



Social innovation and venturing

Joe Ludlow

Director Social Ventures, NESTA, UK

Objectives

- About NESTA and its interest in social innovation
- Why 'social ventures' are interesting to us
- What social ventures need to succeed
- How public policy is helping
- Where there are still gaps

About NESTA

- The UK's foremost independent expert on innovation.
- Funded by an endowment from the National Lottery, we operate at no cost to government or the UK taxpayer.
- Expected to become an independent charity in Q2 2012
- Three core functions:
 - Research
 - Practical programmes
 - Investments
- Two key needs
 - Innovation for economic growth
 - Innovation to address major public and social challenges

Making Innovation Flourish



Creating a supportive environment for innovation in the UK



Understanding, developing and teaching innovation methods

There is a social innovation imperative in the UK

Big social challenges



Chronic diseases

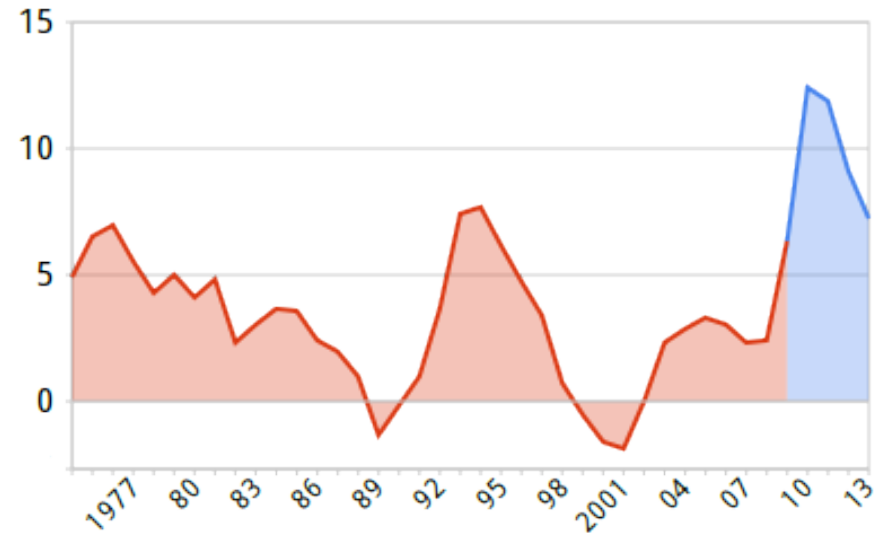


Climate change



Ageing population

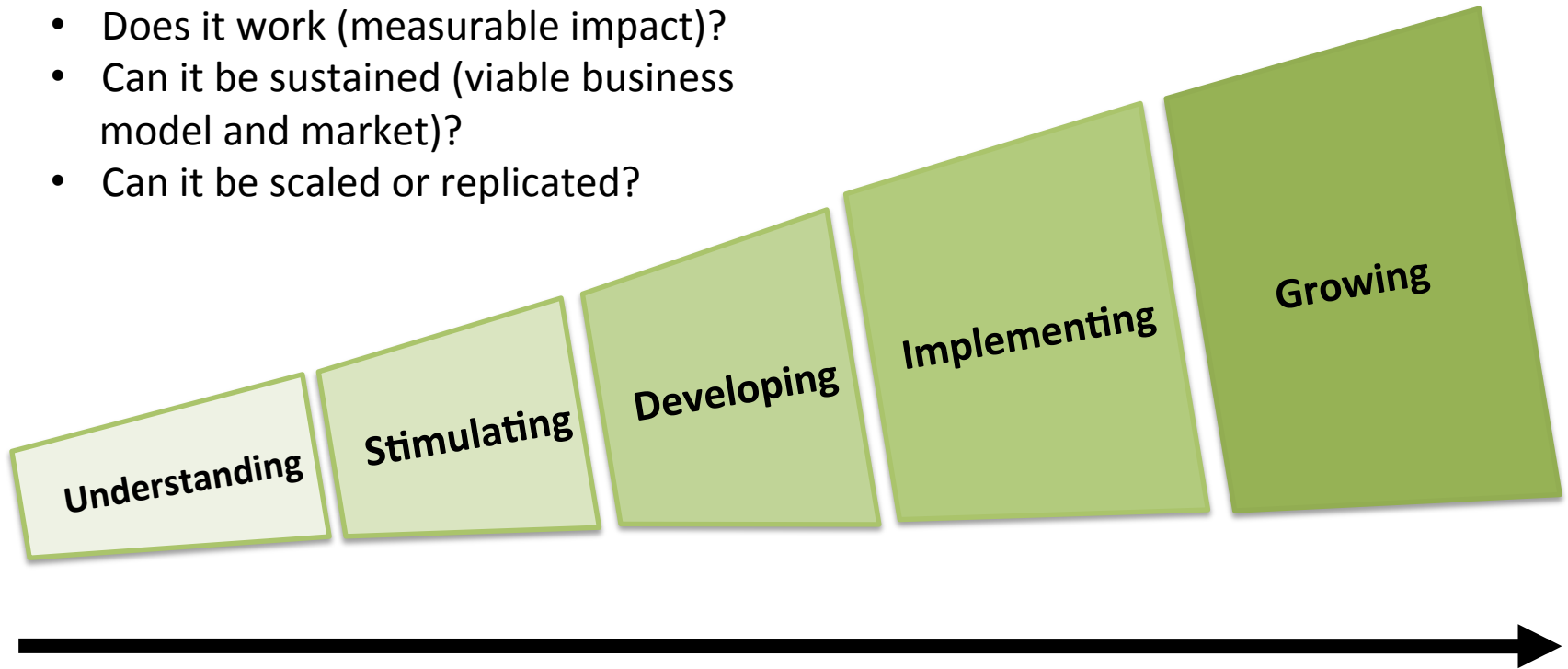
And more public money is not expected....



