

# Inequality and Social Impact Investments

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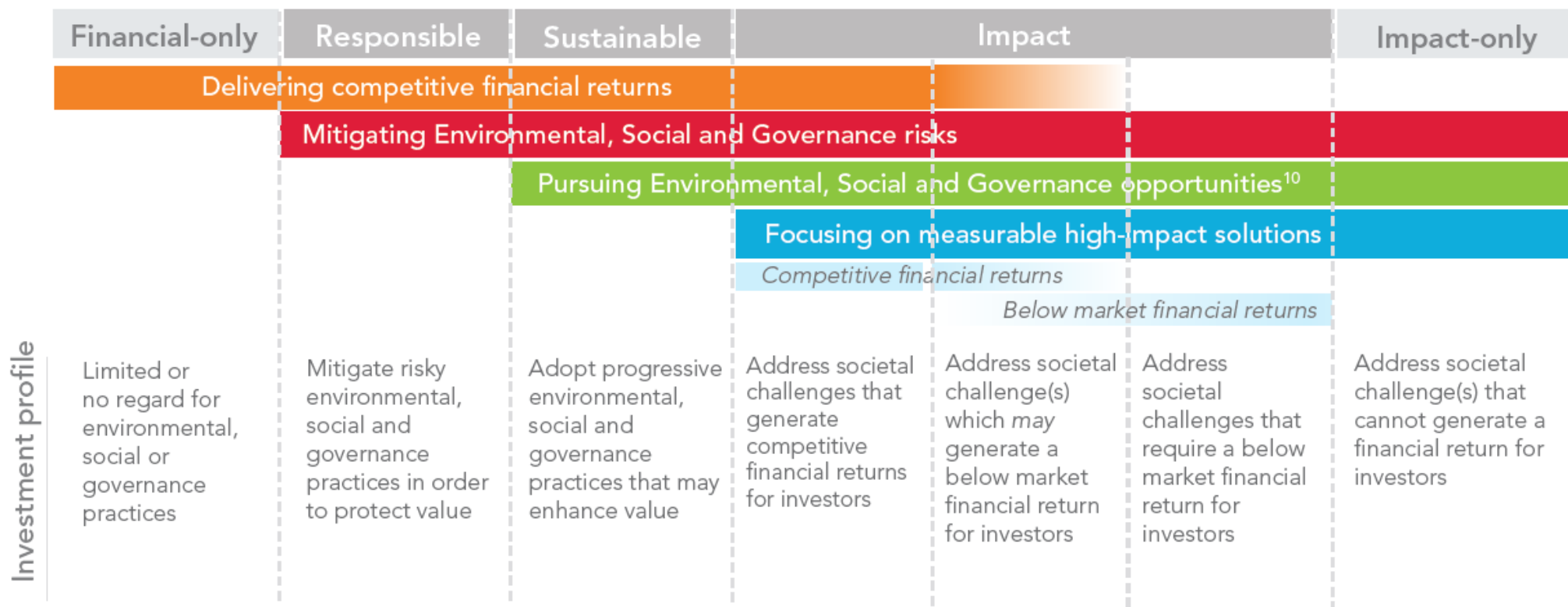


**Social Impact Investments are those that intentionally target specific social objectives along with a financial return and measure the achievement of both.**

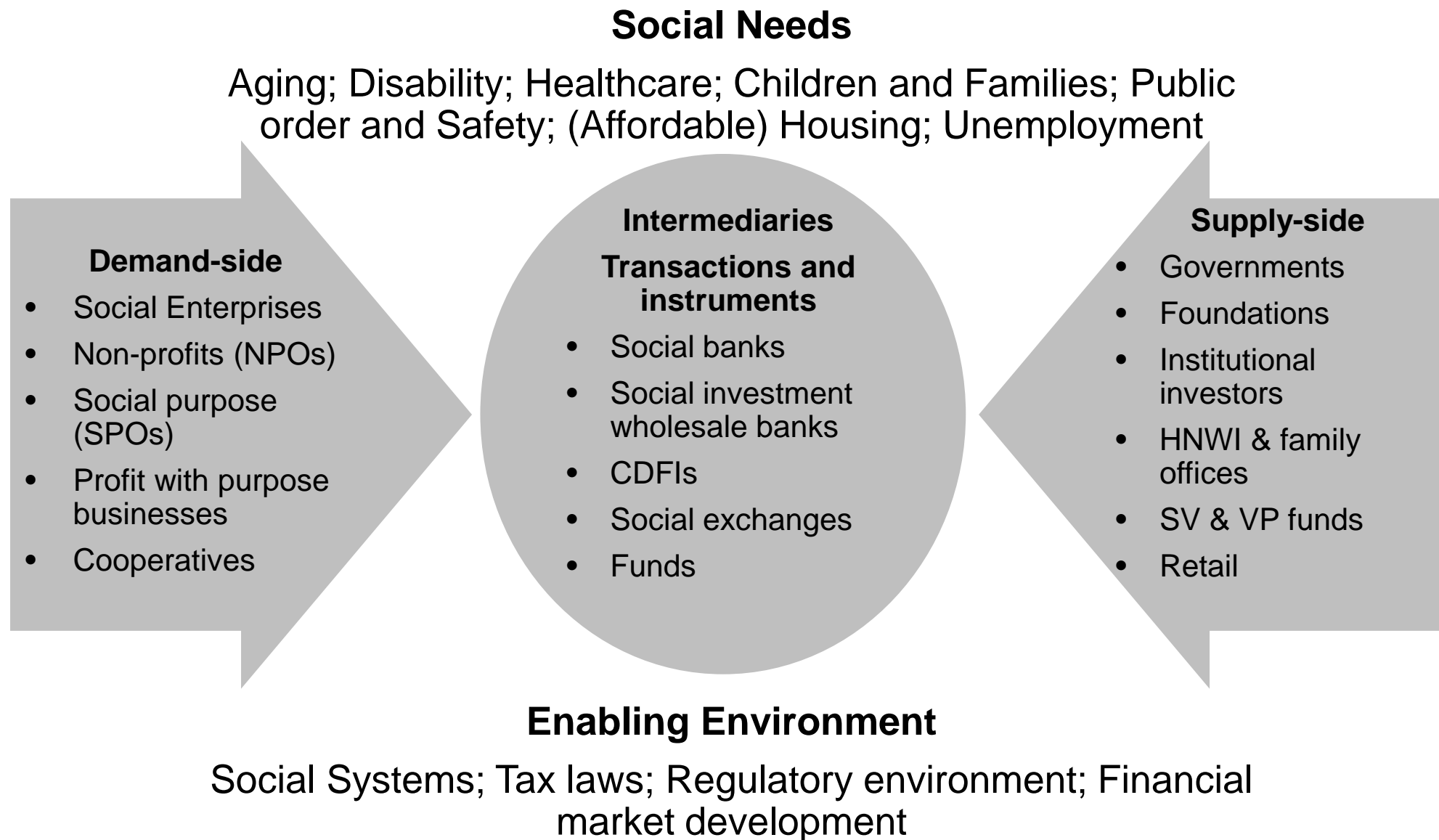
This requires a paradigm shift in capital market thinking, from two-dimensions to three. By bringing a third dimension, impact, to the 20th century capital market dimensions of risk and return, impact investing has the potential to transform our ability to build a better society for all.

