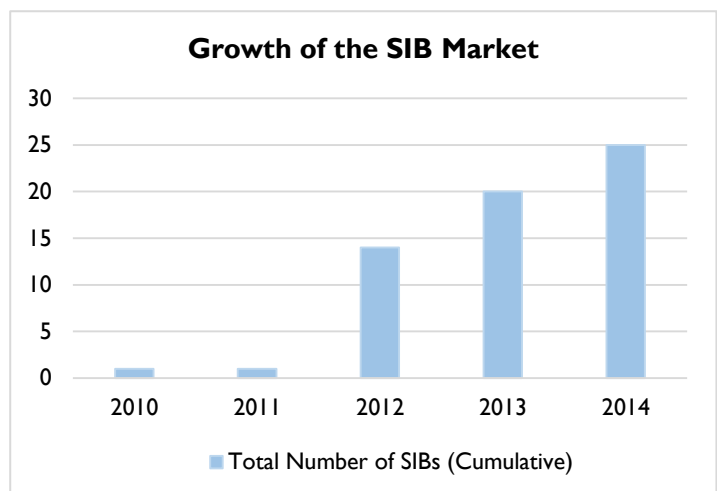


# THE GLOBAL SOCIAL IMPACT BOND MARKET

August 2014

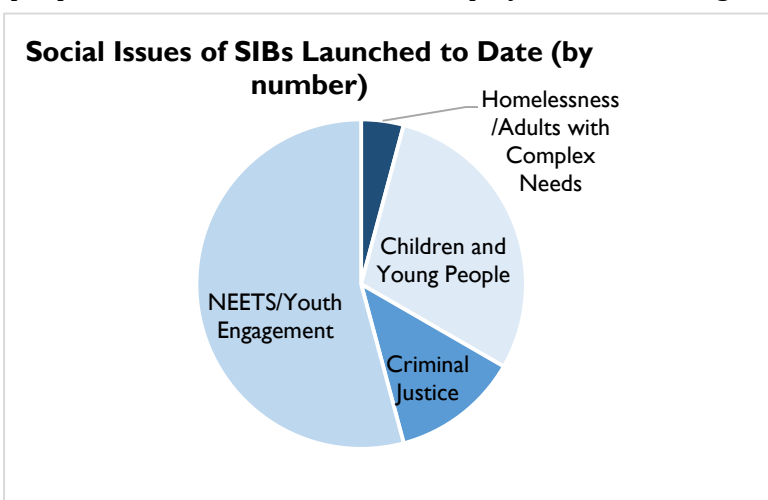
## Global interest in SIBs

Since Social Finance launched the world's first Social Impact Bond (SIB) in 2010 we have seen the concept adopted globally, capturing the interest of both policymakers and social innovators. Over the last four years, 25 SIBs have been commissioned in total, by seven different countries, aimed at tackling a variety of social problems. SIBs have generated significant interest as an innovative instrument that brings private finance, public investment and the expertise of the Voluntary, Community and Social Enterprise sector together in partnerships that enable public sector investment to focus on programmes that deliver measurable results.



## An instrument to address defined social issues

The first SIB launched in 2010 focused on rehabilitation of ex-prisoners. Other SIBs are testing the model's effectiveness in other social areas. Among the 25 SIBs launched globally, there is concentration on four broad social areas with a particular emphasis on children and on young people who are not in education, employment or training. These common themes are typical of



issues facing governments in countries where SIBs have been launched to date. The pipeline of SIBs under development will continue to expand the number of programmes funded by SIBs in these areas, but we also anticipate a growing focus on issues affecting older people, such as social isolation and end of life care.

