


TAKING
COOPERATION
FORWARD

 Zoom Webinar

 *SIV project - Social impact funds*

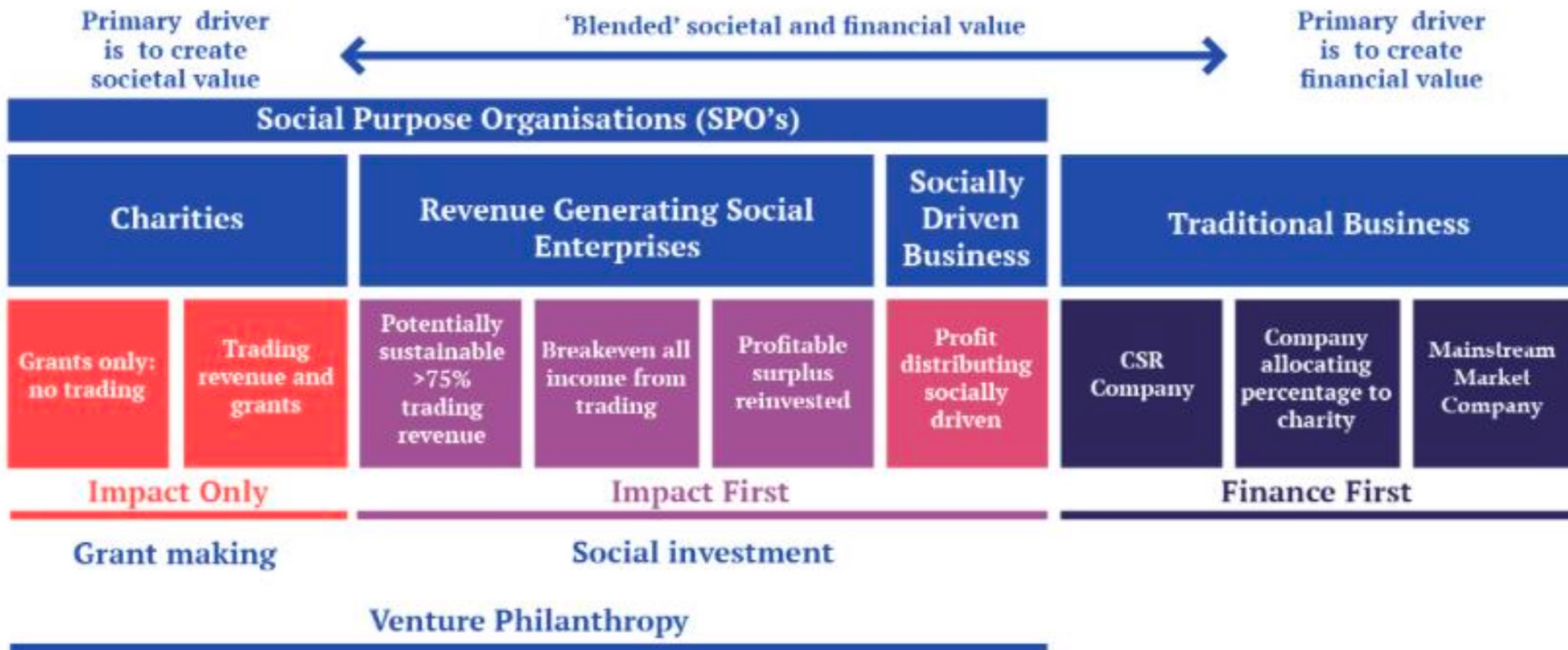
 Goran Jeras (Cooperative for ethical financing)



