Bill: Welcome, everybody. This is a panel entitled, "Paying for Results in Development, Advice for and from Practitioners". Just seen an interesting experience of projects in Africa, which is always good to get out of the cerebral and be reminded that these [00:00:30] things have to have an impact somewhere for somebody. We can keep that in mind as we get into the details or the interesting issues about you actually make these programs work in the broader picture.

We've got a great panel here from different perspectives around the idea of results payments. We have implementers, we have people who fund non governmental [00:01:00] projects, people from governments and people who are involved as technical advisors and brokers. I'll introduce the panel and then make a few introductory remarks before we enter the conversation.

Directly on my left we have Dianne Calvi, who is the CEO and president of Village Enterprises. We just saw the description of their programs. She has over 20 years of experience in these kinds of international management projects. We have Terry Gray [00:01:30] who is the social impact investing lead at World Vision, so a large organization that funds a lot of non governmental programs and is also an implementer.

Ryan Moore who is the director of evaluation at the Millennium Challenge Corporation. So we will be getting more of a perspective around both how government to government works and what happens when you're working with governments trying to introduce concepts like paying for results.

[00:02:00] And finally Avnish Gungadurdoss who is the managing partner and co-founder of Instiglio. Sort of playing the role of, the way I put it, technical advice and design, broker, generally buzzing around this community and helping people put these packages together.

Myself, I'm Bill Savedoff, I'm a senior fellow at the Center for Global Development. We describe ourselves as a think and do tank, because we do research, but very much a [00:02:30] bent of what's the relevance to the policy or to the world. We spend less time analyzing what we think developing countries should do, and a lot more looking at the polices of rich and powerful countries and entities as they effect development opportunities. I'm guessing I was asked to moderate because I've done research on results payments, most prominently on the idea of cash on delivered aid.

[00:03:00] We want to look on health programs that the facility level and some also on how this is playing out in the environmental field particularly around deforestation. Before sort of questioning the panel, I want to frame the discussion here a bit around three points. The first point I want to make is that we should over hype or underestimate paying for [00:03:30] results either way. It's not a new idea, paying for results has been around for hundreds of years. It is a new idea the way its being fermented and engaged with in the development community I would say, probably over the last ... I think the start of buzz maybe 20 ... 15, 20 years ago, but it's really the last five to ten years that it's really getting rolling.

It's not a big part of funding. When Rita [Perockis 00:03:55] and I did a paper looking at [00:04:00] government to government outcome payments, we really only found four programs. Brookings did review of education initiatives found about two dozen of them. The biggest amount of money I think is in the environmental field, probably the biggest number of projects is in things like education, health, and more recently around crime and recidivism. What's really ... to me what I'm seeing in particularly the last five years is [00:04:30] a big jump in discussion, design, and experience and assessment. We're benefiting from that now that we actually have people engaged with it. The second point ... so don't over hype or underestimate, that's the first thing I'd put out there.

The second thing is don't confuse or conflate results payments with more conventional [00:05:00] programs. We're not talking about a contract that only pays when the consult delivers the report. We're not talking about a project that only pays the building is completed or a project that pays for activities and then has a performance report at the end. We are talking about programs ... just to give some dramatic examples. Norway pays Brazil $5 for every averted ton of carbon emissions due to reduced deforestation. That's [00:05:30] significantly different than a conventional approach. The World Bank supports programs in health in Africa. One in Rwanda that pays $5 for each additional child that's vaccinated and $10 for each birth that's professionally attended. Very different than programs that are just paying for salaries, inputs, activities, plans, strategies. Educate [00:06:00] Girls is a development impact fund in India. It's paying $ 45 for each learning unit, you'll have to get into the details to find out what a learning unit is, but each additional learning unit and $900 for each percentage enrollment gained for girls in these ares. Again, very different from the way a normal education project is.

What I would emphasize is I think two things about this that I always ask about this that I always ask myself when I look at a payment program to say is this different? Is this paying for something that's closer to the outcome you care about? Education, or health [00:06:30] not school or clinic. Is there a real risk of non payment? Even if it's a percentage, a small percentage of the overall funding. Is something really possible that it's not going to get paid if the thing isn't achieved? So don't confuse or conflate.

