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Private finance for public goods: social impact bonds

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Abstract

Social impact bonds (SIBs) attract private investment to social programs by paying a market rate of return if predefined outcome targets are met. SIBs monetize benefits of social interventions and tie pay to performance, limiting governmental control once the contract is designed. Despite policy enthusiasm across the globe, SIBs have failed to attract private market investors without substantial additional guarantees. SIBs raise questions about government's ability to ensure broader public values. Using literature

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Notes

1. In July 2013, the United Way of Salt Lake City, Utah, announced a SIB to expand access to high-quality early education for 3- and 4-year-olds. This will be the first SIB for preschool in the USA (Stewart [2013](#)).
2. The recently announced SIB in Salt Lake City also has attracted private investor Goldman Sachs (up to \$4.6 million), but Goldman Sachs required a guarantee (\$2.4 million provided by the Priztker Family Foundation). The nonprofit United Way is the intermediary who ultimately bears the risk (Stewart [2013](#)).
3. Indeed, the Salt Lake preschool SIB, announced in July 2013, was developed after a legislative attempt to raise funding for preschool in Utah failed in spring 2013 (Stewart [2013](#)).

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