

# Social Impact Bonds in Latin America

## IDB Lab's Pioneering Work in the Region Lessons Learnt

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- Lessons Learnt -

Authors:  
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## Commissioner

IDB Lab is the innovation laboratory of the IDB Group. We mobilize financing, knowledge and connections to catalyze innovation for inclusion in Latin America and the Caribbean. We believe innovation is a powerful tool that can transform our region, providing today unprecedented opportunities to populations that are vulnerable due to economic, social, or environmental factors.

## Author

This study was commissioned to Ecorys by IDB Lab. The research was led by Alma Agusti Strid and James Ronicle, with valuable support and inputs from Erica Bertolotto, Sara Rizzo, Malika Shah and Beatriz Amaral. Ecorys is an international provider of research, consulting, program management and communications services.

## Disclaimer

The views and opinions expressed in this report are those of the authors and do not necessarily reflect the official policy or position of the IDB Group nor any of the organizations who participated in the study.

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# Executive Summary

This executive summary presents the findings of a study undertaken by Ecorys for IDB Lab to document lessons learnt from developing Social Impact Bonds (SIBs) in Latin America.

## Background

In recent years, Latin America has seen an increase in the use of pay for success mechanisms to fund social programs, including Development Impact Bonds (DIBs) and SIBs. The Government Outcomes Lab (GO Lab)<sup>1</sup> defines impact bonds, including SIBs, as ‘outcome-based contracts that incorporate the use of private financing from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer) and the investor is repaid only if these outcomes are achieved.’

In this context, IDB Lab established a SIB Facility in 2014 to increase the focus on outcomes in social programs and increase outcomes-based commissioning. When the Facility was set up, a core motivation was to develop innovations that could be rolled into public policy, with IDB Lab testing these innovations and the IDB public sector arm scaling them. The SIB Facility has resulted in IDB Lab providing support

to developing SIBs in Colombia, Argentina, Chile, Mexico and Brazil.

Although the driving motivation to adopt these SIBs varies from country to country, stakeholders involved in developing SIBs see them as a mechanism to catalyze change in how social policies are developed. These stakeholders aim to contribute to governments paying for results by increasing how public policies focus on results, shifting the focus from activities to outcomes and creating an environment to do things differently.

## Scope of the study

The aim of this study was to rigorously document the work of IDB Lab and its partners in Latin America and the Caribbean to introduce, design, implement, evaluate and learn from SIB mechanisms and to present lessons learnt, challenges, recommendations and trends regarding the work done to date by all actors. The study focuses on the experiences in five countries: Colombia, Argentina, Chile, Mexico and Brazil.

The study takes a retrospective view in examining what has been done and a prospective view in considering how challenges can be overcome and how lessons learnt could be applied at three levels:

- **Social program:** What was the ‘SIB effect’ on the interventions funded, i.e. how did the fact that these interventions were funded through a SIB affect their design, delivery and performance?

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<sup>1</sup> - The Government Outcomes Lab (GoLab) is an academic institution within Blavatnik School of Government at Oxford University that brings together academic institutions with governments and related organizations to enhance policy and practice towards better outcomes for people. More information available here: <https://golab.bsg.ox.ac.uk/>



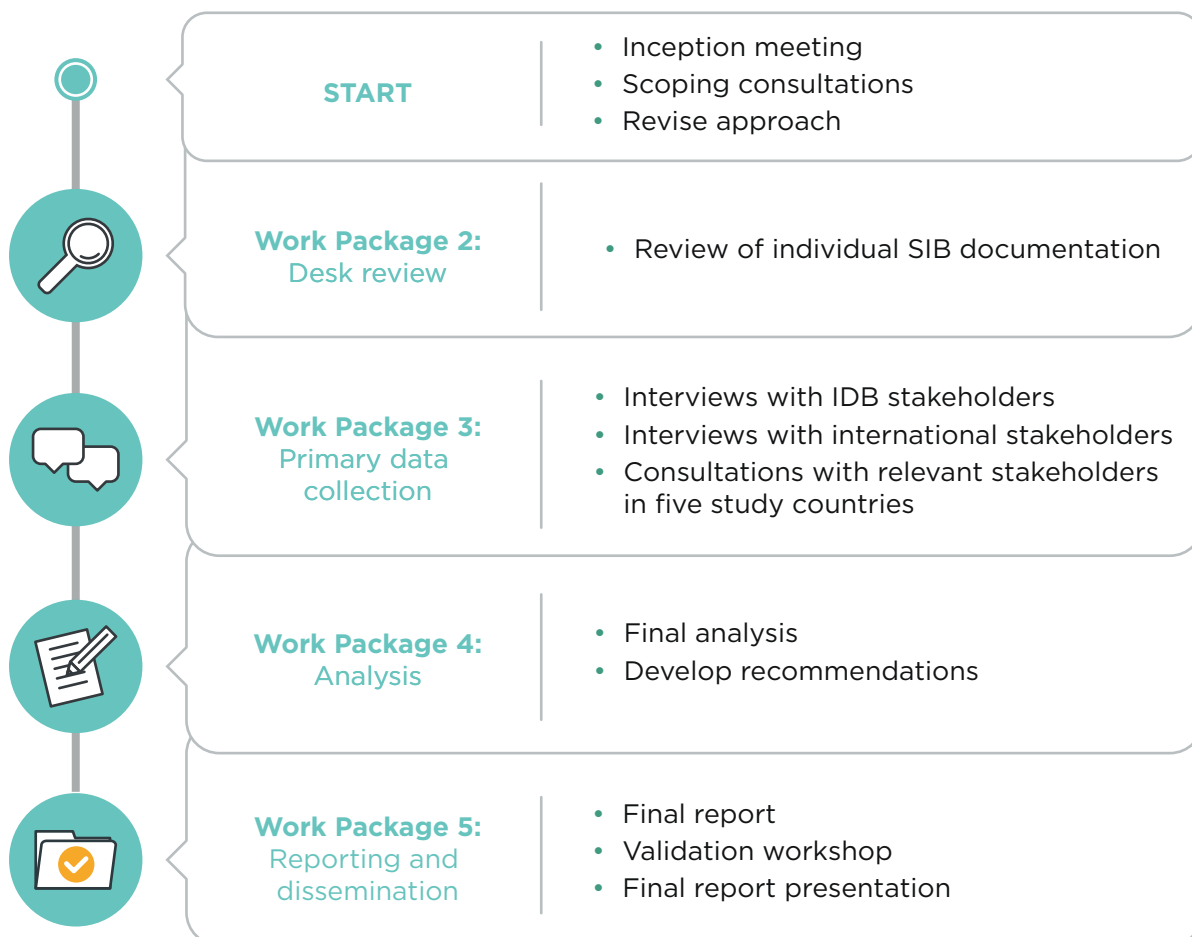
- **Latin America:** How has the SIB market infrastructure and knowledge base in Latin America changed since IDB Lab's work began with the SIB Facility? How does this compare across the different countries where IDB Lab was involved in developing the market? How sustainable is this impact? What else needs to be done to support the further adoption and scaling of SIBs?
- **IDB:** How did the activities undertaken by IDB Lab affect the SIB market infrastructure and knowledge base in Latin America?

## Methodology

Following inception, the study team conducted secondary data collection, which consisted of a document review of existing SIB-level documentation and the wider literature about SIBs in Latin America.

The primary data collection involved semi-structured telephone or in-person interviews with key stakeholders at the international level and in each of the five countries where SIBs were planned. Once we finalized data collection, we held a validation workshop with a select group of market actors working on SIBs in the region and IDB Lab to discuss high-level findings.

### Study Work Packages



We consulted a wide range of stakeholders including those involved in the SIB ecosystems in the study countries and stakeholders involved in delivering SIBs supported by IDB Lab, including foundations, investors, universities, policy-makers and service providers. We used a purposive sampling approach complemented by a snowball approach to ensure we interviewed a representative set of stakeholders and considered different stakeholder types, organizations and areas of expertise.<sup>2</sup>

## The social program

Three employment SIBs have launched in Latin America in recent years. Despite stakeholders involved in SIBs having multiple motivations to develop them, the ultimate aim is considered to be to use them as a catalyst for change to increase the focus of social policy and payments on outcomes. For most stakeholders, a driving motivation was to use a new mechanism for service delivery and test innovative solutions. As such, given that all SIBs were first-time SIBs, learning and testing the effectiveness of the mechanism was key.

In examining the effect that structuring interventions as SIBs has had on their design, delivery and performance, we focus on different initiatives in the five study countries. We can differentiate between SIB transactions (Argentina), a SIB program (Colombia and Chile) and market building activities linked to the structuring of specific SIB transactions (Mexico and Brazil):

- The SIB program in **Colombia**, SIBs. CO, was created in 2016 as a SIB program and consists of a number of SIBs to be implemented over five years to contribute to defining a model, as well as two additional components: market building and dissemination of learnings. The program is being supported by the State Secretariat for Economic Affairs of Switzerland (SECO), IDB Lab and Fundación Corona. To date, Colombia has executed one SIB and is executing a second employment SIB until December 2020 at national and municipal levels. It has also launched an employment Outcomes Fund<sup>3</sup> within the Department for Social Prosperity. The outcome payer for the first SIB (March 2017-December 2018) is the Department for National Prosperity and IDB Lab with SECO funding. The second SIB (February 2019-October 2020) has the municipality of Cali and IDB Lab with SECO funding as outcome funders.
- The SIB in **Argentina**, Proyecto tu Futuro, Employment for Vulnerable Young People in the South of the City of Buenos Aires, launched in October 2018 for 42 months (36 for disbursements and 42 for capital repayment). It aims to provide access to formal employment to young people aged 17-24 from poor neighborhoods in the south of Buenos Aires, and to ensure they remain in employment. The SIB also aims to address the prejudice many employers have against hiring this demographic. The City of Buenos Aires (CABA) is the sole outcome payer for this SIB.

<sup>2</sup> - A purposive sample is a form of non-probability sampling in which decisions concerning the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which may include specialist knowledge of the research issue, or capacity and willingness to participate in the research. A snowball approach is when the researcher identified additional people or organizations to include in the sample by asking those who were in the initial sample.

<sup>3</sup> - Outcome funds pool capital from one or more funders to pay for a set of pre-defined outcomes. Outcome funds allow the commissioning of multiple impact bonds under one structure. Payments from the outcomes fund only occur if specific criteria agreed ex-ante by the funders are met.

- In **Chile**, the Ministry of Science, the Ministry of Social Development and Family, and IDB Lab, with the technical support of the Fundación San Carlos de Maipo, started working on the design of the first Social Impact Contract of the Government of Chile in 2018. The initiative aims to launch three SIBs in different policy areas: recidivism, homelessness, and youth transitions. At the time of writing the report, IDB Lab was providing financial support for the design of the SIBs and market building activities.

The SIBs that were developed in Brazil and in Mexico did not reach execution as they were canceled before launching:

- The SIB in which IDB Lab participated in **Mexico** consisted of a single SIB transaction in Jalisco: El Futuro en mis Manos (The Future in my Hands). This was designed to support vulnerable female heads of household and aimed to deliver an intensive, holistic intervention lasting up to 18 months, including financial education, savings promotion, business development services, mentoring, soft skills, and transfer of productive assets. IDB Lab worked as an intermediary in the structuring phase of the SIB, coordinating the stakeholders involved and providing financing for the design of the SIB as a way to build the market for SIBs in Mexico. Multiple reasons contributed to the SIB not launching, with the final reason being a change in the state government. The outcome payer would have been the state government of Jalisco.
- In **Brazil**, there have been two attempts at developing SIBs to date: one education SIB in the State of São Paulo and one health SIB in the State of Ceará.

Neither has made it past the design stage. IDB Lab was involved in developing the education SIB in São Paulo, which was canceled because of limited buy-in from education unions and changes in government.

## The SIB effect

One of the key questions for SIB stakeholders is whether SIBs are worth funding. Research shows that impact bonds have the potential to overcome perennial challenges in government, such as the fragmentation of public services, a short-term political and financial focus, and difficulty creating change. Impact bonds may help to reform the public sector by facilitating collaboration, prevention, and innovation. For IDB Lab, the aim when promoting and pioneering the use of impact bonds was to ensure that government pays for results, using public resources more effectively. However, they can also be complex and expensive to design and deliver because they bring together different stakeholders with different incentives and bring in different technical aspects (e.g. results measurement and pricing of outcomes) that can be new to those involved.

In order to ensure that SIBs contribute to ensuring that governments use public resources more efficiently while paying for results, we examine the ways in which the impact bond mechanism has affected the design, set-up and implementation of interventions and whether these have contributed to achieving the wider objective of catalyzing change so that governments pay for success. In doing this, the aim is to assess whether the way the services are contracted (the SIB structure) contributes to better social outcomes.

To provide a framework for understanding how the SIB has affected the design, set-up and implementation of interventions, we have focused on six 'SIB effects'. The following six effects are based on the anticipated SIB effects set out in previous literature and through consultations with the stakeholders involved in the SIBs in Colombia, Argentina and Chile.

- **Risk sharing so that governments only pay for success and small service providers can be involved in contracts:**

The SIB is expected to reduce the financial risk for outcome funders and service providers by sharing this with investors. In Colombia and Argentina, we found that the philanthropic nature of some of the investors resulted in them having a larger risk appetite than mainstream investors, making the risk of the SIB model acceptable. We observed new service providers entering the Payment by Results (PbR) space in Colombia and Argentina due to the upfront funding that the SIB provides compared to a PbR instrument and the shared risk between service providers, investors and outcome funders.

- **Crowding in private funding:** SIBs are seen as an opportunity to attract private investment into public services, increasing the expenditure on social support. We have found mixed evidence in terms of whether SIBs enable the crowding in of additional private funding. We found that all SIBs have crowded in some financing that would not have gone to social programs otherwise. In Colombia and Argentina, most of the investors were philanthropic, but some were using funding from their endowment to finance the SIB, rather than from their grants funding, meaning this

was additional money that would not have been spent on social programs without the SIB.

- **Greater collaboration:** The design and execution of a SIB involves many stakeholders including government, investors, donors, advisors and delivery partners, and is a positive element of a SIB intervention as it increases the share and skills of stakeholders working towards resolving social issues. Many of the stakeholders involved in the SIB initiatives in all five study countries claimed that the incentives to work collaboratively that emerge from SIBs were a key advantage of the model. We found that in countries like Colombia or Chile, where the SIB initiatives were launched either as a multi-SIB approach or a SIB program, the greater collaboration had a more stable structure that enabled more formalized and sustainable learning.

- **Innovation:** SIBs are seen to foster innovation because the 'only pay for success' aspect makes outcome payers more comfortable with funding riskier, and more innovative, interventions. We found two different approaches in developing new SIBs: SIBs with interventions already paid for by the government to the private sector (e.g. employability programs in Colombia) and ones where government would be funding a new type of service (e.g. female economic empowerment in Mexico or youth transitions in Chile). While new services have more innovation, they are challenging to develop for the first time, therefore in this pilot we generally saw that the more innovative projects did not launch. Although the SIBs that did launch were not funding

entirely innovative services, the SIB structure did encourage innovation; the focus on outcomes incentivized service providers to innovate to improve service delivery.

- **Effective service delivery:** The attachment of payments to outcomes is expected to incentivize both outcome funders and service providers to ensure outcomes are clearly defined and robustly measured compared to other interventions where payments are not linked to the success of the program. We found that in all three study countries that have SIB transactions, there was significant evidence that the SIB had incentivized a more careful and rigorous design of the intervention with first-time focus on outcomes, improved performance management, and improved transparency. This is evident in the technical designs of the SIBs that carefully design the target group, outcome metrics, outcome payments and interventions. In terms of improved transparency, we observed increased clarity and objectivity in how outcomes are measured and reported on in all countries, but there is space for more transparency and knowledge sharing outside of the different SIB coalitions.
- **Complexity and cost of set-up:** Impact bonds are often considered complex and costly to design and execute. They require a high level of commitment and capacity from the stakeholders involved but are often **small contracts** in which it is difficult to justify the resources needed. We found supporting evidence in all our case studies that SIBs can be complex and costly to

design and execute and identified key factors that can make SIBs even more complex. This is perhaps not surprising, given that these were new pilots and it is typically costly to set up the first impact bonds to be launched in a country. The complexity and costs are often considered value for money by those incurring the cost, provided the impact bond achieves results and the learnings from it can be applied to other programs. However, it is still early to draw any conclusions for the SIB initiatives analyzed in this study.

We found that, overall, the SIBs in our study countries were well designed SIBs in terms of cohort definition, outcome selection, validation, and pricing to incentivize the right behaviors. There had also been thorough consideration of the advantages and disadvantages of the model.

If we consider the motivations that drive stakeholders to utilize SIBs, it is still too early to say whether these SIBs have acted as catalysts for change. There was limited evidence across the study countries of SIBs influencing how other programs are delivered or increasing a focus on outcomes in wider policy-making. The clearest example of progress being achieved in ensuring that governments pay for success is Colombia, where these efforts have resulted in inclusion of SIBs and Outcome Funds in the National Development Plan and the creation of an Outcomes Fund embedded within government institutions. In the other study countries, it is still too early to say, with only one closed SIB. More evidence of the learning and results of SIBs in different policy areas is needed to show whether this wider objective has been achieved.

## Lessons learnt from developing first-time SIBs

1. **Having a shared understanding of SIBs as an innovation, how to design the SIB and the need for the intervention within the SIB coalition is essential to the SIB's success.** The social motivation of philanthropic investors in early SIBs makes it easier to develop them as it ensures a stronger shared understanding and an agreement of the need to make compromises. We found that this shared understanding and clarity around the rationale for doing a SIB was achieved in Colombia, Argentina and Chile.
2. **Strategic agreement of the desirability of using a SIB to structure the intervention and a clear drive and commitment to launch the SIB is essential to see the SIB through to execution.** Commitment to seeing the SIB through in a timely manner and understanding the trade-offs in the design phase is essential from all stakeholders, but particularly important from government stakeholders given the challenges related to electoral cycles. In Colombia, doing consecutive SIBs contributed to mitigating this trade-off. For this, it is essential to have government buy-in and champions within government institutions. While these champions might change, it is important to also have more stable external stakeholders.
3. **SIBs must have clear overall objectives, capable of being translated into a defined set of measurable outcomes and a clearly identifiable cohort/population.** First-time SIBs need to be robust enough to provide demonstration effects of the potential of the mechanism, but they do not need to be perfect. Ensuring there is sufficient data to design and evaluate the SIB is important. Focusing on tested interventions in first-time SIBs, such as in the area of employment, is helpful in providing evidence of the effectiveness of the intervention. It also prevents the SIB design from becoming overly complicated and requiring a rigorous evaluation to test whether the funded intervention works. At this stage, evaluations should focus on understanding how the SIB mechanism works and whether it is suitable for a given intervention.
4. **The first set of SIBs launched in a country should have a strong learning component to help test the mechanism and build the capacity of those involved.** Developing a program of multiple SIBs is a good way to ensure learning takes place and capacity is built, as long as these are developed sequentially and there are opportunities to apply learning from one SIB to the other. Developing more than one SIB in the same policy area can help reduce the transaction costs of second and third-time SIBs. Multiple SIBs in different policy areas contribute to building capacity of government stakeholders and service providers by involving a wider range of stakeholders.

### The SIB market: Government demand and market capacity to develop SIBs

In recent years, Latin America has seen an increase in the use of pay for success mechanisms to fund social programs, including DIBs<sup>4</sup> and SIBs. Three SIBs, two DIBs and one Outcomes Fund have launched to date in Colombia, Argentina, Chile and Peru, and Chile and Mexico are currently working on

developing three and one additional SIBs, respectively.

However, the SIB market is very nascent in the region. The stakeholders consulted in this study reported that there is an increased **demand for SIBs from government stakeholders**, although it is still early to say. Several of the stakeholders reported that the SIB mechanism has potential to be transformational, but are still waiting for the results and evaluations of the first-time SIBs that have launched to date. As such, there is still a need to raise awareness of the value of the SIB mechanism and build the capacity of stakeholders in the region to continue testing the mechanism.

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4 - The key difference between a Development Impact Bond and a Social Impact Bond is the outcomes payer. In a SIB, the outcomes payer is the government in the country where the SIB is operating. In a DIB, outcome payments are provided by a donor agency, multilateral organization, or foundation.



There is considerable capacity from the **investor** side if the risk appetite is read correctly according to the stakeholders consulted for this research. Some stakeholders cited the capacity of **service providers** as an important challenge to the growth of the SIB market in some policy areas, as well as the lack of a supportive regulatory framework to make it easier for SIBs to launch.

Overall, we believe the SIB market in Latin America is being built. We see **interest in developing SIBs in different** countries in the region in new policy areas with new stakeholders beyond the initiatives in this study. The ecosystem for SIBs is being developed and there is interest in establishing the mechanism. We found that **market building activities** vary depending on what phase the SIB market is in. When developing first-time SIBs, the focus has been on building the market through the transactions and building the capacity of the stakeholders involved. SIB initiatives in Colombia and Chile have explicit market building objectives and specific budget lines attached to this objective funded by IDB Lab (and SECO, in the case of Colombia). However, stakeholders in both countries highlighted the challenge of focusing on market building activities while launching and executing SIBs.

To date, market building activities have been effective in testing the instrument, developing first-time SIBs and growing demand from public and private stakeholders. However, in order for the SIB mechanism to mature, continued support for market

building will be critical over the next three to five years to ensure nascent capacities become sustainable and to ensure growing demand for SIBs can be responded to. With Colombia and Argentina having executed SIBs and starting to show the potential for more effective public spending, there is an opportunity for wider market building activities beyond SIB transactions to further develop the ecosystem by sharing expertise to consolidate these efforts and strengthen the outreach and knowledge sharing with new stakeholders.

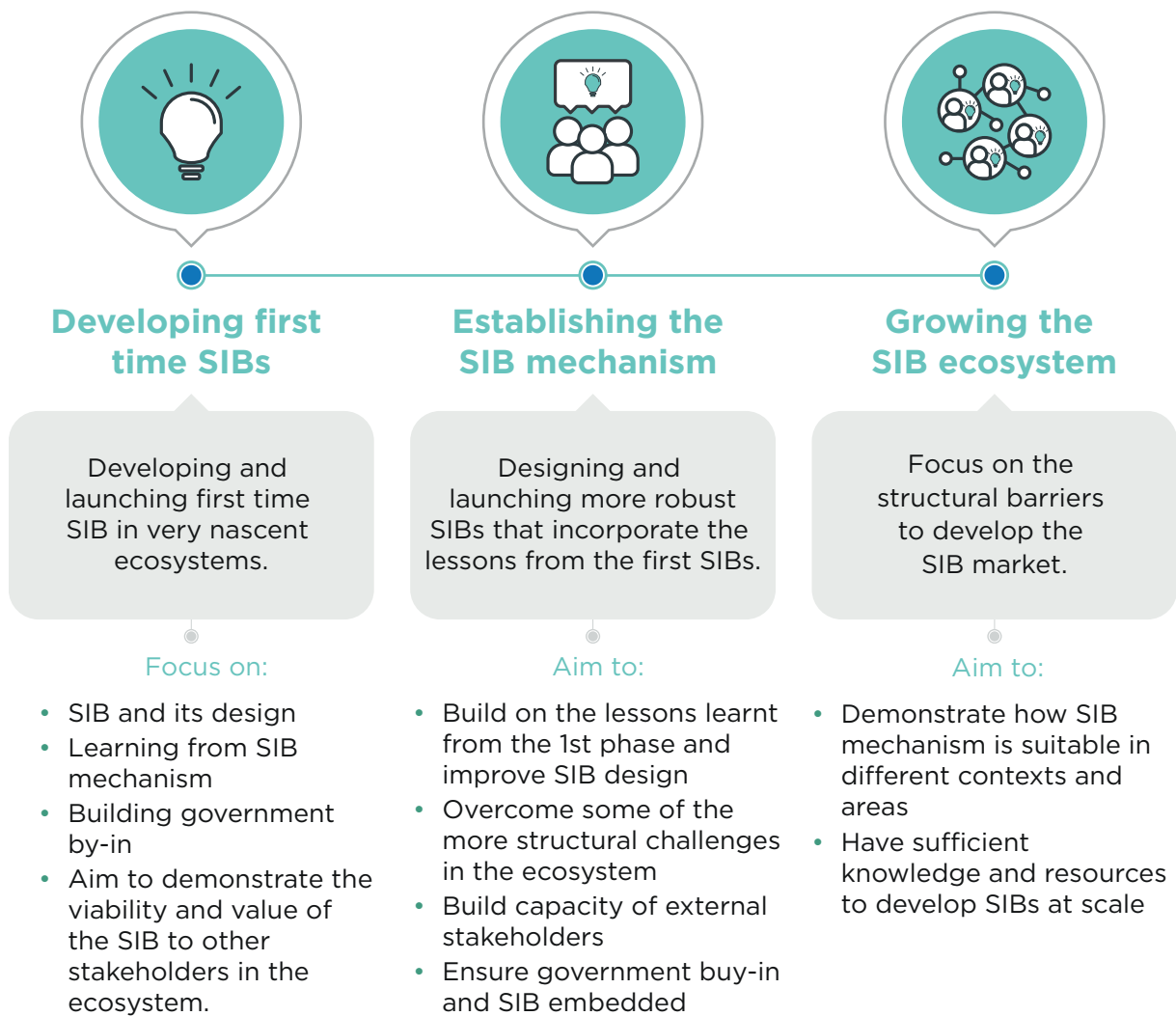
### SIB market development and enabling factors: The DREAM factors

When looking at what factors affect the **ability to develop the SIB market**, we identify **five broad categories – DREAM**:

1. **D**emand from government
2. **R**egulatory framework
3. **E**conomic and political context
4. **A**vailability of data
5. **M**arket capacity

In our analysis, we examine which of these factors are essential to each phase of the SIB market development based on our findings from the five country case studies. We aim to provide an analysis framework that is applicable to other contexts and provides useful insights into which factors may affect the possibility of developing SIBs. The table below provides an overview of how essential these factors are to each phase.

## Phases of SIB market development



We found that **systemic barriers can be overcome** in the development of the first set of SIBs in a country ('first-time SIBs'), if there is sufficient **stakeholder commitment and capacity**, sufficient government demand and willingness by the govern-

ment to be **flexible**. However, as the SIB market grows, data availability, political and economic context and a supportive regulatory environment **become increasingly important**.



## Enabling factors to SIB market development

Enabling factors	Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Demand from government	●	●	●
Regulatory framework	●	●	●
Economic and political context	●	●	●
Availability of data	●	●	●
Market capacity	●	●	●

Key: ● Essential; ● Good to have

## Lessons learnt from developing the SIB market

We have already explored some of the lessons from developing the first set of SIBs in a country in terms of their technical design, such as the need for clear outcomes, collective leadership, and shared understanding. In addition to these aspects, we have identified other lessons relevant to growing the SIB ecosystem, as detailed below.

### Developing first-time SIBs

- 1. It is important to take a demand-driven approach in engaging with government stakeholders, as demand can make it easier to get committed stakeholders.** Having a good mix of stakeholders around the table that are influential and have good existing relationships with government institutions makes a difference when fostering demand. The degree of buy-in needed when developing impact bonds will depend on the objective of developing the SIB. If the objective is to ultimate-

ly ensure that governments pay for results and use public resources more effectively, it is important to have demand from government. A key learning is that it is important to introduce the concept and continue engaging with relevant stakeholders if the concept does not 'stick' immediately.

- 2. Launching SIBs as a program of multiple sequential SIBs can speed up their launch and contribute to structured learning and stronger demonstration effects – a key lesson from the SIB initiative in Colombia, where multiple SIBs were implemented in one policy area.** Developing SIBs in the same policy area provides opportunities to learn between SIBs and lower transaction costs of the SIB design and contracting. Transaction costs are lowered the most when different SIBs engage the same government stakeholders as the Outcomes Fund.
- 3. When developing first-time SIBs, launching and executing them is considered to be the most effective way**

**to contribute to market building.** If learning is prioritized within the SIB transactions, the capacity of the stakeholders can be built to enable these stakeholders to get involved in future transactions. Outside of the transactions, developing SIBs is considered a key way of demonstrating their effectiveness, increasing demand and promoting learning that can then be applied to other transactions in different geographical or policy areas.

4. **Government buy-in both at central level and within departments/municipalities where SIBs are operating contributes to securing SIBs as a mechanism and overcoming structural barriers.** In cases where demand comes from the state or municipal level, it is important to have government champions in central government that can help push the agenda forward and overcome regulatory barriers.
5. **Including SIBs and PbR in national development plans and government plans is a key enabler in growing demand and overcoming legal and regulatory barriers.** Achieving this requires an overt and significant effort in advocacy and public policy, as well as a clear strategy to involve relevant stakeholders from the beginning.
6. **It is important to understand the capacity of investors, service providers and intermediaries before starting the SIB design.** Often this is not possible until launch, but market research and rigorous feasibility studies or consultative processes can contribute to providing a better picture of the state of the market. Doing a SIB as a minimum

viable product can also contribute to this. However, this may prove time consuming and should be balanced with the need for timely development. When the market is nascent and there is not sufficient capacity, the market may not be developed enough for an open tender process. When this is the case, it is essential to work with a coalition of like-minded, purpose-driven organizations to test the mechanism.

7. **Government changes can affect the window to develop and launch SIBs.** A key lesson relevant to developing SIBs in Latin America is the impact that the electoral cycle has on the buy-in of SIBs and the risk of these SIBs being canceled when elections take place and buy-in is lost. Wherever possible, stakeholders should aim to design and launch a SIB within one electoral cycle, avoid delays as much as possible to reduce the likelihood of staff turnover, and understand it may be necessary to make certain compromises on the SIB design to ensure it can be launched in a timely way. When possible, it is important, to work with new government teams before changes in government to smooth transitions. Multi-year budget commitments can also contribute to maintaining government commitments after changes in government.
8. **In contexts where macroeconomic conditions have an impact on the SIB execution, it is important to consider these in the SIB design.** In Argentina, inflation risks were integrated into design by adjusting the price of outcome payments according to a specific index to help account for changes in inflation rates.

9. **Donor funding and philanthropic investment can be very helpful in the short term to overcome structural barriers to country-level funding and to make the SIB intervention attractive.**

## Establishing the SIB mechanism

1. **Stakeholders involved in developing SIBs should think about who is learning from the development of each SIB within the SIB coalition.** They should ensure that learning is embedded within government structures and disseminated outside of the individuals involved in SIBs to further grow demand and capacity. Within SIB coalitions, it is important to consider who will manage the knowledge from developing SIBs and who is best placed to do so, and to maximize opportunities for learning.
2. **Stakeholders should consider the role that they want to play in the ecosystem and whether they are well suited to it.** This is challenging in the first phase, when the ecosystem is nascent, but needs to be considered alongside the need to develop a broader, more competitive and more dynamic ecosystem. When first-time SIBs were developed, ecosystems were very nascent and there was limited capacity for organizations to consider what role they wanted to play. As a result, some organizations took up multiple roles. Going forward, the risk of potential conflicts of interest should be considered alongside the need to develop a broader and more competitive and dynamic ecosystem.
3. **Data availability should be explored to identify gaps and existing data should**

**be utilized to contribute to rigorous design and simplify and reduce transaction costs.** In countries where there is limited administrative data available to help design SIBs and validate their results, SIBs have had to contribute to this gap by gathering significant data themselves. Stakeholders in Chile highlighted the need for a constant commitment from the technical lead to obtain relevant data.

