



## **UNLOCKING INNOVATIVE FINANCE SOLUTIONS FOR HEALTH**

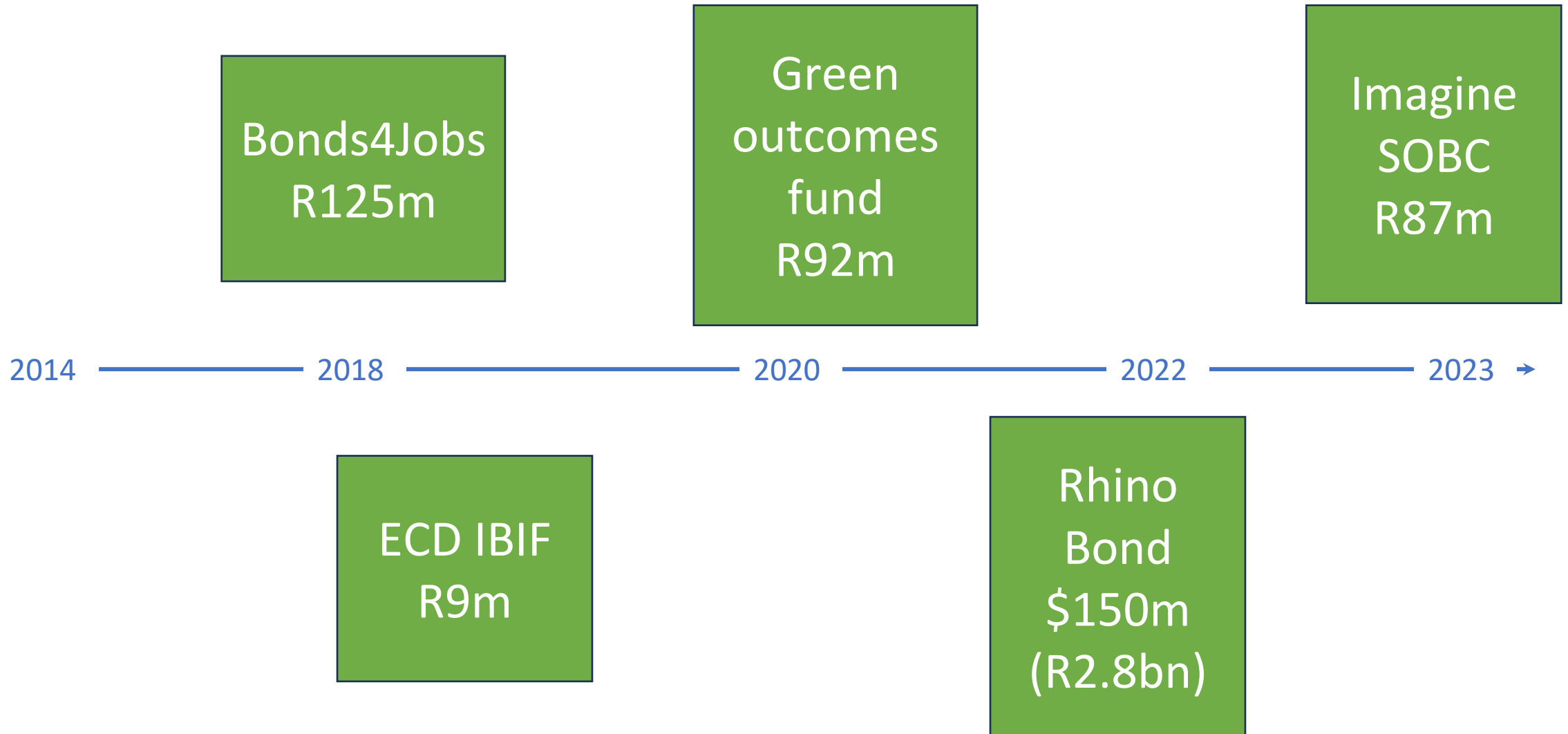
Early learnings and possibilities resulting from the Imagine Social Impact Bond for vulnerable adolescent girls in South Africa