As the concept expands into the developing world we expect areas such as health, education

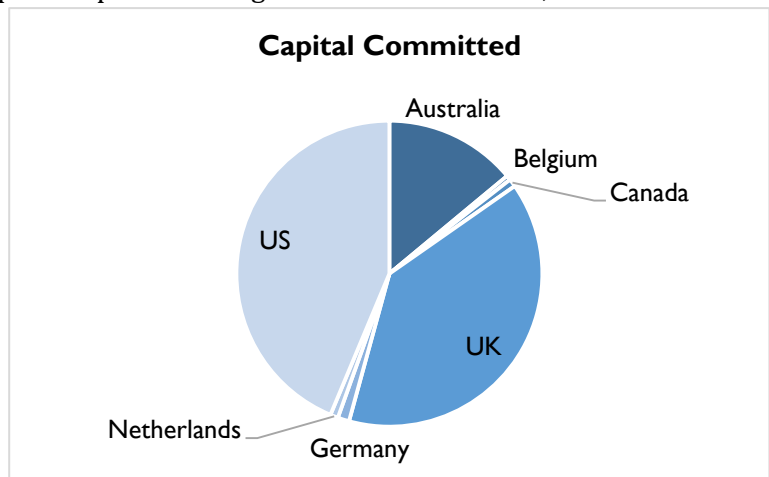
and poverty alleviation to become prominent, reflecting development priorities. There is already progress: the U.K. Department for International Development announced in April 2014 that it would launch a Development Impact Bond (DIB) to tackle African sleeping sickness in

Uganda. In Latin America, the Inter-American Development Bank has announced a \$5.3 million 'SIB facility' for the development of a SIB market to address high priority social issues in those economies.

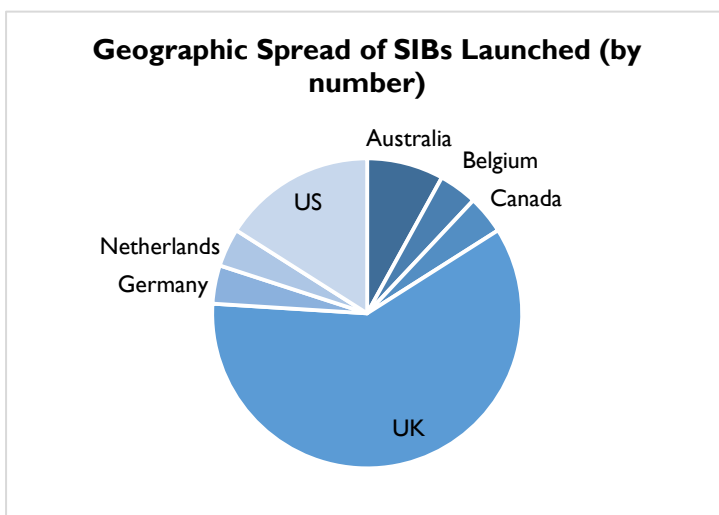
**An investment opportunity for the growing market of social impact investors**

More than £65 million (\$100m) of investment has been committed to the SIBs commissioned to date. The largest transactions have been seen in the US - New York State (\$13.5m) and Massachusetts (\$18m) - both in the area of prisoner rehabilitation. While the first investors in SIBs in the UK were predominantly philanthropic foundations, the market has started to attract a broader range of capital. For example, in the US, Goldman Sachs have acted as investor and Bank of America Merrill Lynch as private placement agent while in Australia, investment has occurred through private ancillary funds and in the UK, through social investment funds.

However, private foundations and endowments remain a critical part of the investor landscape. Capital provided by foundations is typically able to fund the most innovative interventions; while other capital sources may be better suited to invest in SIBs that focus on scaling up successful interventions.

