



Social Impact Investing in France: current objectives, demands and barriers

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This paper presents the rapidly evolving context around Social Impact Investment (SII) in France and provides an overview of the political objectives that could be achieved via Social Impact Bonds (SIB). Some of the incentives for local governments to use SIBs to fund innovative actions are presented and barriers on the way of using this instrument are analyzed. The paper concludes with the discussion of added benefits from the exchange of good practices between neighbouring countries in the Alpine Space. The first experimentations conducted on unemployment were launched in 2016, and are still in progress.

To better understand how France has been able to experiment the SIB initiative in new fields like health or social system it is important to describe how the social system works and how the actors are involved in each step of the medical and social care.



I. Social System in France

a. General principles

Social protection in France includes both compulsory social insurance schemes and social assistance. Compulsory schemes include social security, direct schemes of public employers, supplementary pension schemes, and unemployment insurance. Social assistance corresponds to social interventions by the state, local authorities and non-profit institutions. Social protection benefits can be classified according to social risks (old age, health, maternity / family, housing, unemployment and poverty / social exclusion).

Social security provides the basic cover for the risks "sickness, maternity, invalidity, death", "accidents at work, occupational diseases", "old age" and "family". It is composed of different schemes depending on the professional activity of the persons covered by social insurance. First of all, the general scheme covers the majority of employees, students, recipients of certain benefits and residents while the special schemes cover employees who are not in the general scheme. There are also schemes for non-agricultural self-employed persons (three independent old age pension schemes (craft trade workers, traders and manufacturers, and the professions) and a sickness insurance scheme. At last, the agricultural scheme which ensures social protection of farmers and agricultural workers. It is the only social security scheme that does not depend on the Ministry of Social Affairs, but on the Ministry of Agriculture. In addition, so-called complementary schemes can provide additional cover for the risks covered by Social Security¹.

Finally, social assistance from the state and departments provides support to the poor.

The medico-social system in France is managed at 3 levels, the national level, the regional level, and the local level. These different levels of intervention allow a better coordination of the actors for the benefit of the patients. The ministries responsible for healthcare and social affairs define the national policies for patient care at both health and medico-social level².

Since 2010, the Regional Health Agencies (ARS) are the regional networks for the implementation of public policies. Their mission is to coordinate prevention, care and support.

¹ Economie politique de la protocole sociale , Mireille Elbaum, Quadrige Puf

² <http://solidarites-sante.gouv.fr/systeme-de-sante-et-medico-social/systeme-de-sante-et-medico-social/article/systeme-de-sante-medico-social-et-social>



At the local level, structures, institutions and professionals are organized under the direction of the ARS. The Municipal Center for Social Action (CCAS), a municipal public institution, runs a general prevention and social development action in the municipality in relation with public and private institutions. It is therefore the local institution of social action par excellence.

Municipalities also have a very important role in social action with the departments and the family benefit funds for childcare. They also develop actions in favor of the elderly (carrying meals, domestic help, remote alarm system etc ...) and people in difficulty (emergency housing, loans ...). Local actors such as the CCAS are involved in the processing of social assistance evaluations, and local points for information and guidance for seniors. The CCAS is mobilized in the main fields such as home help services, fight against exclusion (in particular, food aid), prevention and animation for the elderly, the management of nursing home, support for housing and housing, early childhood, childhood / youth and support for people with disabilities.

b. Financial framework

Social protection is financed for almost 90% of its expenditure by public funds. Obligatory social insurance schemes are social security, supplementary schemes and unemployment insurance. They are the main funders of social protection, accounting for about 80% of benefits in the old age (basic and supplementary pension), health, family-maternity and unemployment sectors. The intervention schemes of the public authorities (State, local authorities) intervene particularly in the direction of the precarious public, by the financing of the social minima (RSA, AAH, CMU, etc.), the elderly dependents via the personalized allocation of autonomy (APA) or disability compensation benefit for (PCH) for people with disabilities. They are also the funders of housing benefits, social assistance for children and childcare facilities. This represents 9% of the amounts paid³.

