

INTERREG SIV

WP.T2.2.2

Updated Social Impact Fund structure

Version 1

31st May 2020



The updated version of the model of Social Impact Fund Structure has been developed by PP10, PP2, PP3 and PP5 during weekly meetings held in May and June 2020.

1. The foundation of the SIV SCE as a vehicle for the transnational social impact fund & cross-border cooperation

1.1. Why creating a transnational fund?

We consider unemployment not merely a national, but a European challenge. By creating a transnational social impact fund, we want to lay the foundation for supplementing traditional labour market instruments in an innovative way. Involving private philanthropic investors will allow us to increase flexibility as compared to existing instruments. By setting up a transnational fund we can create cross-border synergies. We aim to provide solutions by:

- starting where national welfare state labour market instruments fall short in terms of duration or target groups
- addressing labour shortages in specific industries across Europe (e.g. in the field of elderly care, IT services)
- scaling successful voucher models across countries
- enhancing the labour mobility within Europe

The transnational fund is aimed to provide a basis for a broad range of voucher models that enable experimentation with different new and innovative labour market instruments.

1.2. Why establishing a SCE?

As we opted for a philanthropic social impact fund and against a licenced investment fund, we need structures for its implementation as a non-profit organisation. In the SCE we have found a suitable means ensuring both sustainability and the possibility of involving strategic partners from different European countries in various roles. This is important for providing transparency and gaining the trust of potential investors and supporters. The SCE also ensures consistency throughout the EU-states regarding the legal framework for establishment and operation. Furthermore, it enables us to combine social and economic objectives in a balanced way¹.

1.3. Why in Austria?

Partners from eight countries are participating in the SIV project. Upon careful screening of these national environments, the following factors led to the decision to establish the SIV SCE in Austria: Firstly, Austria is part of the Euro-zone, which is seen as an important advantage. Secondly, there is a long tradition of cooperatives and thus a favourable environment for running an SCE in Austria. Thirdly, due to its geographical location, Austria has traditionally played a mediation role between Eastern and Western European countries.

¹ For further details see chapter 3.1.

2. Establishing the SIV SCE

2.1. Purpose of the SIV SCE

The SCE is a legal form that aims to facilitate the cross-border cooperation between European partners from more than one EU country. This form of collaboration enables the partners to engage in economic activities with the purpose of jointly accessing new markets and scaling up current operations of the partners.

The SIV SCE originates in the Interreg Social Impact Vouchers (SIV) project. In the case of SIV, the SCE will serve as an umbrella for creating transnational partnerships between actors operating in the field of labour market integration. Specifically, it aims to bring together innovative best practice examples in the partner countries that aim to alleviate unemployment for different target groups and at the same time to support their implementation by providing financing. Therefore, the SIV SCE will also serve as the legal entity responsible for hosting and operating the transnational social impact fund to be established within the framework of the Interreg SIV project. SIV partners that are unwilling or unable to participate in the transnational fund, but are committed to advancing the cross-border collaboration in alternate ways, can take on other roles in the SIV SCE.²

Although the SIV SCE will initially build upon the Interreg SIV project and will commence its activities by involving the SIV project partners and their voucher models, it is not limited to the scope of this project. Involving new strategic partners that will play a crucial role in the further development of the SIV SCE represents an explicit goal of the cooperative.

The SIV SCE will be set up as a non-profit entity, looking to primarily support the operations of the voucher models that it includes, without aiming to return profits to the investors. Therefore, mainly philanthropic investors are targeted by the cooperative. Any profits resulting from the activities of the cooperative will be reinvested in the cooperative itself, with the aim of following the mission stated above.

In a nutshell, the purpose of the SIV SCE will be twofold:

- 1. Facilitating cross-border cooperation between the partners of the SIV SCE with a view on integrating innovative voucher systems in the transnational structure of the SCE*
- 2. Managing the transnational social impact fund by allocating the invested financial means to the various voucher models harboured by the SIV SCE*

2.2. Proposed structure of the SIV SCE: Roles

2.2.1. Roles within the SIV SCE

The SCE will consist of full members and non-voting members. The different types of memberships will determine the level of integration of the involved stakeholders into the transnational structure of the SCE.

Full members can either be founding members of the cooperative or share-holding members that joined the cooperative at a later time. We expect full members to have an interest in actively co-designing the cooperative for various reasons. For instance, they could be providers of labour market services and would therefore want to use the SIV SCE as a vehicle for additional fundraising, for reaching additional beneficiaries or for connecting with other organizations with similar missions. Alternatively, full members could also be looking to build capacities in their respective countries and

² For further details, see chapter 3.2.1.

therefore to allow for such innovative labour market activities to be developed and implemented other organizations that are taking on an operational role.

