

SOCIAL FINANCE MARKET IN ROMANIA



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CONTENTS

AN INTRODUCTION TO THIS REPORT	3
EXECUTIVE SUMMARY	5
METHODOLOGY	7
PART I: THE CURRENT STATE OF THE ECOSYSTEM	8
I.1. Overview of the social finance ecosystem	8
I.2. What are the available financial instruments?	11
I.3. Social finance market in Romania - key stakeholders' perspectives	14
I.3.1. Social finance market in Romania – the social entrepreneurs' perspective	14
I.3.2. Social finance market in Romania – the support organisations' perspective	21
I.3.3. Social finance market in Romania – the investors' perspective	24
I.4. What is missing from the ecosystem?	27
CONCLUSION	37
PART II: Our roles in accelerating social finance for systems change	39
II.1. Embracing complexity	39
II.2. The ecosystem of funders, public authorities and support organisations	40
II.3. Alternative financing opportunities for social entrepreneurs	45
II.3. 1. Community currencies	45
II.3.2. Crowdfunding	59
CONCLUSION	61
Acknowledgements	62



AN INTRODUCTION TO SYSTEMS CHANGE

This report aims to contribute to the recognised lack of ecosystem-level insights and data about social entrepreneurs' and changemakers access' to finance and non-financial support. The reported findings present a consolidated view with regards to the maturity stage of the social finance ecosystem in Romania and will become a valuable tool in our upcoming work to enable stronger mechanisms of support and collaboration to further develop the ecosystem together with its stakeholders.

The report gathered data through an analysis of existing interviews and studies on local level and conducted one-on-one interviews, surveys and roundtable events bringing together social entrepreneurs, public and private investors and public authorities. The insights resulted in a comprehensive scan of the current state of the social finance market, including various perspectives of existing financial instruments, delving into the funder-social entrepreneur relationship, the challenges and opportunities that arise both from a supply and demand side. While the resources are limited and the number of players cannot match demand, there is a humbling effort to create impact and respond to the social, cultural and environmental inequalities that exist in the country.

Before going deeper into analysing the local context of Romania when it comes to funding practices, it is important to assess the global trends on how resources are spent on social purposes and what is it that we can learn from these observations.

Significant financial resources are dedicated to solving humanity's most pressing problems. 22 of the largest philanthropic foundations worldwide provided more than USD 6.1 billion for development work in 2017; in that same year, total development assistance from public and private actors in the 30 members states of the OECD-Development Assistance Committee (DAC) amounted to USD 434 billion. However, solving these problems requires long-term support that goes beyond activity-based funding and approaches that tackle the root cause – i.e., approaches that aim to change systems. To make optimum use of the funds available, it is necessary to introduce the systems change approach to organizations involved in the sector and to share best practice insights.

When talking about social finance in Romania it is important to firstly reflect on the needs of funding that social entrepreneurs and changemakers have. On one hand there is the need for funding short-term impact initiatives to serve the people that are in immediate need for help. This is an acknowledged need for funding that many funders respond to. On the other hand, there is an identified need for funding systems change. We believe that the most powerful force for good is a systems-changing idea in the hands of a formidable social entrepreneur. True systems change is the result of scaling social impact rather than focusing on growing a single organisation; it is the result of letting go of control of an idea, and enabling and encouraging others to join in and implement change so that together we address the root cause of a social or environmental issue rather than its symptoms.

At a roundtable event organised by Ashoka Romania and Fonduri-Structurale.ro on Systems Change in October 2021, participants described their vision on what having systems-changing ideas means:

A game-changing solution that affects multiple levels

Changing mentalities in a society

Investing ourselves in community interventions with positive effects in the longer term

Program sustainability

Making actors in the administrative and social systems work better for the people they serve

Being able to break frozen structures and achieve goals in spite of the system's rigidity.

Creating a precedent

Creating a more equal society

This roundtable enhanced the signalled need for a systems-change vision. When asked about how this vision can be achieved, collaboration and learning opportunities were dominant drivers amongst participants – “By providing context and tools for people to take up and improve collaborations”; “Building coalitions & collective advocacy”.

With these in mind, we imagine a future social finance market equipped to support a diverse set of initiatives and social entrepreneurs that through their systemic, creative thinking, manage to create long-lasting impact in their respective fields.

This report was financially supported by the European Union within the SOFIA – Social Finance Alliance for Romania project. The action aims at developing the capacity of at least 60 stakeholders of the Romanian social finance market and designing and creating the conditions for launching at least one financial instrument for Romanian social enterprises.

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EXECUTIVE SUMMARY

MAIN FINDINGS OF THIS REPORT:

On the Romanian market there is an obvious scarcity of financing instruments that target specifically the need of social entrepreneurs:

-  **Credits:** There is no approach dedicated to social finance with its own eligibility criteria relevant to the type of operations of the social entrepreneurs
-  **Fiscal instruments:** Redirecting 20% of companies' profit/income tax & 2%/3.5% of individuals' income tax is widely underused (only 8% of the Romanian companies and only 34% of the individual employees redirect their taxes to non-profits)
-  **Corporate sponsorships:** For-profit organisations are playing bigger and bigger roles as significant funders and supporters for social entrepreneurs, but there is no evaluation of the impact these types of investments are making
-  **Crowdfunding:** The support from individual donors continues to grow. Over the past two years we noticed emerging patterns within Romanians' behaviour towards civic engagement through donations and supporting social entrepreneurs through crowdfunding. Two community currencies have emerged in the past years
-  **Public grants:** Granting is the most prominent instrument that finances social enterprises in Romania. There have been made available start-up funds, but no consolidation instrument for existing social enterprises
-  **No solid alternative financing mechanism** piloted in other EU countries have yet been made available in Romania (social impact bonds, crowdfunding)

All stakeholders of the Romanian social entrepreneurship ecosystem need capacity building support, in addition to financial resources:

○ **The social entrepreneurs** consider that:

They need improved skills especially regarding the modern social finance field

Need investments between 50.000 – 200.000 euros over the next two years

They would consider using crowdfunding to finance the growth of their enterprises, if they were provided with the appropriate support to organize it

○ **The support organisations:**

Offer mainly training, mentorship and strategizing services to social entrepreneurs

Consider that their main challenges in providing assistance to social entrepreneurs are the low leadership/management skills among social entrepreneurs and the insufficient support from local authorities

○ **The investors:**

Offer more than an investment to their supported enterprises – most of them also share knowledge and own entrepreneurial experience

Feel that only a small part of their investments should give priority to impact

Challenges of the ecosystem:

There are still too few players to support social entrepreneurs, from funding issues to organisations of support, meant to provide the necessary tools and expertise to grow the organisations from one maturity stage to the next.

The existing players are reactive to the social entrepreneurs needs, but they are not acting on a more common, collaborative agenda

Opportunities:

There seems to be emerging initiatives and opportunities for the youth to engage in social entrepreneurship and seek to found impact-driven ventures, which makes the need for social finance even more important

An emerging national discussion on impact: while there is still more potential to reach, organisations and institutions are slowly adopting a stance to look for impact

Civil society is strengthening benefiting from innovative online platforms that facilitate the access to financing – The Donors' platform (gathering data on CSR financing available for Civil Society Organisations) and consolid8 (crowdfunding platform for social entrepreneurs)

Our roles in accelerating social finance:

Public authorities need to be an ally in supporting social entrepreneurs with the know-how for them to access grants, comply with legislation and ensure they have a sustainable plan after the initial funding period ends. New regulations must come into place to complete the initial Social Economy Law to increase its practicality based on the insights and feedback from social entrepreneurs and support organisations with grassroots experience.

Financial institutions and investors: An impact investment fund or other financial instruments should be created to take social entrepreneurs from where they are after accessing EU grants until they can be sustainable and credible for the bigger players in the market.

Support organisations: There is a need for scalable investment readiness programs in Romania that would support social entrepreneurs in developing their ventures from any development stage they might be in.

Social entrepreneurs should put future and ongoing projects under a strategic lens, have clear methodologies for measuring impact, create a strong business plan and a risk analysis, build a network of “allies”

Alternative financing opportunities for social entrepreneurs:

Community currencies – are already starting to be introduced in some Romanian communities (Baia Mare, Ciugud)

Crowdfunding – already proved to be effective in supporting social entrepreneurs grow their business after initial support was received

METHODOLOGY

The report uses multiple methods for conducting research on the social finance market. The insight from this report contains both primary research (questionnaires addressed to social entrepreneurs, support organisations and investors, interviews and roundtables) and secondary research, by reviewing existing studies conducted on the subject, with an emphasis on social enterprises. We also held one to one interviews with 10 stakeholders from the supply side, including some of the biggest investors in the civil society sector in Romania, banks, and small to medium corporate donors.

SURVEYS

Between September – December 2021, fonduri-structurale.ro and Ashoka Romania conducted an online survey for all major social finance ecosystem stakeholders, with targeted approaches for social entrepreneurs, investors and support organizations. We gathered 104 answers from social entrepreneurs, 10 answers from investors and 17 answers from support organizations confirming our general findings from conducting interviews with other actors. The survey was open to any interested stakeholders, including the 20 social entrepreneurs incubated with Bridge for Billions within the SOFIA project.

ROUNDTABLES

Ashoka Romania leveraged October as the “**Social finance month for funding systems change**” and together with Fonduri-Structurale.ro engaged on raising awareness on the need to accelerate the market for access to finance for social entrepreneurs in Romania. This initiative was thought out with the following objectives in mind:

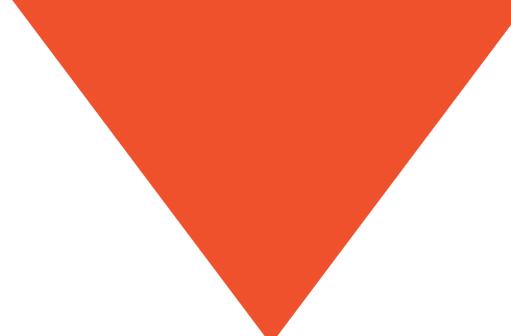
Bring international expertise on the topic closer to the relevant Romanian stakeholders.

Provide a space for all local experts to engage with each other in order to gain perspectives on the gap towards a developed social finance ecosystem.

Gather insights to launch this Social Finance Market Study of the Romanian ecosystem in the most collaborative way.

Identify the most important stakeholders and people with a passion for social finance to elevate their collective voices to accelerate the ecosystem starting 2022.

Create awareness and a desire for system change, empowering people to support changemaking for the good of society.



Throughout the month we shared resources with the local market, such as the [Social Investment Toolkit](#) or the Romanian version of the aforementioned report on [Embracing Complexity](#) and organised 9 roundtable events that brought together social entrepreneurs, funders, donors and intermediaries to discuss the current state of the social entrepreneurship ecosystem in Romania. Together we have discussed topics such as:

Systems change - What is a system and how can we change it?

Funding systems change

The needs of social entrepreneurs and the social finance ecosystem

How do we mobilise capital?

Social finance for social entrepreneurs and support organisations

Financial instruments for social finance - international expertise

Crowdfunding as a financial instrument for social entrepreneurs

Co-creation & Ecosystem Input Giving for next steps

The findings of this series of events greatly contributed to conducting this final report on the Social Finance Market in Romania.

INTERVIEWS

To strengthen the insights gathered throughout the events of Social Finance Month, we further conducted 10 more interviews with support organisations and private and public funders. The interview covered the most common criteria for investment, type of investments (in social enterprises or NGOs, for example), challenges that arise for both social entrepreneurs and funders, skills gap in the demand and supply as well as missing links in the ecosystem. The profile of the investors and support organisations varied in size, area of interest and internal governance for social investments.



PART I: THE CURRENT STATE OF THE ECOSYSTEM

I.1. OVERVIEW OF THE SOCIAL FINANCE ECOSYSTEM

The definition of a social entrepreneur: In the vision of Ashoka, whose CEO Bill Drayton is said to have coined the term social entrepreneur, defines their identity as going beyond the legal entity of an organisation. The rise of social entrepreneurship reflects a **growing sense** that many of the most promising solutions to global problems don't necessarily depend on action by large institutions, government aid, or foundation grants. They come from individuals at the grassroots level **willing to bring entrepreneurial thinking to bear on some of our toughest social problems and create long-lasting change at the system level**. Social entrepreneurs are **"pragmatic visionaries"** that share many characteristics of successful business entrepreneurs but seek social impact, not business profit.

There are already quite a few resources that tackle the ecosystem for social innovation from different perspectives. In Romania, when discussing social innovation, the predominant form of social entrepreneurship mostly revolves around social enterprises. Fundația Alături de Voi România is a key stakeholder in supporting social enterprises and their management is an active actor in advocating for the social economy in Romania. They hold important knowledge on the state of social enterprises development and health check, offering support to entrepreneurs that choose this legal form to generate social impact.

In 2021, they launched the Social Economy Index, an in-depth study that analyses the development of the social economy sector under the form of social enterprises and social enterprises of insertion (focusing on the integration of vulnerable populations in the workforce) after the implementation of the Social Economy Law 219/2015. An insight to note is that social economy actors existed long before the establishment of the legal framework.

However, the number of accredited social enterprises surged in 2015 and 2020-2021 because these are the timelines where European financing was available. Fundația Alături de Voi România thus identified a strong correlation between the availability of European funding and social enterprises' accreditation.

Up until March 2021, a **total of 1.642 social enterprises were accredited, along with 45 social enterprises of insertion**. According to the study, all Romanian counties have at least one social enterprise, while the national average stands at 35 per county. The top locations for social enterprises are Alba (229), followed by Cluj (137), Dolj (89), Maramureș (83) and Prahova (63). Behind the high density lays a pre-existence of a strong and innovative sector of social services prior to the implementation of the Social Economy Law. 88% of the established social enterprises are registered as commercial entities, and only 10% as associations and foundations.

In terms of support for these organisations, their study shows that out of the 1.642 accredited social enterprises, **only 13 of them (0.0079%) claim to be receiving any form of support from outside entities, and the support received usually entails support in promoting their products or services**. This can explain why most of the still standing and more successful social enterprises are in fact backed or founded by associations and foundations with long lived experience in the social sector. Many social enterprise founders are in need of business expertise in order to achieve a sustainable working model in the future.

Since March 2021 when the Alături de Voi study was conducted, we can notice a high rise of the number of registered social enterprises. In Novem-

ber 2021, there were more than 2400¹ registered social enterprises at national level in Romania. Most of them (over 2300) were registered between 2020 – 2021, following a national “boom” of impact start-ups being established under the “SOLIDAR” European Social Fund calls. All European funded impact start-ups have to register according to the Social Economy Law as “social enterprise” with the National Employment Agency. Given the fact that registering does not bring any tangible benefits for other social entrepreneurs, there is no other official data regarding the actual current number of social entrepreneurs active in Romania. Nevertheless, the number of active social enterprises has definitely risen from the estimated 6000 in 2019². From the 20 social entrepreneurs incubated within the SOFIA project, only 2 of them are registered with the national authorities.

The 2020 **Civil society organization sustainability index** report supported by USAID and FDSC outlines the overall sustainability of the Romanian Civil Society Sector across 7 dimensions: legal environment, organizational capacity, financial viability, advocacy, service provision, sectorial infrastructure and public image. On a scale from 1 to 7, 1 meaning sustainability has significantly enhanced and 7 sustainability has significantly been impeded, Romania scores an overall of 3.7 which proves the evolving state of the entire sector. **This analysis strongly points especially towards increasing the financial viability of the sector.** With a score of 4.4, it shows that social entrepreneurs nowadays are **mostly unable to diversify their sources of funding, are heavily reliant on volunteers and affordable labour and very rarely operate on a long-term vision with clear fundraising goals.**

The funding needs of social entrepreneurs and the ecosystem – Embracing complexity study

There is an Ashoka Report called **Embracing Complexity - Towards a shared understanding of funding systems change** which draws a comparison between **philanthropy for scale** and **philanthropy for systems change** by explaining firstly that growing an organization as big as the problem is not the solution. Scaling means growing for impact, without necessarily scaling the organization, but rather building an ecosystem that collectively reaches higher impact. System change thus usually needs varied, adaptive, risky, collaborative, long-term strategies. This means that system change goes beyond measurable and easy to communicate results, as indirect impact (such as movement building and behaviour change, infrastructure development or advocacy) is an important new component that becomes harder to quantify and longer to develop and funders need to take this into account.

Social entrepreneurs need to be adaptive, to be able to react to policy changes, pursue meetings with industry bodies to push their ideas and engage in collective advocacy for legislative work. However, social entrepreneurs cannot do that if their work is focused on project based, output-oriented activities (delivering workshops, organising training sessions for a number of people, etc.) and short-term initiatives. **The level of diversity within the organisation’s revenue stream strongly influences whether or not the social entrepreneurs can focus on their systems changing ideas.** The findings of the report show that usually what is needed is a mix of funding (debt/equity + grants), especially together with unrestricted non-payable funding. Systemic leaders should be the ones that are leading the decisions when it comes to what they are implementing and what they want to achieve.

Moreover, it is important to note that systemic work has to happen cross-sector. Issues are so interlinked in so many ways, that if a funder says that they only focus on very certain things, it is very hard for systemic leaders to only focus on that because there are other interlinked issues.

But firstly, in a still developing world the important systemic work is building the market - making space for systemic work to happen.

1 National Employment Agency (2021)

2 Social enterprises and their ecosystems in Europe – Romania (2019)

1.2. WHAT ARE THE AVAILABLE FINANCIAL INSTRUMENTS?

CREDITING INSTRUMENTS

Credit institutions such as BCR Social Finance or UniCredit are offering a variety and comprehensive list of crediting instruments such as:

- Investment loans that cover their investment need
- Credit lines that support their current activity
- Pre-financing loans covering the cash flow gap caused by the implementation of programs with European funds
- Letters of guarantee used to ensure to a third party the payment of the committed amounts

Crediting process, instruments and legislation

According to local legislation and working principles of these credit institutions, there are two major elements to be taken into account when considering offering such instruments to social entrepreneurs:

A proof of impact and of prioritising impact – it is essential that these organisations, whether social enterprises or NGOs, have at the forefront of their activities generating social impact

In many cases, **economic activity**. This favours social enterprises and restricts access to other judicial forms such as NGOs because very rarely is it possible to consider recurring donations, for example, as economic activity.

Currently credit institutions are assessing cases for funding through a process that is very similar to the for-profit companies, which is highly constraining for the social sector. As per the USAID sustainability index as well, the financial viability of the organisations represents an issue as not many organisations generate income through economic activity. Understandably, for credit institutions the risk element is crucial in the assessment process to ensure credit feasibility, however a clearer distinction must be made between the social and the for-profit cases. There is no approach dedicated to social finance with its own eligibility criteria relevant to the type of operations of the social entrepreneurs. This can only be done by the regulating authority (National Bank of Romania, Financial Supervision Authority) in collaboration with banks interested in offering such instruments.

In terms of **what is clearly missing** when it comes to financial instruments that could accelerate the market, some of them kept occurring, including:

A local common guarantee fund amongst banks as a form of risk sharing instrument

More collaboration between various types of investors (banks, corporate investors, etc.)

Platforms for equity/debt finance for social entrepreneurs' ventures

FISCAL INSTRUMENTS

In Romania there are **two tax redirection mechanisms** available for social entrepreneurs that are quite underused. Namely, for profit companies can redirect 20% of their profit tax (not more than 0.75% of turnover when companies go over 1 million euros) or income tax (in the case of micro enterprises with less than 1-million-euro turnover) to an NGO of their choice, as can individual employees redirect up to 3.5% of their income tax to an NGO of their choice for up to two consecutive years.

Code for Romania, on its platform, [Redirectionea-za.ro](https://redirectionea-za.ro) estimates that if all employees from Romania would make use of this fiscal mechanism, taking into account the average gross salary in the country, **over 200 million euros could be redirected to the social sector**. The platform also makes it really easy for the people to fill out the necessary documentation to use the fiscal instrument.

In 2019, 1.932.654 individuals requested to redirect 2%/3.5% of their income tax, a 7% increase compared to the previous year, totalling to a raised amount to 61.861.304 euros.

The data shows, for both the 3.5% and the 20% mechanisms, that the instrument is widely underused, even though each year its popularity continues to grow. The Community Relations Association (ARC) stated that only [8% of companies redirected 20% of its profit/income tax in 2020](#), which translates to a number of 49.550 organisations out of 606.995 eligible entities. According to their analysis, the total amount redirected in 2020 reached 335.9 million euros, a 12% increase compared to 2019. The data also shows that 86% of the total amount was redirected by companies and 14% by micro enterprises.

CORPORATE SPONSORSHIPS

For-profit organisations are playing bigger and bigger roles as significant funders and supporters for social entrepreneurs. While the gap between the social sector and the private sector could still make use of more bridges for collaboration, both locally and nationally, more and more organisations start to implement internal CSR policies. **The [Donors' platform](#) launched in 2021 aggregated the data of the 15 top funders and 19 Community Foundations, which already showed an investment of over 52.374.706 EUR** (out of which the main focus was 3.368.903 EUR invested in education) in over 54 areas of impact. The overview data to assess the national investment through CSR or other sponsorship projects is lacking, yet we can observe an ascending trend in that sense. Corporate sponsorships and partnerships between the private and social sector are an important step for development in any social finance market.

Finally, it is not only about the amount of financial resources that are invested in the social sector, but it is crucial that we question the effectiveness and strategic alignment of said investments - *did the outcome proposed happen? Are the funds addressing the right issues? When is it expected to generate a return on society?*



CROWDFUNDING

The support from individuals continues to grow. There are emerging patterns within Romanians' behaviour towards civic participation – a growing urgency to get involved on tackling social issues. This was which even more visible through the 20M€ private donations in the first months of the pandemic, according to data gathered by Romania Insider. **A great facilitator of this process is the increased access to technology platforms that facilitate donation – based crowdfunding. Campaigns also play a big role in increasing outreach on the promise of smoother, easier to complete donation processes**, such as donatie.ro (SMS campaigns). It registered a 14.5% increase in recurrent donations. According to the USAID and FDSC Sustainability Index, the peer-to-peer platform www.galantom.ro reported a 47 percent increase in annual donations, which benefitted 206 CSOs and 476 community projects. The reward-based crowdfunding platform consolid8.ro opened to social entrepreneurs and creative industries, while the digital platform rohelp.ro facilitates donations towards CSOs involved in COVID-related efforts. **Crowdfunding is a growing mechanism for Romania, with plenty of room in the market for new players and new approaches, in order to bring together all types of crowdfunding methods - rewards based, equity based, debt and donation.**

One of the biggest challenges faced by crowdfunding platforms scaling their services cross border **was the lack of common rules** and diverging licensing requirements. An opportunity is the **European Crowdfunding Service Provider Regime** pushing towards a single EU Capital Market as a unified regulation across the European Union Member States. Into force since November 2021, the regulation will increase the availability of this form of finance.

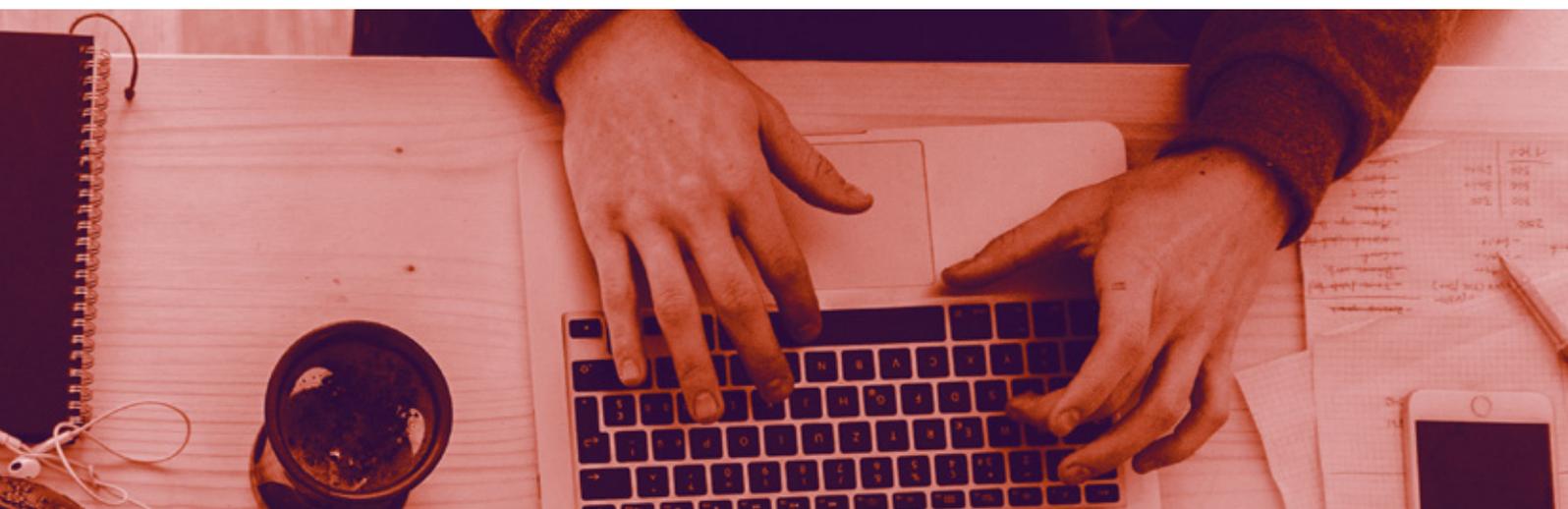
PUBLIC GRANTS

According to the Civil Society Sustainability Index, central government funding and European funds remain a significant and crucial source of funding for social entrepreneurs. The most important opportunities come from the European Social Fund (ESF) 2014 - 2020 and the EEA and Norway Financial Mechanism 2014-2021.

