



# SIB for Growth

Education & integration through social finance

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Brussels, 4 December 2018



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# AGENDA



- 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).



## Size of the pilot action:

- 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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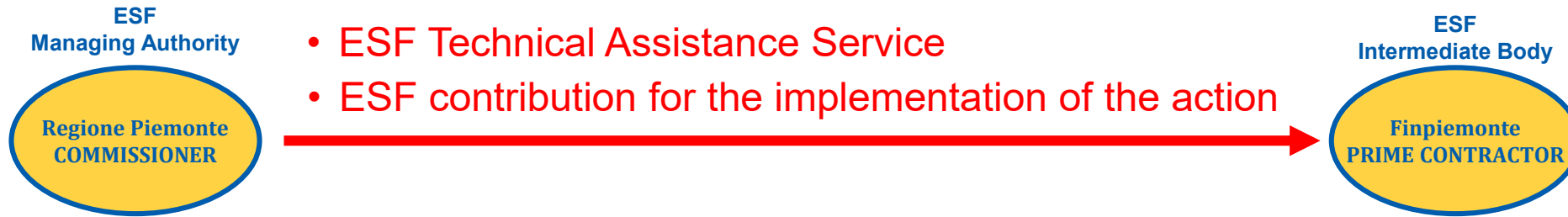


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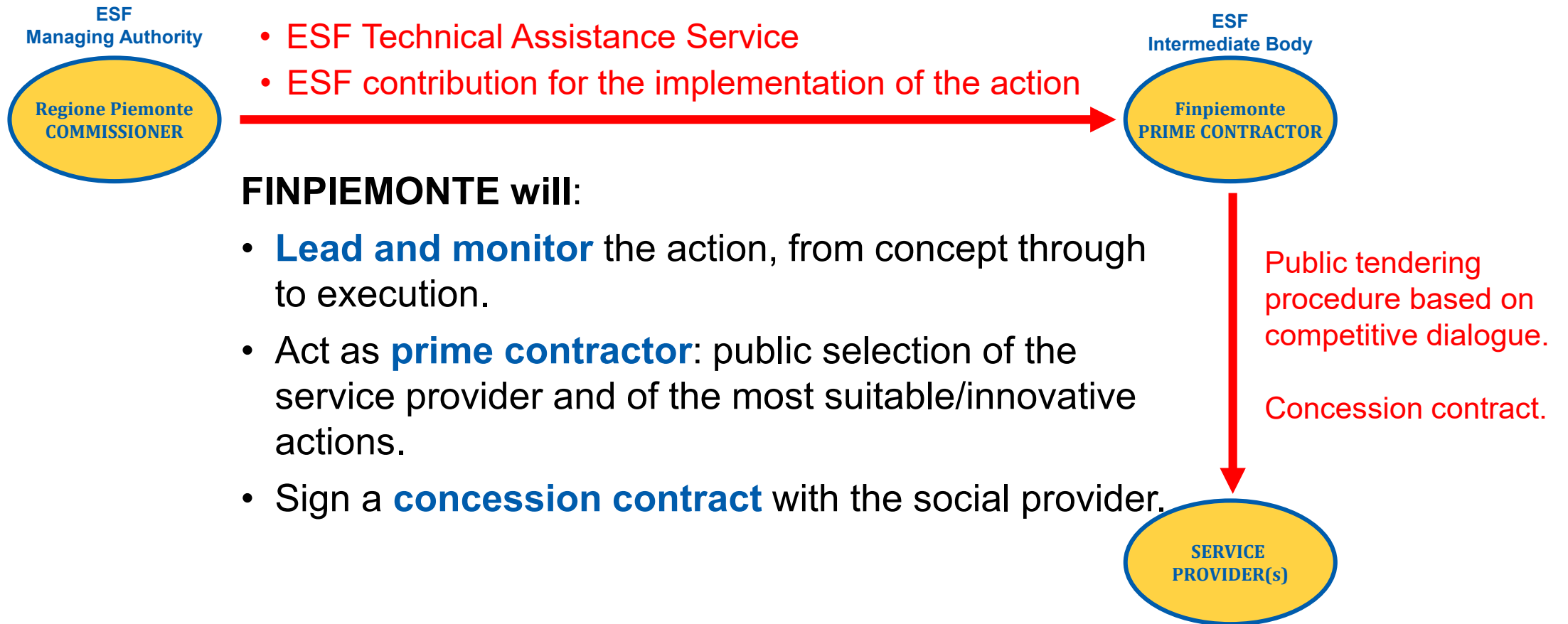




