

# Social Impact Bond Faz-Te Forward

Afonso Fontoura  
afonso@maze-impact.com

Inês Charro  
ines@maze-impact.com

Margarida Anselmo  
margarida@maze-impact.com



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# Introductory Note

The Calouste Gulbenkian Foundation (CGF) has solidified its strategic commitment to the personal and professional development of the younger generations. On the other hand, it has sought to encourage the use of new investment tools within the social sector, to increase the effectiveness of social organisations that develop innovative interventions.

With this in mind, and after investing in Portugal's first Social Impact Bond (SIB) back in 2015, the CGF followed through with its commitment by investing in four other SIBs, including Faz-te Forward, implemented by TESE.

The outcomes delivered by the intervention after a three-year period, which consistently exceeded the outcomes established for the insertion (40%) and continuity (20%) in the labour market of all the project's groups of participants, validate Faz-Te

Forward's methodology, informing active approaches and programmes for the promotion of employability.

The success of a SIB is not binary. The delivery of the contracted outcomes, which made the reimbursement of the initial investment possible, is an indicator of success. Nonetheless, the Foundation's ultimate goal is to demonstrate the advantages of resorting to outcome-based commissioning - a model which allows to give more adequate support to organisations from the social sector, manage financial resources more efficiently and incentivise the development of improved public policies.

**Luís Jerónimo,**  
**Director**  
Gulbenkian Sustainable Development Programme  
**Calouste Gulbenkian Foundation**



# Executive Summary

Faz-Te Forward was part of the first edition of Social Impact Bonds (SIB) where contracts were celebrated through Portugal Social Innovation, a Portuguese outcomes fund. This SIB was launched in July 2017, and implemented in the Porto region.

The Faz-Te Forward intervention promotes the insertion of young adults NEET (or at high risk of becoming NEET) into the labour market, through activities such as soft skill training, coaching and mentorship.

In March 2021, 50,906 unemployed young people under the age of 25, and 93,313 unemployed young people between the ages of 25 and 34, were registered with the Institute of Employment and Vocational Training (IEVT). Youth unemployment is an economic and social problem with high negative externalities for society. One of the Faz-Te Forward SIB's goals was to validate an alternative intervention model for the process of accelerating this vulnerable group's transition to employment.

The Faz-te Forward SIB's investors were the Calouste Gulbenkian Foundation and Deloitte Portugal. The implementing entities were TESE (responsible for implementing the project in the field) and MAZE (responsible for project monitoring and performance management). The entity responsible for outcome-

based payment and investor reimbursement was Portugal Social Innovation.

The public entity responsible for monitoring the project was the Institute of Employment and Vocational Training (IEVT). The project also counted on the support and supervision of the Porto City Council.

Faz-te Forward worked with 150 young people, divided into 5 groups of 30, who were either unemployed or searching for their 1st job. The contracted outcomes were the insertion into the labour market of 12 participants per group within 6 months after the end of each edition, and continuity of employment for 6 young people per group for a minimum of 6 months.

The labour market insertion success rate was 45% (against a goal of 40%) and continuity of employment for 6 months occurred in 22.5% of cases (against a goal of 20%).

The project's total investment was €387,848.23, with 99.1% of this investment's payment having been approved.

The present report summarizes the most relevant occurrences and learnings acquired over the course of the project's three years.

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# Acronyms and abbreviations

<b>CGF</b>	Calouste Gulbenkian Foundation
<b>Fazters</b>	FFWD participants
<b>FFWD</b>	Employability program Faz-Te Forward
<b>IEVT</b>	Institute of Employment and Vocational Training
<b>MAZE</b>	MAZE Impact S.A.
<b>NEET</b>	Not in Education, Employment, or Training
<b>OP ISE</b>	Operational Programme for Social Inclusion and Employment
<b>PSI</b>	Portugal Social Innovation
<b>RC</b>	Request for Clarifications
<b>RR</b>	Reimbursement Request
<b>SIB</b>	Social Impact Bond
<b>TESE</b>	TESE - Association for Development

## Introduction

Faz-Te Forward was part of the first edition of Social Impact Bonds (SIBs) with investment led by the Calouste Gulbenkian Foundation and outcome payments contracted through Portugal Social Innovation.

A Social Impact Bond (SIB) is a type of outcome-based contract which uses financing from social investors to cover the implementation costs of a certain intervention, in this particular case, Faz-te Forward. Alongside private

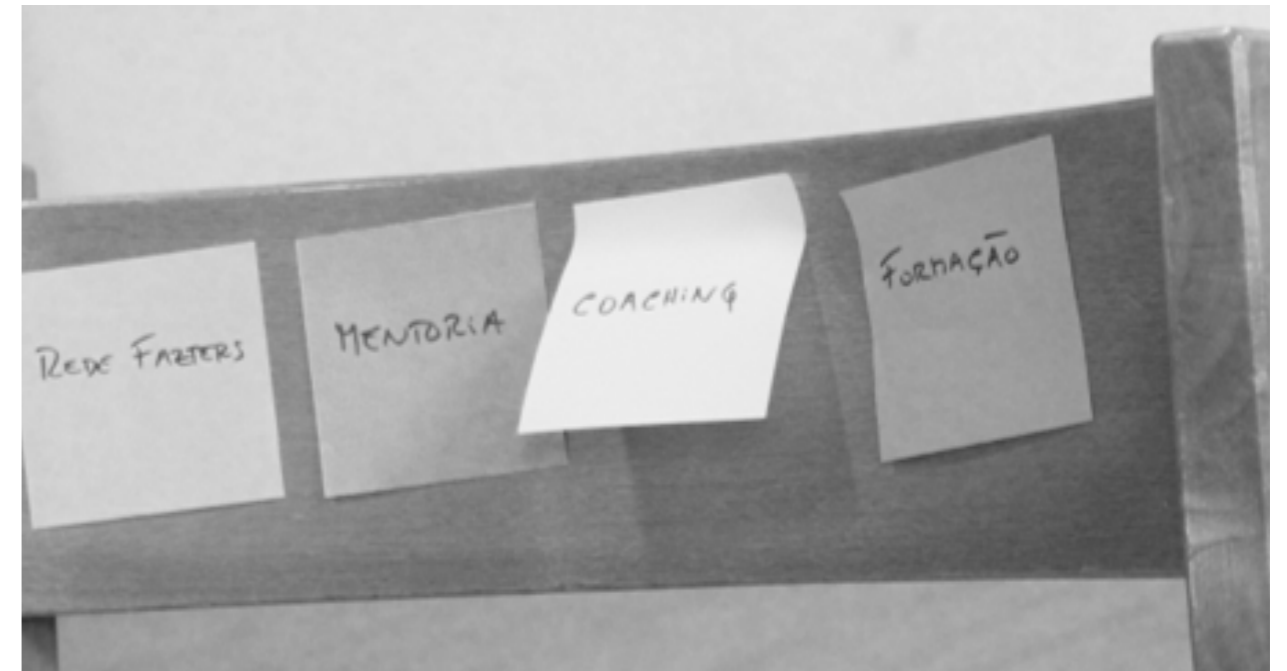
partners, the public sector establishes concrete and measurable outcomes, with investors being reimbursed if, and only if, those outcomes are delivered. The Faz-te Forward SIB took place in the Porto region between July 2017 and October 2020.

The €387,848.23 investment was made by the Calouste Gulbenkian Foundation and Deloitte Portugal.

# How did the intervention go?

## Quick Reply

The labour market insertion rate was 45% and the employment continuity rate was 22.5%, both above the established goals of 40% and 20%, respectively. The intervention proved effective and enabled learnings regarding public policies focused on promoting the employability of young people.



# Intervention

## Methodology

The FFWD intervention emerged within the context of high youth unemployment rates in Portugal, during the last crisis period. In the northern region of Portugal, the unemployment rate reached 23.9% of young adults under the age of 25, at the time this social impact bond was launched.

The project’s theory of change predicts that promoting activities such as coaching, soft skill training and mentorship, will increase participants’ self-knowledge and self-confidence, as well as their networking capabilities. TESE also invests in the development of participants’ personal, social and job searching skills, and in broadening their knowledge on the reality of the labour market.

The implementation of FFWD is composed of two main moments (illustrated in the scheme in figure 1): the application phase and the capacity building programme phase.

### Phase 0 – Application phase

The application phase takes place over a three-month period and comprises an application period and a *Fazters* selection period. The application period involves a series of actions, including sending emails and text messages to pre-registered young adults; posting on the project’s social network accounts; involving alumni in the promotion of the project; distributing posters and leaflets; and delivering press sessions and press releases. The ensuing participant selection process includes an initial sorting of the questionnaire submitted through the website, an information session, a group session, and an individual interview with each participant.

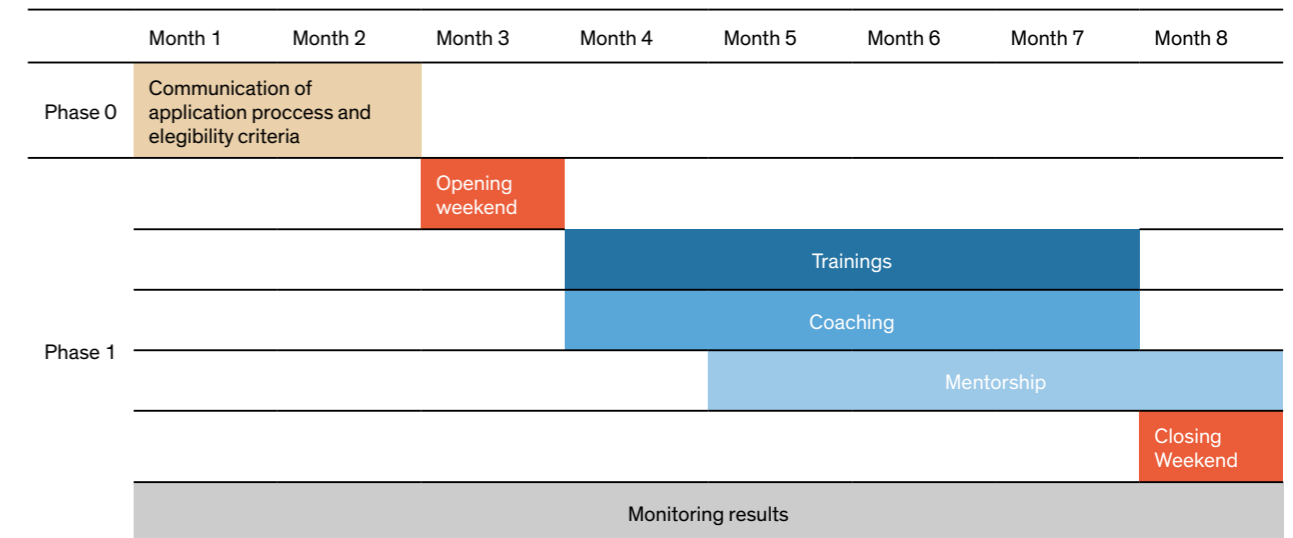
### Phase 1 – Programme

Each edition of the programme lasts approximately 5 months. It begins with a weekend where all participants gather to get to know each other and the team who will accompany them throughout the process. The programme is structured in 3 components:

- Soft skill group training sessions (up to 18 sessions per edition): conducted by guest instructors, who work on key skills for capacity building guided towards labour market insertion.
- Individual coaching sessions (8 to 10 sessions per participant, per edition): aim to promote self-knowledge, and goal setting and achievement skills.
- Individual mentorship sessions (up to 5 meetings): provide the opportunity to establish contact with an experienced professional from the *Fazter*’s field of interest, who can share knowledge and experience.

At the end of the programme, TESE promotes a second weekend with the participants, the closing weekend, where the learnings acquired throughout the programme are shared.

An open day was planned in the SIB application, so participants would have the opportunity to network with FFWD programme alumni. However, this event did not take place during the SIB, after the pros and cons between the demands of preparing this event and its potential effectiveness were weighed up. Consequently, other strategies were adopted for the *Fazter* alumni to share experiences with other young adults, namely during the programme’s promotion and selection moments.



**Figure 1** Structure of the intervention. Faz-Te Forward  
Source: MAZE and TESE

“Faz-Te Forward brings together a set of differentiating factors which make it a successful project in terms of promoting the professional inclusion of young people, namely through the commitment to developing soft skills, self-knowledge and networking. The use of informal methodologies, and the combination between more individualized approaches, that work on each young person’s particular challenges (through coaching and mentorship), and group approaches, which reinforce sharing, identification and motivation to participate, are also success factors. Faz-Te Forward is a tailor-made capacity building programme that believes in young talent!”

**Joana Guimarães, TESE**  
July 2020



# Data Analysis

## Applications

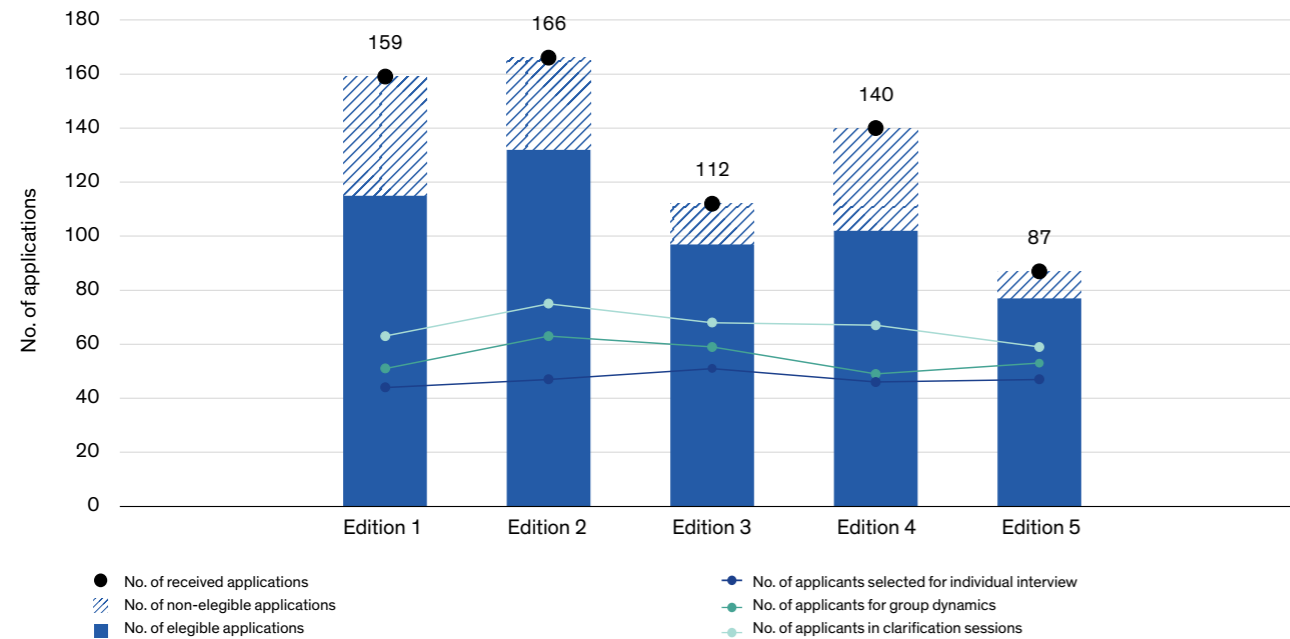


Figure 3 Number of applications per edition. Source: MAZE and TESE

Between August 2017 and October 2019, Faz-Te Forward received 664 applications. From these applications, 79% were considered eligible under the SIB selection criteria. These criteria include:

- Age - between 18 and 29 years of age;
- Geography - limited to residents of the Porto Metropolitan Area;
- Employment status - young adults searching for employment or higher education and vocational training finalist students in risk of becoming NEET.

