

# MULTI-COUNTRY SOCIAL OUTCOMES CONTRACTING IN EUROPE

August 2021

Preliminary feasibility assessment

European Union Member States have been confronted with the challenge of unemployment for several decades. Seeking innovative approaches to tackle this common issue, we explore in this study the feasibility of a multi-country Social Outcomes Contracting in three pilot countries, France, Belgium and the Netherlands.

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This report was produced by KOIS with financial support from the European Investment Advisory Hub.

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## ACRONYMS USED IN THE DOCUMENT

Acronym	Full form
EC	European Commission
EIAH	European Investment Advisory Hub
EIB	European Investment Bank
EU	European Union
IOD	Intervention sur l'Offre et la Demande
JIA	Job Integration Agreement
LTU	Long Term Unemployed
NEET	Neither Employed nor in Education and Training
PM	Performance Manager
SOC	Social Outcome Contracting (also named Social Impact Bond – SIB)

# Multi-country Social Outcomes Contracting in Europe

## PRELIMINARY FEASIBILITY ASSESSMENT

### 1. INTRODUCTION

Unemployment has been a long-standing challenge across Europe and it is likely to become a top priority amidst the consequences of the COVID-19 pandemic. Unemployment is also a question of inequality, where most vulnerable groups are often hit the hardest and discriminations need to be fought for a more inclusive society.

The European Investment Bank (the “EIB”) is the financing institution of the European Union (the “EU”) with a mission to contribute towards the integration, balanced development and economic and social cohesion of the Members of the European Union. In 2015, the EIB jointly with the European Commission (the “EC”) has set up the European Investment Advisory Hub (“EIAH”) to offer a single point of entry for advisory services for investment projects in the EU and foster cooperation across its partner network.

The EIB and the EC consider Social Outcomes Contracting<sup>1</sup> (“SOC”) to be an innovative form of procurement and financing of social services by public authorities and investors, supporting the take-up and scaling of effective intervention models. As a result, the EIB through the EIAH has been supporting the development of SOC as one of the tools for increasing sustainable well-being of the society of the future.

Within this framework, SOC was identified as a particularly promising tool for tackling unemployment, which in addition to the socio-economic consequences borne by job seekers, has a certain cost to the EU Member States, including direct costs (e.g. unemployment benefits, public job search assistance services) and indirect costs (e.g. missed revenues from tax payments). Reducing unemployment also provides an opportunity to counterbalance the economic and fiscal burden of societal challenges such as the ageing population.

For this study, we have explored the feasibility of a potential multi-country Social Outcomes Contracting in three pilot countries, France, Belgium and the Netherlands to address a shared

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<sup>1</sup> Social impact bonds are a common implementation form of SOC alongside with other payment by results models

unemployment issue. Those three countries have demonstrated growing interest in outcome contracting and have or are planning to launch outcome-payment funds soon. As early adopters in the space, those countries have been selected as potential partners for the multi-country SOC pilot.

In order to assess the feasibility of launching such a tool, we sought to answer the following questions:

- Can we identify similar employment issues faced by several European countries and which could be tackled thanks to a common approach, financed by a SOC?
- What would be the advantages of a multi-country SOC in comparison to a single country SOC?
- What kind of interventions would be most relevant to fund through a SOC and how can the impact be measured?
- Is there an appetite for such a tool on the Outcome Funding side?
- Is there an appetite for such a tool on the Investors side?

However, the scope of the study is not to provide a comprehensive and detailed comparative analysis of the different countries on the dimension of unemployment. This preliminary assessment aims to provide a general support to identify potential relevant common themes to be supported by a potential SOC.

We have concluded that a multi-country Social Outcome Contract could help address common unemployment issues faced by different EU Member States and that there is a potential appetite from both social investors and public authorities for such initiative. The interviewed parties could potentially be ready to get on board to launch a multi-country SOC focusing on unemployment by the end of 2022 and secure a budget ranging between EUR 2 and EUR 8 million per country to fund an innovative intervention for up to 5 years implementation period.

However, there are several important considerations to take into account for the feasibility of the project:

- Target Population: Despite very similar challenges in the three countries, the potential outcome funders interviewed during the study did not share a common priority in terms of preferred target group. In addition, there are political sensitivities in supporting an intervention focusing on a specific group of beneficiaries as one might question why this specific group is being prioritised. Hence, there is a preference by the three countries to participate in a SOC that enables the scale up of operators that have an innovative methodology or intervention to support a broad enough group of jobseekers. Focusing on a methodology rather than on a specific focus group should also facilitate future expansion to other geographies.
- Coordination among interventions: Social service providers are most often grounded locally and work closely with the beneficiaries. Few of them are present internationally, therefore a

multi-country SOC will most likely need to involve different operators in the countries. The role of a performance manager to coordinate the SOC and the operators (an independent party or one of the operators chosen for the role) will be paramount for the success of the project and effective shared learning. Alternatively, a local operator with a solid intervention in one of the countries could be scaled up with the help of the SOC in other geographies and fulfil the role of performance manager.

- Concerns regarding the complexity of involving multiple stakeholders: A SOC requires several stakeholders to work together, and that exercise can rapidly become time consuming and meet hurdles when parties express different views. A multi-country SOC could exacerbate the complexity by bringing on board as many more stakeholders as there are countries in scope.
- Investigating ways to streamline the SOC implementation and management is one of the key conditions to the feasibility. In any case, the benefits from a multi-country SOC in terms of improved outcomes or savings should outweigh the additional cost and the burden of the increased complexity in governance.

Based on the above findings, we recommend exploring further with the outcome funders the intervention and operator selection that will be the drivers for the success of the initiative. Bringing the stakeholders around the table early on to align priorities, expectations and identify potential risks as well as get a political buy-in will be a prerequisite to facilitate the structuring phase. In order to be cost-efficient, we estimate the minimum size of such multi-country SOC to be around EUR 15 million for 3 countries.

## 2. UNEMPLOYMENT: A COMMON ISSUE ACROSS EUROPE WITH PUBLIC POLICIES STRUGGLING TO ADDRESS THE SPECIFIC CHALLENGES OF VULNERABLE SOCIAL GROUPS

**Despite the Netherlands outperforming the European average, the three countries in scope face similar disparities across social groups when it comes to unemployment**

Unemployment has been addressed quite effectively in the Netherlands where the unemployment rate is half the European average. Being as low as 3.7%, a large part is due to frictional unemployment<sup>2</sup>. France and Belgium are closer to the European average with France being slightly higher. In Belgium, we observe high disparities between Regions. The Brussels region has an unemployment rate substantially higher than the rest of the country - in 2019 the unemployment rate in Brussels reached 12.5% compared to a national average of 5.2%. Despite the differences, unemployment rate has increased in the three countries in scope in 2020, especially in Belgium and the Netherlands with an increase of around 20% between end-2019 and the third quarter of 2020<sup>3</sup>.

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<sup>2</sup> Frictional unemployment is the result of voluntary employment transitions within an economy. Frictional unemployment naturally occurs, even in a growing, stable economy.

<sup>3</sup> Calculation based on Eurostat statistics as of Q4 2019 and Q3 2020

The increase of unemployment observed in 2020 could be partially explained by the COVID-19 pandemic and its impact on the economy.

If the magnitude of the unemployment challenge varies across countries, the social groups that are most subject to exclusion from the labour market remain very similar beyond the borders. Based on the EU statistics, we can identify the following social groups that struggle the most in securing a job: young people (between 15 and 24 years old) and especially young people neither in employment nor in education and training (“NEET”), senior people (55+yo), people with a disability, people with a foreign citizenship from outside the EU, and long-term unemployed. Some statistics on the rate of unemployment in those groups are presented in the table below.

