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DISCUSSION PAPER

BETTING ON BETTER: THE PROMISE OF SOCIAL IMPACT BONDS

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Table of Contents

1. INTRODUCTION	1
2. INTRODUCING SOCIAL INVESTMENT	2
Caution about international literature	2
The history of an idea	2
The fiscal context	2
The public management system and the drive for better social services	2
Long-term welfare dependency	3
Vulnerable children	3
Big data and more advanced data analytics	4
The state of the welfare system in New Zealand	4
Defining social investment	4
Model one	4
Model two	5
Three innovations in social investment	5
Client segmentation	5
Intervention innovation	5
New modes of governance	5
Modelling the world	6
Pros	6
Complex lives	6
Criteria for effectiveness	6
Do more with less	7
Overcoming silos	7
Cons	7
Is forward liability the best measure?	7
Depoliticisation of the political	7
Relentless moral logic of data	8
Paternalism	8
Measurement costs and the limits of data	8
The limits of improved efficiency	8
Corruption	9
Social Impact Bonds	9
History in New Zealand	9
3. CURRENT GOVERNMENT PROPOSALS	11
Social Investment Agency	11
Social Investment Fund	11
Pathways to SIBs	11

Pathway One: New investment	11
Pathway Two: Contract consolidation	12
Pathway Three: Community commissioning	12
Pathway Four: Co-investment	12
Benefits	12
Innovation	12
Risk	12
Little platoons	12
Competition	13
Rational framework	13
Cons	13
Narrow interventions	13
Rigging the game	13
Contracting complexity and negotiating costs	13
The politics of contracting	14
Diminishing improvement over time	14
The risk to charities themselves	14
Client privacy	14
The state of financial markets in NZ	14
4. RECOMMENDATIONS	15
For policymakers	15
Under no circumstances should the government underwrite the risk for SIB investors	15
SIBs must be evaluated as a whole, not individually	15
Democratic legitimacy is required	15
Ethical and political debate must remain central to policymaking	16
The Social Investment Agency should not be a standalone agency	16
Create a pathway to tradability	16
For charities	16
Diversify funding sources	16
Use Special Purpose Vehicles	16
Seek informed consent for sharing client data	16
For citizens	17
Invest in SIBs yourself	17
Form a giving circle	17
BIBLIOGRAPHY	18
ENDNOTES	19

About the author

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“Would it not be a contribution to human welfare more important than the invention of the wireless telegraph or the flying machine if some member of this association should devise a system of accounting which would measure the efficiency of civil servants and the amount of social utility created by public expenditure? Until this is done it will be impossible to strike a balance between social cost and social revenue, no one will be able to tell whether government is carried on at a profit or at a loss, and there will be no limit to the increase of taxation and no effective check upon extravagance in governmental expenditure.”¹

James Edward Le Rossignol, 1909

The paper in summary...

This report examines the rise of Social Impact Bonds (SIBs) as a new instrument for financing social services in New Zealand. It explores the promise, performance, and limitations of these mechanisms through the lens of New Zealand's social investment approach. SIBs link public funding to measurable outcomes rather than service inputs. They enable community providers to deliver services, tailored to the communities they know well. When paired with up-front private funding, SIBs minimise risk to government, leverage local know-how, and provide the context for innovation in social service provision.

New Zealand has already successfully experimented with SIBs. The Genesis Youth Trust in South Auckland, aimed at reducing youth reoffending, was implemented in 2017 and concluded in 2022. Independent evaluation found it had exceeded its targets, reducing reoffending rates among participants and producing an estimated \$9 of social value for every dollar invested. The evaluation also noted that the bond fostered closer collaboration between government, investors, and service providers, and introduced new data-driven tools for measuring impact. The experience of the Genesis Youth Trust bond demonstrates that, under these conditions, SIBs can deliver real social and fiscal gains.

To maximise the potential of this policy tool, the paper makes the following recommendations:

For policymakers

1. Under no circumstances should the government underwrite the risk for SIB investors. Risk appetites and potential failure are central to the SIB project. If the government underwrites risk, even in the early stages, it undermines the primary comparative advantage of SIBs.
2. SIBs must be evaluated as a whole, not individually. Some bonds will succeed; others will fail. In order to measure whether SIBs are an effective policy framework, the total cost-benefit needs to be assessed together.
3. Democratic legitimacy is required. SIBs face an embedding problem; if they are to become an enduring policy framework, they need to be successfully endorsed through successive elections.
4. The Social Investment Agency should not be a standalone agency. While SIBs are an innovative policy tool, the core functions underpinning them already exist. Treasury, Stats NZ, and Ministry of Social Development possess the core competencies required to implement SIBs. Further proliferation of government agencies contributes to complicated lines of accountability and makes social investment easy to disestablish with changing political winds.
5. Ethical and political debate must remain central to policymaking. Social investment and SIBs are valuable frameworks for approaching social services. But to whom we owe what sorts of care remains a moral and political question that cannot be abdicated to technocratic public servants.
6. Create a pathway to tradability. Impact bond investors should have the option to sell their bond on a secondary market. Tradability enables funders to better manage their exposure to risk, supports better price discovery, and will strengthen confidence in the broader social investment ecosystem.

For charities

7. Charities should limit their financial exposure to SIBs. As they are an emerging policy tool, their long-term stability amidst changing political tides is uncertain. Therefore, charities should maintain a diverse range of funding streams to manage risk.
8. Consider Special Purpose Vehicles to house SIB contracts to manage risk to other elements of the organisation.
9. Seek informed consent for sharing client data. Integrating client data collected by private charities with the Integrated Data Infrastructure (IDI) should be considered a major shift in expected data use, compared to ordinary service provision. Therefore, charities should take care to gain informed consent to use this data as clients may not automatically understand what they are consenting to.

For citizens

10. Invest in SIBs yourself. Direct giving is an important practice, but too often private donors' generosity is not matched with an equal attention to the effectiveness of their giving. The success metrics of impact bonds provides a mechanism for private givers to focus their generosity.
11. Form a giving circle. It's easy to feel like your donation does not go very far. A giving circle is where likeminded people come together to pool both resources and knowledge and direct their giving in a coordinated fashion. The social element makes the complexity of navigating impact investing easier to manage and provides a context that invites others to be generous too.

1. INTRODUCTION

For as long as there has been government, there has been debate about what it should do and how it should be doing it. Over the twentieth century, the rise of professional management and technocratic governance promised improved delivery of social services. The results, however, have been decidedly mixed. Perhaps more frustrating still, the results have been hard to assess. Over the last 130 years in New Zealand, the government has taken on the responsibility of social welfare spending, beginning with the Old Age Pensions Act of 1898 and radically expanding with the Social Security Act of 1938.² However, approaches and expansion to the welfare system have been ad hoc, changing and reshaping with every political wind.