4. **To establish the SIB mechanism, SIB coalitions should start working on the regulatory barriers that inhibit the development of SIBs, in order to identify gaps and necessary changes.** Legal counsel is key in the design, but also for answering legal questions that come up during implementation. Moreover, government commitment to validation, information sharing and payment is also essential to deliver SIBs to plan.

## Growing the SIB market

1. **Developing and strengthening the technical capacities of the government and other market players will enable progress towards incorporating results-based financing schemes in public policy.** It is expected that as the impact bond market develops and government stakeholders gain more experience in the implementation of these projects, they may also focus on capacity building of other market players. Within government, in order to grow the SIB market, an increased focus on outcomes in public policy and a better understanding of the technical requirements to monitor these outcomes are necessary. However, knowl-

edge management within government is a key challenge to growing the SIB market in Latin America, given the high turnover of public officials, and will need addressing in due course.

**2. Administrative social and economic data standards and sharing mechanisms need to be strengthened to design and evaluate SIBs to scale across policy areas.**

We found that in most cases, the way the data is gathered, the information it provides, how often it is collected and who has access to it can pose challenges in ensuring that the data can be used in the SIB design and evaluation. For the market to grow, data standards must improve consistently across policy areas. Embedding SIBs within government structures is essential for making this possible.

**3. Regulatory changes that allow government departments to pay for outcomes and commit funds to multi-year SIBs are needed for the sustainability and scale-up of SIBs and to ensure SIBs can be long enough to enable innovation and learning.**

Different countries face different challenges and each country will need to develop a strategy on what regulatory changes are needed and whether these are feasible. For example, establishing mechanisms to pay for multi-year projects and reallocating resources between budgetary periods (i.e. from one year to another) will facilitate the development of longer-term SIBs that promote greater learning and innovations. Outcomes Funds, such as in Colombia, appear to be a promising mechanism to overcome some of these challenges and reduce transaction costs.

## The role IDB Lab has played

In pioneering SIBs in Latin America, IDB Lab has adopted a **flexible role** when developing SIBs and aimed to fill the gaps in each context based on the existing demand and supply factors. As such, the approach taken in each of the study countries has varied.

Stakeholders across the five study countries found that IDB Lab was well placed to take on a **facilitation role**, given its convening power with government and wider stakeholders. Stakeholders argued that the involvement of the IDB was a '**seal of approval**' both for government stakeholders and for the private sector. In addition to this, government stakeholders also highlighted that IDB Lab's involvement ensured that the right technical support was provided to develop the SIB in the design phase.

Moreover, we have seen increased **levels of cooperation** between the IDB and IDB Lab in some of the study countries, which has contributed to strengthening the technical expertise provided in the design of SIB interventions in various policy areas. The IDB Group should continue to capitalize on this internal technical expertise and widen opportunities for collaboration.

The level of engagement from IDB Lab varies greatly between countries, given its flexibility. In countries where there was a clear demand to develop SIBs from government stakeholders and sufficient capacity from the government to lead the initiative, IDB Lab has taken on a more complementary role of **facilitation and support**. Conversely, in countries like Colombia and Mexico, IDB Lab played a more

active role in the **coordination** of the SIB initiative.

In terms of the **results generated** from IDB Lab's activities, we found that IDB Lab's **financial contribution to the technical design of SIBs has been instrumental** in their launch, but not always sufficient, as other factors have acted as barriers to a successful launch. We also found that a flexible approach is **not a substitute for sufficient capacity** within the market. It can pose challenges in terms of IDB Lab taking on too many conflicting roles when developing the ecosystem and then working on specific transactions, such as in Argentina and Mexico. Although this is common when growing the market in nascent ecosystems, it will require further consideration going forward.

To conclude, after six years of work in pioneering SIBs, the stakeholders consulted agreed that IDB Lab should consider where the ecosystem is now and what it needs going forward. At this initial stage where only one SIB has closed in Latin America, overall, stakeholders agreed that IDB Lab's role in developing SIBs and the ecosystem has been most effective in Colombia, where it has taken **a longer-term and programmatic approach**, rather than focusing on single transactions. As other SIBs close, this may change over time and monitoring will be important.

## Conclusions

- SIBs are a **viable product** in Latin America to contribute to governments paying for success and using resources more effectively. They can be launched and operate in a Latin American con-

text, and they can **provide the benefits seen elsewhere**.

- » However, the SIB does not always slot neatly into the Latin American **regulatory frameworks or political cycles**. It has been possible because of the **perseverance of a dedicated set of actors**, but this is not sustainable if they are to be scaled.
- » The shift to **Outcomes Funds** is a promising development that has potential to overcome the main barriers to launching SIBs in Latin America – namely the regulatory barriers and high set-up costs – as well as contributing to embedding learning in government institutions to support increased demand for SIBs, scale-up strategies and mainstream outcome-based financing.
- Existing SIBs are driving accountability and performance management within the initiatives funded through the SIB mechanism, but we found limited evidence that this shift towards accountability and outcomes measurement is scaling beyond the individual SIBs, thus the ultimate aim of **culture change** has not yet been achieved. Most progress has been made in Colombia where, through the Outcomes Fund, the government is starting to pay for results, a dedicated team, verification and evaluation. However, it may be that it is too early to expect such changes to occur more widely, and these may materialize at a later point. It is worth considering a combined approach with other larger-scale mechanisms that can operate at a systems level to **achieve large-scale government culture change**. These

may include loans to scale and diversify Outcome Funds or large-scale, performance-based loans with sovereign guarantees, as already being provided by the IDB. The former would continue to take a bottom-up approach like impact bonds, focusing on how service providers shift their focus to outcomes. The latter would provide a top-down approach incentivizing governments to focus on outcomes, which could then cascade down to service delivery.

- Building the **SIB ecosystem** has been possible and has been achieved, even if it is in its more **nascent stages** in certain

countries. We have learnt that there are **multiple phases to growing the SIB ecosystem** – from developing first-time SIBs, through to establishing the SIB mechanism and finally to growing the SIB ecosystem. We have also learnt that there are five key **'DREAM' enablers** that support this growth: demand from government; regulatory framework; economic and political context; availability of data; and market capacity. However, there is still a long way to go for SIBs to achieve their higher-order objective of ensuring governments pay for results and use public resources more effectively.

## Section 1

# Introduction

The aim of this study is to rigorously document the work of IDB Lab and its partners in Latin America and the Caribbean to introduce, design, implement, evaluate and learn from Social Impact Bonds (SIBs) mechanisms and to present lessons learnt, challenges, recommendations and trends regarding the best way to work on these topics in the future.

The study focuses on the experiences in five countries: Colombia, Argentina, Chile, Mexico and Brazil. At the time of the research (January to June 2020), the first three countries had either succeeded in launching SIBs or had approved SIB programs; the latter two had not launched any SIBs to date but had attempted different initiatives and are part of the ecosystem that is being fostered in Latin America.

To extract the lessons from these experiences, we have taken a two-fold approach:

- First, we have taken a retrospective view and provided an overview of what has been done to date. This includes an analysis of the SIBs that have launched in Colombia, Argentina and Chile, the role IDB Lab and others have played in them, as well as the market building activities that were still taking place in those countries and in the rest of the region. We have also looked at the unlaunched SIBs in Mexico and Brazil in which IDB Lab and others were involved, in order to get a better understanding of how the ecosystem has evolved.
- Secondly, we have taken a prospective view in understanding the direction of the ecosystem for SIBs in Latin America. The lessons extracted from designing and implementing SIBs and building the market for them should be useful for other stakeholders involved in the ecosystem working on impact bonds going forward.

## Background: SIBs in Latin America

### What are impact bonds?

A SIB is a type of Payment by Results (PbR) contract, also known as pay for success and pay for outcomes. Like other types of PbR, an outcomes payer (usually one or more public sector bodies) agrees to pay for outcomes delivered by service providers, and unless those outcomes are achieved, the outcomes payer does not pay.

Where a SIB differs from a PbR contract is that the providers in the SIB model do not use their own money to fund their services until they get paid – instead, money is raised from ‘social investors’ who receive a return if the outcomes are achieved.

There is no generally accepted definition of a SIB beyond the minimum requirements that it should involve payment for outcomes and any investment required should be raised from social investors. The Government Outcomes Lab (GO Lab) defines impact bonds, including SIBs, as follows:



*'Impact bonds are outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer) and the investor is repaid only if these outcomes are achieved.'*<sup>5</sup>

In low- and middle-income countries, a new type of impact bond has emerged: **Development Impact Bonds** (DIBs). The difference between SIBs and DIBs lies in who pays for the outcomes; in a SIB, the outcome payer is the government, whilst in a DIB the outcome payer may be a donor, such as a bilateral cooperation agency or multilateral aid agency, or philanthropic funding. In this report, we also discuss the existence of **hybrid** types, where outcomes are paid for by public sector bodies and international donors. These hybrids are initial arrangements to reduce risk and promote innovation in the public sector with support from international organizations who bring the international experience and support when national systems act as a barrier.

The SIB structure may result in a variety of benefits for all parties involved. For the **government**, they reduce the financial risk of testing social interventions (as governments only pay when the intervention is successful) and the focus on outcomes has the potential to improve the performance of social programs. SIBs can also shift the public sector towards a focus on prevention programs. For **investors**, SIBs offer the opportunity to achieve financial returns as well as social impact. For **service provid-**

**ers**, SIBs can offer increased flexibility in program implementation, given the focus on outputs and outcomes rather than inputs and activities. Additionally, service providers can improve their performance management systems and establish rigorous evidence of the success of their program. SIBs can also benefit the **general population** by ensuring more transparent and effective public spending.<sup>6</sup>

Amongst the stakeholders involved, there are organizations known as '**intermediaries**' or market support providers, who work on the development of the SIB market and specific SIB transactions. The term 'intermediary' is often used to describe different roles; in practice, there are three different roles that this term sometimes refers to:

- **Technical advisors:** These organizations often create, design and help launch the SIB, including sourcing investment into it (which may include potentially investing themselves).
- **Bond managers:** These organizations manage the SIB once it is in operation, including managing the different contracts and flows of money, and managing the performance of service providers to ensure that the contract is delivered effectively.
- **Executive agencies:** When SIBs are developed as programs rather than individual transactions, bond managers can be considered as executing agencies.

Organizations can take on multiple roles. For example, Fundación Corona acted as technical advisors of employment pro-

5 - See: <https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/>

6 - Gustafsson-Wright et al, 2017. *Impact Bonds in Mexico: Opportunities and challenges*. Available at: <https://www.brookings.edu/wp-content/uploads/2017/08/impact-bonds-in-mexico-overview.pdf>



grams when designing the SIBs in SIBs.CO, as bond managers in the first SIB, and as executing agencies for the market building and knowledge management components of SIBs.CO. The latter is less common, given that there are not many SIBs structured as programs.

The issues around definitions and the continuing development of new SIBs and PbR contracts mean that overall SIB numbers are difficult to estimate, but according to GO Lab, as of May 2020, 184 impact bonds have been launched worldwide, five of which are in Latin America (Figure 1).<sup>7</sup> The SIBs implemented to date have addressed issues such as employment, education, early childhood development, recidivism rates, and health.<sup>8</sup>

7 - See: <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/>

8 - Brookings, 2019. *Impact Bonds Snapshot February 2019*. Available at: <https://www.brookings.edu/wp-content/uploads/2019/01/Impact-Bonds-Snapshot-February-2019.pdf>

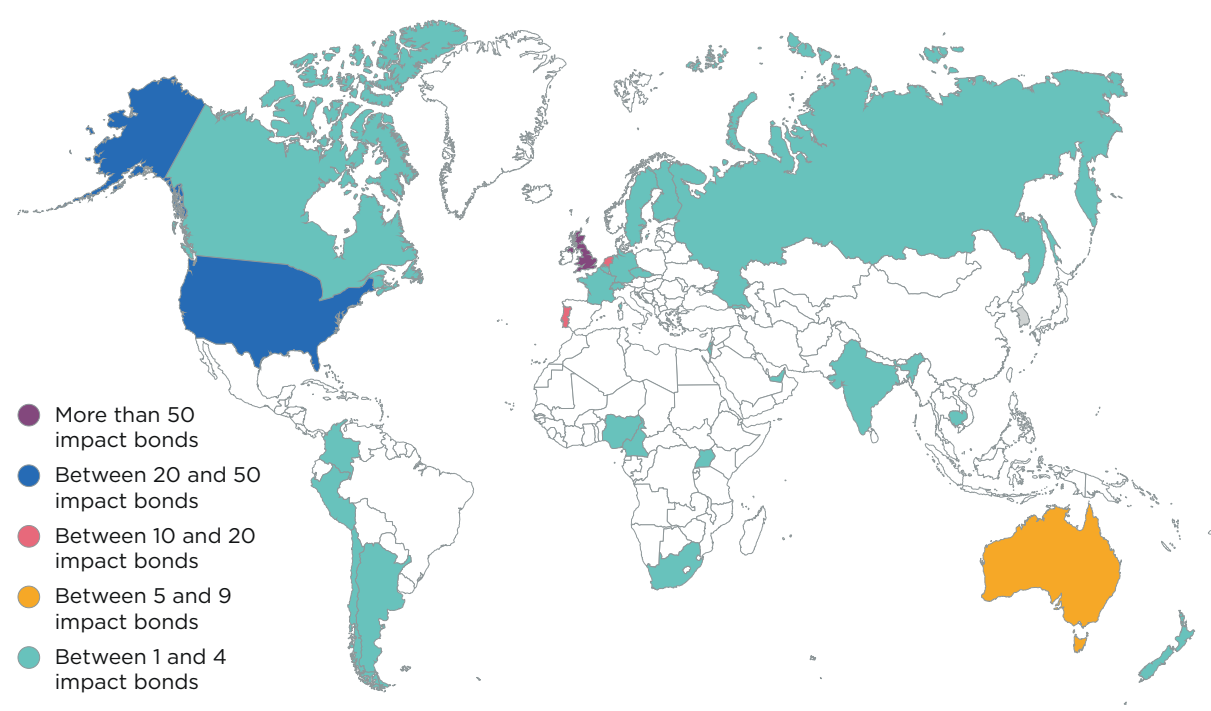
## SIBs in Latin America

The Latin America and Caribbean region continues to face large challenges in how it tackles social policy. Latin America has seen remarkable socio-economic progress in the past decades. Countries have strengthened their macroeconomic situations, living standards have improved, and poverty and inequality have declined. Yet, large structural vulnerabilities remain, and new ones have emerged as countries transition to higher income and development levels.<sup>9</sup> COVID-19 has exposed many of these vulnerabilities as years of social progress could be reversed by the social and economic impact of the pandemic.

These challenges range between several social policy areas, including education,

9 - OECD, 2019. *The Latin American Economic Outlook 2019: Development in Transition 2019*. Available at: <https://doi.org/10.1787/g2g9ff18-en>

Figure 1: Impact bonds worldwide



Source: Own creation using GO Lab Projects Database. Accessed on 28/05/20. See: <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/>

health and employment. However, a challenge faced in all policy sectors is the need to increase the effectiveness of government policies. Improving the effectiveness, efficiency and openness of governments is essential to meet the key challenges that countries in the Latin American and Caribbean region face in improving service delivery to citizens. Protests across Latin America in recent years show a strong demand from citizens for improved social services and wellbeing.

As such, new mechanisms that can foster innovation and effectiveness are currently being explored and developed across the region. Pay for success mechanisms, including SIBs and DIBs, fall into this category. They are seen as a means to engage both private and public stakeholders in improving government effectiveness, by strengthening the evidence base for policy-making, enhancing government capacity, increasing efficiency of public resources and fostering accountability and transparency.

In recent years, Latin America has seen an increase in the use of pay for success mechanisms to fund social programs, including a DIB and SIBs, also known as Social Impact Contracts or CIS (Contratos de Impacto Social) in Chile and Social Impact Link or VIS (Vínculo de Impacto Social) in Argentina. Although the driving motivation to adopt these mechanisms varies from country to country, there is an overall agreement that SIBs can help catalyze change in how social policies are developed, to increase their focus on results and create an environment to do things differently.

According to Brookings Institution<sup>10</sup>, there are at least four reasons why SIBs or PbR could work in the Latin American context:

1. **Results-based financing initiatives** have been successfully implemented across Latin American countries to deliver a multitude of services. Examples include a program led by the World Bank and the Argentinean Government to improve the health system, and conditional cash transfers implemented in Brazil, Mexico and Nicaragua.
2. **Data availability and quality** is relatively good in Latin America as compared to other regions, with Mexico, Brazil, Uruguay and Colombia scoring particularly well.
3. The **impact investing sector** is growing in the region, with impact investing activities attracting an increasing number of local investors in Brazil and Mexico, as well as foundations and family offices in Colombia.
4. Civil society and local communities across the region have historically led on **social innovation initiatives** that aim to tackle social and economic challenges and have sometimes been scaled up by governments and development agencies. At the same time, a number of challenges remain to the development of the market, with similarities present across Latin American countries. Challenges include **legal barriers** that increase set-up time and costs, the risk of **macroeconomic instability**, **political**

10 - Gustafsson-Wright, E., 2019. *It Takes More than 2 to Tango: Impact bonds in Latin America and the Caribbean*. Available at: <https://www.brookings.edu/blog/education-plus-development/2019/02/15/it-takes-more-than-2-to-tango-impact-bonds-in-latin-america-and-the-caribbean/>

**uncertainty** and **unfavorable tax regulation**, in addition to the ongoing challenges for governments and civil society in **measuring and evaluating results**.<sup>1112</sup>

Of the five impact bonds contracted in Latin America as of May 2020, three are SIBs and two DIBs. After the Peruvian pilot DIB launched in 2015, a SIB program was launched in Colombia with the objective of launching three sequential employment SIBs focusing on achieving sustained formal employment for vulnerable populations. The learnings of one SIB would be used in the design of the next SIB. Two employment SIBs and one Outcomes Fund<sup>13</sup> have launched as a result of this initiative. In Argentina, a youth employment SIB launched in 2018. In Chile, the Fundación San Carlos de Maipo launched a DIB (Primero Lee) in education in March 2019. In parallel, the Ministry of Science and IDB Lab were, as of May 2020, working on structuring three SIBs in recidivism, homelessness, and youth transitions.

Several other SIBs had been designed but put on hold or were still in the design phase as of May 2020. In Mexico, El Futuro en mis Manos (The Future in my Hands) would have been the first SIB in an emerging country. This was planned to be implemented in Jalisco to support vulnerable female heads of household who were already enrolled in

the State of Jalisco cash transfer program, but the SIB ended up not launching due to constraints in the political cycle (this is discussed further in The SIB Market chapter). In Brazil, there have been two attempts at developing SIBs: an education SIB in the State of São Paulo and a health SIB in the State of Ceará, which reached the design phase. The State of Minas Gerais did some pre-design exploratory work to develop a recidivism SIB, but this did not progress further. None of these SIBs had launched as of May 2020 (see Chapter 2).

Since 2018, a SIB in the State of Nuevo Leon has been in development and remains in its design phase as of May 2020. Similarly, work to develop an education SIB had also started in the Salta province in Argentina. In Colombia, several potential SIBs were being considered, including a SIB with UNICEF exploring different policy areas (early childhood development, recidivism, soft skills, and poverty alleviation) and an adoption SIB with the Colombian Institute of Family Welfare. There is also Global Affairs Canada's OFFER (Outcomes Fund For Education Results). Beyond the study countries, several actors are exploring SIBs and outcomes-based financing in Haiti, Central America and other countries in the Caribbean, as well as other countries in South America.

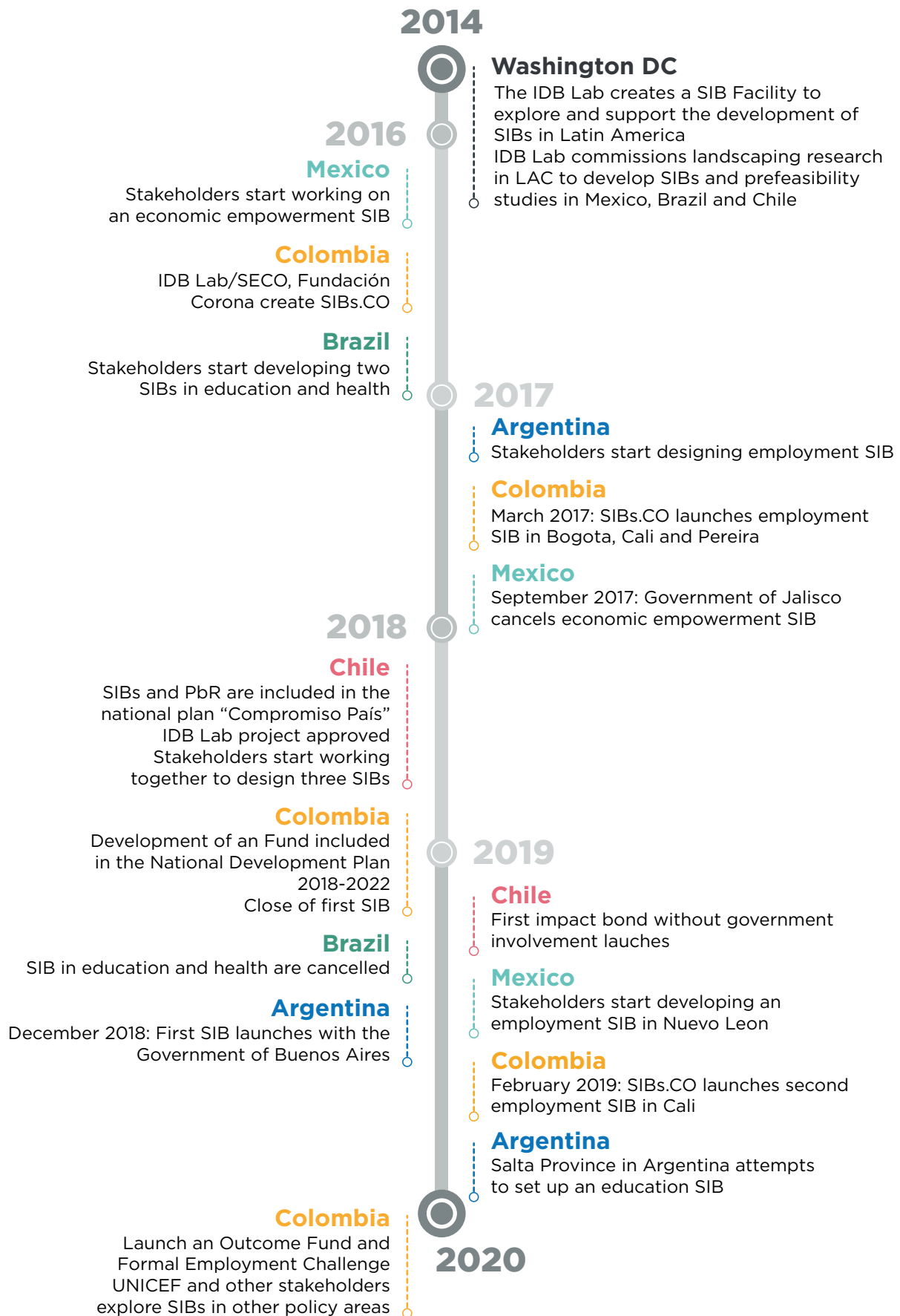
Despite the challenges, it is clear that the SIB ecosystem in Latin America is growing and that there is an increased interest in using new approaches to deliver services that are innovative and increase the effectiveness and efficiency of public resources. In this report, we will explore the SIBs that have launched in Colombia, Argentina and Chile in more detail, as well as the wider regional ecosystem. Annex 5 includes a list of the organizations involved in the development of these initiatives.

11 - Gustafsson-Wright, E., 2019. *It Takes More than 2 to Tango: Impact bonds in Latin America and the Caribbean*, Available at: <https://www.brookings.edu/blog/education-plus-development/2019/02/15/it-takes-more-than-2-to-tango-impact-bonds-in-latin-america-and-the-caribbean/>

12 - Varela et al, 2019. *Behind the Deal - Government of the City of Buenos Aires social impact bond issue*. Available at: [https://beccarvarela.com/wp-content/uploads/2019/02/ok\\_iflr\\_bis.pdf](https://beccarvarela.com/wp-content/uploads/2019/02/ok_iflr_bis.pdf)

13 - Outcome funds pool capital from one or more funders to pay for a set of pre-defined outcomes. Outcome funds allow the commissioning of multiple impact bonds under one structure. Payments from the outcomes fund only occur if specific criteria agreed ex-ante by the funders are met.

Figure 2: Timeline of SIBs in study countries



## IDB Lab and its role

In 2014, IDB Lab established a SIB Facility to achieve an increased focus on outcomes in social programs, increase outcomes-based commissioning and bring in private investors. When the Facility was set up, a core motivation was to develop innovations that could be rolled into public policy, with IDB Lab testing these innovations and the IDB public sector arm scaling them. IDB Lab wanted to experiment with different mechanisms that increased the accountability of grants and the social impact of loans. After coming across SIBs in the UK, IDB Lab considered the possibility of becoming an investor. It saw SIBs as an opportunity for IDB Lab to support programs working with the most vulnerable groups in society, while crowding in private finance for these initiatives.

The Facility originally intended to have three components – technical assistance, investment, and knowledge management – to enable the IDB Group to take on an active role in **growing the market**, with the aim of pioneering SIBs in Latin America. In 2015, it commissioned research to understand the countries and policy areas in which it would be most suitable to develop SIBs. Following on from this research, it conducted multiple pre-feasibility studies in Chile, Mexico and Brazil. From there, interest emerged in different countries such as Argentina and Colombia and IDB Lab expanded the Facility's approach.

Since the creation of the SIB Facility and the work done on building the market for SIBs by **funding market building activities** in Mexico, Brazil and Chile, several SIBs have been developed. IDB Lab has taken an active role in developing these SIBs and participating in the transactions. Specif-

ically, it has taken part in developing the SIBs that have launched in Colombia and Argentina and been involved in developing transactions in Chile (which are yet to launch) and in Mexico and Brazil (which did not launch).

IDB Lab has adopted a **flexible role** when developing SIBs and aimed to fill the gaps needed in each context based on the existing demand and supply. As such, the approach taken in each of the study countries has varied. We explore the different roles taken on by IDB Lab in pioneering SIBs in the third chapter of this report.

## Study approach

The study involves a two-fold view:

- A **retrospective** element, looking back at the activities to grow and support the SIB market, documenting what was undertaken, analyzing the impact, successes and challenges related to these activities and capturing the lessons learnt.
- A **prospective** element, focusing on the future and considering how challenges could be overcome, how lessons learnt could be applied and how the impact of the IDB support could be built upon.

These two elements have been considered at three levels: social program, Latin America and IDB:

- **Social program:** What was the 'SIB effect' on the interventions funded, i.e. how did the fact that these interventions were funded through a SIB affect their design, delivery and performance?

- **Latin America:** How has the SIB market infrastructure and knowledge base in Latin America changed since the IDB work began? How does this compare across the different countries where IDB has worked? How sustainable is this impact? What else needs to be done to support the further adoption and scaling of SIBs?
  - **IDB:** How did the activities undertaken by IDB Lab affect the SIB market infrastructure and knowledge base in Latin America?
- In Table 1 below, we map the three levels of analysis against these high-level areas of focus as well as more detailed questions relevant to each of our three focus areas (see full study framework in [Annex 1](#)).

Table 1: Study questions

Focus level	High-level questions
Social program	What was the 'SIB effect' on the interventions funded, i.e. how did the fact that these interventions were funded through a SIB affect their design, delivery and performance?
Latin American ecosystem	How has the SIB market infrastructure and knowledge base in Latin America changed since the IDB work began? How does this compare across the different countries where IDB has worked? How sustainable is this impact? What else needs to be done to support the further adoption and scaling of SIBs?
IDB role	How did the activities undertaken by IDB affect the SIB market infrastructure and knowledge base in Latin America?

## Methodology: Data collection and analysis

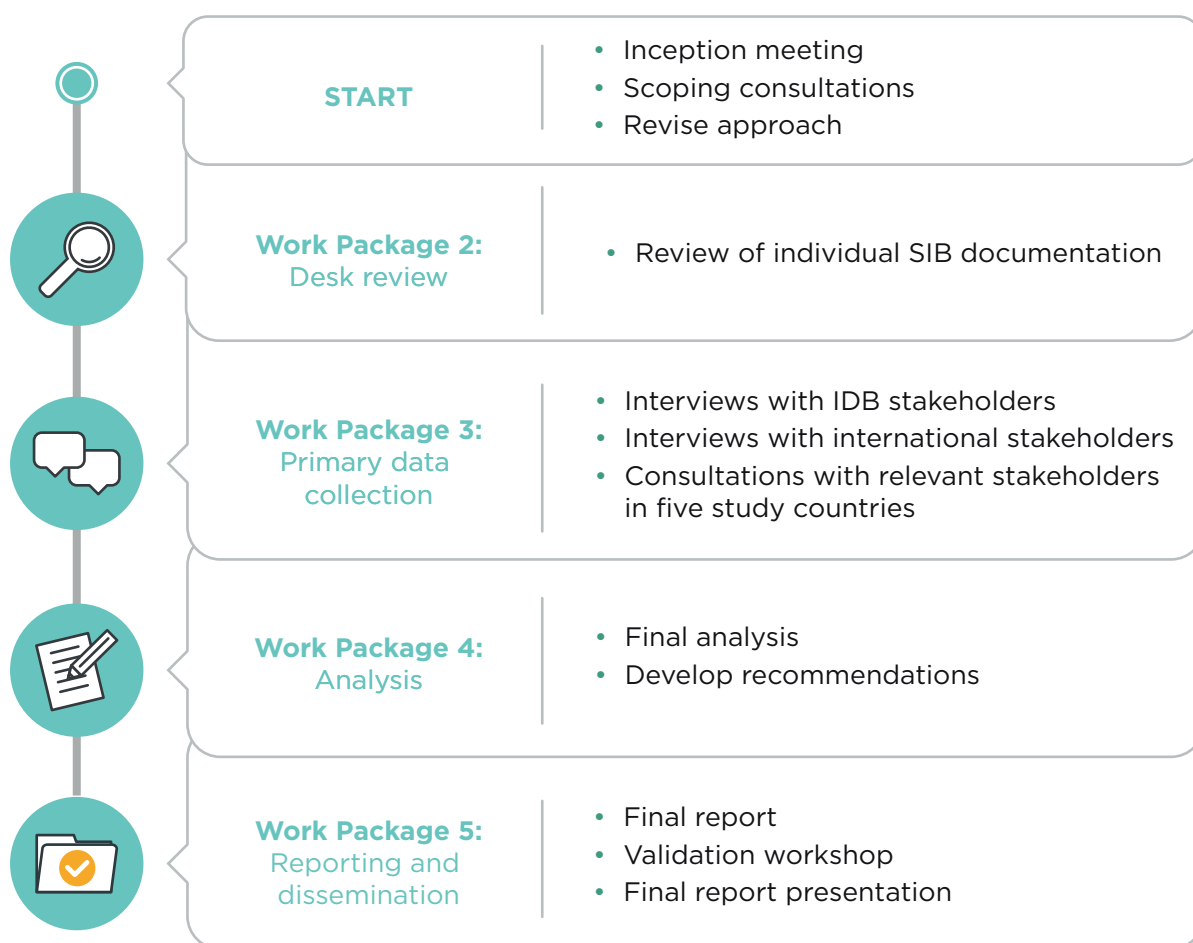
This section provides an overview of the study methods and the key data collection tools. We organized our work into four Work Packages, as illustrated by Figure 3. More detail on each Work Package is provided in [Annex 2](#).

