AGENDA

The importance of financing

Key steps

1. Build senior political will and create a team
2. Finalize strategy, policies, and costing
3. Create a case (ROI, wage bill, arguments)
4. Engage current funders
5. Build gap analysis and financing pathway
6. Identify new sources; summarize all steps in an investment plan
WHY IS IT IMPORTANT TO THINK ABOUT FINANCING FOR COMMUNITY HEALTH?

Community health programs require significant investment...

- **Massive investment needed**: a national CHW program can require significant investment and has long-term recurring costs

- A report from the One Million Community Health Worker Campaign estimated that **$3.1B is needed annually** for sub-Saharan Africa’s community health programs

... and case must be made to internal and external donors

- **Governments**: not all national governments are prioritizing community health and primary care when planning their budgets

- **Global funding mechanisms**: Global Fund, GAVI, the World Bank, and others have ability to support community health systems, but ‘case’ must be clearly made

- **Philanthropic donors**: foundations (e.g. Gates, Children’s Investment Fund Foundation) may be interested in supporting community health, but many require quantifications of increased coverage, decreases in mortality and morbidity, etc.

At the 2014 integrated Community Case Management (iCCM) Evidence Symposium, countries said that a **lack of financing** was one of the primary limitations to expanding the size and scale of community health programs

Do you see financing as a major bottleneck?

AGENDA

The importance of financing and financing pathway

Key steps
1. Build senior political will and create a team
2. Finalize strategy, policies, and costing
3. Create a case (ROI, wage bill, arguments)
4. Engage current funders
5. Build gap analysis and financing pathway
6. Identify new sources; summarize all steps in an investment plan
KEY STEPS TOWARD FINANCING COMMUNITY HEALTH (HIGH LEVEL)

For Ministries of Health attempting to institutionalize and scale community health programs

1. Build senior political will & create a team
   - Engage MOH, MOF, Prime Minister/President
   - Often a working group
   - Should include, MOH, MOF and key partners
   - Potentially also include private sector

2. Finalize strategy, policies, & costing
   - Often involves creating national community health strategy (separate or as part of other health sector plans)
   - Full costing should be done

3. Create a case (ROI, wage bill arguments)
   - Develop a ‘return on investment’ (ROI) analysis – potentially different versions for range of stakeholders
   - Assess wage bill considerations and develop approach

4. Engage current funders
   - Document current funding sources
   - Reach out and understand likelihood of future funding
   - Align indicators and time frames where possible

5. Build gap analysis and financing pathway
   - Develop resource map
   - Build comprehensive gap analysis
   - Develop financing pathway

6. Identify new sources; summarize in investment plan
   - Consider, Official Development Assistance, Foundations
   - “Innovative” sources
     - Private sector
     - Revenue generating
     - Impact bonds
   - Create summary investment plan

Does this process make sense? Where is your country today?

Note: steps may happen in parallel or in a sequence different from that described above
KEY STEPS TOWARD FINANCING COMMUNITY HEALTH - TOOLS

**Financing Alliance – key tools**

1. Community Health Costing model (UNICEF/MSH)
2. ROI template
3. Wage bill overview and checklist
4. Generic financing pathway
5. Framework for private sector and revenue generating models
6. Process overview for creating impact bonds

**Additional support**

- Guidance from Advisory Group
- Guidance from key partners and from Advisory Group
- Guidance from key partners and from Advisory Group
- Resource mapping approach/tool (RMNCH)
STEP 1: BUILD SENIOR POLITICAL WILL & CREATE A TEAM (1/2)

Objective

- Identify and build up senior champion at the President, Prime Minister, MOH, and/or MOF levels that can push for investment into community health. Important to map key influencers from across the country who may be important

“Ethiopia’s Community Health Extension Workers have been essential in our progress to bring healthcare to the poor and marginalized and fight the top killers of mothers and children across our country”

– HE Prime Minister Hailemariam Dessalegn of Ethiopia

How to get there

- ‘Smart’ advocacy – internal return on investment analysis presented at senior levels that makes the case, e.g.:
  - Health impact and cost savings to health minister
  - Economic returns to finance minister (productivity increases, employment gains, disaster prevention) to finance minister and president or prime minister
- Frequent updates and communication
- Inviting representative from president or PM’s office to attend community health meetings

Who do you see as the champions for community health in your country? What can you do to strengthen the relationships?
Who should be included on team? Linkages?

