

# Partnering for social impact: New opportunities for social impact investment in NSW

---

Office of Social Impact Investment | Regional market briefings  
August 2018

# 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

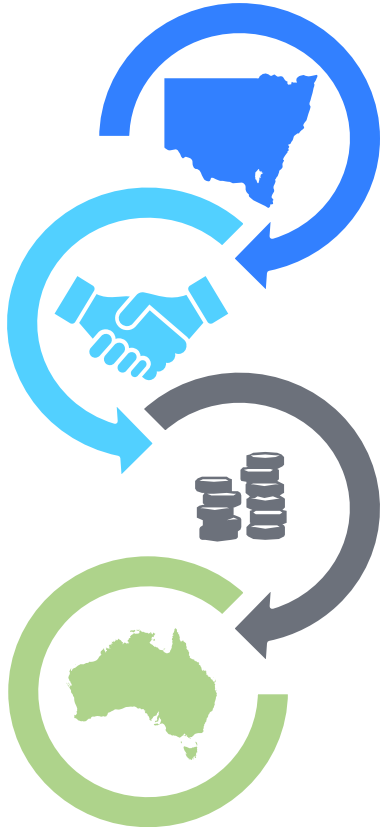


- 108 SIBs in 22 countries
- \$392m capital raised, reaching more than 700,000 people
- \$500b to \$1 trillion potential market value this decade

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

# 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

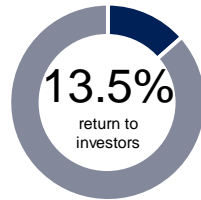
Domestically, other jurisdictions draw heavily on NSW experience in developing SIIs. NSW has delivered 6 investments; Queensland (3); Victoria (2); and SA (1).

# 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.”

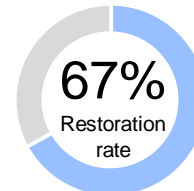
*The Hon. Dominic Perrottet*



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



# OSII is introducing two new SII opportunities

Today will showcase these two new opportunities for the sector to engage in SII



Aboriginal economic  
development

A request for proposals for a SII focused on  
Aboriginal economic development

A new initiative that will enable proponents and  
government to co-develop SII ideas in any policy area



SII Evolve

# Aboriginal economic development





# Aboriginal economic development SII

Empowering Aboriginal communities in the NSW Budget 2018-19



The 2018-19 Budget has delivered **\$10 million** over four years for a social impact investment in Aboriginal economic development opportunities.

## **What outcomes are we trying to achieve?**

*Economic* – such as increased employment, income and Aboriginal businesses.

*Education and training* – such as increased post-secondary education.

Other evaluation outcomes may also include safety, health, and social and community outcomes

# Why SII in Aboriginal economic development?

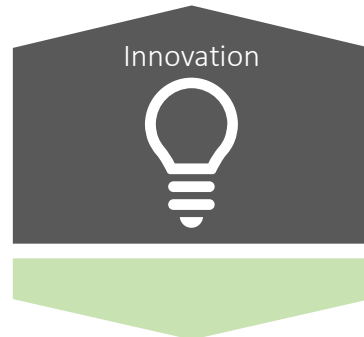
SII creates a unique opportunity for Aboriginal economic development

What makes social impact investment unique is that it combines the following four attributes which can create a valuable opportunity for a place-based Aboriginal economic development SII.



*Measuring and paying for outcomes*

SII will enable Government to build an evidence base of what works for future policy and service settings focused on Aboriginal economic development



*Setting incentives and removing input controls on services*

Complex and significant challenges require new and creative policy solutions. SII is an opportunity try, test and innovate with new approaches



*With government and non-government sectors*

Clear evidence that success in Aboriginal affairs requires Government to work with people and communities. SII involves genuine co-development and community-led implementation



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

Compelling case to invest earlier and improve long-term social and economic outcomes. SII is a proven model for driving change in individual service trajectory

# Aboriginal economic development SII

What questions should I respond to in my proposal?





