

PROJECT STATUS REPORT

JANUARY 2015 - JUNE 2015

SECTION 1: PROJECT SUMMARY

PROJECT NAME: Social Impact Bond Pilot Program for LAC

Project Number: RG-M1244 - Project Num.: ATN/ME-14332-RG

Purpose: Actors in the SIB ecosystem have increased capacities, knowledge and level of engagement on social impact bonds in LAC.

Country Admin

UNITED STATES

Country Beneficiary

ARGENTINA, BARBADOS, BAHAMAS,
BELIZE, BOLIVIA, BRAZIL, CHILE,
COLOMBIA, COSTA RICA, DOMINICAN
REPUBLIC, ECUADOR, EL SALVADOR,
GUATEMALA, GUYANA, HAITI,
HONDURAS, JAMAICA, MEXICO,
NICARAGUA, PERU, PANAMA,
PARAGUAY, SURINAME, TRINIDAD AND
TOBAGO, URUGUAY, VENEZUELA

Executing Agency:

INTER-AMERICAN DEVELOPMENT BANK

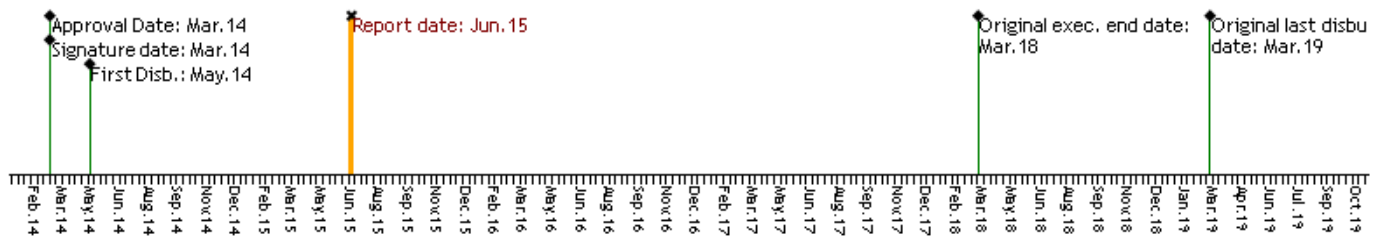
Design Team Leader:

ZACHARY LEVEY

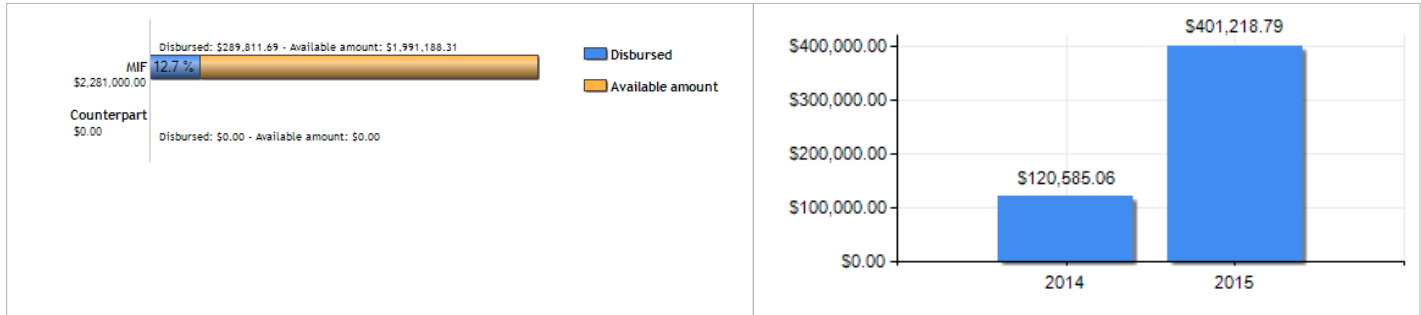
Supervision Team Leader:

