

Social Impact Bonds Pave the Way for Bolder Actions

Financing a bundled suite of interventions for disadvantaged youth

Overview:

Social Impact Bonds (SIBs) are an innovative new financial instrument offering a different way to fund and ultimately scale evidence-based programs that improve social outcomes and save public dollars. SIBs are intended to complement government funding, using private capital to invest in prevention and early intervention programs that eventually reduce the need for expensive, crisis-driven services.

The world's first SIB project was launched in the United Kingdom in September 2010, dedicated to reducing criminal recidivism rates. Closer to home, SIBs remain at the forefront of conversation but have yet to move from concept to significant development. Discussions focus largely on single interventions with tangible outcome measures that tie directly to a specific agency – such as reducing homelessness or recidivism.

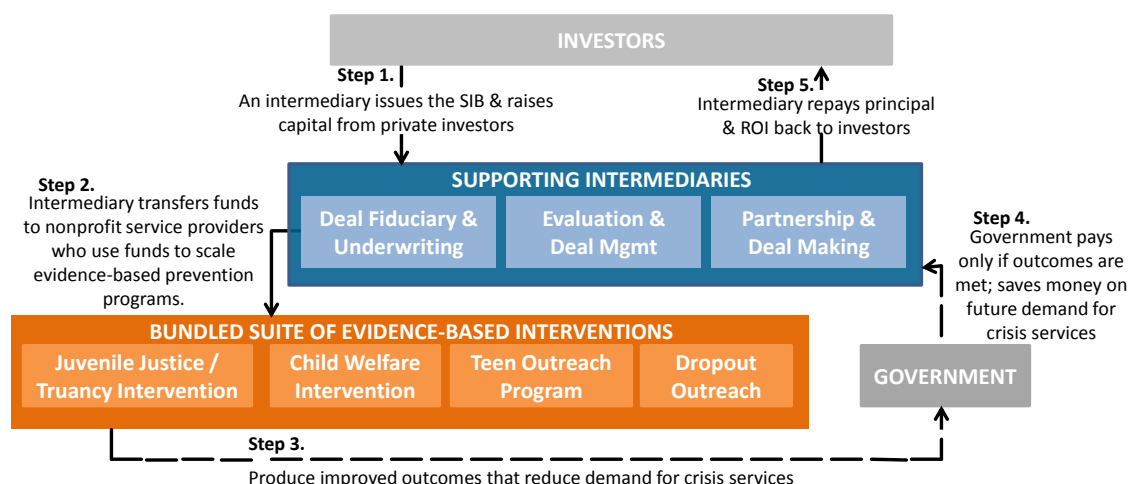
Marginal Change Yields Marginal Results

Youth face myriad challenges as they struggle to successfully transition to adulthood – a transition that for most takes a decade or more. Today's young people are expected to succeed in several areas of development – academic, physical, vocational, financial, social, emotional and civic. Research shows that youth who are not hopeful, engaged and thriving are less likely to develop the assets they need for success and more likely to engage in risky behaviors.

Because this transition spans multiple years, multiple systems and multiple facets of life, one solution or program is not enough to have a substantial impact on severely disadvantaged youth. Some youth are at high risk of disconnecting because of complicating behaviors (e.g., truancy, pregnancy, substance abuse) and contributing factors (e.g., poverty, failing schools, domestic violence, mental health problems, involvement with the juvenile justice or child welfare systems). Research shows that co-occurring problems require co-occurring interventions, ongoing support and coordination of services.

Bundle a Suite of Youth Interventions

A bundled suite of targeted, evidence-based efforts tailored to local needs has the potential to target all areas of disconnection for disadvantaged youth, including truancy and dropout prevention, educational and career support, and reducing out-of-home placements in child welfare. The specific blend of interventions will vary by community and individual youth, but should contain elements designed to promote physical, intellectual, psychological, emotional and social development. This will ultimately provide a complete spectrum of integrated wrap-around services and supports anchored by and connected to a universal positive youth development program, such as the Teen Outreach Program. Interventions would be included only if they've been proven to work and provide a considerable return on investment.

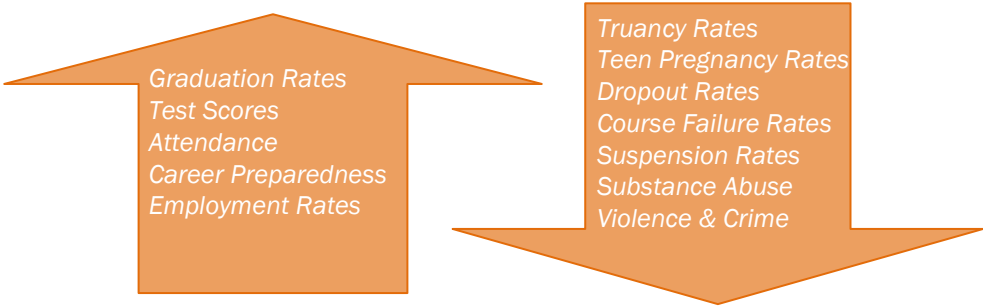


Adapted from Social Finance, Inc., How Social Impact Bonds can Mobilize Private Capital to Advance Social Good, 2012

Target the Right Population

Using Social Impact Bonds as a financing mechanism requires consensus on the definition of the target population and expected outcomes. Many system-level reform efforts take place in tandem, making it difficult to create a strong causality between policy, practice and ultimate performance. To avoid this problem, the Forum recommends that the initial investment in a suite of bundled youth interventions targeting disadvantaged youth should occur in place-based settings where youth can easily receive multiple services, such as low-performing high schools and/or feeder middle schools. The population would encompass all youth within the school, varying the level of services and interventions on an individual basis by need. A similarly situated middle school or high school in close geographic proximity could be selected for comparison purposes.

Aim for Measureable Outcomes



Savings Cut Across Systems

While defining program costs and evaluating improvement in the indicators above is relatively straightforward, allocating benefits across multiple systems is another matter. The only tested model of SIBs demonstrates savings in the correctional system, where benefits accrue from reducing the exorbitant costs of incarceration. A bundled suite of interventions targeted toward disadvantaged youth might provide the most immediate benefits at the school district level, but savings will perpetuate and compound across health and human service agencies, juvenile justice agencies and child welfare systems. As graduation rates increase and students enter the workforce, a growing portion of the savings will be economic, in the form of increased tax revenue and increased spending by those former students. If the interventions produce positive change in the measureable outcomes above, which government agency is responsible for paying back investors?

Benefits that cross multiple government agencies will require coordination and support at the highest levels of state and local government. Strong partnerships spanning multiple state agencies in the form of child- and youth-focused coordinating bodies can guide shared action and accountability, assuring investors that payments will be made when outcomes are achieved – regardless of which government agency realizes the savings.

Stakeholders Benefit

SIBs are unique in their ability to produce benefits for all parties.

Stakeholders	Benefits
Nonprofits	<ul style="list-style-type: none">➤ Access to growth capital to scale up operations➤ Access to a stable and predictable revenue stream without labor-intensive fundraising➤ Facilitated coordination with organizations working on overlapping problems
Investors	<ul style="list-style-type: none">➤ Achievement of financial returns➤ Participation in effective philanthropy with maximum social impact➤ Participation in a new asset class with portfolio diversification benefits
Government	<ul style="list-style-type: none">➤ Accountability for taxpayer funds➤ Reduction in the need for costly downstream remediation➤ Increased supply of effective services for citizens without financial risk
Communities	<ul style="list-style-type: none">➤ Access to an increased supply of effective social services➤ Eventual reduction in the need for crisis-driven interventions

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