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Social Impact Bonds in the UK

— Limitations of Existing Impact Measurement

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Introduction

In recent years, interest in social impact bonds(SIBs) has been radically aroused in the UK, the US and other countries since the first SIBs in the world was launched at Her Majesty's Prison(HMP) Peterborough in the UK in 2010 (Nicholls and Tomkinson 2015).

The UK is regarded as world leader of impact investing since "Social Impact Investment Task Force" was launched in 2013 as part of the agenda of the G8 summit under the UK Presidency.

In fact, the number of SIBs in the UK has been steadily increased and it amounts to be 33 SIBs at the end of March 2017. To date, in estimate by Social Finance which is a social finance intermediary institution in the UK, more than 80 SIBs are operated worldwide¹.

In broad sense, SIBs can be defined as outcome contract based at public private partnerships with using financial mechanism. SIBs have been increasingly recognized as vehicles for social innovation, performance oriented public management schemes and new financing model for delivery of social services.

Nevertheless, it is not clear that SIB schemes can rationally demonstrate evidences for SIBs creating meaningful and measurable social outcomes. Even in the UK cases, SIB stakeholders have not necessarily succeeded in correlating social outcomes to cost savings. Surely, rigorous impact measurements in the field of social or personal services

have limitation compared to medical health experiments. Outcome metrics and impact measurements have been developed in the UK. However, the causal relationship between social outcomes and cost savings have not been successfully proved. Thus, SIBs in the UK have faced challenges in the outcome metrics and impact measurement. Even so, stakeholders of SIBs have consistently paid attention to the evidence based practices and sought for better metrics and measurement methods.

In contrast, in Japan, in most cases, stakeholders of SIB pilots have paid less attention to rigorous outcome metrics and impact measurement although “social impact measurement boom” has been intentionally brought about by national government and some intermediaries. With lack of rigorous outcome metrics and measurement, in some policy areas such as children welfare and NEET, national and local government, some foundations, intermediaries and service providers have been involved in SIB pilot schemes since the first pilot was launched in Yokosuka City in 2015. However, it is difficult to regard them as genuine SIB schemes or SIB pilots. Because most cases tend to lack outcome metrics and trustworthy impact measurement frameworks. It means that such SIBs are not necessarily seen as outcome contracts compared to generally accepted models in the world. They seem to be merely insufficient Payment by Result (PbR) model with using small private money.

For this reason, this work explores the limitations in existing outcome metrics and impact measurements in SIBs in the UK. In addition, alternative view of outcome metrics

is raised in conclusion. In our view, existing outcome metrics and impact measurement frameworks in the UK are based at notions which are borrowed partly from cost-benefit analysis. CBA approach itself is indispensable to outcome contracts such as SIBs. However, in most cases, social benefits tend to be merely connected with fiscal values such as cost saving. In fact, social benefits can be not restricted to just social outcomes bringing about cost saving. Social outcomes can result in increase of the cost of public services.

In terms of research method, this work is based on review of literature on SIBs and qualitative case studies in the UK. The case study with using semi-structured interview were undertaken by the author during the period 2013-2017. In the case studies, Essex SIB are treated. Because Essex SIB is the first local government (local authority) led SIB in the UK. Essex SIB is also characterized as its innovative intervention called as MST, sophisticated performance management and partnership management including social investors, service providers, intermediary organizations and independent evaluator. In addition, its unique outcome metrics seems to be distinguished among UK SIBs.

This study does not intend do comparative research on SIBs between the UK and Japan. Because in Japan. engagements in SIBs have been still at early evolving stage and most cases are experiments. Accordingly, it is difficult to compare equally engagements in the UK to those in Japan. Thereby, this study focuses on the UK cases. However, examining its implication for Japanese and other Asian countries' engagements through

leaning from the UK lessons seems to be meaningful.

What is Social Impact Bonds?

To be briefly defined, “Social impact bonds (SIBs) combine some component of results- or performance-based financing and public-private partnerships, which have been used to fund public services for many decades” (Gustafsson-Wright, Gardiner and Putchu 2015: 2). Nicholls and Tomkinson also define SIBs as “ a set of contracts, the basis of which is an agreement by government to pay investors for an improvement in a specific social outcome once it has been achieved” (Nicholls and Tomkinson 2015: 336).

As such, SIBs can be understood as a one form of payment by results (PbR) with using private capital provided by private investors. Investors provide money to cover up-front cost of the program. In exchange for the contribution, commissioners (governments) pay out principal plus a performance related return for investors if the pre-defined outcomes are achieved.

