



RAHOITUSVOIMALA

(Power Plant for Funding)

Boosting investment readiness of value-based enterprises in Finland
Application ref. VP/2016/007/0138

Mid-term progress report

15 December 2016 - 15 September 2017

Reported by
Osuskunta Ehta Raha
Demos ry
15.11.2017



**DEMOS
HELSINKI**



Results of the operation

We named our accelerator program Rahoitusvoimala (roughly translated: "Power Plant for Funding"). The project has two partners: Osuuskunta Ehta Raha (Ehta Raha) and Demos ry (Demos Helsinki). As affiliated partner in the project is Lakiasiantoimisto Castrén and Snellman, lawyer company, who offers legal help as pro bono.

The work is divided roughly by the partners so that Ehta Raha works with the support groups, arranges open events and carries out the one-to-one counseling. Demos Helsinki concentrates on the Club events and bootcamps, and works on placing the project in the broader social transformation and megatrend context. Both partners work with raising general awareness, which is necessary for the growth of the community of value-based enterprises.

Project is operating in three different regions in Finland: Helsinki (pop. 640 000), Tampere (pop. 230 000) and Orivesi (rural community in Pirkanmaa region, pop. 9 300).

Main objectives

Goals and objectives of the action as set out in the grant agreement, and how they were met during the first half of the implementation period.

The main objective of the action was to contribute to the social finance market in Finland by assisting value-based enterprises to build their investment readiness. The specific objectives were:

1. Supporting the development of a community and ecosystem of value-based entrepreneurship in Finland
2. Creating awareness and boosting the trend of value-based investing possibilities
3. Offering an educational platform and mentoring social entrepreneurs on financial issues
4. Facilitating the connection between the social entrepreneurs and the finance providers of their choice

Results of operations are following:

1. Supporting the development of a community and ecosystem of value-based entrepreneurship in Finland

It can be said that Rahoitusvoimala has succeeded to boost the development of a community of value-based entrepreneurship in Finland. In practise this has been done by

organizing open events, support group meetings and also by trying to achieve maximum media outreach through social media, website blog and advertising in the local newspaper in Orivesi. The community of value-based enterprises has by so far been practically non-existent in Finland. Many starting social and value-based entrepreneurs in Finland work in isolation and are not aware of each other. Some have not even been aware that they themselves are value-based enterprises and that there are others who share the same values.

Rahoitusvoimala's open events have created awareness of the field of value-based entrepreneurship and offered entrepreneurs networking possibilities. Support groups and Pirkanmaan bootcamp in Orivesi have been an opportunity for the entrepreneurs to meet each other, discuss their needs, share ideas and find solutions together. In Tampere, the support group has developed a feeling of a local community and named itself "the friends of the future". In Helsinki, the group members have been changing more frequently so the group itself is not a community but connections and cooperation have developed: one enterprise has already bought services from another member. In Orivesi the participating enterprises and community projects are working together and want to help and support each other.

2. Creating awareness and boosting the trend of value-based investing possibilities

Currently the possibilities for value-based investing in Finland are scarce, but the field is slowly forming. The term investment is still largely considered to be a profit-first activity. The Finnish Innovation Fund Sitra has introduced impact investing in Finland, concentrating currently on social impact bonds. Rahoitusvoimala has been able to create overall awareness and offer new ideas about values-first investing, where financial profits are considered secondary. Ehta Raha is working on offering transparent and value-based investing possibilities by developing a crowdfunding platform. Crowdfunding legislation and its implementation are still evolving in Finland.

Rahoitusvoimala has raised awareness about value-based investing possibilities with three open events. In April 2017 Demos Helsinki organized an evening club on the theme "what is value-based entrepreneurship". Ehta Raha's presentation highlighted how investing changes, if the investment is selected based on values. With crowdfunding the enterprise can reach out to the community that appreciates its presence and uses its services. In June 2017 Rahoitusvoimala went further to organize a breakfast event together with Sitra on the theme "impact investment and crowdfunding". The goal of the event was to promote the theme of value-based investing and introduce these two different instruments related to it. In September 2017 Rahoitusvoimala invited to Finland Mr. Malcolm Hayday, who as one of the founders of the Charity Bank UK, has profound experience of whole of the subject. Mr. Hayday gave talks and inspired the audience with the notion that banking and investing can be guided by ecological and social values.

3. Offering an educational platform and mentoring social entrepreneurs on financial issues

On the basis of Rahoitusvoimala's experience, it is clear that value-based enterprises need a lot of support in their starting phase. The feedback from Rahoitusvoimalas participants show that its help has been critically important when planning and starting the activities. Rahoitusvoimalas role for its participants has been remarkable in budgeting, in general financial matters, in creating business plans, presenting these plans to potential investors, giving advice in legal matters (i.e. the practicalities in employing people) and meeting the requirements of the investors. The actual applications for loan and, in some cases, arrangements for crowdfunding, have been done together with the participants of the program.

