



SOCIAL IMPACT PARTNERSHIP MODEL: EXECUTIVE SUMMARY

Currently, the Thai government allocates a vast amount of budget to fund several social projects. However, due to limited resources, the budget is not sufficient to serve all the needs of social members who are heterogeneous. Moreover, social services provided by the government often are focused on solving existing problems rather than providing preventative measures which could eliminate problems that might occur in the future. The current public budget allocation system does not have a mechanism which reflects the effectiveness and efficiency of projects, the reason being that the public system lacks systematic monitoring and evaluation procedures due to the limited resources. On the other hand, awareness of social issues by other sectors, including the private

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sector and the general public, has been increasing significantly. This is reflected in an increasing number of corporate social responsibility projects carried out by businesses, and an increasing amount of donations from general citizens. Nonetheless, there is still a lack of systematic monitoring and evaluation procedures, just as in the public system.

A TDRI research team believes that Thailand could benefit greatly from the social impact partnership model (SIPM), which engages and brings together the public sector, the private sector and the social sector. SIPM can improve the effectiveness and efficiency of existing and forthcoming social services. Currently, there are 89 SIPM projects operating in 19 countries around the world.

RESEARCH OBJECTIVES

1. To examine the structure of SIPM that is most suitable for Thailand, particularly in the areas of educational development, health care and preventive health care, small and medium-sized enterprises, and skills and employment development.

2. To lay out the process of the social impact partnership model that would be suitable for Thailand, for instance by examining the most suitable structure, identifying incentives for all the parties involved, evaluating, and providing suggestions on regulations.

RESEARCH METHODOLOGY

Four social issues have been selected for this study, namely educational development, health promotion and disease prevention, small and medium-sized enterprise promotion, and skills development and employment promotion. The research methodology used is participatory action research in addition to literature reviews and case studies.

To start, the researchers collected secondary data by reviewing all the relevant documents related to SIPM in other countries. The researchers focused

on such issues as social services, funding, and SIPM management and evaluation. By doing so, they were able to examine the conditions for success, the problems and obstacles encountered, the budgets available for each social project, and the outcome and impact of previous projects.

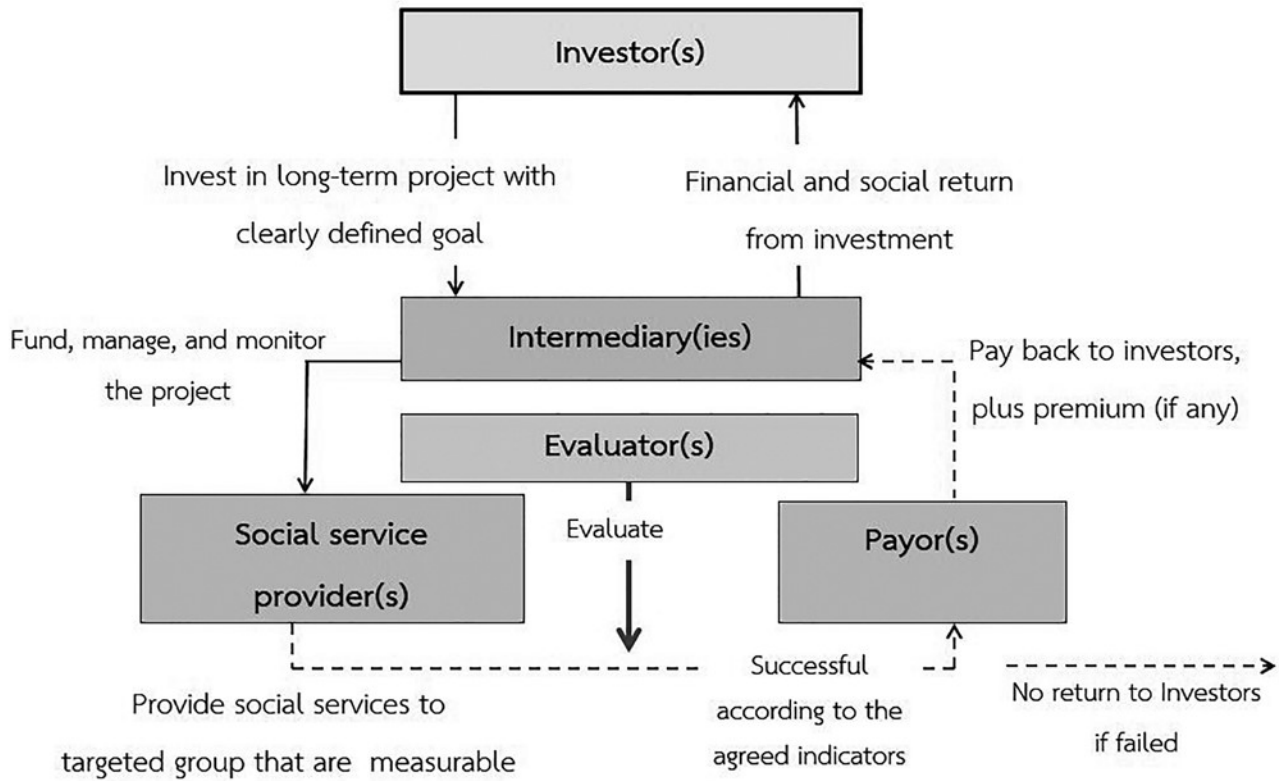
The researchers then collected primary data by using the following methods:

- Conducting in-depth interviews of Thai and foreign experts from the public, private and social sectors. The methods used for the interviews were face-to-face interviews, telephone calls, and e-mail.
- Carrying out focus group discussions with experts and those who are interested in or might be able to get involved in the SIPM project in Thailand. The purpose of the focus groups was to elicit more dynamic ideas from a range of parties and to examine the feasibility of SIPM in Thailand. There were four sessions (one session for each issue) for the focus group discussions, with no more than 30 participants per session.
- Organizing a seminar to present the research findings, and obtaining feedback and suggestions from experts, interested organizations and the general public.

RESEARCH FINDINGS

SIPM involves the public, private and social sectors in coordinating and designing the structure of SIPM that is suitable for a selected social project. These parties would also be involved in managing the SIPM project, laying out regulations, providing funding, furnishing social services, implementing the project, and evaluating it. An SIPM project is a preventive project which provides early intervention aimed at preventing negative outcomes and reducing future social costs.

Figure: Social Impact Partnership Model



The figure above shows the general structure of such a model. An investor could be a single investor or multiple investors from the private sector or general citizens who jointly invest in a clearly defined project, such as providing extra classes for primary students from low-income families. The payor is usually from the public sector, that agrees to pay the principle plus interest to the investors if the SIPM project has met the outcome agreed upon at the beginning of the project. The responsibilities of the intermediary are to assist all parties during the agreement process, coordinate, and manage the overall project and the budget. A social service provider could be a charitable organization that has a proven track record of efficiency and achieving positive outcomes. The indicators of the outcome must be measurable, for example the rate of access to

secondary education is at least 80 percent in a 10-year timeframe. The intermediary selects an independent evaluator to assess the outcome and impacts of the SIPM project.

The payor, or the government, that usually bears the cost of providing educational services then uses such costs to repay the investor if the project is successful, that is, it has met the criteria that had initially been agreed. Such a social investment model can solve the lack of funds problem among social service providers, and save the government budget by paying only for successful projects. The investors and general public also would benefit from financial returns and social outcome that is sustainable. Social impact partnership is also known as a social benefit bond, or pay for success.

There are three components of SIPM, as follows:

- Financing component - The initial fund can come from many sources, such as fund-raising through the selling of bonds, donations from philanthropists and businesses, as well as provision of public funds. Funds will then be provided to the social service provider to deliver the services according to the objective of the project. The government then repays the investors the initial fund and the return on it, as had initially been agreed, if the project becomes successful.
- Management component - Because an SIPM project involves many actors, having an intermediary can help coordinate between the different parties involved in designing and planning the project, recruiting service providers and evaluators, managing funds and monitoring service delivery, and facilitating the repayment process. At the same time, a small project may not need to have an intermediary if the payor can effectively manage the funds.
- Evaluation component - Since an SIPM project is aimed at creating tangible and measurable outcomes in order to build confidence among investors and the government that repayment can be made when the project becomes successful, the outcome of service delivery must be evaluated by an independent evaluator who is specialized in the area that requires evaluation; for this purpose the evaluator uses indicators which are relevant to the objective(s) of the project.

