Social Finance Israel

A pioneering, nonprofit social innovation lab, Social Finance Israel works to generate measurable positive change in people’s lives.

We see a world in which public, private, and philanthropic resources are put to work to achieve positive impact and nonprofits are effective in carrying out their missions. To realize this vision, we develop and manage innovative social investment products – outcomes-based financing instruments – and provide impact measurement and advisory services to public entities, firms, and organizations looking to effectively address social, environmental, and economic challenges.

Over the last 18 months, our projects advanced social and economic outcomes in health, social welfare, education, and employment. Working under unprecedented circumstances, we adjusted our activities to respond to the challenges brought on by COVID-19.
Message From our Chair

I am very pleased to introduce Social Finance Israel’s Impact Report for January 2020 – June 2021, which covers an 18-month period in which our lives changed overnight. The challenges our societies have faced – and still face – demand powerful new solutions, some of which are being developed or implemented in Israel and appear in the following pages.

Outcomes-based financing instruments, such as Social Impact Bonds and Career Impact Bonds, are helping individuals, communities, and government to effectively address social challenges at a time when government resources are immensely constrained. If implemented at scale internationally, these novel tools will enable any country’s best NGOs and social entrepreneurs to raise more money, scale their operations and help more people. We are most grateful for the philanthropic support Social Finance Israel has received during this period, which has enabled us to research, develop, and implement these instruments to improve Israeli lives.

We are also witnessing the early successes that have come from the union of Social Finance Israel with Midot. Formalized on the eve of the pandemic, this timely merger has enabled us to broaden the advisory support we can provide to nonprofits, government, and investors alike, helping social sector organizations to deliver valuable impact at a time of great uncertainty and hardship. We are now a trusted partner and advisor for over 250 organizations, which we have helped to achieve their goals and maximize their impact.

I hope you will be inspired by the innovation and the progress described in this report. If you are, I urge you to join us in forging a brighter and more inclusive future for Israel.

Sir Ronald Cohen
Chair, Social Finance Israel
Dear friends,

We co-founded Social Finance Israel in 2013, long before the term ‘impact’ had entered the Israeli lexicon. Over the years, we have worked to introduce new innovations in the field of social change. Our outcomes-based instruments tie payment with results, while also allowing flexibility in the way services are delivered, ensuring beneficiaries experience a tangible change in their lives.

Today, eight years later, we are seeing the terms ‘impact investing,’ ‘pay for success,’ and ‘data-driven decision making’ become integral components of the practice of social and economic change in nearly every sector – public, private, and nonprofit. Page 9 showed the ripple effect we generate with every NIS of grant support. Our work changes the lives of thousands of families and organizations in Israel, many of who face challenges that require tailored interventions. Interestingly, many of these solutions can be further scaled to reach even more beneficiaries. By meeting beneficiaries’ needs more effectively, we also work to ensure public resources are spent wisely and sustainably.

The past 18 months have been challenging, especially to individuals and organizations working in the nonprofit sector; we’ve seen many of our friends and peers lose their jobs and face physical or mental health challenges. These are times when targeted, creative, and measurable social services are most needed.

As we continue to develop innovative instruments and provide advisory services, we identify a new shift among young people who are searching for new approaches to philanthropic giving - and to investing - that is more results-oriented, reported against clearly defined metrics, and which offer the possibility for a social return on investment. With our dedication to innovation, we look forward to engaging with the younger generation to create new programs and instruments that lead to a more prosperous and just society.

As in years prior, our work was made possible thanks to the creativity, dedication, and professionalism of the SFI-Midot team, our investors, Social and Career Impact Bond service providers and our many partners who joined us in promoting the impact economy in Israel. Most of all, we could have not achieved this year’s milestones without the generous support of our trusted donors and supporters, recognized on page 49. On a personal note, I’d like to thank our Board of Directors, chaired by Sir Ronald Cohen, for their ongoing guidance and support.

It is my pleasure to deliver this impact report, which presents our activities over the past 18 months. I invite you join us in our efforts to ensure our society continues to thrive in the years to come.

Yaron Neudorfer
Co-founder and CEO
Social Finance Israel-Midot
Tackling National Social Challenges
Impact to Date
Highlights
Outcomes-Based Financing Instruments
Advisory Practice
The Midot Seal of Effectiveness
Market Building & Education
Our Supporters
Endnotes
Tackling National Social Challenges

Over the last 18 months we worked to develop innovative financing instruments tackling a range of national challenges and priorities.

- Economic Mobility
- Early Childhood Development
- Workforce Development & Participation
- Preventative Healthcare
- 21st Century Skills
- Equality & Diversity
- Social welfare for underserved populations
- Occupational Safety
Partners and Clients

Working with a range of stakeholders from the public, private, and philanthropic sectors, our efforts have led to the adoption of new investment strategies among philanthropic donors and investors. Our analysis resulted in consequential public policy decisions premised on data that link future spending with social outcomes.

Here are two examples:

In April 2020, at the height of the COVID-19 outbreak, SFI’s Social Impact Bonds Team worked around the clock to produce an economic model for the Ministry of Finance’s Budget Committee to assess the economic impact of the lockdown brought on by the pandemic. Our analysis examined the effects of COVID-19 on 10 vulnerable groups, including the elderly, victims of domestic violence, single parents, at-risk youth, and more. Findings were presented to government representatives and informed discussions on how and when to ease COVID-19 restrictions.

