

Presentation to International  
Conference on Youth  
Employment and Social  
Entrepreneurship:  
New Ways Forward

5 November 2014

# Business support services and social incubators



# Today I want to share:

- How a venture philanthropy approach drives innovative partnerships between the private sector and civil society
- Our learning on what business support services social organisations really need to build their capacity
- An example of a programme addressing youth unemployment in London, backed by a social impact bond
- How the sectors can work together to make payment-by-results approaches successful

# Impetus-PEF uses a venture philanthropy approach to address youth unemployment

Impetus-PEF is committed to transforming the lives of 11-24 year olds from disadvantaged backgrounds by ensuring they get the support they need to succeed in education, find and keep jobs, and achieve their potential.

- We find the most promising charities and social enterprises that work with these young people
- We help them become highly effective organisations that transform lives
- Then we help them expand significantly so as to dramatically increase the number of young people they serve.



# We carefully select the most promising organisations

We are seeking to invest in charities which:

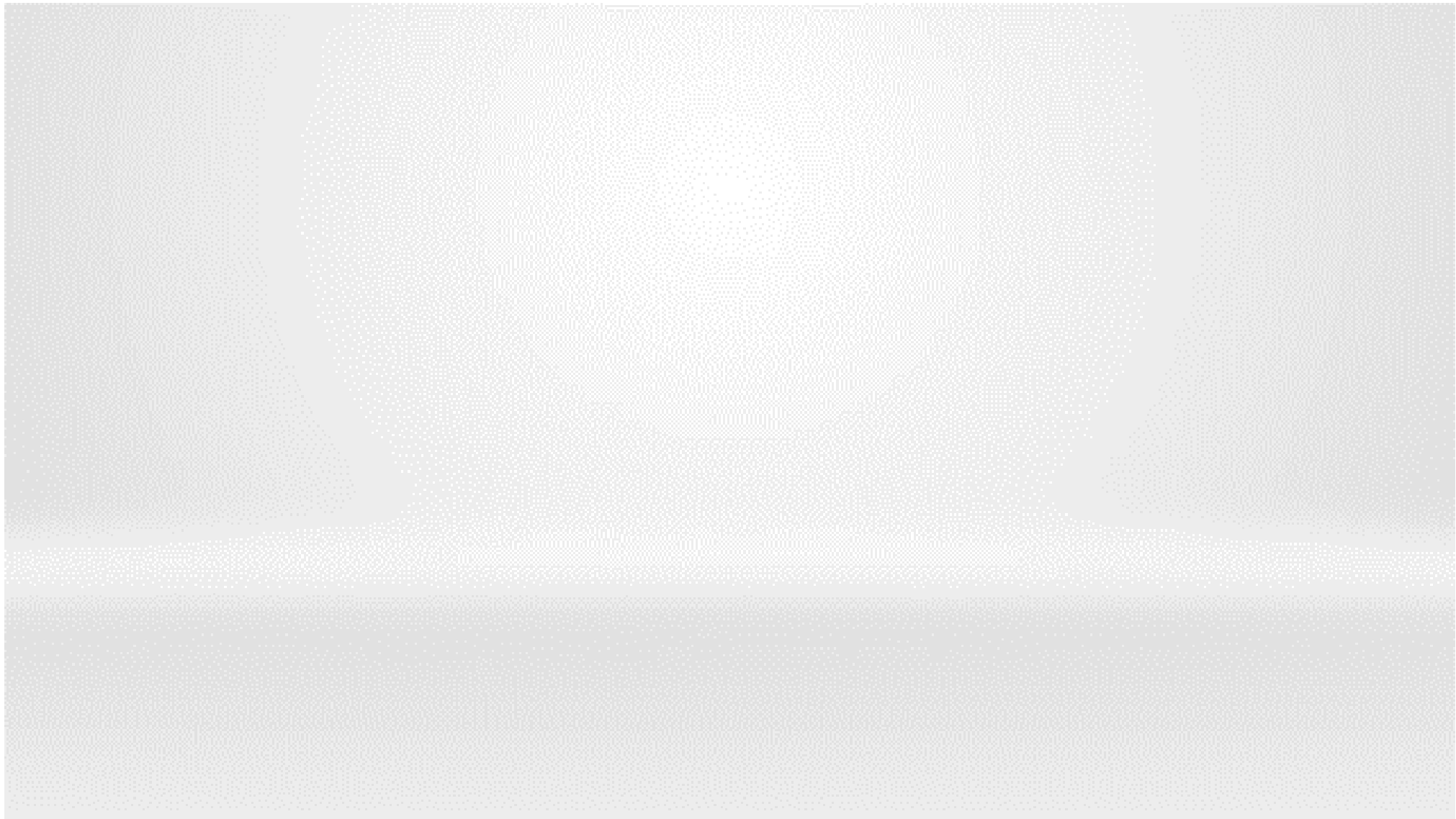
- Operate programmes which have face validity and some evidence of achieving outcomes
- Are financially stable in the short-term
- Have a CEO/leadership team who are actively concerned about whether they're having an impact, and are open to significant organisational challenge and change to achieve it

