

Social investment and social innovation: where next?

Presentation to KCMI, September 2012

Nesta...

A charity with a mission to help people and organisations bring great ideas to life. We do this by providing investments and grants and mobilising research, networks and skills, funded by a £320m endowment

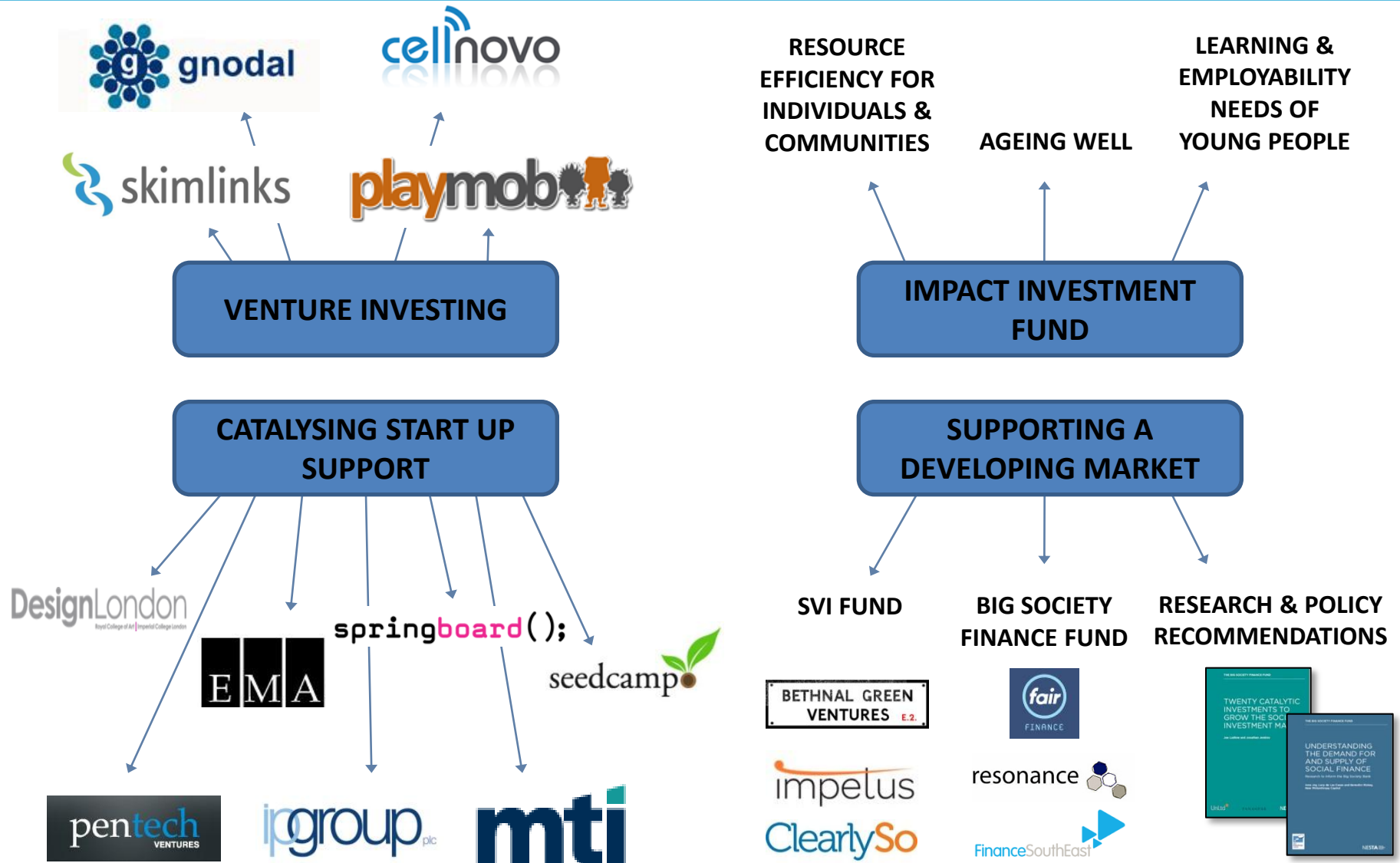
- **Investment** – in early stage companies, social enterprises and social venture intermediaries

- **Research** – on how innovation happens, from statistics to policy

- **Programmes**, backing innovations in
 - Local government
 - Health services, Arts, Charity, Media

- **Skills** – supporting innovation skills in all sectors, from design and finance to evidence and scale

Investment



The problem

Good at things and stuff



Social wealth – stagnant, even falling



We need governments that can behave more like investors – preventing future harms, seeing people and communities in terms of capital (human, social, organisational, natural)

We need an economy that isn't blind to people, blind to the long-term, or blind to the systems on which it depends – environment, family, community