Each year, the parliament votes the Social Security Financing Act (LFSS) which defines the national objective of health insurance expenditure (ONDAM). It is divided into five sub-objectives: city care expenditures, public and private medical / surgical-obstetric expenditures, other institutional expenditures, facilities and services for the elderly, and facilities and services for people with disabilities.

³ <http://www.vie-publique.fr/decouverte-institutions/finances-publiques/protection-sociale/financement/quels-sont-organismes-financeurs-protection-sociale.html>



c. Social system for seniors, stakeholders & revenues

All people over 60 years of age who are losing their autonomy can benefit from the Personalized Autonomy Allowance (APA). There are two types of APA for elderly people living at home or living in residential home for the elderly or APA for seniors living in a nursing home. The amount awarded is related to the assessment of the person's loss of independence and income.

d. Social system for NEETs, stakeholders & revenues

The Youth Employment Initiative (YEI) is a program set up to facilitate the sustainable integration of young people in difficulty. The actions revolve around the 3 times, the identification of the NEETs, the proposal a personalized accompaniment and a help to the professional insertion.

II. French experience with SIB from 2014 to the present time

a. Global experience

Since 2015, France has been an active member of the **Global Social Impact Investment Steering Group (GSG)** and is currently represented there by Hugues Sibille from Crédit Coopératif. The Global Social Impact Investment Steering Group is the successor to the Social Impact Investment Taskforce, originally set up by G8. The GSG aims to accelerate the creation of a global social impact investment market by expanding its membership which currently includes 13 countries plus the EU. The active observers come from governments of Japan, Canada, the UK and the US as well as from prominent organisations such as the OECD, the World Bank and the World Economic Forum.

“The GSG is working to increase momentum by promoting a unified view of impact investment, facilitating knowledge exchange and encouraging policy change in national markets. Led by Sir Ronald Cohen, it brings together leaders from the worlds of finance, business and philanthropy across the globe, as well as government officials and network organisations active in supporting the impact investment sector.”⁴

⁴ <http://www.socialimpactinvestment.org/>

b. National experience

In September of 2014, the “National Advisory Board Report” on Impact Investment has been published under the title of “How and why promote social impact Investment: using financial innovation to stimulate social change⁵”.

The first call for proposals to be funded via SIB was announced by the French national government in March of 2016 and resulted in 62 submissions in one year, 11 of which got labelled. Six projects have been selected and two have signed a SIB.

On the 24th of November 2016, **Association pour le Droit à l’Initiative Economique** (ADIE) signed the first ever SIB in France. Their project aims to address the persistent problem of desertification of countryside due to unemployment. The SIB involves a private bank BNP Paribas and an independent evaluation company KPMG that will evaluate the results of the project after six years after its beginning. The cost for the French Government will be 1 500 000 €.

Impact Partenaires⁶ is an investment company with a social mandate. The company established in 2007, has been selected by the French Government during the first SIB call for proposals in 2016. The funded project is dedicated to the economic development of priority districts⁷ in France via businesses creation. The objective of the project is to create in the next five years at least 200 stores in the priority districts, train 350 people, and thus generate at least 2000 jobs. The funds invested by Impact Partenaires make it easier for investees’ potential store-owners /franchisee to access other types of funding. The typical structure of a deal includes Impact Partenaires covering up to 40% of the budget, 50% is covered by the banks, so the franchisee has to invest only 10% of the total budget required to start a franchise. The 60M€ raised for this SIB is coming from the Franchise French Federation (FFF), national franchisors such as Burger King, Carrefour Proximité, Mail Boxes Etc., OCP-Pharmactiv, O’Tacos, Pizza Hut, Speedy, the European Investment Fund, the Française des jeux (the French institution for lotto) and BPI France. To minimize risk and to increase chances of success of the newly created businesses, Impact Partenaires proposes to create mostly franchised stores in partnerships with large retailers such as Carrefour or Burger King.