Table 1: Unemployment in the EU in 2020

	EU	Belgium	France	The Netherlands
Average unemployment rate for age group of 20-64 years old	7.3%	6.2%	8.6%	3.7%
Youth unemployment rate for age group of 15-24 years old	18.3%	17.7%	22.1%	10.8%
Young people neither in employment nor in education and training (NEET)	13.5%	11.7%	13.4%	6%
Unemployment rate for age group of 55-64 years old	5.3%	3.8%	6%	2.8%
Unemployment rate for people with a disability		12 % (2016)	14% (2016)	25% (2012)
Unemployment rate for age group 20-64 years old, foreign citizenship (non-EU)	15.2%	12.4%	16.1%	7.4%
Unemployment rate for age group of 15-24 years old, foreign citizenship (non-EU)	28.9%	28.2%	27.9%	27%
Long-term unemployment (1Y+) as a percentage of the total unemployment, age group 20-64 years old	36.3%	37.5%	38.4%	25.5%

Sources: Eurostat Q3 2020



### **Young people are the age group with the highest unemployment rate and therefore considered a priority for public policies in Europe**

In France, young people are the age group with the highest unemployment rate (2.5x the average population rate) and the rate of unemployment has significantly increased from 19.6% in 2019 to 22.1% in the third quarter of 2020, likely impacted by the COVID-19 crisis. Unemployment among youth is mainly problematic when we focus on the NEETs that represent 13.4% of the 15-24 years old. There are factors that further increase the risk of unemployment: we observe for instance that the level of unemployment is highly correlated with the level of education, 39.3% of youth with less than lower secondary education level are unemployed while the rate of unemployment for youth with tertiary education is only 5.9%. Another aggravating factor is the country of citizenship of the jobseeker with 27.9% of the youth with a non-EU citizenship being unemployed.

To address this issue, the French government identified youth employment as one of its priorities for the Plan de Relance<sup>4</sup> and launched a plan “#1 jeune1solution<sup>5</sup>” (1 young person, 1 solution) to support young people living in France and entering the job market or NEETs through coaching, guidance, or trainings. With this plan launched in July 2020, France allocated a budget of EUR 6.7 million to support 750,000 young people.

In Belgium, the situation is very similar to France, with youth unemployment rate being 2.7x as high as the overall population. The rate of unemployment increased from 14.2% in 2019 to 17.7% in 2020 (third quarter). We also observe high disparities between regions with Brussels (29.2%) and Wallonia (21.9%) having a much higher unemployment rate than Flanders (9.5%)<sup>6</sup>. Youth from foreign citizenship is disadvantaged in accessing the labour market with an unemployment rate of 28.2% as well as youth with low education level although the difference is less significant than in France.

In order to stimulate youth employment, Belgium introduced an obligation for employers in the private sector to hire at least 3% of young people, with foreign youth or youth with a disability “counting” double. Next to this, several programmes are in place to support youth in their access to employment as for instance trainings and part time-jobs coupled with trainings.

In the Netherlands, although the unemployment rate is relatively low, we observe that as in the rest of Europe, the highest unemployment rate is in the 15-24 age group with a 10.8% unemployment rate in 2020 and with 6% of NEETs. The unemployment rate is higher for young people with low education level (13.9%). Despite its lower unemployment, the Netherlands fails to provide employment opportunities to young foreign citizen and the unemployment rate at 27% is close to the

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<sup>4</sup> Website of the Ministère du travail, de l'emploi et de l'insertion, <https://travail-emploi.gouv.fr/le-ministere-en-action/relance-activite/>

<sup>5</sup> Website of the Ministère du travail, de l'emploi et de l'insertion, <https://travail-emploi.gouv.fr/le-ministere-en-action/relance-activite/plan-1jeune-1solution/>

<sup>6</sup> Eurostat 2019

ones of France and Belgium. The Netherlands provides incentives to employers to hire and create jobs for youth and also supports assistance programme and trainings for youth.<sup>7</sup>

**Senior people make up a large proportion of the working population and are the most likely to become long-term unemployed. Consequently, public authorities are seeking to prevent older people from losing their jobs**

Senior employees are not more likely to become unemployed than others, the challenge however is that once they do become unemployed, their chances of ending up in long-term unemployment are almost twice as high as the average. As an example, more than 40% of the long-term unemployed in the Netherlands are over the age of fifty<sup>8</sup>.

In France, the employment rate of the 55+ is lower than the average. However, in absolute numbers, 55+ unemployed account for almost as many jobseekers as young unemployed<sup>9</sup>. Therefore, addressing unemployment in that age group can still generate a sizeable impact. France implemented a number of policies to stimulate employment of 45+ such as financial support to employers, trainings and specific guidance.

In Belgium, several policies used to facilitate early retirement. The public authorities wish to reverse the trend and encourage people to stay longer in employment. Belgium is therefore gradually suppressing the early retirement incentives and to the contrary providing financial incentives to support the hiring of older people by for instance reducing the social charges for employers or providing subsidies.

In the Netherlands, the unemployment rate of 55+ is below the national average unemployment rate. Nevertheless, the Netherlands put in place specific financial support for employers hiring 56+ (Loonkostenvoordeel)<sup>10</sup> and the state provides support to older unemployed through guidance and development advice.

**People with physical and/or mental disabilities remain often excluded from the labour market**

Within the European Union, only 50.8% of persons with disabilities are in employment compared to 75% without disabilities. As a result, they have a higher risk of poverty or social exclusion (28.4%) compared to persons without disabilities (18.4%)<sup>11</sup>.

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<sup>7</sup> Website of the Government of the Netherlands, <https://www.government.nl/topics/youth-policy/youth-and-employment>

<sup>8</sup> De Graaf-Zijl, M., van de Horts, A. and van Vuuren, D., "Long-term unemployment in the Netherlands", CPB Netherlands Bureau for Economic Policy Analysis, 2015

<sup>9</sup> Défi métiers, 2020

<sup>10</sup> Uitvoeringsinstituut Werknemersverzekeringen website: [www.uwv.nl/werkgevers/overige-onderwerpen/wet-tegemoetkomingen-loondomein/loonkostenvoordeel-lkv/index.aspx](http://www.uwv.nl/werkgevers/overige-onderwerpen/wet-tegemoetkomingen-loondomein/loonkostenvoordeel-lkv/index.aspx)

<sup>11</sup> European Commission, Union of Equality: Strategy for the Rights of Persons with Disabilities 2021 -2030, 2021

In France, the unemployment rate for people with disabilities was 14% in 2016. There is an obligation<sup>12</sup> for companies of more than 20 employees to have 6% of employees with disabilities, however some employers do not fulfil this obligation and, are obliged to pay a fine. Programmes are made available to support people with disabilities to access the job market.

In Belgium, 15% of the active population has disabilities but only 35% of those are working, although 41% of the inactive would like and consider themselves able to carry out a professional activity. Next to support programmes for this target group, the policies in place are limited to subsidies and fiscal advantages for employers that hire people with a disability.

The Netherlands has a high level of unemployment for people with disabilities. In 2012, the national average unemployment rate was at +/-6% compared to 25% for people with disabilities, an almost 20% gap<sup>13</sup>. As in Belgium and France, the Netherlands has policies to incentivise employers to hire people with disabilities and support job seekers in their job search. Furthermore, the Netherlands implemented the Return to Work (Partially Disabled Persons) Act,<sup>14</sup> a Dutch disability insurance reform. The policy requires employers to monitor their employees on sick leaves. The employers are responsible for the payment of the sickness benefits of their employees when on sick leaves. This reform has been quite effective in increasing the number of people getting back to work after a health shock<sup>15</sup>.

It is important to note that statistics focusing on employment for the disabled should be handled carefully, especially when comparing EU countries, as definitions of who has a disability can vary significantly among EU countries.

### **Non-EU citizens face additional barriers to access the labour market**

In the EU, the access to the labour market is more difficult for non-EU citizens. This is further exacerbated if the job seeker has a low education level or an immigration background (including those from second and third generations). In Belgium, France and the Netherlands, we observe that the unemployment rate of people with a citizenship from outside the EU is double the country average and 20% of foreign-born youth are NEETs compared to 12% of NEETs for the EU average<sup>16</sup>.

The barriers to employment for foreign-born jobseekers include among others the language proficiency, the level of education or difficulty to obtain a foreign recognised diploma and the lack of a social and professional network in the country.

