



# **IMPACT BONDS IN DEVELOPING COUNTRIES:**

## **Early Learnings from the Field**



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# INTRODUCTION

While remarkable progress has been made in human development indicators in recent decades, significant global challenges remain. Over 800 million people are living on less than \$1.25 a day (United Nations Development Programme, 2017; World Bank, 2017), and 263 million children and young people are out of school (Education Commission, 2016). The United Nations' sustainable development goals (SDGs) outline an ambitious global agenda for ending poverty and hunger, ensuring good health and quality education, and promoting jobs and reduced inequalities. However, governments and multilateral organizations will face considerable challenges achieving these aims. In education alone, the Education Commission in 2016 estimated a funding gap of \$1.8 trillion per year to ensure quality education for all children.

Achieving the SDGs will require governments and multilaterals to develop and apply innovative financing tools to make the best use of existing funds. Results-based financing represents one tool that governments and multilaterals can use to ensure that funds are directed most effectively toward populations in need. Ensuring that resources are spent only on interventions

that achieve desired results has the potential to better target social services and to hold funders and service providers accountable for what they deliver. Social and development impact bonds, one form of results-based financing, have the potential to shift the focus of participants to outcomes, encourage performance management and adaptability, promote learning through evaluation, and create a clear case for investing in what works.

In 2015, the Brookings Institution published a report on the potential and limitations of impact bonds, which chronicled the development of the first 38 impact bonds in high-income countries and analyzed the landscape (Gustafsson-Wright et al., 2015). This report takes the field further forward, exploring the lessons learned in the development of impact bonds in low- and middle-income countries, bringing together the findings from interviews with stakeholders and research into the impact bond space conducted by the authors over the course of a year. In addition, the report draws on discussions from an intensive daylong workshop held in London in November 2016, in which impact bond practitioners from developing countries shared their experiences

and early lessons learned. The report includes a Deal Book with detailed fact sheets for all impact bonds in developing countries, featuring both the four contracted and 24 in design phases, as of August 1, 2017.

The following analysis indicates the wide range of deals in design phases in developing countries, ranging in terms of country, sector, size of returns, and evaluation methodology. Emerging from the analysis, the recorded discussions in a one-day workshop with practitioners, and in-depth interviews with stakeholders from the contracted deals, we have identified five key issue areas in the

design and implementation of impact bonds, which the following sections will explore.

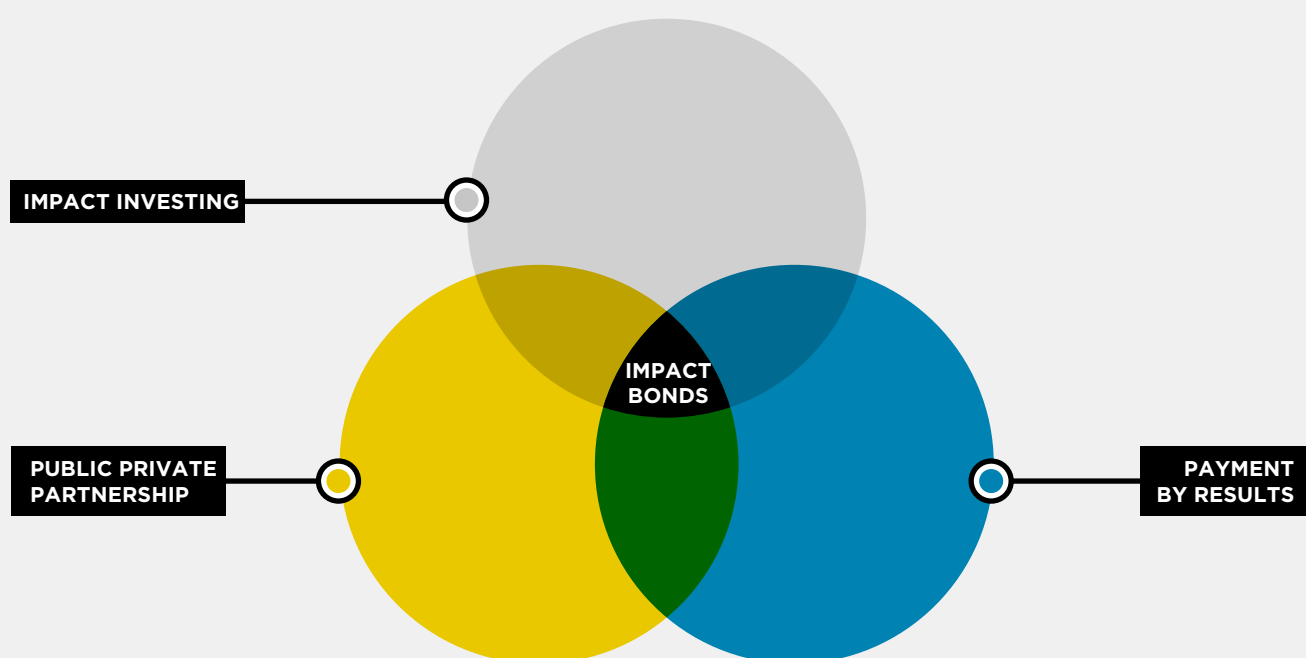
1. Identifying appropriate interventions and service providers.
2. Managing relationships with government and donor outcome funders.
3. Identifying metrics and structuring payments.
4. Developing the operating model, structuring the vehicle, and raising capital.
5. Implementing the impact bond and measuring impact.

# IMPACT BOND PRIMER

Impact bonds blend impact investing, results-based financing, and public-private partnerships (see Figure 1). In an impact bond, private investors provide up-front capital for social services and are repaid by an outcome funder contingent on the achievement of agreed-upon results. In the case of a social impact bond (SIB), also called pay-for-success (PFS) in the United States and social benefit bonds (SBB) in Australia, the outcome funder is a government

entity. In the case of a development impact bond (DIB), “development” referring to their primary application to low- or middle-income countries, this is usually a third party such as a donor or foundation (Center for Global Development and Social Finance, 2013). Since there are only three DIBs with operational experience, much of the analysis of this report focuses on the design and negotiation phases of the impact bond contracting process.

**FIGURE 1** Impact Bonds: A Confluence of Trends



Source: Authors' elaboration

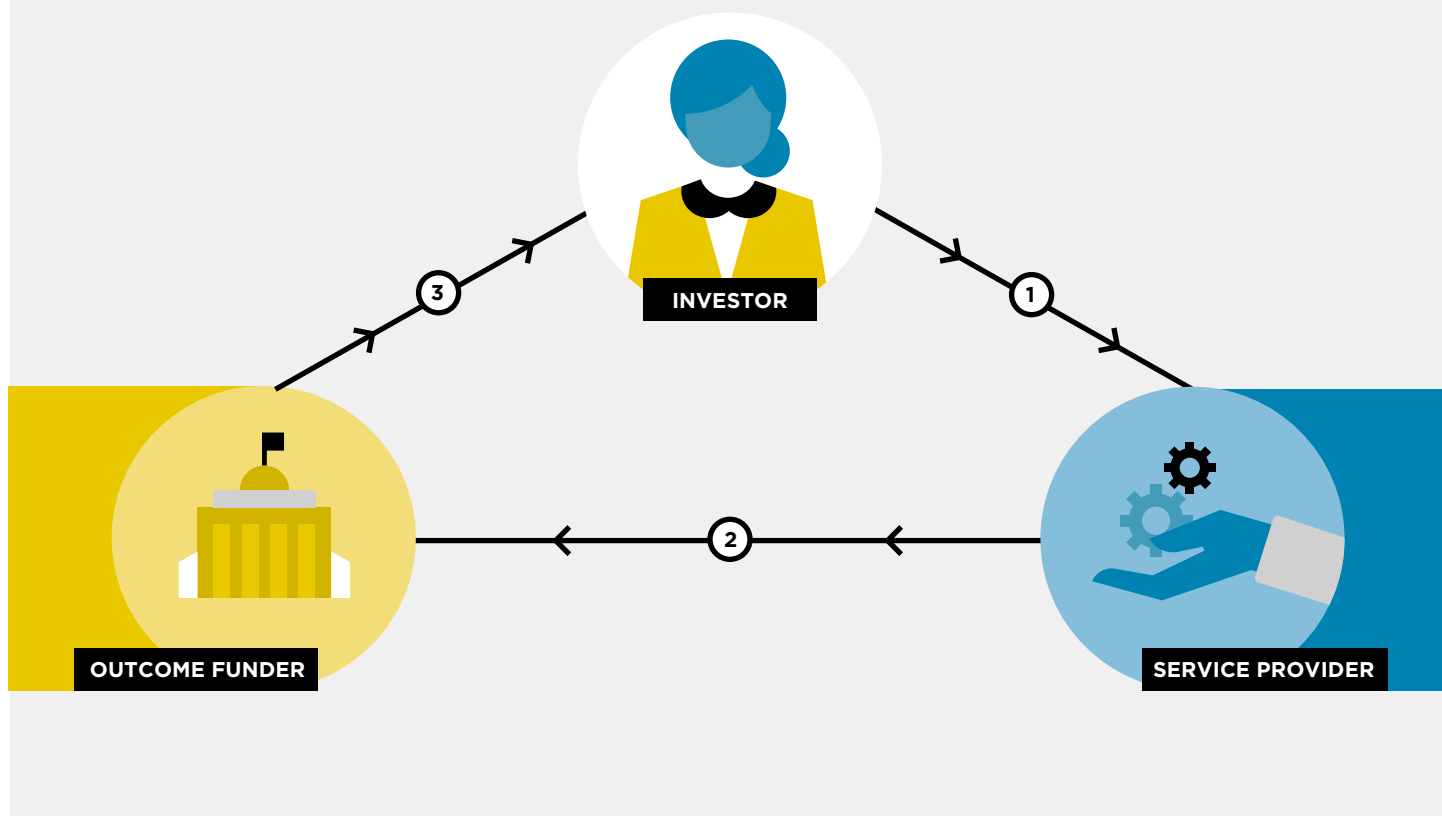


## IMPACT BOND STRUCTURE AND MECHANICS

While impact bonds are structured in multiple ways, the basic mechanics can be described as in Figure 2. Most impact bonds involve three main types of actors: the **investors**, who provide up-front capital to the **service providers** to deliver social services to the population in need. Contingent on the achievement of results, the **outcome funder** repays the investors their principal plus an agreed-upon return on investment. Impact bonds often also involve several other key players. These include an **evaluator**, usually external to the service provider, who verifies or evaluates whether agreed-upon outcomes have been achieved. Other evaluations of the intervention itself may also take place in parallel, and performance management of the service provider is also typical, but the role of the evaluator is to assess whether impact metrics are achieved. An additional, but not necessary, actor can be an **intermediary** who often has the responsibility of raising capital and arranging negotiations among the participants. The intermediary can also support the service provider in performance management. Sometimes another entity can provide **technical**

**assistance** in, for example, selection of outcome metrics and repayment terms. Legal support from **lawyers** who are knowledgeable in this form of contracting is almost always required.

While the basic structure of impact bonds in developing countries has tended to follow the same patterns observed in high-income countries, a key difference is the greater need for a risk management element. Implementing impact bonds in low- and middle-income countries involves the development of contextual understanding about the needs of outcome payers and investors in a riskier environment than the one faced by participants in high-income countries. For SIBs in high-income countries, one of the driving forces has been the idea that the payment by government is drawn from the future cost savings provided by successful preventive interventions. In developing contexts—and particularly in DIBs, in which the outcome payer is not the government—quantifying the value of interventions to each organization is much more complicated, and in these cases future savings are less likely to be a driving force.

**FIGURE 2****Impact Bond Mechanics**

## **VARIATIONS ON THE IMPACT BOND STRUCTURE AND MECHANICS**

Although each impact bond follows a unique path to development, four major stages have been identified (Gustafsson-Wright et al., 2015): a feasibility study; structuring the deal; implementation; and evaluation and repayment. Within the feasibility study, the social challenge is identified and the feasibility of using

an impact bond to resolve that challenge is explored. To structure the deal, an outcome funder must agree to enter the contract, capital must be raised, the technical details such as the specific intervention and outcome metrics are decided, the service provider is procured, and contracts are finalized. After this, in

the implementation stage, services are provided to the population in need, and the performance of the service provider is monitored and managed. Finally, verification of agreed-upon outcomes takes place and payment to investors occurs contingent upon their achievement.

Table 1 summarizes the types of organizations that are active in each role in impact bonds in developing countries. A more comprehensive overview of the organizations

working in each impact bond can be found in the Deal Book, later in the report. Some of the same types of organizations are taking on different roles in different impact bonds: For example, foundations are acting as outcome funders and investors, while international organizations are both investors and service providers. Even within the same impact bond, the same actor may play different roles, for example acting as both an investor and a service provider.

**TABLE 1**

**Actors in impact bonds in developing countries**

Role	Types of organization
<b>Outcome funders</b>	Foundations or philanthropists; multilaterals, bilaterals or intergovernmental financial institutions (IFI); governments; non-profits; corporate giving; investment funds
<b>Investors</b>	Foundations or philanthropists; multilaterals, bilaterals or intergovernmental financial institutions (IFI); impact investing firms; banks; investment funds; institutional investors
<b>Service providers</b>	Nonprofits, international organizations, nongovernmental organizations, development organizations, charities, impact investors, community organizations
<b>Intermediaries</b>	Advisory organizations
<b>Technical assistance providers</b>	Social consultancy organizations, law firms, think tanks, universities
<b>Evaluators</b>	Research institutes, academics, professional services firms

Source: Authors' research

Impact bonds can be developed on their own, as an individual transaction outcome bond contract, or as part of an impact bond fund, in which multiple impact bonds are contracted for the same issue. Seven outcome funds have been launched in the United Kingdom (U.K. Centre for Social Impact Bonds, n.d.): The first, launched in 2012, was the Innovation Fund, a 30 million-pound pilot program that contracted for outcomes for young people aged 14 and over (Griffiths et al., 2016); this was followed by the Youth Engagement Fund (U.K. Cabinet Office et al., 2014), launched in 2014, aimed at disadvantaged young people, and the Fair Chance Fund, also launched in 2014, for youth homelessness. The Social Outcomes Fund and Commissioning Better Outcomes Fund ran in parallel to support the development of SIBs for complex policy areas and closed to applications in 2016 (Big Lottery Fund, n.d.). A fund for preventing rough sleeping (DCLG Rough Sleeping SIB Fund) was announced in 2016, providing up to 10 million pounds in outcome funds for reducing homelessness (U.K. Department for Communities and Local Government & Prime Minister's Office, 2016). Finally, the U.K. government has committed 80 million pounds to the Life Chances Fund (U.K. Cabinet Office

& Department for Digital, Culture, Media, and Sport, 2016), for prospective impact bonds.

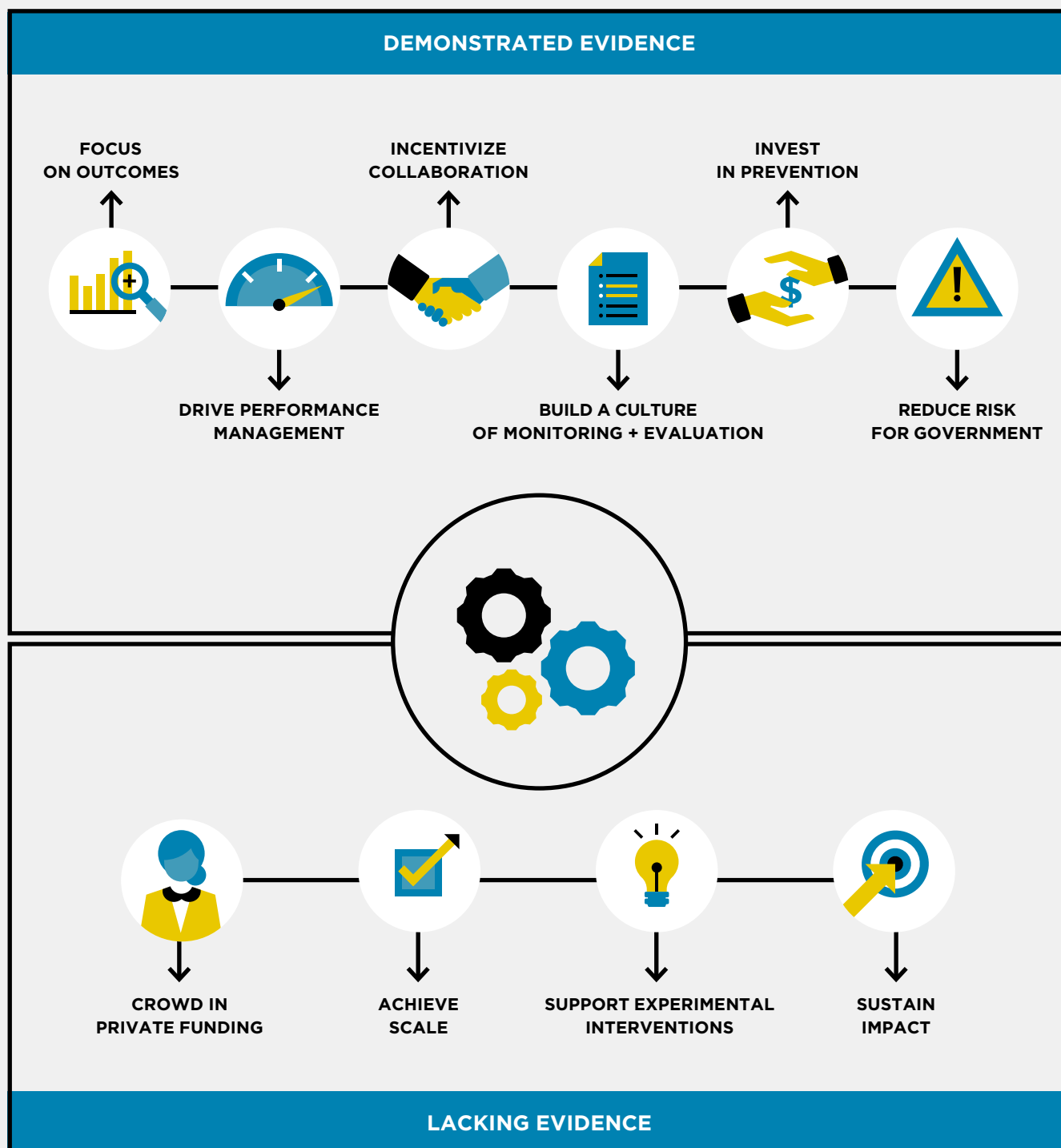
With an impact bond outcome fund, a rate card may be issued in which the outcome funder lays out the price it will pay for each outcome, and multiple service providers can be engaged to achieve different results. In the Innovation Fund rate card, the Department for Work and Pensions set maximum prices for the outcomes it wanted: For example, it was willing to pay a maximum of 700 pounds per participant for an improved attitude to school and 2,000 pounds for sustained employment (U.K. Government, n.d.).<sup>1</sup> Funding for SIBs was awarded after a competitive bidding process.

In South Africa, two impact bonds in design for maternal and early childhood outcomes have also been designed as impact bond outcome funds (Gardiner & Gustafsson-Wright, 2016). Another outcomes fund is under discussion for India, and other outcomes funds for education and refugees are also under discussion. Some have suggested that outcome funds could be a means to reach more beneficiaries, given that the individual transactions to date have been relatively small (Bellinger et al., 2016; Rogerson & Schäferhoff, 2016; Schäferhoff & Burnett, 2016).

1. Equivalent to approximately \$1,200 and \$3,300, respectively, in June 2011.

**FIGURE 3**

**Potential and Limitations of Impact Bonds**



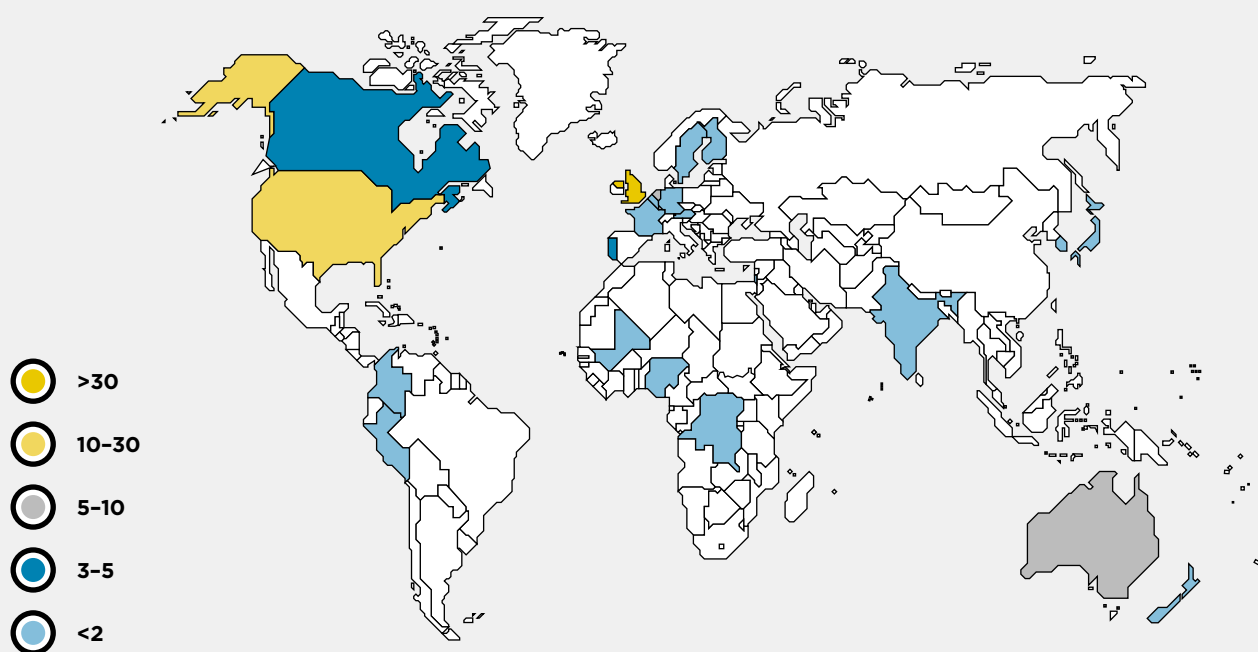
# GLOBAL LANDSCAPE AND DEAL BOOK ANALYSIS

As of August 1, 2017, there were 90 SIBs contracted around the world, with all but one (the Colombia Workforce Development SIB) in high-income countries. Three DIBs have been

contracted: Educate Girls in India (Gustafsson-Wright & Gardiner, 2016), which aims to boost enrollment and learning, a DIB for improving cocoa and coffee production in Peru (Finance

MAP 1

Contracted Impact Bonds Globally



Alliance for Sustainable Trade, 2015) and the International Committee of the Red Cross Programme for Humanitarian Impact Investment (PHII). The Deal Book in Annex D includes the four contracted impact bonds in developing countries, as well as 24 other impact bonds currently in design.

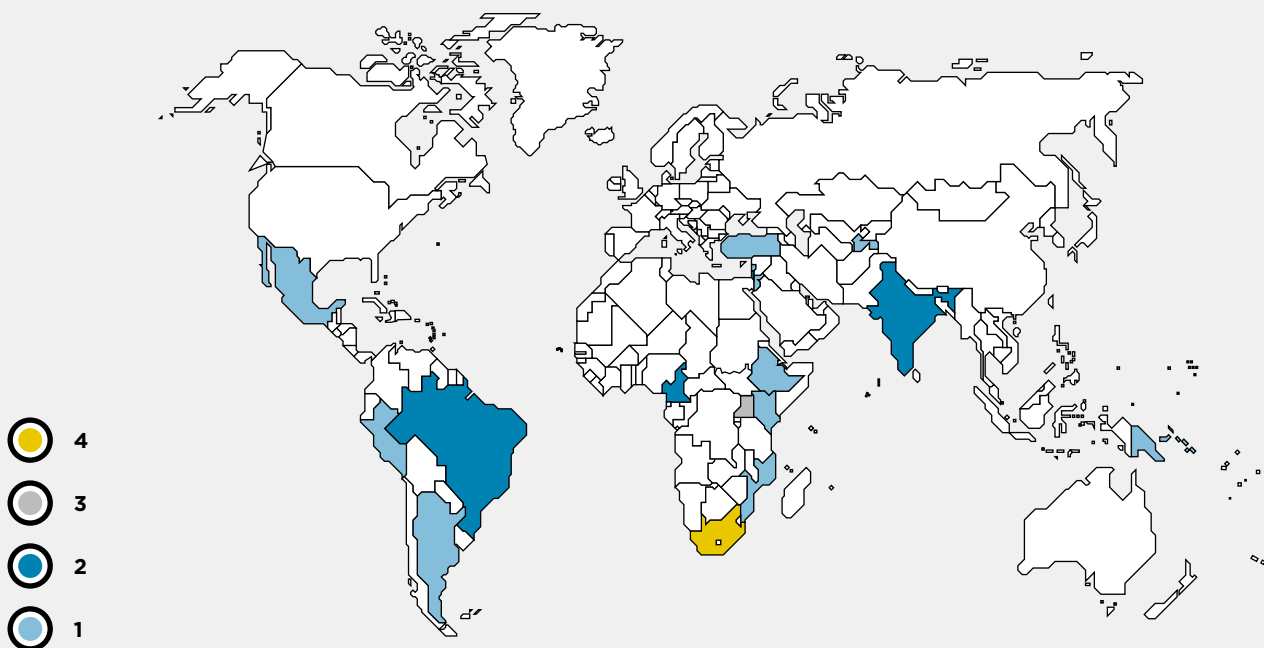
Map 1 displays the contracted impact bonds around the world as of August 1, 2017, with the darker shades of blue representing a higher number of impact bonds. The U.K., where the first impact bond was developed, has the largest number, at 36, and the United States follows with 16. The Netherlands has eight impact

bonds, Australia has six, Canada four, Portugal four, Israel, France, Finland and South Korea have two each, and Austria, Belgium, Colombia, Germany, India, Japan, New Zealand, Peru, Sweden, and Switzerland have one each. The ICRC PHII is being implemented in three countries: Mali, Nigeria and the Democratic Republic of Congo.

The 24 impact bonds in design stages in developing countries can be seen in Map 2. South Africa has the most, with four impact bonds in design, while Brazil, Cameroon, India, Palestine, and Uganda each have two.

**MAP 2**

## Impact Bonds in Design Process in Low- and Middle-Income Countries

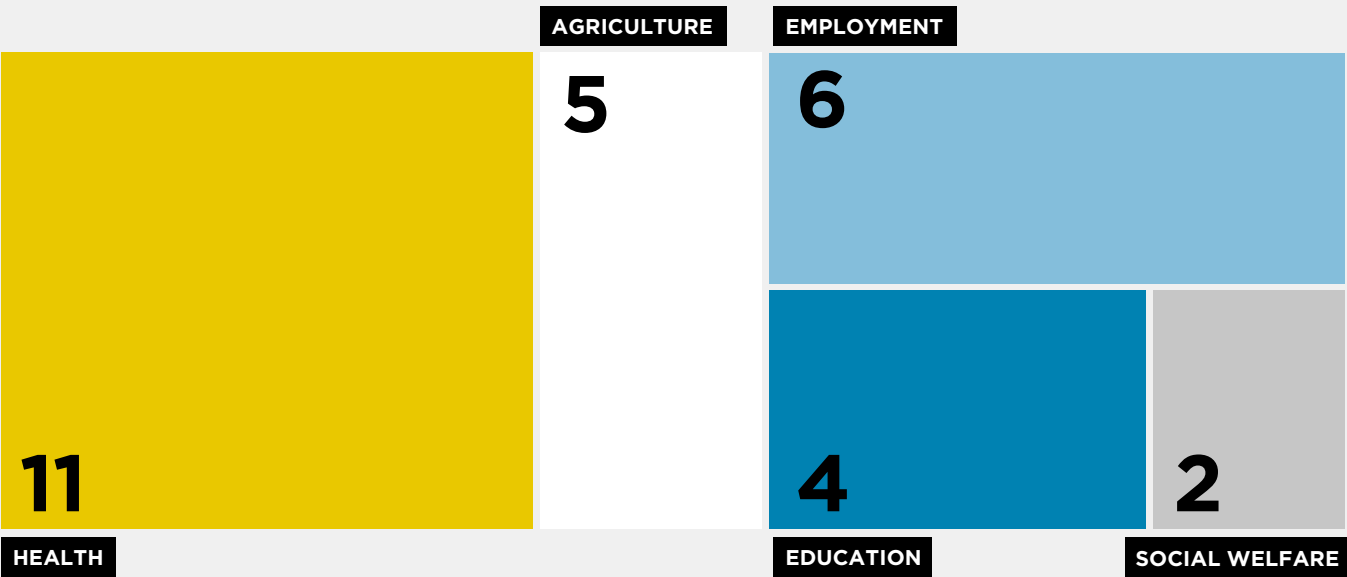


SECTORS IN IMPACT BONDS IN LOW- AND MIDDLE-INCOME COUNTRIES (CONTRACTED AND IN DESIGN)

Of the 28 impact bonds in developing countries either contracted or in design phases, 11 are for interventions in the health sector, including the treatment of cataracts, nutritional education for prediabetic women, and improved maternity care. After this, employment (six), agriculture (five), and education (four) are the next largest sectors. Social welfare has two impact bonds. The dominance of the health sector in low- and middle-income countries contrasts with the sectors represented in currently contracted impact bonds in high-income countries, where (as

of August 1, 2017) employment is the largest sector (38 impact bonds), followed by social welfare (28). These sectoral differences between high-income and developing countries likely indicate different needs and priorities. Several of the health interventions in developing countries focus on areas less likely to be needed by populations in high-income countries, such as water and sanitation or malnutrition. Moreover, the priorities in developing countries will also be driven by the priorities and strategic objectives of the

FIGURE 4 Sectors in Impact Bonds in Low- and Middle-Income Countries (CONTRACTED AND IN DESIGN)





outcome payers; the emphasis on health also indicates an alignment with the goals of the SDGs. However, employment appears to be a popular sector for impact bonds across both high-income and developing countries, many of which focus on young people as target beneficiaries. In the U.K., education and employability outcomes for 14- to 24-year-olds were targeted

by the Innovation Fund as a means of reducing long-term dependency on the welfare state (Griffiths et al., 2016). As a sector, employment may therefore be particularly suited to the impact bond model, because of the potential for positive public and private benefits—particularly if the targeted population is younger and will spend more time in the workforce.

## **BENEFICIARIES IN LOW- AND MIDDLE-INCOME COUNTRIES**

### **(CONTRACTED AND IN DESIGN)**

The target populations for many of the impact bonds contracted or in design in developing countries are marginalized, or vulnerable groups that meet specific sets of criteria. Many of the impact bonds target low-income individuals, or those living in disadvantaged areas, while women and young people are also frequently targeted. Some of the impact bonds have specific criteria to target a number of these groups; for example, the

Colombia Workforce Development SIB targets poor, vulnerable high school graduates displaced because of political conflict. The number of beneficiaries that the impact bonds target range from 100 for the Palestine Type II Diabetes Mellitus (T2DM) DIB to 400,000 for the India (Rajasthan) Maternal and Newborn Health DIB. Several target families or households, rather than individuals, such as the Sustainable Cocoa and Coffee Production DIB in Peru.

## **CONTRACT LENGTH IN IMPACT BONDS IN LOW- AND MIDDLE-INCOME COUNTRIES**

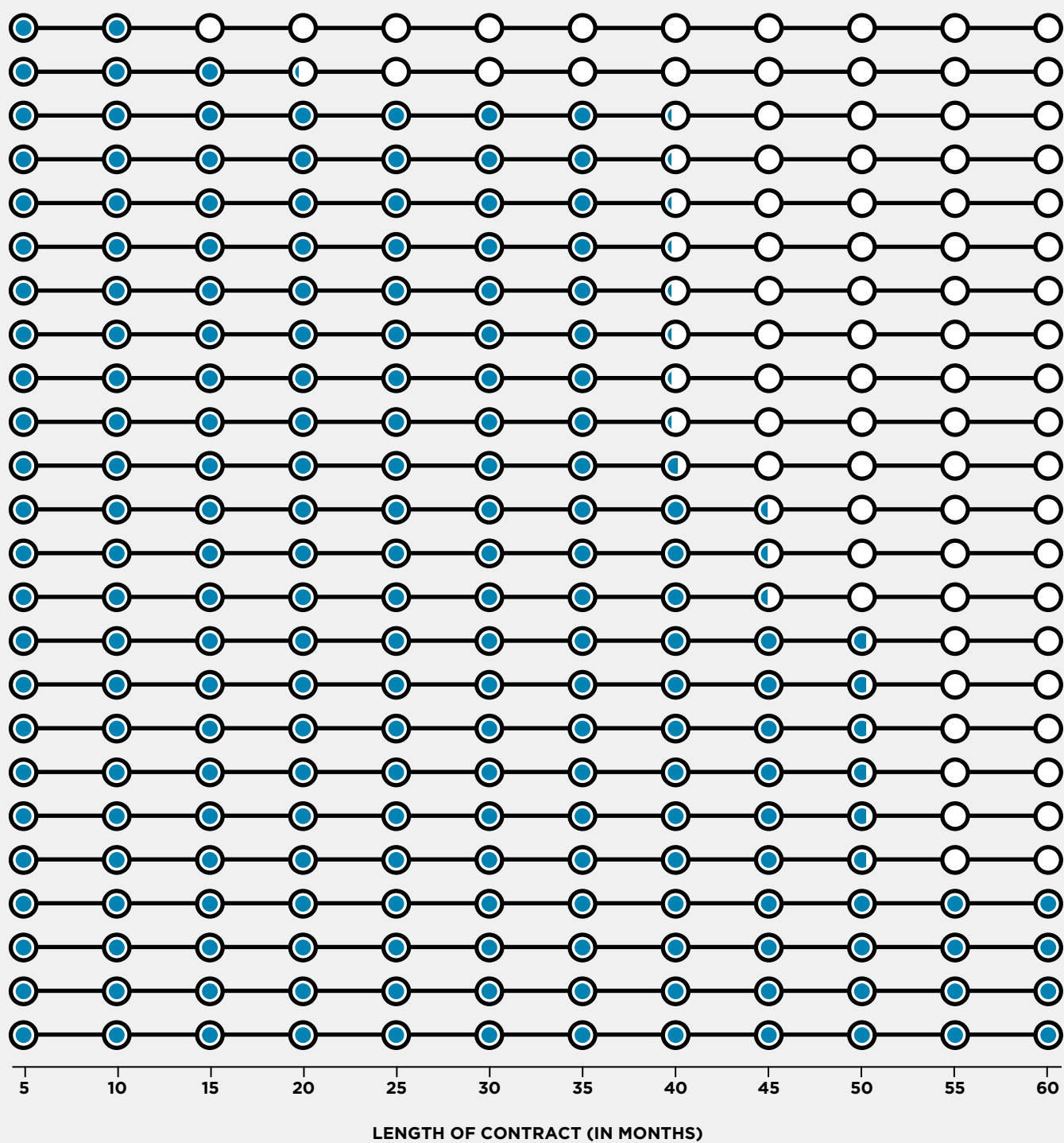
### **(CONTRACTED AND IN DESIGN)**

The length of the impact bond contracts ranges from 10 months to five years, with an average length of 42 months. As Figure 5 indicates, for those deals for which the contract length is available, more than half are for 30 to 50

months. Two impact bonds have contracts of under two years: the cocoa and coffee DIB in Peru and the Colombia Workforce SIB, both of which have been contracted. For currently contracted impact bonds in high-income countries, short

**FIGURE 5**

**Length of Contract of Impact Bonds in Low- and Middle-Income Countries (CONTRACTED AND IN DESIGN)**



Source: Impact Bonds Deal Book

contract duration is also the norm. The average contract length is 54 months, or 4.5 years, although the median is 48 months, indicating that half of the contracts are shorter than four years. Contract lengths are likely to emerge from negotiations

among stakeholders and need to be long enough to ensure that results can reasonably be expected in that time, but not too far into the future to discourage investors or to constrain the budgets of outcome funders.