Five parts of the answer

1. The rise of social innovation
2. The rise of social investment and social finance – capital for new kinds of venture and value
3. The rise of preventive investment tools
4. The rise of new models of service delivery and provision: collaborative consumption
5. The rise of new systems of exchange

1. THE RISE OF SOCIAL INNOVATION

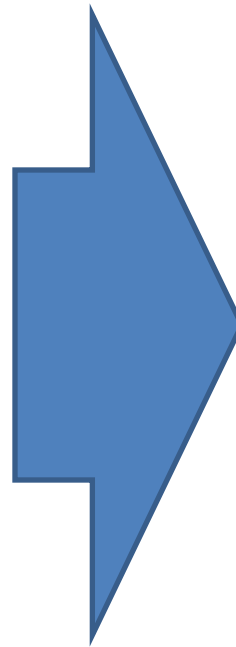
Innovation is changing ...



*Elberfelder Farbenfabriken vorm.
Friedrich Bayer & Co*



Bell Labs, Holmdel, NJ



User innovation



Innovation in services

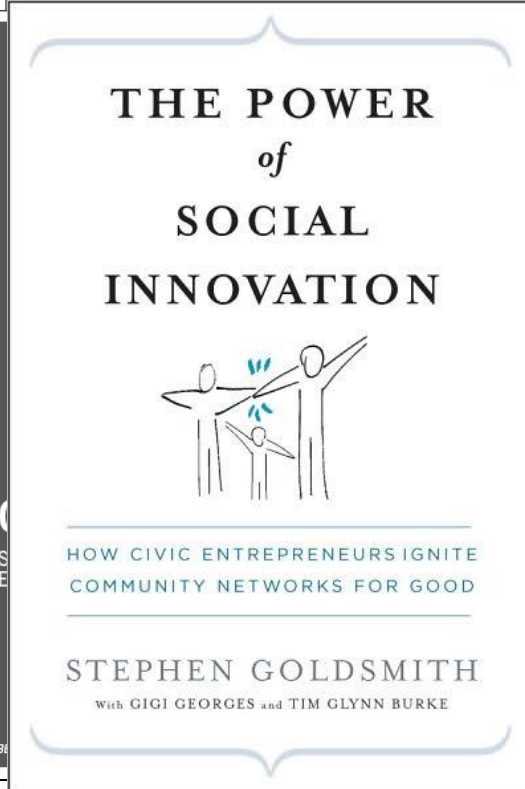
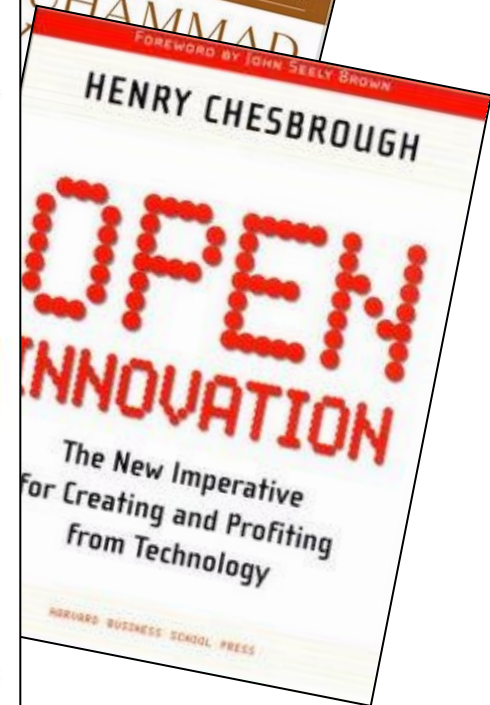
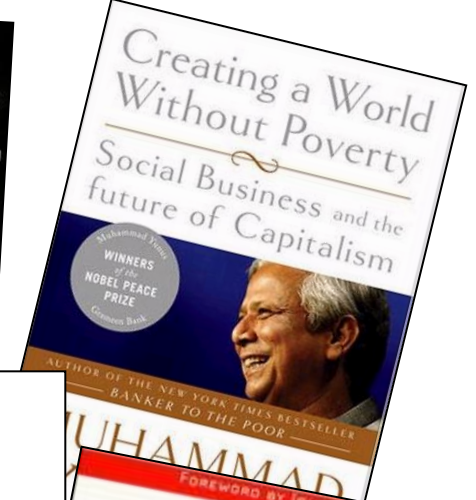
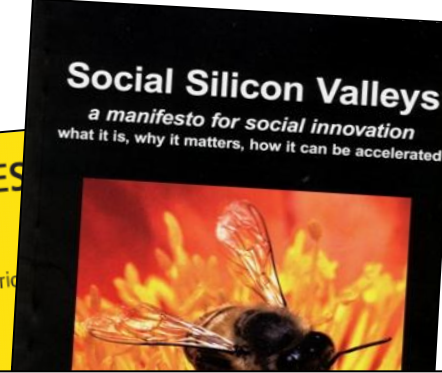
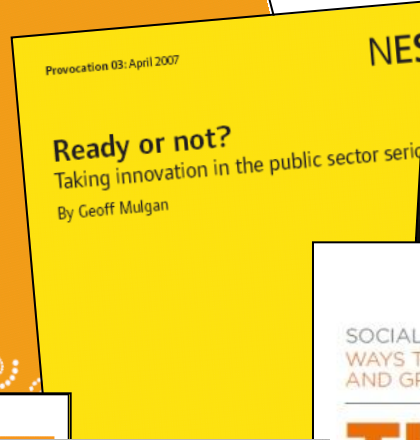
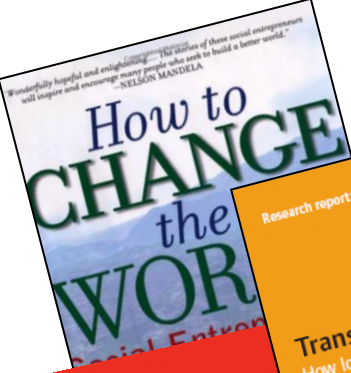


