

Good practice of the co-operation of private and public sectors

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A gift to Finland

The Finnish Parliament established Sitra as a gift to celebrate the 50th anniversary of Finland's independence.

The public future-oriented organisation was tasked with developing the successful Finland of tomorrow.

The year was 1967.

SITRA

Five important things

1. A gift from Parliament to the 50-year-old Finland. Still under the direct control of the Finnish Parliament.
2. An independent future house: a futurologist, visionary, developer, experimentalist, financier, partner, trainer, and networker.
3. The aim is the successful Finland of tomorrow, the vision is the next era of well-being – a fair and sustainable future.
4. Funded by returns on endowment capital and capital investments.
5. The vision is implemented by three themes and hundreds of projects.

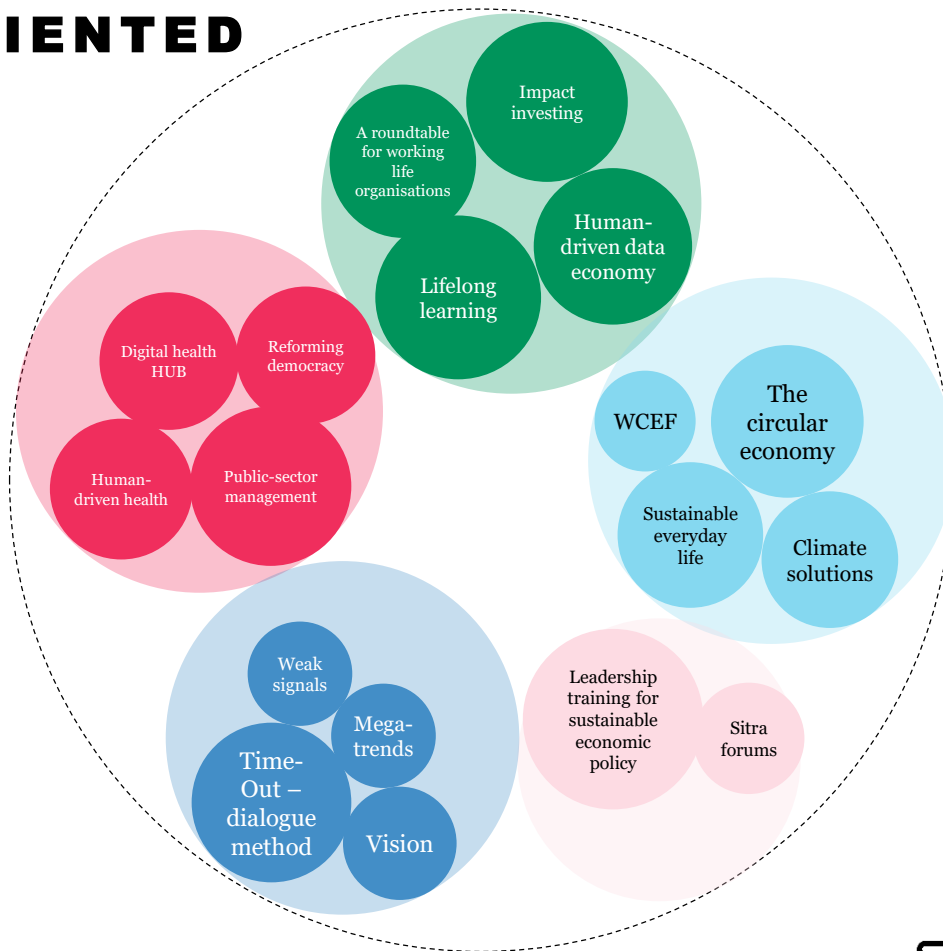
+ the most important of all

Building our future *together*.



SITRA'S FUTURE-ORIENTED WORK IN 2018

-  **FORESIGHT**
-  **SOCIETAL TRAINING**
-  **A CARBON-NEUTRAL
CIRCULAR ECONOMY**
-  **CAPACITY FOR
RENEWAL**
-  **NEW WORKING LIFE
AND A SUSTAINABLE
ECONOMY**



Sitra by the figures

Investments

by the Finnish State

1967: 16.8 M€

1972: 16.8 M€

1981: 16.8 M€

1992: 16.8 M€

84.1 M€

Annual budget

30-40

million euros

159

employees

in 31 Dec. 2017

Market value

of endowment capital

840

million euros

in 31 Dec. 2017

Average return

in 2017

7.7%

66 % women

34 % men

89 % higher education

11 % other education

Founded

in **1967**

Working for
the future

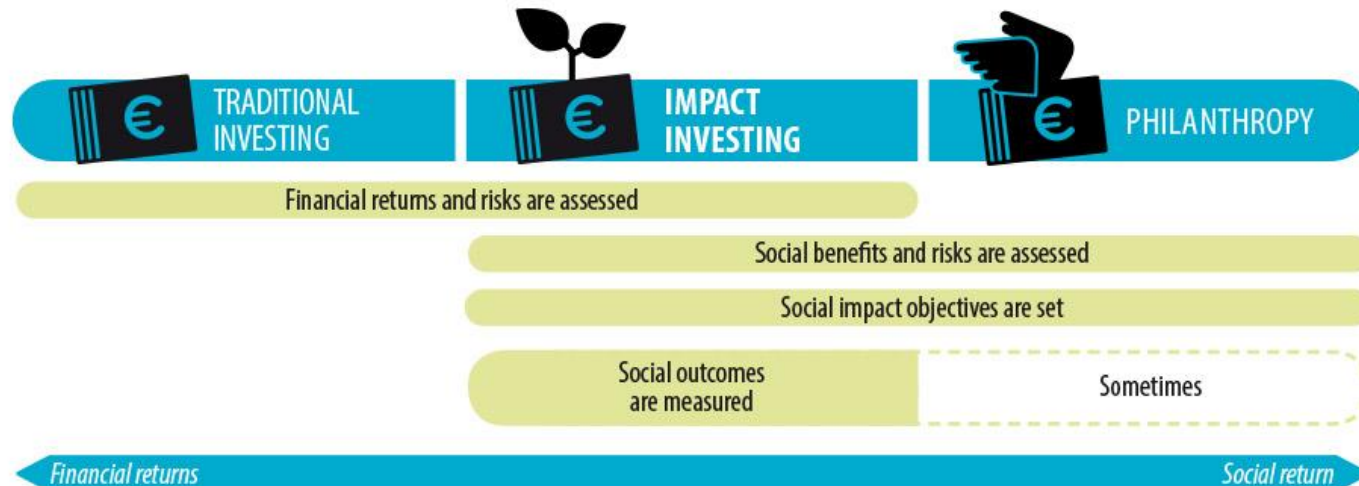
over
years **50**

What is impact investing?

