

Outcomes-Based Financing: Impact Bonds and Outcomes Funds

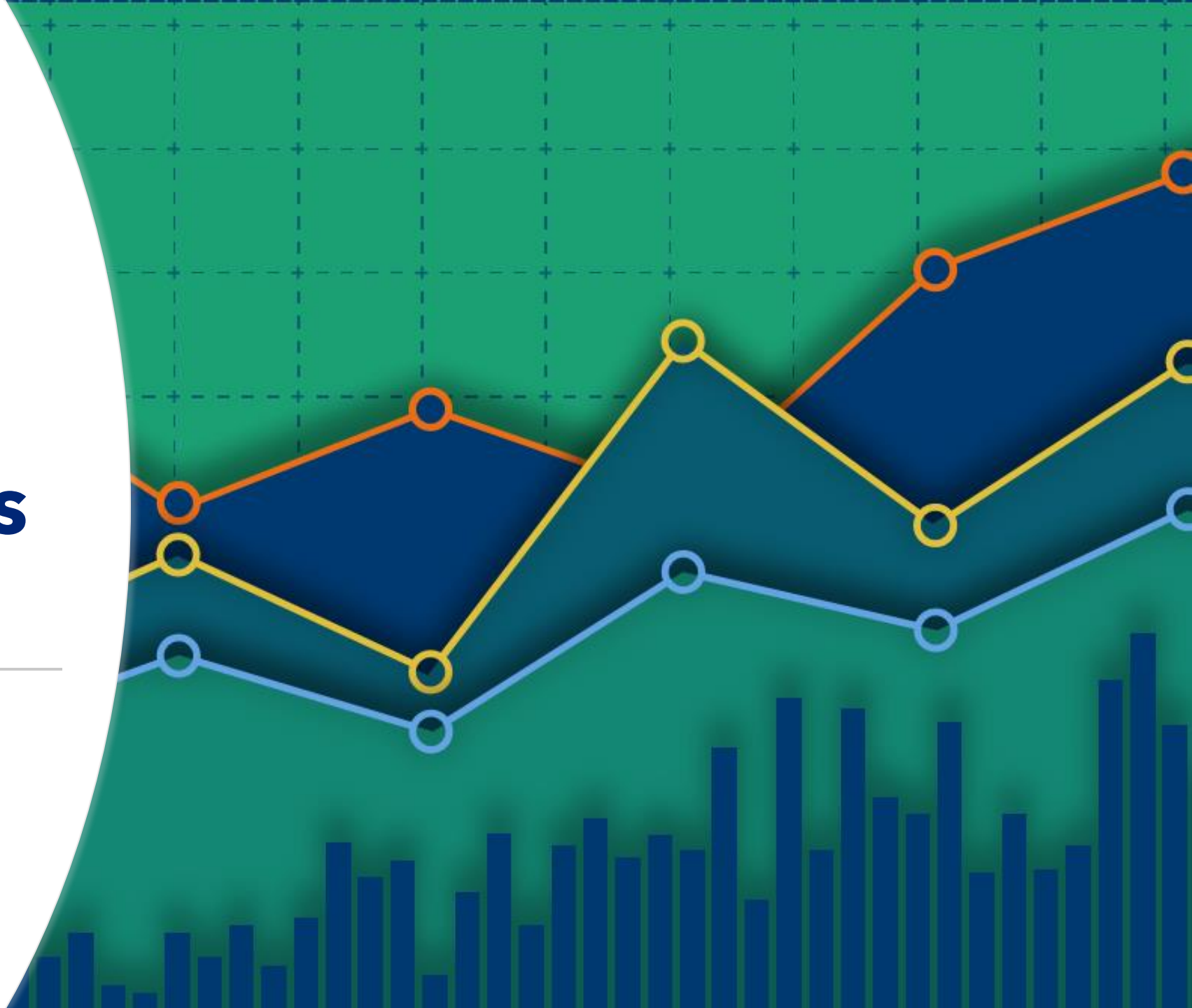
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Impact Bonds Primer



A Typology of Results-Based Financing (RBF)

