CSO-State Partnerships and Social Finance: Smart Social Capital and Shared Incentives towards Public-Private Partnership Efficiency Using Social Impact Bonds

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This paper aims to answer two research questions: First, what are the sources of weaknesses found in current CSO-govern-ment relationships? Second, how could these weaknesses be remedied to bring better efficiency in social development assistance programs? Applying the Complexity Science framework and Brinkerhoff’s related theoretical model to the field of social finance for the first time to the best of the authors’ knowledge, this article argues that the implementation of social finance, generally, and social impact bonds (SIBs), specifically, can combine to create “smart social capital”—a new model in which trust is furthered and arguably maximized between relevant public and/or private sector networks in the form of stakeholders, through the efficient combination of shared interests in the form of financial as well as societal beneficial gains by related stakeholders and the community at large.

Keywords: civil service organizations (CSOs), smart social capital, social investment, social finance, social impact bonds (SIBs), public-private partnership (PPP), loosely coupled systems, complexity science, Brinkherhoff

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I. INTRODUCTION

The end of 2011 was marked by the fourth High Level Forum on Aid Effectiveness (HLF) held in Busan, signaling yet another attempt to effectively enhance the level of cooperation among civil society organizations (CSOs) and governments in administering development programs. Complaints from non-governmental organizations (NGOs), however, are still directed at the lack of government efforts to actually implement the pledges made at the HLFs. There are noticeable obstacles in working together, identified by both CSOs and governments, which undercut the effectiveness of development programs and result in an overall lack of efficiency in public sector initiatives.

Given these challenges, this paper aims to answer two related research questions: First, what are the sources of weaknesses found in current CSO-government relationships? Second, how could these weaknesses be remedied to bring better efficiency in social development assistance programs? In response to such research questions, this paper argues that the implementation of social finance, generally, and social impact bonds (SIBs), specifically, can combine to create “smart social capital”—a model in which trust is furthered and arguably maximized between relevant public and/or private sector networks in the form of stakeholders, through the efficient combination of shared interests in the form of financial as well as societal beneficial gains by related stakeholders and community at large.

In making the analysis, this paper extends the framework of Complexity Science and Weick’s (1976) concept of “loosely coupled systems,” to the field of overseas and domestic development assistance. This term has been applied to the relationships found among organizational elements in various sectors, such as educational institutions, trends in globalization, criminal justice, and international environmental initiatives (Weick 1976; Urry 2003; Sharp 2009; Keohane and Victor 2009). Previous literature has categorized and established various models of NGO-government relationships found in development assistance, based on diverse criteria which include, but are not limited to, means of funding, the type of exchanged services and resources and the level of dominance of one party over another (Gidron and Kramer and Salamon, 1992). Studies have found the strategic interests and power that sustain the relationship (Lister, 2000) and the level of interdependence and diversity among CSOs and governments that work closely together (Brinkerhoff 2002; Coston 1998). Such works have largely been confined to patterns and solutions found within the public sector. This paper, however, draws upon recent concepts established and expanded in the private sector during the post-subprime crisis era. It thus modestly suggests an incentive-based NGO-government partnership, through which to overcome