



SOCIAL IMPACT INNOVATION: FROM SOCIAL NEED TO ECONOMIC DEVELOPMENT

PILOT PROJECT: FROM THEORY TO PRACTICE



Social Impact Innovation and Investment

Fashionable words today: suddenly everything seems to have become social.

Social Impact is sort of a **brand**, with the power of making magic everything.

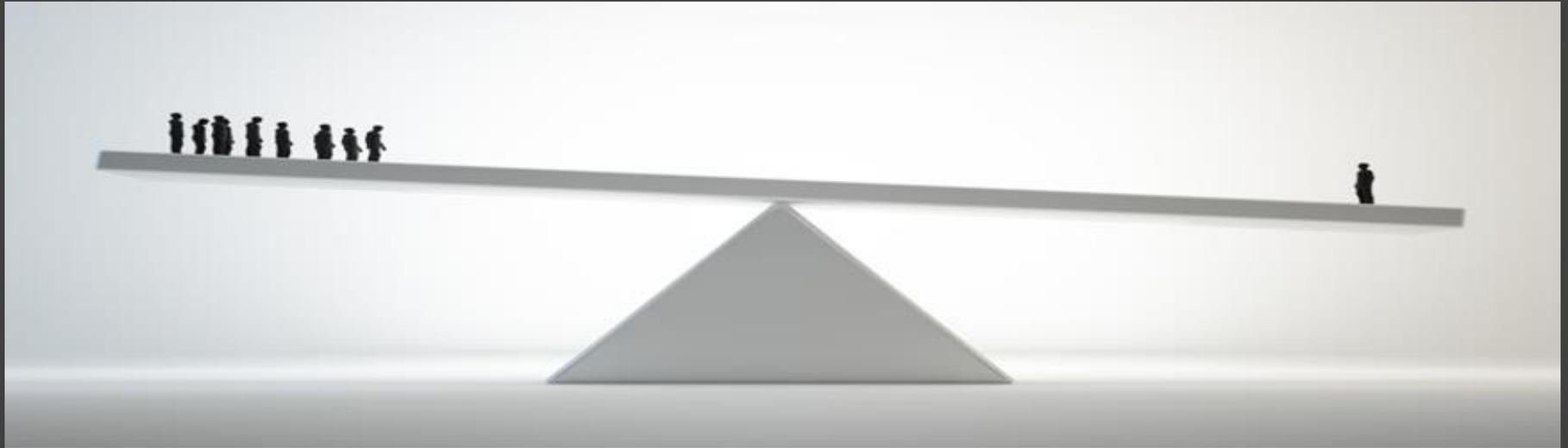
The risk is to abuse those terms before they take root in our society.

And this is a risk that we can't stand, since they are not just words: they **represent a new relevant approach to social issues.**

Some experts and academics assert that social impact investing has not developed enough in Italy because the **projects are too small-sized. Quite the opposite!**

Those words are simply **too far from the common culture** .

So, the priority now is to **involve people**, in concrete **territorial projects**.



Only after that step it's reasonable to move to larger projects.

Otherwise, big social impact investments will never succeed in deeply change the general approach to social and economic policies, simply because **perceived top down**.

Instead, a **bottom up approach** is the essential premise for a real cultural revolution, such as the **challenging context we live in requires**.

That's why we have decided to take the risk ourself
by experimenting with
concrete social impact projects.

THE CONTEXT

1

We are today in a **potentially explosive situation**, in which we witness:

- ❑ On the one side, the **GROWTH OF SOCIAL NEEDS** (poverty, addictions, elders, etc.);
- ❑ On the other, the **REDUCTION OF PUBLIC FINANCIAL RESOURCES.**



■ 5 million
in absolute poverty

■ 9 million
in relative poverty



The need for spending on primary needs will show a gap of:

- 30 billion dollars for Italy (before the deduction of pension expenditure),
- 80 for Germany,
- 170 for UK.

(Source: Oxford Economics)

**IT WOULD BE IRRESPONSIBLE
NOT TO ADDRESS THESE FIGURES RIGHT NOW**

TRADITIONAL SOCIAL POLICIES **HAVE SHOWN THEIR LIMITS:**

they block emergencies,
but **do not act upstream**, on the causes.

Indeed, **public institutions** seem have **delegated** social problems mainly to **voluntary associations**, *whose work is essential but not without guilt:*

- They have often perpetrated the status quo,
- They prefer not to deal with funding (*preferring to continue asking it to public institutions and/or private philanthropists*).



3

A **HUGE FINANCIAL LIQUIDITY** has accumulated in the world.

In Italy alone, according to the Bank of Italy, the financial wealth owned by families is of **4.287 billion euros.**

-
- We have to take care of the above three issues to rethink social policies:

The result is the

SOCIAL IMPACT INNOVATION

What to explain to people? Few things.

The **United Kingdom** was the first country to experiment **SOCIAL IMPACT INNOVATION**

Followed by **USA, Australia, France, European Union.**

WHAT IS IT?

It is a way of thinking about the social

NO longer as a mere cost,

but as

an opportunity for economic development.