Impact investing aims to create a positive social impact beyond financial return. For investors, it is an opportunity to expand their traditional risk-return thinking to seeking measurable social benefits. The concept covers various debt-based and equity-based financial instruments.

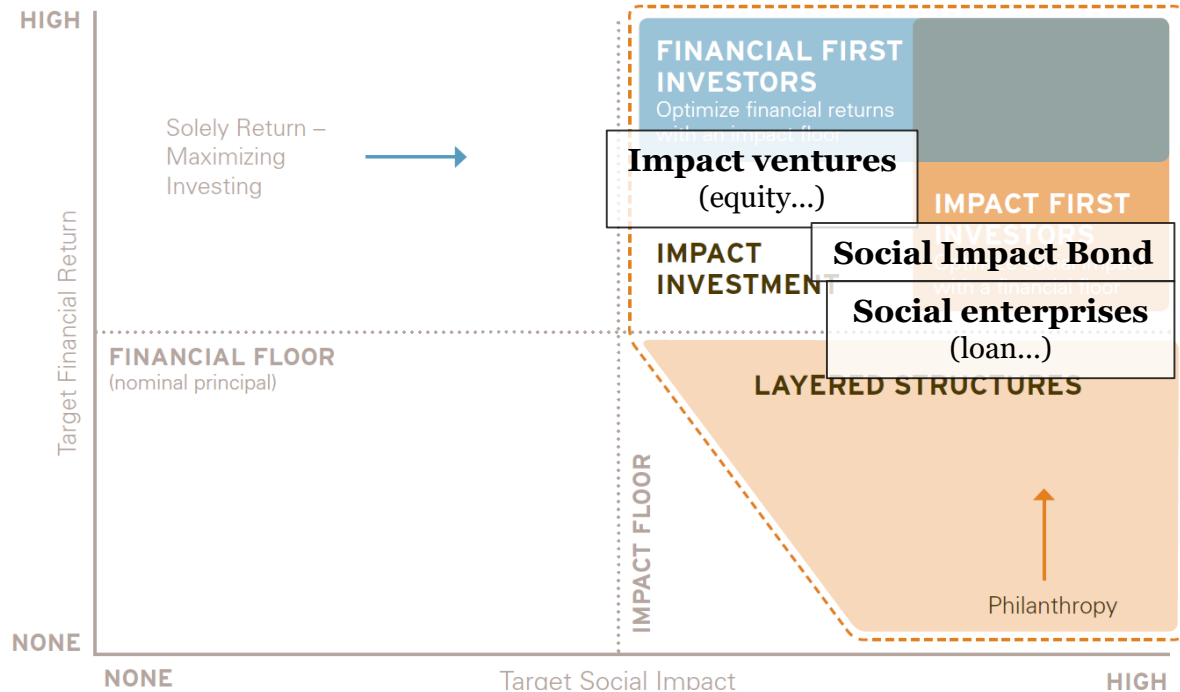
Key aspects of impact investing

- 1 investing in activities aimed at benefiting society as a whole
- 2 setting specific social impact goals, measuring their performance, and setting target levels to financial returns



Impact investing means all kind of allocation

SEGMENTS OF IMPACT INVESTORS



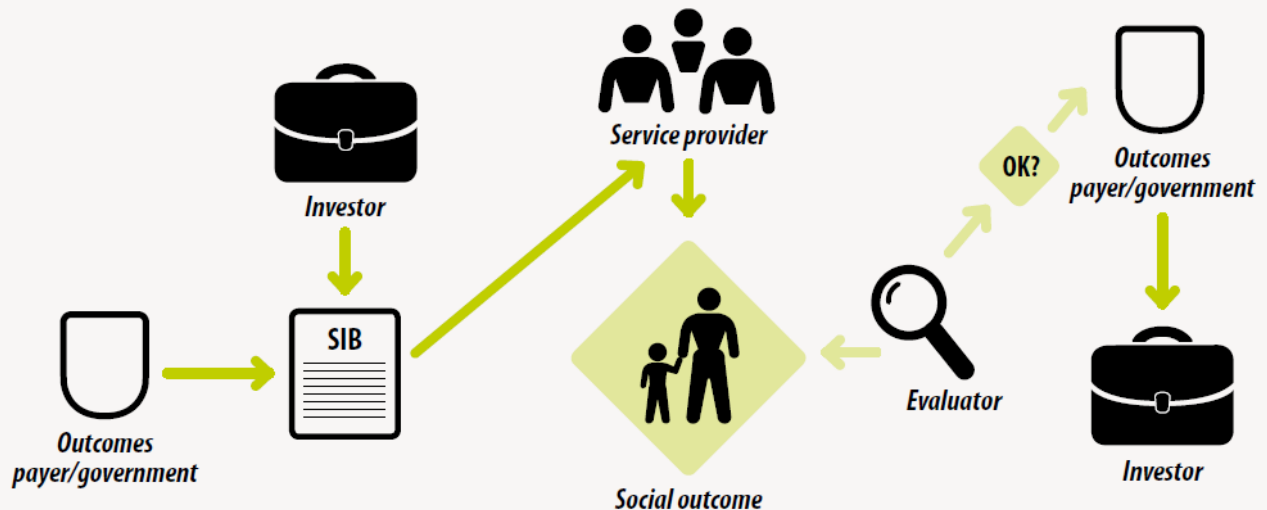
Picture from: Investing for Impact: Case Studies across Asset Classes (2010) Bridges Ventures and the Parthenon Group

Starting points in Finland - need for change

- Age ratio
- Increased costs of social and health care sector
- Sustainable gap in the Government's budget
- Financial problems at the local level

Impact investing: SIB model

One of the impact investing instruments is the *Social Impact Bond (SIB)*. In SIB, the investor bears all the financial risks and the public sector pays only for the proven outcomes. The investment capital raised is used to promote the achievement of specific outcomes.



