



# Social Impact Investments – 2<sup>o</sup> Panel

**Social Impact Investments  
2<sup>nd</sup> International Conference**

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### Definition

- Private asset investments
- Combination of financial return orientation and positive social and/or environmental impact
- Blended value directly intended and documented
- Obligation to measure impact, to communicate it, and to use it to inform future decisions.

### Approach

- Bridging financial markets and social impact markets for the public benefit

### Goal

- Strengthening of social impact sector/markets



**Contribution to a sustainable society!**

### Market Models

- Free competition business to client
- Regulated quasi-market in the service triangle producer – cost carrier - client
- Public services dominant in the field

### Hybrid Models

- Mixed financing beyond revenue for services (e.g. cash donations, public funding, volunteering)
- Co-production with clients
- Non-monetary resources relevant

### Sources of Returns

- Business with direct clients: Risk of „cherry-picking“ in unregulated private markets?
- Public funds in regulated quasi-Markets?
- Source of return: Innovation!

- Boundaries of market failure – change of risk profiles or price relationships or market transparency
- Social mission – tied to public benefit purpose
- Legitimacy – public acceptance
- Entrepreneurial approach – Innovative recombination (Schumpeter; Kingdon, Policy Entrepreneurship)
- Social-Entrepreneurship-Model
- Businessplan as basis
- Policy Entrepreneurship: Resolving dilemmata oder blockades of policy advocacy coalitions (Sabatier)
- Theory of social change

### Prevention, Infrastructure

- **Innovation capital**
  - Avoiding social problems
  - Preventing of deteriorating social conditions
- **Reduction of cost**
- **Delay of need for professional support**
- **Investment in community infrastructure and facilitation of informal help potentials**
- **Innovation target leads to crossing of boundaries**
  - Solutions across Sectors or fields

### R & D in the Public Benefit Sector

- **Not covered by regular funding logics**
- **Not case driven**

### Innovation, Scaling

- **Liberties in the regulated welfare system insufficient for innovation**
- **Model clauses in social codes do not account for scaling**
- **Seed funding missing**
- **Innovation to increase effectiveness**
- **Funding for scaling of high impact models**
- **Incentive gap: asymmetries between social costs and social returns!**

### Assets u. M.

- More than € 100 bn. (Germany)
- Substantial share of corporate equity (foundations as owners of corporations)
- Conservative investment strategies: low returns

### SII

- Market volume 2013: € 40 mio.; 2016: 70 mio.
- New fund launches 9 in 2016: ca. € 15 mio.
- 3 Intermediaries (Funds): Social Venture Fund, BonVenture, Social Tengelmann Venture
- MRI pilot fund for education: € 700.000
- 3 foundations have committed a total of € 10 mio. of their assets for SII; one large foundation 5 % (= € 60 mio.)

### Investors

- Foundations beginning to be interested
- Family office or corporate background of social impact investors connected to business angel approach
- Social impact investment replacing sustainability by cooperation with the state?

### Hidden Market

- **EUROSIF: € 5 bn. (2015), mostly environmental**
- **Ethical and church-related banks: € 41 bn. balance sheet, € 19 bn. loans (2015)**
- **Development intermediaries like Finance-in-Motion (more than € 1.5 bn. a.u.m.)**

### Language and Attribution

- **Sustainable investment**
- **Field-specific investments in regulated social service markets**
- **Welfare associations mobilise private investment without social impact reference**

### Impact Measurement

- **Impact measurement: level of rigour determines market size!**
- **Output proxies: multi-billion markets!**
- **Impact measures: multi-million markets!**

