Tying funding to results

A primer in results-based finance to support a just covid recovery and foster impact-driven economies

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<td>Career Impact Bond</td>
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<td>DIB</td>
<td>Development Impact Bond</td>
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<td>EOF</td>
<td>The Education Outcomes Fund</td>
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<td>GSG</td>
<td>The Global Steering Group for Impact Investment</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>NAB</td>
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<td>Performance-Based Contract</td>
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Introduction

Fiscally constrained governments pursuing the short-term objective of ensuring a fairer and faster recovery from the covid crisis and the medium-term aspiration of building more sustainable economies will not only need to leverage private capital at scale to invest more, but also to invest their own resources better.

As market participants, the increasing adoption of results-based financing (RBF) solutions (especially where more appropriate and effective than traditional input-based spending) is probably the single greatest evolutionary step that governments need to take to foster impact-driven economies.

Under RBF programmes, the principal sets financial or other incentives for an agent to deliver predefined outputs or outcomes and rewards the achievement of these results upon verification. Performance-Based Contracts (PBC), Outcomes Funds, Career Impact Bonds (CIB) and other RBF tools can help national and local governments to draw private investors into economic projects to maximise the delivery of social results.

They are an evolution from traditional interventions that fund inputs (such as hours of training in a labour market development programme), to focus on the achievement of measurable outcomes (such as job placements, retention, and increased wages / income).

This type of approach seeks to help governments improve the effectiveness of delivery systems and specific interventions. In some cases, RBF schemes can generate cost-savings for governments by ensuring that funds are only spent if results are achieved. They can also help to attract private capital to fund social and environmental outcomes, promoting virtuous partnerships between the public sector and other stakeholders. Finally, amongst other benefits, such vehicles can help promote stronger performance management, enabling constant improvement of programmes.

There are specific social issues, including education, labour market development, and health, where RBF has been proven to work. These are all areas that have been especially hard-hit by the current crisis, and we believe that RBF tools have a valuable role to play in improving outcomes for the recovery and beyond.

Despite the growing evidence supporting the merit of RBF solutions (including from the over 200 Social and Development Impact Bonds launched worldwide), they remain far from mainstream. Overcoming some of the main barriers for adoption, such as the limited willingness of many funders to commission on a results basis, will be critical to reach much-needed scale. Further, the need for senior champions in governments and donor organisations, that can understand the challenge and push change down through organisations, is increasingly clear. Better data and evaluation frameworks are also essential to monitor and verify results, which may prove more challenging in emerging markets with imperfect data environments.

For governments, a change of mentality at both the national and local levels will be needed. This evolution will involve a shift in accountability, with a greater focus on the expected outcomes of government spending. It would also force governments and stakeholders to think more holistically, finding context-specific solutions to the whole problem, and incentivising a data-driven approach to policymaking. Finally, it would create powerful new partnerships and ways of working between donors, governments, foundations, and service providers.

Through this work we aim to shine a light on RBF as an emerging area of finance which we think will be critical to support the covid recovery and foster economies driven by both impact and economic returns.
About this work

WHY WE ARE DOING THIS

In Q2 2020, building on the conclusions of the Global Steering Group for Impact Investment (GSG) Global Leadership Meeting, its National Advisory Boards (NABs) identified Results-Based-Finance (RBF) as a key thematic area for the GSG’s education and knowledge development agenda.

In particular, NABs requested more information and support in their efforts to adopt RBF solutions to some of the most pressing social issues facing their countries and the world - especially those exacerbated by the covid crisis.

A working group was assembled, comprising over 80 members, of which nearly 60% are NAB members. The group is co-led by the GSG and The Education Outcomes Fund (EOF).

With input from nearly 40 sector experts interviewed as part of our research efforts and further insights contributed by the NABs, this working group convened and shared learnings, best practice, and recommendations, as to how NABs can better promote the adoption of RBF solutions to tackle specific issues in different contexts.

This ongoing work is very much from, with, and for the NABs. It has been designed to better equip them and to amplify their efforts and that of other organisations working to achieve more and better results through RBF solutions.

This working document is a summary of the insights and recommendations to date.

PROMOTING AN ISSUES-CENTRED APPROACH

Our work is deliberately issues-centred and conscious that the design and implementation of specific solutions must be context-specific.

Education, labour market development and health are the issue areas that the working group considered to be the most important to our efforts to build back better from the covid crisis.

Before the crisis, these focus areas were already social priorities where RBF tools are known to have potential and there exists an encouraging early track record of success. Amidst the covid recovery, innovative finance solutions are even more important, and the group believes that RBF instruments need to be at the centre of the transition towards a new economic system that puts impact at the heart of all investment decisions and also government actions and policies – the primary focus of our effort.

Much of our analysis of these social issues in the opening section of this document presents country-level and regional data grouped by income segments. While the data is most dramatic in the middle- and lower-income countries, there is undoubtedly a need to build back better and address these social issues in developed countries too (where marginalised communities can be and are typically left behind despite stronger macroeconomic performance).

Each NAB will best understand its own country’s specific needs and will be best placed to adopt and adapt the RBF tools that can be most valuable in their specific context - from Finland and France to Zambia, Bangladesh, or New Zealand. By no means do we intend to provide universal ‘roadmaps’ or ‘recipes’ for implementation as we acknowledge that concrete solutions must be tailored to local conditions.

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1 Members of NABs are typically influential market leaders who aim to grow impact investment as a powerful force in a country. Forming a cross-sector coalition, NAB members span the entire impact investing ecosystem of a country. Through the GSG, NABs work collectively to shape and accelerate the development of the global impact investing ecosystem.

2 A full list of working group members is available as an appendix.
This work is not designed to be a mere compendium of RBF instruments. It intends to explain the many RBF tools and then explore how each might be best used to address specific social issues, through exploring how to select the right instruments for each situation. Case studies are shared throughout the report to illustrate this dynamic. The document also focuses on the barriers and enablers to RBF implementation.

**SECTION 1** ("Promoting an issue-centred approach to RBF") focuses on challenges around critical social issue areas which have been greatly exacerbated by covid and for which RBF tools have proven to be most relevant and applicable.

**SECTION 2** ("Evolving mindsets - from inputs to outcomes") uses simple theory-of-change analysis to explain how a results-based approach can help deliver better results across the priority issue areas discussed in the previous section.

**SECTION 3** ("Landscape of RBF tools") focuses on the spectrum of RBF instruments, which is wide and increasing (despite the mistakenly narrow association of RBF with Impact Bonds exclusively, which we aim to demystify). Case studies illustrate how RBF has been instrumental to deliver better outcomes across issue areas.

**SECTION 4** ("Barriers and enablers to increase the adoption of RBF") discusses barriers and enablers to RBF adoption at scale.

**SECTION 5** concludes the document with recommendations to NABs seeking to drive action in their local markets.

**APPENDIX 1** lists further contributions and resources from prominent stakeholders in the RBF space.

**APPENDIX 2** provides a list of working group members.

**WHAT NEXT AND HOW CAN YOU CONTRIBUTE?**

We invite colleagues across and beyond the working group to continue to contribute their insights and experiences to the GSG NAB community. We welcome feedback on this document and guidance as to how we might together best leverage this initial work. We hope that this resource will support the efforts of many NABs and partners in government, civil society, business, and the investor community, in implementing RBF solutions and mainstreaming the use of RBF tools.
Like any other family of instruments, results-based financing (RBF) vehicles should be seen as nothing more (and nothing less) than a ‘means’ to deliver social and environmental transformation. In other words, whilst the design and technical aspects of the different tools are of the utmost importance, closely relating these to reality and to the issues we seek to address is paramount. In this sense, we see ‘instruments’ and ‘issues’ as two complementary aspects of an RBF program, that must be adequately balanced to deliver more and better social outcomes.

This section discusses three of the social issue areas, namely education, labour market development and health, where i) RBF instruments have been deployed widely and successfully, and that ii) represent some of the most pressing challenges facing governments and societies worldwide, deeply rooted as drivers of inequality both within and between countries. They have each also been gravely exacerbated by the covid crisis.

Across all three of the prioritised areas, we see both a need and great potential to further promote a shift towards the delivery of measurable outcomes, given the clear societal costs of the status quo – or, conversely, the gains to be made through effective, rigorous and consistent RBF approaches (see section 2 for further insights and our assessment of the change in mindset required in each field).

Our analysis is based on a review of literature and other secondary sources, as well as on interviews we conducted with global experts for this project. We are grateful to each of them for their invaluable contribution and guidance (full list available in the Acknowledgements page at the top of this document).

Country-specific data focuses primarily on countries represented in the GSG.
EDUCATION

Research shows that the quantity and quality of the education a person receives is amongst the main determinants of their future productivity, income, and well-being. Education represents, therefore, a powerful explanatory factor of multi-dimensional inequality within and across societies.

The world was experiencing a learning crisis well before the covid outbreak. In 2019 53% of children in low- and middle-income countries were defined as ‘learning poor’ (i.e., unable to read and understand a simple text by age 10).

Whilst enrolment rates do not show major variations across income-level groups for primary education, they do differ greatly for secondary education (Figure 2) - with drop-out rates of almost 20% in middle-income countries and as high as 40% in low-income countries (Figure 3).
UNESCO estimated that, in 2019, 257 million children, adolescents and young adults were out of school - almost 98% of whom live in middle- and low-income countries (Figure 4). In low-income countries, a staggering 60% of children at the upper-secondary level are out of school (Figure 5). Progress towards inclusive, quality education for all was already too slow in the pre-covid world: at the pre-pandemic rate of improvement, it was expected that about 43% of children would still be learning-poor and over 200 million would be out of school by 2030.³

The covid crisis has exacerbated pre-existing inequalities. Without a major intervention, it will likely reverse years of progress. By April 2020, 90% of all students (1.6 billion learners, 160 million in pre-primary level) were affected by school closures globally. By early January 2021, more than 143 million children were still unable to attend school. This will have a disproportionate negative impact on already marginalised and vulnerable groups, such as girls, ethnic minorities, children of poor households and students with disabilities.