In 2020 Keren Hayesod-UIA deployed the first investment of their inaugural impact fund. SFI’s Advisory Practice worked with Keren Hayesod to structure the fund, develop its impact strategy and KPIs. The investment was made to ITC, a nonprofit tech training academy, enabling 26 new immigrants (Olim) to enhance their coding skills. Among the program’s recent graduates, 73% have secured new jobs.
Impact to Date

Social Finance Israel is the only nonprofit social finance intermediary in Israel working to develop the pay for success and impact investment market.

Our 6 Social and Career Impact Bonds are on track to generate a 1.8 billion NIS contribution to GDP, representing an 85.5x multiple on the initial grant capital raised.
### SFI's Social Impact Bonds (SIBs) and Career Impact Bonds (CIBs) in Operation

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Capital raised</th>
<th>Start Date</th>
<th>Participants</th>
<th>Outcome payers</th>
<th>Service providers</th>
<th>Feasibility Study Supporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing College Drop-Out Rates (A) – Computer Science</td>
<td>8.1M NIS</td>
<td>10/2015</td>
<td>754 Computer Science Students</td>
<td>(~200 Elderly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atid Bari’ (Healthy Future) Delaying the Onset of Type – 2 Diabetes</td>
<td>19.4M NIS</td>
<td>3/2016</td>
<td>2,038 individuals at Risk of Diabetes</td>
<td>(~1,350 High-School Students</td>
<td>movement³</td>
<td></td>
</tr>
<tr>
<td>Momentum Enhancing Math Achievement among Bedouin Youth</td>
<td>14.8M NIS</td>
<td>1/2019</td>
<td>~1,350 High-School Students</td>
<td>180 Information Technology Students</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing Drop-Out Rates in Information Technology - B</td>
<td>2.4M NIS</td>
<td>3/2019</td>
<td></td>
<td>~200 Elderly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preventing Elderly Loneliness</td>
<td>2.3M NIS</td>
<td>2/2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heznek Hagalil Increasing the Representation of Druze in Tech</td>
<td>2.0M NIS</td>
<td>4/2021</td>
<td>60 Druze</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Total Estimated Value of our Impact Bonds
All values in the ripple are in millions (NIS).

- **6**: 5 Social Impact Bonds, 1 Career Impact Bond
- **4,560**: Impact Bond Participants
- **97.2**: Cashable Savings To Government
- **1,796.3**: Economic Value To Israel GDP
- **74.8**: Committed By Public Entities To Pay For Outcomes
- **49.0**: Committed By Impact Investors
- **21.0**: Grant Capital Raised From Charitable Foundations & Government to Develop Outcomes-based Financing Instruments

*See endnotes for an explanation of figures.
Highlights

JAN 2020 — JUNE 2021

21
New Outcomes-Based Financing Instruments In Development

26
Impact Advisory Projects

6
Economic Impact / SROI Projects

230
First-Time Retail Impact Investors

97
Nonprofits Awarded The Midot Seal Of Effectiveness

410
Participants in Trainings and Workshops about Impact Measurement, Impact Investing, and Outcomes Based Financing

997k NIS
Raised Through The First Social Impact Bond Crowdfunding Campaign
Highlights

Our 1st Career Impact Bond (CIB) is Underway

“Heznek Hagalil” will assist the first cohort of 60 young Druze professionals access professional training and quality jobs in tech.

SFI’s First Social Impact Bond (SIB) is Nearing Maturity

“Reducing College Drop Out Rates (A) - Computer Science,” our first SIB, is showing promising results for students, colleges, and investors alike.

First-Ever Crowdfunding Campaign For A SIB Raises 1M NIS

Following a successful capital raise that brought in 997,000 NIS from 230 first-time investors, we became the first organization in the world to raise investment for a SIB through crowdfunding. Our 5th SIB, “Preventing Elderly Loneliness” kicked off in February 2021.
Highlights

The SFI and Midot Merger
Social Finance Israel and Midot – two impact measurement leaders – joined forces in March 2020 to form a unified Impact Advisory Practice. The practice provides a one-stop-shop for all impact strategy and measurement services across a full range of social issues and tools.

National Project Measuring STEM Outcomes
Our nationwide STEM education measurement project is running in 64 schools, 7 municipalities, and impacting 1,894 teachers and over 16,500 students. A recent case study from Beit She’an shows how local municipalities are taking ownership for educational outcomes with the help of SFI.
Outcomes-Based Financing Instruments
An outcomes-based investment instrument is an innovative financing mechanism that shifts financial risk from a traditional funder — usually the government — to a new investor. The investor provides up-front capital to scale an evidence-based social program to improve outcomes for vulnerable populations. If an independent evaluation shows that the program achieved agreed-upon outcomes, the investment is repaid by the traditional funder, known as the outcome payer. If not, the investor takes the loss.*

Outcomes-based financing instruments offer the following benefits:

✓ Defines clear outcomes linked to public policy goals
✓ Enables data driven decision making
✓ Drives outcomes-based payments linking cost savings or contributions directly to the achievement of social outcomes
✓ Aligns interests among all stakeholders – government, investors, NGOs and beneficiaries – paving the way toward long term improvements

* Definition: The Urban Institute
Testimonials

Behind all the data and figures, it is the lives we touch that make all the difference. We are proud to develop, lead, and partner on innovative programs that empower people to improve their lives. We are also proud to work with nonprofit organizations, helping them become more effective in carrying out their mission. Here are some of their words:

“
The first year of the degree was so challenging - I didn’t think I would make it to graduation! But as soon as I joined the program my motivation skyrocketed. I owe my success to you.

Farah*
SIB Participant, Reducing Dropout Rates in Higher Education

“I have struggled with cravings all my life. Thanks to SFI’s professional support, I was able to break years of habit. I shed 33 kgs this year!”

