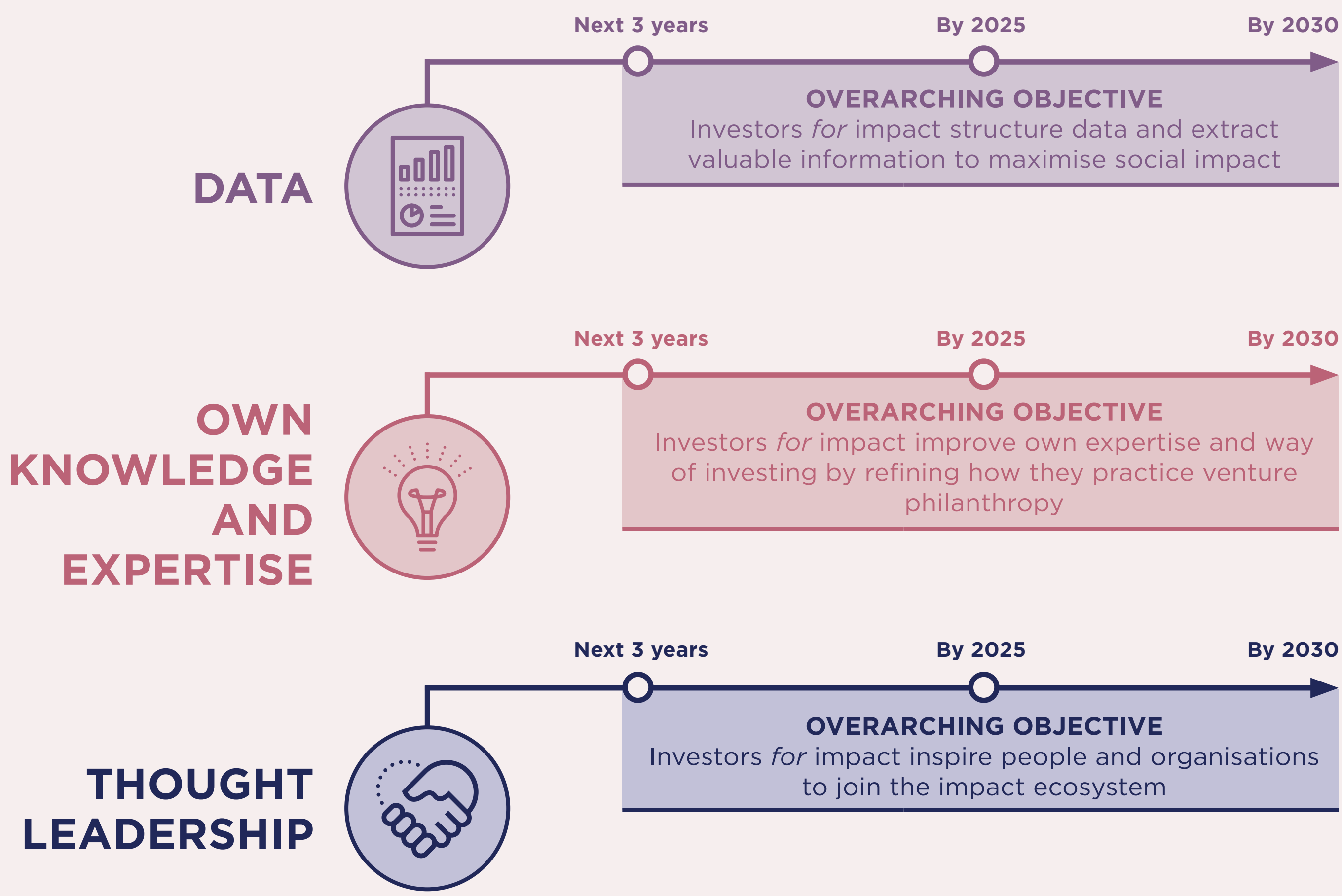
THE "ROADMAP FOR INVESTORS *FOR* IMPACT"

As the Charter provides a clear identity to investors *for* impact, the Roadmap shows their way forward. The actions identified are aimed at pursuing key successes as follows, investors for impact:

- in the **next 3 years**
  - collectively adopt the ten principles, and
  - are recognised as the market builders in the impact ecosystem;
- by **2025**
  - leverage their recognition to inspire and educate others;
- by **2030**
  - become the drivers of systemic change.

Concretely, we identified three elements across the ten principles of the Charter, which represent three strategic axes of development for investors for impact: (i) data, (ii) knowledge and expertise, and (iii) thought leadership. Along each axis, we identified one overarching objective, and a set of critical actions that investors for impact must undertake in the coming years in order to fulfil their ambitions for the future of the impact ecosystem, and to leverage their status to drive the shift towards a better future.

In Part 3.2. of this report an overview of all the concrete actions that investors *for* impact should undertake, is included.



INTRODUCTION

Fifteen years ago, venture philanthropy (VP) was a new concept and social investment (SI) was uncharted territory. In the meantime, foundations and other grant-makers were starting to look for ways to support their grantees for longer, in a more engaged way, and with a greater focus on impact. Back then, a group of venture capital (VC) investors eager to apply the concepts of VC to philanthropic giving, decided to set up EVPA[1] in 2004. Since then, venture philanthropy and social investment have been spreading across Europe, and today these concepts are quickly becoming mainstream – although with some national and regional differences. There are contexts in which, for example, venture philanthropy has remained a niche-term, frequently – and erroneously – just linked to the concept of *engaged philanthropy* and/or *strategic philanthropy*.

For EVPA, 2019 is an important year as it is our 15th anniversary. We see this occasion as the perfect opportunity to look back at what happened in the impact ecosystem and, more importantly, to look forward. With this report, we aim to do both by painting the picture of the impact space in Europe today, focusing on current trends, and by providing the outlook for the future of the sector.

The report is structured as follows. In the first part, we look at how the impact ecosystem has evolved in the past 15 years, and what are the current trends, with a focus on policy initiatives and regional features. In the second part, we analyse the three core practices of venture philanthropy (i.e. impact management and measurement, non-financial support and tailored financing), which are the main elements that make investors *for* impact unique. We then map the different types of capital providers that operate in the impact ecosystem, highlighting their challenges, opportunities, strengths and risks. Concretely, we look at social impact funds, social investment crowdfunding platforms, foundations, corporate social investors, banks, the public sector, institutional investors, asset managers, family offices., international NGOs and development financial institutions. Finally, in the third part, we set the scene for the future. In this final section we present the "Charter of investors *for* impact", a series of principles that describe the uniqueness of this type of capital providers. Linked to the Charter, we developed the "Roadmap for investors *for* impact", which includes concrete actions to be pursued in the next decade in order to move the sector in the right direction.

The content of this report has been developed leveraging the extensive knowledge about venture philanthropy and social investment gathered by EVPA in the last fifteen years. EVPA has always leveraged its pan-European focus to convene social impact experts and practitioners, to involve them and identify common issues and topics that would benefit from further investigation. EVPA research is developed *with* practitioners, *for* practitioners.

As shown in the figure below, this report was built in seven phases. Given the wide scope and outreach of this research, we have exerted a particular effort to involve a group of experts as large and diverse as possible. Between February and June 2019, we engaged in one-to-one interviews with more than 20 experienced professionals. We asked the interviewees to focus both on the most important evolutions of the last fifteen years, and on the main challenges and opportunities of the coming years.

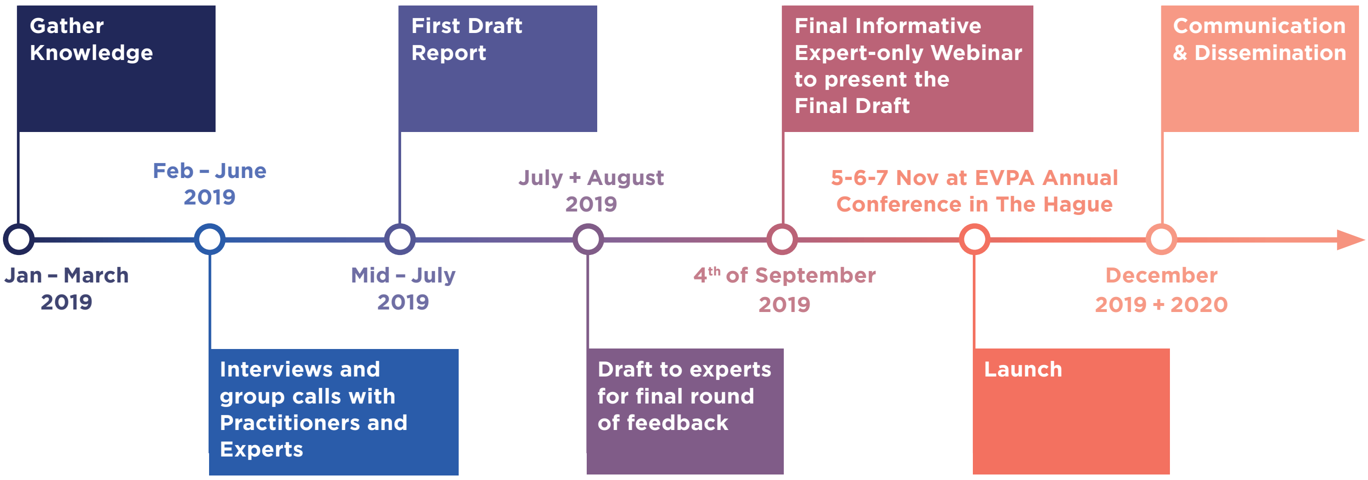
Furthermore, for specific actors such as foundations and banks, we organised group meetings (online and physical) to collect specific insights and to gather feedback on preliminary analyses, such as the mapping of their activities within the impact ecosystem.

An additional group of policy experts has been involved to help us develop the section on the European policy context, the policy timeline and other policy-related parts of the report.

In mid-July, the first draft of the report was shared with 70+ experts and practitioners that provided us with comments and inputs, which were particularly useful and valuable to refine both the final structure and the final content of the study.

After having included the feedback received in the final version of the report, we invited all of them to an expert-only webinar, during which we presented the main findings of the research, and we collected the last round of feedback.

Figure 1: Research Process



But we did not do this in isolation. This report has largely benefited from the latest work of other leading organisations of the impact ecosystem, such as the Organization for Economic Co-operation and Development (OECD), the Global Steering Group for Impact Investment (GSG), the Global Impact Investing Network (GIIN), the Impact Management Project (IMP), and Social Value International (SVI) – to mention a few. At EVPA, we firmly believe new studies should build on the extensive stream of literature about social investment and impact investing that already exists. Throughout the report we included several references to recognise the relevance of others' work, and to better position and contextualise our new narrative within the whole impact ecosystem.

This report would have not been possible without the support of all the experts involved in this research project. The authors would like to thank all the practitioners who have provided us with in-depth insights, inputs and feedback during interviews, group calls and via email. Special thanks to EVPA's Policy Team, Bianca Polidoro and Tessa van Autreve, who developed the policy timeline, and to all the other EVPA colleagues who provided us with valuable suggestions and feedback throughout the year.

This report does not necessarily reflect the opinion of all the experts involved. All errors and omissions remain the responsibility of the authors. We encourage you to submit comments and clarification questions to: knowledge.centre@evpa.eu.com

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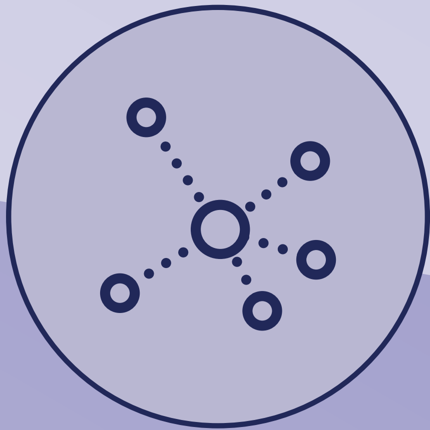
PART 1.
THE EVOLUTION OF THE IMPACT ECOSYSTEM



PART 1.
THE EVOLUTION OF THE IMPACT ECOSYSTEM

1.1. WHAT DOES THE IMPACT ECOSYSTEM LOOK LIKE?

The world we live in is one of profound societal issues. As we try to fight climate change and global warming, we have realised the profound divide between the rich and the poor of the world, and the limits of neo-liberal capitalism in tackling and solving the problems we face. The good news is, in this context, that the impact economy is gaining traction and social inclusion is on top of the agendas of world leaders. "Social is the new green", being at the centre of the action of policy-makers around the globe. It is not by chance that the Sustainable Development Goals (SDGs) identify not only climate and environmental but also social challenges as the primary target for collective action.

The United Nations estimate that to reach the SDGs we need between USD 5 and 7 trillion every year. The investment gap to reach these numbers is currently of around USD 2.5 trillion a year[2]. The organisations active in the impact ecosystem play a pivotal role in contributing to narrow this gap and in speeding up the process of finding resources to achieve the SDGs.

In this context, terms like "social impact"[3], "venture philanthropy", "social investment" and "impact investing" start resonating with a broader audience and have been attracting growing interest from a wide range of capital providers. These capital providers are very diverse, and adopt diverse impact strategies, which are defined as the way in which a capital provider codifies its own activities along three axes: social impact targeted, financial return sought and social/financial risk appetite[4]. For example, foundations are looking into social investment strategies (i.e. being investors *for* impact not just through deploying grants but also using other types of financial instruments), and are considering how endowment funds can be invested in a more social way. Banks are progressively looking at venture philanthropy and social investment as tools to improve their reputation among the broader public, to ensure long-term sustainability, to satisfy an expanding portion of responsible clients and to attract, motivate and retain their staff. Furthermore, pension funds and asset managers are increasingly including ESG considerations in their due diligence process, linking their performance to the SDGs, and seeking for a pipeline of investments capable of generating financial returns while also addressing societal problems. Additionally, it is widely recognised that youth and women are inclined to invest more responsibly[5]. Thus, when more assets will be managed by the NextGen and women, there will be a thriving demand to include impact as an additional dimension in investment strategies and decisions.

Looking back at the last 15 years, and forward to the next era, as more capital becomes available, and more and diverse players enter the impact ecosystem, questions arise regarding impact washing and impact integrity, the latter being fundamental for the credibility of the entire social impact investment movement. Concretely, there might be the risk of over-estimating the resources flowing towards the impact ecosystem, especially looking at traditional financial institutions.

In fact, labelling a fund with the term "impact" is quite simple, while really assessing and proving that a specific investment is changing the lives of people is complex and requires time and evidence.

WHAT DOES DATA TELL US?

As the impact ecosystem is constantly evolving and its boundaries are blurring, assessing its size is very complex.

On one side, there is the traditional philanthropic sector, which includes a wide set of institutions, like foundations, private investors, lotteries and corporations. The European Research Network on Philanthropy (ERNOP) has conducted one of the most extensive studies estimating the size of the giving market in Europe, leveraging a network of researchers in 20 European countries. The study proposes a lower bound estimate of EUR 87.5 billion in 2013[6]. This has not been the only estimation of the size of the European philanthropic market. The Donors and Foundations Networks in Europe (DAFNE)[7], in collaboration with the Foundation Center[8] (New York), published a report in which they estimate that European foundations with a public focus manage EUR 511 billion in assets and endowments, and annually spend EUR 60 billion[9]. These estimates of the philanthropic sector present several limitations. In particular, the current datasets present gaps that reduce the comparability of data across countries. However, these studies stressed the importance of having a comprehensive and pan-European data collection that would produce more precise figures and allow for comparisons across countries. In the future, we expect European philanthropy infrastructure organisations to produce more and more accurate analysis of the study.

Looking at the data collected through the latest EVPA Industry Survey[10], we estimate that investors *for* impact have deployed between EUR 1 billion and EUR 2 billion in fiscal year 2017[11].

On the other side of the impact ecosystem, there are investors *with* impact. The Global Impact Investing Network (GIIN)[12] has recently published a market size exercise through which it estimates the current size of the global impact investing market to be USD 502 billion. This study does not include a geographical division of Asset Under Management (AUM) but, from the GIIN Annual Impact Investor Survey 2019, European investors *with* impact managed USD 71.9 billion in 2018[13]. Looking at the respondents of the latest GIIN Survey, and comparing them with EVPA's ones, we observed a small overlapping (only 10% of EVPA's respondents to the latest Industry Survey participated in the latest GIIN Survey), which resonates with the EVPA narrative on impact strategies.

In 2018, Eurosif published its biannual market study on sustainable and responsible investing (SRI), which is defined as a *long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio*[14]. The study, which includes seven different sustainability strategies[15], reports EUR 20 trillion of assets managed by 238 European asset owners and asset managers combined.

This overview of data analyses show two main findings. First, the numbers that define the scope of the impact ecosystem vary largely in size, showing that a more accurate estimate, coming from a collective effort, is needed. On the one hand, a more accurate estimation of the size of VP activities of foundations would help understand their involvement in the movement. On the other hand, we believe that a data collection effort distinguishing between the two impact strategies would provide clarity on the real size of the two markets. Second, it is clear that each market cannot be valued only based on its size. Although small in size compared to the rest of the investment spectrum, the space of investors *for* impact has the central role of generating the pipeline for all investors down the line – including investors *with* impact and traditional investors. Investors *for* impact serve as the engine to test and develop new and potentially disruptive business models, that will contribute to alleviate or even solve pressing societal issues.

1.2 KEY TRENDS

While we look more broadly at the global trends that affect people and the planet, we identified those that specifically belong to the social impact ecosystem. In what follows we highlight the most relevant ones, to put the work of investors *for* impac in context.

IMPORTANT AND CHANGING SOCIETAL CHALLENGES AND SCARCE RESOURCES – As the recognition of the new divide gets accepted, the societal issues that investors *for* impact are addressing change. Within regions and countries, specific and major issues need attention. In Europe, important challenges relate to the ageing population, youth unemployment, homelessness, affordability of housing, responding to the needs of refugees and migrants, the stability of the political and governance systems and the shrinking space of civil society – to name only a few.

As societal issues become more acute, and public and private resources shrink, pressure intensifies to spend scarce resources well, adopting more accurate impact measurement and management practices.

LIMITED SUSTAINABLE SOLUTIONS AT SCALE – In the last 15 years investors adopting the VP approach (i.e. investors *for* impact) have been strong contributors to creating new solutions to pressing societal issues in Europe. However, many of the social innovations piloted by investors *for* impact remain local and small scale and it remains a big challenge to scale impact. In some cases, investors are too focused on scaling the organisation rather than scaling the impact, other times they struggle to find levers, public or private, to address social, economic and environmental challenges at scale. The need to generate sustainable impact at scale raises further questions. If the business model is scaled, will it preserve its impact? If it is impactful, is it scalable without losing the organisational sustainability?

PROLIFERATION OF HYBRID FINANCIAL MECHANISMS TO TACKLE THE SCARCITY OF RESOURCES – In the attempt to find more effective ways of supporting SPOs and attract more resources in the impact ecosystem, a series of outcome-based mechanisms have been developed in the past decade. From the first social impact bond (SIB) launched by Social Finance UK in 2010, to the Development Impact Bonds (DIBs), and the Social Success Note of Yunus Social Business and Rockefeller Foundation, to the Social Impact Incentives (SIINC) of Roots of Impact. On top of all these mechanisms, several hybrid financing vehicles, which are funds that collect different types of capital within the same entity, emerged. An interesting example that mixes the characteristics of mechanisms and vehicles is represented by outcome funds. They are vehicles set up by a public actor pooling public and/or donor's funding to finance several outcomes-based mechanisms at the same time[16]. Although they are an important innovation in service provision, the process of structuring hybrid mechanisms is often very costly in terms of time and resources. Therefore, to have a larger uptake, hybrid mechanisms need to gain size, which will only happen with more track records and success cases.

INCREASING IMPORTANCE OF DATA – The availability of a large amount of data has radically changed the value chain of several industries, and almost all organisations in every sector are looking for new ways of creating economic value and improving decision-making processes through data. In the same way, within the impact ecosystem, both investors *for* and *with* impact are realising the importance of data to improve their impact measurement and management practices, and to find innovative ways to generate value for the society through data. Data could represent a turning point to ensure transparency, to allow more efficient information sharing among investors and between investors and investees, and to facilitate the replication and scalability of successful business models and/or solutions.

FROM VENTURES TO INDUSTRIES – Several sectors, such as microfinance and green energy, have become mainstream. Going mainstream means that, after the early stage phase, which is characterised by a high presence of ventures with a high-risk profile and by a large number of failures, these sectors have started consolidating. Entering the consolidation phase means that more data are available, allowing investors to make better decisions, which in turn means there is a more efficient allocation of capital. Sectors that have a track record attract more capital, allowing them to grow further and faster. Other sectors of the social impact ecosystem, such as agriculture, food and social housing, are currently consolidating, as shown by the increasing interest they generate among investors *with* impact. Despite the move of a number of social impact sector towards consolidation, the largest part of the social impact ecosystem is still a land of experimentation, trial and error, innovation, failure and lack of data. All these sectors that normally attract investors *for* impact still require vast amounts of resources invested in creating the market infrastructure and in early stage ventures before being ready to move to mainstream.

1.3 THE EUROPEAN POLICY CONTEXT

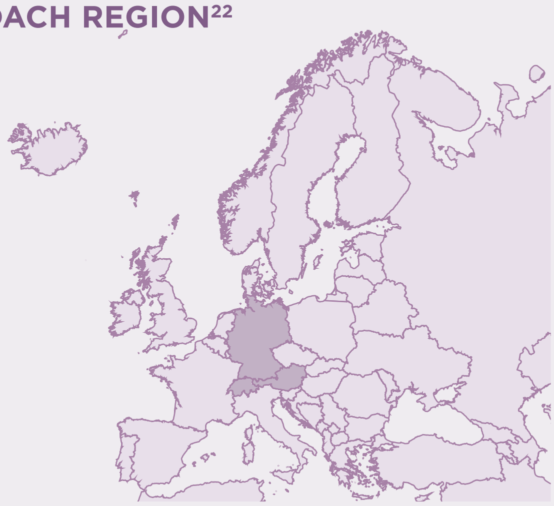
The impact ecosystem has evolved very differently in Europe, compared to other regions of the world, due to the specificity of the European context. Compared to other areas of the world, in Europe, the public sector, with its duty to provide services for its citizens, has a stronger presence. The decreasing public resources in the European welfare services opened up a space for innovation and public-private collaborations, but without seeing the private replace the public services. In Europe, private sector organisations interested in social impact and sustainability support innovative solutions to pressing societal issues, *alongside* public funders and policy-makers.

In the United States, where the whole venture philanthropy movement started at the end of the 90s, private capital as always been working alongside the public sector to provide for people in need. This is due to the lack of strong public welfare that provides for the weakest segments of the population. In Asia and in Latin America, social investment started with microfinance, long before the venture philanthropy approach started spreading. Today, Asia is a fast-growing market with large pools of commercial capital available to potentially address the needs of the under-served[17]. In recent years, the African Venture Philanthropy Association (AVPA) has been set up with the support of the International Venture Philanthropy Centre (IVPC), which also works to strengthen the uptake of venture philanthropy and social investment in Latin America[18]. The aim of these regional efforts is to help create and strengthen the local communities of investors for impact, learning from the 15-year long experience of EVPA.

As the *European* network of investors *for* impact, through this report we aim to describe the players based in Europe and the venture philanthropy (VP) practices they adopt, and to provide them with a path forward for the future. Nevertheless, we also recognise the heterogeneity of the European context in terms of regulations, welfare states and provisions of social services, development of social finance and of social entrepreneurship. The national contexts play a crucial role in shaping the impact strategies of capital providers, making them progress at different paces. Similar investors *for* impact that are based in the same country may have different strategies if they are targeting SPOs based in different countries, regions and/or continents. In fact, the pipeline of potential deals is very much linked to the context in which the supported SPOs operate.

This chapter outlines some of the policy developments at national level of the European countries. Far from being exhaustive, the purpose is to highlight some of the most recent developments in national policy-making, to give the reader an idea of how the European context is evolving. The grouping of the countries reflects the work of EVPA at national level in the following order: the DACH[19] region – including Germany, Switzerland and Austria; France; the Netherlands; the United Kingdom and the Republic of Ireland; Belgium and Luxembourg; the Central and Eastern Europe region (CEE)[20]; Spain; Italy; Portugal; and the Nordics – including Finland, Denmark, Norway, Sweden and Iceland[21].

THE DACH REGION[22]



In Germany, the impact ecosystem lacks investors in between the traditional philanthropic and the traditional investing sectors, despite some successful pioneers. The German ecosystem of impact investments (i.e. the social impact funds) is still below its potential, but practitioners and experts link this fact to (a) the strong presence of the public sector on societal issues and (b) the idea that private investors are less needed to support the growth of small social enterprises. Societal challenges have often been addressed by ethical banks such as GLS Bank, large foundations and welfare organisations. Additionally, wealth managers remain critical of below-market rates of return.

German foundations see social investment as an interesting new option, but, due to regulation, they have been restrained from investing in small-sized SPOs and from taking the risk needed to construct a pipeline. The provision of legal certainty through appropriate regulation is thus urgently needed.

On the bright side, in 2014, the National Association of German Foundations, together with its members, partnered to fund the MRI Pilot Fund[23], managed by BonVenture, with the goal of testing and implementing financial instruments for foundations to align their endowment investments with their societal targets. The MRI Pilot Fund is structured as a European Social Entrepreneurship Fund (EuSEF), which gives the fund a legal and regulatory setup that is uniform and replicable across Europe.

To strengthen the impact investing sector in Germany, the EIF, through its Social Impact Accelerator (SIA)[24], has invested approximately EUR 35.2 million in German-based social impact funds. These funds are Social Venture Fund II and Ananda Impact Fund III, both managed by Ananda Ventures; and BonVenture III.

Finally, Germany is the only country of the DACH region that has created a National Advisory Board (renamed "*Bundesinitiative Impact Investing*") and joined the GSG.

Practitioners-led research shows that, like Germany, Switzerland is currently missing a set of actors in-between traditional grant-making foundations and large investors *with* impact. Switzerland is one of the leading countries in sustainable finance in Europe, but its impact initiatives are rather small in size. Swiss foundations are still very traditional, and only a few of them are engaging in the impact ecosystem, since they seem to remain sceptical about embarking in riskier ventures. Furthermore, Swiss foundations are generally smaller in size, which means that the team in charge of grant-making is also in charge of investment of endowments.

The German NAB observes that, in Switzerland, the categories of investors that seem to be more likely to engage in the Swiss impact ecosystem are family offices, individual and family foundations and ultra high-net-worth individuals (UHNWIs). These investors see social investment as a good way to achieve positive and measurable social impact with a small initial investment budget. In this regard, private investors are willing to accept below-market financial returns for significant periods of time. However, it will take a growing number of suitable products or robust investable propositions for change to happen.

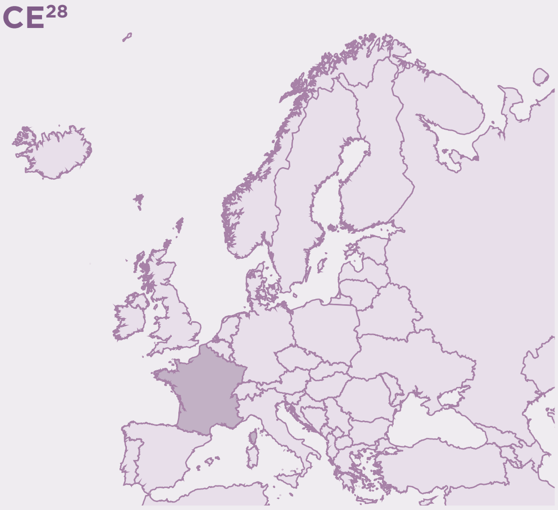
On the other hand, the public sector is not very engaged yet, but in the coming years it is expected to focus on policy and regulation in order to facilitate the expansion of the Swiss impact ecosystem.

As the rest of the DACH countries, the Austrian social investment market is not well established and it is still very fragmented. This scenario makes it difficult for social enterprises to navigate funding opportunities and find the right form of capital they need. At the same time, it is complicated for social investors to identify SPOs that meet their specific requirements and expectations.

Overall, the DACH impact ecosystem is still missing bigger intermediaries, bridging philanthropic funding with more business-oriented investments, as well as further cross-sector collaboration and the development of outcome-based financial instruments[25]. In addition, the DACH market needs more investors *for* impact to build the pipeline of social enterprises, because these investors are willing to take higher risks to support innovative business models, focusing on the "Valley of Death".

Recently, the public sector in the DACH region has started to acknowledge the potential of social impact investment, as demonstrated by number of social impact bonds (SIBs). In Germany, the first SIB was launched in 2013, and two more were developed in 2017. Austria witnessed the launch of a SIB to empower women affected by violence in September 2015, thanks to the partnership between the Domestic Abuse Intervention Centre of Upper Austria and the Women's Shelter of Linz, alongside the Austrian public employment service (AMS)[26]. Finally, in Switzerland, a SIB was launched in 2015 to finance a project that aims to integrate refugees and asylum-seekers in the country[27].

FRANCE[28]



The strong political recognition of the impact ecosystem in France is shown by the presence of a High Commissioner for social and solidarity economy and social innovation, hosted by the ministry of Ecological Transition and Solidarity, created in May 2017. Prior to this, in July 2014 the Ministry of Finance created the *"loi sur l'économie sociale et solidaire"* (Law on Social and Solidarity Economy – SSE) which, for instance, extended and reviewed the concept of social enterprise. These departments, together with the regional governments, are the main public counterparts in the sector.

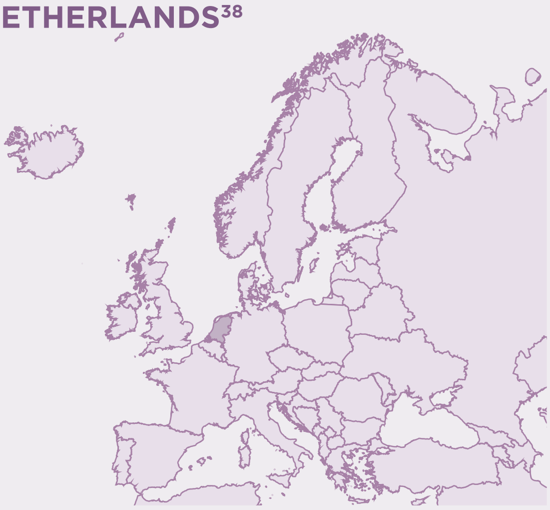
The SSE significantly strengthened the French legal framework, enhancing the position of the sector in the French economy and reinforcing its legal bases[29]. While introducing a legal status for businesses with a social utility ("*ESUS*"), the law also extended the perimeter traditionally admitted in the SSE to include the model of social enterprises. The law also allows regional public authorities to dedicate considerable resources to the SSE, while implementing more capacity building initiatives. In addition to this legal framework, France is also known for its unique regulatory schemes in support of solidarity saving schemes, such as the "90/10 Solidarity Funds[30]", which contribute to creating a significant retail social investment ecosystem. This regulation allowed the biggest French asset managers to develop more serious impact strategies to support the development of social enterprises.

Under the SSE umbrella, the French government launched in January 2018 the initiative French Impact[31], in which the private sector can also participate in fuelling positive impact. Another relevant initiative to promote the SSE was the hosting, in July 2019 in Paris, of the Pact for Impact Summit, a global alliance to support impact internationally[32].

Another sign of the experimental approach pursued by the French authorities in the sector is the major call for proposals of *Contrats à impact social* (French term for social impact bonds) opened in 2016. This led to the launch of the first SIB in 2017, as a result of a tripartite collaboration between the social solidarity sector (ADIE, the SPO), the private financial sector (BNP Paribas, as the arranger and investor) and the Ministry of Finance (as the outcome payer). Since then, six more SIBs were signed up to March 2019 Through these outcome-based mechanisms, French authorities not only save important resources, but also increase their knowledge and understanding of the final beneficiaries. In that sense, in June 2019 the working group report on *Contrats à impact social*, mandated by the High Commissioner and chaired by Frédéric Lavenir, chair of ADIE[33]. The *Banque des Territoires,* of the group *Caisse des Dépôts*[34] has set up several major funds in support of market building initiatives, aimed at boosting the French impact ecosystem. Also the *Association Finansol*, created in 1995, has played an important role as a market builder, by promoting solidary finance and lobbying for the revision of the 90/10 solidarity saving scheme[35]. In addition, the Impact Invest Lab[36], the operational arm of the French National Advisory Board, has also played an important role in advancing social impact investing in France.

