Social Impact Bond (SIB)
1. Peterborough SIB and its Meaning
   Erdem Ovacik (Consultant, Social Finance UK)

2. NYC ABLE: Reducing Crime by Adolescent
   Linda Gibbs (Principal, Bloomberg Associates)

3. SIBs in the United States
   Megan Golden (Senior Fellow, Institute for Child Success,
   New York University Wagner Graduate School of Public Service)

4. The Prospect of Social Impact Bond implementation in Japan
   Ken Ito (Regional Head (East Asia),
   Asian Venture Philanthropy Network(AVPN))

5. How to Develop the Korean Model of SIBs
   Kab Lae Kim (Head of Corporate Policy Department,
   Korea Capital Market Institute)
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Regional Head (East Asia),
Asian Venture Philanthropy Network (AVPN)
How to Develop the Korean Model of SIBs

Kab Lae Kim
Head of Corporate Policy Department,
Korea Capital Market Institute
Panel Discussion

Woon-Gi Park

Panelist

Councilor, Seoul Metropolitan Council
Han, On Gyo
Director,
Seoul Support Center for Children’s grouphome
AN INTRODUCTION TO SOCIAL IMPACT BONDS

NOVEMBER 2014

Erdem Ovacik
Erdem.Ovacik@socialfinance.org.uk
SOCIAL FINANCE IS A GLOBAL NON-PROFIT ORGANIZATION WITH A MISSION TO DEVELOP FINANCING MODELS TO ADDRESS PRESSING SOCIAL CHALLENGES

GOVERNMENT

INVESTORS

SOCIAL ORGANISATIONS

Change the way government tackles social problems

Expand the range of investors participating in social investment

Support growth of strong and effective social enterprises

DELIVER SCALABLE AND SUSTAINABLE SOCIAL CHANGE
CASE STUDY: RE-OFFENDING RATES IN THE UK

EX-OFFENDERS RECONVICTED WITHIN 1 YEAR

63%

AVERAGE NUMBER OF PREVIOUS OFFENCES OF A SHORT-SENTENCE OFFENDER

43

AVERAGE NUMBER OF PREVIOUS JAIL TERMS

7

THE COST TO THE STATE IS ESTIMATED TO BE $15-20 BN PER YEAR
DESPITE THE CLEAR SOCIAL NEED, LITTLE WAS DONE TO SUPPORT THESE INDIVIDUALS BEFORE THE PETERBOROUGH SIB

SHORT SENTENCE OFFENDERS EACH YEAR (2010)

60,000

SHORT SENTENCE OFFENDERS HAVE MULTIPLE NEEDS

- Drug and alcohol misuse
- Mental health needs
- Unemployment
- Housing
- Severed family relationships
- Limited education and training

NO STATUTORY GOVERNMENT SUPPORT

- Variable public sector provision
- Patchwork of charity services
HOW THE PETERBOROUGH SOCIAL IMPACT BOND WORKS

1. Government contracts with investors to make payments for desired social outcomes.
2. Investors provide up-front funding to service providers.
3. Providers help service users to achieve better outcomes.
4. Government achieves better social outcomes.
5. Government rewards investors for outcomes achieved.

INVESTORS ARE REWARDED ACCORDING TO OUTCOMES ACHIEVED: THE BETTER THE OUTCOMES, THE GREATER THE RETURN.
RIGOROUS PERFORMANCE MANAGEMENT ENABLES ADAPTATION AND ENHANCED SERVICE DELIVERY

Service providers and selected stakeholders (e.g. the prison) use a shared IT platform to record information about the service, including:

- Needs of prisoners
- Take up of Needs Assessment and Meet at Gates service
- Activities completed in month post release
- Engagement rates with services
- Job outcomes

Performance management in Peterborough

Service delivery
Ongoing work with beneficiaries.

Review meetings
Regular review meetings with service providers and stakeholders to discuss dashboards, expenditure and service improvement.

Data
Daily data entry from providers onto a shared IT system.

