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SOSTENIBILITÀ PER AZIONI

IMPACT FINANCE IN THE MEDITERRANEAN:

Potential, Gaps, and Policy Failures

SUMMARY

ABSTRACT

This paper explores the role of impact finance as a strategic lever to address persistent social and environmental challenges across the Mediterranean region, encompassing both Southern Europe and the MENA area. The region is marked by common issues such as youth unemployment, climate vulnerability, fragile welfare systems, and underdeveloped financial markets. In this context, impact finance emerges as a promising tool to support the growth and resilience of social economy organisations and to foster inclusive and sustainable development.

The study aims to map the current state of impact finance in ten key countries (MED-10), analyse the dynamics between financial demand and supply for the social economy, identify systemic barriers and enabling factors, and offer actionable policy recommendations. Methodologically, it combines macro-financial analysis, the construction of a Financial Inclusion Index based on World Bank data, and a review of national policies and investment initiatives. It also draws on case studies from countries including Turkey, Egypt, Tunisia, and Greece to highlight local innovations and institutional developments.

Findings reveal that limited access to finance is the primary obstacle faced by social economy actors across the region. Impact investing remains marginal in the MED-10, with MENA countries attracting a minimal share of global impact capital. Legal frameworks are often inadequate, and financial exclusion is widespread outside the EU, curbing entrepreneurial initiatives. Nevertheless, the paper identifies emerging opportunities: from the growing engagement of development finance institutions and philanthropic actors to the rise of crowdfunding, hybrid financial instruments, and pioneering national policies such as Tunisia's legal reforms and Italy's solidarity bonds. These developments, coupled with increasing alignment with global priorities like climate action and youth empowerment, point to a significant potential for impact finance to contribute to a new geography of stability and development in the wider Mediterranean.

This paper, authored by Luigi Gioja and Alessandro Messina, was developed as a contribution to the forthcoming volume *Impact Innovation in The Wider Mediterranean: Designing New Geographies of Stability and Development*, edited by Dario Carrera.

Introduction

From an economic and financial point of view, the Mediterranean region is rich in diversity. Different legal, political, economic, organisational and institutional frameworks are the outcome of diverse historical development trajectories, in turn influenced by a plethora of different factors, that span from cultural and religious traditions to economic networks and availability of natural resources.

However, in the twenty-first century, in spite of their diversity, the lands surrounding the Mediterranean basin across three different continents unsurprisingly share some common trends, traits and, most of all, challenges and needs. Some of them include the management of refugee reception, allocation and integration; the threats posed by climate change and the need for adaptation and mitigation measures as well as for circular economy production models; the valorisation of local traditions, including the handicraft, artisanal and gastronomic sectors; the management of tourism and urban development and regeneration; common unemployment issues, especially concerning women and the youth[1]. This unique combination of trends is complemented by the social needs and challenges which are the same all around the world: healthcare, social inclusion, social support to the disadvantaged, (sustainable) economic development.

In many contexts, especially but not exclusively where state institutions are most fragile, these challenges have been taken up by private organisations, and most frequently actors of the so-called social economy, i.e., organisations aiming at addressing issues affecting society, community and local development (see below for a discussion around the definition of the concept of social economy as intended in this chapter).

Differently than traditional for-profit corporations or state-owned companies, these organisations often face higher difficulties in accessing financial resources from “traditional” sources, such as banks or credit institutions. Therefore, in the Mediterranean area as well as all around the world, social economy organisations become increasingly the target of impact finance initiatives. A simple definition of impact finance may be that of GIIN, the Global Initiative for Impact Investing: «impact investments are investments made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return»[2]. Put simply, one of the goals of impact finance is that of filling the financial gaps of organisations that face challenges in accessing financial resources through traditional channels. Finance is then being asked to make itself ‘useful’: to people, to the environment, to the real economy (the production of goods and services), without sacrificing profit, but not as the sole and exclusive objective.

The idea that finance can be useful to society is not new. It comes from far away, from the first cooperative utopias two centuries ago, and from the many successful experiments in solidarity, ethical and alternative finance that have traversed the evolution of the capitalist market. However, in the past two decades, impact finance has increasingly attracted the interest of institutions and the industry: after the Great Financial Crisis (GFC), British Prime Minister David Cameron announced the creation of the Social Impact Investment Task Force within the G8 in 2013, with the aim of catalysing the development of the social impact investment market. Impact finance as an asset class has then slowly entered the mainstream financial arena: for instance, JP Morgan, one of the world largest financial conglomerates, back in 2010 had already embraced it: «in a world where public and private philanthropic resources are insufficient to address global social problems» - the organisation states - «impact finance offers a new alternative to which large amounts of private capital can be directed»[3]. The financial markets-driven approach to impact finance, well represented by JP Morgan (and others), has become dominant in the practices that have been gradually established over the last decade: in essence, it seeks to adopt the business model and invest in areas which, traditionally, have been dominated by public interventions: agriculture, water, housing, education, health, energy and basic financial services. Therefore, financing (product or process) innovation per se is not amongst the top priorities of large investors. Indeed, from the perspective of Europe, the G8 and the OECD countries, i.e. more advanced democracies, the growth of impact finance is in fact another way of pursuing the reduction of the spheres of intervention of the state, aiming at creating new spaces of "securitised" or "commodified" markets. It is therefore not surprising that in countries with more robust welfare systems, impact finance figures are still very low.

Throughout this study we attempt at mapping the state of the art of impact finance in the Mediterranean area; by taking into account commonalities and differences of the countries making up the region, we analyse the demand and supply of financial resources for the social economy organisations of the area, while highlighting challenges, opportunities and elements of innovation of impact finance practices in the area and its contribution to the development of social economy. By Mediterranean area, we refer to Southern Europe (SE) and Middle East and North Africa (MENA) countries with a direct access to the Mediterranean basin.

First, we provide an overview of the macroeconomic and financial diversity of the area. Throughout this section we will focus on the following 10 Mediterranean countries: Albania, Algeria, Egypt, Greece, Israel, Italy, Morocco, Spain, Tunisia, Turkey, whose aggregate we will call the MED-10. Second, we move our focus over the demand for financial resources by the Mediterranean social economy organisations. Third, we try to highlight key features of the impact finance supply for the Mediterranean social economy, also offering some examples of innovative initiatives in place. Lastly, we summarise common potential challenges and opportunities.

The diverse financial and macroeconomic landscape of the Mediterranean basin

Considering the Human Development Index (HDI) calculated by the United Nations Development Programme (UNDP), the aggregate of the 10 countries analysed at the end of 2002 had an average rank of 65.3 (out of a total of 193 monitored by the UNDP), slightly worse than in the previous year. This average is heavily influenced by the five countries with 'very high human development' scores (above 0.8), which alone account for an average rank of 32.5. These are Israel (25th in the world), Spain (27th), Italy (30th), Greece (33rd) and Turkey (45th). The remaining five countries have an average rank of 98.6, ranging from Albania's 74th to Algeria's 93rd, Tunisia's 101st, Egypt's 105th and Morocco's 120th.

Human Development Index (value)

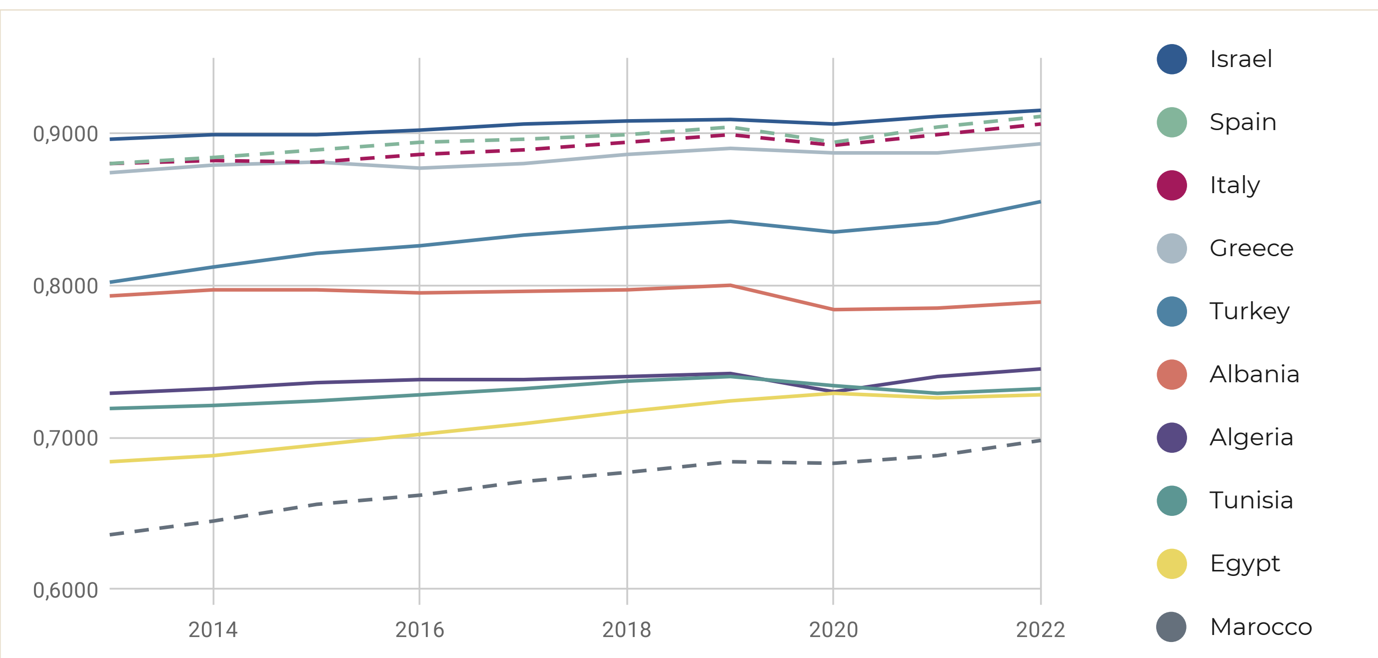


Figure 1. *HDI for MED-10 countries. Elaboration of the authors. Source of data: UNDP.*

These figures tell us about a region highly heterogeneous and diverse, particularly divided along the border between the Eurasian and African continents.

Market and financial ecosystems

Such diversity is clearly noticeable also when considering the broad financial and market structure of the MED-10 countries. There are several factors that need to be taken into account as preconditions for stimulating (impact) investments and (social) entrepreneurship, i.e. the conditions for their development:

- that the rules and market structure are conducive to entrepreneurial initiatives in frontier areas, favouring free enterprise and the most innovative approaches (disruptive social innovation);
- that there is sufficient availability of private resources to be allocated where public resources are not forthcoming (private capital markets);
- that the financial market structure is efficient in designing its strategies and combining the risk/return ratio of this type of investment, also in relation to the traditional alternatives available, such as government bonds or the stock market (impact strategy);
- specifically for impact finance and social entrepreneurship: that economic agents are able to identify and assess (at least partially) the economic value of the positive or negative externalities of these new activities (potential return on impact).

In general, although there are many differences (Israel is quite different from Italy, which is quite different from Egypt or Morocco), the MED-10 panel does not present characteristics that appear particularly favourable for the development of the four conditions above.

Firstly, the regulatory, cultural and fiscal environment in the countries under consideration does not appear to be particularly conducive to the development of private entrepreneurial initiative. According to the World Bank's Doing Business report, half of the MED-10 countries score below 70 (out of 100), with Egypt below 60 and Algeria below 50.

