

# Impact Bonds Working Group



**3rd Annual Conference**

**March 3, 2020 - London**

## I. Summary

Impact Bonds and other outcomes-based commissioning instruments offer development agencies and Governments a powerful tool for increasing the impact of their resources and mobilizing private capital and know-how for progress on the Sustainable Development Goals (SDGs). Through the IBWG's activities, major development agencies have come together with other key ecosystem actors through a series of multi-day conferences, meetings, and technical sub-groups working virtually, to collaboratively identify recommendations and launch concrete initiatives to address the main barriers to mainstream pay-for-success financing approaches and move the market toward maturity.

The Third Annual Conference of the Impact Bonds Working Group (IBWG) was held at the BT Tower in London on March 3, 2020, and convened representatives from over 70 major international development agencies, representing bilateral cooperation agencies, multilateral development organizations, private foundations, commercial investors, universities, think tanks, advisory firms and civil society organizations.

The Third Annual Conference of the IBWG included:

- Presentations on the state of the market and state of the evidence;
- Announcements on the coming launch of IBWG supported initiatives, including a knowledge sharing platform and market acceleration platform;
- Breakout discussions on key technical and institutional topics, including mechanisms by which investors assess risk, steps in the development of outcomes funds, decision tools for identifying when and if to launch an impact bond, performance management, and adapting to local conditions;
- SDG-focused breakout discussions on five thematic areas: health, education, employment, environment, and gender;
- An open marketplace to share pipeline projects and ideas, and network around emerging projects and Initiatives; and
- Networking opportunities for participants.

The Annual Event highlighted a new wave of pay-for-success projects that are emerging, which are larger and more diverse in terms of countries and sectors suggesting a maturing of the ecosystem since the inception of the Working Group in 2018. Further, a growing number of mainstream organizations are becoming involved in the development of pay-for-success approaches, and many deals are looking to mobilize domestic governments to pay based on outcomes.

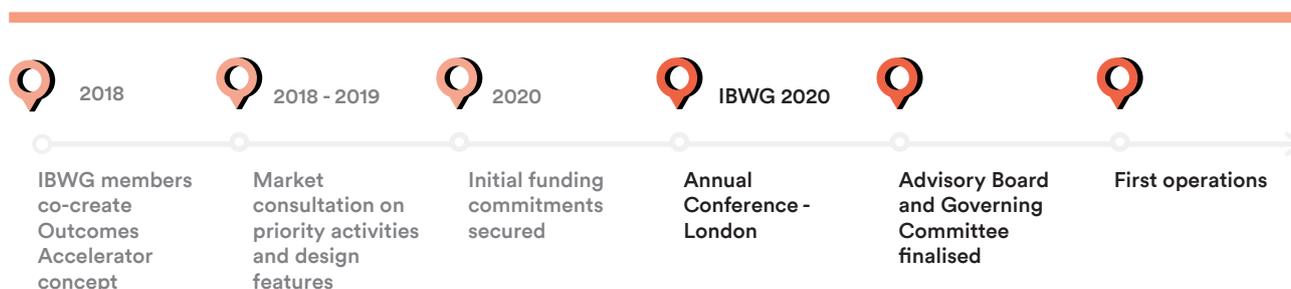
Next steps that were agreed to during the event include:

- The finalization of a digital version of the Project Pipeline report by the IBWG Secretariat, which will be made available online at [www.ib-wg.com](http://www.ib-wg.com);
- The expansion of Oxford University’s GoLab site to knowledge-sharing for developing countries;
- The launch of the Outcomes Accelerator by DFID and the selection of a host agency; and
- A 4th Annual IBWG meeting that will be held in first quarter of 2021, along with potential smaller convenings and virtual meetings during 2020

## II. Background

In January 2018, at the Impact Bonds Conference organized by UBS, IDB, and SECO in Zurich, a group of public and private sector development funding agencies agreed to establish an ‘Impact Bonds Working Group’ (IBWG). The Working Group has since 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?”

Figure 1 The IBWG roadmap



<sup>1</sup> Due to the COVID-19 pandemic, next steps and timelines subject to change.

Over the past two years the IBWG has held a series of meetings to:

- Identify barriers and related solutions for leveraging impact bonds and related outcomes-based instruments at scale;
- Share knowledge, experiences and lessons learned, including the systematization and dissemination of good practices;
- Identify optimal areas for organizational collaboration on joint initiatives that target common barriers to scale; and
- Communicate milestones on progress and next steps to the wider market.

