

# Impact Finance

The potential of  
social infrastructures



# ICSC

ISTITUTO PER IL CREDITO  
SPORTIVO E CULTURALE

[creditosportivo.it](https://creditosportivo.it)



## ICSC NOTES ON IMPACT #2

### Impact Finance – The potential of social infrastructures

#### Executive Summary

**Social infrastructure** is a sector destined to play **an increasingly prominent role** in public and private investment policies, as it is interconnected with some of the most important challenges of our time: equality, inclusion, health and sustainability. In 2023, more than half of the European municipalities have stated that they plan to increase their annual spending to strengthen community infrastructure, while large institutional investors show a clear propensity to diversify their asset allocation by increasing the share of social infrastructure in their portfolios.

According to EIB data, in the decade prior to the health crisis, **investment in social infrastructure** – mainly in the areas of healthcare, education and social housing – accounted for around 0.2-0.3% of EU GDP compared with between 0.7% and 1% for transport and energy networks. However, the scenario is changing rapidly with the exacerbation of socio-economic imbalances generated by the combined effect of pandemics, energy shocks and inflationary tensions. Forecasts for the coming years point towards a significant increase in the focus on social infrastructure, which is destined to represent **the third largest area of investment** for both public and private operators, **immediately after digital and green transition assets**.

**Sport and Culture** have the chance to seize the opportunities offered by a favorable scenario for investments in social infrastructure, becoming an asset class of interest for the large masses of private capital on the international market today. For the infrastructure sector there are about 340 billion dollars of **'dry powder'**, i.e. accumulated liquidity reserves, are currently available globally. These reserves, waiting to be invested, could be used to **finance projects with high added value for the regions and the territories**. In this context, the focus towards **generating a social impact is increasingly becoming the new frontier of sustainable finance**, with the sector of impact financing that continues to grow, reaching €80 billion in Europe, of which 15% invested on the Italian market.

In countries like Italy, with fiscal capacity under pressure, impact investing – which grew between 2019 and 2022 at an average annual rate of 38 per cent, to a value of more than € 9 billion – could play a decisive role in expanding the sources of financial supply for the sports and culture sectors. At today, however, sports and cultural infrastructure is not yet perceived as an opportunity impact. Globally, **impact investors have allocated only 0.1% of their assets in cultural/creative assets** compared to 17% allocated to the energy sector and 9% invested in the social/health segment, while **sports facilities remain off the radar**, mainly due to an information gap on the capacity of sport to generate measurable social benefits and in line with the UN Sustainable Development Goals of the United Nations.

**To make sports and cultural infrastructure an attractive asset class**, it is necessary to realize projects capable of optimizing the trade-off between the dimensions of return, risk and impact. At the international level a new generation of sports and cultural infrastructure is emerging that offers the scale necessary to mobilize substantial private capital to support public funding. These are the so-called **Sports and Cultural districts, multifunctional spaces integrated into the urban fabric**, at the cutting edge of technology and eco-sustainable design, capable of guaranteeing the achievement of important social goals and offering social objectives and offer private investors adequate financial returns.

A growing number of cities around the world are using Culture and Sport in urban architecture processes to initiate socio-economic urban architecture processes to initiate socio-economic regeneration projects in the most fragile and peripheral areas. In the cultural sector, for example, **the four-year period 2019-2023 saw the completion of more than 800 investments**, with a total value of almost US\$ 40Bn, earmarked for the renovation, expansion or new construction of museums, performing art centres, multifunctional arts spaces and cultural districts. **Most of projects are promoted and financed by non-profit organisations and public sector**, but there is a steady increase in the financial contribution of private investors, who to date contribute to the construction and redevelopment of approximately 6% of the global cultural infrastructure.

In Italy, **the involvement of private capital in the valorization of sports facilities and cultural heritage represents a crucial subsidiary resource**, especially in times of restricted public spending. **The financial needs are extremely high**: the costs for the energy efficient energy efficiency of sports facilities, which have been hard hit by energy shocks, is estimated at over 3 billion €, without taking into account interventions on large stadiums, while the investment needs for the preservation, conservation and digital innovation of cultural real estate are far greater than the resources allocated by the NRRP.

Faced with the need to find new resources to manage growing social imbalances, governments of many countries have begun **experimenting with new forms of public-private partnerships** based on results. **Social Outcomes Contracts (SOC)** represent an alternative PPP mechanism capable of improving the effectiveness of public investment policies through the mobilization of private resources and expertise. **Social Impact Bonds (SIB)**, which are a type of SOC which the financial risk of the project is transferred to a third-party investor, could facilitate the participation of private capital in public projects in sports and cultural infrastructure.

Since 2010, **almost 200 Impact Bonds have been launched in Europe**, mainly promoted by local authorities to support projects in the fields of employment and training, health, welfare, education and training, health, child and family welfare and education of children and families in education. There are about ten SIB models that involve investments with a specific focus on sport and physical activity. **In Italy the potential for spread of SIBs in the Sport and Culture sectors will depend on the creation of a favorable regulatory and fiscal ecosystem** and on the refinement of social impact measurement systems increasingly focused on results.

**The deficit of investment in social infrastructure weighs on Italy's ability to address complex social challenges** related to the worsening of different forms of poverty: material, labour, educational health. More than 5.6 million Italians live in absolute poverty, including about 1.3 million children and young people. Youth unemployment has reached 24.7 per cent against a European average of 14,5%. The school dropout rate of 11.5% is well above the EU average of 9,6%. **Almost six million people suffer from obesity, with over 150,000 children among the severely obese**. The process of economic and demographic depletion of inland areas is set to accelerate, with the forecast of a loss of more than half a million residents by 2030. Sport and culture can represent strategic vectors for the improvement of social indicators through greater investments in inclusion projects, capable of enhancing fragile or marginalized subjects such as low-income families, minors and the elderly.

***Link to the full version of the Note (in Italian):***

***[https://www.creditosportivo.it/wp-content/uploads/2024/11/Quaderno-ICSC-n.2-nota-di-finanza\\_web.pdf](https://www.creditosportivo.it/wp-content/uploads/2024/11/Quaderno-ICSC-n.2-nota-di-finanza_web.pdf)***