



**GOVERNMENT
OUTCOMES
LAB**

SOCIAL OUTCOMES CONFERENCE 2019

In pursuit of social outcomes: the international conference on impact bonds, outcomes contracts, and beyond



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#SOC19

SOC19 - DAY I PM



- 12:45 **Session II** (*concurrent sessions – Seminar Rooms*)
1. Impact bonds and the welfare state [Seminar Room 1](#)
 2. Beyond bean counting: Alternate approaches for valuation [Seminar Room 2](#)
 3. Practical lessons and insights from impact bonds implementation in the UK [Seminar Room 3](#)
 4. Implications for impact bonds in low- and middle-income country contexts [Seminar Room 4](#)
 5. Can impact bonds improve governance, accountability, integrity, and transparency in public services? [Group Working Room 9, 1st Floor](#)
- 14:15 *Coffee break (Inamori Forum)*
- 14:45 **Session III** (*concurrent sessions – Seminar Rooms*)
1. Impact bonds: The provider perspective [Seminar Room 1](#)
 2. Impact bonds around the world [Seminar Room 2](#)
 3. Hybridity: Bending and blending across sectors in outcomes-based contracting [Seminar Room 3](#)
 4. Who's a party and to what? Impact bond contracts, configurations, and risks [Seminar Room 4](#)
- 16:00 *Coffee break (Inamori Forum)*
- 16.15 **Session IV – Can't get you out of my head: Overly fixated on the SIB tool?**
[Lecture Theatre 1](#)
- 18:00 Drinks reception & dinner (*Inamori Forum*)



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Session II.I – Impact bonds and the welfare state (Seminar Room 1)

Allison Tse and Mildred Warner, *Cornell University*

Davide Caselli, *University of Milan Bicocca*

Giulio Pasi, *European Commission Joint Research Centre (via video link)*

Adam Kybird, *Young Foundation*

Chair: Mildred Warner, *Cornell University*

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The Future of SIBs and Social Welfare: Can We Discipline Private Actors?

Allison Tse | Lawson Foundation

Mildred Warner | Cornell University

Prior Work

- SIBs – social policy infrastructure expands social impact
 - Utah and South Carolina SIBs leveraged policy change
 - Tse, A., and Warner, M. (2018). “The Razor’s Edge: Social Impact Bonds and the Financialization of Early Childhood Services.” *Journal of Urban Affairs*. [Open access.]
- Importance of Policy Context
- ECE SIBs only appear in areas of uncertain social rights
- No SIBs in paid leave or child care
- Tse, A., and Warner, M. (2019). “A Policy Outcomes Comparison: Does SIB Market Discipline Narrow Social Rights?” *Journal of Comparative Policy Analysis*.

Importance of Meso-level Actors and the Role of the Private Sector

- Review of SIB literature shows theoretical concern for macro-level ideological dangers and micro-level exploitation
- Investigating the impact of SIBs on meso-level actors, especially the role of the private sector
- Review of the literature on meso-level actors and SIBs:
 - Lowe (2018) – local authorities, providers
 - Heinrich and Kabourek (2019) – local providers
 - Williams (2018, 2019) – SIB market, especially intermediaries
 - Del Guidice and Migliavacca (2019) – institutional investors

What do we know about meso-level actors?

- Outcomes-based funding pivots investor/funder, service provider, and intermediary perspectives toward data, evidence, and relationships:
 - Internal data collection and analysis
 - Investment in evaluation
 - Reputational gain and publicity
 - Collaboration, knowledge-sharing, and relationship-building
- How does market discipline affect meso-level actors?
- Can the private sector become its own payor?

Market Discipline for Private Actors?

- Do we see any evidence of SIB market discipline being implemented on private actors within SIBs?
 - Review of SIBs in the US because of the unique social values framework, e.g. ideological inclination towards market discipline, lack of support for public appropriations for ECE, and practical emphasis in the field on evidence
 - Potential development of “corporate payer models” (Williams 2019) – job placement and training outcomes paid by employer
- More research needed on the impacts of SIBs and outcomes-based financing on meso-level actors
- But why does SIB market discipline focus on social service providers? What about the actors that may be the root cause of the problem?

What do we know about market discipline in the social sector?

- Can we learn from evidence from the broader field of market discipline in the social sector?
- What tools does government use to discipline private market actors in the ECE sector?
 - Child Care – Tax Credits
 - Employee Benefits – Tax Credits

What is the Motivating Mechanism for Payment?

○ Government Tax Credits

Child Care: Quality Rating System (QRS)

Higher reimbursement for higher quality care

Employer Policy

Flexible Spending Accounts

○ Social Policy

Employment: Minimum Benefits Floor

Level playing field across employers (EU)

○ Market Competitiveness/PR

Social Impact Investing

PR, not directly linked to corporate bottom line

Employee Benefits

Enhance employer bottom line

○ Government Created Markets

Carbon Credits, Density Credits

Government sponsored markets for private actors

Policy Context and Market Structure

Child Care – Improving Quality and Access

- EU – Public Support
- US – Mostly Private/Parent Pay
 - Quality and quantity of care inadequate
 - Low pay in the sector
 - High costs to parents (second mortgage)
- Could SIBs in Child Care Improve Quality in the Private Market?

Child Care – Quality Stars and Tiered Reimbursement

- Quality Rating Systems
 - Higher reimbursement if higher quality
 - Many states have implemented this
 - Louisiana School Readiness Tax Credit
- Supply Side of the Market
 - Tiered payments to providers for quality
 - Higher wages to childcare workers for quality
 - Tax credit for businesses that support child care
- Demand Side of the Market
 - Quality signal for parents
 - Tiered reimbursement to parents for selecting higher quality
- Societal Benefit
 - Better prepared labor force, Improved public health outcomes (Warner and Prentice 2013)

Child Care – Employee Benefits Employer Tax Credits

- On-site Child Care – expensive, uncommon
- Flexible Subsidies – Tax Exempt Flexible Spending Accounts
 - \$6,400 per year in pre-tax income
 - Low take up rates:
 - 15% of eligible employees in small firms,
 - 49% in medium and large firms in 2008 (Employee Benefit Research Institute, 2010)
- Enhance attractiveness
 - Employer match, pay first month
 - Increases uptake, no flexibility stigma, enhance productivity and loyalty (Morrisey and Warner 2009, 2011, Hipp, Morrissey and Warner 2017)

Policy Context and Social Rights Employment: Work Life Benefits

- EU – Employee Social Rights
 - Paid Parental leave, Sick Leave
 - Publicly Supported Child Care
- US – Private Employer-Based System
 - Unpaid parental leave, no right to sick leave
 - Child care mostly a private responsibility
- Could Employers Lead the Way?
 - Netherlands funds child care subsidies with additional 0.34 percent added to the employer unemployment insurance tax rate (Warner and Gradus, 2011)

Why Would Private Employers Invest in Work Life Benefits?

- Benefits pay for themselves
 - This is why top employers provide them
- Reduce employee turnover
 - Replacement an cost 75-150% of annual wage (Phillips & Reisman, 1992)
 - Increase employee loyalty (Hipp, Morrissey and Warner 2017)
- Reduce Absenteeism
- Fewer missed days, fewer disciplinary actions, and reduced family stress (Consortium for Worker Education, 2009).
- Enhance Recruitment
 - Especially for high end employees (100 best Firms to Work For, Working Mothers)
- Address Flexibility Stigma
 - Women don't take benefits for fear of retribution (Williams 2013)

How Would this be Structured?

- Is workforce development the only example of a private sector payor in SIBs (even theoretically)?
- Internal outcomes-based contracting pilot / SIB experiment in childcare or work life benefits – paid for by employers
 - Childcare: demand side vouchers, supply side infrastructure/labor investments
 - Work life benefits: paid parental leave, paid sick days, flexibility for work-life balance
 - Improved productivity for the firm is the source to compensate the investment in ECE and work-life benefits (Shellenback 2004)

Conclusion

- Could we expect the private sector to do this?
- Can social impact investing be internal—focused on the activities that are part of a firm's bottom line?
- What is the potential of a SIB focused on private actors?
 - Private returns could finance the investment
 - Motivate real change in private actor behavior – link to bottom line
 - Create constructive competition – to motivate more socially responsive and sustainable markets

References

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- Hipp, L., Morrissey, T., and Warner, M. (2017). "Who Participates and Who Benefits From Employer-Provided Child-Care Assistance?" *Journal of Marriage and Family* 79(3): 614-635.
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- Morrissey, T. and Warner, M. (2009). "Employer-Supported Child Care: Who Participates?" *Journal of Marriage and Family*, 71: 1340-1348.
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- Tse, A. and Warner, M. (2018). "The Razor's Edge: Social Impact Bonds and the Financialization of Early Childhood Services," *Journal of Urban Affairs*
- Warner, M. and Prentice, S. (2013). "Toward Social Rights: Linking Childcare, Economic Development and Social Investment in the U.S. and Canada," *Journal of Urban Affairs*, 35(2): 195-217.
- Warner, M. and Gradus, R. (2011). "The Consequences of Implementing a Child Care Voucher: Evidence from Australia, the Netherlands and USA." *Social Policy and Administration*, 45(5):569-592.

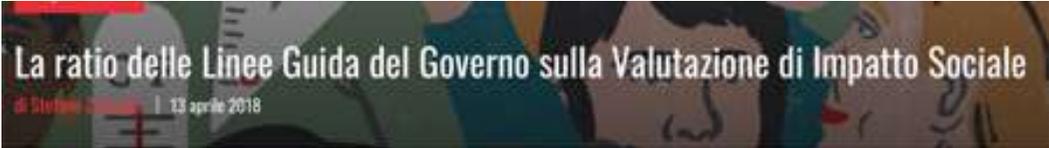
Contradictory trends in the Italian impact evaluation field. The case of VIS

Davide Caselli, PhD

University of Milano-Bicocca



A new metrics for social impact assessment...



La ratio delle Linee Guida del Governo sulla Valutazione di Impatto Sociale
di Stefano Zamagni | 13 aprile 2018

f G+ in t e

Stefano Zamagni sul numero di VITA di aprile spiega le scelte prese dal "Tavolo sulla valutazione dell'impatto sociale presso il ministero del Welfare" di cui era coordinatore. «La volontà condivisa dal gruppo di lavoro è stata quella di rendere gli enti sociali protagonisti della realizzazione del modello metrico con cui misurare la propria efficienza»

Nelle scorse settimane si sono conclusi i lavori del "Tavolo sulla valutazione dell'impatto sociale presso il ministero del Welfare" da me presieduto con cui si sono identificate le linee guida della Vis — Valutazione di Impatto Sociale.



La volontà condivisa dal gruppo di

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... and two good reasons for
not going into details about it

- No official document released yet

“Evidence-based” paradox

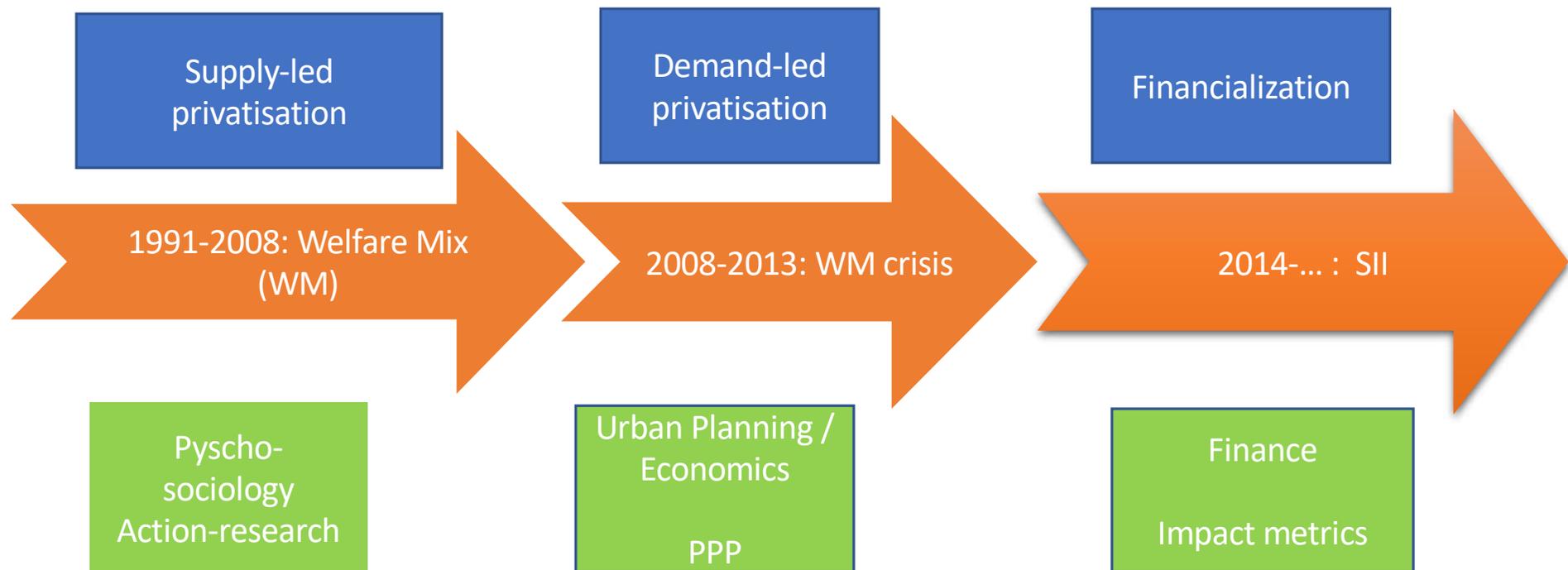
- Looking at the “pre- blackboxing” process of elaboration and context

Social dimension of Expertise (experts + tools)

Why studying expertise is relevant

- Who (actors, interests)
- When (context)
- How (tools)

Italian welfare State and welfare expertise



When – 1: Converging trends

2014: G8 TF Report

Social Impact Metrics as “immaterial infrastructure for SII”

Recommendations to Italian govt. To “provide some basic definition, principle and guideline for social impact measurement” (p.78)

2016: reform of the non-profit sector: “The quantitative and qualitative evaluation of short-medium and long-term effects of the activities on communities with respect to an explicit goal” (Law 106/2016, artt. 4 and 7)

2017: Commission

for elaborating guidelines for NPOs social impact reporting and social impact measurement

When – 2: Diverging trends

The variety of approaches is high: from those refusing the very idea of measuring (...) to those advocating for story-telling as the only way of reporting social activities up to those speculating about the use of big data and AI for social impact assessment (Bengo, Caloni 2015)

It may seem that social impact assessment has become for some a tool of self-promotion, a commercial tool or just a way of following a trendy fashion – even in a field that should always pursue scientific and accountable knowledge (De Pedri 2017)

	Who	How
Network 1	Academic Research Labs: Developed during the '90s in partnerships between the non-profit sector and university —>	impact measurement for accountability towards community, PA and banking system
Network 2	Private foundations and academic research labs: recently established through partnerships between university, business, finance and government	Impact measurement for promoting SII

What we know about VIS

- Mandatory only for “organizations competing for public bids at the national and international level”, usually already required to deliver social impact evaluation
- A tool of self-evaluation, according to self-elaborated indicators, varying from NPO to NPO.
- Tool for positive screening in the credit policy of banking institutions

Debate / Disagreements

We had many meetings and I was chairing them... by the end of the process we reached a dialectic consensus. The main divide was between those advocating for the evaluation and those against it... and then there were different views on how to get to the metrics. And we agreed on not imposing a single metrics. There was people pushing for the adoption of the SROI, others advocating for the counterfactual... But that is not possible. Such metrics cannot be used by all the organizations.

(Chair of the Commission, Interview, March 2018)

Oh, the commission... it ended up really bad. It was impossible to get to some strong recommendation. There were opposite visions and what came out is more or less nothing. The non-profit was opposing the idea and its resistance won, but I think that was a big mistake because, you know... when you have social impact investors coming in and you have to bargain with a big bank over social impact metrics, the big bank can easily invest a hundred thousand Euros in a consultancy for imposing its perspective, while I don't think it is the case for a non-profit.

(Consultant, Interview, April 2018)

Concluding remarks

- Highly social and political dimension of metrics and measures
- Relative "defeat" of SII promoters
- Which role for national regulation on SII?
- Space for international comparative research



Thank you!

Davide.caselli@unimib.it



Social Outcomes Conference 2019

GoLab, Blavatnik School of Government, Oxford – September 5-6, 2019

DEBUNKING MYTHS ABOUT SOCIAL IMPACT BONDS AND THE WELFARE STATE: FINANCIAL ARCHITECTURES FOR EXPERIMENTAL STATECRAFT

GIULIO PASI

Scientific Officer – Joint Research Centre – Dir. Growth and Innovation

The views expressed are solely those of the author and do not necessarily represent those of the European Commission

Object of the research and adopted perspective



- ❖ The elephant in the room
- ❖ The comfort zone of academic literature
- ❖ Empirical (qualitative) analysis and theoretical reflections
- ❖ Policy relevance

Incomplete narratives and polarised debates



✧ Hype (**Grey literature**)

✧ Skepticism (**Scientific literature**):

- ✓ threatening quest for finance hegemony (Schram 2015)
- ✓ deforming force for citizenship and the third sector (McHugh et al. 2013)
- ✓ neoliberal attempt to survive after 2008 financial downturn (Ogman 2016)

Frasier et al. (2016), *Narratives of Promise, Narratives of Caution: A Review of the Literature on Social Impact Bonds*, Social Policy & Administration

The comfort zone of academic literature



The literature review revealed a general lack of empirical studies

Most of the comments and interpretation offered seem to come more from a speculative effort rather than the result of a systematic and context-driven approach in studying the use of SIBs

Research statements



- ❖ Spreading practice + impacts on welfare systems' institutions
- ❖ Better understanding:
 - ✓ cultural or political underpinnings
 - ✓ underlying logics and designing processes
 - ✓ implementation dynamisms

Selection of case studies



		Structure of the SIB		
		Direct High involvement of commissioner	Managed Medium involvement of commissioner	Intermediated Low involvement of the commissioner
Type of intervention	Totally or mainly new	<u>Nottingham Futures</u> United Kingdom NEETs	<u>NYC ABLÉ Project</u> United States of America Offenders Rehab	<u>Epigus Occupational Wellness</u> Finland Occupational Wellness
	Expansion / Implementation	<u>Duo for a Job</u> Belgium Unemployed Refugees	<u>Juvat Frauenhaus</u> Austria Domestic Violence Victims	<u>Junior Code Academy</u> Portugal School Drop-Out

Comparative interpretations



DIRECT STRUCTURE: NOTTINGHAM FUTURES (UK) & DUO FOR A JOB (BE)

- ❖ A pure financial tool as well as an enabler
- ❖ Different narratives depending on the context

Comparative interpretations



MANAGED STRUCTURE: NYC ABLE PROJECT (US) & FRAUNENHAUS (AT)

- ❖ Different ways of distributing decision power
- ❖ A counterbalance side effects privatization tool

Comparative interpretations



INTERMEDIATED STRUCTURE: EPIQUS OCCUPATIONAL WELLNESS (FI) & JUNIOR CODE ACADEMY (PT) —

- ❖ Different political or business strategies
- ❖ Features of a SIB affect the scale and institutional level

Policy strategies



Liberal Welfare Regime	Nottingham Futures (UK)					
	NYC Able Project (US)					
Mediterranean Welfare Regime	Junior Code Academy (PT)					
Conservative Welfare Regime	Duo for a Job (BE)					
	Juvat Frauenhaus (AT)					
Social-Democratic Welfare Regime	Epikus Occupation Wellness (FI)					
		Improve	Align	Coordinated	Release	Innovate
<small>GIULIO PASI / JOINT RESEARCH CENTRE / EUROPEAN COMMISSION / SOCIAL OUTCOMES CONFERENCE 2019, OXFORD</small>						

FUNCTIONAL RECALIBRATION

- Room for a different allocation of public resources
- Minimizing political risks

DISTRIBUTIVE RECALIBRATION

- Addressing Insiders VS Outsiders dilemma

Financial tools and recalibration



INSTITUTIONAL RECALIBRATION

- Multi-stakeholder partnership

NORMATIVE RECALIBRATION

- Driving values and norms (change, experimentalism, accountability, evidence-based decisions, etc.)
- A new foundational rationale for the State

- ❖ Fast policy & liquid tools / Welfare state path-dependency
- ❖ Internal and external liquidity:
 - Interchangeable roles
 - Different policy strategies
- ❖ Diffusion patterns will become a key topic

Conclusions



- ❖ New approach in the design
- ❖ Strong role of the financial mechanisms
- ❖ Politics of social policy innovation
- ❖ Adaptive approaches in the governance

Conclusions



SIBs are not just or necessarily a new asset class, or a product to satisfy some financial appetites

Rather SIBs represent one possible operational component of a stream of thought and practice mainly focused on the reengineering of public finance and the design of a new generation of social policy

Thank You

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Session II.II – Beyond bean counting: Alternate approaches for valuation (Seminar Room 2)

Mathilde Pellizzari, *Impact Invest Lab, Paris/ Centre de Sociologie de l'Innovation*

Mila Lukic, *Bridges Fund Management*

Lorcan Clarke, *London School of Economics and Political Science*

Luigi Corvo, Lavinia Pastore, Cecilia Grieco and Arianna Manti, *University of Rome Tor Vergata*

Chair: Mehdi Shiva, Government Outcomes Lab

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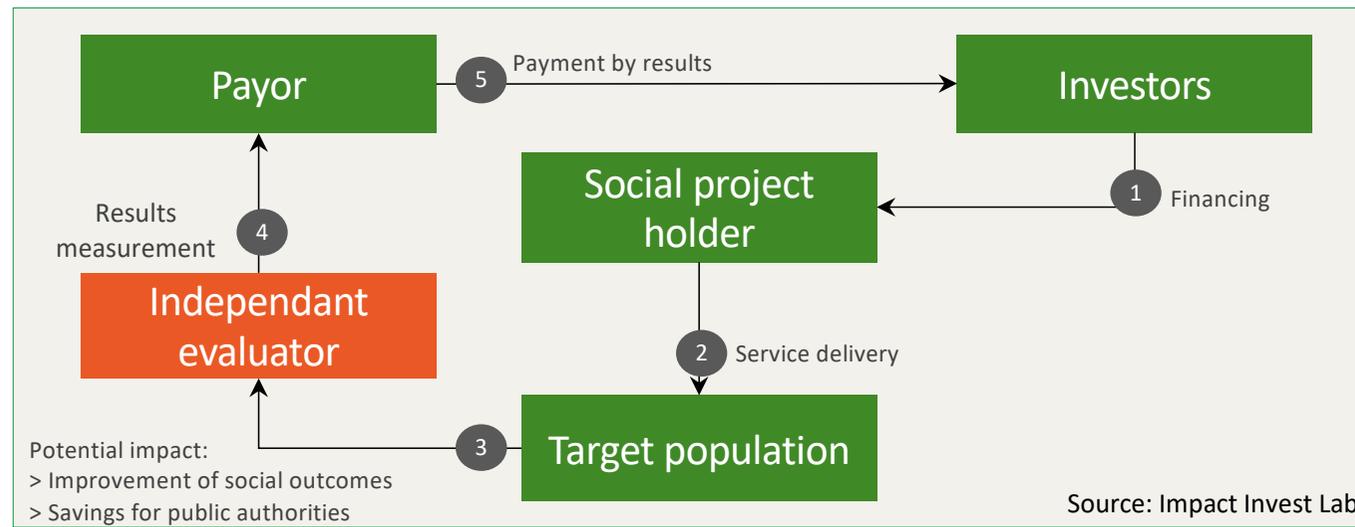
Valuation dissonance in Social Impact Bonds: a reconfiguration of the social and finance

Social Outcomes Conference 2019 – September 5-6, 2019

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Supervised by Fabian Muniesa and Liliana Doganova

Social Impact Bonds as a dispute on values



SIBs entail collective negotiations between actors with very different valuation equipments on:

- Results indicators
- Targets and money flows
- Financial and legal arrangements

What kind of alignment do SIBs produce?

Table of content

- Literature on SIBs
- Theoretical approach
- Case study: the French Ida SIB
- Main findings

Table of content

- **Literature on SIBs**
- Theoretical approach
- Case study: the French Ida SIB
- Main findings

Literature review on SIBs

A new tool of government

Are SIBs efficient and for what kind of public policy objectives?

- ▶ *Edminston & Nicholls, 2018 ; Warner, 2013 ; Jackson, 2013*

A symptom of a wider transformation in political economy

Criticism of financialization and expansion of neoliberalism

- ▶ *Cooper, Graham & Himick, 2016*

A dynamic socio-technical agencement

Science and Technology Studies (STS) approach that turns to practices to capture the effects of SIBs

- ▶ SIBs are not a market device (*Neyland, 2018*).
- ▶ The alleged spheres of finance / social / public sector are porous (*Berndt & Wirth, 2018*).

Table of content

- Literature on SIBs
- **Theoretical approach**
- Case study: the French Ida SIB
- Main findings

Valuation studies

REGIMES OF VALUE

Pragmatics of justification in
moments of dispute on values or
value dissonance

*(Boltanski and Thévenot, 2006; Stark,
2011)*

STS-INSPIRED STUDIES

Performativity of devices
(Callon, 1998; Hopwood, 1992)

**No distinction between action and
justification**

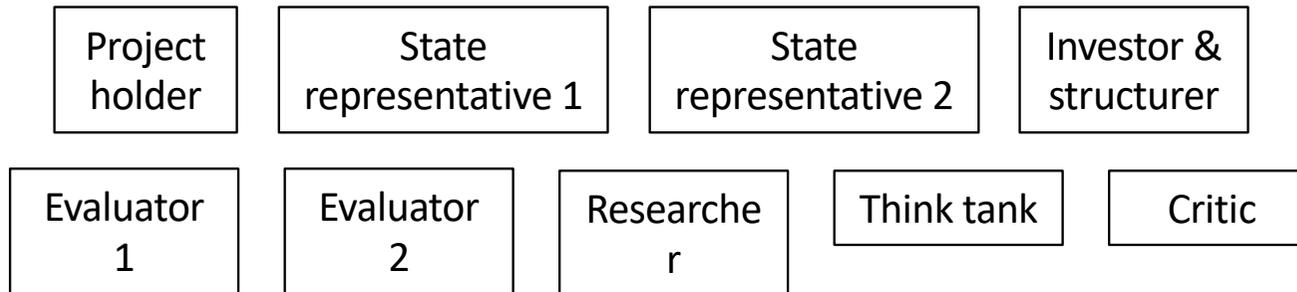
(Çalışkan & Callon, 2010; Callon, 1998)

Table of content

- Literature on SIBs
- Theoretical approach
- **Case study: the French Ida SIB**
- Main findings

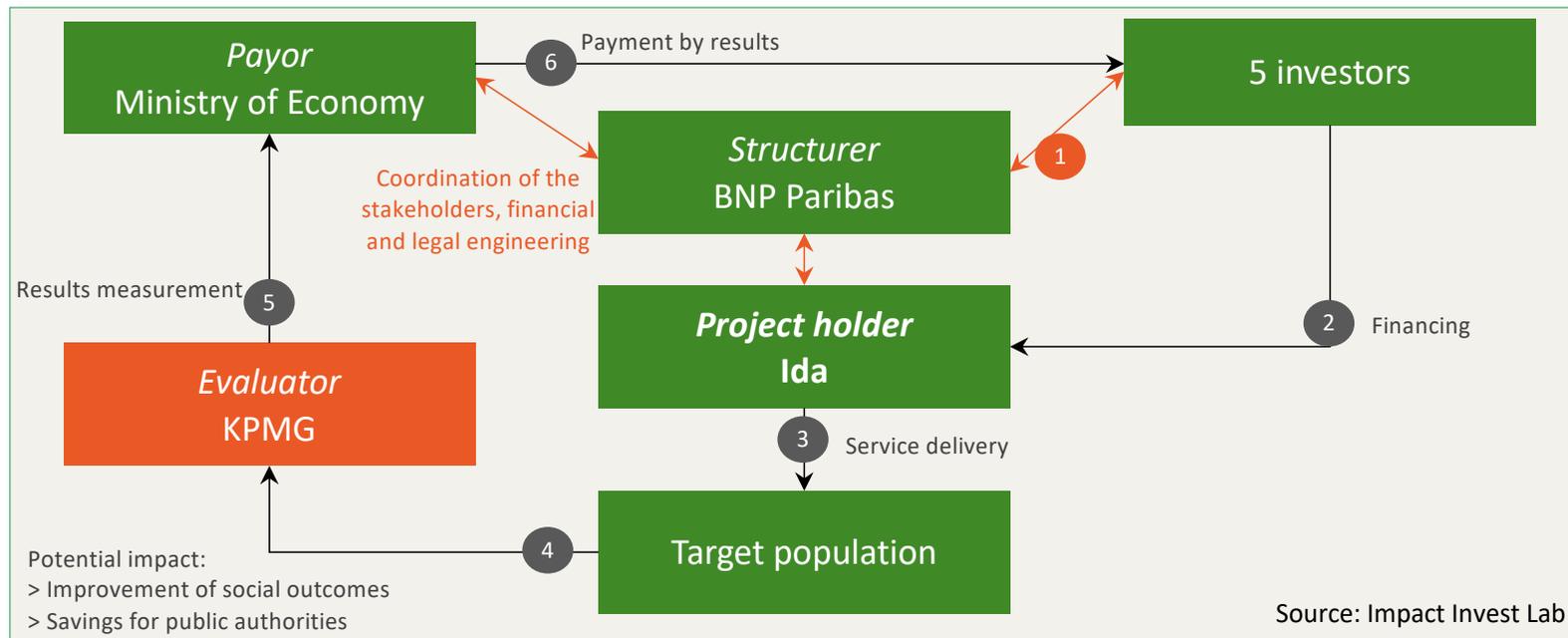
Methodology

- 9 interviews with stakeholders



- Ethnographic observation in events
- Participant observation at Impact Invest Lab

The case of the first French SIB: Ida's "Contrat à impact social"



Results indicators :

- Providing microcredit and support to 269 to 500 people in situations of exclusion from the labor market in targeted rural areas
- Effective economic integration of 172 to 320 people

Table of content

- Literature on SIBs
- Theoretical approach
- Case study: the French Ida SIB
- **Main findings**

Three moments of valuation dissonance (1/3)



NEGOTIATION ON RESULTS INDICATORS

Clash of principles and devices to define the indicators of success:

- Public interest: State representative
- Scientific rigor: evaluator
- Ease of data collection: social workers

Valuation principles were embedded in accounting technologies: information system, statistics, databases.

Three moments of valuation dissonance (2/3)



DEFINITION OF TARGET RESULTS

Three justifications to the definition of the targets, that coexists in the Ida SIB:

- Ida's track record
- economic modelling and break-even point
- social return on investment (SROI)

Three regimes of justification were used by the actors to consider the role of economic impact and kept dissonant.

Three moments of valuation dissonance (3/3)



RISK-RETURN-IMPACT STRATEGY

A specific investment profile : low return, low risk, tied impact

Investors are 'social investors' and as a consequence:

- The investment vehicle was a bond
- Investment practices were modified in banks

Dissonance between social investment ethics and traditional investment strategy was settled in new framings between the social and finance.

Valuation dissonance in Social Impact Bonds: a reconfiguration of the social and finance

- SIBs shake the framings in place
- SIBs institute new (unintended) framings
- The structuring process of SIBs preserves dissonance in superposing valuations.

Thank you for your
attention!

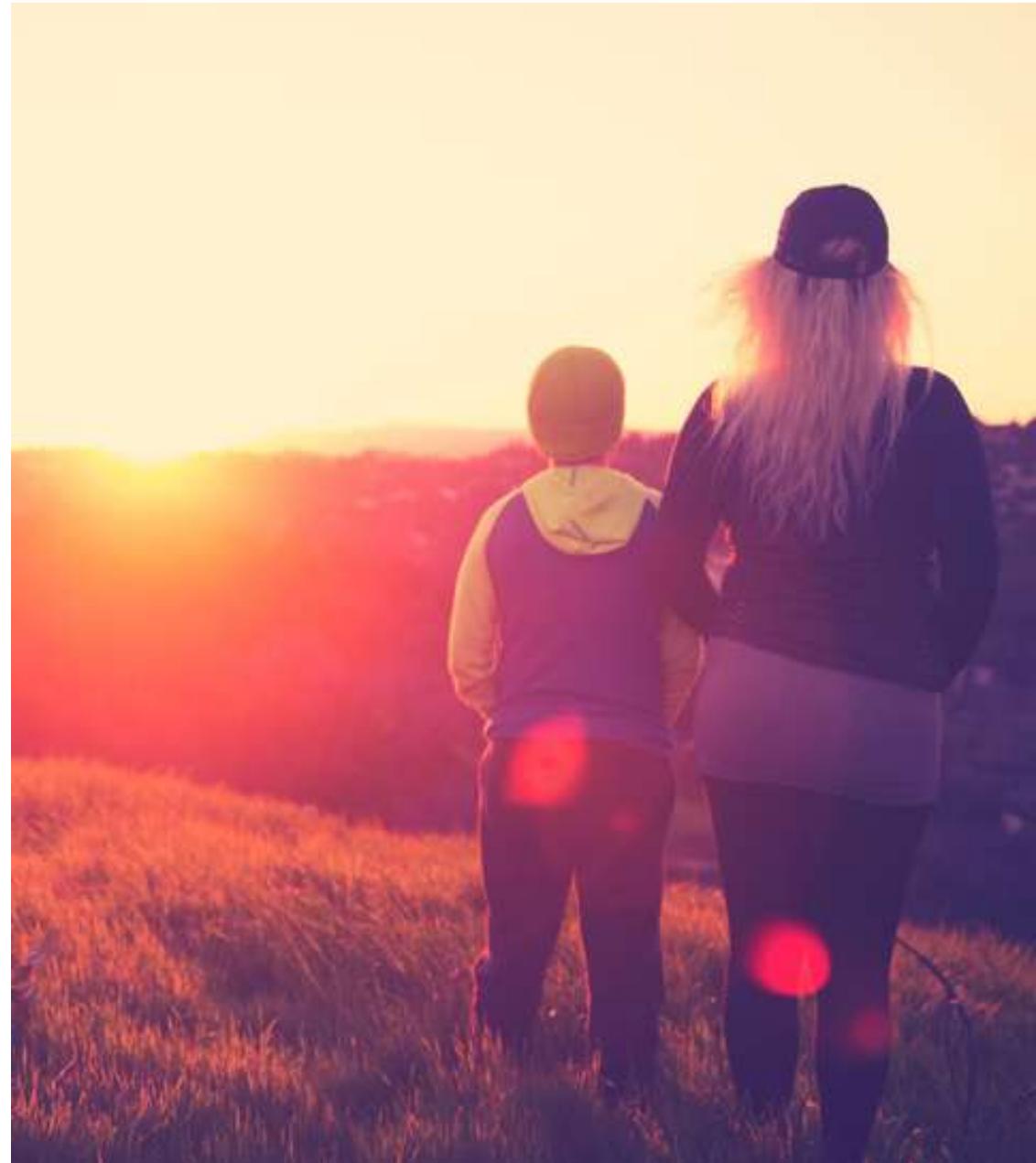
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Evolution of outcomes approaches within children's services

September 2019

www.bridgesoutcomespartnerships.org



Known players...



These interventions were provided across London previously

Many of the Boroughs had previous experiences with MST and FFT

Delivery partners have done similar work before



... in a different partnership

Pan London Impact Partnership



Positive Families Partnership



Building stronger families



South West London and St George's Mental Health NHS Trust



So what are the differences?

1

Voice of the family is front and centre

2

Best in class delivery staff is empowered

3

Structure enables scale

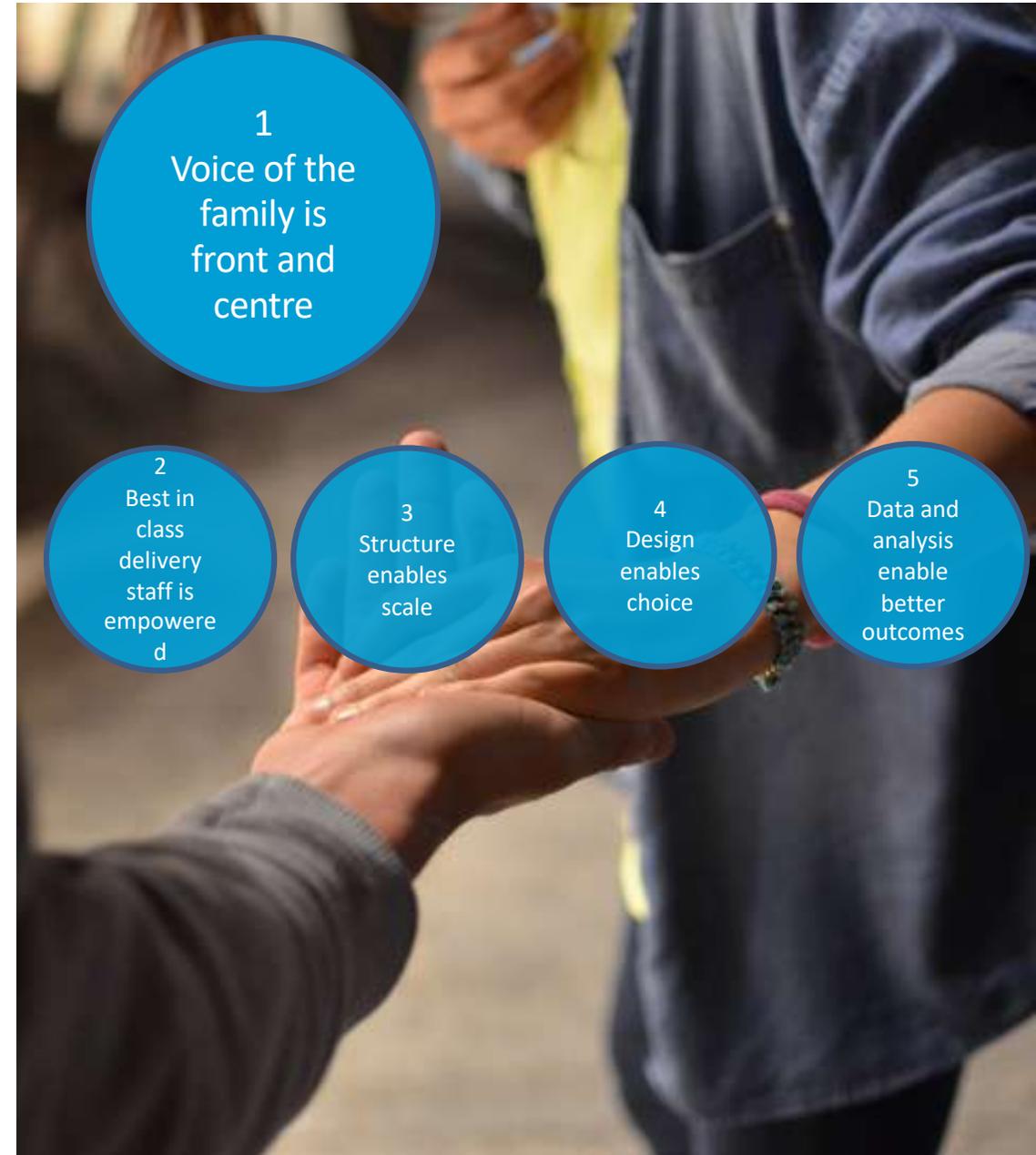
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Design enables choice

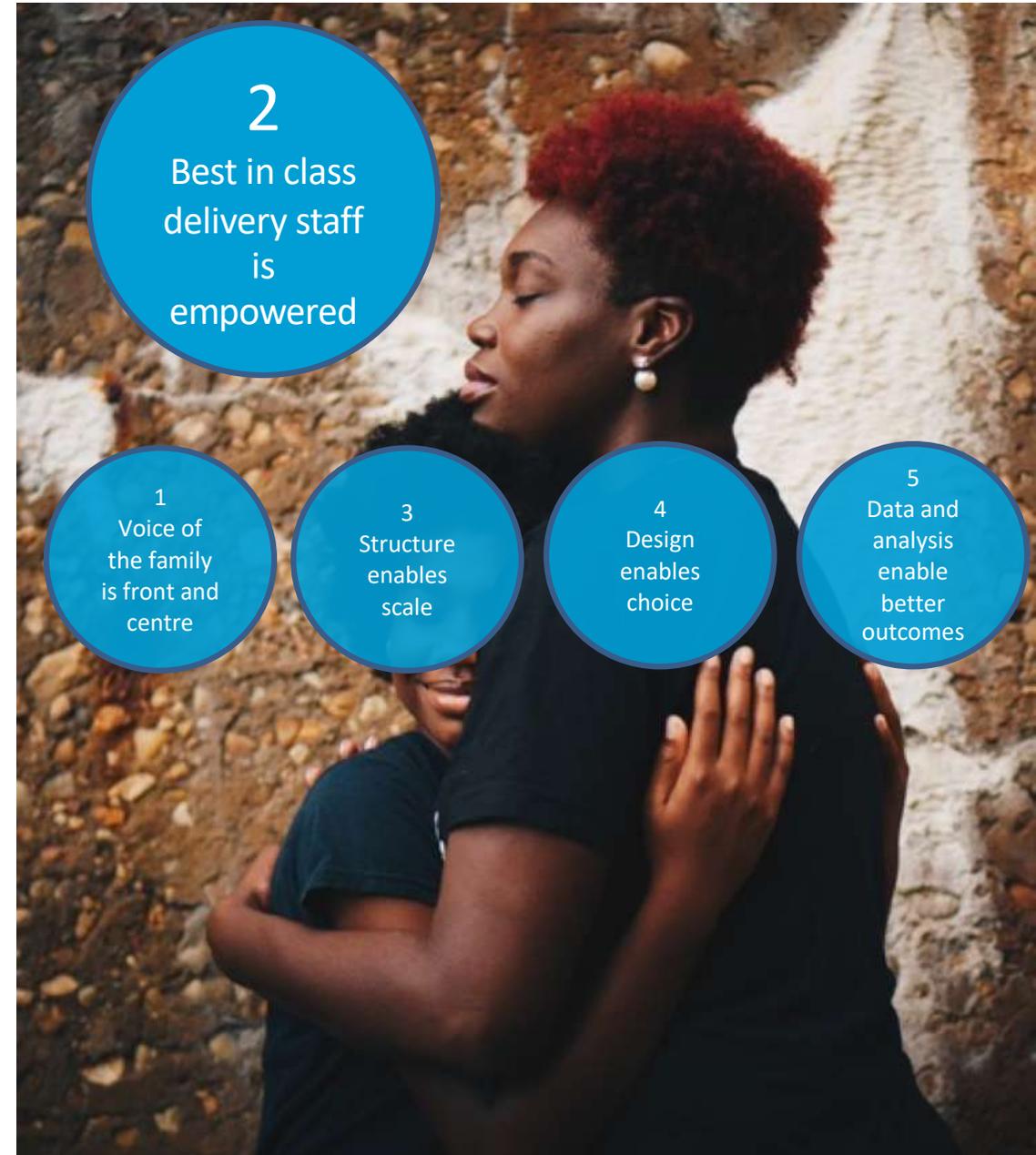
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Data and analysis enable better outcomes