## **CAPITAL COMMITMENT IN IMPACT BONDS IN LOW- AND MIDDLE-INCOME COUNTRIES** (CONTRACTED AND IN DESIGN)

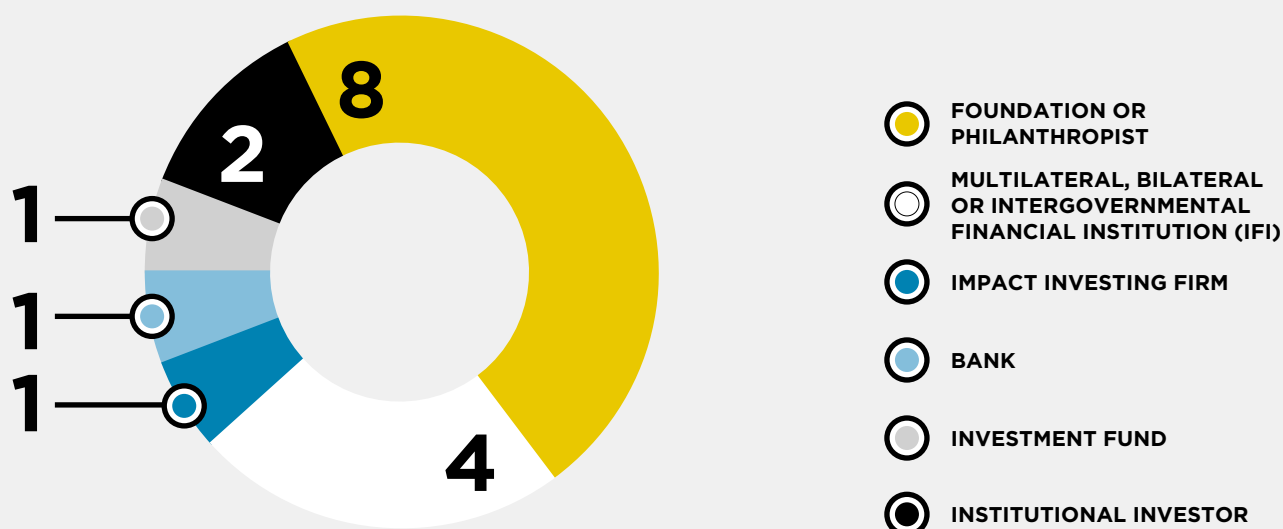
Many of the impact bonds in the Deal Book are still in their design phases, which means that data availability on up-front capital commitments vary among the deals: For some of the impact bonds, no figure is publicly available, while for others only a range can be reported. The up-front capital commitments

for the impact bonds in the Deal Book range from an estimated \$110,000 to \$7.5 million, with an average commitment of \$2 million. Five impact bonds have capital commitments of below \$1 million, with another five between \$1 million and \$5 million. The remaining impact bond is above \$5 million.

## **TYPE OF INVESTOR IN LOW- AND MIDDLE-INCOME COUNTRIES** (CONTRACTED AND IN DESIGN)

Foundations are the most prominent type of investor organization within impact bonds in developing countries: Eight of the twelve impact bonds for which investor data are available involve a foundation or philanthropist. Four impact bonds will be funded upfront by a multilateral, bilateral

or an intergovernmental financial institution (IFI). As the Deal Book indicates, foundations range from major international philanthropic organizations such as UBS Optimus Foundation (UBSOF) to nationally based foundations such as Fundación Corona, which works only in Colombia.

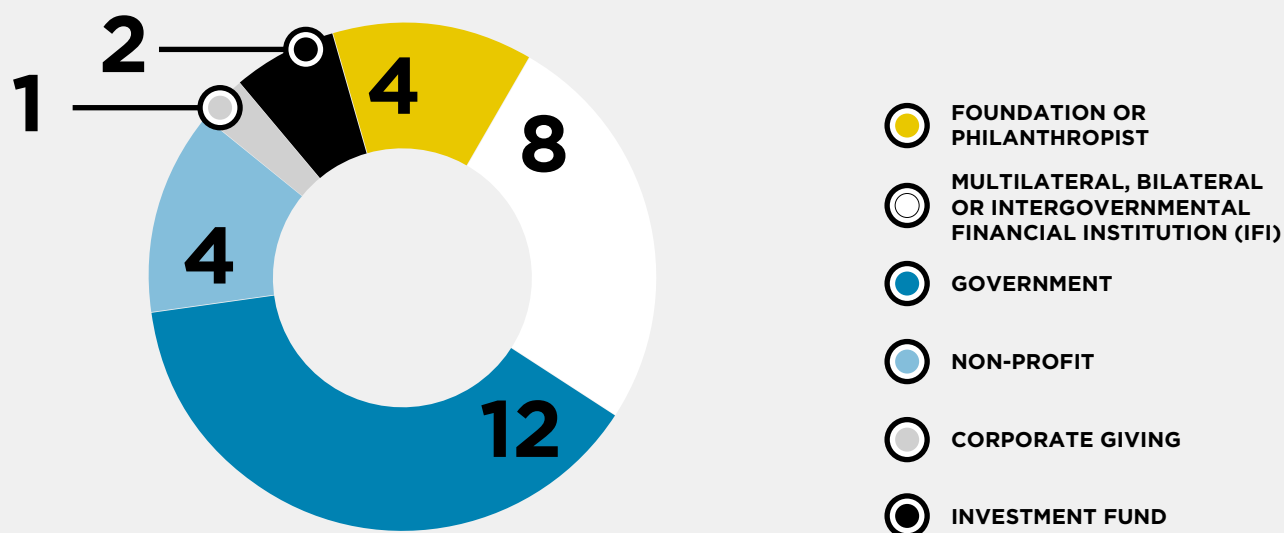
**FIGURE 6****Investor by Number of Impact Bonds They Are Involved in**  
(CONTRACTED AND IN DESIGN IN LOW AND MIDDLE-INCOME COUNTRIES)

Source: Impact Bonds Deal Book

**TYPE OF OUTCOME FUNDER IN LOW- AND MIDDLE-INCOME COUNTRIES**  
(CONTRACTED AND IN DESIGN)

The most common type of outcome funder across the impact bonds in developing countries is government. Twelve of the 20 impact bonds with available data will be funded by some kind of government entity—these include funding at different

levels of government and from different departments. Nonprofits are also frequent outcome funders of the impact bonds in the Deal Book. Multilaterals, bilaterals and IFIs are also outcome funders in eight impact bonds.

**FIGURE 7****Outcome Funder by Number of Impact Bonds They Are Involved in  
(CONTRACTED AND IN DESIGN IN LOW AND MIDDLE-INCOME COUNTRIES)**

Source: Impact Bonds Deal Book

**RANGE OF RETURNS (CONTRACTED AND IN DESIGN)**

Only limited data are available on the maximum returns available to investors. Since many of the impact bonds in the Deal Book are still in design phases, only 11 provide values for this indicator. The maximum returns possible are defined in several ways across the impact bonds. Some provide a maximum internal rate of return (IRR), others have a maximum percentage return, and some cap the returns at a dollar figure. Both the Peru coffee DIB and

the Uganda Empowering Women and Youth in the Coffee Value Chain DIB cap returns at \$110,000. Impact bonds that cap returns on investment at a percentage value range from 0.05 percent, for the Mozambique Malaria DIB, to 10 percent for the Tajikistan Oxfam WASH DIB. Several impact bonds have a cap on the IRR, with India Educate Girls DIB capped at 15 percent and the two South African SIBs capped at 16 percent.

TABLE 2

## Maximum Returns in Impact Bonds in Low- and Middle-Income Countries (CONTRACTED AND IN DESIGN)

Impact bond name	Maximum returns
Cameroon Cataract DIB	8%
Colombia Workforce Development SIB	8%
India Educate Girls DIB	15% IRR
India (Rajasthan) Maternal and Newborn Health DIB*	8% IRR (UBSOF) 15% (implementation partnership)
India Education DIB	7% IRR
Mozambique Malaria DIB	0.05%
Peru Sustainable Cocoa and Coffee Production DIB	\$110,000 (return of principal)
South Africa ECD Impact Bond Innovation Fund - Health	16% IRR
South Africa ECD Impact Bond Innovation Fund - Social Development	16% IRR
Tajikistan WASH SIB	10% (estimated)
Uganda Empowering Women and Youth in the Coffee Value Chain DIB	\$110,000

\*8% annualized for UBSOF component (80% of total investment); 15% return possible for the implementation partnership investment (20%).

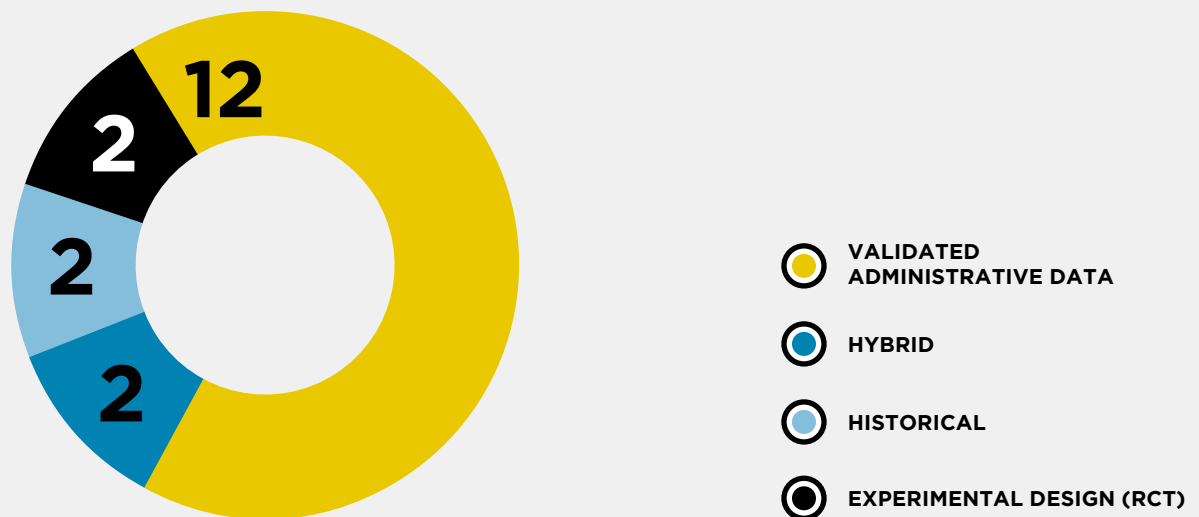
## EVALUATION METHODS IN LOW- AND MIDDLE-INCOME COUNTRIES (CONTRACTED AND IN DESIGN)

Validated administrative data is the most commonly used evaluation method in developing countries, with 12 impact bonds using this type of evaluation. This method has also been the most popular among impact bonds in high-income countries. This may be unsurprising given the high cost of quasi-experimental evaluations and experimental designs, or randomized controlled trials (RCTs). Two impact

bonds will evaluate their results using historical comparison. Two impact bonds will use an experimental design or RCT, and two more will use an RCT in conjunction with validated administrative data (hybrid). Because of the relatively early development stage of some of the impact bonds in the Deal Book, information on evaluation methodology is available for only 18 impact bonds.

FIGURE 8

### Evaluation Methodologies in Impact Bonds in Low- and Middle-Income Countries (CONTRACTED AND IN DESIGN)



Source: Impact Bonds Deal Book

# IDENTIFYING APPROPRIATE INTERVENTIONS AND SERVICE PROVIDERS

Impact bonds can address a wide range of development challenges in developing countries. As described in the previous section, most impact bonds in the design or implementation stage in developing countries have focused on interventions related to health, employment, agriculture, or education. Given the broad application of impact bonds, the process for identifying an appropriate intervention—and often the service provider(s)—typically depends on the “lead” organization. Broadly, the impact bond process in developing countries has been initiated through two main approaches:

**1. Outcome funder driven:** An outcome funder—such as a domestic government, aid agency, or foundation—interested in an impact bond selects a sector and region of its interest. This could be driven by a desire to innovate or solve a problem of scaling, effectiveness, or

broad political will for a particular sector. Alternatively, sectorally focused teams or individuals within outcome funding entities explore an impact bond to solve a specific challenge (such as incentivizing results). Often a service provider that the funder is familiar with—typically a previous grantee—is the focus of the impact bond. This approach to service provider selection is not always possible since some outcome funders, particularly aid agencies, adhere to strict procurement policies and therefore up-front selection is not possible, even when preferable.

**2. Intermediary driven:**

Intermediaries can also play a lead role in initiating an impact bond by identifying appropriate interventions and service providers.

a. Often, the intermediary identifies the development intervention based on the priorities of potential outcome funders or investors. This approach ensures alignment



between these key stakeholders during the structuring phase.

- b. In other cases, an intermediary interested in developing an impact bond may conduct a market analysis on a specific sector or region to determine interventions and service providers that are appropriate for an impact bond before approaching key stakeholders.

It is essential that practitioners take a considered approach to determining whether to pursue an impact bond. In general, the first step is to clearly define the challenge that could potentially be solved using this

mechanism. Impact bonds should be considered if current approaches do not produce intended results (for example, paying for inputs is not yielding desired impact). Second, a variety of approaches or tools should be considered, including some that may not necessarily be finance-related. Some practitioners have started with the objective of structuring an impact bond without carefully considering whether the tool is appropriate. Many warn against this “hammer looking for a nail” approach. Several criteria for identifying an appropriate development intervention and service provider have been codified in the following sections.

## CRITERIA FOR AN APPROPRIATE INTERVENTION


A critical first step is to understand whether any type of results-based financing will improve efficiency and effectiveness of service delivery. If paying for inputs (such as grant funding for service providers to perform a specific set of interventions) is not achieving intended development outcomes, then results-based financing, and therefore potentially impact bond mechanisms, may be an appropriate tool to finance the intervention.

The rationale for using impact bond financing can vary depending on the impact bond and the actors. Some view impact bonds as having the potential to provide flexible funding for promising but unproven interventions to stretch their impact (drive more results, for example).

Impact bonds benefit from a relatively flexible structure because the key metric(s) for success is the desired outcomes or impact rather than inputs. In theory, impact bonds allow service providers to refine and adapt their interventions (the inputs) during the term of the impact bond to achieve a set of agreed-upon outcomes. Under this scenario, impact bonds could be appropriate as a transition form of financing to determine the best-practice set of interventions to achieve maximum impact. Practitioners argue in this case that impact bonds should not be the steady state form of financing but rather a transition form, as they are too costly to establish and implement, among other reasons. The amount of flexibility enjoyed by service providers will depend on the

specific nature of the deal and the demands of the investors. Investors are likely to place more emphasis on scaling up evidence-backed interventions.

Other practitioners argue that impact bonds represent an approach to financing the scale-up of proven interventions. A priori, outcome funders should be willing to pay directly for the scale-up of interventions with proven impact (and even potential cost avoidance). The sweet spot for impact bonds is likely somewhere between experimentation and scale—the middle phase—where evidence is insufficient (or there is some potential political barrier) for outcome funders to pay but sufficient for investors to engage. Thus far, enormous scale (large number of beneficiaries) in absolute terms has not been seen in the use of impact bonds, although some target very particular populations so scale may be present in relative terms.



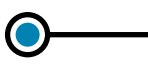
**I do think there is a danger that we talk about impact bonds as if they are all the same. Rather, impact bonds can fund risky, transition interventions at one end of the spectrum and more secure and proven interventions at the other end.**

*—Impact bond practitioner*

An evidence-based theory of change is helpful in determining whether

an impact bond is appropriate for the intervention since payments are tied to outputs (such as school attendance) and outcomes (such as school achievement). There is a need to have a high degree of confidence in the relationship between the intervention's proposed inputs and outputs, and desired outcomes and impact. All stakeholders—investors, outcome funders, and service providers—must agree that the proposed intervention (a specific curriculum, for example) will deliver the desired outcomes (improved learning progress, school completion) and impact (higher income as a result of obtaining a well-paying job).

While the value of an evidence-based theory of change is clear, practitioners caution that lack of data can be a challenge in low-income countries and that scoping research—such as an experimental or quasi-experimental evaluation—to establish an evidence-based theory of change may be a prerequisite, while at the same time may be expensive and time-consuming. As a result, there is an important trade-off between establishing an evidence-based theory of change and keeping design costs within reason. In some situations, an evidence-based theory of change may exist for a similar intervention or the same intervention in a different region, which can be leveraged as a proxy. Regardless, it is essential to ensure that evidence is adequate to attract all stakeholders to the proposed intervention. In particular, as mentioned, an investor requires



enough evidence to be comfortable that investment in an intervention will result in impact and therefore repayment from the outcome funder. At the same time, if there is a very strong evidence base, outcome funders might rather fund the intervention directly, as they can be confident that the inputs will result in outcomes and impact.

**You can either identify an intervention that already has a strong evidence-based theory of change or invest significant time and effort into building the evidence base, but the transaction costs may get prohibitively large.**

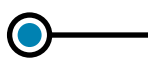
*—Impact bond practitioner*

## **CRITERIA FOR APPROPRIATE SERVICE PROVIDER(S)**

A performance-oriented service provider with implementation capacity is critical to the success of an impact bond. Practitioners note that most service providers would describe themselves as performance-oriented, and therefore it is important to dig deeper into a service provider's track record and management team to ensure that this is the case.

In addition to a performance culture, the service provider must have the capacity to carry out the impact bond activities: to implement performance management systems, monitor key metrics, and refine the underlying business model and approach to ensure that maximum impact is achieved. This may mean a dramatic culture shift, indicating that another key element for selecting service providers is choosing an

organization that is open to change and capable of adapting to new demands, which could include, for example, changing recruitment practices and training structures.



**When we look at service providers, we ask three key questions:**

- 1. What impact is the service provider having currently?**
- 2. Do they have adequate systems in place to implement the intervention and measure impact?**
- 3. Do they have learning systems and a habit of servicing problems in an open manner?**

*—Impact bond practitioner*

# KEY TAKEAWAYS:

## IDENTIFYING APPROPRIATE INTERVENTIONS AND SERVICE PROVIDERS

1



There are two main approaches to identifying an appropriate development intervention for an impact bond: An outcome funder selects an intervention based on its priorities, or an intermediary selects an intervention based on the priorities of outcome funders /investors or by conducting a top-down analysis of a particular sector and region.

2



There is debate on whether impact bonds are more appropriate for transition financing to determine the best-practice set of interventions to achieve maximum impact, or for scale financing to expand reach and impact of proven interventions.

3



An evidence-based theory of change for the interventions under consideration is a critical component, as payments are linked to outcomes and therefore investors must be confident the intervention will drive desired impact.

4



Service providers should be performance-driven and have the capacity to implement the intervention.

5



The costs of designing and structuring an impact bond can be prohibitive and should be considered and managed from early in the development process.

# MANAGING RELATIONSHIPS WITH GOVERNMENT AND DONOR OUTCOME FUNDERS

## A NEW ROLE FOR OUTCOME FUNDERS

The research identified several issues related to impact bonds being a very different way of doing business. Impact bonds require governments and donor organizations to adapt to a different role from that which they have held in the past. At the moment, outcome payers do not have established contracting and procurement mechanisms, meaning that negotiations are often extended and expensive, and each contract process follows its own logic, with little opportunity to learn from the experience of other deals. The relationship between outcome funders and service providers may have to change, from being more hands-on to simply setting the outcome metrics and letting service providers make decisions about the specifics of interventions.

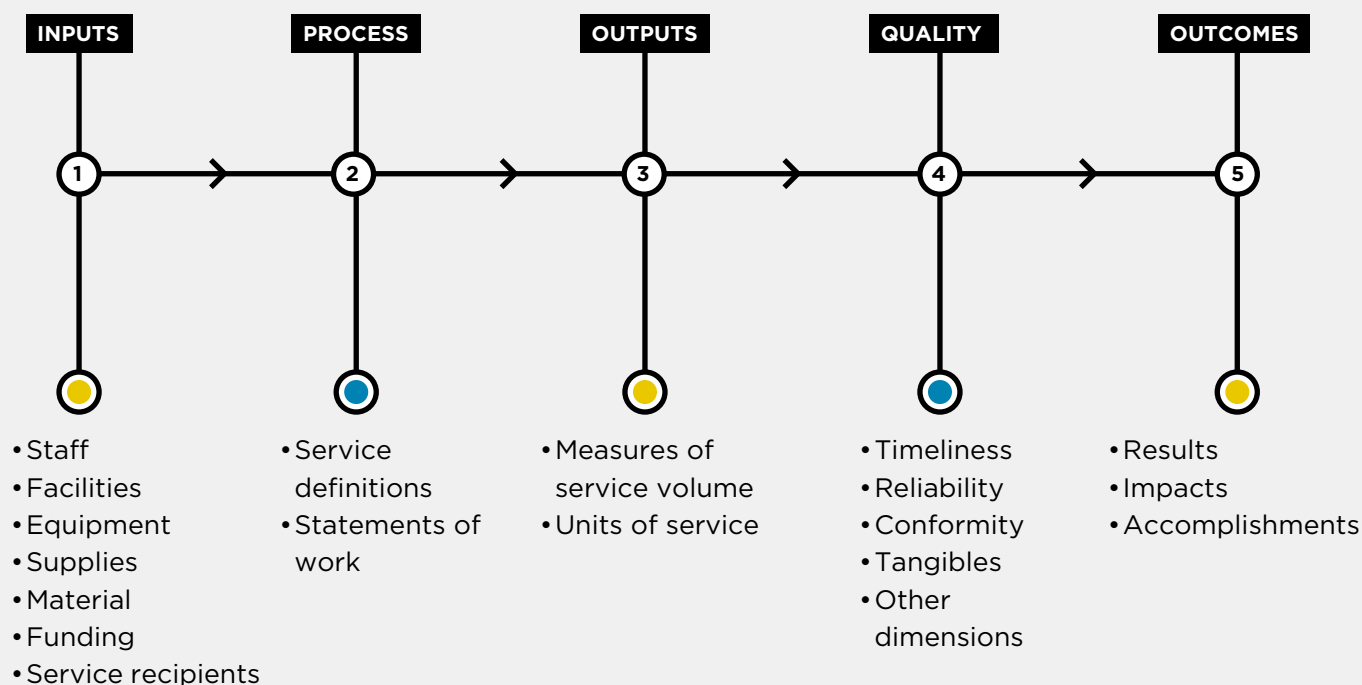
Historically grant-making institutions

may have difficulty loosening control and taking a step back from frontline services; there is a sense among outcome funders that impact bonds might give them less control over their funding. This is perhaps an unexpected finding, since at the heart of the impact bond structure is the idea that outcome funders will pay only for results, and hence gain a stronger control over their finances.

Although designing impact bonds requires paying considerable attention to the price of an intervention, detailed discussions about costs may actually increase an outcome funder's perceptions of risk. This is an interesting finding from discussions with impact bond practitioners, and somewhat counterintuitive, since more clarity about costs and prices should allow for more reliable budgeting and less risk.

**FIGURE 9**

## Spectrum of Service Inputs to Outcomes



Source: Martin, 2005

**New is expensive relative to old, right? Any new system involves learning how to do things, learning how to write the contracts, learning how to evaluate the results, learning how to put together the coalitions.**

*—Impact bond practitioner*

Outcome funders may also be wary of the potential for impact

bonds to damage their credibility; in particular, some critics worry about paying returns to private investors (Rosenman, 2014). Although the money paid to investors above the return of the up-front capital is intended to reflect the savings gained from intervention, governments especially have responsibilities to their electorates and will be keenly aware of the potential for negative media coverage in handing over public funds to private bodies.

## THE OUTCOME FUNDER PLAYS A CENTRAL ROLE

When an outcome funder has not driven the development of the impact bond, our research suggests that it is important to engage the outcome funder early in the design process. Since the outcome funder will be paying for the results of the impact bond, it needs to be on board with the timeline, costs, and metrics. Early engagement is particularly important when the outcome funder is going to be the government, since elected governments have the democratic legitimacy to set policy priorities, meaning government buy-in should lend credibility to the impact bond. Even if the eventual outcome funders will be donors, it is still important to engage with the domestic government in developing countries to ensure that the impact bond aligns with the administration's policy priorities.

However, outcome funders may also be uncomfortable with the relatively untested nature of the impact bond product and may prefer to stick to more traditional methods of service provision. Our research with impact bond practitioners suggests that while

funders may be wary about getting involved at the beginning of a project, they may be more comfortable coming on board with something that is more developed. There may therefore be a trade-off between getting early buy-in and credibility from an outcome funder, versus a higher comfort level for outcome funders in later involvement.

If the outcome funder is not present from the beginning of development, other stakeholders will need to find out who cares about the issue and who is willing to pay for it. The outcome funders in currently contracted impact bonds (for which there are available data) have almost all been national or local government entities, but as Figure 7 shows, this field of outcome funders is widening as the impact model is applied in a broader range of contexts. Social impact bonds do not have to be funded by one organization; a pool of outcome funders may each contribute a share. This can provide more outcome funding, and for interventions at a larger scale, but may also add more complexity, with each additional organization bringing a new set of priorities and interests.

Engaging with governments and donors means establishing not only who the outcome funder will be, but also who within an organization is the right person, or people, to engage with directly on an impact bond. Working with the right people within an organization is crucial for the success of an impact bond. One element of




**Engage government very early on. Even if they will not be paying for outcomes. One way or the other, all governments are there to implement a social agenda and they have the social legitimacy to set public policies.**

*—Impact bond practitioner*

this is ensuring that the impact bond has a champion at a senior enough level, as well as other levels, that it can gain sufficient support and exposure. If the outcome funder is to be the government, then decisions need to be made about whether to engage with bureaucratic or political actors (or perhaps both): While politicians may have political capital and legitimacy, civil servants may have more

permanence and lend the impact bond more consistency.



**If we did make one mistake, it was that we had somebody who wasn't senior enough championing it within the ministry.**

*—Impact bond practitioner*

## CHALLENGES TO ENGAGEMENT

**1. Aligning interests:** Key to managing partnerships on impact bonds in developing countries is identifying the development challenges and social issues that stakeholders want to work on. With both governments and donors, it is necessary to understand their areas of interest and their priorities. With governments these priorities may be explicit and transparent, and can be gleaned from ministry plans or strategies.

Engaging with outcome funders may also involve negotiating tensions among participants and aligning competing priorities. This may be in terms of impact metrics: For example, outcome funders may be drawn to outcomes targets, especially if there is not a clear idea of what works, while service providers and investors may prefer less risky options, such as funding outputs. Individual donors may also have multiple motivations for their participation: For example, they may seek not just specific outcomes, but also to project a

certain image or secure employment opportunities. Understanding the wider priorities of the different actors is important to negotiate a process that is agreeable to all.

**2. Changing circumstances:** One of the main challenges to effective relationships with outcome funders is navigating the changing circumstances they face. This is particularly the case when the outcome funder is a government or a political entity. The election cycle can mean that support for impact bonds can disappear very quickly, for example after a change in government following an election, if the incoming administration does not share the commitment to impact bonds. Conversely, time constraints can also work in the other direction: In some countries and organizations, policy shifts and processes may be slow, meaning it takes time for support for impact bonds to build.

**3. Instability:** A wider context of political instability also creates



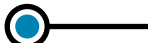
challenges when engaging with outcome funders, particularly if governments are unstable and future support for impact bonds cannot be guaranteed. In these situations, and perhaps specifically in developing countries, donors and foundations can play a continuity role, to facilitate working with different governments over time. If the civil service is permanent, there are also advantages to engaging with government at the bureaucratic level, because this will ensure stability for the impact bond even when political power changes hands.

Even in nonpolitical contexts, personnel changes within organizations can create challenges for impact bonds. Institutional knowledge about impact bonds may leave when people change departments, creating a sense of instability and slowing down communication among actors in the impact bond. These issues emphasize the importance of intermediaries in developing country contexts and the risk management role they can play.

**4. Crowding-in funding:** Separating financing for impact bonds from existing funding is a key concern for outcome funders. Governments do not want to face competition for their limited funding, and charitable organizations interested in impact bonds are keen to ensure that funding is additional and that they will not be diverting money from their donor base.

**5. Coordinating timelines:** Some donors are also unwilling, or unable, to commit to paying for outcomes so far in the future, as budgets may be done on an annual basis. There is a pressure to spend existing funds, since underspending may result in tighter budgets in future years. Governments that have previously engaged in payment by results may have an easier time. A potential solution is a special purpose vehicle (SPV): In this way money can be allocated up-front to fund the outcome payments in future years. In the case of failure to achieve outcomes, outcome funders would have to reclaim those preallocated funds.

**6. Power imbalances:** Another potential area of tension is specific to development impact bonds: There may be power imbalances between international investors and governments in developing countries, which could result in contracts that are disadvantageous to the government.



**The main challenges came when most of the people who worked on the impact bond in the beginning started moving to other departments or leaving the government.**

*—Impact bond practitioner*

# KEY TAKEAWAYS:

## MANAGING RELATIONSHIPS WITH GOVERNMENT AND DONOR OUTCOME FUNDERS

1



To identify an outcome funder, find out who cares about the issue and is willing to pay for it.

2



Engage the outcome funder early in the process of designing an impact bond.

3



Key to the success of an impact bond is finding a champion in the outcome funder organization who is senior enough to take the process forward. This may involve sensitizing all levels of government to the impact bond mechanism, including at the local implementation level.

4



Outcome funders will need time to adapt to the new processes.

5



Challenges include aligning stakeholder interests; coping with changing circumstances; institutional and personnel instability; crowding-in funding; coordinating timelines; and stakeholder power imbalances.

# IDENTIFYING METRICS AND STRUCTURING PAYMENTS

## METRICS

### WHEN TO DISCUSS METRICS

Metrics are at the heart of an impact bond, since the payment is contingent on the achievement of a specific set of results. This means the discussion of metrics will likely be lengthy and time-consuming, and will need to begin early. Centering the process on the metric could mean establishing the goal of the outcome funder and what it wants to pay for, and then planning backward from that point.



**It starts with defining the metrics. That's the heart. If you don't have the metrics, you don't have an impact bond.**

*—Impact bond practitioner*

### CRITERIA FOR A STRONG METRIC

Several criteria for selecting effective impact metrics in developing countries have been collected through practitioner experience.

These include the need for metrics to be measurable, meaningful, and set at the right level over an appropriate timeframe. These criteria are similar to those found in impact bonds in high-income countries, where the key feasibility criteria were that metrics should be measurable and meaningful (Gustafsson-Wright et al., 2015).

**1. Measurable:** It is important for metrics to be readily captured in the process of tracking the progress of an impact bond, since the release of outcome payments will depend on whether the targets have been achieved. Certain desirable outcomes may be difficult to pin down and may therefore be less suitable for inclusion in an impact bond. A key part of this is ensuring that metrics are simple; if targets are too complicated, they will be difficult to communicate to service providers or wider audiences. Service providers should understand what they are meant to be achieving. Simplicity may also mean cutting

down on the number of metrics. For example, having just one headline metric can communicate the central goal of the impact bond.

**2. Meaningful:** The metrics should also be meaningful. They should be aligned to outcomes or changes that the outcome funder wants to see and that represent a meaningful improvement in a beneficiary's life. There may therefore be some tension between the first and second criteria, and a balance needs to be struck between selecting metrics that are easy to measure, and measuring the things that are truly valuable to resolving the development challenge at hand.

**3. Set at an appropriate level:** Choosing the payment threshold is integral to setting the impact metrics. If targets are set too high, service providers might hold back from making more innovative decisions, but setting the targets too low could mean paying up when impact isn't really achieved. Setting the targets at the right level is important to avoid perverse incentives, or temptations to game the system. The type of metric that is selected will also have consequences for risk-bearing within the impact bond. There needs to be a balance between selecting metrics ambitious enough to transfer some risk away from the outcome funder, but not transferring so much risk that investors are discouraged from engaging.

**4. Timeframe:** The timeframe for the impact metrics should be short enough to please investors, but long enough to show results.