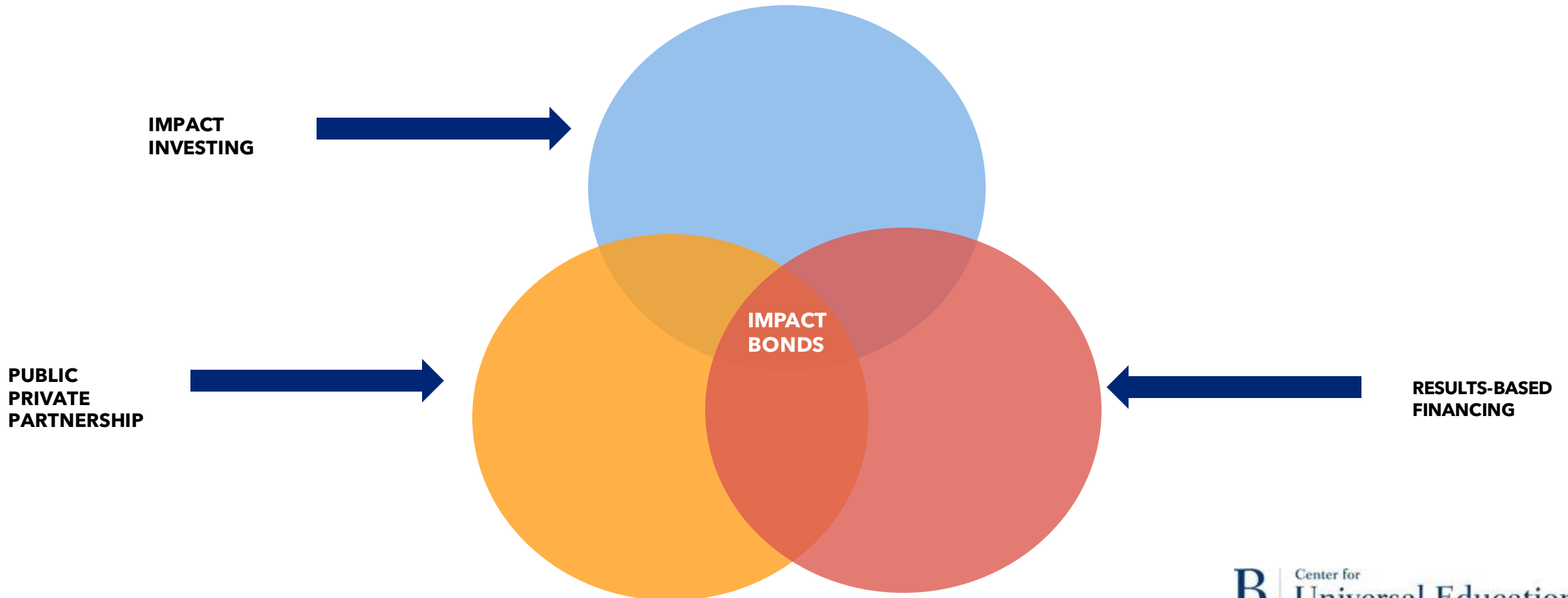
Who holds the financial risk/contingency for payment?	RBF Instrument Category	RBF Instrument
National Government	Performance-based Aid	Cash on Delivery
		Performance-based Loan
		Performance Debt-Buy Down
Local Government	Performance-based Transfer	Performance-based Transfer
		Output-based Disbursement
Service Providers	Performance-based Contract	Performance-based Contract
		Prize-based Challenge or Award
Investors	Outcomes-based Financing	Social Impact Bond/Pay for Success Contract/Social Benefit Bond/Outcomes Contract
		Development Impact Bond
		Environmental Impact Bond
		Outcomes Fund
Beneficiaries	Conditional Cash Transfer	Conditional Cash Transfer

Impact Bond:

