

Social Impact Bonds: An overview of Ecorys research

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Overview

- Introduction
- Part 1: Understanding SIBs & ‘the SIB effect’
- Part 2: When SIBs are most appropriate & applicable
- Part 3: Lessons in scaling SIBs and social investment



Introduction



About Ecorys



**We are a world-class
research-based
consultancy**

that helps our clients make
a positive impact on society



Ecorys SIB & social investment research



UK

Research projects: SIBs

- Commissioning Better Outcomes Fund Evaluation
- Youth Engagement Fund Evaluation
- Turning the Tide SIB Evaluation
- Care Leavers SIB Evaluation
- Pan-London SIB Evaluation
- Refugee Transition Outcomes Fund Evaluation

Consultancy projects: SIBs

- Gang SIB support, Catch22
- Family Lives SIB
- Digital Inclusion SIBs scoping study
- Barriers to Commissioning SIBs

Research & consultancy: Social investment

- Investment and Contract Readiness Fund Evaluation
- Fair by Design social investment fund impact measurement framework
- Social investment evidence review
- Growth Fund Evaluation
- Natural Environment Investment Readiness Fund Evaluation

International

Research projects: SIBs/DIBs

- DFID DIBs Pilot Evaluation
- Cameroon Cataract DIB Evaluation
- IDB Latin American SIBs Study
- SOC Global Systematic Review
- World Bank Education RBF Evidence Review
- Using Outcomes-Based Contracts to tackle the climate crisis (FCDO)
- World Bank Global Partnership for Results-Based Aid Evaluation
- Sierra Leone Education Innovation Challenge Evaluation

Consultancy projects: SIBs/DIBs

- Impact Bond Knowledge Platform
- Armenia Dairy DIB Feasibility Study

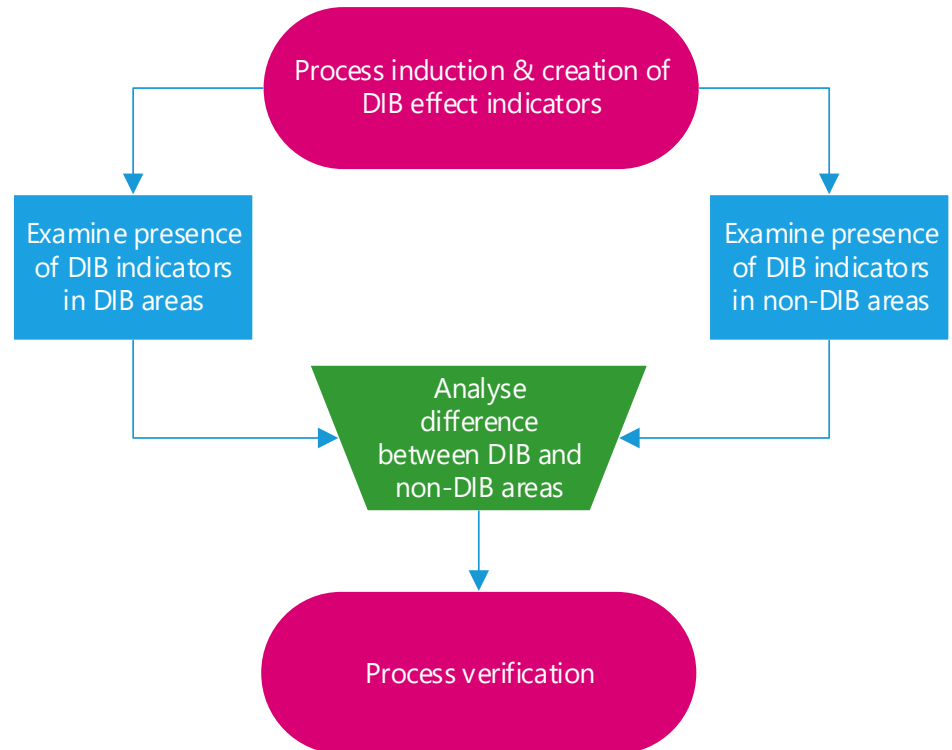
Part 1: Understanding SIBs & 'the SIB effect'



