



ife

Innovative Finance
for Education

Case
Study

Proyectá Tu Futuro: A Social Impact Bond for Education and Employability Training in Buenos Aires

A case study of a travelling policy

Felicitas Acosta

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LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|----------------|---|
| BA | Autonomous City of Buenos Aires |
| IE | Independent Evaluator |
| IF | Innovative Financing |
| GSGII | Global Steering Group for Impact Investment |
| GCBA | Government of the City of Buenos Aires |
| SECPEGC | Secretariat of Planning, Evaluation and Government Coordination |
| SDGs | Sustainable Development Goals |
| NGOs | Non-Governmental Organisations |
| PPPs | Public-Private Partnerships |
| PTF | Proyectá Tu Futuro |

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EXECUTIVE SUMMARY

In recent years, the world has seen a breakthrough in innovative financing (IF) mechanisms, which often apply practices originating in the business sector to the education and development sector. This fast-growing phenomenon is rooted in the 2030 Sustainable Development Goals (SDGs) Agenda, which seeks to ensure universal literacy and inclusive, equitable and universal access to quality education for all (SDG Goal 4), while also revitalising global partnerships for the implementation of its targets (SDG Goal 17). The need to increase funds in the fields of education and development is urgent, as the Education Commission estimated an annual USD 1.8 trillion funding gap with regard to reaching the SDGs' educational targets. However, Argentina, the country focus of this study, has reduced its public spending on education since 2016, within a system rife with quality and equity challenges.

In Latin America, innovative financing mechanisms, such as Social Impact Bonds (SIBs), are in their early phases, with only a few cases in Colombia, Mexico and Peru. SIBs are outcome-based mechanisms in which a government acts as the commissioner by setting the outcomes to be reached, the working capital is provided by private investors or international government organisations and third-sector organisations act as service providers. The schema is focused on results, is flexible regarding the types and processes of the interventions and has an independent evaluator to assess the results upon which repayments and financial returns are dependent.

SIBs can be seen as travelling policies connected to policy borrowing and lending processes, where policies and ideas are not only transferred from one country to another, but also translated to different policy areas and sectors. Following Steiner-Khamsi's (2014) analytical approach to policy borrowing, this study aims to understand when, why and how a SIB, a Global North financing tool, was adopted in Argentina.

In this context, in 2018, "*Proyectá Tu Futuro*"¹ (PTF), the first SIB in the country, was launched in Buenos Aires, Argentina, aiming to simultaneously tackle the low graduation rates in secondary education and unemployment among young adults. In Argentina, only 5 out of 10 students who start secondary education graduate, and roughly half of them do it without repeating a school year

(DIEE, 2018). Furthermore, unemployment affects 24.9% of young adults (aged 18-24), the highest in Latin America, and up to 20.2% in the case of the City of Buenos Aires (OIT, 2018). Therefore, in a process that began in 2016, PTF has brought together a large range of stakeholders to jointly address these interrelated problems:

- **Commissioner:** Government of the City of Buenos Aires (GCBA)
- **Technical Assistance:** Acrux Partners, Social Finance and Alimentaris Foundations
- **Investors:** Bank of the City of Buenos Aires; Bank of Galicia; IRSA Local Commercial; Exotrade S.A. (*Organización Román*); Private Investor; Inter-American Development Bank
- **Service Providers:** AMIA; Forge; Pescar; Reciduca
- **Independent Evaluator:** San Martín Suárez (SMS)
- **Legal Assistance:** Beccar Varela (law firm); Rattagan Macchiavello Arocena (law firm)

The main goal of PTF is to reach young adults living in vulnerable conditions who face difficulties in terms of obtaining employment in the formal economy — something that is considered to be a turning point with regard to their future lives.

Thus, PTF was set up to help 1,000 participants receive training in soft skills from one of the four service providers in the programme, which would also support and monitor the participants in finding job placements. In this line, PTF established four outcomes, each with a range showing the expected minimum results to make it financially sustainable and the maximum results that would trigger repayment per outcome: (1) Support to complete secondary education (29%-42%); (2) Placement in formal employment (28%-36%); (3) Employment sustained for 4 months (21%-34%); and (4) Employment sustained for 12 months (not specified). In PTF, the upfront investment is not predetermined, but subject to training delivery costs, while repayments are capped at ARS 48,400,000, approximately USD 1,265,028. Thus far, the upfront investment has been nearly USD 1,000,000, as the private investors took a loan from the Inter-American Development Bank to protect themselves from the macroeconomic instability affecting Argentina, which experienced two large devaluations between 2018 and 2019.

PTF's results up to October 2020 were in line with expectations. A total of 751 young adults had finished their training, 304 were in training and 46 had dropped out. Furthermore, of those who had finished their training, 96 (12.8%) had finished secondary school (Outcome 1) and 254 (33.8%) had a successful placement (Outcome 2), of which 141 participants (18.8%) had sustained their job for 4 months (Outcome 3) and 22 (2.9%) had already maintained it for a year thus far (Outcome 4). However, as investors took out the Inter-American Development Bank (IDB) loan in US dollars and the government's repayments are in Argentine pesos, the investment return has been seriously compromised.

During the different phases of PTF, several challenges arose, testing both the actors' determination and the tool's flexibility to overcome them. First, coordination among stakeholders who were not familiar with the SIB schema was troublesome. Second, different overhead costs arose, especially those linked to the Covid-19 pandemic. Third, Argentina did not have a legal framework suitable for outcome-based mechanisms. Finally, the country's economic crisis and severe currency devaluations negatively impacted the financial schema of the SIB, almost eliminating the possibility of a financial return for investors.

On the other hand, the experience of PTF has created a window of opportunity for improvements in many areas. First, it has highlighted the benefits of outcome-based policymaking both for the government and the recipients. Second, it has raised the bar for the Buenos Aires government in terms of enhancing data transparency and public expenditure efficiency. Third, it has allowed the government to reach out to its target population, showing promising results. Fourth, PTF has generated multi-sectoral engagement, bringing together inputs from different actors. Finally, as the project risk was shared, none of the actor was alone responsible for all the challenges along the way.

Besides challenges and opportunities, the first SIB in Argentina has several lessons to offer as a travelling policy. To begin with, the SIB needed some key actors to be the driving force throughout the different phases. In this regard, Acrux Partners emerged as the pivotal player within PTF, becoming responsible for recruiting providers, convincing investors and communicating with the government. Furthermore, Acrux is heavily involved in the field of impact investing, advocating for more SIBs and innovative financing mechanisms in Latin America, as well as being in close connection with organisations from the Global North, such as Social Finance or the Global Steering Group for Impact Investment (GSGII). On top of this, PTF is an extremely time consuming and also costly project, arguably as it is the first of its kind. Moreover, although the provisional results are in line with expectations, the impact of the programme compared to the overall problem is highly limited, as it only effects up to 1,000 of the almost 40,000 unemployed young adults in Buenos Aires. Therefore, as shown in prior SIBs developed elsewhere, standalone cases have limited impact, requiring a larger ecosystem of impact investing around them to show improved outcomes on a large scale. Last, should the country take advantage of this pioneering experience, it will require a legal framework in line with outcome-based financing in education and more stable financial conditions in the long run.

