Resilience in outcomes-based partnerships & key considerations for the recovery from COVID-19

Engaging with Evidence Session 6
14 June 2021
About the Government Outcomes Lab (GO Lab)

Established in 2016

Partnership between UK Government & University of Oxford

We investigate government's role in unlocking fruitful cross-sector partnerships to improve social outcomes
Welcome to the sixth session of the Engaging with Evidence series

An open platform for policymakers, practitioners and researchers around the world to engage with key findings from the latest research and evaluation work in the field

- Distillation of key research findings
- Practical insights from practitioners across different sectors and fields
- Honest and constructive dialogue

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https://golab.bsg.ox.ac.uk/engagingwithevidence

SAVE THE DATE: 9 - 10 September 2021
Social Outcomes Conference
In today’s session:

I. Outcome-based financing for service delivery and key considerations for recovery from COVID-19

II. Resilience in public service partnerships: evidence from the UK Life Chances Fund

III. Panel discussion structured around three core themes:
   • Role of outcomes-based partnerships in COVID-19 response and recovery
   • Innovations & adaptations in response to local contexts
   • Practical considerations for using outcomes-based partnerships for rebuilding and resilience
Our audience this morning
Outcome-based financing for service delivery and key considerations for recovery from COVID-19

Jessica Anne Lopez and Max Bode, World Bank
Outcome-Based Financing for Service Delivery
with key considerations for the recovery from COVID-19

Max Bode
Jessica Lopez Taylor

June 14, 2021
COVID-19 and service delivery
The challenges

COVID-19 exacerbates financing gaps and capability gaps in low-income countries:

$2.5–$3 trillion annual financing gap – even prior to the pandemic.
External financing gap increased $25-$100 billion due to pandemic.

Half of the historically low-income countries still have weak state capability.
Worse yet, 75% of these countries regressed in recent decades.
OBF can induce cost-effectiveness and innovation for public and private service providers alike, when designed well and used in appropriate circumstances.
System Strengthening RBF is prevalent. PforR committed $40b in funding.

1. Avoid service providers mimicking good performance
   Combine up-stream institutional capacity KPI with down-stream outputs and outcome-level KPI

2. Avoid deepening structural inequities in outcomes
   Provide supplemental TA or set higher prices for low-capacity service providers.

Example: A 1-year RBF program by MCC in Sierra Leone enabled the public water utility Guma Valley to turn its performance around by increasing revenue by 33% and decreasing non-revenue water.
Targeting vulnerable populations

Value proposition 3

OBF can incentivize service providers to target vulnerable populations by providing **differential pricing** or **setting results quotas**.

Commonly used for addressing **gender inequities**, **economic inequities** or **targeting vulnerable populations** such as refugees or children with disabilities.

Example: The **Nepal Employment Fund** effectively uses compounding differential prices.

More case studies: Instiglio (2018) “Results-based Financing to Enhance the Effectiveness of Active Labor Market Programs.”
While the private financing supply is strong despite the pandemic, the value-add should be clearly identified and carefully weighed with associated complexity and costs.

Value-add of private sector financing:

1. **Additionality** when *RBF payments close a viability gap.*
   Example: Output-Based Aid with bank loans for utilities.

2. **Innovation** when *investors carry risk of failure for government.*
   Example: Impact Bonds with impact investors and NGOs.
Recommendation 1: Scale OBF through governments

- Challenge: Long lead times and high transaction costs
- Scaling can considerably reduce lead times and relative transaction costs
Recommendation 2: Focus on the issue, not the instrument

By focusing on the issue first, an appropriate combination of funding and financing instruments and metrics can be considered to address service delivery challenges.

- Lower results risk of misattribution due to greater manageable control
- Greater incentive alignment with desired impact
- Greater autonomy and flexibility to manage to desired impact
- Greater risk transfer from funder to incentivized actor (service provider and/or investor)

Source: Adapted from Instiglio
Recommendation 3: Simplicity

• Challenge: Overly complicated OBF designs can reduce effectiveness and increase transaction costs and lead times

• Limit the number of outcome metrics

• Avoid overly complicated pre-financing arrangements

“Everything should be made as simple as possible, but no simpler.”

Albert Einstein
Recommendation 4: Strong governance, preparation, and flexibility

Actively managing risk by planning in advance for worst-case scenarios can mitigate the uncertainty induced by unforeseen events and provide OBF programs with the flexibility to adapt as needed.

