



Social Impact Investment Fund: the Sardinian experience

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Why has Sardinia decided to implement SII



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

By implementing the “**Social Impact Investing Fund**”, Sardinia Region aims to find innovative ways to solve social and environmental issues

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

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

- *employability of workers expelled from the labour market;*
- *working and social inclusion;*
- *Recidivism ex – prisoners;*
- *early school leaving;*
- *Combating pollution*

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.

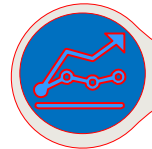
What makes them innovative ...?



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 programmes to ensure the achievement of the set goals and manages the instrument



Investors

Investors provide the capital for managing the social programmes 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.**

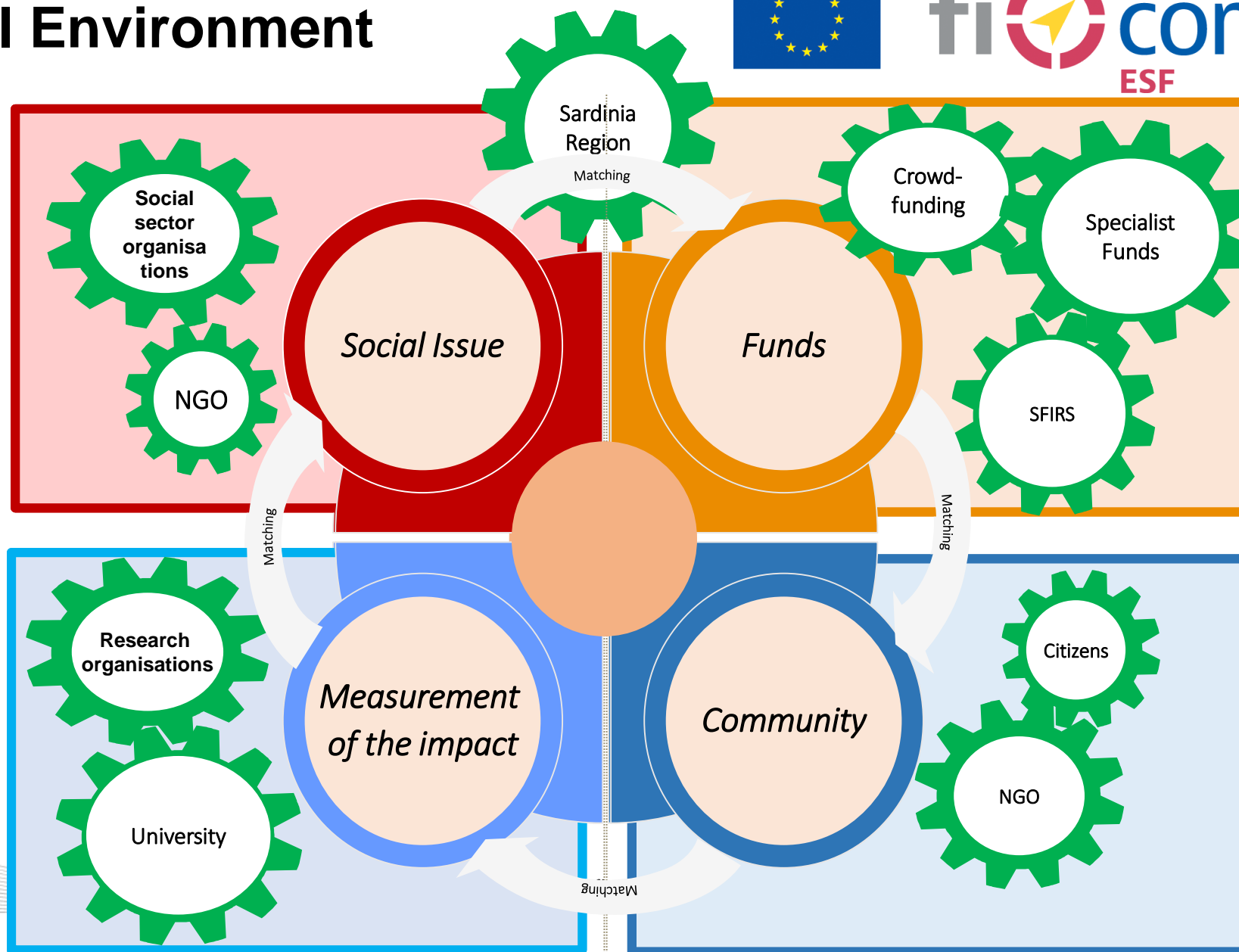
The community/target population benefits of an increase in social services in terms of higher quality and efficiency