The decrease of the youth unemployment rate over the course of the bond's implementation, led to a small drop in the number of applications. To mitigate this circumstance TESE boosted its communication efforts, both face-to-face and online, to reach a higher number of potential participants. On the other hand, to reduce the information session's non-attendance rate, TESE started texting participants to remind them of the scheduled date and time.

From all eligible candidates, 64% showed interest in participating and attended the various editions' information sessions. From them on, an average of 83% of candidates were selected for the group challenge, which served as an elimination round. A total of 235 applicants were selected to participate in individual interviews.

The main factors for the candidates' ineligibility were their situation regarding the labour market (42% of ineligible cases) and the deadline for the conclusion of training (which determined 37% of ineligible cases). During the third edition, after 30 participants were selected, withdrawals happened and led to the forced selection of new participants shortly after the programme's kick off.

## The candidates' profile

- 66% of candidates were female;
- The candidate's average age was 24.5, following a normal distribution from 18 to 30 years of age;
- 88% of candidates were Portuguese, 4% were Brazilian and the remaining belonged to other nationalities;
- 60% of candidates met four or more priority criteria;
- The majority of the programme's applications originated from Porto (38%), Espinho (13%) and Gondomar (11%).

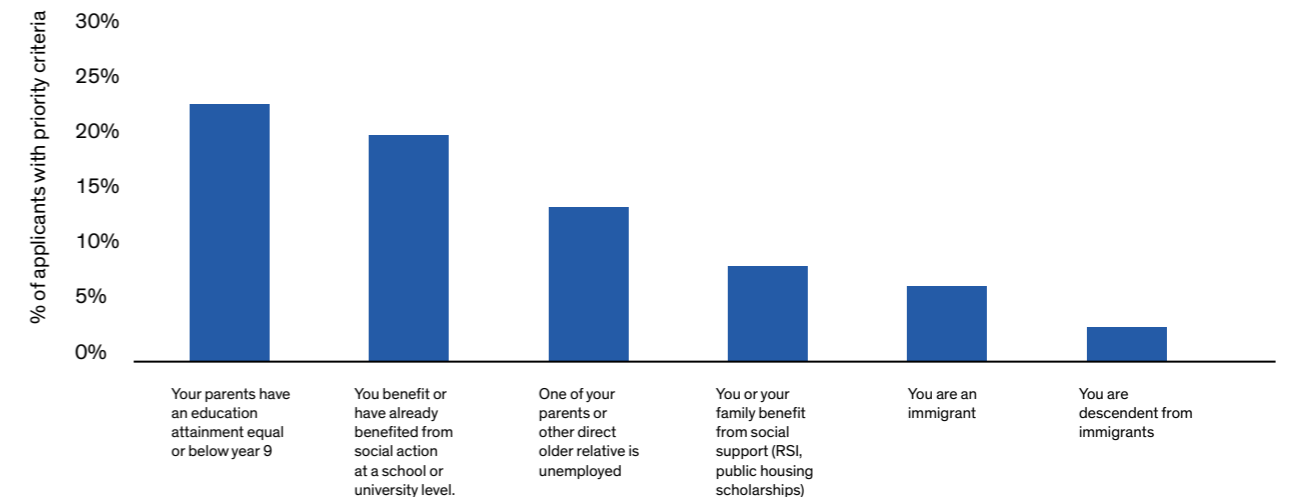


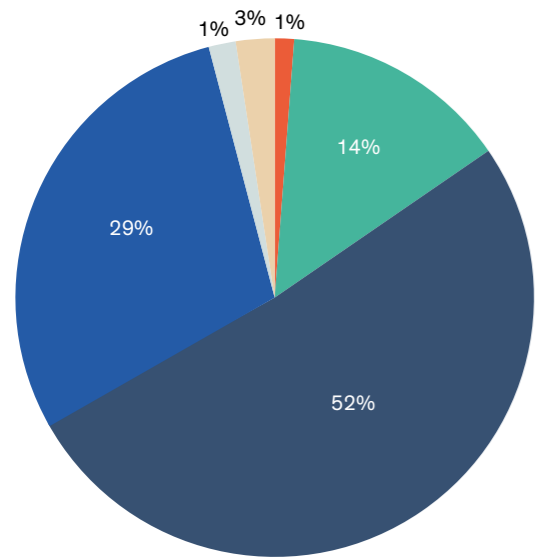
Figure 4 Priority criteria for candidates Source: MAZE, from data shared by TESE

At the time of the application, FFWD candidates all met the priority criteria established by TESE, based on factors that increase the probability of a young person being NEET, studied by EUROFOUND (2012).

Around 23% were children of parents with an education attainment equal to or below year 9, while 20% benefited or had already benefited from social action at a school or university level. These were the most common priority criteria applied to applications for all editions, as the benefit of the social action grant only

gained relevance in relation to parents' educational attainment in the 4th edition. Even so, close to 1/4 of candidates did not present any priority criteria in their application, which was not an eliminating factor for participation in the programme.

From the candidates who met priority criteria, 54% met only one criterion, 25% only two, and the remaining 21% three or more.

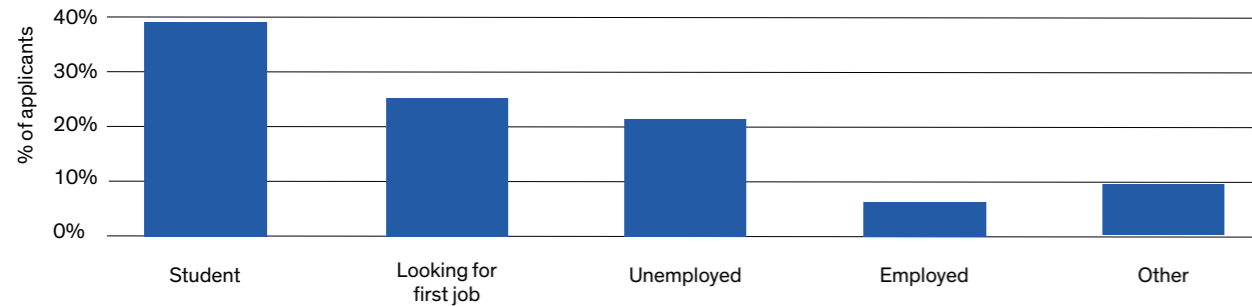


More than half of the candidates had completed or were attending a bachelor's degree at the time of application. Almost one third of the candidates were attending or had completed a postgraduate or master's degree, and only a minority had only attended secondary school or a professional training course.

This candidate profile is consistent with the strong presence and promotion of FFWD within universities.

- Basic education
- High School
- University degree
- Post-graduation or Masters degree
- Professional course
- Other

**Figure 5** Candidates' educational attainment. Source: MAZE, from data shared by TESE

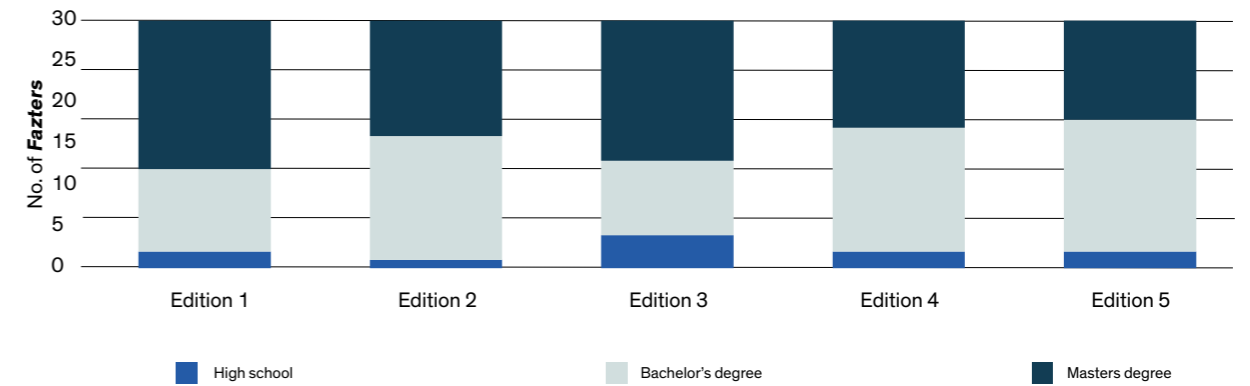


**Figure 6** Candidates' situation regarding the labour market. Source: MAZE, from data shared by TESE

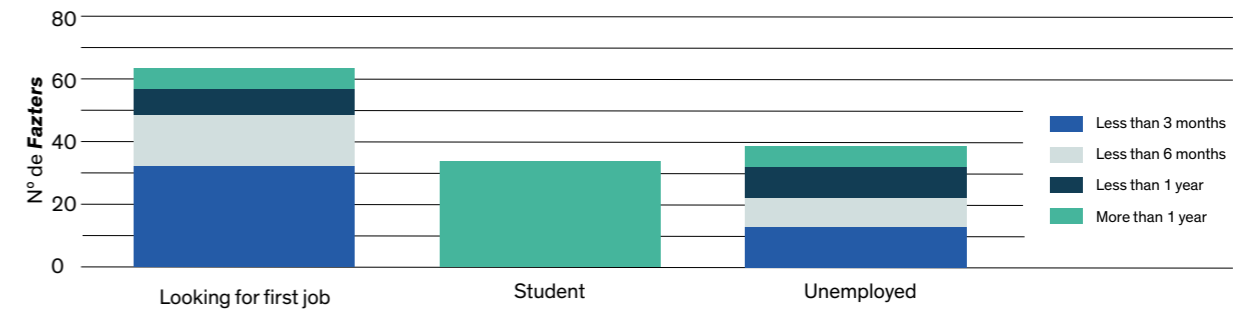
"I learned about Faz-Te Forward during a presentation at the Gondomar employment centre. Joana made the presentation. What I liked about the project was that she told us right away that FFWD wouldn't guarantee us a job, but gave us the tools to be able to achieve that goal. In other words, instead of giving us the fish, they were going to teach us how to fish it. And that's what motivated me to sign up for the project."

*Fazter, Fazter, 4<sup>th</sup> Edition*  
August 2020

## Fazters' profile



**Figure 7** Candidates' educational attainment Source: MAZE, from data shared by TESE



**Figure 8** Candidates' situation regarding the labour market. Source: MAZE, from data shared by TESE

A total of 150 participants were registered in the five editions promoted by TESE within the context of this SIB. All editions had 30 participants and on average 70% of all selected participants were female. The participants' average age over the course of the project was 25. In terms of geographical dispersion, Porto is the most prominent county of residence amongst the selected candidates, followed by Gondomar and Matosinhos.

At the time of their participation in the programme, around half of the participants held master's degrees, 41% held bachelor's degrees and the remaining 7% had completed secondary education. The categorisation of master's and bachelor's degrees also includes participants still in attendance.



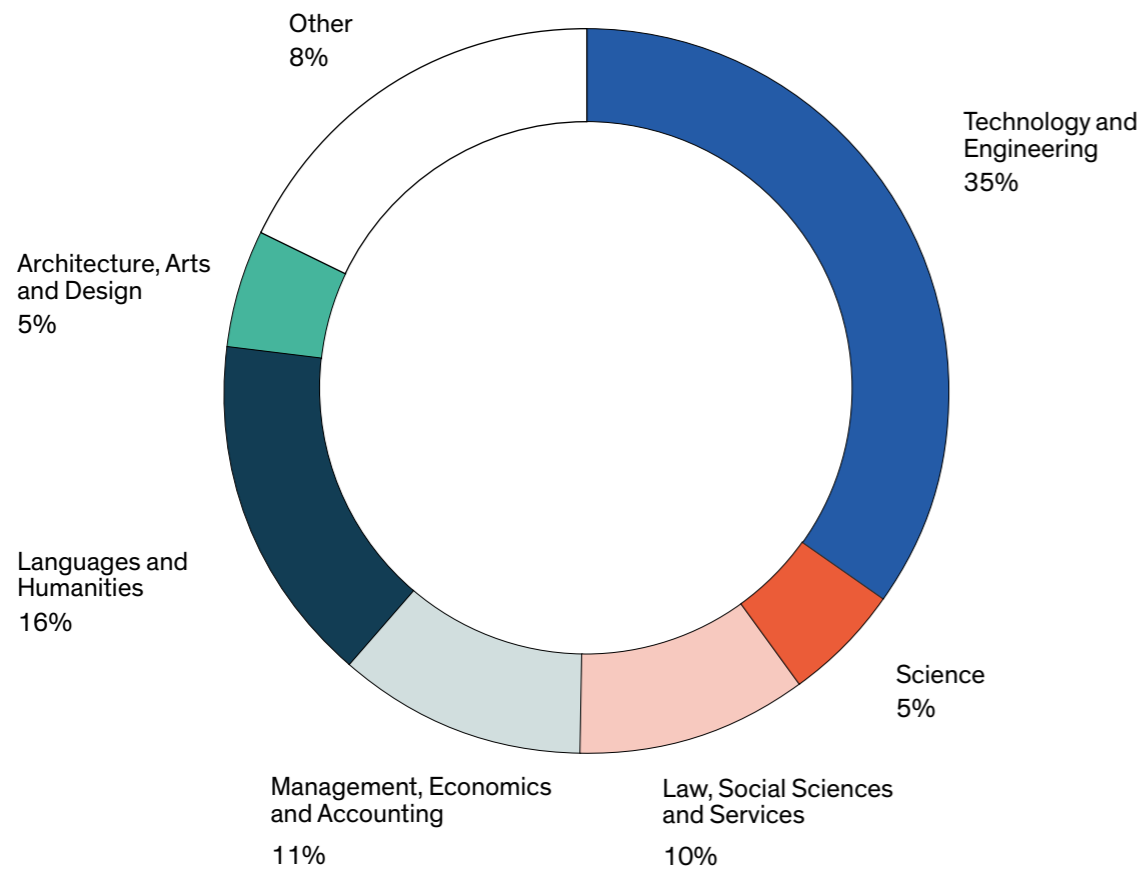


Figure 9 Fazters' fields of training Source: MAZE, from data shared by TESE

Amongst participants who attended higher education, around 35% have training in the field of technology and engineering. Humanities and languages was the second biggest field of training amongst *Fazters*, accounting for 16% of candidates. The fields of law, social sciences and services, alongside economy, business and accounting, represent a similar percentage of participants. The comparative amount of artistic degrees increased from the 3rd edition onwards, although they correspond to a minority of *Fazters* who participated in the SIB.