ISABEL AUGÉ

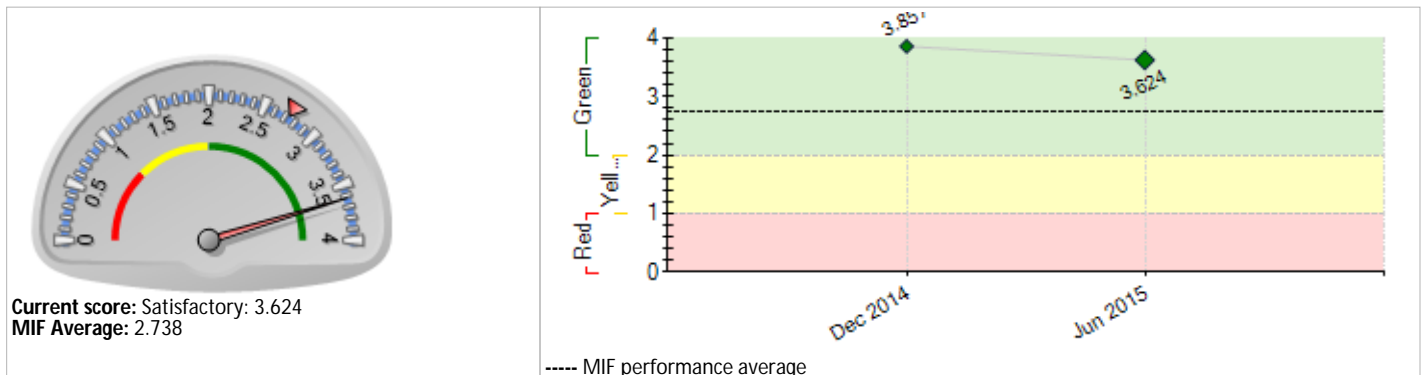
PROJECT CYCLE



FUNDS



PERFORMANCE SCORE



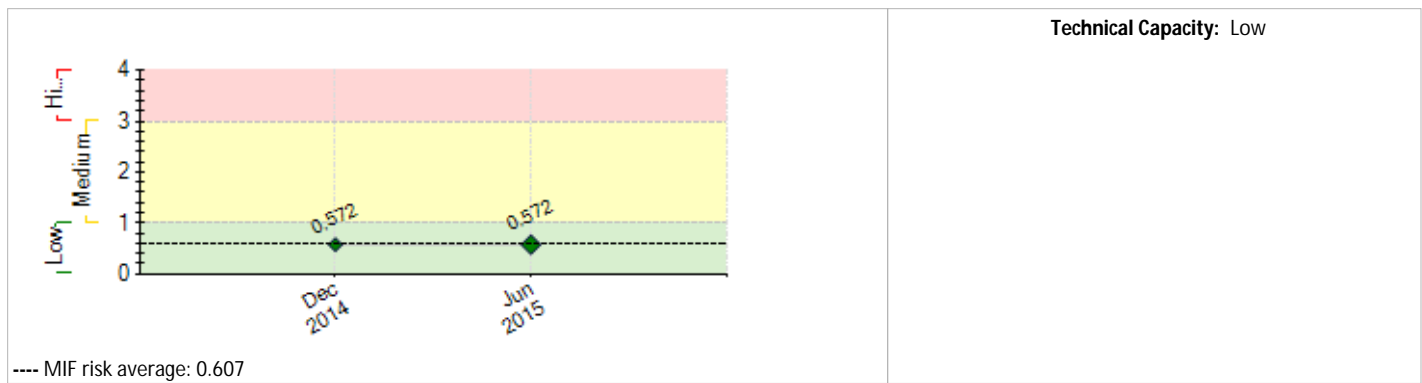
EXTERNAL RISKS

INSTITUTIONAL CAPACITY

Risk

Financial Management: Low

Procurement: Low



SECTION 2: PERFORMANCE

Summary of project performance since inception

The Social Impact Bond program execution is on track. Following some initial delays in securing government interest due to elections in Brazil and changes in the cabinet mid-administration in Chile, the project is now working with governments in all three target countries and begun to design a social impact bond. Actors in other countries, including Uruguay, Peru, Argentina and Colombia have contact the MIF regarding interest in SIBs.

The MIF expects that it will begun structuring the first SIB investments in 2016.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

Summary of project performance in the last six months

The social impact bond program made major advances this semester, including engagement by several governments and local foundations. Below is a summary of highlights.

