



TAKING
COOPERATION
FORWARD

 Zagreb, Croatia

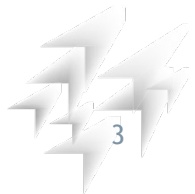
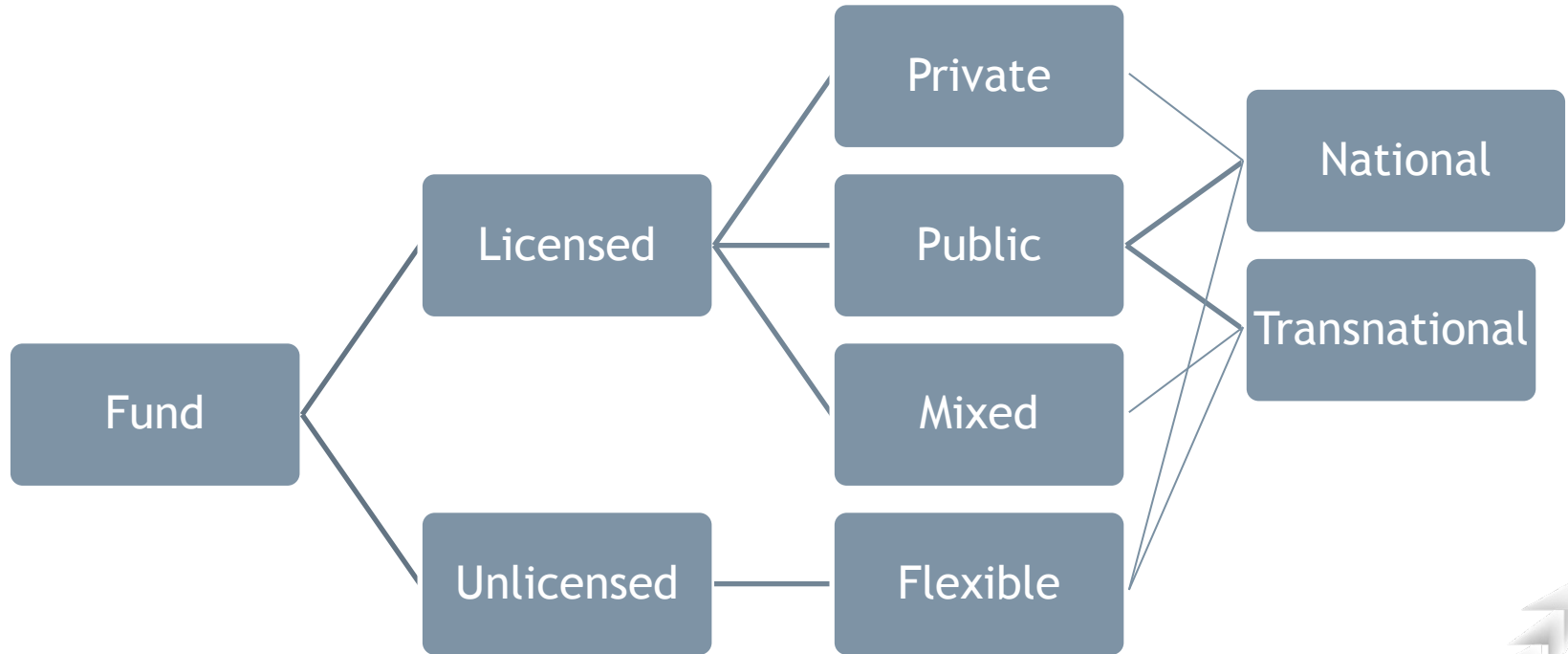
 *Social Impact Vouchers - Impact fund structure*

 Goran Jeras (Cooperative for ethical financing)
Toni Tvrtković (Cooperative for ethical financing)