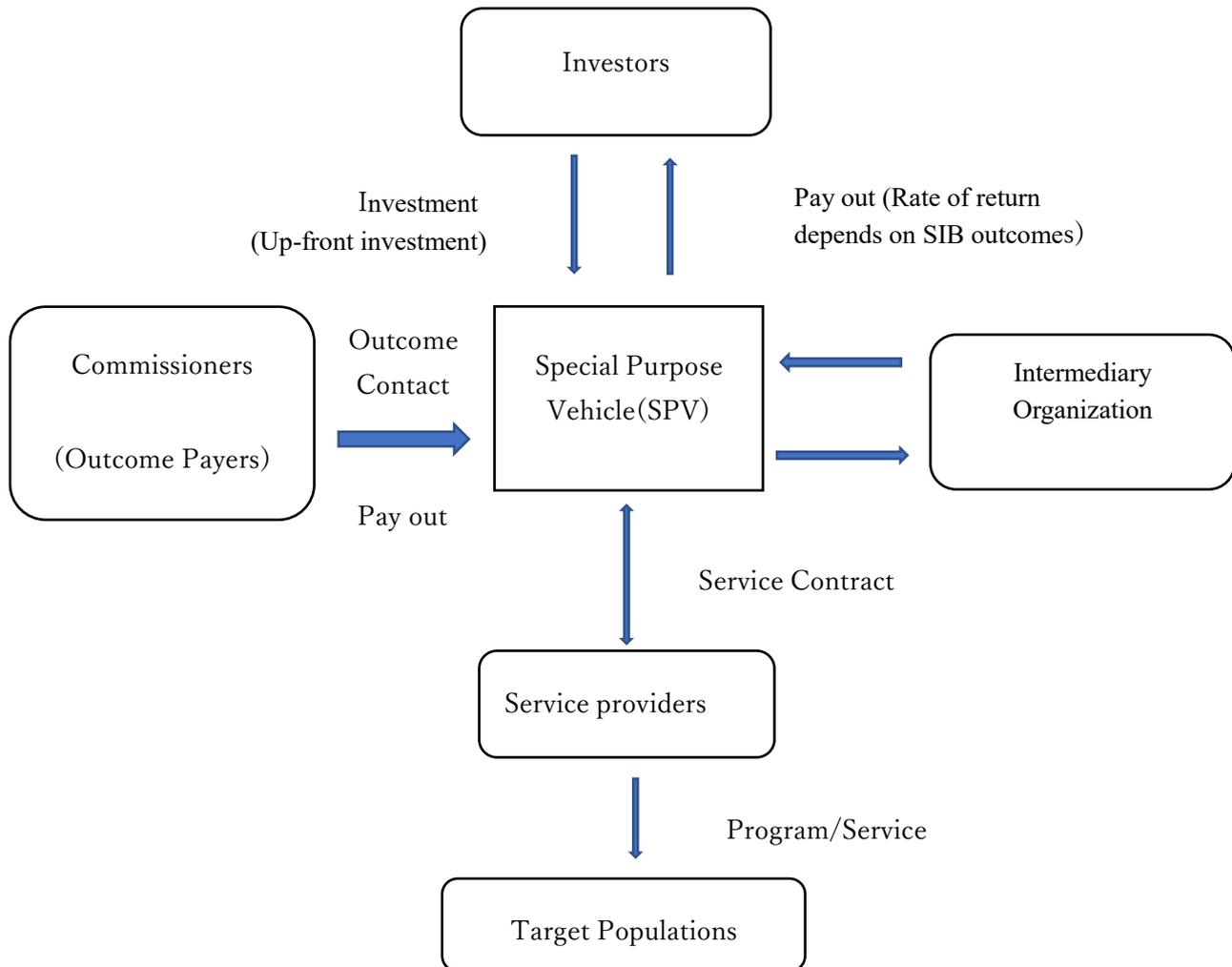
In our understanding, the ultimate goal of SIBs is to resolve or mitigate social issues including homelessness, recidivism, NEET, children or family welfare. In this sense, SIBs are social value or social innovation oriented, thus attracting impact-seeking investors rather than profit-seeking investors. In the social innovation context, social enterprises or nonprofit organizations are expected to play role of service provision in SIB frame.

On the other hand, SIBs are underpinned by market oriented new public management (NPM) logic. Compared to traditional commissioning, SIB contracts focus in outcomes rather than outputs. In terms of outcome metrics, specified outcomes tend to be measurable, cashable and also relevant to cost saving of government expenditure.

In most typical structure, the SIB contract is composed of different stakeholders such as service providers, social investors, outcome payers(government), intermediaries (See Figure 1). In addition to the stakeholder, in most cases, independent third sector independent evaluation agencies are involved in order to assure transparency and accountability of the results and evaluation methods.

SIBs can be regarded as the outcome based contractual relationships. In this kind of contracts, cost-benefit perspective has been applied to the benchmark and outcome metrics. Thus, governments tend to focus on fiscal value such as cost-saving. Service providers such as social enterprises expect more flexible fund raising for realizing social innovation. On the other hand, social investors expect to receive social return as well as financial return.

Figure 1. One typical example of Social Impact Bond Structure



Social Impact Bonds and Impact Measurements

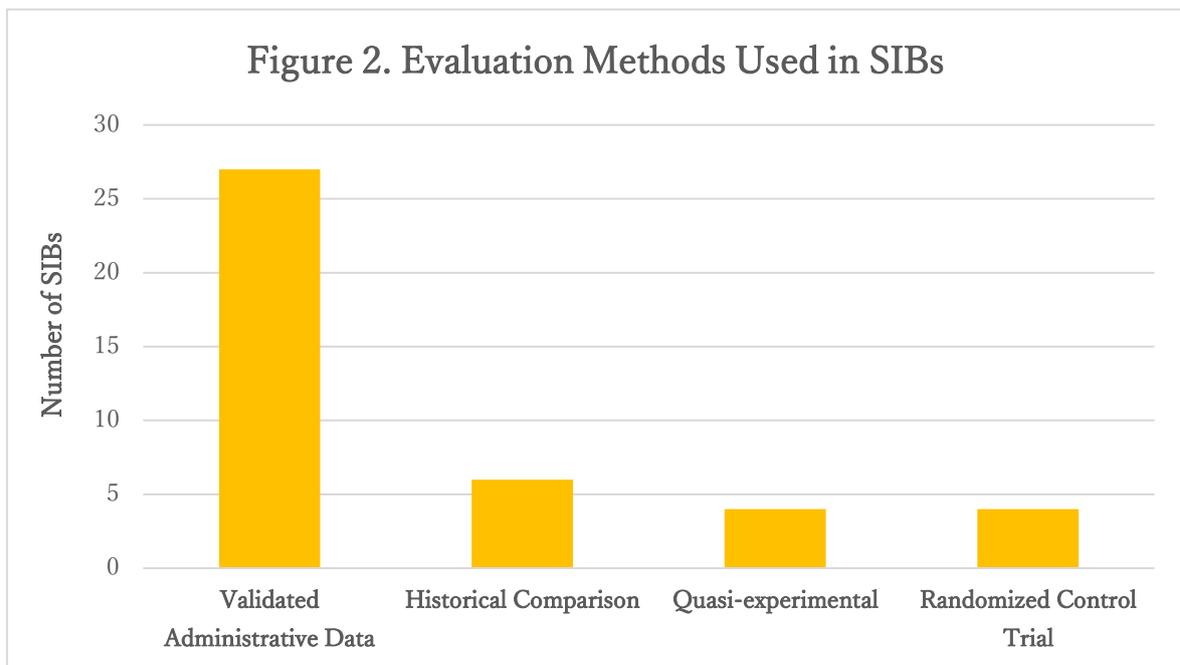
The notion of impact measurement or impact evaluation is ambiguous, and furthermore, it occasionally causes confusion. Because “impact” itself has been conceptualized in different meanings. To briefly define it, however, impact evaluation or measurement can

be seen as “an evaluation that makes a causal link between program or intervention and set of outcomes. Impact measurement answer the questions: What is the impact (or causal effect) of a program on an outcome of interest” (Gertler, Martinez, Premand, Rawlings and Vermmeersch 2016: 328). Rossi also defined “impact “ or “program effect” as “the value added o net gain part of the outcome that would have not occurred without the program”(Rossi, Lipsey and Freeman 2004: 208). Accordingly, in impact measurements, it evaluates pure outcomes which has causal relation to the intervention. Thus, counterfactual data is needed in order to compare the results caused by the intervention.