Peretz Harah
SIB Participant, Preventing the Onset of Type-2 Diabetes

“Our work with SFI has led to significant improvements in the quality of services we provide our beneficiaries.”

Smadar Berman Aaron Aluma
SIB Service Provider, Reducing Dropout Rates in Higher Education

* Name changed to protect participant’s identity
We must build a future in which we can live together peacefully. Momentum builds a path toward unity.

Waseem Alkrenawi
Momentum
SIB Service Provider,
Enhancing Math Achievement among Bedouin Youth

She’s lonely, physically disabled, and in spite of it all, she wages a stubborn war against her loneliness. She describes excitedly how her daily exercise saves her, improves her physical wellbeing, affords her greater physical freedom, and allows her to leave the house with less fear. She described the interesting conversations she had with the volunteer and is grateful.

Maya*
Social worker,
Preventing Elderly Loneliness SIB

* Name changed to protect participant’s identity
Through an IMP Analysis we demonstrate the current and expected social and economic impact of our projects in operation.

The Impact Management Project (IMP) is a forum of over 2,000 practitioners encouraging global consensus around how we talk about, measure, and manage social and environmental impact. Frameworks produced by the IMP are considered the gold standard for classifying and expressing impact.

In 2020 Social Finance Israel became a strategic partner of the IMP. We integrate IMP analysis in our internal processes and apply them in our external engagements with advisory clients and partners.

- Reducing College Drop-Out Rates (A) – Computer Science
- Reducing Drop-Out Rates (B) – Information Technology
- *Atid Bari’ (Healthy Future)*
  - Delaying the Onset of Type – 2 Diabetes
- Momentum
  - Enhancing Math Achievement among Bedouin Youth
- Preventing Elderly Loneliness
- *Heznek Hagalil CIB*
  - Increasing the Representation of Druze in Tech
- Independent Travel for People with Disabilities SIB
Reducing College Drop-Out Rates SIB

The Israeli government reimburses public universities for every student who successfully completes their course of study and goes on to graduate. Unfortunately, an estimated 40% of students in certain majors leave school without ever completing their degree. Universities lose out on millions in revenue, while students forfeit valuable opportunities to boost their future earnings through professional development, peer networking, and technical training.

The SIB is premised on helping students complete their degrees and move on to meaningful employment, while also increasing reimbursements to the university.

Intervention Plan
SFI and partners coordinate academic tutoring, economic, and motivational support to help at-risk students complete their degrees.

2020-2021 Spotlight
In the face of challenges brought on by COVID-19, SFI provided additional support to students and launched an online community. Students are already benefitting from the additional peer, study, and career support.
Reducing College Drop-Out Rates (A) – Computer Science

What
Increased retention among undergraduate students

Who
Students at Haifa University and the Tel Aviv-Jaffa Academic College completing their undergraduate degrees in computer science

How much
754
Undergraduate students

Contribution
5,260,000
Estimated lifetime contribution to GDP per participant (NIS) assuming high tech employment

42%
Minority students

30%
Increase in retention rates (against the benchmark)

40%
Female students

60%
Male students

By improving study and work habits, the intervention program has the potential to benefit students in their professional roles, long after graduation.
Reducing College Drop-Out Rates (B) – Information Technology

What
Increased retention among undergraduate students

Who
Students at Haifa University completing their undergraduate degrees in Information Technology

40% Female students
60% Male students

How much
180 Undergraduate students
30% Increase in retention rates (against the benchmark)

Contribution
4,734,000 Estimated lifetime contribution to GDP per participant (NIS) assuming high tech employment

SDT 4.4. - By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
Type-2 Diabetes is a chronic disease and brings with it the potential for a host of long-term medical issues, including weight gain, loss of sight, disabilities, and even the threat of amputation. SFI estimates these ailments cost the health and welfare systems an average of 17,777 NIS per patient annually. With 669,000 individuals currently at high risk for developing Type-2 diabetes, if scaled, this innovative SIB championing preventative healthcare has the potential to result in significant cashable savings to the system, while helping thousands of individuals regain control over their long-term health and wellbeing.

Intervention Plan

Numerous studies show that Type-2 Diabetes can be avoided through regular physical activity and a healthy diet. Together with program partners, SFI oversees the provision of nutritional support, exercise activities, other behavioral modifications designed to help individuals maintain healthy lifestyles and prevent the onset of Type-2 Diabetes.

2020-2021 Spotlight

In the face of challenges brought on by COVID-19, SFI organized online exercise classes and communal activities, helping to foster a strong network of peer support for SIB participants.

Peretz Harach from Jerusalem, participant in the 'Healthy Future Program', lost 33 Kilos and is much healthier.
Atid Bari’ (Healthy Future) —
Delaying the Onset of Type – 2 Diabetes SIB

What
Reduce the number of Pre-diabetics who go on to develop Type-2 Diabetes

Who
669,000 Israelis are at high risk for Type-2 diabetes. The SIB is design to reach individuals most at risk.

- 31% Female participants
- 69% Male participants
- 15.5% Arab-Israeli and Jewish-Ethiopian participants

How much
2,038 Pre-diabetics participating in the SIB

Contribution
177,771 Estimated total direct value to the system per participant (NIS)

SDT 3.4 - Reduce premature mortality from non-communicable diseases by one-third through prevention and treatment and promote mental health and well-being.