- Screening and due diligence is detailed, and takes several months
- We use our *17 criteria of highly-effective organisations* to evaluate an organisation

# We provide a phased process of support to help them increase their impact and then scale

- At the start of each phase, we agree a programme of work, duration, a financial commitment and a set of milestones with the charity
- At the end of each phase, we assess and agree with the charity whether it is ready and committed to progress to the next phase of investment
- Each phase leads to positive tangible results for the charity and increased impact for young people





# Our package combines management support, pro bono skills and funding

## Management support

- Highly experienced investment team, who support the organisation's leaders
- Help deliver an impact-led strategy and overcome the challenges of growth

## Pro bono skills

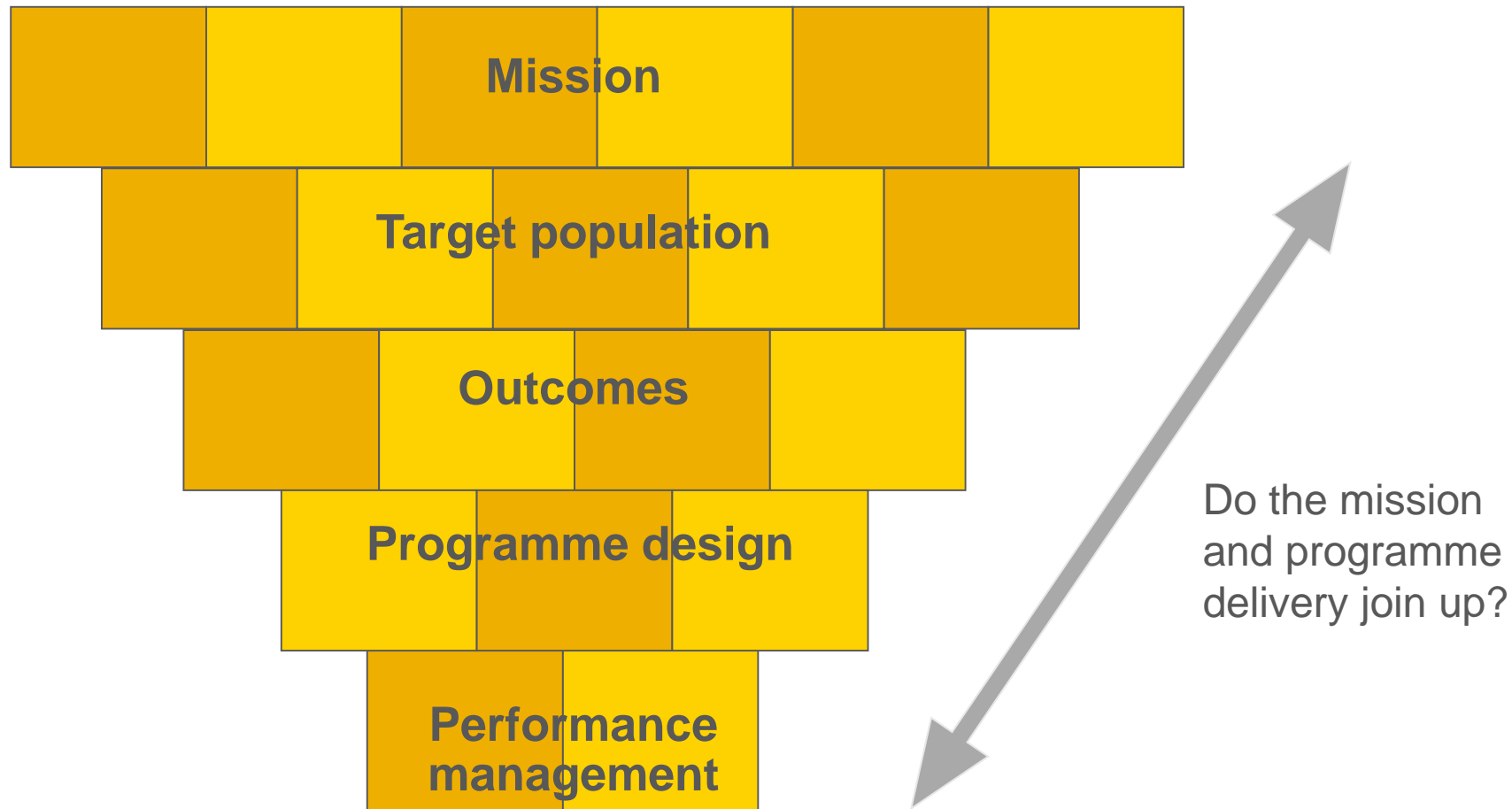
- High-calibre people who donate their time, from a network of 60 firms & 400 individuals
- Select and match the right expert to fit the organisation's needs

