

# Impact Bonds Working Group Manual





# Index

Contents	Page
I. Background	04
II. Objectives	08
III. Activities	10
IV. Method of Working	14
V. Deliverables and Outputs of the WG	16
VI. Membership	18
VII. Funding	20
VIII. Governance and Operating Structure	22
<i>A. Members' General Assembly</i>	23
<i>B. Executive Committee</i>	27
<i>C. The Secretariat</i>	29
<i>D. Subgroups/Project teams</i>	31
<i>E. Non-member networks and observers</i>	31
IX. Communications and Outreach	32
X. Meetings and Expenses	34
XI. Indicative Timeline of Activities and Milestones for 2018	36
XII. Duration of Mandate	38
<i>Annex 1: Workplan for WG (April 1 - October 31, 2018)</i>	40
<i>Annex 2: Risks and Assumptions</i>	46

I.

# Background

- 1.1** Impact Bonds and other pay-for-success mechanisms have the potential to maximize value-for-money in development assistance and mobilize new private capital into the SDGs.
- 1.2** In 2012, Social Finance, with the Center for Global Development, convened a high-level working group that laid out a series of recommendations for expanding the impact bond model into the international development context. In 2015, the UBS Optimus Foundation launched the first development impact bond (DIB) – Educate Girls. In 2017, there was an important uptick in transactions launched and under development, with a number of bilateral and multilateral development agencies signing impact bond projects.
- 1.3** In light of these experiences and growing interest in impact bonds in the international development community, the UBS Optimus Foundation, in partnership with SECO, SDC, and the IDB, hosted an event in January 2018 in Zurich to share early experiences and advance the broader conversation, moving from individual pilots to scaling and mainstreaming impact bonds. As part of the event, a select group of “outcome funders” participated in a closed-door working session facilitated by Levoca Impact Labs to identify options for greater donor collaboration to drive more effective and efficient commissioning of impact bonds.

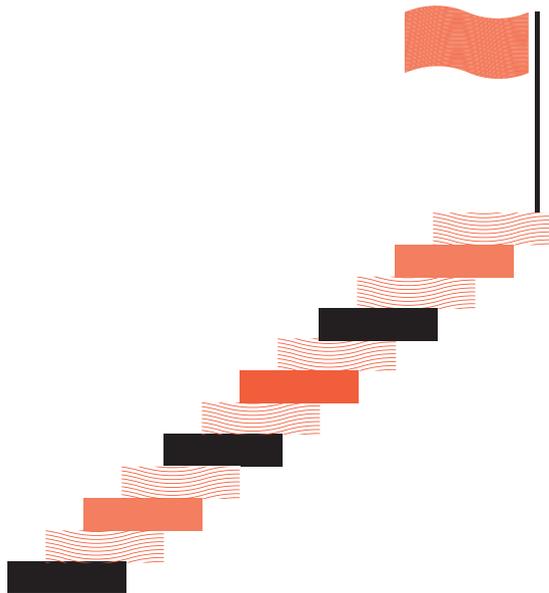
- 1.4 A group of public and private sector donors have now agreed to establish an ‘Impact Bonds Working Group’ with an agenda to design and test strategies that will help members use impact bonds effectively at scale. The Working Group offers a unique opportunity to take stock of experiences to date and collectively explore the question: ***“How do we make impact bonds and related pay-for-success instruments a cost-effective and scalable proposition for development agencies to deliver on the SDGs.”***
- 1.5 This initiative is designed to be action-oriented. The aim of the Working Group is to make recommendations for concrete initiatives that can help accelerate the development of these instruments, and lay out next steps to take initiatives forward.



# II.

# Objectives

- 2.1** The objective of the Impact Bonds Working Group (“the Working Group”) is to design a strategy that will help members use impact bonds and related pay-for-success instruments effectively at scale and contribute to launching quality development projects.
- 2.2** The Working Group will contribute to realization of the Paris Declaration on Aid Effectiveness, 2030 Agenda for Sustainable Development through the Sustainable Development Goals, and other relevant international agreements and declarations.