Evaluator

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

Cultural Environment

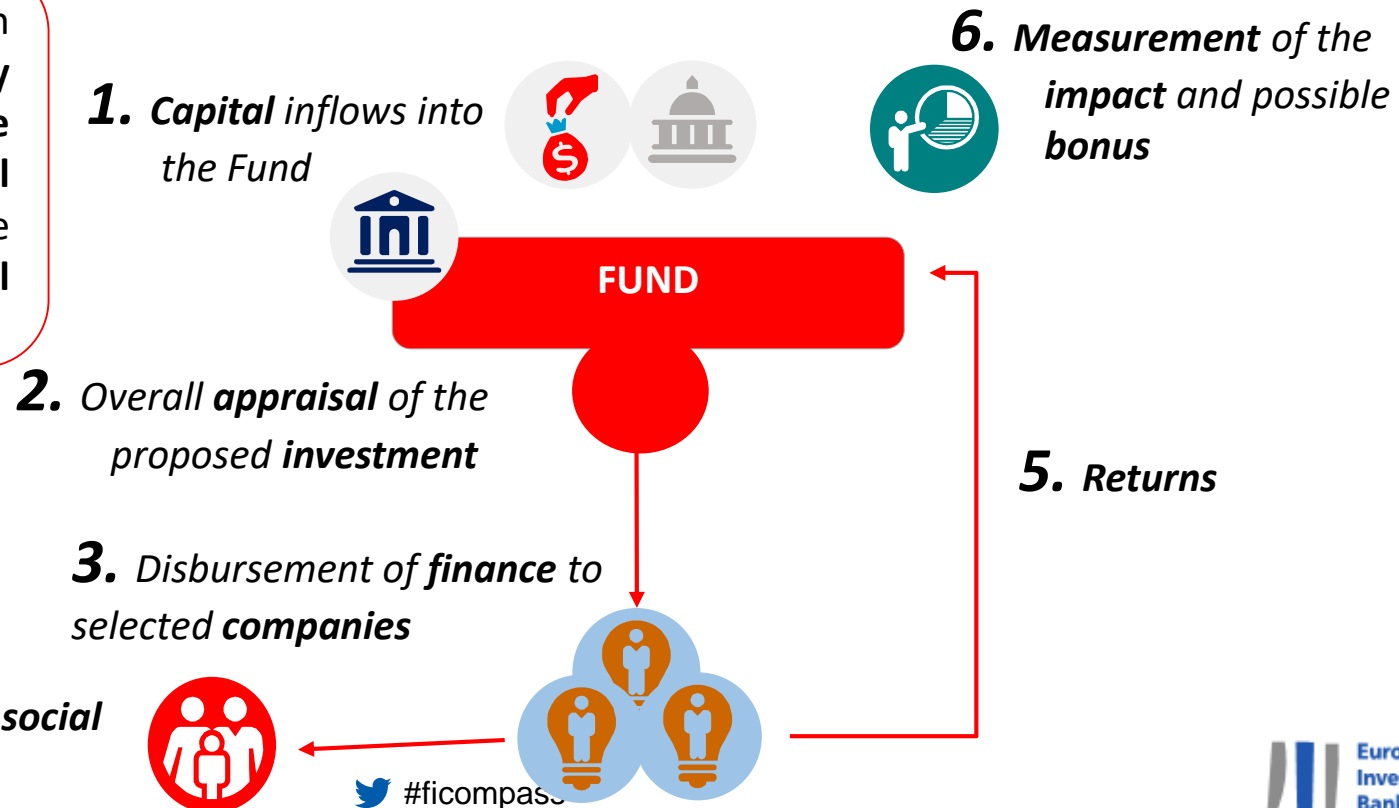


How does a Social Impact Investing Fund work? (1/2)



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

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



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

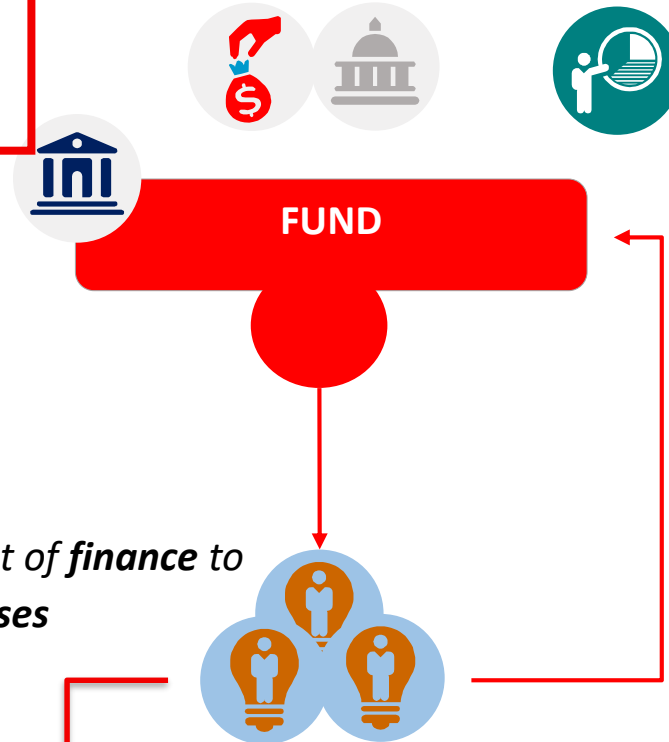


Support provided for the establishment of new enterprises, early stage-capital, i.e. seed capital and start-up capital, expansion capital, capital for the strengthening of the general activities of an enterprise, or the realisation of new projects, penetration of new markets or new developments by existing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

Compliance with
Reg (EU) 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. Disbursement of *finance* to selected *businesses*



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



EUR 6 Million - 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"

[experimentation of social innovation projects, subject to impact assessment in the social policies 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

EUR 2 Million - 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 for the start up and strengthening of entrepreneurial activities producing socially desirable effects and non-market public goods]

TO 3: enhancing the competitiveness of SMEs



Choice of the Fund Manager – SFIRS S.p.A



Sardinia Region have selected **SFIRS S.p.A** as **Fund Manager of the SII Fund**, in **consistence** 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.

