

Impact Bonds Working Group: Summary of the Third All-Members Meeting February 26-27, 2019 World Bank Group Headquarters Washington, D.C.



I. Overview

On February 26-27, 2019 the World Bank Group hosted the third all-Member meeting of the Impact Bonds Working Group (IBWG) at World Bank Headquarters in Washington, D.C.¹ The third meeting convened 22 members of IBWG outcome funder organizations, representing bilateral cooperation agencies, multilateral development agencies, private foundations, as well as observer organizations and participants from 29 non-member organizations in the private sector and civil society (see Annex A).

The third meeting of IBWG was structured around a Conference Day (Day 1) and a Workshop Day (day 2). During Day 1, participants presented on emerging Impact Bonds and Outcomes Funds, focusing on several topics: education, livelihoods and employment, health, and the environment. Specific initiatives presented included the Malaria Outcomes Fund, the Education Outcomes Fund, the Livelihoods Outcomes Fund, the Haiti Cholera Elimination Bond, the Colombia Outcomes Fund, the Uzbekistan Early Childhood Development Bond, and an Impact Bond Investment Fund being developed by the UBS Optimus Foundation. Day 1 also included a soft launch of the IBWG The Outcomes Accelerator Platform, including an announcement to commence work on the creation of a Knowledge-Sharing Platform (please see press release: <https://golab.bsg.ox.ac.uk/news-events/news/knowledge-platform-impact-bonds/>).

The workshop activities on Day 2 centered around consultations and feedback related to the proposed Outcomes Accelerator (OA) platform for scaling Impact Bonds and Outcomes Funds. Participants from funder organizations, the private sector and civil society were invited to share their views, suggestions and relevant experiences related to the challenges, opportunities and design issues facing the Outcomes Accelerator.

At the end of the second day, there was consensus among IBWG members and stakeholders as to the core business case of the Outcomes Accelerator. This included the priority activities required in the first year to create a successful pipeline, such as setting up a design grant facility, establishing an outcomes fund, compiling fundamental impact bond learning materials (e.g. basic structure, guidance per roles, legal and financial structures, etc.), and developing sector-specific metrics.

¹ See ib-wg.com for documents related to all IBWG meetings.

Next Steps:

1. Finalize proposed action plan for Year 1 of the Outcome Accelerator based on IBWG community feedback and present action plan for donor consideration and approval.
2. Complete fund raising, design of operational mechanisms and governance structure for the Outcomes Accelerator. Launch target: Summer 2019.
3. Launch the design process of the Knowledge-Sharing Platform and collect input and feedback from IBWG stakeholders on knowledge-sharing needs.
4. Finalize dates for next IBWG convening, tentatively set for July or September 2019.

Donors interested in participating in Outcomes Accelerator or receiving more information should contact Radana Crhova (r-crhova@dfid.gov.uk) of the IBWG Executive Committee. All the inquiries should be referred to the IBWG Secretariat (ZacharyL@levocaimpactlabs.com).

II. Background on IBWG

In January 2018, a group of public and private sector development funding agencies agreed to establish an 'Impact Bonds Working Group' (IBWG) to design and test strategies for helping Members to launch quality development projects and to use Impact Bonds and pay-for-success instruments effectively and at scale. The Working Group assembled leading stakeholders to review their experiences, identify lessons learned and to explore the collective action needed to answer the question: "How do we make Impact Bonds and related pay-for-success instruments cost-effective and scalable means for delivering the SDGs?"

Over the last year, the IBWG held a series of meetings to identify barriers that constrain the market, and then to design strategies collectively for overcoming these barriers. Core activities of the Working Group over the course of several workshops include:

- Identifying barriers and solutions for the effective leveraging of Impact Bonds and related outcomes-based instruments at scale.
- Sharing knowledge, experiences and lessons learned, including the systematization and dissemination of good practices.
- Identifying potential areas where Members can collaborate on joint initiatives to overcome common barriers and achieve scale.
- Communicating milestones on progress and next steps to the wider market.

