

SOCIAL FINANCE WELCOMES THE SECRETARY OF STATE FOR INTERNATIONAL DEVELOPMENT'S SUPPORT FOR DEVELOPMENT IMPACT BONDS

Social Finance welcomes the Secretary of State for International Development's support for creating a market for Development Impact Bonds, including researching and designing a Development Impact Bond (DIB) for preventing sleeping sickness in Uganda.

Development Impact Bonds are a new financing instrument that could bring together investors, governments, the private sector and civil society to provide public services in developing countries. In a DIB, money from investors is channelled to local public and private service providers. If independently verified evidence shows that intended results have been achieved, the government and donors repay the investors their principal plus a financial return linked to performance.

Development Impact Bonds were pioneered by Social Finance and the Center for Global Development, through a working group co-chaired by Toby Eccles, co-founder of Social Finance, Owen Barder, Director for Europe for CGD and Elizabeth Littlefield, President and CEO of OPIC.

DIBs are an adaptation of Social Impact Bonds, originated by Social Finance, which are an innovative way of financing public services that have garnered worldwide attention. The main additional characteristic of Development Impact Bonds is that in countries whose governments cannot yet afford the full cost of additional public services, donors provide some or all of the repayment to investors when the results are proven.

DIBs are especially relevant at a time when tightening public budgets and the shortcomings of traditional funding models have generated more interest in results-based approaches to aid. The last decade has seen donor money shift towards newer, more adaptive and more flexible results-based mechanisms. However operational, financial and political constraints on donors have limited their widespread adoption. Development Impact Bonds are an innovative instrument that could help overcome some of those obstacles.

Notes to editors

1. The Secretary of State for International Development was speaking at the Global Partnership for Effective Development Cooperation summit in Mexico:
<https://www.gov.uk/government/news/uk-development-bonds-will-combat-global-poverty>
2. For more information about Development Impact Bonds please contact **Social Finance on 0207 667 6389**.
3. The final report of the Development Impact Bond Working Group is online at:
<http://www.socialfinance.org.uk/resources/publications/investing-social-outcomes-development-impact-bonds>
4. **Social Finance** is a not for profit FCA regulated social investment intermediary. Its original team, established in 2007, developed the blueprint for the social investment



bank. Social Finance is the originator and foremost developer of Social Impact Bonds in the UK and abroad, in partnership with local organisations

5. **The Center for Global Development** is an independent, non-partisan think tank which works to reduce global poverty and inequality through rigorous research and active engagement with the policy community. CGD combines world-class research with policy analysis and innovative communications to turn ideas into action

6. The key characteristics of a Development Impact Bond are:
 - Some or all project financing is provided by **investors** who assume risk for project performance
 - An **outcome funder** (such as a government or a donor agency) must be willing to pay for pre-defined results after they are achieved
 - **Financial returns** to investors are based on the achievement of social outcomes
 - **Outcome funders do not specify interventions** – strategies for achieving outcomes are agreed between investors and service providers, usually through an intermediary or coordinating agency, with some flexibility for adaptation through the duration of the programme
 - Contract outcomes and outputs are **independently verified** to ensure that both investors and outcome funders are confident about the extent to which results have been achieved



7. This diagram illustrates the generic structure of a Development Impact Bond:

