

Investing in success: resolving a complex social problem by means of Social Impact Bonds

A Social Impact Bond (SIB) is a contract between a public agency, a social organisation (service provider-contractor) and a private investor for the purpose of tackling a particular social challenge. The aim is to resolve or reduce a social problem and in doing so drive down the associated cost for society at large. The private investors finance a social organisation to implement a project that will tackle a particular social problem, such as youth unemployment, crime or poverty. If the project proves successful, the government reimburses the investment, with interest generated from the savings delivered by the scheme.

SIBs enable social organisations, which are often close to the target groups, to come up with innovative solutions to social problems, for which the government has yet to devise a suitable fix. The investors assume the financial risk and get their money back only if the project proves to be a success.

A concept such as SIB reshapes public-private partnerships and brings social organisations and investors closer together.

NEETs get started with a first SIB

The Flemish Service for Employment and Vocational Training (VDAB) is an innovative government organisation that aims to provide input into the social challenges on the labour market. Through this pilot project, the VDAB is looking to get youngsters in Antwerp who are difficult to reach – the so-called NEETs in particular - into work. NEETs are young people who are ‘Not in Education, Employment or Training’. In spite of the current efforts, this population is continuing to rise in Antwerp. Which is why the VDAB is looking to use SIBs as a tool for approaching these youngsters in an alternative manner.

[Read more about this SIB.](#)

New Social Impact Bond helps people who have been on long-term sick leave to return to work

VDAB is launching a second SIB. After all, today there are more people on long-term sick leave than job seekers, and those on sick leave are often incapacitated for work for a long time. However, with the shortage on the labour market, we need talent.

This is why VDAB is looking for innovative service providers and investors to meet this social challenge.

[Read more about the project.](#)

The implementation of Social Impact Bonds in Flanders

The Agency is taking this innovative mechanism one step further, by not seeking a service provider as usual, but rather a service provision, in which the service provider and the investor join forces to tackle jointly a social problem, as proposed by the VDAB. This will act to generate a dynamic between

the social service sector and the investment market. The social service provider is galvanised as an entrepreneur, the investor as a committed and socially engaged party.

A new instrument

This type of public-private partnership is new, but complements the usual partnerships the VDAB engages in. The SIB mechanism is by no means intended to replace the standard approach to VDAB partnerships. It is a complementary mechanism to fund high-risk and innovative projects.

This new form of funding opens the doors for public and private partnership schemes and will enable the VDAB to tap into new private funds against the background of the current austerity climate in the public sector.

The VDAB wants, with its unique SIB-structure, to be the catalyst to stimulate the dynamics between these two worlds, in order to tackle social problems. We are confident that doing so will yield extremely admirable and challenging projects to resolve social problems.” - Ian Dewae, VDAB (ian.dewae@vdab.be).