Full members have the following rights and obligations:

Rights	<ul style="list-style-type: none">• Can vote• Can elect and be elected for functions within the cooperative• Can use cooperative services provided to members• Can use the name and symbols of the cooperative for presentation purposes• Can have full access to all cooperative business documents• Can propose topics to be discussed on the assemblies of the cooperative
Obligations	<ul style="list-style-type: none">• Act in accordance with the values and rules of the cooperative• Abide to the decisions made by the Assembly, Management and other bodies of the cooperative• Actively support work of the cooperative• Hold at least one (voting) cooperative share• Pay an annual membership fee• Promote the work of the cooperative

Financial obligations³

Organizational full members: 5.000 EUR share value; 2.500 EUR yearly membership fee

Individual full members: 500 EUR share value; 250 EUR yearly membership fee

Non-voting members are looking to support the mission and activities of the cooperative and can also pursue own interests, such as using the SIV SCE as a platform for networking and for information and services. However, they do not wish to take on an active role in co-creating the SCE. Therefore, non-voting members only benefit from limited involvement in its decision-making processes.

Non-voting members can be divided into the following categories:

- **Investors** (buy non-voting shares in the cooperative)
- **Philanthropists** (must not necessarily buy non-voting shares in the cooperative, they can support its activities by giving grants)
- **External partners/stakeholders** (are generally strategic players active in the field of labour market integration and interested in supporting the cooperative to achieve its goals, but are not directly involved in the operations of the cooperative)

³ The prices listed in this document represent the baseline value for shares and membership fees following the price level in Austria. Surcharges and discounts should be defined, based on different criteria (e.g. price level of the respective countries where the members are located; for organizational members, the size of the organization).

Indirect members/beneficiaries (are players directly benefitting from the implemented voucher programmes. In the case of SIV, these would be voucher participants or employers involved in the voucher programmes, with which a longstanding collaboration exists)

Investors & Philanthropists	Rights	<ul style="list-style-type: none"> - Participate in the cooperative assembly meetings without a right to vote - Can express their opinions on the way how the cooperative is doing its business, especially related to their investments into the cooperative - Can gain access to information about the work of the cooperative - Can hold non-voting shares of the cooperative
	Obligations	<ul style="list-style-type: none"> - Act in accordance with the values and rules of the cooperative - Abide to the decisions made by the assembly, management and other bodies of the cooperative - Support the work of the cooperative - Promote the work of the cooperative
External partners/ stakeholders	Rights	<ul style="list-style-type: none"> - Participate in the cooperative assembly meetings without a right to vote - Can express their opinions on the way how the cooperative is operating - Can use cooperative services provided to members - Other rights in accordance with the special agreement between partners and the SCE
	Obligations	<ul style="list-style-type: none"> - Act in accordance with the values and rules of the cooperative - Abide to the decisions made by the assembly, management and other bodies of the cooperative - Support the work of the cooperative - Promote the work of the cooperative
<p>Financial obligations</p> <ul style="list-style-type: none"> - Organizational external members: 500 EUR share value; 250 EUR yearly membership fee - Individual external members: 50 EUR share value; 25 EUR yearly membership fee - <u>Note</u>: for key organizations that for legal reasons are unable to contribute financially to the SCE, but should be involved for strategic reasons, we provide the option of joining as non-paying external members. As opposed to paying members, whose suggestions have to be put on the agenda of the next assembly, non-paying members can also make suggestions according to their expertise, but these are not binding. 		
Indirect members/ beneficiaries	Rights	<ul style="list-style-type: none"> - Do not have voting rights - Can use cooperative services provided to members - Other rights in accordance with the special agreement between partners and the SCE
	Obligations	<ul style="list-style-type: none"> - In accordance to the special agreement between partners and the SCE

Financial obligations

- 10 EUR share value; 5 EUR yearly membership fee

If considered necessary, further membership categories could be added at a later date, by decision of the general assembly.

Estimated figures on the targeted number of members in each category are available in the annex of this document (see Table 2).

2.2.2. Governing bodies of the SIV SCE

Given that the SIV SCE will also perform financial activities by operating the transnational social impact fund, it has been decided that a two-tier system suits the purpose of the cooperative best. Therefore, the cooperative will consist of the following governing bodies:

- **Management board/investment committee** (At least in the initial phase, the two functions will be fulfilled by the same members of the SIV SCE. By integrating these roles into one governing body, this will be responsible both for the strategic management of the SCE and the transnational fund as well as for the management and structuring of the deals and the definition of the beneficiaries)
- **Supervisory board** (Consists of different types of stakeholders and thus represents the various interest of investors as well as of beneficiaries and internal and external partners. It fulfils the function of overseeing the activities of the other governing bodies)
- *Possibly: works council* (If the member organisations/companies of the SIV SCE have their own works councils, the SCE must also have one in order to ensure a comparably favourable position for the members inside the SCE)

If deemed necessary, additional bodies (e.g. advisory board) could be created at a later date by decision of the general assembly. The possibilities for establishing additional bodies will be specified in the statutes of the SIV SCE.

