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Creating Economic Space for Social Innovation

Social Impact Bonds: opportunities & challenges for social innovation

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Outline

- CRESSI
- Social Innovation and Social Impact Bonds
- Social Impact Bonds in Europe
- Case Study: Vulnerable Young People
- Case Study: Entrenched Homeless
- Key Questions and Lessons

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CRESSI

The CRESSI project will explore the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.

10 work packages, 4 years, 8 project partners over 7 EU Member States

- Analytical Framework
- Cross-sectional and life-cycle cycle studies of social innovation
- Measurement approaches to capturing social innovation impact
- Exploring emergent social innovation ecosystems
- Social versus technological innovation
- Quantifying social innovation
- Identify effective policy agendas & instruments for fostering social innovation

Project Partners

8 partner institutions across Europe:

- Austrian Institute of Technology – Vienna, Austria
- Delft University of Technology – Delft, Netherlands
- Hungarian Academy of Sciences – Pécs, Hungary
- University of Greifswald – Greifswald, Germany
- University of Heidelberg – Heidelberg, Germany
- University of Oxford – Oxford, United Kingdom
- University of Pavia – Pavia, Italy
- University of Tampere – Tampere, Finland

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WP6: Public Policy & Social Innovation

- Task 1: establish current status of policy agendas for social innovation addressing social inclusion for marginalized and vulnerable populations across member states and at the EU level.
- Task 2: examine range of specific policy instruments and initiatives with respect, first, to their distinctive features and, second, to their effectiveness and efficiency in terms of supporting social innovation addressing social inclusion for the most marginalized and vulnerable populations.
- Task 3: how social innovation policy is implemented at the grass-roots level in terms of impacts and outcomes for the most marginalized and vulnerable populations.

Policy Survey

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- Policy Frameworks
- Regulatory Frameworks
- Social Innovation Funding and Finance
- Identifying and disseminating barriers & best practice
- Supporting participatory & grass-roots social action
- Training, networks and support
- Raising the profile of social innovation
- (Other) innovations in Social and Third Sector Policy

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	VoC	Austerity	(Social) Innovation Eco-System	Wow	Marginal isation
Finland	HYM	-High Budget Surplus -Increased PSE*	-Above Average PSI** -High Innovation	Social Democratic	Low
Germany	CME	-High Net Debt -Cut PSE	-Below Average PSI -High Innovation	Corporatist	Low
Hungary	TRME	-High Net Debt -Cut PSE	-Below Average PSI -Low Innovation	Eastern European	High
Italy	SIME	-High Net Debt -Increased PSE	-Below Average PSI -Low Innovation	Mediterranean	High
UK	LME	-High Net Debt -Cut PSE	-Above Average PSI -Medium/High Innovation	Liberal	Medium