- How does the change affect the strength and alignment of incentives with the desired impact?
- Does the change provide service providers with the resourcing and flexibility needed to adjust their intervention to meet the changing needs of beneficiaries?
- Do the changes need to reduce the payment risk and cash flow concerns?
- Can verification be delayed to avoid periods in which infection rates are high?
- What are the costs, and how long does it take to make these adjustments?
Recommendation 5: Robust attribution and safe data collection

- Tie funding to results over which providers have greater control
- Innovative technologies for remote verification
Resilience in public service partnerships: Evidence from the UK Life Chances Fund

Clare FitzGerald, University of Oxford
## Defining Resilience

### Two dimensions: What is the object of resilience and when is that object understood to be resilient?

<table>
<thead>
<tr>
<th>The ‘What’</th>
<th>The ‘When’</th>
</tr>
</thead>
<tbody>
<tr>
<td>A continuation of <em>function</em>, like uninterrupted therapeutic support or water supply.</td>
<td><em>Precursor resilience</em> as the ability to cope with a sudden shock.</td>
</tr>
<tr>
<td>A continuation of <em>structure</em>, like maintaining internal command structures or community identities.</td>
<td><em>Recovery resilience</em> as how well organizations or communities return to ‘normalcy’ after a shock as occurred.</td>
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<td><em>Adaptive resilience</em> as the ability to learn from past experiences and improve capacity to withstand crises over time.</td>
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## The Ladder of Resilience

<table>
<thead>
<tr>
<th>Step</th>
<th>Function Description</th>
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<tbody>
<tr>
<td><strong>Adaption</strong></td>
<td>5. Learns and applies lessons to improve future functional resilience</td>
</tr>
<tr>
<td></td>
<td>6. Learns and applies lessons to improve future structural resilience</td>
</tr>
<tr>
<td><strong>Recovery</strong></td>
<td>3. Recovers and functionally returns to a state of normalcy post-crisis</td>
</tr>
<tr>
<td></td>
<td>4. Recovers and structurally returns to a state of normalcy post-crisis</td>
</tr>
<tr>
<td><strong>Precursor</strong></td>
<td>1. Maintains function during crisis</td>
</tr>
<tr>
<td></td>
<td>2. Maintains structure and integrity during crisis</td>
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<table>
<thead>
<tr>
<th>When^</th>
<th>What&gt;</th>
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<tr>
<td>Function</td>
<td>Structure</td>
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What drives resilience?

- **Governance**: clear and flexible planning and decision-making processes; decentralized where possible
- **Resources**: material and information resources ‘not so overstretched as to make adaptation impossible’
- **Human factors**: human capital, leadership, organizational culture, ‘challenges as learning opportunities’
Are IBs resilient?

• Pivot ongoing LCF evaluation to answer:
  – RQ1: how was functional resilience displayed by LCF SIBs in the Covid crisis, and what drivers were identified?
  – RQ2: how was structural resilience displayed by LCF SIBs in the Covid crisis, and what drivers were identified?

• Secondary data analysis covering 31 LCF-funded projects
  – Functional resilience: continued service delivery
  – Structural resilience: opting to stay on outcomes-based payments rather than switching to activity-payments or pausing.
Were LCF IBs resilient?

<table>
<thead>
<tr>
<th>Resilience was possible because:</th>
<th>Resilience was reduced because:</th>
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<tr>
<td><strong>Functional resilience</strong> (continued service delivery during summer 2020)</td>
<td><strong>Some outcomes became unachievable, breaking the logic of continuing services and/or requiring renegotiation of outcome targets and timescales (governance + human factors)</strong></td>
</tr>
<tr>
<td>• Outcomes contracts allowed creative adaption of existing services to virtual delivery (<em>governance</em>)</td>
<td>• Meeting urgent and unexpected needs could reduce future financial viability (<em>resources</em>)</td>
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<tr>
<td>• New services to meet clients’ urgent needs were introduced to ensure their long-term engagement (<em>governance + resources</em>)</td>
<td>• Referral numbers were volatile, making future outcome payments uncertain (<em>resources</em>)</td>
</tr>
<tr>
<td>• Managers were able to divert and redeploy resources as required (<em>governance + resources</em>)</td>
<td>• Client engagement was difficult to sustain through virtual delivery, caseworkers and managers experienced frustration and pressure (<em>human factors</em>)</td>
</tr>
<tr>
<td>• Delivery was protected either through grants from DCMS or continued investor funding (<em>resources</em>)</td>
<td>• Some timescales and targets for outcomes were renegotiated (<em>governance + resources</em>)</td>
</tr>
<tr>
<td>• Front-line staff were supported through training and personal online contact (<em>resources + human factors</em>)</td>
<td>• Projects had difficulty evidencing outcomes during the crisis (<em>governance + resources</em>)</td>
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<td>• Collaborations with local agencies were maintained (<em>human factors</em>)</td>
<td>• For projects switching to grants, commissioners funded the service regardless of outcomes. For those which paused, most launched on grants (<em>governance + resources</em>)</td>
</tr>
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| **Structural resilience** (stayed on outcomes contracts in summer 2020) | |
| • For projects staying on outcomes contracts, cash flow was assured by investors as originally planned (*governance + resources*) | |
| • Long-term delivery duration meant that projects could expect outcomes to be achieved after the crisis if client engagement could be sustained (*resources + human factors*) | |