• As a first step, map the political entry points and influencers needed to develop, implement, and finance a community health strategy. Consider the ‘authorizing environment’ needed to accomplish this process
  • **MOH:** include community health, primary care. Links to other disease/topic areas – malaria, HIV, TB, NCD, nutrition, etc.
  • **MOF:** include representatives from MOF with responsibility for health
  • **Other ministries:** closely engage with education, agriculture, etc. – as relevant
  • **Partners:** Include or link to NGO and multilateral partners and donors
  • **Private sector:** key businesses that may invest in community health

Team’s TOR

• Finalizing community health policy documents and strategies
• Updating costing, conducting resource mapping and gap analysis
• Building finance pathway
• Identifying and take advantage of current and potential funding opportunities
• Consider private sector investment opportunities

Experiences in different countries

• **Liberia** has ‘Health Financing Unit’ as well as community health technical working groups
• **Sierra Leone** has ‘National CHW Hub’ within Primary Health Care

Do you have a team focused on community health/financing?
### STEP 2: FINALIZE STRATEGIES & POLICIES
AND DO COSTING (1/3)

<table>
<thead>
<tr>
<th>Building key policies</th>
<th>What this is</th>
<th>Which partners can help? (examples)</th>
</tr>
</thead>
</table>
| National community health strategy | • Holistic explanation of long-term goals, near term objectives, and approach to community health  
  • Specifies CHW responsibilities, geographies, and how they interface with primary care | • Other countries  
  • UNICEF/WHO  
  • USAID  
  • PIH/CHAI/LMH |

<table>
<thead>
<tr>
<th>Supporting policies</th>
<th>What this is</th>
<th>Which partners can help? (examples)</th>
</tr>
</thead>
</table>
|                      | • Examples:  
  • Identification of how **private sector** should be included/regulated  
  • Implementing **procedures** for how program is run  
  • **Policy framework** that allows CHWs to provide interventions  
  • **Human resources plan** for hiring, training, supervising CHWs  
  • IT or mHealth plan | • Countries that have past experience building community health programs  
  • UNICEF/WHO  
  • NGO partners  
  • MSH  
  • IntraHealth  
  • mPowering |

Where does your country stand on development of such documents?
STEP 2: FINALIZE STRATEGIES & POLICIES AND DO COSTING (2/3)

Costing Overview (1/2)

Notes on overall process

- Community health costing should be linked to costing of the overall health system (and especially primary care); financing should also be linked:
  - As costs are calculated and strategy developed, assess integration of Community Health Strategy into government’s medium to long-term planning and budget planning
- Costing needs to be linked to policy and strategy process – as policy and strategy evolve, costing will need to be updated
- Detailed costing is time intensive and requires many steps of engagement, modelling, refining, and aligning with the national policy
- Should include multiple years and potentially include various scenarios
- Key cost categories are outlined on the next slide – note that each country will have a different estimate, and that costs might vary across geographies, implementers, etc.

Tools available

- UNICEF has commissioned MSH to develop a comprehensive community health costing tool – will be available end of May
  - One Health Tool also can be utilized to do costing for community health
  - iCCM gap analysis tool is specific to iCCM but can also cost ‘platform costs’
  - Some countries have developed their own specific model as well

