

THE SOCIAL SUCCESS NOTE

A NEW INNOVATIVE FINANCING TOOL

The SSN allows philanthropic donors to directly leverage private investment capital and expertise with a pay-for-performance model. Find out how an efficient use of capital can provide over 1.4 million Ugandan school children with access to clean, safe water.



A partnership between Yunus Social Business, UBS Optimus Foundation, The Rockefeller Foundation and Impact Water.

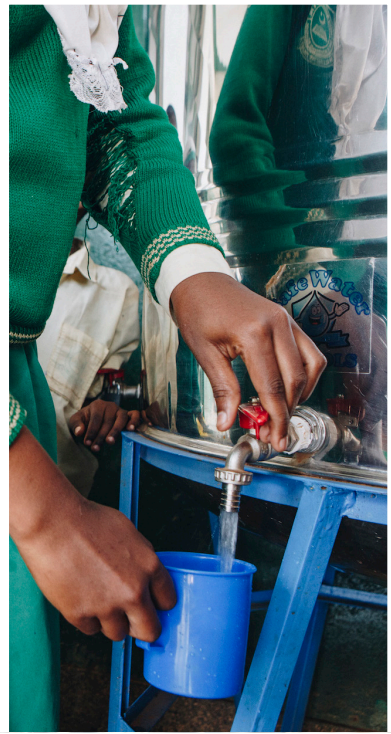
THE PROBLEM OF WATER IN UGANDA

ONE THIRD OF THE POPULATION
LACK ACCESS TO SAFE WATER

440 CHILDREN DIE EVERY WEEK
DUE TO WATERBORNE DISEASES

Access to clean drinking water is a critical issue in Uganda, as is the case across sub-Saharan Africa.

Unfortunately, schools are often a source of waterborne disease transmission, where adequate supplies of safe drinking water are either non-existent or inadequate. In fact, 40% of diarrheal cases are attributable to transmission in schools rather than homes.



THE PROPOSED SOLUTION

Impact Water is a social business that is dedicated to tackling this issue by scaling safe drinking water solutions in developing countries. In Uganda, the social business sells, installs and maintains environmentally-friendly UV-based water purification systems to schools on low cost, multi-year credit terms. This helps schools to limit waterborne diseases among children (reducing the number of sick days per year), while avoiding burning firewood for boiling water and therefore offsetting CO2 emissions.



