

PROJECT SUMMARY

SOCIAL IMPACT BOND: EL FUTURO EN MIS MANO

(ME-L1263 / ME-T1344)

Female heads of households (“jefas”) are a vulnerable group in Mexico and throughout Latin America: they are more likely to be unemployed and have lower levels of income than their male counterparts. In 2015, nearly 29% of all Mexican households were headed by jefas and this number has been growing steadily. In Jalisco, one in every three jefas lives in poverty. Many are “trapped in poverty” by low education, limited work experience, gender inequality in the workplace, lack of support networks and time constraints due to childcare.

The Secretary of Development and Social Integration of the State of Jalisco (SEDIS) has prioritized supporting vulnerable jefas, and in 2013 launched a cash transfer program to support jefas earning less than 2.5 times the minimum wage (MXN 182.60 per day) to enable them to access to better economic, health and social outcomes. There are more than 52,000 women that qualify for the current government program, of which around 31,000 reside in the Metropolitan Area of Guadalajara. The Government of Jalisco would like to improve its program, so that women can achieve higher and more sustainable levels of income, thereby breaking the intergenerational cycle of poverty and potentially reducing future costs to tax payers.

Therefore, the Government of Jalisco seeks to launch a social impact bond (SIB), wherein the risk of intervention failure is shared with external investors. Given the pay-for-success structure, a well-designed SIB should incentivize providers to test and refine their proposed interventions through continuous data feedback loops, and should provide actionable evidence of an intervention model that may be scaled in Jalisco and other areas in Mexico and Latin America.

The MIF will act as a lead investor/lender in the SIB, which will aim to improve the economic resilience and overall wellbeing of approximately 1,300 households. The MIF senior loan will be used to provide working capital to finance an intensive, holistic intervention lasting up to 18 months that includes financial education, savings promotion, business development services, mentoring, soft skills, and transfer of a productive asset. Promotora Social México (PSM), a Mexican impact investment fund, is expected to act as a co-lender with the MIF. The MIF and PSM loans will be used to pay the service providers for their work. If the service providers are successful in meeting the targeted outcomes, then success payments by the government of Jalisco and the Global Innovation Fund will be paid to a fund account used to pay certain project costs, and repay the loans.

The Global Innovation Fund (GIF), a non-profit social innovation fund, will provide funding to match the payments for outcomes provided by the Government of Jalisco. CREA and Fundación Capital will act as the service providers and will be responsible for providing all services required to achieve outcomes. The lenders (MIF and PSM) will only be paid interest and principal on their loans to the extent that outcomes by the service providers are sufficient to meet agreed targets resulting in the success payments. There is no assurance that such loans will be repaid.

The proposed project will be the first investment in a social impact bond outside of Europe and the United States.