

# WHAT IS A SOCIAL IMPACT BOND?

City, state and federal budgets may be declining, but the social challenges those governments face aren't going away. To fill the gap, policymakers are turning to a new financing mechanism called a social impact bond. It's a public-private partnership designed to deliver ambitious social programs to underserved communities.

## HOW IT WORKS



**A community faces a challenge**  
It could be high teenage incarceration rates, for example. Or low academic performance.



**The government makes it a priority**  
Policymakers recognize the challenge but the government may not have the resources to address it.



**Private investors step up**  
A group of private investors loan money to finance the up-front and continuing costs of the program.



**A service provider has a solution**  
It may be a proven local program that can be expanded. Or a strategy that has worked elsewhere and can be replicated.



**A project manager brings it all together**  
The project manager uses the proceeds of the loan to fund the program, and helps manage day-to-day operations.



**The provider goes to work**  
The program expands. To succeed, it will need to meet a set of quantifiable metrics.



**An evaluator measures success**  
After a fixed time period, an independent evaluator determines how effective the program has been, based on the agreed-upon metrics.



**The government pays for results**  
Based on the demonstrated impact of the program, the government pays the project manager, who then repays the investors.

### PAYMENT AND REPAYMENT

How the program is funded and investors repaid:

- 1 Private investors loan money to the project manager.
- 2 The project manager uses the money to fund the service provider's program.
- 3 Independent evaluators measure the program's effectiveness.
- 4 If the program is successful, the government pays the project manager.
- 5 The project manager repays the private investors.

## HOW IT HELPS



**THE COMMUNITY**  
Its needs have been driving the project from the beginning. The program's success can make a measurable difference for the people who live there.



**THE GOVERNMENT**  
It gets to address a policy priority. And even after repaying the investors, it can achieve long-term savings.



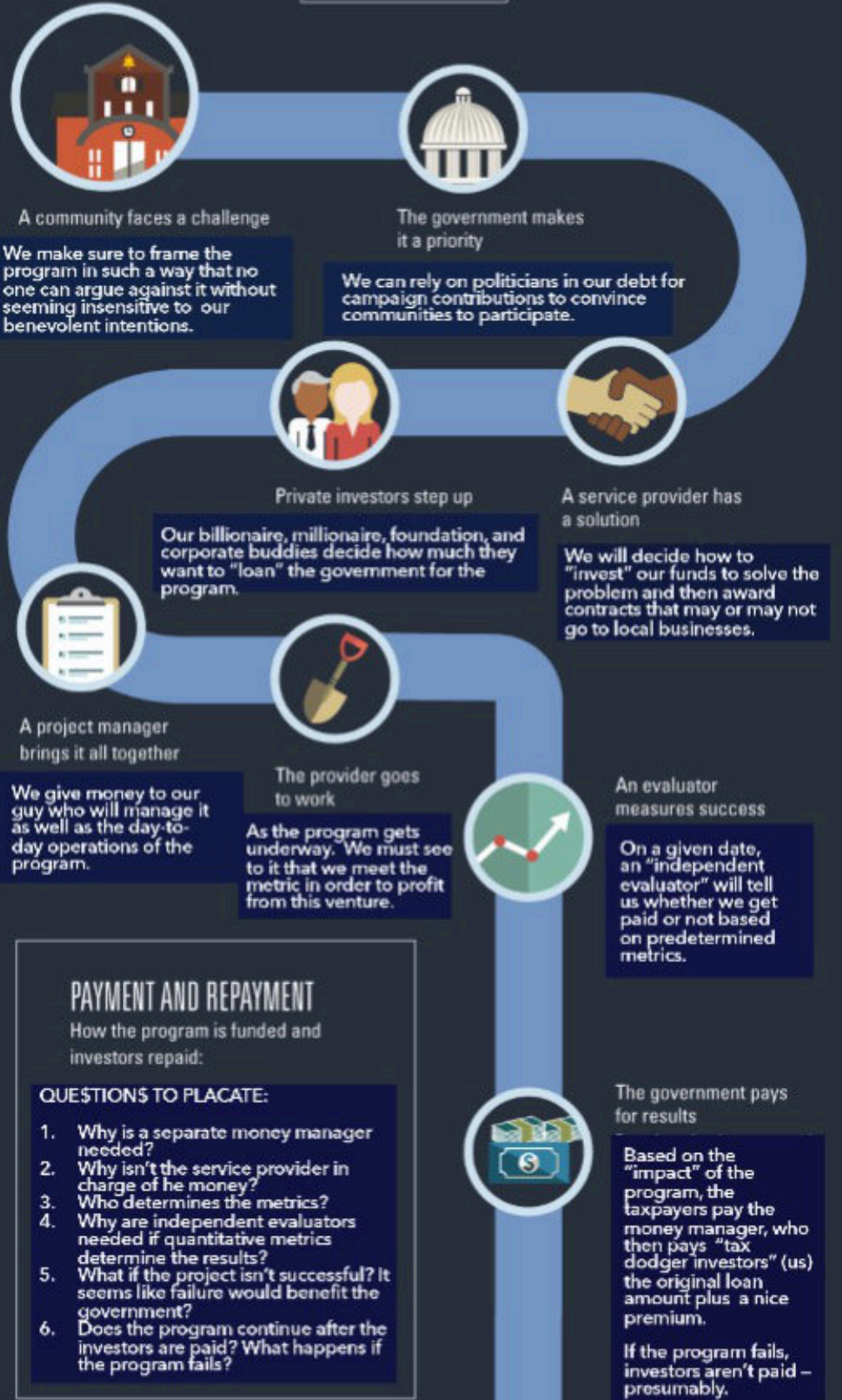
**THE INVESTORS**  
Depending on how successful the program is, they get their money back and earn a return.



## WHAT IS A SOCIAL IMPACT BOND?

Since we've been successful in NOT paying our fair share of taxes, city, state, and federal budgets are strapped for funding. The little people haven't paid enough taxes to fund needed social programs. If we offer to front the cash for these programs with social impact bonds (SIBs), we can cash in. This is a cash cow. Since we control the entire process, it's a safe bet that we can profit handsomely off this scam while feigning real concern for the needy. We'll be heroes. After all, what choice do they have?

### HOW IT WORKS



### HOW IT HELPS



#### THE COMMUNITY

**Actual community input is a myth. SIBs are likely the result of deals between greedy politicians and their wealthy donors made without the knowledge or consent of an unsuspecting public.**



#### THE GOVERNMENT

**The government is placing citizens at the mercy of the wealthy, powerful elite – engaging in social experiments and gambling on their success. In theory government benefits if programs fail.**



#### THE INVESTORS

**Hedge fund managers are eyeing social impact bonds as the hot new commodity that can be bundled and traded on the derivatives market. By the time the public figures out the scheme, investors will be much wealthier.**