The European Social Fund 2014 - 2020 provided financial resources for acceleration programs for social entrepreneurs within 2 calls for proposals (SOLIDAR). These calls were designed by the Romanian national authorities taking into consideration the lessons learned under the first financial period in POSDRU 2007 – 2013 (ESF 2007 - 2013) calls that supported the social economy sector. The selected grant administrators under the 2 SOLIDAR calls (over 120 administrators) have to provide training in social entrepreneurship for more than 12000 people that want to start an impact business and then select, fund & mentor more than 1800 social enterprises. Each of the selected social business idea will receive at least 100.000 euro to implement its business plan over an 18 months period. There are no available grants for consolidating existing social enterprises.

Social innovation is also supported through Community-led local development projects (CLLD) financed through ESF 2014-2020, but impact data is currently not available.

The EEA and Norway Financial Mechanism 2014 – 2021 finances the Active Citizens Fund, a funding programme dedicated to non-governmental organisations, which is implemented in Romania between 2019 - 2024 and has a total allocation of 46,000,000 €. 11 Calls for proposals were launched in 6 areas of support.



I.3. SOCIAL FINANCE MARKET IN ROMANIA – KEY STAKEHOLDERS’ PERSPECTIVES

The results of the online surveys conducted by fonduri-structurale.ro and Ashoka Romania showed congruent visions of the main stakeholders of the ecosystem (social entrepreneurs, support organizations and investors) on the needs of the social finance market in Romania, both regarding the demand and the supply side.

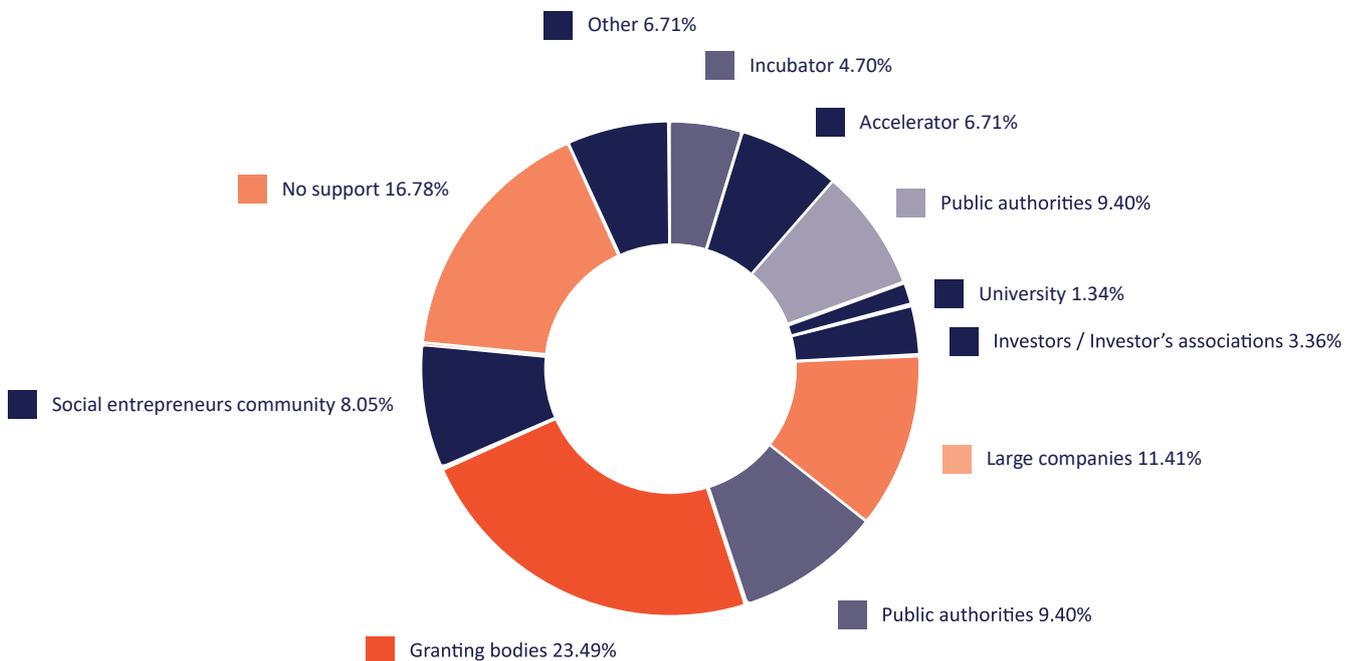
I.3.1. Social finance market in Romania – the social entrepreneurs’ perspective

The profile of the respondents:

- NGOs (52,94%) & Limited Liability Companies (40,2%)
- Contribute each to 3 – 4 SDGs on average (most of them to Quality Education – 14,99%, Reduced inequalities – 11,17%, Decent work and economic growth – 10,08%)
- Active in urban areas (64,36%)
- Founded in 2019 or after (52,33%)
- Low turnover (70,59% with an annual turnover of less than 50.000 euro)
- Operate locally/regionally (65,69%)
- Early stages of development (57,84% - in close connection with years active)
- Founded by 1 person (36,63%) or 3 co-founders (27,72%)
- 6 to 7 employees on average
- 5 to 6 volunteers on average

Support for social entrepreneurs comes mainly from granting bodies

23,49% of the respondents received support from granting bodies, 11,41% received support from large companies and 9,4% from public authorities. We notice that **traditional support organisations for the business communities (incubators, accelerators, associations etc.) play a weaker role in supporting social entrepreneurs in Romania.** From the entrepreneurs that did receive outside support, only 26,21% of them indicated multiple sources of support. 2 entrepreneurs (1,94%) appreciated the support they received from donors backing their activities. 16,78% of the respondents did not receive any support in growing their social enterprise from any organisation.



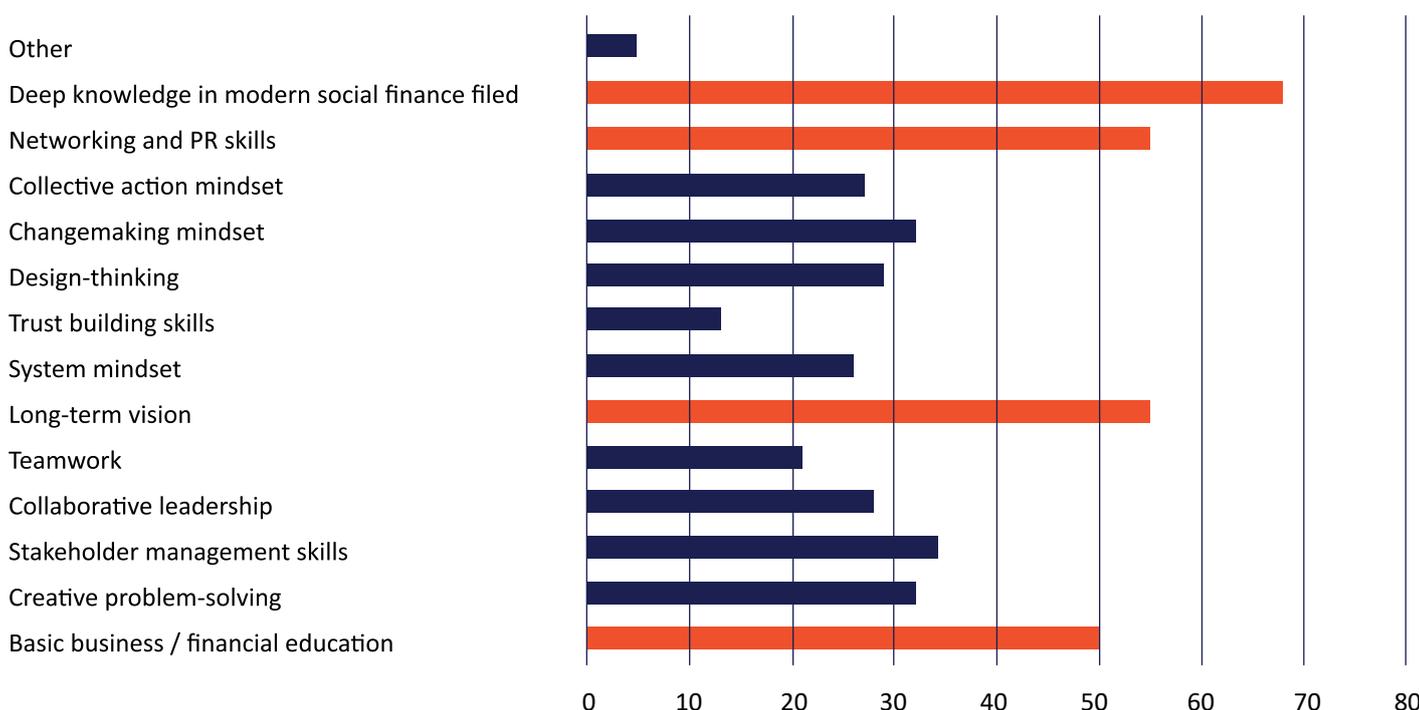
Extrapolating from the personal experience of the questioned entrepreneurs, we can notice that the same tendency applies to the general perception of the support received by Romanian social entrepreneurs from the ecosystem. The respondents were asked to evaluate the support social entrepreneurs receive from the main ecosystem actors, on a scale of 0 (no support) to 100 (strong support). **No ecosystem stakeholder received a score higher than 50%.** This indicates the existence of a rather weak support system:

Question	Score 0
Incubators	25.18
Accelerators	27.02
General support organizations	25.58
Universities	14.87
Investor/Investor's associations	22.29
Large companies	32.2
Public authorities	22.48
Granting bodies	41.5
Social entrepreneurs community	33.77

Skills missing: Modern social finance

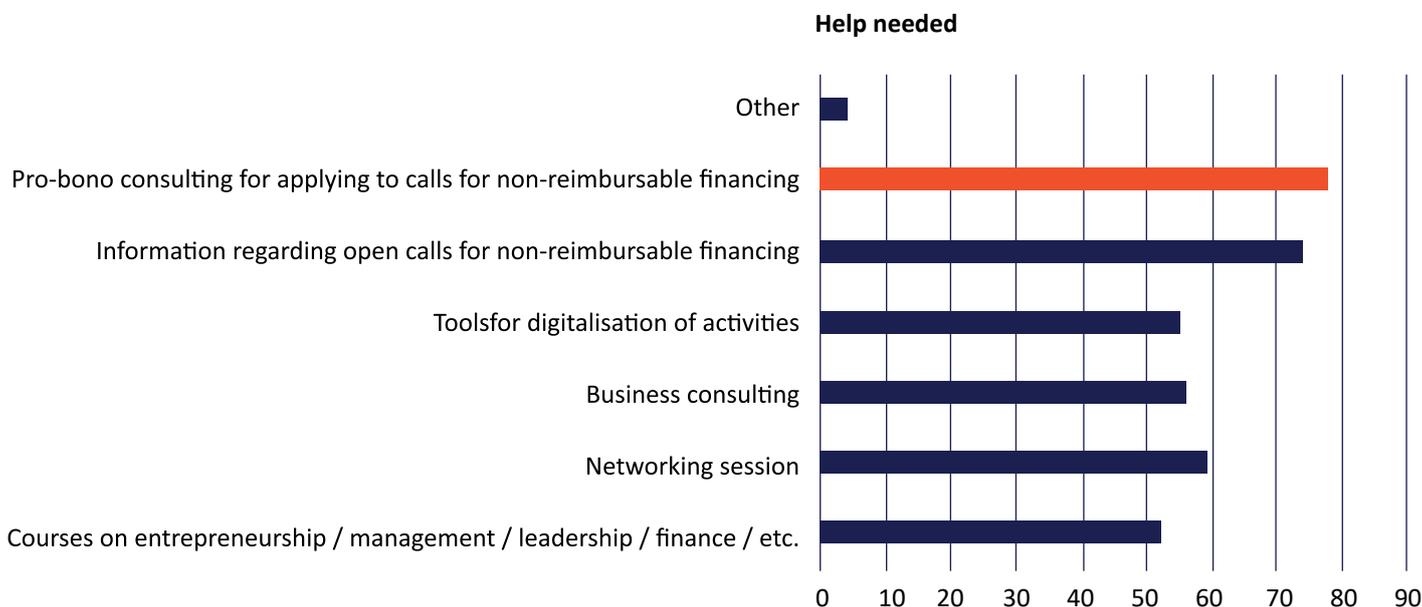
68 social entrepreneurs indicated that their organizations need **improved skills** especially regarding the **modern social finance filed** (e.g. awareness of and ability to apply hybrid financing models, assess financial sustainability etc.). Also in a significant amount, the entrepreneurs indicated needing **improving long-term vision** (55 mentions) and basic **business/financial education** (50 mentions). „Other” mentions included sales and marketing skills, fundraising, partnership building.

Skills need improving



How can the ecosystem stakeholders help?

An overwhelming percentage of the respondents (75,73%, 78 mentions) indicated that **support organizations should provide pro-bono consulting for applying to calls for non-reimbursable financing and information regarding open calls for non-reimbursable financing** (71,84%, 74 mentions). Under „other”, the respondents mentioned the need for advocacy services for improvement of social entrepreneurship regulations and laws, social business management, creating a marketplace for products and services for social enterprises.



Public recognition of social entrepreneurs is still weak and the connectivity of the ecosystem is low

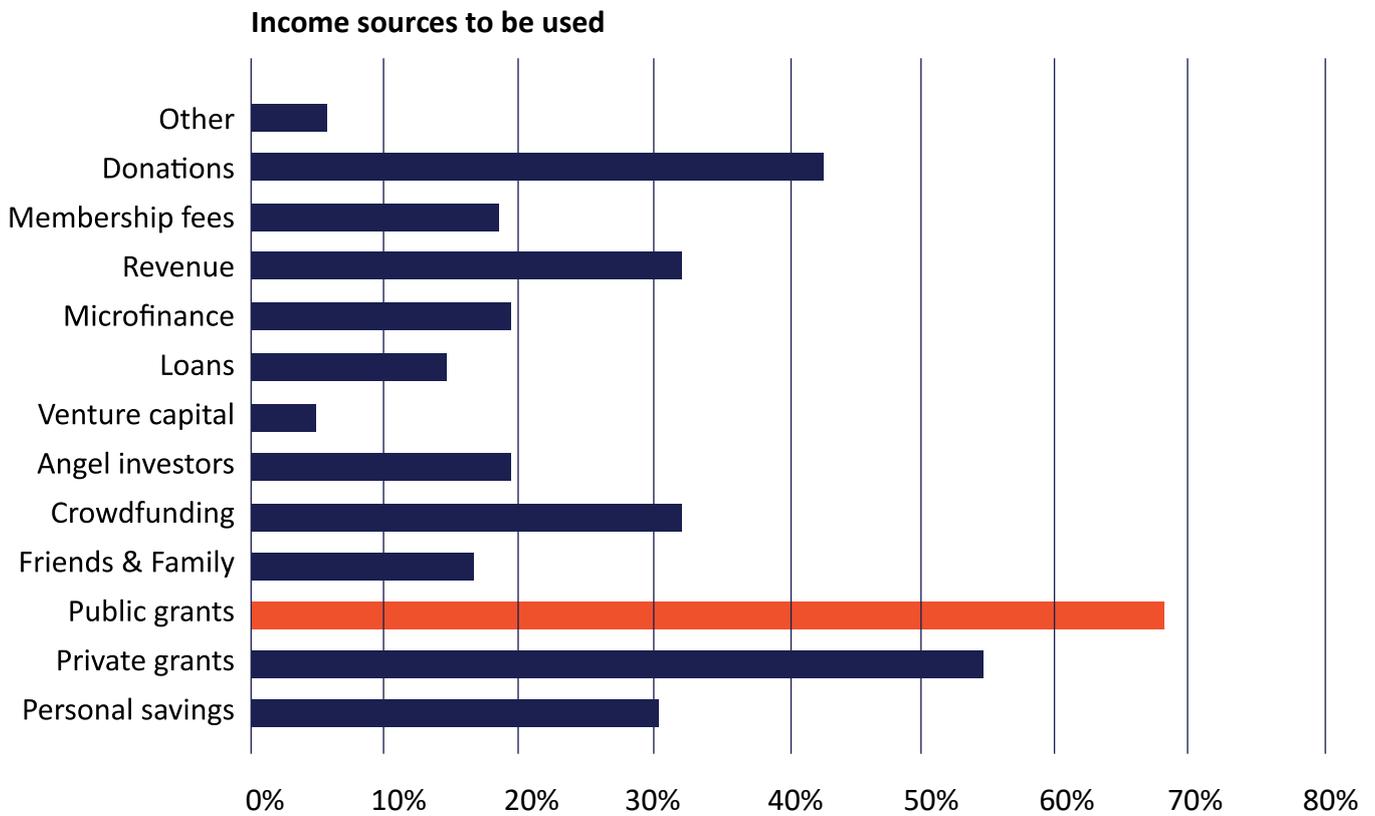
The Romanian general public is still widely unaware about the concepts of social innovation and social entrepreneurship. This is also valid for public central and local authorities that create programs that include the concept of “social innovation”, but no concrete measures for tracking initiatives or their impact. Most respondents (76,47%) feel that there is no recognition and visibility for social entrepreneurs in Romania. Nevertheless, the percentage of the questioned people that do not feel recognized as social entrepreneurs in their communities is smaller (only 43%) pointing out to one important driver for social innovation in Romania: local communities. Most of the surveyed social enterprises are not part of any networks (70,59%).

Finance

The most important source of income for the surveyed social enterprises are public grants (25,24% of the social enterprises have more than 50% of their annual income from public grants). The revenues from their economic activities are significant for only 15,53% of the social enterprises – only in this small percentage of cases the revenues count as more than 50% of the annual income. Other important current sources of income are still bootstrapping (personal savings – 60,19% of the social entrepreneurs, friends & family – 35,92% of the social entrepreneurs), private grants (49,51%) and donations (35,92%). 31,06% of the entrepreneurs received forwarded income/profit tax from natural or legal persons and only 18,44% collected membership fees even though most of the respondents are NGOs that should apply such fees. The surveyed social enterprises are using alternative financing mechanisms and financial instruments only in very limited cases. Only 22,33% used crowdfunding in the last year, 14,56% used loans and 13,59% received microfinance and the numbers for venture capital and angel investors are even lower (7,76% and 12,62%).

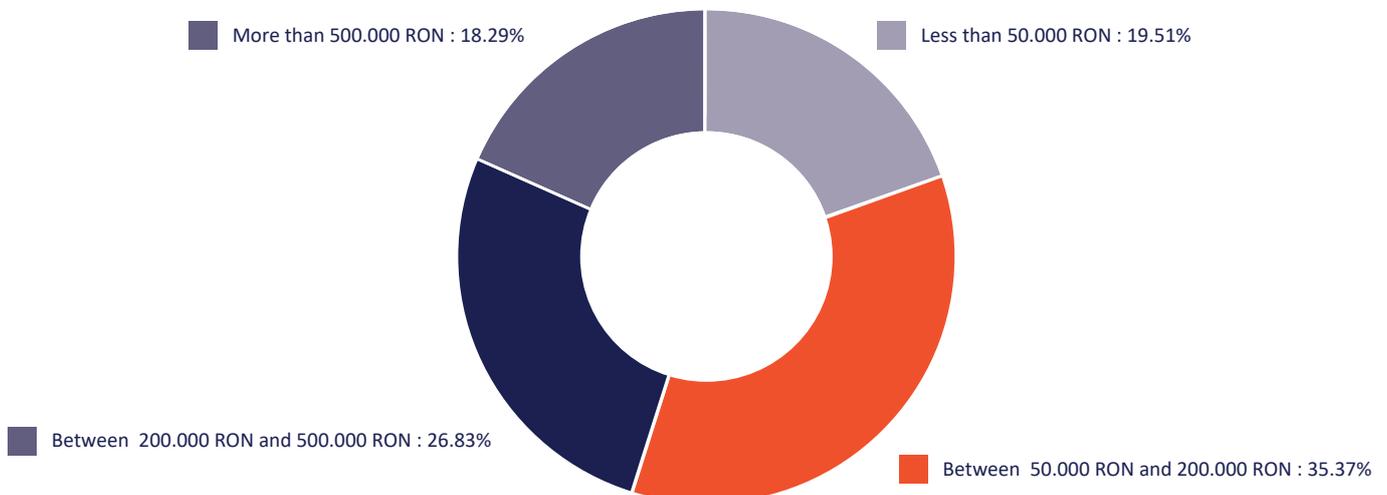
Most social entrepreneurs intend to apply for public grants

The surveyed entrepreneurs intend to apply for public (67,96% of them) and private grants (54,73%). Another important income source that the entrepreneurs will use in the next year are the donations from their communities (42,72%). Less social enterprises will rely on revenues from their economic activities and crowdfunding (32,04%) and their personal savings (30%).



Social entrepreneurs would be interested in small loans

20% of the respondents indicated that their business definitely does not need credit instruments. The others mentioned that they would use credit instruments for investments - scaling up (34%), for current activities – work capital (20,67%) and for co-financing projects (25,33%). 35,37% of the surveyed entrepreneurs would need a medium credit between 10.000 EUR (50.000 RON) and 40.000 EUR (200.000 RON), while 45,12% need an investment higher than 40.000 EUR (200.000 RON).



In working with a credit institution, the most important aspects that the social entrepreneurs seek are the costs and advantages of the financing opportunity (39,6% of the respondents). Also, another very important aspect is having a good collaboration between the enterprise and the funding partner (33,66%). The response time is not a crucial element that the entrepreneurs consider when applying for a credit (only 1,98% of the respondents consider this factor as the most important one when deciding for a credit institution).

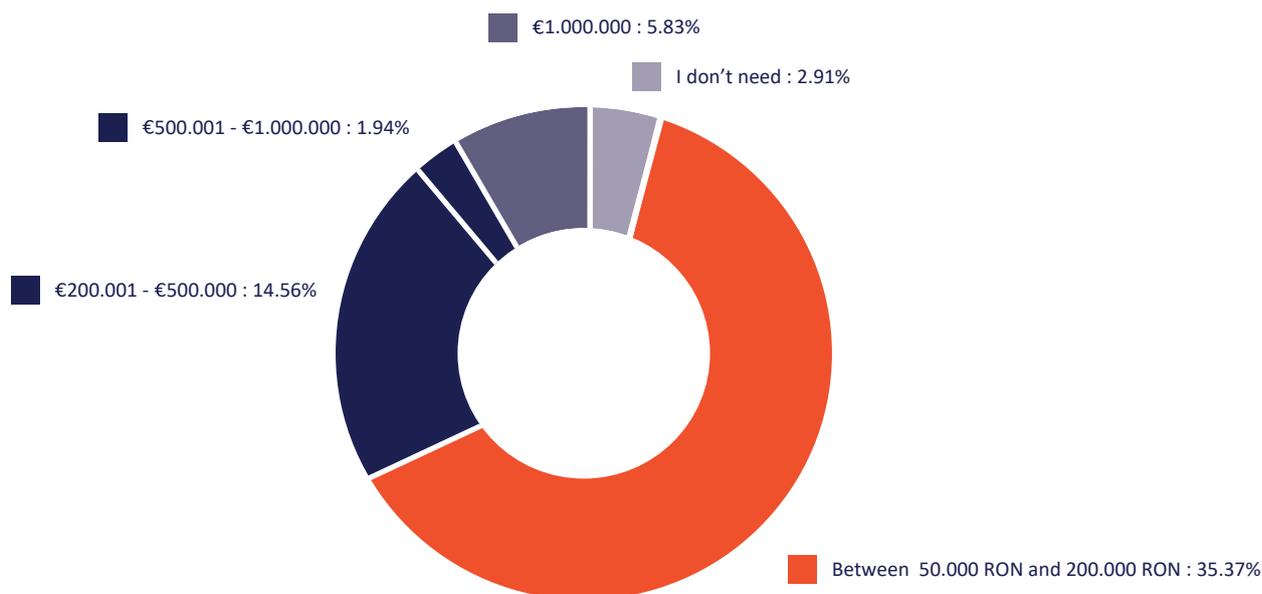
Romanian social entrepreneurs are interested in alternative financing mechanisms

83,33% of the respondents would consider using crowdfunding to finance the growth of their enterprises, if they were provided with the appropriate support to organize it. **68,93% of them would also consider using private investment to grow their enterprises** (business angels, VCs, crowdinvesting), even though this could require shareholder involvement in governance and control and /or the payment of dividends to investors/ shareholders, especially given the fact that **71,29% of the respondents had to limit their delivery of social impact due to a lack of finance / funding in the past.**

Romanian social entrepreneurs need support in securing financing

61,17% of the survey participants mentioned that they faced difficulties in identifying suitable sources of available finance. 43,69% of them also applying and failed to receive European grants – these failures did not discourage them as most of them still plan to apply for public grants, as mentioned before. **These difficulties are directly linked to the need of the social enterprises for assistance in preparing to source and secure finance** (i.e. improve investment readiness) – an overwhelming 82,52% of the respondents mentioned that they need this type of support.

