

EVPA COLAB AWARD

INVEST.COLLABORATE.TRANSFORM.

A PUBLIC-PRIVATE COLLABORATION: SHARING OUR EXPERTISE TO FOSTER THE PROSPEROUS DEVELOPMENT OF SOCIAL IMPACT BONDS IN FRANCE

Submitted by Fair, France

BACKGROUND

A. Which **type of organisation** are you (tick all that apply)?

- An Intermediary: an advisory, capacity building organisation or research organisation supporting capital providers, impact delivery organisations and other stakeholders and/or enhancing knowledge in the impact economy.
- A Market builder: a network and movement aiming at strengthening the impact economy ecosystem.

B. Please briefly summarise your **mission**

FAIR was born from the merger between Finansol, a long-standing player in the social finance market, and Impact Invest Lab, an associative platform dedicated to the experimentation and development of social impact investments. FAIR unifies different stakeholders of social impact finance in France and is the French center of expertise in this field at an international level. Indeed, the association brings together more than 110 social enterprises, banks, management companies, NGOs, universities and committed individuals. FAIR also manages a label, the Finansol label, which distinguishes social savings products from other savings products for the general-public. So far, 169 saving products have been awarded the Finansol label.

FAIR aspires to an economy that puts people at the center of its development. In France and internationally, FAIR works towards an inclusive finance, for a better social and environmental impact. To this end, FAIR brings together individual and institutional investors, by relying on civic engagement and financial innovation.

Its missions are :

- To unite the community of committed stakeholders and citizens around a more transparent, solidary and impact generating finance
- Support and educate its members
- Encourage the innovation and development of financial tools that promote social and environmental impact

- Collectively promote social saving products and impact investments so that they both develop at the same pace and fit together seamlessly
- To speak on behalf of its members when addressing public authorities
- Spread and share good practice guidelines around the world

C. Which of the **use cases** does your practice(s) apply to? Please tick all that apply!

- Open social innovations
- Building impact (investing) ecosystems
- Public – private (blended) financing vehicles and mechanism

D. Which **system practice field(s)** does your practice apply to? Please select the most relevant (max three).

- Systems diagnostics
- Management, learning & adaptation
- Collaboration

E. Please give us a brief background 1) what motivated you to act and who initiated the practice(s), inside or outside your organisation, and (if applicable) 2) describe the event that triggered your engagement.

Since its creation in 2016, FAIR is implicated in the experimentation of Social Impact Bonds in France. Historically, FAIR has contributed to the development of Social Impact Bonds in three different ways:

- **By informing and training new interested stakeholders on the subject of SIB¹s:** FAIR participated in numerous conferences and organized more than thirty bilateral meetings in 2016 with project managers, evaluators, but also with structurers, communities and networks. FAIR also conducts studies on Social Impact Bonds, mainly around French experiences of these bonds and the conditions for setting them up.
- **Conducting feasibility studies:** as a sort of “proof of concept” for Social impact Bonds, these studies consist of creating with the project manager an “embryo” of his future project. The terms and conditions of the project and the affected population are defined at this stage. The outlines of the budget are also determined through a study of avoided costs and a performance-based payment model according to the project and the pre-identified indicators.
- **Financing the engineering of Social Impact Bonds:** FAIR's members have set up an engineering fund to finance, in the form of a repayable advance, up to 25,000 euros to finance the legal and financial structuring costs of SIBs. This mechanism makes it possible to cover the costs of engineering when there is a risk of non-contractualization of the project, thus allowing project leaders not to take on this cost themselves.

Therefore, in the spirit of building a prosperous ecosystem for Social Impact Bonds, FAIR closely **collaborates since December 2020 with the French General Directorate of the Treasury**, a department of the French central public administration and attached to the Ministry of the Economy and Finances.

The French General Directorate of the Treasury employs nearly 1,400 people, half of whom work in 105 foreign countries within embassies and French representations in European and

¹ Social Impact Bonds

international institutions. Its teams are made up of a wide variety of profiles (civil servants from 20 different bodies, contract employees, local jobs abroad).