1 A community faces a challenge and government makes it a priority.

2 The investors raise the necessary capital.

3 Capital is used for the practical implementation of services.

4 An independent body determines how effective the program has been.

5 If the goal is achieved, local government returns the investment capital to the investors and pays an agreed interest. If the goal is not achieved, local government pays nothing.

Why Social Impact Bond (SIB) – social outcomes contracting (SOC)?

- **Payment by outcomes** = tax payors money in successful use by support of private capital
- **Upfront investments to well-being and health** = promotion and prevention
- Foresight = sustainable well-being
- Data driven management = facts, not personal (political) opinion and/or hype
- Person/ population group in focus = segmentation, structures and processes for outcome/impact
- Service design = co-operation/coalitions

Costs which can be prevented – examples from Finland

Cost	EUR per year
Child in custody care	130 000 / person / municipality
Social marginalized youth	20 000
Elderly in 24/7 care	40 000
Alcohol abuse	1 billion / society
Physical inactivity	1 - 2 billion
Sick leaves	3 - 4 billion
Smoking	1,5 billion
Diabetes (inc. <i>Type 2 diabetes</i>)	1 - 2 billion
Loneliness etc.	...

Contracting social impact - who and what is needed

- Commissioner
- Service provider(s)
- Investor(s?)

- Common language
- Joint understanding about the phenomenon/demand
- Courage to challenge myself and others
- Ability to forget traditional silos
- Appetite to develop and pilot, to take controlled risks
- Leadership/coordination

- Trust among and between different actors

SOC - way of acting between public sector and service delivers has to be changed

Change from procurement of activities to procurement of outcomes means two radical changes:

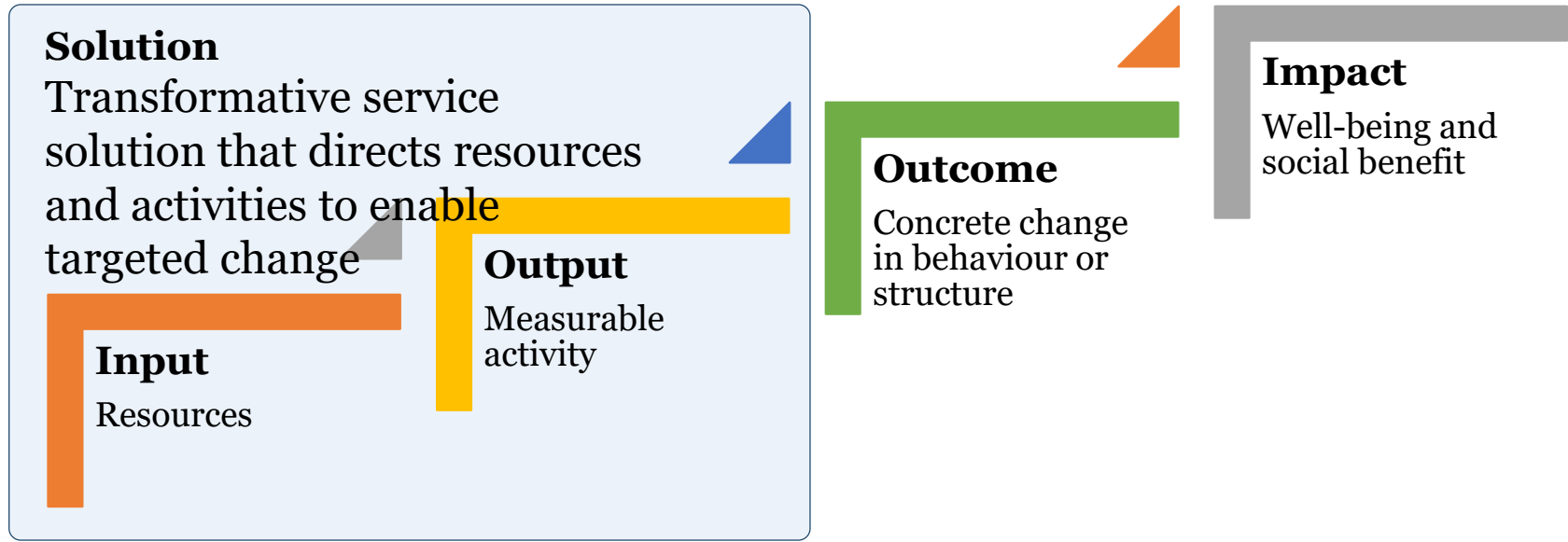
1. Commissioner is an owner instead of determinant
2. Service deliver is an innovative impact actor instead of mechanical operator

Real collaboration between different actors/stakeholders is crucial.

Public sector as a platform.

Impact chain *(Applied The iooi method by Bertelsmann Stiftung)* and impact modeling