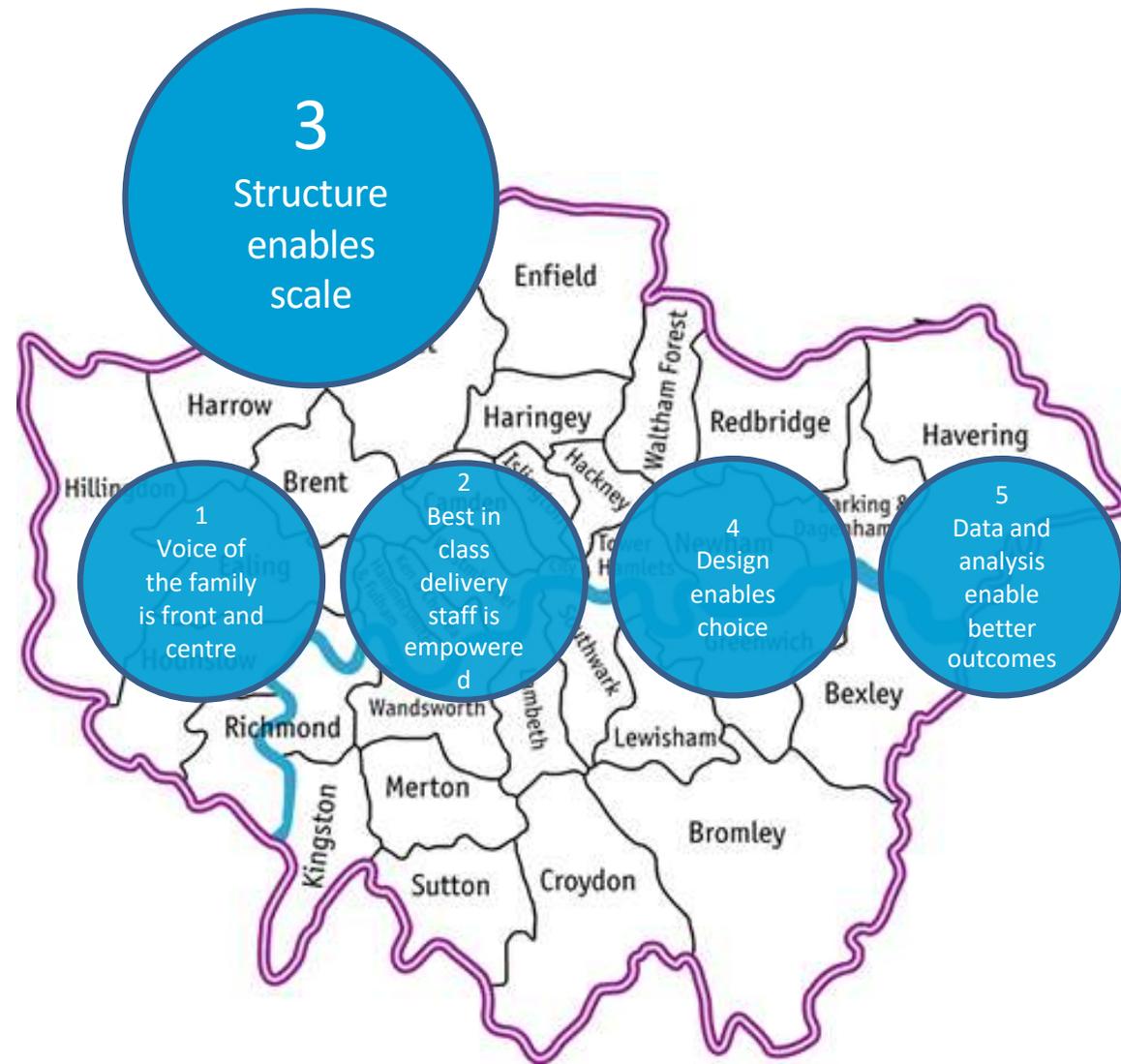
- Families go **through a number of information and intake sessions** to understand their choices and to understand whether these interventions fit their needs
- During the intervention – all of the work is **based in the family home** and based on **preferred times by the family**
- Additionally, **young person and carer voice is gathered** via questionnaires and feedback forms carefully capturing positives and negatives **which inform future delivery**
- **Dedicated flexible funding** is available for **family personal and customised needs**



- **Best in class** therapists are recruited, motivated and empowered to help families
- This is achieved through a **robust recruitment process** with attractive terms
- **Strong professional development and training** is established
- **Strong expert clinical supervision and support** is dedicated and available to the therapists
- **Collaboration, learning and data sharing across teams** is enabled
- Most importantly – **therapists are empowered** to do whatever they think is the right approach for the family



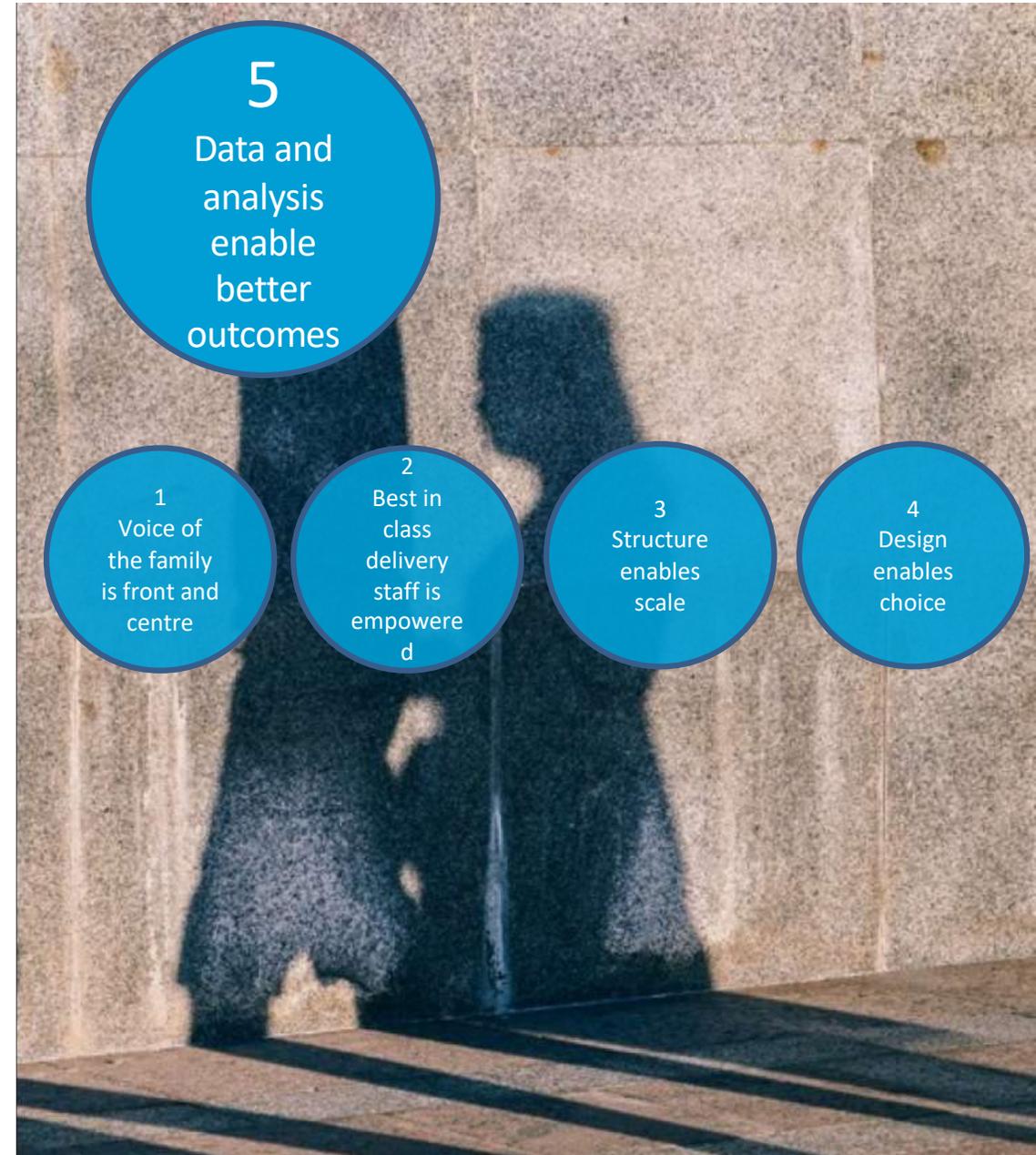
- **Pan London Impact Partnership agreement** between **5 founding Boroughs** (Sutton, Tower Hamlets, Bexley, Merton, Newham)
- **Clear procurement leadership** – one Borough leading the procurement on behalf of all founding Boroughs (Tower Hamlets)
- Procurement and agreement set up in a way whereby the **contract is open to all London Boroughs**
- **Clear governance** set up in the central contract and the Pan London Impact Partnership agreement with a responsible lead Borough (Sutton)
- **Dedicated central team** within Sutton managing the partnership
- New boroughs joining via **individual accession agreements (templates prepared)**
- As a result 5 additional Boroughs joined the partnership within the first 16 months – **partnership doubled**



- Pooling of referrals enables scale which can **support multiple interventions**
- **Central assessment** and triaging function
- **Robust referral panel processes** enabling discussion across the continuum of care (ensuring that the right intervention is identified for the family considering all possible choices)
- **Positive collaboration with in house** services enabling this approach



- **Close** strategic and operational **collaboration**
- **Robust data and analysis processes** driving innovation through feedback loops and clear learning
- **Regular reviews** within the full partnership and individual Boroughs



Conclusions

- Issues today are different than in the past, and they require different solutions
- Partnerships and people have to be at the heart and centre of how we solve social problems
- Cost, human and financial, of doing business as usual is too high
- Analytical and tech advancements allow us to understand and gather key insights quickly
- Positive Families Partnership is an example of a structure and a project which enables human centred, partnership, collaboration and insight driven approaches to solve complex family problems of the present

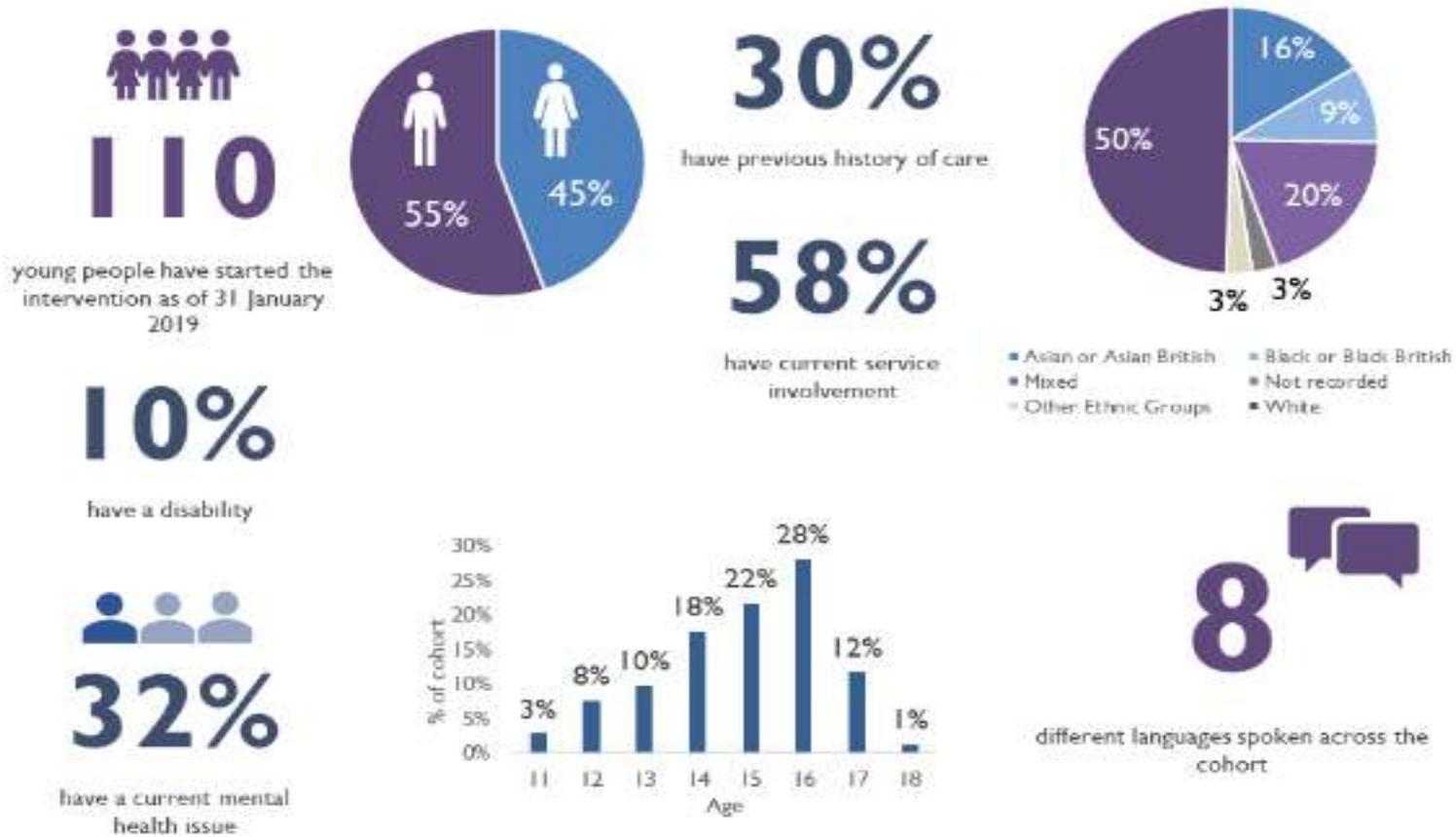




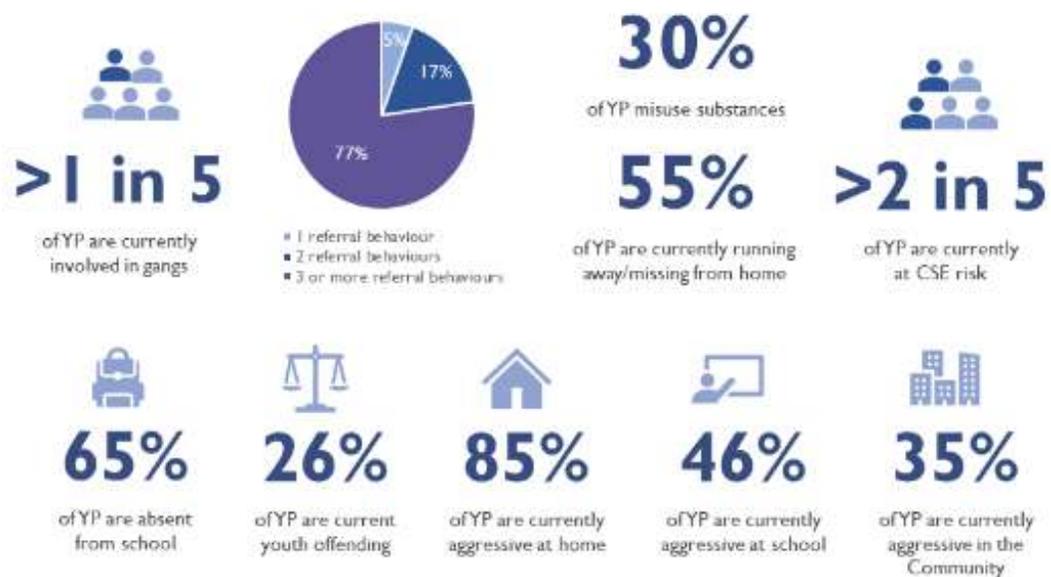
Thank you and questions



Year 1: Cohort characteristics, behaviours and families



Year 1: Cohort characteristics, behaviours and families



Year 1: Cohort characteristics, behaviours and families



Is impact good value?

Findings from a systematic review of economic evaluations of health impact bonds.

Lorcan Clarke, London School of Economics and Political Science.

Dr. Clare FitzGerald, Government Outcomes Lab.

Why we did it

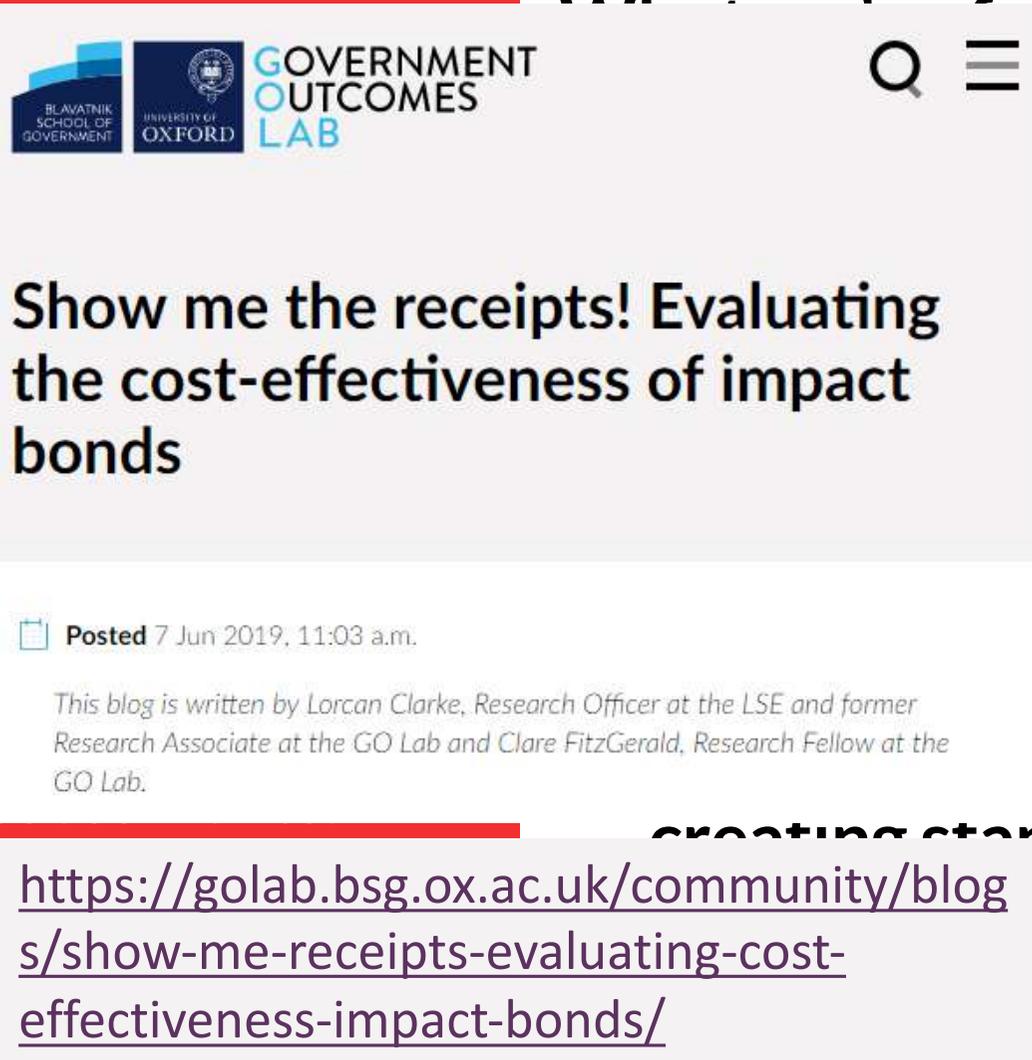
- Growth in outcomes-based contracting and “social” investing.
- >165 impact bonds launched.
- Need to consider:
 - Impact assessments.
 - Evidence requirements.
 - Value for money.

What we've found

- **There's scope to improve the amount of available evidence.**
- **There's an opportunity to conduct more impartial research.**
- **There's potential for creating standard evaluation approaches.**

Why we did it

- Growth in our contracting and investing.
- >165 impact
- Need to consider
 - Impact as
 - Evidence
 - Value for



The screenshot shows a blog post from the Government Outcomes Lab. The header includes logos for Blavatnik School of Government, University of Oxford, and Government Outcomes Lab. The title of the blog is "Show me the receipts! Evaluating the cost-effectiveness of impact bonds". The post is dated "Posted 7 Jun 2019, 11:03 a.m.". The author information states: "This blog is written by Lorcan Clarke, Research Officer at the LSE and former Research Associate at the GO Lab and Clare FitzGerald, Research Fellow at the GO Lab." The URL of the blog is provided at the bottom of the screenshot: <https://golab.bsg.ox.ac.uk/community/blogs/show-me-receipts-evaluating-cost-effectiveness-impact-bonds/>

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Findings from a systematic review of economic evaluations of health impact bonds.

 **Part 1: Why we conducted a review.**

Part 2: How we conducted the review.

Part 3: What we conclude...for now.

Sustained growth across countries in models of delivering public services involving:

Outcomes-based funding

“Social” investments

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Big
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Impact bonds combine outcomes-based funding with social investments – Bringing together two significant policy areas

Implementation

- Launched in 2010.
- >165 projects funded.
- 50-60 projects completed.



Assessment

- Dozens of qualitative and quantitative assessments.
- Challenges include diverse settings, evaluation methods, and reporting approaches.

Impact bonds combine outcomes-based funding with social investments – Bringing together two significant policy areas

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Efforts to share knowledge and improve methods: Social Outcomes Conference (2018)



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Efforts to share knowledge and improve methods: Social Outcomes Conference (2018)

The image is a collage of research papers and a central presentation slide. The central slide is titled "Are Outcomes Worth the Trouble? An Evaluation of Health Impact Bonds" by Lorcan Clarke & Kalipso Chalkidou, from the Global Health Policy, Center for Global Development. It is marked as "Research in Progress" and dated 6 September 2018. The slide features logos for the Blavatnik School of Government, University of Oxford, and a "LAB" logo.

Surrounding the central slide are several tilted text snippets from other papers:

- Eve Chiapello, EHESS Paris and Lisa Knoll, University of Hamburg, The 'Welfare Conventions' (feudal welfare conventions) 'feudal technicality'**
- Deborah Burand, New York University, The First Five Years of Transacting Social Impact Bonds in the United States: Practical and Theoretical Considerations**
- Shaping Pay for Success Contracts**
- Contractual terms that support social impact bonds of SIBs launched in the United States through**
- work of Nobel Laureate Oliver Hart provides a**
- the active ingredients of a SIB**
- knowledge, technology**
- Clare FitzGerald, Eleanor Carter, M. Acrobatics: Assessing a framework**

Efforts to share knowledge and improve methods: Social Outcomes Conference ~~(2018)~~ (2019)

SOCIAL OUTCOMES CONFERENCE 2019

THE INTERNATIONAL
CONFERENCE ON IMPACT
BONDS, OUTCOMES CONTRACTS,
AND BEYOND



Efforts to share knowledge and improve methods: Social Outcomes Conference (2018) (2019)

Session I - Plenary session

Still inventing the wheel: Global evidence and experience on impact bonds to date

- Emily Gustafsson-Wright, Global Economy and Development, Brookings Institution - Impact bonds: state of pay
- James W. Williams, York University, Toronto - Where do we go from here? The future of social impact bonds, pay for success, outcomes-based commissioning
- James Ronicle, Ecorys - Identifying the DIB effect: Findings from the independent evaluation of the development impact bond programme
- Alison Bukhari, Safeena Husain, and Maharshi Vaishnav, Educate Girls - Life after DIB

Chair: Clare FitzGerald, Government

Vidhi Khanijow, Tanya Ganguli, and Lavanya Chopra, Law Offices of Panag and Babu - Collaborative governance. A metamorphosis of the Indian governance landscape

Our research, seeks to provide a diagnostic study using empirical evidence and case study based research, to assemble a model wherein good governance and curbing corruption form

Ruth Dixon, Government Outcomes Lab. How differing world-views shape inter-organisational relationships: the case of SIBs

Viewing SIBs through the lens of Cultural Theory, as developed by the anthropologist Mary Douglas and her followers since the 1980s, I find that SIB stakeholders typically differ on the dimensions of 'grid' (strictness of rules) and 'group' (social cohesion). Evidence from published evaluations of UK SIBs shows that different world-views can cause tensions between stakeholders. These tensions in turn shape the development of the SIB partnership. I argue that wh... collaboration between disparate partners is difficult, it can mitigate the inherent tensions of each cultural type and lead to mutual learning and respect.

Luigi Corvo, Lavinia Pastore and Arianna Manti, University of Rome Tor Vergata. From theory to practice: a comprehensive review of social impact assessment practice

With the increasing interest in social impact assessment (henceforth, SIA), many such models have been developed, though few have been validated in practice. The objective of this paper is to test whether there is any empirical evidence for the validity of these social impact measurement models. This research follows on from the work of Grieco et al. (2017) who classified SIA models based on a set of variables drawn from the literature. Our research aims to investigate the characteristics of these models and reported in literature.

Marianna Baggio, Virginia Cecchini Manara, Marco Faillo, University of Trento, and Lorenzo Sacconi, University of Milan. Social impact finance: the role of motivations. Theory and experimental evidence

Social impact finance has emerged in recent years in response to the crisis of traditional welfare systems and the gradual decrease in public funding to the Third Sector, by offering new financial instruments to convey private capital to social entrepreneurship in order to create positive social impact combined with economic returns (Agrawal and Hockerts, 2019; Dagers and Nicholls, 2016; Hochstadter and Scheck, 2015). The debate on the effective implementation of these instruments has so far focused on the methods of assessment and social investment (investors and social entrepreneurs) to act.

Debra Hevenstone, Bern University, Alec Fraser, London School of Hygiene and Tropical Medicine, and Lukas Hobi. Imperfect contract design in social impact bonds: What is the chance of false positive and negative payouts?

Performance-based contracting, including Social Impact Bonds (SIBs), relies on writing complete contracts and competent evaluations (Heinrich and Choi, 2007). Evidence to date suggests that SIBs often have insufficient evaluations that confound the impacts of services and financing (Fox & Morris, 2019). We identify three dimensions on which contracts and evaluations are often suboptimal: 1. the match between treatments' and controls' traits (and insufficient methods to adjust for this problem), 2. dissimilarities in interventions received by the control and treatment groups, and 3. small numbers of participants. Shortcomings to three dimensions lead to two problems: positive payouts for SIBs with a positive effect.

Efforts to share knowledge and improve methods: Social Outcomes Conference (2018) (2019)

Session I - Plenary
Engku Rabiah Adawiah, Salina Kassim, Syed Marwan Mujahid, and Roziha Harun, International Islamic University Malaysia. *The potential of sustainable and responsible investment Sukuk as a funding mechanism for affordable housing in Malaysia*

"Affordable housing" is one of the social areas mentioned in Malaysia's SRI sukuk framework. However, until today, there hasn't been any significant development of SRI sukuk in Malaysia. This study aims to highlight the issues surrounding the implementation of SRI sukuk in Malaysia. The study found the following factors for the development of affordable housing: high development and construction costs; lack of coherence in its planning and development; and the need to align the focus of stakeholders towards more coherence in its planning and development.

CONFERENCE
SUKUK AND SRI

Eleanor Carter, Government Outcomes Lab. Making markets for outcomes in UK employment support provision
Employment support services have been a key area of experimentation in quasi-marketised public service delivery. Britain is seen as an international pioneer in its reliance on outsourcing, payment by results and provider flexibility allied to promises of innovation and performance improvement. Beyond this, there is considerable variation in the design of markets for the provision of welfare-to-work services. International literature makes clear that the design specificities of programme governance and accountabilities can play a key role in either facilitating or buttressing against negative provider practices of creaming, parking and churning. To date, little attention has been paid to the issue of diversity in the design and functioning of these quasi-markets. This paper presents a multi-dimensional analytical framework to articulate multiple potential types of quasi-markets. The research provides empirical investigation of how the particular formulations of quasi-markets affect user experiences and programme performance.

Pablo Munoz, University of Liverpool and Jonathan Kimmitt, Newcastle University - A diagnostic tool for social impact bonds in emerging economies
A social impact bond (SIB) is a new type of financing mechanism for enterprises operating in the social economy. Its complexity may prevent from fulfilling the 3-pertinent regulatory frameworks, acting in emerging economy contexts. In this paper, we criticise and weight social issues in the SIB by applying a diagnostic tool for social impact bonds in emerging economies.

Syed Marwan, Institute of Islamic Banking and Finance (IIBF), Aslam Haneef, International Islamic University Malaysia (IIUM), Engku Rabiah Adawiah, IIBF, Suhaiza Ismail, IIUM. Critical success factors of implementing Shari'ah-compliant social impact bonds in Malaysia: A survey of stakeholders
This paper explores the Critical Success Factors (CSFs) of implementing Shari'ah-compliant Bonds (SC SIBs) in Malaysia. In doing so, 22 CSFs were identified from literature verified with experts and feedback from a pilot study. A survey was conducted with holders who scored the factors based on their perceived importance. Over the process; (i) Good governance framework; (ii) Fulfil ethical standards; (iii) Transparency when developing SIB, not only in Malaysia, but other countries; (iv) Well-defined scope; and (v) Viable feasibility study.

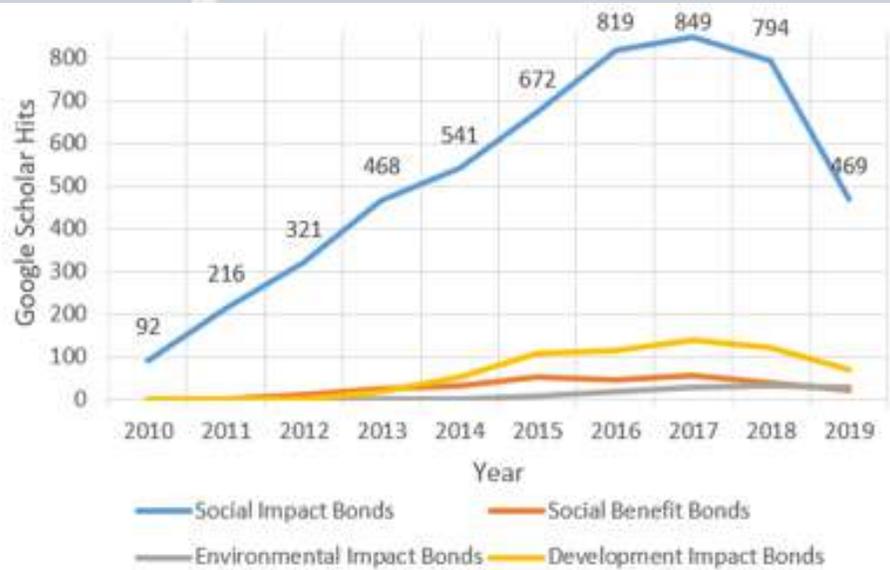
Estela Souto and André Quadra, Sciences Po. Using the results-based procurement approach as a tool towards better governance in Latin America
This paper analyses the procurement processes of social impact bonds designed or implemented in Latin America and aims at discussing how a results-based procurement approach can enhance governance, accountability and transparency in the region. Taking into consideration how such structures differentiate from the traditional legal framework applying to procurement, the authors suggest which pitfalls governments should avoid in order for the approach to be a model for better governance.

Luigi Corvo, Lavinia Pastore, and Matteo Ghibelli, University of Rome Tor Vergata. From the narratives on social impact bonds: a comprehensive literature review
The scientific production on SIBs has lived a very consistent trend passed from 10 papers to 25 PPY during 2012-2014 and to more than 50 PPY (Public VS Financial Knowledge). This paper aims at analysing this scientific framework based on two main dimensions: the two dimensions we are interested in are: the longitudinal study that this work addresses the question "where's the belly button on this thing?!" Impact bonds have different structures. Why? So what? The answer may depend upon parties' preferences, varying along a spectrum of passive vs. active. Often there is an intermediary and/or a special purpose vehicle. There are usually multiple contracts. There may be multiple payers, provider and/or investors - some of whom may be public (government) agencies. Different risks are held in different places in the IB. Some of the risks are specified in the various contracts, some of the risks are not. The contracts are incomplete in the sense that they cannot specify everything about the present or the future. But there will be a process for (some) information sharing and some system for governing clarifications, changes, and/or disputes. Information sharing and governance may be linked to the parties' places on the spectrum of passive vs. active preferences. This work is in progress. A few cases selected for their differences are used to outline a framework. In development is a research strategy to test the framework build upon the work of others. Feedback and input are welcomed.

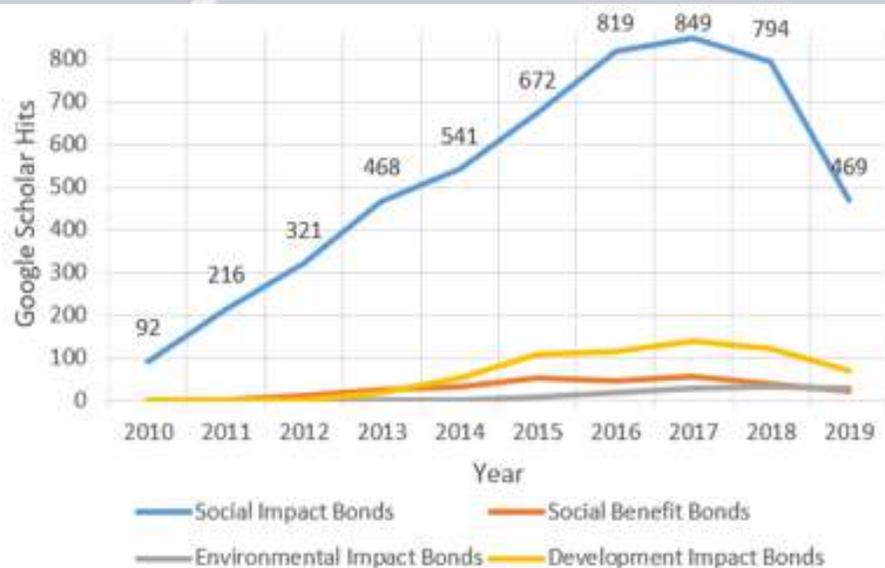
Marianna Baccanti, Univesa. Social impact bonds: an experimental welfare system
Social impact bonds (SIBs) are a new financial instrument that create positive social outcomes. The aim of this paper is to create a framework for SIBs based on the experimental welfare system. The framework is based on the following dimensions: the purpose of the SIB, the structure of the SIB, the parties involved in the SIB, the risks associated with the SIB, and the evaluation of the SIB.

Ruairi Macdonald, Government Outcomes Lab. Figuring out the configuration of contracts and parties in impact bonds
This work addresses the question "where's the belly button on this thing?!" Impact bonds have different structures. Why? So what? The answer may depend upon parties' preferences, varying along a spectrum of passive vs. active. Often there is an intermediary and/or a special purpose vehicle. There are usually multiple contracts. There may be multiple payers, provider and/or investors - some of whom may be public (government) agencies. Different risks are held in different places in the IB. Some of the risks are specified in the various contracts, some of the risks are not. The contracts are incomplete in the sense that they cannot specify everything about the present or the future. But there will be a process for (some) information sharing and some system for governing clarifications, changes, and/or disputes. Information sharing and governance may be linked to the parties' places on the spectrum of passive vs. active preferences. This work is in progress. A few cases selected for their differences are used to outline a framework. In development is a research strategy to test the framework build upon the work of others. Feedback and input are welcomed.

Why conduct a systematic review?



Why conduct a systematic review?



- Mapping knowledge creates foundations for standardisation and improvement.
- “Systematic reviews summarise the best available evidence on a specific question using transparent procedures to locate, evaluate, and integrate the findings of relevant research” (Campbell Collaboration, 2019).
- Fraser et al (2016) Narratives of Promise, Narratives of Caution: A Review of the Literature on Social Impact Bonds.
 - 87 publications (January 2009 to March 2015).

Findings from a systematic review of economic evaluations of health impact bonds.

 Part 1: Why we conducted a review.

Part 2: How we conducted the review.

Part 3: What we conclude...for now.

Conducting a systematic review: Study Question



What are the methods and conclusions of economic evaluations of impact bonds targeting health-related outcomes?



Conducting a systematic review: Searching

Search and Inclusion Criteria

Databases and Sources

Conducting a systematic review: Searching

Search and Inclusion Criteria

Search:

- Cross referenced search terms for impact bonds and pay for success with those for health and well-being and associated with economic evaluation (e.g. cost-effectiveness).
- Studies included by Fraser et al (2016).

Inclusion criteria:

- Intervention funded by an impact bond
- Outcomes (including costs) be health-related.
- Partial or full economic evaluation – Assessment of costs/benefits of intervention and consideration of implementation of funding mechanism.

Databases and Sources

Conducting a systematic review: Searching

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Databases and Sources

Academic literature:

- Cochrane Library, EMBASE/OVID, HEED (Health Economic Evaluations Database), NICE Evidence Search, Wiley Online Library, and ScienceDirect.

Grey literature:

- Google Scholar
- Relevant databases (e.g. Government Outcomes Lab, Government Performance Lab, Social Finance).

Hand searches.

- Studies associated with 82 health impact bonds from Iovan et al (2018).

Conducting a systematic review: Synthesis

Evaluation Frameworks

Impact Bond Theory

Conducting a systematic review: Synthesis

Evaluation Frameworks

Study Type	Reporting	Quality Assessment
Randomised Trials	CONSORT	Cochrane RoB 2, GRADE
Observational Studies	STROBE	Cochrane RoB 2, GRADE
Systematic Reviews	PRISMA	AMSTAR, SUPPORT
Economic Evaluations	CHEERS, iDSI reference case	Chiou et al (2003), EUnetHTA (2019)
Health Impact Bonds	?	?

Impact Bond Theory

Conducting a systematic review: Synthesis

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Health Impact Bonds	?	?

Impact Bond Theory



Meaningful metrics - what can we learn from health economics in evaluating social policies? (Mehdi Shiva, 2019)

Method	More on the metrics	Pros	Cons
Social Return on Investment	Monetised outcomes of the activity	Accounts for stakeholders' views of impact	Focus on monetisation; resource intensive as stakeholder engagement is required.
Multi-Criteria Analysis	A set of success criteria	Explicitly evaluates multiple conflicting criteria in decision making	non-monetary approach; qualitative metrics; high risk of subjectivity.
Social Earnings Ratio	Social impact of an organisation against the monies invested to achieve it	One number social impact metric	Largely dependent on publicly available data.
Well-Being Valuation	Financial equivalent of well-being created by a good or service	Draws on large national survey data including people's living circumstances and their responses to well-being questions	Well-being might be over-priced
[Social] Cost-Benefit Analysis	Financialised outcomes; Uses stated preference, revealed preference, life-satisfaction approaches.	Measures tangible & intangible benefits with or without market value	Outcomes must be monetised
Cost Effectiveness Analysis	Costs to outcomes (in natural unit) as a ratio	Superior to CBA when benefits cannot be monetised; popular in health interventions as it helps checking VFM using ICER & WTP-threshold; Uses a mixture of qualitative and quantitative metrics.	It can only be used to assess one outcome from the intervention; it is narrower than CBA with respect to the scope of benefits

Title	Field
United Nations Sustainable Development Goals (SDGs)	Global goals and international aid
The World Bank Indicators	Global goals and international aid
Human Capital Index	Global goals and international aid
Impact Builder by Bond	Global goals and international aid
Guidestar	Non-profit activity
Robin Hood Foundation	Community support
IRIS	Impact investment
Global Reporting Initiative (GRI)	Sustainability
UNEP Sustainability Metrics	Sustainability
SASB	Sustainability
Progress out of Poverty Index (PPI)	Poverty
HP2020	Health and wellness
IRIS + CHMI	Health and wellness
Access to Medicines Index	Health and wellness
OECD	Education
USAID	Water, sanitation, and hygiene (WASH)
UNICEF	Water, sanitation, and hygiene (WASH)
Access to Nutrition Index	Food Security

Meaningful metrics - what can we learn from health economics in evaluating social policies? (Mehdi Shiva, 2019)

Seminar Room 3
11:15,
5 Sep

III.III Measuring what matters

- Toby Eccles, Social Finance - Development impact bonds as a route to improved collaboration and voice
 - Kalipso Chalkidou, Centre for Global Development
 - Tomas Bokström, Social and Health Impact Centre, RISE Research Institutes of Sweden
 - Mehdi Shiva, Government Outcomes Lab, Meaningful metrics: what can we learn from health economics in appraising social policies?
- Chair: Mara Airoidi, Government Outcomes Lab

Method	More on the metrics	Pros	Cons
	... outcomes of	Accounts for stakeholders' views of impact	Focus on monetisation; resource intensive as stakeholder engagement is required.
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Title	Field
United Nations Sustainable Development Goals (SDGs)	Global goals and international aid
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	Non-profit activity
	Community support
	Investment

Well-Being Valuation	well-being good or service	being ques...	
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IRIS + CHMI	
Access to Medicines Index	
OECD	Education
USAID	Water, sanitation, and hygiene (WASH)
UNICEF	Water, sanitation, and hygiene (WASH)
Access to Nutrition Index	Food Security

Conducting a systematic review: Synthesis

We combined:

- Criteria from CHEERS (Consolidated Health Economic Evaluation Reporting Standards).
- Pieces of simple models and equations used in studies relevant to impact bond theory.
- Reviewing literature and incorporating expert feedback.



Conducting a systematic review: Synthesis

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#	Item
1	Aim
2	Intervention
3	Population
4	Impact Bond: Funding Source
5	Timing
6	Impact Bond: Funding Structure
7	Modelling Outcomes
8	Impact Bond: Outcome Valuation
9	Result
10	Impact Bond: Additionality
11	Conclusions
12	Conflicts of Interest



Findings from a systematic review of economic evaluations of health impact bonds.

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Searches conducted in November 2018 and August 2019.

641 records identified.

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51 full text publications reviewed.

