

Social Investment: Can we go a step further?

12th January 2021



**PHILANTHROPY
IRELAND**



*Finance to Help Your
Community Grow*

Clann Credo - Community Loan Finance

Review of Clann Credo Experience with Social Impact Investing (2011-2015)

Jim Boyle

12 January 2021



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Social Impact Investing in Ireland

- **HEALTH WARNING TO
START**



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Background to Project

- Social Impact Investment and its potential included in The Programme for Government (2011 to 2016)
- Clann Credo along with the Atlantic Philanthropies and the Centre for Effective Services put together a Roundtable with Govt, Agencies & Funders (2011).
- Establishment of an Advisory Group (Clann Credo, ICTR, the Atlantic Philanthropies, the Centre for Effective Services, Social Finance UK and the Department of Public Expenditure & Reform).
- A public call for ideas that had SII potential. Over 60 ideas were put forward in areas such as education, justice, health, housing, children & families.



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BEST IDEAS CONSIDERED

- *Youth offenders.* Using SII to provide programmes such as Family Functional Therapy as alternatives to remand for young offenders.
- *Recidivism:* Interventions to reduce the rate of recidivism in offenders who receive short term sentences.
- *Young people.* various interventions could be applied to different cohorts of young people, e.g. those with hyper-kinetic (ADHD type) symptoms, those in foster care, those at risk of offending.
- *Homeless people:* Interventions to move people from Private Emergency Accommodation to appropriate long-term accommodation.
- *Older people:* Interventions to support people with conditions such as dementia to remain in the community for as long as possible.



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INITIAL PILOT PROJECT CHOSEN

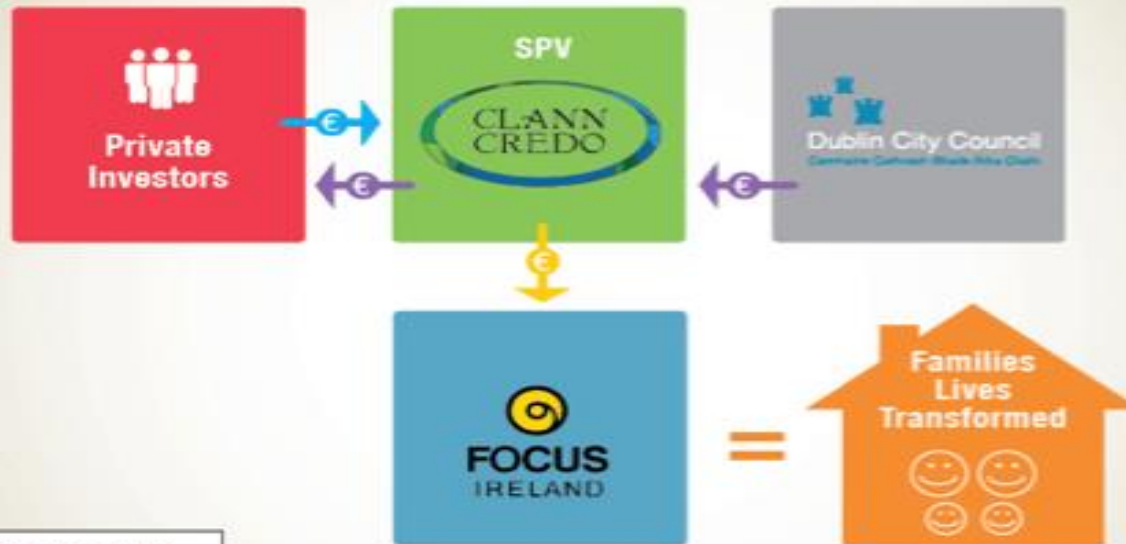
CONCEPT

- Dublin City Council (DCC) were leasing 16 properties housing 136 family households in private emergency accommodation ("PEA") at a cost considered to be TWICE the market rate than that for families in regular social housing provision / private rental market.
- A movement to market rate accommodation by the families would provide substantial savings for DCC.
- Focus Ireland was contracted to help source suitable accommodation / other supports to improve the likelihood that the move out of homelessness can occur and be sustained.
- Private finance raised to pay Focus Ireland to deliver the intervention. DCC would only pay to the finance providers should certain pre-agreed outcomes be achieved.