In SIBs practices, “outcome metrics” is one of key elements of SIB scheme. However, outcome metrics needs impact measurement theory and method but it is another tool. Because impact measurement treats the entire intentional and unintentional outcomes which can be evaluated. In contrast, in outcome metrics, outcomes are strategically selected and targeted considering the purpose of the program and more importantly the results determine the payment. However, both are correlative. In another word, trustworthy outcome metrics needs rigorous impact measurement.

In SIBs and other impact investments, there have not been widely accepted and standardized trustworthy impact measurements. In SIB practices, different approaches to impact measurement methods have been adopted although cost-benefit logic are commonly employed. For instance, Gustafsson-Wright, Gardiner and Putcha(2015:20) classified evaluation methods into 4 types such as validated administrative data, historical

comparison, quasi-experimental, randomized control trial(RCT). As shown in Figure 2, among 4 types, validation of service providers or government administrative data are most frequently used for determining outcome payments. In contrast, the cases using Randomized Control Trail (RCT) are quite limited. This analysis is based at not only the UK data but also other countries' data including the US SIBs data. In the US, using RCT tends to be preferred for demonstrating the evidence compared to SIBs in the UK.

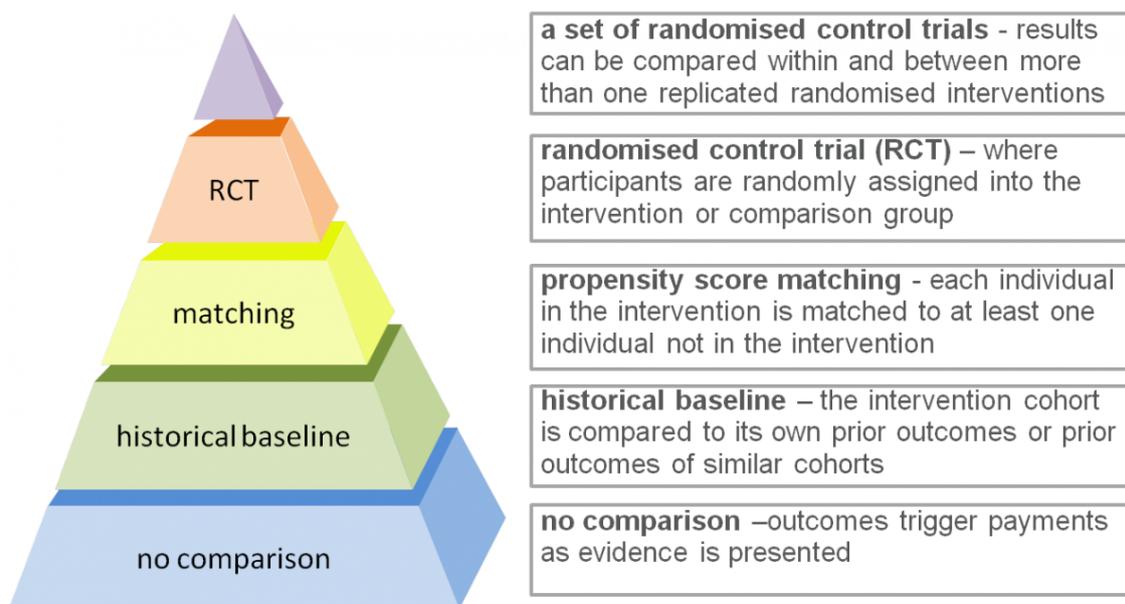


Source: Gustafsson-Wright, Gardiner and Putcha (2015: 20)

The evaluation method adopted in the SIB affects its validity, transparency and accountability. In another word, evaluation methods underpin the degree of the success

of the SIB. In evaluation theories and practices, “ hierarchy of evidence” (Sackett 1989; Evans 2003) or ranking evidence has been of concern in discussions about validity of the evaluation. It is also true of the evaluation in the SIB. In fact, Centre for Social Impact Bonds² illustrates hierarchy of evidence as Figure 3 shows. The top tier described as a set of randomized trial means not just RCT but meta- analysis³ which is regarded as most

Figure 3. Hierarchy of evidence



Source: Centre for Social Impact Bonds
https://data.gov.uk/sib_knowledge_box/comparisons-and-counterfactual

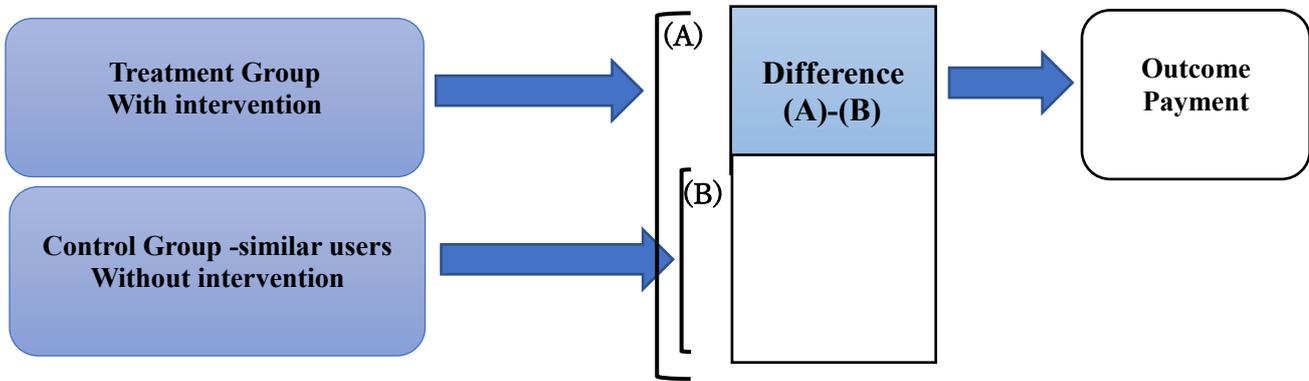
rigorous valuation method. Evaluation methods at lower tiers such as “historical baseline” and “no comparison” are less rigorous than those at upper tiers. SIB developers can select an appropriate method among the options available when establishing comparison.