# How South Africa can benefit from outcomes-based contracts and what the experience has been thus far?

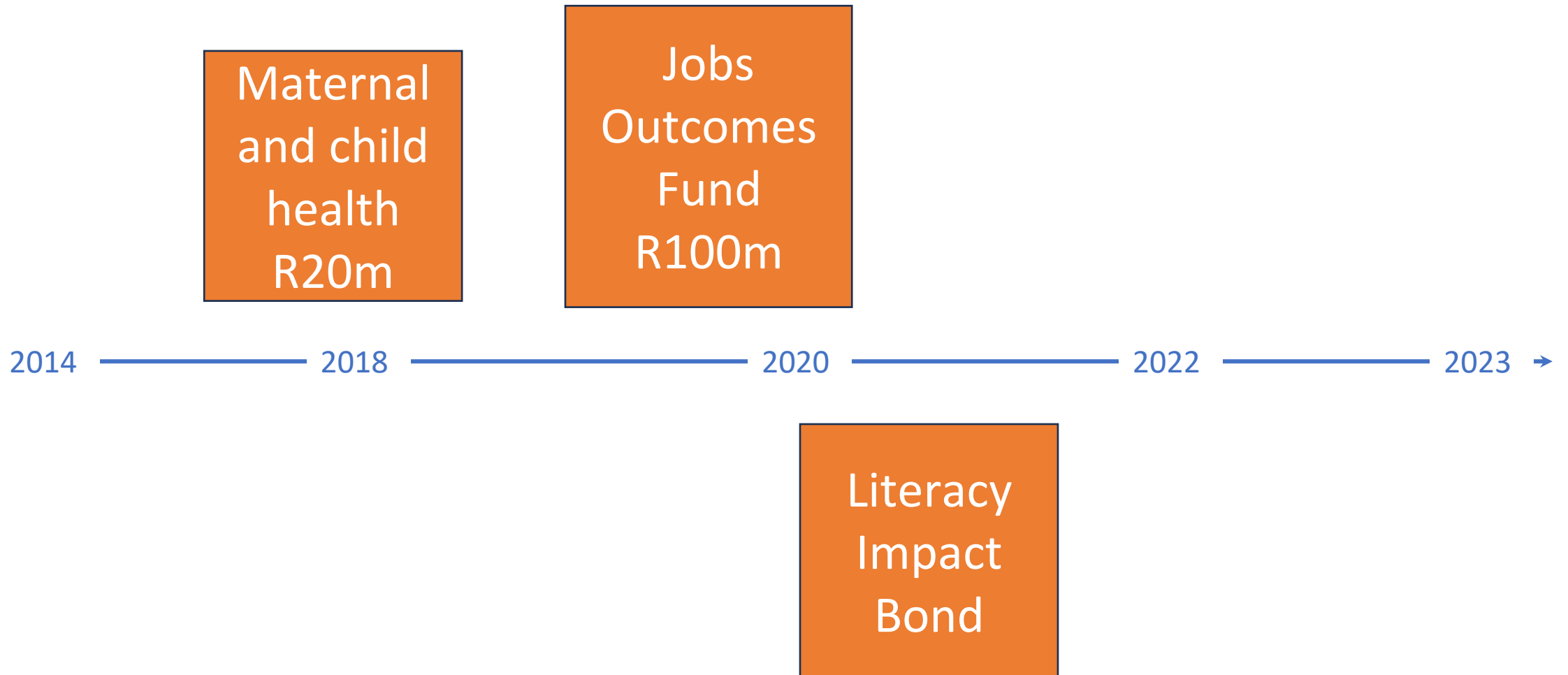
Dr Susan de Witt

December 2023

# Timeline of OBCs



# OBCs that never got off the ground



Effects of results  
orientation

Governance

Risk distribution

Additionality

## Effects of results orientation

- The focus on outcomes ensured **effective services**
- Evidence about what works in youth employability is **redirecting resources** to where they will have more impact.
- **Outcomes were clear and measurable.**
- In-depth evaluations are missing.

## Governance

- Set-up of the OBCs was **lengthy and complex** with high ongoing transaction costs.
- **Intermediaries enhanced rigour** and built capacities of service providers.

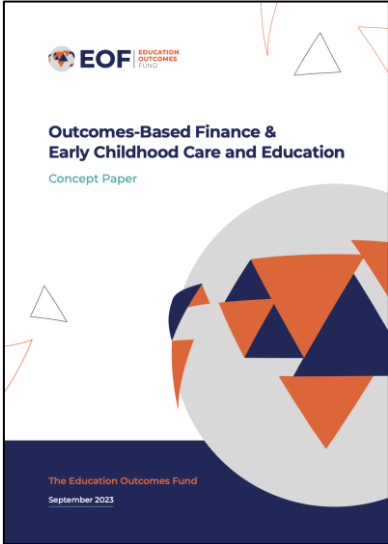
## Risk distribution

- The risk of not meeting outcome targets was low. **Risk-sharing between public and private sectors was minimal.**
- Service providers were **freed to experiment and innovate to meet outcomes.**
- There is no evidence of impact washing.

## Additionality

- B4J brought in **additional private capital** to youth employability by using a blended capital stack.
- Both SIBs **enabled social outcomes that might not have obtained otherwise**

# Thank you







# The *Imagine* Social Outcomes Contract for Adolescent Girl Health and Empowerment





# ACKNOWLEDGEMENTS

- Bertha Centre for Social Innovation and Entrepreneurship (Susan de Witt)
- Social Finance (Jonathan Flory and colleagues)
- SAMRC colleagues in our Finance and Legal Departments
- Nevilene Slingers and Nate van Blydenstein
- Rand Merchant Bank (Beth Rivett-Carnac)
- Global Fund (Maxim Berdnikov, John Ochero and SA Country Team)
- Mehreen Khalid, John Fairhurst and Aisling Quirke
- AIDS Foundation of South Africa
- Impact and Economic Evaluation Teams
- Treasury colleagues (Mark Blecher, Jonatan Daven, Mampho Modise, Duncan Pieterse)
- Oxford GO Lab team (Mara Airoidi and colleagues)
- ABSA



