Social Impact Bond for Employment of Refugees and Immigrants

INVESTING FOR A BETTER SOCIETY

Social Impact Bond for Employment of Refugees and Immigrants

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IMPACT INVESTING
COMBINES FINANCIAL RETURN AND IMPACT

Previous Dilemma

Impact Investing

SIB-funds

- Two occasionally conflicting functions under the same roof
- Applies to foundations, family offices, public sector, etc.

Introduces impact to the classic “risk/return” framework
- Removes artificial barrier between mission and investing activities

The same tools can be used to make impact and financial return interchangeable
- Finances results-based procurement

It is essential that
1) the investment brings social benefit
2) impact targets are set and the results are measured
3) the investment targets in reasonable return
THE REASONING BEHIND IMPACT INVESTING

1. New funding and operating models are necessary for balancing the public finances.

2. Growing social needs are extensive and expensive. There in many cases is not enough funding for prevention, which would often bring savings in the long term.

3. Systematic monitoring of performance will help steer scarce resources towards efficient solutions.

4. SIBs are effectively public-private partnerships. All parties would benefit from the collaboration among the public, private and third sectors.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Cost per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child into custody</td>
<td>EUR 130 000/person/municipality</td>
</tr>
<tr>
<td>Socially excluded young</td>
<td>EUR 20 000</td>
</tr>
<tr>
<td>Aged person requiring round-the-clock care</td>
<td>EUR 40 000</td>
</tr>
<tr>
<td>Problems relating to alcohol</td>
<td>EUR 1 billion / society</td>
</tr>
<tr>
<td>Immobility of people</td>
<td>EUR 1 - 2 billion / society</td>
</tr>
<tr>
<td>Sick leaves</td>
<td>EUR 3 - 4 billion / society</td>
</tr>
<tr>
<td>Smoking</td>
<td>EUR 1.5 billion / society</td>
</tr>
<tr>
<td>Type 2 diabetes</td>
<td>EUR 1 billion / society</td>
</tr>
<tr>
<td>Loneliness, refugees etc.</td>
<td>...</td>
</tr>
</tbody>
</table>

Source: The Finnish Innovation Fund Sitra
THE SIB CONCEPT

Impact investing: SIB model

One of the impact investing instruments is the Social Impact Bond (SIB). In SIB, the investor bears all the financial risks and the public sector pays only for the proven outcomes. The investment capital raised is used to promote the achievement of specific outcomes.

1. A community faces a challenge and government makes it a priority.
2. The investors raise the necessary capital.
3. Capital is used for the practical implementation of services.
4. An independent body determines how effective the program has been.
5. If the goal is achieved, local government returns the investment capital to the investors and pays an agreed interest. If the goal is not achieved, local government pays nothing.
KOTO-SIB MODEL

1. Investment of €14m with 8% target IRR

2. Increased tax collections and reduced employment benefits over a three-year period

3. €1,500 fixed fee for each completed integration-training + 50% of tax collections and employment benefit savings versus control group

Integration training and employment of 3,700 immigrants

Investors
KOTO-SIB IMPACT TARGETS

Integration training: 65% Reduction

Employment: 2.2x Increase

Commissioner cost: 71% Reduction
FIRST IN THE NORDICS: EPIQUS

“We manage capital to create measurable social and environmental impact alongside financial return”

Epiqus is:

- Dedicated in promoting SIBs and Results-based Procurement markets
- The first FSA regulated impact investment fund manager in the Nordics (implemented the first SIBs)
- A certified social enterprise: Epiqus dedicates 50% of its profits for social and environmental mission goals
- A registered EuSEF- (European Social Entrepreneurship Fund) manager (funds managed by Epiqus are in accordance with EuSEF 346/2013)
- Member of the European Venture Philanthropy Association and the Global Impact Investing Network

Give a family a fish = Philanthropy
Teach a family to fish = Sustainability
Organise a community-based fishing collective = Impact
Epiqus – On A Mission