This new approach is built on a number of shared beliefs: that, in some cases, investment can be more effective than donations in helping the poor; that social motivations harnessed to financial ones can sometimes do good more effectively; and that in many situations there is no inevitable trade-off between financial and social return.

# A Spectrum of Capital



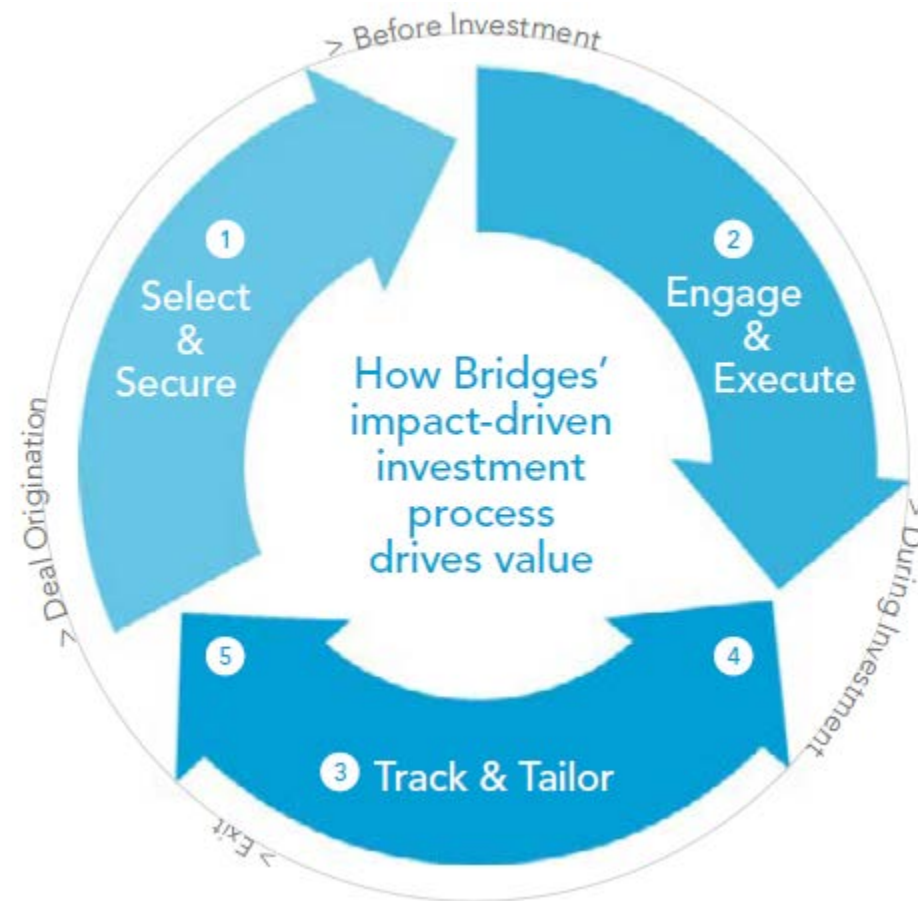
Social impact investment enables flow of capital to organizations dealing with social challenges, with a clear expectation for measurement of **return**, **risk** and **social impact** of the investment. These investments have predefined social targets, just as much as the business objectives that need to be fulfilled.



# Social Impact Investment Manager Firm: Bridges Venture

Bridges Ventures is a specialist sustainable and impact fund manager. Based in the UK and the US. Bridges Ventures now manages almost £600m across property and Social Sector funds.

The investment approach is 'impact driven', because the use of impact as a lens to identify and create value at every stage of the investment cycle. The diagram illustrates BV methodology.

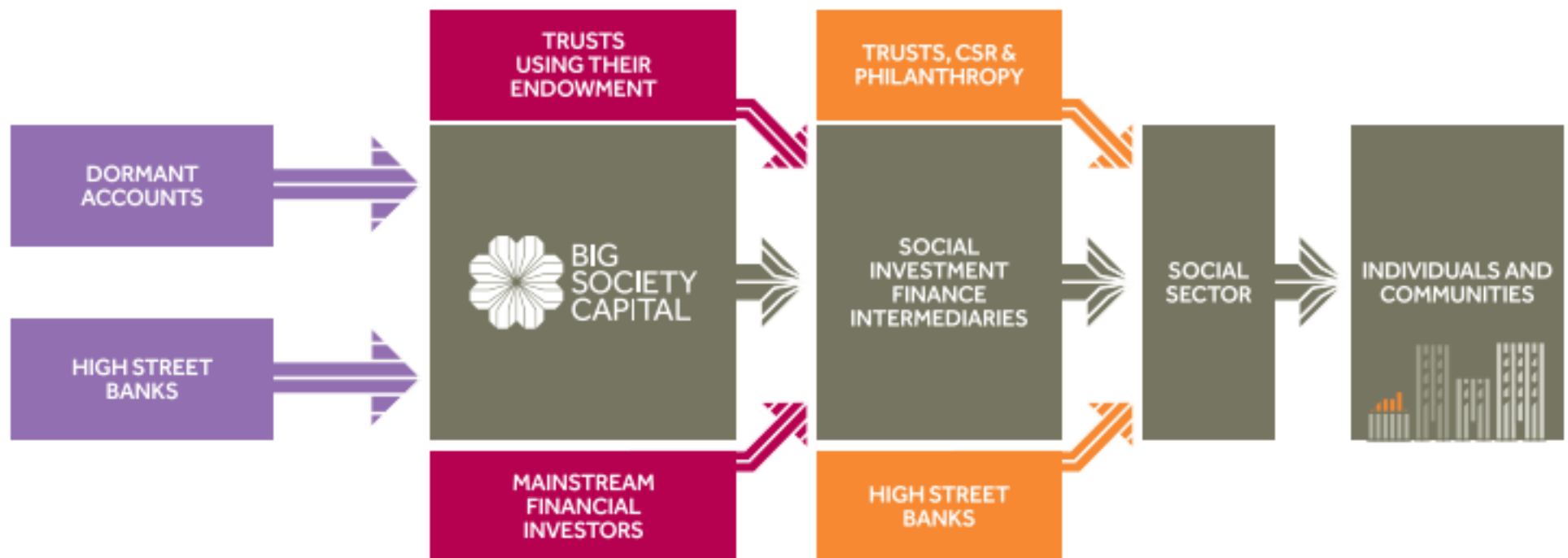


BSC is a financial organization with social purposes, established in 2012 as a result of legislation allowing the use of unclaimed assets. £400m of dormant bank accounts and additional £200m from the 4 big UK banks are now available for social impact investments.

