

Inequality and Social Impact Investments

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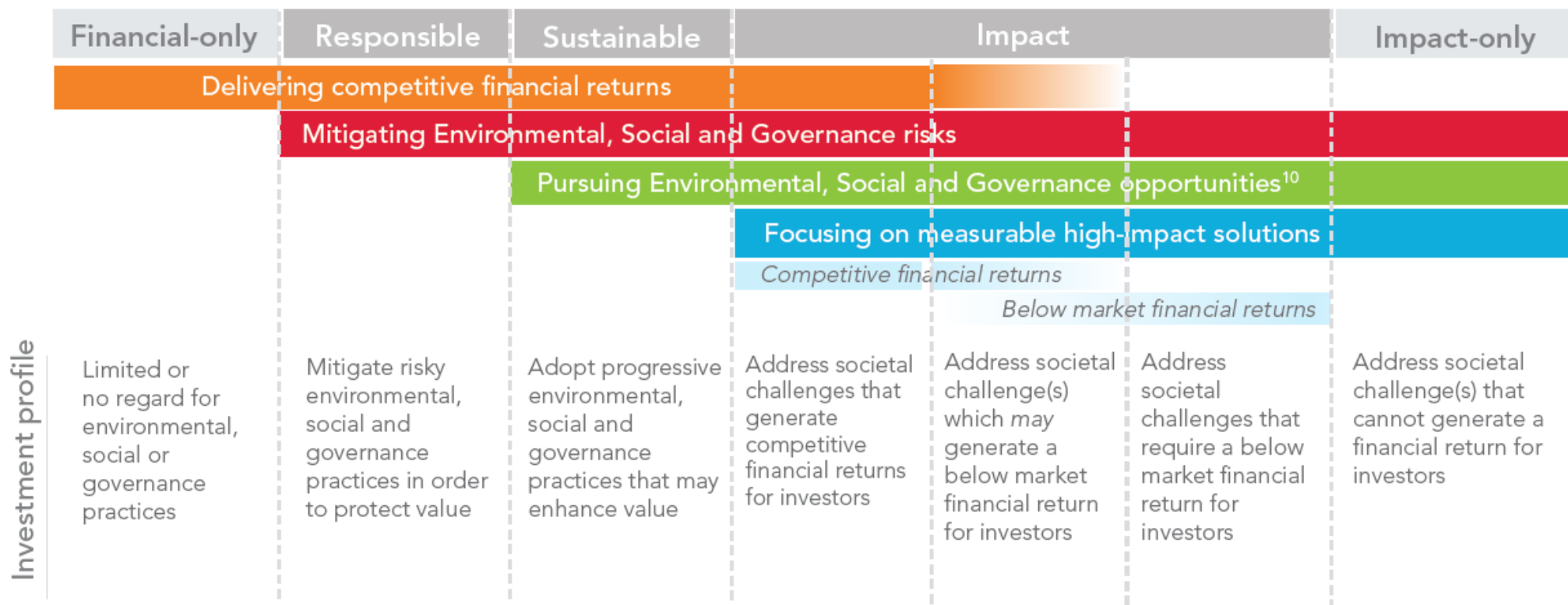


Social Impact Investments are those that intentionally target specific social objectives along with a financial return and measure the achievement of both.

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.