**If you're setting, for example, targets way too high, it can actually be quite stifling for providers. If you are setting them way too low, you risk calling it a success and then it's really not.**

*—Impact bond practitioner*

#### **OUTPUTS OR OUTCOMES?**

Impact bonds are meant to shift focus from inputs to outputs or outcomes. The choice between outputs and outcomes depends on multiple factors. When outputs are not good proxies for outcome achievement, then using outcomes as the metrics for repayment in an impact bond is preferable. Identifying outcomes as success criteria can allow for more flexibility on the part of service providers. This means, for example, that if more effective ways of delivering an intervention are discovered during the project impact bond period, then delivery can be adapted. This is likely to be preferred by outcome funders when it is unclear what works to achieve the desired outcomes.

**The beauty of an outcome-driven payment model is that actually you're going to be ... incentivized to kind of change that around.**

*—Impact bond practitioner*

If outputs are, however, a reliable measure of outcome achievement, it may be preferable to select outputs

since they are often easier to measure, which could streamline the evaluation process. Moreover, outputs may also be measurable over a shorter period, which is likely to be preferred by investors. A combination of outputs and outcomes may be most desirable, allowing for interim payments to be made on outputs and longer-term payments to be made on outcomes. A selection of both can also distribute risk across different types of investors or reduce overall investment risk.

### NEGOTIATING AMONG ACTORS

Stakeholders will need to decide on what will be measured (inputs, outputs, and outcomes), as well as the specific indicators the metrics will capture. This will often mean negotiating the priorities of different actors, a process that may slow the development of the impact bond. In particular, investors may be uncomfortable with outcome metrics, perhaps because of the perception that they are more difficult to achieve and therefore that the impact bond is a more risky investment, while outcome funders will likely seek metrics that come closer to measuring outcomes or impact. Each stakeholder is situated in a specific context, which may also have consequences for the selection of metrics. Investors and donors have wider responsibilities and will have to convince their respective constituencies of the value of their involvement in the impact bond.

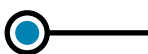
### DATA QUALITY

Identifying impact metrics can be a challenge when working in contexts with low data quality, which can be a particular challenge in low-income countries. It is important to establish

whether data are available on the metrics of choice or whether the necessary data can be collected during the intervention.

Low data quality can exacerbate the tensions among stakeholders. In these environments, outcome funders may prefer to fund on outcomes, if there are no strong data about the relationship among outcomes, inputs, or outputs. On the other hand, lack of data may discourage investors and service providers from agreeing to outcome metrics, because they may perceive the situation as more risky.

Price setting might also be inhibited by low data quality. Without quality data, it is difficult to cost out interventions and then to determine how much will be paid out for the achievement of the metrics. Gathering quality data on the costs of interventions allows governments and donors to make cost/benefit decisions and to set achievable targets for service providers.



**The fact that we have poor data in emerging markets is exactly why [impact bonds are needed], because it drives everyone to start collecting data about things that matter, like impact.**


*—Impact bond practitioner*

Short-term solutions to low data quality include using proxy measures, or relying on indicators that the government is collecting already. Yet

the low quality of data in developing countries may be exactly the reason that impact bonds are appropriate for those contexts: Impact bonds can drive a focus on the importance of data, and data collection. This emphasis has the potential to lay the groundwork for improvements in data quality.

### **COSTS AND PRICING**

Identifying impact metrics cannot be disconnected from pricing outcome payments. First, this means establishing how much weight, and therefore importance, different metrics will have in the distribution of payments.



**You can also moderate the outcome payment triggers. At the beginning they can be more output based and at the end more outcome based.**

*—Impact bond practitioner*

An element of adaptability in the decisions around metrics and prices may be desirable in impact bond metrics. Incorporating flexibility into the design allows for learning to take place during the process, for example if prices or metrics need to be changed in light of experience. This could mean designing the impact bond such that payment triggers shift from outputs to outcomes over the course of transaction, or that metrics can be changed during the life span of the impact bond contract with the agreement of all parties. However, this type of design carries risks,

such as lack of clarity about what constitutes success, and therefore safeguards to protect the various parties would be necessary.

### **INCENTIVE STRUCTURES**

Designing the impact metrics includes considering the incentive structures, if any, that will be put in place for service providers. Financial incentives may not be necessary, since the reputational risk of a failed impact bond may be enough to encourage service providers to perform effectively. Indeed, financial incentives may even be undesirable if they create perverse incentives for service providers, diverting them from achieving the desired impacts. However, safeguards can be put in place to mitigate this potential risk.

Impact bond practitioners report that investors have asked for service provider incentives, to drive performance and to align incentives among the actors. Financial returns to service providers could come in the form of a bonus for overdelivery of targets or as a share of the returns, or providers could put their own money at risk in the contract.



**[We are] thinking about how we can price metrics by incentivizing people to go after the hardest to reach.**

*—Impact bond practitioner*

Incentives can also be incorporated to target the interventions at specific groups of individuals. This could be in the form of setting

different outcome payments for different groups—for example, incentivizing service providers to work with the poor or marginalized.

This should push service providers to serve those most in need, rather than those who might be easiest to reach.

## STRUCTURING PAYMENTS

Once the metrics have been established, the next step is to agree on the level of payments and the payment schedule.

### DETERMINING THE LEVEL OF PAYMENT

There are two main elements to consider when determining the level of payments. The first is the full cost (staff time, resources, and so on) of achieving the selected metrics. These costs in results-based payment structures tend to be higher than the total cost of traditional grants. Traditional grants pay only for inputs, while results-based payments pay for outcomes, which may be more expensive to achieve because, among other factors, they require monitoring and evaluation. Since this is generally a new way of doing business, outcome funders may need support to understand the reasoning behind these cost differences. Some practitioners advocate that monitoring and evaluation costs should be included in the payments, so that the service provider is responsible for its own performance management. Others advocate that monitoring and evaluation costs should fall outside of the structure. In this case, as a separate line item, these costs may be funded by someone other than the outcome funder.

Second, an estimate of the value, or price that can be attributed to the set of metrics, is often estimated by the outcome funder. This value or price will have a relationship to the cost of inaction—the cost that would be incurred in the absence of preventive services. These can include everything from the cost of remedial services to broader costs—for example, crime and reduced labor productivity. It must be noted that few outcome funders can confidently place a price on a set of metrics. Over time, outcome funders should be in a better position to place a value on specific metrics as more of an impact bond evidence base is built in specific sectors and regions.

Impact bonds may be more expensive than traditional grant-based funding in two ways. First, the cost of performance management will need to be incorporated into cost estimates. These costs will support service providers to develop tools and strategies for tracking progress and adapting to feedback. The second set of costs involves the evaluation at the end of the contract, which determines whether impact metrics have been achieved. Given potentially high costs of evaluation, whether to include evaluation costs into payments is a key consideration. One concern in determining the level

of payments, as well as the wider requirements of the impact bond structure, is whether the demands will preclude the involvement of smaller actors, which have less bandwidth than larger service providers, to engage with the changes that these deals are likely to involve.

### SEQUENCING AND TIMING OF PAYMENTS


Payments are made to the investor as metrics are achieved. The payment schedule outlines the sequencing and timing for payments from the outcome funder to the investor, and the level of payment depends on the results achieved by the service provider.

There are two approaches to structuring payments. In some cases, the outcome funder makes one bullet payment to the investor at the conclusion of the impact bond. This approach is relatively simple to structure but represents a high risk for the investor because of the length of time between the initial investment and the outcome payment.

Alternatively, the outcome funder makes a series of payments to the investor. This tiered approach reduces risk for investors and is more appropriate for impact bonds with long tenors. In some cases, initial or interval payments are tied to output metrics and then graduate toward outcome and impact metrics later in the life cycle of the bond. This approach ensures that investors can be paid multiple times during the impact bond while still maintaining long-term focus on desired impact.

In some impact bonds, outcome funds are then “recycled” to support further service provision, a process that also has the advantage of necessitating smaller up-front capital commitments.

Another important consideration is to incorporate incentive payments for service providers into the payment structure. For example, some impact bonds set a maximum return for investors based on service provider performance. If the service provider performs at a high level, it receives an incentive payment directly from the outcome funder.



**When you have staggered payment metrics, from outputs to intermediate outcomes, you have the opportunity to learn and see what’s working.**

*—Impact bond practitioner*

Finally, it can be beneficial to include price adjustment mechanisms in the payment structure of an impact bond. Estimating the payment size and most efficient payment schedule during the design phase can be difficult and inaccurate: In particular, the extended design process, as well as lack of evidence on costs, can result in underpricing. Therefore, including a price adjustment mechanism in the payment structure can be useful, so that the payment size or schedule can be adapted as necessary during the impact bond. The price adjustment can either occur continuously or be re-evaluated at predetermined times (such as every 18 months) over the life of the impact bond.



# KEY TAKEAWAYS:

## IDENTIFYING METRICS AND STRUCTURING PAYMENTS

1



Criteria for a strong impact metric are that it is measurable, meaningful, and set at the appropriate level.

2



Impact bonds are designed to shift the emphasis from inputs to outputs or outcomes. Outcomes provide more flexibility, while outputs may be easier to measure in the short term.

3



Selecting impact metrics means negotiating priorities among stakeholders.

4



Data quality can be a challenge for identifying impact metrics in developing countries.

5



Incentive structures for service providers can be used to align their incentives with investors or to target marginalized populations.

6



Determining the level of payments can be either cost based, in which the service provider estimates the total cost of achieving a set of metrics, or market based, in which the outcome funder sets a price it is willing to pay for a set of metrics. There is debate on whether to include monitoring and evaluation costs in payment amounts.

7



Payments from the outcome funder to the investor can be a bullet payment at the end of the impact bond, or a set of interim and final payments, which can reduce investor risk. Recycling of outcome payments over the course of the bond can also reduce up-front capital commitments.

8



It is important to create incentives for service providers through payment structures and to ensure that there are price adjustment mechanisms on a continuous basis or at set intervals.

# DEVELOPING THE OPERATING MODEL, STRUCTURING THE VEHICLE, AND RAISING CAPITAL

## OPERATING MODEL

While implementation of impact bonds in developing countries remains too nascent to effectively draw lessons on the operating model, practitioners agree that performance management and reporting capacity are a critical part of the operating model. Effective performance management ensures that service providers track and adapt activities to achieve the greatest possible impact. Performance management of the service provider can be supported by the investor, the intermediary, or the

technical assistance adviser.

Further, service providers should have capacity to report interim achievements. Also, since reporting requirements for impact bonds can be burdensome, additional resources or capacity building that may be required to support back office functioning should be built into the operating model from the outset. In addition, these reporting structures need to be adapted to suit the structure of impact bonds.

## LEGAL STRUCTURE

The legal structure is an important issue for establishing contractual relationships among key stakeholders; however, many practitioners note that the legal

structure is relatively easy to determine once the other key components (such as metrics and payment structure) are in place. There are two possible models:

**individual impact bonds** and **impact bond funds**. In an individual impact bond, there is a single outcome payment contract, while in an impact bond fund there are several payment contracts between the outcome funder and different service providers on the same social issue.

As Figure 10 indicates, to date there are four types of impact bond structure, depending on which actor has the contract with the outcome funder. Further details on each structure can be found in Table 3.

**1. Direct:** The contract is between the outcome funder and the service provider, which conducts its own performance management.

**2. Intermediated:** The contract is between the outcome funder and the investors. The intermediary is still likely to play a central role, which may involve defining outcome metrics and procuring service providers.

**3. Managed:** The outcome funder has a contract with the intermediary, which is responsible for raising capital and overseeing performance management.

**4. High-risk managed:** Another potential structure, perhaps most relevant in developing countries, is the high-risk managed, where further specialist knowledge provided by the implementation manager and investor intermediary can mitigate the challenges of working in contexts with constrained data capacity and political or financial instability.

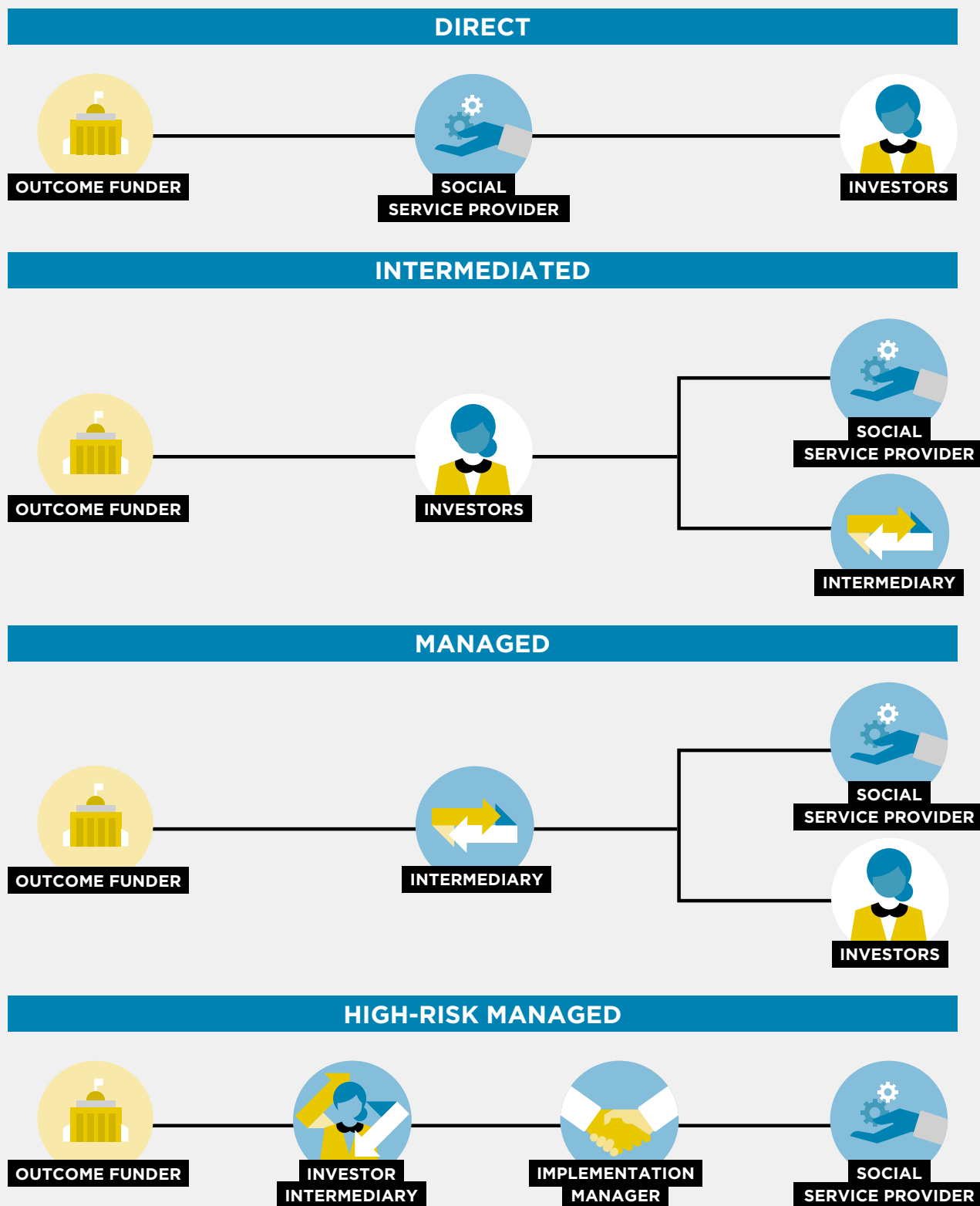
A special purpose vehicle (SPV) may be created as a conduit for funds, in which case the outcome payment contract is with the SPV. In this case, contract structures depend on the contract between the outcome funder and the actor with the leadership role within the SPV. In a managed impact bond structure, the intermediary leads the SPV, which contracts with the outcome funder; in an intermediated structure, the contract is between the outcome funder and an investor-led SPV; and in a direct structure the service provider contracts directly with the outcome funder. Other entities may also take on a similar role to an SPV: For example, in the Colombia Workforce Development SIB, the Multilateral Investment Fund (MIF) of the IDB will channel the outcome funds of the Swiss government.

Regardless of approach, the legal structure must be tailored to the specific needs of the relationship between the entities. For example, some practitioners noted that it may not be necessary to include performance management processes in the contract between the outcome funder and the investor, while it is vital to ensure that this component is included in the contract between the investor and the service provider.

As can be expected, considerations around legal structure depend on the frameworks available within the specific country of implementation or chosen jurisdiction of domicile. These will vary country by country and are driven by numerous considerations.<sup>2</sup>

2. Instiglio, with the support of several legal firms, published A legal road map for social impact bonds in developing countries in November 2014, a valuable resource for understanding the legal considerations for Colombia, Mexico, South Africa, Mauritius, India, Chile, and Brazil.

**FIGURE 10** Impact Bond Contracting Structures



Source: Adapted from Goodall, 2014

TABLE 3

## Actor responsible by type of impact bond structure


Role	Managed	Intermediated	Direct	High-risk managed
<b>Identify social challenge</b>	Outcome funder and/or intermediary and/or service provider and/or technical assistance provider	Outcome funder and/or intermediary	Outcome funder and/or intermediary	Outcome funder and/or implementation manager
<b>Determine feasibility based on impact bond criteria</b>	Intermediary	Intermediary and/or service provider and/or outcome funder	Outcome funder and/or service provider and/or investor	All parties
<b>Raise capital</b>	Intermediary	Intermediary	Intermediary and/or service provider and/or investor	Investor intermediary
<b>Define outcome Metrics</b>	Outcome funder and/or service provider and/or investor	Intermediary and/or outcome funder	Outcome funder and/or service provider and/or investor	All parties
<b>Procure service provider</b>	Intermediary and outcome funder	Outcome funder and/or intermediary and/or investor	Outcome funder or intermediary	Implementation manager
<b>Contract with Outcome Funder</b>	Intermediary or majority intermediary-controlled SPV	Intermediary or majority intermediary-controlled SPV	Service provider or majority service provider-controlled SPV	Investor intermediary
<b>Provide Services</b>	Service provider	Service provider	Service provider	Service provider
<b>Manage performance</b>	Intermediary	Intermediary (commissioned by investors or majority investor-controlled SPV)	Service provider	Implementation manager
<b>Measure/Validate Outcome Achievement</b>	Evaluator or outcome funder	Evaluator or outcome funder	Outcome funder or external validator	External validator

Source: adapted from Goodall (2014)

## GOVERNANCE STRUCTURE

The governance structure is another important component of an impact bond. Investors tend to require strong governance representation, given they are invested in ensuring that service providers are performing as contracted. Long-term sustainability is one consideration in the governance structure. For example, one impact bond has a governance structure that includes representatives from institutions that are likely to be follow-on investors or outcome funders. This allows these institutions to develop

a strong understanding and build a sense of ownership of the impact bond before committing funding.



**There's an interesting question at the strategic-level around governance: How do you set it up in a way that provides the investors with a certain degree of control?**

*—Impact bond practitioner*

## RAISING CAPITAL

Raising capital from investors is a critical component of any impact bond. While the long-term objective of impact bonds may be to catalyze large sums of commercial private capital, to date impact bonds have relied heavily on investors that are not seeking market returns. These investors—such as corporate or family foundations—provide soft investment capital, which is often concessional. These investments are critical for building the evidence base for impact bonds and to demonstrate financial and social returns.

Impact bonds can be both cost- and time-intensive to establish. The design can be particularly costly if extensive research or an RCT is requested to validate the impact model or theory of change, but other steps—such as identifying the

service provider(s) and outcome funder(s) and agreeing on the payment structure—can be time-consuming and costly as well. Practitioners emphasized that it is important to consider the design costs in relation to the fundraising target.

Up-front payment from the investor to the service provider can be partial or in full. Some impact bonds are structured more like debt, and others like equity. In some impact bonds, returns to investors are directly invested back into the service provider through the impact bond. This results in a much lower up-front level of commitment.

## HOW TO ATTRACT INVESTMENT CAPITAL

Several criteria for attracting investment capital to impact

bonds have been collected through practitioner experience.

**1. Evidence-based theory of change:**

Potential investors must understand and buy into the proposed intervention's theory of change. That is, each investor must accept that the proposed inputs could produce the desired metrics in a timely and efficient manner, and therefore allow the investor to understand the risk profile of the investment. This can require some education if an investor is not familiar with the sector, region, or intervention.

**2. Attractive risk-return profile:**

Ultimately, the risk-return profile of the investment must be attractive to investors relative to other market opportunities. The investor must understand the risks involved in the investment, and returns must be commensurate to the risk.

**3. Patient capital:** Given the nascent state of impact bonds, there remains a need for investment capital that will tolerate limited information, difficult market conditions, and adaptation during the impact bond life.



**We haven't finished fundraising. It's something that takes a lot of time. You have to educate many of the different players.**

*—Impact bond practitioner*

**WHEN TO APPROACH INVESTORS**

The timing on approaching investors is important. Investors should be engaged early enough in the process to ensure that the impact bond meets their risk-return expectations, while making certain that the design process maintains focus on the desired outcomes and impact.

On one hand, it can be easier to raise investment capital later in the design process, once the impact bond is structured and the outcome funder(s) is in place. Investors may have more confidence in the viability of an impact bond once all key stakeholders are engaged and key terms are defined. On the other hand, it can be more difficult to raise investment capital once the structure is finalized if the metrics and the risk-return profile of the investment do not suit investors.

Alternatively, investors can be engaged early in the design process, allowing the investor to play an important role in determining the metrics and structure. There may be consequences in involving investors at this stage, such as a shift from impact metrics—which are often difficult to measure—to output metrics, which are more tangible and easily realizable in the short term. A compromise may be to reach out to investors to gain initial interest and approach them again once the impact bond is further along in development. The timing of engaging investors will be highly dependent on context and actors. However, the process can be lengthy, and investors may lose patience if brought on too early.

# KEY TAKEAWAYS:

## DEVELOPING THE OPERATING MODEL, STRUCTURING THE VEHICLE, AND RAISING CAPITAL

1



Performance management and reporting capacity are a critical part of the impact bond operating model.

2



Legal structure is relatively easy to determine once the other key components are in place. The common approach is a contractual arrangement between the investor and service provider and outcome funder and investor.

3



Investors typically require robust governance representation given their strong interest in monitoring service provider performance; governance can also be a useful tool in attracting key stakeholders that can support the future sustainability of the impact bond.

4



While much impact bond discussion centers on the potential of impact bonds to attract commercial private capital to development, in reality, investors often provide soft, concessional investment and aren't considered commercial investors.

5



In theory, raising investment capital after all key pieces, particularly outcome funders, are in place is easy; in reality, however, investors often want to be involved in early-stage structuring to ensure that the risk-return profile of their investment is acceptable.



# IMPLEMENTING THE IMPACT BOND AND MEASURING IMPACT

## EVALUATION

The validation of output and/or outcome achievement is crucial in impact bonds, so considerable energy will go into deciding how success will be measured. For impact bonds in high-income countries, the methods of evaluation have fallen into four categories: validated administrative data, historical comparison, quasi-experimental, and randomized controlled trials. Validated administrative data is by far the most frequently used method in high-income countries, used in over half of the currently contracted impact bonds for which evaluation methodology data are available.

The choice of evaluation methodology in impact bonds depends on five considerations: what the outcome funder is seeking to achieve; contextual issues, such as the availability of data or the presence of a comparison group; the timeline of the contract and how much time there will be for data collection; the

evaluation budget; and the political sensitivities around the transaction or the intervention.

### **GOAL OF THE IMPACT BOND**

The most desirable method of evaluation is likely to depend on the individual impact bond, and the question that the outcome funders (other actors may have interests as well) want to answer or what they are trying to achieve. An outcome funder might have several potential goals: to achieve a set of outcomes and pay only for success; to achieve a set of outcomes at the lowest possible price; to determine if a particular intervention or service provider delivers better outcomes than a counterfactual; to compare outcomes among interventions or service providers; to determine which of a set of interventions or service providers delivers a set of outcomes for the lowest price; to determine whether the impact bond structure delivers better outcomes than funding

inputs; or to determine whether the impact bond structure delivers better outcomes than traditional results-based financing.

Beyond this question, other determinants of evaluation could include data availability, measurement tool availability, evaluation costs, capacity to collect and analyze data, and the existence of comparison groups. For example, if the goal is to simply achieve a set of outcomes and pay only for success, validated administrative data can be used, but if the aim is to determine the achievement of outcomes relative to a counterfactual, an RCT may be the most appropriate methodology. For more detail, see Annex C.

There is considerable concern around whether impact bonds are suitable for evaluation through an RCT. In some cases, pressure may come from stakeholders to evaluate with an RCT, because of the rigor of this method and the perception that it represents the “gold standard” of impact evaluation.


For several reasons, however, an RCT may not be the best strategy. First, with impact bonds the focus is on results achieved, rather than on the effects of specific interventions, so there may be less value in an evaluation method that demands strict adherence to particular treatments. Moreover, if the goal is to meet a set of targets, rather than to test the causal relationship between treatments and outcomes, an expensive RCT may be less necessary for this purpose.

If an RCT is desired, one option for incorporating this method could be to randomize intervention. Simply randomizing treatment, rather than insisting that everyone be treated identically, could preserve flexibility for providers. In this way, those who receive interventions, regardless of how or when they were treated, could be compared with those in a control group.

Selecting the right evaluator for the impact bond is also likely to depend on the kind of evaluation the stakeholders have in mind. Part of the process will be understanding the methodologies that different evaluators plan to use and whether these suit the design of the impact bond or the demands of stakeholders.

## CONTEXT AND POPULATION

The complexity of the populations who are often served by the interventions is a key challenge for evaluating the success of impact bonds. Dealing with this effectively might involve setting different targets by gender, socioeconomic status, or location in rural or urban areas. If baseline levels of the indicators of interest differ systematically by these groups, setting different targets, or measuring growth, may be preferable to a universal target.



**I'm just not sure we can do [an RCT] effectively without compromising flexibility and creating rigidities that will scare the investors.**

*—Impact bond practitioner*

## METRICS AND DATA AVAILABILITY

Attribution is an additional challenge for evaluating impact bonds in low- and middle-income countries. If a number of different interventions are taking place on the population of interest, it will be difficult to establish how much of the change is due to the actions of one service provider. Since the focus will likely be on results, this may not be an issue for measuring the success of the impact bond, but it may be a consideration for outcome funders that would like accurate information on the price of outcomes in the future.

Data limitations are a key concern for evaluating impact bonds, especially in developing countries, where

data quality is often low. Effective evaluations depend on good data collection to evaluate the results achieved against the targets.

## COST

Evaluation can be a costly part of an impact bond, and the total cost will depend on the specific requirements of the various parties. Collecting baseline data, following large samples, and organizing RCTs can be expensive and time-consuming. Who pays for the evaluation, and how it is paid for, will depend on the specific impact bond. The cost of the evaluation may be incorporated into the cost per beneficiary or be paid directly to the outcome evaluator by the outcome funder.

## PERFORMANCE MANAGEMENT

As demonstrated above, performance management is extremely important to investors whose capital is at risk. Three broad parties may take on the responsibility for partner and performance management, depending on the capacity of the service provider, the involvement of the investor, and the desire for long-term sustainability.


**1. Investor-led:** Donors, outcome funders, and other intermediaries are often happy to leave performance management to the service providers or the investors. Investors that are very involved in the impact bond process may take a management role given their expertise and resources in performance management.

**2. Service provider-led:** Many practitioners argue that performance management should be the responsibility of the service provider. Service providers are the closest to performance data, and building out performance management frameworks can contribute to the long-term sustainability of their work. A key question for this approach is whether the service providers have sufficient capability to implement effective performance management. Adding a capacity-building component to the project can assist in the transformation of a service provider into a results-focused organization.

**3. Third party-led:** An alternative approach is for the impact bond to be structured to include a third-party performance manager. The performance manager would serve an intermediary function, managing the relationship with the service provider. A key advantage of this approach would be providing external consultation and the ability to problem-solve in the field. This may be especially valuable in the context of developing countries, where these organizations can fulfill a confidence-building role in a risky environment. However, this requires additional capital.

Effective performance management requires strong management information systems. These could comprise work planning and forecasting systems, data collection and analysis systems, and performance reports and dashboards. Each system needs to be tailored to the unique

context of the underlying impact bond. Systems must be well-structured to ensure that new data can be interpreted appropriately, as well as flexible enough to adapt should data structures change. The system should also be able to handle different data types (such as service provider reports and field reports) from several organizations. These systems must effectively provide analysis on a continuous basis to monitor performance and manage it where required.



**On building in-house capacity for performance management, I think that's key. At some point, you are going to want this to be sustainable, and the service providers must be able to continue without an impact bond structure.**

*—Impact bond practitioner*

# KEY TAKEAWAYS:

## IMPLEMENTING THE IMPACT BOND AND MEASURING IMPACT

1



The most desirable method of evaluation will depend on what the outcome funder is seeking to achieve by using payment by results financing.

2



The choice of evaluation methodology may depend on contextual issues, such as the complexity of the populations served by the intervention, the availability of data, or the presence of a control group.

3



The timeline of the contract may affect the choice of methodology, depending on how much time there will be for data collection.

4



The evaluation budget may constrain the choice of methodology: RCTs can be expensive, and there may not be adequate funding.

5



Political sensitivities around the contract or the intervention itself may shape the choice of evaluation, for example if there is a need to demonstrate the causal role of a particular program.

6



Effective performance management requires strong management information systems. These could comprise work planning and forecasting systems, data collection and analysis systems, and performance reports and dashboards.

# CONCLUSIONS AND NEXT STEPS

Tackling the outside challenges facing the developing world today will require large amounts of money, but it will also take creativity, flexibility, collaboration, and perseverance from a range of actors across the globe including the public, private, and philanthropic sectors. This report aims to capture the early learnings from one innovative tool that attempts to bring all of those components to bear.

Social and development impact bonds are in their nascence globally but in particular in the developing world, with the first DIB contracted

only in early 2015 and a total of three launched to date (along with one SIB in a developing country). While much remains to be learned, thus far the practitioners engaged in designing and implementing impact bonds have gathered a great deal of knowledge about what works and what does not. As this and similar tools, which tie payments to outputs or outcomes, continue to grow in their use, our hope is that their application improves with the broader goal of improving systems of social service financing and delivery and achieving the sustainable development goals set forth in 2015.

## LOOKING FORWARD

At present, most of the impact bond transactions are small and bespoke (including those in high-income countries). For impact bonds and more traditional payment by results mechanisms to reach greater scale in terms of beneficiaries served, a number of factors will be critical.

### 1. EXPAND THE EVIDENCE BASE

Funders want to support interventions and service providers

that have a record of achieving outcomes. In impact bonds, in which investors also hope to make a financial return, this is even truer. This means that some evidence is needed to demonstrate to investors that results achievement is likely. What is tricky is that at least to date, impact bonds seem to fill a niche where there is sufficient evidence for investors to take the risk of investing but perhaps not

enough evidence for outcome funders to take the risk of scaling the intervention. Risk-averse investors may require evidence from rigorous experimental or quasi-experimental evaluations to be able to attribute outcome achievement to the intervention, while for more risk-friendly investors, historical data may be sufficient. Regardless of the rigor needed, data on program performance are crucial. For many service providers, however, the cost of data collection and evaluation is prohibitive, and others have limited capacity to collect and manage data to evaluate impact. Philanthropic funding will be critical to help service providers build their evidence base. Investments in data collection and in evaluation of programs will be money well-spent, as this is a first step in shifting the focus away from inputs to outcome achievement. Moreover, the more providers are delivering certain outcomes with some evidence behind them, the greater the potential to attract larger sums of (even potentially commercial) capital (see Point 5 “support legislation”).

## **2. BUILD CAPACITY OF SERVICE PROVIDERS**

Just as evidence is needed to demonstrate that an intervention or service provider is likely to deliver promised outcomes, there needs to be evidence that service providers can use data to regularly monitor performance and improve service delivery in an iterative way. To date, most service providers engaged in impact bonds globally had some experience in performance

management or at least had the data available to be used in monitoring and course adjustment. In some cases, such training was provided in the lead-up to the implementation of the impact bond, and in others, capacity building in this area occurred over the course of the impact bond. Support to build capacity of service providers in data collection and performance management is imperative not only to expanding the use of impact bonds and other payment by results mechanisms, but for broader systems improvement and outcome achievement.

## **3. EDUCATE POTENTIAL OUTCOME FUNDERS**

Historically, most governments, donor agencies, and foundations have funded the delivery of services based on inputs or process, and one of the key arguments for using impact bonds is that in the past this funding has been unable to demonstrate impact effectively. Since paying for outcomes is not the norm, some education or sensitization will be key to opening the door to this manner of funding. Learning about impact bonds, and gaining experience of the complex process of negotiations, takes time and money. To develop internal expertise, organizations and governments will have to invest in learning about how impact bonds work. Outcome funders may also be concerned about the time and cost of setting up an impact bond. Negotiating among a range of stakeholders is a daunting process compared with simply funding the same intervention up-front. Tapping into potentially similar experiences

could be a good place to start. For example, some governments have used performance-based contracting in military contracts while others have used traditional results-based financing for social services. Examples from other countries (or the subnational level within a country) may provide useful guidance for potential outcome funders. Clear guidelines and steps to take will also facilitate this shift. Both scale and sustainability of financing based on outputs and outcomes will depend on government engagement. While DIBs may be a short-term solution providing evidence for the use of this model, SIBs, or a variation of the SIB model with government as outcome funders, will be critical.

#### **4. EDUCATE POTENTIAL IMPACT INVESTORS**

As with outcome funders, impact bonds represent a new way of doing business for impact investors, even for those with experience investing in programs with social returns. Impact investors have a key part to play in the development of the impact bond field and will need educating about the nature of the contracts, the relationship with the other stakeholders, and their role in the deal. Impact investors will likely have different priorities and interests in the issues they wish to engage with, different risk profiles, and differing levels of emphasis on social versus financial returns.

