



Quick Guide: New Zealand Social Bond Pilot

May 2015

Note: This Guide provides a brief overview of the Government's Social Bond Pilot programme. More information can be found in the document '*Social Bonds 101 – an introduction to New Zealand's Social Bonds Pilot*'

Background: Social Bonds Pilot

- The Ministry of Health (with the support of the Treasury) is leading an exciting cross-agency project to establish a Social Bonds Pilot in New Zealand.
- Social bonds are an innovative way for Government to contract for social outcomes. They see private organisations partner to fund and deliver services to improve social outcomes. If they achieve agreed results, Government will pay back the investors their investment plus a return. Investor returns depend on the level of results, up to an agreed maximum.
- New Zealand is among the first countries piloting and actively exploring Social Bonds. This follows Ministry of Health led cross-government work in 2012/2013 that explored the potential for using Social Bonds in New Zealand. Social Bonds are currently underway in the United Kingdom, United States, South America, Holland and Australia, and are being actively explored in Canada, Ireland and Israel.
- The Government is looking for the Pilot to do a number of things:
 - Test the concept within the New Zealand context to see whether this is an effective and efficient way for government to reduce social problems
 - Develop the conditions to use social bonds more widely in the future: including growing the social-investor market and building capabilities of service providers, government agencies and Intermediaries.
 - Learn lessons that could be applied to other forms of payments-for-results and/or outcomes-based contracting
 - Enable Government to make more informed decisions on whether to use payments-for-results and outcomes based contracting more widely

The procurement process

- In 2013/2014 the Ministry issued two discrete Registration of Interests (ROIs) for Outcomes and Service Providers and Intermediaries. From the 54 successfully submitted, 16 organisations were pre-qualified and invited to form partnerships and provide proposals to the Government around a potential Social Bond Pilot. The types of organisations included, NGO, retail banks and specially created partnerships.
- A Matchmaking Day, held in November 2014, provided the opportunity for these Service Providers and Intermediaries to meet and begin the process of determining if a suitable

partnership could be formed. A subsequent Education Event, in December 2014, provided further information to participants included in this procurement process.

- A Request for Solution Outline was released on 19 December 2014 to enable partnerships, which were formed as a result of the matchmaking process, to submit details of their proposed Solution Outline.
- Seven potential partnerships made submissions (for a Social Bonds Pilot) for evaluation, including each submitter pitching their proposal to a panel of independent experts.
- Four submissions have been approved as a preliminary short list for further consideration.
- We are considering developing the Bonds sequentially, with the most developed offer being fast tracked with a view to moving to implementation from mid-2015.

What happens next?

We will complete the Evaluation Process to confirm a shortlist - each of the potential initiatives within the shortlist will be reviewed for their “do-ability” and the extent to which they meet the pilot factors.

Based on this, they may then pass through to the following phases (or be held for reconsideration at a later date):

- **Phase 3 (Parts 4-6) Solution Design, Specification and Final Selection** - via a short Competitive Dialogue process, where each proposed Bond will be further refined (detailed designing and specifying of the solution) and evaluated for consideration as a Pilot.
- **Phase 4: Contract Negotiation** - Government will require a contract with the Intermediary regarding performance and payment.
- **Phase 5: Pilot Establishment** - there are two parts to this Phase: raising capital and implementation. Government will work with all parties where required during this phase.

For one of the submissions, this process is being fast-tracked given the potential benefits, relative to the investment required. This specific initiative is more developed, simpler in nature and offers early lessons that could be applied to the other initiatives under consideration.

More information:

For more information – visit www.moh.govt.nz and view ‘Social Bonds Pilot’ in the ‘Our work’ section or email us at socialbonds@moh.govt.nz