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The Structure was Familiar



- Private Loan Capital
- Working Capital
- Outcomes Payment dependent on improved social outcomes



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There were some new (?) features

- **Call for proposals was widely circulated / cross-departmental group put in place**
- **Instrument to be sold to investors was a non-recourse loan**
- **Investor group was drawn from a range of sources not just a single investor group.**
- **Payment from commissioning entity to service provider commenced prior to launch**
- **Original legal/contractual design was simple – but became complex over time**



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What happened?

- **Service Provider had commenced its work from the outset and before any of the detail of the SII had been finalised.**
- **This was largely driven by the social needs of the target group and the pressure on DCC.**
- **Focus Ireland were very successful in transitioning families to permanent accommodation.**
- **As a result there would have been no risk associated with the SII as targets were almost reached when SII was ready to draw down funds from investors.**
- **Monies was not invested and the SII did not proceed.**



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Lessons Learned

- 1) Raising Money was not considered an issue!**
- 2) Deal Size meant that the transactions costs associated with the investment were very high.**
- 3) Much enthusiasm in the early stages and really felt like very innovative and exciting project to be involved with.**
- 4) Real collaborate approach between agencies, government and funders particularly in initial stages.**
- 5) Some of the enthusiasm dissipated with the detail and moving from Dept to local authority**



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Lessons Learned

6) Outcomes measurement must be agreed up front. Months of meetings and discussions on what to measure and where to get the data – lingering issues with data protection and interpretation.

7) Legal and contractual arrangements still evolving. There was no LLP structure in Ireland (that had been used in UK) and government procurement requirements were extensive; structure for investment instrument evolving.

8) The project got overtaken by circumstances with the rapidly changing context in availability of rental accommodation / social housing in Dublin.



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Thank you

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BUILDING BACK BETTER : SYMPOSIUM 2020 FOLLOW UP

CONNECTING SOCIAL INVESTMENT TOOLS TO PHILANTHROPY

What next ?

**PHILANTHROPY
IRELAND**

evpa
INVESTING FOR IMPACT

Symposium 2020:

1. One tool in a wider toolbox
2. A more mature tool
3. Flexible tools built on partnership



Anthony Harte
SVP, Head of
Philanthropy,
EMEA Bank of America



Louisa Mitchell
CEO
West London Zone



Ian Marr
CEO, The Growth
Partnership, Scotland



Lucia Santirso Richards
Investment Manager
Bridges Fund
Management



Eugenio Saba
Financial instruments
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Astrid Kaag
Senior Policy Advisor
Province of Noord-Brabant,
Netherlands



