



PAY-FOR-SUCCESS MODELS IN ASIA PACIFIC: THE EARLY MOVERS

Australia • India • Japan • South Korea



Foreword



In 2015, 193 countries adopted the most ambitious, all-encompassing agenda to guide the advancement of humankind for the next 15 years. The Sustainable Development Goals are three-dimensional in nature and aim to positively impact the global economy, society and environment.

It has been estimated that meeting the Goals will require USD5-7 trillion. There is a renewed recognition that the public sector must work effectively with the private sector to deliver development returns, and governments in Asia have demonstrated global leadership through the implementation of innovative and experimental policies.

I am delighted to welcome this AVPN case study series on pay-for-success models in Asia. This is an important and timely research undertaking that provides useful insights into how Asian countries can best capitalise on such innovative models to achieve measurable social and environmental outcomes. I believe governments have a key role to play in fostering a high impact social economy and this case study series has outlined specific areas where governments can effectively engage private sector stakeholders in this effort.

I hope the study will spark lively discussions around the application of pay-for-success models in Asia, and more broadly, how Asia could embrace innovative financing mechanisms to achieve the Sustainable Development Goals.

Jonathan Wong

Chief of Technology and Innovation

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)



The recent movement towards pay-for-success (PFS) contracting offers exciting opportunities for cross-sector collaboration between the government, social investors, intermediaries and service providers to generate sustainable and scalable social impact. The hallmark of PFS lies in its focus on outcomes and rigorous outcome evaluation. If harnessed well, PFS has the enormous potential to not only unlock private financing for social innovations but also cultivate an evidence-based, outcome-focused culture in social service delivery.

In light of the increasing interest in PFS in Asia, particularly among AVPN membership, the AVPN Asia Policy Forum (APF) team are proud to present this case study series on some of the early PFS models launched in Australia, India, Japan and South Korea. This study aims to fill a critical gap in the discourse around PFS which has been largely driven by the Western experiences and perspectives. The 4 case studies covered in this series shed light on the different pathways these countries have taken towards the launch of their first impact bonds. More importantly, the studies highlight potential pitfalls, challenges and key learnings for stakeholders interested in implementing PFS through the Asian lens.

With this study, APF hopes to promote effective use of PFS and enable various markets in Asia to adapt it to their unique contexts. Moving forward, AVPN plans to introduce research-based capacity building programmes for policymakers looking to broaden their toolkit to achieve national socio-economic goals. AVPN will continue to leverage on its extensive membership network to further public-private partnerships towards meaningful social impact through mobilisation of capital in increasingly innovative forms.

Naina Subberwal Batra

Chief Executive Officer

AVPN



Asia Policy Forum (APF) engages a critical policy perspective in the work that AVPN and its members are doing to build the social economy.

ABOUT

A collaborative effort that offers a convening platform, a community of champions of the social economy and practical learning opportunities to support governments, policymakers and policy influencers to build an enabling environment for the social economy to flourish.



Join a community of policy champions to effectively mobilise resources for impact