# III.

# Activities

**3.1** The Working Group will achieve these objectives through the following activities and workstreams:

**a. Identifying barriers and solutions to using impact bonds and related pay-for-success instruments effectively at scale**, in interactive, all-member workshops, where members work collaboratively with other bilateral government donors, multilateral agencies (development banks, UN agencies) and others to identify barriers and solutions;

**b. Developing and testing strategy options** identified collaboratively in the workshops: identifying costs and benefits, and recommending a preferred strategy that addresses the challenge of effective and efficient commissioning, and helps grow the market for impact bonds and similar instruments;

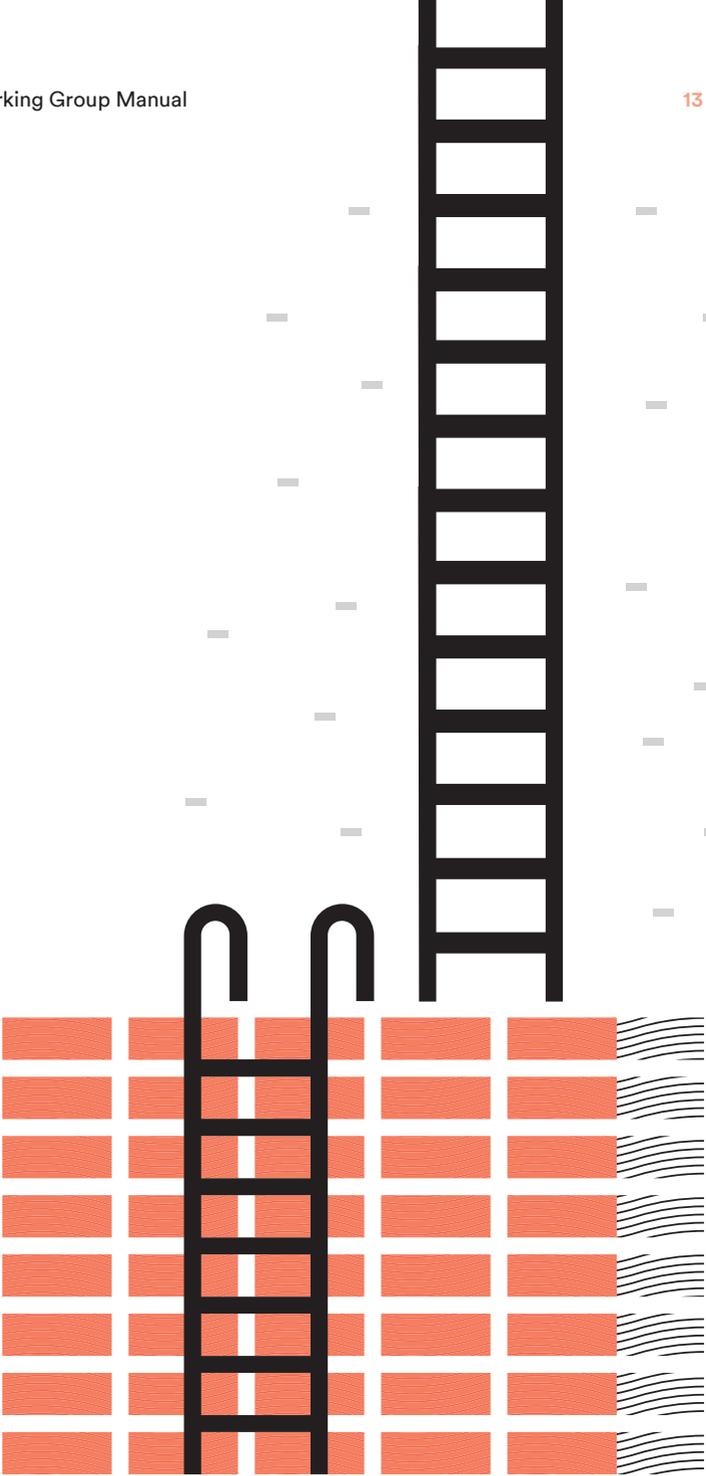
**c. Commissioning research, sharing knowledge, experiences and lessons learned**, including the systematization and dissemination of good practices and successful experiences with innovative instruments in the area of results-based financing (e.g. impact bonds, social success notes, pay-for-success contracts with alternative financing arrangements); and

