Policy Webinar 19

A strong social Europe: ESF+ and the social investment ecosystem

Thursday, 30/04/2020 | 15:00–16:30 CET
Bianca Polidoro
Policy Manager
European Venture Philanthropy Association (EVPA)

WELCOME
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- This session is recorded
Thought Leader

Catalyst

Policy @ EVPA
<table>
<thead>
<tr>
<th>Year</th>
<th>Date</th>
<th>Policy Webinar #</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>25.06.2014</td>
<td>Policy Webinar #1</td>
<td>EuSEF Regulation</td>
</tr>
<tr>
<td></td>
<td>25.09.2014</td>
<td>Policy Webinar #2</td>
<td>Impact Measurement</td>
</tr>
<tr>
<td></td>
<td>05.03.2015</td>
<td>Policy Webinar #3</td>
<td>Social Impact Bonds in the EU</td>
</tr>
<tr>
<td></td>
<td>17.06.2015</td>
<td>Policy Webinar #4</td>
<td>How can VP/SI Practitioners access EU funding</td>
</tr>
<tr>
<td></td>
<td>23.09.2015</td>
<td>Policy Webinar #5</td>
<td>Social enterprises and Public Procurement</td>
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<td></td>
<td>25.09.2014</td>
<td>Policy Webinar #2</td>
<td>Impact Measurement</td>
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<td>05.03.2015</td>
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<td></td>
<td>23.09.2015</td>
<td>Policy Webinar #5</td>
<td>Social enterprises and Public Procurement</td>
</tr>
<tr>
<td>2015</td>
<td>16.03.2016</td>
<td>Policy Webinar #6</td>
<td>Crowdfunding for Impact</td>
</tr>
<tr>
<td></td>
<td>21.06.2016</td>
<td>Policy Webinar #7</td>
<td>Ordinary People as Social Impact Investors</td>
</tr>
<tr>
<td></td>
<td>23.11.2016</td>
<td>Policy Webinar #8</td>
<td>EU Funding Update for VP/SI Practitioners</td>
</tr>
<tr>
<td></td>
<td>22.03.2017</td>
<td>Policy Webinar #9</td>
<td>Foundations &amp; Social Impact – Going beyond grant-making</td>
</tr>
<tr>
<td></td>
<td>14.06.2017</td>
<td>Policy Webinar #10</td>
<td>The Sustainable Development Goals &amp; VP/SI</td>
</tr>
<tr>
<td></td>
<td>12.12.2017</td>
<td>Policy Webinar #11</td>
<td>Fostering public private collaboration to address social issues</td>
</tr>
<tr>
<td>2016</td>
<td>11.04.2018</td>
<td>Policy Webinar #12</td>
<td>How EuSEF’s recent reform can impact the VP/SI sector</td>
</tr>
<tr>
<td></td>
<td>20.06.2018</td>
<td>Policy Webinar #13</td>
<td>Outcome Funds - Challenges and Opportunities</td>
</tr>
<tr>
<td></td>
<td>11.12.2018</td>
<td>Policy Webinar #14</td>
<td>Invest EU: What's in it for venture philanthropists and social investors?</td>
</tr>
<tr>
<td>2017</td>
<td>06.03.2019</td>
<td>Policy Webinar #15</td>
<td>Incubators and Accelerators: Bridging the gap for new impact ventures in Europe</td>
</tr>
<tr>
<td></td>
<td>13.06.2019</td>
<td>Policy Webinar #16</td>
<td>Social Proofing, Impact Measurement and InvestEU</td>
</tr>
<tr>
<td></td>
<td>24.09.2019</td>
<td>Policy Webinar #17</td>
<td>Unifying for Impact: Who are the facilitators of the social investment ecosystem?</td>
</tr>
<tr>
<td>2018</td>
<td>30.04.2020</td>
<td>Policy Webinar #19</td>
<td>A Strong Social Europe: ESF+ and the Social Investment Ecosystem</td>
</tr>
</tbody>
</table>
A strong social Europe: ESF+ and the social investment ecosystem
Welcome to our e-Speakers!