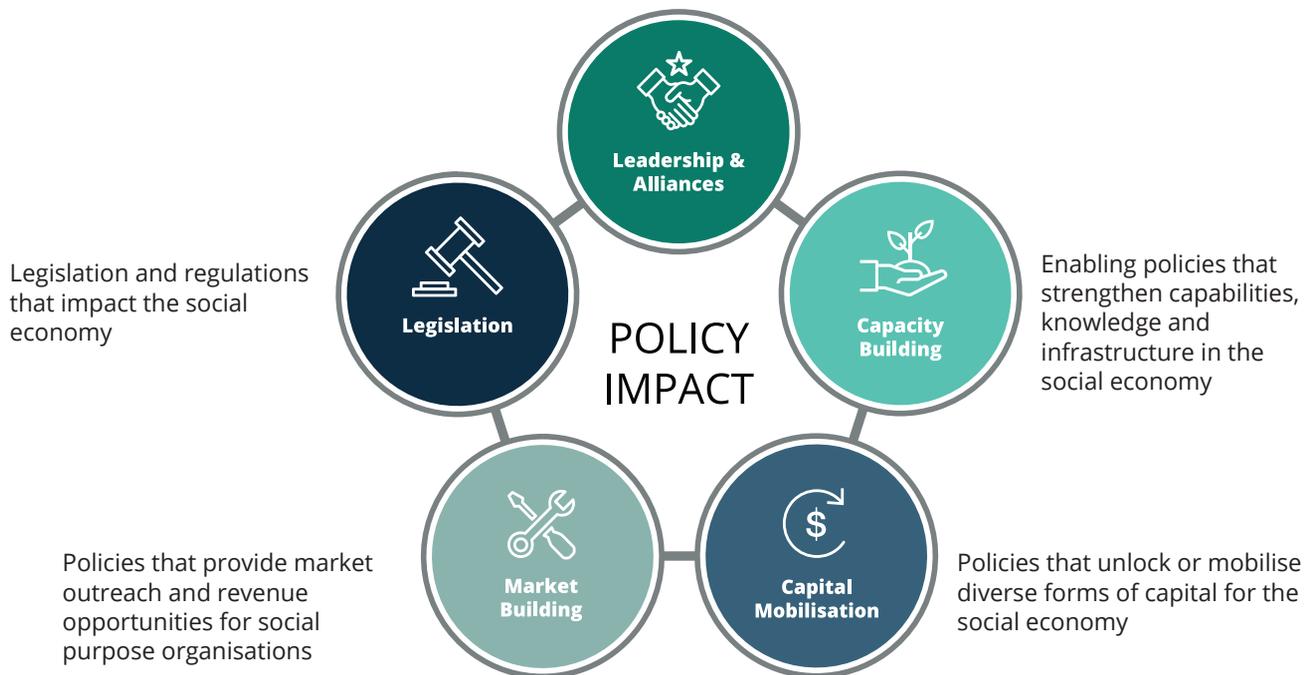
Policy and capacity-building insights from in-house digital library and practitioner experience to equip stakeholders



Bring strategic policy initiatives to fruition through multi-sector partnerships

AVPN SOCIAL ECONOMY POLICY FRAMEWORK

Establishing leadership and building alliances within and outside the government





Newpin New South Wales Social Benefit Bond (SBB)



AUSTRALIA



At a Glance

The Newpin SBB aims to restore 400 children from out-of-home care back to their families through therapeutic programmes, in the process saving future welfare costs to the New South Wales (NSW) Government.

Duration	7 years, starting from 2013
Sector	Social welfare
State/City	New South Wales
Financial Terms	Upfront investment: AUD7 million (USD5.3 million)

Key Learnings

- ▶ Governments are uniquely positioned to **mobilise private funding**, e.g. issuance of a public information memorandum
- ▶ Governments can be game changers by **promoting data sharing across territorial levels to improve accuracy** in modelling outcomes
- ▶ Scaling effective solutions requires **capacity building** for stakeholders to **overcome cultural, organisational and professional barriers** and **build credibility** in the local communities

Impact to Social Economy



Capital Mobilisation

The SBB unlocks funding to restore children under out-of-home care back to their families through providing parenting support



Capacity Building

Uniting, the service provider, put in place a performance management system including new assessment, planning and data collection tools to better monitor and measure progress