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<sup>12</sup> Loi n°87-517 du 10 juillet 1987 revised by the Loi n° 2018-771 du 5 septembre 2018

<sup>13</sup> Ilostat, "How do people with disabilities fare in the labour market?", 2019

<sup>14</sup> Werkhervatting gedeeltelijk arbeidsgeschikten, WGA. Additional information on the European Commission website, <https://ec.europa.eu/social/main.jsp?catId=1122&langId=en&intPagId=4990>

<sup>15</sup> Hulle, P. and Koning, P., "How disability insurance reforms change the consequences of health shocks on income and employment", Journal of Health Economics, 2018

<sup>16</sup> Eurostat 2019

Despite the much higher unemployment rate of non-EU citizens, there are limited policies that focus on the employment issue for this population. Nevertheless, the foreign-born jobseekers often have access to language trainings and support programmes to help in their integration in the host country including support in their research for employment.

**Long-term unemployed is among the most challenging group to address, resulting in a high cost to public authorities**

Long-term unemployment represents an important share of the total unemployed. In Belgium and in France, almost 40% of the unemployed that have been without a job for more than a year. The Netherlands has a lower percentage with one out of four unemployed being a long-term unemployed (“LTU”). A factor contributing to the high percentage of LTU is that chances of finding a job decreases the longer a person is unemployed. Long-term unemployment reduces labour market opportunities in two ways: (i) the longer people are unemployed, the more they will lose their professional skills and (ii) employers often consider long-term unemployment as an indication of lower productivity. Long-term unemployment is also correlated to other social issues and social exclusion as LTUs are 3x as likely to be at risk of poverty or to suffer from severe material deprivation<sup>17</sup>.

In addition to unemployment length, the level of education has a significant impact on the chances of finding a job. The Brussels Observatory for Employment reports that only 24.9% of low educated job seekers, unemployed for at least 12 months and maximum 23 months find a job within a year and the number drops to 13.9% when unemployed for more than 24 months. High educated long-term job seekers have 60% to 70% more chances to find a job than low educated long-term job seekers.<sup>18</sup>

To address that challenge, the European Commission has recommended to its members to offer LTU in-depth individualised assessment and provide with a job integration agreement (“JIA”)<sup>19</sup>. The JIA is a tailor-made plan to bring the long-term unemployed back to work. It can include, depending on the existing services in each Member State (i) mentoring, (ii) help with the job search, (iii) further education and training, and (iv) support for housing, transport, child and care services or rehabilitation. There is however no obligation for the Member States to implement the EC recommendations. France aims to support the LTU through the development of their skills with its “Plan d’Investissement dans les Compétences”<sup>20</sup> and has launched innovative initiatives to create job opportunities for this specific group with the “Territoires Zero Chômage de Longue Durée”<sup>21</sup> in its regions. Belgium on the other hand has adopted measures to provide financial incentives to employers to employ LTUs. Employers will benefit from reduced employers’ charges or receive the equivalent of the unemployment benefits in order to subsidise the salary of the employed LTU.

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<sup>17</sup> European Commission, “Data collection for monitoring of the LTU Recommendation”, 2017

<sup>18</sup> Observatoire Bruxellois de l’Emploi 2017

<sup>19</sup> Additional information on the EC website: <https://ec.europa.eu/social/main.jsp?catId=1205&langId=en>

<sup>20</sup> Skills Investment Plan

<sup>21</sup> Territories Zero Long-Term Unemployment

### **There are no clear priorities to determine a common target group for the multi-country SOC in the three pilot countries**

It appears that the three countries in scope face very similar challenges when it comes to unemployment and the policies in place are aligned to a large extent. Given the wide scope to be addressed, the policies tend to remain broad in order to be available to a larger group of potential recipients. Providing specific assistance to meet the needs of various groups of jobseekers in accordance with the realities on the ground can be more challenging to implement at centralised level. The public interventions to incentivise the employment of disadvantaged groups often takes the form of financial incentives for the employers or legal requirements such as quotas for employers. Next to that, through its employment agency the state can also facilitate training and job search for the unemployed.

The measures put in place by the public authorities also depend on the political priorities as well as the costs involved. The public authorities conduct a cost-benefit analysis of potential interventions and support programmes in view of their annual budget available. For example, even if long-term unemployment is a major issue, the costs associated with bringing back one LTU in the labour market will be higher than for example a young person, which might prompt the state to focus on the latter.

We observe a correlation between some of the groups with higher unemployment rate. For instance, if we analyse the high youth unemployment, the unemployment rate will be further impacted by the citizenship, the level of education or also a potential disability. Similarly, older unemployed people are likely to be more represented in the long-term unemployed group or the group of people with a disability.

For the SOC, we recommend two potential approaches:

- Focus on a specific target group that the public authorities are unable to address because the issue is too complex and specific. The focus group that are currently insufficiently supported and raised most interest include for instance the youth NEETs, people with disabilities and refugees. This approach will require to identify operators on the ground that have the right competencies. However, it might be more challenging for outcome funders to build consensus on a single common target group.
- Alternatively, do not select a target group and rather choose an innovative approach that can support a diverse group of jobseekers and therefore does not require an alignment of priorities between the countries. Quotas or sub-targets could however be set in the SOC, to support specific disadvantaged groups (for example a premium if a minimum percentage of beneficiaries are LTUs<sup>22</sup>). This appeared to be the preferred approach of the interviewed stakeholders.

### 3. A MULTI-COUNTRY SOC AS AN OPPORTUNITY TO SHARE BEST PRACTICES BEYOND BORDERS AND FOSTER INNOVATION

#### **Disrupting social entrepreneurs with innovative methodologies are willing to take up the challenge of unemployment**

Unemployment is a common issue among European countries and has been a preoccupation for all Member States for several decades. The social groups that face the greatest challenges in accessing the labour market remained the same over the years and across countries. Despite unemployment being a long-standing issue, it appears that the EU Member States are still struggling to find effective solutions to tackle it sustainably. In addition, the EU Member States are and will be facing new challenges in the years to come in an era of digitalisation, under the consequences of the COVID-19 pandemic, increased migration and more.

Hence, innovative ways to address the challenges of unemployment efficiently are needed. Across EU countries, social entrepreneurs and NGOs are developing new approaches that are successful and adapted to support the unemployed in their search for a job. In France, Belgium and in the Netherlands several methodologies are being tested from individualised job search assistance such as mentoring, coaching or peer support, to group-based interventions such as vocational training, or larger-scale job search solutions such as job-matching platforms.

Social Outcomes Contracting is an innovative approach to procuring social services that focuses on outcomes rather than outputs. Social outcomes contracting offers new opportunities for combining and directing public and private resources towards positive social impact. Typically, in SOC operations the service provider's compensation is linked to a measurable social impact rather than to a specific set of tasks<sup>23</sup>. At least 44 social impact bonds with a focus on workforce development have been launched worldwide among which 15 were launched in the Netherlands, in France or Belgium<sup>24</sup>. Although SOC are now recognised as effective in many EU countries, there is limited experience with the implementation of SOC across national borders.

Throughout the study, we have identified several methodologies that have shown to be successful and could be scaled up in the framework of a multi-country SOC. While some focus on specific target groups, others could benefit a wider variety of job seekers.

- 1. Co-searching:** Co-searching seeks to break the social isolation of jobseekers and enable what could be called a bottom-up job counselling. A group of approx. 10-15 jobseekers is brought together to discuss, share tips and experience, support and coach each other. This approach has amongst others the benefits of empowering the jobseekers, valuing their experience,

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<sup>23</sup> The European Investment Advisory Hub further recognises several advantages to SOC, more information can be found on <https://eiah.eib.org/about/initiative-social-outcomes-contracting>

<sup>24</sup> Social Finance SIB Database <https://sibdatabase.socialfinance.org.uk/>

enabling more empathic and personal counselling and advice on the procedures to access support from public employment agencies.