# CONSTRAINED FISCAL SPACE IN SOUTH AFRICA

- Generic
  - Decade of low economic growth
  - Post COVID government debt (pandemic spending behavior)
  - High interest rates

Estimate of revenue after tax proposals <i>Percentage change from previous year</i>	1 588 044	1 703 571	1 759 229 3.3%	1 868 080 6.2%	2 007 707 7.5%
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- Fall in tax revenue
- Unbudgeted salary increases
- Real cuts to provincial health budgets
  - Accruals
  - Medico legal claims
  - Irregular expenditure
- Real budget cuts to health 5% this year, 10% next year)
- Need for efficiency and transfer of risk of underperformance of service delivery



# THE *IMAGINE* SOCIAL OUTCOMES CONTRACT FOR ADOLESCENT GIRL HEALTH AND EMPOWERMENT



## Problem

- AGYW falling behind with respect to HIV incidence, unplanned pregnancy, HIV and pregnancy testing, antiretroviral treatment and antenatal care in South Africa
- Available funding for HIV is decreasing

## Solution

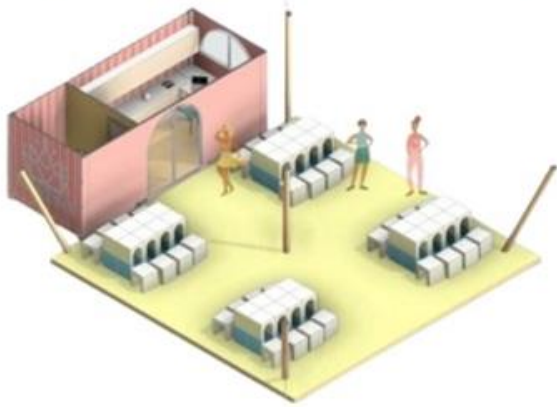
- A **comprehensive, evidence-based package of services** targeting in-school AGYW providing clinical services as well as addressing mental health, gender-based violence, age-disparate relationships and other drivers of risk.
- **Accessible services** including a non-threatening way to enter into an individual risk self assessment process, creating safe spaces in the school environment and ensuring that teachers and the community are supportive.
- Using **financial incentives** to improve program performance

The Imagine SOC fosters collaboration among government departments, a social investor, a global development partner, and local stakeholders in underserved communities. This project serves as a learning SOC, focusing on evidence-based solutions and embracing innovation, and adaptability



# Imagine Programme Package of Services & Process

## 14 x School Based Safe Spaces (Admin / Counselling / Clinic)



## Dedicated Staffing Per School (Nurses / Coaches / Social Workers)



1 x Enrolled Nurse per school &  
1 x Prof Nurse per 3-4 schools



2-5 Near Peer Coaches per school  
based full time on school premises



1 x Snr Social Worker supervising 6-8 schools  
& 1 x Social Worker per 3-4 schools

## Ratios for Relationships (+125 Young Women per Coach)



## First 8 x Weeks Implementation (Results of a great start!)

### Process Indicators:

14 x schools Imagine Ready  
14 x schools Imagine Launches  
5739 Young Women Reached  
1037 Oral HIV tests  
615 Pregnancy Tests

### Proxy Outcome Indicators:

323 x Young Women on PrEP  
13 x Young Women on ART  
363 x Young Women on Contraceptives  
19 x Young Women ANC < 20 weeks

## Services followed by SMS Feedback (Rewards for Feedback)



## Needs Assessment Gamification (Entry Point Boardgame)



## Unique Identification Cards (Loyalty / Rewards Card)



Imagine Cards are issued to every young women in the school (status neutral) to be as inclusive and inviting as possible, & avoid stigma, avoid duplication



# OVERVIEW OF THE *IMAGINE* SOCIAL OUTCOMES CONTRACT



**Country:** South Africa

**Duration:** 3 years

**Beneficiaries:** 15,000 AGYW in 14 schools across two sub districts

**Total available outcomes funding:** R93.2 million

## Outcomes payment metrics

- Number HIV-, sexually active AGYW who received PrEP per quarter
- Number of HIV+ AGYW on ART
- Number of sexually active AGYW on contraception
- Number of pregnant AGYW attending first antenatal appointment before 20 weeks