Has your community health system been costed?
### Commodity Costs

<table>
<thead>
<tr>
<th>Sub-category</th>
<th>Component details</th>
<th>Example cost per CHW per year, $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities</td>
<td>• Diarrhea (Zinc / ORS)</td>
<td>150-300</td>
</tr>
<tr>
<td></td>
<td>• Malaria (ACT)</td>
<td>50-100</td>
</tr>
<tr>
<td></td>
<td>• Pneumonia (Paracetamol and Amoxicillin)</td>
<td>20-100</td>
</tr>
<tr>
<td></td>
<td>• Chlorhexidine</td>
<td>50-1.00</td>
</tr>
<tr>
<td>Diagnostics</td>
<td>• Malaria (RDT)</td>
<td>200 - 300</td>
</tr>
<tr>
<td></td>
<td>• MUAC</td>
<td>1-2</td>
</tr>
<tr>
<td></td>
<td>• ARI Timer</td>
<td>10-20</td>
</tr>
<tr>
<td>Support tools</td>
<td>• Job aids and decision support</td>
<td>1–5</td>
</tr>
<tr>
<td></td>
<td>• Educational tools</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>• Registers</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>• Rain gear</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>• Flashlight</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>• Solar Charger</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>• ORS Dispensing equipment</td>
<td>1</td>
</tr>
<tr>
<td>HR &amp; system costs</td>
<td>• Payment</td>
<td>250-1,000</td>
</tr>
<tr>
<td></td>
<td>• Training</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>• Supervision</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>• Transport</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>• IT support</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>• Supply Chain</td>
<td>50</td>
</tr>
<tr>
<td>Estimated total</td>
<td></td>
<td>$1,500–3,000</td>
</tr>
</tbody>
</table>

How do these costs compare with your estimated CHW costs?
STEP 3: CREATE A CASE - DEVELOP A RETURN ON INVESTMENT ANALYSIS

Pillars for how you might want to create a case

Investing in community health workers makes

1. Requirement to achieve critical global health objectives

2. Significant long-term economic return on investment

3. Short-term cost savings to finance system scale-up

4. Further benefits to society

Tool available from the “Financing Alliance” to calculate the economic return on investment (more context in separate presentation)
Central government and general government wage bills include expenses for employee compensation for all civil service employees (e.g. teachers, health).

MOF sets the total wage bill limit and allocations by sector.

Depending on macroeconomic policy and / or IMF loan requirements, there may be explicit or legacy ceilings to the total wage bill which then impact health worker wage budgets (especially if CHWs are hired onto government payroll).

Average central government wage bill across Africa is ~7% of GDP, 29% of revenue, and 28% of expenditures, ~20-50% of tax revenue.

Health sector wage bill is ~10% of total central government wage bill.

1. If there are no binding wage bill ceilings, and the overall wage bill is moderate: *Increase overall wage bill*
2. If there are binding wage bill ceilings, or the overall wage bill is too high, but health wage bill is low / stagnant, consider:
   - *De-linking health workers from civil workforce*
   - *Increasing share of health wage bill*
   - *If wage bill ceilings is central, consider de-centralizing CHW expenses*
3. If there are binding wage bill ceilings, or wage bill & health wage bill are high, consider:
   - *Earmarking donor funds towards CHW wages*
   - *Consider paying for performance allowances to reduce health wage bill*
   - *Contract CHWs via vendors*

As you are preparing your wage bill analysis, you should also do an ROI analysis – see other presentation.
• **Total size:** What is your current total central and government wage bill (as %GDP, expenses, etc) – vs. other countries? Is there room to increase and what tradeoffs?

• **Share:**
  • What is the share of health wage bill as a % of central and general government wage bills, vs. other sectors, vs. share in similar countries?
  • What is the current share of CHW wages within the health wage bill – vs. share in similar countries?
  • What is the growth in absolute and share of CHW wages within health wage bill vs. growth in overall health wage bill, vs. share in similar countries?

• **Trends:**
  • What has been the recent / historic growth in overall wage bill – vs. trends in similar countries?
  • What is the growth (absolute and share) of health wage bill, vs. growth in total (central and general government) wage bill, vs. growth in other sector wage bills?

• **Ceilings:**
  • Is there a binding, or explicitly imposed wage bill ceiling in your country?
  • If yes, is this ceiling on the central or general government wage bill?

• **Scale-up:**
  • How much would a full scale-up of CHWs impact the overall wage bill? The health wage bill?