Findings of this research about SIPM that are suitable for Thailand in educational development,

health promotion and disease prevention, small and medium-sized enterprise promotion, skills development and employment promotion are as follows.

1. Educational development

Thailand's major educational problem is the quality of education, which is reflected in the national average score of the Ordinary National Educational Test (O-NET), which is below 40 on a scale of 100. Therefore, an SIPM project should be developed in order to develop educational quality by increasing O-NET scores among secondary school students; it should involve the following actors:

- Investor: local and provincial administration organizations, as they have an annual budget for educational development.
- Intermediary: a special-purpose vehicle should be established.
- Payor: businesses with a social purpose, such as the Mitr Phol Group and Siam Cement Group, or the Education Technology Development Fund under Ministry of Education.
- Social service provider: Learn Education, a company which offers software for learning mathematics and science. The indicator is the O-NET score in science and math examinations of the group using the software compared with that of the control group. An educational expert may also suggest self-assessment during service delivery.
- Evaluator: university or research institute that is independent.

2. Health promotion and disease prevention

Health statistics show that there are many preventable diseases that Thai people are facing, and

SIPM projects can be developed to deal with them. In this research study, it is proposed that there are three projects, namely diabetes prevention, support for teenage mothers, and HIV/AIDS control and prevention, that are suitable; however, only the last one is presented here.

Currently, Thailand's health system provides antiretroviral drugs for people living with HIV/AIDS. In 2016, the National Health Security Office (NHSO) set a budget of 3,011.90 million baht to support 270,993 people living with HIV/AIDS. The government pays about 2,000 baht per person per month for the antiretroviral drug. However, if those persons do not receive their antiretroviral drug on a regular basis, they must be treated with a higher-dose drug to suppress the problem of drug resistance. This higher-dose drug can cost between 9,000 and 30,000 baht per person per month. Therefore, NHSO could save some of its budget for the future if HIV/AIDS can be controlled and prevented.

The following actors are involved:

- Payor: local government in those provinces where HIV infection is high.
- Intermediary: the Thai Red Cross Society or a newly established organization.
- Social service provider: the Provincial Public Health Office and local organizations.
- Investor: businesses supporting HIV/AIDS prevention projects, such as the BMW Group.
- Evaluator: medical specialists in HIV/AIDS.

3. Promotion of small and medium-sized enterprises

The government has many projects for supporting small and medium-sized enterprises. However, these are usually uncoordinated, overlap, are not holistic, and do not respond to the actual

needs of such enterprises. Business organizations, such as the Federation of Thai Industries, the Thai Chamber of Commerce, and the Tourism Council of Thailand, which are more familiar with small and medium-sized enterprises should therefore provide support through a holistic business and professional skills development project.

The following actors are involved:

- Payor: Office of Small and Medium Enterprises Promotion.
- Intermediary and service provider: the Federation of Thai Industries, the Thai Chamber of Commerce, and the Tourism Council of Thailand.
- Target population: small and medium-sized enterprises which had previously been supported by the three above-mentioned business organizations.
- Evaluator: Office of Small and Medium Enterprises Promotion and other related organizations, such as the Department of Industrial Promotion, depending on the activity concerned.

4. Skills development and employment promotion.

It was found that many groups face difficulties in finding employment, such as unemployed people among the general public, workers with vertical and horizontal mismatches in terms of their education, field of study or skills, workers who lack skills in general, disabled persons, and former prisoners.

The following actors are involved:

- Payor: Fund for Empowerment of Persons with Disabilities.
- Intermediary: Thai Health Promotion Foundation and other social organizations.
- Investor: businesses and philanthropists.