Beginning in the early 2010s, a new framework emerged—social investment. The aim was to use high quality data and a laser focus on long-term cost to government to deliver new and innovative approaches to social service spending and promote greater efficiency. With the return of a National Party-led government in 2023, social investment is back on the policy agenda. Alongside social investment is a new tool for delivering policy: the Social Impact Bond (SIB). SIBs are a three-way contract between the government that commissions an intervention, a delivery agency (whether government or private charity), and third-party funders. Together they create an outcomes-based contract where third-party funders support the intervention and receive a payout if the outcomes are achieved. The goal is greater innovation and smaller risk to government.

This paper analyses the possibilities and limitations of Social Impact Bonds as a tool for social service delivery in New Zealand and recommends how to give them the best chance of success.

2. INTRODUCING SOCIAL INVESTMENT

Social Impact Bonds did not emerge in isolation. They belong to a larger policy framework known as social investment, which seeks to evaluate and improve the effectiveness of social service provision. Before discussing SIBs, we must first outline the main ideas that underpin this approach. Social investment has been a much-contested idea in public policy, both in New Zealand and internationally, with debates about definitions and disagreement as to the extent to which it represents a new approach at all.

Caution about international literature

Even within New Zealand, the term “social investment” is contested and hard to adequately define. However, it does represent a common tradition within which rival accounts compete for dominance. But internationally, the language of social investment has been used in different places, with different contextual questions, political frameworks, and underlying assumptions about the nature of welfare. Often “social investment” refers more to education as investment in human capital, rather than the focus on welfare provision that has dominated the New Zealand approach. It is crucial, when drawing on international resources, to be clear that not all references to “social investment” refer to the same conceptual frame.

The history of an idea

Creating quantitative measures of policy effectiveness is nothing new. The opening quote from James Edward Le Rossignol represents the enduring hope among policy makers that policy effectiveness could be quantified. Remembering this can moderate our expectations about what any fresh approach might achieve. There is nothing new under the sun.

In New Zealand, social investment became the favoured approach in the later years of the Key-English Government.³ Writing about the then-new social investment approach in 2017, Boston and Gill identify five key contextual trends that motivated the new approach: 1) fiscal pressures driven by the Global Financial Crisis (GFC) and the Christchurch earthquake; 2) Michael Cullen’s earlier quest for more efficient social services; 3) an emergent cohort of long-term welfare dependents; 4) a special concern for children in

poverty;⁴ and 5) the development of new technology and data tools.⁵ While circumstances have changed since 2017, many of the key issues remain. To understand what social investment hopes to achieve, it is worth taking each of these issues in turn.

The fiscal context

The Key-English Government faced two acute fiscal challenges in its first term of government: the 2008 GFC and the 2011 Christchurch earthquake. The GFC placed immense cost pressures on public finances: “the estimated structural balance declined from around 2% of GDP in 2008 to -4% of GDP in 2011.”⁶ That is to say that the amount of money the government lost annually was 4% of the total economic activity in New Zealand. The government ran seven successive deficits before returning to surplus in 2014/2015.⁷ The Christchurch earthquake then exacerbated this pressure, with the Crown spending in excess of \$13 billion in earthquake recovery.⁸ Social investment emerged at a time when government finances were heavily constrained, running deficits year on year. There was then a sustained attempt to get better long-term value for government spending.

Although the government returned to surplus by the end of the Key-English Government and ran surpluses for the first couple of years of the Ardern Labour Government, the Covid-19 pandemic fuelled a radical increase in core Crown expenditure that has not been reversed. New Zealand is running a structural deficit—one that will not resolve itself even when economic growth resumes. While the structural deficit is down from its average of 1.9% of GDP over the past two years, it remains forecast to be 1.3% throughout 2024/25 and 2025/26 budgets.⁹ The Treasury’s *Long-Term Fiscal Statement* released in September 2025 expects fiscal pressures to accelerate in coming decades due to the ongoing challenges of an aging population.¹⁰ The pressure to develop more efficient government spending will remain for the foreseeable future.

The public management system and the drive for better social services

The pursuit of more efficient social services did not begin with the Key-English Government. Former Minister of Finance Michael Cullen, serving under the Helen Clark Government, had already begun exploring better analytical approaches to social development, under the banner of “accounting for outcomes.” Both the Clark and Key-

English Governments inherited the broader legacy of the “New Public Management,” which reformed public sector organisations to function more like private, corporate governance structures.¹¹ Within this frame, ministers direct public sector agencies to achieve specified goals and give them money to achieve it. One can imagine the government minister as a customer, buying a good or service. Recent reforms, such as the Public Service Act 2020, have sought to moderate the influence of the New Public Management approach, but its influence remains substantial.¹²

A long-standing debate is what the government should “purchase”: an output or an outcome? All approaches to performance managing the public service balance pursuing either outputs or outcomes. Outputs are clearly defined, deliverable tasks that are measurable. An output could be a benefit given, or a programme run. Because outputs are clearly measurable, there is clear accountability for leadership. However, the question remains, are the outputs the right outputs? Outputs are a means to an end, not an end in themselves. At best, outputs delivered represent a rough approximation of desired outcome. At worst, they bear no relationship at all. The alternative is to pursue outcomes, which are the real purpose of welfare efficiency. By assigning outcomes, rather than outputs, the focus is on the right thing. However, outcomes such as wellbeing are nebulous and hard to measure. Outcomes-based goals are harder to use to ensure accountability for performance.

A further component of the quest for better social services is the overcoming of “silos.” Government agencies are traditionally divided along task lines, with different task delivery agencies having minimal contact with one another. However, social wellbeing or a lack thereof is driven by a range of related factors. Effective intervention necessarily involves cooperation between agencies. Social investment aims to provide a framework for efficient public management. By providing a clear analytical framework for assessing outcomes, it allows evaluation of various outputs. A singular analytical framework for outcomes provides the basis for cooperation among agencies with different tasks specialities.

Long-term welfare dependency

For most of the past century, New Zealand has provided welfare support for those who are experiencing financial hardship. Traditionally, the programmes were understood to be temporary measures, a “safety net” to help people regain stability and return to independence. For many who

encounter acute financial hardship, short-term assistance provides security during periods of unemployment, illness, or crisis.

However, over the past several decades, a relatively small but increasing proportion of working age New Zealanders have emerged who are dependent long-term on government support. This trend presents a twofold concern: firstly, long-term welfare dependency is bad for those who are on it, as shown in a range of outcomes. The longer one is dependent, the harder it is to exit. A persistent cohort of working-aged people dependent on state support signals a failure of the safety net to achieve a key purpose—supporting people back into independence.