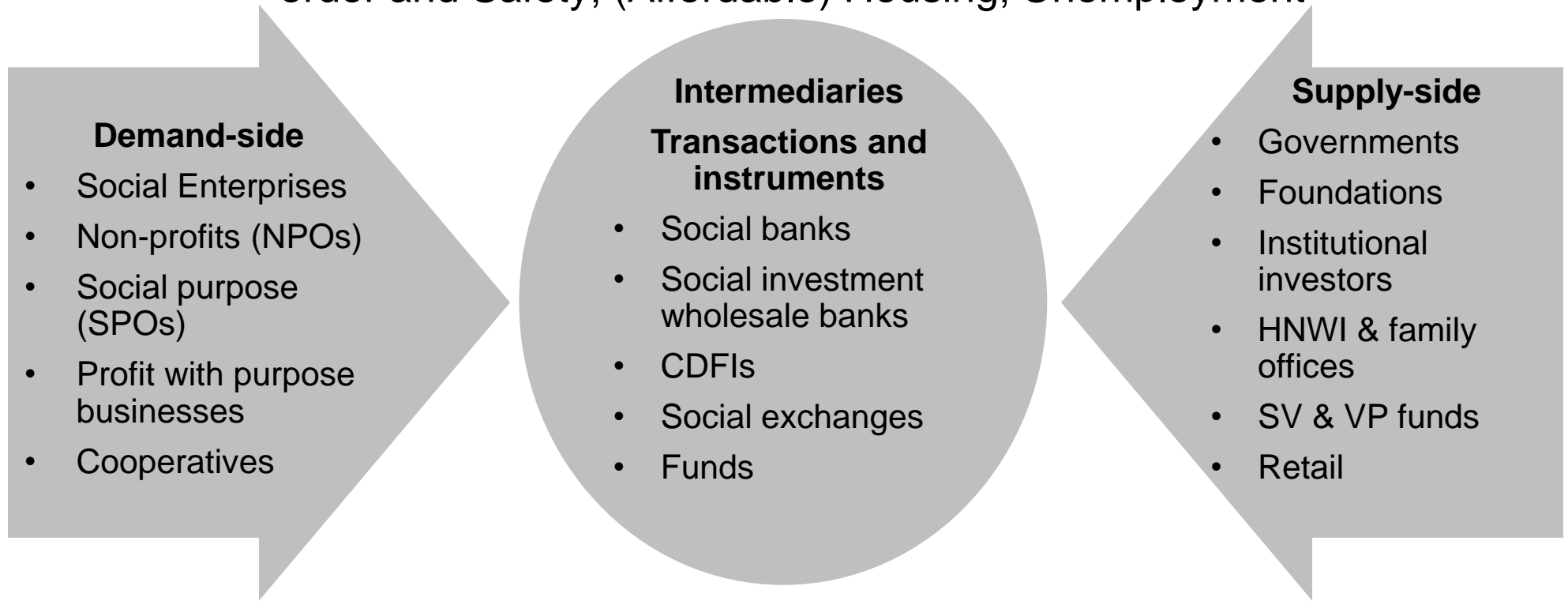
A Spectrum of Capital



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 Needs

Aging; Disability; Healthcare; Children and Families; Public order and Safety; (Affordable) Housing; Unemployment