The third point I want to make is just more about what this panel is and is not going to do. We framed this panel discussion not about is results based payments a good or bad [00:07:00] idea? That's not what we're going to do. If you'd like to hear that, you have to organize another panel. We're not even really going to be discussing a lot about whether results based payments are better or worse than conventional approaches of pure grants or inputs. Rather, we're asking why people are spending so much time taking their organizations trying to learn a new way of doing this thing. What's attractive about it? What challenges have you engaged in trying to do it? What are the hopes for it? How [00:07:30] has it turned out? What issues arise in design and implementation? We'll be talking about and how do you deal with different contexts with these kinds of programs? Finally, what resources are out there.

That's sort of my opportunity to speak, now it's ... I'll be mainly asking questions. I'd like [00:08:00] to start by actually posing a fairly similar question to the panel, which is typical projects, set of plans of actions, disperse on inputs, we know how to do these things. The report on outcomes ... they setup up certain kinds of incentives. They require certain kinds of

information. They have certain kinds of risks, typical projects. Paying for results creates different incentives, has different information requirements, different kinds of risks. The question I wanted to ask, if that's the case, why did you or your organization think that
[00:08:30] this was a good thing to explore? Why do you want to try it? What are the hopes? If possible, in light of a specific example.

I thought we might start at the implementer phase, we'll ask Dianne if she might answer that question.

Dianne: Thanks, Bill. I just wanted to thank USAID Development Innovation Ventures for hosting this and all of you for coming. Village Enterprise was attracted to results based
[00:09:00] financing, because it will help us achieve our mission. We are a mission driven organization and we are working to end extreme poverty in rural Sub-Saharan Africa through entrepreneurship and innovation. Village Enterprise implements a group based community led graduation model in Kenya and Uganda. We were excited about the opportunity that this impact bond would provide us with in order to both in crease the
[00:09:30] number of businesses that we start, but also to ensure quality at scale. In addition to implementing, Village Enterprises like Path to Scale, is to provide technical assistance to larger NGOs and governments and we're setting ups this particular impact bond in such a way that it scale.

It will be a demonstration. We are confident that this will be a successful impact bond
[00:10:00] and that as a result we hope to attract new outcome funders, grow the outcome fund, and just as importantly attract new private capital. If we want to achieve this large vision of ending extreme poverty, we believe that there needs to be new private capital that gets attracted to the sector. So we're excited to get started and excited to work with the partners. We have an amazing group of partners with USAID Development
[00:10:30] Innovation Ventures and DFID, and Instiglio as our project manager. Really excited about it.

Bill: Great, so Terry, from a World Vision perspective, you've got a wide range of projects that you're looking into this. What's the attraction, and what kind of examples do you have?

Terry: Yeah. We began several years ago we've been working with results based financing type projects like Bill had mentioned early it's been around for quite a number of years. I
[00:11:00] guess it was maybe three, four, years ago that we started looking a little bit more about what are people talking about RBF, what does that really meaning to us? How do we want to become involved in this? There's two things that attracted us initially. One was just the whole goal of impact. Everybody wants to go after impact, World Vision being no different. Wanting to find a new way of doing it that I suppose was a lot more
[00:11:30] rigorous in some ways and was a lot of focused as well. The whole impact ...

Part of that process at looking at impact was and we were looking at results based financing was it does make you begin to focus on those areas that are really of a concern to you and to the communities that you're working in. We were spending a lot more time and were becoming a lot more focused on what those are going to be. As
[00:12:00] well, we begin to put incentives, and probably this was one of the main reasons for

wanting to move forward with RBF, was that wanting to incentivize the different stakeholders, the different players who are a part of RBF whether it's an impact bond or another instrument to make sure that you're getting the best quality and the highest quality results.

[00:12:30] The third area when still looking at impact was around the whole idea of being focused on outcomes. Letting our partners who are actually doing the implementing, allowing them to decide at the output level what things were working well and if the theory of change that we had was not coming together the way we had expected it to, being able to make those changes based on evidence. That evidence then was being collected and having new monitoring systems to be able to do that. Allowing us to make changes not [00:13:00] at a midway point through a project, but looking at it continually through the project and being able to make those changes.