⁵ TITLE IN FRENCH: “ COMMENT ET POURQUOI FAVORISER DES INVESTISSEMENTS A IMPACT SOCIAL ? INNOVER FINANCIEREMENT POUR INNOVER SOCIALEMENT.

⁶ <http://www.impact.fr/en/>

⁷ Priority Districts or « *quartiers Politique de la Ville* » : this instrument intends to reduce the difference of development in the disadvantaged districts in relation to other districts in the cities. This measure involved about 1 500 districts and 5, 5 million of citizens. The provision is under the Ministry of the city, of the youth and of the sport (*Ministère de la Ville, de la Jeunesse et du sport*) and the Ministry of the economy (*Ministère de l’économie*) which identified in 2014 problematic districts which need specific policies.



Wimoov⁸ wants to improve access to employment and training through mobility, strengthen the support process with a mobility test and create telephone and digital support interfaces. The success of the program will be evaluated according to the number of people accompanied and inserted into the job. They have signed a social impact bond with the state to build a new dematerialized mobility path model. This project will allow them to reach many more beneficiaries, with the aim of supporting 30,000 people per year within three years.

The project **Cravate solidaire** aims to support people not currently participating in the labour market by helping them prepare for job interview by providing them with professional outfits. In addition, the association's bus will be riding in two disadvantaged neighbourhoods in the greater Paris area. The project will be deemed successful if a certain number of people obtain a job.

The project **Solidarité nouvelle face au chômage** funds and supports the creation of jobs in the social economy sector with contracts lasting either one or two years. It is an opportunity for the unemployed to find long lasting occupations after obtaining a certified working experience. The project results will be certified as "achieved" if a significant number of participants are reintroduced into the labour market.

The cost for the French Government for the projects Wimoov, Cravate solidaire and Solidarité nouvelle face au chômage is a maximum of 1 700 000 €.

The last project is held by **Passeport Avenir** association and will mobilize the network of partner companies of volunteer tutors, from the professional and associative world that will accompany students in agricultural education throughout their studies. It will help 130 students in agricultural education, primarily from the professional streams of the 1st to BTS, in partnership with companies. It aims to significantly improve their school results, further education and professional integration. Accompanying actions will be implemented from the start of the 2018 school year for a period of 5 years. About fifteen agricultural education institutions will initially be targeted. A follow-up of the results of this initiative will make it possible to disseminate widely the good practices which it will have allowed the emergence.

The commitment of the two ministries is 800,000 euros over the next 5 years.

In addition, an innovative project for an alternative to child placements, the "family relay", is being set up by the Apprentis d'Auteuil Foundation. "At the crossroads of child protection and the fight against exclusion, the family relay is at the same time a place of respite, a place of evaluation and orientation, and living place and mutual aid, explains André Altmeyer, Deputy Director General. These places are intended for young mothers or single parents with their baby out of maternity or families who face educational difficulties and precarious living conditions (social hotel, unhealthy housing ...). "

⁸ <http://www.wimoov.org>





And finally, the signing of a commitment protocol was made between 5 ministries ('Social Affairs and Health', 'Justice', 'Housing and Sustainable Housing', 'Higher Education and Research', 'Trade, Crafts, Consumption and social and solidarity economy ') with "Doctors of the World" to offer an alternative to the incarceration of people suffering from severe psychiatric disorders through housing and intensive follow-up.

The previous and the current French Government are actively involved in the field of Social Impact Investment. In particular, Social Impact has been quoted in the election programme regarding social economy of Emmanuel Macron: *“To continue deployment of Social Impact Bonds for funding experimental social programs via innovative modes of prevention. The SIB can successfully mobilise very diverse actors to address major social challenges and to bring into existence new approaches and solutions⁹”*.

The government is set to follow closely the results of the first SIBs, and depending on their outcome modify the national policy. It has also been suggested that future SIBs might involve multiple communities and the state itself via nation-wide projects¹⁰.