What really makes the difference is the word **IMPACT**.

What does it mean?

To act **NOT only on the individual needs,**
but to face it as the **well-being of the entire community.**

For instance, an impact project for *former inmates*:

Acting on the recovery and integration of former inmates into work, it brings wealth for all.

As a matter of fact, who works

- pays taxes;
- allows to save public resources, because who is recovered does not need new assistance;
- increases safety, because whoever enters a virtuous path does not return to crime.

The **output** are the activities:

for instance, in a project that aims at the education of disadvantaged subjects, the activities are the number of people who are sent to school and of those who graduate.

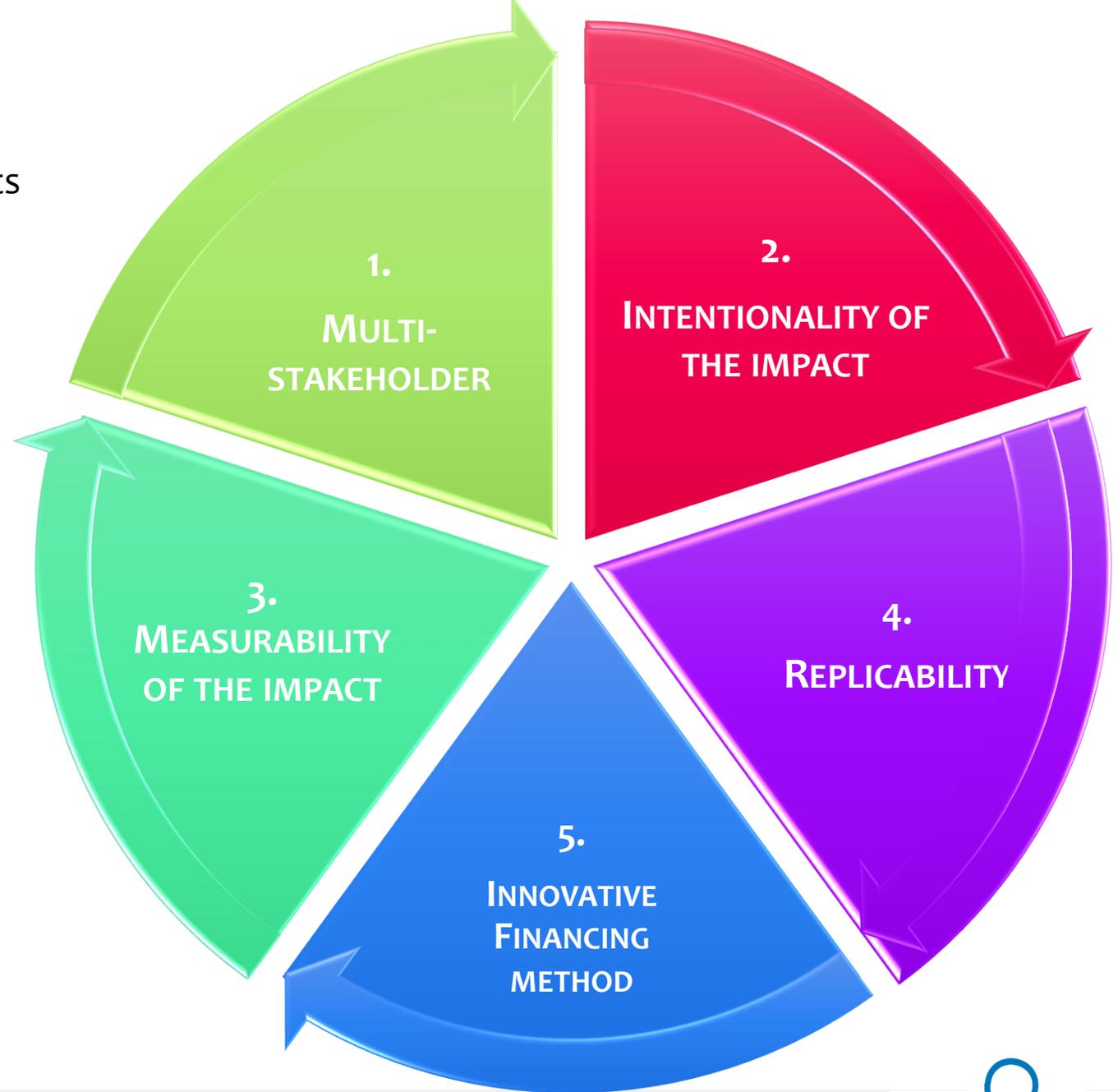


The **outcome** are the results:

In the example above, the results can range from the increase in the occupational level of graduated people to the consequent greater wealth of the community and to the decrease in micro-criminality.

