



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)

Presenter



- Peterborough SIB and its Meaning



Speaker

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Consultant,
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- NYC ABLE : Reducing Crime by Adolescent



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- How to Develop the Korean Model of SIBs



Speaker

Kab Lae Kim

Head of Corporate Policy Department,
Korea Capital Market Institute

- Panel Discussion



Panelist

Woon-Gi Park

Councilor, Seoul Metropolitan Council

- Panel Discussion



Panelist

Han, On Gyo

Director,

Seoul Support Center for Children's grouphome

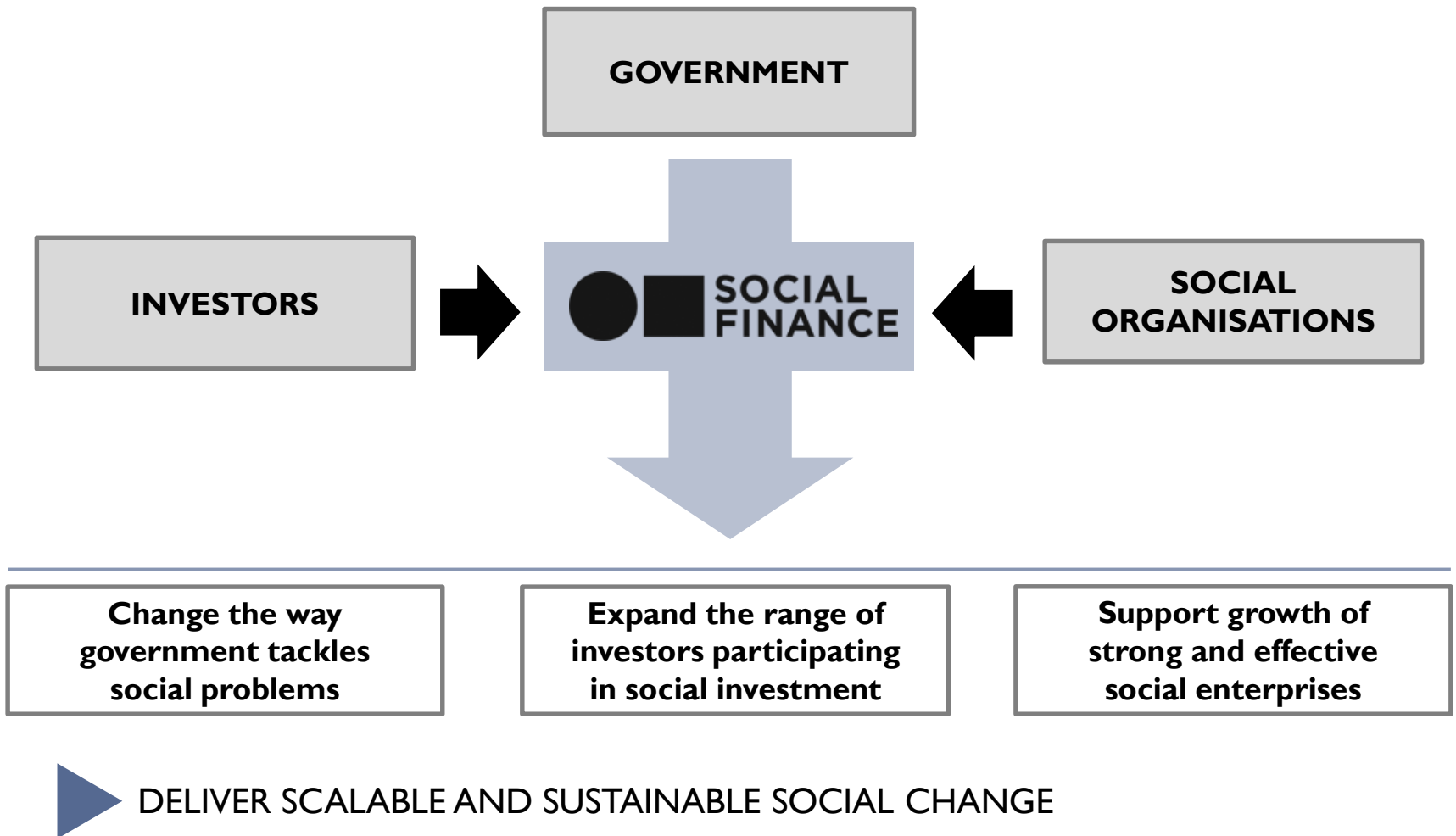
AN INTRODUCTION TO SOCIAL IMPACT BONDS

NOVEMBER 2014

Erdem Ovacik

Erdem.Ovacik@socialfinance.org.uk

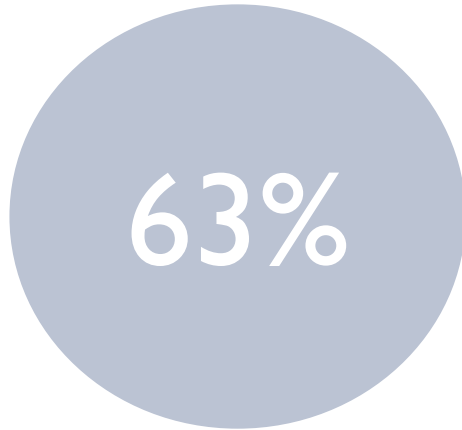
● ■ SOCIAL FINANCE IS A GLOBAL NON-PROFIT ORGANIZATION WITH A MISSION TO DEVELOP FINANCING MODELS TO ADDRESS PRESSING SOCIAL CHALLENGES



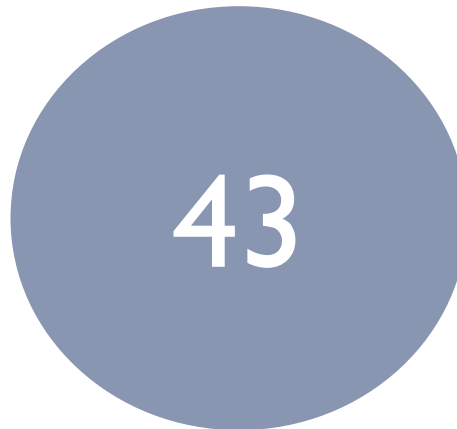


CASE STUDY: RE-OFFENDING RATES IN THE UK

EX-OFFENDERS
RECONVICTED WITHIN
1 YEAR



AVERAGE NUMBER OF
PREVIOUS OFFENCES
OF A SHORT-SENTENCE
OFFENDER



AVERAGE NUMBER OF
PREVIOUS JAIL TERMS



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)



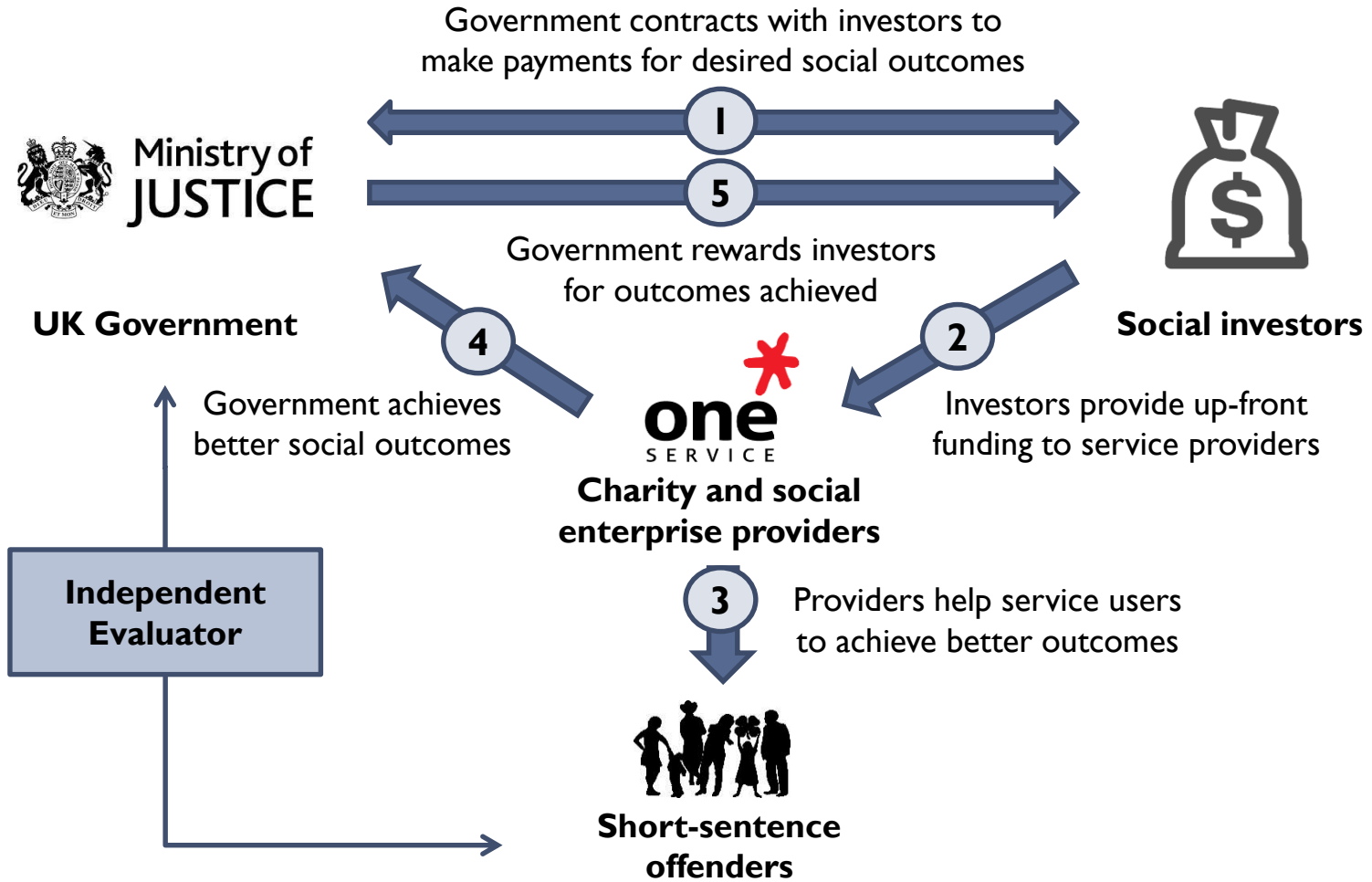
SHORT SENTENCE
OFFENDERS HAVE
MULTIPLE NEEDS