**Government Funding:** South African National Treasury via the Departments of Social Development and Health

**Investors:** Rand Merchant Bank

**Outcomes Funder and Intermediary:** South African Medical Research Council

**Implementer:** NACOSA

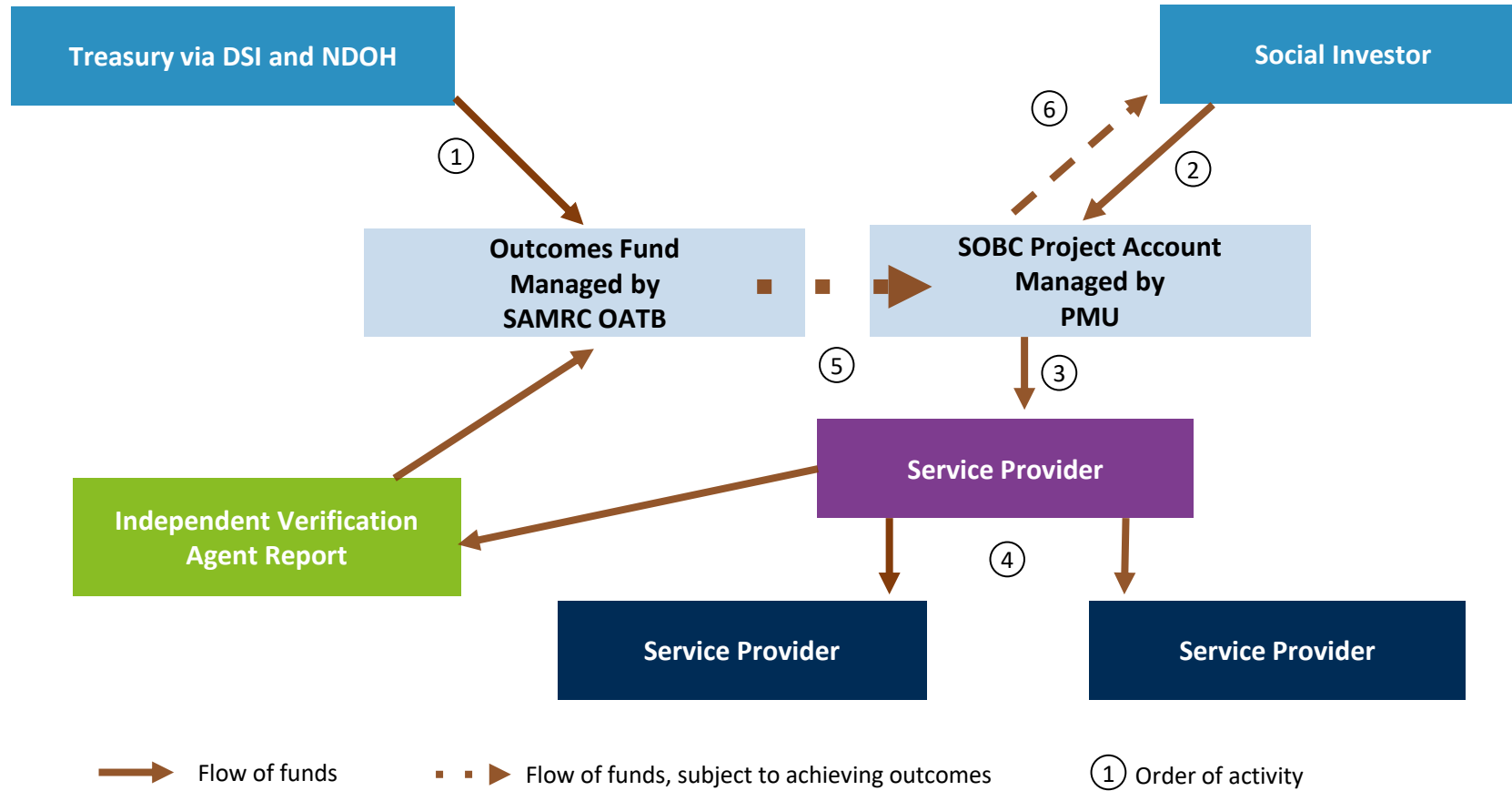
**Performance Manager:** Innovation Guru

**Stage of Implementation:** Year 1 of implementation

The **Project Management Committee** provides oversight for the project and includes the implementer, performance manager, private investor and SIB unit in the Office of AIDS and TB Research.



# FLOW OF FUNDS





# IMAGINE MONITORING, EVALUATION AND LEARNING AGENDA

Impact Evaluation

Performance monitoring

Economic Evaluation

Process evaluation

Outcomes evaluation

Programmatic

Financial

Cost Analysis

Efficiency Analysis

Cost effective Analysis

Budget Impact Assessment for scale up



# A DEEPER DIVING INTO THE FINANCIAL STRUCTURE OF THE IMAGINE SIB TRANSACTION

# FINANCIAL ASPECTS OF THE TRANSACTION

- Prices
- Payment triggers
- The cost of borrowing
- Reimbursement schedule
- Return on investment (JSE benchmark, repo rate, inflation, return on government bonds, money market)
- Cost of underachieving targets - loss of return-loss of capital – sliding scale
- Role of independent verification
- Financial incentive for the implementer
- Does the implementer carry any financial risk



# SIMPLIFICATION AND DERISKING

- Adding smart process outcomes to be achieved early on
- Also needed for program success
- All outcomes priced equally
- Avoided setting up a special purpose vehicle for the transaction
- Instead, de-risked the transaction to protect the SAMRC balance sheet – by ensuring a healthy positive cash balance throughout the period – this increases the cost of borrowing but also increases the income from interest earned
- Have approval for an additional R10 million investment if program performance is poor – investor will process this as a new investment