Impact as a starting point for modeling



Modeling as a tool for impact management and outcomes measurement

Modeling creates solid basis for SIB operations

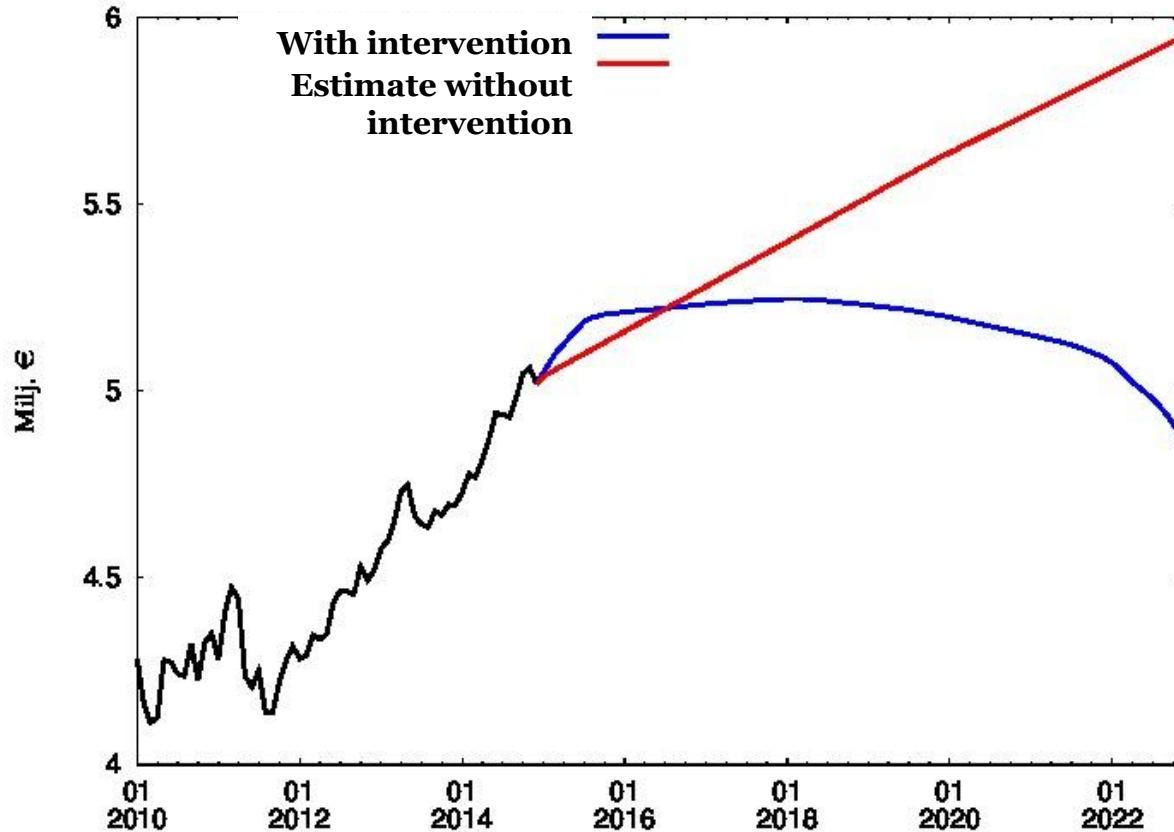
Three joint layers

- Societal benefits (potential)
 - Phenomenon and root causes
 - Economical value of benefits
- Outcomes making
 - Wanted positive changes
- Interventions
 - Economical
 - Operational

Modeling creates solid basis for SIB operations

1. Determine phenomenon/demand and define target group (preliminary) = **segmentation**
2. Verify the development inside the phenomenon, costs thereof during the past 2-5 years and obvious future trends; compare changes in well-being of target group to the demand
3. Verify causes for cost development
4. Define root causes for development and opportunities to influence to those = **customer orientation**, insight
5. Define the target results (positive changes; social, structural and economic) = **clear goals**
6. Define the activities necessary to affect to root causes (service/operational package) = **theory, methods mix**
7. Select organizations/create coalition to implement service/operations package
8. Calculate the net execution costs for the service package
9. Conduct a cost-benefit analysis: achievable benefits vs. required investment
10. Final decision on establishing SIB program planning etc.

Intervention modeling – economic perspective



Measurement of SIB project – based on modeling

- Indicators
 - Outcomes (impact) metrics for agreement (when money moves)
 - Metrics to lead practical activities (optimising the use of resources)
 - Process metrics (quality of outputs and process)
 - Other metrics (based on interest of public sector as a bonus payer, investors and/or some other stake holders)

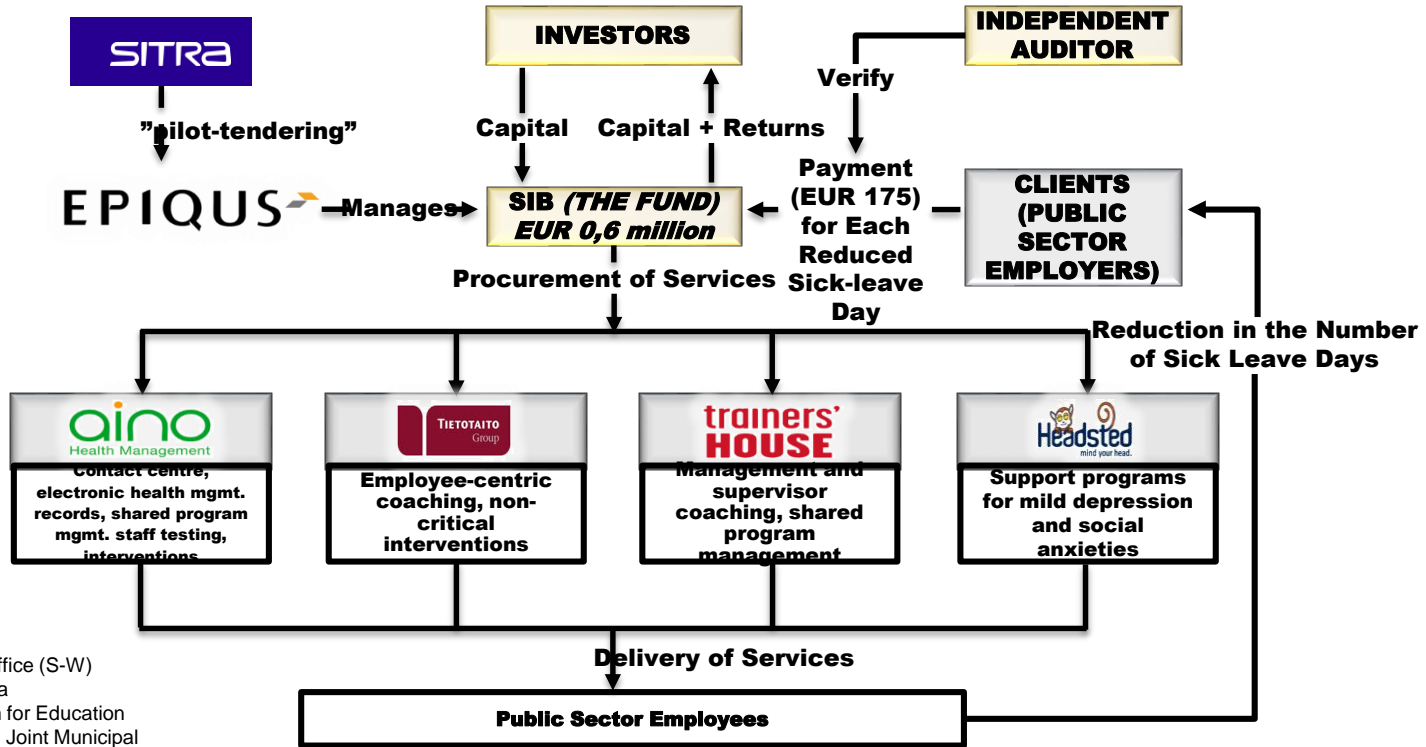
Starting points of occupational well-being project: survey and its' recommendations

- Sick leave costs in public sector EUR 3 -4 billion /year
- Employers investments to occupational well-being about EUR 2 billion /year
- Lot of service delivers, but very few with track record
- Occupational health services = cure despite of the spirit of Occupational Health Care Act
- Support for development of holistic occupational well-being service approach
 - Baseline survey
 - Plan for enhancing occupational well-being
 - Health management system
 - Services for hole organization and individuals, for example
 - Development of leadership (including an idea of early support)
 - Way of life interventions
 - Support for scoping at work (recovering etc)
 - Occupational (ill) health services
 - Evaluation

First SIB in Nordic Countries: Occupational Well-Being

Objective	<ul style="list-style-type: none">• Provide municipal/state employers with a service package that enables them to promote occupational wellbeing and thereby e.g. reduce sick leaves in their own organisations• Envisaged duration of contract per organisation 3 years
Parties to the Agreement	<ul style="list-style-type: none">• Municipal/state employer• Epikus Occupational Well-Being I Fund (Epikus, social enterprise managing the fund/project)
Service funding and pricing	<ul style="list-style-type: none">• Service will be produced on the basis of the Epikus Fund• The customer organisation will be automatically liable only for its own participation fee (EUR 15/person)• As the actual outcome-based service payment, the customer organisation will pay a separately agreed proportion of the cost-savings generated by the reduction in sick leaves
Service providers	<ul style="list-style-type: none">• The subcontractors of The Fund (Epikus): Aino Health Management Oy, Headsted Oy and Tietotaito Group Oy

Epique Occupational Well-Being I



- Local Register Office (S-W)
- Nurmijärvi Aleksia
- Savo Consortium for Education
- Ylä-Savon SOTE Joint Municipal Authority

SIB II: Fast employment and integration of immigrants (Koto-SIB)

Objective

- Speed up employment of immigrants, pilot new models of education and employment and combine education and work in a flexible way

