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# TEACHING HOW TO CATCH FISH

Social impact investing has been commonly understood as the repayable transfer of money with the aim of creating positive and measurable social impact. Though more frequently used in the Western economies, the trend is slowly becoming more and more present in CEE countries as well.

Specifically, when talking about the social impact investing in Slovakia, the trend has arrived with the launch of the European Social Fund that dedicated a package of 20 million euro aimed to be invested in social enterprises in Slovakia.

In Slovakia, the general mindset of NGOs, non-profit organizations, foundations or social enterprises is very much focused on preparing and applying for grants, raising non-repayable funds and asking donors for donations to support their organizations.

Of course, grants and donations are a very good way of supporting (mainly, but not only) charitable organizations, however they have certain limitations. For example, in the instance of a crisis, such as the one we have witnessed during the past two and a half years, the first budget cuts are in grants and donations, especially set aside for socially focused projects of donors or large corporations. Grants also do not provide regular

income for social services that need to be supplied every day – whether it is housing, health or education.



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So, in order to have a good ESG strategy of an enterprise, a sustainable and well-planned financial model for the future is absolutely necessary. This may sound trivial, but what we have encountered throughout our discussions with NGOs and organizations is that they would like to become financially more independent, but they do not know how.

And this is the kind of mindset we are trying to change with our social impact fund CB ESPRI Impact One, the first social impact fund in Slovakia.

It is a privately managed fund and is supported by the government-owned Slovak Investment Holding. Its team is composed of investment and social impact professionals.

The fund's goal during the years 2022 and 2023 is to invest into socially impactful and beneficial projects that have a positive measurable impact. The word measurable is important, because we have to look at the metrics which are able to give us an overview of what the targeted portfolio company looked like before the investment and what it looks like after the investment. This can be e.g. measured in the number of employees with lower education being employed; or people from marginalized groups in Slovakia, such as the Roma community.

The fund's secondary goal is to try and change the mindset of many who still view social enterprises as those without a future of generating profits. Though the fund is relatively young (fully operational since April 2022), our team has already reviewed more than 300 potential candidates to receive the funding, among which many have already generated some profit, but seek further investment to escalate growth.

To provide some examples of what a social impact investment portfolio may look like, I would like to introduce some of our recent deals.

The term social entrepreneurship has first been coined by the US entrepreneur Bill Drayton who used this term in the 1980s. The ideology supports practical ideas that solve social, cultural or environmental issues through a business enterprise, and it seeks social impact rather than business profit.

One of the companies is a very traditional social enterprise that offers cleaning services whilst employing a socially disadvantaged group of people, who would otherwise be less likely to find a job in a very competitive labor market, or in places where job offers are scarce. Our investment will help them obtain technological equipment to be used for their laundry room which will offer cleaning services for local hotels, social housing institutions and others. They can offer more affordable prices compared to their competition since a big part of their employee salaries is reimbursed by the state (as they hold a status of a registered social enterprise).



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Another example is a company whose employees make gift baskets, even

from home, thus respecting the individual limitations of every employee. They aim to expand the products of small traditional entrepreneurs who are looking for Slovak producers focused on traditional Slovak food and recipes, or other traditional products such as Slovak ceramics or candles. They also provide administrative services to smaller companies. Lastly, they plan to expand the portfolio of their services to include cleaning services and services for decorative and useful gardening.

The third example is a company whose product measures people's basic health functions and delivers its product to countries with a poor level of healthcare. Thanks to their product being delivered to even the most rural areas in the developing countries, their impact can be measured in a number of lives saved thanks to an adequate and timely diagnosis.

To conclude, in order to have a successful ESG strategy, first you have to have a business model that will at least assume the company's financial independence. Secondly, an enterprise shall be able to measure its social impact.

One could summarize our efforts by using the quote of Mr. Bill Drayton, who says that with social entrepreneurship, you do not just give fish, but you teach (the social enterprises) how to catch fish.