

SII Evolve Market Briefing

Office of Social Impact Investment | Sydney

6 September 2018



Welcome



What is social impact investment?



What is social impact investment?

Investors, providers and agencies work together to generate social outcomes alongside financial return

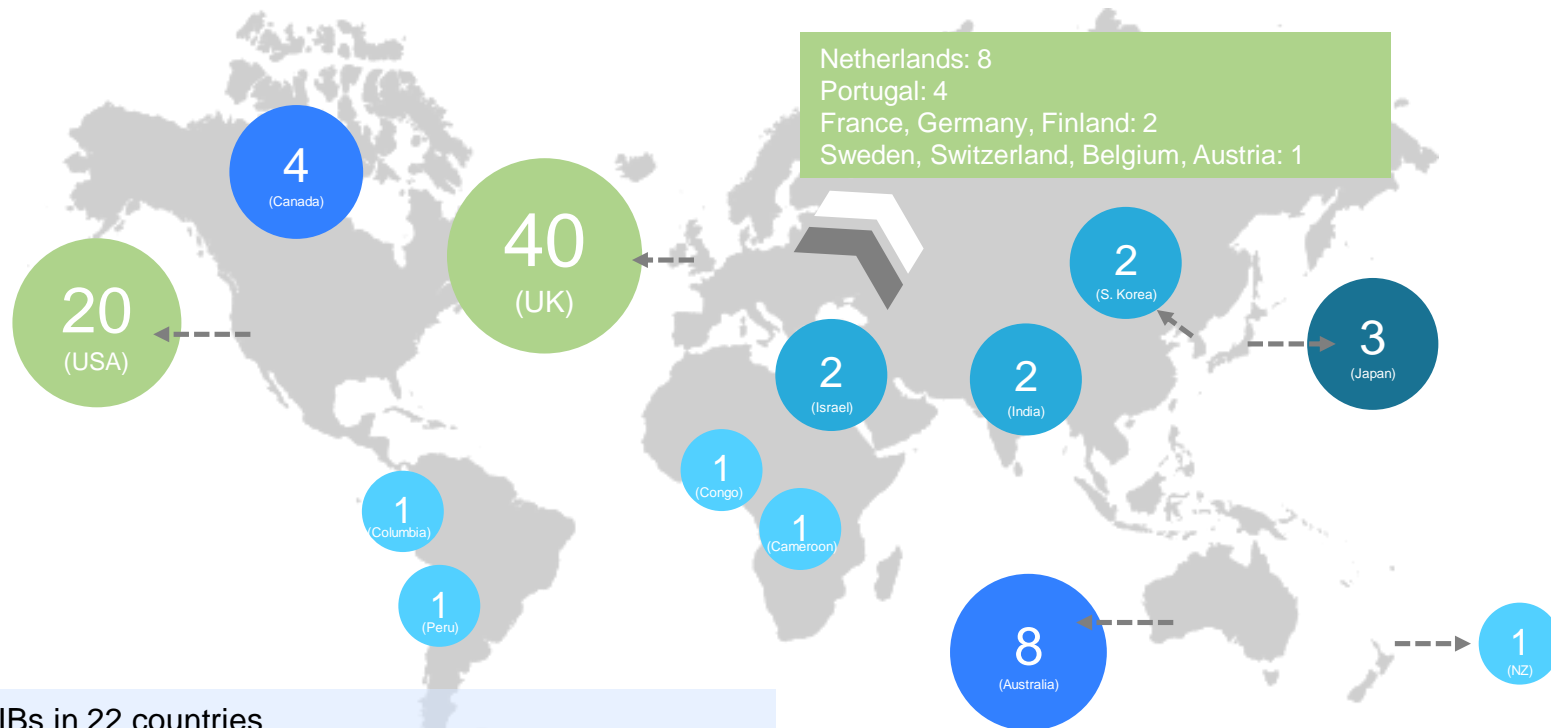


- Social impact investment (SII) is about working together to deliver social and financial benefits.
- It is a partnership with government, communities, investors and service providers to try to do things better.
- SII is not a grant or a fee-for-service contract