Secondly, long-term welfare dependency places ongoing fiscal pressure on the government—not only in the real cost of benefit paid, but the opportunity cost of foregone income taxes. By focussing on long-term dependency, social investment is a deliberate shift from looking at the welfare system from an aggregate, static view of the population as a whole, towards a greater focus on individuals, and the time dimension of welfare provision. Because long-term welfare dependency is both an extremely negative experience for those who are on it and a major future cost liability to the government, social investment promises to improve both wellbeing and government finances simultaneously.

Vulnerable children

A central concern driving the adoption of the social investment approach was the welfare of vulnerable children. By the early 2010s, successive reports highlighted persistent child poverty, family violence, and intergenerational disadvantage as defining features of New Zealand’s social landscape.¹³ The issue had gained sufficient prominence to be the subject of one book in a series of policy and history texts by BWB, this one authored by Jonathan Boston and Simon Chapple in 2015.¹⁴ These challenges were not new, but they had become increasingly visible through longitudinal research and administrative data linking poor childhood outcomes to lifelong costs—both human and fiscal. Children growing up in deprivation were more likely to experience lower educational achievement, poorer health, and reduced participation in the labour market as adults.

Social investment analysis was a natural tool to evaluate the long-term impacts of child poverty because it is interested in longitudinal analysis of specific cohorts. The specific

interest in child poverty was further extended in the sixth Labour government by Jacinda Ardern's decision, upon becoming Prime Minister in 2017, to make herself Minister for Child Poverty Reduction.¹⁵ However, the Labour Government's Wellbeing Budget changed the emphasis and approach.

Big data and more advanced data analytics

The final and perhaps most significant factor influencing the social investment approach was the emergence of new and powerful ways of retrieving and integrating data. The government leveraged this data by centralising it within the Integrated Data Infrastructure (IDI). The IDI contains data from almost every interaction Kiwis have with the government including health, education, benefits, justice, "people and communities" data, population data, income and work, and housing.¹⁶ Alongside the IDI is a Longitudinal Business Database, which is a business equivalent of the IDI. The IDI was established in 2011, though programmes for integrated data existed at least as early as 1997.¹⁷ In the IDI, the data is deidentified; names, day of birth, and specific addresses are removed.¹⁸ However birth month and year are retained and addresses are substituted for a mesh block (between 30 and 60 dwellings). This allows for age and geographic statistical analysis, while retaining a degree of privacy. The IDI also complements this administrative data with survey data to provide a more well-rounded picture. The importance of this survey data is that it "can capture concepts that are unlikely to ever be reflected in administrative records (e.g., the temperature of a house) and can provide measures of outcomes (e.g., life satisfaction) rather than merely reflecting the services delivered (e.g., whether a person was in government-subsidised housing)."¹⁹

Powerful data tools such as the IDI come with a certain amount of risk. Alongside the deidentification of data, the IDI aims to protect privacy of citizens through their "Five Safes Framework": safe people, projects, settings, data, and output. The Ngā Tikanga Paihere framework, developed in 2018, provides guidance for culturally appropriate data use.

The IDI's highly targeted data set allows for granular analysis of specific cohorts. For example, it can indicate the impact of getting a driver's license on long-term employment or the relationship between housing and hospitalisation. Looking at the outcomes for individuals over time provides insights that are not available when examining only aggregate populations. This representation

of individuals across all variables of interest is not perfect, because it depends on the linking of a range of disparate datasets. Regardless, the IDI makes it possible to establish probabilistic outcomes for cohorts, and it makes it possible to better quantify improved outcomes subsequent to social service interventions.

The state of the welfare system in New Zealand

Social investment is broadly interested in issues of welfare and social security. Insofar as other fields such as housing, health, and education impact upon social welfare, they are involved as well. The 2024/25 Crown budget forecast welfare spending, excluding New Zealand Super, at \$24.3 billion, or 16.8% of core Crown expenses. NZ Super is a further \$23.2 billion, or 15.5%. Welfare spending involves an immense amount of money; responsible governments have a duty to assess its effectiveness.

Defining social investment

What is social investment? Commentators differ not only about the pros and cons of social investment, but also about precisely what it is. Boston and Gill offer two models of social investment, which characterise important approaches. They describe the first model as the original social investment approach, emerging in 2011. Model two emerged during 2015-16.²⁰ By 2017, model two was the official approach.²¹

Model one

1. A primary focus, in policy terms, on the welfare system, and especially working-age beneficiaries.
2. A strong focus on reducing the long-term fiscal liability of the benefit system, with such a reduction viewed as a useful proxy for an overall improvement in societal outcomes.
3. The use of actuarial analyses to calculate the long-term fiscal liability of different categories of welfare beneficiaries (e.g., unemployed people, sole parents, those with significant health and disability issues, etc.).
4. The use of active labour market policies and better service delivery to assist working-age beneficiaries off benefits, with a prioritisation of assistance to long-term beneficiaries.

5. An assumption that benefit exits equate, at least broadly, to employment gains; and
6. A commitment to a performance management system for Work and Income in which the target of reducing the Crown's long-term fiscal liability is prioritised.²²

Model two

1. A broadening of the target population for the social investment approach beyond working-age beneficiaries to include other vulnerable or at-risk populations (e.g., children within, or at risk of being placed within, the care and protection system).
2. A broadening of the goals beyond reducing the Crown's long-term fiscal liability and the number of long-term welfare beneficiaries to include: (a) a reduction in the total number of people receiving a main benefit (by 25 per cent between June 2014 and June 2018); and (b) improved outcomes for other vulnerable groups.
3. A broadening in the range of analytical tools from a primary focus on actuarial analyses to a greater concentration on the use of big data and data analytics, together with the more consistent application of cost-benefit analysis during annual budget rounds to better inform policy decisions on the funding, design, and delivery of a wide range of social services; and
4. The creation of a new ministerial portfolio for social investment in December 2016, new agencies (initially the SIU in early 2016 and later the SIA in mid-2017) and a new Social Investment Board in mid-2017 (replacing the previous Social Sector Board) to bring stronger political and administrative leadership to, and oversight of, the social investment approach.

These two models are illustrative of a general difference between two approaches to the idea of social investment. As the current iteration of social investment is still emerging, precisely which is more representative of the current government approach remains to be seen.

Destremau and Wilson offer another definition:

*Social investment means a government-funded programme that entails applying resources today in the expectation that a measurable improvement in a dimension of policy interest will result at some point in the future.*²³

Three innovations in social investment

So, if social investment is generally about trying to understand how spending money today can create measurable impacts in the future, what exactly is new?²⁴ Destremau and Wilson describe three innovative features: client segmentation, intervention innovation, and new modes of governance.

Client segmentation

Traditional welfare services operate on aggregate data, unemployed people, or low-income earners. Client segmentation involves identifying groups and individuals with very specific needs, using the IDI, and targeting approaches at them. Segmenting specific clients and then stressing the time component of deprivation gives greater understanding about the nature of hardship.