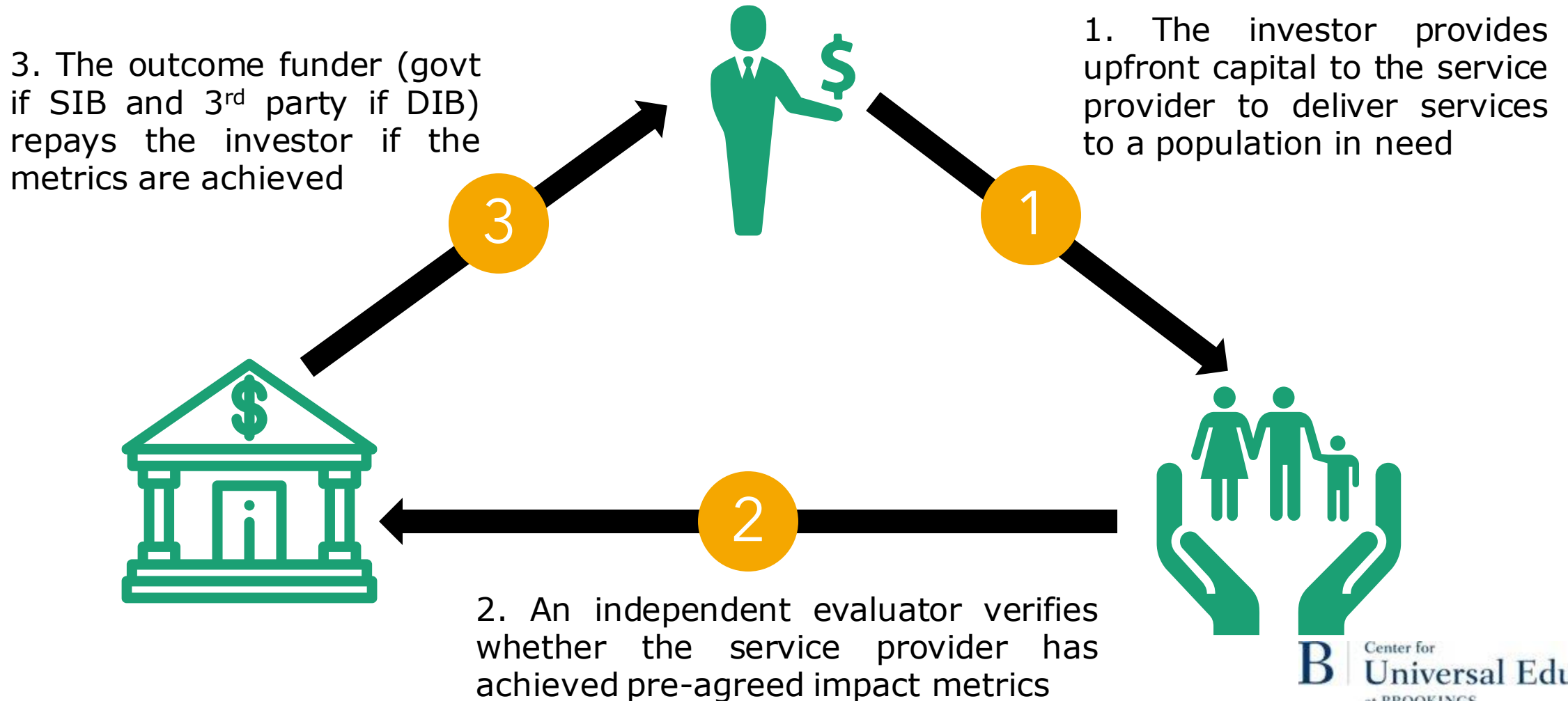
a form of results-based financing in which risk investors provide service provider(s) capital for social or environmental services and are repaid by outcomes funder(s) contingent on the achievement of agreed-upon results