1

INNOVATIVE FINANCE, SIBS AND TRAVELLING POLICIES

This case study describes and analyses *Proyectá Tu Futuro* (PTF), the first Social Impact Bond (SIB) in Argentina and among the first in Latin America, in the context of a global expansion of innovative financing (IF) in education and development. In particular, PTF tackles two pressing issues: low graduation rates in secondary education and unemployment among young adults. Developed in Buenos Aires from 2016, PTF constitutes a case of a travelling policy, transferred from the financial to the education sector as well as from the Global North to the South. Thus, the following section addresses the emergence of IF globally, its rational and functioning, together with the educational and employability challenges faced by PTF in Argentina.

Innovative finance in education

The emergence of IF mechanisms in the field of education and development constitutes a relatively new global phenomenon (Avelar et al., 2020). Their origin can be tracked to the beginning of the new century and the establishment of the Millennium Development Goals. While in the finance sector, ‘financial innovation’ is geared towards new financial tools or products for risk management and related areas, within the development sector, IF aims to “solve problems, overcome market and political failure, and meet the needs of the poor with the products and services that improve lives” (Keohane, 2016, p. 28). Moreover, sustainable development goals (SDGs) 4 and 17 have set even more ambitious benchmarks for 2030, both in terms of education and enhancing public-private partnerships in development, respectively (UNESCO, 2015b).

The motivations to find innovative ways to increase the amount of funds channelled into education are at least twofold. First, traditional forms of international aid and the inefficiency of public expenditure on education in terms of achieving the proposed goals are often challenged (Fraser et al., 2018; Loraque, 2018). The critique entails a shift from a traditional public sector financing approach, centred on inputs, to outcome-based finance, which is more flexible with regard to inputs and procedures and focuses instead on financing results (Warner, 2013). In this sense, outcome-based financing as part of IF relies on a strong conviction that “market models bring a discipline, efficiency and accountability to development that traditional grants lack” (Keohane, 2016, p. 22).

The second reason for expanding IF into education is the alarming annual funding gap in relation to the target of SDG 4, with a global annual shortfall that is estimated to have a value of between USD

39 billion (UNESCO, 2015a) and USD 1.8 trillion (International Commission on Financing Global Education, 2016). This funding gap entails a stark contrast with the fact that education has become increasingly attractive to for-profit organisations (Robertson & Komljenovic, 2016), which have created different types of market niches (Aslam et al., 2017) beyond traditional private schooling, ranging from test development and preparation (McLean, 2020) to support for school leaders (Matovich & Cardini, 2019) or teacher training schemes (Olmedo et al., 2013), with many of them falling under different forms of public-private partnerships (Verger et al., 2020). Hence, the proliferation of the different forms of IF mechanisms that heavily engage the private sector is also being transferred to education.

SIBs in Latin America

Among the numerous IF mechanisms, a commonality shared by all of them is their focus on the socially desirable outcomes generated by the funded intervention. This idea is drawn from impact investing, which encompasses private investors who are ‘socially motivated’ and look not only for financial returns, but also for social benefits from their capital investments (Avelar et al., 2020). In particular, SIBs are a specific type of outcome-based financing mechanism rooted in the new public management approach to the public sector, which stresses the superiority of private practices over state bureaucracy (Fraser et al., 2018). Thus, although there is variation around specific SIB designs, they consist of “a public-private partnership that funds effective social services through a performance-based contract” (Dear et al., 2016, p. 12).

In this sense, SIBs constitute one of many types of performance-pay contracts for public services, where the government collaborates alongside private investors — both for-profit and

philanthropic ones — to fund interventions to tackle socially relevant problems (Tan et al., 2019). This scheme entails that the private investors assume the risk by providing the upfront capital, and the public sector — although sometimes also a mix of public and private organisations — pays the investors back using its financial returns, based on the achievement of improved social outcomes (Saltman, 2017). Furthermore, frequently one or more third-sector organisations with relevant expertise in the area deliver the intervention, whereas an external evaluator is in charge of assessing the results and determining the repayments (Warner, 2013). Therefore, if the stipulated target results are not achieved or not enough improvement is demonstrated, the investors do not recover the investment or generate returns (Bellinger & Fletcher, 2014).

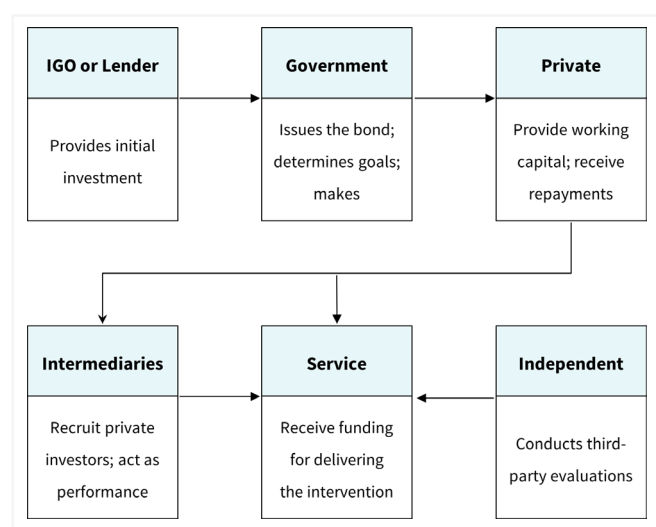


Figure 1. The structure of SIBs; Source: Self-elaborated based on Avelar et al. (2020), Warner (2013) and Mulgan et al. (2011).

However, SIBs have become a controversial tool among scholars who have debated the promises and perils they have to offer in terms of social investment. Sceptical scholars portray SIBs as a threatening neoliberal tool that could be the next step in the marketisation of public service delivery (Cooper et al., 2016; Liebman, 2011). Additionally, critics question the ethical implications of SIBs and point out that the instrument could represent the inappropriate intrusion of the private sector, as it might diminish the transparency of public funds, distorting the social missions of the voluntary and non-profit sectors (Fraser et al., 2018; Lake, 2015).

