

A LETTER FROM AMERICA

Happy birthday big sister! You have inspired us across the pond with work that has become a global movement. **Tracy Palandjian**, CEO of Social Finance US, writes a letter from America.

Dear Social Finance UK,

Congratulations on turning 10! This milestone is, for any organization, no small feat. We must say you've grown with grace and purpose, evolving from a handful of dreamers with a hunch that the capital markets could help solve some of society's most pressing challenges into one of the world's leading agents of social change. ▶





Massachusetts Pathways: A next generation Pay for Success Project that aims to improve the lives of 2,000 immigrants and refugees in Greater Boston represents an evolving approach

◀ In 2010, you put Social Impact Bonds on the map with the Peterborough experiment. You inspired us across the pond to put the vision – of linking mainstream capital markets to solutions for our most critical social issues – to work.

We launched Social Finance US in 2011. Since then, 20 Pay for Success projects (as we call them in the US) have launched across America. Collectively, they mobilize more than \$200 million to address issues like recidivism, maternal-child health, education and job readiness. As it has in the UK, the Pay for Success tool receives support in the US from across the ideological spectrum – a truly extraordinary accomplishment in an acutely divided political atmosphere.

Like any family, the US and UK siblings have our differences. Unique social, economic and political contexts in our countries require adaptation as we seek to put this model into action. Philanthropic capital plays a bigger role in the US market, for example. We also take different approaches to evidence

WE LAUNCHED SOCIAL FINANCE US IN 2011. SINCE THEN, 20 PAY FOR SUCCESS PROJECTS WITH \$200 MILLION OF INVESTMENT, HAVE LAUNCHED ACROSS AMERICA.

and evaluation methodologies. And in the US, we have just begun to explore the potential of outcomes rate cards.

At the end of the day, though, we're more alike than we are different. Here and in the UK, the tool is linking mainstream capital markets to solutions for critical social and environmental challenges. In each of our countries it is addressing both the fiscal austerity that causes our respective governments to spend less on preventative solutions and the inefficiency that can emerge when governments rely on gut instinct rather than data and evidence.

This tool sits at the center of our core values – both American and British – of opportunity, hard work, and innovation as we each work to further blur the lines between the public, private, and social sectors.

It is more than just one tool. It is an approach that embodies the principle that economic value and financial returns can be created in a way that also generates value for society.



Insights from Pay for Success inform all of our work. We recognize the value of focusing on and managing to outcomes, of measuring impact, and of collaborating across sectors. We are now engaging providers, philanthropy, civic leaders, government and communities to drive evidence-based, outcomes-oriented, data-driven initiatives at scale.

On this, your 10th birthday, we salute you, for introducing an approach that holds the potential to help alleviate human suffering. What was once a simple, elegant idea is now a vital global movement that is growing against a backdrop of rising social inequality and government fiscal austerity. The work we do – that you’ve been doing for a decade now – is hard but crucial. Our core principles are gaining traction among governments and social leaders because they work.

We have made much progress together, but we remain restless. Our work is only just beginning. We see a future in which: governments base funding decisions on—and pay for—positive social outcomes; impact investors look to social outcomes as the main determinant of where to put their money; mainstream public finance markets increasingly reward non-financial performance; high-performing nonprofits access sustainable funding that rewards performance.

We may have an ocean between us, but these aspirations are part of a shared future -- a future in which all sectors work together to measurably improve the lives of those in need. Together, we’ve absolutely built something special. Here’s to a future that is bigger, bolder, and exponentially more impactful.

Happy birthday, big sister!

CASE STUDY

MASSACHUSETTS PATHWAYS TO ECONOMIC ADVANCEMENT

In June 2017, Jewish Vocational Service (JVS) and Social Finance launched the Massachusetts Pathways to Economic Advancement Pay for Success project. The \$12.43 million initiative seeks to help 2,000 immigrants and refugees in Greater Boston move up the economic ladder through vocational English classes, integrated with job search assistance and coaching.

This initiative is the first globally to focus exclusively on workforce development for immigrants and refugees. It is also the 17th PFS project in the US.

Uniquely, it focuses on increased earnings for the Commonwealth of Massachusetts, and the associated social value from employing adult learners and helping them transition into higher education. It shows that projects can capture the value of future revenue generation.

JVS programs are customized to client needs, to ensure that those who seek services are able to fully engage in a program.

This project is the second time in the US that a PFS project was structured as an equity offering, providing broad distribution through existing mainstream capital markets. This allowed individuals to invest directly in the project, alongside institutional investors new to Pay for Success like Prudential Financial and Maycomb Capital.