Those were some of the reasons for wanting to look at it. The other one was just a very practical one. We were looking at new tools to put in the tool kit to look at new funding opportunities as well.this was another one of those where we could become attractive by the fact that the ... we can see that the quality of our programming would be [00:13:30] improved, but also knowing that there are certainly some organizations who are funding projects, who perhaps are risk adverse, and this would be one of the areas that we could attract them as well through doing projects that would be results based finance and they'd be paying for results. Those would be some of the main reasons we got involved.

Bill: Okay. Good, thank you. Ryan, Millennium Challenge Corporation, very different from the previous organization.

[00:14:00]

Ryan : Sure, yeah. I guess I should sort of briefly for the sake of those who don't know Millennium Challenge Corporation mention just, we're a US government foreign assistance organization and we partner with lower, middle income countries to ... for generally five year grants that we call compacts. We identify and try to address the binding constraints to economic growth in those countries. In the case of Morocco, [00:14:30] which is where I know the most and where we're piloting a lot some of the RBF approaches. We've identified with our government partners local market constraints as the real binding constraint to economic growth, probably not a surprise to anyone who knows the region.

Evidence by around 40% plus youth employment rates are pretty massive human [00:15:00] tragedy, moreover. As we're partnering and developing our grant program, we saw that jobs programs addressed trying to focus on creating jobs, generating more adequate labor market regulation what not. Our space in which the evidence is really quite mixed [00:15:30] in many cases. There are a lot of active labor market programs that just don't have really good evidence that they actually work, that they produce the intended outcome. A lot of the things that one might know or have some high confidence work are politically infeasible. It's a pretty untractable domain for a lot of reasons. Given this lack of evidence, our model is predicated on having real, concrete evidence on all of the [00:16:00] programming we invest in. We specifically have a 10% hurdle rate threshold for all the economic rate of return for all of our projects need to surpass that.

In a domain where there's mixed evidence around the impacts, results based financing is a place in which instead of paying for programming that already, by it's nature, has

[00:16:30] mixed results, one can ratchet in on the results that you care about and create the right incentive environment, which perhaps I can talk about later. I think that's the jobs space is really what drove us in a lot of ways in terms of partnering with the government of Morocco to create new economic opportunity, more efficient labor market results, and there have been some challenges that come with that, but I'm sure we'll have the

[00:17:00] chance to chat more about that.

Bill: Can you say what kind of indicators you're thinking of paying for in the Morocco thing?

Ryan : Sure. In Morocco ... that was a lot of background, but we're working with the ministry of labor on both fortifying some of the programming they already have that is paying for

[00:17:30] results, but also creating a new space for a program, which can pay for job placement programming, which pays both for this ... I would guess it would be across the spectrum of results, it's not fully on paper. We would look at things like the minimal quality training thresholds, but then job placement and retention over three to six month time horizon. That would be the rough-hewn vision of a program that's focused on the latter

[00:18:00] half of that result spectrum focusing on are people actually finding better jobs due to this program, and are they actually finding a good match of a job that both they and their employer think is a good fit over longer than just the first week, the job interview.

Bill: Okay, good. In that case, it might be similar in the Village Enterprise example, I wanted to come back to that. What's the outcome that you anticipate with this impact bond?

[00:18:30]

Dianne: We're benchmarking the ... we have a randomized control trial with Innovations for Poverty Action that we just completed. We looked at increases in income and assets in that RCT and that benchmark is going to be used for this impact bond. We're using the increases in consumption and that assets as a proxy for income. We're looking to increase income, so that people can exit extreme poverty.

[00:19:00]

Bill: So in both cases, there's going to be after the completion of the activities, there's some measurement of in this case asset change or consumption change, and in that case there are actually people in job placement and the payment would vary based on how much of that was achieved. Okay, good. Avnish, I'm going to actually ask you a slightly more expansive question to put you on the spot. Both because Avnish is almost full time

[00:19:30] on this concept. I'd like a little bit about how you got into it in the first place. Why was this idea exciting to you personally? Then since you're working a lot of these partner organizations, your reflections on why you think it's attractive and to whom it's attractive?