- 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

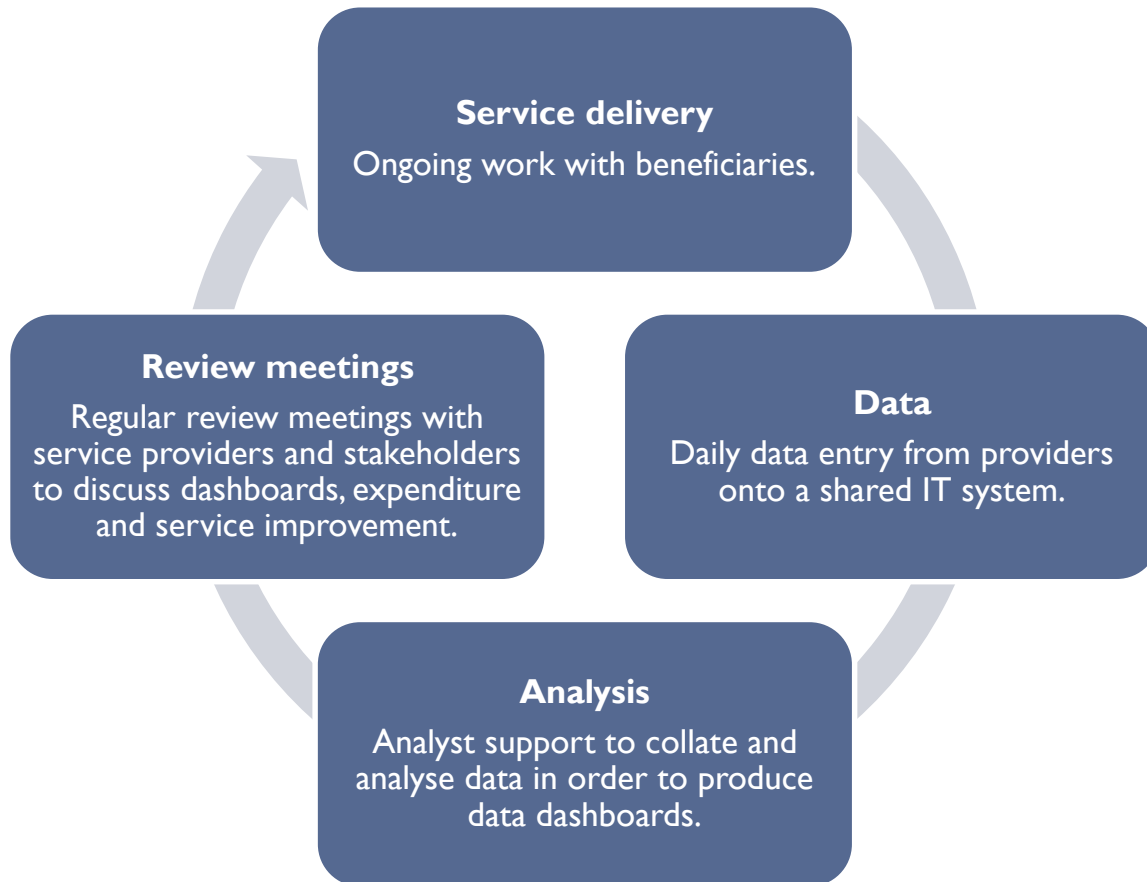
HOW THE PETERBOROUGH SOCIAL IMPACT BOND WORKS



▶ INVESTORS ARE REWARDED ACCORDING TO OUTCOMES ACHIEVED: THE BETTER THE OUTCOMES, THE GREATER THE RETURN

● RIGOROUS PERFORMANCE MANAGEMENT ENABLES ADAPTATION AND ENHANCED SERVICE DELIVERY 6

Performance management in Peterborough



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

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



ESSEX – CHILDREN ON THE EDGE OF CARE - 2012



NY AND SC – NURSE HOME VISITATION - 2014



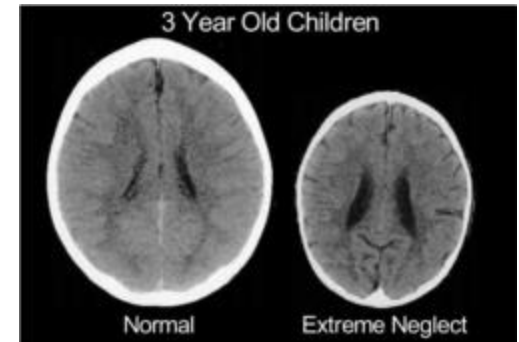
MA – ADULT BASIC EDUCATION - 2014



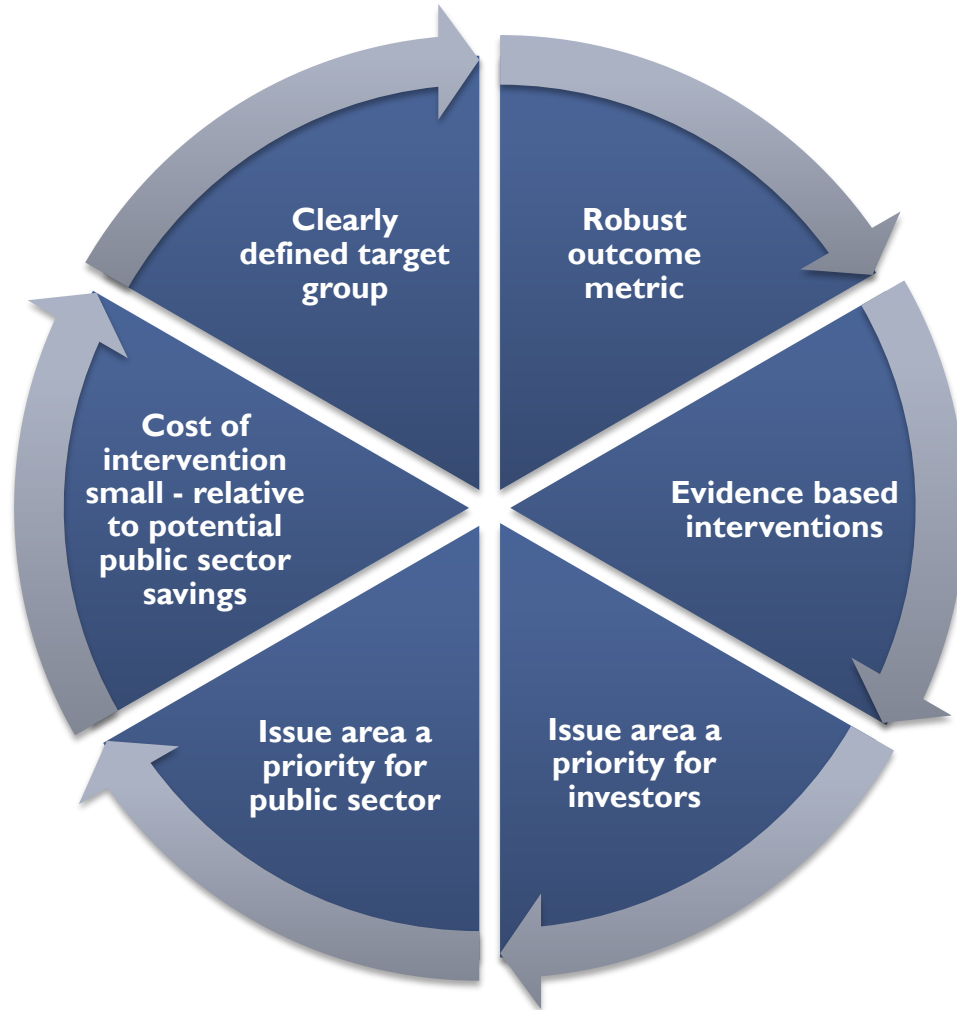
ROTTERDAM - YOUTH EMPLOYMENT - 2013



SALT LAKE CITY EARLY CHILDHOOD EDUCATION - 2013



● ■ SIBS ARE ESPECIALLY APPROPRIATE WHEN CERTAIN CONDITIONS EXIST



●■ 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



The Situation – The Issue

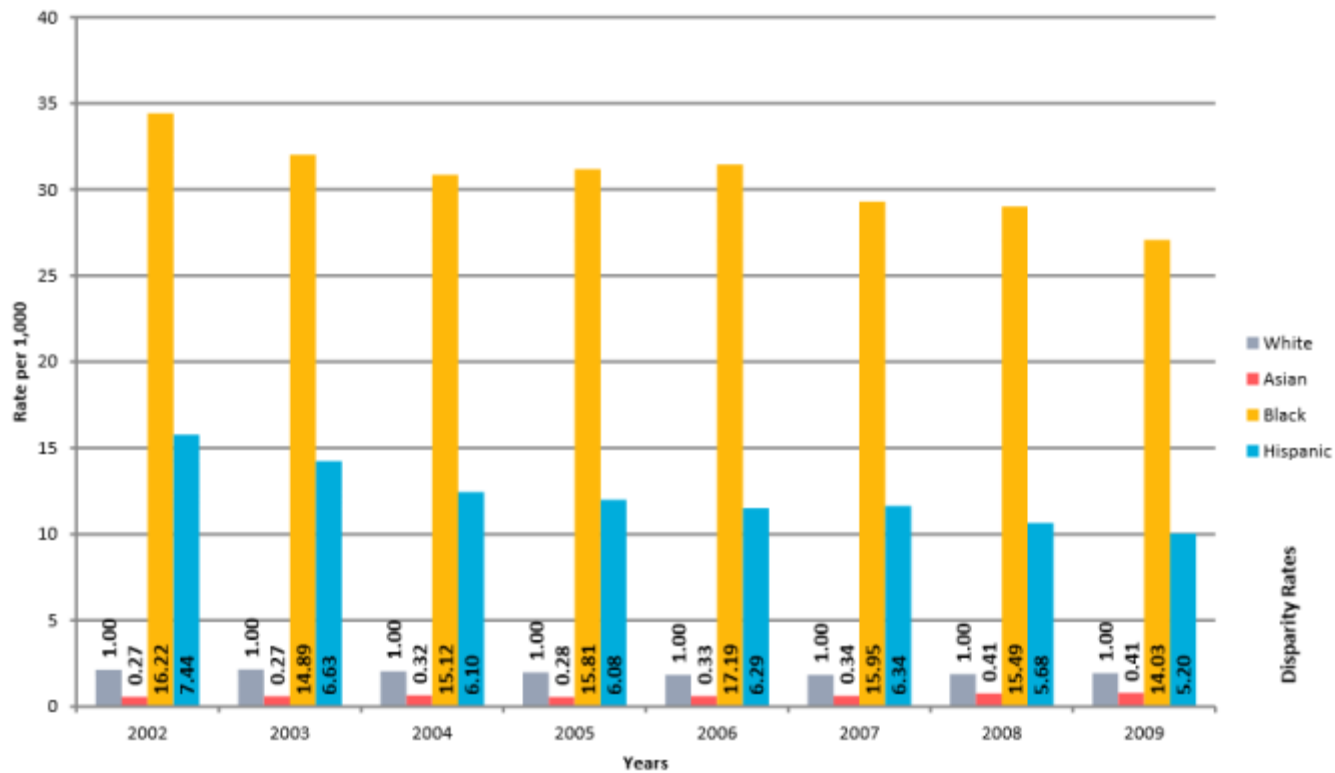
Those who enter jail as adolescents have a high likelihood of re-entering the system in the years following their release