School closures are likely to affect education outcomes. Studies on the effects of previous disruptions, from economic crises to diseases and natural disasters, show that prolonged absence from school is associated with lower retention and graduation rates and worse learning outcomes.⁴ Evidence suggests that students lose around 25-30% of learnings from the school year during any given summer break.⁵

³ UNDESA (2020).

In May 2020, a World Bank study used data from 157 countries to simulate the impacts of school closures on schooling and learning outcomes, considering different lengths of school closure (3, 5 and 7 months). Estimates indicate that the global level of schooling and learning would likely fall, resulting in a loss of up to 0.9 years of basic schooling, depending on the length of the closure. Moreover, the study suggests that students included in the analysis could face a reduction of around USD 1,400 in their long-term yearly earnings.

Prolonged school closures are also expected to result in a rise in dropouts. As children age, it is harder for households to justify sending older children back to school after a forced interruption, increasing the opportunity cost of staying in school. This is especially true amongst households under financial stress. The World Bank estimates that an additional 6.8 million children worldwide will drop out of school as a result of the pandemic, whilst the NGO Save the Children expects up to 10 million additional dropouts - with girls being most affected.

In an effort to mitigate the impact of school closures, governments relied on remote learning - which, according to UNDESA estimates, remained out of reach for at least 500 million students during the peak of the pandemic due to lack of access to devices and/or internet connectivity, increasing inequality both within and across countries.

Digital technology is associated with only moderate learning gains, as it does not automatically lead to increased attainment and is unlikely to directly generate changes in learning. In developing countries results could be even poorer, as most school systems rolled emergency response teaching methods (paper-based homework, radio, TV, text messages, etc), which do not allow synchronic learning and make it hard to assess students’ progress.

Finally, school closures have affected the health and safety of the most vulnerable children. For millions of young people around the world, especially in developing countries, school is more than just a place to learn: it is a safe environment where they receive free meals and benefit from health and nutrition services, including vaccination, deworming and iron supplementation. UNICEF and the World Food Program (WFP) estimate that almost 380 million children missed out on school meals due to closures during the pandemic, raising the prospect of serious consequences for their health and immune systems. However, to reopen schools in vulnerable areas will require a strong focus on improving infrastructure - only 65% of primary schools worldwide have basic handwashing facilities.

In some low-income countries, school closures could result in further dramatic consequences, including a rise in violence against children, teenage pregnancy (with pregnant girls not allowed to enrol in school in several countries), sexual abuse, child labour and child marriage - as poor families may force their children to work and/or their daughters to marry to compensate for lost family income.
LABOUR MARKET DEVELOPMENT

SDG progress reports by the UN show that despite improvement in labour productivity and overall employment in recent years, labour markets around the world are still far from achieving full, inclusive employment. In particular, major challenges remain in relation to informality, gender equality and youth employment.

Informal (or unregistered/unprotected) employment still represents a significant component of the economies and labour markets of most of the developing world (Figure 6), reaching almost 90% of total employment in some African and South-East Asian countries (Figure 7). This means a greater number of vulnerable and precarious workers, especially in countries with precarious or non-existent social safety nets and deficient occupational safety and health standards.

In terms of gender, despite improvements over the past two decades, we are still far from full equality. Globally, the International Labour Organization (ILO) estimates a gender gap in labour force participation (LFP) of 26%, with some regions facing a gap of more than 50% (Figure 8) - high female LFP in several African countries compared to other regions may be the result of women’s traditional participation in agriculture. Furthermore, women worldwide face greater barriers to access and remain in employment than men, whilst suffering from an unequal distribution of unpaid care work (to which they dedicate 3.2 times more hours than men). The economic value of the latter can account for up to 40% of GDP globally. Moreover, women typically experience poorer working conditions than men (making...
labour market compared to more experienced workers - for which they typically face higher unemployment rates. A high proportion of young people not in employment, education, or training (NEET - Figure 9) and the difficulties of transitioning from school to work, are also part of this challenge. In 2018, the ILO estimated that young women and men were still three times more likely to be unemployed than adults, and an estimated 21% of the world’s youth were NEET.

Finally, in many countries the youth employment situation was showing worrying signs before the crisis. Young people are often employed in informal and vulnerable jobs and face significant barriers to enter the labour market compared to more experienced workers - for which they are paid less for equal work, are overrepresented in part-time jobs, and are often punished in their careers for personal choices such as motherhood or marriage.
As is the case across other issue areas, the pandemic placed additional stress on labour market conditions globally.

During the first wave of the pandemic, over 90% of the world’s workers were partly or completely affected by workplace closures. The ILO estimated that in Q2 2020 17.3% of working hours (equivalent to 495 million full-time jobs) were lost worldwide, with the largest reduction (23.3%, 240 million full-time jobs) occurring in lower-middle-income countries.

As millions of workers worldwide transitioned to work-from-home schemes, those who worked in lower-income, lower-productivity, and typically manual jobs faced relatively limited opportunities for remote working in comparison to labourers in sectors more prone to digitalisation. During H1 2020, 1.6 billion workers in the informal economy were at risk of losing their livelihoods. Although some governments rolled out special cash transfers schemes for informal workers (e.g., Argentina’s Ingreso Familiar de Emergencia and Brazil’s much larger Auxílio Emergencial), or expanded the reach of pre-existing programmes, precarious workers have been worse off than the relatively more protected formal workers.

The crisis is also beginning to reverse some of the gains made in recent decades in terms of gender equality. Women’s employment is affected by the downturn of the services sector: according to the ILO, almost 510 million female workers, or 40% of all employed women, work in sectors severely affected by the crisis, including accommodation and food services, wholesale and retail trade, real estate, business, and administrative activities (noting that 42% of these women were working informally in these sectors at the onset of the crisis). Moreover, female employees account for a large proportion of ‘front-line’ occupations, representing globally over 70% of workers in health and social work - typically in lower-skilled and lower-paid positions, and facing a high risk of infection and emotional stress. Domestically work has also been highly vulnerable to containment measures. In June 2020, of the 55 million domestic workers around the world at significant risk of losing their jobs, 70% were women. Lockdowns and school closures have increased the already heavy burden of unpaid care work for women, reducing their capacity to take on paid work.

Young workers have also suffered greatly from workplace closures. They are mainly under flexible and precarious contracts (e.g., temporary contracts and internships), with limited or no social security rights, and are over-represented in sectors that have been defined as non-essential (i.e. where activities have been halted by containment measures). In the US, only 7% of 15-24-year-olds could work from home (compared to around 30% of people 25 years and over) - and only 5% actually did so. The job and income losses experienced by young adults was nearly double that of older age groups. Furthermore, 45% of the most vulnerable jobs during the pandemic in the UK were held by people under 35. The number of young NEETs is expected to rise from 4.7 to 6.7 million in Europe. Whilst there are no comprehensive, reliable estimations of the impact of covid on young labourers in the Global South, the ILO expects youth unemployment to rise above 25% in Latin America and the Caribbean (before the pandemic, the estimated rate for 2020 was 18%).
Until the end of 2019, SDG 4 (Good Health and Well-Being) was considered to be ‘on track’. Over recent decades, significant progress has been made in maternal health, with the maternal mortality ratio falling from 342 deaths to 211 deaths per 100,000 live births worldwide from 2000 to 2017. Under-5 mortality also fell dramatically, from 76 deaths per 1,000 live births in 2000 to 39 in 2018. Over the same period immunization coverage increased worldwide.

However, this progress required acceleration even before covid. For example, the probability of dying from any of the four main non-communicable diseases (cardiovascular disease, cancer, diabetes, and chronic respiratory disease) between ages 30-70 dropped only 4 percentage points from 2000 to 2016. These four diseases remain the leading cause of mortality (Figure 10). This slow progress is mainly due to the overall shortage of the services required to prevent and treat non-communicable diseases.

Less than half of the global population is covered by basic health services - in 2017, it was estimated to be between 2.5 billion and 3.7 billion people. Only 12% to 27% of the population in low-income countries were fully covered that year. If current trends continue, only 39 to 63% of the global population will have access to such services by 2030.

Presumably as a consequence, the number of people incurring large out-of-pocket health expenses due to a lack of basic health coverage has increased. According to the World Health Organization (WHO), 12.7% of households spent more than 10% of their budget to pay for health services in 2015 (up from 9.4% in 2000). High out-of-pocket expenditure in middle- and low-income countries can also be indicative of weaknesses and inefficiencies in health systems (figure 11). Shockingly, it is estimated that every year 90 million people are pushed into extreme poverty (living on $ 1.90 or less a day) due to these out-of-pocket payments.
The impact of covid on health worldwide has been extensive. Regarded as the worst pandemic in 100 years of world history, it has, as of January 2021, caused almost 2.2 million deaths globally. Furthermore, disruptions to non-covid healthcare services could reverse decades of improvements in access to health and effective prevention.

The impact of delayed treatment is amongst the greatest collateral consequences of the pandemic. When considering a trip to the hospital, people have typically been more concerned about getting covid or about overstressing the healthcare system than about the consequences of delaying treatment. A US poll showed that nationwide, 29% of adults have actively delayed or avoided seeking medical care due to concerns about contracting coronavirus. Moreover, hospitals reduced elective surgery at the beginning of the pandemic in the interests of patient safety and the wider covid response. This dynamic, summarised in Box 1, was verified in several countries throughout the pandemic.

The organisation CovidSurg Collaborative estimated that more than 28 million operations were set to be cancelled or postponed during a peak 12 weeks of global disruption during the first wave of the pandemic, amounting to more than 2 million operations per week. The study also showed that even if countries increased their normal surgical volume by 20% after the first 12 weeks of the pandemic, it would take a median of 45 weeks to clear the backlog of operations resulting from this disruption. Taking the example of the UK, this task would cost the National Health Service (NHS) at least £2 billion.