Ease of doing business score
(0 = lowest performance to 100 = best performance)

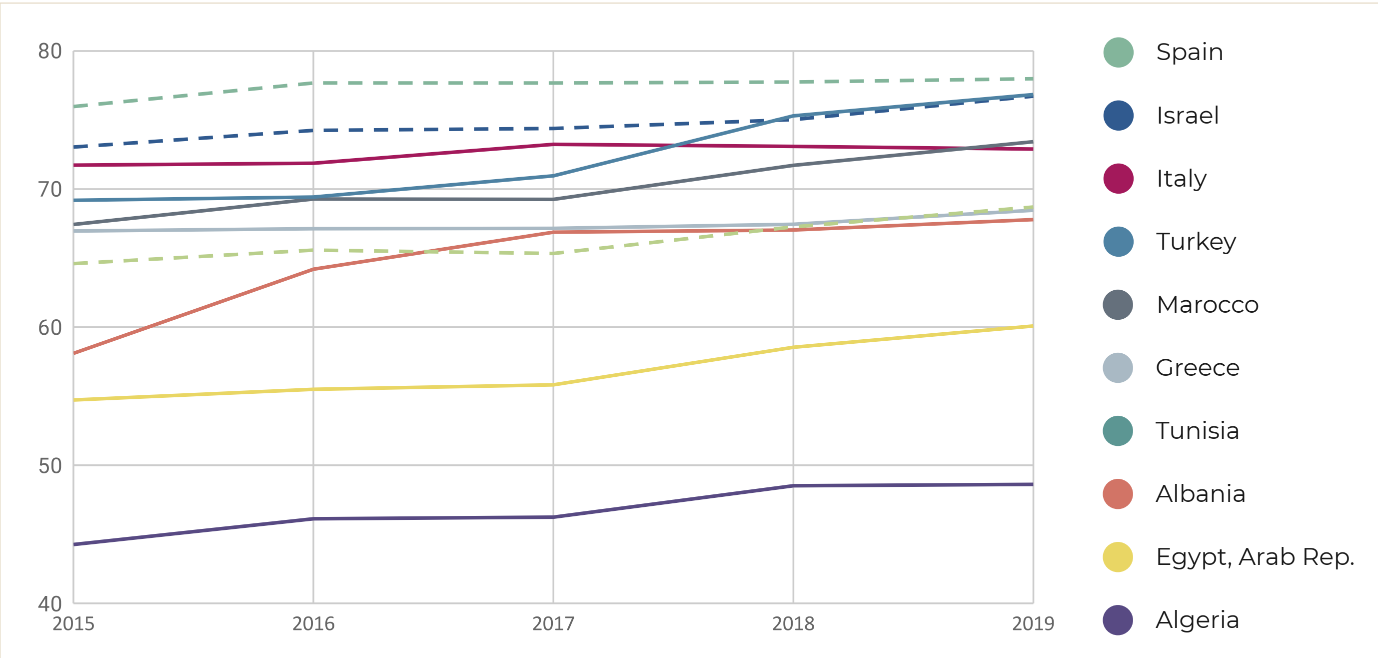


Figure 2. *Ease of doing business score. Authors' elaboration. Source of data: World Bank.*

The trend over the last ten years for the whole panel shows no significant improvement, with the exception of Turkey, Morocco and Albania. Such low scores on this index imply excessive bureaucracy, high and non-transparent costs, high levels of perceived corruption, low levels of competition and, in general, conditions that discourage the development of any private initiative.

Such poor context is exacerbated by an underdeveloped private capital market landscape, with the exception of Israel, which, however, has special connotations and is almost an "isolated" system even in relation to other neighbouring economies. The stock markets of Italy and Spain are among the least developed in Europe. In any case, together with the Turkish market, they are far more developed than the others in the panel. If we look at the indicator of the total value of shares traded as a percentage of GDP, we see that Greece, Egypt, Tunisia and Morocco are well below 10%, which shows how thin, i.e., low in volume, the financial market is.

Stocks traded, total value (% of GDP)

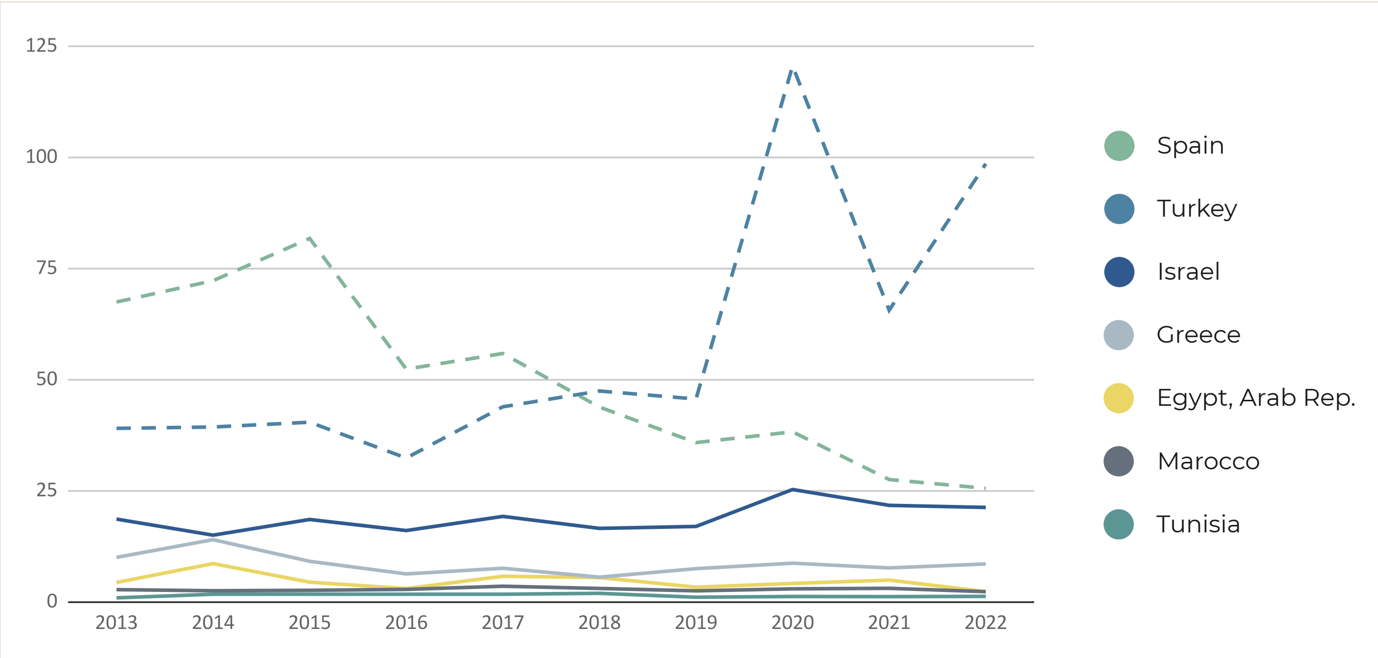


Figure 3. *Total value of stock traded as a percentage of GDP. Authors' elaboration. Data source: World Bank.*

Typically, when capital markets are poorly developed, the main financial actor becomes the bank, which, when things are going well, also plays the role of quasi-equity investor, an area that should be the prerogative of other categories of investors (investment funds, business angels, etc.), but when markets are less dynamic, it inevitably becomes a kind of wall against which the financial needs of companies, especially the smallest ones, come up against.

In Italy, a traditionally 'bank-centric' country, the share of enterprises that use banks for financing is around 53%, which seems too high compared to more efficient countries where it is typically below 50%. But in many other countries in the panel, the figure is around or below 25%, indicating high barriers to access formal channels for raising finance.

The declining role of credit in promoting development is a structural phenomenon in all Western economies, at least since the GFC. The Bank for International Settlements (BIS) calculates the credit to GDP gap for the world's major economies. This indicator shows that, with the exception of China and Japan, there is a structural tendency for the banking system to under-finance the economy. This is certainly the case for Italy and Spain, among other European countries.

Firms using banks to finance investment (% of firms, 2021)

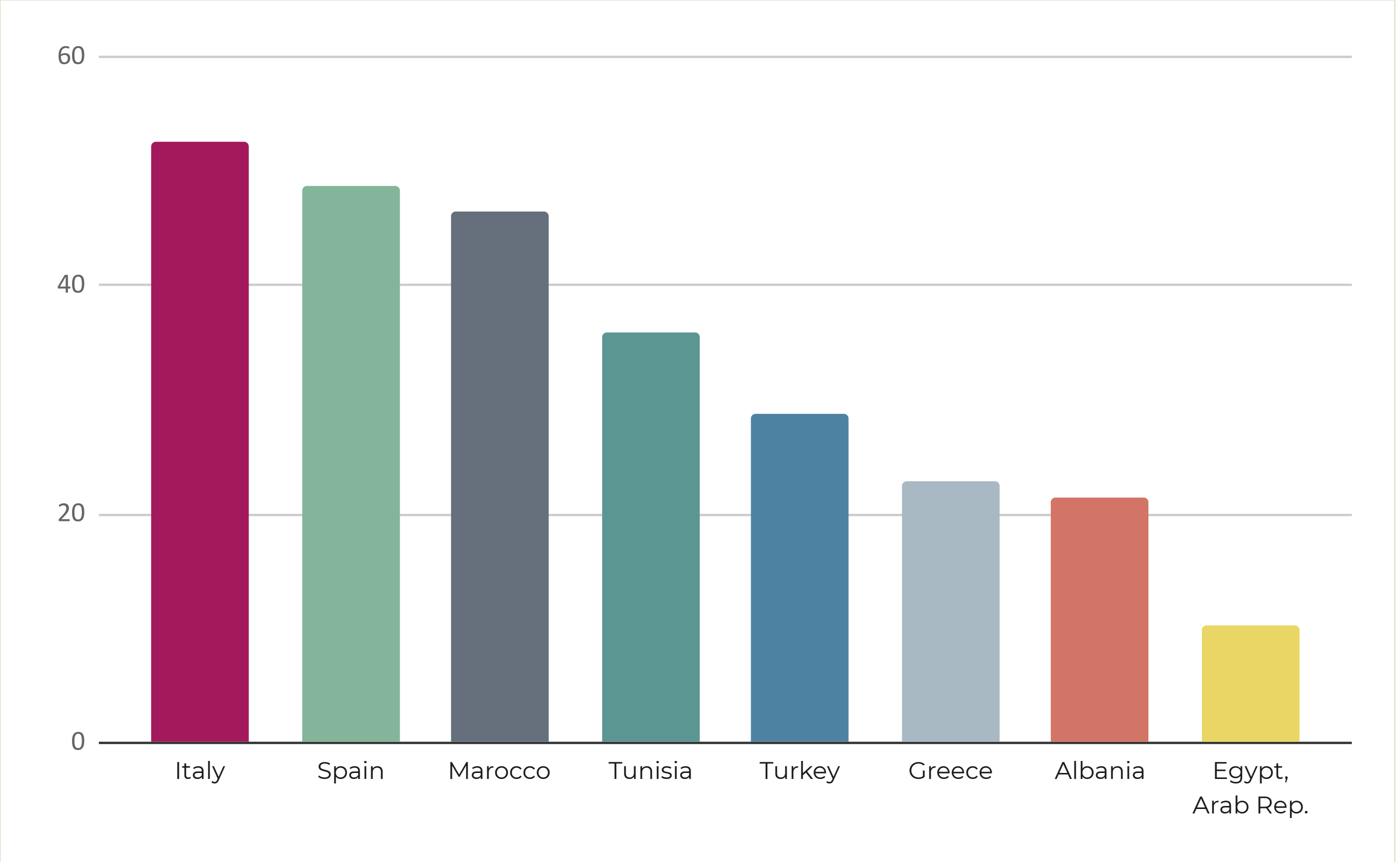


Figure 4. *Firms using banks to finance investment. Authors' elaboration. Data source: World Bank.*

However, even using a less sophisticated indicator such as the World Bank's ratio of credit to GDP, the same phenomenon is observed. In this case, it should be extended to the other MED-10 countries.