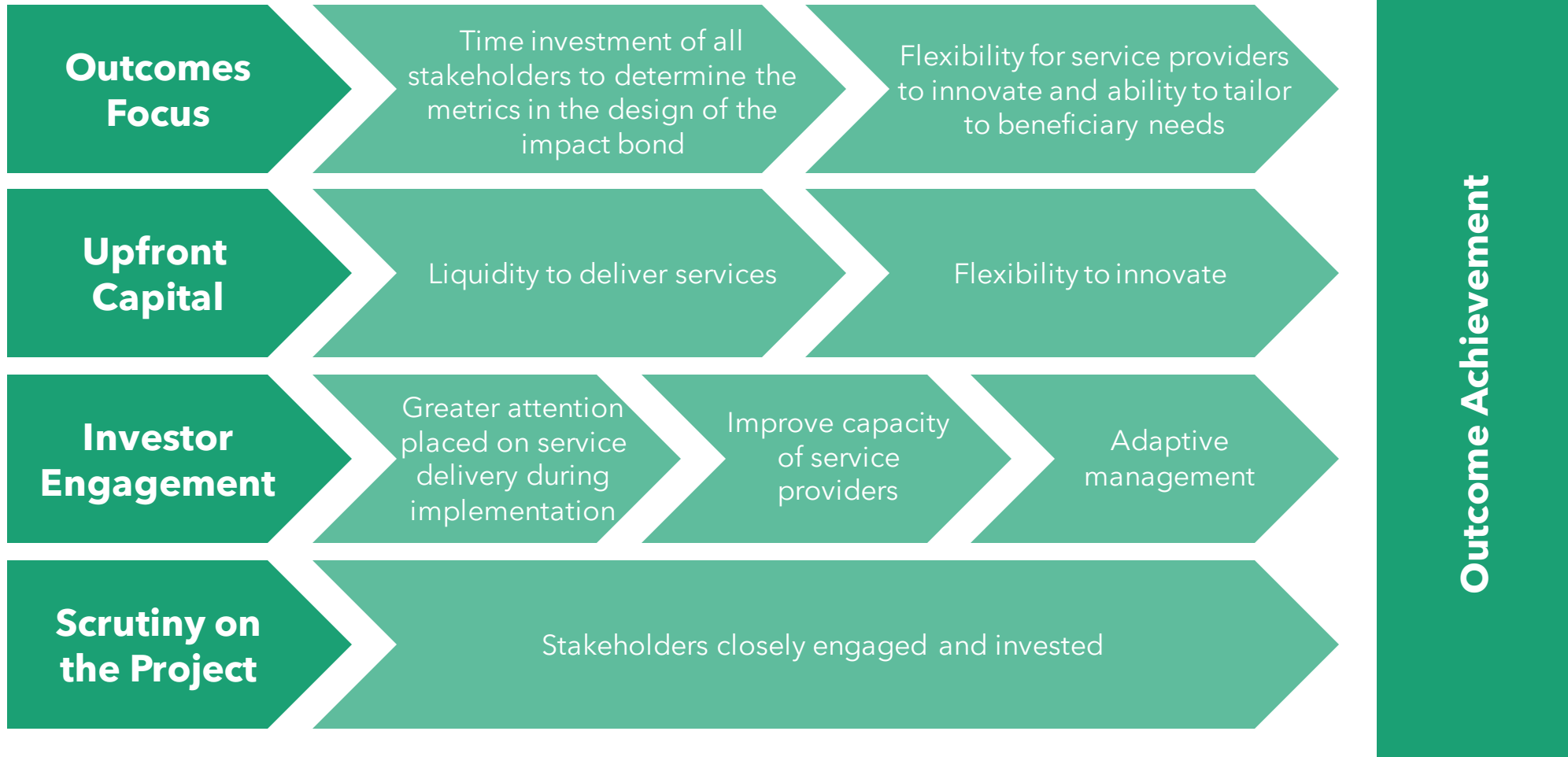
What is an Impact Bond?

