

# INTERREG SIV

## D.T1.3.3

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Social Impact Fund Pilot Action Plan

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## Content

Tables and Figures .....	2
1. The Interreg SIV Project .....	3
2. Social Impact Fund Pilot Action Plan .....	3
2.1. Social Impact Funds: General considerations .....	3
2.2. Social Impact Fund: Goals and strategy .....	4
2.3. Detailed view of the Social Impact Fund Pilot Action Plan .....	6
3. Concrete planned implementation of the social impact fund in each country .....	10



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## Tables and Figures

Table 1: Summary of the expectations of each project partner regarding the rough amount of money that can be raised for the fund, the sources of financing and the fund types, by country ..... 5

Table 2: General Social Impact Fund Pilot Action Plan ..... 7



## 1. The Interreg SIV Project

Even though the EU unemployment rate is at an all-time low, it is still vital to focus on reducing the risk of long-term unemployment and facilitating the integration of disadvantaged groups into the labour market. There is an untapped potential for solving these challenges by activating private capital. This is the main goal of the new EU funded Interreg project Social Impact Vouchers (SIV) that started in March 2019 and will run until February 2022.

Within the scope of the SIV project, eleven project partners from eight Central European countries will introduce a novel and innovative labour market instrument, aimed at increasing the capacities of social enterprises and public stakeholders to leverage private capital for solving social challenges of long-term unemployment. Based on a voucher system, the project will develop an incentive system for companies to hire long-term unemployed and individuals from other vulnerable groups. The draft strategy for the voucher system (deliverable D.T1.2.3.) provides additional information on the specific means of implementing the voucher models in each partner country.

The programme will be financed mainly by private capital. However, additional public financing in the form of mixed financing is not excluded. The specific financial instrument behind the SIV programme will be a social impact fund. A detailed description of this financial instrument and the planned course of action for its implementation within the framework of the SIV programme is provided in the draft strategy for the social impact fund (deliverable D.T1.1.4).

The programme will be partly conducted online. For this purpose, the project partners will develop an online platform, aiming to support the programme's implementation by enabling matching between job seekers and prospective employers. Furthermore, modules for online coaching and training of both employees and employers will also be provided on the platform. For additional information on this aspect, please see the coaching concept (deliverable D. T1.2.6).

The following subsections of this fund action plan will focus on shedding light on what concrete tasks will have to be completed in order to ensure the successful establishment of the social impact funds aimed to finance the voucher systems in each partner country.

## 2. Social Impact Fund Pilot Action Plan

### 2.1. Social Impact Funds: General considerations

The international project Social Impact Vouchers is based on two main pillars - the Social Impact Fund establishment and the Voucher System launch. The voucher system shall be financed by means of the social impact fund. The main aim of the voucher system is to help people from disadvantaged groups to return to the labour market and thus to improve their quality of life. Benefits from successful implementation will apply not only job seekers, but also their surroundings, the community and the targeted regions as a whole. The social impact fund is the means for achieving this end. It ensures that the financing mechanisms behind the voucher systems contribute to the innovative character of the programme. Also, by making use of this financial instrument, the project partners are given the freedom to seek to include either private or public funds or a mix of the two types, into the social impact fund.



## 2.2. Social Impact Fund: Goals and strategy

In the Social impact fund strategy paper (deliverable D.T1.1.4.), possible scenarios for the establishment of the social impact fund in the partner countries are presented. Social Impact Funds can be broadly classified based on the following characteristics:

- Licensed vs. unlicensed social impact funds
- National vs. transnational social impact funds
- Return-oriented vs. philanthropic social impact funds.

During the second partner meeting in September 2019, the project partners intensively discussed the possibilities for establishing the social impact funds and strived to reach a conclusion regarding which type of fund is best suited for implementing the SIV programme in each partner country.

First, all project partners agreed unanimously on **unlicensed social impact funds**, after determining that the minimum amount of money required for a licensed fund (estimated at approximately 10 million EUR) cannot be reached within the scope of the current project. However, all partners agree that the option to maybe later, in a follow-up phase, upgrade to fully licensed funds remains viable.