Through the IBWG, organizations participated in four technical sub-groups and recommended actions in five areas to accelerate the market’s capacity to deploy outcomes funding efficiently and at scale. The diligent efforts of IBWG stakeholders over the last two years have advanced these recommendations to where they are all close to launching (Figure 2).

Figure 2: The IBWG Recommendations



### III.

## 3rd Annual Conference

The 3rd Annual Conference of the IBWG convened over 70 number of organizations, including bilateral aid agencies, UN agencies, development finance institutions, universities, commercial investors, foundations, service delivery organizations, evaluation firms, impact intermediaries, and other market support providers (Table 1). The community has grown from its initial 23 to over 70 organizations and is expected to continue to grow as the market for impact bonds and other pay-for-success instruments matures.

**Table 1: Organizations in attendance at the 3rd Annual Conference**

Alice	MAZE
BNP Paribas*	MECS
BRAC UK	Ministry for Europe and Foreign Affairs of France
Bridges Fund Management	Ministry of Foreign Affairs of The Netherlands
Bridges to Prosperity	Munich Re*
British Asian Trust	OECD
British Red Cross	Omidyar Network India
Brookings Institution*	OPIC*
BT Group	Philanthropy Advisors
Cardano Development*	Phineo
CBM Germany	Roots of impact
CDC Group	SECO*
Colectivo de Diseño Disruptivo	Send a Cow
Comic Relief	Shell Foundation
Convergence Blended Finance	SIDA
DAI	Social Finance
Dalberg Advisors	Société Générale
Department for Digital, Culture and Media Support of the UK Government (DCMS)	South African Medical Research Council
Department for International Development (DFID)	Stone Family Foundation
Dubai Cares	Stratigos*
EBRD	SDC*
Ecorys	Tata Trusts
Enabel	The Children's Investment Fund Foundation
Education Outcomes Fund (EOF)	The Global Fund to fight AIDS, Tuberculosis and Malaria
GE Healthcare	The Peter Cundill Foundation
International Committee of the Red Cross (ICRC)	The World Bank Group
International Federation of Red Cross and Red Crescent Societies	Total Impact Capital
IKEA Foundation	TSAP Ltd and BII

Instiglio	UBS Optimus Foundation
International Center for Research on Women (ICRW)	UNICEF
International Labour Organisation (ILO)	Unilever
Islamic Development Bank	University of Oxford, GoLab
ixo Foundation	USAID
KOIS	Vitol Foundation
Levoca Impact Labs	Volta Capital
Living Goods	World Trade Organization (WTO)
LuxDev	Yellowwoods
Luxembourg Ministry of Foreign and European Affairs	Zoological Society of London

<sup>1</sup> Unable to attend in person due travel restrictions at the time of the event due to COVID-19.

The goal of the day's agenda was to share learnings on the diversity of initiatives in the market; deepen conversations on key topics and keep the momentum towards market maturity; provide networking opportunities for different market actors through the growing IBWG community; and provide updates on initiatives of IBWG members (Figure 3).

Figure 3: Annual Conference goals

### Community Updates & Learning

**Morning Plenary:**  
growing, diverse initiatives taking place in the market

**Afternoon Plenary:**  
state of the evidence and ExCo updates

### Deepening the Learning: Conversations with Practitioners & Advice Going Forward

**Technical Deep Dives:**

- Assessing investment risk
- Performance management and data
- Adapting to local conditions
- How to create a great Outcomes Fund
- When to use an impact bond

**SDG Break Outs:**

- Gender
- Education
- Environment
- Health
- Employment

### Community Building & Networking

UBS Welcome Drinks

**Open Marketplace & Cocktail:**  
15 initiatives presented

IBWG's 3rd Annual Conference opened with the welcome remarks of Richard Hawkes, Chief Executive of the British Asian Trust, and a plenary session which showcased four new or emerging initiatives which are representative of moving the market toward maturity, including presentations from the French Ministry of Foreign Affairs on the Menstrual Hygiene Impact Bond, Unilever and Société Générale on Plastics Pollution Reduction Impact Bond, the Stone Family Foundation on the Cambodia Rural Sanitation Impact Bond and Roots of Impact on the Clean Energy Outcomes Fund.

After this first plenary, conference participants broke into five technical deep dive sessions in which practitioners shared their stories and pieces of advice to other stakeholders in the market. Practitioner stories were shared around the following topics: (1) An investor's perspective on how to create an investible transaction; (2) Fit-for-purpose: Reasons why we chose an impact bond and did the evidence match up; (3) How we are developing a great Outcomes Fund; (4) How we are adapting to local conditions (including government and building local ecosystems; and (5) How we are using data and performance management to gain efficiencies and enhance impact in delivery. A compilation of pieces of advice from these sessions is available as a separate document on the IBWG website.