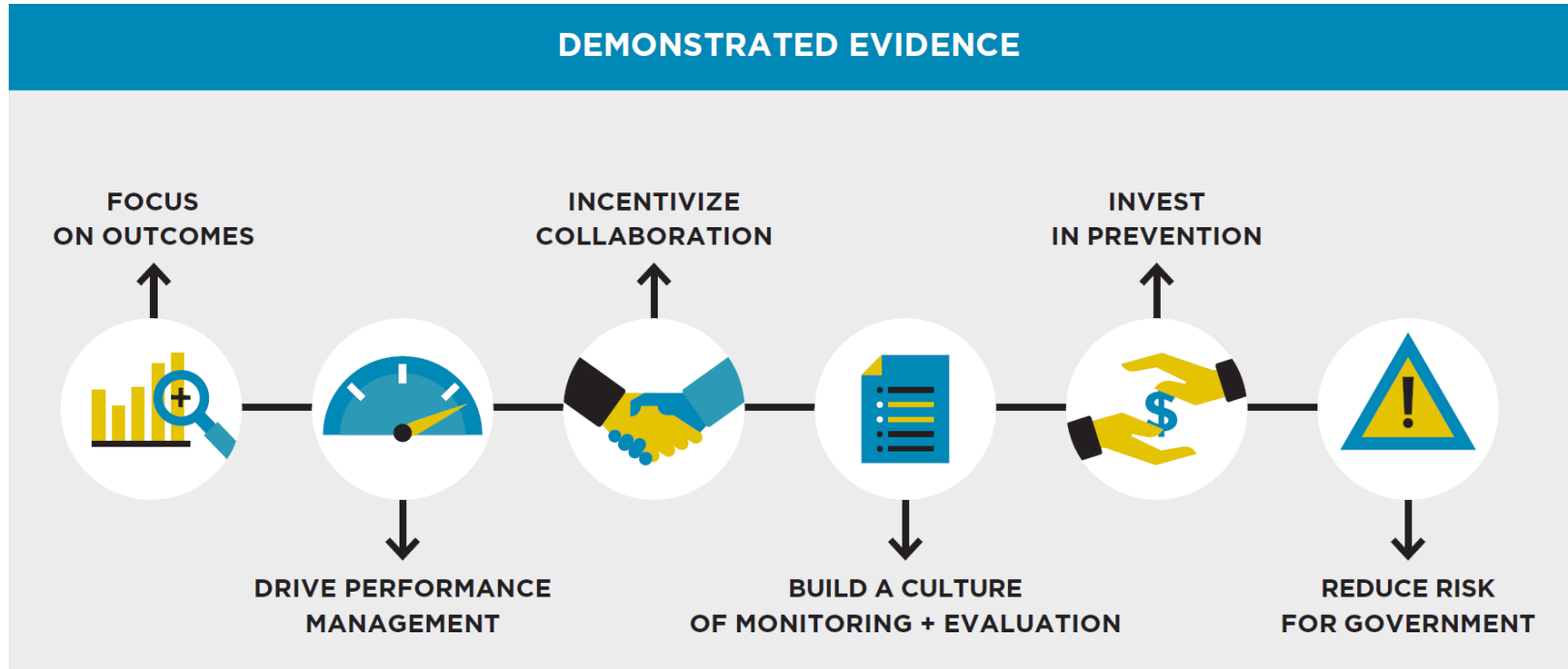
Measuring ‘the SIB effect: Process tracing

