

## The KH Impact 2.0 Fund

ITC: Coding Bootcamp for Olim – Education Loans for High Tech Jobs

### Investor Update — May 12, 2022

Dear investor,

We are delighted to share with you the Q1 2022 report for the first investment made by The KH Impact Fund. As a reminder, The Fund is the first endowment fund of its kind in Israel and is on the cutting-edge of social investment and philanthropy in Israel. Impact Investment is a new paradigm in the world of philanthropy, combining social impact with financial return—in what is termed a 'double bottom line'.

Donors have the chance to take part in this exciting new field by contributing to a fund that invests 100% of its capital in Impact Investment assets in Israel, generating both social impact and a financial return that enables an evergreen investment/philanthropic cycle.

In June 2020, the Investment Board decided to allocate the Fund's capital to the investment in Israel Tech Challenge (ITC) to provide high-tech education loans for Olim.

Until now, the Fund has been used to finance the Income Share Agreement ("ISA") loans for a total of 26 students in 4 programs. 12 of the 26 who started the program in June 2020 have graduated; 8 out of them are working. Of the 14 who started in October 2020, 12 are already employed, despite a challenging market for junior developers.

**Bottom line: You have chosen a smart, high-leverage investment in the future of Israel. Our first investment of \$200k in ITC is producing an economic value of USD 49 million (NIS 154 million) in Israel's economy. That equals an astonishing 245X ROI. Not to speak of the intangible impact (for example, 2 ITC students are new immigrants from Ukraine).**

Imagine what we could achieve if we grew the Fund to \$1+ million.

We will keep updating you on a quarterly basis 30-45 days past the end of each quarter. The Fund will continue to be advised by Social Finance Israel, the leading professional not-for-profit organization in Israel in the field of Impact Investment.

Best,



**Dr Thomas D. Zweifel**  
Chairman



**Till Bohbot**  
Vice Chairman

## Background

<b>Total Investment</b>	\$ 200,000	<b>Program's Duration</b>	5 years
<b>Amount Called From Investors</b>	\$ 200,000	<b>Expected Total # of Participants</b>	26
<b>Target IRR</b>	5%	<b>Loan Type</b>	Income Shared Agreement (ISA)
		<b>Loan Issued</b>	23/11/2020

### **ITC – Israel Tech Challenge**

Founded in 2016, Israel Tech Challenge (ITC) is dedicated to tackling the shortage of qualified hi-tech engineers in Israel. Located in Tel-Aviv, ITC's mission is to build a talent pipeline to Israel's most needed hi-tech positions. ITC's training methodology is inspired by the IDF's 8200 Intelligence Unit. Currently, ITC offers Full-Stack Development, Data Science and Cyber Security programs and is expanding its programs according to industry demand. Engagement with the Israeli hi-tech industry starts as early as the training program itself: the courses' lecturers are from the industry, the mentors are highly experienced technologists, workshops and projects are in collaboration with industry companies and start-ups.

ITC is partnered with the Jewish Agency for Israel and is the only training program to approach Jews from around the world. 70% of ITC's graduates have come especially to this program with the purpose of securing a job in the Israeli hi-tech industry. ***To date, ITC has placed over 600 highly talented young professionals from around the world, including Israel, into leading hi-tech companies in Israel.***

### **Removing Financial Barriers**

ITC is focused on bridging the gap between talent and opportunity. Different scholarships are offered to students in order to remove financial barriers to joining some of the programs. In addition, since early 2019, students can join the programs with an Income Share Agreement (ISA). This new funding model enables students to take courses without paying tuition upfront, but rather pay the tuition back as a percentage of their income only once they are gainfully employed and earning above a meaningful salary in the sector. This is the first time an ISA is available to students attending an educational program in Israel.

As part of its exciting partnership with the Drahi Foundation, Marc Rowan Foundation and Singer Foundation, ITC offers scholarships to exceptional students over the next few years. The Drahi Foundation's contribution allows ITC to upgrade its professional and academic courses as well as support improvements to the campus, ensuring the continual accommodation of our growing student base.

## The Purpose of the Investment

Israeli banks offer loans only to Israeli citizens who have had an Israeli credit card for a minimum of 2 years and have never been in debt. The investment provided ISA loans for 26 students to cover tuition costs at the ITC for a Bootcamp dedicated to new immigrants and students Israel's periphery, who typically fail to be able to meet these bank standards.