#### **5. SUPPORT LEGISLATION**

In some cases, legal issues may constrain the contracting of an

impact bond (Instiglio, 2014; Zülow et al., 2017). There are three main legal aspects to consider. The first is related to investments and has multiple levels of complexity. For example, on the investor side, it may not be possible to transfer funds (equity or debt) to the holder of the investment funds, such as an intermediary or to a service provider before service delivery. Contracting between investors and (government) outcome funders may also be subject to legal constraints requiring, for example, public-private partnership laws. The second legal aspect is related to procurement and outcome funding. The procurement of service providers may be subject to open procurement regulations and will likely also require legal frameworks related to public-private partnerships, for example. Moreover, because payments based on outcomes are rarely the norm, rules and regulations must allow for this. This can become more complex if the monetizable savings for the provision of preventive services are distinctly located from the payments for those services. Finally, fiscal implications for the investments (debt and equity) and their dividends must be considered. Tax laws may be more or less favorable for investors engaging in these kinds of financing structures. Within each of those three categories, numerous factors related to risk must be considered. Entities interested in enabling the growth of impact bonds should consider supporting efforts to enact or modify legislation that facilitates and incentivizes such contracting.



## 6. ESTABLISH OUTCOME FUNDS

In 2015, \$153 billion was spent by donors on official development assistance (ODA) (World Bank, n.d.) to developing countries. This was in addition to the money spent by domestic governments on public services. International organizations have recognized the importance of domestic resource mobilization (DRM), as well as the challenges that developing countries face in raising taxes, including poor governance and high levels of informality (World Bank, 2016). Despite the levels of donor aid, and the encouragement of DRM, poor human development outcomes persist: 800 million people around the world are living on less than \$1.25 a day (United Nations Development Programme, 2017), and 263 million children and young people are out of school (Education Commission, 2016). In the U.S., accountability and use of evaluation in foreign aid have increased in recent administrations, but more emphasis on data is still needed (Ingram, 2016). Indeed, despite high levels of ODA, results are far from guaranteed, and gaps in political will or poor governance may constrain the effectiveness of donor spending (The Economist, 2015). One way of ensuring that this money is better spent is to tie funding to the achievements of the desired results. Outcome funds, which pool donor funding, represent a mechanism for putting this into action. In the international development context, outcome

funds are under discussion for education and refugees.

## 7. CREATE GLOBAL INVESTMENT FUNDS

While spending better is critical, and in fact should be the No. 1 priority in tackling the SDGs, there is also a need for simply more capital. The annual funding gap to achieve the SDGs is estimated at \$2.5 trillion (United Nations Conference on Trade and Development, 2014). Private capital could help to bridge this gap: In 2016, the Annual Impact Investor Survey conducted by the Global Impact Investing Network found that its respondents invested \$22.1 billion in almost 8,000 impact investments and planned to increase their investments in 2017 (Global Impact Investing Network, 2017). However, the landscape for investors in impact bonds remains fragmented, and potential investors may be put off by the lengthy negotiation period and often small scale of the contracts. Investment funds, such as the Bridges Social Impact Bond Fund in the U.K., which directs private capital toward impact bonds, offer a potential solution to this challenge (Bridges Fund Management, n.d.). A global investment fund that pools the resources of impact investors with an interest in development outcomes could reduce the transaction costs of the impact bond process and increase the scale of impact investments in results-based financing.

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# ANNEX A:

## CASE STUDIES OF CONTRACTED IMPACT BONDS IN DEVELOPING COUNTRIES

### COLOMBIA WORKFORCE DEVELOPMENT SIB CASE STUDY

The Colombia Workforce Development SIB is the first social impact bond to be launched in a developing country. Just under half of the outcome payment for this project is being provided by Colombia's Department for Social Prosperity, with the remaining payment made by the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), with funds provided by the Swiss State Secretariat for Economic Affairs (SECO). The SIB finances employment measures such as skills training, psychosocial support, and intermediation services for formal job placement and retention for 514 vulnerable individuals. With the contracts signed in March 2017, service provision began in May, and the contract will end July 31, 2018.

#### **Q: WHAT IS INTERESTING ABOUT THIS SIB?**

**A:** The SIB has several interesting and unique features. First, it is the first social impact bond to be launched in an emerging market or developing country. Second, the Colombian government will pay for outcomes with co-financing from the Swiss Cooperation – SECO (paid through

IDB-MIF), demonstrating a model of blending development aid and finance with government funding for outcome payments. Third, three of Colombia's largest foundations will be impact investors for the first time, serving to catalyze the market. Fourth, the SIB is part of a larger social impact bond initiative on workforce development between the MIF and the Swiss Cooperation – SECO that includes outcomes co-financing for up to three social impact bonds as well as support for market building and knowledge creation. Fifth, it is one of only two SIBs launched that include internally displaced people and victims of conflict as part of the target population. Finally, the SIB uses administrative data from the Ministry of Health and Social Protection, which was not involved in the provision of services or the outcome payment, as an innovative solution to the challenge of data availability to verify results.

#### **Q: WHAT WAS YOUR EXPERIENCE OF PLANNED TIMELINE VS. REALITY?**

**A:** The turnaround for this SIB was very quick: The design process began in July 2016, and

the contract was signed in March 2017. The short time frame was a result of several years of building stakeholder awareness; the national government's effort to develop results-based financing instruments; and exploring the model with all the stakeholders.

**Q: WHAT CHALLENGES WERE FACED IN THE DESIGN OF THIS SIB?**

**A:** One of the key challenges was how to work around the government's budgeting process, which requires that funds be spent within the year. While the contract is until 2018, the government of Colombia will pay only for outcomes verified within 2017, up to a total of 1 billion Colombian pesos. Any achievements after this amount, or achieved in the second year, will be paid by the MIF, with SECO funding.

Another significant challenge was the lack of information regarding

price for the results sought. The stakeholders had to use a hybrid method of calculation involving the price paid by the government of Colombia for job training for vulnerable populations and price quotations from the service providers.

**Q: HOW DO THE OUTCOME METRICS WORK?**

**A:** For this SIB there are three outcome metrics: job placement, three-month job retention, and six-month job retention. For each individual who is placed in a job, the outcome funders will pay 50 percent of the total per capita payment, with another 50 percent if an individual retains the job for three months, for a maximum of 514 individuals. For individuals who are still in a job after six months, the MIF, with funds from the Swiss Cooperation – SECO, will pay a bonus of 10 percent in addition to the per capita outcome payment.

## **INDIA EDUCATE GIRLS DIB CASE STUDY**

The India Educate Girls DIB, contracted in May 2015, aimed to boost enrollment for out-of-school girls and to improve the literacy of both boys and girls in Rajasthan state, India. The services financed by this DIB target children in 166 schools in the Bhilwara district, for a total of 15,000 children, 9,000 of whom are girls. Educate Girls trains a team of volunteers to make door-to-door visits to encourage enrollment and deliver curriculum enhancement to public school classrooms. Due to finish in May

2018, the DIB has completed two years of interventions and entered its final year. For more details on the DIB, see the Deal Book in Annex D.

**Q: WHY WAS THE IMPACT BOND STRUCTURE SELECTED FOR THIS INTERVENTION?**

**A:** The impact bond structure unlocked new funding streams and focused the attention of the intervention on impact. This was a way of showcasing how incentives, service provider flexibility, and the encouragement of innovation

can pave the way to more results-focused development.

**Q: WHAT WAS YOUR EXPERIENCE OF PLANNED TIMELINE VS. REALITY?**

**A:** There was a reduced implementation period in the first year of the impact bond, because of delays in signing contracts, getting measurements for the independent evaluator, and signing memorandums of understanding with the government. This meant that the first year of the learning intervention, scheduled to begin in September and finish in March, in fact started in October and finished in February, resulting in an effective implementation of 60 percent for the learning intervention.

**Q: WHAT HAVE THE RESULTS SO FAR SHOWN?**

**A:** In the second year of the DIB, the program had reached 88 percent of the three-year enrollment target and 50 percent of the three-year outcome target. Although overall outcomes will not be calculated until 2018, from these results UBS Optimus Foundation, the investor, will have recouped 72 percent of the initial investment and 54 percent of the expected outcome payment (initial investment plus internal rate of return).

**Q: WHAT WERE SOME OF THE MAIN CHALLENGES TO SETTING UP A DIB?**

**A:** The first challenge was a low-

quality data environment on the ground. Both historical performance data and administrative data were weak, and there was little evidence of behavior under incentives. Other challenges included the need to build a performance management system, and the capacity of staff in terms of integrating performance insights, and leading an outcomes-oriented culture. Finally, the setup of the DIB was costly, because of the need to establish new relationships, integrate new techniques and mindsets, and face high levels of public scrutiny.

**Q: WHAT LESSONS DID YOU LEARN FROM THE EXPERIENCE?**

**A:** One lesson was that setting up the DIB required the stakeholders to be resourceful; given the poor reliability of data, identifying the target population and metrics required flexibility. Moreover, the complexity of the process, and the number of stakeholders, meant that strong communication was essential. A new role for the outcome funder and investor also emerged from the process: While the funder spent more on outcomes and less on managing activities, the investor used risk management strategies from its commercial banking branch, which it had not used for other grants. Finally, the DIB has changed the way the service provider operates. Performance data is now accessed by frontline workers, helping them to identify barriers to outcomes early.

## PERU SUSTAINABLE COCOA AND COFFEE PRODUCTION DIB

### CASE STUDY

The Peru Sustainable Cocoa and Coffee Production DIB, launched in January 2015, provided technical support to agricultural practices to the Asháninka people of the Ene River in the Peruvian Amazon. Closing in December 2015, the bond targeted 133 families, with interventions to improve collection and postharvest techniques for cocoa, restore coffee plots affected by yellow leaf rust disease, and provide marketing support to the local cooperative, Kemito Ene. For more details on the DIB, see the Deal Book in Annex D.

#### Q: WHO INITIATED THE IMPACT BOND DISCUSSION?

**A:** The conversation around the impact bond was initiated by the outcome funder, the Common Fund for Commodities (CFC), and the process from this point was straightforward. CFC commissioned the Rainforest Foundation U.K. (RFUK) to look into a DIB, and they presented a proposal to the investor (a California-based private foundation) as an impact investment learning opportunity. The outcomes were defined collaboratively by those three parties.

#### Q: WHAT WAS YOUR EXPERIENCE WITH PLANNED TIMELINE VS. REALITY?

**A:** Despite the straightforward negotiations, there was a delay in getting the DIB off the ground, mainly due to administrative processes—this was a new process

for all parties. In an agriculture DIB, timing is especially crucial, since interventions are likely to be seasonal, and setbacks may mean waiting a full year before the project can move forward to coincide with the next harvest.

#### Q: WHAT ARE SOME OF THE MAIN CHALLENGES IN SETTING UP A DIB?

**A:** The challenges in the Peru pilot all related to the fact that this was a new instrument. First, it was challenging to set good, measurable indicators. For this project, funding was not an issue; as a pilot, the resources required were relatively small. The partners were brought together by their interest in testing the DIB concept and a commitment to putting this into practice.

However, while not an issue for the initial pilot, one of the key challenges to scaling up a DIB is marketing the concept to funders, as well as getting agreement between the outcome funder and the service provider. Outcome funder organizations are not set up to make the multistakeholder decisions that are part of impact bonds: Different mechanisms need to be found to get approval, and it takes longer than a traditional grant agreement. The principals of private foundations still need to discover the benefits of paying for the results instead of paying for promises, as has been frequently the case in the past. We are still looking for effective ways to



“While contracted before publication, due to time restrictions, it was not possible to incorporate a case study for the ICRC Programme for Humanitarian Impact Investment (PHII)”

present DIB opportunities to such principal decision makers, and a real test case goes a long way here.

**Q: WHAT LESSONS DID YOU LEARN FROM THE EXPERIENCE?**

**A:** One of the lessons from this DIB was the importance of flexibility. The service provider was able to change their strategy on how they spent the resources. The DIB also influenced an improvement in performance management and monitoring systems, and this learning means that in the

next DIB there will be an investment in monitoring tools. Another key element was creating an impact matrix. The outcome evaluator, KIT, played an important role here by creating realistic, measurable, and achievable indicators to capture results. Each partner learned from its specific role in the DIB, which was quite a different experience to the conventional practice of each organization.

# ANNEX B:

## GLOSSARY OF ACTORS

Actor	Impact bond	Role
<b>Acrux Partners</b>	Argentina Youth Employment SIB	Intermediary and technical assistance
<b>AEDES/IRESKO</b>	Cameroon Cataract DIB	Outcome evaluator
<b>Africa Eye Foundation</b>	Cameroon Cataract DIB	Service provider
<b>AIIM Partners</b>	Peru Climate-Smart Agriculture DIB	Investor
<b>ApexHi Charitable Trust</b>	South Africa ECD Impact Bond Innovation Fund - Social Development	Outcome funder
<b>Aravind Eye Care System</b>	Cameroon Cataract DIB	Technical assistance (technical adviser)
<b>Baker McKenzie</b>	Colombia Workforce Development SIB	Technical assistance (legal work)
<b>Banamex Fomento Social</b>	Mexico The Future in My Hands SIB	Investor
<b>Bank of Palestine</b>	Palestine Type II Diabetes DIB	Investor
<b>Bertha Centre for Social Innovation and Entrepreneurship</b>	South Africa Workforce Development SIB	Outcome evaluator
<b>British Asian Trust (BAT)</b>	India Education DIB	Outcome Funder
<b>La Caixa Foundation</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Outcome funder
<b>CCMX</b>	Mexico The Future in My Hands SIB	Technical assistance (advisory board)
<b>CEMEX</b>	Mexico The Future in My Hands SIB	Technical assistance (advisory board)
<b>Center for Global Development (CGD)</b>	Cameroon Cataract DIB	Technical assistance (thought leadership)

Actor	Impact bond	Role
<b>Children's Investment Fund Foundation</b>	India Educate Girls DIB	Outcome funder
<b>Coffee Heritage Company</b>	Uganda Empowering Women and Youth in the Coffee Value Chain DIB	Service provider
<b>Common Fund for Commodities</b>	1. Peru Sustainable Cocoa and Coffee Production DIB	Outcome funder
	2. Uganda Empowering Women and Youth in the Coffee Value Chain DIB	Investor
	3. Peru Climate-Smart Agriculture DIB	Investor
<b>Conrad N. Hilton Foundation</b>	Cameroon Cataract DIB	Outcome funder
<b>Compartamos con Colombia</b>	Colombia Workforce Development SIB	Technical assistance (due diligence of operators)
<b>Corporativa de Fundaciones</b>	Mexico The Future in My Hands SIB	Technical assistance (advisory board)
<b>CREA</b>	Mexico The Future in My Hands SIB	Service provider
<b>D. Capital Partners</b>	1. Cameroon Cataract DIB	Intermediary
	2. Mozambique Malaria DIB	Intermediary
	3. South Africa ECD Impact Bond Innovation Fund - Health	Intermediary (precontracting)
	4. South Africa ECD Impact Bond Innovation Fund - Social Development	Intermediary (precontracting)
<b>Deloitte Colombia</b>	Colombia Workforce Development SIB	Outcome evaluator
<b>Discovery Fund</b>	South Africa ECD Impact Bond Innovation Fund - Health	Outcome funder
<b>Duran &amp; Osorio</b>	Colombia Workforce Development SIB	Technical assistance (legal work)
<b>Educate Girls</b>	1. India Educate Girls DIB	Service provider
	2. India Education DIB	Service provider
<b>Foundation for Community Work</b>	South Africa ECD Impact Bond Innovation Fund - Social Development	Service provider
<b>Fred Hollows Foundation</b>	Cameroon Cataract DIB	Outcome funder

Actor	Impact bond	Role
<b>Fundación Bolívar Davivienda</b>	Colombia Workforce Development SIB	Investor
<b>Fundación Capital</b>	Mexico The Future in My Hands SIB	Service provider
<b>Fundación Carvajal</b>	Colombia Workforce Development SIB	Service provider
<b>Fundación Corona</b>	Colombia Workforce Development SIB	Intermediary and investor
<b>Fundación Mario Santo Domingo</b>	Colombia Workforce Development SIB	Investor
<b>Fundación ProBono</b>	Colombia Workforce Development SIB	Technical assistance (legal work)
<b>Gente Estratégica</b>	Colombia Workforce Development SIB	Service provider
<b>Global Development Incubator</b>	Kenya and Uganda Graduation Model DIB	Intermediary (trustee, holds outcome fund)
<b>Global Innovation Fund</b>	Mexico The Future in My Hands SIB	Outcome funder and outcome evaluator (design)
<b>Goodbye Malaria (underwritten by Nandos and other corporations)</b>	Mozambique Malaria DIB	Outcome funder
<b>Government of Belgium</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Outcome funder
<b>Government of Buenos Aires</b>	Argentina Youth Employment SIB	Outcome funder
<b>Government of Cameroon (Ministry of Public Health)</b>	Cameroon Kangaroo Mother Care DIB	Outcome funder
<b>Government of Colombia</b>	Colombia Workforce Development SIB	Outcome funder
<b>Government of Italy</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Outcome funder
<b>Government of Jalisco</b>	Mexico The Future in My Hands SIB	Outcome funder
<b>Government of the Netherlands</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Outcome funder

Actor	Impact bond	Role
<b>Government of Rajasthan</b>	India (Rajasthan) Maternal and Newborn Health DIB	Outcome funder (planning to commission outcomes in Years 4 and 5)
<b>Government of São Paulo state</b>	Brazil Secondary Education SIB	Outcome funder
<b>Government of Switzerland SECO</b>	1. ICRC Programme for Humanitarian Impact Investment (PHII)	Outcome funder
	2. Colombia Workforce SIB	Outcome funder
<b>Government of Tajikistan</b>	Tajikistan WASH SIB	Outcome funder
<b>Government of the United Kingdom</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Outcome funder
<b>Grand Challenges Canada</b>	Cameroon Kangaroo Mother Care DIB	Outcome funder
<b>Gyan Shala</b>	India Education DIB	Service provider
<b>Henderson &amp; Alberro</b>	Mexico The Future in My Hands SIB	Technical assistance (feasibility study and SIB design)
<b>Hindustan Latex Family Planning Promotion Trust</b>	India (Rajasthan) Maternal and Newborn Health DIB	Service provider and investor
<b>IDinsight</b>	1. Cameroon Kangaroo Mother Care DIB	Technical assistance (baseline study)
	2. India Educate Girls DIB	Outcome evaluator
<b>Inspier Metricis</b>	Brazil Secondary Education SIB	Technical assistance (design phase intermediation)
<b>Instiglio</b>	1. India Educate Girls DIB	Intermediary (project manager, impact bond designer, performance management provider)
	2. India (Rajasthan) Maternal and Newborn Health DIB	Technical assistance (performance management design inputs)
	3. Kenya and Uganda Graduation Model DIB	Technical assistance (design consultant and likely implementation/operations support)
	4. Colombia Workforce Development SIB	Technical assistance (technical adviser)
<b>Inter-American Development Bank/Multilateral Investment Fund</b>	1. Colombia Workforce Development SIB	Outcome funder
	2. Peru Climate-Smart Agriculture DIB	Outcome funder
	3. Mexico The Future in My Hands SIB	Investor and outcome evaluator (design)
	4. Brazil Secondary Education SIB	Potential investor

Actor	Impact bond	Role
<b>International Coffee Organization</b>	Uganda Empowering Women and Youth in the Coffee Value Chain DIB	Outcome evaluator
<b>International Committee of the Red Cross</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Service provider
<b>Jalisco Social Development Ministry</b>	Mexico The Future in My Hands SIB	Outcome evaluator (design)
<b>J-PAL (Abdul Latif Jameel Poverty Action Lab)</b>	Mexico The Future in My Hands SIB	Technical assistance (advisory board)
<b>Juzoor for Health and Social Development</b>	Palestine Type II Diabetes DIB	Service provider
<b>Kaivalya Education Foundation</b>	India Education DIB	Service provider
<b>Kangaroo Foundation Cameroon</b>	Cameroon Kangaroo Mother Care DIB	Service provider and technical assistance
<b>KIT, The Royal Tropical Institute</b>	Peru Sustainable Cocoa and Coffee Production DIB	Outcome evaluator
<b>Kois Invest</b>	1. Syrian Refugee Employment DIB 2. ICRC Programme for Humanitarian Impact Investment (PHII)	Intermediary Intermediary (structuring)
<b>Kyeema Foundation</b>	Ethiopia Newcastle Disease Prevention DIB	Service provider
<b>Linklaters</b>	Cameroon Cataract DIB	Technical assistance (legal)
<b>Lubombo Spatial Development Initiative</b>	Mozambique Malaria DIB	Service provider
<b>MaRS Centre for Impact Investing</b>	Cameroon Kangaroo Mother Care DIB	Intermediary
<b>Medical Research Council</b>	Mozambique Malaria DIB	Technical assistance
<b>Merck for Mothers</b>	India (Rajasthan) Maternal and Newborn Health DIB	Outcome funder

Actor	Impact bond	Role
<b>Michael and Susan Dell Foundation</b>	India Education DIB	Outcome funder
<b>Miller Thomson</b>	Cameroon Kangaroo Mother Care DIB	Technical assistance (international co-legal counsel)
<b>Morrison Foerster</b>	Cameroon Kangaroo Mother Care DIB	Technical assistance (international co-legal counsel)
<b>mothers2mothers</b>	1. South Africa ECD Impact Bond Innovation Fund - Health	Intermediary (performance management)
	2. South Africa ECD Impact Bond Innovation Fund - Social Development	Intermediary (performance management)
<b>Mozambique Ministry of Health (National Malaria Control Program)</b>	Mozambique Malaria DIB	Technical assistance
<b>New Ventures</b>	Mexico The Future in My Hands SIB	Technical assistance (advisory board)
<b>Norton Rose Fulbright</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Technical assistance (legal adviser)
<b>Nutrition International</b>	Cameroon Kangaroo Mother Care DIB	Outcome funder
<b>Oxfam</b>	Tajikistan WASH SIB	Service provider (software components)
<b>Palladium</b>	1. Papua New Guinea Gender-Based Violence DIB	Intermediary
	2. India (Rajasthan) Maternal and Newborn Health DIB	Intermediary, investor, and performance management
	3. Ethiopia Newcastle Disease Prevention DIB	Intermediary
<b>Philanthropy Advisors</b>	ICRC Programme for Humanitarian Impact Investment (PHII)	Outcome evaluator
<b>Phoenix</b>	India (Rajasthan) Maternal and Newborn Health DIB	Technical assistance (Indian legal counsel)
<b>Policy Lab</b>	Mexico The Future in My Hands SIB	Outcome evaluator (implementation)
<b>Population Services International</b>	India (Rajasthan) Maternal and Newborn Health DIB	Service provider and investor

Actor	Impact bond	Role
<b>Promotora Social Mexico</b>	Mexico The Future in My Hands SIB	Investor
<b>ProSociedad</b>	Mexico The Future in My Hands SIB	Technical assistance (feasibility study and SIB design)
<b>Quepa</b>	Colombia Workforce Development SIB	Service provider
<b>Rabin Martin</b>	India (Rajasthan) Maternal and Newborn Health DIB	Technical assistance (strategic advisory services to Merck for Mothers)
<b>Rainforest Foundation U.K.</b>	1. Peru Sustainable Cocoa and Coffee Production DIB	Service provider
	2. Peru Climate-Smart Agriculture DIB	Service provider
<b>Enrique Seira (professor at Instituto Tecnológico Autónomo de México (ITAM) and research affiliate at J-PAL)</b>	Mexico The Future in My Hands SIB	Outcome evaluator (design)
<b>Siembra Capiales</b>	Mexico The Future in My Hands SIB	Technical assistance (advisory board)
<b>Sightsavers</b>	Cameroon Cataract DIB	Outcome funder
<b>Skotkonung</b>	India (Rajasthan) Maternal and Newborn Health DIB	Technical assistance (information system development)
<b>Social Finance</b>	1. South Africa ECD Impact Bond Innovation Fund - Health	Technical assistance (development)
	2. South Africa ECD Impact Bond Innovation Fund - Social Development	Technical assistance (development)
	3. Argentina Youth Employment SIB	Intermediary and technical assistance
	4. Mexico The Future in My Hands SIB	Technical assistance (knowledge transfer support)
	5. Brazil Secondary Education SIB	Technical assistance (design phase intermediation)
	6. Cameroon Kangaroo Mother Care DIB	Intermediary
	7. Fecal Sludge Management Value Chain	Technical assistance
	8. West Bank and Gaza DIB	Technical assistance
	9. South Africa HIV Treatment and Prevention DIB	Technical assistance
	10. India (Rajasthan) Maternal and Newborn Health DIB	Technical assistance (deal advisory and structuring inputs)
<b>Society for All Round Development</b>	India Education DIB	Service provider



Actor	Impact bond	Role
<b>South Africa Department of Science and Technology</b>	South Africa HIV Treatment and Prevention DIB	Outcome funder
<b>South Africa Department of Social Development</b>	South Africa ECD Impact Bond Innovation Fund - Social Development	Outcome funder
<b>South Africa Enterprise and Investment Department</b>	South Africa Workforce Development SIB	Outcome funder
<b>Sundfeld Advogados</b>	Brazil Secondary Education SIB	Technical assistance (legal)
<b>Tecnológico de Monterrey</b>	Mexico The Future in My Hands SIB	Technical assistance (advisory board)
<b>UBS Optimus Foundation</b>	1. India Educate Girls DIB 2. India (Rajasthan) Maternal and Newborn Health DIB 3. India Education DIB	Investor Investor Investor
<b>UNICEF Cameroon</b>	Cameroon Kangaroo Mother Care DIB	Technical assistance
<b>University of Pretoria</b>	Mozambique Malaria DIB	Technical assistance
<b>USAID</b>	India (Rajasthan) Maternal and Newborn Health DIB	Outcome funder
<b>Village Enterprise</b>	Kenya and Uganda Graduation Model DIB	Service provider
<b>Volver a la Gente</b>	Colombia Workforce Development SIB	Service provider
<b>Western Cape Provincial Department of Health</b>	South Africa ECD Impact Bond Innovation Fund - Health	Outcome funder
<b>World Bank Group</b>	Palestine (West Bank and Gaza) Employment DIB	Outcome funder
<b>World Bank-led Global Financing Facility Trust Fund</b>	Cameroon Kangaroo Mother Care DIB	Outcome funder

# ANNEX C:

## POTENTIAL EVALUATION METHODOLOGY BY OUTCOME FUNDER GOALS

Potential outcome funder goal	Evaluation methodology	Impact bond price setting/ determination of payments	Pros and cons	Additional considerations
To achieve a set of outcomes and to pay only for success (shift risk)	<ul style="list-style-type: none"> <li>Simple independent validation of administrative data (outcome achievement)</li> <li>Or administrative data compared to historical baseline</li> </ul>	<ul style="list-style-type: none"> <li>Individual impact bond approach (managed or intermediated)</li> </ul>	<ul style="list-style-type: none"> <li>Relatively low cost</li> <li>Attribution of impact not possible</li> </ul>	<ul style="list-style-type: none"> <li>Potential perverse incentives, including cream skimming</li> </ul>
To achieve a set of outcomes at the lowest possible price	<ul style="list-style-type: none"> <li>Simple independent validation of administrative data (outcome achievement)</li> <li>Or above compared to historical baseline</li> </ul>	<ul style="list-style-type: none"> <li>Rate card approach</li> </ul>	<ul style="list-style-type: none"> <li>Relatively low cost</li> <li>Attribution of impact not possible</li> </ul>	<ul style="list-style-type: none"> <li>Potential perverse incentives, including cream skimming</li> </ul>
To determine whether a particular intervention/service provider delivers a set of outcomes or is better than a counterfactual in delivering those outcomes	<ul style="list-style-type: none"> <li>Quasi-experimental design</li> <li>RCT</li> </ul>	<ul style="list-style-type: none"> <li>Individual impact bond approach (managed or intermediated)</li> </ul>	<ul style="list-style-type: none"> <li>Attribution is possible</li> <li>Could be beneficial to a service provider for getting future funding but could also be risky</li> <li>Potentially quite costly</li> <li>Comparison group needed for Quasi-Experimental design</li> <li>Can limit the flexibility of the service provider to deliver outcomes if a particular delivery model is being tested</li> <li>Randomization of service delivery could lead to needy beneficiaries not receiving services</li> </ul>	<ul style="list-style-type: none"> <li>May be difficult in conflict or other highly volatile settings</li> </ul>

Potential outcome funder goal	Evaluation methodology	Impact bond price setting/ determination of payments	Pros and cons	Additional considerations
To compare outcomes among interventions or service providers	<ul style="list-style-type: none"> <li>• RCT with multiple arms</li> </ul>	<ul style="list-style-type: none"> <li>• Individual impact bond approach (managed or intermediated)</li> <li>• Rate card approach</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above</li> <li>• Provides learning/ comparison across service providers/ interventions</li> </ul>	<ul style="list-style-type: none"> <li>• May be difficult in conflict or other highly volatile settings</li> </ul>
To determine which of a set of interventions/ service providers delivers a set of outcomes for the lowest price	<ul style="list-style-type: none"> <li>• RCT with multiple arms</li> <li>• Plus cost-effectiveness analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Individual impact bond approach (managed or intermediated)</li> <li>• Rate card approach</li> <li>• Plus cost-effectiveness analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above</li> <li>• Provides learning/ comparison on costs across service providers/ interventions</li> </ul>	<ul style="list-style-type: none"> <li>• May be difficult in conflict or other highly volatile settings</li> <li>• Beyond outcome payment prices, important to get expenditure data to ensure that costs claimed are actual costs with no subsidization across programs by a provider (which could negatively affect beneficiaries of other programs)</li> </ul>
To determine whether the impact bond financing structure delivers better outcomes than funding based on inputs	<ul style="list-style-type: none"> <li>• Quasi-experimental design</li> <li>• RCT</li> <li>• (comparing identical interventions and comparable populations but different financing structures)</li> </ul>	<ul style="list-style-type: none"> <li>• Individual impact bond approach (managed or intermediated)</li> <li>• Rate card approach</li> </ul>	<ul style="list-style-type: none"> <li>• Likely difficult to do and requires a very controlled setting</li> <li>• The need for a controlled setting contradicts the nature of the potential benefits of an impact bond, namely the ability to course correct</li> </ul>	<ul style="list-style-type: none"> <li>• Note that World Bank RBF Health is conducting such analysis of results-based financing vs. input based</li> <li>• Should clearly define differences between the two financing methods and would be useful to have a process evaluation in parallel</li> </ul>
To determine whether the impact bond financing structure delivers better outcomes than traditional results-based financing	<ul style="list-style-type: none"> <li>• Quasi-experimental design</li> <li>• RCT</li> <li>• (comparing identical interventions and comparable populations but different financing structures)</li> </ul>	<ul style="list-style-type: none"> <li>• Individual impact bond approach (managed or intermediated)</li> <li>• Rate card approach</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above</li> </ul>	<ul style="list-style-type: none"> <li>• Should clearly define differences between the two financing methods (i.e., up-front capital, investor engagement in performance management) and would be useful to have a process evaluation in parallel.</li> </ul>

# ANNEX D:

## DEAL BOOK

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# PERU SUSTAINABLE COCOA AND COFFEE PRODUCTION DIB



## OVERVIEW

## COUNTRY

## PERU

## CITY/STATE

## PERUVIAN AMAZON

**LEAD SPONSORS:** CFC, THE RAINFOREST FOUNDATION UK

**DEVELOPMENT STAGE:** ☐ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☒ Complete

**DESCRIPTION:** The DIB aims to support sustainable cocoa and coffee production and marketing by funding the Rainforest Foundation UK and its partner organizations' support for the Asháninka people of the Ene River in the Peruvian Amazon to restore their growing plots and improve their collection and postharvest techniques. The relatively small DIB was piloted to demonstrate a practical application of an impact bond to evaluate its effectiveness, efficiency, as well as legal, administrative and other operational aspects.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	July 2014	<b>DATE OF START OF SERVICE PROVISION</b>	February 2015
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	October 2015	<b>CONTRACT DURATION</b>	10 months
<b>DATE OF CONTRACT SIGNING</b>	January 2015	<b>END DATE</b>	October 2015



## DEVELOPMENT CHALLENGE

### SECTOR:

- ☒ Agriculture
 ☐ Education
 ☐ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

Indigenous Asháninka people of the Ene River in the Peruvian Amazon, specifically members of the Kemito Ene producers association.

### TARGET NUMBER OF BENEFICIARIES

133 Asháninka families (typically 2 adults and 5 children)

### DEVELOPMENT CHALLENGE

The Asháninka people of the Ene River live in remote forest villages in the Peruvian Amazon and rely on agriculture – particularly cocoa and coffee – for monetary income to support their livelihoods to cover mainly health and education. However, much of their production is wasted due to post harvest loss, and leaf rust disease has decimated coffee plots.

### INTERVENTION

Technical assistance provided by the Rainforest Foundation UK and its partner organizations in Peru to improve collection and postharvest techniques for cocoa, improve marketing and support commercial agreements, control leaf rust disease and restore growing plots, build nurseries for planting resistant varieties of coffee.

Existing intervention financed by grants from foundations and a Corporate Social Responsibility programme

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Funding was expiring

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: The relatively small DIB was piloted to demonstrate a practical application of an impact bond to evaluate its effectiveness, efficiency, as well as legal, administrative and other operational aspects.



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Service Provider

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$110,000	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	None
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$110,000	<b>ADDITIONAL GRANTS (USD)</b>	\$530,000 grant finance for the three year project - DIB was set up in the last year of the project
<b>CAPITAL RECYCLING</b>	Capital covers the cost of the program for the duration of the impact bond	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	Feasibility, design, intermediation and performance management
<b>OTHER COSTS</b>	Legal fees and evaluation financed directly by Outcome Funder		

## STAKEHOLDERS

### SERVICE PROVIDERS:

The Rainforest Foundation UK together with its partner organizations in Peru

**INTERMEDIARY:** N/A

### OUTCOME FUNDER:

Common Fund for Commodities (CFC)

**INVESTOR:** California-based private foundation

**TECHNICAL ASSISTANCE PROVIDER:** None

### OUTCOME EVALUATOR:

KIT, the Royal Tropical Institute

## METRICS AND PAYMENTS

**OUTCOME METRICS:** 1) Increased supply to Kemito Ene by its members by 20%, 2) Improved cocoa yield by Kemito Ene members to 600 kg/hectare (ha) or more, 3) Tons of cocoa bought and sold by Kemito Ene, 4) Producers with 0.5 ha of newly established coffee plots with leaf rust resistant varieties

**EVALUATION METHOD:** Baseline comparison (outcome metrics 1 and 2, with 31 Dec 2013 as baseline), project data (outcome metrics 3 and 4)

**PAYMENT THRESHOLD:** Minimum thresholds (1) min. 20% of members increase supply to Kemito Ene by 20% (2) min. 20% of members improve yields to over 600 kg/ha or more (3) min. 12 tonnes of cocoa bought and sold by Kemito Ene (4) minimum 19 producers. Thresholds represent "50% of target achieved" (see below).