## Funding

- Long-term funding commitment, often in partnership with other funders
- Enables the organisation to build capacity



# Our starting point is to help organisations to review their theory of change and refine their programme



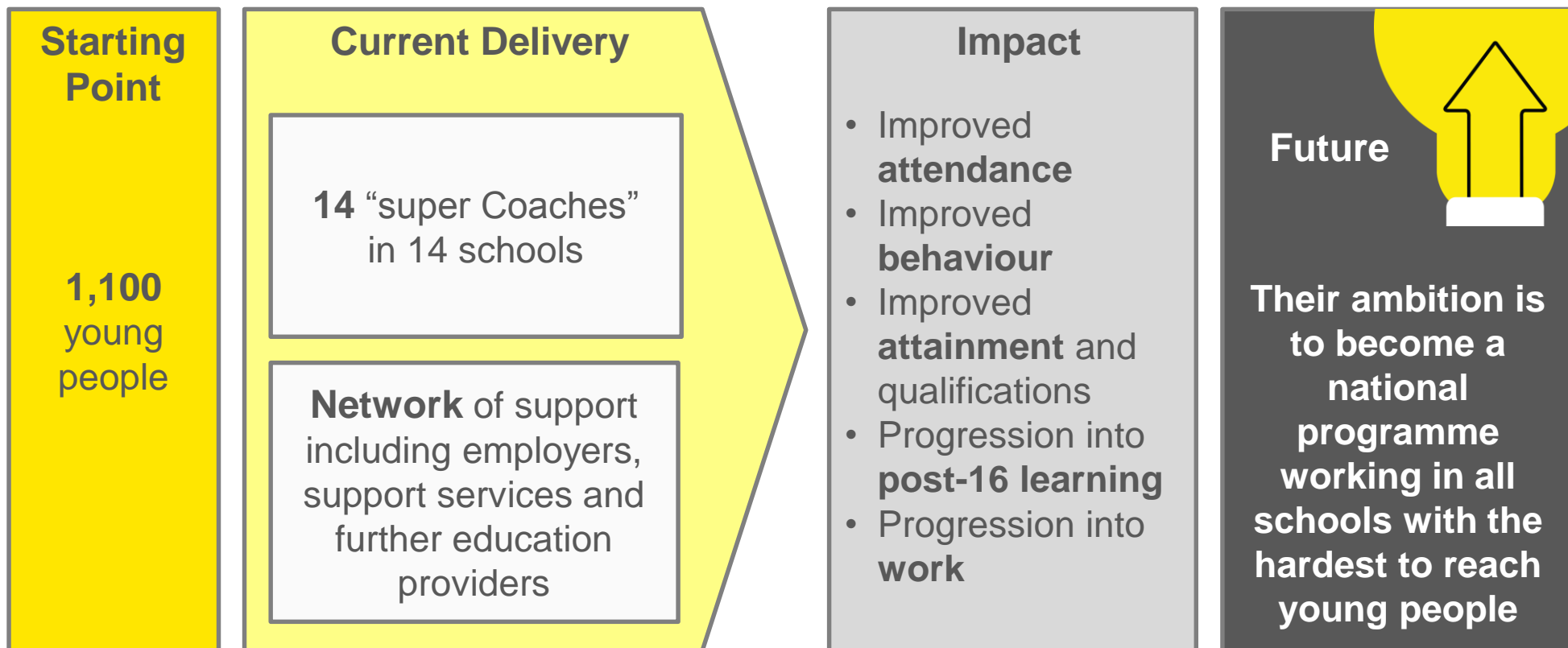


# We believe that prevention and earlier intervention is key to addressing youth unemployment

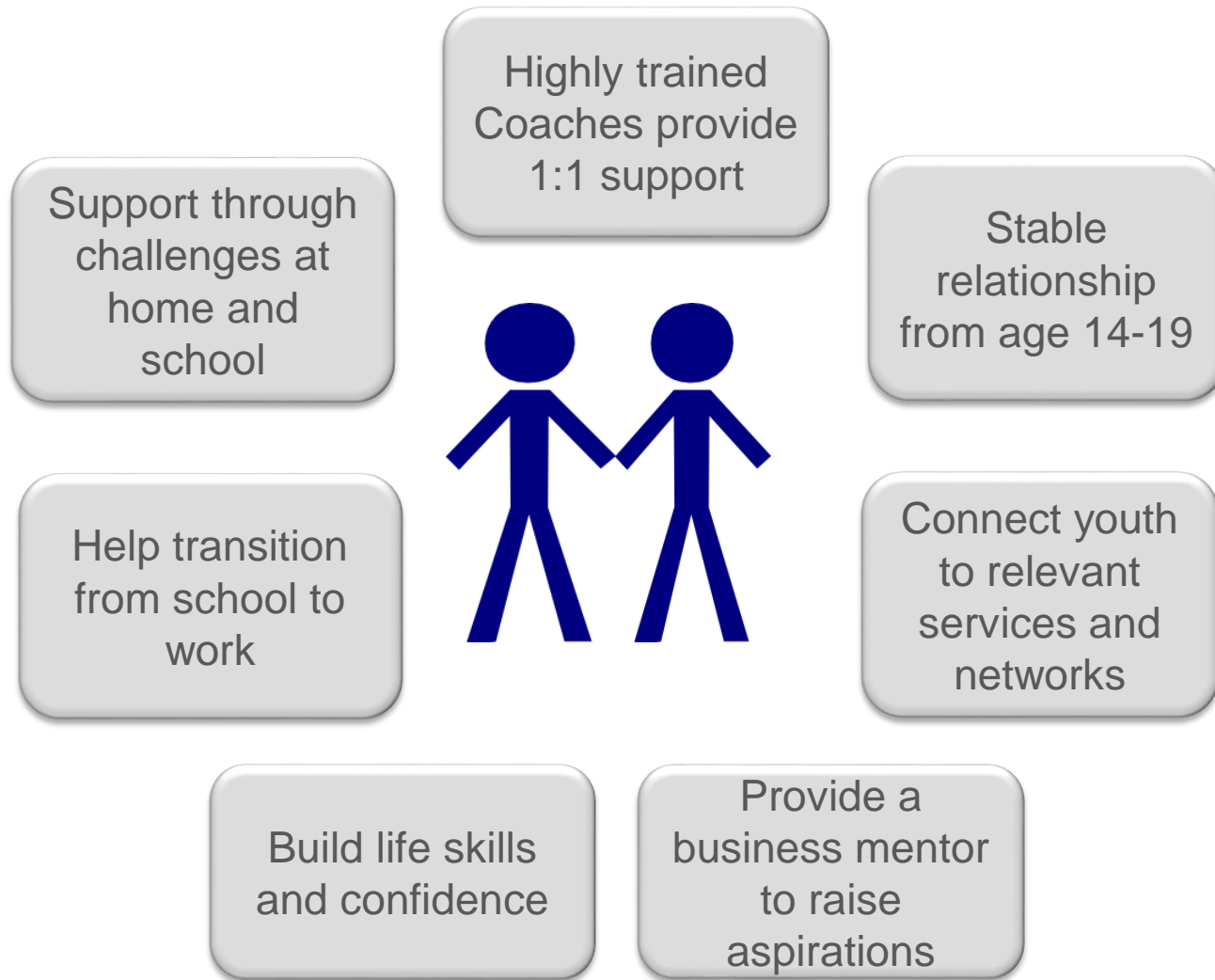
1. More young people are struggling to make the transition from education into work
2. Once young people walk out of the school gate, it's sometimes too late
3. Early employer engagement makes a difference
4. Skills needs have changed, making it harder for young people to access the labour market
5. There's a disconnect between demand and supply in the youth labour market