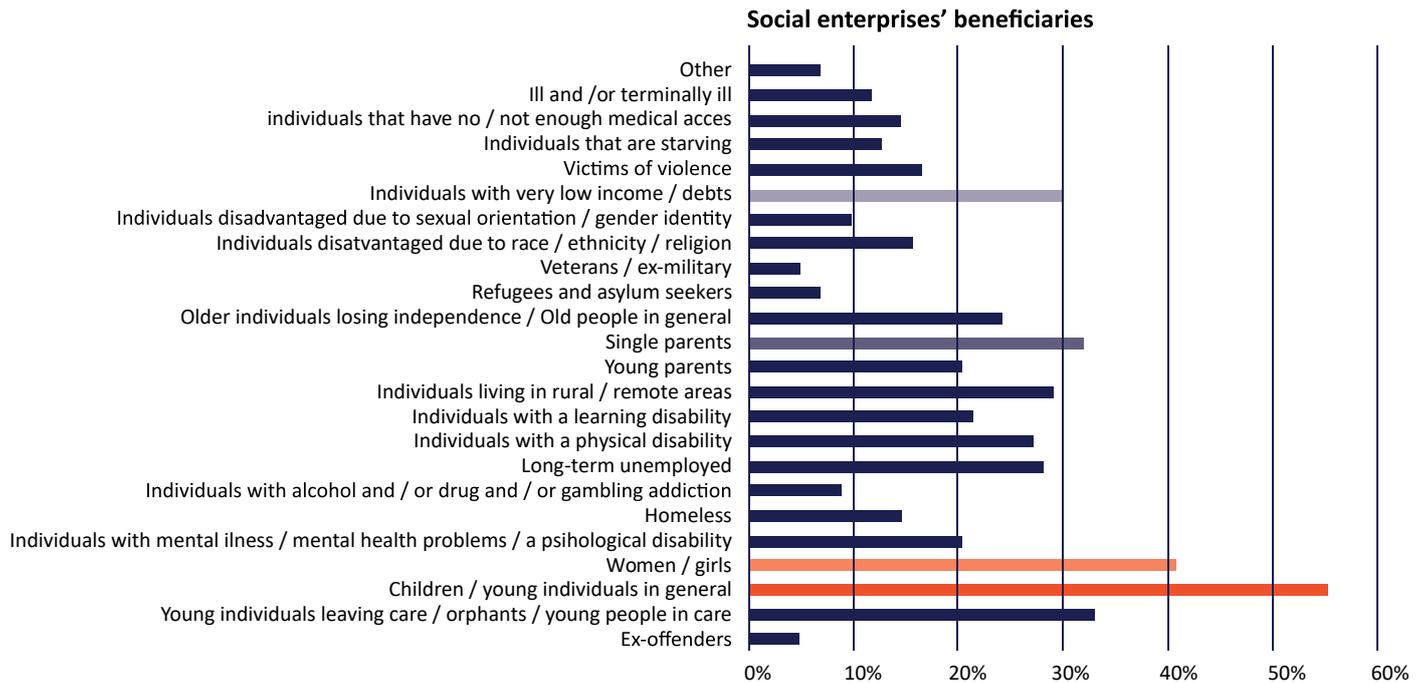
97,09% of the surveyed social enterprises need investment – most of them between 50.000 – 200.000 euros.



Romanian social entrepreneurs have a strong focus on impact

Most social enterprises formally measure/report their impact (73,08%) – in part this is due to the formal requirements of the social enterprises that received grants to annually report their social KPIs to the National Employment Agency. In this context, it is not a surprise that 94,12% of the respondents would consider agreeing to certain performance / impact targets (related to their social enterprise purpose) in order to access finance.

In their decision-making processes, their positive social impact (organisation’s outcome for a specific target group) ranks as the most important. This is followed by corporate social responsibility (ethical behaviour in organisation’s activities), environmental responsibility, innovation and the turnover. The profit of the company ranks last. Usually, the companies that do have a profit use it for the fulfilment of social and/ or environmental purpose. Only 14,56% of the surveyed enterprises distribute profits with their shareholders – this approach to social entrepreneurship might prove unattractive to investors.



65,05% of the surveyed social enterprises contribute to society in general and an equal percentage of them also have specific beneficiaries, including their own employees. The most frequent beneficiaries of the surveyed social enterprises are children/ young individuals in general (in 55,33% of the cases), women (in 40,78% of the cases), single parents (32,04%) and young individuals leaving care/in care



I.3.2. SOCIAL FINANCE MARKET IN ROMANIA – THE SUPPORT ORGANISATIONS’ PERSPECTIVE

Support organizations for social entrepreneurship in Romania have started to develop programs for social innovators mainly in the last **20 years**. The social innovation ecosystem is still rather fragmented and some “islands” of increased involvement have appeared in flagship cities: Iași, Timișoara, Bucharest. This is due mainly to the appearance of organisations with a deep understanding of social entrepreneurship, that build local social innovation ecosystems. In our survey we had the opportunity to get the feedback of some of the most important stakeholders of this type: Synerb, Close to You Foundation, Ashoka Romania etc.

The challenges: Immature pipeline & disconnected ecosystems

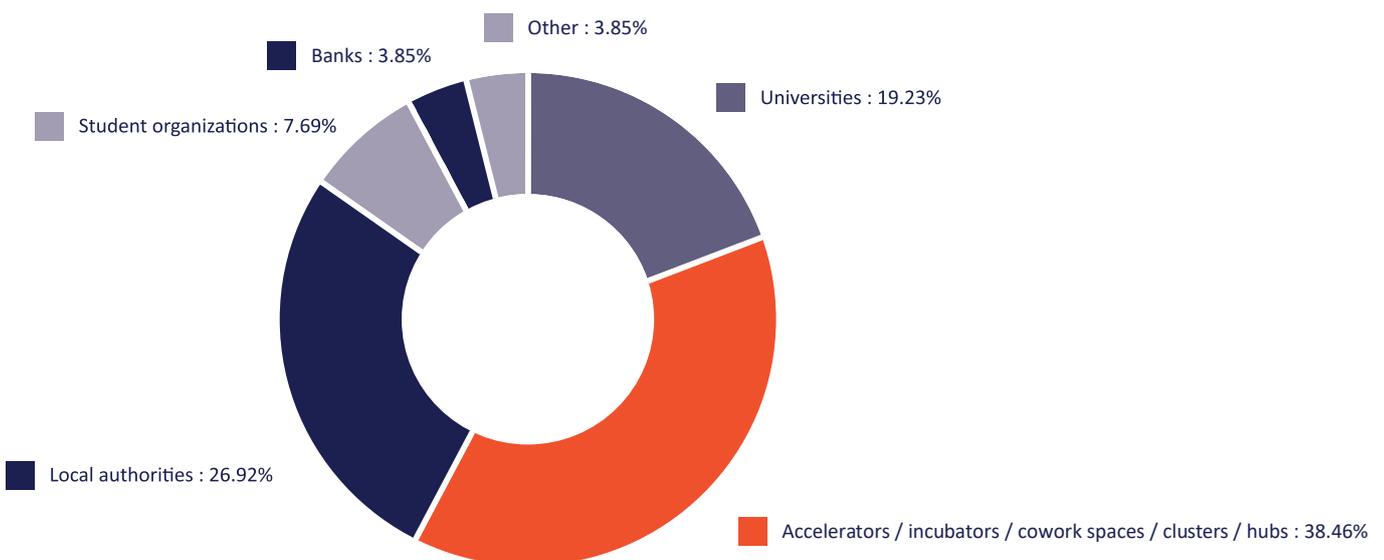
According to our respondents, the main challenges that support organizations are facing in providing assistance to social entrepreneurs include the **low leadership/management skills among social entrepreneurs** (in 64,71% of cases) along with **insufficient support from local authorities** (also in 64,71% of the cases). These issues are followed by the **low level of cooperation between the different actors of the ecosystem** (mentioned by 58,82% of the respondents).

Even though the surveyed support organizations pointed out that there is a low connectivity between actors of the social impact ecosystem, most of them (88,89%) had/have ongoing entrepreneurial support programs with other actors in the ecosystem.

Collaborations are taking part mostly with different hubs (38,46% of the respondents), local authorities (26,92%) and universities (19,23%).

The profile of our respondents:

- Support 5-25 social entrepreneurs within 2 years
- Offer mainly training, mentorship and strategizing services to social entrepreneurs
- Funded mainly by providing services/products on the market or non-reimbursable public money



Skills missing at the demand side level:

The support organizations indicated that the main skills missing at the level of the social enterprises are the basic business/financial education ones. They are followed by the lack of the long-term vision and a lack of knowledge in modern social finance.

Insufficient focus on impact

Half of the surveyed organizations (47.06%) do not measure the impact of their supported social entrepreneurs. Those that do measure impact mainly use internal methodologies and reporting tools. There aren't any generally accepted methodologies for measuring impact of social entrepreneurs in Romania. One interesting indicator that is measured by a support organization in monitoring the social entrepreneurs are the media appearances. Even though "vanity" metrics are not proved to generate real impact, it can be argued that they could provide a good incentive for certain types of possible social investors (corporations, local authorities). The general media in Romania has started to pay more and more attention to social entrepreneurs and their impact, which could prove to bring a boost to social innovation in Romania.

I.3.3. SOCIAL FINANCE MARKET IN ROMANIA – THE INVESTORS' PERSPECTIVE

The social finance market in Romania lacks impact investors – and this is in connection also with the feeble pipeline of potential investees. The supply side has to grow alongside with the entrepreneurs that are consolidating their businesses. Up until December 2021, only a few investors have developed and implemented/started to implement financing instruments for social enterprises (we can mention the programs of Patria Bank, BCR Social Finance, AFIN (microfinance), consolid8 (crowdfunding)).

The profile of our respondents:

- Diverse typologies (1 venture capital investor, 1 business angel, 1 microfinance organization, 1 corporation, 1 grant making NGO etc.)
- Diverse investment capacities (from small funds to more than 1 million euros/year)
- Most of them invest in more than 5 startups/year (55,56%)
- No sectoral investment preference
- Mostly investing in seed and startup stages (76,92%)

Money is all that you get?

The investors that answered to our survey mentioned that they offer more than an investment to their supported enterprises – most of them also share knowledge and own entrepreneurial experience (55,56% of the respondents). Investors also facilitate access to networks and financial guiding (44,44%). The investors' own knowledge of social start-ups and impact start-ups is rather run-of-the-mill, with a lot of space for improvement (an average score of 54 points on a scale from 0 to 100).

The lack of skills of the social entrepreneurs makes their enterprises riskier for investors

When asked to assess the risks connected to investing in social enterprises, most investors feel that such investments are riskier than the ones made in traditional start-ups. Their biggest fear is that the lack of skills of the entrepreneurs make such investments riskier. They also feel that low liquidity and lower returns are riskier in the case of impact start-ups than in traditional ones. The risk of overvaluation at the entrance, the risk of bankruptcy of the structure and the occurrence of difficulties to scale are also perceived as higher by the investors than in traditional start-ups. The only risk indicator perceived as lower in the case of social start-ups is the competition risk.

Limited interest in supporting social entrepreneurs

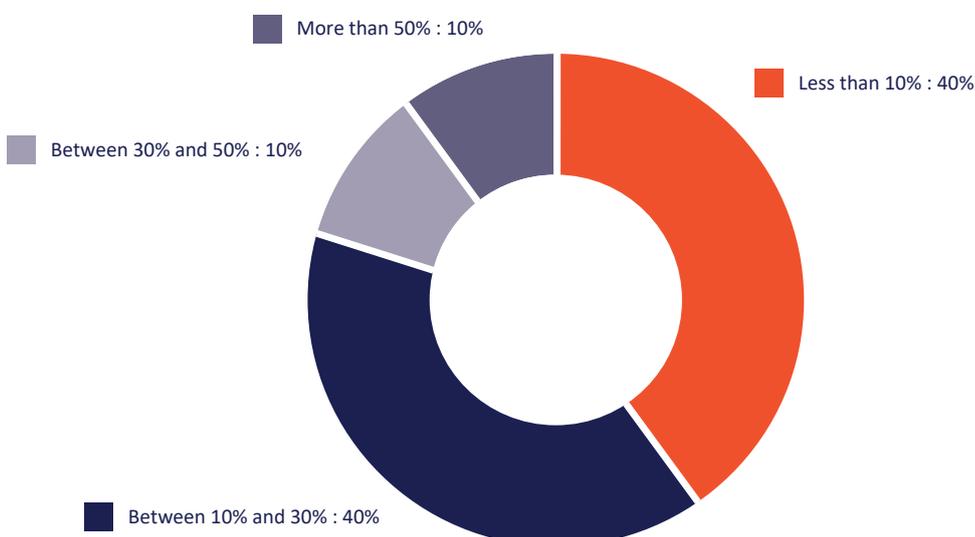
The investors' appetite for investing in social start-ups and impact start-ups is still largely limited – on a scale from 0 (very limited) to 100 (strong appetite) the surveyed investors gave an average 45,2 points to their interest. The investors that gave the lowest scores on this question are the investors that mentioned that they still lack knowledge on impact investing.

Most investors feel that only a small part of their investments should give priority to impact (8 investors mentioned that impact should only be important for less than 30% of their investments (out of these 8 respondents, 4 feel that importance for impact should be given to less than 10% of their investments)).

Only 6 out of the 10 surveyed investors feel that they are able to support start-ups they invested in to maximize their social and/or environmental impact. The investors offer capacity building and operational/institutional grants, support for the implementation of a correct program for the sustainability of the business environment and the creation of jobs and access to a network of community foundations.

The main obstacles identified by the questioned investors in executing investments are finding projects with a skilled management team (mentioned by 6 out of the 10 investors), followed by difficulties in evaluating opportunities (5 investors), limited or no knowledge of the social impact sector & difficulties in finding projects matching their profitability criteria (4 investors each).

A methodology for measuring impact would be useful in some degree to investors (53,1 points on a scale from 0 – no use at all to 100 – very useful).



What are investors looking at in their decision to invest

We've asked funders what they are basing their investment decisions on and while a lot of these criteria vary based on the type of stakeholders, there are many similarities in their processes.

Impact – Impact was the most mentioned criteria throughout the interviews. Every funder takes value in working alongside organisations with proof of impact in their area of work. However, there seems to also be a common agreement that the impact and sustainability debate has not yet reached a shared vision, a narrative. At ecosystem level, a lot of stakeholders still lack the internal capacity to define impact measurement strategies and a theory of change. This signals that the social finance ecosystem can become more sustainable and impact-driven in the allocation of funds if support organisations provide assistance in creating that shared understanding on creating impact.

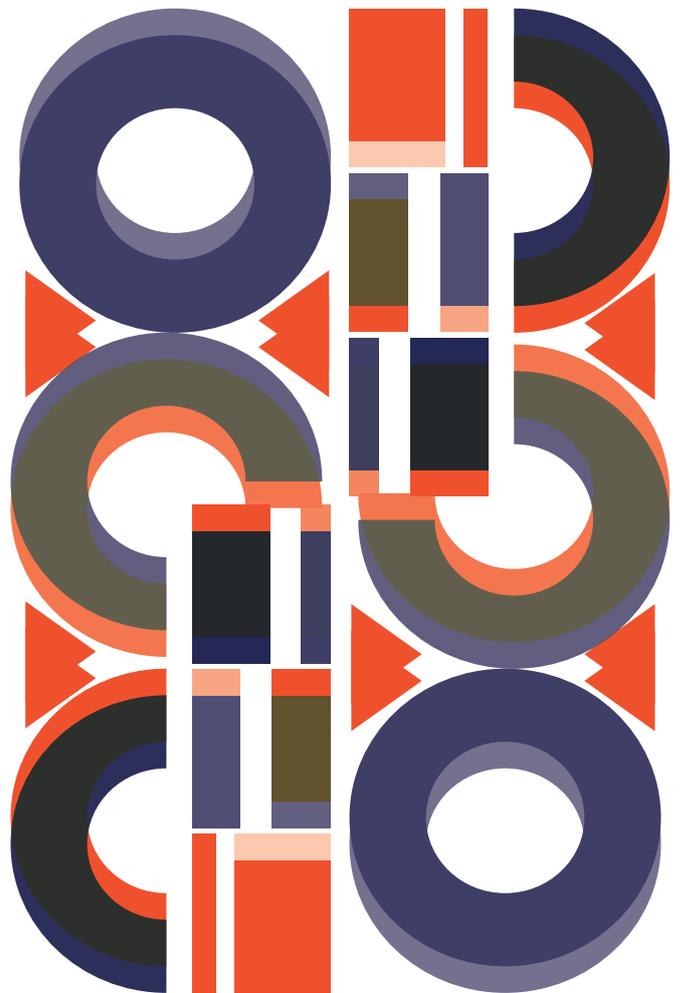
Transparency and integrity – the social entrepreneurs depict ethical fiber and are transparent about their ways of operating. Social entrepreneurs introducing major structural changes to society will have to inspire that change at a wide scale and across different stakeholder groups. If the entrepreneur is not trusted, the likelihood of success is significantly reduced.

Geographical coverage – many funders aim to target different demographics and geographical coverage based on their strategic alignment and their presence in different areas. Depending on the size of the funder as well, the funding is allocated on national level, scalable initiatives in the case of large organisations, or targeted to certain community-level impact.

SDGs & Strategic Alignment – funders invest in social entrepreneurs that can drive change based on their key objectives in alignment with the SDGs. Investments can be sustainable and have a longer-term approach when all stakeholders have a deep interest in solving a particular social problem. However, the corporate philanthropic sector presents on one hand large organisations that make social investments based on an internal strategy and theory of change and a majority of organisations that do not have internal capacity to define those strategies. A majority of stakeholders do not have dedicated resources for strengthening the

relationship with civil society. Social investments are linked to Marketing, Communication & PR or carried by employees with an interest in social projects. Capacity becomes a barrier to establish a stronger connection between the private sector and civil society.

The conclusion is that a well-developed social finance market is able to offer an array of financial instruments to social entrepreneurs regardless of their state of maturity – from idea development to scaling. Only a diversification of opportunities and types of support will tend to address the needs of the ecosystem. There is a need to invest across all levels of impact, from improving and scaling direct service in communities to systems change or mindset shifts.



I.4. WHAT IS MISSING FROM THE ECOSYSTEM?

Starting from the report [Embracing Complexity - Towards a shared understanding of funding systems change](#) we engaged stakeholders from the Romanian ecosystem in a roundtable event to better understand how the guiding principles could be transposed at local level. This challenged a fruitful discussion on tensions, challenges and opportunities we could see in the sector.

CHALLENGES

Stiff, incomplete legislation

There is not enough legislation to allow stakeholders in the ecosystem to better react to social entrepreneurs' needs. First of all, the most important local legislation is the Social Economy Law 219/2015 that has already been recognised to be flawed or incomplete, as well as in the spectrum of social entrepreneurship it only covers initiatives established as social enterprises.

Moreover, when it comes to public funds, whether they are local or international, the receiving organisations are subject to an intensive bureaucratic process that significantly shifts their attention to working on the pressing issue to ensuring all documents and budgetary actions are reported accordingly. There aren't many advocacy initiatives that try to promote a change in regulations that will free the relationship between public funders and social entrepreneurs from all the bureaucratic reporting processes that come with the funding.

From a legislative perspective, the general priority at the moment seems to lie at simplifying the processes to register and operate a CSO. According to the Sustainability Index published by USAID with FDSC, in July 2020, the government initiated an open consultation on reforms to Government Ordinance 26/2000 (GO 26/2000), which regulates the establishment and functioning of civil society organizations (CSOs), but the process ended after the first round of discussions with no follow-up. There was however, a separate initiative on the same legislation to lower the barriers to entry for new CSOs that beyond benefits also brought questions or difficulties in implementation. The process is too vague and allows for multiple interpretations while it excludes relevant items such as "whether setting up a CSO should be a judicial or administrative procedure, the role of the National

Registry of NGOs vis-à-vis that of the NGO registries in the local judicial courts, the extent to and manner in which CSOs can undertake economic activities, guarantees for third parties engaged in legal relations with CSOs, or the proper balance between the aim of increasing membership and the accountability and transparency needed to do so". These gaps can have a significant effect on the social finance market, as it can restrict the amount of civil society organisations that can have access to certain financial instruments based on their judicial form and it must be taken into consideration when designing new instruments for social entrepreneurs.

The pandemic has shown us how little (fiscal) benefits there are when it comes to supporting civil society organisations. When the pandemic started, the government adopted several fiscal changes to support small and medium enterprises and avoid economic downfall, yet none of them included CSOs. The only tangential benefit was prolonging the deadlines for submitting the documentation required to make use of the fiscal facility that allows redirection of up to 3.5% of owed income tax to a non-profit.

According to a social entrepreneurship expert when it comes to social enterprises and current legislation in Romania, there are 6 building pillars that will lead to a more favourable ecosystem for social entrepreneurs:

1. The social entrepreneurship culture - many people do not know how to take up this career path, there aren't many platforms that offer enough information and the school curriculum (whether it's high school or higher education) excludes this subject. We need to make more resources available and provide the spaces for people to learn what social entrepreneurship is about and know exactly the steps they need to make.

2. A more favourable legislative framework - the current legislation defines concepts and creates an initial framework, however it does not come with concrete enough aspects that would support the development of the sector in a practical way. The ambiguity and lack of clarity is a major impediment for social entrepreneurs. Not many relevant mod-

ifications were presented in the secondary legislation. The biggest discrepancy comes from the fact that social enterprises must comply with the same fiscal regulations as companies, but do not have the same benefits.

3. Human resources - investing in human resources for the ecosystem as well as working alongside accredited public institutions, such as the National Employment Agency or the Ministry of Labour so that more people can be advised on their social entrepreneurship initiatives.

4. Public strategies and policies - Social entrepreneurship and legislation should be strongly anchored under a larger national strategy. At the moment it is still unclear how Romania aims to use social economy, its role in engaging communities locally is still unclear, and their impact is not communicated properly.

5. Access to a social finance market - social entrepreneurs do not have access to a market for social finance that is sufficiently developed, while also often social entrepreneurs are not instructed on where to seek existing financial instruments based on their needs. Another issue comes from the design of these financial instruments. Social entrepreneurs need to align with various criteria from funders, which significantly affects their focus and impact.

6. Forming long-term partnerships, associations, networks and coalitions that can be an elevated strong voice for the sector.

Tensions from the relationship between social entrepreneurs and funders

There is a tension between funders providing resources and the receivers of these resources which can be brought down to the agency of funders. It goes without saying that funders invest and fund certain causes and organisations because they care and want impact, so they want to have agency in that process. However, in some cases the relationship is not defined in a constructive way and puts the two parties in unequal places. Locally this is not a subject that is often brought up and relationship building practices are not that vastly shared amongst ecosystem players. This poses a challenge precisely because funders' agency is extremely important – without those resources we wouldn't

move forward as we do in a lot of directions. What surfaced as being important here is how we think more strategically about the relationship with the funder. The challenge is when funders come off with certain preconceptions about what kind of work is needed and then restrict the funding to that. Many social entrepreneurs would want to co-create with funders, they want to use their convening power to bring together people and use their oversight of the different initiatives to connect them with each other and support systemic analysis with many people together at the same time. The main point here is that if the ambition is to make the most impact, then in many cases the social entrepreneurs need to be on an eye-to-eye level. As long as the perspective of social entrepreneurs is represented in funding design it is the safest way to know that you are making the most accountable and legitimate decision that you can make. It's also important to take into account how democratic the country/sector is, equity, etc. Generally, those that work close to the issue bring a lot of legitimacy and insight into their decision and must be supported.

