

Collaborative Partnership: A Case from the 1st SIB Project in Korea

Global Public HR Conference

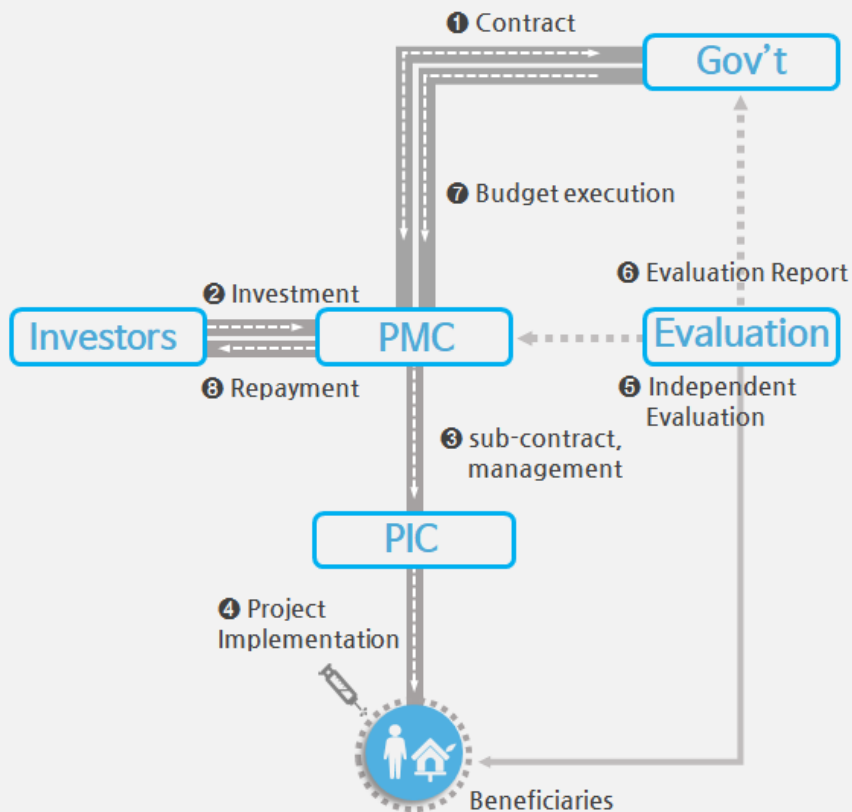
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Introduction - Social Impact Bond

- A social impact bond (SIB) is a contract with the public sector or government, whereby it pays for better social outcomes in certain areas.
- A SIB is not a bond, per se, since repayment and return on investment are contingent upon the achievement of desired social outcomes.
- SIBs derive their name from the fact that their investors are typically those who are interested in not just the financial return on their investment, but also in its social impact.

SIB Implementation Structure

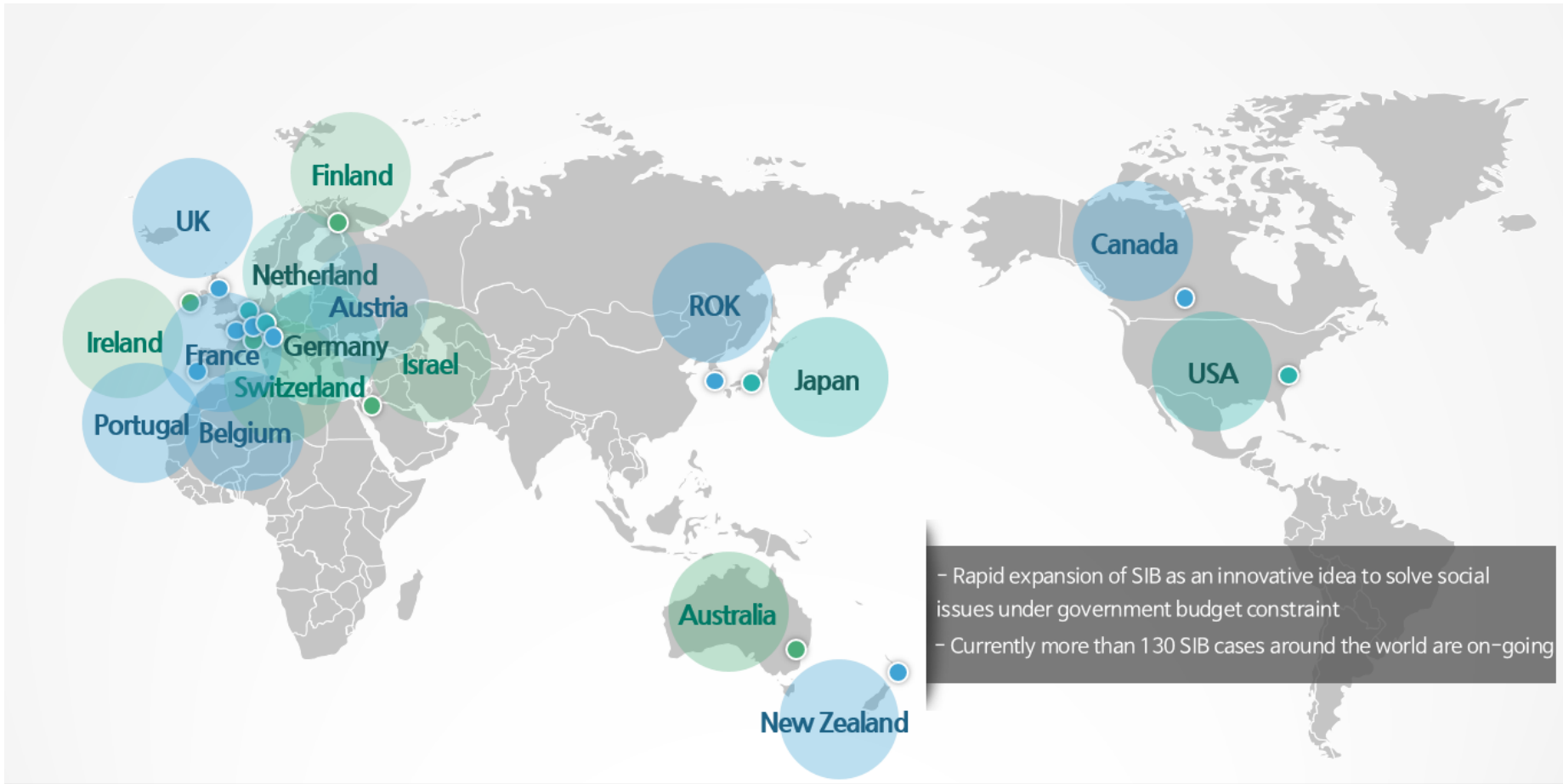


- 1** Contract between Government and PMC
- 2** PMC fund-raising from private investors
- 3** PMC sub-contract with PIC
- 4** PIC implements the social project
- 5** Independent evaluation unit examines the impact
- 6** Submit the evaluation report to Gov't and PMC
- 7** Gov't executes the budget based on the evaluation
- 8** PMC delivers the investment return to Investors

SIB Background

- SIBs are a relatively new funding mechanism.
- SIBs were first launched **in 2010** through a UK program called *Social Finance UK*. The UK program sought to reduce the rate of recidivism at Peterborough Prison in Cambridgeshire.
- **In 2012**, NYC initiated its first SIB contract, which focused on providing large-scale prisoner rehabilitation at Rikers Island Jail. Through *the Young Men's Initiative*, Goldman Sachs provided \$9.6 million to ensure that detained 16 to 18 year olds received quality education, training, and counseling.

SIBs around the world



- Rapid expansion of SIB as an innovative idea to solve social issues under government budget constraint
- Currently more than 130 SIB cases around the world are on-going

SIB Background

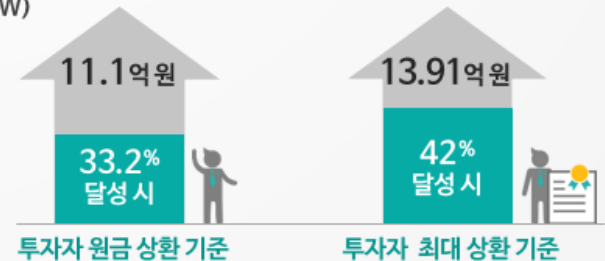
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The first SIB Project in Korea



- **Beneficiaries** 100 adolescents with borderline mental retardation
- **Project period** 3 years (3.5 years including evaluation)
- **Expected Impact** Improvement on intellectual and social capacity
- **Investors** People and Peace Link (PPL), MYSC, USB security
- **Intermediary** Pan-Impact Korea
- **PIC** Daekyo Culture Foundation (Eye-level Education)
- **Government** Seoul Metropolitan City

- **Investment** 1.11 billion KRW (project 1.07 billion KRW + evaluation 40 million KRW)
- **Outcomes** Wechsler IQ test, Adolescent Behavior Assessment
- **Max Target** 42% of the beneficiaries improving IQ
- **Max Return** 1.391 billion KRW (max incentive: 281 million KRW)



The first SIB Project in Korea



Seoul Childcare Center



Group-home or public orphanage taking care of children and adolescents outside home



Social Needs

- Children in public childcare centers are more likely to have borderline mental retardation due to harsh life experience and adverse living environments



Children with Borderline Mental Retardation



IQ 71-84: slow learners, more likely to experience mental instability and low academic performance



When become adults, **15 times more likely to be a public charge** than normal children



- **If neglected, tend to deteriorate into intellectual disable people, which causes huge social cost**
- Less likely to be a self-reliant adult due to low cognitive and social abilities but neglected in education policies
- Bullied, school violence victim, dropout, unemployed, unmarried parents → Borderline MR
- If provided remedial and appropriate education at an early stage, significant improvement is expected

Collaborative Partnership

- For the first SIB project in Seoul, the major stakeholders are as follows;
 1. Seoul Metropolitan Government
 2. Seoul Metropolitan Council
 3. Intermediary: Pan-Impact Korea
 4. Main Investor: People and Peace Link (PPL)
 5. Project Implementation: Daekyo Culture Foundation
 6. Independent Evaluation: Department of Education, SKK Univ.

