

# Finnish perspective: Impact investing and especially social outcomes contracting as tools for change

Mika Pyykkö,  
Executive Director

Employment, Labour and Welfare in the Sustainable  
Transition

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# This is Finland

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# About Finland

- Population about 5,6 million
- About 1/3 has an academic degree
- Life expectancy of women about 84 years and men about 78 years
- Coalition government led by The Prime Minister Sanna Marin (social democrat)
- Government's budget about EUR 64 billion
- About 300 municipalities
- Health and social services reform -> total of 21 self-governing wellbeing services counties (+ Helsinki, Capital City of Finland) from the beginning of 2023

# About societal starting points

- Climate change
- Rapidly changing age-ratio
- Increasing multiculturality
- Use of new technology
- Sustainable gap in the Government's budget
- Huge financial problems at the local level
- Lots of talk about promotion and prevention in terms of health and wellbeing, but not too much or very traditional practical measures
- Mismatch on the labor market

+ effects of COVID-19

+ effects of war in Ukraine

## More about societal starting points – examples of preventable problems and costs

| Cost                      | EUR per year                   |
|---------------------------|--------------------------------|
| Child in custody care     | 130 000 / child / municipality |
| Social marginalized youth | 20 000                         |
| Elderly in 24/7 care      | 40 000                         |
| Alcohol abuse             | 1 billion / the whole society  |
| Physical inactivity       | 3 billion                      |
| Sick leaves               | 3-4 billion                    |
| Smoking                   | 1,5 billion                    |
| Type 2 diabetes           | 1-2 billion                    |
| Traffic accidents         | 1 billion                      |

# About operational starting points

- Sitra's development operations in terms of impact investing since summer 2014 until the beginning of 2020
  - Develop starting points / ecosystem for impact investing in Finland
  - Focus on social outcomes contracting and SIB model
  - Themes based on meetings with Municipality Mayors and civil servants from different ministries
  - The whole ecosystem approach: training for commissioners, impact driven organizations/enterprises etc.
- The Centre of Expertise for Impact Investing since January 2020
  - *Strategic positioning of (social) outcomes contracting*
    - Identifying potential outcomes contracting possibilities and modelling of societal benefits
    - Identifying the interfaces in the operations of different administrative branches and ministries and promoting interaction
    - Strengthening (training etc.) understanding and implementation of SOC especially in terms of proactive and preventive measures

# (Social) outcomes contracting

- An innovative form of procuring services based on outcomes rather than outputs.
  - In this type of contract
    - The public entity (government or municipality) determines the desired outcome, not the method of service provision.
    - The public entity only pays for achieved results instead of upfront payments for clearly defined outputs as in a traditional mandate.
    - Private investors provide funding up-front and get the capital back and return to it depending on the achieved outcomes/results.
- > can be implemented by using (S)IB model

# Outcomes contracting is a particularly recommended approach when

- achieving results that are desirable from the human (qualitative) and economic perspective requires strongly upfront investments and a time span of at least 4-6 years (proactive and preventive approach)
- a novel approach that crosses the traditional administrative sector boundaries is called for
- achieving the desired outcomes requires systematic cooperation between several players