- Service providers bring forward ideas and investors provide upfront funding
- Service providers deliver outcomes and are free of input controls and restrictive service specification
- Government pay for outcomes achieved, driven by benefits and future savings associated with improved outcomes

Global reach

Social impact bonds is a growing global phenomenon



- 108 SIBs in 22 countries
- \$392m capital raised, reaching more than 700,000 people
- \$500b to \$1 trillion potential market value this decade

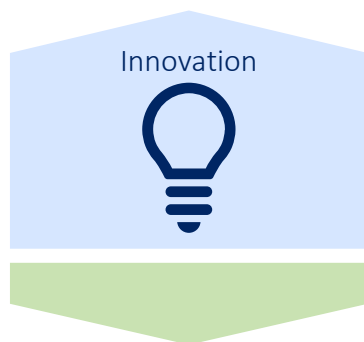
(Source: Social Finance 2017, Impact Bond Global database, <https://sibdatabase.socialfinance.org.uk/>)

What makes SII unique?

NSW views SII as an opportunity to bring together four key ideas in one place



*Measuring and paying
for outcomes*



*Setting incentives
and removing input
controls on services*



*With government
and non-government
sectors*



*Investing in early
intervention and
prevention to reduce
long-term cost*

Supporting innovation

SII can be a powerful policy tool to drive innovation and reform

Status quo

Weak evidence –
little evidence of
what works and for
whom

Potential waste – no
incentive for
continuous
improvement

Government
processes stymie
innovation

Limited
understanding of the
lifetime cost of poor
outcomes

Need new ways to
address fiscal
challenges



SII approach

Builds an evidence
base of what works to
inform commissioning

Government only
pays for success and
outcomes which limits
wastage

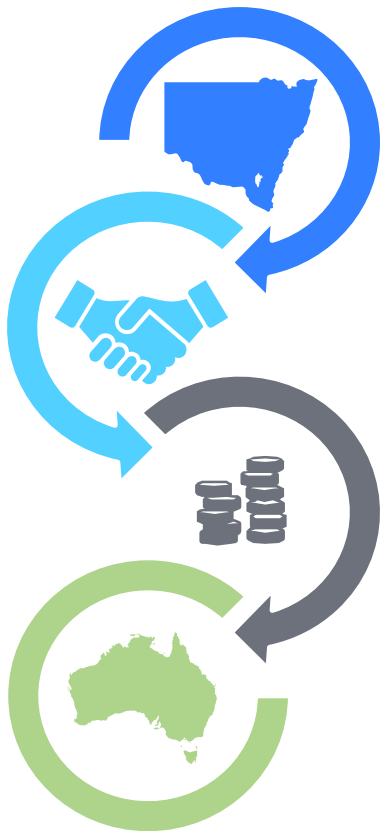
Outcomes contracting
fosters community
solutions and
innovation

Use data-linkage to
understand service
usage and target
investment

Unlocks private
sector capital and
expertise

SII in NSW

NSW remains a market leader in social impact investment



SII has operated in NSW since 2013. The **Office of Social Impact Investment (OSII)** and the Government Social Impact Investment Policy were launched in 2015.