The diversity of the *Fazters'* training profiles is a corroboration of the FFWD programme's versatility and the importance of soft skill training, regardless of the participants' field of technical training.

Most participants had been looking for their first job for less than three months, were still students or had been unemployed for less than three months.

"I participated in the 2nd Edition of Faz-Te Forward, in Porto. I studied psychology and my goal was to work in clinical psychology, but I was having a hard time joining the Psychological Society, so I took a job at a call centre. I often went to college to attend training courses and thought FFWD could help me acquire some skills I lacked and find work in my field. I said goodbye to the call centre and enrolled in the programme."

*Fazter*, 2<sup>nd</sup> Edition  
August 2020

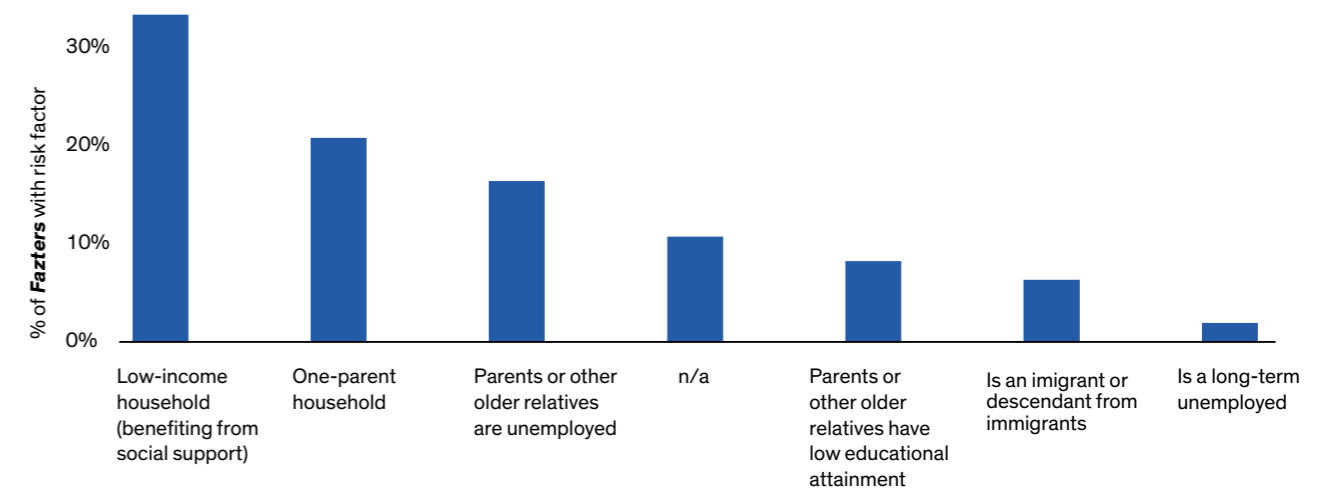


Figure 10 Fazter risk factors Source: MAZE, from data shared by TESE

At the time of the application, FFWD candidates met priority criteria identified by TESE as indicators of increased risk for unemployment amongst young people. These criteria do not exactly match the criteria used to classify the selected participants.

Some *Fazters*, 34% to be more precise, belong to low income households, a category not included in the

selection process. Another predominant feature are *Fazters* from single-parent or unemployed households.

Several risk factors are based on the principle that the environment in which young people grow up can have a relevant impact on the likelihood of them experiencing a situation of unemployment.

## The *Fazters'* profile when entering the labour market

As might have been expected, some characteristics of the *Fazters'* profile had an impact on their entry into the labour market, after the programme's completion. For a p-value of 5%, a z-test was conducted to verify the following differences were statistically significant:

- young people from the County of Porto were more successful in entering the labour market;
- *Fazters* with secondary education were less successful in entering the labour market, while young people with master's degrees were more successful in finding work;

- Basic training in Technology and Engineering was a success factor in job searching.

Within employability projects, it is common to find that a few easily identifiable factors demonstrate more favourable results. It is therefore important to ensure that this knowledge does not act as an incentive for bias in the participant selection process.

# Programme

During the Faz-te Forward programme, the participants had access to a series of training courses focused on personal, social and employability skills, as well as coaching and mentorship sessions focused on building the participants' capacity to enter the labour market.

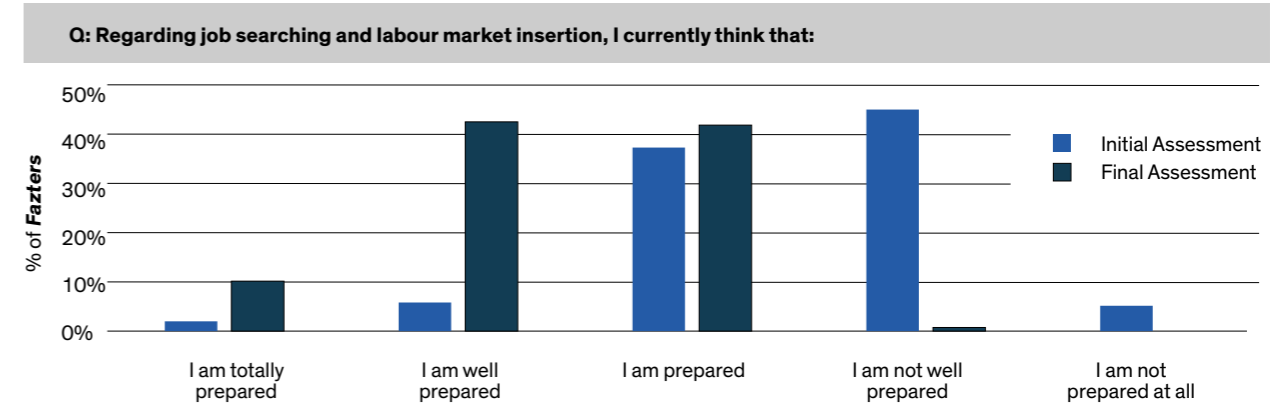
According to the criteria stipulated by TESE, *Fazters* should participate in at least eight coaching sessions. On average, *Fazters* participated in 85% of 8 coaching sessions. In all groups, an average of four participants opted to end the coaching sessions early. The reasons behind this decision were essentially linked to the beginning of their professional activity, which resulted in reduced availability and/or interest in the process, and the realisation, by both participant and coach, that the process was no longer beneficial or useful to the participant.

Regarding the training sessions, the team's expectation is that participants attend at least ten of a maximum of eighteen training sessions, conducted throughout each edition. The subjects addressed vary from one edition to another, depending on the participants' individual interests and needs related to labour market insertion. Despite variations between editions, all groups address personal, social and job searching skills, as well as those relevant to maximizing the participants' progress during the programme. On average, *Fazters* participated in 80% of training sessions.

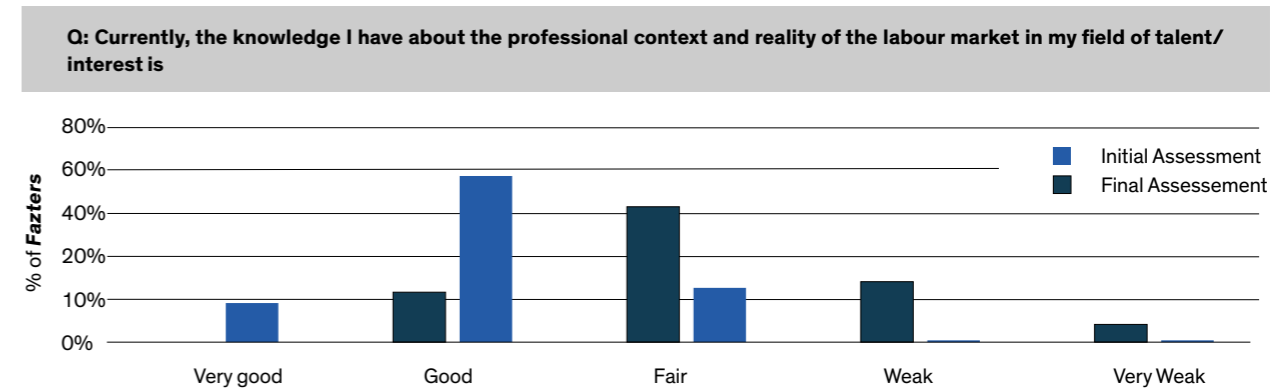
Attendance rates varied substantially throughout training sessions. This fact was analysed individually for each edition and no conclusion pointed towards this variation resulting from the theme or subject of each training course. Similarly to what happens with coaching sessions, participants' availability to attend training sessions decreases as they start entering the labour market. In some cases, *Fazters* were also not able to reach a consensus regarding a schedule suitable to everyone's availability. This meant that in some editions not a single training session had a 100% attendance rate.

Although all the programme's components are optional, mentorship sessions registered the lowest *Fazter* participation level, with an average attendance rate of 42%. Some participants entered the labour market before the conclusion of the programme, which influenced their participation in the final stages, namely in the mentorship sessions.

The attendance was higher in the initial mentorship sessions, but only 22% of participants completed a total of 5 sessions.



**Figure 11** Answer to the question: Regarding job searching and labour market insertion, I currently think that: (n=141). Source: MAZE, from data shared by TESE



**Figure 12** Answer to the issue: Currently, the knowledge I have about the professional context and reality of the labour market in my field of talent/interest is: (n=141). Source: MAZE, from data shared by TESE

TESE conducted a set of questionnaires at the beginning, middle and end of the programme, with the aim of assessing the impact FFWD had on the *Fazters'* preparation to enter the labour market, collecting the participants' opinions.

Given the absence of a formal impact assessment, it was important to collect this information in order to obtain an understanding of the perception of participants' own progress during their preparation for job searching.

The results of the questionnaire showed that by the end of the programme:

- 78% of *Fazters* considered they had good or very good knowledge about their future professional context and the reality of the labour market, contrasting with 19% at the beginning of the programme;

- 57% of *Fazters* felt fully prepared or very prepared to enter the labour market, compared with 8% at the beginning of the programme;

- 96% of *Fazters* consider the programme contributed or greatly contributed to increasing or improving their preparation for job searching and labour market insertion;

- 99% of *Fazters* rated their self-knowledge as very good and capable of progressing and improving autonomously, or good but still in need of development, compared to 72% at the beginning of the programme;

- 99% of *Fazters* rated their self-determination as very good and able to progress and improve autonomously, or good but still in need of development, compared with 66% at the beginning of the programme.

# “The coaching was a true revelation!”

It was a very rewarding experience as I was lucky enough to be assigned a coach with whom I got on very well. From the first moment she made me realize things I had never realized before. I not only became aware of my skills, but also of my personal values and characteristics, which are so innate to me that I had never really looked at them. (..) That was the biggest contribution, and becoming conscious of all this also allowed me to shed light on the possible paths I could choose from then on.”

Fazter, 5<sup>th</sup> Edição  
August 2020

## Contracted outcomes

Contracted outcome for labour market insertion:  
**A. labour market insertion of 40% of each group’s participants within 6 months after the conclusion of each edition.**

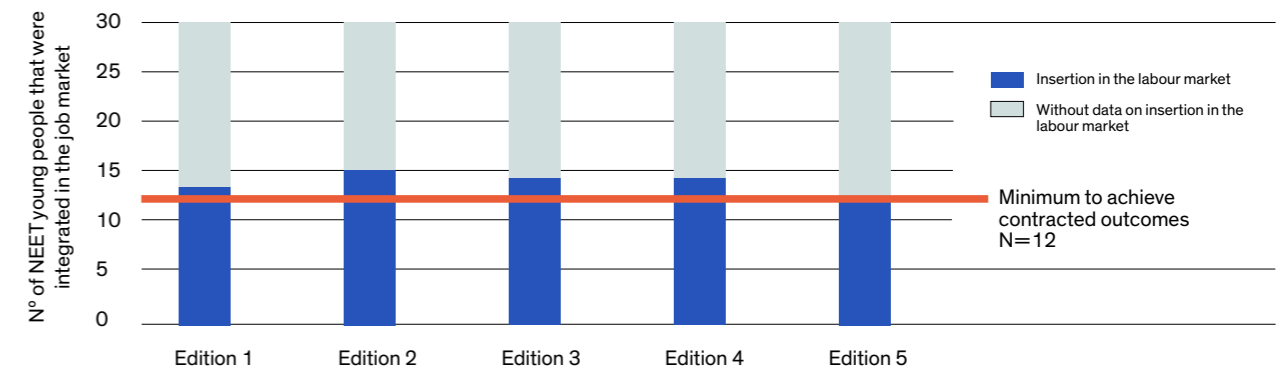


Figure 13 Labour market insertion outcomes. Source: MAZE

Outcomes 1, 2, 5, 6 and 9 refer to the insertion of participants in the labour market, and outcomes 3, 4, 7 and 8 to the continuity of their employability. (Due to technical restrictions regarding the project’s end date, continuity of employability was not contracted for the participants of the last edition).