- 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



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

The Situation – The Intervention Research

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

The Opportunity – The Program

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

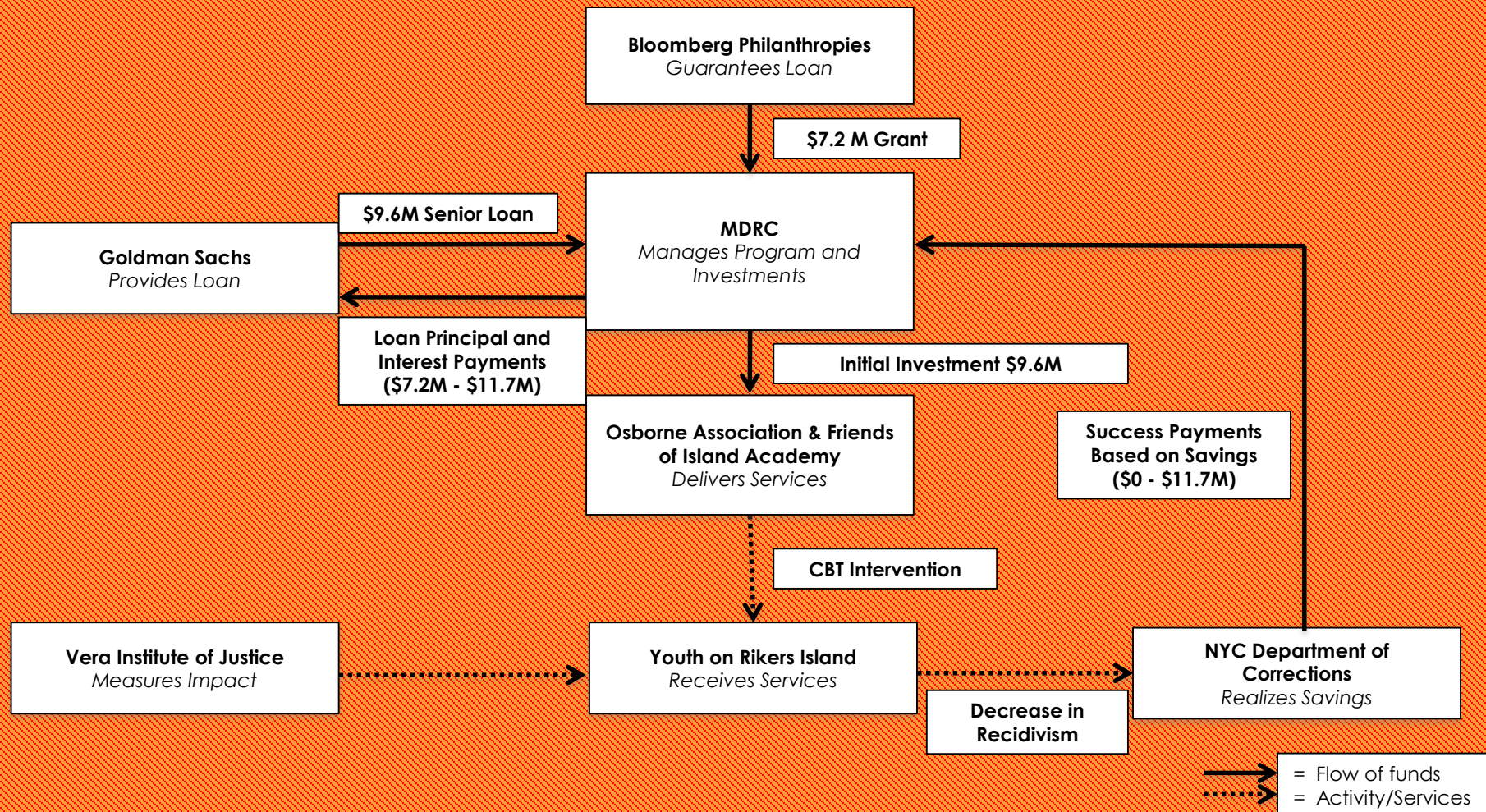
Bloomberg Philanthropies provides a \$7.2 million grant to MDRC to guarantee a portion of the investment

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



The Structure – The Flow of Payments

- Goldman Sachs will invest \$9.6 million in the intervention, fully funding the ABLÉ 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 ABLÉ 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 ABLÉ 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)

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

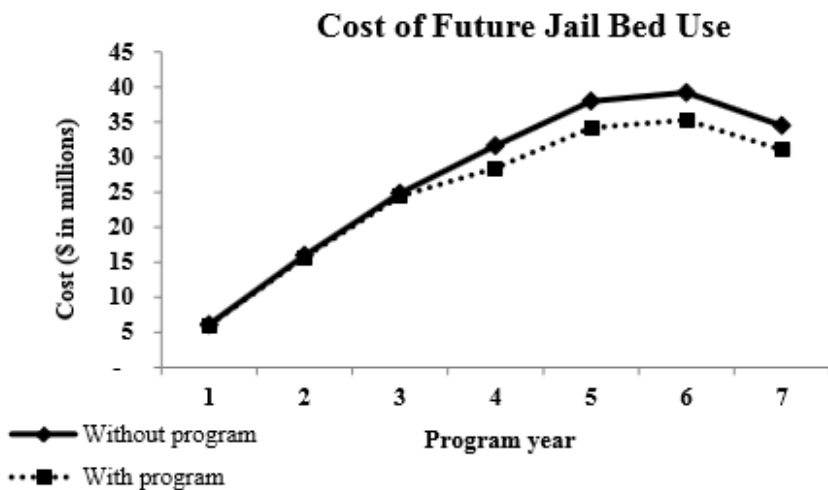
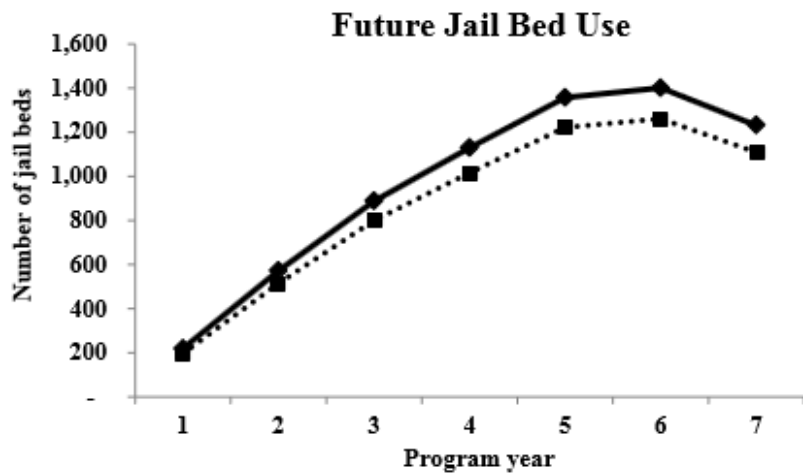
* Excludes city savings used to continue funding program delivery for youth at Rikers

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 ABLÉ program is operating (*the program group*) to a cohort entering DOC custody prior to the start of the ABLÉ 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

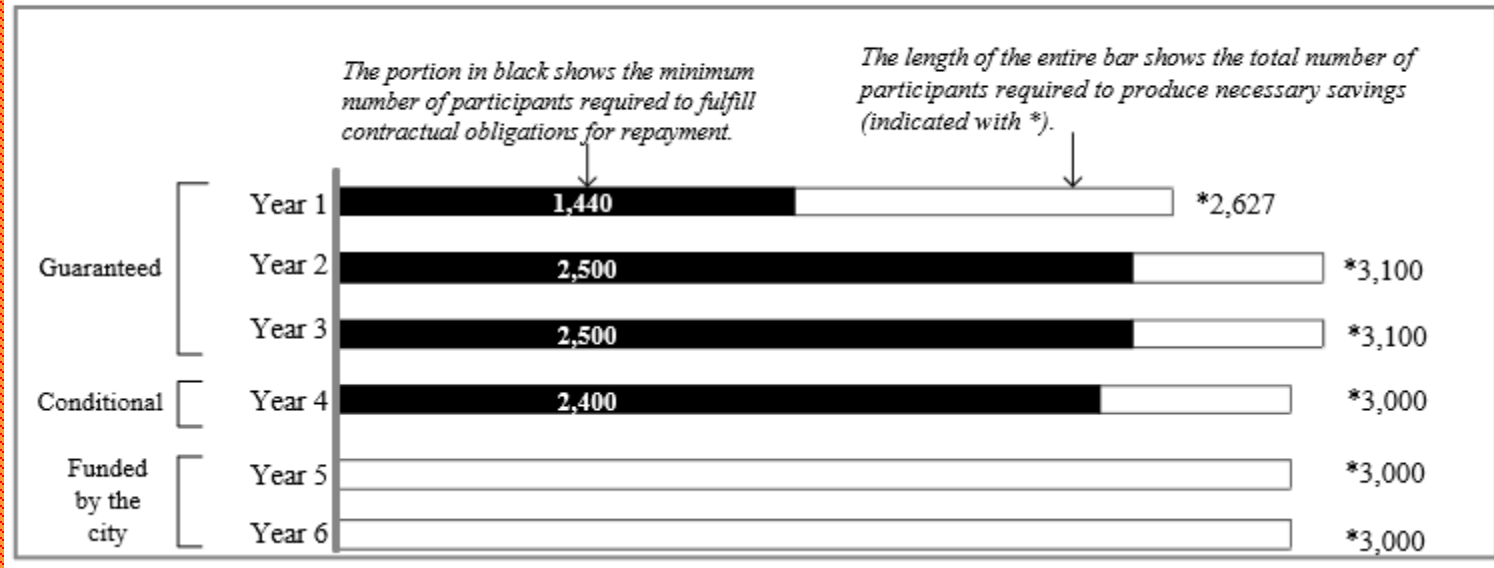
Cost – Benefit Analysis

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



Data on Participation Requirements

Program Participation Targets and Contractual Minimums by Year



Expected Intervention Impact

Expected Impact						
	Participation rate of eligible adolescents (%)		Expected impact by level of completion (%)			Average weighted impact
Case for success based on evidence						
All participants	100.0	*	25.0	=		25.0
Total						25.0
Case for success based on length of stay						
Level of completion						
Completers	33.0	*	25.0	=		8.3
High partial completers	9.3	*	16.6	=		1.5
Low partial completers	18.8	*	8.3	=		1.6
Noncompleters	38.9	*	0.0	=		0.0
Total						11.4

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



Bloomberg Associates Social Services

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

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

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Rodin, J, "Innovations in Finance for Social Impact" Blog Post, September 2014, available at <http://www.rockefellerfoundation.org/blog/innovations-finance-social-impact>

The City of New York, "Overview of the Young Men's Initiative" available at http://www.nyc.gov/html/ympi/downloads/pdf/overview_of_the_young_mens_initiative.pdf

Third Sector Capital, "Is Your Organization Ready For Pay For Success?" Third Sector Capital, 2013

Videos part of a two-part series by PBS that aired in April 2013. Full versions available at <http://payforsuccess.org/resources/pbs-news-hour-2-part-series-rikers-nyc-social-impact-bond>

