



SIB for Growth

Education & integration through social finance

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- Description of the Social Impact project
- ➤ Governance and Legal Structure for a first Pilot SIB in Italy
- Financial Structure and ESF related issues
- > Status quo and next steps









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STARTING POINT: EaSI





- > A learning experience co-funded by the EaSI programme
- Included in the community of "Actions aimed to boost the demand and supply side of the finance market for social enterprises"

Our priorities:

- Bring the regional policy makers to think out of the box and explore innovative and better ways to use ESF resources: feasibility study for a Social Impact Bond (contract).
- Set-up a Pilot case of a financial/legal model: replicability and scalability.



A 100% regionally-based project





- Finpiemonte, regional development and finance agency Intermediate Body for ESF
- Regione Piemonte, ESF Managing Authority
- > Forum del Terzo Settore, association of Service Providers
- Next-level Association, on-the-field practitioner

Other associated organisations: two Bank Foundations, a corporate foundation working on the performance monitoring of the regional school system, a business school and competence centre on PPPs.











Expected (social) outcomes



- Mobilise public and private investors together with social providers to experiment a social impact contracting.
- Challenge addressed: reduce early school leaving in second generation young migrants from outside of the EU (12-16 years old).





- EUR 600 thousand of public funding (entirely from ESF)
- ➤ Approx. 200 students from selected schools in Torino with high rate of immigrants with high risk profile (profiling based on data analysis)
- Duration: 3 school years (2019-2022) due to ESF expenditure deadlines



Starting point: baseline data for impact measurement



Historical data on immigrant students in Turin, with details on each student and family:

- Nationality
- Age
- Gender
- School regularity
- Education qualification of parents

RISK FACTORS

probability value of success/failure associated to each student

Select the target population and define the level of risk for each student.

The **IMPACT INDICATOR**: ratio between the historical and the achieved result. e.g. number of students repeating: before=12; after=8; indicator=1,5

Calculation of remuneration and generated savings for PAs.



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Governance and Legal Structure





- ESF Technical Assistance Service
- ESF contribution for the implementation of the action

ESF
Intermediate Body

Finpiemonte
PRIME CONTRACTOR

Governance and Legal Structure: contractual agreements





- ESF Technical Assistance Service
- ESF contribution for the implementation of the action

ESF Intermediate Body

Finpiemonte PRIME CONTRACTOR

SERVICE

FINPIEMONTE will:

- Lead and monitor the action, from concept through to execution.
- Act as prime contractor: public selection of the service provider and of the most suitable/innovative actions.
- Sign a concession contract with the social provider,

Public tendering procedure based on competitive dialogue.

Concession contract.

Governance and Legal Structure: contractual agreements



ESF

Intermediate Body



- ESF Technical Assistance Service
- ESF contribution for the implementation of the action

And the private investor?

Finpiemonte PRIME CONTRACTOR Public tendering procedure based on competitive dialogue. Concession contract. SERVICE PROVIDER(s)

Governance and Legal Structure: contractual agreements



ESF Managing Authority

Regione Piemonte COMMISSIONER

- ESF Technical Assistance Service
- ESF contribution for the implementation of the action

In order to demonstrate their **financial capacity** to participate in the tender, the Service providers will have two possible options to involve financial investors:

- A) a contractual obligation of investment;
- B) a temporary association (according to Italian law) involving the investor as co-applicants in the tender.

ESF Intermediate Body

Finpiemonte
PRIME CONTRACTOR

Public tendering procedure based on competitive dialogue.

Concession contract.

INVESTOR(s)

Non philanthropic, but still interested on social impact (Corporate social responsibility)

Agreement set independently (investment, remuneration etc). The commissioner will not interfere, but the issue will be addressed in the competitive dialogue procedure.

SERVICE PROVIDER(s)



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Financial Structure and capital flows: Who bares the risk?



Finpiemonte

Regione Piemonte COMMISSIONER No financial risk: financial flows depending on outcomes
Payment will be activated only if the outcomes are delivered

In the **concession model** the procuring authority has to transfer to the private operators the so-called '**operating risk**':

• Only a part of the action cost will be **secured**, and only if the planned activities will be completed.