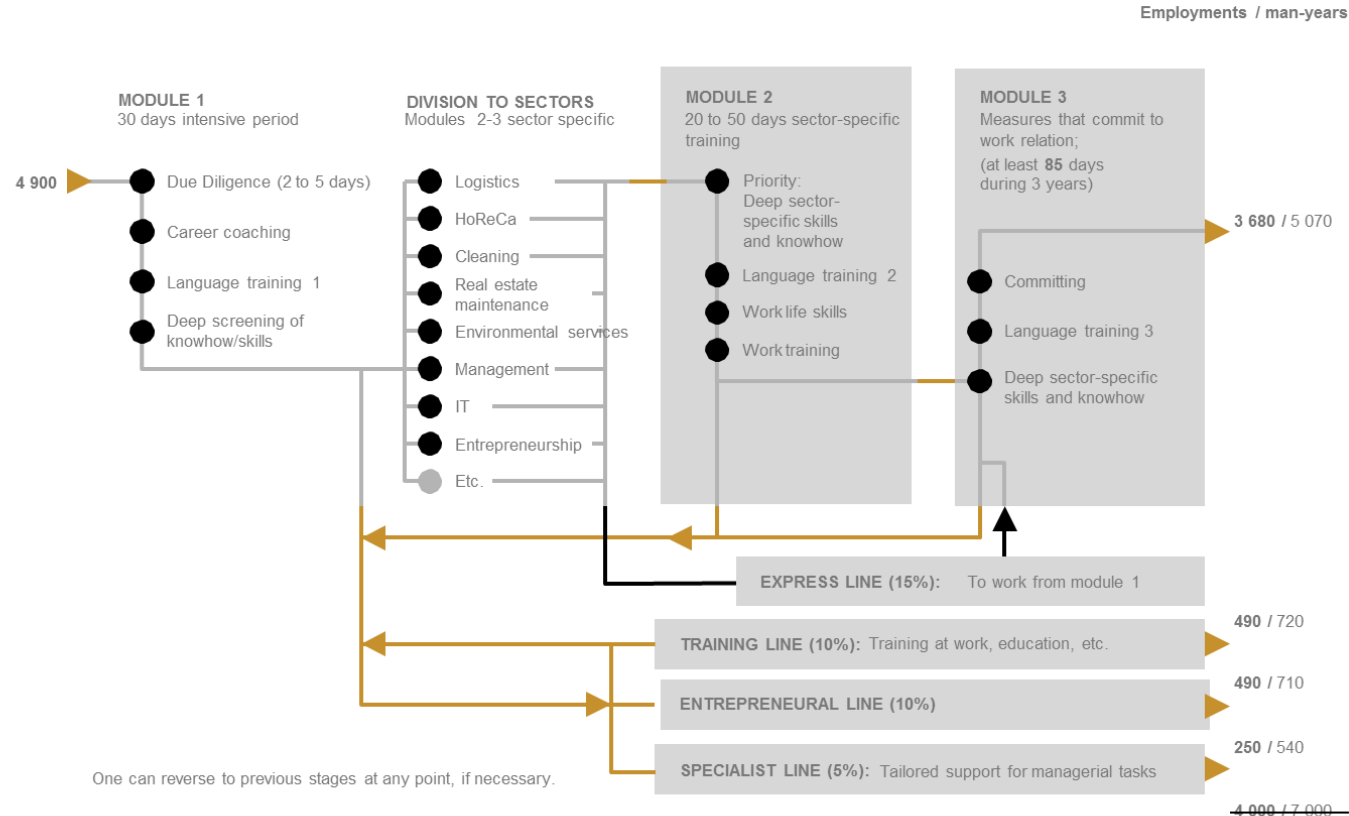
Purchaser

- The Ministry of Economic Affairs and Employment

Status; has started officially in the beginning of 2017

- Epique as a Fund/Project Manager is especially in charge of
 - Planning and managing the project
 - Building up the financial instrument = fund (limited partnership)
 - Fund raising and managing the fund
 - Organizing according to the impact goals of the project education and employment activities of immigrants in co-operation with different service providers
 - Follow up, interim reporting and the final reporting

Koto-SIB intervention process



Epiqus/Koto-SIB ecosystem

Personnel service providers

Educational service
providers

Employers



Koto-SIB impact indicators

- Labour market benefit
- Income tax

-> starting point expectation: labour market benefits are paid less to immigrants involved to Koto-SIB and they pay more taxes than immigrants not involved to Koto-SIB

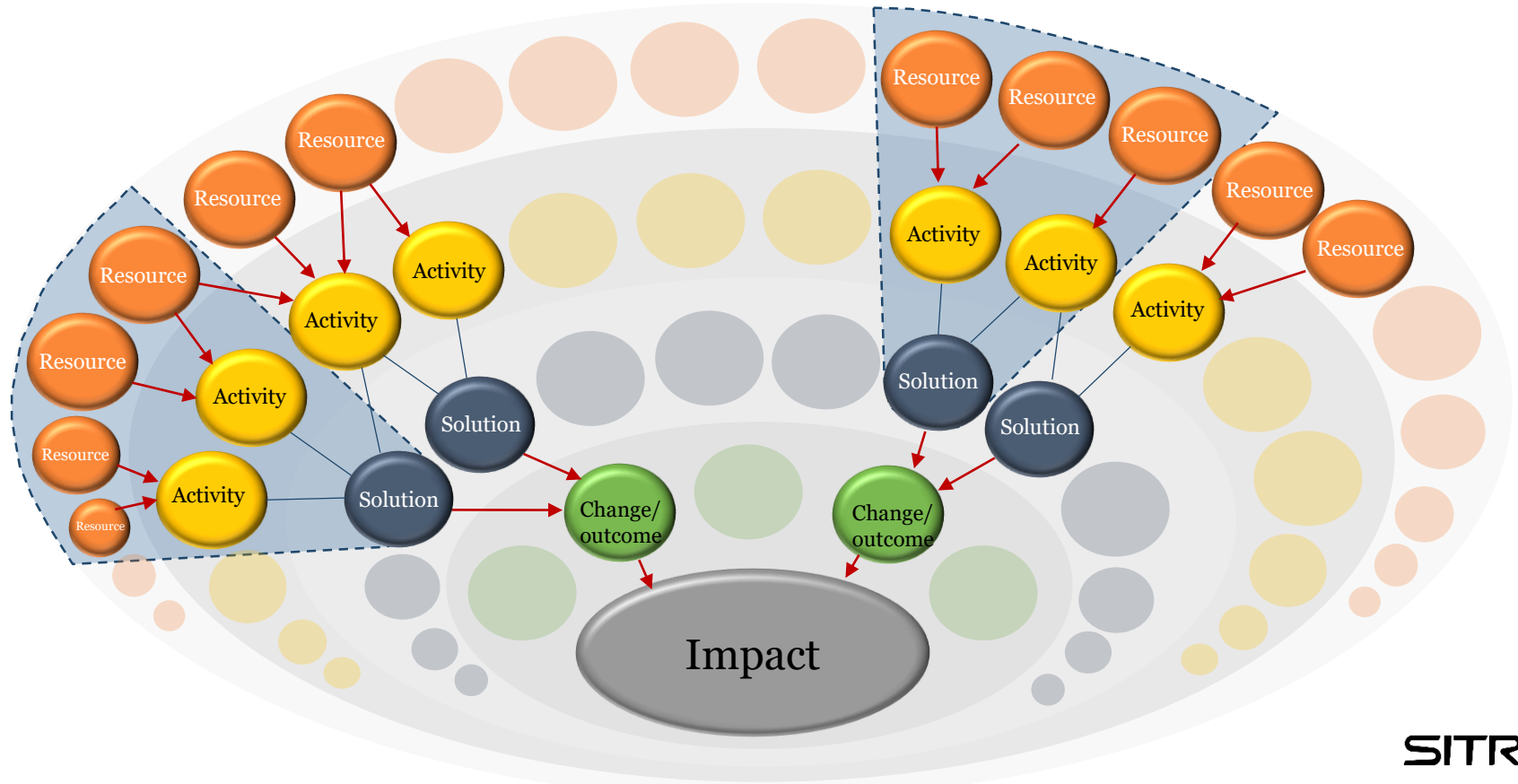
- > government pays as a bonus to the fund 50%
- of saved labour market benefits
 - of added tax income

-> best possible scenario based on modelling: government can save EUR 70 million during 3 + 3 years period; reality about EUR 35-40 million

SIB portfolio in 2018 – altogether 6 (+ 1) different fund process in Finland

SIB	Status
Occupational Well-Being project (public sector organizations as an employer)	Up and running since 2015 (Epique as a Fund / Program Manager); the fund about EUR 0,6 million
Fast employment and integration of immigrants project (The Ministry of Economic Affairs and Employment)	Has started officially in January 2017 (Epique); the fund EUR 14,2 million (The biggest in Europe.)
Promotion of Children's, families' and youth's well-being (6 municipalities)	To start (FIM in co-operation with Central Union for Child Welfare and Epique)
Advancing employment (The Ministry of Economic Affairs and Employment)	Procurement process for choosing the Fund / Program Manager almost ready
Support of the elderly's independence (counties?)	Modeling is going to start in the beginning of 2019
Type 2 diabetes prevention (The Ministry of Social Affairs and Health?)	Modeling has started