# Governance and Legal Structure



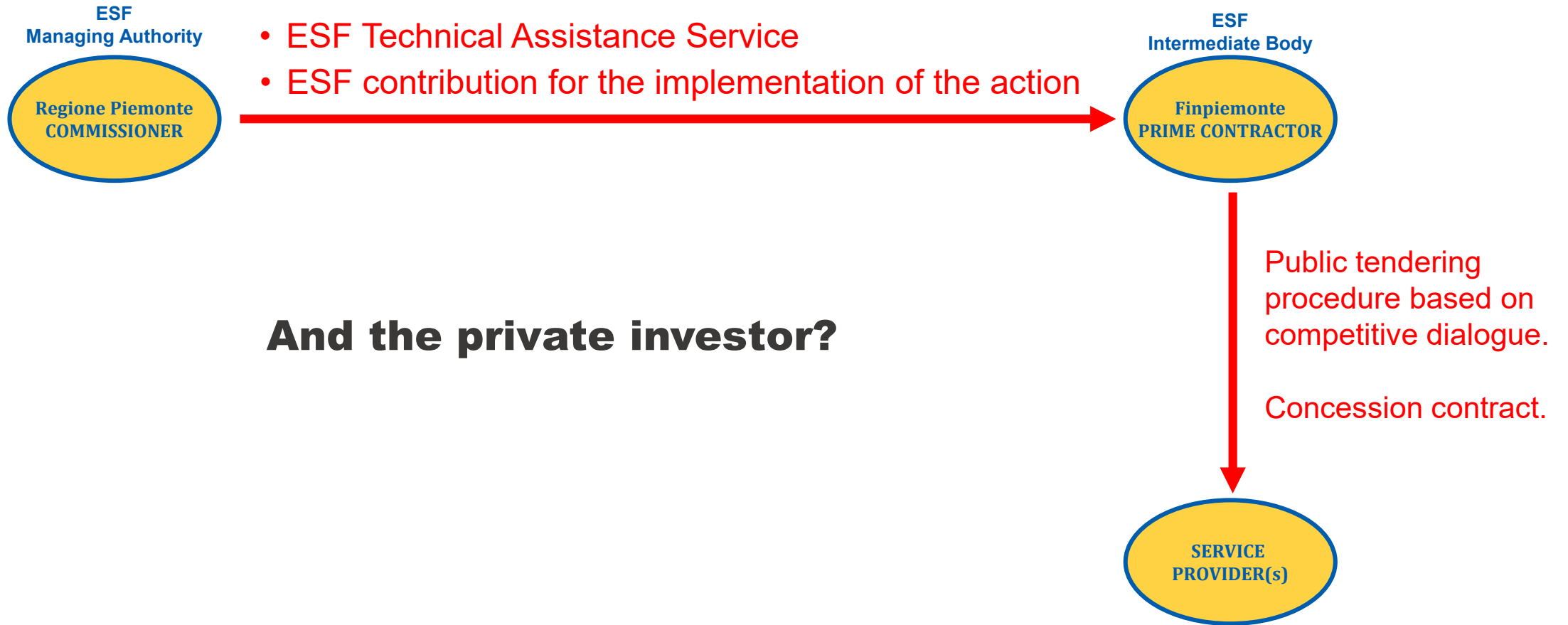
# Governance and Legal Structure: contractual agreements