Questions

SOCIAL IMPACT BONDS IN THE UNITED STATES

Global Social Economy Forum, Seoul, Korea

November 19, 2014

Megan Golden

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Fellow, New York University

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Social Impact Bonds: Key Features



Investors provide capital to implement proven, cost-effective programs on a large scale



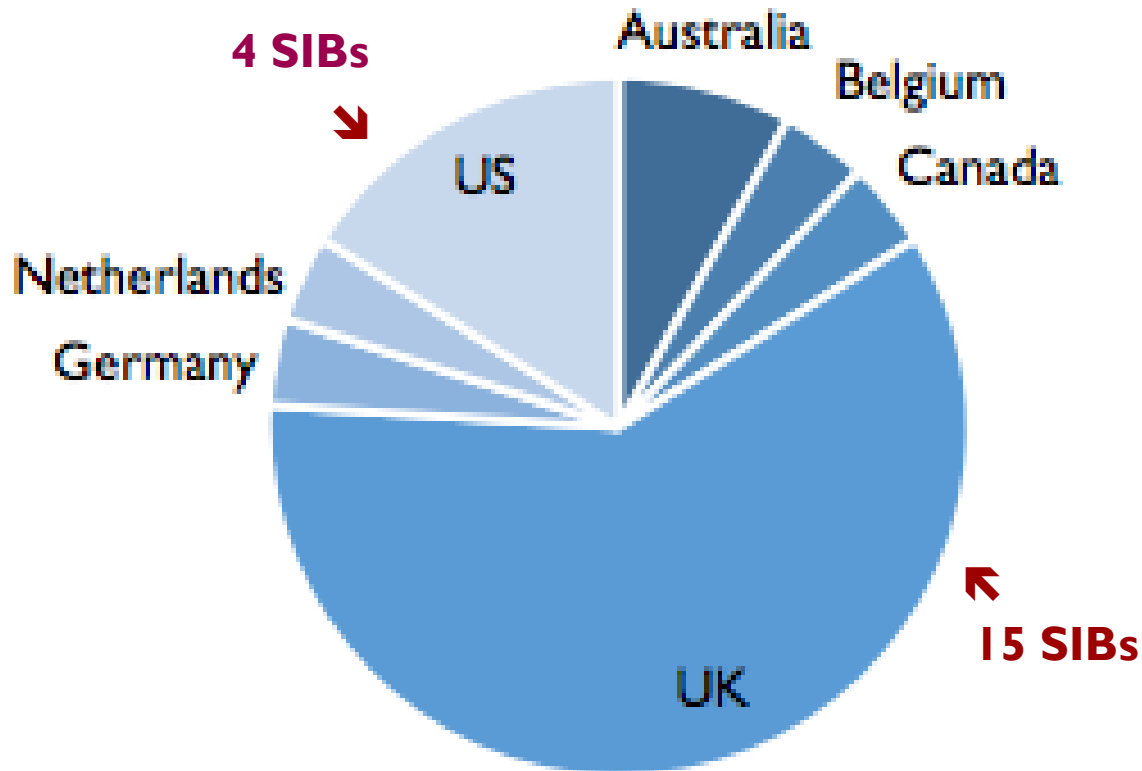
Government contracts to pay only for agreed-on, measurable RESULTS; payments repay investors



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)



*Source: Social Finance, The Global Social Impact Bond Market, Aug. 2014 (#'s added)

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

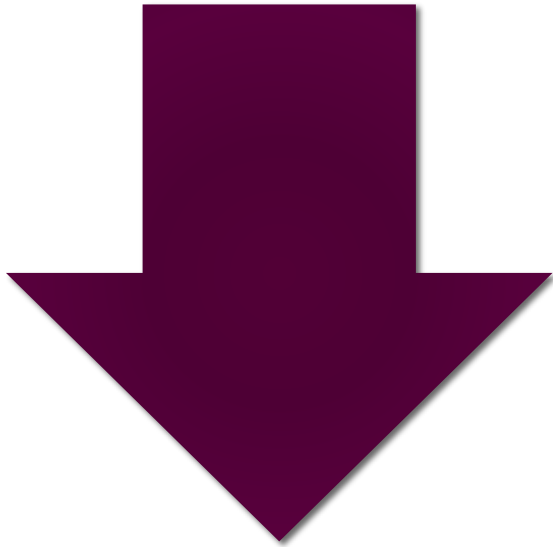
- Cognitive behavioral therapy

NYC SIB Payment Terms

Reduction in Reincarceration	City Payment
$\geq 20.0\%$	\$11,712,000
$\geq 16.0\%$	\$10,944,000
$\geq 13.0\%$	\$10,368,000
$\geq 12.5\%$	\$10,272,000
$\geq 12.0\%$	\$10,176,000
$\geq 11.0\%$	\$10,080,000
$\geq 10.0\%$ (breakeven)	\$9,600,000
$\geq 8.5\%$	\$4,800,000



Proven Outcomes of SIB Program



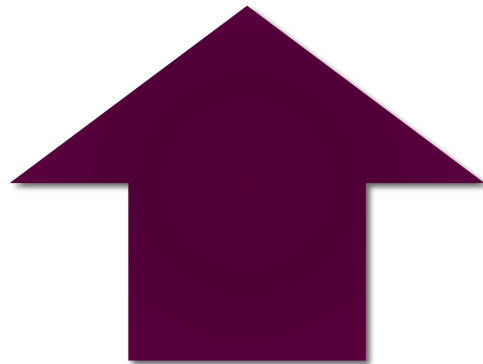
Preterm births

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%**

Region	Current Rate	Post-SIB
Greenville	11.2%	8.1%
Richland	11.1%	8.1%
Charleston	10.9%	7.9%
Orangeburg	9.7%	7.0%
Florence	13.8%	10.0%

Technical Assistance for SIB Financing: U.S. Social Innovation Fund



INSTITUTE *for* CHILD SUCCESS

- 8 federally funded technical assistance providers
- Annual open competitions for jurisdictions interested in SIB financing assistance
- Intensive technical assistance for up to 12 months

Global Social Economy Forum 2014
Seoul, Korea
Nov 17th-19th, 2014

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

Self Introduction

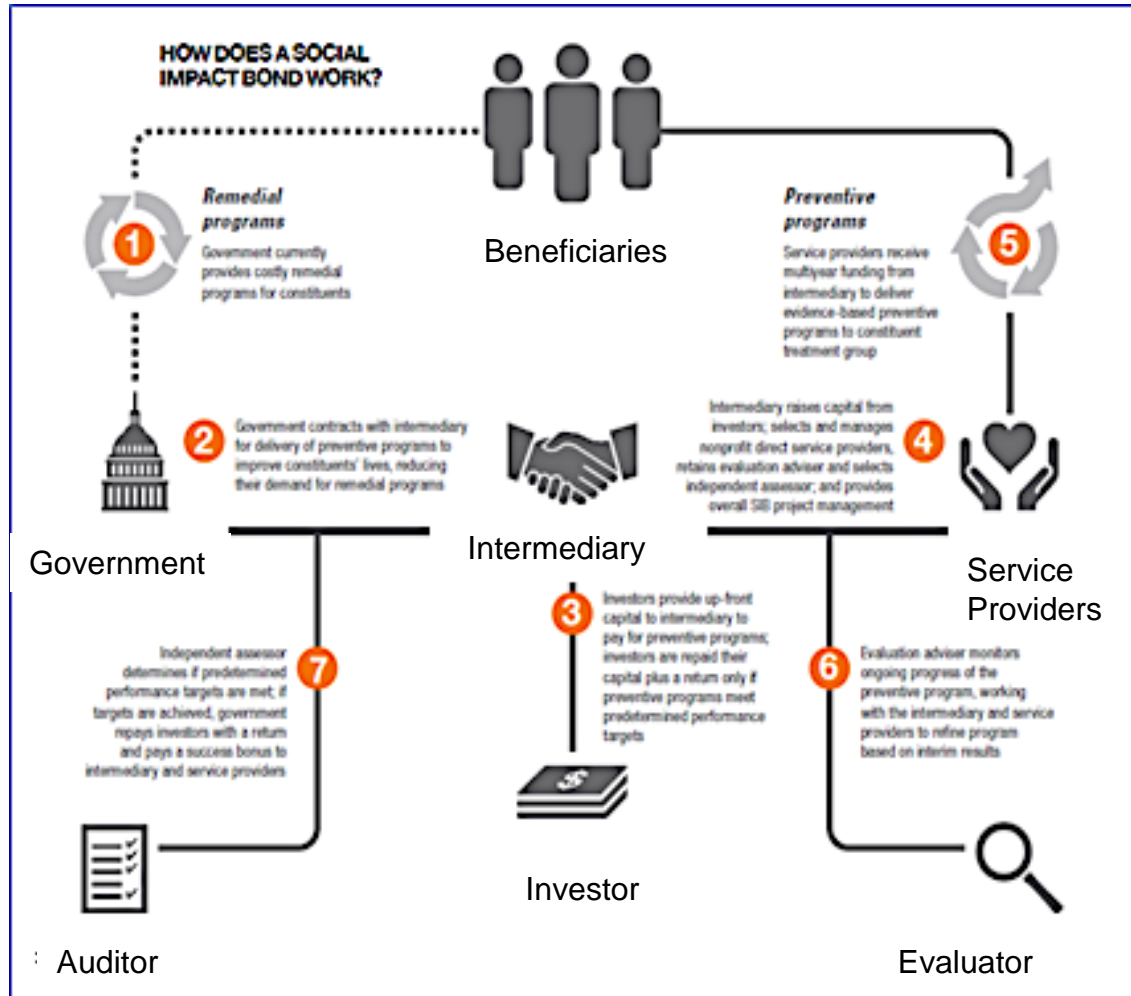


Ken Ito,
Project Research Associate, Keio University
Regional Head (East Asia),
Asian Venture Philanthropy Network

