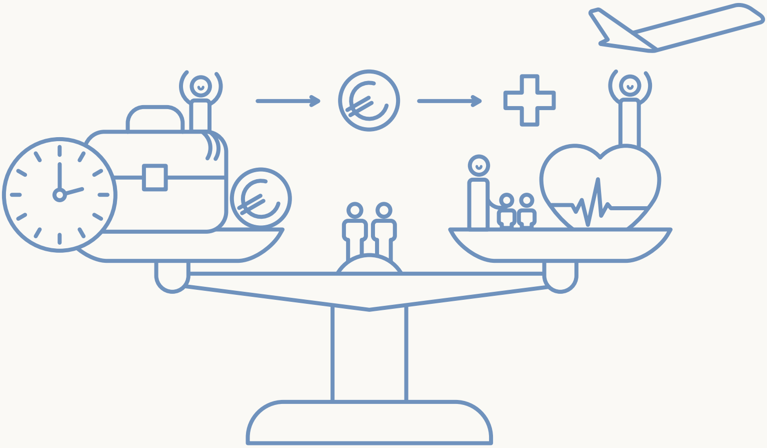


PRACTICAL GUIDE

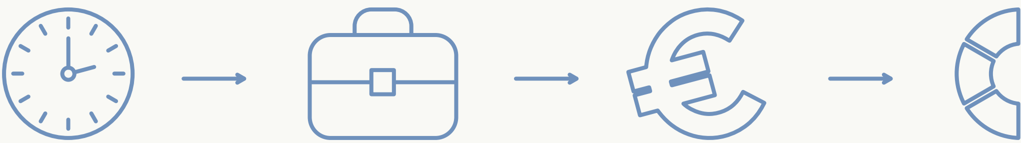
LABOUR, WELFARE AND SUSTAINABLE FINANCE

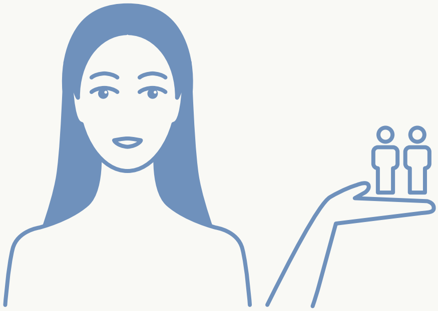
UNIVERSITÀ DI TRENTO

With the support of the Erasmus+ Programme of the European Union

“VETHER IT’S WORTH GOIN’ THROUGH SO MUCH, TO LEARN SO LITTLE, AS THE CHARITY-BOY SAID VEN HE GOT TO THE END OF THE ALPHABET, IS A MATTER O’ TASTE.”

– THE PICKWICK PAPERS, C. DICKENS





PRACTICAL GUIDE

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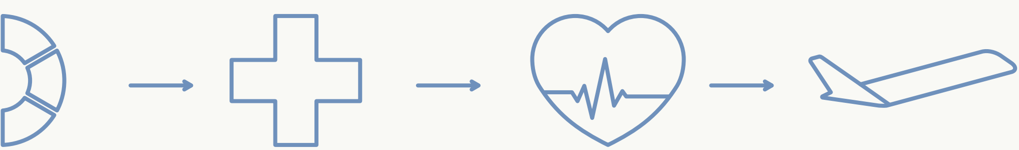

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FOREWORD

Riccardo Salomone
Full professor
at the Faculty of Law
of the University of Trento

We wanted to make a simple book, in the form of a primer. But the topic of this guide, which follows an alphabetical order, is very complex – studies were conducted for a few years with the support of the European funding indicated on the cover… and we have only just begun – and it deserves some introductory clarification. In short, we present the fundamental terms of this topic, with some assumptions regarding the relationship between these two worlds – finance on the one hand, labour and welfare on the other. More specifically, the guide aims at describing the concepts and links that correlate sustainable finance with labour and welfare policies. Some of these concepts and connections are known; some others are only partially or little known. In the view of interdisciplinarity they can be fully understood and, perhaps, some attempt of solution can be identified. Nevertheless, its purpose is to offer an initial toolbox to those who, in different ways, have to deal with this topic in the area of institutional or professional action, education or training.

What is sustainable finance and what are social impact financial products? How can labour and welfare policies cope with emerging new weaknesses, and with situations of a persistent crisis of resources and effectiveness in terms of achieved results? What are the possible institutional perspectives and the policy options arising from the correlation of these new tools and the corresponding problems? The guide aims at providing a glossary of the first, possible answers to these and other consequent questions, starting from the analysis of all these new forms of financial investment.

Sustainable finance, as well the topics related to impact investing, have gained increasing relevance over time. The scientific debate is open to discussion, and indeed uncertainties and polarizations on the outline of the compatibility between sustainable finance instruments and the market economy models are still a fact. Moreover, sustainable finance has evolved, in terms of financial and investment mechanisms. Among capital investment instruments, shares are labelled as social if, for example, they reflect social responsibility features. Among the debt instruments, we mainly focus on social bonds, also due to the growing presence of issues in the wake of the success of Green Bonds. Social bonds, in fact, show an explicit – but not always profitable – link with Environmental, Social and Governance factors. But in addition, in the guide we also suggest definitions regarding alternative finance instruments and the evolution of devices such as social impact bonds. With respect to funding mechanisms, we therefore offer answers about the social variations of traditional instruments and of alternative finance instruments. In this regard, this guide assumes in any case that sustainable finance can actually be considered as a financial instrument in which the management of money is aimed at obtaining both an economic and a social return. In this perspective – which has led us to exclude from our analysis purely philanthropic interventions where the presence of an economic return is not required – we especially underline the importance of the topics and of evaluation techniques.

In terms of labour and welfare, the starting base of this guide are data, elements, and structural characteristics that mark, and partially explain, the objective deficiencies and difficulties in terms of instruments and results achieved by our country. Nevertheless, Italian public expenditure on labour and welfare policies continues to be structurally lower than in the rest of European countries, while private savings remain high and largely unused. The pandemic and the subsequent crisis have underlined even further and deeper the need to support changes to tackle segmentations and fragilities of the labour market; such segmentations and fragilities currently exacerbate the risks for our country of relentlessly embracing a condition of structural mismatch between demand and supply of skills and employment. A system of labour and welfare policies capable of effectively facilitating transitions and protecting vulnerable individuals and groups would instead require a strong and renewed incentive, in terms of resources, and therefore of corresponding project planning. And this is required in the current historical phase, that is, in a moment when new dimensions of weaknesses, fragilities and disadvantages are emerging and consolidating.

The crises of the last twenty years have repeatedly challenged labour markets and welfare systems, certainly throughout the whole Europe, albeit with different quantitative and qualitative undertones. What is more, the pandemic has made the need to support institutional innovation processes more urgent, especially for our country, in order to address misalignments and segmentations of the labour market. Besides, having effective and sustainable labour market policies should be a top priority, since public funding – beyond contingent contributions (such as the Recovery and Resilience National Plan resources) – cannot compensate, in the medium term, for the increase in new social needs, for instance long-term unemployment, NEETs, poverty and the risks of social exclusion. European institutions have long recognised the urgency of promoting alternative sources of active policies for the labour market foreword

and for welfare funding, supporting schemes aimed at connecting the public, the private and the third sector. Hence, we believe the necessary step to be taken in the near future is looking at the possible forms of sustainable financial innovation for labour market and welfare policies.

The spirit of our guide is to improve the basic knowledge of those topics and issues related to social impact investments, from an economic, legal and institutional point of view. We believe it allows to postulate an effective use of said forms of financing to foster the implementation of labour market and welfare policies.

My suggestion would be to read the guide in one go, to get an overall idea of the several and important aspects that we dealt with. But whether it is worth going through so much, to learn so little – as the boy said when he got to the end of the alphabet – well, that is a matter of taste.

A

ACTIVE AND PASSIVE LABOUR POLICIES

Anna Nicolussi Principe
Labour Inspector
in Trento

The term labour policies refers to all public interventions in the labour market aimed at promoting employment, facilitating groups of people with particular difficulties, inactive people and people at risk of involuntary job loss.

SOCIAL IMPACT FINANCE COULD BE THE PREFERRED WAY TO CHANNEL PRIVATE INVESTMENT AT A PUBLIC POLICY LEVEL

According to the European Labour Market Policies (LMP) classification, labour policies are divided into nine categories, grouped into three main types: services (category 1); activation measures, or active policies (categories 2-7); income support interventions, or passive policies (categories 8-9).

Passive labour policies are destined to those who have involuntarily lost their jobs or had their employment relationship suspended and their scope is to address the social and economic problems arising from unemployment.

Passive labour policies are **measures of a welfare** or insurance nature that on the one hand guarantee a form of income support to the beneficiary, on the other, in the event of suspension from work, they try to avoid the dispersion of resources and of the temporarily unused competences, with a view to resuming the job.

The main passive labour policy instruments may include, with reference to suspended workers: the Ordinary (Cigo) and Extraordinary (Cigs) Wages Guarantee Fund, the Wage Integration Fund (FIS) for employees not covered by the previous measures and other territorial or sectoral Solidarity Funds, depending of the collective bargaining; with reference to those who have lost their jobs: the New Social Insurance for Employment (Naspi) destined to all employees, the unemployment benefit for collaborators (Dis-Coll) for workers with an atypical employment contract, research fellows and PhDs, and the Agricultural Unemployment Allowance for fixed-term workers in the agricultural sector.

Differently, active labour policies are defined as a set of actions aimed at promoting access to employment, particularly for those workers who face the greatest difficulties, such as young people, women, people with disabilities, and the long-term unemployed, helping them in the search for employment, improving their skills and, therefore, their employment potential, reducing the cost of work for businesses and creating job opportunities.

Hence, they are a set of very heterogeneous interventions that only partially provide for monetary allocations (as in the case of incentives for new start-ups) and that mostly consist of **interventions aimed at making the functioning of the labour market more efficient, adapting supply characteristics to demand, and improving access to employment.**

The main active labour policy measures include, but are not limited to, assistance in an active job search, information and career guidance, direct and temporary job creation, reskilling programmes, and continuing training of employed workers.

The services included in the category of active labour policies are mainly provided by the Employment Centres, but also by other subjects such as Employment Agencies, public and accredited private upper secondary schools, public and private Universities, municipalities and Chambers of Commerce, the most nationally represented employers' and workers' associations, social care institutions (Patronati), bilateral institutions and not-for-profit organisations that have as their objective the protection of employment, the assistance and promotion of entrepreneurial activities, the design and provision of training and learning-and-working programmes and the protection of disability.

With the entry into force of the Legislative Decree no. 150/2015, the National Agency for Active Labour Market Policies (ANPAL) was established to coordinate and direct active policy measures and services, in close collaboration with Italian Regions.

National and European public investment plays a major role in financing passive and active labour policies. However, the allocated resources, albeit substantial, are not sufficient to meet the increased needs for employment protection that have also arisen as a result of the crisis related to the COVID-19 pandemic.

The need to rethink labour policies financing instruments has therefore emerged, by means of promoting new investment channels that also provide for the input of private resources.

In this sense, social impact finance could be the preferred way to channel private investment at a public policy level. With reference to the aid of private resources in the field of passive labour policies, an important example is the issue of the first social bonds of the European Union, aimed at financing loans under the SURE instrument. SURE is an instrument adopted by the European Union, which has the aim of supporting the expenditure that governments face for employment protection, protecting jobs and workers affected by the repercussions of the COVID-19 pandemic[1].

With regard to the private financing of active labour policies, the so-called social impact bonds (SIBs) are of particular importance. These investment instruments are being developed mainly in the field of job placement for the weakest target groups such as young people, migrants, the unemployed and workers at risk of unemployment.

ISSUE OF THE FIRST EUROPEAN UNION SOCIAL BONDS TO FINANCE LOANS

1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Text available on: www.eur-lex.europa.eu, pp. 30-31.

In this context, the experiences of some European countries should be mentioned.

The **Netherlands**, in particular, launched the first SIB aimed at tackling the problem of job placement of Rotterdam's young people through diversified programmes that included, for example, aid intended for those who had decided to try to start a business, providing support in the development of business plans or in the identification of useful funding channels for their business.

In **France** the SIB instrument has been tested to boost employment in the peripheral areas of the country by providing support in establishing new companies in peripheral territories that in turn can generate employment. Specifically, the programme provided for funding training activities aimed at the acquisition of the necessary skills to start new entrepreneurial activities.

Finally, in **Switzerland** the SIB was aimed at financing a series of employment interventions to facilitate access to the labour market for a group of migrants with a temporary residence permit [2].

2 Cristofolini C. (2021). *Potenzialità e criticità dei social impact bonds per l'inserimento lavorativo.* Diritto delle Relazioni Industriali, n. 4, p. 1030.

A

ASSESSMENT, IMPACT MEASUREMENT

Allegra Elena Pallaroni
Scientific collaborator at the Faculty of Law of the University of Trento

An assessment means determining the value of things and facts that must be taken into account for making a decision. For a long time, the field of public social policies has been deemed distant from assessment activities because, in order for these to be applied, it is necessary to identify and use elements that can be measured. Indeed, the social objectives of public policies do not include quantities that are directly measurable according to commonly known mechanisms.

However, in recent years, the concept of social impact and the necessary assessment to measure such impact have emerged in the context of public policy planning. A first reference to the concept of social impact can be found in Law 106/2016; later, the Ministry of Labour and Social Policies provided guidelines for the implementation of assessment systems aimed at evaluating the social impact of the activities carried out by third sector organisations. In the scientific and technical language, impact is a concept defined as "the influence exerted by something", in this case by public policies, "on something else", in this case the social sector.

At a governmental level, social impact assessment is a qualitative and quantitative evaluation, in the short, medium and long term, of the effects of the activities carried out on the reference community with respect to the identified scope.

