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**It is time for a Swedish financial market with social goals**

The social challenges in society are growing fast. The proportion of young people who fail school, foreign-born who do not enter the labor market, major problems in excluded suburbs that investors shun. The public sector does not have the resources to cope with even the acute problems, let alone work preventively. Internationally, the solution is increasingly that private actors, such as real estate companies, pension funds, foundations contribute to the solution. This development should be encouraged on a large scale in Sweden as well.

Specifically, it is about a completely new social loan market. Just as there are already green bonds and green loans, resources for the necessary investments can be created through social bonds and social loans. In this way, tight municipal and regional budgets do not have to be a constraint. The trend has recently come to Sweden. Our pension and savings funds have shown to be both able and willing to invest in financial instruments linked to social goals. The business community also shows interest in wanting to contribute. This is also an important tool for achieving several of the UN's global sustainability goals and the work on Agenda 2030.

As a researcher, I have followed the emergence of a social financial market for several years. This includes sustainability bonds and loans that have both green and social goals. The return, yield, is linked to social commitments aimed at a target group with identified needs. Examples of Swedish solutions for private social financing are a social enterprise that offers extra homework for children and young people who are at risk of not being eligible for High School. Society's benefits for each individual child who finishes ninth grade with a passing grade amount to millions. Still, we see young people falling through. Other examples are preventive measures for mental illness, renovations of the Swedish housing programs from the 1960’s and 70’s in the suburbs “the million programs”, where today low-income tenants can afford to stay even after renovation, programs for former criminals' re-entry into society and employment for marginalized groups in the labor market. These are needs that today either lack solutions or the efforts are all too often short-term.

From a Swedish perspective, private financing of preventive social initiatives should not be confused with the politically delicate issue of "private profits in the welfare", or the size of the tax-financed and general welfare sector. Instead, it is about taking advantage of the opportunity offered if pension and fund capital begins to work actively for a sustainable transition in all dimensions, not just the green one. Internationally, the growth of private social financing is supported by the EU, the OECD and the World Bank. These social investments benefit from the fact that they provide a financial return for those who invest in them, just like a green fund, but where there is a clear added value for society and designated target groups with specific needs.

However, Sweden is far behind several OECD countries. The report "The emergence of a Swedish social financial market", written in collaboration with Ramboll Management Consulting, describes what is going on in Sweden, but also what is needed to increase the commitment from the financial sector, politicians, municipalities, academia and civil society.

• Our mutual and private pension funds, the public AP savings funds and the banks' retail funds have begun to invest in social bonds issued by the World Bank to support developing countries, but also in European pandemic bonds aimed at employment and health promotion measures. But most investments have been done abroad. The Swedish institutional investors need clear mandate and push from boards and regulators to invest in Swedish financial instruments that are linked to proactive social initiatives, just as they have when it comes to the green transition.

• Municipalities, regions and real estate companies lead the development of social bonds in Sweden. There are at least about twenty actors working on the issue. Many are real estate companies with apartment buildings in socio-economically weak areas. Kommuninvest, which issues bonds on the international fixed income market for 290 municipalities and regions, has offered loans to five municipalities that have undertaken to deliver on social goals. But it is clear that municipalities could invest much more in preventive social measures if there was a Swedish standard for reporting social investments and the banks in their lending also began to reward social measures, just as they today offer green loans.

• Financial instruments are being experimented with in Sweden to finance preventive measures, which municipalities often consider themselves unable to afford. Many municipalities and regions have set up public social investment funds to enable a financial transfer between different administrations and financial years. Norrköping and the Stockholm Region have arrangements for social outcome contracts, SIBs or SOCs, a business agreement in which the municipality and a private investor share the financial risk and profit. The development is supported by Sweden's organization for municipalities and regions, SKR. Despite this outcome financing is not gaining momentum. An overall conclusion is that the state needs to support outcome financing as a co-financier, legislator and advisor.

The government invested SEK 150 million in developing the market for social enterprises in the years 2018–2020. But the ambitions ahead are unclear. In several western countries, including our Nordic neighbors, there are state-sponsored social investment and outcome funds, an infrastructure for social counseling, organizations that work extensively to follow up preventive social work, committed banks and an infrastructure that attracts private capital. Very little of this can be seen in Sweden.

There is no reason why Sweden should not be at the forefront when it comes to working with the social global goals and implementing Agenda 2030. Just as we do in the green area. Therefore, the time is ripe for an overreaching policy that benefits from the Swedish capital that can and wants to invest with social goals.

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