BSC invests or lends to entities that have both social and financial goals and metrics, in order to grow the impact investments market.

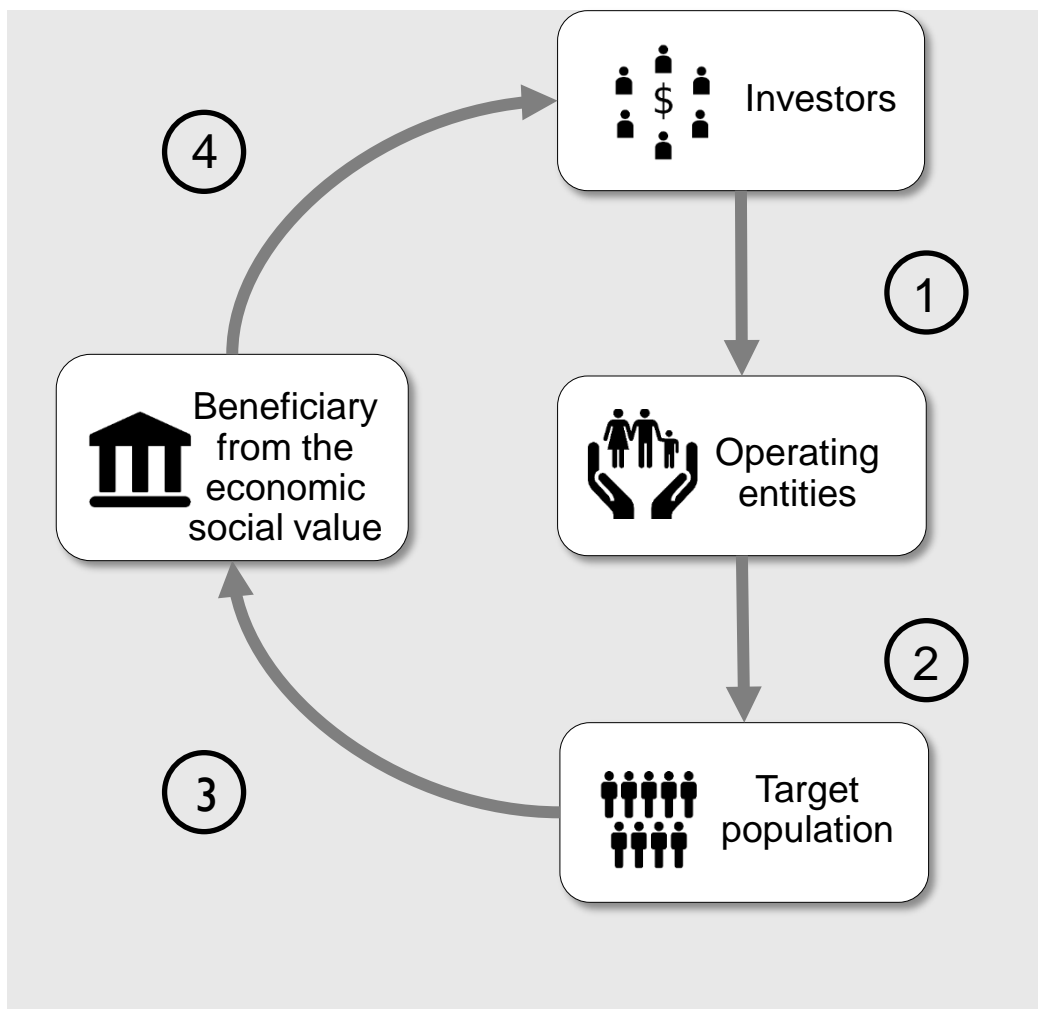


# Big Society Capital: Flow of Capital



# Structure of a Social Impact Bond

A social impact bond is an innovative tool enabling treatment of social issues in which the government is required to pay only if the targets it set were achieved, and there is proof of change in the social outcomes



Investors provide upfront financing for the social intervention

1

Social programs are implemented innovatively to generate successes

2

Social outcomes are diligently measured

3

Public entities repay according to the measured results

4



# SIBs align the interests and provides benefits to all stake holders

Four direct benefits of a Social Impact Bond:

Target population

Investors

Service provider

Commissioner

The beneficiary organization **enjoys a cost-saving and/or, additional income** (with no upfront investment)

✓ The investor may earn **an attractive, uncorrelated rate of return on capital supplemented by a social return**

The social goals are approached through a quantifiable **rigorously measured** intervention

Social services are financed through new, **sustainable capital** which enables the scaling-up of successful social interventions.

**This is a paradigm change – the pay-for-success contract really transfers the risk from government budget to investors**

A social impact bond serves both the **proof of concept** and a **catalyst to systemic change**