- Service providers: foundations, social organizations, and social enterprises, which provide such services as a suitable workplace for disabled persons, developing skills that the business sector needs, and job placement.
- Evaluator: university or research institute.

POLICY RECOMMENDATIONS

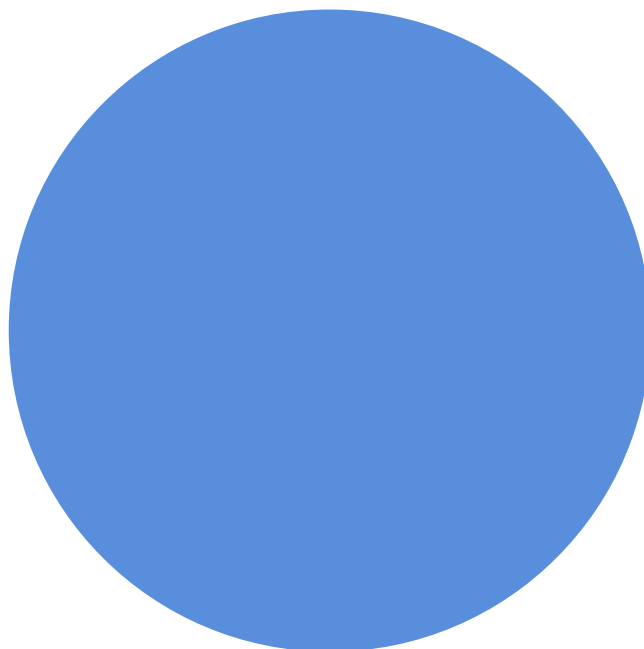
In this research study, the following policy recommendations are proposed:

Recommendations for immediate action

1. As a major beneficiary of the success of SIPM programs, the government should be a major actor to form and encourage the model for use in Thailand. Because the government can save budget, including for human resources and equipment, by selectively paying returns only on achieved projects. This action will also assure potential investors about the government's commitment to the project.

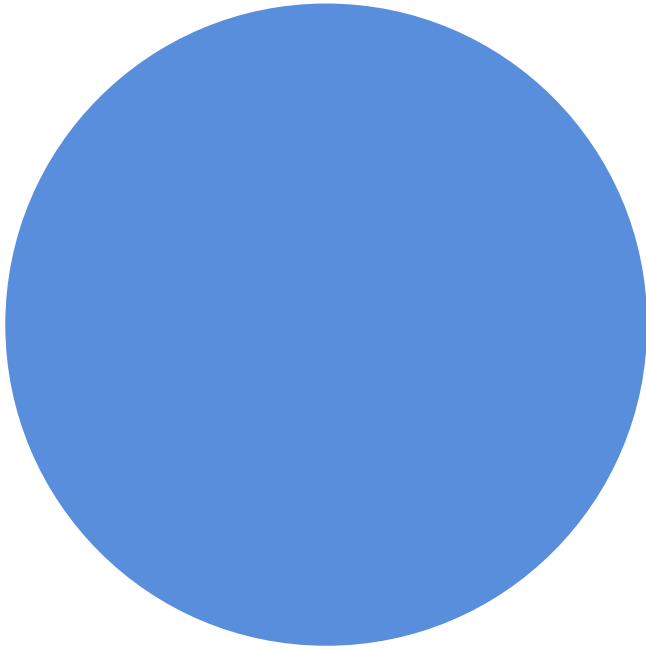
Initially, the government should set up an open platform for exchanging opinions and sharing information on best practices to design an appropriate SIPM in Thailand. The platform should function as a social consultancy service, akin to the Council for Social Action, which is the introductory form of social finance – an intermediary organization for SIPM programs in the United Kingdom. This platform will become a main mechanism for SIPM in the long term.

2. Government agencies should start collecting data, such as the unit cost in each public service within each agency's area of responsibility. There should also be a calculation and analysis of social return on investment for the service planned to be conducted under the SIPM program, as such data will be used to evaluate the potential of the program.