Collaborative Partnership

- Collaborative accountability by *the government* (Seoul Metropolitan Government and Seoul Metropolitan Council)
 1. enacted '*Seoul Metropolitan Government Ordinance on Social Impact Bond Project*' (2014. 3. 20)
 2. rejected by Seoul Metropolitan Council (2014. 9. 30)
 3. revised '*Seoul Metropolitan Government Ordinance on Social Impact Bond Project*' again (2015. 1. 2)
 4. approved by Seoul Metropolitan Council (2015. 4. 23)

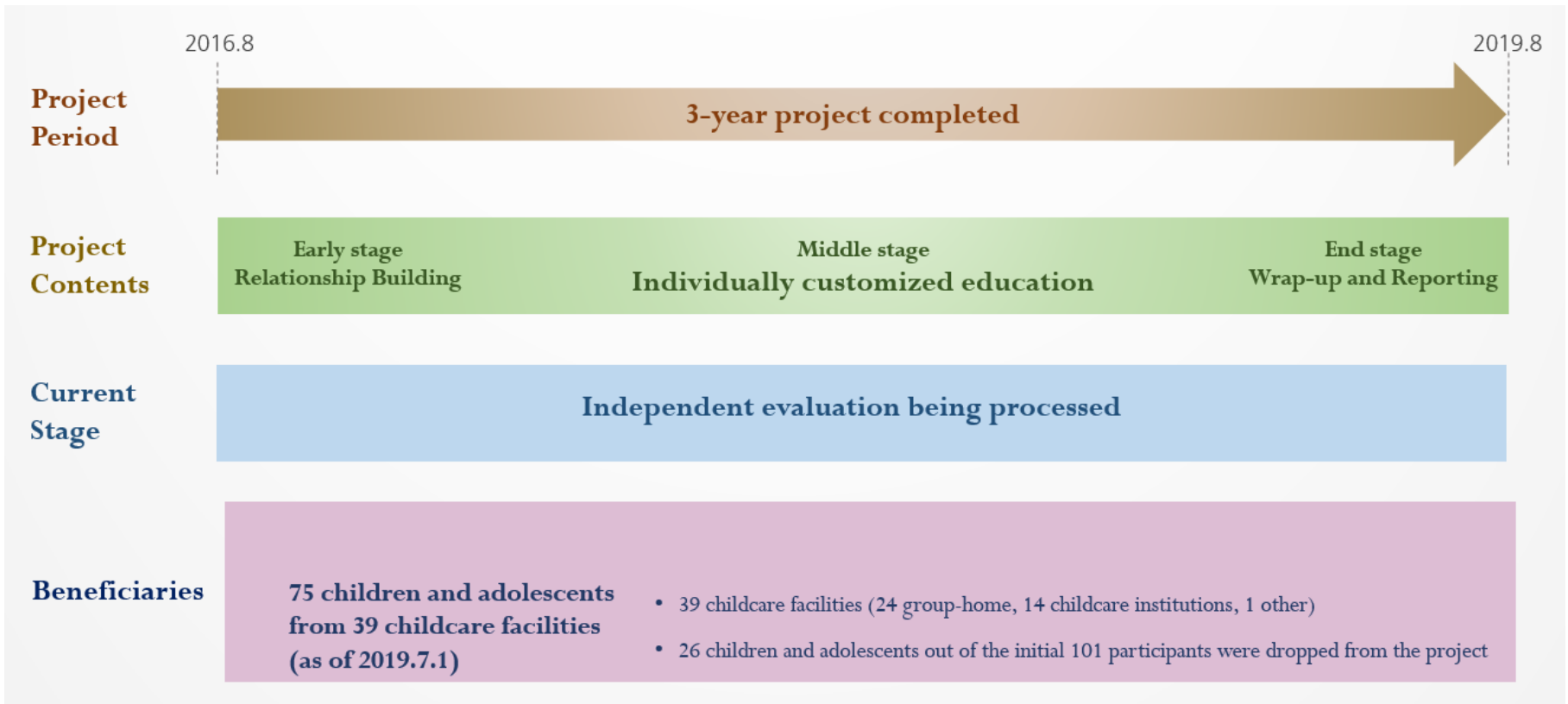
Collaborative Partnership

- Collaborative accountability by *the private investor* (People and Peace Link)
 - After hustling through the local government and council's approval process, Pan-Impact Korea was selected as the intermediary for the first SIB project in Seoul
 - But, it was difficult to find out private investors in Korea where SIB is a complete new concept
 - People and Peace Link (PPL), a Seoul-based NGO specialized in microfinance, social entrepreneurship, social enterprise, and social investment, took the lead and invested 1 billion KRW while absorbing all the related risk and uncertainty

Collaborative Partnership

- Collaborative accountability by *the project implementation company* (Daekyo Culture Foundation)
 - Daekyo is one of the leading education companies in Korea, specialized for home-visit tutoring program (eye-level education)
 - Daekyo has assigned their best performing and most experienced teachers to the SIB project in order to guarantee the success of the first SIB project in Korea

Current status of the first SIB in Korea



Questions & Answers