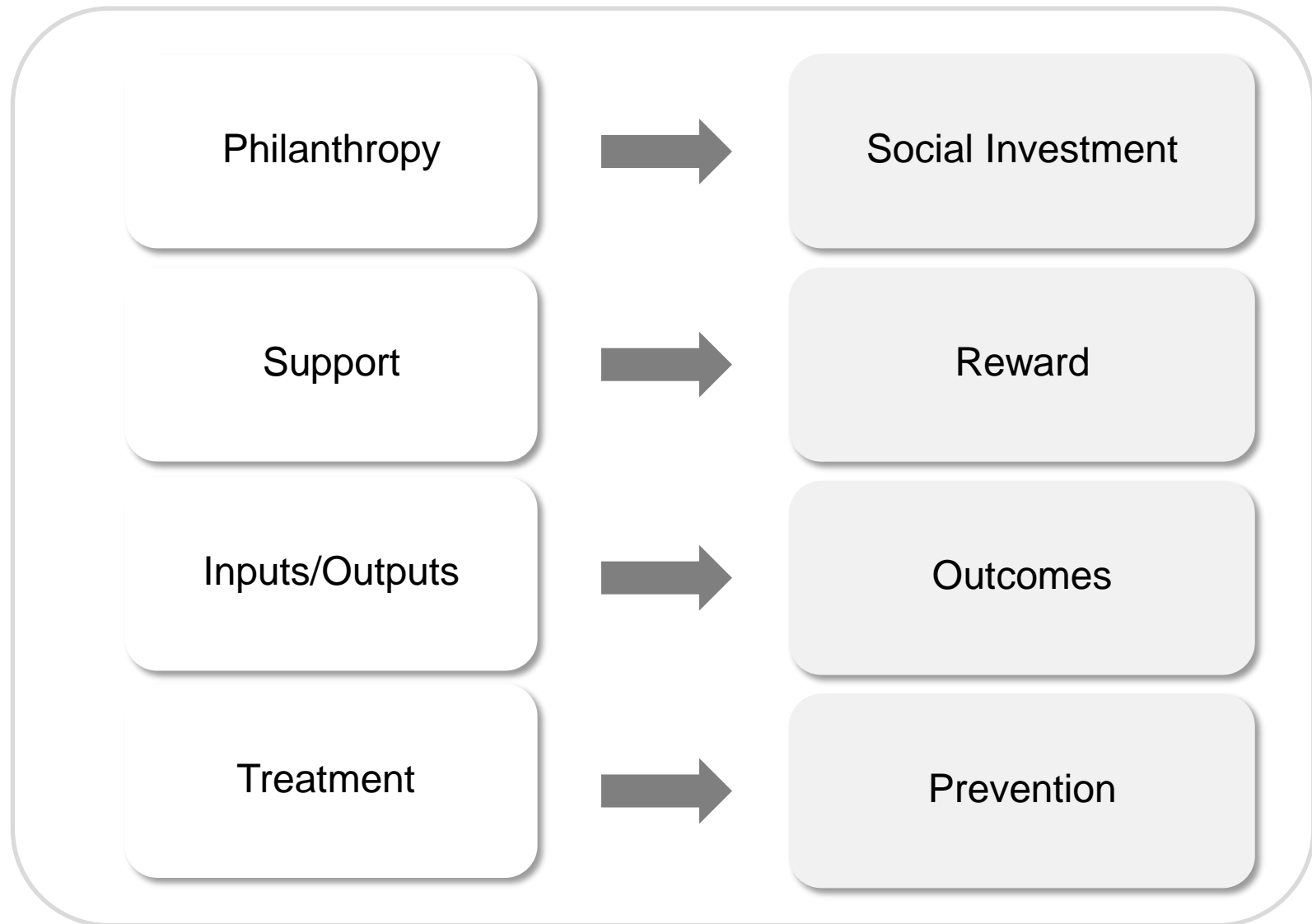


By focusing on outcomes, a social impact bond **realigns policy in favor of prevention**, rather than crisis management

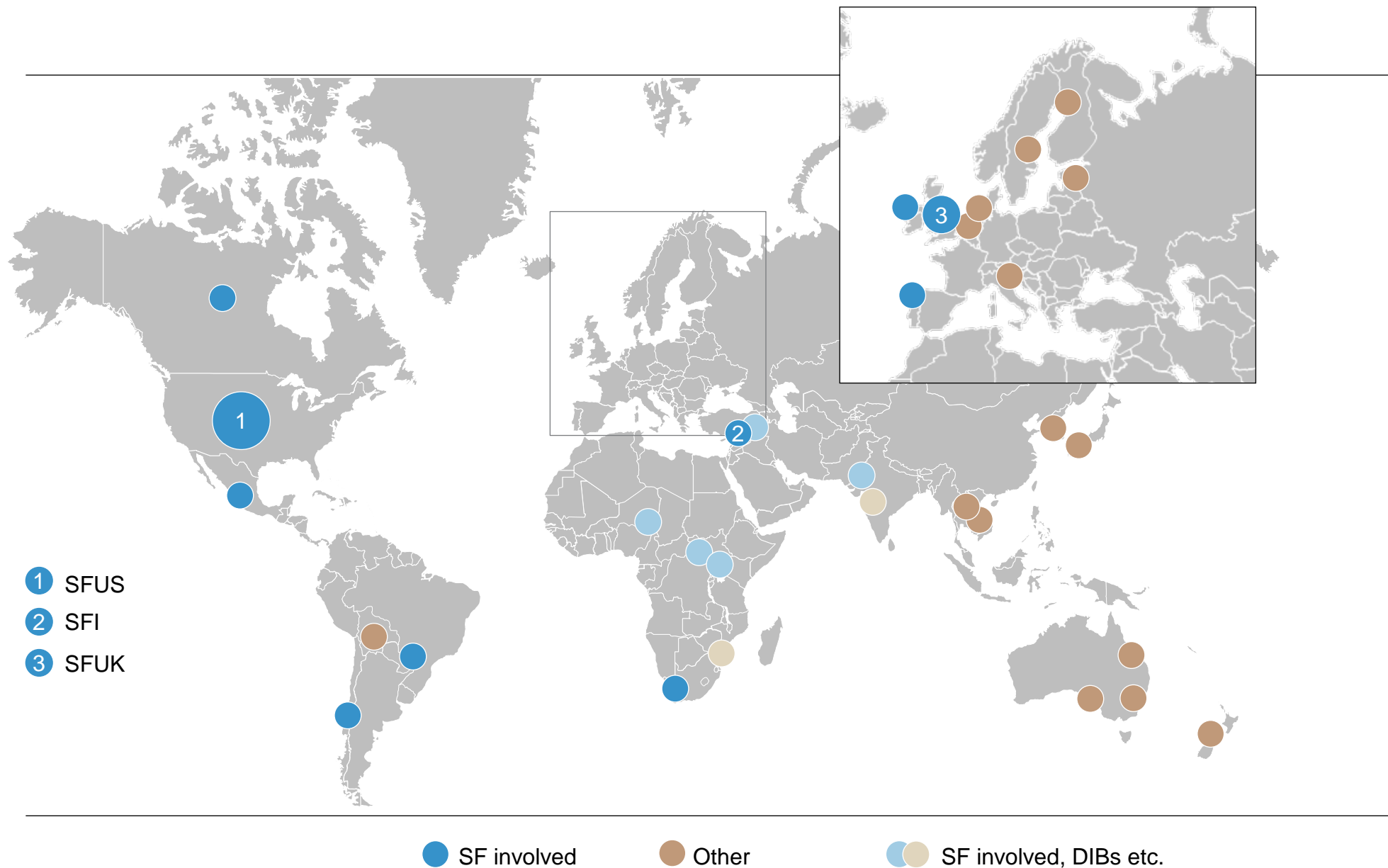
By commissioning results rather than programs, a social impact bond **unlocks innovation** in the treatment of social issues

Social impact **bonds foster partnerships and pool resources** across the private, public, and non-for-profit sectors