Social innovation



Open innovation

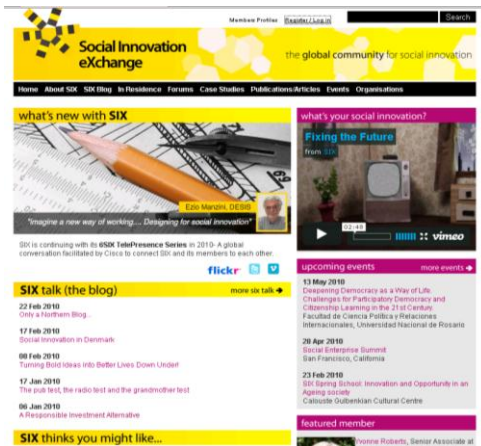
hospices carbon trading online tax transactions
pre-school programmes innovation camp restorative justice
social ventures Pledgebanks magazines sold by the homeless
fair trade positive deviance incubators microcredit
therapeutic communities community wind farms timebanks
zero carbon housing production schools participatory budgets
distance learning open source
eco-cities slow food police community support officers corporate universities
citizen reporters personal budgets health collaboratives
world wide web criminal assets recovery congestion charging
non-emergency phone numbers co-production skunk works personalisation
wikipedia drug courts online learning platforms
cognitive behavioural therapy for prisoners consumer co-operatives



Stanford SOCIAL INNOVATION REVIEW

Social ...

Innovation parks (eg Bilbao)
Innovation camps (eg Malaysia)
Innovation funds (eg Australia)
Innovation incubators (eg Europe)
Innovation R&D funds (eg Europe)
Innovation offices (eg White House)
Venture intermediaries
Impact bonds (UK, US, Australia)
Entrepreneurs in residence (UK)
Value metrics
Returns on investment



CSR mutating into CSI



Next steps:

- Spread of funds dedicated to early stage, high risk but potentially high impact innovations, creating pipeline for investment (including £10m UK Cabinet Office social incubators fund, launched 2012)