MAIN FEATURES

of social impact projects

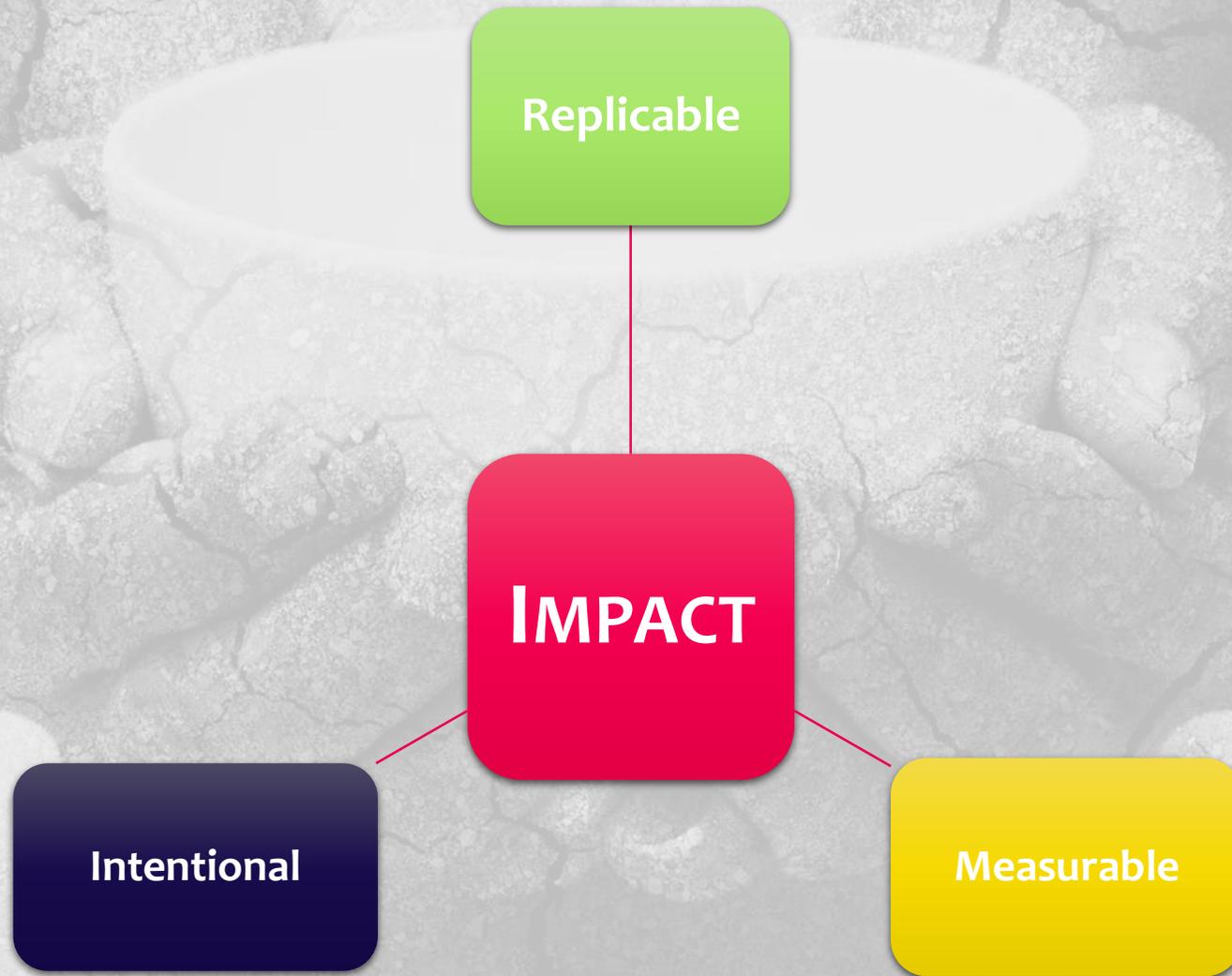


Multistakeholders

1. public authority
2. no profit
3. for profit
4. financial vehicle
5. evaluator
6. others



Impact



REPLICABILITY

FROM A LOCAL TO A NATIONAL LEVEL

The pilot project of **GROSSETO** was thought of as standardisable and **replicable**.

Indeed, it is connected to similar projects

in a municipality of the North: **CUNEO**

and

in a municipality of the South: **SALERNO**



Innovative methods of financing

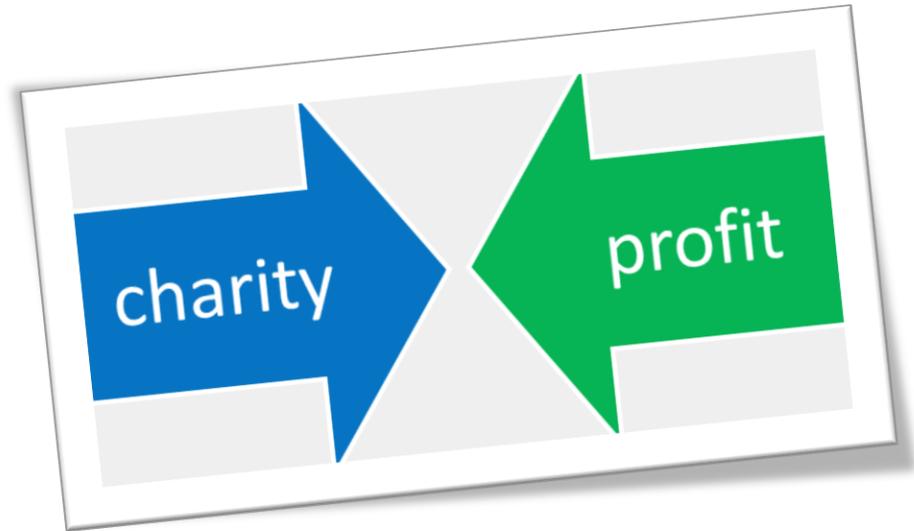


Social Impact Investing

WHAT IT IS NEW?