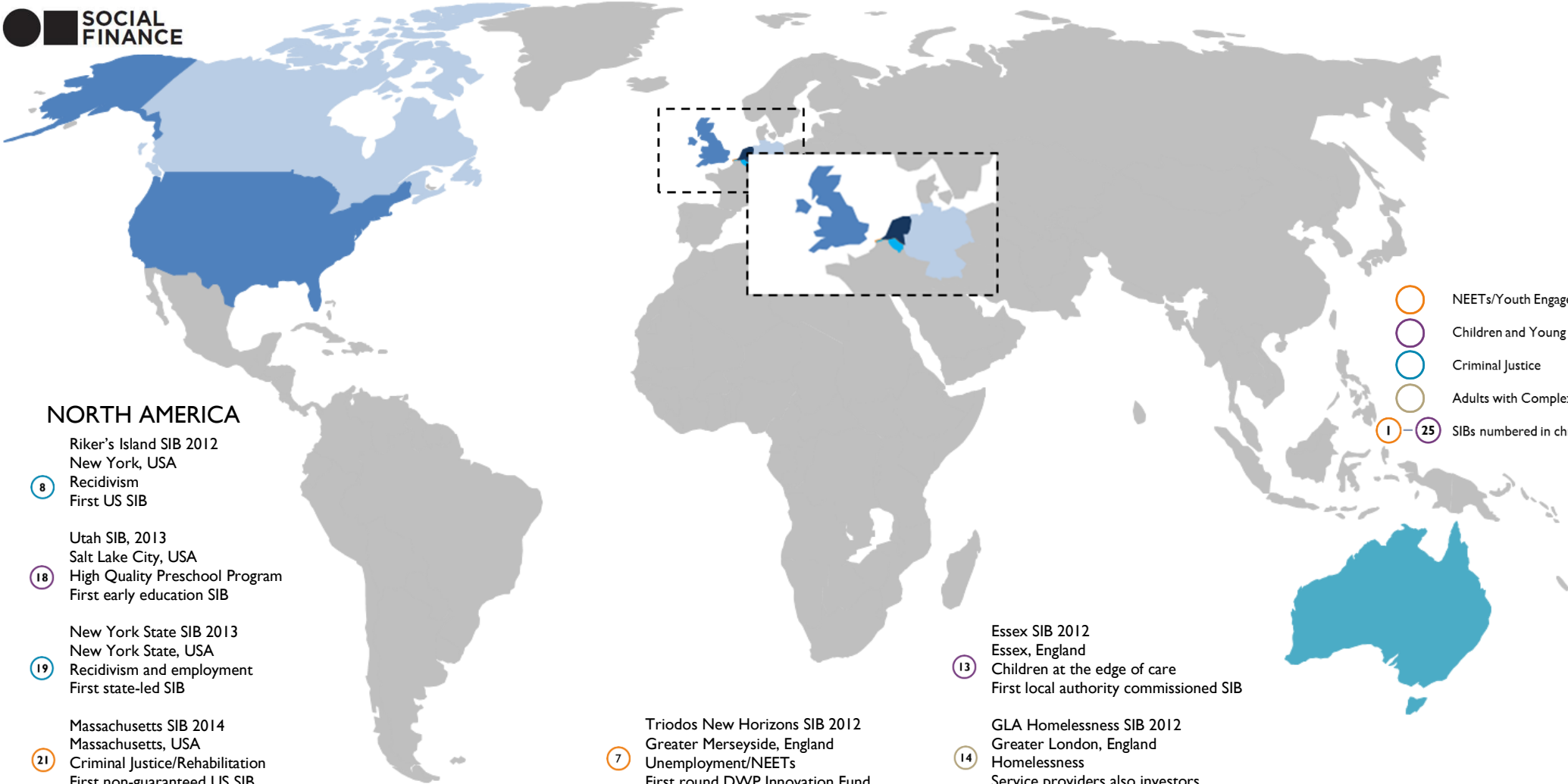


As the market matures we would expect to see more interest from institutional investors for whom the lack of scale and track record, and a need for capital at risk protection, has so far limited their ability to invest. The first institutional investors have however been seen: in Australia's two out of home care SIBs. We also believe retail social investment offers extraordinary potential as people seek closer links between their capital and social impact from their investment, but it is some way off at this early stage of the market. The UK's new Social Investment Tax relief has the potential to broaden capital pools.