Credit levels close to or below 50% of GDP represent a serious situation of credit rationing, which is certainly not conducive to the development of new capital markets, such as impact investing. Which, it should be noted, includes both equity and debt.

Domestic credit to private sector (% of GDP)

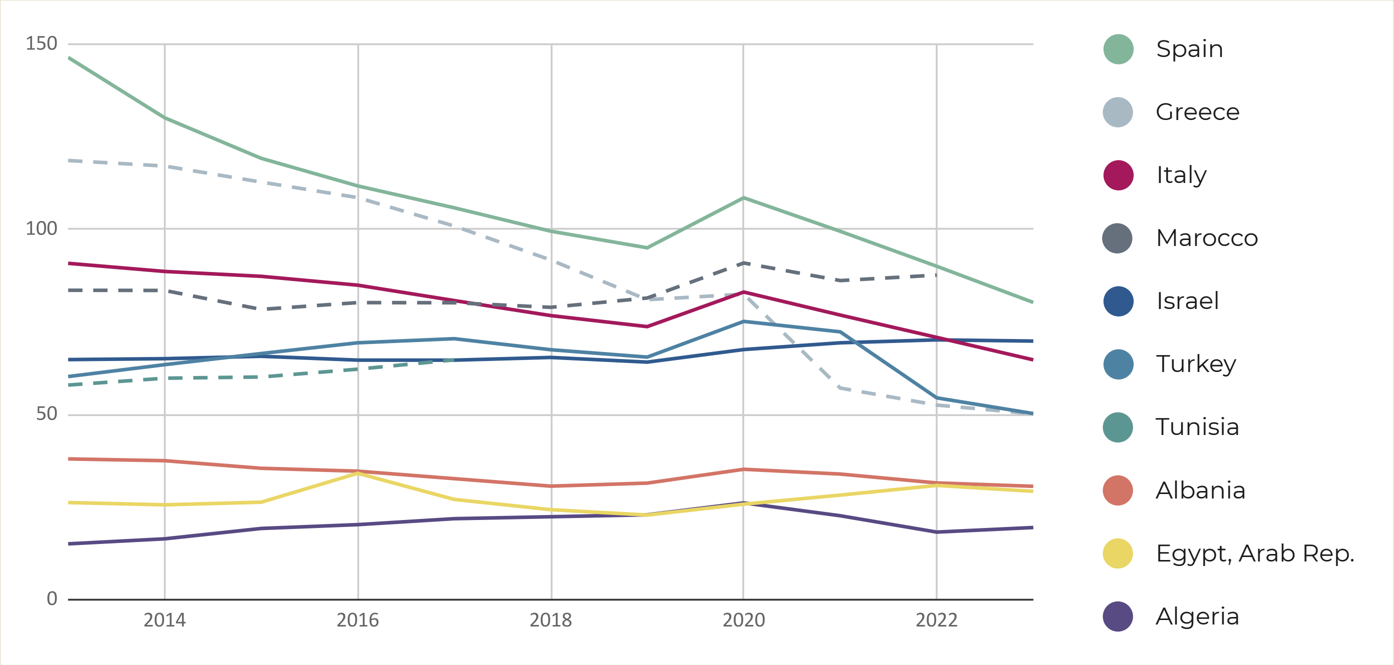


Figure 5. *Share of domestic credit to private sector as a percentage of GDP. Authors' elaboration. Data source: World Bank.*

If private markets do not seem to offer many prospects for the development of business-oriented impact finance, a similar argument can be made for the driver of public-private cooperation. In fact, such a government-led strategy often helps to attract private resources to complement public ones, to bring in project expertise not otherwise available, and to address areas of market failure. This can be the case for physical infrastructure (transport, energy, water), but also for services (health, welfare, education). It could therefore also be a driver for the development of impact finance.

However, numbers are not encouraging. If we add up the data provided by the World Bank on public investment 'with private participation' and 'public-private partnerships' in energy, ICT, transport, water and sanitation for the MED-10 countries, we obtain average values of less than 2% of GDP, which does not seem to indicate, at present time, the potential for legal conditions, culture, practices and administrative tools that could favour the development of forms of impact finance.

PPP Infrastructural Investments (GDP %, AVG 2013-2022)

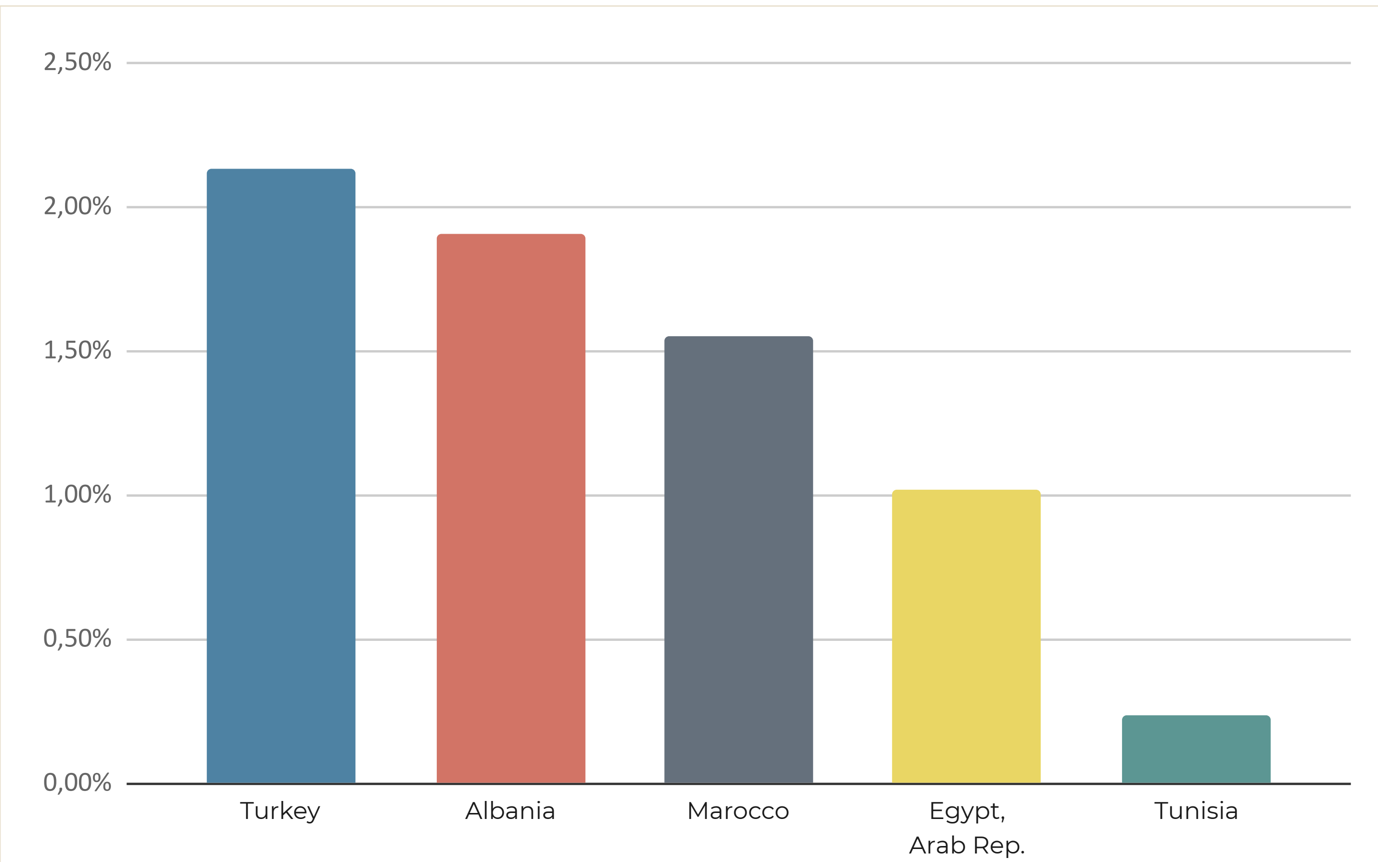
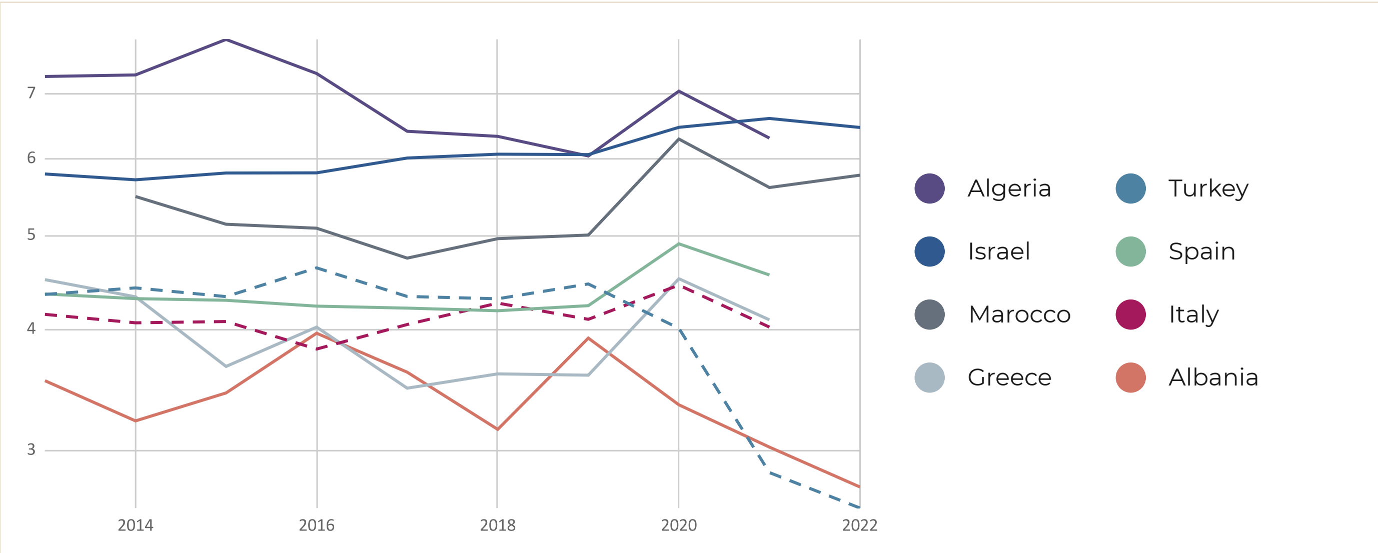


Figure 6. *Public-private partnership (PPP) infrastructural investments as a percentage of GDP. Authors' elaboration. Data source: World Bank.*

Moreover, the evolution of public expenditure in the MED-10 countries in recent years (2013-2022) is diverse. When looking at healthcare expenditure, if we do not consider the exogenously-led surge in 2020 related to the COVID-19 pandemic, the trend appears generally negative: only Greece and Turkey appear to have a (weak) upward trend before 2020. Education shows similar trends, with more pronounced negative tendencies: apart from Israel, Spain and Morocco, the panel has significantly reduced government spending on education between 2013 and 2022. Turkey reports a reduction of almost 35%, Albania 15%, Algeria 14%, Greece 9% and Italy 3%.

Government expenditure on education (% of GDP, log scale)



Domestic general government health expenditure (% of GDP, log scale)

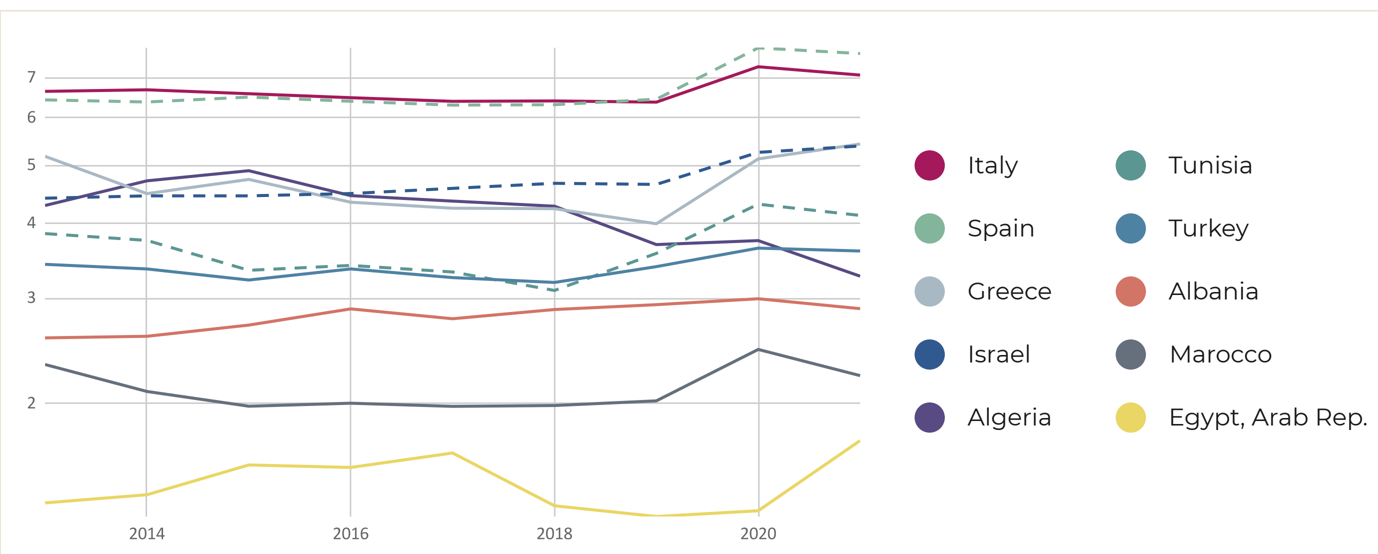


Figure 7-8. *Domestic public expenditure in healthcare services as a percentage of GDP. Authors' elaboration. Data source: World Bank.*

In short, it seems reasonable to state that all the countries of the MED-10 panel, although they differ in terms of the size of their economies and the structure of their public policies, are experiencing a situation of gradual reduction in public expenditure linked to social needs, as in the case of health and education. In theory, this could be an area of interest for the growth of private finance focused on social or environmental improvement objectives, although so far this phenomenon has not manifested itself significantly.

Financial inclusion

A healthy degree of access to financial services and financial inclusion is central in order to enable the emergence of social economy organisations and entrepreneurial activity in general. There is a causal, direct link between financial inclusion and economic growth, also in terms of poverty reduction, entrepreneurship and, broadly speaking, in societal well being and UN SDGs achievement[4]. At the microeconomic level, access to financial services has a positive effect on employment and on household consumption, and stimulates the local economy[5]: when individuals are integrated into the financial system, they gain the ability to enhance their health, invest in education and businesses, and make decisions that positively impact their entire families. Financial inclusion also benefits governments: incorporating large segments of the population into the financial system through methods like digitising social transfers can reduce government expenses and minimise losses, creating widespread societal benefits[6]. Compared to other global regions, the MENA area still lags behind in terms of financial inclusion and availability of financial services. We built a basic, synthetic index to measure and assess financial inclusion in the Mediterranean countries subject to this study, with unsurprising findings.

Drawing upon other studies considering measures of financial inclusion in the MENA region[7], we considered 10 variables with differentiated weighting to compute a generalised measure of financial inclusion for the following list of countries: Albania, Algeria, Egypt, Greece, Italy, Jordan, Lebanon, Morocco, Spain, Tunisia, Turkey and the average OECD value as a benchmark. We employed the most updated World Bank data for each country and variable.

Table 1 shows and describes the 10 variables employed as well as the relative weighting for the final computation of the index.

#	Variable	Weight	Comment
1	Account (% age 15+)	20	Positive weight; access to an account has been identified as the single most important factor for financial access.
2	Borrowed any money (% age 15+)	15	Positive weight; access to credit from any source (including informal ones) is a highly positive factor.
3	No account because financial institutions are too far away (% age 15+)	-5	Negative weight; this and the following variables have been weighted equally as they reflect different potential factors hindering access to an account.
4	No account because financial services are too expensive (% age 15+)	-5	Negative weight.
5	No account because of a lack of necessary documentation (% age 15+)	-5	Negative weight.
6	No account because of a lack of trust in financial institutions (% age 15+)	-5	Negative weight.
7	No account because of insufficient funds (% age 15+)	-5	Negative weight.
8	Saved any money (% age 15+)	10	Positive weight; the ability to save any money (not necessarily through formal accounts) is still a positive indicator.
9	Saved at a financial institution or using a mobile money account (% age 15+)	15	Positive weight; the ability to save money through a formal institution or a mobile money account is a stringer variable for financial inclusion.
10	Most worrying financial issue: money to pay for monthly expenses or bills (% age 15+)	-15	Negative weight. This variable has been intended as a proxy for overall financial distress.

Table 1. *List of variables and relative assigned weightings employed to compute the financial inclusion index. Authors' elaboration. Variables refer to those used by the World Bank.*

Table 2 presents the financial inclusion index (FII) values for each country; "AVG ex. EU" refers to the average value of all non-EU countries, i.e. all countries except Greece, Italy and Spain. World Bank does not report values for the EU countries relative to the reasons of not having a financial account, possibly because of the very high rate of financial account ownership in such countries and therefore those data may have scarce statistical significance.

	Albania	Algeria	Egypt	Greece	Italy	Jordan	Lebanon
FII	14,32	14,65	7,75	32,24	41,20	10,63	1,47

	Morocco	Spain	Tunisia	Turkey	AVG ex.EU	EU countries
FII	15,08	40,72	15,25	21,74	12,61	43,90

Table 2. *The financial inclusion index for each of the countries assessed. Authors' elaboration.*

The different FIIs highlight the high difference in access to financial services for the two 'groups' of countries, i.e., those in the EU and those outside the EU. However, Greece's data somehow show an intermediate degree of financial inclusion relative to the two state groups, possibly as a result of the financial crisis and consequent austerity policies put in place to safeguard the state finances with respect to the sovereign debt crisis the country underwent from 2011 onward. The country with the lowest FII is Lebanon, followed by Egypt. Broadly speaking, Lebanon has the lowest values for all the considered variables, with the exception of variables 3, 5, 8, 10. Jordan is the country with the highest percentage (37%) of people that has money to pay for monthly expenses or bills as the most worrying financial issue, i.e., the factor we intended as a proxy for day-to-day financial stress. On a similar account, it is interesting to note that in Egypt, 66% of people has no financial account because of insufficient funds, another red flag for day-to-day financial stress. However, for all non-EU countries, lack of insufficient funds is the main reason for not opening a financial account, underlying a generalised degree of financial stress for such countries. Another interesting aspect to highlight is that Spain has the second highest value for the day-to-day financial stress proxy, something surprising considering the other data points. This may imply a low PPP (purchasing power parity) level, poorly aligned with goods' and services' prices across the country, also potentially indicating a high level of economic inequality; further research may be needed to better understand such dynamics.

See below Table 3 to appreciate all the figures and values.

Variable (#)	Albania	Algeria	Egypt	Greece	Italy	Jordan	Lebanon	Morocco	Spain	Tunisia	Turkey	AVG ex.EU	EU members
1	44,17	44,1	27,44	94,88	97,29	47,12	20,7	44,37	98,3	36,85	74,09	42,35	97,19
2	42,69	37,59	46,44	47,73	58,9	53,53	31,18	57,04	57,91	50,58	64,98	48,00	65,33
3	9,8	5,53	5,67	0	0	5,19	2,96	10,78	0	7,96	6,27	6,77	0
4	17,45	12,62	16,24	0	0	15,55	22,69	15,12	0	13,67	13,72	15,88	0
5	5,46	22,85	5,13	0	0	5,78	5,23	11,48	0	9,15	12,92	9,75	0
6	9,47	10,68	4,5	0	0	6,78	30,37	8,15	0	11,53	9,97	11,43	0
7	44,32	38,77	66,6	0	0	53,11	61,46	52,46	0	48,79	21,02	48,31	0
8	31,79	45,69	20,79	45,02	72,74	24,14	16,5	34,69	78,13	44,69	20,45	29,84	77,19
9	9,66	16,05	4,24	26,49	48,87	4,28	2,59	7,65	53,53	14,79	9,78	8,63	59,06
10	8,16	15,06	16,73	15,84	11,31	37,09	21,67	13,75	23,16	12,24	20,96	18,20	12,8

Table 3. *All the single values for each of the countries assessed, unweighted. Authors' elaboration. Data source: World bank.*

Impact finance

There are no official country statistics on impact investing. However, there are some national studies and the cited global studies published by JP Morgan through the Global Impact Investor Network (GIIN) since 2010. These are partial, based on sample analyses, and the absolute values they express should be taken with great caution. They do, however, provide an adequate picture of the growth of the phenomenon and its distribution across geographical areas of investment.

These are grouped into the classic macro areas: Latin America, Sub-Saharan Africa, South & Southeast Asia, Eastern Europe & Central Asia (EECA), Middle East & North Africa (MENA), USA & Canada, Western Europe (WE), Oceania.

We have therefore plotted the available GIIN studies over time and estimated the relative weight of the countries that make up the MED-10: in other words, we have extrapolated the share of the aggregates provided by the GIIN in relation to the population (an indicator that we consider to be more meaningful in terms of social impact than other possible indicators, such as GDP). We have therefore taken into account 35.68% of EECA (weighting the population of Albania and Turkey), 44.64% of MENA (for Algeria, Egypt, Israel, Morocco, Tunisia), 13.02% of WE based on the population of Greece and the already available estimates of the size of impact finance in Italy ($9.9 billion[8]) and in Spain ($1.3 billion[9]).

In absolute terms, the amount of assets under management (AUM) invested in the focus countries is less than $43 billion, around 6 per thousand of the total GDP of the same countries. And it represents less than 7% of global impact finance AUM, much more concentrated in the US & Canada (21%), South & Southeast Asia (18%), Latin America (14%) and Sub-Saharan Africa (13%).

These data clearly show how the Mediterranean area has been so far underfinanced when considering impact finance, both in terms of total stock and growth rate.

Social economy and the demand for (impact) finance

The terms 'social economy', 'social entrepreneurship', 'third sector', 'solidarity economy', 'non-profit', 'mutual and cooperative economy', 'micro- and small entrepreneurship', 'community organisations' are often used interchangeably to refer to private organisations that aim at creating social value for the communities they serve.

Size and growth of the impact finance market (mm $)

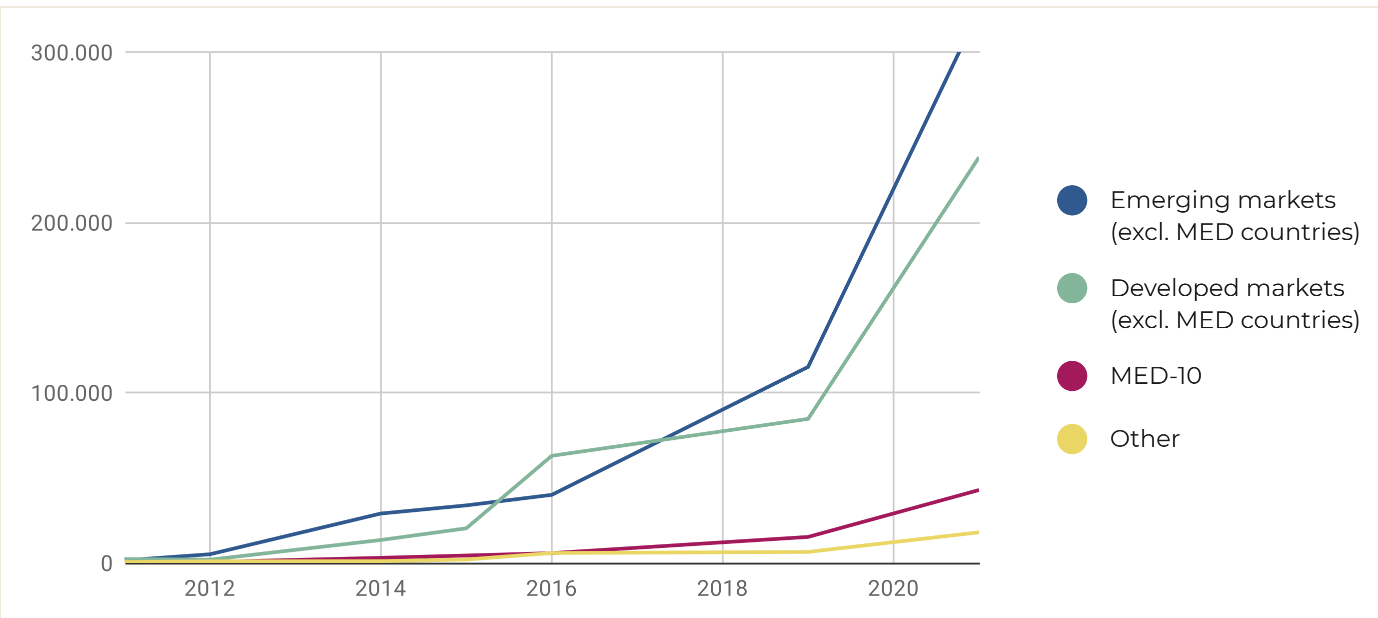


Figure 9. Evolution of impact finance market over time, expressed in Million $. Authors' elaboration. Data sources: GIIN, Polytechnic of Milan, SpainNAB.

Aware that there is a variety of approaches and an ongoing debate around the necessity for and provision of a clear definition for the above-mentioned concepts[10], for the scope and goals of this research we will employ the umbrella term 'Social economy' to refer to all those organisations, groups, and entities that incorporate an element of societal added value at any stages of their organisational and/or business model, while seeking to generate a positive impact on society: being cooperatives, SMEs, impact-driven startups, informal mutual aid groups, foundations or NGOs, we consider them part of the social economy arena, whatever their organisational settings, objectives, financing structures and dimensions.

More specifically, throughout the chapter, the term ‘social economy’ is used to refer to:

‘Social and solidarity economy’ as defined by the ILO: “enterprises, organisations and other entities that are engaged in economic, social and environmental activities to serve the collective and/or general interest, which are based on the principles of voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence and the primacy of people and social purpose over capital [...]”[11]

and

‘Social entrepreneurship’, or ‘social business’ as intended by Muhammad Yunus (Peace Nobel Prize laureate in 2006) whose primary mission “is to address a social need and solve human problems” while harnessing “the power of business”[12].

While the latter may be intended as a subgroup of the former, we explicitly highlight these two concepts to underline that we are agnostic in relation to the for- or non-profit model when referring to social economy organisations.

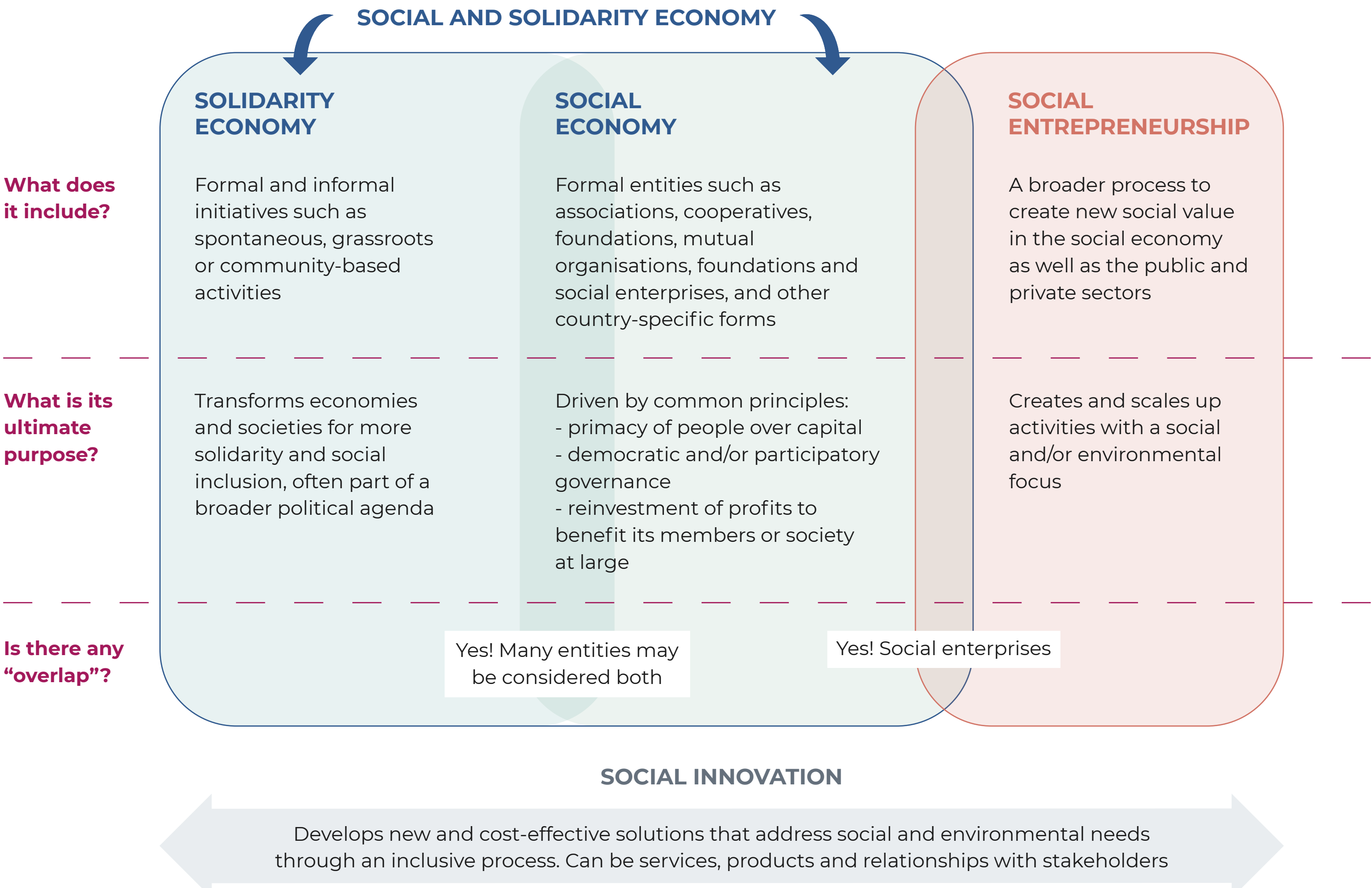


Figure 10. *A representation of the social economy spectrum. Extracted from: OECD (2023), "What is the social and solidarity economy? A review of concepts", OECD Local Economic and Employment Development (LEED) Papers, No. 2023/13, OECD Publishing, Paris.*

Being it more on the non-profit side of the spectrum or on the for-profit one, organisations in the social economy arena face high barriers to finance and in securing financial resources.

Cooperatives, for example, due to their governance structures, are typically excluded from capital market financing. Although the governance systems employed by social economy organisations (SEOs) doesn't outright prevent them from accessing external funds, it imposes additional burdens, mainly higher capital costs, as cautious lenders apply a risk premium. Furthermore, the prioritisation of social and environmental benefits over profit maximisation, especially for non-profit organisations, constitutes a rationale often at odds with the objectives and business models of conventional lenders. Similarly, even social enterprises which adopt a for-profit model while attempting to generate a positive impact, may encounter issues in accessing traditional financial services due to their very nature, which might involve low profit margins especially at an early stage; however, they definitely have higher access to resources than their non-profit peers, especially when considering equity or quasi-equity investments, often inaccessible to the other types of SEOs[13].

Furthermore, many SEOs, especially in developing countries such as those in the MENA area, share two additional common problems with 'traditional' SMEs in accessing financial resources. First, high transaction costs: for the lender, appraising and monitoring investments for a social economy organisation typically implies the same costs as for larger transactions; however, since returns are riskier and proportional to the size of the transaction, managing this type of deals tends to be more costly compared to those involving larger, commercial enterprises. Second, lack of investment readiness: SEOs often struggle to effectively engage with local commercial banks and investors to achieve positive outcomes, failing - most of the times because of lack of skills, expertise or education - to understand and meet the specific needs and expectations of investors.

Moreover, many grant funding programs further complicate the financial landscape by prohibiting SEOs from generating a surplus, which is often essential for building adequate working capital or financial reserves. The absence of these reserves makes SEOs vulnerable to cash flow fluctuations and unprotected against the time lags between funded programs[14]. For example, according to a 2023 survey about Tunisian, Lebanese and Egyptian social entrepreneurs, 64.5% of the respondents stated that they faced cash flow issues for the operations and development of their social enterprise[15].

Moreover, the heavy reliance on public sector subsidies and grants by many SEOs exacerbates the difficulty of securing stable, affordable, and flexible financial resources. As a result, financial concerns remain a significant issue for SEOs, regardless of their country, legal structure, or sector of operation.

Ultimately, several factors affect the demand/supply chain of capital for SEOs: the governance type; the legal type; the function (or mission); the range of products and services provided; the life-cycle stage; and the actual funding needs, both in terms of "quantity" (amount of capital needed), and "quality" (the type of capital needed: patient capital, short term capital, loans, etc.). This is also due to the fact that the majority of SEOs are labour intensive, therefore the type, quality and planning of investments is very peculiar, affecting the demand for financial resources. This mismatch - or market failure - between demand and supply of finance has prompted the rise of investors willing to provide the necessary funding for SEOs to pursue their dual mission.

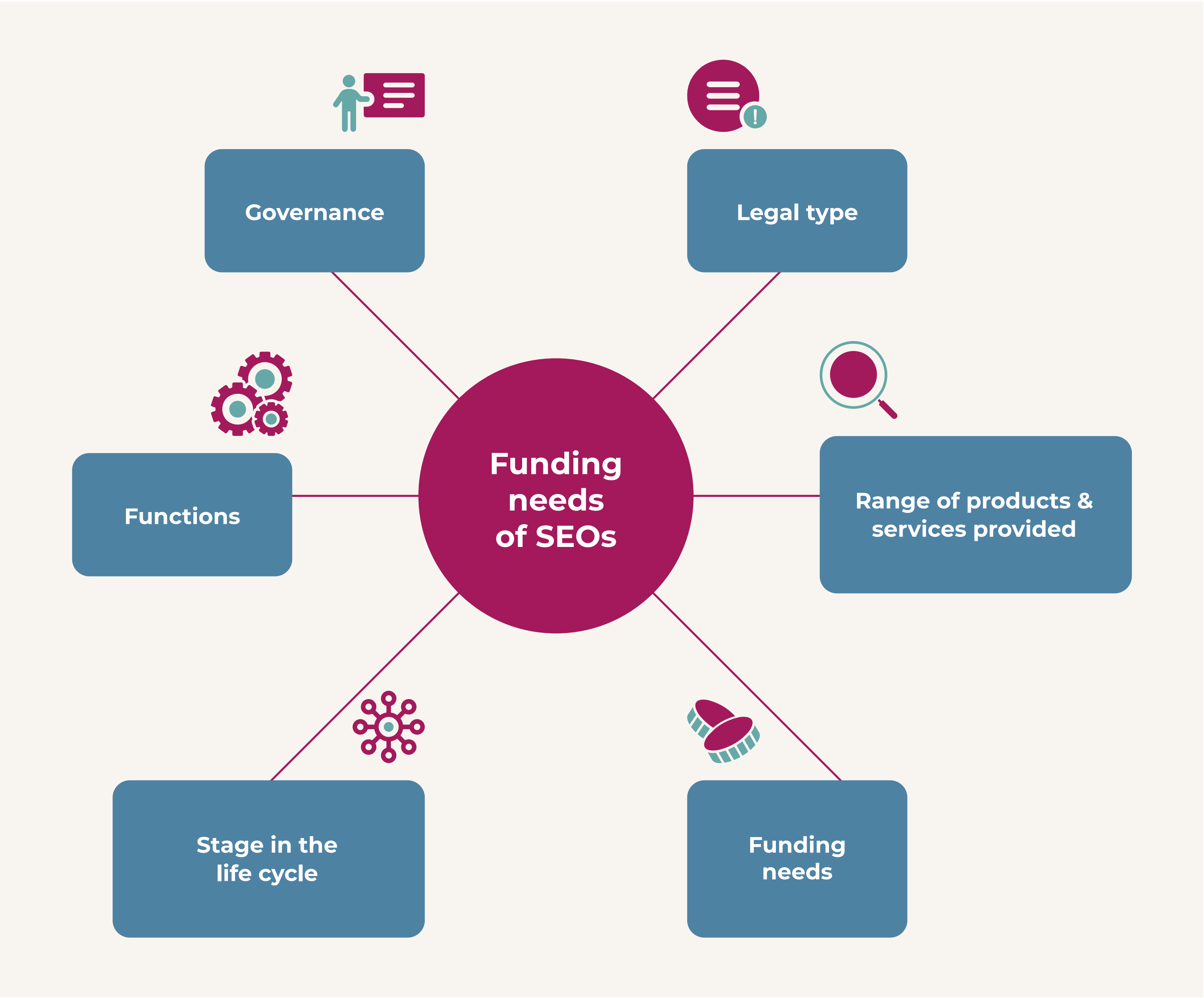


Figure 11. *The different factors affecting the diversity of SEOs funding needs. Extracted from: Ojong 2015.*

The (impact) finance supply for the social economy: issues, models and examples from the Mediterranean

The concepts of 'impact finance', 'impact investing', 'social finance', 'venture philanthropy', 'patient capital', 'sustainable finance', and alike terms are also often used interchangeably, especially in non-specialised literature. Beyond the definition provided by GIIN (see the first paragraph above), Hockerts et al.[16] attempt to delineate a more accurate definition of impact investing by proposing six defining dimensions, in line with the literature produced so far on the topic:

1. Intentionality: the ex-ante intention of generating impact as an objective of the investment along with financial returns.

2. Additionality: the capacity of the investment to generate impact that would have not been otherwise possible. This is an especially problematic concept, as it leaves room for investors to adopt tailored counterfactual analyses which may let emerge 'impact washing' practices.

3. Contribution: the practice of engaging with investees by providing non-financial support.

4. Materiality: materiality refers to the socio-environmental elements deemed to be relevant to assess the impact (to be) generated, possibly in an open dialogue with stakeholders.

5. Measurability: the socio-environmental impact (to be) generated shall not only be part of theory-of-change narrative, but it shall also be tangible and measurable.

6. Attribution: another problematic and potentially 'risky' dimension, attribution refers to the tracing of the 'source' of impact, i.e., the actor(s) that contributed to the impact generation and that may therefore gain a reward on such basis.

While we understand that setting better defined boundaries to impact finance practices is especially useful in order to prevent 'impact-washing' risks as well as the sub-optimal allocation of resources for the target organisation or beneficiary community, the financing channels for the wider social economy sector are not limited to private impact investments.

Indeed, the role played by the public sector is key in providing channels to financial resources for SEOs: generally speaking, many SEOs, especially those in the non-profit arena, heavily rely on public contributions, being them direct subsidies and grants, or indirect forms of financial support, such as tax credit, guarantee schemes, public-private partnerships, etc. The public sector plays also a pivotal role in shaping national policies for the development of the social economy, but also as a catalyst for international capital, including development banks' contributions.

Other forms of financing have also emerged. The evolution of ICT systems and fintech application now allows SEOs to employ crowdfunding platforms to collect funds from large, international audiences. Similarly, membership-based organisations may count on membership fees amongst their financial revenues. At the same time, donations may also be central for the financial running of social economy organisations, especially non-profit ones: they could be either coming from philanthropies and large donors, or from regular citizens. Most of the times, SEOs rely on a mix of these financial sources. Thus, we refer to impact finance by considering all the possible channels and financing modes that allow to overcome the 'market failure', i.e., the gap between supply and demand for finance for the social economy - even if not all the 6 criteria delineated above are met.

Private equity and debt financing

The typical equity impact investing scheme in such context is adherent to traditional private equity configurations, where investors (LPs, limited partners) provide capital to fund managers (GPs, general partners), who invest into portfolio companies, aiming however - and that is where the main difference between traditional and impact investing resides - not only at financial returns, but also at generating positive societal impact on the beneficiary communities (see fig. 12).

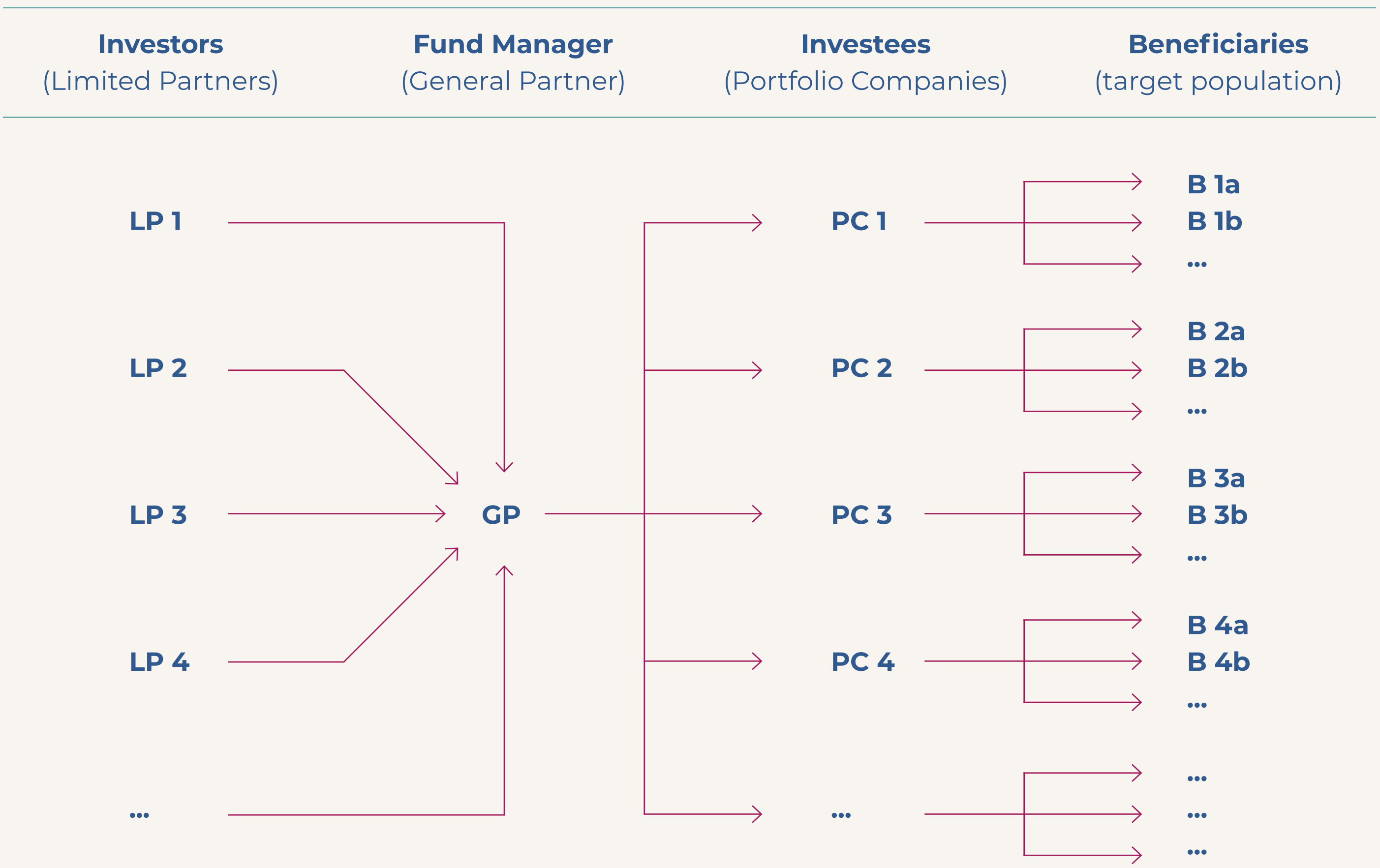


Figure 12.

However, especially for the so-called impact-only investors, i.e., those that engage only in impact investing, such financial returns may be below market rate returns: according to the 2023 GIIN impact investing survey, 74% of impact investors seek risk-adjusted market rate returns, while the rest settle for below-market-rate returns, either closer to capital preservation (12%) or closer to market rate itself (14%)[17]. The investment allocation between market rate and below-market rate obviously depends on the type of investor: figure 13 shows that institutional investors are those least likely to engage in below-market rate deals, possibly also in relation with the fiduciary duty to their clients; on the other hand, foundations and philanthropic organisations, which usually assume semi- or fully charitable missions, are those reported to be the most engaged in below-market rate impact investing.

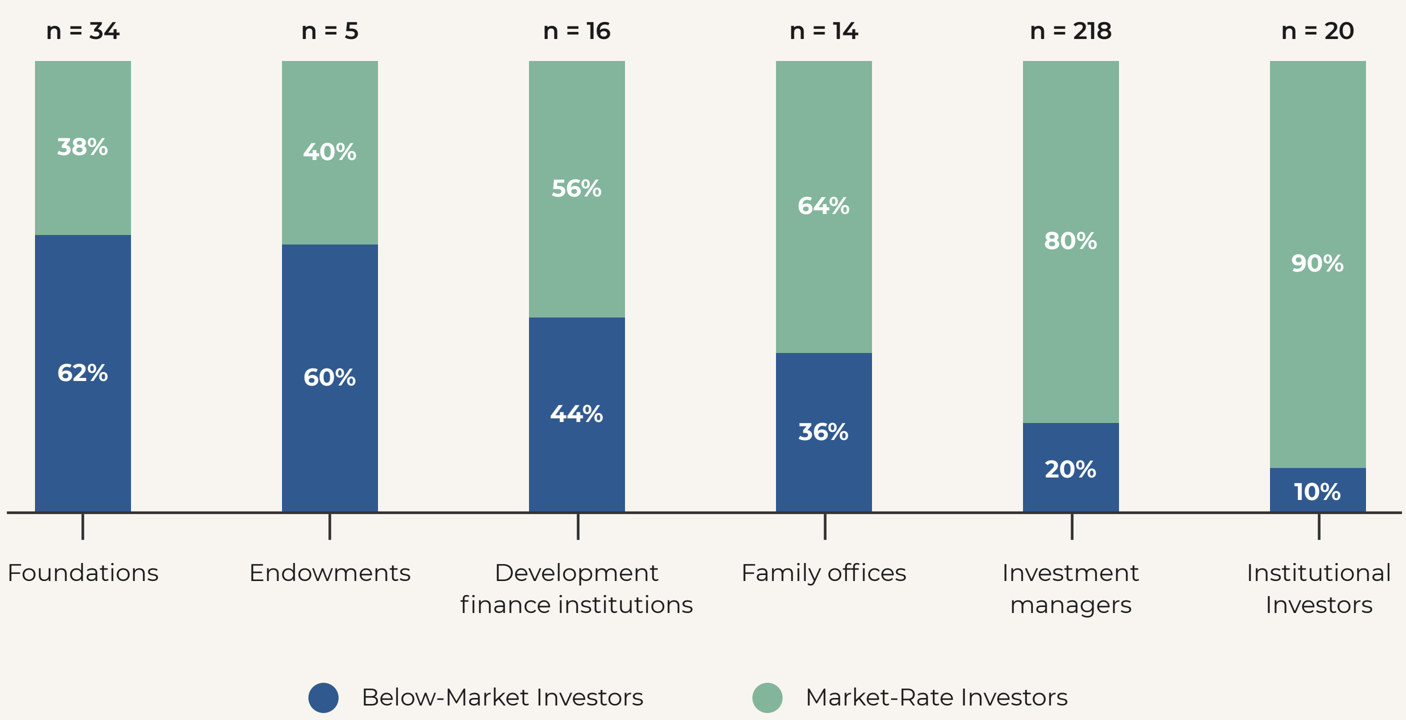


Figure 13. *Target financial returns by organisation type. Extracted from: GIINsight report, GIIN, 2023.*

While equity or quasi-equity finance may bring about certain issues and potential contradictions - most importantly, pressures from new shareholders leading to mission drift for SEOs - debt finance is definitely the most used form of financing beside grants and public subsidies. Equity financing may imply long-term wealth maximisation for shareholders; something which may be at odds with the very mission of SEOs, even when equity deals do not involve dividends disbursement or shareholders' voting rights. At the same time, equity financing may be complex and expensive for SEOs, especially to raise and administer funds.

On the other hand, debt financing allows for more flexibility with respect to loan terms and time horizons, more autonomy in fund management without fears of losing control and/or getting funding flows cut out, and in general it allows SEOs to work with more independence. However, accessing debt financing may be challenging, especially for non-profit SEOs or for those organisations with low income generation levels: particularly with traditional banks and credit institutions, being eligible for a loan may also require a solid asset base (to be used as collateral, for example). This is also due to the so-called 'the middle gap': while there is often abundancy of seed funding and technical assistance programmes for early-stage and micro- or small-size SEOs, there is a middle funding gap between seed (up to $400k) and B+ series ($1 million+). This further hinders social entrepreneurs' capacity to scale and prove effectiveness in front of investors, regardless of the investment type (equity, debt, or hybrid)[18]. These are some of the reasons why social finance credit organisations exist: to provide debt capital at reasonable terms and possibly with innovative models for SEOs, being them microfinance institutions, ethical banks, mutual banks, or, for example, foundations providing "patient capital".

Quasi-equity financing, i.e., the combination of grant or loan with equity shares, to be paid back depending on the (impact) performance of the organisation, stands somewhat in the middle.

In Turkey, the impact investing arena is still at an infant stage. The main issue, according to the country's Impact Investing Advisory Board (EYDK) - a membership organisation acting as national advisory board (NAB), charged with steering Turkey's national strategy to promote impact investing - is the lack of awareness regarding impact finance across the investment community. Up to now, impact-related investments in the country have been dominated by financial development institutions (FDIs). Organisations such as the World Bank (WB), the European Investment Bank (EIB) or the European Bank for Reconstruction and Development (EBRD) have channelled large resources devoted to projects with a clear social or environmental impact. For example, in 2019, EBRD approved a €50 million loan to agribusiness company Sütaş to support the development of an integrated production facility in Bingöl, Eastern Turkey. This greenfield project, which includes dairy farming, processing, feed production, and renewable energy generation, aims to create over 1,000 jobs in the region. The investment focuses on two key impacts: fostering economic inclusion by offering training and skills to local workers in a less-developed area, and promoting environmental sustainability through improved energy efficiency. Turkey is also home to a dynamic banking sector, whose awareness about impact investing and the social economy is growing: in 2018, the European Investment Fund (EIF) and Fibabanka entered into an agreement under the EU Employment and Social Innovation Programme (EaSI), making €20 million in loans available to Turkish micro-enterprises with a social impact. This loan scheme, offered on favourable terms, is expected to benefit 5,000 micro-enterprises struggling to access financing. In general, Turkey has a vibrant (social) entrepreneurship scene, with more than 9000 social enterprises, with 65% of them being reported to face difficulties in accessing financial resources[19]. This may also be due to the fact that the PE and VC sector in Turkey is underdeveloped, especially for early-stage organisations. The most active impact-only VC fund in the country is Istanbul-based Ideacapital: positioning itself as Turkey's first impact investor, it aims to address the country's impact financing gap. Since its launch in 2016, its fund size reached $17 million in 2023, with around 75% of its investor base made up of institutional investors[20]. Turkey appears to have a large, emerging potential as a social economy hub, also due to its especially young population; however more needs to be done to generate awareness across investors and entrepreneurs regarding SEOs.

Similarly, Egypt has a growing potential for the development of social economy and impact finance. The country is home to several PE and VC funds, which boost the innovation potential of the country: as of 2016, Egypt ranked second after Morocco at 40% (USD 960 million) in terms of the percentage share of PE deal value in North Africa[21]. Nonetheless, these deals are poorly focused on the social economy sector, and mainly on hi-tech startups. This may also be due to the lack of legal or political recognition of SEOs in Egypt, as they register as either commercial, for-profit organisations or as non-profit organisations. The situation is steadily improving with greater involvement from various stakeholders, including government initiatives to establish impact funds, growing interest in social entrepreneurship among youth, and the development of a dynamic support ecosystem. Key capital suppliers in the country include organisations such as USAID, the the Gates Foundation, IFC, Abraaj, Sawari VC, Endure Capital, Egypt Ventures, Willow Impact, Grofin. In 2022, Catalyst Private Equity launched Egypt's first EGP 1 bn (around $20.5 million) impact investing fund in collaboration with UNDP, with the aim of investing in SMEs with a clear and measurable social and/or environmental impact. The fund's LPs include some of Egypt's biggest institutions such as Misr Insurance, Post for Investment, Banque du Caire, and Ahli United Bank.

Interestingly, Islamic financing plays a significant role in Egypt's impact capital, largely due to the country's majority Muslim population, with Islam as the state religion. One key principle of Islamic financing is Zakat, a mandatory charitable contribution from the wealthy to support the poor. Traditionally, this amounts to 2.5% of a Muslim's total savings above a certain threshold. In Egypt, a specialised state institution manages Zakat funds, directing them toward projects that benefit the poor and generate social impact. While this funding shares similarities with impact investments, there is no expectation of financial returns from Zakat contributions.

Moving to Europe, for Greek SEOs access to finance remains the hardest challenge, be that obtaining grants and loans for seed capital and/or to sustain everyday operations' cash flow. This condition is especially crucial when considering that the vast majority of Greek SEOs are early-stage organisations, with several new actors emerged after the economic crisis and the social agitations relative to the 2011-2015 period[22]. According to a survey conducted by Social Enterprise UK and European Village in 2017 across 1200+ Greek SEOs, the main source of funding resides in project-related grants (e.g. from EU-funded programmes and projects) and in-kind donations; only 10% of the respondents mentioned equity as a source of financial stream, and even less (7%) referred to loans. This dramatically shows the need for alternative sources of finance. However, in more recent years Greece is evolving into a vibrant and dynamic innovation ecosystem, being able to count on beneficial conditions for investment attractiveness as well as on a high-level human capital: according to a report by Found.ation and EIT Digital[23], VC investments in the country have risen from less than €50m in 2018 to a peak of €670m in 2021; latest figures for 2023 report a stream of VC investment worth €485m, with a decline in line with global trends, but still a relevant figure for Greece[24]. Impact investing is also slowly emerging: the HIIN (Hellenic Impact Investing Network) is a new-born organisation, registered in Greece only in 2021 and obtained in 2023 the accreditation of National Advisory Board from the GSG international forum. The organisation aims at fuelling impact investing by working on strategic partnerships, awareness-raising, and provision of technical support to relevant players. Considering the recent outstanding growth of VC funding in the country, it is reasonable to expect a growth of impact capital in the coming years.

Another initiative worth mentioning is the Spanish CESGAR (*Confederación Española de Garantía Recíproca*) network: a mutual credit guarantee scheme providing a 100% counterparty risk cover leaving the bank with only the function of funding provider and interest rate risk manager. It has been transposed to developing countries in Latin America (El Salvador, Argentina), which took over the architecture of the system.

In this arrangement, the Mutual Guarantee Company fully covers the unpaid credit of a defaulting entrepreneur. However, in exchange, it holds collateral provided by the entrepreneur and assumes responsibility for managing the associated risks. This includes determining when the entrepreneur is no longer creditworthy and initiating the process of calling in the loan or reporting the default. As a result, the company is also responsible for enforcing the collateral to its own advantage. This model requires the guarantor to have a comprehensive and efficient logistical system, enabling it to independently oversee the loan, manage and assess the value of the collateral, and initiate legal action against defaulting debtors. The Spanish mutual guarantee company ESKARGI SGR, part of the network, has focused its investment approach on the social economy sector, supporting SEOs' credit access.

The role of the public sector

Private impact finance is not the only channel for social economy financing. Policy-makers and the government also play a major role: many SEOs heavily rely on public funding not only in their start-up or scale-up phase, but also for their day-to-day operations. In Italy, for example, SEOs active in social and educational services get as much as 80% of their financial resources from public sources[25].

In general, the public sector is crucial in shaping the access to resources for SEOs under different forms: first, as the main actor shaping the overall legal-institutional framework that may facilitate (or hinder) the development and economic sustainability of social economy organisations (SEOs); second, as funding body for social economy activities, through direct financing (e.g. grants, or public procurement programs), indirect financing (e.g. subsidies, tax credit), or other forms or non-financial support, e.g. provision of education, training, business services, incubation; third, as an enabling or de-risking financial partner to the private sector, i.e. by participating in co-financing mechanisms, by setting up credit guarantee schemes, or by engaging in more complex financial structures, such Social Impact Bonds (SIBs); lastly, they often play a crucial role in setting up agreements and deals with development financial institutions (DFIs), such as multilateral development banks, national development banks, or microfinance institutions (MFIs).