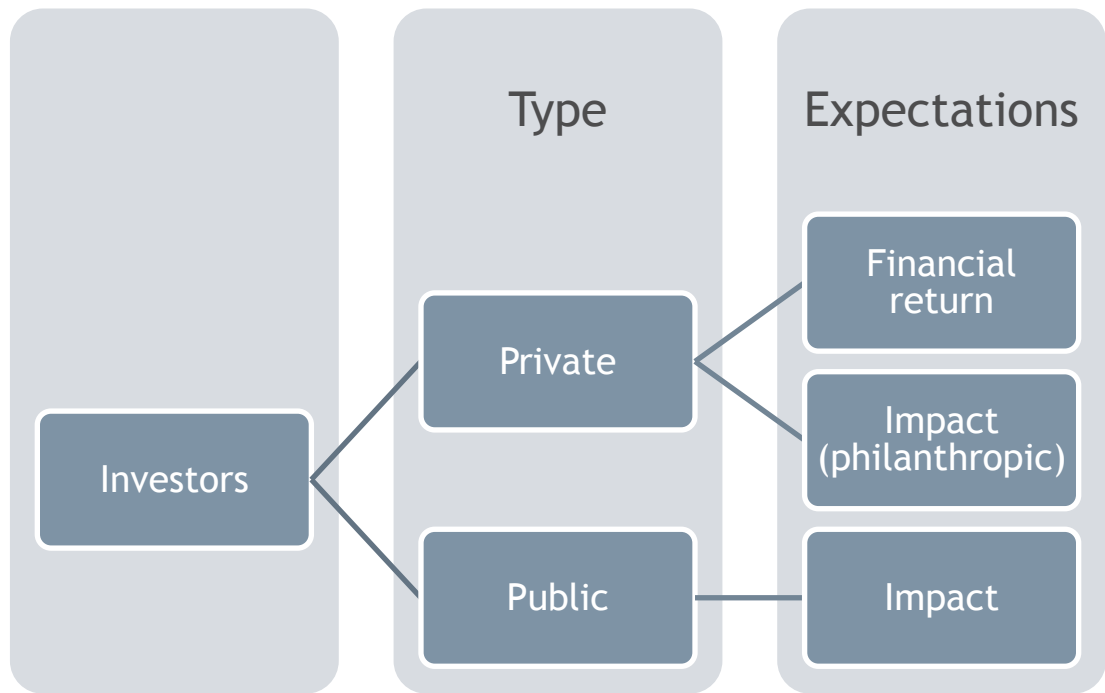
PLAN



TYPES OF FUNDS FOR SIV PROJECT



TYPES OF INVESTORS



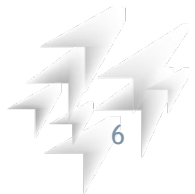
FEATURES DEPENDING ON THE TYPE

Licensed	Unlicensed
Requires licensed fund management company	Fully flexible in accordance with internal agreements
Minimum volume required in order to cover high transaction costs	Quicker and easier to implement
Regulatory complexity	Requires internal governance and IT platform to ensure transparency and usability
Challenge with multi-currency transnational funds	Lower minimum capital requirements
Long time of implementation	Lower transaction costs
Potential support by EU development financial institutions	Easier to operate in transnational mode
Attractive to institutional investors	
Could easily be combined with other financial instruments	
Well structured with clear mandates	




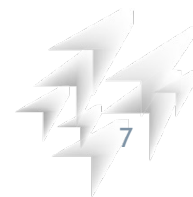
ACTIVITIES NEEDED FOR FUND ESTABLISHMENT

Licensed	Unlicensed
Identification of required size and investment potential (gap analysis)	Identification of legal entity under which fund will be managed
Identification of fund manager and most suitable jurisdiction for fund establishment	Definition of internal rules and procedures for selection of beneficiaries
Identification of possible investors	Identification of investors
Creation of prospectus, investment mandates and legal framework	Creation of platform and organisational structures
Other legal and regulatory activities	
More legal compliancy type of work	More organisational / IT type of work



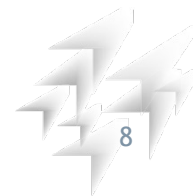
REGULATED VS UNREGULATED

Type	Pros	Cons
Regulated AIF	Supervised structured fund	Expensive for management
	More attractive to investors	High initial capital threshold (>5M EUR)
	Able to attract institutional investors	Less able to experiment and adjust
	Possible to combine with other financial instruments	
	Professional fund management structure	
	Ability of scaling up	
Unregulated social impact fund 	Can be started with very small initial capital	Higher transaction costs
	Very flexible and easy to adapt	Potential taxation issues
	Possible for tailor-made approach	Higher operational risk
	Can be operated individually by each partner or jointly	Limited impact



JOINT VS INDIVIDUAL

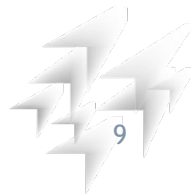
Joint multilateral fund 	Uniform and more effective management	Multi-currency issues
	Clearer outputs from the perspective of SIV project	Issue of public investors' ability to invest to a fund not managed in their country
	Ability to attract more capital	
	Improves collaboration of entities in other countries	
	Increases chance of continuation of activities after the end of the project	
Individual funds per project partners 	Operations exactly in line with local needs	Transparency issues
	Bottom-up approach	Issue of sustainability of (very) small funds
	Fund operating in sandbox regime	Problems of attraction of capital



FUND STRUCTURE - PLANNED

Possible suggested solution European Cooperative Society (SCE):

- European Cooperative Society (SCE) as a not-for-profit organisation managing the fund
- SCE is a European-wide legal form of a cooperative. It aims to facilitate members cross-border and trans-national activities.
- Can be setup by at least 2 legal entities from EU
- Is established by EC's directive and is valid in all EU member states as a unique legal form



REALITY



CHALLENGES

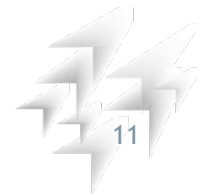
External

1. Pandemic

- Dramaticly changing labor market
- Massive public funding to preserve jobs
- Change in working environment
- Inability to hold in-person trainings, education, coaching
- Shrinkage of private investment market

2. Organisational

- Challenges in creation of uniform model
- Legal challenges in creation of transnational fund
- Funding difficulties for transnational investments



CHALLENGES #2

Internal

1. Diversity of voucher models

- Difficult to aggregate in uniform funding structure
- Lack of clear financial sustainability / business model
- Variety of target groups, beneficiaries, activities
- Complexity difficult to present to investors
- Lack of structural private investor incentives

2. Size & form

- National funds are small and not attractive for investors (except HU)
- Transnational fund asymmetry in funding size
- Differences in legal interpretations of SCE structure
- Delays in legal structure formation



CHALLENGES #2

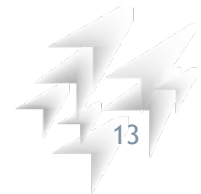
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KEY ISSUE

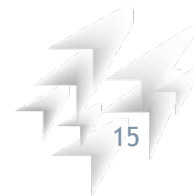
How to combine investor expectations (return) with labor market support interventions (usually difficult to create profit)?

- Philanthropic investors do not understand the topic and are suspicious about visible impact of their investments (especially in EU)
- Impact investors don't see required (financial) return
- Public investors require larger size and worry about competition to public employment policies
- Difficult to structure it in accordance with investor expectations, especially for vulnerable target groups



WAY FORWARD?

- Build experience with different voucher models
- Demonstrate positive use cases
- Determine possibility for scaling it up
- Find a way to "monetize" social impact
- "Social impact bonds"?
- Integrate it with non-financial reporting requirements



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