The comparison is the vital to rigorous impact measurement. More importantly, in comparison, it measures not just changes between “before” and “after” but changes between “with” and “without” the intervention. In a SIB, payments from the commissioners are triggered by the achievement of particular outcomes. These payments reward the positive difference the intervention makes. Thus, in the outcome evaluation, the outcome of the intervention is compared to an estimate of what would have been without the intervention. The estimate is sometimes referred to as the “counterfactual”⁴.

To estimate the counterfactual, usually outcomes with a different group of people with similar characteristics who have not received the intervention are compared. That is, in typical way, outcomes of the treatment group (intervention group) are compared to those of the control group (comparison group). By identifying the difference with using comparison between treatment group and control group, outcome change that can be attributed uniquely to a program intervention is inferred (See Figure 5). The pure outcome is regarded as the program impact. SIBs are occasionally called as “outcome contracts” or “outcome based commissioning”. It means that outcome or the difference caused by the intervention is indispensable elements of the contract. If the difference is not proved by the valid data or overestimated, the contract will turn out to be failure.

As mentioned above, measurement of this difference or impact will trigger payments. So that, government as an outcome payer is required to ensure the evidence for outcome payment. On the other hand, social investors desire the evidence for the difference caused by the investment. In this context, service providers are expected to demonstrate the capacity for data management and performance management .

Figure 4 . Difference : With-Without Intervention



Diversification and standardization of impact measurements

Evaluation methods used in SIBs, as mentioned above, have been diversified in the world. It is true of SIBs in the UK. However, examining SIBs which were launched between 2010 and 2014,(See Table 1), 19 cases (83 per cent) of the total (n23) used entirely validated administrative data for the impact measurements. Quasi-experimental method was used by just first SIB pilot. Interestingly, RCT has never been used in the UK in contrast to the US SIBs. Such tendency has not changed since 2015.

Table 1. Evaluation methods : SIB cases(launched in 2010-2014)

Name of SIB	Social Issue	evaluation method
Peterborough SIB Pilot(2010)	Criminal justice (prison recidivism)	Quasi-experimental (Matched control group)
Triodos New Horizons (2012)	Unemployment	Validated administrative data
ThinkForward (2012)	Unemployment	Validated administrative data
Links4Life Program (2012)	Unemployment	Validated administrative data
Advance Program (2012)	Unemployment	Validated administrative data
Nottingham Futures (2012)	Unemployment	Validated administrative data
Living Balance (2012)	Unemployment	Validated administrative data
T & T Innovation Program (2012)	Unemployment	Validated administrative data
3 SC Capitalize Program (2012)	Unemployment	Validated administrative data
Energise Innovation (2012)	Unemployment	Validated administrative data
Prevista (2012)	Unemployment	Validated administrative data
Street Impact (2012)	Homelessness	Historical Comparison and Validated administrative data
Essex MST SIB (2012)	Children at risk of going to care	Historical comparison
It's All About Me(IAAM) (2013)	Barriers to adoption	Validated administrative data
Local Solutions (2014)	Youth homelessness	Validated administrative data
Your chance (2014)	Youth homelessness	Validated administrative data
Home Group (2014)	Youth Homelessness	Validated administrative data
Fusion Housing (2014)	Youth Homelessness	Validated administrative data
Ambitious East Midlands(2014)	Youth Homelessness	Validated administrative data
Aspire Gloucestershire (2014)	Youth Homelessness	Validated administrative data
Rewriting Futures (2014)	Youth Homelessness	Validated administrative data
Manchester City Council Children in Care SIB	Family reunification or long-term foster care placement	Historical Comparison
Outcomes for Children Birmingham(2014)	Barriers to adoption	Validated administrative data

Source: Centre for social impact bonds, knowledge box

(https://data.gov.uk/sib_knowledge_box/case-studies-0); Gustafsson-Wright, Gardiner

and Putcha (2015)

Table 2. Government funding for developing SIBs

Name of funding/Commissioners	Investment size and the year launched	Overview
Life Chances Fund	£80m	top-up fund that aims to help those people in society who face the most significant barriers to leading happy and productive lives. The six policy areas in which the LCF is seeking proposals are Drug and Alcohol, Children's Services, Young People, Early Years, Older People and Healthy Lives
Cabinet Office and Department for Digital, Culture, Media & Sport	2016	
Rough Sleeping SIB Fund	£10m	The fund aims to help long-term rough sleepers with the most complex needs. Eight successful applicants have been announced and are currently in the process of developing their SIBs.
The DCLG	2016	
The Social Outcomes Fund and Commissioning Better Outcomes Fund	SOF(£20m) CBO(£40m)	The Social Outcomes Fund and Commissioning Better Outcomes were funds established by the Cabinet Office and the Big Lottery Fund to support the development of SIBs. These funds paid a proportion of outcomes payments (normally around 20%) for Social Impact Bonds in complex policy areas, where the benefits fell beyond the lead commissioning body.
Cabinet Office, Big Lottery Fund	2013 ⁵	
Fair Chance Fund	DCLG(£10m) Cabinet Office(£5m)	It is used to fund seven Social Impact Bonds (SIBs) focused on homelessness. The fund was designed to help the most vulnerable young people in society by assisting them into accommodation and into education/training or sustained employment/volunteering.
DCLG, Cabinet Office	2014	
Innovation Fund	Outcome payment(DWP) £ 28.4m + external investment(£ 10m)	The Fund was a pilot initiative aimed at supporting disadvantaged young people, and those at risk of disadvantage, aged 14 years and over. This project was a targeted and preventative measure, aimed at re-engaging young people with Education, Training and Employment. The DWP was the first government department to commission SIBs via an open competition.
DWP	2012	
Youth Engagement Fund	£16 m	The fund that was jointly established by DWP and the Cabinet Office to help disadvantaged young people aged 14 to 17 to participate and succeed in education or training. The initiatives funded via social impact bonds will ultimately help young people improve their employability, reduce their long term dependency on benefits and reduce their likelihood of offending.
DWP (jointly founded with Cabinet Office)	2014	

The dependency on administrative data in the UK has relevance to government funding led by central government. In fact, government and the Big Lottery Fund have launched funds with the aim of developing SIBs since 2012 (See Table 2).