Finally, European funds have fostered the social impact ecosystem in France[37]. Since 2015, six French impact funds are financed by the EIF Social Impact Accelerator (SIA): Impact Partenaires III, Phitrust Partenaires Europe and Impact Creation 1, Citizen Capital II, Future Positive Capital Fund and Impact Croissance IV. Moreover, the EIF under the EFSI provided early-stage support to the SEED I fund, an impact-investing fund dedicated to pre-seed activities created by the Makesense Incubator. Today, this fund brings together a wide range of sector stakeholders: French and European institutions (EIF, Banque des Territoires), private (BNP Paribas) and associative (Revital'Emploi) finance providers, individuals and successful entrepreneurs.

THE NETHERLANDS[38]



In the Netherlands, the impact ecosystem is flourishing. A high number of stakeholders are becoming interested in joining the impact ecosystem. Social enterprises and social entrepreneurs are drawing the attention of both the private and the public sector. Moreover, thanks to a lasting culture of cross-sector collaboration, the public sector is promoting social innovation at the local, provincial and national level. For instance, the Netherlands has been a pioneer country in developing and replicating social impact bonds. The first Dutch SIB was launched in 2013 in Rotterdam, when Start Foundation and ABN AMRO invested in Buzinezzclub to foster youth employment[39]. As of today, fifteen SIBs have been launched in the Netherlands. Other initiatives are being led by local governments. In the Hague, ImpactCity connects and helps social entrepreneurs to launch and boost their SPOs[40]. In Rotterdam, Voor Goed connects organisations such as social enterprises, investors, intermediaries and the public sector to strengthen their impact[41]. Also, the Social Impact Fund Rotterdam finances partnerships to tackle societal issues in the city[42].

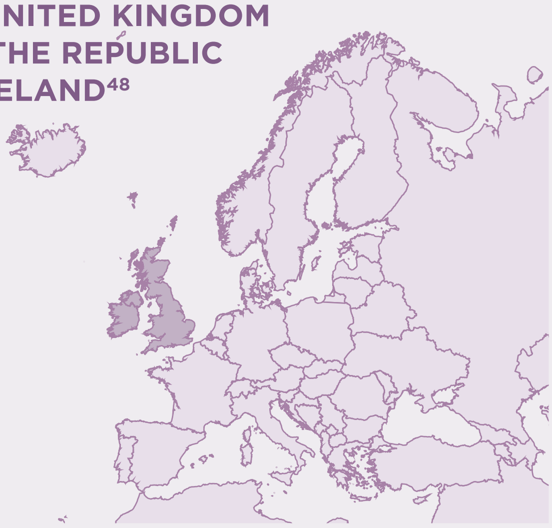
In the private sector, there are approximately 100 foundations active in the Dutch impact ecosystem, which play an important role. Alongside foundations, the sector includes more than ten social impact funds, a dozen of incubators and accelerators, crowdfunding platforms, companies and banks with social impact departments, angel investor networks, and network platforms.

On the demand side, an important initiative to coordinate players and enhance collaboration is Social Enterprise NL, which is the membership organisation of Dutch social enterprises, founded in 2012. Social Enterprise NL has conducted research for a new legal entity for social enterprises, which currently does not exist in the Netherlands[43]. Additionally, it has established the *Code Sociale Ondernemingen*, a set of rules for organisations that are registering as a social enterprise[44], and *Buy Social*, a programme for connecting social enterprises with regular companies and with the public sector[45]. Concretely, the creation of a legal form is currently being debated and developed by the Dutch government[46], which may be an important step forward to enhance the regulatory framework for social enterprises.

Despite its growth, the Dutch impact ecosystem is still dealing with some challenges. Dutch SPOs still face financing gaps when they do not have market-oriented solutions. Furthermore, the well-developed landscape leads to having many definitions of what social enterprises are, what social impact is and how it should be measured. This may be a burden for stakeholders trying to determine the impact achieved by each organisation and by the overall sector. The need for clarifying concepts, defining impact measurement and management, boosting social entrepreneurship in this flourishing momentum, and de-risking business models through cross-sector collaboration has led to the idea of creating a coordinator agency. Such entity would benefit from the vibrant ecosystem and the multiple policy innovations and would enhance the policy coordination for developing social enterprises. The coordinator agency could be set up as a National Advisory Board and become member of the Global Steering Group, which would allow the Dutch to enhance collaboration between stakeholders, not only within the country but also cross-borders, and, in turn, being more able to scale social business models. It would also help to reach a common agreement on defining what social impact is and how it can be measured and managed. At the same time, a Dutch NAB might be able to enhance policy coordination and to further develop the market through capacity building, access to capital and regulation.

European resources play a role in The Netherlands thanks to the EIF that invested under SIA in Social Impact Ventures NL Fund I, and supports, under EFSI, the Social Impact Bond "Join Forces", which focuses on the reintegration in the labour market of incapacitated military personnel of the Dutch Army[47].

THE UNITED KINGDOM AND THE REPUBLIC OF IRELAND[48]



The UK impact ecosystem is the most pioneering and developed market in Europe. In a context where the private sector has been active in the social impact investment space since the 16th century[49], the public sector has consistently supported the development of the social investment ecosystem through several initiatives.

One of the UK's leadership milestones was the creation of the Social Investment Taskforce in 2000. In 2013, the UK National Advisory Board (UK NAB) on Impact Investing was set up as part of a new Social Impact Investment Taskforce (SIIT) with the mission of backing, strengthening and scaling the ecosystem of social impact in the country. In 2015, as the SIIT was expanded into the Global Impact Investment Steering Group (GSG). In addition, in 2016, an Advisory Group was created with the question *"how can providers of savings, pensions and investments enable individuals to support the things they care about?"*. This was followed by an influential implementation taskforce. Subsequently, in April 2019, the UK NAB and the Taskforce merged to create the Impact Investing Institute. This new entity aims to expand the size of the market and to enhance its efficiency. Its objectives are (i) *"to strengthen the market infrastructure for impact investing",* (ii) *"to increase the amount of capital invested for impact"*, (iii) *"to improve the effectiveness of capital invested for impact"*, and (iv) *"to make it easier for individuals to invest for impact"*.

Other initiatives that have supported the developing ecosystem include the various legal statuses for social enterprises that have been introduced, such as the *Community Interest Company* (CIC) in 2004, and the *Charitable Incorporated Organisation* (CIO) in 2012. On the supply side, the *Social Investment Tax Relief* (SITR) of 2014 aims to unlock additional private capital, together with the adoption in 2016 of the *Charities (Protection and Social Investment) Act*, which empowers charities to make social investments. A Social Value Act was approved in 2013, calling for public sector commissioning to factor in economic, social and environmental well-being in public service contracts.

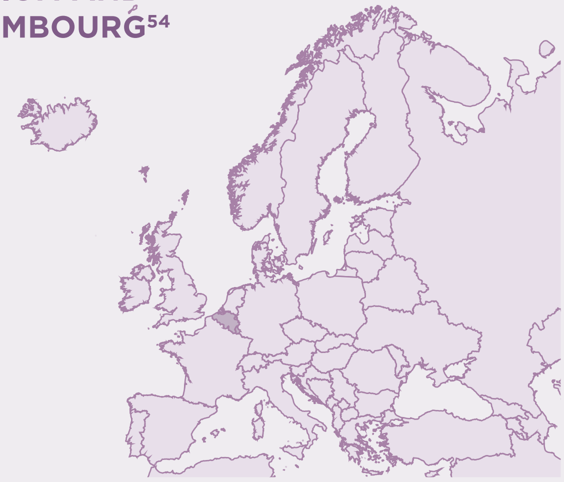
In 2012, Big Society Capital became the world's first impact investment wholesaler dedicated to providing finance to the social sector and building the impact investing market[50]. Using GBP 600 million of Dormant Accounts and shareholdings from mainstream banks, Big Society Capital with co-investors has expanded social investment to GBP 1.7 billion of funds on offer with GBP 1 billion deployed into 1,200 social enterprises and charities. Moreover, the UK pioneered the development of payment-by-results instruments, being the first country in which a social impact bond (SIB) has been implemented: a six-year SIB pilot scheme in Peterborough conceived and launched by Social Finance UK in 2010. To date, 69 SIBs have been launched in the UK. This leading role has been accompanied by the capacity building offered by the Government Outcomes Lab, launched in 2016, and a Unit Cost Database (UCD) given indicative pricing. Another capacity building initiative is the Access – the Foundation for Social Investment, a GBP 100 million charity, which provides blended grant and investment to smaller social organisations alongside capacity building.

Until 2017, the European Investment Fund (EIF) supported the development towards the UK's thriving social investment ecosystem by financially backing several initiatives, starting in 2011 with Bridges Ventures[51].

The population in the Republic of Ireland is small by comparison, counting only 4.5 million people. This smaller size forces investors *for* impact to work in multiple sectors at the same time to try to make a lasting impact. On the one hand, it remains a challenge to foster capacity building in the space, to further engage the public sector by developing public procurements and supportive financial infrastructures and improving the data infrastructure about social enterprises. On the other hand, although the Irish market is developing innovative solutions to tackle societal problems some practitioners think that, in the future, being a small country may cause problems with the pipeline of potential investees. Pockets of innovation and leadership can be seen from Genio, Social Innovation Fund Ireland, and Social Entrepreneurs Ireland, and hopefully these organisations can continue to flourish.

Looking at the public sector, in 2017 the Irish Government created the Department of Rural and Community Development. In 2019, this Department released the National Social Enterprise Policy for Ireland 2019–2022, which is the first Irish regulatory framework for social enterprises[52]. The policy aims to enhance the regulatory environment for social enterprises to grow and to tackle societal issues. Furthermore, in 2018, the Department of Rural and Community Development and Social Innovation Fund Ireland announced the launch of EUR 50 million fund to achieve sustainable impact across the country[53].

BELGIUM AND LUXEMBOURG[54]



The past ten years several interesting initiatives have been launched in the Belgian social impact ecosystem, by both private and public entities, which help build momentum in the country.

The approval of the new Belgian Code on Companies and Associations was probably one of the momentum factors. This Code includes for the first-time legislation for the non-profit organisations[55]. The Belgian public sector has also involved in launching social impact bonds: the first SIB in Belgium was launched in 2014 by a private-public collaboration formed by Kois Invest and Actiris (the Brussels's unemployment agency)[56]. In 2018 the second Belgian SIB was launched in Antwerp by public entities VDAB (the Flemish unemployment agency),the Innovative Public Procurement Program (PIO), and the social investor Impact Capital, which invested in BeCode to mitigate unemployment among young people that are neither employed nor studying[57]. One more SIB is in progress in Belgium. The public sector has also financed some infrastructure initiatives, such as the *Sociale Innovatie Fabriek* ("The Social Innovation Factory")[58], a network that enables its stakeholders to address societal challenges in an entrepreneurial way by incubating innovative societal solutions in Brussels and Flanders. Recently, social enterprises in Belgium can count on further financial support thanks to two social entrepreneurship guarantee agreements signed between the European Investment Fund (EIF) on the one hand, and Crédal and Hefboom on the other hand. The agreements were possible thanks to the European Fund for Strategic Investments (EFSI) and are supported by the EU Programme for Employment and Social Innovation (EaSI)[59].

The more traditional philanthropic sector Belgium counts 1,751 foundations, of which 1,178 are private foundations, and 573 are public entities. Despite the impressive number of foundations, the King Baudouin Foundation (KBF)[60] is the one that catalyses most of the philanthropic capital available. KBF was a pioneer in Venture Philanthropy, as it launched the first VP fund in the country, and it has a long-lasting experience in investing in social impact infrastructures.

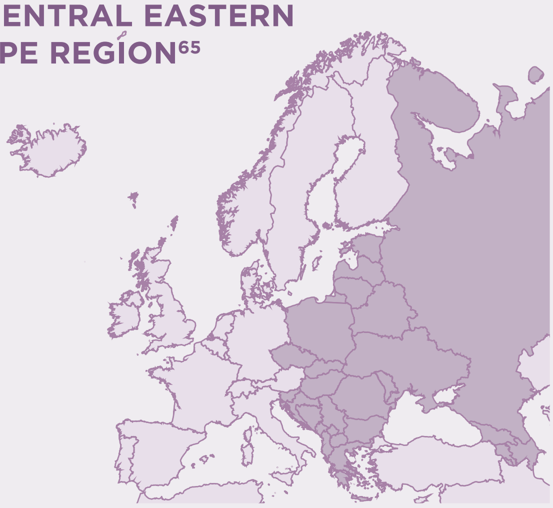
Looking at Luxembourg, the impact ecosystem presents some similarities to the Belgian ecosystem, but also some differences. As in Belgium, the impact ecosystem is not very developed yet, and the philanthropic arena is dominated by a single large foundation, Fondation de Luxembourg, which has been leading venture philanthropy initiatives. In general, the Luxembourgish philanthropic sector still remains very traditional and focused on classic grant-making activities.

In order to boost the social economy, the government created a new legal form for social businesses in 2016: the social impact company (*société d'impact sociétal* - SIS)[61]. This regulation was the result of the work conducted by a taskforce that brought together private and public actors, with the scope of attracting funding for social ventures, by connecting investors with different backgrounds and motivations. SIS can be both for-profit and non-profit with a social mission, and can attract capital coming from a wide range of investors.

The Ministry of Employment and Social and Solidarity Economy, the Foundation du Grand-Duc and the Grand Duchess and the Luxembourg Union for Social and Solidarity Economy (ULESS)[62] created 6zero1[63], the first incubator for social enterprises in Luxembourg, offering a working space and a 150-hour training pack for social enterprises interested in getting the SIS label.

Luxembourg is one of the most important financial centres of the world. As such, there is a significantly high number of traditional funds looking at including impact considerations in their financial decision-making processes. The Luxembourg Impact Investing Platform[64] supports funds that are interested in starting to adopt social investment practices.

THE CENTRAL EASTERN EUROPE REGION[65]



The economic transition from post-soviet era into market economy and democracy has been a success in Central Eastern Europe (CEE). The EU enlargement starting in 2004 and continuing until 2013, embracing eleven countries from the region, played a significant role. Recent forecasts for average GDP growth for 2018–2020 for the CEE member states have been highly positive and exceeding those of many Western European countries[66]. While the economy has been catching up, the wealth and social spending gap between CEE and Western European countries remained significant, reflecting in the social spending per capita in CEE which is four times lower than in Western Europe. This translates into a number of social disparities and challenges that have been gradually addressed by the means of social investment. Financial capital dedicated to this approach has been growing steadily in CEE, from 2% in FY 2015 to 7% in FY 2017[67]. CEE countries offer market opportunities similar to early years of venture capital and private equity investments in 1990s. High and medium Deloitte Social Investment Leveraging Index Scores encourage social impact investors to really make a difference in the CEE region.

However, the development of social investment in Central and Eastern Europe is subjected to core challenges such as further access to tailored, patient capital for all types and sizes of investment. A more stable infrastructure for social organisations and enterprises is required, without highly-restricted funding. Further fostering of regional collaboration is also necessary. Venture philanthropists and social investors often prefer to invest in their home markets. However, in order to scale social enterprises, their impact and build a single European market for social innovation in a truly integrated Europe, it is essential to foster cross-border venture philanthropy and social investment, where EVPA is trying to play leading role.

Since the launch of its activities in CEE in 2014[68], EVPA has been present nearly in all CEE countries, ranging from the Baltics, through Visegrad, Balkans, Ukraine and farther east in Russia. Next to its educational and awareness raising activities (12 to 15 countries visited on annual basis) EVPA leads the CEE Fund Support Programme, launched in 2016, facilitating the development of pilot social impact funds in the region. All funds aim at providing early stage investment (EUR 50,000–250,000) to social enterprises, bridging the financing gap in the social investment landscape.

To date, five social impact funds have been created in the CEE region, leveraging in total over EUR 5 million in social investment, and more are in the process of development. In 2017 EVPA, jointly with NESsT and GSEN, formed the CEE Social Investment Taskforce[69] aimed at building a strong social investment movement in the region and increasing the financial resources in the space. Furthermore, the 14th EVPA Annual Conference, the largest gathering of social impact experts and practitioners in Europe, took place in Warsaw in 2018, with over 600 participants from all over Europe.

The EVPA work in the region inspired local players to launch new efforts in the social investment space and it also boosted the existing initiatives that have been already operating in the region. The European Commission has been among key players supporting important initiatives in the region, such as the ES Fund managed by Crédit Coopératif's subsidiary in Poland TISE. The ES Fund is a programme that provides loans to social purpose organisations, coupling them with investment-readiness support. Until today, this initiative is one of the few cases in which the European Social Fund (ESF) has been used in collaboration with a private institution (i.e. TISE) to boost social economy in Poland. In 2016, TISE also signed with the EIF a social entrepreneurship guarantee agreement aimed at supporting at least 60 social enterprises in Poland and CEE under the European Commission's Programme EaSI[70]. Additionally, in 2018, the European Investment Fund (EIF), under the EaSI Programme and with the support of the Juncker Plan (EFSI), signed a guarantee of EUR 50 million with Erste Group, currently the leading financial services provider in the CEE region. This financing agreement allows the provision of loans to more than 500 social organisations in Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Serbia[71]. The EIF, through EFSI and under SIA financially supported Impact Ventures in Hungary in launching two social impact funds. These two funds support social enterprises with equity/quasi-equity investments and non-financial support, such as business development and capacity building. Lastly, the EIF through EFSI has backed Feelsgood Venture Capital Fund, the first social impact fund in Croatia and the first VC fund in Croatia managed completely by a Croatian team[72].

Moreover, several conversations on the outcome funds have been taking place in the region, and few pilots have been under way. The Good Deed Foundation, Prazis and the Estonian Social Enterprise Network[73] conducted a feasibility study for the first SIB in Estonia. Also, in Poland TISE, with other partners, launched the Trust Bon, a first pilot of payment by result approach in Poland.

A number of different players are slowly paving the way for the social investment ecosystem to boost in Central Europe. With the growth of resources, both human and financial, deployed in CEE impact ecosystem, some of the governments, with Poland, Czech Republic and Croatia in the lead, are paving the way for investing resources and prioritising social economy. Governments are slowly realising they have a role to play and offer subsidised loan schemes or co-fund acceleration initiatives. In this regard, it is commonly agreed among the practitioners interviewed that EU institutions should exert their influence on public authorities to stress the relevance of social investment. As proven by other countries in the past 15 years, thanks to the successes of the existing initiatives and thanks to the pressure of both EU institutions and the younger generations, we expect governments in CEE to progressively recognise the importance of social investment in fostering the well-being of citizens, and to become increasingly willing to contribute and to be involved.

SPAIN[74]

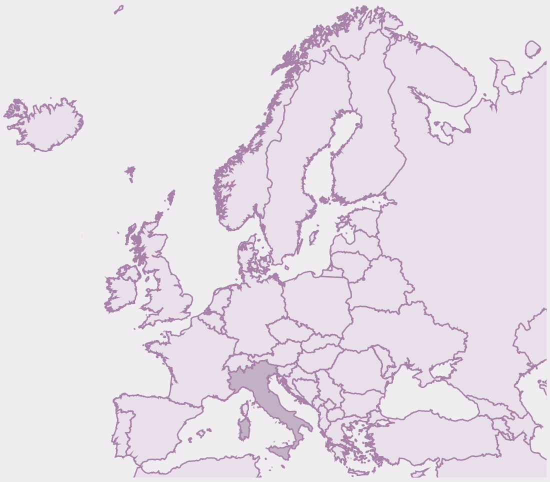
The Spanish social impact market is still in a starting period, but in a good momentum to foster its growth[75]. Although the first analysis and map of the Spanish Impact Investing market was released in 2012[76], many investors are not familiar with impact investing yet, and there is still scepticism in moving from considering only the risk/returns dichotomy towards setting investment strategies that take into account risk, returns and impact. Thus, there is still a predominant conservative culture in terms of separating traditional philanthropy and classic investment. At the same time, regulation is not yet adapted to the investors *for* impact's needs, and infrastructures need to be further developed, for example, to overcome the transactional costs that small impact funds face. Furthermore, the ecosystem lacks data infrastructure and a formal definition of what a social enterprise is, which makes it more difficult for Spanish investors to find social business models to support. Further development of financial intermediaries would also contribute to boosting the Spanish impact ecosystem. Concretely, a network of incubators and accelerators, the development of new social impact funds or financial institutions and the adoption of VP practices by foundations would help reach the needs of SPOs in different stages.

However, the Spanish impact ecosystem is prospering rapidly and gaining momentum thanks to the widening collaboration between actors. In 2018, Open Value Foundation, UnLtd Spain and Eurocapital EAFI, three Spanish pioneers created Foro Impacto[77], a group that gathers more than 70 actors of the ecosystem to boosting social impact. Foro Impacto led the creation of the Spanish National Advisory Board, which became officially part of the GSG in June 2019.

The Spanish public sector is increasingly promoting and engaging in collaborations with investors *for* impact. For instance, in 2017 the Barcelona City Council created a Mayoral Decree on Social Public Procurement that integrates social, environmental, ethical and innovative considerations into all municipal-public contracts. In 2018 the regional government of Biscay launched fiscal deductions for impact funds seeking to register as European social entrepreneurship funds (EuSEF)[78]. In 2019, two relevant initiatives came to life from the City Council of Madrid and the Instituto de Crédito Oficial, a state-owned bank, attached to the Ministry of Economy and Business. The former launched a call for proposals for social investment funds of EUR 30 million[79], while the latter announced a EUR 50 million investment facility targeting impact funds[80]. Although no SIB has been launched yet, public and private actors are also starting to gain knowledge and to test outcomes-based financial instruments in the future[81].

Finally, the European Commission and the European Investment Fund (EIF) has assisted the development of the social impact investing sector in Spain[82]. The EIF has signed an investment agreement of EUR 10 million with Creas Impacto, the first institutional social impact fund in Spain, targeting SMEs in health and wellbeing, environmental sustainability, education and social innovation. A second agreement of EUR 3 million investment was signed between the EIF, supported by EFSI, and the fund Equity4Good, managed by Ship2B, a foundation accelerating social enterprises with high social and/or environmental impact.

ITALY[83]



The Italian impact ecosystem is characterised by a favourable regulatory landscape. The political recognition and the public support to the social impact ecosystem are relatively high, especially at the local level. Social cooperatives have long dominated the social economy landscape, while the concept of "social enterprise" was legally introduced in 2005. Before the reform, the regulatory framework of the sector was mainly oriented towards non-profit entities and social cooperatives, which mostly rely on subsidies and loans. The third sector reform, issued in June 2016, represented a turning point for the Italian impact ecosystem, since it incorporated all the various third sector players, including entrepreneurial non-profit organisations and social businesses, under a common definition: *Entities of the Third Sector*. Under this definition, Italian SPOs gained flexibility and could start moving from grant funding to more complex social investment instruments, including equity. The reform included also guidelines for social accountability and reporting, making compulsory for third sector entities with revenues above EUR 1 million to follow these guidelines and periodically report information on the institution itself, the activities carried out and the outputs achieved. Italy is also the first European country to have adopted (in 2016) a legal status for *Benefit Companies (Societ*à Benefit*)*, which aim at achieving "common benefits" on top of making profits.

The development of the social impact investment sector in Italy evolved in a bottom-up manner thanks to the vast base and importance of foundations, such as Fondazione CRT and Fondazione Cariplo, which already started experimenting in 2004 with sustainability and ethical investments through its Social Housing programme. Additionally, Oltre Venture gave a boost to the ecosystem by creating the first Italian impact investing fund, Oltre Venture I, in 2006. Their second fund, Oltre Venture II, is part of the portfolio of the Social Impact Accelerator (SIA) of the European Investment Fund (EIF).

At national level, "*Social Impact Agenda per l'Italia*"[84], the Italian NAB, has been promoting important market building initiatives to enhance the impact ecosystem.

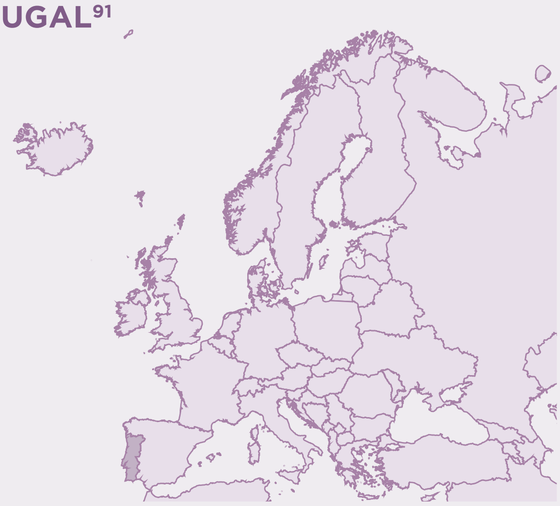
Partially nourished by the third sector reform, the Italian impact ecosystem has experienced a new wave of public social impact initiatives both at regional and municipality level. The regions of Lombardy and Piedmont have recently conducted two feasibility studies to assess the potential use of innovative financial instruments in support of the social economy, using the structural funds of the European Commission (specifically the European Social Fund – ESF)[85], following the successful examples of Sardinia[86] and Portugal[87]. The Social Impact Investing Fund, launched by the Sardinia region in February 2016, exemplifies the most innovative Italian case of the use of ESF by a regional public authority to boost social economy and impactful public-private collaborations.

At local level, Torino Social Impact[88] is the first initiative aimed at creating an Italian hub for social innovation, by attracting a wide variety of actors both from public and private sector, to foster collaboration and social innovation.

Moreover, the Ministry of Public Administration launched a fund of EUR 25 million to support social innovation and enhance the development of outcome-based mechanisms[89]. Although no SIB has been launched in Italy yet, there is one in development.

Finally, in mid-2019, UniCredit also signed an agreement with the European Investment Fund (EIF) for EUR 50 million under EFSI and EaSI to support social entrepreneurship in Italy by providing social impact financing loans[90].

PORTUGAL[91]



The Portuguese impact ecosystem features some innovative public initiatives while its regulatory framework remains limited. The regulatory landscape is mainly oriented towards traditional actors of the social sector, which is still dominated by non-profit associations, religious charity organisations, co-operatives, foundations and mutual organisations. For example, the 2013 Law on Social Economy did not introduce a legal definition for social enterprises. However, with the law on *Social Entrepreneurship Investment Funds* adopted in 2015, the Portuguese regulation makes it possible to use retail social investing to catalyse private funding towards social enterprises, showing some progress in the regulatory framework.

Additionally, in 2014, Portuguese private players, such as MAZE – Decoding Impact[92], the Calouste Gulbenkian Foundation[93] and Social Finance UK[94], created the Social Investment Taskforce, which initiated the debate and reflexions on the Portuguese impact ecosystem. They settled points of action that could strengthen the market from five perspectives: the demand side, the supply side, the public sector, the market intelligence and the intermediary actors. The progresses in each area are periodically evaluated and monitored, and are targeted to be achieved by 2020. In 2015, the Taskforce furthermore joined the GSG as a Portuguese National Advisory Board.

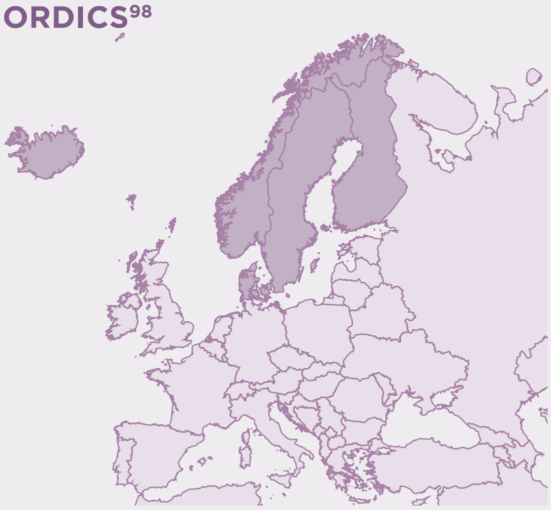
As a consequence of the increasing interest created through the Taskforce, in 2015, the Portugal Social Innovation Mission Structure (EMPIS) launched the Portugal Social Innovation initiative, which represents one of the first and most innovative uses of European Structural Funds (specifically the European Social Fund – ESF) by the government to foster social economy and innovation. Through the implementation of four financing instruments covering capacity-building grants, venture philanthropy co-financing, social impact bonds and impact investing, the programme aims to mobilise EUR 150 million for the development of social investment in Portugal over a five-year period. So far, the programme has supported 320 projects, and it directly deployed EUR 34 million to support 281 entrepreneurial entities. For all its four financing instruments, Portugal Social Innovation requires the involvement of private social investors in order to attract private capital into the space. As a consequence, the presence of private investors within the impact ecosystem is growing, as shown by the EUR 13 million provided by social investors.

Furthermore, Portugal Social Innovation has experimented outcome-based mechanisms such as social impact bonds (SIB). An interesting example is provided by the SIB implemented in partnership with the Municipality of Fundão, which was aimed to address the skills gap among youth people. The SIB has involved the public unemployment agency and *Academia de Código*, a Portuguese social enterprise that provides coding training to unemployed people. In total, four SIBs have been launched in Portugal and three more are in the process of development. In 2018, Portugal introduced a fiscal incentive for organisations investing in SIBs, in order to keep fostering and developing the use of this mechanism[95].

Since 2018, Portugal Social Innovation also runs One Value, the Portuguese Unit Cost Database. One Value gathers over 70 Unit Cost Indicators for societal problems in Portugal, and it was first developed by MAZE, on commission by the Calouste Gulbenkian Foundation. Another example of field-building through collaboration in Portugal is the platform GEOfundos, created in 2016. Through this platform, SPOs can search for information on national and international funding opportunities, as well as on organisational support. GEOfundos allows SPOs to filter their search according to their needs and characteristics and provides personalised replies to each inquiry[96].

The first social impact fund in Portugal[97], Mustard Seed Maze Social Entrepreneurship, is receiving support from the InnovFin Equity Facility for Early Stage SME window, under Horizon 2020, and from the EIF Social Impact Accelerator. The small size of the country and the high level of interconnections among stakeholders make the impact ecosystem in Portugal particularly appropriate to test innovative initiatives, such as Portugal Social Innovation. In such an ecosystem, it is easier to monitor societal solutions across all stages of development and support, to assess the impact achieved and to scale and/or replicate it within the country, or even abroad.

THE NORDICS[98]



In the Nordic countries, the State has always played a leading role in the supply of almost the totality of social services. In such a context, there is no big push for private social entrepreneurship to flourish, and when entrepreneurial individuals manage to set up SPOs to offer services that have not been provided by the State yet, the first client will be the public sector. However, it is still quite challenging to justify the need to engage the private sector in the delivery of social services, in contexts where this responsibility has always been associated with the public. Another issue in the Nordics is that the government does not have a broad understanding of the importance of measuring the impact that the services offered have on the citizens. This is where investors *for* impact – who know the significance of, and are experienced in, measuring and management impact – can play an important role in these countries.

Some relevant initiatives have been created and several players are supporting social innovation in different ways. For instance, the Finnish National Impact Investment Advisory Board has been set up, initiated by Finnish Innovation Fund Sitra, and since 2017 it is part of the Global Steering Group and is the only NAB currently established in the Nordics. Sitra[99] is a think-and-do tank supervised by the parliament, but managed independently, whose mandate is to promote equitable and sustainable development, economic growth and international competitiveness. Sitra provides an accelerator capacity building programme and plays a role as an intermediary in the launch of social impact bonds. In Finland, three SIBs have been launched so far, the fourth one will be launched in Autumn 2019 and two more and one Environmental Impact Bond are also being developed. Specifically, Epiqus Kotouttaminen I[100] (KOTO SIB), supported by the EIF under EFSI for EUR 10 million and a qualifying social entrepreneurship fund under EuSEF, is one of the largest SIBs in Europe and provides fast-track employment training and for the integration of immigrants in Finland. Thanks to this successful example, many municipalities and different Ministries are planning to use SIB funds.

Furthermore, the Finnish National Advisory Board (NAB) aims at developing the Finnish impact ecosystem and to support its actors from both the public and the private sector, with a priority of developing a model of measuring and managing impact, which would make impact more concrete and accountable. Currently, the NAB is also pushing for the creation of an outcomes fund in Finland[101]. All this interest for outcome-based finance comes from the increasing acknowledgement of the need to move from a public procurement based on outputs to mechanisms based on outcomes, to also focus the effort in measuring the impact of the interventions. Accordingly, in Sweden, one SIB has been launched and two more are being developed, whereas one SIB is in development in Denmark and another one in Norway.

Additional initiatives have been developed in the Nordics. For example, in Norway, the Norwegian State Housing Bank aims at improving housing conditions for disadvantaged groups such as low-income households, students, immigrants and rough-sleepers. The instruments used to reach this target are housing allowances, housing grants, start-up loans and basic loans, and are provided by the municipalities, which act as intermediaries.