The program lasts 5 months, split between advanced training and paid internship. The student agrees to a pay-for-success contract which enables them to repay their tuition through an ISA whereby they agree to pay 10% of their salary for up to 48 months after graduation, provided they earn above NIS 12K/ month.

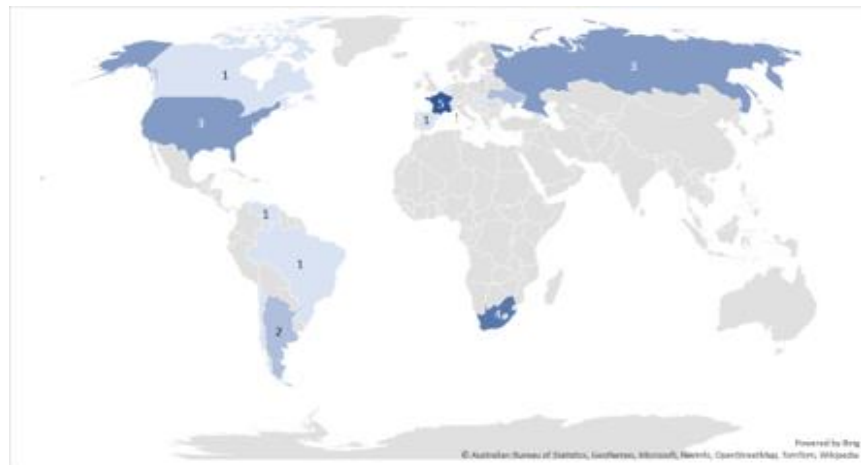
Before the Covid pandemic, average salaries for graduates of the program were NIS 18K/ month, with an 85-95% employment placement rate. During the pandemic, starting in March of 2020 and until recently, these numbers have decreased but in the last few months have returned to the salaries of 20-22K/ month for Data Science and 12-14K/ month for Full Stack graduates. Course costs are NIS 42K/ student for Data Science and 24K/ Student for Full Stack. The ISA will be operated by Spark, which is an external vendor specializing in ISAs in Israel.

With over 1,400 graduates, ITC has experienced a 94% employment rate (within the first 6 months after graduating from the program). Its screening process allows ITC to accept only those they truly believe have the potential to succeed in the Israeli's high-tech industry. Its experience shows a strong correlation between those who have completed ITC's program and those who have been successful in finding a life-changing job, regardless of their nationality or socioeconomic background.

## Where Are Students From?

ITC has granted ISA loans to 26 students, all of whom are Olim except one who is an Israeli woman. New immigrants who are beginning their lives in Israel cannot receive traditional student loans.

The Israeli woman (originally from Russia) is a mother of 4 who is changing her career and was unable to receive a loan from the bank.

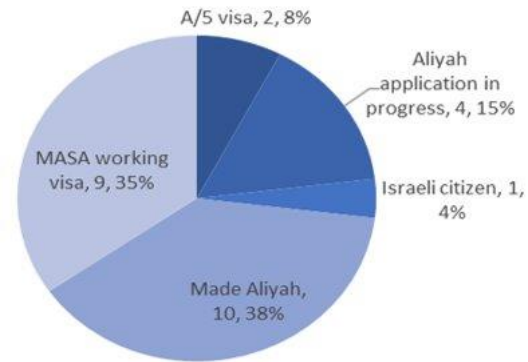


The strong concentration of students from France, South Africa, Russia and the USA is typical for the ITC student diversity.

## Origin Country

Country	#	%
France	5	19%
South Africa	4	15%
Russia	3	12%
USA	3	12%
Argentina	2	8%
Ukraine	2	8%
Brazil	1	4%
Canada	1	4%
Chile	1	4%
England	1	4%
Hungary	1	4%
Spain	1	4%
Venezuela	1	4%
Total	26	100%

## Aliyah Status



Of the 26 students, 12 started the Bootcamp in June 2020 and completed it in November 2020; 14 started in October 2020 and completed in April 2021. Those are divided into two types of training:

**Full Stack Developer:** ITC's Full-Stack Development with data specialization is for driven and motivated professionals who wish to launch a new career as data-oriented programmers in the Israeli hi-tech industry.

Applicants must hold an academic degree. When not, they must have an impressive working experience that demonstrates excellence in their current occupation and proven ability to study.