A Confluence of 3 Things



Flow of Funds in Impact Bonds





Theory of Change



Impact Bonds Market: Global Landscape

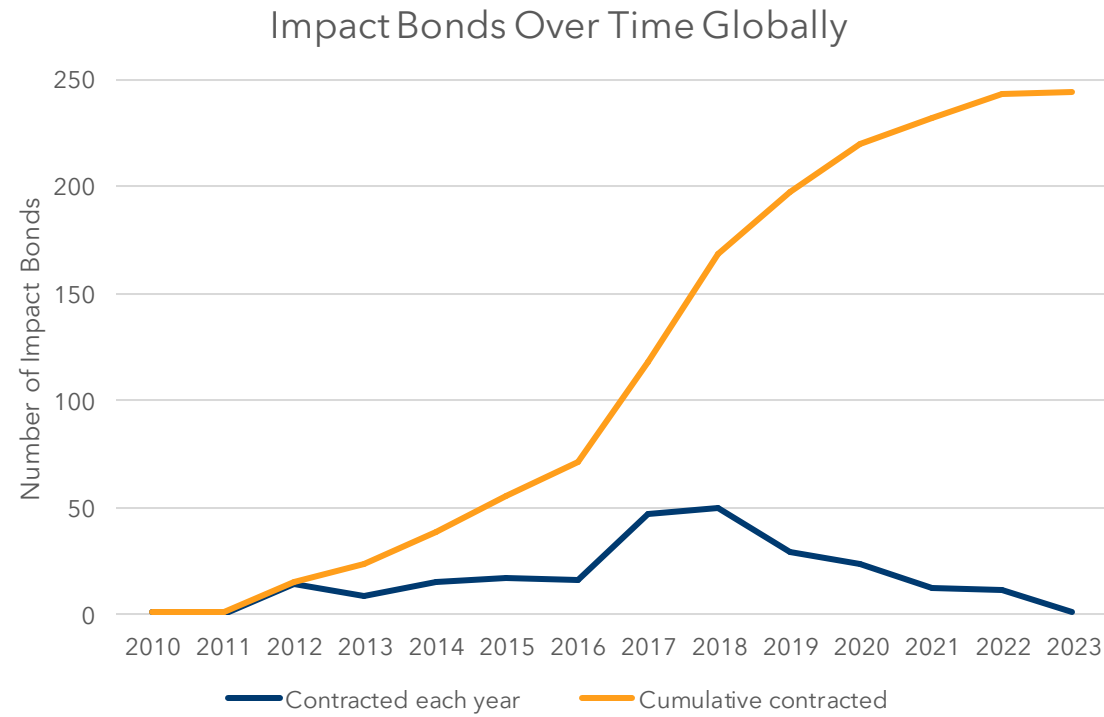