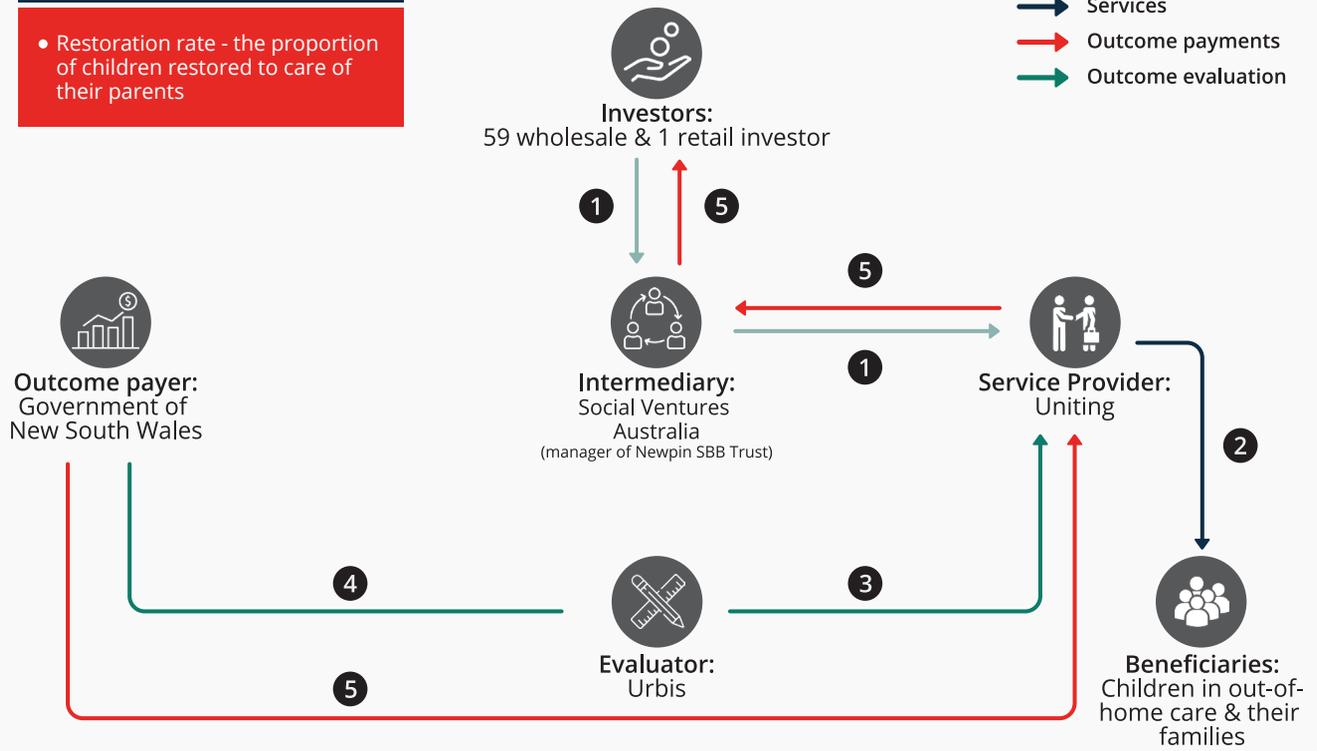
Leadership & Alliances

The SBB follows a unique top-down approach in which its overall design was led by the Department of Family and Community Services of the NSW Government

Outcome Indicators

- Restoration rate - the proportion of children restored to care of their parents

- Upfront payments
- Services
- Outcome payments
- Outcome evaluation



1

An upfront investment of AUD7 million by investors is made to Newpin SBB Trust, who then funds Uniting. Social Ventures Australia acts as the trustee.

2

The service provider, Uniting, delivers services to help families provide a safe environment for children

3

Urbis, the evaluator, prepares annual Progress Reports

4

Urbis reports interim evaluation results after the first 3 years of implementation

5

At the end of the 7th year, the NSW Government makes principal payments and outcomes-based interest to Uniting, who pays back investors



Educate Girls Development Impact Bond (DIB)



INDIA



At a Glance

The Educate Girls DIB aims to increase enrolment for out-of-school girls and improve learning outcomes for 18,000 children in rural Rajasthan, India.

