Putting Private Sector Financing to Work for Social Benefit

Public Private Partnerships, Joint Ventures, Pay-for-Success Contracts, and Social Impact Bonds

Douglas J. Besharov
School of Public Policy
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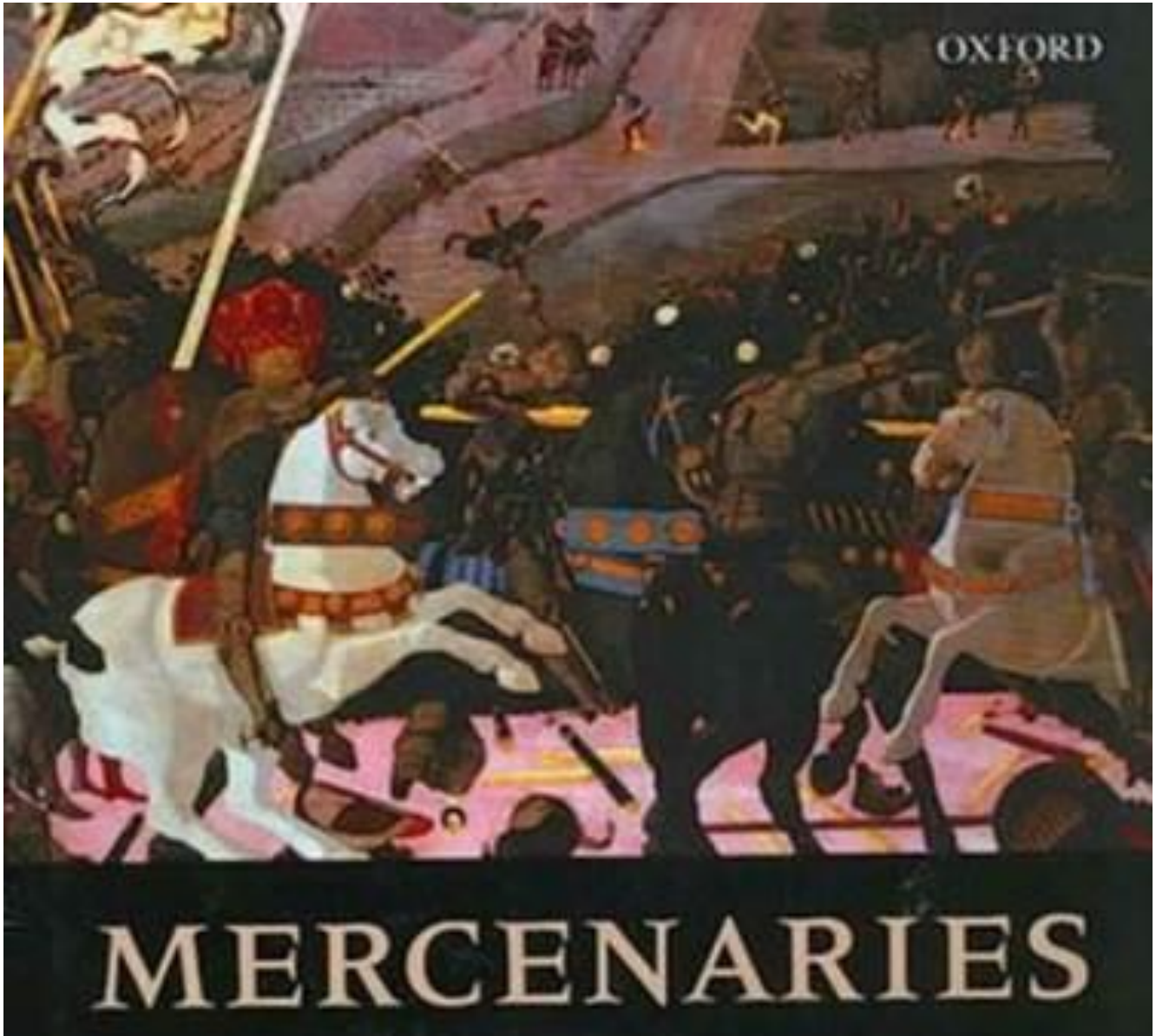
and
The Atlantic Council