Avnish: Yeah, thanks. Actually one of the early studies that got me really interested in this was done by the World Bank in 2005. They ran this really interesting experiment where they

[00:20:00] financed a bunch of finance facilities in Rwanda based on results, and then compared that to facilities that financed traditionally. That was a fairly radical experiment where someone was trying to say, "What was the real difference results based financing versus traditional financing?" They saw increases in outcomes between 23 and 133 percent on outcomes like institutional delivery and preventative childcare visits, which are fairly important outcomes to the maternal child health space. That idea was really exciting to me because when you start thinking what could happen if we could increase the impact we're having by 23% each time we spend a dollar, and that's a radical idea. [00:20:30]

When we launched Instiglio back in 2012, we started thinking how can we bring this potential and harness the potential of results based financing for more development programs, for more funders who are asking the question how do they bring their programs to the next level of results. [00:21:00] That's what really got us interested and excited about this. With my two co founders, we kind of went out to developing country governments in Latin America, to donor organizations, like the MCC, like USAID, like DFID, and started thinking how can we bring this to different topics and different context and maker it work.

The central challenge that Instiglio has been really thinking about is how do we bring the theoretical promise of this tool to practice? There's a lot of things to get right I think Owen [Barder 00:21:26] from CDG said that the devil is the in details, and you have to get a lot of things to make it work and to get the 23% impact, [00:21:30] but that's been the pursuit of the organization for the last five years. How do we turn this interesting idea into practice that can be replicated and repeated a number of times to similar impact. That's kind of the main point of interest for us.

Bill: [00:22:00] Okay, good. I'm hearing ... two things that I'm hearing pretty loudly is it's sort of like a different way of creating results focus. The organizations have already been focused on results, but somehow it changes the dynamic internally in that. The other thought is about new capital, is this something that could draw in new capital. Maybe you could explore that first idea. It's like what changes in your organization when you start thinking about payment for results that you weren't doing before? If you want to take that ...

[00:22:30]

Dianne: In our case because we've been in this process with the randomized control trial now for several years, we launched that in 2013. It's not going to dramatically change the way we work, because we were already focused on creating the evidence through the RCT and had already restructured the organization to have the performance management systems in place, monitoring and evaluation in place to really ensure that we have a quality program that will deliver results. [00:23:00] I think getting paid for results heightens that awareness and we're going to continue to invest in the professional capacity of our staff. We are a community driven program so we really look to the community and the people that we're working with to help guide us in making decisions about how to improve the program and how to increase the impact. [00:23:30] So we'll continue doing that. I think most importantly at this point, continuing to improve our performance management systems is probably the one thing that we'll change over the next probably six months.

Bill: Are you making the changes dealing with essentially the risk that you don't get ... What you're looking at is a program that doesn't pay out X amount at the end of the project, you're looking at a project that pays maybe ... gather the seed capitals, definitely is going to be reimbursed, but after the fact there's some range it's going to be from this to this based on how well things go.

[00:24:00]

Dianne: It's really the investors that are taking on that risk. [crosstalk 00:24:10] I think that what it does is it changes the dynamic, and what we're hoping to do is prove that this model works so that private capital will really be excited about investing in something like poverty alleviation. I think there are a lot of impact investors that are looking for true impact investments. If we're successful with this impact bond, there will actually be a fairly attractive annualized IRR, so we should be able to attract larger sources of private capital like pension funds and foundation endowments. It really opens up a whole new pool of capital for all players in the poverty alleviation space. It's really exciting, not just for Village Enterprise, but for other poverty alleviation players as well.

[00:24:30]

[00:25:00]

Bill: Mm-hmm (affirmative). Okay. It was interesting, this sort of goes back to the conversation we were having beforehand with Terry. Within World Vision, we were talking about how in your case you had to package it as ... or you're in the process of actually packaging around, what's the unit of delivery, the consumption increase or something like that. But you were mentioning the legal aspects, the procurement officer is looking at it saying, "What are we buying here? How do we do that?" Say a little bit about how ... what particular kinds of projects you're thinking about doing this in, and how you've dealt with that internally.

[00:25:30]

Terry: Yeah, there's been a number of different issues we've had to work through. The legal part is certainly being one of those. Perhaps one of the larger ones that first came across and that we've had to deal with as an organization is just around payment risk. We did a project several years ago that was a PBR, payment by result, it was 10% and being a larger organization, one of the things that we were able to do was self finance it. When we looked at the payment risk that was involved, we really at that point in time were largely looking at do we have the capability of doing this project? And doing it well and being able of course to get paid at the end?