Secondly, the project partners agreed on establishing a **transnational social impact fund** for the partners in favour of this option (Austria, Croatia, Hungary and Slovenia) and at the same time to also establish **several national funds** for the partners in the Czech Republic, Germany, Poland and Slovakia. For the partners that decided to operate national funds for the time being, the option to perhaps later integrate these funds into the transnational fund was presented and taken into consideration. For the transnational fund, the partners acknowledge certain difficulties as well: Operating a multi-currency transnational fund can be challenging, it is however easier to accomplish in the case of an informal and unlicensed fund compared to a licensed one. In addition, raising public money for a transnational fund can also prove to be difficult.

Finally, all project partners agreed on **philanthropic funds, without any expectations for return**. A key reason for this is the fact that informal funds are usually non-profit entities that are able to receive money back, but cannot issue shares for the investors. Therefore, if the funds should be closed at a later time, the remaining capital would probably need to be assigned to similar missions. However, given that these non-profit entities are able to register certain returns that they would then reinvest into the programme, most project partners see the creation of a **partly revolving fund** as the most realistic option. In contrast, a fully revolving fund is usually difficult to sustain with philanthropic funds, as the fund volume is expected to shrink over time. Two partners envision non-revolving funds, given that they will rely exclusively on public funds that will not be returned. In relation to philanthropic funds with no expectation for financial return, the project partners identify the possible challenge of raising private money from social impact investors, with the exception of maybe charitable foundations.

Table 1 below provides an overview of the planned approach of each project partner regarding the definition and establishment of the social impact fund in their respective countries. As this is merely a rough outline conceptualized during the second in-person partner meeting in September 2019, it remains to be seen if the planned approach will coincide with the actual course of the fund establishment process.



**Table 1: Summary of the expectations of each project partner regarding the rough amount of money that can be raised for the fund, the sources of financing and the fund types, by country**

Partner Country	Fund size (estimation)	Private/ Public/ Mixed Capital	Revolving Fund: yes/ no/ partly	Transnational/ National Fund	Financial return: yes/ no/ partly
Austria (PP5, PP10)	200 000 EUR	Private, perhaps mixed	Partly revolving	Transnational	No
Croatia (PP2)	100 000 EUR	Public	Non-revolving	Transnational	No
Czech Republic (PP6)	20 000 EUR	Mixed	Partly revolving	National	No
Germany (LP, PP9)	2 500 000 EUR	Private	Partly revolving	National, with an option for future embedding into transnational fund	Partly (?)
Hungary (PP4)	100 000 EUR	First public, then private	Partly revolving	Transnational	No
Poland (PP7, PP8)	100 000 EUR, approx. 200 000 EUR (incl. public)	Private, perhaps mixed	Revolving	National	No
Slovakia (PP11)	50 000 EUR	Mixed	Partly revolving	National	No
Slovenia (PP3)	20 000 EUR	Public	Non-revolving	Transnational	No
	<b>Approx. 3 million EUR</b>				

Source: Presentation of WU Vienna (PP10)

Each project partner has a different history, different experience and different options for implementing the voucher system and the funding mechanism behind it. At the same time, there are different possibilities and different legal and economic frameworks in each country that the partners must consider when establishing the funds. Therefore, our goal is to leave the fund structures as flexible and permissive as possible. Thus, the present action plan focuses on sketching a rough approach for establishing the social impact funds in each partner country. The action plan therefore comprises general actions and tasks that apply to each and every project partner. However, it is up to the partners to define, substantiate and give details on the specifics of the fund establishment in each country.



## 2.3. Detailed view of the Social Impact Fund Pilot Action Plan

As for the time being the strategy for the social impact fund has just been set up and there have only been few concrete actions towards establishing the fund, it is not possible to provide an update on the status quo of the fund establishment process in each partner country. Instead, at the moment we will concentrate on describing the next steps according to the pilot action plan for establishing the social impact fund.

