



Social Impact Investing (SII)

Gabriele Pazzola, Managing authority of the
ESF Regional OP, Sardinia, Italy



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Why has Sardinia decided to implement SII



Social and environmental issues are too complex to be solved only by government and the social sector with the traditional methods. Indeed, very often the solutions put in place are not able to adequately address the social problems.

Implementing “Social Impact Investing Fund” Sardinia Region wants to find innovative ways to solve social and environmental issues.

Regional Council Deliberation n. 6/13 February 2nd 2016

The main social and environmental issues addresses by SII Fund are:

- *access to employment of workers expelled from the labor market;*
- *professional and social inclusion;*
- *Recidivism ex - prisoners;*
- *early school-leaving;*
- *pollution.*



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What is Social Impact Investing



Social Impact investing is based on the idea that both public and private capitals can intentionally **create positive and measurable social impacts**, while, at the same time, generating financial returns for the investors.

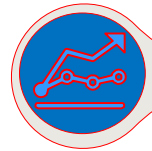
What makes them innovative?



The **proactive intention** with which an investor pursues a social purpose together with economic returns;



It is conceived around **social impact targets**;



It is built upon **models to measure** its impact and made sustainable through a link between the impact goals achieved and the **returns on invested capital**.

** Inclusive Finance: social impact investments for a new economy. Italian Report of the Social Impact Investment Task force established by the G8*

Key Actors



PA

Public Administration defines the social issues to solve and repays the investment if the Fund reaches the expected social outcomes



FM

Fund Manager facilitates the conclusion of contracts between the parties, monitors the programs to ensure the achievement of the set goals and manages the instrument



Investors

Investors provide the capital for managing the social programs in order to obtain the financial returns guaranteed by the PA in case of success



Enterprises

Enterprises implement social services and programs relevant to the community and are required to achieve pre-defined social targets



Community/
target pop.

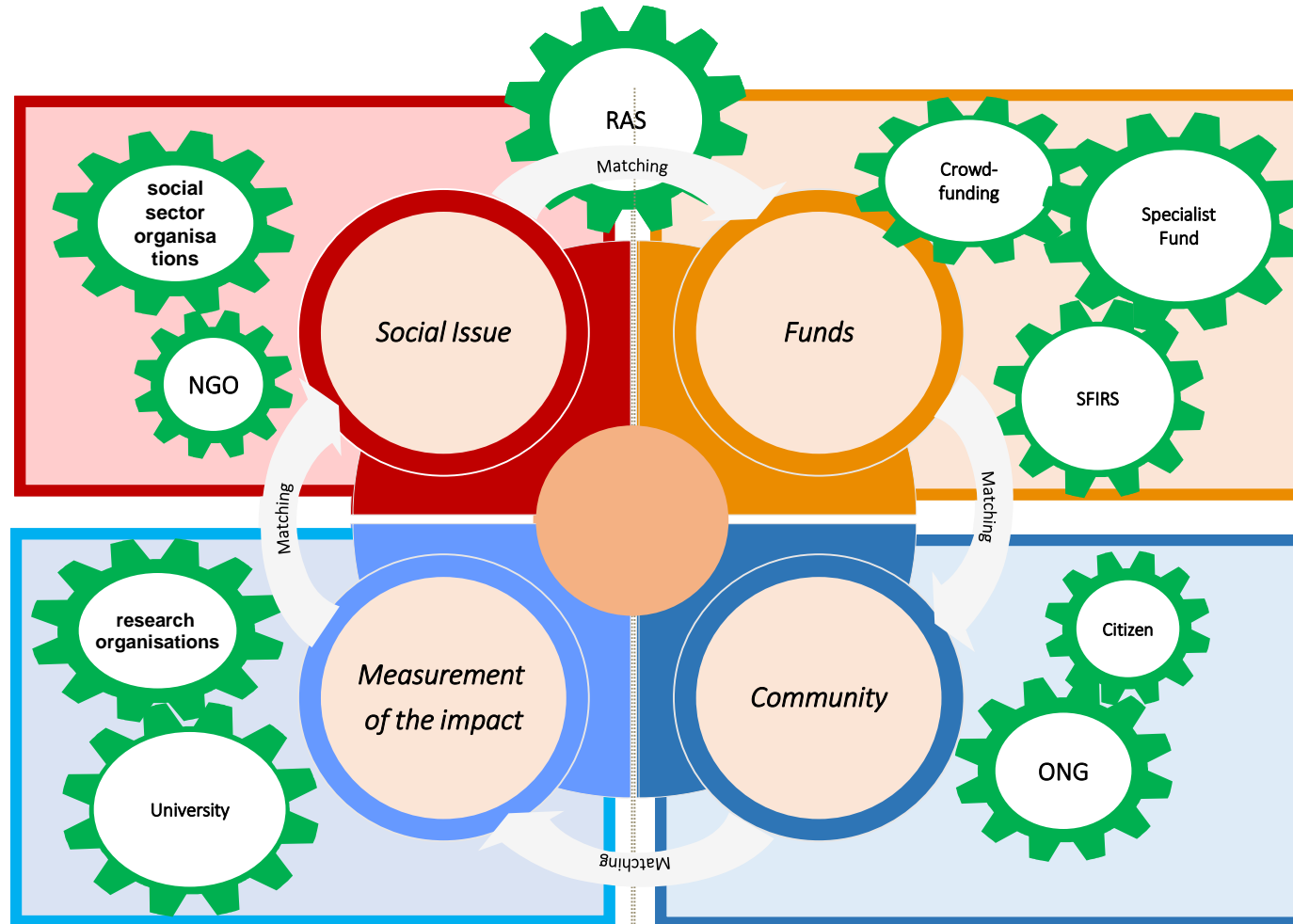
The community/target population benefits of an increase in social services in terms of higher quality and efficiency