# Outcomes contracting – joint showcase for public funds and private capital

## **Payment based on outcomes**

- Impactfull use of tax payers' money

## **Upfront investments to sustainable well-being of humans and environment**

- Proactive and preventive approach

## **Facts as starting points**

- Data driven management

## **Structures and processes for outcomes/impact**

- Focus on human/population group

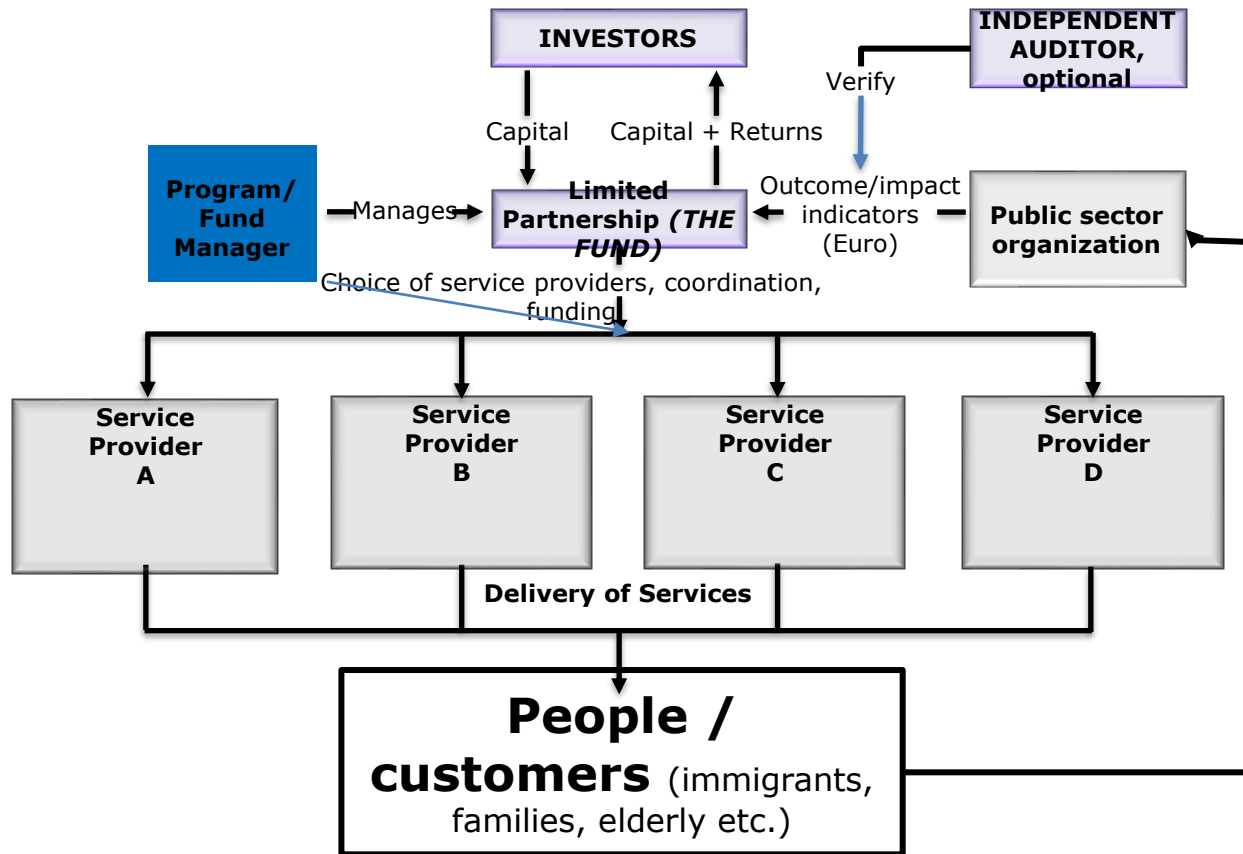
## **Emphasizes best practices**

- Coalitions/collaboration between public, private and voluntary sector actors

# Impact Bond model

- One of the impact investing instruments is the *Impact Bond (Social, Environmental, Development etc.)*. In Impact Bond, the investor bears all (mostly) the financial risks and the public sector pays only for the proven outcomes. The investment capital raised is used to promote the achievement of specific outcomes.

# Finnish SIB – Basic structure



# Modelling includes three joint layers

## A Societal benefits (potential)

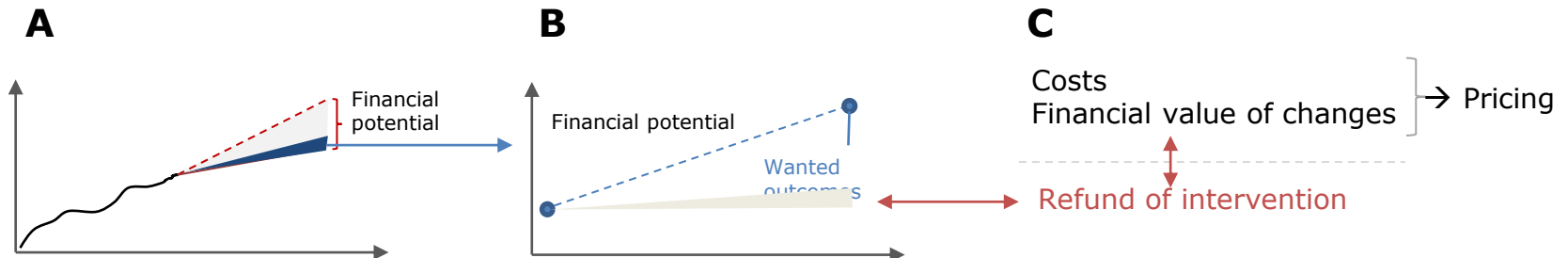
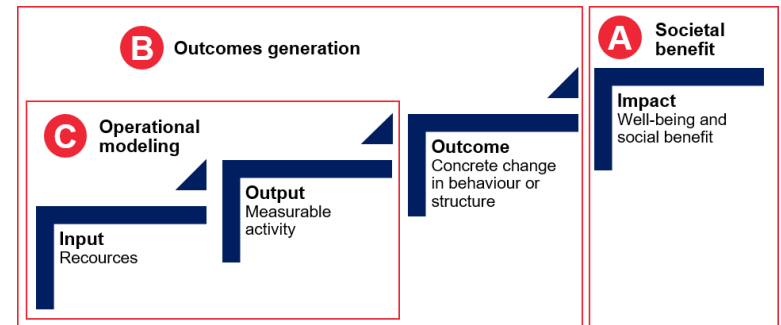
- Phenomenon and root causes
- Social aspects
- Financial value of positive changes

