

# Template to develop Economic models and financing schemes

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Developed in the SEEING Project  
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## Foreword

This document has been produced within the SEEING Project (Social Economy Enterprises for Innovation and Growth), which was an EU project, running from September 2012 to February 2014, with the financial support from the European Commission, DG Employment and Social Affairs.

The objective of the SEEING project was to explore how local authorities can work more strategically with social economy enterprises and social entrepreneurs as a means to create social inclusion, innovation and economic growth in the local area.

The document is part of a “toolbox” consisting of policy recommendations, three templates which can help local authorities, local business development agencies and local financing institutes to structure and focus their work and activities towards Social Economy Enterprises and Social Entrepreneurs.

The SEEING project consisted of partners from Denmark (Kolding Municipality from the Region of Southern Denmark, South Denmark European Office and Merkur Bank), from UK (Devon County Council from South West UK, Devon Community Foundation, Well UK and Peninsula Enterprise) and from Belgium (Idelux and Vielsalm municipality from Province Luxembourg, Les Hautes Ardennes and Filtrans).

The toolbox is a product of a fruitful collaboration and exchange of experiences and ideas between the partners, and a testing phase in the project, where the partners have worked with local stakeholders to test the tools in “real life”.

You can find the entire toolbox on the SEEING website on [www.seeing-project.eu](http://www.seeing-project.eu)

If you have any questions or comments to the material, you are welcome to contact any of the project partners. You can find the contact details on the website.

We wish you good reading and use of the SEEING Toolbox.

Best regards,

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## Introduction

One of the big challenges for the social entrepreneurs is to get access to start-up capital and to finance their business over time.

This template is developed to assist local authorities and other local stakeholders to get an understanding of - and an overview on - how to assist social economy enterprises and social entrepreneurs to find relevant funding and if possible, to set up local funding schemes in collaboration with other local stakeholders, such as local business and the local business development agency.

**The Local Authority and the Local Business Development Agency (LBDA) should consider:**

- How the LBDA can help the social entrepreneurs to solve their financial challenges
- How the LBDA can finance their own strategy and implementation process
- Do they fully understand the private and philanthropic sources of funding and how their role fits within this context?

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**The Private Finance Industry and Community Development Financial Institutions (CDFI) should consider:**

- What is the role that they can play in providing finance to social entrepreneurs
- How important is the social enterprise marketplace to them and what are the critical elements needed to make a positive decision to finance a SE.
- Do they understand the public sector context for Social Enterprise and therefore where they fit into other sources of finance?

**The Social Enterprises should consider:**

- What are the sources of finance available to them (*this should contain an understanding of the different types of finance – loans, grants, trading and charitable donations and/or a blended approach of all of these.*)
- Are they properly prepared to access these sources of funding (*different sources require different preparation*)

## Issues a Local Authority and a LBDA should consider

- 1) **Define the European, national, regional and local key actors who have relevance when it comes to finance. (E.g. *Financial institutions, Business Development Centres, Entrepreneurship Centres, funds, business angel/ investors, grant makers and philanthropic programmes, associations, stakeholders, banks, specialists, possible subsidies, etc.*)**
- 2) **When you look at all the local key actors you have identified above – try to segment them into two groups.**
  - a) Those you want to influence and communicate to.
  - b) Those you want to include as co-workers in the implementation process.
- 3) **The Local Authority and LBDA should do some research on finance opportunities for the strategy development and implementation process.**
  - a) E.g. national, regional, local pools.
  - b) Do some research and identify if there are any good examples/ role models of good co-operation constellations between Social Economic Enterprises, local, state, *Financial institutions, Business Development Centres, Entrepreneurship Centres, funds, business angel/ investors, associations, stakeholders, banks, specialists* e.c.t.).
- 4) **The LBDA should do some research on funding opportunities for the social entrepreneurs start up help.**
  - a) National (E.g. capital funds)
  - b) Regional (*Business Development Centres, Entrepreneurship Centres*)
  - c) Does the Local Authority have some specific labor market funds, which can support employment/inclusion of groups at risk of social exclusion?
  - d) Are there any relevant funds in the private sector (E.g. Business angles)?
    - i) If yes: Describe these funds and gather contact info and links.
  - e) Are there opportunities for micro finance?

- f) If no opportunities exist consider how to establish finance opportunities. E.g. in co-operation with the finance institutions, the Local Authority etc.