It is important to point out that these outcomes do not capture the totality of labour market insertions. In some situations it was not been possible to retrieve the necessary evidence to prove the insertion of young people in the labour market and, consequently, report these cases as successful.

TESE has delivered all the outcomes it set out to achieve: on average 45% of *Fazters* entered the labour market: 5% above the contracted outcome. Regarding continuity in the labour market, 22.5% of *Fazters*

maintained their job for 6 months: 2.5% above the contracted outcome.

In the case of participants who entered the labour market:

- 35.5% entered during the first half of the programme;
- 35.5% entered during the second half of the programme;
- 29.0% entered the labour market after the completion of the programme.

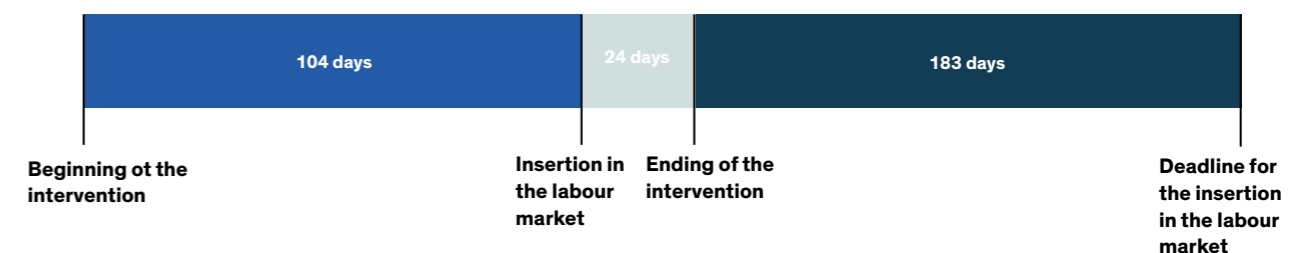
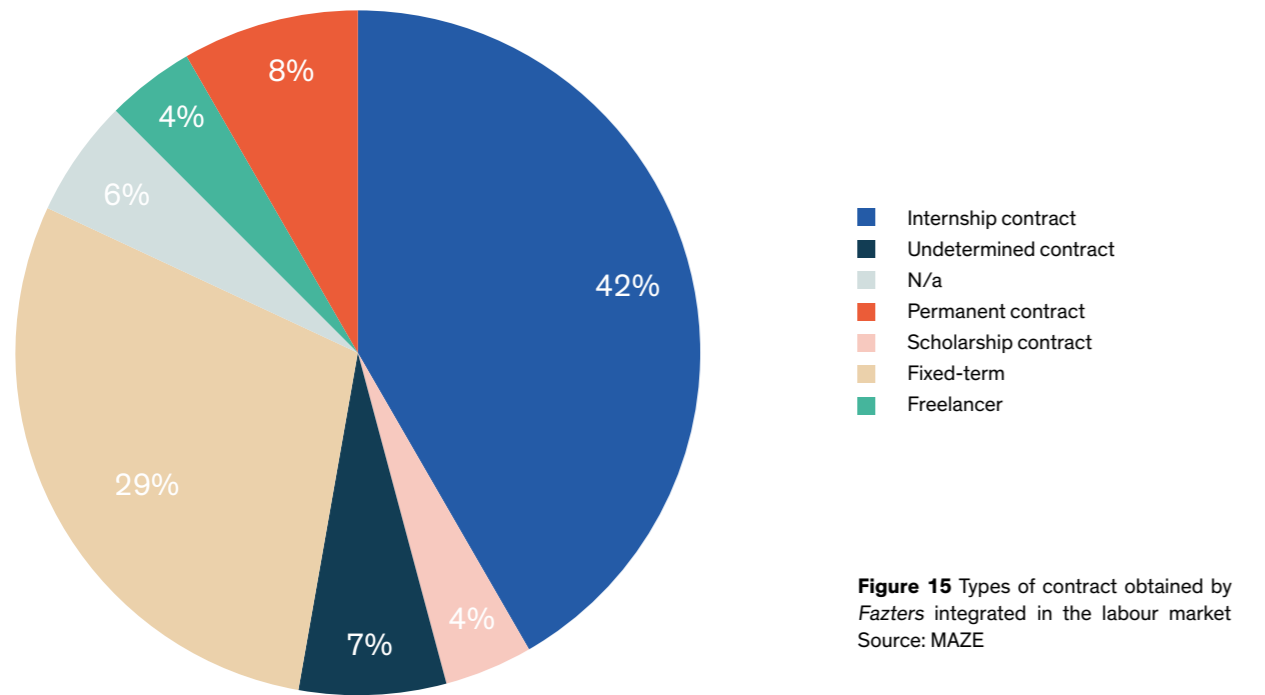
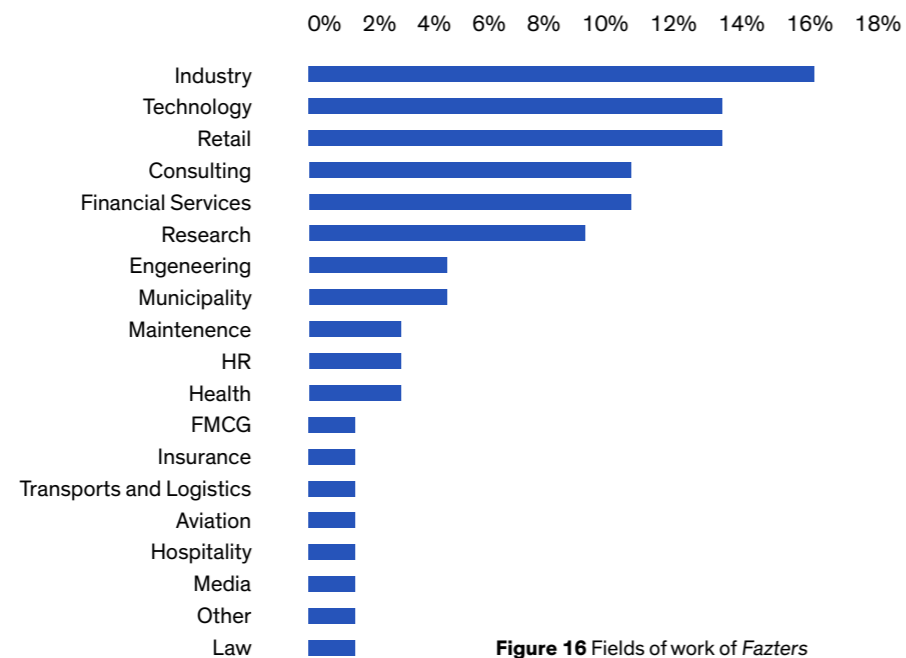


Figure 14 Average number of days between each of the project’s key moments Source: MAZE, from data shared by TESE

In addition to the binary evaluation of labour market insertion, the type of contract signed by *Fazters* reveals some information concerning the safety or precariousness of the jobs obtained. The majority of labour market insertions occurred through internship contracts (42%) or fixed-term contracts (29%). Only a small percentage (7%) entered the labour market with the safety associated to an indefinite contract. The fields of work with the highest representativity included industry, technology, retail (including food retail) and consultancy.



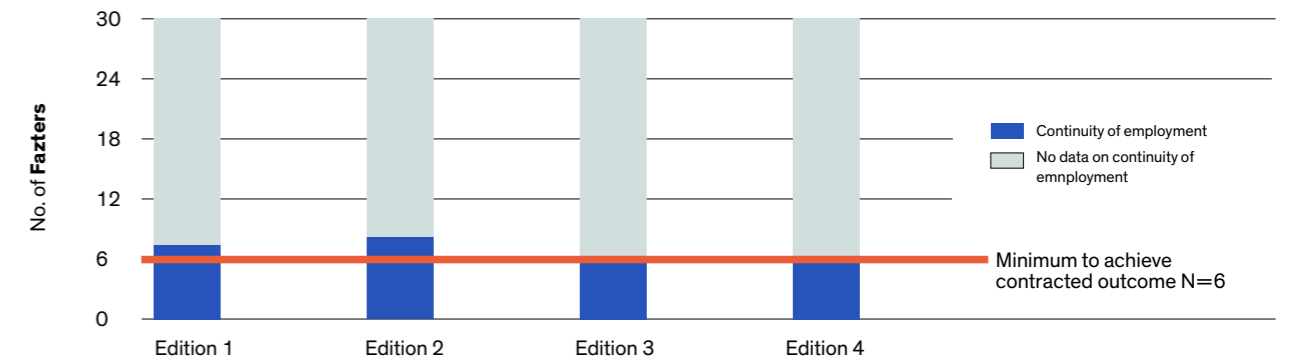
**Figure 15** Types of contract obtained by *Fazters* integrated in the labour market Source: MAZE



**Figure 16** Fields of work of *Fazters* integrated in the labour market Source: MAZE

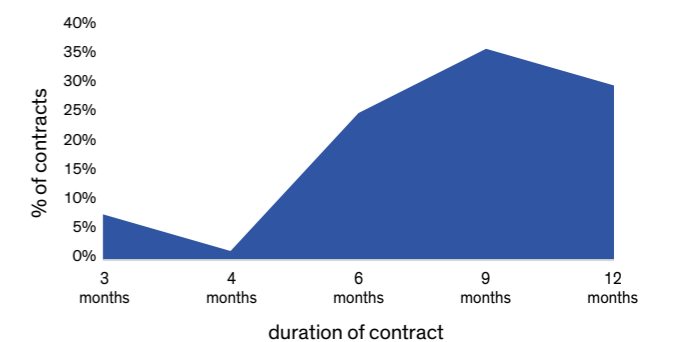
Contracted outcome for continuity of employment:

**B. Continuity of employment for a minimum period of 6 months for at least 20% of the participants of each group**



**Figure 17** Outcomes concerning continuity of employment for a minimum period of 6 months. Source: MAZE

The continuity of employment for a minimum period of 6 months may be underestimated in the retrieval of contracts, since most contracts had an initial duration of more than 6 months, with 31% of contracts retrieved referring to a duration of 12 months or more.



**Figure 18** Duration of contracts obtained by *Fazters* integrated in the labour market. Source: MAZE, from data shared by TESE

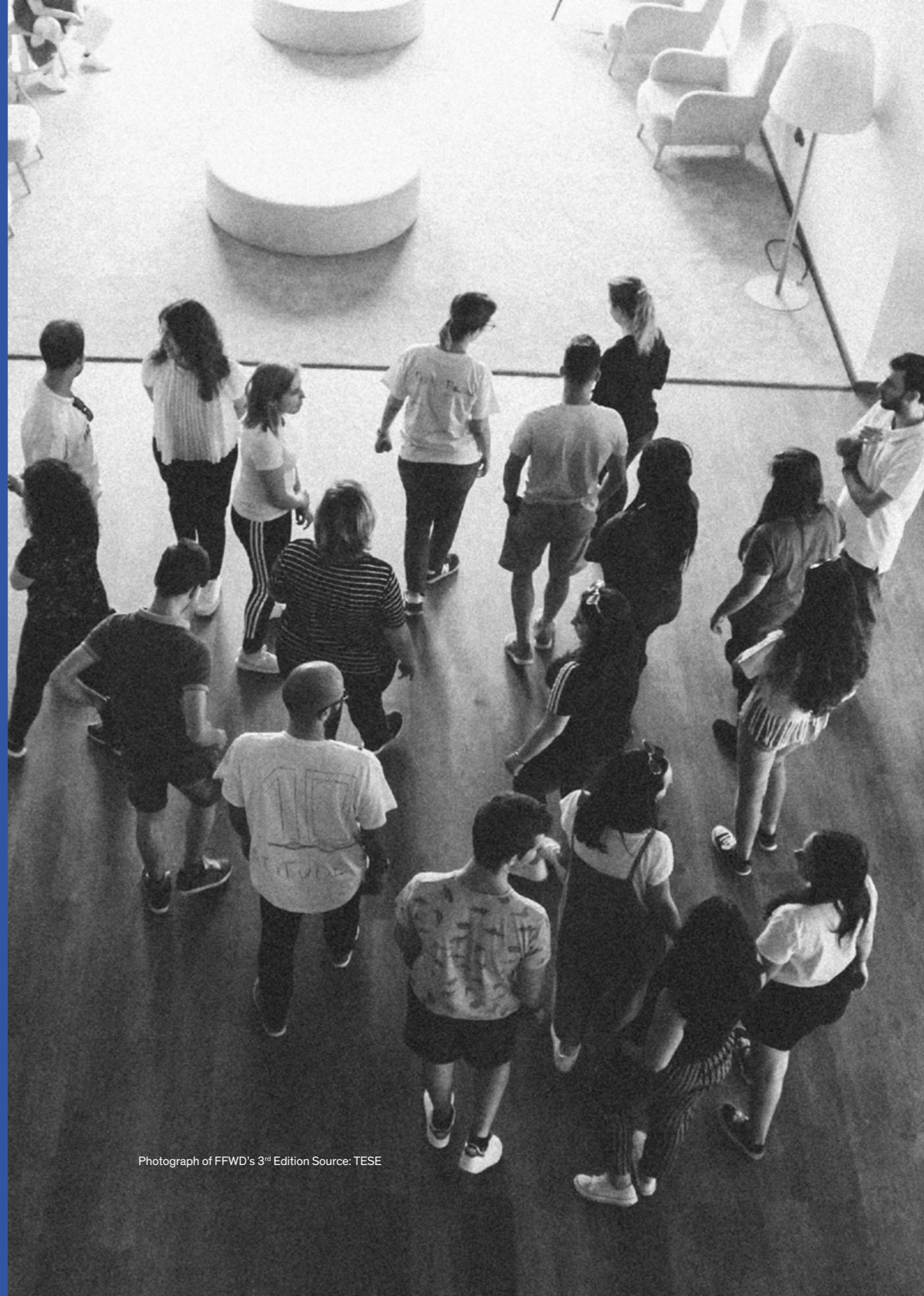
"I see FFWD as the butterfly metamorphosis: a caterpillar that grows and spreads its wings. That was FFWD for me. I felt that I had the skills, but didn't know how to use them. And didn't have the confidence to. FFWD gave me that confidence."

