

### **SOCIAL OUTCOMES CONFERENCE 2019**

In pursuit of social outcomes: the international conference on impact bonds, outcomes contracts, and beyond







# WELCOME

Calum Miller, Chief Operating Officer and Associate Dean Blavatnik School of Government, University of Oxford





# WELCOME

Mara Airoldi, Director, Government Outcomes Lab Blavatnik School of Government, University of Oxford







Welcome

- 09:30 Keynote Stefan Dercon, Professor of Economic Policy, University of Oxford
- 10:15 Coffee break
- 10:45 Session I Still inventing the wheel: Global evidence and experience on impact bonds to date (LT1)
- 12:00 Lunch
- 12:45 **Session II** (concurrent sessions Seminar Rooms)
  - 1. Impact bonds and the welfare state (SR1)
  - 2. Beyond bean counting: Alternate approaches for valuation (SR2)
  - 3. Practical lessons and insights from impact bonds implementation in the UK (SR3)
  - 4. Implications for impact bonds in low- and middle-income country contexts (SR4)
  - 5. Can impact bonds improve governance, accountability, integrity, and transparency in public services? (Group Working Room 9, 1<sup>st</sup> Floor)
- 14:15 Coffee break
- 14:45 **Session III** (concurrent sessions Seminar Rooms)
  - 1. Impact bonds: The provider perspective (SR1)
  - 2. Impact bonds around the world (SR2)
  - 3. Hybridity: Bending and blending across sectors in outcomes-based contracting (SR3)
  - 4. Who's a party and to what? Impact bond contracts, configurations, and risks (SR4)
- 16:00 Coffee break
- 16.15 Session IV Can't get you out of my head: Overly fixated on the SIB tool? (LT1)
- 17:30 Close
- 18.00 Drinks reception & dinner

DAY II	BLAVATNIK SCHOOL OF GOVERNMENT
08:45	<ul> <li>Session I (concurrent sessions – Seminar Rooms)</li> <li>1. Bold and bright: from idea to implementation at the cutting edge (SR1)</li> <li>2. European perspectives on social outcomes contracts and impact bonds (SR2)</li> <li>3. Capacity development and procurement professionals (SR3)</li> </ul>
10:15	Session II – Are impact bonds just public-private partnerships (PPPs) with a specified social outcome? (LT1)
11:05	Coffee break
11:15	Session III (concurrent sessions – Seminar Rooms)
	1. Markets in employment support (SR1)
	2. Social impact bonds at scale (SR2)
	3. Measuring what matters (SR3)
	4. Alternative takes on investment (SR4)
12:30	Lunch
13:15	Session IV – Rallying together or passing the buck? Exploring new collaborative approaches to public service delivery (LT1)
14:30	Coffee break
14:45	Session V – Through the looking glass: reducing information asymmetry through availability of project-level data on impact bonds (LT1)
15:45	Session VI – To infinity and beyond! The future of impact bonds and outcomes-based approaches (LT1)
16:45	Closing remarks (LT1)
17:00	Break
17:30	Public event – What is a democratic right, and what is a philanthropic gift? (LT1)

# Some exciting news!





#### https://golab.bsg.ox.ac.uk

## **Our partners**



Department for Digital, Culture, Media & Sport

UBS Optimus Foundation















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Use the iPads in the *Inamori Forum* to add your organisation to the Directory or get in touch with the GO Lab team

https://www.cognitoforms.com/MAZEDeco dingImpact/ImpactBondKnowledgePlatform ExpertDatabase



# **KEYNOTE**

#### Stefan Dercon, Professor of Economic Policy Blavatnik School of Government, University of Oxford





## **Outcomes-Focused Delivery**

Stefan Dercon September 2019

## An interesting man...





# With an interesting interview technique...







# The scientific method in public sector delivery.... in theory and practice



## What?



- Use 'science' to establish how to deliver optimally
- Where 'optimally' is the best possible 'results' or 'outcomes' given the resources



## Outline



Two cases of outcomes-focused public sector delivery using 'scientific method':

- OBC and SIB
- What Works

In theory and practice (meeting politics and reality...)

## Outcome-based contracting





## Social impact bonds





## Some assumptions and challenges

- On public sector efficiency
- On 'trust' of agency by actors
- 'Right' incentives given PA problem
- Risk preference of commissioner

But also on scope for contracting:

- Defining and measuring outcomes
- Pricing



## In practice?

#### Assumption?

- Public sector efficiency
- On 'trust' of agency by actors
- 'Right' incentives given PA problem
- Risk preference of commissioner
- Capital constraints?