**d. Communicating progress and upcoming steps** to the wider market at selected milestones

—for example, after workshops and around relevant international gatherings, such as the G7 summit in June.

**e. Identifying potential areas for collaboration,** where members or groups of members that have common aims may consider working together towards the launch of a joint initiative designed to overcome key barriers and move to scale.

**3.2** It is expected that the above activities will take place from April until October 2018. Currently, at least two all-member workshops are planned, each preceded and followed by research activities. The precise number and format of activities will be determined following each Working Group meeting at the planned workshops.



# IV. Method of working

- 4.1** The Working Group will operate through periodic convenings at workshops aimed at designing a joint strategy which identifies the resources necessary for the strategy to be implemented. Members will be expected to work collaboratively and contribute to workshops with information gathered within their organizations and follow up individually, e.g. should any decisions need to be formally approved.
- 4.2** During the course of the Working Group mandate, particularly in between workshops, members will be expected to actively engage each other and with the Secretariat in analysing, designing and refining strategy options and prototypes with the goal of working toward actionable strategies and initiatives as a final product of the Working Group's efforts.



**V.**

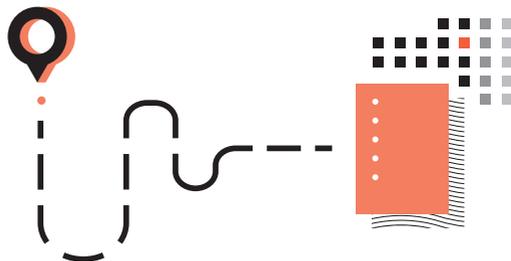
**Deliverables  
and outputs  
of the working  
group**

**5.1** The Working Group will be responsible for producing the following deliverables by October 31, 2018.

**a. A mid-term progress report** that will be presented by the Working Group to the Development Committee for Enterprise Development (DCED) at the G7 Summit in La Malbaie, Quebec, Canada the first week of June 2018.

**b. A final report** that will outline a set of recommended strategies for using impact bonds and similar instruments efficiently, effectively and at scale. The final report should be finalized, agreed to by Working Group members, and publicly launched in the fourth quarter of 2018.

**c. A roadmap** for taking forward the recommendations that are defined in the final report and a plan of action for continued collaboration and knowledge exchange after the expiration of the Working Group Mandate.



# VI.

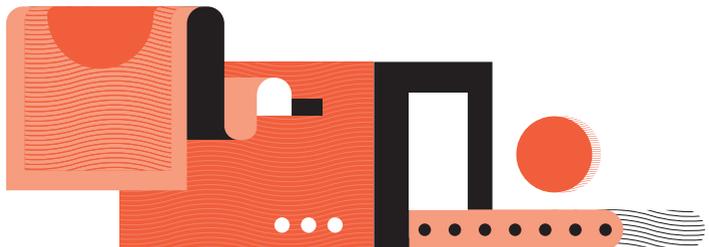
# Membership

- 6.1** Any interested bilateral or multilateral donor organization that is supporting or planning to support interventions using impact bonds or other pay-for-success contracting structures will be eligible to become a full-time member of this group. The group will also be open to private foundations and national governments in developing countries on a case-by-case basis where there is a strong interest in this space. In the event that a substantial number of prospective new members seek to join, taking Working Group membership to over 30 members (or such other number that the Executive Committee recommends), the Executive Committee and the Secretariat may present a proposal for a revised work plan and governance structure to the Members' General Assembly to accommodate the growth in membership. Members who have expressed interest in joining the group so far are included in Annex 2.
- 6.2** The group will engage with external stakeholders (e.g., investors, service providers, researchers) through the participation of the private sector in the working group's workshops, by communicating the progress of the group to the wider market through joint communications, and through engagement activities carried out by working group members and their teams in their respective field offices.