Impact is created by systemic approach



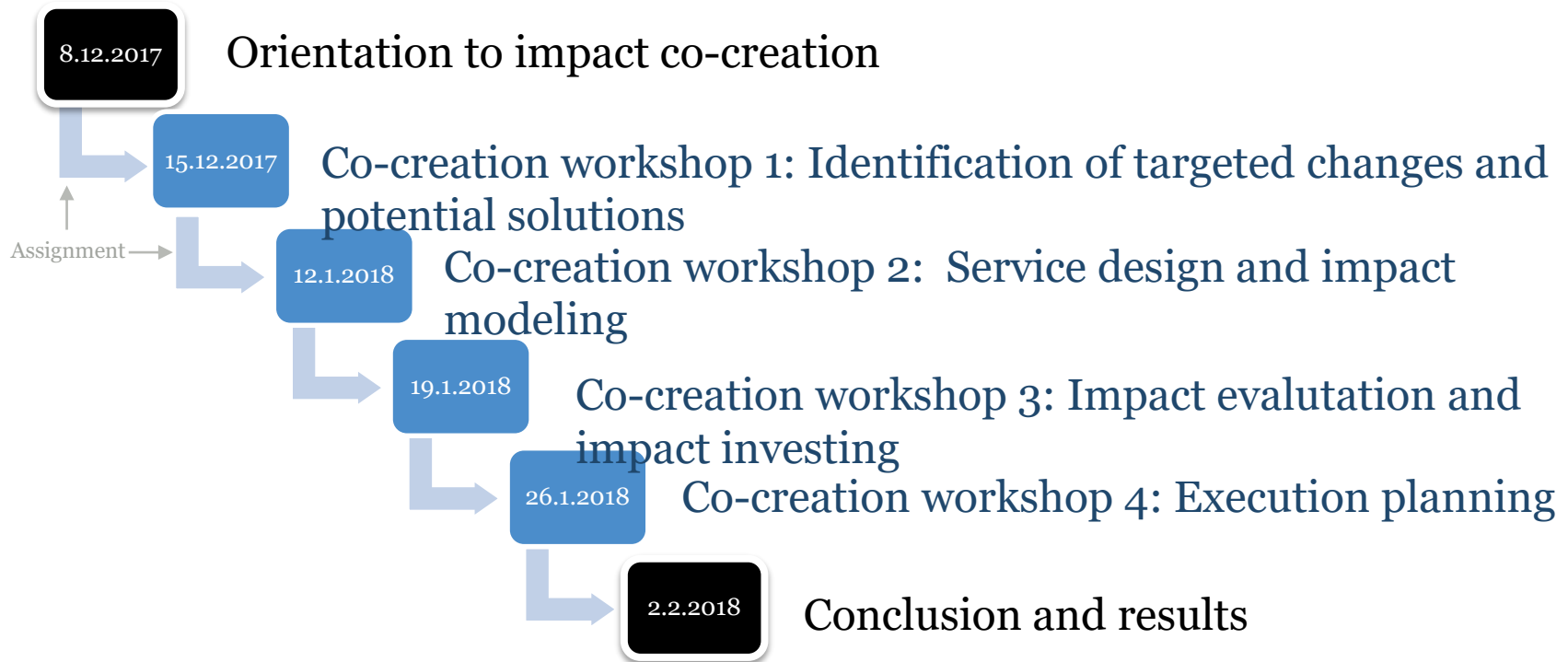
Co-creation - a practical example – Oulu Region

- *Impact co-creation.* Joint development work between public sector and different kind of service delivers and even possible investors; identified specific challenge as a starting point for co-operation
- Challenge: unemployment and due to that different kind of social and health problems among young adults under 34 years

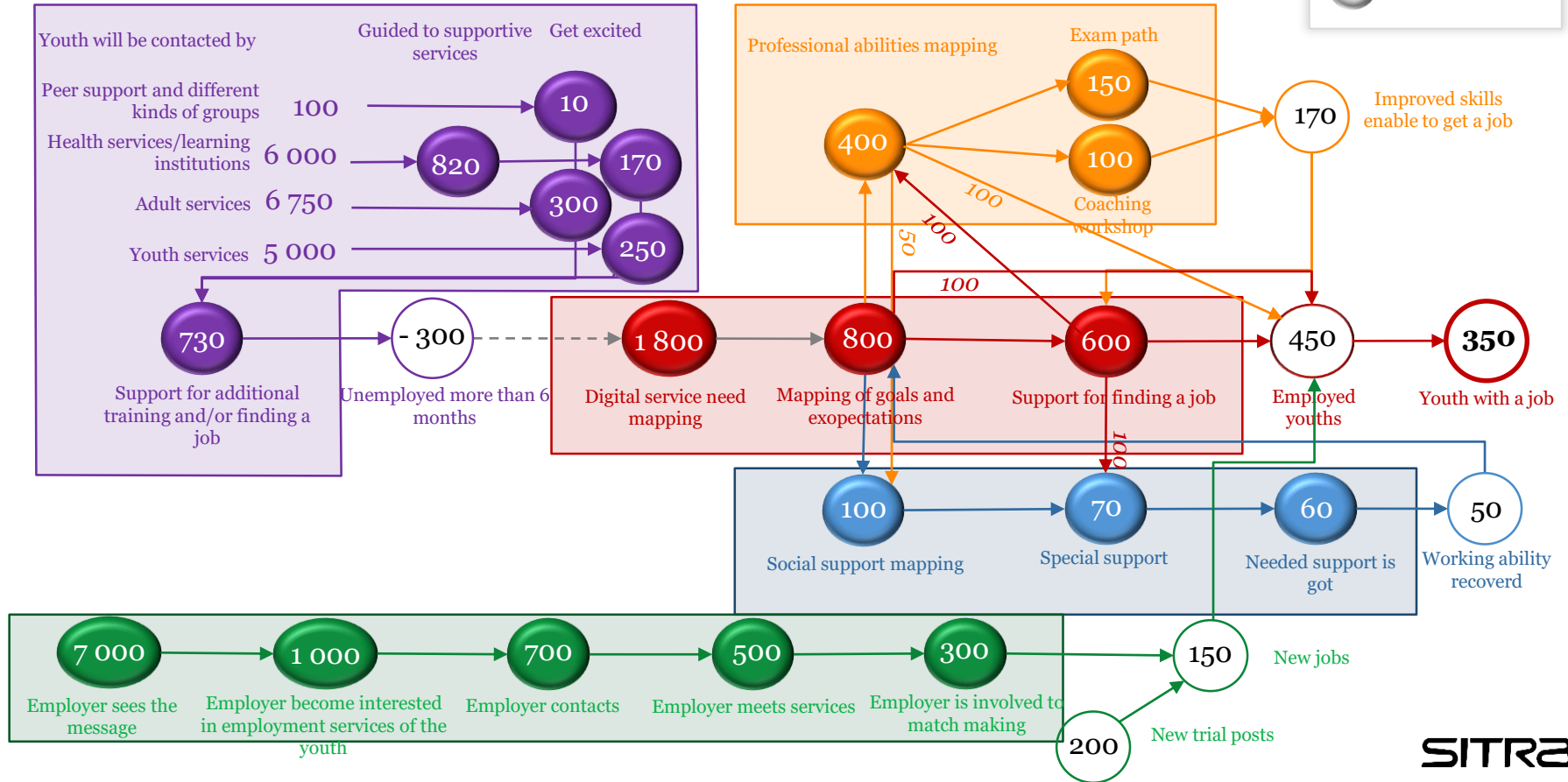
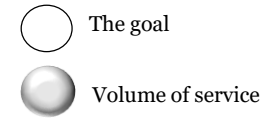
-> **The goal until 2022**

