

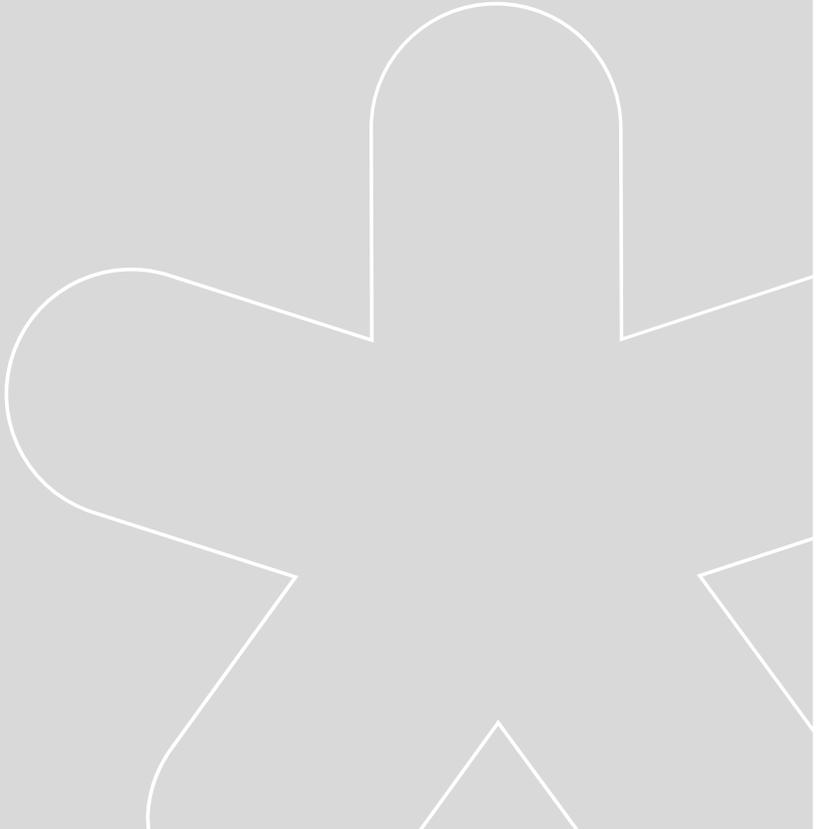
BY  
BÉNÉDICTE  
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*LANDSCAPE  
REVIEW  
FOCUSING ON  
DEVELOPMENT  
IMPACT BONDS*

# SOCIAL OUTCOMES-BASED FINANCINGS IN DEVELOPMENT AND HUMANITARIAN SETTINGS

\* **HIFHUB** hosted by the  
Danish Red Cross  
HUMANITARIAN  
INNOVATIVE  
FINANCE

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# Abbreviations

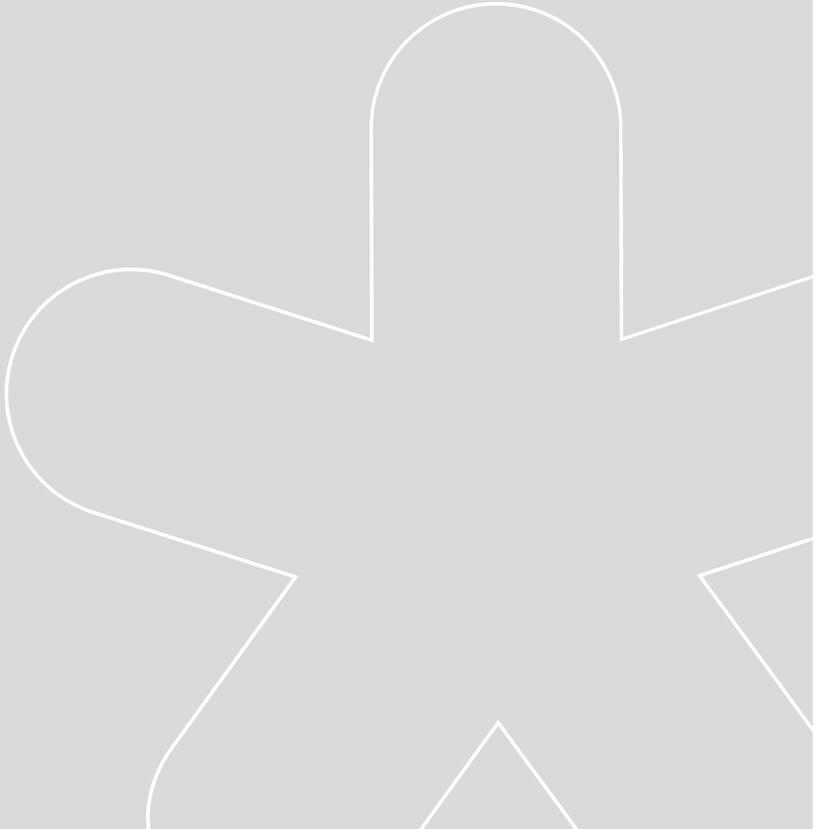
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<b>CIFF</b>	Children's Investment Fund Foundation	<b>KOICA</b>	Korean development agency
<b>CGIF</b>	Credit Guarantee and Investment Facility	<b>KOIS</b>	A leading international impact investment and innovative finance advisory firm
<b>DFC</b>	Development Finance Corporation, the US Government's development finance institution	<b>MFI</b>	Microfinance institutions
<b>DFID</b>	UK's Department for International Development, now replaced by FCDO	<b>NEF</b>	Near East Foundation UK
<b>DIB</b>	Development Impact Bond	<b>NORAD</b>	Norwegian Agency for Development Cooperation
<b>EOF</b>	Education Outcome Fund	<b>PbR</b>	Payment by Result
<b>FCDO</b>	UK's Foreign, Commonwealth & Development Office	<b>SBP</b>	Social Bond Principles
<b>Ferd</b>	A family-owned investment company owned by the fifth and sixth generations of the Norwegian Andresen family	<b>SECO</b>	Swiss State Secretariat of Economic Affairs
<b>GDI</b>	Global Development Incubator	<b>SIB</b>	Social Impact Bond
<b>HIB</b>	ICRC Humanitarian Impact Bond	<b>SIDA</b>	Swedish International Development Agency
<b>ICMA</b>	International Capital Market Association	<b>SIG</b>	Social Impact Guarantee
<b>ICRC</b>	International Committee for the Red Cross	<b>UNDP</b>	United Nations Development Programme
<b>IE</b>	Impact Enterprise	<b>USAID</b>	United States Agency for International Development
<b>IIX</b>	Impact Investment Exchange Pte Ltd	<b>USIDFC</b>	United States International Development Finance Corporation
<b>JOD</b>	Jordanian Dinar		

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# INTRODUCTION



- This presentation has been prepared at the initiative of the Red Cross' Humanitarian Innovative Finance Hub to support stakeholders' evaluation of the suitability of social impact bonds, development impact bonds or variations thereof to finance programmes and activities deployed in development and humanitarian settings.
- The following slides have been compiled based on a desk research including the review of publicly available information related to relevant impact bonds launched over the past years as well as published evaluations and commentaries of a broad range of stakeholders, including organisations directly involved in these bonds in various roles and social finance experts.

# CONTEXT

The Brookings Institution ('Brookings')<sup>1</sup> defines **Impact Bonds** as *'a series of contractual agreements which ensure:*

*Payment for social or environmental outcomes achieved; and Up-front repayable finance provided by a third party, the repayment of which is (at least partially) conditional on achieving specified outcomes.'*

According to Brookings, as of 1 January 2025, 259 impact bonds have been issued representing an upfront capital of around USD 524 million, with an average contract duration of around 52 months. 240 of these bonds were defined as **Social Impact Bonds ('SIBs')**, for which the government agreed to repay investors upon social outcomes being met, and 19 qualified as **Development Impact Bonds ('DIBs')**, where donors such as philanthropists or foreign countries would repay the investors. The policy areas on which these bonds focus is presented in Figure 1 below.

The average upfront capital of these impact

bonds as reported by Brookings was USD 3.18 million. The average number of beneficiaries was 27,831, with over half of the bonds serving 500 beneficiaries or fewer. Figure 2 shows that **34 of the impact bonds issued so far targeted activities and programmes in low- and middle-income countries.**

Social impact bonds should not be confused with 'Social Bonds'. While both instruments include a commitment to use the proceeds for an identified social goal, with social bonds, payment of interest and repayment of the capital is not contingent on any measure or outcome being achieved. The social bond market is much larger than the SIB/DIB market with social bonds totalling c. USD 181 billion issued in 2023.<sup>2</sup>

Sources and additional information:

<sup>1</sup> [Social and development impact bonds by the numbers](#)

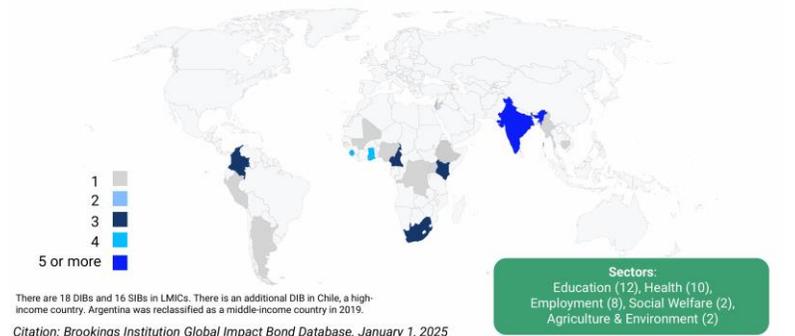
<sup>2</sup> [Sustainable Bond Issuance To Approach \\$1 Trillion In 2024](#)



\* Social Welfare includes impact bonds addressing homelessness, poverty reduction, and child & family welfare.  
Citation: Brookings Institution Global Impact Bond Database, January 1, 2025

Figure 1

## 34 Impact Bonds in Low- and Middle-Income Countries



There are 18 DIBs and 16 SIBs in LMICs. There is an additional DIB in Chile, a high-income country. Argentina was reclassified as a middle-income country in 2019.  
Citation: Brookings Institution Global Impact Bond Database, January 1, 2025

Figure 2

**DEVELOPMENT  
IMPACT BONDS  
(DIBS) –  
CASE STUDIES**



# CASE STUDY 1: Development Impact Bond to Improve Refugee Livelihoods in Jordan (Launched in 2021) (1/2)

**The Problem:** the protracted nature of the displacement of Syrian refugees required a longer-term, more development-oriented approach to build refugees' self-reliance. In 2018, about 40% of adult Syrian refugees in Jordan remained out of the labour force and a further 15% were in the labour force but unemployed, unable to attain secure livelihoods. In addition, the large influx of refugees in a context in which a large population of vulnerable Jordanians was facing livelihoods-related challenges could cause increased tensions and affect social cohesion in host communities.

**DIB Objectives:** 1) Improve educational and employment outcomes for both Syrian refugees and vulnerable host communities in Jordan. The goal is to enable beneficiaries to reduce their reliance on humanitarian aid and to become self-reliant again. The project aimed to provide 3,400 business start-up grants and to train 5,040 people, 2) encourage development actors to devote more resources to long-term livelihoods programs in refugee contexts and demonstrate the potential of innovative funding mechanisms to achieve this.

**Instrument:** USD 9.8 million 4-year DIB. Maximum success would generate a 5.1% annualized return for investors.

**Arranger/Coordinator:** KOIS received a **design stage grant** from Convergence's Global Emerging Markets Design Funding Window, funded by Canada, in 2016 to conduct a feasibility study and subsequently structure, fundraise and launch the DIB. **Mid-stage support** was also provided by the IKEA Foundation. KOIS has also been retained by the

Outcome Funders to monitor the programme's progress and facilitate relationships between the parties.

**Delivery Partner & Borrower:** Near East Foundation UK ('NEF') delivering a women-focused micro-enterprise training and grants programme with a local partner. NEF is also incentivized through outcome payments tied to achieved success.