The provision for **monitoring public policies** is in line with the example of assessment operations already implemented in other governmental contexts and is therefore not a real novelty, although in Italy it has certainly been accelerated by the recent connection of policies and sustainable finance instruments. Sustainable finance with a social impact, or social investing, has as its primary objective the management of money in order to achieve a social return, with an eye on the traditional return to which financial instruments are aimed, namely economic return. The challenge therefore seems to have become the capacity to adapt the proven quantitative finance measurement metrics, in order to be able to also estimate the qualitative value necessarily implied in the social dimension.

A

assessment, impact measurement

The difficulty of measuring and assessing social impact is certainly connected to the difficult goal and precise quantification of the planned objectives and of the results obtained in the planning and implementation of public policies. However, being this an essential element of the functioning mechanisms of financial instruments, in negotiations public and private parties were forced to specifically select elements that favoured their measurement and consequent assessment.

The objective is thus quantifying the result, and it is achievable only through an accurate selection of the target group, the definition of the goals, the perspective of the economic returns and the agreement on the used assessment methodology.

Therefore, it seems that an ex-post assessment can be considered to be the cornerstone of the social project configuration. The counterfactual method allows the comparison between the results obtained on the target population and those achieved on a control group, which allows to monitor the progress of the intervention, to verify the achieved results and to determine its success rate.

Social Impact Bonds have been the instrument capable of **highlighting the centrality of measuring results** in order to estimate the benefits granted to the community by an intervention, and affirm the importance of possible savings for the public sector, if the intervention proves to be effective. On the other hand, this is a result-based financial mechanism, the success of which is conditional not on the achievement of economic objectives, but rather of goals with social purpose, in which investors entrust social providers the ability to carry out social projects that can achieve certain results. Public administration, on its part, entrusts such interventions with the capacity of saving on social spending. What drives this type of socially responsible investment is certainly its ethical component, which leads to objectives that go beyond the financial return, shifting interest on the investment made on the community.

It is exactly the system of measuring and assessing impact that can oppose the transformation of impact finance into a lever for the privatisation of needs, convincingly emphasising the central importance of conveying private capital for social purposes. Monitoring and expecting social results can strengthen the idea that the financial instrument is the element at the service of public authorities, which remain the main actors in the process of supporting the social sector.

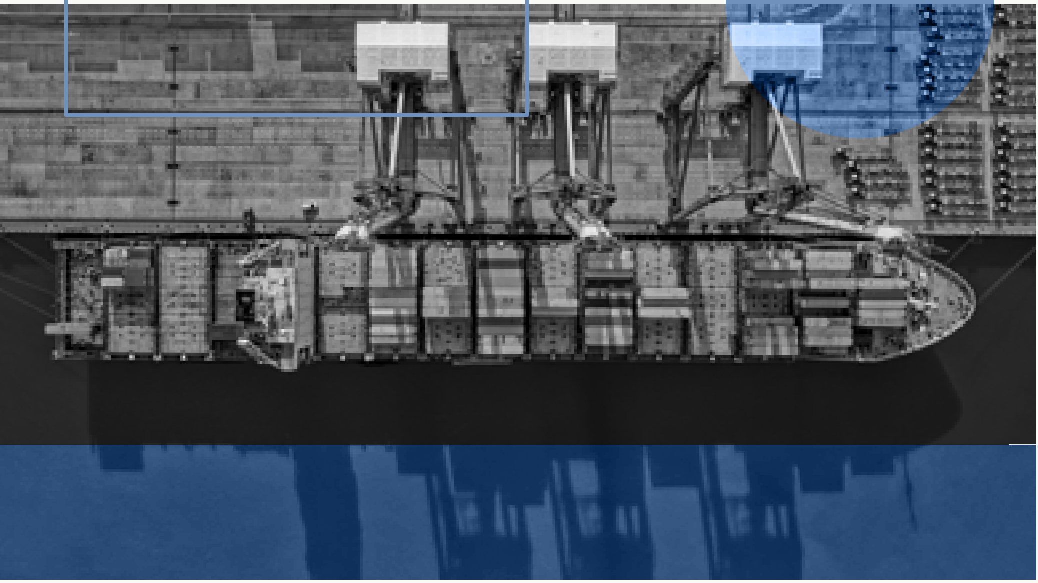
The assessment and measurement of the impact involved in sustainable investment integrates financial analysis and environmental, social and governance analysis, because this is the only way to be able to create value for investors and for society as a whole. The most comprehensive social impact can be defined as the non-economic change that results from the activities of governmental organisations and from investments made in the field of public policies.

The call is certainly for the adoption of a programmatic approach of interventions and resources, which results in a systematic outcomes assessment in terms of quality and performance effectiveness, including an assessment of costs, returns and consequent results. A results and impact assessment on the social fabric is carried out using specific qualitative and quantitative indicators that analyse and monitor interventions, highlighting any deviations from what had been expected. This is nothing more than the use of a function of the financial world in the context of social policies, which may at a glance appear as a physiological contradiction, but perhaps contains the best possibility for the world of public policies to learn how to become (increasingly) effective.

B

BLUE TRANSITION

Camilla Faggioni
Post-doc
at the Faculty of Law
of the University of Trento



The concept of *blue transition* is connected to that of *blue economy*, that entails all economic activities related to oceans, seas and coasts as a whole. The term *blue transition* derives from the idea that, in order to achieve a more sustainable economy in terms of climate and environment, the support of blue-economy industries is essential. The EU has embraced this idea, declaring that a sustainable *blue economy* is a prerequisite for achieving the goals of the European *Green Deal*. As stated by Virginijus Sinkevičius, EU Commissioner for the Environment, Oceans and Fisheries: “to be truly green, we must also think blue”.

The oceans have great potential in terms of renewable energy production, which include offshore wind and tidal power. According to the EU Commission, sustainable ocean energy (including floating offshore wind, thermal, wave and tidal energy) could generate a quarter of the EU's electricity by 2050.

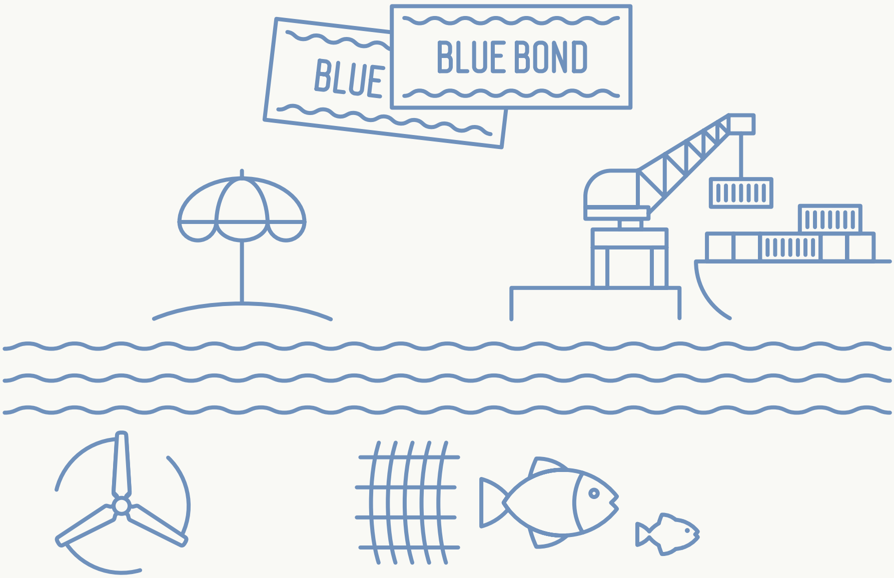
However, if new technologies related to renewable energy production are not implemented carefully, traditional blue economy sectors, such as fisheries and tourism, already severely affected by COVID-19, could be negatively concerned. From this point of view, regional planning is essential for the coexistence and an effective use of the areas.

Furthermore, pursuing blue transition does not only mean implementing renewable energy production systems in a marine environment, but also reducing the environmental and climate impact of all sectors of blue economy, among which fisheries, aquaculture, coastal tourism, maritime transport, port activities and shipbuilding.

"TO BE TRULY GREEN, WE MUST ALSO THINK BLUE"

Virginijus Sinkevičius

Blue transition requires investments in innovative technologies: for the production of wave and tidal energy, the restoration of marine ecosystems, and the decarbonisation of transport, a completely new, complex and expensive technological system is needed. In order to financially support the blue transition, the European Union has created the new European Maritime, Fisheries and Aquaculture Fund, which manages the BlueInvest Fund. The latter endorses a transition to more sustainable value chains based on oceans, seas and coastal activities, financing equity funds that, in turn, support businesses and start-ups that develop innovative products, materials and services in support of blue transition.



blue transition

As regards private investment, in 2017 the EU Commission, the WWF, the World Resources Institute, and the European Investment Bank developed the Sustainable Blue Economy Finance Principles, to provide banks, insurance companies and investors with a framework for financing blue economy, in accordance with the International Finance Corporation's performance standards.

The financial market of investments aimed at supporting the blue transition has rapidly been fairly successful. The most relevant instruments for this market are *blue bonds*. Blue bonds are a new type of sustainability bond, aimed at financing projects for the development of sustainable commercial activities related to water or marine conservation.

The first blue bonds were announced on 28th October 2018 by the Vice President of the Republic of Seychelles: they were State issued bonds, specifically chosen in view of an environmentally sustainable development of the islands' economy.

Following the Seychelles initiative, in January 2019 the Nordic Investment Bank issued the Nordic-Baltic Blue Bonds, intended for projects preventing water pollution in the Baltic Sea, and in April 2019 the World Bank placed 10 million dollars of blue bonds on the market, for financing projects aimed at solving the problem of plastic in the oceans.

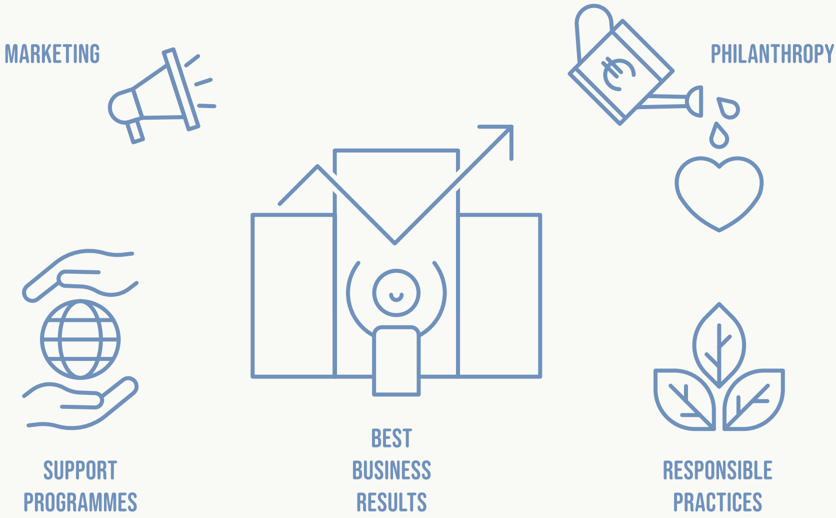
The market is showing a growing interest in blue finance, and operators have expressed the need to have specific guidelines on the projects' eligibility criteria for the issue of blue bonds and blue loans. The International Finance Corporation has therefore developed the Guidelines for financing the blue economy, with the aim of supporting those private investments that are in line with the Green Bond Principles and the Green Loan Principles, and contribute to the Sustainable Development Goals no. 6 and no. 14 of the United Nations ("Ensure availability and sustainable management of water and sanitation for all" and "conserve and sustainably use the oceans, seas and marine resources for sustainable development"). The document intends to provide a list of eligible uses of proceeds and to identify acceptable project categories.

C

CORPORATE SOCIAL RESPONSABILITY

Lorenzo Giovanni Luisetto
Research scholar
at the University of Michigan

The notion of Corporate Social Responsibility (CSR) refers to the strategies that firms adopt to fulfill social obligations towards **the general public and their stakeholders** – e.g., consumers and workers.



In the literature common examples of CSR actions and companies' initiatives are philanthropy, marketing strategies, support programs for certain target groups of individuals, as well as "responsible" employment and production practices. While "doing good", these activities also lead to better financial outcomes, essentially thanks to the positive effects on stakeholders.

In recent decades CSR has become critical in the global dimension. Once recognized the difficulty of regulating global value global value chains by law, policymakers have been placing a growing attention to regulatory tools that might direct firms to self-regulate their behaviours through CSR.

corporate social responsability

In recent years the European Union and some Member States enacted new laws. aimed at establishing due diligence obligations. The goal is to push firms operating on a global scale to integrate their strategies with a variety of interests and to be held accountable for what happens along the value chain. For example, in 2017 France enacted a new law imposing the duty for French multinationals to monitor working conditions in their value chain.

CSR sometimes is combined with other concepts related to a certain idea of financial investment, which could be defined as responsible or sustainable, namely environmental, *social and governance* (ESG) and *socially responsible investing* (SRI). Although these concepts have some overlaps, they should not be used interchangeably. A helpful distinction concerns the fact that CSR better relates to companies' behaviours, rather than investment strategies. However, such approaches share the aim of going beyond the vision of the firm as a profit maximizing entity.

Firms that adopt a CSR strategy usually put in place strategies to behave in a socially responsible way. The meaning of "socially sustainable" can vary, therefore firms usually rest on 4 pillars that constitute CSR: environmental responsibility; ethical responsibility; "philanthropic" responsibility; and economic responsibility.