[00:26:00]

[00:26:30] What we were thinking about was there's some other significant payment risks involved as well. Some of those around the contracting and the legal part of it, but some are also around how are you going to measure ... how are you going to actually measure the impact and what methods are you going to use for that? That becomes important, and certainly since that time since we've begun to look at impact bonds and other RBF instruments, the role that measurement becomes very important because ... the role of contracting and even the legalities of the contracts as well are all areas that we're looking at as far as the risks that are associated, because we did fall short and we didn't ... for one of our contracts didn't get paid.

[00:27:00]

When we went back, the way that measurement was done, we were able to see that in some ways we took on due risks because we hadn't addressed some of those issues appropriately. At the same time, the whole contracting side ... We're talking World

[00:27:30]

Vision, a fairly large organization, but some of the issues around ... When we took these legal documents and looking at how we're going to be structuring the results based financing instrument, both on an impact bond, but also as a contract. For our legal team,
[00:28:00] I should say, this was something totally new to them. Other typical legal documents they come across their desks, they've seen a hundred or a thousand times before, they go through, they know what they're looking for. All of a sudden, there's this whole new way of doing business. Of course, naturally, if it's your first time, you're looking at it closely, but you may not be looking at the right things either.

Getting some outside help both from others who have done this work, but also from a
[00:28:30] legal perspective is to be very important for us in being able to move forward.

Bill: Mm-hmm (affirmative). A similar thing comes up almost, I would imagine even more seriously, in a government agency like MCC. You've got, not only what are your own ... MCC's own sort of style of businesses, but you have inspector generals and all kinds of things running around on top of you. Does that ... has it been a battle to try to make this move inside of the organization? Which parts are hard, and which parts are easy?

[00:29:00]
Ryan : I think Terry touched on some interesting points. The way that I often think about it is that you're changing the paradigm in a lot of ways. Not just sort of one core function, but you're changing things from operation or sectoral skills and knowledge and how
[00:29:30] they think about their sector and what they're approach to a given project is and performance management. You're changing the whole scope of measurement. Not only right measurement, just different types of measurement, but high stakes measurement, which generally research and measure and people have the luxury to sit back with their numbers and not have lawyers pouring over them, and they can just put them in their
[00:30:00] reports. That may be not true everywhere. When you're writing a report, it's not filtered through these same process as when it's a high stakes, payment contingent metric. That changes obviously drastically.

Then obviously the project finance or procurement modalities are different. All of those things changing simultaneously mean that you have to ... these become it takes a
[00:30:30] community, it takes a village type of projects. There's no siloing allowed, which I think we saw created a lot of opportunity, but also, challenges. No one says, which generally the way organizations work is one person is taking the lead on something and the other two or three people that have some stake in it say, "Okay, this looks like something I know, I'll let it go. I'll let move and maybe I'll come back to it in a few months and make
[00:31:00] sure that I ..." Whereas, when it's something new, innovative, or different, all of those stakeholders are saying, "I want to track this day by day to see where it's headed and see how I can stay comfortable with it."

I can say, at MCC, I think that that process broadly went really quite well to date. We've all seen this as a priority as a new approach of something we can help our partner
[00:31:30] governments do better. The focus ends up being on that, not so much on internal dynamics of what exactly ... Also, the one thing I'll say to clarify, MCC we don't have mold projects. For better or for worse. We don't even have ... we don't even know from year to year what sectors we'll be operating in, whether or not we'll have 30% increase

[00:32:00] or decrease and how much we'll be investing in roads versus education, versus agriculture. Thankfully, I think we're an organization that's pretty agile. We don't have well every year we're doing just a new ... the same project in new place and we can just copy and place. We have that a bit in our DNA of an organization that's no ones used to doing the same thing from day to day. I think that organizational character helped us as [00:32:30] we bridge this gap.

Bill: Specific things about MCC that's made it easier, but also what's intriguing is this point about ... it's intriguing to me that you take something as simple as we're going to start paying for results and it generates, to the extent you're moving forward, some real change inside the institution. You have to get people ... lawyers can't just look at the contract and say it meets the mold that we all have seen or we need to change this line. [00:33:00] They actually have to grapple with what the outcome is and what they're paying for in a new way. You mentioned that as well, not just internally, but in terms of how you're working with other organizations?

