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**REPORT**

# TRAINING: NEW FINANCIAL MECHANISMS

for policy makers and public servants

**January 30, 2019 / Nice**

**MÉTROPOLE  
NICE CÔTE D'AZUR**

**PÔLE SERVICES  
À LA PERSONNE**  
Provence-Alpes-Côte d'Azur  
Le réseau des structures de services aux domiciles

  
**VILLE DE NICE**





**ALPSIB Project**  
**Training: « New financial mechanisms for policy makers and public servants »**  
January 30, 2019, Nice  
WPT2 - A.T2.4

Training on new financial mechanisms with a social impact was organized by the Nice Côte d'Azur Metropolitan Area, the Pôle Services à la Personne and the City of Nice, partners in the European AlpSIB project, for elected officials and local authority agents on social impact investments (SII). 20 people attended.



The objective of the training was to raise awareness among public decision-makers and technicians in local authorities of the functioning of IISs and social impact bonds (SIBs), to answer their questions about the implementation of these financial instruments and to create synergies between the attending actors.

The training session was carried by:

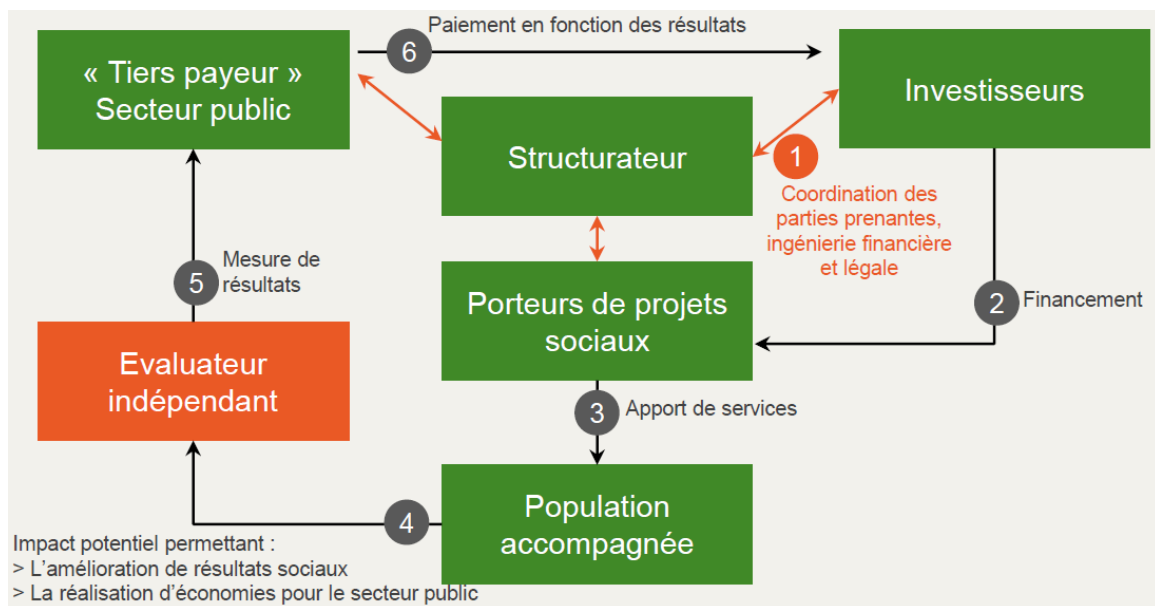
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General Delegate of  
the Impact Invest Lab



**Maha Keramane,**  
Head of Microfinance and  
Social Entrepreneurship  
Europe at BNP Paribas



First, a presentation of the context in which SIIs are developed and their operating mechanism were presented. A focus was then placed on social impact contracts and their mechanism. To illustrate this introduction, diagrams have been made in order to facilitate understanding the distribution of roles and missions between the actors involved in setting up a social impact contract.



Today, 120 SIBs have been implemented in 20 countries worldwide. 4 of them were signed in France. The particularity of the SIBs lies in the fact that it is a logic, a theoretical operating model that is translated in practice into a great diversity of formalized and hybrid contracts.

In the United Kingdom, for example, they are mainly small projects with a payment for results; in the United States and Australia, they are large-scale, large-scale experiments to prove the effectiveness of a program and, in continental Europe, small experiments to test projects.

In France, the development of SIBs was marked by the call for projects launched by the French government in 2016. It has enabled actors and project leaders to bring forward projects on a diversity of social issues (with the sole criterion of the innovative nature of the experiments). Within the framework of this call for projects, 60 projects were submitted, 13 were approved and 4 were signed in the end (Adie, Wimoov, Fondation d'Auteuil and La Cravate Solidaire).

It should be noted that in order to carry out a SIB, there must be a risk. This risk is located at the 2 moments when projects are the most fragile, i.e. when an innovation is developed or when it is scaled up.

## Questions & Answers

### Who is behind the SIB initiative?

- It depends on the contracts. For example, for the Fondation d'Auteuil, it is the association itself that is at the origin of the implementation of its SIB. This is a French particularity (vs. the Anglo-Saxon model): the project leaders, the associations are at the initiative of the projects. In Anglo-Saxon countries, it is rather the final payer (public authority) who seeks to identify projects on social issues that he wishes to address. This explains why there is, in France, a greater diversity of themes treated.

