

October 2022

WORKSHOP IN SUSTAINABLE DEVELOPMENT PRACTICE
Preliminary Terms of Reference
Fall 2022 – Spring 2023

Project Title: **Supporting the IDB Lab’s Outcomes Hub (Scaling Results-Based Interventions in Latin America and the Caribbean)**

Client/Host Agency: **Inter-American Development Bank - IDB Lab**
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Background: **Inter-American Development Bank**

The Inter-American Development Bank (IDB) works to improve lives in Latin America and the Caribbean (LAC). Through financial and technical support for countries working to reduce poverty and inequality, IDB helps improve health and education and advance infrastructure. Its aim is to achieve development in a sustainable, climate-friendly way. With a history dating back to 1959, today IDB is the leading source of development financing for LAC. IDB provides loans, grants, and technical assistance, and conducts extensive research. IDB maintains a strong commitment to achieving measurable results and the highest standards of integrity, transparency, and accountability.

The IDB prioritizes social inclusion and equality; productivity and innovation; and regional economic integration in its development work across LAC. In doing so, it addresses the cross-cutting issues of gender equality and diversity; climate change and environmental sustainability; and institutional capacity, and the rule of law (<https://www.iadb.org/en/about-us/overview>)

IDB Lab

IDB Lab is the innovation laboratory of the IDB Group. The Lab mobilizes financing, knowledge and connections to test early-stage

entrepreneurial solutions and to develop the ecosystems where these can thrive. It also offers the rest of the IDB Group a platform for proof of concepts, experimentation, early-stage investments, and market solutions that can later be scaled by IDB or external partners.

The Outcomes Hub (Scaling Results-Based Interventions Facility)

There is a growing consensus that more accountability and effectiveness in international development aid is needed. Despite the active intervention of international financial institutions and national, regional, and international donors and public expenditure on investment in LAC, economic, social, and environmental progress in LAC, which was lagging before the pandemic, has been further undermined due to the impact of COVID-19. In some cases, important gains have been reversed. Meanwhile, private investors find it difficult to address social and environmental problems and to reach the most vulnerable.

Results-based financing (RBF) has the potential to change this course. By introducing well-designed and targeted performance incentives in procurement of public services, RBF draws attention to outcomes, incentivizes delivery teams to maximize outcomes, generates greater accountability, and encourages outcomes-based pricing that provides resources for innovation and quality assurance.

To advance RBF in the LAC region, the IDB Lab plans to establish a Scaling Results-Based Interventions Hub (Outcomes Hub). Led by the IDB Lab, the Outcomes Hub will drive greater resource efficiency, development effectiveness and improved gender inclusion, social and environmental outcomes, and innovation in LAC by reducing technical barriers to entry through developing results-based interventions.

The Outcomes Hub will focus on the following aspects: (i) identifying 20 demonstration results-based interventions, (ii) incorporating digital technology to reduce costs related to verification and/or results-based intervention (RBI) processes, (iii) deploying 7-10 results-based projects that focus on IDB Lab thematic verticals and mobilize local co-financing to pay for results, and (iv) launching an Outcomes Knowledge Hub that will serve as a resource library where public and private practitioners can find frameworks, training and certifications, do-it-yourself results-based-payments guides, results-based intervention case studies, and an outcomes champion community.

Outcomes Hub Scalability

Given the relative lack of knowledge regarding innovative financing mechanisms in the LAC region, and the difficulties facing government spending as a result of COVID and other challenges, IDB Lab plans to incubate the Outcomes Hub, piloting specific sectoral demonstration sub-projects with a view to installing capabilities and knowledge and a key long-term strategy to:

1. transfer administrative and contracting learning, best practices and skill building of pay-for-success aspects to new governments, donors, thematic clusters, and sponsors seeking effectiveness in their social spending;

2. establish a practice that enables IDB Lab to tie a larger part of its portfolio to results;
3. provide evidence to a highly fragmented donors' landscape in LAC to be able to pool resources around impacts that matter most;
4. provide new opportunities for mobilizing private finance and non-traditional funding into LAC around impact; and
5. experiment with blended finance products within the IDB Group.

The Outcomes Hub will demonstrate key learnings that can be adapted and used in other countries in LAC. The evidence provided by other pay-for-success (PfS) projects, as to improved results and more efficient and effective use of funds, should be a strong motivator for governments to incorporate PfS in social programs and policies.

For the financial sustainability of the Outcomes Hub, there is an interest in this Hub playing a role in the ecosystem services offered by IDB Lab. Once the sub-projects are launched, and the knowledge instruments are developed, IDB Lab will be poised to deliver and support RBF within the IDB Group and with third-party private or public sponsors. The Hub through IDB Lab may also partner with other international outcomes payment allies (e.g., GoLab, Outcomes Accelerator) to support deployment of government RBF adoption projects.

Finally, the Outcomes Hub seeks to test the social impact bond model through the IDB Group's institutional funding mechanisms, as a means to connect corporate and institutional funding sources with PfS projects and vehicles.

Objective:

The IDB Lab would like the assistance of a SIPA workshop team to support the design and launch of the Outcomes Hub Scalability Model.

Tasks:

To support this objective, the SIPA team is expected to work on the following tasks:

1. Support the design and prototyping of an innovative funding mechanism, based on a social impact bond model, and leveraging the IDB Group's institutional funding sources (i.e. bonds). Activities are likely to include desk research, and bilateral meetings with IDB Lab and IDB Group finance and treasury departments.
2. Support the Outcomes Hub's knowledge generation activities. This task is likely to include:
 - a. Reviewing, analyzing, and codifying existing knowledge generated by previous outcomes payment projects, such as Colombia's Workforce Development Social Impact Bond, and others;
 - b. Developing a preliminary handbook consolidating insights from existing "do-it-yourself" guides for outcomes payment projects; and
 - c. If time permits, testing the handbook with pilot trainings (potentially through the Columbia network), to ensure

that the handbook is easy to use and practical for development policy practitioners.

Deliverables:

The deliverables for the project are expected to include:

1. A detailed work plan
2. Draft final report
3. Final report
4. Presentation of highlights of the team's work at SIPA in late April 2023 (a separate remote presentation for the IDB Lab can also be arranged).

The final report should include the following as annexes: (a) for Task 1, the business case for an innovative funding prototype, and (b) for Task 2, a draft handbook on outcomes payment projects, including a comprehensive reference list of relevant resources.

Requirements:

This project requires a diverse team with varied experience, and a high communications ability.

The IDB Lab looks for “out of the box thinkers”, “givers” and “can-doers”. The Lab is about experimenting with innovations, scaling those interventions or learning from failures. The team should be flexible as priorities may evolve.

The working language will be English, but about half of team members should have intermediate to advanced proficiency in Spanish (since most relevant knowledge products will be in Spanish).

In addition, the following experience is desired for the different tasks. The ideal team should have at least one person with each of these backgrounds.

Task 1: finance, business or economics background. Experience in central bank finance is a plus.

Task 2: research, knowledge production and or pedagogical background.

Logistics:

The SIPA student team will conduct desk research and informational interviews from New York City beginning in November 2022. The IDB Lab will arrange for the team to receive relevant background documents and information, will provide guidance and feedback on draft deliverables, and will provide logistical support for the team's Washington, DC and/or Colombia visits.

This project is expected to involve travel to IDB Headquarters in Washington D.C. for meetings with relevant IDB staff. Subject to further consultation with IDB Lab staff, it may be possible to arrange a visit in March 2023 to Bogotá, Colombia where the Pay for Success in Urban Workforce Development Project is being implemented through May 2023.