Dianne: Yeah, we're working now with the donors, USAID and DFID, in a very different way from our previous contracts with USAID in that in the past they would pay us essentially to train business owners and start new businesses. There was some quality control to [00:33:30] ensure that those businesses got started and the grants got dispersed. But now we're going to be exclusively paid on the performance of those businesses, so our business owners need to be successful with their businesses and see increases in their income in order for us to get paid. I think ultimately, the whole sector to move in a direction towards focus on results, because if you start businesses and they're not generating [00:34:00] income, there really isn't any point to that to be honest.

I think that having this focus on the results, even if you're not getting paid for results, even if you're getting paid under traditional contracts, I think your focus should still be on the results, because that's really what's going to make a difference in the lives of the people that we're working with.

[00:34:30]

Bill: Right. I'd like to follow that with a question to Avnish. Essentially, it took ... each organization has to figure out internally how they're going to respond to this new framework and it actually, even with a simple results payment where there is an outcome funder and a implementer, but especially if you have an investor and impact fund, you're kind of getting them to change internally and figure out how to engage differently as a group. You've seen that process happen, what do you see happen and what are the challenges of making that move?

[00:35:00]

Avnish: Yeah, from the different stakeholders, the change is different. I think you got into a little bit the procurement challenge from the funders perspective, and that uncertainty of disbursement is a big problem, so you don't have as much certainty that all your money is going to go out, because results could happen, could not happen. How do you actually struggle with that, especially environments where having budget left at the end of the year is not a good thing. A lot of funders have to figure out how to account for this kind [00:35:30] of money in a new way. That causes some sort of challenges at times.

Then the procurement controls sometimes are very rigid. You have specifications on controlling activities, and certainly, you have to give flexibility to the implement on how to use your money. Then all sorts of questions arise from the procurement office, especially on how we're going to make sure that our money is being well used. You have to work with them to explain that while we're controlling on a different part of the

[00:36:00] impact chain, we're controlling the results as opposed to activities. There's a bit of an education process and a mindset change as well that's happening in the funders' side.

The other thing that's been interesting to see is that the funder is supposed to step back from implementation. That's not always easy, because many funders get actually quite involved in implementation and design questions and figuring out what's the right program to get to put in place, but in this case, they're asking someone else to take the risk, they have to let go of the agency as well. It's a bit of reform of identity as well as

[00:36:30] funding that may not be easy for many funders to go for. There's a little bit of challenge on the funders' side.

On the service provider's side, I think it's been actually really interesting to see that there are three types of upgrades that they usually get involved with. One is upgrading their information systems to be delivering insights on performance versus information for reporting and that really changes what they measure, the frequency of

[00:37:00] measurement. What does data has been used? Who is seeing it? That's one thing. Then the second thing is capabilities to actually transform data into insights. This is something that many organizations actually invest in once they get into RBF. The third thing is reforming in some ways the information flows within the organization to make sure that your performance, the insights from the ground are really quickly navigating their way to the decision makers and you're able to correct your performance in the moment of implementation versus two years, three years, down stream.

[00:37:30] Those are upgrades that organizations need to successfully implement those deals. They're all a little bit ... from the outside, it feels like a small step, we're just moving the needle from activities, outputs to outcomes entirely. It feels like a huge leap for organizations and it is a lot of work to do that, I'm sure Diane and Terry can speak to that.

Bill: Yeah. You want to say something about that? [crosstalk 00:37:59] That there's been some shifting.

[00:38:00]

Dianne: We definitely, as I mentioned, we're going to continue to invest in the performance management systems that Avnish was talking about. I think also this whole transforming those data points into insights for the organization is a really important thing that we have to do, because we work with staff that are actually out in these rural communities,

[00:38:30] and they're not spending time in offices looking at data. We're really going to have to continue to really communicate well with the people that are on the ground doing the work in these rural areas to do what Avnish is saying. In real time, looking at data as it comes in and really providing input and insight to the staff that are doing the work on the ground. Then vice versa, as I mentioned earlier, we work a lot with the input coming

[00:39:00] from the field to headquarters, or to the various offices. It really is a two way street to make these things work.

