Social Impact Investments – 2º Panel

Social Impact Investments 2nd International Conference

Dr. Volker Then
Rome, December 12th, 2018
Definition Social Impact Investment

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!
The Market Depends on Business Models

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!
Hybridity Market – Non-Profit-Sector – State is dominant!

• 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

Innovation, Scaling

- Liberties in the regulated welfare system insufficient for innovation
- Model clauses in special 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!

R & D in the Public Benefit Sector

- Not covered by regular funding logics
- Not case driven
Market Potential: German Foundations and Social Welfare Organisations

Assets u. M.

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

SII

- 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
- 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!
Pragmatic Impact Measurement by Proxies?

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**
SROI – Social Return on Investment

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

Source: Then et al. 2018, S. 104
References


Thank you very much!

Contact:
volker.then@csi.uni-heidelberg.de

https://www.soz.uni-heidelberg.de/centre-for-social-investment/