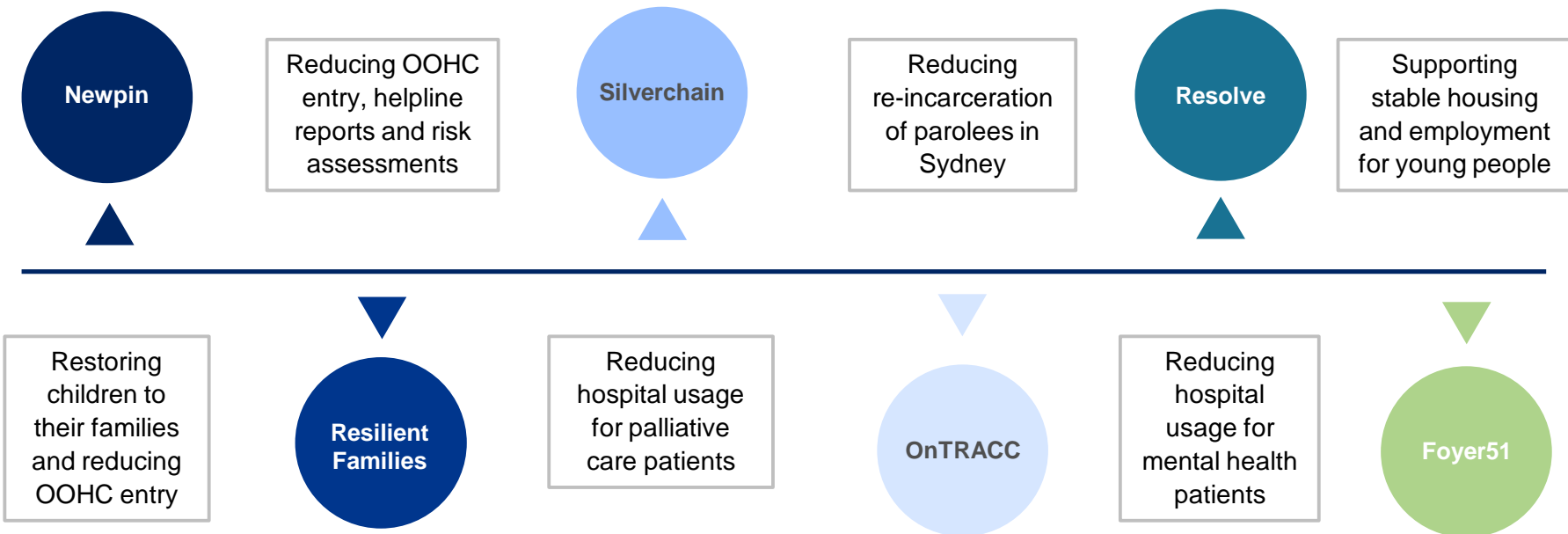
OSII has worked with hundreds of **NGOs, private investors, and intermediaries** to develop market capacity, test innovative services and build evidence of what works.

Six NSW investments valued at over **\$200 million** and supporting **16,000 people** in NSW e.g. out of home care, re-offending, youth, mental health and palliative care policy areas

Domestically, other jurisdictions draw heavily on NSW experience in developing SIIs. NSW has delivered 6 investments; Queensland (3); Victoria (2); and SA (1).

NSW SII Portfolio

Investments in a broad and diverse range of human services

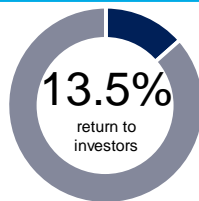


Newpin SBB

Key results to date

“Newpin continues to deliver positive outcomes for vulnerable families that participate in the program and delivers strong returns to investors and the community. This is an outstanding example of what can be achieved through innovative partnerships between the not for profit sector and Government.”

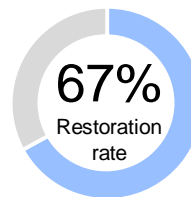
The Hon. Dominic Perrottet



Investors have received the equivalent of a 13.5% p.a. return over the five years.



Newpin has restored 272 children based on year 5 results



Newpin has a restoration rate of 66.7% vs. counterfactual rate of 20%



Newpin prevented children in 55 families from entering care

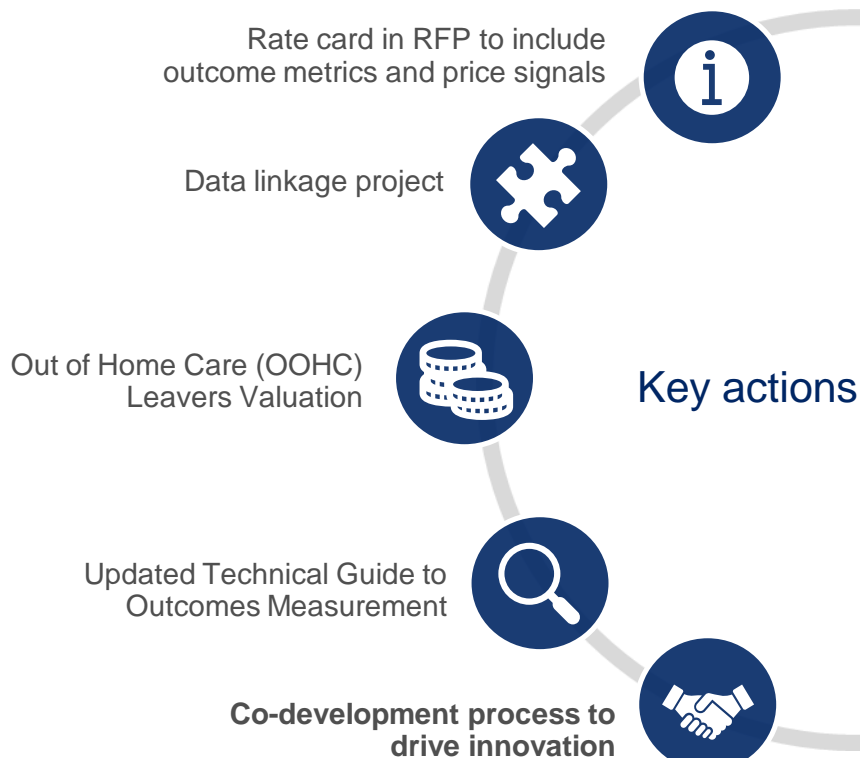


Capacity building and driving innovation

Current OSII initiatives to drive innovation in the SII market

Challenges

Market feedback has highlighted key challenges associated with SII including high levels of complexity, upfront resource commitments and a lack of data availability.



SII Evolve



The market opportunity

Investor demand and proponent supply for SII opportunities outside of designated RFP areas

The issue

Investor demand for impact investment products continues to grow, as does interest from service providers to bring forward investment ideas in a wide range of policy and service areas.

The gap

While past RFP rounds have permitted proponents to bring forward SII ideas outside of the identified priority areas, the upcoming RFP will be limited to homelessness and Aboriginal economic development proposals. This means that there is currently no avenue for proponents to put forward ideas outside the priority issue area.