SOCIAL IMPACT FUNDS

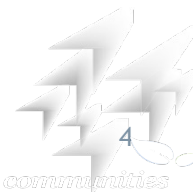
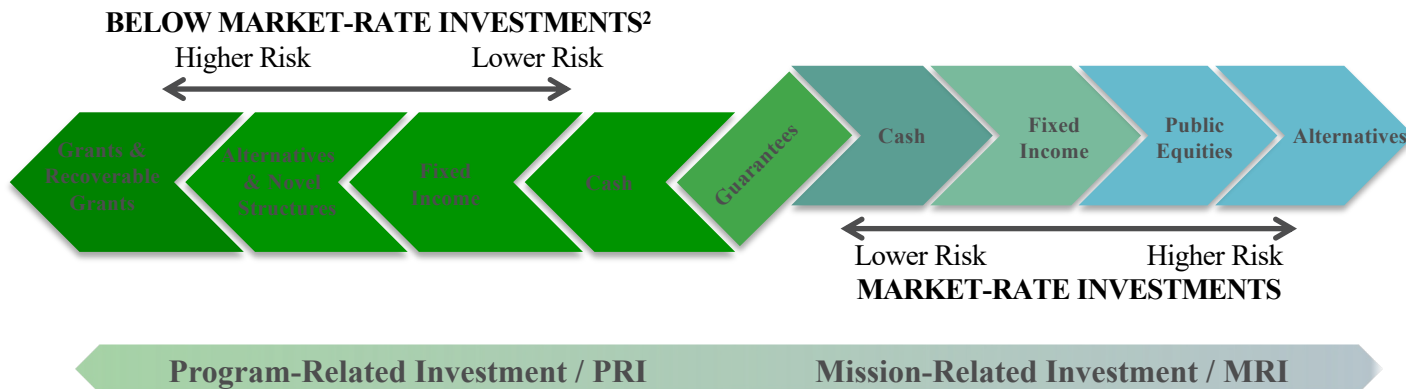


POSITIONING OF SOCIAL INVESTMENT



Investing into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.¹

- Any asset class or structure
- Any tax structure of investee
- Any expected financial return
- Same fiduciary care as any institutional investment



FEASIBILITY?



**Build inclusive
communities**

Repayment?

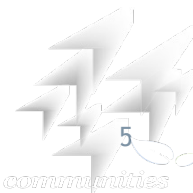
- Revenue?

- Savings?

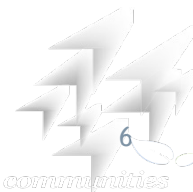
- Refinancing?

- Growth?

- Liquidity?



SUSTAINABLE DEVELOPMENT GOALS



EXAMPLE - ESMEE FAIRBAIRN FUND

Portfolio Snapshot:

To Date:	£44.5m committed £35.2m drawn down £13.9m repaid
Size:	min £60k/max £1m
Average term:	6 years
Defaults:	7 (£736k)
Returns:	2.8% gross / 2.0% net

Investment types:

	Number of Investments
Debt	54
Equity	6
Fund	19
Land Purchase	18
Other	9
Quasi-equity	4
Social Impact Bond	6
Grand Total	116



MRI-Pilotfund Education - Facts

Investors



| BertelsmannStiftung



SCHWEISFURTH
STIFTUNG

Eberhard
von
Kuenheim
Stiftung

Stiftung der BMW AG

BMW Stiftung

Herbert Quandt



CASTRINGIUS
KINDER & JUGEND STIFTUNG
MÜNCHEN

hoffnungsträger
stiftung

MRI Pilotfund Education

- › **Volume:** 700,000 €
- › **Fund Duration:** 4-6 Jahre
- › **Fund Manager:** BonVenture
- › **Target return:** 2% (net of fees)
- › **Legal form:** GmbH & Co.KG (GPLP structure)
- › **Regulation:** EuSEF Regulation
- › **Mission:** Fostering Education in the D-A-CH region (German-speaking countries)
- › **Targeted enterprises:**
 - Proof of Concept
 - Stable business model
 - Growth financing



EXAMPLE - FEELS GOOD CAPITAL



|||
HR
SLO

30M EUR

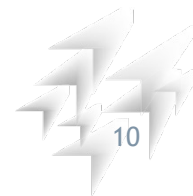
HR and SLO

Feelsgood

⊕
⊞



- Higher demands and possibly lower (financial) return
- Undeveloped financial ecosystem
- Perception of social enterprises and social investments “as not real business”
- Difficulty for scaling up due to specific local circumstances
- Lack of traditional finance competences in the sector



OPPORTUNITIES

- Global political agenda towards sustainability
- ESG framework
- Integration with public procurement and utilisation of public funds
- Demand from the market
- Raising citizens awareness