Analysis
Analyst support to collate and analyse data in order to produce data dashboards.
THE IMPACT OF THE PETERBOROUGH SIB SO FAR

SOCIAL IMPACT

- Worked with c.1500 offenders
- 37% of Cohort 1 members and 50% of Cohort 2 members have engaged with the One Service for one month immediately after release
- The first cohort recorded a reduction in reoffending of 8.6%, compared with the national control group
- Early data indicates that performance has improved for the second cohort

INVESTORS

- The programme is on course to meet the 7.5% reduction-in-recidivism hurdle rate required for payment to investors

PUBLIC SECTOR

- The UK Government has formally recognised the success of the programme and is using it as a blueprint to design a new national service for short-sentence offenders

PETERBOROUGH HAS PIONEERED A NEW WAY OF WORKING WITH OFFENDERS AND, IN DOING SO, HAS CHANGED HOW WE THINK ABOUT OTHER SOCIAL SERVICE PROVISION
GOVERNMENTS INCREASINGLY SEE SIBS AS A SOLUTION TO COMPLEX SOCIAL PROBLEMS

ISRAEL - REDUCING TYPE 2 DIABETES - WIP

MA – ADULT BASIC EDUCATION - 2014

ESSEX – CHILDREN ON THE EDGE OF CARE - 2012

NY AND SC – NURSE HOME VISITATION - 2014

ROTTERDAM - YOUTH EMPLOYMENT - 2013

SALT LAKE CITY EARLY CHILDHOOD EDUCATION - 2013
SIBS ARE ESPECIALLY APPROPRIATE WHEN CERTAIN CONDITIONS EXIST

- Clearly defined target group
- Robust outcome metric
- Evidence based interventions
- Issue area a priority for public sector
- Issue area a priority for investors
- Cost of intervention small - relative to potential public sector savings
BENEFITS OF USING SOCIAL IMPACT BONDS

INNOVATION

RIGOUR

CLIENT-FOCUS

PARTNERSHIP

FLEXIBILITY

INVESTIBILITY
Social Impact Bonds: A Policy-Maker’s Perspective

Linda Gibbs
Principal, Bloomberg Associates
Global Social Economy Forum 2014
The Agenda

I. Evaluating the Circumstances – Should you do a SIB?

II. Assessing the Project – Can it support a SIB?

III. Building the Team – Who makes a SIB work?

IV. Case Study – Rikers Island Jail
IV. Case Study – Rikers Island Jail
Those who enter jail as adolescents have a high likelihood of re-entering the system in the years following their release

- Nearly 50% of adolescents who leave Rikers return within one year
- Adolescents incarcerated on Rikers are 91% black and Latino
- The City of New York budgets over $1 billion each year to operate its jails

Administration Priority: Young Men’s Initiative
The Magnitude of the Issue

Readmission to Jail – Males Aged 16-24 Years

<table>
<thead>
<tr>
<th>Year</th>
<th>White</th>
<th>Asian</th>
<th>Black</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>1.00</td>
<td>0.27</td>
<td>16.22</td>
<td>7.44</td>
</tr>
<tr>
<td>2003</td>
<td>1.00</td>
<td>0.22</td>
<td>16.22</td>
<td>7.44</td>
</tr>
<tr>
<td>2004</td>
<td>1.00</td>
<td>0.32</td>
<td>14.89</td>
<td>6.63</td>
</tr>
<tr>
<td>2005</td>
<td>1.00</td>
<td>0.32</td>
<td>15.12</td>
<td>6.10</td>
</tr>
<tr>
<td>2006</td>
<td>1.00</td>
<td>0.28</td>
<td>15.81</td>
<td>6.08</td>
</tr>
<tr>
<td>2007</td>
<td>0.33</td>
<td>0.33</td>
<td>17.19</td>
<td>6.29</td>
</tr>
<tr>
<td>2008</td>
<td>1.00</td>
<td>0.41</td>
<td>15.95</td>
<td>6.34</td>
</tr>
<tr>
<td>2009</td>
<td>0.41</td>
<td>0.41</td>
<td>15.49</td>
<td>5.68</td>
</tr>
<tr>
<td>2010</td>
<td>0.41</td>
<td>0.41</td>
<td>14.03</td>
<td>5.70</td>
</tr>
</tbody>
</table>
The Situation – The Intervention Research

**Meta Analysis**: Demonstrated effectiveness of Cognitive Behavioral Therapy (CBT) in reducing recidivism.

**Lipsey (2007)**
- Mean 20%-30% reduction in recidivism attributable to CBT
- 58 studies
  - Mean effects
  - Differences in results based on:
    - Target populations (adults and youth),
    - Program setting (prison, community)
  - Type or brand of CBT being used.
  - None influenced the results.