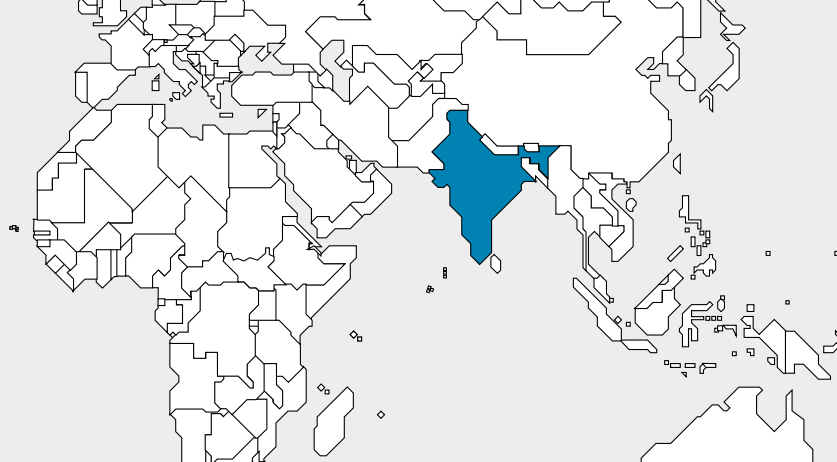
**PAYMENT SCHEDULE AND AMOUNTS:** Outcome funder pays investor at end of pilot for each outcome metric: \$27,500 payment if 100% of target achieved, \$20,625 payment if 75% of target achieved, \$13,750 payment if 50% of target achieved, no payment if target not achieved.

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** 100%

**MAXIMUM RETURN:** Payment for each outcome metric up to \$27,500 (25% of project budget of \$110,000)

**RESULTS TO DATE:** Outcome funder paid investor \$75,625 in total (68.75% of initial investment of \$110,000). Results per outcome metric: 1) 75% of target achieved, 2) Target not achieved, 3) 100% of target achieved, 4) 100% of target achieved

# INDIA EDUCATE GIRLS DIB



## OVERVIEW

## COUNTRY

## INDIA

## CITY/STATE

**MANDALGARH, JAHAJPUR AND BIJOLIYA BLOCKS, BHILWARA DISTRICT, RAJASTHAN**

**LEAD SPONSORS:** CHILDREN'S INVESTMENT FUND FOUNDATION, UBS OPTIMUS FOUNDATION, EDUCATE GIRLS, INSTIGLIO

## DEVELOPMENT STAGE:



Early-stage design



Late-stage design  
(higher specificity e.g., investors, outcome funders, USD values)



Implementation



Complete

**DESCRIPTION:** The India Educate Girls DIB aims to enroll out-of-school girls and improve both girls' and boys' literacy in English, Hindi, and math by funding Educate Girls' intervention in Rajasthan, India. The impact bond structure is used because it unlocks new funding streams and enables the stakeholders to maintain an unprecedented razor sharp focus on impact. The ultimate aim is for this DIB to serve as a proof-of-concept of the idea that introducing incentives, giving service providers discretion, and encouraging them to innovate (among other features) can drive greater impact, opening the door for a new development practice focused on results.

## TIMELINE

### DATE OF START OF FEASIBILITY STUDY

June 2014  
(We combined feasibility and design)

### DATE OF START OF SERVICE PROVISION

August 2015

### INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY

March 2015

### CONTRACT DURATION

3 years

### DATE OF CONTRACT SIGNING

May 2015

### END DATE

May 2018

## DEVELOPMENT CHALLENGE

## SECTOR:



Agriculture



Education



Employment



Health



Social Welfare

## TARGET POPULATION

Children in 166 public schools in 140 villages in Bhilwara District

## TARGET NUMBER OF BENEFICIARIES

15,000 children (9,000 of them girls)

## DEVELOPMENT CHALLENGE

3.7 million girls are out of school in India. Rajasthan has 9 of the 26 districts with the worst gender indicators and 40% of girls drop out before reaching fifth grade. Only 15% of children in primary school can read a simple story in Hindi. Uneducated girls in India are 3 times more likely to contract HIV, earn 10% less income, and marry 3 years earlier than educated ones.

## INTERVENTION

with households, multiple interventions to improve attendance and prevent drop-outs; 2) Learning: young volunteers deliver a child-centric curriculum 3 times weekly to boys and girls in grades 3-5, volunteers incentivized with career development opportunities.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Existing interventions in other districts were funded by foundations.



Funding did not allow sufficient flexibility and did not focus on deepening impact as much. Moreover, Educate Girls wanted to explore other funding mechanisms to scale up their intervention while increasing its impact.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation

To improve quality by establishing performance management systems

To improve efficiency (maintain quality while increasing output or decreasing costs)

To build service provider's capacity to operate in a Payment by Results model

To build the aforementioned systems to facilitate operation at scale

To cover a capital gap between the intervention and value to society

To benefit from the involvement of investors (apart from capital)

To share the risk of service performance between the government, service provider, and investor, thus aligning incentives

Other: DIB improves the cost-effectiveness of promising programs and leads them to scale. Educate Girls has a strong track-record and capacity to engage in a DIB.

**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Instiglio

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$422,000 (max internal rate of return (IRR) of 15%), \$367,000 (targeted IRR of 10%)	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	None
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$277,915	<b>ADDITIONAL GRANTS (USD)</b>	N/A
<b>CAPITAL RECYCLING</b>	Capital covers the cost of the program for the duration of the impact bond	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	Structuring, legal fees, performance management, outcome evaluation, process evaluation		

## STAKEHOLDERS

**SERVICE PROVIDERS:**  
Educate Girls

**INTERMEDIARY:**  
Instiglio (project manager, impact bond designer, performance management provider)

**OUTCOME FUNDER:**  
The Children's Investment Fund Foundation (CIFF)

**INVESTOR:** The UBS Optimus Foundation (UBSOF)

**TECHNICAL ASSISTANCE PROVIDER:**  
None

**OUTCOME EVALUATOR:**  
IDinsight

**OUTCOME METRICS:** 1) Enrollment outcomes (20% of outcome payment): number of girls on school rosters in grades 2-8 in the treatment group over 3 years; 2) Learning outcomes (80% of outcome payment): Annual Status of Education Report (ASER) measures basic literacy in Hindi, basic literacy in English, and basic numeracy.

**EVALUATION METHOD:** 1) Enrollment: A baseline of out-of-school girls was created through household surveys before the implementation of the program; IDinsight independently verifies the accuracy of the enrollment list by sampling a portion of the lists and conducting school and household visits to measure the percentage of out-of-school girls who are enrolled in school rosters after three years. 2) Learning: IDinsight evaluates learning outcomes through a clustered randomized control trial. The students' learning progress was measured using the ASER assessment. A baseline test was administered at the start of the trial 3 period to students in Grades 1-5 (the students that will receive the learning intervention in any given year during the life time of the project) randomly sampled from schools receiving the intervention and control schools. It measured students' starting grades on a scale of A to E for English and Math, and A+ to E for Hindi. The students are tested again at the end of every school year for three years. The evaluator will then calculate the aggregate learning gains in terms of the number of levels gained on the ASER scale by children in schools receiving Educate Girls' intervention as compared to children in control schools.

**PAYMENT THRESHOLD:** This design does not use thresholds. Instead it links outcome payments to each additional unit of outcome that Educate Girls achieves. The proposed payment formula does not include a level of outcomes that should be observed before payment begins. This simplifies the payment formula.

**PAYMENT SCHEDULE AND AMOUNTS:** UBSOF disburses 50% of investment principal to Educate Girls in 2015 and 50% in 2016; CIFF will disburse one outcome payment of \$0-\$412,000 to UBSOF in 2018

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** 100%

**MAXIMUM RETURN:** Target IRR = 10%, max IRR = 15%; UBSOF pays incentive to Educate Girls equal to 32% of its payment above principal

**RESULTS TO DATE:** After two-thirds of the full DIB term has elapsed, results show the program has enrolled 69% of all out-of-school girls identified in year 1 and 2, and has achieved 50% of the total target for learning progress. Based on this progress, UBSOF would have already recouped approximately 72% of the initial investment in year 2, a promising performance despite challenges in launching the intervention on time. Final results results will be available in June 2018.

# COLOMBIA WORKFORCE DEVELOPMENT SIB



## OVERVIEW

## COUNTRY

COLOMBIA

## CITY/STATE

BOGOTÁ, CALI, PEREIRA

**LEAD SPONSORS:** INTER-AMERICAN DEVELOPMENT BANK'S MULTILATERAL INVESTMENT FUND (MIF), SWISS STATE SECRETARIAT FOR ECONOMIC AFFAIRS (SWISS COOPERATION-SECO), GOVERNMENT OF COLOMBIA

**DEVELOPMENT STAGE:** ☐ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☒ Implementation ☐ Complete

**DESCRIPTION:** The SIB program in Colombia consists of an estimated 3 SIBs to be implemented over 5 years, as well as two additional components: market-building and dissemination of learnings. The first SIB aims to achieve greater cost-effectiveness in workforce development projects for difficult-to-place populations (while also serving as a learning and knowledge development tool), by funding interventions which aim to ensure long-term employment outcomes for vulnerable populations. The impact bond structure is used because it is an innovative way of changing procurement practices from paying for activities to paying for results, maximizing the impact of social programs. The ultimate aim is to develop a market for investments in social programs which will be able to scale up the government's work and take on the risks associated with innovation.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	N/A	DATE OF START OF SERVICE PROVISION	May 2017
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	N/A	CONTRACT DURATION	16 months
DATE OF CONTRACT SIGNING	March 2017	END DATE	July 2018

## DEVELOPMENT CHALLENGE

### SECTOR:

☐ Agriculture ☐ Education ☒ Employment  
☐ Health ☐ Social Welfare

### TARGET POPULATION

The SIB will target unemployed vulnerable individuals who meet the following criteria used by Prosperidad Social (the sponsoring government entity):

- Have a SISBEN score (poverty measure) of 0 to 41.74, are registered in Red Unidos (ultra-vulnerable group) or are victims of displacement due to the armed conflict;
- Are between 18 and 40 years old;
- Are high-school graduates;
- Have not participated in Prosperidad Social's employment programs in the last two years.

### TARGET NUMBER OF BENEFICIARIES

514

### DEVELOPMENT CHALLENGE

Colombia is at a turning point in the history of its economic development. Since the recession of 1999-2000, Colombia's employment rate and economy have been growing steadily, positioning the country as an upper middle income country. Expanding job opportunities and creating access to formal and decent jobs for vulnerable populations in urban areas is a priority for the government. Many of these vulnerable groups, such as young people living in extreme poverty and victims of the armed conflict, are excluded from the formal economy.

The intervention will deliver “complementary training”, including some of the following components in accordance with the participants’ needs: training for specific and social-emotional skills, psychosocial support, orientation and intermediation services to ensure job placement and retention.

## INTERVENTION

The intervention as such is new. Some of its components were previously funded by the government or donors.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

The intervention as such is new necessitating flexibility for the intermediary to innovate and to coordinate multiple service providers.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider’s capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: To generate interest among other social impact investors in the country



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Government of Colombia, MIF, Swiss Cooperation-SECO, Fundación Corona, Instiglio

## FINANCING

**OUTCOME FUNDS (USD)** Around \$750,000 [2.2 billion Colombian pesos]

**COSTS COVERED BY INVESTMENT CAPITAL** N/A

**UPFRONT CAPITAL COMMITMENT (USD)** N/A

**ADDITIONAL GRANTS (USD)** ~\$2,000,000

**CAPITAL RECYCLING** Capital covers the cost of the program for the duration of the impact bond

**COSTS COVERED BY ADDITIONAL GRANTS** Market-building and dissemination of learnings

**OTHER COSTS** N/A

## STAKEHOLDERS

**SERVICE PROVIDERS:** Quepa, Volver a la Gente, Gente Estratégica, Fundación Carvajal

**INTERMEDIARY:** Fundación Corona

**OUTCOME FUNDER:** Government of Colombia [around \$340,000, equivalent to 1 billion Colombian pesos] and Swiss Cooperation-SECO though the IDB/MIF [around \$410,000, equivalent to 1.2 billion Colombian pesos]

**INVESTOR:** Fundación Corona, Fundación Bolívar Davivienda, and Fundación Mario Santo Domingo

**TECHNICAL ASSISTANCE PROVIDER:** Instiglio (SIB technical adviser), Fundación ProBono and the firms Baker McKenzie and Duran & Osorio (legal work), Compartamos con Colombia (due diligence of operators)

**OUTCOME EVALUATOR:** Deloitte Colombia

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Placement (50%); 3 month retention (50%). 10% bonus for 6 month retention.

**EVALUATION METHOD:** Validated administrative data from Ministry of Health.

**PAYMENT THRESHOLD:** No threshold/minimum results.

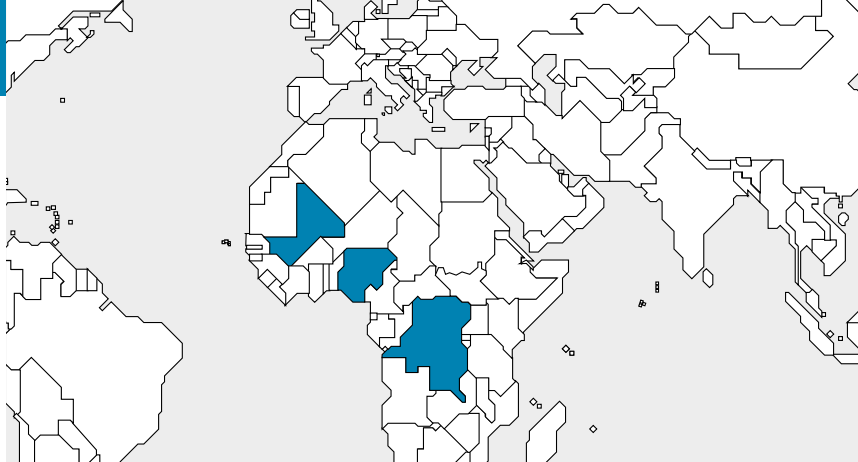
**PAYMENT SCHEDULE AND AMOUNTS:** Government of Colombia will only pay for outcomes validated in 2017, up to a total of 1 billion Colombian pesos. After this point the donor outcome funds will kick in.

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBD

**MAXIMUM RETURN:** 8%

**RESULTS TO DATE:** TBD

# ICRC PROGRAMME FOR HUMANITARIAN IMPACT INVESTMENT (PHII)



## OVERVIEW

## COUNTRY

MALI, NIGERIA, DEMOCRATIC  
REPUBLIC OF CONGO

## CITY/STATE

MOPTI, MAIDUGURI, KINSHASA

**LEAD SPONSORS:** INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

**DEVELOPMENT STAGE:** ☐ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☒ Implementation ☐ Complete

**DESCRIPTION:** The ICRC Programme for Humanitarian Impact Investment (PHII) is a CHF 26.1 million impact bond that aims to deliver comprehensive physical rehabilitation services in conflict and post-conflict countries on the African continent. The impact bond structure is used in order to increase efficiency and quality of physical rehabilitation services delivered through the implementation of innovative initiatives in physical rehabilitation centres. The ultimate aim is to increase the number of people with disabilities who receive comprehensive physical rehabilitation services across centers supported by the ICRC.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	October 2014	<b>DATE OF START OF SERVICE PROVISION</b>	July 2017
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	N/A	<b>CONTRACT DURATION</b>	5 years
<b>DATE OF CONTRACT SIGNING</b>	July 2017	<b>END DATE</b>	June 2022



## DEVELOPMENT CHALLENGE

### SECTOR:

- ☐ Agriculture
 ☐ Education
 ☐ Employment
 ☒ Health
 ☐ Social Welfare

### TARGET POPULATION

Individuals with physical disabilities in developing countries, who are victims of war, natural disasters, congenital impairments or disabling diseases such as polio.

### TARGET NUMBER OF BENEFICIARIES

~ 3,600+ over the two years of operations in the PHII and more beyond the PHII

### DEVELOPMENT CHALLENGE

~ 90 million people in the developing world suffer from a physical disability, which is a barrier to access education or employment, leading to social exclusion and long-term poverty. Delivery of mobility devices and physical therapy, combined with social inclusion services, shows potential in reducing social exclusion through regained access to education and employment. Yet, only 5% to 15% of the needs are met due to the lack of infrastructure and local physical rehabilitation human resource capacity available in developing countries.

Finance new physical rehabilitation centers with innovative operational blueprints, as well as local capacity building: i) build new centers in areas where needs are widely unmet, train local rehabilitation professionals and center managers to build national capacity, ii) design, test and implement new management methods, innovative IT tools (e.g., digital tablet records, SMS follow-ups and feedback questionnaires) and outreach techniques (SMS, m-banking) in existing centers supported by ICRC, iii) ramp-up operations in new centers opened by the PHII, while implementing new management methods, innovative IT tools and outreach techniques.	<b>INTERVENTION</b>
Creation of new capacity (building centres, training and IT tools) therefore not financed before. Existing centres already part of the ICRC physical rehabilitation program are financed on ICRC's regular budget.	<b>FINANCING OF INTERVENTION PRIOR TO IMPACT BOND</b>
Existing finance is not inadequate. The PHII enables the expansion of the funding base of the physical rehabilitation program via the multi-year funding it brings to support capacity/IT expansion.	<b>REASON(S) EXISTING FINANCING WAS/IS INADEQUATE</b>

To improve quality by allowing the service provider flexibility in implementation	
To improve quality by establishing performance management systems	
To improve efficiency (maintain quality while increasing output or decreasing costs)	
To build service provider's capacity to operate in a Payment by Results model	
To build the aforementioned systems to facilitate operation at scale	
To cover a capital gap between the intervention and value to society	
To benefit from the involvement of investors (apart from capital)	
To share the risk of service performance between the government, service provider, and investor, thus aligning incentives	
Other: To increase staff efficiency by rolling-out efficiency initiatives in physical rehabilitation centers and bring comprehensive rehabilitation services to more people with disabilities in conflict and post conflict countries.	
<b>ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:</b> N/A	

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	CHF 26.1 million (\$27.6 million)	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	Building, training and operations of 3 physical rehabilitation centres in Africa
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	N/D	<b>ADDITIONAL GRANTS (USD)</b>	N/D
<b>CAPITAL RECYCLING</b>	Capital covers the cost of the program for the duration of the impact bond	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	Government of Netherlands provided upfront grant to finance the design of the HIB. This includes the ICRC staff costs and advisory support for design and structuring of the PHII
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** ICRC

**INTERMEDIARY:** KOIS Invest (structuring)

**OUTCOME FUNDER:** Government of Belgium, Government of Switzerland, Government of the United Kingdom, Government of Italy, and la Caixa Foundation

**INVESTOR:** European Institutional Investors and High Net Worth Individuals

**TECHNICAL ASSISTANCE PROVIDER:** Norton Rose Fulbright (legal advisor)

**OUTCOME EVALUATOR:** Philanthropy Advisors

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Outcome-based Staff Efficiency Ratio i.e. the number of beneficiaries having (re)gained mobility per local rehabilitation professional at the end of the intervention.

**EVALUATION METHOD:** Success will be measured by comparing the Staff Efficiency Ratio of centers newly built thanks to the PHII to the average historical Staff Efficiency Ratio of a sample of comparable existing centers (or 'benchmark').

**PAYMENT THRESHOLD:** The average historical Staff Efficiency Ratio of benchmark centers.

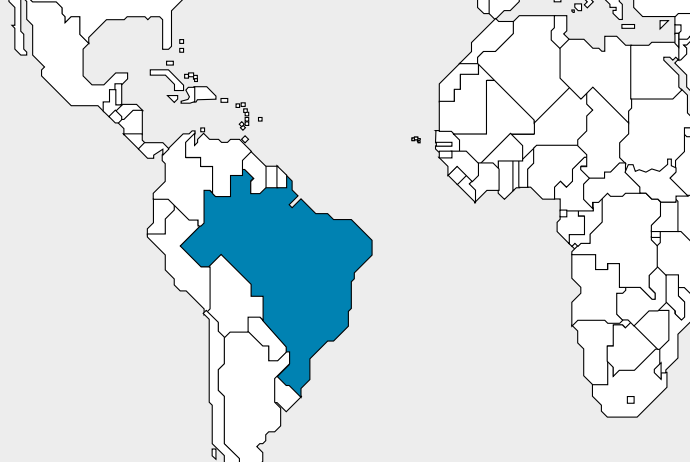
**PAYMENT SCHEDULE AND AMOUNTS:** N/D

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** N/D

**MAXIMUM RETURN:** N/D

**RESULTS TO DATE:** N/A

# BRAZIL SECONDARY EDUCATION SIB



OVERVIEW COUNTRY BRAZIL CITY/STATE SÃO PAULO

**LEAD SPONSORS:** INTER-AMERICAN DEVELOPMENT BANK (IDB)/MULTILATERAL INVESTMENT FUND (MIF), INTERNATIONAL FINANCE CORPORATION AND THE STATE GOVERNMENT OF SÃO PAULO

**DEVELOPMENT STAGE:** ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** This impact bond aims to develop an understanding of the interventions that can improve secondary school completion rates, reduce drop-outs and increase learning by funding school-based interventions that support families and individual children in schools situated in areas of medium-high vulnerability in districts of São Paulo. The impact bond structure is used because of its focus on innovation towards outcomes, the accountability framework it brings around delivery, and the importance of capturing and using data. The ultimate aim is to develop an understanding of what works, in order to inform the scale up of successful interventions.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	May 2016	DATE OF START OF SERVICE PROVISION	N/A
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	November/December 2017	CONTRACT DURATION	4 years for the first cohort, with possibility to extend for a second cohort
DATE OF CONTRACT SIGNING	N/A	END DATE	N/A

## DEVELOPMENT CHALLENGE

SECTOR:

- ☐ Agriculture
 ☒ Education
 ☐ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

Secondary-school students at schools in disadvantaged metropolitan areas of São Paulo who suffer from medium-high levels of vulnerability. Emphasis on school, family and individual support.

### TARGET NUMBER OF BENEFICIARIES

Approximately 10,000-12,000

### DEVELOPMENT CHALLENGE

Investment in education is crucial for economic and social development. In Brazil, despite the recent progress in education indicators, access, completion, and learning rates still need to be improved. In the State of São Paulo, unsatisfactory indicators at secondary education include 87.2% of young people aged 15 to 17 years enrolled in school, but only 75.8% at the correct grade for their age. Failure rates are also significantly higher than state targets. Studies indicate that the main group that drop out of school and those with an age-grade gap are in situations of vulnerability and from that part of the population with the lowest income. Failure to complete high school means that young people face greater challenges in entering the labor market and, when they access it, they enter lower-paid positions.

Under development, but will include specific family-focused and individually-focused supports, as well as strengthening of existing school-level interventions.

## INTERVENTION

Ad hoc and provided by the service providers themselves, most of whom are foundations working on particular programmes.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Does not allow full scale-up of interventions. Does not allow for innovation around integrating several programmes working on different axes for the same individuals.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: The rationale for using an impact bond is the accountability framework an impact bond brings around delivering to outcomes and the importance of capturing and using data. There is an urgent need to develop a better understanding of what interventions are effective to improve completion rates and reduce drop out and delay.



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Local government (Department of Education) is keen to meet challenging federal education targets. Certain foundations active in the field of education want to push for more integrated solutions and uncover "what works".

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	TBD	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	TBD
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	TBD	<b>ADDITIONAL GRANTS (USD)</b>	TBD
<b>CAPITAL RECYCLING</b>	TBD	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	TBD
<b>OTHER COSTS</b>	TBD		

## STAKEHOLDERS

**SERVICE PROVIDERS:** TBD

**INTERMEDIARY:** TBD

**OUTCOME FUNDER:** São Paulo State Government, alone or with additional outcome funders

**INVESTOR:** Likely IDB/MIF, possibly IFC and some local investors.

**TECHNICAL ASSISTANCE PROVIDER:** Social Finance and Insper Metricis (design phase intermediation); Sundfeld Advogados (Legal)

**OUTCOME EVALUATOR:** TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Successful graduation within 3 years of entering secondary school with predetermined levels of learning (final outcome). Intermediate outcomes to track the likelihood of achieving the final outcome.

**EVALUATION METHOD:** Experimental design

**PAYMENT THRESHOLD:** TBD

**PAYMENT SCHEDULE AND AMOUNTS:** TBD

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBD

**MAXIMUM RETURN:** TBD

**RESULTS TO DATE:** N/A



# CAMEROON CATARACT DIB



OVERVIEW COUNTRY CAMEROON CITY/STATE YAOUNDE

LEAD SPONSORS: THE FRED HOLLOWS FOUNDATION, CONRAD N. HILTON FOUNDATION, SIGHTSAVERS

DEVELOPMENT STAGE: ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The Cameroon Cataract DIB aims to reduce avoidable cataract blindness prevalence by funding a start-up non-profit eye hospital in Cameroon. The impact bond structure is used because cataract interventions are well suited for a performance based mechanism and there is a need for a risk sharing mechanism to crowd in private funders into the eye care space. The ultimate aim of the Cataract Bond is to create an impact investment opportunity for early stage eye care interventions in emerging markets.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	N/A	DATE OF START OF SERVICE PROVISION	Q3 2017 (anticipated)
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	N/A	CONTRACT DURATION	5 years
DATE OF CONTRACT SIGNING	Q2 2017 (anticipated)	END DATE	2022



## DEVELOPMENT CHALLENGE

SECTOR:

- ☐ Agriculture
 ☐ Education
 ☐ Employment
 ☒ Health
 ☐ Social Welfare

### TARGET POPULATION

Cataract patients, with a focus on those who cannot afford eye care

### TARGET NUMBER OF BENEFICIARIES

18,000 surgeries

### DEVELOPMENT CHALLENGE

Avoidable blindness from cataract

### INTERVENTION

Launch and operation of the cataract interventions of a greenfield eye hospital; the hospital will provide free and discounted surgeries to the poorest patients through a cross-subsidization model similar to the Aravind model.



N/A

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:

**Feasibility:** i) Cataract interventions are proven and standardized interventions with measurable and attributable outputs/outcomes, ii) Strong operational partnership model and proven operational track record of the key sponsor of the project**Value:** i) Risk sharing mechanism to crowd in private funders in eye care sector, ii) Operational flexibility for the hospital to achieve pre-agreed outputs / outcomes through its startup phase**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** N/A

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$2.5 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$2 million	<b>ADDITIONAL GRANTS (USD)</b>	N/A
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Africa Eye Foundation**INTERMEDIARY:** D. Capital Partners**OUTCOME FUNDER:** Conrad N. Hilton Foundation (90%), Fred Hollows Foundation (5%), Sightsavers (5%)**INVESTOR:** Fundraising in progress**TECHNICAL ASSISTANCE PROVIDER:**

Linklaters (legal), CGD (thought leadership), Aravind Eye Care System (technical advisor)

**OUTCOME EVALUATOR:** AEDES/ IRESCO

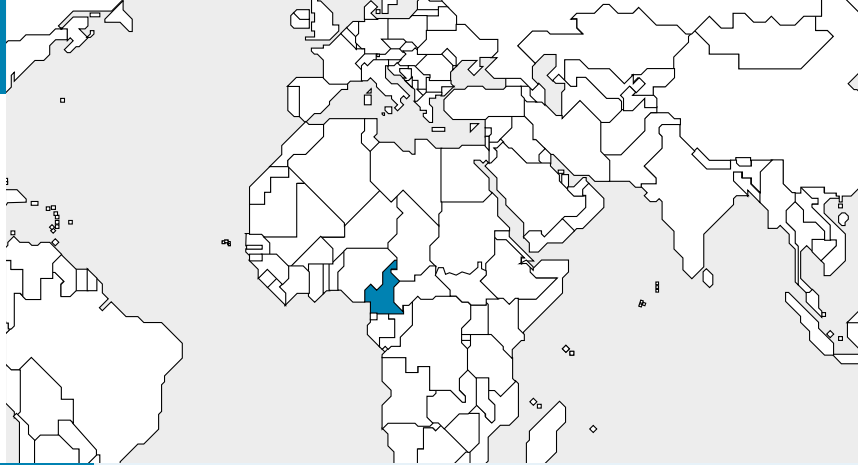
## METRICS AND PAYMENTS

**OUTCOME METRICS:** Volume of cataract surgeries, quality of cataract surgeries, operational financial sustainability of the hospital, access to the most vulnerable patients**EVALUATION METHOD:** Bi-annual audit and spot verifications of patient samples**PAYMENT THRESHOLD:**

- # of surgeries (by Y3, 7000 cumulative and Y5 18,000 cumulative)
- Quality measured by visual acuity day after surgery (output)
- EBITDA financial sustainability by Y5

**PAYMENT SCHEDULE AND AMOUNTS:**Year 3: 3/5 of principal + accrued interest (Y1-Y3)  
Year 5: 2/5 of principal + accrued Interest (Y4-Y5)**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** 25% (converted into ~4% loan to be repaid by the hospital over subsequent 5 years)**MAXIMUM RETURN:** 8%**RESULTS TO DATE:** N/A

# CAMEROON KANGAROO MOTHER CARE DIB



## OVERVIEW

### COUNTRY

CAMEROON

### CITY/STATE

LITTORAL, CENTRE, NORTH, ADAMAOUA, AND SOUTHWEST REGIONS

**LEAD SPONSORS:** GRAND CHALLENGES CANADA, NUTRITION INTERNATIONAL, CAMEROON MINISTRY OF PUBLIC HEALTH (FUNDED BY WORLD BANK LED GLOBAL FINANCING FACILITY TRUST FUND)

**DEVELOPMENT STAGE:** ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The Cameroon Kangaroo Mother Care (KMC) DIB aims to achieve significant and measureable improvements in key health outcomes for low birth weight (LBW) and preterm infants, by funding the scale-up of quality KMC practices in target hospitals across Cameroon. The impact bond structure is used because it provides strong incentives to test and optimize an innovative train-the-trainer KMC scaling model. It also leverages outcome funder commitments to bring in private investors' risk capital and scrutiny. The ultimate aim is for quality KMC to be integrated into Cameroon's healthcare system to ensure long-term sustainability, and be a model for scaling quality KMC in other countries.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	Late 2015	DATE OF START OF SERVICE PROVISION	N/A
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	September 2017 (target)	CONTRACT DURATION	4 years
DATE OF CONTRACT SIGNING	N/A	END DATE	Late 2021



## DEVELOPMENT CHALLENGE

### SECTOR:

- ☐ Agriculture
 ☐ Education
 ☐ Employment
 ☒ Health
 ☐ Social Welfare

### TARGET POPULATION

LBW and preterm infants in target hospitals across Cameroon.

### TARGET NUMBER OF BENEFICIARIES

Approximately 10,000 LBW and preterm infants

### DEVELOPMENT CHALLENGE

LBW/preterm birth is the leading cause of under-five child deaths worldwide, and is also associated with longer term neurodevelopmental disabilities and cardiovascular disease later in life. KMC is backed by strong evidence in improving LBW/preterm infant health outcomes. A target in the Every Newborn Action Plan is to increase the reach of KMC to at least 50% of LBW/preterm infants globally by 2020. KMC coverage currently remains low in many countries where infant mortality and morbidity is high, including Cameroon.

### INTERVENTION

KMC involves administering continuous skin-to-skin contact, appropriate feeding between caregivers and LBW/preterm infants, and early hospital discharge. DIB will expand investment in infrastructure, equipment, and the train-the-trainer model required for quality KMC delivery. The service provider will provide training to select facilities, which in turn will provide KMC training to other facilities and lower-tier hospitals. Follow-up support to the trained facilities to ensure sustained implementation of quality KMC will be provided.

Grand Challenges Canada previously funded the Kangaroo Foundation to implement quality KMC in a select number of pilot hospitals in 2015-2016.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

DIB funding mechanism to allow scale-up and sustainability of quality KMC in 10-12 hospitals across Cameroon.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation

To improve quality by establishing performance management systems

To improve efficiency (maintain quality while increasing output or decreasing costs)

To build service provider's capacity to operate in a Payment by Results model

To build the aforementioned systems to facilitate operation at scale

To cover a capital gap between the intervention and value to society

To benefit from the involvement of investors (apart from capital)

To share the risk of service performance between the government, service provider, and investor, thus aligning incentives

Other: Scaling up and institutionalizing KMC across Cameroon requires up-front investment in infrastructure, equipment, training, quality monitoring, and dedicated health practitioners. Cameroon lack the resources, technical expertise and contextualized training to adopt KMC at scale without external funding and support; DIB offers innovative model to fill funding gap.

**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** All stakeholders involved in the KMC DIB project.

## FINANCING

**OUTCOME FUNDS (USD)** \$3.6 million

**UPFRONT CAPITAL COMMITMENT (USD)** \$3.0 million (pre-capital recycling)

**CAPITAL RECYCLING** Capital is recycled as outcome payments are received

**OTHER COSTS** N/A

**COSTS COVERED BY INVESTMENT CAPITAL**

Performance management and possibly some pre-launch mobilization activities

**ADDITIONAL GRANTS (USD)**

\$1 million

**COSTS COVERED BY ADDITIONAL GRANTS**

Feasibility study, baseline data study, DIB design and structuring, data systems design, legal advice

## STAKEHOLDERS

**SERVICE PROVIDERS:** Kangaroo Foundation (KF) Cameroon

**INTERMEDIARY:** MaRS Centre for Impact Investing, Social Finance UK (intermediaries co-leading DIB design)

**OUTCOME FUNDER:** Commitment by Cameroon Ministry of Public Health (funded by World Bank led GFF Trust Fund) (\$2 million), GCC (\$800,000), Nutrition International (\$800,000)

**INVESTOR:** To be determined (pending due diligence and negotiations)

**TECHNICAL ASSISTANCE PROVIDER:**

KF Colombia (leading KMC trainer with over 20 years experience); UNICEF Cameroon; IDinsight (conducted initial baseline data study); Morrison Foerster and Miller Thomson (international co-legal counsel); Cameroon-based legal counsel; in-country public health consultant; data systems provider.

