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Socially Responsible Finance: an antidote for African (and European) unemployment?

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Abstract

This article examines innovative approaches to youth unemployment through the case of South Africa, a country characterized by high levels of youth joblessness despite being one of Africa's most developed economies. Drawing on labour market data and recent policy initiatives, the paper analyses how public-private partnerships and socially responsible finance have been mobilised to address employment challenges. Particular attention is devoted to two case studies: the Youth Employment Service (YES), which incentivises firms to create work opportunities through South Africa's Broad-Based Black Economic Empowerment (B-BBEE) framework, and Bonds4Jobs (B4J), the first African Social Impact Bond specifically targeting youth employment. The analysis highlights both the opportunities and limitations of these instruments. While their success is closely linked to South Africa's specific institutional and historical context, they provide valuable insights into the potential of outcome-oriented policies, impact investing, and multi-stakeholder governance. The article argues that the main lesson emerging from the South African experience is not the direct replicability of individual measures, but rather the adoption of an experimental and multifactorial approach that combines labour market policies, financial innovation, and collaboration between public, private, and non-profit actors in tackling complex social challenges such as youth unemployment.

Keywords: Active labour market policies; Investments; Sustainable growth and employment; Governance architectures; Unemployment.

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1. Data from the 'Africa Youth Employment Clock'.

While in Europe the percentage of people in active age being unemployed and looking for work is fairly stable at 5.9%,[1] in Africa is at 6.3%.[2] However, what may seem a minor difference, hides a universe of distinctions, as it comes immediately clear by looking at the informal employment rate (19%[3] vs. 83%) and at the working poverty rate (10%[4] vs. 29%).

Furthermore, despite some historical and cultural commonalities, the states within these continents also differ considerably, both economically and politically.

This difference is confirmed by regional labour market figures, as it emerges in the statistics that the 'Africa Youth Employment Clock'[5] has produced using the International Labour Organization (ILO) and the International Institute for Applied Systems Analysis (IIASA) data.

According to the 'Clock', there are 525.569.522 young people (aged from 15 to 35) in Africa today, of whom 54.6 % are employed, 22.4 % are studying, 5.5 % unemployed and 17.6 % inactive.[6] The percentage of employed young people varies greatly by country: from 79.4% in Madagascar and 75.9% in Tanzania to 21.6% in Somalia and 17.9% in Djibouti.[7] Issues, moreover, do not only concern unemployment, but also the type of job a young person can find.

[1] An unemployed person is defined by Eurostat, according to the guidelines of the International Labour Organization, as: someone aged 15 to 74; not employed during the reference week according to the definition of employment; currently available for work, i.e. available for paid employment or self-employment before the end of the 2 weeks following the reference week; actively seeking work, i.e. had either carried out activities in the four-week period ending with the reference week to seek paid employment or self-employment or found a job to start within a period of at most 3 months from the end of the reference week. *See* Eurostat, *Statistics Explained*, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Main_Page.

[2] Data for Africa, unless otherwise specified, come from International Labour Organization (ILO), *Statistics in Africa*, https://ilostat.ilo.org/data/africa/?cat_mode=subject.

[3] OECD Development Centre, *Informality and Globalisation. In Search of a New Social Contract*, OECD Publishing, Paris, 2023, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/04/informality-and-globalisation_d7548f2e/c945c24f-en.pdf.

[4] Eurofound, *In-work poverty in the EU*, Research Report, Publications Office of the European Union, Luxembourg, 2017, available at: https://assets.eurofound.europa.eu/f/279033/17a9fbc6ae/ef1725en.pdf.

[5] The Africa Youth Employment Clock is a data tool developed by the World Data Lab, in partnership with the Mastercard Foundation, to monitor youth job growth and youth employment trends until 2030, with the intent to democratize data, and inform decision-making in the public and private domains. Specifically, the developers' mission is "to enable 30 million young people in Africa to secure dignified and fulfilling work by 2030". The Clock draws from surveys and datasets made available by national statistics offices: the International Labour Organization (ILO), and the International Institute for Applied Systems Analysis (IIASA). *See* Africa Youth Employment Clock by World Data Lab, available at: https://africayouthjobs.io/.

[6] Where "employed" means: "*part-time, seasonal, or full-time employment within an organisation which commences after an individual secures income from this work. Includes three subsets: new wage, sustained wage, and improved wage employment. Note also that this category includes self-employment (i.e. entrepreneurship)*". Where "student" means: "*persons enrolled in education or school-based technical and vocational training programs*". Where "unemployed" means: "*Percentage of the youth population that is unemployed". Where "inactive" means: "Person outside labour force (they are jobless but not available and or not looking for a job), including people engaged in household or family duties full-time". See* Africa Youth Employment Clock by World Data Lab, nt. (6).

[7] If in the latter the percentage of students (57.5%) is partially reassuring, the same cannot be said for Somalia, which records a 47.1% youth unemployment rate (including unemployed and inactive) and just a 31.3% of people in education. *See* Africa Youth Employment Clock by World Data Lab, nt. (6).