FROM CHARITY TO PROFIT

Over time, investors have progressively distanced themselves from the pure profit criterion and got close to the donation one (grant):



GREEDY VS PATIENT INVESTMENTS

The so-called **greedy investments** allow for very elevated gains in a short amount of time, but are subject to an high level of volatility.

On the contrary, the **Social Impact Investments** are addressed to:

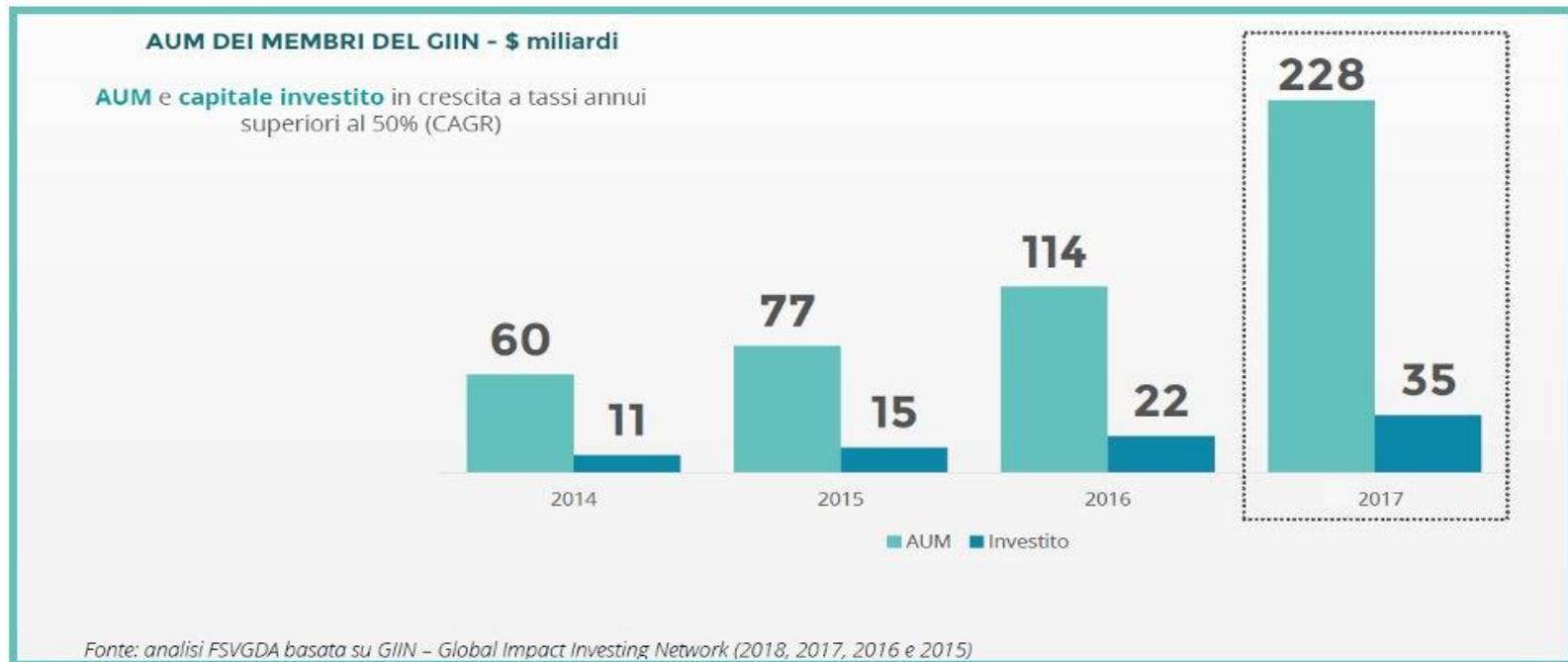
- **patient capitals**
- **medium-term returns**
- with a **level sometimes lower than market ones**, but *not always*
- with an advantage: **scarce volatility**.

They are investments with an high level of **decorrelation**: less subjects to country-risk, as they are link to crucial and incompressible sectors, such as water, health, environment, education, housing.



SOCIAL IMPACT FINANCE - THE "SOLIDARITY BONDS"

Impact Investments exceeded **200 billion euros** invested in 2017 worldwide.





Innovative financial products for social impact projects

1

SOCIAL BOND, THE SOLIDARITY BONDS

A bank issues a **Social Bond** and/or a **certificate of deposit** dedicated to the single social impact project, which **anticipates the «Solidarity Bonds»**, foreseen by the Reform of the Third Sector in 2016.