In addition, this approach is particularly cost-efficient as it leverages the skills and experiences of the group. The operator typically connects the group of job seekers and provides some guidance to facilitate groups' discussions.

Co-searching workshops are being organised for instance in Belgium in collaboration with the public employment agencies by Cocorico<sup>25</sup>, co-searching.be<sup>26</sup> or cosearching.brussels<sup>27</sup>. In France, Activ'Action<sup>28</sup> is a large player also supporting workshops in Belgium and several other countries.

2. **Mentoring**<sup>29</sup>: Several EU Member States are carrying out a number of monitoring programmes that vary by focus, by size and type. In most cases, an organisation (NGO, civil society) facilitates the matching of a mentor, an experienced person, and a mentee, a more junior jobseeker, where the mentor will provide advice and coaching to the mentee to support its integration into the job market. The mentorship can be composed of one-to-one meetings but also combined with group sessions. The coaching shall have several positive outcomes including building the mentee's self-confidence, expanding its social network and improving soft skills.

Mentoring from retired professionals is being provided for instance by Duo for a Job that matches foreign-born job seekers with national retired or 50+ workers. The programme started in Belgium and it is now expanding to France and the Netherlands<sup>30</sup>.

In France, the FACE Foundation<sup>31</sup> has a nationwide network aimed at facilitating mentoring schemes especially for jobseekers living in priority neighbourhoods<sup>32</sup> or receiving social benefits. Other initiatives such as Tous Parrains<sup>33</sup> or Un Parrain un Emploi<sup>34</sup> offer similar services with the latter focusing on young graduates.

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<sup>25</sup> Additional information on the website: [www.cocorico-searching.be](http://www.cocorico-searching.be)

<sup>26</sup> Additional information on the website: [www.co-searching.be](http://www.co-searching.be)

<sup>27</sup> Additional information on the website: [cosearching.brussels](http://cosearching.brussels)

<sup>28</sup> Additional information on the website: [www.activaction.org](http://www.activaction.org)

<sup>29</sup> Petrovic, M., "Mentoring in Europe and North America: Strategies for Improving immigrants' employment outcomes", Migration Policy Institute Europe, 2015

<sup>30</sup> Additional information on the website: [www.duoforajob.be](http://www.duoforajob.be)

<sup>31</sup> Additional information on the website: [www.fondationface.org](http://www.fondationface.org)

<sup>32</sup> Priority neighbourhoods of the city policy (QPV) are the territories in France where the city has specific policy that aims to compensate for the lower living standards compared to the rest of the territory.

<sup>33</sup> Additional information on the website: [tousparrains.com](http://tousparrains.com)

<sup>34</sup> Additional information on the website: [parrainemploi.com](http://parrainemploi.com)



In the Netherlands, mentoring programmes focus more on youth and aim to avoid school dropouts and improve social skills. The Ministry of Social Affairs and Employment also set up a mentoring programme with local organisations called Link2Work<sup>35</sup>. “Dare to have a dream”<sup>36</sup> is another private sector powered initiative supporting entrepreneurs with ethnic minority background through coaching programmes.

3. **Creating job opportunities:** Some initiatives instead of supporting the job seekers in their individual journey to find employment directly create jobs for the job-seekers. For example, the organisation Territoires Zéro Chômage de Longue Durée<sup>37</sup> in France mobilised unemployment benefits to create jobs in several regions of France in line with the need of the local communities. The unemployment benefits are used to finance the initiative and put people back to work and at the same time respond to a local need. Similarly, Start-Up Territoire<sup>38</sup> co-creates innovative initiatives with strong social impact in the local territories to answer local needs, innovate and create local jobs.

Other initiatives aim to support entrepreneurship by accompanying job seekers in developing their own business or providing them with microcredits. This enables not only the job seekers to create their own job opportunity but can also potentially create jobs for others. In France and in the Netherlands operators providing those types of services have been supported through SOC in the past.

4. **Vocational training:** Another type of programmes to support the unemployed are trainings for jobs in short supply as for instance IT trainings like facilitated by BeCode<sup>39</sup> in Belgium or Hack your Future<sup>40</sup> in the Netherlands and in Belgium. Those social operators provide training to job-seekers and frequently give priority to disadvantaged target groups. The objective is to increase the job-seekers’ qualifications and increase their employability as well as respond to a need in the job market.
5. **Open hiring:** Open hiring is a recruitment process where the first person that applies gets the job without reviewing their background and resume or conducting an interview. The idea behind this is to eliminate discrimination and give a chance to people who usually face barriers to employment. The approach was developed in the US by the company Greyston<sup>41</sup>.

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<sup>35</sup> Additional information on the website: [link2work.nl](http://link2work.nl)

<sup>36</sup> Additional information on the website: [dutchdreamfoundation.nl](http://dutchdreamfoundation.nl)

<sup>37</sup> Additional information on the website: [www.tzcl.d.fr](http://www.tzcl.d.fr)

<sup>38</sup> Additional information on the website:

<sup>39</sup> Additional information on the website: [becode.org](http://becode.org)

<sup>40</sup> Additional information on the website: <https://www.hackyourfuture.net/>

<sup>41</sup> Additional information on the website: [www.greyston.org/about-the-greyston-center-for-open-hiring](http://www.greyston.org/about-the-greyston-center-for-open-hiring)



For the employers, it has several advantages such as reaching a larger pool of candidates, supporting diversity within the organisation, faster recruitment, improved retention, reduced bias during the hiring process and finally positive impact on society. That type of hiring is however most relevant for position that requires limited qualification as “anyone” should be able to technically do it.

In the Netherlands open hiring is being facilitated by the Start Foundation<sup>42</sup> with a network of 19 participating companies throughout the country.

**Social entrepreneurs typically operate locally in order to be close to their beneficiaries, which will require several operators to collaborate under the multi-country SOC.**

Aware of the importance of local footprint, most social entrepreneurs develop their activities at the regional or country level. Therefore, majority of actors operate locally and lack scale with only a handful of social entrepreneurs that are looking to expand their activities nationally or internationally. However, the similarities of the challenges across countries mean that gains could be made from international scale up or sharing of best practices. More collaboration could help tackle the complex and long-term challenge of unemployment in the EU.

Social entrepreneurs and social associations are most effective when they are close to the beneficiaries and are well-grounded locally. A strong local presence has several benefits thanks to: (i) an understanding of the target group-specific circumstances and challenges, (ii) an understanding of the local job market, (iii) knowledge of the procedures, policies and governmental support available and (iv) a network to connect job-seekers with potential employers.

Some operators once well established in a country are scaling up internationally. Duo for a Job<sup>43</sup> is an example that after being successful in Belgium is now expanding to France and looking to expand to the Netherlands. Other operators such as Simplon.co<sup>44</sup>, Singa<sup>45</sup> or Activ’Action<sup>46</sup> in France also operate in several countries.

A potential SOC could either support the expansion of an operator internationally or collaborate with several local operators following a similar approach. Supporting the expansion of an operator to new countries comes along with potential implementation risks. The operator will need to get familiar with the local context, develop connections with local stakeholders and build up its network, and reaching the expected outcomes could, as a result, take longer. On the other hand, working with

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<sup>42</sup> Additional information on the website: [www.openhiring.nl](http://www.openhiring.nl)

<sup>43</sup> Additional information on the website: [www.duoforajob.be](http://www.duoforajob.be)

<sup>44</sup> Additional information on the website: [simplon.co](http://simplon.co)

<sup>45</sup> Additional information on the website: [www.singafrance.com](http://www.singafrance.com)

<sup>46</sup> Additional information on the website: [www.activaction.org](http://www.activaction.org)

several local operators per country or participating region could build upon their local presence and would allow for faster implementation but require more coordination.