But also on scope for contracting:

- Defining and measuring outcomes
- Pricing

#### In practice?

- Political/admin
- Treating NGOs or GOs are 'contractors'
- Naïve belief in contract
- Reputation!
- No capital constraints
- Measuring
- Pricing



Department for International Development

## Outline



Two cases of outcomes-focused public sector delivery using 'scientific method':

- OBC and SIB
- What Works

In theory and practice (meeting politics and reality...)

The usual programme cycle: "the compelling case"

- Have an idea that seems appealing
- Find the evidence to support it
  - Examples in peer-reviewed literature
- To construct a "compelling case"
- Get a minister to announce a budget
- And equate that with success
- Is this evidence-based policy making?
- Or policy-based evidence making?



Department for International Development







Approach taken by



- Behavioural Insights Team Cabinet Office
- Lots of (development) economics research groups (JPAL, IPA) "Poor Economics" (Banerjee-Duflo)
- Bjorn Lomborg and "Copenhagen Consensus"



## OBC versus WW?



#### **Assumptions OBC**

- Public sector inefficiency
- No 'trust' of agency by actors
- 'Right' incentives given PA problem

But also on scope for contracting:

- Defining and measuring outcomes
- Pricing

#### **Assumptions WW**

- Agnostic on efficiency
- No implementation challenge: no agency or scale problem
- Internal equals external validity

Contracting not easy:

- More information on benefits than on costs
- Applicable to defined, noncomplex outcomes

## WW in practice?

#### **Assumption WW**

- Agnostic on efficiency
- No implementation challenge: no agency or scale problem
- Internal equals external validity
- Risk preference of commissioner

Contracting not easy:

 More information on benefits than on costs

#### In Practice

Department for International Development

- But false certainty that in implementation outcomes as in trial
- Creates 'certainty' ex-ante

Contracting not easy:

Efficiency of implementation?

## Some Lessons



- Both WW and OBC try to bring "scientific method" into delivery and both co-exist
- But with surprising different assumptions:
  - OBC: implementation challenge or 'no-one knows what works'
  - WW: ignores implementation challenge and trust "one knows what works" (even at scale)
- Attractive to politicians as it brings 'certainty'
  - OBC: brings certainty to politicians but in few cases
  - WW: risks bringing false certainty but in wider range of cases (but only for well defined outcomes)



### Can we do better?



# Programme Cycle: Evidence-based





## What next on implementation?



- Commits to evaluate and then learn at scale? (i.e. evaluate at scale)
  - but we often don't have the time/budget
- OBC solves implementation through contracting but then limited cases
- Re-discover the role of quality monitoring and feedback loops



## Programme Cycle: Is it Working?



Planning with trials to find out "What Works"

Revalue Monitoring



## What to monitor?



- The "theory of change" how the "trial" or "evidence" states change is occurring ("the model delivering outcomes") is key here
- Monitor the key factors of the model (inputs but especially <u>assumptions</u>, and possible outcomes); what would predict that outcomes will not be obtained?
- Causal links but also behaviours of implementers

## Conclusion



- Scientific method of 'delivery' of social outcomes must take challenge of 'implementation' seriously
- OBC (SIB) cool but of limited application
- WW has more applicability but also offers false certainty on implementation
- Outcome-focused delivery could do well with much more investment in better monitoring methods –
- That is definitely much more than just trying to measure or monitor outcomes.



# Session I – Still inventing the wheel: Global evidence and experience on impact bonds to date

Emily Gustafsson-Wright, Global Economy & Development, Brookings Institution James W. Williams, York University, Toronto James Ronicle, Ecorys Alison Bukhari, Educate Girls

Chair: Clare Fitzgerald, Government Outcomes Lab






# Impact Bonds: State of Play

Dr. Emily Gustafsson-Wright Fellow, Brookings Institution



# 166 impact bonds in 30 countries



Source: Brookings Institution Global Impact Bond Database, August 1, 2019



\$3.29 million

Average upfront capital



# 51 months

Average contract duration





# Have impact bonds paid returns?

166 impact bonds contracted globally

49 have reached the end of contract period

24 paid back principal + returns	1 paid back principal	5 made some repayment	1 made no repayment	5 have ongoing evaluation s	For 13 data is not (yet) public
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B Global Economy and Development