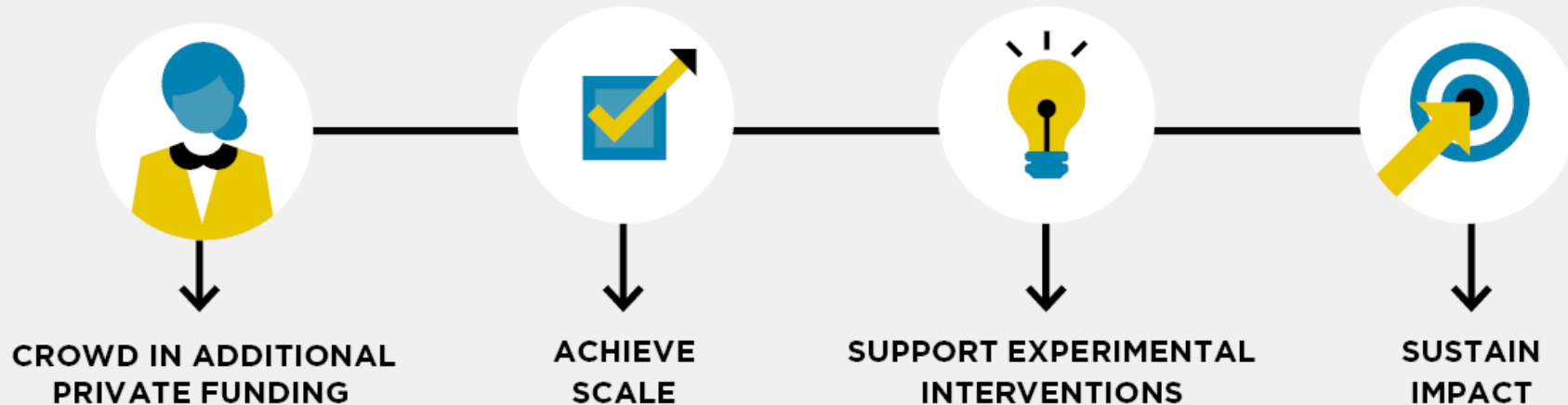
Examples of non-SIB/DIB comparisons:

- Village Enterprise poverty alleviation programme: 70% funded through DIB, 30% through grant
- Quality Education India DIB: Service provider delivery in non-DIB areas



The 10 SIB 'common claims': What does the evidence say?





LACKING EVIDENCE

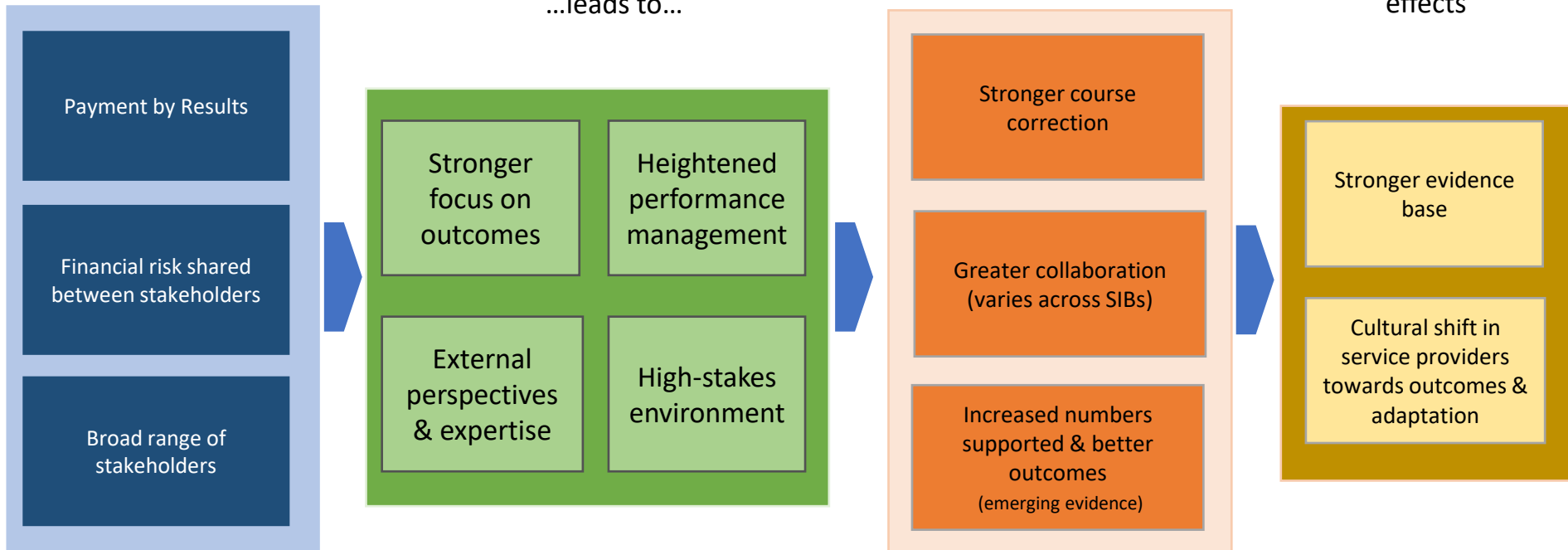
The SIB 'black box' unpacked: How a SIB leads to those effects

