



GOVERNMENT
OUTCOMES
LAB

The 'active ingredients' of a
Social Impact Bond



A SIB's 'active ingredients'



- Social Impact Bonds difficult to define. Used for different reasons and diverse in their structure and features
- To help make sense of this we observed four 'dimensions' along which SIBs tend to vary. This are illustrated on the next slide.
- The four dimensions are: the nature and amount of payment which is for outcomes; the nature of working capital used; the social intent of the provider organisations; and the degree of performance management.
- A SIB in it's supposed 'purest' form might be at the nearest extreme of these dimensions (represented by the red circle at the centre). However, in reality, many variations along each of these axes are observed.
- As projects move away from this 'pure' form, they may begin to look more like conventional grants / fee for service (upper part of diagram), or more like conventional PbR (lower part of diagram).

A SIB's 'active ingredients'



Some questions for consideration



- Will the payment be 100% on outcomes? Should some proportion of the contract value be paid for activity rather than outcome?
- How is risk transferred or shared through the SIB financing arrangements? Is there appetite from the provider(s) to co-invest in the SIB?
- Will payment be tied to an impact evaluation or administratively defined outcome measures? What is an appropriate amount of funding and time to spend on auditing outcome data?
- Does the social motivation of providers help avoid opportunistic behaviour (gaming)? Is it preferable to use VCSE organisations to deliver services under the SIB?
- Who is going to be responsible for performance management? Can it be provided in-house? How will commissioners use performance management to drive better decision-making?