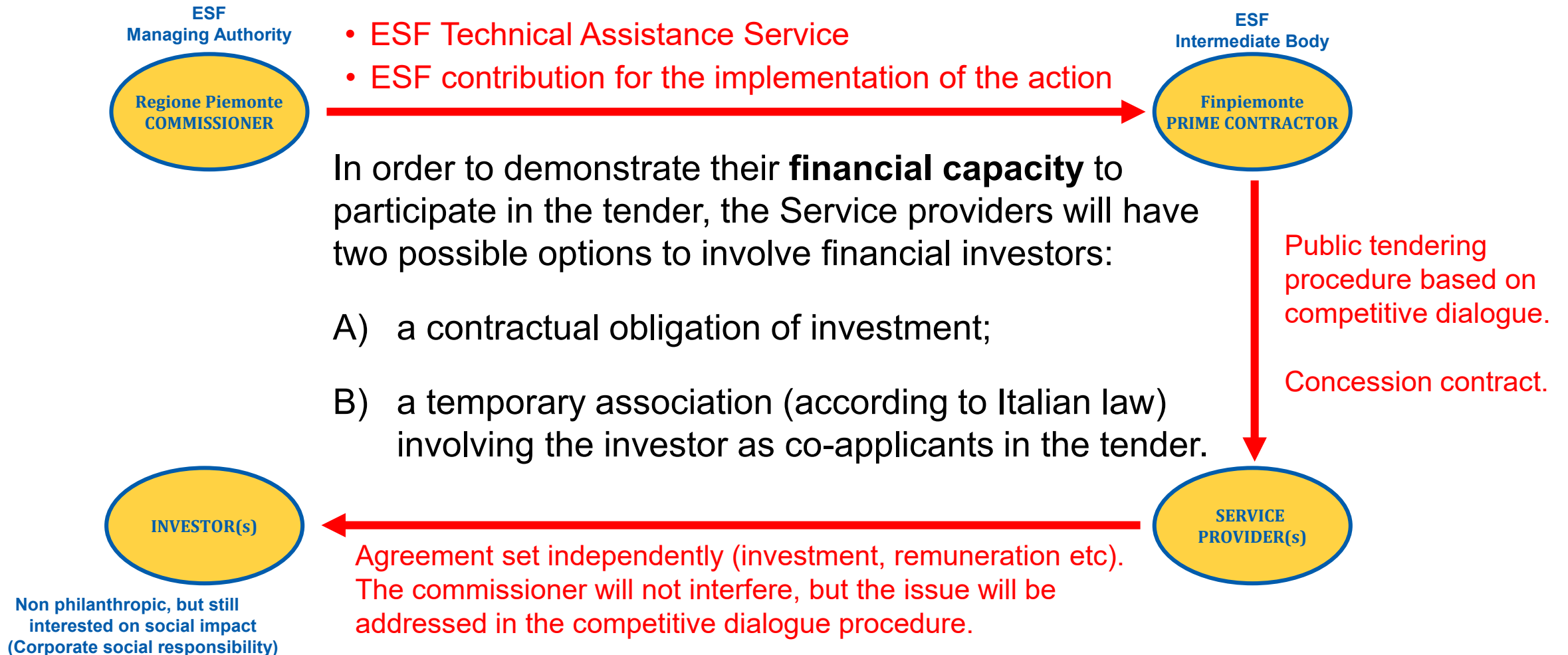
## FINPIEMONTE will:

- **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.

# Governance and Legal Structure: contractual agreements



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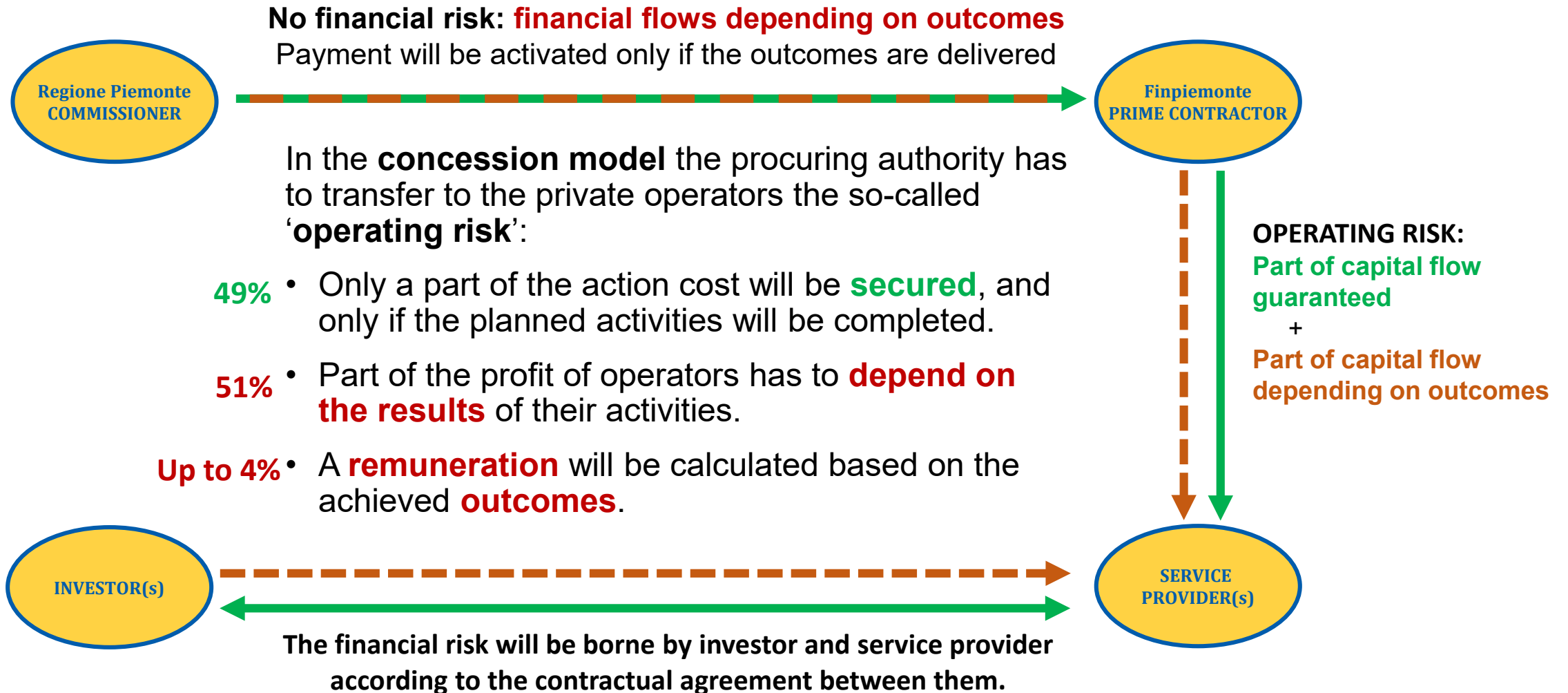
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# Financial Structure and capital flows: Who bares the risk?