SIBs are a relatively new tool in Latin America, although international actors have identified it as a promising region for developing a large impact investment market. While SIBs originated in the UK in 2010, in Latin America, they were introduced in Peru in 2015 and Colombia in 2017 and 2019. Thus far, there are only four SIBs in the region, although more are expected to appear in the near future. In particular, the key players advocating for an impact investing market in the Argentine case also work on a global scale: Social Finance (Social Finance, 2020), the Multilateral Investment Fund from the Inter-American Development Bank (MIF-IDB; IDB LAB, 2020) and the Task Force for Impact Investment in the Southern Cone (Grupo de Trabajo de Inversión de Impacto Cono Sur, 2020).

SIBs as travelling policies

Globalisation has been a major catalyst for policy borrowing and lending (Steiner-Khamsi, 2004), where policies and ideas are not only transferred from one country to another, but also translated into different policy areas (Larner & Laurie, 2010). However, just a few among them acquire global status. Thus, following Steiner-Khamsi's (2014) analytical approach to policy borrowing, this study aims to understand *when, why and how* the SIB was adopted in Argentina. Moreover, as the education sector has become a profitable industry on a global scale (Verger et al., 2016), certain key global policy entrepreneurs play a pivotal role in the process of policy transfer, whereas other local agents generate the nexus for its adoption and translation (Steiner-Khamsi, 2014). These policy entrepreneurs or boundary spanners are fundamental players when accounting for the ongoing process of the diffusion of SIBs and, more broadly, IF (Ball, 2016). More precisely, we will look at two components of the policy borrowing process: reception and translation. The reception process entails the interplay between the global education policy space and the national level, and translation addresses the local adoption of the policy, with its contextual adaptations (Steiner-Khamsi, 2014). One example of the underlying mechanisms of reception and translation processes can be found in the use allocated to the term 'bond', which does not refer to a financial asset, but instead to its relational meaning, translated in Spanish and within the legislation as *vínculo*, which means relationship.

In the next section, the aim is to identify the selling points of the SIB that seduced local stakeholders into adopting it. The study followed a qualitative methodology using three different data sources: interviews with key actors, the analysis of international and national policy documents on SIBs and a comprehensive analysis of the Argentine legal framework.

2

COUNTRY BACKGROUND: POTENTIAL CONDITIONS FOR TRAVELLING POLICIES

The expansion of education and the increase in educational investment did not go hand in hand in recent years in Argentina. The performance of the educational system and employment opportunities for young people are not encouraging either, providing a favourable scenario for alternative sources of financing.

Over the last three decades, Argentina has seen a constant expansion of its education system, both at the primary and secondary levels. Whereas net enrolment rates in primary education remained above 98% between 1990 and 2020, net enrolment rates in secondary schooling increased from 74.4% to 90.7% from 1997 to 2018 (World Bank, 2020). In 2006, the country established compulsory secondary schooling as part of its strategy to ensure the right to education for all its citizens (Ruiz, 2016), a measure shared by most Latin American countries at the time (Acosta, 2019). As the intended

expansion of secondary education would impact public expenditure, in 2005, Argentina established that by 2010 a minimum of 6% of its gross domestic product (GDP) should be invested in education. However, in spite of an increase in investment reaching almost 6% in 2015, it began to steadily decline from 2016 up to the present (Claus & Bucciarelli, 2020), as shown in Figure 2.

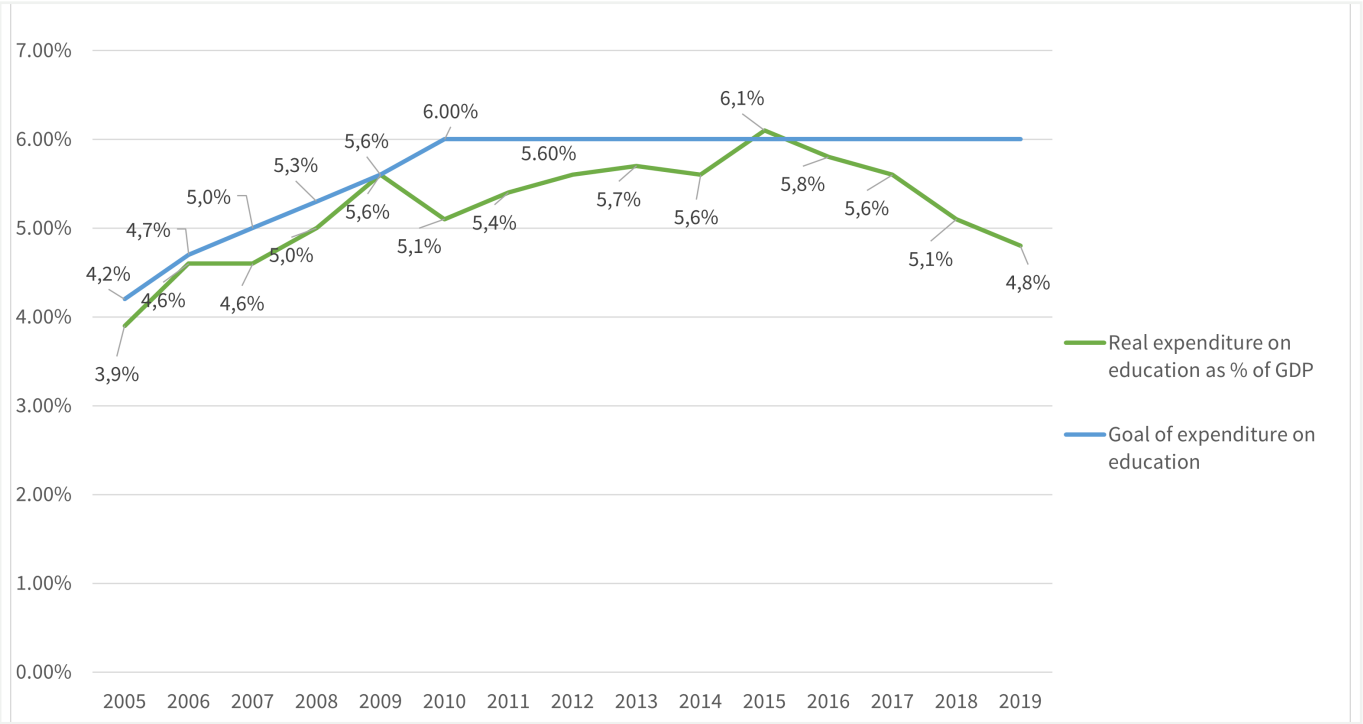


Figure 2. Argentina's expenditure on education; Source: Self-elaborated based on Claus and Bucciarelli (2020).