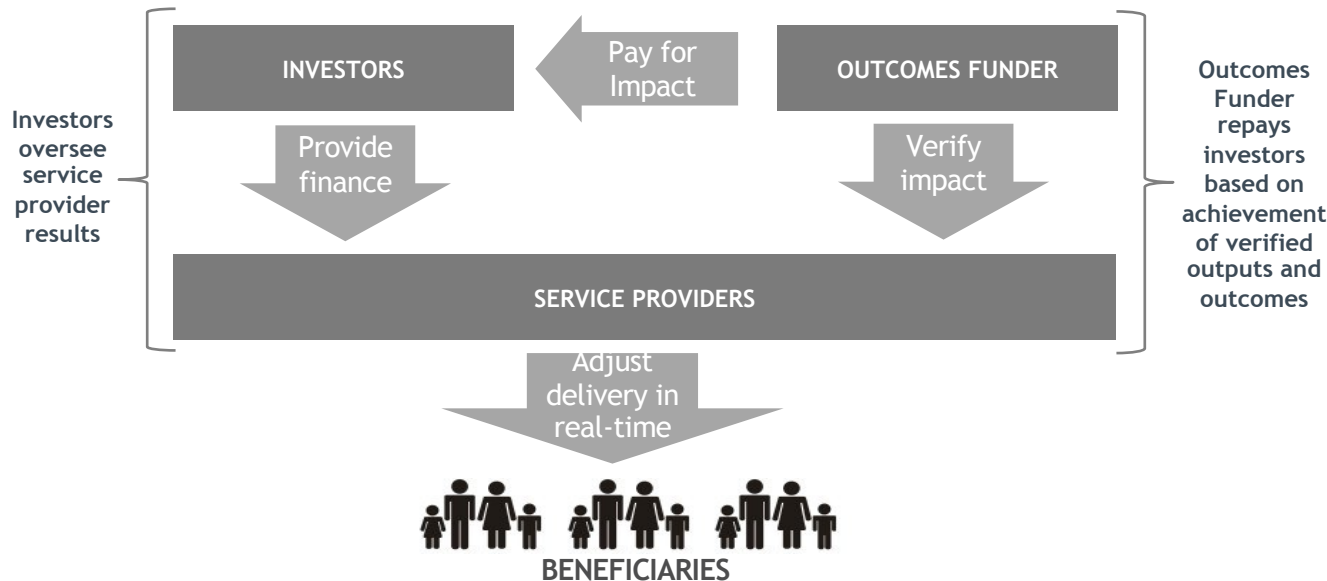
SOCIAL IMPACT BONDS



SOCIAL IMPACT BONDS STRUCTURE

Impact Bonds are financial mechanisms in which investors pay for services upfront to improve a social outcome that is of social and/or financial interest to the Outcomes Funder.

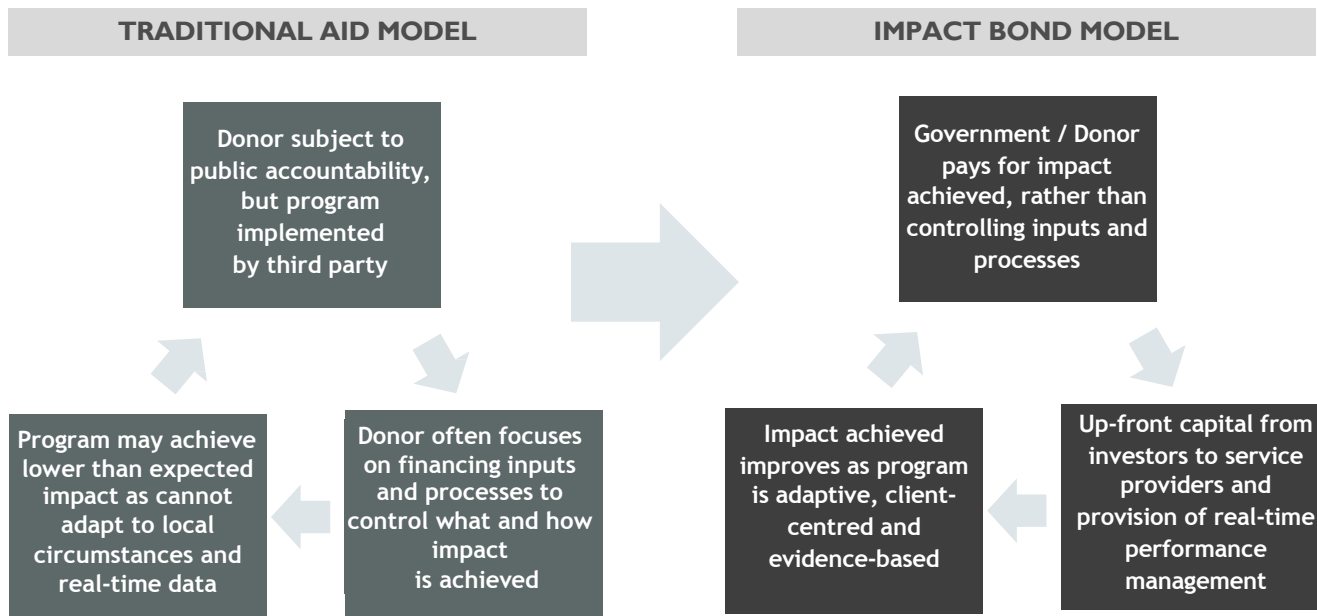
Payments back to investors are triggered if and only if outputs and outcomes are successfully verified – returns are linked to the level of success achieved.