Short term gains vs. long-term vision

Another vocal challenge that was mentioned multiple times during the roundtables is strongly correlated to the previous idea on the tensions between funders and social entrepreneurs. This challenge goes deeper into the nature of the relationship between stakeholders and emphasises another tension, between output-oriented initiatives that come with restricted usage of funds in the detriment of funding multi-annually, based on a longer-term vision and systems changing milestones. However, a sign of an already transforming funding sector that gives us hope was mentioned by one of the largest Romanian funders: one year project-based initiatives are finally starting to be replaced by program-based approaches that are multi-annual and better ensure sustainability and continuity to achieve longer term impact. Private companies are thus a more flexible funding partner as they become more adaptive to the ecosystem needs.

However, there aren't many funders that offer financial instruments that are close to resembling unrestricted funding. The Romanian-American Foundation might be the only player in the supply market that nurtures a relationship with social

entrepreneurs which also allows a high degree of flexibility in investing in core strategies. Historically, unrestricted funding in Romania used to be awarded to watchdog organisations that underwent important investigative work to increase the political stability and transparency in the country. It was important then that these organisations were supported to do precisely their core work that was at that time considered truly important. Since then, unrestricted funds are no longer a common practice in the local ecosystem.

Limited availability of financial instruments

There seems to be a common sense that there is not necessarily an issue with having enough money for the sector supporting social entrepreneurs, but rather a lack of diversified financial instruments to access. The more classical ones are definitely present: private company sponsorship, individual donations, public funds awarded on project-based approach, and one emerging crowdfunding platform focused on social impact initiatives, [Consolid8](#). A great need for more flexible instruments was identified throughout most roundtables we organised, from both a funder and social entrepreneur perspective. Alternatives included:

1. Forms of endowment funds - Romania is a country with a strong political instability and volatility - an authoritarian leadership could have disastrous effects on the non-profit sector and social entrepreneurs. With the buy-in of both the public and private sector, an endowment fund could be a tool that offers stability and sustainability in times of crisis.

2. Local Guarantee funds, which could allow for flexibility of credit institutions to offer tailor made crediting instruments for higher amounts with better, more attractive offers. A local Guarantee fund could increase the national level of collaboration between financial services stakeholders and reduce the reaction time to social entrepreneurs' financial needs.

3. Multi-stakeholder financial instruments, such as social impact funds, social impact bonds, crowdfunding/impact investing.

There is another aspect to take into account when assessing the available financial instruments, which is the stage of development of social entre-

preneurs' ventures. There is an emerging need to have more stakeholders and resources available for social entrepreneurs depending on where on the entrepreneurial journey they currently are - from inception, idea validation and initial funding to mature and established organisations. The market requires financial institutions adapted with expertise for each maturity stage, as well as an ecosystem of consultants and advisors that can assist a growing market of entrepreneurs.

Moreover, another perspective linked to the availability of the instruments argues that often it is the case that not the instruments are an issue but **the approach of the two parties** – the social entrepreneur must ensure that they build a solid and resilient plan that can forecast the risk and include mitigation processes, while the funder must embrace a newer vision towards social entrepreneurs and their ventures and thus change and customise their offerings with customisable, specialised instruments than the traditional ones.

Lack of human resources leading to burnout and excessive stress

Because the financial prospects of a career in social entrepreneurship and mostly the non-profit sector are not sustainable in the long-run, it becomes especially difficult for leaders of impact-driven organisations to retain professional human resources. There is also this aspect of payroll in the sense that a high percentage of the funds raised go directly to the beneficiaries, while a small percentage is invested in organisational development. In some relationships with funders it is mandatory to stick to a maximum quota. This burden has two major behavioural effects on the sector:

1. Leaders are drawn by short-term opportunities, project-based initiatives that allow them to bring cash flow to secure ongoing activities

2. Impact-driven organisations rely on pro-bono or volunteering opportunities. While developing a strong volunteering culture in Romania is very important, professional services offered for core organisational activities, be it operational or strategic, need to be agile, sustainable and quality driven. For long-term needs, volunteering agreements, while useful, do not offer enough security and reliability for the social entrepreneur.

Achieving deeper cross-sectorial and intersectional collaborations

As mentioned in the report on funding system change, Embracing Complexity, all complex problems require a holistic, intersectional approach, given the fact that problems are multi-disciplinary, interlinked, dependent on each other. At the moment, while this perspective is quite widely accepted, Romania does not have a matured culture of collaboration, not within the non-profit, social entrepreneurial sector, nor cross-sectorial, among social entrepreneurs, private companies and public institutions. This affects funding deeply, as without forming deeper connections and more strategic collaboration amongst stakeholders, the paradigm of funding will not shift by itself and the project-based status quo will be preserved. More efforts are required to nurture a systemic mindset towards collective impact and collaboration.

Sectorial Infrastructure still not developed enough

The number of CSOs providing advice and support to other organizations is still limited and there is an ongoing need for more specialized services for CSO capacity building. Various organizations provide other CSOs with support on diverse thematic fields or areas of expertise. Organisations such as Code for Romania or Techsoup offer support services for social entrepreneurs to become more digitally-driven. Fonduri-Structurale.ro or Fundatia Alaturi de Voi offer accelerating programs for social enterprises. The Association for Community Relations (ARC) is a closer mentor in fundraising for a lot of social entrepreneurs, while Friends for Friends Foundation offers expertise in communication and marketing to improve social entrepreneurs' presence on communication channels. There is optimism around the ecosystem for support organisation, yet at the moment the supply is unable to meet the demand.

These challenges checked out over and over again throughout our roundtables, surveys and interviews with funders and support organisations. When asked **“What are the gaps in the social finance ecosystem?”** these were the most common answers we received from interviewees:

1. Lack of specialized programs to scale-up social businesses (support for drawing up a business plan,

financial education programs, growth strategy)

2. Very few experts in the field who have know-how regarding **organic development of a social business**

3. Financiers generally analyze the payment capacity of social entrepreneurs without taking into account their different operating models and the specifics of their activity; this fact having consequences in the correct understanding of the financial statements

4. Too much dependency on a handful of funders due to a lack of diversification of instruments. If there were mechanisms of support for innovation, mentoring, implementation and networking, the dependency of social entrepreneurs would diminish

5. Funders as connectors to each other's opportunities, working together to identify the best partnerships for ecosystem members

6. The grants system generated limited spending on social entrepreneurs' sustainability, even though many grants mention a sustainability component that is perceived to not offering feasible mechanisms for preserving sustainability of initiatives. This led to social entrepreneurs' over dependency on program specific grants, with little resources for innovation and mental and financial space to develop the organisation at core level. Grantmakers should take stronger action to include in their funding schemes resources for capacity building and innovation.

7. The human resource crisis of the sector gravely affects more the organisations and communities that are outside major cities in the country.

8. The relationship between the social entrepreneur and the funder is rarely formed through a co-design process. The tension either rises from the social entrepreneur's need to receive funding for existing projects, or the funder

9. Social entrepreneurs need financial education (eg: drawing up a business plan, drawing up a cash flow, accessing and implementing non-reimbursable funds). At the same time, they must create a long-term development plan, based on a financing strategy and taking into account risk management. The experience of the key people of the organization must be vast within the same field of activity and the management team must be stable in the long run.

Moreover, a big challenge for the funding sector at the moment, as per the statements of Cristina Hanganu from Lidl is that the ecosystem hasn't reached a common understanding of what sustainability entails in the wrong run. **“We should all look at sustainability as a philosophy that leads us all, as our north star.”** Without this common understanding it is difficult to create that shared vision on the principles for social investments.

OPPORTUNITIES

Investment in the younger generation

Even though for quite a while there wasn't much focus on nurturing the new generation of young leaders that will change the country systemically, there has been an increase in initiatives that prioritise this aspect. For example, Trillenials, a multi-annual program for recruiting, supporting and building a community of young leaders that want to become social entrepreneurs and changemakers, is already at its third cohort. The initiative already built a community of more than 60 young adults that are engaged with each other while also working for impact-driven organisations. Along with this one, there seems to be emerging initiatives and opportunities for the youth to engage in social entrepreneurship and seek to found impact-driven ventures, which makes the need for social finance even more important.

An emerging national discussion on impact

While there is still more potential to reach, organisations and institutions are slowly adopting a stance to look for impact. The discourse on impact - what it means, which are the ways to properly measure it, how it is funded and how we reach it, is still blurred by an array of blurred ideas and concepts or used in different contexts. This is an impediment to reaching a common conclusion on what true social impact means that could then further support the discussion on funding systems change and impact-driven visions. But it is crucial that the ecosystem started the conversation and there is a lot to build on.

The Donors' Platform

2021 marked the launch of the Donors' Platform, an initiative that brings together 15 of Romania's biggest donors in an effort to make data about the

way civil society and social entrepreneurs are funded as well as highlight how the money is dispersed. According to the [platform](#), more than 45.7 million euros were invested in the civil society, in the form of 1649 projects of 894 nonprofit organisations in 51 domains, supported by 35 main funders. Giving access to data that can help funders make more informed strategic decisions by identifying the sectors that need more funding and developing longer-term partnerships is a great starting point to building on this already available infrastructure. Though seen as an opportunity, participants to our roundtables believe there is still work to be done in aligning the funders adhered to the network with the needs of the social entrepreneurship ecosystem.

Capacity Building - what is it and what's next?

Another opportunity that arose from our research is the increasing amount of available funds when it comes to what is called capacity building. They are initiatives that have as primary objective investments in consolidating the capacity of civil society and social entrepreneurs to be more resilient, have access to know-how, non-financial resources and networking opportunities. While these funds have been available in the past, the ecosystem still experiences a process of defining what capacity building initiatives should focus on and how to better align them with the needs of the ecosystem. There was a learning curve with past initiatives that did not generate the expected impact, however as this understanding strengthens impact will increase. What has already been noted is that these opportunities need to span multi-annually to ensure proper support for these organisations and need to ensure a level of customisation to tailor on social entrepreneurs' needs. It is essential to “meet people where they are” and provide services not based on common assumptions on the capacity of organisations in the nonprofit sector but on their real challenges and needs. În Stare de Bine is the most renowned multi-annual capacity building program in collaboration with Fundatia pentru Dezvoltarea Societatii Civile, one of the biggest public donors and Kaufland Romania, a private company.

Organisational Capacity

The pandemic year brought to light again that organisational capacity is still a developing concept in Romania. While legally all CSOs are required to

have a written mission and goals, in reality many organisations develop projects and activities depending on the available funding on the market. Few manage to organise under a well-developed strategy because of the funding market that restricts to an extent the support of a long-term vision. This was largely debated in the launch webinar of the USAID report, where Roxana Vitan from Romanian-American Foundation, Cristina Hanganu from Lidl and Katharina Scheidereiter from Kaufland, all key funders for the ecosystem, were invited to reflect on the findings. They associated the reactivity of CSOs during the pandemic crisis with a strong leadership nature that denotes a first mover thinking. **This raised thus the importance of developing funding opportunities for these organisations' core operations, regardless of what projects or activities they might use the support for. This allows for flexibility, sustainability of the organisation, and ensures that they will not have to deviate from the strategic goals to seek "survival" funding.**

“Having core grants should now be on the table. If we want to have first movers, we have to invest long-term in the capacity of first movers.”

– says Roxana Vitan, as Romanian American Foundation is a key advocate for such grants and offers them to their portfolio.

When discussing organisational capacity, it is also important to talk about collaboration. Capacity increases when the right organisations that work towards the same goal establish working relationships of collaboration for collective impact. Both Katharina and Cristina recognised this need not within the civil society sector, but also as an issue that corporate funders also face – they need to start working together better but they also need to fund collaborative initiatives not only one-to-one relationships.

Wellbeing as an emerging topic among social entrepreneurs

The pandemic emphasised the need for social entrepreneurs to be allowed space for their own wellbeing and their colleagues'. There was immense pressure on the social entrepreneurs and changemakers everywhere to ensure continuity of their initiatives and adapt in a feasible way to still be close to the people they serve. From this need many support organisations such as Ashoka or Asociația pentru Relații Comunitare (ARC) provided spaces to discuss individual and team wellbeing so that social entrepreneurs are better supported in coping with the emotional pressure that comes with their work. We expect more organisations to join in elevating the discourse on wellbeing at a national level, as these needs will persist in upcoming challenging times.

“We as donors saw a tremendous mobilisation in face of unprecedented events. Beyond that, and I am the forever optimist, we have seen a willingness to work together – donors that wouldn’t fund programs otherwise. This is not a large-scale phenomenon but I would like to say that this is the dawn of a new era.

The pandemic proved that it can be done, that it is beneficial for society, and I think that this is a trend that if correctly nurtured and supported will give us benefits. I hope to see this willingness to cooperate and go further. We are committed to support this willingness.

We have seen a tendency of stopping long-term projects to direct to emergency situations. This is understandable but not helping. We tried to maintain the funding of the programs that we have. We should have an emergency fund for things that happen when things get out of control.”

Cristina Hanganu (Lidl)



“We would like to see the sector collaborate more, there is a lack of availability to collaborate on the same issues. But we know that this is also an issue for companies.”

Katharina Scheidereiter (Kaufland)

The ESGs - Environmental, Sustainability, and Corporate Governance

The environmental, Social and Governance criteria (ESG) has been an emerging topic within the private and investing sector as a new opportunity to address sustainability, innovation and social responsibility on the long term. It is expected that these new criteria be the successor of CSR policies and strengthen the collaboration between this sector and social entrepreneurs and civil society. While earlier sustainability movements are thought to be focused on doing the right thing morally, the ESGs are perceived to consolidating sustainability and social change as rather strategies embedded in the strategies and working models of organisations.

The global narrative on the implementation of ESGs promotes them as a tool to address the short-term thinking fallacy when discussing the need for sustainability as detrimental to short-term profits/gains. One KPMG report on operationalising the ESGs for example suggests that companies can look proactively at ESGs as a new opportunity and a new framework to innovate and adapt spending and processes for more social responsibility and true sustainability.



The KPMG and ServiceNow report on Operationalizing the ESG business imperative takes note on some important examples of topics that will be subject to discussion and strategy in adopting these criteria. We noted them down as well, since our roundtable discussions also brought the subject on the table as an upcoming opportunity to strengthen the private sector's relationship with social entrepreneurs. They are all taken from the aforementioned report:

Governance

- Board diversity and independence
- Business conduct and culture mechanisms
- Employee incentives and risk culture
- Equal pay and wage gap
- ESG integration in financial analysis
- Ethical Behavior
- Lobbying and public policy engagement
- Operating within the legal/regulatory environment
- Systemic risk management

Social

- Access to products and services
- Community investment
- Community financial health
- Customer financial protection
- Data privacy and security
- Location
- Human rights practices
- Investor activism
- Responsible sourcing
- Wealth inequality

Environmental

- Natural Resource Preservation
- Greenhouse Gas (GHG) / Non GHG emissions
- Biodiversity protection
- Supply Chain environmental management
- Waste and Pollution
- Deforestation

CONCLUSION

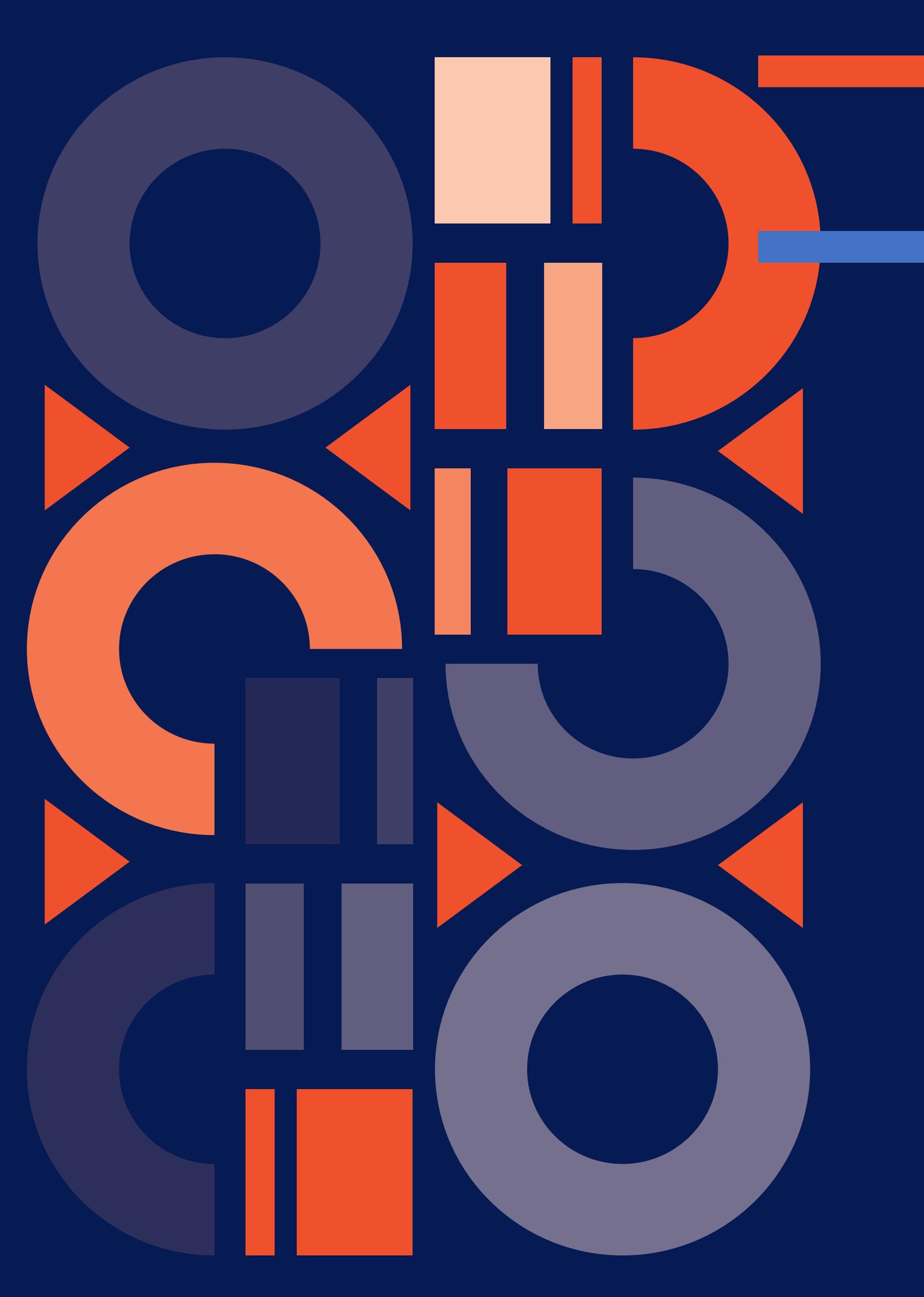
In spite of the multiple challenges that social entrepreneurs face today, the ecosystem of social finance has potential to grow. The process of conducting this report already surfaced the best practices of some of the stakeholders supporting social innovation and pinpointed the building blocks for consolidating the capacity for increased, collective impact and systems change.

The conclusion is that the biggest challenges of the ecosystem at the moment are twofold:

There are still too few players to support social entrepreneurs, from funding issues to organisations of support, meant to provide the necessary tools and expertise to grow the organisations from one maturity stage to the next. **The existing players are reactive to the social entrepreneurs needs**, but they are not acting on a more common, collaborative agenda.

The table below shows a summary of the existing and missing links of the ecosystem, with many common actors that are present in more developed social finance markets not being able to match demand's needs or missing altogether.

HEALTHY ECOSYSTEM IN ROMANIA – MISSING LINKS			
Kind of Institution/Framework	Missing	Not matching demand's needs	Completely matching demand
Non-Financial Institution		X	
Accelerators for social enterprises		X	
Support organisation for SEs		X	
Angel fund for SEs	X		
Regulation allowing institutional investors to invest in SEs		X	
Ethical funds for banks dedicated to SEs	X		
Complementary currencies for SMEs, SEs	X		
Investment readiness programs for SEs	X		
Comprehensive Social Finance trainings for investors	X		
Public institutions (including Universities) support on SEs		X	
Public funds to open & grow social enterprises		X	
Cooperative banks		X	
Social bonds	X		
Crowdfunding mechanisms		X	



PART II: OUR ROLES IN ACCELERATING SOCIAL FINANCE FOR SYSTEMS CHANGE

II.1. EMBRACING COMPLEXITY

The research conducted for this analysis showed the complexity we are facing at systems level when it comes to supporting social innovation. This is an issue that is globally present and requires stakeholders to embrace the complicated and intertwined needs and opportunities and embrace complexity with collaboration.

Systemic challenges require systemic answers, but currently the dominant funding practices are ill-suited to support them. Systems change leaders often struggle because current funding practices are often built to support short-term projects with clear, measurable results rather than collaborative, evolving approaches to create lasting change. An Ashoka international study shows that 55 percent of the surveyed systems change leaders disagreed when asked whether their funders provide sufficient support for systems change work.

Short funding horizons, restricted financial resources and funders' interference with initiatives pose major challenges. The majority of systems change approaches are expected to need more than five years of funder support to achieve their goals – but few funders commit for the long term. Moreover, financial support usually comes with many restrictions on how it can be used: 72 percent of the surveyed systems change leaders reported receiving less than 25 percent unrestricted funding. Finally, funders seem to actively discourage innovative approaches: 87 percent of the systems change leaders reported that they had to adapt their initiatives to comply with funder requirements – 43 percent of all systems change leaders reported having to make major changes.

There are five principles and resulting practices that funders can adopt to better support systems change work. We distilled and validated these principles through on the existing literature on funding systems change, more than 60 interviews with funders, intermediaries, and systems change leaders, and a survey of over 110 systems change leaders in the context of a previous Ashoka international study. We offer concrete recommendations for how the five principles we propose can be put into practice.

1. Embrace a systems mindset by being clear about the systems you want to change, incorporating systems change into your DNA, and actively looking for funding opportunities

2. Support evolving paths to systems change by funding systems leaders with transformative visions of improved systems rather than projects, investing in learning and capability building and encouraging collaboration among systems change leaders

3. Work in true partnership by acknowledging and working against power dynamics, providing support that fits systems change leaders' needs, and being mindful of their limited resources

4. Prepare for long-term engagement by being realistic about the time it takes to achieve systems change, acknowledging that the path of the initiatives will change along the way and encouraging realistic ambitions

5. Collaborate with other stakeholders by aligning with other funders, building networks for systems change leaders, and leaving the leading role to systems change leaders.

II.2. THE ECOSYSTEM OF FUNDERS, PUBLIC AUTHORITIES AND SUPPORT ORGANISATIONS

The roundtables organised firstly showed us that the social finance market is still at a very early stage of development, where current players are not able to fulfil the needs of social entrepreneurs in an inclusive way, given the limited resources currently at disposal. Throughout these events we brought international expertise from the UK, where the market already reached a high-maturity development stage and can represent a source of learning for a country such as Romania.

Public authorities

The key learning in this was that the social investment market in the UK was maintained by the government. They used money from people's bank accounts and borrowed that money to create an investment vehicle – venture funds, social investments, angel investors networks, housing funds. Investors were mission-driven and had high standards, but they still had to test and try out different instruments. Another aspect was that there is an existing investment community in the UK that can be leveraged – there was already social and financial capital in place, while also in terms of human resources many investors shift their focus towards social impact. These insights are important to understand that one of the building pillars in accelerating the social finance ecosystem for systems change is a shift in our view – it is crucial to have intermediaries and a full range of stakeholders, crowdfunding platforms, public and private funds, angel investors acting as the infrastructural base for innovation in social finance.

The acceleration of the ecosystem, the social finance infrastructure, cannot happen without public authorities/government institutions. It is best that these intermediaries are subsidised, because of their essential role. They cannot excel both in raising funds and building a business, given that social finance and social economy should be a priority.

Apart from that, public authorities need to be an ally in supporting social entrepreneurs with the know-how for them to access grants, comply with legislation and ensure they have a sustainable plan

after the initial funding period ends.

Lastly, new regulations must come into place to complete the initial Social Economy Law to increase its practicality based on the insights and feedback from social entrepreneurs and support organisations with grassroots experience.

Financial institutions and investors

Social investment currently does not exist in a mature enough form in Romania. Throughout the challenges identified, the long-term support of social entrepreneurs, especially when it comes to social enterprises, is one of the causes for their bankruptcy after initial funding ends. An **impact investment fund** to take social entrepreneurs from where they are after accessing EU grants until they can be sustainable and credible for the bigger players in the market could be a solution that arose in the discussions.

Financial institutions need to collaborate within each other to encourage “healthy competition” amongst market players by innovating together with complementary products that can target the diverse identities of social entrepreneurs (Social enterprises, non-profit, hybrid models). Common guarantee funds or endowment funds were only some of the ideas that resulted from our roundtable events.

Social entrepreneurs need investors and funders that understand the flexibility in terms of instruments. It's important that funders understand the difference between donations and investments. In some cases, the best strategy for social entrepreneurs that pursue financial diversification and economic activity is to seek a current strategic partner to support with initial funding.