The Innovation Process

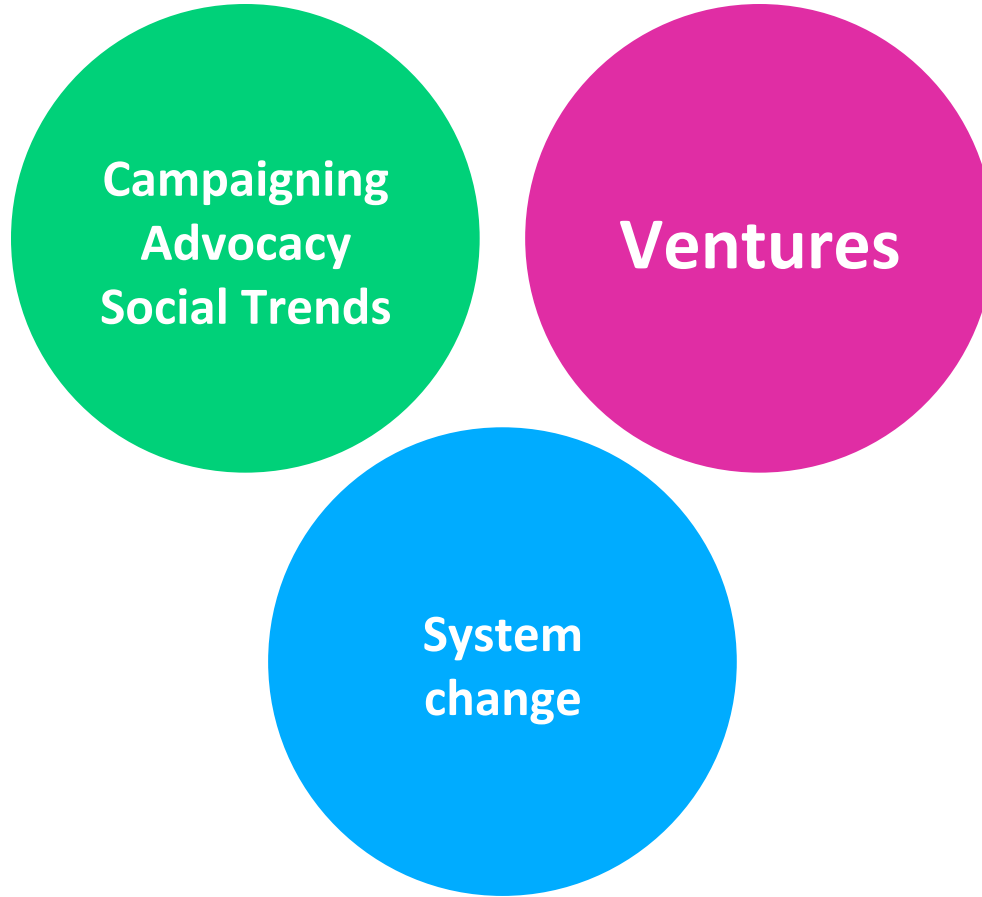
In social innovation the goal is to maximise impact for beneficiaries

- Does it work (measurable impact)?
- Can it be sustained (viable business model and market)?
- Can it be scaled or replicated?