Argentina's funding shortfall has hit the education system hard, revealing low quality standards and high dropout and low graduation rates, particularly in secondary schooling. For instance, in the 2018 edition of the Programme for International Students Assessment, Argentina ranked 71st in mathematics, 65th in science and 63rd in literacy among 79 countries (OECD, 2019). The international comparison is consistent with the results from the National Assessment of Education Quality *APRENDER*, where 37.5% of students in their last year of secondary school performed less than satisfactorily in literacy, and 68.8% of them did not have satisfactory performance in maths (Ministerio de Educación y Deportes, 2018). Furthermore, the repetition rate in secondary education is 10.8%, which relates to 32% of the students being overage (DIEE, 2018). On top of that, the national dropout rate in secondary schooling is 9.5%, rising to 18.6% in the last year of compulsory education¹ (DIEE, 2018). As a result, graduation rates are considerably below those of enrolment as the national gross enrolment rate is 50.8%, but on-time graduation rates drop to 26.1% countrywide (DIEE, 2018). Undoubtedly, state funding is not enough to improve the current state of affairs of Argentina's education and students' lifelong opportunities. In this regard, PTF could be seen as an attempt to increase the private funding of education to tackle both graduation and employability among young adults.

Youth unemployment in Argentina

Continuous high unemployment rates in Argentina have been one of the many consequences of the repeated economic crises the country has gone through in the last 40 years. In 2018, the rate of unemployment of those aged between 25 and 64 years old with a tertiary education degree was around 40%, one of the highest compared to other middle- and high-income countries (OECD, 2020). Moreover, the proportion of the population aged between 15 and 19 years old that was neither in school nor employed reached 15.1% in 2018 (OECD, 2020). In addition, in 2018, the International Labour Organisation reported that youth unemployment in the country was 24.9%, three times the adult rate and the highest within Latin America (OIT, 2018).

The case of the Autonomous City of Buenos Aires (BA) reveals a similar situation to the national landscape. Unemployment in BA in 2019 affected 10.7% of the city's economically active population and was 2.6% higher than in 2018, but included up to 20.2% of young adults (GCBA, 2020). Moreover, unemployment is worse in the southern (poorer) communes of the city, where the rate of unemployment triples compared to in the northern (richer) ones (GCBA, 2020).

1. In BA, dropouts in the last year affect 21.1% of students, and the on-time graduation rate is 38.5%.

3

THE DEVELOPMENT OF THE SIB: POLICY RECEPTION AND TRANSLATION

The reception and appropriation of financing mechanisms, such as SIBs, is framed in processes of the transnational circulation of policies. Complexities emerge from the contextual conditions. The design and assembly of PTF originated in a chain of coincidences and contacts between actors: experiences outside the country, positions within the government and networks with financing organisations. The translation to the context, in turn, implied the adaptation of the legal framework.

The development of PTF has its origin in a proposal from two Government of the City of Buenos Aires (GCBA) employees, who had past experience with SIBs. One of them was a former McKinsey employee, and the second was a co-founder of Acrux Partners Argentina. In 2015, they pitched the idea to the Secretary of Planning and Management Coordination, who approved the proposal, and a working group was convened to explore the different government areas and potential problems to be addressed through the SIB.

Although the same party was elected to office in BA in the 2015 national and local elections, they entailed the arrival of new government officials, among them a new Executive Director for the Secretariat of Planning, Evaluation and Government Coordination (SECPEGC) who would lead the SIB development from the government's side. For the SECPEGC Director, the SIB entailed three potential benefits: (i) it was aligned with the GCBA's goal of moving towards evidence-based policymaking; (ii) it allowed the government to innovate with regard to socially wicked problems with no or relatively small risk; and (iii) it fostered the involvement of the private and third sector actors in public policymaking. In addition, it was an opportunity to test what had been learnt from abroad.

The key player that supported the government's SIB (Table 1) idea was the MIF-IDB, and it provided a grant to conduct a feasibility study of the project. GCBA officials acknowledged that they occasionally mentioned their idea to an IDB official who, at the time, managed the IDB impact investment area for Latin America. Hence, the GCBA received a USD 600,000 grant to hire Social Finance UK to design and structure the SIB¹. Next, Social Finance hired Acrux Partners as its associate in Argentina, whose Executive Director played a central role in the bond structuring

and implementation phases. Lastly, Acrux subcontracted Alimentaris, a Swiss not-for-profit organisation, whose members had substantive knowledge of the NGO sector in Argentina.

Feasibility phase: problem definition and market assessment

Once Social Finance and Acrux were on board, the feasibility phase of the project began in mid-2016, tackling: (i) the problem definition, (ii) the availability of NGOs with capacity and expertise and (iii) potential investors. For the GCBA, employability among young adults from the southern neighbourhoods of the city was a major challenge. In particular, whether their first employment was in the formal or informal economy was a turning point for their future labour trajectories. Thus, for defining the problem and population, an internal assessment of all GCBA's employability programmes was developed, identifying up to 60 different programmes, run by 6 different ministries and 12 agencies within them, with an annual budget of ARS 1.3 million, approximately USD 29,222,520⁴ and reaching up to 282,000 beneficiaries⁵ (GCBA, 2019a). Furthermore, the GCBA identified 325,260 people classed as experiencing vulnerable employability conditions⁶, representing 16.7% of the working-age population and of which 20.2% were young adults⁷ (GCBA, 2019a).

While analysing its employability programmes, the GCBA identified several problems among them, to which the SIB mechanism could provide potential solutions. As areas for improvement, the GCBA included: (i) improving communications with potential employers during the design phases of programmes and (ii) reformulating its programmes' impact assessments. This last aspect was highlighted by the leader of the Evaluation Unit at the GCBA, who mentioned that its programmes did not have an efficiency rate measure or a cost-benefit analysis, making it almost impossible

| Stakeholder type | Stakeholder name |
|------------------------------|---|
| Government | <ul style="list-style-type: none"> Secretariat of Planning, Evaluation and Government Coordination (<i>dependent on the Chief of Cabinet's Office</i>) <ul style="list-style-type: none"> Direction of Strategic Planning Evaluation Unit Sub-Secretariat of Employment, Industry and Trade <ul style="list-style-type: none"> Direction of Employment Ministry of Education Ministry of Economy Secretariat of Habitat and Inclusion (later dismantled) Secretariat of Media and Communications Vice-Chief of Government <ul style="list-style-type: none"> Direction of Youth |
| Investors | <ul style="list-style-type: none"> Bank of the City of Buenos Aires Bank of Galicia and Buenos Aires IRSA Local Comercial Exotrade S.A. (<i>Organización Román</i>) Private Investor Multilateral Investment Fund - Inter-American Development Bank (MIF-IDB)³ |
| Service Providers | <ul style="list-style-type: none"> AMIA Foundation Forge Foundation Pescar Foundation Reciduca Foundation |
| Consultants & Intermediaries | <ul style="list-style-type: none"> Social Finance UK Acrux Partners Alimentaris Foundation Beccar Varela (<i>law firm</i>) Rattagan Macchiavello Arocena (<i>law firm</i>) |