Deirdre Mortell
CEO, Rethnk Ireland



Vincent Wall
Broadcaster

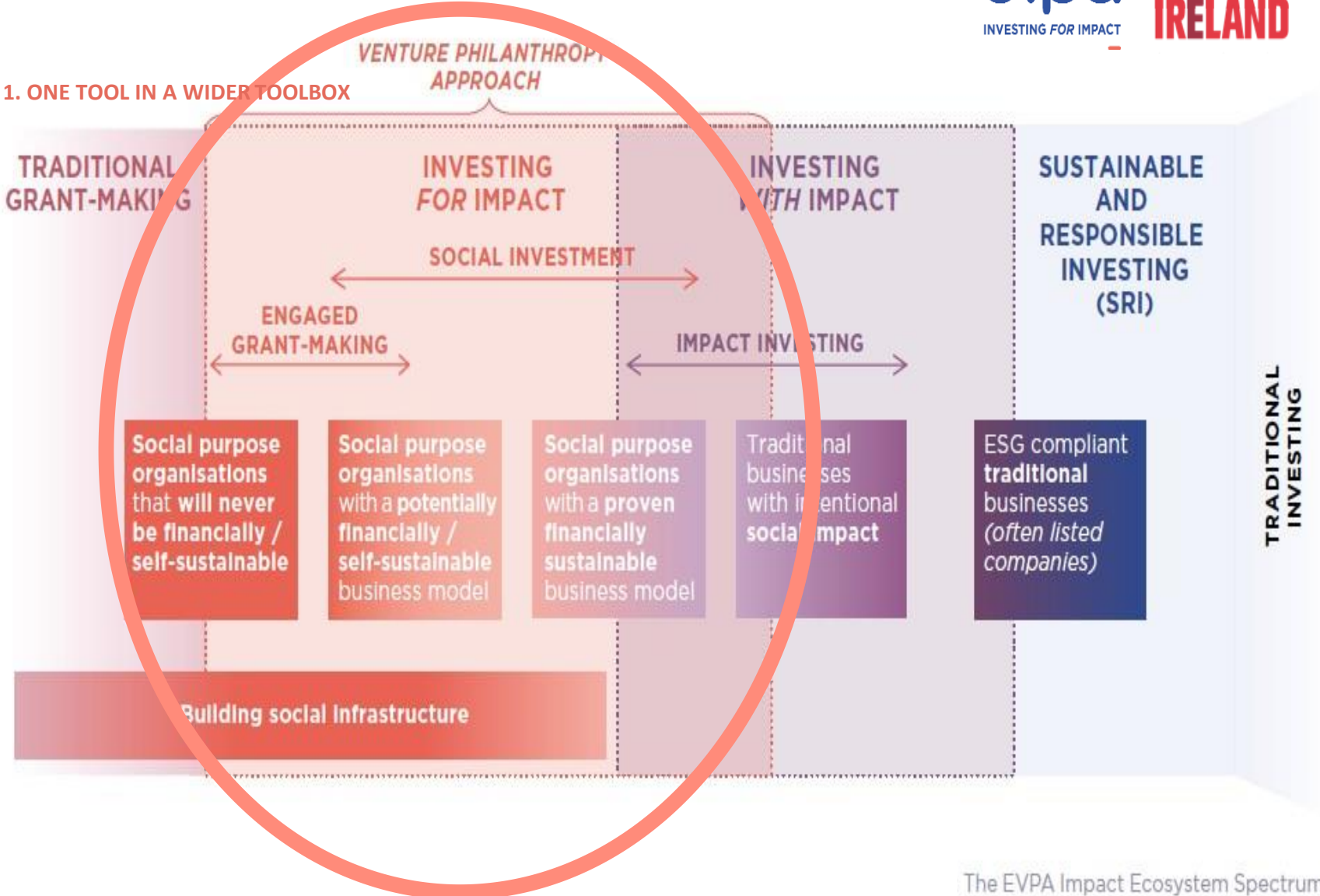
EVPA - What do we do?

Enabling investors *for* impact to maximise social impact through increased resources, collaboration and expertise

- Network of over 300 members in Europe
- Part of international network with sisters in Africa and Asia and Latam
- Created in 2004



1. ONE TOOL IN A WIDER TOOLBOX



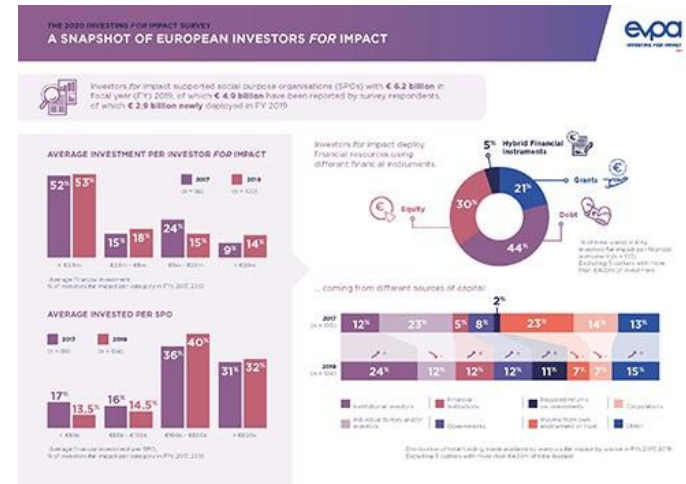
The EVPA Impact Ecosystem Spectrum

2. A MORE MATURE TOOL

What our research is telling us

Investing for Impact industry survey 2020

- 7th edition
- 112 Investors for Impact
- Reporting on €4.9bn of support for Social purpose organisations in FY 2019



Find further information, infographics and more at:
<https://evpa.eu.com/knowledge-centre/publications/the-2020-investing-for-impact-survey>

2. A MORE MATURE TOOL

Hybrid finance is a growingly used tool



Investors *for* impact work to **foster the mobilisation of resources** in the social impact ecosystem:

More than a third (36%) engaged in **at least one hybrid financial mechanism**, such Social Impact Bonds (SIBs) or Development Impact Bonds (DIBs).