In Sweden, the Social Entrepreneurship Forum has been set up as a non-profit organisation that focuses on promoting, inspiring and empowering social entrepreneurs that are looking to grow their solutions at a global scale. It partners with public and private organisations to run programmes that support entrepreneurs throughout the world. One of these programmes is the SE Outreach Accelerator, which provides non-financial support to entrepreneurs, defining a scaling strategy and maximising the impact of their theory of change. Another example is the GATHER Fellowship, which supports and develops entrepreneurship in conflict areas. The Social Business Bootcamp is a two-week course that helps early-stage social entrepreneurs from developing countries to turn their ideas and pilot projects into viable impact-oriented businesses. Finally, the SE Forum also manages the Training for Trainers, a two-part course for educators and trainers that want to learn how to facilitate Social Business Bootcamps.

In Denmark, The Social Capital Fund (*Den Sociale Kapitalfond*) was created as a private initiative, but through cross-sector collaboration is finding its way to scaling and reaching a higher impact. The SCF tests new solutions for alleviating social exclusion of vulnerable segments of the population. It does so through acceleration programmes for enterprises across all development stages, as well as through an impact investment fund (Den Sociale Kapitalfond Invest I) that invests in Danish social enterprises whose main focus is to create new opportunities for marginalised groups. The fund receives the backing of several substantial investors, such as the European Investment Fund (EIF) through its Social Impact Accelerator (SIA)[102]. Further, legislation is facilitating municipality outcome payments, which is attracting private investors to the sector.

Although academic literature generally agrees to include Iceland in the Nordics region, it may differ in some policy aspects from the Scandinavian countries. The recognition of social enterprises is relatively new in Iceland, which leads to lacking data, research and policy support. Entities that could resemble social enterprises are non-profit organisations, which can adopt the legal form of associations, self-governing foundations, cooperatives or private companies. From the public sector, in 2015, the Icelandic government launched a fund for social innovation in which municipalities and other entities could apply. In 2017, some organisations collaborated to launch the first business accelerator for social innovation in Iceland. Despite these initiatives, awareness about social enterprises and social entrepreneurship in Iceland is still rather limited. Hence, it might still be complicated to predict how the sector will evolve in the future [103].

THE POLICY TIMELINE

EVPA has developed a Policy Timeline to highlight the main policy activities in the social sector from 2000 until 2019, and it is available at page 92 of this report, in the Appendix section. The chosen starting point is the creation, in the UK, of the Social Investment Task Force in 2000. EVPA recognises this as a milestone in the evolution of the venture philanthropy and social impact investing ecosystem, since the Taskforce became an important catalyst for policy-makers and many of its recommendations were adopted by the UK government over the years.

From then on, the timeline maps the policy initiatives that have been launched at European and national level, as well as by multilateral actors such as the OECD.

At **national level**, EVPA has selected only the countries that already have a National Advisory Board (NAB) formally set up: the UK, France, Germany, Portugal, Italy, Finland and Spain. The NABs help identify and give space to policy activities which have been fruitful at national level. EVPA believes that the dialogue among these countries is fundamental for the good development of the impact ecosystem. Additionally, it is critical that there is a good relation established between the individual countries and the European institutions, such as the European Commission and the European Investment Bank Group (EIB and EIF).

At **European level**, the European institutions have had great influence on the impact investment ecosystem by initiating various policies initiatives and by funding programmes. With the launch of the Social Business Initiative (SBI) and the establishment of the first Expert Group on Social Entrepreneurship (GECES) in 2011, the EU started its way towards creating a favourable social impact ecosystem. From then on, there has been a steady expansion of policy initiatives in Europe, as can be seen on the timeline. For instance, in 2013 the European Investment Fund (EIF) launched the Social Impact Accelerator (SIA) and in 2014, the European Commission introduced the Employment and Social Innovation (EaSI) programme.

But the turning point was in 2015, when many significant policy initiatives were launched, including the European Fund for Strategic Investments (EFSI), one of the three pillars of the Investment Plan for Europe. Also, at international level, 2015 was a year of broader recognition of the importance of our sector, with the launch of the Global Steering Group for Impact Investment (GSG) and the Addis Ababa Action Agenda (AAAA). During the same year, several initiatives have been developed at national level as well, such as the launch of the first social impact bond (SIB) in Portugal and the establishment of the Finnish NAB.

Furthermore, in 2016 the SBI “Start-up Scale-up” Initiative was launched, and in 2017 the EU Advisory Board and the UN Alliance for SDG financing have been established. In addition, in 2017 the Central and Eastern Europe (CEE) task-force was launched to develop the ecosystem for social investment in CEE countries.

In the last three years, there has been a raising worldwide application of pay-for-success instruments such as impact bonds, the new GECES (2018–2024) has been settled, and many other policy initiatives have been introduced with the aim to add value to the social impact sector.

This timeline highlights that both public and private initiatives are fundamental for the development of the venture philanthropy and impact investing ecosystem. EVPA aims to facilitate the dialogue between these stakeholders in the future. With the policy initiatives of the past 19 years in mind, EVPA recognises the future challenges and looks forward to building an even more ambitious path for this sector, with positive social and environmental impact at its core.

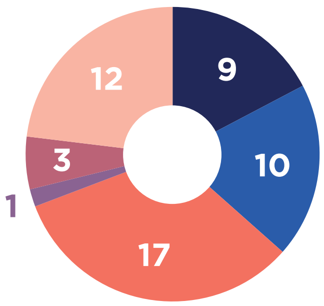
1.4 EVPA MEMBERS VISUAL OVERVIEW

Data on the composition of EVPA membership can give a rough idea of the European context, in terms of geographical spread and diversity of players present in each country.

NB: The acronym PSII stands for philanthropy and social investment infrastructure

THE DACH REGION

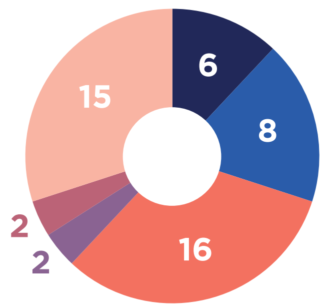
Figure 2: EVPA membership overview per type of organisation in the Dach region (as of September 2019, n=52)



- Foundations
- Social Impact Funds
- Corporate Social Investors
- Financial Institutions
- PSII Organisations
- Academic Institutions and Think Tanks
- Other organisations

FRANCE

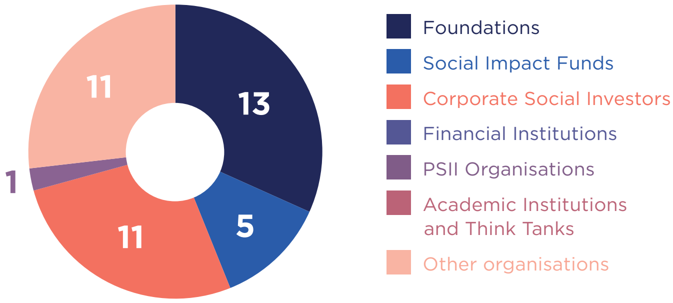
Figure 3: EVPA membership overview per type of organisation in France (as of September 2019, n=49)



- Foundations
- Social Impact Funds
- Corporate Social Investors
- Financial Institutions
- PSII Organisations
- Academic Institutions and Think Tanks
- Other organisations

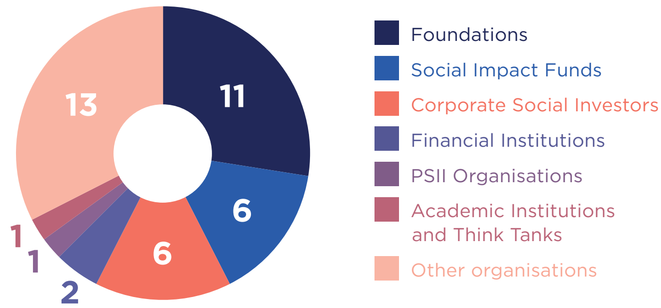
THE NETHERLANDS

Figure 4: EVPA membership overview per type of organisation in the Netherlands (as of September 2019, n=41)



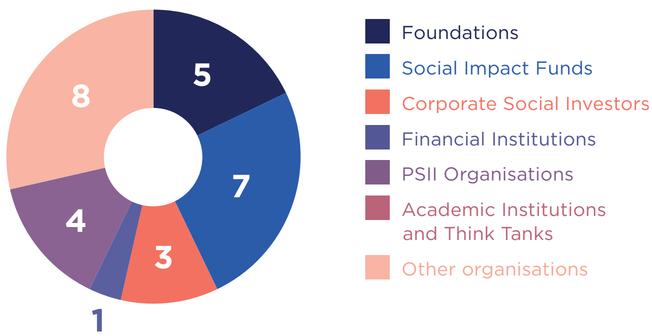
THE UNITED KINGDOM AND THE REPUBLIC OF IRELAND

Figure 5: EVPA membership overview per type of organisation in the United Kingdom and the Republic of Ireland (as of September 2019, n=40)



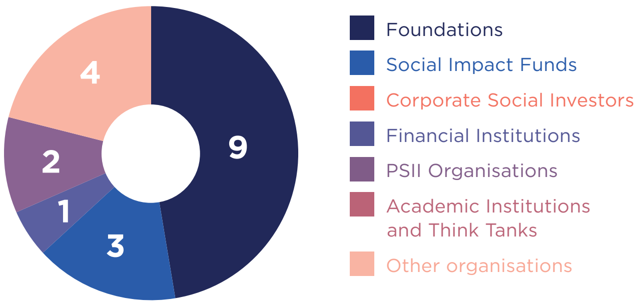
BELGIUM AND LUXEMBOURG

Figure 6: EVPA membership overview per type of organisation in Belgium and Luxembourg (as of September 2019, n=28)



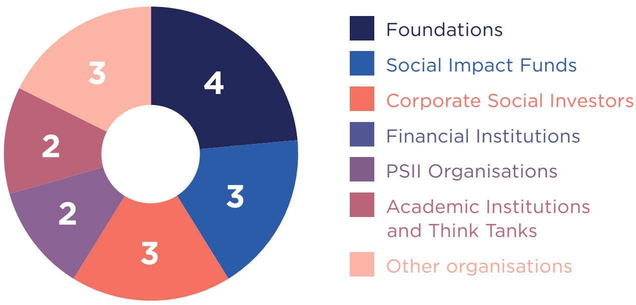
CENTRAL AND EASTERN EUROPE

Figure 7: EVPA membership overview per type of organisation in the Central and Eastern Europe (as of September 2019, n=19)



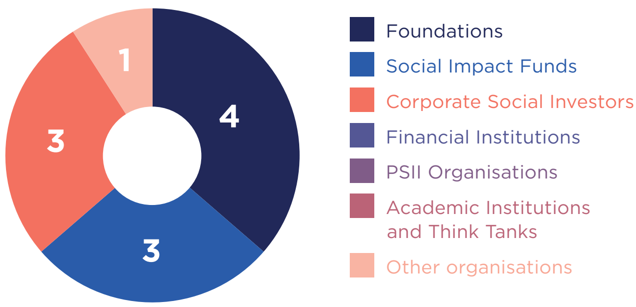
SPAIN

Figure 8: EVPA membership overview per type of organisation in Spain (as of September 2019, n=17)



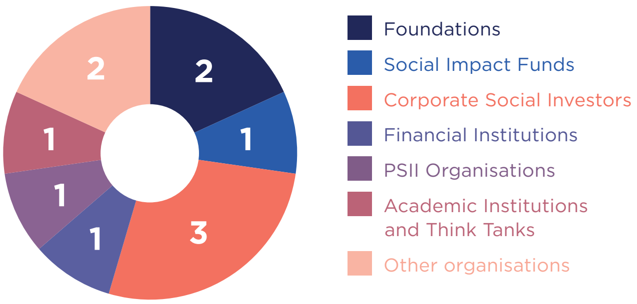
ITALY

Figure 9: EVPA membership overview per type of organisation in Italy (as of September 2019, n=11)



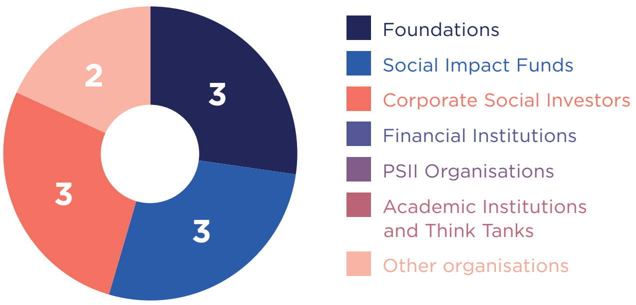
PORTUGAL

Figure 10: EVPA membership overview per type of organisation in Portugal (as of September 2019, n=11)



THE NORDICS

Figure 11: EVPA membership overview per type of organisation in the Nordics (as of September 2019, n=11)



GREECE

John S. Latsis Public Benefit Foundation

MALTA

Inspirasia Foundation

OTHER – WORLD

1.5 PHILANTHROPY AND SOCIAL INVESTMENT INFRASTRUCTURES (PSII) ORGANISATIONS

Philanthropy and social investment infrastructures (PSII) organisations are an important player in the impact ecosystem, as they (i) represent knowledge hubs where practitioners can share and learn from each other's' failures and successes, (ii) bridge the gap between policy-makers and practitioners, and (iii) facilitate collaboration between investors and philanthropists.

The European Venture Philanthropy Association (EVPA) is the community of investors *for* impact, i.e. the investors that adopt the venture philanthropy approach, which consists of three core practices: tailored financing, non-financial support and impact measurement and management. It is important to highlight that, as a community, EVPA is also open to other players of the social impact ecosystem, e.g. investors *with* impact, academic institutions and service providers. Through its Knowledge Centre, EVPA disseminates relevant studies on best practices and practical cases, to increase the effectiveness of the entire ecosystem. It is important to highlight that all the studies produced by EVPA have been developed *with* the practitioners, *for* the practitioners. EVPA leverages the knowledge produced in almost ten years of research to create capacity building programmes about the VP approach, that are delivered by its Training Academy[104] in partnership with leading organisations in the social impact space[105].

EVPA is also well positioned to bridge the needs and requests of investors *for* impact and policy-makers at EU level. On the one hand, EVPA informs its members and all the interested actors about EU funding opportunities and regulations, through webinars[106], leaflets[107] and direct exchanges with members. On the other hand, EVPA organises meetings during which practitioners and EU policy-makers can have honest and fruitful debates on the main strengths and pitfalls of social investment policies, providing the European Commission with valuable feedback to shape future initiatives.

Thanks to its relevant research and work on policy, EVPA's role in the impact ecosystem has been recognised by the European Commission, and since 2014 it is supported through an operational grant under the EaSI initiative – which first covered the period 2014–2017, and then was renewed for 2018–2021[108]. Furthermore, the five-step impact measurement and management framework of EVPA[109] has informed the European Standard for IMM developed by the *Groupe d'experts de la Commission sur l'entrepreneuriat social* (GECES).

On top of this, EVPA convenes groups of specific actors, such as corporate social investors[110], social impact funds and large foundations, to enhance information sharing and peer-to-peer learning.

Looking beyond EVPA, it is important to highlight the ground-breaking work of the Social Impact Investment Taskforce, launched under the UK's presidency of the G8 in 2013. The Taskforce convened experts from different fields (e.g. academia, philanthropy, financial sector and public sphere) from eight countries plus the EU, with the purpose of catalysing the development of a global market for social impact investment. As part of this initiative, National Advisory Boards (NABs) were developed in a number of countries, with the objective of fostering the growth of the national social investment markets. In August 2015, the taskforce was superseded by the Global Steering Group for Impact Investment (GSG)[111].

Since 2016, the GSG network has been expanding and it currently covers 24 countries plus the EU as members. As part of its global effort, the GSG is promoting a shared vision on the key principles for the impact economy. The report *"The Impact Principle: Widening participation and deepening practice for impact investment at scale"* [112], launched at the GSG Summit in 2018, outlines the importance of broadening participation and reinforcing practices in order to accelerate the process towards impact investing at scale. From a public policy perspective, the GSG has analysed in depth the catalytic role played by governments in different countries of the world, providing an overview of policy initiatives implemented in the field of social investment globally (in countries that have a NAB). This report is relevant for current policy-makers that are eager to develop new social investment policies, since they can learn from the past experiences and learnings of other public entities[113].

The Global Impact Investing Network (GIIN)[114], which today counts more than 320 members worldwide, is an important PSII organisation at global level. It was founded in 2009 with the clear mission of building an impact investing market and accelerate the transition towards more sustainable and impactful investment strategies. Since then, the GIIN has implemented several activities that helped the market flourish and become more effective. For example, the IRIS+ initiative[115] aims at setting impact management standards by providing strategic goals, different sets of metrics and other useful information for different impact themes (e.g. affordable housing, clean energy, smallholder agriculture etc.), which are partially based on the main learnings of the Navigating Impact Project[116]. The GIIN has published the "*Roadmap for the Future of Impact Investing*"[117], which sets the ground for the impact investing space to scale and attract more resources, with the ultimate goal of integrating impact in all financial decisions. The study identifies six areas of action around which the impact investing community should work on in order to increase the effectiveness and the scale of impact investing. However, while describing the evolution of the market, the study acknowledges a gap regarding the demand side of the marketplace, indeed "*investors consistently identify the lack of high-quality investment opportunities with track records as the greatest challenge constraining industry growth, and investors cite business model and execution risk as the most severe challenge facing their portfolios*"[118]. Due to this lack of high-quality investment opportunities, investors *for* impact will become instrumental to test new and innovative business models that could result in investment opportunities for investors *with* impact at a later stage. In this regard, collaborations between PSII organisations from both sides of the spectrum will become more and more needed in the impact ecosystem to bridge the gap between (i) resources deployed to test and develop solutions, and (ii) expansion capital that would allow scaling of effective and disruptive business models.

Foundations and other philanthropic institutions have been progressively interested in going "beyond engaged grant-making", observing more closely the work of investors *for* impact and exploring the field of social impact investment. EVPA has always been the point of reference for foundations interested in adopting the VP approach. As a consequence, important European PSII organisations representing traditional philanthropic institutions, such as the European Foundation Centre (EFC)[119] and the Donors and Foundations Networks in Europe (DAFNE), have been collaborating with EVPA, fostering initiatives that could benefit the whole European impact ecosystem. These networks of traditional philanthropists can significantly boost the knowledge sharing on failures and best practices of foundations that engage in venture philanthropy and social investment, increasing the effectiveness of foundations entering the social impact investment space. As an example, EVPA and EFC have been collaborating with a group of large foundations to support them with their social investment strategies, covering all the range of financial instruments available, i.e. debt, equity and hybrid instruments. Furthermore, DAFNE and EVPA are exploring ways in which they can collaborate to spread EVPA's knowledge at a national level, leveraging DAFNE's expertise and national networks of philanthropic institutions.

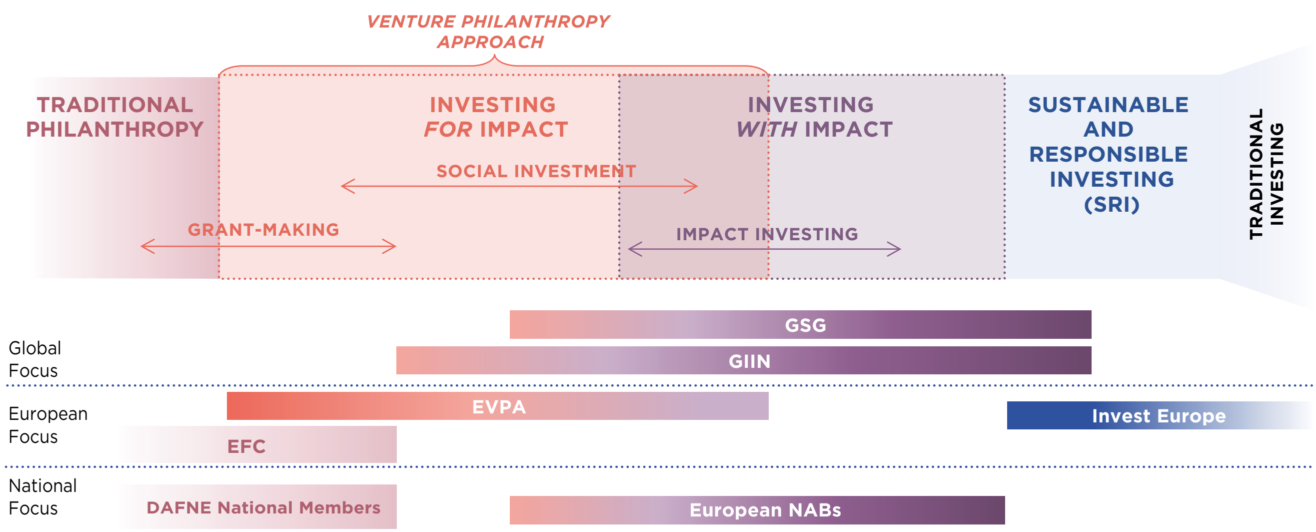
Within the traditional philanthropic space, it is worth mentioning other leading PSII organisation: The Network of European Foundations (NEF)[120], Ariadne Network[121], Engage Donors for Global Equity (EDGE) Funders[122] at a European level, and Worldwide Initiative for Grantmaker Support (WINGS)[123] at a global level.

From an international perspective, other leading organisations have been developing initiatives aimed at promoting the social investment ecosystem, focusing both on public and private actors. The Organisation for Economic Co-operation and Development (OECD) has played a key role in the global ecosystem since 2013, working alongside the taskforce created during the UK presidency of the (then) G8 and later the GSG.

The first OECD report related to that work, *"Social Impact Investment: Building the Evidence Base"* was released in 2015 providing an overview of the development of the market and setting out a distinct typology and framing for social impact investment to differentiate it from conventional investment. In early 2019, the OECD launched the second report the "*Social Impact Investment: The Impact Imperative for Sustainable Development*"[124], which outlines four pillars (financing, innovation, data and policy) as well as recommendations to ensure that financing for sustainable development achieves the desired impact and results. The OECD Centre for Entrepreneurship, SMEs, Regions and Cities[125] has conducted a great amount of studies and policy analyses aimed at supporting policy-makers boost social entrepreneurship across Europe. The majority of these initiatives have been implemented in collaboration with the European Commission, like the *"Better Social Entrepreneurship Policy Tool"*, a practical tool for local and regional authorities, which aims to enhance the uptake of policy initiatives support social entrepreneurship in Europe[126].

From the traditional investing world, there are infrastructure organisations, like Invest Europe[127], that work to help their members transition towards sustainable and responsible investing. In this respect, Invest Europe launched the *"Responsible Investment Roundtable"*[128] in 2013, with the aim of fostering SRI best practices and the consideration of ESG issues in the private equity industry.

Figure 12: Impact Strategies spectrum for Philanthropy and Social Investment Infrastructures (PSII) organisations
(Source: EVPA)



PART 2.

THE CAPITAL PROVIDERS IN THE IMPACT ECOSYSTEM

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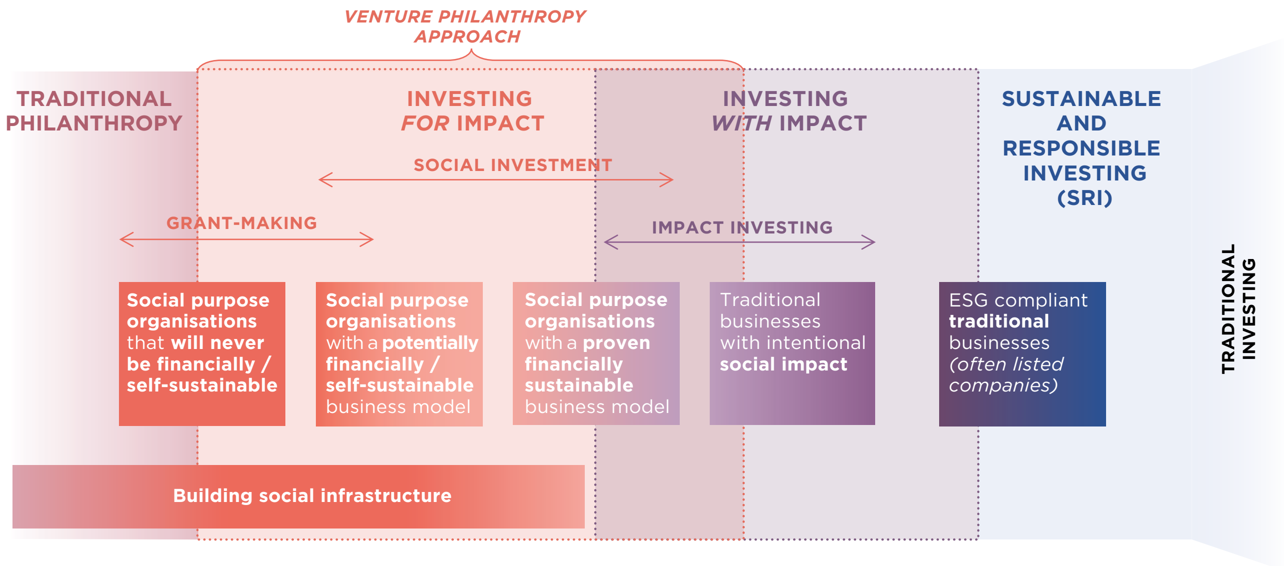
THE CAPITAL PROVIDERS IN THE IMPACT ECOSYSTEM

Given the context outlined in Part 1, it is crucial to improve clarity around the role of the different capital providers, and on how they can best contribute to making lasting, positive change. To this end, in 2018, EVPA published a report introducing the concept of "impact strategies"[129]. An impact strategy represents the way in which an investor codifies its own social impact investing activity along three axes: social impact, financial return sought and risk associated with the achievement of both the social impact and the (potential) financial return. Looking at Figure 13, in between traditional philanthropy and sustainable and responsible investing, EVPA has identified two main impact strategies.

Figure 13: The Impact Ecosystem Spectrum
(Source: EVPA)



On the left side, there are investors *for* impact that represent the core of EVPA's network. These organisations take the social purpose organisation (SPO)'s needs as the starting point, and reverse-engineer which financial instruments are most appropriate to support them. Investors *for* impact are capital providers that take risks that no one else can (or is prepared to) take. These investors usually support early-stage ventures that have the potential to develop new and innovative solutions to pressing societal challenges. Additionally, investors *for* impact may also support SPOs ready to scale, which have an existing track record, but either they have a risk/return/impact profile that would deter any other type of investor, or they have to ensure a focus on social mission during the scaling phase and still need Venture Philanthropy (VP) capital.

Investors *for* impact also have a role to play in supporting SPOs that provide valuable social products or services with no market outlet. Investors *for* impact provide crucial support to nurture the growth of the SPO. In some cases, the government might recognise the value of the solutions developed by the SPO and is willing to take them over and scale them. The possible involvement of the government in a second stage motivates investors *for* impact to assess ex-ante the scalability potential of the solution of the SPO. Finally, investors *for* impact contribute to building a social infrastructure, e.g. supporting PSII organisations and investing in data infrastructure initiatives.

Investors *for* impact are, hence, those that apply more extensively the VP practices. They give a great importance to measure and manage their impact, provide extensive, tailored non-financial support and choose the most appropriate way of financing the SPOs according to their needs and their stages. The adoption of the VP approach is particularly needed in the impact ecosystem, since scaling up and replicating innovative SPOs is very hard, due largely to inherent high costs, low margins, and frequent pivot points at which the business model needs to be altered to reflect real customer needs[130].

On the right side of the spectrum, investors *with* impact have access to larger pools of resources, but need to guarantee a certain financial return on their investment alongside the intended positive impact they aim at generating. The level of risk that investors *with* impact can take is often limited because of their mandates. These investors play a key role in scaling successful business models that have proven track records both on financial and impact performances. However, they should be particularly careful in ensuring that the commercial expansion goes hand-in-hand with the social impact achieved.

Focusing on the extreme ends of the spectrum, traditional philanthropy is positioned at the extreme left. Within this category the impact strategies of philanthropic institutions are included, which are aimed at generating impact through more traditional grant-making activities. It is important to clarify that support to SPOs through engaged grant-making is included in the investing *for* impact part of the spectrum. The far right of the spectrum includes sustainable and responsible investing (SRI).

This investment strategy is usually adopted by large financial institutions that want to integrate ESG factors while managing their portfolios. The range of strategies can vary from "do-no-harm", i.e. avoiding investment in harmful industries, to a pro-active search of companies with positive ESG scores. The challenge for the capital providers adopting SRI strategies is to improve the way in which they measure impact, making sure ESG compliant businesses do not have a negative impact, as sometimes this can be the case. In this regard, both investors *for* and *with* impact play a critical role in educating traditional asset and wealth managers to go beyond ESG screening and integrate more thorough social impact considerations.

2.1. THE THREE VENTURE PHILANTHROPY CORE PRACTICES

As shown in the spectrum in Figure 13, investors *for* impact adopt the venture philanthropy approach, which is a high-engagement and long-term approach aimed at maximising the social impact of the SPOs that they support. Through a financial support that goes beyond the funding of specific projects, investors *for* impact strengthen organisational capacity, unlocking the potential of the investees/grantees. As sometimes a fully unrestricted funding could be risky, it is a best practice to link them to the achievement of impact (and financial) milestones. Investors *for* impact provide in-depth non-financial support, measuring and managing impact and choosing the most suitable financial instrument to deploy, starting from the needs and the characteristics of the SPO. As these practices are central in the strategies of investors *for* impact, this chapter focuses on how they have changed through the last 15 years. In the next chapter investors *for* impact are classified into the different categories of capital providers.

2.1.1. IMPACT MEASUREMENT AND MANAGEMENT

Social impact: the attribution of an organisation's activities to broader and longer-term outcomes, which are in turn defined as the changes, benefits, learnings, or other effects (positive or negative, both long and short term) that result from an organisation's activities. To accurately (in academic terms) calculate social impact is necessary to adjust outcomes for: (i) what would have happened anyway (deadweight); (ii) the action of others (attribution); (iii) how far the outcome of the initial intervention is likely to be reduced over time (drop off); (iv) the extent to which the original situation was displaced elsewhere or outcomes displaced other potential positive outcomes (displacement); and for unintended consequences (which could be negative or positive)[131].

Impact measurement: the process of measuring and monitoring the amount of change created by an organisation's activities.

Impact management: the use of the information collected through impact measurement to make informed managerial decisions, to refine activities in order to increase positive outcomes and reduce potential negative ones.

Main insights - Impact Measurement and Management (IMM)
Investors *for* impact mainly focus on managing impact, collecting useful impact insights to take better-informed decisions. Investors with impact are more dedicated to impact measurement and comparability.
Investors *for* impact take a bottom-up approach to IMM. They start from the activities of the investee and co-develop impact objectives (and indicators) with the SPO.
IMM has several limitations and challenges, starting by the varying definition of impact itself, as well as the difficulty of not only measuring outputs but also identifying outcome measures.
The increasing degree of standardisation in IMM is improving measurability and comparability, but it does not necessarily increase the understanding of what changes for the final beneficiaries. Whether a unique commonly agreed framework of IMM is desirable or not is still an ongoing debate.
EVPA has created a 5-step process to IMM. The EVPA process has informed the European Standard for IMM developed by the GECES (i.e. the European Commission Expert Group on Social Entrepreneurship).

Out of the three core practices of venture philanthropy, impact measurement and management (IMM) has certainly been the most debated. Since VP started and, even earlier, when grant evaluations started gaining traction, investors have been looking for ways to measure, compare and sometimes manage impact. However, investors often face a number of challenges, including finding common indicators to compare the impact achieved by different SPOs, aggregating impact results at portfolio level or finding the one silver bullet indicator that can be used to decide where to invest – just like ROI is used to make financial decisions.

Historically, investors and SPOs focused on measuring outputs but considered outcomes less often. Outputs are the tangible products and services that result from the organisation's activities, while outcomes are the changes, benefits (or dis-benefits), learnings, or other effects (both long and short term) that result from the organisation's activities. They are, hence, more complex to identify and measure than outputs are. Due to the complexity in identifying outcome measures, several organisations, investors and investees, limit their measurements to outputs[132]. However, we see that investors *for* impact increasingly strive to measure outcomes.

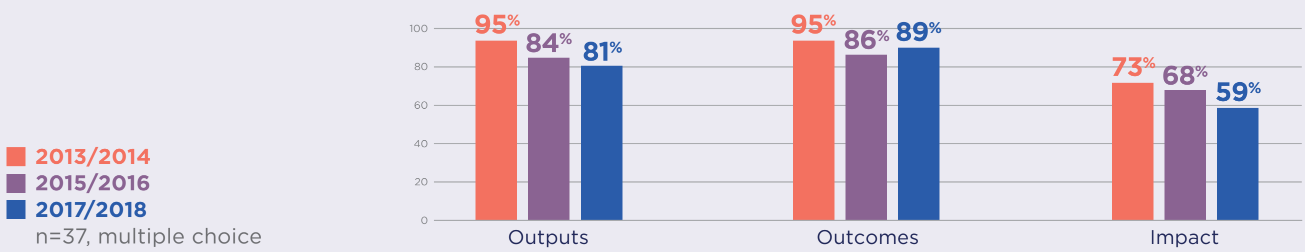
The biggest challenge is the definition of what impact is. The term "impact" does not have one unique definition, and is often used in a broad sense. Actors refer to "impact" whenever a social or environmental challenge is tackled and there is the possibility to generate whatever impact. This implies that, despite being rigorous in measuring and managing impact, investors and SPOs have to recognise (i) that a degree of uncertainty is impossible to avoid and (ii) that different approaches, frameworks and tools may be developed for responding to different needs and may provide different results. The need seems therefore to report in a transparent and honest way what the IMM conducted proves and what does not and to distinguish the different *"axes of quality"*[133].