Table 1. PTF stakeholders²; Source: Self-elaboration based on PTF documents.

to compare them among themselves or with PTF. Furthermore, as shown in Table 2, most GCBA programmes consisted of subsidising participants or organisations, without any follow-up on their impact or the outcomes produced. Thus, the SIB structure offered several selling points for the government, as a way to measure policy outcomes and to involve NGOs and investors by requiring them to take responsibility for future placements and to conduct a one-year follow-up. In addition to this, the GCBA considered that partnering with local NGOs with extensive expertise in the

area of employability would generate two potential benefits: (i) it would reduce the costs for the government of setting up the programmes (location, content design, hiring trainers) and (ii) it would leverage the NGOs' expertise and employers' networks.

The feasibility phase concluded when the problem was narrowed down sufficiently: the unemployment of young adults aged between 17 and 24 years old in socio-economically disadvantaged groups who lived in the southern neighbourhoods of BA. Furthermore, NGOs and investors had shown interest in getting involved. It should be noted that although the government found reasons for arguing why an SIB would be a good tool for their employability problems and for restructuring their programmes, as explained by all the interviewees, the decision of implementing an SIB was made before analysing the problem and the existing solutions.

The role of Social Finance and Acrux

By and large, Acrux has been the most committed of the stakeholders throughout the more than five years of PTF: all the interviewees highlighted Acrux as the main advocate for the SIB in the beginning, as well as how the organisation was responsible for connecting investors, government agencies and NGOs to help them reach an understanding (Figure 3). Acrux is a global player in the field of impact investing, whose mission is to build an impact investment market in Latin America (Acrux Partners, 2020). Furthermore, Acrux led the creation of the Impact Investment Task Force for Argentina in 2016 (Grupo de Trabajo de Inversión de Impacto Cono Sur, 2020)⁹, is a founder member of the Latin Social Investment Forum and chairs the board of the GSGII (GSGII, 2020). Hence, for Acrux, launching the first SIB in Argentina could be a turning point for the future of impact investing in the region.

In a similar vein, the role of the MIF-IDB was crucial for structuring the SIB¹⁰. The MIF-IDB not only provided the grant to the GCBA, but had also originally planned to be a direct investor in PTF, something which did not occur due to a conflict of interest. Nonetheless, as will be detailed later, the MIF-IDB became a lender to investors through the public bid, facilitating the implementation. On the other hand, the NGOs stated that their main reasons for getting involved in PTF was to solve the problem of youth unemployment and receiving funding through the SIB mechanism to implement their approach. Finally, regarding the investors, their incentive was mainly related to testing the mechanisms, as they acknowledged that investing American dollars but receiving Argentine pesos was a risky option given Argentina's economic instability.

| Employability programme categories | Training programmes | Incentives for the private sector | Employment search support and others | Entrepreneurship |
|------------------------------------|---|---|---|--|
| Objectives | Aim to improve the target population's skills through training on employability competencies | Diminish companies' risk through economic support | Provide assistantships for the relationship between employees and employers | Aim to foster self-employment as an employability option |
| Types of programmes | <ul style="list-style-type: none"> • Employability training programmes • Subsidies for participants to foster their involvement • Subsidies for companies to reduce training costs | <ul style="list-style-type: none"> • Employability through internships or short-term contracts • Employment subsidies | <ul style="list-style-type: none"> • Web portals • Vocational consultancy and information • Employment fairs | <ul style="list-style-type: none"> • Training for entrepreneurs • Financing support • Entrepreneurship incentives |
| Quantity of programmes | 24 programmes | 4 programmes | 3 programmes | 17 programmes |
| Annual budget ⁸ | ARS 1,095,000,000 USD 29,222,520 | ARS 2,000,000 USD 44,682 | ARS 147,000,000 USD 3,284,182 | ARS 64,000,000 USD 1,429,480 |
| Population reached | 86,000 | not reported | 174,000 | 23,000 |

Table 2. GCBA employability programmes matrix; Source: GCBA (2019a).

Design and structuring phase

The design and structuring phases of the SIB entailed narrowing down the target population, outlining the type of training, calculating the programme costs, determining its metrics and establishing the repayment mechanism. This entire phase, as shown in Table 3, required 1.5 years and took much longer than expected. With regard to the stated problem, employability among young people in BA, the definition of the programme's target population went a step further. The GCBA had identified unresolved challenges within its existing programmes concerning working effectively with

vulnerable populations and helping them obtain their first jobs. Thus, PTF would target young people in two different groups, one defined as vulnerable and the other one as extremely vulnerable. However, as acknowledged by the Director of the SECPEGC, these young adults were *"in the middle of our vulnerability scale, as they live under a vulnerable situation, but also attending their last year of secondary school"*. In this sense, members of the Ministry of Education warned the SECPEGC officials that PTF could act as a competing offer to finishing schooling. Therefore, the Ministry requested that the NGOs should be responsible for students

| Phase | Period | Actor Responsible |
|------------------------|--------------------------|--|
| Ideation | Mid-2015-Early 2016 | Executive Director - Secretariat of Planning, Evaluation and Government Coordination - GCBA; Project Manager - Unit of Strategic Project - GCBA |
| Pre-feasibility | Early 2016-Mid-2016 | Secretariat of Planning, Evaluation and Government Coordination - GCBA |
| Feasibility | Mid-2016-Mid-2017 | Acrux Partners; Social Finance; GCBA |
| Design and Structuring | Mid-2017-November 2018 | Acrux Partners; Social Finance; GCBA; Rattagan Macchiavello Arocena; Beccar Varela (<i>law firm</i>); NGOs; investors |
| Implementation | December 2018-July 2021* | Reciduca; FORGE; AMIA; Pescar; (<i>implementing NGOs</i>); Acrux Partners (<i>performance manager</i>); SMS (<i>independent evaluator</i>) |

Table 3. PTF timeline; *The implementation phase was extended by half a year due to the Covid-19 crisis.

A “domino effect” in PTF designing and structuring

1. GCBA had the SIB idea and pitched it to the MIF-IDB
2. The MIF-IDB grant was used to hire Social Finance UK
3. Social Finance UK hired Acrux as its local partner
4. Acrux was responsible for recruiting investors and NGOs, as well as for reaching out to San Martin Suárez (SMS) and the other consultants during the design and structuring phase.