First working group meeting

The first meeting of the IBWG was hosted by the Ministry of Foreign Affairs of Belgium and gathered representatives from 23 development organizations. At that meeting Members deepened their collective understanding of core barriers and challenges facing Impact Bonds and prioritized preliminary strategies. Four sub-groups were established to explore barriers and strategy options in the lead up to the next meeting: (i) Sub-Group 1: Capacity Building, Standardization, and Knowledge-Sharing; (ii) Sub-Group 2: Demonstration Outcomes Funds by Thematic Area; (iii) Sub-Group 3: Outcomes Funds for Middle Income Countries; and (iv) Sub-Group 4: Investor Engagement.

Second IBWG Meeting

The United Nations Secretariat hosted the second all-Member meeting of the IBWG in Barcelona, Spain. The meeting convened 24 development agencies and participants from 25 non-member organizations in the private sector and civil society. The objectives of the second all-member meeting in Barcelona were to (i) refine and reshape prototype strategies of the sub-groups, receive feedback from external experts from the private sector, civil society and government, (ii) expand the overall reach of the working group to engage non-members more broadly, (iii) deepen knowledge and learnings among members on specific technical areas, such as technology, data, investment, market building and standardization, and (iv) to outline actions for converting strategic options into approvals and successful implementation.

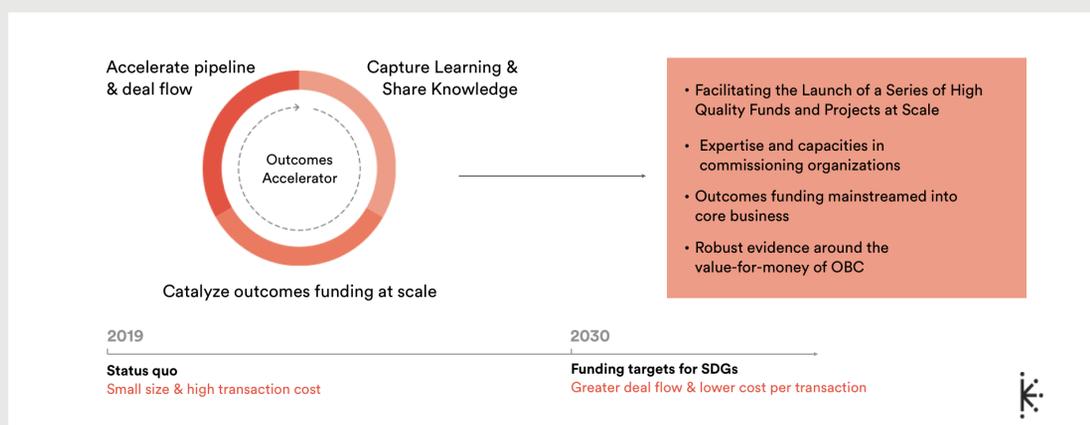
During the second IBWG meeting, Members presented their strategy prototypes, received critical feedback from external experts, participated in technical learning sessions and mapped out inter-dependencies of strategies under consideration. These discussions led to the proposal for an **Outcomes Accelerator Platform**.

III. Third IBWG Meeting and The Outcomes Accelerator

The objectives of the third IBWG meeting were to showcase emerging outcomes-based initiatives focused on scale, to validate the Outcomes Accelerator concept with IBWG members and external experts, and to collect feedback and input on the knowledge-sharing platform.

Box 1: The Outcomes Accelerator

The Outcomes Accelerator aims to address the most critical barriers for deploying outcomes funding at scale by (i) creating a Platform to coordinate and translate commissioner priorities into a predictable demand for outcomes; (ii) channeling design and feasibility funding to accelerate a pipeline of next generation Impact Bonds, Outcomes Funds and other outcomes-based initiatives; (iii) facilitating provision of technical support to donors and Governments to help build internal capacities around outcomes-based commissioning with the goal of mainstreaming these tools into their core operations; (iv) strengthening market infrastructure to support greater learning, knowledge-sharing and dissemination of best practices, and (v) providing a forum for Outcome Funders and industry to engage in forward looking ideas around the strategic direction of market.



An initial Outcomes Accelerator Concept Note was circulated to IBWG members in November 2018 for feedback and consultation.