Delayed treatment will result in costly medium and long-term outcomes for societies, the most evident being unnecessary loss of life. A few months’ delay in definitive cancer surgical treatment may be the difference between a life expectancy of 40 years and of two years. Estimates for the UK indicated that a universal six-month delay would bring about 10,700 extra deaths. In April and May, the U.S. saw about 13% more non-covid deaths than would otherwise be expected.

Inequalities in access to health and treatment have also been exacerbated due to the pandemic, with the disruption to emergency care having a disproportionately negative impact on the socioeconomically disadvantaged. They often use emergency services for routine care, as they find it difficult to access general practice and other community services. Telephone or video consultations are not a sufficient solution, as many people in this group have low health literacy and cannot have their needs met adequately when compared with traditional face-to-face consultations.

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**Factors and impacts of treatment delay**

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<td>Psychological impact</td>
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<th>ON PATIENTS ON TREATMENT:</th>
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<td>Delay in detecting treatment response</td>
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<td>Delay in the diagnosis of recurrence</td>
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Mental health has been another major area of concern throughout the pandemic. Mental health issues, exacerbated due to isolation and fear of contagion and death, will likely result in sizable societal costs. Whilst there are still no globally extensive studies to provide conclusive evidence, the Pan American Health Organization (PAHO/WHO) and health experts are disquieted by the emerging increase in anxiety, stress, and depression symptoms as well as in substance abuse compared to 2019.

Mental health is closely related to other issue areas, including education and labour market development. Children and adolescents with mental health needs may lack resources typically accessed through schools. Attending school or going to work is an emotional anchor for many children and young people with depression and special education needs (e.g., autism spectrum disorder) offering them a routine to follow. It is expected that they may face considerable difficulties adjusting back to normal life when school resumes.

Several studies have argued that workers’ deteriorated mental health can increase absenteeism and lead to productivity losses. Additionally, according to experts, teleworking during the pandemic has proven especially challenging, and has resulted in lower productivity for some workers including ‘digital immigrants’ (older workers who struggle to keep pace with new tools and software), or for those for whom telework blurred the limits between professional and personal time - making time management and work-life balance harder.
Evolving mindsets: from inputs to outcomes

The evolution from traditional, low-scale, and non-effective input-based spending by governments, leading to the increasing adoption of results-based financing (RBF) solutions with the ability to deliver more and better societal outcomes, is probably the single greatest evolutionary step that the public sector should take to embrace the impact revolution.

Governments around the world spend a significant segment of their budgets to provide basic public services and programmes aimed at (hopefully) improving people’s life conditions. The problem is often related not only to the amount invested or spent but also (and specially) to the way in which governments spend these resources. An excessive focus on the commissioning of inputs across departments and programmes often undermines impact and inhibits scaling.

Traditionally, governments and agencies have been accountable to taxpayers and multilaterals based on their funding of activities, aligning incentives to these input-based actions as opposed to the outcomes expected to be achieved. Furthermore, evaluation in inputs commissioning usually happens too late, preventing real time improvement and consistent impact management.

Spending also becomes inefficient, and restrictive funding hampers adaptation to more appropriate interventions. It is here that outcomes-based commissioning can play a key role, erasing the fragmentation of funding and programming and creating the flexibility required to change inputs to achieve outcomes, if necessary. Paying for outcomes creates powerful new partnerships and ways of working between donors, governments, foundations, and education providers. It changes the way they can achieve positive impact through a new model of funding and programme evaluation.

Evolution to results-based funding would involve a shift in accountability, with a greater focus on the expected outcomes of government spending. It would also force governments and stakeholders to think more holistically, finding context-specific solutions to the whole problem,
and incentivizing a data-driven adaptation and innovation in policy making. Finally, it would improve coordination among services providers, who are also encouraged to improve their delivery to guarantee desired outcomes.

A simple theory of change framework can help set the path towards impact in the long-term, from the programme’s activities to the desired impact, through intermediate (outputs) and final (outcomes) results.

Some experts in results-based financing for education claim that there has already been a shift from inputs to outputs in education systems - leaving us closer to an outcomes-management model. However, governments and service providers are still far from designing their programmes under a full theory of change. They have usually focused their interventions on enrolment and school infrastructure, which are certainly essential (especially in low-income countries) but do not guarantee real impact for children’s education and future employability. Access to education is not sufficient to ensure satisfactory learning outcomes and to keep children in school until they graduate. This is particularly valid for many middle-income countries where both enrolment and drop-out rates are high, and for children and young people from vulnerable groups living in high-income countries.

With this in mind, reducing drop-out rates and improving literacy and numeracy have been the focus of most RBF instruments for education. Both outcomes are also easily measurable (the latter through standardized testing), making evaluation more attractive and accessible, especially in countries where data production might be particularly challenging. Transitions to the next educational level (from pre-primary to primary school and from primary to secondary school) should also be considered as desired outcomes of programmes and activities. Attainment at each level is normally measured, but often the number of children leaving school early, or the difficulty to ‘jump’ from one level to the other, goes unmeasured. Transitions to the labour market after secondary school are particularly important, as experts claim schools are not providing the necessary human capital. Essentially, the productive system and the educational system are still misaligned, creating a wide gap in supply and demand. A more coordinated strategy, including pre-working sessions and project-based learning, could help address this issue.
Related to the labour market transition is the concept of ‘skills of the future’, which will also be discussed in the next section. It is broadly argued that school curricula should now include more ICT skills (AI, robotics, programming) so as to improve children’s digital competences from an early age, preparing them for future employability in STEM industries. Covid has accelerated the prevalence of tech-based education, highlighting inequalities in access to and use of the internet, devices, and software but also the potential of technology to improve learning skills if properly aligned with educational outcomes. RBF mechanisms could be adopted to both implement programmes for developing IT skills in early childhood, and to provide vulnerable groups with technological devices and access to connectivity so as not to fall behind in this inevitable transition.

Finally, education experts are currently exploring outcomes that incorporate more qualitative aspects, including joy, wellbeing, sense of purpose, and engagement. These metrics can be challenging to measure but could provide stakeholders with a wider view of what impact means for students - their own definition of what is satisfying for them. Some innovative programmes are already focusing on this topic, such as the Happiness Curriculum in India - which combines traditional scholastic areas with co-scholastic skills of mindfulness, self-awareness, critical thinking, reflection & inner stability, or the “joyful learning” and participatory citizenship and entrepreneurship models in Finland.

TO LEARN MORE ABOUT EVOLVING MINDSETS IN EDUCATION, WATCH GSG VIRTUAL IMPACT SUMMIT 2020 BREAKOUT 3D: ‘Outcomes finance for education’
LABOUR MARKET DEVELOPMENT

Historically, programmes and services for workforce development have focused solely on training and skilling activities, especially targeted at vulnerable groups and unemployed workers. Even though training (skilling, upskilling, or reskilling) is required to bring these people into the labour market, it is usually not enough to secure their placement in decent jobs. Participants from vulnerable groups might experience great difficulties, even after acquiring the demanded skills, due to biases and discrimination in selection processes. In sum, simply providing training (including in soft skills such as teamwork and interpersonal communication) leaves us far from achieving real impact - improving people's economic situation and stability.

Labour market development has been one of the main focuses of pay-for-success mechanisms for two main reasons: i) it is easily measurable with clear, concrete, and accessible metrics and ii) it is a critical issue in all countries around the globe (though with different intersections). Traditionally, RBF vehicles for this issue have focused on two main outcomes: placement (getting the position after training) and retention (holding it for a predefined period, e.g., three, six or twelve months). Both measurements bring substantial improvements when compared to the commissioning of training as inputs only.

New indicators are increasingly capturing attention. Firstly, and related to job retention, is the idea of career pathways. Most outcomes-based mechanisms for workforce development have set concrete targets in terms of the amount of time (usually months) a position is retained. Leaving a job to work for another employer would be considered a “failure” under those strict metrics, when in reality participants may change jobs for a better wage or more promising working conditions within the very same industry or area. Therefore, it has been proposed that there should be more flexibility in metrics and measurement of job retention, so as to capture the evolving nature of work, especially in dynamic industries.

Second is the concept of quality jobs and decent work, promoted by the ILO and chosen as SDG 8 by the UN. These organisations are hesitant to measure success as merely job placement and strive to include indicators of quality and working conditions, such as security in the workplace and social protection for families, better prospects for personal development and social integration, among others. Closely related and key to improving people’s economic situation is the metric of increase in disposable income. Employment alone does not guarantee economic security, as 1 in 5 of employees are in poverty globally. Therefore, these organisations also advocate for the inclusion of fair income as a desirable goal. Covid has accelerated foreseen changes in the labour market, exacerbating concerns about automation, technology, and the jobs of the future (e.g., IT and green energy). RBF has a huge potential to respond to the pressing need for reskilling, upskilling, and new skilling, bringing solutions to meet the speed and agility at which labour demand has started to move and change. Responses should nonetheless consider both real time needs and labour policy priorities on a local level, focusing on specific sectors within specific geographical areas.
**BOX 3 Theory of change for a programme on Education**

*Example: Reducing drop-out rates*

<table>
<thead>
<tr>
<th>Status Quo</th>
<th>Activity/Input</th>
<th>Product/Output</th>
<th>Result/Outcome</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input-based training (e.g., hours of training) without performance evaluation</td>
<td>Training completed</td>
<td>Unknown</td>
<td>Unknown</td>
<td></td>
</tr>
</tbody>
</table>

| Aspiration | Training with performance evaluation/ incentives to improve performance | Objective measurement of increase in labour skills / individual human capital accumulation | Job placement (formal employment or self-employment) + retention + wage gains. Incorporate job quality measures. | Improvement in individual and household living conditions |

---

**TO LEARN MORE ABOUT EVOLVING MINDSETS LABOUR MARKET DEVELOPMENT, WATCH GSG VIRTUAL IMPACT SUMMIT 2020 BREAKOUT 4D: ‘Impact: up-skilling the unemployed.’**
Countries with poorer health infrastructure will not only face greater difficulties in dealing with covid cases, but also in coping with increased pressures on their health systems in the medium to long-term. This can be partly explained by staggering differences in government health expenditure between industrialized and emerging economies.