III. SIB “à la française”

It is worth noting that no maximum interest rate for reimbursement of the investors by the public sector has yet been set in France. The current position of the French government emphasizes that the interest rate is to be linked not to the savings for the government but to the Social Objectives obtained during the project. This position may change in the future depending on the performance of the first set of three SIBs funded at the national level.

There are two ways to measure the added value from SIB to the local and national government in France: **Avoided Costs** and **Return on Investment**. For the SIB funded and managed by Impact Partenaires, there are three types of avoided costs and two types of Return on Investment.

- **Avoided Costs:**

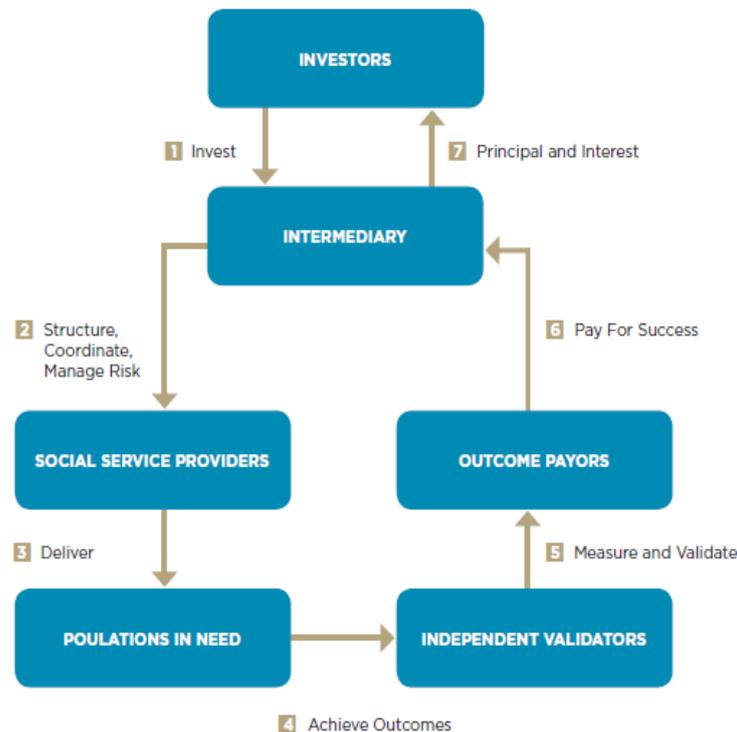
1. The Government is not fully equipped to create a business, negotiate with private partners or train people, so this functions are better performed by an expert team;

⁹ Original text: « *Poursuivre le déploiement de contrats à impact social (CIS) pour financer, grâce à des partenaires privés, des expérimentations de programmes sociaux de prévention innovants. Les CIS ont le grand mérite de réussir à mobiliser des acteurs très diversifiés, ESS et non ESS, autour d'enjeux sociaux majeurs, et donc de faire naître de nouvelles approches et solutions.* » <https://en-marche.fr/emmanuel-macron/le-programme/economie-sociale-et-solidaire>

¹⁰ Source: Localtis.info, <http://www.caissedesdepotsdesterritoires.fr/cs/ContentServer?pagename=Territoires/Page/Recherche>



2. In case of failure of the project, the risk for the Government is set at zero. On the other hand, if the project is successful the public administration will reimburse lesser expenses in comparison to the expenses it would have faced with classical funding;
 3. If the project results are favourable, there should be less unemployment and consequently less public finances should be required to support people in this situation.
- **Return on Investment:**
1. 300 enterprises will be created, employment creation is one of the main objectives of the government;
 2. The Government and the local authorities will have a return on investment of 11 Million Euros in the form of professional taxes thanks to the new businesses.



Source : Hughes, Jane and Jill Scherer. [Foundations for Social Impact Bonds: How and Why Philanthropy is Catalyzing the Development of a New Market](#). Boston, MA: Social Finance, 2014.



The different ministries will be mobilized according to the theme of the project. The final payer is the Ministry of Economy and Finance.