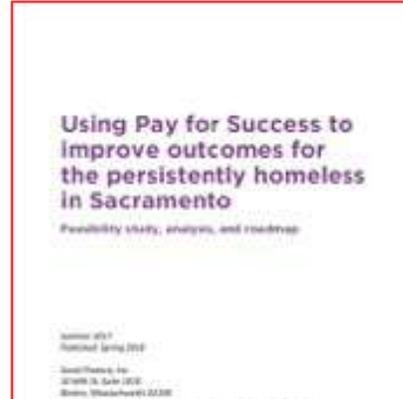
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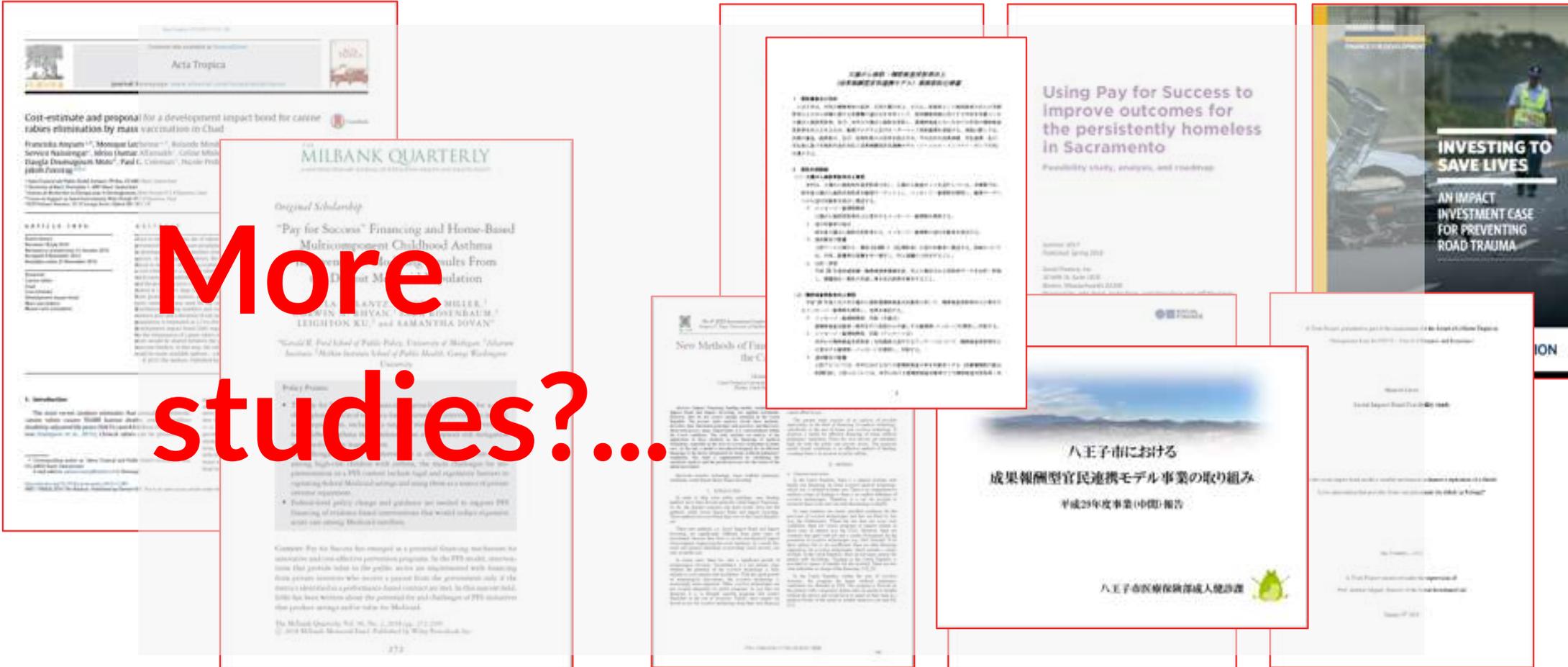
8 publications met review inclusion criteria.

8 publications met review inclusion criteria



8 publications met review inclusion criteria

More studies?...



There's scope to improve the amount of available evidence.

- 5 countries: Chad, Czech Republic, Portugal, the United Kingdom and the United States.
- None linked to a launched project.
- Several (excluded) evaluations include health/health-related outcomes in rationale, but not outcome metrics.



There's an opportunity to conduct more impartial research.

- Evaluations mostly conducted by organisations directly involved in the proposal or implementation of impact bonds.
- Only one publication was funded independently.
- Trade-off between costs of conducting evaluations and robustness of evidence base.



There's potential for creating standard evaluation approaches.

- Value for money considered via cost-estimates, comparative benefit-cost, social return on investment, and economic feasibility.
- Lack of standard criteria referenced.
- Trade-off between flexibility and standardisation.



Why we did it

- Growth in outcomes-based contracting and “social” investing.
- >165 impact bonds launched.
- Need to consider:
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 - Value for money.

What we've found

- **There's scope to improve the amount of available evidence.**
- **There's an opportunity to conduct more impartial research.**
- **There's potential for creating standard evaluation approaches.**



Thanks!

References

- Clarke et al (2018) Development Impact Bonds Targeting Health Outcomes. Center for Global Development. Policy Paper 133.
- Clarke and FitzGerald (2019) [Show me the receipts! Evaluating the cost-effectiveness of impact bonds](#). Government Outcomes Lab.
- Government Outcomes Lab (2019) Projects database.
- Shiva (2019) Meaningful metrics - what can we learn from health economics in evaluating social policies? Government Outcomes Lab.

Acknowledgements

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Arianna Manti*

Social Outcomes Conference-
Oxford- 2019

“From theory to action:
a comprehensive
review on Social Impact
Assessment practice ”

Agenda



Literature review

Theoretical framework

Research questions

Methodology

Findings

Cluster analysis

Discussion and further research development

Literature review



Extant literature can be divided into several stream of studies that belong to different perspectives :

(1) value creation and CSR studies

(2) SE studies addressing primarily the issues of performance and accountability

(3) Environmental impact studies; and public sectors studies related to welfare transformation

(4) In recent years two stream of literature have shown interest toward the topic

(5) Developing Economies Studies

(6) Impact finance studies

Literature gap

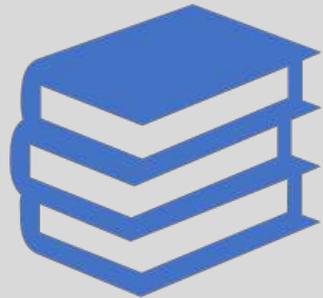


- Most of the debate about SIA is focused on exploring the concept of social impact (Nicholls and Cho 2008)
- There is a niche of scholars who talk about the empirical problems of SIA (Maas and Licket, 2011 and Bacaciuc 2015)

"how to measure in practice"

- The qualitative nature of the impact makes it difficult to link it to an objective value
- Short vs long term
- Find a meeting point between academics and practitioners

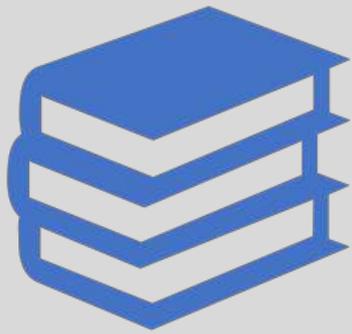
Theoretical framework



Paper «Measuring Value Creation in Social Enterprises: A Cluster Analysis of Social Impact Assessment Models”
(Grieco, Michellini, Iasevoli, 2015)

76 mapped theoretical models

Theoretical framework



4 Cluster

Cluster 1 (14.5% Simple, Social, Quantitative, Screening)

Cluster 2 (26.3% Holistic, Complex)

Cluster 3 (40.8%; Qualitative, Screening)

Cluster 4 (8.4%; Management, quali-quantitative, holistico)

Research questions



RQ1: What are the characteristics of the SIA models used by practitioners?

RQ2: How much coherence exists between the models classified in the literature with respect to the models used empirically?

Methodology

Variable identification:

Type of evaluation (Holistic, Person, Social, Environmental, Economic)

Purpose of the evaluation (Screening, Evaluation, Management, Certification, Reporting)

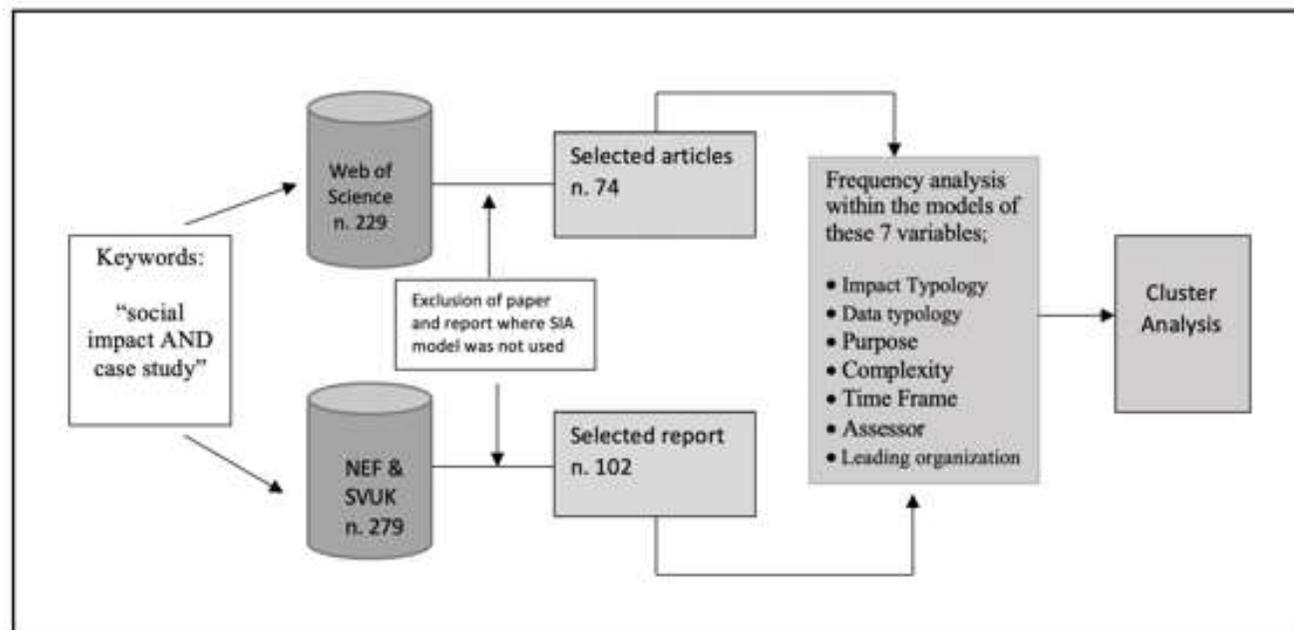
Complexity of the evaluation (Basic, Simple, Complex, High Complex)

Evaluation Time (Retrospective, In progress, Perspective)

Evaluators (University, Network of NGOs, NGOs, Consulting Companies, Public Bodies)

Types of data used (quantitative, qualitative, qualitative and quantitative)

Leading organization (Public Bodies, NGOs, Network NGOs, Enterprise)



Findings RQ1



Variable	Frequency %
<i>Impact typology</i>	
Holistic	9%
People	5%
Social	61%
Environmental	10%
Economic	14%
<i>Purpose</i>	
Screening	3%
Assessment	65%
Management	3%
Certification	15%
Reporting	15%
<i>Model Complexity</i>	
Basic	33%
Simple	32%
Complex	32%
Highly complex	2%

Findings RQ1



Variable	Frequency %
Time frame	
Prospective	13%
Ongoing	9%
Retrospective	78%
Assessor	
University/research center	65%
Not-for-profit network	16%
Not-for-profit organization	19%
Consulting firm	18%
Institution	2%
Data typology	
Qualitative	17%
Quantitative	21%
Quali-quantitative	62%
Leading organization	
Institution	27%
Firm	28%
Not-for-profit organization	29%
Not-for-profit network	16%

Cluster Analysis



Cluster 1 (15% Holistic, Complex, Prospective, University, Quantitative, Firm)

Cluster 2 (33% Economic, Basic, Retrospective, University, Qualitative, Firm)

Cluster 3 (23% Social, Certification, Simple, Retrospective, NGO)

Cluster 4 (29% Economic, Retrospective, Network NGO)

			IMPACT TYPOLOGY	PURPOS E	MODEL COMPLEXITY	TIME FRAME	DATA TYPOLOGY
Theory features	driven	SIA	Holistic	Screening	Basic	Retrospective	Qualitative
Practice features	driven	SIA	Social	Assessment	Basic	Retrospective	Quali-quantitative
Result			Mismatch	Mismatch	Match	Match	Mismatch

Findings RQ2

Discussion and further research development



Theoretical knowledge is insufficient to describe approaches which have been taken in practice



- SIA Data analysis from practice
- Outcome, indicators and proxy



Open impact research project – spin off

Thank you for your attention

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Session II.III – Practical lessons and insights from impact bonds implementation in the UK (Seminar Room 3)

Andrew Levitt and Mila Lukic, *Bridges Fund Management*

David Parks, *The Skill Mill* and Katri-Liis Reimann, *Tallinn University*

Issy Taylor, *One Manchester*

Stefanie Tan, *London School of Hygiene and Tropical Medicine*

Chair: James Magowan, *Centre for Social Impact Bonds*

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11 lessons from 39 social outcomes projects

September 2019

www.bridgesoutcomespartnerships.org

Giving flexibility and accountability to local teams can be transformative

Normal project

1. A minister / councillor wants to address a problem
2. A civil servant researches the issue, and writes a detailed specification for a service
3. An organisation bids to deliver the specification
4. Civil servants audit periodically that the service is delivered according to the specification

Social outcomes project

1. A minister / councillor wants to address a problem
2. Civil servants define what success looks like, then invite local experts to design their own service
3. Local teams design a project to aim for success
4. Local team and civil servants work in partnership throughout the project, trialling different ideas

Helping service users

3. Focus on people's Assets, not their 'problems' or 'needs'

4. Implement proper independent assessments

Accessibility of services

5. Offer help to everyone, and give people a second (and third, and fourth) chance

6. Genuine prevention needs to happen as early as possible

Getting the best out of the team

7. Make sure people are properly recognised, and treated well

8. Break the 'HR processes' if needed, to do the right thing

Making an impact outside of the project itself

9. Integrate as deeply as possible into the local community
10. If the systems around the project don't work – change them

Learning and research

11. Learn from the experts!



Who are the “Social Investors” involved in these projects?





THE SKILL MILL



TALLINN UNIVERSITY
School of Governance,
Law and Society



European Union
European Regional
Development Fund



Investing
in your future

Supported by (European
Union) European Regional
Development Fund
(Tallinn University's ASTRA
project, TLÜ TEE)



The Skill Mill

5TH SEPTEMBER 2019

DAVID PARKS (THE SKILL MILL)

DR KATRI-LIIS REIMANN (TALLINN UNIVERSITY)

GOLAB OUTCOMES CONFERENCE, OXFORD UNIVERSITY





https://youtu.be/_HOU9cF5uo



THE SKILL MILL



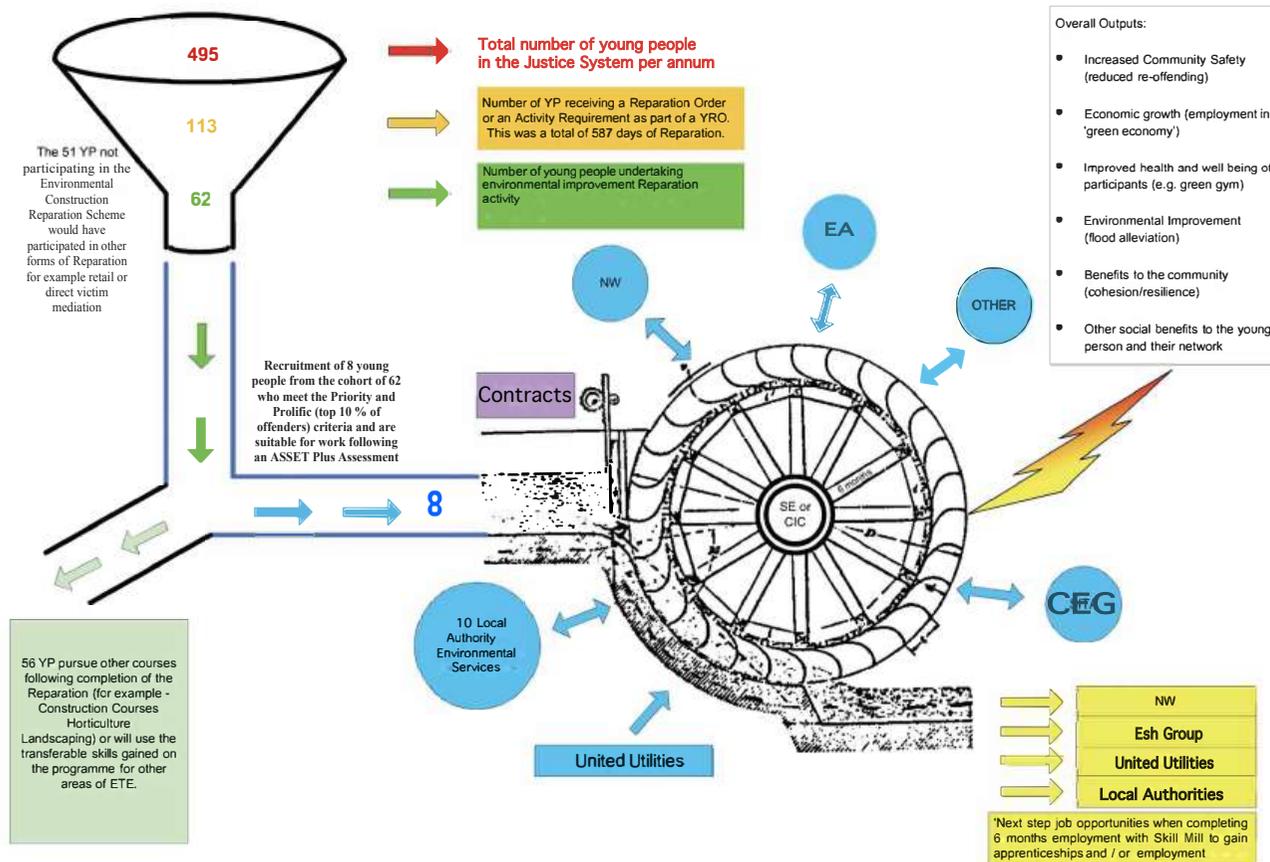
The Skill Mill is a Not for Profit Social Enterprise providing employment opportunities for young people aged 16-18. With origins in the North East of England the Skill Mill was established to combine the provision of high quality and cost effective outdoor work with maximum social impact.

It is currently operating sites in Newcastle, Leeds, Liverpool, Durham and North Yorkshire in the UK and plans to expand to Manchester, Birmingham, Nottingham, Surrey and Croydon by November 2019. Internationally, the Skill Mill has operations in Estonia and is being developed in Serbia, Netherlands, Norway and USA.



A COMPLICATED SLIDE.....CAN A **JOB** BE THE 'SIMPLE' SOLUTION TO SERIOUS YOUTH VIOLENCE ?

Example Recruitment process





THE SKILL MILL COHORTS FACE A NUMBER OF CHALLENGES, BUT THE PROGRAMME HELPS TO IMPROVE THEIR LIVES

I had a job and I didn't declare I had a criminal record and I was working there for like four months and enjoying the work and working hard and all that. And they said you have to go because you haven't declared it. I wasn't robbing out of the till or doing anything wrong.

- JACK, NORTH WEST

25% said they received help in this respect.

When something happened in my family, it sent me off the rails and then I started drinking and that led to everything.

GRANT, SOUTH EAST

45% said they had drink / drug problems.

I agree cause I was a little shit and a teacher told me you'll never make it in life and I did, I saw him about 1 month ago and told him about what I was doing and had done and I see his face, he looked shocked. I just remember him saying I'd be nothing.

KATY, SOUTH WEST

71% had been excluded from school.

Things were not right at home. I was getting picked on by my step-dad. You have abuse happen to you and it doesn't feel like it was dealt with and you want to rebel in order to get away from the feeling.

- CHLOE, SOUTH EAST

33% had only experienced living with both their parents while growing up.

I didn't have anyone to talk to, there was a lot of violence at home and I couldn't stop it or tell anyone, I was smoking weed and drinking with my friends, maybe if someone had helped me, I would not be here now.

- KEITH, SOUTH WEST

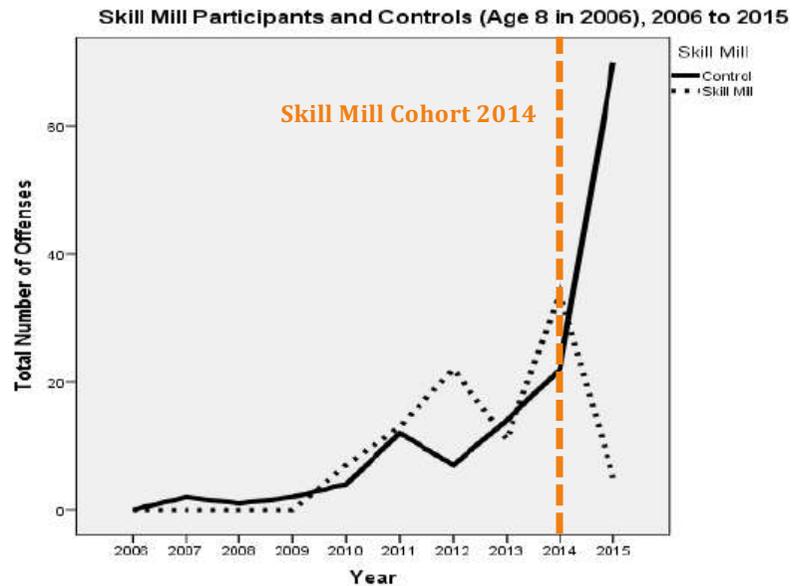
16% said they had experienced mental health problems.

The Skill Mill provides meaningful work which can help young ex-offenders self-identify with high social and personal values.



THE SKILL MILL SIGNIFICANTLY REDUCES REOFFENDING AND MANY PARTICIPANTS GO ON TO FIND PAID EMPLOYMENT

Skill Mill participants averaged statistically fewer and less serious offences compared with non-Skill Mill participants after the programme was completed



“

The success of the skill mill appears to stem from taking motivated youth ex-offenders, providing them with a job that pays relatively well, gives them a chance to do good for their communities and provides some civic reattachment. These things coupled with a supervisor who educates them about the work they are doing and how to act appropriately in public, looks out for them, helps out with family and other personal issues and is their friend, has resulted in these young people predominately desisting from crime. These results provide support for an Integrated theory of desistance that takes into account both individual decisions and structural components (Farrall and Bowling 1999), and creates as Giordano et al. (2002) suggest, a hook for change for the young people in the skill mill.

European Journal of Criminal Policy Research 2018
M A Long, R Oswald, P Stretesky, S Soppitt

”

**The Social Return on Investment calculated is approximately 12:1
That is, for every £1 invested £12 is saved by the state.**



THIS INITIAL 6 MONTHS HELPS TO PAVE THE WAY FOR FUTURE OPPORTUNITIES

LONG-TERM HOLISTIC VISION





TRIPLE HELIX + CO-CREATION

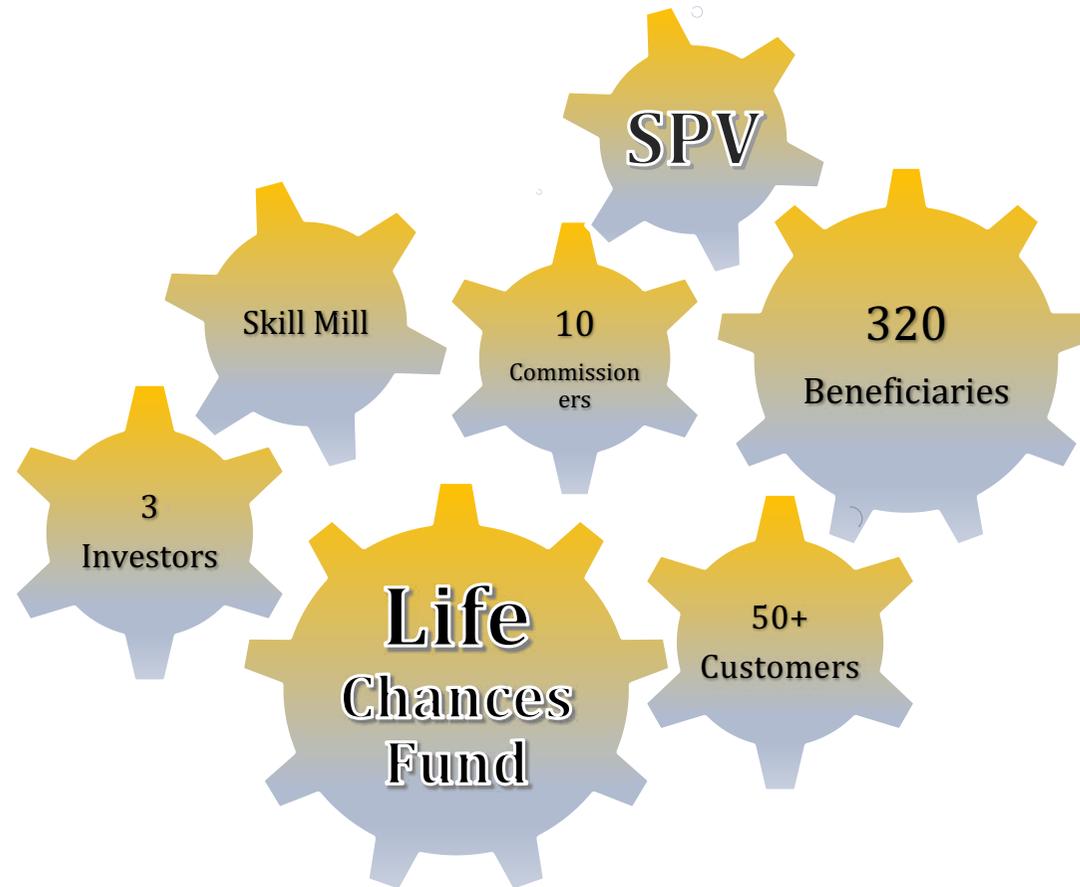


University for the Common Good





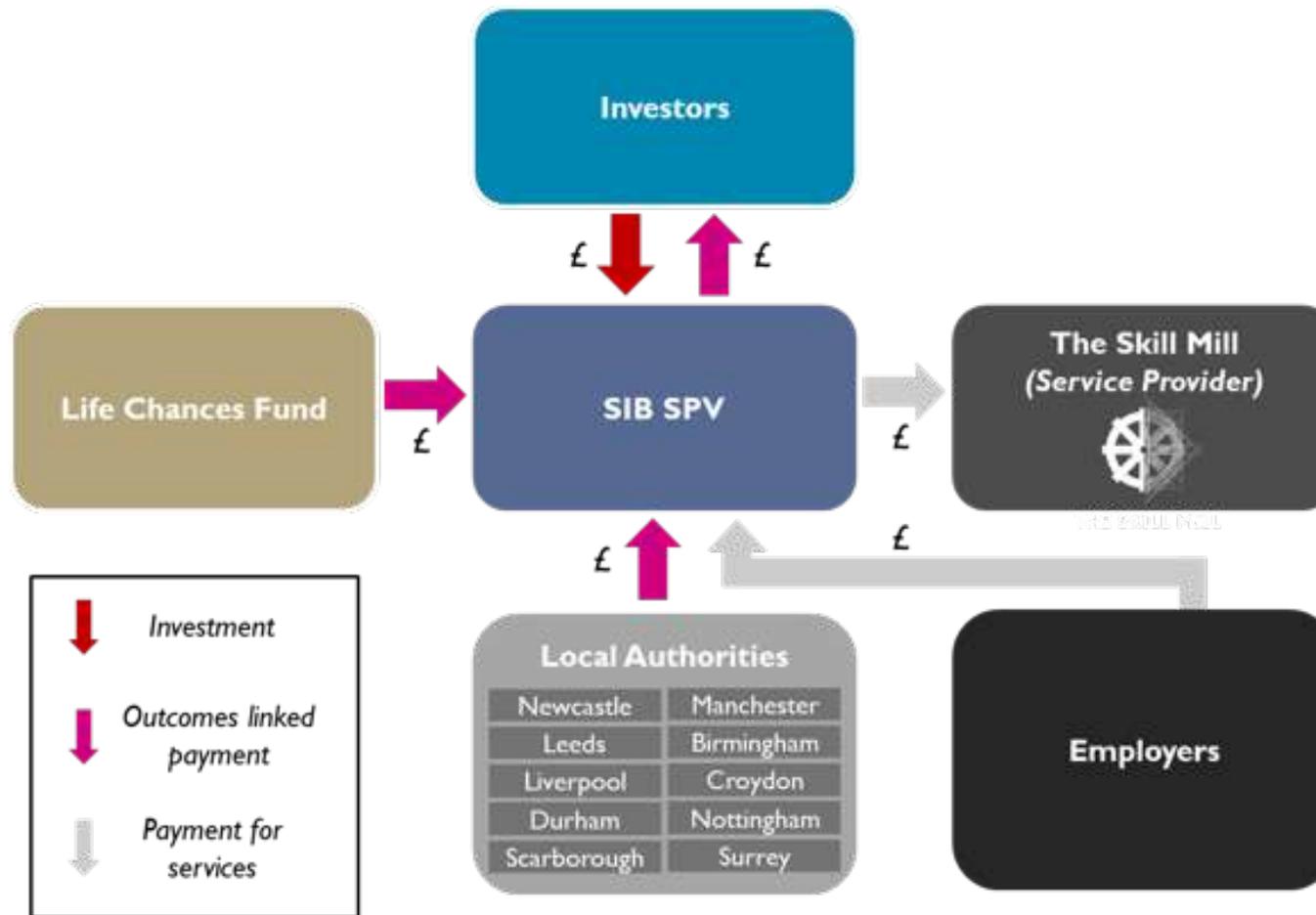
ALONG COMES THE SOCIAL INVESTMENT BOND.....LOTS OF MOVING PARTS AND COMPLEXITY





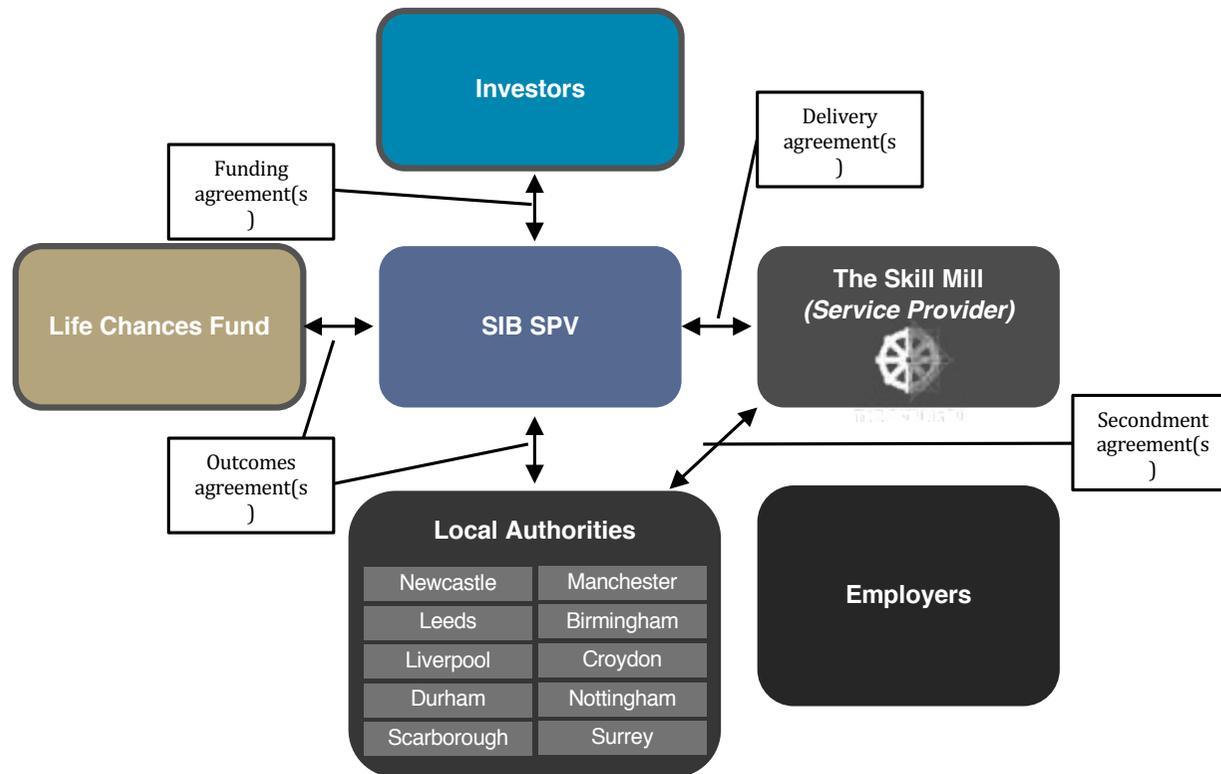
THE SOCIAL IMPACT BOND WILL FUNCTION THROUGH FLOWS OF OUTCOMES-LINKED PAYMENTS

Diagram of the proposed SIB structure:





REQUIRED CONTRACTING FOR THE SOCIAL IMPACT BOND





IN ADDITION TO REDUCED RE-OFFENDING AND INCREASED EMPLOYABILITY, THERE IS MUCH ANECDOTAL EVIDENCE OF THE PROGRAMME HAVING HAD A TRANSFORMATIONAL IMPACT ON PARTICIPANTS' PHYSICAL AND MENTAL WELLBEING.

'The aggression stopped... that's a big change...just general attitudes, just how I'm talking to others and they're talking to me...'

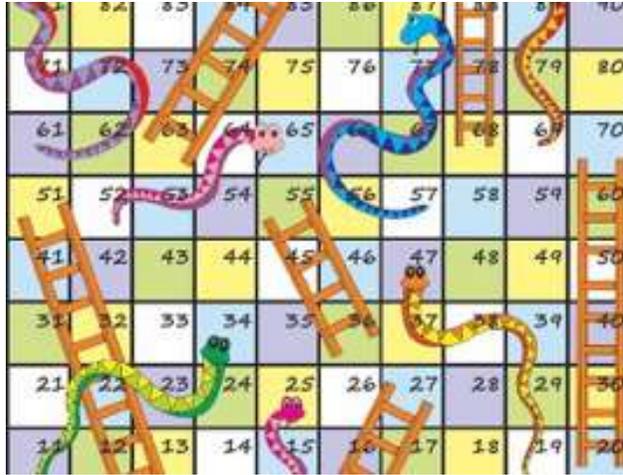


Its just that you work until you sweat...when you're done with a job, you can just stand back and look and think, I made a difference...like that feels better than fucking just handing someone some drugs and getting money...you don't feel good about that'

'You're going out and doing things and just occupying ourselves all the time instead of being stood around doing nothing'



FUN AND GAMES





COLLABORATIVE GOVERNANCE FRAMEWORK

“the processes and structures of public policy decision making and management that engage people constructively across the boundaries of public agencies, levels of government, and/or the public, private and civic spheres in order to carry out a public purpose that could not otherwise be accomplished” (Emerson et al, 2011)

System context:

existing cross-sector partnerships, prior agreement, political dynamics

Drivers:

leadership, consequential incentives, interdependence, uncertainty

Collaborative dynamics:

- 1) principled engagement (discovery, definition, deliberation, determination),
- 2) shared motivation (mutual understanding, internal legitimacy, shared commitment)
- 1) capacity for joint action (institutional arrangements, leadership, knowledge, resources)

Collaborative actions

Challenges

- Tested and trusted interventions vs. innovative interventions
- Risk taking by investors and the public sector
- Innovative public procurement
- Social impact measurement



CONCLUSIONS

System context

Drivers

Collaborative dynamics

Challenges:

Piloted intervention

Traditional public procurement - social value not recognized

Courage to take risks

Bureaucracy and red tape



THANK YOU



**KEEP
CALM**

AND

**Launch a
Social Impact Bond**



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WEB LINKS

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https://books.google.co.uk/books?hl=en&lr=&id=PZbhAwAAQBAJ&oi=fnd&pg=PA119&dq=developing+a+social+impact+bond&ots=JFHKJ60G_z&sig=-yr-ZIwUSud7P02xj08aWENWZs#v=onepage&q=developing%20a%20social%20impact%20bond&f=false

Using a social impact bond to catalyse collaboration and system change

Issy Taylor

Head of Strategy & Business Development



GM Homes Partnership

Investors



Delivery Partners



Housing Partners



Insight

Access to housing

- GM has a historic low turnover of social housing stock
- Private rented sector LHA rates only one affordability zone in Manchester
- Many entrenched rough sleepers will have been evicted from previous tenancies and barred from housing

System change

- **Un-paralleled accommodation offer; 300 homes** committed by 17 GM Housing Providers (priority allocation of void properties)
- **Second chance philosophy** – previous exclusions not an instant barrier
- **Access to PRS** from The Bond Board, Salix Living and Nationwide Foundation TPRS scheme
- **Homes Sub-Group** – partnership working to ensure continuity of supply / resolve any barriers



Insight

Access to public services

- Conflict between service aims resulting in perverse outcomes
- Cohort 'locked out' of access to services they are entitled to; NHS, Probation, DWP
- Systems, services and processes serving themselves and not the recipient

System change – Whole system approach

- Concord with probation services to create a diversion from custody pilot, ensuring that continued engagement with our service results in non-custody sentencing
- Developed partnership with DWP to fast track UC claims and access to benefits
- Created partnership with mental health trust and recruited dual diagnosis mental health nurse within the partnership

Insight

Entrenched rough sleepers are a traditionally difficult cohort to engage with.....

Ethos

- Second (and third, fourth..) chance philosophy; where people are at now is more important than where/what they have done before
- Focus on strengths, attributes and interests- not problems, issues and the past
- Began engagement on the streets to build rapport and trusting relationships
- Individuals have choice and control over when and where they move and support is tailored to their needs and at their pace
- Over half of our engagement workers have lived experience of homelessness, offending or substance misuse

Why our approach works

- **Strength of housing offer** - align and improve activities of GM housing providers to ensure certainty of supply
- **Individualised and person-centred delivery** – low caseloads and local services
- **Enhanced pathways** - into existing support services and avoiding duplication
- **Participant led design** - involve people with lived experience throughout design and delivery
- **Second chance philosophy** – previous exclusions will not be an instant barrier
- **Innovation** - trial innovative service models to better inform future delivery
- **Public service reform** - work with strategic partners across GM to deliver systemic change
- **Shared vision and values** - ensuring all investors and partners share the same vision and values



Thank you





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Session II.IV – Implications for impact bonds in low- and middle-income country contexts (Seminar Room 4)

Aldo Soto, The Rainforest Foundation UK

*Simon Meldrum, The International Federation of Red Cross and Red Crescent National Societies
and Amine Hillal, Islamic Development Bank*

Pablo Munoz, University of Liverpool and Jonathan Kimmitt, Newcastle University

Chair: *Susan de Witt, Bertha Centre for Social Innovation and Entrepreneurship*

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A diagnostic framework for social impact bonds in emerging contexts

Pablo Muñoz, University of Liverpool
Jonathan Kimmitt, Newcastle University

Background

Industry-level challenges

- Business models and distinctive growth
- Social investment infrastructure
- Impact measurement
- Boundary spanning collaboration



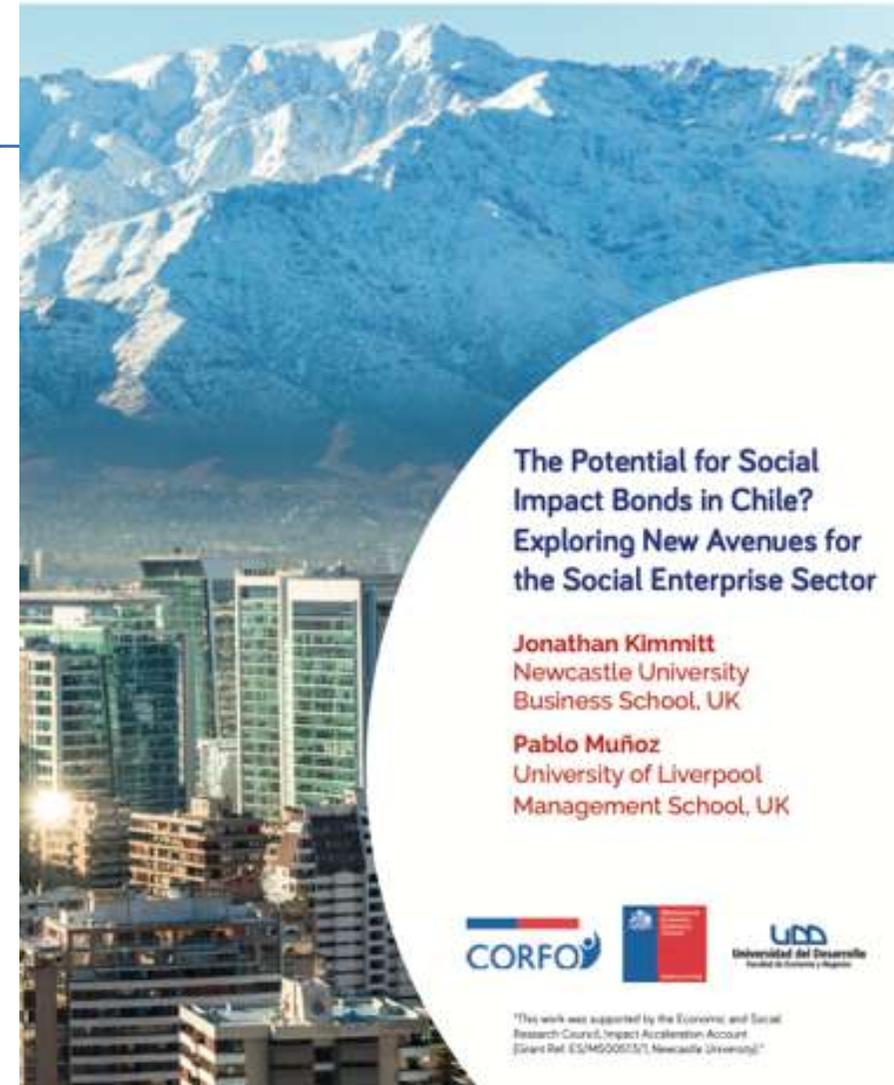
Background



“Promote social innovation through the creation of a US\$ 50 million government fund to develop (the first) Social Impact Bond (in the country)”

Background

	Investment	Business Models and Growth	Impact Measurement	Collaboration
Complexity	Investment is complexity-friendly; viewed as adaptive and facilitating emerging circumstances	Importance of Context: Business models adapt and change in complex contexts.	Outcomes (and impact) are viewed as emergent properties of complex systems and attached to other social problems	Learning drives collaboration through improvement and adaptation
Attribution	Investment is flexible and accommodating of attribution issues	Business models adapt and learn from outcomes	Outcomes (and impact) are not attributable to single interventions but the system	Programme outcomes are relevant for instigating learning and developing trust
Performance Management	Investment is separated from the performance management of the SIB contract	Business models are performance managed to drive continuous learning and improvement	Outcomes (and impact) are used to instigate learning and adaptation to new knowledge	Horizontal accountability and learning drive performance



The Potential for Social Impact Bonds in Chile? Exploring New Avenues for the Social Enterprise Sector

Jonathan Kimmitt
Newcastle University Business School, UK

Pablo Muñoz
University of Liverpool Management School, UK

Gap

- The number of SIB contracts has increased exponentially >166 reported
- The SIB movement is gathering a similar pace in emerging contexts
- The complexity surrounding the design and implementation of SIBs may prevent them from fulfilling their promises.
- Particularly troubling in emerging contexts:
 - Limited consideration has been given to design specifications and the assessment of unique local circumstances.
 - Regulatory frameworks, actors and social problems are normally ill-defined.
 - There is simply insufficient theory and empirical evidence to ground policy decisions

Questions

How can policy agents better identify, prioritise and weight social issues in the early design of a social impact bond?

What conceptual apparatus and methods can be used to inform assessment and policy decision-making in such social economy contexts?

