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### Action to attract investors- ROI Models

*Auleda is working on the construction of alternative financial models that can provide access to funds for social enterprises. Three ROI Models are created In order to attract investors.*

*In this article the first model is going to be presented.*



### What is Crowdfunding?

*What is crowdfunding, and which are the types? In this article you will have the opportunity to learn more about crowdfunding and some interesting statistics.*



### Work in progress

*AULEDA - Local Economic Development Agency, Vlore, continues the meetings and consultations with local stakeholders referring the open call made by Auleda with the focus on social businesses.*

### Storytelling- Best Practice in Albania

*This is a short story of how innovative ideas for Social Enterprises can bring a positive change in the society.*



### *Invest In Social Capital*

*Welcome to the next newsletter of IDEA project. The overall objective of the project is to "Improve cross border capacity to support entrepreneurship, business survival and competitiveness" regarding the social entrepreneurship sector .*



## What is a Financial Model and which are the models created from Auleda in the framework of IDEA Project—ROI Models.

Money is a constant topic of conversation among nonprofit leaders: How much do we need? Where can we find it? Why isn't there more of it? In tough economic times, these types of questions become more frequent and pressing. Unfortunately, the answers are not readily available. That's because nonprofit leaders are much more sophisticated about creating programs than they are about funding their organizations, and philanthropists often struggle to understand the impact (and limitations) of their donations.

A funding model is a methodical and institutionalized approach to building a reliable revenue base that will support an organization's core programs and services. While it is common practice among most nonprofits to seek funding from multiple sources, research has shown that 90 percent of the largest nonprofits have embraced funding models built around a single dominant source of revenue (such as a government group, a corporation, or an individual donor).

Different types of nonprofits are suited to different funding models, depending on their mission and programs. Funding models are defined and distinguished from one other based on three characteristics:

- (1) The type of funding (e.g., government or individual),
- (2) The funding decision maker (e.g., government administrators or wealthy individuals), and
- (3) The funder's motivation (e.g., altruism or self-interest).

## Why are alternative financial models in Albania necessary?

Currently social enterprises are facing a significant shortage of funds, as a significant barrier to new ideas, but also to further expansion of activity. Social enterprises should not only cover daily expenses such as salaries or administrative expenses, but also other financial expenses.

Mostly the financing of organizations is more focused on the grant model, donations, fundraising or through bank loans. In fact, non-profit organizations are not very happy with these funding models.

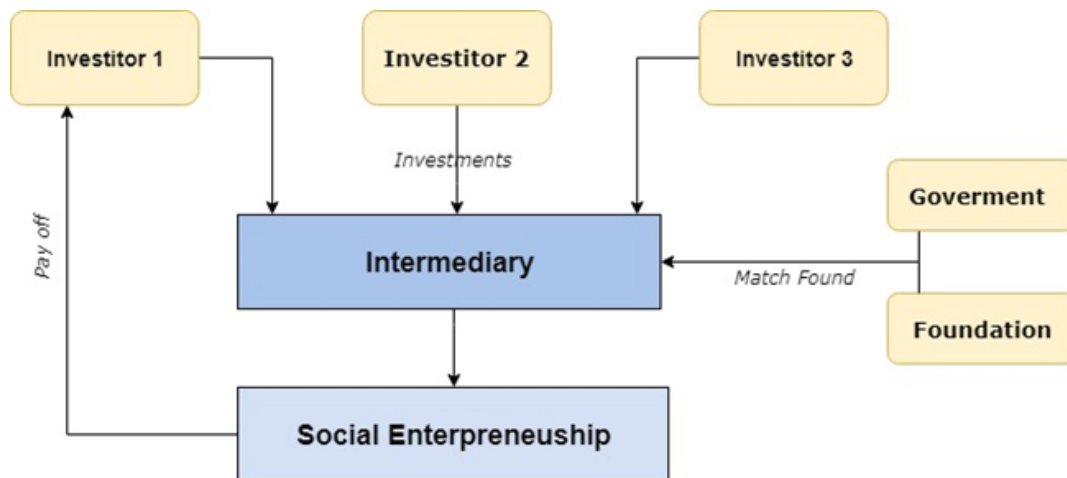
Concerning the financial situation in Albania, there is currently no credit line specifically referring to NGOs or Social Enterprises. It should also be noted that a considerable number of social enterprise executives say that relying too much on grants is a risky strategy, as individual grants are limited in time and not very sustainable in the long run. The grant method can also reduce the motivations of leaders and employees to professionalize the business aspect, which leads to a deteriorating business climate, in other words, there seems to be a deep need for funding opportunities other than traditional ones.

For this reason, Auleda is working on the construction of alternative financial models that can provide access to funds for social enterprises within the framework of the IDEA project Investment Development and Empowerment Actions, funded by the European Union. Three ROI Models are created In order to attract investors.

In this newsletter we are going to present the first model of ROI.



## Model I – Match Funding Model



In the match-funding model, government or private foundations match investments made by private investors (pension funds, banks, mutual funds, etc.) with taxpayer money or philanthropic donations. Private investments typically go through an intermediary organization (e.g. investment fund or NGO) with particular expertise and insight into social enterprises and the market in which they operate.

Typically, the private investments are matched one to one by the involved foundations or government sources. The payoff (interest, share on profit, etc.) can flow back either directly to the investors as illustrated in the model below, or can be paid to the intermediary organization, which in turn distributes it among the involved investors.

The model is attractive to private investors who, compared to non-matched areas, can potentially create a larger impact for the same investment. This increases the likelihood of a solid payoff and thus raises the attractiveness of the investment. As regards governments and foundations, the match-funding model presents a way to ensure that the funds invested in the social enterprise sector are supplemented by private sector funding. In addition, any potential payoffs are reinvested in other social enterprises.

