

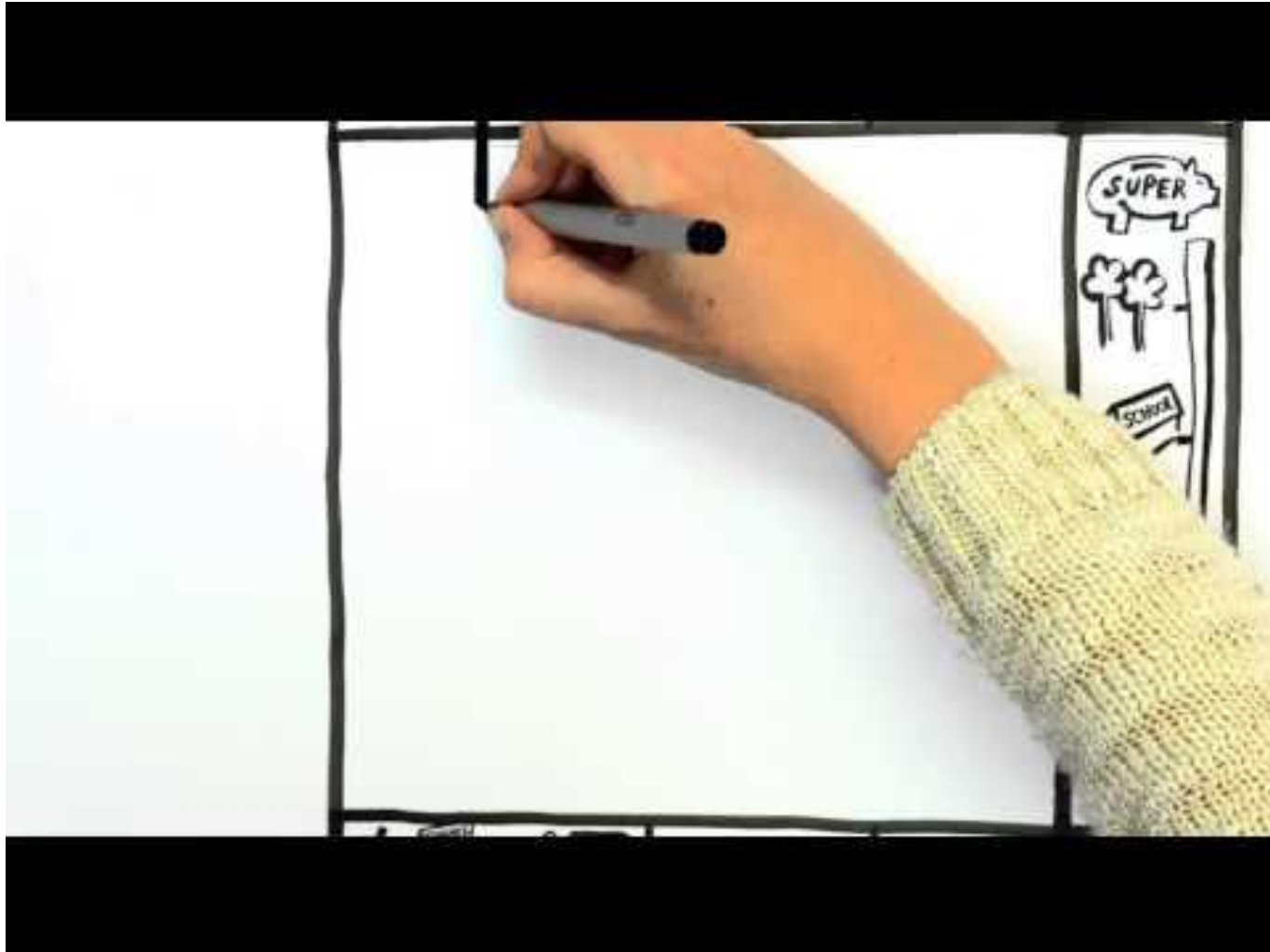


Impact Investing and Social Impact Bonds

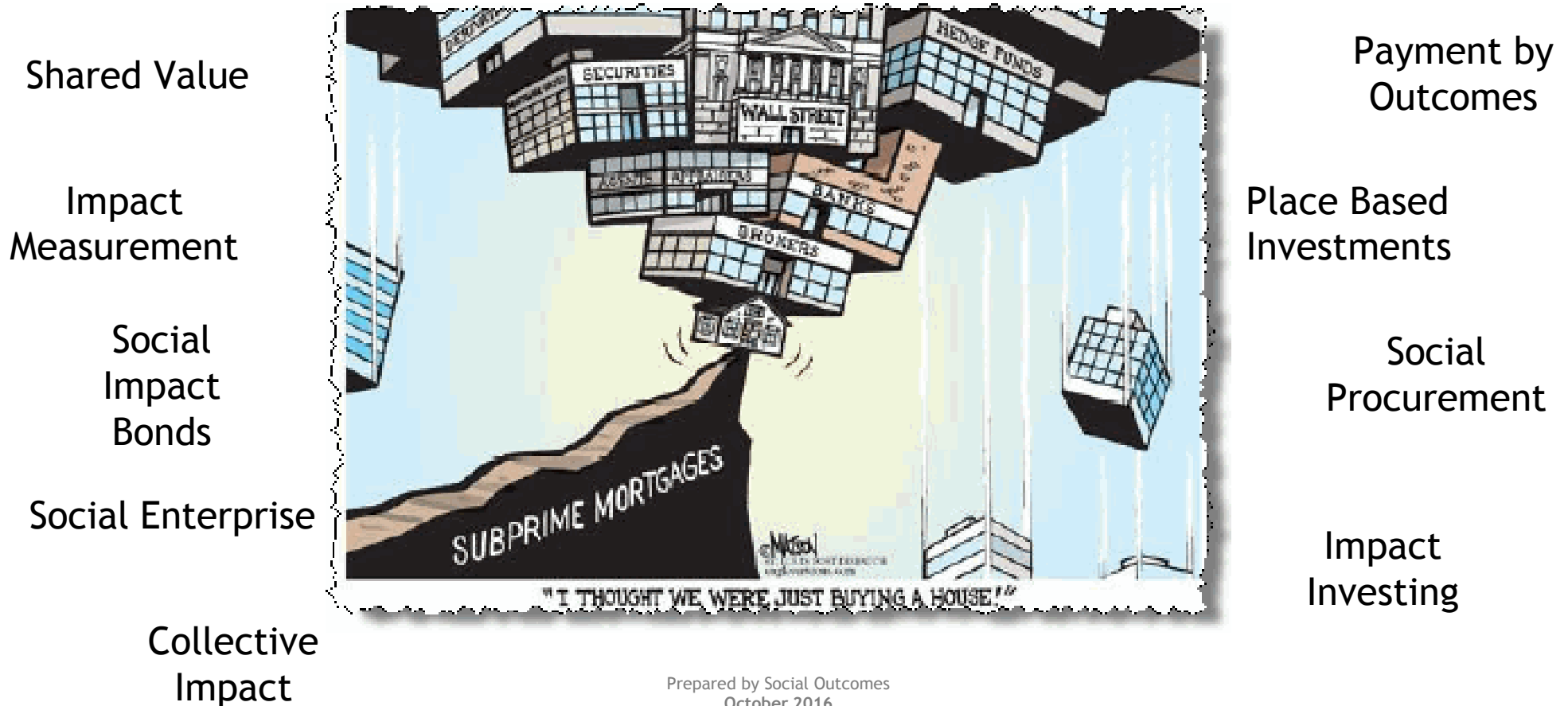
Prepared by Social Outcomes
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Impact investments are those which intentionally set out to create a positive social, environmental or cultural impact alongside a financial return



Innovative Approaches or a Bigger Shift?