Andrea Leruste
Deputy Head of Unit
DG Employment and Social Inclusion
European Commission

Aleksandra Dmitruk
Deputy Director
European Social Fund Department
Polish Ministry of European Funds and Regional Policy

João Machado
Social Innovation Fund Manager
Portugal Inovação Social
(Portugal Social Innovation)
<table>
<thead>
<tr>
<th>Time</th>
<th>Description</th>
<th>Speaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>15:00 – 15:05</td>
<td>Introduction</td>
<td>Bianca Polidoro, EVPA</td>
</tr>
<tr>
<td>15:20 – 15:35</td>
<td>Perspectives of ESF Managing Authority</td>
<td>Aleksandra Dmitruk, Polish Ministry</td>
</tr>
<tr>
<td>15:35 – 15:50</td>
<td>The Portuguese Success Story</td>
<td>João Machado, Portugal Social Innovation</td>
</tr>
<tr>
<td>15:50 – 16:20</td>
<td>Q&amp;A with speakers</td>
<td>All panellists</td>
</tr>
<tr>
<td>16:20 – 16:30</td>
<td>EVPA conclusion</td>
<td>Tessa Van Autreve, EVPA</td>
</tr>
</tbody>
</table>
I. SINGLE MARKET, INNOVATION AND DIGITAL
€187.4b
1 Research and Innovation
2 European Strategic Investments
3 Single Market
4 Space

II. COHESION AND VALUES
€442.4b
5 Regional Development and Cohesion
6 Economic and Monetary Union
7 Investing in People, Social Cohesion and Values

III. NATURAL RESOURCES AND ENVIRONMENT
€378.9b
8 Agriculture and Maritime Policy
9 Environment and Climate Action

IV. MIGRATION AND BORDER MANAGEMENT
€34.9b
10 Migration
11 Border Management

V. SECURITY AND DEFENCE
€27.5b
12 Security
13 Defence
14 Crisis Response

VI. NEIGHBOURHOOD AND THE WORLD
€123b
15 External Action
16 Pre-Accession Assistance

VII. EUROPEAN PUBLIC ADMINISTRATION
€85.3b
17 European Public Administration

Figure 1: Proposed MFF 2021-2027 (in € billion) based on European Commission graph
Social investment market players, including philanthropic actors, can play a key role in achieving several ESF+ objectives, as they offer financing as well as innovative and complementary approaches to combatting social exclusion and poverty, reducing unemployment and contributing to the UN Sustainable Development Goals.

Therefore, philanthropic actors such as foundations and donors should be involved, as appropriate, in ESF+ actions in particular in those aimed at developing the social investment market ecosystem.

Explanation of the European Social Fund Plus (ESF+)
European Social Fund Plus +

EVPA Webinar 30 April 2020 - A strong social Europe: ESF+ and the social investment ecosystem

Andrea Leruste, European Commission, Unit EMPL.F1
Why European support to social enterprises?

European Green Deal

A strong social Europe for just transitions

European Pillar of Social Rights

Social economy and social enterprises

- Engagement
- Social investment
- Local communities
- Social innovation
- Labour market integration
- Local green deals
- Education
- Health care
- Innovative solutions
- Energy transition
- Housing
- Social service delivery

Social economy Action Plan 2021
Current EU support to social enterprises

ESF
• 9.6 bln programmed for social enterprise support
• Grants & financial instruments (e.g. Poland)

EaSI
• EaSI financial instruments
• Grants
• EaSI Technical Assistance

Implemented by Member States
(Shared management)

Implemented by European Commission
(Direct management)
Future ESF+: 5 funds coming together
ESF+ Budget

ESF+ €101.2 billion

Shared management €100 billion

Indirect management
Transnational cooperation for social innovation €200 million

Direct management €1.2 billion
- Employment and Social Innovation strand €761 million
- Health strand €413 million
ESF+ and its 11 specific objectives

A more social Europe (European Pillar of Social Rights)

**EMPLOYMENT**
- Access to employment
- Modernising labour market
- Women’s labour market participation, work/life balance, childcare, working environment, adaptation of workers, active and healthy ageing

**EDUCATION TRAINING**
- Quality and inclusive education and training
- Labour market relevance of Education and training systems
- Lifelong learning, upskilling, anticipating change and new skills requirements