# VII.

# Funding

- 7.1** Funding is contingent on member contributions. Members are encouraged to provide co-financing (cash and in-kind) to fund activities and research, but are also free to attend workshops without contributing resources. Members considering cash and/or in-kind contributions will be able to coordinate these through the Executive Committee.
- 7.2** Initial funding: The UK Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs (SECO) and the UBS Optimus Foundation will commission a portion of the initial work required to support the functioning of the group from April until October 2018. The Ministry of Foreign Affairs of Belgium will be hosting the first workshop of the group in mid-May.



# VIII.

## Governance and operating structure

**8.1** The formal bodies of the Working Group are the Members' General Assembly, the Executive Committee, and the Secretariat. The Working Group also may convene advisory boards, sub-groups and project teams, as well as various forms of engagement with non-member networks and stakeholders.

**A. *Members' General Assembly***

**8.2** The governing body of the Working Group is the Members' General Assembly, which consists of the representatives of the members of the Working Group. Each member should appoint one representative that will participate in the Working Group's meetings and activities, as well as designate a decision-maker from the organization's management. The named focal point will be expected to make sure relevant stakeholders within their organization are consulted, briefed and incorporated at the appropriate moments (e.g., legal, communications, etc.)

**8.3** Representatives of the Members' General Assembly will be responsible for functions around the following items:

**A. Working Group's Workplan, New Members and Governance**

- i. Workplan: Members will approve and decide on modifications to the workplan and terms of reference of the Working Group, as needed;
- ii. Executive Committee members: Members will appoint replacements to the Executive Committee, as necessary;
- iii. New Members: The Working Group is open to new members that meet the criteria in paragraph 6.1. Any prospective new members should first apply or be referred by members to the Executive Committee for processing; recommendations by the Executive Committee to admit new members will be notified in writing to Working Group members and will take effect 10 business days thereafter (or otherwise as stated), unless objections in writing are received by the Executive Committee from any member;
- iv. Research: Members will decide on and secure additional funding for the commissioning of additional research, as needed, in coordination with the Secretariat.

## **B. Working Group Activities**

- i. Workshops: Members will commit to attending two multi-day workshops in person: a 2.5-day workshop in May; and a 2-day workshop in mid-July. A third workshop may be scheduled in September.
- ii. Subgroups: Members can choose to participate

in project teams to explore areas of their interest, such as specific topics or strategies.

iii. Knowledge sharing: Members can participate in and help coordinate activities to share knowledge and experiences with other members (e.g. webinars etc);

iv. Fund additional research: Members can commission additional research to obtain a deeper perspective and understanding on strategy options and prototypes under consideration.

### **C. Working Group Deliverables**

i. Comments: Members will submit comments to the Secretariat on all Working Group draft deliverables within ten (10) business days;

ii. Mid-term report: Members will support the preparation and presentation of a mid-term report of preliminary findings to the DCED at the G7 Summit;

iii. Final report: Members will support the preparation and presentation of a final report to the wider international community at a relevant event in the fall of 2018.

### **D. Dissemination**

i. External communications: Members will support dissemination activities with the assistance of their communications teams and participate in any launch events that are agreed to.

ii. Logos: Unless they request otherwise, all members will be cited with their logos on all publications and formal communications.

