

Ministry Of Health

Registration of Interest

Intermediaries

Social Bond Pilot(s)

Part 1 – Instructions and Supporting Information

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1. Introduction to the Social Bond pilot

Government (led by the Ministry of Health) is developing a 3-5 year pilot to test the viability and value of using Social Bonds in New Zealand. The model shows promise as a way to improve outcomes for New Zealanders, enabling flexibility and innovation in service design and delivery.

The purpose of this Registration of Interest (ROI) is to:

- identify potential Intermediaries for the first pilot(s)
- establish a pre-qualified list of interested Intermediaries who may be suitable for other possible pilot projects within the next 24 months.

Why a Social Bond pilot?

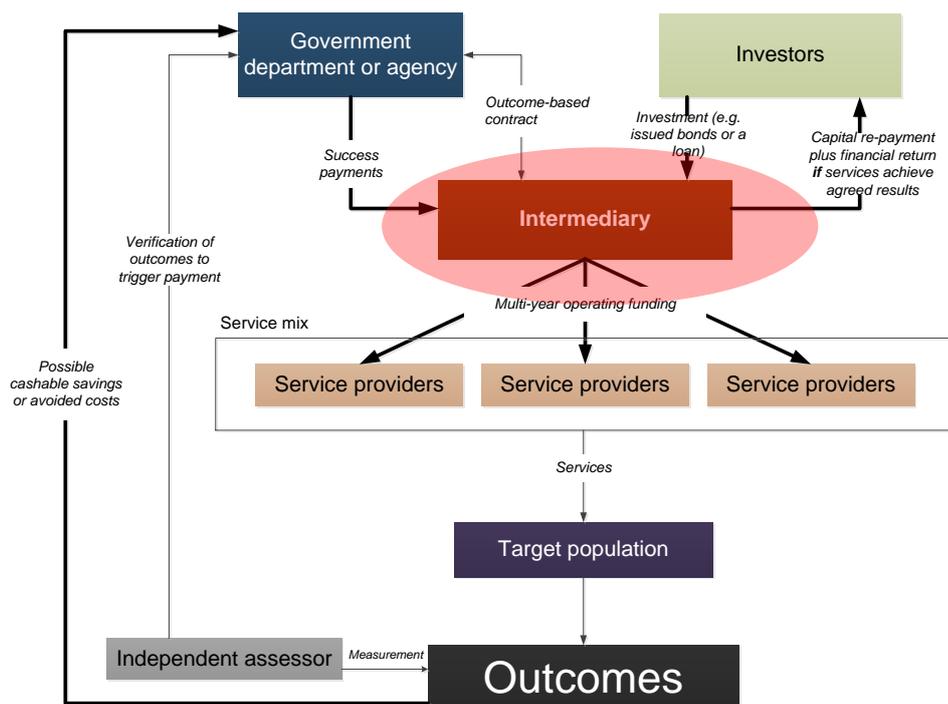
Social Bonds have gained attention worldwide as a new way of delivering services to resolve social problems. They enable different parties – Government, non-Government organisations (NGOs), the private sector and communities – to work together to achieve better social outcomes.

Key roles in a Social Bond are:

- **Service Providers** – deliver services to achieve an impact (the outcome)
- **Investors** – provide upfront capital to fund services during the term of the bond
- **Intermediary** – assists with structuring the finances, raising capital, managing service programme performance and “weaving” parties together
- **Independent Assessors** – review and verify results in accordance with agreed methodology framework
- **Government** – contracts for outcomes, pays for results.

The following diagram illustrates how the roles within the Social Bonds model fit together.

Figure 1: The Social Bonds Model



The Government is open to piloting ideas in social outcome areas that align with Government priorities and has recently undertaken an ROI process to identify potential outcome areas. Social Bonds have a potentially wide application across a range of social sectors. They are currently being used overseas to address a range of social issues such as reducing reoffending, increasing employment, improving outcomes for children in care, and improving the management of chronic health conditions.

To be successful, it will be important that the Social Bond pilot has:

- a service or programme with potential for delivering social impact
- willing service providers and Intermediaries who are committed to engaging in the long term procurement process and throughout the Social Bond pilot term
- willing investors
- a suitable-sized, well-defined group of service users
- a robust measurement framework.