The first day of the event brought together donors, technical experts and practitioners to share technical learnings and market intelligence related to Impact Bonds and outcomes funds. Sessions were structured as deep dive panels and technical presentations around several key thematic areas, including education, health, and labor markets, to showcase lessons learned and emerging initiatives.

The second day of the meeting convened IBWG members and external experts into an interactive workshop to provide in-depth feedback on the design of the Outcomes Accelerator, re-validate core assumptions and provide recommendations on areas that should be prioritized in the initial years of operations.

Participants first worked in small groups and looked at key barriers encountered in seven existing Impact Bond projects and identified common systemic challenges. Next, participants proposed specific activities to help address the identified challenges and assigned their recommendations to one of seven activity-areas: (i) knowledge-sharing; (ii) data, research and evaluations; (iii) learning tools; (iv) technical assistance; (v) design grants/funding; (vi) fiduciary platform; and (vii) networking and convening. Participants then ranked the ideas and suggestions in each group of proposed activities that they thought were most relevant. Finally, participants self-selected into small groups to develop action plans for one of the seven activity areas (see table 1).

Table 1: Participant Ranked Priorities for the Accelerator

Highest Priority Activities (per participants ranking)	Summary Action Plans from Groups
Design grants <ul style="list-style-type: none"> Provide design funding for feasibility & project preparation 	<ul style="list-style-type: none"> Donor business case for design funding submitted Lead donors commit to facility on IB readiness & project design Creation of Template for Impact Bond RFP Publish past design studies Commission Paper on past design project costs, timelines, parameters
Technical assistance <ul style="list-style-type: none"> Identify and build the capacity of all stakeholders 	<ul style="list-style-type: none"> IB 101 + decision tree + high level guidance per role Tools for advocacy with governments Raise funds for TA Identify themes and develop tool for key gaps
Knowledge platform <ul style="list-style-type: none"> Provide access to up-to-date information on market activities Practical examples of metrics used for sectoral projects 	<ul style="list-style-type: none"> Database of metrics by sector & associated costs Database of projects & market activity (e.g. feasibility studies, design work, etc) Analysis of legal structures & case studies List of pro-bono legal expertise How-to guides for investors, service providers and outcome payers
Research, data & evaluations <ul style="list-style-type: none"> Build a database of prices per outcomes 	<ul style="list-style-type: none"> Agree guidelines for what information on outcomes and prices should be shared & develop open data contract Identify existing databases that could be used to collate information on data and prices Identify point person for existing deals who can share data from existing deals, once framework is agreed
Learning tools <ul style="list-style-type: none"> Categorize different financial models for impact bonds 	<ul style="list-style-type: none"> Create learning tool on basic structure of impact bonds Develop learning product on financial models for impact bonds
Community & Networking <ul style="list-style-type: none"> Encourage speed dating of investors, funders and implementers to help them come together early to co-create a minimum viable product 	<ul style="list-style-type: none"> Develop database of investors and outcome funders & map service provider landscape (4 - 16 months) Organize one carefully curated development conference for 2-3 priority areas with secured funding (18 months) Facilitate further development of deals coming out from conference (18 - 24 months)
Fiduciary platform <ul style="list-style-type: none"> Grow the pool of Outcomes funding available 	<ul style="list-style-type: none"> Build business case for fiduciary platform Define a ideal structure, funding requirement and operating model Secure initial seed funding pledges and roll out through a phased approach

Conclusions of the 3rd IBWG meeting

Key conclusions and takeaways from the 3rd IBWG meeting include:

- With substantial progress made in the market around the design of regionally and thematically focused outcomes funds, there was broad consensus among IBWG members on the need to mobilize large amounts of outcome funding to test and launch these initiatives at scale.
- An Outcomes Accelerator Platform should be established to help address the key barriers impeding the deployment of outcomes funding at scale.
- In the short-term, the Outcomes Accelerator should prioritize design funding for feasibility and project preparation, technical assistance to build capacity of outcome funders and other stakeholders, including governments and service providers, and a fiduciary platform to facilitate the pooling of funding for outcomes-based initiatives.
- A fiduciary platform for pooling outcomes funding could help catalyze funding and provide an important market signal but requires further analysis and a well-defined business case for donor consideration.
- IBWG members recommended that KPIs for the success of the Outcomes Accelerator by the end of 2021 should include: (i) \$250M in outcomes funding; (ii) \$100M in capital to be invested in Impact Bonds or other outcomes based instruments; (iii) A pipeline of at least 20 new, high-quality deals and a Hit Ratio (deals executed on time) of at least 25%; and (iv) Proven Value for Money of funded interventions that exceed the traditional donation approach.