## **E. Decision-making**

i. Decisions: Decisions of the Members' General Assembly should be taken by a favourable vote of a simple majority of all the members' representatives or such other basis recommended by the Executive Committee on a case-by-case basis.

ii. Funding decisions: Members who commit funding or make in-kind contributions can decide on how to direct their funding, including supporting further research and design work on specific strategies options prioritized by the Working Group. Working Group members may decide to fund specific additional projects or initiatives as a result of the Working Group's activities. Such decisions will be made and funded separately by the individual Member(s) and notified to the Working Group via the Executive Committee.

iii. Disagreements: If decisions taken by the General Assembly are deemed unacceptable by any one member, the Executive Committee will coordinate separately with that member to identify a solution that will allow them to continue to participate in the Working Group.

- 8.4** The Members' General Assembly may temporarily or permanently delegate to the Executive Committee any of its powers.

### **B. Executive Committee**

- 8.5** The Executive Committee will be composed of at least three Working Group members: two members representing bilateral cooperation agencies and one member from the private sector, preferably a foundation with substantial experience with support of impact bonds in developing countries. The founding members of the Executive Committee will be the UBS Optimus Foundation, DFID and SECO. Levoca Impact Labs and Social Finance as the Secretariat shall participate in the Executive Committee meetings and discussions on an *ex officio* basis.
- 8.6** The Executive Committee will convene virtually on (bi)-weekly phone calls that will be attended by the Secretariat to discuss advances in the work plan, discuss strategic direction and progress, and ensure a fluid coordination and communication effort with Working Group members. The Executive Committee will aim to make decisions on a consensus basis.
- 8.7** The Executive Committee will perform the following functions:

## **A. Membership**

- i. Lead on outreach to new members.
- ii. Review and approve for submission to the Members' General Assembly any application for membership.

## **B. Decision-Making**

- i. Facilitate consensus-based decision-making among members whenever possible, and when consensus is not possible, propose steps to allow the working group to advance its agenda collaboratively.
- ii. Take all decisions that are not assigned to the Members' General Assembly.

## **C. Coordination of Working Group activities and their dissemination**

- i. Coordinate with Working Group Members to provide venues for workshops and meetings.
- ii. Coordinate launch events, and other key milestones and activities, such as presentation of mid-term reports, signing of MoUs, and dissemination/launch of final deliverable(s).

## **D. Secretariat**

- i. Commission a Secretariat to support functioning of the group from March to October 2018, including

member support/coordination, workshop design, logistics and execution, and relevant research.

ii. Support and provide guidance to the Secretariat in the implementation of the workplan of the Working Group.

### **C. *The Secretariat***

**8.8** The Executive Committee will appoint a Secretariat that will be managed jointly by Levoca Impact Labs and Social Finance, from April 1, 2018 until October 31, 2018.

**8.9** The Secretariat will perform the following functions:

#### **A. Draft and implement work program for members**

i. Manage and monitor the implementation of the work program, including the supporting activities of subgroups/project teams, as needed.

#### **B. Report to the Executive Committee and to Working Group**

i. Report to the Executive Committee on a (bi)-weekly basis.

ii. Provide clear communications and updates to members of the Working Group on progress.

### **C. Support Working Group activities**

- i. Design workshops and other working group activities, as needed.
- ii. Coordinate workshop dates and locations with attendees (Working Group members will provide facilities, and attendees will arrange their own travel and accommodation).
- iii. Support members to determine the scope of additional research needed and assist with terms of reference if required, and coordinate with providers to ensure that any additional research can be used effectively to support the Working Group.
- iv. Support members in shaping priorities, strategies and prototypes, including preparation of materials.
- v. Support other external stakeholders (e.g. investors, service providers, academia) to engage with the Working Group as necessary.

### **D. Support Working Group deliverables and dissemination/launch.**

- i. Support the members in drafting Working Group deliverables.
- ii. Provide support, as needed, around specific launch events.