# ...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**

**49% SECURED PART OF REPAYMENT**

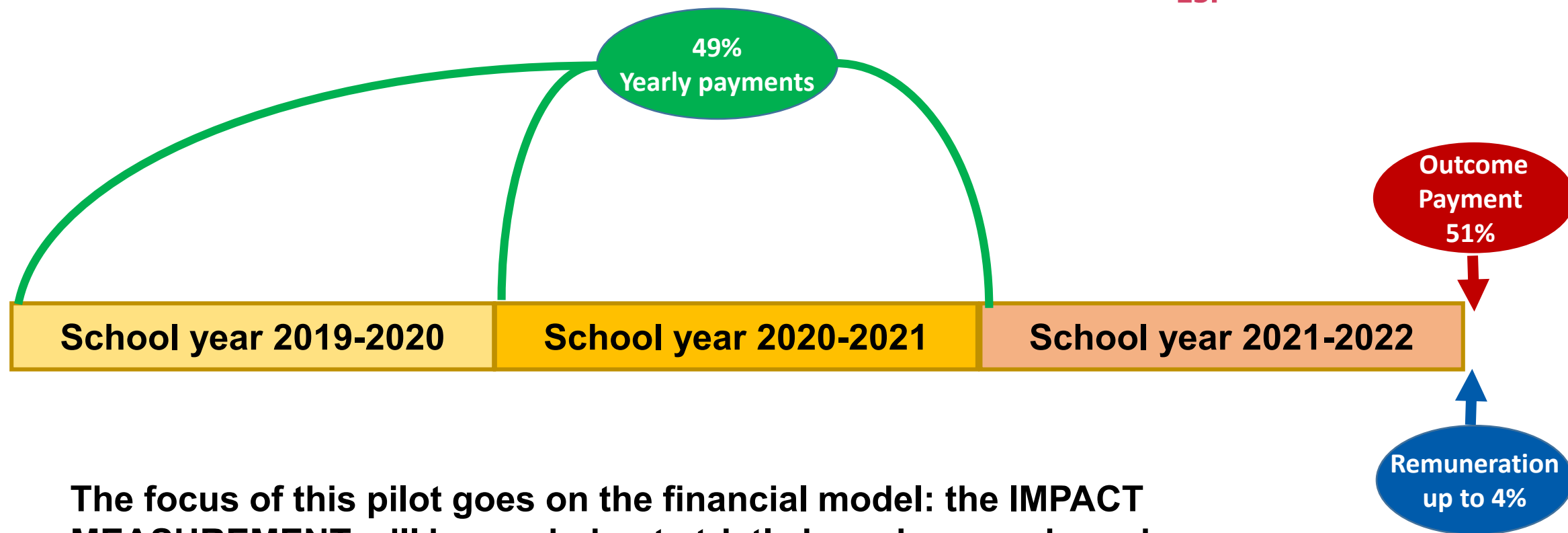
**Outcome payment:  
paid if the pre-set quantified target is achieved (Y/N)**

**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.



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# 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)



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**THANK YOU  
FOR YOUR ATTENTION!**

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