



Press Release

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FIRST EARLY CHILDHOOD DEVELOPMENT SOCIAL IMPACT BOND IS LAUNCHED IN SOUTH AFRICA

A South African outcome-based financing mechanism seeks to improve early childhood learning and development outcomes in the Western Cape

Cape Town, South Africa – mothers2mothers (m2m), Volta Capital, and the Bertha Centre for Social Innovation and Entrepreneurship (the Bertha Centre) are excited to announce the launch of the Impact Bond Innovation Fund (IBIF), an innovative financing mechanism that represents the first Social Impact Bond focused on Early Childhood Development (ECD) to be launched in the Global South. Aimed at improving outcomes in early childhood, a critical period that can positively impact global development goals, the IBIF is managed by the Intermediary partnership of m2m and Volta Capital, working closely with implementing partner, the **Western Cape Foundation for Community Work (FCW)**. The transaction is led by the **Western Cape Department of Social Development (DSD)**, in a matched funding arrangement with **ApexHi Charitable Trust**, and supported by a coalition of investors: **The Standard Bank Tutuwa Community Foundation, Futuregrowth Asset Management**, and **LGT Venture Philanthropy**.

The IBIF draws on m2m's 17 years of experience operating high impact, evidence-based health programmes in sub-Saharan Africa and Volta Capital's deep expertise developing impact bonds, to invest in ECD in an entirely new way. Using the model of Social Impact Bonds (SIB), which means that governments only pay if pre-determined outcomes are achieved, the IBIF forms a public-private sector coalition that can sustainably finance ECD. Over a three year period, the IBIF, through FCW, will seek to improve the cognitive and socio-emotional development outcomes of more than 2,000 children in the low-income communities of Atlantis and Delft, in the Western Cape province of South Africa.

Early childhood is a period of unparalleled opportunity for promoting and developing human potential. The period from conception through the first five to six years of life is critical for the development of a child's physical, social, emotional, and cognitive wellbeing. These benefits are life-long – improving education performance, bettering careers and earnings performance, and health. Huge social and economic benefits result. However, governments tend to spend significantly less on ECD than they do on primary and secondary education, where the returns on investment are lower. This is due in part to the fact that benefits are not necessarily immediately apparent, accruing over a lifetime, and most ECD programmes are run by smaller organisations that do not have robust monitoring and evaluation systems.

The IBIF transaction will support a home visiting ECD programme targeting 3 to 5 year olds, delivered by FCW through its Family in Focus (FIF) programme). FCW has over 40 years of experience working within the ECD sector in the Western Cape and is a long-term partner of the DSD.

The DSD has entered a matched funding arrangement with ApexHi Charitable Trust, a private sector outcome funder to augment the available funding for the programme. Private investors will invest ~US\$540,000 up front to fund FCW's ECD programme over a three-year period. They will be repaid with a return on their investment by the government department and private outcome funder if and when improved social outcomes are achieved over the three-year bond term.

The IBIF investors are made up of a strong coalition of two local, established, and socially-motivated investors- The Standard Bank Tutuwa Community Foundation and Future Growth Asset Managers, and the international impact investment and venture philanthropy community through LGT Venture Philanthropy (LGT VP). The three investors are joining forces to invest in longer term, sustainable education development outcomes for South African children. Two of the investors – LGT VP and The Standard Bank Tutuwa Community Foundation, also provided valuable pre-launch funding to the Intermediary partnership.

Bringing the IBIF transaction together is an Intermediary partnership between m2m, an Africa-based NGO that is a leading implementing and capacity-building organisation across reproductive, maternal, newborn, child, and adolescent health (RMNACH), prevention of mother-to-child transmission of HIV (PMTCT), and ECD programming; and Volta Capital, a global financial intermediary at the forefront of developing Impact Bond transactions. As the intermediary partners in this transaction, m2m and Volta have structured the transaction, raised investment funds for the up-front cost of the implementation by FCW, and will conduct programmatic performance management, output and outcome monitoring, and general oversight and reporting services over the life of the transaction.

David Torres, Senior Advisor to the CEO at m2m, says, “We are excited about the potential of the IBIF as it will create a new source of ECD funding, establish a benchmark for proven ECD programming, and promote the dissemination of rigorous performance management systems for the ECD sector”.

If successful, the IBIF model could be replicated across the Western Cape, and throughout South Africa, changing the way social interventions are funded and creating a new way forward for additional public-private funding opportunities. “Volta Capital believes innovative financing mechanisms like social impact bonds can be a powerful tool to tackle pressing social challenges and we are privileged to play a role in making this landmark transaction a reality,” says Lily Han, Principal at Volta.

Several other organisations have played a critical role in shepherding the IBIF transaction to completion over the past three years. The Bertha Centre began work on the IBIF concept three years ago with the Departments of Social Development and a broad coalition of ECD donors, policy-makers, and practitioners. Today, Bertha is playing a strategic advisory role to the government in support of the transaction. Social Finance, a global pioneer in Impact Bond development, helped with preliminary design work and modeling for the transaction in a contextually relevant manner. The Lego Foundation, which aims to build a future where learning through play empowers children to

become creative, engaged, life-long learners, provided early stage development funding for the transaction. Innovation Edge, an organisation which provides grant and investment funds solutions to early childhood care and education challenges, provided critical funding to The Bertha Centre and others to carry out the early stage structuring and partner engagement work for the transaction, and has supported the structuring work conducted by m2m and Volta Capital. De La Harpe Consulting and Eversheds Sutherland South Africa have provided the Intermediary partnership with legal, registration, and contracting services towards the completion of the transaction.