#### *D. Subgroups/Project teams*

- 8.10** Working Group members may wish to set up temporary subgroups/project teams to explore specific topics, strategies and regions of interest to a smaller group of members. Members may participate in and support multiple sub-groups around their areas of interest. Sub-groups should be communicated to the Executive Committee and team members should keep the Executive Committee, the Secretariat and the wider group updated on their activities and share learnings.

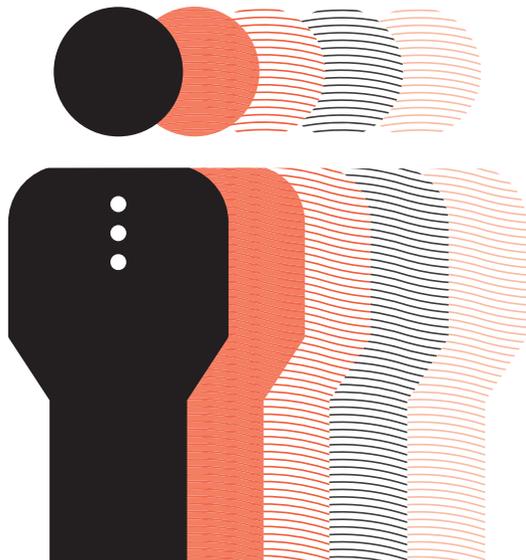
#### *E. Non-member networks and observers*

- 8.11** The working group will seek to engage strategically with non-members to include different perspectives, particularly from the private sector, to enrich thinking, drive synergies with other complementary initiatives, and enhance the overall output of the group. Non-members may be invited to participate directly in workshops, provide feedback, and support dissemination activities. The Secretariat, in consultation with the Executive Committee, will support the coordination with non-member networks and observers.

**IX.**

# **Communications and outreach**

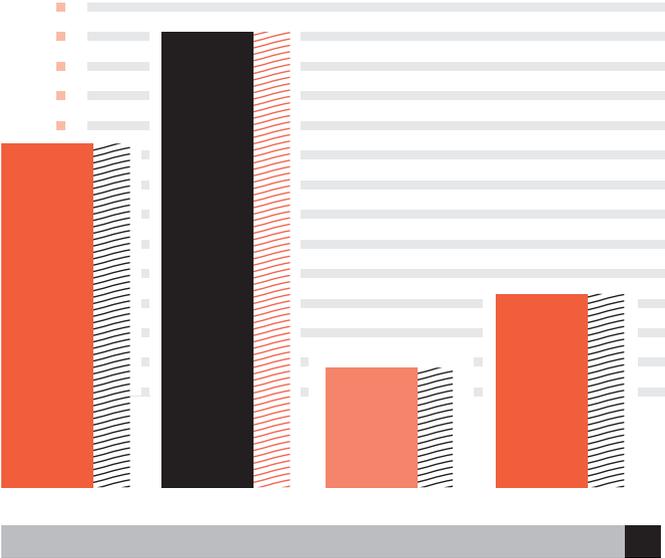
- 9.1** Members will provide the contact information of their communications focal point. Communications and outreach will be coordinated amongst focal points of all organizations by the Executive Committee.



**X.**

**Meetings and  
expenses**

**10.1** Working Group Members are responsible for all costs associated with their participation in the Working Group.



# **XI. Indicative timelime of activities and milestones for 2018**

<b>Date</b>	<b>Milestone / Activity</b>
<b>April 5</b>	Kick-off of Executive Committee and Secretariat
<b>May 16-18</b>	<b>First Workshop (2.5 days):</b> Barriers & Strategy Options
<b>June 8-9</b>	G7 Summit: Working Group report on preliminary findings and advances to DCED meeting
<b>July 11–13</b>	<b>Second Workshop (2 days):</b> Strategy & Prototype Reshaping
<b>September 10</b>	Delivery of Final Report to the Executive Committee
<b>September 30</b>	Approval of final report, including feedback received

