



What do we need to solve for to generate better impact?

Nov 2018

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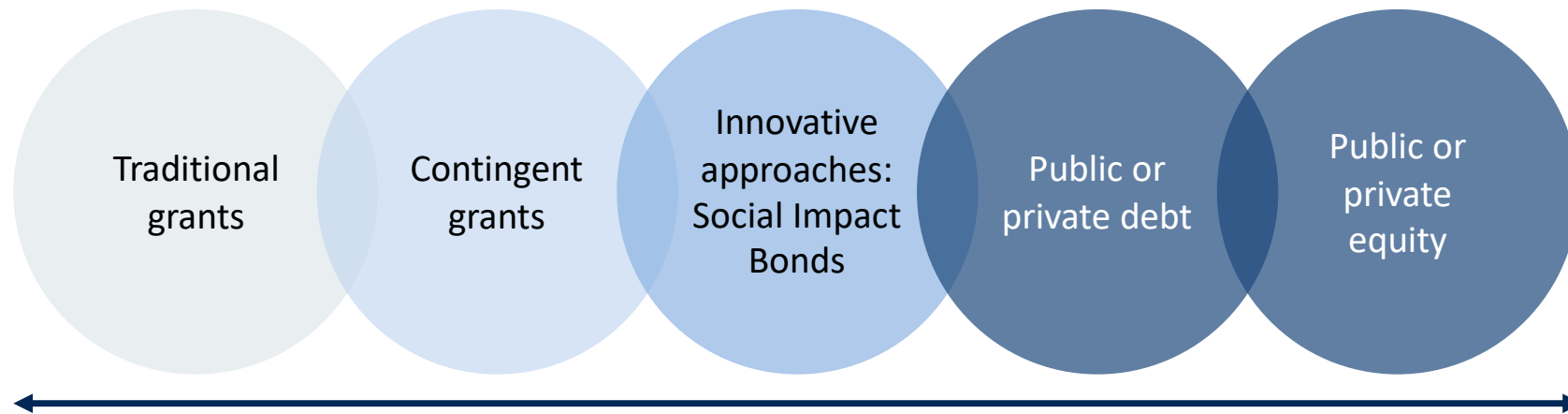


Current approaches are not generating the impact needed

- 1. We aren't optimizing market mechanisms or new sources of capital**
- 2. We don't know what is working**
- 3. We don't have *the right* focus**
- 4. We don't organize ourselves to succeed**



[Impact] Investing as a spectrum of approaches



Ideal for:

- Programs that are harder to monetize
- Testing new interventions
- Smaller capital requirements

Ideal for:

- Programs that are easier to monetize
- Scaled-up interventions
- Larger capital requirements



There is a large and growing pool of capital

**\$14.5
BILLION**

Total
Canadian
assets in
2015

123% growth
between
2013-2015 in

Canada¹

**\$35
BILLION**

New capital
globally in
2017

200+ top
investors have
\$200+ billion²

**\$228
BILLION**

Total
Global
assets in
2017

100% growth
globally year-
over-year³

**\$307
BILLION**

Estimated
global
assets in
2020

Based on
global growth
projections³



Impact investing is mainstream

Wealthy Canadians want impact in their portfolio



- 1. The vast majority of Canadian HNWI's are interested in impact investing**
- 2. Many investors are active impact investors or would like to make impact investments in the next year**
- 3. Canadian HNWI's want to invest with their existing bank or advisor**



What works, what doesn't?

“...**less than \$1** out of every **\$100** of **government spending*** is backed by even the most **basic evidence** that the money is being **spent wisely**”

** United States Federal Government*

Can Government Play Moneyball?, John Bridgeland & Peter Orzag, The Atlantic, July 2013

What works, what doesn't?



Collecting and managing data with purpose will help to make better decisions



Are we focused on the right things?

Population **health outcomes improve** with
an **increase in social spending** vs. **health
treatment spending**

Effect on provincial spending on social services and health care on health outcomes in
Canada: an observational longitudinal study. CMAJ, January 2018.

Are we focused on the right things?