# **The 10 Common Claims**

#### DEMONSTRATED EVIDENCE





## LACKING EVIDENCE

# Claim 1: Impact bonds invest in preventive services

Credit: Pippa Ranger/DFID

Claims 2 & 3: Impact bonds focus attention on outcomes & increase collaboration

# Claims 4 & 5: Impact bonds drive performance management & monitoring/evaluation

Credit: Mike

Claim 6: Impact bonds reduce government risk

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# Claim 7: Impact bonds sustain impact

Credit: Parker Knight

Claim 8: Impact bonds crowd-in additional private funding

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Credit: Richard Drew / AP

Claim 9: Impact bonds support experimental interventions Claim 10: Impact bonds can achieve outcomes at scale





# Our impact bonds research: brookings.edu/product/impact-bonds/

# Contact: egustafssonwright@brookings.edu @EGWBrookings



#### Where Do We Go From Here?: The Future of SIBs, PFS, and Outcomes-Based Commissioning

James W. Williams Department of Social Science York University jamesw1@yorku.ca

Fifth level

In Pursuit of Social Outcomes: The International Conference on Impact Bonds, Outcomes Contracts, and Beyond

Blavatnik School of Government, University of Oxford Oxford, UK

September 5, 2019





## FROM VISIONS OF PROMISE TO SIGNS OF STRUGGLE

EXPLORING SOCIAL IMPACT BONDS AND THE FUNDING OF SOCIAL SERVICES IN CANADA, THE US, AND THE UK

FINAL RESEARCH REPORT JAMES W. WILLIAMS MAY 2019

#### www.fss.info.yorku.ca



# Research Study (2016-2019)

#### **Objectives**

- 1. Examine the funding challenges faced by social service nonprofits in five key policy areas: education; employment; child welfare; homelessness; and criminal justice.
- 2. Explore the viability of outcomes-based funding models, primarily SIBs/PFS, as a way to address those challenges.
- 3. To compare these challenges and models across Canada, the US, and UK.

#### **Methods**

- > Documentary research.
- Semi-structured interviews with individuals from the following groups: (1) government; (2) providers; (3) investors (trusts and foundations); and (4) SIB specialists (intermediaries; advisors; fund managers).
- > 196 semi-structured, confidential interviews.



Despite growth in the number of projects and the number of countries experimenting with SIBs, the overall rate of growth has been much slower than expected with SIB specialists encountering a variety of challenges, barriers, and frustrations in their efforts to develop and scale the market.

- When I first started in social investment early in 2011, I wouldn't have quite put it as boldly as this, but I could see a social impact bond on every street corner...But actually now I don't think it'll happen. And I think that the bubble has burst already. And I think this will fizzle out (UK Respondent #17).
- I'm not at all sure what the future is. There are some people thinking it will just run straight into the sand as soon as government takes away subsidy...We have not, and never have got to the point where commissioners leap out of bed in the morning and say, 'I know, I should do one of those SIB things' (UK Respondent #70).
- > The future of PFS is very uncertain (US Respondent #22).



While the explanations for these struggles vary across Canada, the US, and the UK, the fundamental challenge in all three countries has been aligning the interests of investors, government, and providers around a common value proposition. This is a systemic challenge that is not easily overcome.

In social investment everybody's trying to find a deal...the local authority have to reduce future spend, but its ultimate focus always is on how much it can save in year because that's the way local authority finance departments think. The investor wants to get its 6% return and improve on it if it can. And the provider wants to provide really good services but not to take too much financial risk...I'm not sure how honest we are in the market about talking about those different perspectives and trying to come up with deal structures that work for everybody. I think the risk is that by not having those very honest conversations, everybody ends up sort of trying to do the best they can for their own organization and as a result the structure fails (UK Respondent #30).



In response to these struggles, and the slow growth of the SIB market, SIB specialists have broadened their focus introducing new contracting structures, products, and services and thus moving away from the original model – what may be described as "SIB drift."

What I worked out here pretty quickly is we couldn't live by SIB alone. We had to essentially use our learning from designing and implementing SIBs and go into a variety of other areas (UK Respondent #31).



The future prospects of SIBs and PFS as a market very much depend on how we define "SIBs" and "PFS" with broader and more flexible definitions allowing for a more optimistic view of the space.