- The French GD of the Treasury prepares the meetings of the Minister of Finance with his European counterparts (Ecofin Council and Eurogroup). It participates in negotiations in the economic and financial fields and plays the role of adviser for the Government on these European issues.
- The GD of the Treasury prepares international meetings and summits on economic and financial issues (G7, G20, OECD, international financial institutions). It is also responsible for financial integrity and stability.
- The GD of the Treasury defends France's interests in the international authorities that are responsible for trade policy (EU, WTO, OECD). It is also responsible for economic and trade relations with foreign countries.
- The GD of the Treasury, alongside the Ministry of Foreign Affairs and other relevant ministries, oversees development aid policy.

THE PRACTICE(S)

F. Briefly **analyse the situation before you introduced the practice**. What contributed to maintaining the status quo and producing (undesirable) results, e.g. resources (or lack of resources), rules (informal and formal), roles (relevant actors from the public, private and social sector, their legitimacy or effectiveness) and/or the kind and quality of relationships (informal and formal cooperation, power dynamics, information flows).²

In France, investment in social impact bonds currently represents €15.76 million, for 10 signed contracts, and 13 currently being structured for a total of €40 million.

The Secretary of State for the Social, Solidarity and Responsible Economy (SE ESSR) launched on September 23rd 2020 a **round of calls for interest for SIB projects**. These calls for interest aim at bringing together and putting forward different social innovations that can be financed through SIBs.

Through a subsidy system, FAIR shares its expertise in the field of SIBs and helps the French General Directorate of the Treasury pre-select and structure the SIBs from the calls for interest.

- 1) The call for interest for the "Circular Economy" was open from September 24th 2020 to December 23rd 2020. With a total budget of €10 million, it was led by the Agency for ecological transition ([ADEME](#)), with the ambition of encouraging environmental innovations to prevent risks that generate both public costs (decontamination, waste collection, etc.) and environmental degradation.
 - ➔ Following this selection committee, 8 projects were selected for a total amount of 27,3M€.
- 2) The call for interest for "Equal economic opportunities" was launched on November 24th, 2020, to February 24th 2021. With a total budget of €10 million, it was led by the Ministry of Economy, Finance and Recovery, with the ambition to meet the challenges of **equal economic opportunities** (non discrimination in hiring procedures, career management, the development of entrepreneurship in urban and rural areas, fight against financial exclusion).

² See more details on using the 5R framework (Results, Ressources, Rules, Roles, Relationships) for systems analysis for example here Ashoka [Online Guide on System Change, part 3](#) based on USAIDs Programm Cycle.

→ Following this selection committee, 4 projects were selected for a total amount of 12,3M€.

- 3) The call for interest “Innovation for access to employment” was launched on March 3rd 2021 to June 3rd 2021. With a total budget of €10 million, it was led by the Ministry of Labour, Employment and Integration, with the ambition to facilitate access to employment (support the integration of young people through mentoring, improving access and retention in employment for people with health problems, particularly health problems)

FAIR plays the role of a center of expertise, as we provide technical and advisory support to the juries and third-party payers for:

- **The application phase:** FAIR identifies as a priority contact for questions from SIB applicants
- The selection phase by operators which is carried out in two stages:
 - **Examination of all applications:** defining criterias for capital repayment in collaboration with the Treasury Department, presentation of projects to the Treasury Department and the third-party payers,
 - **Detailed analysis of the pre-selected applications:** exchange of questions with the project managers, analysis of their answers, revision of the presentation submitted to the jury, selection of projects, drafting the reasons for validation or refusal.
- **The structuring and contractualization phase:** FAIR is responsible for supporting the GD of Treasury in all actions leading to the final contractualization of projects. This includes challenging the indicators suggested by the project managers, rereading the contracts and checking that they correspond to the proposed evaluation framework, participating in all meetings (including those for negotiating with investors), etc.