Crafting an artefact

Design methods: co-development of a SIB diagnostic framework for emerging economies

Four-stage design process:

- Engagement with policy-makers in Chile before the development of the first SIB in the country
- Review of problematic circumstances experienced by SIB teams across contexts
- Derived four problem categories and a set of diagnostic dimensions by means of logical counterbalancing
- Prototype and refinement: re-engagement with policy partners -> two roundtable discussions and 16 follow-up interviews

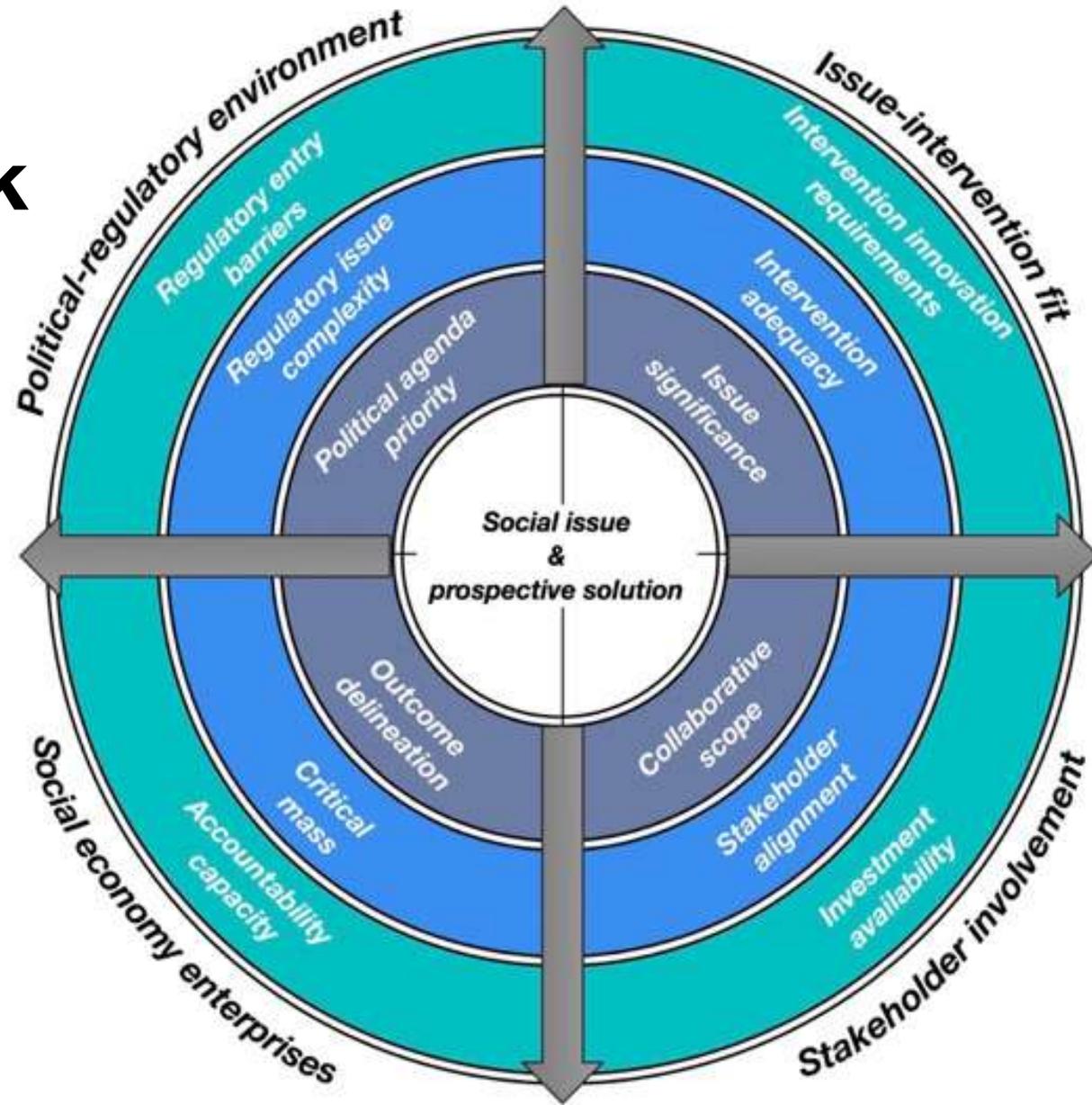
Grounded criticisms

- The morality of SIBs
- Failure to attract sufficient private investment
- It can potentially alter the relationship between service providers and users
- High transaction costs
- Too complex to design and implement given:
 - The diversity and quantity of actors involved
 - The presence of moving targets
 - The elusiveness of social problems
- Substantial development work required
- No evidence of learning resulting from development work
- Data intensity and gaming behaviour
- Contractual enforcement is challenging

4 SIBs complications

Complication	Main issue emerging	Design insight (A diagnostic framework should provide information on...)
Ill-defined social issue and beneficiaries	Unknown fit between social issue and current and prospective social interventions	...the level of significance of the social issue under consideration, the quality of current service provision and whether innovation required.
Intricated regulation in intervention space and social investment	Unknown compatibility and escalation in regulatory complexity	...the level of political willingness, how complex is the underlying regulatory framework and how restrictive or high are the extant entry barriers for the introduction of a SIB.
Scattered SIB actors	Unknown intention and capacity to engage	...the degree of commitment and alignment across prospective stakeholders, as well the level of available investment, and intention to invest, for the target social issue.
Unfit social economy service providers	Unknown quality and effectiveness	...the outcome delineation, the sufficiency of social economy service providers in the problem space and their capacity to capture and evaluate outcomes and impacts.

Diagnostic framework



Diagnostic framework

Diagnostic category	Derived diagnostic subcategory	Description	How do we know about the unknowns?
Issue-intervention fit	Issue significance	Level of vulnerability of the affected target groups.	Is the absolute level of vulnerability of the target group under consideration sufficiently significant in relation to international standards? Is the level of vulnerability of the target group under consideration sufficiently significant relative to other groups in the country/region/locality?
	Intervention adequacy	Quality and effectiveness of current provision of social services for target groups.	Is the current provision of social services adequate for the target groups? Is the current provision of social services satisfactory and meeting objectives?
	Intervention innovation requirements	Level and urgency of innovation required by social service provision, either in terms of approach to social service delivery or the delivery itself.	Does the social service provision / social programme requires innovation? Is the social service provision sufficiently efficient?
Political-regulatory environment	Political agenda priority	Level of political willingness to address the target social problem / group and innovate in social service provision.	Is the political agenda (central or local government) aligned with the needs of the social problem or target group? Is the political agenda (central or local government) open to innovate in the target space?
	Regulatory issue complexity	Degree of complexity of the regulatory landscape underlying the social issue / target group under consideration.	Would the amount of regulatory aspects to address, immediately related to social issue / target group under consideration, constrain the development and functioning of the SIB? Are these regulatory aspects intertwined?
	Regulatory entry barriers	Level of legal, regulatory and ethical entry barriers for the development and functioning of the SIB.	Would the legal and regulatory context surrounding the social problem under consideration constrain the development of a SIB? Are there any critical ethical issues that may affect the target group if the SIB is implemented?

Diagnostic framework

Diagnostic category	Derived diagnostic subcategory	Description	How do we know about the unknowns?
Stakeholder involvement	Collaborative scope	Degree of group awareness, interconnectedness and openness of prospective SIB actors*.	Do prospective SIB actors know each other? Are prospective SIB actors interested in collaborating in a wider scheme? Are prospective SIB actors interested in exploring and agreeing on outcomes and ways of measuring?
	Stakeholder alignment	Extent to which prospective SIB actors* share views on social issue, collaboration and learning.	Are prospective SIB actors aligned in terms of understanding of the circumstances and complexities surrounding the social issues/target group under consideration? Are prospective SIB actors aligned in terms of attitude towards collaboration? Are prospective SIB actors aligned in terms of attitude towards learning?
	Investment availability	Extent of presence, pertinence and availability of social investment and investors.	Are there potential investors interested in social impact? Are there potential investors interested in the social issue or target group? Are there potential investors interested in outcome-based social investment?
Social economy enterprises	Outcome delineation	Extent to which the desired outcomes for the target group are clearly defined.	Are (can) the impact outcomes (be) clearly defined?
	Critical mass	Amount of social economy enterprises operating in the issue-intervention space or potentially interested in entering the space.	Is there a sufficient number social economy enterprises operating in the problem-solution space?
	Accountability capacity	Extend to which prospective social economy enterprises are capable of measuring their impacts and assess the means through which those impact were created.	Can prospective social economy enterprises measure and report on activities, outputs, outcomes and impacts?

Implications and moving forward

- Contribute to social finance in entrepreneurship debate
- Boundary artefact for social entrepreneurs and investors, interested in outcomes-based contracts
- Simplified view of potential transaction costs
- SIBs diagnostic tool aimed at assisting policymakers and other stakeholders interested in understanding the problem space and development challenges.

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Special Issue: Alternative investment and entrepreneurship: Powering the social economy

Alternative investment has emerged as a hot topic for researchers interested in understanding how new investment mechanisms, instruments and infrastructures can power the social economy.

We understand the social economy as “the universe of practices and forms of mobilising economic resources towards the satisfaction of human needs that belong neither to for-profit enterprises, nor to the institutions of the state in the narrow sense” (Moulaert & Ailenei, 2005: 2042). While arguably the aim of all productive activity is the satisfaction of human needs, not all members of society are equally served by the market and public sector. This is evident across financially-deprived and marginalized social groups.

Questions and informal enquiries should be directed to:

Pablo Muñoz, ✉ pmunoz@liverpool.ac.uk

Jonathan Kimmitt, ✉ jonathan.kimmitt@newcastle.ac.uk

Search: JBI alternative investment



A diagnostic framework for social impact bonds in emerging contexts

Pablo Muñoz, University of Liverpool
Jonathan Kimmitt, Newcastle University



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Session II.V – Can impact bonds improve governance, accountability, integrity, and transparency in public services?

Ichiro Tsukamoto, *Meiji University* and Chih Hoong Sin, *Traverse*

Estela Souto and André Quadra, *Science Po*

Vidhi Khanijow, Tanya Ganguli, and Lavanya Chopra, *Law Offices of Panag and Babu*

Chair: Aris Georgopoulos, *University of Nottingham*

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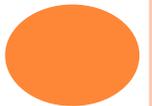
Marketization, collaboration and inter-organizational relations in SIBs in the UK and Japan

Ichiro Tsukamoto, Professor, Meiji University,
tsukamoi@meiji.ac.jp

Dr. Chih Hoong Sin, Director, Traverse
chih.hoong.sin@traverse.ltd
Twitter: **@traversepeople**

Social Outcomes Conference 2019
5th September 2019

Blavatnik School of Government, University of Oxford



INTRODUCTION : THE RESEARCH AGENDA AND OUR APPROACH

Research Agenda:

To explore the potential of governance and management of multi-stakeholder collaboration beyond market and institutional pressure by examining SIB cases in the UK and Japan.

Research Approach:

Comparative research involving semi-structured interviews with stakeholders involved in SIB in the field of preventative healthcare (Kobe City) and an earlier proto-SIB for learning support for children (Yokohama City) in Japan. Semi-structured interviews, observations and document review were conducted for two public health SIBs in South West region of England.

Conceptual Frameworks:

Reconsider the **New Public Management (NPM)** framing around SIBs with its attendant focus on being “**business-like**”, “**individualistic**”, “**fiscal cost-effective**”, “**contractual relationship**”.

Explore using the framing device offered by **New Public Governance (NPG)** and **inter-organizational** theory.

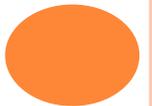
SIB DEVELOPMENT IN JAPAN: CHANGES OVER TIME

Early phase – 2015 to 2017:

- Some local governments and national government departments engaged in **pilot experiments (not proper SIBs)**, in **collaboration** with a few private charitable foundations, nonprofit and private sector providers.
- **Diverse policy areas:** preventative healthcare, work integration, adoption, local business development, learning support for children.
- **Nonprofit** sector organizations played significant role as service providers.

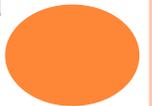
More recently – 2017 onwards:

- Investors and intermediaries seem to have lost interest in nonprofit organizations as service providers.
- Narrowing focus on healthcare, especially **preventative healthcare**; moving away from wider problems around social and economic disadvantage.
- Close connections between central government and a few charitable foundations such as Nippon Foundation and Social Impact Investment Foundation (SIIF) reinforce this alignment with political priorities.



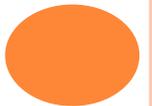
EXAMPLE OF 'EARLY PHASE' PROJECT. YOKOHAMA CITY SOCIAL IMPACT PROJECT (1)

Location	Yokohama City, Minami Ward, Hie Primary School District
Policy area and Intervention	
Policy area: Education	Comprehensive learning support for children with difficulties in family relation, social relation and school life.
Outcomes sought	Improvement of (1) Learning skill and academic achievement (2) Lifestyle and dietary habits (3) Family and social relations
Intervention	(1) Learning support (Teaching): three days per week (2) Providing opportunities for socializing at community salon "Osan" (3) Providing meals after school
Target Population	Around 30 primary school students with difficulties in family relation, social relation and school life (students whose parents are considered "in need", who have family roots in foreign countries, and suffering from learning disorder).



EXAMPLE OF 'EARLY PHASE' PROJECT: YOKOHAMA CITY SOCIAL IMPACT PROJECT (2)

Stakeholders	
Government partner	Yokohama City
Contributor	Goldman Sachs Japan * Service provider also bears some part of operation cost.
Service provider	Social Welfare Corporation Tasukeai Yui
Intermediary	Public Management & Social Strategy Institute (PMSSI)
Independent evaluator	Meiji University Program evaluation Institute
Duration of partnership agreement	12 months (since October 2016)
	The agreement is valid until March 2020, and is likely to be renewed and converted into SIB.
Operational cost	7,500,000 JPY (=GBP 58,000, USD 70,000)



KEY FEATURES OF YOKOHAMA CITY SOCIAL IMPACT PROJECT

- Not a proper SIB, but a **pilot experiment**. Aimed at developing impact measurement model, with view to launch a SIB in the future.
- Stakeholder relationships based on **interdependent collaboration model**, supported by development of **shared measurement system** ('collective impact').
- Idea has roots in the **community**. Worked in partnership with **local social sector service provider**.
- Wide-ranging perspectives on what 'outcomes' means: not about fiscal value, but about **wider social outcomes** (e.g. social and family relations, social capital).
- Looked at 'value' through SROI, not just fiscal savings.



EXAMPLE OF MORE RECENT DEVELOPMENT: KOBE CITY SIB (1)

Location	Kobe City	
Policy area and Intervention		
Policy area: Preventative healthcare	Preventing aggravation of diabetic nephropathy	
Intervention	<p>(1) Health guidance program by public health nurses.</p> <p>(2) Encourage take-up of medical examinations.</p> <p>(3) 2 episodes of consultation & 10 episodes of guidance by phone, over 6 months per person</p>	
Target Population	100 patients suffering from or at high risk of diabetic nephropathy who have been unexamined in medical institutions.	
Contracted Outcomes	<p>(A) Completion rate of program participants</p> <p>(B) Improvement rate of life customs</p> <p>(C) Rate of inhibition of lowering renal function</p>	



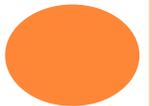
EXAMPLE OF MORE RECENT DEVELOPMENT: KOBE CITY SIB (2)

Stakeholders	
Commissioner	Kobe City
Investors	Sumitomo Mitsui Banking Corporation, SIIF and individual investors
Service providers	DPP Health Partners (company limited by shares)
Intermediary	Social Impact Investment Foundation (SIIF)
Independent evaluator	Institute for Future Engineering
Contract duration	33 months (contract signing in July 2017)
	July 2017 to March 2018: Intervention by service provider April 2018 to March 2020: Evaluation of program outcomes
Investment size	31,540,000 JPY (=GBP 220,000, USD 284,000)



KEY FEATURES OF KOBE CITY PREVENTATIVE HEALTHCARE SIB

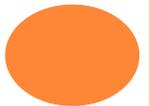
- Contracting process **lacks transparency**, and **isn't competitive**.
- Based on **efficiency oriented contractual relationship model** and not **interdependent collaboration model**. Contract framework, outcome metrics, payment model, investor, service provider and evaluator were all proposed by SIF.
- Social sector providers not considered.
- Focus on **individual outcomes in relation to fiscal savings**, and not on wider social outcomes.
- Expectation for **long-term reduction in medical cost and improvement of quality of life to result from such short-term intervention** is problematic. No robust evidence for causal relation.



SIB DEVELOPMENT IN THE UK: CHANGES OVER TIME

- Strong multi-dimensional **central government support**.
- Fund-based approach common:
 - In early days – central government as main/sole outcome payer. Rate card approach.
 - More recently – incentivize **local commissioners** to pay for outcomes. Central government seen as ‘enabling’.
- Narrative around SIB:
 - In early days – ‘**alternative financing**’, new ‘**commissioning tool**’.
 - More recently – part of an ‘**inclusive economy**’ approach, part of ‘**civil society**’ strategy.
- Increasingly active encouragement of collaboration and engagement:

‘Please outline what you have done / will do to develop [the SIB] to ensure it best supports service users. Please reference how you have researched their needs and consulted with them, as well as how you will continue to do so’ (LCF guidance, 2017).



EXAMPLE OF A 'COMMISSIONER-LED' SIB IN THE UK

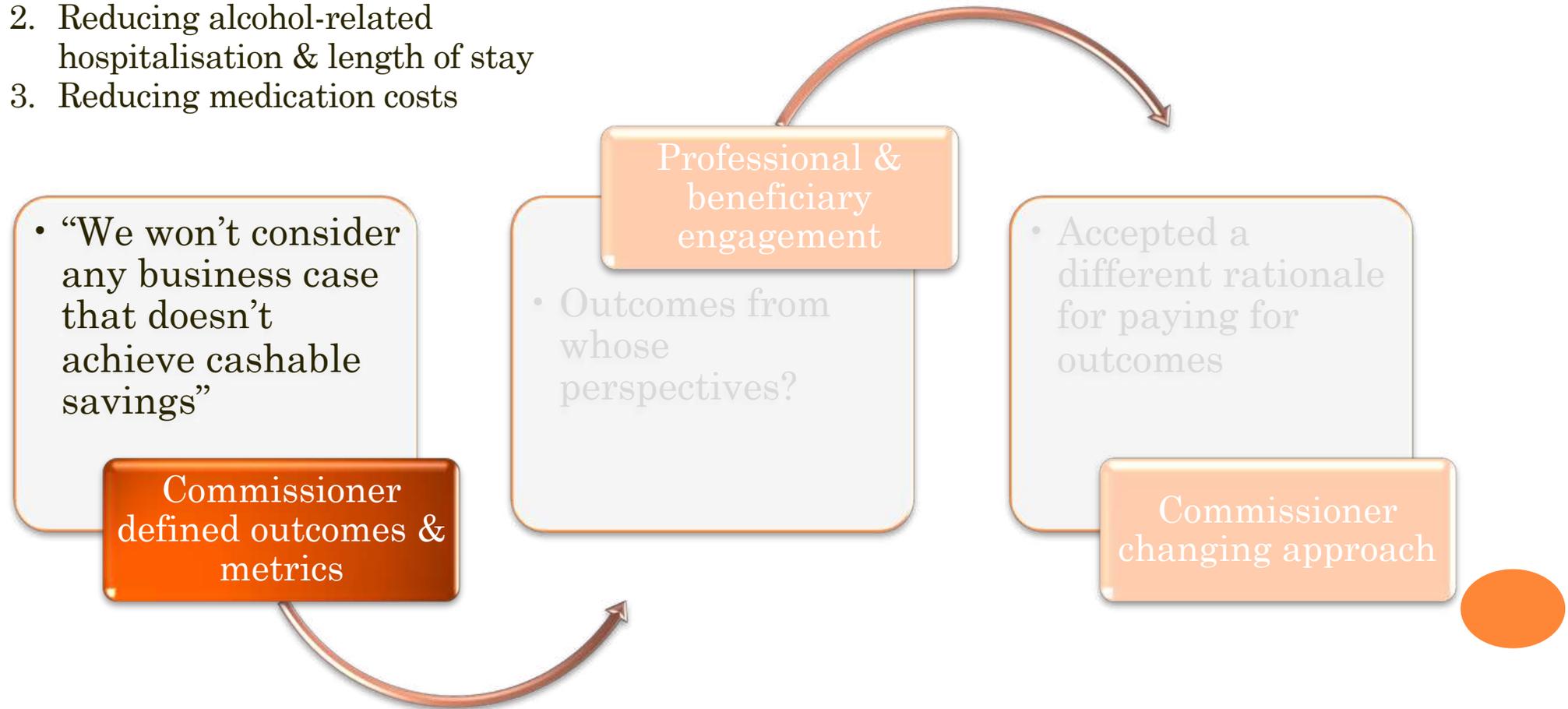
Location	South West England
Policy area	Health and wellbeing
Target cohort	430 patients (aged 30 to 54) who have been admitted to hospital for an alcohol-related issue in the preceding 12 months, but are not at or near 'end-of life'.
Duration	6 years
Intervention	Holistic bespoke support systems that meet individual needs and support them to recognise and develop their personal strengths, through co-production. Coordinated systems to pull seamless support around individuals.
Outcome payers	One NHS body and two local authorities
Service providers	Consortium of local social sector service providers
Social investor	TBC
Investment size	c. £1.75million



EXAMPLE OF A 'COMMISSIONER-LED' SIB IN THE UK

Initial priorities included:

1. Reducing alcohol-related A&E attendance
2. Reducing alcohol-related hospitalisation & length of stay
3. Reducing medication costs

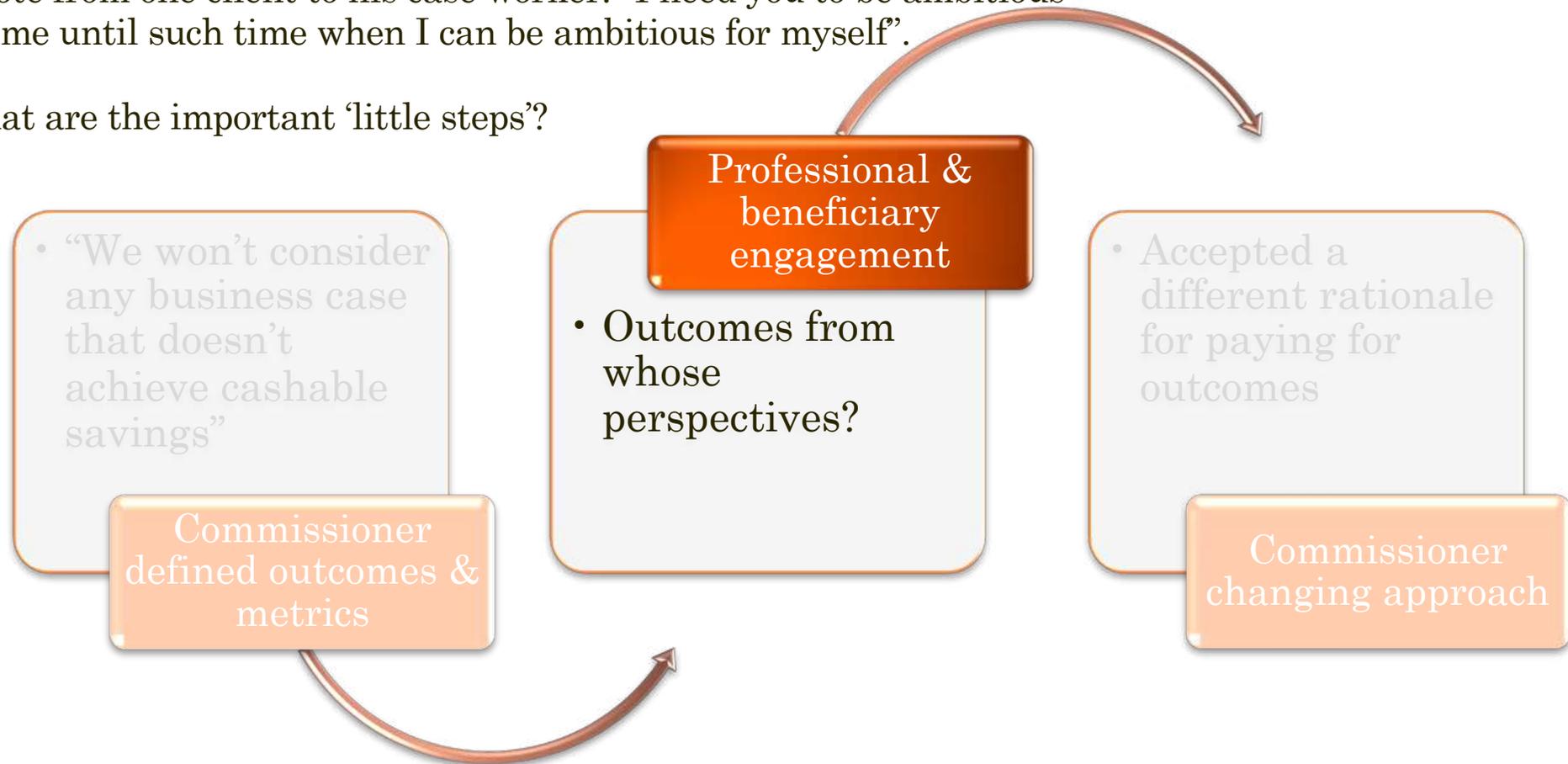


EXAMPLE OF A 'COMMISSIONER-LED' SIB IN THE UK

Professionals feel that wellbeing improvement is important to measure.

Quote from one client to his case worker: "I need you to be ambitious for me until such time when I can be ambitious for myself".

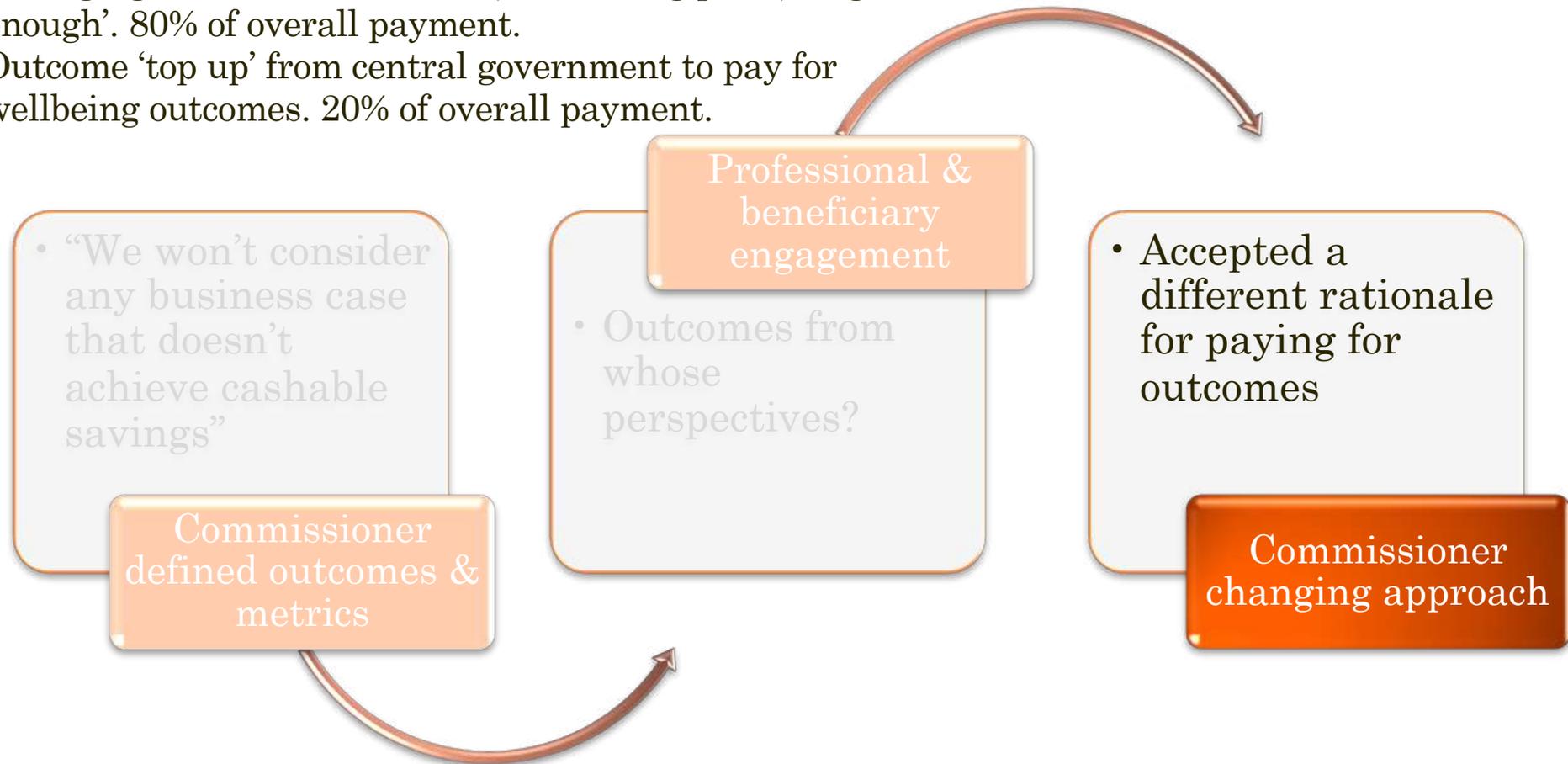
What are the important 'little steps'?



EXAMPLE OF A 'COMMISSIONER-LED' SIB IN THE UK

Commissioner accepted that:

1. Room for 'cashable savings' is minimal.
2. Managing demand on services (at breaking point) is 'good enough'. 80% of overall payment.
3. Outcome 'top up' from central government to pay for wellbeing outcomes. 20% of overall payment.



EXAMPLE OF A 'PROVIDER-LED' SIB IN THE UK

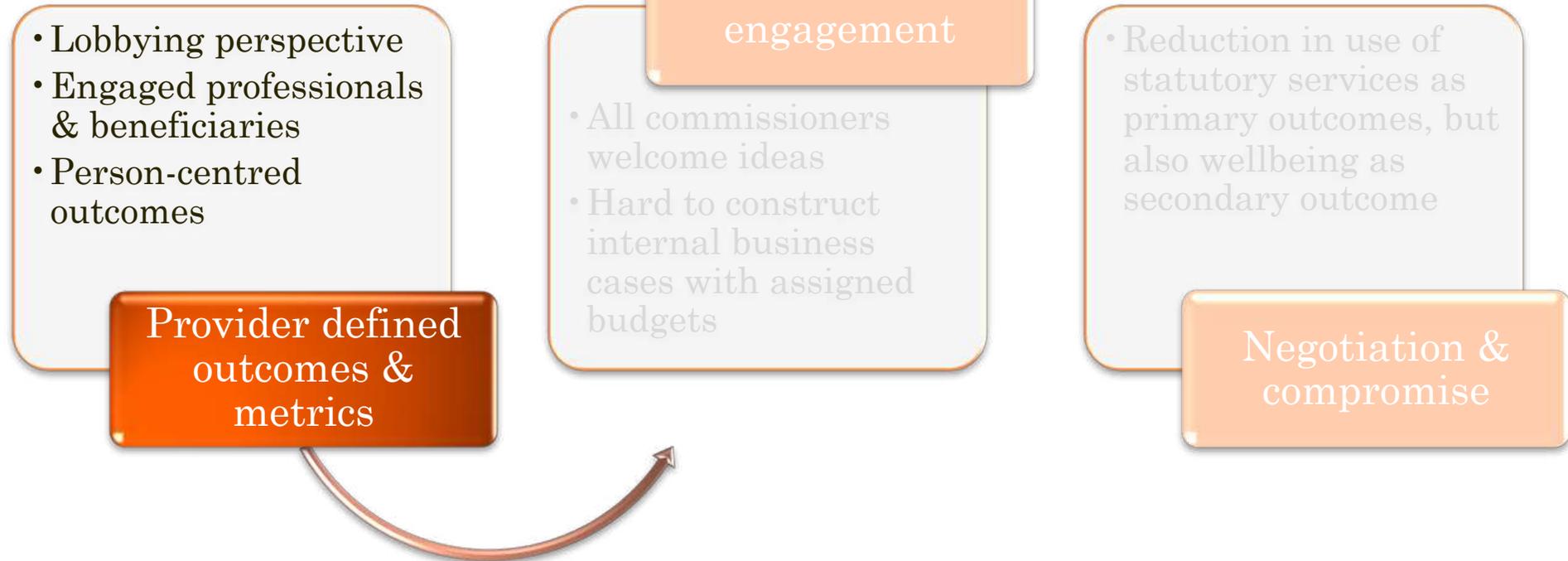
Location	South West England
Policy area	Health and wellbeing
Target cohort	9,000 people with 3 or more long term conditions who repeatedly visit their GPs for issues not primarily about medical treatment.
Duration	5 years
Intervention	Social Prescribing which provides a mechanism that enables people to set their own goals and to connect to non-medical and community support services.
Outcome payers	A local authority and an NHS body
Service providers	Consortium of large, national charities with smaller regional and local social sector providers
Social investor	TBC
Investment size	c. £4million



EXAMPLE OF A 'PROVIDER-LED' SIB IN THE UK

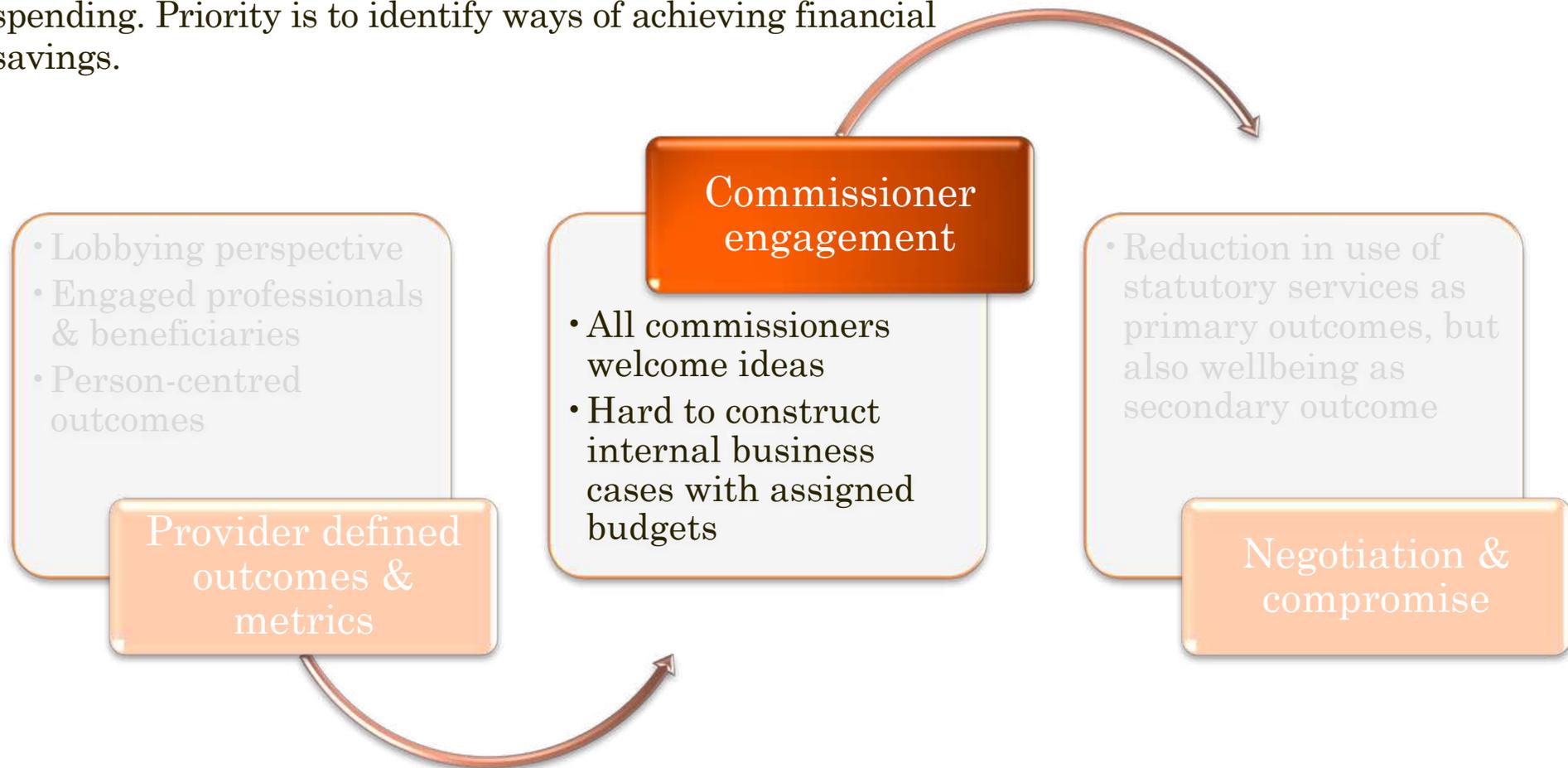
Initial outcomes included:

1. Self-defined goals, using Goal Based Outcomes Tool
2. Wellbeing, using Office for National Statistics Subjective Wellbeing Tool
3. Activation, using Patient Activation Measure



EXAMPLE OF A 'PROVIDER-LED' SIB IN THE UK

Local authority & health commissioners value social prescribing, but all struggling to narrow deficits in spending. Priority is to identify ways of achieving financial savings.



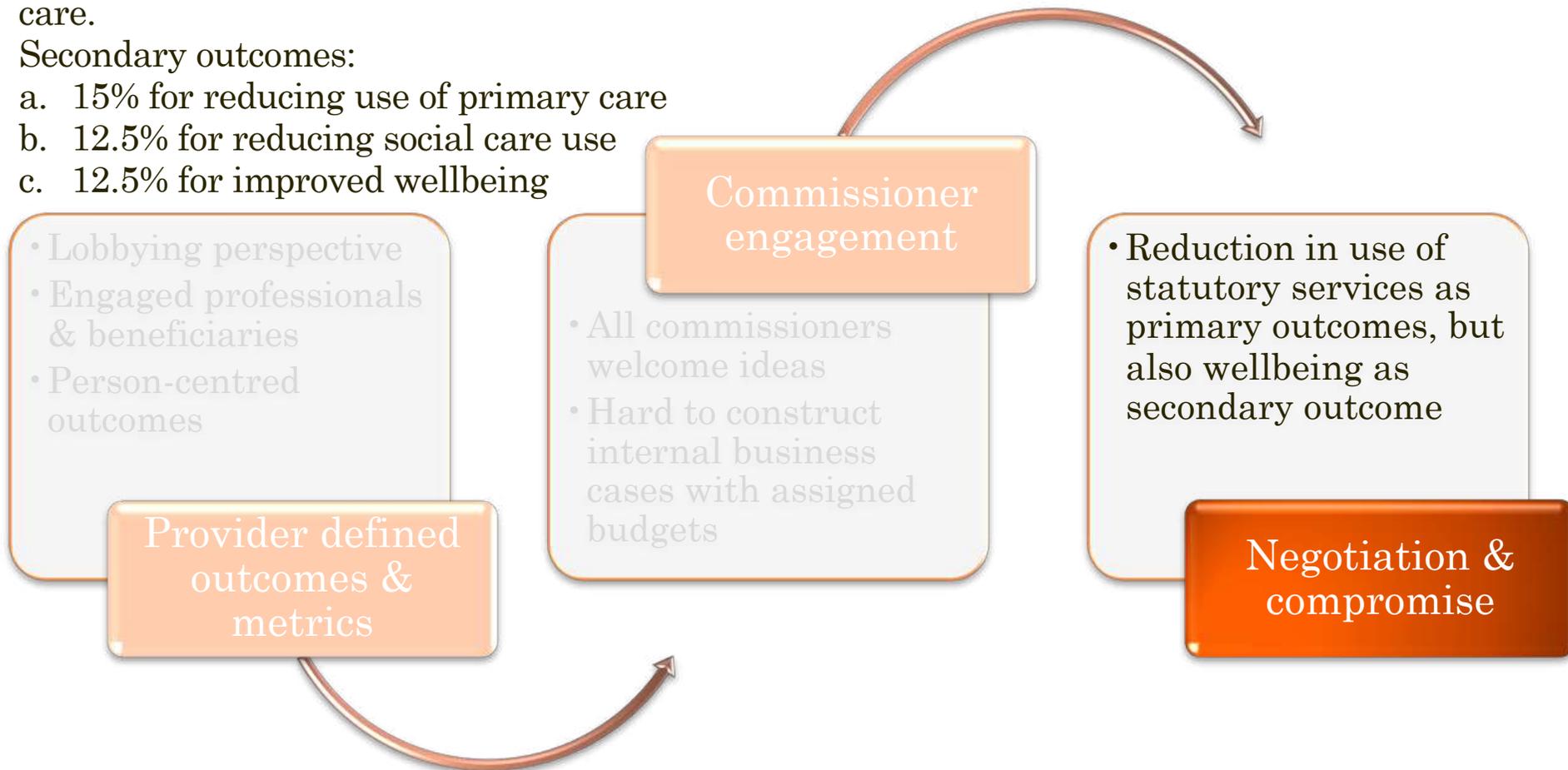
EXAMPLE OF A 'PROVIDER-LED' SIB IN THE UK

Primary outcome:

60% of overall payment is for reducing use of secondary care.

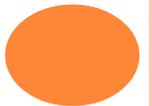
Secondary outcomes:

- a. 15% for reducing use of primary care
- b. 12.5% for reducing social care use
- c. 12.5% for improved wellbeing



CONCLUSION

- From **inter-organizational perspective**, over time, behaviours of various players can start resembling each other (“**institutional isomorphism**”) particularly if the focus is on technical design, the contractual framework and their standardization. This can influence the types of SIBs generated (e.g. particular policy areas), and the form they take.
- However, even if we treat SIBs as being based on contractual relationships, **more collaborative relationships** are needed for long-term commitment to a common agenda for solving a specific ‘wicked’ social problem (e.g. “**collective impact initiatives**” Kania and Kramer, 2011).
- This means looking at ‘outcomes’ and ‘value’ differently (e.g. ‘**social value**’ rather than ‘**fiscal saving**’).
- Viewing SIBs only through **NPM** lens limits potential for more holistic and collaborative approach towards solving social problems. Attention to ‘**co-governance**’ or “**co-production**”, as per **NPG**, is vital.



Using the results-based public procurement
approach as a tool towards better
governance in Latin America

Estela SOUTO and André QUADRA

Agenda

- Background;
- Selected case studies;
- Moving towards better governance: shifting from the traditional procurement process to a results-based approach;
- Pitfalls to avoid;
- Conclusion

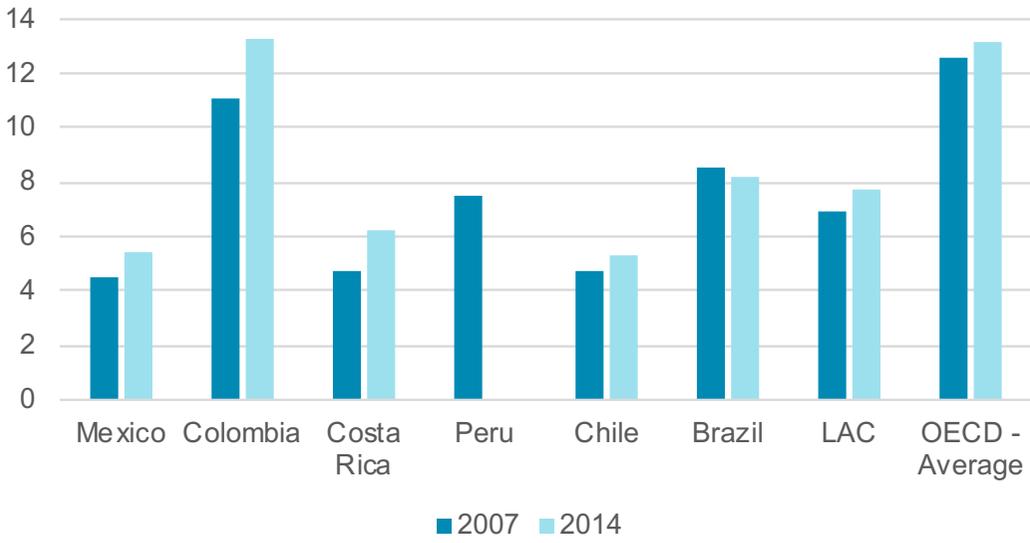


Section 1

| **Background**

Background: Relevance of public procurement in Latin America

Government procurement as percentage of GDP, 2007 and 2014



Sources: IMF Government Finance Statistics database and OECD Statistics.