![Figure 12: Domestic general government health expenditure (% of GDP, 2018)](source: World Bank)

Health expenditure statistics, however, explain only a portion of the problem. We should not only focus on how much of the budget is spent, but also on how it is spent.

Governments and multilateral agencies have traditionally targeted their programmes at access to health and treatments and basic services coverage instead of prevention and early diagnosis – which have proved to be more effective. And for many people, especially from vulnerable groups, treatment may come too late. Efforts should be targeted at preventing disease contraction, so as to reduce the number of people in need of treatment.

Prevention also happens outside the health system. Schools and companies, among other institutions and organisations, run campaigns aimed at preventing the contraction of various diseases and health issues. In this sense, coordination with the health system may be the key to providing integrated solutions to this problem and achieving desired outcomes.

### Box 4: Theory of change for a programme on Education

Example: Reducing drop-out rates

<table>
<thead>
<tr>
<th>Status Quo</th>
<th>Aspiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid treatment of NCDs*</td>
<td>Early diagnosis and prevention activities</td>
</tr>
<tr>
<td>Number of treatments for NCDs</td>
<td>Increase in number of blood pressure readings</td>
</tr>
<tr>
<td>Unknown</td>
<td>Reduction in number of people suffering from NCDs</td>
</tr>
<tr>
<td>Unknown</td>
<td>Improvement in health and well-being</td>
</tr>
</tbody>
</table>

*NCDs: Non-Communicable Diseases
RBF is defined as any programme where the principal sets financial or other incentives for an agent to deliver predefined outputs or outcomes and rewards the achievement of these results upon verification (Musgrove 2010). This section will frame the landscape of RBF tools, focusing on their features and rationale, and present several case studies of their use.

The first table below offers answers to several questions that anyone interested in RBF might ask, and the second provides a high-level overview of some of the main RBF instruments and their objectives.
Care must be taken during the design and target setting phases to avoid unintended consequences, perverse incentives, or the widening of performance gaps (e.g., if commercial service providers are involved, with poorly defined incentives and without adequate performance management).

Transaction costs and complexity - RBF design often (but not always) involves numerous stakeholders and extensive negotiation, driving up transaction costs and lengthening the design phase relative to simpler programmes.

RBF is a relatively new approach, and stakeholders and systems may not be correctly set up to launch RBF programmes.

The following table provides a breakdown of some of the core benefits and limitations of paying for results, independent of particular instruments.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the effectiveness of delivery systems and specific interventions.</td>
<td>Care must be taken during the design and target setting phases to avoid unintended consequences, perverse incentives, or the widening of performance gaps (e.g., if commercial service providers are involved, with poorly defined incentives and without adequate performance management).</td>
</tr>
<tr>
<td>Generating cost-savings for government and/or other donors, by ensuring that funds are only spent if results are achieved.</td>
<td>Transaction costs and complexity - RBF design often (but not always) involves numerous stakeholders and extensive negotiation, driving up transaction costs and lengthening the design phase relative to simpler programmes.</td>
</tr>
<tr>
<td>Attracting private capital to fund social and environmental outcomes, in partnership with governments and other stakeholders (in many RBF instruments).</td>
<td>RBF is a relatively new approach, and stakeholders and systems may not be correctly set up to launch RBF programmes.</td>
</tr>
<tr>
<td>Encouraging outcomes-oriented innovation and experimentation by shifting the focus in delivery from ‘interventions to be carried out’ to ‘result to be achieved’.</td>
<td></td>
</tr>
<tr>
<td>Promoting stronger performance management, enabling constant improvement of programmes.</td>
<td></td>
</tr>
<tr>
<td>Building evidence on ‘what works’ for future funding or policymaking, supported by RBF’s requirement for strong M&amp;E.</td>
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</tr>
<tr>
<td>Encouraging accountability for results, by only distributing outcomes funding if the specified results are achieved.</td>
<td></td>
</tr>
<tr>
<td>Generating cooperation between often disparate actors by aligning them around a specific set of results.</td>
<td></td>
</tr>
</tbody>
</table>

The following section provides further detail on 4 instruments identified as being of particular interest to the NABs, with an explainer for each of the instruments, a breakdown of instrument-specific benefits and limitations, and relevant case studies.

Who is incentivised? | RBF instruments | Description | Typical objectives
---|---|---|---
Government | National Government | Performance Based Aid (PBA) | Results payments from donors to national government | To improve performance of government delivery systems
Local Government | Performance Based Transfer (PBT) | Results payments from national to local government |
Non-state | Service providers and/or investors | Performance Based Contract (PBC) | A portion of funding is tied to outputs or outcomes |
| | | Outcomes fund | A vehicle to commission multiple PBCs under a common financing framework |
| | Impact bond (E.g., SIBs, DIBs) | A PBC where an investor pre-finance the intervention |
| | Prize based challenge | A PBC in which multiple implementers compete for a winner-takes-all prize award |
Households/individuals | Conditional cash transfer | Payments to individual based on desired behaviours (not always considered RBF) | Changing individual behaviour

Most relevant for NABs

Source: Education Outcomes Fund analysis
PERFORMANCE BASED TRANSFERS (PBT)

This instrument involves a transfer of funds between a national government/bi/multilateral donor and local government, with payment based on performance. The opportunity to secure the performance-based payment incentivises local governments to achieve the agreed upon results.

BENEFITS AND LIMITATIONS

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBTs incentivise local governments to invest in improvements to delivery systems. This strengthening of government delivery system ensures sustainability.</td>
<td>PBTs are an additional mechanism on top of regular budgeting – creating an additional work burden for stakeholders. PBTs often take the form of bonus payments, and therefore represent an additional payment to deliver the same services. There may be a lack of political will to withhold RBF funding in the event of underperformance.</td>
</tr>
</tbody>
</table>

CASE STUDY ‘PLAN NACER’, ARGENTINA (2005+)

PROGRAMME: A government-led programme seeking to reduce infant mortality by improving health case access for uninsured pregnant women and children under age six, whilst reforming the public health system through changes to the incentive framework.

MECHANISM: Provincial governments received payments from the National Ministry of Health based on the numbers enrolled, as well as the achievement of specific health targets. Health facilities received unrestricted ‘fee-for-service’ payments from the provincial governments based on services provided.

RESULTS: 4.7 million pregnant women and children were provided with health coverage, with 37 million maternal and child health services delivered. The probability of low birth weight was reduced by 23% for Plan Nacer beneficiaries. The probability of in-hospital neonatal death was reduced by 22% for users of Plan Nacer clinics, and by 74% for Plan Nacer beneficiaries.
PERFORMANCE BASED CONTRACTS (PBC)

This instrument involves a transfer of funds from a funder to a service provider, with payment entirely or partially based on performance. It can be used to strengthen delivery systems or to enhance the effectiveness of specific interventions. The opportunity to secure this payment incentivises providers to achieve agreed upon results. Performance-Based Financing (a specific instrument incentivizing health facilities in developing countries) is an example of a performance-based contract, as are SIBs and DIBs (see next instrument).

BENEFITS AND LIMITATIONS

### Benefits

- PBCs have the potential to be sustainable and replicable as they work well within government procurement systems. Many government outsourced programmes have the potential to include an outcome payment.
- They are easier to structure than other RBF instruments due to the limited number of actors involved. The design of PBCs can be adapted to the capacity of delivery organisations: risk can be assigned to service providers in line with their ability to assume it.

### Limitations

- PBCs often contain a mix of paying for inputs, outputs and outcomes, which reduces the flexibility of the programme to adapt itself to different contexts compared to those paying entirely on outcomes.


PROGRAMME: A project aiming to bring about improvements in the coverage of quality maternal, neonatal, and child health (MNCH) services with a focus on underserved groups.

MECHANISM: The Ministry of Health pays out to health facilities and health workers based on their ability to deliver MNCH services. Performance-based finance facilities also subcontract groups of community members to provide health promotion and referral services, paying based on results.


CASE STUDIES ‘MATERNAL AND CHILD HEALTH’, RWANDA (2008+)

PROGRAMME: A national scheme to support primary health centres through direct unrestricted payments.

MECHANISM: 166 facilities were randomly assigned to two groups – one receiving RBF funding, another receiving traditional input funding. Outcomes measured included prenatal care visits and institutional deliveries, quality of prenatal care, and child preventive care visits and immunisation. The incentive effect of the outcomes payments was isolated from the resource effect by increasing the control group’s budgets in line with the average outcomes payments made to the treatment group.

RESULTS: Facilities in the intervention group recorded a 23% increase in number of institutional deliveries, a 56% increase in preventative care visits by children younger than 23 months of age, and a 132% increase in preventative care visits by children between 24 and 59 months of age.
IMPACT BONDS

Outcome funders commit to make payments based on the achievement of pre-determined results. Impact Investors provide upfront financing to service providers, accepting the financial risk. Payments to the investor are determined by the results achieved by service providers. The opportunity for a return on investment, and the risk of losing it, incentivises investors to help their service providers to achieve results. Social Impact Bonds (SIBs – the government funds part of the results) and Development Impact Bond (DIBs – a donor/NGO is the outcome funder) are both common types of Impact Bond.