Reorienting our system around outcomes and results requires a new social contract between those that deliver services and those that pay for them



Contrasting paying for outcomes with current expenditure practices

| | Activities-Based Gs&Cs | Paying for Outcomes Gs&Cs |
|---------------------------------|--|---|
| Pay when... | Program needs capital | Program reports on outcomes |
| Payment contingent on... | Activities completed | Degree to which outcome targets met |
| Designed to... | Complete activities or meet output targets (e.g. number of people spoken to) | Meet outcome targets (e.g. average blood pressure change) |
| Payments set by... | Size of program budget | Social and economic value of outcome targets |
| Risk appropriation | Government assumes all implementation and outcome risk | Government shares/transfers implementation and outcome risk |

Are we organized with a beneficiary in mind?

1

Incentive structure for cross-departmental collaboration.

2

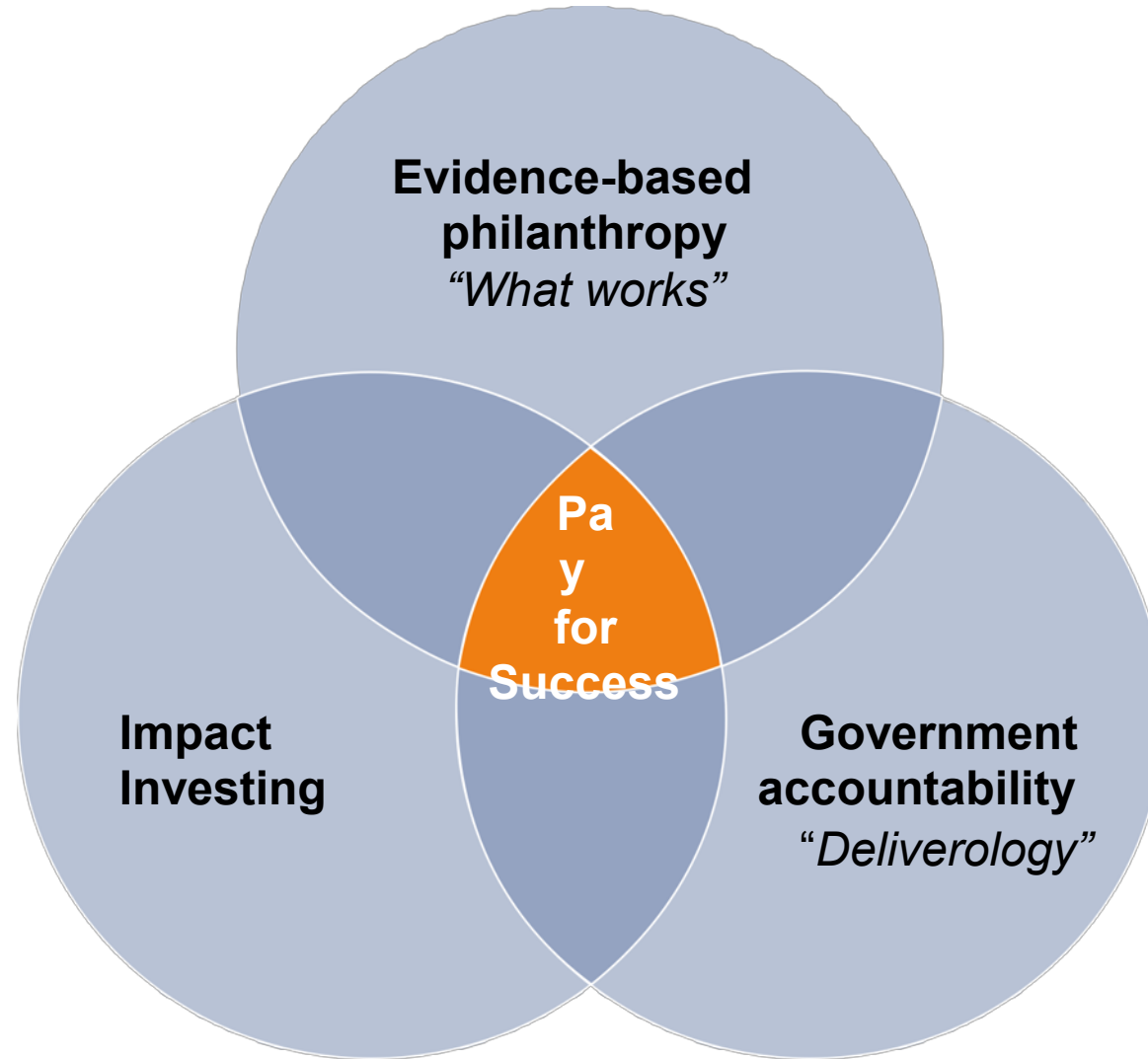
Co-design and co-creation of new programs with experts from private and non-profit sector.