# REGULATORY APPROVAL

- SAMRC is a government entity governed by Board, Minister of Health is the Executive Authority
- First question – is the SAMRC allowed to enter into a transaction like this (MRC Act)
- Subject to the rules of a government department (Public Finance Management Act)
- Approval for receiving investor funds and paying a return on investment (treated as a loan)
- Audited by the Auditor-General – reflected on the balance sheet as a contingent liability that grows with the achievement of outcomes (fun times ahead)
- Guarantee of multi-year funding
- Regulatory approval pathway
- Approvals (SAMRC EMC, SAMRC Board, Minister of Health, Treasury Fiscal Liability Committee, Minister of Finance)
- Contracting with investor, implementer, IVA, performance manager, DSI, Global Fund PR (CCM)



# 6 MONTH PROGRESS FROM 15 MARCH TO 30 SEPTEMBER 2023

	Targets for the quarters			Outcomes earned potentially and transferred in next quarter			Verified achievements against the targets			Outcomes actually earned and transferred in next quarter based on verified data		
	Q 0	Q 1	Q 2	Q 0	Q 1	Q 2	Q 0	Q 1	Q 2	Q 0	Q 1	Q 2
Indicator	Jan-Mar	Apr-June	Jul-Sep	Jan-Mar	Apr-June	Jul-Sep	Jan-Mar	Apr-June	Jul-Sep	Jan-Mar	Apr-June	Jul-Sep
Schools SIB ready	14			14,610,862			14			14,610,862		
School engagement and health promotion days		14			4,870,292			14			4,870,292	
AGYW reached with youth health package		1,656	4,054		523,296	1,281,064		0	5779			1,826,164
Sexually active AGYW on contraceptives		259	518		402,745	805,490		0	520			808,600
HIV positive AGYW on ART		50	140		302,900	848,120		0	41			248,378
HIV negative AGYW on PrEP for the quarter		73	73		842,055	842,055		0	411			4,740,885
Pregnancy AGYW linked to ANC before 20 weeks gestation		43	43		1,088,244	1,088,244		0	26			658,008
Total for Quarter				14,610,862	8,029,532	4,864,973				14,610,862	4,870,292	8,282,035
Total after end of Q 2						27,505,367						27,763,189





# Unlocking Innovative Finance solutions for Health: Current State of Outcomes-Based Funding Market

Jonathan Flory, Senior Adviser

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6 December 2023



# Outcomes-based funding – impact bonds & beyond – can drive change in funding relationships and deliver better results in health

• 1



**ACCOUNTABILITY  
FOR RESULTS**

• 2



**SHARP & SHARED  
INCENTIVES**

• 3



**SPACE TO INNOVATE  
& ITERATE**

• 4



**DATA & MEASUREMENT FOR  
ADAPTIVE IMPLEMENTATION**

• 5



**ALLOCATION OF RISK TO  
THOSE WITH APPETITE**

6



**NOVEL PARTNERSHIPS**

# Lessons learnt from 15+ years of scaling an outcomes-based funding ecosystem in the UK



## 1. BUILD BROADER ECOSYSTEM ACTORS

The key to scale is strengthening the ability of key market actors to engage with outcomes-based approaches. This includes investors, service providers, government and intermediaries & performance managers.



## 2. GOVERNMENT COMMITMENT

Government is a core buyer of outcomes at scale in a well functioning ecosystem. It is key to encourage the government to purchase outcomes not outputs.



## 3. CAREFUL DESIGN NEEDED

Outcomes-based approaches must be problem-driven, not instrument-driven. Careful design is critical to ensure the right incentives and avoid unintended consequences.



