Multi-region assistance programme - Innovative Financial Instruments in support to the Social Economy

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A MULTI-REGION ASSISTANCE opportunity

- Co-operation projects involving at least 2 Managing Authorities (or I.B.) from different Member States.
- Assessment of possible use of ESIF financial instruments in specific thematic areas of common interest.
- EC Call for proposals in April 2015.

The IFISE Project
[September 2017 – June 2019]

Innovative Financial Instruments in support to the Social Economy

https://www.finpiemonte.it/Ifise-project
THE REGIONAL DIMENSION

Piemonte  Lombardia  Andalucía  Valencia

Regione Lombardia  Agency for Innovation and Development of Andaluda

Public financial agency  Intermediate Body

Managing Authority

Public financial agency

Intermediate Body

Institute of Finance

Intermediate Body

ERDF and ESF Regional Operational Programmes

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How to use ESI Funds to:

- Extend the offer of funding instruments to social enterprises (fill the bank financing gap).

- Overcome the conventional bank approach based only on balance sheets and business plans: start valuing social, environmental, cultural and other territorial returns.
OUR CONCRETE OBJECTIVES

INNOVATE

LEARN HOW TO

BE PROACTIVE: make it happen
OUR CONCRETE OBJECTIVES

INNOVATE

➢ Approach a new growing SECTOR: the social economy
➢ Explore a finance that measures and values IMPACT

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OUR CONCRETE OBJECTIVES

LEARN HOW TO

- Analyze financing schemes derived from mainstream finance, the technicalities behind, and their compatibility with public funds, ESIF and state aid regulations.

Highly qualified experts, practitioners, international financial institutions.

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BEYOND THE INTERMEDIATION OF BANKS

Different types of FIs

Promotion of direct links between (local) investors and enterprises

community investing
Microfinance
social bonds
crowd-funding and peer-to-peer lending
local saving and local funding platforms
Business Angels
payment by results
PPP models
etc…

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OUR CONCRETE OBJECTIVES

BE PROACTIVE: make it happen

✓ Verify the feasibility of innovative instruments in our regional context and in our ESIF ROPs

✓ Raise awareness in Policy Makers and submit an operational proposal

Obstacles: Regulation, know-how and culture

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## WHAT WE ACHIEVED

<table>
<thead>
<tr>
<th>Market Knowledge</th>
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<tbody>
<tr>
<td>▪ Mapping the state of the art and good practices.</td>
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<tr>
<td>▪ Identification of regional needs and opportunities</td>
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<tr>
<th>Capacity Building</th>
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<tr>
<td>▪ In-class transnational training (replicable)</td>
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<tr>
<td>▪ Regional feasibility studies: coaching and consultancy</td>
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<th>Policy awareness</th>
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<tr>
<td>▪ Operational proposal to Policy Makers</td>
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<td>▪ Handbook with guidelines for the setting up of FIs</td>
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WHAT WE ACHIEVED

MARKET KNOWLEDGE

57 case studies
- 14 FIs involving ESI Funds (ERDF or ESF)
- Interviews and desk research

138 social impact bonds
- local, regional, national, transnational
- from 35 countries (40 in UK, 20 in USA)

Research
- Relevant study reports and desk research
- Study visits
### Financial Instruments (selected) targeting social enterprises

<table>
<thead>
<tr>
<th>Countries (selection)</th>
<th>SIB / SOC</th>
<th>other payment by results / for outcomes</th>
<th>Equity / quasi equity / VC</th>
<th>Loan schemes</th>
<th>Guarantee Schemes</th>
<th>Microfinance</th>
<th>CrowdXXX / Club / other P2P mechanisms</th>
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<tbody>
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- UK is pioneer in social financial instruments, but experiences are not directly transferable to the rest of Europe.
- In general, few innovative practices with specific incidence in social enterprises.
- Predominantly standard financial instruments but socially labelled.
- Spain and Italy are lagging behind.
- Absence of innovative instruments implemented in combination with ESI Funds
Many “de facto” Social Enterprises are not legally recognised as such

Discrepancy between “de facto” and “legally recognised” SEs

- They operate “below the radar” (no statistics)
- FIs need a classification of social enterprise
CAPACITY BUILDING

4 training modules

- 65 hours of transnational in-class training
- A replicable training agenda
- Study visits to best practices

Technical coaching on regional cases

- Supported by dedicated experts (coaches)
- How to design specific a FI in each IFISE region: differences and common aspect

Replicable training agenda and executive summary of the feasibility studies available for download at: https://www.finpiemonte.it/ifise-project
Transnational in-class training: a replicable agenda

MODULE 1
INTRODUCTION
Social Impact Investing: Combining Social Results with Financial Returns

MODULE 2
FOCUS ON FIs
Innovative use of FIS for Social Economy: Equity, venture and hybrid instruments

MODULE 3
FOCUS FIs
Social Innovative Financial Instruments (New FIs)

MODULE 4
PROCEDURES
State Aid regulation and Financial Instruments under ERDF and ESF

Study visits, transnational coaching and regional feasibility studies
Coaching activity and regional feasibility studies

- Common learning sessions and sharing/comparison
- Individual support to design the instrument in the framework of the regional specificities

SOCIAL IMPACT BOND

Lombardy

Piedmont Andalucia Valencia

IMPACT INVESTMENT FUND
POLICY AWARENESS AND DISSEMINATION

POLICY AWARENESS

4 Proposals to policy makers

- Aimed to implement the SIB/SIFs in the current or next ERDF-ESF R.O.P.
- Under discussion for the next steps

HANDBOOK with guidelines

- Practical guidelines and decisional tree to set up a FI
- Available in ENG, IT and ES

Handbook available for download at: https://www.finpiemonte.it/lfise-project
Handbook
Financial Instruments for Social Impact

Supported by ERDF and ESF

INNOVATIVE FIs
- The framework of social FIs under ESIF
- Roadmap and decisional tree to setup a SIF or a SIB

TARGET
public administrations interested in designing and setting up financial instruments that positively impact society.

SOCIAL ECONOMY
- Social Impact Investing
- Specific features (e.g. insight on impact measurement methods)
Handbook

Financial Instruments for Social Impact

Supported by ERDF and ESF

Three chapters as standalone documents

01 Social investment and ESIF financial instruments
02 Social Impact Bonds (SIBs)
03 Social Impact Funds (SIFs)

- More than a general explanation on SII
- Analysis on the use of ESI Funds
- Impact measurement
- Public procurement
- State aid

- A manual guiding step by step decisions
- A methodology for the setup of specific instruments, such as SIB and SIF
- Definitions, case studies, checklists and examples to guide the reader
Webinar on the Handbook: REGIO Communities of Practitioners

- Impact investing with the use of EU funds: main findings from the Feasibility Study on a Social Impact Fund for Andalusia.

Final considerations

- The regulation may open to new possibilities for SII in ESIF in the next programming period

- Applying mainstream finance to public procedures is a complex path that requires technical assistance

- Public authorities and their financial agencies need to go through a process for learning and sharing knowledge

- MRA and other technical assistance initiatives are key to make concrete steps ahead

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