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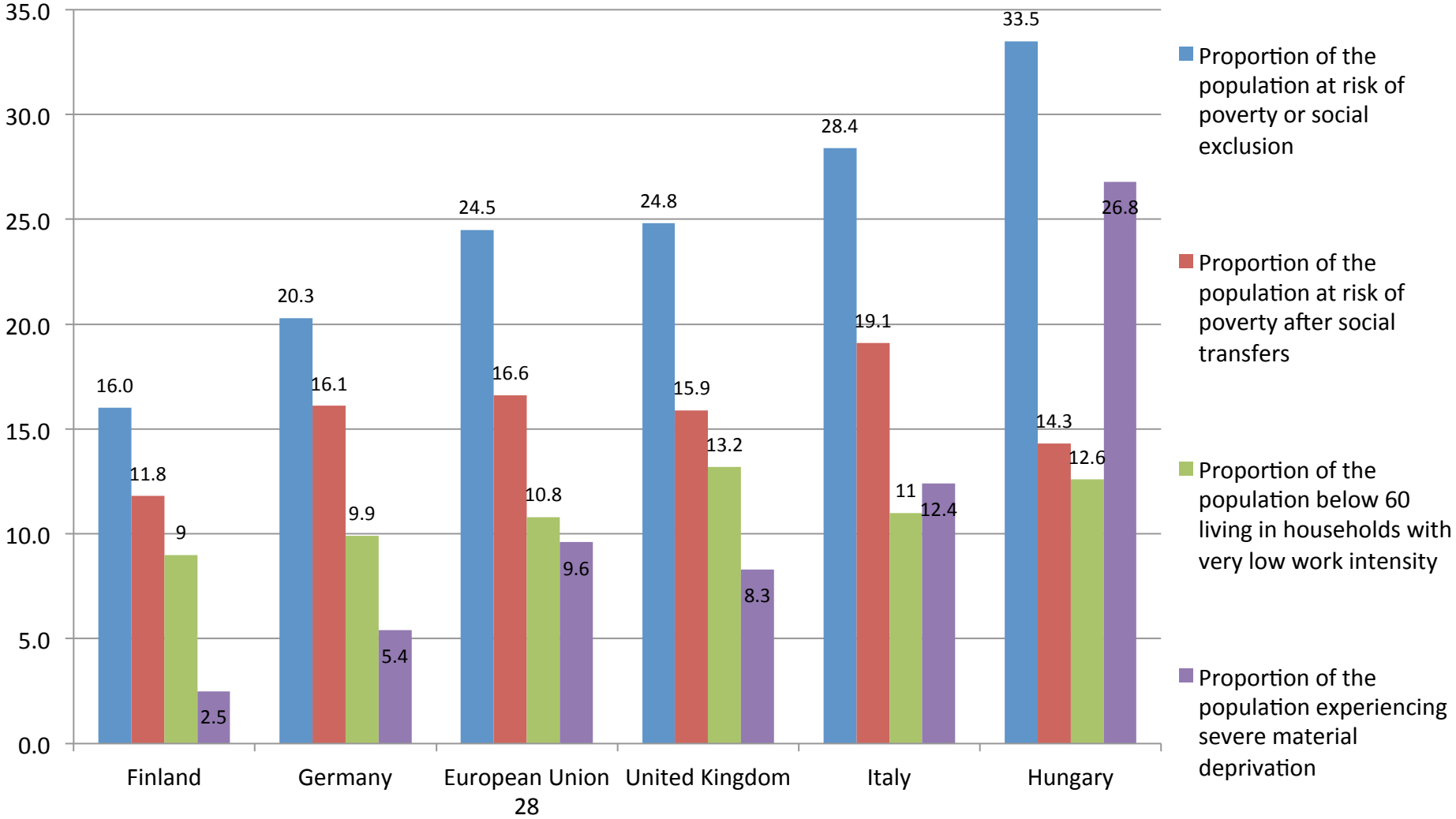

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The rise and rise of in Social Innovation

'The current interest in social innovation transcends both national borders and political divisions' (Sinclair and Baglioni, 2014: 469)

- Financial Crisis
- Public Debt & Fiscal Austerity: 'more with less' (TEPSIE, 2014)
- New and Old Social Risks
- Dissatisfaction with existing institutions and approaches

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Social Innovation & Social Impact Bonds

- SIBs represent a commitment to embed social innovation in social policy
- Leverage new forms of private capital to support innovative service interventions that seek to improve the outcomes of some of the most marginalised and disempowered groups.
- Due to its polysemic nature, it is hard to identify the phenomenon and impact of social innovation.
- ‘an indeterminate quality, making it adaptable to a variety of situations and flexible enough to follow the twists and turns of policy’ (Jenson, 2012)
- ‘Many things to many people’ (Grimm et al., 2013)

What is a Social Impact Bond?

- Outcome-based commissioning
- Private social investment to cover up front expenditure on service delivery
- A way of tackling social problems that require a range of flexible and innovative interventions
- Public sector only going to pay dividends if social impact is achieved
- An attempt to make more non-governmental money available to the social sector
- Targeted at populations with highly complex needs, most vulnerable to social exclusion and policy failure.