Consider potential co-financers or other financial partners on the regional, national or even international level: *(Banks with experience on the field, public or private guarantors, venture capital or seed capital entities, private investors, charitable foundations etc.)*

**5) The LBDA should consider how to help the social entrepreneurs to get access to information about relevant foundations and funding opportunities**

- a) Consider how to create awareness about the finance and financial counseling opportunities. *(E.g. web page, conferences e.c.t.)*

**6) If the Local Authority chose to create a website in order to create awareness about issues in relation to finance - what should this website contain?**

- a) An overview of the different finance and funding opportunities for social entrepreneurs
- i) Try to categorize the different finance and funding opportunities.
  - ii) Find relevant links and contact info.
- b) Check if there is a web page that gathers information about all the different funds in one place.
- c) Check if there are people or organizations available to help social entrepreneurs in the process of writing application (on a voluntary basis or as a service you can buy)

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## Issues a Financer and/or a CDFI should consider

- 1) **Consider if you have a specific strategy or policy for financing social enterprise and articulate what you need to do to fulfill that strategy.** (*Social Enterprise may be a driving force for economic growth in the future and it is important to understand what your corporate policy is.*)
- 2) **Understand what a social enterprise is and examine where (if anywhere) a different skill set or approach may be needed by your advisors/loan panels.**
  - a) Do you have the knowledge in your organisation about different corporate structures for Social Enterprise and the implications these have?
  - b) Do you have understanding of the drivers behind Social Enterprise not being entirely about profit/growth?
- 3) **Consider what drivers there are in your region for the support of social enterprise.** (*e.g in The UK The Social Value Act 2012 may be creating a natural marketplace with opportunities for Social Enterprises to win large public sector contracts and they may need investment finance to deliver these.*)
- 4) **Define the European, national, regional and local key actors who have relevance when it comes to financing social enterprise. This will enable you to understand the sector and potentially work in partnership with other agencies to share knowledge or support SEs to be ready for commercial finance.** (*E.g. Financial institutions, Business Development Centres, Entrepreneurship Centres, funds, business angel/ investors, grant makers and philanthropic programmes, associations, stakeholders, banks, specialists, possible subsidies, etc.*)

Consider potential co-financers or other financial partners on the regional, national or even international level: (*Banks with experience on the field, public or private guarantors, venture capital or seed capital entities, private investors, charitable foundations etc.*)

- 5) **When you look at all the local key actors you have identified above – try to segment them into groups.**
  - a) Those you want to work with to identify good SE investment opportunities
  - b) Those you may want to partner with to co-finance (*many social enterprises rely on a **blended funding model** for some years if not forever, this might include, loans, grants, trading, and /or charitable donations and philanthropy*) Consider if you understand this approach to finance and where your role lies.

- c) Those you want to partner with if one of your SE clients needs extra business support and development that you cannot offer, either pre- or post-finance.
- 6) The financier should consider if they have the necessary skills and understanding within their organisation to make informed decisions.**
  - a) Do you have SE specialist lenders/advisors available to all your branches to work with social enterprises
  - b) What are the differentiators when dealing with a social enterprise and any other enterprise (*if any?*)
- 7) The financier should consider if there any inadvertent barriers to SEs accessing finance through their existing system of loan applications.**
  - a) Consider how to create awareness about the finance and financial counseling opportunities. (*E.g. web page, conferences e.c.t.*)
  - b) Consider how to raise awareness amongst your front line staff of social enterprise and having SE expertise available to handle enquiries.
- 8) The financier should consider if they have mechanisms in place to publicise their successful SEs and help grow the sector as part of their own CSR activity.**

## Issues a Social Enterprise should consider

- 1) **Is your idea one which will primarily rely on traded income to support its operations in the future?** *(One benchmark is that 50% of income must be generated by trading and this excludes grant funding and/or charitable donations but includes contracts for delivery)*
  - a) **Is your social enterprise going to rely 100% on trading income or other sources and from when** *(some SEs access other sources of funding for set up and the first couple of years but then have a business model where trading is their sole source of income. Other SEs factor philanthropic and charitable giving as well as grants into their funding streams permanently – this would be a blended model of finance)*
  - b) **What proportion of your income do you expect to get from which source?**
- 2) **Do some research into the resources and support available on a local and regional basis for those wishing to set up Social Enterprises** *((E.g. Financial institutions, Business Development Centres, Entrepreneurship Centres, funds, business angel/ investors, associations, social enterprise networks, banks, Community Development Financial Institutions etc.))*
- 3) **Understand the differences in applying for loans, grants and bidding for contracts.**
  - a) What is the base information that you will need for each type of funding
  - b) What are the motivating factors behind each kind of finance and can you address those
  - c) Are you absolutely clear about your financing model? *(If there is always going to be a blended approach of charitable and enterprise activity how will you articulate this?)*
  - d) Do you have the skills to do the above and, if not, where can you get help?