% of investors *for* impact, multiple choice (n = 41)

NB: Users ranged from 16 countries from Finland to France, Russia to Spain.

2. A MORE MATURE TOOL

HYBRID FINANCE

Allocation of financial resources to impact-oriented investments combining different types of **financial instruments** and different types of **risk/return/impact profiles of capital providers**

HYBRID FINANCING VEHICLES

→ *at fund level*

Funds developed to provide finance to SPOs in a more efficient way, while satisfying different risk/return/impact profiles of investors

HYBRID FINANCING MECHANISMS

→ *deal-by-deal*

Financing schemes developed to increase the resources brought to impact-oriented investments by de-risking traditional capital (i.e. retail, commercial or public)

1. Outcome-based mechanisms

2. Guarantee schemes

Social Impact Bonds

Development Impact Bonds

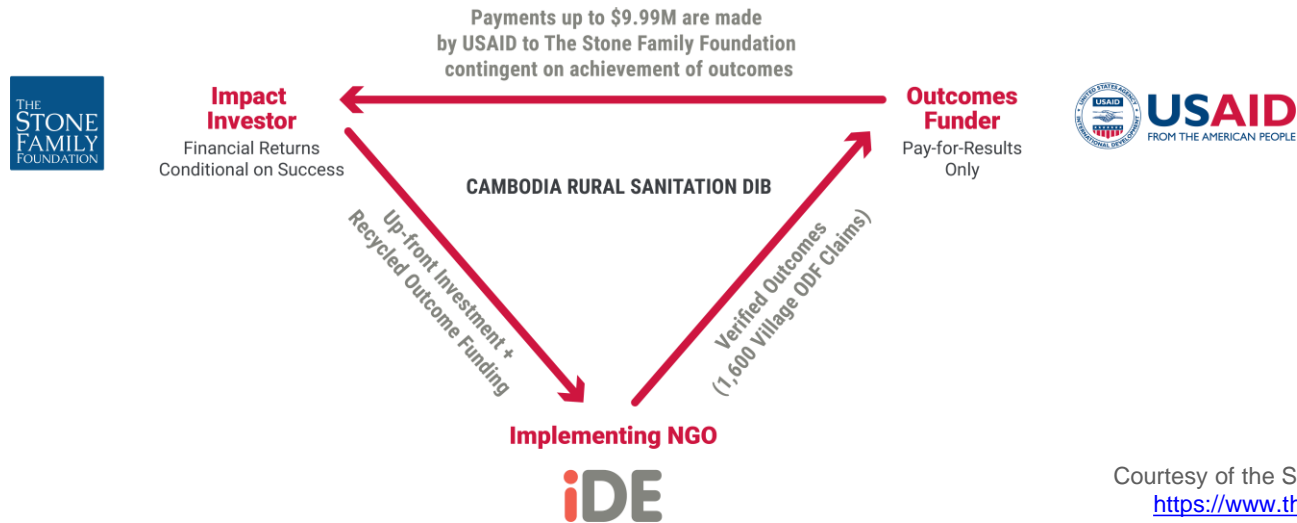
Social Success Notes

3. FLEXIBLE TOOLS BUILT ON PARTNERSHIP

From sanitation in rural Cambodia

Cambodia Rural Sanitation Development Impact Bond - Stone Family Foundation (SFF)

- SFF have previously granted to delivery partner (iDE) twice.
- This time they use an impact bond approach marking first move from purely grant maker to impact investor. Providing upfront capital to iDE to work in six provinces to combat open defecation. A Cambodian government priority.
- SFF takes 100% of risk, if targets not achieved.
- If targets are achieved, USAID has committed to paying up to \$10m to SFF for the outcomes.
- Enabling funds to be returned into the SFF portfolio for further interventions elsewhere.