Evaluator

Independent Evaluator measures the social impact of the Fund and the achievement of the social objectives

Cultural Environment



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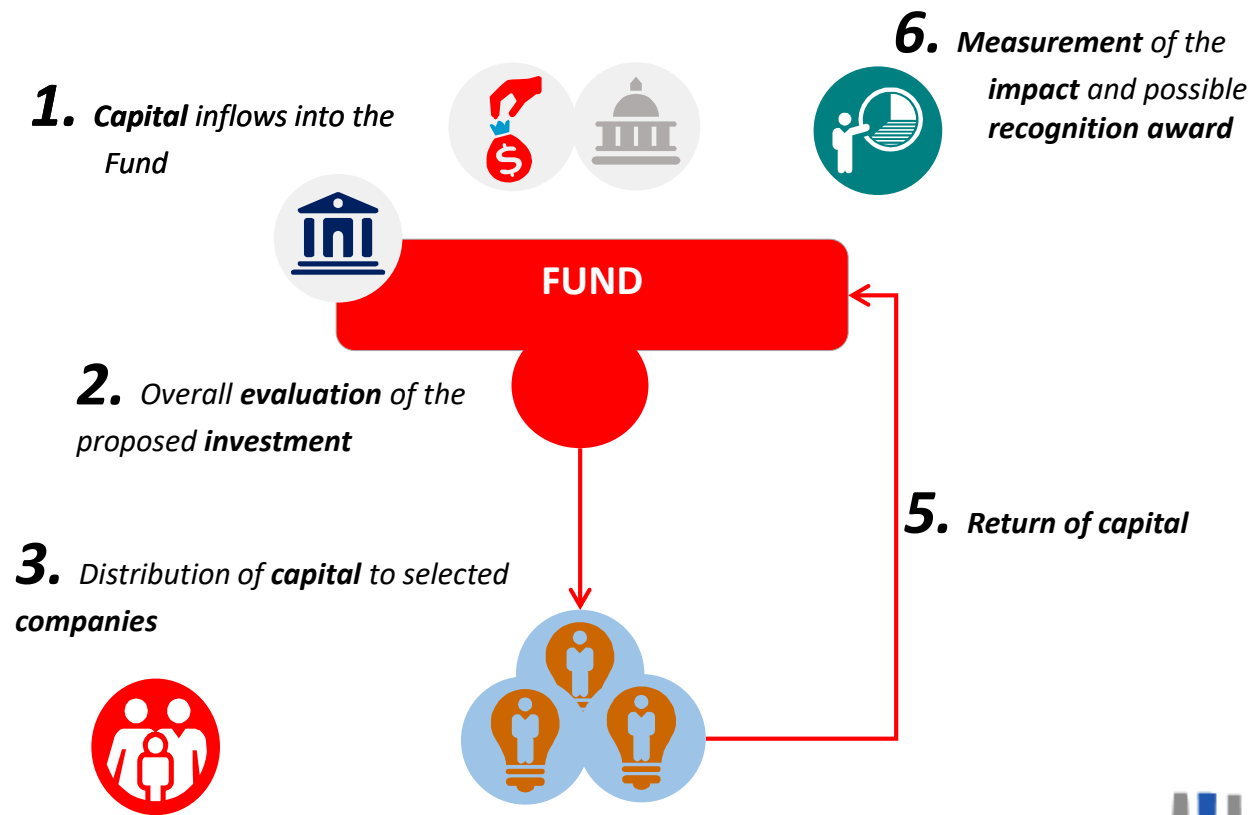


