

R25m set aside for Africa's first social impact bonds

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The Western Cape government together with UCT's Graduate School of Business' Bertha Centre for Social Innovation and Entrepreneurship has been working with national, provincial and local government in South Africa to design and pioneer the use of social impact bonds - an innovative financial instrument that has proven to deliver better health and social outcomes globally.

The Western Cape Departments of Health (DoH) and Social Development (DSD) has announced the allocation of budget for three Social Impact Bonds (SIBs) aimed at improving the health, nutrition and developmental status of pregnant women and children up to five years who live in low income communities. Together the two departments have set aside approximately R25 million to be spent on priority outcomes over the next three years with an additional amount to be contributed by the private sector.

A SIB is a contracting and financing mechanism to drive better social outcomes. They work by attracting socially motivated investors to fund social services upfront. Repayments to investors are then made by government and/or private funders if pre-agreed outcome targets are achieved and independently verified.

The three new SIBs are the first to be launched in the developing world. There are more than 50 in operation in the global north, which have typically resulted in improved public services and public sector savings.

In terms of the new SIBs, community health workers assigned by the DoH will work with approximately 3,000 pregnant women and children in the first 1,000 days (from conception to two years) over the course of the contract. Their aims will be to improve antenatal care, prevent mother to child transmission of HIV, increase exclusive breastfeeding, reduce instances of low birth weight and stunting and incentivise early stimulation leading to improved cognitive development.

"We are excited about trying out this new innovation that will not only ensure we achieve good health outcomes for the most vulnerable, our children - but will also guarantee that we only pay for good outcomes. In the context of limited resources, such outcomes based funding could be a critical tool to safeguard that we get the best value for money," says Dr Beth Engelbrecht, Head of Health Western Cape Department of Health.

With regards to the DSD in the SIBs, two organisations will be working with Early Childhood Development (ECD) practitioners offering home visiting or playgroup services to up to 3,000 children over the course of the contract. Their aims will be to improve children's language, motor, cognitive and socio-emotional development so that they are ready to learn by the time they reach Grade R.

"We've been working with national, provincial and local government in South Africa for the past three years to explore Impact Bonds and have observed a significant shift in that time towards an outcomes orientated mindset. There is huge potential for this blend of public and private capital to improve social outcomes," says Dr Susan de Witt, Impact Bond Project Manager at the Bertha Centre.

The Bertha Centre have partnered with Social Finance, and been supported by the LEGO Foundation, The Innovation Edge, the Government of Flanders and the European Union to develop this project and others.

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