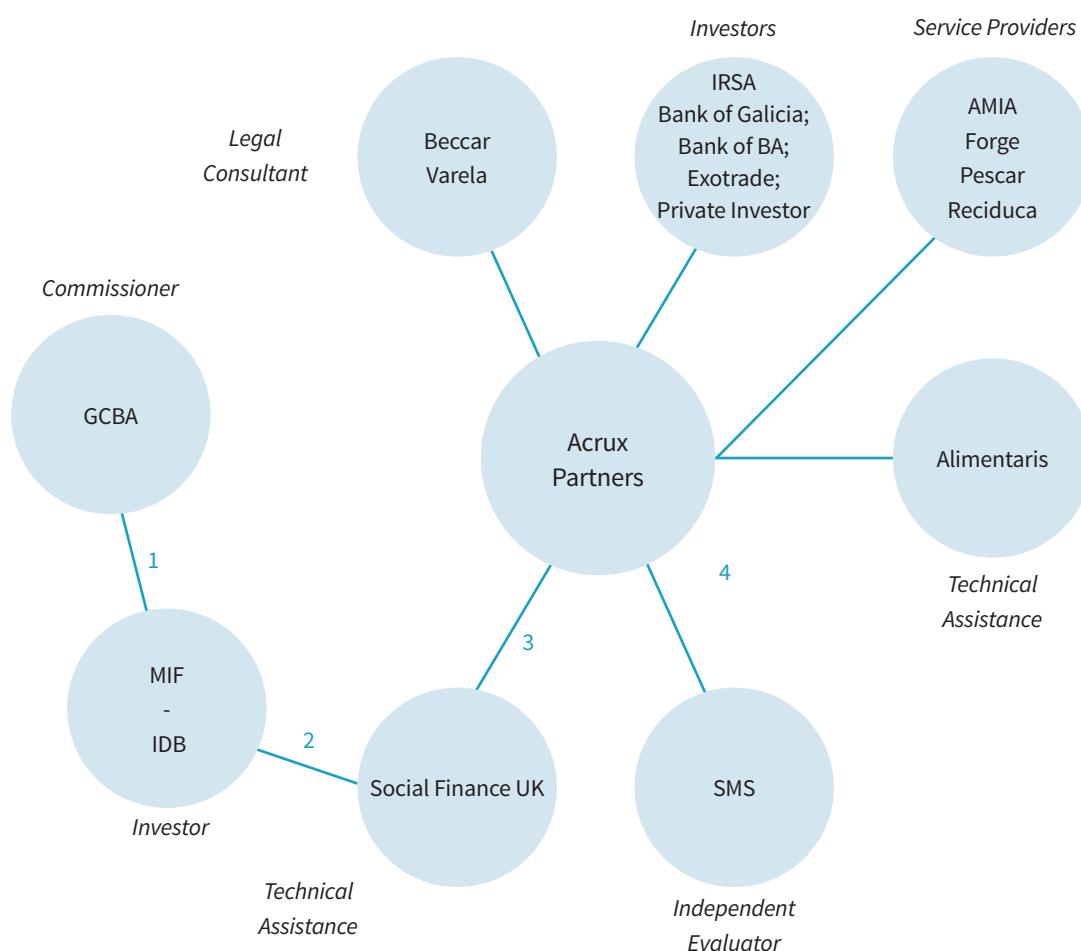


Figure 3. PTF actors' linkages.

completing their secondary education. The actors agreed as they considered that graduating from secondary school was paramount for a young person when aspiring to obtain registered employment. With all the actors on board, graduation from secondary school was included as the first outcome of PTF. Then, the participants were recruited from the southern areas of BA, including the 4th, 7th, 8th, 9th and 10th communes, as they had the highest unemployment rates (GCBA, 2019a).

To participate in PTF, candidates needed to comply with a large list of requirements, which was also verified by the independent evaluator (IE) upon its final approval. The total number of participants was set at 1,000, all between the ages of 17 and 24. Furthermore, someone within each participant's household needed to be a beneficiary of the Universal Household Allocation or BA Citizenship¹¹. Living in a *slum* or having a child indicated

extreme vulnerability. Additionally, in order to establish a causal link between PTF training and future employment, the participants could not participate in other employability programmes from the GCBA or the federal government (GCBA, 2018a).

Legal framework in a developing market

To structure the SIB within the Argentine legislation, the government used an innovative form of public bids since outcome- or performance-based contracts do not exist within the current legal framework. As highlighted by the experts from Beccar Varela, one of the legal firms providing technical assistance, “the government had no choice but to have a public bid, not even the public-private partnerships law would have been useful”. Yet, this case has many particularities. Under public bids, the government includes the product or service it aims to obtain, contenders make their offers, and the best price-service ratio arises as a winner.

However, in an SIB structure, private investors are responsible for the initial investment for hiring the service provider, whereas the government is meant to pay the investor for successful results — a financial scheme that did not match the existing public bid law. Therefore, an adjustment to the public bid structure was necessary to arrange the performance-based contract, while the investors and NGOs had to create a trust to present the offer

together. The result was a complex network of actors, financing accommodation schemes and Acrux at the centre acting as the intermediary performance manager.

1. Social Finance is an investing consultant firm based in London, which is a global advocate for SIBs and responsible for the first SIB in the UK launched in 2010 (Warner, 2013).
2. Stakeholders were mapped from government documents (GCBA, 2018b), public bids (GCBA, 2018a), newspaper articles and interviews.
3. The MIF-IDB acted as an investor in the sense of conceding the initial grant to the GCBA and later becoming a lender of the investors grouped in the trust.
4. Exchange rate: USD 1 = 44.76 ARS. Calculations are based on the rate provided by the Central Bank of Argentina on May 31st 2019, after the GCBA report was created. Available at: http://www.bcra.gob.ar/PublicacionesEstadisticas/Cotizaciones_por_fecha_2.asp
5. However, 160,000 of the beneficiaries were attendees at employment fairs and the GCBA employment portal.
6. This group included both the underemployed (9.4%) and the unemployed (7.3%).
7. The young adults' group consists of those people aged between 18 and 24 years old.
8. The same exchange rate was used as in footnote nº5.
9. Besides Acrux Partners, other organisations involved in PTF are part of the Task Force for Impact Investment: the Bank of Galicia, Organización Román, Beccar Varela and the MIF-IDB.
10. The MIF-IDB's mission is to cultivate an impact investment market in Latin America, providing technical assistance, networking capacity and grants to member countries for structuring these types of initiative.
11. The Universal Household Allocation and BA Citizenship are two conditional cash transfer programmes that are normally used as a poverty proxy measure.

