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August 7, 2014

First Official Results Demonstrate Positive Outcomes at Peterborough

Today, Social Finance UK released the [first official results](#) on the Peterborough Social Impact Bond (SIB)—the groundbreaking transaction that inspired numerous projects around the world. An independent evaluator found that the SIB-financed program, One Service, reduced reoffending among the first cohort of 1,000 ex-prisoners by 8.4 percent compared to the national experience. If this trend continues, investors in the transaction will recoup their principal and earn a positive return when the project concludes in 2016, as this reduction exceeds the performance threshold of 7.5 percent.^[1]

Beyond remaining on track to deliver social and financial returns to investors, the project at Peterborough is also demonstrating some of the core benefits of SIBs. The project catalyzed a policy conversation throughout the United Kingdom about how to better rehabilitate short-term offenders, and the Ministry of Justice recently announced a nationwide program to deliver services to this population. This underscores the potential for SIBs to spur government reform.

Additionally, the program illustrates substantial operational improvement over time, reflecting the power of data-informed project management and flexibility that are core to the SIB model. Engagement and uptake of services in prison increased from 74 to 86 percent since services began, and from 37 to 71 percent post-release as One Service adjusted its operations.

As the world's first SIB, Peterborough has become an iconic program, and in that context we are pleased and encouraged by these results – both as a sign of progress for the Peterborough project itself, and for the evolution of the entire sector. They indicate that active performance management is critical, that investors are indeed taking on risks, and that the deal was well-structured to benefit all stakeholders in a fair and reasonable manner. As clear-eyed practitioners in the field, we are well

aware of the challenges inherent in launching a new financial instrument, and are mindful of the need for continual learning. In that sense, early data points like these are valuable to all of us seeking to advance and build a strong field.

Perhaps most important, however, today's announcement reminds us that the real value of SIBs lies in their ability to improve lives for vulnerable and underserved populations; the financial instrument is a means to an end. As rigorous evaluation now reveals that the Peterborough project is delivering a meaningful improvement in life outcomes for formerly incarcerated individuals, which translates into fewer crimes, fewer families divided by the return of a father or son to prison, and increased numbers of ex-offenders who find gainful employment. This is the real bottom line, conveying the promise and power of the SIB model.

[1] There was a provision for early outcome payments in August 2014 had the program outperformed and delivered a 10 percent reduction in recidivism for the first cohort. Investors will not be receiving these early payments, but are well on track to receive outcome payments for both cohorts as scheduled in 2016.

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