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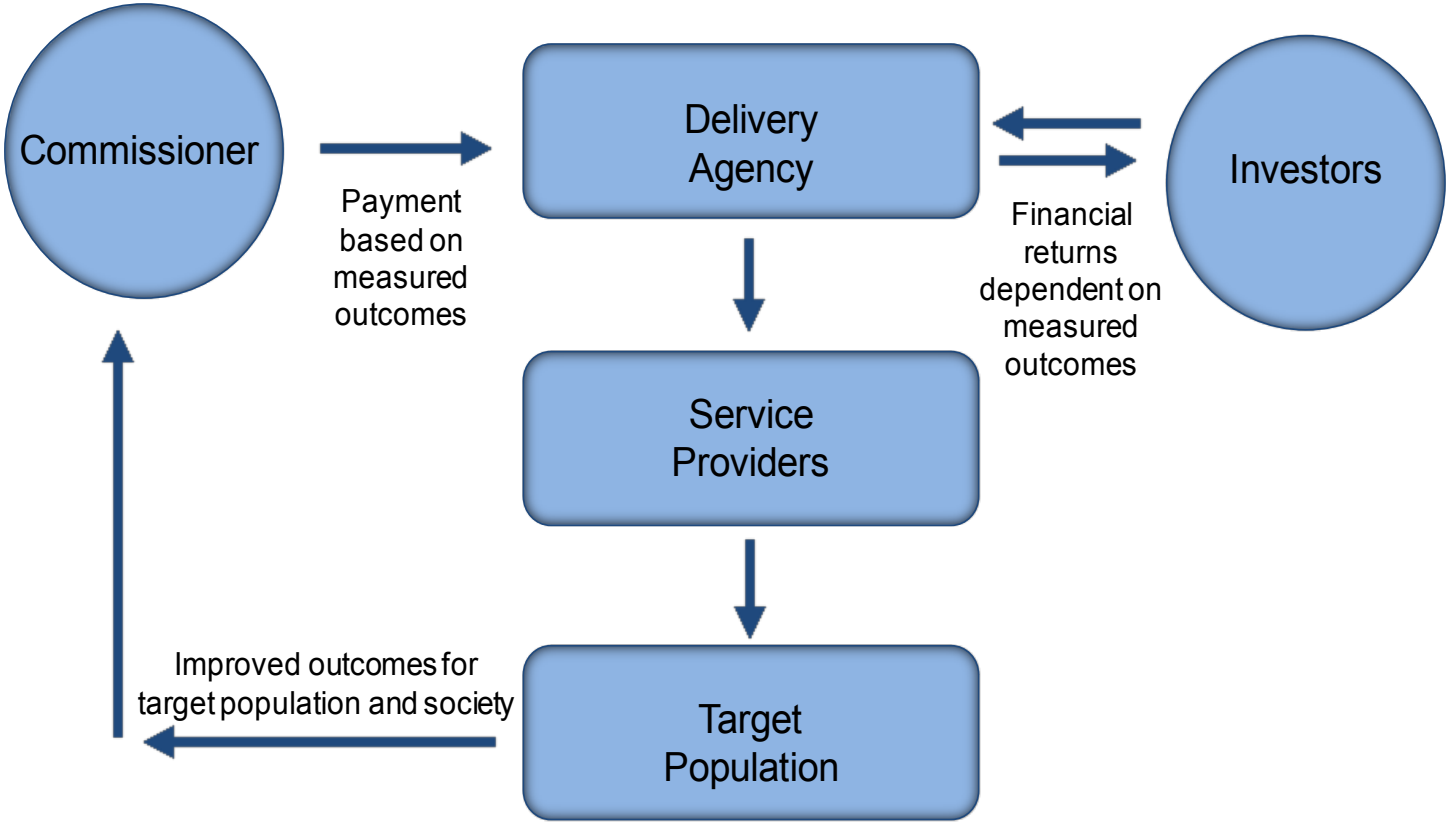
Typical Structure of a Social Impact Bond



Source: Nicholls & Tomkinson (2013)

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A wolf in sheep's clothing?

McHugh et al. (2013):

- New and 'additional' resources
- Alternative social investment (e.g. community shares less) prevalent
- Reflect on citizens rights and entitlement which social services deliver
- Not *just* additional resources in difficult times
- Control and accountable of services and role of third sector

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- Outcomes focus: rather than inputs, outputs and processes
- Evidenced effects
- Enhanced social metrics
- New finance, up-front costs covered
- Additionality: intensive and costly interventions that would not otherwise be funded/available
- Service innovation and Flexibility

- Co-ordination, Collaboration and Partnership
- Early and preventative interventions
- Transferring risk
- Longer-term contracts

Source: Nicholls & Tomkinson (2013)

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- Realizing actual – cashable – savings for government
- Capturing cross-silo benefits with government
- Risks of distorting the social finance market
- Reducing legitimacy of government
- High transaction costs
- SIBs are complex and messy
- Allocating risk and return fairly
- Reputational damage

Source: Nicholls & Tomkinson (2013)

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Social Impact Bonds: EU & Worldwide

Country	SIBs operational or in design
Austria	1
Belgium	1
Finland	2
Germany	1
Ireland	1
Netherlands	2
Portugal	1
Switzerland	1
United Kingdom	33
EU Total	43
Worldwide Total	81

- 2012: 1
- 2016: 81
- EU: 53%
- UK: 43%
- Social Impact Accelerator

Source: http://www.instiglio.org

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Opportunities & Challenges of Social Impact Bonds

- Secondary Analysis of Stakeholder & Independent Documentation
- Qualitative interviews (40) with policy-makers, public sector commissioners, civil society organisations, practitioners, social finance stakeholders and service users // EU, Regional, Domestic and Local Level

1. SIB commissioned by local authority designed to improve the situation and outcomes of children on the edge of residential care
2. SIB commissioned by central government to improve educational and employment prospects for vulnerable young people
3. SIB commissioned by local authority *and* central government to improve outcomes for entrenched rough sleepers.