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## LCF IBs on the Ladder

### Adapation
- **5.** Learns and applies lessons to improve future functional resilience
  - Too soon to tell.
- **6.** Learns and applies lessons to improve future structural resilience
  - Too soon to tell.

### Recovery
- **3.** Recovers and functionally returns to a state of normalcy post-crisis
  - Virtual and/or hybrid service delivery now a standard way of working for providers.
  - Resources + human factors
- **4.** Recovers and structurally returns to a state of normalcy post-crisis
  - All but one LCF project operating on outcomes contract as of February 2021
  - Governance + resources

### Precursor
- **1.** Maintains function during crisis
  - Service delivery maintained or expanded in 18 of 19 launched projects; further nine launched during 2020
- **2.** Maintains structure and integrity during crisis
  - 10 of 31 projects stayed or launched on outcomes contracts.

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### Definition | In LCF IBs | Drivers
---|---|---
When | Function | Structure
Take-aways:

• IBs get to the fourth rung of the Ladder: precursor and recovery resilience is observed.
  – Whether they ‘do better’ than other partnerships is not known.

• IBs have particular strengths around service continuity and adaptation, driven by human factors and flexible resources.
  – It is hard to overstate the importance of flexible resources in enabling functional and structural resilience within LCF SIBs.

• It remains unclear how well IBs will fare longer-term.
  – Today’s activities generate tomorrow’s payable outcomes. LCF projects will enter periods of renegotiation as the impacts of functional and structural adaptations become known.
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Panel discussion

• Role of outcomes-based partnerships in COVID-19 response and recovery
• Innovations & adaptations in response to local contexts
• Practical considerations for using outcomes-based partnerships for rebuilding and resilience
Executive Director of Social Finance, The British Asian Trust

• Abha is a founding member of The British Asian Trust and Executive Director of its Social Finance Unit.
• Abha has over 15 years’ experience working on strategic programmatic solutions, tackling complex issues throughout South Asia.
• Abha has extensive experience of creating and nurturing philanthropic, business and cultural relationships between the UK and South Asia and practical experience of both the private and not-for-profit sectors.
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Emily Gustafsson-Wright
Brookings Institution

Senior Fellow, Global Economy and Development Program, Brookings Institution

• Dr. Gustafsson-Wright is a Senior Fellow in the Global Economy and Development Program at the Brookings Institution.
• Her current focus is on effective delivery of social services including education and health interventions in developing countries.
• She is the premier thought-leader and convener in the field of social and development impact bonds and has published widely on the topic including a recent series of policy briefs, which examine the success of impact bonds over the past ten years.
Executive Director of Social Finance, Finance for Jobs Consulting Services

- Jalil is the Executive Director of Finance for Jobs for Consulting Services (F4J-CS), a Palestinian Private Limited Company, based in Ramallah, that manages the implementation of the first Palestinian Youth Employment Development Impact Bond (DIB).
- The DIB contracts and oversees service providers that provide employment services designed to help Palestinian youth secure sustained jobs for at least 6 months.
- Jalil has also worked with DAI Global as a Senior Advisor and the International Youth Foundation.
Manager, The World Bank

- Maitreyi Bordia Das is Practice Manager in the Urban, Resilience and Land Global Practice of the World Bank.
- She oversees several global programs, including the Global Partnership for Results Based Approaches (formerly, GBOPA) and the Tokyo Development Learning Center. Previously, she was the Bank’s first Global Lead on Social Inclusion.
- She has long-standing research and policy experience in human development and infrastructure related sectors.
Richard spends half his time as a Senior Advisor for the Global Fund, working on non-public sector engagement and the use of results-based and activity-based contracting within HIV/AIDS/malaria prevention.

He also works as a Senior Consultant for the World Bank, currently supporting the Ministry of Public Health in Afghanistan with the management of contracted health services in which service provider payments are tied to the delivery of key health interventions.

He is Chair for several impact bonds, including the Development Impact Bond in Palestine and four Social Impact Bonds in the UK.
Thank you for joining us!

We would love your feedback!