WHAT DOES DATA TELL US?

Analysis based on the data collected through the EVPA Industry Survey.

Figure 14 highlights how the impact measurement objectives of investors *for* impact evolved in the last years[134]. It is interesting to observe how in fiscal year (FY) 2013 almost all the respondents reported to measure outputs and outcomes, and almost three fourth reported to measure impact. Probably because investors are being more conscious about the costs and difficulties of engaging in measurement, through the years, they have become more realistic when reporting IMM objectives. The share of respondents targeting outputs and the share of those targeting impact measures kept decreasing since FY 2013, the former due to the limits of output measures, and the latter due to lack of scope. On the contrary, the share related to outcome measures experienced a small increment of three percentage points from FY 2015 to FY 2017, showing that almost nine out of ten investors *for* impact aim at measuring outcomes.

Figure 14: Objectives of impact measurement by % of investors for impact in FYs 2013, 2015, 2017 (subsample)



The distinction in the approaches to measure and manage impact between investors *for* and *with* impact is reflected in the tools and frameworks used and developed by the two types of investors. Investors *with* impact usually rely on globally known frameworks like the SDGs to evaluate the (potential) impact of companies in which they invest, while investors *for* impact rely on frameworks like the theory of change to better frame and understand the impact that their activities have on their end beneficiaries.

EVPA'S FRAMEWORK

EVPA has developed a five-step process to measure and manage impact that can be applied by both investors and investees (Figure 15)[135], which is presented in EVPA's "*Practical Guide to Measuring and Managing Impact*"[136]. As shown in the figure below, the framework is a "circular process" because an organisation is supposed to go through it more than once to constantly improve its impact measurement and management system. Furthermore, the five-step impact measurement and management framework of EVPA has informed the European Standard for IMM developed by the *Groupe d'experts de la Commission sur l'entrepreneuriat social* (GECES).

The first step consists in setting objectives, and it usually goes hand-in-hand with the second step, i.e. analysing stakeholders. During this initial phase, investors should set long-term objectives, focusing both on the investor's and the investee's level. While doing so, it is important to involve all the key stakeholders, which can affect or can be affected by the investors' activities, to have in-depth understanding of the intended impact. It is during this stage that investors should look at elements such as motivation, rigour, resources and time frame for impact measurement. Furthermore, investors should decide *ex-ante* how and when they are going to engage with different categories of stakeholders.

In the third step, investors build their measurement process, starting from long-term objectives identified in step one, and proceeding backwards defining outcomes, outputs and inputs, and selecting "SMART"[137] indicators that are able to capture the progresses towards or away from the intended outcomes. There is a wide variety of impact indicators available worldwide (e.g. IRIS, GRI, PRI), but usually investors *for* impact follow a bottom-up approach, co-developing customised indicators with the underlying SPOs.

During the fourth phase, investors verify and value the impact that has been generated, comparing the different measures and using them to improve their impact strategies. Indeed, "everything that get measured, get managed", it is used by investors to refine their target outcomes and related indicators, in order to maximise their social impact. During this phase it is important to involve the main stakeholders, and in particular the final beneficiaries, who are the best positioned to assess the value of the impact generated. In the fifth and final step, investors assess whether the progress is in line with their intended objectives, and find the most appropriate way to report back to their stakeholders and to the broader community.

The main learnings and knowledge produced while developing the framework have been used by EVPA to develop the training "Financing for Social Impact"[138].

Figure 15: The five-step impact measurement and management process *(Source: EVPA)*

Investors *with* impact are typically investors who want to achieve a social impact *alongside* a financial return. This means that they are not as risk-taking and venture-oriented as investors *for* impact. Investors *with* impact base their investment decisions on data and frameworks that allow them to compare investments. The reason for the different starting point lies in the fact that investors *with* impact were not born with the intention of generating impact, but started to include impact considerations in their investment process at a later stage. As a result, investors *with* impact started mapping their portfolios using globally known frameworks such as the SDGs or the one developed by the Impact Management Project (IMP)[139]. The latter is an industry-based initiative that has two main aims:

(I) promoting a better understanding of impact across investors, identifying five different dimensions that should be considered while measuring impact (i.e. what, who, how much, contribution and risk);

(II) mapping the existing impact funds looking, on the one hand, at the engagement of the investors while deploying the money, and, on the other hand, at the activities of the underlying investees.

A similar logic has been followed by investors adopting a sustainable and responsible investing (SRI) strategy, labelling the existing investments looking at ESG criteria or other standard developed by organisations such as LuxFLAG[140], Financité & FairFin[141] and Finansol[142]. The challenge for these investors is to develop strategies more geared towards the creation of social impact alongside a financial return. Initiatives like the T100 developed by TONIIC, clearly show how several investors are transitioning from SRI investment to investing *with* impact, which entails improving IMM practices throughout the investment process, in particular during the due-diligence and investment phase.

Within the investing *with* impact and SRI spaces, the launch of the Operating Principles for Impact Management[143] represents an important commitment that leading financial institutions took to improve their IMM practices. The initiative has been led by the International Finance Corporation (IFC)[144] and has been signed by 69 institutions (as of end of August 2019), mainly part of the financial sector. The nine principles are the building blocks of a robust impact management system and they are designed to be fit for purpose for a wide range of institutions and funds.

IMM TECH PLATFORMS

Technology and data have significantly changed the way in which companies and institutions make decisions, and it has also affected IMM practices. Indeed, technology has been used by an increasing number of organisations to facilitate impact measurement and management practices, developing platforms both for social investors and SPOs. With some differences and peculiarities, these platforms offer a digital space where organisations can set objectives, develop a theory of change, link their ToC with measurement objectives, choose between a wide set of existing indicators, import the data collected in different formats, and create graphs and dashboards for reporting purposes.

The practitioners interviewed have reported the use of these platforms as an attempt to improve their measurement practices, which still rely too often on excel sheets and analogic processes, accelerating the transition towards fully digitalised procedures. Moreover, some of these tools allow investors to gather all impact data at the portfolio level, with clear advantages during aggregation and reporting phases.

Some examples of these platforms are Sinzer[145], SoPact[146], Impact Wizard[147] and Sametrica[148]. So far, none of these tools has managed to fully cover all the five steps of the IMM process, in particular a fully integrated data collection software is still missing in the market, but in the future, we expect platforms to improve in this regard and to play an important role in making IMM practices more efficient and more accessible.

There are several limitations and challenges of the existing impact measurement and management approaches. Firstly, impact always comes with a certain degree of subjectivity, since it can vary across different individuals due to different perceptions and experiences. Indeed, there are cases in which impact is perceived as positive by one category of stakeholders, but could be considered neutral or even negative by another category. For example, a social enterprise that provides access to water in underserved villages through small single-use plastic bags has undoubtedly a positive impact on the communities that lacked access to water, but can be perceived as negative by local authorities that need to deal with a significant addition of plastic waste in the streets. From this example it is clear how impact considerations change across stakeholders, making it difficult for investors to balance the different interests in some cases.

Secondly, for small SPOs, the costs linked to setting up and managing an IMM process are an impeding factor. That is why it is very important that investors *for* impact offer financial and non-financial support to the SPO, to develop and improve its IMM practices. Supporting the SPO in defining the IMM system is particularly important for investors *for* impact as they are the first supporters of new ventures. If the system to measure and manage impact is properly set up from the early stage, the SPO will have more chances to succeed and find follow-on investors (e.g. investors *with* impact) to help it scale. Only by being able to show data and track record, SPOs can become attractive for investors *with* impact, for example. When approaching IMM, investors *for* impact take a bottom-up approach. Starting from the business model of the investee, they co-create objectives and indicators that each investee can use to monitor and adapt its product and services, to better serve its final beneficiaries. For financing this bottom-up approach, more and more companies and social enterprises are actively looking for investors *for* impact, as they know they will have a sparring partner to develop a strong social impact strategy.

Additionally, as social and environmental challenges are very diverse, it is particularly difficult to compare outcome and even output measures across the portfolio. In this sense, the approach of investors *with* impact has been to look for different sets of indicators to systematically measure and compare social impact. Although a certain level of comparability has been desired by investors *for* impact, their focus has been mainly on managing the impact, creating frameworks that could be constantly refined thanks to the information collected. Investors *for* impact have sought in-depth impact insights that could help them take better-informed decisions, and, ultimately, maximise their social impact. The need for valuable impact insights usually translates in a search for outcomes measures and a direct involvement of the end beneficiaries.

To better engage investors *with* impact, however, investors *for* impact need to become more systematic and effective in the way they aggregate and communicate the impact achieved by their investees, without losing the capability to put beneficiaries at the centre. Investors *with* impact highly value comparability and measurability. Investors *with* impact come in at a later stage in the development of a social enterprise, and base their investment decisions on existing data and impact results.

Moreover, investors face another challenge when it comes to impact measurement because they do not only have to measure (and eventually aggregate) the impact of their investees, but they also have to assess the impact of their own activities. This second level of measurement consists in measuring the value of the financial and non-financial support provided, to constantly learn from mistakes and maximise the impact[149].

Another problem often faced by investors is the time misalignment. The time-horizon of the investment is usually shorter than the time-horizon of the evaluation, which is in turn usually shorter than the time-horizon in which the impact is realised. In this regard, there have been several attempts to improve standard evaluation methodologies in a way that could be of help and support also during the investment period.

Along with the *awareness* that different approaches of IMM will match better or worse with each actor according to its needs, there is a trade-off between IMM intensity, and the cost and complexity it entails. On the one hand, the more intense IMM is, the lower the risk of not achieving the intended social impact, or generating unintended negative consequences[150]. On the other hand, measuring impact entails dealing with elements like attribution, deadweight, drop-off, displacement, and unintended consequences, which is extremely complex and costly. Investors *for* impact put a strong emphasis on IMM, since they have social impact at the core of their activities, but in practice they should consider each actor's capacities and boundaries. Concretely, investors *for* impact may prefer not to overwhelm the investees with extremely complex IMM requests (since, as mentioned before, for innovative solutions, that lack proven track record, it might be more burdensome to measure and manage impact).

Because of all the challenges and limitations listed, practitioners and researchers have always struggled to find, at the theoretical level, a widely accepted definition of impact, and at the practical level, a commonly agreed methodology to measure and manage the impact generated by any activity. As discussed above, whether this unique framework is needed or even desirable is still an open debate. However, it is likely that a certain level of standardisation would benefit both investors *for* and *with* impact, substantially improving their IMM practices and improving the comparability of investments, and therefore their chances to move across the spectrum of capital.

In general, the shift towards standardisation improves the way in which the impact is measured and compared, which is important for all actors in the impact ecosystem, but it does not necessarily improve the understanding of what changes for the final beneficiaries and of what really matters. In the future, further improvement in the management of impact is expected, based on all the knowledge that has been produced in the last ten years. Indeed, in the coming years, it will be necessary to convene all efforts to improve and align the existing approaches, rather than developing new tools and frameworks.

2.1.2. NON-FINANCIAL SUPPORT

The support services investors *for* impact offer to investees (SPOs) to improve the three key areas of development of the SPO, i.e. social impact, organisational resilience and financial sustainability.

Main insights - Non-Financial Support (NFS)
Investors *for* impact mostly invest in early stage and innovative SPOs. Hence, non-financial support plays a central role for them, as it helps de-risk the investment, strengthen the SPO and maximise its chances of success.
Early-stage SPOs tend to require more standardised, basic capacity building. Mature organisations tend to need NFS that is more tailored to their specific activities.
NFS is typically delivered by providing access to networks (including new distribution channels and client segments), by giving advice and mentoring, and by taking a seat on the board of the investee – in case of equity investments. It is crucial to understand in which cases it is more beneficial to provide NFS on an individual basis and when it should be delivered in a group setting.
Is it particularly challenging to measure and manage the added value that investors *for* impact provide through their NFS, in terms of social impact, financial sustainability and organisational resilience. Commonly agreed methodologies and tools to measure and manage NFS are still missing.
EVPA has created a 5-step process to deliver non-financial support. The process is coupled with practical tools to help investors *for* impact map their own assets, assess the needs of the SPO, develop the NFS plan, deliver NFS and assess its value and impact.

Non-financial support (NFS) has always been an essential practice of the venture philanthropy approach. Its importance has been widely acknowledged by all organisations active in the impact ecosystem since before VP was coined as a term. There are several reasons why NFS is perceived as critical by all investors *for* impact[151], but the most cited one is the NFS' role in de-risking the investment, by minimising the SPO's weaknesses. Investors in early-stage SPOs need to strengthen the investee by structuring and professionalising it. Additionally, through the in-depth NFS support provided, investors *for* impact can increase the chances of success of the SPO, thus lowering the risk of their investment and ensuring the sustainability of the impact achieved by the investees.

WHAT DOES DATA TELL US?

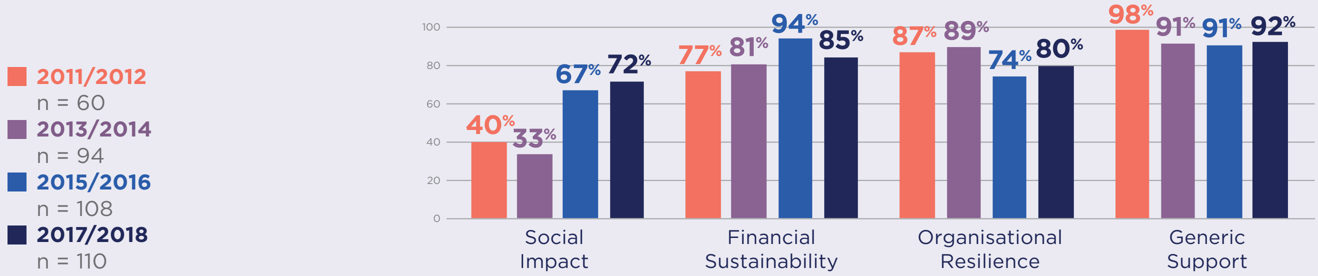
Analysis based on the data collected through the EVPA Industry Survey.

In order to investigate how the provision of NFS has evolved, the main non-financial services have been split into four macro-categories: (i) social impact, (ii) financial sustainability, (iii) organisational resilience, and (iv) generic support. Figure 16 shows how the non-financial support of investors *for* impact has evolved since fiscal year (FY) 2011. It is interesting to observe that social impact support gained relevance only after FY 2015, when the concept of "social impact" became mainstream and the importance of measuring and managing impact started to be widely recognised.

It is interesting to notice how generic support seem to be always offered by the vast majority of investors *for* impact. This finding shows how valuable have always been general services like strategic support, access to physical space, and legal, marketing and IT advice.

In general, this figure highlights that NFS is a common denominator for all investors *for* impact, as a wide variety of NFS services have always been provided by the vast majority of organisations surveyed by EVPA.

Figure 16: Category of non-financial support provided by investors for impact in FYs 2011, 2013, 2015, 2017 (multiple choice)



NB: FY 2012 is missing since this question have not been included on the questionnaire of the EVPA Industry Survey 2012/2013

During the interviews, practitioners outlined that in the same way in which funding is tailored, the type of non-financial support provided varies depending on the different stages of development of the SPO.

Start-ups and very early-stage organisations typically require a wide range of NFS that can be standardised and provided in groups, e.g. through trainings or capacity building programmes. Based on the interviews conducted, we observe an increasing standardisation of the NFS provided during the first stages of development of the SPOs, which helps reduce the delivery costs.

As the SPOs grow and become more mature, the NFS provided generally becomes more tailored to the specific needs of each organisation's growth stage and path, and thus more expensive. Investors *for* impact customise their support as SPOs get to maturity stage, to better advise them during their validation and scaling phases.

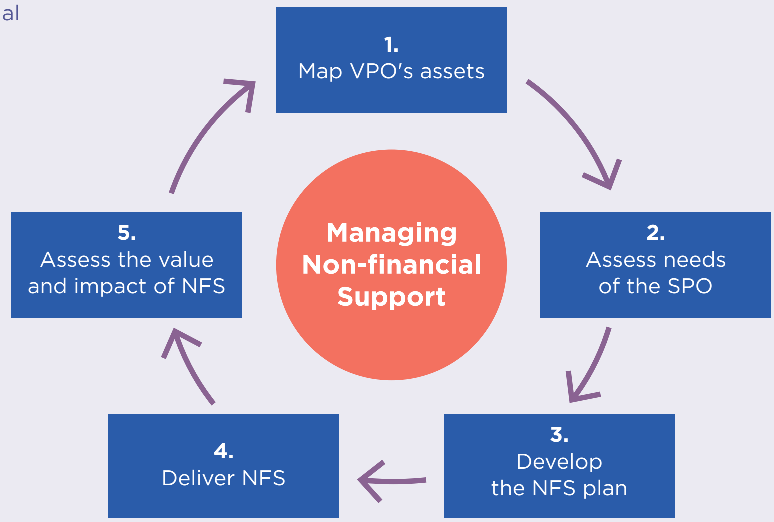
For example, investors *for* impact are increasingly looking at training and other group-delivery methodologies that are extremely valuable for early stage ventures and could allow them to scale their NFS at a reasonable cost. Through group delivery of NFS, SPOs can meet and mentor each other, share successes and failures and partner. However, some support that might be more 'technical' may require an individualised approach. In that sense, to decide whether to deliver NFS on a one-on-one basis or in a group is an important choice for the investors.

Non-financial support is widely recognised as essential to building the capacity of SPOs, to the extent that some funders are willing to provide investors *for* impact with specific funding to cover its cost.

EVPA'S FRAMEWORK

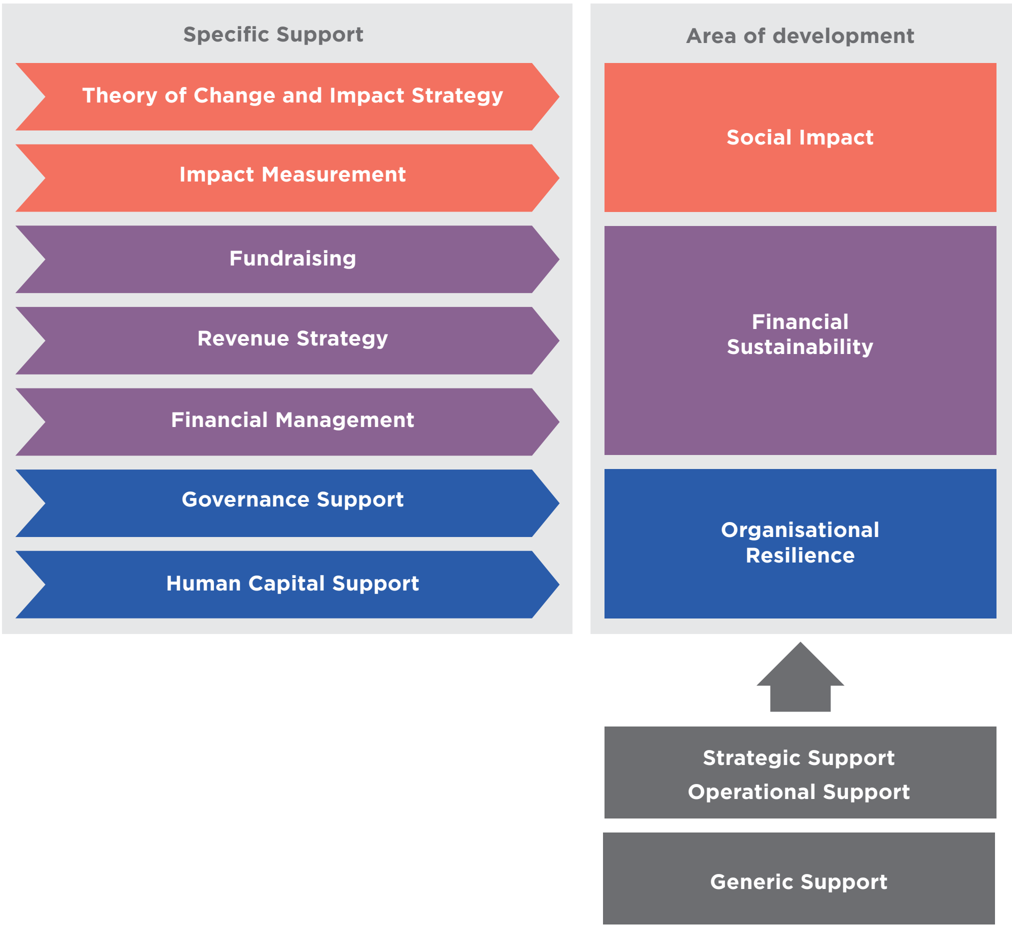
As for impact measurement and management, EVPA has developed a tool together with and for investors *for* impact, which is included in the report *A Practical Guide to Adding Value Through Non-Financial Support*[152]. The process is composed of five steps, as shown in Figure 17. Investors start by mapping their own assets, choosing which assets they can leverage to support the SPO. In step 2 the needs of the SPOs are assessed, considering the three key areas of development, i.e. social impact, financial sustainability and organisational resilience. Once the needs' assessment has been completed, investors *for* impact work closely with the SPO to develop the NFS plan, where priorities are set and deliverables are agreed upon. Step 4 consists in rolling out the NFS plan through the delivery of a variety of services (see Figure 18). Finally, the value assessment in step 5 is particularly important because it allows investors *for* impact to collect feedback on the support provided, and it provides valuable inputs and learnings that can be used to refine the NFS strategy, by starting again from step one.

Figure 17: the non-financial support process
(Source: EVPA)



As shown in the EVPA *Practical Guide to Adding Value through Non-financial Support*, NFS can be delivered in a variety of ways. Figure 18 illustrates the different types of non-financial support that investors *for* impact can provide to SPOs in order to strengthen their three core areas of development.

Figure 18: mapping of the non-financial support provided by the VP/SI organisation based on the three key areas of development of the SPO (Source: EVPA)



Investors *for* impact support SPOs building a theory of change and developing their impact measurement and management systems. To support the SPOs' financial sustainability, investors *for* impact help in many areas including fundraising activities, setting up a revenue strategy and improving the financial management system. Organisational resilience is the third key area of development of the SPO and, in this regard, investors *for* impact can help the SPO to find the most appropriate human resources to strengthen the SPO's team, and gives advice on governance. On top of these services, investors *for* impact also provide strategic, operational and other forms of generic support such as consultancy to legally set up the social purpose organisation.

Investors *for* impact often sit on the board of their investees, to be able to follow their evolution and advise them along the way. Other investors prefer to participate in the board as 'observer', since it gives them a privileged access to the progress of the SPO, without having the legal obligation of serving the SPO's interests, thus avoiding conflicts of interest. Another common way of delivering NFS is by mentoring and coaching, especially in the early stage of the SPO during which key members of the SPO team need to develop the managerial capabilities that they often lack.

In this regard, it is interesting to highlight how some corporate social investors (CSIs)[153] have implemented employee engagement initiatives aimed at helping the SPOs supported leverage the CSI's access to the wide variety of experts and human resources of the corporation. As explained in EVPA's toolkit *Social Impact through Employee Engagement*[154] some of these initiatives have been led by the corporations and some by the CSI itself, but the scope here is to showcase a successful example of delivering NFS.

Additionally, investors *for* impact provide SPOs with access to their networks. Through their long-standing experience and years of activity, investors *for* impact have strong and solid relationships with a variety of stakeholders that can provide advice and mentoring to the SPOs, access to distribution channels and new client segments – to name a few. Access to networks is extremely valuable especially during the expansion and scaling phase of the SPOs, as it gives them access to new client segments and opportunities with new potential partners or investors. The long-lasting relationships of the investors can become essential to the success of the business model of the SPO. One interviewee, for example, shared with us that thanks to the good relationship with the government, they could access data that helped develop an innovative way to tackle a tech-ed societal issue. Investors *for* impact continue to explore these opportunities to generate win-win initiatives for a more sustainable world.

A challenge for investors *for* impact might come when assessing and measuring the added value of the NFS provided, (i.e. in step five of EVPA's framework) in terms of social impact, financial sustainability and organisational resilience. Some investors *for* impact do not have a sophisticated way to provide NFS, reflecting in a difficulty in identifying what to measure, or are simply not able to prove how much added-value their organisational support brings. There is also a lack of a common agreement on how to measure the NFS and results can vary depending on the methodologies used to measure it. In this respect, EVPA proposes to evaluate the added value of non-financial support through combining (i) perception surveys managed by an external actor, (ii) determining measures and milestones of organisational evolution at the beginning of each investment and (iii) the assessment of the financial cost of NFS[155]. An accurate measurement of the NFS provided allows investors *for* impact to better allocate their NFS resources to enhance SPOs' effectiveness[156].

Investors *with* impact have often reported difficulties in delivering customised and in-depth non-financial support due to the high volumes of deals and entrepreneurs and ventures supported.

2.1.3. TAILORED FINANCING

The process through which an investor *for* impact finds the most suitable financial instrument(s) to support a social purpose organisation, choosing from the range of financial instruments available (grant, debt, equity, and hybrid financial instruments). The choice of the financial instrument(s) will depend on the risk/return/impact profile (i.e. its impact strategy) of the investor *for* impact and on the needs and characteristics of the social purpose organisation (SPO).

Main insights - Tailored Financing (TF)
A number of characteristics of the SPO have an influence on what financial instrument should be deployed. These characteristics include the type (e.g. NGO, social enterprise), the stage of development (e.g. early stage, growth, scaling) and – most importantly – the business model.
To best serve the needs of the investees, investors *for* impact may innovate their financial offer, by expanding the range of financial instruments deployed and using hybrid financial instruments such as mezzanine finance, recoverable grants or convertible loans.
Investors *for* impact might face several challenges while expanding their financial offer, for example legal constraints and lack of the appropriate financial expertise.
Investors deploying one type of financial instrument can also apply tailored financing, first by assessing the financial needs of the potential investee, and then investing only in case the financial instrument available suits the needs of the SPO.
EVPA has created a 3-step process to guide investors in tailoring the financial offer to the needs of each investee.

With the term SPO we refer to a wide set of organisations, with different legal forms and subject to different regulatory frameworks in different countries. The high level of heterogeneity of SPOs results in a different set of financial and non-financial needs. As shown in the report *Investing for Impact | The EVPA Industry Survey 2017/2018*[157], different SPOs attract different sources of capital. For example, for-profit organisations with social impact were financed mainly by repayable forms of finance, while non-profit organisations have been financed almost entirely through grants and debt. Another factor that determine the financial needs of the SPO is its stage of development. Organisations in the incubation and start-up stage significantly attract grants compared to SPOs at validation and maturity stage, which are mainly financed through repayable forms of finance such as debt and equity.

Finding the right match between the financial instruments available and the needs of the investee is fundamental to avoid distortions of the market (by, for example, subsidising through a grant a social enterprise that could be financed through equity) and to make sure to set the right expectations.

As the sector matured, some investors *for* impact started expanding the range of financial instruments deployed. On the one hand, some highly engaged foundations realised that using only one financial instrument, i.e. grants, could limit their space of action, thus losing investment opportunities and the chance of supporting potentially disruptive business models. On the other hand, some investors already providing debt and equity looked into forms of hybrid financial instruments that could better match the needs of the SPO. In this regard, it is worth mentioning instruments such as mezzanine finance, recoverable grants, convertible loans, subordinated loans, participatory loans and soft loans, and other instruments that are innovative and less known, like launchpad loans and permanent loans[158].

A common challenge faced by investors while expanding their financial offer is the lack of appropriate expertise. Each category of financial instruments has its own rules, regulations and practices, which often require additional expertise while expanding to new categories. For this reason, only large organisations have the capacity and the expertise in place to start from the needs of the SPOs and reverse-engineer to pick the most suitable financial instruments from the wide range of types of funding available.

It is important to clarify that investors deploying one type of financial instrument (FI) can also apply tailored financing. In fact, while deciding whether investing or not, investors should well assess whether the potential investee really needs the FI it has available, to be sure not to distort the market. Only if the characteristics and the needs of the SPO match with the FI available, the investors should invest, otherwise not. Furthermore, investors with one financial instrument available could develop a network of investors deploying other instruments, in order to facilitate access to follow-on capital to their investees at a later stage of their development.

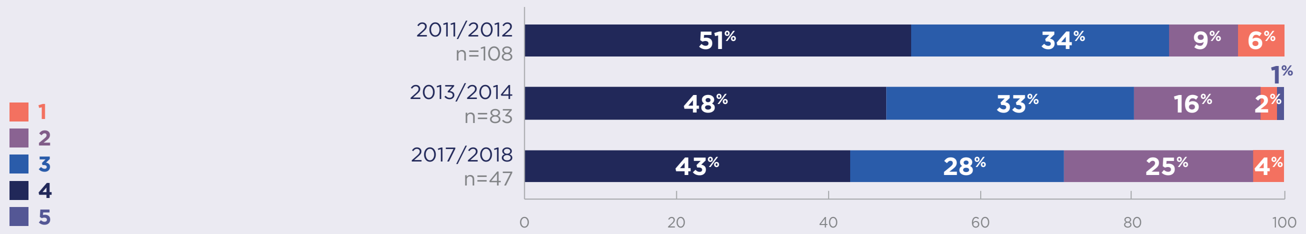
Investors *for* impact acknowledged that more and more SPOs are adopting hybrid structures (i.e. a combination of a for-profit entity and a not-for-profit one). This split enables SPOs to attract both philanthropic capital in the form of grants, and other investments in the form of debt and equity, to be channelled accordingly into the right entity. Consequently, SPOs that have a hybrid structure require a combination of multiple actors that can invest using different financial instruments. Despite being more complex, the hybrid structure of many SPOs can be an asset in terms of their capacity to seek funding from diverse sources, such as investors *for* impact, public funds, traditional foundations, impact investing, mainstream finance[159]. One of the main reasons of the proliferation of hybrid SPOs results from the numerous attempts made by traditional non-profit organisations to develop new business streams that would enhance their financial sustainability, limiting their dependence on grants. Given the decreasing resources deployed by welfare states in the majority of European countries, and the broadening professionalisation of the non-profit organisations, we expect these attempts to increase in the future, facilitated by the support provided by investors *for* impact and public institutions.

WHAT DOES DATA TELL US?

Analysis based on the data collected through the EVPA Industry Survey.

With a focus on tailored financing, EVPA's industry surveys look at the evolution of the number of categories of financial instruments used by investors *for* impact. Figure 19 shows how the share of investors *for* impact using only one category of financial instruments decreased since fiscal year (FY) 2012, being less than half of the sample in FY 2017. Furthermore, the share of investors that used more than two categories of financial instruments almost doubled, going from 15% in FY 2011 to 29% in FY 2017. This finding resonates well with the intention expressed by several practitioners during the interviews: to have the capability to support any SPO that come knocking at their door.

Figure 19: Number of categories of financial instruments per investor *for* impact in FYs 2011, 2013, 2017

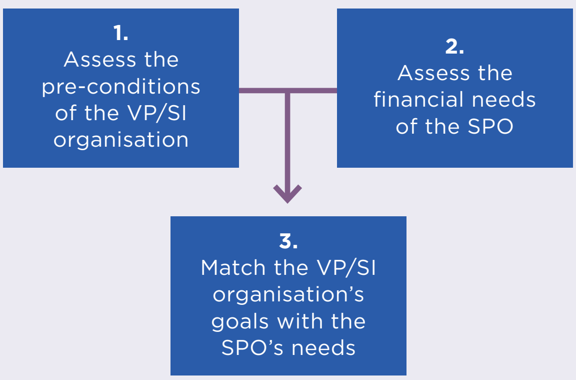


EVPA'S FRAMEWORK

In the report *Financing for Social Impact | The Key Role of Tailored Financing and Hybrid Finance*[160], EVPA presents a process of tailored financing that is composed of three steps, as shown in Figure 20. First of all, investors *for* impact "assess their pre-conditions". Once the different options available have been assessed, the investor focusses on the SPO and its needs, which may depend on a series of external and internal factors. The internal factors include the stage of development of the SPO and the potential for financial sustainability of its business model. External factors include the macro-environment in which the SPO operates, and stakeholders. The assessment of the internal and external influencing factor will also be useful to determine the most appropriate non-financial support to strengthen the SPO. In the third and final step, investors and investees match the offer with the needs and, if an agreement is found, the deal is signed.