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Vulnerable Young People

- 3,900 disadvantaged young people (14-19) who are, or are at risk of becoming, not in education, employment or training (NEET)
- Interventions include group sessions, 1-2-1 coaching, 'mental toughness' training, signposting to provision, access to ring-fenced job interviews and links to employers. Carried out on partner premises and in schools.
- Initial investment of £1.5 million growing up to £4.5 million

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Vulnerable Young People

Outcome

- Improve attitude towards school: £700
- Improved behavior: £1,300
- Improve attendance: £1,400
- Entry Level Qualification: £900
- NVQ level 1 or equivalent: £1,100
- NVQ level 2 or equivalent: £3,300
- NVQ level 3 or equivalent: £5,100
- Entry into employment: £3,500
- Sustained employment: £2,000

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Vulnerable Young People

- "I feel more positive now because I'm learning more"
- "If it wasn't for Barry and this programme, Terry wouldn't be here today"
- "Because of Linda it's helped me to keep my cool, do the right thing"
- "I was being excluded all the time and being naughty and all that and it come to the point where Neil came to see me near enough every other day in McDonalds - telling me how to control my anger cos that was the main part of why I was getting excluded. He helped me with things to cope with and because I done that I've lasted till end of year 10 and I'm still here now"

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Vulnerable Young People

- Exceeded Expectations
- 4 “large” social investment orgs & 4 “local” social investment orgs
- Genuinely blended social/economic value: re-investment.
- Micro-management and data burden
- Organisational tensions

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Entrenched Homeless

- 831 Persistent Rough Sleepers: individuals that have been observed "bedded down" at least six times in the past two years. Identified through a database.
- Tailored intervention plans delivered by personal navigators who develop a programme of support based on the circumstances of the individual. Longer-term interaction and support between individual and personal navigator.
- Moves to settled accommodation, increased employment, reduction in use of A&E services, reconnections abroad.
- Assessment of cohort characteristics: 25% EU Accession 10, 12% from non A10, 8% rest of world

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Entrenched Homeless

- Settled accommodation: 12 months (£7,000) // 18 months (£3,000)

- Initial reconnection: £800
- 6 months reconnection: £6,100

- Achievement of NQF level 2 equivalent qualification: £400
- Volunteering/self-employment 13 weeks (£200) // 26 weeks (£600)
- Part-time employment: 13 weeks (£500) // 26 weeks (£1,500)
- Full-time employment: 13 weeks (£1,300) // 26 weeks (£4,000)

- Payment per individual above given baseline not seen rough sleeping in given quarter (£3,800 for first four quarters and £2,400 thereafter)
- Payment per accident and emergency service use avoided beyond baseline per year (£100) Initial accommodation (£700)

Entrenched Homeless

- "Through the SIB and all that I ended up getting some volunteering and a part-time job in a hostel for about 6 months"
- "Given me the confidence to go further than what I, er, have done in the past"
- "Dean did all the paperwork for that – if he hadn't of done that I'd probably still be on the streets now"

Key Questions and Lessons

Philanthropy and Social Investment

In a Rich Man's World:

- *'Yes there's a lot of money in the world and there's a lot of rich people in the world and yes there will be a certain amount of rich people who will want to give a certain proportion of their wealth away but there's also a large proportion of people with money that don't want to give it away and actually what social investment gives you is an opportunity for money to be accessed and recycled.'* (social finance stakeholder)
- *'I feel able to back some social investments with more investment money than I might be able to do with gift money which I think is part of the logic of social investment in the first place: unlocking genuinely new money' (social finance stakeholder)*

More Model than Mission

- *'I would say I'm definitely more motivated by the model. I mean I did look at the particular project but my core interest was the model' (social finance stakeholder)*

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What effect are social impact bonds having on civil society organisations?

- ✓ Changing the way 'we think and do our social mission'
- ✓ Data collection inducing organisational change
- ✓ Reflexive, real-time consideration of impact
- ✓ Building demonstrable track record of impact: future funding
- ✓ Partnerships and networks

- x Time and data burden, micro-management, conflict with investors
- x 'Too big to fail'
- x Within broader fiscal constraint – fire-fighting social problems
- x A SIB for all seasons?
- x Legacy and ethos of service provision

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What effect are social impact bonds having on finance available to social purpose and civil society organisation?