- 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

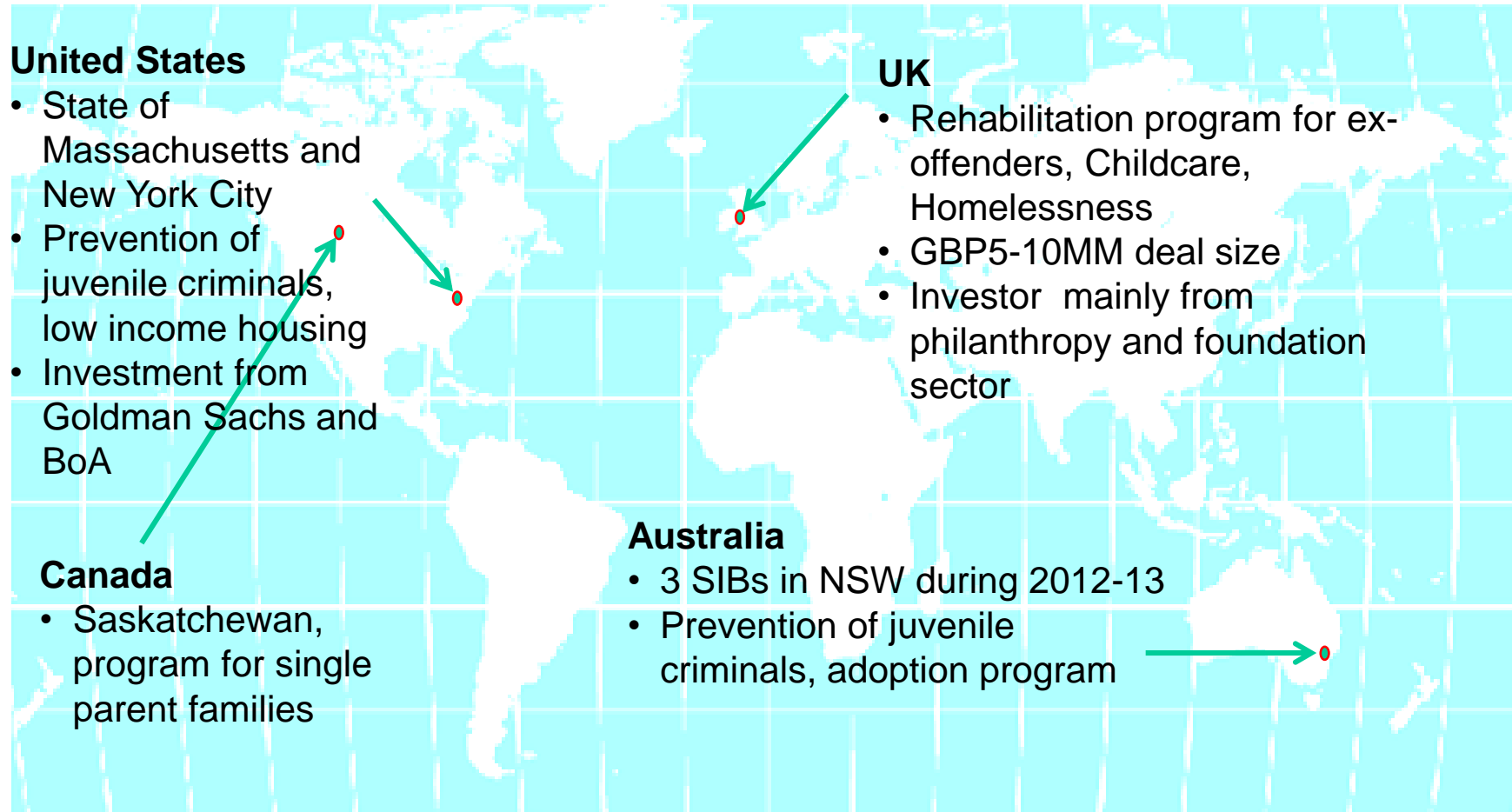
- SIB performs outcome based commissioning, in partnership among government, social investor, service provider and intermediaries to maximize social impact



- 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



- **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

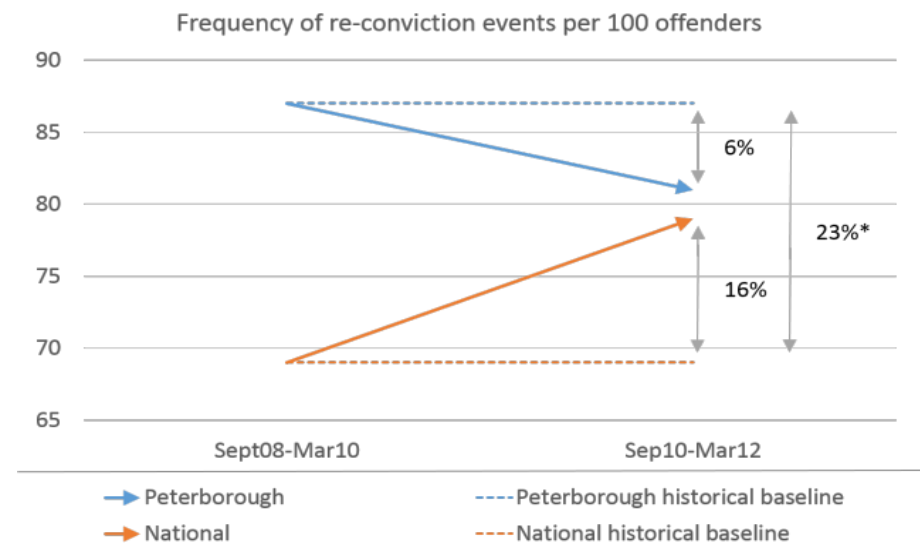
- The first SIB case in UK, re-offending prevention program in Peterborough prison attracted GBP 5MM from 17 philanthropic investors for 5 year program resulted in 8.4% reduction in first cohort of 1000 prisoners

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

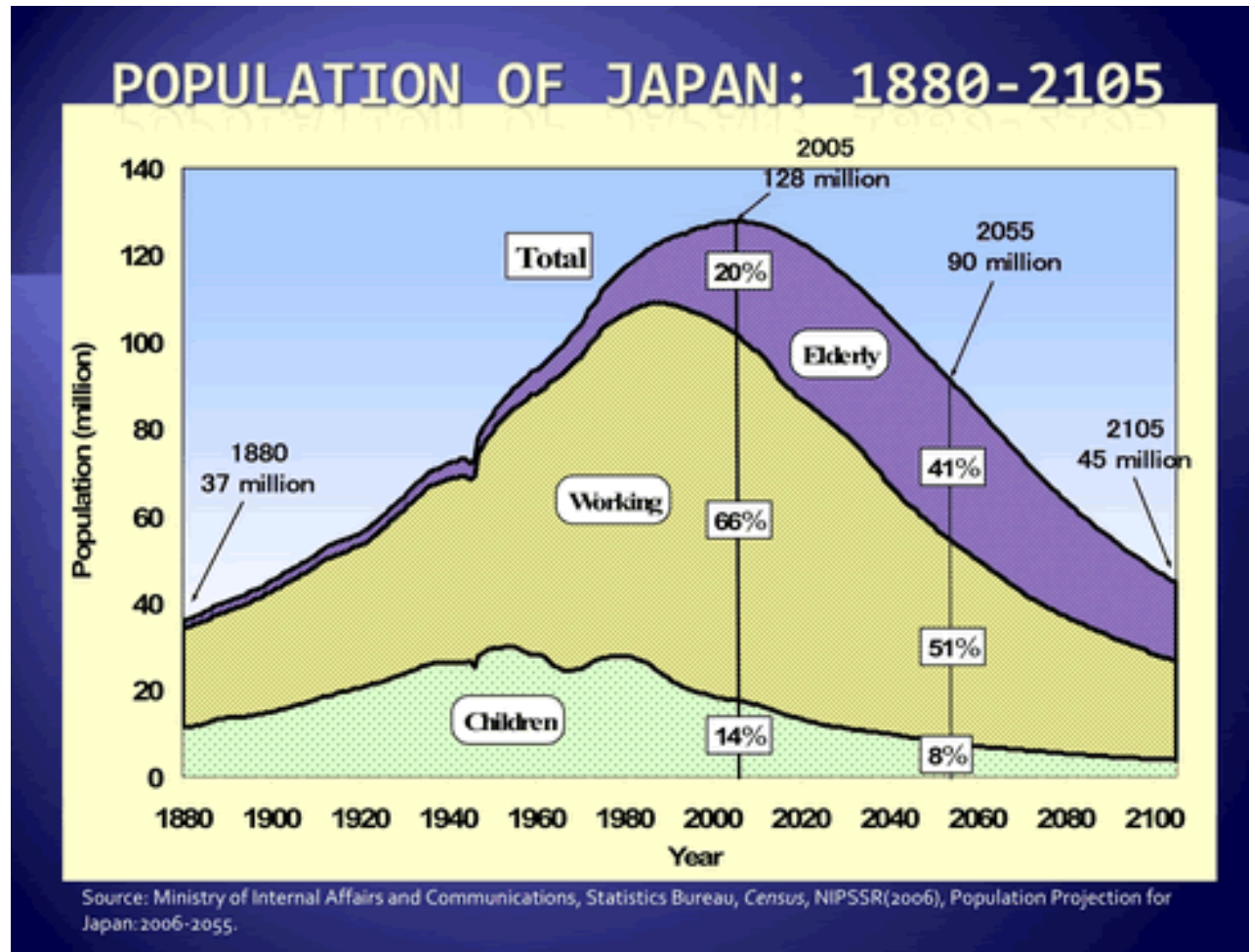
Financial / Social Impact

- 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



*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

Theme	Program	Expected Outcomes
Youth Unemployment	Amagasaki City : Employment promotion for NEET population	<ul style="list-style-type: none"> Increased social participation of youth Reduction of public benefit for low income household Increased tax payment
Preventive Elderly Care	A local government in Kyushu Area: Health promotion and rehabilitation for elderly	<ul style="list-style-type: none"> Increased well-being of elderly Reduction of medical cost and elderly care insurance
Child Care	Yokosuka city : Promotion of adoption to match children in a risk to be fostered in care facilities and families desire adoption	<ul style="list-style-type: none"> Rehabilitation of family with relationship issues Reduction of cost for childcare facility
Recidivism Reduction	Psychological therapy for ex-offenders	<ul style="list-style-type: none"> Reduction of cost for criminal justice Prevention of economical/social loss

7. Stakeholder Readiness in Japan

- Involvement of potential stakeholders in progress

Type	Stakeholders	Readiness	Status
Government	Ministry of Justice, Yokosuka city, Amagasaki city and other local governments	Med	<ul style="list-style-type: none"> • In discussion with central/local government agencies for SIB implementation
Service Provider	Non-profit to provide services for youth employment, rehabilitation for elderly	Med	<ul style="list-style-type: none"> • Conducting interviews with potential organizations
Legal	Legal firms	High	<ul style="list-style-type: none"> • In process of clarifying legal requirement and estimated quotation
Intermediary Organizations	Social Investment Intermediaries (Social Investment Partners) or Non-profit intermediaries	High	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

Task	Action	Schedule
Needs Assessment	<ul style="list-style-type: none"> • Selection of issue areas and negotiate with possible government entities 	Jul-Sep 2014
SIB Model Development	<ul style="list-style-type: none"> • Development of SIB models <ul style="list-style-type: none"> • Develop impact evaluation models • Develop data collection plans and confirm feasibility • Produce draft contract • Clarify legal/regulatory issues • Identify potential investors 	Sep-Dec 2014
Implement Pilot Program	<ul style="list-style-type: none"> • Conduct pilot program with funding by Nippon Foundation • Collect evidence to materialize the final proposal to the governments 	Nov 2014-June 2015
Government Budgeting	<ul style="list-style-type: none"> • Submit proposal to the government for include the SIB budget in FY 2016 	2015-2016

7. Challenges (1)

- Multi-year budgeting and Outcome-based payment is perceived as a challenge for many of the local governments, however, there are existing similar practice

