

## NATIONAL POLICY NEXUS

Best practices in policy initiatives across Europe

FRANCE

# BNP Paribas Social Impact Bonds

*For the last ten years the social impact ecosystem has been continuously evolving. Existing financial mechanisms have been updated and many financial innovations initiated, often through collaborations between private and public sector actors, with a social impact objective. Many of these instruments have facilitated **joint innovation by various and interrelated partners on projects that embraced risk and worked towards the public interest**. Since 2010, in Europe, the Social Impact Bonds (SIBs) are a prominent example of this type of collaboration, following payment-by-result models. SIBs are an innovative way of providing preventive social services while promoting **optimal referral of public expenses**. BNP Paribas is making an active contribution to **solving social issues and bringing social services forward to the public actors by structuring and investing in SIBs**. With already ten SIBs created during the last four years<sup>1</sup>, BNP Paribas is taking a step forward in impact investment, adjusting their traditional financial expertise to the needs of social enterprises under a strong private-public cooperation at the national and European level.*

## COLLABORATING FOR SOCIAL INNOVATION AT THE LOWEST FINANCIAL RISK

*What, why, how?*

A Social Impact Bond (SIB), or a “Contract à Impact Social” (CIS) in France, is in essence a social public-private partnership through which private capital is directed to finance an **innovative social project with a potential combination of financial and social return of investment**. The purpose of a SIB is to encourage collaboration between private social investors and public authorities around the same objective: **the prevention of a social problem**. Training and reskilling people at risk, reintegrating young people exposed to the imminent risk of homelessness, avoiding children to be placed in institutions, or supporting students to improve academic results etc., are just some of the social programmes focused on prevention supported through SIBs by Financial structurer and social investors such as BNP Paribas.

This type of investments allows a third-party Outcome Payer, usually from the public sector, to **experiment with new social actions** that may generate future savings and/or a social added value. The project financed through the SIB mechanism may **become a focus of public policy, being publicly financed** if it is successful in meeting its goals<sup>2</sup>. In this way, the social agent proves its practical effective contribution to a social problem, helping both **the social environment to improve and public authorities to save money**.

## SOCIAL IMPACT BOND: A MULTI-ACTOR TOOL

Since 2010, SIBs have developed in many European countries, and depending on the national public policies and legislative environment, different structures exist. However, BNP Paribas identified a common mechanism of interaction among actors taking part in a project based on SIBs. Having already structured or co-structured seven SIBs in France, one in Belgium and two in the USA, and extending its financial and knowledge support to study and structure of a new SIB in Italy, **BNP Paribas is actively documenting the initiatives<sup>3</sup>** they implement and contribute to the financial innovation scale-up and institutionalisation of learnings.

To achieve its goal, the theoretical mechanism of a SIB is built **around six main actors** (Figure 1, page 2), which cooperate in a structured manner, following **four principal phases**: structuration, implementation, evaluation and outcome payment. In coordinating the whole process, **the structurer or arranger** manages the contractual and organisational structure, creates a tailor-made financial product that promotes social impact, seeks **investors** and **coordinates interactions**, while ensuring that the interests, constraints and risks of each party involved are respected (BNP Paribas, 2019)<sup>4</sup>. In the case of BNP Paribas for most of the SIBs already established they are both structurers and investors.<sup>5</sup>