Social bond information and links to recommended resources are available on the Ministry of Health's website, see the following link:

<http://www.health.govt.nz/our-work/preventative-health-wellness/piloting-social-bonds-new-zealand>

2. Purpose of this ROI

The purpose of this ROI is to identify a shortlist of capable and willing providers that meet the requirements of an Intermediary role within a Social Bond model, for a pilot in New Zealand over a 3-5 year period.

The Government will consider proposals from:

- a) specialists in service delivery management (service performance management role)
- b) specialists in financing (financial arranger role)
- c) integrated Intermediary who can deliver on both (a) and (b) above.

For the purposes of this ROI, when we refer to “Intermediaries” we are referring to organisations that meet the definitions of (a), (b) or (c) above.

Through this process we are looking to:

- identify potential Intermediary(s) (either (a), (b), or (c) above) for the first pilot(s)
- establish a pre-qualified list of interested Intermediaries (either (a), (b), or (c) above) who would be suitable for other possible pilot projects within the next 24 months.

The objective of creating this pre-qualified list is to reduce the effort, time and cost for potential Intermediaries wanting to participate in any future social bonds pilots; and to make Government officials more easily identifiable and accessible in relation to this pilot. It is our intention that this list be in place for two years. The use of the list will be subject to Ministers’ approval of future pilots. Refer to Appendix 2 for further information.

Although the Government’s ideal outcome is to contract with a single entity to fulfil the role of an Intermediary for the pilot (i.e. an integrated service provider), for this ROI we will also consider responses for separate roles either as a financial arranger or a service performance management provider. Organisations bidding as either a financial arranger or a service performance manager will need to be willing to work in collaboration with other organisations to fulfil the Intermediary role and ensure the pilot’s overall success.

Section 6 of this ROI describes the role of the Intermediary in more detail.

3. Instructions

Understand the requirements

Make sure you fully read this document before starting to write your response. In particular, develop a strong understanding of 'Instructions and Supporting Information' and how your proposal will be evaluated. If anything is unclear, or you have any questions, please email the Contact Person below.

Changes to the process

If we need to change anything about this process or want to provide Respondents with additional information we will let all Respondents know by placing a notice on the Government Electronic Tenders Service (GETS) at www.gets.govt.nz. If you downloaded this Registration of Interest Part 1, 2 or 3 from GETS you will automatically be sent notifications of any changes.

The Contact Person

Please direct all enquiries to the following Contact Person:

Charmaine Fajardo

Procurement Administrator

Telephone: 04 816 2570

Email: socialbonds@moh.govt.nz

Please do not attempt to gain information from any member of the Social Bonds team at the Ministry of Health or any other Government agency eg The Treasury, or current or past providers to the project eg KPMG and PwC.

The Timeline

The following information sets out our process and indicative timeline.

Event	Indicative Date
Issue of ROI on GETS	Friday, 11 April 2014
ROI Clarification (Q&A) Period starts	Monday, 14 April 2014
ROI detailed briefing for Respondents – see page 6.	Wellington – Monday, 5 May 2014 Auckland – Tuesday, 6 May 2014 (subject to demand)
ROI Clarification (Q&A) Period ends	Tuesday, 20 May 2014
ROI closing date	12pm on Friday, 30 May 2014
Evaluation period	June 2014

All times are in New Zealand time. We reserve the right to alter the timeline, if required.

Please note: The Ministry will be closed on Friday, 18 April and Monday, 21 April due to Easter Weekend and also on Friday, 25 April 2014 due to ANZAC day.

The Rules

This Registration of Interest is subject to a set of terms and conditions called Part 3 - ROI Terms and Conditions. These are attached as a pdf file.

Response Submission

Responses must comprise of an electronic response and be set out as instructed.

Please note: Proposals sent by post or fax will not be accepted.

Make sure that you include the ROI title in your email. If you don't get a response to confirm receipt of your email you should assume that we have not received it.

Electronic responses should be compatible with Microsoft Office (.doc/x and .xls/x) or Adobe PDF.

The response template must be provided in both PDF and Microsoft word version (.doc/x).

Responses must be received, no later than **12pm Friday 30th May 2014** by email at the address below.

Please note: Completed ROIs received after the closing date may be rejected.

Clarification Period

The Clarification Period **opens on Monday, 14 April 2014 and closes on Tuesday, 20 May 2014**. The Ministry will endeavour to respond to queries within reasonable timeframes and will publish any responses that affect all potential respondents onto GETS.