• Part of the profit of operators has to **depend on the results** of their activities.

Up to 4% • A remuneration will be calculated based on the achieved outcomes.

OPERATING RISK:

Part of capital flow guaranteed

Part of capital flow depending on outcomes

SERVICE PROVIDER(s)

INVESTOR(s)

The financial risk will be borne by investor and service provider according to the contractual agreement between them.

...and how much risk?



As prescribed by the Italian concession model:

- the risk for the private operator must be equal at least to 51% of the total capital expenditure.
- In other words the secured part of the repayment (not depending on results) should not exceed 49% of the total capital expenditure.
- If the result will be ZERO or NEGATIVE, the investor will receive 49% of the invested capital

Paid ONLY IF
the planned activities will be carried out

Outcome payment: paid if the pre-set quantified target is achieved (Y/N)

49% SECURED PART OF REPAYMENT

UP TO 51% REPAYMENT depending on results

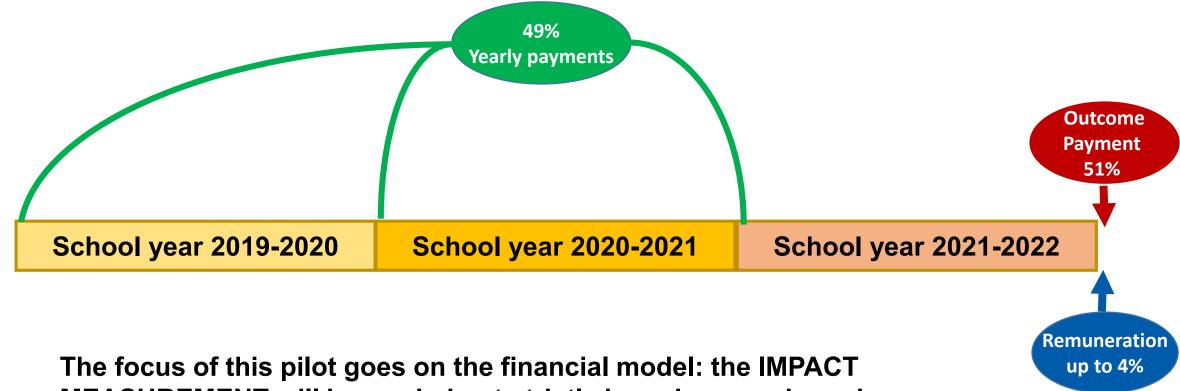
4%

REMUNERATION up to 4%
PAID PROPORTIONALLY ONLY IF
the results achieved will be above
the pre-set quantified target

Payment timeline







The focus of this pilot goes on the financial model: the IMPACT MEASUREMENT will be carried out strictly based on numbers, in order to calculate the remuneration.







ESF administrative aspects



Being ESF Intermediate Body Finpiemonte can take the responsibility to:

- ➤ Act as in-house service provider to lead and monitor the action, from concept through to execution.
 - ➤ In the framework of ESF **technical assistance**, we will invoice our service to the Managing Authority.

➤ As prime contractor on behalf of the PA:

- ➤ Finpiemonte will receive from the Managing Authority an ESF contribution in order to implement a service through public tendering procedure.
- > Finpiemonte will sign a concession contract with the social provider.
- > The service provider will be paid based on invoices and also the remuneration will be included in an invoice.

VAT can reduce the available budget for the action!

Risk of under expenditure to be reprogrammed in ESF >> timing

Remuneration to be invoiced



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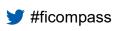


NEXT STEPS



- The feasibility study is ready
- We are finalising the contractual agreement between the Managing Authority and the Intermediate Body
- > We will organise a campaign to attract private investors
- We expect to launch the call for the social provider in early 2019 and close the contract before the summer (Concession contract), we aim to fund only 1 project
- ➤ The activities should start in the school year 2019/2020 (September 2019)











THANK YOU FOR YOUR ATTENTION!

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