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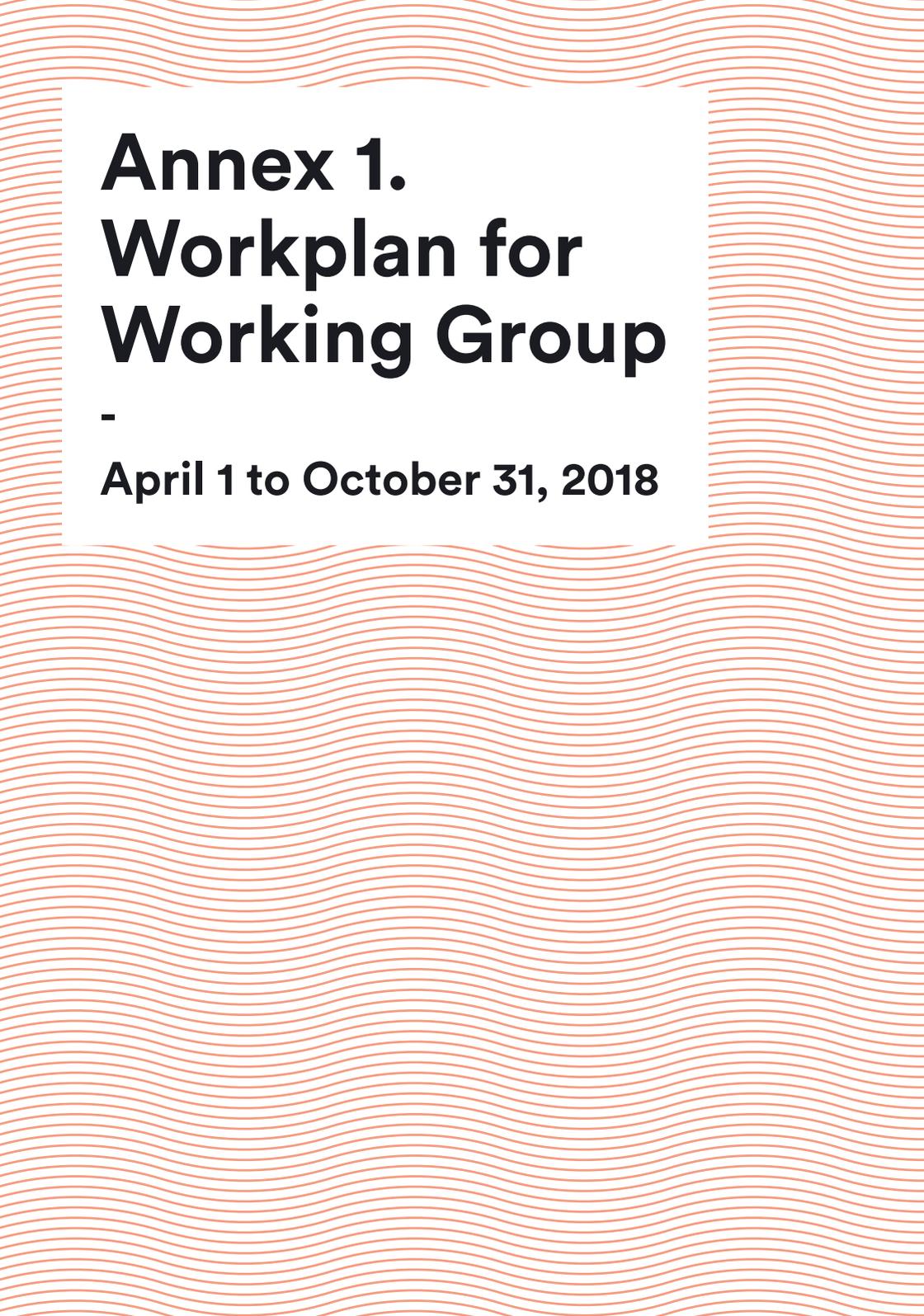
\*Note: Please refer to Annex 1 for a detailed work plan of the Working Group

**XII.**

**Duration of  
mandate**

- 12.1** The Working Group will have a duration of approximately 7 months, from April 1 to October 31, 2018. Working Group members can extend the duration of the mandate, as needed.