**SOCIAL INCLUSION**
- Active inclusion
- Integration of migrants and marginalised such as Roma
- Access to services; social protection healthcare systems and long term care
- Social integration of people at risk of poverty;
- Addressing material deprivation

Horizontal principles: Gender, Equal opps. Non-discrimination

Contribution to Smarter Europe; Greener, low-carbon Europe
Employment and Social innovation strand
Operational objectives

Direct management

- Support eco-system for microfinance and micro-enterprises
- Support networking and capacity building for microfinance institutions and finance providers for social enterprises and social economy
- Support social enterprises and the social investment market
- Guidance for the development of social infrastructure

Indirect

- Support transnational cooperation for social innovation
ESF+: a strengthened focus on social innovation

Develop and implement new ideas that meet social needs and...

...benefit society and boost its capacity to act.

...create new social relationships...
Why support social innovation?

Challenges
- Technological, economic and social changes transforming the world of work across Europe

Adaptation
- Necessary adaptation of our employment, educational and social policies
- New ways of collaboration between public, private and third sector

Support for innovation
- Room and resources to test innovative solutions
- Support of transfer of innovative solutions, also across borders
Support to social innovation under the ESF+

Shared management

- Decentralised support to social innovation at MS/regional level

Direct/indirect management

- Support to social experimentation
- Support to transnational social innovation initiatives
Shared management – Innovative Actions

At least 1 priority per MS

Up to 95% co-financing (for up to 5% of the national ESF+ envelope)

Social innovation and social experimentation

Partnerships between public authorities, private sector and civil society / bottom-up approaches

Upcaling of innovative concepts developed and tested at EU level (Union programmes)
Transnational cooperation for social innovation under the ESF+

Indirect management
EUR 200 million

Call for expression of interest
Agreement
Managing authority

Innovative partnerships
Mutual learning, cooperation, networks
Validat. innovative solutions
Capacity building

Managing authority implements
ESF+ Timeline

Commission proposal June 2018

Negotiations in Parliament and Council (ongoing)

Programming by Member States (starting)

Adoption by end of 2020?
Thank you!
Perspectives of ESF Managing Authority

Aleksandra Dmitruk
Deputy Director
Polish Ministry of European Funds and Regional Policy
ESF+ and Social Investment Ecosystem

Perspectives of ESF Managing Authority in POLAND

Aleksandra Dmitruk
ESF allocation to FI in Poland

- 0,34%
- 0,7%
- ?

FINANCIAL INSTRUMENTS
ESF financial instruments in Poland

2007 - 2013

• First ESF loan funds (2012):
  • for social enterprises - 7.8 mln EUR
  • for start-ups - 31 mln EUR

2014 - 2020

• National level (TO 9):
  • Loan fund for social economy entities development - 38 mln EUR
  • Social Venture Fund (equity and quasi-equity) - 2.7 mln EUR
  • Regional level (TO 8):
    • 11 Loan funds for start-ups - 80.7 mln EUR
Lessons learnt

1) Reuse of resources – high demand for investment financing, especially in social economy sector

2) Lessens the dependency on grants – fosters financial stability

3) Need for better coordination at national level – demarcation line with grants

4) In case of ESF target group, combination of FI with advisory services is crucial

5) Dialogue and cooperation with stakeholders (target group and financial intermediaries)
Identified challenges

1) Complicated EU regulations

2) Proper design and set up of the FI

3) Limited interest of financial intermediaries to offer products for ESF target groups

4) Investment readiness of social enterprises

5) Instruments and legal solutions that help to attract private capital
Assumptions for ESF+ FI

- Strong coordination at national level – all ESF+ financial instruments offered by or coordinated by BGK – Polish national promotional bank
- More complementarity with national funds for the same target groups
- Limited use of grants in the same areas as FI
- Advisory services offered widely to ESF target groups
- Broader use of financial instruments – new areas of support
- Use of new options such as repayable grants
Legacy funds

**Liquidity loans**
for social enterprises

**Accessibility fund**—for adjustment of buildings to the needs of disabled and older people

ESF+ financial instruments

**SOCIAL ECONOMY**

Variety of financial products to NGOs and other non-for-profit organisations

Financial products also for for-profit companies which offer social and health services

**START-UPS**

Harmonisation with national schemes and grants

Higher capital rebates

**OTHER:**

Loans with capital rebates for LLL for adults

Depending on the ex-ante assessment (accessibility, social housing, etc.)
What can be improved?