**OUTCOME EVALUATOR:** Pending request for proposal process

## METRICS AND PAYMENTS

**OUTCOME METRICS:** To be finalized and subject to ongoing negotiations. Likely to include: a) number of hospitals attaining quality KMC prerequisites; b) number of infants receiving quality KMC services; c) number or % of infants achieving target nutritional status/weight at 40 weeks gestational age and/or at follow-up.

**EVALUATION METHOD:** To be finalized and subject to ongoing negotiations.

**PAYMENT THRESHOLD:** To be finalized and subject to ongoing negotiations.

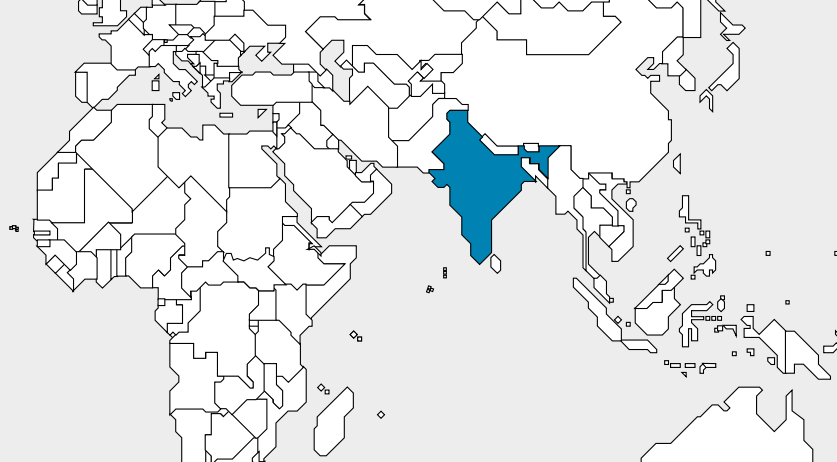
**PAYMENT SCHEDULE AND AMOUNTS:** To be finalized and subject to ongoing negotiations.

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** To be finalized and subject to ongoing negotiations.

**MAXIMUM RETURN:** To be finalized and subject to ongoing negotiations.

**RESULTS TO DATE:** N/A

# INDIA (RAJASTHAN) MATERNAL AND NEWBORN HEALTH DIB



OVERVIEW COUNTRY INDIA CITY/STATE RAJASTHAN

LEAD SPONSORS: PALLADIUM

DEVELOPMENT STAGE: ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The India (Rajasthan) Maternal and Newborn Health DIB aims to improve the quality of maternal and newborn health services provided through private facilities throughout Rajasthan. The impact bond structure is used in order to drive efficiencies and harness the novel commercial perspective of investors to improve performance in service delivery. The ultimate aim is to reach a tipping point so that all private facilities across Rajasthan will be incentivized to increase quality of service delivery. Improved service delivery in private facilities, in tandem with the new Matritva certification process, will enable government to confidently contract out services to the private sector, and facilitate demand-side financing initiatives, leading to an increase in maternal and early newborn survival.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	September 2015	DATE OF START OF SERVICE PROVISION	October 2017
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	September 2017	CONTRACT DURATION	3 years with 3 months mobilization and 3 months close-out
DATE OF CONTRACT SIGNING	September 2017	END DATE	December 2020



## DEVELOPMENT CHALLENGE

SECTOR: ☐ Agriculture ☐ Education ☐ Employment ☒ Health ☐ Social Welfare

### TARGET POPULATION

Mothers and newborns across the state of Rajasthan.

### TARGET NUMBER OF BENEFICIARIES

At least 300,000

### DEVELOPMENT CHALLENGE

Rajasthan has one of the highest maternal and neo-natal mortality rates in India and, as the largest state, one of the highest numbers in absolute terms.

### INTERVENTION

The National Accreditation Board for Hospitals & Healthcare Providers (NABH) of India is a nationally recognized accreditation body and has recently developed an "Entry Level" certification to support smaller private facilities to provide quality services and move towards full accreditation. NABH, in partnership with the Federation of Obstetrics and Gynaecological Societies of India (FOGSI), developed a certification that allows NABH to explicitly recognize quality maternal care ("Joint Quality Standard") which combines quality and safety standards for maternity care into a comprehensive quality standard. The Service Providers will work with at least 485 private facilities across Rajasthan to support them to improve and sustain their quality and processes and become ready for the JQS.

Despite increase in facility-based deliveries the maternal mortality ratio, neonatal mortality rate and the infant mortality rate have not reduced as expected. Quality in the private sector where 30% of deliveries take place is deemed a critical intervention by the Government of Rajasthan but has not been resourced to this point.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation

To improve quality by establishing performance management systems

To improve efficiency (maintain quality while increasing output or decreasing costs)

To build service provider's capacity to operate in a Payment by Results model

To build the aforementioned systems to facilitate operation at scale

To cover a capital gap between the intervention and value to society

To benefit from the involvement of investors (apart from capital)

To share the risk of service performance between the government, service provider, and investor, thus aligning incentives

Other: Allows flexibility for each service provider to adopt and adapt their own approaches. Model also allows service providers and implementation manager (Palladium) to become co-investors, sharing the exposure to risk as well as the financial reward if the interventions are successful. The high efficiency dividend expected from the mechanism will be used to compare the modality with other private facility quality improvement initiatives in other states of India. Palladium will be working with the Government of Rajasthan during the initial three years of work, using the work as a basis to strengthen the government's capacity to procure by outcomes to enable this type of mechanism to be scaled in Rajasthan as well as other states in India.

ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE: N/A

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$8 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	~\$4 million	<b>ADDITIONAL GRANTS (USD)</b>	\$1.7 million
<b>CAPITAL RECYCLING</b>	Capital is recycled as outcome payments are received	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	Design, rapid assessment, structuring, coordination (\$700,000 from Convergence), results verification, evaluation (\$1 million from Merck for Mothers and USAID)
<b>OTHER COSTS</b>	In-kind resign inputs from USAID, MfM, UBSOF, Palladium, PSI, HLPPT. Pro bono legal counsel from Reed Smith \$300,000.		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Hindustan Latex Family Planning Promotion Trust (HLPPT), Population Services International (PSI)

**INTERMEDIARY:** Palladium (Intermediary, design agency, performance manager)

**OUTCOME FUNDER:** USAID, Merck for Mothers, Government of Rajasthan planning to commission outcomes in Year 4 and 5

**INVESTOR:** 80% UBS Optimus Foundation with 20% of the total investment capital being provided by the Implementation Partnership of Palladium, PSI and HLPPT

**TECHNICAL ASSISTANCE PROVIDER:** Instiglio (Performance Management System design inputs), Skotkonung (Information System Development), Social Finance (Deal Advisory and Structuring inputs), Reed Smith (International Legal Counsel), Phoenix (Indian Legal Counsel), Rabin Martin (Strategic Advisory Services to Merck for Mothers).

**OUTCOME EVALUATOR:** RFP for independent verification agency currently being evaluated

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Full payment is readiness for JQS -  $\geq 50\%$  of the total points available in each NABH chapter (10 in total) AND 100% of at least 70% (11) of the applicable FOGSI standards (16 in total). Progressive metric (25% of full outcome payment ie \$4,500) is  $\geq 30\%$  of the total points available in each NABH chapter (10 in total) AND 100% of at least 40% (6) of any of the applicable FOGSI standards (16 in total)

**EVALUATION METHOD:** Independent audit

**PAYMENT THRESHOLD:** \$18,000 per facility that reaches agreed JQS level

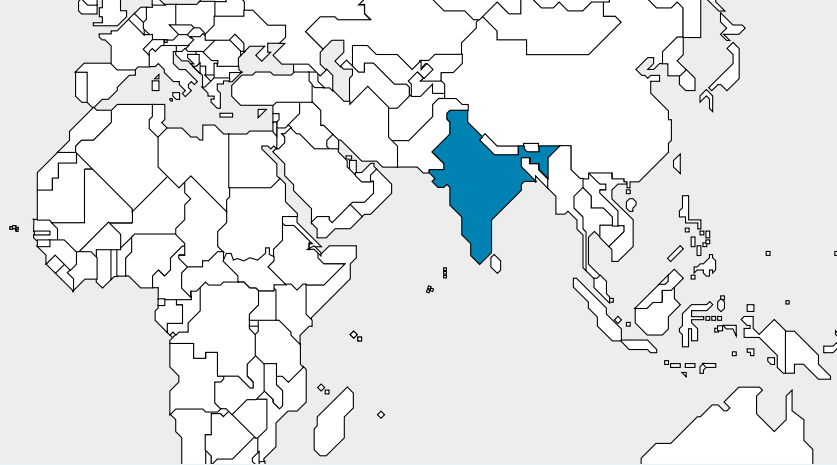
**PAYMENT SCHEDULE AND AMOUNTS:** Six-monthly with \$4,500 for each facility at progressive stage and remainder \$13,500 for facilities that reach JQS during that period

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** No guarantee - payments are per facility ready for accreditation hence full loss not possible but anything other than reaching the minimum target of 360 facilities at JQS level according to agreed forecast during the three-year duration will result in losses for the investors.

**MAXIMUM RETURN:** 8% annualized for UBSOF component with 15% return possible for the implementation partnership investment piece

**RESULTS TO DATE:** Nil

# INDIA EDUCATION DIB



## OVERVIEW

## COUNTRY

## INDIA

## CITY/STATE

GUJARAT, RAJASTHAN, DELHI (TBC)

**LEAD SPONSORS:** BRITISH ASIAN TRUST, UBS OPTIMUS FOUNDATION, MICHAEL AND SUSAN DELL FOUNDATION

**DEVELOPMENT STAGE:** ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** Given low levels of learning in public primary schools in India, and not enough scalable models to deliver good quality of learning, this DIB seeks to impact 200,000 marginalized children from 3 states in India. The DIB will finance the implementation of 4 different models in the field: (a) whole school management (b) remedial teaching for children who are behind their grade level of learning (c) teacher training and (d) school leadership or principal training. Each of these has a different level of impact on student learning at a different cost per beneficiary. The end goals are broadly threefold: to improve the learning levels of these 200,000 children, to identify models which work in the field, learn lessons and promote their scale up, and finally, look to bring private sector and philanthropic money into development programs which focus on outcomes.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	June 2016	<b>DATE OF START OF SERVICE PROVISION</b>	April 2018 (TBC)
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	TBC	<b>CONTRACT DURATION</b>	Four years
<b>DATE OF CONTRACT SIGNING</b>	TBC in late 2017	<b>END DATE</b>	May 2022

## DEVELOPMENT CHALLENGE

### SECTOR:

- ☐ Agriculture
 ☒ Education
 ☐ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

Primary school students.

### TARGET NUMBER OF BENEFICIARIES

200,000

### DEVELOPMENT CHALLENGE

Low quality of learning in public schools - less than 50% of children in grade 5 can read at grade 2 level Hindi text.

Low quality of learning in public schools - less than 50% of children in grade 5 can read at grade 2 level Hindi text.

### INTERVENTION

Range of operational models including principal and teacher training, direct school management, and supplementary programs such as remedial teaching.

Range of operational models including principal and teacher training, direct school management, and supplementary programs such as remedial teaching.

Government budgets, local donors

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Current financing insufficiently linked to outcomes (more focused on outputs and inputs)

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** British Asian Trust, Michael and Susan Dell Foundation - outcome funders; UBS Optimus Foundation - convenor of investors and fund manager going forward.

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	Approx. \$10 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	Service provider costs
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$2.4 million (max. \$3 million)	<b>ADDITIONAL GRANTS (USD)</b>	N/A
<b>CAPITAL RECYCLING</b>	Capital is recycled as outcome payments are received	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

### SERVICE PROVIDERS:

Kaivalya Education Foundation; Educate Girls; Gyan Shala; Society for All Round Development (subject to final due diligence)

**INTERMEDIARY:** TBC

**OUTCOME FUNDER:** British Asian Trust, Michael and Susan Dell Foundation

**INVESTOR:** UBS Optimus Foundation

**TECHNICAL ASSISTANCE PROVIDER:** TBC

**OUTCOME EVALUATOR:** TBC

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Improvement in literacy and numeracy outcomes over four years. • Enable primary school students to catch up between [1-2.5] grades over the four years to allow sustained learning outcomes at their grade-appropriate learning level. • Set based operational models and global benchmarking targets on effective education initiatives.

**EVALUATION METHOD:** Validated administrative data

**PAYMENT THRESHOLD:** TBC

**PAYMENT SCHEDULE AND AMOUNTS:** Approx. 8% per annum on investment amount not to exceed \$740,000 if outcome targets are met. Performance reviewed annually. Investors deploy an estimated \$1.8 million in year 0, \$400,000 in year 1 and \$200,000 in year 2, for a total of \$2.4 million over 4 years (capped at \$3 million) if 100% outcome targets are achieved every year.

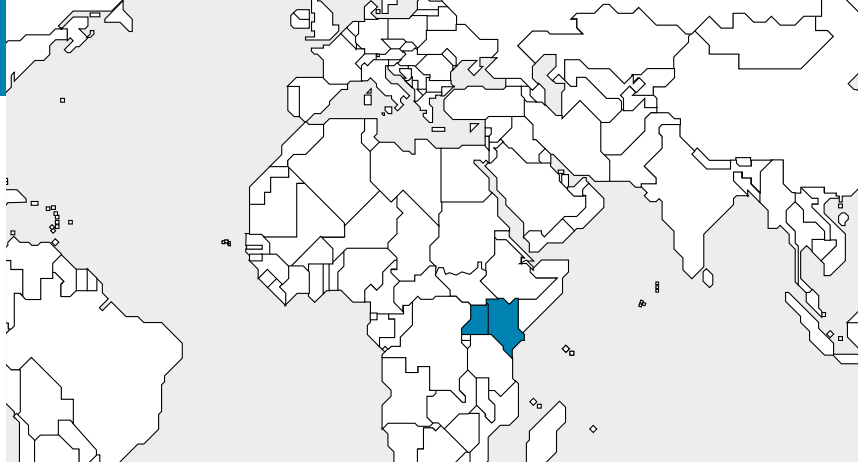
**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** Subject to Capital Protection sought by UBS Optimus Foundation

**MAXIMUM RETURN:** Returns capped at \$740,000 (7% IRR)

**RESULTS TO DATE:** NA



# KENYA AND UGANDA GRADUATION MODEL DIB



## OVERVIEW

## COUNTRY

## KENYA AND UGANDA

## CITY/STATE

## RURAL AREAS

**LEAD SPONSORS:** INSTIGLIO INC, USAID DIV, TWO ADDITIONAL ANONYMOUS OUTCOME PAYERS, VILLAGE ENTERPRISE

### DEVELOPMENT STAGE:



Early-stage design



Late-stage design  
(higher specificity e.g., investors, outcome funders, USD values)



Implementation



Complete

**DESCRIPTION:** Village Enterprise and Instiglio are exploring the opportunity of a Development Impact Bond on Village Enterprise's Graduation model in Kenya and Uganda. During this four-year program, Village Enterprise aims to deliver quality at scale and significantly improve the life of the members of more than 18,000 households across multiple villages in rural Kenya and Uganda, and to compare DIB results to results under traditional financing to better understand the effect of flexibility and incentives in the project's impact thus contributing to the discussion of how to cost-effectively scale-up graduation.

## TIMELINE

**DATE OF START OF FEASIBILITY STUDY** September 2016

**INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY** September 2017

**DATE OF CONTRACT SIGNING** September 2017

**DATE OF START OF SERVICE PROVISION** November 2017

**CONTRACT DURATION** 4 years

**END DATE** First quarter 2022



## DEVELOPMENT CHALLENGE

### SECTOR:



Agriculture



Health



Education



Social Welfare

(Including homelessness, child welfare, etc.)



Employment

### TARGET POPULATION

Ultra-poor households living in rural Kenya and Uganda. Beneficiary households will be selected through a targeting exercise which is based on the Progress Out Of Poverty Index. Each beneficiary household will select one family member to participate in the graduation program

### TARGET NUMBER OF BENEFICIARIES

Approx. 18,000 households

### DEVELOPMENT CHALLENGE

Recent evidence suggests that ultra-poor graduation programs can have substantial impacts on poverty reduction. However, inconsistent performance has been observed across different programs, service providers and countries, which points to the importance of contextual factors in the achievements of outcomes. The project proposal is that, by disbursing funds with conditionality on evidence of success, providers will have flexibility and incentives to adapt the program to deliver greater impact while donors only pay in case of success.

### INTERVENTION

Village Enterprise offers a 1-year graduation model to help the ultra-poor in rural Africa to escape from extreme poverty. The program is targeted at households living on less than \$1.90 per day and has the following components:

- Targeting: Individuals living in extreme poverty, that have no prior business experience, and are unable to provide for family's basic needs are identified and selected



- Training: Local mentors deliver a 9-month training program on business and financial skills to prepare for the management of small enterprises
- Seed funding: \$156 seed capital is granted to start businesses of 3 participants
- Mentoring: Mentors guide the selection of the enterprises and provide ongoing advice throughout the intervention cycle of 1 year
- Business savings group: Creation of a self-managed form of microfinance providing members protection against financial shocks and access to growth capital

## INTERVENTION

Prior to investigating a DIB, Village Enterprise's intervention was funded through traditional financing methods largely paid for by foundations and individual donors.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Results-based financing offers the chance to demonstrate that the specific approach to graduation is sustainable and cost-effective thus attracting more funding and enabling the program to scale up and reach more beneficiaries. Increased levels of flexibility to adapt the intervention to best suit the needs of the beneficiaries is also seen as a decisive factor to engage in this new form of financing. A results-based financing program will allow donors to invest in a program with the certainty to only pay for agreed-upon outcomes.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation

To improve quality by establishing performance management systems

To improve efficiency (maintain quality while increasing output or decreasing costs)

To build service provider's capacity to operate in a Payment by Results model

To build the aforementioned systems to facilitate operation at scale

To cover a capital gap between the intervention and value to society

To benefit from the involvement of investors (apart from capital)

To share the risk of service performance between the government, service provider, and investor, thus aligning incentives

Other:

**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** N/A

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$4.4 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	Intermediation, legal fees, performance management
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	TBD	<b>ADDITIONAL GRANTS (USD)</b>	\$825,000
<b>CAPITAL RECYCLING</b>	Capital is recycled as outcome payments are received	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	DIB design, process evaluation, RCT, project management, reporting and disseminating, trustee expenses
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

### SERVICE PROVIDERS:

Village Enterprise

### INTERMEDIARY:

Global Development Incubator (trustee, hold outcomes fund)

### OUTCOME FUNDER:

USAID DIV and another bilateral agency (not yet public information); anonymous donor

### INVESTOR:

TBD

### TECHNICAL ASSISTANCE PROVIDER:

Instiglio Inc. (DIB design consultant and likely implementation/operations support)

### OUTCOME EVALUATOR:

TBD

### OUTCOME METRICS:

- Increase in consumption and assets are defined as follows:
- Consumption: The sum of household food and beverage consumption, household recurring consumption, and household infrequent consumption. Consumption will be measured based on the widely-utilized Consumption and Expenditure (C&E) survey.
  - Assets: The net household assets (i.e. household savings and tangible household assets, net of household liabilities) plus net business assets (i.e. business and VE BSG savings and tangible business assets, net of business liabilities), accounting for business ownership by the household. No distinction between productive and non-productive assets is made.

### EVALUATION METHOD:

RCT

### PAYMENT THRESHOLD:

No

### PAYMENT SCHEDULE AND AMOUNTS:

- 3 payments for each cohort:
- 2 as reimbursements for seed funding transfer made
  - 1 for consumption and assets impact one year after the intervention ends
- Amount depends on the size of each cohort (about between 1,800 and 3,000 households, approximately).

### MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:

100%

### MAXIMUM RETURN:

TBD

### RESULTS TO DATE:

N/A

## METRICS AND PAYMENTS

# MEXICO THE FUTURE IN MY HANDS SIB



## OVERVIEW

## COUNTRY

## MEXICO

## CITY/STATE

## METROPOLITAN AREA OF GUADALAJARA, JALISCO

**LEAD SPONSORS:** GOVERNMENT OF STATE OF JALISCO, MÉXICO AND THE MULTILATERAL INVESTMENT FUND OF THE INTER-AMERICAN DEVELOPMENT BANK GROUP

### DEVELOPMENT STAGE:



Early-stage design



Late-stage design  
(higher specificity e.g., investors, outcome funders, USD values)



Implementation



Complete

**DESCRIPTION:** The SIB aims to improve the resilience and economic wellbeing of poor and low-income female heads of households in the city of Guadalajara, Mexico by financing an intensive, holistic service model lasting up to 18 months. The structure will shift the risk of performance of a relatively new and innovative intervention to socially motivated investors, seeking to increase the wellbeing of the beneficiaries and potentially create savings for the government. The ultimate aim is to validate an intervention that should scale as a public policy, as well to understand how a SIB could work in Mexico so the structure can be replicated in Jalisco and other states.

## TIMELINE

### DATE OF START OF FEASIBILITY STUDY

August 2015

### DATE OF START OF SERVICE PROVISION

Estimated for September 2017

### INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY

Estimated for April 2017

### CONTRACT DURATION

38 months

### DATE OF CONTRACT SIGNING

August 2017

### END DATE

N/A

## DEVELOPMENT CHALLENGE

### SECTOR:



Agriculture



Education



Employment



Health



Social Welfare

### TARGET POPULATION

Female heads of household, unemployed or self-employed, with income of less than 2.5 of the Mexican minimum wage (less than \$10), with minor children, beneficiaries of the cash transfer program of the Government of Jalisco and residents in the metropolitan area of Guadalajara.

### TARGET NUMBER OF BENEFICIARIES

1,325

### DEVELOPMENT CHALLENGE

Female heads of households (“jefas”) are a vulnerable group in Mexico and throughout Latin America and the Caribbean: 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 the State of 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.

### INTERVENTION

The intervention is based on the fusion of two models that have demonstrated rigorous evidence of their effectiveness in other contexts: the BRAC/CGAP/FORD “Graduation” program implemented by Fundación Capital and a model for economic empowerment of low income women through entrepreneurship implemented by Crea in Mexico. The program will be implemented in three rounds that would facilitate learning and a continuous improvement scheme. Basic financial literacy training using the LISTA program of Fundación Capital, savings promotion, one-on-one mentoring, training in soft skills, child care, technical business trainings, a lump sum monetary transfer to purchase a productive asset, and tailored support to connecting to markets and servicing other needs.

The intervention is based on the fusion of two models that have demonstrated rigorous evidence of their effectiveness in other contexts. The fusion of the two models has never been implemented.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

The Government of Jalisco would like to improve its cash transfer program, so that women can achieve higher and more sustainable levels of income, thereby breaking the intergenerational cycle of poverty. A SIB will allow Jalisco to trial innovations to tackle this persistent social issue, with the risk of intervention failure largely covered by external investors. Given the pay-for-success structure, a well-designed SIB should incentivize innovation by using continuous data feedback loops to adjust the service and improve performance. Moreover, by putting in place a rigorous measurement framework, a SIB should provide actionable evidence and cost data on the model prior to its possible expansion and replication in other areas in Mexico and the region.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation

To improve quality by establishing performance management systems

To improve efficiency (maintain quality while increasing output or decreasing costs)

To build service provider's capacity to operate in a Payment by Results model

To build the aforementioned systems to facilitate operation at scale

To cover a capital gap between the intervention and value to society

To benefit from the involvement of investors (apart from capital)

To share the risk of service performance between the government, service provider, and investor, thus aligning incentives

Other: implement a evidence-based intervention; to allow government to transfer performance risk of relatively new and innovative intervention to investors.

**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Jalisco, IDB/MIF

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	MXN 65,000,000.00	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	N/A	<b>ADDITIONAL GRANTS (USD)</b>	Impact Evaluation and Learning Evaluation
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Fundación Capital and CREA

**INTERMEDIARY:** N/A

**OUTCOME FUNDER:** Government of State of Jalisco, México and the Global Innovation Fund (GIF)

**INVESTOR:** Multilateral Investment Fund of IDB Group, Promotora Social Mexico (PSM), and Banamex Fomento Social

**TECHNICAL ASSISTANCE PROVIDER:** Henderson & Alberro and ProSociedad developed feasibility study and SIB design with knowledge transfer support and TA from Social Finance UK. An advisory board including J-PAL, Tecnológico de Monterrey, Siembra Capitaes, New Ventures, CEMEX, Corporativa de Fundaciones and CCMX provided feedback.

**OUTCOME EVALUATOR:** Evaluation design: Enrique Seira, professor at ITAM and research affiliate at J-PAL, IDB, GIF and Jalisco Social Development Ministry; Evaluation implementation: Policy Lab.

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Long-term impact metrics are:

(1) Consumption measured through an RCT and (2) Assets measured through an RCT representing illiquid assets and liquid savings. Short-term operational metrics include: (3) Participation/Attendance, (4) Purchase and use of a productive asset with the monetary transfer, and (5) Learning - knowledge of basic skills from trainings.

**EVALUATION METHOD:** A hybrid evaluation methodology will include a non-experimental direct measurement for shorter-term operational metrics, and a randomized controlled trial for longer-term impact metrics.

**PAYMENT THRESHOLD:** None

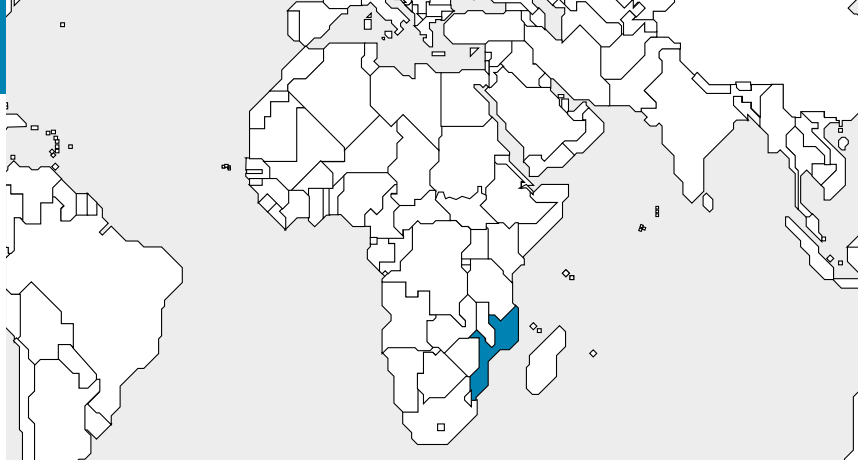
**PAYMENT SCHEDULE AND AMOUNTS:** Operational metrics will represent 40% of total payments and longer-term impact metrics represent 60% of total payments.

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** No capital protection

**MAXIMUM RETURN:** N/A

**RESULTS TO DATE:** N/A

# MOZAMBIQUE MALARIA DIB



## OVERVIEW

### COUNTRY

### MOZAMBIQUE

### CITY/STATE

### MAPUTO PROVINCE

**LEAD SPONSORS:** SOHNOS SOCIAL CAPITAL, TRADING AS GOODBYE MALARIA

### DEVELOPMENT STAGE:



Early-stage design



Late-stage design  
(higher specificity e.g., investors,  
outcome funders, USD values)



Implementation



Complete

**DESCRIPTION:** The Mozambique Malaria DIB forms part of the public-private partnership between the government of Mozambique, the Global Fund and MOSASWA designed to increase funding for, and the efficiency of, malaria interventions through a pay-for-performance mechanism.

## TIMELINE

**DATE OF START OF FEASIBILITY STUDY** N/A

**INTENDED DATE OF CONTRACT SIGNING  
FOLLOWING FEASIBILITY STUDY** N/A

**DATE OF CONTRACT SIGNING** June 2017

**DATE OF START OF SERVICE PROVISION** N/A

**CONTRACT DURATION** 3 years

**END DATE** N/A



## DEVELOPMENT CHALLENGE

### SECTOR:



Agriculture



Education



Employment



Health



Social Welfare

### TARGET POPULATION

Maputo Province, Mozambique

### TARGET NUMBER OF BENEFICIARIES

N/A

### DEVELOPMENT CHALLENGE

yet faces a 62% malaria funding deficit.

Mozambique has the 6th highest malaria burden globally

### INTERVENTION

Indoor Residual Spraying prevention program

### FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

N/A

### REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

N/A

To improve quality by allowing the service provider flexibility in implementation	
To improve quality by establishing performance management systems	
To improve efficiency (maintain quality while increasing output or decreasing costs)	
To build service provider's capacity to operate in a Payment by Results model	
To build the aforementioned systems to facilitate operation at scale	
To cover a capital gap between the intervention and value to society	
To benefit from the involvement of investors (apart from capital)	
To share the risk of service performance between the government, service provider, and investor, thus aligning incentives	
Other: Funding of the malaria intervention program through an impact bond mechanism enables i) incentive realignment between funders and implementers, ii) improved program delivery efficiency and/or productivity, iii) mobilization of new capital sources to an underfunded challenge	
<b>ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:</b> N/A	

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	N/A	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$4 million, first close at \$2 million	<b>ADDITIONAL GRANTS (USD)</b>	None
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Lubombo Spatial Development Initiative (LDSI) II

**INTERMEDIARY:** D. Capital Partners

**OUTCOME FUNDER:** Goodbye Malaria, underwritten by Nandos and other corporates

**INVESTOR:** TBD

**TECHNICAL ASSISTANCE PROVIDER:** University of Pretoria, Medical Research Council, National Malaria Control Program – Ministry of Health, Mozambique

**OUTCOME EVALUATOR:** Independent M&E expert

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Prevalence and incidence rates

**EVALUATION METHOD:** Number of cases reported by prevalence testing done at sentinel sites in each district

**PAYMENT THRESHOLD:** 60% reduction from initial year 1 baseline

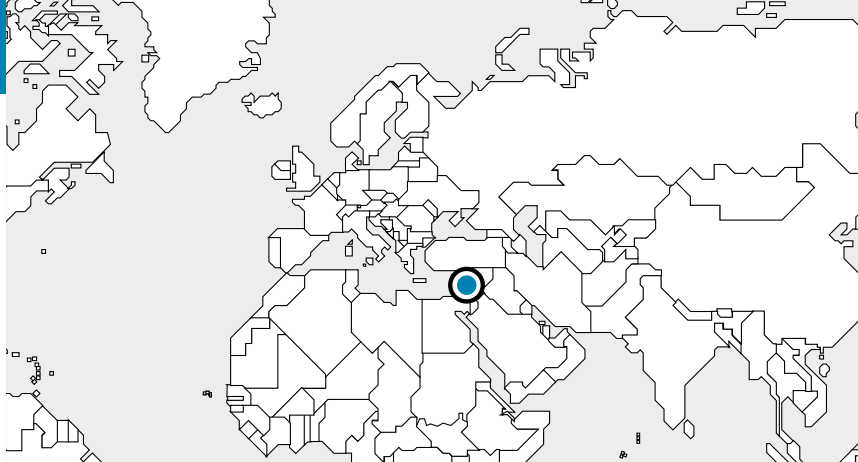
**PAYMENT SCHEDULE AND AMOUNTS:** Bullet payment at the end of the 3 year bond term

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** 30%

**MAXIMUM RETURN:** 0.05%

**RESULTS TO DATE:** N/A

# PALESTINE TYPE II DIABETES DIB



## OVERVIEW

## COUNTRY

## PALESTINE

## CITY/STATE

## REFUGEE CAMPS IN THE RAMALLAH AND AL-BIREH GOVERNORATE, WEST BANK (FOR THE PILOT DIB).

**LEAD SPONSORS:** THE PORTLAND TRUST (TPT)

### DEVELOPMENT STAGE:



Early-stage design



Late-stage design  
(higher specificity e.g., investors, outcome funders, USD values)



Implementation



Complete

**DESCRIPTION:** The Palestine Type II Diabetes DIB aims to prevent and delay the on-set development of T2DM among pre-diabetic women in 4 refugee camps in the Ramallah and al-Bireh Governorate, West Bank by funding a lifestyle modification program consisting of a nutritional component and physical exercise component. The pilot DIB will be designed to reach a minimum of 100 pre-diabetic women. If successful, the intervention could be scaled up to address the prevalence of T2DM across Palestine.

## TIMELINE

### DATE OF START OF FEASIBILITY STUDY

After a period of thorough study and preparatory work, a feasibility pilot targeting 18 pre-diabetic women was launched in September 2016 to assess the efficacy and impact of the intervention. The pilot achieved a success rate of 44% (defined as weight reduction of at least 5%), averaging 5.55% reduction among all participants. Attendance rate averaged 80% and physical activity increased by 89%. Moreover, the pilot learnings contributed to the completion of the curriculum to be used in the upcoming phase (targeting 100 women across 4 refugee camps).

### INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY

TBD - current aim for Q3 2017

### DATE OF START OF SERVICE PROVISION

TBD - current aim for Q4 2017

### CONTRACT DURATION

TBD - current aim is 3 years

### DATE OF CONTRACT SIGNING

TBD - current aim for Q3 2017

### END DATE

TBD



## DEVELOPMENT CHALLENGE

### SECTOR:



Agriculture



Education



Employment



Health



Social Welfare

### TARGET POPULATION

For the pilot DIB, the target population is pre-diabetic women above 40 years old within 4 refugee camps in the Ramallah and al-Bireh Governorate, West Bank.

### TARGET NUMBER OF BENEFICIARIES

100 pre-diabetic women within refugee camps in the Ramallah and al-Bireh Governorate, West Bank.