2. THE RISE OF SOCIAL INVESTMENT

New money for social ventures

Foundations

NESTA Making Innovation Flourish



Fairbairn
FOUNDATION

Bridges
Ventures

BIG ISSUE INVEST
FINANCING SOCIAL ENTERPRISES

The Social Investment Business

INVESTING FOR GOOD, TRANSFORMING LIVES



CHARITY BANK

STARTER

Triodos Bank

Communitybuilder



Government



BIG SOCIETY CAPITAL

Finance in the service of society

Crowdfunding

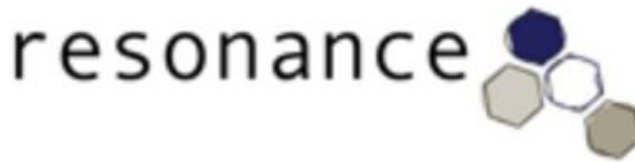
crowdcube



WeDid This

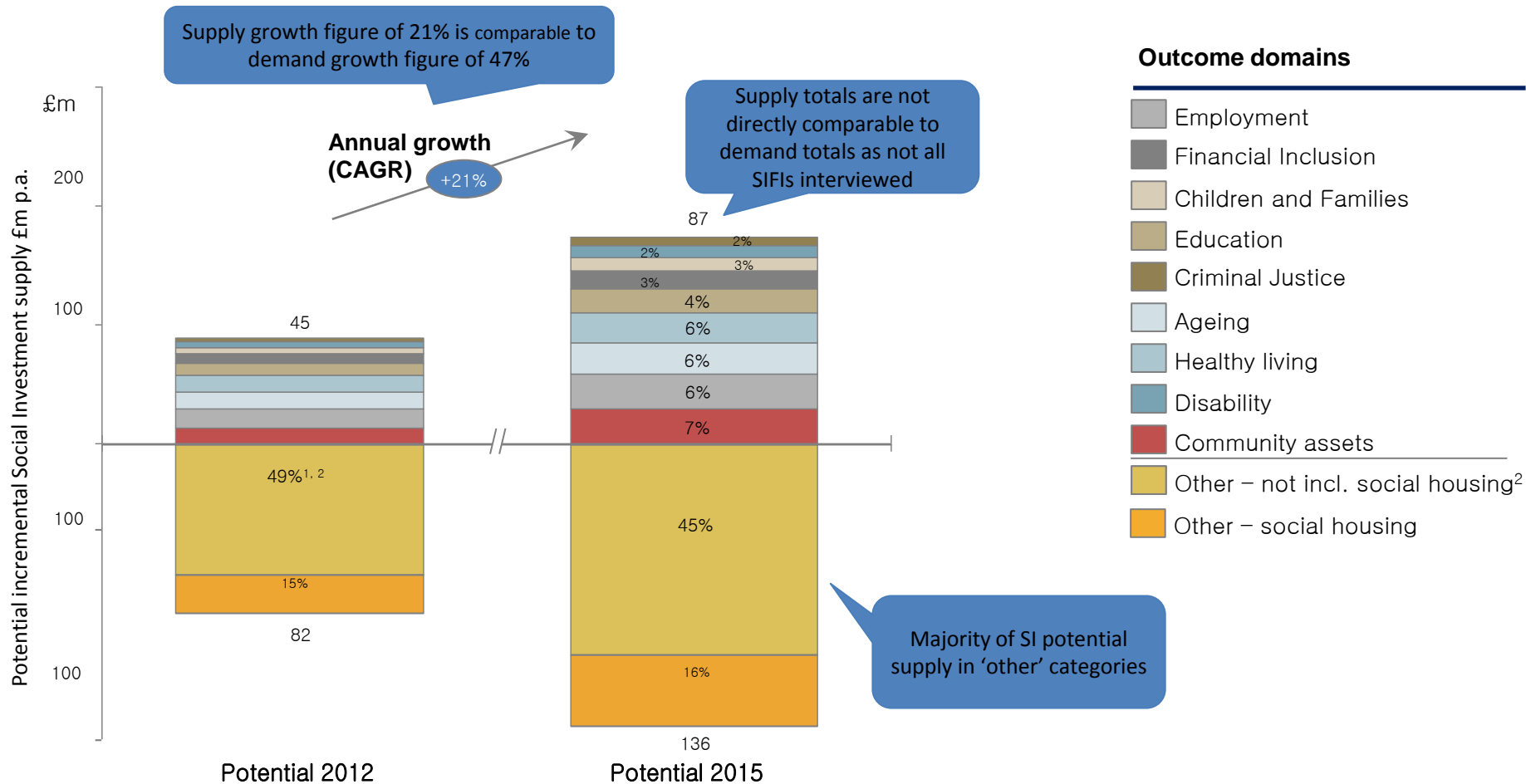
Funding Circle

Social venture intermediaries financed by Nesta



THE SHAFTESBURY PARTNERSHIP

Growth of SI potential supply and demand

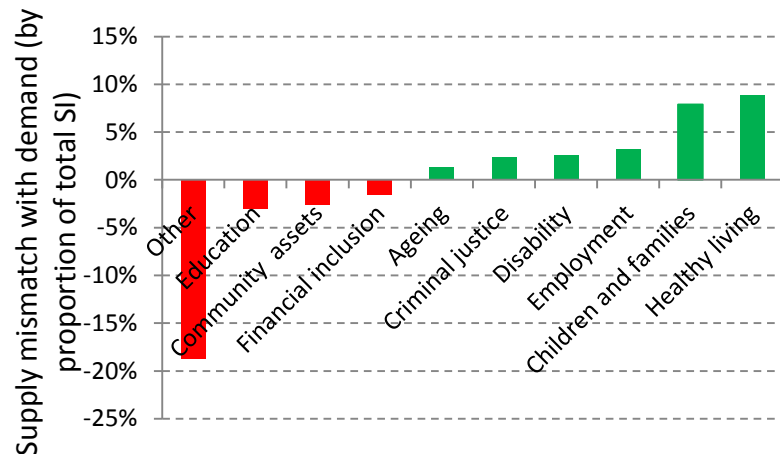


In general, there is no current evidence to suggest the SIFs plan to significantly change the sector split of their capital provision