BENEFITS AND LIMITATIONS

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBs unlock future savings by enabling up-front investment into problems that become more expensive to fix over time (e.g., public health, recidivism in the criminal justice system)</td>
<td>The payment of the investor return can make Impact Bonds more costly than PBCs.</td>
</tr>
<tr>
<td>Impact investors are incentivised to provide performance management to their providers, to maximise the likelihood of achieving results.</td>
<td>The pre-defined duration of Impact Bonds makes them less replicable than other RBF instruments, such as PBCs.</td>
</tr>
<tr>
<td>IBs transfer risk away from the public sector to parties that have a higher capacity to manage this risk. This shifting of risk may also encourage the trialling of novel interventions.</td>
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</table>

CASE STUDY ‘EDUCATE GIRLS’, INDIA (2015+)

PROGRAMME: Educate Girls launched the first Development Impact Bond in Rajasthan’s Bhilwara district in September 2015, with the aim of empowering girls to enter the classroom.

MECHANISM: UBS Optimus provided Educate Girls with working capital; Educate Girls conducted the intervention on the ground, the results of which were independently assessed. Upon meeting programme targets, the Children’s Investment Fund Foundation paid UBS Optimus their investment plus returns.

RESULTS: 116% of the final enrolment target and 160% of the final learning target were achieved. In the final year, learning levels for students in programme schools grew 79% more than their peers in other schools – almost the difference of an entire additional year of instruction.

Source: World Bank
OUTCOMES FUNDS

An Outcomes Fund is a mechanism that allows the development and implementation of outcomes programmes with multiple service providers under a common framework, and/or multiple parallel RBF programmes. Their primary goal is to drive social change by scaling the outcomes funding mechanism.  

1. Multiple service providers under one framework (single programme e.g., country education)

2. Multiple RBF programmes in parallel (mix of fund-level funding and program-specific funding)

BENEFITS AND LIMITATIONS

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>With scale comes greater contracting expertise and the development of a knowledge base.</td>
<td>When their duration is pre-defined (like Impact Bonds), Outcomes Funds can be less replicable than other RBF instruments, such as PBCs.</td>
</tr>
<tr>
<td>Scale can drive cost and scope synergies.</td>
<td></td>
</tr>
<tr>
<td>Outcomes Funds leave open the possibility for service providers to partner with investors (Impact Bond model) without requiring it.</td>
<td></td>
</tr>
<tr>
<td>They engage governments in a systematic, rather than a ‘one-off’ way.</td>
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</table>

CASE STUDIES INNOVATION FUND

The first Outcomes Fund, worth £30m, launched by the UK’s Department for Work and Pensions in 2012, and targeting workplace participation for 14-18-year-olds. Evaluation commissioned.

CASE STUDIES THE EDUCATION OUTCOMES FUND (EOF)

Through a new partnership model, EOF aligns governments, donors, implementing partners, and investors to achieve concrete outcomes targets in the fields of early childhood education, basic education, technical and vocational education and training, and skills for work.

EOF’s model is to deliver multiple RBF education and skills programmes across multiple geographies globally, leveraging the team’s experience and expertise to drive synergies of scope and scale.

Using their global platform, they are significantly scaling up RBF in education, with the aim of transforming the lives of 10 million children and youth.
CASE STUDIES BY ISSUE AREAS

EDUCATION

CASE STUDY QUALITY EDUCATION INDIA
The Quality Education India DIB was convened and launched in 2018 by the British Asian Trust in collaboration with the UBS Optimus Foundation and the Dell Foundation in India as a public-private partnership between risk investors, service providers and outcome funders. Its goal is to improve the quality of literacy and numeracy learning for hundreds of thousands of primary school children from marginalised communities in India.

The programme combines teacher and head-teacher training, remedial education for slow learners, whole school development, and educational technology. Performance management has been put in place to assess and scale the program, and the use of an ‘education rate card’ which sets out the costs of delivering these outcomes has been proposed for a further stage. This card could be used by the government and funders to make informed policy and spending decisions and to improve education across the whole country.

MORE ABOUT THE QUALITY EDUCATION INDIA DIB

CASE STUDY JUNIOR CODE ACADEMY (PORTUGAL)
The Junior Code Academy SIB implemented by Maze Impact in 2015 tested the impact of teaching computer programming to primary school children on cognitive skills and school performance.

The target population was 65 students aged 8 to 9 across three primary schools in Lisbon, two of which were in disadvantaged areas. They attended weekly computer programming classes over one school year. The computing curriculum is integrated with other subjects in the national curriculum. The two outcomes metrics were improvement in logical thinking and problem-solving skills, tested at the end of the program; and improvement in school performance in Portuguese and Maths, tested in national exams conducted two terms after the end of the program.

Outcomes payments were disbursed if the performance of the intervention group was better than that of a comparison group. If the improvement in performance against the comparison group was 9% or more, investors would receive a return capital in addition to their principal. Overall, students who participated in the programme showed superior scholastic performance and an improvement in their logical reasoning ability.

MORE ABOUT JUNIOR CODE ACADEMY
CASE STUDY “PRIMERO LEE” (CHILE)
The “Primero LEE” (“Read First”) programme of Fundación Crecer con Todos is part of Chile’s first social impact contract. Since March 2019, more than 550 children from 11 schools living in Estación Central (one of Santiago’s poorest neighbourhoods) have successfully developed reading and writing skills.

The programme aims to ensure that all children can read and write comprehensively from first grade onwards, using innovative and interactive strategies inside the classroom. The initiative targeted 33 thousand students in 39 communes and 285 schools throughout the country.

MORE ABOUT PRIMERO LEE

CASE STUDY SASKATCHEWAN SIB (CANADA)
This SIB supports young people who are at risk of poor academic achievement (particularly students from indigenous communities) to engage in education and remain in school. At target success rates, this project is estimated to save taxpayers up to $1.7 million - based on projections of reduced costs of economic, health, and social services over five years and increased earning potential for the students over their lifetimes. Its target population are 88 students from Mother Teresa Middle School in Saskatchewan - the school supports them in Grades 6 to 8 and once they enter high school, engaging students in learning and developing confidence and social skills through extracurricular activities.

The sole metric is the graduation rate of participating students, measured annually, and tracked by the Saskatchewan Ministry of Education. If the school achieves an 82% Grade 12 graduation rate for its students, the Government of Saskatchewan will repay investors their principal and interest equal to 1.3% annually. With a 75% graduation rate, three-quarters of the principal is repaid, without interest. If the graduation rate is below 75%, no repayment is made.

MORE ABOUT THE SASKATCHEWAN SIB
CASE STUDIES BY ISSUE AREAS

LABOUR MARKET DEVELOPMENT

CASE STUDY “ACADEMIA DE CÓDIGO” (PORTUGAL)
The Academia de Código Bootcamps (ACB) SIB is part of the first edition of Social Impact Bonds (SIB) where contracts are hosted through Portugal Social Innovation, a Portuguese Outcomes Fund. This SIB was launched in January 2017 and is being implemented in the region of Fundão, Portugal.

Its goal is to requalify unemployed individuals as computer programmers, aiming to introduce them into the labour market within 3-4 months of the conclusion of a 14-week full-time bootcamp. The intervention is split into three phases: i) selection, ii) bootcamp and iii) labour market entry, which supports building a CV, preparing for and booking interviews, and engaging with potential employers. So far, the SIB has delivered on all predicted outcomes, guaranteeing the entry into employment of more than 55 participants.

MORE ABOUT ACADEMIA DE CÓDIGO AND PORTUGAL SIBS

CASE STUDY “PROYECTÁ TU FUTURO” (ARGENTINA)
Argentina’s first SIB “Proyectá Tu Futuro” (“Plan Your Future”) seeks to improve the long-term employment outcomes of underprivileged individuals between 17 and 24 years of age in 5 boroughs in the South of Buenos Aires City. The intervention provides a mix of soft and technical/practical skills training, as well as mentoring for at least 6 months after the capacity building component of the SIB is complete, to accompany these young beneficiaries as they access and retain their first formal job for a minimum of 4 months and 12 months.

Achieving outcomes also requires service providers to work on the demand side, to overcome prejudices on the part of potential employers and to increase the number of companies that are open to hiring individuals from this social group. It uses an outcomes payment card to measure and pay for expected results, which rewards longevity in a job and differentiates payments according to the participant’s vulnerability (additional compensation for mothers or informal settlements dwellers).

MORE ABOUT PROYECTÁ TU FUTURO
CASE STUDY THE ADIE SIB (FRANCE)
The Adie SIB was the first French SIB to be launched. The intervention aims at the sustainable professional engagement of 320 people living in isolated and economically precarious rural regions through the provision of microcredit, which would be used to either create businesses or facilitate access to employment (e.g., through paying for transportation). The provider, Adie, developed innovative methods, including remote support for the microcredit application process and personalized guidance services carried out by volunteers at the participant’s home or new workplace (e.g., legal, commercial, financial advice).

Adie and the SIB’s stakeholders pioneered outcomes-based financing in France. The design phase of the SIB raised (and resolved) many questions and challenges in terms of administrative processes for the Ministry of Economy and Finance (outcome payer), including budgetary allocation, legal enablers and political objectives (e.g., how to define sustainable professional insertion in rural areas and what could be the consequences of such definition?). The social investors experimented with this new kind of investment and paved the way for following SIBs. This first SIB managed to bring stakeholders together to collectively reflect on employment outcomes, anchoring this reflection in data.

MORE ABOUT THE ADIE SIB

CASE STUDY CAREER IMPACT BONDS (USA)
The Career Impact Bond (CIB) is a financing model that offers access to quality, industry-recognized career training to people who face barriers to education and employment including low income, criminal justice involvement, and immigration status. It is based on a student-centred income share agreement that allows students to enrol with no upfront costs.

Impact investors provide catalytic capital to training providers to cover upfront training costs and critical support services for typically underserved students.

Students enrol free of charge, persist and graduate. Those who gain meaningful employment repay programme costs as a fixed percentage of their income; those who do not obtain and maintain meaningful employment following graduation pay nothing.

Impact investors and training providers share any payments received from students who find good jobs and achieve increased economic mobility. This aligns incentives and ensures all parties focus on student success. Five features underpin the CIB: people-centred design, wraparound support services (including enrolment assistance and emergency aid funding), consumer-friendly repayment terms, impact-first capital and aligned incentives.