- 50% increase of number of young adults, who has been more that 6 mouths unemployed, in labour market
- 40% decrease of costs based on unemployment and increase experienced well-being

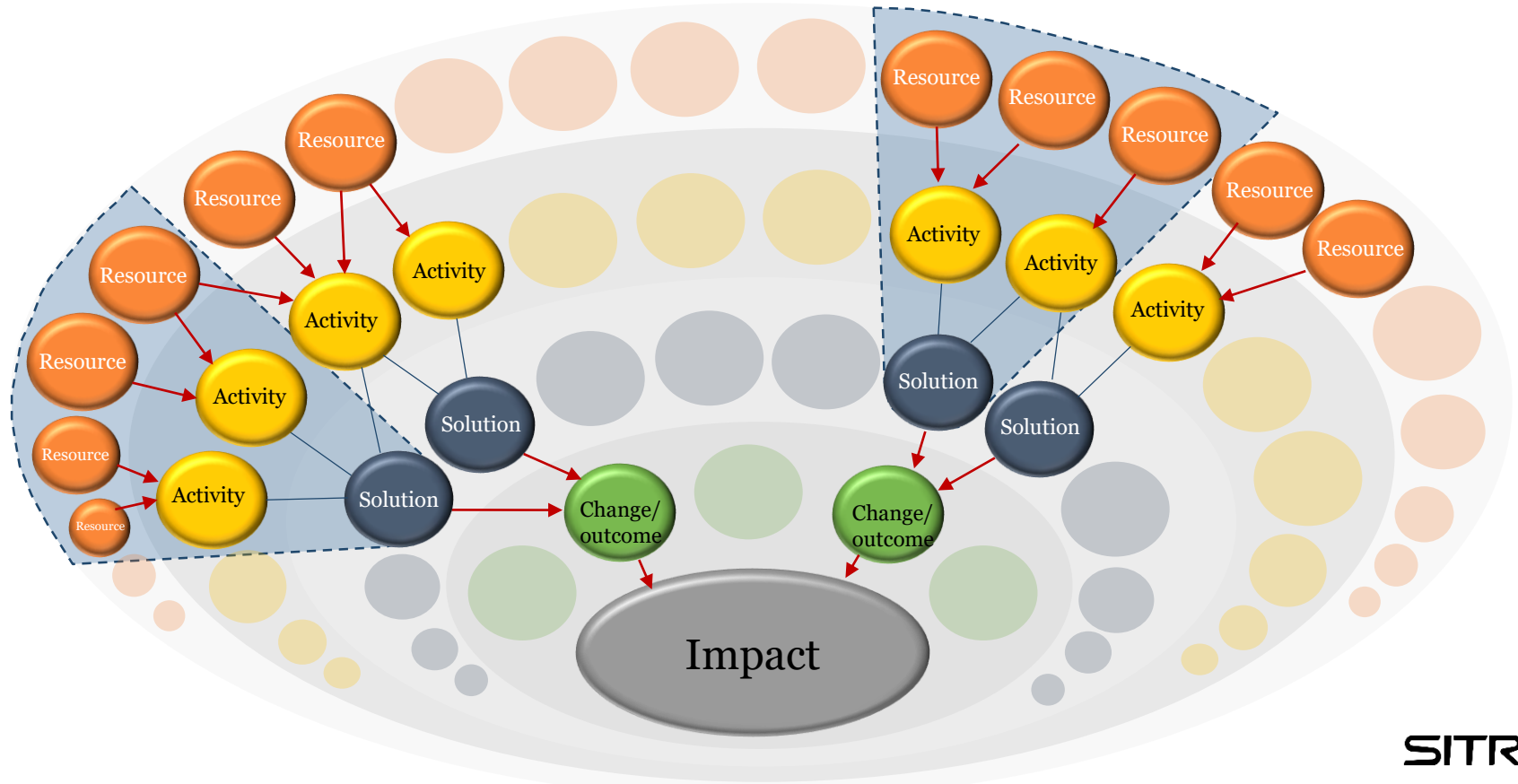
Execution of the impact co-creation initiative



How outcomes goals can be achieved - solutions









Impact is created by systemic approach



**REAL IMPACT IS BASED ON CO-CREATION AND
COLLABORATION**

RISE TO SHINE!



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