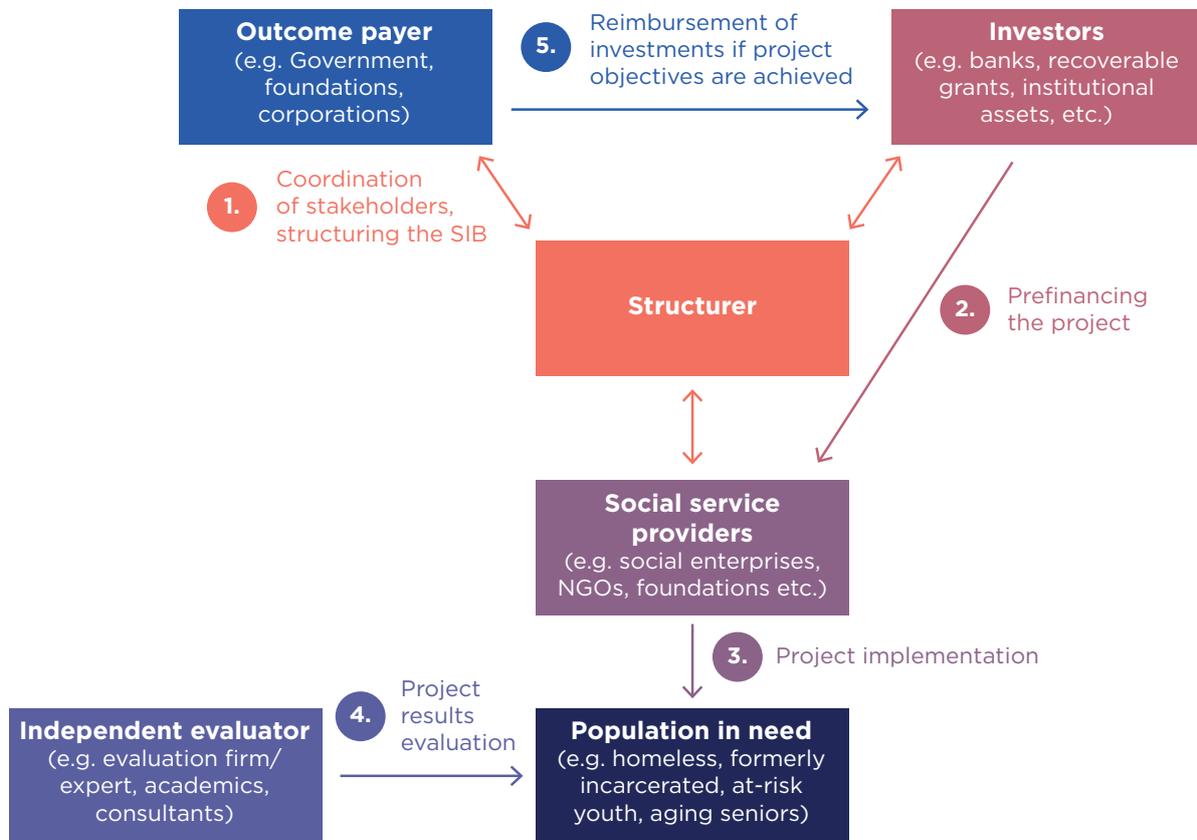


Figure 1. Stakeholders and the mechanism of a SIB

## COMMON GROUND FOR SIBS

In general, SIBs can be **tailor-made for each specific** social issue, which is tackled by an organisation, avoiding financial risk while testing a social innovation. However, even if each mechanism might be unique, all the **SIBs have a common ground**, being structured on the same three core characteristics.

The core principles of SIBs have been already documented and implemented by BNP Paribas in their **10 (co-)structured SIBs worldwide** for an approximate total of €30 million, including their investment of nearly €9million. The projects under these SIBs are under development, and if successful, they will reach incredible outputs:

- (1) 1,000 vulnerable people to access long-term employment or adequate training;
- (2) 1,000 students to benefit from special support to improve their academic achievements;
- (3) 600 children to avoid being placed in institutions;
- (4) 100 young people in imminent risk of homelessness to access housing<sup>6</sup>.

## BACK ON TRACK<sup>7</sup> INITIATIVE

One out of the ten SIBs (co-)structured by BNP Paribas contributing to the global outcomes was launched in Belgium this year (spring, 2020) and has as a main objective to support the inclusion of young people who are facing imminent homelessness. Through the “Back On Track” programme, a total number of 133 young adults (17-25 years old) will receive sustainable accommodation following the “Housing First” innovating principle, which states that **vulnerable young people can work on building a decent future for themselves if they start by having good conditions of living**. Two main groups of youngsters aim to be targeted through this initiative: (1) young persons who apply for overnight shelter and/or assistance from the CAW (General Welfare Centre) without income or accommodation, and (2) young people recently released from prison.

The impact expected to be achieved by targeting these groups is intended to be reached through the medium-term objectives:

- 113 young adults complete the 12-month programme;
- 85% of young adults completing the programme obtain a renting agreement;
- 40% of young adults completing the programme have a legal income or start a training;
- a 25% reduction of recidivism compared to a reference rate.

