Impact investing in Europe and links with ESF – the Spanish example

José Luis Ruiz de Munain, Founder and Executive Director, Foro Impacto, Spain
Some data of the Spanish market

### DEMAND
- Division between traditional social economy and emerging trend of social entrepreneurship
- 8-12 leading social incubators and accelerators in creating pipeline of investable social enterprises

### SUPPLY
- Emerging public sector interest with new funds and tools
- In 2019 EUR 80m public funding announced to be investment in II funds.
- Very early stage for institutional investors, who consider the market too risky and lacking investment opportunities

### INTERMEDIATION
- Growing number of impact investment funds
- Emerging initiatives to implement 4 Social Impact Bonds in different Spanish regions.
- No specific regulation for impact investors / Slow take-up of EuSEF regulation → Basque Government the pioneers
- Foro Impacto has convened more than 70 organisations interested in contributing to build the impact investing market

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SRI market
- EUR 185bn (AUM with ESG criteria)

Social economy
- 10% of Spanish GDP

Ethical banking
- EUR 1,3bn (yearly loans)

Foundations
- EUR 5,2bn (annual spending)

Impact Investment
- EUR 90m AUM
Absence of Spain in the GSG - Global Steering Group for Impact Investment

Where was Spain?
We have talent and strong track record to join the GSG…
…WE HAD TO ACT!!!
Impact investing is an investment philosophy that pursues measurable

https://www.foroimpacto.es/grupo-de-trabajo

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Where are we now?

8 May 2018
Announcement of GSG candidature to the GSG

SUPPLY OF CAPITAL
July / August 2018
MADRID

DEMAND OF CAPITAL
Oct / Nov 2018
BILBAO

INTERMEDIATE REPORT
Nov / Jan 2019
BARCELONA

POLICY for CAPITAL
Jan / March 2019
MADRID

10 June 2019
FINAL REPORT
SPAIN JOINS GSG

10 June 2019
FINAL REPORT
SPAIN JOINS GSG

5 RECOMMENDATIONS

1. Strengthen social enterprises through incubators and accelerators
2. Attract public and private funds to catalyse impact investing
3. Relying on the capital and knowledge of foundations to boost impact investing
4. Promote payment-by-results contracts to promote social innovation
5. Create knowledge and market infrastructure to build an impact economy

June 2021
ACTION PLAN IMPLEMENTATION

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Policies for Impact Capital – Example 1

OECD Report and engagement with Spanish Public Sector

In the framework of the process of Spain accessing the GSG, we organised a Public Event sponsored by City Council of Madrid and hosted by Ramon Areces Foundation in partnership with OECD

• Keynote: Gabriela Ramos, OECD Chief of Staff and Sherpa to the G7 and G20

Panel discussions:
• Ana de la Cueva, Secretary of State for Economy and Business Support, Economy and Business Ministry
• Manuela Carmena, Mayor of Madrid
• Karen Wilson: Lead author of the report “The Impact imperative for Sustainable Development”, OECD
• Manuel Escudero, Ambassador of Spain to the OECD and President of the OECD Development Center
• Cristina Gallach, High Commissioner for the UN 2030 Agenda in Spain.

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IFISE project is aimed to target the possible use of Financial Instruments in the area of social economy.

Desk analysis, dedicated training, workshops and exchange of expertise, with the support of experts from national/international financial institutions and from the academia. Main activities include:

- Mapping of the state of the art of existing financial instruments for the social sector in Europe and assessment of good practices.
- Matching between possible FIs and the regional needs, in the framework of the ERDF and ESF regional operational programmes.
- Capacity building activity: in class training on technical and legal aspects; field work on real cases with the support of external experts.

https://www.finpiemonte.it/ifise-project

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Pact for Impact aims to create a Global Alliance to promote and strengthen the Social and Solidarity Economy (SSE) to offer sustainable growth and innovative solutions to meet the challenges facing our planet and its territories.

400 participants
50 countries
1 Prime Minister
20 Ministers
Links between EU funds and Impact Investing

• Although Foro Impacto was born out of the Spanish civil society, public administration in Spain and in Europe have been engaged – with great interest - during the process

• In parallel with the elaboration of the Action Plan, we are giving priority to those recommendations and actions that might be implemented with support of the EU Funds

• We are also working to make sure that impact investing will be a priority within the new programming period 2021-2027 and that the instruments and initiatives foreseen are able to address the challenges of the sector
Recommendation 1

Strengthen social enterprises through incubators and accelerators

- **Current situation:** 8-12 leading social incubators and accelerators in Spain strengthening and training social enterprises
- **Final aim:** Supporting the work of these entities and their capacity to offer technical assistance to develop the full potential of social entrepreneurship and the impact investment market
- **How:** Creation of an alliance of social incubators and accelerators to share best practices, standardise processes and cover the different needs of social enterprises.
- **Potential EU Funds:** ESIF Funds - in particular National ESF - Programa Operativo de Inclusión Social y Economía Social (Technical Assistance)
Recommendation 2

Attract public and private funds to catalyse impact investing

- **Current situation:** Supply of capital for impact investment in Spain is still limited and as a result, the financing needs of social enterprises are often left unfulfilled
- **Final aim:** Catalyse public and EU Funds to lowering the risk of projects and make Impact Investment more attractive for private investors
- **How:** Making use of EU FI - guarantees, blending, equity ... - to catalyse new impact funds and reinforce existing ones - **Important to communicate the availability of those instruments!!**
- **Potential EU Funds:** InvestEU (Financial Instruments) and ESIF (particularly ESF) decentralised FIs
Recommendation 4

• **Current situation:** The use of PbRs and SIBs in Spain is still limited, although some initiatives are being tested

• **Final aim:** Give greater visibility to PbRs that are being implemented in Spain and abroad to raise awareness, and train relevant actors

• **How:** Training public administrations, delivering research and sharing best practices and lessons learnt

• **Potential EU Funds:** TA funds, European Investment Advisory Hub (EIAH) and ESIF (particularly ESF) decentralised FIs

Promote payment-by-results contracts to promote social innovation
Recommendation 5

Create knowledge and market infrastructure to build an impact economy

- **Current situation:** Despite a growing interest in impact investing, Spanish actors from the public, social and financial sectors highlight lack of knowledge on the subject as a big challenge.

- **Final aim:** Having solid and diverse financial and non-financial intermediaries, as well as raising awareness, and training different groups.

- **How:** Studies, communication, training, awareness-raising and impact measurement practices to develop the ecosystem.

- **Potential EU Funds:** TA funds // European Investment Advisory Hub (EIAH)

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OBRIGADO!

www.foroimpacto.es
Jose Luis Ruiz de Munain
jlruizdemunain@foroimpacto.es

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