4

THE SIB'S STRUCTURE AND REPAYMENT OUTCOMES WITHIN A PARTICULARLY COMPLEX STRUCTURE

The flow of money begins with a loan from the MIF-IDB, whereby private investors hire the service providers, and the GCBA hires the independent evaluator. Monthly reports of the results trigger the repayments to the private investors. Acrux works as a link between the investors and service providers.

The structure of PTF included the GCBA as commissioner, four NGOs as service providers, five private investors, the MIF-IDB as a lender to the investors, two legal consultants, Acrux as the performance manager for its implementation and SMS as the independent performance evaluator. First, the MIF-IDB granted USD 600,000 to the GCBA to hire Social Finance and Acrux to assist the GCBA in the feasibility study and in designing and structuring the SIB. Second, the investors and NGOs created a trust, which won the contract to implement PTF. The bid contract established that the investors would take on the responsibility for all the costs related to the programme implementation, although it did not specify the required amount. The upfront investment was close to USD 1,000,000, although it was in Argentine pesos. However, given two severe currency devaluations in May and September 2018, the investors triggered a clause within the contract that allowed them to borrow up to USD 1,000,000 from the MIF-IDB to cover the programme costs. Finally, since the beginning of the implementation phase in December 2018, the investors have made periodic disbursements to the NGOs to cover the programme implementation costs.

The repayments within the SIB have been structured in a complex manner, looking to create incentives among actors to pursue the most challenging goals for obtaining higher investment returns. Within its offer, the GCBA set a unit value per participant to be repaid in the case of achieving each of the different outcomes and a maximum within each tier, as shown in [Table 4](#). However, the maximum possible sum to be repaid is ARS 48,400,000¹, approximately USD 1,265,028². The reason for structuring this way was to incentivise the achievement of Outcomes 2 and 3. Furthermore, the repayments regarding the first outcome do not constitute a goal in themselves, but act as a payment in advance towards the achievement of the second outcome (GCBA, 2018b). The way Acrux built the financial model entailed that reaching the first outcome would help investors to partially recover their

capital and keep investing towards the achievement of the subsequent goals. Nonetheless, although the investors took out the MIF-IDB loan of USD 1,000,000, both their investment and GCBA's repayments were in Argentine pesos, and therefore affected by the currency devaluations. Finally, the projection model of PTF included a minimum and maximum expected results band, which guarantees the financial sustainability of the SIB and the targets of 29%-42% of participants completing their secondary education, 28%-36% having a job placement and 21%-34% maintaining their job for at least 4 months³.

Programme evaluation

In PTF, independent evaluation is implemented both to ensure the transparency of the process and to validate the results for the government repayments. For PTF, the government had a separate public bid to select the IE, which was won by San Martín Suárez (SMS), an Argentine company with substantial experience in programme auditing. In PTF, the IE participates during three different moments of the implementation phase: (i) to validate the participants' information in terms of compliance with the programme requirements; (ii) to perform a follow-up with a sample of participants to record their experiences of the programme; and (iii) to submit the monthly reports that trigger the government's repayments. In an attempt to establish a causal link between PTF and the employability results, the GCBA also requires that participants (i) do not take part in any other GCBA or federal government employability programme and (ii) find a placement within a six-month period upon ending their training. The ongoing results' evaluation was directly linked to repayments and the SIB's financial sustainability. The complete structure of the SIB mechanisms is described in [Figure 4](#).

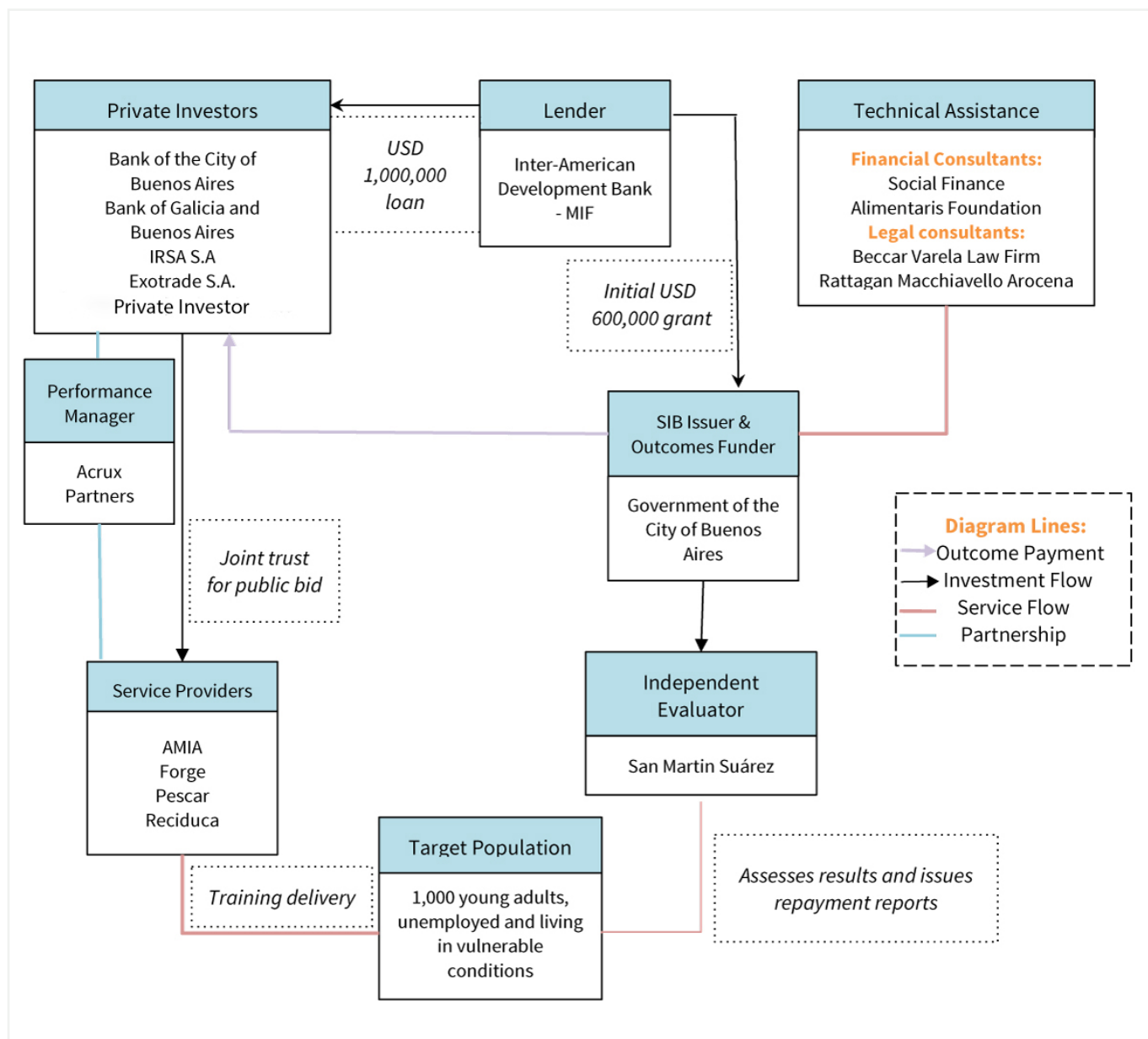


Figure 4. PTF's SIB structure; Source: Self-elaborated.