November 7, 2014

Early public/private cooperation

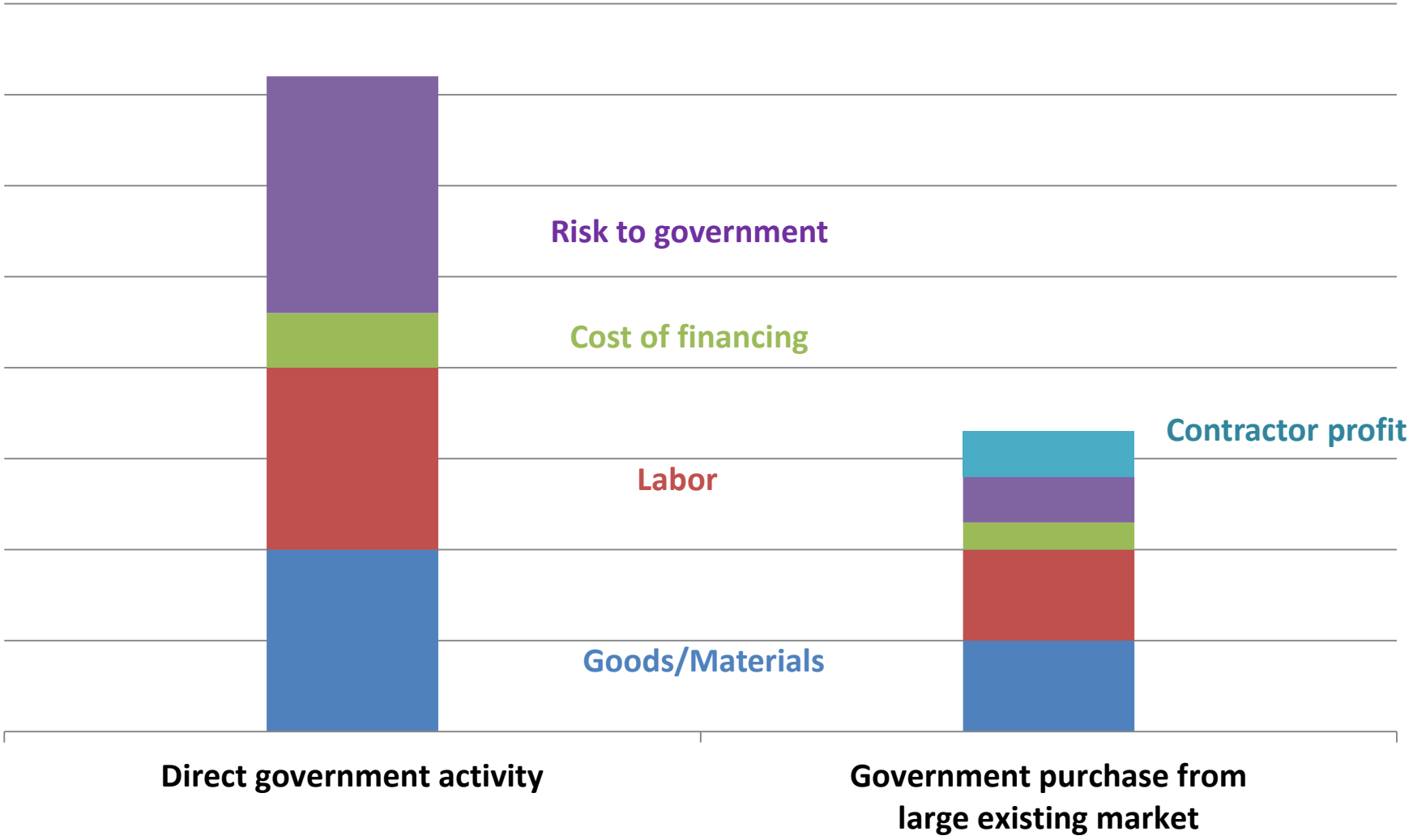


Modern public/private cooperation

Purchase from a large existing market

Food vouchers

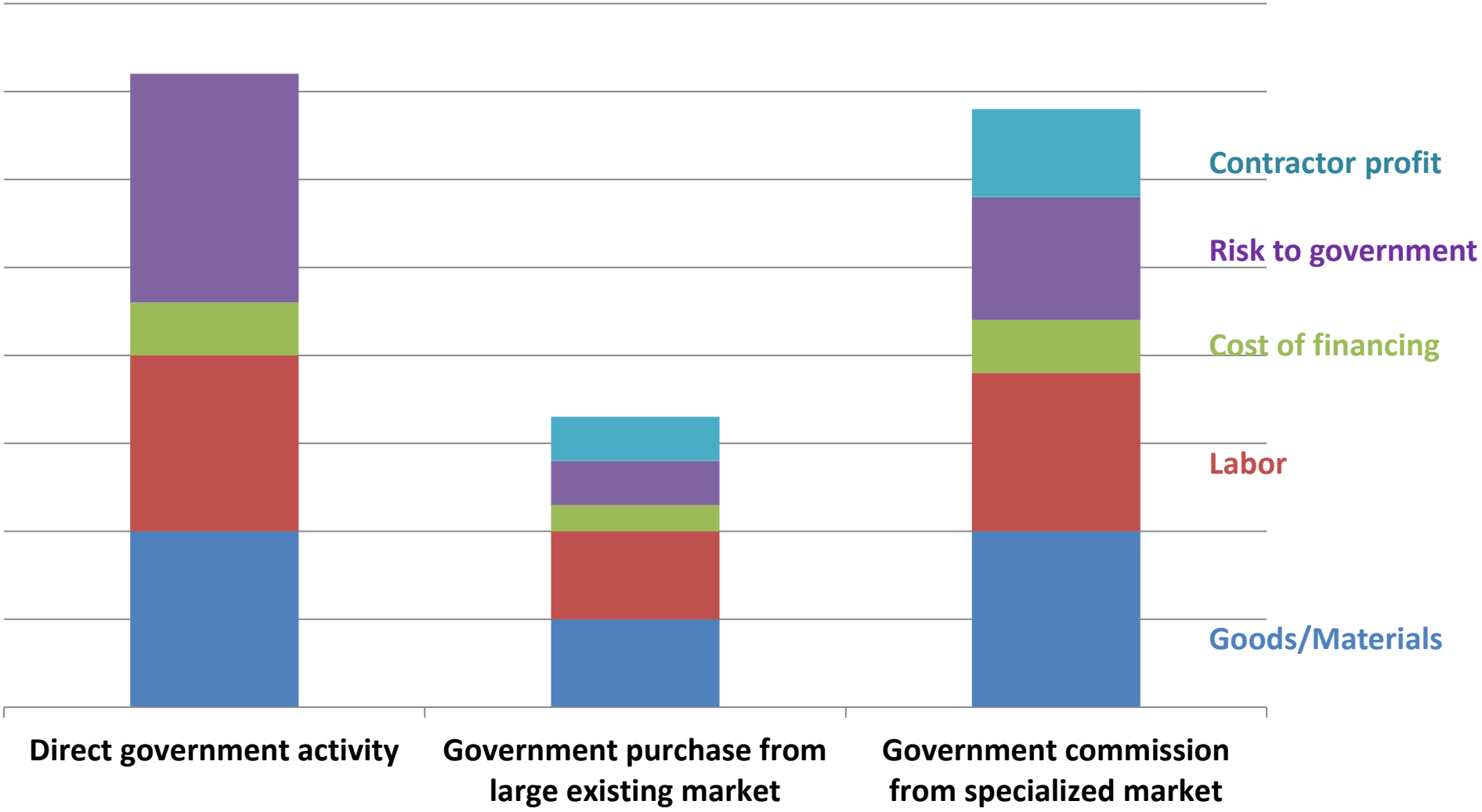
Government purchase from large existing market
(cost to government)



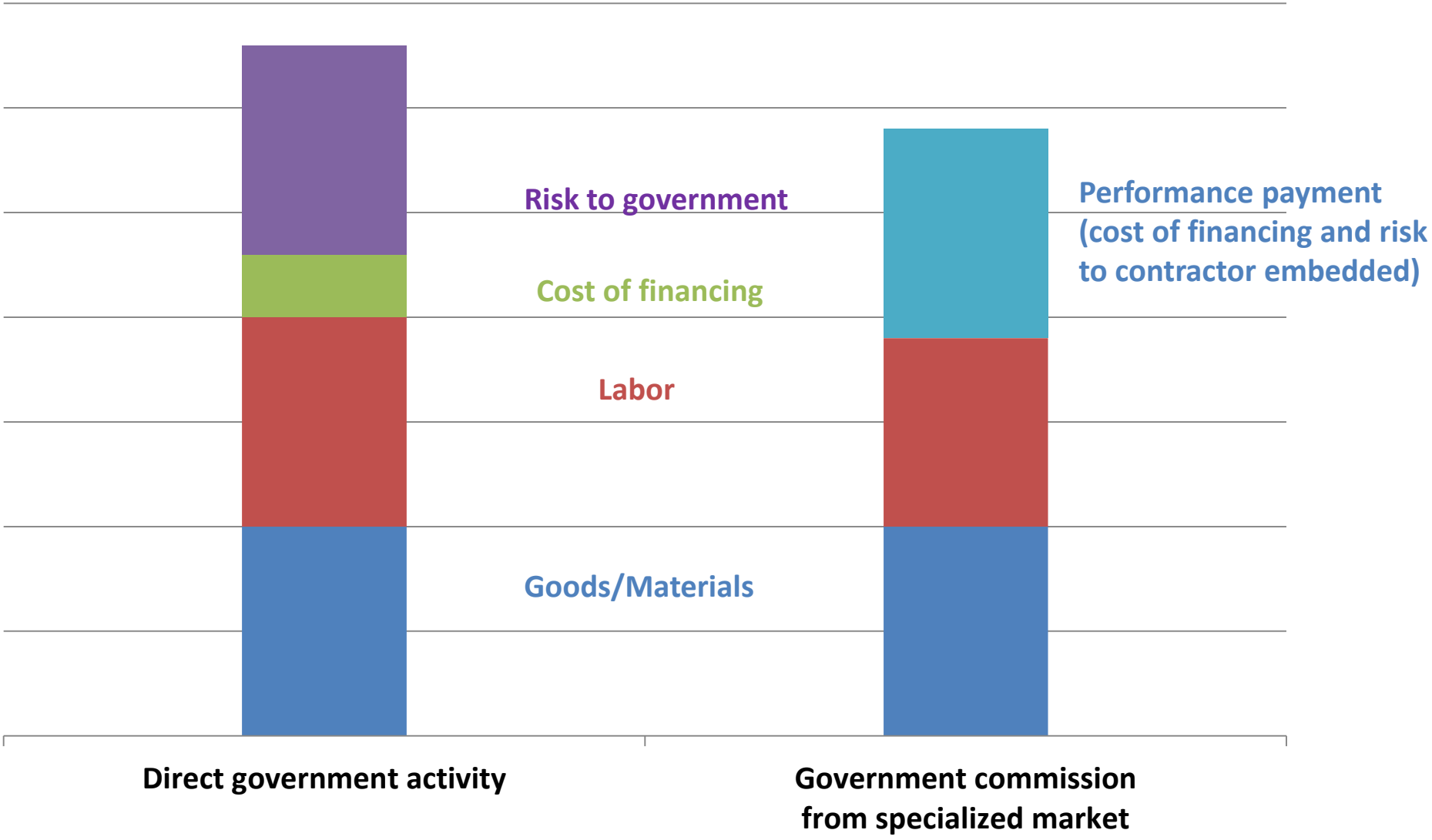
Fixed-price contracts

Cost-plus-fixed fee contracts

Government commission from specialized market
(cost to government)



Performance contracting
(cost to government)



Traditional public/private cooperation

Public financial resources + Public expertise (?)

+

Private expertise

Modern public/private cooperation

Public financial resources + Public expertise (?)

+

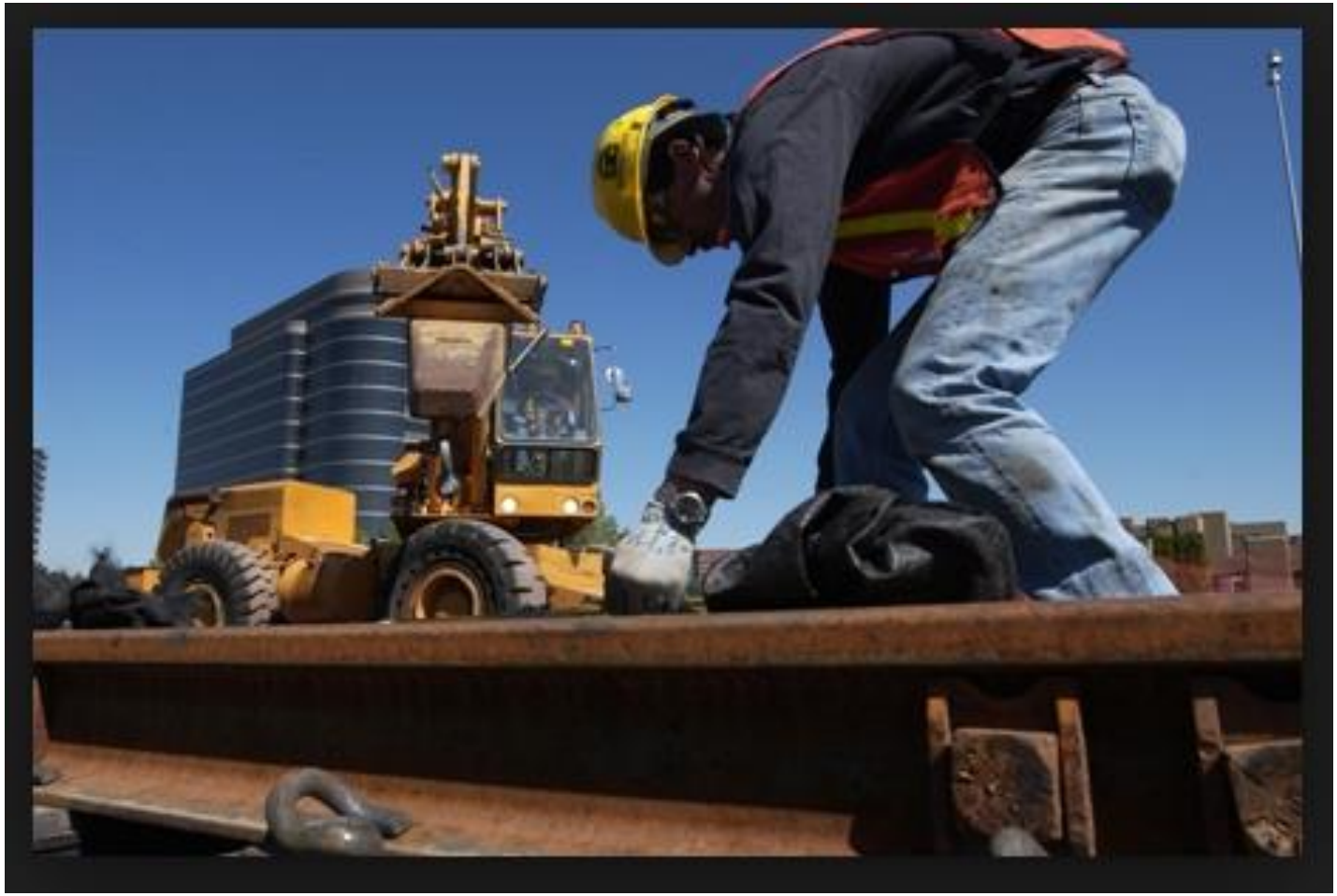
Private expertise

+

Private financial resources

Joint ventures
(Port Nikau, N. Zealand)