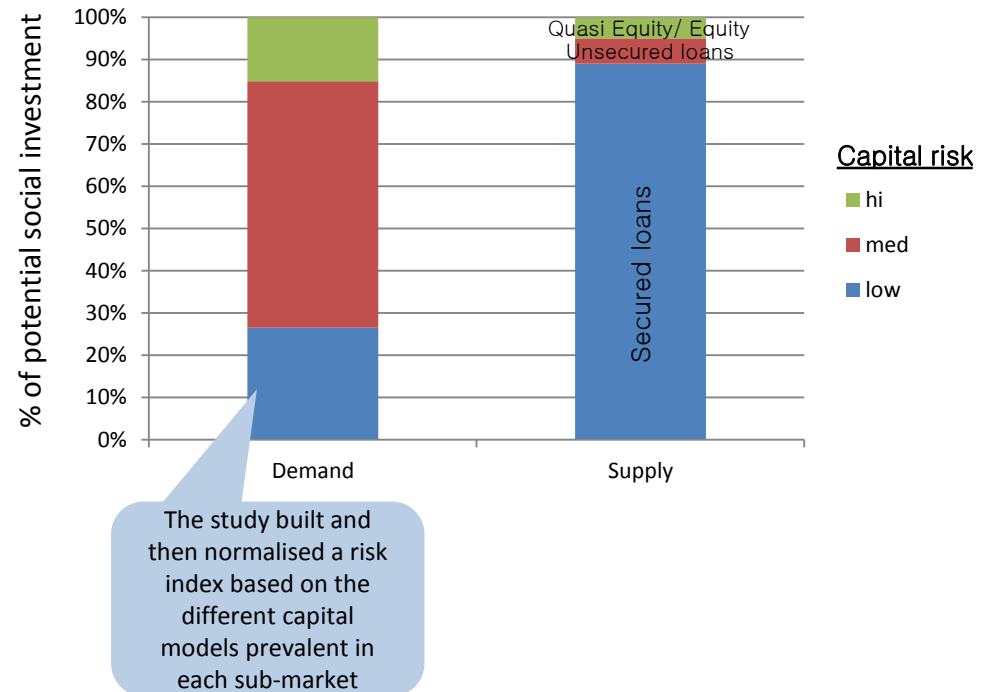
1. Sector categories from the 2011 study are not directly comparable to sectors used in this study; the other proportion is therefore an estimate
 2. Other includes food & farming, energy & environment, arts, culture & heritage, sport & leisure, religious, social housing

Demand and supply across outcome domains and product type/risk

Demand .v. supply across outcome domain



Demand .v. supply by product risk/type



1. Sector categories from the 2011 study are not directly comparable to sectors used in this study; the other proportion is therefore an estimate
2. Other includes food & farming, energy & environment, arts, culture & heritage, sport & leisure, religious, social housing

Next steps:

- Consolidation of field, with shared metrics, assessment tools and new flows of money from:
 - Individual investors seeking blended returns
 - Institutional investors
 - Foundations with PRI
 - Public funds

3. THE RISE OF PREVENTIVE INVESTMENT

Growing interest applying
investment methods to public
goals: prevention in health, crime,
education