2.3. Requirements for establishing and running the SIV SCE in Austria

General Note: From a legal perspective, Austria's transfer law on SCEs follows the European regulations quite closely. Some additional aspects in the Austrian law cover the moving of the headquarter or status changes, which in our case would probably be of little importance. Therefore, establishing the SIV SCE in Austria should not pose a challenge.

Minimum number of founding members: 5 or more natural persons and/or legal entities in at least two EU members states

Potential founding members (current status):

- ZEF Cooperative for ethical funding (Croatia)
- Sklad 05 Foundation for social and impact investment (Slovenia)
- Caritas Vienna (Austria)

Subscribed minimum capital: 30.000 EUR in the form of shares, divided among the full members of the SCE.

Note: At the moment of registration, the subscribed capital shall not be less than EUR 30.000. However, shares issued for cash shall be paid for on the day of the subscription to not less than 25% of their nominal value. The full balance shall be paid within five years, unless the statutes provide for a shorter period. So there exists a difference between subscribed and paid capital and the subscribed one should be at least paid by 25% while payment should be completed in 5 years.

Liability: up to the amount of the paid-up shares, unless otherwise defined in the statutes

2.4. Planned course of action for establishing and running the SIV SCE

2.4.1. Registration process

The SIV SCE is required to be registered as a member with an audit association. In Austria, there are two options: Raiffeisen & ÖGV Schulze-Delitsch audit association. For the current SCE, we opt for the ÖGV Schulze-Delitsch audit association.

The following documents will be prepared and **submitted** as part of the registration process:

- The current **document focusing on the mission and goals** of the SCE
- The **business plan** for a minimum of three years of operation of the SCE (preliminary calculations are provided in the current briefing document)
- The current preliminary calculations cover the first 10 years of operation of the SIV SCE
They provide information on:
 - An **overview of the membership development**, including estimated number of members and income from share capital and membership fees (see annex, Table 2).
 - An **overview of the estimated fund capacity** differentiated by investment sources (see annex, Table 3)
 - The **cash flow** for the SIV SCE and the transnational social impact fund (SIV Fund) between 2020 and 2030 (see annex, Table 4)
- A **summary** of the SIV SCE membership and financial balance (see annex, Table 5)
- The **statutes** of the SCE (currently in development)

2.4.2. Establishment timeline

We plan to establish the SCE during the **last quarter of 2020 or the first quarter of 2021** (for a detailed schedule of the SCE foundation, see Table 1 in the annex).

The cooperative is envisioned to commence operations immediately after registration.

2.5. Annex

Table 1: Timetable for SCE Founding Procedure

Tasks/Steps	2020								2021	
	May	June	July	August	September	October	November	December	January	February
Define vision, goals and requirements for SCE	Completed	Completed	Completed							
Determine SIV Partners in SCE	Completed	Completed	Completed	Not yet completed	Not yet completed	Not yet completed	Not yet completed			
Determine possible roles of partners	Completed	Completed	Completed							
Determine registering country for SCE	Completed	Completed	Completed							
Briefing document for stakeholders/potential members		Completed	Completed	Completed						
Define timetable SCE founding process		Completed	Completed	Completed						
Prepare 3 Years Business Plan for SCE		Not yet completed	Not yet completed	Not yet completed						
Research other founding members										
Address possible founding members			Not yet completed	Not yet completed	Not yet completed	Not yet completed	Not yet completed			
Determine founding Members				Not yet completed	Not yet completed	Not yet completed	Not yet completed			
Prepare draft for SCE statute				Not yet completed	Not yet completed	Not yet completed	Not yet completed			
Define roles and functions of members in SCE						Not yet completed	Not yet completed			
Divide founding capital among SCE-members						Not yet completed	Not yet completed			
Complete final version of SCE statute						Not yet completed	Not yet completed			
Plan the founding assembly							Not yet completed	Not yet completed		
Conduct founding assembly								Not yet completed	Not yet completed	
Collect founding capital for SCE								Not yet completed	Not yet completed	
Register SCE by relevant national authority									Not yet completed	Not yet completed