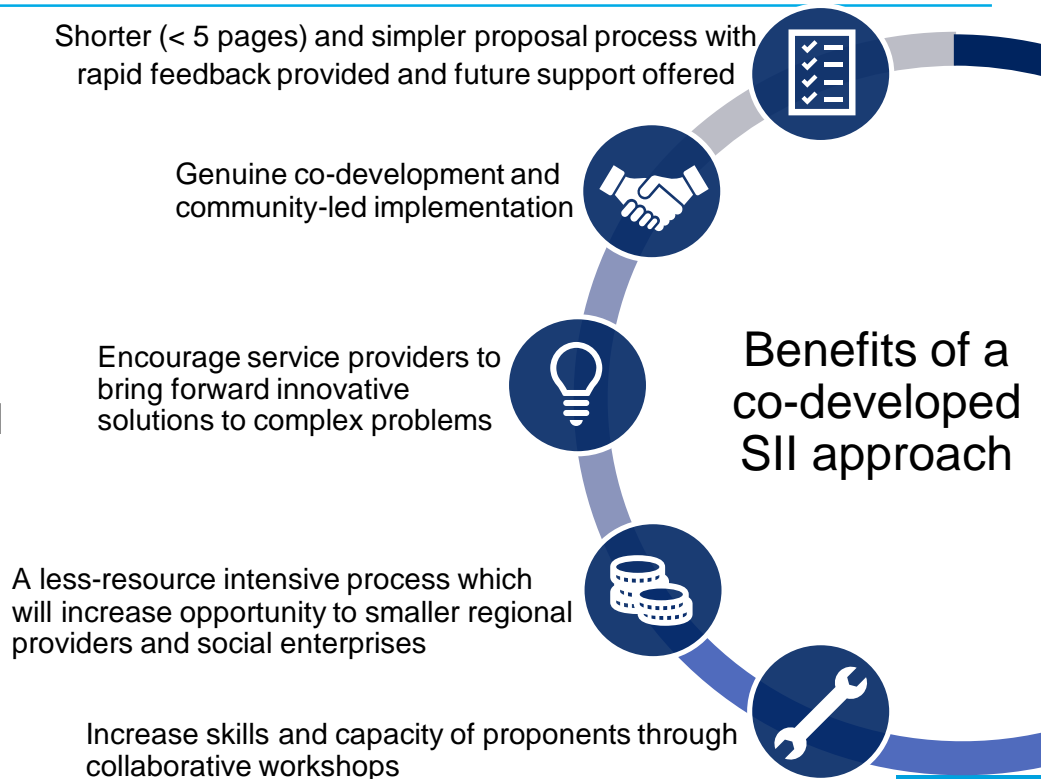
The opportunity

OSII proposes an additional avenue for potential proponents to engage with SII development – allowing organisations to test their SII proposals in a more efficient way than the existing procurement processes allow.

SII Evolve

An opportunity for proposals to be designed collaboratively with OSII

OSII is trialling a new streamlined co-development approach to SII proposals. The process – named **SII Evolve** – will allow proposals to be tested, designed and progressed collaboratively with OSII and the relevant agency before joint development phase.



Objectives

SII Evolve aims to achieve the following objectives



01

To build the capacity of proponents, in particular smaller providers and social enterprises



02

Encourage innovation and ideas for SII investment in NSW



03

Generate investment from the private sector and pilot new funding approaches



04

Build a pipeline of high quality SII proposals

Co-development of SII

OSII's new approach of co-developing proposals



STAGE 01 *INITIAL CONCEPT REVIEW*

Proponents submit 5-page proposal, including background information and summary of proposal



STAGE 02 *CO-DEVELOPMENT OF PROPOSAL*

Shortlisted proponents enter co-development sessions with OSII to develop the proposal