4 PILLARS THAT CONSTITUTE CSR:

ENVIRONMENTAL RESPONSIBILITY
ETHICAL RESPONSIBILITY
“PHILANTHROPIC” RESPONSIBILITY
ECONOMIC RESPONSIBILITY

The text was translated by Lorenzo Giovanni Luisetto

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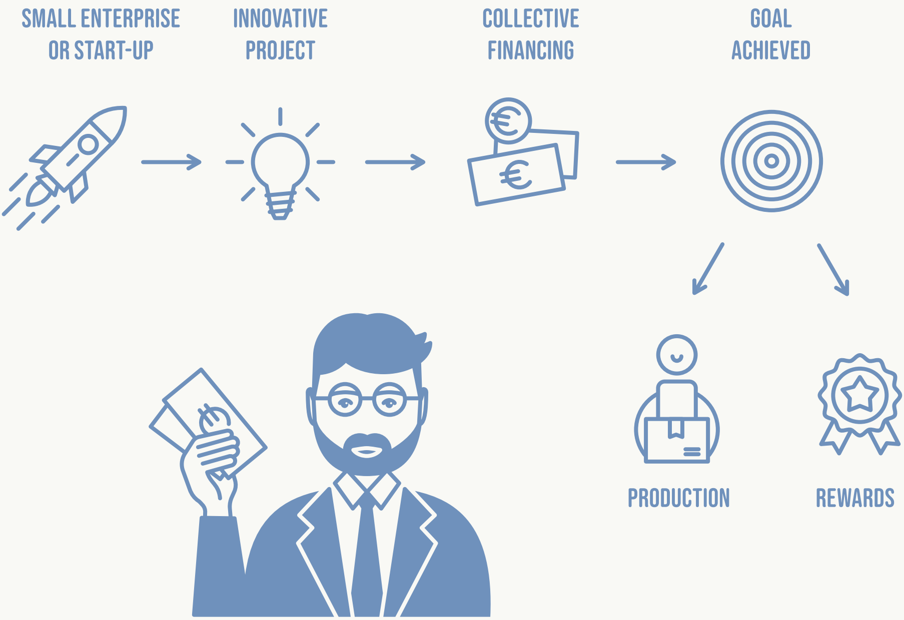
C

CROWDFUNDING

Elisa D'Anneo
PhD student
at the Faculty of Law
of the University of Trento

Crowdfunding (from the conjunction of the English words *crowd* and *funding*) is a fundraising tool aimed at carrying out a project or business activity by virtue of the economic contribution of a large number of donors and that generally takes place through a moderating organisation, usually a digital platform. Also known as *finanziamento collettivo* (collective financing), crowdfunding, in fact, initiates the "bottom-up" process of involving those who wish to support, with their own money, ideas of small entrepreneurs or start-ups, who, given their size or their very innovative or niche projects, find it easier to ask for small sums from multiple subjects, rather than a single loan to Banks or other traditional investment companies.



In Italy, this particular financing modality has begun to develop in 2005 with the creation of the platform "Produzioni dal basso" (bottom-up productions) which was the first to launch a fundraising campaign; this phenomenon reached its peak in 2013, and we can currently assist to four types of crowdfunding.

The **equity model** consists of a crowdfunding with investment, in which funders allocate a contribution to SMEs or start-ups and, in return, obtain corporate shares of such companies. This model takes the form of solicitation of public savings, which implies evident risks; for this reason, it is well regulated according to the specific norms of each country. Digital platforms in Italy act as intermediaries for investments in *equity crowdfunding* and they must be authorised by Consob (Companies and Exchange Commission) in order to operate.

The loan-based is a form of disintermediation; the funder decides which project to support with its own loan of money, in exchange for an interest rate to be received from the company or the private beneficiaries.

The last two crowdfunding models refer to the institution of donation and are called donation crowdfunding and reward-based crowdfunding. In the first form, those who donate money make a pure donation; in the second, instead, those contributors receive a symbolic, non-financial reward according to a set system and proportional to the donation made.

Furthermore, after the European Union has approved the Green Deal, crowdfunding has also been assuming a fundamental role in fostering the growth of sustainable businesses and, thus, responding to the increasingly urgent problems of society, such as energy transition and climate emergency. In fact, as reducing the impact on the environment is becoming a common goal for all business operators, similarly the use of crowdfunding allows even the smallest companies to generate more sustainable and "green" services. This innovative form of financing sustainability is also associated with a new crowdfunding method, the so-called *civil crowdfunding*. This fundraising type is used for large amounts of money and over long periods of time; in doing so, the community is involved in implementing initiatives with a strong collective impact.

As for the crowdfunding regulation, Italy is the first country in Europe to have adopted an *ad hoc* procedure. Such procedure initially concerned only the equity model and is contained in Law Decree no. 179/2012 (Decreto Crescita bis on economic growth), then converted into the Law no. 221 of 17 December 2012. This regulatory instrument has simplified legislation to encourage the development of so-called innovative start-ups, namely small corporations (public and private limited companies or cooperatives) working in the innovative, technological, or social sector.

TYPES OF CROWDFUNDING

Until 2020, a consistent legislation was still lacking at the supranational level; then, the European Union decided to issue the EU Regulation no. 2020/1503, relating to European providers of crowdfunding services for companies, officially entered into force on 10th November 2021. The Community prompted this intervention with the aim of harmonising the requirements regarding provision, organisation, authorisation process and supervision of crowdfunding services in all European countries. Cross-border fundraising has thus been increased and facilitated.

Web and regulatory references

produzionidalbasso.com

consob.it

D.L. n. 179/2012

Reg. UE 2020/1503

D

DIGITAL TRANSITION

Camilla Faggioni
Post-doc
at the Faculty of Law
of the University of Trento

The term “digital transition”, or “digital transformation”, indicates a set of changes associated to the application of digital technologies, which make it possible to find, process and make accessible large amounts of content, regardless of the real availability of human, material, intellectual or economic resources.

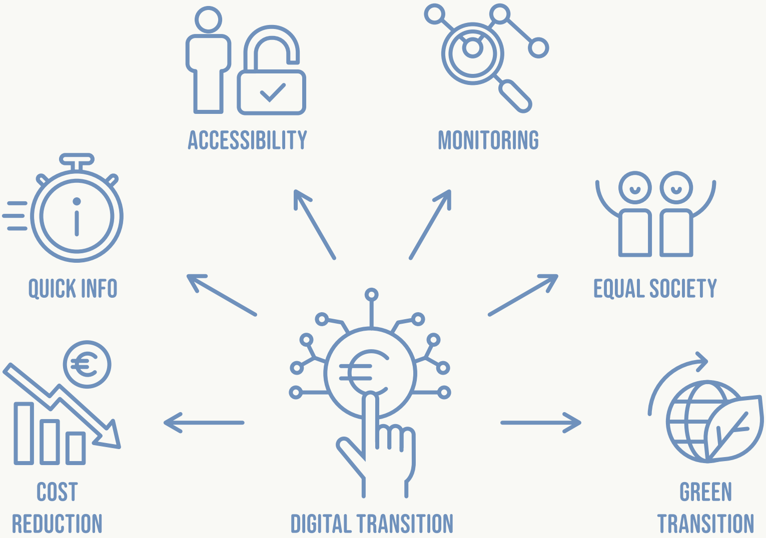
When properly implemented, the digital transition can lead to innovative solutions for businesses and individuals, an improved accessibility and efficiency of public services, the promotion of a more open and fair society, the development of a dynamic and sustainable economy, and contribute to the fight to climate change, thus achieving a *green transition.*

From the EU's point of view, digital technologies have enormous growth potential. Indeed, the EU Commission, through the instrument of technical assistance, helps Member States to implement reforms aimed at unlocking their digital growth potential.

THE DIGITAL TRANSITION ALLOWS FASTER INFORMATION ON SUSTAINABLE IMPACT AND FINANCIAL RISKS

With regard to Italy, the 11 March 2022 Decree containing provisions for the implementation of Investment 3.2 (Start-ups Financing) within the Recovery Plan, establishes the Digital Transition Fund, which finances operations aimed at promoting the digital transition, in particular in the field of artificial intelligence, cloud, healthcare, industry 4.0, cybersecurity, fintech and blockchain.

As regards the relevance of the digital transition in the context of sustainable finance, it was noted that, thanks to the use of digital finance, mobilisation and the use of capital for sustainable investment have been more efficient. Digital finance is a set of instruments created to make less expensive, faster and more accurate the availability, the processing, and the analysis of large amounts of complex data.



→ **digital transition**

In general, the financial services sector is one of the most involved in the digital transition, both because of the increasing need for transparency expressed by stakeholders, and because financial services companies operate in a highly regulated system, and it is therefore necessary to rely on innovative technologies to keep up with increasingly demanding standards.

In order to meet stakeholders expectations, in the financial sector considerable investments have been made in new digital platforms, ranging from online banking to value-added insurance applications.

As regards the system's regulations, supervisory and regulatory authorities require financial institutions to increase the scope and accuracy of data, with the consequence of a continuous increase in the amount of data to be managed and reported. This implies that analytical systems must keep pace with such quantities.

This aspect is even more pronounced in the specific case of sustainable finance: authorities and investors require financial institutions operating in this sector to be even more accurate than in the former example. In addition, flexible and adaptable operating systems are crucial in the field of sustainable finance, since standards evolve very rapidly, and the interest of society in new forms of investment is growing.

In 2016 and 2017, the G20 Green Finance Study Group (GFSG) identified several hindrances to the use and expansion of sustainable finance: information asymmetries, limited analytical capabilities, misalignment of deadlines and difficulties for investors in fully identifying and assessing the risks associated to sustainable investments and profit opportunities. Digital finance is now able to overcome most of these barriers.

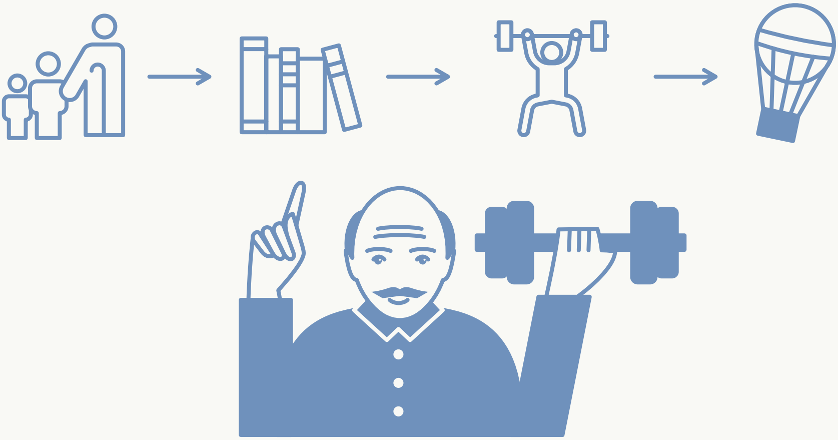
In conclusion, digital finance instruments allow to reduce the time and costs deriving from tracing information on the sustainable impact and financial risks of investments, as well as to increase transparency and to streamline the monitoring activities of public authorities.

E

ELDERLY POPULATION (ACTIVE AGEING)

Laura Dolazza
PhD student
at the Faculty of Law
of the University of Trento

The substantial ageing of the world population has become an inevitable process with profound repercussions on the economic systems of each country. The negative effects of an ageing population are most evident in the social security and health systems, but they indeed affect every sector of society. **Transforming this phenomenon from being a burden to a resource for society** through a progressive social and cultural change, is crucial.



ACTIVE AGEING

In 2002, the World Health Organization defined active ageing as "the process of optimising opportunities for health, participation and security in order to enhance quality of life as people age" (2002).

This process can be accomplished by implementing a set of actions that, on the one hand, promote the health of individuals (encompassing not only physical but also mental and psychological well-being) and, on the other, empower individuals to freely choose among different areas of the social and personal sphere in which they can participate to achieve a higher quality of life and personal satisfaction.

Active ageing entails benefits for individuals as well as society, and is nowadays a necessary process for the community: in a context characterised by a population that lives longer and decreasing birth rate, and consequently a shrinking working-age population, as is the case in the European Union[1], it is paramount to ensure healthy ageing for the elderly, in order to limit public spending on social and health services, and allowing this target group to continue making a productive contribution to society.

1 On 1st January 2021, for each person aged 65 or more there are only just over three people of working age. See in detail: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_structure_and_ageing&action=statexp-seat&lang=it

Such a productive contribution would be particularly desirable in the labour market, for instance, involving them in voluntary activities, in the care of children and people with disabilities, in the participation in political life, in order to gradually have a lower influence on the economy of communities.

In the last twenty years, with the aim of promoting common policies on active ageing, several actions have been undertaken at the international and Community level. To name a few: the United Nations' Madrid International Plan of Action on Ageing adopted at the Second World Assembly on Ageing in 2002; the creation of the European Innovation Partnership on Active and Healthy Ageing in 2011; the designation of 2012 as the European Year for Active Ageing; the creation by the European Commission and the United Nations Economic Commission for Europe, in 2012, of the Active Ageing Index as a tool to monitor active ageing in the Member States in terms of employment, social participation, individuals independence and of the context of the implemented active policies.

ACTIVE AGEING ALSO HAS BENEFITS FOR SOCIETY AND INDEED IS TODAY A NECESSARY PROCESS FOR THE COMMUNITY

From a financial point of view, in particular, in 2014 the European Commission has introduced a European financial instrument: EaSI, the *Employment and Social Innovation* programme. This tool aims at promoting a high level of sustainable and quality employment; ensuring adequate and decent social protection given the ongoing changes, such as the ageing population; fighting against exclusion and poverty; and improving working conditions.

At the Italian level, with a three-year collaboration agreement signed in 2019 and renewed in 2022 for further three years, the Department for Family Policies and the INRCA (National Institute for Nursing and Care for the Elderly) are involved in the multilevel, participated national Project on active ageing policies which coordinates Ministries, Regions, local authorities, research bodies and other stakeholders, and aimed at creating and defining common recommendations and best practices on active ageing.

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ESG

Lorenzo Giovanni Luisetto
Research scholar
at the University
of Michigan

ESG *(Environmental, Social and Governance)* indicates three dimensions that firms include in a protocol, defined by international standards, to set and achieve certain medium-term and long-term objectives. Firms are therefore assessed based on a wide range of socially desirable goals. ESG contains a set of factors used to measure the non-financial impacts of investments and businesses. Likewise, investment and business opportunities are connected to the ESG dimension. The interest of investor and *stakeholder* groups has skyrocketed in recent years, also due to ongoing economic, environmental, health and social crises.

ESG factors relate to three macro areas: respect for the environment, social welfare, and optimal business management processes. For example, firms declare their environmental and climate impact, by calculating their CO2 emissions or by sharing information on raw materials and the disposal of waste. This dimension also includes energy efficiency, biodiversity, climate change and the exploitation of water resources. The second pillar, in social sphere, usually refers to: the respect for human rights; the maintenance of adequate working standards and conditions; mechanisms for boosting wage and gender; social justice and diversity in the workplace. Finally, the structure and processes of corporate management, remuneration of management and board of directors, as well as shareholders' rights, are some of the parameters employed to evaluate the governance segment.

Climate-related issues are dominant in the current debate on ESG factors. Although there is no single list of ESG objectives and factors, efforts are being made at various levels to try and reach shared evaluation criteria and metrics. At the European Union level, Regulation 2020/852 established a framework aimed at promoting sustainable investments, defining the bases for an EU Taxonomy. Essentially, the conditions that firms must meet to qualify as environmentally friendly.

ESG

A further key issue is the need to adopt appropriate measures to prevent companies from misusing communication and marketing strategies aimed at advertising activities or products as environmentally friendly (the so-called greenwashing). Despite the lack of regulation, firms have been pushed to disclose ESG protocols and/or relevant actions by regulatory bodies, stakeholders, insurance companies and institutional investors.

ESG factors originate from sustainability-oriented investment and social finance strategies. One strategy focuses on screening out stocks from the investment portfolio, due to management concerns misaligned sustainable goals. More recently, ESG factors integrate financial investment strategies, embracing the idea of recognizing the efforts of those firms that positively contribute to social and stakeholders' welfare.

ESG integration is not equal to impact investing. Both strategies are directed towards financial and non-financial returns. However, integrating ESG factors does not mean anticipating a loss in terms of financial return compared to certain parameters; rather, some investors use ESG factors to improve their risk assessments. Conversely, an investor pursuing social finance strategies could prioritize non-financial impact by making an investment with an expected return which is lower than the expected average market gain. Not all investors are willing or can legitimately accept the prospect of a financial return below market level. Financial intermediaries, for example, are bound by fiduciary duties and must maximize the exclusive financial interest of the beneficiary.

However, firms must take into account crises, emergencies and risks of various kinds (including climate change, pandemic waves, as well as other social issues) which means that all else equal they should prioritize medium and long-term strategies. In the financial sector, this seems to mean a trend towards a a decisive integration of ESG factors into financial investments.

The text was translated by Lorenzo Giovanni Luisetto

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E

EUROPEAN INSTITUTIONS (ROLE OF)

Allegra Elena Pallaroni
Scientific collaborator
at the Faculty of Law
of the University of Trento

The European Union institutional system consists of a variety of institutions engaged in the pursuit of European interests and policies, as well as in the application and consistent interpretation of supranational law. While it is true that each institution is invested with different powers and responsibilities, defined by the treaties on which the European Union is founded, in the definition of the European Agenda operated by the Council the joint action of all institutions is essential.

The founding Treaties confer powers and competences on the Union and, as a result of the principle of conferral, the European body is called upon to act only within the limits of the powers conferred on it by the individual countries. The Treaty of Lisbon has then clarified the distribution of competences between the Union and its Member States, distinguishing among the exclusive competences for areas in which the EU has the power to adopt binding acts; the shared competences for matters that allow the cooperation of each country which it is allowed to legislate where the supranational body does not proceed; and, lastly, supporting competences in those areas in which Europe merely coordinates and complements the action of its members.

The social policy area is governed by Article 151 of the Treaty on the Functioning of the European Union, which defines its objectives, but remains a matter in which there is no exclusive competence, and in which the adoption of Community directives results in the necessary transposition of the Member States into national law. The European Union is in fact called upon to define minimum standards of protection, leaving each State the freedom to introduce even higher forms of protection. What is certain is that the European Union has the promotion of social progress among its main interests, and for this reason it works to improve the living and working conditions of its citizens.

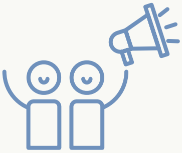
Given the current and progressive reduction of public resources, in the context of welfare policies, developing forms of public-private partnership exploit the measures offered by sustainable finance as alternative forms of financing public policies.

The European institutions have always recognised the urgency of working towards information clarity with regard to the functioning of sustainable finance mechanisms, with the following uniform use of such innovative instruments. While it is true that there is no real programme at European level, institutions have already shown their commitment in defining a shared language on sustainable finance that shall help create a market based on the rules of clarity and transparency, with the aim of using sustainable and responsible investments as a driving force towards a new model of growth. On this subject, in 2018 the European Commission presented a proposal for a regulation addressed to institutional investors and financial advisors, with the aim of introducing clear and common rules on transparency obligations regarding the integration of sustainability risks in investment processes.

While the role entrusted to the European Union may seem marginal and exclusively of coordination, it is important to observe that the European Strategy has had the dissemination and increased use of innovative financial instruments aimed at generating social and environmental impact among its primary objectives. Also in the development of the 2021-2027 *Multiannual Financial Framework*, Institutions ensured to underline the essential role played by sustainable and innovative financial mechanisms in countering the parallel reduction of the public budget and increase in the need of welfare systems in the current perspective.

The European Union's call to use sustainable finance also in programmes such as the *Next Generation EU* plan is therefore paramount, not because this call can be decisive, but by reason of its potential to position Europe as a standard setter and a worldwide leader in implementing sustainable development plans, therefore attracting the action of all Member States.

The Union is nowadays working towards an expansion of the body of legislation aimed at facilitating access to sustainable finance, in order to make it even more inclusive, strengthening the resilience of the economic and financial system against the inevitable sustainability risks, actively supporting its members in their efforts to embrace sustainable finance.



SOCIAL PROGRESS

LIVING CONDITIONS

SUSTAINABLE FINANCE

Since mentioning sustainable finance we refer to that type of finance that is committed to take into consideration environmental, social and governance criteria, it is important to highlight the attention showed by European institutions on the green transition, and to remember the motivation in the commitment towards **ethical and sustainable, socially responsible finance, that can support the European pillar of social rights and create a stronger, social Europe by 2030.** The stabilisation of social measures at a European level is important as it supports the responses of each Member State and it softens social disparities within the EU. While acknowledging that the Treaty on the Functioning of the European Union affects the Union's powers in the social security area, excluding the admissibility of interventions that influence the fundamental principles of national systems and their financial balance, it should be noted that institutions are called upon to the difficult task of guiding national differences towards this necessary social and green transition, based on minimum required standards, and entrust each country the responsibility of developing even more efficient approaches aimed at increasing and strengthening the established standards.

M

MIGRANTS

Elisa D'Anneo
PhD student
at the Faculty of Law
of the University of Trento

For a society, supporting the social and economic inclusion of migrants means creating tangible employment opportunities for foreigners. The National Operational Programme on Social Inclusion, co-financed by the European Social Fund, has supported some interventions that specifically aim at social inclusion and employment for the most vulnerable categories - including migrants - by means of multidisciplinary and integration schemes that are also appropriate to tackle illegal employment.

The Ministry of Labour, among the other projects, in 2021 signed an agreement with ANCI (The National Association of Italian Municipalities) in partnership with Cittalia, its foundation. This agreement implemented the InCAS Plan, which supports local authorities in the inclusion measures for foreign citizens and the interventions to tackle labour exploitation in agriculture and illegal employment.

FOREIGN ENTREPRENEURSHIP CONSISTS OF 651,170 COMPANIES, 11% OF THE TOTAL COMPANIES IN ITALY

This project has two main objectives: on the one hand, **supporting local authorities** in the definition, management and monitoring of local projects promoted by the Ministry of Labour and Social Policies for the social inclusion of third-country nationals; on the other hand, developing a national programme that provides support to local authorities, to tackle exploitation and housing deprivation and problems related to agricultural work, as well as the creation of effective policies and tools for the local implementation of the Three-year Plan to tackle labour exploitation and unlawful recruitment in agriculture.

The method to be adopted to achieve both aims consists of a structured plan developed to support local governments in the design, management and monitoring of interventions dedicated to the social inclusion and employment of migrant citizens in urban areas; the second step is a survey, to verify whether foreign citizens living in formal and informal housing situations in Italian municipalities are employed in agriculture.

M

→ **migrants**

Another initiative, which has grown over the years and encourages migrant entrepreneurship in Italy, is called *Futurae. Programma Imprese Migranti.* This programme was born from the collaboration between the Ministry of Labour and Social Policies and UNIONCAMERE (the Italian authority of Chambers of Commerce) with two lines of intervention: on the one hand, to identify among migrants and second-generation migrants those who are interested in entrepreneurship through information, training and assistance actions; on the other, to define policies, monitor the activities carried out, and take action on the critical issues that may arise.

The data collected by InfoCamere (the IT company of Italian Chambers of Commerce) show that, in the year 2022, **foreign entrepreneurship consists of 651,170 companies, 11% of the total companies in Italy.** It is therefore beyond doubt that Italian foreign-owned companies represent a structural reality.

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P

PENSION FUNDS

Lorenzo Giovanni Luisetto
Research scholar at the University of Michigan

Pension funds collect contributions from workers and/or employers and invest them in the financial market to provide pension benefits at the end of the worker's working life.

Pension funds are often **private in nature** and their spread and regulation are quite heterogenous on the international dimension. Private pension funds often complement or substitute public pension systems.

PENSION FUNDS ARE AMONG THE POSSIBLE ACTORS INTERESTED IN IMPLEMENTING SUSTAINABLE AND RESPONSIBLE INVESTMENT STRATEGIES

In Italy, pension funds were introduced in the early 1990s (Legislative Decree no. 124 of 1993 *"Disciplina delle forme pensioni complementari"* on rules governing supplementary pensions) with the aim of promoting a more efficient and sustainable pension system.

The Italian law differentiates between negotiated, or closed, pension funds and open pension funds. The former is established by a collective, business, or sectoral agreement, or by means of agreements with self-employed workers and freelancers. The latter are instead open and may be constituted by social security institutions and their managing bodies (such as, insurance companies), and are authorized by COVIP, the National Authority for the supervision of pension funds. COVIP supervises pension funds to guarantee a correct and transparent management.

→ **pension funds**

Pension funds are medium- and long-term oriented investors, thus possibly interested in implementing sustainable and responsible investment strategies (Sustainable and Responsible Investment SRI), as well as investments that integrate Environmental, Social and corporate Governance (ESG) assessments.

In other countries, such the United States, there is quite a debate over the need to combine the financial return expectation of future retired workers with other collective goals, such as the fight against climate change. In addition, stringent fiduciary duties limit the discretion of pension funds. The green transition, which is at the heart of the EU policies, is strongly driven towards sustainable finance, thus indicating that pension funds, as well as other actors in financial markets, will play a pivotal role.

The text was translated by Lorenzo Giovanni Luisetto

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covip

PRISONERS

Elisa D'Anneo
PhD student
at the Faculty of Law
of the University of Trento

In order to reduce recidivism rate, it is necessary that prisoners, once the execution of the sentence has ended, have the possibility to **reintegrate, to feel they are part of society.**

The rehabilitation function of sentences is a principle that underlies the Italian Constitution; as a matter of fact, Article 27, paragraph 3, states that sentences "must aim at the rehabilitation of the convicted", instead of being afflictive and punitive tools that would add to the deprivation of the individual's freedom.

In the light of constitutional principles, detention, in addition to being the place of execution of the sentence, must aim at the rehabilitation of prisoners, offering suitable tools for their reintegration into society once the sentence has ended. Furthermore, since constitutional principles came into power, the rehabilitation process within prisons is entrusted to work, to be carried out inside or outside prisons; Article 1 of the Constitution states that the Italian Republic is based on work, thus this must apply both to "free" individuals and to prisoners.

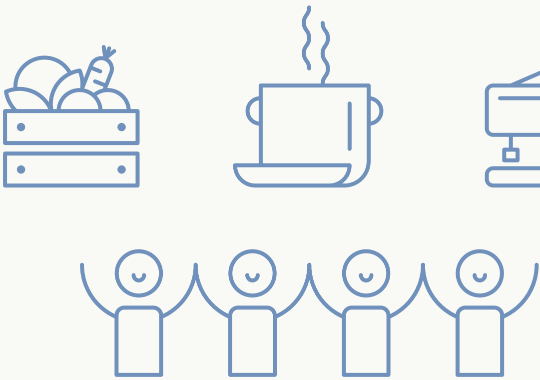
EMPOWER AND ENHANCING THE PRISONER AS AN INDIVIDUAL

Working in prison should be a way of enhancing prisoners potential, encouraging them to acquire professionalism, take part to training and work activities, also involving them in social enterprises; this way, those individuals who find themselves in a "more disadvantaged" situation once their detention ends, shall find it easier to reintegrate into the community, to access the labour market and to avoid further criminal conduct.