Duration 3 years, from mid-2015 to mid-2018

Sector Education

State/City Bhilwara District, Rajasthan

Financial Terms Upfront investment: INR17 million (USD267,000)

Key Learnings

- ▶ Transiting from a process-driven approach to an **outcome-focused** one requires investment in a **performance management system and related organisational policies**
- ▶ There is scope for the **government** to play a role in collaborating with stakeholders on **data collection**, encouraging **cross-agency collaboration**, and strengthening the environment for **PFS contracts**
- ▶ **Cost-effective** outcome evaluation methods should be considered to **reduce transaction costs** and **provide ease of implementation**

Impact to Social Economy



Capacity Building

Educate Girls trains volunteers in data collection and negotiation skills to encourage families to enrol their daughters in school. It also puts in place a performance management system to move towards an outcome-based culture



Market Building

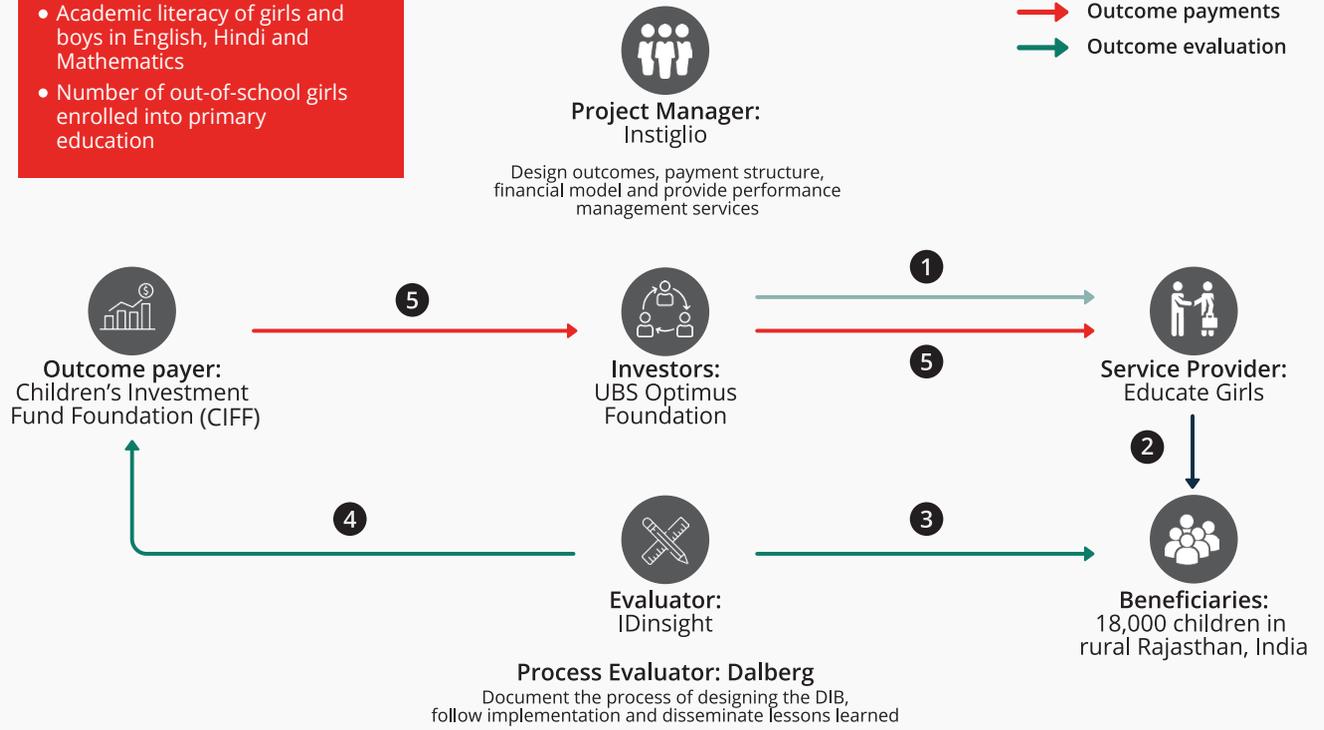
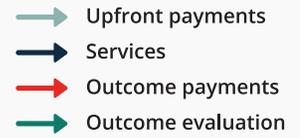
The DIB, already two-thirds its way to maturity, is considered advanced for the impact bond market in low to middle-income countries and sets a precedent for DIBs in Asia