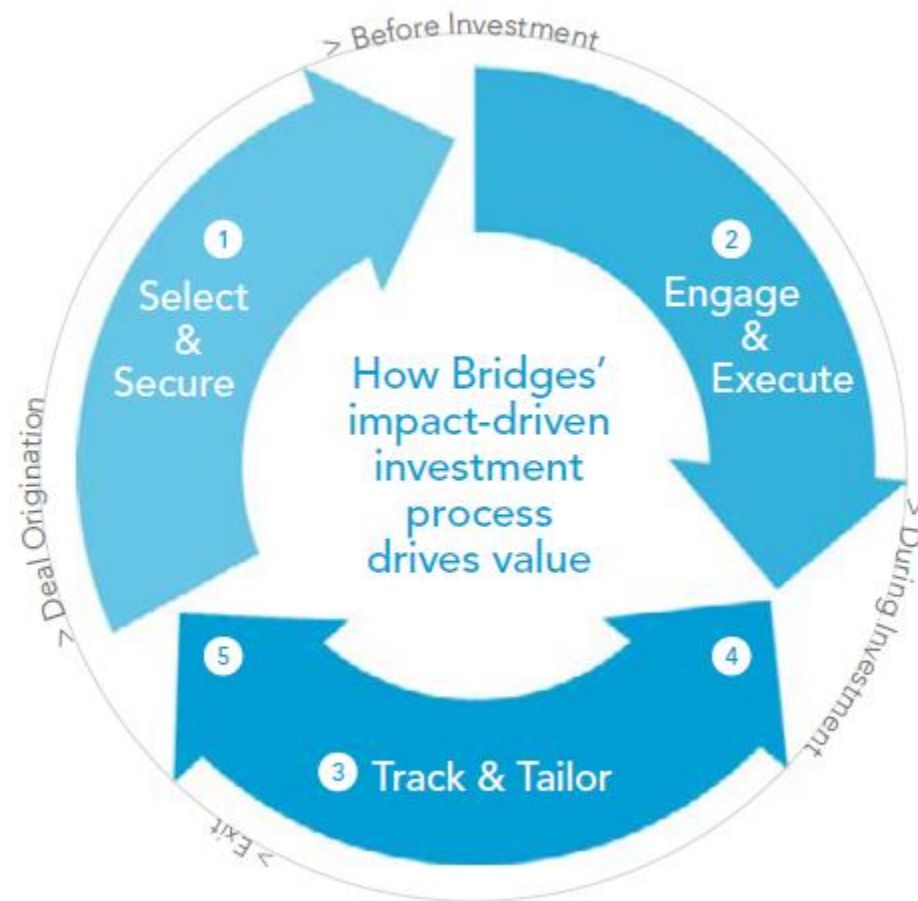


Enabling Environment

Social Systems; Tax laws; Regulatory environment; Financial market development

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.

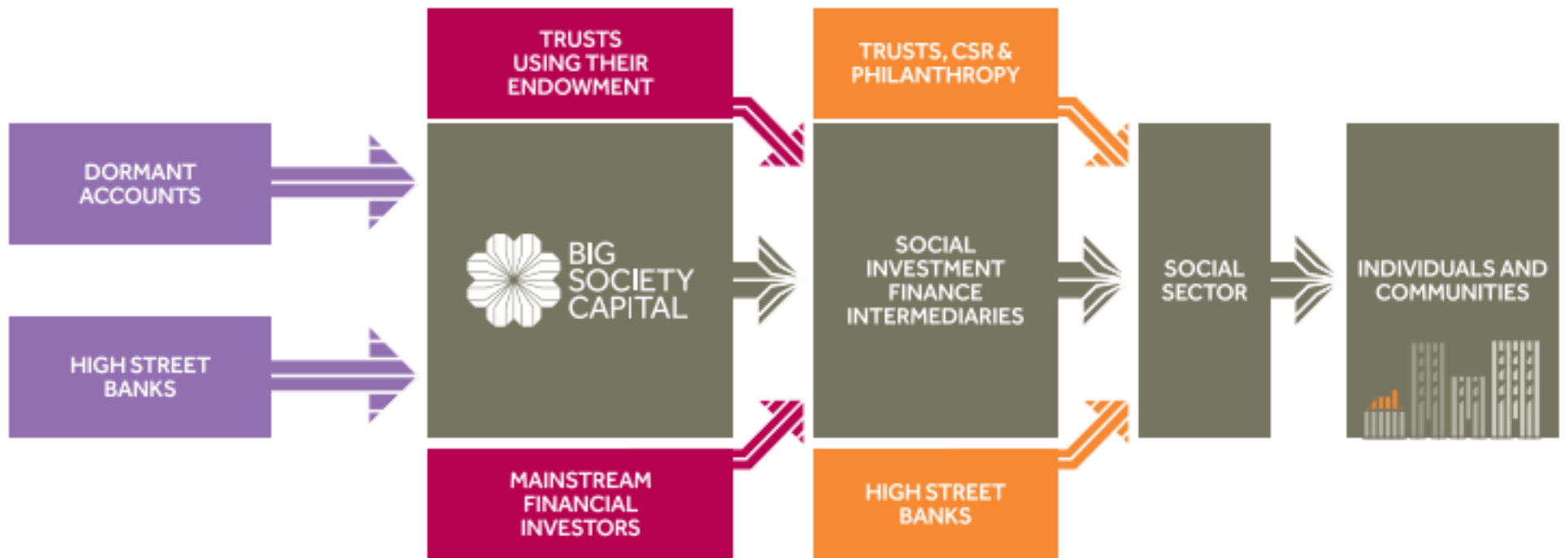


BSC is a financial organization with social purposes, established in 2012 as a result of legislation allowing the use of unclaimed assets. £400m of dormant bank accounts and additional £200m from the 4 big UK banks are now available for social impact investments.

