Social Impact Bonds:
Capacity Building in the Not-for-Profit Sector

Assessment Report August 2014
Contents
Context and purpose .................................................................................................................. 3
Workshop summary .................................................................................................................. 3
Preliminary engagement .......................................................................................................... 3
Workshop Delivery .................................................................................................................... 4
Participant feedback ............................................................................................................... 4
Participant knowledge ............................................................................................................. 6
Organisational capacity ......................................................................................................... 7
Survey responses ..................................................................................................................... 7
Appendix 1: Preliminary Survey Responses to SIB Attitudes .................................................. 9
  Summary: 'Excitement' ............................................................................................................ 9
  Summary: 'Concerns' ............................................................................................................. 9
Appendix 2: Participating Organisations .................................................................................. 11
Appendix 3: Workshop Participant Survey Responses ............................................................ 12
  Comments on quality ............................................................................................................. 12
  Main recollections ................................................................................................................. 12
  Remaining concerns .............................................................................................................. 14
  General comments ............................................................................................................... 14
Context and purpose
This report has been prepared in accordance with the requirements of the Social Impact Bond Capacity Building agreement between Social Ventures Australia and the Government of South Australia.

The purpose of the report is to:

• Provide a summary of the Laying the Foundations workshops
• Reflect on the general capacity of NGOs within South Australia to participate in outcome based contracting/SIBs.

Workshop summary

Preliminary engagement
Prior to developing the Laying the Foundations workshop material, SVA undertook a preliminary fact find with a number of organisations, including:

• SYC
• Anglicare
• Silver Chain/RDNS
• Catherine House
• SIINSA/Wyatt Trust

In addition, a number of the submissions to the Building a Stronger Society discussion paper were reviewed. This preliminary work identified a number of strong themes:

• An appetite to move from general knowledge to a deeper understanding of the mechanics and structure of SIBs
• Some confusion over how outcome based contracting and SIBs relate
• Concern – even suspicion – about Government capacity to successfully contract on an outcome basis (cultural shift; impact of election cycles; ability to produce supporting data; appetite for cross department collaboration)
• Hope that SIBs present an opportunity for cross-sectoral collaboration, but uncertainty about how this would work in practice
• Concern from some parties about intellectual property and the longer game – what happens at the end of a SIB contract?
• Overwhelmingly, enthusiasm for the concepts underpinning outcome based contracting.

A more formal survey of participant views was incorporated into the RSVP process. Participants were asked what excited them, and what concerned them, about PbR/SIBs. Complete verbatim responses can be found in the Reference section of the SIB Workbooks, and are summarised by theme in Appendix 1.
Workshop Delivery

Structure

The Laying the Foundations capacity building workshops were structured as follows:

- Two days, separated by around two weeks to allow participants time to reflect on day 1 learning and accommodate work pressures.
- Small groups, targeted at a maximum of 18.
- A mixture of content presentation, personal reflection/work, breakout discussion and whole group discussion.
- Detailed workbooks mirroring powerpoint presentation structure, including SIB case studies.

It should be acknowledged that NAB and RDNS generously provided venues for the workshops at no charge.

Participants

In total, 54 organisations and 12 Government departments sent representatives to the workshops, with approximately 90 total participants. Of these, the majority attended both days, but around 20 attended only one day. A list of participating organisations is included in Appendix 2.

Objectives

Workshop objectives were that all participants would have:

- An understanding of the principles underpinning SIBs
- An understanding of the detailed issues that need to be addressed in entering a ‘payment by results’ contract
- An understanding of investor requirements and SIB design issues
- An understanding of the practicalities of the development process
- Developed a high level strawman for a SIB for their organisation
- A realistic view of whether a SIB is an appropriate funding model for their organisation, and the next steps to either:
  a) progress toward SIB readiness; or
  b) move “from strawman to ironman"
- An opportunity to engage with participants from other NGOs and Government to develop a shared understanding of the opportunities and challenges in implementing a SIB

Participant feedback

Survey responses

Workshop participants (including those who had registered but been unable to attend) were invited to complete a post-workshop survey to provide feedback. (Completion of the survey also enabled them to request soft-copies of materials, an offer which 29 individuals took up.)