| Expected result ⁴ | Per participant experiencing high vulnerability | Per participant experiencing extreme vulnerability | Maximum amount per outcome | Expected results (min-max) | Type of result |
|--|---|--|---------------------------------|----------------------------|----------------|
| Outcome 1: Support to complete secondary education | ARS 12,635 USD 330 | ARS 17,678 USD 462 | ARS 3,962,300 USD 103,562 | 29%-42% | Basic |
| Outcome 2: Access to employment in the formal economy | ARS 42,116 USD 1,100 | ARS 5,963 USD 1,541 | ARS 16,509,675 USD 431,512 | 28%-36% | |
| Outcome 3: Employment sustained for 4 months | ARS 84,234 USD 2,201 | ARS 117,928 USD 3,802 | ARS 29,481,783 USD 770,564 | 21%-34% | |
| Outcome 4: Employment sustained for 12 months | ARS 48,471 USD 1,266 | ARS 67,860 USD 1,773 | ARS 48,400,000 USD 1,265,028 | Not specified ⁵ | Extraordinary |
| Outcome 5: Expansion of the labour market (No more than 10% of participant from each NGO intervention could be placed in one company) | ARS 3,385,000/N° NGOs USD 88,478 | | | Not specified | Extraordinary |

Table 4. PTF outcomes and repayment values; Source: Self-elaboration based on information and estimations from public bid and Acrux explanations.

1. This maximum amount has been subject to three adjustments following Law n° 2.809 of BA, which calibrates state payments against inflation.
2. Exchange rate: USD 1 = 38.26 ARS. Calculations are based on the exchange rate provided by the Central Bank of Argentina on December 18th, 2020, the day PTF was officially launched. Available at: http://www.bcra.gob.ar/PublicacionesEstadisticas/Cotizaciones_por_fecha_2.asp
3. Outcome 4 expected results were not specified, and Outcome 5 would be assessed at the end of the implementation phase.
4. The same exchange rate was used as in footnote n°12.
5. A prerequisite of having at least 288 participants reach Outcome 2 and 216 reach Outcome 3 was included to proceed with the repayments of Outcomes 4 and 5 (GCBA, 2018b, p. 42).

5

PROYECTÁ TU FUTURO: IMPLEMENTATION AMIDST THE PANDEMIC

The particularly complex implementation strategy had to accommodate the challenges of the pandemic as well. Nevertheless, the provisional results are in line with projections, which shows the flexibility and capacity of the service providers participating in PTF.

In December 2018, at the launch of the PTF SIB, the NGOs presented a timeline for training the participants and their plans for achieving the desirable outcomes (GCBA, 2018c, 2019b). The content of each training type, detailed in Table 5, was completely designed by each NGO, in accordance with its own expertise and working model, while having to fulfil the minimum requirements established in the public bid (GCBA, 2018a, 2019a). Pescar and Reciduca planned to finish their training during 2019, whereas AMIA and Forge divided it between 2019 and 2020, as detailed in Table 6.

The Covid-19 crisis: changing scenery and new accommodations

As was the case all around the world, the Covid-19 crisis hit Argentina in early March 2020, paralysing the country and disrupting the normal functioning of PTF. From March until August 2020, BA remained mostly under lockdown, with only essential activities operating (La Nación, 2020). However, when all other GCBA employability programmes were shut down, PTF continued, transitioning to a virtual setting by shortening the

| Organisation | Model characteristics and content | Frequency ¹ | Location |
|--------------|---|--------------------------------------|---------------------------------------|
| AMIA | Model: A focus on human resources development aligned to network organisations/industry requirements. Skills & competencies: Work attitude, collaboration, responsiveness. | Twice a week, 3 hrs per session | Commune nº3 |
| FORGE | Model: Option for technical specialisation in sales, logistics or administration. Skills & competencies: Empathy, communication, collaboration. | Twice a week, 2.5 hrs per session | Commune nº4 |
| PESCAR | Model: First it brokers with a company or business to train candidates according to their work style. Second, it opens a training centres to equip candidate with company/business requested skill sets. Skills & competencies: Personal development, technical training and new technologies. | Four times a week, 3 hrs per session | Commune nº2 |
| RECIDUCA | Model: Includes three complementary spaces: (i) Professional development, (ii) Personal development and (iii) Individual academic support. The working scheme does not coincide with school hours. Training was only provided during 2019, and in 2020, the focus was on placements. Skills & competencies: Individual responsibility, cooperation, communication, flexibility and autonomy. | Once a week, 4.5 hrs per session | San Isidro (Province of Buenos Aires) |

Table 5. Training offered by NGOs; Source: Self-elaborated based on interviews.

| Organisation | Participants per training type | Training types in 2019 | Training types in 2020 | Expected participants per NGO |
|--------------|--------------------------------|------------------------|------------------------|-------------------------------|
| AMIA | 20 | 5 | 5 | 200 |
| FORGE | 35 | 9 | 2 | 385 |
| PESCAR | 20 | 17 | 0 | 340 |
| RECIDUCA | 20 | 5 | 0 | 100 |

Table 6. The programme's original timeline; Source: Self-elaborated based on GCBA internal documents.

length of its training and shifting its recruitment strategy by using former participant referrals through WhatsApp. For example, Pescar partnered with the online platform “Learning from home” [Aprender en casa] from the federal government to offer its content (Fundación Pescar, 2020). The flexibility and adaptability shown by the NGOs were highlighted by all the actors as the programme's strength. However, the pandemic might negatively impact the final results. Furthermore, the overhead costs of adapting PTF to the new scenario were incurred by the investors and service providers.

Emerging complexities required new accommodations. First, the NGOs had to adjust their programmes and prepare trainers for the virtual setting, which entailed additional costs not contemplated within the SIB repayment structure. Second, NGOs had to look for job placement in the context of a recessive economy and a contracted job market, which not only began hiring for shorter periods of time but also shifted its demand to the service industry (i.e. supermarket employees and delivery staff). Importantly, Acrux arrived at an agreement with the GCBA to extend the implementation of PTF for six more months, until July 2021, as well as to expand the period for job placements after the training from six to twelve months. