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71 Good Practice Cases

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Labour Market Integration for Immigrants using a Social Impact Bond

Ministry of Economic Affairs and
Employment, Finland

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Name of procuring authority, Country: Ministry of Economic Affairs and Employment, Finland

Product or service sector: Social services



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Introduction/procurement objective

During 2015, Finland experienced a rapid increase in the number of people arriving in the country. As part of the response, the Ministry of Economic Affairs and Employment undertook a project to help recently arrived immigrants to access the labour market. The unemployment rate for migrants was about twice that for Finns.

Following research and market consultation, the Ministry decided to run the project as a social impact bond (SIB) — a form of social outcomes contracting in which a private partner provides financing and takes on the performance risk. With SIB contracting, the public body pays only when certain performance outcomes are achieved. In this case, the performance indicators were based on reduced need for unemployment payments and increased tax revenue from the employment of

participants in the programme.

This project, called the Koto SIB, was one of the first to be implemented in Europe and was co-financed by the European Investment Fund and the European Commission along with a number of other private and institutional investors.

Subject matter

A procurement procedure was launched at the end of 2015 to appoint a project manager for the SIB. The project manager would be responsible for tasks including:

- establishing an investment fund
- marketing the fund to external investors, such as foundations and private individuals
- finding instructors and jobs and organising training for the participants

The target number of participants in the programme was set at 2,500 over three years, with services to include education and job-specific training. Once placed in employment, participants would receive ongoing professional, language and cultural support.

Stage of procurement phase and criteria

In December 2015, a Prior Information Notice (PIN) was published in the Official Journal requesting information from the market. The PIN described the Ministry's interest in setting up a social impact bond to test new models of education and employment to accelerate the employment of immigrants. Several organisations responded to the PIN and an information day was held, during which draft documents were provided and market actors could make comments.

In March 2016, a contract notice was published under the open procedure, inviting proposals for the project management of the SIB. The project manager would be responsible for tasks including:

- The design and management of the project
- Organising migrant training and employment activities in line with the project's outputs, in cooperation with service providers
- Monitoring, interim and final reporting

The award criteria focused on the project plan (60%) and experience of the project manager's personnel (40%). Only one tender was received in response to the call, from Epikus Oy (now FIM Vaikuttavuussijoitukset Oy). This reflects the innovative nature of the project and the relatively small number of firms operating in this market. A range of service providers were included in the bid as subcontractors, in order to provide education, training and job placement at different locations across Finland.

Social policy objective and/or reference standard

The main social policy objective of the procurement was to provide employment opportunities and encourage integration of immigrants within the

Finnish job market. The project was also seen as an opportunity to test the SIB model in Finland and to determine its replication potential.

Verification

The project manager's payment is defined by comparing taxes generated and unemployment benefits saved by:

- Participants in the SIB programme, and
- A control group being integrated by means of a traditional model.

The comparison will be made at the end of the contract period. If the project results in savings for the government, the project manager will receive half of them. In addition, the project manager receives a fee of €1,500 for each participant who receives more than 70 days of training.

Contract value

The contract had an estimated value of €8,625,000. However, the total contract value will be determined based on performance as per the contract terms. The total value of the investment fund under the SIB is €14.2 million.

Instrument

- Art. 40 (on Preliminary Market Consultations) and Art. 70 (on conditions for performance of contracts) of Directive 2014/24/EU.

Actors

- Procuring body: Ministry of Economic Affairs and Employment, Finland
- Strategic partners: Hansel (Central Purchasing Body); SITRA (Finnish innovation fund)
- Project manager: Epikus Oy
- Other investors: European Investment Fund
- Service providers
- Programme participants

Social impacts

- Results to date suggest that about 50% of the participants in the Koto SIB found employment, which is considerably better than the control group.
- Participants in the programme receive one-on-one coaching, in addition to language training and job placements. The training normally lasts 3-4 months.
- Support is also provided to employers, some of whom did not have previous experience employing immigrants.
- By the end of 2019, there were a total of 2211 participants in the Koto SIB, with 869 people being employed. A wide variety of jobs and employers are involved, with the most common ones being in the catering/restaurant sector, logistics, cleaning and manufacturing jobs. The demographic distribution of programme participants is 63% male and 37% female, in part reflecting the higher number of male migrants in Finland.
- Participants with higher-level education have also been offered training in business and entrepreneurship, including a [tech start-up programme](#).

Other benefits

- The Ministry has realised savings of at least €20 million through this initiative since 2016. The success of the Koto SIB has led to the use of this model by other Finnish public authorities, for example to provide youth services.
- The Ministry also decided to procure a second project using a similar model, this time in order to provide employment assistance to long-term unemployed people who are not migrants. This project was tendered using the competitive dialogue procedure, and the contract started in 2019.

Lessons learned and future challenges

- Sonja Hämäläinen, Migration Director at the Ministry and commissioner of the project, says: 'It's vital to the project and its success to have an

intermediary who understands the complexity of impact investment because there are so many things that come into play. There's collecting private investment, there's contracting the new project manager, there's measuring impact in a new way... having an independent intermediary who can bounce back ideas with you is key to success.'

Contact

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"Going back in time, I would definitely do the tendering through a negotiation process. I would say it's vital to the project and its success to have an intermediary who understands the complexity of impact investment because there are so many things that come into play. There's collecting private investment, there's contracting the new project manager, there's measuring impact in a new way...having an independent intermediary who can bounce back ideas with you is key to success"

Sonja Hämäläinen,
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