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

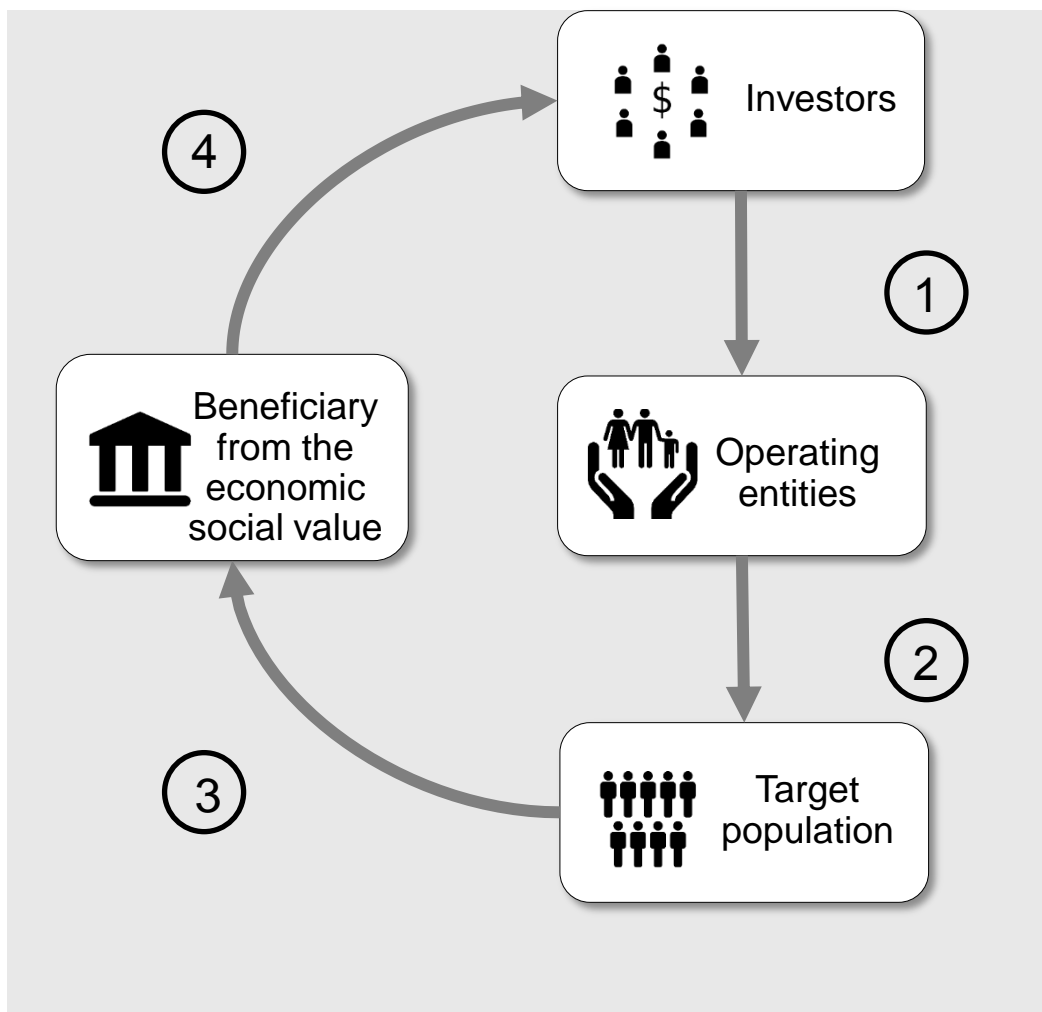


Big Society Capital: Flow of Capital



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**