Young people, in most regions of the world, face significant barriers to securing a stable employment, with their prospects diminishing further in correlation with lower national income levels: in low-income countries, young adults (aged from 25 to 29) are at least three times more likely to be limited to precarious employment compared to their counterparts in high-income countries.[8]

Moreover, the country where a person resides has a considerable influence on his or her salary. In this regard, the highest share of young adult workers in low-paid employment lives in the Sub-Saharan Africa region.[9] In fact, while in high-income countries 4 out of 5 young adult workers are in a regular paid job, this proportion falls to 1 out of 5 in low-income countries. In addition, access to decent work has shown no substantial improvement over time.[10]

The role of education is particularly important for young people and their life prospects. On this matter, data are consistent with those on unemployment. According to the ILO, the share of young population attending school or training decreased in low-income countries (from 42.9 % in 2000 to 40.1 % in 2023), while the educational mismatch of 'overeducation' increased (from 2.4 per cent in 2013 to 6.2 % in 2023).[11]

The individual investment in training, of course, must be matched by the state's commitment to creating jobs where the skills acquired can be utilised and economically recognised. Unlike Europe, where demographic winter has become a painful and dangerous trend,[12] Africa can count on the continued growth of its working-age population, but sadly, according to the ILO, for about 10 million young people entering the workforce each year, only 3 million formal jobs are created annually.

In the light of these records, then, it is not surprising how, according to the 2023 Afrobarometer, Africans are dissatisfied with their countries' economic progress, especially when it comes to jobs and employment.[13]

2. South Africa's peculiarities.

Apart from public opinion on employment policies, which is similar to the one just mentioned, South Africa is a peculiar state in many respects. According to the International

[8] In low-income countries only 16% of young people obtain permanent paid work. *See*, International Labour Organization (ILO), *Global Employment Trends for Youth 2024: In figures*, 16 August 2024, available at https://www.ilo.org/resource/article/global-employment-trends-youth-2024-figures#security.

[9] International Labour Organization (ILO), *ibidem.* In this subregion 3 out of 4 young people do not have a secure job.

[10] International Labour Organization (ILO), nt. (8). Overview of main figures.

[11] International Labour Organization (ILO), The value of education and training, *ibidem.*

[12] European Parliamentary Research Service, *Demographic Outlook for the European Union: 2021*, Brussels, 2021; Goldstein J.R., Kreyenfeld M., Jasilioniene A., Karaman Örsal D.D., *Fertility reactions to the "Great Recession" in Europe: recent evidence from order-specific data*, in *Demographic Research*, 29, 2013.

[13] Afrobarometer, *Handling creating jobs*, Survey R8 2019/2021, https://www.afrobarometer.org/online-data-analysis/.

Monetary Fund it has the highest level of gross domestic product on the continent.[14] It is also the only African country participating in the G20 and is part of the BRICS.

After the overcoming of apartheid and the re-founding of the 1990s, the country had brought the hope of a young democracy with the potential to exercise dynamic and positive leadership in the entire continental region.[15]

At present time, however, South Africa is facing a tangle of issues: severe inequalities inherited from the past and identity divisions,[16] a renewed uncertainty of the democratic system,[17] a not minor rate of corruption and, consequently, a declining economic growth.[18] Recent research at Harvard shows that "the economy's ability to create jobs is slowing, worsening South Africa's extreme levels of unemployment and inequality".[19]

For the first time since the end of apartheid, the African National Congress has had to find allies to form a majority, and above all, to govern with a party associated with the country's white minority.

Indeed, despite having the lowest rate of labour informality in the continent[20] and being one of the countries where those in work tend to exceed the poverty line,[21] South Africa lies near the bottom of the African ranking when referring to the percentage of youth employment, which stands at 32.4%. Moreover, unemployment rate is one of the highest, peaking at 36.6% (including inactive young people).[22]

It is not surprising that, according to the 2023 Afrobarometer, an estimated 85.8% of the population think that government is badly handling the creation of jobs:[23] "South Africans would also prefer low unemployment with low wages over high unemployment with high wages; the vast majority believe it is better to have a job at any wage than no job at all".[24]

The surprising fact lies in the experiments that has been positively carried out in this country, which - perhaps due to its own peculiarities - has been able to offer some unexpected insights into unemployment.

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[14] International Monetary Fund (IMF), *World Economic Outlook Database: October 2024*, available at https://www.imf.org/en/Publications/WEO/weo-database/2024/October/.

[15] Lieberman E., Lekalake R., *South Africa's Resilient Democracy*, in *Journal of Democracy*, 2, 2022, 103.

[16] Lekalake R., *AD82: Post-1994 South Africa better than apartheid, but few gains in socioeconomic conditions*, in *Afrobarometer Dispatch*, 82, 2016.

[17] Lekalake R., *AD71: Support for democracy in South Africa declines amid rising discontent with implementation*, in *Afrobarometer Dispatch*, 71, 2016.

[18] National Treasury – Republic of South Africa, *2024 Budget Review: Economic Outlook*, Chapter 2, 2024, https://www.treasury.gov.za/documents/National%20Budget/2024/review/Chapter%202.pdf.

[19] Hausmann R., O'Brien T., Fortunato A., Lochmann A., Shah K., Venturi L., Enciso-Valdivia S., Vashkinskaya E., Ahuja K., Klinger B., Sturzenegger F., Tokman M., *Growth Through Inclusion in South Africa*, CID Faculty Working Paper, 434, 2023.