Ryan : I think this general question of sort of change and performance management and even of mentality, one thing that stepping back one has to think about, is that I think ... if a [00:39:30] missional organization like Village Enterprise, this changes some structures. When you think about service delivery in developing countries where generally these are procurement modalities, payment to service delivery organizations who are ... don't [00:40:00] have the luxury of being broadly missional. They're turning over payment, having a hard time paying their providers internally and what not. So you're ... This sort of paradigm shift there I think is both more fundamental, and even a greater margin for improvement, because in the space that we're looking at in Morocco of job matching [00:40:30] and placement, you will hear providers say things like, "I would love to help the people that are going through my program get jobs. I'm paid to have butts in seats and prove that there were butts in the seats, and that's what I'm going to do, and that's how I get paid, because the other stuff is just me bleeding costs and getting nothing in return."

When you think about the infrastructure of service delivery, the fundamental change of [00:41:00] freeing those organizations up to say, "You guys probably know a lot more than just butts in seats." There's probably a massive capacity you have to deliver those improvements in helping firms find more efficient match for their skills needs and helping unemployed or underemployed individuals find better jobs. The magnitude for change in that domain is even much greater.

Avnish: Just to add to that, I think one of the challenges that funders face is how you move from [00:41:30] pricing incomes to pricing outcomes. It feels you're taking a huge step back, and you're getting much more expansive. Placing somebody in a job in Columbia when we did the impact one earlier this year was $1,500. Historically, the government says it's spending a hundred dollars per person. How do you actually make that narrative work in the political realm? It feels like you're increasing the amount of money you're spending on [00:42:00] people, and that's not something that's politically very appealing. That's something a bit of a leap as well. That assumes that you know how to even price the outcomes and the types of environments where we work where data is not available necessarily, where you don't have good evidence on outcomes and how much they cost. That work can be quite tricky as well to do.

From a procurement perspective, it can be quite risky to be able to justify those prices and why you're paying this much when you don't have good data to do that. Many [00:42:30] political champions kind of shy away from results based financing for those reasons at times.

Bill: The next question, which I'd like to pose to all of us is, what would you do differently? If you'd known, start with Avnish here, if back in 2009 when you started in studio, what do you wish you'd known that you know now that would have made things better?

[00:43:00]
Avnish: I guess just to answer this slightly differently, I wish we would have been asking a different question. I think at the beginning we really enamored with this idea of impact

bonds and trying to apply it to a particular context, and looking back really try to reach a fair solution to the problem. I think more and more in this approach, we need to be asking the question how do we improve impact and be fairly open to what the solutions are going to be? Now in our work, it's much more systemic in nature trying to figure out what are the preconditions you actually need to achieve results?

[00:43:30] Sometimes it has nothing to do with incentives, it has to do with reforming a procurement process or making sure that your providers are getting paid on time. Making sure that all this preconditions are there are super important for this tool and instrument to actually play out. That's something that we've learned over time and wish we had learned before, because sometimes you're trying to do results based financing and it makes things worse, if you're not really thinking about all the preconditions that need to be in place and the capacities that need to be in place. That's one thing we would have done differently.

[00:44:00]
Bill: Ryan, what do you think?

Ryan : I think that we also went through that particular journey in some ways and to some degree also it may have a little bit to Instiglio's support in a critical juncture. That sort of [00:44:30] mental framework of there are these different payments modalities, which can change incentives, which is phenomenal, the idea that you can change providers or service delivery incentives is a wonderful thing to think through, and it is absolutely foundational to I think this movement if you will. We realized that that idea does not [00:45:00] mean that pre financing of investments is a real constraint and that impact bonds therefore can solve that pre financing constraint and the incentives' constraint. That really impact bonds are the solution to all problems in this space. I think we definitely continued to look at in this job space there are examples of great impact bonds, but we [00:45:30] ... the one thing that I think we spent some time and capital on was really, again, trying to retrofit a little bit.

Realizing, and I think the reason I can talk so openly about this is that we've come back to in the domain of service delivery job placement services in Morocco, what are the real binding constraints to them producing results? Let's address those and in our case, we didn't feel like an impact bond would address those in a direct way.

[00:46:00]
Bill: Would you say that it ... almost as you're saying it, it almost sounds like a reverse ... when I started doing projects at the Inter-American Development Bank, there was tool, we sometimes used a problem tree. You start with the problem and work back, what's contributing to it and you try to design your program around that. It was funny to me how sometimes, as Avnish was saying, you came in with a project, this is what ... this is our tool, this is what the project should be. Then you do a project tree and you're saying [00:46:30] that you're only dealing with some branch of it and it's not these other things. Is it the same kind of thing? The focus on the payment for results recreates that cycle of starting with a problem and working back?