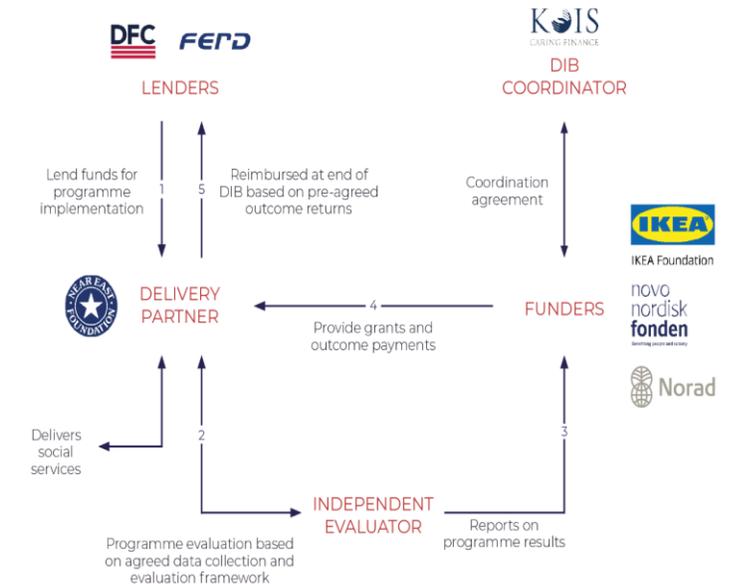
**Social Investors/Lenders:** Development Finance Corporation ('DFC') and Ferd committed USD 9.8 million. Maximum loss in case of programme failure: 20%.

**Outcome Funders:** The Ikea Foundation, the Novo Nordisk Foundation and the Norwegian Agency for Development Cooperation ('NORAD') committed **USD 13.5 million** towards the funding of outcomes, evaluation costs and project management. In case of failure to achieve the targets, they will support 80% of programme costs.

**Legal Adviser:** DLA Piper (pro-bono)

**Outcome Targets:** 1) business survival after 10 months, and 2) improvement in household spending on basic needs after 24 months.

**Independent Evaluator:** Mathematica. Interim reports are available here: [Evaluation of the Refugee Livelihoods Development Impact Bond in Jordan](#). The final evaluation report will come out in August 2025.



Source:

[Refugee Impact Bond Funding Mechanism](#)

*Under this DIB model, the Social Investors take on part of the risk of program performance, the Delivery Partner benefits from the stability of multiple years of funding (subject to satisfactory performance at intermediate milestones), and the Outcome Funders repay lenders based on concrete achievements in targeted social outcomes that are independently verified by the Independent Evaluator.*

# CASE STUDY 1: Development Impact Bond to Improve Refugee Livelihoods in Jordan (Launched in 2021) (2/2)

## Additional Information/Observations

- To the best of the independent evaluator's knowledge, this Refugee Livelihoods DIB was the first DIB to focus on supporting livelihoods in a refugee context.
- The DIB was implemented through five centres across Jordan. Three cohorts began training in April 2022, January 2023, and April 2024, respectively. Training participants developed a business plan and applied for the program's grants, which are awarded to successful applicants between four and five months after their cohort starts training, on average. About two thirds of program participants, or 3,400 in total across the three cohorts, will receive grants of between 400 and 700 Jordanian Dinars (equivalent to c. USD 560 to USD 990) to start and/or grow their micro-enterprises.
- According to the interim report published on 19 August 2024<sup>1</sup>, 'about 11 months after disbursement of grants funded by the DIB, 96% of the second cohort of grantees were engaged in an active income-generating activity. Most grantees reported positive revenues and profits from their business in the month prior to the survey, modest overall business savings, and little overall business debt. Grantees also reported that their businesses provided a mean monthly income of 92 Jordanian dinars ('JOD') (130 USD), with a median of 50 JOD (71 USD), to use for their personal or household expenses. The second cohort of grantees was similar to the first cohort in terms of active

income-generating activity, financial metrics, and business practices, but reported lower business savings and anticipated less growth in their future take-home business incomes'.

- According to the latest interim report published on 5 December 2024<sup>2</sup>, 'about 23 months after disbursement of grants funded by the DIB to two-thirds of the Cohort 1 program participants, average annual household income was 674 JOD higher (\$950; PPP \$2,507; 0.24 standard deviations) for Cohort 1 than that of a matched sample of Cohort 3 participants who had just started the program, driven by higher rates of business ownership and higher average take-home business incomes, and likely translated into higher expenditure on food and non-food goods and services. Findings were within the range of estimated impacts on consumption or expenditure and income for similar livelihoods plus cash grant interventions in low and middle-income countries'.
- It took c. 5 years between the award of the design grant to KOIS in October 2016 and the launch of the DIB in September 2021.
- Issues that KOIS investigated early on included:
  - how difficult it might be to measure the kind of outcomes necessary, particularly in an environment where there are few digital employment records,

- host countries' policies on allowing refugees or migrants to obtain work permits.

- No funds from the programme will reflow to the Delivery Partner that could be used to repay the Social Investors. Hence, the need for the Outcome Funders to repay the Social Investors.
- In 2016 DEVEX reported that to offset the high setup costs (as usual for DIBs), 'KOIS was considering a large bond in the tens of millions of dollars', with KOIS commenting 'this is a social issue at scale, so we can deploy this type of capital'. Nevertheless, the first tranche of the bond 'only' amounted to USD 9.8 million. The second tranche reported in a 2021 press release to be 'underway with an expected launch in the near future' still seems to be pending.

## Sources and additional information:

<sup>1</sup> [Income-generating-activities-for-cohort-2-of-the-refugee-livelihoods-development-impact-bond](#)

<sup>2</sup> [Impacts on Household Consumption for Cohort 1 of the Refugee Livelihoods Development Impact Bond](#)

- [Development impact bond looks to boost refugee employment | Devex](#)
- [RefugeeImpactBondLaunch](#)



# CASE STUDY 2: Village Enterprise - Development Impact Bond for Poverty Alleviation in Sub-Saharan Africa (Launched in 2017) (1/3)

**The Problem:** global levels of extreme poverty - defined as a person living on less than USD 1.90 a day had fallen significantly between 1990 and 2015. However, the number of people living in extreme poverty in Sub-Saharan Africa had increased during this same period, from 278 million to 413 million, with forecasts predicting the trend to continue. The rise was partially explained by the population of Sub-Saharan Africa doubling during the period. However, other regions experiencing similar population growth had seen a decline in extreme poverty.

**DIB Objective:** deploy a 'poverty graduation program' providing first-time entrepreneurs who live in extreme poverty with seed capital, training and mentoring to start more than 4,600 small sustainable businesses in rural Kenya and Uganda by 2020 and equip 13,800 rural Africans living on less than USD 1.90 a day with the resources to become successful entrepreneurs.

**Instrument:** USD 2.325 million upfront working capital for programme implementation through DIB. Based on the final evaluation report confirming that targets had been achieved, the maximum outcome payment of USD 4.28 million was paid by Outcome Funders.

**Arranger & Trustee:** Instiglio provided the technical knowledge and project management oversight during the design of the DIB. Global Development Incubator ('GDI') as

Trustee held funds in escrow and consolidated all contracting, cashflow and processing through a single platform.

**Delivery Partner & Borrower:** Village Enterprise, seeking to end extreme poverty in rural Africa through entrepreneurship and innovation.

**Social Investors:** Delta Fund, the Laird Foundation, the Silicon Valley Social Venture Fund, the Bridges Impact Foundation and several individual investors.

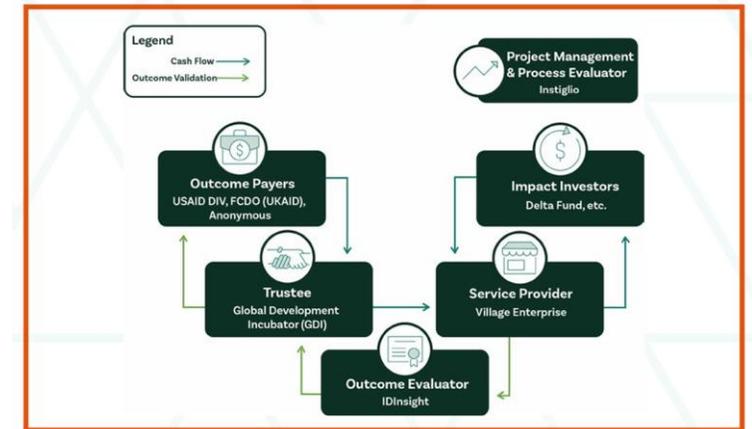
**Outcome Funders:** USAID and DFID committed to pay Village Enterprise and its investors up to USD 4.28 million based on results achieved and to cover DIB costs of c. USD 1 million (structuring, evaluation, trustee fee, etc.).

**Outcome Targets:** 1) USD increase in monthly consumption per capita compared to control group and 2) USD per capita increase in assets stock compared to control group.

**Independent Evaluator:** IDinsight. Final report: [Village Enterprise Development Impact Bond Evaluation Findings | Idinsight](#)

Sources and additional information:

- [Village-enterprise-closes-investment-for-first-development-impact-bond-for-poverty-alleviation-in-sub-saharan-africa](#)



Source: [Enterprise Village DIB Flow Model](#)

*In this structure, Outcome Funders' funds flow through the Trustee and not directly to the Service Provider. The Independent Evaluator assesses and verifies the results of the Delivery Partner's program and reports back to the DIB Design Group, for the Outcome Funders to approve the report and trigger a release of funds to the Delivery Partner by the Trustee.*

# CASE STUDY 2: Village Enterprise - Development Impact Bond for Poverty Alleviation in Sub-Saharan Africa (Launched in 2017) (2/3)

## Additional Information/Observations

- As shown in Figure 1 below, the program lasted for approximately one year. It helped participants form business groups (BGs) of two to three entrepreneurs and provided an initial cash transfer as seed capital. Program participants received the first grant (USD 100 per BG, or ~USD 33 per household) after successfully completing the 3 months training and a second grant (USD 50 per BG, or ~USD 17 per household) was delivered 6 months after the first grant. Some BGs in Kenya received a larger grant (USD 300 for the first grant and USD 150 for the second one) to assess the impact of the grant size on outcomes. These cash transfers were accompanied by training and ongoing mentoring by a local business mentor (BM). Entrepreneurs were also organized into business savings groups (BSGs) of 30 entrepreneurs to allow access to growth capital, provide a safe space for savings, and build social capital.
- The Village Enterprise program was implemented in 241 villages across western Kenya and eastern Uganda from 2017 to 2020. A total of 14,772 ultra-poor households were offered to participate in the program. Out of those offered the program, 14,130 households, or 95.7% received at least the first cash grant, which is how 'participation' was defined for the purposes of estimating the 'treatment-on-the-treated' effect. A total of 13,839 households received both the first and second grants.

Figure 2 shows a simplified Theory of Change for how Village Enterprise envisioned the program improving household well-being and standards of living.

- The Covid-19 pandemic presented several significant challenges for the delivery of the DIB including due to restrictions prohibiting gatherings. However, Village Enterprise has been able to adapt to these pressures, most notably by moving to remote working technology to continue to provide support to BGs. The Final Evaluation Report published in November 2021 shows that the program had a statistically significant positive impact on the livelihoods of its beneficiaries, which translated into the maximum outcome payment.