Challenge	Details	Measures	Existing practice
Multi-year budgeting	<ul style="list-style-type: none"> Government does single year budgeting and SIB require multi-year 	<ul style="list-style-type: none"> Multi-year operation is feasible although there are no legal commitment To set up a government fund is a solution although need an approval from city council 	<ul style="list-style-type: none"> Infrastructure building
Outcome based payment	<ul style="list-style-type: none"> PFS is not a common practice in Japan, although there are no legal restriction 	<ul style="list-style-type: none"> PFS has some examples in many of the local government It could have upper limit 	<ul style="list-style-type: none"> Market test (Collection of overdue rent of public housing etc)

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

Challenge	Details	Measures	Existing practice
Evaluation Practice	<ul style="list-style-type: none"> • Evaluation of social impact in monetized value is required 	<ul style="list-style-type: none"> • Existing institutions has capability for impact evaluation • Various consulting firms also offers similar services 	<ul style="list-style-type: none"> • SROI Network Japan,
Intermediary organization (SPC Operation/ Fund Management)	<ul style="list-style-type: none"> • Identification of high-performing non-profit • Need to achieve 	<ul style="list-style-type: none"> • There might be some challenge on management capability of intermediary organization • Venture philanthropy organizations have good potential to play this role 	<ul style="list-style-type: none"> • Social Investment Partners • Japan Venture Philanthropy Fund (Nippon Foundation)

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

Nov. 19, 2014

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- Chapter 1** Background
- Chapter 2** Dilemma and Problems
- Chapter 3** Solutions
- Chapter 4** Korean Model of SIBs

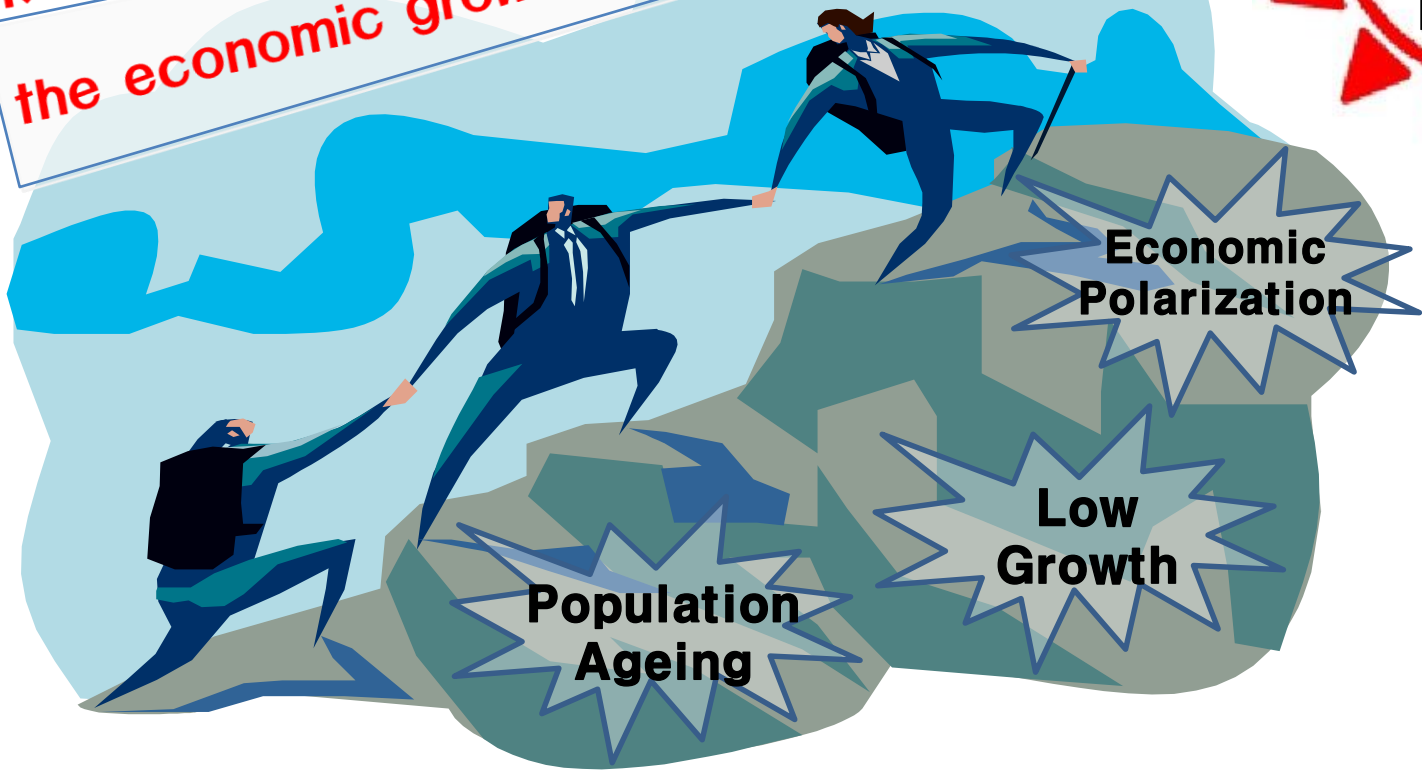
Chapter 1

Background

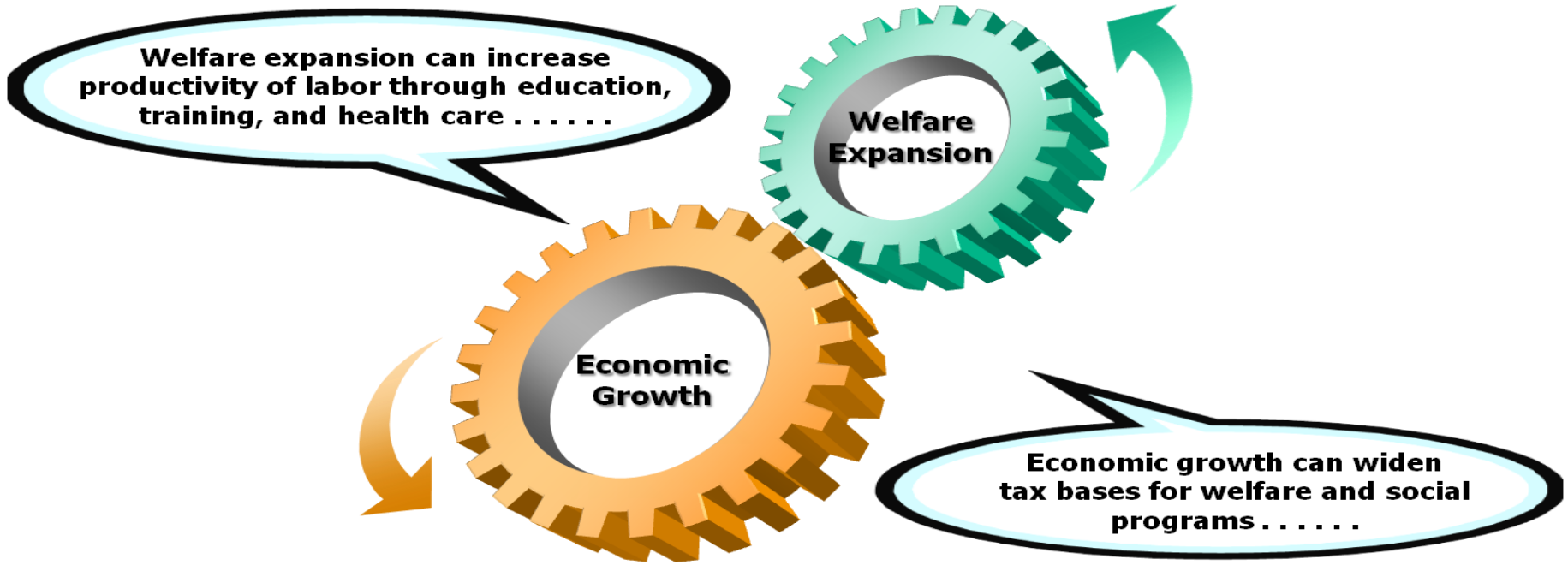
What does it take
for the sustainable
development of the
Korean economy?

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



“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

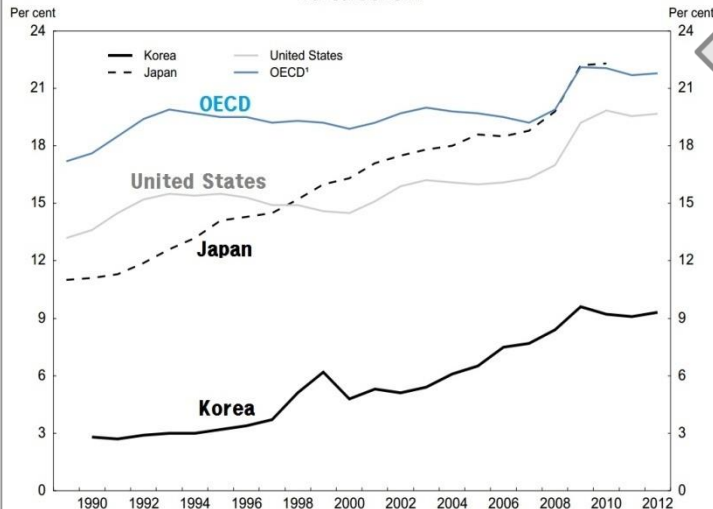
Dilemma and Problems

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.

Public social spending in Korea is relatively low

Per cent of GDP



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

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)

Problems with Public Social Welfare Services

2

Problems

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.