How does a Social Impact Investing Fund work? (1/2)



The SII Fund invests **risk capital** in enterprises or organizations that **can generate a measurable social and environmental impact together with a financial return.**

The return on **capital** is **directly linked to the achievement of a social impact**, as well as to the **economic and financial return** for investors.



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How does a Social Impact Investing Fund work? (2/2)

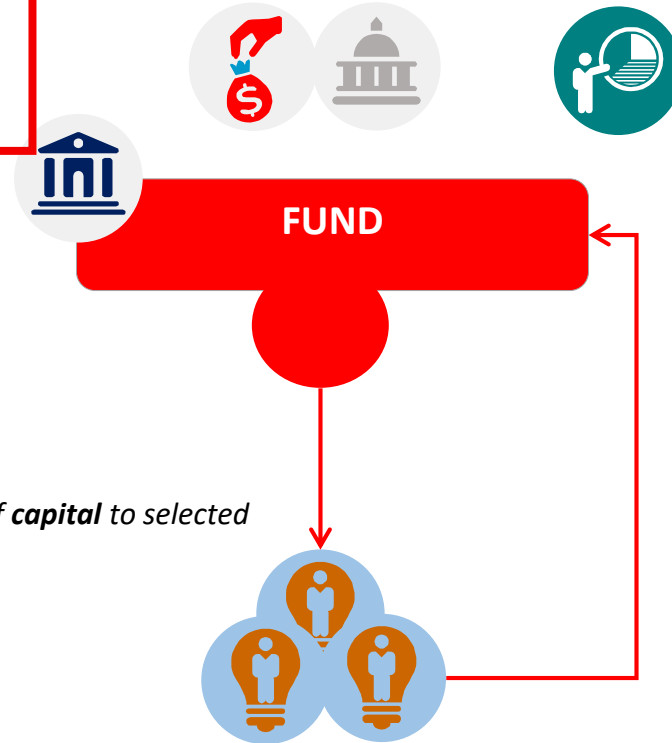


Support provided for the establishment of new enterprises, early stage-capital, i.e. seed capital and start-up capital, expansion capital, capital for the strengthening of the general activities of an enterprise, or the realisation of new projects, penetration of new markets or new developments by existing enterprises, without prejudice to applicable Union State aid rules (art. 37,4 Reg (UE) 1303/2013)

Compliance with Reg (UE) 651/2014 – GBER

The support of SII Fund will be provided to final recipients in the form of **equity** or **quasi-equity investments, loans**

3. *Distribution of capital to selected companies*



ESF OP 2014-2020 and ERDF OP 2014-2020 FUNDING



€ 6.000.000 AXIS II ESF OP 2014-2020 "Social Inclusion"

Azione 9.1.4: "Sperimentazione di alcuni progetti di innovazione sociale sottoposti a valutazione di impatto nel settore delle politiche sociali"

[the experimentation of social innovation projects, subjected to impact evaluation in the social policy field]

Azione 9.2.2 "Interventi di presa in carico multi Professionale finalizzati all'inclusione lavorativa di persone maggiormente vulnerabili e a rischio di discriminazione(...)"