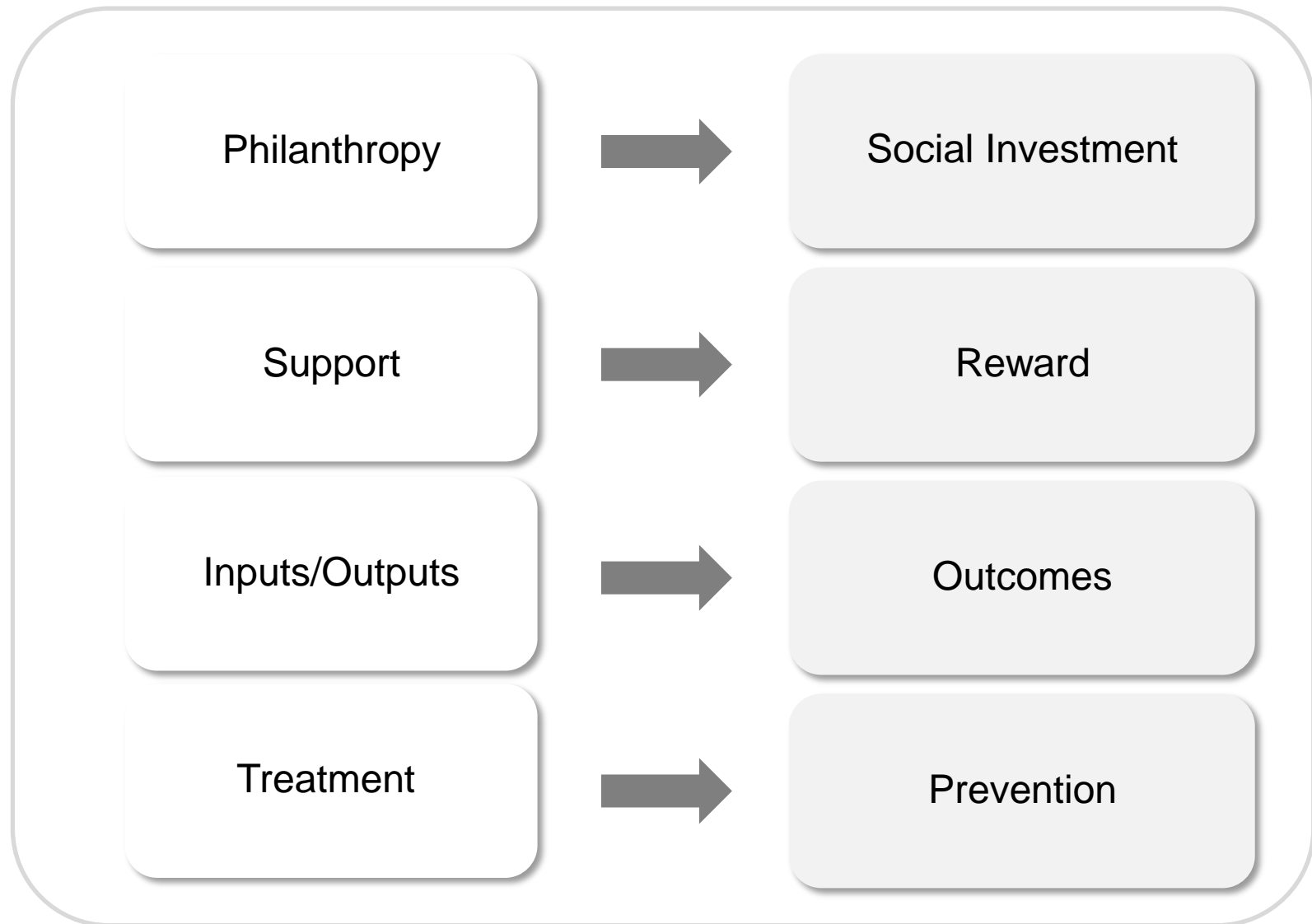


By focusing on outcomes, a social impact bond **realigns policy in favor of prevention**, rather than crisis management