# Our Vision: Changing Social Paradigms



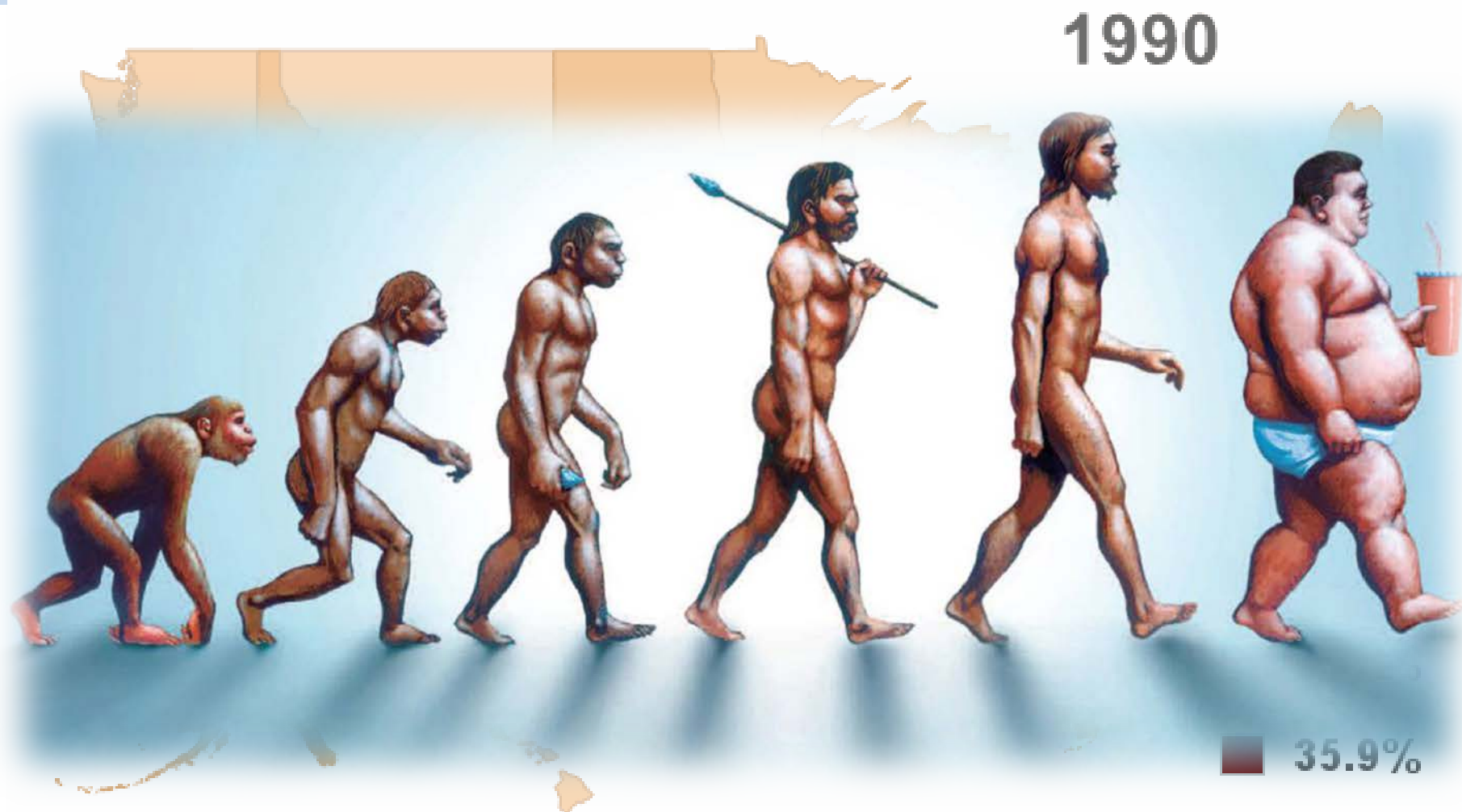
# The Social Impact Bond Model is gaining widespread use and support



# The Israeli Social Impact Bond to Tackle Type 2 Diabetes

Case Study

# Diabetes in the US



# Diabetes SIB—Executive Summary

- There are currently more than 500,000 diabetics in Israel and **over 340,000,000** diabetics worldwide accounting for **over 10% of global health expenditure**
- Diabetes affects the length and quality of life for hundreds of thousands of Israelis, disproportionately impacting many marginalized communities, and it costs the Israeli economy **over NIS 5 billion** (~\$1.25 Billion) **annually**
- The Diabetes Social Impact Bond (SIB) is an innovative social finance model developed by Social Finance Israel, that raises private capital to fund the introduction and adoption of a **rigorously measured**, intensive, **evidence based intervention**, administered by a **highly respected, driven and experienced service provider**
- If successful, there will be significant reduction in type 2 diabetic cases generating significant savings to the HMOs (Kupot Holim and the National Institute of Insurance (“Bituah Leumi”)) which will repay the investors a pre-agreed amount for each success case generated.
- The model Social Impact Bond to tackle type 2 diabetes designed by Social Finance Israel, represents a **scalable and replicable solution with global implications** to tackle the epidemic of type 2 diabetes

# Components of the intervention

The program is built on existing international experience and best practices

## Lifestyle Coach/ Case manager

Oversees and directs the individual's participation within the intervention program through a personalized program



## Technology

Utilizes **fitness and activity trackers** in conjunction with SMS and networking capabilities



## Motivation & Adherence

Raises awareness and **sustains a high level of commitment** through a psychological and incentive based reward system



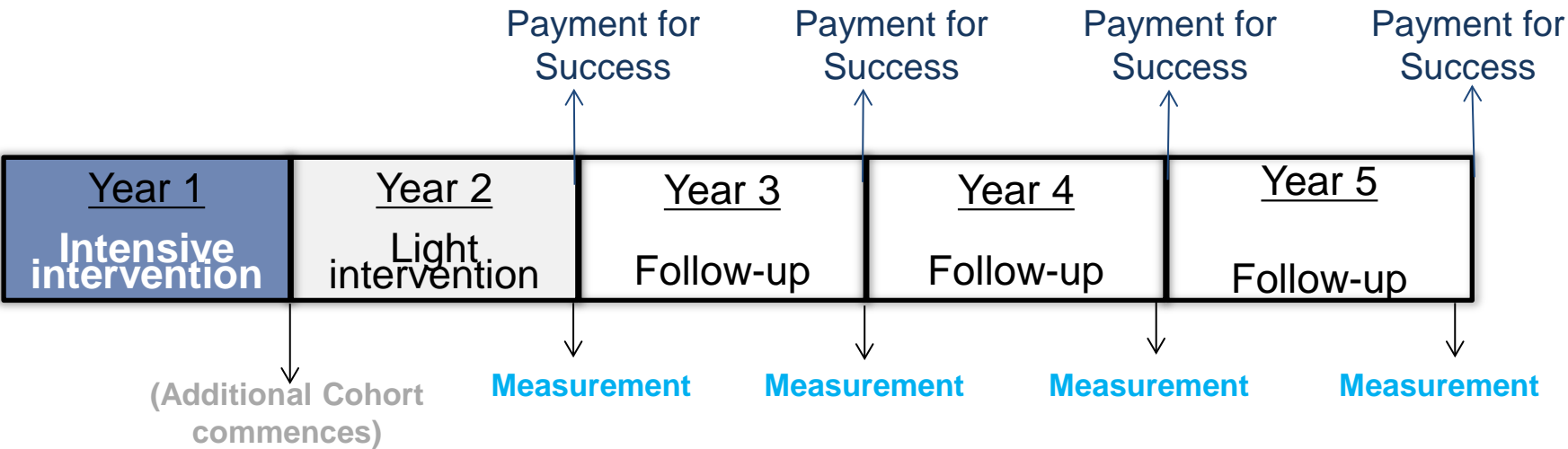
## Fitness & Nutrition

A personalized and culturally sensitive fitness and nutrition plan, targeting **the entire family unit**