[initiatives for the professional inclusion of disadvantaged groups]

TO 9: promoting social inclusion, combating poverty and any discrimination

€ 2.000.000 AXIS III ERDF OP 2014-2020 "Competitiveness of the production system"

Azione 3.7.1 "Sostegno all'avvio e rafforzamento di attività imprenditoriali che producono effetti socialmente desiderabili e beni pubblici non prodotti dal mercato"

[support to the starting and strenghtening of entrepreneurial activities having social desirable effects]

TO 3: enhancing the competitiveness of SMEs



Choice of the Fund Manager - SFIRS SpA



Sardinia Region have selected **SFIRS S.p.A** as **Fund Manager of the SII Fund**, in coherence with EU Regulation 1303/2013. SFIRS S.p.A is a **financial institution**, in house provider, acting for **45 years** in the **development** and **support** of Sardinian enterprises.

Coherence with in house providing principles

- **Public owned company**
- **Control** similar to that which Sardinian Region **exercises over its own Departments**
- **Essential part** of its activities carried out with the **controlling authority**



Experience in similar activities

SFIRS S.p.A balances prove the acquired **experience in management financial Fund in Sardinian context** and the availability of high skilled professionals.



SFIRS S.p.A is responsible for defining the Fund Investment strategy, publishing calls for proposals and notices on funds availabilities, receiving and evaluating requests for funds, distributing resources to selected beneficiaries, identifying external evaluators, monitoring the programmes progress and the fund spending, reporting to the Sardinia Region.



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The expectations for the investors



The investors of the SII Fund **pursue a double dividend**: one **fixed**, determined as a remuneration of invested capital, and one **variable**, related to the achievement of the social/environmental impact which is tangible and measurable.



The remuneration of the variable component is financed by the Region through the savings resulting from the choice of activating the Fund instead of alternative instruments



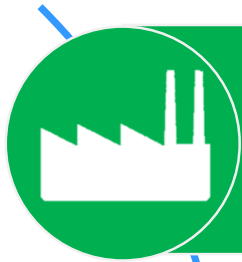
In this scenario the social impact assessment is essential; only starting from a proper measurement it is possible to estimate the cost avoided for the public sector and calculate the profitability of the Fund for the investors



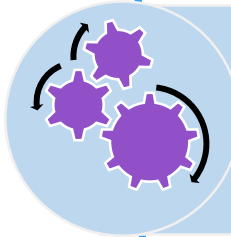
POTENTIAL AREAS OF INTERVENTION



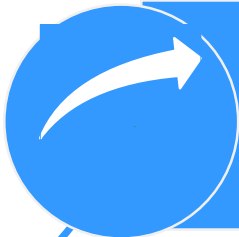
Areas of intervention



Professional and social inclusion of **workers dropped out of productive sectors** (such as aluminium, chemical, textile, etc)



Professional and social inclusion of **young people** through the implementation of training and job placement initiatives.



Professional and social inclusion of **convicts** in order to avoid the risk of recidivism through the provision of family orientation, training, retraining and accompanying measures





IMPACT MEASUREMENT



Social Impact Evaluation



For this activity it **will be identified**, through a tender, an **external evaluator** who defines the **methodology** that will be used during the evaluation process in order to **measure the impact of SI initiatives/projects**.



MAIN STEPS OF FUND IMPLEMENTATION



Main steps of Fund implementation



Funding Agreement

*The **investment and planning strategy**, as well as the rules for managing **financial operations** (implementation control, eligibility of expenditures, ways to access the financial instruments, resources returned to the operation from investments undertaken by funds and rules for payment, treasury guide lines, the measurement and evaluation of the impact of SI initiatives/projects), have been **established in the Funding Agreements** undersigned by **Sardinia Region** and **Sfirs S.p.A.***

Operational Plan

*The **strategy** has been further **detailed** in the **Operative Plan** defining **criteria for allocation of resources** and also defining some **economic areas of priority** to be **financed**.*

Call for Private investor

Tender to select an evaluator

Call for projects



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financial instruments revolving capacity building
 added value **ERDF** funding agreement **ESF** EU guidance
 governance ex-ante assessment
 technical support seminars leverage financial intermediaries microfinance
 co-financing **ESIF** case studies
 investments **fi-compass** final recipients
 business plan **Thank you** thematic objectives
 advisory services guarantees banks loans **EaSI** equity
 private investors life cycle combination of support
EAFRD conferences factsheets
 fund of funds **EMFF** investment strategy **CF**
 managing authorities manuals