Name	Organization	Status
Radana Crhova	DFID	ExCo
Jessica Cartwright	DFID	ExCo
Miroslav Delaporte	SECO	ExCo
Maya Ziswiler	UBS Optimus Foundation	ExCo
Sietse Wouters	UBS Optimus Foundation	ExCo
Inga Afanasieva	World Bank Group	Host Member
Abha Thorat-Shah	British Asian Trust	Member
Pieter Deparcq	Enabel	Member
Joseph Wilson	Gates Foundation	Member
Frank Tulus	Global Affairs Canada	Member
Ariel-Ann Lyons	Global Affairs Canada	Member
Alexis Geanotes	IFC	Member
Zeynep Kantur	IFC	Member
Miguel Aldaz	Inter-American Development Bank	Member
Cesar Buenadicha	Inter-American Development Bank	Member
Christine Ternent	IDB Lab	Member
Michael Lindenmayer	Tata Trusts	Member
Minke Hietbrink	The Netherlands, Ministry of Foreign Affairs	Member
Mehreen Khalid	The Global Fund	Member
Pedro Guazo	UN Secretariat	Member
Eneida Licaj	UNICEF	Member
Marina Krawczyk	UNICEF	Member
Barry Wentworth	UNICEF	Member
Johnathan Ng	USAID	Member
Priya Sharma	USAID	Member
Caitlin Hurley	USAID	Member
Omer Imtiazuddin	USAID	Member
Richard Sedlmayr	Wellspring Philanthropic Fund	Member
Charis Lypiridis	World Bank Group	Member
Patricia Richter	ILO	Observer
Alex Dixon	MCC	Observer
Deidra Fair James	MCC	Observer
Dia Martin	OPIC	Observer
Lara Driscoe	OPIC	Observer
Richard Greenberg	OPIC	Observer

Name	Organization	Status
Seth Miller	AIAI	External
Maha Keramane	BNP Paribas	External
Sushant Sharma	Botnar Foundation	External
Lindsey Coates	BRAC	External
Avery Bang	Bridges to Prosperity	External
Alissa Smith	Bridges to Prosperity	External
Emily Gustafsson-Wright	Brookings Institute	External
Claudia Doets	Cardano Development	External
Dean Segell	Convergence	External
Nora Brown	DAI	External
Vanessa Holcomb Mann	DAI	External
James Ronicle	Ecorys	External
Jared Lee	Education Outcomes Fund	External
Johanna Raehalme	FinnFund	External
Kirsten Armstrong	Fred Hollows Foundation	External
Elie Hassenfeld	GiveWell	External
James Snowden	GiveWell	External
Mara Airoidi	GoLab	External
Juan Luis Coderque Galligo	ICRC	External
Ly Nguyen	IKEA Foundation	External
Patrick Obonyo	IKEA Foundation	External
Nicole Pflock	Instiglio	External
Thomas Chupein	Instiglio	External
Serena Guarnaschelli	Kois	External
Nayantara Watsa	Living Goods	External
Christian Pettenkofer	Munich Re	External
Christine Sow	Palladium	External
Marcie Cook	PSI	External
Andrew Wainer	Save the Children	External
Jane Newman	Social Finance	External
Annie Plancher	Social Finance US	External
Lily Hann	Volta Capital	External
Lerato Lehoko	YW Investments	External
Zachary Levey	Levoca Impact Labs	Secretariat
Nuria de Oca	Levoca Impact Labs	Secretariat
Steve Wilson	Levoca Impact Labs	Secretariat
David Bloomgarden	Levoca Impact Labs	Secretariat
Rita Perakis	Levoca Impact Labs	Secretariat
Tim Dunne	Know Innovation	Facilitator
Karina Loera Bárcenas	Know Innovation	Facilitator



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