Frequency of Procurement Methods in LatAm, 2016

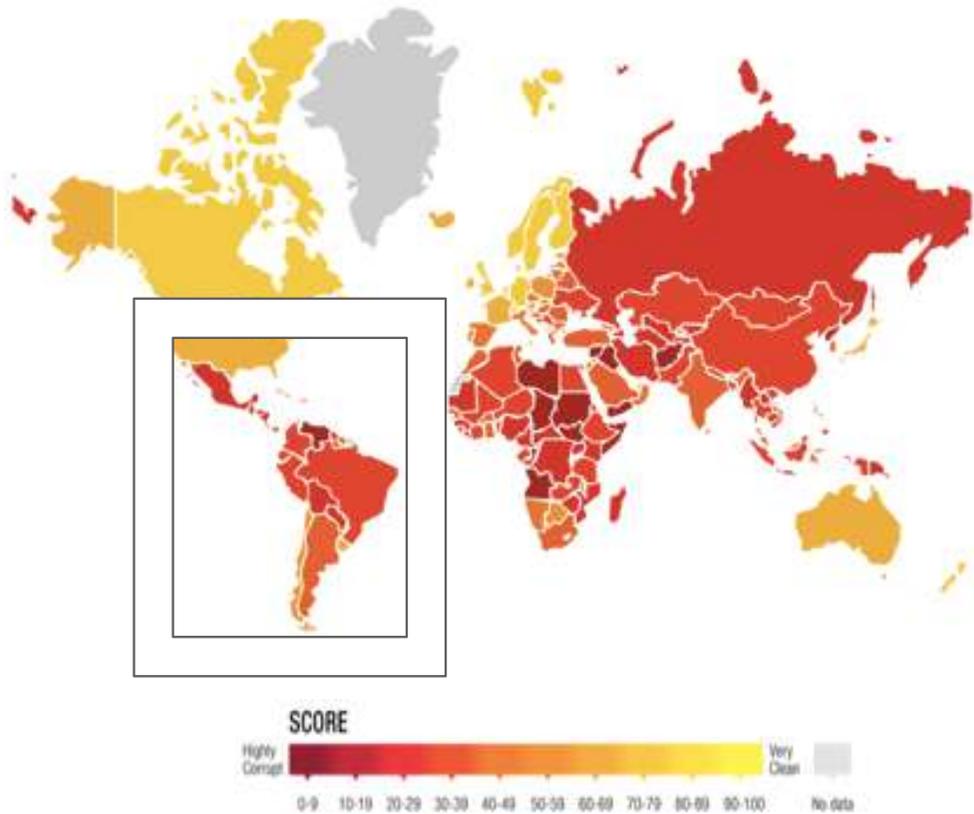


Source: Inter-American Development Bank, 2016. Public Procurement in Latin America and the Caribbean and IDB-financed project: a Normative and Comparative Study

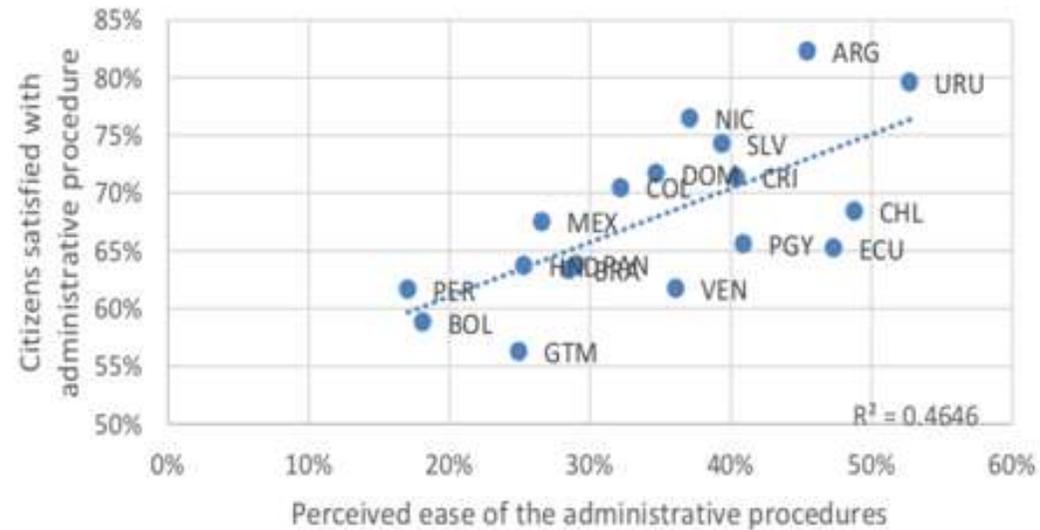
Background: The need for better governance in Latin America



CORRUPTION PERCEPTIONS INDEX 2018



The easier the administrative procedures, the more satisfied are the citizens



Source: OECD (2018), Integrity for Good Governance in Latin America and the Caribbean: From Commitments to Action, OECD Publishing, Paris.

Section 2

| Selected case studies



Sao Paulo, Brazil

- 2014 (not launched);
- Target population: students from public schools;
- Impact: reduction of high school drop-out rates

Colombia

- March 2017;
- 514 vulnerable young individuals;
- Impact: job placement and job retention

Argentina

- March, 2019;
- Target Population: 1,000 NEETs in 5 deprived boroughs of Buenos Aires;
- Impact: job placement

Peru

- January, 2015;
- Target Population: indigenous cocoa and coffee producers;
- Impact: improvement of cocoa quality and coffee plots



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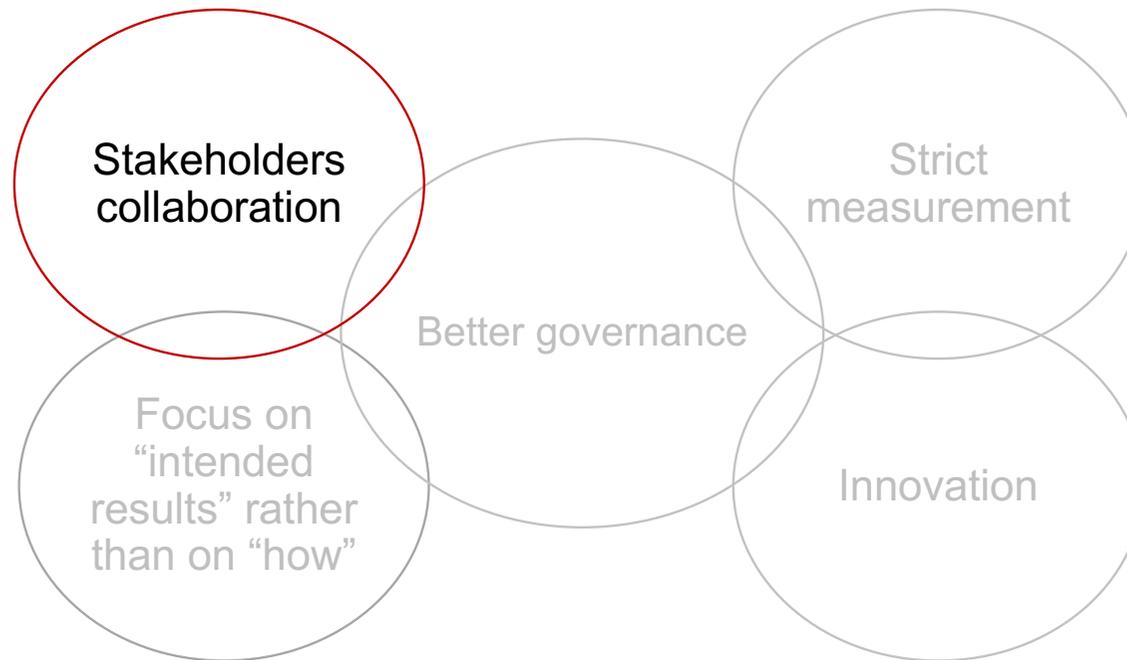
- January, 2015;
- Target Population: indigenous cocoa and coffee producers;
- Impact: improvement of cocoa quality and coffee plots

Section 3

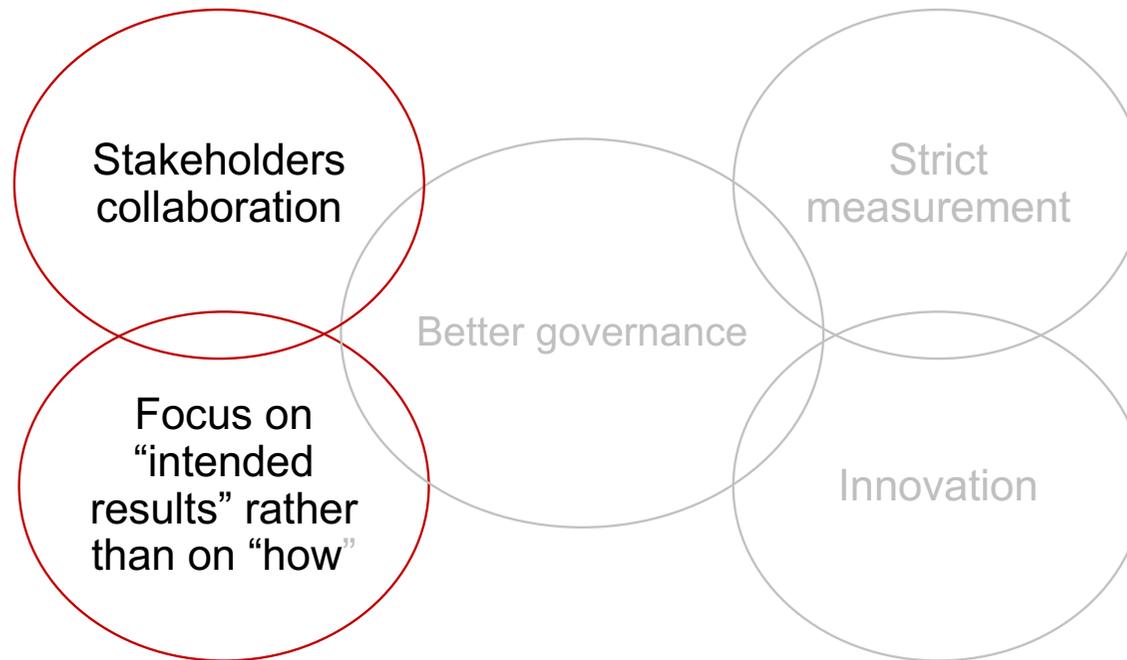
Moving towards better governance

Shifting from the traditional procurement process to a results-based approach

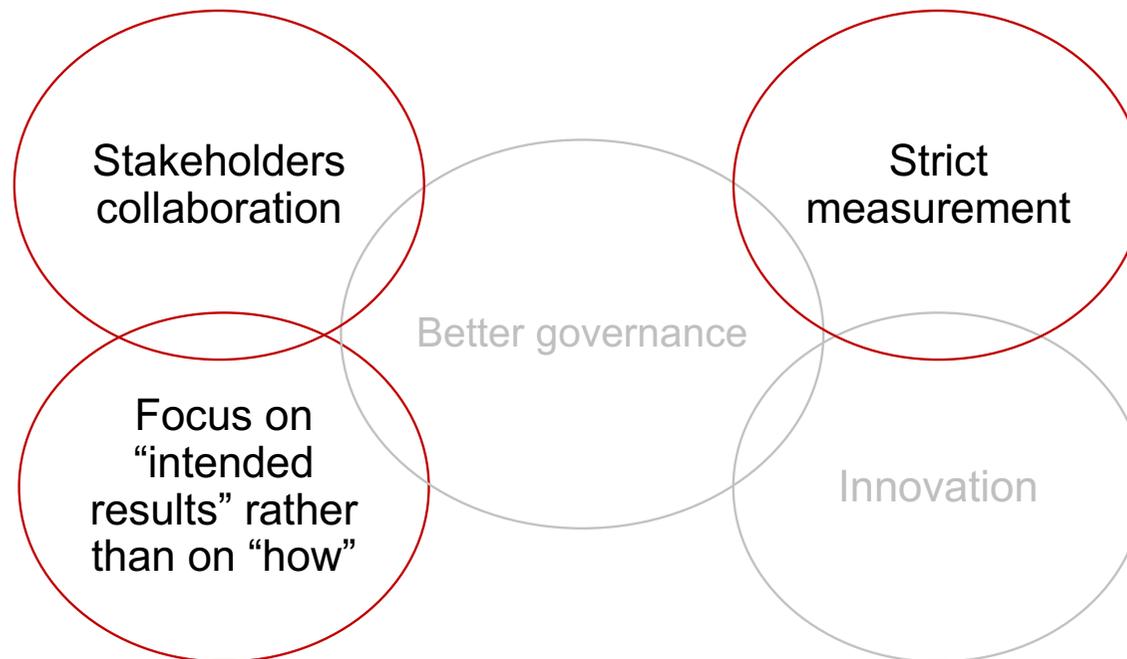
Moving towards better governance: concrete cases from LATAM



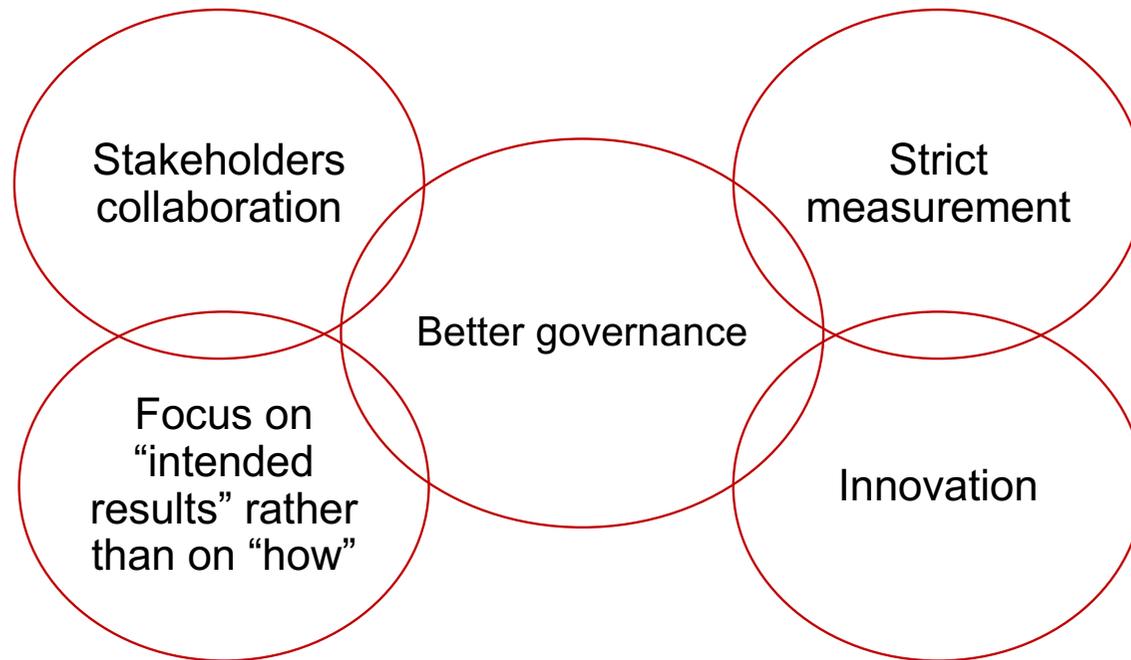
Moving towards better governance: concrete cases from LATAM



Moving towards better governance: concrete cases from LATAM



Moving towards better governance: concrete cases from LATAM



Section 4

Pitfalls to avoid

Risks and pitfalls: lessons from the region

Data and methodology

- Scarce public information;
- Unclear methodologies;
- Poor indicators

Stakeholders engagement

- Lack of involvement and engagement with the target population, academia, financial industry, and independent evaluators

Scale

- Individual mechanisms are time consuming, expensive and complex

Section 6

Conclusion

Thank you!

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andre.quadra@sciencespo.fr



GOVERNMENT
OUTCOMES
LAB

Coffee Break





GOVERNMENT
OUTCOMES
LAB

Session III.I – Impact bonds: The provider perspective (Seminar Room 1)

Louisa Mitchell, *West London Zone*

Tom Jefford, *Family Psychology Mutual CIC*

Gary Wallace, *Plymouth Council*

Chair: Tim Gray



@ukgolab
#SOC19



West London Zone

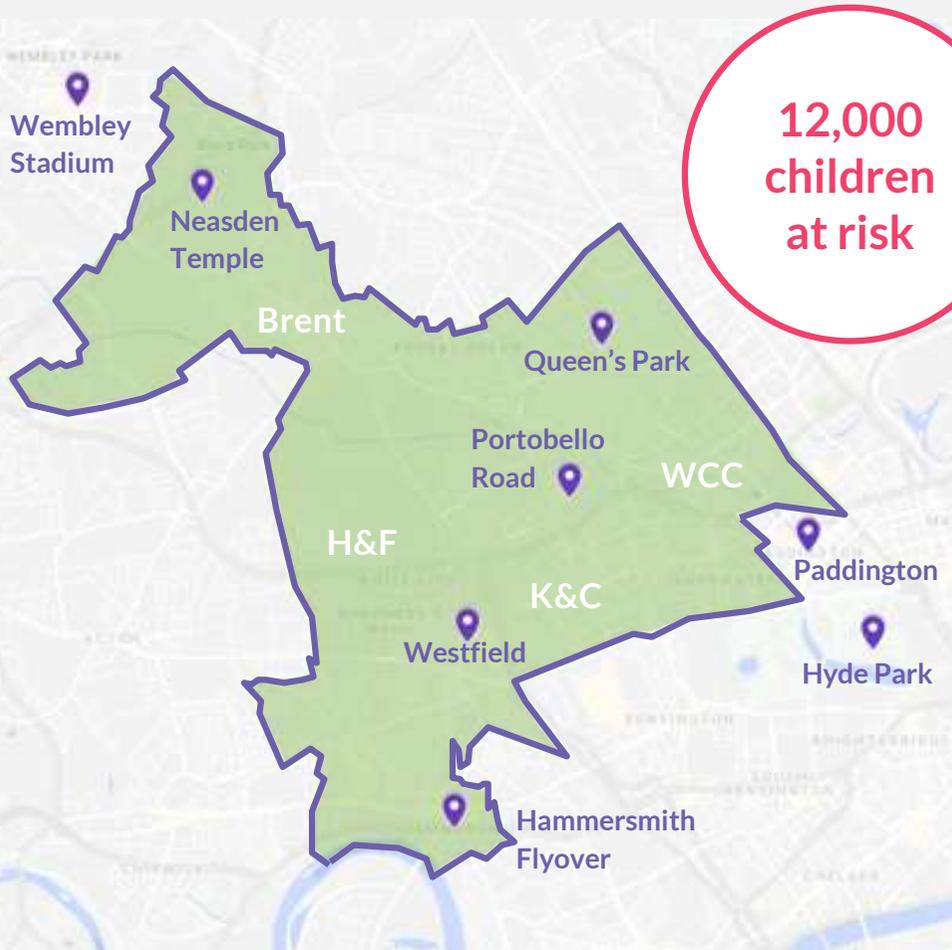


1. Why we exist

“Before I started going to my Link Worker, I was always fighting, messing about, but ever since I started I’ve been concentrating more on my lessons, and she’s really good at getting people on the right path.”

WLZ Child

Why We Exist



Simon, age 13, when we first met him



- No aspirations
- Lonely and vulnerable
- Worrying mental wellbeing scores
- Struggled to concentrate
- Bottom third for English and Maths
- Truancing (teachers unaware)
- At risk of exclusion
- Mother too scared to come to school
- Not accessing or eligible for any formal support



2. Our solution

“WLZ is brilliant. We don't have access to these services because of budget cuts and everything else. With WLZ we can work with children who are on the cusp, who don't have access to enough support because they don't have a special need. They simply wouldn't get this opportunity without WLZ.”

Head of Primary

TWO YEARS



Link worker

- ▶ Trusted adult relationship with child and family
- ▶ Empowers child to achieve goals
- ▶ Manages and delivers specialist support

Family



- ▶ Co-designs and reviews support plan
- ▶ Supports delivery throughout
- ▶ Mobilised to build on progress after programme ends



Statutory services

- ▶ Early Help, school and West London Zone jointly identify children
- ▶ The West London Zone programme is based in school

Community



- ▶ Specialist support delivered by charities
- ▶ Local public and private funding aligned around individual children
- ▶ Whole community ambition

Emotional and mental wellbeing

Positive relationships

Progress at school

Confidence and aspiration

REVIEW AND REFINE PLAN



The Reaction to the Design/Pilot



In favour	Confused
‘The system is broken, so we’ve got to try something and maybe this is it’	‘This is going to be very hard.’
‘We need local and sustainable solutions and this is the best we’ve seen so we may as well try it.’	‘What gives you the legitimacy to do this?’
‘We know that we don’t properly know the children we work with and we have no way of doing so.’	‘We do all this already, we don’t need you. And we don’t do partnership.’
‘We know we aren’t getting to the children who need support the most and we should see if this way works.’	‘Yes these are good results, but I want to see the impact of this in 25 years...and I only want to give you one year of funding.’
‘We aren’t very good at working together with children and we know we would serve them better if we did.’	‘We don’t do social impact bonds..... You’re going to bring more funding into our area? Maybe we do.’
‘Competing for funding creates problems in our sector, you’ve got to design a funding model that actually enables your collective delivery model.’	‘But this is the kind of thing every vulnerable child should have so we can’t do it.’

What We Do



1. IDENTIFY CHILDREN
AND YOUNG PEOPLE

2. DELIVER 'INDIVIDUAL
SUPPORT PLAN'



3. MANAGE PROGRESS
AND DRIVE IMPACT



What We Do



'Trusted adult' relationship



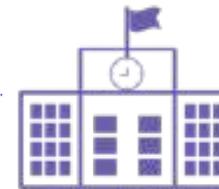
Engages parents



Identifies goals and sets plan with child



Manages delivery partner support



Based in school, 'community-facing' (e.g. linking)

Two-year plan, specific to every child

Informal engagement	Delivery partner specialist support	Developmental support	Formal engagement
Build trusted relationship; review short-term goals	Expert partners targeting WLZ outcomes	Link Worker support targeting WLZ outcomes	Review medium/long-term goals; review Plan
Regular 'check ins' with child, at lunch or after school; regular communication with family	Needs-based: e.g. counselling, therapy literacy, maths	Small group sessions to pursue own development and learning, e.g. Growth mindset, Athletics	Scheduled 1:1, collaboration with child, family, school, statutory services
	Strengths-based: e.g. debating, football, coding, boxing		
	Widening horizons: e.g. trips, careers		

Day in the Life of a Link Worker



Link workers are based in schools full time for maximum visibility and accessibility.

Morning

- Greet children at school gates, remind them of the day's partner support sessions
- Check in with parents; discuss child's progress
- Attend a Team Around the Child meeting as requested by a mum
- Quick catch up on admin work; check in with teachers on classroom progress

Lunch

- Visit playground to check in with children; text parents pictures from art therapy session
- Eat in canteen with children; discuss morning lessons

Afternoon

- Meet with children chosen for Innocent Drinks HQ workshop to discuss expectations and logistics
- Hold two formal 1:1 engagements with children: check in on progress and do self-esteem exercise
- Round up children for Maths and English session with our partner Team Up
- Make certificates for achievement at last session of term; announce children who will receive gold postcard at school assembly tomorrow morning



4. Our Funding Model

”Rather than just writing a cheque and hoping for the best, we wanted to give in a way that makes the project more likely to succeed. Projects like West London Zone are the future of philanthropy.”

Philanthropic Funder

Collective Impact Bond 1



*Commissioning Better Outcomes fund (Cabinet Office/Big Lottery Fund).

*Cabinet Office/National Lottery Community Fund (Big Lottery)

Partnership in Action

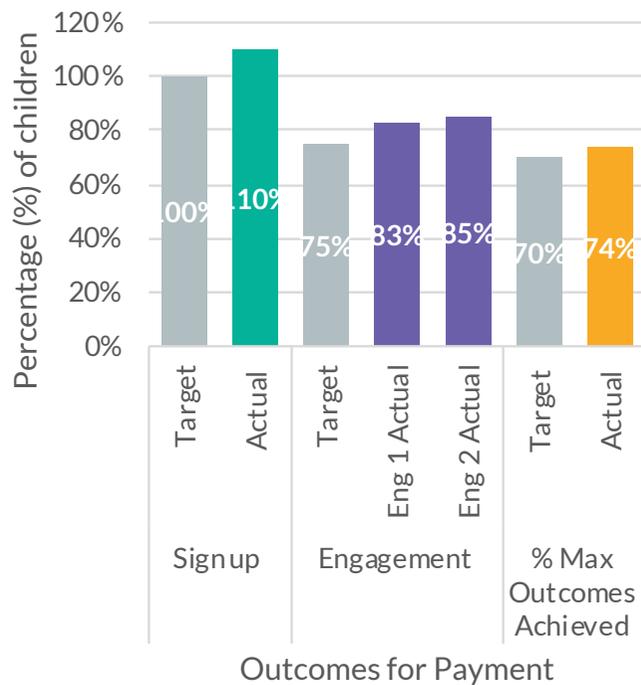


✓ Working to WLZ Outcome Area(s)	✓ Aligned with WLZ Theory of Change in:	✓ Sourced via WLZ Quality Framework	✓ Quality Assurance	✓ Impact Monitoring
Emotional and mental wellbeing	Design	Research	Observation	Engagement
Positive relationships	Delivery	Impact Report	Feedback from Child, Family, Link Worker, School	Attendance
Engagement and aspiration	Monitoring	Meetings	Review meetings (two per annum)	Outcomes
Progress at school	Benefit Sustainability	Observation Testimonies	Annual 'health check'	

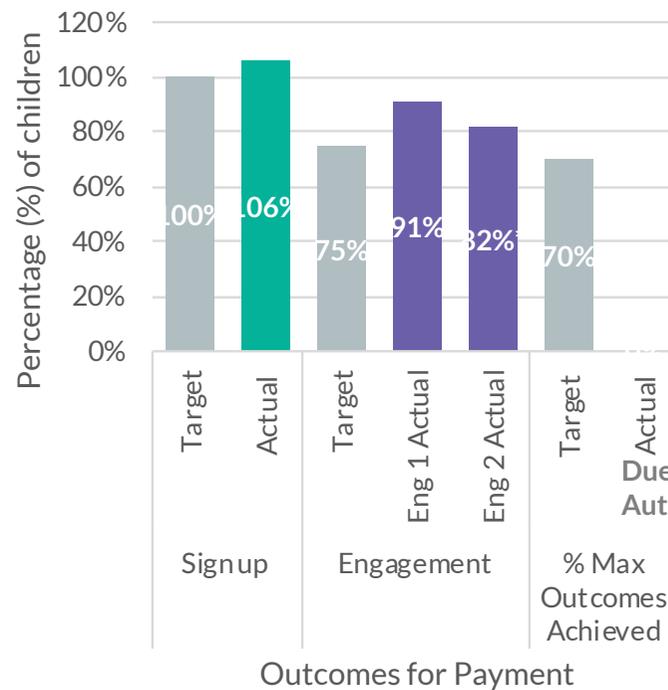
CIB Success Rates



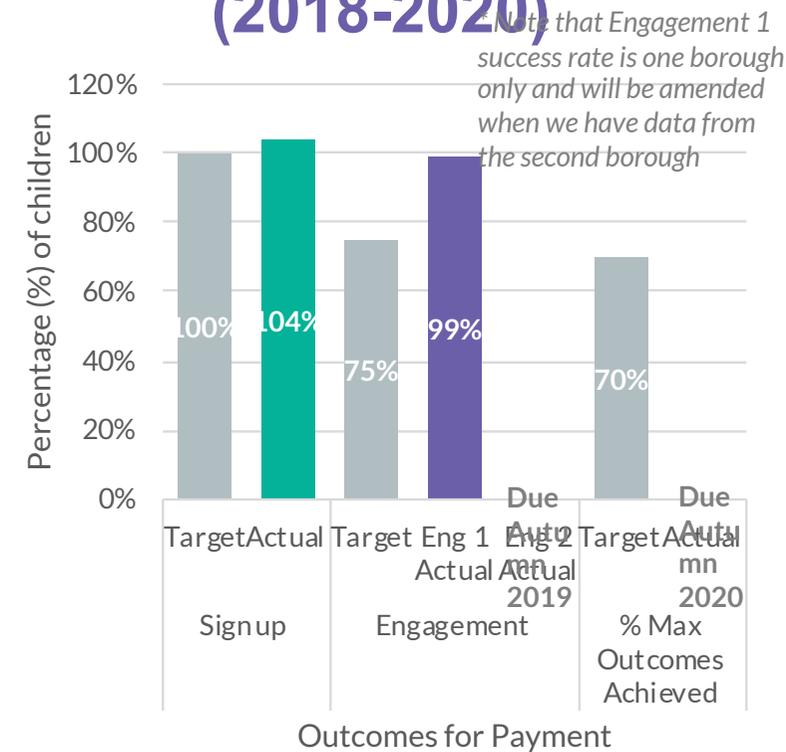
Cohort One (2016-2018)



Cohort Two (2017-2019)



Cohort THREE (2018-2020)





5. Scale up

WLZ is growing steadily year-on-year to get embedded deep in our Zone and now has a waitlist of schools.

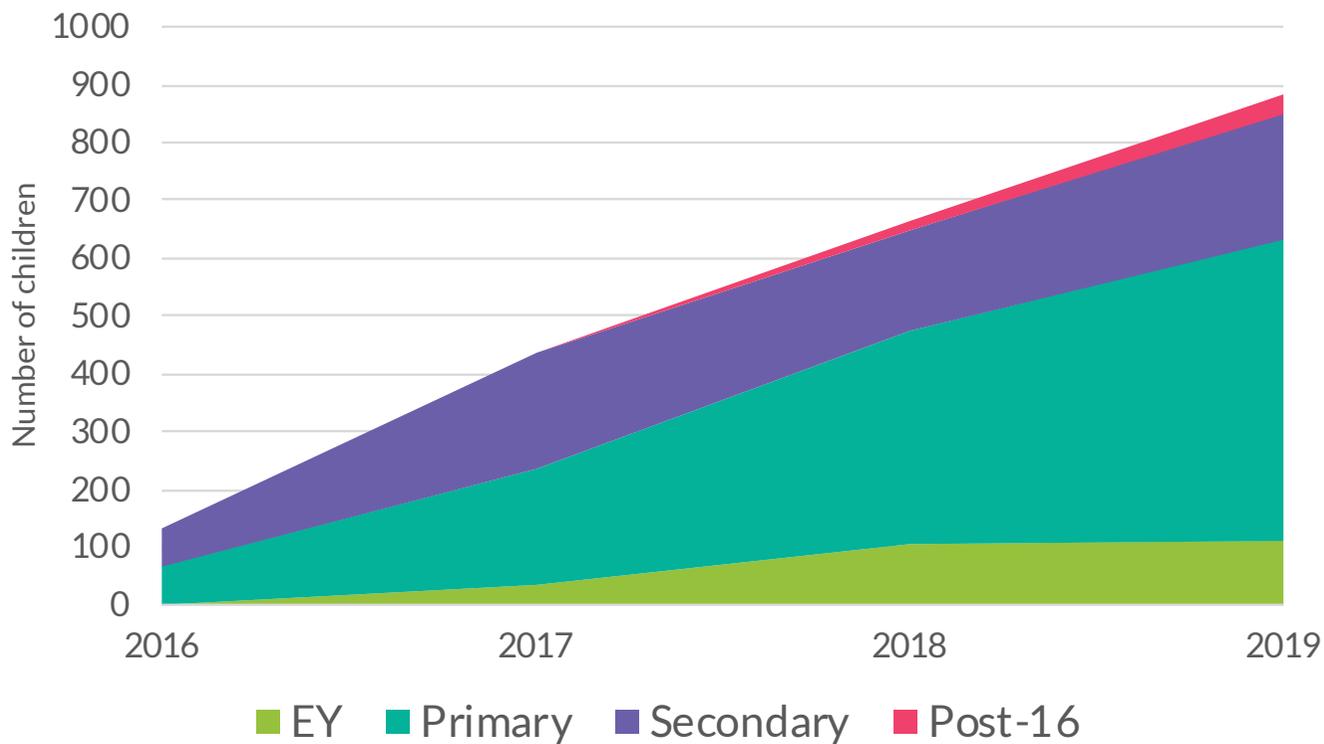
Collective Impact Bond 2



Growth in Reach



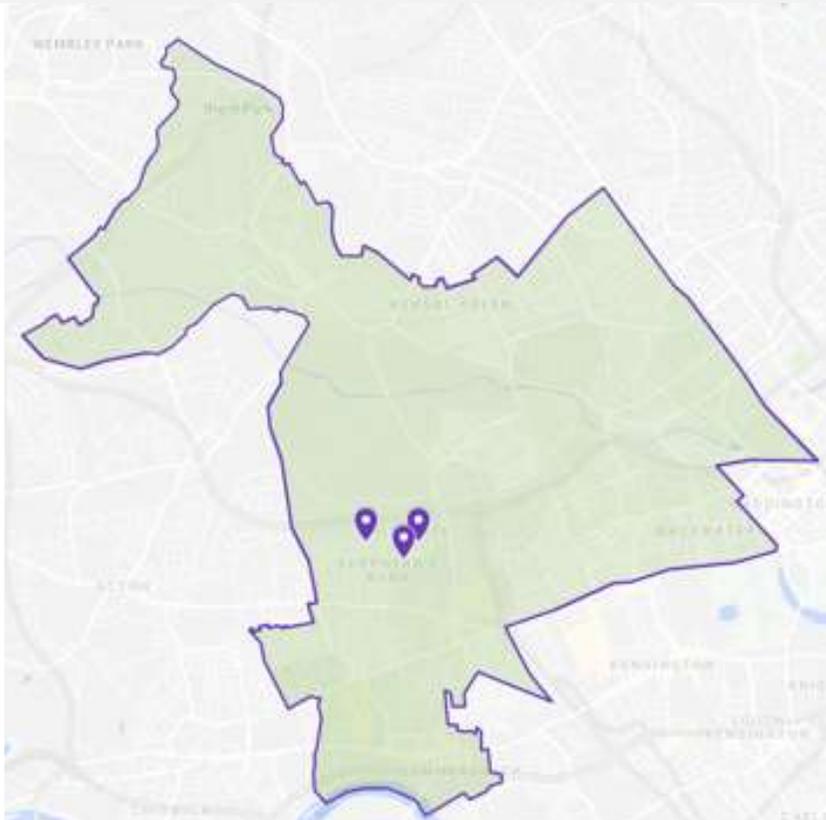
Growth in Active Children



Target to support 1000+ active children in 2021 and a total of 2,300 in LCF related contracts



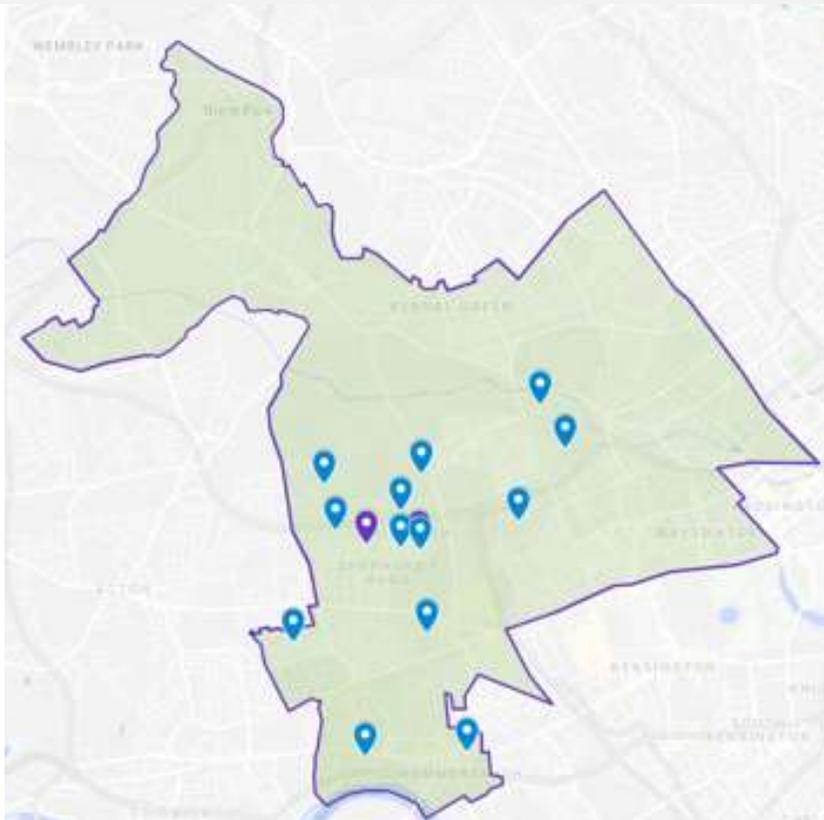
New Schools Growth –



- Randolph Beresford Early Years
- Ark Swift Primary
- Phoenix High School

3
Schools

New Schools Growth -

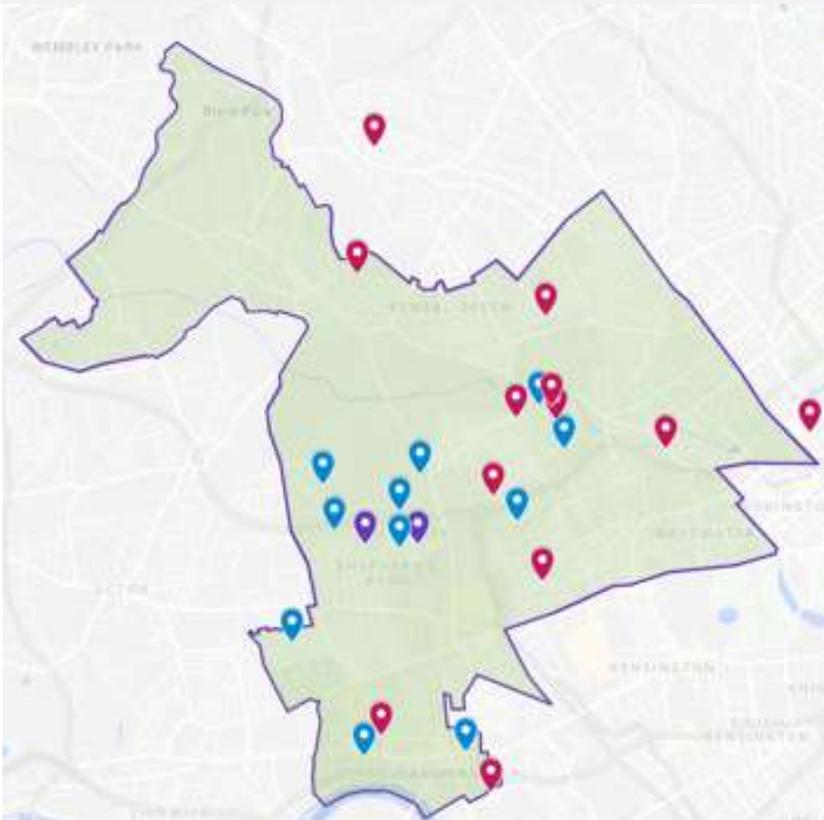


- Ark Swift Primary
- Phoenix Academy
- Ark BDA Academy
- Old Oak Primary
- Wendell Park Primary
- Harmony Nursery
- Ark Conway Primary

- Ark Bentworth Primary
- St John XXIII Primary
- Miles Coverdale Primary
- Sacred Heart High School
- West London Free School
- Kensington Aldridge Academy
- Ark Brunel Academy
- Bevington Primary

15
Schools

New Schools Growth -



- Ark Swift Primary
- Phoenix Academy
- Ark BDA Academy
- Old Oak Primary
- Wendell Park Primary
- Ark Conway Primary
- Ark Bentworth Primary
- St John XXIII Primary
- Sacred Heart High School
- West London Free School
- Kensington Aldridge Academy
- Ark Brunel Academy
- Bevington Primary
- St Thomas' CofE Primary
- St Clement and St James Primary
- Oxford Gardens Primary
- St Mary's Primary
- Flora Gardens Primary
- Barlby Primary
- William Morris Sixth Form
- Westminster Academy
- King Solomon Academy
- Newman Catholic College
- Ark Franklin Primary
- St Andrew and St Francis CE Primary

25
Schools

Collective Impact in Practice



Endorsements



"Projects like West London Zone are the future of philanthropy"
Philanthropist

"We see great value in having a 'one stop shop' where a variety of different types of additional, specialist support are made available to the school and the management of that school is conducted on the school's behalf. This saves staff a lot of time, and enables us to benefit from a much greater level of bespoke support than we otherwise might."

From a letter signed by a coalition of schools in support of WLZ

WLZ helps us access schools and pupils that we might not otherwise be able to work with. This increases our impact on pupils that need it the most. Additionally, the presence of the Link Worker means we get to know a lot more about the pupils and can understand their needs more holistically.

Delivery partner

"The communication and relationship with the Link Workers is very valuable and allows us to best prepare for the support we deliver with the young people."