1) Less regulations – more comparison to the way market financial instrument function

2) Complementarity with Invest EU

3) Complementarity at national level – coordination by national promotional bank

4) More flexibility at all stages in order to meet the changing needs of target groups

5) Measuring impact of investments
Thank you for your attention!

Aleksandra Dmitruk
Deputy Director
ESF Department
The Portuguese Success Story
Portugal

INovação Social

‘A Strong Social Europe: ESF+ and the Social Investment Ecosystem’

2020 – 03 – 19
HOW IT STARTED?

Macro & Micro contexts that enabled the creation of a social innovation ecosystem

- Financial crisis 2010;
- Stakeholders working on the social innovation field (2008 – 2013);
  (social business schools, social innovation LABs, social entrepreneur academics...)
- Portuguese Social Investment Taskforce (2013);
- European Structural and Investment Funds 2014-2020;
  (negotiation period – 2013; peer pressure to create a Mission Unit)
- Portugal Social Innovation Mission Unit (late 2014).
WHAT IS IT?

Overview of Portugal Social Innovation Mission Unit

Portuguese Government initiative

Develop Social Innovation Ecosystem

Meeting and mapping social innovation stakeholders

Finance Social Innovation Projects

150 M€ European Social Fund

4 Financing Instruments

- Public presentations;
- Workshops of PSI instruments;
- Local and national events;
- One-to-one meetings;
- Analyze potential applicants;
- Build synergies;
FINANCING INSTRUMENTS

150M€ Blended finance approach

1) Debt instrument that provides loan guarantees
2) Equity instrument that coinvests in a deal by deal approach

An outcome payment instrument for contracting and pay for results

Matchfund for leveraging philanthropy

Pure Grants for Capacity Building
MAIN TAKEAWAYS

1. Political consensus on the importance of Social Innovation;

2. Central management of Social Innovation policies and financing;

3. Importance of an Activation Team;

4. Develop wide range of financing instruments;

5. Existence of a tax relief policy;

6. Network of Social Innovation Incubators (+ 20 in 3 years);

7. Academia interest in impact and in social innovation;
MAIN LIMITATIONS THAT INHIBIT SOCIAL INNOVATION

**ESF Funding**
- **Mismatch** between ESF regulations and the dynamics of Social Innovation
- **Reimbursement of expenses** standard
- **Financial instruments** limitations

**Market Context**
- **Lack of knowledge** on Social Innovation
- **Avoidance of Innovation risks**

**Public Administration Context**
- **Silos** Rationale
- **Limited practice** of payment-by-results
- **Simpler and less demanding social intervention financing mechanisms (that aren’t impact driven)**
RECOMMENDATIONS FOR FUTURE ESF FUNDING...

1. “one size does not fit all” – use **different and complementary** financing and financial instruments;

2. **Finance** transnational projects and initiatives that foster wide sharing of best practices;

3. **Create** an impact assessment budget;

4. **Develop** vouchers for social Innovation;
WHAT TO FINANCE?
Social Innovation and Social Entrepreneurship Initiatives (SISEI)

Direct Intervention
(Works directly with people in vulnerability)

Indirect Intervention
ESF FUNDS CIRCUIT

National Government

Prime Minister → Ministry of Planning → Ministry of Economy and Digital Transition → Ministry of Labor, Family and Social Affairs → Ministry of Education → Ministry of Territorial Cohesion → Other ministries depending on SIBs target

European Union: European Structural and Investment Funds

SOCIAL IMPACT BONDS

Intermediate body
Andrea Leruste
Deputy Head of Unit
DG Employment and Social Inclusion
European Commission

Aleksandra Dmitruk
Deputy Director
European Social Fund Department
Polish Ministry of European Funds and Regional Policy

João Machado
Social Innovation Fund Manager
Portugal Inovação Social
(Portugal Social Innovation)
EVPA Conclusion
Thank you!