Figure 1. Village Enterprise Programme Timeline

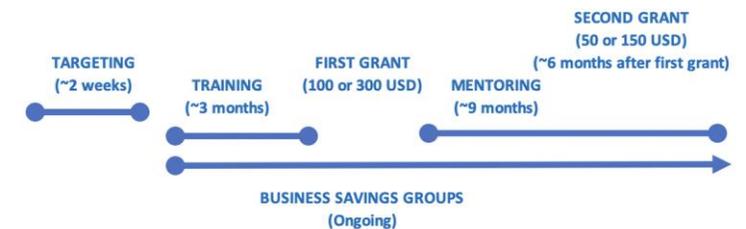
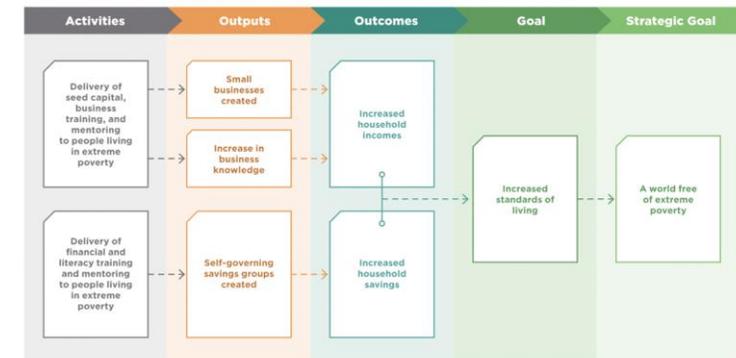


Figure 2. Village Enterprise Theory of Change



## Sources and additional information :

- [Village Enterprise Development Impact Bond Evaluation Findings | Idinsight](#)
- [The Future of Results-Based Funding, Part One: Adapting to a New Normal | The Center for Effective Philanthropy](#)
- [Review of Village Enterprise Development Impact Bond by ECORYS for FCDO](#)

# CASE STUDY 2: Village Enterprise - Development Impact Bond for Poverty Alleviation in Sub-Saharan Africa (Launched in 2017) (3/3)

## Additional Information/Observations

Stakeholders shared the following thoughts re. their experience with the DIB<sup>1</sup>:

- The standard DIB models implemented to date may not be the answer in volatile or unpredictable contexts. Instead, the sector should continue to innovate and test new results-based models while retaining the key elements of the approach that drive impact.
- Balance Risk and Reward to Service Providers: When designing a results-based funding project, it is important to balance risk and reward. When all funding is tied to results, service providers and investors take on a lot of risks that are grossly amplified during a crisis. It is not fair and does not incentivize involvement in these instruments. In this case, since all payments were strictly tied to outcomes, the interruptions caused by the pandemic put significant pressure on Village Enterprise.
- To reduce the risk for the service provider in an uncertain context a results-based funding instrument could have multiple intermediate targets with corresponding payments and a relatively larger payment based on the final results. This would require various intermediate data collection points, not just an endline survey, allowing for quicker feedback and payment loops. Such a setup would

reduce the risk to implementers, enabling them to learn along the way and adapt to the reality of the moment.

- In particularly volatile contexts and for projects that have already demonstrated impact, it may make more sense for funders to use more straightforward performance-based contracts where they pay for a mix of activities, outputs, and outcomes along the theory of change, which would reduce the need for an investor and further simplify the structure. For example, under such a scheme, Village Enterprise could receive funding to provide seed grants to businesses (activities), when participants set up successful businesses (outputs), and (if and) when this translates, households experience improvements in key measures of poverty (outcomes). The exact mix would depend on the circumstances, but a combination would keep service providers focused on results, but not excessively penalize them when the project doesn't work as planned in a crisis. In other words, in holding service providers' feet to the fire, you don't want them to get burned.
- Expect the Unexpected: Crisis is costly, and it is essential to plan for unexpected costs. Many funding arrangements and funders have no way of recognizing and supporting unplanned costs. In this case, Village Enterprise and IDinsight incurred significant unbudgeted expenses to adapt and adjust programming and evaluation when the

pandemic hit. Yet one should expect such changes in a crisis. The DIB stakeholders would advocate for a budgeting process that captures these uncertainties and provides a "side-car" of funding in the event of major roadblocks. (They recommend the great work [Open Road Alliance](#) does to tackle this precise problem.)

- One also needs to plan for unforeseen events in the evaluation. In a May 2020 [Brookings article](#), Emily Gustafsson-Wright recommended investing in digital data collection systems and having "shorter-term proxies for success" (think, an early indicator) for a crisis like the pandemic, which is related to the above point on having more feedback loops.

*'Smart funding and philanthropy need to design funding models that are particularly effective and suited to the new normal of crisis and volatility. This necessarily includes results-based funding models that will keep service providers accountable but not let them get burned while preparing for unexpected scenarios. By scaling these results-based funding models, we can drive impact and cost-effectively improve the lives of more people in poverty.'*

Sources and additional information:

<sup>1</sup> [The Future of Results-Based Funding, Part One: Adapting to a New Normal | The Center for Effective Philanthropy](#)



# CASE STUDY 3: 'Minefields to Rice' DIB in Cambodia (Launched in 2023)

**The Problem:** Cambodia is one of the most mine-affected countries in the world, with an estimated 800km<sup>2</sup> of its land still contaminated. This presents a significant humanitarian and economic challenge compromising the safety of local communities and preventing land from being used for outcome generation activities such as rice growing that represents 50% of the country's agricultural GDP.<sup>1</sup>

**DIB Objective:** This 'first Impact Bond in mine action' provides integrated support for landmine clearance and agricultural development in Cambodia. First, it aims to clear approx. 3.8 million sqm of land in Preah Vihear, one of the most mine-affected provinces in Cambodia, to increase safety and freedom of movement for local communities and allow farmers to make more productive use of their land. After clearance, approx. 80 farmers with land in mine-affected areas will be supported to grow organic rice through inputs, training and marketing support. The aim is to increase their net

income by 20-35% over two years, thereby reducing levels of household poverty. If successful the project could be replicated in other mine-affected countries such as Vietnam, Laos, Myanmar and Ukraine.

**Instrument:** The DIB is a two-year pilot that aims to trial the effectiveness of an Impact Bond model to better integrate two distinct activities (e.g., mine action and agricultural development support) and understand whether this model could be scaled and replicated, both in Cambodia and in other mine-affected countries. Capital raised (minimum): USD 410k; Max. potential outcome payment: USD 1.72m.

**Arranger and Coordinator:** Social Finance UK

**Delivery Partner & Borrower:** APOPO and their agricultural partner Cordaid distribute rice seeds to families to be cultivated and harvested on cleared land.

**Social Investors:** Hawk Rock Foundation, Blue Parasol, FJC – A Foundation of Philanthropic Funds

**Outcome Funder:** FCDO

**Outcome Targets:** Mine clearance (area of land released), Rice Planting (cleared area used to plant rice).

Sources and additional information:

- [<sup>1</sup> Supporting landmine clearance and agricultural... | Social Finance](#)
- [Mine Fields to Rice Fields DIB](#)
- [Launch Of 'Minefields To Rice Fields' - APOPO](#)



# CASE STUDY 4: Cambodia Rural Sanitation DIB (Launched in 2019) (1/2)

**The Problem:** Poor sanitation, in communities where open defecation is routinely practiced, is linked to poor health outcomes: from the spread of disease to negative effects on mental and social well-being. Between 2009-2019, iDE's Sanitation Marketing Scale-up Program increased latrine coverage in select provinces from 29 to 67%. However, open defecation was still prevalent in some communities, including the poorest and most marginalized households in Cambodia.

**DIB Objective:** this first 'Wash DIB' aims to increase sanitation coverage to 85% in 1,600 villages across 6 provinces and to accelerate the government's efforts to reach universal sanitation and eliminate open defecation by 2025. It focuses especially on poorer and harder-to-reach groups (women, children, people living with disabilities, and older people).

**Instrument:** 4-year DIB; undisclosed upfront investment; however, return is indicated at around 5-7%.

**Arranger and Coordinator:** Social Finance, undertook the feasibility study for a sanitation sector DIB and facilitated the design discussions between stakeholders. The DIB went from initial design to launch in nine months at a cost of 'only' 3% of the total outcomes funding due also to the limited number of stakeholders.

**Delivery Partner & Borrower:** iDE is a global organization that advances market-based approaches in agriculture; access to finance; and water, sanitation, and hygiene (WASH) to create income and livelihood opportunities for low-income rural households. The DIB's focus on outcomes instead of activities and outputs under traditional grants provides

flexibility for iDE to test new strategies for reaching the poorest and most vulnerable households with improved sanitation, ensuring that all people benefit from the drive toward total sanitation.

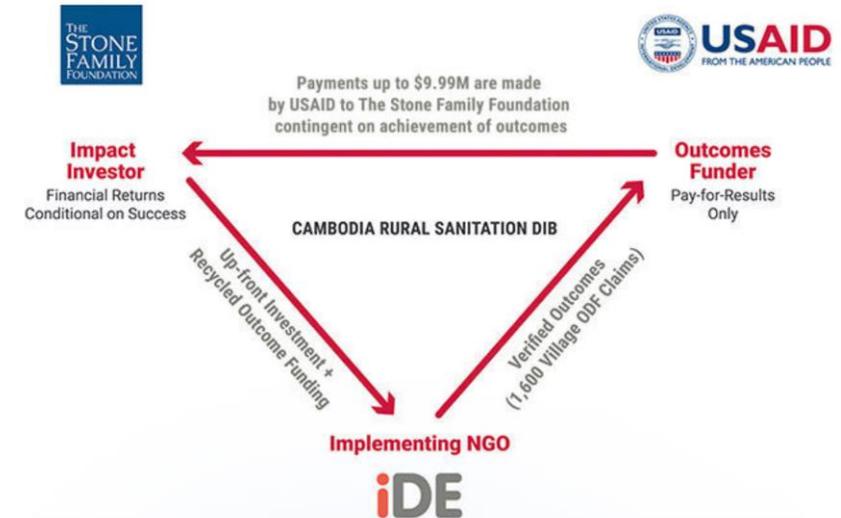
**Social Investor:** the Stone Family Foundation provided the upfront investment which was fully at risk in case agreed outcomes were not achieved. The Foundation agreed to split its return with iDE, in case of good performance which provided an additional incentive for the Delivery Partner.

**Outcome Funder:** USAID provided up to USD 9.99 million in outcomes funding.

**Outcome Targets:** Single payable outcome - USAID would make an outcome payment for each village (up to a maximum of 1,600 villages) in the program area achieving open defecation free status. The programme reportedly enabled 1,780 Cambodian villages (representing 1.7 million people) across 6 provinces to become open defecation free.

## Sources and additional information:

- [Cambodia Rural Sanitation DIB - Stone Family Foundation](#)
- [iDE | Press Release: World's First \\$10 Million Sanitation...](#)
- [CAMBODIA-DIB-FACTSHEET LONG 19.11.18.pdf](#)



Source: [iDE | Press Release: World's First \\$10 Million Sanitation...](#)



# CASE STUDY 4: Cambodia Rural Sanitation DIB (Launched in 2019) (2/2)

## Additional Information/Observations

- iDE's model empowers communities to improve their own lives in a sustainable way by supporting local entrepreneurs to meet demand for modern sanitation, capacity building on both the supply side (sanitation entrepreneurs) and in demand creation (through sales agents). A different approach to traditional aid, iDE's methodology generates enduring jobs at the local level, while linking behaviour change with strengthened local capacity. As iDE develops its model to reach poorer, harder-to-reach, last mile households, it needs flexibility to test innovative approaches and outcomes-focused adaptive management techniques. The DIB mechanism incentivizes constant program improvement for delivery of results, allowing iDE to leverage its strengths in rigorous data analysis and adaptive performance management to achieve outcomes.

Lessons drawn by the stakeholders around 1 year and 2 years into the implementation of the programme included:

- DIBs and payment-for-results programs are by no means a silver bullet in every context and organization. DIBs can scale interventions for which outcomes are clearly measurable,
- Building flexibility within the DIB helps guard against unexpected external events, including COVID-19. Cambodia experienced relatively few COVID-19 cases, and this initially resulted in minimal disruption with only a brief pause in the DIB-supported activities in April 2020.