At two different points in time the national unemployment rate may be 5%, but it is not necessarily the same 5% of individuals. Some will find work in the near future, others will experience extended unemployment. Client segmentation gives greater clarity about the expected future outcomes for specific people. This clarity enables the second claimed innovation.

Intervention innovation

This answers the desire for greater innovation and experimentation. Because segmented client data makes the world more legible to policymakers, new approaches can be trialled and assessed. For example, client segmentation allows for better estimates of recidivism rates among recently released prisoners. Such rates can be broken down by education, holding of a driver's license or a range of other factors. By seeing the correlation between factors and outcomes, the expected benefits of different prisoner rehabilitation programmes can be estimated and then assessed upon implementation.

New modes of governance

The final approach of social investment, which stands out most clearly from other efforts to improve social services, is the desire to innovate in governance. This occurs in two ways. Operating through a single centralised dataset encourages collaboration between government entities. More radically, social investment aims to use non-

governmental entities such as charities and iwi to deliver government services, especially to hard-to-reach clients.

Modelling the world

Before discussing the pros and cons, a brief philosophical detour is warranted. Policymaking requires models of the world. We create theoretical simplifications of causes and effects to help us act amidst the complexity of reality. The question isn't whether we should build models or not, but whether we are building good models or bad ones.

So, what makes a good model? The most obvious feature is accuracy—that it corresponds well to how the world actually is. But accuracy is only one measure. Another crucial feature is simplicity. Any model that is overly complex becomes too hard to use for real-world decision making. We can't see the forest for the trees.

The notion of model-making is relevant to our analysis of social investment in two ways. Firstly, social investment is interested in how data allows us to model how people's lives will pan out based on what we currently know. It then allows us to predict how social intervention will change their expected outcomes. This is a classic idea of a model as used in statistics.

But there is a second key model that underlies social investment, as typified in Boston and Gill's "Model One": reduced dependence on government welfare services over time is a helpful proxy for improved wellbeing. This element of the social investment approach has been heavily criticised because it is not perfectly accurate. For instance, for a person with a long-term, serious disability, reduced government dependence is unlikely to improve wellbeing. Social investment approaches generally exclude or heavily modify their approach when considering disability, compared to other forms of dependency. But the general model that social investment operates with assumes that dependency is bad, and reducing dependency generally presents an improvement in wellbeing.

To draw out the model aspect of this approach, we can compare it to a different model—wellbeing. Instead of focusing purely on long-term dependency, which is clearly reductive, we could develop a range of measures that capture flourishing: financial stability, social capital, physical health, sense of safety, self-reported wellbeing, and so on. A wellbeing approach to public policy is certainly a more *accurate* model of a flourishing human life, but it

does not necessarily follow that it is a more *effective* model for public policy.

Social investment is clearly a reductive model of the world that informs social policy, but its reductiveness is a strength. Because social investment maintains a laser focus on the narrower measure of forward liability, it is easy for decisionmakers to be accountable to that measure. When policy makers and politicians are presented with a broad dashboard of wellbeing measures, it is harder to hold them accountable to any particular measure, and therefore their decisions risk regressing to the arbitrary mean. The social investment model walks the tightrope between accurately representing the world, and providing clear guidance to decision-makers.

Pros

Complex lives

As discussed, a key contextual factor in the emergence of social investment approaches was the worrying rise in long-term welfare dependency. Here the time-oriented component of social investment comes to the fore. It matters hugely how long people have been on benefits, and not simply how many are on a benefit at any given time. Most people who rely on benefits are experiencing an acute set of challenges that state support can help them through, and then they return to independence. This is the cohort that traditional approaches to welfare were designed to target, and for this type of person traditional services work relatively well.

However, there remains a smaller group of people who have "complex lives," multiple overlapping needs that make traditional welfare approaches ineffective. They are most at risk of becoming dependent. People with complex lives, over the long term, draw on a large array of government resources. The innovations in data that underly social investment give a better understanding of which cohorts of people have multiple overlapping needs, and what their expected outcomes are over a lifetime.

Criteria for effectiveness

The welfare system in New Zealand is wide ranging and has expanded over successive governments without varying its theoretical and empirical approaches. The promise of social investment is a unified analytical framework that can provide coherence and accountability. Many of the

biggest challenges in welfare delivery are not between expanding or contracting the welfare state, but choosing between two ostensibly good programmes or seeing which interventions are not working so that their resources can be deployed elsewhere. Crucially, it is not enough for those at the frontline with lived experience to “know” that their work is effective, because their “knowing” is inaccessible to decision-makers, no matter how reliably grounded in real world experiences. Social investment provides a rational framework with which leaders can make decisions.

Do more with less

New Zealand has been facing a structural deficit for a number of years. A structural deficit describes government spending, exceeding government revenues, that will not resolve itself over any forecast time horizon. New Zealand has been stuck in a recession and, when economic growth resumes, that will improve the state of the government finances. However, a return to growth will not of itself return New Zealand to a balanced government budget. Government debt is not itself bad; spending for long-term investments in economic growth, such as infrastructure spending, is acceptable. However, excessive government spending on operating costs, such as welfare, creates long-term liabilities that impoverish future generations. In this context, with government finances heavily constrained, the welfare state faces strong pressures to do more with less.

A word of caution: when social investment approaches focus on reducing government’s future liabilities, typically such models exclude superannuation. However, if a driving concern behind social investment is fiscal sustainability, the results may be underwhelming. If interventions improve long-term wellbeing, they may improve expected years of life for cohorts. Longer lifetimes are a great success, and should be celebrated, but they reduce the total amount of expected savings and should be factored in.

Overcoming silos

A common refrain within public service organisations is that services are “siloesd” and operate without reference to or coordination with the activities of other social services. This can lead to overinvestment in some areas, where service provision is doubled up, and it can open up cracks that vulnerable people fall through. The unified data sets and social investment analysis have the most promise when it comes to analysing those with the most complex lives.

Systematic longitudinal analysis of hardship and deprivation, as well as escape from poverty into stable self-sufficiency, can highlight the areas where service providers most need to focus their time and energy, and allow coordination across them.

Cons

The preceding section analysed the pros of social investment; what are the potential cons?

Is forward liability the best measure?

The purpose of the welfare state is to improve the wellbeing of the most marginalised. While social investment’s concern with finding efficiency and reducing future costs is admirable, that is a secondary concern.

While the wellbeing model had a high degree of complexity that might not adequately guide decisionmakers, social investment risks ignoring what the welfare system is for. All analysis of future savings and efficiency assumes that the current mix of policy interventions remains static, which is never true. Future liabilities are not fixed. Therefore, models of expected outcomes could prove unreliable.

Depoliticisation of the political

A connected concern is who decides the role of the welfare state. The social investment approach wants to use data to guide government decision-making on which interventions to pursue. But this approach tends to empower the bureaucratic state at the expense of the political will of voters. The weight of decision-making within a social investment frame is on technocrats and experts.