SDT 3.d - Strengthen the capacity of all countries, particularly developing countries, for early warning, risk reduction, and management of national and global health risks.
Momentum — Enhancing Math Achievement among Bedouin Youth SIB

The Bedouin city of Rahat, located in the south of Israel near Beer Sheva, is one of the most deprived cities in Israel. Educational outcomes among the city’s youth fall significantly below the national average. Whereas 35% of the general population matriculate with 4- and 5-point math, only about 15% of students in Rahat matriculate with these top scores. SFI’s 4th SIB is designed to close these gaps, ensuring greater equality and social mobility for beneficiaries and the broader community.

Intervention Plan
Premised on continuous performance management and feedback, the intervention plan includes skills training for teachers, activities to strengthen communication and coordination between schools and community leaders, activities designed to boost motivation and feelings of self-efficacy, and tutoring.

2020-2021 Spotlight
In the face of challenges brought on by COVID-19, SFI furnished members of the community with laptops so that students could keep up with studies remotely. We also organized mathematics quizzes and online activities to keep students motivated and engaged in their studies.
Momentum — Enhancing Math Achievement among Bedouin Youth SIB

What
Increasing educational attainment among vulnerable and disadvantaged populations

SDT 4.1 - Ensure that all girls and boys complete free, equitable, and quality primary and secondary education leading to relevant and effective learning outcomes.

SDT 10.2 - Empower and promote the social, economic, and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Who
It is estimated that if given the right support, 500-600 Bedouin students per year would be eligible for 4 and 5-point math.

Students at all 7 high schools in Rahat.

72%
Female students

28%
Male students

How much
1,331
High school students

Depth of change only available in year 5.5.

By changing study and work habits, the intervention will have a long-term effects, impacting students’ academic and professional careers for years to come.

Contribution
1,917,432
Expected lifetime contribution to GDP per participant (NIS).

Students who finish high school with 4 or 5-point math are more likely to pursue quality employment and earn above the national average.

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Preventing Elderly Loneliness SIB

One third of all senior citizens in Israel, about 365,000 people, struggle with pronounced loneliness. According to research, elderly loneliness doubles the likelihood of developing dementia and increases the likelihood of depression by a factor of six. It results in increased doctors’ visits and triples the likelihood of requiring ongoing hospitalization and nursing care. Loneliness also imposes a hefty economic toll. Through this SIB, we seek to contribute to the wellbeing of older adults while rechannelling public spending to where it is needed most.

Intervention Plan

SFI oversees the provision of training and support to case workers who provide cognitive behavioral therapy to residents, organize meetings with volunteers, and facilitate exercise through digital apps and online programs. The SIB also works to encourage stronger community engagement and links to community-based services and activities.

2020-2021 Spotlight

Lockdowns and social distancing raised awareness of problem of loneliness in our cities and neighborhoods. Kicking off in early Spring 2021, the project provided timely support and attention to dozens of vulnerable adults.

Photos taken by a participant in the program as part of the PHOTOVOICE by PHOTO ISRAEL where the participants learn how to express themselves using their phone camera
## Preventing Elderly Loneliness SIB

### What
Reduced Loneliness among the elderly

### Who
**In Israel, 365,000 individuals over the age of 65 are believed to experience pronounced loneliness.**

**SIB: Residents of Tel Aviv-Jaffa, age 65+ who have been identified by the municipality as at-risk.**

- **80%** Female participants
- **20%** Male participants
- **80** Average age of participant

### How much
**~200** Vulnerable and elderly residents

Depth of change results expected in 2022

Improvements in health and wellbeing are expected to last through to the end of life

### Contribution
**48,342** Estimated total direct value to the system per participant (NIS)

SDT 3.4 - Reduce premature mortality from non-communicable diseases by one-third through prevention and treatment and promote mental health and well-being.

SDT 10.2 - Empower and promote the social, economic, and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
Preventing Elderly Loneliness SIB

The World’s 1st SIB Crowdfunding Campaign – Oversubscribed!

SFI’s Preventing Loneliness SIB includes a unique feature – for the first time ever, a significant portion of the committed capital was raised via crowdfunding. Coinciding with market-wide efforts to democratize the field of impact investing, this marks the first time a SIB was open to retail investors.

After launching the campaign in early January, we met our target in just under four weeks, raising 997,000 NIS from 230 first-time impact investors. Besides growing the Israeli impact market almost overnight, the campaign resulted in a successful proof of concept demonstrating a strong interest in impact investing among retail investors, even in a market like Israel where impact investing is still in its nascency.

The 2.3 million NIS social impact bond to reduce elderly loneliness is already in its first months of implementation. We are proud to be carrying out the intervention with the generous backing of a growing community of supporters.
Preventing Elderly Loneliness SIB

Spotlight

The campaign garnered international media attention in the US, UK, and Australia.

For the first time in the world: an impact investment that is open to everyone

The option for impact investment is no longer the domain of only large investors. SFI, in partnership with Fundit and the Tel Aviv Foundation, has launched an impact investment in the pay-for-success [Social Impact Bond] model aimed at reducing the loneliness of the elderly.

F

or the first time globally, SFI has launched a social impact bond [SIB] open to crowdfunding through the Fundit platform, in collaboration with the Tel Aviv Foundation. The goal of “New Era” is to reduce elder loneliness in the city of Tel Aviv. The SIB is expected to affect the lives of 200 elderly residents of Tel Aviv over 2.5 years, with a total investment size of 2.5 million NIS, of which 1.6 million NIS was raised before.

Israel: First crowdfunded social impact bond to tackle loneliness among the elderly

Social Finance Israel is launching a new social impact bond aimed at tackling loneliness among old people, which will be partly crowdfunded via the Fundit platform.