However, features of the agreement meant that the DIB was well placed to weather any further disruption. Specifically, it both allowed iDE/Stone Family Foundation to catch up on any underperformance, as well as carry forward any overperformance from one milestone period to the next - providing confidence that the overall goal of the DIB could still be achieved despite the pandemic and other challenges that may arise,

- There needs to be clear, objective and measurable outcomes that partners all agree on and value. There should be a robust system for data collection, management and review - which doesn't necessarily require third-party verification, as the DIB has demonstrated,
- Robust and detailed data has been crucial in the design and ongoing management of the DIB. iDE's excellent data systems have been invaluable in several different ways:
  - Historical performance and cost data meant that the partners were able to confidently price the outcomes;
  - No independent verification is needed because the DIB is able to leverage the official government open defecation free claim process and verify the results using iDE's data. This has reduced cost and complexity.
  - iDE's management information system records every household that does not own a latrine within the programme area. Its data system allows for near real-time updates, giving iDE insights into how the programme is performing and enabling

- rapid adaptation and course correction,
- There needs to be clarity between stakeholders on what each brings to the table. These structures allow each stakeholder to play to its strengths; in particular, they allow transfer of risk -- financial, operational and administrative -- and alignment on stakeholder roles is essential to ensure the right balance of that transfer,
- Programs should ideally be operating at a reasonable scale, with a good knowledge of the cost base and operational model to support further scale up, backed up by a sufficient evidence base that impact can be achieved. Without this clarity, it is very challenging to focus a payment by results approach successfully and the additional complexity required (e.g. by introducing an impact investor) may not be worthwhile. This does not imply that every implementation step of a multi-year program needs to be agreed in advance; indeed, much of the value of the structure is that it allows for adaptive implementation and learning-by-doing.

## Sources and additional information:

- [Cambodia Rural Sanitation DIB - Stone Family Foundation](#)
- [CREA IDE DIB FACTSHEET INVESTORS VERSION A\\_3.pdf](#)



# CASE STUDY 5: Quality Education India (QEI) DIB (Launched in 2015) (1/3)

**The Problem:** In spite of the Indian government's substantial commitment to education, nearly three million girls were still out of school despite being eligible. The country had the largest illiterate population in the world. Rajasthan had particularly poor school access for girls. In rural parts of the state, a girl was more than twice as likely to be out of school compared to a boy and only 50% of women could read or write.<sup>1</sup>

**Objective:** increased enrolment of marginalized girls and children's progress in literacy and numeracy outcomes in rural Rajasthan.

**Instrument:** the 'first Education DIB' (concluded in July 2018) with upfront payment of USD 270,000. If the Delivery Partner hit the target, the Social Investors would get a 10% annualized return, with a schedule for higher or lower (or zero) payment, depending on the results of the evaluation.

**Arranger and Coordinator:** Instiglio

**Delivery Partner:** Educate Girls, a Mumbai-based NGO founded to improve girls' enrolment in government primary and upper primary schools. They also provide tutoring and curriculum support.

**Social Investors:** UBS Optimus Foundation. The Foundation recouped its initial funding (USD 270,000)

plus a 15% internal rate of return. The total payout of c. USD 145,000 would be reinvested in the Foundation's grantee programs, including a grant to Educate Girls.

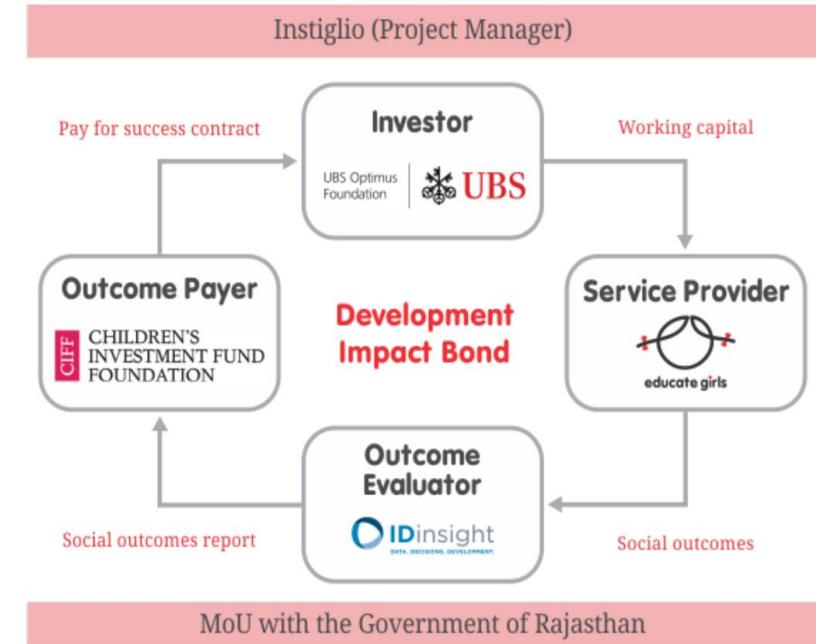
**Outcome Funders:** Children's Investment Fund Foundation ('CIFF').

**Outcome Targets:** 1) improve learning outcomes in literacy and numeracy for all children in grades 3-5 (80% focus) and 2) increase enrolment of out-of-school girls in grade 2-8 (20% focus).

**Independent Evaluator:** IDinsight

Sources and additional information:

- <sup>1</sup> [Educate Girls](#)
- [The importance of girl education in India](#)
- [Educate Girls: improving learning outcomes for millions of children in India | Idinsight](#)
- [Development impact bonds theres still no free lunch](#)



Source: [The importance of girl education in India](#)



# CASE STUDY 5: Quality Education India (QEI) DIB (Launched in 2015) (2/3)

## Additional Information/Observations

At the time the DIB was launched Educate Girls had already scaled up from 500 to 5,000 schools and was about to reach 10,000 schools. The rationale for the established organisation to enter into 'a labourous, complex, results-based financing transaction' was that it did not only want to achieve scale; it wanted to 'achieve real impact at scale.'

The DIB surpassed both its outcome targets:

- 160% of the final **learning target** was achieved: in the final year, learning levels for students in program schools grew 79% more than their peers in other schools – almost the difference of an entire additional year of instruction,
- 116% of the final **enrolment target** was achieved: 768 eligible out-of-school girls identified in the program area were enrolled in school (against a target of 662).

The Delivery Partner and the Independent Evaluator drew the following lessons from the experience<sup>1 & 2</sup>:

- 'The DIB contributed to building an organisation that has an outcomes-based approach in its DNA, forcing it to think more deeply about barriers and enablers to reaching impact. Some of the lessons learnt while implementing the DIB are being taken to other program districts and it is cultivating a culture of adaptability, transparency and problem-solving and most importantly

accountability across the organisation.'

- **Focus on Outcomes:** the focus on results helped in clearly defining success. The clarity on the meaning of outcomes and exactly what the organisation was hoping to achieve aligned the organisation to a common goal with increased ownership. This motivated every single person in the program to think deeply about the barriers to achieving the set outcomes and led to innovative solutions to address these barriers.
- **Programme delivery:** Educate Girls shifted to a child-centric approach which included focusing on each student, tracking each child's progress and conducting exercises to increase learning gains. For instance customised teaching plans were developed to address the specific needs of each child. Educate Girls also engaged more with school teachers for improved alignment which contributed to the programme's success.
- **Flexibility/encouraging innovation:** the DIB provided the Delivery Partner with financial and operational flexibility to achieve outcomes, making the process activity agnostic. This flexibility led to a host of creative, tailored classroom solutions. At the community level, the field workers were given the flexibility to test different approaches and adapt strategies for enrolment and learning outcomes to a child's unique challenges.
- **Data driven decision-making:** the programme

collected a lot of data on activities. Close analysis of the data and improved performance management helped the teams draw insights that were helpful in planning course-corrections. The programme led the organization towards a decentralized decision-making approach built on 2 core principles: 1) capacity building of frontline staff to analyse data and 2) empowering mid-management and frontline staff to make live decisions based on data. Data helped to identify gaps in programme delivery, define areas where greater focus was needed and tailor the programme delivery to plug these gaps.

- **Rigorous and responsible evaluation is key:** the benefits of DIBs' focus on outcomes can only be realized if those outcomes are measured correctly among other in order to avoid incorrect payments, ineffective or harmful program adjustments and reputational risks that could be caused by incorrect data.

Sources and additional information :

<sup>1</sup> [Lessons-from-the-Educate-Girls-DIB](#)

<sup>2</sup>[ID Insight 2018 Educate Girls Development Impact Bond - Final Evaluation Report.pdf](#)

- [The importance of girl education in India](#)



# CASE STUDY 5: Quality Education India (QEI) DIB (Launched in 2015) (3/3)

## Additional Information/Observations

- Exceeding the agreed targets by a considerable amount triggered a three-year, 15 percent IRR payout - a return on investment of over 50%. CIFF paid UBS USD 415,000. UBS gave c. USD 50,000 of the c. USD 145,000 “profit” back to Educate Girls as a predetermined performance bonus.
- Legal, intermediary, and technical service costs normally borne by the investors were reportedly about three times the amount of money Educate Girls’ spent on implementation.
- In Stanford’s Social Innovation Review, Kevin Starr<sup>1</sup> questioned the high risk reduction premium paid by the Outcome Funders over the actual cost of delivering the programme. While acknowledging the benefit of

incentives to perform against impact targets introduced by DIBs, he suggests that complexities linked to a DIB could be avoided by providing “unrestricted funding on the basis of impact” instead as follows:

- Outcome Funders find an organization with an impressive impact track record and/or potential.
- The Outcome Funders give them an initial, unrestricted grant to do what they do best or to try some important new thing.
- The Outcome Funders set verifiable delivery, impact, and cost targets appropriate to their stage.
- If the organisation does well against those targets, they get paid more. To improve their performance further, a bonus structure can be created to stretch impact targets. That way, the extra subsidy goes toward more good work, not to investors.

However, unlike a DIB, this structure does not seem to protect the Outcome Funders in case the agreed (minimum) outcomes are not achieved.

## Sources and additional information :

<sup>1</sup>Development impact bonds theres still no free lunch



# SIBS / DIBS – KEY BENEFITS (1/2)

- Early proponents of SIBs anticipated that they would facilitate social innovation in four distinct ways:
    - 1) unlocking an untapped flow of social finance (including private investments),
    - 2) incentivizing the development of an evidence base for funded interventions,
    - 3) incentivizing experimentation, and
    - 4) changing the role of government to focus on defining and costing social priorities, bringing a wider pool of resources and expertise to deliver on those priorities.<sup>1</sup>
  - In the context of development programmes or programmes deployed in humanitarian settings, DIBs can offer a number of benefits compared to other funding mechanisms:<sup>2, 3 & 4</sup>
    - a multi-year funding commitment, which frees the programme from traditional annual grant cycles,
    - DIBs can appeal to a wider range of potential investors, including those in the private sector, who have access to large pools of capital. This can potentially lead to larger volumes of capital to adequately fund public and social services in a context of limited public resources,
  - by focusing on outcomes instead of on specific activities, they can enable delivery partners to innovate and adapt delivery to a changing context when needed. (Conventional public service providers are often criticized as being risk averse and preferring to stick with established practices.) Heightened performance management can also allow for prompter response and correcting measures in case of underperformance,
  - while programmes deployed in humanitarian settings often involve a level of risk that is too high for traditional development funders, DIBs offer a solution that shares performance risk between investors and donors,
  - DIBs also reduce donor risk by tying payments to the results of a rigorous evaluation of outcomes,
  - by intensifying all partners' focus on measurement, learning, and results, given the payments at stake, DIBs can potentially lead to improved quality and thus effectiveness of programmes,
- programmes can benefit from external perspectives and expertise thanks to the multi-stakeholders' partnerships, and
  - some spillover effect with providers and funders can increase outcome focus in other parts of their organisation/for non-DIB programmes.

## Sources and additional information:

<sup>1</sup> [sib\\_report.pdf](#)

<sup>2</sup> [Jordan Refugee Livelihoods Development Impact Bond Evaluation Framework](#)

<sup>3</sup> [Findings from the third research wave of the FCDO Development Impact Bonds Pilot](#)

<sup>4</sup> [A Critical Reflection on Social Impact Bonds](#)



# SIBS / DIBS – KEY BENEFITS (2/2)

The effect of using a DIB instead of a grant or other payment by results ('PbR') mechanisms (the 'DIB effect')<sup>2</sup> was summarized as per Figure 3 in Ecorys' evaluation of FCDO's 'Programme to Pilot the use of Development Impact Bonds' (hereafter the 'Ecorys Evaluation Report').