However, public policy remains an exercise in politics. Securing legitimacy through public warrant is crucial—both pragmatically, in that it enables long term buy-in to the approach, and more fundamentally, morally. Subjecting the decisions of government to the will of the voters is a substantive good in a democratic society.

An excellent example of this in the area of criminal justice. The justice system has been an area of interest for social investment approaches in New Zealand. This interest is natural because the costs of future incarceration represent a neatly defined future liability for the government. Furthermore, most criminal offending is committed by young men and so the time horizon under consideration is

relatively constrained. As such, preventative and restorative interventions offer promising opportunities for government cost savings.

However, applying social investment analysis to the justice system can pre-empt or bypass deeper philosophical consideration of what the justice system is for. Restorative justice, criminal deterrence, and creating alternative pathways to avoid criminal offending in the first place are all good and proper. However, criminal justice as currently constructed in New Zealand has an irreducibly punitive element. The purpose of the criminal justice system is to punish criminals.

Advocates who wish to transform criminal justice away from a punitive approach toward a purely restorative and preventative system must do so through public consent in the democratic process. The role of politics is concerned not simply with technocratic “outcomes” but with basic goods: right and wrong, freedom and justice. No amount of data can properly avoid fundamental moral and political questions.

Relentless moral logic of data

This depoliticisation of the political is further threatened by the relentless moral logic of data. The amount of information we are able to collect is staggering, and with a hyper-abundance of data another intervention can always find evidence to support it. As the history of the expanding state in New Zealand shows, involvement in the private lives of citizens is much easier to expand than to roll back. While social investment purports to provide a mechanism that constrains state fiscal expansion, it may actually increase the pressure to radically expand social services. There are different opinions about the moral value of expanding the welfare state; data alone should not determine that position.

Paternalism

Social investment raises interesting questions regarding paternalism and the welfare state. Social investment tends to move people from dependence on government to independence and self-sufficiency. While advocates argue that this is connected to improved outcomes for those who achieve independence, the people in question may not feel that way. Wilson gives a hypothetical example:

Consider a long-term welfare recipient who has lost confidence in her work skills, lost work habits, and is scared about redundancy and loss of access to emergency benefits if she takes a job. She might regard a shift to work as a negative benefit. But what if the person doing the CBA [cost-benefit analysis] takes the more paternalistic view, from the point of view of the funder, that once she has made a successful transition to paid employment, she will change her view – and uses that optimistic valuation in the CBA? Or is the concept that of a disinterested observer who weighs up the donor’s and the recipient’s views and somehow balances them out?²⁵

Defenders of social investment, however, argue that traditional models of welfare are themselves heavily paternalistic, and social investment’s interest in innovation and decentralisation has the potential to reduce, rather than increase, the paternalism of welfare provision.

Measurement costs and the limits of data

The strongest recurring argument among proponents of social investment is the value of robust data. The benefits of big data are easy to articulate, but the drawbacks are often not well understood.

Data collection and analysis costs money and always relies on incomplete and uncertain data. As discussed in the section on modelling the world, that is unavoidable. However, in the age of big data it is essential to retain an appropriate humility as to what the data shows, and what we really know. Because data is incredibly powerful, the call to develop more and more data systems and tools will be relentless. However, more precise knowledge will face diminishing marginal returns.

The underlying costs of measuring things reveals a key limitation with the big data approaches: intrusion precedes measurement. Bias exists from the start, because judgments must be made about what is most worthwhile to measure and how it should be measured. While social investment promises to improve services by decreasing reliance on convention or intuition, convention or intuition still shapes what gets quantified.

The limits of improved efficiency

The aspirations of social investment are commendable but often assume a disproportionate level of importance in the minds of advocates. Firstly, many core Crown functions are not suitable for analysis within a social investment

frame and therefore cannot replace the ordinary business of governing. For example, a core government function, that directly impacts the lives of the most marginalised, is macroeconomic stability. Between 2008 and 2010, New Zealand faced a dramatic increase in the number of children facing material hardship. There was no significant structural change in New Zealand welfare policy or state service provision that could explain this change. Rather, it was an inevitable result of the broader macroeconomic environment that was the GFC. The most important things for government to do are those things that *only* government can do. Macroeconomic stability, economic productivity, and national and domestic security all sit outside the scope of social investment. This should moderate our expectations of what better data can accomplish.

Corruption

Social investment's governance innovations tend towards enabling partnership with the private charitable sector. The benefits of partnership, competition, and innovation are compelling. They present an important opportunity for better social services. However, partnering with social services involves placing financial decisions outside of government control and immediate accountability. This presents a risk of corruption, both real and perceived. While New Zealand has been considered a low-corruption country, lack of corruption is not guaranteed. Indeed, at the time of publishing this paper, there is a case before the courts involving a major, politically involved, charitable service provider that faces allegations of corruption, financial mismanagement, use of government funds for political activities, and the misuse of government statistical data.

Social Impact Bonds

Having surveyed social investment as a broader framework, we now turn to Social Impact Bonds (SIBs) as a key policy approach. Social investment prioritises future government liability with regards to welfare policy making. Through tools such as the IDI, actuarial analysis can provide robust estimates of the future costs the government expects to incur. A conventional approach to welfare policy delivery within a social investment framework would have the government implement programmes designed to reduce welfare dependency and, therefore, future costs. Or, through public-private partnerships, the government could contract a third party to provide services.

SIBs are more radical. They are a three-way partnership between the government as a purchaser of outcomes, an intervention provider, and third-party investors.²⁶ With social investment analysis, the government can estimate a dollar value of savings to the government if specific outcomes are achieved. Using this analysis, the government initiates a “bond” that only pays out if the outcomes are achieved. Intervention delivery organisations, whether charities, iwi, or Crown agencies, can enter into the contract to deliver services, funded by third parties who take on the financial risk of failure. If the outcomes are achieved, the government pays the third-party funders out. Because the outcomes have been tied to real savings, the transaction is revenue positive for the government as well.

History in New Zealand

SIBs were first proposed in a paper by New Zealand economist Ronnie Horesh in 1988.²⁷ They largely remained theoretical until the UK launched an SIB that targeted prisoner rehabilitation in 2010.²⁸ The results were promising and the idea gained traction.

The first SIBs in NZ were initiated in the latter years of the Key-English government. These were explicitly designed as test cases to see if they would be a viable approach to deliver social services.