Strengths & Weaknesses

Government

Strategy & Policy
development

Program delivery &
ability to pay

NFP

Social Acumen and
impact creation

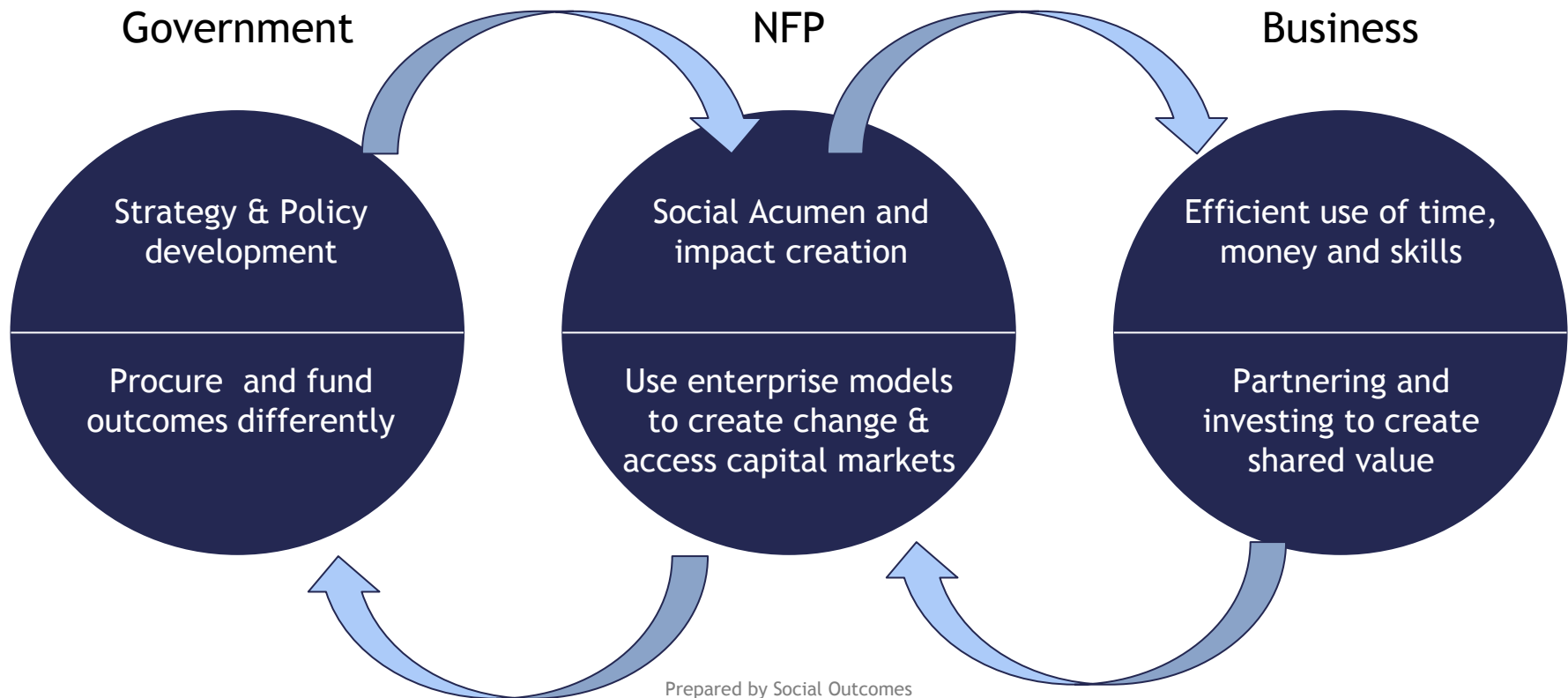
Lack of business
acumen

Business

Efficient use of time,
money and skills

Business is all about
people and place

Multi-Sector Collaboration





What is a Social Impact Bond

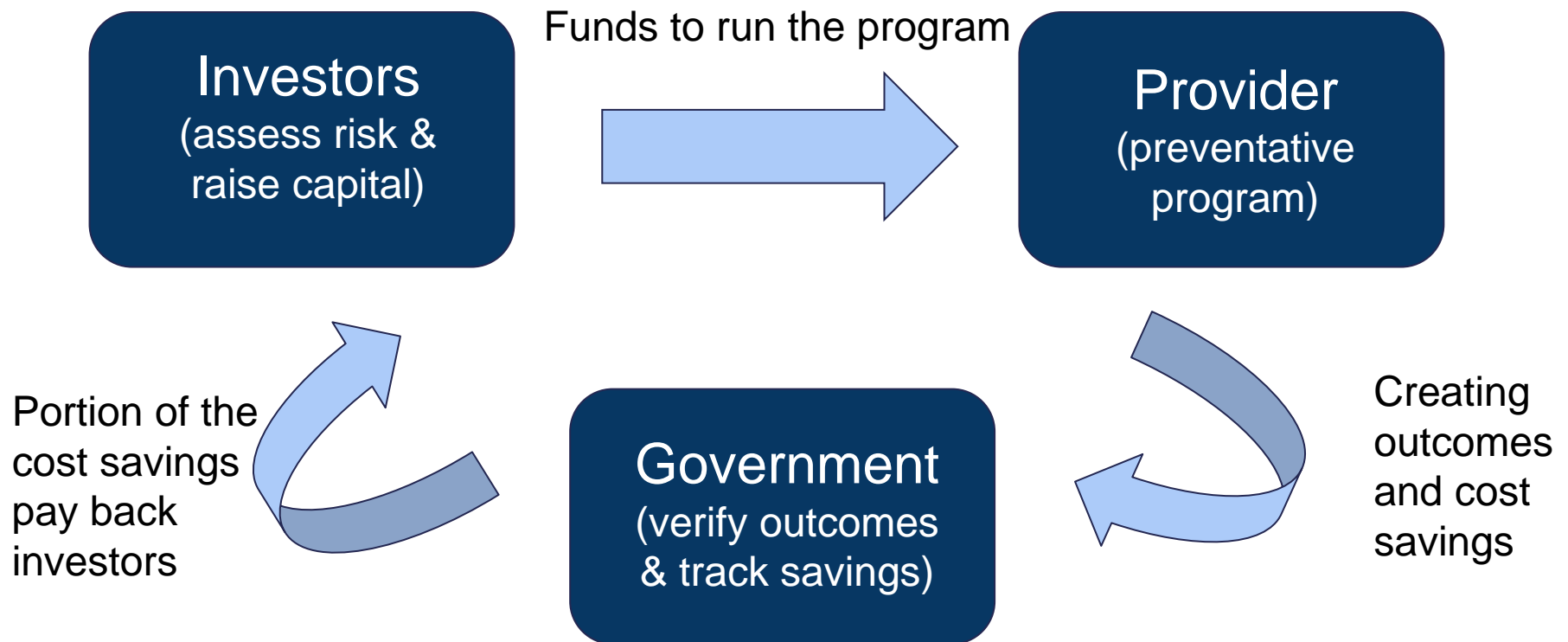
“Social impact bonds (SIBs) are designed to help reform public service delivery. SIBs improve the social outcomes of publicly funded services by making funding conditional on achieving results. Investors pay for the project at the start, and then receive payments based on the results achieved by the project.

Rather than focusing on inputs (eg number of doctors) or outputs (eg number of operations), SIBs are based on achieving social ‘outcomes’ (eg improved health). The outcomes are predefined and measurable.”

UK Government



Social Impact Bond Mechanism



How Does the NSW Social Impact Bond Work





Benevolent Society, Resilient Families, NSW

- In October 2013, the Benevolent Society, in partnership with Westpac Banking Corporation and Commonwealth Bank of Australia, launched a 5 year, A\$10 million SIB to help keep children safely with their families and reduce entry into foster care.
- The Bond targets 400 families that have been classified by NSW FACS as at risk of having a child transferred into care. In 2013, there were approximately 18,000 children in foster care in NSW, and 61,000 reported as at risk.
- The current cost of having a child in foster care is up to \$66,000/child/year, and the economic knock-on effects of poor future outcomes for those children are higher again.
- The Bond provided two tranches of investment classes: Class P is capital protected and Class E was unprotected, so was subject to 100% loss if performance improvement was less than 5%.