Following inception, the study team conducted secondary data collection, which consisted of a document review of existing

SIB-level documentation and the wider literature about SIBs in Latin America.

The primary data collection involved semi-structured telephone or in-person interviews with key stakeholders at the international level and in each of the five countries where SIBs were planned. We held a validation workshop with a select group of market actors working on SIBs in the region and IDB Lab, who had been consulted during the research, and helped identify relevant stakeholders to discuss high-level findings.

Figure 3: Study Work Packages



Due to COVID-19, we were only able to conduct research in person in Colombia and did the rest of the fieldwork remotely. The aim of the fieldwork was to fully understand the impact and lessons learnt from the IDB's support from the perspectives of different stakeholders.

We consulted a wide range of stakeholders, including those involved in the SIB ecosystems in the study countries and stakeholders involved in delivering SIBs supported by IDB Lab, such as foundations, investors, universities, policy-makers and service providers. We used a purposive sampling

approach complemented by a snowball approach to ensure we interviewed a representative set of stakeholders and considered different stakeholder types, organizations and areas of expertise.<sup>14</sup> Figure 4 summarizes the number of stakeholders consulted across the five countries (see [Annex 6](#) for full list).

<sup>14</sup> - A purposive sample is a form of non-probability sampling in which decisions concerning the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which may include specialist knowledge of the research issue, or capacity and willingness to participate in the research. A snowball approach is when the researcher identified additional people or organizations to include in the sample by asking those who were in the initial sample.



Figure 4: Number of consultees by country

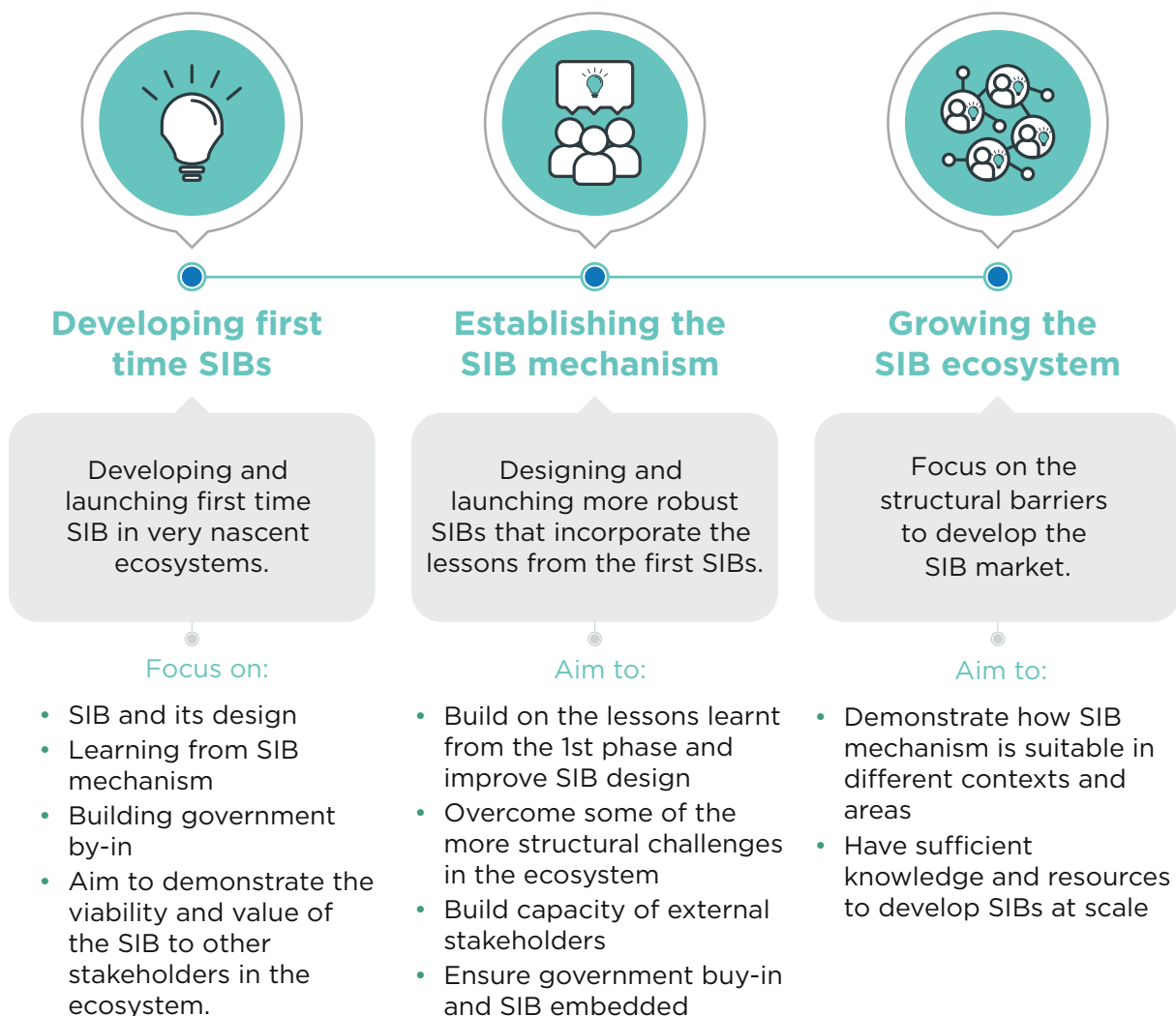


## A framework to understand SIB ecosystems

One of the objectives of this study was to understand the status of each of the five countries in terms of developing its ecosystem for SIBs and to extract relevant lessons for each phase of development. In countries such as Colombia, Argentina

and Chile, SIBs have launched or SIB programs have been approved, while in other countries SIBs have been developed but not launched. As such, we understand that the countries included in the study are in different phases of developing their ecosystems. We identify three different phases of development, as illustrated below:

Figure 5: Phases of SIB market development





This report provides considerations and lessons for each phase that should be relevant to other contexts in Latin America and the Caribbean. By structuring the wider SIB ecosystem into three different phases, we ensure that we can identify the most relevant factors for each phase. Lessons and considerations from the first phase should remain relevant when entering the second phase and the most relevant elements of each phase are understood as cumulative. We note that within this ecosystem there are national ecosystems and policy-specific ecosystems, for example within employment or education policy areas.

Lessons are a combination of the lessons learnt by relevant stakeholders and our analysis of the enablers and barriers in developing SIBs. In each of our five country case studies, we examined the different factors listed in our analytical framework to understand if they had acted as an enabler or a barrier. This structure is based on

the LOUD model<sup>15</sup>, but is adapted to consider more nascent ecosystems, examining technical and relational factors, i.e. factors related to the ecosystem and to the regulatory framework. If they were perceived as a barrier, we examined to what extent they had been overcome, how and when. This analysis has helped us develop a framework to understand which factors are most relevant to each phase in developing the SIB ecosystem (see [Annex 1](#) for the full study framework).

The report provides our findings on the social program and the SIBs that have developed in Chapter 2, followed by findings from developing the SIB market in Chapter 3, with lessons learnt from each phase. Chapter 4 then explores the role that IDB Lab has played in developing the ecosystem and launching SIBs.

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15 - Ronicle, J., Fraser, A., Tan, S. and Erskine, C., 2017. *The LOUD SIB Model*. Available at: [https://s3.eu-west-2.amazonaws.com/golab.prod/documents/loud\\_sib\\_model.pdf](https://s3.eu-west-2.amazonaws.com/golab.prod/documents/loud_sib_model.pdf)

Five impact bonds have launched in Latin America in recent years and others are being explored in a wide range of policy areas, including three SIBs in employment and two DIBs in education. In this section, we introduce the SIBs that are the focus of this study to examine the motivation to develop them, the context in which they launched and the effect of designing them as a SIB. Finally, this section provides lessons and key considerations that are relevant to launching and executing first time SIBs, focusing on lessons learnt relating to the design of the SIBs themselves.

## Section 2

# Developing SIBs in Latin America

This section provides an overview of the SIBs that have launched or been approved in Colombia, Argentina and Chile, as well

as a description of the SIBs that were being designed in Mexico and Brazil but did not launch.

Table 2: Overview of SIB programs and transactions in Colombia, Argentina and Chile

	Colombia	Argentina	Chile
<b>Timeline</b>	2016-2023	2018-2022	2018-2021
<b>Number of SIBs</b>	SIB program: at least 3 SIBs and Outcomes Fund and Employment Challenge	One-off SIB	Multi-SIB approach: 3 SIBs
<b>Budget</b>	\$8,619,211 (USD) of which 48% is SECO Funding and 17% IDB Lab funding and 35% is counterpart funding from government. <sup>16</sup>	\$1,675,000 (USD) of which 59% is IDB Lab funding	\$4,040,000 (USD) of which 29% is IDB Lab funding
<b>Policy area</b>	Employment	Employment	Recidivism, homelessness, and youth transitions
<b>Target population</b>	Vulnerable individuals aged 18-40 and not formally employed	1,000 vulnerable young people aged 17-24 living in the southern part of Buenos Aires	Different target populations for each SIB; all SIBs target vulnerable people

16 - In September 2020, SECO approved an additional US\$400,000 of funding to the program.

	Colombia	Argentina	Chile
<b>Outcome metrics</b>	<ul style="list-style-type: none"> <li>• Effective work placement</li> <li>• Work retention after 3 months</li> <li>• Work retention after 6 months</li> </ul>	<ul style="list-style-type: none"> <li>• Completing secondary education</li> <li>• Project participants obtaining a formal job</li> <li>• Work retention for 4 consecutive months within a 14-month period after placement</li> <li>• Work retention for 12 months within a 14-month period after placement</li> <li>• Growing the labor market by increasing the number of vulnerable young people employed by businesses working with the SIB providers</li> </ul>	Not applicable – SIB design has not been finalized
<b>Status</b>	Execution <sup>17</sup>	Execution	Structuring

17 - The Colombia SIB program has one closed SIB, one SIB in execution, one structured Outcomes Fund, one Employment Challenge in its structuring phase, and market building and knowledge management in execution.

## Colombia

The SIB program in Colombia – SIBs.CO – is being supported by SECO and IDB Lab and the execution agency Fundación Corona. The Colombian project was designed as a program piloting three sequential SIBs to develop a model that enables feedback to feed into the design of other SIBs while developing the market. The program has two additional components: (i) technical assistance to build market capacity for SIBs in Colombia and (ii) knowledge-sharing and transfer of lessons learnt and templates both within Colombia and across the region.

The idea of setting up an employment impact bond initially developed through conversations between Instiglio, Fundación

Corona and Fundación Santo Domingo in 2014. At this time, IDB Lab and SECO had already been in conversations about developing SIBs. These three organizations conducted an initial pilot called Alianza por el Empleo to see how a pay for success contract would work, although the pilot did not result in the government paying for results. Other attempts to develop pay-for success initiatives in Colombia involved Instiglio working on developing a teen pregnancy SIB in Medellín. Following these efforts, the contribution by SECO, IDB Lab and Fundación Corona to set up SIBs.CO resulted in the launching of the first SIB in a middle-income country. SECO's involvement was key in ensuring sufficient buy-in from IDB Lab to develop SIBs.CO as a program.

IDB Lab's role in Colombia has been key to the success of the initiative. IDB Lab is the implementing agency for the program component aimed at launching SIBs, serving as a co-payer with SECO funds. IDB Lab has channeled SECO's funds to set up SIBs. CO. Fundación Corona acts as executing agency for SECO, and IDB Lab funds used for the market building and knowledge components. IDB Lab has taken on an active role in facilitating and coordinating the initiative with SECO, Fundación Corona and the co-outcome payers to help provide trust to government stakeholders and investors and ensure the necessary stakeholders are involved. Moreover, the IDB Labor Markets Division has been heavily involved in supporting IDB Lab to provide technical expertise on labor markets in Colombia for the design and execution of the SIBs. A full list of the stakeholders involved is provided in [Annex 5](#).

The execution of Empleado Futuro, the first SIB, began in 2017 with the objective of employing and keeping in employment 766 people in vulnerable conditions for three months in three cities of the country (Bogotá, Cali and Pereira).<sup>18</sup> The bond manager of the SIB was Fundación Corona. IDB Lab provided funds for the design of the first SIB from the SIB Facility commissioned to Instiglio. The investors in the first SIB were Fundación Bolívar Davivenda, Fundación Corona and Fundación Santo Domingo. The SIB closed in December 2018. This was the first fully contracted SIB in a middle-income country for which there was a government outcome funder and a donor outcome funder. In this case, IDB Lab, channeling resources from SECO, contributed towards the funding of outcomes payments, together with the Department

for Social Prosperity (DPS)<sup>19</sup>, which provided the outcome funds for the first year.<sup>20</sup> The involvement of both IDB Lab and SECO in addition to the private investors was instrumental in building government buy-in.

In February 2019, the second SIB, Cali Progresía con Empleo, was launched in Cali in conjunction with the Mayor's Office of Cali. It aims to employ 856 people, keep them in employment for three months and keep 599 of them in employment for six months. The SIB had Inversor as a bond manager. The second SIB had six different investors: the three foundations from the first SIB, as well as Fundación Plan, Fundación WWB Colombia and Corporación Mundial de la Mujer. The second SIB has the same objectives and outcome metrics as the first SIB. However, the weighting of the outcome metrics in establishing the unit cost is different, with more emphasis on work retention after 6 months (40% of the outcome payments vs 35% for retention after 3 months). As in the first SIB, the design was commissioned to Instiglio. The final results of this bond will be available in December 2020. A process evaluation of the first SIB is available online.<sup>21</sup>

19 - Created in 2011, the Department for Social Prosperity (DPS) develops, coordinates and enacts all governmental policies that aim to compensate victims of conflict and reduce poverty. The DPS provides a central hub for private-sector activities that help to reduce poverty and strategically introduces concepts of social innovation and entrepreneurship across government initiatives in Colombia.

20 - Near the end of the first year, the government was able to extend the contract and pay for some of the final results in the following year.

21 - Results of the Learning Agenda SIB 1 (full report in Spanish): <http://www.sibs.co/wp-content/uploads/2019/12/Resultados-Agenda-Aprendizajes-Primer-Bono-de-Impacto-Social.pdf>  
Executive Summary (English): <http://www.sibs.co/wp-content/uploads/2020/06/Executive-summary.-Results-from-the-learning-agenda-SIB-1.pdf>  
Executive Summary (Spanish): <http://www.sibs.co/wp-content/uploads/2020/06/Resumen-Ejecutivo-Resultados-de-la-Agenda-de-Aprendizajes-BIS-1-Espan%CC%83ol.pdf>

18 - The SIB aims to employ 514 participants and keep them in employment after 3 months.

At the time of the research, SIBs.CO was working on launching an Outcomes Fund that aims to overcome regulatory barriers to launching SIBs at scale. Although the original plan for SIBs.CO was to launch three SIBs, learning from the first two SIBs made the SIBs.CO coalition decide to develop an Outcomes Fund instead, to help overcome the government's annual budget restrictions. At the time of writing (May 2020) the Outcomes Fund had been structured and SIBs.CO was planning to launch an Employment Challenge. COVID-19 has required new thinking and action around crisis situations, especially employment for vulnerable populations, which has been one of the hardest hit sectors. The Outcomes Fund was designed with the technical support of Instiglio and Social Finance UK. The second SIB, which was due to close in December 2020, has adjusted its payment timeframes and provided flexibility in the technical design in terms of types of contracts and sectors where participants can be employed.

## Argentina

The SIB in Argentina is officially known as 'Proyecto tu futuro' in the south of the City of Buenos Aires. It launched in December 2018 for 41 months and is due to end in May 2022. It aims to provide access to formal employment for young people aged 17-24 from poor neighborhoods in the south of Buenos Aires, and to ensure they remain in employment. The SIB also aims to address the prejudice many employers have against hiring this demographic. The City of Buenos Aires (CABA) is the sole outcome payer for this SIB. Four service providers and six investors are involved in the project.

Work on the SIB started in 2017, when the CABA approached IDB Lab to develop

a SIB in Buenos Aires. IDB Lab provided funding for the initial design work and its initial intent was to be involved in the SIB as an investor. However, when CABA put out the execution of the program to tender with investors and service providers, this caused delays in launching the SIB and resulted, instead, in IDB Lab providing the trust fund set up by the investors with a loan with preferential terms if additional resources are needed, which helps mitigate the currency risk.

The SIB was launched in December 2018, one year after the proposed start date, in the midst of an economic recession. Acrux Partners is the intermediary acting as a bond manager. The project targets 1,000 young people aged 17-24 who are either in their final year of secondary education or have completed secondary education in the previous 12 months but failed up to six subjects and need to retake them to obtain a qualification. It aims to provide learning on the most effective way of supporting the target population into formal employment.

## Chile

During the research period, the Ministry of Science, the Ministry of Social Development and Family, CORFO<sup>22</sup> and IDB Lab, with technical support from the Fundación San Carlos de Maipo, were working on the design of the first Social Impact Contract of the Chilean government. The central government of Chile was working with IDB Lab in designing the necessary mechanisms to launch three different SIBs. IDB Lab provides financial support for the

22- CORFO (Production Development Corporation) is an agency within the Government of Chile, sitting under the Ministry of Economy, responsible for promoting economic development through the promotion of inward investment and the advocacy of competitiveness.

technical design and the market building activities conducted by the foundation.

IDB Lab's work in Chile started in 2015, working with the Ministry of Finance to explore a SIB in recidivism and the potential to include it in the national budget. The IDB Citizen Security Team was initially involved in supporting IDB Lab to develop the SIB ecosystem when IDB Lab was first exploring the option of developing a recidivism SIB with the Chilean government. However, political disruption resulted in this opportunity being dropped and taken up again later. In March 2019, the technical counterpart, Fundación San Carlos de Maipo, launched an education DIB in Chile (Primero Lee) without government involvement, which contributed to further growing the ecosystem. The DIB aims to improve the literacy and numeracy of children in a neighborhood in Santiago (the Estacion Central commune). The DIB sought government involvement but did not succeed as the government was already planning on developing a government-led SIB initiative. The DIB is due to close in 2021.

In 2018, IDB Lab and the Chilean government started working together again following the 2017 elections. The current government included SIBs as a financing mechanism of government programs in its National Development Plan ('Compromiso País'). As such, the Ministry of Economy (now Ministry of Science) launched a challenge for different government departments to propose interventions to be financed through a SIB. Five departments responded and three were selected. The choice of topics for the SIBs was guided by the government commitment in the National Development Plan to tackle 10 vulnerabilities through public-private co-operation. During the research period of this study, the three government SIBs were

designed and developed in three different policy areas: recidivism among young people, homelessness, and transitions to adulthood.

Chile faces the challenge that most government departments are not legally set up to pay for outcomes. As a result, the commission working on developing SIBs decided to invite CORFO as a government agency that can pay for outcomes. However, CORFO's mission was not aligned with the social problems that the SIBs aim to address, therefore it decided to end its participation in 2020. The SIB team is currently in discussions with the Solidarity and Social Investment Fund (Fondo de Solidaridad e Inversión Social, FOSIS), a fund dependent on the Ministry of Social Development and Family, which could act as the outcome payer going forward.

## Mexico

The SIB in which IDB Lab was involved in Mexico consisted of a single SIB: El Futuro en mis Manos. It aimed to support vulnerable female heads of household who were already enrolled in the State of Jalisco's cash transfer program Apoyo a Mujeres Jefas de Hogar (Support for Female Heads of Household). The SIB intended to deliver an intensive, holistic intervention lasting up to 18 months, including financial education, savings promotion, business development services, mentoring, soft skills, and transfer of productive assets.

The SIB was to be commissioned by the Government of Jalisco, with the aim of improving the economic wellbeing of low-income, female-headed households. It would use a pay-for-results model that would share the performance risk of the program with external investors. IDB Lab took on a coordination role of convening govern-

ment, investors and service providers, as well as a role in supporting the technical design. The PbR structure was intended to add value to the delivery model by incentivizing service providers to scrutinize and refine their proposed interventions through continuous data feedback loops and providing evidence of an intervention model with the potential for scalability in the State of Jalisco and other parts of Mexico and Latin America.

Mexico had been one of the initial countries where IDB Lab wanted to explore the potential of SIBs. It played an active role in promoting SIBs through workshops and conferences to spark interest. When this interest materialized in Jalisco, IDB Lab planned to be an investor in the SIB. However, following an initial feasibility study contracted out by the government, IDB Lab ended up taking on a more active role than anticipated by coordinating SIB stakeholders and providing technical support with the design, along with other partners such as the Global Innovation Fund and Promotora Social Mexico. As such, IDB Lab played an integral role during the design, negotiation and contracting phase.

While IDB Lab's donor committee approved an investment operation for the SIB of up to US\$1.02 million, the SIB in Mexico never reached the implementation stage. The design and contracting of the SIB took longer than anticipated, suffering delays from staff turnover in key partner organizations and a longer-than-expected contracting and design phase. The SIB was in the middle of the final contract negotiations when considerations tied to the upcoming elections in 2018 culminated in a decision by the government not to move forward with the project. At the time of writing, different stakeholders in Mexico were working on developing an employ-

ment SIB in the state of Nuevo Leon (see [Annex 5](#) for more detail).

## Brazil

To date, there have been two attempts at developing SIBs: one education SIB in the State of São Paulo and one health SIB in the State of Ceará, which reached the design phase. The State of Minas Gerais did some pre-design exploratory work to develop a recidivism SIB but that did not progress further.

Beginning in 2016, IDB Lab, in partnership with the IDB, explored several policy areas for impact bonds in Brazil, focusing on state and municipal-level governments. The IDB and IDB Lab chose to focus efforts on a possible SIB to be commissioned by the Education Secretary of the State of São Paulo (ESSP) to increase graduation rates in public secondary schools in the state. The IDB led Brazil's education SIB initiative as its education division played a coordination role. The State of São Paulo was chosen given the political support for the project within the state government, the alignment to IDB's wider strategy on education for Brazil, and the presence of promising enabling conditions. These conditions included the financial strength of the government, quality of data in the education sector and openness to partnerships with the private sector, and strength of implementing partners. However, due to the SIB design taking longer than expected, along with concerns and miscommunications about the SIB among stakeholders in the public education system and changes in the Government, the SIB was canceled.

The other SIB was explored in Brazil by the Health Secretary of the State of Ceará, focusing on de-hospitalization of chronic patients, and had limited IDB Lab involve-



ment. There were state elections during the design and although the governor was re-elected, the Health Secretary changed, and there was less interest to move forward with the SIB.

IDB Lab's involvement mainly focused on the Education SIB in São Paulo in close partnership with the IDB Education division. Both the IDB and IDB Lab provided financial and non-financial support to the project.

## Motivation to develop SIBs

The literature on SIBs provides different reasons why these may be beneficial. Proponents see impact bonds as an innovative model that can help tackle complex social problems, bring together expertise, enable innovation and greater flexibility in delivery of interventions, mitigate the risks of failure, and bring in impact investors who want to test innovation and scale successful programs. Although the motivation to adopt impact bonds varies from SIB to SIB, in our study we have found that there is an overall agreement that SIBs can help catalyze change in how social policies are developed to increase their focus on results and create an environment to do things differently.<sup>23</sup>

In Table 3 below we summarize the main motivations of different stakeholders to develop SIBs. Overall, we found that stakeholders' motivations to get involved in SIBs were **well aligned**. Most stakeholders working on a SIB claimed their motivation was to use them as a **catalyst for change** and to **test the funding mechanism**. This

involved increasing the focus on results and the effectiveness of social policy, as well as ensuring that different social sectors worked together to support this change.

However, we also found that motivations to implement SIBs and the benefits associated with them are not clear in the wider ecosystem. This is not unusual, as stakeholders have raised similar concerns in developed countries given the various potential benefits and different motivations. This is likely because there are multiple claimed benefits to impact bonds and these are often not the same for different impact bonds. We consider it essential to have a clear set of motivations within a SIB coalition, given that these motivations will guide elements of the SIB design and help make compromises when necessary.

Overall, a driving force for most stakeholders to get involved was the motivation to **use a new mechanism** for service delivery focused on results and test innovative solutions. As such, given that all SIBs were first-time SIBs, learning and testing the effectiveness of the mechanism was key.

*"The government has been doing things in a very defined way for decades. This (SIBs) changes the paradigm of how public policy works. Attaching spending to results was not in the government culture. The change management is a massive barrier."*  
- Stakeholder in Chile

In **Chile**, several stakeholders highlighted that the value of SIBs and their motivation to get involved came from a perception that all societal sectors should be involved in solving social problems and the willingness to increase cooperation between

23 - Gustafsson-Wright, E., 2015. The potential and limitations of impact bonds. Brookings Report. Available at: <https://golab.bsg.ox.ac.uk/knowledge-bank/resources/potential-and-limitations-impact-bonds/>



sectors. In one country, the coalition participated in a workshop at the beginning to discuss their motivations and aims from the SIB; stakeholders reported that this was beneficial in ensuring there was a col-

lective understanding as to what the SIB was trying to achieve, and this eased the process of developing the SIB. We would recommend that future coalitions developing SIBs undertake a similar exercise.

Table 3: Stakeholders' motivations to develop SIBs

	Outcome payer	Technical advisors and counterparts	International donors	Investors	Service providers
Catalyst for change by increasing focus of social policy on paying for outcomes	●	●	●	●	●
Experiment with and test new funding mechanism	●	●	●	●	●
Encourage innovation in service delivery	●	●	●		
Improve delivery performance	●	●	●		
Improve accountability	●		●	●	
Foster partnership working and collaboration	●	●	●		
Access to additional finance		●			●
Scale/replication	●		●	●	

The key motivation for **outcome payers and donors** like IDB Lab, SECO or the Global Innovation Fund was to change the way government stakeholders deliver social services by increasing their focus on payment for outcomes rather than activities. For instance, in **Colombia**, the SIB aimed to change how public employment programs assess their success by shifting the focus from employability and activity-based interventions to employment retention as an outcome. In **Chile**, we found that the SIB outcome payers from the Ministry of Science had similar motivations to Colombia. However, because the SIB initiative was launched as a challenge, some of the technical counterparts from government sub-secretaries working on the technical

design saw SIBs as an opportunity for additional funding and, although motivated by the potential benefits of a SIB, would likely have accepted other funding mechanisms as well.

Overall, we found that most **investors** involved in the SIBs had a relatively high risk appetite compared to mainstream investors, but also expected the SIB to provide a financial return. We found that **philanthropic investors and impact investors** had both social and financial motivations to get involved. Overall, they were motivated by the potential to develop a market for SIBs and contribute to demonstrating their effectiveness to crowd in additional financing to social initiatives from more

mainstream investors. Another motivation was to improve the effectiveness of public service delivery by building on the collaboration between the private and the public sector. However, this motivation was generally paired with the expectation of making a financial return.

Finally, **service providers** had a wider range of motivations to get involved. For some, the funding to implement their interventions was the key motivation. For others, the focus on increased results was an attractive element of SIBs. In **Colombia** and **Argentina**, service providers claimed to welcome the flexibility to adapt their provision to achieve results. There was less evidence of the potential to learn from each other being a motivation for service providers to get involved, as all of them were confident in their implementation model.

We found that the claimed benefits associated with the idea of reducing government costs have, to date, been less of a motivation to develop SIBs than the potential for increasing the focus on outcomes and the overall effectiveness of social provision. A reason for this is that given that these are first-time SIBs, there is still limited or no evidence that they generate cost savings. Generally, government stakeholders are of the view that the cost of the SIB-funded intervention would not outweigh any potential savings from the outcomes they achieve. As such, cost savings are rarely claimed as a benefit of SIBs in Latin America. Interestingly, in **Mexico**, stakeholders argued investors were keen to avoid the lexicon of 'value for money' as a synonym of 'cost reduction' when talking to the government, as they felt this might lead to mistrust from government representatives and a feeling that the value for money agenda

was taking precedence over improving the lives of vulnerable people. This is different in countries like the United States or the United Kingdom, where value for money arguments and cost savings are often used as a justification for pay for success mechanisms.

## SIB effect

One of the key questions for SIB stakeholders is whether SIBs are worth funding. They can be complex and expensive to design and deliver because they bring together different stakeholders with different incentives and involve different technical aspects (e.g. results measurement and pricing of outcomes) that may be new to those involved. A key focus is therefore on how using a SIB affects the design, delivery, performance and effectiveness of interventions, both positively and negatively.

Research shows that impact bonds have the potential to overcome perennial challenges in government such as the fragmentation of public services, a short-term political and financial focus, and difficulty creating change. Impact bonds may help to reform the public sector by facilitating collaboration, prevention and innovation. The figure below illustrates a theory of change that shows how impact bonds may do this according to GO Lab.<sup>24</sup> For IDB Lab, the aim when promoting and pioneering the use of impact bonds was to ensure that government pays for results using public resources more effectively.

24 Carter, E., FitzGerald, C., Dixon, R., Economy, C., Hameed, T. and Airoldi, M., 2018. Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation. Evidence Report. Government Outcomes Lab. Available at: <https://s3.eu-west-2.amazonaws.com/golab.prod/documents/BSG-GOLab-EvidenceReport-20190730.pdf>

Figure 6: GoLab Impact Bond Theory of Change

Why use SIBs?			
Public Service Challenge	Fragmented delivery and “siloed” budgets	Short-term focus (political & financial)	Difficulty creating change
Implications for services	Fragmented public services: duplications, gaps, inadequate communication	Reactive public services responding to crises	Poor performing services go unchanged
Implications for citizens	Fragmented, reactive, stagnant services which fail to respond to the needs of vulnerable individuals		
SIBs’ potential for public service reform	Collaboration	Prevention	Room to innovate
	Enable collaboration across multiple commissioners & within provider networks. Service activities “wrap around” service users	Enable “invest-to-save”. Dual-running of services with (social) investors funding “upstream” interventions	Risk transfer enables innovations. New interventions. Enhanced performance management. Systematic learning

In order to ensure that SIBs contribute to governments using public resources more effectively while paying for results, we examine in what ways the impact bond mechanism has affected the design, set-up and implementation of interventions and whether these have contributed to achieving the wider objective of catalyzing change so that governments pay for success. In doing this, the aim is to assess whether the way the services are contracted (the SIB structure) contributes to better social outcomes.