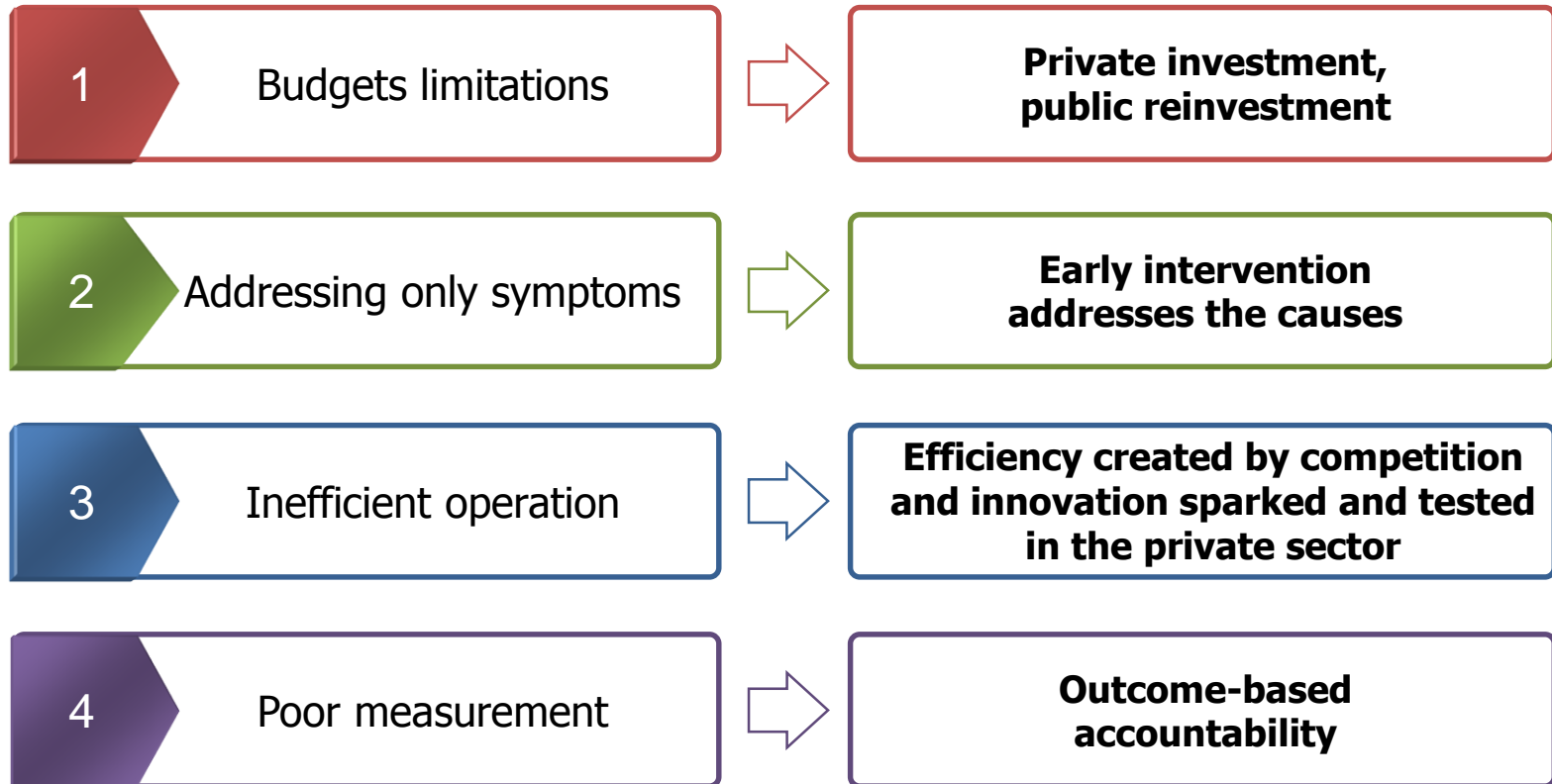
4

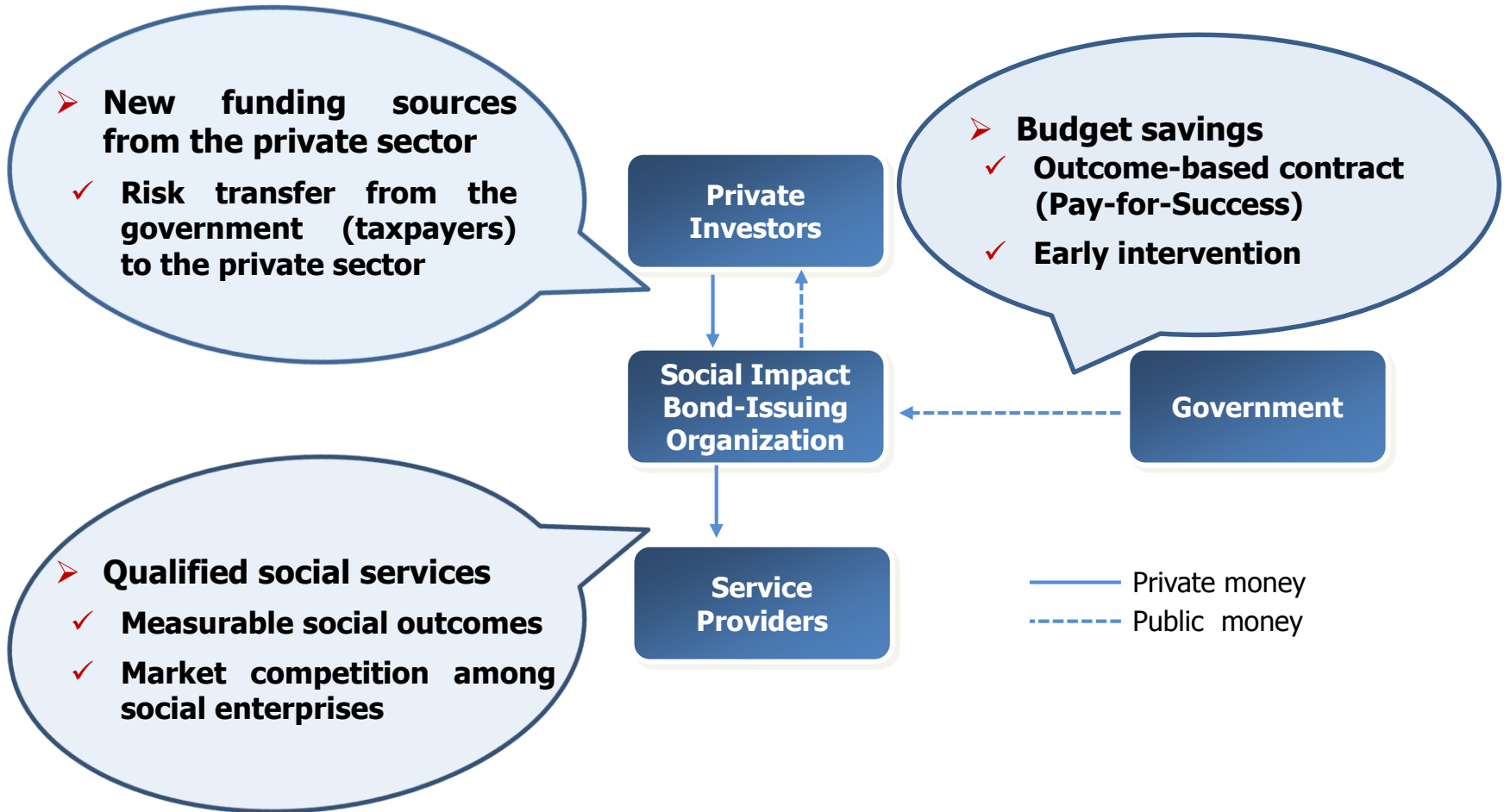
Poor measurement of public service performance, and, as a result, no accountability.

Chapter 3

Solutions

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





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

New Funding Sources

Capital Market



Budget Savings

Budget savings generated by early intervention and more cost-effectiveness

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?

❖ 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

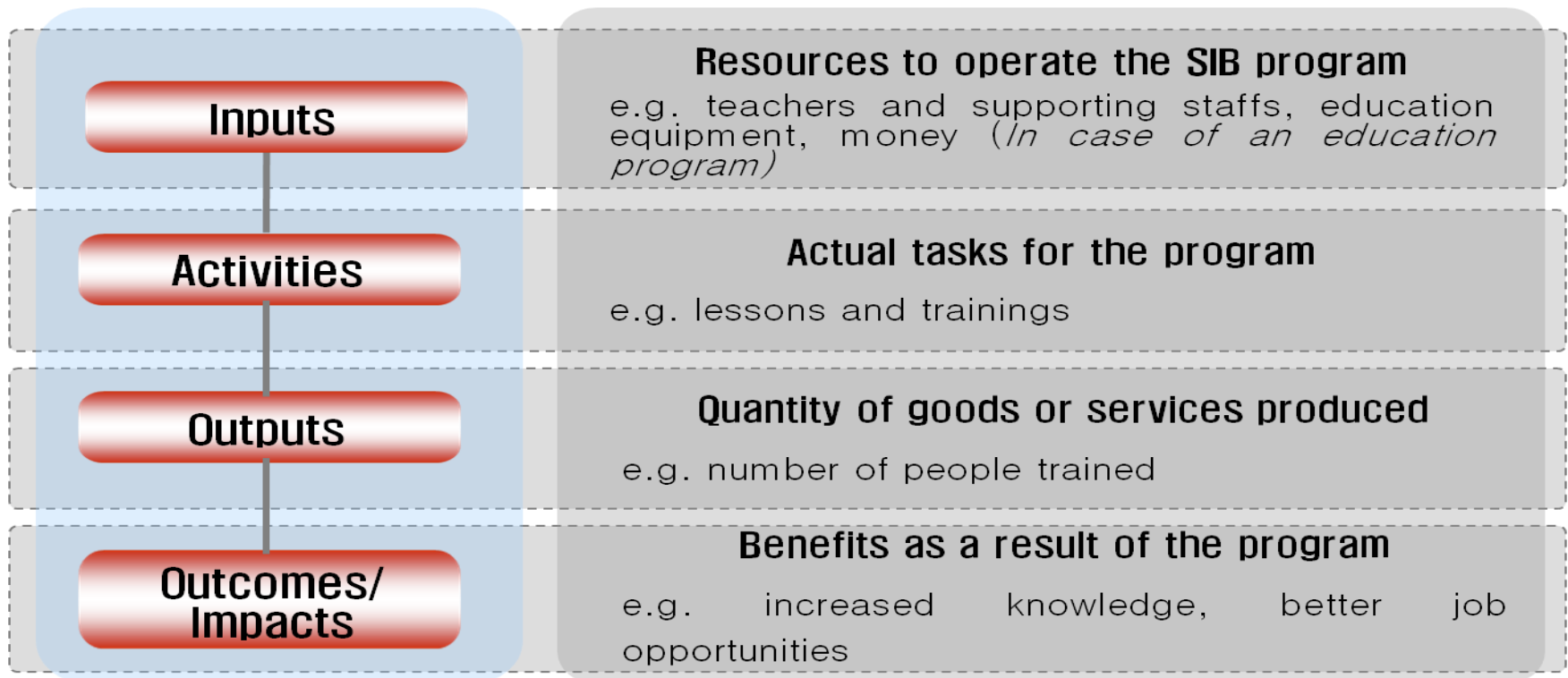
➤ e.g., English education program for low-income students