In 2023, FCDO concluded its Programme, which tested DIBs' applicability as a tool for funding development interventions. FCDO commissioned an evaluation of the Programme focused on 3 DIBs that they had supported, running from June 2017 to March 2023:

- the ICRC Humanitarian Impact Bond ('HIB') for Physical Rehabilitation, which funded the building and operationalising of three new physical rehabilitation centres in Mali, Nigeria, and Democratic Republic of Congo;
- the Village Enterprise Development Impact Bond for poverty alleviation in Sub-Saharan Africa (Case Study 2 hereabove);
- the Support to the British Asian Trust to design impact bonds for education and

other outcomes in South Asia, including the Quality Education India DIB (Case Study 5 hereabove).

Considering the limited number of completed projects supported by DIBs to date this report provides a useful analysis of the DIB effect, subject to further validation based on the review of additional DIBs.

According to Ecorys, some of the desired effects could also be achieved through a well-designed grant or PbR. However, the DIBs appeared to be the catalysts for change that set things in motion and accelerated changes in relation to the above mentioned programmes/projects.

Sources and additional information:

<sup>1</sup> [Findings from the third wave of the FCDO Development Impact Bonds Pilot Programme](#)

The DIB effect summarised

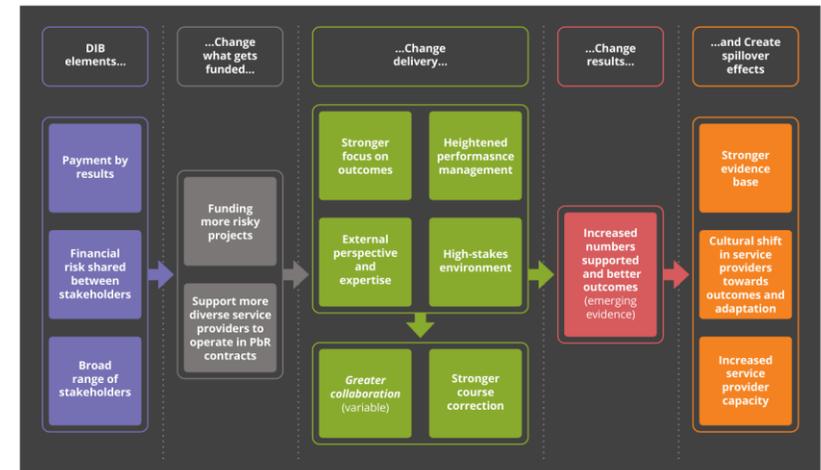


Figure 3

Source: [Findings from the third wave of the FCDO Development Impact Bonds Pilot Programme](#)



# SIBS / DIBS – KEY CHALLENGES (1/2)

- Outcomes for any given SIB/DIB need to be carefully thought through to capture what will make real improvements in people’s lives. This will avoid wasting considerable time and money on complex financial instruments that could incentivize implementers and donors away from the most impactful activities. Outcomes should further be measurable and difficult to manipulate, avoiding perverse incentives such as “parking” harder-to-serve clients and “creaming” those easier to support.<sup>1 & 4</sup>
- DIBs are often considered as too complex<sup>2</sup>, requiring significant time to structure. As an example it took c. 5 years between the receipt of a design grant by KOIS in 2016 and the launch of the Development Impact Bond to improve refugee livelihoods in Jordan and Lebanon launched in 2021. There is a need for standardisation and replication of successful models to reduce structuring time and accelerate DIB launches.
- DIBs’ high transaction costs, driven by the complex nature of stakeholders’ contracting arrangements, are also flagged as a challenge. According to the Ecorys Evaluation Report<sup>3</sup>, from set-up to end, the additional cost of operating the projects reviewed through a DIB instead of a grant ranged between USD 1.8 million-USD 2.3 million, corresponding to 9% to 42% of the total programme budget. Across the DIBs, the highest costs were in the areas of investor return, verification, and performance management. Even though

stakeholders generally perceived the additional costs to be value for money, Ecorys’ research suggests potential ways to reduce additional DIB costs in future programmes as follows:

- Set up costs could be reduced by replicating pilots, building on lessons learned to introduce more standardisation and as the market matures,
  - Costs could be reduced through running larger DIBs and/or outcomes funds,
  - Costs could be reduced if the risk premium was decreased,
  - The coordination and communication costs resulting from the large number of stakeholders involved could be better managed by clarifying early on what added value different stakeholders are bringing as well as their roles, responsibilities, level of input and decision-making processes. Stakeholders should focus on how specific models can be streamlined and communication inefficiencies removed to reduce costs.
- The scale of operations required to justify the above mentioned structuring and costs means that SIBs tend to be beyond the capacity of many third-sector organizations, such as social enterprises, which tend to operate on a relatively small scale. Few such organizations possess the financial skills or systems

required to manage and monitor such investments.<sup>4</sup>

## Sources and additional information:

<sup>1</sup> [The Great DIB-ate: Measurement for Development Impact Bonds](#)

<sup>2</sup> [Development Impact Bonds: There’s Still No Free Lunch](#)

<sup>3</sup> [Findings from the third wave of the FCDO Development Impact Bonds Pilot Programme](#)

<sup>4</sup> [A Critical Reflection on Social Impact Bonds](#)

<sup>5</sup> [The downside of social impact bonds](#)

<sup>6</sup> [How Social Impact Bonds Can Confound Their Critics and Deliver Better Value For Government](#)

<sup>7</sup> [Debunking the Myths Behind Social Impact Bond Speculation](#)

<sup>8</sup> [social-impact-bonds-lessons-learned.pdf](#)



# SIBS / DIBS – KEY CHALLENGES (2/2)

- The perceived high level of the return to investors (or the risk reduction premium paid by donors) has sometimes been questioned<sup>2</sup>: do they not absorb a too high amount of donor funds or are they not making the cost of specific services unnecessarily high for public authorities ?
- Some SIBs have been criticised for being perceived as ‘low risk and high return’, backing, instead of social innovation, social programs with a proven track record and with evaluation techniques that maximize the chances of demonstrating a positive outcome.<sup>5 & 7</sup> Critics argue that this should not be surprising as innovation is inherently risky and financiers motivated by a return on investment, even those who are socially minded, may not be willing to take on that risk. The challenge is to find the sweet spot of projects that are sufficiently innovative that they are hard to fund through the conventional budgeting process, but likely enough to succeed that investors are willing to back the projects. <sup>4 & 8</sup>
- The introduction of a profit incentive is perceived by some as fundamentally altering the relationship between the service provider and user. The dominant stakeholder of SIBs is seen as its financier, not those who receive the services it finances and whose voice rarely figures into any discussion. The motivation propelling private investment in SIBs is understood to

be profit or return on investment, rather than changing the circumstances of citizens in need. SIBs are perceived as reducing this latter feature—which might be regarded as the central purpose of social and public policy—to a by-product of investment. SIBs’ critics question the ability to align the interests of private financiers and the needs of service users, perceived as ‘instrumentalized as payment triggers’ and ‘transformed into commodities’. The nature of policy accountability is perceived as transformed, with governance and reporting systems geared toward the needs of private funders rather than elected officials. SIBs are seen as exemplifying the financialization and privatization of social and public policy.<sup>4</sup>

## Sources and additional information:

<sup>1</sup> [The Great DIB-ate: Measurement for Development Impact Bonds](#)

<sup>2</sup> [Development Impact Bonds: There’s Still No Free Lunch](#)

<sup>3</sup> [Findings from the third wave of the FCDO Development Impact Bonds Pilot Programme](#)

<sup>4</sup> [A Critical Reflection on Social Impact Bonds](#)

<sup>5</sup> [The downside of social impact bonds](#)

<sup>6</sup> [How Social Impact Bonds Can Confound Their Critics and Deliver Better Value For Government](#)

<sup>7</sup> [Debunking the Myths Behind Social Impact Bond Speculation](#)

<sup>8</sup> [social-impact-bonds-lessons-learned.pdf](#)



# SOCIAL BOND PRINCIPLES (1/2)

- The Social Bond Principles ('SBP')<sup>1</sup> developed by the International Capital Market Association ('ICMA') seek to support issuers in financing socially sound and sustainable projects that achieve greater social benefits. While developed for Social Bonds, they provide useful guidance for SIBs/DIBs' issuers towards structuring credible bonds and securing stakeholders' support (e.g. social investors, outcome funders) by meeting their information requirements.
- The SBP are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Social Bond market by clarifying the approach for Social Bond issuance. SBP-aligned issuances should provide transparent social credentials alongside investment opportunity.
- The SBP are intended for broad use by the market:
  - they provide issuers with guidance on the key components involved in launching a credible Social Bond;
  - they aid investors by promoting availability of information necessary to evaluate the positive impact of their Social Bond investments; and
- they assist underwriters offering vital steps that will facilitate transactions and preserve integrity of the market.
- The SBP emphasise the required transparency, accuracy and integrity of the information that will be disclosed and reported by issuers to stakeholders through core components and key recommendations.
- The four core components for alignment with the Social Bond Principles are:
  1. Use of Proceeds: The cornerstone of a Social Bond is the utilisation of its proceeds for eligible Social Projects which should be appropriately described in the legal documentation of the bond. All designated eligible Social Projects should provide clear social benefits, which will be assessed and, where feasible, quantified by the issuer. The following list of project categories, while indicative, captures the most commonly used types of projects supported by the Social Bond market:
    - Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)
- Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services)
- Affordable housing
- Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition" (which could include SME financing and microfinance)
- Food security and sustainable food systems (e.g. access to safe, nutritious, and sufficient food; resilient agricultural practices; and improved productivity of small-scale producers)
- Socioeconomic advancement and empowerment (e.g. equitable participation into society, including reduction of income inequality).

Sources and additional information:

[<sup>1</sup> Social-Bond-Principles-SBP-June-2023-220623.pdf](#)



# SOCIAL BOND PRINCIPLES (2/2)

2. Process for Project Evaluation and Selection: The issuer of a Social Bond should clearly communicate to investors:

- The social objectives of the Social Projects;
- The process by which the issuer determines how the projects fit within the eligible Social Project categories and shows the intended benefit to the relevant target population(s); and
- Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant Project(s).

3. Management of Proceeds: The proceeds of the Social Bond should be credited to a dedicated (sub-)account or otherwise tracked by the issuer in an appropriate manner. So long as the Social Bond is outstanding, the balance of the tracked proceeds should be periodically adjusted to match allocations to eligible Social Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net

proceeds. The SBP recommend that an issuer's management of proceeds be supplemented by the use of an external auditor or other third party to verify the internal tracking method and the allocation of funds from the Social Bond proceeds.

4. Reporting: Issuers should make, and keep readily available, up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in the case of material developments. This annual report should include a list of the projects to which Social Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Transparency is of particular value in communicating the expected and/or achieved impact of projects. The SBP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (e.g. number of beneficiaries, especially from target populations) and disclosure of the key underlying methodology and/or assumptions

used in the quantitative determination. ICMA published various documents to assist issuers in this respect: [Harmonised-Framework-for-Impact-Reporting-Social-Bonds June-2022-280622.pdf](#) and [Social-Bond-Information-Template 2023-07-06.docx](#).

- For heightened transparency, ICMA also issued the following recommendations:
  - 1 ) issuers should explain the alignment of their Social Bond with the above mentioned four core components of the SBP in a Social Bond Framework or in their legal documentation that should be available in a readily accessible format to investors, and
  - 2) issuers should appoint (an) external review provider(s) to assess through pre-issuance external review the alignment of their Social Bond with the four components of the SBP.

- Sources and additional information:
- [Social-Bond-Principles-SBP-June-2023-220623.pdf](#)
- [Social Bond Principles \(SBP\) » ICMA](#)



**OTHER FINANCING  
STRUCTURES AND  
SUPPORT MECHANISMS  
TO ACHIEVE SOCIAL  
IMPACT**



# CASE STUDY 6: Social Impact Guarantees ('SIGS')<sup>1</sup>

## (1/2)

**The Concept:** A social impact guarantee removes the borrowing component of a SIB/DIB while still allowing governments/donors to pay only for programs that achieve outcomes. In SIGs proponents' opinion, they are mechanically easier to apply to existing government/donor budgets than SIBs/DIBs. They can also be cheaper while still taking advantage of the risk transfer, incentive alignment, and cross-sector collaboration features that make models like SIBs appealing. Because SIGs come from the broader SIB tradition, they emphasize going beyond "passive" insurance to "actively" helping service providers achieve outcomes.