One SIB was designed to improve employment outcomes for those with mental health conditions.²⁹ Negotiations were entered into with the Wise Group, and the proposed intervention involved connecting employment consultants with GP practices. However, this bond failed in the negotiation stage, and the process cost at least \$1.62 million before being abandoned.³⁰ A key sticking point was whether or not the government would underwrite some of the risk.³¹

Case Study: Genesis Youth Trust

In 2017, the government initiated the *Reducing Youth Reoffending in South Auckland* SIB. It ran between 2017 and 2023, and aimed to reduce recidivism among medium-to high-risk youth offenders. Genesis Youth Trust offered wrap-around support services to the youth over an extended time period, offering mentors, social workers, and counsellors. A range of investors funded it, including the NZ Super Fund, Mint Asset Management, and the Hosanna Charitable Trust.

The programme reported remarkable success, with a 30% reduction in overall reoffending for those who completed the programme compared to the baseline group over the time frame. The programme reported higher rates of flow-on benefits beyond the specific outcomes targeted, including higher rates of tertiary education enrolment, employment, obtaining driver's licenses, and subjective reports of wellbeing. The programme was estimated to have generated a lifetime social value of \$9 for every \$1 invested, equating to approximately \$142 million in social benefits.³²

3. CURRENT GOVERNMENT PROPOSALS

Social Investment Agency

In order to implement the Social Investment approach, the government has set up the Social Investment Agency (SIA) as a standalone, central agency to lead this change.

The SIA has four new functions:

- Setting the standards for social investment practice to ensure there is consistency across government agencies and contracted providers.
- Advising on and facilitating the creation of the data and evidence infrastructure for social investment.
- Working with other agencies to apply the social investment approach.
- Leading an ongoing review of social sector spending to measure outcomes.³³

As well as two previous functions:

- Cross-social system advice and supporting the social sector with cross system work.
- Insights, tools, and practices that improve cross social system decision making for improving wellbeing.³⁴

The SIA's strategic intentions are divided into three phases. Year one (ended June 2025) is labelled "Set Foundations." The goal is to "Communicate the need for change, build the vision, create a sense of urgency and establish demonstrations of the desired change. Priorities include establishing the agency role as a central agency and system lead. Establish the social investment fund and initiate 3-5 model contracts."³⁵ At present, it remains unclear whether these goals have been achieved. Years two and three are entitled "Implement": "Build capability, deploy and embed social investment practice in key areas. Expand demonstrations of social investment." And from the fourth year on, "Integrate": "Incorporate social investment into all aspects of the functioning social sector."

The creation of a standalone agency to implement social investment and SIBs suggests that the government is serious about systematically moving state services towards this model. Given enough time, there is a reasonable chance of success. However, despite the positive ambition shown by creating an independent agency, it is emblematic

of a typical flaw in New Zealand's executive government operations: perpetual proliferation of ministries, agencies, and entities. The temptation to house social investment within a dedicated core agency is understandable. It creates a branding opportunity that serves the political goals of the government. It is also easier, in the short term, to build from scratch rather than deal with the inertia of a large government entity. However it is also easier to disestablish. The proliferation of bespoke departments and agencies for every strategic initiative creates government bloat and undermines clear lines of reporting and accountability.

Social Investment Fund

In May 2025, the government announce \$190 million of new spending in a social investment fund.³⁶ The fund is targeted towards both new and existing initiatives. The first three programmes announced to have received funding were:

- **Autism New Zealand's** early screening and intervention programme that provides services and support for family/whānau, caregivers, and professionals.
- **Ka Puta Ka Ora Emerge Aotearoa's** evidence-based approach to tackling youth offending and truancy that will help at least 80 families each year to address youth offending and truancy; and
- The **He Piringa Whare programme with Te Tihi o Ruahine**, an alliance of nine hapū, iwi, Māori organisations and providers that will support 130 families at a time with a wraparound service that delivers stable housing, education, training, employment, and other services.³⁷

The funded is aiming to invest in 20 services over the next year. Over time, existing government spending may be transferred to the social investment fund model.

Pathways to SIBs

The government has created four pathways to initiate SIBs.

Pathway One: New investment

The Social Investment Fund opened on 25 August 2025 with the first pathway—new investment (round one). This round will focus on three specified cohorts:

1. children whose parent(s) are currently or have recently been in prison,
2. children of parent(s) who experienced the care system, and
3. children that were stood down or suspended from school when they were 12 or younger.

This pathway targets a range of social outcomes such as improved health, greater safety, stable and secure housing, knowledge and skills, income and wealth, and supporting people into work.³⁸

Assessment of proposals will occur across seven domains:

1. Outcomes
2. Cohorts
3. Theory of change
4. Continuous learning
5. Sector-wide learning
6. Community connectedness
7. Delivery confidence

Pathway Two: Contract consolidation

Alongside new SIBs, Pathway Two provides scope for existing social service providers to transition their contracts to an SIB model.³⁹ Submissions closed 30 October 2025 with announcements expected January-March 2026, to be implemented by July. The priority areas for Pathway Two are the same as Pathway One, but applicants for contract consolidation are not required to be working with the priority cohort identified for Pathway One.

Pathway Three: Community commissioning

A third pathway explores how decision-making could be devolved to community groups and philanthropic organisations. At present the government is undertaking policy, legal, and design work to assess this, with the goal of opening expressions of interest in early 2026.⁴⁰ Social investment aims to leverage dispersed local knowledge, so including this knowledge early in the design and commissioning process expands the potential benefits.

Pathway Four: Co-investment

Co-investment is the means by which SIBs move from being a novel contract structure to genuinely transforming service delivery. The impact of SIBs lies not only in the

measurement of outcomes, but in the diverse opinions, backed by investment dollars, that funders are willing to support. Without co-investment, and the cultivation of a healthy impact investment market, the effect of SIBs would be muted. Announcements are expected early 2026.⁴¹

Benefits

Innovation

One of the strongest arguments for SIBs is the potential for innovation. Many good ideas to help people are never tried, or scaled up, because the programme does not come to the attention of relevant decision-makers. Different contexts and cohorts require different types of intervention, and precise knowledge is inherently decentralised in different communities. This decentralised knowledge is intrinsic to the way the world works and can't be leveraged by big data alone. The flexibility and innovation of local services is necessarily greater than that of centralised bureaucratic government departments. However, central government does have better capacity to fund services. SIBs create a helpful bridge between the funding power of central government and adaptive local implementation.

Risk

Policymaking takes place in a world of uncertainty and risk. New approaches are uncertain, and the inflexibility of state services is often driven by risk aversion. With an SIB, charities with bold ideas for welfare interventions do not have to provide the government with certainty that their approach will work; they only have to convince private investors. Because the private investment market is diverse, with different motivations, perspectives, and appetites for risk, a variety of interventions might be tried. Since the government does not pay out unless outcomes are achieved, SIBs mitigate the risk of a public backlash to non-conventional interventions. There are no grounds to claim it wasted taxpayers' money as long as there is trust in the social investment analytics.