### What is the scale of intervention of a SIB?

- Projects are focused on a territory.



**To what extent did the associations assess their impact when submitting their project?**

→ At the time of the response to the call for projects, all the promoters assessed, even roughly, the potential savings that their project could bring to the community.



**Structuring the SIB**

One of the missions of the invest lab impact is to study, with the project leaders or the community, the feasibility of the project. The financial and legal structuring phase of the project corresponds to the contracting with all stakeholders.

The role of the structurer is to coordinate the actors during these different stages. It must also find the legal vehicle that will carry this SIB, which will allow the private investor to pay the funds. Finally, it is necessary to decide on the amount of investors' remuneration according to the risk they take.



Questions & Answers

**What is the interest rate for the investor?**

→ In France, this rate is generally 6.5%.

**How is the risk taken by the investor assessed?**

→ It is assessed with the investor's confidence in the association's ability to deliver innovative projects and activities. His ability to make an impact. The investor seeks to see how the association usually carries out its projects, does it have a culture of impact measurement? Is the project feasible? But there are no quantitative criteria, it is not possible.

**Are there any specific guarantees in return?**

→ BNP Paribas as an investor is asking for a diversification of indicators, that there is not too much binarity but rather a scale of progression / to have expectations of results. The investor wants the association to give him confidence during the project that the results can be achieved.

**Who are the investors?**

→ In France, these are only institutional players (e.g. the Caisse des dépôts et consignations, BNP Paribas, the Fondation Avril, Renault mobiliz, AG2R La Mondiale). And, in general, there are groups of investors.



**We as a public authority must therefore anticipate disbursements since they are not necessarily made?**

→ Yes, the public authority must anticipate disbursements and provide a margin based on the investor's possible compensation.

**What is the legal nature of the contract?**

→ The SIB has no legal nature, so it must be built. For Adie, bond issues were used. The Department has signed a conditional grant agreement (paid only if results are achieved).

**How does a structurer like BNP Paribas remunerate itself?**

→ With the first contracts, BNP Paribas has done a lot of pro bono work. It is never paid up front, it is only paid from the moment the contract is signed, when the funds are disbursed.

**Is there a difference between the French and English contracts concerning risk-taking (much less important in France?)**

→ In principle in all SIBs: below a threshold of result the community does not pay.



**[To the impact invest lab and BNP Paribas] What are your criteria regarding the size of the SIBs you support?**

→ The iil does not support projects below 500,000 euros / BNP Paribas: not below 1 million euros.

**Can we replicate SIFs that have been implemented in other territories?**

→ This has never been done before, but the fact that we can replicate projects is something that interests BNP, it's something to think about. A SIB cannot be replicated as it is, but it can be adapted to another territory.

**What is the legal nature of a SIB?**

→ It has no specific nature; it is to be built by the actors of the project. "Association equities" are not suitable because their indexing to the results for investors is not possible.

A case in France:

- The project leader has carried out a bond issue -> to which investors have subscribed;
- The project leader has signed a "conditional grant" agreement with the Ministry;
- If the project achieves the results: Ministry -> remunerates the project leader -> remunerates investors ;



- The remuneration of the "structurer": done by the project leader.

## SIBs assessment

2 models for evaluating the social impact of projects were presented (see training material)

## Social impact bonds and Silver economy



Silver economy refers to the economy that includes goods and services for the elderly. The definition of what seniors are was discussed since, for SIBs, it is important to know the characteristics of the population to be cared for, in order to define the problem to be treated.

The main points covered in these exchanges were as follows:

- In the feasibility study of a SIB for seniors, use the costs generated by the management of dependency and the evolution of public expenditure for long-term care.
- The objective of a SIB on this audience could be to reduce public spending on long-term care.
- The purpose of a senior SIB could be to ensure that people can live in their own homes in their old age.
- In the care of seniors, there is a subject for social impact contracts. For projects in this field, it will be necessary to look for variable costs, not fixed costs.
- For example: delaying the onset of dependency by one year; reducing public spending on long-term care; diabetes management...

An example of a SIB on senior implemented in the United Kingdom to combat the isolation of elderly people was presented: [Reconnections program](#)

Advice to project leaders: identify something that is not working today, then target this issue with a SIB project. Aim for short- and medium-term results. Establish "tailor-made" contracts. Risk is inherent in SIB projects. Bring together the final payors (a college of 3-4 payors, in existing French projects).

- The Department of Meurthe et Moselle: develops a SIB - Seniors project.

### Do SIBs deal with issues that are not dealt with by the public authorities?

- If there is already a support for the elderly on isolation or dependence that is publicly funded, the idea is that the SIB treats them but with a more innovative perspective, removing one of the existing barriers that have been diagnosed from the start.



## Workshop: what are the project options for senior SIBs in Provence-Alpes-Côte d'Azur?

- Reformat the way of paying for support for the elderly;
- Roommates for the elderly;
- Dealing with topics around home automation and Silver economy.



## Social impact investment

To conclude this training session, all social impact investment solutions and their characteristics were presented:

- Financial return + social impact;
- 90/10 fund (“employee savings”): obligation for any company in France today (8 billion euros, including 10% for the IIS) - Fabius Law 2001;
- A very successful model, other countries are trying to replicate it;
- SII invested in SSE structures;
- Association equities;
- Foundations and SIIs.