Social Impact Bonds (SIBs) - main outcomes payer is the government
Development Impact Bonds (DIBs) - main outcomes payer is a third party, e.g. a donor agency, foundation or trust funds.

HOW SIB AIM TO INCREASE IMPACT?

Impact bonds incentivise the achievement of impact through linking funding to results and provide the corresponding implementation flexibility required to achieve impact:



EXAMPLES OF IMPACT BONDS

Over 50 Impact Bonds raising EUR 150m have been launched, with at least as many in development.

Portugal

- One Impact Bond for education of primary school children

UK

- 30 Impact Bonds for issues ranging from recidivism, to child services, employing a range of commissioning models

Northern Europe

- Impact bonds in the Netherlands (2), Germany, Belgium and Switzerland, for migrant and youth unemployment.

Canada

- One Impact Bond for at-risk single mothers

Asia and SE Asia

- Three pilots being developed in Japan

US

- 8 Impact Bonds, including highest value bond of \$27m. Issues range from high risk youth to recidivism
- Harvard Lab providing assistance to 9 states

India

- Impact Bond being piloted in Rajasthan, India, for Girls' Education

Australia

- 2 Impact Bonds on out-of-home care

Latin America

- Social Finance and IDB exploring project in Mexico, Brazil and Chile
- Impact Bonds also in development in Colombia (education) and Peru (agriculture)

Sub-Saharan Africa

- Impact Bonds in development for Sleeping Sickness in Uganda, HIV prevention and ECD in South Africa, and maternal and child health in

N Africa and the Middle East

- Impact Bonds for youth training and employment and diabetes prevention in development in the West Bank

Israel

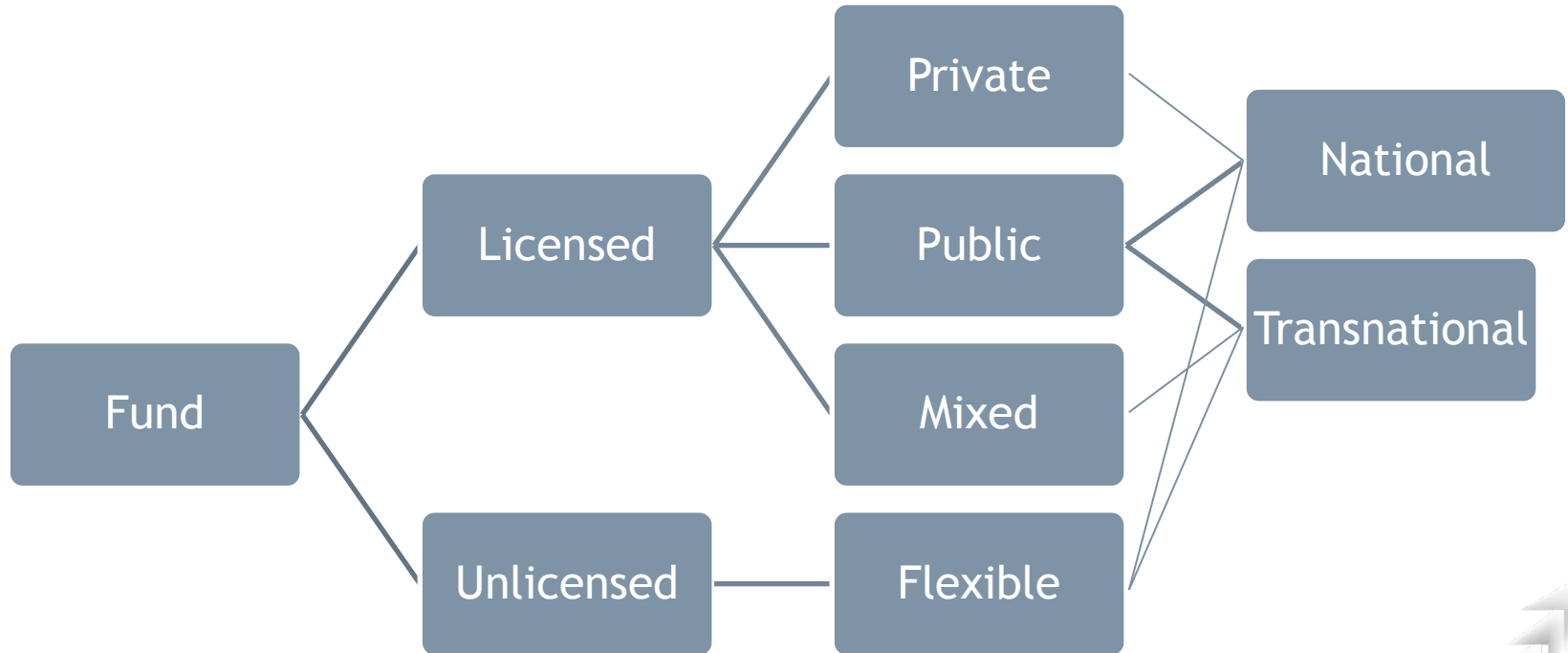
- One impact bond for prevention of university drop outs in Israel