Pre course: 1 month: Mandatory HTML & JavaScript course

Training: 3 months, Project: 2 months

**Date Science Fellow:** [\[read more online\]](#)

The ITC Data Science Fellows is a 5-month elite program for excellent STEM graduates who aspire to launch a rewarding career as Data Scientists. Participants can specialize in one of the two most in-demand specialties in the industry—Computer Vision and NLP. Applicants have a degree (B.Sc, M.Sc) in Science, Technology, Math or Engineering (STEM).

Pre course: 1 month: Mandatory HTML & JavaScript course

Training: 4 months, Project: 1 month

## Program Status

Of the 12 students who completed the June of 2020 bootcamp, 8, or 67%, are working and 3 of the remaining 4 have returned to their origin country. From the 14 who started in October 2020, 12 are employed, which is 86%, one has returned to his home country, and one went back to study at a university. While the high-tech and technology sector in Israel remains a strong growth engine for the economy, junior employees are having a challenging time finding their first job. This is even harder for Olim, who do not have strong ties in Israel.

ITC has increased their career office to 3 people to place their graduates in attractive positions. Given the fact that it has been only a few months since graduation, in addition to the pandemic effects on the hiring market, we are pleased with the 20 placements in top tech companies that the ITC graduates have achieved.

The current average salary for the Data Science graduates is almost 18,000 NIS and for the Full Stack graduates almost 10,000 NIS. For the Full Stack students this is slightly lower than we were hoping for, but within the norm.

From Completed Training: Employment Status		
Yes	20	77%
No	6	23%
Total	26	100%

## Employers:

Company type	Company	Position	
AI Startup	DeltikaWeEndeavor (Onomagic)Easypark	Data ScientistData AnalystData Engineer	
		Software company	Kenshoo
Startup	Wix	Data analyst	
		Costumer care expert	
		Front end	
		Backened	
		JonnyX	Full Stack Developer
		Alpha-Beta	Junior Software Engineer
		UpRight Pose	Technical Support Specialist
		Zoomin	Data Scientist
		Guesty	Data Science
		OpenWeb	Data Scientis
		GKI Group	Data Scientis
		Deeyook	Data Scientis
		Transmit Security	IT Engineer
		Demetria	Full stack
		JD Solutins	Full stack
Makeup	Booster	Software engineer	
	Natasha Denona	Web Manager	

By the end of March 2022, 17 Students of the 26 (65%) have started paying back their ISA loan. In total, 21% of the loans have been paid back thus far (March 29, 2022). From the 7 students in the June 2020 cohorts, an average of 44% of their principal balance was paid. From the October 2021 cohorts, for Data Science the payment of principal stands at 16% and for Full Stack at 28%. The differences have to do with the time passed since the training ended and the larger amount of the Data Science training.

Cohort	Number of		Loan	Average		Employed	Started	% Loan	
	Students	%		Amount	Salary			Payback	Payback
Data Science, June 2020	4	15%	42,000	16,333	3	75%	2	50%	44%
Full Stack, June 2020	8	31%	23,900	10,100	5	63%	5	63%	44%
Subtotal June 2020	12	46%			8	67%	7	58%	
Data Science, October 2020	6	23%	42,000	18,750	4	67%	4	67%	16%
Full Stack, October 2020	8	31%	24,900	9,813	8	100%	6	75%	28%
Subtotal October 2020	14	54%			12	86%	10	71%	
Total	26	100%					17	65%	

ITC has started paying back the loan according to the terms of the loan, which are 5% interest rate with a set amortization schedule (below). The first payment of \$10,000 was due and paid in December of 2021. The next payment is due in December 2022, and as can be seen below, ITC has already collected \$37,636 of the \$60,000 due by the end of the year. This gives us strong confidence that ITC will be able to pay the next installment on time as they have already collected more than half of the amount due at year end.

Year	Payment Month, Year	Amount	Paid	Collected from students
First Year	December, 2021	\$ 10,000	\$ 10,000	\$ 10,000
Second Year	December, 2022	\$ 60,000	0	\$ 37,636
Third Year	December, 2023	\$ 57,500		
Fourth Year	December, 2024	\$ 55,000		
Fifth Year	December, 2025	\$ 52,500		
Total		\$ 235,000	\$ 10,000	

### **The War in Ukraine**

There are two graduates in the program from Ukrainian, both their families are doing well. One of them, S.P., an Ukrainian immigrant studying at the ITC boot camp thanks to an impact investment from Keren Hayesod, said:

“Thank God my mom is living in a small town in western Ukraine near the Belarus border so in general, it is safe there right now. But my wife's parents are at the epicenter of the war. They live near the Russian border, so Russian soldiers occupied the town where they lived on the first day of the war. They can't move out of there to the safer place physically, because all bridges in the area are bombed and it's too easy to be killed. I hope it will be over soon.”