Current architectures and perceptions are holding results back



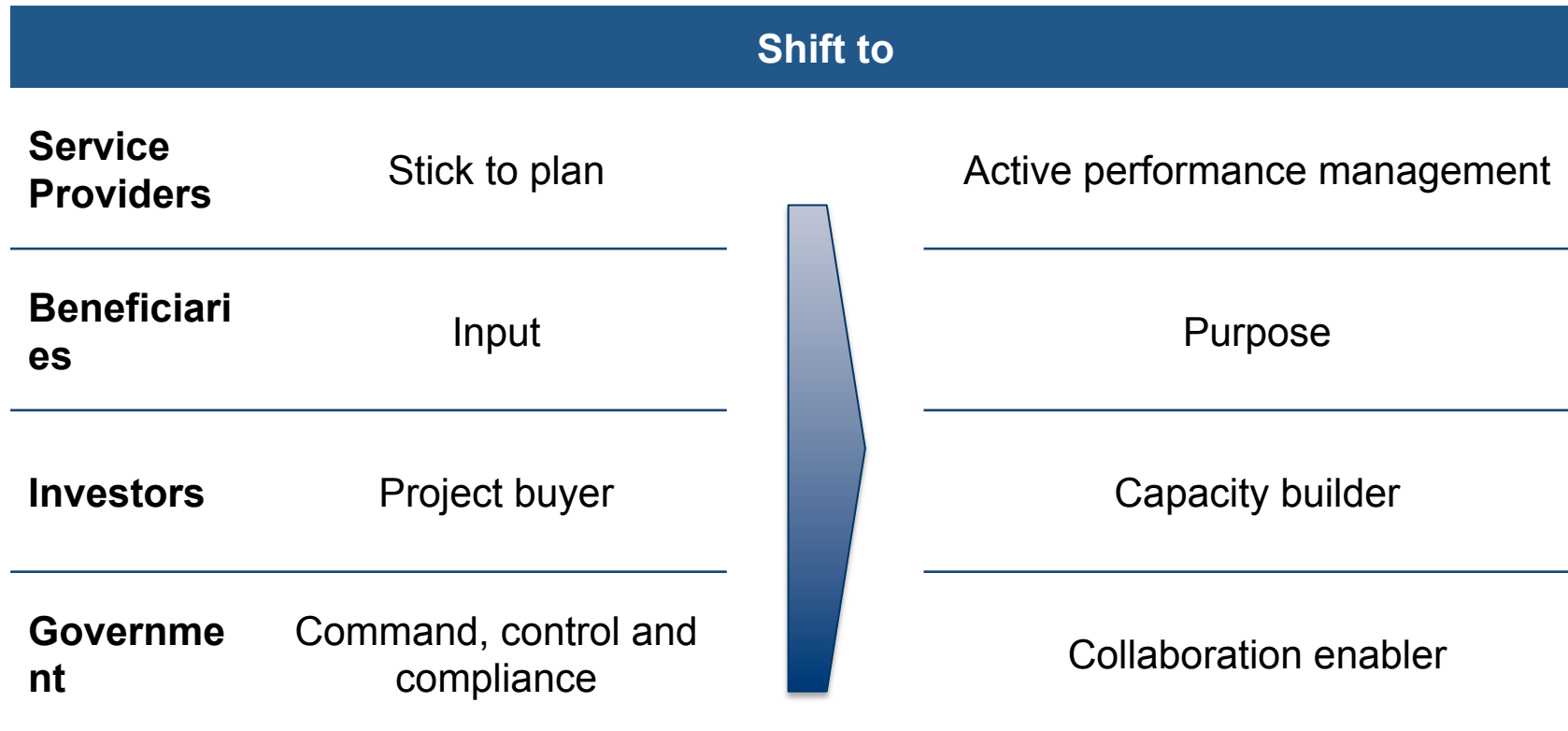
Concluding observations:

Paying for outcomes fits into three powerful movements



Concluding observations:

Re-orienting system around outcomes is more optimal for all stakeholders



Adapted from: "From Funding Activities to Investing in Results" Antony Bugg-Levine, Investing in Results, Federal Reserve 2017