In this context, As Table 3 -1, 3 -2 shows, development of Social impact bonds has been accelerated by support by funding from different departments such as Department for Work and Pension(DWP) and Cabinet Office. Namely, Government funds and quasi-governmental funding institutions such as the Big Lottery Fund⁶and Big Society Capital⁷. The vital role of the governmental funds is complementally or entirely using the money for outcome payment.

As Figure 5 shows, obviously, the rapid increase of SIBs in 2012 and 2015 was triggered by strategical government funding such as Innovation Fund and Life chance fund. It means that government fund has contributed to mitigate skepticism and discontent within local authorities as commissioners. Because, in some cases, central government received more benefit than local authorities by the cost saving. For instance, Social Outcome Fund (SOF)was designed to address one of the main problems holding up the growth of Social Impact Bonds(SIBs): the difficulty of aggregating benefits and savings which accrue across multiple public sector spending ‘silos’ in central and local government⁸. The SOF will provide a ‘top-up’ contribution to outcomes-based

commissions jointly working with Commissioning Better Outcome (CBO). In this co-funding, CBO managed by the Big Lottery Fund has an overarching aim to support the development of more SIBs. The aim includes improvement skills and confidence of commissioners with regard to the development of SIBs . In relation to this, the Big Lottery Fund issued *Evaluation Guide* (Big Lottery Fund 2014) .

Table 3-1. SIBs and Government funding

	Location	Sector	Government funding	Start year
1	Peterborough	Criminal Justice		September 2010
2	West Midlands	Workforce Development	Innovation Fund	April 2012
3	Nottingham	Workforce Development	Innovation Fund	April 2012
4	Greater Merseyside	Workforce Development	Innovation Fund	April 2012
5	East London	Workforce Development	Innovation Fund	April 2012
6	Scotland	Workforce Development	Innovation Fund	April 2012
7	East London	Workforce Development	Innovation Fund	April 2012
8	Essex	Child and Family Welfare		November 2012
9	London	Housing/ Homelessness	Social Enterprise Investment Fund	November 2012
10	London	Housing/ Homelessness	Social Enterprise Investment Fund	November 2012
11	Thames Valley	Workforce Development	Innovation Fund	November 2012
12	Greater Manchester	Workforce Development	Innovation Fund	November 2012
13	West London	Workforce Development	Innovation Fund	November 2012
14	Cardiff & Newport	Workforce Development	Innovation Fund	November 2012
15	UK Wide	Child and Family Welfare	Social Outcomes Fund	September 2013
16	Manchester	Child and Family Welfare	Social Outcomes Fund	June 2014
17	Birmingham	Child and Family Welfare	Commissioning Better Outcomes Fund, Social Outcomes Fund	July 2014
18	Birmingham	Housing/ Homelessness	the Fair Chance Fund	January 2015
19	West Yorkshire	Housing/ Homelessness	the Fair Chance Fund	January 2015