After a lunch break at the 34th floor of BT Tower, with 360° views of London, the group got together for a second plenary session, in which the state of the market of impact bonds was presented by James Ronicle (Ecorys), and Chris Clubb (Convergence) gave an overview of the blended finance market. Within this context, two initiatives were then presented: (1) Radana Crhova presented DFID's support to impact bond market-building activities; and (2) the design of an impact bond investment fund was presented by Maya Ziswiler (UBS Optimus Foundation) and Mila Lukic (Bridges Fund Management).

The group then broke into five SDG sessions: (1) health and WASH, (2) employment and economic growth, (3) gender, (4) environment, and (5) education. The current state of affairs was reviewed for these SDGs, with the support of factsheets prepared by Emily Gustafson-Wright's team at the Brookings Institution, and participants were asked to identify what the ideal contribution of outcomes-based instruments could be to support the achievement of those SDG targets, and what the IBWG community could do to support getting to that ideal scenario. The expectation is that, depending on participant availability, virtual technical groups will be created to continue these conversations and take the needed steps to move the needle towards the ideal scenario.

The day concluded with closing remarks from Rachel Turner (Director, DFID) and an Open Marketplace and Cocktail on the 34th floor of BT Tower, in which new ideas and projects were showcased for the feedback of the IBWG community. Participants were asked to freely move around the tables presenting the different projects and ideas, and to stay where they thought they were either learning or contributing. Figure 4 lists the projects and ideas that appeared in the marketplace.

Figure 4: Open Marketplace - Ideas and Deals shared

## Ideas

1. **Development Impact Bond for Plastics, Pollution Reduction and Livelihoods Creation in Sub-Saharan Africa**  
Host: Julie Cobill, Unilever
2. **Decent Work Outcomes Fund**  
Host: Patricia Richter, International Labour Organization
3. **Sustainable Agriculture Impact Bond**  
Host: Dayoung Lee, Dalberg
4. **South African Government adopts results-based financing for youth employment** Host: Lerato Lehoko, Yellowwoods
5. **Building a vibrant global knowledge hub for impact bonds**  
Host: Mara Airoidi, University of Oxford
6. **Malaria Elimination Outcome Fund to help countries achieve the last mile – elimination focused, data driven and pay-for-success**  
Host: Mehreen Khalid, The Global Fund to fight AIDS, Tuberculosis and Malaria
7. **Alpha Bonds. Using crypto-economic mechanisms to programme capital and scale outcomes**  
Host: Shaun Conway, Ixo Foundation
8. **Impact Bonds in Middle Income Countries - designing for success**  
Host: Abha Thorat-Shah, British Asian Trust and Zoya Shabir, BRAC
9. **Blue Equity**  
Host: Arthur Wood, Total Impact Capital

## Deals

10. **Western Kenya Child Nutrition DIB: Building an implementer-led DIB**  
Host: Rowan Dade, Send a Cow
11. **One WASH Impact Bond for Cholera Control**  
Host: Simon Meldrum, British Red Cross
12. **The Water Outcomes Financing Facility: an outcomes-based approach to water access & climate resilience in northern Kenya**  
Host: Rob Mills, Social Finance UK
13. **ICRC Goma West Water Supply Project: Result Based Finance for Water Projects in fragile contexts**  
Hosts: Catherine Howell, International Committee of the Red Cross - ICRC and Abdourahmane Diop, Volta Capital
14. **EOF – seeking partners for first programs in Ghana and Sierra Leone**  
Host: Amel Karboul, EOF
15. **Poverty Alleviation Outcomes Fund.**  
Host: Avnish Gungadurdoss, Instiglio

A draft IBWG Project Pipeline report was shared in hard copy at the event, detailing information on outcomes-based financing projects that are currently under development. The Project Pipeline report suggests a new wave of pay-for-success projects are emerging. These projects are both larger and more diverse in terms of target countries and sectors, and many deals are looking to mobilize domestic Governments to pay based on outcomes, thereby indicating a maturing of the ecosystem since the Working Group was launched in 2018.

All key materials of the 3rd IBWG Conference will be posted on the IBWG website (ibwg.com), including the complete agenda, presentations, pieces of advice from practitioners and the final Project Pipeline report.