- ✓ 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

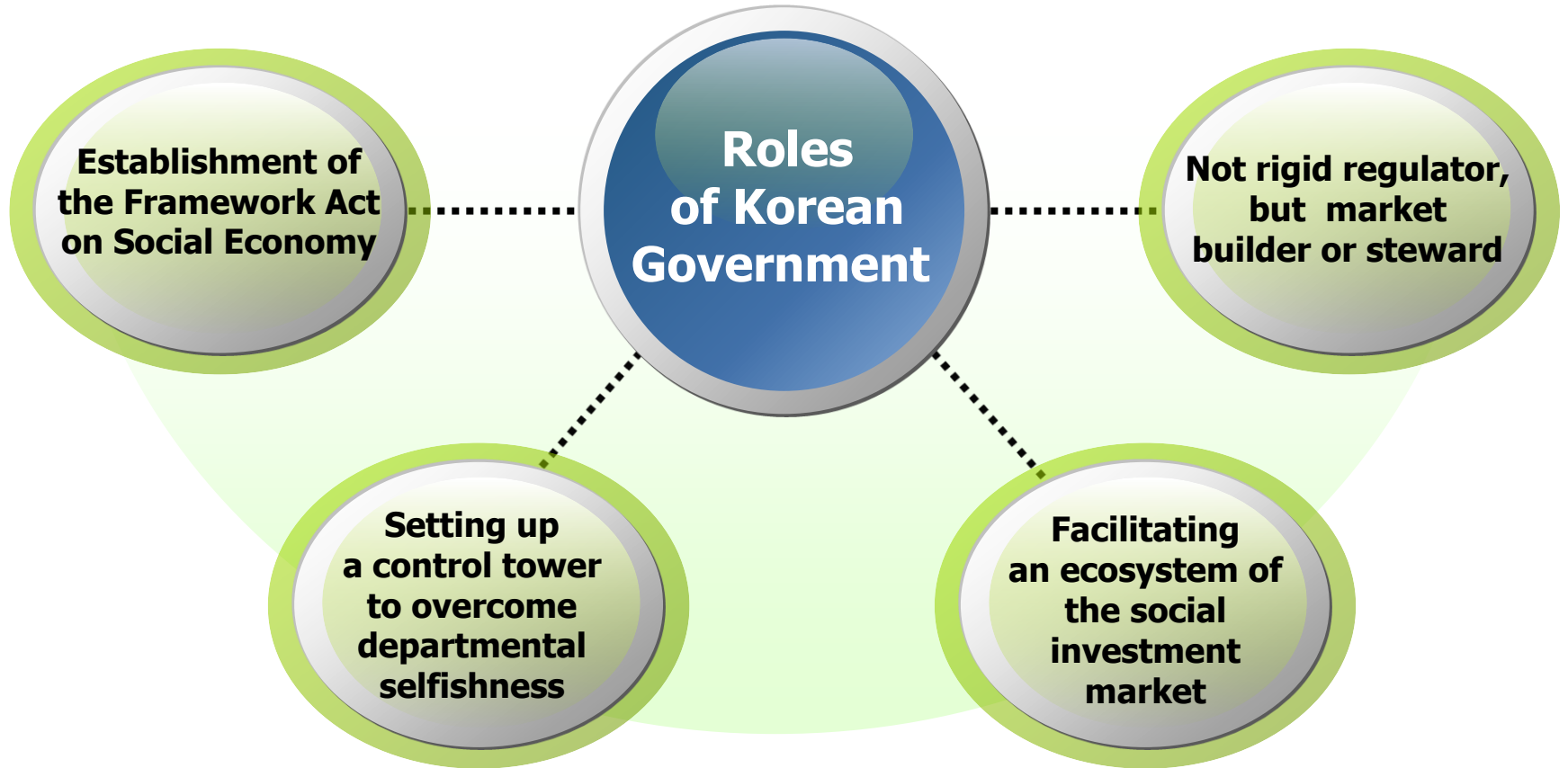
Success of an SIB Program: Not just Outputs but Outcomes

- ❖ The success of an SIB program depends not on outputs but on outcomes

- Logic Model of an SIB Program -



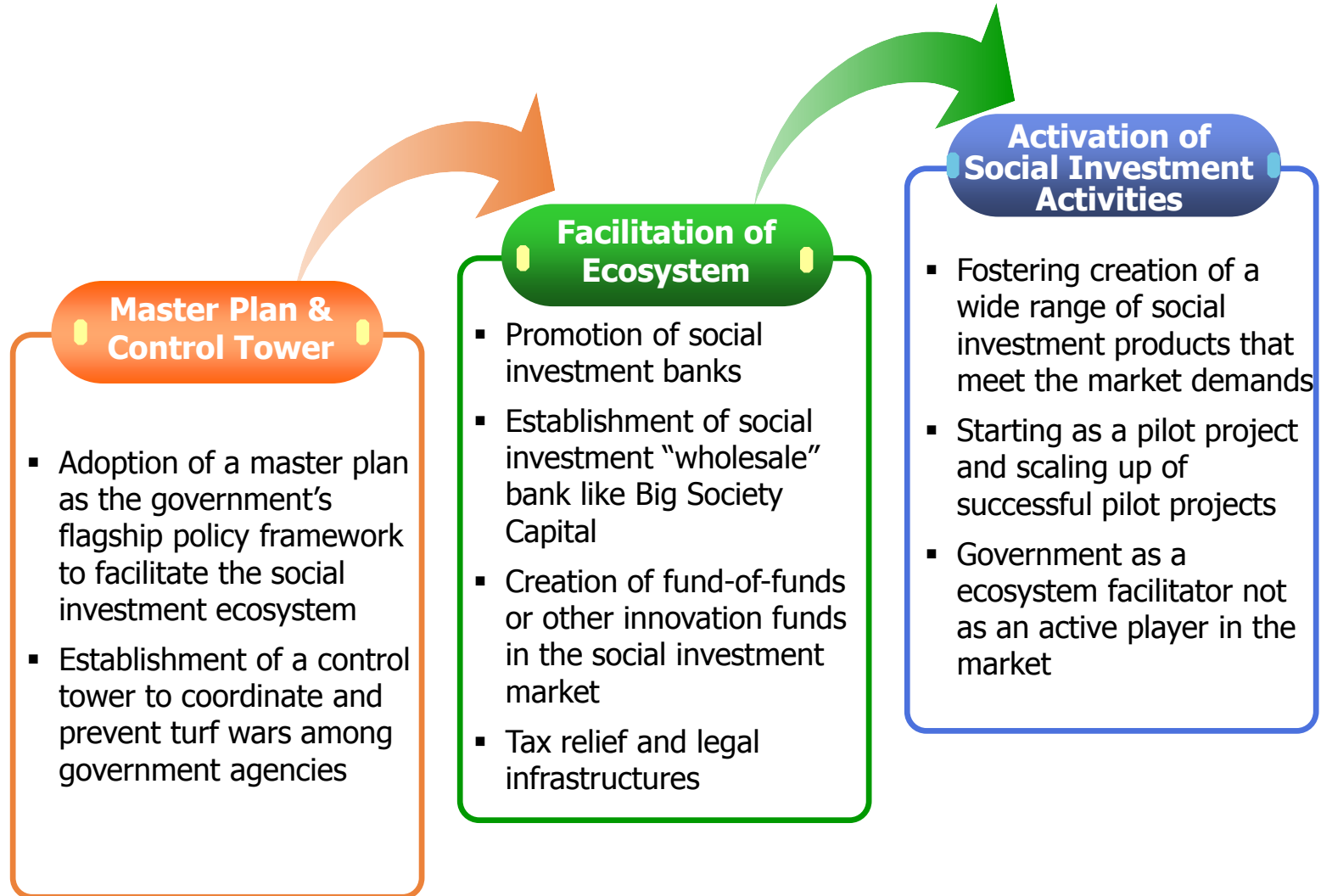
Roles of the Korean Government to Promote SIBs in Korea

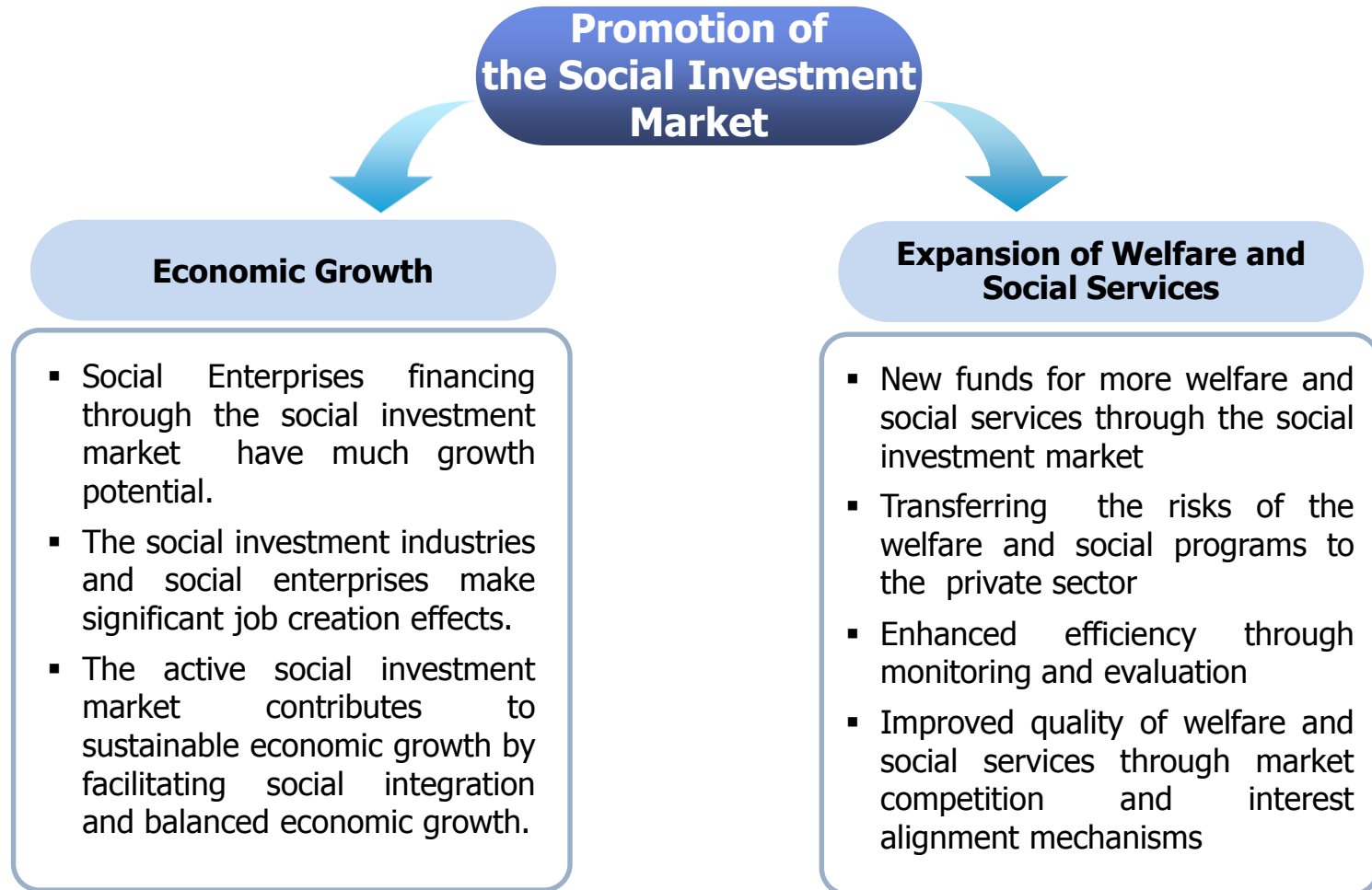


How to Build the Social Investment Ecosystem

4

Korean SIBs





END OF DOC.

Thank You!