**Fazter, 4<sup>th</sup> Edition**  
August 2020

# What were the dynamics of the SIB partnership?

## Quick Reply

“The SIB’s partners, including investors and the IEVT, were present throughout the project, monitoring on a regular basis and sharing reflections on various aspects of project. MAZE played a central role in managing the partnership and monitoring results, strategically accompanying TESE.”



# The Social Impact Bond

## Structure

A Social Impact Bond (SIB) is a type of outcome-based contract which uses financing from social investors to cover the implementation costs of a certain intervention, in this case, the Faz-Te Forward (FFWD) capacity building programme. Alongside private partners, the public sector establishes concrete and measurable outcomes, with investors being reimbursed if, and only if, those outcomes are delivered.

The FFWD SIB project was financed by the Calouste Gulbenkian Foundation (CGF) and Deloitte. This financing covered the implementation costs of the programme implemented by TESE in Porto, and performance management tasks conducted by MAZE. Upon outcome delivery, Portugal Social Innovation (PSI) reimburses investors. The total cost of the project is estimated at €387,848.23, as well as potential investor reimbursement, placing the ceiling of the internal return rate for investors at 0%. It is relevant to

### Determining outcome payers

This project's structure of payment by outcomes differs from the architecture of the original mechanism. In this case, the outcome payer, which is PSI, is not the public sector partner benefiting from outcome delivery. The insertion of young people in the labour market represents a direct saving for the Institute of Employment and Vocational Training, the partner

### Absence of an independent evaluator

During the SIB application process, it was decided with the outcome payer that an independent counterfactual evaluation did not qualify as an eligible expense for the project, since proof of outcome delivery was ensured through administrative evidence.

point out that investors benefit from indirect return as a result of a fiscal incentive for investing in SIBs. This incentive allows investors to recognize 130% of their investment as an expense, regardless of potential future reimbursement.

In line with the intervention's goal, the outcome indicators established for the SIB were the following:

- 1) labour market insertion within 6 months after the end of the programme;**
- 2) continuity of employment for a minimum of 6 months;**

These indicators fall within one of the Portuguese Government's priority topics, identified by PSI.

that validated the relevance of the Faz-te Forward intervention.

The fact that the outcome payer is not the public entity benefiting from the intervention, limited incentives to ensure the incorporation of SIB learnings into public policy.

The absence of independent evaluation extensively limits the learnings that can be obtained from this SIB, since there is no comparable control group against which it would be possible to evaluate the additionality of the intervention.

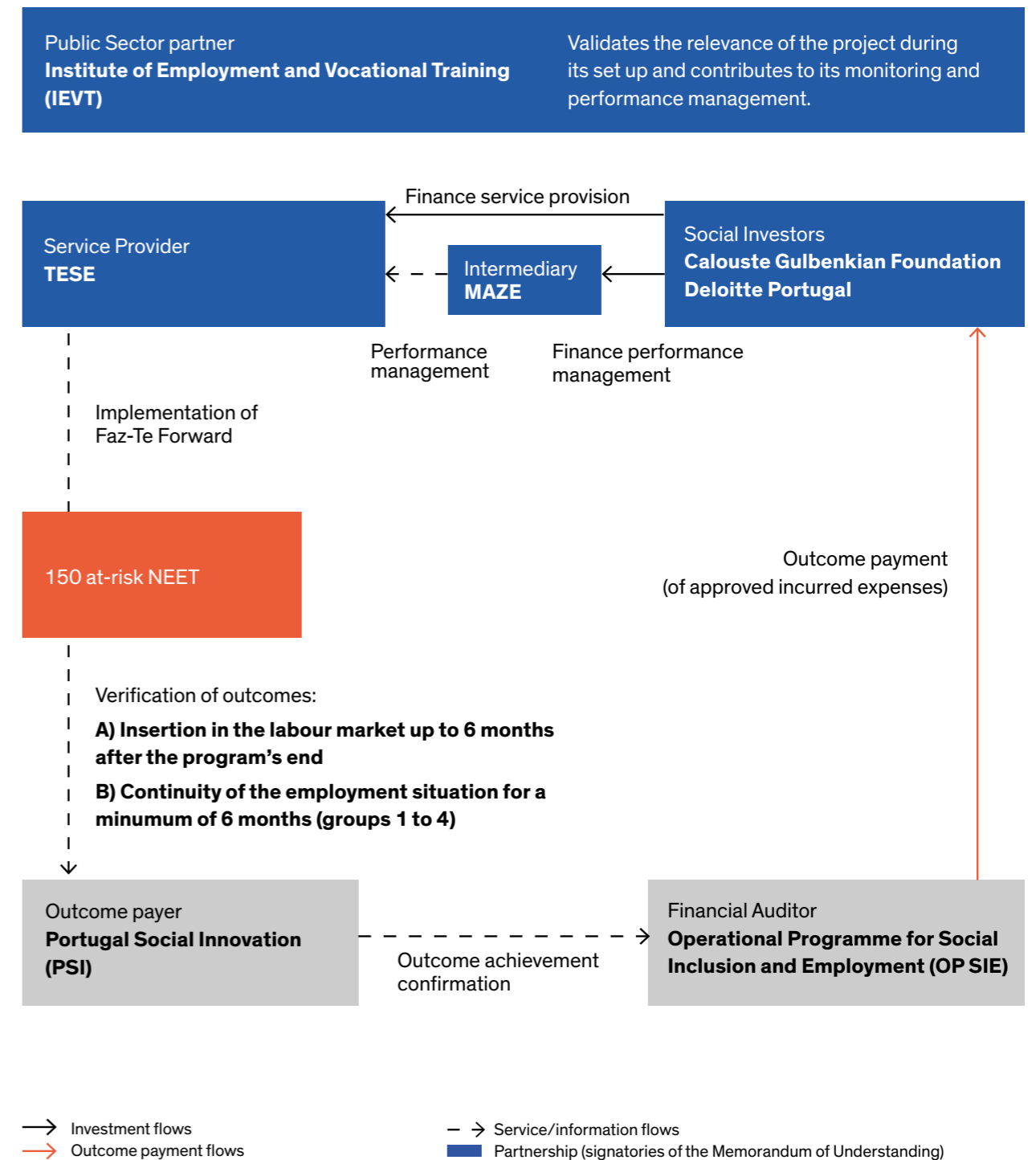


Figure 19 Faz-Te Forward Social Impact Bond Structure. Source: MAZE

# Reimbursement requests

The onerous financial reporting requirements associated to reimbursement requests have absorbed an enormous amount of resources from the TESE and MAZE teams. The general delay in

outcome reporting and reimbursement requests is essentially a consequence of the project's increased financial reporting demands and long response times from OP SIE.

## The reimbursement request process

Within the context of the PSI payment for outcomes fund, reimbursement for investment does not only depend on outcome delivery, but also on the reporting of all expenses incurred during the intervention period. After the outcomes have been verified, only the amount corresponding to expenses incurred by service providers (TESE and MAZE), and considered eligible by the OP SIE, is paid to investors.

The physical and financial reporting of this SIB is conducted through Balcão2020, the digital platform that manages all financing associated to European Structural and Investment Funds (ESIF).

For each outcome delivered, a request for the reimbursement of the associated amount is made. For each reimbursement request service, providers must:

- report all expenses incurred during the corresponding period (personnel costs, purchase of goods, services and general expenses);
- provide additional evidence for 10% of expenses submitted up to a maximum of 30 expenses.
- present a report on the physical execution of the project;

- present outcome evidence.

Figure 15 illustrates the typical reimbursement request process.

The analysis of the intervention's physical evidence and the validation of outcome delivery is performed by PSI. Once the outcome is delivered, financial reporting and eligibility of expenses are verified by the OP SIE. If outcomes are approved and the financial report is validated, payment is made to investors, with or without an amount reduction due to ineligible expenses.

Payment after expenses and financial reporting to the OP SIE are requirements for compliance with the regulations of the European Social Fund, which finances part of the PSI outcomes-based payment fund. Nevertheless, the level of detail of the financial reporting and auditing included in reimbursement requests represents an intense bureaucratic process, which consumes a disproportionate amount of time from the organisations involved in the SIB.

# Physical reporting

Outcome reporting implies the collection of physical evidence approved in the SIB application. Each participant who achieves the expected outcome needs to retrieve:

- **proof of initial situation:** an IEVT statement certifying that the participant was registered in the employment centre as being unemployed and searching for a job;
- **Faz-Te Forward Participation Agreement:** contract signed by TESE and by the participant, which governs the terms of participation in the programme;
- **Certificate of Participation:** document signed

by TESE which certifies the completion of the programme and indicates the number of sessions attended.

- **evidence of labour market insertion:** work, internship or scholarship contract that certifies the participant's insertion in the labour market within the outcome reporting period.
- **Evidence of continuity of employment for a minimum period of 6 months:** addendum or renewal of the previously submitted work contract or pay slips. Only necessary when reporting outcomes related to continuity of employment.



Figure 20 Reimbursement request process. Source: MAZE

# Investors

## The Calouste Gulbenkian Foundation

The CGF took on the role of main investor, being responsible for investing most of the initial amount (approximately 94%). This position determined that all communications with PSI and OP SIE should be carried out through the CGF. It also meant that the CGF received all approved reimbursements and distributed them between service providers and its co-investor. The CGF was also responsible for the advanced payment made to TESE, in April and November 2019.

In the early 2010s, when the financial crisis hit Portugal, the CGF sought to invest in solutions focused on the promotion of employability amongst young people, in response to the “brain drain” and mass emigration that took place from Portugal to other European Union countries. Besides focussing on this thematic area, TESE’s intervention also showed maturity, a crucial aspect for trialling this new financial mechanism.

Essentially, the investment in the SIB sought to:

1. Trial an innovative financing mechanism;
2. Work on a methodology focused on the promotion of youth employability, without interruptions and with the available financing, solely focused on the intervention and its outcomes.

According to the CGF, these goals have been partially achieved. If on one hand, the outcomes are encouraging and indicate that the intervention is useful and the methodology is valid, on the other hand, the financing mechanism fell short of expectations. The way the SIB was set up does not allow it to be as flexible as it should be, especially due to:

- **The rigidity of the evidence necessary to prove outcome delivery.** Although it is normal that a greater volume of evidence is necessary to confirm if the project is in fact a success or not, when evaluating a binary issue such as labour market insertion. This issue made the evaluation process much more complex.
- **The financial bureaucracy.** The financing of SIBs is based on the expenses incurred by the projects, as regulated by the European Structural and Investment Funds under the OP SIE Management Authority. This happens because, structurally speaking, these financing mechanisms focus on the activities put in place and not on the results they generate. This financing format is counterproductive in the case of an SIB, firstly because it demands additional effort from service providers, and secondly because it does not allow incentives for the optimisation of cost structures based on the intended outcomes.

“Regarding the validity of the intervention, the outcomes speak for themselves. The outcomes, both in terms of labour market insertion and employment continuity, have all been delivered. It’s a shame that the way bonds are structured doesn’t encourage organisations to over accomplish the contracted outcomes, as there is a lot of associated bureaucracy. But the outcomes have all been delivered so far, (...) which indicates that the intervention is relevant and there are several learnings to be considered when we look at the intervention in greater detail. For example, what type of profile works best (maybe there are different types of risks that make a young NEET more able to be on the receiving end of the intervention). It’s the granularity of the response that the IEVT and other partners should try to understand: how it works best and for whom.”

**Francisco Palmares, Project Manager for the Gulbenkian Sustainable Development Programme of the Calouste Gulbenkian Foundation**  
April 2020



“The process was far more onerous than originally planned. Perhaps MAZE could improve its performance management if more resources were dedicated to the project. There was also some turnover within the teams, which complicated the learning process. Whether we like it or not, there is an associated cost. Then, from the moment reimbursement requests started, we lost the opportunity to dedicate more time to performance management.”

**Francisco Palmares, Project Manager for the Gulbenkian Sustainable Development Programme of the Calouste Gulbenkian Foundation**  
April 2020



Calouste Gulbenkian Foundation © Ricardo Oliveira Alves



## Deloitte

Deloitte took on the role of minority investor, having been reimbursed for its investment mostly after the payment of RR4, and the remainder at the end of the project. Deloitte participated in all the SIB's partner meetings, with different representatives over the course of the project.

As part of Deloitte Global's corporate responsibility strategy, Deloitte created an initiative called "PACT Fund", which finances social intervention projects in Portugal and Angola, promoted by third sector non-profit organisations. It was within the context of this initiative that the SIB's investment came into existence.

Deloitte played a key role in designing a fiscal incentive for the SIB, allowing investment to be registered as a loss for corporate tax income purposes, which represents a 130% tax relief. The importance of including an incentive in this financing mechanism was discussed at the beginning of the project, since reimbursement did not include the possibility of profit for the investor in case of success.

The consultancy firm argues that this incentive, among others, is vital in attracting more private investment to this sector: "for greater adherence, the debureaucratisation of the weight exerted on the main investor could be important, as administrative weight can be inhibiting".

After its participation in the FFWD SIB, Deloitte decided to invest in another SIB, within the PSI framework. This type of investment arises as a very interesting opportunity for Deloitte, given the possibility of capital recycling, in future projects, if success is achieved.

"I'm somewhat curious about how the Public Sector will take advantage of this experience. In other words, the continuity of this is very important. I don't just mean monitoring, but seeing how it can influence the future."

**Afonso Arnaldo, Partner at Deloitte Portugal**  
July 2020

## Public Sector

### IEVT – Institute of Employment and Vocational Training

The Institute of Employment and Vocational Training, (IEVT) is the national public employment service and its mission is to promote the creation of jobs and ensure quality standards through active employment policies.

The IEVT had several representatives at partner meetings over the course of the project, attending most of the meetings. The IEVT validated the intervention's relevance from day one and all throughout the application process.

The IEVT had the following responsibilities:

- Dissemination and promotion of the project amongst the Employment and Vocational Training Services of counties within the Porto Metropolitan Area;
- Referral to the project of young people in a situation of greater vulnerability (young people NEET or still completing their training) and residing in the Porto Metropolitan Area (PMA);
- Selection of young people for the groups to be created;
- Attendance of all project monitoring meetings.

According to the IEVT it was possible to prove the effectiveness of the project, since the professional insertion and social integration of the established

number of participants was delivered in all editions.