Legend

Activities to establish the SCE

Completed activities or preliminary steps within activities

Not yet completed activities or preliminary steps within activities



Table 2: SIV SCE membership - Estimated number of members and income from share capital & membership fees, 2020 to 2030

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Number full members	5	10	12	14	16	18	20	22	24	25	25
Full members share capital (in EUR)	25 000	12 500	5 000	5 000	5 000	5 000	5 000	5 000	5 000	2 500	0
Full membership annual fees (in EUR)	12 500	25 000	30 000	35 000	40 000	45 000	50 000	55 000	60 000	62 500	62 500
Numbers of external members	5	10	12	14	16	18	20	22	24	25	25
External members capital (in EUR)	2 500	2 500	1 000	1 000	1 000	1 000	1 000	1 000	1 000	500	0
External membership fees (in EUR)	1 250	2 500	3 000	3 500	4 000	4 500	5 000	5 500	6 000	6 250	6 250
Number of indirect members	100	150	200	250	350	400	450	500	550	600	650
Indirect members capital (in EUR)	1 000	500	500	500	1 000	500	500	500	500	500	500
Indirect members membership fees (in EUR)	500	750	1 000	1 250	1 750	2 000	2 250	2 500	2 750	3 000	3 250
Membership fees total (in EUR)	14 250	28 250	34 000	39 750	45 750	51 500	57 250	63 000	68 750	71 750	72 000
Total share capital (in EUR)	28 500	15 500	6 500	6 500	7 000	6 500	6 500	6 500	6 500	3 500	500

Table 3: Transnational Social Impact Fund (SIV Fund) Capacity - Estimated Fees and Grants, 2020 to 2030

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Fees and Grants (in EUR)											
Philantropists	0	30 000	50 000	70 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000
Labor/employer organizations	0	25 000	27 500	30 250	33 275	36 603	40 263	44 289	48 718	53 590	58 949
EU / governments grants	0	150 000	300 000	500 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
Social Impact Bond Investments	0	0	0	0	1 000 000	1 200 000	1 440 000	1 728 000	2 073 600	2 488 320	2 985 984
Network fundraising (CSR included)	0	50 000	100 000	110 000	121 000	133 100	146 410	161 051	177 156	194 872	214 359
Performance/success fees (prepaid by employers)	0	50 000	75 000	100 000	125 000	175 000	200 000	225 000	250 000	275 000	300 000
SCE contributions to the fund	0	0	0	0	0	0	10 000	10 000	20 000	20 000	20 000
Total fund capacity	0	305 000	552 500	810 250	2 379 275	2 644 703	2 936 673	3 268 340	3 669 474	4 131 781	4 679 292