Breakfast events with varied themes related to economics and especially support groups together with one-to-one counseling have been efficient tools to give financial advice and mentoring. Rahoitusvoimala has produced informative material about investment readiness and a special workbook that helps the enterprises to work on their issues independently. In group events Rahoitusvoimala has introduced the participants new developing methods, like action learning, to enhance their process of evolving further.

4. Facilitating the connection between the social entrepreneurs and the finance providers of their choice

This work is still in its initial phase. Rahoitusvoimala has organized three events straightly connected to this objective. The first was the visit of Mr. Malcolm Hayday, who opened the overall processes of social investing to the crowd. The second event was an investor evening to match investors with social enterprises, carried out with the case of limited liability company Maakunto. The third event was a personal meeting with a social investor.

The work of facilitating the connections will continue by collecting a portfolio of the best cases and approaching potential investors and banks with it. Ehta Raha's crowdfunding platform is connected to this work, but its development has been delayed among others, due to the changing legal environment. Investor evenings might be something Rahoitusvoimala will do more in the future, but it depends from the needs of the participants.

Summary of the Implementation of the activities

Planned	Implemented
Open educational events are open to all and offer an introduction to an interesting topic by a guest speaker, facilitated conversation and networking. Target is to reach 300-500 people in 20 different events	Rahoitusvoimala has reached approximately 300 new people during the first half of the project 6 breakfast events in Helsinki (58 different enterprises have participated in one or

	<p>more events, 1-3 people from each enterprise)</p> <p>2 breakfast events in Tampere (49 and 21 participants)</p> <p>1 Kick- Off Club night in Helsinki (75 participants),</p> <p>1 presentation of Rahoitusvoimala in a seminar organized by another project (86 people reached)</p> <p>2 open events in Orivesi, 45 people participated, many of them in both events</p>
<p>Pop-up financial advice: low-threshold advice on financial matters, with the aim of building relationships and networks</p>	<p>This was tried once in an open event (21.3.2017) but was found not to be the right type of activity. Financial advice was offered as part of the support group and one-to-one counseling.</p>
<p>Two finance boot camps: 30-40 people in each boot camp</p>	<p>1 finance boot camp, Pirkanmaan bootcamp in Orivesi: 30 people, 9 enterprises</p>
<p>Support groups and mentoring: 3 groups, meetings every 3 months, supported by a facilitator and mentors</p>	<p>24 enterprises have participated in the Helsinki group at least once (1-3 people from each enterprise)</p> <p>Over 20 people from 17 enterprises in Tampere</p> <p>16 people from 11 enterprises in Orivesi</p>
<p>Connecting entrepreneurs and investors: to enable the entrepreneur to ask questions on how the initiative is seen by the potential investors and investors to get a realistic understanding of the monetary and societal value of the initiative</p>	<p>Impact investing or social investing is very new in Finland and the contact to actual investors remained limited in the first half of the project. Three open events created more awareness of the topic: Breakfast event in Helsinki 13.6.2017 was held by Sitra about impact investment. One of the participating social enterprises, Maakunto held an investor evening for their potential investors 28.8.2017. Rahoitusvoimala evening 11.9.2017 "Put your money where your values are" was hosted by a potential institutional impact / social investor Tradeka. First investor interview was done.</p>

Changes to the action plan

Some slight changes were made compared to the original action plan:

Most of the open events have been held in Helsinki because people interested in Rahoitusvoimala are located mostly in the Helsinki area, and most of the people from other cities want to find contacts in the Helsinki metropolitan area. There is also a clear need for social enterprises to build a diverse contact network emphasising Helsinki area. Events held in the capital region get much larger public attention which helps when trying to raise common awareness. Most of the open events have been streamed online so participants from Tampere and Orivesi have been able to take part remotely.

Orivesi and Tampere events and support group activities have operated primarily based on the needs of the participants. In Orivesi, strengthening the local economy and local enterprises through value-based entrepreneurship have been the key themes. The two open events held in Orivesi have been directed not just to enterprises and active citizens but also to stakeholders - especially civil servants and politicians with decision making power over local economies.

Pop-up financial advice was not implemented. The pop-up method was experimented once in a seminar held 21 March 2017. The seminar itself reached 86 people, who got to know about Rahoitusvoimala's services. However, no participants came to seek financial advice at that time. Although the support groups have shown the need for one-to-one counseling and financial advice, it seems that the pop-up model may not be the right technique to offer financial advice to enterprises. The aim of the pop-up financial advice was to create relationships and networks. This has realized through other channels, such as social media, blogs and personal contacts by Ehta Raha and Demos Helsinki personnel. In almost every open event, new participants who got to know about Rahoitusvoimala for the first time, came along through personal contacts.

Investment readiness update

Rahoitusvoimala participants having been able to raise the needed capital:

In Helsinki region:

- Cooperative Herttoniemen Ruokaosuuskunta: 20 000 euros (crowdfunding from the 34 members)
- Limited company Aurinkokehrä/Design Vasko Oy: 20 000 euros (loan from Finnvera)
- Limited company Maakunto Oy: 192 000 euros (share issue, 1032 shares)

In Tampere:

- Cultural Cooperative TRELMU: 6 665 euros (172 investors through crowdfunding)

Raised capital in total: **236 000 euros**

During the first half of the project, Rahoitusvoimala has been in contact with approx. 50 different enterprises. These enterprises or projects are in different phases with their development and therefore their needs differ significantly. Some of them are just a group of people who have an idea of starting a business together. Others are more advanced in their planning process. Some are ready to start operating and have practical questions about moving forward. Some need lot of one-to-one counseling, some have had only few simple questions.

Four of the enterprises have reached the final investment readiness and also raised the capital they need. Other projects are working towards it and as we already stated, are in different stages with their investment readiness. There are a few projects, that started to work with Rahoitusvoimala, but after evaluating the feasibility of the initiative in more detail, it occurred that their business ideas were not going to be profitable enough to be sustainable.

Case studies

Rahoitusvoimala wants to present four cases of fully investment ready start up companies from different fields. Rahoitusvoimala has offered significant help in developing the investment readiness of these cases. The projects are following:

- #1 Työtä ja Toivoa/Keikkapooli (project working on marginalized migrants unemployment)
- #2 Herttoniemen ruokaosuuskunta (biodynamic community supported agriculture farm)
- #3 Cultural Cooperative TRELMU
- #4 Aurinkokehrä/ Design Vasko Oy (limited company producing yarn from Finnsheep wool)

From these cases Keikkapooli founded a cooperative, found a partner with whom they have made an application for further funding and have already started operating. Rahoitusvoimala has been a support for them giving mostly one-to-one advice in legal matters.

Herttoniemen ruokaosuuskunta is a cooperative that started operating 6 years ago. At the moment it is expanding its activities with plans to start operating in the whole capital region and make its business function throughout the year. Rahoitusvoimalas input for the case was that it assisted in creating the loan product (tractor loan) for members.

The Cultural Cooperative TRELMU did a crowdfunding campaign and made a rental agreement. At the moment there is a need for further financing through a loan for starting phase. TRELMU got help from the Rahoitusvoimalas peer group. They also participated in the Pirkanmaan bootcamp held in Orivesi and got significant boosting from this.

Aurinkokehrä needed a liquidity loan in its developing phase. The seeking of the loan was done together with Rahoitusvoimala.

Cases are introduced in annex V.

Operational environment

Finland as an operational environment is challenging. Models for social economics are not settled yet and field of value-based enterprising is shattered. In general it can be said that social entrepreneurship is almost unknown to the larger public and all the agents operating on the field are doing pioneer work.

Rahoitusvoimala is one of the actors raising awareness of this type of activity, including spreading information about alternative financing tools like value-based crowdfunding and promotion of ethical values in business. Social enterprise coalitions are slowly forming. Other pioneers, concretely working on the field, are Arvoliitto (Alliance on Values) and Association for Finnish Work. Arvoliitto is an employers association that works for promoting value-based entrepreneurship. At the moment it has 50 members. Association for Finnish Work launched a Finnish Social Enterprise Mark in 2011. The association awards and governs the mark, which give recognition to Finnish manufacturing, design and social good. Currently there are approximately 160 enterprises holding the mark.

Lot of work is still needed in creating the awareness, but nevertheless it can be said that the interest in ecological and social values is growing in Finland. People are being more active in seeking information and wanting to create their own community projects, starting cooperatives and using tools like sharing economy. There's a potential for growth in the sector of social financing but right kind of support is very much needed. Rahoitusvoimala can offer this support for value-based enterprises , especially in their starting phase.

Other challenges for Rahoitusvoimala are, that legislation of crowdfunding, which can be called the main tool for value-based financing at the moment, is only at the forming phase in Finland. It's challenging to operate in a changing environment. It also needs to be added that geographical distances in Finland make forming close networks more difficult than in more populous countries.

Self-reflection

Rahoitusvoimala aims to be a useful operator in promoting value-based enterprising in Finland and constantly reflects its own activity, trying to make its work more efficient. That is why we want to report also about our own learning process.