IV. Local Impact investment

Although no local SIB has yet been funded in France, some local communities are starting to investigate the concept of Social Impact and its assessment. For example the Metropolis of Grenoble has launched the project “I Best”¹¹. Indicators of Wellbeing (Indicateurs de bien-être soutenable territorialisés) in order to create a multi-dimensional profile of its inhabitants along the following dimensions: professional activity / employment, engagement and empowerment, democracy and living together, natural environment, access to public services, timing and rhythm of life, access to resources.

Other French communities such as the City of Nice and its Metropolis are also actively investigating the option of using SIBs to fund innovative actions for seniors and NEETs. In order to promote an international exchange of best practices around SIB and to learn from the past experiences, the municipality of Nice has recently hosted an international event devoted to SIB: AlpSib Forum. The event has drawn a large number of prominent French and national stakeholders coming from both private and public sectors.

V. Barriers for using Social Impact Bonds in France

While a lot of barriers on the way to wider implementation of SIB are common between countries, local culture and customs in France are not making the progress for SIB faster. The study « **Experience in the evaluation of social impact** » conducted by Phare for Avise in 2017 aimed to understand the practices of evaluation of Social Impact and of its representation among social actors in France.

During the course of this qualitative study, 20 semi-structured interviews were conducted with actors working in the social sector. According to this study, five types of impediments for social impact evaluation and communication have been identified¹²:

1. **Strategic barriers:** Evaluation of social impact is not considered a priority. Consequently, there is lack of resources to conduct social impact assessment.

¹¹ Mesurer le “bien-être soutenable” des habitants d’une métropole ou d’un quartier projet IBEST : http://bienetre.lametro.fr/PDF/Rapport_IBEST_HD_sans_traits_de_coupe_partie_1.pdf

¹² How to make Evaluation Sources : L’ÉTUDE « Expérience de l’évaluation d’impact social » <http://www.avise.org/ressources/experience-de-levaluation-dimpact-social-etude-complete>

Pratiques et représentations dans les structures d’utilité sociale <http://www.avise.org/sites/default/files/atoms/files/20170321/avise-publication-experienceeis-synthese-201703.pdf>



2. **Political:** Social impact is considered by some as a performance management tool or a control mechanism, or as a way to stimulate competition. In addition, there is certain resistance to quantifying impact of actions.
3. **Lack of knowledge:** The concept of social impact is not widely understood and there are few actors who are capable of defining social impact let alone capable of evaluating it.
4. **Technical barriers:** Difficulty to identify what exactly should be measured and how it should be done. Choice of indicators is often not clear. Data collection is difficult to put in practice as it requires additional human resources. Data analysis and interpretation of results are challenging for the actors.
5. **Organisational barriers:** There is internal resistance from teams to have their performance measured.

The goal of conducting social impact assessment: to prove impact and to improve performance

As per the study conducted by Phare Agency in March 2017, there are currently four major challenges for performing Evaluation of Social Impact in France:

1. Promote the evaluation in order to improve the projects
2. Raise awareness among the evaluation during the first steps of the project
3. Train social project managers to data analysis
4. Experiment impact evaluation on non financed projects

Another recently launched research project “**ESS and new forms of creating value**” aims to conduct a prospective study on measurement of social impact. This study will run until 2018 and will help social actors identify arguments to prove their contribution to social change and demonstrate it to funding bodies. *"fournir aux porteurs de projets à finalité sociale de nouveaux arguments pour faire reconnaître leur contribution à la transformation sociale auprès de financeurs cherchant à rationaliser leurs investissements"*¹³.

¹³ Source *ESS - Evaluation de l'impact social : l'Avise et la SFE invitent acteurs et financeurs à la discussion*

VI. Conclusions

In order to encourage wider use of SIB in France it will be necessary to spread the knowledge about this mechanism among a wide range of stakeholders. As they build their knowledge base, they will need to receive detailed guidance on both structuring SIBs as well as doing impact evaluations. Therefore, exchange of good practices between the experienced and the new entrants will be of considerable value.