### Simple Solution

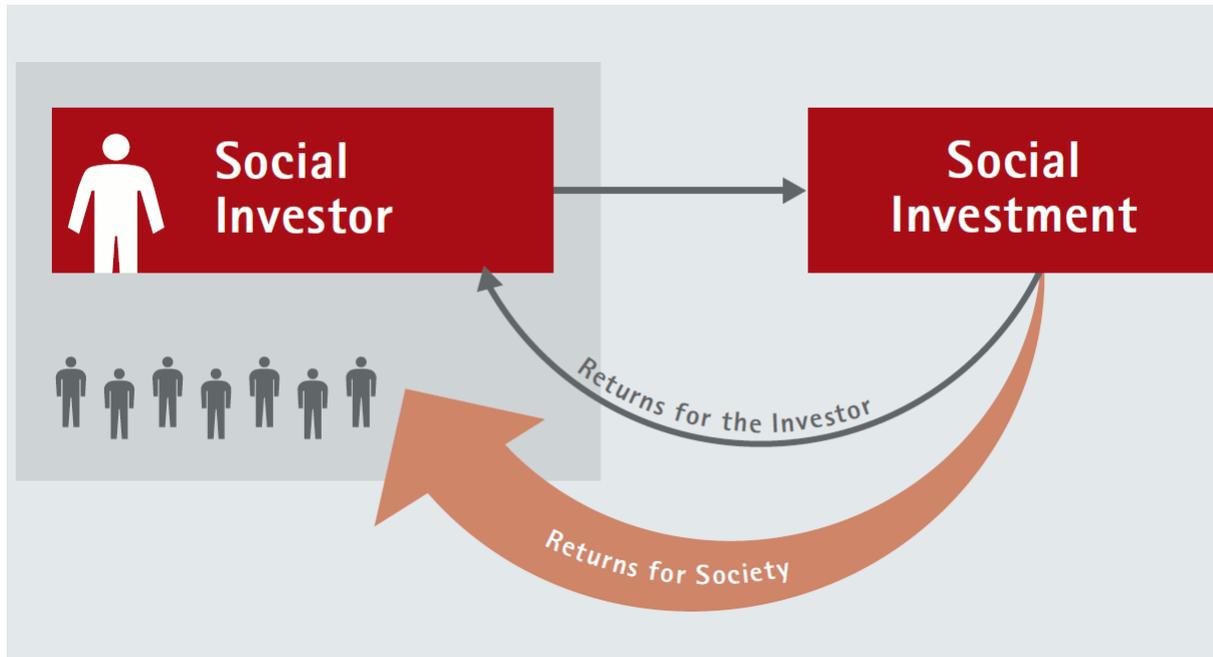
- ◆ Elaborate impact model clearly
- ◆ Create hypotheses on causality (strategy!)
- ◆ **Impact Expectation!**

### Pragmatic Solution

- ◆ Test impact model empirically
- ◆ Use publicly available or estimated data
- ◆ Plausibility testing
- ◆ Check: What would have happened anyway?
- ◆ **No causal proof - attribution problem!**

### Gold Standard

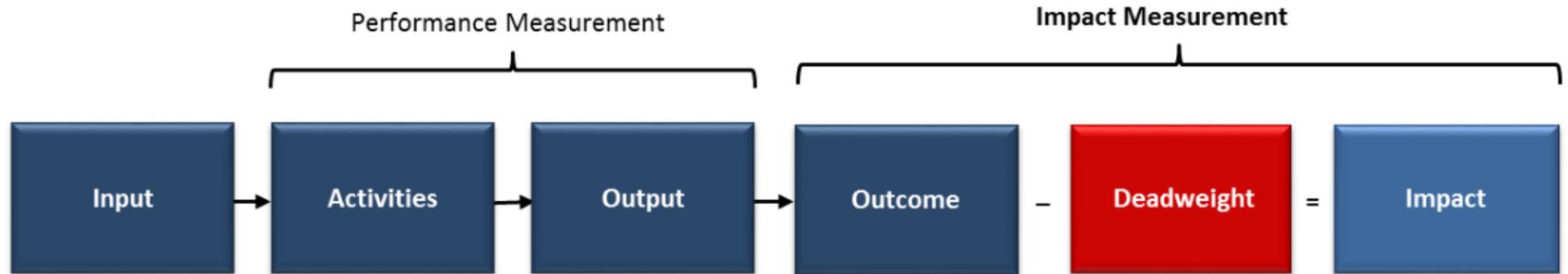
- ◆ Primary empirical survey data!
- ◆ Control group / longitudinal design
- ◆ Attribution problem resolved
- ◆ **Causal evidence based on valid data**



Measures positive value creation and reduced cost in society plus changes in the lives of beneficiaries due to a social investment.