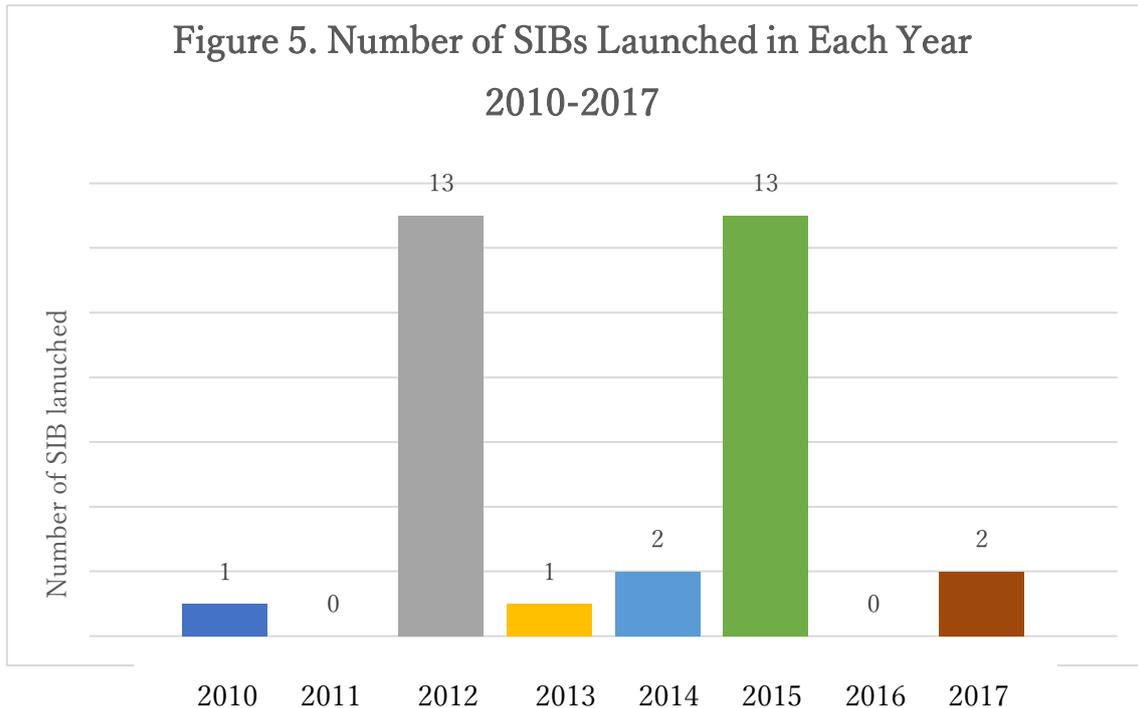
Continued to Table 3-2

Table 3-2. SIBs and Government funding

	Location	Sector	Government Funding	Start year
20	Liverpool	Housing/ Homelessness	the Fair Chance Fund	January 2015
21	Leicestershire	Housing/ Homelessness	the Fair Chance Fund	January 2015
22	Gloucestershire	Housing/ Homelessness	The Fair Chance Fund	January 2015
23	Greenwich	Housing/ Homelessness	the Fair Chance Fund	January 2015
24	Newcastle	Health	Big Lottery Commissioning Better Outcomes Fund, Social Outcomes Fund	March 2015
25	Newcastle	Housing/ Homelessness	Fair Chance Fund	March 2015
26	Greater Merseyside	Workforce Development	The Youth Engagement Fund	April 2015
27	Sheffield	Workforce Development	The Youth Engagement Fund	April 2015
28	London	Workforce Development	The Youth Engagement Fund	April 2015
29	Greater Manchester	Workforce Development	The Youth Engagement Fund	April 2015
30	Worcestershire	Health	Social Outcomes Fund	July 2015
32	Lambeth	Education and Early Years	Big Lottery Commissioning Better Outcomes Fund	February 2017
33	North Somerset	Child and Family Welfare	Big Lottery Commissioning Better Outcomes Fun	March 2017

Source: Centre for Social Impact Bonds, Knowledge Box

(https://data.gov.uk/sib_knowledge_box/funding-0)



As such, central government has provided not only financial support but also enabling or capacity building support for key players such as local commissioners. government have strategically built infrastructure for designing and implementing SIBs. It includes different toolkits such as unit cost database⁹, cost-benefit analysis (CBA) guidance (HM Treasury, Public Service Network and New Economy 2014), evaluation guidance and *The Green Book* (HM Treasury 2011). These database and guidance has been developed with the aim of designing and implementing outcome metrics and impact measurement. Such government engagement is relevant to PbR which requires more performance management, data management, impact assessment rather than process assessment.

Such context of promoting shared understanding of key concepts and methods of impact measurements by central government can be seen “standardization”. In our understanding, standardization of impact evaluation does not mean unification of the different evaluation methods into one method. Instead, standardization means dissemination of common language and guideline for designing and implementation of impact evaluation in investment including SIBs. Standardization can enable SIB model to be more trustworthy and transparent. In fact, prior to the guidance published by government departments, the Working Group on Impact Measurement¹⁰ published a report named as “Measuring Impact” in order to provide guideline for impact measurement to impact investors (Social Impact Investment Taskforce 2014). In relation to this, G8 Social Impact Investment Forum agreed that impact assessment system would be a key driver of social invest market growth and also shared standards were crucial to the accelerated development of the market (Cabinet Office 2013: 12). The Impact Measurement Working Group pinpointed seven guidelines (See Table 4). According to the working group, these guidelines can form a good foundation for any impact measurement frame work

Table 4. The Seven Guideline

Guideline		Description
Plan	Set goals	Articulate the desired impact of the investments
	Develop Framework & Select Metrics	Determine metrics to be used for assessing the performance of the investments
Do	Collect & Store Data	Capture and store data in a timely and organized fashion
	Validate Data	Validate data to ensure sufficient quality
Asses	Analyze Data	Distill insights from the data collected
Review	Report Data	Share progress with key stakeholders
	Make Data-Driven Investment Management Decision	Identify and Implement mechanisms to strengthen the rigor of investment process and outcomes

Source: Social Impact Investment Taskforce (2014: 8)

The difference form conventional CBA approach

The dominant impact theory used in SIBs has been described as being based at conventional cost-benefit analysis (CBA). However, in our view, impact measurements in SIBs are virtually different from conventional CBA. CBA is most widely used impact measurements in which both cost and benefit are monetized. In CBA, all the costs and benefits to society as a whole, that is social costs and social benefits are considered (Boardman, Greenberg, Vining and Weimer 2011: 2).

For sure, even in SIB, outcomes are also monetized. However, social outcomes measured in SIBs tend to be restricted to the outcomes which are directly relevant to government cost saving. Equally, the costs which are estimated in SIBs are also restricted to the costs which are captured as administrative expenditure not social cost. Hence, in SIB model, all costs and benefits (outcomes) caused by the intervention are not necessarily monetized in contrast to conventional CBA. In another word, outcomes or impact in SIBs are not outcomes as social benefits but “government payable outcomes” from the fiscal cost saving view. Additionally, in most SIB cases, measurable outcomes tend to be confined to individual beneficiaries’ level. Instead, social outcomes beyond individual changes or “externality” tends to be overlooked. Namely, SIB’s approach tends to focus on not wider social changes but beneficiaries’ changes.

Impact Measurement and “Institutionalization”

As described above, in impact measurement in SIBs, standardization of evaluation method has been promoted among stakeholders in SIBs to a certain extent. Standardization is required in impact measurement practices in order to create common language and also attain shared understanding about evaluation processes and methods. So that the standardization can help to compare some results with other results with using same standardized evaluation framework. In another word, standardized model can create common cognitive frameworks and understandings that support collective actions among

players in SIBs.

Government led standardization can accompany “institutionalization”. According to “New Institutionalism” of organizational studies’ view, institutionalization can be defined as “the process by which actions are repeated and given similar meaning by self and others” (Scott and Davis 2007: 260). In fact, in SIBs, the more service providers assume the contractual framework and use common data set, language and measurement framework, the more organizational behaviors of service providers seem to be resemble each other. Such homogenization of behaviors under institutional pressure has been referred to the concept, “institutional isomorphism” (DiMaggio and Powell 1991) . Isomorphic organizational changes can be caused by both market competition and institutional pressure such as political power and organizational legitimacy. The view of institutional isomorphism focuses at the latter institutional influence. DiMaggio and Powell classified institutional isomorphism into three types, that is (1) coercive isomorphism that stems from political influence and the problem of legitimacy, (2) mimetic isomorphism resulting from standard responses to uncertain,. (3) normative isomorphism, associated with professionalization (DiMaggio and Powell 1991: 67). Under SIB contractual framework, SIB players such as social enterprises require to assume political agreements and other rules for players to acquire legitimacy. If political and institutional pressure excessively affected on organizational behaviors, social enterprises would face institutional isomorphism.