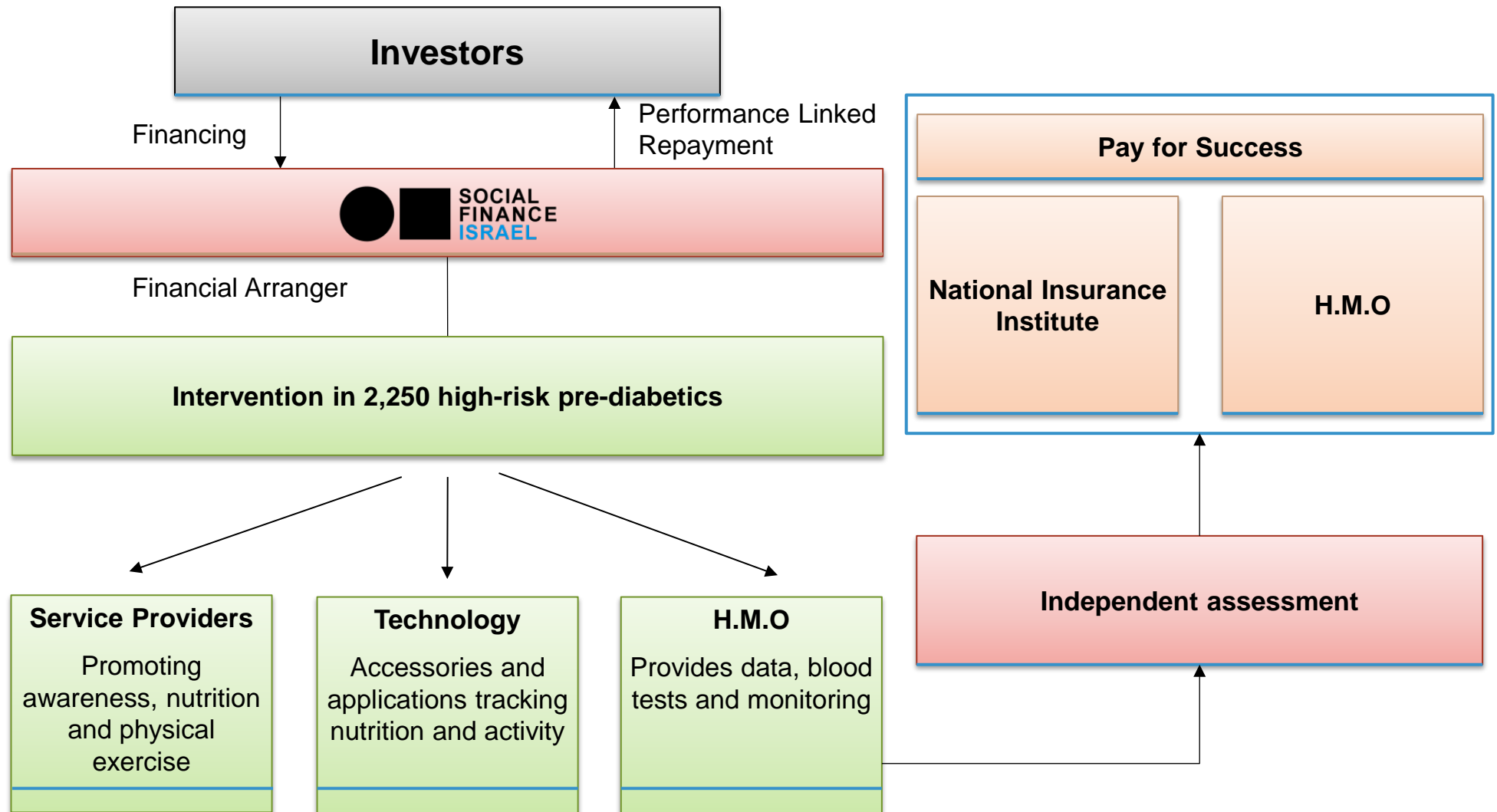


# Structure of the intervention



Target Population	Populations highly vulnerable to diabetes including low income families, Arab Israelis and Jews of Ethiopian descent
Clinical Indicator	High Risk pre-diabetics
Scope	Three sequential cohorts up to 2,250 participants overall
Design	One year of intensive intervention, an additional year of light intervention and between three and five years of follow-up
Term	Seven years
Measurement	Six measurement periods overall starting from end of year 2 for transition to diabetes against a single propensity matched control group