The address for proposals

In submitting your proposal, please use the following address: socialbonds@moh.govt.nz

Please note: proposals sent by fax or post will not be accepted.

ROI detailed briefing for Respondents

This is an opportunity to receive a briefing and ask questions of the project team.

Wellington – Monday, 5 May 2014

Auckland – Tuesday, 6 May 2014 (subject to demand for Auckland based meetings)

There will be an opportunity for a one hour meeting for Respondents with members of the project team to ask questions regarding social bonds and this ROI. You can register by emailing socialbonds@moh.govt.nz.

Please note there are only 8 sessions available, and places are booked on a first come, first served basis. We will endeavour to book more sessions if there is sufficient demand.

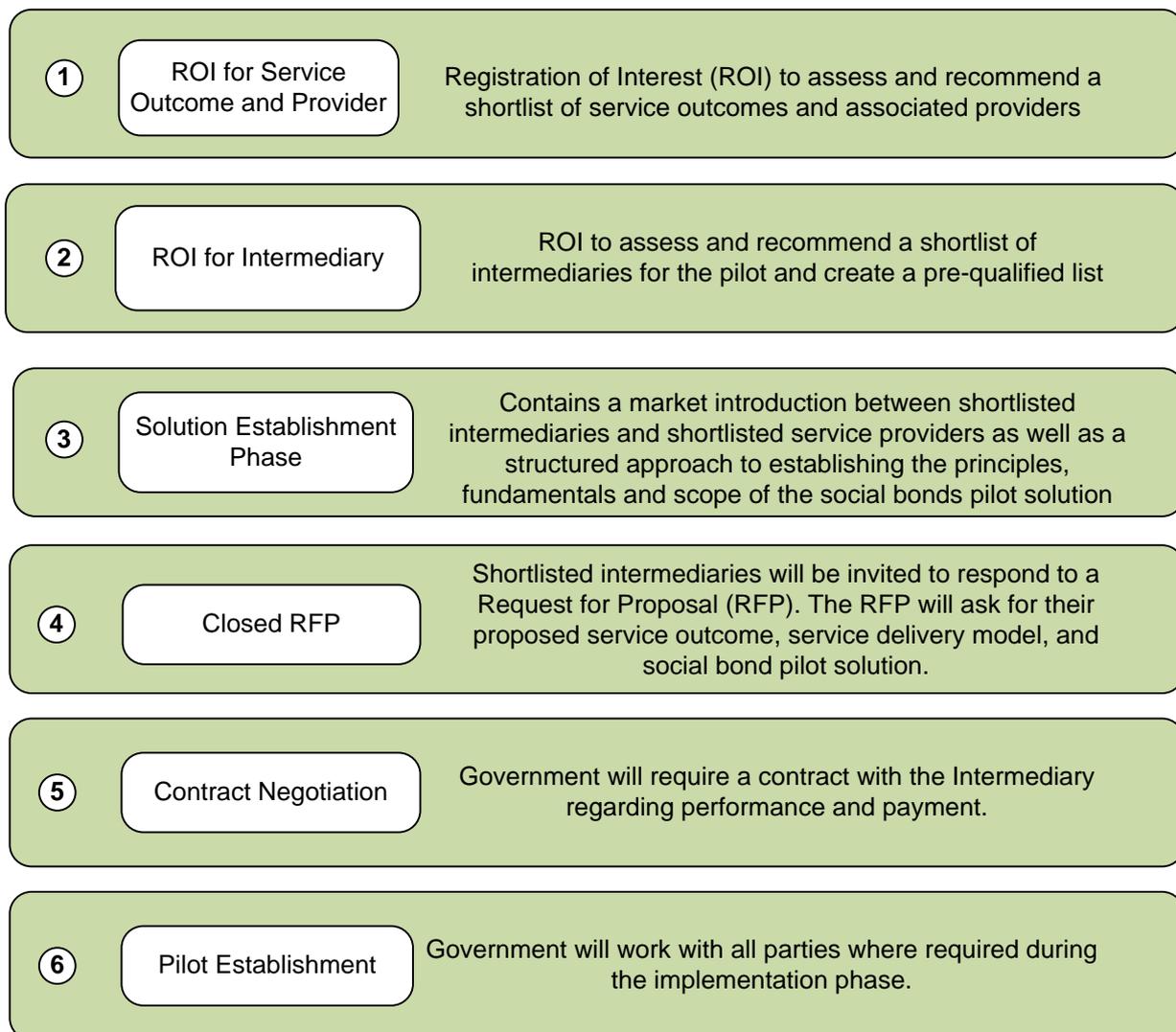
Note: Any information from these sessions that impact all Respondents will be published on GETS.

