



Social Impact Bonds

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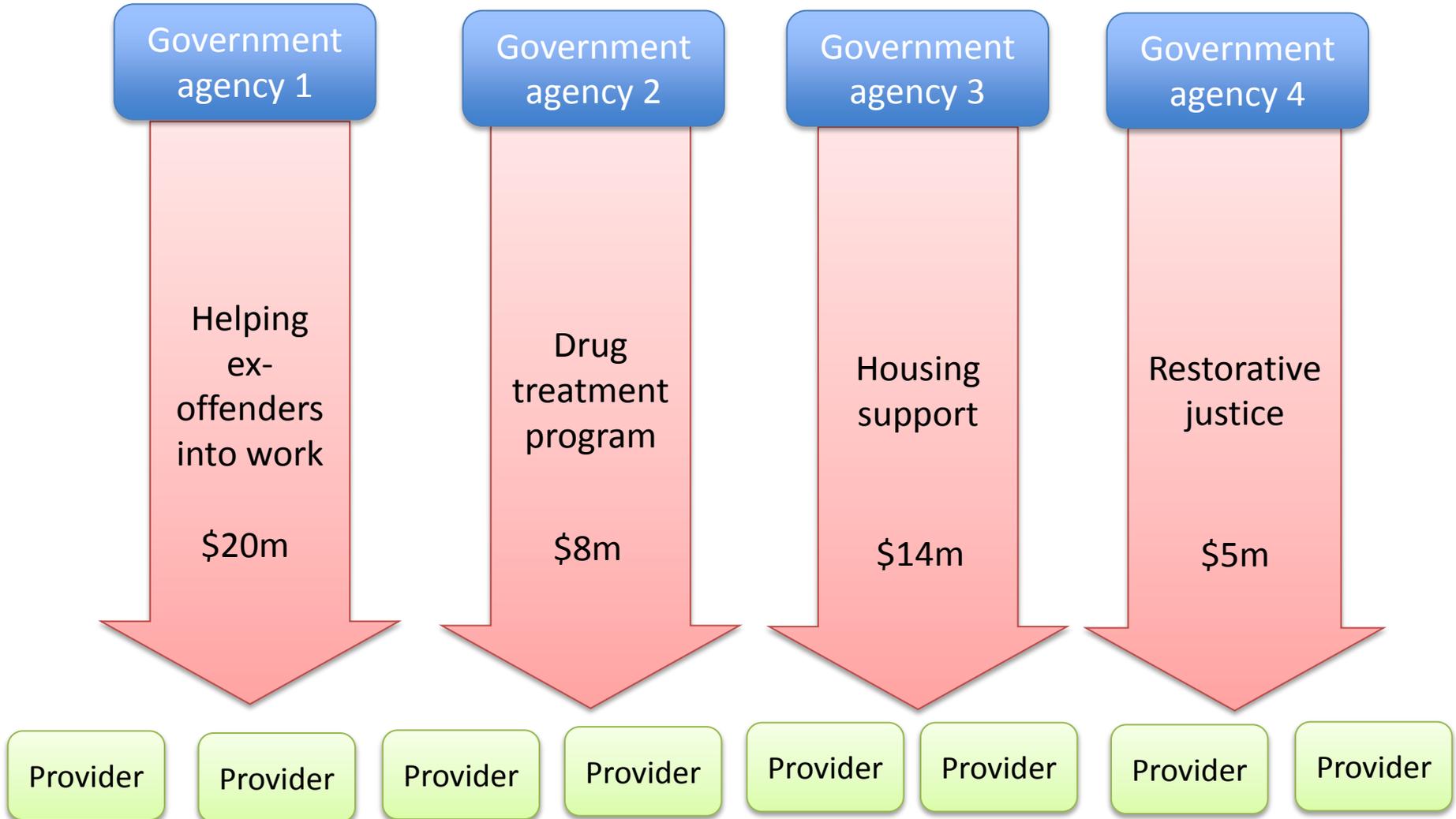


This presentation

- Traditional government financing for social services
- Description of Social Impact Bonds
- Challenges and Advantages
- Examples
- Prospects



Traditional financing





Some issues

Government

- Funding inputs not outcomes
- Hard to know what is working
- Even harder to shift money between programs

Providers

- Bureaucratic reporting and controls
- Effective approaches rarely scale



Context demands change

- Fiscally constrained governments
- Intractable social issues
- Government caught in a difficult place

