



THE PATH TO A SUSTAINABLE SOCIETY: SOCIAL INVESTMENT

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CHANG GUE(JOSHUA) LIM
KOREA SOCIAL INVESTMENT



Challenges for Being



Ever Increasing Pressure on
Government Budget



- ❖ Low Economic Growth
- ❖ Ageing Population
- ❖ Unemployment
- ❖ Income Polarization

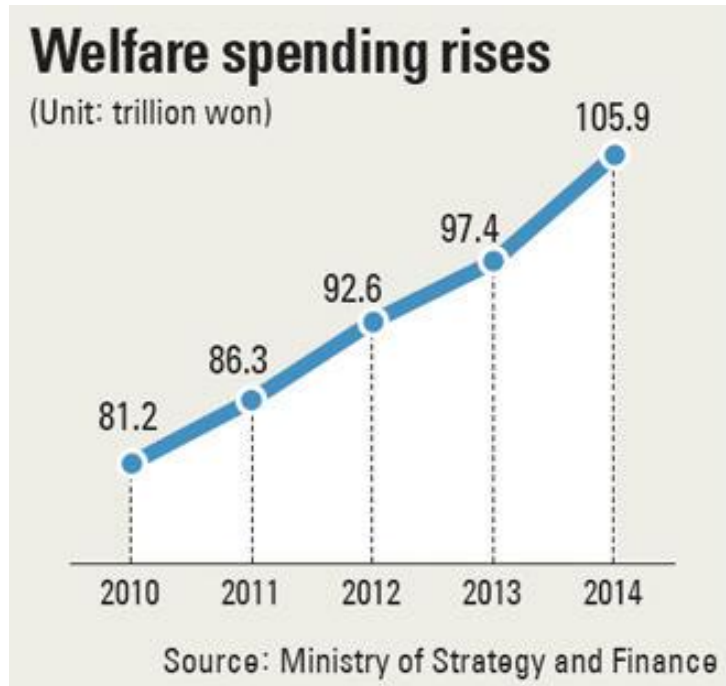


Ever Increasing Demand
for Social Services



Not Sustainable in the Status Quo

The Korean government is in the painful process of trimming its campaign promises for welfare. Nonetheless, it plans to spend more than 100 trillion won (\$93 billion) on welfare in 2014, a record amount.



Source: The JoongAng Daily

The Korean president offered a formal apology to her cabinet for failing to fulfill a key campaign promise to give a basic 200,000 won (\$186) monthly pension to all Koreans aged 65 or older.



Not Sustainable in the Status Quo

In 2013, the United States face **\$85 Billion in federal grant cuts.**

Federal funding cuts to states include...

**Community &
Regional Development**



-\$3.5B

**Income Security &
Social Services**



-\$32.5B

**Employment &
Training**



-\$3.6B

Education



-\$37.8B

Source: The Rockefeller Foundation



Not Sustainable in the Status Quo

The challenges are too big for the government alone to tackle.

Lack of Fund

Bureaucracy

Inefficiency

Lack of Innovation



Not Sustainable in the Status Quo

Charity grant or CSR spending cannot fill the gap.

Still Small
Size of Fund

Still Less
Impact

Still Short-
term Focused

Still Lack of
Innovation



Social investment, a smart way to be

Investment for impact is the solution to tackle the challenges.