### DEVELOPMENT CHALLENGE

T2DM is a growing epidemic among Palestinians, especially women in refugee camps, and estimated to affect over 12.2% of the population (above world average of 8.5%) according to the World Health Organization. Prevalence of established risk factors is growing within the population – Palestine is recognized as one of the countries experiencing some of the largest increases in obesity globally. T2DM is a leading cause of cardiovascular disease, kidney failure and other serious medical conditions and can reduce life expectancy by 8-10 years. The disease also has significant economic consequences. These include the reduction in number of working years for those affected by the disease and the increasing financial burden on the healthcare system.

## INTERVENTION

1) Nutritional education: Administration of a 4-month intensive educational program focused on equipping patients with sound nutritional habits that enable weight loss and management. Post program, periodic follow-up for a 32-month period will be administered through group sessions and SMS reminders to ensure commitment; and 2) Physical exercise: Administration of a 4-month educational program on exercise techniques coupled with 150 minutes of exercise per week to develop exercise habits. Post program, periodic follow-up for a 32-month period will be administered through group sessions and SMS reminders to ensure commitment. Both components of the intervention have been reviewed and customized to the Palestinian context by the Advisory Board and the team at Juzoor.

The Portland Trust funded the study, preparatory work and launch of the feasibility pilot and conducted performance oversight.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Budget constraints and priorities in a relief context have shifted focus from prevention to emergency treatment.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Bank of Palestine, a local Palestinian bank, has expressed interest in assuming the role of the investor.

## FINANCING

OUTCOME FUNDS (USD)	TBD	COSTS COVERED BY INVESTMENT CAPITAL	TBD
UPFRONT CAPITAL COMMITMENT (USD)	TBD - currently estimated between \$100,000 and \$120,000	ADDITIONAL GRANTS (USD)	N/A
CAPITAL RECYCLING	TBD	COSTS COVERED BY ADDITIONAL GRANTS	N/A
OTHER COSTS	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Juzoor for Health and Social Development

**INTERMEDIARY:** TBD

**OUTCOME FUNDER:** Currently in discussion with a potential outcome funder.

**INVESTOR:** Bank of Palestine

**TECHNICAL ASSISTANCE PROVIDER:** An advisory board has been established to provide the technical support needed

**OUTCOME EVALUATOR:** TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** TBD but will include weight loss.

**EVALUATION METHOD:** TBD

**PAYMENT THRESHOLD:** TBD

**PAYMENT SCHEDULE AND AMOUNTS:** TBD

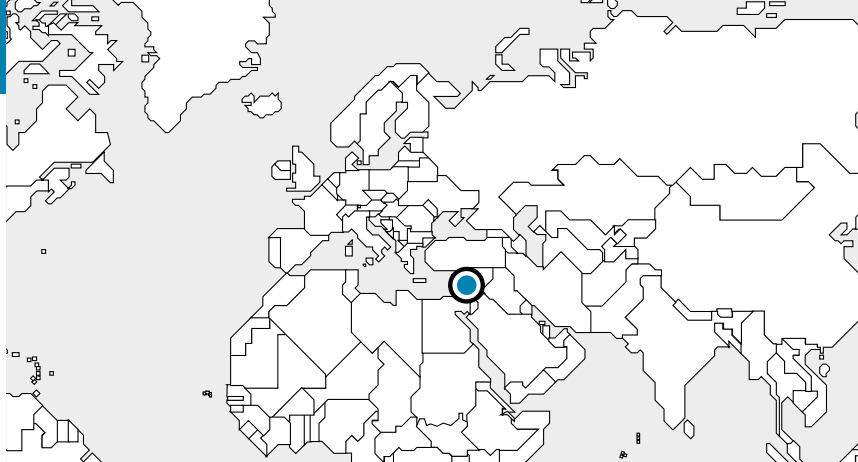
**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBD

**MAXIMUM RETURN:** TBD

**RESULTS TO DATE:** N/A



# PALESTINE (WEST BANK AND GAZA) EMPLOYMENT DIB



**OVERVIEW** **COUNTRY** WEST BANK AND GAZA **CITY/STATE** N/A

**LEAD SPONSORS:** WORLD BANK GROUP AND MINISTRY OF FINANCE & PLANNING OF THE PALESTINIAN AUTHORITY

**DEVELOPMENT STAGE:** ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** This impact bond aims to enhance the skills of the Palestinian workforce and foster closer collaboration between the private sector and training and education providers to help ensure that training content is relevant to the private sector's current and emerging needs.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	Mid-2015	<b>DATE OF START OF SERVICE PROVISION</b>	N/A
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	Early 2018	<b>CONTRACT DURATION</b>	3-4 years
<b>DATE OF CONTRACT SIGNING</b>	N/A	<b>END DATE</b>	N/A

## DEVELOPMENT CHALLENGE

**SECTOR:**

- ☐ Agriculture
 ☐ Education
 ☒ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

degree/certificate

Unemployed youth (18-29 years) with tertiary education

### TARGET NUMBER OF BENEFICIARIES

1500-2000 (TBC) 30% women

### DEVELOPMENT CHALLENGE

West Bank and Gaza benefits from a young population and large pool of highly-educated young people with strong technical skills and motivation to find employment. However employers suffer difficulties in filling job vacancies, and as a result youth unemployment is very high.

### INTERVENTION

to foster improved job outcomes.

Enhancing the skills of the Palestinian workforce in a more market-driven way through training and job matching in order



Primarily DFI funded

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Funding did not incentivize results and was inadequately linked to the private sector in a demand-driven way

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** N/A

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$5 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	N/A	<b>ADDITIONAL GRANTS (USD)</b>	N/A
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** N/A

**INTERMEDIARY:** N/A

**OUTCOME FUNDER:** World Bank Group

**INVESTOR:** N/A

**TECHNICAL ASSISTANCE PROVIDER:** Social Finance

**OUTCOME EVALUATOR:** N/A

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Likely to be a mixture of training outputs and employment outcomes

**EVALUATION METHOD:** N/A

**PAYMENT THRESHOLD:** N/A

**PAYMENT SCHEDULE AND AMOUNTS:** N/A

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** N/A

**MAXIMUM RETURN:** N/A

**RESULTS TO DATE:** N/A

# PERU CLIMATE-SMART AGRICULTURE DIB:

Model for productive improvement of agroforestry products and the conservation of the forest of Asháninka communities in the Peruvian Amazon.



## OVERVIEW

## COUNTRY

## PERU

## CITY/STATE

## ENE RIVER BASIN, JUNIN REGION

**LEAD SPONSORS:** MULTILATERAL INVESTMENT FUND - INTER-AMERICAN DEVELOPMENT BANK

**DEVELOPMENT STAGE:** ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** This impact bond aims to increase incomes and environmental sustainability of 4,000 Asháninkas living in 22 communities along the Río Ene Basin in the Central Jungle of Peru through the implementation of an innovative funding mechanism of the Climate Smart Agriculture impact bond. The project will support the implementation of agroforestry systems and a conservation strategy of Asháninka communities and the creation of its own cooperative to better position their cocoa and coffee in the market. This project will scale up a pilot DIB undertaken in 2015 (see factsheet on the “Sustainable Cocoa and Coffee Production DIB” for more details). The model will also test and refine value chain interventions with indigenous people in the Amazon through continuous data feedback loops, and should provide actionable evidence of the model to be scaled.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	April 2016	<b>DATE OF START OF SERVICE PROVISION</b>	2018
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	Early 2018	<b>CONTRACT DURATION</b>	4 years
<b>DATE OF CONTRACT SIGNING</b>	N/A	<b>END DATE</b>	December 2021



## DEVELOPMENT CHALLENGE

### SECTOR:

- ☒ Agriculture
 ☐ Education
 ☐ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

The Asháninkas are the largest Amazonian indigenous group in Peru.

### TARGET NUMBER OF BENEFICIARIES

500 producers and 22 communities (indirectly 4,000 people)

### DEVELOPMENT CHALLENGE

Poverty, deforestation and forest degradation: The Asháninkas are dependent on forest resources for their subsistence, and rely on agriculture – in particular cocoa and coffee – for monetary income to support their livelihoods and to cover health and education costs. They are the weakest part of the value chains, as their communities are isolated, far from roads, and middle-men usually scam producers due to limited numeracy skills and low bargain power. Productivity is low and their plots have high presence of diseases. Their lands are threatened by illegal logging and invasions from coca growers.

The goal of the project is to increase incomes and environmental sustainability through the (i) increase

in productivity and quality of the cocoa and coffee produced; (ii) consolidation of their commercialization strategy into niche international markets that recognize the value of quality vis-à-vis the conservation efforts and history of the native communities; (iii) upgrade Kemito Ene (currently an association) into a cooperative with a clear path for sustainability; (iv) strengthen the community governance over land use and conservation efforts; and (v) learn from the DIB structure, looking to the ability of the funding to increase efficiency and to bring new players into the development of high value chains with low income populations.

## INTERVENTION

Existing intervention financed by grants from foundations, a CSR programme and a pilot development impact bond through Rainforest Foundation UK (RFUK). Interventions from local governments and national programmes.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Funding expired. Governmental interventions focused only on specific areas of the value chain and lack of holistic approach- these interventions didn't address access to market and working capital loans. Quality of intervention was not appropriate. Funding did not allow enough flexibility.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Service provider

## FINANCING

**OUTCOME FUNDS (USD)** \$3,047,700

**UPFRONT CAPITAL COMMITMENT (USD)** \$3,047,700

**CAPITAL RECYCLING** Capital covers the cost of the program for the duration of the impact bond

**OTHER COSTS** Feasibility study covered by outcome payer and service provider

**COSTS COVERED BY INVESTMENT CAPITAL** Performance management, evaluation

**ADDITIONAL GRANTS (USD)** \$90,000

**COSTS COVERED BY ADDITIONAL GRANTS** Design, legal fees

## STAKEHOLDERS

**SERVICE PROVIDERS:** RFUK working with two local partners

**INTERMEDIARY:** N/A

**OUTCOME FUNDER:** Multilateral Investment Fund - Inter-American Development Bank (43%), others TBD

**INVESTOR:** Common Fund for Commodities, and a California based impact investment fund- subject to due diligence and board approval

**TECHNICAL ASSISTANCE PROVIDER:** N/A

**OUTCOME EVALUATOR:** TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Economic impact of cocoa improvement (in USD) Economic impact of coffee improvement (in USD) Social sustainability - Good governance (qualitative indicator) Environmental sustainability - Climate Smart Agriculture (number of hectares of cocoa and coffee agroforestry systems) Environmental sustainability - Forest Conservation (number of hectares of forest conserved/no deforestation)

**EVALUATION METHOD:** Historical comparison

**PAYMENT THRESHOLD:** TBC

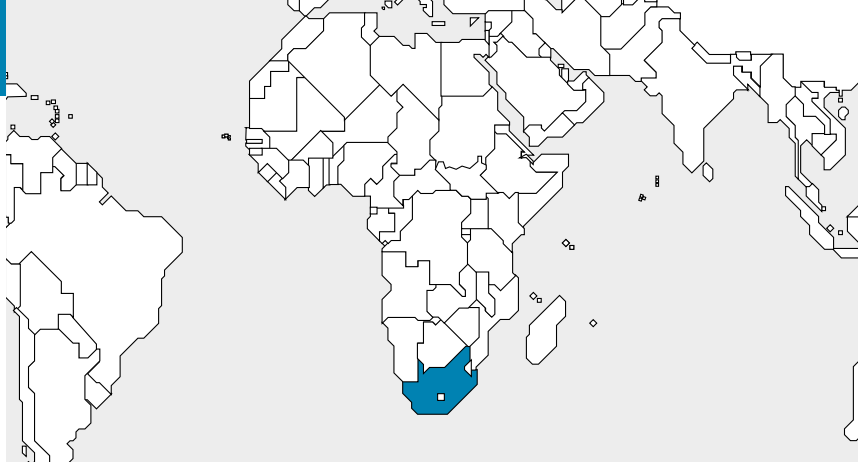
**PAYMENT SCHEDULE AND AMOUNTS:** TBD

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBD

**MAXIMUM RETURN:** TBD

**RESULTS TO DATE:** N/A

# SOUTH AFRICA ECD IMPACT BOND INNOVATION FUND - SOCIAL DEVELOPMENT



**OVERVIEW** **COUNTRY** SOUTH AFRICA **CITY/STATE** WESTERN CAPE

**LEAD SPONSORS:** BERTHA CENTRE FOR SOCIAL INNOVATION AND ENTREPRENEURSHIP

**DEVELOPMENT STAGE:** ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The Department of Social Development sponsored early childhood development (ECD) impact bond innovation fund aims to improve developmental outcomes in 3-5 year old children in low-income communities by funding non-center based early learning interventions in Western Cape in South Africa. The impact bond structure is used because of the rigorous performance management and mechanism with which to align public and private sector outcomes funding. The ultimate aim is to identify and strengthen effective playgroup models that can be scaled.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	January 2015	<b>DATE OF START OF SERVICE PROVISION</b>	TBD
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	November 2016	<b>CONTRACT DURATION</b>	3 years
<b>DATE OF CONTRACT SIGNING</b>	September 2017	<b>END DATE</b>	TBD

## DEVELOPMENT CHALLENGE

**SECTOR:**

- ☐ Agriculture
 ☒ Education
 ☐ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

Children in the 2 years before school that are likely to attend Quintile 1-3 schools, which are those found in the poorest communities.

### TARGET NUMBER OF BENEFICIARIES

4,000

### DEVELOPMENT CHALLENGE

60% of 3-5 year old children in the Western Cape cannot access government subsidy for ECD because they cannot access registered ECD centers. As a result children are not ready to learn by the time they reach Grade R.

### INTERVENTION

Playgroup models (compare two different models of care through 1-2 Impact Bonds)

Insufficient political will to fund non center-based programmes

REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation

To improve quality by establishing performance management systems

To improve efficiency (maintain quality while increasing output or decreasing costs)

To build service provider's capacity to operate in a Payment by Results model

To build the aforementioned systems to facilitate operation at scale

To cover a capital gap between the intervention and value to society

To benefit from the involvement of investors (apart from capital)

To share the risk of service performance between the government, service provider, and investor, thus aligning incentives

Other: The impact bond structure will shift the risk of performance of relatively new and innovative interventions to socially motivated investors. The fund structure enables private donors to fund outcomes alongside the department in a transparent and accountable manner.

**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** DSD, service providers, investors

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$2.2 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$1.1 million across 2 impact bonds the total potential outcome payment of which could reach \$3.6 million	<b>ADDITIONAL GRANTS (USD)</b>	\$111,000
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Foundation for Community Work

**INTERMEDIARY:** D. Capital Partners (pre-contracting) and mothers2mothers (performance management)

**OUTCOME FUNDER:** Department of Social Development (\$1.1 million) and ApexHi Charitable Trust (\$1.1 million)

**INVESTOR:** Syndicate of foundation, Institutional investor, Philanthropist

**TECHNICAL ASSISTANCE PROVIDER:** Social Finance (development)

**OUTCOME EVALUATOR:** TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Recruitment and retention, attendance, development assessment score

**EVALUATION METHOD:** Early learning outcomes measure (ELOM)

**PAYMENT THRESHOLD:** Per beneficiary payment: recruitment and retention, per beneficiary payment: attendance >50%, per cohort payment: greater than 0.2 effect size as compared to standardized norm

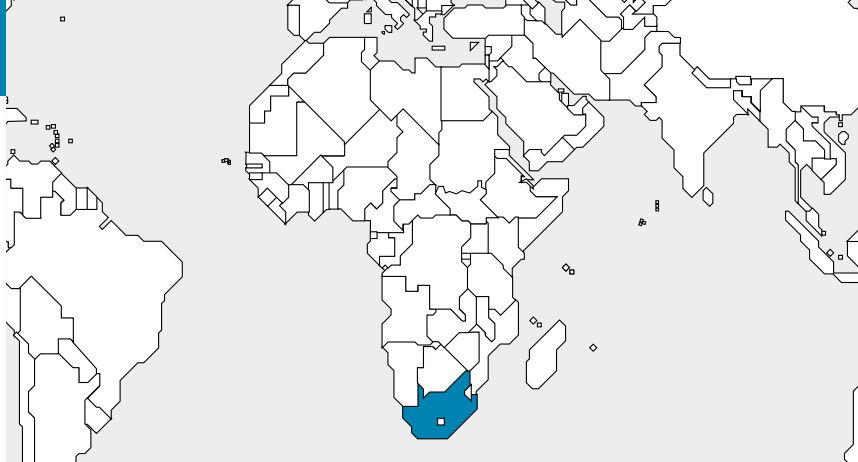
**PAYMENT SCHEDULE AND AMOUNTS:** Recruitment and retention: every 6 months.  
Attendance and development assessment: once a year

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** N/A

**MAXIMUM RETURN:** IRR capped at 16%

**RESULTS TO DATE:** N/A

# SOUTH AFRICA ECD IMPACT BOND INNOVATION FUND - HEALTH



OVERVIEW COUNTRY SOUTH AFRICA CITY/STATE WESTERN CAPE

LEAD SPONSORS: BERTHA CENTRE FOR SOCIAL INNOVATION AND ENTREPRENEURSHIP

DEVELOPMENT STAGE: ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The Department of Health sponsored early childhood development (ECD) impact bond innovation fund aims to improve health, nutrition and developmental outcomes of pregnant women and children from 0-2 years by funding home and community based interventions in the Western Cape in South Africa. The impact bond structure is used because of the rigorous performance management and mechanism with which to align public and private sector outcomes funding. The ultimate aim is to identify and strengthen effective home and community based models that can be scaled using outcome payments and by providing technical assistance.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	January 2015	DATE OF START OF SERVICE PROVISION	TBD
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	November 2016	CONTRACT DURATION	3.5 years
DATE OF CONTRACT SIGNING	September 2017	END DATE	TBD



## DEVELOPMENT CHALLENGE

SECTOR: ☐ Agriculture ☐ Education ☐ Employment ☒ Health ☐ Social Welfare

**TARGET POPULATION** Pregnant women and children from 0-2 years living in the most deprived communities in the Cape Town Metropolitan Area.

**TARGET NUMBER OF BENEFICIARIES** 2,300 pregnant women and 2,000 children

**DEVELOPMENT CHALLENGE** High levels of stunting (25%), high levels of maternal HIV (30%), high levels of TB, low levels of immunization contributing to poor health, nutrition and developmental outcomes in the first 1,000 days. Facility based care not adequately equipped to deal with preventative health and child development.

**INTERVENTION** Home and community-based interventions

**FINANCING OF INTERVENTION PRIOR TO IMPACT BOND** Department of Health and Discovery Trust

To improve quality by allowing the service provider flexibility in implementation

To improve quality by establishing performance management systems

To improve efficiency (maintain quality while increasing output or decreasing costs)

To build service provider's capacity to operate in a Payment by Results model

To build the aforementioned systems to facilitate operation at scale

To cover a capital gap between the intervention and value to society

To benefit from the involvement of investors (apart from capital)

To share the risk of service performance between the government, service provider, and investor, thus aligning incentives

Other: The impact bond structure will shift the risk of performance of relatively new and innovative interventions to socially motivated investors. The fund structure enables private donors to fund outcomes alongside the Department of Health in a transparent and accountable manner.

**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Government, service providers and investors

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$1.38 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$1.1 million across 2 impact bonds the total potential outcome payment of which could reach \$3.6 million	<b>ADDITIONAL GRANTS (USD)</b>	\$110,000
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

### SERVICE PROVIDERS:

Confidential

**INTERMEDIARY:** D. Capital Partners (pre-contracting) and mothers2mothers (performance management)

**OUTCOME FUNDER:** Provincial Department of Health (USD 0.69M) and Discovery Fund (USD 0.69M)

**INVESTOR:** Syndicate of foundation, Institutional investor, Philanthropist

**TECHNICAL ASSISTANCE PROVIDER:** Social Finance (development)

**OUTCOME EVALUATOR:** TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Recruitment; mother child unit: antenatal care (ANC) access, reduction in maternal alcohol consumption (RMAC), prevention of mother to child transmission of HIV, birth-weight (BW); 0-1 years: exclusive breast feeding (EBF), weight for age, prevention of HIV transmission, prevention and treatment of TB; 1-2 years: height for age, immunization, prevention and treatment of TB, primary caregiver assessment.

**EVALUATION METHOD:** Parental assessment: Interview and Observation (PICCOLO)

**PAYMENT THRESHOLD:** ANC: 10% improvement, RMAC: 100% tested (output), PMTCT: <2%, BW: 1-5% improvement, EBF: 30%, weight for age: cohort dependent, prevention HIV: <4%, TB: 90% identification and 60% adherence to treatment, immunization: 90%, height for age: cohort dependent, primary caregiver assessment: 10% improvement as compared to control

**PAYMENT SCHEDULE AND AMOUNTS:** Recruitment every 6 months; outcomes once a year

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** N/A

**MAXIMUM RETURN:** IRR capped at 16%

**RESULTS TO DATE:** N/A

# SOUTH AFRICA HIV PREVENTION AND TREATMENT SIB



OVERVIEW COUNTRY SOUTH AFRICA CITY/STATE GAUTENG PROVINCE

LEAD SPONSORS: GLOBAL FUND, SOUTH AFRICAN NATIONAL AIDS COUNCIL (SANAC)

DEVELOPMENT STAGE: ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** Sex workers in South Africa have an estimated HIV prevalence of 60%, a rate substantially higher than the 12% prevalence in the general population. Sex workers are simultaneously at heightened risk for HIV infection and exposed to stigma, discrimination and criminalization because of biological, behavioral and structural vulnerabilities that prevent them from accessing and staying in health services. Despite these vulnerabilities, evidence shows that antiretroviral treatment (ART) can be equally effective among sex workers as other populations when these are addressed with culturally-competent care. SANAC is leading the design of an HIV Prevention and Treatment SIB that would seek to improve uptake and adherence rates of ART and preventive measures among sex worker populations in Gauteng Province. Supportive of the initiative, the Global Fund has allocated \$3 million in Catalytic Funding to support the SIB's launch.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	Mid-2016	DATE OF START OF SERVICE PROVISION	TBD
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	TBD	CONTRACT DURATION	3-4 years
DATE OF CONTRACT SIGNING	TBD	END DATE	TBD



## DEVELOPMENT CHALLENGE

SECTOR: ☐ Agriculture ☐ Education ☐ Employment ☒ Health ☐ Social Welfare

### TARGET POPULATION

Sex worker populations in Gauteng Province

### TARGET NUMBER OF BENEFICIARIES

4,000-6,000

### DEVELOPMENT CHALLENGE

Sex worker populations

### INTERVENTION

SANAC-approved National Sex Worker Programme's core package of activities (peer education, health care, psychosocial support, human rights, social capital and economic empowerment) will be implemented with flexibility to adapt and modify services offered, in line with the needs of the local sex worker population.

### FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

N/A



N/A

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:



ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE: N/A

## FINANCING

OUTCOME FUNDS (USD) \$5-\$6 million

COSTS COVERED BY  
INVESTMENT CAPITAL

N/A

UPFRONT CAPITAL  
COMMITMENT (USD) \$1.5-\$2.5 millionADDITIONAL GRANTS  
(USD)\$3 million (Catalytic Funding  
from Global Fund)

CAPITAL RECYCLING N/A

COSTS COVERED BY  
ADDITIONAL GRANTS

N/A

OTHER COSTS N/A

## STAKEHOLDERS

SERVICE PROVIDERS: TBD

INTERMEDIARY: TBD

OUTCOME FUNDER: Department of Science and Technology

INVESTOR: TBD

TECHNICAL ASSISTANCE PROVIDER: Social Finance

OUTCOME EVALUATOR: TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Focus on preventing ongoing transmission of HIV and enabling people living with HIV to know their status, receive sustained ART treatment and be virally suppressed. Expected to include outputs (e.g. enrollment) and outcomes (e.g. adherence on ART/Pre-exposure prophylaxis regimens and viral suppression).

EVALUATION METHOD: TBD

PAYMENT THRESHOLD: TBD

PAYMENT SCHEDULE AND AMOUNTS: TBD

MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS: TBD

MAXIMUM RETURN: TBD

RESULTS TO DATE: TBD

# SOUTH AFRICA WORKFORCE DEVELOPMENT SIB



OVERVIEW COUNTRY SOUTH AFRICA CITY/STATE CITY OF CAPE TOWN

LEAD SPONSORS: BERTHA CENTRE FOR SOCIAL INNOVATION AND ENTREPRENEURSHIP

DEVELOPMENT STAGE: ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The city has been working with the Bertha Centre for the last year to understand the potential for using outcomes-based contracting mechanism to improve service delivery. They hope to increase the number of unemployed residents placed into education, training and employment opportunities by addressing the mismatch between skills and placements.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	July 2016	DATE OF START OF SERVICE PROVISION	October 2017
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	October 2017	CONTRACT DURATION	3 years
DATE OF CONTRACT SIGNING	September 2017 (Intended)	END DATE	October 2020



## DEVELOPMENT CHALLENGE

SECTOR: ☐ Agriculture ☐ Education ☒ Employment ☐ Health ☐ Social Welfare

TARGET POPULATION	Unemployed residents living in the Cape Town metropolitan area.
TARGET NUMBER OF BENEFICIARIES	TBD
DEVELOPMENT CHALLENGE	Chronically low employment levels, especially in youthful population.
INTERVENTION	Assessment, work readiness programme and placement into education, training or employment.
FINANCING OF INTERVENTION PRIOR TO IMPACT BOND	TBD
REASON(S) EXISTING FINANCING WAS/IS INADEQUATE	N/A

To improve quality by allowing the service provider flexibility in implementation	<input checked="" type="checkbox"/>
To improve quality by establishing performance management systems	<input type="checkbox"/>
To improve efficiency (maintain quality while increasing output or decreasing costs)	<input checked="" type="checkbox"/>
To build service provider's capacity to operate in a Payment by Results model	<input checked="" type="checkbox"/>
To build the aforementioned systems to facilitate operation at scale	<input checked="" type="checkbox"/>
To cover a capital gap between the intervention and value to society	<input checked="" type="checkbox"/>
To benefit from the involvement of investors (apart from capital)	<input checked="" type="checkbox"/>
To share the risk of service performance between the government, service provider, and investor, thus aligning incentives	<input checked="" type="checkbox"/>
Other:	<input type="checkbox"/>
<b>ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:</b> Government departments that are trying to address unemployment.	

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$1.26 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	N/A	<b>ADDITIONAL GRANTS (USD)</b>	N/A
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** (confidential until contract signed)

**INTERMEDIARY:** None

**OUTCOME FUNDER:** Enterprise and Investment Department

**INVESTOR:** TBD

**TECHNICAL ASSISTANCE PROVIDER:** N/A

**OUTCOME EVALUATOR:** Bertha Centre for Social Innovation and Entrepreneurship

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Outputs: Assessment and work readiness programme

Outcomes: Learnership and employment placement

**EVALUATION METHOD:** Identification documents, job contracts, student registration and completion

**PAYMENT THRESHOLD:** N/A

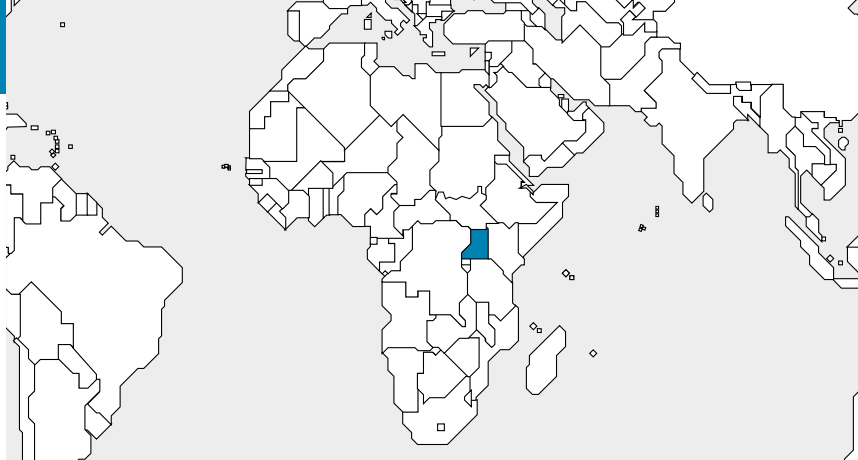
**PAYMENT SCHEDULE AND AMOUNTS:** Payments made every quarter, size of payment based in individual tariff

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBD

**MAXIMUM RETURN:** TBD

**RESULTS TO DATE:** N/A

# UGANDA SLEEPING SICKNESS DIB



## OVERVIEW

## COUNTRY

## UGANDA

## CITY/STATE

## AREAS OF UGANDA WHERE TRYPANOSOMA RHODESIENSE IS ENDEMIC

**LEAD SPONSORS:** GOVERNMENT OF UGANDA, SOCIAL FINANCE, UNIVERSITY OF EDINBURGH, H2O VENTURE PARTNERS

**DEVELOPMENT STAGE:** ☐ Early-stage design ☒ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** A consortium of partners have explored ways to prevent two deadly strains of Sleeping Sickness from overlapping in Northern Uganda. A successful pilot was implemented in 2014/15, in which 20,000 cattle were treated for Sleeping Sickness. The intervention model also includes a behavior change component to ensure that farmers spray their cattle effectively to prevent the spread of Sleeping Sickness and improve cattle health. Feasibility work for this project was completed in 2015, but further development and capital raise has been paused pending availability of outcome funding.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	April 2012 original scoping study, 2014-2015 piloting of the model	<b>DATE OF START OF SERVICE PROVISION</b>	TBD
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	TBD	<b>CONTRACT DURATION</b>	TBD
<b>DATE OF CONTRACT SIGNING</b>	TBD	<b>END DATE</b>	TBD



## DEVELOPMENT CHALLENGE

### SECTOR:

- ☒ Agriculture
 ☐ Education
 ☐ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

Cattle and humans infected by Trypanosoma Rhodesiense

### TARGET NUMBER OF BENEFICIARIES

N/A

### DEVELOPMENT CHALLENGE

A key constraint to controlling sleeping sickness is poor and sporadic deployment of proven interventions. Epidemiological models predict that if initial mass treatment of cattle is combined with ongoing affordable access to insecticide spraying, the risk to humans from cattle parasites becomes insignificant.

### INTERVENTION

The DIB is designed to achieve both mass treatment of cattle with a trypanocidal drug, and ongoing delivery of an effective insecticide treatment. The major challenge in the past has been to consistently deploy treatment and sustain spraying, and the DIB thus introduces a results approach that relies on data-driven performance management to incentivize flexible and adaptive delivery.

N/A

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

N/A

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation ☒To improve quality by establishing performance management systems ☒To improve efficiency (maintain quality while increasing output or decreasing costs) ☐To build service provider's capacity to operate in a Payment by Results model ☐To build the aforementioned systems to facilitate operation at scale ☒To cover a capital gap between the intervention and value to society ☒To benefit from the involvement of investors (apart from capital) ☒To share the risk of service performance between the government, service provider, and investor, thus aligning incentives ☒Other: ☐

ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE: N/A

## FINANCING

OUTCOME FUNDS (USD)	N/A	COSTS COVERED BY INVESTMENT CAPITAL	N/A
UPFRONT CAPITAL COMMITMENT (USD)	N/A	ADDITIONAL GRANTS (USD)	N/A
CAPITAL RECYCLING	N/A	COSTS COVERED BY ADDITIONAL GRANTS	N/A
OTHER COSTS	N/A		

## STAKEHOLDERS

SERVICE PROVIDERS: N/A

INTERMEDIARY: N/A

OUTCOME FUNDER: N/A

INVESTOR: N/A

TECHNICAL ASSISTANCE PROVIDER: N/A

OUTCOME EVALUATOR: N/A

## METRICS AND PAYMENTS

**OUTCOME METRICS:** Audited delivery of the mass treatment intervention and statistically significant reductions in the T. brucei s.l. parasite among the cattle population in target areas.

**EVALUATION METHOD:** Validated administrative data (audited mass treatment) + historical comparison (statistically significant reductions in the T. brucei s.l. parasite compared to a baseline cluster-randomised survey)

**PAYMENT THRESHOLD:** N/A

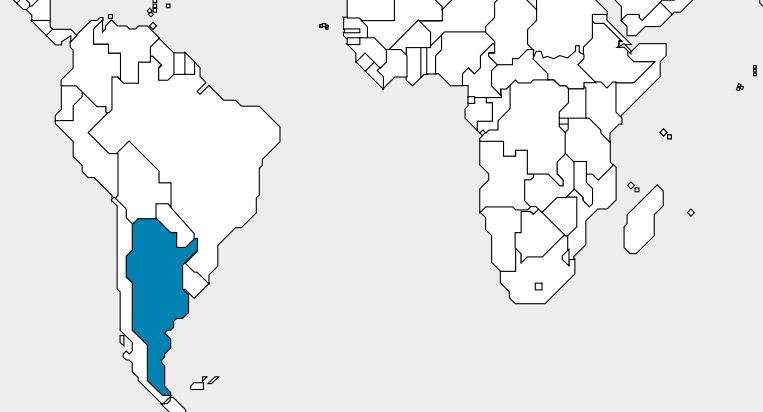
**PAYMENT SCHEDULE AND AMOUNTS:** N/A

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** N/A

**MAXIMUM RETURN:** N/A

**RESULTS TO DATE:** N/A

# ARGENTINA YOUTH EMPLOYMENT SIB



## OVERVIEW

## COUNTRY

ARGENTINA

## CITY/STATE

BUENOS AIRES

**LEAD SPONSORS:** SOCIAL FINANCE

**DEVELOPMENT STAGE:** ☒ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The SIB aims to increase labor market insertion of vulnerable young individuals by scaling programs from NGOs and social enterprises focused on youth employability in the city of Buenos Aires, Argentina. The impact bond structure is used because it allows the government to de-risk and pursue employment programs which may take years to yield results and which represent a significant amount of potential savings and income. The ultimate aim is to align public sector funding with youth employment outcomes and develop the internal capacity for future pay-for-success programs.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	January 2017	<b>DATE OF START OF SERVICE PROVISION</b>	2018
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	N/A	<b>CONTRACT DURATION</b>	3 years
<b>DATE OF CONTRACT SIGNING</b>	Unknown	<b>END DATE</b>	2020-21

## DEVELOPMENT CHALLENGE

### SECTOR:

- ☐ Agriculture
 ☐ Education
 ☒ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

neighboring neighborhoods of the City of Buenos Aires

Vulnerable young individuals age 17-24, living in the southern

### TARGET NUMBER OF BENEFICIARIES

TBD

### DEVELOPMENT CHALLENGE

unemployment among vulnerable youth.

