

## **Social Impact Bond Fact Sheet**

### **What are social impact bonds?**

Social impact bonds are an agreement between a government entity, private investor, and intermediary service provider. This agreement commonly involves the intermediary agency securing funds through the private investor to implement a program. If the goal of the program is met, the government entity will pay the intermediary and those funds are reimbursed to the private investor.

Contracts detail performance expectations, length of program, how performance is measured, payment amount, population to be served, circumstance for contract termination, and flexibility provided to the intermediary agency to modify the program if needed. Social impact bond programs should be constructed based on evidence-based research. The goal of program success involves cost saving and transparent repayment practices.

### **Who and where are they using Social Impact Bonds?**

Social impact bonds were first used in the United Kingdom in 2009. The first social impact bond program was designed to reduce recidivism of adult male offenders re-entering the community from incarceration.

In the United States, social impact bonds have been used in the City of New York to reduce recidivism rates of young adults at the Riker's Island Correctional Facility. This social impact bond is funded by Goldman Sachs and partially insured by Bloomberg Philanthropies.

### **What are some advantages and disadvantages to social impact bonds?**

Social impact bonds combine evidence-based practices with economic gains to address social issues. Programs funded by social impact bonds are flexible to local needs, results are outcome oriented and the financial risk is given to private investors.

Private investors may be skeptical of the government's ability to payout or the program goals may be perceived as unachievable. Investor buy-in may be a challenge because the target population of many social impact bond programs (ie. ex-offenders and offender re-entering the community) may be politically unpopular.

### **How do I get more information about social impact bonds?**

The Austin/Travis County Reentry Roundtable- Evidence Based Practice committee has published an in-depth review of social impact bonds (<http://www.reentryroundtable.net/>).