43 individuals responded to the survey, of which 40 had attended one or more days of the workshop – a response rate of approximately 44% of participants, sufficient to provide a good indication of overall impact.
Of the 40 participants who responded, 9 were government representatives and 31 NGO representatives. NGO respondents represented 24 organisations, or 44% of total participating organisations.

**Workshop quality**

Respondents were asked to rate the quality of the workshops for three elements:

- ‘Matter’ - the technical content and information
- ‘Method’ - the format and layout of the workshop/workbook
- ‘Manner’ - the presentation style

Using a scale of 1-5, (1 = Poor, 5 = Excellent), the average ratings were as follows:

100% of respondents rated each element as either Good or Excellent, with government representatives being marginally more positive than NGO representatives on average.

Verbatim participant feedback on the quality of the workshops, their strongest ‘take aways’, remaining concerns and general comments are included in Appendix 3. Overall, feedback was extremely positive, with many participants indicating their appreciation of the opportunity to take part.
Participant knowledge

Respondents were asked to rate their level of knowledge of SIBs/PbR on a scale of 1-10 before and after the workshops. The same question was also asked in the pre-workshop survey, and the results of both the pre and post workshop responses are shown below.

The downward re-rating of prior knowledge accords with the comments of many participants during the workshops that they had over-estimated how much they knew about SIBs.

The survey results illustrate a significant uplift in the self-assessed level of participant knowledge. Government participants had a higher prior level of knowledge than NGO representatives (4.2 vs 3.1), but this gap was much smaller after the workshops (7.3 vs 7.0).

SVA’s perspective is that participants engaged very well with the material, and that discussions generally indicated a sound appreciation of the concepts. Some individuals found the more technical elements (legal and financial structures) challenging, but have a clear picture of the scope of work. The key ‘take aways’ (as recorded in Appendix 3) are also a pleasing indication that participants are fully aware of the reality of the challenges and opportunities involved in implementing a PbR contract or SIB.

Overall, the reported level of knowledge is broadly in line with our assessment.
Organisational capacity

Survey responses

In the post-workshop survey, participants were asked to nominate the statement(s) that best described their organisation’s position in relation to SIBs and Payment by Results contracting. Options were as follows:

A. We are very keen to participate in a SIB in the near future
B. We would like to participate in a SIB in the near future but have concerns about the level of commitment required in their development
C. We would like to participate in a SIB but not in the near future as there are a number of organisational capacity issues we need to address first
D. We would like to participate in a SIB but want to wait to see how they go in the SA context first
E. We are attracted to the principles underpinning SIBs but are unsure they suit our circumstances
F. We want to find out more about SIBs so that we can determine whether they are worth considering
G. We are unlikely to participate in a SIB but are keen to participate in a PbR contract in the near future (ie no investor involvement)
H. We are unlikely to participate in a SIB but want to explore PbR options further to determine whether they suit our circumstances
I. We are unlikely to participate in a SIB or PbR contract
J. Other (please specify)

Raw responses are illustrated in the chart below for NGO respondents. It should be noted that a) several organisations had more than one individual respond (who didn’t always agree), and b) the split between primary and secondary responses (for those who chose more than one option) was an SVA assessment.
We would make several observations in relation to these results:

- Several of the organisations that are keen to participate in the near future also flagged (understandable) concerns about the level of commitment required.
- Several organisations are very interested in taking part in a SIB at some point, but don’t see themselves as ‘first cab off the rank’.
- Others have identified that a SIB is beyond their scope, but would like to participate in PbR contracting on a smaller scale.
- Several NGOs are still undecided about the applicability of PbR. For some of these, it is difficult to establish a clear link between quantifiable/cashable government costs and their intervention program. For others, the size of the transaction is daunting.
- Several of those in the “unlikely to participate” category are not service providers. Of the service organisations responding, only one niche provider identified (appropriately) that their services are not suited to PbR/SIBs.