Where to find effective prevention programmes



Promising
Practices
Network

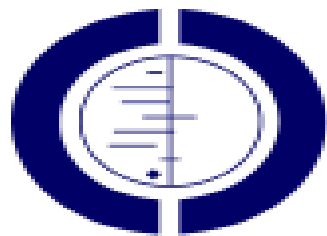
on children, families and communities



WHAT WORKS
CLEARINGHOUSE™



Education
Endowment
Foundation

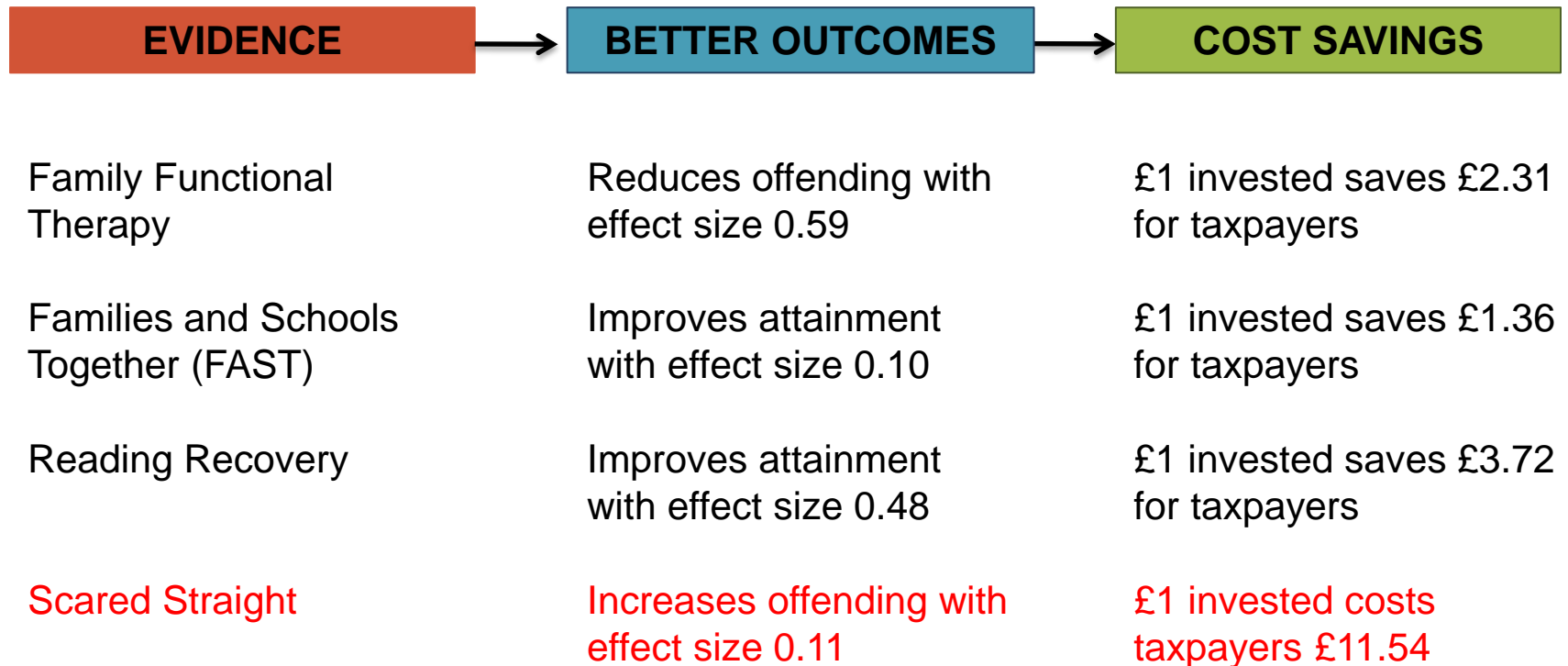


PREVENTION ACTION



Evidence matters

Better application of evidence about what works and analysis of what is most cost effective has the power to transform outcomes in a time of austerity.



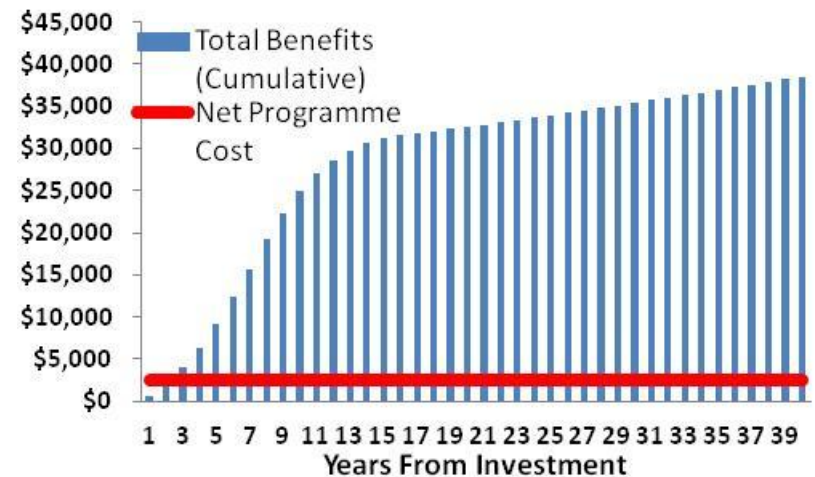
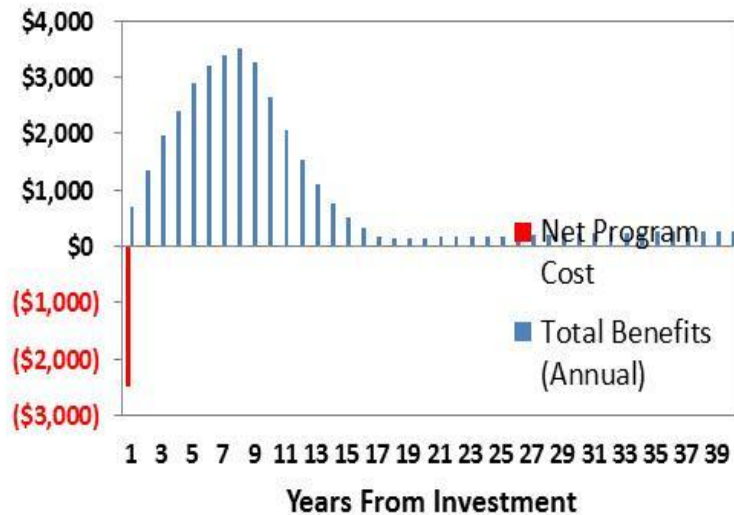
Example of potential cost savings: Functional Family Therapy programme