On 25th September 2015, the governments of the 193 member countries of the United Nations signed the 2030 Agenda for Sustainable Development, a programme for people, the planet and prosperity. Goal 16 aims to "promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels" and it also includes the plan of having a judicial system that encourages the inclusion of prisoners in civil society.

prisoners

The Directorate General for Cohesion of the Italian Ministry of Justice, thanks to the 2014-2020 National Operational Program on Social Inclusion supported by the resources of the European Union, funded the M.I.L.I.A. project - an experimental model for work and active inclusion of people serving a criminal sentence - aimed at **promoting employment as an alternative to crimes**, through experimental pathways of work integration within the detention centres, that allow prisoners to acquire skills to be used again at the end of the detention period. Concertation between socially based services and active labour policies services, and coordination between central and regional administrations, are essential for the implementation of this intervention. In view of the model's implementation, four pilot regions (Apulia, Abruzzo, Tuscany and Sardinia) have been chosen as beneficiaries, which shall identify potential training projects by means of public selections, and develop effective intervention models. For instance, the goal in Apulia was to create a prison-based furniture start-up.



SOCIAL REINTEGRATION

Alongside public interventions, also private actors such as social enterprises have contributed to the achievement of more regenerative justice. These organisations, especially in the form of type B social cooperatives, which deal with job placement, operate in many productive sectors (farming, food service and tailoring companies) and their flexibility combines well with prison working. Within the social enterprise, the prisoner-worker acquires technical skills, in relation to the required activity, as well as personal and relational skills, such as following the rules, the ability to work in a group or how to interact with superiors. Employment thus ceases to be perceived solely as a useful - and necessary - tool to obtain permits, and instead allows to **allows to empower prisoners as individuals, to improve their relational sphere, allowing them to be more confident of their own abilities.** Such an organisation increases their chances to find and to keep a job once their sentence is settled. In Italy there are many outstanding examples, but among them *Made in Carcere* deserves a mention: it is a social enterprise that has been active for over fifteen years, and in which inmates produce clothing and accessories.

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P

PUBLIC ADMINISTRATION

Anna Nicolussi Principe
Labour Inspector
in Trento

Public administration consists of a set of systems designated to the exercise of administrative activity, that is functional to meet the public interests identified by law.

With respect to the labour market, public administration has historically played a leading role in the creation of the so-called welfare system, dealing with the factual implementation of the so-called passive and active labour policy measures, among other things. Such measures are aimed, on the one hand, at facilitating individuals who have involuntarily lost their job or whose employment relationship has been suspended with income support instruments; on the other, at facilitating access to employment for the weakest target groups.

THE POST-PANDEMIC PHASE SHALL REQUIRE A FULL EXPLOITATION OF ACTIVE LABOUR POLICY MEASURES

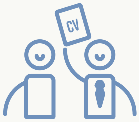
The recent COVID-19 pandemic crisis has had a strong impact on the labour market, increasing the use of non-standard employment contracts (in particular fixed-term and part-time contracts), which lead to a reduction in worked hours and an increase in discontinuity and in unemployment levels[1].

The use of passive labour policy measures has been particularly important in tackling these difficulties. However, it can reasonably be imagined that the post-pandemic phase shall require a full exploitation of active labour policy measures, through the activation of employment services, reskilling projects and employment incentive programmes[2].

1 Ministry of Economy and Finance, www.dt.mef.gov.it

2 Cristofolini C. (2021). Potenzialità e criticità dei social impact bonds per l'inserimento lavorativo. Diritto delle Relazioni Industriali, n. 4, p. 1028.

PASSIVE POLICY



ACTIVE POLICY

INCENTIVE TO EMPLOYMENT

PUBLIC ADMINISTRATION

PUBLIC RESOURCES

+

SUSTAINABLE FINANCE

→ **public administration**

One role of the public administration is certainly to meet these needs through the use of available resources.

Given the inadequacy of public resources allocated to this sector, an important contribution in terms of financing could derive from social impact finance with instruments such as social impact bonds and social bonds, that can attract private investment and use it to finance public policies.

In this investment dynamics, the public administration plays a complex role. It represents the subject that generally commissions the social bond or the social impact bond and that undertakes to return the capital to investors, increased by interests in case of achievement of the agreed social result that is ascertained by an independent party.

The use of social finance instruments, as means of financing services aimed at the implementation of active labour policies, does not, therefore, result in the weakening or the replacement of the role of the public entity in the creation of the welfare system[3]. On the contrary, in this system the public administration retains its role as the main player, being the legally appointed subject to take care of the public interest.

Social impact finance, through the implementation of public-private partnerships, becomes instead one of the instruments for financing the activity of public interest protection.

3 Ciarini A. (2018). *Tra finanza e innovazione sociale. Pressioni esterne e varietà nazionali.* La Rivista delle Politiche Sociali, n. 3, p. 193; in the same meaning, Cristofolini C. (2021). *Potenzialità e criticità dei social impact bonds per l'inserimento lavorativo.* Diritto delle Relazioni Industriali, n. 4, p. 1028.

S

SAVINGS

Anna Nicolussi Principe
Labour Inspector
in Trento

From an economic point of view, savings are defined as that portion of the income of individuals, companies or institutions that is not spent in the period in which the income is received, but is set aside in view of any future expenses. It therefore represents the privation of a present consumption, in view of a future use.

When demand and supply of savings meet on the market, there is a request for savers capital loans that are sold and invested at various interest rates, which constitute the consideration called income of the saver.

IT REPRESENTS THE PRIVATION OF A PRESENT CONSUMPTION, IN VIEW OF A FUTURE USE

The investment of small savers, households and businesses follows the economic theory that links risk and return, according to which the assumption of a higher risk corresponds to a higher expected gain. **The aim of savers is, in fact, to maximise the return deriving from the assumption of the risk associated with the investment.** Given these parameters, savers shall decide when and where to allocate their resources.

Social finance finds its place among the new investment opportunities of the market, offering innovative return expectations. One of its main peculiarities is that this return is not only monetary, but is also represented by the social impact in terms of usefulness that this entails.

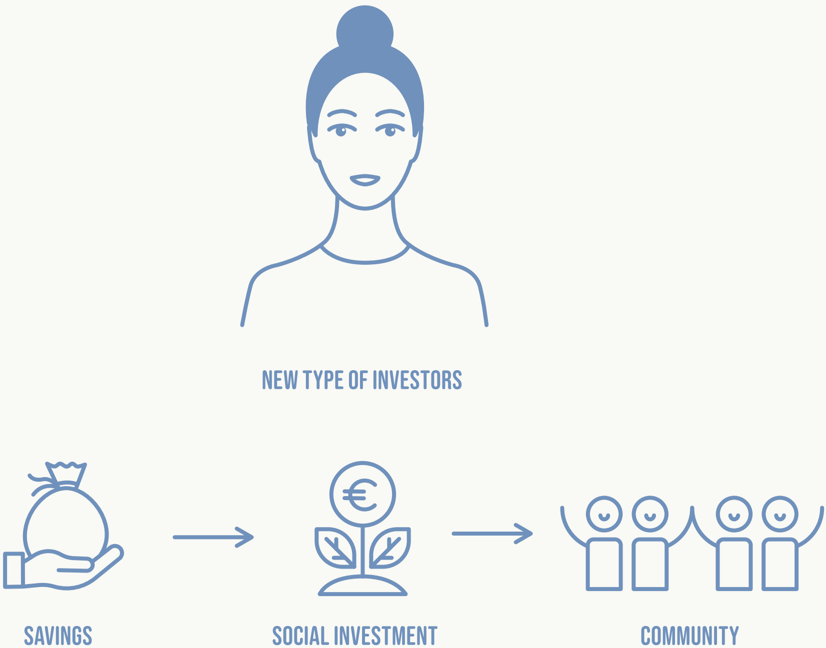
This contributes to creating a **new type of investors**, no longer oriented to place their savings in shares or bonds proposed by financial institutions, but inclined to use their savings in investments that reflect their system of values and that also represent an added value for the **community**.

Social Bonds and Social Impact Bonds are two of the financial instruments that are able to combine financial performance and social return.

In fact, the remuneration of the capital invested through these instruments is connected to the achievement of a certain social result. The underlying rationale is, in fact, that solving a social problem avoids a cost for society and thanks to this, the public administration can afford to remunerate investors.

SOCIAL FINANCE FINDS ITS PLACE AMONG THE NEW INVESTMENT OPPORTUNITIES OF THE MARKET, OFFERING INNOVATIVE RETURN EXPECTATIONS

A critical element, however, is represented by hedging: since these are investments based on the performance of socially relevant interventions, aimed at introducing a change that generates savings, investors are exposed to the risk that things may not follow expectations, and as a consequence they could not receive the return related to their investment.



SOCIAL BOND

Chiara Cristofolini
Assistant professor
at the Faculty of Law
of the University of Trento

A *Social bond* is understood as a bond instrument in which the issuer undertakes to use the revenues to wholly or partially finance or refinance new and/or pre-existing social projects[1]. These include, for example, interventions on basic infrastructure (e.g., drinking water facilities), actions aimed at creating jobs also through financing and micro-financing for SMEs, as well as measures to facilitate access to essential services (e.g., health services).

Social bonds are a very sophisticated component of sustainable finance (see "Sustainable Finance" for further details). The investment choice, in fact, is not based on a simple negative ESG screening (see "ESG" for further details), aimed at *avoiding* unsustainable activities, but on an *active selection* of projects, companies or funds. Social impact is an essential condition for private investment: investors' intention is to pursue a social objective (so-called *intentionality*), together with the financial interest (so-called *additionality*).

For this special nature, social bonds are sometimes included in the so-called impact investing, which constitutes a subset of sustainable finance.

The first experiment related to these investment dynamics was the 2014 Inter-American Development Bank issue, aimed at raising private capital to fund the *Education, Youth, Employment – EYE* program projects promoted by the bank itself. In order to witness a real social bonds market, however, it was necessary to wait for 2017, when the *Social Bond Program* of the International Finance Corporation (IFC) was created. Since then, this type of investment has spread so rapidly that, with the pandemic crisis as a contributing factor, the market has undergone a shift from less than 10 billion dollars in 2019 to 194 billion in 2021.[2]

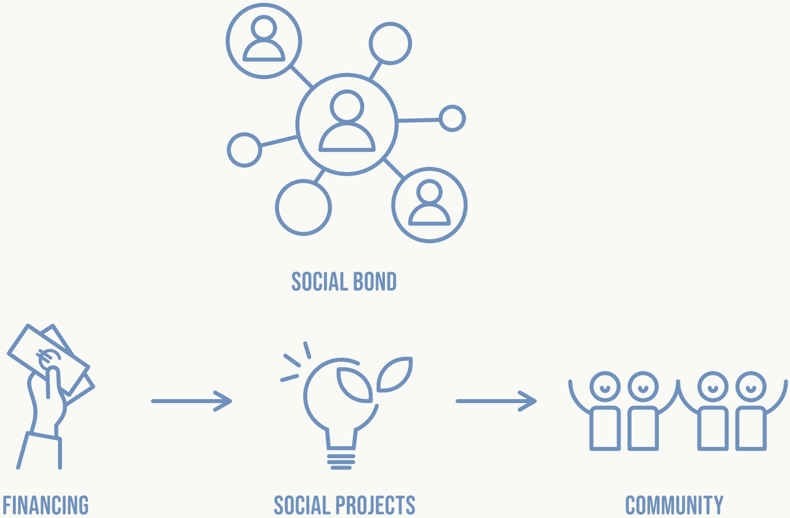
These significant numbers show how an increasing number of private investors are making investment decisions based on sustainability and how more and more institutions look beyond the economic impact, keeping social implications into account.

Since these instruments have appeared and established in the financial market in rather recent times, an organic legislation is currently lacking in their regulation. The reference framework is the result of private autonomy and, in particular, of the so-called *Social Bond Principles* of the International Capital Market Association (ICMA). These guidelines, which are the most important in terms of dissemination and number of implementations, specify the features to be met by financial products in order to be properly called social bonds.[3]

1 The definition is contained in ICMA (June 2021 - June 2022 Appendix 1), *Social Bond Principles. Voluntary Process Guidelines for Issuing Social Bonds.*

2 WeWealth (17.5.2022). *Social bond: una guida per finanziare la rivoluzione sostenibile.*

3 Lenzi D. (2021). *La finanza d'impatto e i green e social bonds. Fattispecie e disciplina tra norme speciali e principi generali.* Banca Impresa Società, n. 1, p. 115 ss.



social bond

In the perspective of connecting work, welfare and sustainable finance, it is particularly significant that since 2021 projects eligible to be funded expressly include "programmes aimed at preventing and mitigating the unemployment resulting from socio-economic crises". Interventions related to employment aimed at preserving or creating new jobs and improving working conditions are thus expressly included among the main areas of intervention. The issuance by the European Union of the *SURE social bonds* during the year 2020 has certainly contributed to this process. The return of such social obligations has financed the SURE programme - *Temporary Support to mitigate Unemployment Risks in an Emergency*[4] -, which supported interventions to reduce working hours of employees and self-employed workers, as well as health measures in the workplace. Member States were thus able to strengthen their protection systems by increasing the number of allowances due, extending the maximum duration of coverage and extending the number of beneficiaries.

4 EU Regulation 2020/672 19.5.2020; Cristofolini C. (2022). *Il sostegno all'occupazione SURE: verso una sicurezza sociale anche europea?* Diritti Lavori Mercati, n. 2.

In clarifying the characteristics of eligible projects, the ICMA guidelines aim above all to guarantee investors that the mobilised funds shall be allocated to the social objective predetermined by the issuer. The aim is to limit the so-called ***social washing*** phenomenon, i.e., those practices in which investors are persuaded to finance objectives that are only apparently social, or to finance companies that, to improve their reputation, implement fake social responsibility initiatives.

In view of the growing importance of social financial interests, however, the need to combine *Social Bond Principles* with an appropriate legislative framework has been widely highlighted, in order to define what a socially relevant project is and to introduce effective remedies in case of non-compliance with the social obligations related to the implemented financial operation. The debate on the adoption of a social taxonomy at a European level has arisen on this basis, to envisage a classification of socially relevant activities, (see "Social taxonomy" for further detail) aimed at making the system more transparent overall.

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icmagroup.org

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S

SOCIAL IMPACT BOND

Chiara Cristofolini
Assistant professor
at the Faculty of Law
of the University of Trento

The *Social Impact Bond* (SIB) is a financial instrument intended for the realisation of projects that benefit society at large and that compensates investors only when the predetermined and appropriately assessed social results are achieved.

From this definition it can be deduced that SIBs stand out in the funding landscape for two main reasons. Firstly, it finances the implementation of projects that have a social impact. Hence, SIBs fall into the broadest category of impact investing measures. Secondly, SIBs provide for a compensation to investors only if the initiative is successful.

IMPLEMENTATION OF PROJECTS THAT HAVE A SOCIAL IMPACT

After further thought, it is therefore inaccurate to qualify this financial instrument as a *bond*. SIBs are not bonds because they do not present some of the specific characteristics of a *standard* bond, such as the return of invested capital and the periodic payment of interest. They rather configure actions, which fall into the category of *Pay by Result* or *Pay for Success*.

SIBs were born and have developed following the 2008 global financial crisis as a response to the decline in public welfare. In fact, the general contraction of public budgets, induced by the spread of austerity measures, has determined the necessity to face the continuous **growth of social needs** through the opening of the public policy system to private investment.

It is thus no coincidence that the first SIB was launched in 2010 in the United Kingdom to raise private resources aimed at financing interventions for the labour and social reintegration of Peterborough prison's prisoners, in order to reduce their recidivism rate.[1]

These investment models have thenceforth mainly developed in the field of **interventions in the workplace.** Out of the 275 SIBs launched worldwide to date, the majority (75) have funded or are funding Employment and Training projects.[2]

In particular, there are three areas of intervention:

1. the inclusion in the labour market of young NEETs, an acronym that indicates young people that are not engaged in education, work or vocational training activities;
2. the financing of social and employment inclusion pathways of the unemployed;
3. support to projects for the participation in the labour market of migrants.[3]

1 On this experience: Rand Europe (2015). *The payment by results Social Impact Bond pilot at HMP Peterborou- gh: final process evaluation report.* Text available on: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/486512/social-impact-bond-pilot-peter- borough-report.pdf.

2 *The Impact Bond Global Database* of Social Finance groups existing Sibs into 8 categories, the first of which is *Workforce Development* with 75 Sibs. This category is followed by *Housing/Homelessness* (37); *Health* (46); *Child and Family Welfare* (48), *Education* (44), *Criminal Justice* (18); *Poverty reduction* (3); *Agriculture and environment* (4).

3 For a description of the main projects implemented in these fields, please refer to Cristofolini C. (2021). *Potenzialità e criticità dei social impact bonds per l'inserimento lavorativo.* Diritto delle Relazioni Industriali, n. 4, p. 1027 ff.

Given its practical increasing scope, this **growing link between social impact finance and job placement measures** cannot be overlooked by those who, at different levels, deal with labour policies. Indeed, the interconnection between finance and employment promotes unprecedented dynamics among private investment, employment interventions and public control that should not depend on the developments of financial markets, but should be adequately elaborated and monitored.

In terms of labour policies, one of the most interesting aspects of SIBs is undoubtedly the multi-stakeholder system.

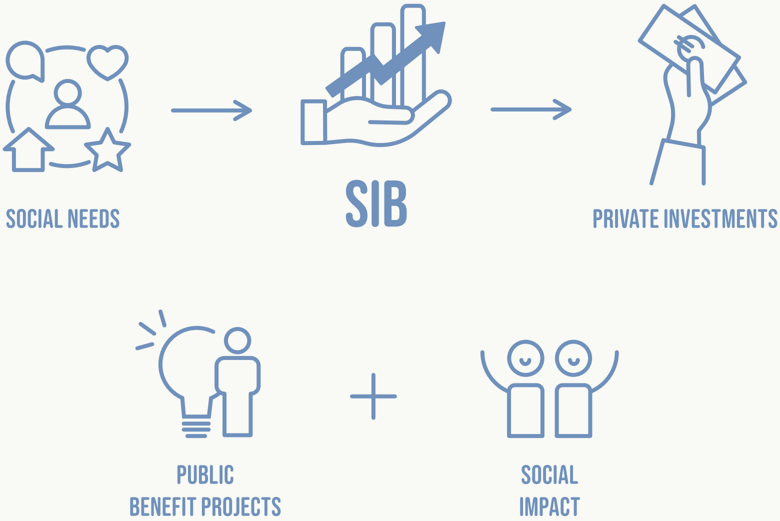
The working principles of the instrument, in particular, rely on articulated partnerships, including at least four different actors:

1. **The entity that commissions the SIB,** usually a national and/or local public institution, which collects funds from private investors with the commitment of returning the capital plus interests in case of achievement of the agreed social result;

2. **One or more investors,** which can be profit and non-profit natural or legal persons;

3. **The organisation implementing the social project** financed by the investors (the so-called service provider, normally a non-profit entity);

4. **An independent assessor for the measurement of the impact** generated by the project, usually a research centre, whose role is fundamental to ensure transparency and accountability.



SIB

The multi-stakeholder system represents one of the most interesting elements as it creates areas of debate among different actors (public, private, for-profit and nonprofit) that potentially could offer social impact innovative solutions. It also introduces into public actions economic concepts of impact measurability, accountability and performance that are often distant from the world of employment services and active policy interventions.

This promotes the logic according to which the disbursement of public money is closely linked to the implementation of an employment project, the result of which is verified by an independent body.

Profit-driven objectives in the field of employment policies entail a few problematic elements. SIBs have alternatively been considered as a lever

THE CONTINUOUS GROWTH OF SOCIAL NEEDS THROUGH THE OPENING OF THE PUBLIC POLICY SYSTEM TO PRIVATE INVESTMENT

to channel private capital on social purposes[4] or as means to privatise needs, introducing managerial approaches to public welfare.[5]

And in fact, in countries traditionally characterised by a high degree of social protection provided by public actors, like Italy, SIBs can represent both aspects: a means to channel private resources towards the financing of employment projects that otherwise would not be implemented; but also, a support in financing needs, i.e., fulfilling certain financial criteria aiming at social protection.

In order to prevent that spread of pay-by-results mechanisms, such as SIBs, to give rise to profit logic to the detriment of the response to social problems, it should be avoided that while paying attention to these experiments we lose sight of the characteristics of the existing needs in a given territorial context and the quality of the employment project. In other words, the search for new funding channels must not overshadow the contents of the social project, towards which the financial instrument must be at the service, nor must it undermine the public direction of the intervention for the reactivation of people in need.

4 In this regard, among others, Liebman J.B. (2011). *Social Impact Bonds: a promising new financing model to accelerate social innovation and improve government performance.* Center for American Progress, p. 29; Salomon L.M. (2014). *New frontiers of philanthropy: A guide to the new tools and new actors that are reshaping global philanthropy and social investing.* Oxford University Press.

5 In this perspective, for example, Warner M.E. (2013). *Private finance for public goods: social impact bonds.* J. Econ. Policy Reform, n. 16, IV, pp. 315-316; McHugh N. et. al. (2013). *Social impact bonds: a wolf in sheep's clothing? Journal of Poverty and Social Justice, n. 21, III, p. 247 ff.*

S

SOCIAL PARTNERS

Anna Bebber
PhD student
at the Faculty of Law
of the University of Trento

The expression "social partners" refers to associations representing workers (trade unions) and enterprises, which act as interlocutors of public institutions during consultations and negotiations on matters related to work. Social partners are key players of the social dialogue that represents, from the two different perspectives, the problems of the world of work, such as working conditions and the definition of wages. Moreover, they usually coincide with the negotiating parties in collective and interconfederal agreements.

In the Italian legal system, within the framework of social impact finance, social partners do not seem to play a prominent role. But at a closer look a subtle connection is clear, from two different points of view which bring to still open questions.

Firstly, **Enti Bilaterali** are of particular relevance. These are bilateral institutions set up on the initiative of one or more of the most comparatively representative employers' associations and trade unions, governed by national collective agreements, with the aim of providing services and resources ranging from training to health care[1].

In addition, for purposes of interest, the competence of bilateral institutions also covers **supplementary pension funds**, which are long-term savings instruments that generate the expectation of a supplementary pension, to be added to what, according to the law, is provided by national social security institutions. More specifically, the supplementary pension system is based on capitalisation; this means that the resources raised by pension funds are invested in the financial markets in order to generate a return that is added to the contribution paid individually.

PENSION FUNDS CAN IMPLEMENT SUSTAINABLE AND RESPONSIBLE INVESTMENT STRATEGIES

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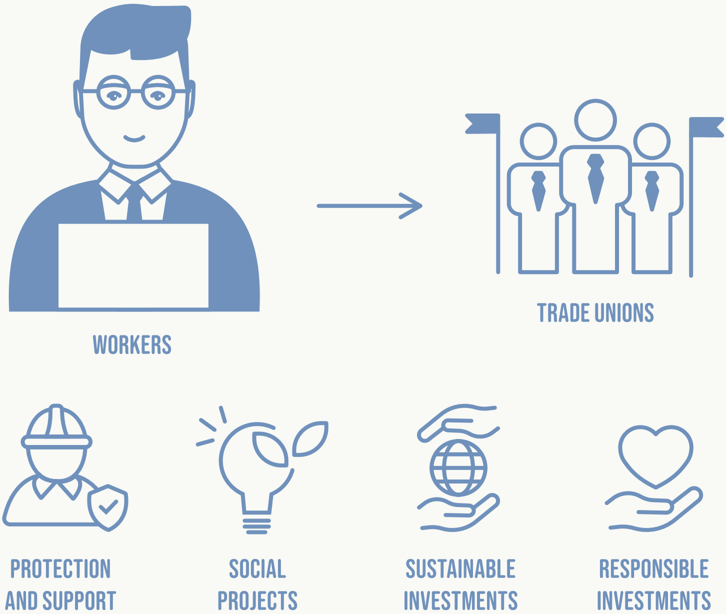
1 Art. 2, paragraph 1, letter h), Legislative Decree no. 276/2003.



social partners

Supplementary pension schemes may adopt a policy of investing the contributions paid by workers, which promotes **environmental or social factors or are aimed at sustainable investments.**[2] In other words, pension funds may employ sustainable and responsible investment strategies (SRI), as well as investments that, beyond the financial aspect, include environmental, social and governance (ESG) assessments, concurrently ensuring a financial return for investors.[3]

2 COVIP (2022). *Guida introduttiva alla previdenza complementare.* Testo disponibile al sito: https://www.covip.it/sites/default/files/guida_introduttiva_alla_previdenza_ complementare_0.pdf

3 Sustainable Investment Forum, (2021). *Le politiche di investimento sostenibile e responsabile degli investitori previdenziali.* Text available on: https://finanzasostenibile.it/ wp-content/uploads/2021/11/Investitori-previdenziali-2021-Web.pdf

In terms of this last consideration, the debate is particularly intense in the United States, where the need to balance the *individual* expectations of taxpayers, who are the future beneficiaries of supplementary pensions, with other *common* interests, such as the many aspects related to environmental protection, is particularly significant. In this sense, one of the key points concerns therefore choosing the subject to whom primary protection must be ensured: by paying contributions to the pension fund, employees aim to achieve, at the end of their working career, an as generous as possible pension; their interest is thus to maximise the financial return, an aspect that social impact finance does not always (or only partially) guarantee.

Moreover, while it is true that pension funds could be a drive in convincing companies to embrace environmental, social and governance values, such as combating climate change or making progress in employment equality, it is also true that they must align such objectives with their fiduciary duty to protect the pension funds of their members. Indeed, one of the major concerns is precisely the risk of possible breaches of fiduciary duties and of prudential rules based on social security and on the non-speculative purpose of the investment.[4]

In summary, it is possible to say that sustainable investments are taking on an increasingly crucial role in the investment policies of social security operators, including the Italians ones. In addition to the possibility of combining social and environmental impact with a proper financial return, the reasons underlying this drive can be also found in the impulse coming from the legislative framework, in a more effective management of financial risks, in the fiduciary duty towards members and beneficiaries, as well as in the fact that sustainability is more and more a cornerstone in savers' investment decisions.[5]

4 Luisetto L.G. (upcoming pubblication). *Il "capitale dei lavoratori statunitensi" nella green transition.*
5 COVIP (2021). Report for the year 2021, p. 106. Text available on: https://www.covip.it/la-covip-e-la-sua-attivita/pubblicazioni-statistiche/relazioni-annuali

Moving on to the second consideration, the starting point is the fact that trade unions and employers' associations are no longer merely "representative bodies", but are becoming institutions that offer goods and services, also in order to compensate the lack of income from memberships and to encourage participation.[6]

Therefore, a further function attributed to trade unions is to support workers in the market economy, providing them with additional services and/or filling the gaps left by legislative action.[7]

As an example, trade unions offer services in the field of tax assistance (the so-called CAF), and social care (Patronati), covering as far as insurance and financial intermediation are concerned, and are very often connected to consumer associations. This "bidirectional" activity leads to the second open question regarding the possible link between the social partners and sustainable finance.

SUPPORT WORKERS IN THE MARKET ECONOMY

6 Cristofolini C. (2021). *Sindacato e trasparenza finanziaria in prospettiva comparata.* Giornale di Diritto del Lavoro e di Relazioni Industriali, n. 1, p. 81.

7 Marazza M. (2022). *Diritto sindacale contemporaneo.* Giuffrè, Milano, p. 132.

That is to say, it raises the question whether the trade union, among the various services it provides, should also deal with financial protection, for example by offering training in finance and services that protect those workers that choose impact investing. Lastly, a related question is within what scope this competence may possibly expand.