A selection of operators that have been identified during the study as being successful in implementing interventions to support unemployed in the three countries in scope can be found below:

Table 2 : Selection of operators tackling unemployment in the three selected countries

Name	Country of activity	Target groups	Intervention type	Website
Action Emploi Réfugiés	FR	Migrants	- Job-matching	www.actionemploi-refugies.com
Activ'action	FR, BE	All	- Co-searching	www.activaction.org
Adie	FR	Youth, all	- Support entrepreneurs - Job creation	www.adie.org
BeCode	BE	All	- Vocational training	becode.org
Buzinezzclub	NL	Youth	- Support entrepreneurs - Job creation	buzinezzclub.nl
Cocorico	BE	All	- Co-searching	www.cocorico-searching.be
COJOB	FR	All	- Co-searching	cojob.fr
Cosearching.brussels	BE	All	- Co-searching	cosearching.brussels
Cosearching.be	BE	All	- Co-searching	www.cosearching.be
Ctalents	NL	Handicap	- Job-matching	www.ctalents.nl
Divers Gens asbl	BE	All	- Co-searching	www.diversgens.be
DiversiCom	BE	Handicap	- Support and guidance	www.diversicom.be
Duo for a Job	BE, FR, NL	Migrants	- Mentoring	www.duoforajob.be
Each One (Wintegreat)	FR	Migrants	- Mentoring - Training - Network	wintegreat.org
FACE (fondation Agir Contre l'Exclusion)	FR	All	- Mentoring	www.fondationface.org
France Terre d'Asile	FR	Migrants	- Support and guidance	www.france-terre-asile.org

Name	Country of activity	Target groups	Intervention type	Website
Hack your future	NL, BE, DK, CA	Migrants	- Vocational training	<a href="https://www.hackyourfuture.net/">https://www.hackyourfuture.net/</a>
IMPACT Academy	FR	Youth	- Support entrepreneurs - Job creation	
Kodiko	FR	Migrants	- Mentoring	<a href="http://www.kodiko.fr">www.kodiko.fr</a>
Médecins du Monde	FR, BE	Migrants, Homeless	- Support and guidance	<a href="http://www.medecinsdumonde.org">www.medecinsdumonde.org</a>
Médecins sans Frontières	FR, BE, NL	Migrants	- Support and guidance	<a href="http://www.msf.fr">www.msf.fr</a>
Nos Quartiers ont du Talent (NQT)	FR	Youth	- Mentoring - Job-matching - Network	<a href="http://www.nqt.fr">www.nqt.fr</a>
Open hiring - Start Foundation	NL	All	- Open hiring	<a href="http://www.openhiring.nl">www.openhiring.nl</a>
Refugee Team	NL	Migrants	- Support and guidance	<a href="http://refugeeteam.nl">refugeeteam.nl</a>
Samen Slim Zorgen Thuis	NL	Youth	- Vocational training	<a href="http://samenslimzorgen.nl">samenslimzorgen.nl</a>
Simplon.co	FR, BE + 14 countries	Youth, handicap, all	- Vocational training	<a href="http://simplon.co">simplon.co</a>
Singa	FR, BE, DE, UK, CH, IT	Migrants	- Job-matching	<a href="http://www.singafrance.com">www.singafrance.com</a>
Stichting Sarban de Toekomst	NL	Migrants	- Job-matching	<a href="http://www.sarbandetoeekomst.nl">www.sarbandetoeekomst.nl</a>
Teepy jobs	FR	Seniors	- Job-matching assistance	<a href="http://teepy-job.com">teepy-job.com</a>
Territoires Zéro Chômeur de Longue Durée	FR	Long-term unemployed	- Job creation	<a href="http://www.tzcld.fr">www.tzcld.fr</a>
Tous Parrains	FR	All	- Mentoring	<a href="http://tousparrains.com">tousparrains.com</a>
Un parrain un emploi	FR	Youth	- Mentoring	<a href="http://parrainemploi.com">parrainemploi.com</a>
WeTechCare	BE, FR	Youth	- Vocational training	<a href="http://wetechcare.org">wetechcare.org</a>

This list is of course illustrative and is not intended to provide an exhaustive image of relevant operators for such a programme.

**The success of a potential SOC will rely on a performance manager able to coordinate the local stakeholders effectively**

Working with several local operators is likely to be the most effective approach to reach the results of the SOC as it presents less implementation risks, allows for faster roll-out of the programme and builds upon operators existing knowledge and networks. As a result, the implementation of a multi-country SOC will most likely require a Performance Manager (“PM”) to coordinate and manage the local operators. The PM can be an established operator that has experience with this type of contract implementation and management. The role of the PM could also be fulfilled by one of the operators if that operator is well advanced in the developed intervention and solid enough to support an international expansion.

However, implementing a multi-country SOC will require a high level of coordination given that there will be many stakeholders involved and it will require an ability to supervise, support and manage the interventions in the countries consistently. An independent PM that focuses solely on the supervision and coordination role might therefore be more effective in this context.

The role of a PM could include but not be limited to the tasks below:

- 1) Design the intervention: In collaboration with the local operators, the PM will develop and strengthen the theory of change to achieve measurable impact and build the most effective interventions. If a common methodology should be shared by the local operators, adaptations to the local context will most likely be required and prepared in collaboration with the local operators building upon their understanding of the realities on the ground.
- 2) Monitor the performance: The PM would participate in the definition of the targets and the key indicators as well as establishing a monitoring system. The PM will be responsible for collecting data and monitoring the key performance indicators throughout the SOC. The continuous monitoring of the key indicators will further allow the PM to generate insight to ensure optimal operations.
- 3) Adapt the intervention: The insights generated by the performance monitoring will enable the PM in collaboration with the operators to make dynamic adjustments to the operations and implementation of the SOC in order to remain on track in reaching the SOC desired outcomes. In the context of a multi-country SOC, the PM will have the role of ensuring that best practices and lessons learned throughout the implementation are effectively circulated and implemented between the local operators in order to realise the added-value of the multi-country dimension of the SOC.
- 4) Manage the SOC: The PM will manage the programme’s funds and optimise resource allocation to local operations. The PM will coordinate the management with the other stakeholders and manage the relationships with the outcome funders and investors. SOC’s require the collaboration of many stakeholders: on the outcome funding side, at least one public actor per country will be involved. On the investors side, it is likely that several actors will also be involved. The PM will coordinate this increased number of stakeholders and ensure they are duly informed and mobilised as required throughout the programme.

- 5) **Raise the funds:** The PM will act as the interface to collect the funds invested by the social investors. Those investors will be able to run their due diligence on the PM.

#### 4. FUNDING INTERVENTIONS TO FIGHT UNEMPLOYMENT IS EXPECTED TO GENERATE SAVINGS FOR THE STATE

Beyond the social impact, tackling unemployment is a key economic matter given the high cost it represents. A study conducted by Idea Consult for the European Federation for Services to Individuals identified three types of costs that are caused by unemployment<sup>47</sup> :

- **The individual cost** that is borne by the unemployed person. It includes the loss of revenues that affects the standard of living of the individual and the negative impact on its mental and physical health. When unemployment is long-term it impacts the qualifications of the person and its access to the labour market.
- **The cost to society.** Rising unemployment has a negative impact on society as a whole and its consequences include the increase of crime, social dislocation and rising inequalities
- **The cost to the government** has two components (i) the direct costs composed of the payment of unemployment benefits, the support programme for the unemployed and any administrative cost and (ii) the indirect costs understood as lost revenues in terms of taxes that could be paid by the worker, social contributions from employers and employees and indirect lost taxation from decreased consumption.