[20] Share of informal employment: 34%. *See* International Labour Organization (ILO), *Statistics on the informal economy*, https://ilostat.ilo.org/topics/informality/.

[21] With 9% of 'Extremely poor' (less than \$2.15 a day), 12% of 'Moderately poor' (\$2.15 to less than \$3.65 a day) and 79% of 'Not extremely or moderately poor' (\$3.65 or above a day). *See* International Labour Organization (ILO), *Statistics on working poverty*, https://ilostat.ilo.org/topics/working-poverty/.

[22] *See* Africa Youth Employment Clock by World Data Lab, nt. (6).

[23] For South Africa, for the period from 2019 to 2021, including "*Very badly*" and "*Fairly Badly*" answers. The general African rate is lower, set at 76.1%. *See* Afrobarometer, *Handling creating jobs*, nt. (12).

[24] Moosa M., Patel J., *South Africans support social grants, but say work at any wage beats unemployment*, in *Afrobarometer Dispatch*, 364, 2020.

3. South African Measures to Tackle Unemployment.

In 2018, President Cyril Ramaphosa (recently re-elected after the historic agreement between the ANC and the DA) announced that the creation of jobs, especially for the youth, was at the centre of the national agenda.[25]

The plan was characterised by a multi-factor approach, which, alongside traditional policies (such as the already implemented tax incentives for the young work seekers hiring), included a set of more innovative projects, which took the form of various types of public-private intertwining.[26]

As for the more conventional line of intervention, the framework agreement - published in 2018 – described the government's workstreams on jobs creation, which included: boosting the economy with sector-specific interventions;[27] supporting small, medium and micro enterprises; increasing access to education and training; implementing a national minimum wage; ensuring public and social programmes on labour market and anti-corruption.[28]

It was also confirmed the Expanded Public Works Programme projects, aimed at employing workers on a temporary or ongoing basis with government, contractors, or other non-governmental organisations under the Ministerial Conditions of Employment.[29]

The target of the entire plan was the creation of 275,000 jobs per year.

Moreover, among the most innovative policies, the government presented the Public-Private Growth Initiative and the Youth Employment Service (YES).[30] The first was described by the government as its commitment to remove the policy impediments and accelerate implementation of co-financed projects: "the private sector has committed to invest R840 billion in 43 projects over 19 sectors and creating 155 000 jobs by 2024". While the latter, the Youth Employment Service (YES), also launched in 2018, was described as "a business-led collaboration with government and labour to create one million work opportunities for youth".[31]

Within this framework, interesting public-private collaboration projects have been tested, exploiting the potential inherent in the financial system. Before examining some of these

[25] *President Cyril Ramaphosa: 2018 State of the Nation Address*, 16 February 2018, available at https://www.gov.za/news/speeches/president-cyril-ramaphosa-2018-state-nation-address-16-feb-2018.

[26] South African Government – Official Information and Services, *Job Creation*, available at the following link: https://www.gov.za/issues/job-creation.

[27] Modelled on those already implemented: *Clothing and Textiles Master Plan* and *Poultry Master Plan*. *See* South African Government – Official Information and Services, *Job Creation*, https://www.gov.za/issues/job-creation.

[28] Republic of South Africa, *The Presidential Jobs Summit Framework Agreement*, 4 October 2018, available at https://static.pmg.org.za/181107Jobs_Summit_Agreement_2018.pdf.

[29] South African Government – Official Information and Services, *Job Creation*, available at the following link: https://www.gov.za/issues/job-creation.

[30] Also noteworthy is the *Amavulandlela Funding Scheme* designed by the Small Enterprise Finance Agency (SEFA) for entrepreneurs with disabilities: "the scheme is targeted at small and medium-sized enterprises and co-operatives with at least 50 + 1% ownership by entrepreneurs with disabilities". *See* South African Government – Official Information and Services, *Job Creation*, https://www.gov.za/issues/job-creation.

[31] *See* Youth Employment Service (YES), https://www.yes4youth.co.za/.

policies in detail, a preliminary remark should be made on the role of socially responsible finance and some of its recent developments.

4. The wake of socially responsible finance.

In the wake of successive financial crises, natural disasters, and escalating social challenges, investors have increasingly recognized the potential of their investments to safeguard the environment and the social welfare. Simultaneously, diminishing trust and confidence in conventional markets and traditional banking systems have driven investors to seek alternative investment opportunities that align with their ethical and moral principles. Thus, the socially responsible finance came into being.