The main learnings and knowledge produced while developing the framework have been used by EVPA to develop the training "Financing for Social Impact"[161].

Figure 20: Three-step process of tailored financing (Source: EVPA)



As more instruments become available within the impact ecosystem, it becomes particularly challenging to find the right balance between concessionary and commercial capital to nurture the establishment and the growth of SPOs and ensure lasting impact. On the one hand, grants and other forms of concessionary capital face the risk of distorting the market, since these instruments could deter some SPOs to strive for self or financial sustainability. On the other hand, patient and concessionary forms of funding are particularly relevant for SPOs at seed stage, as they need it to professionalise and expand their impact activities. EVPA has always advocated for the importance of conducting in-depth assessments of the needs and requirements of the SPOs before providing them with both financial and non-financial support.

Finally, in the future further convergence between philanthropic and traditional investors can be expected. Foundations will increasingly use repayable forms of finance and use their endowments to make mission-related investments. Traditional investors will deploy more patient and flexible capital, to increase the social impact generated by their investments. In this respect, one of the main challenges for investors is to adapt to their national legal framework, which could limit the possibilities for innovation. As an example, several foundations had to set up separate legal entities in order to engage in social investment activities. Policy-makers play a pivotal role in facilitating the expansion of investors' areas of intervention through favourable regulation.

2.2. THE CAPITAL PROVIDERS

There are several players in the impact ecosystem and all of them have a critical role in driving the word towards a more sustainable future. We started focusing on capital providers that mainly adopt a "*for* impact" strategy: social impact funds, social investment crowdfunding platforms, foundations and corporate social investors. Then we looked at a set of players that adopt a different set of impact strategies: banks, the public sector, and institutional investors. Then, we focused on actors that are entering the impact ecosystem by gradually orienting more towards impact their investment practices and adopting mainly SRI and "*with* impact" strategies: asset managers and family offices. Finally, we present two additional actors that have an evolving role in the impact ecosystem: international non-governmental organisations (INGOs) and development finance institutions (DFIs). In the following paragraphs, we analyse the role of each capital provider, highlighting their strengths, the challenges they face, the risks/threats of the coming years and the opportunities they can benefit from. The content included in this part has been developed thanks to the insights many practitioners have shared and analysed with us.

2.2.1. SOCIAL IMPACT FUNDS

At EVPA, we consider social impact funds as the initiators of the investing *for* impact movement in Europe. Social impact funds emerged when a number of socially-oriented VC/PE practitioners entered the impact ecosystem to foster social innovation and help solve pressing societal issues.

The first social impact funds were launched to prove the venture philanthropy model. These pioneering funds deployed patient capital with an average time-horizon of ten to twelve years. Most of the funds could count on the support of high-net-worth individuals and philanthropic capital, which allowed them to be truly engaged for the long haul, prioritising the achievement of sustainable social impact.

Social impact funds deploy different forms of debt and equity to support innovative business models that tackle societal issues and have the potential to scale. For social impact funds that invest *for* impact, the starting point to decide whether or not to invest is not the potential financial return of the venture, but its potential social impact. This does not mean that social impact funds do not target a financial return, although they may target a lower return than the one expected by traditional investment funds. However, the potential financial return is not the key decision-making factor. The innovativeness of the business model of the social enterprise in tackling a societal issue is what makes social impact funds decide to invest. By being the scouts of innovation with commercial viability of the social impact ecosystem, social impact funds create the pipeline for all other investors, thus being one of the most important players of the investing *for* impact community. If all institutions want to work towards the impact imperative stated by the OECD[162], they should recognise the importance of high-risk capital directed towards underdeveloped sectors and geographies with shorter track records – hence the importance of social impact funds.

Social impact funds take high risks, often funding social purpose organisation at their early stage, supporting them to improve their business model, and making them attractive for follow on investors. Social impact funds play an important role in building a sustainable pipeline of investments for investors *with* impact and for other traditional investors interested in supporting social impact as part of their investment activities. Social impact funds also play a role in testing solutions to pressing societal issues that can then be scaled by the public sector.

It is worth mentioning that often early stage social enterprises already received support from grant-making investors before starting their funding journey together with social impact funds.

Some social impact funds, especially those that have been established in the early days, are now also focusing on supporting the growth and the scaling phase of innovative social enterprises that already have some track records. What makes them differ from more traditional investors or from investors *with* impact is that they are willing to take the risk of the scaling path of very innovative and disruptive solutions, whose success at scale is still very much uncertain. The same applies to the support of tested solutions to be replicated in other contexts: social impact funds can play a role in this phase as they are willing to take risks related, for example, to exploring new markets. EVPA has an ongoing debate with its community to understand whether it is accurate to still consider these social impact funds as *for* impact investors, or whether this condition of supporting more mature SPOs with more or less tested solutions can make them investors *with* impact.

Today, social impact funds face a number of challenges that they need to tackle, if they want to grow and thrive.

The most pressing challenge social impact funds face today is raising capital. If in the early days, social impact funds were mostly supported by high-net-worth individuals and foundations, currently, since their model has been proven, social impact funds have started attracting other types of capital providers. However, social impact funds will always need philanthropic capital as, thanks to this grant-based form of capital, they can effectively support, in turn, SPOs that need long-term and patient investment. Not being "forced" to generate a financial return gives them the freedom to take more risks and to focus on supporting SPOs' generation of social impact. Additionally, there are cases in which social impact funds use the grant support received to pay the cost of the non-financial support they provide to their investees.

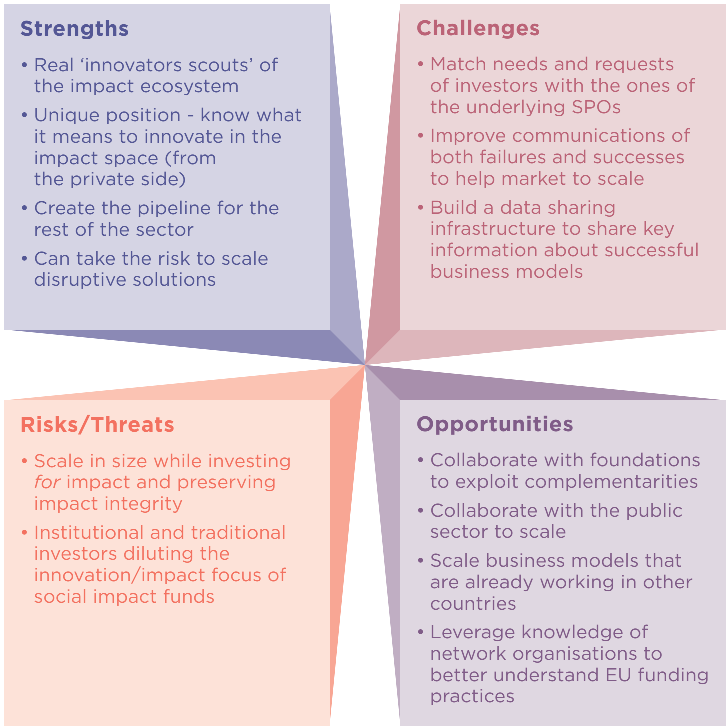
The second challenge, linked to the first one, is the new pools of capital coming in from traditional and institutional investors, which can have a positive impact on the funding challenge faced by funds, but also a negative impact on their "impact integrity". Institutional investors are used to investing large pools of capital, and expect to achieve financial returns that are higher than the ones typically targeted by social impact funds. Funders/investors willing to commit large amounts to social impact funds usually ask for higher financial returns, more in line with market-based returns, not considering the higher risk and the long-term time-horizon typical of social impact funds. As a result, unless the expectations are set right at the outset, the collaboration can start with unrealistic expectations from the funders, which could push social impact funds away from their social mission and their primary goal to support innovative and disruptive business models. A misalignment on expectations, especially in terms of financial returns, can push social impact funds to move from strategies *for* impact to strategies *with* impact. Moving social impact funds away from *for* impact strategies implies diverting resources from early stages innovative social enterprises, creating a huge market and pipeline gap. This also implies moving social impact funds from betting on those ventures that have a greater impact potential but an uncertain financial return to supporting SPOs that are less risky on the financial side, but might be less promising in terms of social impact potential. Thus, it is extremely important that institutional investors and traditional investors are educated to learn how to distinguish between the strategies of social impact funds, considered *for* impact, and the ones of those funds adopting *with* impact strategies. When this is not the case, the resulting misalignment is one of the main challenges for social impact funds, which have to match their own expectations with, on the one hand, the needs and requests of their own investors, and, on the other hand, the needs and requests of the investees, which are often very far away from each other.

A third challenge is linked to the fact that social impact funds often invest in early stage social enterprises, which need small ticket sizes. This is particularly true in markets where social entrepreneurship is not well-established. Managing a large number of small investments means for social impact funds to incur high transaction costs, which can challenge the long-term sustainability of the fund. To tackle this challenge, in 2018 the European Commission launched a call for proposals under the EU Programme for Employment and Social Innovation (EaSI) for transaction cost support[163]. Through this call, the European Commission provides social impact funds with the capital needed to lower the transaction costs linked to investments with ticket sizes not exceeding EUR 500,000 (e.g. social impact funds' investments in early stage SPOs). This transaction cost support scheme takes the form of a grant and serves to lower the transaction costs for these small investment tickets. The activities that social impact funds can cover through this support are those related to the preparation, conclusion and follow-up of long-term risk capital investments into social enterprises.

The European Commission offer social impact funds other possibilities to boost their capacity of funding social enterprises. In that sense, EVPA published a policy brief explaining how the next EU Multiannual Financial Framework 2021–2027 can be relevant for social impact funds through InvestEU and the European Social Fund Plus (ESF +)[164].

Finally, another challenge that has been often reported by the social impact funds that are part of our core community is the lack of data on successful business models. A deeper understanding of the business models that work could significantly help social impact funds to replicate and scale these initiatives across borders. Therefore, in the future, more collaboration and knowledge sharing between social impact funds can be expected. Moreover, in the view of a continuum of capital, social impact funds can strengthen the collaboration with foundations adopting the VP approach, which represent another opportunity to ensure a more efficient allocation of resources in the impact ecosystem.

Figure 21: Matrix for social impact funds



2.2.2. SOCIAL INVESTMENT CROWDFUNDING PLATFORMS

Low cost technology has made crowdfunding platforms very popular all over the world. In the attempt of democratising philanthropy and social investment and making it accessible to everyone, a multitude of initiatives to crowdfund social impact projects have been launched. The majority of crowdfunding platforms has been created to bridge the gap between donors and final beneficiaries, thus supporting traditional philanthropic projects. Crowd Giving platforms may be the first step in the crowdfunding landscape for some social projects, which, in a second step, could venture into other forms of social investment. However, there are few platforms that aim to support social enterprises with equity, i.e. the so-called social investment crowdfunding platforms.

Social investment crowdfunding platforms work as social impact funds: they deploy equity to support early-stage and high-risk social enterprises that have the potential to grow and to scale their social impact. Typically, they provide small tickets between EUR 50,000 and EUR 400,000, thus contributing to fill an important and widely acknowledged gap in the social investment space.

As social impact funds, the investment managers of these platforms conduct due-diligence of the potential projects to upload on the platform online, assessing both financial returns and impact potential. The main difference between social impact funds and crowdfunding platforms lies in the source of funding. These platforms rely on contributions from EUR 100 to EUR 10,000 coming mainly from individual investors. However, there are also cases in which individuals can invest less than EUR 100. Individuals usually hold from 30% to 100% of the shares, the remaining percentage is held by professional investors.

Social investment crowdfunding platforms gather different individuals who invest together because they believe in the impact of the underlying SPOs, and they are willing to sustain them. Some of these individual investors often provide advices in their area of expertise and promote the SPOs' activities throughout their network of friends, colleagues and family. This additional non-financial support is particularly valuable for SPOs, especially during their early-stages in which they constantly seek exposure to potential customers and promoters.

The progress of technology and the diffusion of internet played an important role in the proliferation of these platforms. This technology is available at an affordable cost, which has also contributed to the diffusion of crowdfunding platforms in the last decade. They are also easily accessible by a growing share of the population.

Due to its diversity, geographical spread and by engaging a large number of investors, equity crowdfunding platforms face some challenges in crowd management, for example while structuring the relationships between SPOs and the community of shareholders. An interesting practice shared by the practitioners interviewed consists in delegating the individual who invested the largest amount of money to serve as the representative in the general assembly of investors, and to give the possibility to appoint one person as member of the board.

As SPOs mature and professionalise, social investment crowdfunding platforms face new challenges, like attracting follow-on investors and looking for potential exit opportunities. At this stage, SPOs have typically produced some track records and are ready to attract professional investors. As the practitioners interviewed reported, in the second round of fundraising, SPOs mainly leverage the platform's network of professional investors, rather than the crowd. Therefore, as the SPOs move to maturity, the risks and challenges of these platforms become similar to the ones of other investors *for* impact, e.g. providing access to networks and finding impactful exit opportunities. As these platforms have not become mainstream yet, the production of track records, especially on financial performance, are particularly important to build trust among the public and expand their radius of action during this phase.

Social Investment crowdfunding platforms represent the most successful attempt of democratisation of social investment to date. Middle-income individuals, who traditionally rely on banks to manage their savings, have now the opportunity to invest in a more direct and impactful way, with low or no transaction costs.

Furthermore, the flourishing interest of millennials for philanthropic and social investment activities[165] will boost the demand for opportunities to invest *for* impact, therefore these platforms are expected to grow in number and in size.

Figure 22: Matrix for Social investment crowdfunding platforms

2.2.3. FOUNDATIONS

Foundations, together with social impact funds, were the early adopters of venture philanthropy. As explained in the EVPA report "*Strategies for Foundations: When, Why and How to Use Venture Philanthropy*"[166], when VP started spreading in Europe, foundations were already adopting several principles of VP, referring to it as engaged or strategic philanthropy. Examples of how foundations integrated VP practices include increased efforts in impact measurement, a more engaged and long-term grant-giving approach, and the delivery of non-financial support. Adopting such an approach allowed foundations to support in a more efficient way social purpose organisations.

However, in Europe many foundations are still not adopting the VP approach, thus supporting NGOs and charities in a more traditional way. There is great potential in having foundations transitioning towards a more engaged grant-giving, since it would increase the resources allocated within the investing *for* impact space.

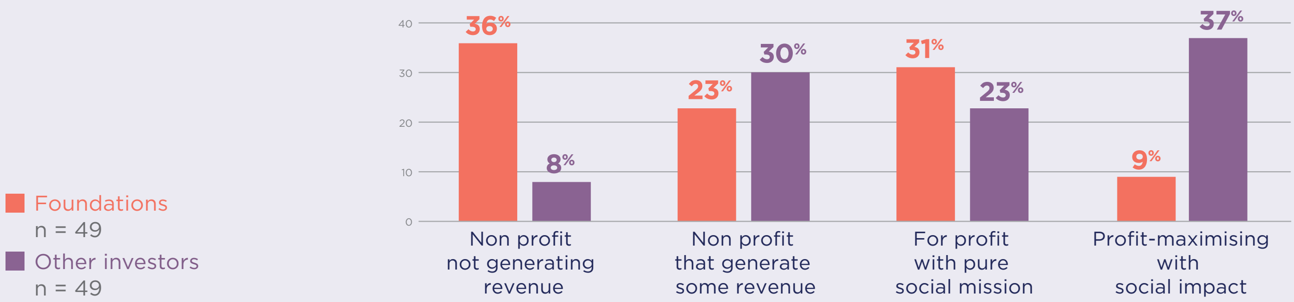
Foundations that are part of the investing *for* impact space, support a variety of SPOs. They do not only finance NGOs and charities that are not – and will never be – financially sustainable, but also offer first-loss capital to SPOs with a potential sustainable business model that need to start their activities (e.g. social enterprises in a start-up or in an early-stage phase). This first investment usually plays a catalytic role in attracting follow-on investors. Through grant-making, foundations can take high risks and invest in innovative solutions. Alongside patient capital, foundations bring value to their grantees by providing impact expertise and connections with a wide range of stakeholders.

WHAT DOES DATA TELL US?

Analysis based on the data collected through the EVPA Industry Survey.

It is interesting to observe that, although foundations deploy the largest part of their resources to support non-profit organisations that may or may not generate revenues, they are increasingly interested in financing social enterprises with a (potentially) sustainable business model. In 2017, 40% of the resources of foundations were directed to SPOs that have the potential to generate revenues and become financially/ self-sustainable.

Figure 23: Type of SPOs supported by foundations and other investors for impact in FY 2017



NB: for the sake of simplicity, investment in other types of SPOs, i.e. 1% and 2% of the total amount invested respectively by foundations and other investors, has not been reported in the graph. Thus, the percentages above do not sum to 100%.

Through their grants, foundations can also strengthen social infrastructures, playing an important market-building role in the impact ecosystem. For example, foundations can finance the construction of data infrastructures, which can help identify funding gaps.

In more recent years, the interest of foundations in social investment started to increase. Foundations are starting to explore opportunities of using financial instruments other than grants (e.g. debt, equity or hybrid financial instruments). One reason is to become more efficient in supporting SPOs that promote market-based solutions (e.g. social enterprises) not exclusively in the early stage. In fact, one of the main issues of using grants with social enterprises is the risk that they become dependent, and do not move towards financial sustainability, as they are not under any pressure to do so, since they are not expected to pay the grant back. Having no pressure on the sustainability dimension gives the SPO more space to focus on social impact, but lowers its chance to be attractive for other types of investors after the grant is over. Moreover, grants are subsidies that can give a competitive advantage to certain SPOs, thus distorting the market.

In some cases, where the national regulation does not allow foundations to generate financial returns, if they are willing to start using other financial instruments, they have to set up a separate entity to do so. In other cases, foundations do grant-making and social investment through the same legal structure, but there are then two separate teams dealing one with grants and the other one with other financial instruments. When foundations manage grant-making and social investment through the same structure, the challenge is to recruit team members with the proper (technical) financial skills for the social investment side, skills that are different from the ones they usually look for while recruiting staff to deploy grants. Additionally, foundations need to maximise the coordination between the grant-making and social investment teams, to assess deals together and decide whether to use a financial instrument over another. It is then crucial for the two teams not to work in silos. On the contrary, while setting up a separate structure or body to deploy debt or equity, the challenge for foundations might be keeping transparent governance.

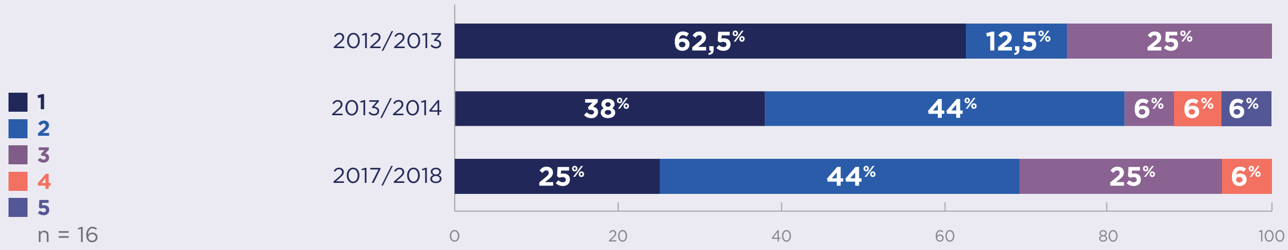
Nevertheless, it is worth mentioning that, due to sophisticated legal frameworks, some foundations struggle to be agile and flexible enough to diversify their offer in terms of financial instruments.

WHAT DOES DATA TELL US?

Analysis based on the data collected through the EVPA Industry Survey.

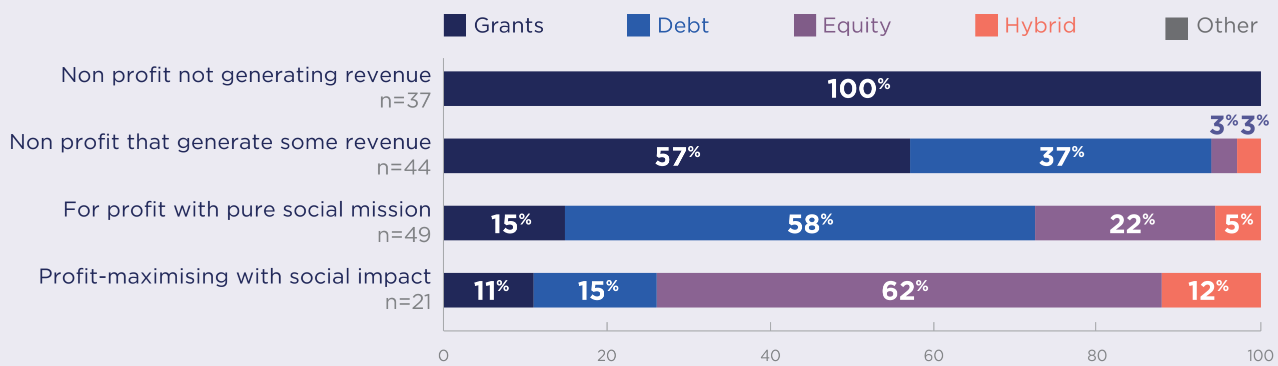
Looking at the 16 organisations that replied to EVPA Industry Survey in 2013, 2014 and 2018, it can be observed how the percentage using only one category of financial instruments significantly decreased. Despite the relatively small size of the sample, it seems fairly representative of the European foundations that have been active in venture philanthropy in the last decade. In fiscal year (FY) 2012 the share of foundations deploying only one category of financial instrument was exceeding the half, while in FY 2017 the percentage decreased of 38 percentage points, and more than a quarter of them deployed more than two categories of financial instruments.

Figure 24: Number of categories of financial instruments per foundation in FYs 2012, 2013, 2017 (subsample)



Observing how foundations use different financial instruments to support different types of SPOs, it is clear that through the recent use of repayable forms of capital, they extended their reach. Indeed, through FIs other than grants, they support for-profit entities with pure social mission and profit-maximising organisations with social impact, which they also support through grants, but allocating relatively smaller amounts of resources.

Figure 25: Type of SPOs supported by foundations with different financial instruments in FY 2017



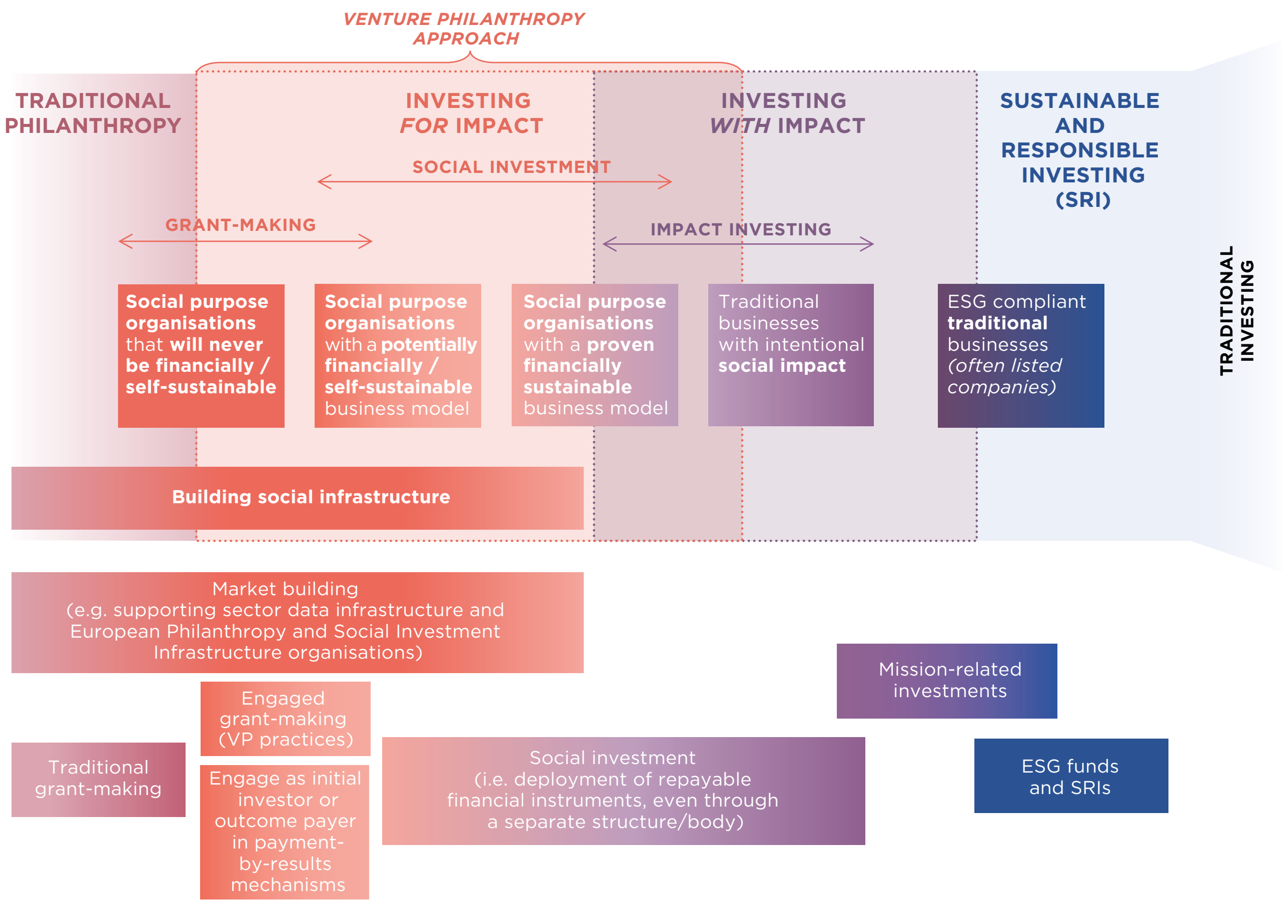
A relevant number of foundations in Europe have an endowment. An endowment is a pool of assets and resources that were allocated to the foundation on the date of its establishment – or later. By law in many countries, endowments have to be invested to maximise profits by professional asset management companies. As foundations are becoming more aware of the negative externalities they could potentially produce while investing their endowments following a pure profit-maximising strategy, they are looking into more socially responsible ways of investing. Foundations are gradually – even if still too slowly, according to experts[167] – moving towards mission-related investments (MRIs), aligning the investment strategy of the endowment with the societal issues they tackle through their grant-making activities[168]. For example, Fondation de France has just launched a EUR 100 million investment fund that uses resources coming from its endowment to tackle social issues. *France 2i fund* will be managed by Raise Impact with the aim to invest in companies that contribute to the SDGs[169].

Finally, foundations are increasingly collaborating with peer investors *for* impact. As foundations are starting to use repayable instruments, they can exploit complementarities and partnerships with social impact funds. A way to collaborate with other investors *for* impact is through social impact bonds or other payment-by-result mechanisms, in which foundations can engage as both initial investors or as outcome payers. Like all other investors, foundations benefit from peer learning, and from sharing knowledge about success and failures as it helps them in their decision-making and their understanding of what works or not[170].

Figure 26: Matrix for foundations

Looking at all the impact strategies foundations could adopt, as the Figure 27 shows, in the future more and more foundations are expected to (i) enter the investing *for* impact space from the left side of the spectrum – moving from traditional philanthropy into VP; (ii) move into the middle of the spectrum – while starting using different FIs; (iii) enter the SRI space starting to invest more responsibly their endowments through MRI strategies and/or investing into ESG funds.

Figure 27: Impact Strategies spectrum for foundations



2.2.4. CORPORATE SOCIAL INVESTORS (CSIs)

Corporate social investors[171] (CSIs) are vehicles formally related to a company, and which aim to create social impact linked to companies. Examples are corporate foundations, shareholder foundations, corporate social businesses, corporate social investment funds, and corporate social accelerators. CSIs are an important actor in the impact ecosystem, in which they play a specific role. CSIs can, at the same time, generate a positive social impact on society (*direct* social impact) and push the corporation to change its business practices, to become more sustainable (*indirect* social impact).

Historically, corporate foundations have been set up for various reasons, including to improve the reputation of corporations vis-à-vis the public opinion, to strengthen employees' motivation or to give charitably to various social causes. Differently from other foundations, CSIs are linked to a corporation, with different levels of alignment and proximity.

CSIs perform a large number of activities, both in the *for* impact and in the *with*-impact space, depending on their starting point.

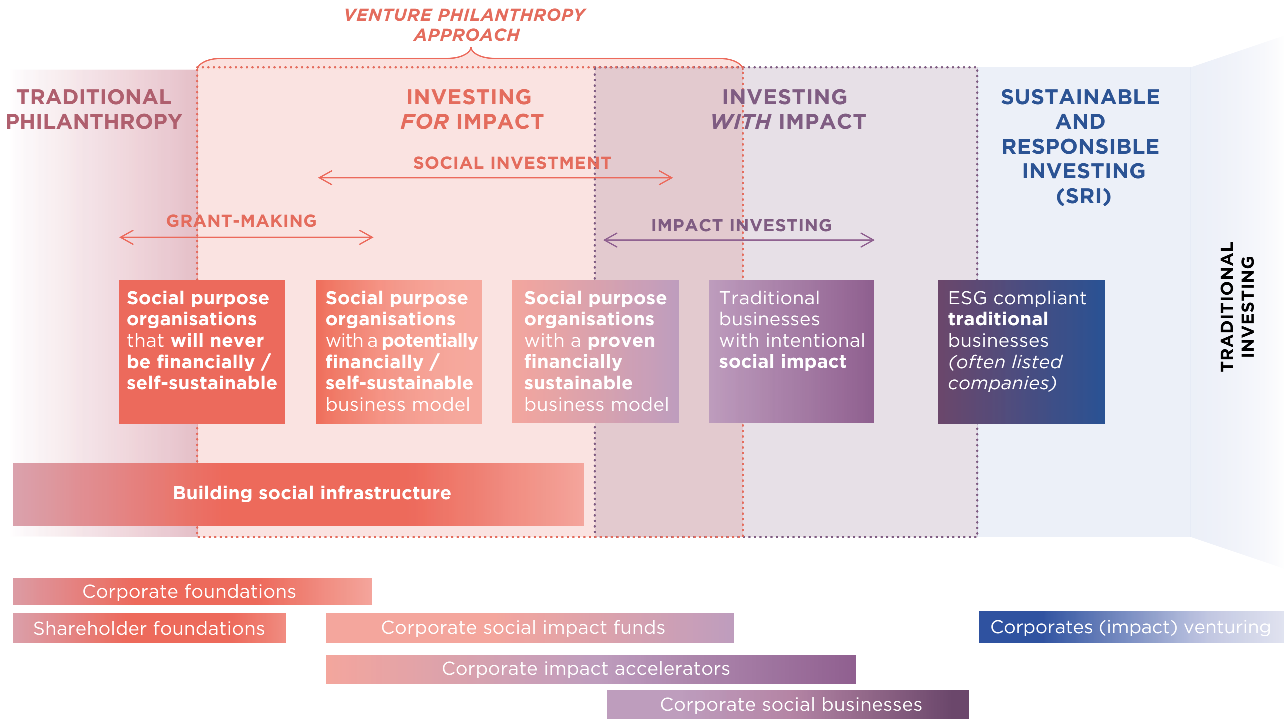
The left-hand side of the spectrum (Figure 28) includes corporate foundations and shareholder foundations, and all those activities that CSIs perform through grant-making. A corporate foundation is a social purpose-driven non-profit organisation that has been set up by a company. Corporate foundations have an ongoing relationship with the company, which allows them – albeit to various degrees – to access financial and non-financial corporate resources which they leverage to create social impact. Just like other foundations, corporate foundations have started in recent years to look at how to go beyond grant-making, experimenting with financial instruments such as debt and equity instruments. Corporate foundations remain investors *for* impact, focusing on supporting early-stage SPOs that will either never become financially self-sustainable or that are just testing a potentially sustainable business model. Corporate foundations are still the most common form of CSI, constituting about the 64% of the members of EVPA's corporate social investor initiative (see box in page 70). Shareholder foundations are making a similar move towards experimenting with new instruments, although being somewhat more conservative. The term "shareholder foundation" refers to a type of corporate governance characterised by a concentration of firm ownership with a single non-profit entity (i.e. the foundation) holding all, a majority, or a blocking minority of equity shares. The foundation disburses the dividends that it receives as a shareholder towards one or more philanthropic causes, in accordance with a charter created by the founder[172].

On the right of the spectrum are corporate social investment funds and corporate impact accelerators. A corporate social investment fund is a specific legal entity that is set up by a company to pool resources from one or more investor(s) for investing activities in companies with outstanding social innovations. Corporate social investment funds are set up to invest in SPOs that have the potential to become self-sustainable or even in SPOs with a sustainable business model. A corporate social accelerator is a structure through which an organisation supports investment-ready social enterprises by providing them with business development support, mentoring, infrastructure, and access to relevant networks in order to help them grow. Corporate social accelerators are one of the ways through which CSIs provide non-financial support.

