SESSION
What's the Payoff of Pay-for-Success?

### Frontiers

of social innovation

**INCLUSIVE MARKETS—INCLUSIVE SOCIETIES** 



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### The Investment Spectrum

Primary
driver is to "Blended" societal and financial value driver is to
create
societal value
financial value

	SOC								
Charities		Revenue Generating Social Enterprises			Socially Driven Business	Traditional Business			
Grants only; no trading	Trading revenue and grants	Potentially sustainable >75% trading revenue	Breakeven all income from trading	Profitable surplus reinvested	Profit distributing socially driven	CSR Company	Company allocating percentage to charity	Mainstream Market Company	
Impact Only Grant making		Impact First  Social investment				Finance First			
		"Impact" investment							

Venture Philanthropy



### Impact Investing

- Impact investing is the application of
  - the practice of *investing*
  - in the delivery of <u>high social impact</u> products or services
  - that <u>return</u> at least nominal capital to the investor

Current Market Size: \$50 billion

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### Rough Size of Sector Segments

### GIIN-JPMorgan 2013 Survey

- Main sectors
  - Microfinance 20%

\$10 bn

• Financial services, excl. microfinance – 20% \$10 bn

Energy – 12%

\$6 bn

• Housing - 10%

\$5 bn

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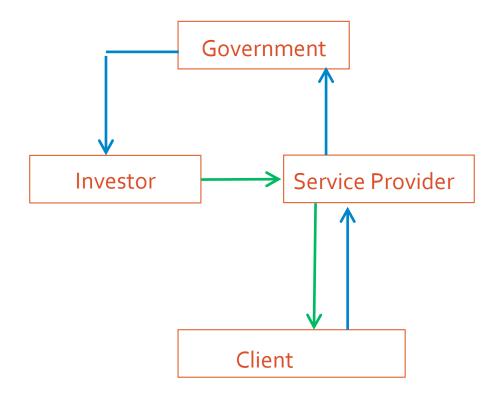
What's the Payoff of Pay-for-Success?





## **SESSION** What's the Payoff of **Pay-for-Success?**

### Structure of Pay-for-Success (SIB)





### PFS Contracts (as of January 15, 2015)

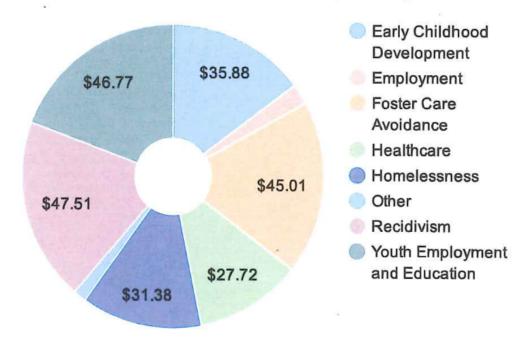
Contract	Issue	Total Program Cost	Commercial Investor	Impact Investor	Philanthropy
New York City (August 2012)	Young Adult Recidivism	\$9.6 M (over 4 years)	\$9.6 M		\$7.2 M (Loan guarantee)
Salt Lake City, UT (June 2013)	Early Childhood Education	\$1M (\$7M)	\$4.6M	\$2.4M	
New York State (December 2013)	Adult recidivism/ Job training for Recently incarcerated	\$13.5 M (over 4 years)	\$13.2	\$1.6	
Massachusetts (January 2014)	Young Adult Recidivism	\$20.3 M (over 7 years)	\$9.0 M	\$3.0 M	\$6.0 M
Chicago, Illinois (October 2014)	Early Childhood Education	\$17.4 M	\$13.0 M	\$4.0 M	
Cuyahoga County, OH (October 2014)	Foster Care/ Homeless Intervention	\$2.7 M (over 5 years)	\$1.575 M	\$2.0 M	\$0.350M
Massachusetts (December 2014)	Homelessness	\$3.5 M (over 6 years)	\$1.750M		\$1.750M
	TOTAL	\$74M	\$52.720	\$13.0M	\$15.300M



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### SIB Value by Sector

#### Value of SIB Market by Social Issue Area (CAD mm)





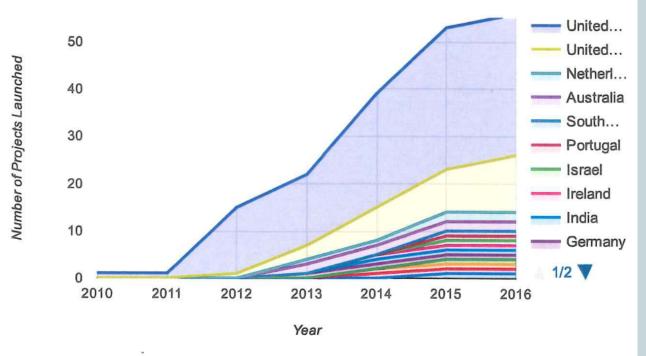
### Overall Market Activity

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#### **Global SIB Market Activity**





### Social Impact Bond Tracker





### Panel Discussion

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