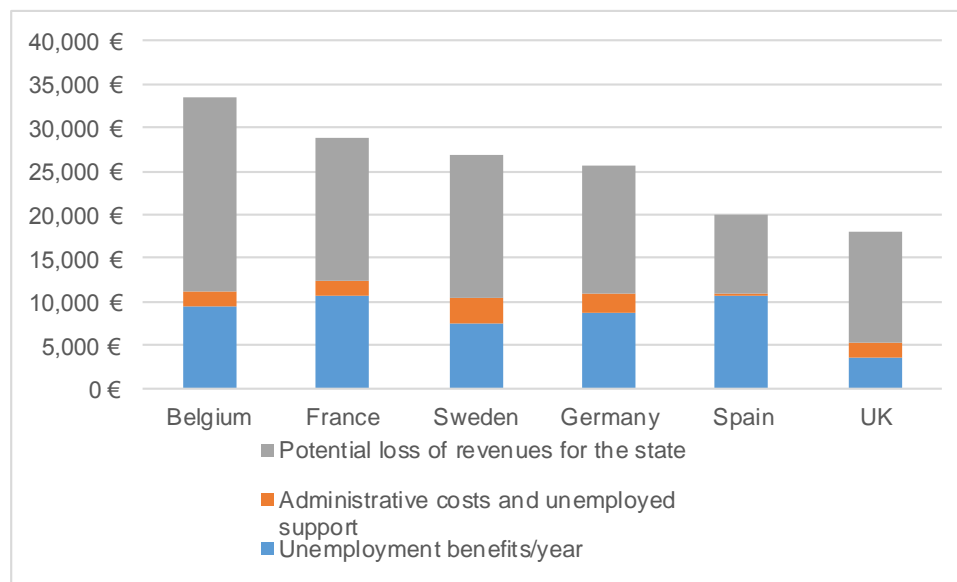
The Idea Consult study further estimated the cost to the government in a sample of six countries in Europe. It showed that the average cost of an unemployed per year was in the range of EUR 19,991 in Spain to EUR 33,443 in Belgium. Belgium had the highest costs followed by France with EUR 28,737. Except for Spain, the largest portion of the cost comes from the potential loss of revenues to the state coming from taxes<sup>48</sup>.

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<sup>47</sup> Gerard, M, Valsamis, D. and Vander Beken, W., Idea Consult, “Why invest in employment? A study on the cost of unemployment”, European Federation for Services to Individuals, 2012 - more recent data were not available within a reasonable period of time, i.e. before the end of the preparation of this report

<sup>48</sup> No data was available for the Netherlands

Chart 1: Cost of unemployment to the State



Sources: European Federation for Services to Individuals, 2012<sup>49</sup>

In 2020, Actiris, the Brussels Employment Agency<sup>50</sup>, estimated the cost of an unemployed to be as high as EUR 40,000 per year to the state, divided into approximately EUR 12,000 of unemployment benefits, EUR 2,000 of support services to the unemployed and the rest in lost revenues for the state (taxes and contributions paid by a potential employer and the employee). Although no recent data are available for the other countries, we can expect a similar upward trend.

In the framework of a social impact bond, the cost to the government is a parameter to consider when assessing if an intervention should be funded and a key argument to obtain support from public stakeholders. To evaluate the benefits and potential savings generated by an intervention, one should compare the total cost of the intervention to the “avoided” government cost. The calculation of the avoided cost should be based on the increased re-employment rate enabled by the intervention. For any intervention that would be selected for a multi-country SOC, a cost-benefit analysis will need to be conducted during the design phase. The cost-benefit analysis should help define the scope of the intervention as well as the targeted outcomes. As an example, we can mention that the IOD (“Intervention sur l’Offre et la Demande”<sup>51</sup>) social impact bond supporting LTUs in Brussels launched

<sup>49</sup> Gerard, M, Valsamis, D. and Vander Beken, W., Idea Consult, “Why invest in employment? A study on the cost of unemployment”, European Federation for Services to Individuals, 2012 - more recent data were not available within a reasonable period of time, i.e. before the end of the preparation of this report

<sup>50</sup> [www.lecho.be/economie-politique/belgique/general/subventionner-les-emplois-ne-reglera-pas-le-chomage/10259482.html](http://www.lecho.be/economie-politique/belgique/general/subventionner-les-emplois-ne-reglera-pas-le-chomage/10259482.html)

<sup>51</sup> Intervention on Supply and Demand

by Actiris in 2018<sup>52</sup>. The intervention required to support at least 160 LTUs and to achieve a re-employment rate 40% higher than the control group to be break-even.

## 5. INDICATORS AND METRICS TO ASSESS THE SUCCESS OF THE INTERVENTION HAVE BEEN TESTED IN THE PAST

The choice of the outcome metrics will depend on the intervention and target group selected for the SOC. Nevertheless, the main indicator to measure the success of the intervention will be the increase of the programme's beneficiaries integration in the labour market.

Based on the review of impact bonds focused on unemployment issues, several indicators have been used in the past and fall within four categories that could be used together and present complementarity depending on the outcomes targeted:

- 1) Entry in employment metric: the first indicator is the number or percentage of beneficiaries that find a job by the end of the programme. The targets can be set based on the operators' past performance or compared to the performance of a control group.
- 2) Job sustainment metric: the job sustainment metric is an important addition to the entry in employment indicator as it will indicate if the beneficiaries were enabled to stay employed in the longer term. It can be measured as a minimum period where the beneficiaries remained employed (for example 3-6 months of sustained employment within a year after the participation in the programme) or by the type of contract they have secured.
- 3) Measurement of intervention output metric: depending on the type of intervention methodology selected, measurement of the results in implementation by the operator is a direct metric that can be easily monitored. It can for example assess the number of beneficiaries accompanied, the number of training provided or the number of jobs created by the operator.
- 4) Social impact metric: the SOC can go beyond decreasing the unemployment rate in the target population as its only objective. It was demonstrated that unemployment has social impacts and integration in the labour market can result in increased well-being and better health.

In addition to defining the metrics, it is equally important to design a measurement protocol to evaluate the performance of the SOC and assess the achievement of the desired outcomes. Two approaches could be considered to measure the success of the intervention to increase the employment chances of the beneficiaries:

- 1) Compare the re-employment in the target group to a control group receiving support under the existing approach: this methodology has the benefit of evaluating the added value of the intervention compared to alternatives. It can however be more difficult to put in place as it

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<sup>52</sup> [press.actiris.be/quand-la-finance-vient-en-aide-aux-chomeurs-de-longue-duree](https://press.actiris.be/quand-la-finance-vient-en-aide-aux-chomeurs-de-longue-duree)

requires to find a comparable intervention with a group of beneficiaries sufficiently large and with similar profiles. The collection of data is likely to be more complex and costly.

- 2) Compare the re-employment rate to a similar randomised control group of unemployed that did not benefit from the intervention: this approach will be easier to implement as it does not require to identify similar interventions and present a large control group with a similar background. It might however result in a less comparable control group if some participants received other types of support.

To measure the performance of the SOC, an independent evaluator will be responsible for collecting the data and monitoring the performance. We foresee no major issue in getting access to the relevant data from the operators implementing the intervention or from the local public bodies to provide statistics on the unemployed population. It might however become more challenging if specific target groups are being selected and the availability of data for specific groups such as NEETs or refugees would need to be confirmed with the employment agencies in each country.

## 6. PUBLIC AUTHORITIES WILLING TO GET ON BOARD AND COLLABORATE ON A MULTI-COUNTRY SOC PROJECT

**Public stakeholders will support a multi-country SOC if it can create synergies and generate added value by the sharing of experiences**

Preliminary discussions with representatives from the public sectors helped to identify potential outcome funders for the three pilot countries that have expressed interest in a collaboration for a multi-country SOC to tackle unemployment issues.

- Actiris, the Brussels Regional Employment Office with the support of the Brussels Ministry of Employment. Actiris is the main actor and provider of solutions for employment in the Brussels-Capital Region. Actiris focuses its actions and resources on (i) guaranteeing the matching between employers and job seekers; and (ii) organising the transition to employment. Actiris has supported three social impact bonds in the past focused on providers of innovative interventions to address unemployment issues, namely Duo for a Job<sup>53</sup>, a mentoring programme, IOD by Actiris<sup>54</sup> focusing on long-term unemployed and BeCode<sup>55</sup>, an IT vocational training provider.
- The Secretary of State for the Social, Solidarity and Responsible Economy could be the counterparty for a SOC related to unemployment in France. Thanks to the initiative of the Secretary, 3 public authorities in France (Ademe, Ministère de l'Economie et de Finances and Ministère du Travail) have launched outcome funds in 2020-2021, focusing on circular

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<sup>53</sup> Additional information on the website: [www.duoforajob.be](http://www.duoforajob.be)

<sup>54</sup> [press.actiris.be/quand-la-finance-vient-en-aide-aux-chomeurs-de-longue-duree](http://press.actiris.be/quand-la-finance-vient-en-aide-aux-chomeurs-de-longue-duree)

<sup>55</sup> Additional information on the website: [becode.org](http://becode.org)



economy, equal economic opportunities and barriers to employment. Other outcome funds might follow. France has the ambition to develop impact bonds both nationally and internationally.