• **Options:**
  • What are the labor laws, overall macro economic conditions in your country re. de-linking health workers from civil services and contracting CHWs via vendors?
STEP 4 – ENGAGE & MAP CURRENT FUNDERS (1/2)

Potential approaches to engaging and aligning funders:

1. **Begin with a national plan**: develop a holistic community health strategy and encourage all donors to invest into it.

2. **Align and pool funds**: If possible, consider utilizing pool funding approaches to give MOH and MOF more control over how funds are utilized and to improve coordination.

3. **Map donors**: as part of resource mapping, develop a holistic mapping of past and current funders, as well as domestic accounts that support community health (including tax-based systems and insurance/contribution-based systems).

4. **Communication**: MOH should set up regular donor coordination meetings to improve.

5. **M&E**: Align indicators where possible – all donors should be tracking same metrics on same timeline.

What can you do to better align funding sources?
**STEP 4 – ENGAGE & MAP CURRENT FUNDERS**

(1/2)

<table>
<thead>
<tr>
<th>What it is</th>
<th>Key challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource tracking &amp; mapping</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Creating a holistic inventory of existing and potential funding</strong></td>
<td><strong>Donor commitments are not always clear/straight forward</strong></td>
</tr>
<tr>
<td>• Broken down by source – e.g. government, donor/NGO, private sector</td>
<td>• Sometimes donor support does not align with programmatic structure</td>
</tr>
<tr>
<td>• Aligned against specific timeline (when available) and by line items</td>
<td>• Government commitments and funding can fluctuate with changes in politics and in overall budget</td>
</tr>
<tr>
<td>• Can also leverage on-going resource tracking (e.g. through the National Health Accounts)</td>
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</tbody>
</table>

**Key Features – Snapshot of the resource tracking tool**

- **What?**  
- **Who?**  
- **What HSSP and HIV NSP strategic objectives does it contribute to?**  
- **Where?**  
- **How much?**  
- **When?**

- **The tool** is a basic spreadsheet that is easy for data to be inputted by multiple stakeholders and then aggregated into a master data set.
- **All categories** are pre-defined and standardized so to collect a standardized data set that is comparable across development partners and government.
## STEP 5 – BUILD GAP ANALYSIS AND FINANCING PATHWAY (1/2)

<table>
<thead>
<tr>
<th>What it is</th>
<th>Key challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gap analysis</strong></td>
<td><strong>Comparing the projected cost for the program against the resources available</strong></td>
</tr>
<tr>
<td></td>
<td>- Often done across multi-year horizon</td>
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<tr>
<td></td>
<td>- Key input for other applications such as for the Global Fund</td>
</tr>
<tr>
<td></td>
<td>- Helps transition from total cost of the program to ‘net gap’ – additional funding that needs to be raised</td>
</tr>
<tr>
<td><strong>Financing pathway</strong></td>
<td><strong>Developing a plan for financing that maps to the proposed strategy and cost (see next slide)</strong></td>
</tr>
<tr>
<td></td>
<td>- Should look across a relatively long time horizon – 15-20 years even!</td>
</tr>
<tr>
<td></td>
<td>- May include projections of sources you hope to utilize or obtain (e.g. impact bonds)</td>
</tr>
<tr>
<td></td>
<td>- Can be ‘aspirational’</td>
</tr>
<tr>
<td></td>
<td><strong>Overall cost of a program can change with updates to policy and strategy – changing size of ‘gross gap’</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Resource commitments from donors and national government can also fluctuate</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Documenting existing sources in detail - resource mapping</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Challenging to project forward what sources could become available – especially 20-30 years!</strong></td>
</tr>
</tbody>
</table>
STEP 5 – BUILD GAP ANALYSIS AND FINANCING PATHWAY (2/2)

Illustrative financing pathway

- Bond proceeds
- Private sector
- Individuals
- Government
- Donor aid

Overall increase in funding for community health
- Increases in bond proceeds, revenue based models, government, and private sector
- Decrease in donor funding

Do you have a vision for your financing pathway?