- Move towards outcome-based commissioning
- Alternative revenue stream in austere times
- More money? Less money?
- Internal investment
- Lack of investable organisations and investable money…'diversify funding streams'
- Compromise flexibility and risk-sharing in return…
- Crowding out smaller players
- Is it worth it? High transaction costs

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To what extent are Social Impact Bonds an effective instrument to finance social innovation?

- "Its not an ideological thing, I'm not saying that market values should become the priority of charities and NGOs. But if we want a social organisation to be able to keep on delivering their service - they have to get this culture of delivering on a number of pre-defined results or outcomes because there is very little public funding - so either you play with these rules or you compromise your chance of sustainability…"
- Social innovation is strategically articulated as a transformative conception. However, attempts at implementation tend to lead to institutional capture
- Seen as a means to prevailing institutional and cognitive ends rather than an end
- Resignation to existing paradigm?
- Important not to gloss over the limitations of and problems with SIBs and social innovation

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What are the implications for civil society organisations, in particular, their funding strategies?

- Commissioning strategies beyond SIBS – demonstrable *impact* record – not always enough to specify inputs/outputs/reach
- Investment readiness
- Have to budget for the significant amount time and data burden caused
- Have to hit the ground running
- "They have to be able to talk to the private world and to investor minded fund providers and be able to cope with that and adapt their culture to that. The ultimate objective is to being able to keep on delivering those services to the poor or to underprivileged populations"
- "The state and public sector cannot address all social issues so there needs to be a stronger civil society and enterprising companies grasping those social challenges to find a business model to come to solve those issues as much as possible." Advocacy? Resistance?

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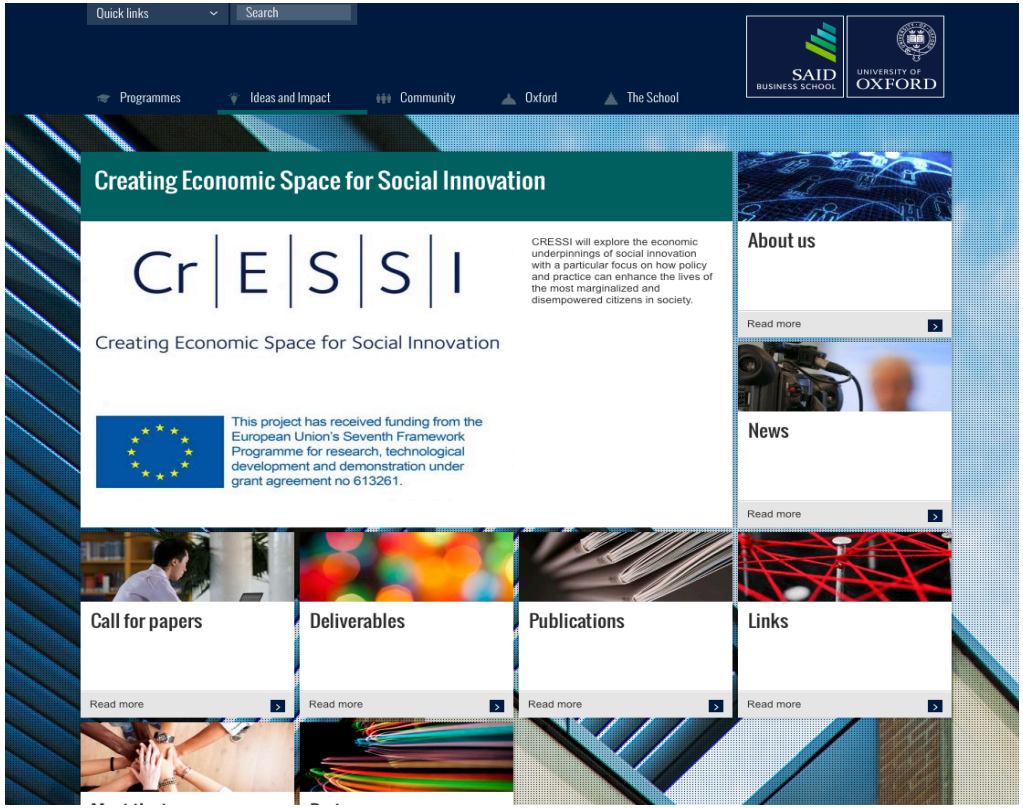

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Q&A

1. What effect are social impact bonds having on civil society organisations?
2. What effect are social impact bonds having on finance available to social purpose and civil society organisation?
3. To what extent are social impact bonds an effective instrument to finance social innovation?
4. What are the implications for civil society organisations, in particular, their funding strategies?