The investment runs for 2.5 years and has a total size of NIS 2.5m ($350,000), 65% of which was provided by anchor investors prior to crowdfunding. The campaign has attracted 220 investors on the platform so far.

The money raised will be used to improve the lives of 200 elderly residents of Tel Aviv Yafo by providing them with tools to reconnect with the community, including visits by social workers and volunteers, neighborhood activities and use of digital communications.

Social Finance Israel seeks to pair financial gains with social benefits

SFI just launched its 5th Social Impact Bond, aimed at reducing loneliness among 200 elderly residents of Tel Aviv-Jaffa.

As a high-tech powerhouse, the Startup Nation has succeeded for years in garnering investments from locals and entrepreneurs abroad, often providing impressive returns. But what if financial gains could be paired with social gains? If you could make money and a positive social impact? Social Finance used SIBs to prove just that, and now, on the first social impact bond of its kind worldwide, the non-profit is using crowdfunding to make capital, democratizing access to this unique investment opportunity.
Heznek Hagalil — Increasing the Representation of Druze in Tech CIB

A career impact bond (CIB) is a financing model designed help students and professionals from vulnerable groups retrain and acquire the sought-after skills needed to fill high-demand professions.

Launched in April 2021, Heznek Hagalil is SFI's first CIB and the only instrument of its kind in Israel. It aims to increase the number of young men and women from the Israeli Druze minority access software development jobs. Capital was raised from impact investors to cover the cost of tuition and a small living stipend. Recipients are expected to pay back the upfront capital provided they meet certain earning thresholds within a set period of time after completing their training.

The CIB is running in partnership with Appleseeds Academy, the Koret Economic Development Funds, multinational tech firm Nvidia, and the Israel Innovation Authority.

SFI is continuing to explore professionals with a high demand for skilled labor, as well as populations that would benefit from access to this financial instrument.

Intervention Plan
Training and job placement support helping Druze secure jobs that pay at least 12,000 NIS per month and set to increase incrementally.

2020-2021 Spotlight
COVID-19 increased the demand for skilled tech labor. This innovative instrument is positioned to accelerate the nation’s economic recovery, while also ensuring greater diversity and inclusion.
Increased access to quality employment among vulnerable and disadvantaged populations; increased workforce productivity among Druze citizens, an Arabic-speaking ethnic minority representing approximately 1.6% of the Israeli population.

SDT 8.2 - Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value-added and labor-intensive sectors.

What

Who

Druze citizens

20% Female students (Expected)

80% Male students (Expected)

How much

60 Young Druze Professionals

Contribution

3,900,000 Estimated lifetime contribution to GDP per participant (NIS)

The project will pilot an innovative funding instrument new to the Israeli context. The instrument is funded through a blended finance model, 50% from a coalition of Israeli impact investors and 50% from a government grant for innovation in tech workforce development.

Heznek Hagalil — Increasing the Representation of Druze in Tech CIB
## Cost savings and revenue generation for public entities

SFI engages in ideation, R&D, and performance management of new investment instruments and interventions that link financial returns to social outcomes.

### Table

<table>
<thead>
<tr>
<th>SIB</th>
<th>Participant</th>
<th>Direct Economic Value (NIS)</th>
<th>Estimated Total Direct and/or Indirect Lifetime Value to System or Value to GDP for One Participant (NIS)</th>
<th>Total Addressable Market in Israel (Indicates the Scale of Future Impact)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Computer science graduate</td>
<td>132,674</td>
<td>5,260,000</td>
<td>18,480 Students studying Computer Science at risk of dropping out (per 4-year class cycle)</td>
</tr>
<tr>
<td>2</td>
<td>High risk prediabetic</td>
<td>17,777</td>
<td>177,771</td>
<td>669,000 High-risk Prediabetes</td>
</tr>
<tr>
<td>3</td>
<td>High-school students in cities with low math matriculation outcomes</td>
<td>n/a</td>
<td>1,917,432</td>
<td>46,245 high-school students nationwide</td>
</tr>
<tr>
<td>4</td>
<td>Information Systems Students</td>
<td>132,674</td>
<td>4,734,000</td>
<td>18,400 potential dropout students studying Information Systems (per 4-year class cycle)</td>
</tr>
<tr>
<td>5</td>
<td>Lonely Elderly</td>
<td>48,342</td>
<td>48,342</td>
<td>364,625 Elderly at risk of loneliness</td>
</tr>
<tr>
<td>6</td>
<td>Druze Young Professional</td>
<td>n/a</td>
<td>3,900,000</td>
<td>1,921 Druze young professionals (Likely to benefit tens of thousands of young professionals from all demographic groups)</td>
</tr>
</tbody>
</table>

See endnotes for an explanation of figures.
SFI’s R&D team is developing a rich pipeline of new projects. SIBs and CIBs currently in the pre-launch phase tackle challenges affecting the most vulnerable and disadvantaged groups in Israeli society. New projects typically arise through one of two routes – either via public entities seeking innovative or effective solutions, or via philanthropic foundations who are eager to explore pay for success approaches.

**SIBs & CIBs in Development**

JAN 2020 — JUNE 2021

- **12** SIBs in Pre-Launch
- **9** Pre-SIB Feasibility Studies
- **79** Potential outcome Funders*

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**Transgender sex workers**

**Single Mothers**

**People with Mental Illnesses**

**Young female professionals**

**People with disabilities**

**Arab citizens**

**Bedouin youth**

**Haredi young professionals**

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*# of government units with whom we are in talks to develop new SIBs*
Intervention Plan

Individuals with disabilities will receive theoretical and practical training in group sessions and one on one with a trained guide to develop independent travel skills.