The development challenge faced by the bond is youth

### INTERVENTION

Programs and services focused on employability from non-profits and social enterprises working with vulnerable youth, which work in vulnerable neighborhoods in southern Buenos Aires.

TBD

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

TBD

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: The impact bond will fund the growth of programs and social enterprises that develop the soft and hard skills that vulnerable youth need to meet the current labor demand.



ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE: TBD

## FINANCING

OUTCOME FUNDS (USD)	TBD	COSTS COVERED BY INVESTMENT CAPITAL	TBD
UPFRONT CAPITAL COMMITMENT (USD)	TBD	ADDITIONAL GRANTS (USD)	TBD
CAPITAL RECYCLING	TBD	COSTS COVERED BY ADDITIONAL GRANTS	TBD
OTHER COSTS	TBD		

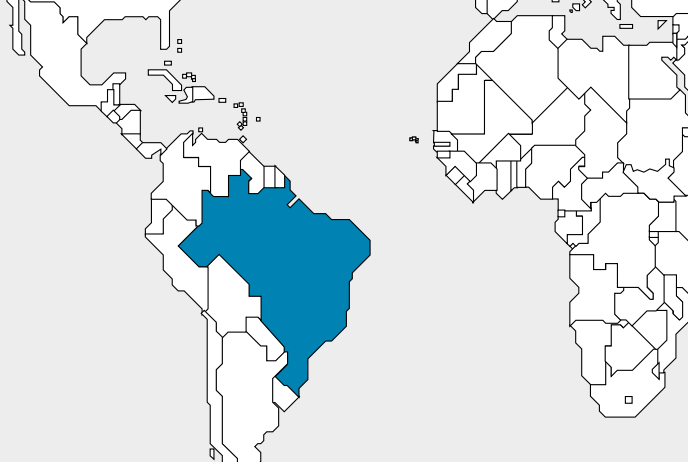
## STAKEHOLDERS

**SERVICE PROVIDERS:** TBD (non-profits and social enterprises)**INTERMEDIARY:** Acrux Partners and Social Finance Ltd.**OUTCOME FUNDER:** Government of the City of Buenos Aires**INVESTOR:** TBD (local banks, family offices, corporates)**TECHNICAL ASSISTANCE PROVIDER:** Acrux Partners and Social Finance Ltd., legal advisors**OUTCOME EVALUATOR:** TBD (think tank or international accounting company)

## METRICS AND PAYMENTS

**OUTCOME METRICS:** TBD**EVALUATION METHOD:** TBD**PAYMENT THRESHOLD:** TBD**PAYMENT SCHEDULE AND AMOUNTS:** TBD**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBD**MAXIMUM RETURN:** TBD**RESULTS TO DATE:** TBD

# BRAZIL CHRONIC ILLNESS SIB



## OVERVIEW

## COUNTRY

## BRAZIL

## CITY/STATE

## STATE OF CEARÁ

**LEAD SPONSORS:** SITAWI

### DEVELOPMENT STAGE:



Early-stage design



Late-stage design  
(higher specificity e.g., investors, outcome funders, USD values)



Implementation



Complete

**DESCRIPTION:** The proposed SIB aims to funding the prescription and delivery of cost effective community-based and multi-professional services to (i) improve health and wellbeing of socially vulnerable long term chronic patients, their carers and other family members and to (ii) avoid unnecessary hospitalizations, generating savings for the government. The anticipated size of the potential contract is ~BRL 28 million (\$9.1 million). Proceeds will be used to service around 2,000 patients, their carers and families over the course of 5 years, likely integrating two complementary care service delivery modalities: (i) home care service; (ii) community care service center.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	June 2016
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	June 2017
<b>DATE OF CONTRACT SIGNING</b>	February 2018

<b>DATE OF START OF SERVICE PROVISION</b>	March 2018
<b>CONTRACT DURATION</b>	5 years
<b>END DATE</b>	February 2023



## DEVELOPMENT CHALLENGE

### SECTOR:



Agriculture



Education



Employment



Health



Social Welfare

### TARGET POPULATION

Target populations are socially vulnerable chronic patients hospitalized for long periods, their carers and families. The target population defined by the Government of Ceará is around 2,000 beds (in five years representing over 20,000 patients), which are all users of public health system with chronic diseases and vulnerable social condition. Today only around 700 beds are serviced by Government (35% of target population). This means there is a deficit of over 1,300 beds and 13,000 patients over five years. The proposed contract will not solve the whole public problem but aims at creating a successful case.

### TARGET NUMBER OF BENEFICIARIES

Direct Beneficiaries: over 2,000 patients, their carers and families over 5 years. Indirect Beneficiaries: 43,000 over 5 years (shorter term patients occupying beds previously occupied by long term patients treated by the program)

### DEVELOPMENT CHALLENGE

Patients with chronic conditions are often hospitalized for long periods in the public health system, increasing the risk of infections, and putting pressure on the supply of costly hospital beds. Today, only 3% of patients in the state of Ceará occupy over 25% of hospital bed days. With the rapid aging of population in the next 15 years, a surge in demand for hospital beds is expected. Additionally, long term hospitalization often creates adverse conditions for rehabilitation, autonomy and impairs life quality of patients and their families. The project aims to address inequalities in care access and promote more healthy lives and wellbeing for a growing aging population in Brazil.



## INTERVENTION

The SIB aims to finance the prescription and delivery of services at home or at a community care center for patients, their carers and families, which may include the following (i) management of multi professional staff, logistics and materials; (ii) development of customized service delivery plan; (iii) family carer training, continued monitoring and interaction with multi professional staff; (iv) remote monitoring of health and wellbeing conditions of patients, carers and family members; (v) discovery of user needs, archetypes and tailored service design; (vi) commissioning of life support equipment and home improvement for service delivery; (vii) call center for user assistance; (viii) emergency assistance at home or transferring to hospital; (ix) occupation therapies, such as assistive technologies and community integration; (x) mobilizing community connectors and volunteers; (xi) psychological support; (xii) improving families income generation to allow for sustained service delivery.

Domiciliary Care in the public system in the state today is financed and operated by public hospitals (managed by the government or not-for-profit organizations). There is no systemic approach to service chronic patients at home or community care centers.

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Public hospital budgets are restricted for expanding or even maintaining community based services and implementing innovations to improve patients' health and wellbeing in out-of-hospital settings. Lack of rigorous evaluation and proper monitoring of patients, carers and families makes the goal of delivering effective community based alternatives for long term patients difficult to manage. The proposed pay by results contract will create an independent out-of-hospital service experiment, large enough to contain all necessary elements for a more systemic approach but still too small to allowing for testing and adapting different delivery strategies. Impact targets will incentivize operators to seek most appropriate solutions for each beneficiary treated by the program.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** SITAWI

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$9.1 million	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	Not defined
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$1.0 million	<b>ADDITIONAL GRANTS (USD)</b>	Not defined
<b>CAPITAL RECYCLING</b>	\$1.6 million	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	Not defined
<b>OTHER COSTS</b>	Pre-structuring costs are expected to reach \$300,000		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Not defined

**INTERMEDIARY:** Not defined

**OUTCOME FUNDER:** Not defined

**INVESTOR:** Not defined

**TECHNICAL ASSISTANCE PROVIDER:**  
Not defined

**OUTCOME EVALUATOR:** Not defined

## METRICS AND PAYMENTS

**OUTCOME METRICS:** (i) Bed days occupied in hospitals and (ii) health and wellbeing of patients, carers and families

**EVALUATION METHOD:** Not defined

**PAYMENT THRESHOLD:** Not defined

**PAYMENT SCHEDULE AND AMOUNTS:** Not defined

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** Not defined

**MAXIMUM RETURN:** Not defined

**RESULTS TO DATE:** Not defined

# ETHIOPIA NEWCASTLE DISEASE PREVENTION DIB



OVERVIEW COUNTRY ETHIOPIA CITY/STATE NATIONWIDE

LEAD SPONSORS: PALLADIUM

DEVELOPMENT STAGE: ☒ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The goal of the Ethiopia Newcastle Disease Prevention DIB is to improve livelihoods of the rural poor in Ethiopia by setting up a sustainable vaccine supply chain against Newcastle disease (ND) that will reach small-scale poultry farmers.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	N/A	DATE OF START OF SERVICE PROVISION	N/A
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	N/A	CONTRACT DURATION	3-5 years
DATE OF CONTRACT SIGNING	TBD	END DATE	N/A



## DEVELOPMENT CHALLENGE

SECTOR:

- ☒ Agriculture 
 ☐ Education 
 ☐ Employment 
 ☐ Health 
 ☐ Social Welfare

### TARGET POPULATION

Women-headed households in rural Ethiopia

### TARGET NUMBER OF BENEFICIARIES

N/A

### DEVELOPMENT CHALLENGE

The Ethiopian government's 2015 Livestock Master Plan highlights the investment needed in commercial and village-level poultry improvement to erase the meat deficit (42% in 2028 based on current projections). Of ~50 million poultry nation-wide, village poultry accounts for ~98%. Newcastle disease (ND) is a highly contagious and destructive illness of chickens. Outbreaks peak in the dry season, killing 50-100%. ND is the main cause of economic loss in poultry production and a barrier to food security for farmers.

### INTERVENTION

ND vaccination in other countries is proven, where distribution is through government extension. In Ethiopia, this approach isn't sustainable in absence of cost-recovery systems. DIB will create a cost-recovery model by 1) creating demand through awareness-raising and legislation to support non-veterinarians providing ND vaccines, 2) incentivizing private sector to ensure supply.

### FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Ad hoc government programs and poorly developed private supply chains.

The core financing challenge consists in funding the up-front costs to create a commercially sustainable market for smallholder farmers. These up-front costs include incentives for the private sector and funding to assist the government with demand creation. However, once sufficient demand is generated, the system will be self-sustaining.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: i) Ability/flexibility to test multiple approaches to value-chain development and localize solutions for needs of each region. ii) Private investors complement KYEEMA's market-based approach to value-chain development to provide a sustainable and commercially viable solution. iii) Long-term financing for a challenge that requires a long-term approach to value-chain development. Impact bond length could be rolled-over after its completion. Capital costs could be kept low by recycling capital from outcome payments to further scale the DIB.



## ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$15 million (TBC)	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$5 million (TBC)	<b>ADDITIONAL GRANTS (USD)</b>	TBD
<b>CAPITAL RECYCLING</b>	Capital is recycled as outcome payments are received	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	TA, results verification, impact evaluation
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

### SERVICE PROVIDERS:

KYEEMA Foundation

### INTERMEDIARY:

Palladium

### OUTCOME FUNDER:

TBD

### INVESTOR: TBD

### TECHNICAL ASSISTANCE PROVIDER: TBD

TBD

### OUTCOME EVALUATOR: TBD

TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** The number of doses of ND vaccines sold is likely to be the principal payment metric (easy to measure and credibly linked to longer term outcomes such as household income and resilience). Proxy indicators such as number of vials of vaccine sold can be used to determine total number of chickens vaccinated, which will provide an estimate of the number of households vaccinated. Survey data from selected trial villages can be used to determine average net annual additional income. Data on vaccine sold can be collected from National Veterinary Institute, which will allow verification of sales figures provided by private distributors. Combined data could be used to estimate project contribution to increased household income.

**EVALUATION METHOD:** Impact evaluation in addition to results verification through audit of vaccine doses sold

**PAYMENT THRESHOLD:** N/A

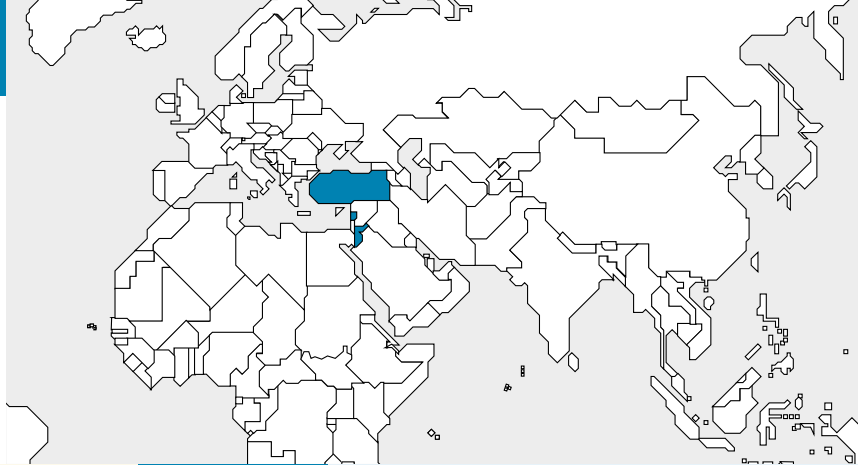
**PAYMENT SCHEDULE AND AMOUNTS:** N/A

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** N/A

**MAXIMUM RETURN:** TBC

**RESULTS TO DATE:** N/A

# SYRIAN REFUGEE EMPLOYMENT DIB



**OVERVIEW** **COUNTRY** JORDAN, LEBANON, TURKEY **CITY/STATE** N/A

**LEAD SPONSORS:** KOIS INVEST

**DEVELOPMENT STAGE:** ☒ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The multi-country DIB intends to improve the welfare of Syrian refugees and vulnerable host populations by funding job market integration and access to livelihoods interventions in the Middle East. The impact bond structure is being explored as a way to bring multi-year, outcomes-focused funding to a highly underfunded area that is in need of longer term, effective funding. By improving access to sustainable livelihoods, the DIB aims to improve the welfare of Syrian refugees and vulnerable host populations, reduce the burden on host countries, and free up valuable aid resources.

## TIMELINE

<b>DATE OF START OF FEASIBILITY STUDY</b>	September 2016	<b>DATE OF START OF SERVICE PROVISION</b>	TBC
<b>INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY</b>	H1 2018	<b>CONTRACT DURATION</b>	2-4 years
<b>DATE OF CONTRACT SIGNING</b>	TBC	<b>END DATE</b>	TBC

## DEVELOPMENT CHALLENGE

**SECTOR:**

- ☐ Agriculture
 ☐ Education
 ☒ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

Syrian refugees and vulnerable local population

### TARGET NUMBER OF BENEFICIARIES

TBC

### DEVELOPMENT CHALLENGE

As a result of the Syrian migration crisis, neighboring countries struggle to meet refugees' basic needs and offer a decent living. 22.2 million people are in need of assistance in the Middle East, with host countries facing increased pressures on their job markets, infrastructure and education systems. 88% of displaced Syrians are poor or at risk of being poor in the near future. There is a need to extend the focus from emergency aid to longer term, development aid to support displaced individuals in building a more sustainable living in their host countries. However, there is significant funding gap, particularly to meet the long-term needs of refugees. Job market integration is a key aspect in creating sustainable living conditions for displaced individuals.

### INTERVENTION

Shortlisted service providers deliver two kinds of programs: employment and entrepreneurship interventions. Employment programs include transferrable and technical skills training and job placement, while entrepreneurship interventions include business training, mentorship/coaching and access to capital for start-ups and existing small and medium-size enterprises (both formal and informal)

Mainly donor-funded

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Funding required for continuing operations and scale-up that has not been funded before.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: Impact bond structure can match the need for longer-term, outcome-focused funding and allows service providers to adjust the implementation of programs in a way best suited for realities on the ground to achieve the outcomes, which is especially relevant in the Middle East. If successful, the structure can be replicated in other regions facing similar challenges. Finally the structure provides increased transparency on impact / 'value-for-money'.



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Kois Invest - Intermediary

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$10-30 million (anticipated)	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	TBC
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	TBC	<b>ADDITIONAL GRANTS (USD)</b>	TBC
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	TBC
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** 2 shortlisted service providers and 4 potential service providers identified following detailed due diligence

**INTERMEDIARY:** Kois Invest

**OUTCOME FUNDER:** TBC

**INVESTOR:** TBC

**TECHNICAL ASSISTANCE PROVIDER:** TBC

**OUTCOME EVALUATOR:** TBC

## METRICS AND PAYMENTS

**OUTCOME METRICS:** TBC

**EVALUATION METHOD:** TBC

**PAYMENT THRESHOLD:** TBC

**PAYMENT SCHEDULE AND AMOUNTS:** TBC

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBC

**MAXIMUM RETURN:** TBC

**RESULTS TO DATE:** N/A

# PAPUA NEW GUINEA GENDER-BASED VIOLENCE DIB



## OVERVIEW

## COUNTRY

PAPUA NEW GUINEA (PNG)

## CITY/STATE

NCD, CENTRAL PROVINCE,  
MOROBÉ

LEAD SPONSORS: PALLADIUM

**DEVELOPMENT STAGE:** ☒ Early-stage design ☐ Late-stage design  
(higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The goal of the impact bond is to reduce the incidence of gender-based violence (GBV).

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	N/A	DATE OF START OF SERVICE PROVISION	N/A
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	N/A	CONTRACT DURATION	TBD
DATE OF CONTRACT SIGNING	TBD	END DATE	N/A



## DEVELOPMENT CHALLENGE

### SECTOR:

- ☐ Agriculture ☐ Education ☐ Employment  
☐ Health ☒ Social Welfare  
 (Including homelessness, child welfare, etc.)

### TARGET POPULATION

Vulnerable women

### TARGET NUMBER OF BENEFICIARIES

N/A

### DEVELOPMENT CHALLENGE

Approximately two thirds of women in PNG have been sexually or physically abused. With increased international awareness and pressure from women's groups within the country, the PNG government instituted measures to criminalize GBV. Whilst government has created a legal framework to protect women from violence, a variety of institutional factors have produced little change in reality. International and national programs are largely reactive. There are few programs that work specifically with men or provide male-specific counselling and in most cases, the programs are poorly monitored.

The PNG GBV impact bond plans to work with service providers to implement a community mobilization program that scales up four distinct phases: during the first phase violence against women and HIV/AIDS are introduced as interconnected issues and community members begin to foster power within themselves to address these issues. In the second phase community members experience a growing awareness about how men's use of power over women fuels the dual pandemics of violence against women and HIV. Throughout the third phase community members learn to support the women, men and activists directly affected by or involved in these interconnected issues. In the fourth and final phase community members contextualise different ways to take action.

#### REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

CSOs and grant funding

#### FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

A systematic and evidence-based approach that will develop best practice to reduce this insidious pattern of violence against women is sorely needed. Bringing a rigorous, transparent and accountable approach to this work will enable the successful activities to be scaled up effectively across the country with confidence in the measures ensuring sufficient resources are available for them.

#### REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

- To improve quality by allowing the service provider flexibility in implementation ☐
- To improve quality by establishing performance management systems ☒
- To improve efficiency (maintain quality while increasing output or decreasing costs) ☐
- To build service provider's capacity to operate in a Payment by Results model ☒
- To build the aforementioned systems to facilitate operation at scale ☒
- To cover a capital gap between the intervention and value to society ☐
- To benefit from the involvement of investors (apart from capital) ☒
- To share the risk of service performance between the government, service provider, and investor, thus aligning incentives ☐
- Other: Cutting edge work by Raising Voices in Uganda has resulted in the development of SASAI, a groundbreaking community mobilization approach for preventing violence against women and HIV. A DFAT-funded grant to develop an evidence base of the efficacy of the program in a PNG context is currently being run by PSI and 8 local partners. A results-based financing mechanism will be built from this evidence base. ☒

**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** N/A

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	TBD	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	TBD	<b>ADDITIONAL GRANTS (USD)</b>	TBD
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	N/A
<b>OTHER COSTS</b>	TBD		

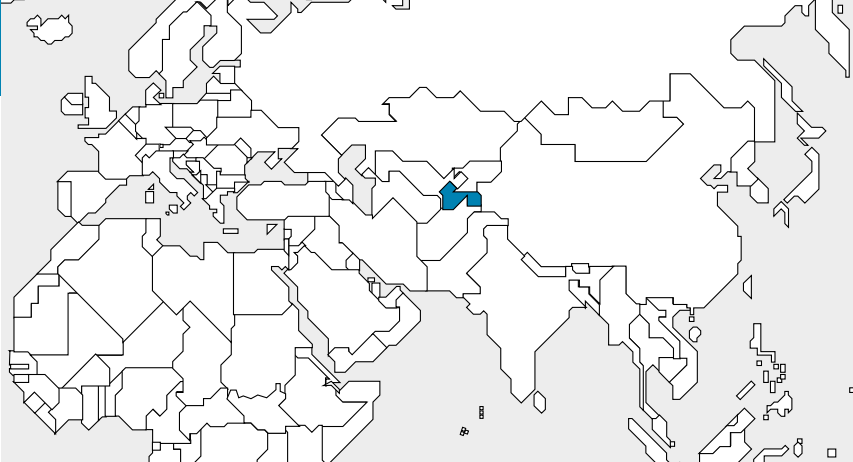
## STAKEHOLDERS

**SERVICE PROVIDERS:** TBD  
**INTERMEDIARY:** Palladium  
**OUTCOME FUNDER:** TBD  
**INVESTOR:** TBD  
**TECHNICAL ASSISTANCE PROVIDER:** N/A  
**OUTCOME EVALUATOR:** N/A

## METRICS AND PAYMENTS

**OUTCOME METRICS:** TBD (services provided to women)  
**EVALUATION METHOD:** N/A  
**PAYMENT THRESHOLD:** N/A  
**PAYMENT SCHEDULE AND AMOUNTS:** N/A  
**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** N/A  
**MAXIMUM RETURN:** N/A  
**RESULTS TO DATE:** N/A

# TAJIKISTAN WASH SIB



OVERVIEW COUNTRY **TAJIKISTAN** CITY/STATE N/A

LEAD SPONSORS: OXFAM

**DEVELOPMENT STAGE:** ☒ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The Tajikistan WASH SIB aims to improve access to safe drinking water by providing individual water connections to 50,000 households in towns and villages in Tajikistan. The impact bond structure is used because of Tajikistan's poor access to traditional grant funding, the strength of Oxfam's relationship with relevant local stakeholders and the part-repayment of the bond through the collection of water tariffs. The ultimate aim is to take the success of Oxfam's pilot WASH programme in Tajikistan to scale.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	May 2017	DATE OF START OF SERVICE PROVISION	TBD
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	TBD	CONTRACT DURATION	5 years
DATE OF CONTRACT SIGNING	TBD	END DATE	N/A

## DEVELOPMENT CHALLENGE

SECTOR:

- ☐ Agriculture
 ☐ Education
 ☐ Employment
 ☒ Health
 ☐ Social Welfare

TARGET POPULATION

N/A

TARGET NUMBER OF BENEFICIARIES

50,000

DEVELOPMENT CHALLENGE

Half the population in Tajikistan has access to safe drinking water; the country remains one of the poorest in Central Asia. Despite being water-rich, water scarcity in some areas means that some women can spend up to 4 hours per day collecting water. Only 20% have access to centralized water supply in rural areas, and only 3% have access to proper sewerage. Tajikistan has some of highest diarrhea incidence rate and highest diarrhea mortality rate among young children (over 30% of deaths in children attributable to diarrhea). The water sector is not financially sustainable without external support: \$2 billion is required in the next 15 years to deliver sufficient water and ODA has reduced to \$30 million per year.



The intervention comprises a hardware and a software component. The hardware component will be delivered by the private sector, and covers actual infrastructure supplies, construction of civil works, pumping stations, pipe net-works and valves for water scheme, along with individual household connections, and work required for installation. The software component will complement the hardware component, and be delivered by Oxfam including: 1) Preparatory works (selection of villages, feasibility studies, designs, baselines), 2) Capacity building of owners, operators, regulators, 3) Project supervision, including monitoring of construction works, approval of payments, 4) Monitoring, evaluation, accountability and learning.

## INTERVENTION

Grant funding

## FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Insufficient funding available for scale

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: Impact bond identified due to Tajikistan's reduced access to aid funding, the success of Oxfam's WASH programme in Tajikistan and the potential for modest water tariffs to cover part of the bond repayment (\$1 per household per month). Oxfam has run a successful pilot of a WASH programme in Tajikistan, testing the intervention in a range of contexts; from 40 small household projects in rural locations to 400 households in semi-urban environments. Oxfam has vast experience in the sector, and strong relationship with key stakeholders (e.g. government and private sector).



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** N/A

## FINANCING

**OUTCOME FUNDS (USD)** N/A

**COSTS COVERED BY INVESTMENT CAPITAL** N/A

**UPFRONT CAPITAL COMMITMENT (USD)** \$7.5 million

**ADDITIONAL GRANTS (USD)** \$250,000

**CAPITAL RECYCLING** N/A

**COSTS COVERED BY ADDITIONAL GRANTS** Feasibility study and proof of concept

**OTHER COSTS** N/A

## STAKEHOLDERS

**SERVICE PROVIDERS:** Hardware components from private sector providers, software components from Oxfam

**INTERMEDIARY:** TBD

**OUTCOME FUNDER:** Bilateral donors 70%; Tajikistan state government 30% (through water tariff collection)

**INVESTOR:** TBD

**TECHNICAL ASSISTANCE PROVIDER:** TBD

**OUTCOME EVALUATOR:** TBD

## METRICS AND PAYMENTS

**OUTCOME METRICS:** TBD

**EVALUATION METHOD:** TBD

**PAYMENT THRESHOLD:** TBD

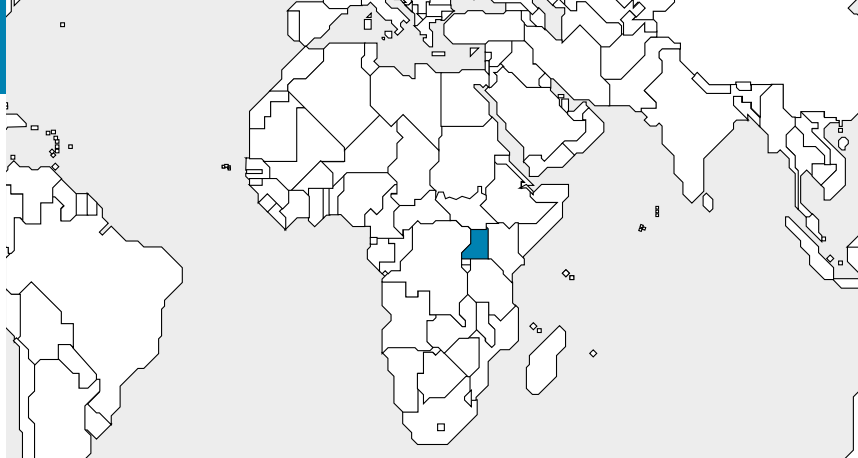
**PAYMENT SCHEDULE AND AMOUNTS:** TBD

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** TBD

**MAXIMUM RETURN:** 10% estimated

**RESULTS TO DATE:** TBD

# UGANDA EMPOWERING WOMEN AND YOUTH IN THE COFFEE VALUE CHAIN DIB



## OVERVIEW

## COUNTRY

UGANDA

## CITY/STATE

**SELECT COFFEE-GROWING AREAS** (MT ELGON, MT RWENZORI, BUNYARUGURU ESCARPMENT, MT MUHABURA AND MGAHINGA)

**LEAD SPONSORS:** COMMON FUND FOR COMMODITIES

**DEVELOPMENT STAGE:** ☒ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** The DIB aims to connect smallholder coffee producers to high value consumers in Uganda, including coffee shops, hotels and lodges.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	N/A	DATE OF START OF SERVICE PROVISION	N/A
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	N/A	CONTRACT DURATION	3 years
DATE OF CONTRACT SIGNING	TBD	END DATE	N/A



## DEVELOPMENT CHALLENGE

### SECTOR:

- ☒ Agriculture
 ☐ Education
 ☐ Employment
 ☐ Health
 ☐ Social Welfare

### TARGET POPULATION

members.

10 farmer groups in the target regions with up to 2,500

### TARGET NUMBER OF BENEFICIARIES

N/A

### DEVELOPMENT CHALLENGE

Smallholder coffee grown in the region faces high marketing costs and loss of quality due to poor marketing channels. The DIB will leverage the local tourism industry to create a local niche market for quality coffee supplied direct by smallholders to hotels and lodges.

### INTERVENTION

Integrate coffee production and processing with tourism by linking coffee farmers to the 14 lodges in proximity to the farms. The coffee farms will be part of the tour safari; quality control and roasting will be arranged and local youth will be trained to work as baristas at the lodges to ensure appropriate service and quality level in the premium segment.

### FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

Heritage coffee finances its regular operations with bank financing.

Due to high training and quality control costs, the operation at this stage is not financially viable, but is expected to reach viability after the first stage.

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



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To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other: Households are expected to triple their income from the same volume of coffee production.



**ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE:** Common Fund for Commodities and International Coffee Organization

## FINANCING

<b>OUTCOME FUNDS (USD)</b>	\$110,000	<b>COSTS COVERED BY INVESTMENT CAPITAL</b>	N/A
<b>UPFRONT CAPITAL COMMITMENT (USD)</b>	\$110,000	<b>ADDITIONAL GRANTS (USD)</b>	\$10,000
<b>CAPITAL RECYCLING</b>	N/A	<b>COSTS COVERED BY ADDITIONAL GRANTS</b>	Evaluation of outcomes
<b>OTHER COSTS</b>	N/A		

## STAKEHOLDERS

**SERVICE PROVIDERS:** Coffee Heritage Company

**INTERMEDIARY:** N/A

**OUTCOME FUNDER:** TBD

**INVESTOR:** Common Fund for Commodities (CFC)

**TECHNICAL ASSISTANCE PROVIDER:** N/A

**OUTCOME EVALUATOR:** International Coffee Organization/others

## METRICS AND PAYMENTS

**OUTCOME METRICS:** i) Creation of new jobs in local premium coffee sector (roasters and baristas), ii) Volume of coffee sold through local premium channels, iii) Income increase for participating smallholder farmers, iv) Percentage of women participating.

**EVALUATION METHOD:** Reports by selected hotels and coffee lodges plus surveys of income in the target communities.

**PAYMENT THRESHOLD:** TBD

**PAYMENT SCHEDULE AND AMOUNTS:** Full settlement upon verification of results at completion

**MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS:** 100%

**MAXIMUM RETURN:** \$110,000

**RESULTS TO DATE:** Identification of second bond partner to act as outcome sponsor or investor is still ongoing

# FECAL SLUDGE MANAGEMENT DIB



OVERVIEW COUNTRY TBC CITY/STATE TBC

LEAD SPONSORS: USAID & SOCIAL FINANCE UK

DEVELOPMENT STAGE: ☒ Early-stage design ☐ Late-stage design (higher specificity e.g., investors, outcome funders, USD values) ☐ Implementation ☐ Complete

**DESCRIPTION:** Development impact bond in fecal sludge management, focusing on the Omni-Processor model. The DIB would allow two streams of funding to come together: (1) commercial funding to provide capital for the capex of the plant and the first year's opex and (2) social investment focused on outcomes which would allow for subsidy payments to ensure fecal sludge is collected from the poorest households who would not traditionally be able to pay for fecal sludge collection. The outcome payment would be based on tonnes of fecal sludge collected.

## TIMELINE

DATE OF START OF FEASIBILITY STUDY	TBC	DATE OF START OF SERVICE PROVISION	TBC
INTENDED DATE OF CONTRACT SIGNING FOLLOWING FEASIBILITY STUDY	TBC	CONTRACT DURATION	TBC
DATE OF CONTRACT SIGNING	TBC	END DATE	TBC



## DEVELOPMENT CHALLENGE

SECTOR: ☐ Agriculture ☐ Education ☐ Employment ☒ Health ☐ Social Welfare

### TARGET POPULATION

treatment

Households who have pits that need collection and safe

### TARGET NUMBER OF BENEFICIARIES

100,000 households (TBC)

### DEVELOPMENT CHALLENGE

Safe collection and treatment of fecal sludge i.e. stopping pit dumping and ensuring that toilets are safely emptied and the sludge safely treated.

### INTERVENTION

to fund collection from those who are unable to pay.

(1) OmniProcessor treatment plant which produces revenues from distilled water, ash etc. and (2) subsidy model

### FINANCING OF INTERVENTION PRIOR TO IMPACT BOND

N/A

N/A

## REASON(S) EXISTING FINANCING WAS/IS INADEQUATE

To improve quality by allowing the service provider flexibility in implementation



To improve quality by establishing performance management systems



To improve efficiency (maintain quality while increasing output or decreasing costs)



To build service provider's capacity to operate in a Payment by Results model



To build the aforementioned systems to facilitate operation at scale



To cover a capital gap between the intervention and value to society



To benefit from the involvement of investors (apart from capital)



To share the risk of service performance between the government, service provider, and investor, thus aligning incentives



Other:



ACTOR(S) THAT RESPONDED TO IMPACT BOND RATIONALE: N/A

## FINANCING

OUTCOME FUNDS (USD) N/A

COSTS COVERED BY INVESTMENT CAPITAL N/A

UPFRONT CAPITAL COMMITMENT (USD) N/A

ADDITIONAL GRANTS (USD) N/A

CAPITAL RECYCLING Capital covers the cost of the program for the duration of the impact bond

COSTS COVERED BY ADDITIONAL GRANTS N/A

OTHER COSTS N/A

## STAKEHOLDERS

SERVICE PROVIDERS: N/A

INTERMEDIARY: N/A

OUTCOME FUNDER: N/A

INVESTOR: N/A

TECHNICAL ASSISTANCE PROVIDER: Social Finance

OUTCOME EVALUATOR: N/A

## METRICS AND PAYMENTS

OUTCOME METRICS: Tonnes of fecal sludge collected from households that otherwise were not having pits collected

EVALUATION METHOD: N/A

PAYMENT THRESHOLD: N/A

PAYMENT SCHEDULE AND AMOUNTS: N/A

MAXIMUM POTENTIAL LOSS OF INVESTMENT FOR INVESTORS: N/A

MAXIMUM RETURN: N/A

RESULTS TO DATE: N/A