Romanian-American Foundation is one important funder that offers such support to organisations in their portfolio, a concrete example being their 5 regional Food Hubs. The problem with current financial sources is also that they are very expensive, especially for those social entrepreneurs leading social enterprises that are not that profitable. That

is why RAF is giving grants to their NGOs to build social business, but they also have projects related investments. In their case, they are investing in social entrepreneurs through NGOs. With the food hubs, the initial plans were to reach financial sustainability in 3 years, but in the end, they needed 6 years, and RAF agreed to support farmers for longer periods of time. They will need support for their social mission. They are engaging them with communication advisory and financial consultants for their marketing strategies, cash-flow, management skills. It's also very difficult to assure human resource sustainability. The volatility is very high.

Best practice examples when it comes to social investment

For the corporate sector the legislative framework is quite generous and allows for substantial social investments, however many small to medium companies are unaware of the fiscal benefits they can bring or do not fully understand how to make use of them. The corporate sector remains an important investor for social entrepreneurs at this stage of the social finance market. Throughout our research we gathered a series of best practices that we believe could be adopted as key working principles in the relationship with the social entrepreneurs.

1. Have a clearly laid out strategy and dimensions of interventions and work with social entrepreneurs that share that vision

2. Don't think about social investments as projects – it takes a long time to create systemic impact. Don't expect the outputs to come right away, sometimes it takes longer time to gather the necessary information to deliver strategically and effectively

3. Treat all investments with a medium to long-term vision

4. Seek out programs with scaling potential at national level and support the scaling process as well

5. Collaborate with other funders on the same initiatives to increase the capacity of social entrepreneurs to generate impact

6. Adopt a working relationship where all sides are equal – the funder-implementor relationship

does not generate the same impact

7. Support social entrepreneurs beyond the financial side – exchange know-how, connect with partners, help consolidate the core organisation

Moreover, the more rigid a system is, the more there is need for compensating instruments to support in these challenges. Romanian-American Foundation, for example, before allowing social enterprises they work with to access crediting instruments, they offer grants that support social entrepreneurs to cover the skills and knowledge gap they might have within their organisations – from communication to fundraising, pitching or any personalised needs.

Support organisations

There is a need for scalable investment readiness programs in Romania that would support social entrepreneurs in developing their ventures from any development stage they might be in. Preferably, once a stronger network of investors takes form, these investment readiness programs should be linked with pitching opportunities for fundraising.

One support organisation for social entrepreneurs is Fonduri-Structurale.ro. In their acceleration projects that have EU funding, they act both as service providers for those that want to enter into the entrepreneurial stage, but also as a funder, regrantsing EU funds and making sure their businesses deliver and generate impact in their fields. They carried out 6 accelerators, 2 of them have been on social entrepreneurship and their pipeline continues to grow. **“It's not always about the money in the market, it is also about having a ready to invest pipeline. Not only have impact creators or social entrepreneurs, but impact creators with a viable business plan.”** – Cristina Pojoga, Fonduri-Structurale.ro/Consolid8.

It's also important to offer access for developing business skills relevant to social entrepreneurs, as well as networking skills for the relationship with clients. Support organisations should support social entrepreneurs to have a mindset shift from donations to impact investing type of business and opportunities. This puts them face to face with their clients and have to offer and deliver products and services that the market needs. At the same time, social entrepreneurs are able to demand this

mindset shift to their funding partners as well.

Considering the early stage of the social finance market in Romania, it is important to equip the existent coaches and support organizations for social entrepreneurs of the right knowledge in terms of:

1. Sustainable and Hybrid business model for social entrepreneurs

2. Type of capital available or activable in the Romanian/European market

3. Their crucial role to activate a flourishing social finance ecosystem in Romania

4. The necessity and the way to find systems change

For example, Ashoka has developed the Social Investment Toolkit for social entrepreneurs, a comprehensive guide for social entrepreneurs to be able to attract more finance. This can be learnt, adapted and replicated by the representatives of support organizations during the workshop.

Social entrepreneurs and changemakers

On one hand it is important to understand the ecosystem and its governance. There are many elements that contribute to an enriching ecosystem that surfaces new opportunities for social entrepreneurs - affordable advisory services, diversified financial instruments, strong allies in the public sector, as well as the capacity to absorb European opportunities, as social economy and social entrepreneurship is under EU's radar. However, no matter the fragility of the current ecosystem, there are still things that are within the power of social entrepreneurs to change, and most importantly, to eliminate the risk of becoming financially unsustainable.

The business sector is able to offer many insights on how to support social entrepreneurs to become more resilient. While preserving the social mission and the vision for systems change, having the entrepreneurial mentality from the private sector can become a great asset in the financial health of all organisations. Hybrid models are emerging in the social good sector at global level because they allow organisations to be more flexible and resilient

when facing fundraising difficulties as occurred during the pandemic. Alex de la Torre, part of the Ashoka Social Finance Team, related that Ashoka worked with 100 leading social entrepreneurs, 95% Ashoka Fellows, and helped them raise around 250 million euro. A key involvement the Ashoka Social Team has is to support social entrepreneurs build hybrid models – such as having the main NGO own a for profit.

The way of launching the for profit is very important and must save the non-profit at the core, the mission remains the most important, serving that mission. – the legal side, making the NGO the funder, the shareholder. Social entrepreneurs must make sure they make the NGO the main shareholder, make sure you have people on board that protect the mission, but they are strategic thought partners for the activity. A very good idea is to ask existing partners to refer other investors.

Below are some of the advice we gathered throughout our roundtable events, from a session focus around how to mobilise capital, where we got insights from investors and credit institutions:

1. Put future and ongoing projects under a strategic lens - studies on social enterprises show that many of them encounter financial instability after the initial financing round ends. Financial sustainability must be thought out from the inception of the organisation and all activities must be aligned with a bigger strategy and longer term vision. This will allow social entrepreneurs to foresee challenges, adapt to the market and find additional funding that will ensure continuity.

2. Have clear methodologies for measuring impact - all social entrepreneurs are motivated and committed to work to solve a social or environmental problem. Establishing a coherent impact measurement plan based on available methodologies is key firstly in assessing organisation's contribution to solving the social issues, as well as in managing the relationship with the funders. It is essential that social entrepreneurs go beyond the immediate, quantifiable metrics to identify their indirect impact and their efforts in solving issues systemically. Social impact is not always easy to quantify, nor easy to communicate, but it becomes a powerful tool in front of the ecosystem as it is a strong argument for your commitment, motivation and performance as a social entrepreneur.

3. Create a strong business plan and a risk analysis

- having an operating model laid out informs social entrepreneurs on better decision making and eases the way to identifying points of vulnerability, while identifying risks can help you prevent reaching financial unsustainability in crisis situations. More than that, in relations to potential investors, credit institutions or other financial instruments, even crowdfunding, a business plan and risk analysis increases the credibility of the organisation and social entrepreneurs and incentivises funders to trust your entrepreneurial capability to manage funding in an impactful and safe way.

4. Learn to communicate your expertise - social entrepreneurs do impactful work because they have the best expertise on the needs of the people they work with/for. It is important that in the relationship with the (potential) funding partner, social entrepreneurs are able to articulate the in-house expertise that the team behind provides in solving the social or environmental issue.

5. Conduct market analysis - if/when social entrepreneurs have economic activities as well it is important to ensure that the quality of these products or services rise to the market standards and are able to compete with other existing products. While conscious consumerism is an emerging trend locally as well, customers' buying decisions will not be solely determined by the social mission attributed to your brand, but also by being delivered high quality services. Knowing the market you will operate in is a must-have asset.

6. Build a network of allies - mapping out the stakeholders that are crucial to make systems changing ideas a reality is the first step to build an easily scalable organisation with potential for systems change level impact. No social entrepreneur is able to deliver their vision on their own - having strategic partners and allies increases chances of success as well as resilience and motivation. This also includes educating these stakeholders on social entrepreneurs' visions, strategies and operating model and convincing them on the potential impact that can be reached together.



II.3. Alternative financing opportunities for social entrepreneurs

II.3. 1. Community currencies

This report is an extract from the full report on **Community Currencies and Central-Eastern Europe (CEE)** created by the Qoin Foundation team for the SOFIA project. Below, there is a theoretical overview on community currencies and a brief description of several models present in 5 CEE countries.

Finance is changing. The global challenges we are facing as humanity, which are felt more and more at the local level, demand an urgent response. To address the climate crisis, overcome the pandemic or future social crisis, and achieve the SDGs, a transformation is needed at the core of the financial and monetary system. For that to happen, the very concept of money can be challenged. Bitcoin, blockchain, and the rise of cryptocurrencies have given more ground to this discussion. Technology is playing a central role in questioning what money is, who can issue it and set the rules, and how it should be in the future.

Using Bernard Lietaer's words ((Lietaer, 2001, p.93), money can be defined as "an agreement within a community to use something as a medium of exchange".

This definition opens a wide spectrum of opportunities to address the issue of the lack of funding for social, cultural, and environmental causes.

Social innovation is the key element that has and is shaping the revolution towards a new narrative and practice around money and finance. From the very early examples of community currencies (CCs), such as the examples of Wörgl in Austria and the WIR in Switzerland in the 30s', to the modern movement, and landing in the recent digital and cryptocurrencies and tokens movement, CCs' initiatives usually start as responses to a social, economic, and/or environmental challenge.

II. 3.1.1. The modern movement

Over the last decades, we have seen the emergence of various types of CCs to tackle issues of social exclusion and unemployment, boost local economies and improve resilience, build social capital and cohesion, create access to financial services, promote sustainable consumption, and encourage civic engagement and active citizenship, among other objectives.

To make sense of this wide diversity, efforts have been made from a theoretical perspective to develop a typology of community currencies. However, to simplify but still capture the diversity of CCs, including those pursuing environmental objectives, Qoin Foundation has built a taxonomy that integrates elements proposed by Christian Gelleri. The taxonomy offers a simplified approach, but still comprehensive enough, with four broad categories.

Under each broad category, additional sub-types can be identified within the modern movement, as per the following scheme, and are further described below.

Local Exchange Trading Schemes (LETS): mutual credit non-commercial CCs that enable members to exchange goods and services using local credits instead of cash. Members of a LETS list their 'wants' and 'offers' in a local directory then contact each other and arrange their trades, recording credits and debits with the system accountant. There is no interest charged or paid, so there is no incentive to hoard credits, and exchange becomes the primary objective.

Timebanks: mutual credit non-commercial CCs based on volunteering exchange, with a central broker to coordinate members activities, in which everyone's time is worth the same onetime credit per hour regardless of the service provided. Participants earn credits by helping others and spend credits receiving help themselves.

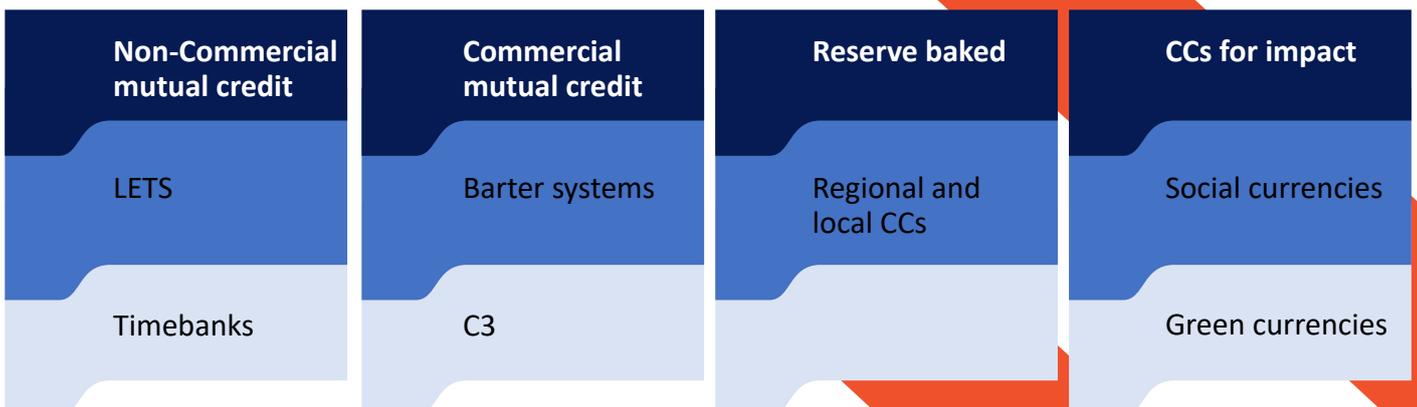
If you want to read the models description of the examples of currencies listed above, click here to access the full report on community currencies created for the SOFIA project.

Barter systems and C3: commercial mutual credit currencies often used to “fill the economic gap” in times of deeper recessions. They are usually called “barter systems” and members are mainly businesses (SMEs) that avoid paying each other for goods and services through normal financial channels. Instead, they use mutual credit they extend to each other and that is recorded as a positive or negative balance in the currency system or network, complemented by specific rules such as maximum credit or debt levels.

Regional and local currencies: reserve-backed regional currencies emitted by local associations to promote local businesses, but also for other social aims. Most initiatives begin with paper currencies set at one-to-one exchange rate against the national currency. Citizens buy the currency from the issuer and bring it into circulation when using it for purchases from local businesses accepting it. The national currency serves as a reserve. Only businesses can exchange the currency back into the national currency and to do so they are charged a fee sometimes used for donations to local organizations.

Social and green currencies: currencies designed to address specific social and environmental challenges or purposes. They are created by matching needs with underutilized resources, with a strong bottom-up approach. Some examples include the cases of Curitiba and Banco Palmas in Brazil, Vila-watt in Catalonia, Samen Doen in the Netherlands, and the Torekes in Belgium.

This categorization highlights the differences between complementary currency types. The graph below represents it graphically.



II. 3.1.2. Digital peer to peer currencies: Crypto, DAO and several forms of decentralization

Recent technological progresses made it possible for community currencies to be increasingly transformed into digital currencies. The progress increased diversity and availability of tools to customise and run community currencies in different areas all over the world.

An increasing number of them run on blockchain, a technology that allows for greater decentralization. Decentralisation, in addition to the transparency of blockchain, made possible for digital groups of people to reorganise them-selves in a completely new form of organisation, called DAO – decentralised autonomous organisation.

This form does not require a centralised managing body because the economical and governance rules are implemented in form of immutable computer code – so called ‘smart contracts’, while decision-making power is distributed among the members in transparent and equal ways via tokens – the digital “keys” of the organisation. The first DAO was designed in 2008 to maintain a global peer-to-peer payment system and is known as Bitcoin.

Nowadays, thanks to the open-source nature of blockchain, there are thousands of different DAOs and tokens operating in blockchain networks have been designed to facilitate cooperation, and allow innovation in different sectors such as energy, nature conservation, impact investing, finance, notary, internet of things, ecommerce, etc.

The social economy sector is starting to explore the potential of blockchain for creating a better society and also international organizations are considering using blockchain for improving international aid and financial inclusion. Examples of currencies aimed to boost social economy are Monedapar in Argentina, and Sarafu network in Kenya.

In the full report on currencies that you can find [here](#), it is possible to find more information and examples of blockchain currencies.

II. 3.1.3. Community currencies in Central – Eastern Europe

This subchapter describes ideas and projects designed, piloted or well-established in Central-Eastern Europe. We provide a general overview that can be used as a base for further analysis on what is in place and what is needed in the social finance ecosystem for Romania. Cases from five countries were selected for this purpose: Romania, Poland, Austria, Czech Republic, and Hungary.

The aim is to briefly list some existing models to show their heterogeneity by picking projects that are either known and researched in the community currency literature, or that are innovative but at the early stage of their development.

If you want to see details regarding the examples described in the next paragraphs, go to the full report on currencies [here](#).

Romania

Romania is certainly at an early stage in terms of design, activation and experimenting complementary currencies. The reasons might be several: from the centralism of the country given by the historically recent exit from a communist dictatorship to the early-stage development of its third sector compared to a Western European country. The two most important projects detected are very recent and at the very beginning of their development. This means that change in the area of complementary currencies is just starting to take off. In table 2, we can find a list of the main projects identified:

Table – Romanian Currencies

Name	Type	Area of interest	Year of start	Funding	Organization managing the project	Goal	Number of users	Number of exchanges per year
I-Leu	Green blockchain based CC	Baia Mare	2021	Public	Municipality/ Tech company	Increasing green behaviours	TBD	TBD
Ciuguban	Green digital currency	Ciugud	2021	Public	Municipality	Increasing recycling	TBD	TBD

iLEU

Pushed by the need to improve its image, ecosystem, and air, the municipality of Baia Mare, supported by several stakeholders, has designed the “Immaterial Local Environmental Utility” (iLEU). This tool was defined as Baia Mare’s response to stimulate a behavioural shift towards environmental awareness and climate change mitigation. The currency is based on blockchain technologies and aims to reward environmentally friendly actions while boosting green entrepreneurship and community involvement in turning the city in a climate change mitigation champion. On October 27th, 2021, the collective managing the currency started to pilot it involving a fab lab, a co-working and other individual users.

Ciugubani

Waste in itself can be an extremely important resource that cannot end polluting nature: on this assumption the Ciugud Municipality (in Judetul Alba) has launched in June 2021 the “Ciugubani”. The latter is a reward scheme aimed to incentivise citizens and in particular youth to collect and recycle the garbage. The plan is to create eco-stations in which people can get a certain amount of Ciugubani for each glass or plastic bottle or aluminium they recycle. They can spend the currency in the shops of the local community. The shops can accept this currency as a discount and a form of promotion.

More information about ILeu, Ciugubani and other mutual credit systems in Romania can be found in the specific report on currencies.



Poland

Nowadays, 20 existing currencies have been identified by Grzegorz Sobiecki from the Warsaw School of Economics (Sobiecki 2018). In the table below, we highlight 5 of the most relevant currencies in terms of number of users and exchanges.

Table – Polish Complementary Currencies

Name	Type	Area of interest	Year of start	Funding	Organization managing the project	Goal	Number of users (active)	Number of exchanges per year
Bank Czasu w Tczewie	LETS	Tczew	2003	Public grants and private sponsors	Public administration	Prevention of exclusion of older people	150-180 (150-180)	TBD
BankCzasu.org	LETS	Warsaw	2008	Private	Company	Promoting the idea of subsidiarity and solidarity	3,400 (N.A.)	TBD
Wrocławski Bank Czasu	LETS	Wroclaw	2015	Private	NGO	Social integration, promoting the idea of non-cash exchanges	450 (20)	36 (per year?)
Zielony	C3	Starachowice	2015	Private	Cooperative	Intensify local economic exchanges so that money did not flow out of the country	400 (400)	30 mln of Zloty
'Wymiennik. Społecznościowy System Wymiany	LETS	Warsaw	2012	Private	N.A.	N.A.	4,000 (N.A.)	1,000 per year

Overall, we can say that, despite 20 years of existence, the Polish ecosystem of currencies is still at the early stage of its development. We can say so considering the average number of users, the number of exchanges, and the difficulty in finding information about the impact of those systems.

Austria

The “Time Pension System” created in 2008 by the Austrian social entrepreneur Gernot Jochum-Müller and his Allmenda cooperative in the city of St. Gallen, Switzerland is a good example of a currency dedicated to elderly care. Active elders can get non-monetary payments giving non-specialized care to vulnerable and frail elders.

So, while active elders feel useful giving care, they get points that they can spend for future care services. Meanwhile, frail elders get to stay home more often without going to the nursery and get to know new people. This system allows professional caregivers to act only when really needed, while reducing isolation and the costs of caregiving for the state: the cost for an hour of care under the Time Pension System decreases from approximately €43.50 to €14.

The Allmenda cooperative did not stop with the Swiss project. Their team coordinated by Gernot Jochum-Müller has created also:

1. Ennstaler, a regional currency that in the Steyr Land (Austria) is trying to increase the percentage of purchasing power spent locally.

2. Talent Langenegger, a currency founded in 2008 that aims to allow citizens to exchange services and talent rewarding them with non-monetary units: in 10 years, between 2008 and 2018, the organization registered exchanges of Langenegger talents for 1.5 million euros. As a result, more than 5 million Langenegger talents have circulated in the village. Citizens received discounts of over € 56,000.

3. V-Taler, Regional currency with economic objectives in the Voralberg State, in Austria.

We do not engage in describing each of those systems because we use just one example to represent the diversity of these kinds of tools in different Central and Eastern Europe areas. Nevertheless, more information can be found [here](#).

Czech Republic

The examples coming from Czech Republic and Slovakia are mostly related to environmental concerns. In both countries, the experiments carried out between the late 90’s and 2010 have been sharing similar LETS models that had no long life according to the scientific article written by Jelínek, Szalay, and Konečný (2012).

Three distinctive LETS circles operated in the Czech Republic in cities of Brno, České Budějovice and Prague (Foltýnová 2004, Zagata 2004, Zagata 2008), while a smaller LETS existed also in the small village of Jindřichovice pod Smrkem in the north of the country (Zagata, 2008).

All of them were managed by NGOs who organized those systems among other environmental causes. The lack of a business plan, structure, and well-defined need probably ceased those systems. Nevertheless, even if the exchanges ceased, the communities behind those projects continued to collaborate and exchange eco-friendly goods and services.

Hungary

According to Jelínek P., Szalay Zs. and Konečný A. (2012), Hungary has had two waves of LETS circles development. The first was inspired from an Austrian NGOs, HIFA, in the mid-late 90's. Six pilots were carried out and until 2012, two of them Talentum and KOR were still operational until 2012.

The second wave of currencies started in 2007, when a CSO the Korona Csereklub Egyesület was established as an umbrella organization to experiment 7 LETS which revived an old system of complex reciprocal informal agreements: the so-called "kaláka". The Erme Hálózat movement has been behind those currencies. According to Lakócai, Gál, and Zsolt Kovács 2018, 5 local currencies are reported as active in Hungary: the Soproni Kékfrank, the Balatoni Korona (project almost ended), the Bocskai Korona, the Tokaji Dukát and the Alsómocsoládi Rigac (see table 4). All those currencies are commercially oriented: they are designed by cooperatives in collaboration with community banks to achieve strong economic purposes. More information can be found in the extensive version of the paper. Below in table x, the list of currencies with some of their features.

Table - Second wave of currencies in Hungary

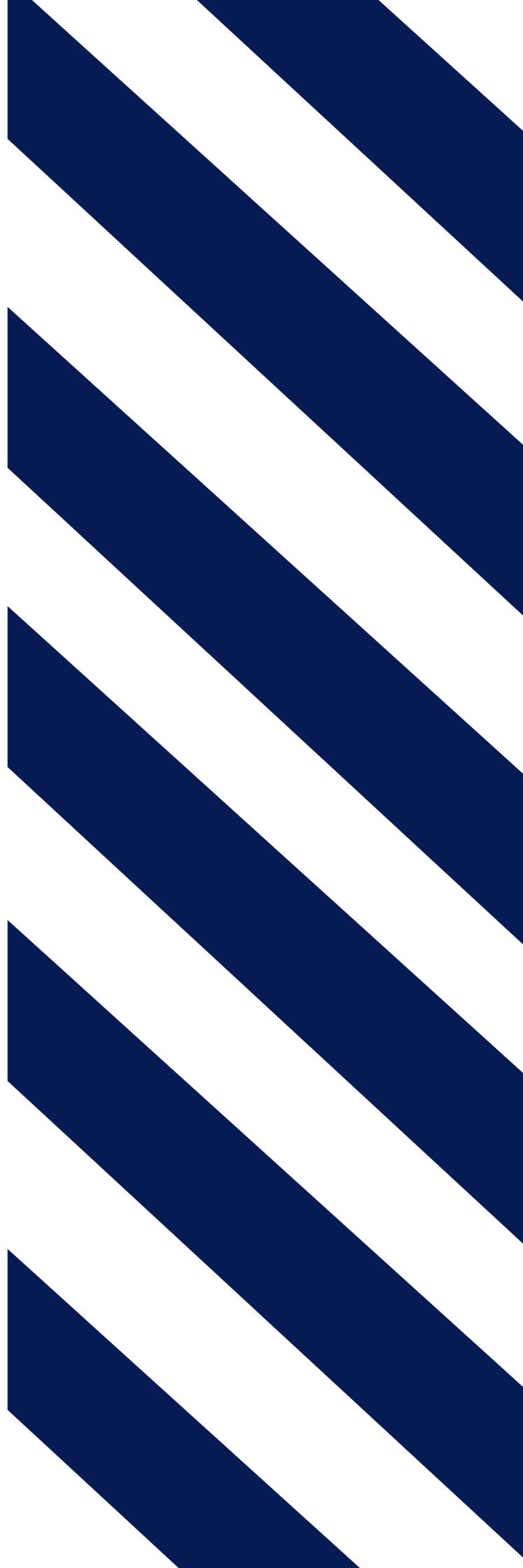
Name	Type	Area of interest	Year of start	Funding	Organization managing the project	Goal	Number of users (active)	Number of exchanges per year
Soproni Kékfrank	Local Currency	Sopron	2010	Credit Union and Chamber of commerce, University	Cooperative	Economic development	123 between individuals and shops	TBD
Balatoni Korona	Local currency	Várpalota and Nemesvámos	2012	Public	Public Company	Revitalize the economy and social cohesion	N.A.	Forint 13 million
Bocskai Korona	Local Currency	Hajdúnánás district	2012	Private	Company	Revitalize the economy	50 shops	TBD
Tokaji Dukát	Local currency	Tokaji region	2016	Private	27 Municipalities	Revitalize the economy	N.A.	TBD
Alsómocsoládi Rigac	Local currency	Alsómocsoládi	N.A.	Public	Municipality	N.A.	360, 90% of city population	TBD

Overall Reflections on the currencies in Central-Eastern Europe

The paper provides a brief overview of pilots and projects that have been characterizing the movements of community currencies in several countries in the Central and Eastern Europe Region. Despite some successful or very innovative projects, we can affirm that all movements are at an early to mid-stage of development.