The SIB, part of a wider campaign to increase the independence of people with disabilities in public transportation, was initiated by Israel Unlimited. Israel Unlimited funded the project’s feasibility study and have been close partners throughout the development process.

The Ministries of Education and Welfare currently subsidize special transportation for people with disabilities. However, with the right training and preparedness many people with disabilities should be able to take public transportation. Traveling by public transport would strengthen their independence, facilitate better integration, increase access to employment, all while increasing revenues to the relevant government ministries and municipalities.

"Independent travel for people with disabilities ought to happen in a just society - let alone in a country with advanced accessibility laws. We have great partners in the government who support the cause and the suggested program, and I trust that by the next year we will launch the SIB."

Yakir Pnini-Mandal
Head of Social Services, JDC
Independent Travel for People with Disabilities SIB

What
Foster greater autonomy and independence among people with disabilities enabling improved integration and greater access to employment opportunities.

SDT 10.2 - Empower and promote the social, economic, and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Who
It is estimated that at least 15,000 individuals with disabilities could take public transportation if given the proper training. These individuals currently use special transportation services to travel to school or places of employment.

The SIB will target people over the age of 14 with cognitive disabilities.

How much
500 - 2000 Individuals
Expected to benefit from increased independence by accessing public transportation (precise metrics TBC).

Contribution
~15,000 - 35,000
Current annual cost to the system of one individual (NIS)

Independent travel skills will accelerate and broaden social integration and will lay an important cornerstone in the struggle for equal opportunity. People with disabilities will have greater access to services and workforce opportunities. Furthermore, the SIB will rechannel funds normally spent on special transportation to other pressing needs and services for people with disabilities.
Advisory Practice
Through an unprecedented merger in 2020, the Israeli nonprofit Midot became a subsidiary SFI uniting two of the country's leading social impact intermediary and advisory organizations.

As a joint entity, SFI-Midot offers a full range of social impact measurement and impact finance solutions under one roof, providing bespoke consulting support to public entities, philanthropic donors, and investors.

Our combined resources and expertise have led to a growth in our service offerings, resulting in new engagement and focus areas. Over the last 18 months we led the following projects and engagements:

**Advisory Projects**

- 26

**Economic Impact / SROI Projects**

- 6

**Participants in Impact Measurement Workshops**

- 410
Advisory Practice  JAN 2020 — JUNE 2021

To foster future social impact, organizations first need to be able to accurately measure and evaluate their work.

At a time when communities were facing pronounced need and resources were constrained, SFI’s advisory team helped charitable foundations, nonprofits, and start-ups measure and report their impact, enhancing their ability to demonstrate their unique and timely efforts.

The pandemic also prompted investors to seek our guidance on how to manage environmental, social, and governance (ESG) activities in line with industry best practices.

In the last 18 months our Advisory Practice led the following projects:

- Literature Review
- Needs Assessments
- Strategic & Impact Evaluations
- Impact Assessment Tools
- Performance Management
- Evidence Based Measurement Tools
- Impact investment Strategy
- Defining Impact Metrics
- Measuring Impact in Line with Best in Class Industry Frameworks
Structuring a Real Estate Impact Fund

“After receiving a grant of 24M NIS from the Government to build 550 new housing units, we sought to develop a blended finance vehicle that would include public, philanthropic and impact investment capital.

SFI’s Advisory Practice exposed us to innovative impact investment models and worked with us to structure the fund’s unique financial model. SFI brought creative thinking, strong economic expertise and a wide network of connections resulting in a productive collaboration.

Thanks to SFI’s support, we are well on our way to developing our first housing project in Lod.

Avital Blonder
Founder and CEO, Jindas

ESG Integration

As a new PRI signatory, New Era Capital Partners is proud to be the first VC fund in Israel working to be ESG compliant. This means that we closely examine the environmental, social, and governance risks and opportunities of each one of our holdings. SFI’s Advisory Practice provides us with expertise, guidance, and insight as we boost our capacities in this domain. We are looking forward to our continued collaboration.

Ran Simha
Managing Partner, New Era Capital Partners
Advisory Practice Examples  JAN 2020 — JUNE 2021

Strategic & Impact Evaluations
We carried out a strategic planning process initiated by the Ministry of Construction and Housing looking at Shikum Shchunot, a national program established to promote the rehabilitation of distressed neighbourhoods. The program is led by the Ministries of Construction and Housing, Welfare, Health and Education.

Our analysis and recommendations will be used by the Ministry’s project team to inform the program’s ten-year action plan and strategy, define the neighborhood inclusion criteria, and help in building partnerships with national actors.

Impact Assessment Tools
In partnership with the National Authority for Volunteering, we developed an online tool that measures the impact of volunteering. The tool is already helping organizations strengthen their volunteer management and optimize the impact generated by volunteers.

With the onset of the Pandemic, we worked with the organization to release a special edition designed to help organizations evaluate the impact of volunteering during the crisis.
Reducing gaps in science, technology, engineering, and math (STEM) outcomes and improving the acquisition of knowledge, skills, and positive attitudes towards STEM learning – an impact and performance management project focused on improving outcomes in real time.

Designed to advance the efforts of the Jewish Federations of Cleveland that is championing STEM learning in Israel, we created a comprehensive national STEM index. The Index makes it possible to measure and evaluate the quality of STEM studies in all localities across the country based on objective data.

The Index compiles student data gathered from elementary through to higher education into a single weighted index gauging STEM outcomes.

With the launch of the STEM Index, SFI also developed dozens of assessment tools based on research and scientific articles from around the world.