The broad implementation of PFS is indicative of anything but a small, niche market. The basic model is a Platonic idea that has many variations in its manifestation in the world. The original, unmodified model may work best in a few cases, but the underlying insight, that paying for outcomes will enhance performance, accountability, and innovation, is truer now than ever because we have validating experience in practice. We've moved from a theory to a practice whose demand continues to expand (US Respondent #5).



As the field moves towards different types of "outcomes-based" approaches, it really matters what we mean by "outcomes" and how these are defined and produced.

The more distance travel metrics you put in place, the more they become the be-all and end-all of delivery instead of genuinely sitting back and saying, well actually the outcome that everybody wants is this. Now it's going to take us three years to get there. And how confident am I that spending all of my time focusing on delivering a maximum payment by reference to this short-term metric is ultimately the sort of work that would deliver the long-term? (UK Respondent #31).



#### Conclusion

When they were designed, SIBs had three things that they were trying to do. One was be outcomes-focused around beneficiaries. Second to reform commissioning. And third was, that you would take the risk and innovate and then the machinery of state would take that innovation and go oh yeah that works and then put it into policy and scale it. Those three things, gone. Now it's all about cost savings rather than outcomes. There is no machinery of state anymore so that not a single one of the SIBs that's been invested in has been taken up by the state and rolled out...And commissioning now is honestly a complete mess and commissioning has taken a step backwards because now it's all about cost...And so the three fundamental drivers for SIBs have kind of been lost in the midst of time. And now they are really being used as an outsourcing, commissioning tool to cut costs basically (UK Respondent #42).



## *Identifying the DIB Effect:*

Findings from the independent evaluation of the DFID Development Impact Bonds (DIBs) Pilot Programme

James Ronicle, Associate Director, Ecorys Social Outcomes Conference 2019



# **Pilot Programme DIBs**

	ICRC Humanitarian Impact Bond for Physical Rehabilitation	Quality Education India Development Impact Bond	Village Enterprise Micro- enterprise Poverty Graduation Impact Bond	Cameroon Cataract Bond
Project Purpose	To help disabled people living in conflict- affected locations to regain mobility.	Support education providers in India to improve learning outcomes for primary school children aged 5-11 across 600 schools in Delhi and Gujarat	To cost-effectively support extremely poor households to start micro- enterprises that increase their incomes and living standards, ultimately graduating from poverty	Support the Magrabi ICO Cameroon Eye Institute to provide low- or no-cost quality cataract treatment services to low income patients in Cameroon.
Outcome payments	Staff Efficiency Ratio (SER), calculated by the number of beneficiaries having regained mobility thanks to a mobility device, divided by the number of local rehabilitation professionals.	Difference in learning outcomes between the comparison group and intervention group, measured in standard deviation.	Increase in household income, proxied through consumption and assets.	Number of cataract surgeries Quality of cataract surgeries Financial sustainability of the hospital Equity target (linked to bonus payment to service provider only)
Outcomes funders	La Caixa Foundation Governments of: Belgium, Italy, United Kingdom & Switzerland	Michael & Susan Dell Foundation, Comic Relief, BT, The Mittal Foundation & The Ellison Foundation	DFID, USAID & anonymous philanthropic fund	The Conrad N. Hilton Foundation, The Fred Hollows Foundation & Sightsavers
Maximum value of outcomes payments	\$27.6m	\$9.1m	\$4.3m	\$3.5m
Working capital	\$19.7m	\$2.5m	\$1.04m	\$2m
Capital guarantees	60%	0%	0%	100%

## Methodology

#### **Evaluation Questions**

The evaluation will answer two key questions:

- EQ1: Assess how the DIB model affects the design, delivery, performance and effectiveness of development interventions
- **EQ2:** What **improvements** can be made to the process of designing and agreeing DIBs to **increase** the **model's benefits** and **reduce** the associated **transaction costs**?

#### **Data Sources**

Individual Project level Projects under the DIB pilot programme and identified comparison projects	Programme level DIBs pilot programme	Wider DIB sector	
<ul> <li>Interviews with key stakeholders</li> <li>Programme design documents</li> <li>Internal project level M&amp;E data</li> <li>Outcomes verification data</li> <li>Beneficiary feedback</li> <li>Project reporting</li> <li>Data from comparable projects and previous phases</li> <li>Investment returns and cost data</li> <li>Evaluations and learning activities</li> </ul>	<ul> <li>Interviews with DFID staff, within the DIBs team, PSD unit and PbR team</li> <li>Review of programme level documentation</li> </ul>	<ul> <li>Interviews with DIB experts and stakeholders</li> <li>Review of key literature and learning reports</li> </ul>	