Romania and Hungary, in particular, represent for different reasons areas with strong potential for developing new kinds of currencies. If in Hungary the potential is related to the openness of institutional actors for investing in this kind of projects, in Romania a growing wave of social entrepreneurs could, supported by local administrations, take advantage of the growing IT development of the country to meet social and environmental needs.

Interested in reading more about this topic? Here the full report on currencies created for the SOFIA project.



II.3.2. Crowdfunding

In November 2020, fonduri-structurale.ro's team launched consolid8 – a reward based crowdfunding platform for the Romanian creative industries and social entrepreneurs. The platform was launched based on the experience the founders had in supporting social entrepreneurs in Romania. The managing team of the platform has extensive experience in accelerating social entrepreneurs, especially through European Social Fund programs. Through the platform, in one year's time, entrepreneurs throughout Romania ran 7 successful crowdfunding campaigns, gathering more than 41.000 euros. 3 out of the 7 crowdfunding campaigns were ran by entrepreneurs that were implementing at the same time a starting-up grant received through an ESF accelerator ("Social Enterprises' Accelerator" ran in partnership by Close to you Foundation and fonduri-structurale.ro). All three campaigns exceeded their financial target (110%-158%) and all three social entrepreneurs valued the experience. We interviewed all three entrepreneurs after their campaigns and the main conclusions showed that running a crowdfunding campaign proved beneficial for their financial sustainability, outside of the sells they made:

1. The entrepreneurs valued the communication & PR value of the campaigns (exposure to a wider audience/"outside of the bubble"); They were able to communicate their social mission and gain more supporters for their cause
2. They were able to develop new services/products based on the feedback they received from their campaigns supporters, including entering on new markets
3. The entrepreneurs were exposed to new potential collaborations with large corporations in delivering their social mission (eg: a large hotel chain agreed to recycle its used oil through a social enterprise that ran a consolid8 campaign)

The early validation of the products/services offered on the market by social enterprises, especially those supported by ESF funding, is crucial in ensuring the durability of the investment.

We also identified good practices and lessons learned in running this financing opportunity for a year:

1. The drive and the commitment of the social entrepreneurs are key in developing a successful campaign and a solid business
2. All social entrepreneurs interested in developing a crowdfunding campaign need capacity building/assistance from the platform
3. In order to be successful, a campaign needs to rely on a strong community of the initiator
4. Constant communication throughout the campaign is key

All supported entrepreneurs now lead solid social businesses that deliver both a strong impact in their communities, but also strong revenues that will ensure their future growth.

The reward-based model ran at this moment by consolid8 is just a first step, fully compliant with the Financial Supervisory Authority requirements and we are currently exploring the possibility to expand its model to an investment driven option (equity/lending).

Based on this experience, we fully support and advocate for the creation of match-funding schemes between public authorities and crowdfunding platforms.



CONCLUSION

The report concludes that the social finance market in Romania is still in its development phase. While there are some strong key players in the ecosystem that can fund and support social entrepreneurs with systems-changing ideas, there is still some way to enable a stronger support system. What is clear from the research is that the existing players must strengthen their **collaboration** with each other and aim to create a common agenda for acting collectively to accelerate the market and nurture better access to opportunities for funding and growth. We noticed this willingness for collaboration throughout our research and are confident in the potential there is for the sector.

Thus, we conclude this report with a call to action towards our fellow organisations with a big role to play in shaping the social finance ecosystem to act together in order to:

1. Increase access to a diversified set of financial instruments tailored to the different array of social entrepreneurs' ventures
2. Strengthen the relationship between social entrepreneurs and funders to work together in partnership for systems change
3. Cover the skills gap identified in the market, both from a funder and a social entrepreneur perspective
4. Bring together all pillars for development – the public authorities, the support organisations, the investors and the social entrepreneurs in a co-creation space for innovation.

There is a lot of potential we can elevate together.



ACKNOWLEDGEMENTS

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BCR Social Finance

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Cowork Timișoara

Decathlon

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Proppers Foundation

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Asociația ADIR
Asociația Arta de a dăru
Asociația Căminul de Bătrâni Romantic Club
Asociația de asistență socială ALMA
Asociația de Consiliere, Psihologie și Psihoterapie (APCP)
Asociația Dreptul la Viitor
Asociația EKI SOCIAL
Asociația Euro- Asiatică de Consultanță și Inovare Galați
Asociația Idei printre Oameni
Asociația LIVE TO SAVE LIVES
Asociația Magidream
Asociația Natura Vie
Asociația Nistor Bădiceanu
Asociația pentru Educație și Cultură AdLittera
Asociația Răsăritul de Argint
Asociația Social Activ
Asociația Tărâmul Supereroilor
ASOCIATIA TOTI PENTRU SOCIAL
Association Social+1
Atelier Merci
Atelier prelucrare a lemnului
Atelierul Arhivistic SRL Turnu Măgurele
Atelierul de Pânză
Beehave
Brutăria Socială MamaPan
BUNĂȚĂȚI DIN PĂDURENI
caiac smile
Centrul de zi pentru consiliere părinți și copii Curcubeul Cunoașterii
Centrul Gutenberg (Poliglot Language Center)
Cosânzeana
Creative Sports
Culmea Allinone SRL
Design solutions studio-Bricked-Saved bricks of Transilvania
Eat me away Srl
eLiberare
Fair Play Arena
Fairplay Multisports
GAL “Calafat”
Green School Romania
Hai Afara SRL
Human Respect Solutions
Icon-estetic srl
INTERSECT(INTERSECTA)
Întreprinderea Socială CUIB SRL
MVAB SINAIA TRAINING CENTER
MyArchitect MyDesigner
North East Regional Center for Social Integration Association
OilRight SRL
Parohia Ortodoxă Română Paulești
Parohia Todireni
Posh cursuri srl
Prăjitoria cu povești SRL
Rainbow Montessori
SC BITOMA GRAPHICS SRL
SC. COTE D AZUR IMPEX SRL
Școala Trimitoare
Seamen’s Kids Sport Association
Sinapseria
Social Economic Consulting
Social Innovation Solutions
STEM Club SRL
SUMMASANA SRL
Super Digital Art SRL
Triff Anca PF
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This report was written with the collective efforts of three partners in the implementation of the Social Finance Alliance for Romania project:

Fonduri-structurale.ro

Fonduri-structurale.ro is experienced in business consultancy & project management & financing opportunities. We designed and implemented development projects for start-ups, SMEs, corporates, local & national authorities, securing national, European & Norwegian financing. We are based in Bucharest, Romania, but we built partnerships throughout the country & Europe since our establishment in 2007. We ran 6 start-up accelerators, including 2 impact start-ups acceleration programs together with partners throughout Romania and 1 incubator for social entrepreneurs together with international partners. Fonduri-structurale.ro is Romania's most important portal on financing opportunities, with a community of more than 130.000 registered members. We launched in November 2020 a Romanian crowdfunding platform for social entrepreneurs – consolid8. Fonduri-structurale.ro is a founding member of the European Association of Innovation Consultants. We sent to the national authorities over 40 analyses regarding EU priorities and funding opportunities.

Ashoka Romania

Ashoka builds, connects and amplifies a global community of social entrepreneurs that is leading the everyone a changemaker movement. Based on the insights from our work with more than 3.800 of the world's leading social entrepreneurs, called Ashoka Fellows, in more than 93 countries, Ashoka has an experience-based framework of empathy, teamwork, new leadership and changemaking that is the new foundation for living and working together. Ashoka is #2 on the list of 2019's top five most innovative and impactful social enterprises, according to Forbes. Ashoka's founder and CEO Bill Drayton is considered the godfather of social entrepreneurs, widely credited with bringing the term "social entrepreneur" into the mainstream. Since 1981, his organization, Ashoka, has been supporting leading social entrepreneurs around

the world. The organization ranked in Top 5 World NGOs in 2020, according to NGO Advisor.

Qoin foundation & 2Tokens

Qoin Foundation and its associates have been active in this field for over 30 years. Its mission is to empower communities to use community currencies as tools to achieve social, environmental, and economic impact, by providing support in their design, implementation, and management. Looking strategically at the potential of new technologies, Qoin is currently transitioning towards the use of blockchain for creating impact and decentralized governance of data, capital, and natural resources. With this intention, the Qoin team is now part of 2Tokens.

2Tokens is a foundation that aims to build an inclusive path towards tokenization. Working closely with the most active European stakeholders on tokens use cases, 2Tokens has one mission: empower organizations to adopt and use token powered distributed services in their day-to-day business operations. 2Tokens positions itself as an independent and neutral facilitator for the ecosystems.

With the support of the:



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Businesses need innovation! Good ideas need funding!

fs Fonduri-Structurale.ro









Welcome to Gentelle's Admin Theme

▲ Total Users **2500** (▲ 8% From last Week)

○ Average Time **1.51 Sec** (▲ 3% From last Week)

▲ Total Males **2,500** (▲ 34% From last Week)

▲ Total Females **4,567** (▲ 12% From last Week)

▲ Total Collections **2,315** (▲ 34% From last Week)

▲ Total C... **7,...**



DIGITAL TRANSFORMATION, MONEY AND SOCIAL FINANCE:
**COMMUNITY CURRENCIES:
AN OVERVIEW WITH A FOCUS
ON THE CENTRAL - EASTERN
EUROPE LANDSCAPE**

APRIL 2022



Funded by
the European Union





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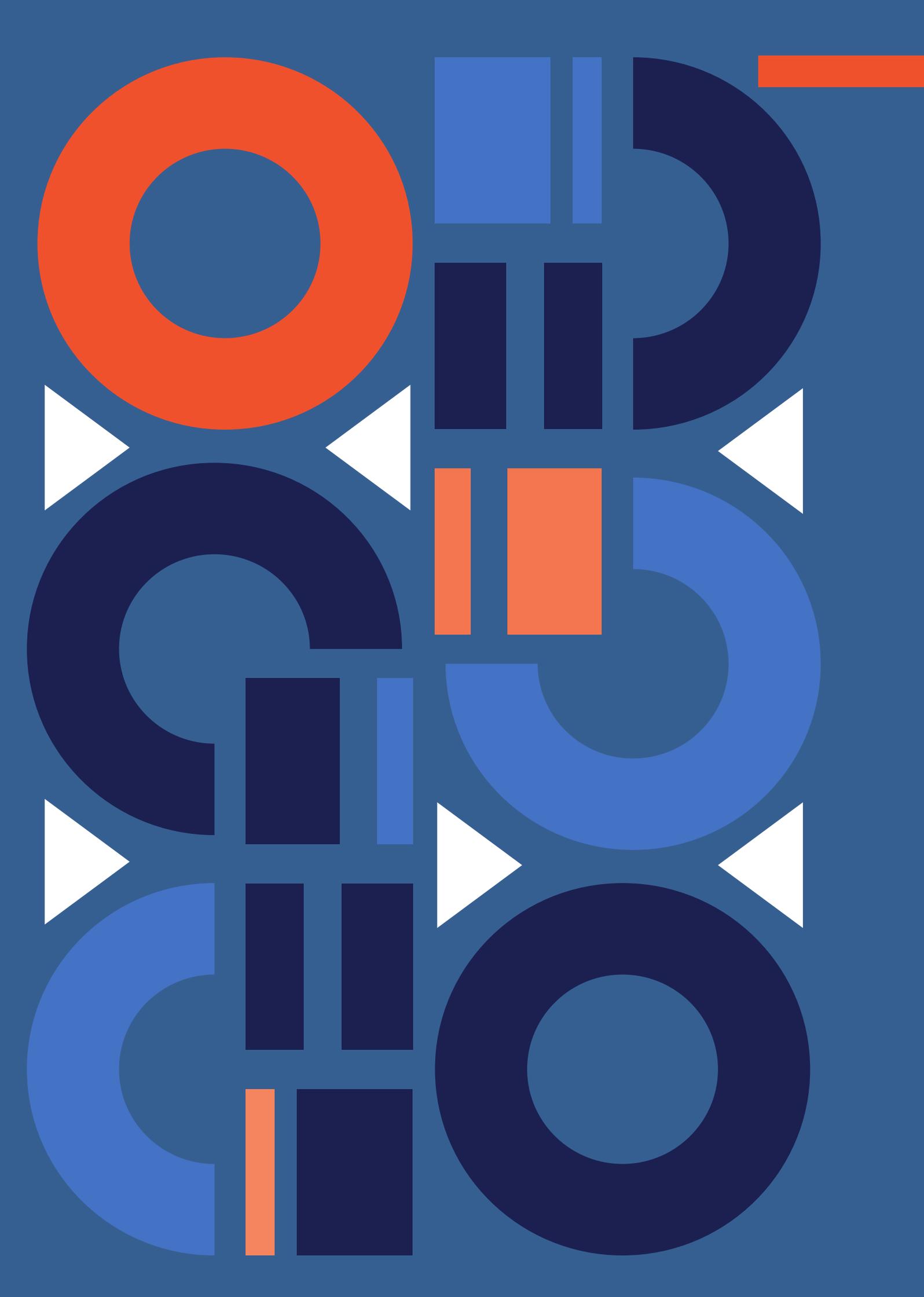
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EDGAR KAMPERS



CONTENTS

ABOUT 2TOKENS AND QOIN	5
1. COMMUNITY CURRENCIES IN PERSPECTIVE	6
I.1. New post-pandemic roles for government, citizens, and market actors	6
I.2. Innovations around money and value	7
I.3. Purpose and structure of this report	8
2. MONETARY INNOVATIONS FOR SOCIAL IMPACT	9
II.1. Money, Sustainability and Social Innovation: the missing link	9
II.2. Successful examples from the past	10
II.3. The Modern Movement	11
II.4. Digital peer to peer currencies: Crypto, DAO and several forms of decentralization	18
3. CURRENCIES IN CENTRAL-EASTERN EUROPE	21
III.1. Romania	21
III.2. Poland	24
III.3. Austria-Switzerland	26
III.4. Czech Republic and Slovakia	26
III.5. Hungary	27
III.6. Overall Reflections on the currencies in Central-Eastern Europe	29
4. REFERENCES	31



ABOUT 2TOKENS AND QOIN

In the last 50 years, thousands of community currencies or tokens have been designed and implemented around the world. Launched by cities, businesses or local/global movements and third sector organizations, they have been used as tools to pursue different objectives. Some of these include boosting local economies, reaching environmental goals, improving social cohesion and inclusion, enhancing democratic and civic processes.

Qoin Foundation and its associates have been active in this field for over 30 years. Its mission is to empower communities to use community currencies as tools to achieve social, environmental, and economic impact, by providing support in their design, implementation, and management. Looking strategically at the potential of new technologies, Qoin is currently transitioning towards the use of blockchain for creating impact and decentralized governance of data, capital, and natural resources. With this intention, the Qoin team is now part of 2Tokens.

2Tokens is a foundation that aims to build an inclusive path towards tokenization. Working closely with the most active European stakeholders on tokens use cases, 2Tokens has one mission: empower organizations to adopt and use token powered distributed services in their day-to-day business operations. 2Tokens positions itself as an independent and neutral facilitator for the ecosystems.

Having a shared understanding on token finance is the only way to leverage these tools to the max. That is why, 2tokens is carrying out several working groups supported by a diverse community of technology companies, policy makers, financial advisors, banks, legal & regulatory experts, and academia.

The project, started in 2019, is sponsored by the European Union and is a joint effort of Blocklab (Port of Rotterdam), YES!Delft (Incubator, TU Delft, and LIFT-OFF Partners (Open data economy) with the endorsement of the Erasmus University, TechLeap.NL, government and several industry players. At the end of 2020, the 2Tokens foundation was founded.

2Tokens aims to set the basis for the transformation of entire sectors via the use of tokens. The strategy is based on four steps that 2Tokens apply within each sector that the Foundation explores:

1. Foundation: Research and discuss with all relevant stakeholders the possibility of using a token in that specific sector. The organization of focused Round Tables concretizes this first step.
2. Exploration: Working groups develop tokenization use cases and publish the results for the roadmap and the token standards.
3. Consolidation: The work carried out in the first two steps allow the creation of education material that helps disseminate and increase awareness on the potential of tokenization.
4. Awareness and inspiration: this step is dedicated to keep the ecosystem of a specific sector alive and active.

So far, use cases have been created in: Energy trading, Impact Investing, Invoice Market, Electronic Bill of Landing for Harbours trade management, and Digital Notary. The organization aims to launch many more use cases in the next years, among which use cases on community currencies.

1. COMMUNITY CURRENCIES IN PERSPECTIVE

I.1. NEW POST-PANDEMIC ROLES FOR GOVERNMENT, CITIZENS AND MARKET ACTORS

The world is rapidly changing. More and more the boundaries become blur, as products, services, money, and people travel around the increasingly interconnected world. This global society, combined with national and local societies, generate cultural connection, innovation, and growth.

But there are also unresolved downsides linked to the very concept of growth deeply inserted into the dominant socio-economic system, and risks linked to the fact that the negative effects of socio-economic and ecological crisis happening in one place of our planet can spread fast and have extended impacts around the whole globe.

The society of the twenty-first century preaches sustainability but deals with crisis. The Ukraine crisis, the sanitary crisis due to the COVID-19 pandemic, the climate crisis, and the social crisis - due to structurally increasing inequalities and other ongoing conflicts are just the global examples of a more complex thread of challenges at different territorial scales we are facing as humanity. These interconnected problems have been pushing civil society to seek for answers to some questions:

- How do we build resilient, and environmentally and socially sustainable economies?
- How do we impede that increased cultural connections lead to cultural flattening for the benefit of just one dominant culture?
- How do we guarantee inclusion and equity if inequalities are increasing?
- How do we work for the common good with a system that pushes to competition over cooperation and towards weaker public institutions?

Nowadays, those and other challenges represent some of the largest issues to solve for policy makers. But beyond governmental actors, from central governments to municipalities at the national and local level, there are several private and civil society actors working on solutions to address those questions. The latter include organizations and companies that aim to have a good social, economic, and environmental impact, but also social innovators and changemakers that can be present in any kind of institution/organization. Most of the people live at a local dimension but are well connected globally in a horizontal way, through the internet. But besides the internet, there is a tool that is way older, strictly structured, globally spread, and impacting the life of every human being, that tool is money. Few know how money is created, everyone needs it, and its architecture is currently changing, this time in a bottom-up way.

In fact, a question that has not yet been given the relevance it should in the public debate is: how is the monetary system affecting our lives and how can we transform it to support solutions to all the other challenges? The discussion has so far focused on finance, keeping the monetary architecture untouched. But money should change and adapt as an essential step to start solving the multiple global and local crisis we are facing as humanity.

The transformation we need is one in which money is re-designed; from being artificially scarce and only fostering compulsory growth, short-termism, competition, and wealth concentration, to be a tool for abundance, prosperity, and cooperation. A tool that fosters equality, and justice, while contributing to build resilience and generate a positive impact on people and the planet.

I.2. INNOVATIONS AROUND MONEY AND VALUE

Nowadays, especially in Western Countries, official currencies' structure still seems untouchable to many citizens, but also to many economists and politicians. Nevertheless, monetary systems are just human creations. Besides having the functions of medium of exchange, unity of account, store of value and standard of deferred payment, as described in economic textbooks, money is first of all a tool based on an agreement. People, institutions, and organizations all agree to accept it to facilitate their exchanges and their work, and thus give it value it does not intrinsically have.

It is quite possible to have one or more currencies in addition to fiat money (e.g., Euro, Ron, Dollars), designed to facilitate different types of exchange of talents, products, and services within defined communities. Fiat money and community currencies (CCs) can very well co-exist and be complementary, as the latter fill the gap of fiat money scarcity and match needs with underutilized resources. In fact, Bernard Lietaer, a well-known economist and academic, demonstrated that a monetary ecosystem would be more resilient than a centralized monetary monopoly (Lietaer et al. 2010), the same as cultures' variety makes land more resilient than monoculture.

The logic behind is that in a crisis if a system crashes the other in place will allow a faster recovery. But it is not just a matter of resilience, it is also about a balance between cooperation and competition, strongly needed to deal with threats such as climate change. Fiat currencies are issued via private debt by commercial banks (Bank of England 2014), and they are artificially scarce thanks to their price or interest rate; this encourages its accumulation and wealth concentration. On the other hand, CCs are interest free, they are not scarce but abundant, and encourage money circulation. If business as usual (BaU) money tends to concentrate capital in the hands of a few, this currencies are well distributed because there is no incentive for its accumulation and, if geographically limited, can help strengthening local economies of peripheral places while reducing the environmental footprint of consumption

These and more reasons, including the 2008 financial crisis, the raise of new technologies, and the changing roles of governments, companies,

and citizens; have been contributing to a renewed attention from the academia, and civil society focused on money, impact financing, value creation and value exchange. From Japan to Spain, from the US to the UK, from Kenya to Argentina, there has been a silent explosion of new forms of currencies designed and piloted for different purposes. Barter systems exchanged among enterprises, community and local currencies involving different stakeholders and created for social, environmental, and economic impact, and more recently digital tokens and cryptocurrencies are starting to shape the diversity of options to build monetary resilience for the common good.

These examples have led economists such as Kate Raworth, Bernard Lietaer, Massimo Amato, Luca Fantacci, and others to doubt the mainstream neoliberal economic theories about the neutral functioning of money in the economy. Money plays a very central role in our society. Money circulates, enables goods and services supply and demand, and facilitates specialization. Money is also the glue that can bind or the knife that divides national, international, and local communities.

The idea of having multiple currencies for different purposes is a new-old idea. In the past, every city, region, and country had its own money. This gradually disappeared through the monopolization of money through state formation, and the development of central, commercial, and investment banks. Many people use complementary currencies daily in the form of vouchers, loyalty cards, points systems in games or different payments systems such as Revolut, Google Wallet, Apple Pay, and Paypal. Several financial instruments have been developed in the last twenty years to deal with new social needs such as crowdfunding, green and social bonds, impact investing, and cryptocurrencies. Although cryptocurrencies have been used as investment tools and they have not yet demonstrated their potential for impact, it is undeniable that Bitcoin has made decentralized money a worldwide fact.

All those innovations, if designed to reach the common good, can open bridges for the intervention of social innovators and for the spread of new kinds of socio-economic models that leave no-one behind.

1. COMMUNITY CURRENCIES IN PERSPECTIVE

I.3. PURPOSE AND STRUCTURE OF THIS REPORT

This report aims to contribute to the research for the Social Finance Alliance Project by providing the following inputs:

- **1. A general description of what monetary/ token innovation is and why is needed.**
- **2. An understanding of how monetary innovation can support social innovation and create a new economy.**
- **3. Examples that can be used as benchmark for tokenomics and monetary innovation in the social entrepreneurs and social economy ecosystem in Romania.**
- **4. A set of examples of pilots and ideas carried out in Eastern Europe that might lead Romanian stakeholders to have a broader perspective on the utility of tokenomics.**

We do not pretend to be exhaustive in the explanation of the phenomena or the models described, but to guide the reader to obtain a basic understanding of the potential of monetary innovations for social impact.



2. MONETARY INNOVATIONS FOR SOCIAL IMPACT

II.1. MONEY, SUSTAINABILITY AND SOCIAL INNOVATION: THE MISSING LINK

How many social entrepreneurs have been struggling with lack of funding? How many times innovators have found obstacles to get access to capital for early-stage innovative projects? Indeed, traditional financial institutions such as banks are made to fund regular, well-known projects and people who already have some kind of liquid or illiquid capital. Using the words of Mark Twain: “A banker is a fellow who lends you his umbrella when the sun is shining but wants it back the minute it begins to rain.”

This has nothing to do with bad intentions but rather with service design. The current monetary system hardly fits the needs of twenty first century. How can CEOs of quoted companies work for sustainability if their bonuses are linked only to the net profits they guarantee to shareholders in the fastest way possible? This was a very interesting question 14 CEOs from important corporates are openly putting on the table.

Finance is changing. The global challenges we are facing as humanity, which are felt more and more at the local level, demand an urgent response. To address the climate crisis – limiting temperature rise to 1.5 degrees as the survival threshold, to overcome the pandemic, to keep peace, and achieve the Sustainable Development Goals (SDGs) by 2030, a transformation is needed at the core of the financial and monetary system.