Courtesy of the Stone Family Foundation:
<https://www.thesff.com/water-and-sanitation/rural-sanitation-in-cambodia/dib/>

3. FLEXIBLE TOOLS BUILT ON PARTNERSHIP

To new tools for public services in Scotland

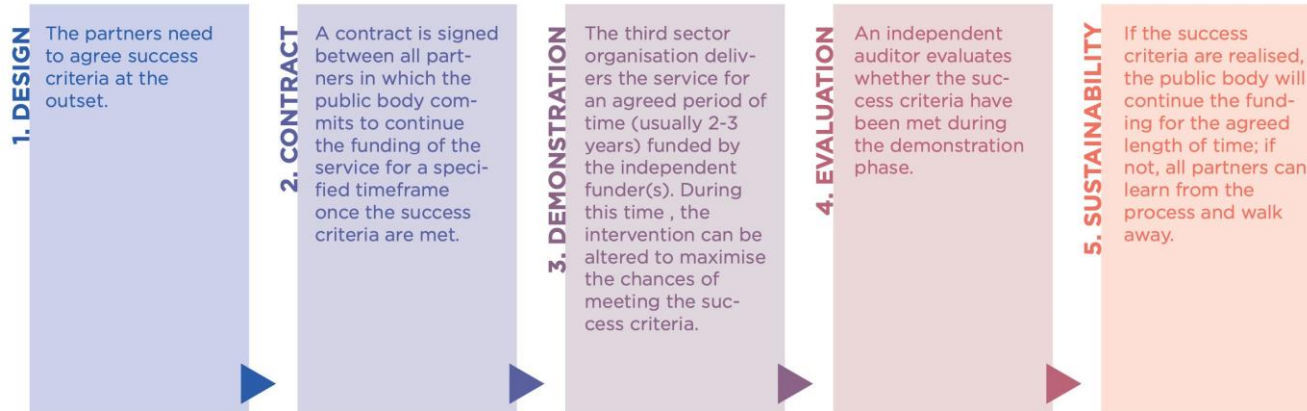
Social Bridging Finance - Robertson Trust (RT)

- Here the philanthropist (RT) funds the initial work with grants.
- If the projects are successful to pre-agreed levels, then the public sector partner is committed to continue the service into the future.
- No recycling of funds but guarantee of ongoing successful interventions and scale.

More information and further case studies available via EVPA website at: <https://evpa.eu.com/policy/nexus-2020>



THE FIVE STAGES OF THE SBF



3. FLEXIBLE TOOLS BUILT ON PARTNERSHIP

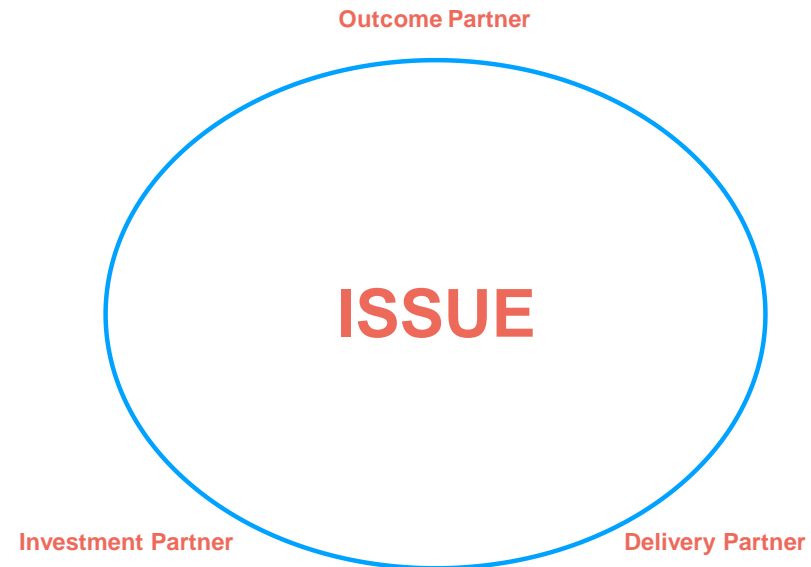
What works well?

Understanding of the need and problem

Transparency

Local leadership

True balanced partnership. Everyone needs everyone - Power balance.



THANK YOU

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Thank you

We would like to acknowledge the support of our partners

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