Given the timing of the SIBs, the study has so far focused on the design and implementation of the SIBs in Colombia and Argentina and the design and anticipated effects of the SIBs in Chile. It is worth noting, however, that only one of the SIBs examined – the first SIB in Colombia – has finished, and it was relatively small in size.

Moreover, in Argentina, the SIB is still under implementation and limited information on its performance was available. The analysis for Chile focuses on either observed effects in the design phase or anticipated impact of the SIB structure on the intervention.

To provide a framework for understanding how the SIB has affected the design, set-up and implementation of interventions, we have focused on six ‘SIB effects’, based on the anticipated SIB effects set out in previous literature and through consultations with the stakeholders involved in the SIBs in Colombia, Argentina and Chile.

For each category of SIB effect below, we have set out our findings for the effects as a RAG (Red-Amber-Green) rating indicating the extent to which these effects emerged, including a Gray and Blue code where there is insufficient evidence to

date. The effects presented in green state that the effect was present, amber means that it was present to some extent, while red means that it was not present. In cases where this is expected and there is some supporting evidence, we have coded these cases as anticipated (blue). In the cases where it is too soon to tell, we have refrained from making a judgement at this stage (gray).

Our rating is based on the evidence provided in SIB documentation and the views of stakeholders. A key limitation is that often these judgements can be subjective or there is insufficient evidence to make a judgement at a given time.

Table 4: SIB effect

	Colombia	Argentina	Chile
<b>Financial risk sharing</b>			
Sharing of financial risk from outcomes payer and service provider to investor – outcome payer only pays if project succeeds	●	●	●
Small service providers able to participate in results-based contracts due to access to pre-financing and risk sharing mechanisms	●	●	●
<b>Crowd in private funding</b>			
Funding projects that would not have been funded otherwise, or not on the same scale	●	●	●
Additional financing to social sectors from private investors	●	●	●
<b>Greater collaboration between stakeholders</b>	●	●	●
<b>Innovation in service delivery</b>			
Enables incremental service delivery innovation	●	●	●
Enables radical service delivery innovation	●	●	●
<b>Effective service delivery</b>			
Increased focus on outcomes	●	●	●
Improved performance management	●	●	●
Improved transparency/accountability	●	●	●
More results achieved	●	●	●
<b>Complex to design and expensive to set up</b>	●	●	●

Key: ● Present; ● Present to some degree; ● Anticipated; ● Not present; ● Too early to tell

## Risk sharing

In a SIB, a range of stakeholders are bound contractually. The SIB mechanism is expected to affect the levels and types of risks borne by different stakeholders.<sup>25</sup> Through ensuring that some or all of the funding is only payable should results be achieved, the SIB mechanism has reduced financial risks for outcome payers and service providers, transferring this to investors. Risk transfer is considered a key element of the SIB mechanism for IDB Lab as they argue the level of risk sharing and attractiveness of the investor offer are key determinants of the success of the SIB.

In Colombia and Argentina, we found that the philanthropic nature of some of the investors resulted in them having a **larger risk appetite** than mainstream investors. As such, the **risk transfer of the SIB model was considered acceptable**. For some of the investors, the demonstration effects associated with being involved in a first-time SIB were the key motivation for their involvement. In **Argentina**, the economic context the SIB launched in and the related inflation levels posed a large risk to investors in terms of repayment and government payments not being adjusted by inflation.

On the service provider side, we observed **service providers entering the PbR space** in Colombia and Argentina. Many of the service providers involved had not worked on PbR before and as such, were not used to risk-sharing arrangements. However, this is mainly due to the limited number of PbRs in social programs. It is worth noting that some SIBs decide to share the risk

with service providers to ensure alignment of interests and give confidence to investors. In Colombia, an average of 20% of payment to service providers across both SIBs was based on outcomes (actual rate varied across the four providers), so that they too had an incentive to focus on outcomes achievement. This small incentive was privately managed between the providers and the intermediary.

## Crowding in private funding

By bringing in different stakeholders and different financing channels, there is a hypothesis that SIBs can enable projects to be funded that would not have been funded otherwise. It is also argued that given the involvement of the private sector, SIBs contribute to crowding in financing from the private sector to social sectors.<sup>26</sup> There are benefits to crowding in private financing to social programs, as this increases the available financing to reduce the gap to achieve development outcomes such as the Sustainable Development Goals. Increased financing can also contribute to the sustainability of these outcomes as social outcomes become more investable.

In our study, we have found mixed evidence in terms of whether SIBs enable the crowding in of additional private financing that would not have been used for social programs otherwise. We found that all SIBs have **crowded in some financing that would not have gone to social programs otherwise**. In Colombia and Argentina, most of the investors were philanthropic, but some were using financing from their

25 - OECD, 2016. *Social Impact Bonds: State of play & lessons learnt*. Working paper. Pages 17-9. Available at: <https://www.oecd.org/cfe/leed/SIBs-State-Play-Lessons-Final.pdf>

26 - Gustafsson-Wright, E., Boggild-Jones, I., Segell, D. and Durland, J., 2017. *Impact bonds in developing countries: Early learnings from the field*. Brookings Report. Page 33. Available at: <https://www.brookings.edu/research/impact-bonds-in-developing-countries-early-learnings-from-the-field/>

endowment to finance the SIB, rather than from their grants funding. This is important because it means it was new financing that would not have been invested into the social sector otherwise. However, there has not been crowding in of mainstream private investors to date.

In **Argentina**, the SIB enabled the funding of a **project that would not have been funded otherwise**, given that the SIB target population is one that the Government of Buenos Aires had not worked with before. In **Chile**, it is anticipated that the Childhood SIB, one of the three SIBs, may be funding an intervention that would not have been funded otherwise, by combining pre-existing interventions that have not been delivered together previously. In **Colombia**, we found that the SIBs were **similar to existing interventions** and that some investors claimed that they would have been willing to fund the interventions with grants without government involvement, had there not been a SIB program.

### Greater collaboration

The design and execution of a SIB involves many stakeholders, including government, investors, donors, advisors and delivery partners. This is a positive aspect of SIB interventions, as it increases the variety of stakeholders working towards resolving social issues. Many of the stakeholders involved in the SIB initiatives in all five study countries reported that the **incentives to work collaboratively** that emerge from SIBs were a key advantage of the model. In **Chile**, the key motivation to implement SIBs was the opportunity of finding solutions to social problems from all sectors of society, including both the public sector and the private sector. The argument is that different stakeholders are good at

focusing on different problems and collaboration can help bring a more grounded and effective solution.

In **Colombia**, several government stakeholders argued that the civil service tradition was often very siloed and had limited **cross-departmental** collaboration. They saw SIBs as a way to encourage more dialogue and cooperation between government departments. For instance, the use of administrative data from a government entity that was not engaged in the provision of services or outcome payments (e.g. the Ministry of Labor, in Colombia's case) marks an extremely creative and original solution to the increasingly challenging dilemma of data availability in developing countries.

In **Argentina and Colombia**, the employment SIBs focused their collaboration with the private sector not only on the investor side, but also to some extent on potential employers, to ensure that the SIB interventions matched the needs of the labor market. This was particularly strong in Argentina, where the increased focus on outcomes improved the coordination with employers to grow the labor market by developing employment opportunities for vulnerable young people. In Colombia and Argentina, we also found that the SIB encouraged greater collaboration between service provider organizations who shared their learnings with each other. Despite increasing coordination costs, stakeholders in Colombia consider that the benefits of mutual learning and the ability to offset risk outweigh the additional costs.

We found that in countries like **Colombia or Chile**, where the SIB initiatives were launched either as a multi-SIB approach or a sequential SIB program, the greater col-



laboration had a more stable structure that enabled more **formalized and sustainable learning from transaction to transaction**. For example, learning from the first SIB in Colombia was applied to the second SIB, which was possible because many of the same stakeholders were involved. In Chile, where the SIBs are being developed in different policy areas, learning about the process and the SIB mechanism can be used between transactions, but not in terms of learning from the intervention design and the potential to adapt the intervention. Stakeholders highlighted that it is important to consider the **complexity of governance structures** as SIBs get more established and numerous and involve more stakeholders. For example, in Chile and Colombia, the SIB coalition decided to split its work into different working groups to ensure that the right people could be in the room, while minimizing the number of stakeholders that needed to be a part of every decision.

## Innovation

The risk transfer from outcome payer to investor involved in the SIB mechanism is intended to enable the funding of riskier and more innovative interventions. However, a strong business case is necessary in order to attract external investment; this is expected to ensure interventions are well researched and carefully designed.<sup>27</sup> The need for extensive evidence of the effectiveness of a tested intervention can result in outcomes payers being less willing to innovate in terms of how a service is delivered.

27 - Butler, D. Bloom, D. and Rudd, T., 2013. *Using Social Impact Bonds to Spur Innovation, Knowledge Building, and Accountability*. Community Development Investment Review. Page 56. Available at: [http://dev.mdrc.org/sites/default/files/SIB\\_SFfedReserve.pdf](http://dev.mdrc.org/sites/default/files/SIB_SFfedReserve.pdf)

We observed **different levels of innovation** in service delivery in all study countries. Some stakeholders highlighted a **trade-off** between the need for **rigorous well-evidenced intervention designs and the potential to innovate**. As such, we acknowledged that there are different degrees and types of innovation and examined how they link with the SIB mechanism. We **found two different approaches** in developing new SIBs: SIBs with interventions already paid for by the government to the private sector (e.g. employability programs in Colombia) and ones in which the government would be funding a new type of service (e.g. female economic empowerment in Mexico or youth transitions in Chile). While new services involve more innovation, they are challenging to develop for the first time.

*"It does seem to be a reliable and valuable mechanism. It is very valuable to test new ways of doing public policy. It is very focused on results and adapting existing policies that have already worked in other countries."*

- Stakeholder in Chile

We define **incremental innovation** as an **adaptation of established interventions**. We observed adaptations both in the processes of designing social interventions and in the intervention designs themselves. Firstly, we observed how the focus on outcomes enabled innovation in how interventions were delivered, given the **increased flexibility that service providers have** when not being measured against activities. In **Argentina**, service providers considered that the focus on outcomes allowed for more innovation in their delivery given that they were not tied to activities.



In **Colombia**, the SIBs' innovation involved using a well-established intervention and shifting the focus of its objectives from employability to employment. This resulted in an adaptation in how service providers focused on outcomes. Given the increased focus on outcomes, the interventions incorporated more supervision, follow-up and support beyond training and were changed from one SIB to the next based on lessons learnt (for example number of hours of training prior to placement).

In **Chile**, to date we have observed **innovations in how public policies are developed**, rather than in the intervention designs themselves. For instance, the Ministry of Science launched a comment period during which external stakeholders were able to provide comments on the design of the Recidivism SIB, resulting in an adaptation of the design. This could have been done without a SIB, but the collaboration and willingness to do things differently encouraged this change. Nevertheless, stakeholders highlighted how the interventions themselves had limited innovative elements. In **Colombia**, we also observed an innovative use of administrative data provided by other government departments that had not collaborated before.

When we talk about **radical innovation**, we refer to a SIB enabling the use of a **new intervention that has not been used before**. For instance, in **Chile**, the Childhood SIB that is currently being designed is considering combining different interventions that have not yet been executed together. In **Argentina**, the innovation involves targeting a population that had not been the focus of a public employment program before, with the intervention otherwise remaining the same. Stakeholders argued that the Government of Buenos Aires

would not have targeted this group had it not been a SIB. They also noted that service providers would not have worked with them either, because the group is a particularly challenging cohort to place in employment and the risk transfer was the incentive.

In summary, the sharing of risk and the heightened focus on outcomes encouraged innovation, as service providers were able to take risks and experiment with their delivery models. They had greater freedom to adapt because of the focus on outcomes over monitoring, ensuring a stronger focus on achieving outcomes.

### Effective service delivery

Advocates of SIBs place great emphasis on the robustness of the outcomes. The attachment of payments to outcomes is expected to incentivize both outcome payers and service providers to ensure outcomes are clearly defined and robustly measured, in contrast to other interventions where payments are not linked to the success of the program. However, this can also mean SIBs are complex to design and expensive to set up.

We examined the design of the SIB intervention in three parts:

1. Increased focus on outcomes in the design of the intervention.
2. Improved performance management by service providers when reporting on results.
3. Improved transparency in how outcomes are designed, measured and reported on.

We found that in all three study countries, there was **significant evidence that the**

**SIB had incentivized a more careful and rigorous design** of the intervention, with increased focus on outcomes, improved performance management and improved transparency. This is evident in the technical designs of the SIBs that carefully design the target group, outcome metrics, outcome payments and interventions.

For instance, in **Colombia**, the SIB program has led to a change of mentality amongst stakeholders, who began to **think more in terms of results rather than activities**. The incentive scheme allowed service providers to focus their operational and financial management strategies towards achieving the results, and also generated lessons learnt that were incorporated into the subsequent contracts of the operators. Moreover, the SIB introduced financial and reputational incentives that motivated investors, the intermediary and operators to focus management and implementation strategies on improving the core results of the project (placement and three-month retention, for SIB 1).

Similarly, service providers in Argentina stated that the SIB requires considerably more work than the other employment projects they work on, particularly around monitoring and evaluation, but that it is worth it because it **leads to better results in how they can monitor their performance and makes them more confident that they are achieving their objectives**. Most other projects monitor the number of people trained, and if they measure the number of people entering the labor market, this measure is not as rigorous or reliable. The SIB **accurately measures labor market access and retention** and while the cost of monitoring is significantly higher, it leads to results management. We found similar changes in Colombia, where performance management was also driven by data.

In terms of improved transparency, we observed increased clarity and objectivity in how outcomes are measured and reported on in all countries, but there is space for more transparency and knowledge sharing outside of the different SIB coalitions. An example of good practice was clear in **Chile**, where the Ministry of Science agreed to publish the SIB design for the Recidivism SIB online to allow **external stakeholders to provide comments on the design**. Stakeholders highlighted that doing this sooner would allow for a more robust and transparent design.

### Complexity and cost of set-up

Impact bonds are often considered complex and costly to design and execute. They require a high level of commitment and capacity from the stakeholders involved but are often **small contracts for which it is difficult to justify the required resources**.<sup>28</sup> In all our case studies we found supporting evidence that SIBs can be complex and costly to design and execute and identified **key factors that can exacerbate how complex SIBs can be**. The complexity and costs are often considered value for money by those incurring the cost if the impact bond achieves results and the learning from it can be applied to other programs. However, it is still early for the SIB initiatives analyzed in this study to draw any conclusions.

*"Innovation is very time-intensive and this needs to be understood from the onset of the program"*  
- Stakeholder within IDB Lab

28 - GoLab, undated. *Impact Bonds. Chapter 3: Potential limitations of impact bonds*. Available at: <https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/>

Overall, in Latin America, the challenge of designing SIBs is exacerbated by the **lack of reliable data and evidence of what works** to support the SIB design, as well as by a **challenging regulatory environment**. This is a significant barrier to overcome when designing a SIB and collaboration between stakeholders is key in overcoming this. In **Mexico**, we found that, in the design phase, the SIB became increasingly difficult to structure due to the **complexity of the evaluation methodology** and ensuring that this fit the intervention. This led to significant delays in its launch and, ultimately, to its cancellation. A similar concern was raised by some stakeholders in **Chile**, who commented that it is necessary to consider **which policy areas and social problems are suitable** for a SIB design and which are not, to prevent the design of the SIB becoming overly complicated. For instance, stakeholders felt that policies targeted at the most vulnerable groups in society may not be suitable for SIBs, considering the time and resources it takes to set them up. Moreover, both in Brazil and in Mexico, we found that the decision to **design a randomized control trial** to evaluate the results of the SIB made the design process challenging and very costly compared to those in Colombia, Argentina and Chile. In Colombia, stakeholders working on developing employment SIBs within SIBs.CO chose to develop smaller SIBs to promote learning. These SIBs were considered minimum viable products that can fail if the SIB is not successful as a way of testing the development of a SIB model for the country.

A key focus of those working on developing SIBs has been on reducing the transaction costs in designing SIBs to mitigate their set-up and execution costs and to increase their scalability. Stakeholders in **Colombia, Argentina and Chile** acknowledged the

challenges in designing SIBs in terms of their complexity. In Argentina, the SIB is seen as a pilot and there is an expectation that learning will enable a reduction in **transaction costs** in the next SIB. In Colombia, the **pronounced learning curve of the SIB** implied a large time investment by all stakeholders. This investment was not only essential for the success of the project, but also resulted in an increase in their technical knowledge and management capacity for the development of future SIBs. Outcomes payers and investors saw the time invested in the structuring stage of the project result in the greater technical sophistication of the second SIB of the SIBs.CO program. It also enabled the sharing of learnings with interested parties outside of the SIB and outside of Colombia.

We found that aiming to **design more than one SIB** can also help **reduce transaction costs** if the design can be replicated. Also, it can reduce the time required for launching the first SIB, provided stakeholders accept that it will serve as a pilot and the model will be improved in further iterations. In Colombia, this was one of the key motivations to launch an employment Outcomes Fund. If SIBs are launched in different policy areas, learnings can still be shared from one SIB to the next if the same stakeholders are involved (like in Chile), but this will likely not reduce the complexity of the design.

We have identified several factors that can contribute to **minimizing the impact of the complexity and cost** in the design phase, which are explored in detail in the next section. These include allowing for a **phased approach to learning, sufficient technical support, a structured way of engaging** and ensuring that the **right people are involved in decision-making**.

## Developing first-time SIBs: What has been achieved?

We found that, overall, the SIBs in our study countries were well designed SIBs in terms of cohort definition, outcome selection, validation and pricing to incentivize the right behaviors, and there had been thorough consideration of the advantages and disadvantages of the model. However, there could have been some improvements around capping cohort numbers and defining cohorts more specifically to ensure that the results achieved by the SIBs are attributable to the intervention.

Moreover, the launched SIBs are showing some of the benefits you would expect to see, including:

- consistent evidence of greater collaboration and financial risk transfer
- some evidence of SIBs crowding in private financing
- stronger focus on the achievement of long-term outcomes over activities
- enabling some innovation in service delivery
- enabling testing of new mechanisms and generation of new evidence.

If we consider the motivations that drove the stakeholders to implement SIBs, it is still too early to say whether these SIBs have acted as catalysts for change. At this early stage, there was very limited observable evidence across the study countries of SIBs influencing how other programs are delivered or increasing a focus on outcomes in wider policy-making. The clearest example of progress being achieved in ensuring that governments pay for success, is Colombia, where these efforts have resulted in the creation of an Outcomes Fund embedded within government institutions. In the other study countries, it is still early

to say, with only one closed SIB. More evidence of the learning and results of SIBs in different policy areas is needed to achieve this wider objective.

*"If you want to mainstream, we are still far away, we haven't really gotten close to a product that is adopted by governments. If you want to bring in innovative ideas around PbR, we are doing better, but there isn't a clear path for scaling this, yet."*

- Stakeholder within IDB Lab

## Lessons learnt from developing first-time SIBs

Overall, we found that when developing first-time SIBs, the key ingredients for their success is relational and, to some extent, technical. We have identified lessons learnt that are relevant to consider when designing and executing SIBs.

The following lessons relate to the SIB design itself and how it operates:

### 1. Having a shared understanding of SIBs as an innovation, how to design the SIB and the need for the intervention within the SIB coalition is essential for their success.

- » We found that this shared understanding and clarity around the rationale for implementing a SIB was achieved in Colombia, Argentina and Chile, but to a lesser extent in Mexico, where expectations and views within government departments were different. Organizing an initial workshop to discuss and agree on

objectives and finding a balance between innovation and better social outcomes can help with this process.

- » The social motivation of philanthropic investors in early SIBs makes it easier to develop them, as it ensures a stronger shared understanding and an agreement of the need to make compromises.

## 2. Strategic agreement of the desirability of using a SIB to structure the intervention and clear drive and commitment to launch the SIB is essential to see the SIB through to execution.

- » It is important for stakeholders to agree on their motivation to implement a SIB because this helps when compromises need to be made. This was a challenge in both Mexico and Brazil, which made the SIBs more difficult to launch. In Brazil, this was particularly testing when engaging with civil society.
- » Future coalitions developing SIBs should undertake a workshop at the beginning to discuss their motivations and aims for the SIB and ensure alignment. They should also discuss the consequences of specific motivations and priorities.
- » Commitment to seeing the SIB through in a timely manner and understanding the trade-offs in the design phase is essential from all stakeholders, but particularly important from government stakeholders, given the challenges related to electoral cycles.

- » It is essential to have SIB champions within government that help drive the SIB forward and contribute to this collective leadership, but they need to be at the right seniority level or have access to senior staff in order for decision-making to be effective. While these champions might change, it is important to also have more stable external stakeholders.

*“The theme is secondary to the champion.” - Stakeholder in Brazil*

## 3. SIBs must have clear overall objectives, capable of being translated into a defined set of measurable outcomes and a clearly identifiable cohort/population.

- » First-time SIBs need to be robust enough to provide demonstration effects of the potential of the mechanism, but they do not need to be perfect. This is particularly the case if there will be opportunities to improve the design in future iterations. As such, a key lesson emerging from Colombia is the value of developing SIBs within a program that enables the launch and execution of more than one SIB.
- » Focusing on tested interventions such as employment in first-time SIBs is helpful in providing evidence of the effectiveness of the intervention and preventing the SIB design from becoming overly complicated. Deciding to develop SIBs with tested interventions that have been developed in the same geographical area

before can help reduce the need for a complex randomized control trial (RCT) that aims to demonstrate the effectiveness of the intervention. It is important to strike a balance in terms of the complexity of the design to ensure that results are attributable to the SIB, while not overcomplicating the design. In Mexico, expectations around the potential of the intervention to achieve cost savings was challenging to communicate and the decision to include a complex RCT design delayed the launch of the SIB. In first-time SIBs, evaluations are important to capture the effectiveness of the mechanism and outcomes achieved, but an RCT may be more suitable for a later phase once the mechanism is more established.

- » In Colombia, we found that despite the cohorts being well designed, choices such as allowing service providers to further select the most suitable participants within the defined cohort and overrecruit participants, that some of the providers used, might pose a challenge in attributing results to the SIB. This is something to be taken into consideration for future SIBs as the market develops and there is more evidence on how participant selection is best done to ensure evidence and attribution to the SIB.
- » Sufficient data is needed to track information on participants before, during and after a SIB intervention, but creating and providing this data can be one of the aims of the SIB when administrative data systems are imperfect. In Colombia, for example, for the first SIB, data was collected

on results in retention at six months by including it as a bonus with a low payment attached to it, which made it possible to use the learning in developing the second SIB.

#### 4. First-time SIBs should have a strong learning component to help test the mechanism and build the capacity of those involved.

- » Developing a program of multiple SIBs is a good way to ensure learning takes place and capacity is built – as long as the SIBs are developed sequentially and there are opportunities to apply learning from one SIB to the next. Stakeholders highlighted that this had been a challenge both in Colombia and in Chile, where constraints in government cycles did not allow the development of longer SIBs. In Colombia, the Outcomes Fund seeks to overcome this barrier.
- » Developing more than one SIB in the same policy area can help reduce the transaction costs of second and third-time SIBs and improve lessons learnt by deepening technical understanding in the same topic, before moving on to a new area. Multiple SIBs in different policy areas contribute to building capacity of government stakeholders and service providers by involving a wider range of stakeholders. Both approaches have benefits and challenges, but multiple SIBs in the same policy area may be more suitable for first-time SIBs to test the model.
- » Ensuring that learning is integrated in SIB structures is important and helps ensure that this learning is captured.

While Colombia has a specific program component focused on knowledge management, limited resources have been devoted to this to date because only one SIB has closed. The Outcomes Fund structure includes a Learning Committee to help capture future learning, complementing SIBs.CO's role. In Chile, stakeholders have a learning working group with all relevant counterparts to discuss good practice. In Argentina, focus has been put on knowledge sharing between service providers so that

lessons can be captured and shared with other government programs.

- » Once the mechanism has been tested and further established (see next chapter for phases in developing the SIB market), more complex and innovative interventions can be developed through SIBs. In this case, services provided through SIBs may represent greater value for money but may need to crowd in new working capital in order to be tested.



In order to understand how the SIB market infrastructure and knowledge base in Latin America has changed since IDB Lab launched its SIB Facility in 2014, this section explores the SIB market in the five study countries.

First, we explore the state of the market. We analyze the extent to which the concept of SIBs has penetrated different ecosystems in the study countries by looking at the supply and demand sides: the demand for SIBs from government stakeholders, as well as the capacity from the supply side to respond to an increased demand for SIBs from investors and service providers.

Second, we examine the market building activities that are taking place in each of the study countries to grow this market and build the capacity of relevant stakeholders going forward, providing examples of their success.

Finally, we explore the conditions needed to grow the SIB market and the lessons stakeholders have learnt from aiming to scale SIBs and examine whether the work done is sustainable.

## Section 3

# The SIB Market

In this section, we examine the state of the market for SIBs in the five study countries. In recent years, Latin America has seen an increase in the use of pay for success mechanisms to fund social programs, including DIBs and SIBs. Three SIBs and two DIBs have launched to date in Colombia, Argentina, Chile and Peru, and Chile is currently working on developing three additional SIBs.

We can think of SIB ecosystems as national ecosystems that are developing in different Latin American countries. By aggregating the national ecosystems, we can also think of them as a whole ecosystem. Within each country, we can examine the ecosystem of stakeholders that has emerged associated with specific policy areas, for instance stakeholders in the SIB ecosystem who are interested in employment. At this stage, given that the ecosystems are nascent, examining ecosystems at a national level

is more intuitive, as many market-level stakeholders do not operate in multiple countries and we are yet to see specific ecosystem stakeholders aligning around specific topics as more SIBs are developed.

In Colombia, the first SIB generated a demonstration effect amongst a network of public and private actors that participated in the project, showing the viability of the mechanism and contributing to advancing the development of public policy in terms of innovative financing and public innovation. The development of this first SIB contributed to generating and fueling interest in the ecosystem among governmental (national and local), international cooperation and private actors linked to the sector. At the time of writing, many of these actors were exploring innovative financing mechanisms on topics as diverse as rural education, public health, environment, and child protection. These actors

were interested in understanding how PbR approaches can help to close gaps and use public and private resources more efficiently and effectively.

Moreover, the State of Nuevo Leon in Mexico is currently working on developing an employment SIB, while government stakeholders in Argentina, Paraguay and Uruguay are exploring the possibility of developing SIBs in other policy areas including employment, rural education, health and recidivism. Stakeholders in Brazil noted that the two SIBs that did not launch actually paved the way for new opportunities in this area, as Insper University ended up working on a new PbR contract on youth employment by using learnings from the education SIB to select a policy area with less politicization. The launch of several SIBs in the region had also sparked the interest of other international donors including UNICEF, UNDP, Global Affairs Canada, the United States Agency for International Development (USAID) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). (See [Annex 5](#) for more detail on the role played by each institution and their mandate).

In the countries where SIBs had launched, there was an overall agreement that SIBs can help catalyze change in how social policies are developed, to increase their focus on results and create an environment to do things differently.

However, the SIB market is very nascent in the region. The stakeholders consulted in this study report that there is an increased demand for SIBs from government stakeholders, although it is still early to say, and several of the stakeholders feel that the SIB mechanism has potential to be transformational but are still awaiting the results and evaluations of the first-time SIBs that have

launched to date. As such, there is still a need to raise awareness of the value of the SIB mechanism and build the capacity of stakeholders in the region to continue testing the mechanism.

There is considerable capacity from the investor side if the risk appetite is read correctly. The biggest challenge is the capacity of service providers to adapt to the growth of the SIB market across policy areas and the lack of a supportive regulatory framework that makes it easier for SIBs to launch. We elaborate on each of these points below.

### Government demand for SIBs

We found that there is **significant demand from government stakeholders for the benefits that SIBs can bring** in terms of promoting an increased **focus on outcomes** and **cost-effectiveness of interventions**. This is a very recent development. Stakeholders in Colombia highlighted how, eight years ago, the biggest obstacle to developing SIBs in the region was government buy-in. During this research period, government stakeholders were interested in the potential of the mechanism, but cautious and aware of the complexity and resources required to develop SIBs. We found that stakeholders were **awaiting the results from the first-time SIBs** in Colombia, Argentina and Chile to prove the potential of the mechanism. A key concern is that the evaluations that are being conducted will likely not provide sufficient evidence of the value of the SIB as a way to achieve better outcomes than other government programs.

As mentioned in the lessons learnt from establishing the SIB mechanism, we found that the long-term goal of developing

SIBs in Latin America is to **improve the effectiveness of public spending** and mainstream the mechanism into government programs. However, there is still no evidence of a shift in how government programs are developed and the learnings from the executed SIB feeding into other parts of government. We believe more time is needed for this effect to be observable, as well as an **increased focus on market building activities that focus on disseminating lessons learnt** from the results of the SIB intervention to inform other government programs.

Generally, we found that government stakeholders regard SIBs as a **good mechanism to launch pilots** where the intervention is tested, evidence of its effectiveness is collected and stakeholders from different parts of society are encouraged to work collaboratively. The latter is considered one of the key catalysts for change in terms of how government stakeholders operate and one of the more sustainable effects of the mechanism. However, some government stakeholders highlighted that they only consider SIBs as **one of many innovative financing solutions** for designing social policy and that the aim is not to structure all social policy as an impact bond. For example, some stakeholders claimed that SIBs are not well suited to interventions with very vulnerable groups, given that the delays in the design and the risk of the SIB not launching can have very negative consequences for the target group. Other solutions include PbR, performance-based loans (PbL), performance-based grants (PbG) or other results-based financing solutions that incentivize good performance.

We found that a key enabler in fostering government buy-in for the mechanism was

the **inclusion of SIBs or PbR in the government plans**, as in Colombia and Chile. Stakeholders considered that this gave them more leverage with government institutions when developing SIBs. For example, this enabled the Ministry of Science in Chile to have more access to the treasury. In Colombia, this helped the SIBs.CO coalition to have more legal leverage to develop an Outcomes Fund with the DPS, by having the mechanisms included in the law.

Nevertheless, it is worth noting that it is not essential to have **uniform buy-in from all government departments** and that often it is sufficient to have champions within certain departments who are willing to push SIBs forward. As discussed under the lessons from developing first-time SIBs, it is essential to have **SIB champions** within key government institutions. In our research we have found **four different approaches to embedding the SIB mechanism** in government institutions (see Figure 7).

Figure 7: Map illustrating level of government SIB is developed with



#### 1. Driven by ministries of finance or economy:

In **Chile**, the drive to develop SIBs comes from a secretary in the Ministry of Science, formerly within the Ministry of Economy. This Ministry has the convening power to bring together key stakeholders on the government side. Having SIBs being pushed for from the central government also helps overcome systemic barriers such as regulatory barriers to launching SIBs. Building the capacity of this actor contributes to the sustainability of the mechanism and the continuity of the learning.

#### 2. Driven by other government ministry or department:

In **Colombia**, the driving government stakeholder for the first SIB and Outcomes Fund is the Department for Social Prosperity, which has ministerial level and designs and executes social programs that may be designed as SIBs. By working with the DPS, SIBs.CO ensured that the capacity to develop SIBs is embedded in the department that has the responsibility to design and execute social programs for the most vulnerable groups in society.