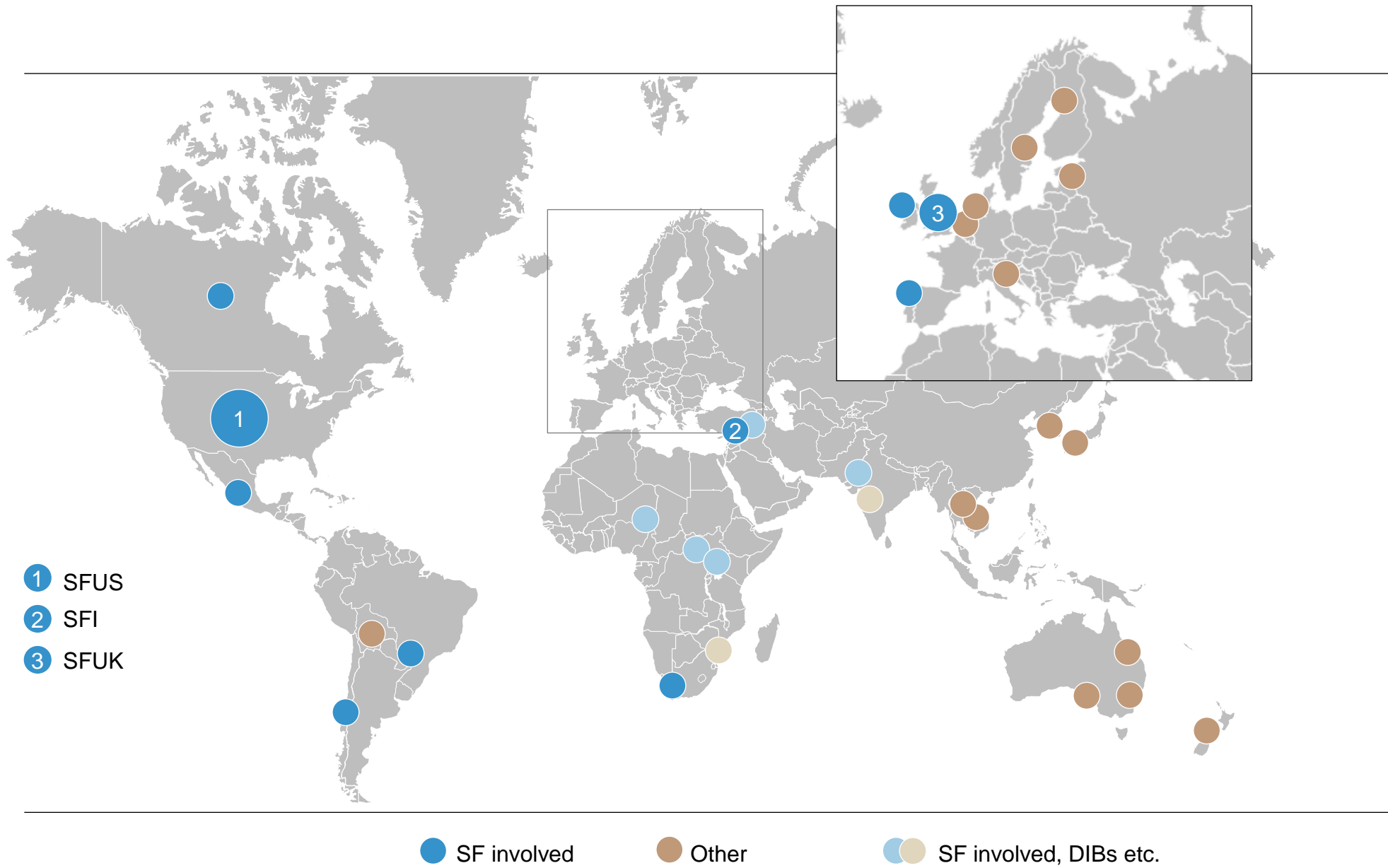
By commissioning results rather than programs, a social impact bond **unlocks innovation** in the treatment of social issues