Prospectively at the beginning of 2020, the project partners will commence with the concrete establishment of the social impact funds, as described in the draft strategy paper for the fund (see deliverable D.T1.1.4) and in the KANBAN task board for the fund (see deliverable D.T1.3.4.). A rough outline of the upcoming tasks and is provided in Table 2 below, containing the general action plan for the fund establishment. This consists mainly of general tasks and actions that apply to all project partners, regardless of their individual strategies for establishing the fund in their respective countries. Apart from this, each partner is in charge of defining the fund structures and of outlining the specifics of the fund establishment in their respective countries. However, this will mainly occur in the following phase of the project.



**Table 2: General Social Impact Fund Pilot Action Plan**

Action	Deliverables	Description	Responsibility	Involved PPs	Resources	Potential external partners	Deadline	Status
Final decision for transnational fund members	D.T2.1.2 Social Impact Fund Structure D.T2.2.2. Updated Social Impact Fund Structure	Based on the information provided by PP2, on the discussions led during the second partner meeting as well as on the own research conducted by the project partners regarding the legal requirements in their respective countries, it must be decided which partners opt becoming part of the transnational fund and which prefer to establish national funds.	PP2	All PPs	Project budget		15/02/2020	
Application and approval process for fund management	D.T2.1.5. Fund Management Protocol	Under the leadership of PP2 who will prepare a draft proposal for approaches for the fund management, each project partner will adapt these proposals to the individual conditions and requirements in their respective countries and commence the application process for establishing the fund management procedure and designating the responsible actors	PP2	All PPs	Project budget	External fund managers	31/03/2020	
Establish ruleset for eligibility/ evaluation/ assessment/ transaction process & controlling/ monitoring	D.T2.1.3. Payment procedure D.T2.1.4. Evaluation data collection D.T2.2.3. Evaluation data collection	The aim of this action is to create an agreement and a common understanding among the PPs for the framework in which the fund will operate as well as for the ruleset governing this process. Ensuring the transparency of the procedures is key. For this reason, special attention shall be paid to setting up a reasonable and comprehensive course of action for controlling the fund operation as well as for accompanying, evaluating and assessing the success of this process. For this purpose, indicators for impact measurement of the fund will be developed	PP2 PP10 & PP4 (impact indicators)	All PPs	Project budget		31/03/2020	
Knowledge transfer & decision on staff secondments	D.T2.1.1. Transfer workshop & report D.T2.1.6. Staff secondments	In order to ensure the optimal establishment and later operation of the fund, the PPs without limited experience in and understanding of impact investment will work towards becoming more proficient in this area of expertise. This should enable all partners to act in a competent manner in relation to the fund operation.	PP2	All PPs	Project budget	External experts on SIF management and operation	31/03/2020	





Evaluation of the outputs & definition of goals regarding the impact of the fund	D.T2.1.7. Early stage Round-up Report D.T2.2.4 Advanced Round-up Report	Reflection and discussion of the progress of the social impact fund. The PPs should also set goals for the impact they want to reach through the fund and set up the evaluation by developing indicators for measuring and assessing the intended impact.	PP10 & PP4	All PPs	Project budget		31/05/2020	
Investment action plan & concept development of road show campaign for securing investments	D.T2.3.1. Road Show concept and timeline D.T2.3.2. Road show material	Preparation of the phase focusing on securing investments by researching on potential (transnational) investors within the networks of the PPs, at relevant events and by compiling a shared investors lists. Furthermore, the PPs must agree upon who is in the best position to address which potential investors, with regards to the preferred approach and timeline. Part of this process is also the design of the concept and the compilation of materials/content for the road show, whose goal it is to attract potential investors and promote the SIV project among them.	PP2, PP5, LP	All PPs	Project budget	Potential investors (international foundations, organizations, companies, funds etc.)	31/08/2020	
Realizing investments (contracts, accounts etc.)	D.T2.3.3. Investor Events	During this phase, the PPs will concentrate on securing investments for the funds. A conducive setting for this attempt is within the framework of the planned investor events, which shall provide the opportunity of meeting up and discussing possibilities for collaborations with prospective investors.	PP2, PP5, LP	All PPs	Project budget	Potential investors (international foundations, organizations, companies, funds etc.), PR agencies, media	31/08/2020	
Reporting to investors (impact stories, KPIs, success indicators etc.)	D.T2.3.4. Evaluation report on investor events D.T2.4.1. Social impact investment reports D.T2.4.3. Capacity report D.T4.3.3. Investors Workshop	In line with the previously set goal of ensuring transparent procedure for the fund operation, the PPs shall also work towards ensuring transparency outside the project team, namely for investors. For this reason, the investors should receive regular updates on the current status of the funds as well as on strategic decisions for the fund operation in the future. Furthermore, based on the results of the evaluation, an investor relations workshop targeting potential donors, social impact investors and philanthropic trusts must be set up with the goal of increasing the investments in the fund.	PP 10 & PP4	All PPs	Project budget	Acquired investors	31/12/2021	