#### 3. Driven by the state level:

In **Mexico** and **Brazil** the driving government stakeholder is a sub-national government as the SIBs were developed at the state level. Often this is necessary in very decentralized countries such as Mexico and Brazil. However, it poses challenges in how government buy-in is built and the influence stakeholders have to overcome structural barriers to developing SIBs.

#### 4. Driven by the municipal (city) level:

The SIB in **Argentina** was implemented at provincial level and the second SIB in Colombia was implemented at the municipal level. The advantage of working at this level is that often services are more closely linked to these institutions and they will be closer to what is delivered. This was the case with employment programs in Cali. Moreover, it offers the potential to develop bottom-up interventions that are better suited to the context. A key challenge is the limited impact that capacity building at the municipal level has on national institutions.

Each approach has **associated risks** in terms of effectively fostering government buy-in in other institutions. For instance, in Chile, there is a risk that the shared understanding of the value of doing SIBs does not penetrate departments that are responsible for social policies or that the departments lack the capacity to develop them going forward. In Colombia, the key risk is the limited buy-in from the Ministry of Finance, which may condition the sustainability of the mechanism given annual budgetary restrictions. The risk of working at municipal and state level is that there may be a missing link in building government buy-in at the national level to overcome systemic barriers to developing SIBs.

Some stakeholders proposed a **combined approach** going forward. For instance, in decentralized countries, it is necessary to engage the central government to get their buy-in, but most effective to work with states or municipalities where trust in government is higher (such as Buenos Aires in Argentina) and where there are champions who want to take SIBs forward.

## Market capacity to develop SIBs

### Investors

The perception stakeholders have of the readiness of the market is that there is sufficient financing from investors available. Initially, the support and interest from **philanthropic investors** has been key in demonstrating that SIBs are investable and can offer an attractive level of risk and return and lower some of the set-up costs for investors (e.g. intermediary and legal costs). Interest from **impact investors** is growing and SIBs have been identified as one of the available mechanisms. Moreover, there are also international investors who may be interested in investing in SIBs in Latin America. However, the **impact investing market is young** and not equally developed across the region. Countries like Chile, Mexico and Colombia appear to have the largest impact investing markets. While the basic conditions are in place to promote social entrepreneurship and impact investing, there is still a need to move towards the formalization of new market structures with greater diversity of intermediaries and sophistication in investment tools.<sup>29</sup> Stakeholders in Mexico highlighted that while **fundraising for the SIB presented little issue**, and investors were keen to work with government, they were unaccustomed to the technical and legal complexity of the SIB, and the risk appetite and level of experience varied significantly across the investors.

*“There is enough investment, but the offer has to be attractive. It has to be well structured to provide guarantees. There is capital, but not a pipeline.”*

- Stakeholder within IDB Lab

The impact investment market in **Mexico** has been steadily expanding, with an increasing number of investors, yet is still a work in progress. According to Alianza por la Inversión de Impacto, 108 impact investments were carried out between 2016 and 2018, amounting to around \$185 million. While this suggests promising growth, the market remains relatively small with few actors and a myriad of challenges, including the measurement of social and financial return on investment. Banamex Fomento Social, the foundation of the second largest bank in Mexico, pioneered the creation of the ecosystem in Mexico, focusing on social change and serving the most vulnerable groups in society. The creation of this ecosystem has increased international interest in Mexico as an impact investment destination, and Mexico remains one of the three Latin American countries with the highest levels of impact investment.<sup>30</sup>

In **Colombia**, there is a growing community of practitioners and market builders. In the past decade, approximately ten impact investing funds out of the 132 private equity funds have emerged in the country, with capital commitments of over \$86 million USD, according to ColCapital<sup>31</sup>. Aside from PEFs, other practitioners include in-

29 - Kimmitt, J. and Munoz, P., 2020. *The Potential for Social Impact Bonds in Chile? Exploring New Avenues for the Social Enterprise Sector*. Available at: [https://eprint.ncl.ac.uk/file\\_store/production/255977/853602F2-A7CB-40AE-855D-C67C7208B0C5.pdf](https://eprint.ncl.ac.uk/file_store/production/255977/853602F2-A7CB-40AE-855D-C67C7208B0C5.pdf)

30 - Ethos, 2018. *Inversión de impacto en México: agenda de un mercado en crecimiento*. Available at: <https://ethos.org.mx/ethos-publications/inversion-de-impacto-en-mexico-2/>

31 - ColCapital. 2020. *Anuario. Industria de Fondos de Capital Privado en Colombia*. Available at: <https://es.calameo.com/read/0058334219d5be0b1f411>

cubators and accelerators like Endeavor, project promoting entities like Ruta N and Innpulsa, academia like Universidad de los Andes' Center for Social Impact, law firms, consulting firms, and other international and cooperating agencies. The Colombian National Advisory Board (COLNAB) of the Global Steering Committee Group for Impact Investing (GSG), was recently developed and will strengthen the Impact Investing market and recognize the SIBs and other payment by results models as part of the development strategy.

In **Chile**, we see that the **investment funds** have played a very important role by encouraging the development of this industry, channeling resources from investors to demanding organizations. Through them, different types of investors, mainly foundations and family offices (as in the first DIB Primero Lee), have channeled their capital into investments of impact, highlighting the role of FIS-Ameris, created in 2010 as the first impact fund in Chile.<sup>32</sup>

In **Argentina**, external stakeholders feel that the market is still very undeveloped given the size of the capital market and the volatility of the economy, with limited experience in impact investing. Some of the major investment funds are completely unaware of the existence of SIBs. In **Brazil**, stakeholders reported that, despite the ecosystem being in its infancy<sup>33</sup>, interest from investors was not a challenge as there were several banks interested in the SIBs,

provided the offer and the terms were beneficial enough and not too long term.

Overall, SIBs are attractive to philanthropic and impact investors, partly because of their social returns and because their recycling period is shorter than most impact investments. The **level of demand** is still small as SIBs are not yet attractive to mainstream investors because their levels of risk and return are below commercial levels. This may become a challenge if SIBs are scaled, but it is not a challenge yet given that the demand from investors outstrips the number of investable SIBs, in Latin America but also globally.

### Service providers

On the **service provider** side, according to stakeholders involved in developing SIBs so far, there are sufficient service providers in a given policy area to provide capacity to deliver interventions structured as SIBs. The perception in different countries is that the capacity varies significantly across policy and geographical areas. For example, in Mexico, stakeholders reported that the market for service providers was small in certain policy areas. While there were many potential service providers in the areas of employability and prison rehabilitation, there was limited capacity among economic empowerment service providers in Jalisco. For this reason, two service providers based in Mexico City were contracted: Fundación Capital and CREA. These service providers had extensive experience in the area and were asked to work in Jalisco.

However, government stakeholders highlighted that if SIBs are scaled, they are unsure whether there are sufficient service providers to achieve that scale. So far, the

32 - Sanchez Rocco, V., 2019. *Guía para la Inversión de Impacto en Chile*. ACAFI y Universidad Pontificia Católica. Available at: <http://fisameris.cl/wp-content/uploads/2019/06/Gui%C3%A1-de-Inversio%C3%8In-de-Impacto-y-ABC-FINAL.pdf>

33 - Levey, Z., 2017, *Impact bonds coming to tropics*. LEVOCA Impact Labs. Available at: <https://www.levoca.org/the-blog/impact-bonds-coming-to-tropics>



service providers that have been involved in SIBs have been very experienced in their field and very knowledgeable about the interventions they have delivered.

We consulted service providers regarding the challenges related to increased performance management and reporting on outcomes. Overall, this did not appear to be a problem, with service providers receiving the necessary support from intermediaries to build capacity and provide assistance when needed, with some exceptions.

Nevertheless, stakeholders did highlight that if SIBs are scaled, significant support should be provided to service providers to **improve their capabilities to run an intervention under a SIB**. This would include supporting service providers to understand their costs and how to cost the intervention, handle data management appropriately and be comfortable working in an environment where strong performance management is required. For instance, the SIB in Argentina provided significant support and opportunities for service providers to learn from each other. We found that, despite service providers managing to do this, the risk it posed for them to deliver an intervention under a SIB without the right capabilities was large. This was because the pricing of the service with limited information may have underestimated the cost of the intervention – a risk the service provider carries.

To conclude, there is capacity for SIBs on the supply side (from investors and service providers) but challenges remain and considerable outreach work needs to be done to develop the market and better understand the interest and capacity in each country. In Chile, during the design phase

of the Recidivism SIB, the government published a ‘question period’ for external consultants to provide comments on the design. This proved a useful and innovative exercise according to stakeholders because it gave them an understanding of what the ecosystem looked like, such as levels of interest from investors and intermediaries. This was also supported by some outreach activities carried out during the feasibility study to understand the availability of and interest from potential investors and service providers.

## Market building activities and their success

In this section, we examine the different market building activities developed in the study countries and their relative success. As noted in the introduction, IDB Lab has provided considerable support to market building activities in two capacities. First, it conducted extensive market building activities through the SIB Facility as early as 2014 in countries such as Mexico, Brazil and Chile. Second, as demand for SIBs has started to grow, IDB Lab has been involved in specific transactions, funding wider market building through SIBs.CO and in the context of the Chilean SIBs. Figure 8 highlights some of the activities that have been conducted across the study countries, which have been developed to varying degrees. However, this section focuses on the activities conducted in Colombia and Chile specifically.

The early involvement of IDB Lab in developing the SIBs market contributed to growing government demand for SIBs. In Mexico and Brazil, this resulted in specific SIB transactions being structured, despite



these not launching. These early efforts contributed to developing the ecosystem, identifying promising policy areas for results-based financing, and fostering government demand.

In addition to this, the SIB initiatives in Colombia and Chile have **explicit market building objectives** and specific budget lines attached to this objective funded by IDB Lab (and SECO in the case of Colombia). This is reflected both in the focus on

learning between SIBs and in the knowledge management and dissemination activities. However, stakeholders in both countries highlighted the risk of focusing on market building activities while aiming to launch and execute SIBs. As such, launching SIB transactions are framed as the first building block to market building, which can then be complemented by further supporting stakeholders in the ecosystem in exploring the development of other initiatives in different geographical or policy areas.

Figure 8: Market building activities



In Chile, the Fundación San Carlos de Maipo is receiving funds from IDB Lab to do market development activities. In Colombia, Fundación Corona is the executing agency for market building and is responsible

for commissioning relevant work. These foundations were also heavily involved in the technical design of the SIBs and their execution. While developing and executing first time SIBs, the focus has been on

ensuring that these could be executed as a way to build the market and strengthen the capacity of the stakeholders involved in the transactions. Beyond these efforts, wider ecosystem building is also being developed.

In Colombia, SIBs.CO was designed with resources in the form of budget allocations for this component and four indicators to measure progress on market building:

- strengthening of service providers
- development of SIBs
- development of policy recommendations
- development of SIB concepts.

As a part of this component, SIBs.CO generated a **mapping exercise** of the costs and results of 11 employment programs in Colombia and commissioned the evaluation of both SIBs. Moreover, within each **transaction**, intermediaries promoted work and training among service providers. There is also an investment committee in both SIBs to promote and share learning among investors. However, in some cases, we heard that investors and service providers would have welcomed more opportunities to learn from and engage with each other.

Beyond these efforts, SIBs.CO stakeholders have contributed to achieving wider ecosystem effects. SIBs.CO has contributed to the **international evidence base for SIBs** by participating in conferences (e.g. the GO Lab Conference and Impact Bond Working Group meetings). It has also provided information for databases tracking SIBs and taken part in interviews with international organizations that research impact bonds, such as Brookings, GO Lab and Levoca Impact. It also developed case studies

of each SIB and contributed to thought leadership in various forums, including the Latin American Network for PbR.

SIBs.CO has also engaged with stakeholders who are interested in developing SIB initiatives. For instance, SIBs.CO shared its performance management and verification approach with other SIBs, such as the SIB in Argentina. Fundación Corona has also worked with the Public Innovation Team in the Department of National Planning to understand SIBs and PbR concepts to help promote these mechanisms and improve the regulatory framework for PbR. In terms of the results achieved in promoting SIBs and achieving wider ecosystem effects in Colombia, we saw that the expertise and capacity of those involved has generally increased. Outside of SIBs.CO, but with knowledge sharing on their part, we also observed some promising development and growing interest in developing SIBs in other policy areas, including education, recidivism, early childhood development and adoption. With support and drive from UNICEF and the Canadian Embassy, we will likely see new SIB initiatives emerging. At the municipal level we also observed several municipalities such as Bogotá, Medellín and Barranquilla being interested in developing new SIBs and looking to the program to help understand the SIB mechanism. Moreover, the Colombian Institute for Family Wellbeing (ICBF) is also exploring developing a SIB.

SIBs.CO is informally supporting the thinking of all these developments. However, there is potential for more external sharing of resources and a more systematic approach to market building. On the government side, the Outcomes Fund presents a

good opportunity to help build the capacity of government stakeholders and service providers and should be paired with an increased effort in market building. The Outcomes Fund is the way SIBs.CO aims to contribute to building the capacity of the market.

In **Chile**, the Fundación San Carlos de Maipo receives additional financing from IDB Lab to grow the ecosystem. The Ministry of Science is less involved in market building but does engage with government stakeholders to raise awareness on the value of the mechanism. Moreover, the government also coordinated the outreach activities carried out with investors and service providers. The foundation's **responsibilities** include:

- providing technical support to the design of the government SIBs
- developing technical guidelines for implementation and evaluation
- developing a network of investors to share knowledge with
- preparing regulatory reforms to ensure a better framework to develop SIBs.

The latter has been prepared recently and resulted in the recommendation of preparing a way in which the Ministry of Social Development can become its own outcome payer, instead of using CORFO.

However, **few resources** are currently being put into **market building or knowledge sharing** as the focus is currently on launching the SIBs themselves. As such, there is a risk that lessons will not be captured if not all SIBs launch. However, it is still early days in Chile to understand where efforts in market building will be focused once SIBs have launched.

Beyond the market building activities funded by IDB Lab, wider efforts within the SIB ecosystem are also contributing to the market. In **Argentina**, Acrux Partners, the intermediary and bond manager, is working on developing the market and trying to open communications with the Ministry of Development and the city of Buenos Aires and with neighboring countries such as Paraguay and Uruguay. In **Mexico**, Henderson and Alberro are also conducting market building activities to raise awareness of the value of the SIB mechanism. They have conducted a study funded by GIZ on the regulatory barriers to launching SIBs in Mexico and are involved in the regional network alongside other technical advisors and intermediaries. In **Brazil**, the SIB initiatives led to the adoption of a PbR contract. However, the current context during COVID-19 makes market building activities across all countries challenging, therefore they will likely need to be put on hold in the short term.

*"The two 'failed' SIBs actually paved the way for new opportunities in this area."*

- Stakeholder in Brazil

At a **regional level**, by commissioning this first analysis of the SIB initiatives in Latin America, **IDB Lab's SIB Facility** will serve to highlight what has happened to date, the trends for the future and other areas that require regional scope in order to further the learning agenda.

Also at the regional level, the Latin American **network of Payment by Results** (Red de Pago por Resultados) shares learnings

between its members.<sup>34</sup> It is also engages in international fora and aims to disseminate the learnings from the region as well as promoting PbR. For instance, the network is currently preparing an analysis on the regulatory barriers to launching SIBs across the region. The regional network serves as a knowledge management agent that can connect interested stakeholders. However, the network does not engage with government stakeholders or international and multilateral donors, presenting an opportunity for further engagement to ensure that the opportunities and challenges associated with different SIBs are discussed from the perspectives of governments and donors as well.

Overall, as discussed in the previous section, we believe the SIB market in Latin America is being built. We see interest in developing SIBs in different countries in the region in new policy areas with new stakeholders. The ecosystem for SIBs is being developed and there is interest in establishing the mechanism. When developing first-time SIBs, market building activities are most effective when focusing on developing the SIBs themselves.

To date, market building activities have been effective in testing the instrument, developing first-time SIBs and growing demand from public and private stakeholders. However, in order for the SIB mechanism to mature, continued support for market building will be critical over the next three

to five years to ensure nascent capacities become sustainable and to ensure growing demand for SIBs can be responded to. With Colombia and Argentina having executed SIBs and starting to show the potential for more effective public spending, there is an opportunity for wider market building activities outside of the SIB transactions to further develop the ecosystem by sharing expertise where there is demand. With the Outcomes Fund in Colombia, it is expected that market building activities will also be strengthened.

### SIB market development and enabling factors: The DREAM factors

In this section, we explore which factors are essential in developing the SIB market. Following our proposed framework to understand SIB ecosystems, we examine the different factors for each phase in the SIB market development: developing first-time SIBs, establishing the SIB mechanism, and growing the SIB market. Then, we provide the lessons learnt from stakeholders in overcoming barriers related to each phase in the next section.

When looking at what factors affect the **ability to develop the SIB market**, we identify **five broad categories – DREAM**:

1. Demand from government
2. Regulatory framework
3. Economic and political context
4. Availability of data
5. Market capacity

In our analysis, we examine which of these factors are essential to each phase of the

34 - The Red de Pago por Resultados is a network of practitioners in Latin America working on designing and structuring PbR mechanisms in the region. It is formed by 11 organizations based in Mexico, Brazil, Colombia, Chile, Argentina, and Peru. More information available here: <https://beccarvarela.com/wp-content/uploads/2019/06/red-latam-pago-resultados.pdf>

SIB market development and provide examples of where these were and were not present. Our analysis is based on our findings from the five-country case studies and aims to provide an analysis framework that

is applicable to other contexts and offers useful insights into what factors may affect the possibility of developing SIBs. The table below provides an overview of how essential these factors are to each phase.

Table 5: Enabling factors to SIB market development

Enabling factors	Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Demand from government	●	●	●
Regulatory framework	●	●	●
Economic and political context	●	●	●
Availability of data	●	●	●
Market capacity	●	●	●

Key: ● Essential; ● Good to have

### Demand from government

When developing SIBs, it is important to have government buy-in and sufficient interest from government stakeholders. The degree of buy-in required when developing impact bonds will depend on the objective of developing them. If the objective is to ultimately ensure that governments pay for results and use public resources more effectively, it is important to have demand from the government. As discussed earlier, in **first time SIBs**, it is essential to have champions within government institutions that can help drive the SIB initiative forward (see lessons learnt from developing first-time SIBs). We found that this was essential in all countries, but that electoral cycles can pose a challenge in achieving sustained support for SIBs, as we saw in Mexico and Brazil. However, government

stakeholders do not necessarily have to pay for all outcome funding and often first-time SIBs are more likely to launch if outcome funding has donors involved.

When the **mechanism is more established**, government stakeholders need to have sufficient knowledge to design and implement them. As seen in Chile and Colombia, first-time SIBs can often have a more limited government involvement and be developed either as hybrids or DIBs to start growing government demand. However, to further establish the mechanism, it is important to build these capacities. In Colombia, the Outcomes Fund is currently being embedded in the Department for Social Prosperity, meaning the learning from executing it will be held within government. This is already the case in Chile,

where the first government SIBs are being driven mainly by the Ministry of Science.

In order to **grow the SIB ecosystem**, capabilities within government need to be sufficient to develop SIBs at scale and there needs to be a clear understanding of the value of SIBs and where they may work

best. In Colombia, the Outcomes Fund and Employment Challenge have been a response to ensuring sufficient capacity is built within government. The Outcomes Fund has a dedicated team focused on learning and working on onboarding other government agencies.

Table 6: Government demand enabling factors

Enabling factors		Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Government demand	Value for money associated with intervention are convincing to stakeholders in the ecosystem	●	●	●
	Demand and interest from government stakeholders is sufficient	●	●	●
	Knowledge to design and manage impact bonds is sufficient	●	●	●
	Concept of SIBs has penetrated the country	●	●	●

Key: ● Essential; ● Good to have

## Market capacity

As previously discussed, market capacity is essential to developing SIBs. As we have seen, from the outset it is essential to have **investor interest** in participating in SIBs, sufficient **service provider interest**, service providers with the right **capabilities** to execute SIBs, and interest in testing new approaches. However, this capacity may not be uniform in first-time SIBs. Impact bonds will likely be developed where the market capacity is more consistent and investor interest is the strongest, both geographically and in terms of policy sectors, mean-

ing they are more likely to be launched successfully.

Finally, project stakeholders need to have access to the right technical expertise and support to design and manage impact bonds. In all five study countries, we found sufficient organizations with the necessary technical knowledge to develop SIBs. In nascent ecosystems, they will likely also need significant technical support to support the design and execution. In more developed ecosystems, this is likely to decrease as knowledge is embedded more widely (see lessons from developing the SIB market for more detail).

Table 7: Market capacity enabling factors

Enabling factors		Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Market capacity	Sufficient investor interest and risk appetite to participate in SIBs	●	●	●
	Sufficient access to expertise from market providers/intermediaries	●	●	●
	Availability of strong service providers with sufficient capacity and capabilities to deliver	●	●	●

Key: ● Essential; ● Good to have

### Availability of data

The literature on impact bonds highlights the importance of having good data availability as a key requisite to develop SIBs. The availability and robustness of data varies greatly in Latin America and poses a challenge to developing the SIB market. A lack of data availability can make SIBs riskier and more expensive to design.<sup>35</sup> Looking at the five study countries, we found varying levels of data availability and robustness. Data availability also varies across policy areas; it is more developed in employment and health, for example.

In terms of developing first-time SIBs, we found that the SIBs did launch despite challenges around **accessing data to inform the SIB design** and the pricing approach. This challenge was faced in Colombia and Chile, where SIB stakeholders overcame

these challenges by working together to design the pricing approach using the available information and working with government departments to use administrative data for outcome verification. Stakeholders argued that when data is not available, it is important to incorporate the need to generate and systematize reliable data into the objectives of the SIB to learn what works in developing SIBs.

*“The data is there. The subsecretary has an enormous amount of data to design social programs and access to all of it. But the data is raw and it has taken significant resources to process it. The regulations around how to use this information has not been quick or fluid.” - Stakeholder in Chile*

35 - Bloomgarden, D., Eddy, M. and Levey, Z., 2014. *Social Impact Bonds & Education in Latin America. Discussion Document for New Mechanisms for Investing in Global Education. Global Education and Skills Forum 2014*. Available at: [https://www.instiglio.org/wp-content/uploads/2016/05/Eddy-et-al-SIBs-in-Education-in-LatAm-GEMS-White\\_Paper\\_FINAL.pdf](https://www.instiglio.org/wp-content/uploads/2016/05/Eddy-et-al-SIBs-in-Education-in-LatAm-GEMS-White_Paper_FINAL.pdf)

In Colombia, where data was not rigorous enough to inform design, the SIB itself was used as an instrument to collect data so that it could be used for future SIBs. This was the case with data on retention after six



months of employment, which was collected in the first SIB and used to help develop the pricing approach for the second SIB.

We found that data becomes more important as the SIB mechanism becomes more

established and as **SIBs are developed at scale**. As such, increasing the standards of national and regional socio-economic data and increasing the information around the pricing and costing of SIBs becomes essential.

Table 8: Data availability enabling factors

Enabling factors		Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Data availability	Administrative social and economic data to enable SIB design and evaluation	●	●	●
	Individual data that allows SIB designers and implementers to track information on participants before, during and after a SIB intervention	●	●	●
	Providers have sufficient awareness of likely outcome performance levels and costs	●	●	●

Key: ● Essential; ● Good to have

### Stable political and economic context

In the context of SIBs, the political and economic context is key, particularly in terms of government effectiveness and trust in public institutions. **Elections** can make it challenging to make multi-year commitments, meaning upcoming elections can make it difficult to launch SIBs. An additional challenge is the **high staff turnover** that results from changes in government, which can inhibit the ability to undertake long-term projects, work against embedding technical expertise in government and create challenges in growing the SIB ecosystem.

We observed these challenges in Mexico and Brazil, where delays in the SIB design resulted in the SIB being launched in the middle of an electoral period, which contributed to the SIBs being canceled. When government stakeholders consider that the benefits from the SIB will be captured by the incoming government, it makes them less likely to commit to the SIB launch. Moreover, political instability and lack of trust in public institutions can also affect the likelihood of SIBs launching. In Brazil, education unions perceived SIBs as a way of privatizing public services and opposed them as a result. In Argentina, it has been

beneficial to have international stakeholders such as IDB Lab involved in SIB development to help provide credibility to investors against a background of low trust in public institutions.

It is essential to overcome challenges associated with political context to **establish the SIB mechanism and grow the SIB ecosystem**, at least to ensure that elections do not result in the cancellation of SIBs or an unwillingness to pay for outcomes. Colombia is currently working on mechanisms to enable multi-year commitments. In Argentina, stakeholders argued that making multi-year commitments is not as challenging and can even be achieved if there is a change in government, which was the case in the Argentina SIB.

However, in many cases, challenges associated with the political system cannot be overcome in the short term. In these cases, it is important to recognize the risks of SIBs crossing political cycles and aim to launch SIBs **within government cycles** and keep

to planned timescales. In these cases, replicating existing SIBs can help reduce the timescales. It is also essential to **engage with the potential incumbent early on** to increase the likelihood of the SIB continuing if the government changes.

In terms of **economic context**, we found that particular economic conditions can be especially detrimental to the development of SIBs, for example price stability. **High levels of inflation** can make it very **challenging for outcomes to be paid** at an agreed price. When inflation is high, the agreed price for an outcome is outdated by the time the outcome is paid, making the SIB structure very challenging to maintain. This was the case in Argentina, where the SIB launched during a financial recession with high levels of inflation. We anticipate that certain economic conditions may make establishing the SIB mechanism more challenging when uncertainty is high and trust is low. As such, economic stability becomes essential to grow the SIB ecosystem, as the mechanism is not well suited to contexts of macroeconomic instability.

Table 9: Political and economic enabling factors

Enabling factors		Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Economic and political context	Sufficient price stability to ensure outcomes can be paid	●	●	●
	Sufficient trust in institutions to ensure outcomes can be paid	●	●	●
	Changes in government do not result in the cancellation of SIBs	●	●	●
	Support from civil society for SIB mechanisms and private partnerships	●	●	●

Key: ● Essential; ● Good to have

### Supportive regulatory framework

A conducive ecosystem also requires an enabling regulatory framework, which contributes to the development of SIBs. SIB development can be hindered by regulatory barriers; in Latin America, we found that an unsupportive regulatory framework is the key ecosystem-level barrier to scaling SIBs. Regulation impacts the activities of all stakeholders engaged in a SIB mechanism.<sup>36</sup> As such, it is essential to involve high-level legal counsel with an innovation

mindset from the design phase to provide advice on the design and execution of the SIB and, as a result, to overcome these barriers.

In our framework, we have selected some specific considerations affecting governments and their ability to commission SIBs, investors and their ability to invest in SIBs, and service providers and their ability to deliver SIB-funded interventions. This list is by no means exhaustive but provides an indication of which considerations are relevant at each phase and which are essential to developing SIBs.

36 - OECD, 2016. *Understanding Social Impact Bonds*. Working Paper. Page 11. Available at: <http://www.oecd.org/cfe/leed/UnderstandingSIBsLux-WorkingPaper.pdf>

Table 10: Regulatory framework enabling factors

Enabling factors		Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Regulatory framework	Laws and frameworks are in place in the country that enable payments to be attached to outcomes, not outputs	●	●	●
	Flexibility of procurement systems and capacity to procure SIBs	●	●	●
	Mechanisms to overcome constraints of budget cycles for multi-year budgetary commitments	●	●	●
	Investors can legally get a return on their investment and limits to the return do not prevent them from participating in SIBs	●	●	●
	Service providers must be able to invoice for services provided, not activities	●	●	●
	Non-deductible tax can be incorporated into pricing of success without crowding out service providers	●	●	●

Key: ● Essential; ● Good to have

Overall, our key finding is that regulatory barriers can be overcome in the **development of first-time SIBs** if there is sufficient stakeholder commitment and the government is willing to be flexible. However, the ways these barriers are overcome tend to occur on a case by case basis and do not lower the transaction costs of future SIBs. As such, regulatory changes are often necessary to grow the SIB ecosystem.

*“There are challenges in all the countries, but what matters is the commitment to take SIBs forward. The market is being built and there is a willingness to improve the regulatory framework.”*

- Stakeholder in Argentina

This was the case in Colombia, where **annual budget restrictions** made it impossible for the government to pay for outcomes after the first year of SIB implementation. In the first SIB, this was overcome by having international donors (namely IDB Lab, with SECO funding) paying for the outcomes in the second year of the SIB. After two SIBs, SIBs.CO has developed an Outcomes Fund that contributes to overcoming this barrier, ensuring that the government can pay for outcomes for multiple years.

Figure 9: ‘Vigencias futuras’ (future validity) and the Outcomes Fund in Colombia

In Colombia, the annual budget constraints were overcome by SIBs.CO through the design of an Outcomes Fund that has been granted ‘vigencias futuras ordinarias’ – the possibility to use annual budgets beyond one year. This was possible because the Department for Social Prosperity already had a fund and its design was used as a precedent to advocate for the creation of a new fund within the existing one.

Vigencias futuras stood out as a legal mechanism that could be used by both national and local governments to avoid year-on-year budgetary obstacles. According to the Colombian Law 819 of 2003, the legal framework to use vigencias futuras, this mechanism can be used when the execution of the expenditure begins with a budget of the current duration and will last beyond that budget period but be fully executed by the end of the period. In such a case, the ministry, department or municipality of interest can request approval from the Ministry of Finance.

One of the limitations of vigencias futuras is that the Ministry of Finance’s authorization cannot commit funds beyond the current government period. However, this can be overcome if the Council of the National Economic and Social Policy (CONPES) has previously declared the project one of ‘strategic importance’.<sup>37</sup>

The existence of one Outcomes Fund does not mean that future SIBs will not face the budgetary constraint challenges, but it presents a possible solution to overcome these challenges. However, the legal framework in Colombia provides room for using this mechanism to fund future SIBs, provided certain requirements are met.

37 - Paya, M., Octaviana, K., Sharma, P., Niersbach, L., Olivares, E. and Harish, K., 2017. Introducing Social Impact Bonds in Colombia. Columbia University – School of International and Public Affairs.

In **Chile**, the government also faced regulatory challenges, as government departments are not legally allowed to **pay for outcomes**. The Ministry of Science identified CORFO as a government agency that was able to pay for outcomes. Brazil also faces challenges on this front and is currently working on a law that enables SIBs to launch.<sup>38</sup>

Moreover, in **Brazil**, Law 8.666 establishes that one can hire a person to deliver a service and payments can be variable according to outcomes, but the person must deliver the project themselves and there cannot be an intermediary. As such, the intermediary structure is not possible, which is problematic because the government needs to pay the service provider directly.