SIB elements

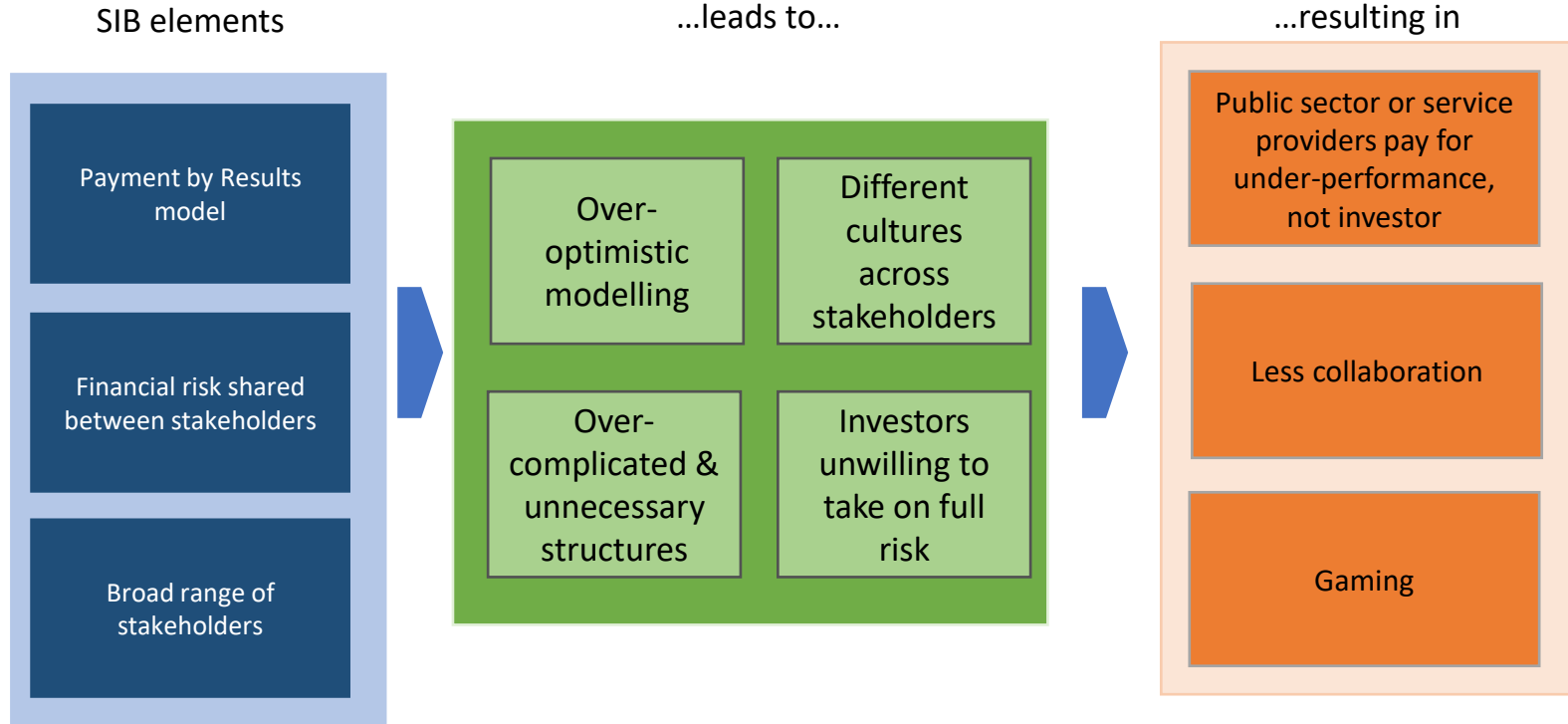
...leads to...

