Innovative Financing for Development: Impact Bonds

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March 2018

#impactbonds
1. The investor provides upfront capital to the service provider to deliver services to a population in need.

2. An independent evaluator verifies whether the service provider has achieved pre-agreed impact metrics.

3. The outcome funder repays the investor if the metrics are achieved.
108 IMPACT BONDS CONTRACTED GLOBALLY
SECTORS: IMPACT BONDS CONTRACTED GLOBALLY

- Employment: 39
- Social Welfare: 37
- Health: 14
- Criminal Justice: 9
- Education: 7
- Environment & Agriculture: 1
- Education: 1
- Employment: 1
IMPACT BONDS IN DESIGN: DEVELOPING COUNTRIES
AN EXAMPLE: THE UTKRISHT IMPACT BOND FOR MATERNAL AND NEWBORN HEALTH

Development Impact Bond Mechanism – Partnership structure

1. Investors fund working capital needs, estimated to be $3-4m

2. Delivery Organisations deliver the activities to enable facilities to apply for NABH/FOGSI certification standards

3. Mathematica verifies how many facilities have applied for NABH/FOGSI certification

4. Outcomes payments are made from a committed pot of up to $8m

Notes:
(1) National Accreditation Board for Hospitals and Healthcare Providers
(2) Federation of Obstetric and Gynaecological Societies of India
(3) $9m gross outcomes pot committed less $1m for non-discretionary DIB costs including independent assessor
# Multilaterals and Bilaterals

<table>
<thead>
<tr>
<th>Multilateral/Bilateral</th>
<th>SIB/DIB name</th>
<th>Role</th>
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<tbody>
<tr>
<td>DFID</td>
<td>ICRC Programme for Humanitarian Investment (PHII)</td>
<td>Outcome Funder</td>
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<td>Kenya and Uganda Graduation Model DIB</td>
<td>Outcome Funder</td>
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<td>Inter-American Development Bank</td>
<td>Brazil Secondary Education SIB</td>
<td>Investor</td>
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<td>Colombia Workforce SIB</td>
<td>Conduit of funds</td>
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<td>Mexico The Future in My Hands SIB</td>
<td>Investor</td>
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<td>Peru Climate-Smart Agriculture DIB</td>
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<td>USAID</td>
<td>Kenya and Uganda Graduation Model DIB</td>
<td>Outcome Funder</td>
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<td>India (Rajasthan) Maternal and Newborn Health DIB</td>
<td>Outcome Funder</td>
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<td>World Bank Group</td>
<td>Cameroon Kangaroo Mother Care DIB</td>
<td>Outcome Funder</td>
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<td>Palestine (West Bank and Gaza) Employment DIB</td>
<td>Outcome Funder</td>
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## FOREIGN GOVERNMENTS

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<tr>
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<tr>
<td>Government of Belgium</td>
<td>ICRC Programme for Humanitarian Investment (PHII)</td>
<td>Outcome Funder</td>
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<td>Government of Italy</td>
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<td>Government of Switzerland</td>
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<td>SECO (Swiss State Secretariat for Economic Affairs)</td>
<td>Colombia Workforce SIB</td>
<td>Outcome Funder</td>
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POTENTIAL AND LIMITATIONS
CROWD IN PRIVATE FUNDING

ACHIEVE SCALE

SUPPORT EXPERIMENTAL INTERVENTIONS

SUSTAIN IMPACT

LACKING EVIDENCE
Results so far: Measuring success
MEASURING SUCCESS: FIVE KEY QUESTIONS

1. Is there a demand for impact bonds/outcome based contracting?
2. Are impact bonds reaching the populations in need?
3. Are the contracts achieving outcomes?
4. Are impact bonds achieving something besides outcomes?
5. Are the deals efficient (ie cost-benefit analysis)?
CRITICAL CONSIDERATIONS FOR IMPACT BONDS IN DEVELOPING COUNTRY CONTEXTS

1. Is it the right tool?
2. Legal feasibility
3. Political feasibility
4. Outcome funder administrative capacity
5. Service provider capacity
6. Data availability
7. Presence of committed champions
Merci!

For more information on Brookings impact bonds research: www.brookings.edu/series/impact-bonds/

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