# OCHRE

## Social Impact Investment Aboriginal Economic Development



*Opportunity, Choice, Healing, Responsibility, Empowerment*



Aboriginal  
Affairs



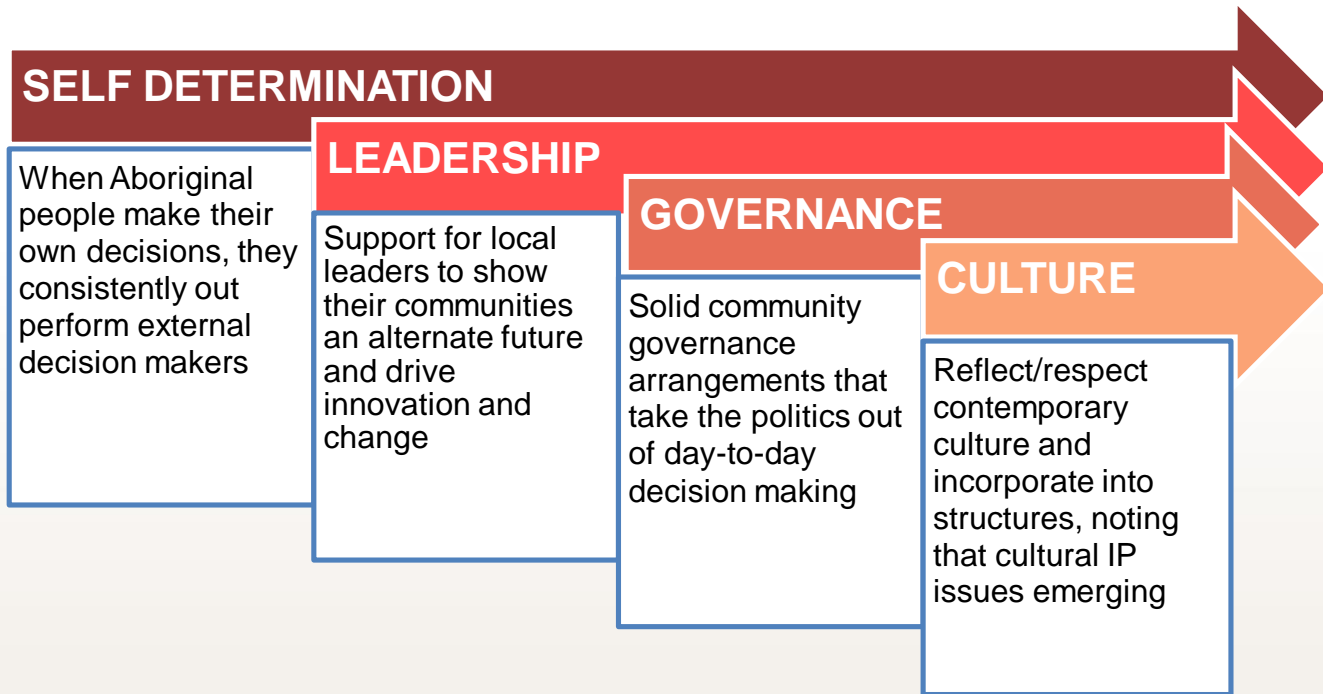


## Economic Development in an Aboriginal context





## What works – according to the research





## **Narratives based on Strengths not Disadvantage**

**Dialogues of disadvantage/deficit generate disempowering culture of failure**



**“Closing the Gap” & “Overcoming Indigenous Disadvantage” & “Emergency Response” dialogues from deficit perspective**



**Adopting strengths based approaches/language assists in breaking down stereo-types and improve outcomes**



**We can't ignore disadvantage, but can address through positive narrative focused on opportunity and aspiration**



**Invest in economic advantage NOT social disadvantage**



## **Current NSW Government initiatives:**

**→ Aboriginal procurement policies  
(APIC and APP)**

**→ Aboriginal Land Agreements/ALRA  
(land ownership)**

**→ Local Decision Making (also  
agreement making)**



# 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.

Shorter (< 5 pages) and simpler proposal process with rapid feedback provided and future support offered



Genuine co-development and community-led implementation



Encourage service providers to bring forward innovative solutions to complex problems



A less-resource intensive process which will increase opportunity to smaller regional providers and social enterprises



Increase skills and capacity of proponents through collaborative workshops



Benefits of a co-developed SII approach

# 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 proposals



# Co-development of SII

Underpinning both these opportunities is 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

# SI guidance and support



# 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



# 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

---





[www.osii.nsw.gov.au](http://www.osii.nsw.gov.au)  
[socialimpactinvestment@dpc.nsw.gov.au](mailto:socialimpactinvestment@dpc.nsw.gov.au)  
[@NSWOSII](https://twitter.com/NSWOSII)