SUMMARY OF COSTS AND BENEFITS	
Functional Family Therapy	
Cost	£2,501
Benefits to Taxpayers	£5,775
Benefits to Participants	£2,177
Benefits to Others	£17,650
Total Benefits	£25,603
Benefits - Costs (NPV)	£23,102
Benefit-Cost Ratio	£10.24
Rate of Return on Investment	109%
Measured Risk	99%

Source: Dartington Social Research Unit, 2012

Costs and benefits of Functional Family Therapy

Source of benefits	To participants	To taxpayers	To others	Total benefits
Crime	£0	£4,708	£17,650	£22,358
Earnings via High School Graduation (A-Levels)	£2,177	£1,068	£0	£3,245
TOTAL	£2,177	£5,776	£17,650	£25,603



Source: Dartington Social Research Unit, 2012

Next step:

- Linking field of prevention to investment through social impact bonds and payment by results linked to prevention:
- New York Social Impact Bond (backed by Bloomberg and Goldman Sachs) as example.

4. THE RISE OF COLLABORATIVE CONSUMPTION AND PEER TO PEER PLATFORMS

New economic models that create
both social and economic value –
some emphasising relational value



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SPINDRIFT: The Memoir of a Climber's Daughter

by Laurel Holland in Brooklyn, NY

In 1989 Bill Holland was killed climbing in Canada. 21 years later his body was recovered. This is his daughter Laurel's story.

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\$6,271
pledged

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BRINGING
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Nesta...



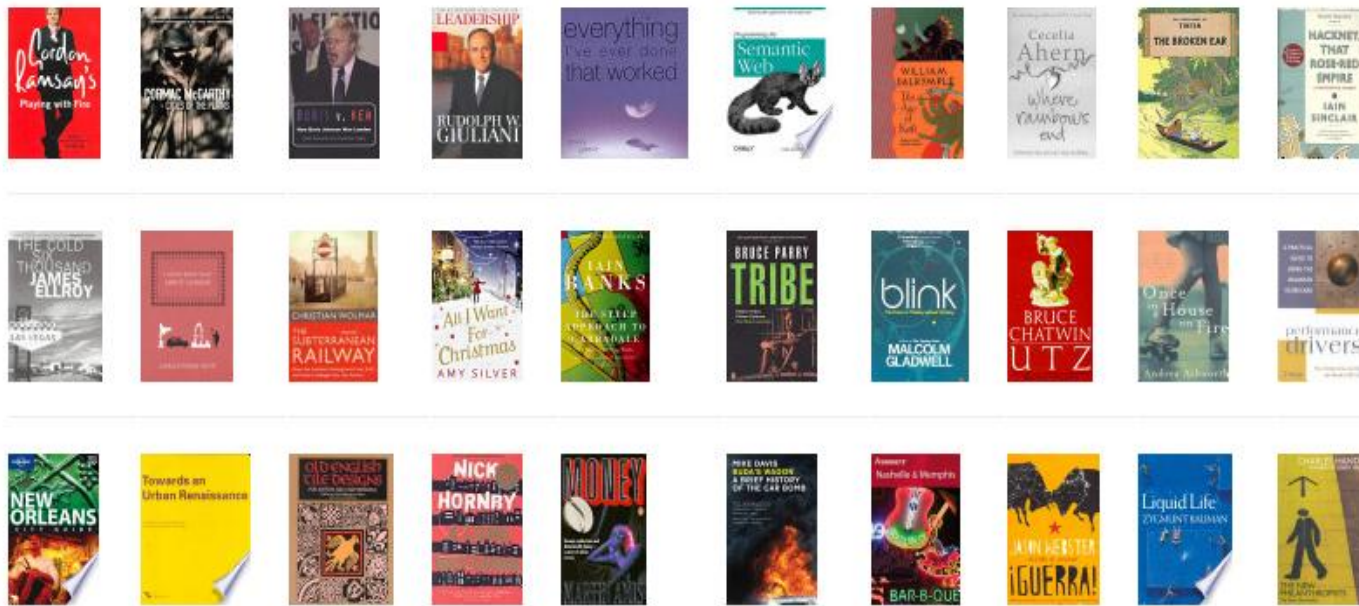
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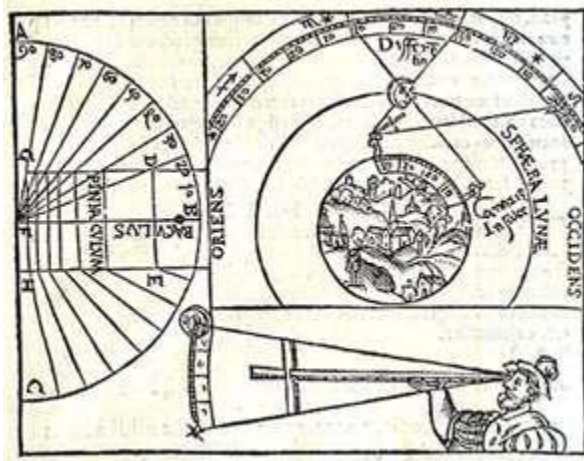
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Nesta...