## **Loan Overview:**

### **Introduction to Income Share Agreements (ISA)**

An ISA is a contract between a student and their education provider where a student receives education related funding in exchange for sharing a fixed percentage of their post-graduate income for a defined period of time. Because the amount paid is based on income once employed, payments should always remain affordable. ISAs help reduce financial barriers to education, align incentives between education providers and students, and increase education affordability.

### **How does an ISA work?**

- An income share agreement is not a loan.
- The income share percentage is not an interest rate or an annual percentage rate. It is the percentage of income that will be returned throughout the Agreement's term.
- An income share percentage is fixed. It will not change over the term of the Income Share Agreement.
- The amount of income share payments to be returned will vary based on the amount of earned income.
- Payment obligation ends with either the end of the Income Share Term or by prepaying the outstanding amount.

### **Trends in ISAs**

**Universities:** In the United States several universities have launched ISA programs as alternatives or in addition to traditional college loans including Purdue University and the University of Utah.

**Bootcamps:** Dozens of coding bootcamps including General Assembly, Le Wagon, Ironhack, Holberton and Flatiron have launched ISA programs as alternatives to traditional finance, and in some cases as the only accepted method of payment.

**Israel:** Social Finance Israel is developing a pipeline of ISAs geared towards various skills, education and employability programs ranging from short programs lasting several weeks to full length university degrees.

## The Investment

<b>Investment structure</b>	<b>ISA Project funding of a total of US\$ 200,000</b>					
<b>Target IRR</b>	IRR of 5%					
<b>Investment Period</b>	5-years (This includes the 10-month training period and the 48-month ISA repayment period)					
<b>Loan Terms (with ITC)</b>						
<b>Loan Issued</b>	December 2020					
<b>I/O</b>	One year (2021 will only be interest payment of 5%)					
<b>Principal Payment</b>	Began in 2022, for \$50,000 per annum, paid annually					
<b>Payment Schedule in US Dollars</b>	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	10,000	60,000	57,500	55,000	52,500	235,000
<b>Performance</b>	Inline with plan					

## Impact

The direct impact of this project is the upskilling and work seeker support for two cohorts with a total of 26 Olim. If successful, ITC plans to run 3 such cohorts each year, serving 500 students.

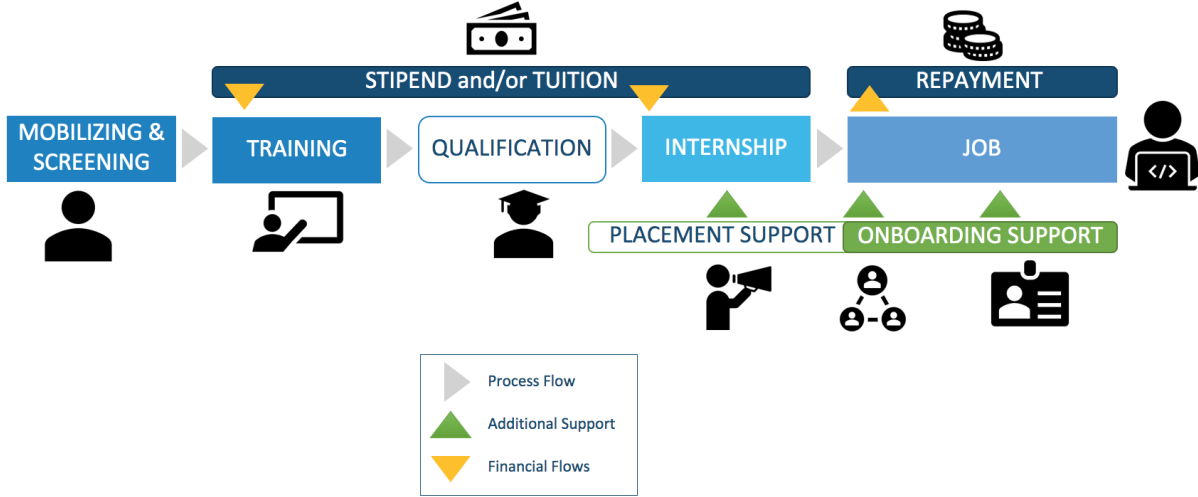
***From a broader perspective, this project will also serve as a proof of concept for higher impact ISAs targeting low-income demographics in Israel, especially the Arab and Haredi communities, where there are significant financial barriers to upskilling such as tuition and living expenses during training.***