Note: “Individual” initially signifies revenue-based models (like Living Goods); overtime, could also include insurance premiums
# STEP 6: IDENTIFY NEW SOURCES; SUMMARIZE ALL STEPS IN INVESTMENT PLAN

## Build comprehensive funding list (examples)

<table>
<thead>
<tr>
<th>Traditional Sources</th>
<th>New Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilaterals: Canada, USAID, NORAD</td>
<td><strong>A</strong> Global Financing Facility (GFF)</td>
</tr>
<tr>
<td>Multilaterals: World Bank, GAVI, Global Fund</td>
<td><strong>B</strong> Private sector</td>
</tr>
<tr>
<td>NGOs and UNICEF</td>
<td><strong>C</strong> Revenue-generating models</td>
</tr>
<tr>
<td>Government</td>
<td><strong>D</strong> Impact Bonds (domestic government/NGO)</td>
</tr>
</tbody>
</table>

## Create outreach plan (examples)

- **E.g.** Meeting every 3 months with Canadian grant officer; working on new application for funding
- **E.g.** WB country officer attends monthly meeting of CHW HUB; ensure Minister meets with officer 2x per year
- **E.g.** UNICEF coordinates monthly partners meeting
- **E.g** Monthly meeting between MOH and MOF

**A** Global Financing Facility (GFF)
- Work closely with GFF’s in-country team
- Create ROI analysis tailored to major companies – look at models such as AngloGold Ashanti and Ethiopia’s Sugar Company
- Understand if revenue-generating models could be right as part of financing mix
- Outreach to Living Goods, Arogya Parivar, and others
- Engage with the Financing Alliance to understand if an impact bond structure could help support the funding gap
### What is an investment plan?

- Gives a summary of the current community health strategy, the ‘payoff’ or ROI from investing into it, the cost to develop the program, existing resources to support it, and outlines potential additional financing sources and strategies
  - Audience may be both internal (e.g. Minister of Health and Minister of Finance) and external (e.g. impact investors, donors)
  - May even include detailed financing structures (e.g. for an impact bond)
- Should be updated on a yearly basis to reflect changes to the funding, operating, and policy environments

### What are the core components?

- Current ‘state of play’ – overview of existing strategies, infrastructure, investments into community health workers, implementing partners, key constraints with budget etc
- Preliminary costing and budget considerations for community health strategy
- Considerations regarding health metrics and outcomes – *(especially for innovative financing structures)*
- Alternative financing structures and key partnerships
- Long-term financial considerations
### ADDITIONAL FUNDING STRATEGY A: GLOBAL FINANCING FACILITY (GFF)

#### What is the GFF?

- **A financing platform in support of Every Woman Every Child 2.0:**  
  [http://globalfinancingfacility.org/](http://globalfinancingfacility.org/)
- It is a ‘country driven financing partnership’ to support reproductive, maternal, newborn, child, and adolescent health
- Focused on a targeted set of countries:
  - **Front runners:** DRC, Ethiopia, Kenya, and Tanzania
  - **Second wave:** Bangladesh, Cameroon, India, Liberia, Moz, Nigeria, Senegal, Uganda
- Allows countries to leverage their own resources and IDA funding toward more financing

#### How can it support community health costs?

- Front runner and second wave countries have been asked to produce an investment case that details proposed interventions and potential health gains
- Community health can be included as a priority within the GFF investment case

#### Who can I speak with to learn more?

- MOH lead for the GFF process
- GFF consultants are available in the front runner and second wave countries
- The World Bank country office will also be able to support you in learning more
## ADDITIONAL FUNDING STRATEGY B: PRIVATE SECTOR INVESTMENT INTO COMMUNITY HEALTH (EXAMPLES)

### AngloGold Ashanti (AGA)

<table>
<thead>
<tr>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaria was huge problem to AGA; 24% incidence rate and 7.5K cases each month. AGA implemented integrated malaria control program and expanded to other treatment areas and total healthcare as well</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Successes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saw 75% incidence reduction in 2 years; 90% reduction in labor and treatment costs, clear ROI. $1.5M in setup costs, worth the investment</td>
</tr>
</tbody>
</table>