Investors can also face regulatory challenges. For instance, we found that in some countries, **philanthropic investors** are not legally allowed to make a return on their investments, which crowded out several investors in **Argentina**. It also posed a challenge in **Mexico**, where Banamex Social had to give to a registered charity as the investment vehicle was not qualified. For **service providers**, there is a challenge associated with the cost of participating in a SIB. In **Argentina**, service providers risked losing their charitable denomination by participating in a SIB through which they were paid for services. In **Colombia**, VAT becomes higher if the project does not result in a taxed activity. In these cases where VAT is not paid in the activities conducted through the SIB, the cost of VAT is

incorporated in the pricing of outcomes, which increases the cost for investors and service providers.

Finally, there are considerations related to the **flexibility of procurement law** that also should be considered when growing the ecosystem. These are not essential for developing SIBs but do make the procurement process more challenging. Some examples include the challenge faced by one of the government agencies consulted that was not allowed to procure services such as consultancy services and feasibility studies directly outside of a preselected roster of service providers (e.g. Colombia), or the difficult procurement processes that need to be adopted in order to contract services (e.g. Argentina).

## Lessons from developing the SIB market

In this chapter, we have explored the development of a SIB market in Latin America. First, we described the state of the market based on stakeholders' views. We found that there is emerging interest from government stakeholders, although this is not uniform within each country and there is space to build capacity of government stakeholders further. We also found that there is sufficient investor interest, particularly from philanthropic and impact investors, and that service provider capacity is likely the biggest risk to scaling SIBs and more time should be invested in growing their capabilities.

Then, we explored the market building activities that have taken place, especially in Colombia, and the relative success

<sup>38</sup> Projeto de Lei do Senado nº 338, de 2018 is a bill that is being discussed at the senate which provides a regulatory framework for SIBs in Brazil. If the bill is passed, it will work on the federal level. In this bill, payments are attached to outcomes, not outputs.

of these activities in Latin America. We observed an increased interest in developing SIBs as different initiatives emerge in countries like Mexico, Colombia, Argentina, Paraguay and Uruguay. However, we found that a more systematic approach to market building and knowledge sharing is needed going forward now that first-time SIBs have launched.

Finally, we explored what factors are essential in developing the SIB market, depending on how developed the ecosystem is, using our proposed framework of three market development phases: developing first-time SIBs, establishing the SIB mechanism, and growing the SIB market. We identify five broad categories of enabling factors – the DREAM factors – and found that, overall, systemic barriers can be overcome in the development of first-time SIBs if there is sufficient stakeholder commitment and capacity, sufficient government demand and a willingness from the government to be flexible. However, as the SIB market grows, data availability, stable political and economic context and a supportive regulatory environment become increasingly important.

This section aims to capture the lessons learnt from the different phases of developing the SIB market. These lessons are relevant to overcoming barriers in the ecosystem related to the enabling factors examined in the previous section.

### Lessons learnt from developing first-time SIBs

We have already explored some of the lessons from developing first-time SIBs in terms of their technical design, relating

to clear outcomes, collective leadership, and shared understanding (see lessons in previous chapter). In addition to these lessons, we have identified other lessons that focus on growing the SIB ecosystem.

These lessons are aimed at contexts where either no SIBs have launched or small first-time SIBs have launched. The lessons are relevant for nascent ecosystems and are framed as considerations to take into account when designing first or second SIBs, when the ecosystem is nascent and demonstration effects are needed.

1. **It is important to take a demand-driven approach in engaging with government stakeholders.** For SIBs to be scaled up, government involvement as outcome payers is essential. As such, when developing first-time SIBs, it is important to consider whether there is government demand for them, as it can be easier to get committed stakeholders where there is demand. However, this does not mean that impact bonds cannot be launched without government demand; examples from Chile show that the mechanism can be tested and developed without government involvement initially. However, the degree of buy-in needed when developing SIBs will depend on the objective of developing them. If the objective is to ultimately ensure that governments pay for results and use public resources more effectively, it is important to have demand from government.
- » Having a good mix of stakeholders around the table that are influential and have good existing relationships with government institutions makes

a difference when fostering demand. In Colombia, IDB Lab and IDB representatives from the Labor Markets Division, the three largest national foundations and SECO formed a very strong coalition that was trusted and respected by government institutions.

- » A key learning is that it is important to introduce the concept and continue engaging with relevant stakeholders if the concept does not ‘stick’ immediately. In countries with limited government demand, stakeholders interested in developing the ecosystem can take on an active role in growing government demand, as was the case in Colombia with SIBs.CO. The experience from Colombia shows that government teams working innovatively are more likely to want to be champions of impact bonds within government and that having these champions is essential to build up demand.

**2. Launching SIBs as a program of multiple sequential SIBs can speed up their launch and contribute to structured learning and demonstration effects.** A key learning emerging from Colombia is that designing the SIB initiative as a program aiming to develop a model based on more than one SIB iteration in the same policy area can make it easier and quicker to launch SIBs. This is because stakeholders are willing to compromise around the design of the SIB, recognizing that more complicated aspects can be addressed in the following SIB(s). In Colombia, SIBs.CO

as a program and the first SIB launched within months of each other. Moreover, having multiple SIBs in different geographical areas also helps build the capacity of different stakeholders and test similar interventions to increase evidence of their effectiveness.

- » Developing SIBs in the same policy area provides opportunities to learn between SIBs and lower transaction costs of the SIB design and contracting. Transaction costs are lowered the most when different SIBs engage the same government stakeholders, as the Outcomes Fund aims to achieve. Developing SIBs in different policy areas will likely involve different sets of stakeholders with different levels of understanding of the SIB mechanism, which may affect the progress in developing them. At the same time, developing SIBs in one policy area does not necessarily ensure that learning is applicable to a different policy area.

**3. When developing first-time SIBs, launching and executing them is considered to be the most effective way to contribute to market building.** Within the SIB transactions, if learning is prioritized, the capacity of the stakeholders involved can be built to enable these stakeholders to get involved in future transactions. Outside of the transactions, developing SIBs is considered a key way of demonstrating their effectiveness, promote their demand and promote learning that can then be applied to other transactions in different geographical or policy areas.



**4. Government buy-in both at central level and within departments/municipalities where SIBs are operating contributes to securing SIBs as a mechanism and overcoming structural barriers.**

Working with the national government to build government buy-in can help set the path to work at state level or local level. However, this may not make sense in all countries. As discussed earlier, in decentralized countries, demand and drive to develop SIBs may come from state governments or municipalities. Areas of engagement will depend on budget allocations, government demand and the electoral cycle.

- » In cases where demand comes from the state or municipal level, it is important to have government champions in central government that can help push the agenda forward and overcome regulatory barriers. However, the experience from Colombia shows that every time a new stakeholder is involved, there is a learning curve that needs to be accounted for.

**5. Including SIBs and PbR in national development plans and government plans is a key enabler in growing demand and overcoming legal and regulatory barriers.** Achieving this requires an overt and significant effort in advocacy and public policy, as well as a clear strategy to involve relevant stakeholders from the beginning. From examples in Chile and Colombia we have found that including SIBs and PbR in government plans can help leverage government support and involvement

in overcoming structural barriers to developing SIBs, given the stated government commitment to these changes.

**6. It is important to understand the capacity of investors, service providers and intermediaries or market support providers before starting the SIB design.**

From observing the state of the market to develop SIBs, a key lesson is the importance of understanding the capacity and capabilities of different stakeholders. Doing a SIB as a minimum viable product can also contribute to this. This can be challenging before developing SIBs and often only launching a SIB can help understand the capacity in the market.

- » We found that providing a time for external stakeholders to be consulted and provide comments on the technical design of SIBs before launching can help understand market capacity. Moreover, tendering services to be provided to develop SIBs rather than directly appointing organizations to provide services (e.g. pre-feasibility studies) and early market engagement can also contribute to gauging capacity.
- » When the market is nascent and there is not sufficient capacity, the market may not be developed enough for an open tender process. When this is the case, it is essential to work with a coalition of like-minded, purpose-driven organizations to test the mechanism.

Figure 10: The role of intermediaries or market support providers in nascent ecosystems

In this study, we found that market capacity is a key consideration when developing SIBs, as insufficient capacity from investors and service providers is a key barrier to development. Specifically, we found that the capacity of service providers to deliver interventions through SIBs varies greatly within countries, depending on the intended geographical and policy areas for the development of the SIBs.

Depending on the capacity of the market, both on the investor side and the service provider side, the role of intermediary and advisory organizations in developing SIBs varies. Intermediary organizations, or market support providers, play a range of different roles in the creation and management of SIBs, including making the case for the creation of a SIB, sourcing investment into the SIB (including potentially investing themselves) and managing the capital flows in the SIB and the performance of service providers to ensure that the contract is delivered effectively.<sup>39</sup>

In cases where market capacity is limited and investors and service providers need additional support, it is important to consider the role of intermediary organizations who can provide this support. Some of these roles might include the following:

1. Test the capacity of the market through pre-feasibility and feasibility studies.
2. Raise awareness and provide information to potential service providers to help understand the SIB mechanism and what it means for their potential involvement in delivering services through SIBs via early market engagement.
3. Once the SIB launches, provide technical assistance and relevant support to ensure that stakeholders involved in SIBs can deliver interventions structured through a SIB.
4. Once the SIB is under execution, they may take on the role of bond manager and help coordinate the SIB stakeholders (outcome payers, investors and service providers) and take responsibility for the SIB's performance management.

We propose considering the types of intermediaries needed in each SIB depending on how developed the ecosystem is and the market capacity:

- » In first-time SIBs with limited market capacity, intermediaries will likely have a more technical role, providing significant support to help build the ecosystem beyond the performance management of the SIB.
- » In more developed ecosystems where more stakeholders understand the SIB mechanism and the requirements for its development and management, it is less important for intermediary organizations to help support the ecosystem. Instead, their role becomes more focused on SIB design, performance management and the coordination of investors.

39 - Centre for Public Impact, 2017. *Social Impact Bonds: An Overview of the Global Market for Commissioners and Policymakers*. Available at: [http://socialspider.com/wp-content/uploads/2017/04/SS\\_SocialImpactReport\\_4.0.pdf](http://socialspider.com/wp-content/uploads/2017/04/SS_SocialImpactReport_4.0.pdf)

### 7. Government changes can affect the window to develop and launch SIBs.

A key lesson relevant to developing SIBs in Latin America is the impact that the electoral cycle has on buy-in and the risk that the SIBs will be canceled when elections happen and buy-in is lost. For example, in Mexico and Brazil the electoral cycle made it more challenging for stakeholders to launch SIBs in a new government. An added challenge is the high turnover of public officials, which further hinders the possibility of developing SIBs beyond one government cycle. In this context, it is important to work within government cycles to mitigate risk of SIB cancellation where possible and to work with government teams before changes in government to smooth transitions. In Colombia, the first SIB was extended by mutual agreement between the co-payers and the intermediary. It was beneficial to the SIB program to have an ongoing contractual relationship with the government to initiate conversations with the incoming government when there was an electoral change. This lesson also shows that there ideally needs to be an organization, or coalition of organizations, that is external to government and involved in driving the agenda, to act as a consistent point between government changes.

### 8. In contexts where macroeconomic conditions have an impact on the SIB execution, it is important to consider these in the SIB design. In Argentina, inflation risks were integrated into the SIB design.

Outcome payments are price adjusted according to a specific index to help account for changes in inflation rates. However, a highly volatile environment requires these payments to

be made soon after the price is adjusted to avoid the value being outdated.

### 9. International and philanthropic funding can be very helpful in the short term to overcome structural barriers to country-level funding and make the SIB intervention attractive.

We found that the involvement of international donors can help develop first-time SIBs where there are considerable structural barriers. In Colombia, the use of international funding from IDB Lab as outcome payer meant the SIB could use IDB Lab's procurement systems, which helped navigate through certain national legal barriers around procurement of services. In Mexico, the involvement of the Global Innovation Fund helped supplement the budget and made the SIB more attractive to investors and government.

### Lessons learnt from establishing the SIB mechanism

Once the first SIBs have launched and started to show results, the focus of the second phase is on designing and launching more SIBs that incorporate the lessons from the first SIBs and demonstrate the value for money and cost-effectiveness of the mechanism. There is an expectation that after the first phase, the SIB(s) will generate a 'demonstration effect' amongst a network of public and private actors, contributing to advancing the development of the ecosystem for SIBs and innovative financing that can contribute to mainstreaming pay for success in public services. The SIBs in Colombia and Argentina highlighted the viability of the mechanism, the market capacity and viability of the regulatory framework to further develop the mechanism.

In the second phase, the aim is to overcome some of the more structural challenges in the ecosystem as well as to build the capacity of stakeholders external to the specific SIB(s) that launched in the first phase. When establishing the SIB mechanism in the second phase, more factors become essential to its success. Given the variety of factors that need to be considered, countries can and have taken the focus of their initiatives in different directions in this phase (e.g. focusing on developing market capacity or a more supportive regulatory framework). However, it is still too soon to assess how these different approaches will affect the SIB market in the long term.

*“Other bonds are needed to demonstrate results, other than in employment. Now we are thinking about health, education, recidivism.” - Stakeholder in Argentina*

Several lessons are emerging from the countries where the SIB ecosystem is becoming more mature. The following lessons will likely become relevant to other ecosystems as they develop further.

**1. Stakeholders involved in developing SIBs should think about who is learning from the development of each SIB and ensure that learning is embedded within government structures and disseminated beyond the individuals involved, in order to further grow demand and capacity.**

- » To ensure that learning is developed not just for those already involved in SIBs but also for new stakeholders, it is important to consider market building activities and knowledge management in this phase.

- » Within SIB coalitions, it is important to consider who is best placed to manage the knowledge from developing SIBs. The emerging lesson is that given the high turnover of government stakeholders and public officials, this needs to involve a combination of government stakeholders and external organizations who have a good understanding of how to develop SIBs and have supported the ecosystem’s technical design and development.
- » On the government side, it is essential that government stakeholders learn from the development of SIBs and allow them to develop to scale. In Colombia, stakeholders told us that given the change in government counterpart from the first SIB to the second, there were limited opportunities for government stakeholders to learn. As the SIB mechanism becomes embedded in government structures through the Outcomes Fund, it will be essential that government stakeholders learn from all SIBs that have been launched. The way the Outcomes Fund is embedded provides a good structure for this learning to take place within government institutions, but it is important to ensure that there is sufficient time and capacity to capture this in a way that can be disseminated and applied to other public policy areas. In Chile, the SIB initiative is driven by the Ministry of Science and the knowledge in developing SIBs will likely be centralized within this department. In this case, the main risk is the high turnover within government and the risk of knowledge being lost when there is a change in government. It is therefore

critical to document lessons learnt to avoid so-called 'institutional memory loss'. This process can be supported by involving external stakeholders to contribute to documenting lessons.

- » There is also an opportunity to allow more learning to take place within SIBs. This is a key lesson emerging from Argentina, Chile and Colombia. In Argentina, service providers have devoted significant time to sharing their learning amongst each other and with government stakeholders. In Colombia, this was also the case in the first SIB, but less so in the second SIB. Investors showed interest in learning more about the design of the SIBs and being more involved. In Chile, stakeholders involved in developing SIBs have organized themselves into working groups to focus on specific areas of SIB development.

2. **Stakeholders should consider the role that they want to play in the ecosystem and whether they are well suited to it.** When first-time SIBs were developed, ecosystems were very nascent and there was limited capacity for organizations to consider what role they wanted to play. As a result, some organizations took on multiple roles. For instance, foundations took on the role of technical advisors, executing agencies, investors and/or market builders. In Argentina, government organizations adopted the role of outcome payer and were also committed to a part of the service delivery (recruiting of participants), which was a challenging role for government to take due to the high level of involvement required. In first-time transactions and with limited capabilities to develop SIBs, this was understandable. However, going forward,

the risk of potential conflicts of interest should be considered alongside the need to develop a broader and more competitive and dynamic ecosystem.

3. **Data availability should be explored to identify gaps and existing data should be utilized to contribute to rigorous design and simplify and reduce transaction costs.** In countries where there

is limited administrative data available to help design SIBs and validate their results, SIBs have had to contribute to this gap by gathering significant data themselves. This is costly and does not provide a long-term solution. However, part of the objective in Colombia was to develop the necessary data in order to help governments move towards data-based decision-making, so this initial cost is necessary.

- » Using administrative data and information systems as verification mechanisms in results-based financing projects will be key to the scalability and relevance of these models in public policy. The use of public information systems will facilitate the eventual incorporation of results-based financing schemes in public procurement. In Chile and Colombia, stakeholders have come up with innovative ways of using existing data by working collaboratively between government departments to utilize administrative data to verify the results achieved by the SIB. Going forward, Colombia has included an evaluation budget in the Outcomes Fund and the work will be supported by the National Planning Department's evaluation team.
- » Stakeholders in Chile highlighted the need for a constant commitment from the technical lead to obtain

relevant data. In Chile, stakeholders consider that having the Subsecretary of Evaluation within the Ministry of Social Development coordinating the need for data early on before the launch of the SIBs will likely pay off once the SIBs have launched. This is because the necessary administrative data for a baseline, for verification and for parts of the evaluation will already be identified and available, and its availability accounted for in the technical design of the SIB.

4. **To establish the SIB mechanism, SIB coalitions should start working on the regulatory barriers that inhibit the development of SIBs.** In the second phase, there is a need to understand and learn how the regulatory framework works to identify gaps and necessary changes. As discussed earlier, having high-level legal counsel with an innovation mindset is crucial for SIB development and can help define and identify barriers to launching SIBs. Moreover, government commitment to validation, information sharing and payment is also essential to deliver SIBs to plan. Advocating for and funding research to understand these barriers and how to overcome them can contribute to the sustainability of the mechanism and help embed it. In all countries where there have been attempts to develop SIBs, significant learning around the regulatory barriers has taken place, which can help reduce legal costs for future SIBs. In Mexico, GIZ has funded a study on the regulatory barriers to developing SIBs. In Chile, a legal consultancy has explored how to overcome certain regulatory barriers.

» In Colombia, SIBs.CO worked with experts in public-private partner-

ships, as there had been recent regulatory changes seeking to modernize procurement laws and regulations: the Colombia Compra Eficiente (Colombia Buys Efficiently) initiative and, in particular, the Compras Innovadoras (Innovative Procurement) team. The second phase should aim to develop structured thinking about what is needed in terms of regulatory change to grow the SIB market.

### Lessons learnt from growing the SIB market

When it comes to growing the SIB market to be scaled up, we have observed that the structural barriers to developing SIBs should be addressed and the value of the mechanism and how it fits into each context should be clear. So far, no country can be described as being firmly in this phase, although the United Kingdom is moving closer to it. More work is needed in Latin America to grow the SIB ecosystem. However, several lessons are starting to emerge in terms of what is needed in order to replicate SIBs at scale.

A key concern raised by several stakeholders is whether the SIB mechanism is adaptable enough to work at scale in the different contexts in Latin America and the Caribbean, where access to high-quality data is more limited and government cycles are less stable than in other regions. In this section, we explore the different conditions that are necessary to grow the SIB market to scale it and the lessons learnt from the stakeholders involved.

1. **Developing and strengthening the technical capacities of the government and other market players will enable progress towards incorporating results-based financing schemes**



**in public policy.** It is expected that as the impact bond market develops and government stakeholders gain more experience in the implementation of these projects, they may also focus on capacity building in other market players, with support from organizations working on market development to provide continuity.

- » As SIBs are embedded in government structures, it is essential for government stakeholders to develop the necessary technical capabilities to develop SIBs in multiple policy areas. In order to grow the SIB market, an increased focus on outcomes in public policy and a better understanding of the technical requirements to monitor these outcomes are necessary. In Colombia, the decision to create an Outcomes Fund instead of a third standalone SIB was designed to ensure that these capabilities are built upon.
- » In Chile, the government is considered too rigid in how it designs and implements social programs. In order to scale SIBs, stakeholders consider that government stakeholders will need to learn to work more adaptively and see SIBs as an opportunity for this knowledge to be developed.
- » However, knowledge management within government is a key challenge to growing the SIB market in Latin America, given the high turnover of public officials. This will need addressing in due course.

## **2. Administrative social and economic data standards and sharing mechanisms need to be strengthened to design and evaluate SIBs to scale across**

**policy areas.** The lack of reliable and rigorous government data to support SIB design and evaluation makes growing the SIB market a challenge. We found that in most cases, the way the data is gathered, the information it provides, how often it is collected and who has access to it can pose challenges in ensuring that the data can be used in the SIB design and evaluation. For the market to grow, data standards must improve consistently across policy areas, the benefits of which are relevant to all public policy. Embedding SIBs within government structures is essential for making this possible.

- ### **3. Regulatory changes that allow government departments to pay for outcomes and commit funds to multi-year SIBs are needed for the sustainability and scale-up of SIBs. As discussed earlier, there are several regulatory constraints to scaling SIBs.**
- Some of these have been overcome in developing first-time SIBs. However, in order to grow the SIB market, certain regulatory changes might be needed so that government agencies can develop multiple SIBs with relatively low transaction costs. Different countries face different challenges and each country will need to develop a strategy on what regulatory changes are needed and whether these are feasible. For example, establishing mechanisms to pay for multi-year projects and reallocating resources between budgetary periods (i.e. from one year to another) will facilitate the development of longer-term SIBs that promote greater learning and innovations. Outcomes Funds, such as in Colombia, appear to be a promising mechanism to overcome some of these challenges and reduce transaction costs.



Figure 11: Recommendations for growing the SIB market in the UK, which could be applicable to Latin America

In 2019, the UK Government commissioned Ecorys and ATQ Consultants to undertake a study to explore the barriers to growing the SIB market further in the UK and provide solutions that overcome these barriers.<sup>40</sup> These solutions could be applicable to the Latin American context as it develops the SIB market further. The recommendations are summarized below:

- **Presentation, naming and framing:** The presentation of SIBs and their framing have produced challenges for commissioners in the UK. SIBs are often promoted and considered without critical analysis of other results-based financing options. The report recommended **reframing away from a focus specifically on SIBs, and instead discussing the suite of results-based financing options available**. This nuance might cause more confusion in Latin America during this nascent stage of SIB development, but as understanding develops it may be wise to expand the discussion into different results-based financing options. We discuss this further in the 'Conclusions' chapter.
- **Government and provider capacity:** Similar to the situation described above, local government in the UK lacks the capacity to upskill staff in the technical aspects of SIB development and to lead on the development of SIBs. The report recommended launching **learning networks** between those implementing SIBs in similar policy areas. It is promising that some of this activity is already taking place in Latin America in terms of sharing learning through the Payment by Results Network (though expanding the members will be important to ensure all actors are able to learn together). The report also recommended providing development funding to help governments access support from advisors, and to secondments of experienced practitioners. The latter could either involve bringing in external practitioners to work with government on a temporary basis or employing them long-term. We understand the IDB undertook similar activities to support governments in implementing Public Private Partnerships (PPPs)<sup>41</sup>.
- **Guidance and tools:** Some local governments in the UK struggle with the technical aspects of designing SIBs, such as financial modeling, defining outcomes, pricing outcomes and using appropriate procurement procedures. The report recommended publishing **off-the-shelf tools and documents** that support the replication of SIBs that have already been designed, and **guidance** on launching SIBs.
- **Champions:** As has been mentioned earlier in this report, SIB 'champions' are critical to garnering support and growing SIB markets. The report recommended that the UK Government appoints and possibly funds sector experts to spearhead the development of results-based finance-type contracts in specific policy areas. Stakeholders in Latin America could consider a similar approach.

40 - See Wooldridge, R. et al, 2019. *A study into the challenges and benefits of commissioning SIBs in the UK and the potential for replication and scaling*. Available at: <https://www.gov.uk/government/publications/research-social-impact-bond-commissioning-and-replication>

41 - The PPP Knowledge Lab defines a PPP as 'a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance'. PPPs typically do not include service contracts. See: <https://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>

In this section we explore the role played by IDB Lab in pioneering SIBs in Latin America. We provide an overview of the activities undertaken by IDB Lab and how these have affected the market structures and knowledge base in the region.

## Section 4

# IDB Lab's Role

As mentioned in the introduction to this report, in 2014, IDB Lab established a SIB Facility to increase the focus on outcomes in social programs and increase outcomes-based commissioning. When the Facility was set up, a core motivation was to develop innovations that could be rolled into public policy, with IDB Lab testing these innovations and the IDB public sector arm scaling them. IDB Lab wanted to experiment with different mechanisms that increased the accountability of grants and the social impact of loans. After coming across SIBs in the UK, IDB Lab considered the potential of becoming an investor. It saw SIBs as an opportunity to support programs working with the most vulnerable groups in society while crowding in private finance for these initiatives.

The Facility originally intended to have three components: technical assistance, investment, and knowledge management. When IDB began exploring SIBs for Latin America, there was **no market for SIBs** in the region. IDB Lab decided to take on an active role in **growing the market** and set up a **SIB Facility** with the aim of pioneering SIBs in Latin America. To achieve this, the SIB Facility contributed to funding market building activities in multiple Latin American countries.

In 2015, IDB Lab's SIB Facility commissioned research to scope out policy areas that could be well suited to impact bonds in priority countries and to help identify the strengths of local ecosystems. This work was followed up with multiple pre-feasibility studies and dedicated efforts to raise awareness among key stakeholders and partners. From there, interest emerged in different countries, such as Argentina and Colombia, and IDB Lab expanded its approach by designing and approving three standalone projects. These projects were separate from the funds of the SIB Facility, but the Facility helped fund initial technical assistance work.

Since the creation of the SIB Facility and the work on building the market for SIBs by **funding market building activities** in Mexico, Brazil and Chile, several SIBs have developed and IDB Lab has taken on an active role in developing the SIBs and participating in the **transactions**. IDB Lab has taken part in developing the SIBs that have launched in Colombia and Argentina and been involved in developing transactions in Chile (which are yet to launch) and in Mexico and Brazil (which did not launch).

Given the existence of investors but the limited numbers of outcome payers and

government demand, IDB Lab has taken on a **flexible role** when developing SIBs and has aimed to fill the gaps needed in each context based on the existing demand and supply. As such, the approach taken in each of the study countries has varied. The table below provides an overview of the role IDB Lab has played in each study country.

As the approach has evolved, one of its cornerstones has been to ensure that impact bonds are **embedded into government structures** so that capacity is built and the initiatives are scalable. For the approach to work, there needed to be **government demand for SIBs**. To achieve this, IDB Lab carried out initial dissemination and outreach about impact bonds and their potential.

Table 11: IDB Lab's role in pioneering SIBs in Latin America

IDB Lab's role	Colombia	Argentina	Chile	Mexico	Brazil
Facilitation and convening power with government	✓ ✓	✓	✓	✓	✓
Coordination role in structuring or execution	✓ ✓			✓ ✓	✓ ✓
Senior loan to the SIB		✓ ✓		✓	✓
Outcome payer	✓ ✓				
Financial and non-financial support for technical and legal design	✓ ✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓
Financial support for market building	✓ ✓		✓	✓	✓

✓ Realized role; ✓ ✓ Realized role within transaction; ✓ Intended role

Stakeholders across the five study countries reported that IDB Lab was well placed to take on a **facilitation role** given its convening power with government stakeholders. For example, in Brazil and Mexico, IDB Lab and IDB local specialists organized events about SIBs for stakeholders from state governments, federal government and legislators, which helped advance the topic of SIBs. Stakeholders argued that the involvement of the IDB Group was a **'seal of approval'** both for government stakeholders and for the private sector. The IDB

has a good relationship with both government and the private sector. The IDB benefits from a good reputation as a trusted partner by private and public sector alike, which has contributed to getting the right people around the table and helped with the buy-in of different sectors, especially in early stage engagement with investors.

In addition to this, stakeholders also highlighted that IDB Lab involvement in the SIB Facility ensured that the right technical support was provided to develop the proj-

ect. Generally, this meant that financing was provided for the **technical design of the SIBs**, including funding pre-feasibility studies, feasibility studies and technical assistance. Moreover, the IDB's involvement as an international stakeholder has contributed to visibility among and access to internationally relevant stakeholders, access to good practice examples, and coordination of knowledge sharing between SIBs in the region for technical input and support.<sup>42</sup>

*"Their role until now has been key. If they hadn't funded the structuring of the SIB, it would not have happened."*

- Stakeholder in Argentina

The **level of engagement from IDB Lab** and its involvement in market building activities or the structuring of specific transactions **varies greatly between countries**. Moreover, stakeholders also highlighted the challenges faced by IDB Lab in terms of its own capacity to engage due to staff turnover and downsizing.

In countries where there was a clear demand from government stakeholders to develop SIBs and sufficient capacity from the government to lead the initiative, IDB Lab has taken on a more complementary role of facilitation and support. This is the case in Chile and Argentina. Conversely, in countries like Colombia and Mexico, IDB Lab has taken on a more active role in the **coordination** of the SIB initiative. In Colombia, the demonstration effects from

the first SIB, building on earlier market building efforts, contributed to a clearer demand from government stakeholders. In Mexico, the challenges related to the complexity of the SIB and the political context made it more challenging to overcome the limitations in government buy-in.

As discussed in the previous section, in Colombia and Chile, where the SIB initiatives have a stronger focus on learning and ecosystem development, IDB Lab has provided **funding for ecosystem building through support to specific program components and transactions**. In Colombia, this funding is part of the SIBs.CO program, specifically for components of market building and knowledge development. This is co-financed by IDB Lab and SECO, with Fundación Corona as the executing agency. In Chile, IDB Lab has funded the technical design of the SIBs and provided additional financing to support the Fundación San Carlos de Maipo to design the SIBs and build the ecosystem.

In **Argentina**, IDB Lab deemed it could not participate as an anchor investor, given its involvement in financing the technical design. This resulted in a mixed approach whereby **IDB Lab provided a loan**.

IDB Lab's involvement has contributed to **building the market for SIBs**. Where SIBs have launched, IDB Lab's initial involvement has contributed to providing demonstration effects and helped develop the **structures for results-based financing**. We found that SIBs have presented good opportunities for **IDB Lab to work more closely with the IDB** and build a collaborative and complementary approach that can be further explored going forward. Moreover, we have seen increased levels of **cooperation between the IDB and IDB Lab**

<sup>42</sup> - IDB Lab is also financing the coordination, follow-up and evaluation.

in some of the study countries. This cooperation has contributed to strengthening the technical expertise provided in the design of SIB interventions in various policy areas. In Chile, the IDB Citizen Security Team was initially involved in supporting IDB Lab to develop the SIB ecosystem when IDB Lab was first exploring the option of developing a recidivism SIB with the government in 2014. The IDB was the driver of Brazil's education SIB initiative as the education division within the IDB played a coordination role. In Colombia, the IDB Labor Markets Division is involved in supporting IDB Lab to provide technical expertise on labor markets in Colombia for the design and execution of the SIBs within SIBs.CO. The Health and Social Protection Division has partnered with IDB Lab in Colombia on the design of the Outcomes Fund within the DPS. The IDB Group should continue to capitalize on this internal technical expertise and widen opportunities for collaboration.