**Pearson et al (2001)**
- 69 studies
  - Cognitive interventions
  - Cognitive behavioral interventions
  - CBTs almost twice as effective at reducing recidivism among adults and youth

**Wilson et al (2005)**
- 20 studies
  - Group CBT programs for offenders
  - Recidivism reductions of between 20 and 30 percent
Moral Reconciliation Therapy

- Little & Robinson, 1986 – MRT is a CBT intervention that is based on Kohlberg’s stages of moral development and uses a series of group and workbook exercises designed to raise the moral reasoning level of offenders stepwise through 16 graded moral and cognitive stages.

Adolescent Behavioral Learning Experience (ABLE)

- 22 trained facilitators provide MRT to youth for 1 hour a day 5 days a week.
- Classes range in size from 8-20 youth on average.
- Over 2,000 adolescents have participated in the program thus far.
Adolescent Behavioral Learning Experience ("ABLE")

- Evidence-based intervention in-jail and post release to 16-18 year olds in DOC custody at Rikers Island
- The goal is to improve social skills, problem solving, self-control and impulse management
- Estimated roughly 3,000 adolescents served each year for 4 years
- The Osborne Association and Friends of Island Academy will deliver the intervention through trained facilitators working closely with DOE and DOC staff
- Part of Mayor's Young Men's Initiative and the City's commitment to improving outcomes for young black and Latino men

**Goal:** to decrease participants' likelihood of future criminal behavior and reincarceration

**Budget:** $2.4 million annually for 4 years
The Opportunity – The Partners

**Goldman Sachs** funds the project’s delivery and operations through a $9.6 million loan to MDRC

**Bloomberg Philanthropies** provides a $7.2 million grant to MDRC to guarantee a portion of the investment

**MDRC** oversees the day-to-day implementation of the project and manages the Osborne Association and Friends of Island Academy, the two non-profit service providers that deliver the intervention

**The Vera Institute of Justice**, an independent evaluator, determines whether the project achieves the targeted reductions in reincarceration

**The Department of Correction** pays MDRC based on reduced re-admissions and the associated cost savings and MDRC then pays the private investor
Overview of the NYC SIB

MDRC
Manages Program and Investments

Goldman Sachs
Provides Loan

Bloomberg Philanthropies
Guarantees Loan

Osborne Association & Friends of Island Academy
Delivers Services

Vera Institute of Justice
Measures Impact

Youth on Rikers Island
Receives Services

NYC Department of Corrections
Realizes Savings

Success Payments Based on Savings
($0 - $11.7M)

Decrease in Recidivism

Initial Investment $9.6M

Loan Principal and Interest Payments
($7.2M - $11.7M)

$7.2 M Grant

$9.6M Senior Loan

CBT Intervention

= Flow of funds

= Activity/Services
The Structure – The Flow of Payments

- Goldman Sachs will invest $9.6 million in the intervention, fully funding the ABLE program at Rikers Island during its implementation. This investment will be structured as a loan to MDRC, a leading non-profit.

- The Goldman Sachs loan to MDRC will ensure successful implementation of the ABLE program at Rikers.

- Bloomberg Philanthropies will make a grant to MDRC in the amount of $7.2 million over that same four-year period. This grant will be held by MDRC in a guarantee fund to back the loan.

- DOC will be obligated to pay for these services only if the ABLE program achieves predetermined reincarceration reduction targets that produce cost savings for the City.
  - In this model, government and taxpayers only pay for success.

- Payments for services performed are tied to the program’s success and are made from DOC to MDRC. MDRC, in turn, repays its lender, Goldman Sachs.
The Structure – Payment Schedule (4 Years of Investment)

<table>
<thead>
<tr>
<th>Reduction in Reincarceration</th>
<th>Projected Long-Term City Net Savings ($)*</th>
<th>City Payment to MDRC ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>≥20.0%</td>
<td>$20,500,000</td>
<td>$11,712,000</td>
</tr>
<tr>
<td>≥16.0%</td>
<td>$11,700,000</td>
<td>$10,944,000</td>
</tr>
<tr>
<td>≥13.0%</td>
<td>$7,200,000</td>
<td>$10,368,000</td>
</tr>
<tr>
<td>≥12.5%</td>
<td>$6,400,000</td>
<td>$10,272,000</td>
</tr>
<tr>
<td>≥12.0%</td>
<td>$5,600,000</td>
<td>$10,176,000</td>
</tr>
<tr>
<td>≥11.0%</td>
<td>$1,700,000</td>
<td>$10,080,000</td>
</tr>
<tr>
<td>≥10.0% (breakeven)</td>
<td>$ \leq 1,000,000</td>
<td>$9,600,000</td>
</tr>
<tr>
<td>≥8.5%</td>
<td>$ \leq 1,000,000</td>
<td>$4,800,000</td>
</tr>
</tbody>
</table>