2

SOCIAL IMPACT BOND, PAY BY RESULTS

A more advanced and **complex form** of social impact investments is that of the Social Impact Bond, which is a **tool of Pay by Results**, following the example of what has been achieved in the UK and the USA.

FONDAZIONE **ETICA**



Regione Toscana



CONFINDUSTRIA TOSCANA SUD
Arezzo Grosseto Siena
Delegazione di Grosseto



CAMERA DI COMMERCIO
MAREMMA E TIRRENO



Confederazione Nazionale
dell'Artigianato e della Piccola
e Media Impresa
GROSSETO



THE «LUCI NEL PARCO» PROJECT

PILOT PROJECT

In the Parco della
Maremma

*Social policies from cost to development engine
with a multistakeholder partnership.*



And with the patronage
of the Grosseto
Municipality



LEGAMBIENTE

ESSENTIAL FEATURES OF THE «LUCI NEL PARCO» PROJECT

1

It contains all the **features** of social impact design.

2

The focus is **on the project, NOT on the subject:**
for example,
what is financed is not the cancer league, but the struggle against cancer of the league itself.

3

The project must be **specific, NOT general:**
for example,
what is financed is not the general research on cancer, but a specific project on it.

4

The **promoter is the plurality** of public and private subjects, both profit and non-profit, that have given life to the project:

LUCI Aps is just its **legal vehicle**.

5

The **implementing subject**, beneficiary of the social impact investment, is **distinct from the promoter**.

6

The project starts from the **regeneration of a disused public building**.

7

Innovative financing method:
a bond issued by a bank is the **financial vehicle**.

8

The project has to be **financially and economically sustainable**.