In terms of the **results generated** from IDB Lab's activities, we found that the IDB's financial **contribution to the technical design of SIBs has been instrumental** in launching SIBs, but not always sufficient. We have found that a **flexible approach** to deciding on the required level of engagement has proven successful in Colombia and Chile. In Colombia, the initial high-level involvement in coordination will likely reduce after the Outcomes Fund is launched. In the Outcomes Fund, IDB Lab will sit on the Employment Challenge Coordination Committee and Learning Committee and will continue to supervise the execution of and approve payments for each SIB launched from the Outcomes Fund. Moreover, the facilitation role and strategic support is considered a good approach in

Chile, since it has enabled the government to take ownership of the initiative but also provided resources for some of the harder components to finance, such as the ecosystem building and evaluation. However, stakeholders highlighted the importance of IDB Lab's engagement remaining stable throughout the SIB's development and the need for a longer-term approach to engaging with the ecosystem beyond the transaction.

Nevertheless, we also found that a flexible approach is **not a substitute for sufficient capacity** within the market and can pose challenges in terms of IDB Lab taking on too many conflicting roles, such as in Argentina and Mexico. Although this is common when growing the market in nascent ecosystems, it will require further consideration going forward. In the UK, stakeholders also adopted multiple – at times conflicting – roles. In reality, these stakeholders did not need to do so, as other stakeholders could have taken on the other roles. In the UK, these conflicts, both real and perceived, were a cause for concern and considered to risk inhibiting the growth of SIBs.<sup>43</sup>

Consultancies working on developing the SIB ecosystem in Latin America highlighted how the role played by IDB Lab has **varied in its effectiveness**. The role has been most effective when taking on a partnership approach supporting an existing, established organization, and when adopting a more programmatic approach, such as in **Colombia and Chile**. However, when IDB

43 - Ronicle, J., Fox, T. and Stanworth, N., 2016. *Commissioning Better Outcomes Fund Evaluation*. Update Report. Available at: [https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-Update-Report\\_Full-Report.pdf?mtime=20190215124522&focal=none](https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-Update-Report_Full-Report.pdf?mtime=20190215124522&focal=none)

Lab support was inconsistent over time, as in **Brazil**, it had a lasting effect on the possibilities of the ecosystem further developing with limited support. **Argentina** is the only country where IDB Lab has been able to contribute to a SIB where the sole outcome payer is the government, with IDB Lab providing a loan.

In **Mexico**, although the SIB did not launch, the SIB Facility – by supporting market building through a specific SIB transaction – played an **integral role** during the design, negotiation and contracting phase and acted as technical advisor, evaluation designer, and coordinator, given the nascent nature of the market. The IDB and IDB Lab were heavily involved in the technical design of the SIB and the metrics. While IDB Lab's Donors Committee and Credit Committee approved an investment in the SIB, the final SIB agreement was never signed and the operation was canceled.

To conclude, after six years of work in pioneering SIBs, the consulted stakeholders agreed that IDB Lab should consider where the ecosystem is now and what it needs going forward. Overall, stakeholders agreed that IDB Lab's role in developing SIBs and the ecosystem has been most effective in Colombia, when taking a **longer-term and programmatic approach**, rather than focusing on single transactions. When focusing on a single transaction, in Argentina, IDB Lab has been most effective in contributing to a SIB where the government is the sole outcome payer, allowing IDB Lab to take on the role of supporting the design and testing a new reimbursable instrument. As such, stakeholders considered that IDB Lab could do more in countries like Mexico and Brazil, where the ecosystem is still developing, even if the transactions IDB Lab has been involved in have not resulted in SIBs launching.

In this final chapter, we draw together the findings from the previous chapters to answer five main questions in relation to growing the SIB market in Latin America.

## Section 5

# Conclusions

### What does this study tell us about the viability of SIBs in Latin America?

SIBs are a **viable product** in Latin America and have the potential to add significant value in demonstrating how public resources are spent. They can be launched and operate in a Latin American context and they can **provide the benefits seen elsewhere** – namely the shift to a focus on outcomes in social program funding. This is increasing stakeholders' understanding of the effectiveness of different interventions, but also shifting how service providers act, including using more of a data-driven adaptive management approach, sharing learning, and shaping delivery to achieve results. Moreover, the shift to **Outcomes Funds** is a promising development that has potential to overcome the main barriers to launching SIBs in Latin America – namely the regulatory barriers and high set-up costs.

However, SIBs do not always slot neatly into the Latin American **regulatory frameworks or political cycles**. At times, this has inhibited their development; at other times, substantial effort has had to be applied to either work around or amend regulatory frameworks in order for SIBs to work. This has been possible because of the **perseverance of a dedicated set of**

**actors**, but it is not sustainable if they are to be scaled. Perhaps this upfront effort will set the precedent and pave the way for future SIBs, perhaps continued effort may be necessary for them to be further embedded, or perhaps the mechanism itself will need to be adapted to the Latin American context.

Whilst SIBs are viable, they are **not always the right solution**. Even in the UK, where they are more established, they take a **long time to design and launch** – around 18 to 24 months – and this is not always viable when an immediate response is needed. Furthermore, whilst a results-based finance approach might be suitable, this does not necessarily mean a SIB needs to be introduced – there might be times when a service provider is comfortable taking on the financial risk and an external social investor is not necessary, which would make things simpler and possibly reduce transaction costs. SIBs can be a good option in contexts where service providers need upfront capital to participate in the market and where risk-sharing is necessary to enable innovation to take place. We recommend that organizations undertake an **options appraisal** to review options and analyze the costs and benefits of each approach before launching a SIB to consider if it is the most viable option.



## Is the SIB an effective ‘catalyst for change’ for driving government accountability and performance management?

One of the main motivations to launch SIBs was for them to act as a **catalyst for change** for driving government **accountability and performance management in improving social outcomes**. This is being achieved within the SIBs themselves, as described in the preceding chapter. However, within this study we found limited evidence that this shift towards accountability and outcomes measurement is scaling beyond the individual SIBs, and so the ultimate aim of **culture change** across government has not yet been achieved. However, considering only one of the SIBs has ended, it is perhaps too early to expect to see this change. Colombia is the country where most progress has been achieved. The creation of the Outcomes Fund, embedded within government, is the biggest step in promoting results-based financing of government programs.

One also needs to ask, though, whether SIBs are the best mechanism for **achieving large-scale government culture change**. Some stakeholders think they are too small and time consuming and are not the best mechanism to achieve wide-scale change, and that other results-based finance options are better suited to large-scale change. The IDB Group and other donors could consider providing larger-scale loans to scale and diversify the Outcomes Fund in different geographical and policy areas. Moreover, the IDB’s work on **large-scale, performance-based loans** as part of sovereign guaranteed lending is a good complementary approach that can be considered as having more potential to achieve large-

scale change. While performance-based loans are a form of financing, they can be used to incentivize a top-down shift to outcomes from government, which could then cascade down to service delivery through commissioning. We think there is a place for both approaches – a top-down structure may involve performance-based loans that incentivize governments to think about shifting more towards results measurement, while SIBs can act as a bottom-up structure that allows governments to generate evidence as to *how* to embed results measurement more strongly in projects, focusing on how service providers target outcomes.

## What does this study tell us about building a SIB ecosystem in Latin America?

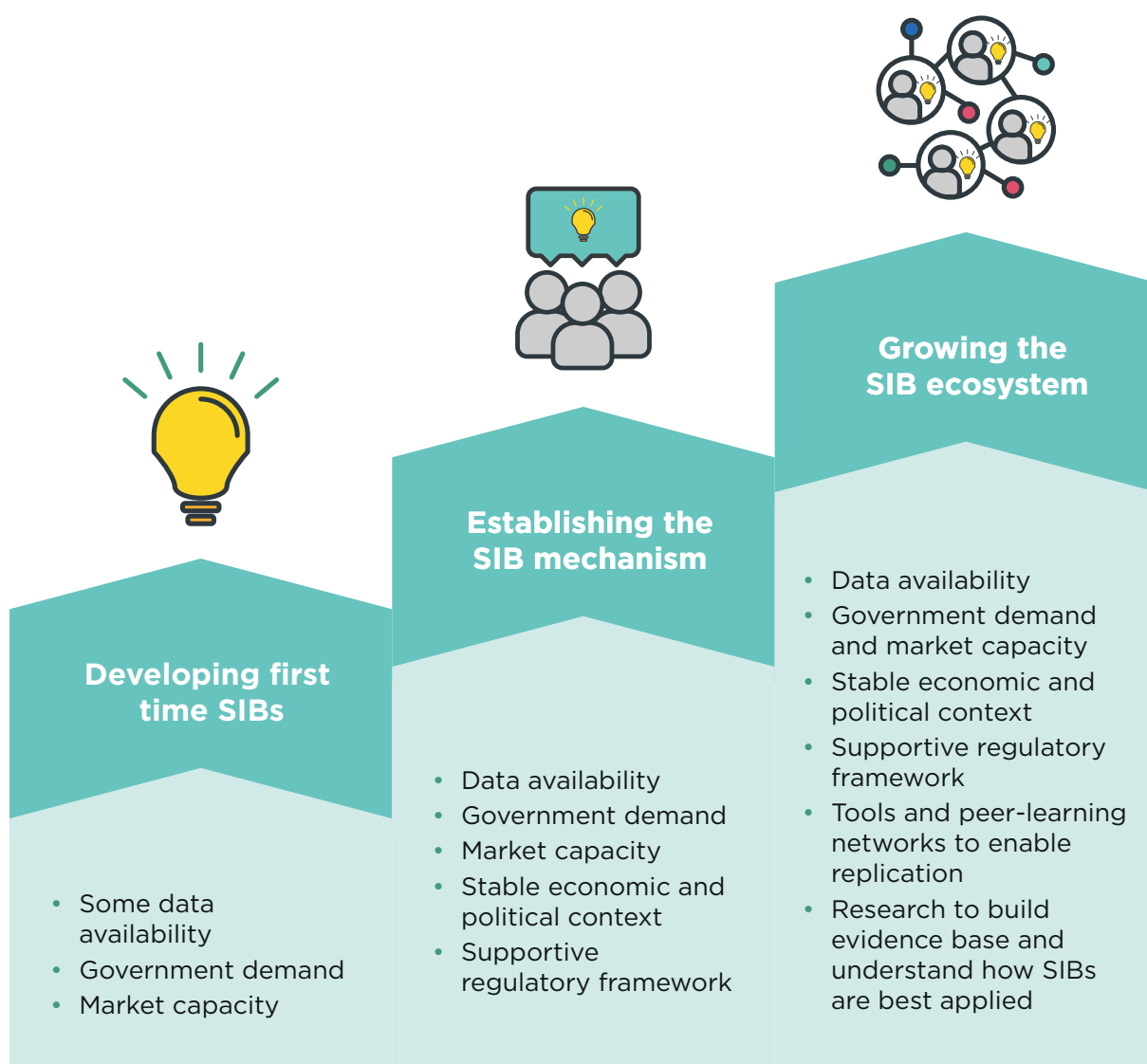
Building the **SIB ecosystem** has been possible and has been achieved, even if it is in its more **nascent stages** in certain countries. There is government interest and demand, a set of investors willing to invest, service providers interested in delivering services through the mechanism, and technical advisors able to provide support. However, achieving this has probably been more time-consuming than anyone involved at the outset expected.

Through this study we have learnt that there are **multiple phases to growing the SIB ecosystem** – from developing first-time SIBs, through to establishing the SIB mechanism and finally to growing the SIB ecosystem. We have also learnt that there are five key **‘DREAM’ enablers** that support this growth: Demand from government; Regulatory framework; Economic and political context; Availability of data; and

Market capacity. However, we have also learnt that different aspects are more important at different parts of the journey. At the beginning, market capacity is essential, but other factors are not and solutions to barriers in these factors can be overcome – provided there is a **strong willingness to do so and leadership**. In short, in the ear-

ly stages the issues are not technical but relational – where there is a will there is a way. However, as the ecosystem scales up, relational solutions become less effective and there is a need to focus more on overcoming the **structural barriers** that prevent SIBs from being implemented. This is all summarized in Figure 12 below.

Figure 12: The three phases of growing the SIB ecosystem and the factors necessary during each phase



## What does COVID-19 mean for the future of the SIB Facility and these efforts?

This study was commissioned before the COVID-19 virus became a global pandemic, and most of the primary research took place before the full effects of the pandemic were seen. As such, the effect of COVID-19 on the future of SIB efforts and the SIB Facility is beyond the scope of the research. However, given the scale of the issue it would be remiss not to attempt to address it, at least in part.

During the **‘response’ phase** to COVID-19 it is unlikely that new SIBs will help address the issue; governments and donors need to implement large, fast and flexible solutions and SIBs in their current form are not well suited to this. They are currently relatively small (though could be larger if needed), take a long time to design and require a moderate degree of stability and certainty in order to estimate outcome levels accurately and price levels of risk. Such certainty is not available in a pandemic. However, SIBs can contribute to identifying

what works in an emergency situation by providing early and rigorous information to develop responses.

However, during the **recovery phase**, SIBs have the potential to play an increasing role. Governments will simultaneously face an increased demand on social services brought about by the likely global recession, whilst facing debt issues as they pay off the loans likely to be accessed during the response phase. The need, therefore, for cost-effective social services that focus on accountability and performance will be high, and SIBs could potentially support with this.

A briefing note from Levoca Impact Labs and the Impact Bond Working Group provides more reflections on the role of outcomes-based commissioning in the response to COVID-19.<sup>44</sup>

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44 - See Impact Bonds Working Group COVID-19 briefing note by Levoca Impact Labs. Available at: <https://www.levoca.org/s/COVID-Briefing-Note.pdf>

## Section 6

# Annexes

### Annex 1: Study framework

Focus level	High-level questions	WP 2: Desk review	WP 3: Primary data collection			
		Document review	Interviews IDB stakeholders	Interviews IDB SIB stakeholders	Interviews policy-makers	Interviews other stakeholders
<b>Social program:</b> What was the 'SIB effect' on the interventions funded, i.e. how did the fact that these interventions were funded through a SIB affect their design, delivery and performance?	How did the fact that these programs were funded through a SIB affect their design, delivery and performance?	×		×	×	
<b>Latin American ecosystem:</b> How has the SIB market infrastructure and knowledge base in Latin America changed since the IDB work began? How does this compare across the different countries where IDB worked? How sustainable is this impact? What else needs to be done to support the further adoption and scaling of SIBs?	How far has the concept of SIBs penetrated the different ecosystems in the LAC pilots?	×	×	×	×	
	How can SIBs be further adopted and scaled?	×	×	×	×	×
	What has been the market for investors? How can we grow this?	×	×	×	×	×
	What have been the main lessons learnt?	×	×	×	×	×
<b>IDB:</b> How did the activities undertaken by IDB affect the SIB market infrastructure and knowledge base in Latin America? What role should IDB play in this space in the future, including its global role?	What results, impacts and spillover effects have been generated as a result of IDB Lab (and other parts of the IDB Group) activities?	×	×	×	×	×
	Is IDB Lab considered an influencer of the bigger global agenda? If so, in what way? If not, should it be looking to position itself in that space?	×	×	×	×	×

## Annex 2: Detailed methodology

This annex provides an overview of the study methods and the key data collection tools used. It is divided in four sub-sections, one for each Work Package:

- First, it provides a description of **Work Package 1: Inception** and the refinement of the analysis approach.
- Then, it provides an overview of **Work Package 2: Desk review** and how the study team collected desk-based data from key documents and what these contributed to in relation to the study questions.
- Third, it describes **Work Package 3: Primary data collection** and how the study team collected primary data through interviews and fieldwork and what the objectives of these exercises were.
- Finally, it describes **Work Package 4: Analysis and reporting** and how the team analyzed the data and brought the finding together in a number of outputs.

### Work Package 1: Inception

During the inception stage, the study team refined the Study Framework and the necessary tools to conduct the research for this study. As part of this Work Package, we held a **kick-off meeting with IDB Lab** to discuss the proposal and finalize the approach, and the preferred scope and Work Packages. In addition to this, we also established initial contact with key stakeholders in the study countries and compiled a list of relevant stakeholders to consult during our research.

During this Work Package we identified synergies by reviewing local **plans for data collection and learning activities** and mapped these onto our own plans. As a result, we conducted data collection in Colombia in coordination with the mid-term review of the SIBs.CO program.

The revision of the data collection and analysis tools included:

- mapping all available secondary sources to be reviewed;
- designing tailored interview guides for each relevant stakeholder; and
- analysis grids to process and capture all information from the interviews.

### Work Package 2: Desk review

Following inception, the study team conducted secondary data collection which consisted in a document review of existing SIB-level documentation and the wider literature about SIBs in Latin America.

To contextualize the study, we undertook a review of:

- Background literature on the development of the market infrastructure and knowledge base to support the development of SIBs in Latin America
- SIB-level documentation including data supporting set-up phase (e.g. feasibility studies), monitoring and evaluation data (to examine the 'SIB effect'), internal progress reports and learning activities.

- The document review fed into the design of topic guides to interview all relevant stakeholders sampled for primary data collection and into the findings.

### Work Package 3: Primary data collection

The purpose of the primary data collection, conducted through stakeholder interviews, is to rigorously document the work of the IDB and its partners in designing, implementing, evaluating and learning from SIBs in Latin America. In this section we explore the categories of interviewees we engaged with and the sampling approach to identifying relevant stakeholders to be interviewed remotely and in-country.

Primary data collection involved semi-structured telephone or in-person interviews with key stakeholders at the international level, in each of the five countries where SIBs were planned, and at the IDB in D.C. and in the five countries. The following sub-sections describe these categories of interviewees more in-depth.

#### Initial interviews with the IDB

We conducted initial consultations with IDB staff. We consulted IDB Group staff and IDB Lab staff based in D.C. and in Latin America which provided us with contextual knowledge and helped us understand the Latin American ecosystem, the role played by IDB, and their reflections on the impact and lessons learnt of the support.

#### Fieldwork in the study countries

For this study, we conducted research in all five study countries. Due to COVID-19

we were only able to conduct research in person in Colombia and did the rest of the fieldwork remotely. The aim of the fieldwork was to fully understand the impact and lessons learnt from the IDB support from the perspectives of different stakeholders. These stakeholders included:

- **Stakeholders involved in the SIB ecosystem:** National policy-makers, intermediaries, investors, academics, think tanks, regional expert networks, international technical advisors appointed by IDB and other relevant experts. This includes IDB Lab and IDB Group staff in each country. The purpose of these interviews was to assess the extent to which the IDB support has contributed to growing the SIB market infrastructure and knowledge base, and what more could be done in the future to achieve this. It is also to help us gather a wider insight on the SIB ecosystem and trends in the study country.
- **Stakeholders involved in delivering SIBs supported by IDB:** Intermediaries, investors and service providers, as well as IDB staff involved in the individual SIBs. The purpose of these interviews was to assess the 'SIB effect', develop a better understanding of enablers and challenges, and what the IDB role has been in each individual case.
- **Other relevant policy-makers:** We consulted policy-makers working in ministries that are relevant to the work that the SIBs are doing, but that are not engaged with them directly, to gain a deeper understanding of the policy landscape and priorities, as well as the enablers and barriers to the development and implementation of SIBs in each context.

## Sampling approach

We used a **purposive sampling approach** complemented by a snowball approach to ensure we interviewed a representative set of stakeholders, considered different stakeholder types, organizations and areas of expertise. Considering resource constraints and stakeholder availability when conducting the interviews, we aimed to ensure we selected a sample of stakeholders across the five countries and D.C that cover all relevant views. The discussion guides were tailored based on the desk-research to each country context and stakeholder type based on their knowledge of the local context, SIB program and the role of the IDB.

A full list of consultees is provided in [Annex 3](#).

## Work Package 4: Analysis

In this section, we discuss our considerations when analyzing the data collected, the frameworks we used for analysis and how we undertook analysis of our qualitative.<sup>45</sup>

Our data collection and analysis drew on relevant learning on the wider outcome-based financing as well as the regional context. As such, we aimed to balance the contextualization of our findings within the broader sector and ecosystem, while remaining cognisant of the need to ensure findings are sensitive to context. The main guiding principles for analysis are:

- **Contextualization of findings:** The SIB market is still nascent. Drawing on learning across the full spectrum

of impact bonds implemented to date enriches our findings. Analysis using existing frameworks for understanding the SIB effect, barriers and enablers to developing SIBs and suitable sectors for SIBs allows us to be more focused in our data collection, to understand commonalities and differences between the Latin America experience, and to contextualize our findings and to share lessons learnt between the Latin America experience.

- **Sensitivity to context and diverse perspectives:** Our data collection was undertaken in five countries, across a broad spectrum of stakeholders. As part of Ecorys' research into the critical success factors necessary to launching SIBs and growing the ecosystem, we found that the country context is a vital factor (e.g. leadership and buy-in from local stakeholders, capacity of the local ecosystem and national regulatory frameworks). Our analysis is cognisant of the fact that findings will need to be nuanced to take this into account.

## Contribution Analysis

Because of the extent to which SIB development is dependent on a number of contextual factors, it would be dangerous to over-attribute any SIB developments to the IDB support alone, or the project outcome to the use of the SIB mechanism only, as this support is one contributory factor amongst many. The focus on this study was to assess the contribution made by IDB Lab to this market developing. As such, we have analyzed our findings using contribution analysis to assess the effectiveness of the IDB support in a context where their contribution is relative and we have aimed to assess this in addition to

<sup>45</sup> Note that due to data confidentiality, we are not able to report on quantitative data at this stage.



other contributing factors. This approach relies on setting out the logic of how the program and activity is expected to lead to the target outcome, and then gathering evidence to see to what extent this happened in practice, and what other factors also affected the intervention logic.

Moreover, we used the SIB effect model to understand what can and will motivate potential SIB stakeholders to engage. The SIB effect framework is used to analyze which effects are the ones that resonate with potential stakeholders – which are the ones which would motivate them to engage? For these priority SIB effects, we also used the framework to synthesize the level of existing evidence, and where more evidence will be needed to motivate stakeholders to engage.

### Qualitative analysis

For the qualitative analysis, we organized it into two distinct phases - data management and data analysis.<sup>46</sup> First, the

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<sup>46</sup> Ritchie, J. and Lewis, J., 2013. *Qualitative Research Practice*. SAGE.

study team collected the data from the consultations in internal interview notes to capture the data. For the data analysis, the team drew on the Study Framework of themes and sub-themes linked to the study questions. This was done both deductively (drawing on the frameworks set out above), as well as inductively, based on emerging themes during the fieldwork. The data from the field notes was summarized and synthesized under the headings and sub-headings within the framework and analyzed systematically using a coding system to identify patterns and trends between countries, policy areas and stakeholder type.

### Work Package 4: Reporting and dissemination

While we wrote the final report, we conducted a validation workshop with key stakeholders from all study countries to share our key findings and discuss the lessons learnt. In addition to this, we plan for wider dissemination of the report findings for the IDB and IDB Lab and in international fora in 2020 and 2021.

### Annex 3: Enabling factors to developing the SIB ecosystem

	Enabling factors	Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Government demand	Value for money associated with intervention are convincing to stakeholders in the ecosystem	●	●	●
	Demand and interest from government stakeholders is sufficient	●	●	●
	Sufficient knowledge to design and manage SIBs	●	●	●
	Concept of SIBs has penetrated the country	●	●	●
Market capacity	Sufficient investor interest and risk appetite to participate in SIBs	●	●	●
	Sufficient access to expertise from market providers/intermediaries	●	●	●
	Availability of strong service providers with sufficient capacity to deliver	●	●	●
Data availability	Administrative social and economic data to allows SIB design and evaluation	●	●	●
	Individual data that allows SIB designers and implementers to track information on participants before, during, and after a SIB intervention.	●	●	●
	Providers have sufficient awareness of likely outcome performance levels and costs	●	●	●
Economic and political context	Sufficient price stability to ensure outcomes can be paid	●	●	●
	Sufficient trust in institutions to ensure outcomes can be paid	●	●	●
	Changes in government do not result in the cancellation of SIBs	●	●	●
	Support from civil society for SIB mechanisms and private partnerships	●	●	●
Regulatory framework	Laws and frameworks are in place in the country that enable payments to be attached to outcomes, not outputs	●	●	●
	Flexibility of procurement systems and capacity to procure SIBs	●	●	●
	Mechanisms to overcome constraints of budget cycles for multi-year budgetary commitments	●	●	●
	Investors can legally get a return on their investment and limits to the return do not prevent them from participating in SIBs	●	●	●
	Service providers must be able to invoice for services provided, not activities	●	●	●
	Non-deductible tax can be incorporated into pricing of success without crowding out service providers	●	●	●

Key: ● Essential; ● Good to have

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## Annex 5: List of organizations that have been involved in developing impact bonds in Latin America

This list aims to provide an overview of the organizations that we have come across while conducting this study. The organizations listed have either been involved in developing impact bonds in the study countries or have come up in the consultations conducted during the study as relevant to the impact ecosystem. The table below

provides a description of each organization and the role they have played to date. The list does not aim to be exhaustive as more actors emerge in each national or sectoral ecosystem but provides an overview of the stakeholders that have been identified during our research.

Organization	Role within SIBs and ecosystem
<b>Stakeholders working across multiple countries</b>	
Dalberg	Dalberg Advisors is a strategic advisory firm that combines the best of private sector strategy skills and rigorous analytical capabilities with deep knowledge and networks across emerging and frontier markets. They work collaboratively across the public, private and philanthropic sectors to fuel inclusive growth and help clients achieve their goals. Dalberg is working with USAID and Third Sector Capital on an impact bond in Haiti.
IDB Lab	IDB Lab is the innovation laboratory of the IDB Group. IDB Lab mobilizes financing, knowledge, and connections to catalyze innovation for inclusion in Latin America and the Caribbean.  IDB Lab funded market building activities in the five study countries through the SIB Facility and has since approved projects to develop SIBs, market building activities and knowledge generation work in Colombia (co-financed with SECO), Argentina (single SIB) and Chile.
Instiglio	Instiglio is a non-profit advisory firm specialized in results-based financing for low- and middle-income countries. Its mission is to empower leaders in the social, public, and private sectors to improve the impact of social programs in developing countries by tying funding to results.  Instiglio has provided technical assistance and has conducted market building activities in Colombia, Mexico and Chile. In Colombia, Instiglio worked with Fundación Corona and Fundación Santo Domingo on a pre-SIB pilot 'Alianza por el Empleo' and on other results-based initiatives on teen pregnancy in Medellín. When SIBs.CO was launched, Instiglio acted as technical advisor for its design, conducted a process evaluation of the first SIB and is the technical advisor for SIB 2, the Outcomes Fund, the Employment Challenge and the first Emergency SIB which will be launched from the Outcomes Fund.
Levoca Impact Labs	Levoca Impact Labs offers end-to-end innovative finance solutions to stakeholders in emerging markets and developing countries. Levoca is currently developing innovative financing instruments, including impact bonds, in several Latin American countries. Levoca is also serving as the Secretariat of the Global Impact Bonds Working Group ( <a href="http://www.ib-wg.com">www.ib-wg.com</a> ). Prior to founding Levoca, its CEO created and led IDB Lab's SIBs Facility and its work in all 5 study countries and was design team leader for the projects in Colombia and Argentina.