## 4. COSTS AND COMPLEXITY OF MEASUREMENT

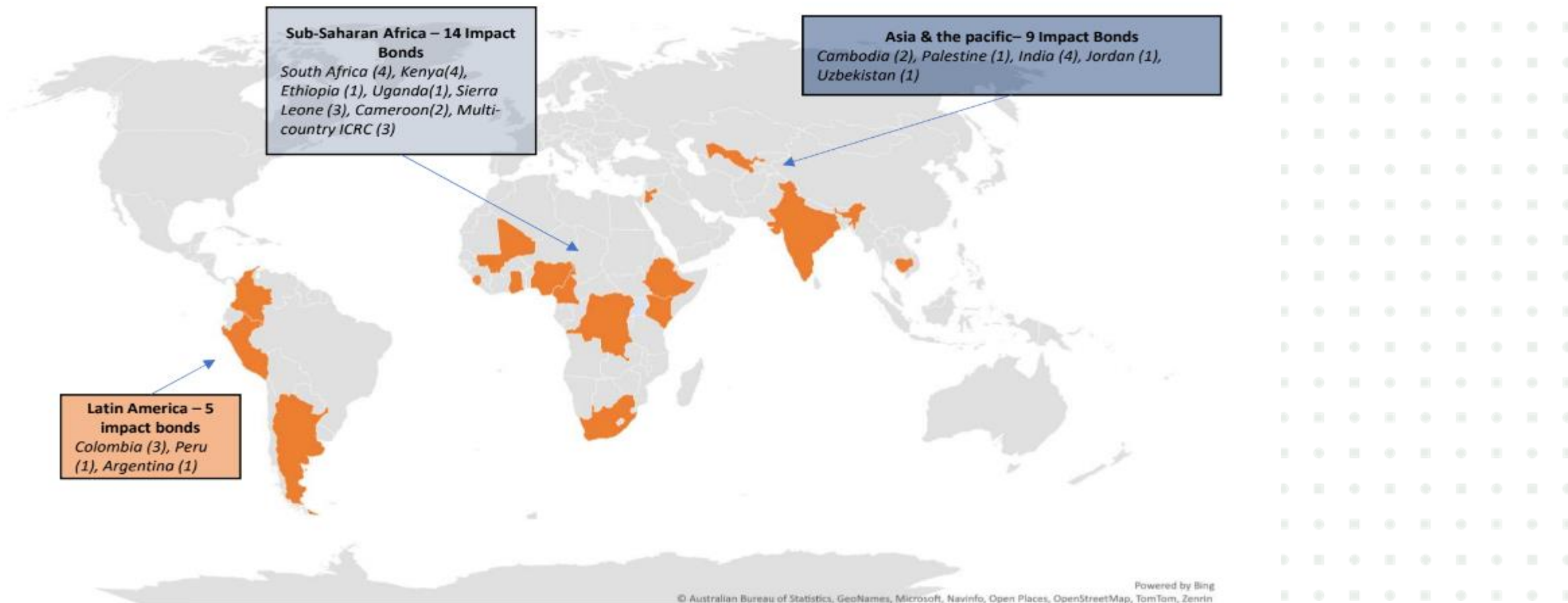
Over time it's become clearer that RCTs are a less valuable form of outcome verification as they are costly and complex to design and run.



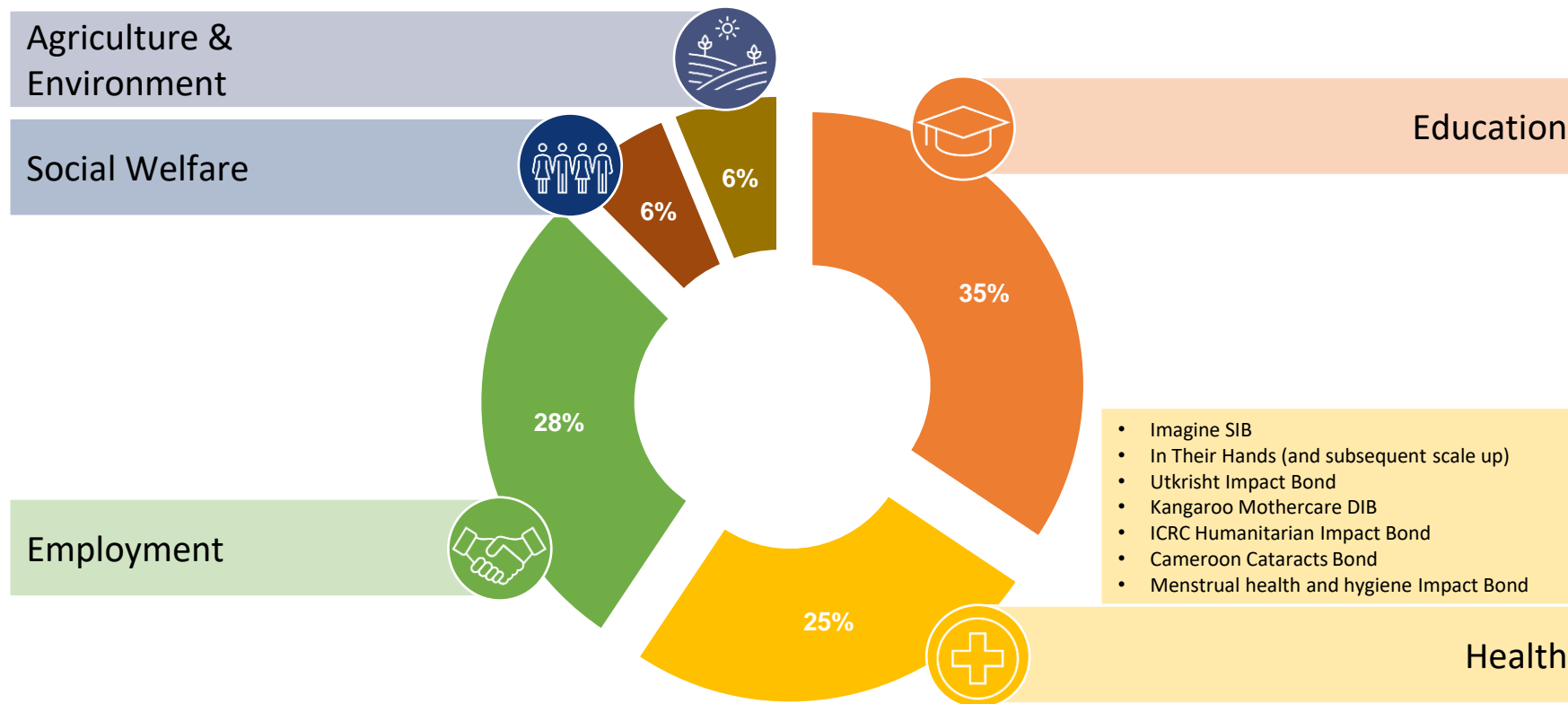
## 5. MATCHING AND ALIGNING STAKEHOLDERS