According to this partner, the Faz-te Forward methodology presented itself as an innovative and differentiated solution in relation to others previously developed by the institute. The IEVT's responses have been essentially aimed at predetermined short duration training programmes, which use significantly extensive training in a work context as a way of enhancing access to the labour market for an age group with recognized weaknesses and difficulties in achieving a stable professional routine.

The recognition of the project's social value through the professional insertion of a group which the IEVT, I.P. usually has difficulty accessing, should enhance the coordination of typically formative solutions with others of diversified nature, including tutoring and coaching.

The context of unpredictability associated to the COVID-19 pandemic may condition the implementation of similar projects. However, on the other hand, it allows for a sustained evaluation of the project's outcomes and makes it possible to predict the replication of its most innovative features in future IEVT training solutions for this target group.

"The recognition of this project's social value occurs as a result of its ability to attract and professionally integrate a group which, due to its characteristics, is often and admittedly difficult to mobilise. It's easy to recognize this project's advantage due to the coordination of solutions combining professional training processes with others of diversified nature, such as mentorship and coaching. The current context of unpredictability may condition the implementation of similar projects but, on the other hand, allows for this project's sustained evaluation and makes it possible to predict the replication of its most innovative features in future IEVT training solutions for this type of group."

**Conceição Matos, Director of the Department of Professional Training of the IEVT**  
December 2020



As might be expected, a Social Impact Bond is considered a success if the contracted outcomes are delivered. This is the simplest and most immediate indicator of the impact generated by the intervention. It means that the bond was well designed, adjusted to the potential of reality itself and that the proposal is effective. But its success is never limited to these indicators. Ultimately, it is also measured by its ability to influence the evolution of systemic social responses, generating broader impacts and fostering more effective intervention methodologies.



**Filipe Almeida, President of Portugal Social Innovation**  
February 2021

## PSI

Portugal Social Innovation (PSI) is a public initiative which aims to promote social innovation and boost the social investment market in Portugal. This initiative mobilised €150,000,000 from the European Social Fund, within the scope of the Portugal 2020 partnership, to finance 4 instruments, including Social Impact Bonds, for which there is an outcome-based payment fund of €15,000,000.

The SIBs financed by PSI must have a minimum amount of €50,000 and act in one of the following fields: digital inclusion, justice, health, social protection, education, and in the case of Faz-te Forward, employment. Within these mechanisms, PSI assumes the role of outcome payer. Investor reimbursement takes place upon outcome delivery. Compliance with outcomes is evaluated by the PSI technical evaluation team, which confirms if the evidence gathered validates compliance with the contracted outcome.

According to Portugal Social Innovation, the SIB financing model was developed with the primary goal of creating pioneering projects with the potential to contribute towards the development of public policy. As approaching public policy bodies is one of the SIB's goals, the consortium's expectation was centred on the involvement of PSI as a moderator when engaging with the public sector partner, which in this case was the IEVT. In order to ensure the integrity of the evaluation process, the team responsible for moderating contacts with the public institute could not have been the evaluation team, who must have minimal contact with the service provider and the SIB consortium. This task should have been pursued by PSI's activation team.

Since Faz-te Forward was part of PSI's first SIB cohort, there is a set of learnings we consider to be relevant for the future and which can improve the coordination of projects with PSI, as well as increase the potential con-

tribution of successful methodologies towards public policy development. These learnings include:

- Creating a contact point between the consortium and the PSI activation team to promote greater collaboration between the projects and the outcome payer;
- Developing an impact assessment that is independent from the outcome compliance evaluation, which the payment of reimbursements and integration of the methodology depend upon;
- Defining a roadmap together to integrate the project's learnings, in case of success;
- Promoting a closer relationship between the public institute responsible for overseeing the issue and the implementing organisation.

It would also be important to consider opening thematic calls to respond to priority problems in public policy, in order to ensure greater alignment between the outcomes of SIBs and government priorities. Opening thematic calls would also make it easier to create rate cards that determine the amount to be paid per outcome, in connection to the cost of the problem, and adopt the simplified costs methodology for reimbursement payments.

# Performance management

In order to guarantee FFWD's performance management, MAZE is responsible for implementing processes for regular performance management and monitoring. This monitoring allows MAZE to report the progress of the intervention's implementation to other partners and develop mitigation strategies for risks associated to the project.

**Besides performance management, and given the onerous reporting requirements associated to reimbursement requests, MAZE supports FFWD and investors in the preparation, review and submission of financial documents. The**

**partnership management process takes place within four categories of interactions: monitoring via AidHound, touch-point meetings with the FFWD team, partner meetings and interactions related to reimbursement requests.**

AidHound is a data management platform designed for the social sector. This platform is used to register, organise and share data between TESE and MAZE.

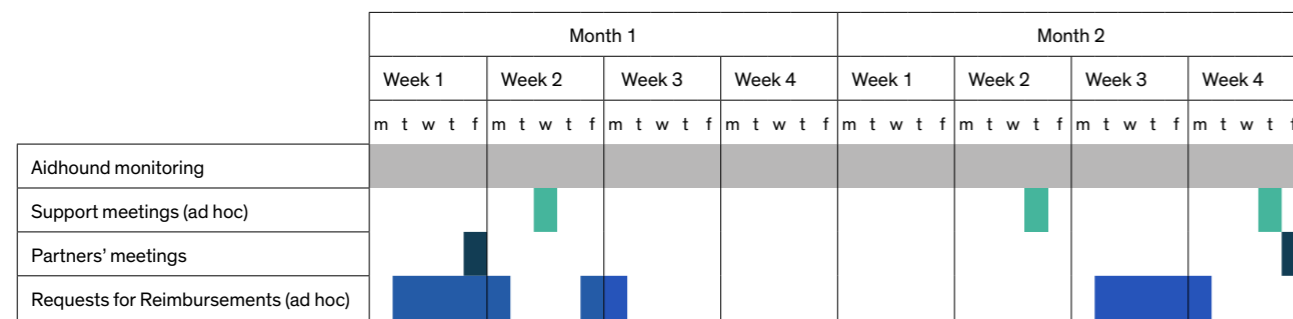


Figure 21 Faz-te Forward intervention monitoring structure, an illustrative example. Source: MAZE

## Monitoring via AidHound

**Frequency:** continuous

**Description:** the FFWD technical team shares coded information with MAZE via the AidHound platform. This information includes data concerning candidates' profiles, selected participants' profiles, each participant's attendance over the course of the intervention and the outcome of the FFWD process.

For each participant, the TESE team fills in a minimum of 30 forms over the course of the intervention (plus a variable number of forms according to the number of mentorship sessions each *Fazter* participates in, and whether their employment situation is maintained for a 6-month period).

This information allows a detailed analysis of the intervention.

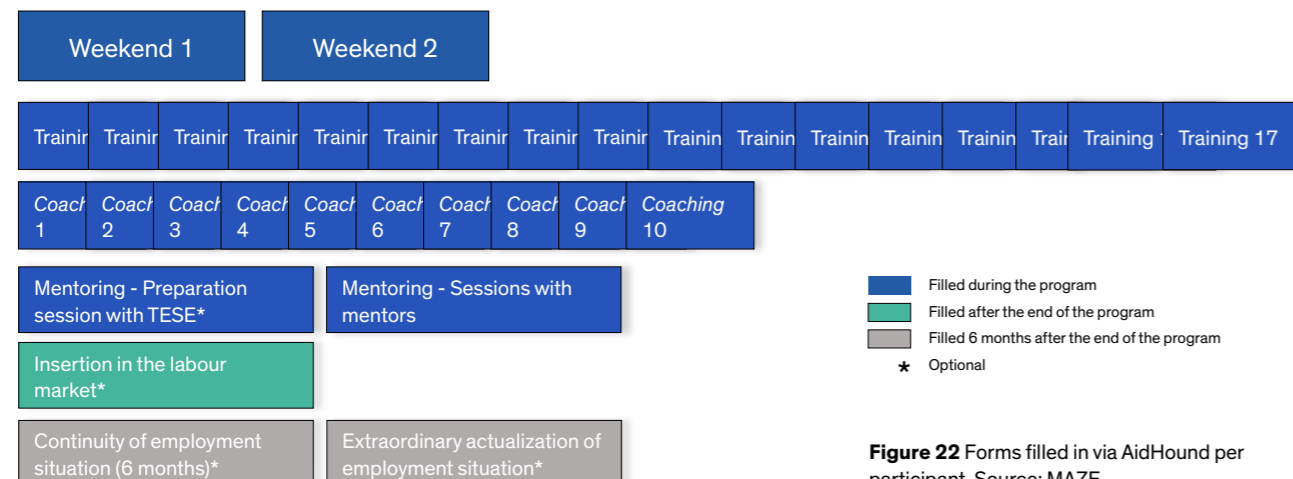


Figure 22 Forms filled in via AidHound per participant. Source: MAZE

## Touch-point meetings with the TESE team

**Frequency:** planned biweekly, to take place without defined periodicity

**Description:** MAZE retrieves and analyses information relevant to the operation through phone calls with TESE. During these phone calls, MAZE talks to the field team to collect their perception on the intervention's progress and the risks associated to each individual participant.

These contacts were also useful to plan and schedule tasks related to reimbursement requests.

This bi-weekly contact has not been taking place, which is a point of improvement for the project's final year

## Partner meetings

**Frequency:** every 3 months.

**Description:** MAZE promotes meetings every 3 months with investors, TESE and the Institute of Employment and Vocational Training, with the goal of fostering communication between different partners. To date 22 Faz-te Forward SIB partner meetings have taken place (see Figure 24 for more details).

**External documents prepared:** partner meeting presentation

## Interactions related to reimbursement requests

**Frequency:** Variable

**Description:** a series of extraordinary contacts associated to the reimbursement request schedule.

Internally, these interactions included the person responsible for TESE's technical team in Porto, the project manager. Externally, these interactions are extended to PSI and OP SIE.

## Tasks performed by MAZE:

- organising and verifying outcome evidence;
- preparing the outcome summary presentation;
- consolidating expense listings associated to the outcome;
- pre-submitting the expense listing on Balcão2020;
- preparing the pending evidence tracker;
- retrieving evidence related to MAZE;
- organising retrieved evidence;
- submitting physical and financial evidence on Balcão2020;
- coordinating replies to clarification requests made by PSI and OP SIE.

**External documents prepared:** outcome summary presentation; pending financial evidence tracker; financial report guide for reimbursement requests.

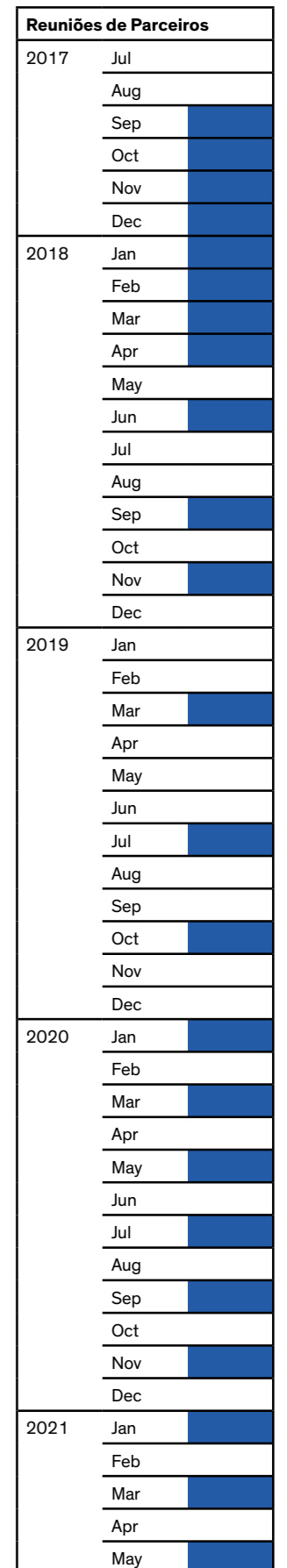


Figure 23 Partner meetings held. Source: MAZE

# How did the financial reimbursement process go?

## Quick Reply

The SIB financing mechanism within the PSI framework entailed highly complex bureaucratic processes. Financial reporting occurred upon approval of expenses, after outcome compliance was validated. The delay in the submission and approval of reimbursement requests forced the restructuring of the SIB's financial model.



# The financial model

## Reimbursement requests

### Financial reporting

- The total budget approved for the FFWD SIB was €387,848.23, distributed over nine periods, associated to the delivery of nine contracted outcomes. The expenses reported in each reimbursement request should correspond, as much as possible, to the estimated amounts.
- It is worth noting that in the case of SIBs pertaining to the PSI outcome-based payment fund, investors are subject to two types of financial risk:
  - as in all SIBs, investors are not reimbursed if outcomes are not delivered;
  - on the other hand, investors are subject to losses due to expense cutbacks made by OP SIE; Since service providers are responsible for expense reports and compliance with all OP SIE regulations, investors only have limited control over this process.

Reimbursement request	Expense period associated to each outcome			Budgeted expenses
	Start	End		
Outcome 1	01/06/2017	01/09/2018		162,528.00 €
Outcome 2	02/09/2018	01/02/2019		60,261.10 €
Outcome 3	02/02/2019	01/03/2019		14,790.35 €
Outcome 4	02/03/2019	01/08/2019		62,125.35 €
Outcome 5	02/08/2019	01/09/2019		8,886.05 €
Outcome 6	02/09/2019	01/02/2020		61,155.30 €
Outcome 7	02/02/2020	01/03/2020		6,968.84 €
Outcome 8	02/03/2020	01/08/2020		8,183.80 €
Outcome 9	02/08/2020	01/09/2020		2,949.44 €
	<b>Total</b>			<b>387,848.23 €</b>

Figure 24 Budgetary plan submitted with the application. Source: MAZE, adapted from the budget submitted with the application.

