

Hybrid Social Finance



Financing Social Enterprise in Ireland

Models of Impact
Investing & Readiness

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Enterprise in Ireland

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Investing & Readiness

Consortium

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Social Enterprise

- **€11.7m** invested
- **145 social enterprises supported**
 - At all levels from early-stage to consolidation
- Supported SE across the country
- **Non-financial-support** to grow and maximise impact & organisational resilience
 - Developed their organisational capacity; Impact measurement, business planning, fundraising.

Social Enterprise

- Social Finance Provider with an All-Ireland remit
- Registered Society open to new shareholders becoming part owners
- **€94m invested / €34m** currently under management
- **1,000+ social loans** disbursed since 2001
- **Loans range from €30k to €500k**, for a wide variety of uses.
- Term Loans of up to 15 years, as well as short term Bridging Loans with no arrangement fees.
- No penalties for Early Redemption
- No personal guarantees, mostly unsecured lending

EU EaSi Project

Jan 2021 - Dec 2022

- Research to identify gaps and needs in the supply of social finance
- Identify suitable financial instruments to support SE based in EU best practices
- Design an investment-readiness programme for SE
- Pilot a new social finance instrument

Contribute to the development of the social finance sector in Ireland:

- Developing financial instruments for Social Enterprises
- Supporting the investment readiness of Social Enterprises

The Research

Deiric O'Brien and Paula Dolan, DCU

Phase 1: Literature Review and Survey

Phase 2: Workshops

The Final Product

A blended social finance model which includes:

- A repayable loan
- A non-repayable loan
- Non-financial business supports

The result of this product would be to increase the sustainability of start up social enterprises in Ireland.

For who...

- Start-Up with little / no trading record for a new product/ service
- Minimal trustees (one/ two-person entity)
- No collateral
- Low equity participation
- Unattractive to mainstream traditional finance
- Commercial focus excluded from fundraising
- Primarily First Time Borrowing Entities

Role of the Social Lender

Objective

- Provide lending without need for guarantees while minimising the potential for default across the portfolio
- Encourage social enterprises to develop a credit record

Due diligence should at least determine the following criteria

- Social impact
- Business case for success and repayment capacity
- Areas to strengthen organisational capacities in order to improve investment readiness

An example: €50k of financing over 5 years

Rethink Ireland

- €25,000 non-repayable loan
- Non-financial support (value €10,000): The NFS will focus on improving the investment readiness of the selected organisations
- A place on Rethink Ireland Accelerator Programme

Community Finance Ireland

- €25k Repayable Loan with interest
- Unsecured (potentially funded via EASI Credit Guarantee)

The Net Result

- Social enterprise gets €50k funding – 50% non repayable and 50% repayable finance
- Non-financial support (assumed at a value of €10k) i.e. total supports of €60k
- Repays a total of €29,173.89 (int. €4,173.89) over 5 years*
- Social enterprise builds a credit rating – opening access to other sources of future finance
- Blended cost of support @ 3.2%*

*(Assumes rate of 6.25% as at Nov 2022. Variable and subject to change)



Thank You Q&A

National Social Enterprise Conference 2022

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