In the investing *with* impact space, are corporate social businesses, defined as structures created and designed by a company with a clear social purpose. The products and services provided remain close to the core business and activities of the company, but are developed to generate social impact rather than commercial benefits. Corporate social businesses seek to be financially self-sustainable while generating social impact.

All the activities outlined above pertain to CSIs, the corporate social investors that are members of EVPA. However, in recent years a certain movement towards impact from the side of traditional companies can be observed. Corporate (impact) venturing represents the way in which corporations start experimenting with including social impact considerations into their decisions about whether (or not) to invest in promising start-ups.

Figure 28[173]: Impact Strategies spectrum for corporate social investors



Thanks to the corporate link, CSIs have always been able to access the wide pool of resources that the corporation can offer, including talent, technology and distribution channels. However, it is only recently that corporate foundations have started to leverage corporate resources strategically, to maximise the impact they generate on people and the planet – i.e. to maximise their *direct* social impact. Depending on how close the CSI is with the corporation, it can leverage other assets such as employees' time and talent, corporate know-how and technology, knowledge on markets and beneficiaries, local partners to scale activities in different locations, and other assets.

A key resource CSIs leverage are the corporations' employees. Corporate employees provide both financial and non-financial support to the SPOs supported by the CSI, due to their human resources (e.g. time and expertise), network and financial resources (e.g. donations or investments). Corporate employees can, for example, have a crucial role in transferring skills to the SPOs supported by the CSI. EVPA has investigated the topic of employee engagement and has produced two practical toolkits to support CSIs in maximising the impact they achieve through employee engagement[174].

The potential for collaboration between sectors and the unique vantage point that CSIs have – in between the social sector and the company – is gaining importance, as more and more front-running companies are exploring opportunities to integrate social impact within their core business (e.g. by seeking inclusive business models). With their expertise around the social sector, CSIs can be both a key informative partner, and a social change agent or serve as incubator for highly risky innovations with high social return that might be potentially scalable through the business value chain.

As sustainability is becoming an imperative for companies, the role of CSIs is evolving quite rapidly, and they are more and more recognised as a strategic partner by corporations. As global societal challenges become more and more pressing, and as data and transparency are making all businesses and institutions more accountable for their negative externalities, corporations are looking at ways to move their business practices and activities towards sustainability. In this respect, corporate foundations are being recognised as a strategic partner to speed-up this transition. CSIs can facilitate the transition towards sustainability for corporations in three ways:

- Thanks to their dual-hat, CSIs can provide the company with an in-depth understanding of the social and environmental issues that the corporation is facing, and help spot social innovation opportunities for the core business;

- CSIs have the achievement of a sustainable impact at the core of all their activities. As such, CSIs do not feel the pressure to generate short term business value for the company, as most CSR or sustainability departments do. Thus, CSIs can support and co-develop new innovative solutions to pressing societal issues even when there is no market for these innovations yet (i.e. when they are not financially sustainable), or where the business benefit is not clear yet, even though the long-term potential to accelerate the sustainability of the company might be huge if the solution work.

- CSIs should align their social ambitions with the ones of the company, to truly leverage the synergies between the two entities and build a sustainable brand. For example, one way of aligning is when a corporate foundation integrates its own social impact ambition with the company's CSR agenda[175].

In the future, CSIs will have to clarify their strategy towards impact and their relationship with the corporation, and being transparent in communicating the results achieved. Only in this way CSIs will mitigate the risk of white, green and impact washing.

EVPA Corporate Social Investor (CSI) Initiative

In 2015 EVPA set up its CSI Initiative[176], which now brings together more than 50 corporate foundations, corporate social investment funds, corporate impact accelerators and other socially-driven corporate entities in search of the most effective ways to maximise their social impact through joint-learning across Europe. The initiative's mission is to create a common practice, so that leveraging core corporate assets for large-scale social investments with business value becomes the 'norm' by 2030.

Figure 29: Matrix for corporate social investors

2.2.5. BANKS[177]

Banks are becoming increasingly relevant in the impact ecosystem. Although in the past many banks had units that were embedding social impact considerations in their activities (e.g. CSR departments, philanthropy services), these units were separated from banks' core structures. Therefore, the activities of banks linked to social impact were rather small-scale and fragmented, with the exception of microfinance programmes, or were run by banking foundations. The situation started to change after the financial crisis of 2008.

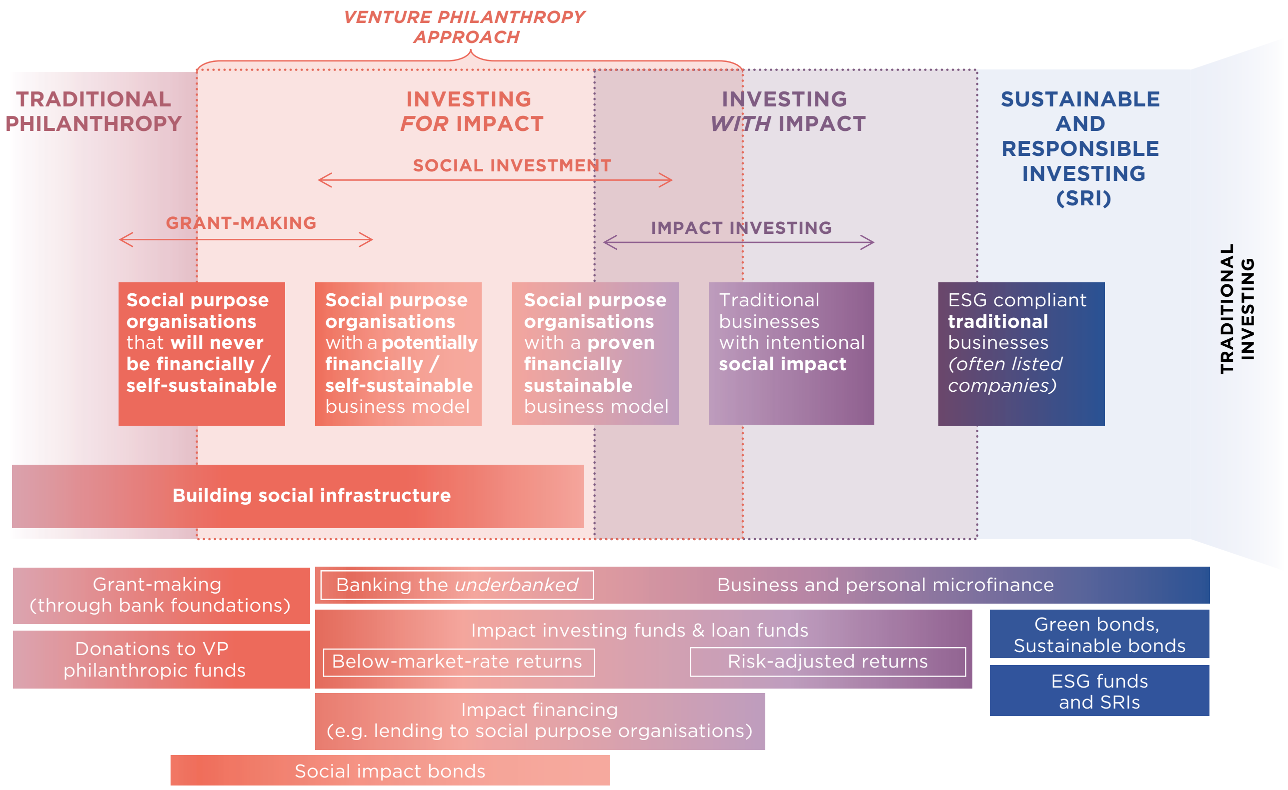
An exception consists of ethical banks, which have a long-standing experience in applying a framework of ethical standards to their banking activities. By realising stable financial returns while growing steadily in terms of total loans, deposits, assets, and equity, ethical banks can show conventional banks that it is possible to achieve financial results while creating positive social impact, by supporting social purpose organisations.

Conventional banks are institutions with sizable volumes of activities and with a large pool of human resources at their disposal, often with complex internal structures and the capacity to run a broad scope of activities. Until the early 2000s, banks primarily focused on financial performance, often underestimating the potential negative externalities of their activities. As a consequence of the financial crisis and of pressing global challenges, some banks had to rethink their business strategies. This profound shift in banks' strategies has been mainly driven by civil society, which started demanding for a new, responsible and sustainable way of banking. Clients started asking for more socially-oriented banking activities, and topics such as sustainability and responsibility became as important as financial performance. At the same time, banks, as well as other institutions, started realising the importance of economic, social and environmental impacts as critical factors for the success of the company in the long run.

The interest in social impact of conventional banks started emerging from two sides. On the one hand, some banks gradually moved their assets towards sustainable and responsible investing (SRI), investing in sustainability-related sectors, such as renewable energies and affordable housing. Investing in SRI allowed banks to generate positive externalities – responding thus to the demand of their clients – without compromising their financial performance and contributing to the argument that embedding sustainability considerations pays off. On the other hand, for some banks starting to support social entrepreneurship was a natural move, as they could leverage their long-standing experience in working with SMEs and entrepreneurs.

Figure 30 offers a snapshot of all banks' activities and initiatives in the impact ecosystem, looking at where they sit in the EVPA impact strategies spectrum.

Figure 30: Impact Strategies spectrum for banks



Looking at the right side of the spectrum of activities, banks could enter the sustainable and responsible investing (SRI) space without compromising financial returns by considering sustainability criteria while selecting investment opportunities. Banks develop and manage ESG funds to invest in companies and securities that have a positive ESG score, and issue green or sustainable bonds. Furthermore, by investing through SRI, banks can contribute to reduce the risk of their investments since enterprises not respecting ESG criteria are more and more penalised nowadays. Among the first banks that engaged in SRI and ESG-integration, it is worth mentioning BNP Paribas and Banque Degroof Petercam[178].

Moving towards the centre of the spectrum, there is microfinance. Some banks invest in microfinance directly through lending and/or investing in microfinance institutions, while others provide indirectly microfinance-related products like selling microfinance funds to their clients. Microfinance was considered risky in its beginning, but today it is a well-established sector with a proven track record. Looking at direct microfinance activities, banks have data at their disposal to make a good assessment of the risk/return profiles of different clients and MFIs, thus they are able to balance the risk of their portfolios. In this way, there is still some space in microfinance to serve riskier client segments, including the so-called "underbanked". An example of serving the underbanked is represented by Erste Group that, together with Erste Foundation, since 2009 is running good.bee credit, an own microfinance company focused on financing rural farmers in Romania[179]. Serving underbanked clients is considered as investing *for* impact and, as such, is coupled with non-financial support and/or specific guarantees to reduce the risk-profile of the investment.

At the centre of the spectrum, banks manage impact investing funds and loan funds, which are vehicles that adopt a mix of *for* and *with* impact strategies, depending on the expected returns and risk appetite. As for microfinance, banks usually balance the risk/return/impact profile of their funds, by investing in a variety of countries and assets. While some resources are invested expecting risk-adjusted returns, a share is reserved to create additional impact, often paying back below-market-rate returns.

Looking at the *for*-impact space, through impact financing, banks directly lend to social purpose organisations. These investments are often accompanied by in depth non-financial support, which is sometimes funded through grants, to ensure that impact will be sustainable. A good example of impact financing is provided by Erste Social Banking, which in 2010 started financing social entrepreneurs in the region within the Social Business Tour done with Muhammad Yunus. Then, in 2016 Erste Group officially launched its Social Banking's "Step-by-step" programme, which offers tailored financing products and non-financial support to low-income individuals, starting entrepreneurs (social or not) and social organisations (NGOs and social enterprises). In terms of NFS services, Erste Social Banking provides financial literacy and advice, business training and mentoring, thus supporting individuals and organisations in their maturing and in making wise financial decisions[180]. Similarly, UniCredit Social Impact Banking, supports SPOs that create additional and measurable social impact, offering loans at favourable terms coupled with a "pay-for-success approach", (i.e. partial repayment of interest or donation to projects that have achieved the intended social impacts defined in advance). Extensive non-financial support is also provided, such as advice, organisational support, visibility and mentorship. UniCredit is currently expanding the Social Impact Banking unit across eleven countries in the DACH region and in CEE[181]. Another example is BNP Paribas banking facility "Act for Impact", a specific targeted approach to support social enterprises throughout their lifecycle, with dedicated financial and non-financial products and services. The bank is rolling this programme out in seven countries, financing more than 2,000 social enterprises for more than EUR 1.6 billion as of December 2018[182].

When running impact financing initiatives or when serving the underbanked through microfinance, banks can benefit from the support of EU financial resources, such as guarantee schemes aimed at unlocking additional risk capital to be invested in the impact ecosystem. One example is the EaSI guarantee, through which the European Commission via the European Investment Fund (EIF) offers guarantees to financial intermediaries, e.g. banks, providing them with a partial credit risk protection for newly originated loans to social purpose organisations or underbanked individuals. A good case is the agreement of EUR 50 million between Erste Group and the EIF signed in 2018, which represents the first pan-European guarantee agreement – under the EaSI programme, supported by EFSI – to finance social purpose organisations in Austria, Croatia, Czech Republic, Hungary, Romania, Slovakia and Serbia. Concretely, thanks to this agreement, Erste Group's local banks are able to support more than 500 SPOs through loans with lower interest rates and lower collateral requirements. This agreement follows the previous two signed in 2016 between Erste's local banks in Serbia and Austria and the EIF, under the EaSI programme, to support respectively micro-entrepreneurs and small businesses, and social entrepreneurs and micro-enterprises[183]. Similarly, UniCredit in 2019 signed an agreement with the EIF for EUR 60 million, under the EaSI programme, in support of

Italian micro-enterprises. This signature follows the first agreement, signed in 2018, for a portfolio guarantee of EUR 50 million, therefore totalling EUR 110 million made available to approximately 2,500 micro-enterprises. Within this agreement, interested businesses can also request free access to a dedicated learning platform, developed thanks to the collaboration between UniCredit and Qredits Microfinanciering Nederland, which assists in forming their business plans. In 2019, UniCredit signed an additional agreement for EUR 50 million under the EaSI programme and with the support of EFSI to finance social entrepreneurship in Italy[184].

Another way for banks to invest *for* impact is the involvement in social impact bonds (SIBs). Banks play a crucial role in the development of SIBs, usually benefiting from having a large network of stakeholders (e.g. outcome payers – foundations and the public sector –, other investors, social enterprises and other service providers). Banks can thus play a pro-active role in building SIBs: seeking for investable opportunities, looking for outcome payers and key partners, and sometimes also taking risk as direct investors. One virtuous example of a bank that has engaged with SIBs is BNP Paribas in France, which launched the first French SIB in 2016 and structured six more since then in France and two in the US[185].

At the left side of the spectrum, there are initiatives with no financial return expectations. These activities include (i) traditional grant-making, usually done through the banks' foundations, which may or may not adopt the VP approach, and (ii) donations to external philanthropic institutions. For instance, BNP Paribas Fortis donates part of the financial returns of its SRI funds to support the VP Fund of the King Baudouin Foundation, which finances local SPOs across Belgium. Another example is the Fonds Urgence and Développement in which BNP Paribas doubles each donation done by its employees or clients when a humanitarian disaster occurs, or for a specific development issue. All the funds go to three NGO partners of the bank: Care, Red Cross and Médecins Sans Frontières[186].

Apart from the activities reflected in the spectrum, banks can do a number of initiatives that go beyond funding, and can act as consultants or field-builders.

For example, banks can use their position to match clients and investors with SPOs, with initiatives and projects. When high-net-worth individuals (HNWIs) are willing to invest in SPOs with a riskier profile, or even to donate their money without expecting any financial return, banks can play a role as consultants by counselling and advising them. In this context, wealth management departments can offer products to HNWIs according to their risk appetite and their impact motivations, such as the Philanthropy department of Banque Degroof Petercam[187]. In some cases, they co-develop the products with the clients, and also support them to strengthen their impact, for example, through organising events, sharing best practices or promoting peer to peer learning. When providing philanthropy advice, some banks exploit the synergies with the banking foundation to co-develop solutions tailored to the profile of the clients. Good examples of this collaboration are represented by UBS Philanthropy Services, which links philanthropy advice to the Optimus Foundation, and Fondation de l'Orangerie of BNP Paribas dedicated to assist HNWIs and family offices in their donations[188].

Banks can also drive field-building processes by developing products, services and tools that, in a subsequent stage, can be leveraged by the entire sector. One example is the enormous investments that banks made to develop and scale the microfinance field. Another field-building example is when banks partner with other actors like NGOs to build infrastructure and reach the most underserved segment of the population. For example, under its impact financing offer, UniCredit launched a EUR 5 million social impact minibond in collaboration with a local NGO in Italy to support the building of residential facilities for elderly people and the renewing of the energy system of a childcare centre managed by the partner NGO[189]. Another example of a field-building activity of banks is the development of the "*Mesure et Suivi de l'impact social* (MESIS)" by BNP Paribas, Caisse des Dépôts and INCO[190] – an innovative impact measurement methodology used by the NovESS fund dedicated to the financing of social and solidarity economy actors. MESIS is a broad database of indicators that can be used as a dashboard for NovESS fund's investees, helping them measure and manage their impact. Although MESIS goes less in-depth into the analysis of the impact compared to other methodologies such as for example SROI, its use is more immediate for social enterprises, especially for small and medium-sized ones with fewer resources available for IMM. Finally, banks can leverage their financial expertise to provide non-financial support or financial literacy to organisations or to individuals. For instance, BBVA's "Momentum Project" supports social entrepreneurs in a growth phase to scale during a five-month journey, with a strong focus on mentoring, training, networking, visibility and access to fundraising[191]. Furthermore, Erste Group runs a variety of field building/capacity building initiatives in the different geographies the bank is active in. For example, they run acceleration and mentoring programmes together with local partners, and support academies for NGOs and social businesses[192].

Banks' specific characteristics also lead them to confront specific challenges.

Many traditional banks are still hesitant to engage in the impact space or to embed sustainability considerations in their procedures, as they see it as a risky endeavour and/or they do not feel yet societal pressure to go beyond their traditional banking activities. In some banks, socially-oriented units are already seen as an important agent to drive banks towards more sustainable investment practices. Hence, banks could leverage the impact knowledge of their socially-oriented units throughout the organisation, as well as their expertise in SRI to integrate sustainability and ESG considerations in all the divisions of the bank. In a further stage, the process of education can expand beyond the organisations' shareholders and reach other stakeholders, such as investors, clients (both HNWIs and middle-income individuals), and other capital providers. Given banks' extensive network of contacts and partners, they are well placed in the ecosystem to become a catalyst for social innovation. In this regard, banks that are already active in the impact ecosystem can play a role in encouraging their peers to join the space, for example by sharing best practices or by collecting and displaying data.

Banks also have to adapt their strategies to each national regulatory framework. Some experts shared that, although regulation can speed-up the move of banks towards sustainability, too much regulation may not leave room for innovation.

Other elements that could limit banks' engagement within the impact ecosystem are transaction and due diligence costs. Banks are often deterred from both lending and investing in social purpose organisations because the small size of the deals does not justify the transaction and due diligence costs.

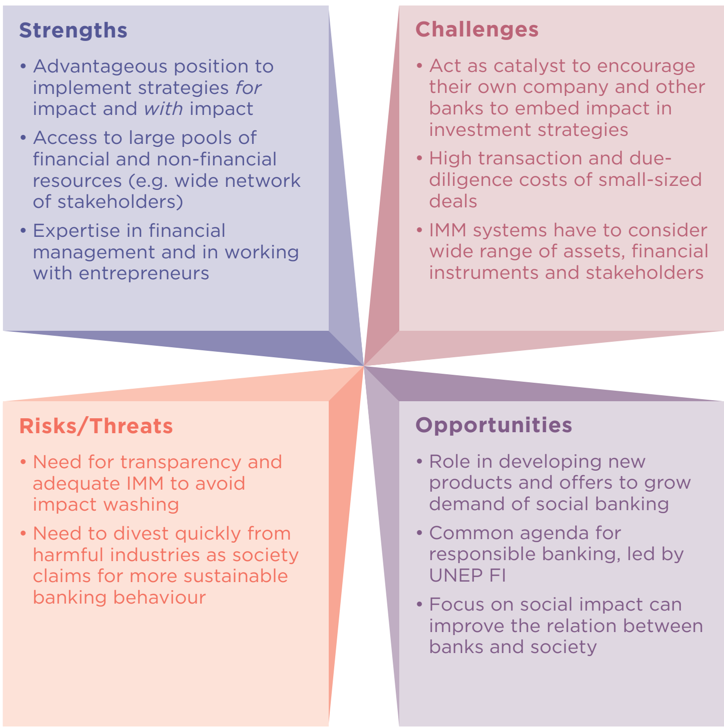
When measuring and managing impact, banks, probably more than any actors in the social impact ecosystem, struggle with impact aggregation, due to the large volume of deals conducted, and also due to the heterogeneity of their financial instruments and products, stakeholders and assets managed. Thus, aggregation becomes challenging – although valuable since it allows comparability. Additionally, in order to avoid reputational risks and being blamed of impact washing, banks that really contribute to develop the impact ecosystem need to be transparent and run adequate IMM and reporting, in order to show a commitment towards impact integrity.

In the future, banks can substantially increase the offer of social banking products and services. In turn, an increase of the financial offer, both in lending to social enterprises and in investment products in social impact activities, is expected to be followed by an increase in the demand. According to experts, a growing variety of investment opportunities in SRI products will stimulate the demand, not only from HNWIs but also from middle-income investors. Similarly, the growth of the financial offer for social purpose organisations will boost the opportunities for individuals to become social entrepreneurs.

Today, banks are realising that they should accelerate their shift towards a more sustainable way of investing and managing resources. As a result, a group of leading financial institutions, led by the UNEP FI, developed the 6 Principles of Responsible Banking, an initiative launched in New York on 22 September 2019 and signed by 130 banking institutions. The Principles of Responsible Banking represent a turning point in the creation of a common agenda for the banking industry to commit to banking responsibly. The Principles included relate to (i) *"alignment"* (ii) *"impact and target setting"* (iii) *"clients and customers"* (iv) *"stakeholders"*, (v) *"governance and culture"* and (vi) *"transparency and accountability"*[193].

By entering the impact space, banks have the opportunity to engage and collaborate with an extensive range of actors. In fact, social impact not only allows banks to enter new markets, but also brings an occasion to change the relationship between banks and the community. When the conversation between banks and clients or investors goes beyond financial matters and includes social impact considerations, banks have the opportunity to shift from merely offering products and services to their clients, towards making them engaged partners to create social impact. This may eventually upgrade how banks are perceived by the entire society.

Figure 31: Matrix for banks



2.2.6. PUBLIC SECTOR

In Europe, the public sector plays a central role in providing social services to people. National, regional and local governments have a mandate to deliver services for all segments of the population, with a specific focus on the poorest. However, public budgets are shrinking all over Europe and, as a result, governments are cutting budgets for education, health and other social services. Additionally, the recent report of the European Commission High-Level Task Force (HLTF) on Investing in Social Infrastructure pointed out that "*investment in social infrastructure, both private and public, is far from reaching the level needed to cater for the EU's current population, nor is the investment always appropriate in view of changing needs and expectations over the coming decades*"[194]. The HLTF estimates an infrastructure gap in social infrastructure investment in the EU of EUR 100–150 billion per annum, representing a total gap of over EUR 1.5 trillion in the period 2018–2030.

In such context, it is critical to strengthen the collaboration between private and public for social good. The public and private sector collaborate to develop and support solutions by pooling complementary skills and resources. On the one hand, the public sector has a pivotal role in boosting the investing *for* impact space, by supporting initiatives aimed at narrowing the existing early-stage investing gap, and by leveraging private resources. On the other hand, in Europe investors *for* impact have the role of testing solutions to pressing societal issues that can be then scaled and replicated by the public sector.

A recent OECD report[195] frames the role of the government in four areas: *steer, rule, finance, inform* (see Figure 32). According to this framework, the public sector has four different types of policy levers to foster the development of a social investment ecosystem, from defining its own role and strategy (*steer*), to providing the rules of the game (*rule*), from channelling private capital towards social investment (*finance*) to share information (*inform*). Below in this section, we focus on the *financing* role of the public sector, by highlighting the main learnings on public-private cross-sector collaboration.

Figure 32: OECD (2019), "Policy levers to foster social impact investing", in *Social Impact Investment 2019: The Impact Imperative for Sustainable Development*, OECD Publishing, Paris.

Analytical dimensions of the OECD Policy Framework for Social Impact Investment

POLICY DIMENSIONS	
1. Market target	Demand, supply, intermediaries, enabling environment
2. Government role	Market regulator, market participant, market facilitator
3. Policy type	4. Policy instrument
Employing or reforming government structure and capacities (STEER)	• Definition of a national strategy for impact investing • Identification of a formalised function • Internal government consultation • Stakeholder partnerships • Other
Setting and enforcing rules (RULE)	• Certification • Fiscal incentives: tax and investment relief • Legislation: fiduciary responsibility, social enterprises, unclaimed assets • Regulation: pension, public procurement, reporting standards • Social stock exchange • Other
Levying and granting financial resources (FINANCE)	• Awards, challenges • Funds: investment readiness fund, outcome fund, venture capital fund • Pay-for-success: social, development or humanitarian impact bond; social impact incentives, outcome commissioning • Technical assistance, capacity building • Wholesaler, incubator, accelerator, fund of funds • Other (grants, debt, equity, mezzanine, guarantees)
Providing and sharing information (INFORM)	• Communication campaign • Consultation with external stakeholders • Research, studies, data publication • Other

Investors *for* impact have to recognise that if they want to achieve change at scale they have to collaborate with the public sector. Finding the right moment to involve the government in a project and leveraging the right level of government is fundamental, to make sure that the social innovation scales and that it becomes the "new normal", instead of creating a parallel system.

Experts report that working with the government (at all levels) is not always easy. Governments are complex, and their policy cycles are long. Politicians can have hidden agendas and vested interests, and can take long to convince them. For all these reasons it is important to create public-private cross-sector partnerships that are solid and long-term.

In 2017–18, EVPA together with MAZE conducted a research on how public-private collaboration can help foster social innovation[196]. Through this research, we have identified a number of prerequisites for successful cross-sector collaboration towards social outcomes:

- **Alignment:** the design and implementation of cross-sector projects require a great deal of alignment and trust. Alignment is achieved through transparency regarding motivations, definition of responsibilities, definition of outcomes to be achieved and great mutual trust and appreciation.

- **Risk management:** risk must be allocated efficiently between the public, private and social sectors. Cross-sector partnerships are more likely to happen when the risk is spread among the partners and commensurate to the potential impact and economic returns. Stakeholders have to be accountable for their responsibilities in the partnership.

- **Building Evidence:** data is a core aspect for the development of effective solutions. Gathering relevant data is vitally important to the understanding of the root causes of societal challenges and to the development and evolution of service provision models.

This research also identified a range of **success factors** that hold true for most cases of cross-sector collaboration. The list has also been enriched through discussion with practitioners. Success factions include:

- **Boldness:** solving entrenched societal issues requires a shift in paradigm. Tackling complex societal challenges demands bold leadership, willingness to iterate and great flexibility to learn and adjust along the way. Successful projects generate momentum for a cross-sector partnership to engage in innovative or even disruptive strategies.

- **Responsible leadership in cross-sector partnerships:** initiatives where the leading partner assumes an inclusive approach achieve larger impact. Irrespective of its sector – social, public or private – the leading partner must be able to involve all other project partners in setting the objectives, implementing the action and measuring outcomes. This increases the chances of success of the project and helps it achieve greater outcomes.

- **Engagement and co-creation:** the more each party is engaged in the process, the more traction it can generate. Looking together at a problem and co-creating the solution generates a strong sense of co-creation, which, in turn, fosters a strong motivation and alignment of incentives. Taking time to build the relationship between all parties and building the case for collaboration from the outset is critical before entering a project.

- **Making a match:** finding the right partners to cooperate with is essential to ensure a well-running design and implementation of cross-sector projects.

- **Coming in as the honest broker:** the private investor needs to approach the partnership positioning itself as an "honest broker" who can balance the social impact the public wants and show the marketing potential to the government.

- **Leverage the right level:** local governments are closer to societal issues and solutions. Hence, sometimes it is better to involve the local level instead of the national or regional level. Working with civil servants instead that with the politicians allows investors to be less exposed to political pressures. Additionally, civil servants are long-term oriented, and can thus provide stability vis-à-vis the political cycles.

- **Storytelling:** The public actor is eager to learn more about how people are affected by certain issues, and how they are positively impacted by solutions. Storytelling is a meaningful complement of data, as it gives a "soul" to the social initiative proposed, fostering a greater understanding and increased willingness to cooperate.

2.2.7. INSTITUTIONAL INVESTORS

It is widely acknowledged that institutional investors, which include pension funds, insurance companies and sovereign wealth funds, manage the largest pool of capital, compared to all the actors of the impact ecosystem[197]. Therefore, this category of investors has increasingly attracted the attention of experts and practitioners as institutional investors have the potential to boost the impact ecosystem if they start channelling their resources into it. Given strict regulations and clear mandates in terms of financial returns, institutional investors mainly adopt sustainable and responsible investment strategies – or even *with* impact strategies. It is the case of the large pension funds and insurance companies, which allocate the majority of their capital with an 'avoid harm' strategy, but dedicating a small share to positive social impact[198]. For these large institutions the use of concessionary capital would go against their fiduciary duty, but we believe they could significantly improve their strategies, moving from an 'avoid harm' strategy to a *with* impact one.

Nevertheless, there are institutional investors that also adopt investing *for* impact strategies. This is the case of National Promotional Banks (NPBs), defined as legal entities carrying out financial activities on a professional basis which are given a mandate by a Member State or a Member State's entity at central, regional or local level, to carry out development or promotional activities[199]. NPBs such as Cassa Depositi e Prestiti in Italy and Banque des Territoires du Groupe Caisse des Dépôts in France have a long-lasting experience in investing in social infrastructures with a strong focus on long-term impact and sustainability[200]. Thanks to their peculiar mandate, these banks are well positioned to play a market building role and attract additional private and public resources into the impact ecosystem. NPBs invest both directly and indirectly – through social impact funds – in social enterprises, and have been promoting the culture of impact measurement and management.

Some countries are implementing favourable legislation to boost social entrepreneurship by "unlocking" institutional investors' capital to implement more innovative and riskier strategies *for* impact. In the future more and more policy initiatives are likely to move the regulatory framework in this direction. An interesting example at the EU level is contained in the new EU Multiannual Financial Framework 2021–2027[201]. For the new InvestEU Fund, the major implementing partner will remain the European Investment Bank Group, which already managed the European Fund for Strategic Investments (EFSI) since its launch in 2015. However, other institutional investors, such as the European Bank for Reconstruction and Development (EBRD) and the National Promotional Banks – working jointly in groups so that they can cover at least three Member States – will have direct access to the EU guarantee as implementing partners[202]. This is a great opportunity for the impact ecosystem as, on the one hand, national and regional promotional banks will be able to take additional risks to finance impactful initiatives while, on the other hand, the European Commission and its partners could access local knowledge and expertise. Indeed, NPBs have an in-depth know-how related to social investment for all the activities mentioned above.

2.2.8. ASSET MANAGEMENT COMPANIES

In 2019 Larry Fink, CEO of BlackRock, the world's largest asset manager, wrote a letter to all the CEOs of its underlying investments, stating that "*purpose is not the sole pursuit of profits but the animating force for achieving them*" and that "*profits and purpose are inextricably linked*"[203]. This letter clearly shows the growing interest of asset managers towards purpose and impact. As the demand for more sustainable and impactful investment opportunities surges, asset managers globally need to adapt their offer and further develop products and strategies that embed long-term and purpose considerations.

Asset management companies are strictly linked with institutional investors as they represent the main driver of the demand for asset managers' products. Therefore, to attract the resources of those institutional investors interested in impact but still required to guarantee an adequate level of financial return, impact-oriented asset managers have mainly developed strategies *with* impact. While doing so, they play a pivotal role in further attracting institutional capital into the impact ecosystem.

Moreover, asset managers may show the way to institutional investors, which, in some cases, can set up funds to directly invest in social ventures, as shown in the previous section.

As other financial institutions, asset management companies operate in highly-regulated markets, that could sometimes limit the innovation possibilities while developing new products and strategies. However, the regulatory framework in some European countries opened some space for asset managers to develop *for* impact strategies. It is the case of France, in which a regulation obliges all companies with more than 50 employees to offer their staff, in addition to regular pension saving schemes, an optional solidarity-savings fund – the so-called *"90/10 Solidarity Fund"* – which allocates 5% to 10% to unlisted social enterprises[204]. Therefore, several banks and asset managers had the opportunity to set up funds that allocate 5% to 10% of the total investment to invest *for* impact, while investing the remaining 90% to 95% of the resources following SRI principles. The challenge for these asset managers is to become more responsible and impact oriented also while investing the remaining 90% to 95% of the resources. The expertise and the lessons learnt of the experts managing the 5% to 10% part represent a valuable resource for asset managers, which can be leveraged to better understand impact and to redirect resources to more sustainable strategies.