Outcome payment funding source	Totals	2018	2019	2020
Contribution from the European Social Fund	€329,671.00	€138,148.80	€124,153.43	€67,368.77
National Public Contribution (State Budget)	€58,177.23	€24,379.20	€21,909.43	€11,888.60
<b>Total financing planned</b>	<b>€387,848.23</b>	<b>€162,528.00</b>	<b>€146,062.86</b>	<b>€79,257.37</b>

Figure 25 Table showing the origin of funds planned for the SIB's outcome-based payments, "Financing modality". Source: OP SIE

Reimbursement request	Execution					
	Budgeted expenses	Reported expenses	Difference between reported and budgeted	Expenses approved by OP SIE	Expenses not approved by OP SIE	Difference between approved and budgeted
Outcome 1	162,528.00 €	162,527.86 €	-0.14 €	159,933.62 €	2,594.24 €	2,594.38 €
Outcome 2	60,261.10 €	58,806.41 €	-1,454.69 €	58,756.30 €	50.11 €	1,504.80 €
Outcome 3	14,790.35 €	12,501.62 €	-2,288.73 €	11,781.76 €	719.86 €	3,008.59 €
Outcome 4	62,125.35 €	58,383.59 €	-3,741.76 €	58,365.72 €	17.87 €	3,759.63 €
Outcome 5	8,886.05 €	6,829.99 €	-2,056.06 €	6,828.38 €	1.61 €	2,057.67 €
Outcome 6	61,155.30 €	56,607.86 €	-4,547.44 €	56,266.30 €	341.56 €	4,889.00 €
Outcome 7	6,968.84 €	9,970.08 €	3,001.24 €	9,956.67 €	13.41 €	-2,987.83 €
Outcome 8	8,183.80 €	18,606.00 €	10,422.20 €	18,601.24 €	4.76 €	-10,417.44 €
Outcome 9	2,949.44 €	5,447.92 €	2,498.48 €	3,799.17 €	1,648.75 €	-849.73 €
<b>Totals</b>	<b>387,848.23 €</b>	<b>389,681.33 €</b>	<b>1,833.10 €</b>	<b>384,289.16 €</b>	<b>5,392.17 €</b>	<b>3,559.07 €</b>

Figure 26 Budget execution and expenditure approval by OP SIE Source: MAZE, adapted from information available on Balcão2020 and Prior Hearing Notifications received by investors

**“Social Impact Bonds were disclosed as a financing mechanism for outcome payments, which does not fully correspond to reality.**

**SIBs are based on what was once a common financing mechanism, a payment mechanism based on expenses incurred and paid, and add on an outcome-based payment mechanism, thus creating a double layer and increasing the complexity of the reporting process.**

**The double layer also materialises in the need to report to two different entities: we report to both PSI and OP SIE.**

**We feel that this added complexity ends up consuming much more time and resources, both human and financial, not only from TESE but also from partners and intermediate bodies themselves.”**

Vanessa Mendes, TESE.  
July 2020

## Reimbursement requests

After three years, the SIB totalled €389,681.33 in expenses, which represent a budget execution €1,833.10 above the project's initial estimate.

While addressing reimbursement requests, TESE and MAZE's financial teams acquired learnings which led to the optimisation of the reporting process. An example of this are the expenses incurred during a reimbursement period and paid outside the reimbursement period, as is the recurrent case of travel expenses. It is common for travel expenses to only be submitted at the end of the month and paid the following month. If these months are part of different reporting periods then these expenses will not be considered eligible.

As figure 27 illustrates, most reimbursements allocated by the SIB corresponded to an overrun of the amount initially budgeted for each reimbursement.

Despite these over-allocations, all outcomes suffered cutbacks in relation to the amount initially budgeted. Cutbacks on submitted expenses mainly occurred for the following reasons:

- non-compliance with public procurement policy due to the use of the Simplified Negotiation Procedure for commissioning services, instead of the General Negotiation Procedure. As such, a 10% penalty was applied to the amount of the expense considered eligible. This cutback was recurrent, since TESE did not change the terms of its contracts with service providers throughout the intervention;
- submission of expenses regarding a period different than that of the current outcome.

### Delays in submitting refund requests

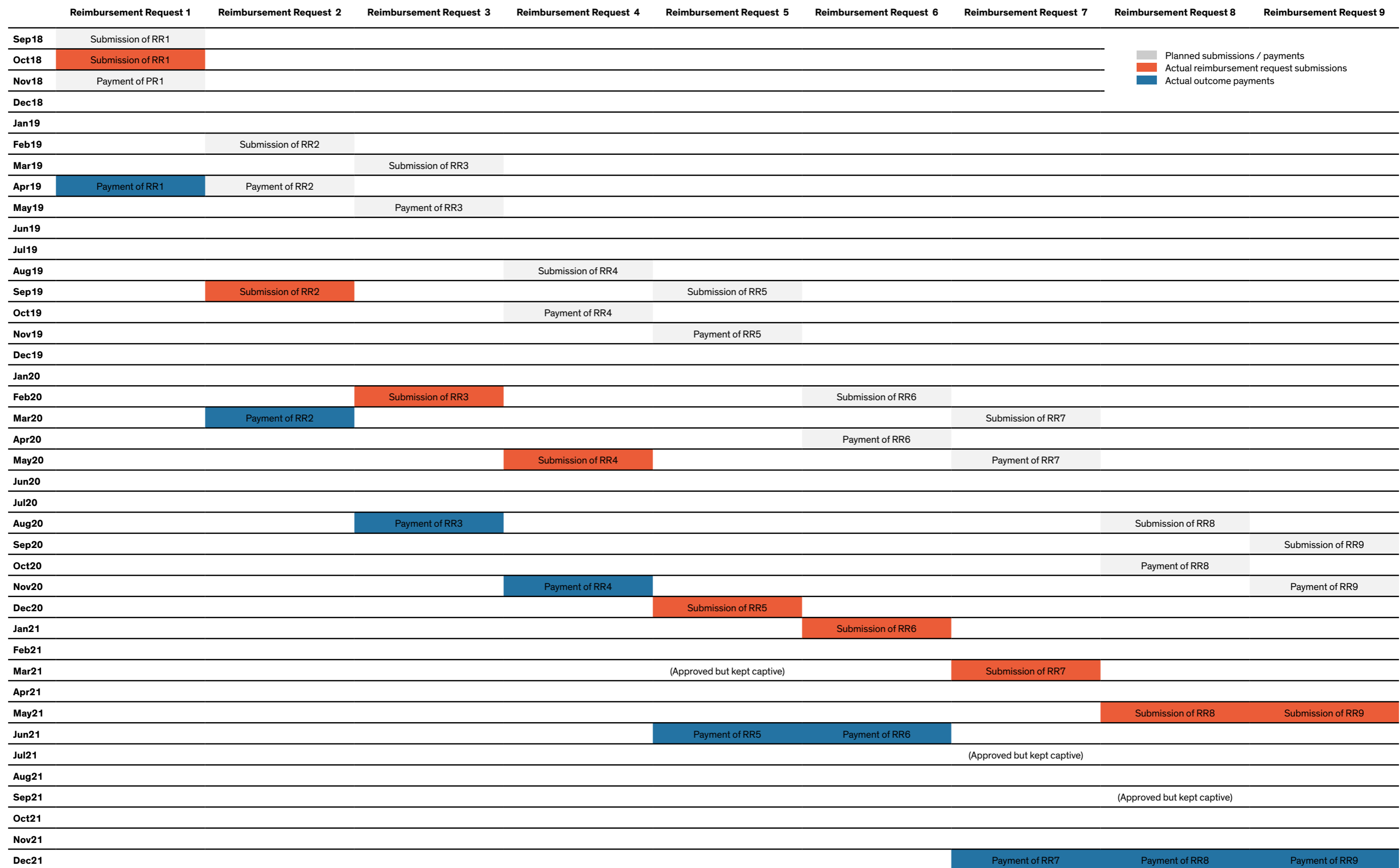
Reimbursement Request 1 was submitted in due time, but payment was made with a seven month delay in comparison to the established schedule. Reimbursement Request 2 was submitted with a six month delay in comparison to the planned schedule, and Refund Request 3 was submitted 11 months late. All subsequent reimbursement requests were submitted 5 or 6 months after schedule.

These delays were mainly due to the complexity of the reporting process and high turnovers in both the TESE and MAZE management teams. As this is a joint process for service providers, it demands several iterations.

Concerning reimbursements 1 and 5, there were previous submission attempts, cancelled due to reporting errors.

In the case of Reimbursement Requests 3 and 4, outcome verification by PSI took 1 and 2 months, respectively, with the financial verification process taking between 4 to 5 months.

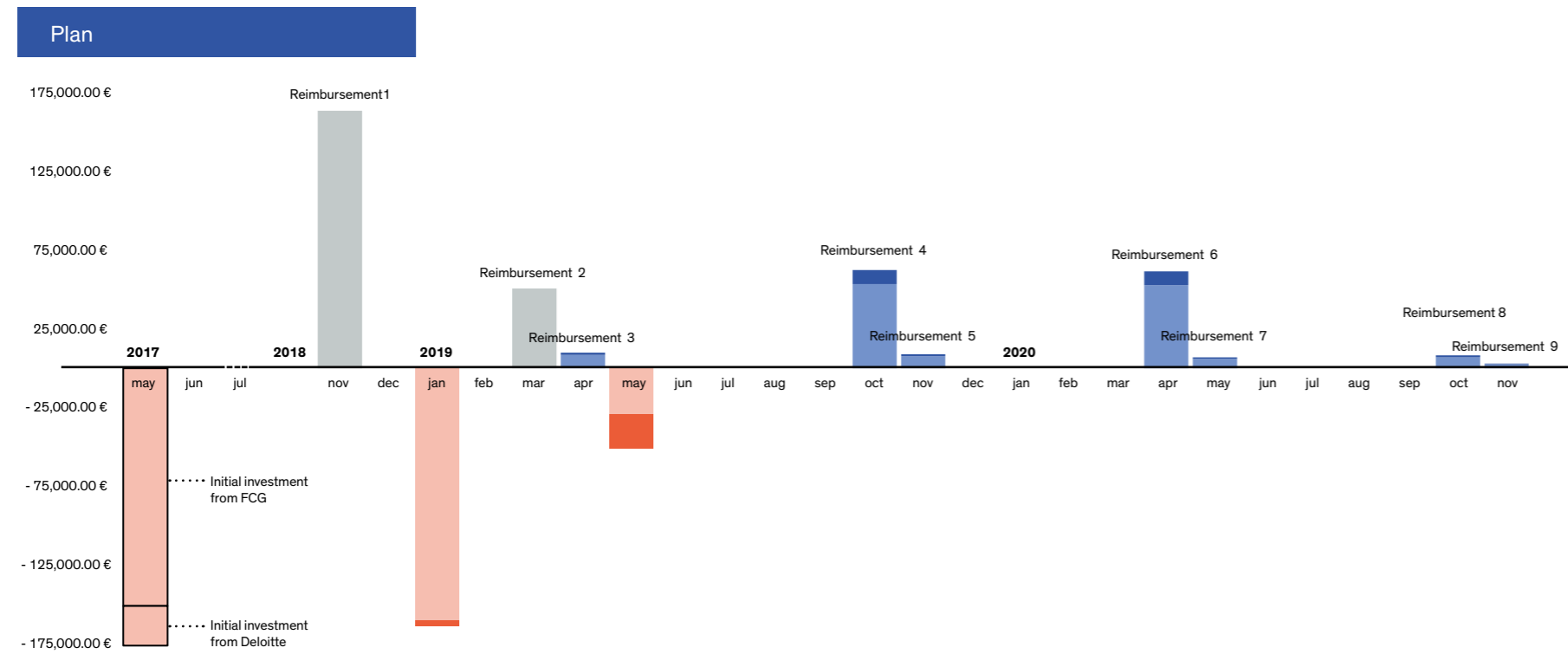
The delay of the financial analysis reflects the OP SIE's response capability (according to the entity itself), as well as the large amount of documentation which was necessary to retrieve in order to respond to clarification requests.



Planned submissions / payments  
 Actual reimbursement request submissions  
 Actual outcome payments

Figure 27 Schedule of planned and submitted reimbursement requests. Source: MAZE

# Financial flows

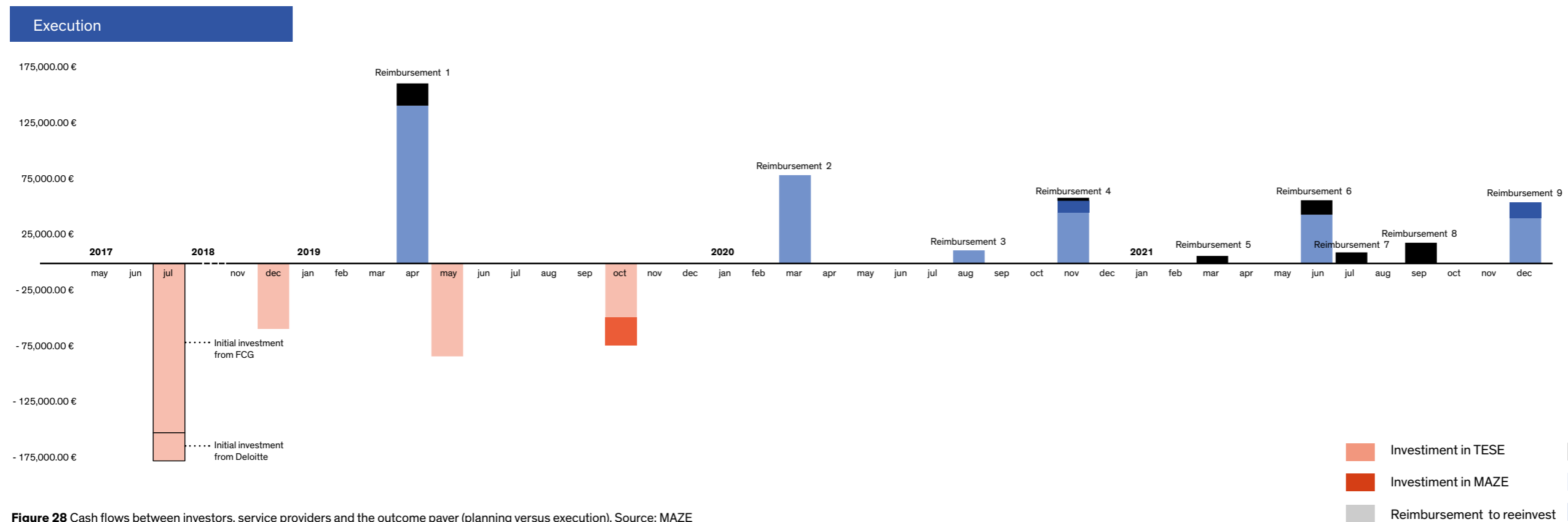


The real investor payment schedule was delayed much more than initially predicted at the time of the application, in great part due to the financial reporting's onerous requirements. This delay made the initial financing recycling plan impracticable and forced investors to mobilise unpredicted capital to guarantee the project's survival.