# Structure of the SIB to tackle type 2 Diabetes



# Key Stake-holders

The social impact bond coordinates and bridges multiple stakeholders



**CEO**

**CFO**

 *Chief Physician*

 *Health Policy Planning*

 *Division of community-medicine*

Chief Legal Officer

**Chairman**

**CEO**

**CFO**

 *Chief Physician*

 *Department of executive care*

Chief Legal Officer

**Director General**

Division for Service Development

 *Chief Medical Officer*

 *Research Department*

Chief Legal Officer

**The Minister**

Director General

Health Division

 *Department of Public-Health*

Department of Community Medicine

Chief Legal Officer

**Director General**

Accountant general

Budget Department

Chief Legal Officer

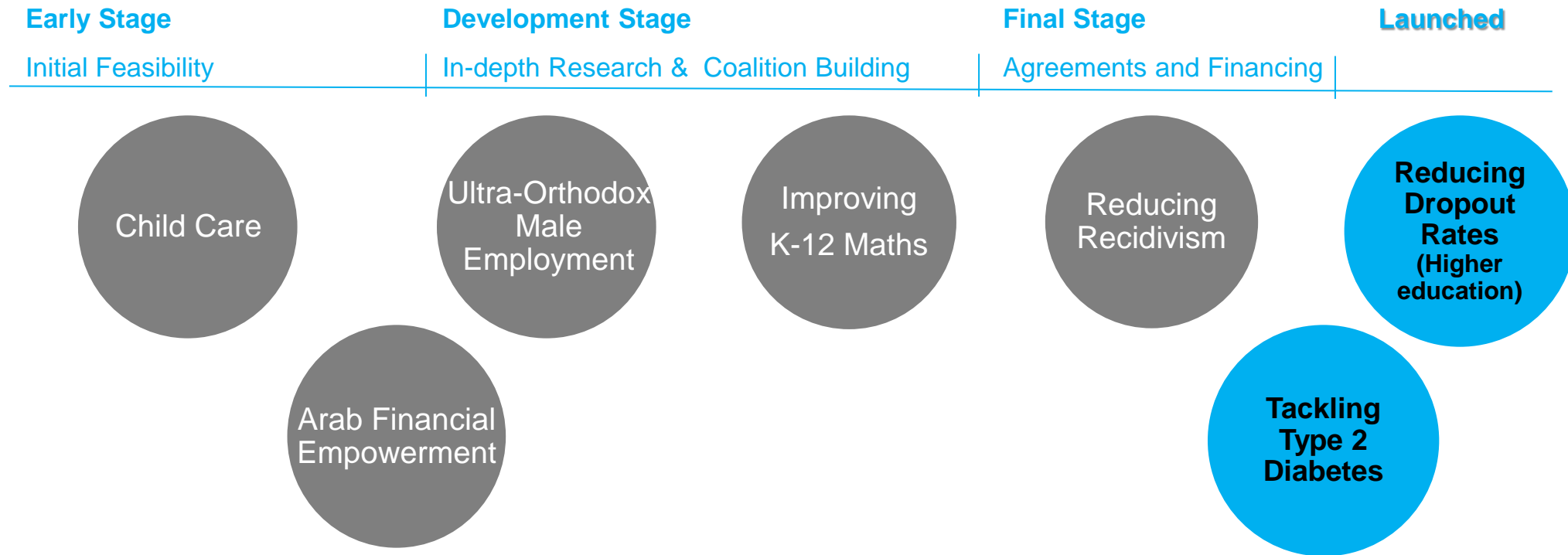


**Key Stake-holders directly involved in the approval of the measurement protocol**

An Ounce of Prevention is  
Worth a Pound of Cure  
- Benjamin Franklin -

# Social Finance Israel

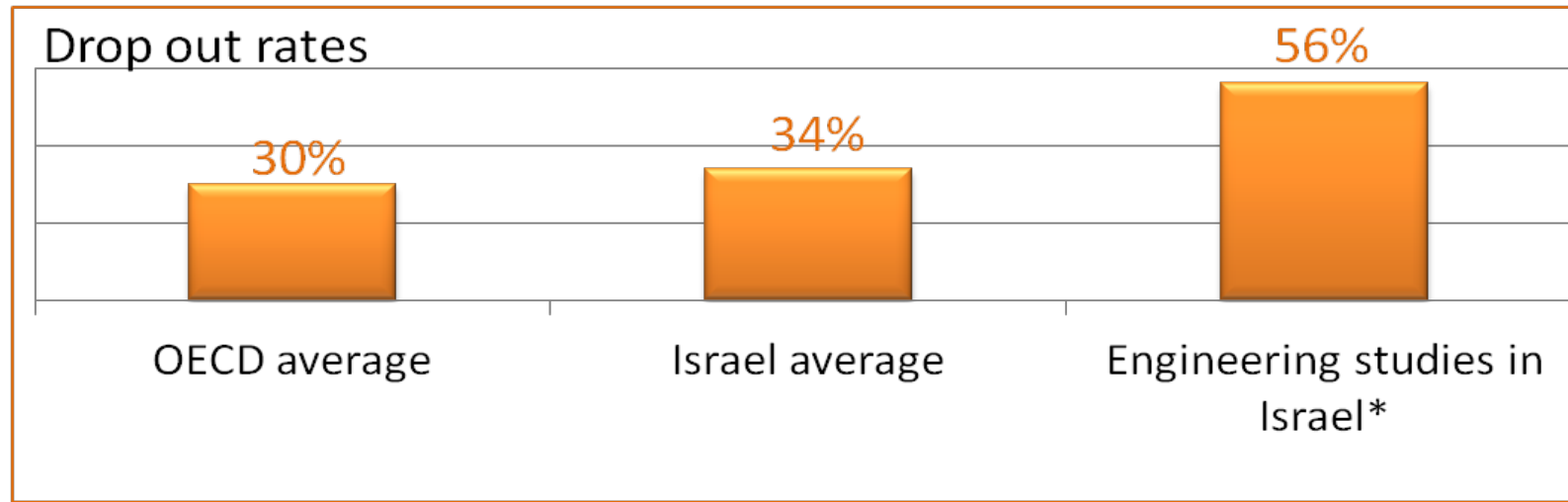
SFI has developed innovative models to tackle pressing social issues, and will **launch its third SiB in the next few months.**



# A Social Impact Bond to tackle dropout from tertiary education

Case Study

# Higher education drop out: A wide spread social issue



The populations predisposed to drop out of bachelor's degree studies are significantly more pervasive among **society's weaker classes** (e.g. minorities; low income families; etc.).

In addition to the social costs, dropping out has **negative economic outcomes**:  
The student- foregoes tuition fees and the alternative cost of the time invested in studies.

The academic institution- loss of future income in the form of the student's tuition as well as government subsidies.

The national economy- loss in taxation and GDP contribution, as well as a diminished supply of qualified labor.

\*Note: 56% of the engineering students will not graduate within standard time (i.e. 4 years).

# Intervention design

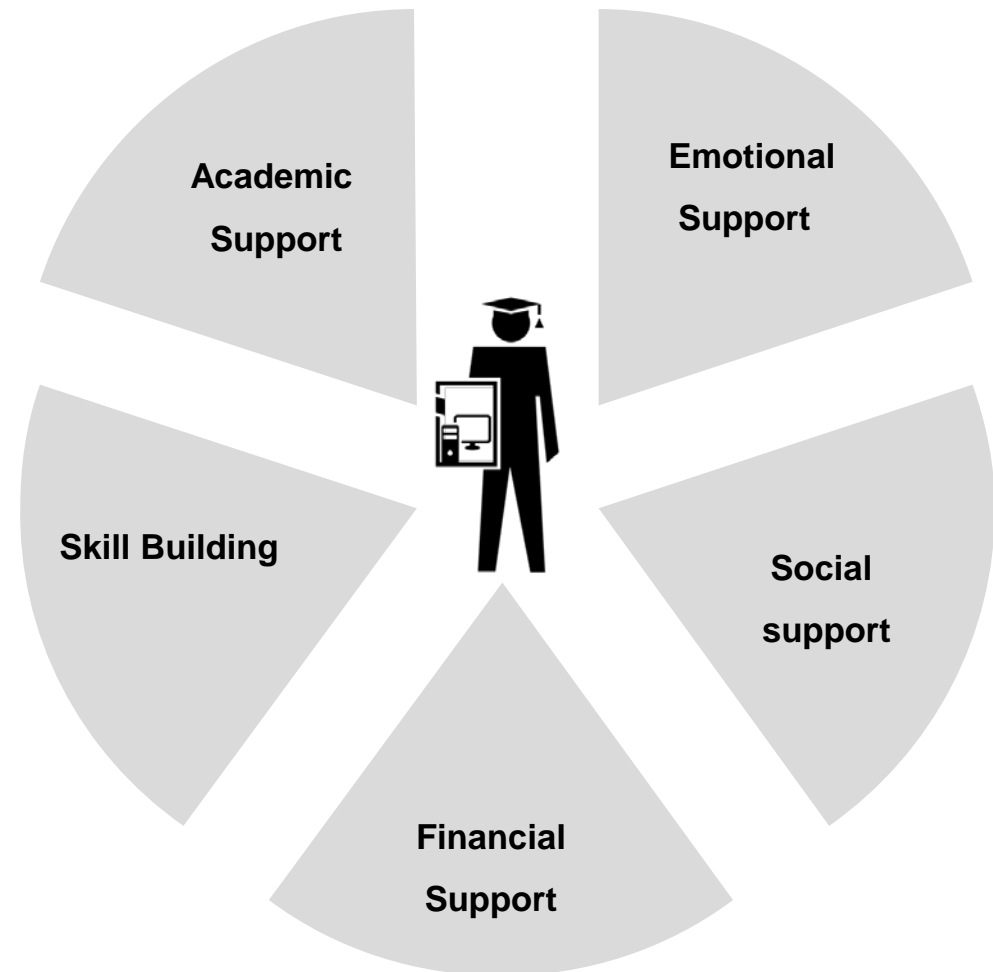
A culturally sensitive, highly personalized, and rigorous intervention

## Before the academic year

- Mathematics and physics prep.
- Enhancing the Hebrew language (for Arab students)
- Preparation for studies, time management, expectations adjustment, campus orientation, etc.