Performance Improvement	Interest* Return Class P	Interest* Return Class E
<5%	0%	0%
≥ 5% <15%	5%	8%
≥ 15% <20%	6%	10.5%
≥ 20% <25%	7%	15%
≥ 25% <35%	8%	20%
≥ 35% <40%	9%	25%
>40%	10%	30%

*annual compounding

Development Impact Bonds

Sleeping Sickness Development Impact Bond

- 9 million Ugandans at risk of infection
- 8 million cattle potentially spreading the disease
- DIB designed by Social Finance UK, supported by DFID in April 2014 to address the issue
- cost effective measures have been proven but not scaled as yet
- DFID committed \$2.5 million to fund the feasibility phase of the project, designing the delivery mechanism to treat Uganda's cattle
- targeting 50 high risk regions





Social Impact Bonds in UK

Homelessness, Greater London Authority, UK

- This SIB targets 830 persistent rough sleepers in London, through tackling underlying issues of homelessness, and providing access to relevant services using a “navigator” model
- Greater London Authority contracted two service providers for the program: St Mungo’s Broadway and Thames Reach
- Launched in Nov 2012, the 3 year bond was valued at £5 million
- Outcomes are measured through evidence of being settled in accommodation outside of hostels, and employment outcomes over a 12-18 month period
- An updated evaluation of the program was released in March 2015 and found that programs were above target on achieving sustainable accommodation, and full time employment, though under target on participants enrolling in training or voluntary work. Payment against targets reached 106% in the most recently assessed quarter.



Program evaluation:

<https://www.london.gov.uk/sites/default/files/Qualitative%20evaluation%20of%20the%20London%20homelessness%20SIB%20Second%20interim%20report.pdf>



Social Impact Bonds in US

Property Rehabilitation, California

- In Richmond, California, a US\$3million SIB has been developed to fund the rehabilitation of 20 abandoned homes per year, over 5 years. SIB commenced in February this year
- Currently, there are over 800 abandoned homes in Richmond - resulting in significant maintenance costs to government.
- The Municipal Bond will be issued and lent to Richmond Community Foundation to purchase dilapidated houses and employ local workers to rehabilitate them into environmentally-rated homes.
- Homes are then sold on to first home-buyers and the proceeds used to repay the investors who purchased the municipal SIB.
- The program not only increases the housing stock, it reduces the maintenance costs shouldered by the government in the upkeep of the abandoned homes, and provides local employment and training.



Investor Landscape

Current Investors

- Corporate Foundations
- Family Foundations
- Super Funds
- Institutional Investors
- Individuals



Investor Interest

- Infrastructure
- SIB's
- Impact Investment Funds
- Social enterprise
- Equity or debt



Shift to outcomes contracting should be good news for the sector...

	Input/Output Focus	Outcomes Focus
Relationship	Transactional	Partnership
Risk	Stays with Government	Shared
Length of contract	Short to Medium	Medium to Long
Contract management	Day to Day Process Oversight	Data-based Tracking over Time
Capacity Building	Limited	Embedded through Feedback Loop
Costs of social issue	Largely Unknown	Measured
Impact on social issue	Largely Unknown	Measured
Future investment	Maintain or Grow	Maintain or Reduce



Social Outcomes is a team of experienced practitioners in the design and implementation of programs for social and environmental impact. We develop collaborative partnerships across the business, government, not-for-profit and philanthropic sectors, to create innovative and financially sustainable solutions to social issues. We work closely with those partners to identify and utilise the most appropriate mechanisms for impact, including: shared value, impact investment, social innovation, social enterprise development, social procurement, payment by outcomes, impact measurement, and collective impact.

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