4. The proposed Social Bond pilot procurement process

Overall summary of the procurement process

Potential providers should be aware that the procurement process for the establishment of a Social Bond pilot has a significantly longer timeframe than that of 'traditional' procurement processes. It signals the significant commitment, resourcing, flexibility and engagement required by all parties involved.

The following diagram provides a view of the procurement phases involved in establishing a Social Bond pilot.



Phase 1: the purpose of this phase is to recommend a shortlist of suitable service outcomes and capable service providers. This however, does not guarantee shortlist service providers or service outcomes will be successful through the remainder of the procurement process. Responses will be evaluated using a rigorous evaluation methodology to ensure we have the right shortlist of capable, committed service providers, along with a shortlist of service outcomes that align with Government priorities and are suitable for a Social Bond pilot. The ROI for Service Outcomes and Service Providers closed at the end of February 2014 with 41 bids received. The bids are currently being evaluated.

Phase 2: as for Phase 1, an ROI is required to obtain a shortlist of potential Intermediaries who have been assessed as capable for their role in the Social Bond model. This shortlist along with the shortlist of service providers/service outcomes will advance to Phase 3.

As part of Phase 2, a list of pre-qualified Intermediary providers based on information from this ROI will be maintained for any future Social Bonds pilots – see Appendix 2.

Phase 3: The main objectives of this phase are for -

1. shortlisted Intermediary roles and service providers to come together for a 'match making' exercise to obtain visibility, familiarity and to form partnerships for the closed Request for Proposal (RFP) response in phase 4
2. shortlisted Intermediaries to become familiar with the shortlisted service outcomes and exploration of the required service delivery model to achieve the outcome
3. structured dialogue with service providers and Intermediaries that allows the development of the Social Bond pilot model solution and indicative contract (between Government and the Intermediary) for the closed RFP
4. a reduced timeframe for negotiation of the contract following the RFP.

This phase does not guarantee a successful partnership will be formed between the shortlisted service providers and shortlisted Intermediary roles.

Phase 4: Following conclusion of Phase 3, an RFP will be developed and released for a closed tender to shortlisted Intermediaries. These responses will be assessed and successful respondents will advance to Phase 5. (Note we reserve the right to cancel this phase if it becomes unnecessary as a result of Phase 3 activities).

Phase 5: Contract negotiation between Government and the Intermediary. The Intermediary will be responsible for negotiating a contract with the service provider/s and Investors.

Phase 6: Government will, where applicable, work with the Intermediary to implement the agreed pilot model. This along with Phase 3 will be the longest in terms of timeframes to complete.

What is the Solution Establishment Phase?

The solution establishment phase provides a structured, open, but formal process to enable the development of the Social Bond pilot solution prior to the release of a closed RFP. This includes an indicative agreement to support the solution. Intermediaries will respond to the closed RFP in partnership with their service providers.

The objective of this phase is to answer the following questions:

- What will the operating model look like between all parties for each service outcome?
- How will the different contracts be constructed?
- Roles and responsibilities – who, what, where, when, how?
- How will Intermediaries know who the service providers are and what they do?
- How will Intermediaries choose the service providers they wish to work with?
- What will the RFP contain and what do we need to be asking?

The following high level approach to this phase includes but is not limited to:

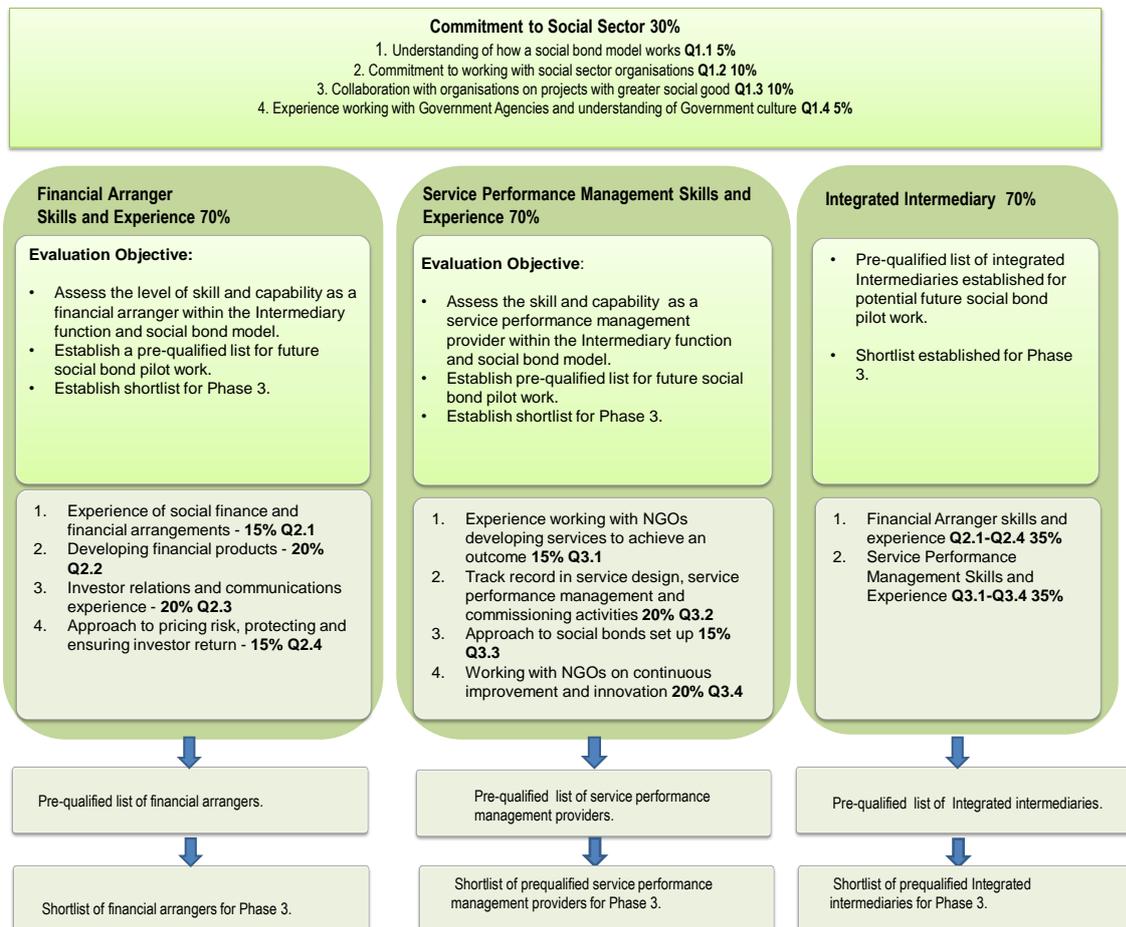
- forming visibility and familiarity between all parties, so that all approved shortlisted service providers (and their respective service outcomes) will gain the opportunity to meet with shortlisted Intermediaries as part of a market engagement activity with the objective of forming a partnership
- structured dialogue on sharing ideas between Government, Intermediaries and service providers around the solution options, services, risks, dynamics, governance and measurement
- contract frameworks and fundamentals
- pilot establishment (implementation and set up)
- feedback from Intermediaries and service providers to proposed solution options once constructed.

What will be required by the Intermediary?

- agreement to the finalised solution establishment process outline, timeframes, scope and terms by any shortlisted Intermediary provider who wishes to continue through the procurement process for the Social Bond pilot
- awareness of the time and resource required to commit once the finalised process is known
- a willingness to engage with the knowledge a contract is required between the Intermediary and the Government.

5. How this ROI will be evaluated

Evaluation Criteria



A summary of the evaluation process is as follows:

1. All responses will be screened for completeness and validity.
2. All valid ROI responses will go through to the evaluation, weighted to assess the experience and capability of the 2 main functions of an Intermediary role (financial arranger and service performance management), as well as the commitment to the social sector.
3. Any integrated Intermediary proposal will be assessed as in (2) above and then the functional roles weighted as in the diagram above.
4. Upon completion of the evaluation, a shortlist of Intermediaries will be approved before moving to Phase 3. (Note: there will be 3 shortlists created: 1. Financial Arranger 2. Service Performance Manager 3. Integrated Intermediary).
5. A pre-qualified list will be created for potential future Social Bonds pilots. (Note: there will be 3 pre-qualified lists created: 1. Financial Arranger 2. Service Performance Manager 3. Integrated Intermediary).