This finance branch finds its roots in the 7th century[32] and has since developed within the framework of corporate social responsibility. An important moment of evolution was also during apartheid in South Africa. In 1971, Leon Sullivan, a Baptist priest and civil rights activist, joined the board of General Motors and began lobbying for US companies operating in South Africa in order to reject Apartheid. In 1977, Sullivan articulated a set of principles to be adopted in the treatment of employees[33] and gave impetus to a global boycott against large multinationals involved, including disinvestment policies.[34]

Later, the fundamental steps for the development of sustainable finance occurred on 26 April 2006, when the then United Nations Secretary General Kofi Annan officially launched the Principles for Responsible Investment on Wall Street, encouraging managers of large institutional, pension and investment funds to consider the environmental and social impact of their decisions.[35]

The UN had then drawn up the Principles for Responsible Investment, indicating to all stock market participants the criteria to be adopted to integrate 'environmental, social, and corporate governance' (ESG) factors into investment practices, and thus into research, analysis, and investment selection processes.[36] Since then, this sector has undergone exponential growth, which seems destined not to stop.[37]

The ESG compliance has become an indicator for assessing the value of a company or a financial instrument on the market, offering insights into the sustainability performance by evaluating the impact on both people and the environment. Integrated reporting has indeed

[32] Its origins date back to the 16th and 17th centuries, when American Protestant businessmen, such as the Methodists, excluded from their business activities economic activities that conflicted with their beliefs, such as the slave trade or the production of weapons, alcohol and tobacco. Zamagni S., *L'investimento sostenibile e responsabile: da dove viene e dove sta andando*, Aiccon, 2012, https://www.aiccon.it/pubblicazione/linvestimento-sostenibile-responsabile-viene-sta-andando/

[33] Modelled along the lines of the Equal Employment Opportunity U.S. code.

[34] Gray K.R., Karp R.E., *Corporate Social Responsibility: The Sullivan Principles and South Africa*, in *Visions in Leisure and Business,* 12, 4, 1994.

[35] United Nations, *Secretary-General launches 'Principles for responsible investment' backed by world's largest investors*, Press Release, SG/2111-ECO/106, 27 April 2006, https://press.un.org/en/2006/sg2111.doc.htm.

[36] *See* https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment.

[37] OECD, *Sustainable finance*, https://www.oecd.org/en/topics/sustainable-finance.html: "at the end of 2023, the total amount of outstanding corporate and official-sector sustainable bonds totalled USD 4.3 trillion, up from USD 641 billion just five years prior".

gained popularity as a practice that enables companies to disclose material information about their strategy, governance, performance, and prospects, while capturing the commercial, social, and environmental context in which they operate.

In a context attentive to the environmental and social impact, presenting an ethically and environmentally responsible profile allows companies to gain value in the financial market. The YES project launched by the South African government lies precisely on this kind of value, using it to incentivise businesses to collaborate at youth unemployment issue and to promote racial equality.

5. The B-BBEE Score and the Youth Employment Service.

Indeed, South Africa was one of the first countries where sustainable finance was linked to employment and anti-discrimination objectives. The introduction of the so-called B-BBEE score paved the way for this type of approach.

"A new era dawned in South Africa in 1994 as the apartheid regime was replaced by a democratic one and freedom for all citizens seemed possible at last. Amidst the changing political landscape, the late president Nelson Mandela pleaded for reconciliation among all racial groups. He stated that physical freedom was not sufficient, and that economic freedom had to be cultivated".[38]

With this precise aim the Employment Equity Act (No. 55 of 1998) and the Broad-Based Black Economic Empowerment Act (No. 53 of 2003, revised in 2013) were promulgated. It required all companies with an annual turnover exceeding R10 million to adhere to specific provisions in order to promoting equality and fostering broad-based and meaningful participation of black individuals in the local economy. The 2004 draft of the Codes of Good Practice identified seven key elements of economic empowerment, providing a standardized framework for evaluating compliance with the Act.[39] Based on adherence to these principles, companies receive a Broad-Based Black Economic Empowerment (B-BBEE) score. Although entities are not penalized for achieving a low score, they are unlikely to secure government contracts and licenses and may face less opportunities in the private sector.

The YES project is a public-private partnership between the South African government and a non-profit organisation that works with leading businesses in various sectors "to

[38] Dreyer J.A., Viviers S., Mans-Kemp N., *Broad-Based Black Economic Empowerment and corporate financial health*, in *South African Journal of Economic and Management Sciences*, 24, 1, 2021.

[39] Elements as ownership, management, employment equity, skills development, preferential procurement, enterprise development, and additional components grouped under the residual element. The 2004 Codes were adjusted in 2007 and 2013 to promote companies' level of participation. Department of Trade and Industry (DTI), *Code of good practice for black economic empowerment in public-private partnerships*, 2004, https://treasury.mpg.gov.za/assets/files/leg_BEE_PPP_Code_of_Good_Practice_2004.pdf; Department of Trade and Industry (DTI), *Codes of Good Practice on black economic empowerment*, Notice 112 of 2007, https://www.gov.za/sites/default/files/gcis_document/201409/29617s0.pdf; Department of Trade and Industry (DTI), *Codes of good practice*, Notice 1019 of 2013, https://www.bbbeecommission.co.za/wp-content/uploads/2017/12/Phase-1-36928_11-10_TradeIndCV01_3a.pdf.

provide 12-month quality work experiences for unemployed young people to become the future managers, skilled professionals, and entrepreneurs who will drive the economy forward".[40] Companies that create a job of one year duration obtain, in return, one or two levels up on their B-BBEE scorecard.[41] The guiding principle would be to enhance youth employability by breaking the cycle of "I can't get a job without experience, and I can't get experience without a job".

Employers are required to comply with the Minimum Wage Act (2018) and the relevant labour legislation, as well as any sectoral determination the entity is regulated by.