For that to happen, the very concept of money should be challenged. Bitcoin, blockchain, and the rise of cryptocurrencies, has given more ground to this discussion. Technology is playing a central role in questioning what money is, who can issue it and set the rules, and how it should be in the future.

Thinking of money beyond the traditional narratives, using Bernard Lietaer’s words, it can be defined as “an agreement, within a community, to use something as a means of payment” (Lietaer, 2001, p.93). This definition is a game changer because it opens a wide spectrum of opportunities to address the issue of the lack of funding for social, cultural, and environmental causes. But it also provides fertile ground for innovative projects to shape the monetary ecosystem we need, with diversity, and for resilience.

Social innovation is in fact the key element that has and continues to shape the revolution towards a new narrative and practice around money and finance. From the very early examples of complementary currencies (CCs) to the modern movement, and landing in the recent digital and cryptocurrencies movement, CCs’ initiatives usually start as responses to a social, economic, and/or environmental challenge.



2. MONETARY INNOVATIONS FOR SOCIAL IMPACT

II.2. SUCCESSFUL EXAMPLES FROM THE PAST

In 1918, Silvio Gesell suggested that money creates unfair privileges because it is indestructible: “in commerce, therefore, the capitalist (possessor of money) can always afford to wait, whereas the possessors of merchandise are always hurried” (Gesell 1958, p.123). Gesell realized that a key feature of money had to be changed to avoid this unfair situation and to secure the money flow.

His proposal was that the issuing of money should be a governmental matter and a fee (demurrage) should be charged to keep it in circulation, making it lose value with time. This idea of using a negative interest rate is opposed to the current situation, where money can gain value with time and, therefore, people accumulate it as an investment.

Gesell’s idea would be turned into reality years later when the village of Wörgl, in Austria, successfully experimented its own local currency in the form of a stamp scrip in 1932 (Lietaer and Dunne 2013). The village was facing high unemployment rates, as well as an increasing number of people in poverty situation. The mayor of Wörgl decided then to introduce a complementary currency that used a negative interest rate inspired by the thinking of Silvio Gesell.

That currency helped put the population back to work, allowed the construction of public infrastructure, and generated new employment sources. It even inspired many other communities to want to follow its example. But the experiment was abruptly terminated by Austria’s Central Bank in 1933 after a legal battle lost by the village’s mayor, and the town went back almost overnight to a 30% unemployment rate (Lietaer and Dunne 2013).

Only a year later, in 1934, a new complementary currency was created in Switzerland, as a result of Swiss Francs shortages and global financial instability (Lietaer and Dunne 2013). One that would remain a successful example until today. The WIR, short for Wirtschaftskries, German for ‘economic circle’ and for ‘we’, designed to support Swiss small and medium enterprises (SMEs) by providing liquidity and marketing, especially in times of economic downturn (Stodder 2007).

The WIR offers a clearance mechanism in which participating businesses can trade with one another without using Swiss Francs. However, the WIR is often used in tandem with Swiss Franc in blended transactions. Today the WIR-bank has more than 60.000 clients: 45.000 SMEs and 15.000 employees or owners of these businesses. Together they generate a 10-figure annual turnover.

Moreover, the WIR is also considered an important counter-cyclical instrument by providing residual spending power during recessions, which brings important implications for monetary theory and policy as stated by Professor James Stodder (2007).

These examples from the past have set ground for the coming wave of complementary currencies of the modern movement characterised by a diversity of objectives and outcomes in different contexts around the world.

II.3. THE MODERN MOVEMENT

The last decades have seen the emergence of various types of CCs to tackle issues of social exclusion and unemployment, boost local economies and improve resilience, build social capital and cohesion, create access to financial services, promote sustainable consumption, and encourage civic engagement and an active citizenship, among other objectives.

To make sense of this wide diversity, efforts have been made from a theoretical perspective to develop a typology of complementary currencies. However, to simplify but still capture the diversity of CCs, including those pursuing environmental objectives, for the purpose of this research we will use the following typology:

Non-commercial mutual credit CCs

- Created within a community of people (P2P, peer to peer) without the need for a reserve currency, and the unit of account can be time (Timebanks) or a national currency (LETS). They facilitate exchanges based on reciprocity.

Commercial mutual credit CCs

- Created within a community of businesses (B2B, business to business) without the need for an external reserve currency, and use the national currency as the unit of account. They can include the so called barter systems and the C3 model.

Reserve backed CCS

- Reserve-backed complementary currencies operate with the national currency or certain goods functioning as a reserve in order to enhance confidence in the complementary currency.

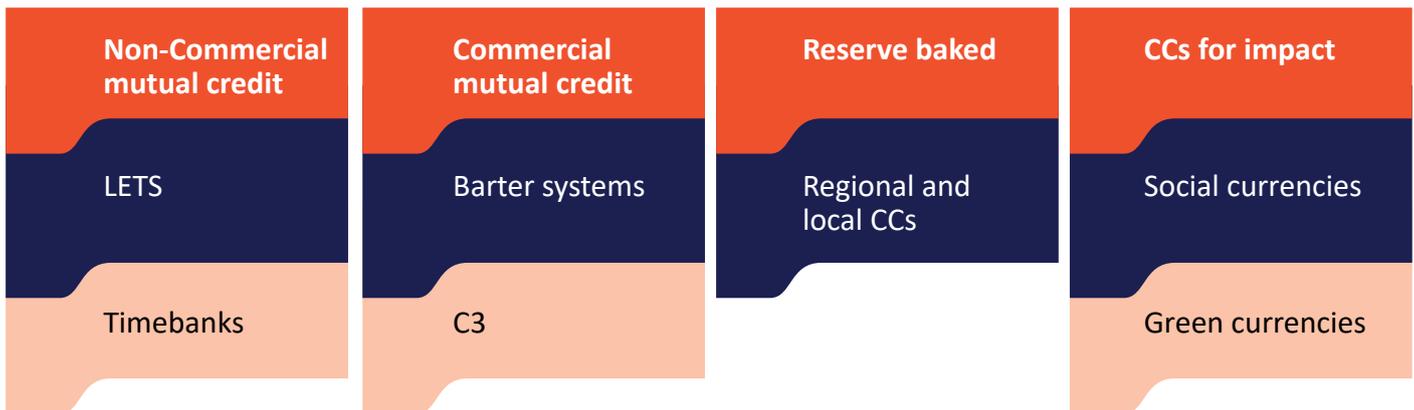
CCs for impact

- Complementary currencies designed to address specific socio-economic and/or environmental challenges at the local level within a community.

2. MONETARY INNOVATIONS FOR SOCIAL IMPACT

This typology considers some elements of an article by Christian Gelleri, which offers a simplified approach, but still comprehensive enough.

Under each of these four broad categories, additional sub-types can be identified within the modern movement, as per the following scheme



and are further described below:

- **LOCAL EXCHANGE TRADING SCHEMES (LETS):**

mutual credit non-commercial CCs that enable members to exchange goods and services using local credits instead of cash. Members of a LETS list their 'wants' and 'offers' in a local directory then contact each other and arrange their trades, recording credits and debits with the system accountant. There is no interest charged or paid, so there is no incentive to hoard credits, and exchange becomes the primary objective.

- **TIMEBANKS:**

mutual credit non-commercial CCs based on volunteering exchange, with a central broker to coordinate members activities, in which everyone's time is worth the same onetime credit per hour regardless of the service provided. Participants earn credits by helping others and spend credits receiving help themselves.

- **BARTER SYSTEMS AND C3:**

mutual credit non-commercial CCs based on volunteering exchange, with a central broker to coordinate members activities, in which everyone's time is worth the same onetime credit per hour regardless of the service provided. Participants earn credits by helping others and spend credits receiving help themselves.

- **REGIONAL AND LOCAL CURRENCIES:**

reserve-backed regional currencies emitted by local associations to promote local businesses, but also for other social aims. Most initiatives begin with paper currencies set at one-to-one exchange rate against the national currency. Citizens buy the currency from the issuer and bring it into circulation when using it for purchases from local businesses accepting it. The national currency serves as a reserve. Only businesses can exchange the currency back into the national currency and to do so they are charged a fee sometimes used for donations to local organizations. Local banks and public administrations are in some cases involved in those projects.

- **SOCIAL AND GREEN CURRENCIES:**

currencies designed to address specific social and environmental challenges or purposes. They are created by matching needs with underutilized resources, with a strong bottom-up approach. Some examples include the cases of Curitiba and Banco Palmas in Brazil, Vilawatt in Catalonia, Samen Doen in the Netherlands, and the Torekes in Belgium.

This categorization highlights the differences between complementary currency types.

Below some examples of CCs of the modern movement.

SARDEX

CC Type: Barter

Complementary currency started in Sardinia in 2009 in response to the financial crisis (Littera et al. 2017). It is an electronic, business-to-business (B2B), commercial mutual credit CC. Inspired by the WIR model when it was entirely zero-interest, it is used alongside the Euro by participating small and medium-sized enterprises (SMEs) that extend to one another zero-interest credit (Dini and Kioupkiolis 2019). Sardex is the name given to the Sardex credits as a unit of account, where 1 Sardex = 1 Euro.

Transactions among members are recorded as a debt the buyer owes the Sardex network, not the seller. The seller, in turn, records a credit to their Sardex account. This credit is, in effect, a debt owed by Sardex to the seller. In this way, Sardex members can buy and sell from each other even if they're cash-strapped or have difficulty gaining bank credit.

Participants are expected to keep their Sardex account level within individually agreed maximum credit or debt levels — usually a few thousand euros. Members must buy as well as sell, and the net amount of credit or debt on purchases and sales made on their Sardex account should net to zero over the course of a year. At the end of 2018, the Sardex circuit in Sardinia had reached 3200 company members and a transaction volume of 43m Euros for 2018 (Dini and Kioupkiolis 2019). The project attracted private investments and was extended to other Italian Regions.

CURITIBA

CC Type: Green and Social Currency

Community currency with mixed social and environmental purposes. The case of Curitiba is a perfect example of the logic of matching unmet needs with underutilized resources argued by Bernard Lietaer. Back in 1989, the problem of garbage in the favelas arrived at a critical point in Curitiba, Brazil (Lietaer and Dunne 2013). The city's waste management did not have a budget for a standard recycling plant, but it came up with an innovative idea to turn the negative context into a positive one through its programmes 'lixo que nao è lixo' - garbage that it is not garbage, and 'cambio verde' - green exchange (WWF 2012).

What the city actually did was creating complementary currencies to reward people for separating their organic and non-organic recyclable waste and bringing them to waste stations. Large metallic bins were placed on the streets at the edge of the favela neighbourhoods and as an incentive, those who collected and sorted the trash were given tokens to ride the local bus system, food, and schoolbooks (WWF 2012).

Participation among Curitiba households reached 70% in the 1990s (WWF 2012). The 62 poorer neighbourhoods alone exchanged 11,000 tons of garbage for nearly a million bus tokens and 1,200 tons of food (Lietaer and Dunne 2013). It is considered a successful example of a complementary currency with environmental objectives that promotes ecocitizenship.

enterprise (Lietaer and Dunne 2013). It began as a project developed by six students at a local school and has caught the attention of dozens of other communities around Europe and beyond.

The Chiemgauer is a demurrage currency, meaning it loses value with time, creating an incentive to circulate the local currency rather than hoard it. One Chiemgauer is equivalent to one euro and consumers can buy nearly everything with it: food, clothes, medicine, furniture, and a wide variety of local services (Lietaer and Dunne 2013), but also support local non-profits with a 3% promotion in Chiemgauer (Gelleri and Stodder 2021). It is run by a non-profit organisation governed by all users who have equal right to vote for the rules and statutes in the assembly (Gelleri and Stodder 2021).

After 16 years running, the Chiemgauer has reached a significant level of members in the region, with a steady upward trend in the number of members and a slight drop in businesses in recent years (Gelleri & Stodder, 2021). A recent study also shows that the velocity of the Chiemgauer has become stable over the last ten years, "increasing the money supply, and yet still having a stable money multiplier in the economy... something a central banker could only dream of... This state is based on a hard rule: a negative interest rate on both the digital and cash Chiemgauer" (Gelleri and Stodder 2021).

CHIEMGAUER

CC Type: Regional Currency

German regional currency introduced in 2002 with paper denominations and as an electronic currency, the eChiemgauer, recently introduced by local banks (Hayashi 2021). The Chiemgauer system is based in Bavaria, southern Germany, and is part of the Regio network. It encourages people to shop at their local businesses instead of larger chain stores, supporting local production and

TOREKES

CC Type: Green and Social Currency

The CC project Torekes started in 2010 in Rabot, an immigrant district in Ghent, Belgium, and the poorest community of the region (Lietaer and Dunne 2013). Considering the high unemployment and symptoms of urban decay, Bernard Lietaer was asked to what could be done to improve the situation. Based on the results of a survey to residents, many pointed out they wanted to have access to a few square yards of land for gardening and growing vegetables which they lacked living in high-rise apartment buildings.

Following the logic of connecting unmet needs with underutilized resources, a match was made with the city owned land in the neighbourhood that was left abandoned. The land was divided into plots and made available to rent on an annual basis for a fixed amount of *torekes*, the newly introduced local currency in paper form. To earn *torekes* a long list of urban improvements and beautification activities could be done. *Torekes* can also be used to buy in local shops accepting them that the city wants to promote or be exchanged for public transport tickets and seats for cultural events or movies. Participating shops can use the *torekes* or exchange them for euros at the city office (Lietaer and Dunne 2013).

SAMENDOEN

CC Type: Regional Currency

A fully electronic regional currency in the Netherlands, operating in the municipalities of Tholen and Bergen op Zoom, in an area with a population of 90 thousand inhabitants. *SamenDoen* seeks to encourage citizens to become active in their community, supporting vulnerable groups and liveability in neighbourhoods, while at the same time boosting the local economy by incentivizing local consumption. Transactions can be carried out through payment terminals and near field communication (NFC) cards, an app, or online.

The concept of *SamenDoen* is a combination of four cornerstone components. Public rewards by which local authorities and institutions reward participants for performing tasks that improve the liveability of neighbourhoods and strengthen the community. Loyalty rewards by which consumers earn points for buying at affiliated retailers that can be redeemed at the same affiliated retailers for purchases or discounts. Sharing economy initiative between citizens, meaning that points can be transferred at peer-to-peer level for neighbourly help and social care. And auto-donations for local clubs, by which participants can donate a self-chosen percentage for a local club of their choice, thus providing them with a new source of funding.

SamenDoen is self-financed, meaning it does not require any external funding. It efficiently utilizes participants' savings and allows for a more

effective yet cheaper provision of services through the efforts of volunteers, with the involvement of local businesses.

EUSKO

CC Type: Regional Currency

The *eusko* is the complementary local currency of the Basque Country, which has been in circulation since 2013 in the form of secure bills (Pinos 2020). One *eusko* equals one euro. The *Eusko* is managed by the non-profit association *Euskal Moneta* - Local currency of the Basque Country, with a democratic governance, a dozen employees, and more than fifty volunteers (*Euskalmoneta* 2021). It became the leading European currency regarding the number of units in circulation at the end of 2018 (Pinos 2020).

It was conceived in 2011 by volunteers from the current *Euskal Moneta* (EM) non-profit organization, in a geographical and cultural area with strong "civic capital" (Itçaina 2010). Consumers can exchange euros for *euskos* and then use them in the different local businesses accepting them, which can on their turn either reuse them with suppliers also accepting the currency or reconvert them into euros with a 5% commission - which is used to finance the local associative life via the 3% *eusko* donation (*Euskalmoneta* 2021). But an important result is that 84% have never had to convert any *eusko* into euros (*Euskalmoneta* 2021).

Eight years after it started, numbers show the success of this local currency. Around 2.5 million *eusko* have been in circulation by spring 2021 among 4000 private users, 1200 professionals in the *Eusko* network, 33 member municipalities, including the Basque Country Agglomeration Community (*Euskalmoneta* 2021). In 2020, the mass of *eusko* in circulation increased by 725,000 *eusko* from the 447,000 *eusko* in 2019, and more than 180,000 *eusko* were distributed to 70 associations (*Euskalmoneta* 2021).

BANCO PALMAS

CC Type: Social Currency

A community currency also labelled as a Community Development Bank (CDB), Banco Palmas was founded in 1998 in the Conjunto Palmeiras, a neighbourhood among the poorest and most violent of the city of Fortaleza in Brazil. It was the result of collective action and association of different actors in that territory. The trigger for its development was the realisation of the fact that local wealth was being drained and there was a need to strengthen the local economy by decreasing the 80% of household consumption taking place outside the neighbourhood (Fare, de Freitas, and Meyer 2015).

The architecture of Banco Palmas includes, on one hand, microcredit to producers in order to strengthen local provision and entrepreneurship, and, on the other hand, and microcredit for local consumption through a complementary currency that took different forms until it became the Palmas in 2002 (Fare, de Freitas, and Meyer 2015). This CC is issued at parity with the national currency and can only be reconverted by businesses that do not manage to spend locally.

Between 2007 and 2012, inhabitants requested 1,286 of microcredits for consumption with no interest. Over 250 shops accepted the Palmas (out of 457 in the neighbourhood), and purchases made in this community currencies were made attractive with a reduction of between 2 and 15% (Fare, de Freitas, and Meyer 2015). In 2012, the bank allocated 3,971 microcredits for production for a total of R\$ 3,331,974.90, equivalent to around EUR 1.2 million, out of which 1,995 were allocated to women (Fare, de Freitas, and Meyer 2015). Today, the system is still running as part of the Network of Community Development Banks, in the form of a e-currency, through the Digital Community Banks initiative (Gonzalez et al. 2020; Faria et al. 2020).

VILAWATT

CC Type: Green and Social Currency

Viladecans is a city of 65,000 inhabitants, nearby Barcelona in Catalonia. In 2020, the municipality created the project Vilawatt aimed to increase energy efficiency and tackling energy poverty in the populous district of Montserratina, mostly built in the 70's. The strategy behind the project included:

- a. Supply and production of renewable energy via panels installation and demand pooling that would allow to negotiate better prices
- b. Subsidies for building renovation (60 buildings estimated)
- c. Energy efficiency advisory services carried out by Somenergia, a local and green energy provider.
- d. Energy currency: the Vilawatt

The neighbours' buildings have been connected to allow the citizens exchanging energy through the grid and, in turn, creating an energy community. The currency was created to reward citizens for saving energy and, at the same time, boost the local economy. The energy saved is transformed in a currency accepted by local businesses. To use the currency, residents have to download an online banking app managed by an electronic money entity which is a digital bank secured by the Bank of Spain.

After less than one year, almost 600 residents have switched to the local energy provider and 400+ local businesses accept the currency. The municipality accepts the currency for the payment of local taxes and incentives its use doubling the initial amount of Vilawatt with its own budget for each resident who downloads the app. In terms of boost for the local economy, the project estimates are +5% of local economy increase thanks to the currency.

II.4. DIGITAL PEER TO PEER CURRENCIES: CRYPTO, DAO AND SEVERAL FORMS OF DECENTRALIZATION

Recent technological progresses made it possible for complementary and community currencies to be increasingly transformed into digital currencies. The progress increased diversity and availability of tools to customise and run complementary and community currencies in different areas all over the world.

An increasing number of them run on blockchain, a technology that allows for greater decentralization and trust-less systems. Decentralisation in addition to transparency of blockchain made possible for digital groups of people to reorganise them-selves in a completely new form of organisation called DAO – decentralised autonomous organisation.

This form does not require centralised managing body because the economical and governance rules are implemented in form of immutable computer code – smart contracts, while decision-making power is distributed among the members in transparent and equal way via tokens – digital “keys” of the organisation. The first DAO was designed to maintain global peer-to-peer payment system in 2008 and is known as Bitcoin cryptocurrency. Next, a more specialised DAO was created by the group of 18000+ crypto investors and developers in 2016 for investment purposes with aim to facilitate blockchain development.

Nowadays, there are thousands of different DAOs operating in blockchain networks designed to facilitate cooperation in different areas like innovation, impact investing, finance, venture capital, Internet of things, ecommerce etc.

Blockchain and smart contracts have the potential to provide higher levels of transparency while reducing the bureaucracy with self-enforcing code. They can minimize existing principal-agent dilemmas of organisations and subsequent moral hazards. The currencies created with their own blockchain are called cryptocurrencies; the open-source nature of the blockchain allowed many organizations and groups to use existing blockchains to create different models of tokens. All tokens of such distributed networks provide incentives to automatically align interests in the absence of third parties. According to their use, we have utility tokens, security tokens and cryptocurrencies. The latest are the most known because they have become very valuable assets for investors, while their use is instead low, and their environmental impact is often still high.

Nevertheless, the blockchain can help solving several problems. For instance, the problem of impact tracking can be solved by stimulating participants of the network to provide reliable data regarding impact activities and establish short feedback loop between donors and beneficiaries. Also, decentralisation can reinforce the concept of commons, because with help of blockchain-based systems people can become not just users of commons, but also co-owners with shared responsibility over the commons use.

In general, decentralisation can enable horizontal governance structures like sociocracy, connecting vast number of participants and enabling custom decision-making processes with various levels of engagement based on preferences and capabilities instead of just stake or position.



II.4. DIGITAL PEER TO PEER CURRENCIES: CRYPTO, DAO AND SEVERAL FORMS OF DECENTRALIZATION

There are several examples of existing complementary currencies that have taken a digital path, and there is an increasing interest in exploring the potential of blockchain technology (Pinos 2020). While some new CCs have already been developed using this technology from the start. In Box 1, the example of Monedapar, a blockchain-based CC from Argentina.

MONEDAPAR

The MonedaPAR is a digital mutual credit and social currency using blockchain technology implemented in Argentina since 2016 as a response to the economic crisis. MonedaPAR uses as unit of account the Argentinian peso and a non-convertible parity of one-to-one. In 2017, a pilot started with a group of cooperatives (SMEs) and with the introduction of an endorsement mechanism to the system for trusted participants to address the money creation issue in a secure manner (Orzi et al., 2021).

As this first attempt was not successful, a new strategy was deployed with the first node starting operation in 2018 in the city of Mar del Plata. This meant that, with the consent of the founders of MonedaPAR, those who create the node would have the autonomy to define their own rules and action plan. By October 2019, it ended up having five nodes running and regularly using the system, with around 9000 transactions - worth more than 2 million PAR in goods and services - taking place (Orzi et al., 2021).

These nodes comprise the cities of Gualaguaychú, Escobar, Moreno and Buenos Aires with two nodes, one in Boedo and another one in Chacarita. MonedaPAR is being used in weekly fairs of the social and solidarity economy organized by the nodes, where most of the transactions take place. Except for the case in Escobar – created by a mutuality of busdrivers that provides credit to the workers who can then use them in many shops of the town, the rest of the nodes are based on a “pure” a mutual credit system.



II.4.1. THE POTENTIAL OF BLOCKCHAIN FOR AID, SOCIAL IMPACT, AND FINANCIAL INCLUSION

The use of the blockchain technology is growing. We can shortly analyse three potential sectors in which this is true: aid distribution, social impact, and financial inclusion.

Blockchain has the potential to disrupt aid distribution. This is an interesting insight provided by a recent report of the World Economic Forum (World Economic Forum 2021), in which several examples of tokens were studied. As stated in the report, "the primary objective of humanitarian assistance (aid) is to save lives, alleviate suffering and maintain human dignity during and after man-made crises and disasters associated with natural hazards" (World Economic Forum 2021, p.131). Substituting cash disbursement with a completely traceable stable coins (backed or semi-backed tokens on a blockchain) could help donors and the organizations to distribute well and measure the impact of aid. In table 1, we extract some of the pluses and minuses of stable coins emerged in the study.

Stablecoins: PLUSES AND MINUSES

PLUSES +

Expenses' reconciliation (avoiding double spending)

Fraud prevention

Circumvention of government resistance to aid (es. avoid dictator's blockage of funds)

Economic creation

Increased privacy for recipients

MINUSES -

Missing country specificity

Challenges in collaboration across humanitarian organizations

Lack of experts in blockchain

Lack of tech infrastructure and knowledge

Crypto volatility

The reasoning applied to international aid can be applied to some extent within the social impact sector, in which social entrepreneurs and ecosystem builders deliver measurable outputs and outcomes for communities. Having a decentralized tool that improves impact measurement, multi-stakeholders' management and avoids frauds might increase the efficiency and resilience of social impact ecosystems. This is already happening, and impact investors are starting to look at smart contract to invest in solar panel or in social start-ups.

Concerning financial inclusion¹, which is a sub-domain of social impact, the report highlights that there is still a lot to improve at the design level to create stable coins that actually reduce the barriers to financial inclusion

such as trust in financial services providers, lack of collateral of the potential borrowers, financial literacy, digital divide, and social, cultural, and political barriers.