Organization	Role within SIBs and ecosystem
Roots of Impact	Roots of Impact is a specialized advisory firm dedicated to making finance work for positive impact on people and planet. Roots of Impact is working with IDB Lab and SDC to implement Social Impact Incentives (SIINCs), a performance-based financing instrument for social enterprise in several Latin American Countries.
Social Finance	<p>Social Finance's international development work brings together governments, donors, service providers and investors to develop rigorous and cost-effective outcome-based financing contracts.</p> <p>They have provided technical assistance to the development of SIBs in Colombia, Argentina, Chile and Mexico. Social Finance UK has most recently provided technical advice to design the Employment Outcomes Fund in Colombia.</p>
Third Sector Capital	<p>Third Sector Capital Partners, Inc. (Third Sector) is a non-profit advisory firm that leads governments, high-performing non-profits, and private funders in building evidence-based initiatives that address society's most persistent challenges.</p> <p>Third Sector Capital is working with Dalberg Advisors and USAID to explore impact bond structure in Haiti.</p>
Colombia	
Baker McKenzie	Baker McKenzie is an international law firm. In Colombia, they provided legal advisory services to SIBs.CO and helped structure the first and second SIBs. They are also contributing to understanding what the regulatory barriers to developing SIBs in Colombia are.
Canadian Embassy in Colombia	<p>Canada has supported development, humanitarian assistance, peace and security initiatives in Colombia for more than 40 years. It has worked to ensure respect for human rights and has responded to the challenges faced by Colombia's most vulnerable populations. Canada's international assistance focuses on human dignity, growth, peace and security and gender equality.</p> <p>The Canadian Embassy is currently exploring impact bonds as a mechanism to deliver aid by developing their innovation mandate. They are funding the study on barriers to innovation for DNP and are currently tendering the design of an education Outcomes Fund.</p>
Compartamos con Colombia	<p>Compartamos con Colombia provides consultancy services that strengthen capacities through the design and implementation of sustainable solutions for development.</p> <p>Compartamos con Colombia provided advisory services to the first SIB by designing a due diligence tool for service providers.</p>



Organization	Role within SIBs and ecosystem
Corporación Inversor	<p>Inversor is a pioneer in Impact Investing in Latin America, helping to build an ecosystem for this market and managing to articulate the different actors it contains. Inversor was created in 2009, Inversor was the first Impact Investment Fund in Colombia.</p> <p>Inversor was in charge of the financial administration of investors' capital providing performance management under the guidelines of Fundación Corona as the intermediary in SIB 1. It is also the intermediary organization of the second SIB 'Cali Progresá con Empleo' where it acts as a bond and performance manager and coordinates investors and service providers. Inversor is a member of the Payment for Results Network in Latin America.</p>
Corporación Mundial de la Mujer	<p>Corporación Mundial de la Mujer is a corporation with more than thirty years of experience, focused on contributing to peace and reconciliation in Colombia through productivity supporting women's employment and women-led businesses.</p> <p>Corporación Mundial de la Mujer is an investor in the second SIB in Colombia.</p>
Deloitte	<p>Deloitte is a multinational professional services network and one of the 'Big Four' accounting organizations.</p> <p>Deloitte provides verification services to verify results for SIBs one and two in Colombia.</p>
Departamento Nacional de Planeación (DNP)	<p>The National Planning Department (DNP) is the executive administrative agency of Colombia in charge of defining, recommending and promoting public and economic policy.</p> <p>The Public Innovation team within the department has worked with SIBs.CO to include payment-for-success and SIBs in the government's national development plan (2018-2022).<sup>47</sup> Their aim is to promote innovative ways of contracting services to promote testing, innovation and results.</p>
Departamento de Prosperidad Social	<p>Created in 2011, the Department for Social Prosperity (DPS) is the entity responsible at the national level for designing, coordinating and implementing public policies to overcome poverty and social equity. The Department is at Ministry level. The DPS provides a central hub for private-sector activities that help to reduce poverty and strategically introduces concepts of social innovation and entrepreneurship across government initiatives in Colombia.</p> <p>The DPS was the co-outcome payer of the first SIB in Colombia 'Empleando Futuro' and created the Employment Outcomes Fund inside its structure. The DPS has a team within the Outcomes Fund, and is part of the Fiduciary, Challenge Coordination and Learning Committees. From the Outcomes Fund the DPS will co-pay for the results of new SIBs launched from the Fund.</p>

47 Bases del Plan Nacional de Desarrollo 2018-2022. Available at: <https://colaboracion.dnp.gov.co/CDT/Prensa/BasesPND2018-2022n.pdf>

Organization	Role within SIBs and ecosystem
Fundación Alvaralice	<p>Fundación Alvaralice is a private, not for profit organization, established in 2003 to contribute to the creation of a more inclusive and peaceful Colombia through the search for strategic alliances with private, public, national and international organizations and the promotion of innovative initiatives and projects that foster sustainable social development and the economic conditions necessary for a peaceful society.</p> <p>Fundación Alvaralice is a service provider in the second SIB in Colombia 'Cali Progresar con Empleo'.</p>
Fundación Bolívar Davivenda	<p>Fundación Bolívar Davivenda is the social arm of Grupo Empresarial Bolívar. Since 2009, they dedicate efforts to structural, sustainable and impactful transformations in society. They support projects that aim to generate capacities in people, communities and organizations, to build a more just, equitable and innovative society.</p> <p>Fundación Bolívar Davivenda is an investor in SIBs one and two in Colombia.</p>
Fundación Carvajal	<p>Fundación Carvajal is a non-profit institution, with the purpose of promoting the improvement of the quality of life of the communities in need, in the territories of Cali and Buenaventura.</p> <p>Fundación Carvajal is a service provider in SIBs one and two in Colombia.</p>
Fundación Colombia Incluyente	<p>Fundación Colombia Incluyente is a private non-profit organization that works to break down barriers and build trust among vulnerable populations through social programs aimed at developing skills and competences, promoting self-management and developing skills that generate sustainability, transformation and quality of life.</p> <p>Fundación Colombia Incluyente is a service provider in SIBs one and two in Colombia.</p>
Fundación Corona	<p>Fundación Corona is Family Foundation that builds innovative solutions and drives social development with allies. Since 1963 FC seeks to improve the quality of life and social mobility for all Colombians, through two strategic areas: Education to employment and citizen engagement.</p> <p>Fundación Corona started working with Instiglio on developing the pay for results ecosystem in Colombia through Alianza por el Empleo, as a pilot. Fundación Corona provides technical leadership on employment to SIBs.CO and is the executing agency for SECO and IDB Lab funds for the market building and knowledge components. Fundación Corona also acted as an investor and bond manager (intermediary) in Colombia's first SIB 'Empleando Futuro' and as an investor in the second SIB in Cali. Fundación Corona is a member of the Payment for Results Network in Latin America.</p>

Organization	Role within SIBs and ecosystem
Fundación Santo Domingo	<p>Fundación Santo Domingo is a non-profit organization with 60 years of experience in supporting people in Colombia providing well-being to their families and making Colombia more equitable. In alliance with public and private organizations, they lead projects in sectors such as education, environment and health. They aim to lead the social sector, influencing public policies and articulating efforts for the sustainable development of Barranquilla, Cartagena, and Barú, mainly.</p> <p>Fundación Santo Domingo provided a grant in the first pay for success pilot 'Alianza por el Empleo' with Fundación Corona and Instiglio. Fundación Santo Domingo is an investor in SIBs one and two in Colombia.</p>
Fundación Plan	<p>Fundación Plan Colombia is a member of the international NGO Plan International, a humanitarian organization which works in 71 countries across the world. In Colombia, they are a non-profit with 55 years of experience working on promoting children's rights to improve their wellbeing and supporting those who are most vulnerable. Fundación Plan is an investor in the second SIB in Colombia.</p>
Fundación Pro Bono	<p>Fundación ProBono Colombia is a network of lawyers providing probono legal advice.</p> <p>Fundación ProBono Colombia took part in the implementation of the first Social Impact Bond (Bono de Impacto Social) (BIS) in Colombia, by carrying out the legal structuring to involve private and public actors. Lawyers from Durán &amp; Osorio Abogados Asociados provided legal advisory services to SIBs.CO and helped structure the first and second SIBs. They are also contributing to understanding what the regulatory barriers to developing SIBs in Colombia are.</p>
Fundación WWB Colombia	<p>Fundación WWB Colombia works to close gender inequality gaps for women and promote their active participation in economic development through training, knowledge generation and social impact investments.</p> <p>Fundación WWB Colombia is an investor in the second SIB in Colombia.</p>
IDB Lab/IDB	<p>In Colombia, IDB Lab is the implementing agency for the SIBs component of SIBs.CO, serving as co-payer with SECO funds which it has channeled to set up the SIB program. IDB Lab co-finances with SECO the market building and knowledge components for which Fundación Corona is the executing agency. The IDB's Labor Markets Division offers technical knowledge on employment to the design and implementation of the SIBs as well as advice on evaluation techniques most appropriate for SIBs in developing countries.</p>
Instiglio	<p>Instiglio has worked on building the ecosystem for results-based financing in Colombia since 2012. Instiglio worked with Fundación Corona and Fundación Santo Domingo on the first SIB pilot 'Alianza por el Empleo' and on other results-based initiatives on teen pregnancy in Medellín. When SIBs.CO was launched, Instiglio acted as technical advisor for the design of the first and second SIBs, conducted a process evaluation of SIB 1 and provided technical advice to the design of the Employment Outcomes Fund. Instiglio is a member of the Payment for Results Network in Latin America.</p>

Organization	Role within SIBs and ecosystem
Instituto Colombiano de Bienestar Familiar (ICBF)	<p>Colombian Institute for Family Wellbeing (ICBF) is an entity linked to the Department for Social Prosperity in Colombia. Their aim is to protect vulnerable children and families.</p> <p>At the time of writing the report, ICBF was exploring the opportunities in developing an adoption SIB in Colombia.</p>
Kuepa	<p>Kuepa is an educational organization with a presence in Latin America dedicated to improving the professional and work skills of thousands of young people to facilitate their foray into the job market, university entrance.</p> <p>Kuepa was a service provider in SIBs one and two in Colombia.</p>
Office of the Mayor of Cali	The Office of the Mayor of Cali is the co-outcome payer of SIB 2 'Cali Progresando con Empleo'.
SECO	<p>SECO (State Secretariat for Economic Affairs of Switzerland) is the federal government's centre of excellence for all core issues relating to economic and labor market policy, domestically and internationally. SECO aims to contribute to economic growth, job creation and fair working conditions.</p> <p>SECO is an outcome funder providing resources to IDB Lab to pay for SIBs results in Colombia and co-financing with IDB Lab the market building and knowledge generation components in the SIBs.CO project. SECO also serves on the Executive Committee of the Global Impact Bonds Working Group with DFID and the UBS Optimus Foundation.</p>
UNICEF Colombia	<p>UNICEF is the United Nations agency responsible for providing humanitarian and developmental aid to children worldwide.</p> <p>At the time of writing the report, UNICEF Colombia was exploring the development SIBs in four different topics: ECD, recidivism, soft skills and poverty alleviation.</p>
Corporación Volver a la Gente	<p>Corporación Volver a la Gente is a non-profit entity, with 26 years of experience in the development of programs and models to support the population excluded by poverty and victims of the armed conflict, whose objective is to build peace and reconciliation in the territories through the strengthening of local capacities, psychosocial support, citizen participation and productive inclusion.</p> <p>Corporación Volver a la Gente is a service provider in SIB one in Colombia.</p>
<b>Argentina</b>	
Acrux Partners	Acrux specializes in impact investing to promote SIBs among governments, investors and businesses in Latin America. They act as an intermediary between investors and projects looking for finance to help them become 'investment-ready'. They are a member of the Payment by Results Network in Latin America. Their role in the SIB was as an intermediary (SIB manager and performance manager) and providing technical assistance.
Banco Ciudad	Banco Ciudad is the Bank of the City of Buenos Aires. It is a publicly owned, municipal commercial bank. It is one of the top-10 banks in Argentina by deposits and in terms of lending portfolio. Historically they have been leaders in small-business lending and financed housing initiatives in deprived areas. They are an investor in the SIB.

Organization	Role within SIBs and ecosystem
Banco Galicia	Banco Galicia is the largest private sector commercial bank in Argentina in terms of assets, deposits and loans, with headquarters in Buenos Aires. It is part of Galicia Financial Group, a financial services holding company. They are an investor in the SIB.
Beccar Varela	Beccar Varela is one of the leading corporate law firms in Argentina, headquartered in Buenos Aires. They cover a wide range of practice areas (from agroindustry, to labor law to fintech and private equity) and industries (including energy, mining, transport and others) with offices in Latin America, Asia and Europe. They provided legal advice to the SIB service providers.
Fundación Alimentaris	Alimentaris is a Swiss non-profit foundation and think tank aiming to increase the social impact of government and third sector programs, by developing models to optimize the use of financial and human resources. The sectors they mostly focus on are health, nutrition, education and community development. They provided technical assistance to the SIB.
Fundación Forge	Forge is an NGO working with vulnerable young people to help them improve their quality of life by accessing training and employment. They developed an educational approach focused on socioemotional and digital skills and operate through a network of NGOs and employers. They are a service provider for the SIB.
Fundación Pescar	Pescar is an NGO whose primary objective is to train people from disadvantaged background so they can access the labor market. They plan and implement training programs focused on socioemotional and technical/professional skills in their 'Pescar Centres'. They work with the private sector, NGOs and government as strategic partners in planning, delivering and evaluating projects on social inclusion and employability. They are a service provider for the SIB.
Government of the City of Buenos Aires	The city of Buenos Aires is an autonomous district governed by a mayor (known as 'Chief of Government') elected by its citizens, together with a Deputy Mayor and a 60-member city legislature. The GCBA was the SIB's commissioner and outcome payer.
IDB Lab	In Argentina, IDB Lab provided financial support during the design/structuring phase and provides optional working capital loan to investors.
Inversiones Y Representaciones Sociedad Anonima (IRSA)	IRSA is the leading real estate development company in Argentina. Its main assets are some of Argentina's largest shopping centres and office buildings. They are also growing in the sectors of mortgages, agricultural and farming land and the Brazilian real estate market. They are an investor in the SIB.
Organización Román (now Puerto Asís Investments)	Since the launch of the SIB they have changed their name to Puerto Asís Investments. They are a family office managing the family's portfolio with a philosophy to diversify assets across strategies, sectors and geographical areas, and to assess economic risk and return as well as the impact of investments. They are an investor in the SIB.
Rattagan Macchiavello Arocena	Rattagan is one of the leading law firms in Argentina, covering a wide range of fields including corporate and M&A, energy, environment and natural resources, infrastructure, pharmaceuticals and others. They recently merged with Dentons to form the largest global law firm in the country. They provided legal assistance to SIB investors

Organization	Role within SIBs and ecosystem
Reciduca	Reciduca is an NGO supporting vulnerable young people to complete secondary school, receive training and access their first work experience. They also offer an HR consultancy service to employers to help the young people they train access employment. They are a service provider for the SIB.
Chile	
Carey	Carey is the largest law firm in Chile. Carey assisted Fundación San Carlos de Maipo in the project leadership and the performance management of Primero Lee by providing legal services.
Colunga	Colunga is a Chilean Foundation created in 2012. With special attention to children and adolescents, Colunga promotes social innovations aimed at generating systemic change in critical areas such as overcoming poverty, protecting the rights of children and youth, improving the quality of education and promotion of new forms of inclusion (migration and social reintegration, for example). Colunga is one of the outcome payers in Chile's first DIB, Primero Lee.
CORFO	<p>CORFO (Production Development Corporation) is an agency within the Government of Chile, under the Ministry of Economy responsible for promoting economic development through the promotion of inward investment and the advocacy of competitiveness.</p> <p>Initially, CORFO was included in the SIB initiative as one of the only government agencies that could pay for outcomes. However, given the difference between CORFO's mission and the thematic areas of the SIB and the time commitment required to develop SIBs, the organization decided to pull out of the initiative in Spring 2020.</p>
Crece con Todos	<p>Crece con Todos is a foundation created in 2010 to help reverse educational gaps in Chile for the most vulnerable. They work in 13 regions in Chile, across 280 educational establishments.</p> <p>Crece con Todos is the service provider for the Primero Lee DIB which aims to improve literacy and numeracy of vulnerable children in Estación Central, Santiago.</p>
Doble Impacto	Doble Impacto is an investment platform promoting ethical banking in Chile. Their mission is to promote the development of companies and institutions that have a positive impact on the economic, social and cultural aspects. They operate as crowdlenders linking companies with people who want to invest. Doble Impacto worked as financial advisors for Primero Lee.
Estudios y Consultorías Focus	Focus is a Chilean management consultancy with over 25 years of experience. The consultancy provides verification services to Primero Lee.
Fondo de Solidaridad e Inversión Social (FOSIS)	<p>The Solidarity and Social Investment Fund (FOSIS) is a service of the Government of Chile, created in 1990, under the Ministry of Social Development and Family. Its aim is to contribute to overcoming poverty and social vulnerability of people, families and communities. It works on providing opportunities to those living in poverty through income autonomy, social empowerment and housing and on strengthening the ecosystem for overcoming poverty through piloting programs.</p> <p>FOSIS took over the role as outcome payer for the government from CORFO in Spring 2020 given its institutional and legal capacity to pay for outcomes from a government agency.</p>

Organization	Role within SIBs and ecosystem
Fundación Muskatis	Fundación Muskatis aims to contribute to the excellence of the training of people and culture in Chilean society, promoting initiatives – of their own and from third parties - that promote transformative experiences and give opportunities to discover and develop talents. Muskatis is one of the outcome payers in Chile's first DIB, Primero Lee.
Fundación Paz Ciudadana	Organization focused on contributing to the design, implementation and evaluation of public policies on security and justice. They conducted the feasibility study for the juvenile recidivism CIS.
Fundación San Carlos de Maipo	<p>Fundación San Carlos de Maipo is a non-profit foundation in Chile created in 1997 to support solutions to social problems that result in the violation of the rights of children and their families.</p> <p>Fundación San Carlos de Maipo is an intermediary organization in the SIB ecosystem in Chile, providing technical support to the development of SIBs. The foundation worked on the design of the first DIB in Chile, Primero Lee, and at the time of writing the report was providing technical support to the government SIB initiative and supporting the market building component of the initiative, funded by IDB Lab. Fundación San Carlos de Maipo is a member of the Payment for Results Network in Latin America.</p>
IDB Lab/IDB	<p>In 2015, IDB Lab started exploring the possibility of developing SIBs in Chile through the SIB Facility by conducting landscape studies in a variety of thematic areas. Recidivism was the area that resonated best with government stakeholders.</p> <p>The IDB Citizen Security Team was initially involved in supporting IDB Lab in developing the SIB ecosystem when IDB Lab was first exploring the option of developing a recidivism SIB with the government in 2014.</p> <p>At the time of writing this report, IDB Lab was providing funding to the SIB initiative in Chile by funding 29% of the initiative, including the market building activities conducted by the Fundación San Carlos de Maipo, the evaluation, coordination and a proportion of the feasibility studies and support to execution.</p>
Impacta RSE	Consultancy focused on conducting program evaluations. They conducted the feasibility study for the Homelessness CIS.
LarrainVial	<p>LarrainVial is an independent financial services company with over 83 years of experience, and offices in Chile, Peru, Colombia, and the United States.</p> <p>LarrainVial is one of the outcome payers in Chile's first DIB, Primero Lee.</p>
Ministerio de Ciencia, Tecnología, Conocimiento e Innovación	<p>The Ministry of Science, Technology, Knowledge and Innovation advises and collaborates with the President of the Republic in the design, formulation, coordination, implementation and evaluation of policies, plans and programs aimed at promoting and strengthening the national science, technology and innovation system, guiding him to contribute to the sustainable development of the country and the generation of knowledge as a result of scientific-technological research.</p> <p>The Ministry of Science is the government organization responsible for coordinating the SIB initiatives in Chile. Formerly in the Ministry of Economy, the SIB initiative is now led from the Ministry of Science.</p>



Organization	Role within SIBs and ecosystem
Ministerio de Desarrollo Social y Familia (MDSF)	<p>The Ministry of Social Development and Family's mission is to contribute to the design and application of social development policies, plans and programs, especially those aimed at eradicating poverty and providing social protection to vulnerable people. It is also responsible for ensuring coherence and consistency of policies nationally and regionally and evaluating the pre-investment studies of investment projects that request State financing to determine their social profitability.</p> <p>The Subsecretary of Social Evaluation works on the SIB initiative in Chile by coordinating the data requirements and commissioning the feasibility studies for the different SIBs.</p> <p>The Childhood Subsecretary is the technical counterpart on the Childhood transitions SIB in Chile and contributes to the technical design of the intervention of the SIB.</p> <p>The National Office for Homelessness (Oficina Nacional de Calle) within the Subsecretary of Social Services is the technical counterpart on the Homelessness SIB in Chile and contributes to the technical design of the intervention of the SIB.</p>
Servicio Nacional de Menores (SENAME)	<p>The National Service for Minors (SENAME) is a centralized government agency, collaborator of the judicial system and dependent on the Ministry of Justice and Human Rights. It is in charge of protecting the rights of children and adolescents, and of young people between 14 and 17 years of age who have broken the law. In addition, it deals with regulating and controlling adoption in Chile.</p> <p>SENAME is the technical counterpart on the Recidivism SIB in Chile and contributes to the technical design of the intervention of the SIB.</p>
Viento Sur	Viento Sur is a foundation focused on catalyzing innovative solutions for problems affecting children in Chile. Viento Sur is one of the outcome payers in Chile's first DIB, Primero Lee.
<b>Mexico</b>	
CREA	CREA is a non-profit organization with particular expertise working with vulnerable women in rural areas of Mexico. They were approached by Henderson y Alberro during the feasibility study phase, and then invited to apply to participate. In addition, CREA played an important role in designing the RCT, as well as sourcing a pro-bono lawyer who took charge of the contracting process.
Fomento Social Banamex	Fomento Social Banamex is a non-profit organization created at the initiative of the Board of Directors of Banco, Nacional de MéxicoCitibanamex. Fomento Social Banamex has provided support to develop the employment SIB in Nuevo Leon.
Fundación Capital	Fundación Capital is a non-profit social enterprise which has been in operation for 10 years. The aim of the organization is to improve the economic and financial lives of vulnerable people around the world. They work closely with national governments and the private sector in order to develop digital solutions to issues related to financial inclusion and the promotion of social livelihoods. They worked closely with CREA on the development of the RCT, and indicators that would have used to measure the impact of the intervention.

Organization	Role within SIBs and ecosystem
GIZ	<p>GIZ is a public-benefit federal enterprise service provider in international cooperation with the German Federal Ministry for Economic Cooperation and Development (BMZ) as main commissioning party.</p> <p>The German development agency GIZ has provided financial support to assist with the contracting and structuring process of the SIB in Nuevo Leon.</p>
Global Innovation Fund	<p>The Global Innovation Fund (GIF) is a non-profit innovation fund headquartered in London with an office in Washington D.C. that invests in the development, testing, and scaling of innovations targeted at improving the lives of the world's poorest people. They offer grants and risk capital in order to develop solutions to local development challenges for private sector firms, non-profit organizations, researchers, and government agencies.</p> <p>GIF was brought on board by the Government of Jalisco to be a co-outcomes funder. Although GIF became involved with the SIB as an outcome funder, they were also involved in the design of the SIB. They were particularly interested in the SIB a mechanism to combine an evidence-based intervention with experienced service providers who were already implementing a very similar type of intervention in Mexico and achieving promising results. As it was the first SIB in Mexico, GIF advocated for a rigorous evaluation, to mitigate some of the risks associated with not being able to measure the counterfactual.</p>
Government of Jalisco	<p>The Government of Jalisco commissioned the SIB. The main impetus for the SIB came from an advocate within the Ministry of Social Innovation, as a relatively new team within the government who was keen to explore new financing instruments. The Ministry of Social Innovation managed to secure buy-in from the Ministry of Planning, as well as the Ministry of Social Development. There was a champion within the Ministry of Social Development with a background in impact evaluation, who was keen to support the SIB. The Government of Jalisco financed the feasibility study and the technical design of the SIB.</p>
Government of Nuevo Leon	<p>The Government of Nuevo Leon has commissioned a new SIB in Mexico, focussed on increasing formal employment opportunities for young people. They have commissioned the SIB and will be the outcomes funder.</p>
Henderson & Alberro	<p>Henderson y Alberro is an independent consultancy which specializes in financial inclusion, with a strong emphasis on promoting well-being. They were established in 2011 with the objective to advise both private and public sector clients and have since built up a reputation as pioneers of new financial instruments used to inform evidence-based policy. They have worked with national governments, private sector companies and civil society organizations to carry out feasibility studies for the SIBs, and other PbR schemes designed to finance interventions to improve people's lives. They have assessed the design of public policy across a range of areas including health, education, social development, and financial services. They were hired by the state of Jalisco to conduct an initial feasibility study for the SIB. Henderson &amp; Alberro is a member of the Payment for Results Network in Latin America.</p>

Organization	Role within SIBs and ecosystem
IDB Lab	IDB Lab was involved in the SIB as a potential investor and took on a coordination role. In 2014, they had started to promote the concept of SIBs across the region, gathering key stakeholders in Mexico such as Social Finance. The IDB funded the technical capacity building aspect of the SIB and funded Social Finance to build capacity within the Government of Jalisco. They played a key role in bringing investors on board and acting as a point of contact between government and other actors involved.
Instituto Tecnológico de Monterrey	Instituto Tecnológico de Monterrey, alongside Henderson y Alberro and Social Finance UK evaluated the feasibility of the SIB in Nuevo Leon. Henderson y Alberro and Social Finance UK have then gone on to design and structure the intervention.
Nacional Monte de Piedad	The Nacional Monte de Piedad is a not-for-profit institution and pawnshop. Nacional Monte de Piedad has provided support to develop the employment SIB in Nuevo Leon.
Promotora Social Mexico	Promotora Social Mexico is a philanthropic organization promoting social entrepreneurship initiatives that focus on improving the lives of the most disadvantaged people in the world. They focus primarily on health, education and economic development, with particular emphasis on early childhood development. They invest in social initiatives using a 'venture philanthropy' model, based on the principles of venture capital: tailored financing; added value; and measuring impact. Promotora Social Mexico was one of the principal investors in the SIB. While Promotora Social had experience in grant making, they had never worked on a SIB before; they were keen to act as investors due to their focus on social innovation ecosystem development.
Prudential	Prudential Seguros México was established in 2006 as a life insurance provider. Prudential has provided support to develop the employment SIB in Nuevo Leon.
Youthbuild Mexico	The US-based NGO YouthBuild International (YBI) has worked in Mexico since 2004. In 2012, YBI launched the Jovenes con Rumbo Initiative in Mexico City, an employment and education program including a leadership and violence prevention approach that has served more than 14000 at-risk youth over the last six years. Youthbuild Mexico have been brought on board to the SIB in Nuevo Leon as a service provider.
<b>Brazil</b>	
Government of Ceará	The Health secretary of the state of Ceará focuses on health care policy implementation and state hospital management in the country. The Health secretary wanted the State Government of Ceará to act as an outcome payer.
Government of São Paulo	The State government of São Paulo was involved from the Education Secretary of the State of São Paulo and the Innovation Secretary. The ESSP is responsible for managing all public state schools and universities in São Paulo as well as formulating public policies in education. The ESSP was in charge of engaging the state education network in the participation of the project.
IDB Lab/ IDB	<p>IDB Lab was involved in promoting the SIB ecosystem in Brazil. Its involvement was limited to the Education SIB in São Paulo. IDB Lab had the intention to act as an investor.</p> <p>The IDB was the driving motor in Brazil's education SIB initiative as its education division within the IDB leads played a coordinator role.</p>

Organization	Role within SIBs and ecosystem
Insper	<p>Insper is an independent, non-profit university dedicated to teaching and research, with the mission of being a reference center in education and knowledge generation in the fields of Business Administration, Economics, Law, and Engineering, located in São Paulo, Brazil.</p> <p>Insper was the main partner for the São Paulo SIB and the lead the feasibility study with state government. Insper was working on a new PbR contract on youth employment where learnings from the education SIB were applied to selecting a policy area with less politicization.</p>
SITAWI Finanças do Bem	<p>SITAWI is a non-profit organization working on the development of financial solutions for social impact, to conduct pre-feasibility studies to assess the potential to launch SIBs in Brazil. SITAWI is a member of the Payment for Results Network in Latin America.</p> <p>In the case of the Ceara health SIB, SITAWI was in charge of the SIB design, tapping into investors and looking at potential providers. SITAWI is has received a grant from FAPERJ, the secretary of Science, Technology and Innovation in the state of Rio de Janeiro and is working with them on the launch of new SIBs. A call for proposals has been released and 17 applications received on themes ranging from park management and popular housing to alcoholism and employability.</p>
Sundfeld Advogados	<p>Sundfeld Advogados is a reputable law firm based in São Paulo, Brazil. The focus of the practice is on Public and Regulatory Law consulting, involving several branches of the law, such as Administrative Law, Public Economic Law, Constitutional Law, and Land Law. Sundfeld Advogados were contracted to produce a study of the regulatory barriers for SIBs in São Paulo (education SIB) and in Ceara (health SIB) in Brazil.</p>

## Annex 6: List of consultees

Zach Levey, former IDB Lab, now CEO Levoca Impact Hubs

Cesar Buenadicha, Discovery Unit Chief, IDB Lab

Marta Garcia, Director, Social Finance UK

Susan McDonald, Associate Director, Social Finance UK

Miquel de Paladella, CEO, UpSocial

Carmen Pages-Serra, Labor Markets Division Chief, IDB

### Colombia

Christine Ternent, Lead Specialist, IDB Lab

Carolina González, Labor Market Specialist, IDB

Luz Mila Lancheros, SIBs.CO Executing Unit, Fundación Corona

Daniel Uribe, Executive Director, Fundación Corona and SIBs.CO lead

María Alejandra Urrea, SIBs.CO Executing Unit Manager, Fundación Corona

Laura Casas, SIBs.CO Executing Unit Manager, Fundación Corona

Christian Brändli, Jefe de Cooperación Económica y Desarrollo (SECO) - Colombia

Mario Reina, Oficial Nacional de Programa – Cooperación Económica y Desarrollo (SECO) - Colombia

Manuela Cleves, Junior Investment Analyst, Inversor

Cesar Rodriguez, Investment Manager, Inversor

Mariela del Castillo, Project Manager, Corporación Volver a la Gente

Camila Manrique, Program Manager Lead, Kuepa

Ana Jaramillo, Market and Communications Lead, Kuepa

Mario Jose Gonzalez, Director, Fundación Carvajal

Julietta Arboleda, Director, Fundación Alvarallice

Adriana Carolina Cuevas, Social Inclusion Specialist, UNICEF

Maria Isabel Perez, CEO, Corporación Mundial de la Mujer

Juan Pablo Echeverry, Investment Director, Fundación WWB Col

Sebastian Perez, Junior Auditor, Deloitte

Claudia Restrepo, Senior Consultant, Deloitte

Sergio Mustafa, Advisor Departamento Prosperidad Social

Carolina Mafioly Niño, Social Innovation Coordinator, Departamento Prosperidad Social

Aura Maria Cifuentes, Social Innovation Lead, Departamento de Planeación Nacional

Edgardo Maya, Associate, Durán & Osorio

Stephanie Yepes, Associate, Durán & Osorio

Daniel Botero, Associate, Baker McKenzie  
 Ana María Arboleda, CEO, Probono  
 Carlos Sanchez, Partner, Durán & Osorio  
 Nicolás Salcedo, Development Officer, Embajada de Canadá  
 Federico Salcedo, Development Officer, Embajada de Canadá  
 Jose Aguirre, CEO, Fundación Santo Domingo  
 Pamela Escobar, Director, Fundación Plan  
 Avnish Gungadurdoss, Co-Founder and Managing Partner, Instiglio  
 Siegrid Holler, Associate Partner, Instiglio  
 Fernando Cortes, Executive Director, Fundación Bolívar Davivienda

### Argentina

Mariel Sabra, Specialist, IDB Lab  
 Constanza Connolly, Counsel, Beccar Varela  
 Maria Laura Tinelli, Director and Founder, Acrux Partners  
 Joaquín Molczadzki, Project Manager, Government of the City of Buenos Aires  
 Adolfo Diaz Valdez, Chief of staff, Government of the City of Buenos Aires  
 Silvana Munoz, Director of Strategic Partnerships, Fundación Forge  
 Carlos Estivill, Director, Fundación Pescar  
 Nicolas Federico, CEO, Reciduca  
 Ileana Frauman, Coordinator, Amia  
 Paola Bohorquez, Programme Officer, UNDP Argentina  
 Maria Eugenia Oviedo, Programme Associate, UNDP Argentina  
 Representative from Banco Ciudad  
 Representative from Banco Galicia  
 Representative from Puerto Asís Investments  
 Representative from IRSA

### Chile

Carolina Carrasco, Senior Specialist, IDB Lab  
 Federico Diaz, Project Manager of Social Impact Contracts, Ministerio de Ciencia  
 Maria Ignacia Ossa, Analyst, Ministerio de Ciencia  
 Rafael Rodriguez Walker, Director, Fundación San Carlos de Maipo  
 Gabriela Perez Gomez, Project Manager, Fundación San Carlos de Maipo  
 Rosario Contesse, Advisor, Subsecretaria de Servicios Sociales, Programa Calle, Ministerio de Desarrollo Social y Familia  
 Rocio Donoso Pineda, Adviser, Ministerio de Desarrollo Social y Familia

Mauricio Carreño Aguirre, Department Lead, División de Promoción y Prevención, Subsecretaría de la Niñez

Blanquita Honorato Lira, Department Lead, División de Promoción y Prevención, Subsecretaría de la Niñez

Valentina Wagenreld, Director of Management and Planning, Crecer con Todos

Arturo Celedon, CEO, Fundación Colunga

Mauricio Maldonado Rojo, Impact Investment Lead, CORFO

Francisca Lecourt Miranda, CORFO

Edison Marquez Neira, Subsecretaría de Evaluación Social Ministerio de Desarrollo Social y Familia

### Brazil

Leonardo Letelier, CEO, SITAWI

Sergio Lazzarini, Professor, Insper

Henrique Javi de Souza, Ex-Health Secretary of Ceara

Karla Bertocco, Ex- civil servant of São Paulo State government under Secretary of Partnerships and Innovation

Vera Monteiro, Attorney, Sundfeld Advogados

### Mexico

Alberto Bucardo, former Senior Specialist, IDB Lab

Cristina Yoshida Fernandes, former employee government of Jalisco, Co-founder of Colectivo de Diseno Disruptivo

Irina Alberro, Partner, Henderson y Alberro

Max Henderson, Partner, Henderson y Alberro

Ana Luz Diaz, former CREA, Director Fundacion Karadias

Austine Gasnier, former Regional Representative Fundación Capital, CEO Agora Partnerships

Michael Eddy, former Vice-President of Analytics & US Country Lead Global Innovation Fund, Senior Advisor GiveWell

Pedro Castillo, Director of Institutional Relations, Promotora Social Mexico