As told by the NGO that leads the project, through this mechanism, by March 2024, it was possible to produce over R7.7 billion of youth salaries and to create more than 139,000 jobs: "the highly measurable and verified status of YES outcomes provides clients with a credible basis to confirm their status as socially responsible corporate citizens or trusted employers".[42]

6. The Impact Finance Option.

Within socially responsible finance lies an even more particular category, the Social Impact Bonds (SIB), which combines private investment with public policy and impact investing.[43]

If the youth employment crisis reflects the ineffective public employment policies and the lack of good governance in managing public employment services, South Africa is also one of the few countries in the world where a SIB have been used as an innovative tool to address youth unemployment issue.

A SIB represents a public policy instrument that combines payment-for-performance mechanisms with private investments in order to implement welfare interventions.[44] It can be defined as "a contract with the public sector or governing authority, whereby it pays for better social outcomes in certain areas and passes on part of the savings achieved to investors".[45]

Following the economic crisis, with public budgets under pressure,[46] this financing mechanism has attracted considerable attention because it offers the opportunity to mitigate

[40] *See* Youth Employment Service (YES), https://www.yes4youth.co.za/.
[41] The Youth Employment Service also provide a service that enables businesses that cannot, for whatever reason, place young people inside their own structures, to place young people in YES-vetted host partners: it is the so called "YES turnkey solution". Youth Employment Service (YES), *Ibidem.*
[42] Youth Employment Service (YES), *Youth Employment Service: Annual report 2024*, 2024, https://8585911.fs1.hubspotusercontent-na1.net/hubfs/8585911/Annual%20Report%202024.pdf.
[43] Rodin J., Brandenburg M., *The Power of Impact Investing: Putting Markets to Work for Profit and Global Good*, Wharton School Press, Philadelphia, 2014.
[44] Warner M.E., *Private finance for public goods: social impact bonds*, in *Journal of Economic Policy Reform*, 16, 4, 2013, 303-319.
[45] Chen J., *Social Impact Bonds Explained: Definition, Risks, and Success Stories*, in *Investopedia*, 27 May 2026, available at http://www.investopedia.com/terms/s/social-impact-bond.asp#ixzz3h60T8ntj.
[46] Dowling J., *In the wake of austerity: social impact bonds and the financialisaton of the welfare state in Britain*, in *New Political Economy*, 22, 3, 2017, 294-310.

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public sector risks, to improve effectiveness and to enable the immediate delivery of services with differentiated public contributions.

The SIB framework essentially is based on the assumption that actors can be incentivised to perform better by connecting payments with performance indicators and on the fact that the social investors share the expected financial and social benefits from the intervention with the outcome payer.[47]

In particular, the structure of this tool includes: a public institution (typically government entities) that commissions the social project and undertakes to return the capital plus interest to the subscribers; an organisation that implements the social project, offering welfare services (the so-called "service provider", typically NGOs); an indefinite generality of public or private investors (including profit and non-profit entities) supplying working capital upfront to delivery agents.[48] Some of these bonds follow the pay-by-result scheme: in this case, if the delivery agent successfully meets the predefined outcome targets – such as placing a certain number of work-seekers into jobs – the outcome funders repay the investors. If the delivery agents are unsuccessful, the outcomes funders do not pay, and the investors do not earn returns.

According to Social Finance's Global Database, in 2023,[49] at the international level, social bonds raised more than USD 762 million, financing projects in Employment and training (26.4%), Health (17.6%), Child and Family Welfare (16.9%), Education (16.5%), Housing (13%), Criminal Justice (6.7%), Agriculture and Environment (1.8%), Poverty Reduction (1.1%). Overall, there are 85 Social Bonds aimed at the unemployment matter, of which 32 are concentrated in the UK, 13 in the Netherlands, 5 in France, while the others are individual and impromptu attempts scattered around the globe. Among these, the only African experiment, Bonds for Jobs (B4J), offers an insight into a possible innovative thinking around the creation of jobs matter.

7. South Africa's Bonds4Jobs (B4J).

The South Africa's Bonds4Jobs SIB was designed to evaluate alternative social delivery methods for placing young citizens (aged between 18 and 35) systematically excluded from the labour market into their first employment, using a social impact bond sub-set of payment by results structure.

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47 Essentially it is "*a mechanism that harnesses private capital for social services and encourages outcome achievement by making repayment contingent upon success*". Gustafsson-Wright E., Gardiner S., Putcha V., *The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide*, Global Economy and Development Program at Brookings, Brookings, Washington D.C., 2015.

48 There are three contractual-management structures used: one in which the contract is signed directly between the commissioner and the service provider; one in which is signed the commissioner and a special purpose vehicle; one in which is signed between the commissioner and an intermediary. For an in-depth analysis *see*: OECD, *Social Impact Bonds: State of Play & Lessons Learnt*, OECD Local Economic and Employment Development (LEED) Papers, OECD Publishing, Paris, 2016, https://www.oecd.org/en/publications/social-impact-bonds_3064b396-en.html.

49 Government Outcome Lab, *Impact Bond Dataset*, Blavatnik School of Government – Oxford University, https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/.