...resulting in

...and wider spillover effects



But not always....



At what cost?

DIB increased costs by around 10% (on average \$1.2m, range \$570k - >\$2m) (average project budget \$11.6m)

Category	Additional cost
<i>Design</i>	
Staff set up time	\$150 – 490k
External advice on contract design	\$250k (one DIB = \$687k)
Legal & financial advice	\$50 – 120k (+ pro bono)
<i>Implementation</i>	
Contract management	\$50 – 670k
Verification	\$50 – 600k
Investment vehicle-related costs	\$30 – 105k

Source: Ecorys, 2021. [Findings from the second research wave of the Independent Evaluation of the FCDO Development Impact Bonds Pilot Programme](#)

Part 1: Key points

SIBs come in many forms, driven by context and stakeholder need

A well-designed SIB in the right context can lead to greater service adaptation and more service users being supported, leading to greater outcomes

A poorly-designed SIB in the wrong context can lead to financial losses for the public or charity sector, low staff morale and poor value for money

It is therefore important to avoid a 'SIB first' approach and/or adopting a SIB design without considering its suitability. Instead you need to consider:

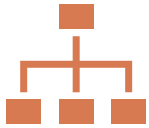
- Is a SIB appropriate in this setting?
- What is the local context, and what are our objectives and needs, and how can the SIB design meet these?

Part 2: When SIBs are most appropriate & applicable



When are SIBs most appropriate?

Emerging evidence is that SIBs are an effective 'change management' tool. And so a SIB may be most appropriate where:



- performance could be enhanced through a stronger focus on outcomes buttressed by performance management;



- the system/culture needs an external 'disruption' to bring about change;



- service providers would not be able to tolerate high levels of financial risk; and/or



- providers would benefit from external expertise and support.

Where a SIB is most applicable: The conditions that support their launch

Demand from government

Regulatory framework

Economic & political context

Availability of data

Market capacity



Part 3: Lessons learnt in scaling SIBs and social investment



Context

Ecorys commissioned by UK Government to provide recommendations on how to scale SIB market

Ecorys undertook Rapid Evidence Assessment & examined 10 case studies where SIBs had successfully scaled / replicated

Available [here](#).

Routes to replicating / scaling

There are many different ways in which SIBs can be scaled / replicated

1: Outcomes funds

Prescriptive

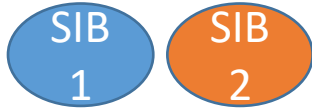
Ecosystem building

Central gov design SIB & pay for outcomes

Central 'top up' fund

Multiple SIBs delivered locally

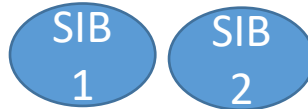
Municipalities design & co-fund local SIB