Delivery Partner

"WLZ has managed to engage with parents we could not reach and now the whole feeling about the school is somehow more positive." *Vice Principal*

THE
CSJ AWARDS
2019

**Winner: Centre for Social Justice
Education Award**

Extras



Outcomes-based Payment Mechanism



Free	Payment 1	Payment 2	Payment 3	Payment 4, 5, & 6
	FY 1 - Q4	FY 2 - Q1	FY 3 - Q1	FY3 - Q2
	17%	17%	17%	49%

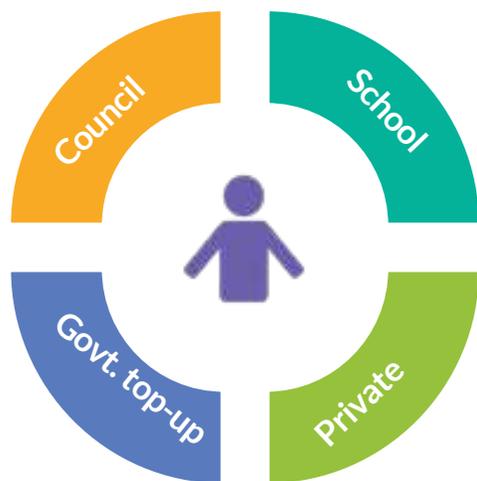
Child is identified as eligible for support

Child/family gives consent to participate

Sufficient interactions with LW and attendance at partner support

Maintained interactions and attendance

3 final payments from a possible 'rate card' of 7 (see below) at end of 2-year programme, if one engagement payment (2 or 3) has been met



- Reading (primary) / English (secondary)
- Maths
- Mental Wellbeing
- Writing (primary) / School engagement (secondary)
- School attendance
- Parental engagement
- Child / teacher satisfaction



100 reasons not to like it

The messy reality of implementation

Tom Jefford

Family Psychology Mutual CIC

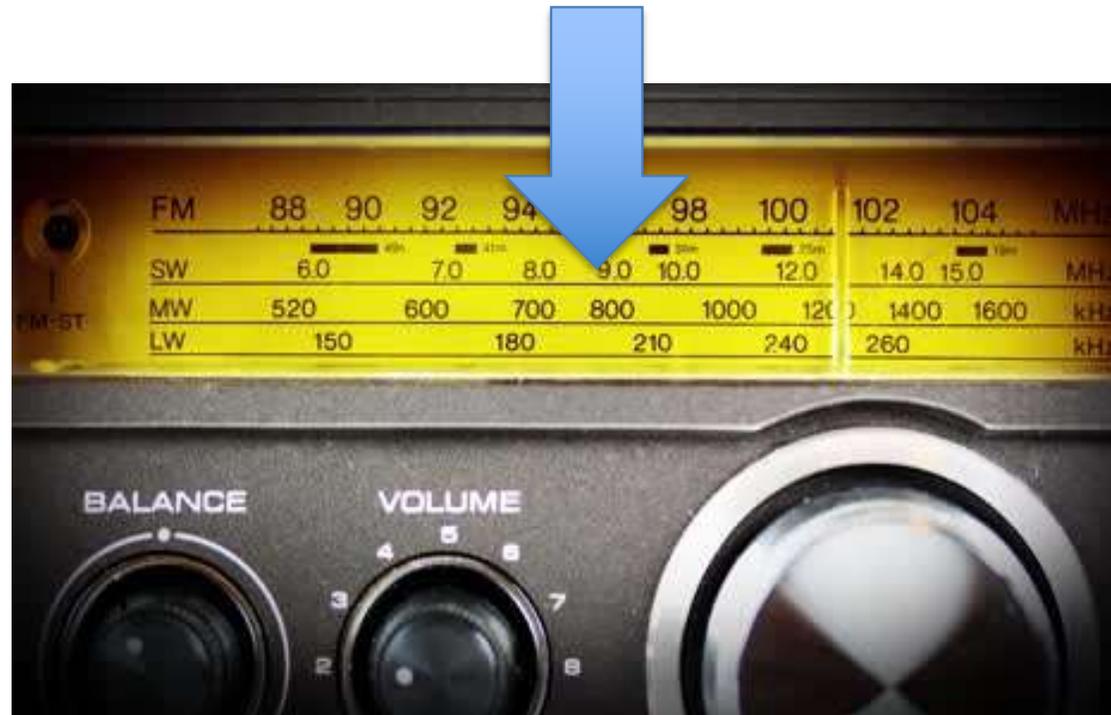
5th September 2019

Tom.Jefford@fpmcic.com

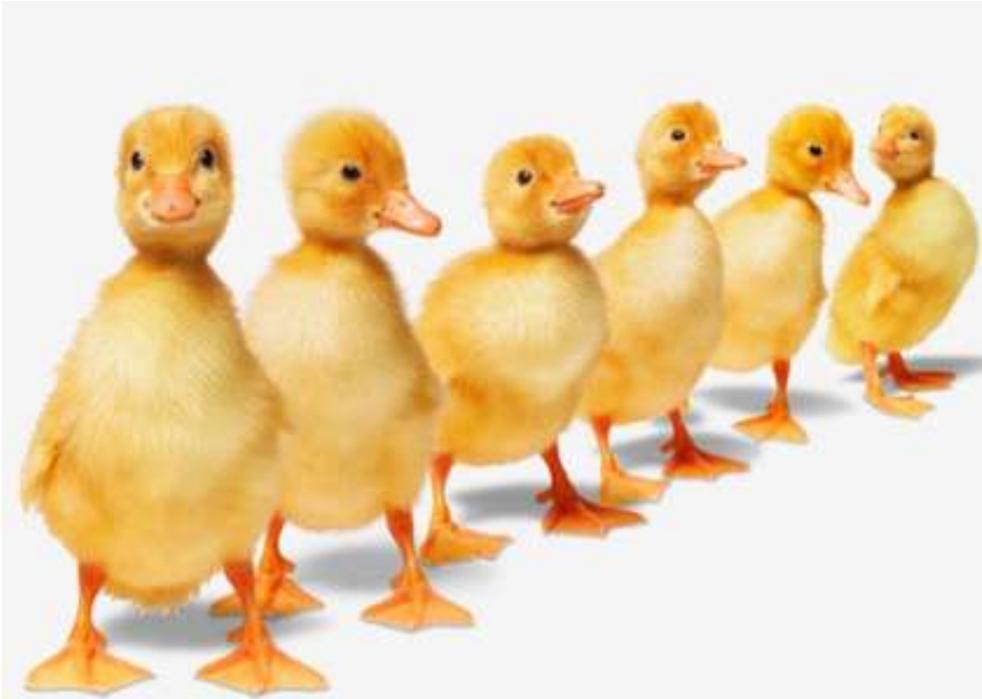
Implementation

“In public service, implementation refers to the process of putting a service, a policy, or a set of practices into application so that it achieves its intended outcomes to provide socially significant benefits to individuals and society. Even the best-designed services and programmes will fail if they are implemented poorly. Across the world, scientists, policy makers, funders and practitioners recognise that there is an implementation gap between what is known about effective services and how they are delivered in practice.”

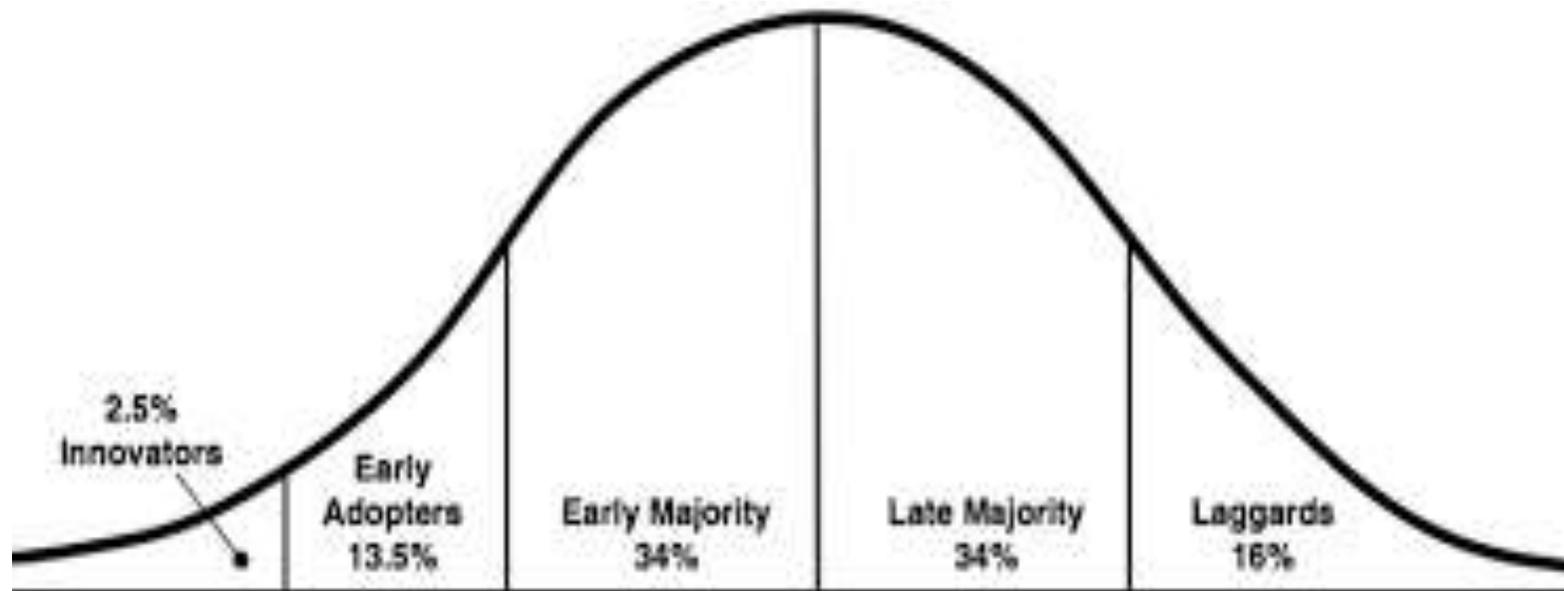
The implementation task is usually to wriggle, fit, squeeze or impose your innovation into the current bandwidth of services in your chosen setting



**Line your Local
Authority/Commissioner/Investor/intermediary ducks
up
Prepare to float your innovation on the lake**



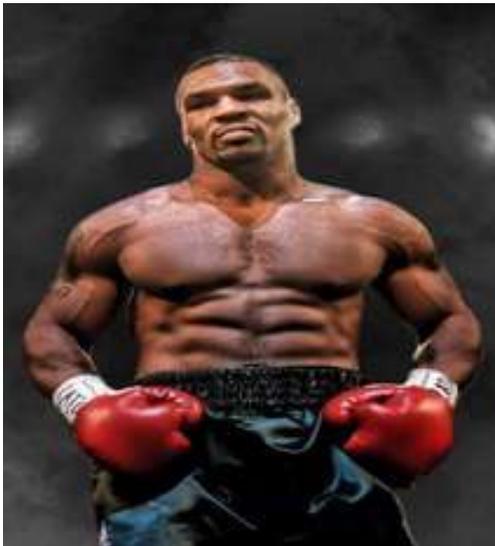
Who is trusted in the system? Clue – not you sunshine
(Rogers Diffusion of innovations theory 1962)



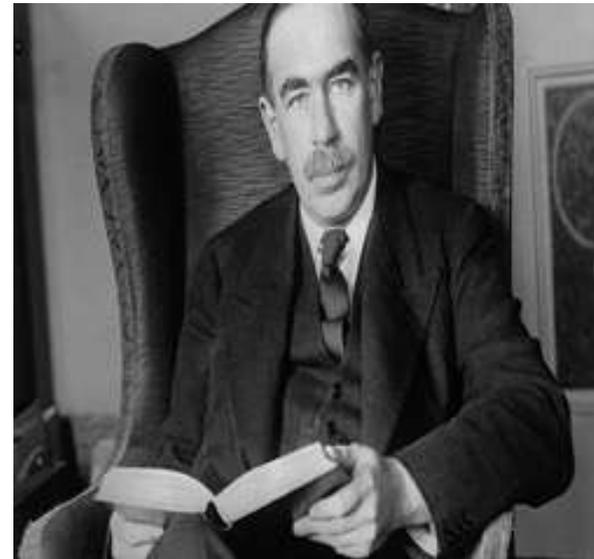
Source: Everett Rogers (Diffusion of Innovations)

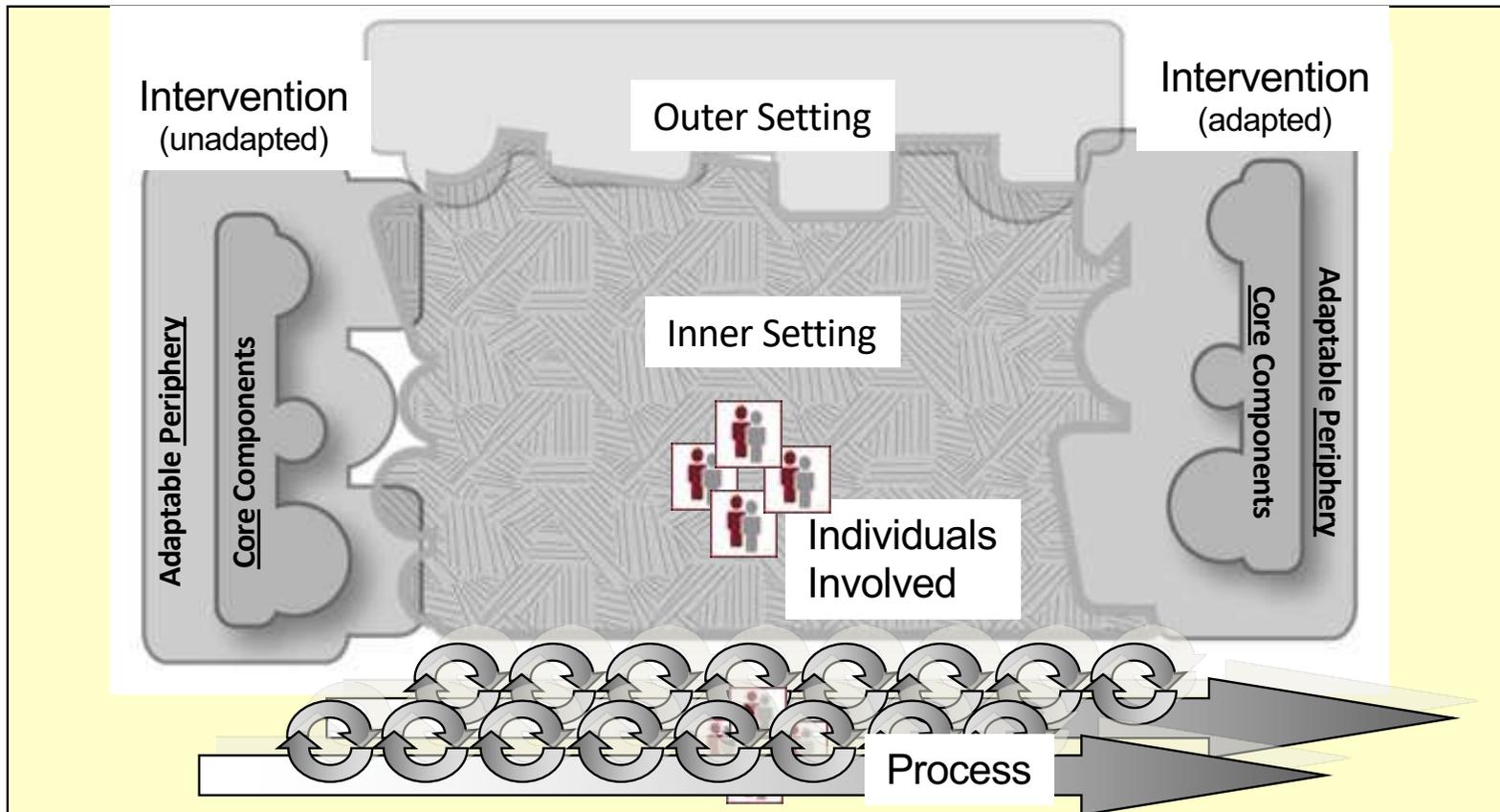
Prepare for the unexpected/resistance/rejection at individual, team and system level

Everyone has a plan until they get punched in the mouth - Mike Tyson



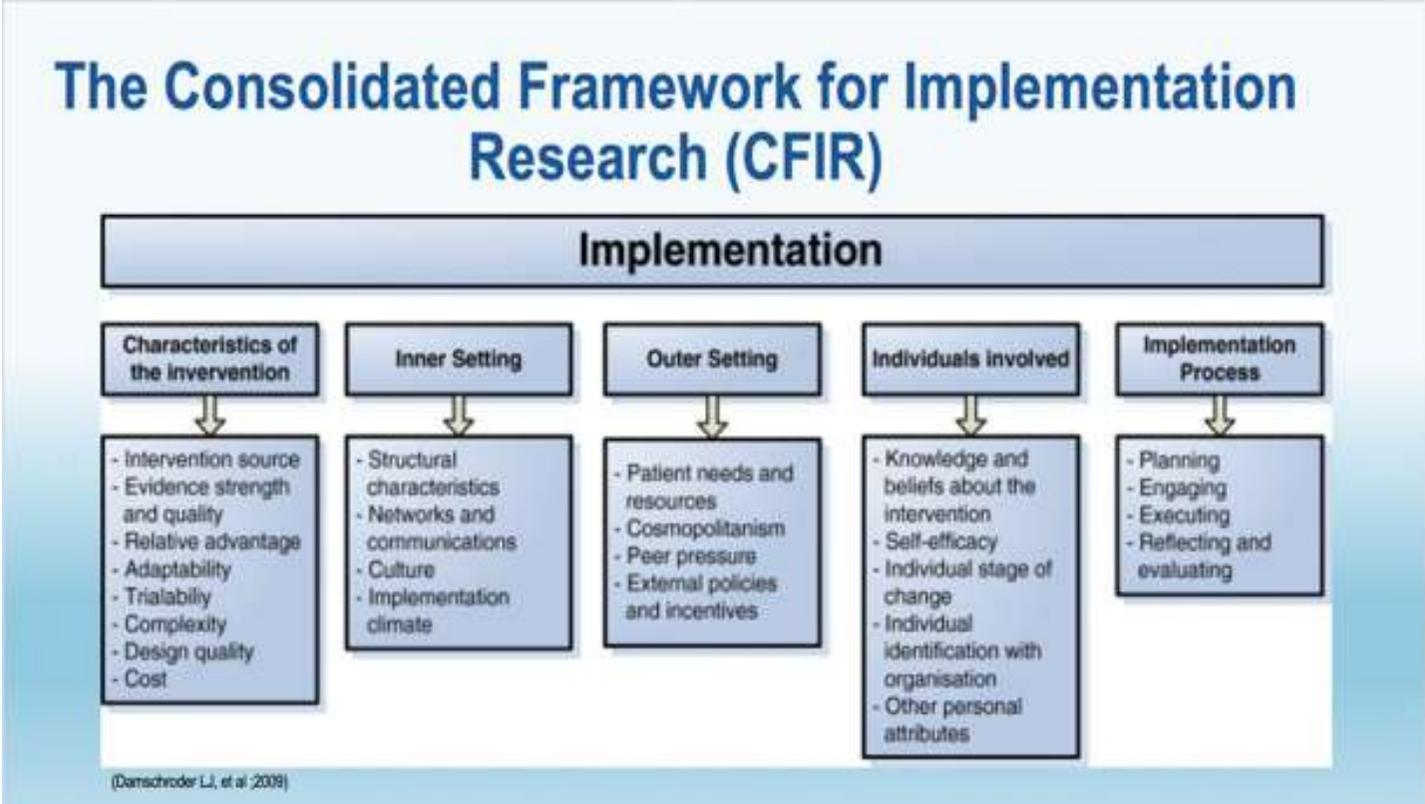
The difficulty lies not so much in developing new ideas as in escaping from old ones - John Maynard Keynes





**Consolidated Framework for Implementation Research
(Damschroder et al 2009)**

CFIR domains and constructs



Implementation issues might be related to...

- Lack of interest or too much effort (knowledge based)
- It will take a lot of time and attention (capacity)
- We had someone who was interested in this and then they left (single point of failure)
- Too complicated to set up, a waste of effort (perception)
- Members/CEX/DCS/Social Care/Finance Director/the ducks won't like it (political system)
- Dissonance with our values (ideological and value led)
- We don't do risk (risk aversion)
- We don't trust investors (relational, technical ability)
- We don't/won't learn from innovation. Ideas don't disseminate (knowledge transfer)
- We can't evaluate our own costs (financial)
- We can ignore this and so we will (stubbornness)

What will help

- Clear, consistent leadership
- A well attended, empowered steering group
- Simple guides in different formats (Goldilocks)
- Advice from trusted early adopters (relational)
- Clear articulation of the fit with values and outcomes (value led)
- Concentration on desired outcomes (the goal)
- Returning evidence of effectiveness to the system (communications)
- Attentiveness to implementation and watchfulness
- Succession planning for key staff and leadership
- Closing the implementation gap

**Performance management should keep everyone's feet
to the fire**





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Session III.II – Impact bonds around the world (Seminar Room 2)

Daniel Uribe, *Corona Foundation*

Rodney Ghali, *Policy and Innovation Unit, Privy Council Office, Government of Canada*

Pui Ting Wong, *Independent Practitioner*

Federico Diaz, *Ministry of Economy, Chile*

Chair: Andreea Anastasiu, *Government Outcomes Lab*



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SIBs to enhance the social investing market in Colombia

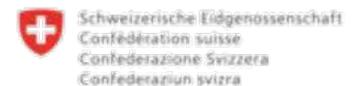
Daniel Uribe Parra, Executive Director - Fundación Corona

International Social Outcomes Conference

5th-6th September 2019



Fundacióncorona



Embajada de Suiza en Colombia
Cooperación Económica y Desarrollo (SECO)

WHAT IS SIBs.CO?

I

Payments for improved employment outcomes

First SIB “Empleando Futuro” with national government



Second SIB “Cali Progresá con Empleo” with local government



Outcomes Fund with national government



II

Market Building

SIBs as social policy instruments (National Development Plan 2018-2022)

Market mapping (budget and expenditure of employment and employability programs)

Concept studies (UNICEF-ICBF-PS)

Performance Management Platform

III

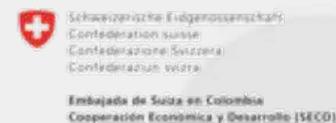
Scalability strategy activities and dissemination

Systematization of lessons learned

Process and impact evaluations

Participation in international groups and networks

Case studies





FIRST SOCIAL IMPACT BOND IN THE DEVELOPING WORLD “EMPLEANDO FUTURO”

MAIN GOAL

Achieve three-month job retention for 766 vulnerable people.

OBJECTIVES

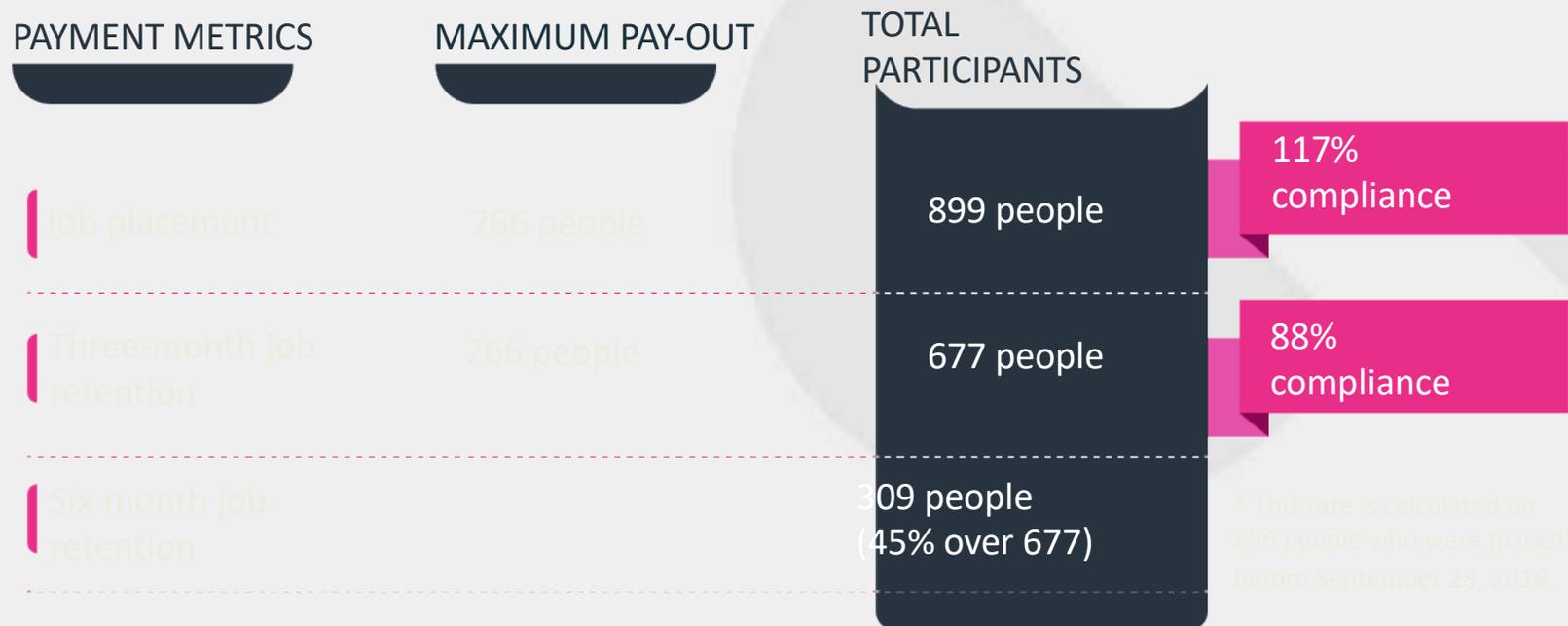
- 1 Achieve greater cost-effectiveness of employability and employment programs for vulnerable population.
- 2 Use the SIB to develop innovative strategies for the employability of vulnerable population and to develop knowledge for the construction of the employment model in Colombia.
- 3 Develop a market for investment in social programs that seek to scale up government work.

Maiso Vásquez
Tostao

The roles of each actor engaged in Colombia's first SIB

	Outcome payers	<p>Compromise and disbursement of resources The government (or other interested actor) pays for future and verified results of the project.</p>	
	Investors	<p>Initial investment The investors provide the working capital for the service providers, directing their investment to social projects.</p>	
	Intermediary	<p>Administration of the operation Articulation between the investors, recruitment process of service providers and administration of the implementation process.</p>	
	Integral Manager	<p>Administration of the investment Accompaniment, management, supervision and coordination of the activities, schedule and budgets for the SIB I.</p>	
	Service providers	<p>Implementation of the program Provide services to the population targeted by the project to reach the agreed results.</p>	
	Evaluator	<p>Verification of the results An independent and objective verification to measure the results..</p>	
	Technical assistance providers	<p>Support the design Technical assistance for the design and operation of the project.</p>	

A BIG MILESTONE: OUTSTANDING COMPLIANCE RATES IN PAYMENT METRICS IN THE FIRST SIB IN THE DEVELOPING WORLD



Process evaluation developed by Instiglio has focus on the **SIB Model** and the employability and employment outcomes

IMPACT INVESTMENT IN SIBs IN COLOMBIA

When the first SIB was designed, three foundations saw the opportunity to test the SIB model as an approach to impact investing.

INVESTORS (foundations)

Fundación Corona



FUNDACIÓN MARIO SANTO DOMINGO

Fundación Bolívar Davivienda

Investors saw in the SIB model an investment mechanism for mission related investments with resources from the foundations' endowments.



IMPACT INVESTMENT MARKET DEVELOPMENT IN SIBs IN COLOMBIA?

To make the investment work in the first SIB, the investors hired **Corporación Inversor** as impact asset manager.



Corporación Inversor stands out as an Impact Asset Manager in Colombia, capable of managing different investment vehicles oriented towards generating a return while having a positive social and environmental impact.

Thanks to the work of Corporación Inversor, it was possible to map **additional investors**, who decided to invest in the second SIB “Cali Progresa con Empleo”.



International NGO



The foundation of a financial organization



Non-for-profit

The experience of SIB 1 and SIB 2 allowed us to identify barriers and opportunities to the replicability of the model

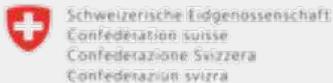
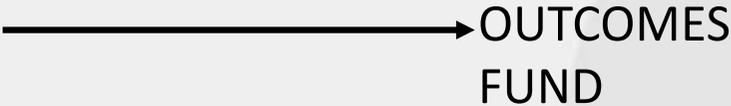
- Government restriction to pay for results beyond one fiscal year.
- Limited resources to pay for results in different social areas.
- Lack of legal framework to incentivize Results-Based-Finance mechanisms.
- High transaction costs for the structuration and for information gathering for SIBs.

These barriers can be addressed through an Outcomes Fund

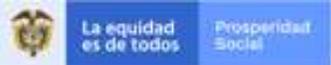
National Development Plan
2018-2022

EVOLUTION AND FUTURE OF SIBs IN COLOMBIA

Outcomes payers



Embajada de Suiza en Colombia
Cooperación Económica y Desarrollo (SECO)



of \$3.6 million that will be running in the second semester of this year

seeks to promote

The participation of new stakeholders through market discovery

Different learning agenda.

Capacity building within the Government

SIBs.CO has contributed to generating knowledge and networks in the region



- The use of SIBs has become part of national agendas in LATAM (Argentina, Chile, Mexico and Brazil).



- A group of practitioners began to organize in a network to promote private efforts oriented to escalate the use of SIBs and other results based financed mechanisms.



- This LATAM practitioner's network could have the potential to unleash the private investing market for SIBs in the region.





Daniel Uribe Parra, Executive Director - Fundación Corona

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Insights From the Canadian Social Impact Bond Experience

Rodney Ghali

Assistant Secretary

Impact & Innovation Unit, Privy Council Office

September 5, 2019



Government
of Canada

Gouvernement
du Canada

Canada



The Canadian Public Sector Diagnostic

Persistent Problems

Government spending and programs to address **persistent public policy challenges** are not keeping pace with constantly changing environment

Inconsistent Measurement

Government programs face challenges in implementing standardized, **evidence-based** innovative and experimental **approaches at scale**

Implementation Gap

Gap between policy development and program **implementation**

Institutional Culture

Need to **overcome risk aversion, webs of rules, and other institutional behaviours** that can inhibit uptake of new approaches

Capacity

Need to develop **modern skillsets** across government to ensure sufficient capacity to execute initiatives that will disrupt traditional ways of working

Canadian Federal Landscape that is Enabling Innovation

Ministerial Mandate Letters

GoC commitment to devote a **fixed percentage of program funds** to experimenting with new approaches and measuring impact

Results and Delivery Agenda

Sustained attention on implementation and being purposeful about **measuring results** and tracking progress

Declaration on Public Sector Innovation

In 2017, Canada's top public servants came together to endorse **the Federal, Provincial and Territorial Declaration on Public Sector Innovation**

Social Financing Strategy/ Innovative procurement

New authorities and enhanced capabilities to pursue **outcomes-based approaches** to both grants and contributions funding as well as federal procurement

Deputy Ministers Task Force on Public Sector Innovation

Task Force of senior public servants focused on **government systems transformation** and the application of new technologies to improve practices and processes within departments

Experimentation Guidance

Context and direction for Deputy Heads on how to **implement** the mandate **experimentation commitment**



Introducing Impact Canada

“If we draw attention to a problem that needs solving, communities and innovators can get together and develop solutions that we couldn’t even imagine.

That’s why we launched the **Impact Canada** Initiative earlier this year. This is a new challenge approach that brings together the private sector, small and medium-sized enterprises, innovators, and problem-solvers from all walks of life to compete toward finding better outcomes for Canadians.

This program creates solutions in areas that matter to people — like breakthrough technology to support clean growth and the transition to a low-carbon economy...”

-The Prime Minister of Canada, Boston Globe, May 16,

2018

Delivering Meaningful Results to Canadians

- Impact Canada provides a path for departments to pursue outcomes-based approaches that emphasizes accountability, stewardship of public funds, and improving the return on investment of public programs and services. It features:

Centre of Expertise in Privy Council Office

- A small team in the Impact and Innovation Unit works with departments to put in place robust program and service design to support effective implementation. The team is advised by the Impact Canada Advisory Committee, and is informed by strategic partnerships and best practices.

Fellowship

- The Fellowship Program to recruit specialized external talent in support of its work under Impact Canada as part of the government's broader efforts to accelerate the use of novel outcomes-based program approaches.

Terms and Conditions (Ts & Cs) for Outcomes-Based Funding

- Offers a flexible, whole-of-government set of Terms and Conditions to allow funding to be linked to outcomes achieved (challenge prizes, pay-for-success) as well as funding rigorous, research-based evaluations.



Impact Canada's Policy Objectives

- **Experiment** with new program delivery models and assess whether they deliver better results for Canadians
- Open the problem solving process to a new class of innovators and engage with citizens and non-traditional partners to **co-design solutions** to complex issues
- Build trust that the Government can use **innovative approaches to improve outcomes** on issues that citizens care about
- Drive departments to be more nimble by using flexible rules and applying leading edge evidence to test what works to **deliver more effective programs**



The Canadian Social Impact Bond Landscape

The Community Hypertension Prevention Initiative (Activate)

THE PROGRAM	Activate is a six-month, community-based program that screens pre-hypertensive Canadians (40 years +), educates them about their risk factors, and incorporates a range of lifestyle interventions to prevent their progression to hypertension.
THE TARGET POPULATION	Pre-hypertensive Canadian adults, aged 40 years +
OUTCOME(S)	<ol style="list-style-type: none">1. Blood pressure trajectory reversal, flattening, or slowing, thereby preventing or slowing the progression to hypertension (the outcome metric)2. Enroll 7000 pre-hypertensive adults (the volume metric)
KEY PARTNERS	Heart and Stroke Foundation (service provider); Public Health Agency of Canada (funder); MaRS Centre for Impact Investing (intermediary); Social Research and Development Corporation (evaluator); investors.
FINANCIALS	Up to \$4 million over three years, including a return to investors up to a maximum of 8.8%, contingent on the performance of the program

The Alternative Suspensions Program (to launch in 2020)

THE PROGRAM	The AS Program is a program of the YMCA of Québec. Youth at-risk of repeat suspensions are referred to the program by their school administrator for a period of three to five days, as an alternative to a traditional suspension. A youth worker develops a personalized intervention plan, which aims to address the underlying determinants of their behaviour. During the period the student participates in the program, they participate in a combination of group workshops, one-on-one meetings, and dedicated time for school work. The program maintains open lines of communication with schools and families, and a structured reintegration to the school environment with long term follow-up.
THE TARGET POPULATION	At-risk youth, aged 12 to 17.
OUTCOME(S)	<ol style="list-style-type: none"> 1. Reducing disciplinary actions (the outcome metric) 2. Number of participants who complete the program (the volume metric)
KEY PARTNERS	The YMCA of Québec (service provider); Public Safety Canada (funder); MaRS Centre for Impact Investing (intermediary); Privy Council Office; investors.
FINANCIALS	Up to \$4.68 million over four years, including a return to investors of up to 8% contingent on the program's success.



Responding to Canada's Opioid Crisis

- Health Canada, MaRS Centre for Impact Investing, and the Impact and Innovation Unit are exploring ways in which social impact bonds or other types of pay-for-success projects might play a role in the broader response to the ongoing opioid crisis.
- Work is underway to identify gaps in treatment, as well as underserved populations to better understand how impact investing can improve outcomes for Canadians.

Social Impact Bonds at the Provincial Level

Sweet Dreams	SK	Provides affordable housing and parenting support to single mothers of children under eight years who may be at risk of entering foster care. Investors are reimbursed if twenty-two children are kept out of foster care for six continuous months after their participation in the program.	\$1M (5%)
Mother Teresa Middle School	SK	Provides support to approximately 88 at risk students in the grades six to eight range, with a view to improving graduation rates. Investors are fully reimbursed with interest if the school achieves an 82% graduation rate, or 75% of their principal (with no interest) with a 75% graduation rate. Below this, no repayment of the principal is made.	\$1M (1.3%)
Restoring the Sacred Bond	MB	Supports up to 200 expectant mothers in Winnipeg who are at at-risk of having their child entering the foster care system. The mothers are matched with an Indigenous Birth Helper, who assist the mothers with birth and early care (over nine to twelve months).	\$2.6M (up to 15%)

Measuring Impact by Design



- ***Measuring Impact by Design*** is our guide for impact measurement, published in April 2019.
- Intended for non-specialist policy and program staff, the guide describes in an accessible way:
 - Key concepts related to impact measurement;
 - The main set of impact measurement methods.
- It establishes a basic standard for impact measurement that supports our growing portfolio of pay-for-success projects under Impact Canada.



Key Observations

- There is a growing public sector appetite for more pay-for-success projects/programs (including SIBs), however among governments in Canada, outcomes-based approaches are not mainstream, and as a consequence we lack the expertise to leverage and manage social investment opportunities from within.
- While SIBs themselves are likely to remain niche, the underlying principle that guides SIB development (results focus) has relevance for the movement toward outcomes-based programming more broadly.
- There is not a strong tradition of impact evaluation within the existing Canadian evaluation ecosystem, and there are opportunities to grow this to support outcomes-based programming including SIBs in the future.
- The incorrect narrative of private investment supporting and/or supplanting public programming remains problematic.



Key Observations

- The market for social investing in Canada is underdeveloped relative to other countries like the United Kingdom and the United States.
 - There is less of a philanthropic presence in Canada, and therefore a relatively small pool of potential investors.
 - Few intermediaries with the capacity to negotiate and structure deals like social impact bonds exist.
- An important consideration for governments is whether there is assurance that its position in a SIB arrangement is reasonable from a cost-benefit/value-for-money perspective (e.g. as an outcomes payer, does the cost of the intervention and associated risk premiums present a fair value investment from a government perspective relative to potential impact?).
- At present, there is a limited pool of high-quality SIB proposals that the government can actively participate in, or “buy in to”. This limits the potential for investment and can lead to lengthy project development timelines for all parties on less developed projects.



The relevance of micro processes in the design of a Social Impact Bond

The Chilean Experience

Federico Díaz
SIBs Project Manager
Innovation Division
Ministry of Economy

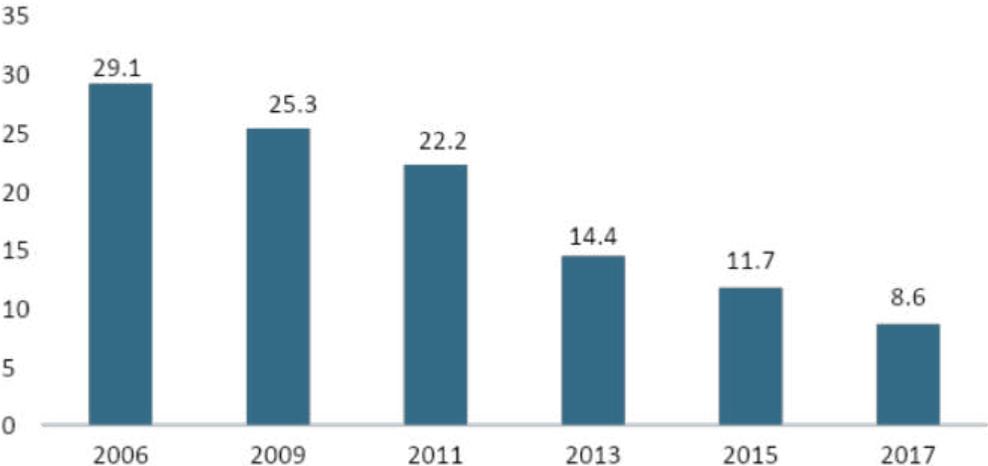


ALTHOUGH CHILE HAS EXPERIENCED AN IMPROVEMENT IN SEVERAL SOCIAL INDICATORS, THERE ARE STILL BIG SOCIAL GAPS

Chilean social context

Even if Chile has improved social and economic indicators during the last years...

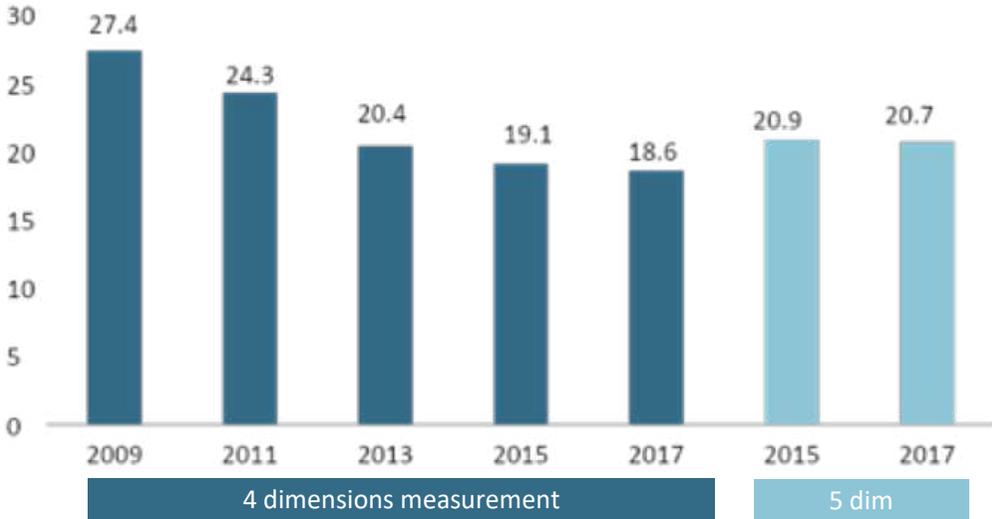
Income poverty (% population)¹



- Chile's GDP per capita in 2017 is USD 24.084²
- Income poverty decreased from 29,1% in 2006 to 8,6% in 2017

... there still remain considerable gaps within the population and OECD countries

Multidimensional poverty (% population)¹



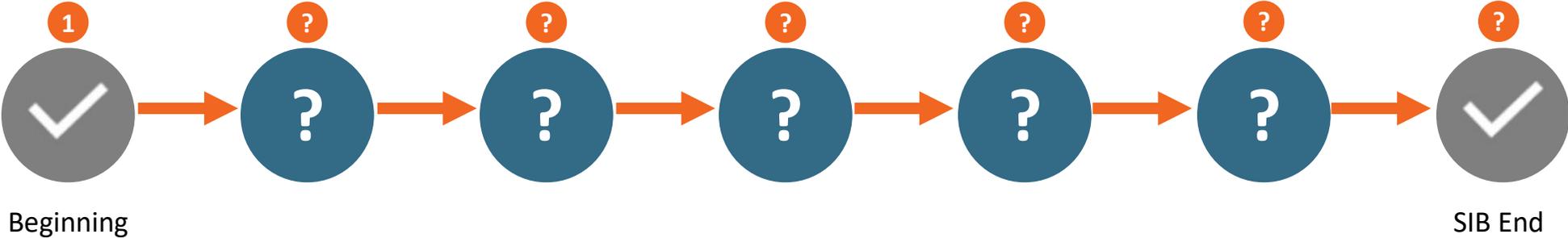
- In 2017 20,7% of the population lives under multidimensional poverty
- Gini index is one of the highest around the world
- In 2018, 17 social programs were evaluated. Only one was successful³

1. Casen survey; 2. PIB per cápita, PPP . WorldBank, 2017; 3. Finance Ministry. Chile



AT THE BEGINNING, THERE WERE NO CLUES ON HOW TO PROCEED. QUESTIONS AND DOUBTS PREVAILED OVER CERTAINITIES

Identifying the process behind a SIB:



Questions about the SIBs process

How to start?

What topics?

Why feasibility studies?

Stakeholders engagement?

How long does it take?

Alone or with other institutions?

How to evaluate the topics?

How to procure?

How to price the SIB?

How to deal with annual budget?

Can Government pay by results?

Is data available?

how long?