Capital Mobilisation

The DIB funds Educate Girls' work with 166 schools across 140 villages in Bhilwara, Rajasthan to improve girl enrolment and learning outcomes

- Outcome Indicators**
- Academic literacy of girls and boys in English, Hindi and Mathematics
 - Number of out-of-school girls enrolled into primary education



1
Educate Girls receives upfront funding of USD267,000 to carry out its three-year service provision

2
Educate Girls implements programmes to improve girl enrolment and learning outcomes

3
Outcomes are measured by IDinsight through randomised controlled trial (RCT) and data verification

4
IDinsight reports outcome evaluation results to stakeholders on an annual basis

5
CIFF repays UBS Optimus, plus a return, and UBS Optimus pays Educate Girls an incentive payment based on outcomes



Kobe City Social Impact Bond (SIB)

JAPAN



At a Glance

The Kobe City SIB focuses on chronic kidney disease and diabetes nephropathy mitigation, aiming to extend life expectancy and improve quality of life for high-risk patients with stage 3-4 diabetes kidney disease, as well as to reduce healthcare costs for both patients and the city government.

Duration	3 years, from July 2017
Sector	Health care
State/City	Kobe City
Financial Terms	Upfront investment: JPY31 million (USD281,000)

Key Learnings

- ▶ An aligned understanding across various levels of the government is critical to ensure PFS success
- ▶ Selection of service providers should be done through transparent, competitive bidding to ensure maximum accountability
- ▶ Government data could significantly aid outcome pricing and evaluation and reduce transaction costs

Impact to Social Economy



Capital Mobilisation

Funds were channelled to deliver a 6-month health guidance programme for high-risk patients with stage 3-4 diabetes kidney disease



Leadership & Alliances

The Kobe City SIB is supported by the Ministry of Health, Labour and Welfare and Ministry of Economy, Trade and Industry



Market Building

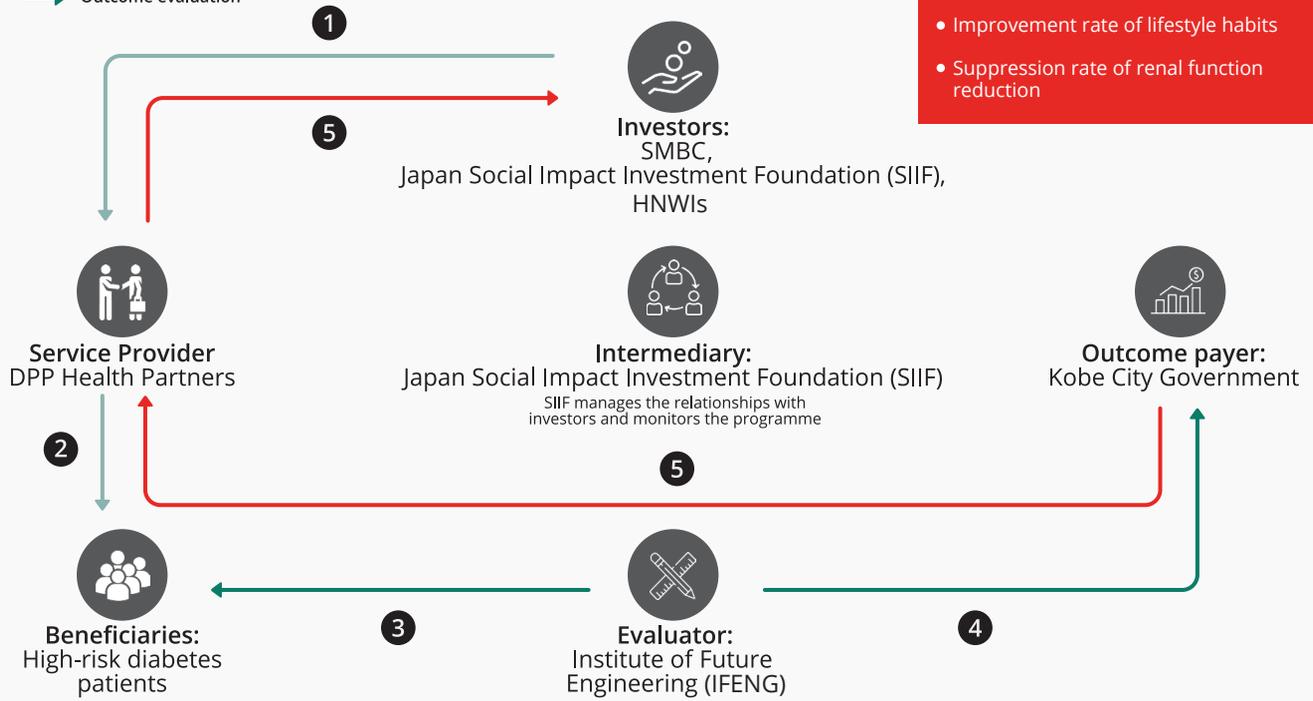
The Kobe City SIB has been successful in attracting mainstream investors like Sumitomo Mitsui Banking Corporation (SMBC) and High Net Worth Individuals (HNWIs)

