PAY-FOR-SUCCESS MODELS IN ASIA PACIFIC: THE EARLY MOVERS
Australia ● India ● Japan ● South Korea
In 2015, 193 countries adopted the most ambitious, all-encompassing agenda to guide the advancement of humankind for the next 15 years. The Sustainable Development Goals are three-dimensional in nature and aim to positively impact the global economy, society and environment.

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

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

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

Jonathan Wong  
Chief of Technology and Innovation  
United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

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

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

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

Naina Subberwal Batra  
Chief Executive Officer  
AVPN
Join a community of policy champions to effectively mobilise resources for impact

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

Bring strategic policy initiatives to fruition through multi-sector partnerships

AVPN SOCIAL ECONOMY POLICY FRAMEWORK

Establishing leadership and building alliances within and outside the government

Legislation and regulations that impact the social economy

Enabling policies that strengthen capabilities, knowledge and infrastructure in the social economy

Policies that provide market outreach and revenue opportunities for social purpose organisations

Policies that unlock or mobilise diverse forms of capital for the social economy
Newpin New South Wales Social Benefit Bond (SBB)

AUSTRALIA

At a Glance

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

<table>
<thead>
<tr>
<th>Duration</th>
<th>7 years, starting from 2013</th>
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<tbody>
<tr>
<td>Sector</td>
<td>Social welfare</td>
</tr>
<tr>
<td>State/City</td>
<td>New South Wales</td>
</tr>
<tr>
<td>Financial Terms</td>
<td>Upfront investment: AUD7 million (USD5.3 million)</td>
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</table>

Key Learnings

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

Impact to Social Economy

Capital Mobilisation

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

Capacity Building

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

Leadership & Alliances

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

Outcome Indicators

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

Outcome payer: Government of New South Wales

Investors: 59 wholesale & 1 retail investor

Intermediary: Social Ventures Australia (manager of Newpin SBB Trust)

Service Provider: Uniting

Evaluator: Urbis

Beneficiaries: Children in out-of-home care & their families

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

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

3. Urbis, the evaluator, prepares annual Progress Reports.

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

5. At the end of the 7th year, the NSW Government makes principal payments and outcomes-based interest to Uniting, who pays back investors.
**Case Study 2**

**Educate Girls Development Impact Bond (DIB)**

**INDIA**

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**At a Glance**

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

**Key Learnings**

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

**Duration**

3 years, from mid-2015 to mid-2018

**Sector**

Education

**State/City**

Bhilwara District, Rajasthan

**Financial Terms**

Upfront investment: INR17 million (USD267,000)

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**Impact to Social Economy**

**Capacity Building**

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

**Market Building**

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

**Capital Mobilisation**

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

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

Project Manager: Instiglio
Design outcomes, payment structure, financial model and provide performance management services

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

Outcome payer: Children's Investment Fund Foundation (CIFF)

Investors: UBS Optimus Foundation

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

Evaluator: IDinsight

IDinsight reports outcome evaluation results to stakeholders on an annual basis

Service Provider: Educate Girls

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

Process Evaluator: Dalberg
Document the process of designing the DIF, follow implementation and disseminate lessons learned

Beneficiaries: 18,000 children in rural Rajasthan, India
Kobe City Social Impact Bond (SIB)

At a Glance

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

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

Key Learnings

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

Impact to Social Economy

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

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

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

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

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

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

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

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

**Outcome Indicators**

- Completion rate of health guidance programme
- Improvement rate of lifestyle habits
- Suppression rate of renal function reduction
Seoul Borderline Intellectual Functioning (BIF) Children Social Impact Bond (SIB)

SOUTH KOREA

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

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

### Impact to Social Economy

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<tr>
<th>Legislation</th>
<th>Capital Mobilisation</th>
<th>Leadership &amp; Alliances</th>
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<td>The passing of the Seoul SIB Act in 2014 put in place the SIB infrastructure to support the development of SIBs among local governments.</td>
<td>The Seoul SIB funds the service provider’s interventions to improve IQ and social adaptability skills for BIF children.</td>
<td>The establishment of the SIB Local Government Council in 2016 reinforces policy infrastructure and provides expertise to local governments on SIB execution in their respective contexts.</td>
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</tbody>
</table>

### Financial Terms
- **Duration**: 3 years, starting from August 2016
- **Sector**: Social welfare
- **State/City**: Seoul
- **Upfront investment**: KRW1.11 billion (USD1.03 million)
Improvement of IQ levels for BIF children to above 84, and for children with mild intellectual disability to above 70

Improvement of social skills

Outcome Indicators

Investors:
UBS Securities, People and Peace Link, Merry Year Social Company (MYSC)

Outcome payer:
Seoul Metropolitan Government

Intermediary:
Pan-Impact Korea

Service Provider
DAEKYO Consortium

Beneficiaries:
BIF children living in welfare facilities

1. Investors provide upfront financing of KRW1.11 billion (USD1.03 million) to DAEKYO Consortium via Pan-Impact Korea

2. Daekyo Consortium delivers interventions to improve IQ and social adaptability skills for BIF children

3. Sungkyunkwan University conducts the last of 6 evaluations in 2019 to determine the achievement of outcomes

4. Sungkyunkwan University reports evaluation results

5. Through Pan-Impact Korea, the Seoul Metropolitan Government repays investors the principal, plus a reward, depending on outcomes
AVPN is a unique Pan-Asian funders' network catalysing the movement towards a more strategic and collaborative approach to social investments to address key social challenges facing Asia today and in the future.

To view the full case study, please visit: www.avpn.asia/apf-resource/pfs-models-in-apac/

For more policy-related resources, please visit our website at: www.avpn.asia/asiapolicyforum/

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