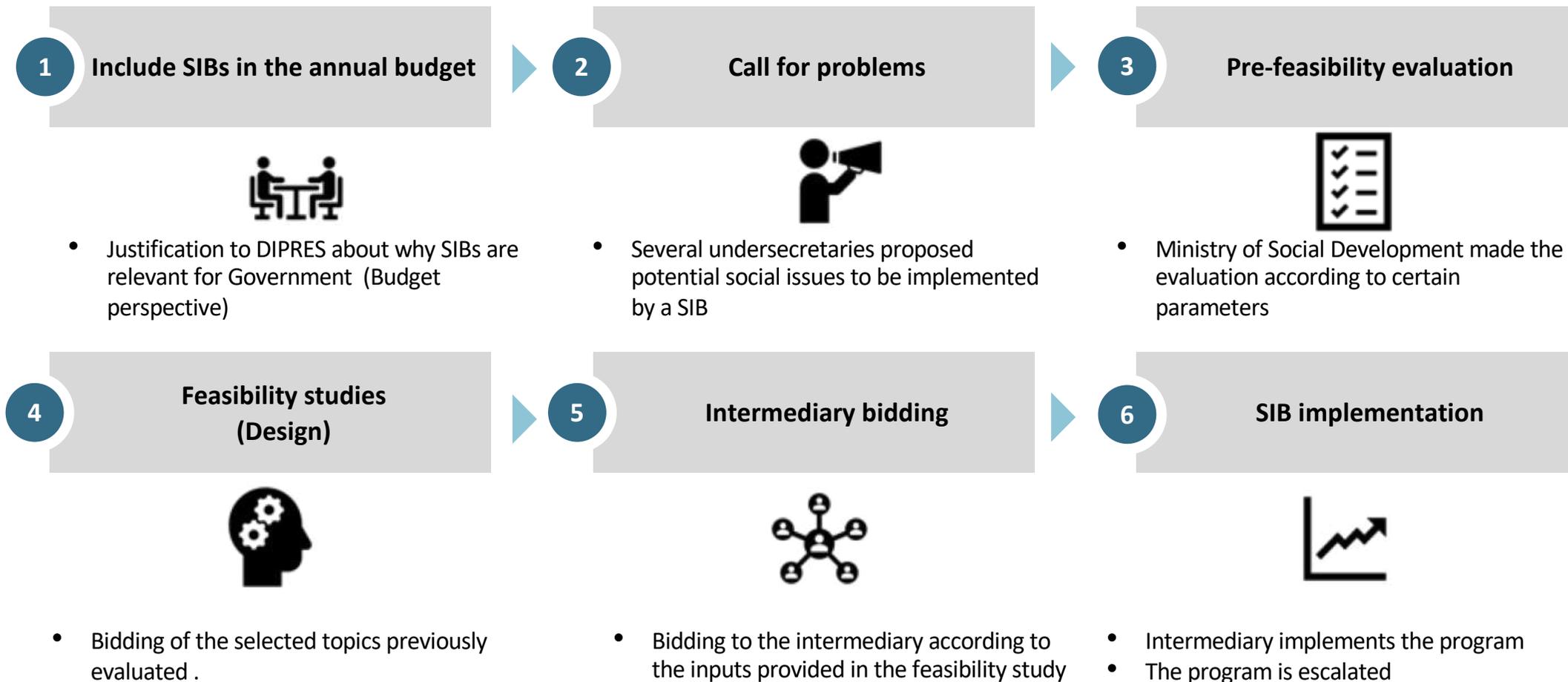
Is it legal?

The list is infinite!



IN CHILE, THE SIBS' DESIGN AND IMPLEMENTATION CONSISTED OF SIX DIFFERENT MACRO-PROCESSES

SIBs design and implementation processes





THERE ARE TWO MICROPROCESSES OR ELEMENTS THAT ARE ESSENTIAL FOR ANY SOCIAL IMPACT BOND



Partnerships with public and private entities



A framework to evaluate potential SIBS



THE PARTNERSHIPS SEEK TO COMPLEMENT DIFFERENT ROLES THAT THE MINISTRY OF ECONOMY ITSELF COULD NOT PROVIDE

Main actors in the design and development of the SIB in Chile

The Ministry of Economy has institutional and legal restrictions that makes cooperation between entities mandatory.

No experience with social problems

Restriction to make payments

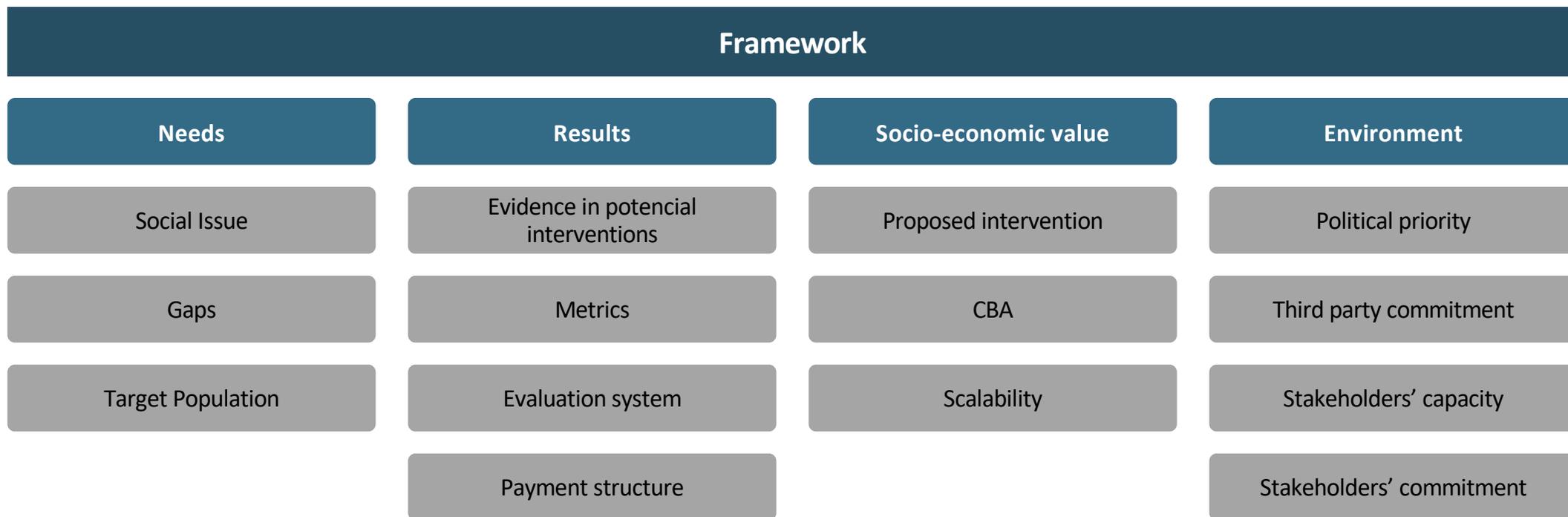
Lack of capacity

For these reasons the Ministry of Economy made a partnership with other Ministries, agencies and other actors.





THE FRAMEWORK WAS DESIGNED BY THE SIB TEAM BASED ON ACADEMIC STUDIES AND THE CHILEAN CONTEXT



This framework is used to:

- ✓ Analyse different social issues and their potential success as a SIB
- ✓ Baseline for the pre-feasibility, feasibility and design process



THE FRAMEWORK, AT THE PRE-FEASIBILITY STAGE, GIVES US KEY INFORMATION ABOUT THE THIRD PARTY COMMITMENT

Pre-feasibility Framework

Needs	Results	Socio-economic value	Environment
Social Issue	Evidence in potential interventions	Proposed intervention	Political priority
Gaps	Metrics	CBA	Third party commitment
Target Population	Evaluation system	Scalability	Stakeholders' capacity
	Payment structure		Stakeholders' commitment

Level of detail

- High
- Low
- None

IMPLICATIONS OF BOTH MICROPROCESSES IN THE DESIGN OF A SOCIAL IMPACT BOND



Partnerships with public and private entities

- 1 Greater easy-to-get information and data from other public bodies (or at least to identify who is the owner)
- 2 Different points of view and skills
- 3 Always moving forward. Diversification of activities



A framework to evaluate potential SIBs

- 1 Clear and transparent way to filter potential SIBs
- 2 Requires a high level of commitment of public institutions to provide the information
- 3 Data mindset

SOCIAL IMPACT BONDS - CURRENT SITUATION IN CHILE



For the next two years, the Chilean Government is planning to launch three social impact bonds



The relevance of micro processes in the design of a Social Impact Bond

The Chilean Experience

Federico Díaz
SIBs Project Manager
Innovation Division
Ministry of Economy



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Session III.III – Hybridity: bending and blending across sectors in outcome-based contracting (Seminar Room 3)

Ruth Dixon, *Government Outcomes Lab*

Luigi Corvo, Lavinia Pastore, and Matteo Ghibelli, *University of Rome Tor Vergata*

Clare FitzGerald and Gwyn Bevan, *Government Outcomes Lab*

Marianna Baggio, Virginia Cecchini Manara, *University of Trento*

Chair: Alec Fraser, *London School of Hygiene and Tropical Medicine*

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How world-views shape inter-organizational relationships: the case of Social Impact Bonds

Ruth M. Dixon

September 2019



A Cultural Theory perspective on collaboration



- “Organizational culture” is often considered a factor in facilitating or limiting cooperation
- But organizational culture is hard to define, and typologies can be ad hoc, non-exhaustive or overlapping
- Cultural Theory offers a comprehensive typology (Douglas 1982, 1987, Thompson et al. 1990) – though receives some criticism
- Can Cultural Theory help us to understand SIBs?

According to Cultural Theory (Mary Douglas 1982, 1987) people organize into four types of society or world-view



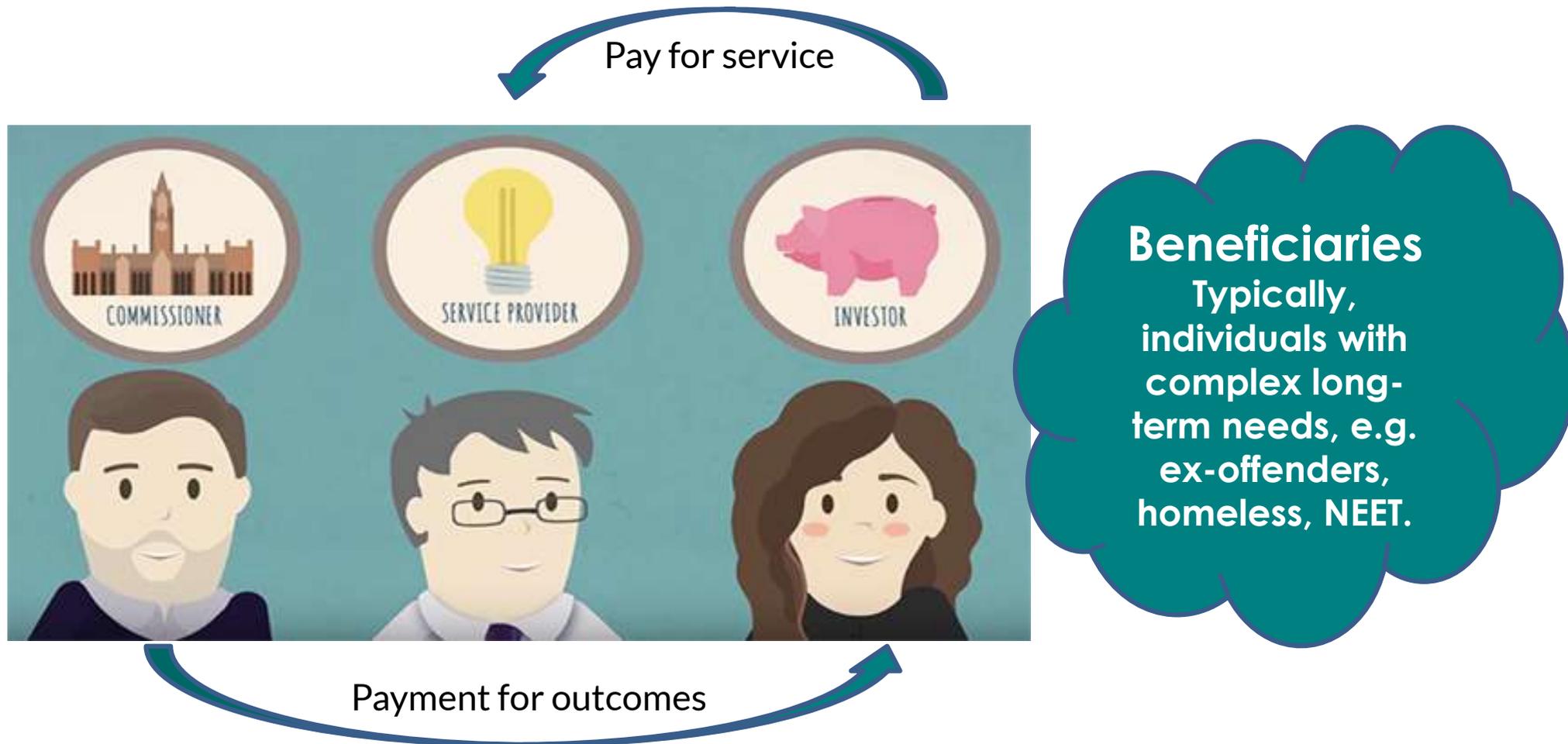
	'Group' → Low	High <i>Social cohesion</i>
High <i>Application of fixed rules</i>	<p>Fatalist Low-trust, rule-based approach</p>	<p>Hierarchist Socially cohesive approach based on rigid rules</p>
Low ↑ 'Grid'	<p>Individualist 'Market' approach stressing negotiation and competition</p>	<p>Egalitarian Cooperative structure with negotiated and flexible rules</p>

Cultural Theory reveals how public organizations change (e.g. Hood 1998) and how they interact (e.g. Peck and 6 2007)



	'Group' → Low	High <i>Social cohesion</i>
High <i>Application of fixed rules</i>	<p>Fatalist</p> <p>Sceptical of any lasting answers, focus on contingency, complexity and randomness</p>	<p>Hierarchist</p> <p>'Weberian' public administration focus on consistent application of rules, confidence in expertise</p>
Low ↑ 'Grid'	<p>Individualist</p> <p>'New public management' focus on entrepreneurship, incentives and results</p>	<p>Egalitarian</p> <p>'New public governance' focus on distributed authority, multi-level governance, networks</p>

Can Cultural Theory give us insights into SIBs?



How might SIB partners' world-views differ? "Hypothesis" ...

	'Group' → Low	High <i>Social cohesion</i>
High <i>Application of fixed rules</i>	<p>Fatalist</p>	<p>Hierarchist</p> <p>Local or central government commissioner</p> 
Low ↑ 'Grid'	<p>Individualist</p> <p>Social or private investor (and intermediary)</p> 	<p>Egalitarian</p> <p>Non-profit service provider</p> 

Research questions



1. Is there evidence for systematically different cultural types / world-views among SIB stakeholders?
2. How do cultural differences shape relationships between stakeholders?

Methods

I coded ~30 first-hand evaluations of 23 completed UK SIBs (at least 2 reports per SIB or SIB group) for *qualitative* evidence relating to the research questions. Each source was coded until “saturation” (no new relevant evidence).

1. Systematic differences

Supporting evidence for cultural types

Investor/ intermediary as individualist	Commissioner as hierarchist	Service provider as egalitarian
Keen to impose 'market discipline' on providers	Bound by procurement rules and statutory duties	Concerned about monetization of need
Comfortable with performance metrics backed by financial rewards/ sanctions	More used to process than outcomes measures	Used to focusing more on client needs than outcomes metrics
Rigorous projections/ performance management	Used to contractual obligations, unused to hands-on performance management	Unused to high-stakes targets/ performance management

2. Effect on relationships

Acting according to cultural type

Investor/ intermediary as individualist	Commissioner as hierarchist	Service provider as egalitarian
Concerned about financial sustainability: referral numbers → outcome payments	Concerned about uncertainty: cap outcome payments/ limit referral criteria	Concerned about fairness: referrals based on cohort needs + key-worker caseloads
Performance data for accountability and payments	Performance data for evidence of service effectiveness	Performance data for learning and improvement
Micromanagement/ sanctions of providers	Prefer arms-length performance management (black-box)	Prefer to shield front-line workers from pressure of targets

This is not a normative framework: each world-view has inherent weaknesses



	'Group' → Low	High <i>Social cohesion</i>
High <i>Application of fixed rules</i>	<p>Fatalist</p> <p>Susceptible to passivity, demoralisation</p>	<p>Hierarchist</p> <p>Susceptible to inflexible, siloed systems and services</p>
Low ↑ 'Grid'	<p>Individualist</p> <p>Susceptible to gaming, 'hitting the target but missing the point'</p>	<p>Egalitarian</p> <p>Susceptible to unresolved disagreements, lack of challenge</p>

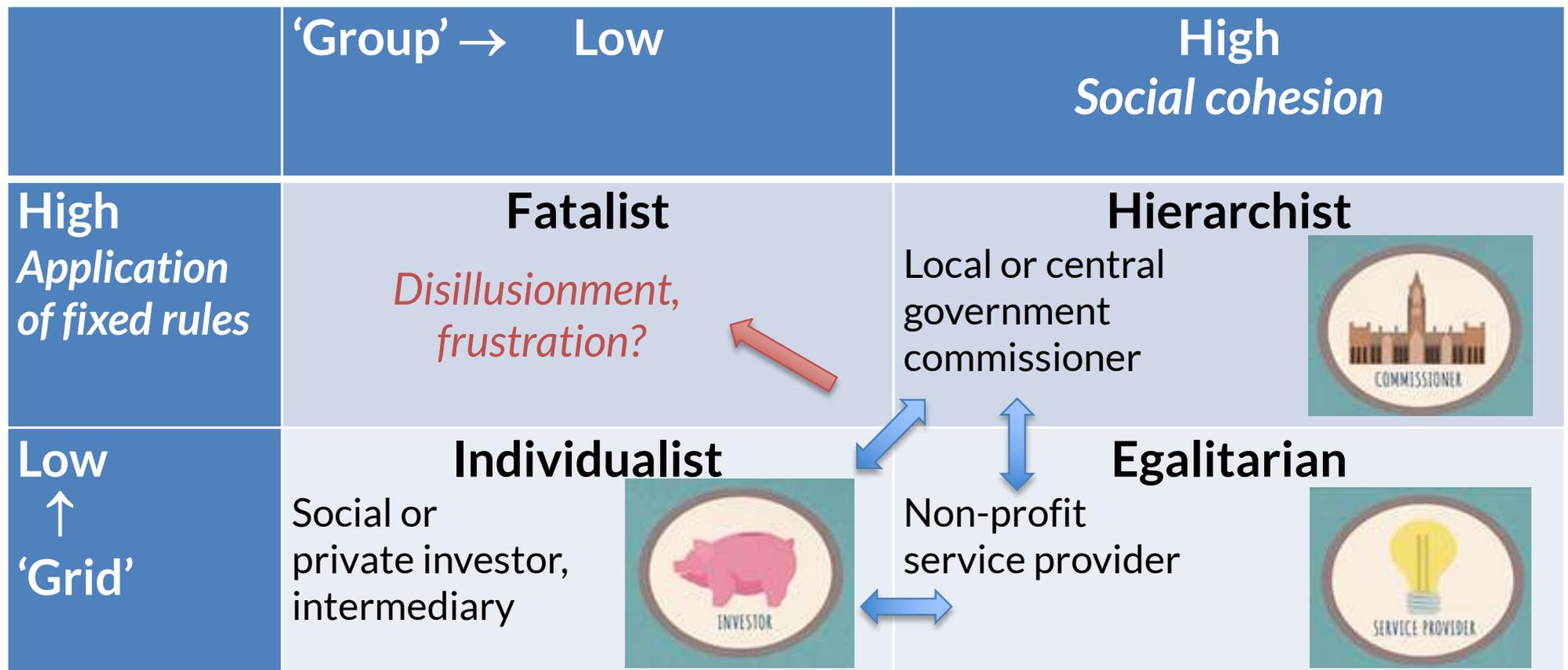
2 -cont. Effect on relationships



Being part of a SIB sometimes leads partners to act *against* cultural type

Investor/ intermediary (not) as individualist	Commissioner (not) as hierarchist	Service provider (not) as egalitarian
Forgo maximal financial gain for better social outcomes	Devote time and resources to relationship-building	Act hierarchically towards referrers
Deepen understanding of clients' complex needs (Alternatively, emphasize contracted outcomes over 'progress' measures)	Negotiate outcomes targets and/or referral criteria during implementation	Challenge clients towards more ambitious outcomes
Negotiate performance management regimes	Take greater role in performance management	Build performance management capacity

Summary: Collaboration leads to cultural cross-over ...



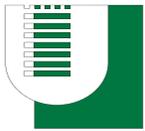
Cultural Theory reveals how different world-views can affect collaboration in SIBs



Differing world-views bring both tensions and benefits to partnerships: how should the tensions be dealt with and/or the benefits realised?

Potential collaborators should consider...

- How do partners' world-views differ?
- Should one partner try to *change* the others or should their differences be accommodated?

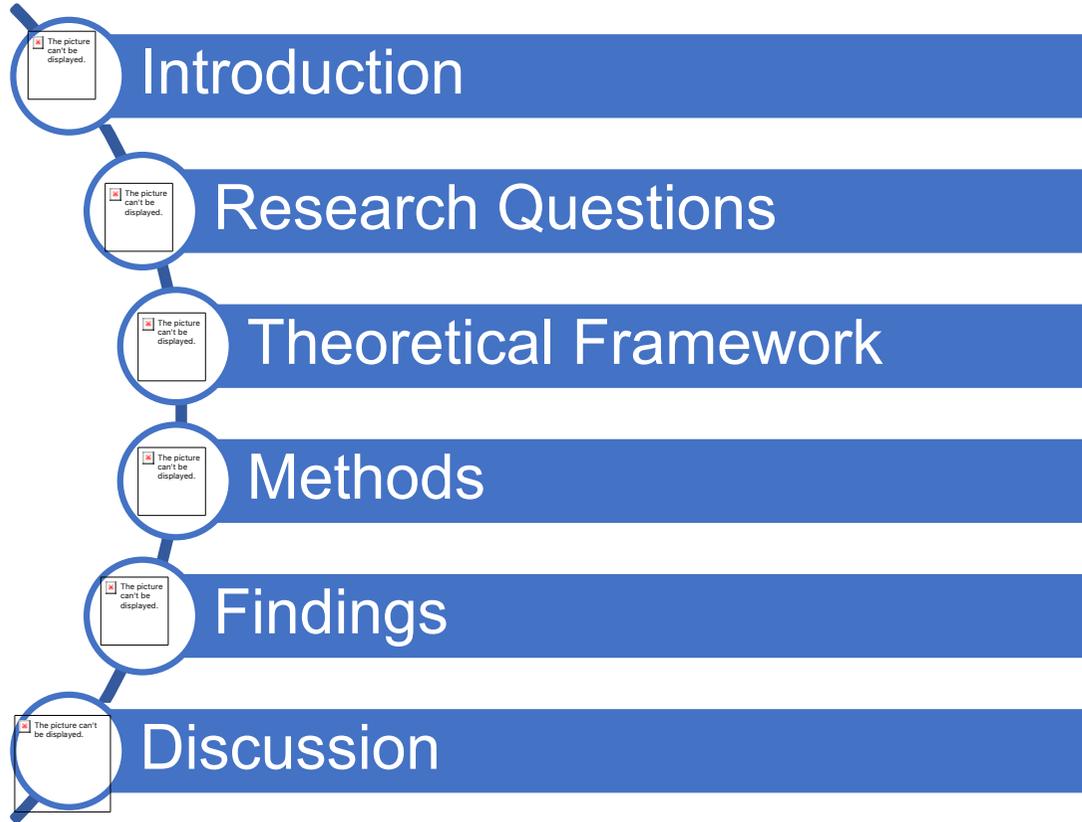


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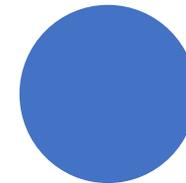


The narratives on Social Impact Bonds: a comprehensive literature review

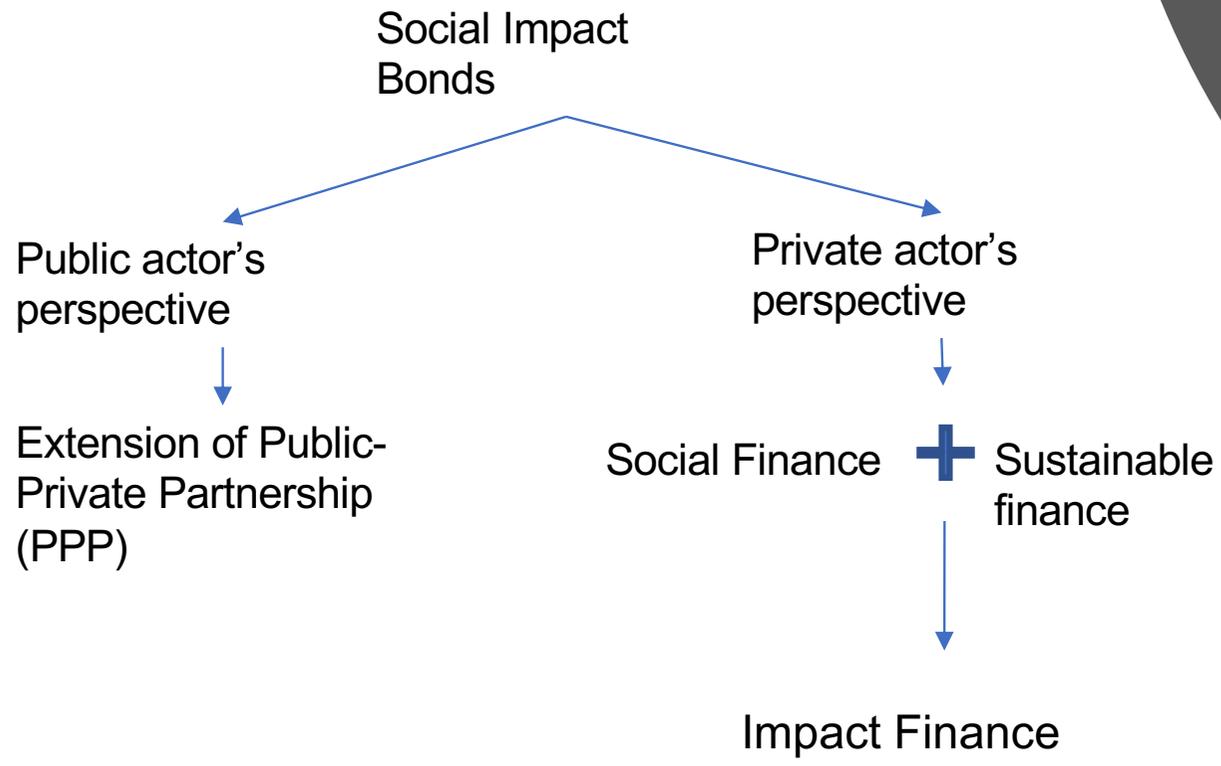
Luigi Corvo, Lavinia Pastore, Matteo
Ghibelli – Government and Civil Society
research Group



Agenda



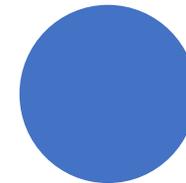
Introduction



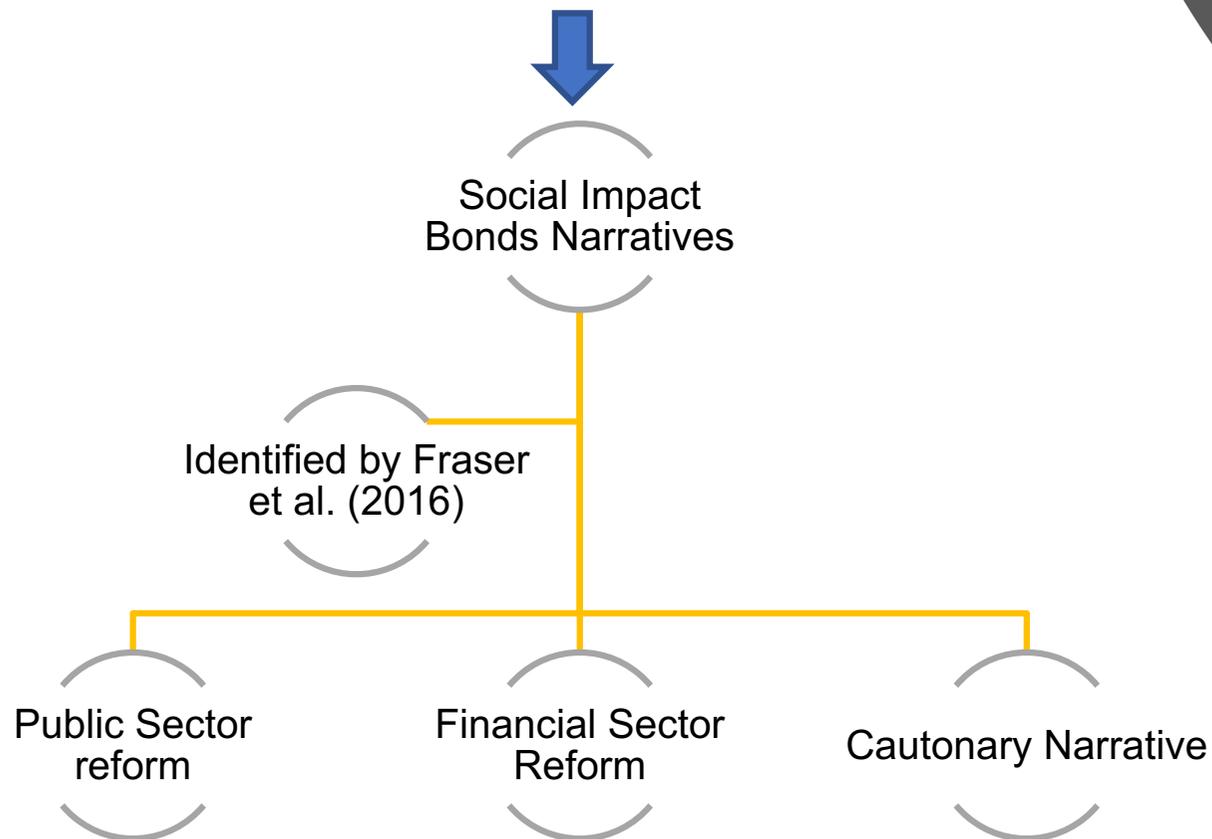
Research Questions

1) How the scientific literature regarding SIBs and Impact Finance is evolving? Which are the main perspectives?

2) Is there a predominant sentiment (optimistic/pessimistic) in the academia regarding this subjects?



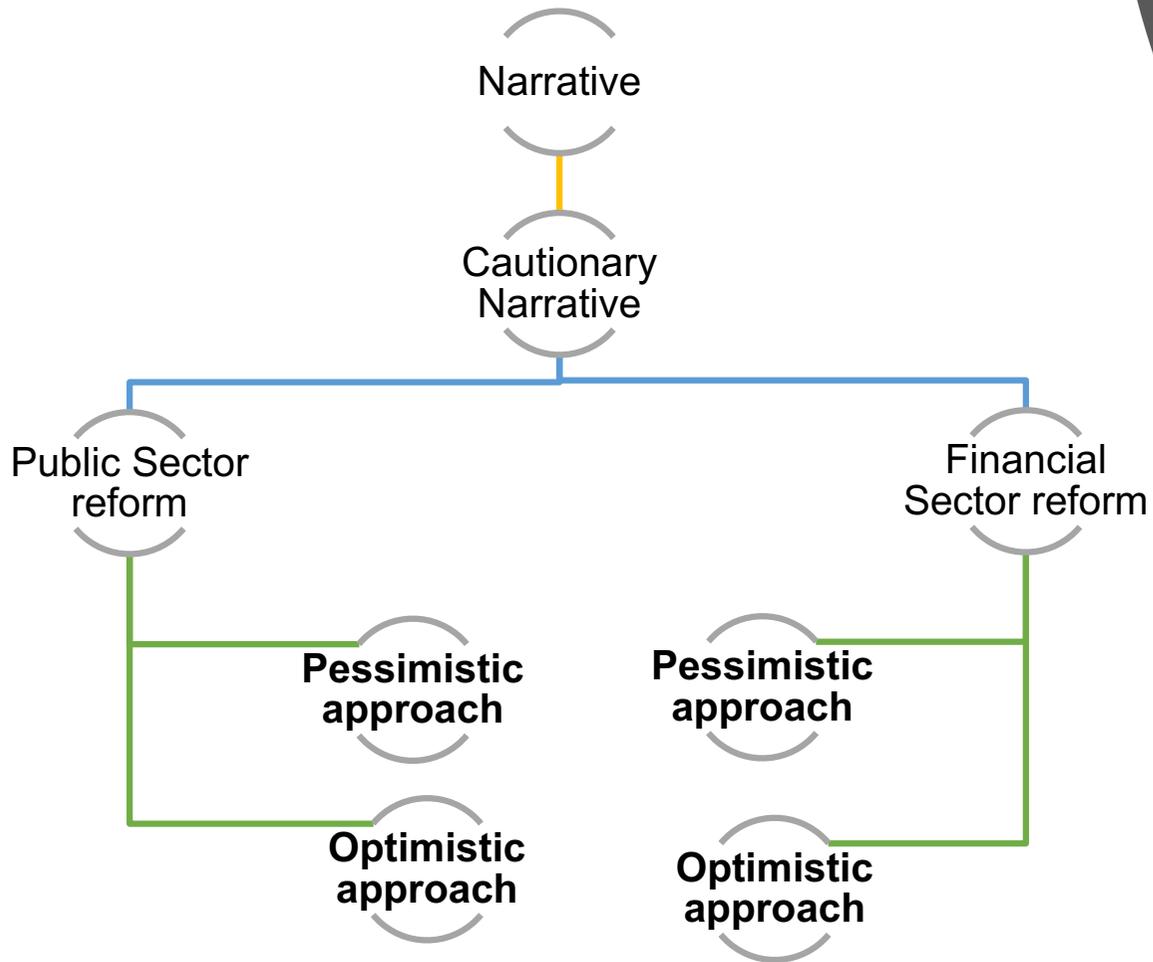
Fraser, A., Tan, S., Lagarde, M., & Mays, N. (2016). Narratives of Promise, Narratives of Caution: A Review of the Literature on Social Impact Bonds. Social Policy & Administration



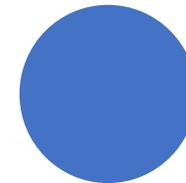
Theoretical framework

1/2

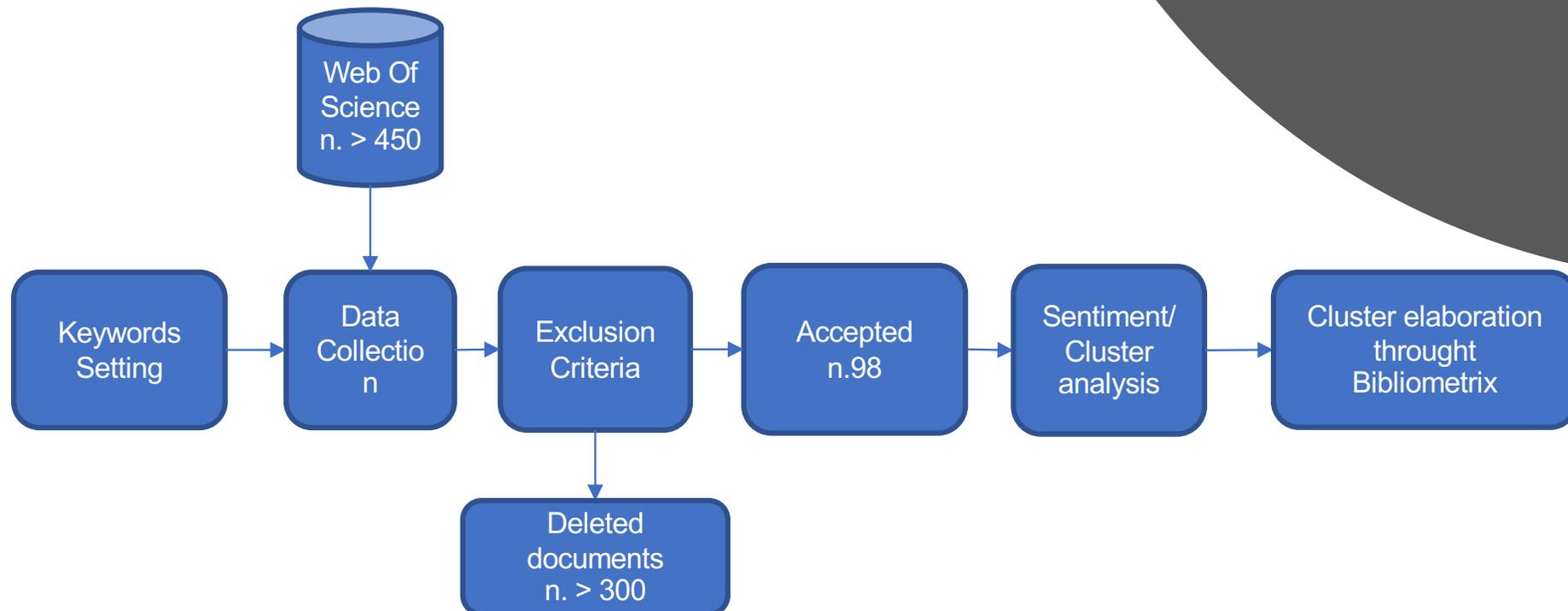




Theoretical framework 2/2



Methods 1/2



Methods 2/2

Keywords
Setting

'social impact bond' - 'social AND impact AND bond'
'pay* for success bond*' - 'pay* for success contract*'
'development impact bond*' - 'outcome based
contract'
'impact invest*' - 'impact-first invest*' - 'social
innovation financ*' - 'health impact bond*' - 'social
impact invest*' - 'social benefit bond' - 'social bond' -
"Social finance" - "social impact finance"

Exclusion
Criteria

- Only journal papers (proceeding papers, book chapters,...)
- Only English
- "Social Bond Theory" were excluded
- Only papers with one of the keywords in the abstract;

Web Of
Science

Bibliometrix = R package for science mapping



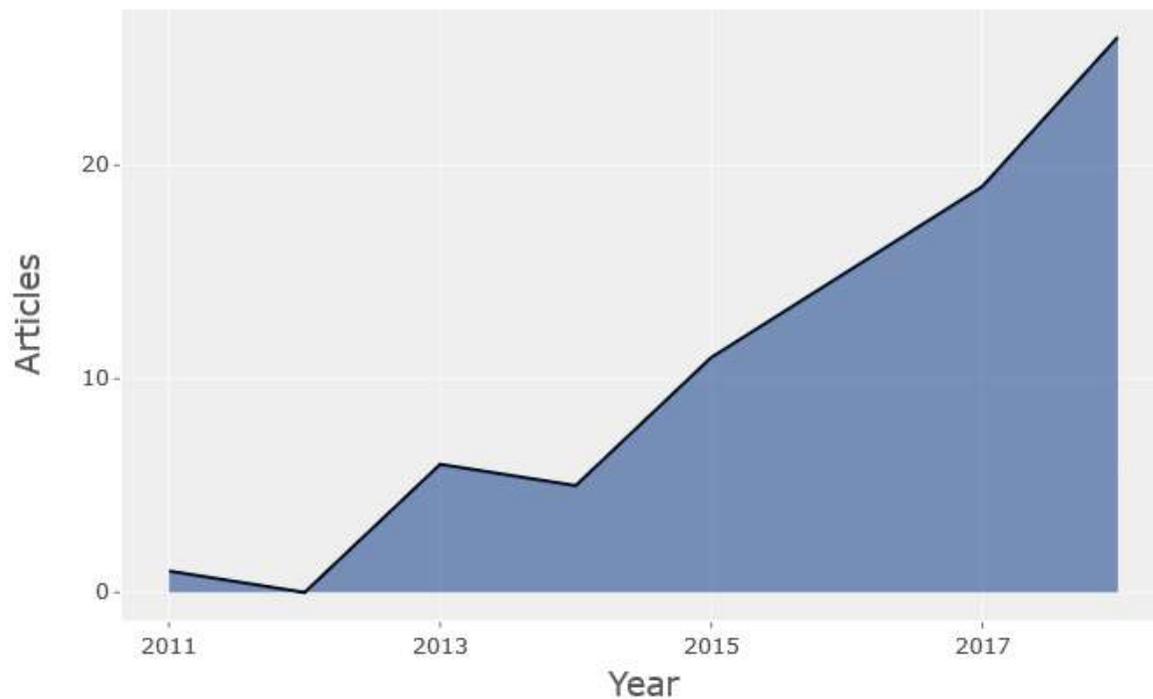
Dataset information 1/2

Description	Results
Documents	98
Sources (Journals, Books, etc.)	76
Period	2011 - 2018
Average citations per documents	6,253
Authors	170
Documents per Author	0,576470588
Authors per Document	1,73



Dataset information 2/2

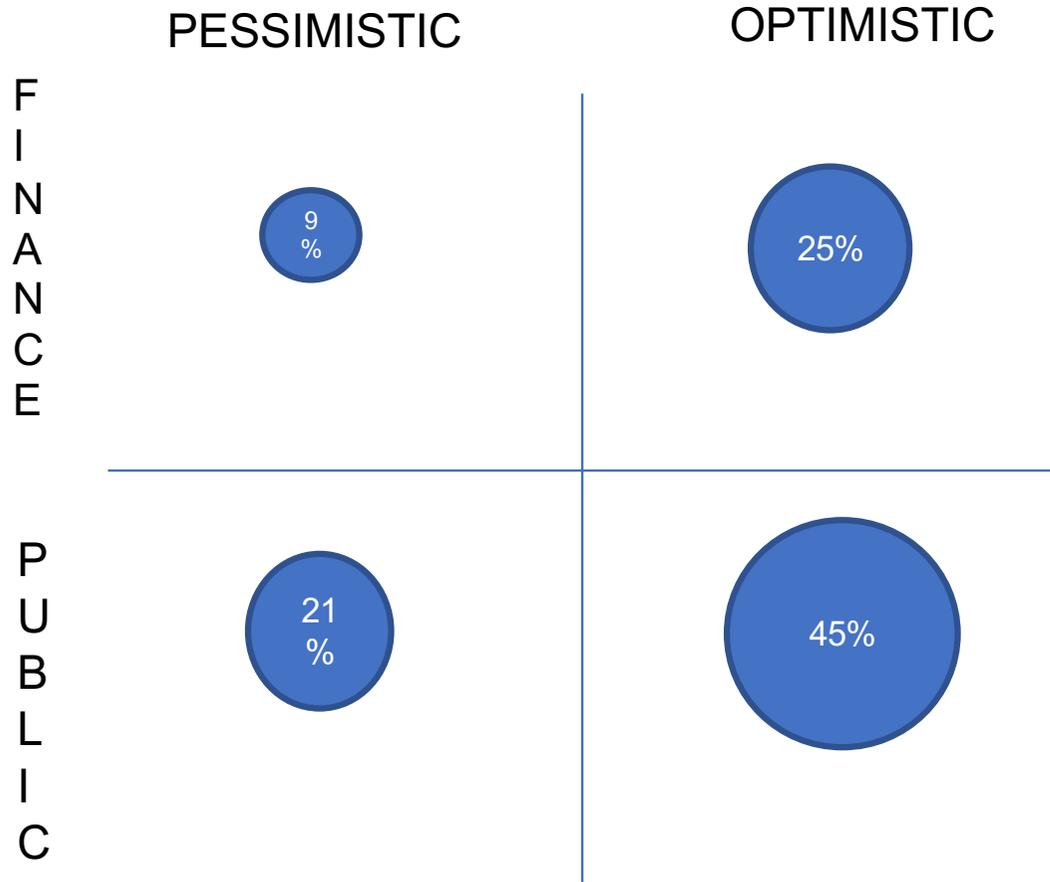
Annual Scientific Production



Findings

1. Share of paper per clusters
2. Country collaboration map per clusters
3. Link among: Authors keywords – Cluster – Country
4. Link among: Authors keywords – Cluster – Journal
5. Streams per cluster



