What do we need to solve for to generate better impact?

Nov 2018
Current approaches are not generating the impact needed

1. We aren’t optimizing market mechanisms or new sources of capital

2. We don’t know what is working

3. We don’t have the right focus

4. We don’t organize ourselves to succeed
[Impact] Investing as a spectrum of approaches

Ideal for:
- Programs that are harder to monetize
- Testing new interventions
- Smaller capital requirements

Ideal for:
- Programs that are easier to monetize
- Scaled-up interventions
- Larger capital requirements

- Traditional grants
- Contingent grants
- Innovative approaches: Social Impact Bonds
- Public or private debt
- Public or private equity

[Impact] Investing as a spectrum of approaches
There is a large and growing pool of capital

- **$14.5 billion**
  - Total Canadian assets in 2015
  - 123% growth between 2013-2015 in Canada

- **$35 billion**
  - New capital globally in 2017
  - 200+ top investors have $200+ billion

- **$228 billion**
  - Total Global assets in 2017
  - 100% growth globally year-over-year

- **$307 billion**
  - Estimated global assets in 2020
  - Based on global growth projections
Impact investing is mainstream
Wealthy Canadians want impact in their portfolio

1. The vast majority of Canadian HNWIs are interested in impact investing
2. Many investors are active impact investors or would like to make impact investments in the next year
3. Canadian HNWIs want to invest with their existing bank or advisor
What works, what doesn’t?

“…less than $1 out of every $100 of government spending* is backed by even the most basic evidence that the money is being spent wisely”

* United States Federal Government

What works, what doesn’t?

Collecting and managing data with purpose will help to make better decisions
Are we focused on the right things?

Population health outcomes improve with an increase in social spending vs. health treatment spending

Effect on provincial spending on social services and health care on health outcomes in Canada: an observational longitudinal study. CMAJ, January 2018.
Are we focused on the right things?

Reorienting our system around outcomes and results requires a new social contract between those that deliver services and those that pay for them.
Contrasting paying for outcomes with current expenditure practices

<table>
<thead>
<tr>
<th></th>
<th>Activities-Based Gs&amp;Cs</th>
<th>Paying for Outcomes Gs&amp;Cs</th>
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<tr>
<td>Pay when...</td>
<td>Program needs capital</td>
<td>Program reports on outcomes</td>
</tr>
<tr>
<td>Payment contingent on...</td>
<td>Activities completed</td>
<td>Degree to which outcome targets met</td>
</tr>
<tr>
<td>Designed to...</td>
<td>Complete activities or meet output targets (e.g. number of people spoken to)</td>
<td>Meet outcome targets (e.g. average blood pressure change)</td>
</tr>
<tr>
<td>Payments set by...</td>
<td>Size of program budget</td>
<td>Social and economic value of outcome targets</td>
</tr>
<tr>
<td>Risk appropriation</td>
<td>Government assumes all implementation and outcome risk</td>
<td>Government shares/transfers implementation and outcome risk</td>
</tr>
</tbody>
</table>
Are we organized with a beneficiary in mind?

1. Incentive structure for cross-departmental collaboration.

2. Co-design and co-creation of new programs with experts from private and non-profit sector.

Current architectures and perceptions are holding results back
Concluding observations:
Paying for outcomes fits into three powerful movements

- Evidence-based philanthropy
  “What works”

- Impact Investing

- Government accountability
  “Deliverology”

Paying for Success
Concluding observations:

Re-orienting system around outcomes is more optimal for all stakeholders

<table>
<thead>
<tr>
<th>Service Providers</th>
<th>Shift to</th>
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<tbody>
<tr>
<td>beneficiaries</td>
<td>stick to plan</td>
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<td>investors</td>
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<td>government</td>
<td>command, control and compliance</td>
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Adapted from: “From Funding Activities to Investing in Results” Antony Bugg-Levine,
Investing in Results, Federal Reserve 2017