

## Social Finance Israel (SFI)

*Established in 2013, Social Finance Israel is the first and only social investment intermediary in Israel, promoting the flow of capital towards solving social issues through social impact bonds and other impact investment products. SFI is developing the Impact Investing sector with the goal of positively impacting the lives of citizens nationwide. SFI is the sole developer of Social Impact Bonds in Israel, having launched Israel's first two SIBs. The first finances an intervention to reduce the dropout rate among Computer Science students in higher education, and the second finances a health behavior intervention among high-risk prediabetics to prevent the onset of type 2 diabetes. SFI is a sister company to Social Finance UK and Social Finance US, leaders in the global field of social impact investments. Sir Ronald Cohen heads the board of directors and Yaron Neudorfer serves as CEO.*


### Concept Note: Use Cases of Social Impact Bonds in Israel


A Social Impact Bond, also known as a Pay-for-Success contract, is a groundbreaking approach to financing effective social programs. The Social Impact Bond is a performance-based contract between social service providers, investors, governments and other stakeholders. This contract stipulates that capital invested in a specific social service program will be returned to investors by the government, or another stakeholder, only if predetermined social outcomes are achieved. These contracts rely on the cooperative work of SFI and contracting parties to quantify the economic value of resolving a social need, define how positive outcomes will be measured, and launch an effective intervention program. Ultimately, investor returns are generated in accordance with the rate at which the service program achieves predetermined outcomes. This innovative model ushers in new sources of capital, mobilizes private sector resources towards solving social issues, incentivizes the achievement of positive social outcomes and generates economic value for the public sector.

### Use Case: Reducing Dropouts in Higher Education

Israel, a country whose economy relies heavily on human capital, faces a shortage of engineers and computer programmers who will lead the next generation of technological innovation. 85% of students who drop out of Computer Science studies do so in their first year and are highly likely to come from disadvantaged populations. A large portion of these students are either ethnic minorities, live in the geographical periphery, are low income, or are first generation university students.

The Social Impact Bond to reduce dropout rates was the first SIB launched in Israel, as well as the first in the world in higher education. SFI believes that it has the capacity to scale this model and implement it in various other institutions and fields of study, both in Israel and around the world.

 Computer science students  
3 cohorts  
Approx. 200 students per cohort

 Academic guidance from admission through graduation  
Including a two-year intensive intervention program



The program is based on personalized, intimate guidance for each participant, with a dedicated coordinator who provides mentorship for the length of the program



Financial Support



Academic Assistance



Motivation and Self Confidence



Effective Learning Habits



Emotional Support

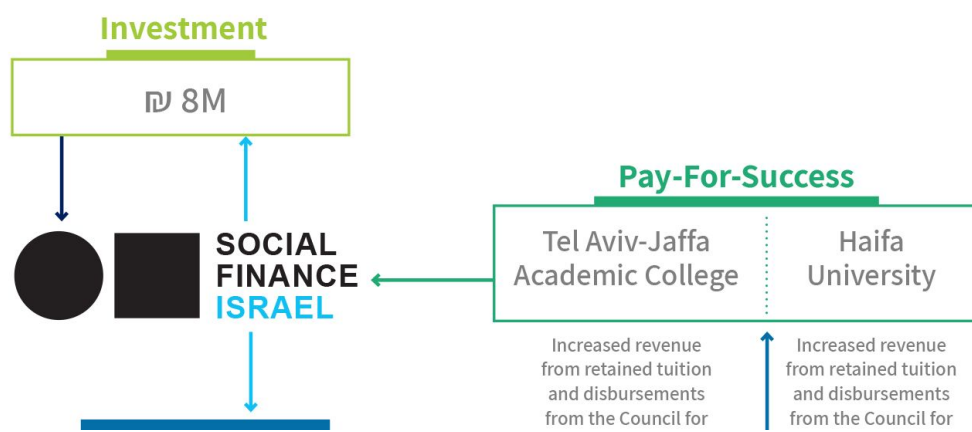


Hebrew Improvement

High dropout rates result in detrimental economic losses, to the student, the institution, and the national economy:

1. **The Student** suffers a loss of time, effort, tuition fees, and a high-paying income in their future career.
2. **The Institution** suffers a loss in future tuition revenue and the income it stands to receive from the Council for Higher Education for each graduate.
3. **The Economy** suffers from stagnating levels of much needed engineers and developers, and a loss of future contribution to GDP.

The intervention being financed by the Social Impact Bond is led by Aluma, an NGO that helps supply each student with a personalized solution for their specific challenges. Students receive individual mentorship, group study support, need-based financial assistance, and continual motivational touchpoints.



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that stands to benefit from the reduction of a chronic social issue that has sizable a cost, such as re-incarceration of short-sentenced offenders (See: [Peterborough Recidivism SIB](#)).

In the context of our SIB to reduce dropout rates, the Outcome Payers are the Universities. These Universities benefit from successful graduation of as many students as possible, to retain tuition revenue over the course of four years, in addition to receiving government support for each graduate.

## **Performance Management**

Throughout the course of the intervention program, SFI incorporated tech-based intervention support tools to enhance the program activities and optimize the resulting social impact. These tools include an online platform that allows performance managers to collect data on participation in various program components, enabling analysis of their effect on each individual student's academic progression. In addition, the intervention includes an online studies platform that incorporates gamification to incentivize greater participation.

## **Outcome Evaluation**

Throughout the course of the intervention program, SFI receives academic data that it utilizes to ensure that the activities are effective and that as many students as possible remain in good academic standing. At the end of each academic year, the rate of dropouts from Computer Science department is calculated, and outcome payments are made based on the % reduction relative to historical rates at that university. The amount that each University pays per percent reduction is variable and negotiated during the contracting of the Social Impact Bond.