To that, we can add that cooperation among stakeholders, the social capital of the social entrepreneurs, the openness to innovation and the ethics of financial service providers are elements that are not depending on the stable coins, but that should be considered while designing one for a specific ecosystem.

Tokenization initiatives aimed to generate impact in several sectors are growing all over the globe. In box 2 we can read about ongoing initiatives carried out in Kenya (Ruddick 2019).

Grassroots Economics (GE) is a non-profit foundation working to alleviate poverty and to strengthen the economy in Kenya since 2010. Since then, the organization has been piloting three models of currencies: Eco-Pesa (Mombasa, 2010), Bangla-Pesa (Mombasa area, 2012-13), and the Sarafu Model (2018). The Bangla-Pesa was replicated by late 2017 in two additional slums in Mombasa and in three slums in Nairobi. GE piloted physical, paper-based currencies, until 2017.

Despite the country's problems related to poverty, unemployment and financial exclusion, Kenya has a growing economy and people are used to exchanging credits (without bank accounts) via SMS since 2007 thanks to the M-Pesa, a mobile currency promoted and managed by Kenya's biggest telecom operator and used by 98% of the adult population. With no need to have a bank account, Kenyans paid and transferred money from one's pre-paid phone-card to the other.

The Sarafu Model in 2018 started to digitalize and decentralize the physical currencies using a protocol developed by Bancor that facilitate clearing system, enabling transactions across blockchain currencies. Built on the POA.network blockchain, the Sarafu Model was a decentralized liquidity network allowing users to exchange.. tokens..directly through their wallets (Ruddik, 2019,p.7). Considering that almost everybody had a phone, but the internet connection was poor in some areas of the country, GE used USSD/SMS technology to enable users to trade off the internet. By January 2019, five communities started to use blockchain-based currencies. Later on, 3 communities in Kisumu asked to enter in the network.

For communities living with a perpetual lack of conventional money, having a new medium of exchange translated into paid school fees, two meals a day, and support for a daughter that lived in another city. Rules such as the demurrage fee, that was withdrawing 1% of the accounts of people who accumulated too much money, became coded in a smart contract, so automatically enforced. Being less visible than paper currencies, GE experienced that blockchain based currencies can be less educational for the people using them.

Between January 2020 and June 2021, 55,000 users have been part of activities such as purchases, transfers, and participation in savings and lending groups. A User Phone Survey and Analysis, carried out in 2021, found out that 99% of the 325 users (taken as sample out of frequent, infrequent, and non-trading registered users) had no alternative to Sarafu for trading with others when national currency was scarce, 44% of them were using Sarafu to buy household items and 41% used Sarafu specifically to access food. More studies on the economic impact of the Sarafu infrastructure can be found [here](#), while blockchain technology specifications can be checked [here](#).



3. CURRENCIES IN CENTRAL-EASTERN EUROPE

This chapter describes ideas and concrete projects designed, piloted or well-established in Central-Eastern Europe. We have selected 6 countries: Romania, Poland, Austria, Czech Republic, Slovakia, and Hungary. We do not pretend to show the entire ecosystem of currencies that is present in each of those countries. The aim is just to show the heterogeneity of those systems by picking projects that are either known and researched in the complementary currency literature or that are innovative and at the early stage of their development.

III.1. ROMANIA

Romania is certainly at an early stage in terms of design, activation and experimenting complementary currencies. The reasons might be several: from the centralism of the country given by the historically recent exit from a communist dictatorship to the earlier-stage development of its third sector

compared to a Western European country. The two most important projects detected are very recent and at the very beginning of their development. This means that change in the area of complementary currencies is just starting to take off. In table 2, we can find a list of the main projects identified:

Table – Romanian Currencies

Name	Type	Area of interest	Year of start	Funding	Organization managing the project	Goal	Number of users	Number of exchanges per year
I-Leu	Green blockchain based CC	Baia Mare	2021	Public	Municipality/ Tech company	Increasing green behaviours	TBD	TBD
Ciuguban	Green digital currency	Ciugud	2021	Public	Municipality	Increasing recycling	TBD	TBD

III.1.1. iLEU

Baia Mare is a city that is famous in Romania for the damaged ecosystem due to decades of mining that made the fortunes and the misfortunes of the city.

Pushed by the need to improve its image, ecosystem, air and history, the municipality, supported by several stakeholders, has designed the “Immaterial Local Environmental Utility” (iLEU). This tool was defined as Baia Mare’s response to stimulate a behavioural shift towards environmental awareness and climate change mitigation at both individual and organizational levels.

The currency should be based on blockchain technologies and aims to reward environmentally friendly actions while boosting green entrepreneurship and community involvement in turning the city in a climate change mitigation champion. The project was successfully funded by the European Urban Innovative Actions Call in 2020.

As stated in the whitepaper, the Blockchain is used to ensure the I-Leu transparency, decentralization, fairness, prevention of double spending, and ensuring a strong, safe, and secure backbone for the currency.

The iLEU blockchain can be replicated, copied, verified and its transactions can be validated by any interested party or user, but will not grant them any rewards or benefits for doing so. This is actually the opposite of what happens in normal crypto currencies such as the Bitcoin.

The project is designed to reward the public administration, businesses, NGOs, and citizens that apply a nature-based solutions or have environmentally friendly behaviours in the city. The I-Leu has a platform that supports its functions, and each citizen can download a wallet and start gaining the currency.

3. CURRENCIES IN CENTRAL-EASTERN EUROPE

III.1.1. iLEU

Unlike the Bitcoin, the iLEU has the conventional and fixed value of 1 i-Leu = 1 Leu (Romanian currency). The currency is mined every time a user validates a green action carried out by another user.

The city of Baia Mare should accept iLEU for the following taxes:

- **Local Property Tax**
- **Urban planning permits and building permits starting 01.09.2020**
- **Parking tax starting**
- **Heavy transport tax starting**
- **URBIS (the local transport company) will accept iLEU payments for tickets.**

As stated in the whitepaper, the iLEU works on the principles of cryptocurrencies. Thereby, the maximum amount of iLEUs in circulation is initially set to 20.000.000, to prevent inflation and increase stability. However, only 1.400.000 iLEU will be put into circulation during in the initial year of SPIRE, to increase its velocity (speed of circulation). The decision of entering more iLEU in circulation belongs to the City of Baia Mare.

The local administration did not get an official opinion yet on the project by the Romanian Central Bank and by the Romanian Central Government. For this reason, despite being funded, the project received a first political stop that has currently put it in standby. Nevertheless, on October 27th, the collective managing the currency has started to pilot it involving a fab lab, a co-working and individual users.

III.1.2. CIUGUBANI

Waste in itself can be an extremely important resource that cannot end polluting nature: on this assumption the Ciugud Municipality (in Judetul Alba) has launched in June 2021 the "Ciugubani". The latter is a reward scheme aimed to incentivise citizens and in particular youth to collect and recycle the garbage. The plan is to create eco-stations in which people can get a certain amount of Ciugubani for each glass or plastic bottle or aluminium they recycle. They can spend the currency in the shops of the local community. The shops can accept this currency as a discount and a form of promotion.

The first eco-station was installed at a local school. Students were challenged to recycle as much as possible in order to transform later on the Ciugubani in real money to pay extra-scholastic activities.

The project was launched thanks to the municipality and an American company who produces Reverse Vending Machines. Gheorghe Damian, the mayor of Ciugud affirmed that "it is important for our children to learn to recycle and protect nature, this being the most important legacy they will receive ". The major also declared that if the project reaches success, they will extend it.

Despite the initial claims, the currency is, in this first stage, a tool for teaching youth about participatory budgets and the importance of recycling, more than an actual currency.

III.1.3. REGISTERED MUTUAL CREDITS AND TIME BANKS

The South African social innovator and Ashoka Fellow Timothy Jenkin developed in the 90's the Community Exchange System Platform aimed to improve the conditions of left-behind communities. Nowadays, there are 8 groups registered as platform users from Romania: two-time banks and six mutual credit systems. Those systems seem to be spread in several areas of the country. Below, a short list:

- 1 LETS and 1 Time-bank in Bucharest (Bucharest Community Exchange and Freedomland Community Exchange)
- 1 LETS in Cluj
- 1 LETS in Costanza (Jocul Constanta)
- 1 LETS in Mures (Vecinetatea)
- 1 LETS in Sighisoara
- 1 LETS in Curtea de Arges (EBB Romania)
- 1 Time-Bank in Bacau (Schimb de servicii Bacau)

Unfortunately, so far, we did not grasp more information about any of those systems. That is why we just mention them while not acknowledging any relevant impact in their local communities. The 2Tokens Team is open to encourage synergies with the SOFIA's stakeholders to research more about those projects in the future.



III.2. POLAND

One of the most recent studies on Polish complementary currencies was carried out in 2017 and published in 2018 by Grzegorz Sobiecki from the Warsaw School of Economics (Sobiecki 2018).

Between 2000 and 2013 there was a large extent of experiments in Poland: about 80 systems were set up in this time span and ran from 1 to 3 years on average. Most of them are community multilateral credit systems (MCS) – local exchange trading systems (LETS), time

banks, community exchange system (CES), one-time bank based on a coin exchange and several business systems based on multilateral barter – or commercial MCS (C3 – consumer and commerce circuit or just business to business, B2B).

Nowadays, 20 existing currencies have been identified by the study. In table 3, we highlight 5 of the most relevant currencies in terms of number of users and exchanges.

Table – Polish Complementary Currencies

Name	Type	Area of interest	Year of start	Funding	Organization managing the project	Goal	Number of users (active)	Number of exchanges per year
Bank Czasu w Tczewie	LETS	Tczew	2003	Public grants and private sponsors	Public administration	Prevention of exclusion of older people	150-180 (150-180)	TBD
BankCzasu.org	LETS	Warsaw	2008	Private	Company	Promoting the idea of subsidiarity and solidarity	3,400 (N.A.)	TBD
Wrocławski Bank Czasu	LETS	Wroclaw	2015	Private	NGO	Social integration, promoting the idea of non-cash exchanges	450 (20)	36 (per year?)
Zielony	C3	Starachowice	2015	Private	Cooperative	Intensify local economic exchanges so that money did not flow out of the country	400 (400)	30 mln of Zloty
'Wymiennik. Społecznościowy System Wymiany	LETS	Warsaw	2012	Private	N.A.	N.A.	4,000 (N.A.)	1,000 per year

Considering the limited information available for these currencies, we can highlight the most relevant features revealed by the 2017 study previously mentioned.

On average, 0,5 to 1 FTE (Full time equivalent) is needed to manage a currency in Poland, considering the ones listed in table 3. The main motivations of the founders are willingness to help, share, and serve as a social worker, as well as willingness to meet social challenges, including counteraction of anonymity and growth of alienation due to cultural and historical differences or change in the form and character of social life; some were motivated economically (inability to meet private needs on the market or desire to get a more dynamic local economy).

The lack of a business plan or a low level of coordination are two reasons for the stagnation or the missed success of a currency. A regular feature in the functioning of community systems is that, a few years after the launch, the community ceases to grow and integrates internally. At this moment, it starts running low on funds for development, coordinators lose enthusiasm, and the official activity of the system is suspended; however, without the coordinator, the community continues to exchange unofficially with or without the same mechanisms (Sobiecki, 2018, p. 111).

NGOs, cooperatives, private companies, or public administrations are the main kinds of entities who use to run currencies. Each currency is conventionally valued 1:1 with the official currency, even if there are social currencies that do not keep a conventional unit of exchange with the FIAT currency. The legal part is often fuzzy, and these concerns are normally raised once a system grows enough to be taxed. The cases analysed in Poland do not reach that level of scale yet.

While the C3 systems own a business model and support their own costs, the others are normally subsidized by grants between 1,200 and 23,600 EUR.

The supply of products and services is normally higher than the actual demand, many people who enter in this system have a low consumeristic approach but a social and proactive one, at least at the beginning.

Among the problems/barriers registered there are:

a) Arriving to use an IT exchange system

b) Underestimated operational costs

c) Participants' age (too old sometimes)

d) Too direct relationship allows to skip the system

e) Trade-off between the level of trust in the community and the liquidity level: to have a stronger economic impact the group should be larger than few hundreds or a 1,000 of people, nevertheless their trust level among each other decreases naturally.

Overall, we can say that, despite 20 years of existence, the Polish ecosystem of currencies is still at the early stage of its development. We can say so considering the average number of users, the number of exchanges, and the difficulty in finding information about the impact of those systems.



III.3. AUSTRIA

A complementary currency is often not about money but about solving a social, economic and/or environmental issue. This is the case of the “Time Pension System” created in 2008 by Gernot Jochum-Müller and his cooperative Allmenda in the city of St. Gallen, Switzerland. European population is getting older. This puts under stress the traditional state-funded system. The cooperative integrated an alternative elderly care system, integrating a non-monetary payment into the traditional retirement benefit schemes for active elders: they can get non-monetary payments giving non-specialized care to vulnerable and frail elders.

So, while active elders feel useful giving care, they get points that they can spend for future care services. Meanwhile, frail elders get to stay home more often without going to the nursery and get to know new people. This system allows professional caregivers to act only when really needed, while reducing isolation and the costs of caregiving for the state: the cost for an hour of care under the Time Pension System decreases from approximately €43.50 to €14. That is why the city of S.Gallen in Switzerland funded the start-up phase of this system, seeing this as an investment to provide the caregiving services in a more efficient way. The elder care agencies play the role of identifying the active elders and to match them with time receivers.

III.4. CZECH REPUBLIC AND SLOVAKIA

If the Austrian example is mostly related to a specific social need, and the other experiments of the same group have a socio-economic focus, the examples coming from Czech Republic and Slovakia are mostly related to environmental concerns. In both countries, the experiments carried out between the late 90’s and 2010 have been sharing similar LETS models that had no long life according to the scientific article written by Jelínek, Szalay, and Konečný (2012).

Three distinctive LETS circles operated in the Czech Republic in cities of Brno, České Budějovice and Prague (Foltýnová 2004, Zagata 2004, Zagata 2008), while a smaller LETS existed also in the small village of Jindřichovice pod Smrkem in the north of the country (Zagata, 2008).

All respective initiatives had related activities whose interests were environmental in nature and scope.

In 2015, approximately 280 people have delivered about 23,000 hours of care with this system. The system was exported in the Austrian Federal State of Vorarlberg.

The Allmenda cooperative, entity created to manage the first pilot, did not stop with the Swiss project. Their team coordinated by Gernot Jochum-Müller also created:

a) Ennstaler, a regional currency that in the Steyr Land (Austria) is trying to increase the percentage of purchasing power spent locally.

b) Talent Langenegger, a currency founded in 2008 that aims to allow citizens to exchange services and talent rewarding them with non-monetary units: in 10 years, between 2008 and 2018, the organization registered exchanges of Langenegger talents for 1.5 million euros. As a result, more than 5 million Langenegger talents have circulated in the village. Citizens received discounts of over € 56,000.

c) V-Taler, Regional currency with economic objectives in the Voralberg State, in Austria.

We do not engage in describing each of those systems because we use just one example to represent the diversity of these kinds of tools in different Central and Eastern Europe areas. Nevertheless, more information can be found [here](#).

The idea of the “Complementary Currency” was more or less additional to their main objective (Zagata, 2004) : it was not about money. In Czech Republic also time banks existed for a few years in small South Bohemian villages Borovany and Ledenice (Zagata 2008).

All those LETS had between 40 and 100 members and they were just experiments piloted in small groups. All of them were managed by NGOs who organized those systems among other environmental causes. The lack of business plan, structure and well-defined need probably ceased those systems.

Few initiatives of similar dimensions and causes were launched between late 90’s and 2010 in Slovakia with low economic results. Nevertheless, even if the exchanges ceased, the communities behind those projects continued to collaborate and exchange eco-friendly goods and services.

III.5. HUNGARY

According to Jelínek P., Szalay Zs. and Konečný A. (2012), Hungary has had two waves of LETS circles development. The first was inspired from an Austrian NGOs, HIFA, in the mid-late 90's. Six pilots were carried out and until 2012, two of them Talentum and KOR were still operational until 2012.

Talentum, a LETS non-exchangeable for forints (HUF) arrived at almost 250 members and after little time it decreased its attractiveness for the lack of matching between demand and supply: too many intellectual members, too little heterogeneity. It still exists and counts with 150-200 members (Szemedéri 2018, p.176).

The KOR developed in Szolnok is barely described Jelínek et al. and no information are currently available online about this currency that until 2012 was active.

The second wave of currencies started in 2007, when a CSO the Korona Csereklub Egyesület was established as an umbrella organization to experiment 7 LETS which revived an old tradition: the so-called "kaláka", which is a system of complex reciprocal informal agreements. "You give me today and get something from me tomorrow." – as Zoltán Mikheller, the founder of the Bakonyi CsereKör formulated.

From that second wave, one movement that engaged municipalities and companies was built: the érme Hálózat.

The movement also involved the parliament in 2010: a law proposal passed according to which works and services in the household would be free from the Value-Added Tax (VAT). Hungary introduced from 1 January 2011 a new VAT category, called cost sharing group „együtműködő közösség“. It exempts from services provided by a cost sharing group to its members, valid for civil associations especially. Also, thanks to this law, the LETS in early 2010's started to be managed via internet and digital payments for the exchanges started to be the new normal.

According to the most recent article (Lakócai, Gál, and Zsolt Kovács 2018), in 2018 five local currencies are reported as active in Hungary: the Soproni Kékfrank, the Balatoni Korona (project almost

ended), the Bocskai Korona, the Tokaji Dukát and the Alsómocsoládi Rigac (see table).

Other currencies exist at a project level, such as the Rábaközi Tallér and the Kiskőrösi Pengő. Some consumers and producers' networks could also potentially start to exchange currencies such as the Tüke network, the discount scheme in Pécs and the Nyíregyházi Kosár producer-consumer community.

The Soproni Kékfrank is a local currency designed in 2010 by Tamás Perkovátz who created with other 123 members (entrepreneurs and individuals) the HA-MI Összefogunk/If-We Unite Limited Liability European Cooperative Society (Szalay 2011). The partners of the initiatives have been Rajka and Region Credit Union, Chamber of Commerce and Industry, Industry Corporation of Sopron and Its Environs, the CIG Pannónia Insurance Company and the University of the West Hungary Faculty of Economics. The local government has been so far neutral about this initiative. Not clear information about the impact of this currency were detected, even if the focus seems pretty much economic.

The Balatoni Korona is a government launched initiative, born in 2012. The main objective of this local currency is to revitalize the economy of the region and contribute to social cohesion through re-forming social ties. Few information is known about the impact of this currency except for the number of payments: up to 13 million forint (HUF) of transactions were registered by 2018. This was possible thanks to several municipalities that issue and accept the currency, in particular the cities of Várpalota and Nemesvámos. According to the website, the currency is not in circulation since the end of 2020.

The Bocskai Korona is a local currency with economic revitalization objectives launched in 2012 by a private group. Until 2018, around 50 shops were accepting the currency located in Hajdúnánás district. The vouchers are backed 100% by HUF and issued by the Hajdúnánási Holding Zrt. The main objective of the currency is to keep the money in their local district, promoting local consumption to dynamize the local economy. Citizens increase their purchasing power with the local currency, and, in turn, they are led to consume locally.

III.5. HUNGARY

On the example of Bocskai Korona, 27 municipalities, belonging to the Tokaji Wine region, partnered up in 2016 and created the Tokaji Dukát with the intention of dynamize the local economy. The currency itself was designed to be also a tourist attraction.

The Alsómocsoládi Rigac is the most used among the Hungarian local currencies but also the one covering the smallest territory: Alsómocsoládi is a village of almost 400 inhabitants. The model is similar to the Bocskai Korona. Contrarily to what happens in Hajdúnánás, the currency is issued by the municipality that accepts it for local taxes and for public services. The result is that 90% of citizens use the local currency and they aim to extend the tool to 5 other villages in the region to increase local tourism.

Table – Second wave of currencies in Hungary

Name	Type	Area of interest	Year of start	Funding	Organization managing the project	Goal	Number of users (active)	Number of exchanges per year
Soproni Kékfrank	Local Currency	Sopron	2010	Credit Union and Chamber of commerce, University	Cooperative	Economic development	123 between individuals and shops	TBD
Balaton Korona	Local currency	Várpalota and Nemesvámos	2012	Public	Public Company	Revitalize the economy and social cohesion	N.A.	Forint 13 million
Bocskai Korona	Local Currency	Hajdúnánás district	2012	Private	Company	Revitalize the economy	50 shops	TBD
Tokaji Dukát	Local currency	Tokaji region	2016	Private	27 Municipalities	Revitalize the economy	N.A.	TBD
Alsómocsoládi Rigac	Local currency	Alsómocsoládi	N.A.	Public	Municipality	N.A.	360, 90% of city population	TBD

The currencies mentioned went beyond LETS and started to be more commercially oriented. The article mentions the support for the social economy carried out by the first Hungarian privately owned community bank: the MagNet Bank. The latter provides several financial services for NGOs among which a factoring programme for SMEs that, with bank guarantee, could be developed into an alternative currency scheme for SMEs operated in the framework of a commercial credit circuit (C3).

According to the law, the currencies are treated like vouchers, 100% backed by HUF, the official currency. Contrarily to the past, the issuing institutions of those currencies are cooperative or commercial banks created by cooperatives. Credit institutions are the most interested and more active in the world of local currencies. Around 20–30 million HUF are normally used to back local currencies in Hungary. Some of the existing local currencies in Hungary are in use in areas with a high level of financial exclusion, so local issuers and operators identified a real response to an actual problem (Lakócai, Gál, and Zsolt Kovács 2018, p.12).

Overall, even though further field studies are needed to arrive to a conclusion, we can affirm that the Hungarian ecosystem seems the most advanced in Central-Eastern Europe.

III.6. OVERALL REFLECTIONS ON THE CURRENCIES IN CENTRAL-EASTERN EUROPE

The paper provides a brief overview of pilots and projects that have been characterizing the movements of complementary currencies in several countries in the Central and Eastern Europe Region.

Despite some successful or very innovative projects, we can affirm that all movements are at an early to mid-stage of development.

Romania and Hungary, in particular, represent for different reasons areas with strong potential for developing new kinds of currencies. If in Hungary the potential is related to the openness of institutional actors for investing in this kind of projects, in Romania a growing wave of social entrepreneurs could, supported by local administration, take advantage of the IT development of the country to meet social and environmental needs.

As 2Tokens, we aim to support and encourage any initiative that fosters sustainable development and regenerative paths through the use of community currencies or tokens that leverage collective intelligence for the common good. We hope that this guide will be useful for all the stakeholders who aim to use their entrepreneurial spirit to explore the potential of these tools for making impact.





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Notes:

1. Financial inclusion definition (2021, World Economic Forum, pag.88): access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.



Gentellela Alpha



Welcome, Anthony McLeys

- Home
- Dashboard
- Dashboard
- Dashboard
- Forms
- UI Elements
- Tables
- Data Presentation
- Additional Pages
- Widgets
- UI Elements
- Data Presentation
- UI Elements
- Data Presentation
- Using Data

Welcome to Gentellela Alpha Admin Theme

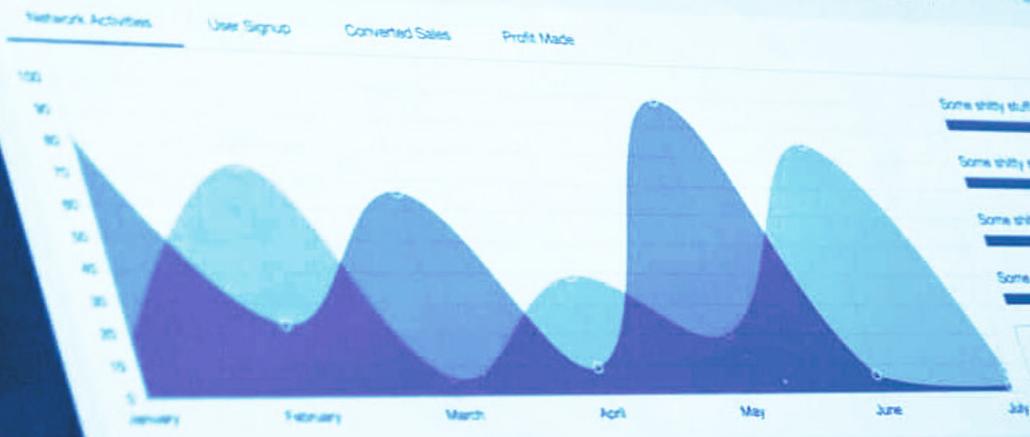
Total Users
2500
+4% From last Week

Average Time
1.51 Sec
-3% From last Week

Total Males
2,500
-34% From last Week

Total Females
4,567
+12% From last Week

Total Collections
2,315
+34% From last Week



Daily active users
Sessions

Daily active users
Sessions