Thus, the model is often a favorable and more sustainable alternative compared to purely government or foundation sponsored one off investments. The social enterprises benefit from larger investments and the fact that it becomes easier to persuade private Investors to invest in their enterprises. At the same time, the investments put pressure on the social enterprise to reach certain performance criteria and pay back the investment (plus returns).

Different arrangements are often made in terms of how the payoff is divided between the private investors and the involved foundations or government institutions. For instance, the payoff may be divided based on the share of the total investment made, or subordination agreements can be made, where, for instance, investments made by private investors are subordinate to those of the foundations or government institutions.

## Storytelling - Best Practice in Albania

*This is a short story of how innovative ideas for Social Enterprises can bring a positive change in the society. A machine that can turn plastic in a homeware, is an idea which not only involves the community by giving them the opportunity to generate incomes, but also it helps to protect the environment.*



### Turning Plastic Bottle Lids into Designer Homeware

The product of a cross-border collaboration between Tek Bunkerî (Albania), minipogon (Serbia), Tirana Ekspres (Albania) and Fablab Tirana (Albania), "Recycled Past/ Upcycled Future" is bringing a new concept of recycling to locals in Nivice, a small village in the south of Albania.

Every day, across the world, humans use billions of plastic bottles. The caps from these bottles, are often discarded, ending up in nature, on beaches, and in our rivers and oceans.

The solution is a new machine, built from an open source design that has the power to turn these bottle tops into practical, eco-friendly products. The machines that this team have built first chips the plastic into flakes before melting them down and pouring them into pre-prepared moulds.

As long as they can find the right mould, they can make pretty much anything-cups, plates, bowls, ashtrays, chairs, tables- you name it, this machine can pretty much make it.

But the best thing about these products is once they have been made, they can be melted down and re-moulded an infinite amount of times. In other words, your plate could become a chair, or your chair, a cup- the possibilities are endless.

These possibilities present great opportunities, particularly for a community in rural Tepelene.

When Tek Bunkerî approached the villagers of Nivica with their idea, they were met with a lot of skepticism.

That promise was to build them machines, show them how to use, and

help them get plastic together to keep a steady flow of raw materials, and then to help them sell the finished products.

After a week of fraught building in Tirana, they loaded up the machines and set off for rural Tepelene. Then, over the following seven days they taught several members of the community how to use and maintain the machines, as well as to hone the creation of products.

At first, residents didn't really take them seriously, even with the machines there working in front of them. But after a few days some children and adults started getting involved-helping to collect plastic bottle tops from the land around them, cleaning it and sorting it. From day three onwards, they had around six community members getting involved.

Their next step will be to finalise the first machine in a workshop in unused rooms within the school building. Following that, they will build a second machine that will be installed in a bunker in Rogozhina and they will work with the local Roma community to educate them on this new and innovative revenue stream.

Then, in 2020, the plan is to build more machines and to provide workshops in secondary schools as well as running open labs in different parts of the country.

Once the products have been ordered and created, they can then be distributed to customers via local shops, businesses, and social media. The money made returns to the community and can be used to lift them out of poverty, or to pump back into their social enterprise, building more machines or refining their products.

Source: <http://thebalkanista.com/2019/09/28/turning-plastic-bottle-lids-into-designer-homeware/>

The project is co funded by the European Union and National funds of Greece and Albania via the Interreg IPA CBC Programme "Greece - Albania 2014-2020"



# Financial Tools. What is Crowdfunding?



Crowdfunding is a collaborative effort of many people who raise funds to support projects created by other people or organizations, with the help of the Internet. Over the past fifteen years, crowdfunding has grown from a small-scale, large-scale exponential financing practice to US \$ 70 billion. In 2018, with a forecast of US \$ 100 billion by the end of 2020. There are two different types of fundraising through crowdfunding campaigns, direct and indirect.

**Immediate crowdfunding** is when the creator makes a direct call to a specific audience through his own fundraising platform (for example, his own website) or through his supporters (for example, a band that raises money from its followers) .

**Indirect crowdfunding**, by contrast, is a general call for funding to the general public or the crowd. This is usually achieved through a mediation platform.

Projects funded in 2017 through crowdfunding worldwide accounted for 41.4% of business and innovative entrepreneurs, 18.9%, social work projects, 16.7% of creative industries and 6.2% real estate purchase.

The number of crowdfunding campaigns in 2016 was 5,000, in 2017 it reached 5,350, in 2018 5,850, while the forecast for the coming years is that they will continue to grow exponentially and that in 2022 they will exceed 17,287 campaigns across all platforms in the global base. Worldwide averaged crowdfunding per campaign is US \$ 900 in 2016, US \$ 1,000 in 2017 and US \$ 1,065 in 2018, and for subsequent years (2019 - 2022 ) it is expected that the average amount allocated to creators per campaign will increase and by the end of 2022 it will be "USD 3,000".

## Work in progress

*AULEDA - Local Economic Development Agency, Vlore, as lead partner of IDEA Project "Investment Development and Empowerment Action", INTERREG IPA CBC PROGRAM "GREECE - ALBANIA 2014-2020" held meetings with local stakeholders (Vlora Youth Center; Association of Pre and Tetraplegics; Association "Voice of Roma in Albania"; PLM 9-year Special School and other organizations; referring the open call made recently by Auleda with the focus on social businesses.*



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# Newsletter



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*"The views expressed in this newsletter do not necessarily reflect the views of the European Union, the participating countries and the Managing Authority".*

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