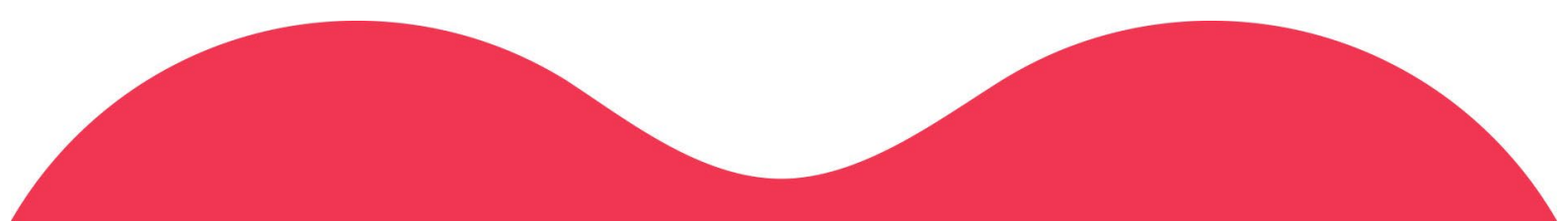


10/03/2023

# **InvestEU programme – interim evaluation**

Legal Affairs Committee



## I. About Philea and philanthropy sector

Philanthropy Europe Association (Philea) nurtures a diverse and inclusive ecosystem of foundations, philanthropic organisations and networks in over 30 countries that work for the common good. We unite over 10,000 public-benefit foundations that seek to improve life for people and communities in Europe and around the world. We are pleased for the opportunity to provide input into the interim evaluation of the InvestEU programme.

Philanthropy has a crucial role to play in addressing Europe's challenges. There are, across the continent, more than 147.000 foundations, some small/some large/some local scale or global. Together they account for €60 billion of annual giving and €511 billion of assets and endowments. What they have in common is that they all use their own financial and non-financial resources for the public good.

## II. Key comments on InvestEU Interim Evaluation

As representatives of the philanthropy and foundation sector, we want to highlight the dual role of foundations: We are part of the social economy and at the same time, part of our sector also supports/invests in social economy actors, which sometimes happens alongside the EU and other public support.

### **InvestEU considered as a great opportunity**

We welcome the InvestEU Programme with its InvestEU Fund, InvestEU Advisory Hub and InvestEU Portal. We considered these collectively as a great opportunity to mobilise more investments into the social economy and into societal issues via different policy windows. Furthermore, we also welcomed this as an opportunity to stimulate more engagements with the philanthropy and the foundation sector via new co-investment and co-granting opportunities for the philanthropy/foundation sector on issues of common concern.

### **Call to move ahead with co-investment facility for foundations mentioned in SEAP**

Especially for the asset allocation of philanthropic endowments, new tools/funds/vehicles could be developed to potentially attract foundations to invest part



of their endowments into financial instruments. We were hence pleased to see that the Social Economy Action Plan announced the development of a dedicated co-investment facility under InvestEU, which however has still to be put into concrete action. We hence call on the EU and EIB/EIF to now develop the co-investment facility as a pilot to stimulate the co-investment space for philanthropic resources. Philanthropic organisations have the potential to come in and co-invest/partner within the InvestEU instrument in any of the four windows, if suitable financial products were designed. The InvestEU Fund with the EIB, EIF or national banks as implementing partners, has the potential to de-risk, at least partly, foundations' investments through the design of products, or the development of tools within a co-investment facility. [The study on philanthropic donations](#) as announced in the Social Economy Action Plan and delivered by the EIB Advisory Hub paves the way for the development of new innovative financial tools.

EU instruments could potentially offer a complementary mix between non-financial support, financial support via the programme side, or asset allocation/investment money. The EU guarantee should also be used to design financial products with a lower risk to make it more attractive for foundations to support social economy enterprises and their scaling up. Mission-related asset allocation should be further promoted as a means to boost the development of the Social Economy in Europe, given their well-demonstrated multiplying effect.

## **Involve the foundation/philanthropy sector in a more structured way around InvestEU**

It is important to ensure that foundations and philanthropic investors are made aware of new opportunities around InvestEU and other programmes and can make the most of them, not only as co-funders/partners, but also as recipients of investments. In this context we welcome the [masterclass that EIF organised](#) for foundations in October 2022 but more awareness and training opportunities must be developed. The InvestEU Advisory Hub and the InvestEU Portal should provide specific and tailored support to philanthropic organisations and other social economy actors who are aiming to finance their projects or become involved as co-funders. To ensure that decisions are taken with good knowledge of philanthropy's activity within the four policy windows, foundation representatives should be appointed as members of the InvestEU Investment Committee. Support and further engagement around co-funding/co-granting activities through capacity-building, training, visibility, and awareness-raising activities should also be considered.

## Data needed for assessing actual support for social economy and its impact

The European Investment Bank (EIB), and its equity arm, the European Investment Fund (EIF), have certainly played a key role in financing innovation and social economy over the past years. Concrete data analysis is however needed to assess how the InvestEU Fund has supported social economy actors including the actual amounts received by social economy actors and the impact it has had. Furthermore, it seems difficult to assess whether InvestEU has reached/is on its way to reaching its goal of having 30% of its actions under the programme support EU climate objectives, or its goal of having, under the InvestEU sustainable Infrastructure Window, at least 60% of the investment meet climate or environment objectives. Hence more information would be needed for a proper assessment of its investment power and impact.