### Ethiopian Sugar Company

<table>
<thead>
<tr>
<th>Overview</th>
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<tbody>
<tr>
<td>In response to widespread pneumo, malaria, and diarrhea, company first set up clinics and then preventative system that engaged nurses and other lower-skilled workers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Successes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in costs with preventative model</td>
</tr>
<tr>
<td>Measurable reductions in morbidity and mortality</td>
</tr>
<tr>
<td>Company had better efficiency and productivity</td>
</tr>
</tbody>
</table>

Are there any companies in your country that might want to invest into community health? How could you engage with them?
ADDITIONAL FUNDING STRATEGY B: ANGLOGOLD ASHANTI DEEP DIVE

AGA identifies biggest health concerns (monthly malaria case incidence rate of 24%, 6-7k cases/month), and invests in integrated malaria control program along with NMCP for employees in Obuasi District. **$1.5M for startup/run costs**

AGA gradually expands into providing other services (120 bed hospital, Hep B program, etc.)

Financial value to AGA

Private donors provide some funding for startup costs

AGA and employees see benefits:
- 75% reduction in malaria incidence in 2 years
- Reduced absenteeism and heightened productivity
- Reduced hiring needs
- **86% reduction in cost** for malaria treatment (from $700K annually to $60K)
- Clear demonstration of ROI
**ADDITIONAL FUNDING STRATEGY C: REVENUE-GENERATING CHW MODELS**

**Novartis: Arogya Parivar**

**Overview**

- “Healthy Family” initiative trains women CHWs as Community Health Facilitators to educate rural communities in India about health/sanitation, host health camps for diagnosis and treatment, and sell small packages of health products for a 10% commission (~$250/month). Cost to consumer is often under $1.25/wk. Offers 80 products.

**Successes**

- Sustainable – broke even in **30 months**; expanded sales 25x since 2009. Reaches 33,000 villages and 42M people. Expanding to Kenya, Vietnam, Indonesia. Integrated into MoH structure in Kenya by having CHFs report to community health units and help Kenyan Community Health Assistants.

**Living Goods**

- Trains Community Health Promoters to work 2 hrs, 5 days/ wk to deliver health education and advocacy and sell products to 100 households each, for 10% below market price in Kenya and 30% below market in Uganda. Go through gov’t training for iCCM, tied to MoH facilities and report up to CH Assistants, increasing their value.

- **Child mortality reduced by 25%** for an annual cost of $2 (Uganda results). Product costs are 100% recouped. MoH integration is successful – 50-80% of recruits are Kenyan CH volunteers. 17% profit margin for CHPs for part time work.

- **Recovers 10-15%** of total costs (including senior leaders, admin, finance); 30-40% of CHW + field costs.

Have you heard of these organizations?
ADDITIONAL FUNDING STRATEGY C: LIVING GOODS DEEP DIVE

Community Health Promoter (CHP)

LivingGoods

Selects and trains CHPs

Purchases health related commodities from local manufacturers or global suppliers

CHPs use smartphone app, monthly inventory loan, and business in a bag to register and manage ~100 households

CHPs conduct education and health promotion, and sell goods related to family planning, newborn & maternal health, childhood diseases, and nutrition

In Kenya, products are sold at 10% below market price. In Uganda, medicines are sold at 30% below market price and other commodities are sold at market price

CHPs earn 17% profit margin on goods sold

CHPs return monthly loan to LG branch and keep profit
**ADDITIONAL FUNDING STRATEGY D: IMPACT BONDS**

Impact bonds are a ‘pay for performance’ structure that brings in private sector investment

**What are impact bonds?**

- **Social impact bonds (SIB):** outcome payor is the government; cost of the payment is offset by current or future savings
- **Development Impact bonds (DIB):** outcome payor is a donor (official or private); cost if offset by inputs they would have paid to address the same issue
- Ideally, SIBs and DIBs are self-financing from the savings they generate

**What’s required to implement a DIB?**

1. Attracting private investor interest (e.g. institutional investors, private equity) in program/objectives
2. ‘Due diligence’ on who will implement (e.g. NGO or government) – to give investors confidence
3. Creating an **investment plan, memorandum, and metrics for success**
4. Capturing data linked to metrics and reporting back
5. **Coordinating multitude of players involved** – implementer, investor, payor, government, supporting actors, etc.