REGENERATION OF A DISUSED PUBLIC BUILDING

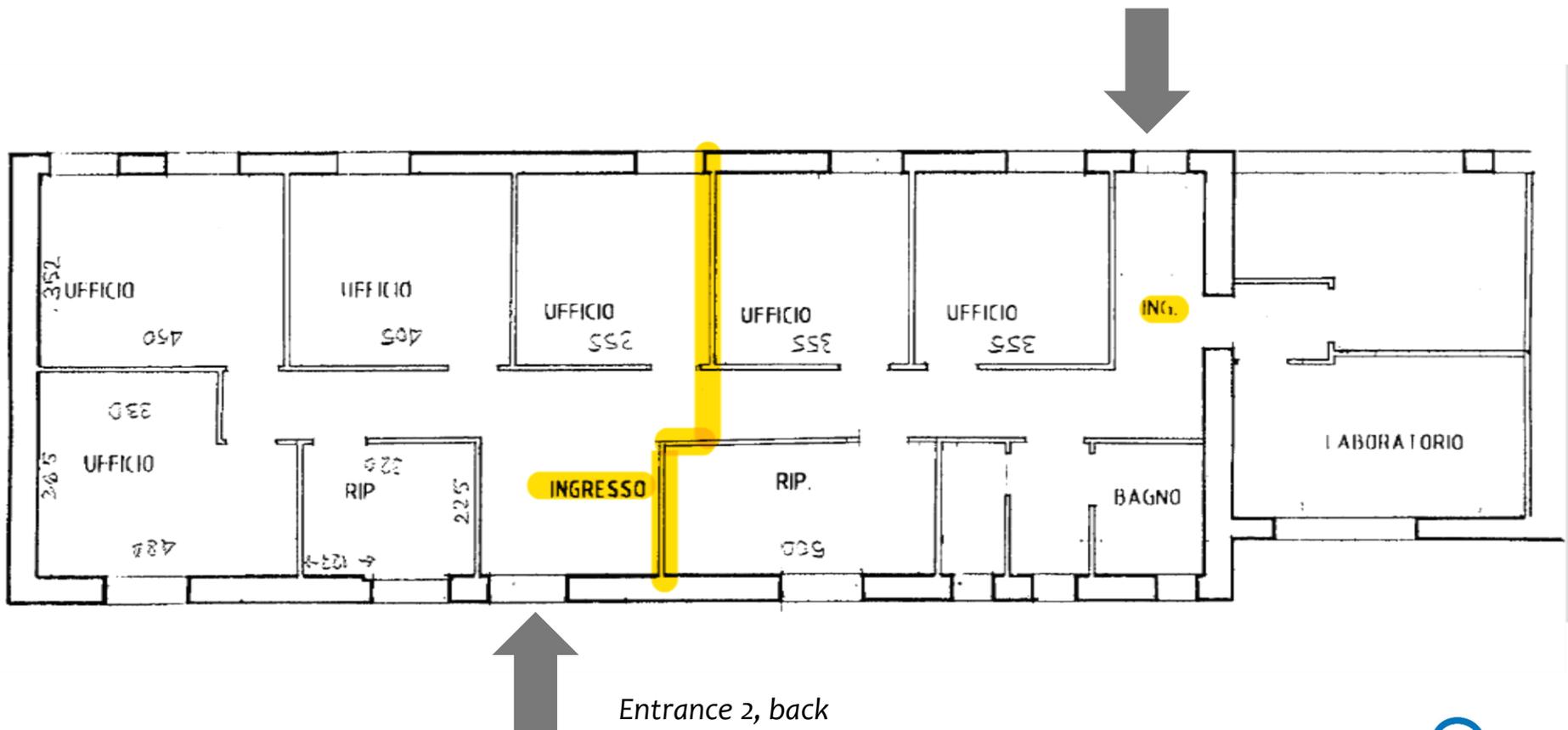


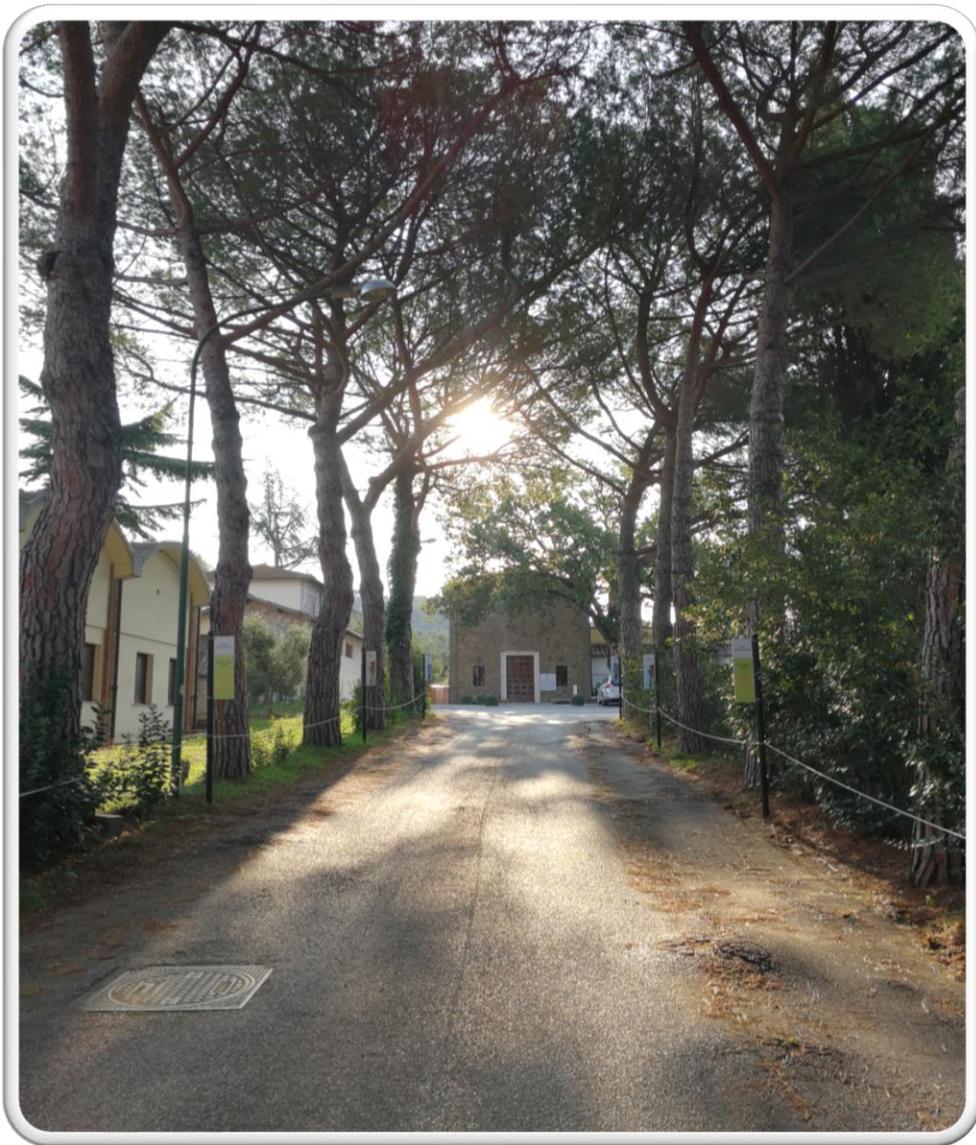
PROPERTY OF THE TOSCANA REGION

EX-ENAOIA RISPESCIA

HOW IT IS LIKE

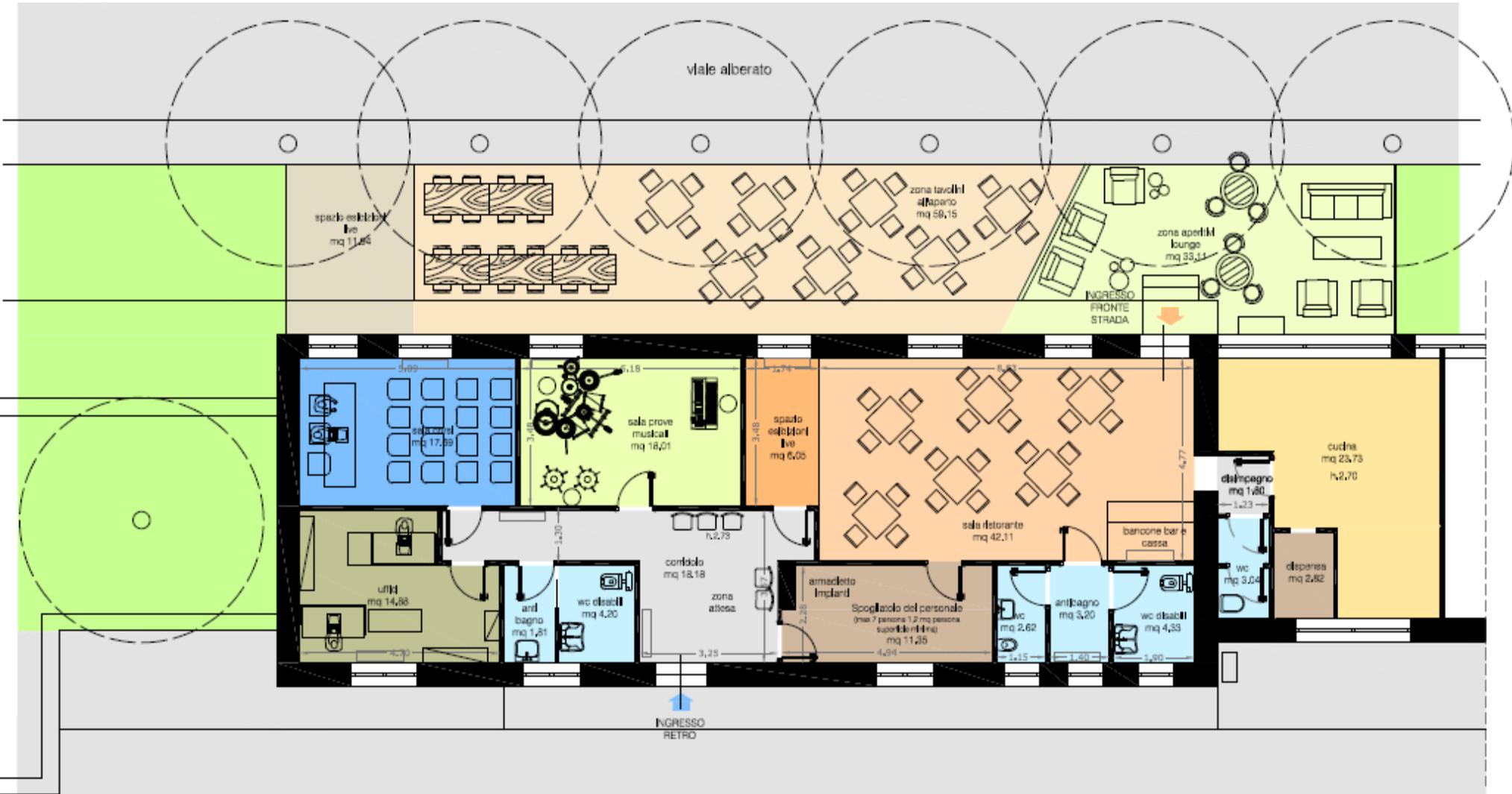
Entrance 1, front







HOW IT WILL BE LIKE



ACTIVITIES



Bio-local

RESTAURANT DEDICATED TO SUSTAINABILITY

(ENVIRONMENTAL, ALIMENTARY, ECONOMIC AND SOCIAL).

1

- It will be managed by an **already established social cooperative**, involving unemployed, immigrants, and/or other so-called "**disadvantaged**" subjects.
- The products used will be **km 0**, coming from agro-food companies of the Park and of the *surroundings*, at *sustainable prices*;