Consistency with in-house providing principles

- **Publicly owned company**
- **Control** similar to that which Sardinian Region **exercises over its own Departments**
- **Essential part** of its activities carried out with its **supervising body**



Experience in similar activities

SFIRS S.p.A balances prove the acquired **experience in managing Funds in Sardinian context**, plus the availability of highly skilled professionals.



SFIRS S.p.A is responsible for defining the Investment strategy, publishing calls for proposals and notices on funds availabilities, receiving and appraising applications, disbursing financial resources to selected beneficiaries, identifying external evaluators, monitoring the progress of the Fund and reporting to the Sardinia Region.



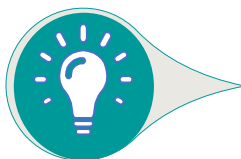
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The expectations for the investors



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



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



In this scenario the social impact assessment is essential; a proper measurement is needed in order to estimate the savings for public sector (costs not incurred) and hence calculate the profitability for the investors



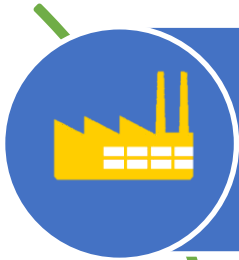
POTENTIAL AREAS OF INTERVENTION



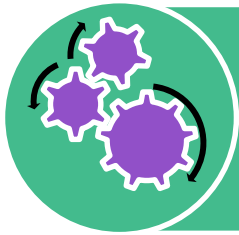
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Areas of intervention



Professional and social inclusion of ***workers who are dropped out of manufacturing sectors*** (such as aluminum, chemical, textile, etc.)



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



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



IMPACT MEASUREMENT



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Social Impact Evaluation



For this activity, ***an external evaluator has been selected*** through a public tender.

The tender has also defined ***the methodology*** to be used in the evaluation process in order to ***measure the impact of SI initiatives/projects***.



WHERE ARE WE TODAY?



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During 2018...



Selection of the independent Evaluator

The call for tenders for identifying the **independent Evaluation** has been awarded in **October 2018**.

The **independent Evaluator** will define the **methodology for measuring the impacts and therefore the impact indicators to be used when assessing and monitoring the results achieved** by the interventions / pilot projects funded by the Fund. The evaluation will satisfy different needs:

- **ex-ante** with respect to the expected impacts of the individual initiatives financed by the SII Fund;
- **in itinere**, with respect to the progress made in implementing the financed interventions and the expected impacts;
- **ex-post** with respect to the impacts generated by the initiatives financed by the SII Fund and, through the same monitoring, with respect to any revisions of the targets, the impact indicators and the remuneration levels identified.

Operational Plan

The Operational Plan was signed **in August 2018**, setting out the areas of intervention and the procedures for implementing the SII Fund.

In 2019 (1/2)



Public notice for the selection of businesses to be financed by the SII Fund published in March

RESOURCES

EUR 7,360 M for the ESF and ERDF 2014-2020 OP, of which:

- *EUR 5,520 M from ESF OP 2014-2020 Axis II "Social inclusion" Action 9.1.4 - Action 9.2.2*
- *EUR 1,840 M from ERDF OP 2014-2020 Axis III "Competitiveness of the production system" Action 3.1.7*

DEADLINES

29 April 2019 – 31 December 2019 (first window)

FINAL RECIPIENTS

Businesses, associations and social cooperatives that implement Pilot Projects capable of generating a measurable net positive social, employment and / or environmental impact

FINANCING

There are two technical forms of financing:

- *Loan: min EUR 200k - max EUR 2M*
- *Participatory loan: min EUR 50k - max EUR 1M*

BONUS

At the conclusion of the interventions, the projects will be awarded a bonus which will depend on the achievement of the pre-established impacts and with respect to the savings generated in public expenditure. The award will be priorly financed with regional resources coming from the 2007-2013 programming period.



In 2019 (2/2)



The "Social Impact Investing Fund" implemented by the Autonomous Region of Sardinia was cited as a best practice within the Paper *"Designing Social Innovation: Impact Investing and EU Funds"* on Social Impact Investments in New Community Planning, edited by PwC and Human Foundation and published in July 2019.

The Autonomous Region of Sardinia was the first Public Administration in Italy to *launch/implement* a Social Impact Investing (SII) Fund.



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