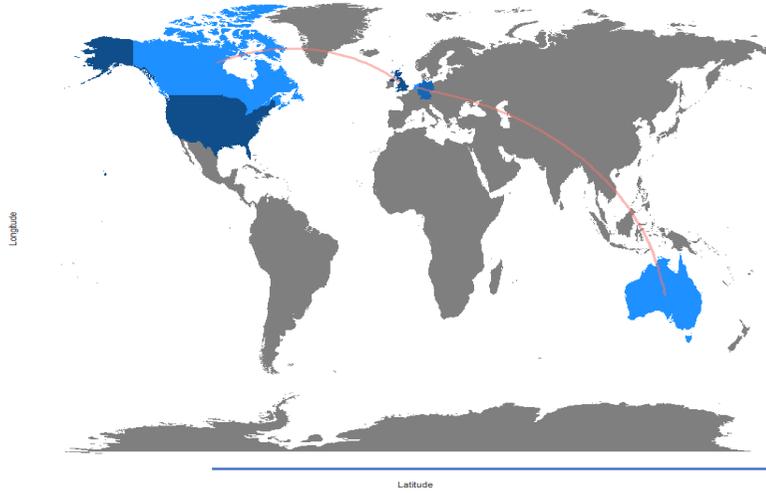


	Pessimisti c	Optimistic
Finance	9	24
Public	21	44



PESSIMISTIC

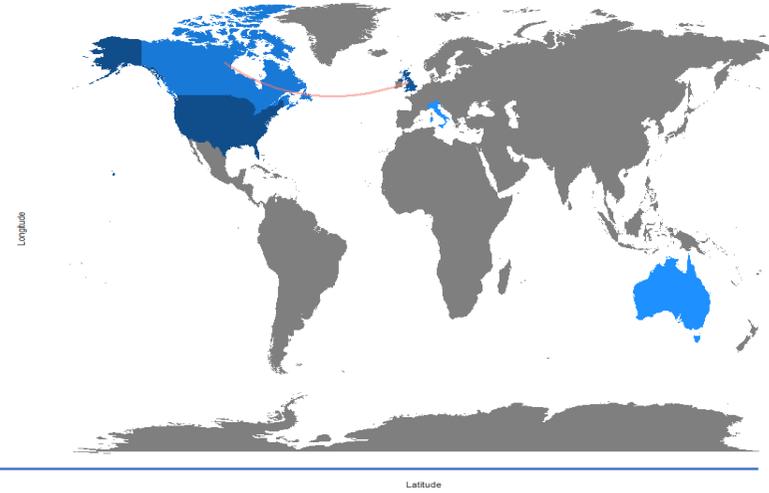
Country Collaboration Map



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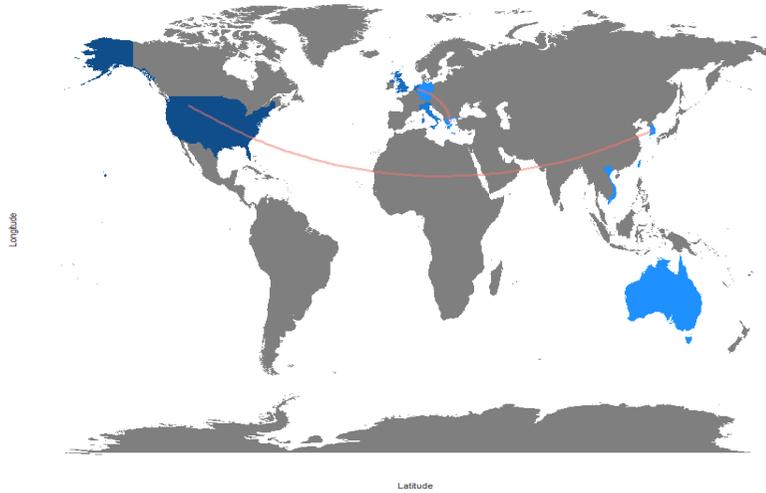
OPTIMISTIC

Country Collaboration Map



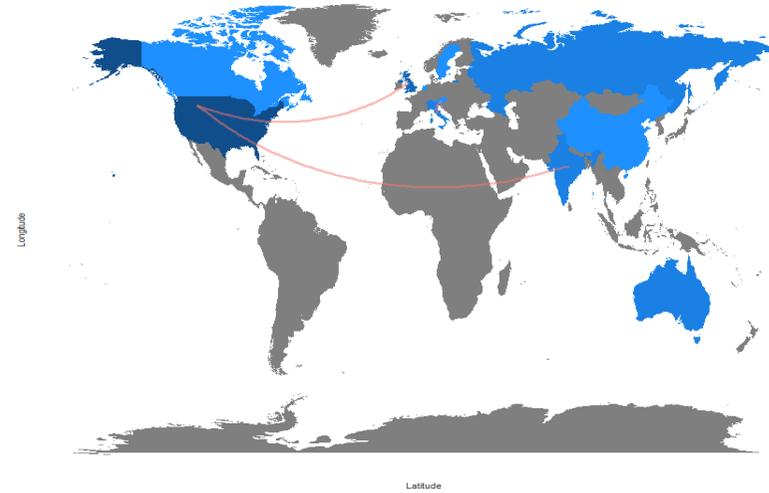
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Country Collaboration Map



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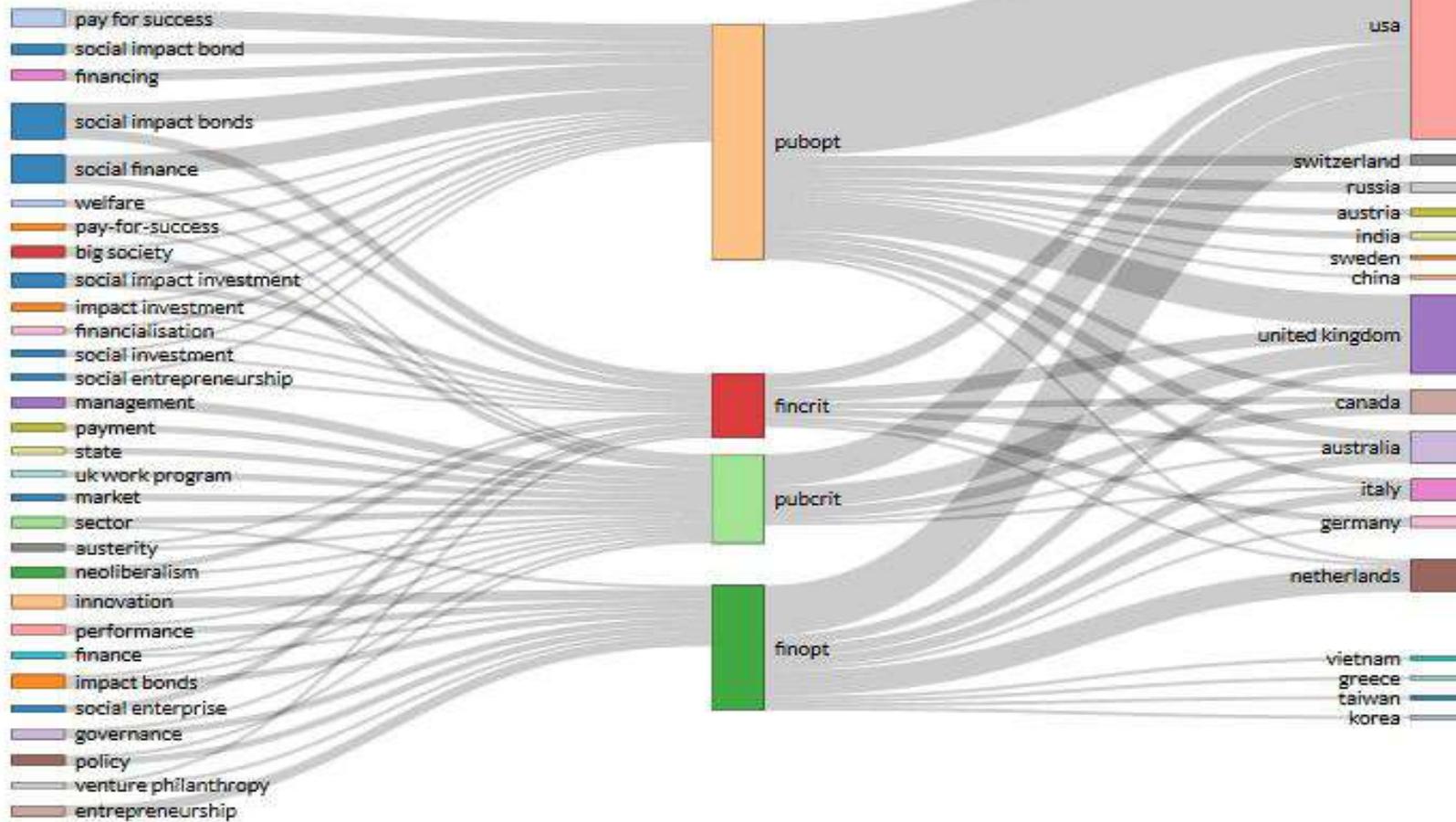
Country Collaboration Map



Author's keywords

Cluster

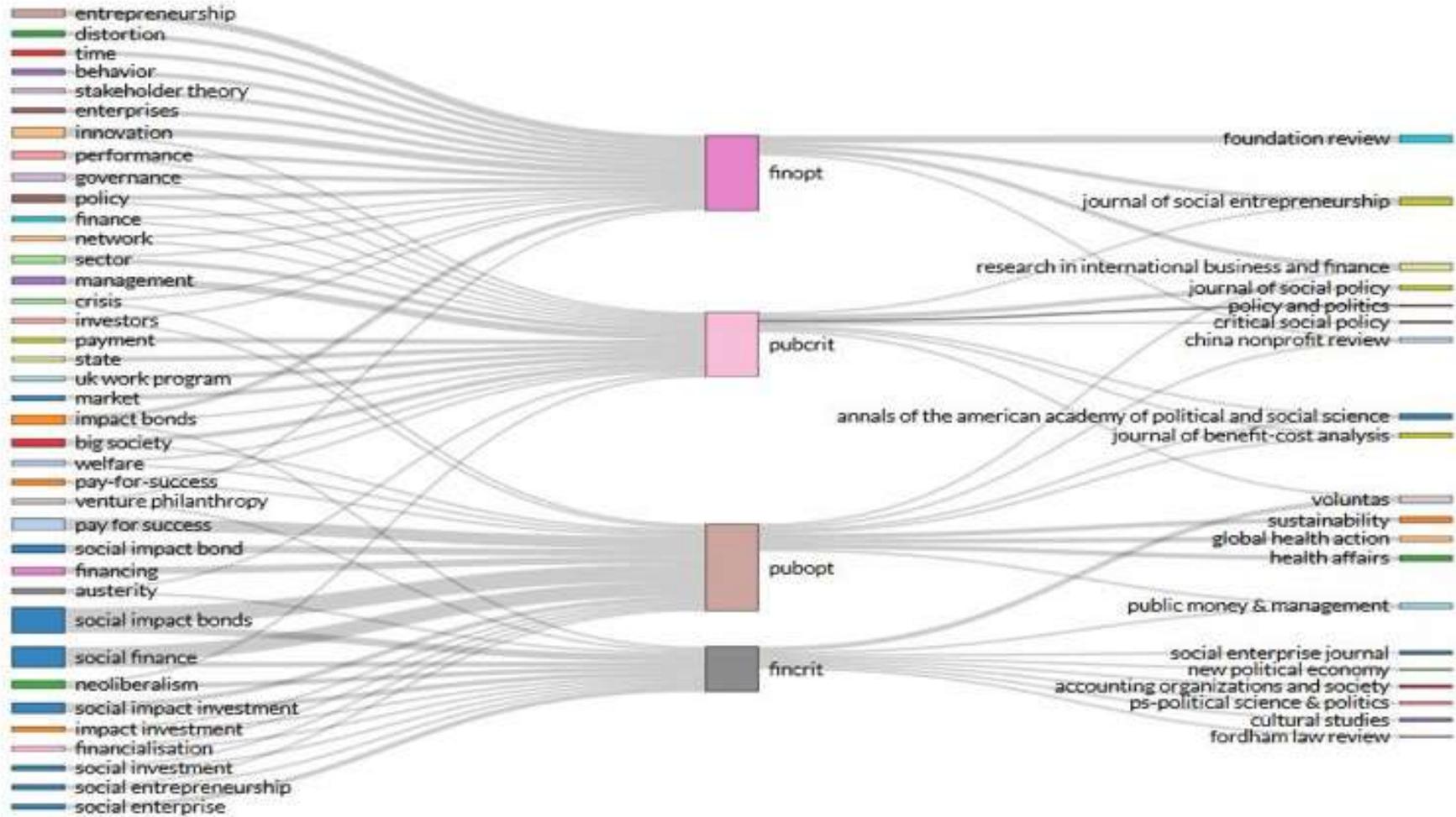
Country



Author's keywords

Cluster

Journal

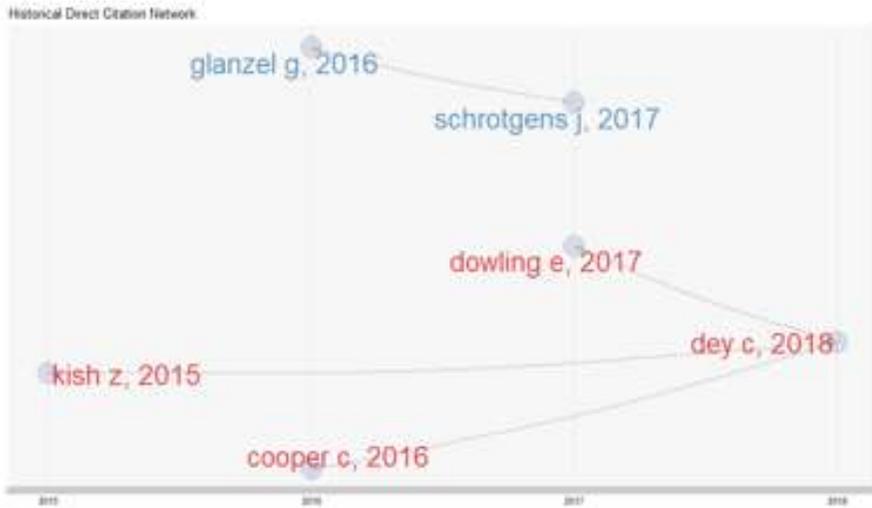


PESSIMISTIC

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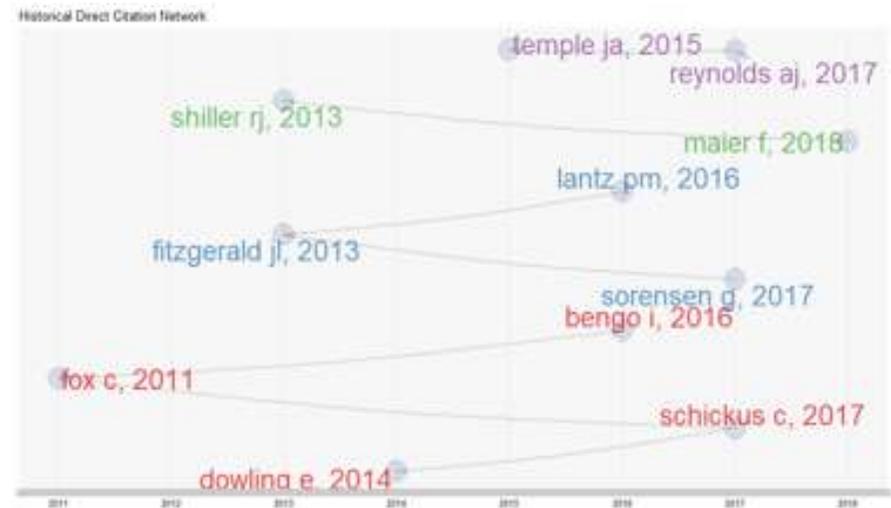
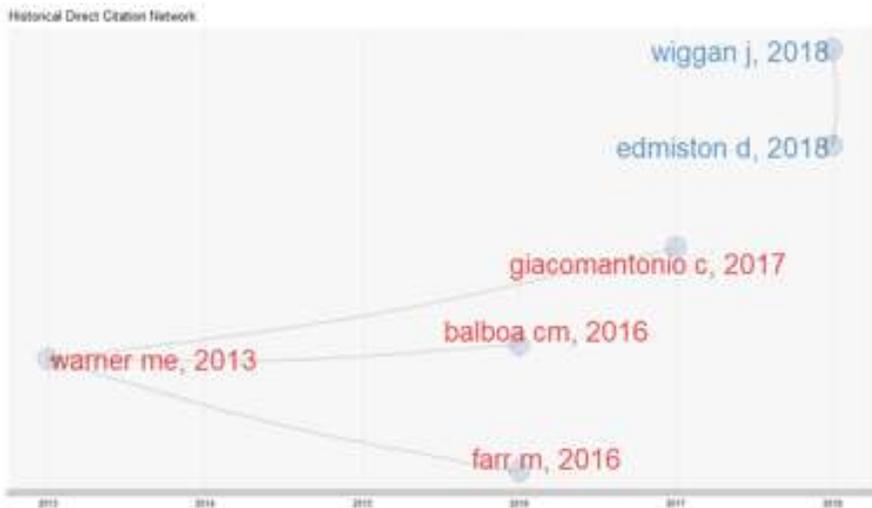
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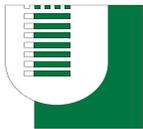
FINANCE



No stream identified

PUBLIC





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Thank you



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Government and Civil Society research Group



**GOVERNMENT
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Bonds across the pond: An exploration of institutional logics and social impact bond approaches in the United Kingdom and the United States

Clare FitzGerald and Gwyn Bevan
Social Outcomes Conference
5 September 2019

The puzzle...



- The SIB model is seen as offering a common solution to what we argue are different public service delivery challenges in the US and England.
- These problems stem from fundamental differences in the institutional arrangements and logics of key SIB players – government, investors, and service providers.
- Hence our primary research question is *Can SIBs effectively resolve the different kinds of public service problems in both the US and England?*

The paper...



- Analyse the governance problems of the UK and US
- Articulate the ways SIBs promise to resolve those problems
- Consider differences of institutional arrangements and logics in each country specific to SIB actors (i.e. government, investors, service providers)
- Anticipate in which context SIBs may function 'better'

Governance problems

UK

- Parliamentary constraints on local authorities
- NPM reforms extensive <-> local government in decline
- Dominant narrative of reform through contracting
 - Consolidation of contracts amongst few private providers
 - “commissioning and managing contracts is not seen as a rewarding and important job by senior civil servants” (p. 343)

Hood, 1995; Heclo & Wildavsky, 1981; Leach et al., 2018; Hodge, 2016, p. 343



US

- Improvement through managerialism produces ‘dashed expectations’
- Push to improve use of data in decision-making
- Need to address disaggregation of US government in push to improve managerial practices

Moynihan & Lavertu, 2012; Kroll, 2015; Ragin, 2000; Frederickson & Frederickson, 2006; Christens & Inzeo, 2015;

Promises of SIBs



UK

- Move commissioning and managing contracts to local governments aided by investors.
- Diversify public service supply chain with small, local, voluntary sector providers driven by a mission to deliver high-quality services to their local community.

NAO, 2018; Mazzucato, 2018

US

- Advance data use in decision-making, reallocating dollars from ineffective to effective social programs.
- Coordinate fragmented service networks by setting parameters around streams of collaborative activity.
- Open public services to private investment dollars, tailoring PPP models to the highly fragmented American context.

Overholzer, 2018; Capps, 2018

Comparing 'commissioners'



UK

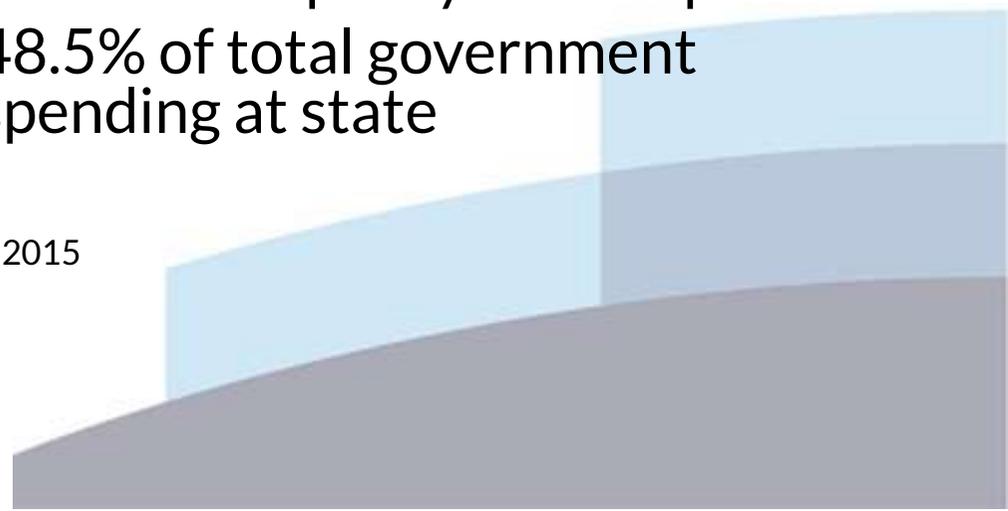
- Constraints on local authority power amplified by austerity
- Local authorities stripped of power to provide/make decisions on utilities, hospital care, polytechnics, public housing & secondary schools
- 24.9% of total government spending at local authority

OECD, 2015

US

- Empowered state and local governments
- History of building internal administrative skills and experience procuring/managing/overseeing services across wide policy landscape
- 48.5% of total government spending at state

OECD, 2015



Comparing ‘investors’

UK

- Socially motivated investors dominate the field, expectations unclear aside from ensuring financial and social returns.
- Philanthropic money has played a minor role in UK SIBs at least in part because there are fewer players in a position to do so.

Corbett & Walker, 2018; Cameron, 2012; Floyd, 2015 quoting O’Donohoe, 2013; Mohan, 2015



US

- Investment ‘layered’ with “institutional investors tak[ing] the senior piece with higher return and less risk, and philanthropic investors hav[ing] a riskier position”
- The subsidy for social investment in the US is coming from local philanthropic actors.

Palandjlan, 2016; PFS, 2019

Comparing 'providers'

UK

- Ongoing efforts to pull civil society organizations into the public service provider market
- Growing concern about increasing demand for services with smaller and smaller budgets assigned to them, and the degree to which voluntary action is expected to substitute for the state.

Brewis, Paine, Hardill, Lindsey & Macmillan, 2019



US

- Nonprofits as incumbent core delivery partner of mainstream public services
- Impulse in the US non-profit sector of commercialism: application of market means for social ends

Moynihan et al., 2011; Smith & Phillips, 2015; Salomon, 2015

Discussion



- If SIBs require mature government units to procure and manage them:
 - US states and large municipalities benefit from increased discretion and professionalization efforts emphasizing managerial skills
- If social investment requires subsidy to function:
 - US states and large municipalities benefit from locally-minded philanthropic entities willing to provide 'higher risk' capital for less or no return
- If nonprofits are essential SIB service providers:
 - US states and large municipalities benefit from known nonprofit providers currently delivering public contracts

Discussion



- If SIBs require mature government units to procure and manage them:
 - English local authorities opt for SIBs as a way to attain extra income from central government following 10+ years of austerity with draconian reductions in central grants.
 - English local authorities lack autonomy and local identities have been undermined by reorganisation, often resulting in geographies without any sense of community, and their staff has suffered from reductions in scope of their powers and funding.
- If social investment requires subsidy to function:
 - England lacks an equivalent to US philanthropic institutions: the national investors in SIBs require a financial return and, if there were to be a risk of making a financial loss, would put pressure on the other parties to the SIB to make it generate the required financial return.
- If nonprofits are essential SIB service providers:
 - England lacks not-for-profit providers willing and capable of delivering SIB contracts?

Conclusions:



Obvious tensions in overriding objectives of English SIB actors: local government seeks savings, investors seek financial returns, and nonprofit providers seek to deliver high-quality professional services.

- Threaten English SIBs becoming ‘blocked’, where “the inherent tensions between (the different institutional) logics cannot be resolved or managed, leading to organizational dysfunction” (*Skeltcher & Smith, 2015, p. 442*).

SIBs may be a valuable development for the meso-institutions in the US in developing governance of public services, but, in England SIBs will serve only to highlight the institutional weaknesses we have identified.



GOVERNMENT
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SOCIAL IMPACT FINANCE: THE ROLE OF MOTIVATIONS

Theory and experimental evidence

Virginia CECCHINI MANARA
Marianna BAGGIO
Marco FAILLO
and Lorenzo SACCONI



UNIVERSITY
OF TRENTO - Italy

Motivation

- Social impact finance has emerged in recent years in response to the crisis of traditional welfare systems and the gradual decrease in public funding to the Third Sector, by offering **new financial instruments** to convey private capital to social entrepreneurship in order to create **positive social impact combined with economic returns** (Agrawal and Hockerts, 2019; Daggars and Nicholls, 2016; Hochstadter and Scheck, 2015).
- The debate on the effective application of these instruments has so far focused on the **methods of assessment and social impact measurement** for return on invested capital, neglecting the role of the motivations that drive the agents involved (investors and social entrepreneurs) to act.
- *investigate the impact of different financial instruments on governance structures and on the motivations of social enterprise stakeholders*

Theory

- Our starting point is given by the definition of the **social enterprise** in the economic analysis of the institutions where, among the distinctive characteristics of these organizations, are of particular importance:
 - *the definition of objectives other than profit (**social mission**)*
 - *and the intention to distribute part of the surplus generated for the benefit of subjects other than paying owners and consumers.*
- Several works have identified the reasons for the efficiency of these organizations (and in particular of the social enterprise as a producer of welfare goods) in the presence of **ideal motivations** in the subjects who provide capital and work, supported by a peculiar structure of incentives (Hansmann, 1980; Rose-Ackerman, 1986; Borzaga, 2013).

Ideal motivations

In contrast to extrinsic motivations - mainly related to monetary incentives, **intrinsic motivations** (Frey, 1997) may depend on:

- ✓ *satisfaction in pursuing independently defined goals (Loewenstein, 1999)*
 - ✓ *the fulfilment of social standards and obligations (March, 1999)*
 - ✓ *personal and group identity (Akerlof and Kranton, 2000)*
 - ✓ *distributive and procedural justice (Tyler and Blader, 2000)*
 - ✓ *participation in an impartial and fair deliberative process on the principles of justice (Sacconi and Faillo, 2010; Sacconi et al., 2011; Faillo et al., 2015)*
 - ✓ ...
- The *crowding out effect*, introduced into the economic literature by Frey (1997), is a very specific psychological phenomenon for which
- the introduction of performance-contingent rewards can lead to a **reduction in effort**, rather than an improvement, especially in the case of activities which are originally intrinsically motivated.*

Crowding out

- Any external intervention (whether in the form of *monetary compensation* or *regulation*) can influence the intrinsic motivation,
 - in a positive sense (**crowding in**) → interventions perceived as *support*
 - or negative (**crowding out**) → interventions perceived as *control*
- **Sources of Crowding Out:**
 - *External command and control (Barkema, 1995; Weibel, 2007)*
 - *Violation of procedural and distributive justice (Tyler and Blader 2000)*
 - *Goal Framing Theory (Kay and Ross, 2003; Liberman et al., 2004; Lindenberg 2006)*
 - *PBR–payment by results / PFP–pay for performance (Frey and Jegen, 2001)*

Research question

Since social enterprises are created and mostly run
by *intrinsically motivated operators*,

this effect is central for the appropriate design
of effective social impact finance.

Do financial instruments which are
typical of the for-profit world,
and therefore motivated by *extrinsic* motivations,

produce a **crowding out effect**
within the financed organization and its workers/volunteers?

Research Streams

1. **Mapping:** we evaluate 19 financing tools – classified on 8 dimensions, for their potential crowding out effect
2. **Questionnaire:** sample of social enterprises in order to assess what financial tools are used and what are the perceived effects on motivations
3. **Experiment:** recreate in the laboratory (the frame of) each financial tool and measure crowding in or crowding out effects.

1. METRICS

- The introduction of evaluation schemes can lead to **crowding out** in social services, in particular when:
 - control measures are *imposed* from the outside;
 - there is *information asymmetry* and consequently the *quality is not observable* from the outside
 - *any measure chosen turns out to be a potentially unrepresentative proxy of the real service provided, also because the quantitative indicators do not measure the quality of services;*
 - highly *personalized* services with multiple dimensions;
 - the production process is *complex* and incorporates *risk*.

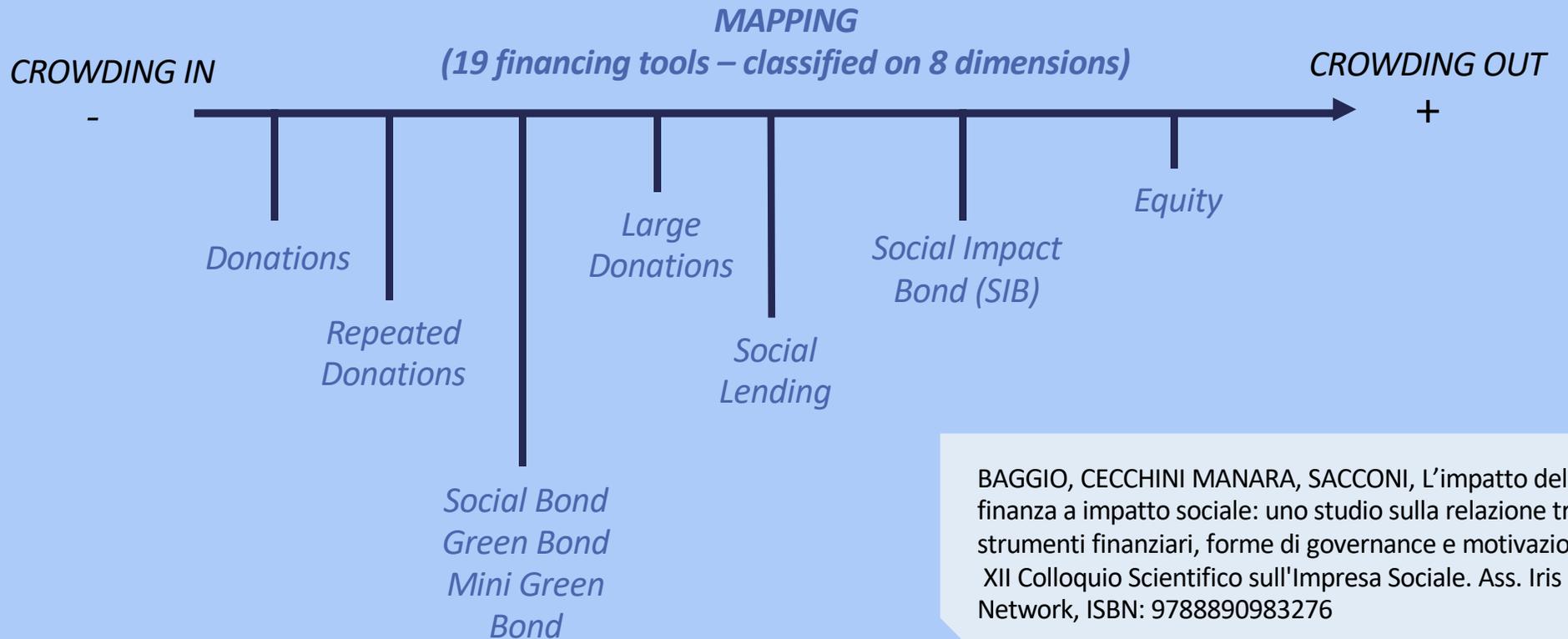
2. PROFIT

- Social impact finance instruments are conceived as
 - *"investments linked to measurable social objectives capable, at the same time, of generating an economic return for investors"*.
- Since the goods/services produced by the social enterprise are typically non-market, the inclusion of profit elements could
 - direct towards profitable activities, excluding certain sectors or certain beneficiaries,
 - crowd-out the ideal motivations of workers and donors.

3. GOVERNANCE

- Investors could legitimately make demands for **ownership** and **control** in the face of capital
- This could reduce the participation in governance of other categories of stakeholders,
 - *leading to an effect of crowding out for lack of*
 - participation,
 - autonomy,
 - voice,
 - self-government.

Potential crowding out



Questionnaire

- Aims at studying the interaction between:
 - *financing method,*
 - *governance and accountability structures*
 - *and their impact on the motivations of social enterprise stakeholders*
- Sample of 60 social enterprises in Trentino A.A. (Italy)

Experimental Design

- Our experimental design aims to recreate in the laboratory the relationship between **social enterprise, beneficiaries and financiers**



and issues related to:

- Asymmetric information
- (Impact) evaluation
- Financing tool parameters

Experimental Design - subjects



- **Player A (NPOs):** active players that will undertake a real effort task (sliders) and work both for themselves (salary) and for beneficiaries



- **Player B (beneficiaries):** conditional players, that will undertake a real effort task with a payoff unlocked by active players (A)



- **Player C (lender):** gives a part of his money to player A and gets back depending on the impact on player B

Experimental Design - treatments

- BASELINE: player A receives a fixed salary for his work
- IMPACT: player A is paid depending on the impact generated for player B
- BLIND: player A cannot see the best option for beneficiary
- PERFECT VISION: player A can see what's best for B
- SELF-FINANCING: only player A and player B
- THIRD-PARTY FINANCING: player A, player B, player C

Behavioural Predictions

- Information asymmetry
 - *arbitrary impact evaluation can reduce effort by player A when there are proxies that are not relevant for A and B*
- Economic returns:
 - *Working for player C remuneration reduces effort by player A*



**GOVERNMENT
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Session III.IV – Who’s a party and to what? Impact bond contracts, configurations, and risks (Seminar Room 4)

Ruairi Macdonald, *Government Outcomes Lab*

Ranajoy Basu, *Reed Smith LLP*

Deborah Burand, *New York University*

Anna Järneteg, *RISE Research Institutes of Sweden*

Chair: Daniella Jammes, *Freshfields Bruckhaus Deringer*



@ukgolab
#SOC19

The OMG Effect: When Acts of God (and Man) Imperil the Objectives of Impact Bonds

Deborah Burand

Associate Professor of Clinical Law

Director, International Transactions Clinic

Faculty Co-Director, Grunin Center for Law and Social Entrepreneurship

New York University School of Law

September 2019



Grunin Center
for Law and Social
Entrepreneurship
NYU School of Law



**Catastrophic weather events
are increasing in impact and
incidence ...**



Allocating risks of catastrophic weather events

Certain forms of contracts are especially vulnerable to risks of catastrophic weather events

- ▶ Think public-private partnerships
- ▶ Think long-term
- ▶ Think procurement of services to solve “wicked problems”
- ▶ **Think Impact Bonds**

What's at stake?

Everything

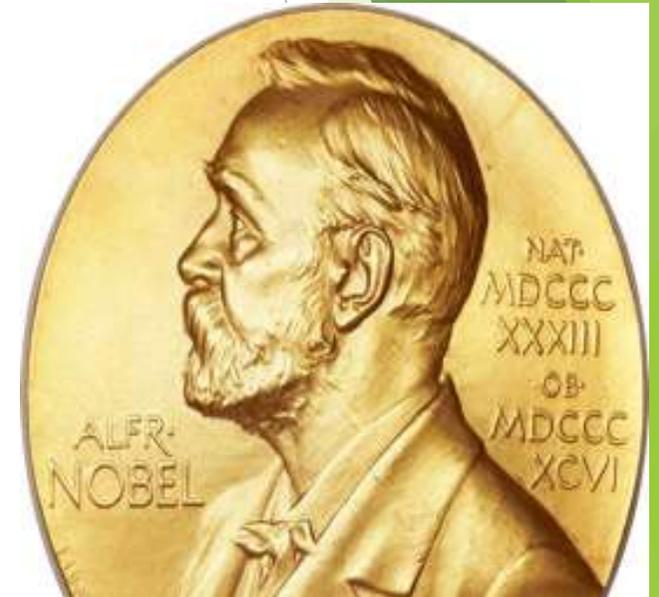
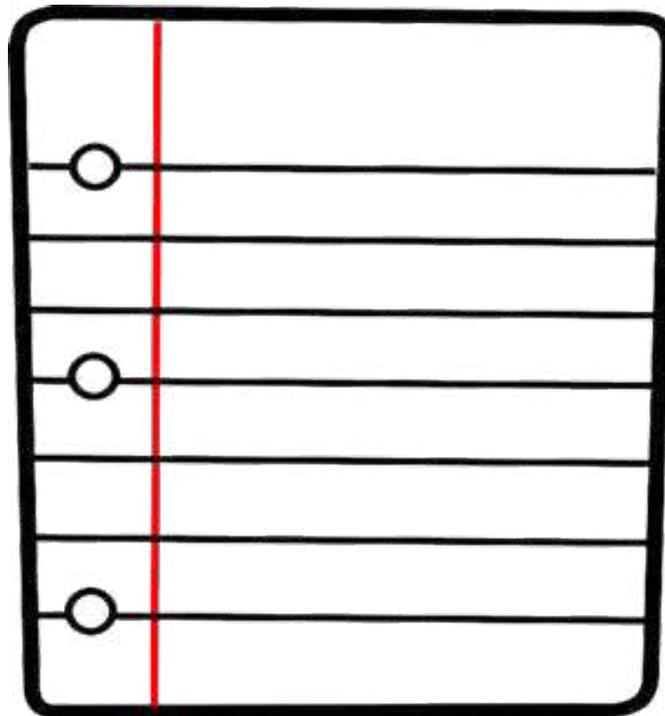
- How **are** impact bonds addressing these risks?
- How **should** impact bonds address such catastrophic weather events?



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Beds, an Empty Page, and a Nobel Laureate

*Contracting (Incompletely) for Success:
Designing Pay For Success Contracts for Social Impact Bonds (SIBs),
Cornell Journal of Law and Public Policy (forthcoming 2019/2020)*



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Complete vs. Incomplete Contracts

How “**complete**” should a Pay for Success (PfS)/Pay for Results (PfR) contract be when addressing catastrophic weather events?



Complete: Only when contract differentiates among all relative future states of the world and a third party (like a court) can verify which state has occurred

Why do we care if a PfS /PfR contract is “complete” or “incomplete”?

Because that orientation directs:

How much should be specified in the contract *ex ante* and what
is better left to be dealt with *ex post*

▶ Detail agreed responses *ex ante* in contract

or

▶ Use governing/monitoring provisions to fill gaps *ex post*



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Force Majeure Clauses

(a hybrid combining
ex ante and ex post contractual
approaches)

What is a force majeure clause?

- ▶ **Purpose:** Allocate risk of loss if performance by the contracting parties becomes impossible or impracticable as a result of an event or effect that the parties neither anticipated or controlled
- ▶ **Practical effect:** Force majeure provisions excuse or suspend performance obligations in the event of an *unusual* act of God or man

STARTING POINT FOR DRAFTING: Assume that risk of force majeure event occurring should be *shared by parties* to a contract because it is *outside of all parties' control* and *no party is better placed than the other to manage risk* of such an occurrence or its consequences (but are these assumptions true?)

- ▶ **Variable:** Force majeure clauses are NOT boilerplate:
 - ▶ Scope and application of force majeure clauses vary from industry to industry, and jurisdiction to jurisdiction



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Should we use force majeure clauses in impact bonds?

Patient or impatient capital?

Breathing spell?

Cooling off period?

Or something else...?

Use of Force Majeure Clauses in Public/Private Partnerships

- ▶ Mutual risk-sharing not necessarily appropriate where one of parties is a public sector entity (and, therefore, may be better able to manage or prevent certain risks)
- ▶ Multiple agreements (with multiple parties) govern partnership so need to consider how excused or suspended performance flows through and impacts other contractual relationships
- ▶ Goal of partnership may require carving out certain risks from force majeure clause if overcoming or responding to such risks is a goal of partnership

Use of Force Majeure Clauses in Impact Bonds

- ▶ Not all impact bonds include a force majeure clause, but becoming increasingly common
- ▶ Those that include a force majeure clause take a variety of approaches as to:
 - ▶ Scope
 - ▶ Determination
 - ▶ Consequences

Scope

- ▶ Most define expressly by using a catch-all provision, then give an illustrative list
 - ▶ Some compose illustrative list by describing TYPES of events
 - ▶ DIBs often include more “acts of man” in list than do SIBs to include broader range of host government actions (MAGA: material adverse government actions)
 - ▶ SIBs - certain behaviors of government outcome payers can give rise to termination of contract without resort to force majeure clause
 - ▶ DIBs often also include fewer “acts of God” in list than do SIBs, (some expressly exclude frequently recurring weather events taking place in geographic location of DIB project activities, such as flooding that takes place every two years)
 - ▶ Some compose illustrative list by describing EFFECTS of events

Determination

- ▶ Who determines if “qualifying” force majeure event has occurred?
- ▶ Who determines if force majeure event has abated?
 - ▶ Most look to determination of (and notice given by) party most affected by the event
 - ▶ But a few look to governance committee to make these determinations

Consequences

▶ Suspension

- ▶ Duration of suspension period varies greatly (from 3 months to one year)
- ▶ Some exclude certain performance obligations from suspension (for example, some make it explicit that obligation to make outcome payment obligations is not suspended)

▶ Remediation while performance suspended

- ▶ What are (and who has) duties to mitigate/remedy consequences of event?
- ▶ What is standard of care?

▶ Renegotiation

- ▶ What is open renegotiation? (Extend term of contract? Change outcome pricing? Change service providers? Provide more financial or other resources to service providers so they can continue to operate? Other?)
- ▶ Who decides - parties, governance committee?
- ▶ Need for investor consent?

▶ Termination

- ▶ Who decides - automatic, mutual or within one party's right, governance committee?
- ▶ Need for investor consent?
- ▶ Wind-down obligations
 - ▶ Which, if any, contractual obligations of parties continue beyond termination of contract?
 - ▶ How are project beneficiaries protected?

How should force majeure clauses of Impact Bonds evolve?

- **Challenge:** How to avoid creating overly deterministic contracts to confront uncertain yet catastrophic weather events that today seem “rare” but in the not-so-distant future may become “normal”?
- **Roadmap** for drafters of force majeure clauses in PfS/PfR contracts for Impact Bonds:
 - **Agree to common purpose of force majeure clauses:** provide parties with a breathing spell (not an escape clause that affords an easy way of shirking contractual commitments)
 - **Focus more on process for making determinations about circumstances and responses required of parties where force majeure clause is invoked** (focus less on creating extensive lists (and exclusions therefrom) of causes for excusing or suspending performance)
 - **Make it clear that, although termination is possible, termination should take place only if no understanding can be reached by the parties as to a possible readjustment of the terms of the contracts, consequences of non-performance, and means to mitigate those consequences.**



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