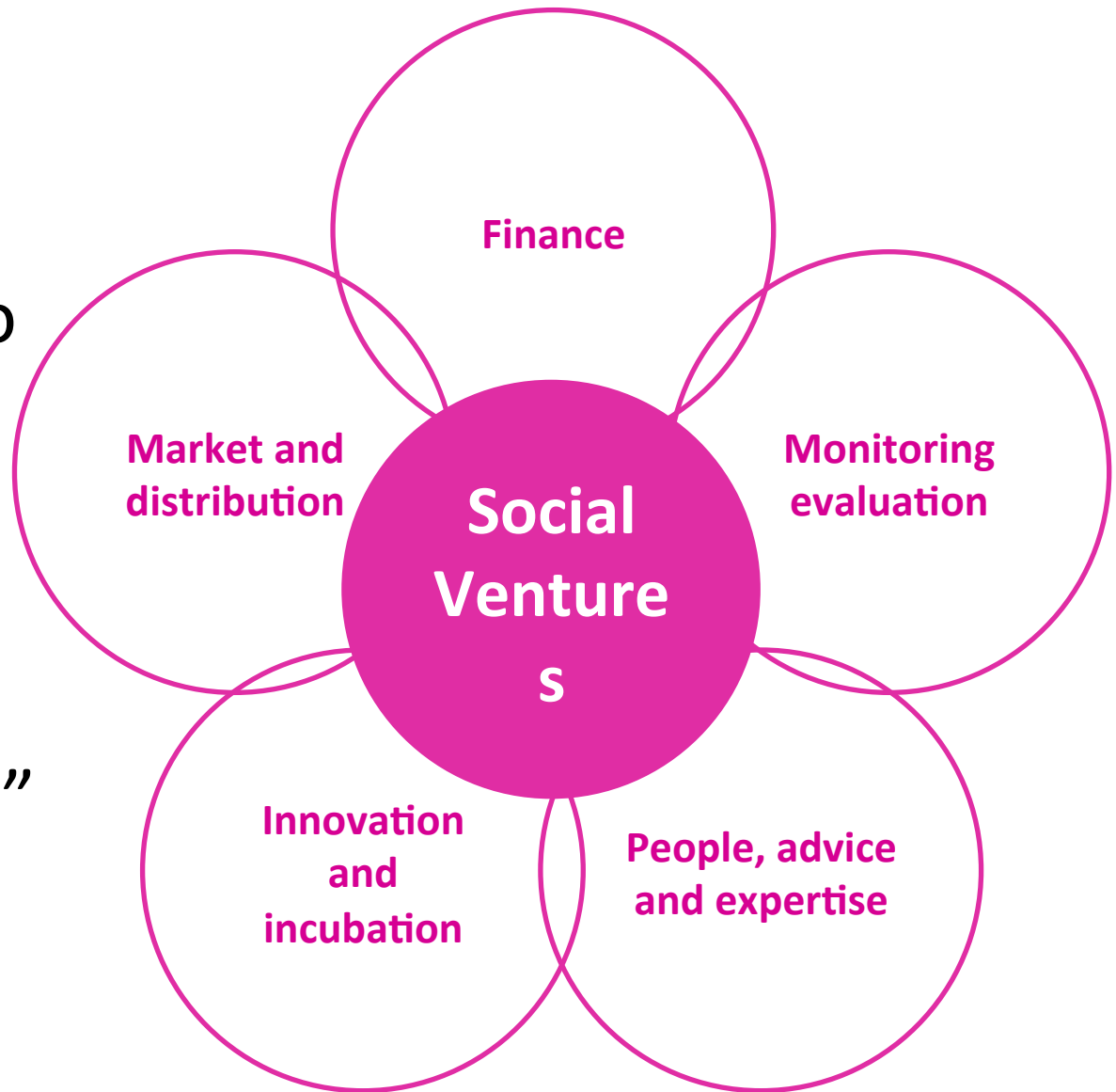
Finance required at all stages

Several routes to scale



Social ventures
need support to
grow

The UK is
developing
“intermediaries”
to provide this
support



Why is NESTA engaged in social venturing and impact investing?



NESTA Portfolio examples



Bridges
Ventures

FinanceSouthEast

 *abundance*

Finance

Market and
distribution

Monitoring
evaluation

Social
Venture
S

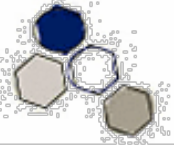
ClearlySo


**social
innovation
camp**

Innovation
and
incubation

People, advice
and expertise

resonance



THE SHAFTESBURY PARTNERSHIP


Turning around more lives

Outsourcing of
services and
payment by results

Encouraging social
enterprise, co-
operatives

Big Society and
community action

Building a social
investment market

UK public policies are
pro-social sector, and
together this creates
opportunities for
social ventures and
impact investment

Role of Big Society Capital

- The BSB will have a critical role in developing and shaping a sustainable market for social investment in the UK

Roles of the BSB

Wholesale Investor

- Long term capital to support:
 - Intermediaries
 - Market infrastructure
- Not a grant-making institution

Social Investment Champion

- Market champion:
 - With the public
 - To stakeholders
 - To investors

Operating Principles

Independence

Transparency

Wholesaler

Self Sufficiency

Big Society Capital: significant but only part of the answer

Big Society Capital

- Up to c£600m fund of funds for impact investing in UK
- Created from dormant account funds and deal with major banks
- Aiming to leverage its money 3-4 times, investing for modest returns and social impact

But other system interventions are necessary

- Level playing field on taxation of impact investments
- Appropriate financial regulation
- Early-stage investment where returns do not compensate for risk
- Encouraging talent
- Regional activity
- Competing with private sector for contracts

Conclusions

- Venturing is a promising route to tackling the social challenges we face
- Ventures need:
 - Money and support: intermediaries can help
 - An enabling environment: Government has a key role
- Market development takes time
 - A 20+ year journey?

More info

- NESTA publications in this area:
http://www.nesta.org.uk/areas_of_work/public_services_lab/social_enterprise
- My email joe.ludlow@nesta.org.uk
- My telephone number + 44 207 438 2663

