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Rotterdam Buzinezzclub Social Impact Bond

Rotterdam pioneers social impact investment

Rotterdam established continental Europe's first social impact bond (SIB) to tackle historically low youth employment. So successful was its SIB-funded Buzinezzclub project in empowering disadvantaged young people, and creating savings for the municipality and returns for investors, that the Netherlands now has three more results-based social impact investment schemes.

In 2013, unemployment in Rotterdam was rising and research showed the chances of finding a job were worst for young people on benefits. Many young people faced multiple problems that were preventing them from finding work, from a lack of qualifications to troubled personal situations. As the municipality's reintegration programmes were dealing with deep budget cuts, there was a need to explore other forms of financing programmes for groups furthest away from the labour market, such as disaffected young people.

Making a difference

One pilot project developed by a local social entrepreneur was, however, reaching these young people. More than this, it was succeeding in encouraging them to take responsibility for their lives and leave welfare by enabling them to turn their business and career dreams into reality. It also, unusually, had evidence of its impact: on average, participants in the Buzinezzclub stopped claiming benefits seven months before comparable non-participants. Opportunely, the director of this project was looking for a way of scaling his initiative at the same time as the municipality was looking for new ways of financing and delivering its services. Together they decided to build a social impact bond (SIB) around the Buzinezzclub.

SIBs are a relatively new financial instrument that bring together a public authority, a social entrepreneur, an evaluator and investors who provide the capital to launch or expand an innovative social service. If the expected



The Buzinezzclub helps get young people out of a downward spiral by learning how to turn their dreams into concrete goals and working towards them with positive energy.

Maarten Struijvenberg, vice mayor employment and economy, Rotterdam

cities in action

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what: social affairs
when: 2013-2015

positive social outcomes are achieved at the end of a defined period, investors get back their capital plus an agreed rate of return. There are clearly valuable benefits to be gained by all parties. Public authorities can initiate novel and effective new services with minimal risk. Social enterprises can grow as well as learn from the business experience of investors. And investors can earn good returns while also doing good. Success does depend, though, on the stakeholders' ability to manage the legal, financial and operational complexities of this kind of payment-by-results collaboration.

Investing in success

One of the factors critical to the success of Rotterdam's first SIB is the Buzinezzclub's unique and proven approach. Unlike earlier employment initiatives limited by resources to providing help with individual tasks such as writing a business plan, the Buzinezzclub offers a comprehensive package of support over a realistic timeframe. This means it delivers the required results: getting youngsters off benefits for the long term. With the help of experts and volunteers, participants can discover and develop their entrepreneurial spirit, secure a job in a particular industry or learn where their talents truly lie. After an initial six months in class with daily coaching, workshops and training, while still on benefits, support is continued until participants put their personal plans into action. They also become members for life and receive coaching beyond their successful step out of welfare.

Having overcome the first challenge facing all SIBs, finding the right idea and social enterprise, the stakeholders overcame the second, finding a way of defining and measuring the results. With the help of specialist consultants, they set up a statistical model to predict and measure outcomes robust enough to form the foundations of the SIB's performance-based contract. This states that investors ABN Amro and Start Foundation, who put in a total of €680,000, would get their money back if, over a period of two years, 160 youngsters came off benefits at least three months faster than predicted without support. From three months upwards, any savings would be divided between all stakeholders. The investors were keen for the social enterprise to have the same stimulus, so the Buzinezzclub put in €450,000 on the same terms. Yields of up to 12% were estimated.

Improving public services

Thanks to the Rotterdam Buzinezzclub SIB, hundreds of young people without basic qualifications have started out enthusiastically on careers that suit their interests and talents and stopped claiming welfare benefits. To date, 10% have set up their own company, 30% have found a job and 70% have started studying. This adds up to 60% leaving welfare - a very high percentage for this multi-problem target group. The municipality has saved money on benefits and been able to focus on youth unemployment. It has



also learned how to harness the innovative ideas of social enterprises as well as how to bring new rigour and discipline to the delivery and evaluation of social services. In the future it will be able to look with confidence to SIBs as a way of tackling other issues such as youth care, multi-problem families and homelessness.

“I'm at the Buzinezzclub and am starting my own legal services business. I'm currently studying again and putting the finishing touches to my financial plan to apply for self-employed assistance and seed money - but I will start anyway!”

Liveo, Buzinezzclub participant

The city is now considering re-contracting its first Buzinezzclub SIB. It has already established a second SIB, Workshop Rotterdam South (WRZ). This enables unemployed people a great distance from the labour market to get into work much faster by replacing the usual fit-for-work courses and help finding a job with the immediate provision of a job and in-house training from participating local businesses. The Buzinezzclub SIB concept has also demonstrated its repeatability and scalability elsewhere in the country after being adopted successfully by Utrecht, The Hague and Dordrecht.