Throughout this collaboration, a clear and collectively accepted communication procedure is in place, allowing better coordination between stakeholders and fostering the sustainable development of SIBs.

G. Please describe the **actual results** you sought to achieve with your practice, **the parameters you sought to influence most**; roles, relationships, rules, and resources and how?

H. Please describe the **intended results** you sought to achieve with your practice and **the parameters you sought to influence most** – if considerably different from the actual results described above.

The results are disclosed in the collaboration agreement and revolve around four actions:

- **Action 1: selection and structuring of SIBs for the 2021 calls for projects - 40k "bridge" grant (in addition to the 90k grant for 2020)**

Concerning the first call for interest (led by the ADEME), the structuration phase is coming to an end, the bonds are being reviewed by the engagement committee and should be contractualised by March 2022.

For the second call for interest, we are halfway through the project, there is a lot of discussion around the choice of indicators that should be chosen for capital repayment and a round of meetings are taking place for the structuration phase.

Finally, the selection committee will take place in the next weeks to select the laureates. During the preselection meeting, we were able to engage in a round of questions with the project leaders of the pre-selected projects, to then analyse and summarise their answers.

- **Action 2: feasibility study for the development of an engineering fund for the structuring of SIBs (€25k grant)**

This action was abandoned due to the lack of interest from the Ministry on this subject, so the budget granted to this action was transferred to Action 3. Instead, FAIR is working on the creation of a database for third party players (such as the DG Treasury) on the costs of impact, for instance how much it costs to accompany an individual and their social reinsertion and the avoided costs (the cost of an unemployed individual for example)

- **Action 3: Strengthening and developing data collection for impact finance - 40k grant**

- o **Sub-action 3.1 : development of an attractive data web application**

This is not in FAIR's field of competence, this sub-action was therefore reintegrated into the creation of the internal impact database.

- o **Sub-action 3.2: annual publication of "Panorama of impact finance / social finance" from 2021 onwards**

This action was successful, in September 2021, FAIR published in September the 2021 [Zoom on Social Finance](#), which puts forward the latest trends of social finance. It includes many new figures and indicators and offers a more detailed analysis of developments in social finance by the end of 2020. The impact investing data was initially supposed to be renewed and updated but due to a lack of time, only the social finance data was processed.

- **Action 4: Study on "Institutional investors' appetite for social and impact finance" - 10k**

The study is moving forward: a first draft was published internally in June 2021.

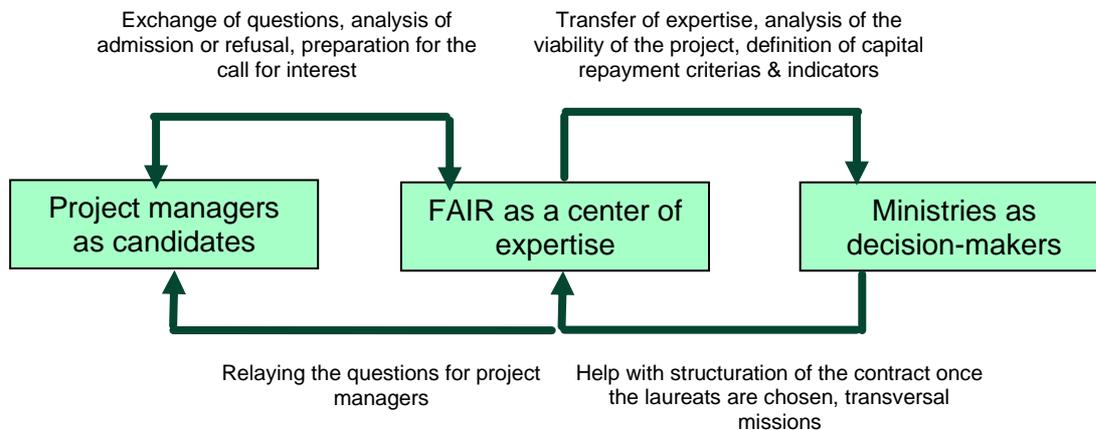
To summarise, the collaboration has been more than successful, it has allowed FAIR to participate in the development of the impact investing market in France, be involved in the major public initiatives for SIBs and offer its technical assistance for the benefit of the social economy. The collaboration is ongoing and has led to transversal missions such as creating a database for SIBs for internal use, presentations for new investors etc.