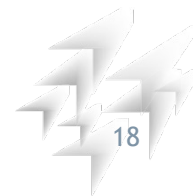
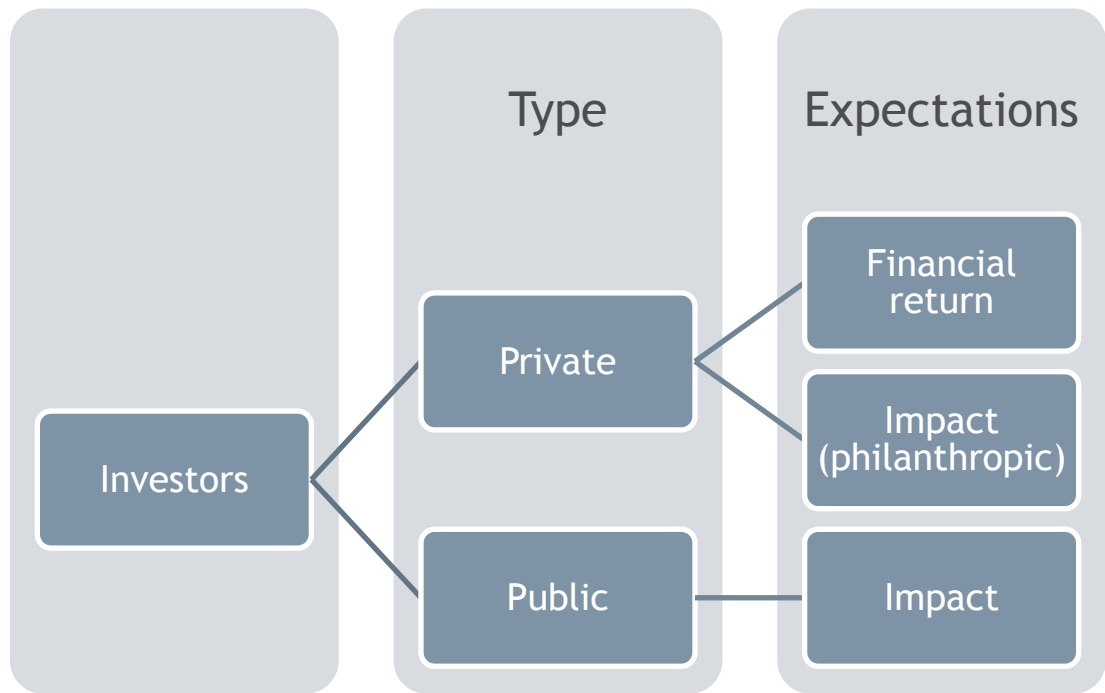
PLAN



TYPES OF FUNDS FOR SIV PROJECT



TYPES OF INVESTORS



FEATURES DEPENDING ON THE TYPE

Licensed	Unlicensed
Requires licensed fund management company	Fully flexible in accordance with internal agreements
Minimum volume required in order to cover high transaction costs	Quicker and easier to implement
Regulatory complexity	Requires internal governance and IT platform to ensure transparency and usability
Challenge with multi-currency transnational funds	Lower minimum capital requirements
Long time of implementation	Lower transaction costs
Potential support by EU development financial institutions	Easier to operate in transnational mode
Attractive to institutional investors	
Could easily be combined with other financial instruments	
Well structured with clear mandates	