# The ThinkForward programme addresses youth unemployment in London



# The programme uses a coaching methodology to improve young people's work readiness





# The impact of the programme is consistently measured to ensure results

## Payable outcomes

No.	Outcome description
1	Improved behaviour at school
2	Improved attendance
3	Achievement of basic qualifications
4	Achievement of secondary qualifications (age 16)
5	Completion of further qualifications (age 18)
6	Entry into university
7	Entry into first employment
8	Entry into sustained employment

## Social and emotional capabilities

Mindset	<ul style="list-style-type: none"><li>• Self Belief</li><li>• Positive Thinking</li><li>• Aspiration</li><li>• Determination</li><li>• Flexibility</li><li>• Appetite for Learning</li><li>• Understanding Emotions</li><li>• Managing Emotions</li></ul>
Employment skills	<ul style="list-style-type: none"><li>• Finding Solution</li><li>• Teamwork</li><li>• People Skills</li><li>• Effective Communication</li><li>• Building a Positive Network</li><li>• Planning and Organising</li></ul>

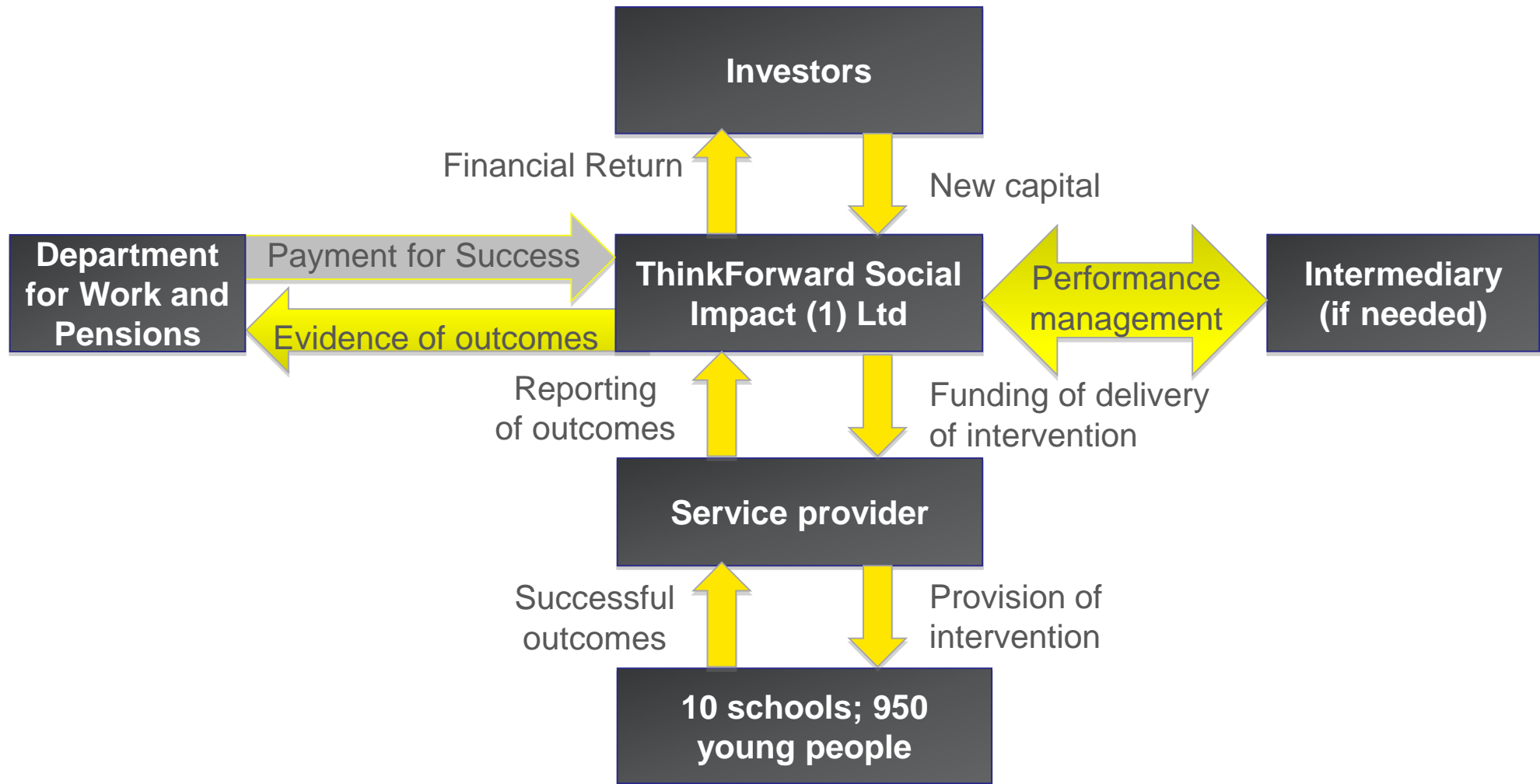
# Payment by results contracts are attractive for commissioners, but challenging for providers

- Civil society **provides some of the best quality**, most effective and lowest cost interventions
- The pool of **philanthropic funding is finite**, linked to the state of the economy, and already under huge pressure
- Charities cannot compete effectively for “Payment by Results” contracts because they **rarely have access to long-term capital**
- If we want them to succeed and grow, we have to find new and novel ways to **enable them to compete**