In an SIB, financial risk is deviated – totally or partially – from service providers to investors. The Faz-te Forward SIB investors made an initial investment in TESE to cover implementation expenses during the intervention's first 17 months.

The SIB's financial model was designed within a financing recycling logic to reduce pressure on the investors' cash flow and align incentives with service providers. It was planned that investors would (partially) reinvest the amounts reimbursed for outcomes 1 and 2 in service providers, covering the remaining implementation costs until the end of the intervention. From outcome 3 onwards, it was predicted that outcome payments would be entirely retained by investors.

However, the delay in analysing the first reimbursement request made fulfilling the initial plan unrealistic. The initial investment received by TESE to face the project's implementation expenses would run out by the end of October 2018. These delays put an enormous amount of pressure on TESE's treasury. When it became clear that the first reimbursement was not going to be received until the end of 2018, the Calouste Gulbenkian Foundation advanced €57,880.00 to TESE, with Deloitte's support, in order to guarantee the project's continuity. This advance was made in December 2018, after PSI validated the delivery of the first outcome.



- Investment in TESE
- Investment in MAZE
- Reimbursement to reinvest
- Amount held captive by OP SIE
- Reimbursement for CGF
- Reimbursement for Deloitte

Figure 28 Cash flows between investors, service providers and the outcome payer (planning versus execution). Source: MAZE



When during the year of 2019 the extent of the delay of the reimbursement reporting and request analysis schedule became evident, investors decided to abandon the financing recycling plan. In November 2019, the Calouste Gulbenkian Foundation transferred the remaining funds to TESE and MAZE, guaranteeing the payment of the project until its conclusion. From this time forward, all reimbursements (RR2 to RR9) were fully retained by investors.

With this decision, investors took on all kinds of financial risks associated to the project. Not only the risk of failing to deliver outcomes, but also the risk associated to expenses being considered ineligible and the possibility of service providers reporting expenses below the planned budget. This means that it is possible and likely that even in a scenario where all outcomes are delivered, investors may not be fully reimbursed for their investment.

The idiosyncrasies regarding the financial risk of SIBs structured within the PSI outcome-based payment fund could become a contributing factor in the alienation of potential investors. Since, even in a context where outcomes are delivered, investors' return rates may still be negative.

The reimbursement regarding outcome 1 was only paid in April 2019. Expenses in the amount of €159,934.00 were approved. From this total amount, €19,754.00 were withheld and, according to PSI/OP SIE, will be paid in a subsequent reimbursement request. The reason for withholding this amount is not completely clear, although it was related to outcome-based budget incompatibilities and the broader logic applied

to financing provided by OP SIE, which is focused on annual budgets. Therefore, from RR1, €140,178.00 were paid to the Calouste Gulbenkian Foundation, with €82,299.00 being reinvested in TESE. This amount results from the difference between the amount received by the CGF and the amount advanced to TESE, in December 2018.

The payment for the reimbursement of outcome 2 was made in March 2020, together with the amount withheld in outcome 1, with approved expenses in the amount of €58,756.30. The payment of reimbursement 3 was made in August 2020 with approved expenses in the amount of €11,781.76. Payment of reimbursement 4 was made in November 2020 with approved expenses of €58,365.72, of this amount €2,595.69 were withheld. In the case of reimbursement 5, expenses in the amount of €6,828.38 were approved, although the amount was withheld in full and only paid at the end of the project. Reimbursement 6 was approved in June 2021 in the amount of €56,266.30 and paid in July, however €12,837.01 were also withheld. Reimbursement 7 and 8 were both approved in July and September in the amounts of €9,956.67 and €19,601.24, respectively and both were withheld. Finally reimbursement 9 was approved in November 2021 in the amount of €3,799.17 and the final payment of €54,618.16, concerning all the withheld amounts, was paid in December.

# How can the response to young people NEET be improved?

## Quick reply

Employability programmes should focus on unemployed people, their aspirations and skills. A concerted response that values young people and guides them on their mission, can accelerate the transition of thousands of young people in Portugal to employment.

# Public policy

## Current response

After reaching a historical high of 38.1% in 2013, the unemployment rate amongst the under-25 population decreased until 2019, when it reached 18.3%. By 2020 it had grown to 22.6%, thus reflecting the beginning of a severe economic shock caused by the COVID-19 pandemic.

In March 2021, 50,906 unemployed young people under the age of 25, and 93,313 unemployed young people between the ages of 25 and 34, were registered with the Institute for Employment and Vocational Training (IEVT). The analysis of individuals marginally attached to the labour market, and normally classified as inactive, also becomes relevant for the young population. These individuals express willingness to work, but do not report any recent active job search diligence. In reality, the probability of transition to employment of the marginally attached, is much closer to that of the unemployed group than to that of the other inactive groups. The average transition rate of marginally attached workers, measured quarterly between the first quarter of 1998 and the third quarter of 2019, stood at 13.4%. For the rest of the inactive population this value stood at 3%, and for the unemployed population at 19.8%.

About 48.7% of marginally attached individuals are under 34 years of age, which represents over 100,000 young people classified as inactive but not considered in unemployment statistics. We can thus estimate the total number of young people in Portugal under the age of 34 who are neither employed nor in training, but who

are also not inactive, at over 245,000. This situation reveals a certain degree of inadequacy in assuming the unemployment rate to be an indicator of the real level of underutilisation and precarity within the labour market, especially amongst younger generations.

In Portugal, the management and implementation of Active Employment Policies (AEP), which aim to increase employability among people with difficulty entering the labour market, is the IEVT. These policies are divided into several measures with different characteristics and variable levels of effectiveness, both in terms of the macroeconomic context and beneficiaries' initial situation.

The substantial range of AEPs implemented in Portugal in the last decade, can be assigned to three areas:

1. Employment
2. Vocational training
3. Vocational retraining

These policies unfold into a very diverse range of social programmes and responses, integrating professional internships, recruitment support programmes, apprenticeships and other occasional support. These are also complemented by network intervention programmes, such as the Youth Guarantee programme.

The One Value platform, which gathers and systematizes the costs of several social responses for the public sector, discloses that the cost of training and inserting a young person in the Portuguese labour market is €15,798, having last been updated in 2016. This amount is already somewhat outdated, and factors such as the complexity of the structure of AEPs and the COVID-19 pandemic, make monitoring the real cost of this problem a very complex task. Nevertheless, it is reasonable to accept that this is a conservative and unrealistic estimate, since it only considers the main path undertaken by young people who benefited from IEVT support. This estimate only takes into account the main measures young people benefit from during their individual process of entering the labour market, ignores the indirect costs related to all of the various existing responses, namely structural costs, and also the costs of inaction, namely the negative economic and social externalities of youth unemployment.

The following table summarizes the costs of the FFWD SIB, namely the costs per delivered outcome.

The costs exposed to investors reflect expenses which were not accepted in the financial reporting process. For each one of the project's 9 results, a set of eligible operational expenses, within the scope of projects financed by the ESF/ OP SIE, were reported. The cutbacks made were essentially related to bureaucratic issues, such as the dates of the presented invoices and payment proof documents not fully coinciding with the reporting period of the respective outcome, a situation which became especially relevant for the project since reporting periods were extremely short (1 month).

We can thus make a comparison, although a limited one, between the average costs of training and labour market insertion in Portugal - €15,798 - and the costs incurred by the SIB for each young person who entered the labour market - €5,462.65 - the conclusion being that for the FFWD SIB, the cost represented only 35% of the estimated cost for equivalent social responses.

	Public Sector	Investors	Total
Cost per person that benefited from the intervention	2,549.70 €	35.95 €*#	2,585.65 €
Cost per person that was inserted in labour market within 6 months	5,624.35 €	79.30 €*#	5,703.65 €
Cost per person that kept the employment situation for at least 6 months	14,165.04 €	199.71 €*#	14,364.75 €

\* Assuming a cost of capital of 0%.

**Figure 29** Unitary final intervention costs per stakeholder. Source: MAZE

# Looking forward

Youth unemployment is an economic and social problem, with negative externalities that largely exceed the costs of its resolution.

We can even create an analogy with the pandemic crisis. Unemployment and other social disadvantages are “pandemics” with a stronger presence in certain communities, affecting some socioeconomic classes more than others, and often transmitted intergenerationally. There are even negative impacts on the physical and mental health and average life expectancy of those who suffer from its consequences.

Therefore, looking forward, we propose that the debate on countering unemployment takes place with a renewed sense of urgency and that innovative strategies be implemented to transform the systems which originate this market failure.

Three key ideas are identified:

**1. Employability programmes focused on people and their professional development;** one of the key learnings acquired from the Faz-te Forward intervention is that it is not possible to apply a one-size-fits-all strategy to young people; methodologies such as coaching and mentorship meet the needs and aspirations of young people and therefore enhance their intrinsic motivation to achieve their goals. The same applies to the use of non-formal methodologies and the establishment of trusting relationships between peers and other people involved in the process. Organizing programmes in cohorts or groups promotes the emergence of a sense of accountability. The use of tools such as Service Design in the employability experience planning process can enhance the incorporation of these methodologies into existing programmes.

**2. Mission-driven employability programmes. One of the determining factors of youth unemployment is the mismatch between demand and supply, the skills gap.**

Employability programmes focused on areas where the transition to employment happens fluidly can become high return investments. This can be achieved through intensive capacity building programmes connected to the digital transition, in areas such as programming or digital design, or to the climate transition, for jobs related to renewable energy (installation and maintenance), transport, agriculture and forestry management, building requalification and industry, among others.

**3. Local/community employability networks.**

Potentiating local employability networks that bring together public and private sector actors is of great importance for the execution of an integrated response, which enhances synergies by sharing information and resources, better knowledge of the local reality and greater diligence in problem resolution. These networks are particularly relevant in contexts with existing dominant sectors in need of skilled personnel.

# Conclusion

The Faz-Te Forward SIB was a success because it allowed the implementation of an innovative intervention for the promotion of youth employability, with very positive outcomes.

The recognition by participants, implementing entities and other partners, including the IEVT, that non-formal approaches to the development of personal, social and employability skills are effective, and the success achieved in the 9 reported and analysed outcomes, demonstrates the project's potential to combat this problem.

Social investors recovered around 91% of their initial investment. The negative return, despite the delivered outcomes, is a result of the constraints inherent to the financing structure, linked to European structural financing, which in turn depends on budget implementation and the reporting of expenses incurred and estimated at the time of the application. In addition, the complexity and bureaucracy of the reporting process entailed increased costs for implementing entities and investors. Also, and for the same reasons, the financing mechanism did not allow returns to investors and implementing entities, due to the risks incurred in the execution of a project of this kind. This architecture blocks potential positive incentives, both from the perspective of raising capital for outcome-based commissioning projects, as well as the continuous search for efficiency and effectiveness on the part of implementing entities.

Unemployment is one of the social issues in which the economic costs for the public sector are more directly quantified, this is due to its intrinsic connection to revenues (taxes), which decrease when unemployment rises, and to costs (social benefits), that increase with rising unemployment and social vulnerability. Additionally, there is a whole set of social and human costs inherent to unemployment and the people and families who face it. Therefore, promoting outcome orientation and the optimisation of Active Employment Policies through the integration of alternative approaches, which increase their effectiveness and efficiency, is and will remain essential.

Over the course of this SIB, Faz-Te Forward accompanied 150 young people, who developed their skills and improved their employability profile, delivering positive outcomes and aggregating a set of learnings which can inform public policies that focus on this target group. In Portugal, there are still over 245,000 young people under the age of 34 whose connection to the labour market is non-existent or marginal. This demonstrates the urgency of these methodologies being applied in a more comprehensive and dynamic way to the entire national territory.



Public sector team, MAZE. Photo: Luís Macedo

# Closing Note

Faz-Te Forward was launched by TESE in 2011 to promote an increase of employability and socio-professional inclusion amongst young people within the Lisbon Metropolitan Area, where 5 editions took place.

Given the north of Portugal's more significant numbers in terms of youth unemployment, as well as the history of the first editions' positive and robust outcomes, 2017 was the year the project travelled to the Metropolitan Area of Porto. The Social Impact Bonds financing line represented an opportunity to apply the methodology to 150 young people NEET or in a situation of greater vulnerability regarding labour market insertion.

For the development of this initiative, TESE relied on the financial support of the Calouste Gulbenkian Foundation and Deloitte, who believed in the project and took on the role of social investors, and also the partnership with the Porto City Council and the IEVT, both close operational partners throughout the intervention.

This financing model - outcome-based commissioning - not only allowed to scale the project with relative stability (5 editions in 3 years), but also implement an ongoing performance and outcome monitoring and evaluation logic. Working closely with MAZE also allowed to progressively adapt the intervention to the different needs observed, bringing it closer to the predefined outcomes.

The Faz-Te Forward SIB has outperformed the predicted outcomes, reinforcing the effectiveness and potential of its methodology. In addition to the fact that 45% of *Fazters* effectively entered the labour market 6 months after their participation, the complementary evaluation validated a set of other indicators which reinforce how the programme was considered very impactful in supporting the definition of significant professional paths and the transition to the labour market (promotion of self-knowledge; development of personal, social and employability skills; extension of contact networks; autonomy and motivation to define career plans, among others).

A set of differentiating factors is responsible for this success, establishing the Faz-Te Forward methodology as a good practice in the field of employability and socio-professional inclusion for young people. These include: a very personalised approach, co-constructed and tailored to the talent of each individual and group; combination and coordination between group components (soft skill workshops) and individual components (coaching and mentorship); the team's very close monitoring of participants; the intensive nature of the intervention working as an impulse for action; use of non-formal education methodologies that enhance more significant learning processes; focus on monitoring and performance evaluation.

The challenge posed to Faz-te Forward under the SIB, was to understand the possibility of promoting the insertion of young people in the labour market at lower costs, comparatively to the public cost. The big conclusion is that YES, it is possible, and complete programmes with integrated and personalized approaches do not necessarily represent more costs!

As such, there is a set of learnings and recommendations for promoting youth employability, based on a vision shared by various actors involved in solving this issue. For promoting youth employability in an ever-changing world, focusing on transversal skills is key, especially soft skills!

**TESE - Association for Development**