STAGE 03 *EVALUATION OF DETAILED PROPOSAL*

Government assesses detailed proposal

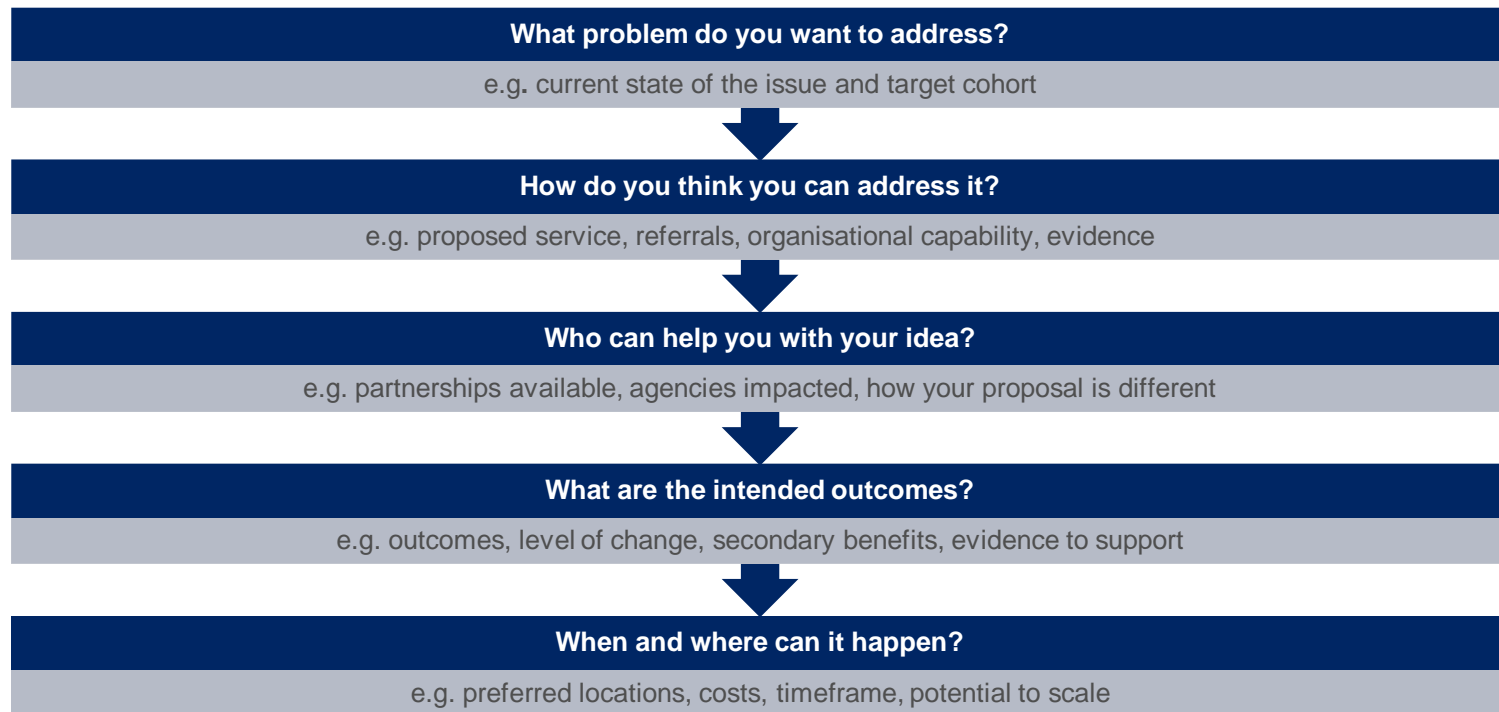


STAGE 04 *JOINT DEVELOPMENT PHASE*

Proponent formally enters JDP with agency to finalise proposal

Submission questions

What questions should I respond to in my proposal?



Human Services Outcomes Framework

Guidance on outcomes for proposals to target



Capacity Building

OSII will provide a range of opportunities and resources to support proponents

Training

- OSII are hosting market briefing sessions and have launched online modules



Technical guide

- Guide and supporting factsheets to develop a rigorous measurement framework and financial basis

Financial model template

- Supports proponents to assess the feasibility of their proposed social impact investment

Co-development pilot

- OSII is trialling a co-design approach to SII development which will see OSII and agencies working closely with proponents to design all proposal elements

Intermediaries and advisors

Experienced support for developing SII proposals

Social impact investment intermediaries can help develop ideas and business cases, build investment readiness and capability, attract and broker investment, and may provide finance themselves.

The OSII website includes a list of SII intermediaries that NSW proponents may wish to contact:

- [37°C](#)
- [Deloitte Social Impact Consulting](#)
- [Foresters Community Finance](#)
- [Global Impact Initiative](#)
- [Good Shephard Microfinance](#)
- [ImpactAbility Solutions](#)
- [Indigenous Business Australia \(IBA\)](#)
- [Koda Capital](#)
- [KPMG](#)
- [Latitude Network](#)
- [National Australia Bank \(NAB\)](#)
- [Palladium International Pty Ltd](#)
- [Seed](#)
- [Serco Australia Pty Ltd](#)
- [Social Enterprise Finance Australia \(SEFA\)](#)
- [Social Impact Hub](#)
- [Social Outcomes](#)
- [Social Ventures Australia](#)
- [Strategic Global Advisory](#)
- [The Impact Exchange](#)
- [Urbis](#)
- [Westpac Banking Corporation](#)

*The NSW Government does not endorse any particular organisations for intermediary work. This list does not limit other organisations from acting as intermediaries or advisor for social impact investments in NSW.

Expert Advice Exchange

Support will be available for all proponents entering into co-development

The EAX facilitated over 2,000 hours of pro-bono advice between 135 organisations and 41 advisory firms

Advice on offer ranges from legal, strategy, finance, communication and other professional services



The EAX was established in 2015 to connect NGOs with pro-bono expert advice

In the co-development phase, OSII will make EAX partner contacts available to proponents

Useful reading

A number of resources are available on the OSII website

- [Previous RFP Documents](#)
- [Lessons Learnt from previous RFP](#)
- [Sample Legal Documentation including Joint Development Agreement](#)
- [SII online modules](#)
- [SBB Case Studies](#)

Next steps





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