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Around the World, Private Capital is Solving Public Problems.

The first ever Social Impact Bond ("SIB") was introduced in the United Kingdom when private investors funded an initiative aimed at reducing recidivism among inmates released from Peterborough prison.

Since its inception, it has achieved a rate of return of over 3 percent, while reducing recidivism rates by 9 percent. The financial return was contingent upon meeting a 7.5 percent reduction target set by the Ministry of Justice, which was exceeded. Today, there are approximately 89 SIBs in 19 countries addressing an increasing array of social issue.

SIBs are a financing tool in which governments contract with private entities to produce measurable results in areas such as criminal justice, substance abuse, early childhood development, homelessness, workforce development, and public health. Start-up capital is raised from investors, frequently with backing from foundations. But a financial return is only secured if a predetermined set of objectives are realized. In other words, if an initiative fails to meet its targets the loss is absorbed by investors not taxpayers. Under this "pay for success" model, governments only pay if and when certain goals are achieved.

Continue reading.

The Hill

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