From our perspective, the interim review should look at its up-to-date figures and impact (effectiveness) and aim for finally developing tools to better engage with the philanthropy/foundation sector.

## Thematic investment approach versus complex rules

While we welcome EIF's increasing focus on priority policy objectives through a thematic investment approach, which could be interesting to trigger more programme engagement and also mission-related investments by foundations, it seems that the development of co-investment opportunities is unfortunately hindered by the policy framework and co-funding constraints under which the EIF/EIB operate.

## Involvement of EIB group and more implementing partners needs assessment

We welcomed the approach of providing 25% of the EU guarantee also to other implementing partners next to the EIB group, which receives 75%. However, a careful assessment is needed around what impact that had on the rolling out of InvestEU.

# Background information

## 1. Philanthropy sector and social economy and our asks

We have been engaging around the European Commission Social Economy Action Plan (SEAP) over the past years, noting that the social economy family includes different types of legal entities such as associations, mutual societies, and cooperatives as well as foundations and philanthropic organisations, which is the sector represented by Philea.



Foundations are social economy actors in their own right, and they also support other social economy actors and the social economy ecosystem in different ways.

Unfortunately, while the sector is in full growth and evolution there are still some old and new stumbling blocks to philanthropy's contribution. To name one, while we are keen to work across European borders, we still don't benefit from the Single Market, and more could be done to enlarge the policy toolbox specifically with regard to social economy support both at national and EU levels.

Philea is hence very pleased about the launch of the Social Economy Action Plan at the end of 2021, and to see that our recommendations to the drafting of the plan have been to a large extent taken into account.

We are as Philea very happy to see that the EU Social Economy Action Plan recognises the increasing role of foundations as social economy organisations and as supporters of wider social economy and that the plan makes concrete proposals to help remove the legal obstacles impeding philanthropic organisations' ability to operate (also across borders) in the Single Market.

We appreciate that the Action Plan wants to contribute to facilitating cross-border philanthropy by ensuring a better implementation of the non-discrimination principle, and to help overcome barriers to tax effective philanthropy via guidance to Member States. Such guidance could from our perspective also encourage Member States to simplify procedures and to design comparability requirements on a set of common principles.

We also welcome the idea to propose to the Council a recommendation on developing Social Economy framework conditions by 2023 and to perform specific studies on philanthropy (one on philanthropic capital and one focusing on grants) in the EU as well as to develop a co-investment facility under InvestEU.

## **2. Foundations and impact investing and mission-related asset allocation**

Philanthropic organisations already use different financial and non-financial tools to invest their endowment, implement projects or support partner organisations via: grants, loans, investments, seed funding, risk capital, enabling crowdfunding as well as a variety of non-financial support.

Philanthropic organisations handle the grantgiving and the investment of the endowment often in diverse and independent ways. For the majority of philanthropic organisations, asset administration of their endowment and their grantmaking/operational activities are two separate areas of activity with not much



interlinkage. However, more philanthropic organisations have started considering that their asset administration should at least, to some extent, be linked to their mission<sup>1</sup> and/or be supporting start-ups/social enterprises/businesses also in the form of “impact investing” etc. Low interest rates have led to more attempts to create more impact with mission-related or social investments.

Mission-related investment refers to the dedication of the portfolio of assets and investments of a philanthropic actor to its public-benefit mission. Social (impact) investment refers to investments made by different types of investors (including foundations, VP funds, impact investors and institutional investors) into companies, organisations, and funds with the intention to generate primarily a measurable, beneficial social or environmental impact alongside a financial return. Some foundations do negative screening or make more conscious decisions about sustainable/green asset allocation.

Philanthropic organisations practise impact investing of their endowments across different asset classes with an initial focus on private equity, venture capital and green infrastructure with a range of returns from below-market to above-market rates, depending upon the circumstances. However, some national laws require a preservation of the value of the endowment, and mission-related investment or investment in social enterprises do not always generate the required financial returns (or are considered to be too risky) or giving loans is not permitted. Overall, barriers and legal uncertainty around this type of investment exist in some countries. In addition, such actions may not be in line with the mission/statutes/will of the founder.

Apart from the asset administration side, more philanthropic organisations also use their grantmaking (non-repayable donations) or operational programme activities to support social business/green business by giving them financial support/grants/loans or by lending organisational support (e.g. developing skills or improving processes). Some national laws do however not allow for the “programmatic” side to generate returns. Hence barriers to some types of these engagements (e.g. if loans are given on the grantmaking side) are reported in some countries.

Some philanthropic organisations together with innovative civil society actors, impact investors and social entrepreneurs act as real thought leaders and incubators for social investments. While some foundations are considered as thought leaders for social investments, there are incubators and accelerators for social investments out there that

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<sup>1</sup> For a definition and some examples of so-called “mission-related investments“ please see: [https://ssir.org/articles/entry/unleashing\\_the\\_power\\_of\\_endowments\\_the\\_next\\_great\\_challenge\\_for\\_philanthropy](https://ssir.org/articles/entry/unleashing_the_power_of_endowments_the_next_great_challenge_for_philanthropy)

could be considered as “pipelines”; and these elements would have to be connected systematically.

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