MORE ABOUT CAREER IMPACT BONDS
CASE STUDIES BY ISSUE AREAS

HEALTH

CASE STUDY HEART & STROKE ACTIVATE SIB (CANADA)

Problem: Hypertension affects almost 6 million Canadians ages of 20-79.

Solution: The Heart & Stroke Foundation’s Activate programme provides pre-hypertensive Canadians with healthy behaviour support (using technology, coaching, and community resources) to control their blood pressure.

SIB OVERVIEW: The Heart & Stroke Foundation needed multi-year funding to scale this programme across multiple cities in Canada, and it partnered with the Government of Canada, MaRS, and various impact investors to launch a $4 million SIB. The SIB targets 7,000 pre-hypertensive adults aged 40+ in the Greater Toronto and Greater Vancouver areas to participate in the Activate programme over 3 years. As the SIB reaches its conclusion in 2020, the results have been a success for programme participants and investors, with blood pressure reduction levels expected to be ~150% better than target levels and the SIB is on track to return a 7-8% IRR to investors.

HOW THIS DEAL HELPS US MOVE FROM INPUTS TO OUTCOMES, AND MANAGING FOR OUTCOMES:

It directly links the majority of investor returns to a reduction in the target population’s systolic blood pressure readings after they participate in the Activate program. A smaller portion of investor returns are linked to the volume of participants who enrol in the programme and submit their blood pressure readings. This mix was important to ensure appropriate allocation of incentives and risks.

The focus on participant outcomes together with a multi-year funding commitment allowed the Heart & Stroke Foundation to be more adaptive and to adjust their programme implementation based on operational data and as circumstances evolved (including adjusting to the covid crisis in the final year of the SIB). A traditional funding approach focused on inputs and activities would have been more restrictive, and ultimately would not have been directly linked to improvements in the target population’s health outcomes.

This is Canada’s first national SIB and created a unique partnership between the federal government, a national non-profit service provider, and a diverse mix of impact investors ranging from large financial institutions to foundations and individuals. This cross-sectoral pooling of resources and expertise is another key benefit of the SIB funding model.

MORE ABOUT THE HEART & STROKE ACTIVATE SIB

CASE STUDY PREVENTING TYPE 2 DIABETES SIB (ISRAEL)

This SIB was implemented by Social Finance Israel in 2016 and aims to help people at risk of developing Type 2 Diabetes to make healthy lifestyle changes to prevent the onset of the disease. Its initial target population are 2,250 pre-diabetic individuals. Each participant receives a personalised intervention which includes motivational, nutritional, technological, and physical activity elements targeted at affecting a lifestyle change. Success is measured in terms of the proportion of the cohort that are prevented from developing Type 2 diabetes, as determined by periodic blood glucose tests, compared to a reference population which continues to receive the existing standard of care offered by their health-care providers. If successful, the Social Security system of Israel will repay the investors a pre-agreed amount for each success case generated.

MORE ABOUT THIS SIB IN ISRAEL
CASE STUDY  **KANGAROO MOTHER CARE (KMC) DIB (CAMEROON)**

Problem: Low birth weight (LBW) and preterm births are the leading causes of under-five child death worldwide. LBW and preterm infants also suffer from a high incidence of health complications, which have significant and long-lasting implications.

Solution: Kangaroo Mother Care (KMC) is a proven, cost-effective intervention for saving and improving LBW infant lives. KMC involves continuous skin-to-skin contact between caregivers and LBW infants and breastfeeding, and usually involves an earlier discharge of infants from hospital with regular check-ups.

DIB overview: It aims to improve health outcomes for over 2,000 LBW and preterm infants by expanding access to KMC into 10 hospitals across 5 regions in Cameroon. The outcomes funders of the $3 million DIB are the Cameroon Ministry of Public Health (via World Bank funding) and Nutrition International, the investor is Grand Challenges Canada, and the service provider is the Kangaroo Foundation Cameroon working in partnership with the hospitals. Social Finance UK and MaRS were co-advisors in the design and launch.

**HOW THIS DEAL HELPS US MOVE FROM INPUTS TO OUTCOMES, AND MANAGING OUTCOMES:**

It directly links investor returns to the percentage of infants who have reached their target weight at their follow-up appointment after their caregiver is trained in and can provide quality KMC to the infant. It also links investor returns to the number of infants receiving quality KMC until hospital discharge and the number of hospitals who meet the minimum quality checklist to administer KMC. This ensures a fair allocation of incentives and risks, especially in light of the local low resource setting.

The DIB provided a unique structure that enabled a route to scale and sustainability for KMC in Cameroon by providing upfront capital for the service rollout, and rigorous data-driven performance management focused on achieving outcomes. The long-term goal is to integrate KMC into Cameroon’s public healthcare system and ensure the intervention’s sustainability and expansion to other hospitals nationwide.
Despite the compelling rationale for the adoption of RBF, and the growing pool of projects launched in countries like France, Finland, India, Colombia and Argentina, widespread uptake has been relatively slow outside of the UK and USA. We have identified the following typical barriers to the adoption of RBF, and identified some first steps towards addressing them:

<table>
<thead>
<tr>
<th>Typical barriers / constraints</th>
<th>Enablers / options to address</th>
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<td>Lack of willingness of funders to commission on a results basis.</td>
<td>Funding enables the development of proof of concept and the building of an enabling ecosystem - however unlocking it typically requires addressing the barriers below.</td>
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<tr>
<td>Misaligned incentives and accountability structures among funding organisations.</td>
<td>Find senior champions in donor organisations, that can understand the challenge and push change down through organisations.</td>
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<tr>
<td>Institutional inertia and misaligned systems at funding organisations.</td>
<td>Draw on best practices from around the world and bring in expertise as needed to support first programmes. Increase efforts to standardise and simplify approaches to foster greater adoption.</td>
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<tr>
<td>Lack of technical capacity and understanding among key stakeholders / perception of over-complexity</td>
<td>Highlight the limitations of existing systems, to shift the burden of proof onto them rather than the RBF scheme.</td>
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<td>Lack of evidence and / or the business case for using RBF.</td>
<td>Careful design and mitigation strategies to address common issues including high transaction costs and perverse incentives.</td>
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<td>Issues inherent to the RBF mechanism.</td>
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<td>Uncertain or evolving operating environment (e.g., due to covid).</td>
<td>Include an initial evaluation on a grant or output basis, to develop local performance benchmarks.</td>
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<td>Lack of context-specific performance data to inform target setting.</td>
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4 Barriers and enablers to increase the adoption of RBF
1 Lack of willingness of funders to commission on a results basis

Funding - both outcomes funding and, for some instruments, investment funding - is an integral part of the RBF model. At present, there is a lack of dedicated outcomes funding in the wider ecosystem.

Recommendations

Governments and the donor community would benefit from a better understanding of the added value of RBF and from making more dedicated outcomes funding available.

Whilst certain variants of RBF are designed to crowd in private capital, further steps to bring private capital in across all instruments might ease the cost borne by the public sector.

Donors could explore the development of outcomes funds and investors the establishment of impact bond investment funds. This move would allow them to share risks and pilot a range of impact bond models.

Foundations could support parties through the early costs of piloting the mechanism by providing funds to catalyse the development of an impact bond / outcomes fund market.

It is important to seek out 'champions' in major funding organisations, who believe in RBF and who will push to unlock funding for it internally.

Many of the lessons of RBF can be applied to programming even if funding is unavailable. For example, it may be possible to shift the focus of a programme from outputs to outcomes, to measure the achievement of these outcomes, and to use these findings to make changes to the programme accordingly, without a pool of dedicated outcomes funding.

2 Misaligned incentives and accountability structures among funding organisations

Existing Government and donor institutions are not always organised to report on and be accountable for results. Most often, indicators are set based on activities implemented or outputs delivered, rather than outcomes achieved. On occasion, shifting from an inputs / outputs-focused incentive structure can add complications and lead to undesirable conclusions; for instance, a senior government official might prefer to report that 10,000 jobseekers received training than to report that only 2000 of them secured employment. Helping governments find an adequate public narrative about the merits of RBF is also important.

Recommendations

Incentives set during the design of an RBF mechanism should take into account existing incentive structures at the institutional and individual levels.

Establishing individual incentives that are aligned with the objectives of the programme can maximise its likelihood of success.

Investment in data systems and performance management systems as well as open data initiatives will generate an increased focus on outcomes and demand for RBF mechanisms.

The support of champions in government or donor organisations can play an important role in securing internal buy-in, reducing institutional resistance, and facilitating the process.
Given the newness of RBF, existing processes, systems, and ways of working are often not well suited to a paying for outcomes approach. Problems arising from this fact include limited programme replicability due to the differences between systems in each region/country, and problems securing funding for multi-year programmes due to annual budget cycles. Engaging with RBF mechanisms also requires being comfortable with the risk of non-disbursements, something that can prove problematic for Government agencies that need to execute their whole budget in order to avoid losing out on future budgetary allocations.

**RECOMMENDATIONS**

- Find a champion, willing to help push for the programme even in difficult circumstances. Working with government ‘top down and bottom up’ to make sure that the design and implementation process is supported at all levels in case of disruption.

- Flexibility in templating, contracts, etc. will allow RBF programmes to better adapt to initially unpromising circumstances. Over time templates will become more sophisticated and adapted to the unique needs of RBF programmes.

- The use of outcomes funds can lower transaction costs – e.g., by acting as a repository for expertise that can be applied over multiple programmes. They can also offer a solution to the issues of multi-year commitment (through advance funding) and non-disbursement (through recycling of unspent outcomes funding in following programmes) mentioned above.

- Ensure, as far as possible, that programmes are templated, streamlined, and made as simple as is possible within contextual constraints.

- Build up trust with stakeholders. Working closely with legal and procurement experts and engaging them in creative solution-finding is key.

It is vital that there is a capable team supporting the programme - ideally one with local expertise and an understanding of potential institutional obstacles.