Ryan : I think absolutely it can. I certainly wouldn't make the [crosstalk 00:46:48] complaint that results based financing is a backwards thinking, but there are definitely spaces that,

[00:47:00] I'll say at other organizations, because we clearly don't make any mistakes. There are places where it's we want to have results based financing in our portfolio, let's figure out how to do that, which is this backwards ... when you have a hammer, everything looks like a nail approach. I do think that results based financing tends to point us back

[00:47:30] in the direction of what's the real problem with achieving results? At a minimum it forces you to think what are results? How are results measurable? In our case, that is what helped drive us towards something we think really is problem driven versus solution driven.

Bill: It's kind of like instead of having a hammer and everything looks like a nail, you're actually trying to build a house and you realize you need a hammer and a screwdriver and some cement and a few other things in the toolkit. Interesting.

Ryan : Don't try and use the screwdriver on the nail, because that's not going to work well.

[00:48:00]

Bill: I'll make a note of that. Terry, thoughts about what you'd do differently? Or what you wish you had known at the start?

Terry: Probably the biggest thing looking back now is we should have really framed it up as an adaptive challenge. In a sense, it's been interesting talking to a number of different organizations, because they have had a similar experience in this regard. You really are

[00:48:30] starting to move into a new area that could scare people within the organization. Understandably so. We talked about just some of the legal things. First time they've seen how you're structuring this new product and they're having to work through that. Naturally the first thing is what are you doing? We've got to stop this and we've got to figure this out. That whole adaptive challenge, the adaptive leadership that's needed is

[00:49:00] ... I guess the first thing is to know that you are going to scare some people. You're going to have where in some instances, you're going to actually have people who are naturally going to be pushing the gates with what you're doing, because you're bringing in new systems as well. Whether it's a performance management system or the way that you're using evaluation methods.

All of a sudden, some of the people that were doing that work before, you got to remember, that they're starting to think, "Okay, I wasn't doing well enough." Which

[00:49:30] wasn't the case. That's why taking this on as an adaptive challenge and looking at how you're going to bring change about within the organization, who you got to bring on board, certainly you do not want to do this type of thing on your own, you want to have a group of people working on it. Organizationally, we did try to do that as a partnership. We brought everybody together just this past March in looking at one of the projects we're working on trying to get a whole group trying to move this forward. But we could have done it a lot better.

[00:50:00]

Bill: Okay, good. Diane? What you wish you'd known going into this?

Dianne: How much time it would take. It's ... for anyone that's interested and wants to purse

[00:50:30] this, you have to know that there is a lot of time that's required up front. Bringing all the actors together, that takes a lot of time. Then, once you get all those actors together, getting all those actors to agree takes a lot of time. Then putting the structure in place, the evaluation design and operational structure that you're going to need to deliver is going to take time.

[00:51:00] Then what we would have differently is sort of tied to this. We didn't anticipate the fundraising on the investment side, requiring new structures. The way this was set up is the theory of changes. If donors will pay for outcomes, service providers will be able to self organize. We're in the process of trying to determine what's the best way to set this up on the investment side. Whether it be a special project vehicle, or recoverable grants, so that we can attract the greatest diversity of investments funds, especially as we think about, not just the first demonstration, but also the scaling up of the project.

[00:51:30]
Bill: Of that time, how much of that is ... you anticipate, is really about it being the first demonstration project? You anticipate a lot less up front time downstream?

Dianne: The way we're setting this up is, one there would be a lot less time for Village Enterprise if we scale up. We also hope that this will benefit other potential graduation players that could potentially plug in as a service provider, and that this demonstration then would

[00:52:00] allow them to implement an impact bond without all of this upfront work, and the contracts would be kind of in place and [templatized 00:52:04], so that yeah there'd be some changes obviously to the contracts based on the individual organizations. For the most part, this should be a replicable model, so it wouldn't hopefully take as much time the second time around.

[00:52:30]
Bill: Great. Okay. I think we're exhausted time, though not the topic. I want to thank the panel for their insights. Thank you all for coming.

Dianne: Thank you. Thanks, Bill.

Terry: Thank you.