Size

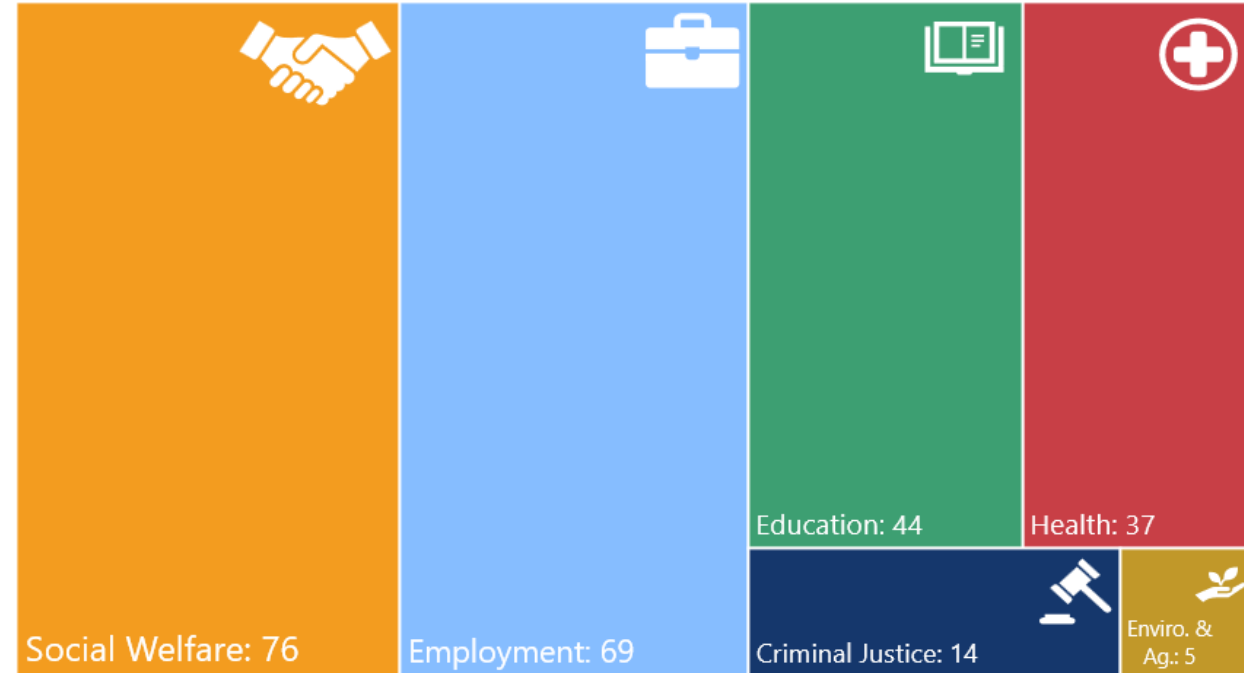
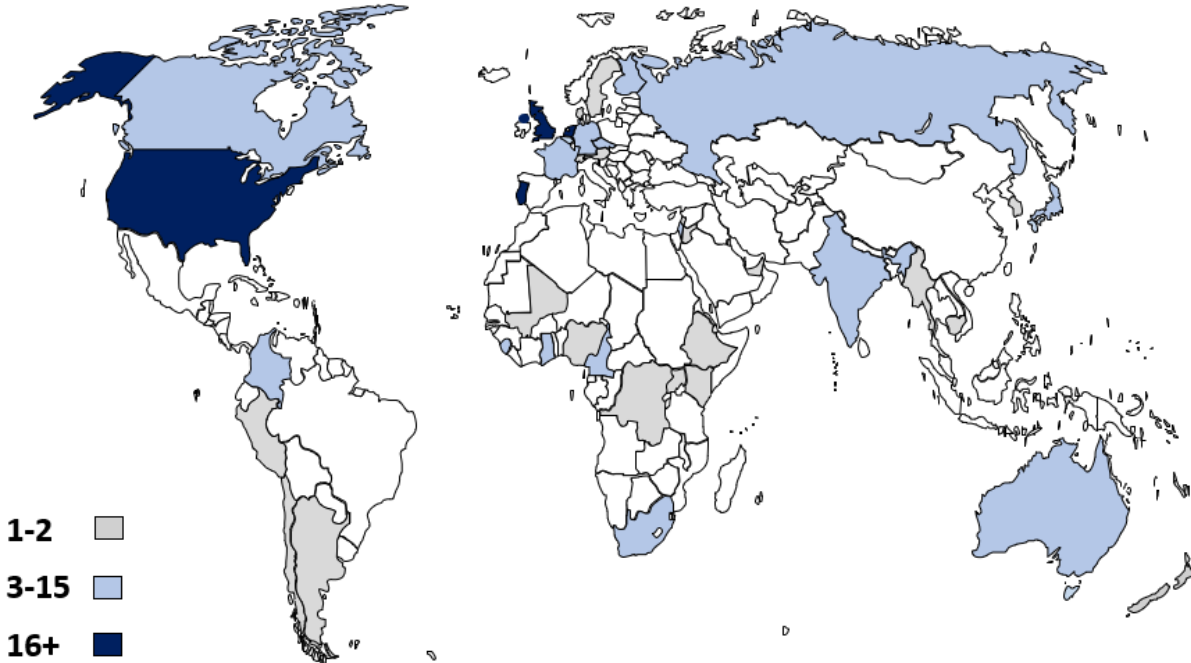
245 impact bonds across 40 countries