Through the project, SFI successfully turned academic research into practice by introducing new measurement tools to teachers and educators for use in the classroom. These tools have enabled the program to assess skills and attitudes in real time to increase motivation and positive outcomes in STEM subjects.

Our efforts are specifically focused on eliminating outcome gaps between towns in the center and those in the geographic and socio-economic periphery.

**2020-2021 Focus:** Based on the continuous measurement of STEM activities Beit Shaan and Hura, we were able to diversify learning activities, identify areas where increased parent engagement could improve learning outcomes, and reduce gaps between schools in the same town. We are continuing to identify and integrate best practices according to results gathered from continuous measurement.
The Midot Seal of Effectiveness
The Midot Seal of Effectiveness

The Midot Seal of Effectiveness assesses charity effectiveness by analyzing likelihood that a nonprofit will succeed at creating social value and generating positive change in the lives of its beneficiaries.

Over the last 18 months, we saw a considerable increase in the number of nonprofit organizations interested in strengthening their management processes and capabilities, leading to the highest period of activity seen to date.

97
New seals awarded

29%
Increase in Number of Assessments

211
Israeli nonprofits currently hold the Midot Seal

5.3BN NIS
Philanthropic and government resources managed more effectively
The Midot Seal of Effectiveness Examples

In April 2021 Midot launched a special campaign to strengthen management capacities among organizations working with and on behalf of Israel’s LGBTQ community.

Initiated by The Association for LGBTQ Equality in Israel, an umbrella organization, and with support from the Jewish Federation of Greater Washington and JDC Israel – ELKA, Midot launched a special analysis series dedicated to assessing the effectiveness of LGBTQ organizations. Twelve nonprofits participated, including 3 who had already undergone Midot assessments in the past. At the end of the process, 8 nonprofits were granted a Midot Seal of Effectiveness.

The LGBTQ Task Force is the first time a collective of organizations pursued the Midot Seal as a group. The initiative demonstrates their commitment to continuous improvement and to working effectively to achieve a shared mission.

Over the last 18 months, we saw increased use of the Seal by corporates who launched emergency funding programs for nonprofits.

Igul Letova (Round Up) is a non-profit organization working to increase charitable donations in Israel. Through partnerships with credit card companies, it allows consumers to round up payments and apply the top up in the form of a monthly donations to Israeli nonprofits. Igul Letova uses the Midot Seal to vet and select organizations with a proven track-record; only organizations with a Midot Seal are listed on Igul’s roster of organizations because they have been found to manage funds effectively. In 2020, the organization successfully raised 10M NIS for nonprofits through rounded credit card donations.

With support from Mizrahi Bank, Midot and SFI extended 300 hours of free advisory support to 30 nonprofit organizations. The emergency program was designed to help organizations face the acute and sudden economic challenges brought on by COVID-19.

Our support centered on:

- Income diversification for nonprofits and revenue generation activities
- Management and priority-setting in times of crisis
- Donor stewardship in times of crisis and planning for “the day after”

In May 2020, Mobileye launched their Communal Solidarity and Leadership Initiative in which they pledged 10M NIS worth of grant to 100 nonprofit organizations. The Midot Seal of Effectiveness was used as a key selection criteria by the official selection committee.
Market Building & Education
Market Building & Education

We are committed to sharing information and raising awareness of the benefits of the impact economy.

Faced with a new sense of urgency resulting from the COVID-19 pandemic, we shared our approaches with key stakeholders, provided training to the next generation of finance professionals, and worked to generate engagement and understanding of our work among the general public.

Featured here are some examples that show how Social Finance Israel works to change perceptions about the role of impact measurement and impact investing among members of the public and key stakeholders.

52
Articles, Editorials, Radio, and TV Coverage

2,700
Followers on Social Media

34%
Increase in Social Media Engagement
Market Building & Education

**Examples**

60+ Talks, Training and Workshops

- Pay for success and other innovative financial instruments
- Impact Investing market
- Impact and ESG industry measurement frameworks
- Theory of change, Logic models and measurement tools
- Economic measurement
- Nonprofit management

In February 2021, Midot delivered a workshop in Arabic to 10 Arab-led nonprofits. The workshop is part of our ongoing efforts to strengthen organizational management and infrastructure among Israeli nonprofits.

SFI's Advisory Team gave a guest lecture on impact investing to graduate students at the University of California, Berkeley, enrolled in a course on innovative financing for developing economies. The course was administered by The Hebrew University of Jerusalem's Milken Institute Innovation Center.

SFI provided an overview of the impact investment market and introduced students to the mechanics and use-cases of development impact and career impact bonds, two innovative approaches to outcomes-based financing.
Advocacy and Public Awareness

With the onset of the pandemic, we published 5 impact investment strategies to act on in response to COVID-19. The update discussed how impact investment, the measurement of social interventions, and investment in the UN Sustainable Development Goals (SDGs) will be key to weathering the economic and health crises brought on by COVID-19.

The paper “The SDGs from our Perspective,” offered insights from the SFI team on occasion of SFI’s 7th birthday in July 2020.

In response to the murder of Diana Raz we called for the creation of a multi-stakeholder, data-driven solution to the problem of domestic violence in our update, “How the impact economy can prevent domestic violence.” Our recommendations were based on “Drive,” a project developed by our sister organization Social Finance UK, which aims to reduce domestic violence.

Ahead of the November 2020 elections, we released a position Paper outlining specific steps for the next government to foster greater social mobility and quality employment. The document, which explained how to leverage outcomes-based financing and pay-for-success instruments to achieve these goals, was sent to all parliamentary candidates.
SFI CEO Yaron Neudorfer spoke to i24NEWS about the first Social Impact Bond in Israel to tackle elderly loneliness.