## B Outcomes making

- Wanted positive changes

## C Solutions (interventions)

- Financial
- Operational



# Impact co-creation as a part of modelling

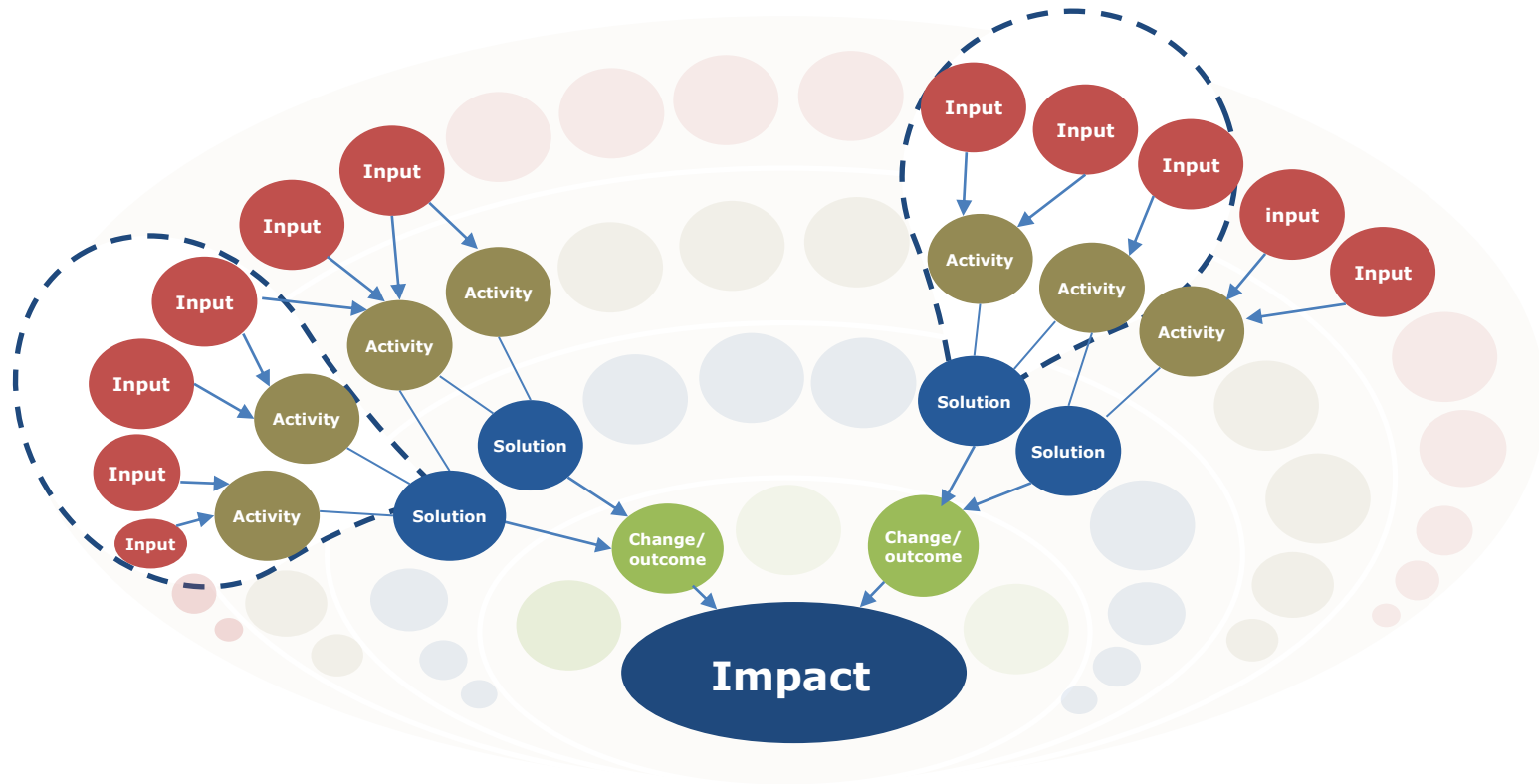
- joint development work between public sector, different kinds of service providers and other professionals including expertise by experience and even possible investors; identified specific need as a starting point for collaboration
- collaborative approach to execute system level solutions (including implementation of SOC) and focusing on targeted outcomes and impact
- to create common understanding concerning the phenomenon and outcomes/impact goals
- to ensure the commitment of all actors and especially the most important stakeholders in public sector
- *defining the impact goal->identifying outcomes*
- *->framing the system->modelling the system*