While the core tenet of SIBs has remained consistent across geographies, different commissioning frameworks and types of investor have changed the structure of the deals. Some SIBs have mitigated investor risk, with a variety of mechanisms such as guarantees or first loss capital from grant donors. Others mitigate risk through staged payments linked to interim outcomes. As the market continues to develop and more SIBs come to market, we look forward to

a continued evolution of the model and its adaptation to new market and issue areas.



**NORTH AMERICA**

- 8 Riker's Island SIB 2012  
New York, USA  
Recidivism  
First US SIB
- 18 Utah SIB, 2013  
Salt Lake City, USA  
High Quality Preschool Program  
First early education SIB
- 19 New York State SIB 2013  
New York State, USA  
Recidivism and employment  
First state-led SIB
- 21 Massachusetts SIB 2014  
Massachusetts, USA  
Criminal Justice/Rehabilitation  
First non-guaranteed US SIB
- 24 Sweet Dreams SIB 2014  
Saskatoon, Canada  
At-risk single mothers  
First Canadian SIB

**EUROPE**

- 1 Peterborough SIB 2010  
Peterborough, England  
Short sentence offenders  
First SIB launched
- 2 APM UK SIB 2012  
West Midlands, England  
Unemployment/NEETs  
First round DWP Innovation Fund
- 3 Links4Life SIB 2012  
East London, England  
Unemployment/NEETs  
First round DWP Innovation Fund
- 4 Living Balance SIB 2012  
Perthshire & Kinross, Scotland  
Unemployment/NEETs  
First round DWP Innovation Fund
- 5 Nottingham City Council SIB 2012  
Nottingham, England  
Unemployment/NEETs  
First round DWP Innovation Fund
- 6 ThinkForward SIB 2012  
East London, England  
Unemployment/NEETs  
First round DWP Innovation Fund
- 7 Triodos New Horizons SIB 2012  
Greater Merseyside, England  
Unemployment/NEETs  
First round DWP Innovation Fund
- 9 3SC Capitalise, Oct 2012  
Cardiff & Newport, Wales  
Unemployment/NEETs  
Second round DWP Innovation Fund
- 10 Energise Innovation, Oct 2012  
Thames Valley, England  
Unemployment/NEETs  
Second round DWP Innovation Fund
- 11 Prevista, Oct 2012  
West London, England  
Unemployment/NEETs  
Second round DWP Innovation Fund
- 12 Teens & Toddlers, Oct 2012  
Greater Manchester, England  
Unemployment/NEETs  
Second round DWP Innovation

- 13 Essex SIB 2012  
Essex, England  
Children at the edge of care  
First local authority commissioned SIB
- 14 GLA Homelessness SIB 2012  
Greater London, England  
Homelessness  
Service providers also investors
- 15 It's All About Me (IAAM) SIB 2013  
Whole of the UK  
Adoption services  
First supplier-led SIB

- 25 Manchester City Council SIB 2014  
Manchester, England  
Children in residential care  
Investment directly in service provider

- 20 Buzinezzclub SIB 2013  
Rotterdam, Netherlands  
Unemployment/NEETs  
First SIB in continental Europe

- 22 Juvat SIB 2014  
Augsburg, Germany  
Unemployment/NEETS  
First German SIB



- 23 Belgium SIB 2014  
Brussels, Belgium  
Workforce empowerment  
Focused on migrant job seekers

**AUSTRALIA**

- 16 Newpin SIB 2013  
New South Wales, Australia  
Complex families & child welfare  
First Australian SIB
- 17 Benevolent Society SIB 2013  
New South Wales, Australia  
Complex families & child welfare  
Used low and high-risk investment tiers

- NEETs/Youth Engagement
- Children and Young People
- Criminal Justice
- Adults with Complex Needs
- 1 – 25 SIBs numbered in chronological order