### Structure:

- An Outcome Funder provides funding to a Delivery Partner to achieve a set of agreed-upon impact outcomes.
- The Delivery Partner develops and implements the service, optimizing it with ongoing support from one or more third-party Guarantors, the Outcome Funder, and other capacity builders.
- The Delivery Partner or an External Evaluator rigorously measures and reports on the program outcomes. If the program did not achieve the agreed-upon outcomes, the third-party Guarantor(s) will reimburse the Outcome Funder for any unachieved impact. Some Guarantors may charge a premium.

**SIG-based project:** in June 2021, the YMCA of Singapore launched the first SIG in connection with its Vocational and Soft Skills Program (VaSSP) aiming to help reconnect more

at-risk youth between the ages of 15 to 21 with education or employment opportunities, by teaching them essential employability skills and creating social activities that help them build positive friendships with mentors and volunteers. While the VaSSP had been successful for an average of 62 percent of participants each year, the YMCA believed it could do more for the other 38 percent - those who did not find employment or enroll in education after graduating from the program. Through the SIG the YMCA intended to try and adopt more innovative and outcomes-focused programming to enhance its longstanding intervention.

### Rationale for the Outcome Guarantor's participation:

The Lorinet Foundation appreciated having two points of leverage for its giving: 1) the time value of money as it did not need to deploy its funds unless the Outcome Funder called the guarantee; it could continue to invest and grow its funds in mainstream markets and 2) the risk pooling effect: as in traditional insurance, it is unlikely that all programs will trigger a guarantee, so it is possible to guarantee multiple programs with the same dollar. In this case the Outcome Guarantor also waived the insurance premium.

### Issues raised by the SIG:

- Foundations and governments often cannot take back their funding for tax or legislative reasons. To address this issue, instead of having the Guarantor make the guarantee payment to the Outcome Funder, the Guarantor would directly make any guarantee payments to a cause of the Outcome Funder's choice.
- How to ensure that the delivery organization still tries its best to perform when it no longer bears risk? The

guarantee has a deductible, as it covers only the impact achieved above the baseline of the previous years. In the YMCA case, for example, the guarantee covers any shortfall of impact between the past performance level of 62 percent and the new target of 75 percent, but not any impact below 62 percent. It also rewards good behavior. The Guarantor has committed to re-guarantee the program at no cost if the project cycle does not trigger the guarantee, thereby providing an incentive for success. Finally, there is a prevention program to reduce the odds of needing to call the guarantee in the first place. Through quarterly governance meetings with the Delivery Partner, the Guarantor plays a proactive role in ensuring success by helping monitor performance and provide advice, resources, and networks as required.



### Sources and additional information:

<sup>1</sup> [Social Impact Guarantees: The Next Evolution in Outcomes-Based Funding](#)



# CASE STUDY 6: Social Impact Guarantees ('SIGS')<sup>1</sup>

## (2/2)

### **SIG's Long-Term Growth Potential:**

- Stakeholders of the VaSSP SIG see 3 primary directions for further growth of SIGs. First, new types of social impact funders could apply the guarantee to their spending. Philanthropic aggregators may find the promise of guaranteed impact useful for attracting donors keen to know the results of their giving. Governments may find that using SIGs helps ensure effective spending in the face of tightening fiscal situations. Finally, the growing blended finance and impact investment movements might use SIGs to attract capital on concessionary terms from impact-driven investors.
- SIGs could help crowd in new players who have yet to participate in outcomes-based models to play the role of guarantors. Family offices and foundations with

endowments could find this role attractive, because their investment arms can take advantage of the time value of money SIGs afford. Banks could also find this role intriguing as a way to expand their existing business of issuing letters of credit to the fast-growing impact space. The ultimate prize would be getting insurance and re-insurance companies to participate; given their vast balance sheets and technical expertise, it could lead to a step-change in the spread and sophistication of outcomes-based models.

- Impact investors can play a part as guarantors too, with some creative modifications. The mandate of some investors may not allow them to engage in insurance structures like SIGs. To resolve this problem, the SIG could eventually work like a catastrophe ('CAT') bond; investors would buy a bond with the understanding that

if a certain trigger occurs, their funds will cover the resulting insurance payout, and they may not receive their full principal back. In exchange, CAT bonds offer an uncorrelated and attractive return.

### Sources and additional information:

<sup>1</sup> [Social Impact Guarantees: The Next Evolution in Outcomes-Based Funding](#)



# CASE STUDY 7: The Education Outcome Fund (1/2)

**The Problem:** By 2030, over half of the world's children will be failing to learn – a figure that has grown in the wake of COVID-19. At the same time, many countries are confronted by a youth unemployment crisis, which prevents the next generation from achieving better livelihoods, and hampers economic growth.

**Objectives:** take the concept of outcomes-based education programmes to a global scale; avoid wasting money by focussing the flow of funds on (scaling) education programs that are working; transform the lives of over 10 million children and youth.

**Structure:** the Education Outcome Fund ('EOF'), a pool of at least USD 1 billion in aid and philanthropic funds by 2030, only paying for results achieved, working closely with governments to help scale programs that demonstrate the best results and present the best value for money. The pooling of funds is intended to achieve more impact by supporting the issuance of multiple separate outcomes-based contracts, thereby reducing transaction costs on the individual results-based contracting mechanisms, and to incentivize impact investors to work with service providers to develop their capacity. Set up by the UK's Education Commission and the Global Steering Group for Impact Investment in 2018, the EOF became a trust fund hosted at UNICEF. Its first two country programmes in Africa have been launched in Ghana and Sierra Leone. Other countries prioritized for pilot programs are Senegal, Morocco, Western Cape in South Africa, Jordan, Burkina Faso, Kenya, and Zambia.

**Delivery Partners:** Third parties are invited to bid for contracts. These are usual development organisations like Oxfam or Plan, educational organisations or social enterprises, that are already familiar with the countries or the sector involved, as well as a range of local organisations in each country. They will need to secure the upfront working capital. At the end of the programme, independent evaluators will measure the results. EOF will only repay the principal – plus a modest return – to organisations (and impact investors) if the measured results demonstrate positive improvement in outcomes for learning.

**Outcome Funders:** The funding for the first 2 programmes (USD 30 million for Ghana and USD 18 million for Sierra Leone) has been secured from the UK's Foreign, Commonwealth, and Development Office ('FCDO'), KOICA, the Korean development agency, and the philanthropic fund of Bank of America.

**Outcome Metrics:** The total of 900 primary schools targeted for the first 2 projects is split into contractual 'lots' of roughly 100 schools each.

## Sources and additional information:

- [Education Outcomes Fund links funding to measurable learning results | Impact Investor](#)
- [Q&A: A look at a new results-based education fund for Africa and the Middle East | Devex](#)

## EOF model overview

### Government

Are a key partner in every project, ensuring funding and programs are aligned with their national priorities. They co-fund outcomes, support the enabling environment, and, with our support, build capacity to commission for outcomes.

### Outcomes funders

Come together to deepen their impact by paying for long-term, sustainable outcomes, after they are achieved – transferring delivery risk to the private sector, and improving overall program performance and value for money.

### Impact investors

Provide upfront working capital investments where required, and support the education organizations to build capacity and deliver better results. They achieve a measurable impact, as well as an uncorrelated financial return.

### Education organizations

Work with a new rigor to deliver to outcomes (rather than inputs) – with the flexibility and support to innovate and adapt based on what is working on the ground.



Source: [Our Model | EOF - Live](#)



# CASE STUDY 7: The Education Outcome Fund (2/2)

## Additional Information/Observations

- The EOF explicitly states that it is not proposing non-state actor involvement in the core delivery of basic education. Instead, it aims *“to fill gaps in the existing architecture, providing multilateral finance primarily to non-state actors that can support and strengthen the public education system. By bringing non-state actors into education through outcomes contracts, there is an opportunity to increase oversight, accountability and alignment to government priorities”*. That should be reassuring to critics who warned that a mechanism that draws in private sector investors seeking financial returns risks diverting resources from government programmes.<sup>1</sup>
- The EOF seems to leave the Delivery Partners with the need to secure the upfront working capital from Social Investors, which might be a challenge especially for smaller/local organisations. According to the EOF’s CEO however, *‘the programs have attracted strong investor interest, saying that while there was some initial scepticism’* (for instance re. investors’ appetite for project risk in Sierra Leone), *‘we were heavily oversubscribed for the programs in both countries. The level of investor and other funding as part of the proposals was roughly three times what we needed.’*<sup>2</sup>
- Stakeholders involved in outcomes-based financings are questioning whether similar outcome funds could be launched to address other issues at scale, including poverty alleviation.

### Sources and additional information:

<sup>1</sup> [Education Outcomes Fund links funding to measurable learning results | Impact Investor](#)

<sup>2</sup> [EOF Talks to Impact Investor about its Work to Strengthen Education Systems in Africa and Beyond](#)

- [Understanding outcomes funds: A guide for practitioners, governments and donors](#)



# CASE STUDY 8: THE OUTCOMES ACCELERATOR

**The Problem:** outcomes-based approaches hold great promise for improving the effectiveness of donor and government spending, but funding remains highly fragmented, important institutional barriers and disincentives exist, and scale is required for effective demonstration.

**The Solution:** The Outcomes Accelerator, an initiative of the [Outcomes Finance Alliance](#) funded and supported by the UBS Optimus Foundation, the UK Foreign, Commonwealth and Development Office and the Swiss State Secretariat of Economic Affairs ('SECO'), in making outcomes-based financing approaches more efficient and mainstreamed and to move the market ecosystem toward maturity. Levoca serves as the Manager of the Accelerator.

The Outcomes Accelerator will offer three core products and services to partners to build the market:

Under the Pipeline Acceleration Pillar, seed funding has already been provided to 12 projects. (Project details can be found here: [First Cohort - Outcomes Accelerator](#) / [Second Cohort - Outcomes Accelerator](#).) Third cohort projects are currently undergoing the due diligence and contracting phase expected to end by the end of Q1 2025.

Sources and additional information:

- [Outcomes Accelerator - Outcomes Finance Alliance](#)



## Pipeline Acceleration

Provide seed funding, expertise and match making to support the design and incubation of outcomes based finance instruments and programs



## Market Facilitation

Address systemic barriers to wider adoption and mainstreaming of outcomes approaches in support of the SDGs by promoting activities and collaborations that support, shape, influence, and enable the launch of high-quality transactions



## Capacity Creation

Promote access to technical assistance, expertise, systematize operational learnings and best practices in partnership with existing knowledge hubs.



# CASE STUDY 9: USD 890 Million Sustainable Development Goals Bond Issued by Mexico (Launched in 2020)

**Objectives and Key Features:** Mexico was the first country to issue a Sovereign Sustainable Development Goals (SDGs) Bond. In 2019, the Mexican government appointed Natixis to assist with the design of its SDG Sovereign Bond Framework. The Framework displays unique features: the use of the SDGs as entry point, a two-fold eligibility that includes geospatial criterion and an enhanced governance that involves an international organization (the United Nations Development Programme ('UNDP')) at various phases. It was the first time that SDGs were used as entry point for eligibility criteria in a Framework and not as an afterthought exercise (*ex post* mapping). The Framework combined program eligibility<sup>31</sup> and geospatial eligibility for social related expenditures. Geospatial eligibility enables the prioritization of vulnerable populations living in landlocked and disadvantaged areas. It does not apply to Green &/or Environmental expenditures as they are designed to benefit society at large.

**Instrument:** seven-year SDG Bond for a total value of USD 890 million to finance SDG-oriented programs. The transaction reached a demand of USD 5,696 million, equivalent to 6.4 times the allocated amount. 267 global investment firms participated in the operation.

**Structuring Advisor:** Natixis

**Borrower:** the United Mexican States (Mexico)

**Other Partners:** UNDP was invited by the Government of Mexico to partner with them in this initiative. UNDP provided an opinion in the form of an alignment letter on the Framework

and welcomed its unique features, including the use of the SDGs as an entry point, and an eligibility criterion that includes collecting spatial data to identify the most deprived communities. UNDP will also provide an opinion on the impact report. Investors welcomed UNDP's participation which, they said, strengthens the transparency and validity of the impact reporting.