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propensione.it

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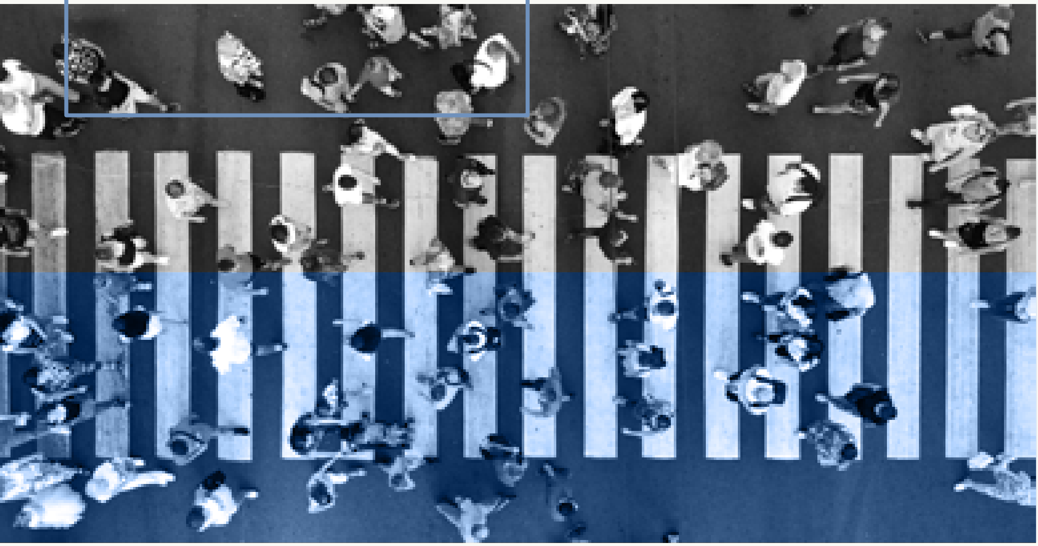
S

SOCIAL TAXONOMY

Anna Bebber
PhD student
at the Faculty of Law
of the University of Trento



Social taxonomy can be defined as the classification of economic activities that significantly contribute to social goals in the European Union.

In other words, through this classification system it is possible to clearly and transparently determine what constitutes a social investment and which economic activities can be considered as socially sustainable, so that private capital is engaged in socially valuable activities, partly following the same rationale adopted with reference to environmental investments.

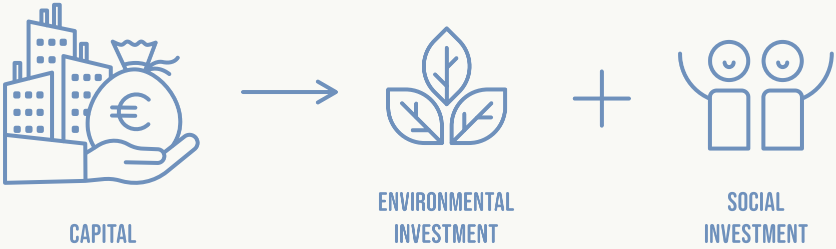
EXTEND THE CONCEPT OF SUSTAINABLE INVESTMENT IN EUROPE AND TO CLASSIFY THE ACTIVITIES THAT ENCOURAGE COMPLIANCE WITH THE SOCIAL OBJECTIVES

In this respect, sustainable finance and the measures adopted by the EU in this area in the latest years have mainly focused on the environment and on green financial products, as stated in the EU Regulation 2020/852, which has introduced a general framework to determine whether an **economic activity can be considered environmentally sustainable**, which allows the definition of the sustainability level of an investment. By contrast, the social sphere has been largely neglected and has continued to find regulation only in the practice of the financial sector.

Therefore, in order to also extend the taxonomy of sustainable economic activities to the social sector, the European Commission has asked the *Platform on Sustainable Finance (PSF)* – a permanent expert group that assists the Commission in developing its sustainable finance policies – to draw up proposals to this effect.

S

DIRECTING PRIVATE CAPITAL TOWARDS ACTIVITIES OF SOCIAL AND ENVIRONMENTAL VALUE



social taxonomy

The response took shape on 28th February 2022, when the PSF presented the "Final Report on Social Taxonomy"[1], whose main purpose is to extend the concept of sustainable investment in Europe and to classify the activities that encourage compliance with the social objectives of the European Union, thus following a first draft originally presented in July of the previous year.[2]

It should be firstly noted that, while environmental taxonomy is based on strong scientific bases (for example natural sciences, and international frameworks such as the Paris Agreement), this is not the case for social classification, with respect to which the same scientifically validated research results are inapplicable. For this reason, the expert group on sustainable finance proposes to base social taxonomy on international

1 Platform on Sustainable Finance, *Final Report on Social Taxonomy*, February 2022.
2 See Platform on Sustainable Finance, *Draft Report by Subgroup 4: Social Taxonomy*, July 2021.

THREE MAIN OBJECTIVES
OF SOCIAL TAXONOMY

standards, authoritative principles and objectives, among which it is worth mentioning the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, both adopted by the ILO, the European Convention on Human Rights, the European Social Charter, the Charter of Fundamental Rights of the European Union, the European Pillar of Social Rights, and the Sustainable Development Goals of the UN 2030 Agenda.[3]

According to the Report in question, the structure of social taxonomy hinges on **three main objectives**, which refer respectively to three different target groups. The first objective, focused on **workers**, is "decent work" and it includes employment creation, social protection,

3 Platform on Sustainable Finance, *Final Report*, quote, p. 32.

rights at work and social dialogue. The second purpose, focused on consumers and end-users of certain products, consists of "adequate living standards and wellbeing", including **consumer** protection and the guarantee of economic and social rights, including the right to health, food and education. Finally, the third macro-objective aims at **inclusive and sustainable communities and societies**, aiming at the protection of land rights, human rights and indigenous populations rights, as well as the guarantee of access to essential services for vulnerable groups or groups in need.

The public or private issuer shall have to explain why and how the investments will be aligned with social taxonomy, specifying which objective it has set and which group the social project is intended for.[4]

STRENGTHEN SOCIAL DIALOGUE, PROMOTE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

4 Cristofolini C. (2022). *Il sostegno all'occupazione SURE: verso una sicurezza sociale anche europea?* Diritti Lavori Mercati, n. 2, p. 22.

5 Platform on Sustainable Finance, Final Report, quote, pp. 35-36.

Finally, each of the three main objectives listed above shall be complemented by some more specific **"sub-objectives"**. For example, focusing on the labour law dimension, decent work evolves in:

a) the need to strengthen social dialogue, promote freedom of association and collective bargaining for setting wages and working conditions, as well as the need to ensure that pay levels for workers are set in a predictable and transparent way and guarantee decent lives to workers and their families;

b) the promotion of equality and non-discrimination at work;

c) to ensure respect for human rights and workers' rights by carrying out risk-based due diligences.[5]

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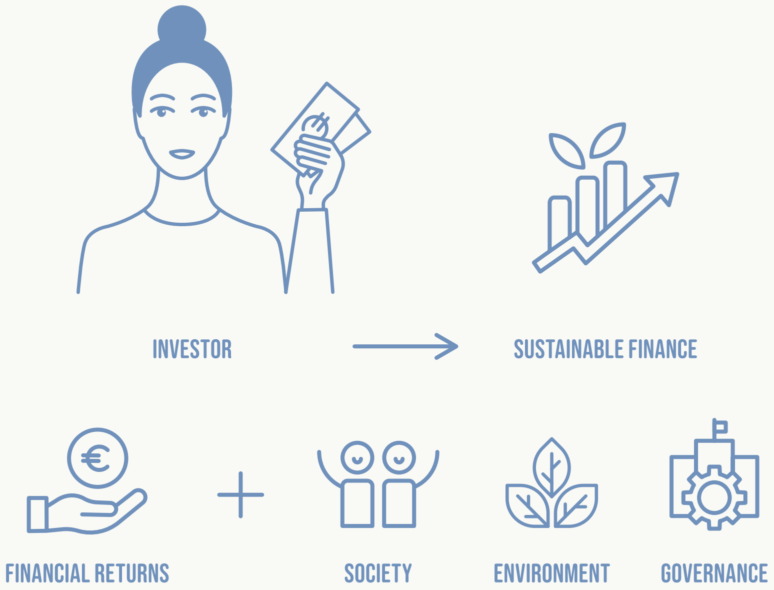
S

SUSTAINABLE FINANCE

Chiara Cristofolini
Assistant professor
at the Faculty of Law
of the University of Trento

Sustainable finance is understood as that branch of the financial sector that takes account of the so-called ESG, i.e., *Environmental*, *Social* and *Governance* factors, in products and investment decision-making processes.[1]

1 For a definition and a brief explanation see the Banca d'Italia website, "Key concepts" section, Sustainable Finance, https://economiapertutti.bancaditalia.it/informazioni-di-base/finanza-sostenibile/?dotcache=refresh For a specific analysis on ESG, see also the E-ESG section of this guide.



These elements are combined with the economic aspects; in particular, with the objective of **generating a return for investors**, thus allocating capital in activities and projects that aim at creating not only economic added value, but also **social and environmental value in the medium and long term.**

Sustainable finance, therefore, goes beyond the traditional focus on profits and losses and is centred on considering issues such as the response of companies to the climate crisis or the quality of treatment of employees, customers and shareholders[2]. More precisely, *environmental* factors refer to issues related to **climate change** mitigation and to the adaptation, **biodiversity** conservation and transition towards **climate neutrality**, namely towards a zero-carbon economy. *Social* factors focus on issues related to the observance of **human rights**, the **fight against inequalities** and the promotion of **social inclusion**, the quality of working relationships, investments in training and the Community **well-being.**

2 Del Giudice A. (2022). *La finanza sostenibile.* Giappichelli, Torino, p. 7 ff.

Finally, corporate governance factors *(Governance)* look at the management of public and private institutions to ensure that social and environmental aspects are included in their decision-making processes. Examples of this are the adoption of gender policies in creating administrative bodies, an equal pay and the fight against corruption.

As mentioned above, the concept of sustainable finance includes each and every product or investment that ensures both **positive financial returns** and the **promotion of ESG factors**. Sustainable finance includes therefore, among others, *green* mortgages, equity financing of renewable energies, carbon credits to offset CO2 emissions, as well as impact investing, with the aim of creating financial return and a positive social or environmental impact. This guide looks at two examples of sustainable finance: social bonds (SB) and social impact bonds (SIB). See the specific sections for further understanding.

Operations related to sustainable finance have significantly increased, especially since 2015, with the elaboration of the United Nations Sustainable Development Goals and the Paris Climate Agreement (the UNFCCC 21st Conference of the Parties). In this context, more and more measures and actions have been developed on social and environmental issues, both at a public and private level. According to the studies of the Sustainable Finance Forum and other operators, actions managed according to sustainable investment strategies are growing in Italy, as well as the number of operators that integrate ESG factors in their investments[3].

3 Sustainable Finance Forum (2021). *Gli investimenti sostenibili in Italia. Tendenze e prospettive di mercato*, p. 9 ff.

SUSTAINABLE FINANCE | Chiara Cristofolini

In order to promote the dissemination of sustainable finance, as well as greater transparency of markets, the European Union has launched a series of actions. Sustainable finance has been the subject of significant regulatory activity, starting from the *Action Plan on Financing Sustainable Growth,* presented in March 2018 by the EU Commission, with the aim of increasing the flow of investments in sustainable projects and promoting the integration of ESG sustainability factors in financial processes. The Plan was followed by the European *Green Deal*, with the Union's commitment to eliminating greenhouse gases emissions by 2050, and the *Next Generation EU* in support of the post-COVID-19 recovery. More recently, the European institutions have formed a new regulatory framework for the financial sector: the Commission published the *Renewed Sustainable Finance Strategy*, and the *Sustainable Finance Disclosure Regulation* (SFDR, EU Regulation 2019/2088) and the modification of the *Climate benchmarks* (EU Regulation 2019/2089) have been approved.

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T

TERRITORY

Allegra Elena Pallaroni
Scientific collaborator
at the Faculty of Law
of the University of Trento

Politics and territory are connected in many ways and at the institutional level these links are expressed in the organisation and distribution of power within a specific State. The territory is the context in which the last and direct provision of public services to citizens is granted, while at the local level the efficiency of public bodies is of particular relevance. The territory, depending on how it is divided, is also the scene where the gaps and inequalities that determine the need for intervention by public authorities emerge.

Ironically, globalisation and the internationalisation of relations has had the function of strengthening the need for a better organisation of needs and solutions on a local scale.

At the local level, on the other hand, it seems to be the best reference to imagine an effective planning that can develop into effective implementation. There is a strong interdependence between the typical phenomena of a territory and the consequent need for institutional responses, and local authorities become the best suitable actors for the coordination and implementation of public policies responding to the specific needs of a territory.

BECOMING SELF-SUSTAINABLE FOR A MORE UNITED EUROPE

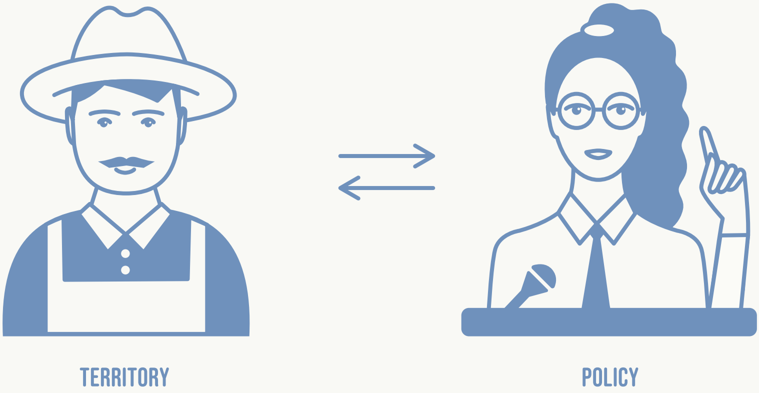
Indeed, the offset of globalisation has been the development of a new idea in the approach to places and of a common objective towards an increasingly available policy to the people who live there.