## Impact Measurement

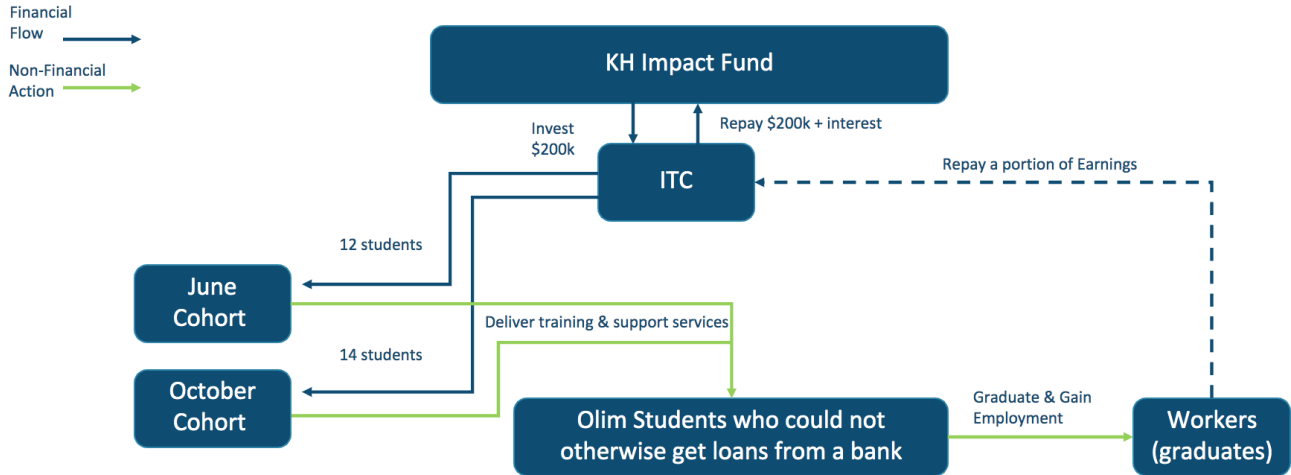
Themes	Outcome	KPIs	Strategic Outcomes	Strategic Outcomes
			Scalability internal	Scalability external
<b>Employment</b>	High Tech Jobs	Number of jobs	Number of students (future cohorts)	Number of students (other institutions)
	Salary level	Average % increase in salary		
	Retention in Israel	% of graduates remaining in Israel 2-years or more		
<b>Decent work &amp; economic growth</b>				
<b>New Immigrants</b>				