**Independent Evaluator:** Vigeo Eiris provided a Second Party Opinion on the Framework's alignment with the four core components of ICMA's Green Bond Principles and Social Bond Principles.

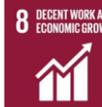
## Observations

- Not all countries would be able to raise funds in the capital markets through such a bond, among other due to their credit rating/investors' risk appetite.
- Organisations would need to advocate with the authorities for specific types of projects to be included among the intended uses of the bond proceeds and to be selected as Delivery Partners.

## Sources and additional information:

- [Historic \\$890 million Sustainable Development Goals Bond issued by Mexico | United Nations Development Programme](#)
- [Mexico Issues Sovereign SDG Bond for Most Vulnerable Municipalities – SDG Knowledge Hub](#)
- [Mexico's SDG Bond Framework: a two-fold eligibility and unique governance | Our Center of Expertise](#)

## Social Eligible Expenditures

	<ul style="list-style-type: none"> <li>o Production incentives to small and medium-sized farmers.</li> <li>o Training to small and medium-sized farmers.</li> <li>o Free school meals.</li> <li>o Basic food products to vulnerable population.</li> </ul>
	<ul style="list-style-type: none"> <li>o Research and technological development funding.</li> <li>o Provision / distribution of healthcare equipment and services.</li> <li>o Support to workers through supply of equipment, mobility and training.</li> </ul>
	<ul style="list-style-type: none"> <li>o Construction and improvement of public schools, campuses and student housing.</li> <li>o Scholarships (to cover fees or living cost) for basic education or high school.</li> <li>o Training programs for teachers.</li> </ul>
	<ul style="list-style-type: none"> <li>o Access to financing and financial services to all population.</li> <li>o Employment in sustainable tourism for indigenous people and afro-Mexicans.</li> <li>o Build new financial infrastructure in isolated areas.</li> </ul>
	<ul style="list-style-type: none"> <li>o Roads construction in areas that lack connectivity, or areas lacking access to key social infrastructure.</li> </ul>

Source: [SDG Bond Roadshow](#)



# CASE STUDY 10: Impact Investment Exchange Pte Ltd (IIX) Women's Livelihood Bond™ (WLB) Series

**Objective:** help underserved women and girls in Asia and Africa access affordable credit, micro savings and insurance, agricultural inputs, as well as clean and affordable energy.

**Instrument:** 6 bonds issued so far mobilizing USD 228 million and empowering 2,600,000 women and girls across 7 countries while providing consistent returns and no default to investors.

- **Women's Livelihood Bond 1 (WLB1)** : USD 8 million 4-year debt security closed in July 2017 which created sustainable livelihoods for 453,074 women across Southeast Asia (Cambodia, the Philippines and Vietnam); 5.65% interest rate with semi-annual payments; targeted direct female beneficiaries of 377,389 exceed by 20%;
- .....
- **Women's Livelihood Bond 6 (WLB6)** : USD 100 million issued in 2023 for 4 years, targeting underserved women in Cambodia, Indonesia, India, Kenya and Vietnam;
- **Women's Livelihood Bond 7 (WLB7)**: USD 134 million target to be issued in Q4 2024 to benefit underserved women in 8 countries across Asia and Africa.

Unlike the previous DIB case studies, ultimate beneficiaries are expected to return the funds received to the Borrowers that are in turn required to repay the Issuer. This reflow of funds allows in principle for the repayment of the bondholders by the Issuer. From that perspective, these

instruments are much more similar to bond issues than the other DIB case studies. Repayment is not tied to the achievement of any specific outcome and Outcome Funders are not involved. However, blended finance/risk mitigation tools are in place to protect investors to some extent.

Promoters have been able to replicate and significantly increase the size of the issues from USD 8 million for the first bond to USD 134 million anticipated for the 7<sup>th</sup> bond. They are also increasing the geographic impact of the bonds from 3 Asian countries initially to 8 countries across Asia and Africa anticipated for the 7<sup>th</sup> bond.

The first 2 bonds were repaid with no default or call under the credit protection layers and exceeded the targeted impact; the 7<sup>th</sup> bond was planned to be issued in Q4 2024 but issuance has not been confirmed as of today.

**Delivery Partners:** various organizations have been selected in the countries targeted by each of the bonds. For WLB1 for example, the Issuer used the bond proceeds to, inter alia, make loans to each of (i) SAMIC PLC, (ii) Negros Women for Tomorrow Foundation, Inc. and (iii) Viet Phu Payment Services Support Corporation which are microfinance institutions ("MFIs") and impact enterprises ("IEs") located in Asia.

**Issuer:** WLB Asset Pte. Ltd.

**Credit Risk Mitigations:** The structure of the 6 bonds is

similar even though the partners involved are not always the same. 1) For each of the bonds the Issuer benefits from a partial guarantee (up to 40 or 50% of the net losses incurred as a result of non-payment of principal on the Loans) provided by specific partners (the United States Agency for International Development ('USAID'), the United States International Development Finance Corporation ('USIDFC') and/or the Swedish International Development Agency ('Sida')). For the avoidance of doubt, the Bonds are not guaranteed by USAID/USIDFC/SIDA or any other party and investors have no recourse to the Limited Guarantee. 2) IIX provides a first loss tranche.

*Sources and additional information: the bonds are listed on the Singapore Stock Exchange. A full prospectus detailing the financing structure is available for each of them.*

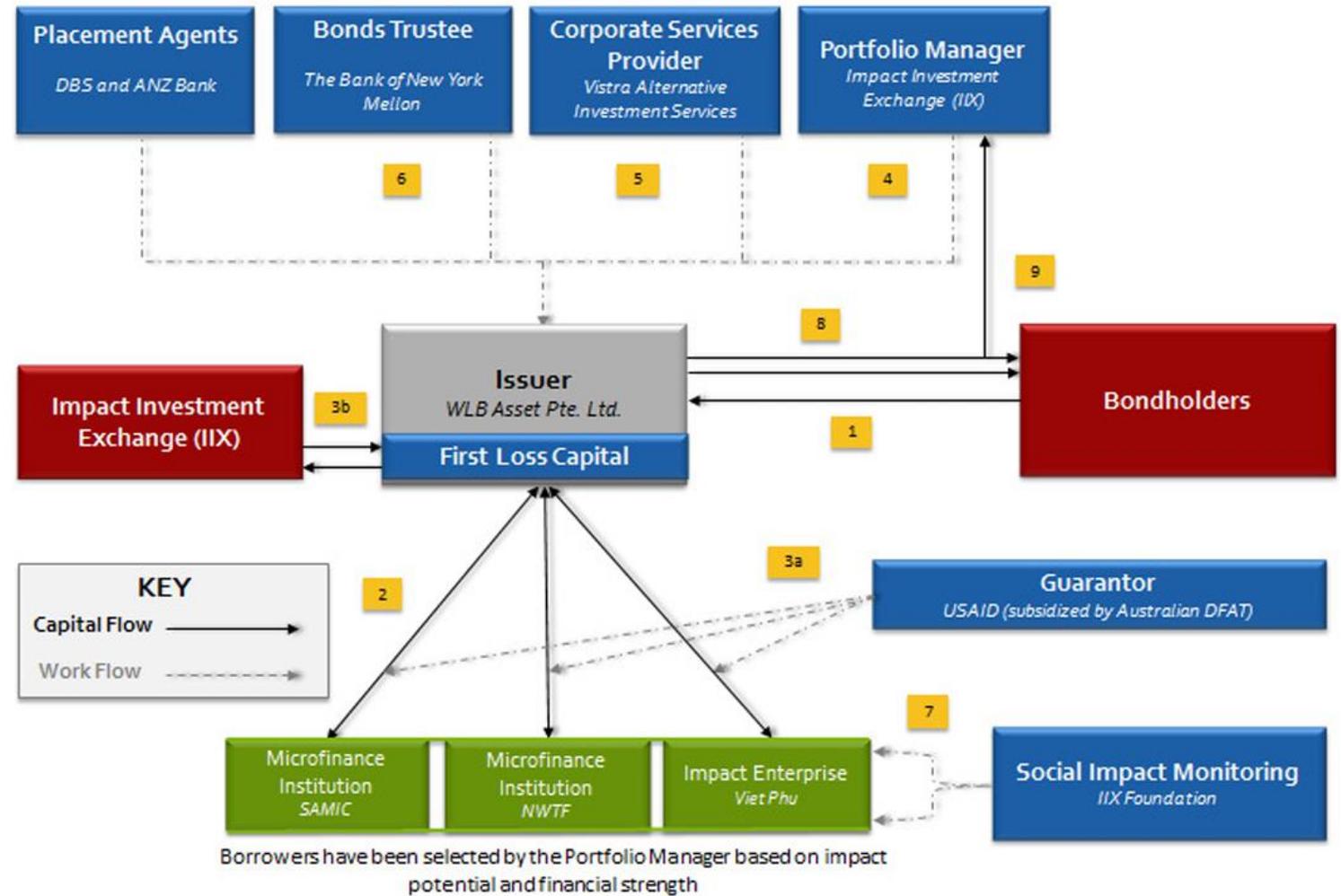
- [Women's Livelihood Bond Series](#)
- [Women-livelihood-bond](#)
- [Prospectus-circulars](#)



# WLB 1

- (1) The Issuer, which is wholly owned by the Portfolio Manager, issued USD 8 million in aggregate principal amount of Bonds to investors.
- (2) Part of the issue proceeds will be lent to the Borrowers.
- (3) (a) USAID provides a pari passu limited guarantee of 50% of the principal amount of the Loans capped at USD 4.05 million. (b) The Portfolio Manager IIX provides US\$500,000 Subordinated Debt, serving as first-loss capital to the Bonds.
- (4) On an ongoing basis, the Portfolio Manager will be responsible for collecting payments under the Loans and monitoring compliance by the Borrowers with their obligations under the Promissory Notes.
- (5) The Corporate Services Provider will provide an independent board, serve as corporate secretary, and provide record keeping, administration and accounting services to the Issuer.
- (6) The Bonds Trustee will hold the Issuer's covenant to pay principal and interest on the Bonds on trust for the Bondholders and will act on behalf of the Bondholders in certain situations.
- (7) IIX Foundation will monitor the performance of the Borrowers and create periodic impact reports.
- (8) Bondholders are paid a semi-annual coupon and are repaid the principal at maturity of the Bonds.
- (9) Bondholders and Portfolio Manager split Surplus Funds at maturity of the Bonds.

## OVERVIEW OF BOND STRUCTURE AND OFFERING TERMS



Source: WLB1 Prospectus; [Memorandum](#)



# CASE STUDY 11: Guarantco Provides a USD 70 Million Bond Guarantee to CamGSM (Cellcard) to Finance Telecom Infrastructure in Cambodia (2024)

**Objective:** In line with SDG 9, significantly increase access to information and communications technology in Cambodia. Thanks to the project, it is expected that over 1 million Cambodian consumers including the underserved population will benefit from increased internet speed and coverage, improving their quality of life and productivity, whilst businesses will also benefit from enhanced productivity through improved speed and coverage of service. In total around 260 jobs will be created; the project will also make an important contribution to empowering women as 20 percent of Cellcard's management and 30 percent of the workforce are women.

**Instrument:** USD 70 million internationally certified sustainability bond listed on the Cambodian Stock Exchange on 24th November 2023. The bond was combined with a loan from Deutsche Bank AG Singapore Branch.

**Use of Proceeds:** proceeds from the bond and loan will be allocated towards green/social investments enabling the expansion of CamGSM (Cellcard)'s telecom infrastructure including 4G telecommunication towers, energy efficient 4G equipment and future-proofing the network in preparation for 5G rollout.

**Investors:** the bond was fully subscribed by institutional investors Manulife and Prudential Cambodia.

**Risk Mitigation :** a USD 70 million guarantee from GuarantCo, part of the Private Infrastructure Development Group (PIDG) and funded by the government of a number of countries including the UK, Sweden, the Netherlands and Canada. One of GuarantCo's strengths is that it is able to provide guarantees in local currency to support infrastructure projects in lower income countries across Africa and Asia.