<p>Setting up the SIV follow-up phase and scaling of the programme</p>	<p>D.T4.3.2. EIB Dialogue Documentation</p> <p>D.T4.3.6. Mainstreaming roadmap</p> <p>D.T4.4.1. Growth potential report</p> <p>D.T4.4.2 Continues SME roll-out concept and timeline</p> <p>D.T4.5.2. Policy report</p> <p>D.T4.5.3. Policy and practice conference</p>	<p>Based on the learning from the SIV pilot phase, the PPs should work towards ensuring the continuation of the programme after the conclusion of the Interreg project. This should occur by means of several approaches: For one, by ensuring knowledge transfer through workshops, webinars, conferences etc. addressing EIB, ESF and ERDF representatives. These attempts should also follow the goal of shaping and furthering the policymaking area with regards to social impact investment as well as labour market. Furthermore, based on the growth potential of the SIV programme assessed by means of defining success and identifying demand, the follow-up phase should be conceived. As part of this process, attempts should be made to approach new programme participants in order to ensure the continuation of the programme.</p>	<p>PP2, PP11, LP</p>	<p>All PPs</p>	<p>Project budget</p>	<p>Programme participants, EIB, ESF &amp; ERDF representatives, policy makers</p>	<p>28/02/2022</p>	
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Source: Presentation of WU Vienna (PP10), based on the template developed by Centire (PP11)



The status quo for the establishment of the social impact funds in each country as well as the planned next steps in this process are briefly presented in the following subsection 3.

### 3. Concrete planned implementation of the social impact fund in each country

As roughly outlines in subsection 2.3, there are some general steps in the establishment of the social impact fund that apply to each and every project partner. But how exactly is the fund establishment expect to work in each country? The partners have to account for the different social, legal and economic conditions in each country.

Therefore, each partner is in charge of outlining the specifics of the establishment of the social impact funds in their respective countries. The project partners will next deal with establishing a framework and legal structures for both the transnational fund and the national funds and will start the application process for the fund management. Related to this aspect is also the definition of management procedures, roles and responsibilities for operating the fund, such as deciding on programmes for each fund, establishing rulesets for eligibility and decision-making as well as for controlling, monitoring and evaluation of the fund. Finally, once these aspects have been cleared, the partners will focus on concluding the approval process for the fund management and on commencing the activities within the voucher programme. These steps are planned to be completed by spring 2020.

Defining the strategy as well as the concrete steps for the establishment of the social impact funds in each country should be regarded as a work in progress. Based on developments stemming from discussions, feedback rounds and negotiations with relevant stakeholders, each project partner is responsible for making their approach more concrete as well as for, when necessary, adapting and redesigning their action plan for implementation. As at the moment there is little information on the status quo of the fund establishment process, PP10 plans to conduct bilateral calls with each partner at the beginning of 2020 in order to better understand their current position as well as to assist them in further refining their approach. This also serves as preparation for the third in-person partner meeting, to be held in the spring of 2020. The focus of the meeting will be on setting up the voucher systems as well as the social impact funds in the impact region of the project.