3. An SIPM project should be small and area-based in order to tackle social issues in an in-depth manner, or several projects that operate in various areas but can be linked together to generate outcome at the national level. An SIPM project suitable for Thailand should comprise the following components:

- Financing component – Payor should be established funds, the purposes of which are related to the project such as the Fund for Empowerment of Persons with Disabilities, and the Fund for Small and Medium Enterprises Promotion. Issues for which there is no established fund may use the government's budget set aside for each issue. Because there is currently no law that permits the government to pay investors, in the short run the government should use tax rebate measures



in cases where an SIPM project becomes successful. In the long term, after the laws and regulations are amended, and the investors are consulted, the government should repay the investors the agreed return.

- Management component - Because SIPM requires many parts of society to work together, there should be an intermediary to coordinate and support every step of the project, such as designing and planning together with the payor and investor, finding and selecting service providers, managing the fund and monitoring service provision, finding an evaluator, and facilitating the repayment. The intermediary must be non-governmental and non-profit, independent, and have no conflict

of interest with any party involved in the project.

- Evaluation component - Because an SIPM project is aimed at creating concrete and measurable outcomes in order to build confidence among investors and ensure that the government will pay only for successful projects, it is vital to have indicators which are truly related to the goal of the project. The evaluator must have the necessary skills and experience in evaluation and have no conflict of interest with any party. An evaluator can be a university or a research institute which is familiar with social impact assessment tools, such as social return on investment.

A pilot project has to be either initiated or openly supported by the government to encourage the private sector and social sector to participate in the project. A feasibility study for the pilot project should be conducted. There may be more than one pilot project with different objectives and small target groups. Most importantly, all the data in pilot projects must be systematically stored for future use.

It should be noted that SIPM may not be suitable for all public services. Some services must be executed by the government because the law stipulates so, for example the police service. Moreover, investors are interested in investing in particular areas, usually those that they regard as beneficial, such as the promotion of small and medium-sized enterprises or areas which traditionally attract donations for such purposes as education and support for the underprivileged.

4. The concept of SIPM must be promoted among relevant parties, such as government departments, businesses, social organizations, and the general public. In addition to communicating about the framework, strengths and limitations of SIPM, the concept of social investment must also be



promoted to replace the concept of making donations with no return on them and no evaluation of their effectiveness.

Long-term recommendations

1. The government and relevant ministries, such as the Ministry of Finance, should consider amending laws and regulations in order to facilitate the initiative of SIPM projects. Examples of laws that should be reviewed are:

- The Public Debt Management Act, B.E. 2548 (2005) in cases when issuing bonds is necessary in order to raise funds from the public, and especially if the government wants to scale up the project which previously was able to achieve a desirable outcome.
- The Budget Procedures Act, B.E. 2502

(1959), to ensure that the government can repay investors.

- A holistic law which could support the implementation of SIPM as in the case of the United States Social Impact Partnership Act, which specifies the source of budget, the role of public organizations, permission for making government-to-business payments under the SIPM scheme, or the establishment of an intermediary institution, which would take part in collecting data and consulting stakeholders.

2. To promote collaborative integration of all sectors, there should be a non-profit intermediary which has specific functions in operating long-term mechanisms without any conflict of interest involving other actors. This organization should employ experts in many fields, such as social, financial, and data management. Its roles should cover consulting services for interested groups, and technical assistance, such as training in service provision, accounting management for social service providers, and evaluation training, such as on the social return on investment method.

Moreover, Social Finance United Kingdom could be invited to help in setting up and running an SIPM project in Thailand as an intermediary, which has been done in many countries. For example, Israel and the United States set up their own Social Finance (Social Finance Israel and Social Finance US), while Canada and Portugal invited Social Finance to give advice to local organizations selected to act as intermediaries in the countries.

3. In the case of successful pilot projects, the results should be made known among the general public in order to encourage the participation of the private and social sectors. Principal plus interest could be returned to investors if the project succeeds, while tax reduction could be provided if the project could not achieve its goals.