- **Mexico:** (1) MIF partnership with State of Jalisco to launch Mexico's first SIB; (2) Hacienda is exploring SIBs with MIF/IDB at Federal Government Level; (3) creation of working group of 7 Mexican Foundations; (4) Multiple workshops and trainings organized and led by MIF for government officials, NGOs, universities, think tanks.
- **Chile:** (i) The government of Chile plans to include social impact bonds in the 2016 federal budget for SIB on reducing a recidivism as a result of MIF's work.
- **Brazil:** (i) several state governments – Minas Gerais, Ceara, Sao Paulo, have begun to explore social impact bonds in partnership with MIF/IDB; (ii) MIF has formed a partnership with the Education Division on the design of a SIB; (iii) MIF has put together a legal road map for SIBs in Brazil and is receiving pro bono legal support from a law firm.
- **Joint IDB SIBs training with SCL and IFD.** MIF organized a one-day training on SIBs for IDB specialists from MIF, IFD and SCL.
- **Joint Presentation with DFID to MIF Donors**
- **PPP Americas and Latin America Impact Investment Forum** (i) High level roundtable organized by MIF at the Latin America Impact Investment Forum; (ii) Panel organized at PPP Americas with someone from Salt Lake County Government in Utah, Social Finance UK and the Portuguese Social Investment Lab.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

SECTION 3: INDICATORS AND MILESTONES

Indicators		Baseline	Intermediate 1	Intermediate 2	Intermediate 3	Planned	Achieved	Status
Purpose: Actors in the SIB ecosystem have increased capacities, knowledge and level of engagement on social impact bonds in LAC.	R.1	Number of SIBs that reach financial closure with MIF support	0			3	0	
	R.2	Number of governments or other outcome payers engaging SIBs and pay for success programs	0			5	3	
	R.3	Number of media mentions of SIBs and pay-for-success in LAC	0			7	6	
	R.4	SIB ecosystem actors strengthened to engage in SIBs or pay-for-success contracts	0			20	0	
Component 1: Ecosystem development and building proof-of-concept Weight: 70% Classification: High Satisfactory	C1.11	Market landscape analysis completed	0			2	0	Finished
	C1.12	Scoping studies produced and disseminated on at least 3 SIB topics for LAC	0			3	0	On Course
	C1.13	At least two agreements or MoU's signed related to SIB development	0			2	0	On Course
	C1.14	At least 4 service providers that have received training and advisory support to implement pay for success	0			4	0	On Course

C1.15	Number of MIF organized workshops, panels, and convenings	0	12			20	12	On Course
			Mar 2015			Mar 2018	Mar 2015	
C1.16	At least 5 organizations with core skills to promote and develop pay-for-success and social impact bonds operating in LAC	0				5	1	On Course
						Mar 2018	Feb 2015	

Component 2: Investment in SIB Pilot Projects**Weight:** 20%**Classification:** Satisfactory

C2.11	Number of SIBs with committed investment	0				3	0	On Course
						Mar 2018	Feb 2015	
C2.12	Number of investors engaging in SIBs	0				5	0	On Course
						Mar 2018	Feb 2015	
C2.13	Financing mobilized for SIBs	0				9000000	0	On Course
						Mar 2018	Feb 2015	

Component 3: Knowledge Management and Communications Strategy**Weight:** 10%**Classification:** High Satisfactory

C3.11	Communications strategy produced and implemented	0				1	1	On Course
						Mar 2016	Feb 2015	
C3.12	Downloads of SIB knowledge products	0				200	0	On Course
						Mar 2018	Feb 2015	
C3.13	MIF speaking engagements on SIBs	0				15	6	On Course
						Mar 2018	Feb 2015	
C3.14	Cases studies produced	0				3	0	On Course
						Mar 2018	Feb 2015	

Milestones		Planned	Due Date	Achieved	Date of achievement	Status
M1	Conditions Prior	1	Sep 2014	1	Mar 2014	Achieved
M1	Number of media mentions	3	Dec 2016	4	Mar 2015	Achieved
M2	Market landscape analysis completed	1	Dec 2016	0	Mar 2015	
M3	Scoping studies produced and disseminated on at least 3 SIB topics for LAC	3	Apr 2018			

CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE*[None reported in this period]***SECTION 4: RISKS****MOST IMPORTANT RISKS AFFECTING FUTURE PERFORMANCE**

	Level	Mitigation action	Responsible
1. SIB Intervention Model Risk. If the selected intervention is not carefully vetted, it may fail to produce the expected social outcomes. The due diligence process should provide an understanding of the intervention model, project cash flows, and the capacity of the nonprofit providers. This step is critical to an SIB's success.	Medium	Consideration: The MIF will undertake a careful due diligence process to understand the intervention model, project cash flows, and assess the capacity nonprofit prov	Project Guest
2. First Mover Risks – A key objective of the project is to support the early stage development of a market place for SIB and an initial pipeline of bankable social impact bonds in the region. There are still major knowledge gaps of sectors and interventions that will be feasible for social impact bonds. In addition, there is no guarantee that there will be sufficient interest and action from LAC governments to participate in social impact bond structures. Consideration: The project will provi	Medium	Consideration: The project will provide comprehensive support to develop the knowledge base and increase local demand for social impact bonds in LAC. The project will also work in multiple countries to provide diversification to reduce this risk.	Project Guest
3. Social impact bonds are a next generation public-private partnership. Government participation is critical in many elements of the SIB structure – as the commissioner of bonds, as the outcome payer, and as the legislative body that can facilitate and create barriers for private investment or provide incentives for the development of the market. This presents the potential risks around the timing of social impact bonds and changes in political administrations	Low	Consideration: The facility will provide support for specific social impact bonds but also for the ecosystem of actors that will endure beyond political administrations. The Facility will also only target countries initially that have strong PPP framework, such as Colombia, Uruguay, Brazil, Chile and Mexico. SIBs are instrument that can easily appeal to different ends of the political spectrum and there are also a number of legal structures that can be explored to mitigate the risks around payment of SIB outcomes by subsequent administrations.	Project Guest
4. –Investments in social impact bonds will entail financial risks. As new asset class, the assessment of these risks and of the risk-return profile of the underlying intervention will be challenging. Considerations: All investments in social impact bonds will be subject to MIF's full financial and project due diligence. Because the financial outcomes of an SIB transaction depend directly on successfully achieving social outcomes, MIF's expertise in	Low	Considerations: All investments in social impact bonds will be subject to MIF's full financial and project due diligence. Because the financial outcomes of an SIB transaction depend directly on successfully achieving social outcomes, MIF's expertise in	Project Guest

evaluating proposed intervention mod

PROJECT RISK LEVEL: Low **TOTAL NUMBER OF RISKS:** 4 **IN EFFECT RISKS:** 4 **NOT IN EFFECT RISKS:** 0 **MITIGATED RISKS:** 0**SECTION 5: SUSTAINABILITY****Likelihood of project sustainability after project completion:** HP - Highly Probable**CRITICAL ISSUES THAT MAY AFFECT PROJECT SUSTAINABILITY***[None reported in this period]***Actions related to sustainability which have been taken in the reporting period:**

We have been working on sustainability on three big fronts: (1) building capacity of local actors in the ecosystem and matching them up with UK experts; (ii) mobilizing local funders, such as the foundation working group in Mexico, (3) working toward launching 3 well structured SIBs that can set a precedent for the market.

SECTION 6: PRACTICAL LESSONS

	Relative to	Author
1. There is no one recipe on how and at what level to engage with government -- at the technical level, from the top down, based on interest in the mechanism or based on a specific issue area. So far we have worked on all levels. The best recipe is when you have a dedicated technical people with support from their seniors and in which they are open to different applications. With two of the governments our focal point has been secretaries of innovation.	Implementation	Levey, Zachary [MIF]
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3. Legal framework issues will always come up eventually and need to be dealt with. Issues include government capability to pay on outcomes, the most efficient legal mechanism, ability to share admin data on citizens, and investor preferences. Law firms have been overwhelming open to pro bono assistance on this.	Implementation	Levey, Zachary [MIF]
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