In relation to institutional isomorphism, in fact, SIB contracts have demanded SIB players assuming institutional frameworks. For instance, current government funding such as innovation fund have established outcome based pricing model called as “Rate Card”. The model can be regarded as one form of PbR. Its pricing is based at estimating fiscal cost for improvement of individual outcome and also Willingness to Pay (WTP). More concretely, in innovation Fund, DWP will pay the investors or intermediaries solely on the basis of outcomes achieved. The service providers receive funding from the investors or intermediaries to cover their delivery costs. DWP pays for one or more outcomes per participant which can be linked to improved employability. A definitive list of outcomes and maximum prices DWP was willing to pay shows Table 5 .

Table 5. DWP Rate Card

Nature of Outcome	Maximum Price of Outcome
Improved attitude towards school	£700
Improved behaviour	£1300
Improved attendance	£1400
Entry Level Qualification	£900
NVQ level 1 or equivalent	£1100
NVQ level 2 or equivalent	£3300
NVQ level 3 or equivalent	£5100
Entry into employment	£3500
Sustained Employment	£2000

Source: HM Government: innovation Fund Key Facts
(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212328/hmg_g8_factsheet.pdf)

For sure, Rate Card approach has the potential for mitigating transaction cost. Because financial proxies can be simplified by stipulating fiscal cost related outcomes by commissioners as the part of SIB contract. The cost for negotiation and reaching to the consensus among different stakeholders can be saved. Consensus is needed just between just commissioners and contractors. More importantly, the cost which underpins the pricing in the rate card is not necessarily actual saved cost, or rather the willingness to pay (WTP) for government.

Discussion

By examining the government led contractual relationships in SIBs, the tendency toward institutionalization accompanied by dependency on government led funding and standards can be found. If institutionalization or institutional isomorphism accompanied the negative impact on service providers such as cream skimming or mission drift, criticism or skepticism over SIBs would be caused. In addition, government led cost saving and pricing approach itself seems to have limitation. In fact, SIBs have drawn not only enthusiasm but also criticism over the actual impact and limitations.

In recent years, the literatures treat such challenges SIBs have faced. For instance, Rangan and Chase refers to the difficulty in aggregating social benefits and correlating them with cost savings (Rangan and Chase 2015). They also fear that there could be a retraction from those social issues where outcomes are hard to pin down and successful interventions are hard to identify in the rush to quantify costs and benefits (Rangan and Chase 2015: 30).

In relation to this fiscal cost saving or pricing model, more radical criticism has been indicated. For instance, according to Lake (2015: 77), the aim of SIBs with using the monetization of outcomes is to reduce the cost of government programs rather than the substantive effect on the underlying problem. Furthermore, Joy & Shields insist that SIBs may represent a form of charity that happens to make money for private sector investors rather than a more holistic preventative social program (Joy & Shields 2013:

49).

In terms of comparison to existing service delivery model, there have been very little rigorous counterfactual comparison of SIBs versus alternative methods of finance to deliver the same services to the same type of users (Fraser, Tan, Lagarde and Mays 2016: 13).

As mentioned above, impact evaluation used in SIBs are mostly based at “cost-benefit” concept but not necessarily cost-benefit analysis in accurate meaning. Because, in SIBs, both costs and benefits are narrowed down in the view of focusing on the direct causal relation between fiscal cost and outcomes. Moreover, “many of the savings in SIB schemes appear to be based on hypothetical rather than real cost reduction”(Fraser, Tan, Lagarde and Mays 2016:13).

More importantly, SIBs tend to focus on achieving social outcomes rather than continuity of service outputs (Edmiston and Nicholls 2017: 14). Namely, “SIB payment metrics are constructed based on the assumption that social outcomes achieved through service interventions are lasting, and can therefore be justified in light of the prospective cost savings they accrue to public sector over time” (Edmiston and Nicholls 2017: 15). Nevertheless, in most cases, continuity of service delivery has not been secured.

Case Studies-Essex County Council: Children at risk of going into care

In Essex, the first local authority led social impact bonds in the UK was launched in 2012. Table 6 shows the outline of the structure, outcome metrics, impact measurement and main activities.

In terms of the research method, we conducted semi-structured interviews with two officers at local councils (Essex County Council and Cambridge Council) and a director and a program manager at Action for Children and a manager at Bridges Ventures in September 2013 and September 2017.^c We talk about the project outline, the performance, lessons and challenges with interviewees.

Essex SIB addresses young people on the edge of care or custody. Most unique aspect of the Essex SIB is its intensive evidence based intervention called as Multi-Systemic Therapy. In Essex SIB, the service delivery is for 5 years and evaluation is over 3 years. Tracking outcomes is for over 8 years.

In terms of the benefits for Essex county council (local authority), new funding mechanism and new innovative service can be introduced. In addition, failure risk will be transferred from local authority to investors.

As for distinctions of Essex SIB, needless to say, the evidence based intervention such as MST can be pointed out. In addition, social outcomes are classified into two categories, that is, primary outcomes which trigger to payment and secondary outcomes

which are measured but do not trigger payment. Such outcome metrics is not just based at cost saving model. Stipulating secondary outcomes are not connected to the payment for investors but can contribute to avoid dampening service providers' incentive.

In terms of the challenge, possible conflict between the rigorous systemic intervention and innovation and “implementation risk” was indicated by OPM as the independent evaluator of Essex SIB (OPM 2014). In fact, “the rigidity of the MST model and the flexibility of the SIB may sometimes conflict” (OPM 2014: 32). This problem was also identified when we had an interview with a MST specialist who are engaged in program management in Essex and other cities. MST is a licensed program, so that the MST has strict requirements around fidelity (OPM 2014: 32). In relation to this, more importantly, we also identified implementation risk that OPM report mentioned in our interview with an officer at Essex County Council in September 2013. In fact, at early stage, it took long time for frontline workers such as social workers to understand what MST was and what type of service users it is appropriate for (OPM 2014:31). It can be regarded as implementation risk. That is, for successful implementation of the program, it is important for individuals with a role in implementing the intervention to share understanding about new intervention and work together. Nevertheless, implementation risk has been paid less attention compared to financial risk.

