

Spain: EIB and Municipality of Madrid promote the city's first social impact bond, putting Madrid at the forefront of social policy



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- The aim of this project is to improve assistance for vulnerable people and help them overcome their situation by innovating in the procurement of social services.
- The agreement, supported by the Investment Plan for Europe, will assess the feasibility of social impact bonds to finance measures aimed at reducing homelessness.
- The Municipality will only bear the cost of the project if it is successful.

The European Investment Advisory Hub, funded by the European Commission and the European Investment Bank (EIB), will advise the Municipality of Madrid on the implementation of innovative financing and procurement methodologies aimed at improving the effectiveness of services for vulnerable people residing in temporary accommodation. The agreement, the first of this kind within the context of the [Advisory Platform for Social Outcomes Contracting](#), was signed today in Madrid by EIB Vice-President Emma Navarro and Deputy Mayor of Madrid Begoña Villacís.

Through this agreement, EIB experts will provide the Municipality of Madrid with a comprehensive feasibility study on the launch of a social impact bond, an innovative financing solution aimed at enabling vulnerable groups residing in temporary accommodation to become independent and leave these facilities faster. This would allow a greater number of vulnerable people to access such accommodation. The procurement of service providers would be carried out through social outcomes contracting methodologies, where the Municipality is only required to pay for the services if the objectives are achieved, hence delivering real impact on the ground through innovative financing instruments.

This contracting and financing methodology ensures transparency and better control over the results, as it is necessary to establish a system of metrics upfront, to measure the extent to which the objectives have been achieved. This will ensure that public policies are effective and efficient, as the administration will only pursue projects that have demonstrated their ability to produce results within the agreed budget.

The agreement has been signed in the context of the Investment Plan for Europe, which enables the EU bank to support projects that present particular value added owing to their nature or structure.

EIB Vice-President Emma Navarro, who is responsible for the EIB's operations in Spain, said: *"We are delighted to be supporting the Municipality of Madrid by advising it on this project which will have such an important social impact. The EIB Group and the European Investment Advisory Hub have extensive experience in the development of innovative financing instruments designed to support the effective delivery of social services, such as social impact bonds. We are pleased to be able to share this knowledge with the Municipality of Madrid to help it improve vulnerable people's living conditions."*

European Commission Executive Vice-President, Valdis Dombrovskis, said: *"The Investment Plan's Advisory Hub has proven to be a key tool in getting investment projects off the ground. Thanks to the technical assistance it provides, the Municipality of Madrid will be able to give homeless people the helping hand they need to access new opportunities and change their situation. The European Commission is proud to support this social project which has the potential to make an enormous difference to the lives of many."*

Deputy Mayor of Madrid Begoña Villacís said: *"The social impact bond puts Madrid at the forefront of social policy, as it will enable us to carry out innovative projects with very little risk. Social entrepreneurs looking to transform our cities know that they can count on the Municipality's support to pilot their projects. This is a very promising form of public-private cooperation, and it is a great triumph for us to be able to count on the backing of the EIB, which we thank for its commitment to our city."*

The support will be provided under the Advisory Platform for Social Outcomes Contracting created in early 2020 and funded by the Advisory Hub. The platform aims to support the development and use of social outcomes contracting methodologies (supported, for example, by social impact bonds and

other innovative financing options) as a strategic and operational tool to address social inclusion issues and thus contribute to improving people's welfare across the EU.

The [European Investment Advisory Hub](#) is a partnership between the European Investment Bank Group and the European Commission under the Investment Plan for Europe. The Advisory Hub is designed to act as a single access point to various types of advisory and technical assistance services. It supports the identification, preparation and development of investment projects across the EU. Its advisers work directly with project promoters to prepare a tailor-made advisory package to support investment projects.