What we have learnt during the first half of the project:

- there's a clear need of value-based enterprises to get support, especially in financial matters, and there are too few organizations in Finland to whom these enterprises can turn to with their questions
- value-based enterprises have challenges in reaching investment readiness, because in the beginning their financial resources and knowledge are usually limited. Many of them need to start by learning about the very basics of doing business.
- value-based enterprises need help in forming the service they offer and also in understanding, how to make a product out of a good idea (this can take some time)
- enterprises need help with calculations considering profitability
- consultation with basic financial issues and budgeting are the most common needs of value-based enterprises
- the enterprises have challenges in presenting themselves, telling their story and communicating the good social impact of their operation to convince investors and customers
- needs of new value-based enterprises are varied and the proper solutions with funding can differ significantly
- value-based enterprises need tailor-made help and services
- starting value-based enterprises is a very local process
- offering networking opportunities is very important
- support groups are a good method in enhancing the networking process and offering a platform to share information
- raising common awareness and building a community of value-based enterprises is a long process that requires patience, resilience and tolerance of failure

We have also learned that besides the support with arranging their finances, small starting social enterprises need a lot of non-financial support.

The best tools of non-financial support for building investment readiness are:

- discussion about values and clarifying the mission
- boosting the self-esteem of the entrepreneurs
- helping entrepreneurs in finding partners and building connections
- building a community and network for peer support
- helping the entrepreneurs in analyzing risks and understanding how to prevent them
- helping with the process of creating a marketing plan and implementing the marketing actions
- helping in developing a communications plan and proper PR models
- helping the company in presenting its own story to potential investors
- helping with common business management issues
- giving constructive feedback so that the enterprises can improve their business model
- giving legal advice in practical matters

Rahoitusvoimala's own development process is constantly going on in the background of daily work. While Rahoitusvoimala is working, it's all the time gaining more information about operational environment and entrepreneurs needs.

Conclusions and Future work

Feedback from the participants and partners indicate that the work of Rahoitusvoimala has been beneficial. Open educational events, support group meetings and one-to-one counseling will continue 2017-2018. To the workbook of Rahoitusvoimala will be added pages about risk mapping, how to apply for Finnish Social Enterprise Mark etc.

The second finance bootcamp will be arranged in the end of January 2018 where combining the the tools and skills of the startup world and the social impact mindset of the value-based enterprises will continue. Researching the broader social transformation and megatrends will also continue, as it helps to understand the changing needs of the market. This information opens possibilities for new inventions and is essential when social enterprises are forming their future products and services.

New tool of impact measurement has been piloted with three participant in September-October when the participants did a concrete impact measurement plan for themselves in five day impact measurement workshop.

A portfolio of 7-10 cases will be made which will be used in the work with the investors and the banks. The aim is to collect information about the risk level investors are willing to take with social enterprises and the profit they are expecting to have on their investment overall. Also 3-4 banks are interviewed of their possibilities of financing value-based enterprises. Part of the portfolio will be short videos from the participants where they tell who they are, what social problem they are solving on and what is the impact of their work.

Wide range of financing for value based enterprises are needed ranging from project funding to loans and shares and a mixture of these. Ehta Raha's experiments in crowdfunding in the form of community shares and community bonds in the autumn 2016 helped to finance organic bakery Samsara with 110.000 euros.

The new crowdfunding legislation which came into power in the end of 2016 changed the situation as it allowed intermediating of shares and bonds only to companies authorised to offer investment services. This way Ehta Raha was no longer eligible to act as an intermediary in community shares and community bonds.

At the moment Rahoitusvoimala is able to consult on share and bond issues which the issuer does independently. The Finnish crowdfunding market is developing and it serves companies mostly with loans. Investors using crowdfunding platforms with loan seekers from main stream businesses expect to have profit ranging from 6 to 15 %. As this might be a too high costs for a value-based enterprise it is good to look also a possibility of value-based crowdfunding platform with developing a non-transferable bilateral community loan instead of community bond.

However, Rahoitusvoimala sees that the local ownership - as is the case with community shares - is a great way for social entrepreneurs to build ties with the local community. But in

many cases, these entrepreneurs do not have the necessary skills or knowledge to work with community bonds or shares themselves, and they would need help from actors such as Rahoitusvoimala.

An existing model for local ownership could be the Community Shares and Standard Mark by Community Shares unit in the UK. Rahoitusvoimala has been in contact with the Community Shares unit and is working on possibilities of bringing this non-transferable share with Standard Mark validation system to Finland.

The common awareness of new forms of economics is growing. In more specific, interest in new economics means that common citizens are starting to realize that they can be active operators in economics and the starting point for business activity can be actual human needs, without setting maximal profit to be the ultimate goal. People want to build new economics from the grassroots up and operate together as communities. This is the larger trend that Rahoitusvoimala is part of, giving its share to the development of more value-based economics.

ANNEXES TO THE REPORT

Annex I Chart of all implemented activities

Annex II Request for pre-financing/interim payment

Annex III Observations about megatrends and the impact ecosystem in Finland

Annex IV Short description of events organized by Demos (Kick off-Club and Orivesi Bootcamp)

Annex V Case studies 1-4