* Excludes city savings used to continue funding program delivery for youth at Rikers.
The Structure – Evaluating Success

- The Vera Institute of Justice will determine whether the program has achieved its outcomes - measured by the percentage change in recidivism bed days (RBD).
- Vera will compare the recidivism bed days (RBD) for a cohort of 16-18 year-olds entering DOC custody while the ABLE program is operating (the program group) to a cohort entering DOC custody prior to the start of the ABLE program (the comparison group).
  - Information on the comparison group comes from DOC archival data on jail admissions and length of stay.
  - The groups will be matched using propensity score matching.
- Vera will use a quasi-experimental design and use:
  - propensity score matching method to control for youth-level factors.
  - change of RBD in 19/20 yr olds to adjust for the impact of system-level factors.
- RBD will be measured for the 12 months following a youth’s initial release and the 24 months after initial release.
Cost–Benefit Analysis

Future Jail Bed Use and the Cost of Future Jail Bed Use

**Future Jail Bed Use**

- Number of jail beds

**Program year**

1 2 3 4 5 6 7

**Cost of Future Jail Bed Use**

- Cost ($ in millions)

**Program year**

1 2 3 4 5 6 7

- Without program
- With program
Data on Participation Requirements

**Program Participation Targets and Contractual Minimums by Year**

<table>
<thead>
<tr>
<th>Year</th>
<th>Guaranteed</th>
<th>Conditional</th>
<th>Funded by the city</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>1,440</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 2</td>
<td>2,500</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Year 3</td>
<td>2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 4</td>
<td>2,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The portion in black shows the minimum number of participants required to fulfill contractual obligations for repayment. The length of the entire bar shows the total number of participants required to produce necessary savings (indicated with *).
### Expected Impact

<table>
<thead>
<tr>
<th>Participation rate of eligible adolescents (%)</th>
<th>Expected impact by level of completion (%)</th>
<th>Average weighted impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Case for success based on evidence</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All participants</td>
<td>100.0</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Case for success based on length of stay</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of completion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completers</td>
<td>33.0</td>
<td>25.0</td>
</tr>
<tr>
<td>High partial completers</td>
<td>9.3</td>
<td>16.6</td>
</tr>
<tr>
<td>Low partial completers</td>
<td>18.8</td>
<td>8.3</td>
</tr>
<tr>
<td>Noncompleters</td>
<td>38.9</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Landenberger and Lipsey (2005) and MDRC calculations. Percentages are based on historical data on lengths of stay for the adolescent population in 2010, as provided by the New York City Department of Correction.
Lessons Learned

**From Riker’s Island**
- Partnering with major financial institution brought new resources and learnings
- New York City’s historical data allowed parties to establish reasonable estimates for savings and outcomes
- Early indicators are essential for all parties
- Avoid or bridge repayment “cliffs”

**SIB Generalizable Lessons**
- Developing a SIB requires dedicated government focus
- Service provider capabilities are still mostly untested and need to be guided on a pathway to rigorous evaluation
- No “one-size-fits-all” for SIBs
- Riskier SIBs yields more learning, but less replication
Video – Service Provider
Offer expertise across a range of services with a data driven and evidenced-based approach to assist Mayors in shaping interventions that improve the welfare of citizens and to reduce disparities in health, welfare and justice outcomes.
Bloomberg Associates is an international consulting service founded by Michael R. Bloomberg as a philanthropic venture. Our mission is to help city governments improve the quality of life of their citizens. Directed by a team of globally recognized experts and industry leaders, the consultancy works to improve urban environments by collaborating with cities to develop best practices, build consensus and foster key relationships. Through its guidance and mentorship, Bloomberg Associates delivers actionable insights and plans across multiple disciplines. Additionally, the team fosters public-private partnerships to help each city build resources and implement programs that turn dynamic vision into reality.
Note on Sources


Bonsu, J et al, "Financing Promising Evidence-Based Programs Early Lessons from the New York City Social Impact Bond" MDRC, 2013