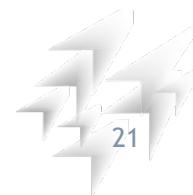
ACTIVITIES NEEDED FOR FUND ESTABLISHMENT

Licensed	Unlicensed
Identification of required size and investment potential (gap analysis)	Identification of legal entity under which fund will be managed
Identification of fund manager and most suitable jurisdiction for fund establishment	Definition of internal rules and procedures for selection of beneficiaries
Identification of possible investors	Identification of investors
Creation of prospectus, investment mandates and legal framework	Creation of platform and organisational structures
Other legal and regulatory activities	
More legal compliancy type of work	More organisational / IT type of work



REGULATED VS UNREGULATED

Type	Pros	Cons
Regulated AIF	Supervised structured fund	Expensive for management
	More attractive to investors	High initial capital threshold (>5M EUR)
	Able to attract institutional investors	Less able to experiment and adjust
	Possible to combine with other financial instruments	
	Professional fund management structure	
	Ability of scaling up	
Unregulated social impact fund 	Can be started with very small initial capital	Higher transaction costs
	Very flexible and easy to adapt	Potential taxation issues
	Possible for tailor-made approach	Higher operational risk
	Can be operated individually by each partner or jointly	Limited impact



JOINT VS INDIVIDUAL

Joint multilateral fund 	Uniform and more effective management	Multi-currency issues
	Clearer outputs from the perspective of SIV project	Issue of public investors' ability to invest to a fund not managed in their country
	Ability to attract more capital	
	Improves collaboration of entities in other countries	
	Increases chance of continuation of activities after the end of the project	
Individual funds per project partners 	Operations exactly in line with local needs	Transparency issues
	Bottom-up approach	Issue of sustainability of (very) small funds
	Fund operating in sandbox regime	Problems of attraction of capital



FUND STRUCTURE - PLANNED

Possible suggested solution European Cooperative Society (SCE):

- European Cooperative Society (SCE) as a not-for-profit organisation managing the fund
- SCE is a European-wide legal form of a cooperative. It aims to facilitate members cross-border and trans-national activities.
- Can be setup by at least 2 legal entities from EU
- Is established by EC's directive and is valid in all EU member states as a unique legal form



REALITY



CHALLENGES

External

1. Pandemic

- Dramaticly changing labor market
- Massive public funding to preserve jobs
- Change in working environment
- Inability to hold in-person trainings, education, coaching
- Shrinkage of private investment market

2. Organisational

- Challenges in creation of uniform model
- Legal challenges in creation of transnational fund
- Funding difficulties for transnational investments



CHALLENGES #2

Internal

1. Diversity of voucher models

- Difficult to aggregate in uniform funding structure
- Lack of clear financial sustainability / business model
- Variety of target groups, beneficiaries, activities
- Complexity difficult to present to investors
- Lack of structural private investor incentives

2. Size & form

- National funds are small and not attractive for investors (except HU)
- Transnational fund asymmetry in funding size
- Differences in legal interpretations of SCE structure
- Delays in legal structure formation



How to combine investor expectations (return) with labor market support interventions (usually difficult to create profit)?

- Philanthropic investors do not understand the topic and are suspicious about visible impact of their investments (especially in EU)
- Impact investors don't see required (financial) return
- Public investors require larger size and worry about competition to public employment policies
- Difficult to structure it in accordance with investor expectations, especially for vulnerable target groups



1 TRANSNATIONAL + 4 NATIONAL FUNDS

next access platform

Programs Fund Vouchers

Next Access Fund

Next Access Fund is a **transnational fund** involving both private and institutional donors. Starting where national welfare state labour market instruments fall short in terms of duration or target groups we are **addressing labour shortages in specific industries across Europe** (e.g. in the field of elderly care, IT services). By scaling successful voucher models across countries we are also enhancing the labour mobility within Europe.

MORE INFO



**Trainee Programs
for Jobseekers**



**Connect companies
with Jobseekers**



**Combining public
and private resources**

WAY FORWARD?

- Build experience with different voucher models
- Demonstrate positive use cases
- Determine possibility for scaling it up
- Find a way to "monetize" social impact
- "Social impact bonds"?
- Integrate it with non-financial reporting requirements



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