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

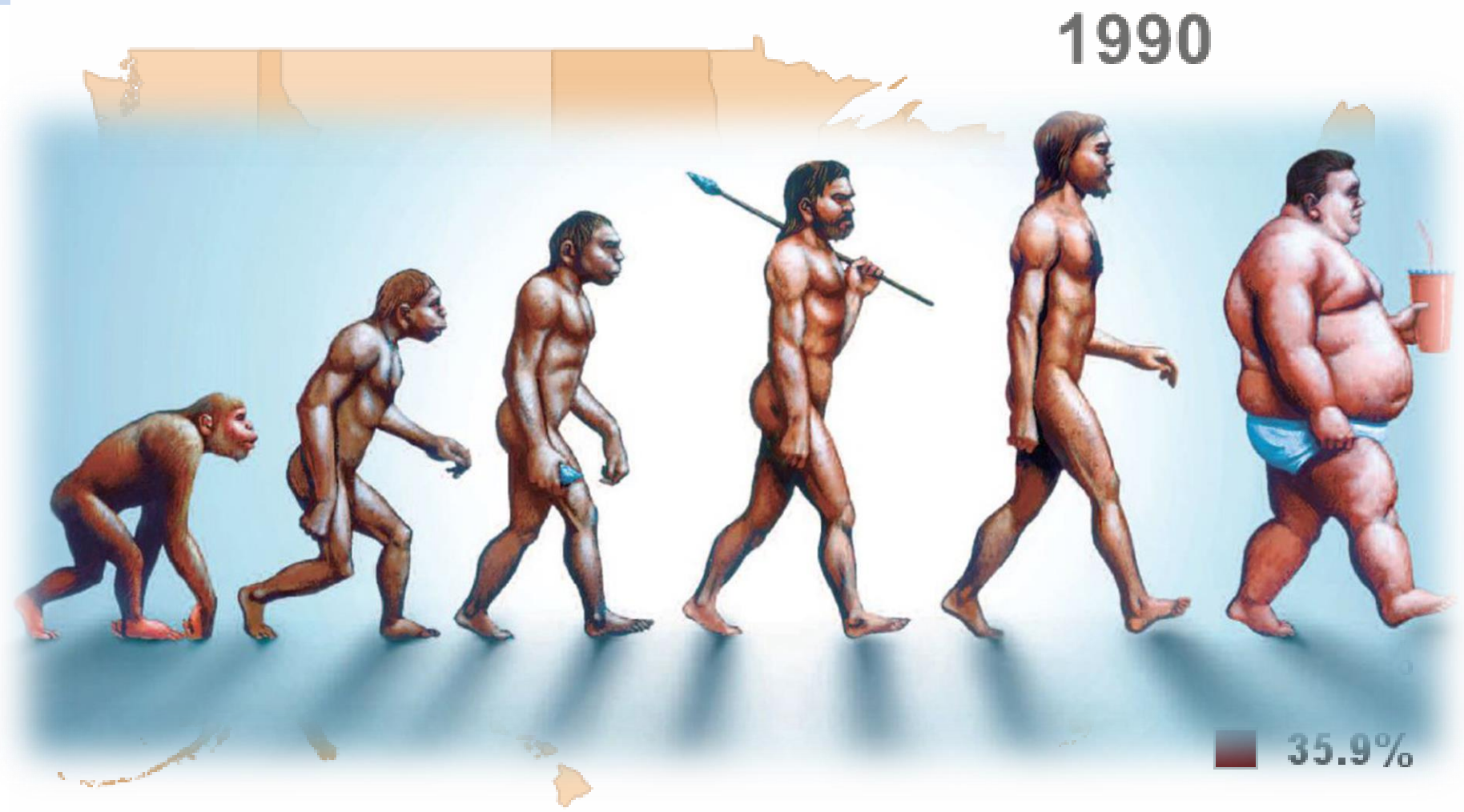


● SF involved ● Other ● SF involved, DIBs etc.

