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Headline:

**Building bridges: Joining Impact Investing and Social Entrepreneurship**

Stand-first:

Finance is stepping up to a growing impetus from stakeholders to transform society for the better. Yet, there is a continuous disconnect between social entrepreneurs as vanguards of social value creation and the providers of financial services. A unique partnership between UniCredit and the EU Interreg project Finance 4 Social Change seeks to address this gap. The collaboration shows how we can build bridges, which are essential for spurring profound collaboration across fields of activity and sectors. Only if we harness the synergies that arise from these, are we going to make significant progress on the sustainable development goals.

Text: by GORGI KRLEV, ADRIAN FUCHS

Finance can be a tool for positive social change. With the ESG investment market flourishing and impact investing gaining traction, more and more people tend to agree with this statement. However, there remains a significant financing gap between those acting as vanguards of social value creation and those that could finance it—namely social entrepreneurs and global banking and financial service providers. Virtually no social enterprise survey has been performed to date, which does not conclude that social entrepreneurs are struggling to find adequate financing.

One factor causing difficulties is that social entrepreneurs are passionate problem solvers that care foremost about creating value for their often-vulnerable target groups. They act as system entrepreneurs or institutional entrepreneurs, roles that require activities, which are not easily condensed into a straight-forward business model. Social enterprises tend to take longer than their commercial counterparts to break-even, and some never do, continuing to depend on a mix of funding from investments, loans, grants and even donations. So, the often proclaimed statement by policy makers and financial providers that all their financial services are in principle available to social entrepreneurs, may often fall short of materializing in actual deals with social entrepreneurs.

A number of banks have recognized that social entrepreneurs and impact organizations are a special, and often small customer group—but given our huge societal challenges—one with exceptional potential. In order to harness this potential and help drive sustainable development through financial inclusion, UniCredit set up their Social Impact Banking unit in 2017, which is an important part of the bank’s commitment to building a fairer and more inclusive society in all its 13 core markets. Roberta Marracino, UniCredit’s Head of ESG and Impact Banking, explained: “The growing importance of the social component in ESG is increasingly evident and relevant. Our aim is to combine philanthropy and social impact finance to increase financial access and foster inclusion and development in all our territories and our Social Impact Banking programme is a very important part of this effort.” Starting in Italy, UniCredit’s impact banking offer that includes impact finance, microcredit and financial education, has been extended to ten further countries of the Group. Both, the value imperative and the geographic focus made UniCredit a natural ally of “Finance 4 Social Change”, an Interreg project focussing on building capacity in impact investing and social entrepreneurship across the European Danube region.

The project brings together thinkers and doers active in academia, social enterprise networks, impact deal brokering, or public administration focussing on entrepreneurship and small business incubation. Two of the project’s core activities were the development of a Massive Open Online Course called #AirMOOC and a corresponding pitch competition for social ventures called #AirCompetition. Both, as the acronym suggests, focus on “Accelerating Investment Readiness” on the side of investors as well as that of investees. The MOOC has more than 500 registered users and 6000 views on its YouTube Channel, which should prove to push skills in the field, for instance on how to measure and communicate social impact. The course was recently awarded by the U.S. Association for Small Business and Entrepreneurship (USABSE) in recognition of its potential impacts on stakeholders, such as entrepreneurs, investors or policy makers.

UniCredit sponsored the pitch competition, which attracted applications from more than 240 social ventures across 14 countries. As of 2020 the bank had already dispatched € 225,1 million of funding to more than 4380 initiatives and microenterprises. The lion share of those related to the sustainable development goals of good health and well-being as well as that of decent work and economic development. Supporting the pitch competition was another important occasion to offer tangible and meaningful support to the different communities where UniCredit operates, in particular to entrepreneurs in as of yet underrepresented areas of financing. In addition to the sponsorship, UniCredit experts also took part in the panels contributing their skills and know-how to the competition’s participants.

The winners of the four separate regional pitch events, held at the end of 2020, show the incredible variety and richness of what social entrepreneurs do to create value for society, from preserving culture to fostering the dialogue between generations. Vollpension from Austria for example, on first sight, appears to be yet another stylish coffee house start-up in Vienna. However, at closer inspection it is remarkable on a number of levels. Instead of hiring professional confectioners, the organization gives older persons the opportunity to share not only their secret recipes but also their memories of yore with the younger generation in vivid discussions. This does not only address the problem of intergenerational disconnect, but may prevent retired people from slipping into old-age poverty and loneliness. One Night Gallery based in Romania’s capital Bucharest builds its value proposition on a unique mix of preserving cultural heritage, featuring local contemporary artists who harness the power of digital technology and performance, and repurposing run-down urban locations through art.

The third awardee, from Croatia, called STEMI is an education tech company that seeks to transform classrooms into innovation labs, where students in middle and high schools acquire critical 21st-century skills such as competencies in 3D modelling, mobile app development, or embedded programming. Finally, Caritas, an initiative located in the Serbian city of Sabac, located west of the country’s metropolis Belgrade, seeks to achieve social protection for disadvantaged groups of the population, by promoting a blend of agricultural production and local tourism based on the principles of sustainable development.

The winners of the competition will not only benefit directly from the prize money they were awarded. The goal of the partnership between Finance 4 Social Change and UniCredit is that the competition will contribute to building up field capacity more widely. It helps the bank, and also other actors engaged shaping the local market environments, in getting to know the field of social innovators and entrepreneurs better, which in the long-run, may lead to further durable financial relationships between social ventures and finance providers. “Our continued strong commitment to social issues means we have a growing ambition to help drive change by offering concrete support to entrepreneurs and initiatives with a significant positive social impact. The network built thanks to this partnership is another important step in this direction,” added Marracino.

Nevertheless, the collaboration between Finance 4 Social Change and UniCredit is still the exception rather than the rule, as the world of finance tends to still remain at some distance to social entrepreneurs, especially such that tackle social inequalities, seek to preserve and enhance culture or introduce entrepreneurial methods into formal education. This needs to change fundamentally to establish a new level playing field for social innovation that can make an important contribution to sustainability. For this, we need to bring otherwise distant actors together and unleash profound collaboration across fields of activity and sectors. We hope this collaboration illustrates how bridges can be built, which genuinely fortify the role of finance as a source for positive social change.

**About the Authors:**

\* *GORGI KRLEV obtained his PhD at Oxford University (Kellogg College) and works as a senior researcher at the Centre for Social Investment (CSI) of the University of Heidelberg. He lead-developed #AirMOOC, which was awarded by the U.S. Association for Small Business and Entrepreneurship (USASBE) for potential impact on stakeholders, such as investors, entrepreneurs and policy makers. He can be found on Twitter @gorgikrlev.*

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**About the institutions:**

\* *The Centre for Social Investment is a research centre at the Max-Weber-Institute for Sociology in the Faculty of Economics and Social Sciences of Heidelberg University. It is an interdisciplinary centre for research, education and training.*

*\* FASE – The Financing Agency for Social Entrepreneurship* aims to *create a thriving ecosystem for social innovation by boosting impact finance across Europe. The organization connects outstanding social entrepreneurs with investors that are driven by the idea of creating sustainable, positive impact.*

\* *The Social Impact Banking unit at UniCredit was established in Italy in 2017. It has since been expanded to 10 other Group countries (Austria, Bosnia & Herzegovina, Bulgaria, Croatia, Germany, Czech Republic, Slovakia, Romania, Serbia, Hungary) with the aim to make a positive contribution to UniCredit’s local communities through impact finance, microcredit and financial education.*

*Potential pictures preview, separate files sent to CFI Magazine.*

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