

Tuesday 6 September 2011

### **NSW ENGAGES PRIVATE SECTOR TO TACKLE SOCIAL CHALLENGES WITH INNOVATIVE BOND**

The NSW Liberals & Nationals Government has announced the rolling out of a pilot program to establish Australia's first innovative financial bond in the 2011-12 Budget, in an effort to address a range of social challenges facing the State.

Treasurer Mike Baird said the NSW Government will launch a pilot tender process for Social Benefit Bonds, to encourage private investors to work collaboratively with the public and community to deliver real and sustainable solutions to important social challenges.

"NSW is facing a number of social challenges and we are determined to look at every possible option to deliver better outcomes for our communities. We believe that NSW Social Benefit Bonds is one of those options," Mr Baird said.

A Social Benefit Bond is a new financial instrument in which private investors provide up-front funding to help community organisations to deliver improved social outcomes. When these outcomes are delivered, there are cost savings to government that can be used by the organisations to pay back the up-front funding as well as a return on that investment.

"By engaging private investors to work collaboratively with the public and community sectors we believe we can improve the likelihood of delivering real and sustainable solutions to important social challenges," Mr Baird said.

The NSW Government will launch an Expressions of Interest (EOI) process to identify two pilot Social Benefit Bonds in the areas of Out Of Home Care and Recidivism.

The Out Of Home Care pilot will focus on offering parents support to take care of children without the need for foster care, which would reduce public expenditure, while the recidivism pilot will explore the extent to which prisoners can be assisted to return to society and not re-offend. Those who have invested in community organisations to achieve these outcomes will gain both a social and financial return.

Under the EOI process, interested parties will be invited to submit proposals and demonstrate their capability to manage such a program. They will need to meet a number of requirements including having the ability to issue a bond, the capacity to attract private investment and a proven track record of managing programs that deliver meaningful and measurable benefits for NSW.

Consortium bids will be encouraged as a way of combining the strengths of service delivery agencies and organisations with expertise in attracting social investments.

The pilot will test the capacity for Social Benefit Bonds to:

- Increase funding for prevention and early intervention programs in a sustainable manner
- Improve accountability for social service expenditure and effectiveness
- Catalyse the development of the social finance sector
- Harness the innovation capacity of both investors and service providers
- Improve the evidence base and focus on measuring the impact for social programs.

Dr Peter Shergold, Macquarie Group Foundation Professor at the Centre for Social Impact (CSI) endorsed the pilot as an innovative and supportive step for greater interaction between the government and private sector.

“Initial results from a similar program in the UK are encouraging, Dr Shergold said.

“There is no doubt that this bold initiative can be a win-win-win for NSW, resulting in better solutions for NSW citizens, less risk for the NSW government and greater involvement by the private sector in working with community organisations to better solve public challenges.”

“CSI believes that this could be the start of a whole new approach to providing additional funding to address some of our most challenging issues in NSW and engaging the private and community sectors to help solve these issues,” Dr Shergold said.

“Social Benefit Bonds are another example of the innovative approaches that the NSW Government is exploring in a range of areas. This is also an opportunity for NSW and the growing financial centre of Sydney in particular, to be a leader in providing new financial instruments to harness private investment for the benefit of the community,” Mr Baird said.

EOI for the two pilot Social Benefit Bonds are expected to published in the next month.

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