Palladium

Lessons Learnt from Developing a DIB market
Palladium is a global leader in the development and delivery of Positive Impact - the point where commercial and social goals are inextricably linked and social and financial impacts are equally considered.

We work with governments, corporations and non-profit organisations to deliver solutions that transform lives. Through this work with businesses, communities, societies and economies we help to create enduring value.
Financing for Development

Palladium is leading the way in innovating to mobilise new sources of financing for development, aligning private interests with the public good through three offerings.

**Impact Investing**
- Opportunity identification
- Due diligence
- Structuring and testing
- Scaling and replication
- Financial advisory
- Intermediary support
- Capital mobilisation
- Asset management

**Private Sector Engagement**
- Donor investment platform design eg DFID GBP500m DevCap Agribusiness Investment Platform Scoping and Design
- Public sector investment advisory
- Shared value programmes
- Innovation
- Initiative realization
- Business partnerships
- Risk & Governance

**Development/Social Impact Bonds**
- Feasibility assessment
- Design
- Deal structuring
- Performance management
- Results verification
- Marketplace development
Development Impact Bonds
Aligning private interest with the public good through structured financial instruments

CREATE

Palladium has been developing a pipeline of payment-by-results financing mechanisms since early 2014.

Impact Bonds represent the convergence between Impact Investment and Payment-by-Results, with the potential to drive greater efficiency, results and participation of private and institutional investors in the delivery of development projects.
### Palladium’s Impact Bond pipeline

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<th>Interested Outcome Funders</th>
<th>Potential Investors</th>
<th>Advisors/Intermediaries</th>
<th>Social Impact</th>
<th>Fund Size Duration</th>
<th>Palladium Role</th>
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### Also in Pipeline

- **Ethiopia**
- **Papua New Guinea**

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<td>GBP25mil 5 Years</td>
<td>Design completed, currently structuring investment deal and will shortly be raising capital.</td>
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<td>US$9.5mil 5 Years</td>
<td>Finalised feasibility study in mid-2015. Currently serving as Advisor</td>
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<td>GBP12mil 5+5 Years</td>
<td>Conducted feasibility study in September 2015</td>
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<td>USD20mil 8 Years</td>
<td>Scoping completed Requesting funding for design phase</td>
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Rajasthan Reproductive, Maternal, Newborn, Child and Adolescent
Health Impact Bond

Through 5 years of activities at maximum scale this Impact Bond is projected to:

- Mobilise private capital to take on the risk of achieving significant gains in RMNCH+A
- Contribute additional 13% decrease in MMR by 2021 from 2015 baseline ^
- Contribute additional 20% decrease in IMR by 2021 from 2015 baseline ^
- Increase modern CPR by 10 percentage points (double m-CPR by providing options) ^
- Generate additional 6 million CYPs*
- Produce direct healthcare cost savings of more than INR1000 crore (USD170mm) (lifespan impact); INR170 crore (USD28mm) direct cost saving in 5 years*
- Achieve all this with the equivalent of 2.5% of the state NHM annual budget

^ Based on modelled projections of private sector contributions
* MSI Impact calculator
Impact Bonds in Developing Countries
Palladium’s experience

- High entry costs
- Lack of fit for purpose procurement and contracting mechanisms
- Questions around Value for Money
- No consistent way to calculate Risk Adjusted Rate of Return
- No proof of concept available

Although new mechanisms (e.g. IADB Facility, Convergence) have come online, costs to develop these are high and are taking a toll on first movers.

Very new set of problems here – commercial return issues, CoI issues, transparency – very different to traditional donor and government processes.

If all goes well, the intervention is often more expensive. Then you have the transactional costs. Is it worth the risk shifting and focus on results?

By their very nature, DIBs are set in locations with variable data quality and inherently more volatility. Very difficult to propose a robust RARR # to the ICs.

Everyone wants to see something that has demonstrably worked, but no one likes ‘pilots’ – or taking large swathes of risk.
THANK YOU