There is a strong correlation between workshop participants who were highly engaged and those who responded to the survey. It is expected that EOI respondents will be drawn largely (but not exclusively) from this group.

Several others were enthusiastic participants but the potential for a SIB is not as strong, generally due to scale issues.
Appendix 1: Preliminary Survey Responses to SIB Attitudes

Summary: ‘Excitement’

Funding

- Expands sources of necessary funding for community services
- Alternative to direct tendering for government funding
- Potential to generate new income sources to fund social programs
- Possibility that a premium is paid for good results to the service provider so adequate funding can be directed at wicked problems

Innovation

- Opportunities to deliver innovative services
- Involving non-traditional partners in the work of NGOs to expand community knowledge of & action on overcoming social injustices
- Opportunity & innovation in delivering new or existing services
- Seeing real change happen more quickly and connection of services

Measurement

- Accountability for what you achieve or do not achieve
- Demonstrate concrete outcomes to persistent/material challenges
- Stronger understanding of cost drivers
- Improved data collection, data sharing & market design for collaboration
- Enable purchasing on an evidence basis

Summary: ‘Concerns’

Process

- Potential difficulty in administering
- Bureaucracy required to meet the project KPIs
- Difficulty in measuring outcomes
- Ability to effectively capture the necessary data
- Whether smaller organisations can be involved - don't have capacity
- Systems are problematic for NFPs without access to huge capital markets

Risks

- The extent of the risk that falls on NGOs
- Adequate funding to the job properly
- Who carries the risk; creaming
- Cost benefit assessment of input required to produce return which may reduce expenditure on social programs
- Unrealistic targets, cherry picking clients to achieve outcomes

Head vs Heart

- The "commodification" of people at the heart of social injustices
• Undue focus on economic / financial returns
• Funders will only value work/outcomes that provide a cost benefit
• Setting up programs that do not deal with the most vulnerable

**Government**

• Public sector risk intolerance will stifle potential
• Government needs to continue to contribute and not transfer to private/philanthropic sectors
• Concern that "premium" payments are not paid because not all departments contribute to the payments - but accept the outcomes

**Viability**

• Concern that SA may not have the volume of "caseload" to provide
• Difficulties in finding funders
• Early adopters fail and give SIBs a bad name
Appendix 2: Participating Organisations

Non-Government Organisations

Aboriginal Health Council of SA  
Aboriginal Sobriety Group Inc  
ACHGroup  
Anglicare SA  
Australian Centre for Community Services Research  
Australian Red Cross  
Baptist Care  
Beacon Foundation  
Cara  
Catherine House  
Centacare Adelaide  
Central domestic Violence Service  
Common Ground Adelaide  
Community Housing Council of SA  
COTA SA  
Disability Recreation and Sports SA  
Drug ARM Australasia  
ECH Inc  
equilibrium9  
FoodbankSA  
General Practice SA  
GP Partners Australia  
Grow  
Health Consumers Alliance of South Australia  
Healthfirst Network  
Hills Community Options  
Hutt St Centre  
Inclusive Directions  
Life Without Barriers  
Mental Illness Fellowship of SA  
Mission Australia  
No Better Time Consulting  
Nunkuwarrin Yunti of SA  
Orana  
Palliative Care Council South Australia  
Pika Wiya Health Service Aboriginal Corp  
RAA Group  
RDNS (Silver Chain)  
Recreation SA  
Relationships Australia  
SACOSS  
Scosa  
Shelter SA  
Sorento Care  
Southern Cross Care  
Summit Health  
SYC  
The Benevolent Society  
The Jam, The Mix, The Gig (The JMG)  
Time for Kids  
United Way South Australia  
Uniting Communities  
UnitingCare Wesley Bowden  
Unity Housing Company Ltd

Government Departments

Attorney-General's Department  
Corrections  
Crown Solicitors Office  
Department for Communities and Social Inclusion  
Department of Premier and Cabinet  
Education and Child Development - Families SA  
Housing SA  
Office of the Guardian for Children and Young People  
Office of the Public Advocate  
SA Department of State Development  
SA Health
Appendix 3: Workshop Participant Survey Responses