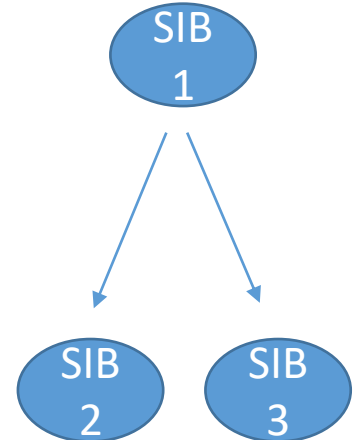
2. Common platform SIB

Intermediary designs SIB

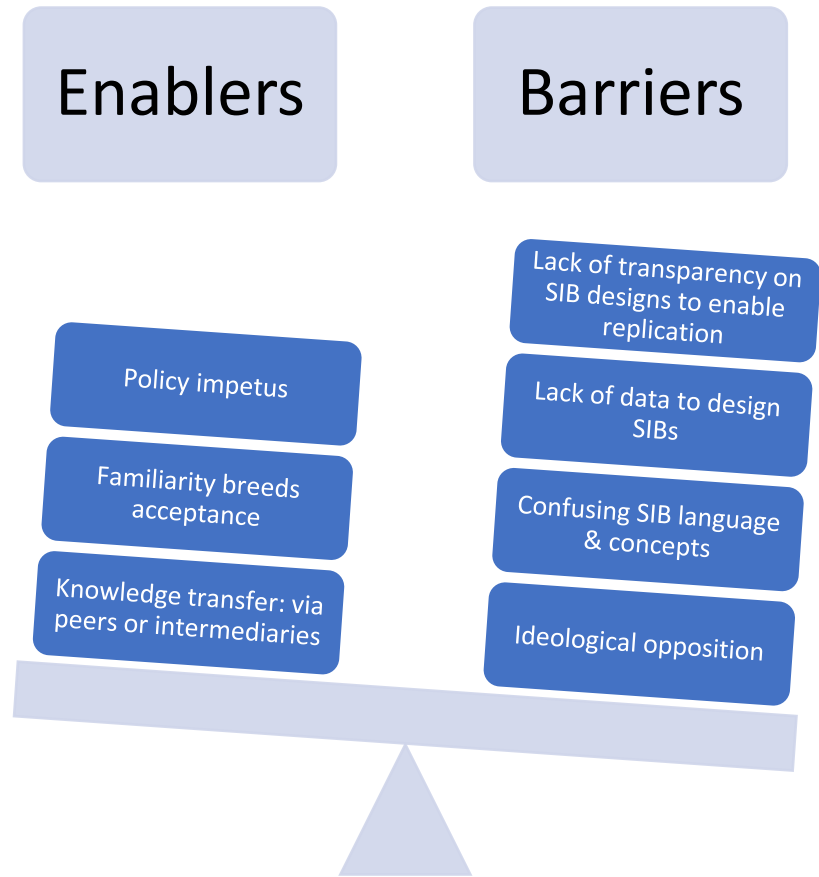
Intermediary 'sells' SIB to municipalities



3. Replicate previous model



Scaling SIBs: Enablers & barriers



Recommendations to scale SIBs

Presentation and framing

- Develop common terms to help people communicate about SIBs more clearly
- Change the terminology around SIBs so they are no longer referred to as social impact bonds, as the word 'bond' causes confusion and creates a perception that the main objectives of change are financial and investment-led. '
- Support with guidance reframing outcomes contracts, and explaining how they can be used as one approach, amongst many, for addressing complex social problems

Transparency

- Encourage all projects to (or make it a requirement that they) share full details of data on outcome success and rate cards, as well as the projected and actual returns
- Government should identify a number of key policy areas which are amenable to an outcomes-based approach, and publish relevant cost data, to support business case development

Tools and guidance

- Commission off-the-shelf tools and documents to help accelerate business case development, such as financial models
- Publish clear policy guidance, backed by central government, on the context in which SIBs can be used to improve performance or value for money
- Ensure that guidance in specific areas is backed by and issued through the appropriate professional body – e.g. CIPFA for financial guidance, Crown Commercial Service for procurement

Commissioner capacity building

- Encourage commissioners to share learning around the benefits and pitfalls of commissioning SIBs
- Encourage learning networks between commissioners implementing SIBs in similar policy areas
- Provide carefully designed development funding to help commissioners address capacity and knowledge transfer issues through targeted support from advisors, or secondments of experienced practitioners

Other

- Appoint and possibly fund sector experts to spearhead development of outcomes-based contracts
- Government could commission larger outcomes contracts in key areas to influence scaling

Other ways to grow the social investment market

Supply side

- Supply side issue = social investment seen as too expensive & too risky for investors
- Solution = blended finance (grants + loans). Grant used to cover fund operating costs & first-loss capital
- E.g. £45 [Growth Fund](#), £30m Big Nature Impact Fund

Demand side

- Demand side issue = social enterprises not ‘investment ready’ – lack capacity & risk averse
- Solution = investment readiness programmes to build capacity
- E.g. [Investment and Contract Readiness Fund](#), [Natural Environment Investment Readiness Fund](#)