### How it works



### Investment Structure



## What Is the Economic Value-Add of Keren Hayesod’s Impact Investment in Israel Tech Challenge (ITC)<sup>i</sup>

### Value Added

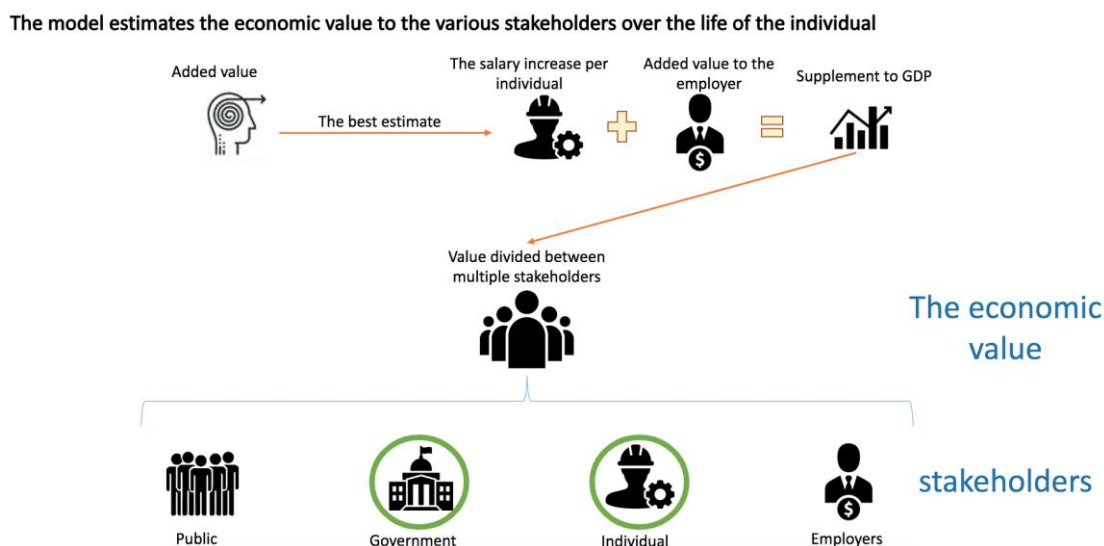
The added economic value of one ITC graduate employed in high-tech compared to the reference population is an additional ILS 4.7m or ILS 7.9m per graduate at a discounted value, based on the two ITC curricula

Component	ITC program graduate Full Stack or Data Science		Reference population – similar candidate not ITC graduate	
	Data Science		Full Stack	
Training				
Currency	NIS	USD = 3.12 NIS	NIS	USD = 3.12 NIS
Value to the market- GDP	7.9	2.5	4.7	1.5
Value to individual – net income	2.5	0.8	1.7	0.5
Value to the government – tax revenues*	1.6	0.5	0.7	0.2
Number of graduate	10	10	16	16
<b>Value to the Market of all graduates</b>	<b>79.0</b>	<b>25.0</b>	<b>75.2</b>	<b>24.0</b>

The added economic value of graduates thank to KH Impact Fund is **additional USD 25m for Data Science and USD 24** for Full stack. accumulated to a total of USD 49m at a discounted value, based on the two ITC curricula

### Benefit analysis


The method of calculating the benefit (for the economy, the individual and the government) generated by an ITC graduate, we assumed an estimated age of 24 years at the beginning of the program a realistic assumption based on ITC’s track record so far.





In addition, base data and assumptions regarding the labor market variables (employment, wages, unemployment, years of work, etc.) were considered. Labor market data are based on official government data [Higher Education Council, Bureau of Statistics, Ministry of Finance, Ministry of Economics etc.]. Benefit analysis was conducted for participants employed in the high-tech industry.

### Full Stack (benefit)


Salary increase per individual for life  
(NPV)





Reference population – person not accepted to ITC program	Graduate of ITC training	
		
Starting monthly salary NIS	19,500	12,000
Starting monthly salary USD	6,250	3,846
Wage increase over 20 years	4.82%	4.82%
Median age to complete a degree	24.5	24
Employment rate	83.1%	77.3%

### Data Science (benefit)

Salary increase per individual for its life (NPV)



Reference population – person not accepted to ITC program	Graduate of ITC training	
		
Starting monthly salary NIS	12,500	8,500
Starting monthly salary USD	4,006	2,724
Wage increase over 20 years	5.28%	5.28%
Median age to complete a degree	24.5	24
Employment rate	83.1%	77.3%

Reference population—The reference population is based on data obtained from ITC regarding the individual's circumstance in the case he or she would have not taken part in the ITC program. The reference population was designed to serve as reference for program participants for the benefit of estimating the additional benefit of ITC participants. For the benefit of the analysis, various variables of the labor market and the median age were taken into account.

Analysis limitations—The older the participant, the smaller the return to the economy; the younger the participant, the higher the return. Furthermore, regarding employment and unemployment rate, there is no data available which distinguishes between high-tech professionals' profession and computer science [including electronic engineering] professionals, so we assume there is no difference between employment rate of computer science graduates and those of engineering. Although this is not the exact same population in every characteristic, this reference group is close enough in terms of employment rates.

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<sup>1</sup> Disclaimer:

All assumptions and various calculations were conducted based of best effort. The value and goal of this work is to provide an indication of the magnitude of the value to the GDP of an ITC graduate compared to the alternative of the same person not undergoing said training, does not constitute an investment recommendation and relying on it is at the discretion of Keren Hayesod. SFI shall not be liable for actions resulting from the use of this information by Keren Hayesod or any other entity to which Keren Hayesod provides this information to.