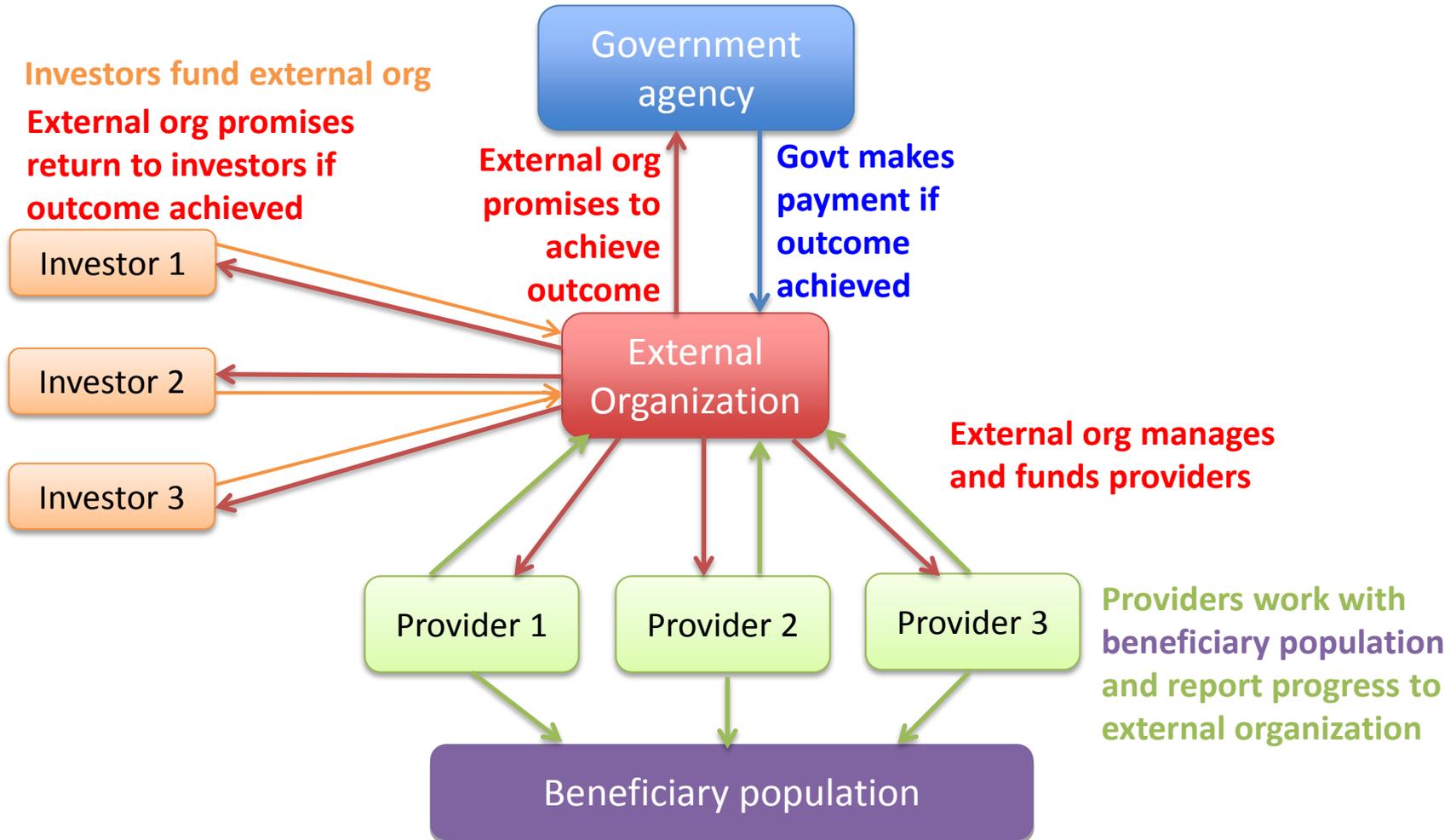


A public finance innovation

- Social Impact Bonds new idea from the UK
- Focus on outcomes
- Allows investment in social services
- Leverages non governmental capital



Social Impact Bonds





Challenges

- Complex
- May not work for everything
 - Measurability essential
 - Best for non essential services
 - Outcomes need to flow in sensible timeframe
- Requires political courage
 - Significant freedom for dealmaker/providers on the ‘how’
 - Need to embrace possibility of private sector return
 - Getting beyond government silos is not easy
 - ‘Walk away’ risk very hard to mitigate against
 - Government funding commitment must be solid
- Not easy to find the bond!



Advantages

- Allows effective social innovations to scale
- Removes input controls from providers
- Public money only allocated to approaches that work
- Helpful in a fiscally tight world
- Leverages private and philanthropic capital
- Familiar in other contexts



Reoffending in Peterborough

- Targets re-offending rates – currently 60 per cent
- Payment triggered if re-offending rates fall by more than 7.5 per cent (compared to similar prisoners)
- Sliding scale payment – capped at \$12m

- External organization is Social Finance UK
- Providers are grant funded
- Investors are largely foundations – making high risk investments
- Government payment based on expected savings



More in development

- UK
 - Employment programs – tariff for outcomes
 - Childrens' social services
- US examples
 - MA: crime and homelessness
 - NYC: youth crime, using Goldman Sachs capital
- Significant global interest



Looking to the future

- Significant potential
- Need a quicker form of replication
- Avoid dilution, but allow innovation
- Will genuine private sector capital emerge?



Discussion

- Applicability to South Korean context?
- Policy areas?
- Government interest?
- Actions needed?