Questions
SOCIAL IMPACT BONDS IN THE UNITED STATES

Global Social Economy Forum, Seoul, Korea
November 19, 2014

Megan Golden
Senior Fellow, Institute for Child Success
Fellow, New York University
mgoldennyc@gmail.com
Social Impact Bonds: Key Features

- Investors provide capital to implement proven, cost-effective programs on a large scale.
- Government contracts to pay only for agreed-on, measurable RESULTS; payments repay investors.
- An impartial evaluator assesses whether results are achieved. An intermediary contracts with govt., investors & providers.
SIBs Launched By Region, August 2014*  

Geographic Spread of SIBs Launched (by number)

- UK: 15 SIBs
- Australia
- Belgium
- Canada
- US
- Netherlands
- Germany

US Social Impact Bonds Completed

1. New York City
   - Recidivism Reduction

2. Salt Lake City, Utah
   - Early Childhood Education

3. New York State
   - Recidivism Reduction & Employment

4. Massachusetts
   - Recidivism Reduction & Employment

5. Chicago, Illinois
   - Early Childhood Education
New York City SIB

Target population
- 16-18-year olds leaving City jails

Goal
- To reduce recidivism

Intervention
- Cognitive behavioral therapy
# NYC SIB Payment Terms

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Source: NYC Office of the Mayor, Bringing Social Impact Bonds to NYC, Media Presentation, August 2012
Proven Outcomes of SIB Program

Preterm births
Emergency room visits
Child abuse
Closely-spaced 2nd births
Youth crime

Kindergarten readiness
Mothers’ economic independence
Possible Health Outcomes for Nurse-Family Partnership Social Impact Bond

- Reduce preterm births
- Reduce emergency room visits for injuries in first 2 yrs
- Increase healthy birth spacing
## Expected Pre-term Birth Reduction by Site

Assumes program reduces pre-term births by **27.4%**

<table>
<thead>
<tr>
<th>Region</th>
<th>Current Rate</th>
<th>Post-SIB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenville</td>
<td>11.2%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Richland</td>
<td>11.1%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Charleston</td>
<td>10.9%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Orangeburg</td>
<td>9.7%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Florence</td>
<td>13.8%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>
Technical Assistance for SIB Financing: U.S. Social Innovation Fund

- 8 federally funded technical assistance providers
- Annual open competitions for jurisdictions interested in SIB financing assistance
- Intensive technical assistance for up to 12 months
Social Impact Bond and Its Prospect for Implementation in Japan

Ken Ito, Project Research Associate, Graduate School of Media and Governance, Keio University / Regional Head (East Asia), Asian Venture Philanthropy Network

Nov 19th, 2014
Ken Ito,
Project Research Associate, Keio University
Regional Head (East Asia),
Asian Venture Philanthropy Network

- Ken Ito works for Asian Venture Philanthropy Network as Regional Head (East Asia). Ken spent ten years in the private sector, with his last position at GE Capital. He subsequently joined the Institute for Strategic Leadership (ISL) to launch the Center for Social Innovation where he organized the Social Entrepreneur of the Year (SEOY) in Japan award.
- Ken teaches at Graduate School of Media and Governance as Lecturer and conduct research programs as Project Research Associate from 2010. He has a bachelor degree in economics and MBA in International Management from The American Graduate School of International Management (Thunderbird) in the United States.
- Ken also serves for Social Investment Partners as a member of the board, SROI Network Japan as Executive Director.
1. SIB as a tool to maximize social impact through investment

- SIB performs outcome based commissioning, in partnership among government, social investor, service provider and intermediaries to maximize social impact

1. Identify the area of public service to maximize social impact by utilizing funds from private investors
2. An intermediary and government agree a multi-year agreement for outcome-based commissioning
3. Social investor provide funding through intermediary organization with outcome based contract
4. Intermediary organization conduct selection of service providers, management support and monitoring/reporting
5. Service provide perform high-quality service to beneficiaries
6. Evaluator conduct performance evaluation
7. Auditor conduct audit for KPIs which triggers repayment

2. Global SIB Implementation

20+ implementation in different countries

United States
- State of Massachusetts and New York City
- Prevention of juvenile criminals, low income housing
- Investment from Goldman Sachs and BoA

UK
- Rehabilitation program for ex-offenders, Childcare, Homelessness
- GBP5-10MM deal size
- Investor mainly from philanthropy and foundation sector