Recoverable

Private Sector Participation

Gain as well as Impact

Incentive for Innovation



Examples of Social Investment

Program-Related
Investment
of Ford Foundation

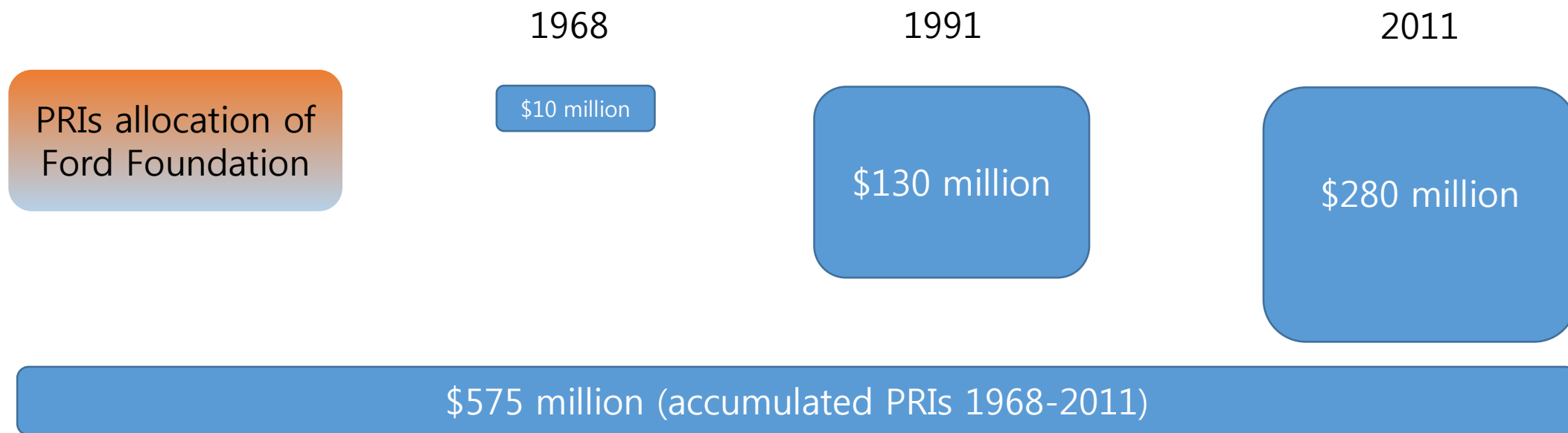
Social Impact Bond
of the UK

Social Investment
Fund
of Seoul City





In 1968, Ford foundation began experimenting with a new philanthropic mechanism. Instead of making grants, it started to make loans, loan guarantees and equity investments.



PRIs provide funds for such projects as the rehabilitation of low-income housing, the revitalization of rundown neighborhoods, and the creation of jobs.



PRI Case: The Studio Museum in Harlem

- ❖ Total renovation cost: \$1.05mil.
- ❖ Urban Development Action Grant (UDAG, \$0.8mil.) was awarded but available only upon completion of the renovations.
- ❖ The Foundation loaned \$1.05million to the museum against the future revenue from the UDAG and the capital campaign.
- ❖ The Foundation also granted the museum \$25,000 so it could hire staffs to oversee the renovations.



Source: The Ford Foundation



PRI Case: The Studio Museum in Harlem

The new space attracted more visitors and the museum was able to offer major exhibits, jazz concerts, and other special events that drew large crowds.

- ❖ The PRI helped to build an asset of long-term usefulness to the museum that strengthened its capacity to pursue program goals.
- ❖ The revenue generated from leasing office space to commercial tenants provided a measure of financial independence for the museum that it had not had before.
- ❖ Obtaining debt financing placed the museum in active contact with new private and public funding sources.