The current main challenge for asset management companies offering investment options in the impact ecosystem lies in the capability to measure and report about impact, mitigating the risk of impact washing, which becomes even more concrete when larger amounts of capital are invested in the ecosystem.

In the future, asset managers are expected to expand their offer of impact funds, due to a reinforcing mechanism that involves a rising demand of responsible investment opportunities, an improving level of expertise about impact, and a more favourable regulation that will facilitate the development of the impact ecosystem.

2.2.9. FAMILY OFFICES

Family offices are defined as family-owned organisations that manage private wealth and other family affairs. According to Ernst & Young's estimate, the number of family offices went from 1,000 to 10,000 in the last decade[205]. Even more impressively, a research conducted by Dominic Samuelson, CEO of Campden Wealth, shows that family offices currently hold assets in excess of USD 4 trillion[206]. Thus, it is evident the important role these actors could play in moving considerable resources towards the impact ecosystem.

Leveraging on the opportunity to unite families around values and positive legacies, these wealth managers explore impactful and innovative ways of managing the resources of their clients (i.e. high-net-worth individuals, their families and their heirs) to involve them in responsible long-term investing[207]. Especially while considering new generations with an increased appetite for impactful deals, the ultimate goal of wealth managers should be to use the resources at their disposal to realise the change that their clients would like to see in the world. A recent study on American UHNWI shows that respondents are mostly satisfied with the product offerings of their private banker, wealth manager, or independent consultant who specializes in impact, and they expressed dissatisfaction towards conventional wealth managers[208].

Typically, portfolios managed by innovative and socially-oriented wealth managers are composed by a very broad range of assets, which, as described by the World Economic Forum, include: cash/cash equivalent, fixed income, investment funds (private equity and venture capital), public equities, real estate, infrastructure and other real assets. In order to guarantee an adequate financial return, the majority of these resources are invested with a strategy *with* impact. However, depending on the profile of the clients, a share of the portfolio could be also invested in small unlisted social ventures, i.e. with strategies *for* impact. As both the demand for and the supply of these managers will grow in the future, due to demographic trends and education improvements, also the amount invested *for* impact is expected to significantly rise. Even though it may remain a small percentage of the whole portfolio managed, family offices will be progressively interested in understanding the VP practices and in partnering with investors *for* impact to maximise their social impact return.

Nowadays, only few innovative wealth managers are improving the profile assessments of their clients, including impact and sustainability elements. In doing so, these managers can build portfolios and reporting systems that are better tailored and aligned with both the values and the risk profiles of their clients.

The current main barrier to these huge amounts of resources to join the impact ecosystem is the lack of expertise linked to impact investment across wealth managers. Indeed, traditional wealth managers do not know how to create a portfolio balancing both risk and impact considerations. Shifting to an "opt-out" system, where impact investment strategies are the default option, would create excellent opportunities[209]. Experts believe it is necessary that the few innovative wealth managers, some of which are part of bigger financial institutions, play a catalyst role in the ecosystem, by proving their approach works and improves clients' satisfaction, and by educating and training other managers.

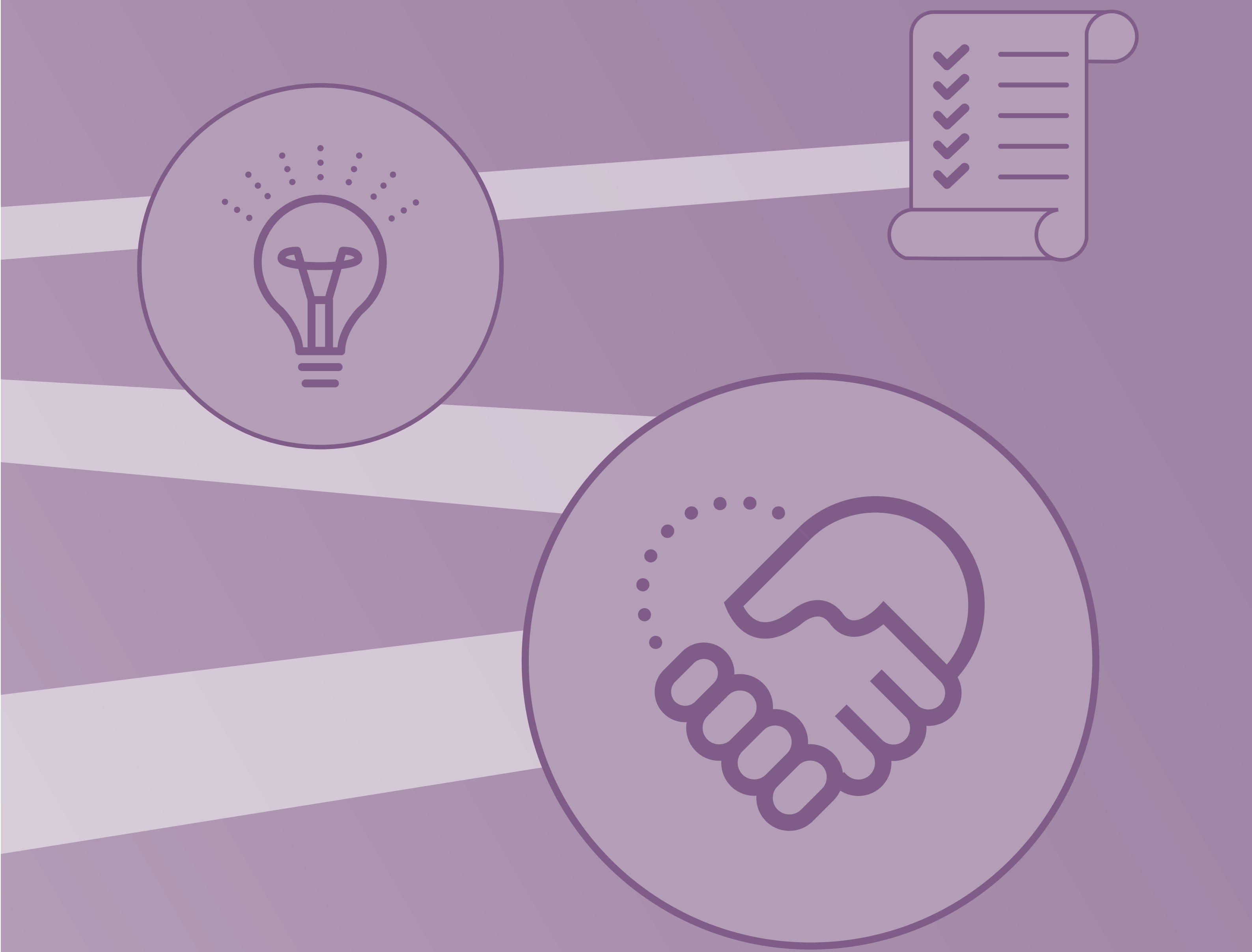
2.2.10. ADDITIONAL ACTORS

There are two other relevant players that are worth mentioning in this overview: international non-governmental organisations (INGOs) and development finance institutions (DFIs).

Entering from the left hand side of the spectrum, INGOs have always been interested in impact and willing to invest time, resources and expertise to collaborate with investors *for* and *with* impact. With their extensive knowledge of the needs of local communities and their broad network of key stakeholders in the field, INGOs have always represented an important partner for all impact investors. In 2018, the INGO Impact Investing Network launched "*Amplify*[ii]"[210], the second edition of a study aimed at showing how INGOs are fostering the social impact ecosystem throughout the countries they operate in. The study highlights two interesting trends related to recent developments: (i) INGOs are increasingly playing the investor role, managing at least USD 916.7 million of assets, and (ii) they are further focusing on the bottom of the pyramid (BoP) since they are aware of their critical role in de-risking high-impact capital that would not be invested otherwise. INGOs sometimes also play an advocacy role, encouraging other investors to focus more on the social impact they are achieving, rather than on expecting unrealistic financial returns[211].

Originally created to generate economic development in low- and middle-income countries and to leverage private investments, development finance institutions (DFIs) are becoming more relevant in developing contexts that face complex societal challenges. DFIs are particularly important since they have the ability to catalyse their investments above and beyond their own resources[212]. Even if they track the development outcomes of the projects they support, there is space for improvement in their impact measurement and management practices, given that their positive impact often goes beyond the lifetime of the projects supported. In this regard, the European DFI association, together with twelve of its members, recently subscribed to the IFC Operating Principles for Impact Management[213], further showing the commitment of European DFIs to improve their IMM practices.

PART 3.
INVESTORS *FOR* IMPACT – CHARTER AND ROADMAP



PART 3.
INVESTORS *FOR* IMPACT – CHARTER AND ROADMAP

As the impact ecosystem is booming and both investing *with* impact and sustainable and responsible investing are becoming mainstream, investors *for* impact should be bolder in describing their contribution to the space, despite the smaller amount of resources available, to gain recognition with all stakeholders.

This is why EVPA is thrilled to launch the “Charter of investors *for* impact”, a document that presents the ten principles that drive and distinguish the behaviour and way of working of investors *for* impact *vis-á-vis* other investors. The Charter was co-developed with EVPA members, practitioners and experts, to reflect their uniqueness. We believe it is not just a matter of recognition and acknowledgment of the exclusive features of investors *for* impact, but it is critical to identify the concrete key actions they must undertake in the next decade. The ultimate aim is to (i) preserve impact integrity, (ii) gain recognition as agents of systemic change in the impact space, and (iii) speed-up the shift towards a fairer and sustainable future where no-one is left behind. To serve this purpose, EVPA has developed the “Roadmap for investors *for* impact”, which identifies three key areas of actions upon which investors *for* impact should work on and devote their energies and resources in the years to come: data, knowledge and expertise and thought leadership.

3.1. WHAT DO WE STAND FOR?

The following ten principles identify the distinctive characteristics that differentiate investors *for* impact from other organisations that engage in investments also aimed at generating a positive social impact on society. As shown in the table below, each principle translates into three explanatory statements.

Thanks to the Charter, the unique features of investor *for* impact will be clear to all stakeholders that engage in this reading, and this will help them to gain the recognition they deserve in the impact ecosystem. In order to maximise the outreach and comprehension of the Charter, while developing the principles with the practitioners, we gave a particular attention to the jargon used, since it may represent a huge barrier for an effective communication that goes beyond the impact ecosystem. For this reason, both the principles and the explanatory statements use a language that could be easily comprehended by any organisation, from traditional philanthropists to mainstream financial institutions, going through public authorities and large corporations.


INVESTORS FOR IMPACT
1. ARE PROBLEM-FOCUSED AND SOLUTIONS-ORIENTED, INNOVATING THE WAY TO TACKLE SOCIETAL CHALLENGES
2. PUT THE FINAL BENEFICIARIES AT THE CENTRE OF THE SOLUTIONS
3. ARE HIGHLY ENGAGED FOR THE LONG-TERM, STRIVING FOR LASTING IMPACT
4. TAKE RISKS THAT MOST OTHERS ARE NOT PREPARED TO TAKE
5. MEASURE AND MANAGE SOCIAL IMPACT
6. PROVIDE EXTENSIVE NON-FINANCIAL SUPPORT
7. TAILOR THEIR FINANCIAL SUPPORT TO THE NEEDS AND CHARACTERISTICS OF SOCIAL PURPOSE ORGANISATIONS
8. PROACTIVELY ENHANCE COLLABORATION WITH OTHERS
9. WORK TO FOSTER THE MOBILISATION OF RESOURCES IN THE SOCIAL IMPACT ECOSYSTEM
10. UPHOLD HIGH ETHICAL STANDARDS

CHARTER OF INVESTORS *FOR* IMPACT

1	**ARE PROBLEM-FOCUSED AND SOLUTIONS-ORIENTED, INNOVATING THE WAY TO TACKLE SOCIETAL CHALLENGES**	• Investors *for* impact are primarily dedicated to mitigating or even fully eliminating societal challenges. • Investors *for* impact proactively look for solutions that address the root causes of societal issues. • Investors *for* impact are eager to find and support those solutions that have the potential to transform the way in which a societal problem is tackled.
2	**PUT THE FINAL BENEFICIARIES AT THE CENTRE OF THE SOLUTIONS**	• Investors *for* impact support solutions co-created with final beneficiaries. • Investors *for* impact encourage social purpose organisations to proactively involve beneficiaries in their activities. • Investors *for* impact are primarily accountable to final beneficiaries.
3	**ARE HIGHLY ENGAGED FOR THE LONG-TERM, STRIVING FOR LASTING IMPACT**	• Investors *for* impact take active ownership of the societal challenge and work very closely with the social purpose organisation to tackle it. • Investors *for* impact look for solutions that have the potential to be impactful in the long term. • Investors *for* impact strive to support social purpose organisations that can reach deeper social impact at scale.
4	**TAKE RISKS THAT MOST OTHERS ARE NOT PREPARED TO TAKE**	• Investors *for* impact are prepared to take both financial and impact risks betting on new solutions. • Investors *for* impact are willing to accept a less attractive risk/return ratio than other investors, if they believe in the potential impact of the proposed solution. • Investors *for* impact create the pipeline for follow-on investors by providing early-stage high-risk capital.
5	**MEASURE AND MANAGE SOCIAL IMPACT**	• Investors *for* impact commit to a set of common principles of impact measurement and management, to maximise social impact while minimising the risk of impact washing. • Investors *for* impact collect data, not only to measure the impact, but in order to systematically refine their impact strategies and to take better informed decisions. • Investors *for* impact help social purpose organisations set up their own impact measurement and management system to maximise their social impact.

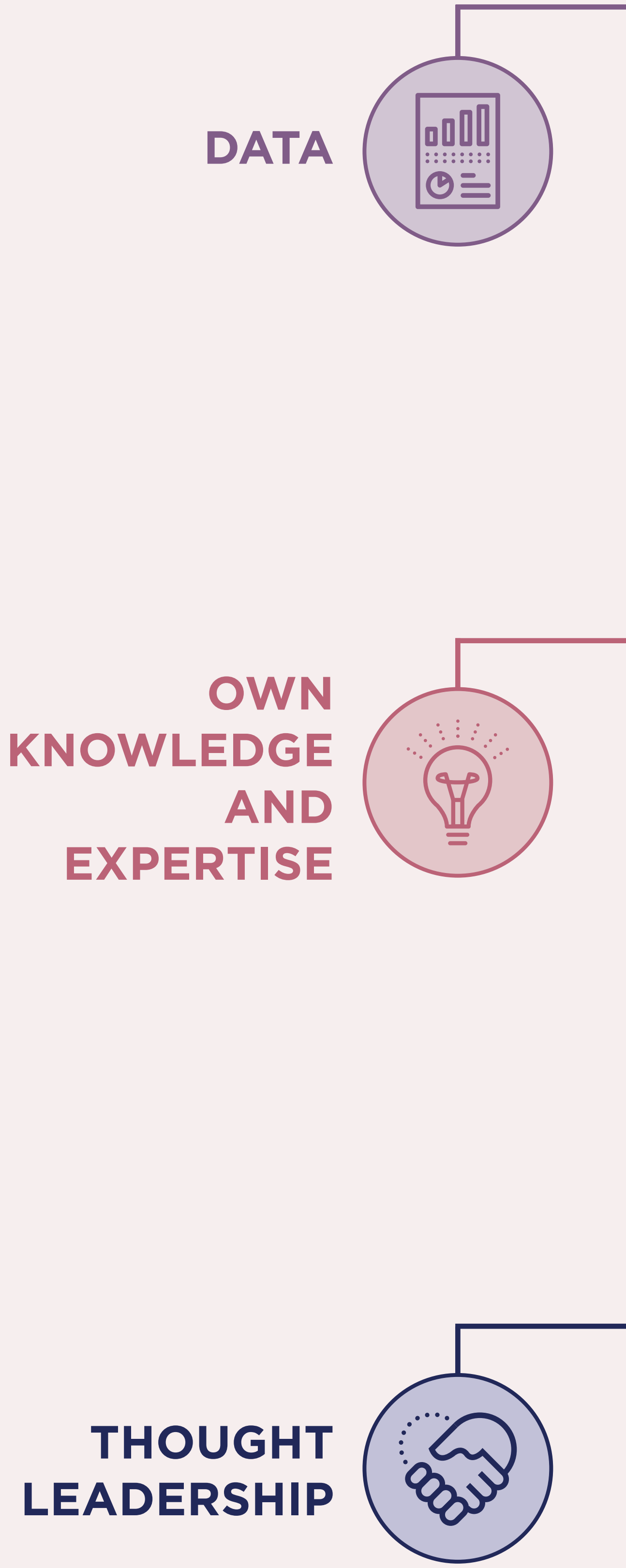
6	**PROVIDE EXTENSIVE NON-FINANCIAL SUPPORT**	• Investors *for* impact provide highly-engaged non-financial support to strengthen the three core areas of development of the social purpose organisation: social impact, organisational resilience and financial sustainability. • Investors *for* impact customise non-financial support to the social purpose organisation and its different phases of development. • Investors *for* impact provide sufficient time and strategic bandwidth to allow the social purpose organisation to succeed.
7	**TAILOR THEIR FINANCIAL SUPPORT TO THE NEEDS AND CHARACTERISTICS OF SOCIAL PURPOSE ORGANISATIONS**	• Investors *for* impact provide appropriate funding to support the different stages of development of social purpose organisations. • Investors *for* impact start from the societal solutions and reverse-engineer the financial support to provide. • Investors *for* impact ensure that there is a match between the financial support they can offer (i.e. grants, debt, equity or hybrid financial instruments – or a mix of them) and the needs of the social purpose organisation.
8	**PROACTIVELY ENHANCE COLLABORATION WITH OTHERS**	• Investors *for* impact go beyond supporting individual social purpose organisations, to achieve systemic and lasting positive change at scale, by also focusing on building an enabling ecosystem (at regional, national, and global scale). • Investors *for* impact acknowledge the importance of collaborating with their peers when it creates value for the solution. • Investors *for* impact recognise the value of collaborating with others in the ecosystem – including the public sector, traditional philanthropic organisations, NGOs, investors *with* impact and corporations – aligning on a long-term vision.
9	**WORK TO FOSTER THE MOBILISATION OF RESOURCES IN THE SOCIAL IMPACT ECOSYSTEM**	• Investors *for* impact share and communicate their successes and failures. • Investors *for* impact encourage other potential investors *for* impact to join the social impact ecosystem. • Investors *for* impact inspire the world towards *positive* and *significant* impact, encouraging all investors to integrate impact considerations in each practice and decision-making process.
10	**UPHOLD HIGH ETHICAL STANDARDS**	• Investors *for* impact behave ethically, ensuring integrity, fairness and responsibility. • Investors *for* impact embrace transparency. • Investors *for* impact believe in the power of evidence.

3.2. HOW DO WE GET THERE?

While the Charter clearly describes the identity of investors *for* impact, the Roadmap shows their way forward. The actions identified are aimed at pursuing key successes as follows, investors *for* impact:

- after the next 3 years:
  - collectively adopt the ten principles,
  - are recognised as the market builders in the impact ecosystem;
- by 2025, leverage their recognition to inspire and educate others;
- by 2030, become the drivers of systemic change.

Concretely, we identified three elements across the ten principles of the Charter, which represent three strategic axes of development for investors *for* impact: (i) data, (ii) knowledge and expertise, and (iii) thought leadership. Along each axis, we identified one over-arching objective, and a set of critical actions that investors *for* impact must undertake in the coming years in order to fulfil their ambitions for the future of the impact ecosystem, and to leverage their status to drive the shift towards a better future.



Next 3 years | By 2025 | By 2030

OVERARCHING OBJECTIVE

Investors *for* impact structure data and extract valuable information to maximise social impact

Investors *for* impact:

- systematically collect data on their own impact and the impact of their investees
- share data to create a collective database of solutions
- collect data linking social impact, financial return and risk of social purpose organisations to show that: (i) the venture philanthropy approach pays off both in terms of social impact and financial return – if any, and (ii) investing *for* impact is needed
- engage with public/administrative bodies to access databases that: (i) the public does not have the capacity to analyse, and (ii) could significantly improve the understanding of a problem, to develop data-use-based interventions

Investors *for* impact:

- are able to use the database(s) of solutions to spot the needs in the impact ecosystem and how to address them
- share the database(s) of solutions with investors *with* impact and with the public sector, to help societal solutions scale
- drive the collective effort with other stakeholders to create baselines at impact sector level

Investors *for* impact:

- use data and evidence to anticipate long-term issues that will affect people and the planet and take action
- aggregate data and compare them with baselines to show contributions and progresses at impact sector level

Next 3 years | By 2025 | By 2030

OVERARCHING OBJECTIVE

Investors *for* impact improve own expertise and way of investing by refining how they practice venture philanthropy

Investors *for* impact:

- embed a system to measure and manage the impact, and have a Theory of Change stating their long-term objectives
- are transparent about the real impact achieved and learn how to avoid over-claiming
- tailor their non-financial support to the needs of the social purpose organisations at different stages of their development
- calculate the cost and value of the non-financial support provided
- strengthen their expertise on how and when to use different financial instruments according to the needs of social purpose organisations
- systematically assess exit options while screening potential investments to ensure lasting impact
- learn from best practices

Investors *for* impact:

- systematically share best practices with their peers and with others that have aligned long-term visions
- proactively enhance collaboration with peers and with others that have aligned long-term visions, to explore synergies across the continuum of capital to drive systemic change

Investors *for* impact enhance structured collaboration aimed at achieving systemic change

Next 3 years | By 2025 | By 2030

OVERARCHING OBJECTIVE

Investors *for* impact inspire people and organisations to join the impact ecosystem

Investors *for* impact:

- advocate for the adoption of venture philanthropy practices and educate peers and other potential investors *for* impact to adopt the ten principles of the Charter
- improve their communication practices, tailoring them to the different stakeholders – they share: (i) data on solutions that work with peers, (ii) evidence to inform policy-makers, (iii) impact data with social purpose organisations, (iv) successes and failures with a broader audience
- leverage their deep impact expertise to find methods to simplify impact measurement and management practices and share them with other potential investors *for* impact
- take the lead in co-creating solutions with the public sector and investors *with* impact

Investors *for* impact:

- leverage their impact knowledge and recognition to guide other investors to enter the impact ecosystem
- move from impact communication to impact visualisation, leveraging new technologies to connect capital providers with social purpose organisations and the final beneficiaries
- encourage the transition of traditional organisations towards sustainable practices (e.g. corporate social investors influencing related companies, social impact funds influencing traditional venture capital/private equity investors)

Investors *for* impact are the main reference point for social impact and leverage their status to accelerate the shift towards a better future

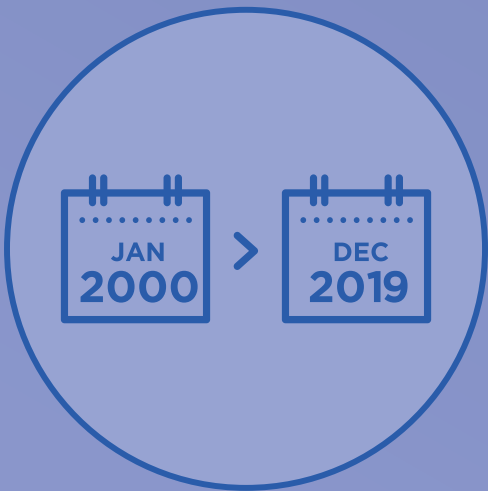
3.3. CONCLUSIONS

The present report provides an extensive overview of the European impact ecosystem and the main organisations active in it. We have been able to touch a variety of topics thanks to the knowledge acquired and developed in the last decade, to all the connections we have with practitioners on a daily basis as part of our core activities, and the great number of interviews conducted within this research project throughout the year. Furthermore, through all the direct interactions with practitioners and experts, we assessed the main challenges and opportunities linked to the future of investing *for* impact. Thanks to this knowledge, and building on the framework identified in the research of last year on impact strategies, we co-developed the "Charter of investors *for* impact" together with a group of experienced practitioners. This document, which summarises the pivotal features of investors *for* impact, is particularly critical nowadays, when the term "impact" is booming, since it distinguishes those investors that put social impact at the centre of their strategies and aim to generate systemic and lasting positive change. Another important step forward is the realisation of the "Roadmap for investors *for* impact", which describes the aspirations of the community in the coming decade, and identifies three axes of actions along which all investors should work on: data, knowledge and expertise, and thought leadership.

Although the volumes of their investments are far from reaching the sizes of assets managed by mainstream investors, the relevance of investors *for* impact does not lie in the size. What makes them extremely important and needed are the strong inter-connections they have with social purpose organisations and final beneficiaries, and the profound knowledge they have on the issues they aim at solving. By having a long-lasting experience in "extracting" value, both social and – sometimes – economic, *for* and *from* underserved segments of the society, investors *for* impact are the true agents of systemic change. Acting at the root causes of the problems, they have the capability to identify unexploited resources that lie behind social issues, and turn them into solutions that generate a positive social impact for the beneficiaries and the society as a whole. Thanks to their experience, investors *for* impact are the main repository of knowledge when it comes to providing the right type of financial and non-financial support to nurture the growth of social purpose organisations. Furthermore, investors *for* impact implement effective impact measurement and management systems aimed at taking better-informed decisions and maximising the social impact generated. In other words, they are the main reference point for the adoption of the three venture philanthropy core practices. At EVPA we believe investors *for* impact should be further encouraged, funded and supported, without being pushed to compromise their ultimate scope and impact integrity due to, for example, unrealistic financial returns expectations and requests. Moreover, investors *for* impact should be seen by other "like-minded" – but still traditional – investors, as relevant players to involve while re-thinking their value-generation processes and investment strategies.

As the community representing the European investors *for* impact, EVPA is fully committed to support its members throughout the journey identified in the Roadmap, by refining its streams of activities and initiatives to strengthen its entire community. In the years to come, EVPA will consolidate the position acquired within the impact ecosystem in a variety of ways, and will work along the three axes of action identified in the Roadmap. We will continue to tailor our data collection and analysis, by leveraging the in-depth understanding of the different types of organisations showcased in this report. The ultimate goal will be to give a more accurate picture of the "investing *for* impact" space. To improve investors *for* impact's knowledge and expertise, we will continue to conduct independent research activities, developed *with* and *for* practitioners, and to collect and showcase best practices and success stories. We will boost our full curriculum of training courses, helping the whole community to implement and to refine impact strategies. Last but not least, we will keep on advocating for recognition of investors *for* impact within the impact ecosystem, by disseminating the "Charter of investors *for* impact" with a wide set of stakeholders on different levels.

APPENDIX



POLICY TIMELINE

2000

UK

Establishment of the **Social Investment Task Force**

2003

UK

Office of the Third Sector (later renamed Inclusive Economy Unit) supports the impact investing sector

2004

Italy

Social Housing programme by **Fondazione Cariplo**

UK

Creation of a legal status for social enterprises: **Community Interest Companies (CIC)**

2005

EU and international

Launch of the **Principles for Responsible Investment** by UN Finance Initiative and UN Global Compact

2007

EU and international

Start of **the Joint initiatives** in support of micro-finance by EC, EIF and EIB

2008

France

Review of **90/10 Solidarity Investment Funds**

Italy

Fondo Social & Human Purpose by Fondazione Sviluppo e Crescita CRT

2009

Italy

Establishment of **Fondo Investimenti per l'Abitare (FIA)**

2010

UK

Launch of UK's first **social impact bond** (SIB)

2011

EU and international

- Creation of **Social Business Initiative** (SBI)
- Start of **EC-OECD cooperation** on inclusive and social entrepreneurship
- Expert Group on Social Entrepreneurship **(GECES 2011–2018)**

Spain

- Launch of **Momentum Project** by BBVA in order to promote social entrepreneurship

2012

UK

- Establishment of **Big Society Capital (BSC),** the world's first impact investment wholesaler
- Design of **The Social Value Act**

France

- Appointment of a **Minister on SSE,** hosted by the ministry of Economy and Finance

2013

EU and international

- Expansion of Joint initiatives by adding **equity funding instruments** for social entrepreneurship
- **G8 Social Impact Investment Summit**
- Establishment of **European Association of Long Term Investors (ELTI)**
- Launch of **Social Impact Accelerator (SIA)** by EIF
- Adoption of **European Social Entrepreneurship Fund (EuSEF)** regulation

UK

- **Social Impact Initiative** by UK presidency of G8
- **Social Impact Investment Task Force**
- Establishment of **UK National Advisory Board (NAB)**
- Establishment of **UK's Social Stock Exchange**

Portugal

- Launch of **Laboratório de Investimento Social** by the Calouste Gulbenkian Foundation, IES Social Business School and Social Finance UK

Germany

- Establishment of **German National Advisory Board (NAB)**

France

- Establishment of **French National Advisory Board (NAB)**

Spain

- Mayoral Decree on **Socially Responsible Public Procurement** in Barcelona

2014

France

- Adoption of a **framework law on Social and Solidarity Economy** (SSE) and legal status of "entreprise solidaire dútilité sociale"

EU and international

- Launch of **Employment and Social Innovation program (EaSI)**
- Investment priority on Social Economy/Social Enterprises in the **ERDF and ESF regulations**

UK

- **ESG factors** need to be included in **pension fund investments** according to the legislation on fiduciary responsibility
- **Social Investment Tax Relief (SITR)** for individuals investing in social enterprises

Portugal

- Creation of **Portugal Social Investment Task Force**
- Creation of **Portugal Inovação Social (EMPIS)** using EU Structural Funds (ESF)
- Law for the foundations **of the Social and Solidarity Economy**

Finland

- Beginning of an **impact investment market** by Sitra

Italy

- Establishment of **Italian National Advisory Board (NAB)**

2015

EU and international

- Establishment of **Global Steering Group on Impact Investing** (GSG)
- European Fund for Strategic Investment **(EFSI)** and EFSI Advisory Hub
- **Paris Agreement** in December
- Adoption of **SDGs** by all UN member states
- OECD publication **“Social Impact Investment: Building the Evidence Base”** including the framework to **differentiate between SII and conventional** investments
- Creation of **SDG Compass** to provide guidance to businesses
- Agreement by UN members about **Addis Ababa Action Agenda (AAAA)**

UK

- Launch of **Benefit Corporation Certifications (B Corps)**

Portugal

- Launch of Portugal’s first **Social Impact Bond**

Italy

- Establishment of a new legal status for impact-driven for-profit companies:**“Società Benefit”**
- First **Social Impact Project Finance** in Italy by UBI

France

- Creation of **Article 173** in the **Energy Transition for Green Growth** law

Finland

- Establishment of **Finnish National Advisory Board (NAB),** initiated by Sitra

2016

EU and international

- SBI **“Start-up Scale-up”** Initiative
- **G20 Inclusive Business Framework** as a roadmap towards sustainable development
- **High-Level Expert Group on Sustainable Finance** (HLEG)

UK

- **The Charities (Protection and Social Investment) Act** provides a legal definition for social investment

Portugal

- The Portuguese Securities Market Commission (CMVM) **regulates EU Social Entrepreneurship Funds**

Italy

- **Italian NAB is transformed into the Social Impact Agenda** (SIA), as advocacy network of social impact investors
- **Third Sector Law**
- Establishment of the **FIA2**

France

- Launch of investment fund for impact businesses **“Nov’ESS”,** requesting the development of an impact methodology MESIS (measurement & tracking of social impact)
- Call for **outcomes contracts (contrats à impact social):** 13 identified
- Launch of fund **“Impact Coopératif”** targeting cooperatives

2017

EU and international

- Establishment of **EU Advisory Board**
- Launch of **Social Impact Incentives (SIINCs),** a pay-for-success innovation
- Launch of the **Women Entrepreneurs Finance Initiative** by G20
- Establishment of **CEE task-force**
- **UN Alliance** for SDG financing
- **High-Level Task Force on investing in social infrastructure in Europe,** promoted by the European Association of Long-Term Investors (ELTI)
- Endorsement of **OECD DAC Blended Finance Principles** by Ministers of Development Assistance Committee
- Reform of the **EuSEF** regulation

Portugal

- **Unit cost database with ONE VALUE** with >90 unit cost indicators for social issues

Germany

- Creation of **“Social Entrepreneurship Network Deutschland”**

France

- Creation of **impact investing working group** by France Invest
- Creation of the **High Commissioner for social and solidarity economy and social innovation** by the government

Spain

Mayoral Decree on **Sustainable Public Procurement** in Barcelona

Italy

Announcement of a €25M **Government Outcomes Fund**

Successful completion of CDPs **first Social bond issue** within the **Medium-Long Term Debt Issuance Program**

2018

EU and international

"Structured Network" by Impact Management Project to standardise impact management

Impact investing recognised as a **means to mobilise financing for ecosystem projects** by the UN Inter-Agency Task Force on Financing for Development

G20 **Call on Financing for Inclusive Business**

OECD **Due Diligence for Responsible Business Conduct**

New Expert Group on Social Economy and Social Enterprises **(GECES 2018–2024)**

Finland

NAB membership changes: comprised of stakeholders from private and public sector, academia and individuals from impact investing activities

KEINO **"Competence Centre for Sustainable and Innovative Public Procurement"**

Spain

Launch of **Spanish Social Impact Investing Taskforce** by Open Value Foundation, UnLtd Spain and Eurocapital EAF

Italy

Sardinia tenders a project to launch **impact fund,** sponsored by ESF and ERDF

UK

UK NAB converted into **one-year Task force**

France

Launch of **French Impact Strategy,** creating 3 projects: (1) Pioneers French Impact; (2) Seed Fund; (3) French Impact Territories

2019

EU and international

IFC's **Global Launch of the Operating Principles for Impact Management**

Pact for Impact Summit and Manifesto in Paris with 50 countries

Launch of OECD's **Social Impact Investing: The Impact Imperative for Sustainable Development,** mapping social impact investment policies in 45 countries

Spain

Establishment of **Spanish National Advisory Board (NAB)**

Public tender by Madrid City Council for **social investment funds** (€30M)

Launch of Spain's first blended fund, **Fondo Huruma**

Announcement of €50M **investment facility targeting sustainability and social impact funds** by Instituto de Crédito Oficial

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ENDNOTES

PART 1. THE EVOLUTION OF THE IMPACT ECOSYSTEM

1.1. WHAT DOES THE IMPACT ECOSYSTEM LOOK LIKE?

1 EVPA has been founded by Doug Miller, Luciano Balbo, Serge Raicher, Stephen Dawson and Michiel de Haan.

2 For more information: http://www.sdg-accelerator.org/content/sdg-accelerator/en/home/sdg-presa/SDGbiz.html

3 EVPA purposely uses the term “social” for the sake of simplicity, but the accurate term would be “societal” because the impact may be social, environmental, medical or cultural. To learn more about terminology, EVPA has developed its own glossary, available here: https://evpa.eu.com/glossary

4 **Gianoncelli, A.** and **Boiardi, P.,** (2018), *“Impact Strategies – How Investors Drive Social Impact”*, EVPA.