An SFI opinion piece in Jewish Business discussed the challenge of silent drop-outs currently facing universities and colleges.

Ex-Jewish Agency official: Impact economics can help Israel amid COVID-19

Former Jewish Agency official and Social Finance Israel founder Yaron Neudorfer thinks that the country should adopt corporate social responsibilities values amid the corona crisis.

Contributing to current debates on economic recovery, we argued in the Jerusalem Post that procurement agencies should integrate more stringent environmental, social and governance standards to mitigate effects brough on by the COVID-19 crisis.

The Jerusalem Post, July 25, 2020

Jewish Business News, November 15, 2020
Our Supporters

Our work during the period was made possible thanks to a diverse group of visionaries, including individuals, philanthropic foundations venture investors, and private companies.

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Project Partners

Capital Committed by Impact Investors: Impact investments committed to date. Calculated based on the amount committed by impact investors (Excludes a 1.02 million NIS grant from the Israel Innovation Authority to develop the Heznek Hagalil Career Impact Bond).

Capital Committed by Public Entities to Pay for Outcomes: includes the maximum outcome payment (capped) for each SIB except for Reducing Drop-Out Rates in Higher Education SIB – A, which does not have a cap in the agreement and therefore includes the amount which is currently expected according to the updated business plan. In addition, the structure of Heznek Hagalil does not involve an outcome payment by a public entity.

Cashable Savings to Government: The value represents savings to public entities for all participants who benefitted from the program (i.e., their results were higher than the benchmark or the reference group) times the direct economic value.

Economic Value to Israel GDP: Estimated total direct and/or indirect lifetime value to the system or value to GDP per participant, times all the participants who benefitted from the project (i.e., whose results are higher than the benchmark or reference group).

Direct Economic Value - Value of One Participant: The value is calculated as the savings to society for one participant in the program for a set period (not lifetime).

Reducing Drop-Out Rates in Higher Education SIB – A & B: The amount that the university loses if a student drops out of the program over a period of 3 years. It is calculated as 2 years of tuition (assuming the student made at least one payment so far) plus 3 years of payments by The Council for Higher Education (CHE) to the University.

Preventing the Onset of Type 2 Diabetes SIB: The estimated costs of welfare and medical expenses plus the loss of productivity per annum.

Preventing Elderly Loneliness SIB: The estimated costs of welfare and medical expenses for the lifetime of the participant. The additional cost of loneliness among seniors, average of male and female between ages of 65+ and 75+. Due to the nature of the projects, Enhancing Math Achievement among Bedouin Youth SIB & Heznek Hagalil do not accrue direct economic value to an outcome payer.

Estimated Total Direct and/or Indirect Lifetime Value to System or Value to GDP for One Participant:


Preventing the Onset of Type 2 Diabetes SIB: The estimated costs of welfare and medical expenses plus the loss of productivity per annum times 10 years (estimated side effects of diabetes). See also: “Assessing the Cost of Diabetes in Israel and Understanding the Implications for Prevention and Development of New Preventive Medicine Funding Tools” (December 2018). The National Insurance Institute.

Enhancing Math Achievement among Bedouin Youth SIB: Based on assessments that include the probability of graduates of 4 & 5 units of mathematics to study high-tech professions, the probability of an Arab citizen to become a high-tech student, the probability of completing a degree in computer science against the benchmark, and the additional contribution to GDP per high-tech employee.

Preventing Elderly Loneliness SIB: The estimated costs of welfare and medical expenses for the lifetime of the participant. The additional cost of loneliness among seniors, the average of loneliness among male and female in groups of age 65+ and 75+.


Total Addressable Market in Israel:

Reducing Drop-Out Rates in Higher Education SIB – A&B: The number of students in each degree, times the dropout rate among the general population, times 3 years.

Preventing the Onset of Type 2 Diabetes SIB: We assumed that the number of Prediabetics is the same as the number of people with Diabetes Type –2.

Preventing Elderly Loneliness SIB: The number of senior citizens in Israel in 2019 ages 75 and over and ages 65-75, times the percentage of loneliness in those groups, 38% and 30% respectively.

Enhancing Math Achievement among Bedouin Youth: There are 28 cities with low math matriculation rates, where the rate of matriculation is below 20%. Not counting Bnei-Brak, there are 9,249 potential students in these areas. We then multiplied this figure by 5 years.

Heznek Hagalil – Increasing the Representation of Druze in Tech CIB: There are 5,000 additional Druze university students per annum, of which 77.6% enroll for a BA degree. Of those, 9.9% go on to study computer science. Our calculation assumes the program attracts students up to 5 years post graduation.

Photo credits:
Since 2013, Social Finance Israel (SFI) has been aligning purpose with profit by developing innovative social finance products as drivers for measurable positive social outcomes. SFI has proven expertise in the development of pay-for-success investments that link the achievement of measurable social impact to financial returns.

SFI analyses social challenges and designs innovative, evidence-based, measurable social interventions using impact investment and pay-for-success tools.

Impact investment expands funding available for social change by attracting funds from the investment portfolios in addition to the philanthropic allocations of businesses, corporate entities, and individuals. A leader in promoting impact investments in Israel, SFI’s Advisory Services team successfully onboards family offices, HNWI, foundations, fund managers, banks, and pension funds into the impact investment market by designing innovative investment products, measurement and due diligence frameworks, and training programs that provide the knowledge and information needed to make active strides in impact investing.

Visit us at www.SocialFinance.org.il or give us a call at +972-3-632-9881