Canada
- Saskatchewan, program for single parent families

Australia
- 3 SIBs in NSW during 2012-13
- Prevention of juvenile criminals, adoption program

- Other countries includes multiple states of US, Germany, Belgium, Portugal, Israel, Korea and Japan are conducting pilot programs and feasibility studies
3. Social Impact by Implementing Social Impact Bond

- **Increased productivity of public services** by incentivized commissioning out to high-performing non-profit in specific areas, which bring government cost savings

- **Development of a new source of funds provision to non-profit service providers** through philanthropic/social investors with high degree of flexibility

- **Acceleration of public service innovation** through outcome based contract (black-box approach)

- **Enhanced accountability and transparency** with evidence based service optimization through outcome based contract
4. SIB Case study: Peterborough Prison

- The first SIB case in UK, re-offending prevention program in Peterborough prison attracted GBP 5MM from 17 philanthropic investors for 5 year program resulted in 8.4% reduction in first cohort of 1000 prisoners

Summary of Program

- The program provide rehabilitation program for 3,000 offenders with sentence less than 1 year
- “Through the Gate” program to provide physiological therapy, vocational training to decrease re-offending

Financial / Social Impact

- Maximum of 13% IRR for more than 10% of reoffending
- In Aug 2014, result of 8.4% reduction was announced and repayment to investor is expected to start in 2016

![Graph showing frequency of re-conviction events per 100 offenders]

*the apparent extra percentage is a result of rounding up
5. SIB Rationales for Japan: Aging and Decreasing Population

- Japan had its peak of population in 2008 and we had net decrease of 240,000 people in 2013-14 – China to follow the same trend
- Japanese and Korean government is to mobile dormant account fund for social investment
### 6. Potential Program Themes in Japan

Following themes are discussed for potential SIB implantation in Japan:

<table>
<thead>
<tr>
<th>Theme</th>
<th>Program</th>
<th>Expected Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Youth Unemployment</strong></td>
<td><strong>Amagasaki City</strong>: Employment promotion for NEET population</td>
<td>• Increased social participation of youth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reduction of public benefit for low income household</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increased tax payment</td>
</tr>
<tr>
<td><strong>Preventive Elderly Care</strong></td>
<td><strong>A local government in Kyushu Area</strong>: Health promotion and rehabilitation for elderly</td>
<td>• Increased well-being of elderly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reduction of medical cost and elderly care insurance</td>
</tr>
<tr>
<td><strong>Child Care</strong></td>
<td><strong>Yokosuka city</strong>: Promotion of adoption to match children in a risk to be fostered in care facilities and families desire adoption</td>
<td>• Rehabilitation of family with relationship issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reduction of cost for childcare facility</td>
</tr>
<tr>
<td><strong>Recidivism Reduction</strong></td>
<td>Psychological therapy for ex-offenders</td>
<td>• Reduction of cost for criminal justice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Prevention of economical/social loss</td>
</tr>
</tbody>
</table>
## 7. Stakeholder Readiness in Japan

- Involvement of potential stakeholders in progress

<table>
<thead>
<tr>
<th>Type</th>
<th>Stakeholders</th>
<th>Readiness</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Ministry of Justice, Yokosuka city, Amagasaki city and other local governments</td>
<td>Med</td>
<td>• In discussion with central/local government agencies for SIB implementation</td>
</tr>
<tr>
<td>Service Provider</td>
<td>Non-profit to provide services for youth employment, rehabilitation for elderly</td>
<td>Med</td>
<td>• Conducting interviews with potential organizations</td>
</tr>
<tr>
<td>Legal</td>
<td>Legal firms</td>
<td>High</td>
<td>• In process of clarifying legal requirement and estimated quotation</td>
</tr>
</tbody>
</table>
| Intermediary Organizations | Social Investment Intermediaries (Social Investment Partners) or Non-profit intermediaries | High      | • 5-6 major consulting and accounting firms showing interest to take the role of intermediary as new business  
                           |                                |           | • Need careful selection of partners to avoid mission drift                                       |
| Investors             | Nippon Foundation, Corporate CSR, other social investors                       | Med       | • Nippon Foundation is willing to allocate budget for scheme development and cost for pilot project in 2014-15  
                           |                                |           | • Holding bi-monthly meeting with potential investors to update the progress of pilot program launch |
# 8. Implementation Schedule

<table>
<thead>
<tr>
<th>Task</th>
<th>Action</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Needs Assessment</td>
<td>• Selection of issue areas and negotiate with possible government entities</td>
<td>Jul-Sep 2014</td>
</tr>
<tr>
<td></td>
<td>• Development of SIB models</td>
<td>Sep-Dec 2014</td>
</tr>
<tr>
<td></td>
<td>• Develop impact evaluation models</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Develop data collection plans and confirm feasibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Produce draft contract</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Clarify legal/regulatory issues</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Identify potential investors</td>
<td></td>
</tr>
<tr>
<td>SIB Model Development</td>
<td>• Conduct pilot program with funding by Nippon Foundation</td>
<td>Nov 2014-June 2015</td>
</tr>
<tr>
<td></td>
<td>• Collect evidence to materialize the final proposal to the governments</td>
<td></td>
</tr>
<tr>
<td>Implement Pilot Program</td>
<td>• Submit proposal to the government for include the SIB budget in FY 2016</td>
<td>2015-2016</td>
</tr>
<tr>
<td>Government Budgeting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Multi-year budgeting and Outcome-based payment is perceived as a challenge for many of the local governments, however, there are existing similar practice

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Details</th>
<th>Measures</th>
<th>Existing practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multi-year budgeting</strong></td>
<td>• Government does single year budgeting and SIB require multi-year</td>
<td>• Multi-year operation is feasible although there are no legal commitment</td>
<td>• Infrastructure building</td>
</tr>
<tr>
<td><strong>Outcome based payment</strong></td>
<td>• PFS is not a common practice in Japan, although there are no legal restriction</td>
<td>• PFS has some examples in many of the local government</td>
<td>• Market test (Collection of overdue rent of public housing etc)</td>
</tr>
</tbody>
</table>
7. Challenges (2)

- Evaluation of social impact and project management capability could be a minor challenge, however, there are number of organization could handle them

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Details</th>
<th>Measures</th>
<th>Existing practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation Practice</td>
<td>• Evaluation of social impact in monetized value is required</td>
<td>• Existing institutions has capability for impact evaluation • Various consulting firms also offers similar services</td>
<td>• SROI Network Japan,</td>
</tr>
<tr>
<td>Intermediary organization (SPC</td>
<td>• Identification of high-performing non-profit • Need to achieve</td>
<td>• There might be some challenge on management capability of intermediary organization • Venture philanthropy organizations have good potential to play this role</td>
<td>• Social Investment Partners • Japan Venture Philanthropy Fund (Nippon Foundation)</td>
</tr>
</tbody>
</table>
8. Potential Opportunities for SIB development in Japan

- SIB has potential for implementation in Japan, with the demand for outcome based funding.

- SIB could be an effective tool to achieve multiple goals such as increased social productivity, enhanced accountability and transparency for evidence, enhancement of management capability of social enterprises.

- SIB will catalyze increased funds flow as impact investing to social sector, making non-profit service provider investible.
How to Develop the Korean Model of SIBs

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Nov. 19, 2014
Contents

Chapter 1  Background

Chapter 2  Dilemma and Problems

Chapter 3  Solutions

Chapter 4  Korean Model of SIBs
Chapter 1
Background
What does it take for the sustainable development of the Korean economy?
What It Takes for the Sustainable Development of the Korean Economy

Korea needs the balance between the economic growth and social cohesion.
Organic Relationship between Economic Growth and Welfare Expansion

Welfare expansion can increase productivity of labor through education, training, and health care . . . .

Welfare Expansion

Economic Growth

Economic growth can widen tax bases for welfare and social programs . . . . .

“Sustainable growth is essential for achieving social cohesion ... but go social policies are at least equally important”

Source: OECD, A Framework for Growth and Social Cohesion in Korea, 2011

“The trade-off between economic growth and social spending is not clear cut, as some types of spending may also promote growth.”

Source: OECD Economic Surveys: Korea 2012
Chapter 2

Dilemma and Problems

What are the dilemma and problems in expanding social welfare in Korea?
There are growing demands for welfare expansion due to population ageing and economic polarization.

Excessive welfare demands may jeopardize the growth potential of the Korean economy.