Local development is even more essential today, in the context of the emerging challenges related to climate change, the rising inequalities and the intensifying migration flows.

The tendency of the population to live more and more in metropolitan areas involves multiple challenges for local realities: public-private partnerships and innovative financial instruments are the main support in this sense, as they stimulate the increase of available funds and the solutions that meet the sustainable development goals.

T

AN INCREASINGLY AVAILABLE POLICY TO THE PEOPLE



→ territory

The aim is to become self-sustainable at a national level and thus contribute to generate a more united, stronger and cohesive Europe; to do so, it is necessary to start from promoting institutional transformations that prove to be suitable for the local level. Bridging finance to the social dimension can in fact be the key to new sustainable development, also considering that local planning of interventions offers better risk management.

Since the 1980s, the tendency was a recreation and redefinition of the political space into new forms of politics that increasingly focused on territorial-based interests. It is historically documented that the establishment and strengthening of governmental intermediate levels have long been at the heart of reform initiatives in several European countries.

THE AIM IS TO BECOME SELF-SUSTAINABLE
AT A NATIONAL LEVEL

After all, the local dimension is not a private institution, it is rather an institutional, political, social cultural space, within which it is possible, as well as necessary, to set up new systems of action for the benefit of civil society and, ultimately, of the State as a whole.

There is no doubt that today, much more than in the past, a culture of *multilevel governance* has established; a culture that developed through the involvement of Nations in the supranational European dimension, but also and more generally at the international level. However, this progressive denationalisation of development policies has been followed by a reinvention of subnational and local institutional entities. The State has no longer played the role of top-down authoritarian allocation and regulation; it rather developed a role of partner-mediator engaged in meeting the interests of every actor involved in respecting the democratic rules.

BRIDGING FINANCE TO THE SOCIAL DIMENSION CAN IN FACT BE THE KEY TO NEW SUSTAINABLE DEVELOPMENT

territory

The local dimension appears to be a necessary element for a State's renovation, a reconstruction that intends to start from the actors of economic development and their relations system, since the range of State action does not aim to coincide with its territorial domains, but it intends to organise its structure within and through them, in order to enrich itself with a new consistency which is only possible involving the local dimension.

If in the past the approach to policies was sectoral, today it has certainly evolved into a *place-based* approach. Local governments, primarily invested in the management of the territory and its resources, are called to think of appropriate policies and to rely on the dialogue between public and private actors, in the pursuit of the common objective that is represented by the success of a locally-based, shared, social development.

This change of direction requires to consider the need for new instruments that shall allow better coordination between government levels and proposed solutions, but also to evaluate each policy through a monitoring mechanism that allows the pursuit and achievement of good practices.

The crisis of the welfare state has in fact forced to transfer social policies to subnational government levels which, according to the principle of subsidiarity, are the closest level of government to citizens, and called to guarantee those social citizenship rights that have an impact on the entire social sector's quality of life.

T

THIRD SECTOR

Laura Dolazza
PhD student
at the Faculty of Law
of the University of Trento

The notion of Third Sector is based on the idea that in the economic and social system there are three coexisting sectors. The first sector is represented by the State, the second sector consists of profit-seeking companies, and the third sector includes productive activities that are not profit-driven and are not part of public administration.

The third sector comprises a variety of legal forms, all of which are **active in different fields of intervention** (social care, culture, volunteering, research, education, environment, sport, etc.), such as non-profit associations, social cooperatives, non-governmental organisations.

Third sector organisations play a crucial role in the sustainable transition process: they create conditions and opportunities for active citizen participation, promoting inclusiveness, building collective networks and enhancing social cohesion, all of which are essential for the sustainable economic and social development of society.

THIRD SECTOR ORGANISATIONS PLAY A CRUCIAL ROLE IN THE SUSTAINABLE TRANSITION PROCESS

While there is (still) no common framework for the non-profit sector at a Community level, the European Union serves as a reference point for accessing resources for organisations working on social projects, employment, social affairs, and integration within the third sector.

Social finance, as a financing instrument that promotes investment in projects aimed at benefiting the community, has a positive and transformative impact on third sector organisations. Innovative financing instruments such as social impact bonds, social bonds, crowdfunding, solidarity bonds, and social lending, ease the challenge of securing resources for third sector organisations, while also encouraging community participation in the projects they undertake.

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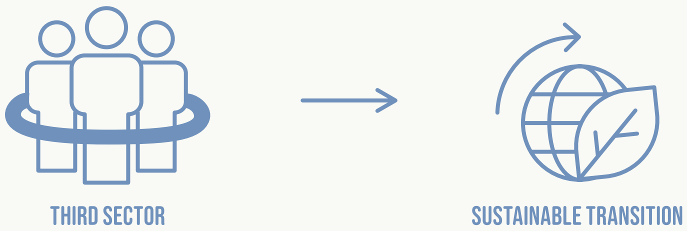
THIRD SECTOR ORGANISATIONS PLAY A CRUCIAL ROLE IN THE SUSTAINABLE TRANSITION PROCESS



→ **third sector**

But besides benefitting from the resources coming from the forms of social financing, third sector organisations play a significant role in the implementation of these forms of financing, as in the case of social impact bonds (SIB), private investment instruments characterised by a complex subjective configuration whose remuneration is contingent upon the achievement of a certain social result[1].

According to the operational scheme of this instrument, for example, the involvement of third sector organisations is essential for the management of social programmes that public administrations could not autonomously achieve due to lack of resources, insufficient structures and lack of organisational skills and capacities.

1 Cristofolini C. (2021). *Potenzialità e criticità dei social impact bonds per l'inserimento lavorativo.* Diritto delle Relazioni Industriali, n. 4, p. 1027; Gambardella D., Rossi M.C., Salomone R. (2018). *La finanzia sociale come strumento per le politiche pubbliche.* Working Paper CSDLE "Massimo D'Antona", n. 350, p. 13.

2 Pedri S. (2016). *La valutazione dell'impatto sociale nel Terzo Settore.* EURICSE. Text available on: https://euricse.eu/wp-content/uploads/2016/09/Position-Paper.pdf.

ESSENTIAL ELEMENTS FOR THE SUSTAINABLE ECONOMIC AND SOCIAL DEVELOPMENT OF SOCIETY

Thanks to the SIBs, in fact, public bodies have the possibility of entrusting the management of social projects to more specialised and competent operators, creating a **virtuous synergy between the public and the private** sectors and saving resources; at the same time, third sector organisations can access larger amounts of financing compared to what they could obtain through traditional channels to achieve their objectives. In addition, since access to funds is conditional on the success of the project, third sector organisations are encouraged to constantly improve in order to benefit from it. The greater the social impact generated by the projects shall be, the higher profits will be made by private investors[2].

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treccani.it

cantiereterzosettore.it

W

WOMEN

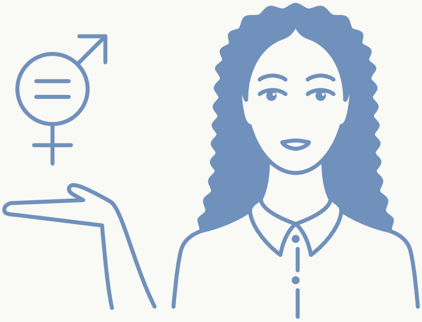
Laura Dolazza
PhD student
at the Faculty of Law
of the University of Trento

Equality between women and men is recognised at the international and Community level as a fundamental principle and a requirement for achieving the goal of more sustainable and inclusive social growth and employment. Ensuring that women have equal access to education, to the world of work, as well as representation in decision-making processes is **the basis for promoting sustainable economies for the whole community.**

GENDER GAP ELIMINATION

WORK-LIFE BALANCE

REPRESENTATION IN LEADERSHIP ROLES



Gender equality is one of the 17 strategic goals (of which number five recites *"Achieve gender equality and empower all women and girls"*) set in 2015 by the UN with the 2030 Agenda for Sustainable Development. At the EU level, gender equality is of central value in the Treaties establishing the European Union (arts. 2 and 3 TEU, Articles 8 TFEU, arts. 21 and 23 Charter of Nice), but it also has a cross-cutting priority in the current political agenda (see, for example, the Pact for Gender Equality 2011-2020, the Strategic Engagement for Gender Equality 2016-2019 and the most recent Strategy for Gender Equality 2020-2025).

In the sustainable transition process, it is therefore necessary to aim at achieving equality between men and women in society and, primarily, in the labour market. In this respect, specifically set up public funding instruments are essential; to name one, the European Social Fund ESF+, which helps funding interventions supported by public and private funds of Member States in order to achieve various policy objectives, including gender equality, which plays a prominent and transversal role.

As a result of this instrument, Member States have developed specific measures to support gender equality, such as: policies aimed at eliminating the pay gap between men and women; measures aimed at the integration and reintegration of women into the labour market; improvement of work-life balance by means of the introduction of family leave and flexible working norms and by promoting family models based on a fair division of parental responsibilities; support for female entrepreneurship; and combating the under-representation of women in those economic sectors that are most affected by the digital transition and with a traditionally male-prevalence.

Tackling gender inequalities is also one of the three cross-cutting priorities of the **National Recovery and Resilience Plan (PNRR)**, the reform and investment program which is part of the Next Generation EU programme that Italy has undertaken to relaunch economy after the crisis generated by the COVID-19 pandemic. **“Fondo impresa donna”**, a fund destined to support female entrepreneurship, was created in Italy as part of the Resilience and Recovery Plan. The fund is a financial allocation to support the creation of new women’s enterprises (established less than 12 months before) and the development and consolidation of existing enterprises established by women (active for more than 12 months). It is specifically aimed at cooperatives or partnerships with at least 60% of female partners, limited companies with shares and members of the administrative bodies represented by women for at least two thirds, sole proprietorships owned by women, and female self-employed.

Social finance as well can make a significant contribution to the promotion of gender equality; through collective engagement strategies, that is to say a constructive dialogue between investors and companies and active shareholding, it is thus possible to influence and guide the activities of companies committed to achieving equality between women and men. This in terms of greater representation of women in leading roles and within boards of directors, promotion of support programmes for women in the workplace, and parenting support in companies. Investing in equality between women and men generates positive effects for the company, both internally on the workforce, and externally on customers and, more in general, on the community as a whole.

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ZERO NEET

Riccardo Salomone
Full professor
at the Faculty of Law
of the University of Trento

Zero NEET is a project aimed at the promotion of a joint and innovative action strategy to address the problem of NEETs – people who are not in education, employment or training - at the local level (such as a Municipality, a Province, a specific territorial area). The project involves the experimental construction and application of an "impact" economic financing model, suitable to financially support the identified social programme.

INCLUDING A TUTOR/SUPERVISOR/ COACH WITHIN SCHOOLS, OR IN SCHOOL NETWORKS

The public-private partnership model (e.g., public administrations competent for education and integration into the labour market, Type A and B social cooperatives, or municipalities) allows to create a network of different actors with specific skills, supporting both the prevention of the NEET phenomenon and the identification of people in this condition, leading to intervene and "remedy" such effect.

The social project is aimed at countering the NEET phenomenon, through a plan of

1. PREVENTION OF EARLY DROP-OUTS
2. IDENTIFICATION/TRACING
3. ACTIVATION/TRAINING OF NEET GROUPS

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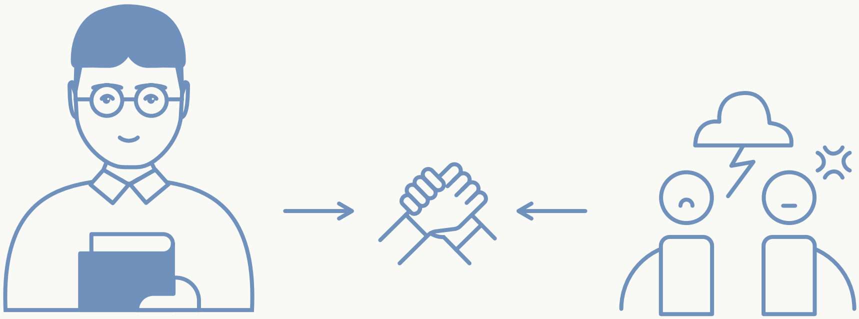

zero neet

The social project enhances a "cross-sectional" approach, aiming at working on different groups (those who are in school and those who are out of school). It further aims at studying innovative paths on the specific NEET phenomenon as well as on early school leaving: the two circumstances are part of the same "pipeline" and require an integrated approach in terms of policies.

The project aims at **including a tutor/supervisor/coach within schools**, or in school networks, that interacts with teachers and educators of the target school (therefore not replacing the educational role of teachers, but integrating more than what an expert consultant, such as a psychologist's desk, would do), and takes care of entire classes with a view to **prevention, guidance and development of soft skills**, and who faces possible situations of discomfort together with teachers. This position should be naturally extended also "outside" school, that is when the NEET will need specific and personalised support.

OBJECTIVES AND OPPORTUNITIES FOR YOUNG NEET

FUTURE OPPORTUNITIES

SECURITY AND SUPPORT

TRAINING AND GUIDANCE

With reference to the financial mechanism, the project envisages a Social Impact Bond (but could also benefit from the employment opportunities of social procurement tools, social bonds or crowdfunding). The analysis of innovative financing forms is not only scoping the experimentation of a pay-by-result measure in collaboration with local actors, but is at the same time functional to the feasibility study of the social project, as it can imagine forms of interaction between the two worlds: consider, for example, the availability of facilitated microcredit measures for those NEETs who are willing to join training activities.

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