Social finance

Challenges and Opportunities

Chloé Le Coq

Stockholm School of Economics (SITE)
Chloe.LeCoq@hhs.se

International SEFORIS Conference,
Aston University, December 9th, 2016.
The special case of a social entrepreneur...

Håkan Björk, CEO of Social Business Kommunikation
Different financing modes available

**Market**
- Revenues
- Debt
- Equity

**Non Market**
- Grants
- Donations
- Donations-in-kind
- and voluntary participation

**Financial innovation**
- Loan guarantees,
- quasi-equity debt,
- Debt pooling,
- social impact bond
- Crowd-funding

**Multiple Financial modes**
Which financing modes in practice? (SEFORIS survey, 2016)

- **Fees and Sales:**
  - China: 0.45
  - Germany: 0.41
  - Hungary: 0.62
  - Portugal: 0.50
  - Romania: 0.27
  - Russia: 0.55
  - Spain: 0.71
  - Sweden: 0.53
  - United Kingdom: 0.63

- **Investments:**
  - China: 0.18
  - Germany: 0.06
  - Hungary: 0.02
  - Portugal: 0.02
  - Romania: 0.02
  - Russia: 0.04
  - Spain: 0.00
  - Sweden: 0.02
  - United Kingdom: 0.01

- **Grants:**
  - China: 0.13
  - Germany: 0.27
  - Hungary: 0.25
  - Portugal: 0.34
  - Romania: 0.25
  - Russia: 0.21
  - Spain: 0.21
  - Sweden: 0.36
  - United Kingdom: 0.29

- **Donations:**
  - China: 0.04
  - Germany: 0.10
  - Hungary: 0.02
  - Portugal: 0.06
  - Romania: 0.12
  - Russia: 0.11
  - Spain: 0.01
  - Sweden: 0.04
  - United Kingdom: 0.02
Source of financing by sectors
Source of liquidity - Market vs. Govt revenues

- China: 0.09 (Market), 0.36 (Public)
- Germany: 0.18 (Market), 0.23 (Public)
- Hungary: 0.31 (Market), 0.31 (Public)
- Portugal: 0.14 (Market), 0.36 (Public)
- Romania: 0.01 (Market), 0.26 (Public)
- Russia: 0.01 (Market), 0.54 (Public)
- Spain: 0.20 (Market), 0.25 (Public)
- Sweden: 0.28 (Market), 0.44 (Public)
- United Kingdom: 0.19 (Market), 0.44 (Public)
Source of financing for 4 main sectors

- **Business activities**
  - Fees and Sales: 0.65
  - Grants: 0.19
  - Investments: 0.03
  - Donations: 0.03

- **Education**
  - Fees and Sales: 0.46
  - Grants: 0.34
  - Investments: 0.03
  - Donations: 0.06

- **Health and social work**
  - Fees and Sales: 0.46
  - Grants: 0.36
  - Investments: 0.01
  - Donations: 0.08

- **Other community or social services**
  - Fees and Sales: 0.42
  - Grants: 0.29
  - Investments: 0.04
  - Donations: 0.08
The challenges of social financing
Balancing social mission with the “strings attached” to funding
The challenges of social financing

1. Balancing social mission with the “strings attached” to funding
   – Grant funding often tied to a specific project

2. Social impact investment – measurement of social impact

3. Mixing different sources of capital and searching for funding to scale-up the impact

4. Bidding for grants and government contracts takes up a lot of resources
Thank you

Chloe Le Coq (Stockholm School of Economics-SITE)

Chloe.LeCoq@hhs.se