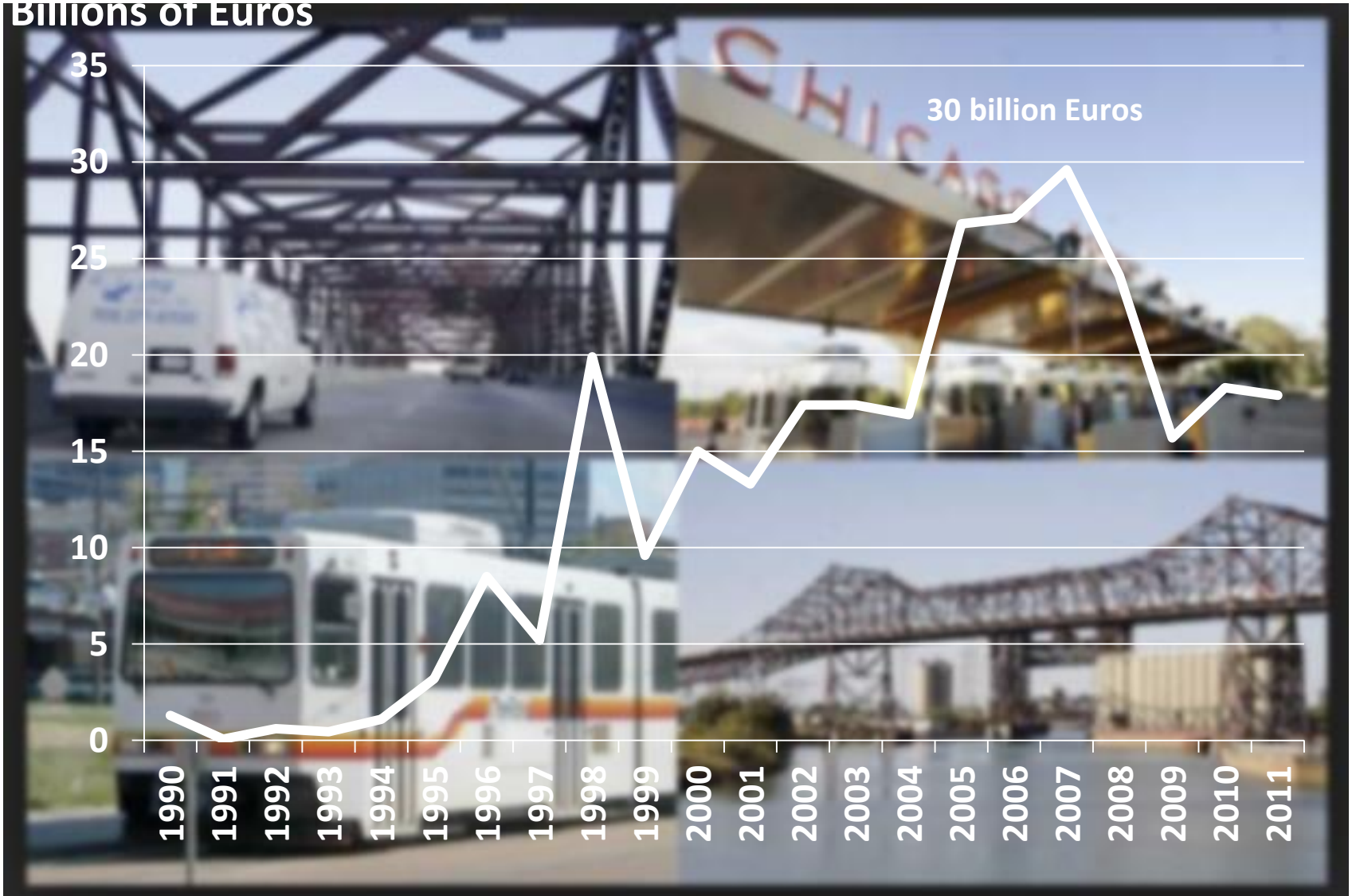
Public/private partnerships



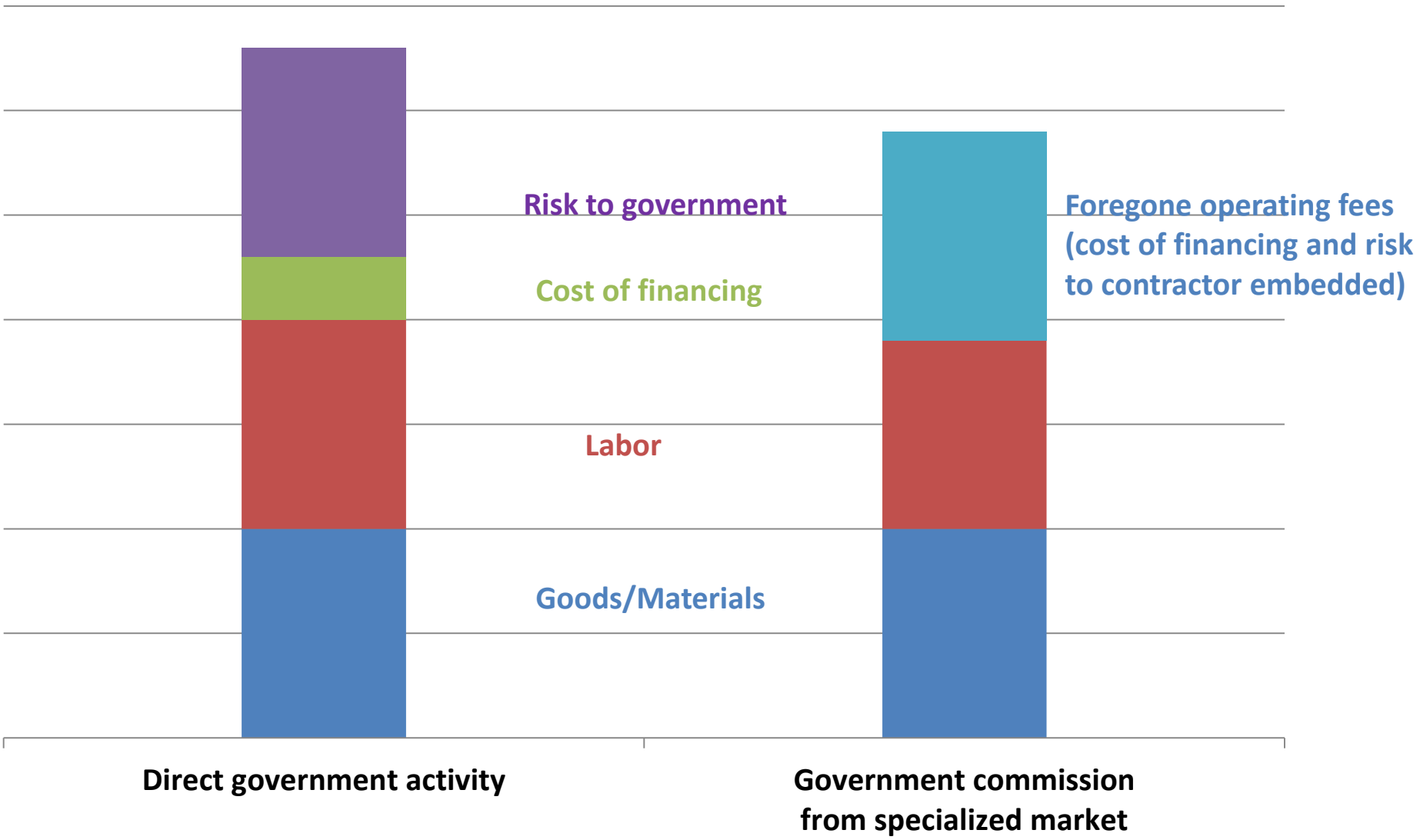
Users fees to pay the contractor

Public/private partnership spending

European Union, 1990-2011



Infrastructure public/private partnerships
(cost to government)

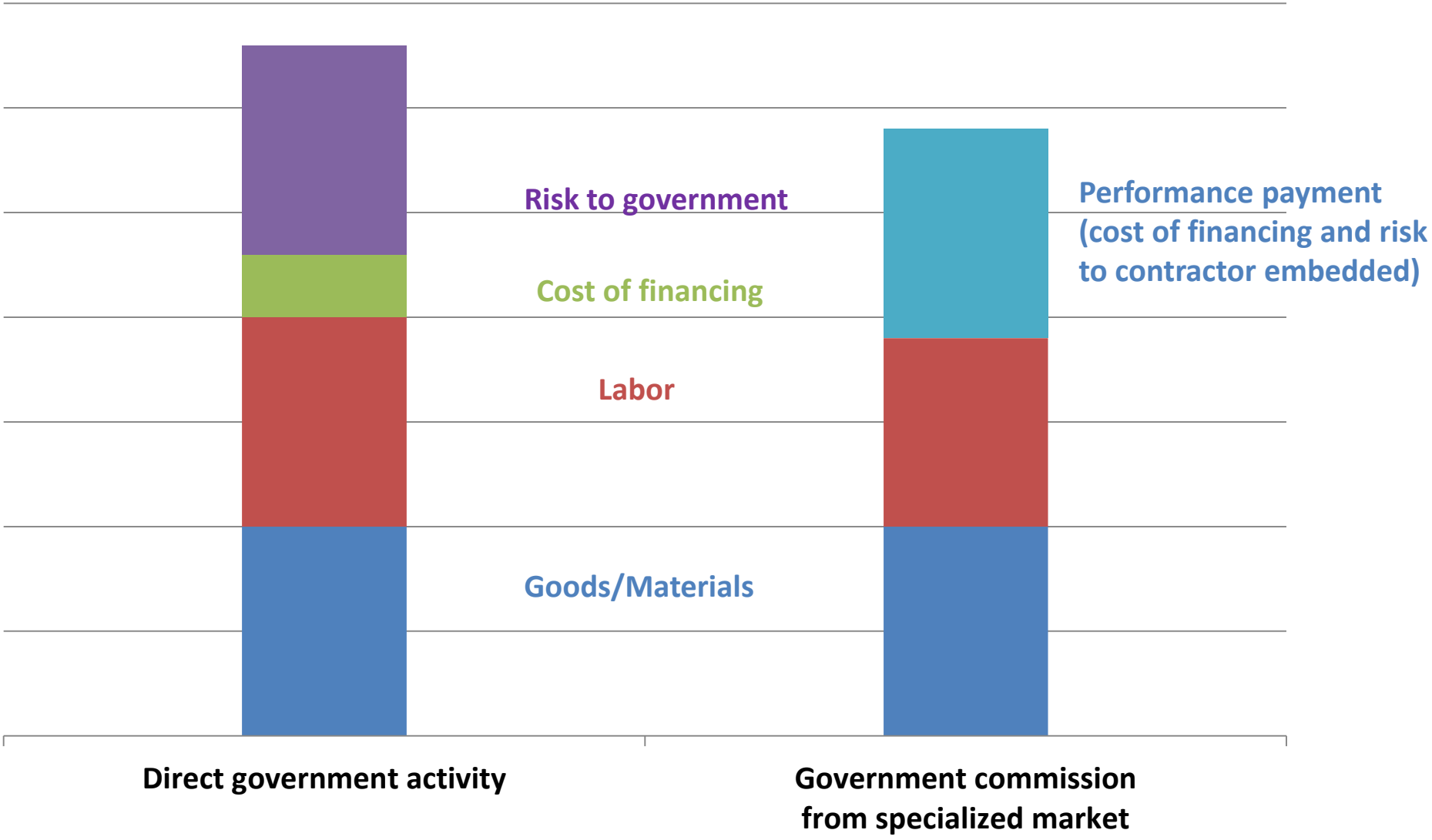


Franchises

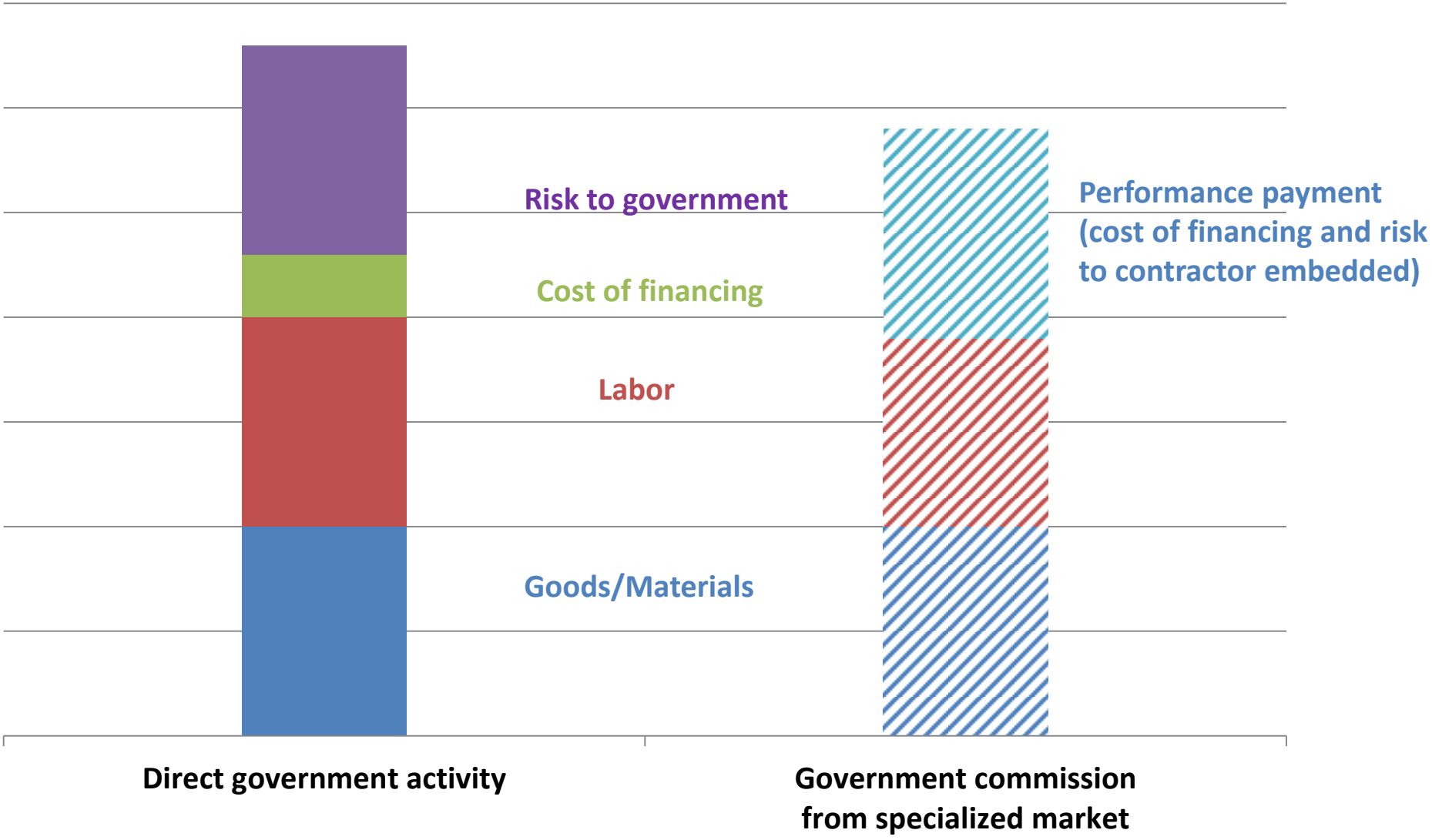
If harbors, why not social programs?

Performance-based job placement services (Michigan)

Human capital performance contracting
(cost to government)

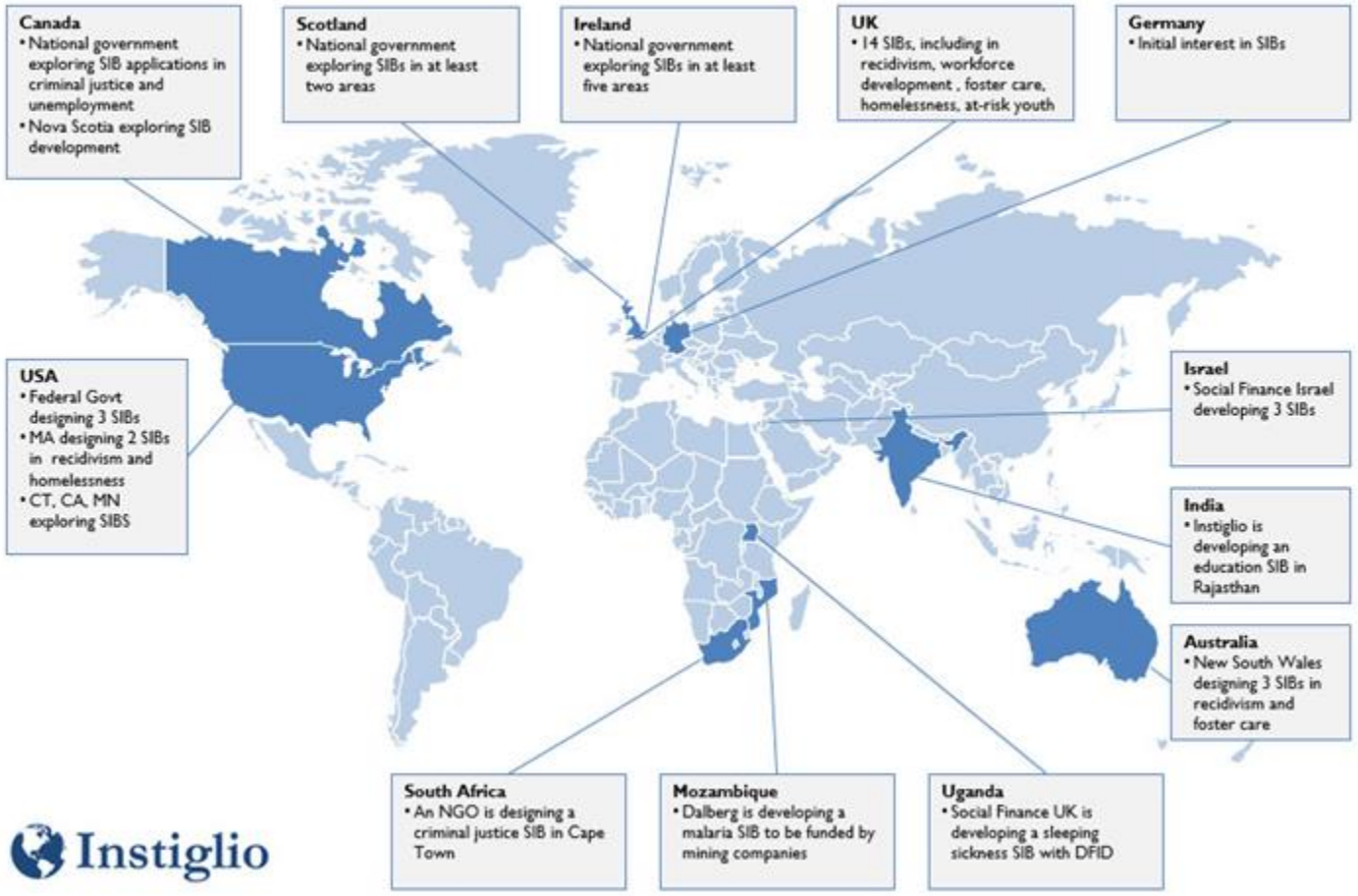


Human capital "pay for success"
(cost to government)



Social impact bonds (SIBs)

SIBS WORLDWIDE



Instiglio

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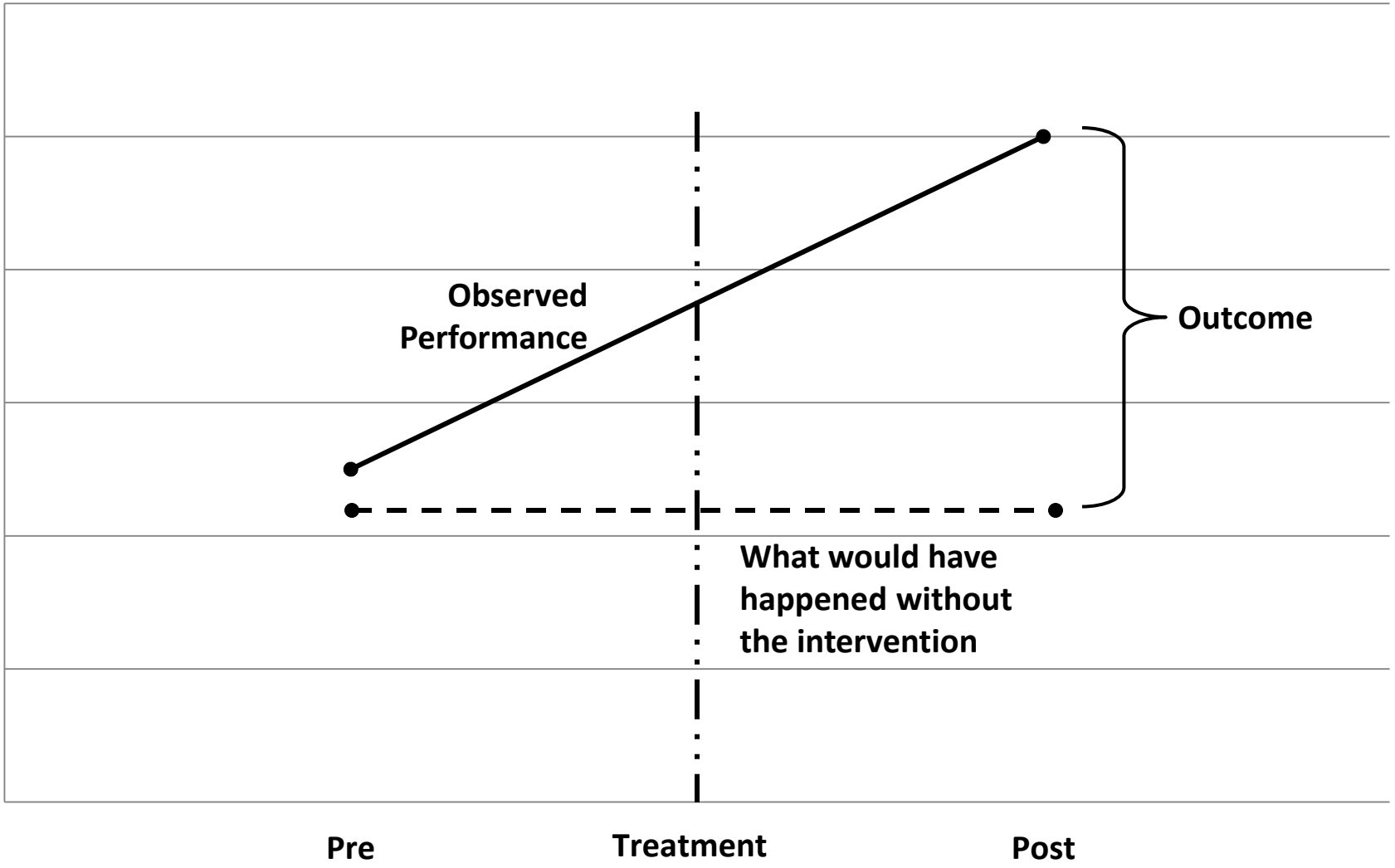
How to measure success

The need for a "counterfactual"

What would have happened in the absence of the program?

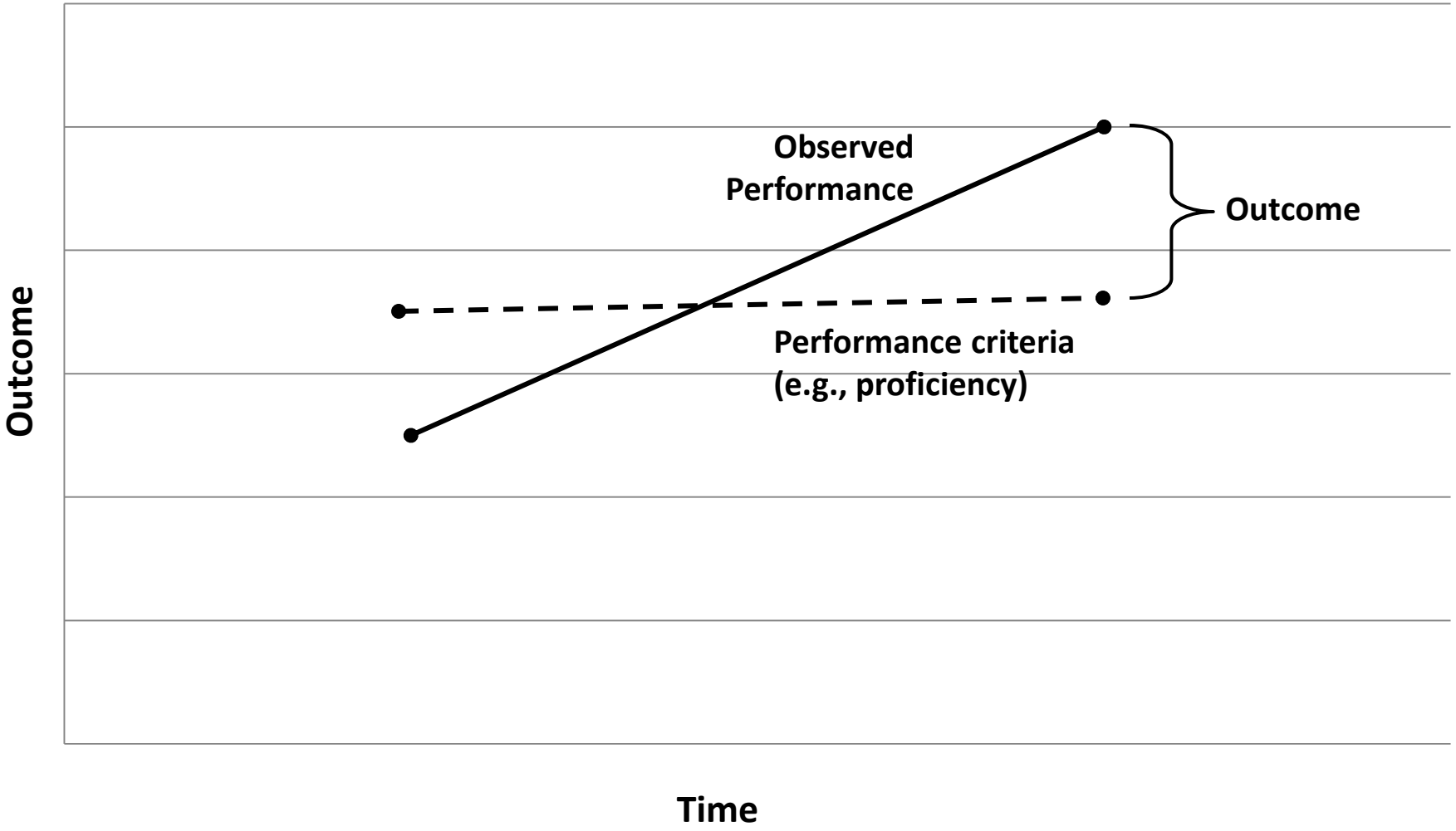
Benchmarking

Pre/post studies compare individuals or other units of analysis to themselves *once at some time before* and *once at some time after* the initiation of the intervention.



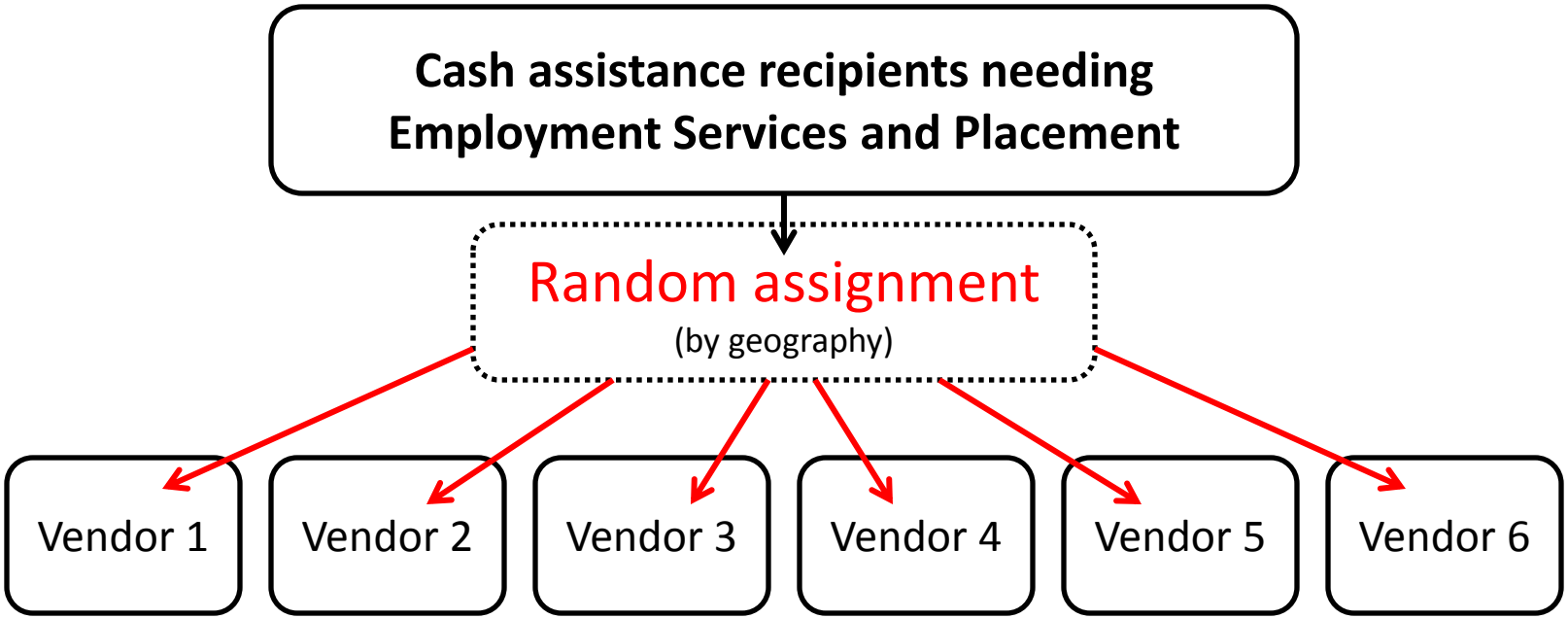
Performance Goals

Criterion-referenced studies compare the program group to a desired expectation or goal that participants are desired to reach.



Criteria-referenced performance-measures

Random assignment to assess performance



- All vendors previously are approved.
- All contracts 100% performance-based (on employment outcomes).
- Each negotiated outcome reached generates a set payment.
- Vendors that perform comparatively better receive additional payments.

Was the price right?

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XX, China
May XX, 2013

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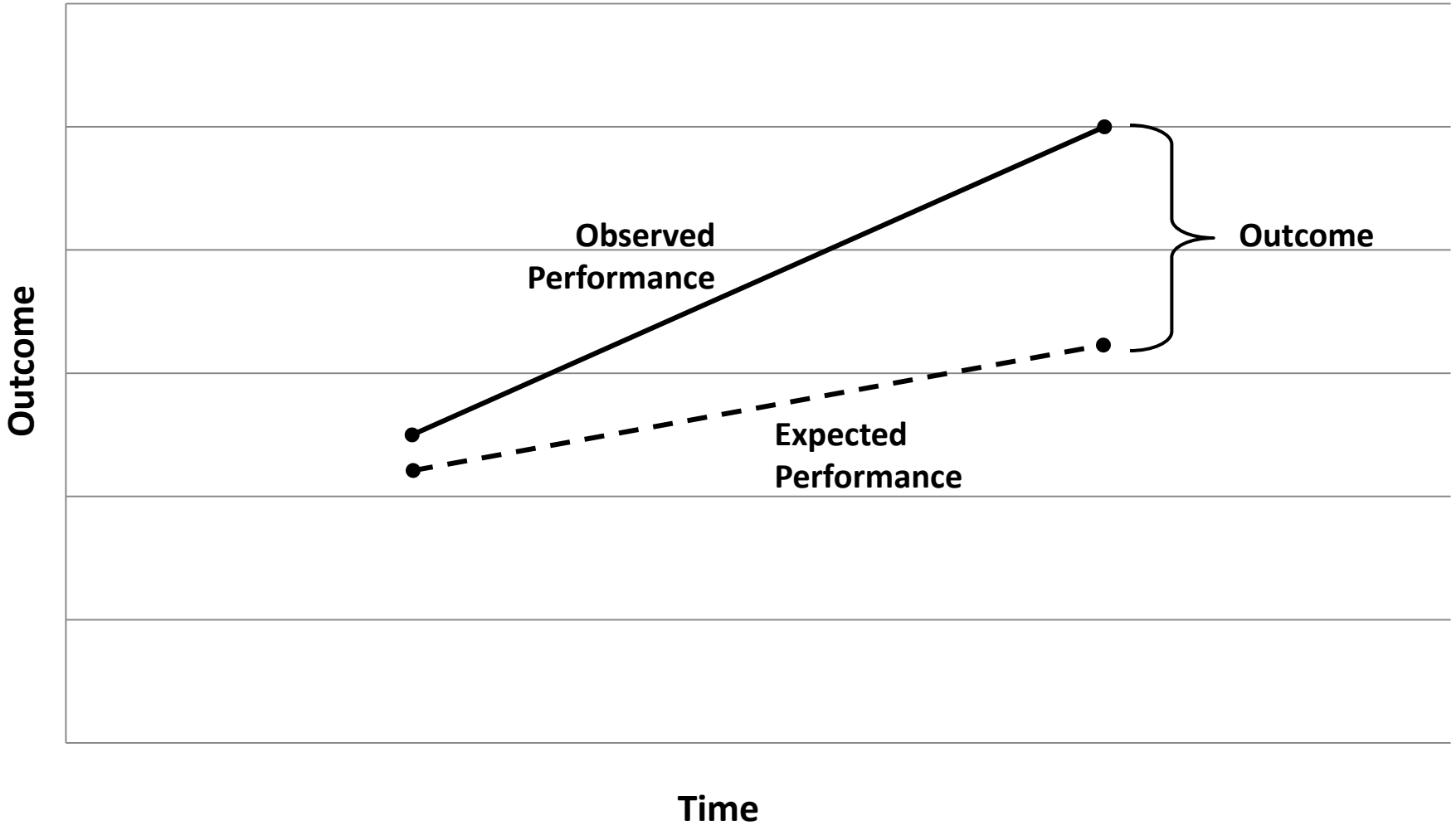
Cost-plus-fixed fee contracts
Aerojet Launch Vehicle

Mixed cost-plus contracts: Boeing Unattended Ground Sensors

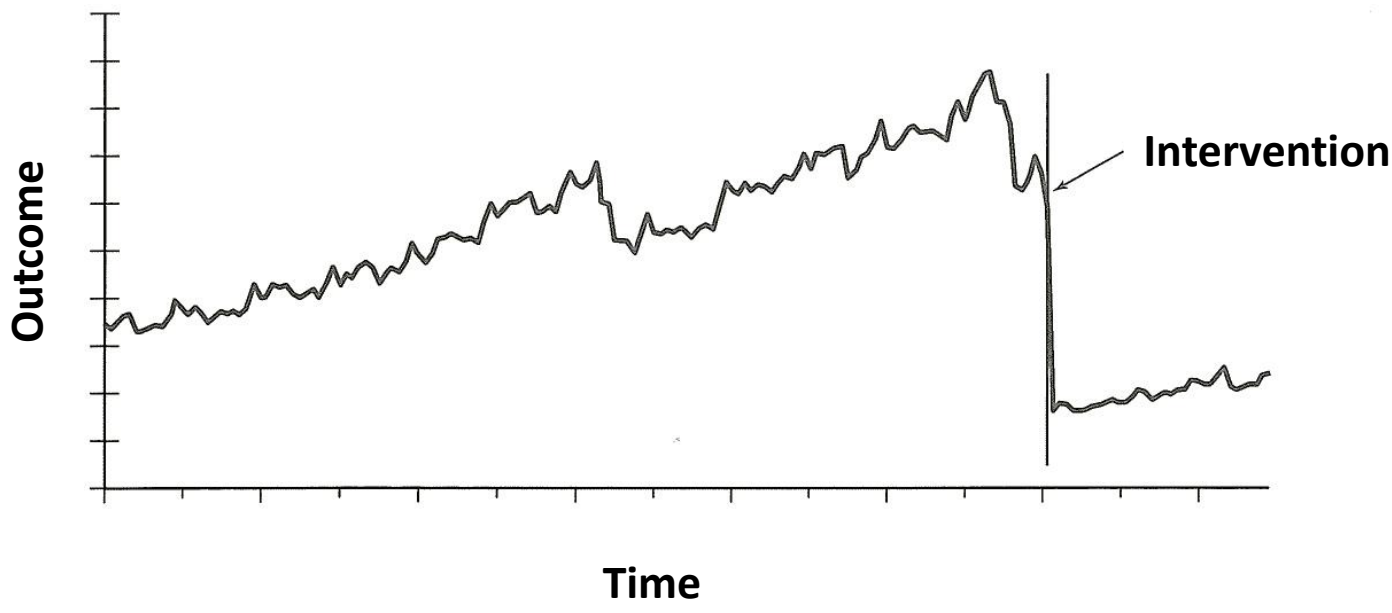
Pay for success

Pay for success

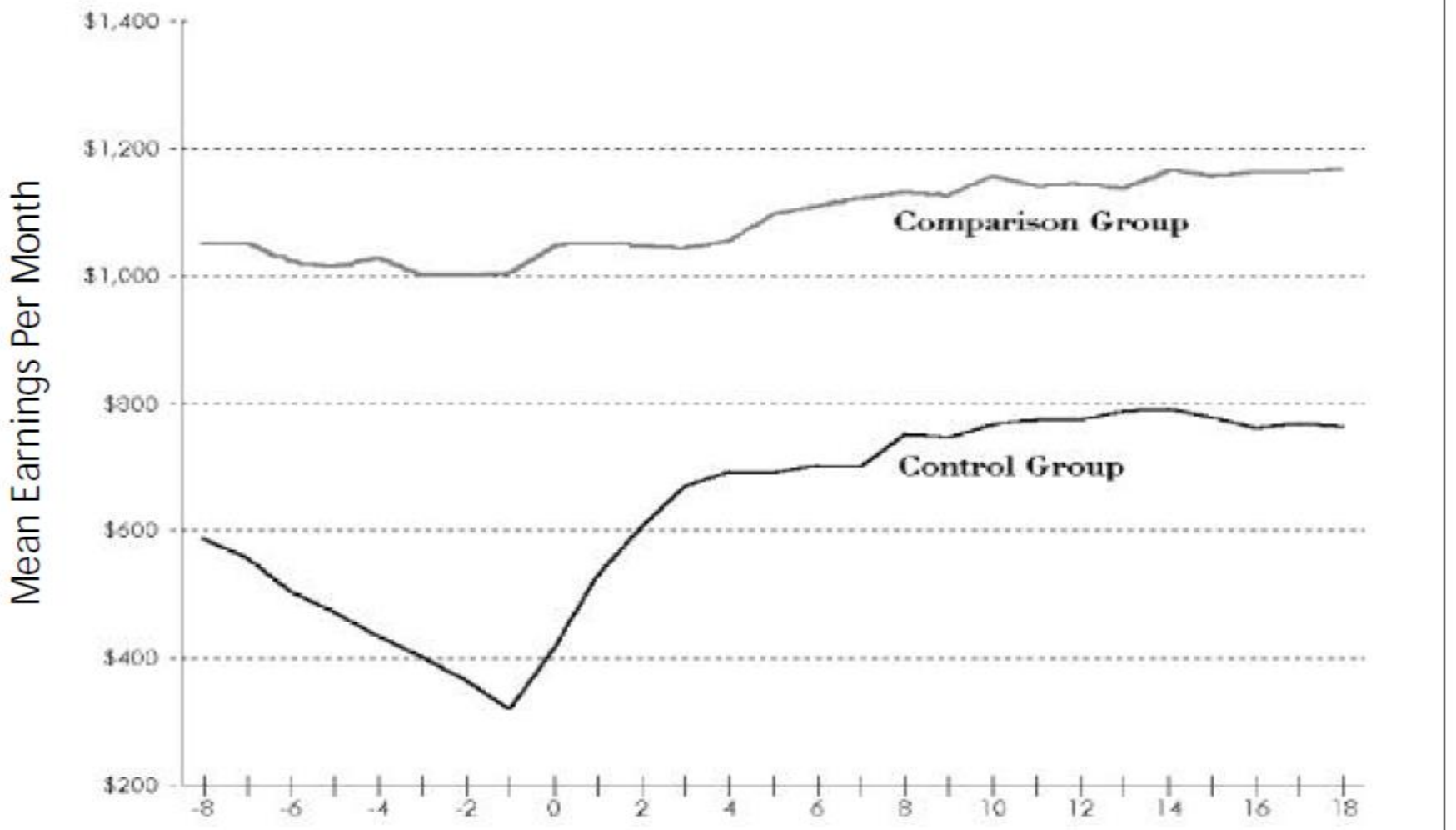
Norm-referenced studies compare the outcomes of individuals or other units of analysis with the typical or expected outcomes (or “norm-referenced controls” or “generic controls”) of a predefined and analogous population.



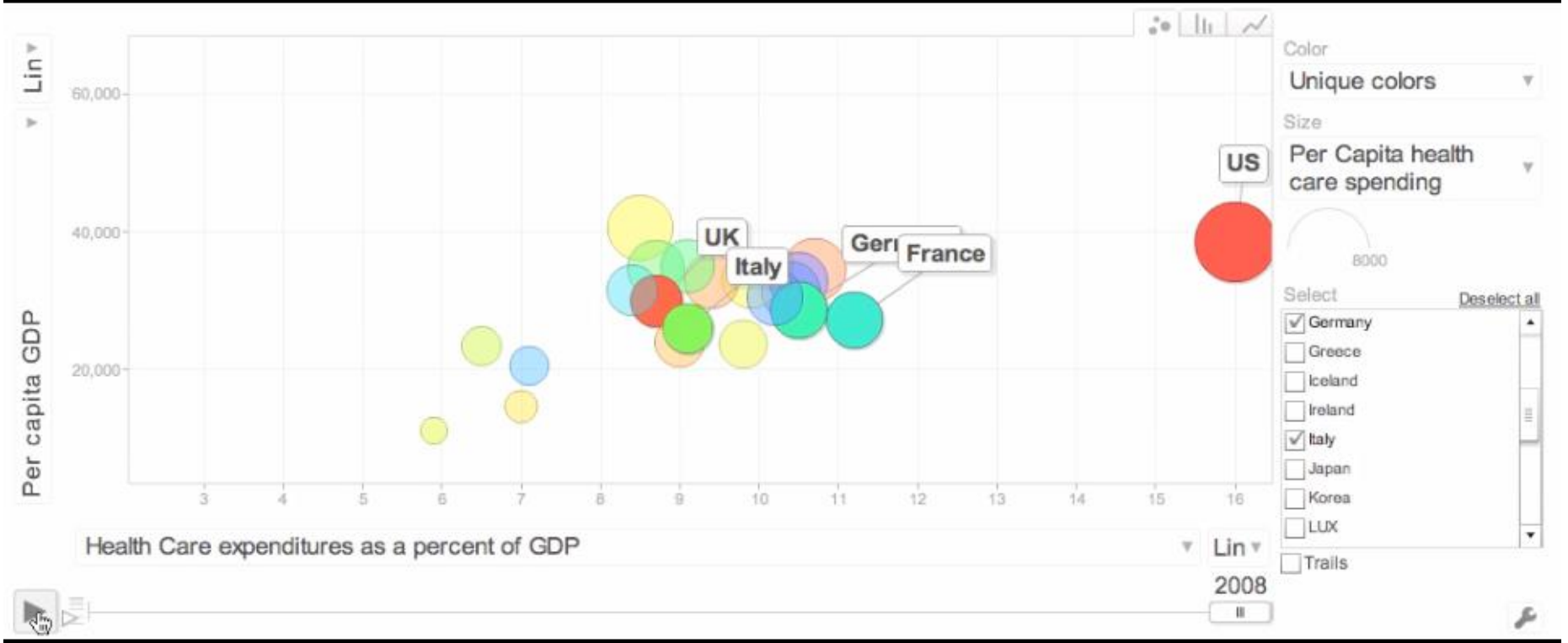
Interrupted time series studies compare individuals, a changing population of individuals in the same program, or other units of analysis to themselves *over an extended period of time* before and after the intervention (the "interruption").



Ashenfelter Dip



U.S. leadership in health care spending



Government support of social programs

Grants, below-interest loans, tax-favored treatments, & other subsidies

Head Start

Government social programs often fail

K-12 education: 8 of the 9 large randomized evaluations of education strategies (2003-2009) found weak or no positive effects.

Whole federal programs: 9 of the 10 well-conducted RCTs (1995-2009) found weak or no positive effects.

"Most of what we're funding now probably does not work (80%?)"

– Jon Baron, U.S. Coalition for Evidence-Based Policy

Jon Baron, "What Kinds of Evidence Are Needed To Inform Policy Decisions?" (presentation, Pew Foundation, Washington, DC, October 9, 2009).

Pay for success
("Back to Work"; NYC)

Teen Pregnancy in Anson County, NC

2001-2009

Scale: 0-100