# Social impact bonds provide the initial capital whilst the intervention is being delivered

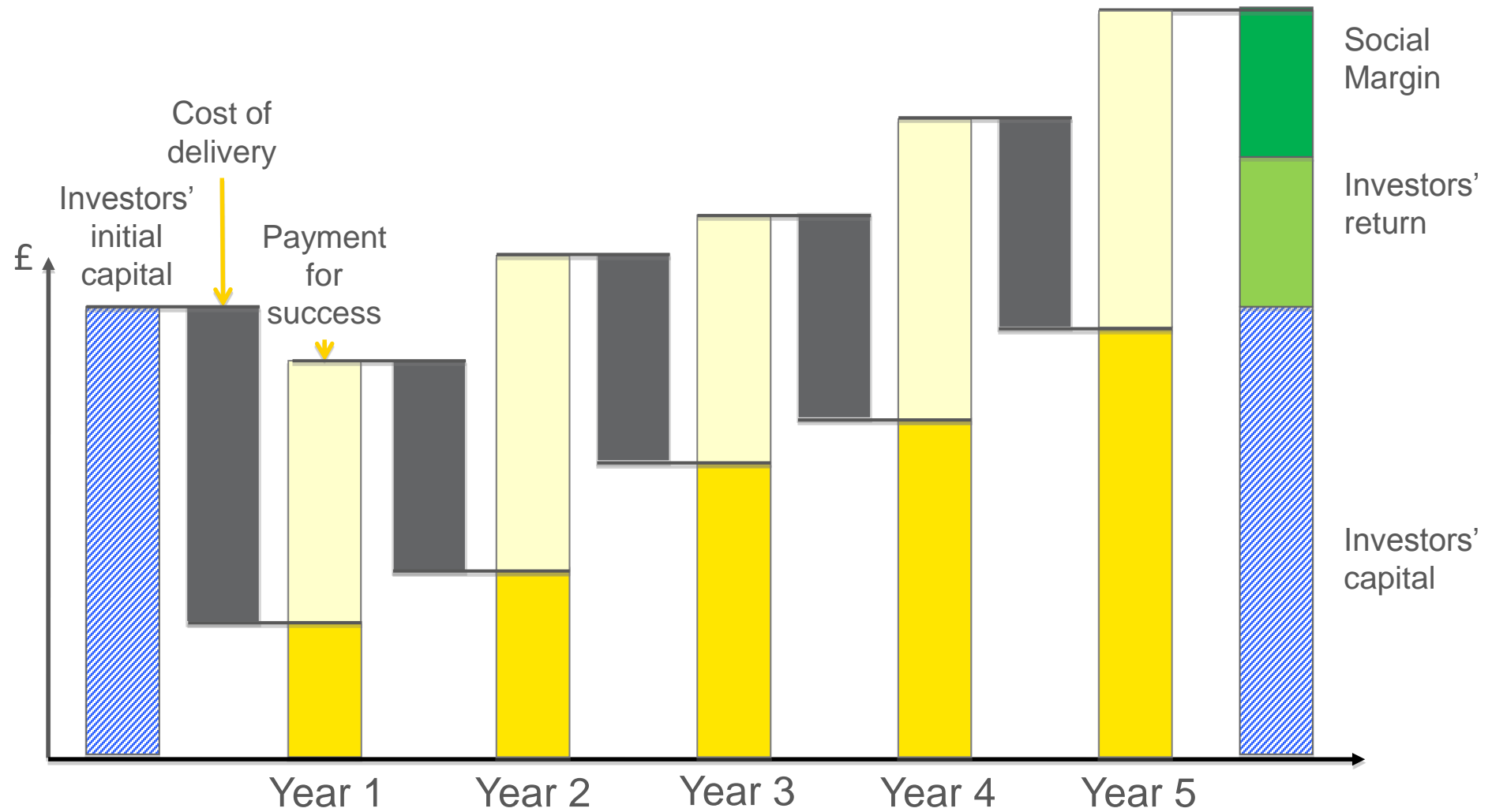
- ✓ Leverage in significant levels of new **private finance** to fund social outcomes
- ✓ Provide the best **social organisations** with a sustainable source of income
- ✓ Transfer the **risk** of failure from commissioners to investors
- ✓ Let commissioners set **what** they want to achieve and providers decide the **how**

# The ThinkForward Social Impact Bond is structured to ensure all parties achieve their goals





# Through this structure, ThinkForward can operate sustainably



# Social investment requires a convergence of interests across the sectors

Commissioners require	Investors require	Social organisations require
<ul style="list-style-type: none"> <li>• Confidence in the intervention</li> <li>• Outcomes it is prepared to pay for</li> <li>• Success measurements that are robust, independently auditable and do not create perverse incentives</li> <li>• A limited liability</li> </ul>	<ul style="list-style-type: none"> <li>• Scale – for viable transaction costs, and sufficient to reduce risk from variability</li> <li>• An intervention with:               <ul style="list-style-type: none"> <li>– a proven track record</li> <li>– robust governance and quality management</li> <li>– clear delivery costs</li> </ul> </li> <li>• A return to reflect the risks and opportunity costs of locking up capital</li> <li>• Clear, controllable success measurements</li> </ul>	<ul style="list-style-type: none"> <li>• An intervention that meets young people’s needs and achieves positive outcomes</li> <li>• A way for investors rather than them to bear the financial risk</li> </ul>

# In summary:

- A venture philanthropy approach can drive innovative partnerships between sectors
- Business support services need to help social organisations to refine their programmes and increase their measurable impact
- To be successful, payment-by-results approaches require government, civil society and the private sector to work more closely together





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