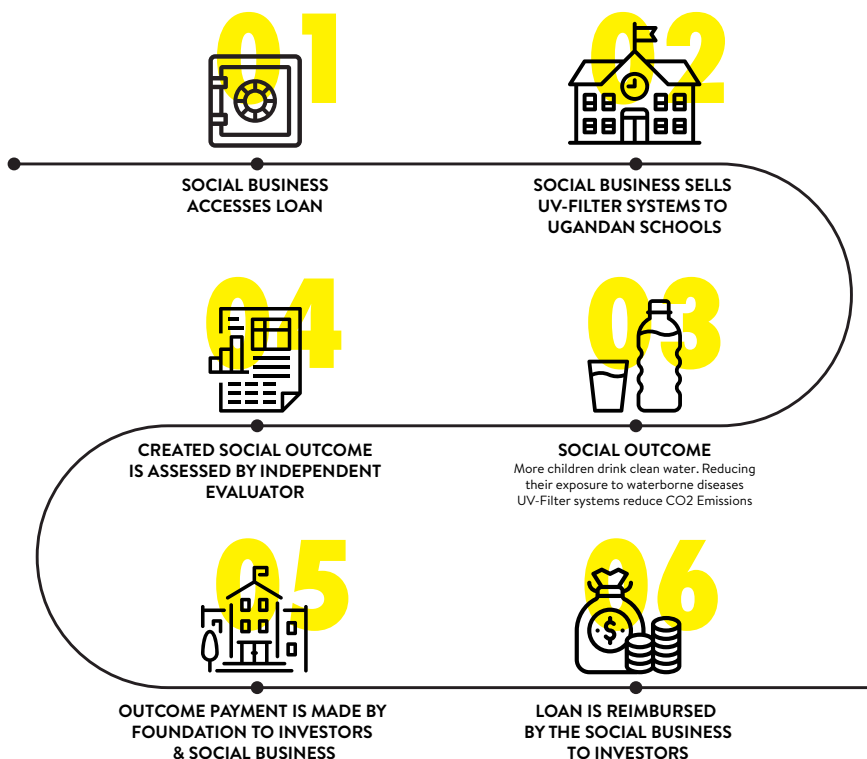
Safe Drinking Water Solutions



As a social business, it is difficult for Impact Water to raise appropriate financing. Due to focusing on a high-impact but low margin market segment, they are a less attractive target for commercial capital, meaning scaling is much more difficult. This is why we developed the SSN.

WHAT IS THE SOCIAL SUCCESS NOTE?

An innovative financing instrument that aims to tackle access to finance by fully aligning the interests of the social business to those of their investors, while harnessing the power of a pay-for-success mechanism.



The mechanism allows foundations/development agencies (as the Outcome Payer) to achieve more social impact for their money by making it more attractive for investors to fund the social business. The logic is the following: a private investor agrees to make capital available upfront to a social business requesting a below-market return. The investee will repay the investment, but no additional return, to the investor. However, if the social business achieves a predetermined social outcome, the Outcome Payer provides the investor with an additional 'Outcome Payment' corresponding to a market-rate return, hence creating an alignment of interests between the three different parties.

SO HOW DOES THIS WORK IN PRACTICE?



In order to allow Impact Water to scale its water purification solutions to as many schools as possible, we are piloting the first transaction of the Social Success Note with them.

For this Social Success Note, the Investor, the **UBS Optimus Foundation Network** will provide Impact Water, with a \$500,000 working capital loan, so that **Impact Water** can continue to sell, install and maintain water filtration systems to schools in Uganda. **Rockefeller** will then provide an Outcome Payment of \$200,000 split between the Investor (**UBS Optimus**) and the social business (**Impact Water**) if targets are met. **Yunus Social Business** will manage monitoring and evaluation throughout the 5-year term.

The success of the SSN will be based on whether Impact Water manages to provide an additional 1.4 million children with access to clean safe water over the next 5 years.



IMPACT
WATER

INCENTIVIZING SOCIAL IMPACT. The SSN structure is described here with a social business model, but is generalizable to incentivize all businesses to achieve greater measurable social impact.

KEY BENEFITS OF THE SSN:

1. **Sustainability:** The loan allows Impact Water to grow more rapidly thanks to accessing low-cost capital thus multiplying their social impact.
2. **Scalability:** It unlocks the potential of return-seeking capital to invest in social impact, capital which traditional NGOs are unable to access.
3. **Appropriate Capital Structure and Alignment of Incentives:** The debt is priced at 5%, with the the UBS Optimus' return increasing to 10% if targets are met. By pricing the loan at a moderate 5% whilst having an upside for the Investor, we ensure that Impact Water stays true to their mission, while allowing UBS Optimus to achieve a reasonable return. The Outcome Payer, Investor and Social Business all benefit when the social impact objective is achieved and the risk is shared.
4. **Leverage:** The Outcome Payer sees their funding significantly leveraged by the Investor. In our pilot, The Rockefeller Foundation sees its \$200,000 Outcome Payment leveraged by the \$500,000 debt investment from UBS Optimus Foundation.

IMPACT OF INTERVENTION

No. of Children with Access to Safe Water over the next 5 years

	Year 1	Year 2	Year 3	Year 4	TOTAL
No. of Schools	540	630	810	900	3,600
No. of Children	210,000	245,000	315,000	350,000	1,400,000

The Social Success Note blends funds from donor organizations, governments and private debt and equity. It is an important part of the solution in overcoming the funding gap to achieve the Sustainable Development Goals.

The intervention of the SSN is driven by Impact Water, a social business that sells, installs and maintains water filtration systems in Uganda. Impact Water will use investment capital from UBS Optimus Foundation and Outcome Payments from the Rockefeller Foundation to increase the scale of its impact to provide 1.4 million children with clean water over the next 5 years.