- It will **generate income**: a small percentage of this **will feed a fund** dedicated to future impact projects, because "*those who received, in turn, donate to somebody else*".
- Dinners will be combined with **musical events**.



Musica-Plus

- MUSICAL REHEARSALS
- MUSICAL EVENTS

2

Music as:

- **prevention** of youth addictions and deviances
- **integration** between disadvantaged and non-disadvantaged subjects
- **intercultural exchanges** on the model of Playing for Change.

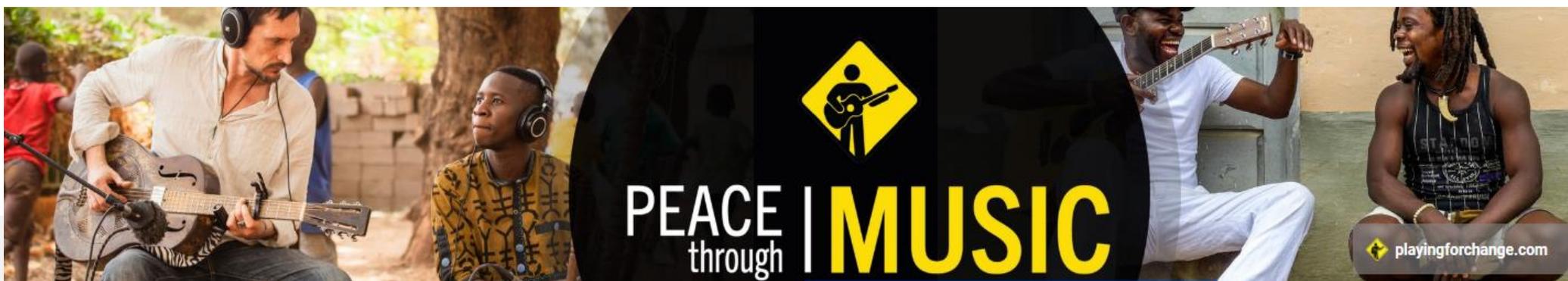
The activity is **complementary** to Bio-local. There is:

1. music space inside the building, **dedicated to rehearsals**, with low rate hourly rental:

in turn, musicians undertake to **teach a musical instrument** to those who cannot afford the cost of a music course;

2. shows area outside the building, in the garden:

musicians **will perform** there and **gain some money**, and a small percentage of it **will be donated** to a social impact fund.



Social Investment School

- IT PROMOTES SOCIAL IMPACT PROJECTS
- IT INFORMS AND FORMS

3

- It **spreads the culture** of social impact innovation and social investments
 - It **promotes and supports** new social impact **projects**
 - It **forms** administrators, volunteers and associations, to write and implement social impact innovation projects
 - It **evaluates** the social impact produced by single projects
 - It collects the main experiences of social impact in Italy and in the world
- Collaborations with *trade associations* will be activated.



INVESTMENT PLAN



Investment Plan

INVESTMENT

Restructuring + equipment +
ancillary expenses +
Human resources + impact assessment

COVERAGE

Dedicated bank title:
subscribers
waive part of the annual margin,
which goes to the promoting and coordinating Association

The «Solidarity Bond»

While waiting for the solidarity bonds to obtain formal approval from the European Union, the **partner bank** issued:

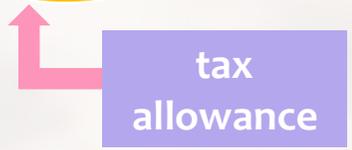
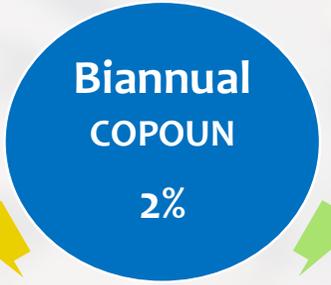
- **certificate of deposit:** expressly dedicated to the «Luci nel Parco» project,
 - **annual interest rate:** equal to 2%,
 - **duration:** from one to four years,
 - **coupon:** biannual,
 - **guarantee:** interbank fund guarantee up to 100.000,00 euros.
-

The **subscribers of the bond** (*retail, private or corporate*)

undertake to **donate a portion of their interest margin** to the Luci project, and they

- will fully **collect the biannual coupon**,
- will **donate a percentage (0.50%)** to the project,
- will receive **a tax allowance** on the amount donated the subscriber (on the base of l. 106/2016: 30% or a deduction from taxable income of 10%).

Issue of a dedicated Deposit Certificate





GOAL and RESULT

The goal was to reach
10 MILLION EUROS
of subscriptions.

The result was 3 times more:
almost **35 MILLION euros**.

And just in 2 weeks.

All the **donations will flow into a current** account dedicated to the project.

The **revenues and their use** will be constantly **reported on the website** dedicated to the project.

ADVANTAGES FOR THE SUBSCRIBERS

Safe investment

Sustainable profit

Tax allowance

Reputation

Urban regeneration

Direct monitoring

Cultural enrichment

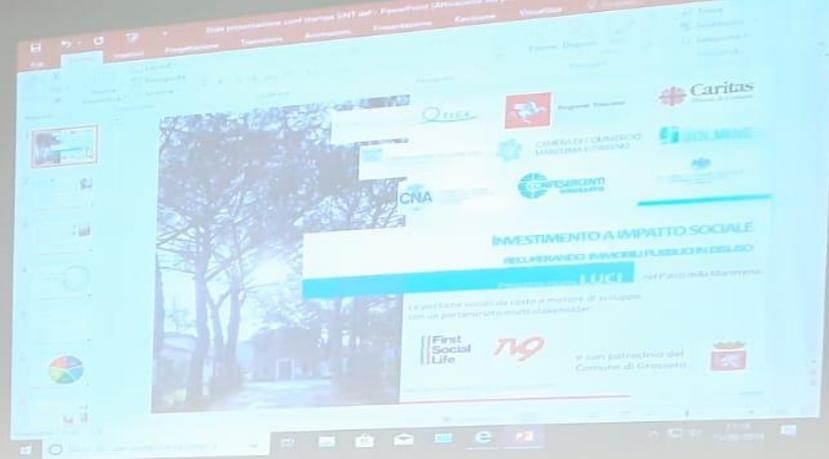
WHERE ARE WE

Next step

In two weeks **renovation work is going to start.**

We estimate that the overall renovation work and equipment will be completed by next spring.

So, the bio-local will be honoured to host you all **next summer** with great food and music, in a natural unique context.



LU.C.I. Aps

It is the **legal vehicle** to coordinate and manage the investment.

It is chaired by *Don Enzo Capitani (Caritas)*.



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