The SIB had several commissioners, including two government bodies (the Gauteng Provincial Government, The National Treasury Jobs Fund), two non-profit organisation (First Rand Empowerment Foundation, Allan Gray Orbis Foundation Endowment) and a strategic marketing consultancy company (Yellowwood).

The goal was to achieve 600 jobs placement in the first year and 1.400 by the end of the second year. The implementation phase was also divided into two delivery cycles: in the first one, from April 2018 to January 2019, only three investors supplied working capital; but the accomplishment of the first target attracted more stakeholders, enough to enable the program's expansion and to achieve a larger number of job placements during the second cycle.[50]

The funds were transferred to the Harambee Academy (the training division of Harambee Youth Employment Accelerator)[51] that delivered employment services as profiling, job matching, and training.

A job placement, to count as a targeted one, had to meet specific requirements:

- the job had to be of "medium to high complexity" (measured by the type of job and the job description);[52]
- the beneficiary had to meet specific criterion of disadvantage (as having attended a low-income school, having a low home income, or receiving state social assistance).

During the entire period, the Harambee Accelerator compiled reports detailing who had been trained and who had been placed into jobs, that were then verified by the outcome auditor, Price Waterhouse Coopers (PWC).

The experiment was successful: B4J project met year one's target three months earlier and, during the following year, reached also the 86% of the second target, despite the Covid-19 and national lockdown in South Africa. With targets met, investors who put up the risk capital to fund the programme received their money, government delivered on a much-needed service gap,[53] and people – one of the more vulnerable groups – received a source of income.

[50] The investors were: The Standard Bank Tutuwa Community Foundation; The Hollard Insurance Company Limited; Brimstone Legacy Fund in partnership with Nedbank & Old Mutual; the Clientele Limited; the Oppenheimer Generations Foundation Limited. *See* INDIGO-POJ-0074, *Bonds 4 Jobs (South Africa)*, https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/INDIGO-POJ-0074/.

[51] In addition to Harambee Academy, the following service providers contributed: the Explore Data Science Academy; the WeThinkCode.

[52] For a job to count as a placement, it had to be a very specific type of job: the contract had to be of at least 12 months; prior to placement the candidate had to go through training (work readiness); jobs also had to belong to one of three "job families" or sectors: Business Process Services (BPS), Installation, Repair and Maintenance (IRM), and Information and Communication Technology (ICT). *See* Intellidex, *The Bonds4Jobs Social Impact Bond*, Investment Research Report, April 2021, available at: https://www.tutuwafoundation.org/assets/downloads/Intellidex-the-B4J-SIB-report.pdf.

[53] The advantage becomes clearer when the SIBs include a control group. This was done in the SIB Duo for a Job, in Brussels, where the employment results were compared with a control group of over 4,000 unemployed persons with similar characteristics to those who were targeted. The analysis showed that the SIB had generated 28% higher employment than the control group. Cristofolini C., Rossi M., *Risparmi pubblici e rendimento dei SIB. Alcuni case studies*, in Rossi M., Salomone R., Torricelli C. (eds), *Finanza sostenibile per il lavoro e per il welfare*, Il Mulino, Bologna, 2023, 42; Fiennes C., *What the Fist Social Impact Bond Won't Tell Us*, in *Stanford Social Innovation Review*, 2013.

In this case, it seems reasonable to hypothesise that much of what was achieved was due to a careful design of contracts and context: the targets were reasonable, clear, easily verifiable, and relevant to the local context. Equally important seems to be the choice of the entities involved: socially conscious investors (who could catalyse the profit-first investments), capable service providers and a credible impact assessor (PWC).

8. A Multifactorial Approach to Unemployment.

In 2023 the EU youth employment rate was on average at 66%. The African case raises the question if there are new and more innovative policies to improve job opportunities, especially for young people. To this end, the observation of the measures adopted by South Africa provides a few insights to consider. The first is certainly the variety of approaches that have been adopted, involving multiple types of public-private collaboration and capitalization of the financial factor.

With the YES project, the government incentivise companies to provide employment opportunities by exploiting their interest in a good reputation, expressed in terms of B-BBEE score and ESG indicators.

The results in terms of employment (those released by the NGO itself) have been remarkable, but this is probably not enough to consider it as a good practice to replicate.

On the one hand, YES is based on a legislation that is intimately and strongly linked to the history and to the still open challenges of South Africa. The peculiarity of these elements is an obstacle to any generalisation, as success is not guaranteed in a different context. In addition, some studies have highlighted/underlined criticism regarding the role attributed to B-BBEE[54] and to the relationship between B- type of scoring and financial performance.[55] On the other hand, the mechanism that was used raises the well-known problems concerning

[54] Part of the criticism is that it would benefit only a small elite section of citizens: Hoffman E., *A wolf in sheep's clothing*, in *Syracuse Journal of International Law and Commerce*, 36, 87, 2008, 87-115; Patel L., Graham L., *how broad-based is broad-based black economic empowerment?,* in *Development Southern Africa,* 29, 2, 2012, 193-207; Tangri R., Southall R., *The politics of Black Economic Empowerment in South Africa*, in *Journal of Southern African Studies*, 34, 3, 2008, 699-716. Other criticism points out that these policies have little impact on the wealth of the disadvantaged majority in the country: Andrews M., *Is Black Economic Empowerment a South African growth catalyst? (Or could it be…)*, HKS Working Paper, RWP08-033, 2008; Krüger L.P., *The impact of Black Economic Empowerment (BEE) on South African businesses: Focusing on ten dimensions of business performance*, in *Southern African Business Review,* 15, 3, 2011, 207-233; Van der Merwe C.M., Ferreira P., *The association of the seven elements of the Black Economic Empowerment score and market performance*, in *South African Journal of Economic and Management Sciences,* 17, 5, 2014, 544-556. Also, Dreyer J.A., Viviers S., Mans-Kemp N., nt. (37), 9, according to which: "companies with high B-BBEE scores may be perceived to have more risk".