Little platoons

Historically, New Zealand has a strong tradition of a charitable private sector. It is currently worth \$21 billion, nearly equivalent to welfare spending excluding Super.⁴² The value of charitable welfare interventions, as opposed to centrally controlled ones, is that they promote the flow-on benefits of increased social connectedness and social

capital. The Genesis Youth Trust, for example, delivered their services both through staff members and volunteers. State services are unlikely to successfully recruit volunteers. The net benefit is not only a more effective intervention per dollar spent, because of the free labour of volunteers, but also volunteers who benefit.

Furthermore, a plurality of providers produces greater resilience in the welfare sector. When the state is the sole provider of services, all recipients are totally dependent on the political moods of the day, with major policy swings possible. A robust charitable sector of little platoons, even where state money is involved, provides a valuable counterweight. SIBs are a promising way to utilise the immense resources of the state while providing many of the personalised benefits of non-state services.

Competition

Financing social services through SIBs allows a wide range of providers to compete for contracting services. For many people, the language of competition remains something of a dirty word. Often, the assumed corollary is cost cutting and poorer performance. But competition is important on two fronts. Firstly, it allows agents with different approaches to providing products and services to test them empirically. The pressures of competition also incentivise many marginal improvements, an incentive that is lacking in non-competitive markets—whether public or private. At present, the indications are that government agencies will be in competition with other entities to implement interventions with an SIB framework. This is a good thing. There is nothing inherently better about privatised service, nor is there anything inherently beneficial in government-owned services. The pressures of competition incentivise improvement among all actors.

Rational framework

Government partnerships with charities present concerns about corruption, both real and perceived. Perceptions of corruption exist with major charities, involving millions of dollars of government money, which are currently before the courts. Regardless of what comes of those cases, the threat to the trustworthiness of private/public welfare partnerships is real. SIBs, when properly administered, provide a rational framework that mitigates corruption concerns. Government funds are dispensed only when outcomes have been demonstrated, and the amount

of government spending is directly tied to the type of outcomes achieved.

While there are contestable assumptions, estimation, and valuation in that process—all of which should be subject to scrutiny—as long as the framework is public and consistent across providers and contracts, the risk for corruption remains low.

Cons

Narrow interventions

The biggest weakness of SIBs is the temptation to only propose bonds that have narrow interventions and short timeframes, because those are the easiest to measure. Incarceration and recidivism are the archetypal SIB for the simple reason that a) the costs of prison are easy to measure, and b) most crime is committed by young men. If young men can be shepherded to the age of 30 without major criminal offending, they are unlikely to begin. These two factors make an easy-to-structure bond that pays out in a reasonable time horizon.

However, many social problems are not like this. Measurability shapes intervention decisions. Many good programmes may go untried because the benefits are too diffuse, or the timeframe too long, to initiate a bond that attracts interest.

Rigging the game

SIBs rely on being able to identify a cohort population, calculate the expected future costs they will incur, and then place a dollar value on their improved outcomes. However, even with good data, there is a risk that service providers and investors rig better-than-baseline outcomes by selecting the most-likely-to-succeed candidates, rather than a random or representative sample. The government commissioning agency will need to exercise strong oversight over the selection of target participants to ensure that they represent the cohort.

Contracting complexity and negotiating costs

SIBs are necessarily complicated contracts. There are a range of parties involved: the government as commissioner of a bond, service providers, and third-party funders—of whom there may be many. The complexity raises concerns about the costs involved in negotiating and producing

these contracts, and the risk of disputes about whether outcomes have been achieved.

Critics of government effectiveness have high hopes that private service providers will improve efficiency and innovation. However, such hopes can only be realised if the government is an effective and tough negotiator. The same structural incentives that make governments poor deliverers of services also make them poor contractors of services. Recent examples abound of governments negotiating inefficient and expensive contracts with private sector organisations. The government must exercise the highest discipline in the negotiation room and be willing to let negotiations fail regardless of political blowback. Furthermore, the total costs of procuring SIBs must be calculated accurately to be sure that they are delivering value.

The politics of contracting

Several political parties in New Zealand are sceptical of SIBs. This scepticism played out with a complete halt of work on SIBs during the sixth Labour government. While there is unlikely to be an abandonment of SIBs already underway, there is a reasonable expectation that a future government may not continue the approach. While this is true of any type of public policy, given SIB's reliance on third party financing, the problem is exacerbated. Financial markets hate uncertainty, and if the future value of SIBs is limited due to an expectation that they will not endure, investors are unlikely to focus on developing an investment strategy in this area. Encouragingly, two of the opposition parties have Social Investment as designated portfolios, with a spokesperson, so core elements of the social investment approach will probably be retained.

Diminishing improvement over time

The successful SIB trial with Genesis Youth Trust is an encouraging sign for SIBs more generally. The evidence that they can work is clear. However, it does not follow that they will be equally successful when they are scaled up. Because SIBs were a new model, great diligence would have been present throughout the whole process.

The Minister in charge of making the trials happen was highly motivated to try a new approach and officials were aware that heightened scrutiny would be applied to their work. Trials are unlikely to pick a risky bet. However, if SIBs become routine, those motivating factors dissipate.

Ministers may be ambivalent, public scrutiny returns to normal levels, and the expansion of SIBs mean a lower bar for providers. Past success is no guarantee of future success. There will likely be a regression to the mean, and while there is good reason to hope that mean will still be a net positive, complacency is a real risk.

The risk to charities themselves

Charities operate with very different structures and incentives to state-run bureaucracies. They have different sets of strengths and weaknesses, opportunities and constraints. The transition towards participating in state-funded programmes will necessarily encourage a commercialisation and corporatisation of the charitable sector.

For certain charities, access to greater levels of funding will make the trade-off more than worth it. However, charities ought to be cautious about taking state money. A hands-off approach today may not be so hands-off tomorrow, regardless of outcomes. And a charity that becomes accustomed to state funding will not be able to transition easily away from it.

Client privacy

Furthermore, involvement in SIBs may make it necessary for charities to hand over their client's personal details in order to link them with IDI data. This information sharing significantly impacts the privacy of people involved in SIB programmes, and there is substantial risk that they will not be able to offer informed consent.

The state of financial markets in NZ

New Zealand's relatively small financial markets present structural challenges for funding SIBs. New Zealand has long struggled with a low amount of investment capital. Our remoteness, fixation with investing in housing, and relatively immature financial markets have contributed to a business environment that lacks a wide variety of financial instruments. Given the novelty and uncertainty of SIBs, there is reasonable concern that New Zealand's capital markets may have only a limited interest in investing.