227 Social Impact Bonds (SIBs)

18 Development Impact Bonds (DIBs)



Source: Brookings Global Impact Bond Database, May 2023

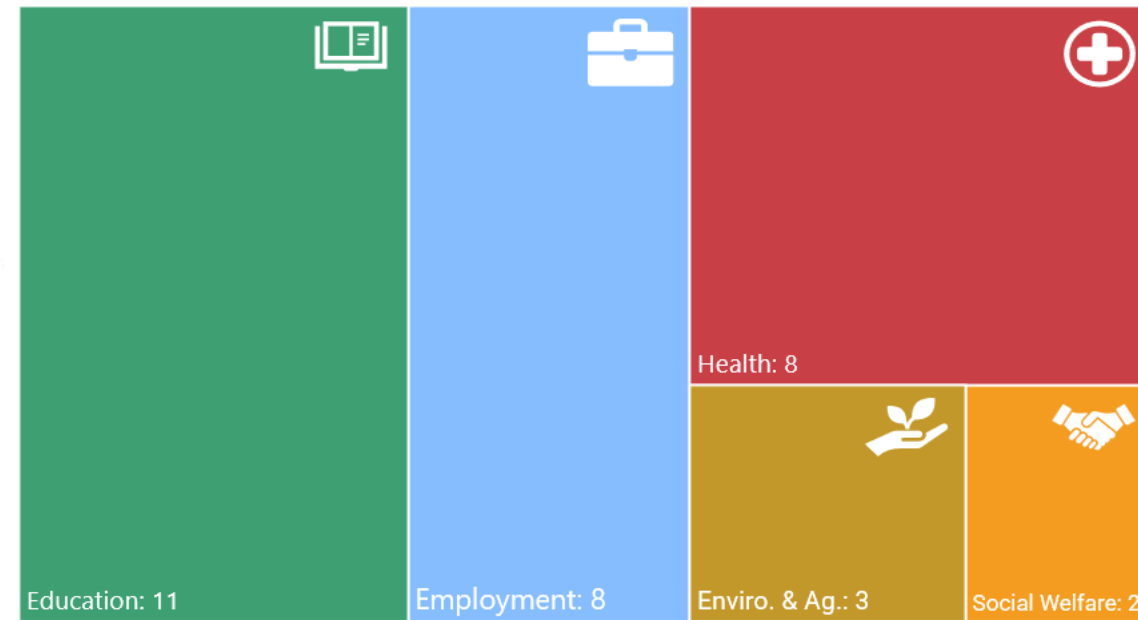


Scope

Largest number of impact bonds in UK and US



Notes: 1 additional DIB in Chile, a high-income country
Argentina was reclassified as a middle-income country in 2019



Scope in LMICs

32 Impact Bonds in Developing Countries

Measuring the Success of Impact Bonds



5 Dimensions of Success

1. Market Size
2. Beneficiary Reach
3. Outcome Achievement
4. Ecosystem Effects
5. Costs vs. Benefits



A Sample of Completed Impact Bonds



Cameroon Kangaroo Mother Care DIB

- **1,221** babies received quality KMC – **28% above** target goal
- **80%** of babies were exclusively breastfed at discharge
- **80%** of babies that returned for 40-week gestational checkup had appropriate weight gain
- Grand Challenges Canada (investor) received its principal plus interest



Impact Bond Innovation Fund

- **Recruitment and retention** targets (1,000 children retained per year) were **exceeded** in all three performance years
- **Attendance targets** (1000 children achieve >50% each year) were met all three years, on average
- **Development Assessment** (measured by ELOM) target not achieved but showed improvement.

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The Utkrish Impact Bond

- Improved the quality of postnatal care in **405** small, private facilities
- Was able to quickly adapt to keep program going through COVID-19
- USB-OF (investor) was repaid its initial investment, plus an 8% internal rate of return

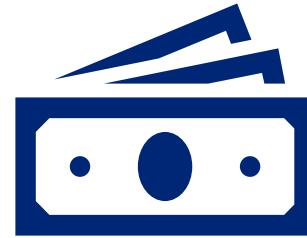
Ecosystem Effects of Impact Bonds



M&E / Performance
Management Systems



Innovation in Delivery



Crowd in Private
Funding



Reduce Government
Risk



Incentivize
Collaboration

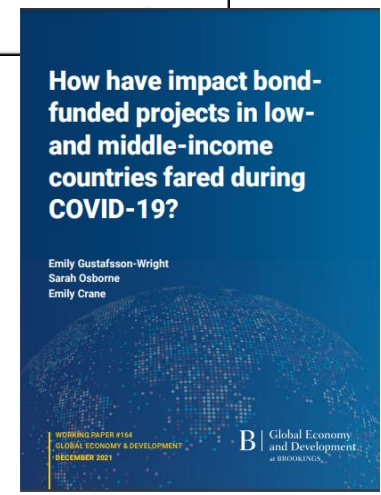
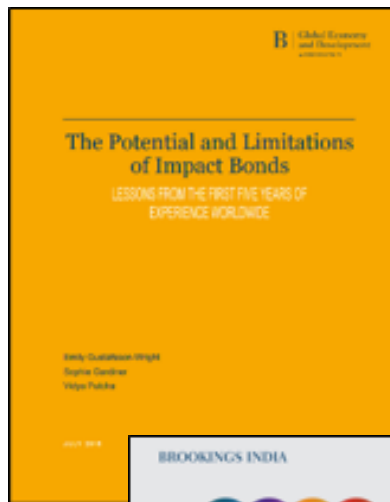


Sustained Impact

Learn More



Impact Bonds Research at Brookings



Thank you!

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