5 **Morgan Stanley – Institute for Sustainable Investing** (2017) “*Sustainable Signals: New data from the Individual Investor*”.

6 **ERNOP** (2017), “Giving in Europe. The State of Research on Giving in 20 European Countries.”, Barry Hoolwerf & Theo Schuyt (eds.), Lenthe Publishers. Amsterdam.

7 For more information: https://dafne-online.eu/

8 For more information: http://foundationcenter.org/

9 **McGill, L. T.,** (2016), *“Number of Registered Public Benefit Foundations in Europe exceeds 147,000”*, compiled by the Donors and Foundations Networks in Europe (DAFNE) and analysed by Foundation Center (New York).

10 **Gianoncelli, A., Boiardi, P. and Gaggiotti, G., (2018),** *“Investing for Impact | The EVPA Industry Survey 2017/2018”. EVPA.*

11 This estimate comes from the assumption that the latest EVPA Industry Survey covered approximately half of the European market of investors for impact, since we have identified 200 organisations and we received 110 responses. We acknowledge the limits of this estimate and, as the European community of investor for impact, we are fully committed to improve our data collection process, tailoring it to the different actors and finally producing more realistic estimates in the coming years.

12 **Mudaliar, A.** and **Dithrich, H.,** (2019) *“Sizing the Impact Investing Market”, GIIN*

13 The amount has been kindly shared by the GIIN research team, and it refers to the total asset under management of European respondent that were seeking market-rate returns or below market-rate returns closer to market-rate.

14 **Eurosif** (2018), *“European SRI Study 2018*”.

15 The seven strategies individuated in the Eurosif study are (i) Sustainability themed investment, (ii) Best-in-Class investment selection, (iii) Exclusion of holdings from investment universe, (iv) Norms-based screening, (v) ESG Integration factors in financial analysis, (vi) Engagement and voting on sustainability matters, (vii) Impact investing.

1.2 KEY TRENDS

16 For more information, have a look at EVPA Policy Brief on Outcomes Funds in Europe: https://evpa.eu.com/knowledge-centre/publications/outcomes-funds-in-europe

1.3 THE EUROPEAN POLICY CONTEXT

17 **Yeo, J., Prakash, R., Wang, R.,** and **Moore, L**., (2019), “*Impact Investing in Asia - Overcoming Barriers to Scale*”, Marsh & McLennan Insights, Oliver Wyman, AVPN, GIIN

18 For more information about AVPA: https://avpa.africa/. For more information about IVPC: https://ivpc.global/

19 The acronym “DACH” stands for Germany, Austria and Switzerland *(German-speaking Europe)*

20 In the definition of Central Eastern Europe, we include the following Countries: Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, and Ukraine.

21 The main insights of this section are based on the following publications: **Social Finance,** *Impact Bond Global Database*; **Global Steering Group for Impact Investment (GSG),** *National Advisory Boards*; **European Venture Philanthropy Association,** *National Policy Nexus*; and **European Commission,** *Social enterprises and their ecosystems in Europe. Updated country reports*

22 The part on the DACH region has been developed by consulting different sources, including: **Fase, Ashoka,** and **McKinsey & Company** (2016) *“Achieving impact for impact investing: a roadmap for developed countries.”*; **Freiburg, M., Höll, R., Kospoth, C.** and **Daub, M.,** (2016), *“Taking off. A hybrid investment fund to unlock the growth potential of social enterprises in Germany”,* FASE, Ashoka, BMW Stiftung, McKinsey&Company, **Christen Jakob, M**., (2019) *“Small Sized Impact Investing Fund: Challenges and Opportunities”,* SEIF; **European Investment Fund**, (2019), *“EIF in Germany | Investing in the Future of German SMEs”*, EIF; the country reports from **European Commission:** *“Mapping social enterprises in the EU”*; the EVPA National Policy Nexus: https://evpa.eu.com/nexus/germany and https://evpa.eu.com/uploads/publications/Policy_Nexus_DE_MRI_2018.pdf; the website of the GSG: https://gsgii.org/nabs/germany/; and the website of Social Finance UK: https://sibdatabase.socialfinance.org.uk/

23 In March 2017 EVPA held a Webinar on the topic, in which the Mission Related Pilot Fund is presented by both investing as well as initiating entities of the project. Watch it here: https://evpa.eu.com/pages/eu-webinar-9-foundations-social-impact-investing-going-beyond-grant-making

24 For more information: https://www.eif.org/what_we_do/equity/sia/index.htm and https://www.fi-compass.eu/sites/default/files/publications/fi-campus-2018-13_Bernard-Treille.pdf

25 **SEIF** – Impact Investing in the DACH Region – Interview with Dr Martin Vogelsang: https://seif.org/en/2016/impact-investing-dach-region/

26 For more information: https://www.sozialministerium.at/siteEN/Social_Policy_Consumers/Social_Issues/Social_Innovation/Social_Impact_Bond/Social_Impact_Bond

27 For more information: https://www.alliancemagazine.org/blog/social-impact-bonds-made-in-switzerland-finally/

28 The section on France has been developed by consulting different sources, including the country reports from **European Commission:** *"Mapping social enterprises in the EU"*; the EVPA National Policy Nexus: https://evpa.eu.com/nexus/france and https://evpa.eu.com/uploads/documents/Solidarity-Funds-FR.pdf; the website of the GSG: https://gsgii.org/nabs/france/; and the website of the Government Outcomes Lab: https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/

29 The French legislator modernised the former law that exists since 2008.

30 These funds have a volume of EUR 146 billion.

31 For more information: https://le-frenchimpact.fr/ (in French)

32 For more information: https://pact-for-impact.org/

33 **Haut-Commissariat à l'Économie sociale et solidaire et à l'Innovation sociale** (2019), *"Pour un développement du contrat à impact social au service des politiques publiques"*.

34 For more information: https://www.caissedesdepots.fr/la-banque-des-territoires (in French)

35 For more information: https://www.finansol.org/ (in French)

36 For more information: https://iilab.fr/

37 For more information: https://www.fi-compass.eu/sites/default/files/publications/fi-campus-2018-13_Bernard-Treille.pdf and https://www.eif.org/what_we_do/equity/news/2019/seed-i-fund.htm?lang=-en

38 The section on the Netherlands has been developed by consulting different sources, including: **Aisenberg, L., et al.** (2019), *Boosting social entrepreneurship and social enterprise development in the Netherlands: In-depth policy review*, OECD Local Economic and Employment Development (LEED) Working Papers, No. 2019/01, OECD Publishing, Paris; **Vennema, B.** and **Boersma, T.**, (2019), *"Gearing up for a Dutch National Advisory Board for Impact Investment"*, Social Finance NL, Phenix Capital, Cchange, Enclude; the country reports from **European Commission:** *"Mapping social enterprises in the EU"*; the EVPA National Policy Nexus: https://evpa.eu.com/uploads/documents/Generous-Minds-NL-Nugget.pdf; and the website of Social Finance UK: https://sibdatabase.socialfinance.org.uk/

39 For more information: https://www.abnamro.com/en/about-abnamro/in-society/sustainability/finance-and-investment/social-impact-bonds/index.html

40 For more information: https://www.impactcity.nl/home-2/about-us/

41 For more information: https://www.voorgoedagency.nl/ (in Dutch)

42 For more information: http://sifr.nl/

43 For more information: https://www.social-enterprise.nl/english

44 For more information: https://www.social-enterprise.nl/over-sociaal-ondernemen/code-sociale-ondernemingen (in Dutch)

45 For more information: https://www.social-enterprise.nl/Voor-sociaal-ondernemers/buy-social (in Dutch)

46 For more information: https://www.rijksoverheid.nl/actueel/nieuws/2019/05/17/kabinet-verkent-haalbaarheid-nieuwe-rechtsvorm-sociale-ondernemingen (in Dutch)

47 For more information: https://www.eif.org/what_we_do/equity/news/2019/re-integration-of-dutch-military-personnel-into-the-labour-market.htm

48 The chapter on the United Kingdom and the Republic of Ireland has been developed by consulting different sources, including: **Implementation Taskforce** (2019) *"Growing a culture of social impact investing in the UK"*; **Impact Investing Institute** (2019) *"A new, independent Impact Investing Institute"*. **Benton, N.,** (2018) *"Updated estimate on the current size of the Social Investment Market"*, at *Big Society Capital*, July 2018; **Department of Rural and Community Development,** (2019) *"National Social Enterprise Policy for Ireland 2019-2022"*, Government of Ireland; the country reports from **European Commission:** *"Mapping social enterprises in the EU"*; **European Venture Philanthropy Association** (2018), *"Policy Brief: Unit Cost Databases"*, the EVPA National Policy Nexus: https://evpa.eu.com/nexus/united-kingdom and https://evpa.eu.com/uploads/publications/Policy_Nexus-UK_Government_Outcome_Lab_2018.pdf; the website of the Impact Investing Institute: https://www.impact-investinginstitute.org/; the website of the GSG: https://gsgii.org/nabs/uk/: and the website of Government Outcomes Lab: https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/

49 Sir Thomas White Loan Charity was founded in 1542, and it is still active in giving interest free loans to businesses and students. For more information: http://www.stwcharity.co.uk/

50 Wholesalers are pivotal to scaling up impact investment by building a market that extends far beyond their direct activity and developing strong intermediary structures. For more information: https://www.bigsocietycapital.com/latest/type/blog/great-story-impact-investment-wholesalers-play-starring-role

51 For more information: https://www.eif.org/what_we_do/equity/news/2011/2011_Bridges.htm?lang=-en

52 For more information: https://www.gov.ie/en/news/fca96e-minister-ring-publishes-first-ever-social-enterprise-policy-for-irel/

53 For more information: https://evpa.eu.com/news/2018/50-million-fund-to-be-created-for-best-solutions-to-irelands-social-issues

54 The section on Belgium and Luxembourg has been developed by consulting different sources, including: **Mernier, A.,** and **Xhauflair, V.**, (2017), *"Les Fondations en Belgique – RAPPORT 2017"*, Philanthropie & Investissement social Chaire Baillet Latour HEC Ulg; the country reports from **European Commission:** *"Mapping social enterprises in the EU"*; the EVPA National Policy Nexus: https://evpa.eu.com/uploads/documents/Sociale-Innovatiefabriek-BE.pdf; and the website of Social Finance UK: https://sibdatabase.socialfinance.org.uk/

55 For more information: https://www.ey.com/Publication/vwLUAssets/Belgium_Parliament_approves_new_Code_on_Companies_and_Associations/$FILE/2019G_000886-19Gbl_Belgium%20-%20New%20Code%20on%20Companies%20and%20Associations.pdf

56 For more information: https://www.duoforajob.be/en/home/

57 For more information: https://www.becode.org/

58 For more information: https://www.socialeinnovatiefabriek.be/nl

59 For more information: https://www.credal.be/credit/easi (in French) and https://www.eif.org/what_we_do/guarantees/news/2019/efsi-easi-credal-hefboom.htm?lang=-en

60 For more information: https://www.kbs-frb.be/ (in French)

61 For more information: https://guichet.public.lu/en/entreprises/creation-developpement/forme-juridique/societe-capitaux/societe-impact-societal.html (in French)

62 For more information: http://www.fondation-grand-ducale.lu/ (in French)

63 For more information: http://6zero1.org/en/

64 For more information: http://www.impact-investing.eu/working-groups/group/groups/luxembourg-impact-investing-platform-liip

65 The section on the CEE region has been developed by consulting different sources, including: **Deloitte**, **EVPA** and **GSEN**, (2018) *"Social Investment Leveraging Index: Investing for Impact in Central and Eastern Europe*; the country reports from **European Commission**: *"Mapping social enterprises in the EU"* the EVPA National Policy Nexus: https://evpa.eu.com/uploads/publications/EVPA_Policy_Nexus_BA_Mozaik_Foundation_Social_Impact_Fund_2018.pdf, https://evpa.eu.com/uploads/publications/Policy_Nexus_PL_ES-FUND_2017.pdf, and https://evpa.eu.com/uploads/documents/Austria-nugget_Erste-Social-Banking.pdf; and the website of Social Finance UK: https://sibdatabase.socialfinance.org.uk/

66 For more information: https://www.imf.org/en/Publications/WEO/Issues/2019/07/18/WEOupdateJuly2019

67 **Gianoncelli, A., Boiardi, P.** and **Gaggiotti, G., (2018),** *"Investing for Impact | The EVPA Industry Survey 2017/2018". EVPA.*

68 The launch of the activities was made possible through funding from the European Commission. The activities were also developed within the scope of the Mott project aimed at promoting and developing venture philanthropy and social entrepreneurship in CEE

69 For more information: https://evpa.eu.com/central-eastern-europe-cee/cee-task-force

70 For more information: https://www.eif.org/what_we_do/microfinance/news/2016/easi_tise.htm

71 For more information: https://www.eif.org/what_we_do/guarantees/news/2018/efsi-easi-erste-group.htm

72 For more information: https://www.eif.org/what_we_do/guarantees/news/2019/efsi-feelsgood.htm

73 For more information: https://www.heategu.ee/sib-eng

74 The section on Spain has been developed by consulting different sources, including: **Urriolagoitia, L., Casasnovas, G.,** and **Hehenberger, L.,** (2019), *"La Inversión de Impacto en España: Intermediación de Capital"*. Foro Impacto, ESADE Entrepreneurship Institute; **Urriolagoitia, L., Casasnovas, G.,** and **Hehenberger, L.,** (2018), *"La Inversión de Impacto en España: Oferta de Capital"*. Foro Impacto; **Foro Impacto**, (2019) *"Hacia una economía de impacto: recomendaciones para impulsar la inversión de impacto en España"*, ESADE Entrepreneurship Institute; the country reports from **European Commission**: *"Mapping social enterprises in the EU"*; the EVPA National Policy Nexus: https://evpa.eu.com/uploads/publications/Policy_Nexus_ES_Barcelona_2018.pdf; and the website of the GSG: https://gsgii.org/nabs/spain/

75 **Hehenberger, L.**, (2019), *"Building a Financial Market for the Common Good: the Experience of Impact Investing in Spain"*, in *Forbes*, June 2019.

76 **Ruiz de Munain Fontcuberta, and J.L., Martín Cavanna, J., (2012),** *"Mapa de las Inversiones de Impacto en España"*. Fundación Compromiso y Transparencia (in Spanish)

77 For more information: https://foroimpacto.es/ (in Spanish)

78 **Sánchez Monjo, M.**, (2018) "Los nuevos fondos de Bizkaia: inversión alternativa fiscalmente más eficiente" in *Funds People*, May 2018 (in Spanish).

79 **Ayuntamiento de Madrid**, *"La ciudad de Madrid, pionera en inversión de impacto social"*: https://www.madrid.es/portales/munimadrid/es/Inicio/Actualidad/Noticias/La-ciudad-de-Madrid-pionera-en-inversion-de-impacto-social/?vgnextfmt=default&vgnextoid=debe0e835c7c8610VgnVCM1000001d4a900aRCRD&vgnextchannel=a12149fa40ec9410VgnVCM100000171f5a0aRCRD (in Spanish)

80 **García de Quevedo, J.,** (2019) "El ICO: Financiación sostenible" in *elEconomista.es*, April 2019 (in Spanish).

81 **El País** - Lara Viada: a la inversión de impacto en España le queda mucho recorrido (in Spanish).

82 For more information: https://www.eif.org/what_we_do/equity/news/2018/sia-creas-impacto-ship2b.htm

83 The section on Italy has been developed by consulting different sources, including: **Maduro, M., Pasi, G.,** and **Misuraca, G.**, (2018), *"Social Impact Investment in the EU | Financing Strategies and Outcome-oriented Approaches for Social Policy Innovation: Narratives, Experiences and Recommendation"*. Joint Research Centre (JRC); **PwC** and **Human Foundation** (2019) *"Progettare l'innovazione sociale: Impact Investing e Fondi UE"*; the country reports from **European Commission**: *"Mapping social enterprises in the EU"*; the EVPA National Policy Nexus: https://evpa.eu.com/nexus/italy and https://evpa.eu.com/uploads/documents/Societa-Benefit-Nugget-IT.pdf; the website of the GSG: https://gsgii.org/nabs/italy/; and the website of Social Finance UK: https://sibdatabase.socialfinance.org.uk/

84 For more information: http://www.socialimpactagenda.it/ (in Italian)

85 For more information: https://finpiemonte.it/lfise-project

86 For more information: https://www.fi-compass.eu/sites/default/files/publications/20180131-rome_Galassi_Sardinia_Region_Italy.pdf

87 For more information: https://fi-compass.eu/publication/factsheets/factsheet-fi-compass-study-social-impacts-bond-programme-under-portugals and see the country sheet on Portugal in this report at page 32.

88 For more information: https://www.torinosocialimpact.it/ (in Italian)

89 For more information: http://www.governo.it/it/articolo/fondo-l-innovazione-sociale-avviso-pubblico-la-selezione-di-progetti-sperimentali/11333 (in Italian)

90 For more information: https://www.eif.org/what_we_do/guarantees/news/2019/efsi-easi-unicredit.htm

91 The section on Portugal has been developed by consulting different sources, including: **Barth B., Cruz Ferreira J.,** and **Miguel A.** (2018) *"Cross-sector Collaboration for Better Social Outcomes",* EVPA and MAZE; **MAZE** (2018), *"Portuguese Social Investment Taskforce: progress report",* Calouste Gulbenkian Foundation; **European Venture Philanthropy Association** (2018) "Policy Brief: Unit Cost Databases"; the website of Portugal Inovacão Social: https://inovacaosocial.portugal2020.pt/; the country reports from European Commission: "*Mapping social enterprises in the EU*" the EVPA National Policy Nexus: https://evpa.eu.com/uploads/documents/Portugal-Inova%C3%A7%C3%A3o-Social.pdf and https://evpa.eu.com/nexus/portugal; the website of the GSG: https://gsgii.org/nabs/portugal/; and the website of Social Finance UK: https://sibdatabase.socialfinance.org.uk/.

92 For more information: https://maze-impact.com/

93 For more information: https://gulbenkian.pt/en/

94 For more information: https://www.socialfinance.org.uk/

95 For more information: http://www.socialinnovationacademy.eu/portugal-social-innovation/

96 For more information: https://www.geofundos.org/

97 For more information: http://mustardseed.vc/ and https://www.eif.org/what_we_do/equity/news/2018/eur190-million-for-innovative-portuguese-smes-announced-at-web-summit-in-lisbon.htm?lang=-en

98 The section on the Nordics region has been developed by consulting different sources, including: the country reports from **European Commission:** "*Mapping social enterprises in the EU*" the EVPA National Policy Nexus: https://evpa.eu.com/uploads/publications/Policy_Nexus_FI_SITRA_2017.pdf, https://evpa.eu.com/uploads/documents/SEF-Forum_nugget_fv.pdf, and https://evpa.eu.com/uploads/documents/The-Housing-Bank.pdf; the website of the GSG: https://gsgii.org/nabs/finland/; and the website of Social Finance UK: https://sibdatabase.socialfinance.org.uk/

99 For more information: https://www.sitra.fi/en/

100 For more information: http://www.epiqus.com/

101 **The National Impact Investing Advisory Board,** *"Outcomes fund to support sustainable well-being and economic growth", Statement of 13/11/2018.*

102 For more information: https://www.eif.org/what_we_do/equity/news/2017/den_sociale_kapitalfond_invest.htm?lang=-en

103 **European Commission, (2019),** *"Social enterprises and their ecosystems in Europe. Updated country report: Iceland"*

1.5 PHILANTHROPY AND SOCIAL INVESTMENT INFRASTRUCTURES (PSII) ORGANISATIONS

104 For more information: https://evpa.eu.com/knowledge-centre/training-academy

105 Including ESADE, Católica University Lisbon, Social Value International, Rotterdam University and France Active.

106 All EVPA webinars available here: https://evpa.eu.com/events/previous-webinars

107 For more information: https://evpa.eu.com/policy/eu-funding

108 We refer to EU project calls number VP/2013/006 and VP/2018/016.

109 **Hehenberger, L., Harling, A.,** and **Scholten, P.,** (2015), *"A Practical Guide to Measuring and Managing Impact – Second Edition"*, EVPA.

110 More information on EVPA Corporate Social Investor Initiative available at: https://evpa.eu.com/membership/evpa-corporate-initiative

111 For more information: https://gsgii.org/

112 **Global Steering Group for Impact Investment** (2018) *"The Impact Principle: Widening participation and deepening practice for impact investment at scale"*

113 **Global Steering Group for Impact Investment** (2018) *"Catalysing an Impact Investment Ecosystem: A Policymaker's Toolkit"*

114 For more information: https://thegiin.org/

115 For more information: https://iris.thegiin.org/

116 For more information: https://navigatingimpact.thegiin.org/

117 **Bouri, A., Mudaliar, A., Schiff, A., Bass, R.,** and **Dithrich, H.,** (2018) *"Roadmap for the Future of Impact Investing: Reshaping Financial Markets"* GIIN.

118 Idem.

119 For more information: https://www.efc.be/

120 For more information: https://www.nef-europe.org/

121 For more information: https://www.ariadne-network.eu/

122 For more information: https://edge-funders.org/

123 For more information: https://www.wingsweb.org

124 **OECD** (2019), *"Social Impact Investment 2019: The Impact Imperative for Sustainable Development"*, OECD Publishing, Paris.

125 For more information: http://www.oecd.org/cfe/

126 For more information: https://www.betterentrepreneurship.eu/

127 For more information: https://www.investeurope.eu/

128 For more information: https://www.investeurope.eu/about-us/responsible-investment/responsible-investment-roundtable/

PART 2.
THE CAPITAL PROVIDERS IN THE IMPACT ECOSYSTEM

129 **Gianoncelli, A.** and **Boiardi, P.,** (2018), *"Impact Strategies – How Investors Drive Social Impact"*, EVPA.

130 **West, C.,** (2019) "Mind the gap! Five ways to accelerate investing for impact", in *EVPA Impact Papers in partnership with Pioneers Post*, July 2019

2.1. THE THREE VENTURE PHILANTHROPY CORE PRACTICES

131 **Hehenberger, L., Harling, A., and Scholten, P., (2015),** *"A Practical Guide to Measuring and Managing Impact – Second Edition"*, EVPA.

132 Idem.

133 **Daggers, J.,** (2019) *"Are you sure? Uncertainty in understanding impact, and where we might go next"* Birkbeck College, University of London.

134 In order to report a consistent trend, we focused on the subsample of 36 organisations that replied to EVPA Industry Survey in 2014, 2016 and 2018.

135 To fit the scope of the research, we will consider the investor's perspective in the following description.

136 **Hehenberger, L., Harling, A., and Scholten, P., (2015),** *"A Practical Guide to Measuring and Managing Impact – Second Edition", EVPA.*

137 SMART: specific, measurable, achievable, relevant, time-bound.

138 For more information: https://evpa.eu.com/knowledge-centre/training-academy

139 For more information: https://impact-managementproject.com/

140 For more information: https://www.luxflag.org/

141 For more information: https://www.financite.be/fr/article/label-de-finance-solidaire-financite-et-fairfin

142 For more information: https://www.finansol.org/

143 For more information: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Impact-investing/

144 For more information: https://www.ifc.org/

145 For more information: https://www.sinzer.org/

146 For more information: https://www.sopact.com/

147 For more information: https://impactwizard.eu/

148 For more information: https://www.sametri.ca/

149 Further discussion about this issue can be found in chapter 2.1.2. on non-financial support.

150 For more information: http://www.im4e.org/

151 **European Venture Philanthropy Association** (2018), *"Expert Roundup – Commit time, not only money. How SPOs grow through non-financial support"*.

152 **Boiardi, P., and Hehenberger, L.,** (2015), *"A Practical Guide to Adding Value Through Non-Financial Support"*. EVPA.

153 A Corporate Social Investor (CSI) is any vehicle formally related to a company that aims to create social impact linked to companies. Examples are corporate foundations, shareholder foundations, corporate social businesses, corporate social investment funds, and accelerators.

154 **Roza, L., Heitmann, K., Serneels, S.,** and **Boiardi, P**., (2018) *"Social Impact Through Employee Engagement"* EVPA.

155 **Boiardi, P.,** and **Hehenberger, L.,** (2015), *"A Practical Guide to Adding Value Through Non-Financial Support"*. EVPA.

156 **Uekermann, F., Fratesi, L., Hitschke, K., Müller, B.** and **Beal, D.,** (2018) "Strengthening Social Businesses Through Venture Philanthropy", in *Boston Consulting Group*, May 2018.

157 **Gianoncelli, A., Boiardi, P.** and **Gaggiotti, G.,** (2018), *"Investing for Impact | The EVPA Industry Survey 2017/2018"*. EVPA.

158 A launchpad loan is composed by a small pilot loan deployed to test repayment capability in the first phase, before deploying the full-size loan the second phase. A permanent loan is a financial mechanism that, on one side, removes from the table any consideration about financial returns during the initial phase of the investment, thus allowing to focus purely on social impact (like with a grant), while on the other side it creates a liability in the balance sheets of the investees, which stays there permanently and is considered by the entrepreneurs (like a long-term loan). For more information on financial instruments and hybrid financial instruments: **European Venture Philanthropy Association** (2018), *"Financing for Social Impact – Financial Instruments Overview"*

159 **Gianoncelli, A.** and **Boiardi, P.**, (2017), *"Financing for Social Impact | The Key Role of Tailored Financing and Hybrid Finance"*. EVPA.

160 Idem.

161 For more information, have a look at: https://evpa.eu.com/knowledge-centre/training-academy

2.2. THE CAPITAL PROVIDERS

162 **OECD** (2019), *"Social Impact Investment 2019: The Impact Imperative for Sustainable Development"* OECD Publishing, Paris.

163 Call for Proposals VP/2018/017, EaSI-Microfinance and Social Entrepreneurship: Transaction cost support for social enterprise finance: https://ec.europa.eu/social/main.jsp?catId=629&langId=en&callId=546&furtherCalls=yes

164 For more information, look at EVPA Policy brief and webinar, available here: https://evpa.eu.com/knowledge-centre/publications/investeu-esf-the-new-eu-mff-2021-2027

165 **Ernst & Young LLP** (2017) *"Sustainable investing: the millennial investor"*.

166 **Metz Cummings, A.,** and **Hehenberger, L.,** (2010). *"Strategies for Foundations: when, why and how to use Venture Philanthropy"*. EVPA.

167 **Oldenburg, F.**, (2019) "Foundations and impact investing: why the heck is taking so long?" in *EVPA Impact Papers in partnership with Pioneers Post,* July 2019.

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169 For more information: https://www.lesechos.fr/finance-marches/gestion-actifs/la-fondation-de-france-veut-faire-tache-dhuile-avec-son-premier-fonds-a-impact-1026264

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(i.e. foundations, social impact funds, and corporate social investors), so the expert group on banks represented the way for EVPA to engage with this specific category of member. The content of this section also takes into account the insights of the EVPA report on banks published in 2014: **Buckland, L.,** (2014) *"Social Impact Strategies for Banks – Venture Philanthropy and Social Investment"*, EVPA. Other relevant reports consulted are: **Halamka, R.** and **Teplý, P.,** (2017) *"The Effect of Ethics on Banks' Financial Performance"*, Prague Economic Papers, 26(3), 330-344, **Korslund, D.,** (2018) *"Real Economy – Real Returns: The Business Case for Values-based Banking"* Global Alliance for Banking on Values.

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179 Erste Group and Erste Foundation hold the 51% of good.bee credit. The other major shareholder (49%) is Banca Comercială Română (BCR), a member of Erste Group and the most important financial group in Romania. For more information: https://www.goodbeecredit.ro/index.php/en/

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189 The NGO mentioned is the social cooperative Codess Sociale Onlus. For more information: https://www.unicreditgroup.eu/it/press-media/press-releases/2019/unicredit-sottoscrive-primo-minibond-a-impatto-sociale.html (in Italian)

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191 For more information: https://www.momentum.bbva.com

192 Good examples of ERSTE Group's field building and capacity building activities are: the SEEDS Programme run with the local partner IFUA to provide acceleration, seed grants and loans to social businesses in Hungary (https://www.erstegroup.com/en/news-media/news-views/2017/04/25/erste-seeds-hungary-launch-alias); the acceleration programme run with the local partner ACT GRUPA for impact entrepreneurs in Croatia (http://act-grupa.hr/en/accelerator/); another acceleration program implemented with the local partner Impact hub in Czech Republic (http://impactfirst.cz/); mentoring provided with their local partner Catalyst in Serbia (https://www.catalystbalkans.org/DownloadFile.axd?strategy=contentitemdocument&fileName=3f140b6f-6019-4d79-b921-44f73657f295.pdf); an on-line academy of social business in Slovakia (https://www.akademiase.sk/); an academy for NGO/social business leaders from CEE in Austria (http://ngo-academy.erstestiftung.net/).

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200 For an overview of the social impact activities of Cassa Depositi e Prestiti (Italy) see: https://www.cdp.it/sitointernet/it/sostenibilita.page (in Italian). For Caisse des Dépôts (France), see: https://www.caissedesdepots.fr/rapport-annuel-2018 (in French)

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214 This policy timeline has been developed looking at some of the reports included in the bibliography, and on the following list of websites:

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- http://www.eif.europa.eu/what_we_do/equity/sia/index.htm
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- https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Impact-Investing
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- https://www.cdpisgr.it/social-housing/FIA/caratteristiche-fondo/caratteristiche-scopo-fondo.html
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The European Venture Philanthropy Association (EVPA)

Established in 2004, EVPA is a non profit, membership association gathering organisations based in Europe and interested in or practicing venture philanthropy (VP). These include social impact funds, grant-making foundations, social investment crowdfunding platforms, corporate social investors, impact investing funds, private equity firms and professional service firms, philanthropy advisors, banks or business schools. EVPA currently gathers over 300 members from 30 countries, mainly based in Europe.

EVPA defines VP as the approach adopted by investors *for* impact to build stronger social purpose organisations by providing them with both financial and non-financial support (i.e. capacity building) at all stages of their development in order to increase their social impact.

EVPA is committed to support its members in their work by providing networking opportunities and facilitate learning. Furthermore, EVPA strengthens its role a as European thought leader in order to build a deeper understanding of the sector, promote the appropriate use of VP and voice the concerns and expectations of investors *for* impact to policy-makers.

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