Stakeholders should reflect programme design. Some SIBs have a high innovation focus and are more suited to semi-philanthropic investors. Other SIBs replicate proven interventions where specialist social investment funds may be good partners.

Since the first DIB in 2014, Impact Bonds in LMICs have increased to 32<sup>1</sup> in total, mobilizing over 200M USD<sup>2</sup> towards social outcomes



# A quarter of Impact Bonds in LMICs have been implemented in Health, supporting ~850k people



# Looking forward: some trends based on our experience



**Importance of ecosystem building:** Individual outcomes-based transactions do not result in thriving ecosystems without sustained and holistic support. There is a need for ecosystem building efforts to scale outcomes-based finance.



**Innovative and strategic grant-making:** Grant funding at scale from institutional donors/multilaterals is catalytic to direct other finance towards outcomes



**Scaling enterprises:** Enterprises have strong potential to deliver sustained impact at scale; outcomes-based finance can be a market-friendly mechanism to realise that opportunity



**Climate and social co-benefits:** Increasing amount of funding is being committed to climate programmes that can generate significant social outcomes if properly designed (e.g. Voluntary Carbon Market)







# Thank you.

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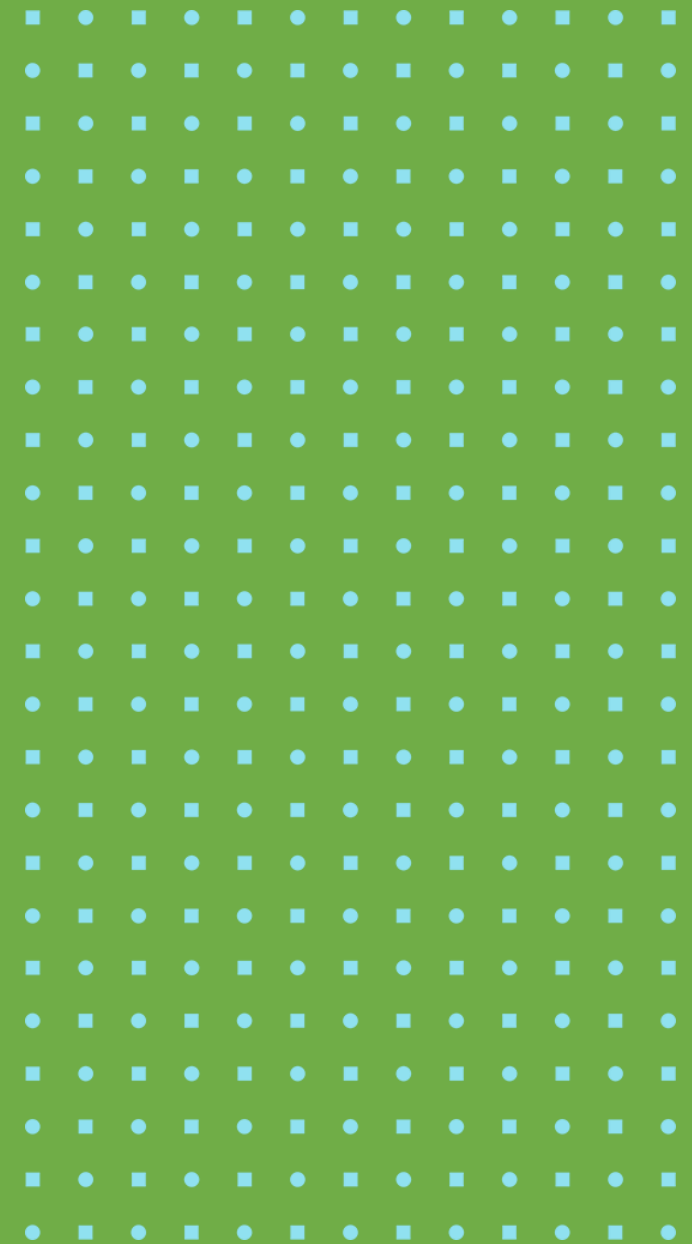
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- **Social Finance** is a not for profit that helps ambitious organizations and communities deliver pioneering solutions for lasting social change.



# **Our vision**

**A fairer world.**

Where together we unleash the potential of people and communities.

