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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 .

Focus Groups and Interviews in the framework of the Investment Development and Empowerment Action Project (IDEA) in Arta

On Monday 21 and Tuesday 22 October, STRATIS LTD successfully completed the four (4) Focus Group meetings in the framework of the project IDEA. The meetings that took place in Arta had involved institutions of the Social Economy, representing in the aggregate the Demand for Social Investment. The organisations were selected on the basis of the conditions to be met by potential beneficiaries of the IDEA project.

In particular, some of the meeting's participants were representatives of Cultural Associations of the Arta, such as the Cultural Association of Filothei Arta, the Cultural Association of Arta "Makrygiannis", the Cultural Association Melissourgion Arta "The Saint Marcos", the Cultural Association of the Rocket "Agios Nikolaos", the Mousikofilologikos Association of the Map "The Skoufas"-1896, the Cultural Association "the Kiafa", the Cultural Association of Mytikas and the Book Friends Community.

The representatives of the women's Associations of Arta, who also participated in the Focus Group, provided useful information about the condition in the area. More specifically, we had the opportunity to discuss with the representatives of the women's Association of Amvrakikos (ANEZA) and the women's Association of Arta "Thea Dimitra".

Finally, crucial for the implementation of the project in the area of Arta, were the discussions with the representative of the Association of disabled people AG. Theodora and the representative of the Association of Volunteers against Breast Cancer "Epistithioi friends", while intense interest was also in the discussion with the representative of the Animal Welfare Association of Arta.

In addition to the demand's part for social investments, STRATIS LTD also examined the supply, within seven (7) interviews conducted in the region. The interviews concerned representatives of large companies, which are active in fundings. The content of the questions was structured so as to form a complete picture of the investments in the field of Social Economy in Arta. In summary, the questions concerned the existing forms of funding, the shortcomings in monitoring its effectiveness, the forms of funding,



whether in terms of products or money.

Both of these actions formed the basis for the design and implementation of the IDEA project, providing important information on the situation in the region.

WHAT ARE THE IDEA PROJECT SOLUTIONS?

IDEA WILL SUPPORT SOCIAL INVESTMENTS IN ARTA BY:

- ⇒ Creating a supply and demand register for potential investors and social actors at local level
- ⇒ Recognizing hybrid financing tools that can be implemented locally.
- ⇒ Acting as a catalyst to narrow the gap between supply and demand, bringing social entrepreneurs and potential sponsors / backers / investors together.
- ⇒ Providing counseling, training and empowerment to social economy stakeholders to improve their investment readiness.
- ⇒ Creating a flexible and reliable monitoring mechanism, tools and methodologies for measuring social impact.

In particular, the IDEA project:

- ⇒ Studies and records the supply of support for social economy initiatives, as well as the demand for such forms of support locally.
- ⇒ Designs and creates hybrid financing tools that can be implemented locally.
- ⇒ Facilitates meeting social entrepreneurs with potential sponsors / backers / investors, acting as a mediator.
- ⇒ Implementation of counseling and training actions and actions to strengthen the capacity of social economy actors.
- ⇒ Creates a flexible and reliable tracking mechanism.
- ⇒ Creates tools and methodologies for measuring social impacts.
- ⇒ Creates non-financial support tools.



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 are Business Angels?



Business_Angels (BA) are basically private investors who invest money and have the time, experience and know-how in small and medium-sized businesses with growth prospects. They have extensive experience in matters related to business administration and organization, rational management of business resources, and marketing. They are shareholders or business owners, company executives, senior managers or business planning consultants, as well as retired former business consultants.

They usually have a dual role in the business they are working with; on the one hand they are investors who invest their funds for the purpose of earning financial gain, and on the other they have an active role in that business either by joining the board providing informal consulting services or in some cases, working on a part-time basis. They cover the equity gap that exists in the equity of a company that wants to grow.

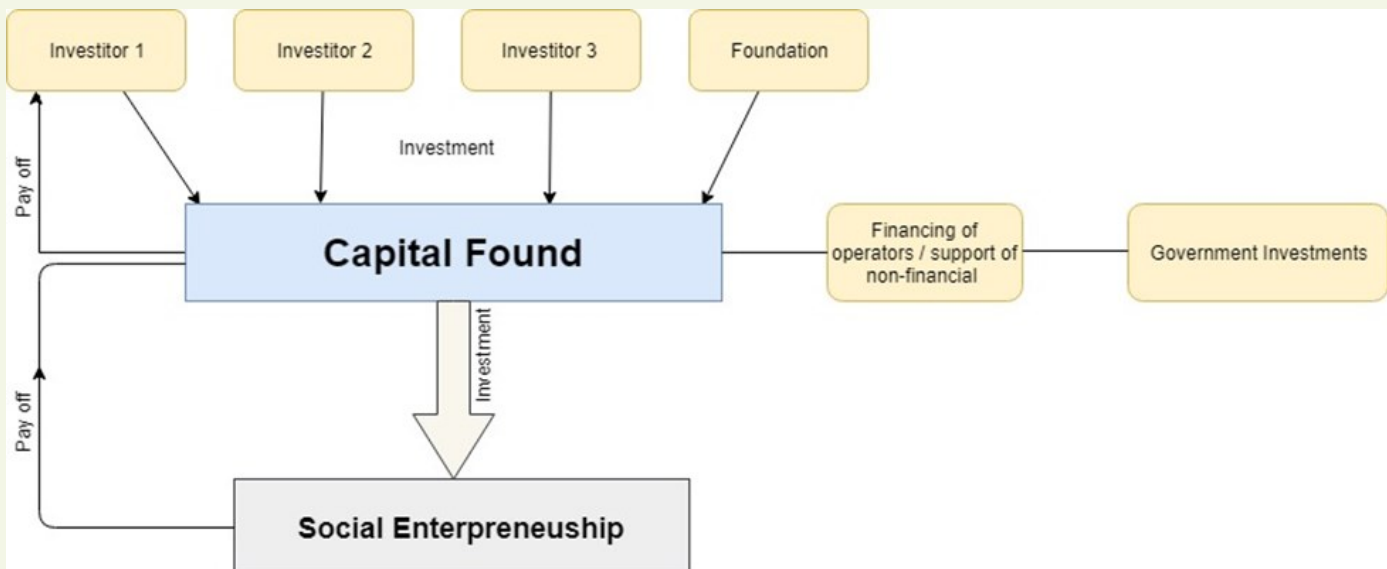
The difference between business angels and financial institutions lies precisely in the "inflexibility" of investing. Realizing the investment does not require all the checks and guarantees these organizations require, as the dominant element in business angel investing is the business angel's personal relationship with the entrepreneur. The size of the investment is in most cases smaller than venture capital, which is why it is a more accessible source of capital for new SMEs. Business angels invest in the early stages of a business's life and come to fill the gap in a company's funding sources, from the seed stage to the early growth phase of the business.