4. RECOMMENDATIONS

While there are real risks in moving to a SIB delivery model, these do not outweigh the potential benefits. Properly designed and transparently administered, SIBs can foster innovation in service delivery, align incentives across government and community sectors, and build an evidence base for what works. To ensure their success, we recommend the following:

For policymakers

Under no circumstances should the government underwrite the risk for SIB investors

It is imperative that the government does not assume or underwrite financial risks on behalf of investors. When the Key-English government was in negotiations for the Wise Group SIB, commentators noted that investors were worried about risk and there was speculation that the government, concerned about having the project fail, might take on some of the risk.⁴³ The primary objective of SIBs is to transfer financial risk from the public sector to private investors, thereby incentivise efficiency, innovation, and accountability in service delivery. By design, SIBs align investor incentives with measurable social outcomes. Success yields returns funded by government savings or payments, while failure results in investor losses. This risk-reward dynamic distinguishes SIBs from conventional government contracts, where risks are borne by taxpayers and performance incentives may be diluted.

Should the government underwrite or mitigate investor risks through mechanisms such as guarantees, subsidies, or contingent payments, the purpose of SIBs would be compromised. This would erode the private sector's skin in the game, transforming the arrangement into a standard government contract or grant. Such a shift could lead to several adverse consequences:

- **Reduced innovation and efficiency**
Without genuine risk exposure, investors may prioritise safe, incremental approaches over bold, transformative interventions, stifling the creative problem-solving that SIBs are intended to promote.
- **Moral hazard**
Government backing could encourage reckless investment decisions, knowing that public funds

serve as a safety net, potentially leading to suboptimal resource allocation.

- **Fiscal burden on taxpayers**
Absorbing risks would expose the public purse to liabilities that SIBs were designed to avoid, undermining the cost-saving rationale of outcome-based financing.
- **Market distortion**
It could deter the development of a robust private market for social investments, as true risk-sharing becomes optional rather than essential.

SIBs must be evaluated as a whole, not individually

SIBs must be assessed not as isolated interventions but on a portfolio-wide basis. The aggregate social and financial value generated by successful SIBs should exceed the total costs incurred across all initiated bonds—including those that succeed, fail, or collapse during negotiation. The two trials demonstrated this; they can produce good results, as with the Genesis Youth Trust, or they can fall over before they begin, as with the Wise Group negotiations. While either result could be expected from any given bond, the success of bonds in isolation is not enough. The value of successful bonds must exceed the total costs of all bonds and associated negotiations, not simply pay for themselves.

The previous trials showed that it is reasonable to expect a positive return across the whole portfolio.

Democratic legitimacy is required

For SIBs to become embedded in New Zealand policy framework, they need democratic legitimacy. Social investment was a policy platform in the 2023 general election, so it has a warrant for implementation. The current policy programme is following a staged approach that accords well with this mandate. Year one of SIA's strategic plan, concluding June 2025, aims to have three to five model contracts initiated. Years two and three move to implementation, and years four and beyond aim to "integrate social investment into all aspects of the functioning of the social sector."⁴⁴ In order for this wholesale integration into the social sector to be an enduring transformation, it needs a further legitimisation via a prominent place in an election platform. Without a strong democratic mandate, SIBs won't be embedded and won't endure.

Ethical and political debate must remain central to policymaking

SIBs are a valuable tool to facilitate innovation and reduce government risk in social service delivery. To that end, they are a valuable tool. However, they are not a replacement for the more fundamental political debate about what sorts of support the government ought to provide. Questions of moral responsibility, human dignity, and the legitimate scope of government must remain matters of political deliberation and not be abdicated in favour of decisions made by technocrats.

The Social Investment Agency should not be a standalone agency

The SIA should not operate as a standalone entity. Its functions could be fully integrated into established central agencies—specifically the Treasury, Statistics New Zealand, and the Ministry of Social Development.

The SIA currently performs a suite of specialised but non-unique roles, including:

- Data analytics and predictive modelling for social outcomes;
- Evaluation of intervention efficacy;
- Coordination of cross-agency investment prioritisation;
- Facilitation of outcome-based contracting frameworks (e.g., SIBs).

Creating the SIA as a standalone entity exacerbates the ongoing proliferation of government agencies, which creates redundancy, complicates governance, and inhibits democratic accountability for public sector bodies. Long-term policy should prioritise integration over perpetuation of the SIA as an independent agency.

Create a pathway to tradability

Throughout the duration of an impact bond contract, investors should have the option to trade their bond on a secondary market. Allowing tradability enables funders to better manage their exposure to risk, while improving market signals about which interventions are expected to succeed. Over time, a transparent market for impact bonds would support better price discovery, reward effective programmes, and strengthen confidence in the broader social investment ecosystem.

For charities

Charities should approach SIBs with caution. While they can provide a promising source of revenue for charities that deliver excellent services with limited funds, they are not without risk. SIBs promise latitude within which to work, but charities must jealously guard their independence. Heightened scrutiny, performance-based contingencies, and alignment with governmental priorities that may evolve unpredictably all remain challenges. To mitigate these risks, charities should adopt a twofold strategy:

Diversify funding sources

SIB funding should not become an indispensable source of funding, at least in the near future. Dependency on SIB income alone leaves charities vulnerable to shifts in political winds or policy frameworks. They should develop robust contingency plans, including “Plan B” scenarios for alternative funding or service contraction. SIB support could be unreliable due to contractual disputes, evaluation challenges, or government changes.

Use Special Purpose Vehicles

The Special Purpose Vehicle (SPV) is a key structural safeguard. A subsidiary entity to house SIB-related activities, an SPV functions as a legally distinct, “ring-fenced” vehicle that isolates the financial and operational risks of the SIB from the parent charity’s broader assets and operations. This approach, commonly employed in SIB models where intermediaries manage contracts and investor relations, allows charities to participate in SIBs while protecting their core entity from potential liabilities—such as repayment obligations if outcomes are not met or legal disputes arise.

Despite risks, charities should not let risk aversion prevent them from taking up more revenue when it allows them to scale up their valuable work.

Seek informed consent for sharing client data

Integrating client data collected by private charities with the IDI should be considered a major shift in expected data use, compared to ordinary service provision. Therefore, charities should take care to gain informed consent to use this data as clients may not automatically understand what they are consenting to.

For citizens

Invest in SIBs yourself

Direct giving is an important practice, but too often private donors' generosity is not matched with an equal attention to the effectiveness of their giving. The success metrics of impact bonds provides a mechanism for private givers to focus their generosity.

Form a giving circle

It's easy to feel like your donation does not go very far. A giving circle is where likeminded people come together to pool both resources and knowledge and direct their giving in a coordinated fashion. The social element makes the complexity of navigating impact investing easier to manage and provides a context that invites others to be generous too.

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Improved health: Reduced serious health events, reduced potentially avoidable hospitalisations
Greater safety: Reduced need for children to be placed in state care, reduced violent crime, reduced youth crime, reduced family violence, reduced sexual violence
Ensuring stable and secure housing: Reduced demand for emergency housing
Improving knowledge and skills: Improved attendance in education, improved qualifications
Growing income and wealth: Higher incomes
Supporting people into work: Increased employment, fewer people on the benefit
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