**4 LACK OF TECHNICAL CAPACITY AND UNDERSTANDING AMONG KEY STAKEHOLDERS**

Many stakeholders feel that they lack the expertise to engage with RBF, especially those using it for the first time. Lack of experience may result in poor design choices, or the use of RBF in inappropriate contexts. These should be taken seriously as a suboptimal RBF design can create perverse incentives, which can be more detrimental than the status quo.

**RECOMMENDATIONS**

- Learn from others - for example through communities of practice or working with other expert intermediaries - ideally from the early stages of the programme scoping and design.

- Those who hold the expertise should proactively reach out and share learnings - e.g., working with stakeholders ‘top down and bottom up’.

- Simplify the RBF programme, for example through templating, producing a ‘guidebook’, or streamlining the programme itself (e.g., a full RCT may not be necessary in the evaluation stage).

- Bringing in private capital in the form of impact investors can add an additional element of rigour, accountability, expertise, and performance management to a programme.

RBF may never be a ‘simple’ process. RBF programmes require a large amount of work up front to design metrics, set targets, and ensure consensual decision-making amongst a large group of stakeholders.
5 LACK OF EVIDENCE AND / OR THE BUSINESS CASE FOR THE USE OF RBF

A lack of evidence for the effectiveness of RBF has often been credited as a significant barrier. Without an answer to the question of ‘Why RBF?’ many stakeholders are reluctant to engage. Lack of understanding can also lead to a polarization of the debate on outcomes funding, with opinions determined by ideology or politics rather than evidence. The lack of clear best practice further muddies the water.

RECOMMENDATIONS

PUBLIC OPINION AND DEBATES ON RBF MUST BE CONSIDERED WHEN DESIGNING PROGRAMMES FOR CERTAIN CONTEXTS.

EFFECTIVE M&E AND EVIDENCE SHARING PRACTICES ARE NEEDED TO ENLARGE THE EVIDENCE BASE AND EXPAND PUBLIC KNOWLEDGE OF RBF BEST PRACTICE.

IT IS VITAL THAT STAKEHOLDERS DESIGN AND LAUNCH PROGRAMMES, BOTH TO GENERATE EVIDENCE AND TO PROMOTE DEMONSTRATION EFFECTS.

HIGHLIGHT THE LIMITATIONS OF EXISTING SYSTEMS AND SHIFT THE BURDEN OF PROOF AWAY FROM RBF.

PUBLIC OPINION AND DEBATES ON RBF MUST BE CONSIDERED WHEN DESIGNING PROGRAMMES FOR CERTAIN CONTEXTS.

6 ISSUES INHERENT TO THE RBF MECHANISM

Whilst they offer numerous benefits, there are certain features inherent to the RBF mechanism which, if not correctly accounted for, may act as barriers to its wider implementation.

Certain forms of RBF - for example Impact Bonds - involve large numbers of stakeholders. Difficulties coordinating between stakeholders can delay the design phase, negatively affect the programme design, and endanger programme funding and implementation post launch. Even well-designed RBF programmes can experience problems of perverse or misaligned incentives due to their inherent complexity and the difficulty of building in safeguards against both intentional and unintentional misunderstandings and misinterpretations.

RECOMMENDATIONS

A CAREFUL DESIGN PROCESS, DRAWING ON BEST PRACTICE FROM ACROSS THE SECTOR, CAN OFTEN ANTICIPATE MANY PROBLEMS IN ADVANCE.

ENSURE THAT POTENTIAL SOURCES OF DISAGREEMENT ARE CONSIDERED AND ADDRESSED EARLY, AND THAT DISAGREEMENTS THAT CANNOT BE PREDICTED OR AVOIDED ARE EFFECTIVELY MEDIATED.

A CAPABLE TEAM AND A COMMITTED ‘CHAMPION’ CAN WORK TO ALIGN GROUPS WITH POTENTIALLY DISPARATE INTERESTS AROUND AN RBF PROGRAMME.

WORK TOWARDS SCALE UP THROUGH LARGER PROGRAMMES, FOR EXAMPLE, OUTCOMES FUNDS, TO KEEP THE RELATIVE IMPACT OF TRANSACTION COSTS LOW.

IT MUST BE KEPT IN MIND THAT COSTS WILL USUALLY BE HIGH FOR FIRST PROGRAMMES; HOWEVER, LEARNINGS FROM THESE CAN BE EFFECTIVELY DEPLOYED TO LOWER THE COSTS AND COMPLEXITY OF SUBSEQUENT LAUNCHES.

TAKE A THOUGHTFUL APPROACH TO OUTCOMES AND TARGET SETTING, IDEALLY THROUGH PARTICIPATORY PROCESSES; THIS CAN HELP TO MITIGATE THE PROBLEM OF PERVERSE INCENTIVES.
7 UNCERTAIN OR EVOLVING OPERATING ENVIRONMENT (E.G., DUE TO COVID)

The long lead time and complexity of RBF programmes may result in sudden changes ‘on the ground’ adversely affecting the programme – for example a pandemic, political change, and violent conflict.

To focus on covid specifically, the pandemic presents a number of challenges to the mainstreaming of RBF – including shrinking budgets, changing baselines, difficulties conducting evaluations, and prioritisation of ‘quick fixes’ and ‘safe options’ over innovative approaches.

RECOMMENDATION

INCORPORATE ADDITIONAL FLEXIBILITY MEASURES INTO THE PROGRAMME – E.G., A FLEXIBLE GOVERNANCE STRUCTURE, ‘HAZARD ENVELOPES’ OF ADDITIONAL FUNDING, OR CONTINGENCY PLANS INCLUDING ALTERNATIVE SETS OF METRICS, EVALUATIONS, OR TARGETS TO BE TRIGGERED IF THE SITUATION CALLS FOR IT.

SEEK OUT POTENTIAL SOURCES OF CONTINUITY – E.G., CONTACTS IN THE CIVIL SERVICE OR RESEARCH INSTITUTES CAN HELP TO ENSURE THAT THE RBF ECOSYSTEM IS PRESERVED IN CASE OF POLITICAL CHANGE.

RBF programmes can partly insulate themselves from political change, due to the multi-year commitments stakeholders are required to make from the outset of the programme.

8 LACK OF CONTEXT-SPECIFIC PERFORMANCE DATA TO IMPROVE TARGET SETTING

Lack of data, especially regarding expected performance and the cost of achieving results, can significantly hamper the design process.

RECOMMENDATIONS

PROMOTE THE PUBLICATION OF STANDARD CENTRAL GOVERNMENT RATE CARDS, TO PROVIDE USEFUL BENCHMARKS AND A REFERENCE FOR THE PRICING OF OUTCOMES TO LOCAL AUTHORITIES AND THE MARKET IN GENERAL.

COMPLEMENT THIS WITH LOCAL PERFORMANCE BENCHMARKS THROUGH AN INITIAL EVALUATION ON A GRANT OR OUTPUT BASIS.

START WITH WHAT IS AVAILABLE AND REFINE THE DESIGN OVER TIME. THE DATA COLLECTED OVER THE COURSE OF ONE PROGRAMME CAN FACILITATE THE DESIGN OF A SECOND, MORE SOPHISTICATED PROGRAM.

TO LEARN MORE WATCH GSG VIRTUAL IMPACT SUMMIT 2020 BREAKOUT 1A:
‘How to mainstream pay-for-success.’ AND ‘Workshop 2: Mainstreaming outcomes-based financing – matching instruments & issues Parts I & II’
CASE STUDY SPAINNAB’S EXPERIENCE ON BUILDING SUPPORT FOR RESULTS-BASED FINANCING THROUGH A TOP-DOWN AND BOTTOM-UP STRATEGY

At the end of 2019, SpainNAB partnered with COTEC – a prestigious Spanish foundation with a mission to foster innovation – in order to jointly propel social innovation in public policy through results-based financing, and more specifically through SIBs, which are part of SpainNAB’s agenda.

Despite several attempts over the past 3 years and strong interest from some of the large regional and local municipalities a SIB is yet to be launched in Spain. Some of the key barriers included a lack of technical knowledge and concerns from treasury departments about how SIBs could fit into existing public procurement regulations.

It was deemed highly relevant to contextualise SIBs within the Spanish ecosystem. With only a few exceptions, social service providers were excluded from the conversation when they should have been included, and SIBs were often perceived by the minority of public authorities and social service providers that had heard of them as an interesting but foreign tool.

To tackle these hurdles and push for the development of a market for SIBs, a taskforce was launched in January 2020 with participants from across the ecosystem and value chain. Its objective was to build a common view on what was needed to develop a robust SIB market based on the experience of other countries - mostly (but not exclusively) neighbouring France and Portugal, which have similar legacy systems, culture, and infrastructure. The taskforce identified four key issues: i) financing for widely scoped feasibility studies including legal and financial structuring, ii) the need for a co-creation space for a shared view of the problem and its solution, iii) capacity building on data collection and management for both public authorities and social service providers, and iv) the need for comprehensive multi-year evaluations.

The outcome of the taskforce is two knowledge products, which lay the ground for an informed dialogue with the government on the need to switch from ‘activities’ to ‘results’ in public service provision and offer some advice on how to do it.

The first product is a toolkit to develop SIBs in Spain, designed for commissioners but usable by any actor, which contains both a detailed legal analysis on how SIBs fit into the current regulatory framework and a case study of an outperforming intervention based on a public-private collaboration around a pay-for-results scheme.

The second product is a report with the taskforce’s legal and technical recommendations to develop the SIB market in Spain, including some regulatory changes and the creation of a co-creation pilot space linked to an Outcomes Fund.
Drawing on the perspectives of practitioners from around the world, we have collated the following advice and recommendations for NABs looking to increase the adoption of results-based financing (RBF) in their markets:

1. **BE CLEAR ON THE NEED FOR RBF AND THE PROBLEM IT IS SOLVING**, working backwards from the needs of the beneficiary, and selecting the right instrument (RBF or otherwise) for the problem at hand. It is critical to understand and articulate why you’re innovating in finance – i.e., demonstrating which challenges in funding systems are being addressed, how RBF can help address a complex social challenge in a more effective way, and what the overall impact on programme beneficiaries could be.