Focus of Research Wave 1: Process of designing and launching the DIB pilot projects



## **DIB Effects**

DIB Effect	ICRC HIB	QEI DIB	VE DIB	Cataract Bond
Transfer of risk				
1. Transfer of financial risk from outcome funder to investor	Some financial risk transferred (40% of investors' capital is at risk; 60% capital guarantee, shared between the outcome funders and service provider).	100% transfer of financial risk	100% transfer of financial risk	Some financial risk transferred (0% of investors' capital at risk; 4% of interest at risk; capital guarantee split between outcome funder (76.5%) and service provider (23.5%))
2. Reputational risks resulting from the use of the DIB	Yes	Yes	Yes	No
Partnerships				
3. More service providers entering the PbR market due to pre-financing and transfer of risk	Yes	Yes	Yes	No, could likely have been involved if no transfer of risk
4. Greater collaboration and/or coordination between stakeholders as there is an alignment of interests	Yes – though there were comments that collaboration and transparency could have been improved.	Yes	Yes	Yes - though there were comments that collaboration and transparency could have been improved.
Financing and funding				
5. Funding projects which would not have been funded otherwise, or not in the same guise	Yes	Yes	Yes	No, likely project could have been funded without DIB
6. Additional financing to the development sector	Yes.	No. Raised external finance but most of this philanthropic funding that would have gone into the sector anyway	No. Raised external finance but most of this philanthropic funding that would have gone into the sector anyway	Mixed – finance would have gone into development sector, but not eye health or Cameroon
7. Longer term funding	Yes	To some extent	No	No
Design			X	
8. Enables innovation	Yes (incremental innovation)	Yes (incremental innovation)	Yes (incremental innovation)	Yes (incremental innovation)
9. More careful and rigorous design of interventions	Mixed. Yes in terms of rigorous design of M&E, but no impact on design of intervention	Mixed. Yes in terms of rigorous design of M&E (but similar rigour in PbR), but no impact on design of	Yes, though mixed opinion on whether this can be attributed to the DIB	Yes
10. Complex to design and expensive to set up		intervention	00	

ECORYS 📥

## **Critical Success Factors: LOUD to LOUDER**

- Collective Leadership
- Clear Outomes
- Shared Understanding
- Ecosystem
- **R**egulatory framework





## Conclusions

- Impact bonds need to be seen more as a loose group of outcomes-based funding structures, rather than as a specific mechanism
- Despite the variation across the DIBs, there were some relatively consistent 'DIB effects', especially pushing the boundaries in where RBF is possible, and fostering new relationships
- But how much is this a 'DIB effect', and how much is it a 'novelty effect'?







# Life after DIB

Alison Bukhari UK Director



# From field to school





7,300 CHILDREN

#### OUTCOMES

**Increased enrolment** Of out-of-school girls **Improved learning** in Hindi, English and Maths Target no. of aggregate learning gains

# What evidence do we have?

1. Successfully deepened impact



# Years one and two



# **Deepening our impact**



# What evidence do we have?

- 1. Successfully deepened impact
- 2. Enabled solutions to scale





# What evidence do we have?

- 1. Successfully deepened impact
- 2. Enabled solutions to scale
- Enabled operational adaptation
   & innovation



Data-driven communitylead social change for girls

84-04235

educate girls

# What evidence do we have?

- 1. Successfully deepened impact
- 2. Enabled solutions to scale
- 3. Enabled operational adaptation or innovation
- 4. Brought in new capital



# **Our evidence points to:**

Community

Certain social outcomes

National government priorities or SDGs

Common outcome measures





September 2018

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#### **DRIVING QUALITY AT SCALE**

Implementing The World's First Development Impact Bond In Education



#### \* UBS

#### World's first Development Impact Bond in education

Process evaluation from the Educate Girls Development Impact Bond



Introduces & UBS

Dalberg Advisors

CONTRACT POINT





# Session IV – Can't get you out of my head: Overly fixated on the SIB tool?

Adrian Brown, Centre for Public Impact Carolyn Heinrich, Vanderbilt University Mildred Warner, Cornell University Scott Kleiman, Government Performance Lab, Harvard Kennedy School of Government

Chair: John Tambornino, White House Office of Management and Budget





# **Close of Day I**

Nigel Ball, Executive Director, Government Outcomes Lab Blavatnik School of Government, University of Oxford