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



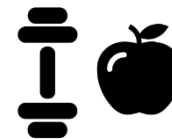
Motivation & Adherence

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

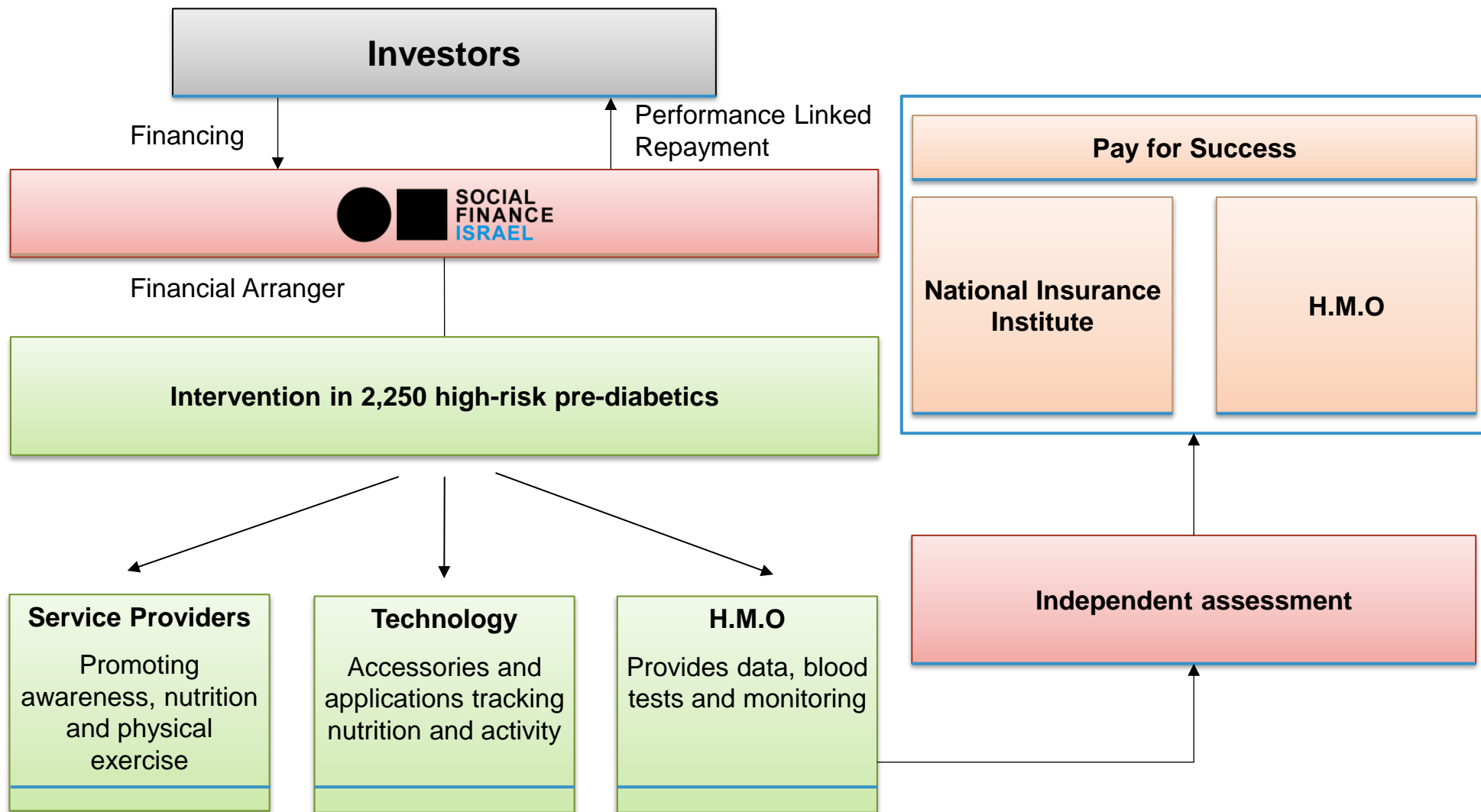


Fitness & Nutrition

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



Structure of the SIB to tackle type 2 Diabetes



Key Stake-holders

The social impact bond coordinates and bridges multiple stakeholders



המוסד לביטוח לאומי



STATE OF ISRAEL
MINISTRY OF FINANCE

CEO	Chairman	Director General	The Minister	Director General
CFO	CEO	Division for Service Development	Director General	Accountant general
<i>Chief Physician</i>	CFO	<i>Chief Medical Officer</i>	Health Division	Budget Department
<i>Health Policy Planning</i>	<i>Chief Physician</i>	<i>Research Department</i>	<i>Department of Public-Health</i>	Chief Legal Officer
<i>Division of community-medicine</i>	<i>Department of executive care</i>	Chief Legal Officer	Department of-Community Medicine	
Chief Legal Officer	Chief Legal Officer		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.**