# **Our mission**

**To be an engine for social change.**

By having big ideas and the know-how to see them through.

# BUILDING AN ECOSYSTEM FOR INNOVATIVE FINANCING

## INTRODUCING INVEST4HEALTH

# Invest4health

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**SAMRC Centre of Excellence**

August 2023

# INVEST4HEALTH SUMMARY

<b>Vision</b>	A healthy nation through adequately and effectively contracted and funded health programmes		
<b>Mission</b>	To improve health outcomes in South Africa and the wider region by researching, testing and scaling outcomes-based approaches and innovative finance mechanisms		
<b>Why invest4health</b>	Invest4health is an initiative situated within SAMRC that aims to improve health outcomes (with a focus on public sector) by testing and scaling outcomes-based approaches (or other innovative finance mechanisms) for the purpose of creating a more productive, equitable, just society. The initiative will incubate projects, develop and disseminate knowledge, build capacity and activate a learning community of practice. I4H will partner with government, donors and academia to reach objectives.		
	<b>DIRECT</b>	<b>INDIRECT</b>	
<b>Pillars of the value proposition</b>	<b>1. Intermediary</b> Testing and scaling outcomes-based approaches (OBA) and other innovative finance (IF) mechanisms in public health priority areas by fund raising, designing, procuring for outcomes	<b>2. Thought leadership</b> Building evidence for and demonstrating expertise in OBA/IF that can guide and accelerate the development of the market in public and private sectors	<b>3. Network facilitator</b> Facilitating learning and connection between public/private sector and civil society for purpose of building I4H pipeline and facilitating opportunities in the wider market
<b>Activities</b>	<ul style="list-style-type: none"> <li>• Origination and fundraising</li> <li>• Research and design</li> <li>• Procurement</li> <li>• Co-design process</li> <li>• Outcome verification</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence building</li> <li>• Guideline and template building</li> <li>• Advocacy</li> <li>• Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness raising</li> <li>• Brains Trust facilitation</li> <li>• Wider network facilitation</li> <li>• Advocacy and learning</li> <li>• Build partnerships</li> </ul>

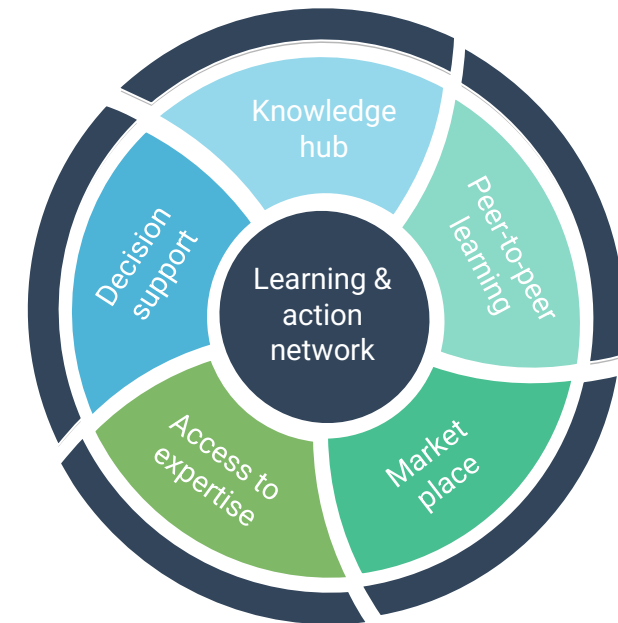
# invest4health: Learning and Action Network

Shared learning and networking is a key service line of the I4H programme

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invest4health is building a African-centered LAN for outcomes-based contracting with the following service delivery areas:

- **Knowledge hub:** Knowledge products, curated evidence, guidelines, tools and publications hosted on the invest4health website
- **Decision support:** Develop a guided interactive tool to enable stakeholders to conceptualize an appropriate outcomes-based solution for their health/ social problem.
- **Peer to peer learning opportunities:** Facilitate learning between network members through webinars, workshops & mentoring arrangements between the different members
- **Marketplace:** A platform for outcomes funders, investors, social innovators and service providers to meet. The platform will Connects people and organizations and promotes partnerships.
- **Access to technical expertise:** Facilitates access to a mix of specialist expertise along the outcomes contracting continuum





# INVEST4HEALTH SUMMARY : NEXT STEPS

- Launch of Learning Action Network:
  - Mentimeter
  - Survey after the webinar
  - I4h Website
  - Future engagements and training opportunities
- Development of new SIBs/outcomes-based contracts
  - MDR TB
  - Out of schoolgirls
  - First 1000 days- optimize teenage pregnancy outcomes
  - Kidney transplants
  - Air Emergency and Routine Services to inaccessible rural areas
- Work with government and other stakeholders to develop a large long term outcomes fund that will fund innovative solutions with enhanced impact- these will then be scaled up to address complex social challenges impeding achievement of the sustainable development goals.
- Explore other forms of innovative finance
  - Debt transfer
  - Development impact bonds