Japan

- Upfront payments
- Services
- Outcome payments
- Outcome evaluation

Outcome Indicators

- Completion rate of health guidance programme
- Improvement rate of lifestyle habits
- Suppression rate of renal function reduction



1

An investment of USD281,000 is made directly to DPP Health Partners (DPPHP) by investors

2

DPPHP delivers a 6-month health guidance programme for high-risk diabetes patients

3

Institute of Future Engineering (IFENG) evaluates outcomes achieved by DPPHP

4

IFENG prepares and submits the evaluation report to the Kobe City Government

5

The Kobe City Government pays DPPHP a 'consignment fee' and pays investors outcome-based interest payments





Seoul Borderline Intellectual Functioning (BIF) Children Social Impact Bond (SIB)



SOUTH KOREA



At a Glance

The SIB aims to improve IQ and social adaptability skills of 100 children with Borderline Intellectual Functioning (BIF) living in welfare facilities, thereby reducing future welfare costs to the government.

- Duration** 3 years, starting from August 2016
- Sector** Social welfare
- State/City** Seoul
- Financial Terms** Upfront investment: KRW1.11 billion (USD1.03 million)

Key Learnings

- ▶ Trust is crucial in fostering effective multi-stakeholder partnerships. Governments could play a catalytic role in providing avenues to build trust
- ▶ SIBs provide opportunities to innovative service providers through an open and competitive bidding process
- ▶ A strong policy framework helps to remove regulatory barriers for SIBs and mobilise local governments to develop outcome-focused solutions for key issues

Impact to Social Economy



Legislation

The passing of the Seoul SIB Act in 2014 put in place the SIB infrastructure to support the development of SIBs among local governments



Capital Mobilisation

The Seoul SIB funds the service provider's interventions to improve IQ and social adaptability skills for BIF children

