

Financial innovation in the form of structured financial instruments have a complex structure. They are the most at risk and able to hedge it. This is their contradictions. Such financial innovation as the end product of implementing innovative solutions to meet specific client objectives. For their development specialists involved in various areas of finance.

Further improvement of risk management on the basis of financial innovation and innovation in banking institutions is proposed through the development of: Principles and criteria for the identification and risk assessment strategy of innovative development and banking risks within the financial impact of innovation and innovative banking risks; Methods of forecasting and modeling risk situations related to innovation activities, evaluation and analysis of their implications for the adoption of the most effective measures for their prevention and elimination; Monitoring methods and innovative risk management according to the accepted uniform risk management; Principles of involvement and coordination staff in the management of innovation risk, including definition of competencies for specific officials and information links between them.

References:

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SOCIAL IMPACT BONDS: BENEFITS AND RISKS

Recent initiatives try to use performance-based contracts in funding social services. These initiatives are focused on creating additional financial incentives for participants and risk redistribution between taxpayers and service providers. Whilst they look very promising, the short term of their existence makes it difficult to assess their benefits, risks, and prospects of implementing in different situations.

According to Social Finance, Social Impact Bond (SIB) is a public-private partnership which funds effective social services through a performance-based contract [1]. The government contracts with a private sector company to get social services. The reward is based on achieving performance objectives. The government pays nothing if the social outcomes do not improve above an agreed threshold. SIBs are used for treating different social problems such as recidivism, homelessness, health problems, unemployment, etc.

The usual SIB model brings together government, service providers, investors, and intermediary. Due to the complex nature of SIBs, the intermediary is usually a center of the transaction which organizes the process. However, it may provide only consulting services. Although the long-term aim is to attract capital from the financial market, most of the investors are philanthropic organizations and funds.

The first SIB was introduced in Peterborough in 2010. As of June 2016, 22 projects shared their performance data [1]. Most of them (21 projects) indicate some improvements in social outcomes. Twelve projects have made payments, either to investors or to service providers, and four projects have fully repaid investor capital. Only one significant failure was reported: Rikers Island Recidivism project. Its objective was to reduce recidivism rates among young men, but there was no improvement in comparison to historical data. No payments were made on Goldman Sachs' \$7.2 million investment.

There are several main benefits of using SIBs which include:

- *risk redistribution*: the risks are shifted from taxpayers to investors;
- *innovative practices*: using SIBs allows service providers to test different approaches;
- *cost reduction*: preventing a problem is usually cheaper than its solving;
- *enhanced transparency*: there is a more public control on how taxpayers' money are spent; it is especially important for countries with a high level of corruption like Ukraine.

At the same time, criticisms of using SIBs include:

- only large population samples can produce statistically significant measurement results; it rules out small projects;
- SIBs are complex instruments which require expertise in incentive contracting, cost-benefit analysis, evaluation design [2];
- it is hard to assess results in some areas, hence the financial resources might be reallocated to projects with measurable outcomes;
- some long-term social benefits are nonmonetizable, therefore officials are not willing to participate in SIBs;
- government officials may refuse to make payments or support projects after changes in the office.

Although there are a lot of risks, using SIBs may deliver improvements in some social service areas where robust outcomes metrics exist, the target group is clearly defined, government officials provide support, and traditional methods perform poorly.

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GREEN BONDS – INSTRUMENT FOR SUSTAINABLE DEVELOPMENT

1. WHY CLIMATE CHANGE AND HOW MUCH DOES IT AFFECT OUR LIVES?

Climate change is caused by human activities (pollution) and has a harmful impact on our lives.

Climate change is a global threat to our environment and our future. By finding a solution to climate change, we can build a sustainable world for everyone.

Natural disasters, severe weather, global warming and rising sea levels as well as pollution are causing disastrous consequences for people all around the world.

Climate change is affecting people in developed and developing countries, damaging not only the property but also threatening the health and wellbeing of people all around the world.

2. WHAT ARE THE CONSEQUENCES OF CLIMATE CHANGE?

Climate change is capable of undoing the progress made in the last years.

Food and water are already becoming scarcity, overpopulation, pollution and bad conditions may lead to conflict in many countries.

Climate change is capable of disrupting national economies and affecting the standard of living.

3. HOW DO WE SOLVE THE PROBLEM OF CLIMATE CHANGE?