SOCIAL IMPACT INVESTMENT: BUILDING THE EVIDENCE BASE

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# The Spectrum of Capital

<table>
<thead>
<tr>
<th>Financial-only</th>
<th>Responsible</th>
<th>Sustainable</th>
<th>Impact</th>
<th>Impact-only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering competitive financial returns</td>
<td>Mitigating Environmental, Social and Governance risks</td>
<td>Pursuing Environmental, Social and Governance opportunities</td>
<td>Focusing on measurable high-impact solutions</td>
<td></td>
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</tbody>
</table>

- **Financial-only**: Limited or no regard for environmental, social or governance practices
- **Responsibility**: Mitigate risky environmental, social and governance practices in order to protect value
- **Sustainability**: Adopt progressive environmental, social and governance practices that may enhance value
- **Impact**: Address societal challenges that generate competitive financial returns for investors
- **Impact-only**: Address societal challenge(s) that cannot generate a financial return for investors

Source: SIITF WGAA (2014) adapted from Bridges Ventures.
The Social Impact Investment Market is Evolving Rapidly

• A number of factors are driving growth in the social impact investment market
  – The need for new innovative approaches to address growing social needs.
  – The increasing interest of private capital providers in investing for both measureable social and financial returns.

• While these new approaches will not replace the core role of the public sector or the need for philanthropy…
  – …SII can provide innovative models for leveraging capital using market-based approaches with potential to have greater impact.

• Social impact investment is growing in the G7 countries and expanding to the G20 and beyond
  – SII can catalyse additional private capital flows into both developed and developing economies
  – Particularly important in the context of the 2015 high-level dialogue on Financing for Development and the development of the new Sustainable Development Goals.
Framing the Social Impact Investment Market

**Social Needs**
- Ageing
- Disability
- Health
- Children and Families
- Public order and Safety
- (Affordable) Housing
- Unemployment

**Demand-side**
- Social Enterprises
- Non-profits (NPOs)
- Social purpose (SPOs)
- Profit with purpose businesses
- Cooperatives

**Supply-side**
- Governments
- Foundations
- Institutional investors
- HNWI & family offices
- SV & VP funds
- Retail

**Intermediaries**
- Transactions and instruments
  - Social banks
  - Social investment
  - Wholesale banks
  - CDFIs
  - Social exchanges
  - Funds

**Enabling Environment**
- Social systems
- Tax laws
- Regulatory environment
- Financial market development
Different perspectives of social impact investment

SIITF: Social Impact Investment Taskforce - focus on social needs and beneficiaries

GIIN: Global Impact Investment Network - focus on engaging institutional investors
The Social Impact Bond (SIB) Model

- Investors
- Upfront cash
- Contractors
- Payment based on results
- Government commissioner
- Social outcome & cashable savings
- Service providers
- Programme
- Programme participants
Prisons in a number of countries are over-capacity

Note: Prison occupancy rates United Kingdom data is for England and Wales only, data for Australia, England & Wales, France, Germany, and Italy are from 2013; 2012 in Japan and the United States, and 2009 in Canada.

Source: Author’s calculations of national informant data (available on request).
The SIB model is spreading to address a range of social issues, including health

Panel A: Population aged 65 years and over receiving long-term care, 2011 (or nearest year) and prevalence of dementia among the population aged 60 years and over, 2009

Panel B: Over 65 population as a ratio of working age population (15-64)

The juxtaposition of the figures in Panel A, read alongside the evidence in Panel B, gives the strongest message for the need for innovative social enterprise in these countries. First, although LTC provision varies widely, the demand for these provisions is likely to be very similar across countries and so there is unmet demand. Second, as the scale of dependency increases, demand for care will increase substantially relative to the working-age population in the coming decades.
Social Impact Investment: Building the Evidence Base

Key Chapters of OECD Report:

Overview on Social Impact Investment

Social Impact Investment Framework

Characteristics and Attributes of Social Impact Investment

Context Setting: Differences in social needs and service delivery across selected countries

Social Impact Investment Market Data: Initial Findings

Policy Actions and Implications

For further information see July 2014 publication:

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