BREAKING THE DEADLOCK: REDUCING THE COST OF ROAD TRAUMA WITH SOCIAL IMPACT INVESTMENT

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iRAP Innovation Workshop 2015, London, 15-16 September
What’s the potential for applying social investment approaches to unlock increased investment for road safety?

• Potential for impact – at scale: more than 1.2 million people die on the world’s roads each year
• An investment need and investment instruments
• Global focus – SDGs
• Direct funding towards prevention

http://www.fiafoundation.org/media/45995/research-paper-3-breaking-the-deadlock-spreads.pdf
“Leadership must come from many different groups – from governments and philanthropy, from social sector organisations and business, from impact entrepreneurs and investors.”

_Invisible Heart of Markets – report of Taskforce convened under UK’s leadership of G8, 2014_
• Social Finance is a not for profit organisation that partners with governments, funders, the social sector, and the financial community to find better ways of tackling difficult social and development problems.

• Pioneered the Impact Bond model in 2010. Global leader in design, launch and implement impact bonds – a network of sister and partner organisations developing the model globally.

• Raised and mobilised over £75 million of social investment, creating impact for more than 35,000 people.
SOCIAL INVESTMENT
The core attribute of social impact investment is the social purpose of the enterprise or project, which is a principal motive for the investment.
The Spectrum of Risk and Return

- Expected Return
- Impact

- +30%
- +10%
- 0%
- -100%

Commercial investor target return

‘Blended value’: reduced return compensated by impact

Grants & Venture Philanthropy

Bank Debt

Public Equity

Private Equity

Loss of capital compensated by impact

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SOCIAL IMPACT BONDS
A SIB is a financial mechanism in which investors pay for a service upfront to improve a social outcome that is of social and/or financial interest to a commissioner.
3,000 male prisoners sentenced to less than 12 months

St. Giles Trust
Providing specialised support pre- and post-release to high/medium risk clients

SOVA
Providing volunteer support pre- and post-release to low risk clients

MIND
Low level mental health support to prisoners while they are in prison and post release

Ormiston Trust
Support to prisoners and their families while they are in prison and post release

John Laing Training
Job training support offered pre- and post-release

Innovation Fund
Additional support needed by the prisoner, in prison and the community. Funded as the need is identified

HMP PETERBOROUGH (SODEXO)

INVESTORS

£5 million
Return depends on success

Payment based on reduced convictions

MINISTRY OF JUSTICE/ BIG LOTTERY FUND

Reduction in re-offending
49 Impact Bonds raising $150m have been launched, with at least as many in development.

**Portugal**
- One Impact Bond for education of primary school children

**US**
- 8 Impact Bonds, including highest value bond of $27m. Issues range from high risk youth to recidivism
- Harvard Lab providing assistance to 9 states

**UK**
- 30 Impact Bonds for issues ranging from recidivism, to child services, employing a range of commissioning models

**Northern Europe**
- Impact bonds in the Netherlands (2), Germany, Belgium and Switzerland, for migrant and youth unemployment.

**Canada**
- One Impact Bond for at-risk single mothers

**Latin America**
- SF and IDB exploring project in Mexico, Brazil and Chile
- Impact Bonds also in development in Colombia (education) and Peru (agriculture)

**Sub-Saharan Africa**
- Impact Bonds in development for Sleeping Sickness in Uganda, ECD in South Africa, and maternal and child health in Cameroon

**Asia and SE Asia**
- Exploring Impact Bond for ECD in China (early stages)
- Three pilots being developed in Japan
- Impact Bond being piloted in Rajasthan, India, for Girls’ Education

**Australia**
- 2 Impact Bonds on out-of-home care

**N Africa and the Middle East**
- Impact Bonds in development in Palestine for vocational training (WB) and diabetes prevention. SF Israel also developing a diabetes project to be implanted in Israel
1. Problem Definition

Objective
- Identify the information/drivers required to build a more effective solution to the problem
- Being able to clearly describe how other actors are affected/interested/could be involved

2. Impact Investing Feasibility

Objective
- Can funding be used differently to attract other sources of investment?
- Is there a baseline and measurable outcomes that can be evaluated?
- Better understand different investors' requirements and risk levels
- What data, capacity or modelling gaps need to be addressed?

3. Investment Model

Objective
- Due diligence on operating and financial model
- What components does the social impact investment solution require? (For example, is there a service delivery component, infrastructure component, etc.)
- Design and structuring to attract funding and investment
- Which parties will be responsible for what, who will be paid to do what, how you will structure these payments, etc.
- Implementation & identify suitable to access market
HOW CAN SOCIAL IMPACT INVESTMENT METHODOLOGY BE APPLIED TO ROAD SAFETY?

The starting point: address the ‘missing piece’ in the case for road safety investment

We understand the issues we need to address

**THE ‘MISSING PIECE’**

But we struggle to translate that benefit into specific returns (social and financial) to investors

We can assess the benefit our interventions are likely to have, and can value this in aggregate GDP and human capital terms

We know what we need to do to address the issue
Considerations for a social investment model

Asset-backed

• Committed income stream (incl. tolls or cashable savings)
• Potential investors are those with a direct financial interest in the social or financial impacts of road safety
• New investors could be corporates (e.g. insurers) or multinational donors, as well as commercial investors

Direct investments

• Debt or equity investment in a part of the road safety system (e.g. social enterprise), with potential for scaling impact e.g. low cost producers
• Impact funds and corporates could be interested as ‘first movers’

Outcomes-based

• Financial performance partially or wholly contingent upon social impact (e.g. Impact Bonds)
• Suited to interventions with implementation risk (e.g. behaviour change) that can be transferred to investors, and developing countries where evidence base is less complete

The building blocks: conventional investment models + impact
Next steps to start this process, and develop the opportunities and structures that can release social investment for road safety:

• **Targeted case studies** to better understand what existing data can tell us.

• **Identify projects currently in development** to serve as a demonstration of how a social investment approach can be applied in the road safety context.

• **Start the conversation**: how could you apply this methodology in your organisation – what are the social and financial impacts of accidents on the road? Who are the stakeholders to involve?

**SOCIAL INVESTMENT IS A MODEL BUILT ON A DEEP UNDERSTANDING OF A SOCIAL ISSUE, INFORMED BY GRANULAR DATA.**

**ASSESSING ROAD SAFETY INTERVENTIONS IN THIS WAY CAN PROVIDE THE TOOLS TO CREATE NEW COLLABORATIONS AND INVESTMENT MODELS.**
Thank you

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