ENDS

Notes to Editors

About FCW: The Foundation for Community Work is a development and resource ECD organisation that promotes the holistic development of children within the context of their families and communities, through innovative, integrated, and sustainable interventions and programmes. The Family in Focus Programme is a home visitation programme where community caregivers work with parents or caregivers and children in the home to deliver ECD programming focusing on the needs of pre-school aged children. Find out more about FCW at: <http://www.fcw.co.za>

About mothers2mothers: mothers2mothers (m2m) is an international NGO headquartered in Cape Town, South Africa and works across eight African nations. m2m employs and trains HIV-positive women as “Mentor Mothers”, frontline healthcare workers who deliver health services, advice, and support to women and their families in understaffed health facilities and door-to-door in local communities. We started with a focus on eliminating mother-to-child transmission of HIV, and today have evolved our peer-based model to deliver benefits at all stages of life—from pregnancy and birth and beyond to a child's early years and adolescence. Our approach unlocks the potential of women to eliminate paediatric AIDS and create healthy families, while providing employment and empowerment opportunities in underprivileged communities.

In 2017 alone, m2m and our partners enrolled 2.3M million new clients into care across seven African countries, and employed nearly 3,000 Mentor Mothers. m2m also helped to virtually eliminate mother-to-child transmission of HIV among its enrolled clients, while 97% of children enrolled in our ECD programmes met all their developmental milestones.

About Volta Capital: Volta Capital is an investment advisor facilitating the placement of impact capital into underserved markets. As a mission-driven company, Volta uses the incentives and instruments of disciplined investing to provide transparent and efficient capital solutions to social problems. Its core expertise includes the development and management of innovative financing solutions as well as impact investment management. Over the last three years alone, Volta has designed, structured, and set up a dozen blended finance investment vehicles, five of which are up and running with over USD 500 million of assets under management. For more information visit <http://www.voltacapital.com/>.

About the Bertha Centre: The UCT GSB's Bertha Centre for Social Innovation and Entrepreneurship was established in 2011 as a centre of excellence focused on research, teaching, dialogue, and the support of innovators and enterprises towards social impact. Using the combination of macro-level influence and on-the-ground action to understand and address needs, our aim is to catalyse the social innovation capability of individuals, organisations, and institutions to pursue a fairer and more

inclusive world. The Innovative Finance Initiative within the Bertha Centre, partners with governments, enterprises, and investors, to research, incubate and test promising social financing vehicles across Africa. To read our publications please visit <http://www.gsb.uct.ac.za/bertha-publications>

About ApexHi: Established in 2009 as part of ApexHi Properties B-BBEE transaction, The ApexHi Charitable Trust invests money gained from its endowment fund into reputable projects and non-profit organisations in the fields of early childhood development, community strengthening, inner-city development and school sanitation (infrastructure).

Specifically, the Trust provides grants to a variety of (mostly non-profit) partners working in three areas:

- **Early childhood development (ECD)** – the Trust supports initiatives that help to increase access to ECD services through home- and community-based programmes, as well as training (for parents and practitioners) relating to children with disabilities.
- **Community strengthening** – the Trust supports initiatives that target some of the more vulnerable portions of the population, including the aged; homeless and destitute; people with disabilities; victims of gender-based violence; and orphans and vulnerable children.
- **School Sanitation programme-** This is a programme is focused on construction and refurbishment of sanitation facilities of public schools serving rural communities with the aim of contributing to a safe learning environment for children.
- **Inner-City Development-** Supporting programmes that are aimed at improving the quality of life for South African inner-city communities.

About LGT Venture Philanthropy: LGT Venture Philanthropy (LGT VP) strives to improve the quality of life of disadvantaged people, contribute to healthy ecosystems and build resilient, inclusive and prosperous communities. LGT VP supports the growth of organizations and companies with outstanding social and environmental impact and potential to scale through tailored financing, know-how and access to networks. Headquartered in Zurich, Switzerland, LGT VP primarily supports organizations and companies based in developing countries, focusing on high-impact sectors, including education, health and environmental protection and restoration.

LGT VP is the venture philanthropy arm of LGT – the world’s largest privately owned Private Banking and Asset Management group with over USD 200 billion AuM as of December 31st 2017.

www.lgtvp.com

About The Standard Bank Tutuwa Community Foundation: The Foundation is a non-profit organization that aims to create an enduring, positive legacy stemming from Standard Bank Group’s successful broad-based black economic empowerment (BBBEE). The primary focus rests on three essential areas, ECD, schooling and work opportunities for youth.

Find out more about the SBTCF at: <http://www.tutuwafoundation.org>

About Futuregrowth Asset Management:

Futuregrowth Asset Management is a specialist investment company that plays a leadership role in the asset management industry in South Africa. We manage around R180 billion of assets on behalf of clients across the full range of fixed interest and development funds in an ethical and sustainable

way. Our purpose is to protect and grow investors' savings through skill and diligence, while being a force for good in the markets and environment in which we operate.

This sense of purpose is based on our belief that investors can make a positive difference in society while earning sound investment performance for pension fund members. That has inspired us to pioneer development funds in sectors such as infrastructure, rural and township retail property, agriculture and renewable energy, providing finance to innovative deals including low-income housing construction, a church in Soweto, urban regeneration projects, taxi finance and alternative energy, to name a few.

Futuregrowth's team of investment professionals uses its specialist skills and diverse experience to manage the risks in investing in the capital markets while targeting benchmark-beating returns for investors. For more information please visit our website <http://www.futuregrowth.co.za>.