6. The evaluation panel will recommend a shortlist of Intermediaries for the pilot and a pre-qualified list for possible future pilots to the project sponsor.

Service outcome interest survey

Respondents should note that as a condition of this ROI they may be required to complete a service outcome survey. The purpose of this survey is to help the Government assess 'Intermediary interest' in a range of potential service outcome areas for the initial pilot(s).

Respondents must provide one representative to complete the survey. That person must be available during the week commencing 2 June 2014. The content of and responses to that survey must remain confidential.

Additional information we may require

As a condition of this ROI you agree that should you be successful in being shortlisted, you may be asked to provide detail in the following areas:

- company details, legal status
- company ownership structure and facilities
- staff structure and capabilities
- financial information (eg annual accounts)
- insurance details (eg indemnity levels, public liability)
- referees
- other information.

6. Further information on Intermediaries

This provides information on the Social Bonds pilot and requirements of an Intermediary role that will also assist you in your response.

What is an Intermediary? How will the model work?

An Intermediary is the body that contracts with Government for the delivery of the desired outcome over a specified period of time. An Intermediary may be a single entity or a consortium (which may include sub-contractors or investors) with a single lead entity identified to interface with Government.

The work undertaken by KPMG¹ indicated there may not be many integrated Intermediaries currently in the New Zealand market with the full mix of capabilities that are required to undertake a Social Bonds pilot. Therefore, it may be that two entities need to come together for the pilot (with one entity covering service delivery management and one dealing with financial management).

The Intermediary will have the flexibility to decide which services (inputs and outputs) it wishes to use to produce the social outcome and will co-ordinate service providers and be the direct point of contact with Government.

For the purposes of the New Zealand pilot(s) the Government has tendered the service outcomes, with service providers bidding. It is expected that Intermediaries will be given access to these service outcomes and service providers as part of Phase 3 solutions' establishment. There will be a range of service outcome options to consider across a number of social sectors.

It is the Ministry's intention to facilitate a type of 'match making' service during Phase 3 to enable potential Intermediaries roles to link together with each other, and then with service outcome providers. Further information on this will be available at later stages of the tender process.

The Intermediary is allocated much of the risk involved in delivering the contracted outcomes such as: the cost of delivering services, failure of services to meet outcomes for target population, integrating non-Government parties, potential movement of the target population, financial viability of service providers, the cost of measurement of outcomes and cost of procuring and bidding.

Performance is measured against the social outcome and payment is tied to this, and at potentially multiple points during the project. The Intermediary will need to maintain a level of cashflow via investors and to service providers to ensure that the outcome is achieved.

Aspects of the system will be further defined during the development of the pilot and during phase 3 of the procurement process

¹ <http://www.health.govt.nz/our-work/preventative-health-wellness/social-bonds-new-zealand-pilot/social-bonds-background>

What are the key tasks of Intermediaries?

Intermediaries play a critical role in the complex, innovative journey to developing and operating a social bonds pilot.

Before the pilot begins, Intermediaries help with pilot design, contracts development and financial structuring, including:

- designing and pricing the financial product for investors
- submitting an RFP setting out the pilot proposal
- negotiating and entering pilot contracts, including to deliver outcomes to Government, and to commission pilot services
- raising finance for the pilot from private and non-profit investors.

During pilot operation, an Intermediary has a project management role including maximising service performance, publishing annual accounts, reporting interim performance and reporting to investors.

Please note the Intermediary tasks and capabilities provided in this ROI are not exhaustive or definitive. Precise tasks and capabilities of the Intermediary role will be determined as part of developing the pilot.

What capabilities are needed to perform the Intermediary role?

The development and operation of a social bonds pilot is complex and ground-breaking for New Zealand. Overseas experience suggests successful Intermediaries draw on a range of experience, expertise and resources, which may include:

- leading and representing a consortium (including service providers) in contract negotiations with Government
- the ability to engage with a range of stakeholders (both public and private)
- public sector knowledge in the relevant outcome area
- commissioning services from a range of providers
- financial expertise - in financial modelling, product and deal structuring, raising finance², liaising with investors and project and contract management expertise
- to help oversee and maximise service performance, managing risks, and making mid-course corrections if needed
- capacity and resources – to participate in a lengthy, collaborative, procurement process and a 3-5 year pilot.

