

OUTCOME BASED FINANCE – FRAMING

Investing for development Member Only Deep Dive
3rd June 2021

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WELCOME



Our agenda for today

Time CET	Description
10.00-10.20	Welcome & introductions
	Part 1 : Lead Practitioner Inputs
10.20-11.50	<ul style="list-style-type: none"> - Social Impact Bonds – Development Impact Bonds (Peter Nicholas, Social Finance) - Humanitarian Impact Bonds (Maximilian Martin, Lombard Odier)
10 min	BREAK
	<ul style="list-style-type: none"> - Impact Linked Finance (Peter Beez, Swiss Development Cooperation & Bjoern Struwer Roots of Impact)
	Part 2 : Fish Bowl
11.50-12.25	<ul style="list-style-type: none"> - An interactive engagement with our lead practitioners and participants
12.25-12-30	Wrap up & closing
12.30-12.45	Informal chat

Some technical advice and requests:

- Please ensure your profile shows with your name and that of your organisation
- Please make use of the chat functions for questions or comments!!
- We will record the inputs and the fishbowl, if you don't want to be seen, please switch off your camera
- For the fishbowl, please activate the function "hide non-video participants: Go to zoom preferences=>settings=>video

Welcome to our lead practitioners!

evpa
INVESTING FOR IMPACT

Investing for Development series
Innovative Finance Deep Dive:
Key Mechanism of Outcome Based Finance
3 June 2021, 10.00 - 12.00 CET

Exclusive for EVPA members

PETER NICHOLAS
Social Finance UK

BJOERN STRÜWER
Roots of Impact

PETER BEEZ
Swiss Agency for Development & Cooperation (SDC)

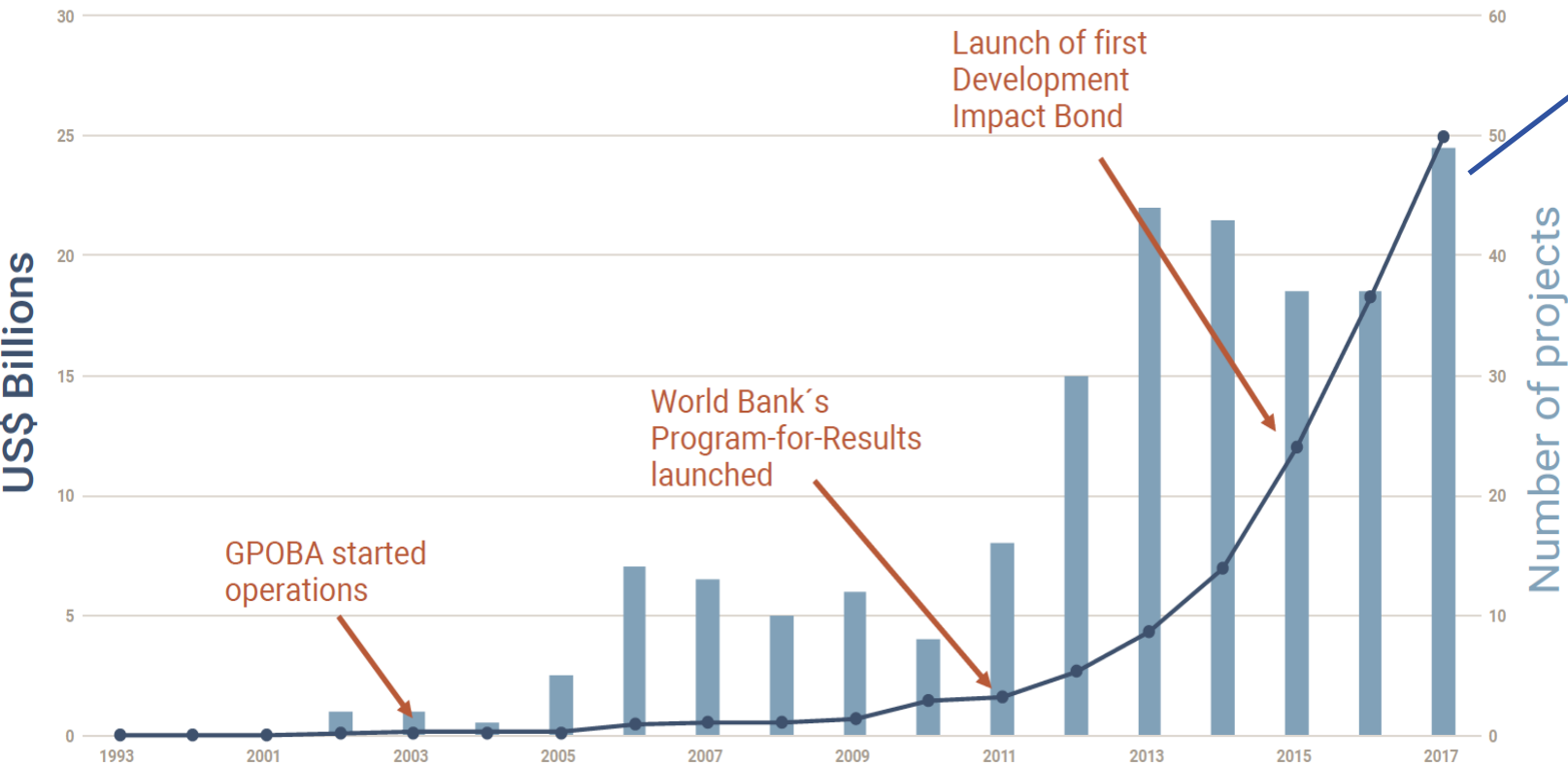
MAXIMILIAN MARTIN
Lombard Odier

FRAMING

AN BRIEF INTRODUCTION INTO RESULT / OUTCOME BASED FINANCE

Result Based Finance (RBF) Innovations are on the rise given increased focus on aid effectiveness, public-private partnerships and market based approaches

FIGURE 2.6 Cumulative Total of Spending Tied to Results through RBF, 1993–2017



2020

255 impact bond projects in 35 countries

USD 437.27 million upfront capital for impact bond projects alone

Global Partnership on Result Based Approaches launched outcome fund with British, Swedish and Australian government funding

Source: RBF Database

Result based finance: Linking **financing** to pre-determined **results** and payment to the verified delivery of these results

The first generation of RBF contracts – payment by result contracts



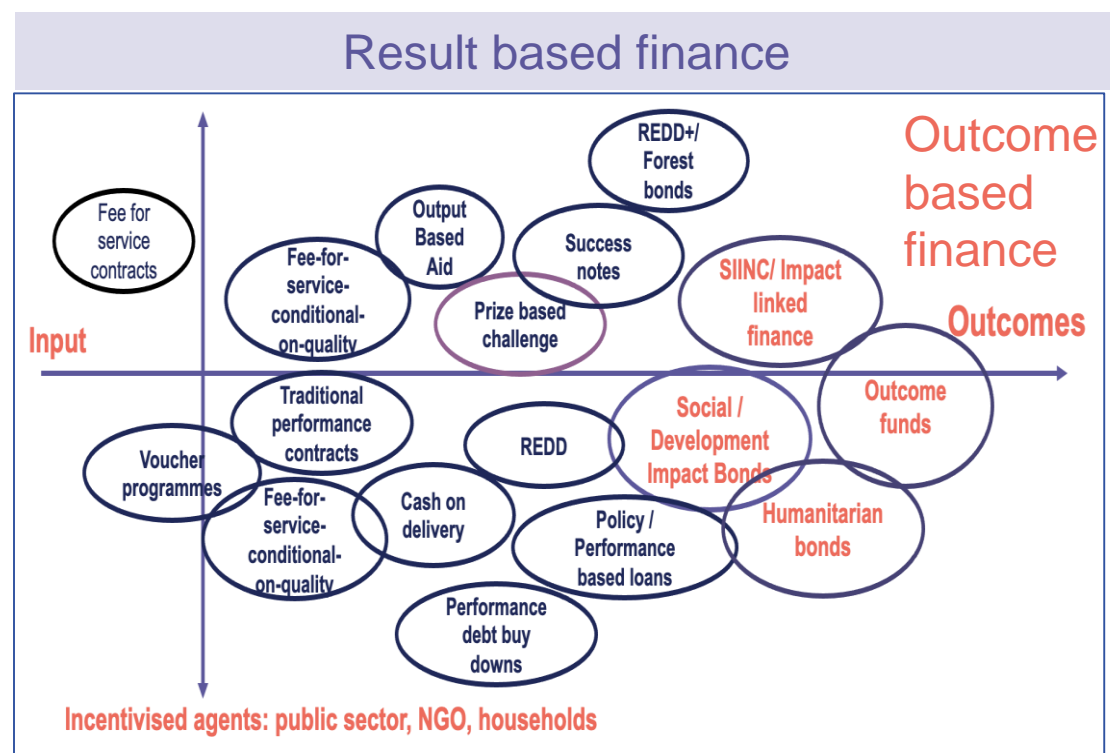
Advantages:

- Ties funding to (verified) success
- Focus on results (outputs and outcomes) rather than inputs
- Funders only pay for achievement of agreed results
- More flexibility for service provider on how results are being achieved

BUT:

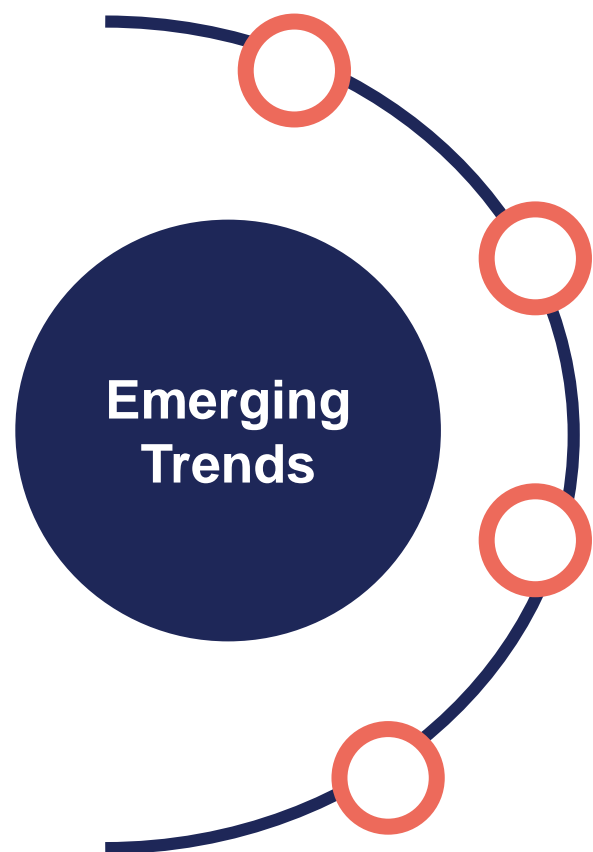
- Service providers have to source their own working capital
- Lack of outcome orientation in first generation RBF.
- Can and should service provider take full delivery risk?

RBF include a large variety of mechanisms – including outcome based finance strategies



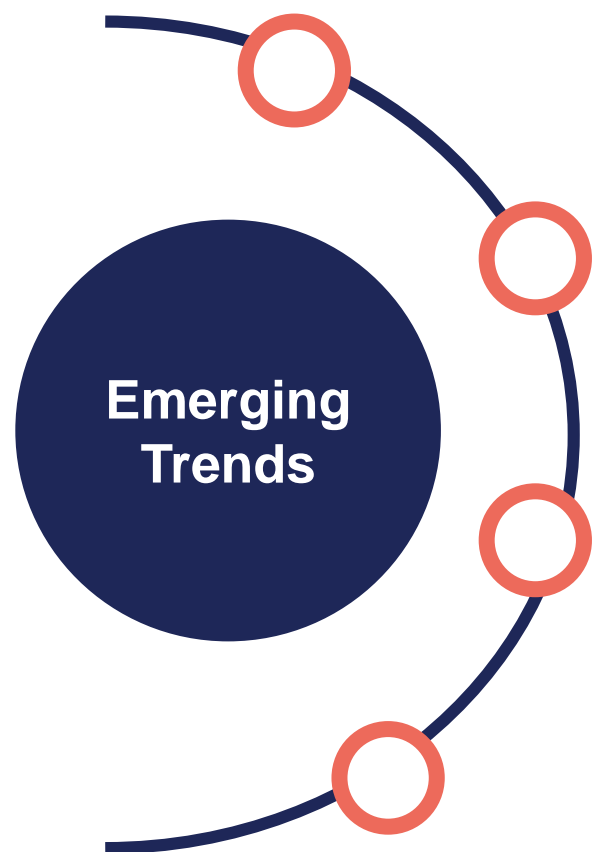
- Output vs Outcome orientation
- Incentivised agent: public, private or social or household
- Involvement of a private investor
- Provision of upfront capital
- Payment metrics / pricing structure
- Contractual flexibility & design for innovation
- Timing / frequency of payments
- Level of competition/contestability of markets

Some emerging trends (1/2)



- From **ex post payment upon delivery** to ex ante provision of **upfront capital**.
- From payments to **subsidising services** (OBA) to providing revenue enhancement to ensuring financial viability, to **monetizing / valuing outcomes**
- From allocation of 100% risk to the incentivised agent (e. g. investor, service provider) to a **broader allocation of risk across all actors**.
- From donor grant making RBF mechanism to **mobilising private (impact) investor** incl. **new players** such as angel investors, DFIs and corporates

Some emerging trends (2/2)



- From short term project by project deals to **long term programmatic structures and pooled outcome funds**
- From engagement with individual service providers to the **competitive selection** and a cohort of service providers.
- From a few pilots to a **variety of RBF mechanism, better evidence, guidance material and peer learning.**

We look forward to hearing from you!



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