Under this perspective, Tunisia represents a virtuous example of a proactive public sector able to incentivise the development of SEOs. With more than 33 thousand SEOs in June 2020[26], the Tunisian government passed the bill on social and solidarity economy, becoming the first country in the MENA region to implement a legal and regulatory framework that recognises and supports SEOs. The newly adopted framework, beyond the formal recognition of SEOs, aims at establishing dedicated financial infrastructures and credit lines for SEOs with the support of public finances. Moreover, the law encourages the development of private impact and social finance initiatives, such as microfinance and impact private equity funds. On top of that, the Tunisian social economy framework establishes substantial tax advantages for SEOs.

It is worth mentioning that the Tunisian government has also been able to successfully cooperate with the ILO, which, beside acting as a technical assistance partner when drafting the social economy bill, in 2019 has launched the JEUN'ESS programme in the country: with the aim of supporting the development of the social economy and especially to promote youth employment, ILO has set up three investment funds, targeting social enterprises and organisations at different stages of development and thus facilitating access to financial resources.

Noteworthy is also the innovative finance instrument established by the Italian Government in 2016 in order to promote access to finance for SEOs; more precisely, the framework was designed to support only non-profit organisations. After the wide-ranging reform of the legal and policy framework for the third sector adopted in 2015, the Italian government, through law 106/2016, introduced the so-called ‘solidarity bonds’. These are innovative bonds dedicated to banks and credit institutions which, upon the issuance of the security, can collect capital to be then dedicated to finance non-profit organisations. The subsequent credit lines dedicated to non-profit SEOs shall have reasonable conditions; at the same time, both the bond issuer (the bank, for example) and the investors can benefit from relevant tax incentives, therefore promoting the employment of such new instruments.

The Egyptian government has also become an active player in financing impact capital for SEOs. To support these enterprises, the government provides technical assistance and offers incentives to investors targeting high-priority welfare and social sectors. Additionally, it has partnered with donors and the private sector to establish funds that invest directly in SEOs or support ecosystem providers aiding their growth. Notably, in 2017, the government and UNDP signed a letter of intent to create Egypt’s first National Impact Investment Fund, aimed at co-investing in companies focused on poverty reduction, employment generation, and renewable energy. Another example is the Bedaya fund, a $17 million private-sector-led initiative that invests in SMEs, with a focus on clean tech and greenfield projects in remote areas. Similarly, Egypt Ventures, a $25 million fund launched by the Ministry of Investment and International Cooperation in 2017, supports accelerators, venture capital firms, and startups that promote socio-economic development, using a blended financing model.

Countries’ governments can also support or directly establish credit guarantee schemes to favour SEOs’ access to finance. Credit guarantee schemes (CGS) have emerged as a key tool, utilised by governments and development institutions to overcome challenges faced by SEOs and SMEs in accessing credit, including: high cost, limited supply, complicated application procedures and collateral requirements. CGSs mainly aim at reducing credit risk, making their financing more available and affordable by also reducing risk premiums. In the region, there are two good examples of state-supported CGSs:

- The Jordan Loan Guarantee Corporation has existed since 1994 as a public limited company with a registered capital of about €7 million;
- SOTUGAR in Tunisia is a CGS adopting a hybrid approach, with portfolio and individual guarantees, with no cap set for required collateral.

While they do not explicitly target the social economy sector, they provide special support to projects that contribute to achieving certain development goals or energy efficiency and cleaner production.

International funding for the social economy shall not be overseen, both as direct funders and as technical assistance providers. Country governments play a key role in facilitating the attraction of such resources and in defining development framework agreements with the donors and implementing organisations; to this aim, it is also crucial to develop responsive and well-equipped public structures able to manage international funding programmes and resources.

EIB has launched the FEMIP Trust Fund targeting the Mediterranean region (Algeria, Egypt, Palestine, Israel, Jordan, Lebanon, Morocco, Tunisia, and Libya): the fund offers a number of financing facilities that vary depending on the size and development stage of the company/project to finance, including a special private equity vehicle.

In general, the national policies put in place by the Moroccan government represent an example of setting an ambitious policy framework to propel the social economy and attract international funding from development banks; at the same time, they resulted to be partially ineffective in filling the legal/regulatory gap that Moroccan SEOs face and that hinder their development, as today they still lack a proper legal framework.

Social economy-related Moroccan public policies are the result of a long process of co-construction and cooperation amongst different stakeholders, including international ones[27], paving the way for making the social economy sector a leverage for social emancipation. Today there are more than 130 thousand associations, more than 27 thousand cooperatives and no less than 63 mutual insurance organisations; among them, more than 2000 are female-led cooperatives (around 13.5% of the total, with an increasing trend), mainly focused on artisanry and agriculture[28]. The first, important step has been taken in 2005, with the launch of the National Initiative for Human Development (INDH): then, in 2010, the national strategy for the social and solidarity economy has been deployed: a ten-year plan aimed at developing the sector through targeted funding and as a framework for international cooperation agreements with European countries (France, Belgium, Spain, USA, among others).

The social economy ecosystem in Morocco today is built around an economic model based on various private and public structures, with public funding targeting in particular marginalised communities and social innovation projects.

In this perspective, the Moroccan government has launched a number of specific initiatives:

- The creation of a *Centre d'Incubation et de Recherche-Action en Économie Sociale et solidale* (CIRA-ESS), based at Casablanca University.
- More recently, the MOAZARA programme, which aims to help finance innovative projects for the benefit of development associations, networks and cooperatives.
- The signing of 30 partnership agreements with the Regional Councils, which based on two programmes: one for capacity-building for players in the social economy sector and the other for promotion and marketing activities, including trade fairs, travelling markets, marketing platforms, etc.
- The signing of partnership agreements with 5 universities with the aim of creating a Masters-level training course in social innovations and setting up incubators to provide support for young project leaders.

Crowdfunding

There are other forms of financing for SEOs. By leveraging on digital technologies and, in some cases, on fintech technologies, crowdfunding has spread rapidly in the past two decades, becoming a solid alternative to other forms of financing and a global market worth 19.8 billion USD[29]. Crowdfunding platforms have emerged as a potentially significant source of funding for both business ventures and philanthropic efforts[30]. They have expanded more rapidly than other financial innovations and have become specialised to the extent that they now focus on particular sectors, including socio-environmental impact initiatives[31]. The emphasis on impact over pure profit boosts confidence in these social economy projects, encouraging collaboration in their funding[32]. In the realm of social entrepreneurship, crowdfunding thrives because investors prioritise the social and/or environmental impact of the projects they choose to support: prosocial motivations underpin their participation in the campaign[33], since when individuals know that their contribution will make an impact, they are more likely to support crowdfunding projects financially[34].

Drissi and Angade[35] studied the use and effectiveness of the crowdfunding financing model for social economy organisations in the Souss Moussa region, in Morocco. They surveyed 20 organisations active in social, cultural and environmental sectors: three foundations, six associations and eleven cooperatives. Beside detecting that access to finance represented the main obstacle for project development for all the organisations, the study found out that these entities were facing difficulties also in accessing crowdfunding platforms: the lack of legal recognition for these types of platforms and source of financing expose beneficiaries to potential legal issues which may represent an even heavier financial burden. However, 13 out of the 20 organisations made use of crowdfunding, with different success ratios.

Turkey, on the other hand, between 2017 and 2018 has fully incorporated crowdfunding in its financial regulation, allowing SEOs to access Turkey-based platforms to raise money. In 2023 only, 15.7 million USD have been raised through crowdfunding in Turkey[36], showing a promising fundraising avenue for the local social economy.

Donations and membership fees

Donations can also have a large impact on the social economy and shall not be overlooked. Italy represents a virtuous example: according to the 2023 Italy Giving Report by the Vita Magazine, in 2020 more than 6.7 billion EUR have been donated by Italian taxpayers (data have been extracted from income tax declaration papers), with more than 252 million EUR donated by corporations. Thus, the report highlights the role played by regular citizens in contributing to the development of the social economy, increased with time also thanks to the digitalisation and automatisation of donation procedures[37].

Many SEOs also employ membership-based models, where their associates shall donate a small fee to be part and/or support the organisation. This type of funding is extremely agile and supportive, as it allows for autonomy, flexibility, iti is often tax-deductible and it is not time-bounded; however, it usually represents a very small amount of SEOs' liabilities[38].

Challenges and opportunities ahead

Despite the significant financial, macroeconomic and institutional diversity between the countries in Southern Europe and those in the MENA region that we highlighted, there are some common Mediterranean traits related to the impact finance arena: some of them may be extended to the whole impact investing industry; others are specifically related to the areas we investigated.

In general, Mediterranean countries' SEOs find high barriers in accessing impact capital. The impact investing industry is largely underdeveloped when compared to other global regions, with poor supply and often scarce financial awareness on the demand side. Indeed, while the Mediterranean social economy sector is dynamic and well-established, SEOs report 'access to finance' as the main barrier to their growth in several of the Mediterranean countries. This is strictly related to a number of other factors:

- Inadequate regulatory and legal frameworks for the social economy, which hinder the development of the sector and capital flows directed to SEOs;
- Poor financial literacy of social entrepreneurs, which undermine the path to 'investment readiness' and the global awareness of financial instruments and opportunities;
- The heavy reliance on public subsidies, public funding, philanthropy capital and/or on development institutions' programmes and funding;
- Underdeveloped markets, including stock exchanges;
- Generally poor access to financial resources through 'traditional' channels, such as bank credit;
- Widespread financial exclusion in the MENA region;
- Last but not least, the common poor resilience of the Mediterranean countries to exogenous macroeconomic shocks - especially relevant for those countries with higher political and institutional instability - which may further hamper impact finance supply.

Moreover, according to the latest impact finance report by GIIN[39], the MENA region is the global region that receives the least amount of impact capital flows: according to the survey, only 3% of total AuM of the respondents are invested in MENA countries. Furthermore, the region has registered a negative CAGR equal to -0.4% between 2017 and 2022.

At the same time, we witness some positive trends that may propel the flow of impact capital in the region. First, impact finance is globally becoming more and more mainstreamed across institutional investors and especially among asset managers, particularly for pension funds and insurers: there has been a 18% CAGR between 2017 and 2022 of total AuM deployed for impact investing[40]. Worth of mention is also the growing trend affecting private debt as an impact investing instrument, with a 101% CAGR between 2017 and 2022. Second, there is an ongoing shift of impact investors towards emerging markets, something which could benefit the MENA region[41]. According to the GIIN report, 36% of the survey respondents declared the intention to increase their share of invested assets in MENA countries within the next five years[42]. Third, impact investors are increasingly looking to invest in the climate transition, a highly relevant theme for the whole Mediterranean region and the social economy. Fourth, the so-called ‘brain re-gain’ may definitely represent a strong stimulus for the development of SEOs: the mediterranean region is strongly affected by waves of ‘brain drain’, with thousands of young people leaving their home country every year; this is especially true for countries in the MENA region, where someone turned to the term ‘diaspora’ to tell the massive outflow of skilled, young labour force from the area[43]. However, if supported by the right policies and institutional frameworks, re-attracting the lost brains flown away may serve as an important trigger for new social venture as well as an element of attractiveness for impact capital. Lastly, the emergence of fintech solutions is already positively impacting the emergence of new instruments for SEOs’ fund raising.

Overall, despite the poor development of the sector so far, there appears to be a promising avenue for impact finance growth in the region, especially in developing countries: with growing awareness on the public sector side, and the development of new social ventures, new sources of impact capital may reduce the funding gap in the future; however, it is key not to underestimate the relevance of all the other enabling factors that impact the whole social economy industry.

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