Table 4: Estimated cashflow SIV SCE & SIV Fund, 2020 to 2030

CASHFLOW (in EUR)		Members	5	10	12	14	16	18	20	22	24	25	25
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
SIV SCE (Capacity Building)	Income total		60 650	152 750	231 950	271 175	342 278	381 770	418 417	460 034	507 597	555 178	607 179
	Income SIV SCE		60 650	122 250	176 700	190 150	104 350	117 300	125 750	134 200	142 650	144 000	141 250
	I1 Shares		28 500	15 500	6 500	6 500	7 000	6 500	6 500	6 500	6 500	3 500	500
	I2 Membership fees		14 250	28 250	34 000	39 750	45 750	51 500	57 250	63 000	68 750	71 750	72 000
	I3 Mentoring		0	3 500	4 200	4 900	5 600	6 300	7 000	7 700	8 400	8 750	8 750
	I4 Training programs		400	10 000	12 000	14 000	16 000	18 000	20 000	22 000	24 000	25 000	25 000
	I5 Fundraising activities members EU/Government technical assistance		10 000	15 000	20 000	25 000	30 000	35 000	35 000	35 000	35 000	35 000	35 000
	I6 Kick-Start Grant (SIV?)		0	50 000	100 000	100 000	0	0	0	0	0	0	0
	I7		7 500	0	0	0	0	0	0	0	0	0	0
	Income SIV Fund		0	30 500	55 250	81 025	237 928	264 470	292 667	325 834	364 947	411 178	465 929
	I8 Philantropists		0	3 000	5 000	7 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000
	I9 Labor/employer organizations		0	2 500	2 750	3 025	3 328	3 660	4 026	4 429	4 872	5 359	5 895
	I10 EU / governments funding		0	15 000	30 000	50 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000
	I11 Social Impact Bond Returns		0	0	0	0	100 000	120 000	144 000	172 800	207 360	248 832	298 598
	I12 Network fundraising (CSR included)		0	5 000	10 000	11 000	12 100	13 310	14 641	16 105	17 716	19 487	21 436
	I13 Performance/success fees (prepaid by employers)		0	5 000	7 500	10 000	12 500	17 500	20 000	22 500	25 000	27 500	30 000
	SIV SCE (Capacity Building)	Cumulative balance (total)		-9 250	15 295	113 325	239 099	289 275	362 263	451 087	562 074	695 920	853 966
Balance total (EBT)			-9 250	24 545	98 030	125 774	50 176	72 988	88 824	110 987	133 846	158 046	191 260
Cumulative balance (SIV SCE)			-9 250	27 725	119 870	220 685	214 795	217 075	220 025	226 645	234 035	238 735	244 185
Balance SIV SCE			-9 250	36 975	92 145	100 815	-5 890	2 280	2 950	6 620	7 390	4 700	5 450
Cost SIV SCE			69 900	85 275	84 555	89 335	110 240	115 020	122 800	127 580	135 260	139 300	135 800
C1 Employment (FTE - 70000€/Y)			17 500	52 500	52 500	52 500	70 000	70 000	70 000	70 000	70 000	70 000	70 000
C2 Material costs			300	1 500	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000
C3 Office (incl. utilities)			3 000	9 375	9 375	9 375	15 000	15 000	15 000	15 000	15 000	15 000	15 000
C4 IT costs			1 000	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500
C5 Travel costs			2 500	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
C6 Accounting			1 500	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000
C7 Bank costs			500	500	500	500	500	500	500	500	500	500	500
Consultancy fees & costs for SCE services			800	5 400	6 480	7 560	8 640	9 720	10 800	11 880	12 960	13 500	13 500
C9 Startup expenses			40 000	0	0	0	0	0	0	0	0	0	0
C10 Annual General Assembly			1 000	1 200	1 400	1 600	1 800	2 000	2 200	2 400	2 500	2 500	2 500
C11 Membership fee ÖGV			1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800
C12 Bi-yearly audit ÖGV			0	3 500	0	3 500	0	3 500	0	3 500	0	3 500	0
C13 SCE contribution to the fund		0	0	0	0	0	0	10 000	10 000	20 000	20 000	20 000	
Balance SIV Fund		0	-12 430	5 885	24 959	56 066	70 708	85 874	104 367	126 456	153 346	185 810	
Cost SIV Fund		0	42 930	49 365	56 067	181 861	193 762	206 793	221 467	238 491	257 832	280 120	
C14 Employment (FTE - 70000€/Y)		0	35 000	35 000	35 000	70 000	70 000	70 000	70 000	70 000	70 000	70 000	
C15 Consultancy fees		0	0	0	0	50 000	55 000	60 500	66 500	73 205	80 526	88 578	
C16 Marketing cost		0	1 830	3 315	4 862	14 276	15 868	17 560	19 550	21 897	24 671	27 956	
C17 Bank transfer costs		0	3 050	5 525	8 103	23 793	26 447	29 367	32 683	36 695	41 318	46 793	
C18 Currency expenses		0	3 050	5 525	8 103	23 793	26 447	29 367	32 683	36 695	41 318	46 793	



Table 5: SIV SCE Membership and Financial Balance Summary, 2020 to 2030

SIV SCE Membership and Financial Balance Summary											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Members	5	10	12	14	16	18	20	22	24	25	25
Income SCE (total), in EUR	60 650	152 750	231 950	271 175	342 278	381 770	418 417	460 034	507 597	555 178	607 179
Income SIV SCE, in EUR	60 650	122 250	176 700	190 150	104 350	117 300	125 750	134 200	142 650	144 000	141 250
Income SIV Fund, in EUR	0	30 500	55 250	81 025	237 928	264 470	292 667	325 834	364 947	411 178	465 929
Cost SIV SCE, in EUR	69 900	85 275	84 555	89 335	110 240	115 020	122 800	127 580	135 260	139 300	135 800
Cost SIV Fund, in EUR	0	42 930	49 365	56 067	181 861	193 762	206 793	221 467	238 491	257 832	280 120
Cost SCE (total), in EUR	69 900	128 205	133 920	145 402	292 101	308 782	329 593	349 047	373 751	397 132	415 920
Balance SIV SCE, in EUR	-9 250	36 975	92 145	100 815	-5 890	2 280	2 950	6 620	7 390	4 700	5 450
Balance SIV Fund, in EUR	0	-12 430	5 885	24 959	56 066	70 708	85 874	104 367	126 456	153 346	185 810
Balance (total) EBT, in EUR	-9 250	24 545	98 030	125 774	50 176	72 988	88 824	110 987	133 846	158 046	191 260