## During the degree studies

- Academic assistance throughout studies: constant enhancements, learning in small groups, personal lessons
- Pre exams, focus on academic preparation
- Scholarships: for eligible students and according to socio-economic situation
- Workshops to enhance learning skills
- Mentoring\*\*
- English enhancement\*\*
- Assistance with final project

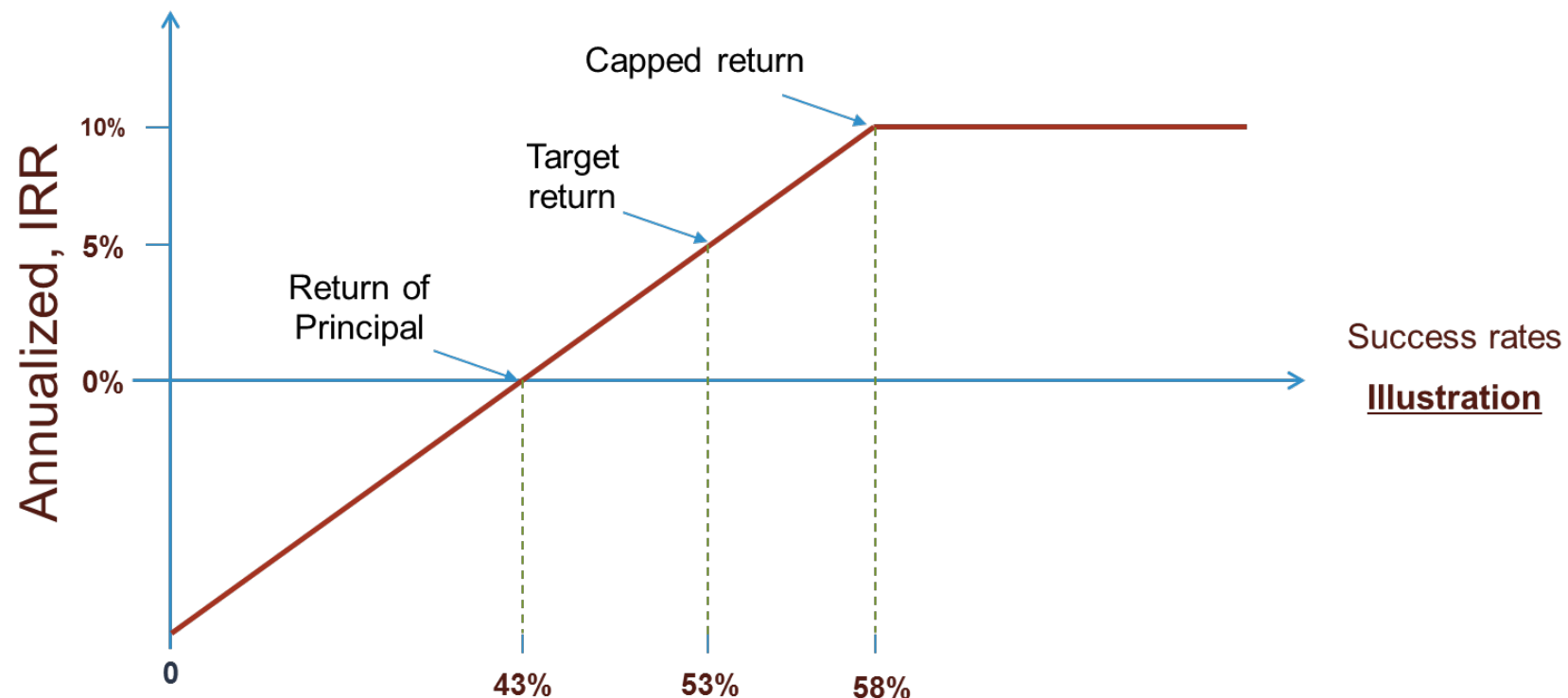


\*The program is adapted to each academic institution, and the characteristics of student in the target group, according to research(focus group, interviews and data analysis)

\*\*Additional components provided to the students personally adapted and according to need.



Returns to investors increase alongside social performance



Capital	▪ ~\$ 2,000,000
Return	▪ Target IRR is 5%, based on conservative success goals, capped at 10%
Term	▪ 8 years
Volume	▪ A total of 600 students in 2 higher education institutions: a University and an Academic College.

# Growth and Adoption of SIBS

Appendix

# SIBs are gaining widespread use and support

United Kingdom	First Social Impact Bond for five million GBP issued in 2010 by Social Finance (U.K), currently over 31 Social Impact Bonds in issuance covering, among other, fields as diverse as homelessness, adoption and recidivism .
United States	2012 the City of New York issued the first U.S. Social Impact Bond. 2013 Social Finance (U.S) lead the first state wide Social Impact Bond. Currently, over \$60M of investment capital committed.
Israel	In October of 2015, Social Finance Israel issued the first Social Impact Bond in Israel to tackle drop-out from higher education in computer sciences. SFI led the first sib to tackle tertiary educations raising over NIS 8M to increase graduation rates among 600 computer science student in two academic institutions in Israel
Globally	Social Impact Bonds have been issued in Australia, South Africa, India, Belgium, Portugal, Canada, Germany, Finland the Netherland and Switzerland over 40 additional SIBs are in advanced stages of development throughout Latin America, Asia, Oceania and Africa.

# Example of Social Impact Bonds Implemented

## Case Study

### **Newpin Social Benefit Bond – NSW – Australia**

Financial institutions private individuals and family offices – jointly committed, AUD 7 million to support the launch of Australias first Social Impact Bond.

The program to be funded is managed by UnitingCare Burnside and is known as Newpin. Newpin is an intensive therapeutic program for families with children aged less than five years who are either in statutory out-of-home care or are at risk of harm. The program aims to safely restore children to the care of their families or prevent children entering out-of-home care.

The investors receive a return if the proportion of children in out-of-home care attending a Newpin Mothers' Centre who are restored to the care of their families exceeds 60%.The greater the reduction in restoration rate the higher the return to investors.

The Year 1 results Newpin have been certified and demonstrate that the Newpin SBB has successfully restored children in foster care to their families and generated a 7.5% return.