# **Annex 1. Workplan for Working Group**

-

**April 1 to October 31, 2018**









3	4	5	1	2	3	4	1	2	3	4	5
AUGUST			SEPT			OCTOBER					

## Detail / Deliverable

Working Group members to hold internal consultations and obtain any necessary mandates to support further exploration of shortlisted options.

Executive Committee and Secretariat to support members in assessing the need for additional research to support prototyping.

Members to commission any needed additional research in coordination with Secretariat.

Host member, Executive Committee, and Secretariat to finalize dates and location for workshop & communicate to Working Group.

Members to obtain clearance for travel and participation in Workshop, and book flights and accommodation.

Executive Committee and Secretariat to circulate briefing materials to all participants.

All members to attend 2-day workshop in person to collaboratively refine short-listed priorities and prototypes.

Secretariat to draft summary of workshop findings. Executive Committee and members to review, provide feedback and approve. Members to agree on next steps and confirm workplan.

Secretariat to draft report and circulate comments. Members to review and provide any relevant comments within 10 working days.

Secretariat to finalize draft based on comments received. Members to review final draft and approve deliverable and any external communications.

Communications focal points of members to coordinate external communications of final report of WG activities in coordination with Executive Committee and Secretariat.

Communications focal points of members to coordinate launch of selected initiatives with Executive Committee and Secretariat.

Members to support any planned launch activities and communications, in coordination with Executive Committee and Secretariat.



# **Annex 2. Risks and assumptions**

The work plan set out above, and the associated budget is based in the following assumptions:

- Working Group members will commit appropriately experienced staff and staff time to support this process, including participation in multi-day meetings and carrying out individual tasks and assignments, and will also confirm their participation has the support of the organisation's senior leadership.
- Working Group members will take ownership of the process and be responsible for seeing through the goals, timeline and deliverables that have been agreed on.
- Key external stakeholders will be properly consulted and engaged throughout the process with the support of Working Group members, including investors, services providers, developing country governments and other relevant stakeholders in developing countries.
- A critical mass of Working Group members will be able to secure sufficient political buy-in within the timeframe and milestones outlined in this proposal.

## Risk

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Working Group members have different levels of engagement/commitment to the process – not everyone can be brought along at the same pace

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Working Group expands and all members are very engaged, want multiple conversations or strategies

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Working Group members (some/all) push for scope to expand beyond outcomes-based remit – loss of clear focus

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Working Group unwilling to narrow down number of options to anticipated level at end of first workshop (3-4) and ahead of second workshop (2)

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Working Group members not able to commit to recommendations by launch

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Working Group not ready to commit to a strategy at time of launch and/or commit funding for it

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Change of institutional priorities by one or more founding members of the Executive Committee – where Working Group or outcomes-based finance is no longer an area of interest

## Potential responses

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- Consider whether to group members and develop strategies according to level of engagement
  - Consider ‘inner track’ and ‘outer track’ so that newer/more tentative members can learn from those more engaged in driving the process
- 
- This is success. Determine whether to redefine scope and budget.
  - Assess need to commission additional research packages
- 
- Work with the Executive Committee to re-anchor purpose of Working Group among core members with unified purpose
  - Possibly define parallel track outside scope of project
- 
- Work with the Executive Committee to define a process to enable prioritisation, or agree to take forward multiple promising projects by redefining project scope and budget
- 
- Discuss with the Executive Committee and other Working Group members – response depends on reason
- 
- Consider whether more time is needed or other adjustments will enable this to be achieved
- 
- Discuss with the Executive Committee and other Working Group members – consider appointing replacement in the Executive Committee from Working Group and redefine project scope and/or budget as needed



Impact Bonds  
Working Group