**Examples**

1. Reduction of sleeping sickness in Uganda - $20-30M DIB; 8 year term
2. Low cost private schools in Pakistan - $35M DIB
3. Maternal and child health both in Rajasthan - $17M DIB, evolving into a SIB

Have you heard of impact bonds? Do you think one could make sense in your country?

ADDITIONAL FUNDING STRATEGY D: IMPACT BONDS

Four Stages and Components of Impact Bond Development Process

1. Feasibility study
   - Identify Social Challenge
   - Determine Feasibility Based on Impact Bond Criteria

2. Structuring the deal
   - Raise Capital
   - Determine Intervention and Outcome Metrics
   - Procure Service Provider
   - Negotiate and Finalize Contracts

3. Implementation
   - Provide Services
   - Manage Performance

4. Evaluation and repayment
   - Evaluate
   - Achieve Outcomes and Repay Investors

ADDITIONAL FUNDING STRATEGY D: IMPACT BONDS

Example impact bond structure – most often, $ directly to NGO (although an implementation manager is more likely required in higher-risk environments as per the next slide)

Issuer/guarantor (WB, MIGA, AfDB) or private party

Government

Service provider (or government)

MOU

Contract

Outcome funder: performance payments from donors (potentially govt)\(^1\)

Measurement agreement

Independent Evaluator

Funding

Repayment of principal and interest

Tranche A

Tranche B

Tranche C

Senior Notes

Mezzanine Notes (WB / IFC / AfDB)

First Loss Notes

US$[60-70%]

US$[10-20%]

US$[10-15%]

\(^1\) Donor Supported guarantee; may offset amount government owes to issuer/guarantor for interest or principal

Example impact bond: Rajasthan Reproductive, Maternal, Newborn, Child and Adolescent Health Impact Bond Structure

Investor Vehicle – Independent Governance

- Upfront Capital
- Initial Capital and Premium paid on achievement of agreed targets

Outcome Funders

Payment based on improved Indicators as agreed

Service Delivery Agencies

Development Impact Partnership

Technical Advisory Group

Technical Advisory Group

Technical Advisory Group

Technical Advisory Group

Work with Rajasthan Population through the private sector

First Phase – Years 1-3

Second Phase – Years 4-5
The evidence base

*What has worked in Impact Bonds to date*

- **Focus on outcomes**
  - Outcomes became the primary consideration in these contracts in which the repayment of the investment depended on achievement of those outcomes.

- **Build a culture of monitoring and evaluation**
  - Impact Bonds are beginning to help solve longstanding problems in systemic data collection.

- **Drive performance management**
  - Private sector organizations have stronger background in performance management and bring a valuable perspective.

- **Foster collaboration**
  - Evidence of gridlock-breaking collaboration across government agencies, levels of government, and political parties.

- **Invest in prevention**
  - All but one of the 38 SIBs were issued for preventive programs.

The evidence base

*What has not been clearly demonstrated in Impact Bonds to date*

<table>
<thead>
<tr>
<th>Achieve scale</th>
<th>Foster innovation in delivery</th>
<th>Reduce risk for government</th>
<th>Crowd-in private funding</th>
<th>Sustain impact</th>
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<tbody>
<tr>
<td>Of the 38 impact bonds contracted as of March 1, 2015, 25 served less than 1,000 beneficiaries.</td>
<td>Very few of the programs financed by SIBs were truly innovative, but many were innovative interventions in new settings or in new combinations.</td>
<td>As of March of this year, it did not seem that the programs were particularly risky – more aimed at demonstrating the model and building the market.</td>
<td>Foundations yes, private funding less clear, although examples such as Goldman Sachs, ABN Amro, NAB exist.</td>
<td>Five years since the first impact bond, there is no evidence on sustained impact on the lives of beneficiaries beyond the impact bond contract duration.</td>
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