ROI—Model II - The capital fund model

In the capital fund model, one or more private investors or foundations place long-term investments in a capital fund, which in turn places individual investments in social enterprises. Typically, the social enterprises need to live up to certain criteria and go through an application process, where they are being carefully vetted through various due diligence processes.

Investments placed in social enterprises are typically accompanied by non-financial support in the form of mentoring, sparring, education or access to networks. The capital fund might even demand a seat on the company board as a condition for the investment. Government institutions can play a number of different roles in this scheme, but in most cases, they finance the daily operations and administration of the capital fund, or they finance the non-financial support provided to the social enterprises. The investments made in social enterprises are typically favorable loans with low interests and long repayment periods compared to ordinary bank-loans. They typically pay back the capital fund, which in turn pays back the private investors.

The below figure illustrates the model - including the involved actors and capital flow:



To private investors the capital fund model is a familiar scheme. To them, the attractiveness of the scheme primarily hinges on two factors:

1. The sector insight, professionalism and trustworthiness of the capital fund, which they depend on for securing a solid return.
2. The applied security or support mechanisms, which minimizes the risks involved and mitigates the costs associated with the favorable conditions under which the social enterprise investments are provided.



Foundations typically also play the role as investors, but often under different conditions than private investors. In some cases, their investment are subordinate to the private investors, meaning that they are the last ones to receive their share of any financial return i.e. they are the ones suffering hardest in case of default. In other cases, the image is reversed, with the private investors being the ones bearing the primary risk.

This depends on the preferences and strategies of the parties involved and the security mechanisms that are part of the setup in question. Foundations that do not provide social investments (e.g. because their charters do not allow for financial returns) can make a donation to the capital fund, which can be used to finance loan guarantees or cover the costs associated with the low interest rates and long repayment periods.

Government institutions do not necessarily have to be part of this model, and in many setups around the world, they are not. When they are involved, they typically contribute fixed annual amounts to cover nonfinancial support or operational costs of the intermediary. The nonfinancial support creates value for the social enterprises regardless of the success of the investment and can also be expanded to cover social enterprises that did not achieve an investment. To governments, getting involved in this scheme is thus often regarded as a low risk venture, which does not distort competition by favoring one or a few enterprises over others.

Study for Financial Tools— Prepared from the UV of Ioannina

The aim of this study was to identify which are the tools available in the national and international level in order to select the ones which are more appropriate, taking in considerations that every country has its specifics, in order to use in a second step which includes the implementation of an innovative model which will give access in funds. In this way, this models give a more detailed background and widen the possibilities that the business which are interested to build something on Social Economy, have more possibilities.

According to previous studies, the life cycle of a social enterprise includes different groups of financiers. Initially, funding is provided by family, friends or charities. At a later stage, some social enterprises become very attractive and are candidates for investment from institutional investors, social funds or even banks. However, many investors do not respond to the financing needs of social enterprises in the early stages and expect the mature social enterprises that have been tested and have overcome the viability problems of the first stages. This creates a strategic funding gap for social enterprises that are at an early stage: the required funds are too large for donors or charities and are very small and dangerous for institutional social investors. This requires the development of innovative finance strategies for the social sector through the provision of guarantees to social investors and the maturation of the social enterprises' investment projects.

Within the project's framework, new innovative policies and programs for fundraising from the social sector are examined in order to finance the creation and development of social enterprises. The number of financial means designed and implemented at an international level to address the financing needs of small and medium-sized enterprises and social enterprises are diverse. In essence, there are three types of means: donations, money that is repayable (both formal and informal) and money to be considered as permanent, unless the investment is sold to another investor or buyer. Guarantees are a contingent liability and are one accounted as one of those means only when it is the said organization that is called to pay. The general categories are listed in the study. By nature, hybrid means, including intermediate capital, constitute a composition of the general categories.





Event in progress

Project partners are working to organize the final study visit of the project. The fourth and the last study visit of the project will be held in the city of Vlore, on the dates 2-3 December 2019. Partners from both sides, Greece and Albania is expected to participate in this training visit.

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Newsletter

“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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