Comments on quality

Government representatives

- There were some quite complex concepts that were unfamiliar to many attendees I spoke with. However, the presenter supported by the workbook enabled a good understanding of these concepts eg counterfactual!
- I thought the presenter was very knowledgeable and had direct experience.
- The workshops were informative and engaging. In terms of content, there was scope for looking more closely at those models that may have better application to the South Australian context, such as smaller projects grouped together.
- I think SVA could have explained a little bit better how there is no one sits fits all approach around returns to investors ie some will want initial funds back plus a return, others return only, others somewhere in between.
- Two full days can be a bit of information overload. Perhaps two half days?
- Good balance of theory with practice. Great overview of the potential of such a model.

NGO representatives

- Content was very well delivered
- Presenter and content was fantastic. The venue was also very good but parking was a slight problem.
- I certainly understand a lot more now than I did prior to the event about SIBs.
- I found it difficult to engage with in parts because of the focus of my work which does not appear to be a priority for potential SA SIBs. I would have liked to explore this further with other likeminded organisations/people. I am still interested in doing this.
- Especially appreciated the opportunity to develop my proposal incrementally, alongside my growing understanding of the nuances of SIB.
- Great workshop would like to see more input from Government.
- The presenter demonstrated great flexibility and adaptability throughout the session.

Main recollections

Government representatives

- Lots - especially debunking some of the myths around what SIBs are and are not. The counterfactual was particularly helpful from a Government point of view - need to understand ways in which it is possible to measure success.
- A much better understanding of the significant amount of work and information needed to consider a SIB.
- Very impressed that NGO reps were very open to outcome based funding. We see OBF as a pre-cursor to any SIB - difficult to see how you could attract 3rd party investment unless there was really solid data around outcomes first. Also really liked the training because as much as anything, it was a reminder about really solid service design and planning, which is something that I don’t think Government has very good technical expertise in (including me).
- That it is not easy to progress an SIB. It requires persistence and effort but could be rewarding.
• There is potential to further explore with SVA models for government-driven bonds that set targets across a number of government agencies, or bonds that are an umbrella for a range of smaller-value projects.
• Innovative approach by government and enthusiasm of the NFP sector.
• Legal structuring and process for selecting metrics.

**NGO representatives**

• Encouraging the interest SIBs/PbR has made in the industry. Looking forward to contracts focusing on outcomes rather than outputs
• The comparisons between different SIBs and their development in different jurisdictions.
• Financial insight was very well delivered
• As is a new model of funding and contracting this requires a range of ongoing dialogue with sector to promote adaptive change, not just technical aspects of change. Having Matthew and Stuart attend was a good process to link the ideas to potential opportunities.
• The process of constructing a social impact bond
• The workshops largely confirmed what I already knew - but the SA Governments priorities were of interest
• I enjoyed the fact that the workshops were broad ranging and provided a lot of opportunity for input from participants.
• I found it particularly useful content with respect to my organisation's readiness to be an active participant in an SIB.
• Now have greater insight as to where our organisation might fit in.
• PbR as a potential option is a good move.
• The different type of SIB's currently being trialled across the world.
• The potential number of participants in a program is critical when identifying the possible programs.
• That SIBs may be more effective if they involve more than one provider i.e. a collaborative effort although governance around that may be more complex. Also that a broker is probably critical.
• Establishing counterfactual as a matter of prime importance.
• I found that the material enabled me to explore thinking around initial proposals and to consider these in light of outcomes frameworks and potential funding models.
• How to define a social problem in health.
• Heartened that Red Cross has substantial application for the PBR methodology.
• SIB adds significant rigour - clarity by Government, evidence based intervention by agency, review/confidence by funder in effectiveness of intervention and clarity of outcomes specified.
• I took a lot of information from the workshops but of particular importance was the information about the need to consider 'cashability' of particular projects that may be regarded as suitable for SIB's ie need to demonstrate reduction in government outlays.
Remaining concerns

**Government representatives**

- I’m not sure that there will be much variety in the type of area that can be put forward as a SIB or the amount of effort and energy the NGO sector will have to work on developing a proposal.
- Many questions but not necessarily resolvable through the workshop.
- There are challenges around the scale of issues in SA in terms of population and the corresponding potential savings, particularly in the area of recidivism.