2. **SHIFT THE FOCUS BEYOND OUTPUTS TO OUTCOMES**, where possible, to incentivise localised problem solving and continuous adaptation, rather than cookie-cutter solutions. Outputs may be appropriate in many circumstances, but the further down the results chain you can attach funding (based on robustly verifiable and attributable measures), the greater the likely impact of the programme will be. The ultimate objective is to generate a ‘paradigm shift’ amongst all stakeholders, towards thinking in terms of impact and outcomes, and towards realigning old systems and ways of working accordingly.

3. **LEARN FROM THE BEST (AND WORST) PRACTICES FROM AROUND THE WORLD**, building on the programmes that have been tested and evaluated. Many of the challenges with outcomes contracts around the world have arisen from practitioners ‘reinventing the wheel’ of a complex instrument instead of building on established best practices. The UK for example has a well-established market for Outcomes Funds, with the UK government regularly using them to address a wide range of social issues. This includes standardised contract templates, an established set of best practices for procurement, and a ‘unit cost database’ of the cost to government of a wide range social problems that can inform pricing.

4. **BRING THE A TEAM** - RBF can be used well or badly, and the cost of mistakes can be high. Successful projects need specialist expertise and top talent to manage design complexities and challenges. Bringing in experienced intermediaries and other actors (e.g., donors or investors with experience of the relevant RBF instruments) can make life much easier when establishing programmes for the first time in a particular market.
FIND CHAMPIONS WITHIN GOVERNMENT AND DONOR ORGANISATIONS AT BOTH THE POLITICAL AND TECHNICAL LEVEL, that will unlock change and help push through the challenges that programmes will inevitably face. If Government is to take a lead in developing RBF programmes, they will need internal champions at multiple levels, especially at the most senior levels, that can push change down through Government systems. Champions at fundraising organisations can help mobilise support internally, and within the donor community, with the ultimate objective of directing funding and technical support towards RBF programming.

APPROACH ALL RBF TOOLS AND PROJECTS AS A PARTNERSHIP MODEL, NOT A FINANCIAL INSTRUMENT; this means involving all partners early and fostering a mutual spirit of collaboration and shared objectives.

RECOGNISE IT IS A JOURNEY, which will involve moving from pilots, individual transactions, and learning through demonstration projects, towards greater government involvement and large-scale adoption. Effective outcomes funding requires building government and provider capacity, shifting mindsets from inputs to outcomes, increasing the burden of evidence on what works, and developing new markets for investors and intermediaries.

Finally, the reasons it is hard are the reasons it is worth doing, RBF often exposes the core failings of existing delivery systems and addressing these can be challenging but ultimately transformative. We are all aware of the current problems with aid and philanthropy, and that too much money is spent on programmes that do not show results. We need to keep the long game in mind – that the system as a whole will be much more effective if we address these challenges head-on. We owe it to the 50% of the world’s youth who will not be learning by 2030, along with the other SDG imperatives, to do so.
Appendix 1

A Examples of RBF in NAB countries

SOUTH AFRICA
South Africa has seen the launch of two provincial-level Social Impact Bonds (SIBs), and there is an outcomes-based contract being considered at the national level.

FINLAND
There have been 7 Impact Bond projects running or in preparation as of 2018, including the largest SIB in Europe at €14.2m, related to refugee and immigrant integration (Koto-SIB).

PORTUGAL
Portugal has a €20m Outcomes Fund implemented by Portugal Innovação Social (PIS). Portugal has launched four pilot projects for SIBs, focusing on: the promotion of educational performance via computer programming lessons, preservation of children and youths at risk in a family environment, integration of unemployed youth in the work force, and integration of vulnerable youth.

FRANCE
In 2016, France called for outcomes contracts (contrats à impact social). Thirteen contracts were identified, of which one was launched in 2017 and four were expected to be signed by the end of 2018. The signed contracts focus on job creation and education, largely in rural areas. France has also recently launched an Outcomes Fund. The government has launched two new calls for proposals for “contrats à impact social” in September 2020 and November 2020, respectively on circular economy and equal economic opportunity.

CANADA
Canada has seen the development of several Impact Bonds, as well as a ‘Federal Impact and Innovation Unit’ designed to advise federal departments on outcomes-based approaches.

ITALY
In 2017, the Italian government announced a €25m Government Outcomes Fund designed to encourage the creation of SIBs and payment-by-results schemes at a local level in Italy. The Italian government aimed to deploy the fund over three years (€5m in 2018, €10m in 2019 and €10m in 2020).

AUSTRALIA
The New South Wales (NSW) government has created the Social and Affordable Housing Fund (SAHF), an Outcomes Fund designed to increase the supply of housing. It has been credited with attracting new lenders into the sector and generating private sector partnerships. Governments in NSW (out-of-home care), Victoria (housing), Queensland (re-offending, homelessness, and out-of-home care) & South Australia (homelessness) have commissioned SIBs.

UK
The UK, home of the first Social Impact Bonds, has seen 47 SIBs commissioned domestically out of 108 worldwide.

JAPAN
Japan has deployed 33 Results Based Finance (RBF) projects since the first Social Impact Bonds was launched in 2017. Out of 33 projects, 13 are Impact Bond projects. The Cabinet Office set up a taskforce to promote RBF in 2019, and more projects are currently in the design phase.

UNITED STATES
The USA has seen 21 SIBs commissioned in 12 states, with 60 further deals at various stages of development.
Appendix 1

B Further Reading

**SOCIAL FINANCE UK**

Database containing all Social Finance UK publications on SIBs (filter for ‘Social Impact Bonds’).
Social Finance’s SIB database.

**SOCIAL FINANCE US**

Definition of ‘pay-for-success’.
Pay for Success issue brief series: Explore.
Pay for Success issue brief series: Launch.
Pay for Success issue brief series: Manage.
List of Social Finance’s publications on Pay for Success (filter for ‘Pay for Success’).

**GPRBA**

A compilation of GPRBA’s publications, several of which touch on RBF (filter for key words and phrases - e.g., ‘Results Based Financing’).
An RBF database compiled by GPRBA, containing details on 300 projects across developing countries.
GPRBA’s guide to effective RBF.

**BROOKINGS**

Brooking’s existing work on Impact Bonds, including a monthly snapshot, research and reports, and blog posts.
Report containing evidence from Impact Bonds in developing countries, with suggestions on design and implementation and case studies.
The potential and limitations of SIBs.
Launching Impact Bonds in developing countries.
A policy brief which examines the impact of the coronavirus pandemic on social services that are funded through Impact Bonds.
Five policy briefs which evaluate the evidence to date on whether Impact Bonds have been a success.

**INSTIGLIO**

Instiglio has published a number of reports concerning RBF, many of which are listed under their ‘publications’ page.
The results from the ‘Educate Girls’ DIB in India (see the case study in Section 3).
THE GOVERNMENT OUTCOMES LAB

GoLab’s website hosts a number of primers on RBF instruments, numerous case studies, and a library of other RBF-focused publications.

An interactive Impact Bond lifecycle.

Review of evidence concerning the use of SIBs in the UK. It is suggested that SIBs can help overcome challenges in the public sector by encouraging collaboration and innovation, that there is a need for transparency across the sector, and that there should be more sharing of lessons learned.

List of UK Government Outcomes Funds for Impact Bonds, with a summary of each Impact Bond.

GoLab’s in-depth database of RBF case studies.

SAVE THE CHILDREN

Report on the use of DIBs in promoting maternal and child health. It covers the DIB mechanism and applicability to the health sector, maternal, new-born, and child survival DIB case studies, and recommendations/lessons learned.

FCDO UK

Compilation of the UK’s Foreign, Commonwealth, and Development Office’s reports on the programme to pilot DIBs.

PALLADION

Report on the Utkrish Impact Bond (supporting private healthcare facilities in Rajasthan to reduce infant and maternal mortality), with a list of key insights gleaned from the program.

NATIONAL AUDIT OFFICE UK

The UK’s NAO put together this report, designed to highlight lessons RBF in the UK public sector, the rationale for using RBF, challenges in implementation, and how programme effectiveness has been measured.

URBAN INSTITUTE

Observations from RBF experiences in both developing and developed countries, with case studies, a list of RBF instruments, and recommendations/best practice.
Recommendations on how to catalyse an impact investment ecosystem, with a country-by-country analysis of progress to date.

UNCDF

UNCDF’s learnings regarding the designing, piloting, scaling up, and implementing of performance-based transfers (referred to in the report as ‘Local Government Performance Based Grant Systems’).

THE WORLD BANK

Results-focused impact bonds can improve development outcomes by involving the private sector.

IDB


MAZE IMPACT

Report on the ‘Academia de Código Bootcamps’ SIB, a SIB designed to requalify unemployed individuals as computer programmers.

Report on the ‘Faz-te Forward’ SIB, promoting the insertion of NEET young adults into the labour market through skilling, coaching, and mentorship.

Report on the ‘Projeto Familia’ SIB, a SIB promoting the preservation of children and young people at risk of institutionalisation.

JAPAN SOCIAL INNOVATION AND INVESTMENT FOUNDATION (SIIF)


THE MINISTRY OF ECONOMIC AFFAIRS AND EMPLOYMENT OF FINLAND

Center of expertise for impact investing.

Issues to consider when planning outcomes contracting.

SIB projects.

IMPACT INVEST LAB

Details on the first French SIB - the ‘Adie SIB’.

FRENCH MINISTRY FOR EUROPE AND FOREIGN AFFAIRS

Study analysing 42 major innovative financing initiatives in health.

SPAIN

NAB

Toolkit for the development of social impact contracts (in Spanish).
Appendix 2

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(in alphabetical order)

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