

Social Finance Israel (SFI) is a financial intermediary which aims to provide both social and financial goals to its investors. SFI will issue social-financial products, such as the Social Impact Bonds, in order to attract new capital to for the most effective not-for-profit organisations in Israel who tackle the country's most pressing social and economic issues, while allowing monetary returns to investors.

### Israel's Social Sector

Despite its overall economic success Israel now finds itself facing a number of social problems including growing inequality, poverty and unemployment in certain groups. The high unemployment rates within ultra-Orthodox and Arab-Israeli communities mean that over half live below the poverty line, including more than 800,000 children. This not only presents an urgent social issue, but their economic effect exacerbates socio-political tensions within everyday life.

These challenges are currently being met by Israel's 32,000 not-for-profits, which are largely funded by overseas philanthropy. However, in recent years, foreign private donations have fallen and many are facing severe long-term financial problems. While not-for-profits have increasingly looked to government as a source of future funding international experience has shown that new tools and financial mechanisms must be created to attract new capital to the social sector.

To this end, SFI will be created as a social finance company – a sister company to Social Finance UK and Social Finance US – which will issue innovative financial products, including the Social Impact Bond.

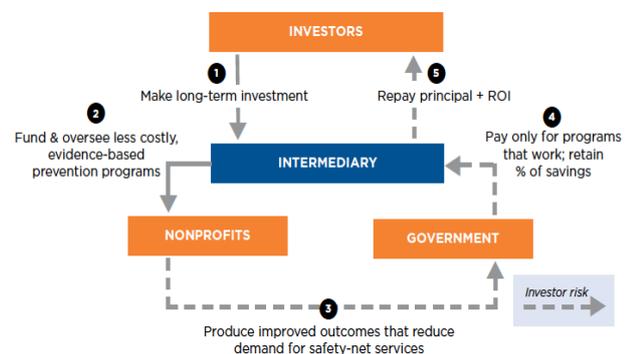


### The Social Impact Bond

The Social Impact Bond is a financial product which raises capital from private investors to fund not-for-profit organisations who aim to reduce the incidence of certain social issues such as unemployment, substance abuse, homelessness or educational underperformance. If the performance of the not-for-profit organisation is effective, a cost saving is enjoyed by the government. This saving is quantified and a proportion of it is returned to the investor, via SFI.

In this way, five direct benefits are created: the investor may earn an acceptable rate of capital return; the not-for-profit is financed using new, sustainable capital which enables it to up-scale successful social interventions; the government enjoys a cost-saving (with no upfront investment); financial risk is transferred to the private investor, and the "underlying" social-issue is ameliorated.

These bonds promise Israeli not-for-profits upfront capital for their operations while encouraging them to adopt a measurement system which accurately quantifies their social performance. This will, in turn, create innovation within the Israeli not-for-profit sector and, for the first time, allowing investors to accurately correlate their monetary return with the social performance of their investment.



### Social Impact Bonds In Israel

SFI will initially issue two Social Impact Bonds which focus on unemployment within the ultra-Orthodox (Haredi) and Arab-Israeli communities.

For example, ultra-Orthodox and Arab-Israelis who voluntarily choose to do so will be given vocational training and placed in a sustainable career programme. This process is funded by the bond, while the capital repayment and return on the bond is financed by the government's saving due to reduction in subsidies as well as increased tax revenue.

## **Social Finance Israel**

SFI aims to be Israel's leading social-financial intermediary, providing investors with both monetary and social returns through the products it offers. The long-term aim for SFI is to issue other Social Impact Bonds, addressing many social areas, as well as to assist in the creation of social investment funds of various kinds and a social investment bank, similar to Big Society Capital in the UK.

### *Investment and Social Sector Research*

SFI will conduct an in-depth due diligence process which is required in order to select the appropriate not-for-profit organisation(s) who can deliver the best social service within the Social Impact Bond. In addition to this, SFI will develop expertise regarding the social issues which the Social Impact Bond address.

### *Legal*

SFI will manage all legal, compliance and risk elements of the Social Impact Bond. This includes the establishment of all contracts signed between SFI and: the government of Israel; the bond holders; the not-for-profits organisations and independent external evaluators.

### *Operations*

SFI will continually work with the not-for-profit organisation to monitor their performance and progress. A timely report will be published, allowing bond holders to monitor the performance metrics of the service providers.

### *Quantitative Research*

SFI will perform quantitative modelling and construction of the Social Impact Bonds, identifying cash flows, coupon rates, yield-to-maturities and capital draw-downs. SFI's quantitative research will also provide in-depth data analytics of the service provision within each bond which SFI issues.

### *Investor Relations / Bond Issuance*

SFI will manage any issues pertaining to investors of the Social Impact Bond. SFI will conduct "road shows" for Social Impact Bond issuance, as well as the publication of prospectuses and financial reports.

### *Board and Team*

The board of SFI will consist of leading figures from the social and private sectors, and will oversee the company's efforts to establish a thriving social investment market in Israel. The growing internal team includes Yaron Neudorfer (CEO) and Dr. Ophir Samson (Senior Associate) whom have significant financial, social and analytical experience, and currently oversee the establishment of SFI.

## **Partners**

SFI will work with government ministries including The National Economic Council, Ministry of Social Welfare and the Ministry of Industry, Trade and Labour and The Prime Minister's Office. Social Finance UK and Social Finance US will provide knowledge sharing and consultation regarding the construction and implementation of Social Impact Bonds.

## **Contact:**

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