Table 6. : Outline of Essex SIB

Location	Contract Duration
Essex	Eight years (Contract signing in November 2012)
Intervention	
Essex SIB was issued to fund the provision of intensive therapeutic support called as MST (Multi-Systemic Therapy) to families where the children are at the edge of care. The intention of the intervention is to reduce the number of days at- risk children spend in care.	
Stakeholders	
Commissioner	Essex County Council
Investors	Bridges Ventures, Big Society Capital, Barrow Cadbury Trust, Tudor Trust, Esmee Fairbairn Foundation, King Baudouin Foundation, Charities Aid Foundation, Social Ventures Fund
Service providers	Action for Children
Intermediary	Social Finance UK
Independent evaluator	OPM
Outcomes	
Primary outcome	<ul style="list-style-type: none"> ●Reduction in aggregate care days spent
Secondary outcome	<ul style="list-style-type: none"> ●Youth Offending ●Improved attainment, increased attendance, stability of specialist placements ●Health and wellbeing
Impact measurement method and counterfactual	
Historical data comparison	
Outcomes will be compared to historical case file of 650 cases with data tracked over 30 months	
Cohort	
A total of 380 children (11 to 16 years old)/families in 20 cohorts over its five-year intake period	
Investment (Upfront capital)	Saving to the Commissioners
£ 3.1m	£ total 10.3 m (Project savings of £ 17.3 gross with a £ 7m cap on outcome)

Source: Gustafsson-Wright, Gardiner., and Pucha.(2015) and Centre for Social Impact Bonds Website: https://data.gov.uk/sib_knowledge_box/essex-county-council-children-risk-going-care

Finally, in terms of another implication gained from Essex SIB, it indicated that not only outcome evaluation but also process evaluation is important. In Essex case, the independent evaluator conducted process evaluation. So that they raised implementation risk. The performance at process level is decisive factor for attainment of outcomes.

Conclusion

In this paper, impact measurement used in SIBs in the UK are examined. In conclusion, with considering the literature on SIBs and Evaluation, some issues related to future design of SIBs are raised as following.

First of all, SIB is a one form of PbR and outcome based commissioning. That's why, its evaluation or measurement is based at impact evaluation or impact measurement rather than process evaluation. In addition, expected outcomes are monetized in fiscal cost saving view. Such measurement seems to be underpinned by cost-benefit logic. Nonetheless, impact measurements used in SIB in the UK cannot be seen as cost benefit analysis in its genuine meaning. Because outcomes are intentionally narrowed by restricting outcomes to those with direct causal relations to fiscal cost saving. Social benefits are also restricted to those at individual service user's changes level. In another word, social benefits beyond individual users' benefit such as externality tends to be overlooked. Instead, social benefits or social outcomes should be more aggregated

beyond individual level with considering causal relations.

Second, Standardization is also needed for fostering trustworthy and transparent evaluation. However, such standardization has been accelerated by government. Institutionalization or institutional isomorphism can occur due to government led standardization. If institutionalization progress excessively, it can undermine flexibility or incentive for social innovation. In another word, conflicts between institutionalization and social innovation can occur.

Third, the key concepts of evaluation such as impact, outcome, cost should be redefined from the point of view with considering social value, economic value and fiscal value. For sure, at present, investing tend to be devoted to increase of fiscal value . So that dominant impact measurement is based at fiscal cost-effect relations. However, social investors or tax payers seems to be interested in social and economic value beyond fiscal value. For such impact investors, existing concepts and evaluation framework should be redefined.

Finally, even if impact measurement is mainly used, process evaluation should be considered. Because such comprehensive approach can contribute to avoid implementation risk.

NOTES

1. See Impact Bond Global Database at Website of Social Finance:
<http://www.socialfinance.org.uk/database/>
2. Centre for Social Impact Bonds had belonged to Cabinet Office since it was launched but in 2016 it moved to another department, Department for Digital, Culture, Media & Sport.
3. Meta -Analysis means “the systemic analysis of the results of a body of evaluations of similar programs to produce an estimate of overall program effect”(Weiss 1998: 333).
4. “Counterfactual” can be defined as “the situation under investigation as it hypothetically would have been if the same participant had not been exposed to the program intervention” (Weiss 1998: 329). Big Lottery Fund defines it in their “Commissioning Better Outcomes Glossary of Key Terms July 2016 “as “a means to deliver insight into what might have happened had a SIB not been used by analyzing the results of interventions in other similar circumstances”(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261054/SOF-CBO_Glossary_of_terms.pdf)
5. Actually, Outcome fund was launched by Cabinet Office in 2012 prior to the Commissioning Better Outcome Fund launched by the Big Lottery Fund in 2013.

6. Big Lottery Fund was created on 1 June 2004 as an administratively merged body.

Their work is governed by the National Lottery etc Act 1993, as amended by the National Lottery Acts 1998 and 2006.

7. Big Society Capital (BSC) was launched by the Prime Minister in 2012. Its mission is to grow a social investment market and so make it easier for charities, social enterprises and community groups to access affordable finance. Big Society Capital was capitalized with a total of £600 million. An estimated £400 million of this will come from unclaimed cash left dormant in bank accounts for over 15 years and £200 million will come from the UK's four largest high street banks Barclays, Lloyds, HSBC and RBS.

8. See Centre for Social Impact Bonds Knowledge Box website:

https://data.gov.uk/sib_knowledge_box/social-outcomes-fund-cabinet-office-uk

9. Unit cost database was built by New Economy (Greater Manchester) and it has been maintained. The database helps project managers develop policy proposals involving public services.

<http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

10. The Impact Measurement Working Group (IMWG) was launched in June 2013 as part of the Social Impact Investment Taskforce, established under the UK's presidency of the G8. The IMWG was comprised of 29 thought leaders in impact investing and

measurement, and was co-chaired by NPC's Director of Development, Tris Lumley, and Luther Ragin Jr from the Global Impact Investing Network(GIIN).

11. Externalities mean “an effect that production or consumption has on third parties- people not involved in the production or consumption of the good.” (Boardman, Greenberg, Vining and Weimer (2011:91).

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