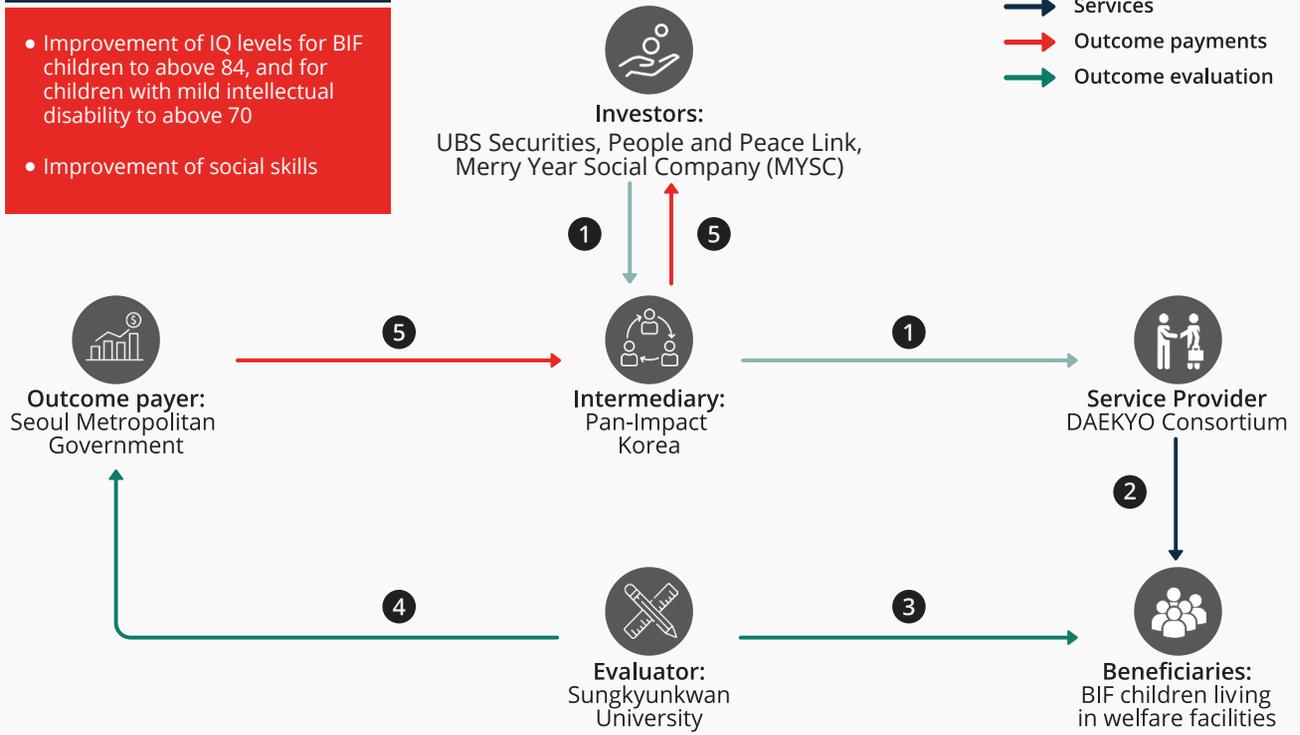
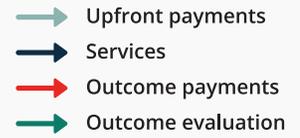


Leadership & Alliances

The establishment of the SIB Local Government Council in 2016 reinforces policy infrastructure and provides expertise to local governments on SIB execution in their respective contexts

South Korea

- Outcome Indicators**
- Improvement of IQ levels for BIF children to above 84, and for children with mild intellectual disability to above 70
 - Improvement of social skills



- 1** Investors provide upfront financing of KRW1.11 billion (USD1.03 million) to DAEKYO Consortium via Pan-Impact Korea
- 2** Daekyo Consortium delivers interventions to improve IQ and social adaptability skills for BIF children
- 3** Sungkyunkwan University conducts the last of 6 evaluations in 2019 to determine the achievement of outcomes
- 4** Sungkyunkwan University reports evaluation results
- 5** Through Pan-Impact Korea, the Seoul Metropolitan Government repays investors the principal, plus a reward, depending on outcomes





AVPN is a unique Pan-Asian funders' network catalysing the movement towards a more strategic and collaborative approach to social investments to address key social challenges facing Asia today and in the future.

- To view the full case study, please visit:
www.avpn.asia/apf-resource/pfs-models-in-apac/
- For more policy-related resources, please visit our website at:
www.avpn.asia/asiapolicyforum/
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