[55] Acemoglu D., Gelb S., Robinson J.A., *Black Economic Empowerment and economic performance in South Africa*, 2007, available at https://www.treasury.gov.za/publications/other/growth/06-procurement%20and%20bee/02-black%20economic%20empowerment%20and%20economic%20performance%20in%20so.pdf; Kleynhans E.P.J., Kruger M.C.*, Effect of Black Economic Empowerment on profit and competitiveness of firms in South Africa*, in *Acta Commercii*, 14, 1, 2014, 1-10; Mathura A., *The impact of Broad Based Black Economic Empowerment on the financial performance of companies listed on the JSE*, Master's thesis, Gordon Institute of Business Science and University of Pretoria, South Africa, 2009; Morris C., *The impact of black economic empowerment on business risk – evidence from the South African industrial sector*, in *African Journal of Business and Economic Research*, 13, 2, 2018, 99-120.

the reliability both of information provided by companies themselves and of rating systems, to which the European Union is still seeking a proper response.[56]

Then are Social Impact Bonds the golden key to an effective public-private cooperation on unemployment? The success of B4J does not exempt from a comparison with the larger, statistically significant sample. The first experiments in this field were made in the UK,[57] which, followed by a few other countries, offered data to assess advantages, outlook and challenges of this financial tool.[58]

According to the researchers, a sure gain from this model, in addition to the benefit of having private investments for public goods, is the shift away from a focus on outputs (for example, providing a training programme) to outcomes (the training leading to a job).

Public authorities typically use a contractual system that allocates a specific budget based solely on the provision of the service, without linking it to how the service is delivered. In this regard, it has been argued that an exclusive focus on outputs brings governments to service delivery failures. Public administration, through budgeting procedures, allocate funds that are to be spent on a public service. Traditionally, the delivery agent doesn't need to prove that the resources used have produced any targeted (and measurable) outcomes.

In this regard, SIBs would represent the overcoming of this logic, and the adoption of a new efficiency-enhancing one, with the favour of those who adhere to the New Public Management approach.[59] It has been noted that the focus put on outcomes also encourages social innovation: while detailing outputs in the contract risks to lock the service provider into a particular mode of delivery, specifying exclusively the outcomes gives more freedom to innovate.[60]

Opposed to the more promising elements, SIBs present some critical issues that has been subject to academic debate.[61]

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[56] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (*Sustainable Finance Disclosures Regulation – SFDR*). Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859.

[57] Disley E., Giacomantonio C., Kruithof K, Sim M., *The payment by results Social Impact Bond pilot at HMP Peterborough: final process evaluation report*, RAND Europe, Ministry of Justice Analytical Series, 2015, available at https://assets.publishing.service.gov.uk/media/5a7f190fed915d74e33f4513/social-impact-bond-pilot-peterborough-report.pdf (last accessed on 15 November 2024). Albertson K., Fox C., O'Leary C., Painter G., Bailey K., Labarbera B., *Payment by Results and Social Impact Bonds: Outcome-Based Payment Systems in the UK and US*, 1st ed., Policy Press, Bristol, 2018; Battye F., *Payment by Results in the UK: progress to date and future directions for evaluation*, in *Evaluation*, 21, 2, 2015, 189-203; Khan N., Rudoler D., McDiarmid M., Peckham S., *A pay for performance scheme in primary care: meta-synthesis of qualitative studies on the provider experiences of the quality and outcomes framework in the UK*, in *BMC Family Practice*, 21, 1, 2020, 1-20.

[58] Arena M., Bengo I., Calderini M., Chiodo V., *Social impact bonds: blockbuster or flash in a Pan?*, in *International Journal of Public Administration*, 39, 12, 2016, 927-939; Lantz P.M., Rosenbaum S., Ku L., Iovan S., *Pay for success and population health: early results from eleven projects reveal challenges and promise*, in *Health Affairs,* 35, 11, 2016, 2053-2061; Jackson E.T., *Evaluating social impact bonds: questions, challenges, innovations, and possibilities in measuring outcomes in impact investing*, in *Community Development*, 44, 5, 2013, 608-616; Carè R., Rania F., De Lisa R., *Critical success factors, motivations, and risks in social impact bonds*, in *Sustainability*, 12, 18, 2020.

[59] Warner M.E., nt. (43), 303-319.

[60] Brest P., Gibson R.J., Wolfson M.A., *How investors can (and can't) create social value*, in *Journal of Corporation Law*, 44, 2018, 205; Mason P., Lloyd R., Nash F., *Qualitative evaluation of the London homelessness social impact bond (SIB) final report*, Department for Communities and Local Government, 2017, 82; OECD, nt. (47), 11.

