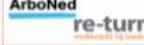


# Summary report 5 years Social Impact Bonds

Following the United Kingdom and the US, The Netherlands is the country with the highest number of Social Impact Bonds. Since 2013, the Dutch SIB market has seen 11 deals and EUR 13,9 million capital invested, targeting over 3,000 people. Five years later it is time to start thinking about how to overcome the pioneering phase and scale up the impact investment market in The Netherlands. To do this, Social Finance NL has reached out to all parties involved in setting up the eleven impact bonds in The Netherlands to learn about how the SIBs have progressed over the years and extract some valuable conclusions that can help in strengthening the SIB ecosystem.

The findings, published in a report to be released on 1st April, show some insightful qualitative interviews as well as indicative quantitative data. We looked at the total capital invested, the impact measurement indicators and initial expectations (i.e. number of participants and expected impact) as well as the results achieved to this date. The data revealed some challenges and opportunities that Social Finance NL has further examined.

SIB	OUTCOME PAYER	JAAR	€ M (A)	THEMA	INVESTEERDERS	UITVOERDERS
SIB Buzinezzclub Rotterdam		2013	1.05	Jeugdwerkloosheid	 	
SIB Werkplaats Rotterdam-Zuid		2015	3.0	Werkloosheid		
SIB the Colour Kitchen Utrecht		2015	0.7	Jeugdwerkloosheid	 	
SIB Buzinezzclub Utrecht		2015	2.4	Jeugdwerkloosheid	 	
SIB Werk na Detentie		2016	1.2	Werkloosheid van ex-gedetineerden en recidive	  	  
SIB Buzinezzclub Eindhoven		2016	1.7	Jeugdwerkloosheid	 	
SIB Werken in Duitsland		2016	1.2	Werkloosheid	 	
HIB Sociaal Hospitaal Den Haag		2017	0,75	Schuldenproblematiek		
HIB Kanker en Werk		2017	1.0	Beenverlies van werknemers met kanker	 	
SIB iamNL Veldhoven		2018	1.0	Werkloosheid Vluchtelingen		
SIB Rendiz Venlo		2018	0,3	Werkloosheid, participatie en gezondheid		

# Conclusion

## Strong partnerships

All partners emphasize the importance of strong partnership. Both service providers, outcome payers and investors value the new insights they gained because of the cooperation. They believe these partnerships leads towards better definition of the social goals, better measurement and a better understanding of risk, return and impact.

## Transformation to result based commissioning

The SIB especially helped the outcomes payer, mostly governments, to work more result based. The influence of this transformation goes beyond the project itself. It support transformation of the governmental organisation as whole, which also supported other projects within the organisation and led to a more result based focus

## Better selection of service providers

Almost all investors and outcome payers are satisfied with the service providers they selected. They emphasize that the service providers are more entrepreneurial and innovative than their peers. Also, new consortia are formed which can tackle social issues more efficiently.

## Low participation

Firstly, we noticed that eight out of eleven SIBs had secured a lower number of participants than initially expected. In fact, this phenomenon even led one SIB to end prematurely. The reason is a positive cycle of the Dutch economy and bureaucratic referral procedures from the government side. As SIBs are active for approximately five years on average and take around one and a half years to set up, it is possible that the target group is affected in different ways by the economy and that their needs also change. Therefore, the service provided has to remain flexible enough to accommodate to economic changes and its consequences on the target group.

## Small deals

The average invested capital in each SIB is approximately EUR 1,25 million. This is understandable in the pioneering stage which dominated in The Netherlands over the last five years. Yet, if we want to scale up the impact investment market and help more people, it is important that we scale up in order justify the work, time and efforts that SIBs require from the beginning to the end.

Thus, since as it is widely known, monitoring results is time-consuming and labour-intensive, larger amounts of invested capital targeting a higher number of people will make SIBs more cost-effective. Otherwise, other forms of financing can admittedly be more appropriate for small deals.

## Lack of transparency

Lastly, it is interesting to note that in spite of the interest in SIBs, knowledge of the Dutch SIBs is scarce, which can be possibly explained by various stakeholders' reluctance to share information. Social Finance NL only succeeded at retrieving data and sourcing contact persons because the team had been involved in setting up seven out of the eleven impact bonds in The Netherlands and consequently had strong connections within the Dutch impact investment field. But it was not an easy task.

It is important to remember that the objective of our work is to help others in the most efficient and effective manner. Replicating mistakes and re-inventing the wheel over and over again is time-consuming and does not help anyone.

Additionally that the outcome payer's return to impact investors is put together thanks to taxpayers' money. Hence, information concerning taxpayers' money – and consequently SIBs – should be public.

To resolve this issue, we believe that future contracts should insert a transparency clause as a *conditio sine qua non* and we urge the government, key stakeholder in this field, to enact upon this.

## Recommendations

### Look for economies of scale

SIBs only work when there are sufficient resources invested in the design, monitoring and management of the partnership. Higher deal sizes allow to invest more in these activities. We also recommend to establish an Outcomes Fund. This will lead to a structural transition to result based commissioning and towards economies of scale, because different SIBs can be constructed under the same umbrella.

### Make the contracts flexible

The world changes fast. Therefore, long term contracts can only work when they can be adapted to changing circumstances like a decrease in unemployment, a different group of beneficiaries than expected or a change in legislation. Flexible contracts also allow the service provider to adjust their intervention based on lessons learned.

### Stronger role of government in a partnership of equals

Social Impact Bonds are not a tool to privatize a solution for a social challenge. The government plays an important role in the partnership. They need to define the outcomes which need to be achieved and how they value these outcomes. They have to be a strong negotiator with private investors and the service provider. This new type of commissioning needs a new set of skills and expertise. It is inefficient if every municipality tries to build skills and expertise individually. The central government should play a crucial role to share knowledge and provide the different commissioners with the right tools to participate in outcome contracts. Ideally, the Netherlands creates a center for social outcome contracting to prepare commissioners for this new type of contracting.