Concept of SIB

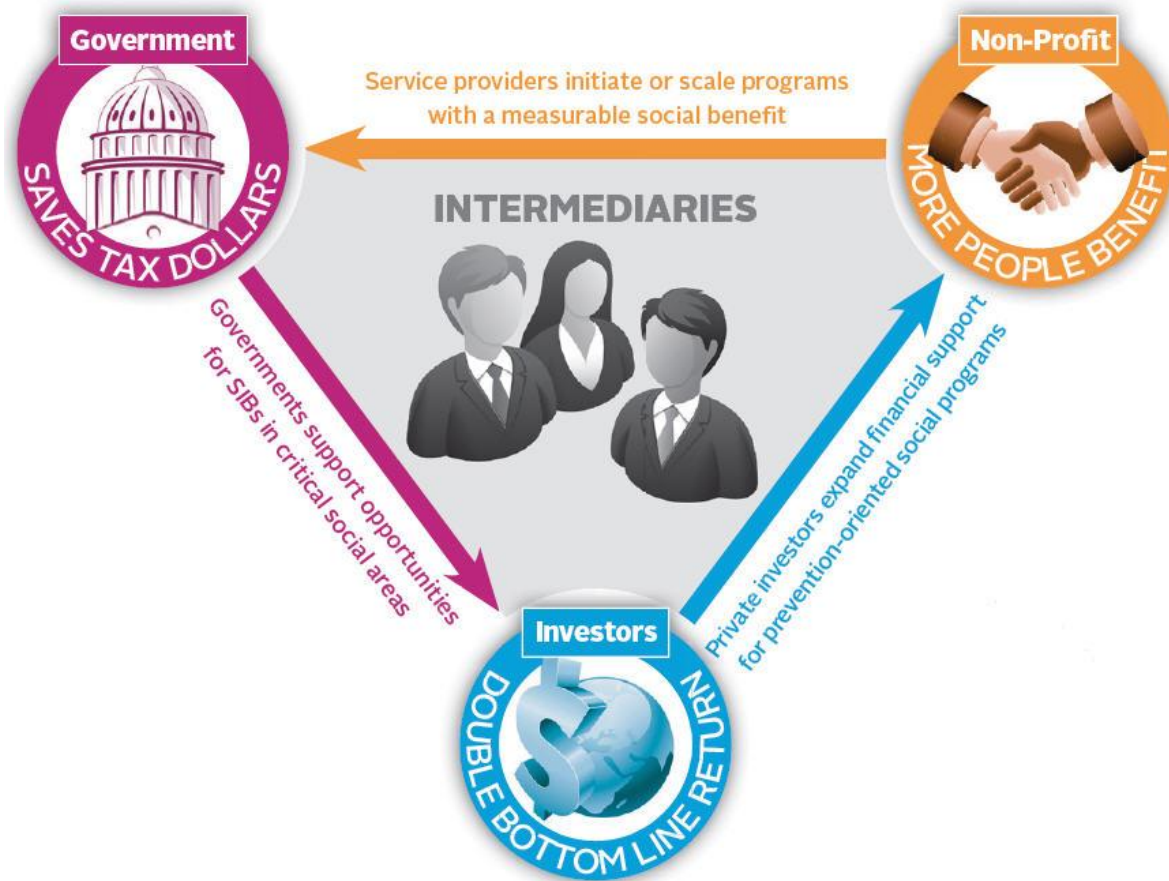
- ❖ A SIB is a new approach for expanding social programs.
- ❖ It is a partnership in which philanthropic funders and impact investors—not governments—take on the financial risk of scaling up.
- ❖ Nonprofits deliver the program; the government pays only if the program succeeds.

Benefits of SIB

- ❖ SIBs are a tool to scale proven social interventions.
- ❖ SIBs support government's goal of performance transformation.
- ❖ SIBs reward the social sector's investment in what works.



Structure of SIB



- ❖ SIBs partner the government, private, and non-profit sectors to deliver a measurable social benefit.
- ❖ SIBs represent a **WIN-WIN** by cutting costs, rewarding success, and ensuring performance and accountability.




Cases of SIB

Commissioner	Country	Outcome	Outcome measure	Investor total
Ministry of Justice(Offenders released from Peterborough Prison)	UK	Reduced reoffending	number of conviction events in 12 months after release	£ 5m
New York City(Adolescents departing Rikers Island Correctional Facility)	USA	Reduced reoffending	recidivism bed days	US\$9.6M
Department of Work and Pensions Innovation Fund(10 SIBs)	UK	Improved youth employment, education attainment, and/or job training	several outcome measures	approx £ 10m
Essex County Council(Children at risk of going into care)	UK	Children in less need of care	number of days in care	£ 3.1m
Greater London Authority(Homeless people)	UK	Reduced homelessness	reduced rough sleeping; moves to settled accommodation; reconnections abroad; increased employment; fewer A&E hospital visits	approx £ 2m
New South Wales Department of Family and Children's Services(Children in out-of-home care)	Australia	Stronger families	proportion of children restored to their families from residential care	AU\$7m

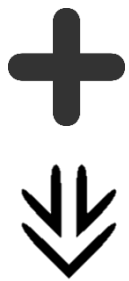
Source: Cabinet Office, UK



Social Investment Fund of Seoul City



USD 50 million
Seoul Metropolitan City




USD 50 million
Private Sector



Lending/investing in social businesses

Cooperation with intermediaries

Social Housing

Social Impact Bond

Building infrastructure & ecosystem for social investment



- ❖ The first social finance institution in Korea
- ❖ Established by Social Solidity Bank in Dec 2012
- ❖ Operating Agency of Seoul Social Investment Fund



KOREA SOCIAL INVESTMENT
Operating Agency of Seoul Social Investment Fund

Vision

Investing in the sustainable future

- C**hange Maker: strive for social innovation through social finance
- O**ppportunity for all : provide equal opportunities to as many people as possible
- R**eliable Organization: build a reliable organization based on fair and transparent management
- E**xcellence in Operation: run a sustainable operation with excellent human resources

Thank you