² If raising money from investors Intermediaries will need to be aware of any obligations they may have under securities regulations such as the Securities Act 1978 and the Financial Market Conducts Act 2013

What types of organisations are Intermediaries?

Overseas a range of organisations have undertaken this role, including:

- venture capital firms
- consultancies
- financial advisors
- philanthropic foundations
- banks
- new organisations established for this purpose.

Typically, these firms have had capabilities in financial advisory, research, capital raising (including credibility with investors), financial modelling, ability to measure and price risk, business case development and investment structuring, an ability to engage and negotiate with different stakeholders, and ability to quickly acquire knowledge of the relevant policy area and service intervention, and confidence in their ability to secure the necessary investment funding.

We are open to a variety of organisations carrying out this role in partnership, provided they have the necessary capabilities.

Further information on the Intermediary role is contained in Appendix 1.

The Ministry of Health website also contains other useful information on the Intermediary role and organisations that have played it elsewhere please refer to the frequently asked questions sections on the Ministry of Health Social Bonds [web page](#).

Appendix 1 – Intermediary Role

The following table outlines the functions and skill requirements of an Intermediary role. Please note that this is not an exhaustive list. Precise tasks and capabilities of the Intermediary role will be determined as part of developing the pilot.

Function	Skills	Area
Service Performance Management	1. To lead in pilot development	<ul style="list-style-type: none"> Defining intervention logic, service design and service mix Definition of outcomes Outcome measurement framework Data identification Contracting with a range of different parties that could include Government, a financial arranger (if applicable) and service providers
	2. To manage the performance relating to service provision	<ul style="list-style-type: none"> Providing pre-implementation advisory services (“investor readiness”) Monitoring service provider performance, including on-site observation Allocating resources as required Performing data analysis Ensuring service provider compliance with quality standards, regulations, and other e.g. data security Terminating and replacing service providers if required
	3. To report on the service impact	<ul style="list-style-type: none"> Formal evaluation reports Provide evidence to the outcomes achieved Stakeholder relations Investor relations, reporting and communications
Financing	1. To assist in the pilot development and origination	<ul style="list-style-type: none"> Comparison of service intervention models KPI selection Due diligence on potential service providers
	2. To undertake business modelling	<ul style="list-style-type: none"> Payment mechanism design Conduct financial modelling
	3. To structure the investment	<ul style="list-style-type: none"> Develop operating model and structure investment (e.g. tranches, seniority, term, downside protection, interest) Detailed cash flow modelling (cash flows from operations, investing and financing)
	4. To raise capital	<ul style="list-style-type: none"> Marketing and recruiting investors Preparation of Information Memorandum Issue the instrument(s) Receive funds Conduct secondary offerings
	5. To manage funds	<ul style="list-style-type: none"> Conduct treasury operations Receive outcomes based payments Provide returns to investors Distribute funds to service provider(s) To undertake statutory financial reporting

Appendix 2 – Pre-qualified Intermediary List

Intent

The intent is to utilise the information from responses to this ROI to maintain lists of pre-qualified Intermediary providers for future Social Bond pilot work. Note: there will be 3 lists created: 1. Financial Arranger 2. Service Performance Manager 3. Integrated Intermediary. This will make it easier for pre-qualified providers to respond to contract opportunities by only asking for qualifying information once.

All Respondents who show they can meet the requirements of an Intermediary role as per the evaluation process in Section 5, will be included on the pre-qualified list at the conclusion of the evaluation process.

Should the required information change, pre-qualified providers will be notified and have the opportunity to update their response.

Operation

The list of pre-qualified suppliers will be published on the Ministry of Health website and be active for 24 months from the closing of this ROI unless the Ministry of Health otherwise notifies.

Pre-qualified providers may request to update their response after the first Social Bond pilot procurement process is complete.

Conditions

- Government reserves the right to advertise through an 'invitation to qualify' to update the pre-qualified list using questions/criteria from this ROI.
- Government may still need to openly advertise any future opportunity on GETS.
- The Ministry will notify pre-qualified suppliers should this list be terminated or if they are to be removed from the list (following explanation with the supplier directly).
- This list and corresponding information may be made available to any social sector or Central Government Agency on request.
- Becoming a provider on this pre-qualified list does constitute a contractual or legal relationship with the Government, or any guarantee of contract opportunities.