- ◆ Comprehensive empirical impact analysis
- ◆ Combination of economic and social value
- ◆ Quantitative & qualitative approaches ► Results: Monetary and “more”
- ◆ Basis: Documentation of Programme & specific empirical data collection
- ◆ Each SROI-analysis tailored to the situation

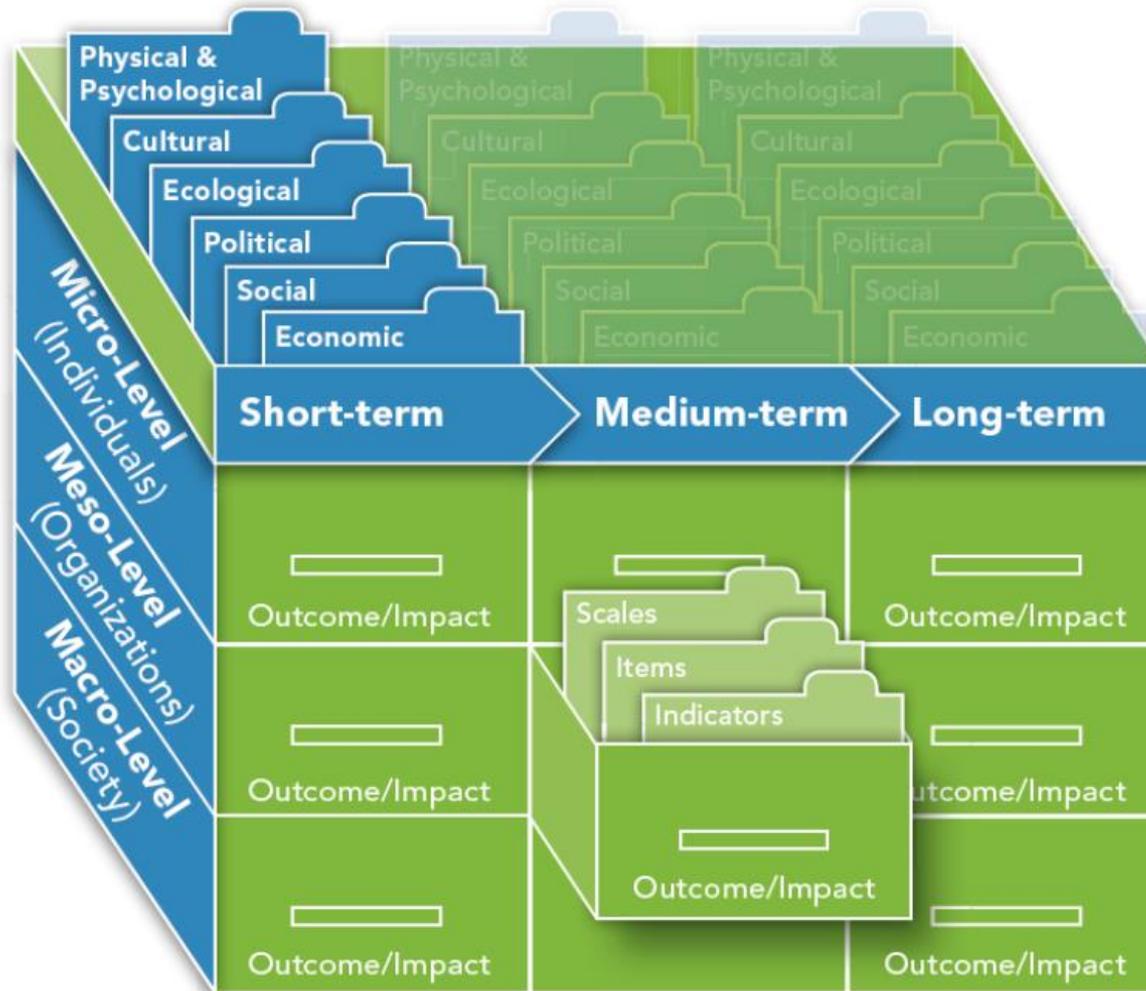
# What is „Impact“ about?



- **Input:** All resources invested in the activities of an organisation.
- **Activities:** Specific actions, tasks and work carried out by the organisation to achieve its objectives.
- **Output:** Tangible products and services that result from the organisation's activities that can be measured directly.
- **Outcome:** Specific changes in attitudes, behaviours, knowledge, skills etc. that result from organisation's activities.
- **Deadweight:** The extent to which the outcome would have happened anyway
- **Impact:** The portion of the total outcome beyond what would have happened anyway.

Source: Then et al. 2018, pp. 97-98

## Dimensions of Impact



**IMPACT = OUTCOME - DEADWEIGHT**

Source:  
Then et al. 2018,  
S. 104

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# Thank you very much!

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