- I. Please specifically explain the **role other actors and collaboration played** in this practice (if not the main practice itself) and insert a figure that illustrates the main stakeholders and partnerships that play a role in the practice you are presenting here.

In order to establish clear communication, it was necessary to identify the relevant people within each organization and to define their role and responsibility in the different stages of a call for interest.

- The State Secretariat in charge of the Social, Solidarity and Responsible Economy has the role of a Jury and Third Party Payer
- The General Directorate of the Treasury as a Jury
- The Impact Invest Lab as a center of expertise: facilitates access to data, accompanies the choice of bonds, offers its expertise on SIBs

The collaboration between the DG Treasury and FAIR is trust-based, our expertise is not being constantly reassessed but is taken for granted. Therefore, the collaboration is fluid via emails, Zoom meetings, access to mutual sharepoints etc.



YOUR INSIGHTS

J. What went well and why? What were the challenges you faced and how did you overcome them? What would you do differently today and why?

The collaboration is very successful thanks to a clear framework for the project selection and a fluid communication process. The principal challenge could be the difficulty to comply with deadlines, due to the many exchanges that are necessary to define the capital repayment indicators. There needs to be an equilibrium between the complexity of the timely structuration of the projects and defined deadlines. Nevertheless, there is a calendar in place that is specific to each project which has allowed to not lag behind most of the defined deadlines.

K. Which three pieces of advice would you give to your peers?

- The center of expertise must really play the role of an intermediary and be reactive to the questions asked by project managers, so that they can enter the phase of contractualisation as fast and efficiently as possible.
- The criterias of selection of the projects need to be clearly defined and have a specific framework so that they are generally accepted and not constantly reassessed.
- Define a clear communication strategy with one single contact point for project managers so they don't need to go and ask questions to other ministries : the communication must be fluid and easy.

FURTHER RESOURCES

[Contrat à impact et Crowdfunding – Retour sur l'expérience israélienne](#) – 2021

[Les Career Impact Bonds \(CIB\)](#) – 2021

[Contrats à impact de développement en Afrique](#) – 2021

[The Schroder BSC Social Impact Trust](#) – 2021

[Lutter contre le sans-abrisme à l'aide des Contrats à Impact Social](#) – 2020

[Que révèle la crise du Covid-19 sur le paiement aux résultats ?](#) – 2020

[Guide méthodologique / Pour un financement par contrat à impact social](#) – 2020

[Le contrat à impact social de l'Adie](#) – 2020

[Retour d'expérience sur les contrats à impact social en France](#) – 2019

[Un fonds fédéral de 100 millions de dollars aux Etats-Unis pour des contrats aux résultats étatiques ou locaux](#) – 2018

Pour un développement du contrat à impact social au service des politiques publiques – 2020

Fiche de synthèse sur les Contrats à Impact de Développement – 2019

Evaluation du CIS de Denver - Étude du Lab, de l'AVISE et de KPMG – 2017

Évaluation du CIS de Peterborough - Étude du Lab, de l'AVISE et de KPMG – 2016

Comment acclimater les titres à impact social en France à la lumière des premières expériences dans le monde - Revue de SIB et recommandations pour la France dans le Rapport Moral sur l'Argent dans le Monde 2015-2016

CONTACTS

Clémence Vaugelade, Advocacy and international network Manager, FAIR, clemence.vaugelade@finansol.org

Marianne Cosquer, In charge of Advocacy work, FAIR, marianne.cosquer@finansol.org

FAIR

34 bis rue Vignon – 75009 Paris

Standard : 01 53 36 80 60

Fax : 01 53 36 80 69

www.finansol.org

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