- The Region of Noord-Brabant in the Netherlands has launched the Brabant Outcome Fund (BOF I) in 2019 that supported five social entrepreneurs in the region. After this pilot, the Region of Noord-Brabant is scaling up the initiative (BOF II) and setting up a EUR 20 million fund to support approximately 20 entrepreneurs that contribute, among others, to the wellbeing of the people in the region. These businesses are scalable and demonstrably contribute to integral provincial challenges at the interface between people, planet and profit. This prior experience makes it a relevant partner and the Region could potentially mobilise other public partners to back the initiative and reach a larger scale.

The feedbacks from public stakeholders are generally positive when introduced to the idea of launching a multi-country SOC. Sharing best practices and being agile in learning from the experiences of neighbouring countries is especially seen as an added value for increased cooperation. However, the additional complexity or costs implied by a multi-country SOC should be outweighed by the benefits generated in terms of increased efficiency, synergies or economies of scale.

Nevertheless, there are disparities between the countries' priorities and agendas. For instance, there is no common priority target group that could be identified during the study and even within each country there are not always defined priorities for a specific population. The general position is that when it comes to unemployment all the vulnerable groups are a concern for public authorities and could as a result be aligned with the public agenda. On the other hand, there are several considerations to take into account when defining the scope of a potential SOC to address unemployment.

1. Keep the target group broad: In order for instance to obtain public sector buy-in and reach a consensus between political groups and sensibilities, it can be advisable to select an intervention accessible to all instead of selecting a specific target group. Nevertheless, the intervention could have separate targets to reach a predefined percentage of beneficiaries coming from specific vulnerable groups.
2. Address complex issues where the state is inefficient: SOC's are most relevant to address specific and complex issues for which public policies are ineffective or too generic. A SOC can enable innovation and tailor-made approaches to the specific needs of the target beneficiaries. This distribution of the interventions between the state and social entrepreneurs through a SOC could strengthen their complementarity and increase the cooperation between the public and the private sector. Examples of those specific groups could include refugees, NEETs or people with a disability.
3. Start from the operator or methodology rather than the target group: the added value of a SOC should be to foster innovation and support a disruptive approach or an effective methodology. Therefore, the selection of the focus of the SOC should come from the bottom

by identifying operators or methodologies in the countries in scope with a high impact potential but that require funding to scale up. The quality of the operator will also be key in the success of the SOC. During the interview, public bodies were interested in the co-searching methodology, open-hiring, job creation for LTUs (Territoires Zéro Chômage de Longue Durée) or an intervention that focuses on jobs in short supply.

4. Allow flexibility for the operator: the SOC should allow the operator to experiment and adapt to the circumstances or observations throughout the intervention in order to reach the desired outcomes. Although a general agreement on the methodology should be defined, it shall not be too prescriptive or limiting. This is especially important in the context of a multi-country SOC where several operators will cooperate with the objective to share their experiences and learnings to generate added value and improve the total outcomes.
5. Go beyond unemployment: it is important to the potential outcome funders, especially in the Netherlands, to also take into consideration the other impacts of the intervention going beyond unemployment and especially aim to also generate a positive impact on the environment by integrating circularity or sustainability in the intervention.

**A potential SOC could be potentially launched as from 2022 to be in line with the political agendas and mobilise the required funding**

Bearing in mind the time required to structure a SOC, the launch of a multi-country SOC could be envisaged from 2022. France will hold the presidency of the EU Council that year and there could be a willingness to launch a Pan-European SOC as part of the presidency. The SOC would as a result benefit from greater visibility and political support. France is also working on a policy paper on social economy, which is expected to be published in November 2021 and could create momentum to engage with various stakeholders. As at March 2021, for Belgium and Netherlands, there are no specific constraints for the preferred timing and a launch could be envisaged in 2022-2023. It will however be important to rapidly engage the public stakeholders to secure funding for the project during the preparation of the annual budget. Alignment of outcome funders and secured budget from all the outcome funders before the start of the negotiations is key for a successful partnership.

The budget that could be committed for outcomes funding would need to be further clarified with the public stakeholders during the preparatory phase and will depend on the scope of the intervention. However, preliminary discussions indicate that a budget of minimum EUR 2-8 million per country could be secured, noting that lower amounts would not be advisable given the cost and time required to structure a SOC. For reference, in the past, SOC in the range of EUR 2-7 million was implemented in France and an alignment with specific thematic in the political agenda facilitate the allocation of public funding. As at March 2021, the Brussels Region is submitting its funding request to the Recovery Plan for Europe and potentially some budget could be allocated from that envelope to the SOC in 2022. Finally, the Brabant Outcome Fund II (BOF II) in the Netherlands is expected to have EUR 20 million available to support social business with EUR 0.5-1million of outcome funding

per operator. However, larger amounts could be secured outside the BOF II, especially if several regions can be pooled together to support the SOC.

## 7. FROM THE INVESTOR PERSPECTIVE, THERE IS AN APPETITE TO SUPPORT INNOVATIVE OPERATORS HELPING TO ADDRESS THE CHALLENGES OF UNEMPLOYMENT

During our initial consultations, interviewed investors have provided positive feedback across the board when presented with the proposition to invest in a multi-country SOC targeting unemployment issues. More specifically on the pilot phase, the panel of potential investors shared the below feedback and indicative terms:

Table 3: List of potential investors

Organisation	Preliminary feedback	Indicative terms
BNP Paribas	<ul style="list-style-type: none"> <li>• Strong interest in unemployment and refugees integration issues</li> <li>• Present in the three countries in scope</li> <li>• Seeking an added value coming from the multi-country feature (e.g., workers mobility)</li> <li>• Preference that the performance manager / global operational coordinator is the main service provider of the consortium</li> </ul>	<ul style="list-style-type: none"> <li>• Expected interest rate of 5-7% p.a.</li> <li>• Investment size of up to EUR 2-5 million per country</li> <li>• Requirement to be involved in the structuring</li> </ul>
European Investment Fund	<ul style="list-style-type: none"> <li>• Interested in a platform facilitating and standardising SOC investments across Europe</li> <li>• Investment in time and legal work being substantial, require a large investment size to make sense</li> <li>• Complexity of the multi-country stakeholders' involvement would require a coordinator</li> <li>• Alignment of several outcome funders could, based on past experiences, be a challenge</li> <li>• Given the local nature of the intervention, knowledge of the local context, local social jurisdictions and ideally language by the investors would be a plus</li> </ul>	<ul style="list-style-type: none"> <li>• Expected interest rate of 4-7% p.a.</li> <li>• Investment size of EUR 10-15 million</li> <li>• Specific requirements for the structuring and legal structure, for instance, an SPV (or similar structure) as EIF cannot provide loans</li> </ul>

Organisation	Preliminary feedback	Indicative terms
Finance&Invest Brussels	<ul style="list-style-type: none"> <li>• Interest in the unemployment topic</li> <li>• No previous experience with impact bonds but high interest</li> <li>• Looking for an innovative angle (e.g., scale up or copy intervention that exists abroad)</li> </ul>	<ul style="list-style-type: none"> <li>• Expected interest rate of 6-10% p.a.</li> <li>• Investment size of up to EUR 5 million</li> <li>• Preference to invest along with private investors with market knowledge and limit involvement during structuring phase</li> </ul>