Courtrai-based non-profit organisation Oranjehuis has been selected as a social service provider for the programme, having close to 50 years' experience of helping children, young people and families in vulnerable situations. The outcome payer is the Flemish government body called the Opgroeien ('Growing Up') agency, which is entitled to create opportunities for young people in Flanders and Brussels. The evaluator which will carry out the assessment on the project results is a research team from KU Leuven. **BNP Paribas has the double role of a structurer and an investor for this SIB.** It is investing €852,000 in this programme, partly through **the "BNP Paribas European Social Impact Bonds Fund"**<sup>8</sup>, recently set up with European Investment Fund (EIF) and managed by BNP Paribas Asset Management, and partly through direct investment by BNP Paribas Fortis<sup>9</sup>. Another three parties are investing together with BNP Paribas: The European Investment Fund, through the above mentioned Eu SIB Fund, BESIX Foundation, Belgium-based bank and Labido Invest.

If after the three years running period the programme proves to be successful, it will ensure **cost savings to society estimated at not less than €3.8 million.**

**SIBs within the EU** (e.g. for a €1 million invested by BNP Paribas in a SIB, the EIF invests the same amount).

This co-investment agreement was set up at the beginning of 2020 and it was already implemented in the first Belgian Social Impact Bond. This type of agreement has the potential to be able to scale up the initiative from the national level to the EU level and it enables EIF and other public institutions to test out public policies and innovative social initiatives for the benefit of both the government and the most vulnerable members of society.

Finally, the BNP Paribas shares its best practices and encourages private stakeholders to make use of the SIB mechanism of investing. To this end, BNP Paribas France has created a "[Social Impact Bonds \(Contrats à Impact Social in French\)](#)", a set of good practices, case studies of the already documented nine SIBs and the theoretical knowledge needed for understanding the SIBs framework.

## MORE INFORMATION

Learn more about the BNP Paribas Social Impact Bonds models [here](#), or contact [developpement\\_durable@bnpparibas.com](mailto:developpement_durable@bnpparibas.com), [Maha.keramane@bnpparibas.com](mailto:Maha.keramane@bnpparibas.com), [Claudia.belli@bnpparibas.com](mailto:Claudia.belli@bnpparibas.com) at BNP Paribas Group' Corporate and Social Responsibility.

## EUROPEAN INVESTMENT FUND: A NEW CO-INVESTMENT MODEL

*The potential for scaling and replication at the EU level*

The Belgian SIB is co-funded through the BNP Paribas European Social Impact Bonds Fund, which has been set up with the European Investment Fund (EIF) under the umbrella of the European Fund for Strategic Investments (EFSI) – the central pillar of the Investment Plan for Europe. This partnership is built on an innovative **co-investment mechanism which enables two parties to co-invest the same amount in BNP Paribas structured**

## ENDNOTES

- 1 BNP Paribas (2020), Press Release: [“BNP Paribas structures its 10th Social Impact Bond worldwide and its 1st in Belgium!”](#)
- 2 BNP Paribas France, iiLab (2019) “Methodological Guide for Social Impact Bonds (contrats à Impact Social)” English translation available soon
- 3 Ten SIBs have been developed so far by the BNP Paribas. The brief case studies of the nine French SIBs can be consulted in the [“Methodological Guide for Contrat à impact social”](#), p.42-50.
- 4 <https://group.bnpparibas/en/news/properly-structure-social-impact-bond-challenges-opportunities>
- 5 *ibid.*
- 6 *Ibid.* 1, outcome figures as of end March 2020
- 7 BNP Paribas Fortis (2020), Press Release: [“Innovative collaboration will use social impact bond to help young people get back on track”](#).
- 8 European Commission (2020), Press Release: [“BNP Paribas and European Investment Fund launch €10 million fund for co-investment into Social Impact Bonds in the EU”](#).
- 9 <https://www.bnpparibasfortis.com/home>

This publication has received financial support from the [European Union Programme for Employment and Social Innovation “EaSI”](#) (2014-2020)