- “Given the impact of ageing, Korea should be cautious in expanding social welfare programmes.” (OECD Economic Surveys: Korea 2012)

- “Korea needs to be cautious in raising social spending, given that demographic factors will put strong upward pressure on outlays.” (OECD Economic Surveys: Korea 2014)

1. Unweighted average. Data are available for 34 OECD countries from 2000. Data prior to 2000 have been interpolated backwards to calculate an average for 23 OECD countries.

Source: OECD Social Expenditure Database, OECD Economic Surveys: Korea 2014
Problems with Public Social Welfare Services

1. Limitation of budgets for social welfare.

2. Addressing the symptoms, rather than the causes of social problems.

3. Inefficient development and operation of social service programs.

4. Poor measurement of public service performance, and, as a result, no accountability.
Chapter 3

Solutions

How do SIBs address the shortcomings of the public social welfare services?
SIBs’ Solutions

1. Budgets limitations → Private investment, public reinvestment
2. Addressing only symptoms → Early intervention addresses the causes
3. Inefficient operation → Efficiency created by competition and innovation sparked and tested in the private sector
4. Poor measurement → Outcome-based accountability
New funding sources from the private sector
✓ Risk transfer from the government (taxpayers) to the private sector

Budget savings
✓ Outcome-based contract (Pay-for-Success)
✓ Early intervention

Qualified social services
✓ Measurable social outcomes
✓ Market competition among social enterprises

Social Impact Bond-Issuing Organization

Private Investors

Government

Service Providers

Private money
Public money
New fundings from the private sector, which are raised for welfare and social services through the capital market.

**New Funding Sources**

- **Budget Savings**
  Budget savings generated by early intervention and more cost-effectiveness

- **Capital Market**

- **Qualified Services**
  More qualified welfare and social services through market competition and interest alignment mechanisms
Chapter 4

Korean Model of SIBs

How to Develop the Korean Model of SIBs?
Application of the SIB model to Korea

❖ Potential areas of application

➢ Social needs and social costs

✓ High social needs for a social safety net and high social costs caused by social polarization

➢ Education, job-training, healthcare, childcare, elderly care, and homeless

➢ e.g., English education program for low-income students

✓ Social costs – additional government spending on special education for local students (e.g., English village), income polarization, low birth rate, and social class tension

✓ Challenges – measuring the outcomes (comparison data), defining the target group, designing the SIB’s intervention program
Success of an SIB Program: Not just Outputs but Outcomes

- Logic Model of an SIB Program -

- Inputs
  - Resources to operate the SIB program
    - e.g., teachers and supporting staffs, education equipment, money (in case of an education program)

- Activities
  - Actual tasks for the program
    - e.g., lessons and trainings

- Outputs
  - Quantity of goods or services produced
    - e.g., number of people trained

- Outcomes/Impacts
  - Benefits as a result of the program
    - e.g., increased knowledge, better job opportunities

The success of an SIB program depends not on outputs but on outcomes.
Roles of the Korean Government to Promote SIBs in Korea

- Setting up a control tower to overcome departmental selfishness
- Establishment of the Framework Act on Social Economy
- Not rigid regulator, but market builder or steward
- Facilitating an ecosystem of the social investment market
How to Build the Social Investment Ecosystem

- Adoption of a master plan as the government’s flagship policy framework to facilitate the social investment ecosystem
- Establishment of a control tower to coordinate and prevent turf wars among government agencies

Facilitation of Ecosystem

- Promotion of social investment banks
- Establishment of social investment “wholesale” bank like Big Society Capital
- Creation of fund-of-funds or other innovation funds in the social investment market
- Tax relief and legal infrastructures

Activation of Social Investment Activities

- Fostering creation of a wide range of social investment products that meet the market demands
- Starting as a pilot project and scaling up of successful pilot projects
- Government as a ecosystem facilitator not as an active player in the market

Korean SIBs
The Effects of Promoting the Social Investment Market

Promotion of the Social Investment Market

- Economic Growth
  - Social Enterprises financing through the social investment market have much growth potential.
  - The social investment industries and social enterprises make significant job creation effects.
  - The active social investment market contributes to sustainable economic growth by facilitating social integration and balanced economic growth.

- Expansion of Welfare and Social Services
  - New funds for more welfare and social services through the social investment market
  - Transferring the risks of the welfare and social programs to the private sector
  - Enhanced efficiency through monitoring and evaluation
  - Improved quality of welfare and social services through market competition and interest alignment mechanisms
END OF DOC.

Thank You!