Organisation	Preliminary feedback	Indicative terms
Endowed foundation in the Netherlands	<ul style="list-style-type: none"> <li>Supported social entrepreneurs in unemployment topic previously</li> <li>Preference for refugees or disadvantaged youth focus group</li> <li>Conscious of the complexity that can arise with multiple stakeholders</li> <li>High importance given to outcomes but conscious of the risk of failure</li> </ul>	<ul style="list-style-type: none"> <li>Expected interest rate of 10% p.a.</li> <li>Investment size around EUR 500,000 but can go up to EUR 1.2m</li> <li>Funds can only be used to the portion of the intervention in the Netherlands</li> <li>Preference to be involved during the design phase</li> </ul>
Stichting Doen	<ul style="list-style-type: none"> <li>Interest in the unemployment topic and all types of beneficiaries</li> <li>Preference for positive social and environmental impact</li> <li>Feedback of impact bonds structuring being too time-consuming</li> </ul>	<ul style="list-style-type: none"> <li>Expected interest rate of 0-5% p.a.</li> <li>Investment size around EUR 100,000, maximum EUR 250,000</li> <li>Funds can only be used to the portion of the intervention in the Netherlands</li> <li>Preference to have a third party coordinating the process</li> <li>DOEN Participaties can invest in equity of social enterprises amounts ranging from EUR 100,000 to EUR 500,000</li> </ul>

## 8. AN INDICATIVE TERM SHEET TO MOVE INTO THE IMPLEMENTATION PHASE

Based on the preliminary discussions with public and private stakeholders, an indicative term sheet for a multi-country could look as follows (caveat: this is of course very preliminary and does not commit any of the parties mentioned below, nor does it finalise the choice of any of the themes mentioned below).

Table 4: Indicative term sheet

Starting date	Late 2022
Intervention	Co-searching methodology Job creation for LTU using unemployment benefits Support for jobs in short supply Focus on NEETs (NL), people with disabilities (BE) or Refugees (FR)
Outcome metrics	Re-employment rate Job sustainment Percentage of disadvantaged beneficiaries Social impact
Outcome funders	Actiris, Brussels Employment Agency Noord Brabant Region French Ministry of Social Economy, Employment, Ecology and Housing
Investors	BNP Paribas (FR) EIF (EU) Finance & Invest Brussels (BE) Orange Fond (NL) Stichting Doen (NL)
Size in EUR	15 million, 2-8 million per country
Duration	Up to 5 years (ideally 3 to 4 years)
Interest rate	4-8% p.a.

The interest of the parties to participate in a pilot in the three countries has been validated under certain conditions. Would the pilot be scaled up to a pan-European platform for SOC, potential stakeholders identify several advantages and see the potential to address some of the pain points they face with SOC today. There are nevertheless some disadvantages of a multi-country SOC mainly due to the increased complexity in comparison to a single country initiative. The PROS and CONS of a multi-country SOC in comparison to a single country SOC are summarised below:

Table 5: Pros and Cons of a multi-country SOC

PROS	CONS
<b>Share best practices:</b> when social challenges are similar across countries, increasing cross-border collaboration and sharing of best practices can enable the participating countries to reach desired outcomes faster and more efficiently.	<b>Increased number of stakeholders:</b> a multi-country SOC would require the collaboration and coordination of more stakeholders than in a single country programme. It is likely to increase the complexity of the structuring and of the management of the programme after the launch of the SOC.
<b>Increased standardisation of SOCs:</b> through a pan-European platform, investors see the potential to invest in SOCs in a leaner way as today the structuring of SOCs is often costly and time-consuming. Setting up a platform that could allow participation in SOCs with a standard contractual structure would facilitate investments.	<b>Need for coordination of the interventions at the local level:</b> Social service providers are most often grounded locally and work closely with the beneficiaries. Few of them are present internationally, therefore a multi-country SOC will most likely need to involve different operators in the countries.
<b>Diversification of risks:</b> a multi-country SOC financing several actors in different countries would create a more diversified portfolio for the investors and limit single exposure to an operator.	<b>Differences in outcome funders' priorities:</b> the political priorities vary between the countries. A multi-country SOC will require to engage outcome funders from different countries on a common theme.
<b>Cross border investments:</b> through a pan-European platform, investors can gain access to a wider choice of investments across Europe presenting new opportunities and also supporting risk diversification.	
<b>Larger ticket size:</b> Besides larger ticket sizes being more attractive for some investors, SOCs often have high transaction costs and the specificities of the mechanism make them difficult to standardise. Increasing the SOCs size by implementing the programme in several countries would decrease the relative transaction costs for all involved parties. A multi-country opportunity would allow investors to secure larger ticket sizes while spreading their funds across several operators in one transaction.	
<b>Professional management:</b> a pan-European platform for SOCs would likely induce the appointment of a performance manager to coordinate and oversee the SOCs, also reducing the monitoring burden for investors of their SOCs investment portfolio.	

PROS	CONS
<b>Build reliable and comparable data:</b> similar interventions will be deployed in several countries and the SOC will require the collection of reliable data, the monitoring of the performance and the evaluation of the outcomes. As a result, the pan-European SOC will generate comparable data across countries valuable for the public authorities.	
<b>Strengthen EU collaboration:</b> an EU SOC would enable more collaboration between Member States on key social issues building a stronger cohesion between the countries while benefiting from the growing interest in SOC.	
<b>Potential support from EU institutions:</b> the EC, EIB and EIF could potentially support the Member States in participating in a pan-European SOC.	

We recommend taking the following next steps in the coming couple of months before moving to the structuring phase:

- 1) Select the operator(s): As highlighted during the study, there is a strong preference to envisage the SOC with a bottom-up approach by identifying an operator (or more) on the ground with an innovative proposition that can be scaled up internationally. We have identified several methodologies and potential operators<sup>56</sup> that could be relevant for the SOC. A thorough review of their programme is required as a starting point to present a concrete proposal to be validated by the outcome funders.
- 2) Organise a workshop with potential outcome funders: Given the various ideas for the SOC shared by the public stakeholders of each of the countries, we recommend organising a workshop with representatives from the three countries early on. A common workshop would allow us to align on the requirements for the SOC and implementation roadmap. Option of identified operators can be presented and selected by the wider group.
- 3) Validate public partnerships: The potential outcome funders have indicated that they would be interested in launching the SOC as early as 2022. This would require including the project in their budget already in 2021. It is therefore important to rapidly confirm the expected implementation plan and the estimated budget with the public stakeholders. Structuring of the SOC should start only once outcome funding budgets are secured.

<sup>56</sup> Please refer to section 3 of the study on pages 17-26



- 4) Mobilise social investors: Once the scope and the budgets are confirmed with the outcome funders, investors can be contacted again to confirm their interest in view of preparing the structuring phase.

## ANNEX 1: STAKEHOLDERS INTERVIEWED FOR THIS STUDY

Interviews were carried out between January and March 2021.

	Organisation	Country	Contact name	Position
1	Actiris	Belgium	Nathalie Descheemaeker Fatine Daoudi	Head of Department - Partnerships & Employment Programmes Directorate Director Partnerships Department
2	Government of Brussels-Capital Region	Belgium	Bernard Clerfayt	Minister in charge of Employment and Vocational Training, Digital Transition, Local Authorities, Animal Welfare, Regional IT and Administrative Simplification.
3	Region of Noord Brabant	Netherlands	Astrid Kaag	Policy Advisor – Brabant Outcome Fund
4	Provincie Overijssel	Netherlands	Mira Hamraoui Ruben Veraart	SME Programme - Innovation & Entrepreneurship Labour Market Policy Advisor
5	Secretary of State for the Social, Solidarity and Responsible Economy	France	Maxime Baduel	Advisor in charge of social economy and impact investment
6	Finance&Invest Brussels	Belgium	Pierre Hermant	Chief Executive Officer
7	BNP Paribas	France	Maha Keramane	Head of Social Business and Microfinance Europe
8	Anonymised foundation in the Netherlands	Netherlands	–	Senior Project Advisor
9	Stichting Doen	Netherlands	Reineke Schermer	Programme Manager Social Entrepreneurship and Inclusion
10	European Investment Fund	EU	Cyril Gouiffes Elodie Donjon	Head of Social Impact Investments Investment Manager