**Certification :** Both the bond and loan have obtained second party opinions from Moody's Investor Services on their alignment with the international ICMA Green Bond, Social Bond, Sustainability Bond Principles as well as LMA/APLMA/LSTA Green Loan, Social Loan Principles.

Sources and additional information:

- [GuarantCo provides a USD 70 million bond guarantee to CamGSM \(Cellcard\) to finance telecom infrastructure in Cambodia - GuarantCo](#)



# CASE STUDY 12: Guarantco and the Credit Guarantee and Investment Facility (‘CGIF’) Support Green, Social, and Sustainability Bond Issuances in Cambodia

**Use of Proceeds and Objective:** The Cambodia Sustainable Bond Accelerator (‘CSBA’) Program has selected three private-sector bond issuers to receive comprehensive support for their inaugural green, social, and sustainability bond issuances in 2024. These issuances will support projects with significant environmental and social benefits in Cambodia. The CSBA aims to accelerate sustainable financial inclusion and increase investment opportunities in Cambodia. Bond issuers in emerging and frontier markets often face significant barriers, with those issuing thematic bonds (green, social, and sustainability bonds) facing additional constraints such as limited issuer awareness, capacity, and higher issuance costs. The program aims to mitigate these challenges by providing technical assistance, financial support (co-financing for second-party opinion reviews) and enhanced investment support to the selected issuers.

**Instrument:** The selected applicants have a total aggregate investment requirement of USD 140 million. The selected companies targeting social impact are:

## **LOLC (Cambodia) Plc**

- Issuance size: USD 50 million sustainability bond
- Proceeds Allocation: USD 10 million for green projects and USD 40 million for social projects

- Target Issuance: Q4 2024

## **Wing Bank (Cambodia) Plc**

- Issuance size: USD 40 million sustainability (social/green) bond.
- Proceeds Allocation: Loans for women entrepreneurs, SMEs, and low-income families.
- Target Issuance: Q4 2024.

**Participants:** the program, which is now in its second phase, is a joint effort by the Securities and Exchange Regulator of Cambodia (SERC), Global Green Growth Institute (GGGI), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in collaboration with the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF) and GuarantCo, part of the Private Infrastructure Development Group.

**Risk Mitigation:** guarantees from the CGIF and GuarantCo.

## Sources and additional information:

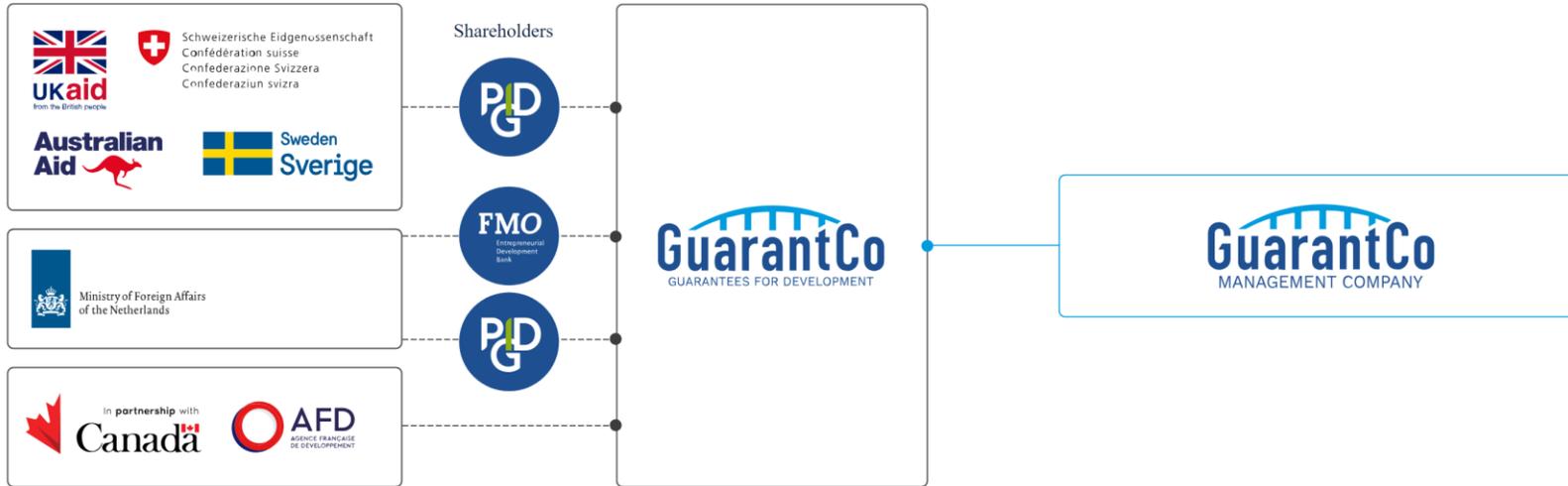
- [Cambodia’s Green Finance Takes Flight: Three local companies selected for the Sustainable Bond Accelerator Program Phase II — Global Green Growth Institute](#)



# GUARANTCO

**Mission:** help close the infrastructure funding gap and alleviate poverty in lower income countries across Africa and Asia. Our local currency credit solutions transform capital markets by mobilising private sector capital to finance essential infrastructure projects.

## GuarantCo structure



### Funders

GuarantCo is part of the Private Infrastructure Development Group (PIDG) and is funded by the governments of the United Kingdom, Switzerland, Australia and Sweden, through the PIDG Trust, the Netherlands, through FMO and the PIDG Trust, Canada, through the PIDG Trust and a repayable facility, plus finance through a stand-by facility.

### Fund manager

GuarantCo's activities are managed by GuarantCo Management Company which is part of Cardano Development. The Fund Manager is responsible for implementing GuarantCo's investment strategy and managing its portfolio.

**Sources and additional information:** [Swedish International Development Cooperation Agency provides GuarantCo with a USD 100 million, 20-year re-guarantee facility to alleviate poverty across Africa and Asia - GuarantCo](#)



# CONCLUSIONS



# Conclusions (1/2)

- By strengthening the link between funding and impact, outcomes-based approaches are generally recognized as improving accountability and enabling better social and development outcomes.
- DIBs and payment by result programmes are however not a silver bullet for every context; they work well when responding to a specific set of conditions that enable them to be successful. The objectives of using a DIB for instance need to be carefully considered. A DIB should not be 'a solution looking for a problem'.<sup>2</sup>
- Most of the DIBs described in the Case Studies were pilot projects that stakeholders had hoped would be replicated and scaled towards increasing social impact. However, deploying these structures at scale remains a challenge. Various initiatives are trying to address this issue, including:
  - **Outcome Funds**, by pooling large amounts of aid and philanthropic funds towards supporting multiple programmes in specific sectors on an outcome basis (thereby also reducing structuring costs),
  - the **Outcomes Accelerator**, by working with stakeholders across the outcomes-based

financing ecosystem to address the key barriers impeding the market (funding, information, skills and capacity and collective action) and catalyze the market's capacity to translate learning from pilots into replication and scaling of impact.

- Stakeholders to the 'Village Enterprise DIB'<sup>5</sup> highlighted that 'smart funding and philanthropy need to design funding models that are suited to the new normal of crisis and volatility. This includes results-based funding models that will keep service providers accountable and focused on results without excessively penalizing them and letting them get burned when the project does not work as planned in a crisis. To reduce the risk for the service provider in an uncertain context, a results-based funding instrument could have multiple intermediate targets with corresponding payments and a relatively larger payment based on the final results or it could use more straightforward performance-based contracts where the service provider is paid for a mix of activities, outputs, and outcomes along the theory of change'.
- According to the Ecorys Evaluation Report<sup>1</sup>, DIBs may be most appropriate where:

- Performance could be enhanced through a stronger focus on outcomes buttressed by performance management;
- The system/culture needs an external 'disruption' to bring about change;
- Service providers would not be able to tolerate high levels of financial risk within a PbR contract; and
- They would benefit from external expertise and support.

## Sources and additional information:

<sup>1</sup> [Findings from the third wave of the FCDO Development Impact Bonds Pilot Programme](#)

<sup>2</sup> [A Critical Reflection on Social Impact Bonds](#)

<sup>3</sup> [The Great DIB-ate: Measurement for Development Impact Bonds](#)

<sup>4</sup> [How many factors does it take to launch a social impact bond? | Better Society Capital](#)

<sup>5</sup> [The Future of Results-Based Funding, Part One: Adapting to a New Normal | The Center for Effective Philanthropy](#)



# CONCLUSIONS (2/2)

The Evaluation Report and a 2017 research by Ecorys and the Policy Innovation Research Unit (PIRU)<sup>4</sup> also highlight the following factors that affect the ability to successfully launch and deliver SIBs/DIBs:

- **Collective Leadership:** Launched SIBs were driven by a strong leadership team across all the organisations involved in the development. Strong leadership is necessary as SIBs are novel for most stakeholders; they can be complex to develop and require the establishment of new relationships and trust between individuals and organisations that often share little prior collective experience,
- **Shared Understanding among stakeholders:** about a) how the policy problem could be addressed; b) whether the proposed intervention has a strong enough evidence base; and c) whether the intervention is appropriate for the local area,
- **Clear Outcomes:** Defining outcomes that are clear, measurable and attributable to the intervention is an important part of the development process of any PbR contract, including SIBs/DIBs. The outcome funders need to be satisfied that the outcomes are worth paying for, and the providers (and investors) need to believe that they are achievable within a timeframe that the stakeholders agree upon as reasonable. **Education and poverty elimination for instance are areas where suitable outcome metrics can be developed,**
- **Availability of Data:** A substantial amount of data is required to develop a SIB/DIB, primarily as it requires an

estimate of what outcomes are likely to be achieved, on what scale and at what point. Without the required data, it is very difficult to develop the business case for a SIB/DIB,

- **Demand from outcome payers:** Although there needs to be an interest from all stakeholders, the limiting factor often appears to be outcome payers,
- **Regulatory framework:** It is easier to deliver a DIB when there is a regulatory framework that supports payments being made on outcomes and returns to investors,
- **Market capacity: service providers with the right capabilities to operate within an outcomes-focused structure, and an interest in testing new approaches are essential,**
- **Clarify roles and responsibilities upfront:** the 'right' mix of stakeholders can offer significant value-added with regard to capacity-building for the service provider(s). To ensure stakeholders are adding value to delivery, roles and responsibilities should be clearly defined and linked to the specific experience and expertise stakeholders are bringing. Stakeholders should also strive to streamline the number of parties involved to reduce costs,
- **Build flexibilities into the contract to respond to changing situations without having to substantially change contracts.** As it will likely be impossible to incorporate all eventualities into a contract, building in flexibilities and agreed steps for approving changes will

help the DIB mechanism remain relevant in crisis situations.

Considering the complexity and the amount of work that it still takes to put most transactions together and shepherd them along, it is useful to hire an **intermediary to structure them and act as a sort of broker**. However, to ensure costs and benefits are proportionate, a balance needs to be found between bringing in the external expertise and building the capacity of service providers and funders to take on some of these tasks.<sup>1</sup>

Finally, **evaluation designs** for SIBs/DIBs would benefit from an **external review by a qualified expert**, not a costly review process, but rather a quick check on the major design decisions and assumptions so that donors can be confident that they are paying for actual impact. Stakeholders should keep the core elements for a rigorous evaluation while balancing costs with the value of other information the evaluation could generate.<sup>3</sup>

Sources and additional information:

<sup>1</sup> [Findings from the third wave of the FCDO Development Impact Bonds Pilot Programme](#)

<sup>2</sup> [A Critical Reflection on Social Impact Bonds](#)

<sup>3</sup> [The Great DIB-ate: Measurement for Development Impact Bonds4 How many factors does it take to launch a social impact bond? | Better Society Capital](#)

<sup>4</sup> [The Future of Results-Based Funding, Part Two: What to Keep | The Center for Effective Philanthropy](#)



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**THANK YOU!**