**NGO representatives**

- Much of our business would be more suited to Health Impact Bonds, rather than Social Impact Bonds. Chronic disease in particular would be well suited to this type of funding, but the issue is less social than ‘Health and Wellbeing’. The alternative is a ‘pay by outcome’ contract, but I still wonder whether there might be appetite from investors in the Health and Wellbeing sector. I would be loathe to massage a health and wellbeing issue into a social issue - not because there are not social impacts in chronic disease, but because there is a risk of devaluing the impact the social sector is able to make.
- It is really not relevant to us at this stage as we are only a small NGO with a small amount of members compared to most NGOs.
- I remain concerned that SIBs won't be vehicles for sector collaboration but that, due to their complexity, they will be confined to large, single entity operators.
- Workload resources needed to get a suitable proposal to the point of sign-off - and associated risk that it isn’t signed off.
- Obviously the financial area and the financial mapping is crucial to the success of SIBs.
- I am concerned that government may be looking at this as a way of not funding social support programs that really are their role (due to budget issues). While I can see benefits, I worry about their ability to pay in the long term as well.

**General comments**

**Government representatives**

- Thank you for providing the capacity building workshops.
- This was a very useful workshop and I am pleased that I attended. Since the workshops I have been able to provide an overview of SIB’s to my colleagues who like me, did not have a very sound understanding of SIBs so that has been a bonus.
- I’m really grateful for the opportunity to attend the training. I found it immensely rewarding on more than just the SIB level. DPC really needs to be applauded in pushing such an innovative agenda. However, it’s very clear to me as a Government employee that there are significant skill/capacity issues within Government to progress this further, as much if not more than NGOs. I think about some of the fundamental concepts within the training like program logic around service design for example, and think about my own wider organisation, where there would be only handful of people who were aware of what this was let alone have expertise in it. These will be significant issues for Government in responding to newer initiatives such as SIB/OBF/PBR.
- I thought it was a very good workshop. I would probably need to refresh my understanding of the more complex financial issues and processes from time to time and having the workshop material available at least allows this to happen quite easily.
**NGO representatives**

- A well organised workshop and well done to the SA Government on taking this initiative. Looking forward to focus on outcomes rather than output.
- Thank you for providing the training. A highly valuable exercise.
- Elyse did a great job working through the process and was very patient and positive about the opportunities that SIB may be able to offer. There clearly will be a lot of work to move the culture of existing contracting arrangements to a SIB arrangements and I wish you all the very best with this venture in unlocking potential funds towards much needed social investment in South Australia.
- A great initiative. We really appreciate the SA Government’s commitment to building capacity in this area and look forward to our future involvement in the process.
- Looking forward to expediting a SIB
- Most interesting and informative - thank you for the opportunity
- The workshops provided a wonderful opportunity to further build sector capacity in preparation for roll out of SIB in SA.
- Thank you and good luck :-)
- Well presented and worthwhile workshops, thanks.
- Timeframes for a second implementation would be handy; after the first two SIBs are selected, when can we expect the state government to be looking at another round?
- I hope it progresses to implementation ...
- Should have asked investors to participate – Funds SA etc
- I loved the two days of training and look forward to the possibilities SIB can bring to the sector. Well done and thanks.
- Thank you for undertaking this capacity building process, it has been very effective, and we are very excited about the potential for SIB in SA.
- Thanks so much for the opportunity to attend. Very interesting and challenging space for a conservative organisation.
- We are only 5% funded by Gov. We see SIBs as a way of giving organisations like ours the ability to not only help more people but to build new income streams that we can grow to support more people and therefore be less reliant on Government handouts like many of the other NGOs in SA.