[61] Fraser A., Tan S., Boaz A., Mays N., *Backing what works? Social impact bonds and evidence-informed policy and practice*, in *Public Money & Management*, 40, 3, 2020, 195-204.

First of all, especially in their pay-by-result scheme, they are perceived as high-risk investments among commercial investors. Moreover, front-line workers can be suspicious of a model "*perceived as offering a financial gain to investors on the back of vulnerable members of society*".[62]

The transaction costs necessary to prepare such instruments and set up the programme are not low, especially considering the need to count on a reliable entity to assess outcomes.[63] OECD highlighted that improvements in efficiency and effectiveness could only occur if a high level of resources is invested in the evaluation of the SIB's results.[64]

Anyway, while other policy areas have a much higher complexity, it seems that employment-oriented SIBs are "easier to construct financial model around because of the clearer relation between social outcomes and cashable savings".[65]

In addition, as has been rightly noted, often there is a problem of data accessibility: contracts and result audits from SIBs usually are not publicly available, mainly because of contractual provisions requiring non-disclosure.

With regard to Italy, where the only attempt to activate a SIB has so far failed,[66] incompatibilities with the institutional preconditions[67] and with the public administration regulations[68] have been identified, resulting as major difficulties in the implementation of this type of plan. Italy has also some other traits that negatively affect the possibility of successfully introducing SIBs, such as: frequent changes of government and thus of regulation,[69] and a public system in which delays in permits and granting approvals frequently occur.[70]

The South African model then appears useful less for the inner quality of the policies adopted and rather for the general approach, which appears to be aimed at experimenting various types of options, probably increasing the chances of getting to the most effective set of measures. Following the South Africa way, the experimentation of hybrid measures by public bodies in support of high social impact projects could represent an opportunity to focus on why existing approaches in many policy fields (unemployment, NEET, recidivism, …) produce failures, leading to the introduction of new concepts into public action. In addition, it could create a multi-stakeholder contractual system, thus, new spaces for

[62] George T., Rogers J., Roberts A.D.L., *Social impact bonds in the UK homeless sector: perspective of front-line link workers*, in *Housing, care & Support*, 23, 3/4, 2020, 131.

[63] OECD, *Understanding Social Impact Bonds*, OECD Local Economic and Employment Development (LEED) Papers 06/2016, OECD Publishing, Paris, 2016, 16, available at the following link: https://www.oecd.org/content/dam/oecd/en/publications/reports/2016/06/understanding-social-impacts-bonds_2b4a9690/7e48050d-en.pdf.

[64] OECD, nt. (47), 15.

[65] Andersen M.M., *Barriers to social impact bond implementation: a review from the UK and US*, in *International Journal of public Sector Management*, 36, 6-7, 2023, 525.

[66] Gambardella D., Rossi M., Torricelli C., Salomone R., *Gli strumenti di finanza sociale come leva di innovazione per le politiche pubbliche*, in Rossi M., Salomone R., Torricelli C. (eds), nt. (52).

[67] Kazepov Y., Ranci C., *Why No Social Investment in Italy: Timing, Austerity, and Macro-Level Matthew Effects*, in Hemerijck (ed.), *The Uses of Social Investment*, Oxford University Press, Oxford, 2017.

[68] Faraudello A., Rossi M., Rossi P., *Social Impact Bond tra partenariato pubblico privato e policy di impatto sociale*, in Rossi M., Salomone R., Torricelli C. (eds), nt. (52), 161.

[69] SIBs are vulnerable to changes in regulation. Carè R., Rania F., De Lisa R., nt. (57), 18.

[70] Lantz P.M., Rosenbaum S., Ku L., Iovan S., nt. (57), 2053-2061, 2016; Mason P., Lloyd R., Nash F., nt. (57), 84; Pandey S., Cordes J.J., Pandey S.K., Winfrey W.F., *Use of social impact bonds to address social problems: understanding contractual risks and transaction costs*, in *Nonprofit Management & Leadership*, 28, 4, 2018, 511-528.

discussion between different actors (public, private, profit and non-profit), potentially offering the ground for innovative solutions.[71]

It is also arguable that active labour policies still need to be reinterpreted in the light of the Hawthorne effect. It's well known how once Elton Mayo[72] was appointed to lead the investigations on workers performance, the focus - which was originally set exclusively on framework conditions – turned to seeking a more psychological imprint. It turned out, in essence, that it was not really the change in production coordinates that affected productivity, but the level of workers' involvement towards the experimentation.

It is possible, then, that the success of active policy techniques doesn't depend on the type of instrument that is used, but on the perceived sense of involvement of the target groups. SIBs then could be innovative in their ability to involve service providers and measure beneficiaries more closely in achieving the common social objective.

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[71] Nicholls A., Murdock A., *The Nature of Social Innovation*, in Nicholls A., Murdock A. (eds), *Social Innovation. Blurring Boundaries to Reconfigure Markets*, Palgrave Macmillan, London, 2012.

[72] Mayo E., *The human problems of an industrial civilization,* MacMillan, New York, 1933; Mayo E., *The social problems of industrial civilization*, Harvard University Press, Boston, 1945.

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