Prizes and incentives: eg community support for elderly prizes in the UK

Centre for Challenge Prizes



NESTA Making Innovation Happen

A practical guide

Using social challenge prizes to support people-powered innovation

NHS Innovation **NHS** Challenge Prizes



omni
Compete

 **INNOCENTIVE®**

NEIGHBOURHOOD CHALLENGE

Next step:

- Large scale crowd-funding of a social investment asset class, eg efforts for a homelessness bond in London

5. THE RISE OF NEW KINDS OF EXCHANGE

Innovation in Giving Fund



25 likes 6 comments View in Couch Mode



NESTA innovation in giving fund - Bring and Fix by Marcel Bird Wieteska



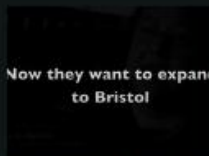
An introduction to Poir by Reason Digital



Solar Schools - NESTA by 10:10



Spots of Time pitch video by Spots of Time



Meanwhile Space Soc by Meanwhile Space



Pimp My Cause by Paul Skinner



myCharityPie.com NESTA by Brendan Quinn



Think Leicester by Go-mad



Innovation in Giving Fund

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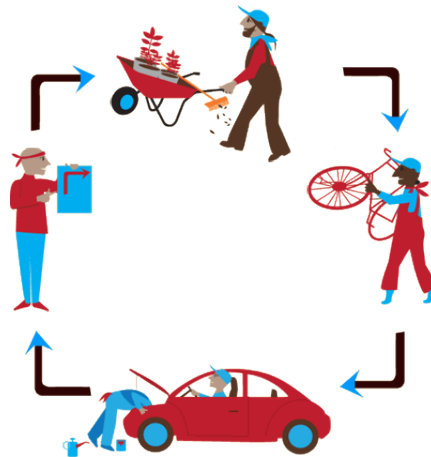


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Family Reciprocity Programmes



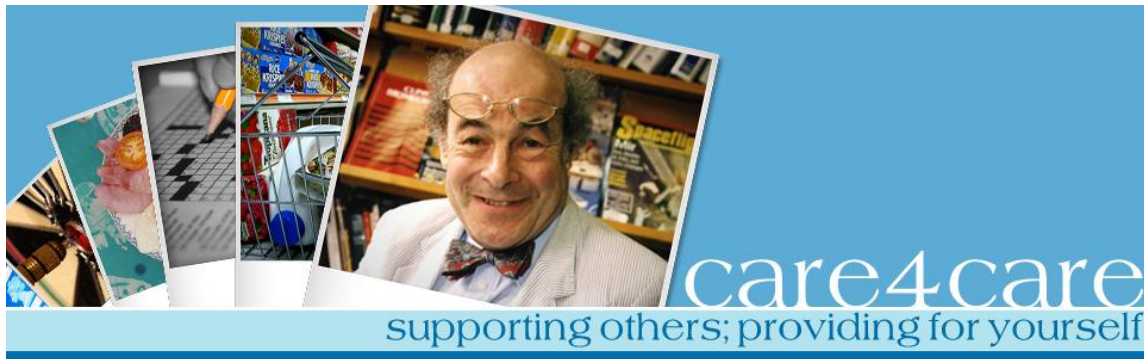
Skills Exchange



Time-banking



Nesta... Rewards & Incentives



**Encouraging older volunteers to provide care
and build up credits for their own old age**



Next step:

- Guaranteed parallel currencies at level of city or region – Nantes in France as one example .

The bigger prize:

- An economy that internalises externalities?
- Learns to do more with less?
- Uses social knowledge to reshape the economy and economic knowledge to reshape social solutions?
- Applies the best thinking from investment to big social challenges?

