



NEWS RELEASE

Premier of New South Wales

SOCIAL IMPACT BONDS – FIRST IN AUSTRALIA

Thursday 25 November 2010

NSW is set to become the first Australian jurisdiction to trial Social Impact Bonds – the nation's first social investment pilot to deliver non-government community programs.

NSW will be the second jurisdiction to examine Social Impact Bonds – after the United Kingdom.

Premier Kristina Keneally also announced the NSW Government is appointing the Centre for Social Impact to formally advise on the program which will start early next year.

The Centre for Social Impact is based at the University of NSW and operates in collaboration with the University of Melbourne and Swinburne University of Technology.

A trial underway in the United Kingdom is based on prisoner rehabilitation targets that would see the UK Government save an estimated £10 per participant for each pound invested in the resettlement scheme.

Social Impact Bonds are similar to a public-private partnership. They provide a mechanism for the private sector to invest in non-government community programs.

If the services meet agreed targets and make a tangible social difference, then investors receive a return on their payments.

The Social Impact Bonds would apply to early intervention programs such as rehabilitation programs for young offenders or services assisting young families at risk.

For example, investors could develop a social bond with a juvenile reoffending program, with a target to decrease reoffending rates by an agreed percentage. If this target is met, and recidivism drops, then a success fee would be paid to the investors by State Government.

“This is about unlocking funds to tackle social issues in NSW through community, financial and government sectors to search for new solutions,” Ms Keneally said.

“As a former non-profit sector worker, I was particularly conscious that we do not have the right structures in place to take advantage of the tremendous goodwill and serious investment potential that sits outside of government.

“I’ve been taking a keen interest in the development of what the UK is calling the Fourth Sector – the pursuit of social aims through private investment and market structures.

“The Centre for Social Impact is leading the way in research and education in the social enterprise field and we are delighted to have the expertise of Professor Peter Shergold on board.”

Professor Shergold said the Centre for Social Impact was pleased to be part of trialling new innovations in the social enterprise sector.

“It’s important to find new ways of harnessing capital to find social innovation and community benefit,” Mr Shergold said.

“The emergence of social impact bonds is one of the most exciting new developments in this area.”

Ms Keneally said the entry of the NSW Government into the Social Investment Bonds market will provide a significant incentive for growth in the Social Finance and Social Business sector.

“Social Impact Bonds are in keeping with the NSW Government’s commitment to securing Sydney’s place as a leading international finance hub, providing new investment options for financial institutions and retail investors,” Ms Keneally said.

“There has already been strong interest from the investor community about this scheme – responding to a growing view they would like to invest in social programs, while also receiving a good return.

“This is about intervening now to help prevent issues of tomorrow – to stop young people reoffending, or helping people with mental illness right at the start of their treatment.

“Savings from early intervention in the critical early years have been estimated from \$4 to \$17 for every \$1 invested.

“The Government is not stepping away from current funding levels of social services, but is investigating a new solution to help tackle these problems.

“The Bonds are an opportunity to increase funding for social programs, not a substitute for Government support of community services.”

Background Notes

- The Social Impact Bond is a means to raise funds from non-government investors to pay for the provision of services.
- The programs are managed on-the-ground by service providers and rather than focussing on the ‘cost of service’ or outputs, government and providers can instead focus on rewarding demonstrated outcomes.
- If the services make a difference and social outcomes improve, investors receive success payments from Government.
- The NSW Government currently spends \$2.3 billion per annum on social service delivery through NGOs.