# Measurement of SOC/SIB – based on modelling

- **Indicators**

- Outcomes (impact) metrics for agreement (when money moves)
- Metrics to lead practical activities (optimising the use of resources)
- Process metrics (quality of outputs and process)
- Other metrics (based on interest of public sector as a bonuspayer, investors and/or some other stake holders)

# Impact ecosystem



| Name of the SIB  | Status  |
|--|---|
| <p><b>Occupational wellbeing (TyHy SIB)</b><br/>Commissioners: four public sector organizations as employers</p>                         | <p><b>Finished (intervention 2015-2020)</b><br/>Fund/Program Manager: FIM Impact Investing Ltd (org. Epiqus)<br/>Fund: EUR 0,6 million</p>  |
| <p><b>Fast employment and integration of immigrants (Koto SIB)</b><br/>Commissioner: The Ministry of Economic Affairs and Employment</p> | <p><b>Finished (intervention 2017-2019), follow-up period 2020-2022</b><br/>Fund/Program Manager: FIM Impact Investing Ltd (org. Epiqus)<br/>Fund: EUR 14,2 million</p>                 |
| <p><b>Children SIB I</b><br/>Commissioners (municipalities): Helsinki, Hämeenlinna, Kemiönsaari, Lohja ja Vantaa</p>                     | <p><b>On going (intervention 2019-2031)</b><br/>Fund/Program Manager: S Bank (FIM Impact Investing Ltd) &amp; Central Union for Child Welfare<br/>Fund: EUR 8 million (target size)</p> |
| <p><b>Children SIB II:</b> Jyväskylä, Karviainen (Karkkila ja Vihti), Tampere</p>  | <p><b>On going (intervention 2020-2031)</b></p>   |
| <p><b>Advancing employment (Employment SIB)</b><br/>Commissioner: The Ministry of Economic Affairs and Employment</p>                    | <p><b>On going (intervention 2020-2024 + 2025 as an option)</b><br/>Fund/Program Manager: S Bank (FIM Impact Investing Ltd)<br/>Fund: EUR 10 million (target size)</p>                  |
| Name of the SIB/EIB  | Status in terms of preparation  |
| <p><b>Prevention of type 2 diabetes</b></p>  | <p>Modelling at the domestic level</p>  |
| <p><b>Support of the elderly's independence</b></p>  | <p>Modelling including Impact co-creation done in two regions</p>   |
| <p><b>Nutrient recycling</b></p>   | <p>Modelling done (once)</p>  |
|  |   |



# One more option

- National Brain Health Program
  - preparation coordinated by the Finnish Brain Association and utilising a joint development approach is guided and described by the notion: What is good for the brain and what are its needs?
  - the subject is not approached through traditional risk factor thinking, but the emphasis is placed on the importance of protective factors and factors promoting the well-being of the brain and, therefore, particularly on health
  - practical preparation work has been done from three complementary perspectives: children/young people (families), the working-age population and the elderly population by Finnish brain health experts from different branch of science and including the modelling of societal benefits
  - the work on the program's implementation plan will start in June after the final decision on the program's impact and outcome objectives has been made on the basis of the proposals of the three working groups
  - implementation period is expected to last until the end of 2029 by utilizing, at least partly, the concept of social outcomes contracting

**Real and sustainable  
impact is based on co-  
creation and  
collaboration!**

Contact information:

Mika Pyykkö

[mika.pyykko@aivoliitto.fi](mailto:mika.pyykko@aivoliitto.fi)

Tel. +358 400 841 662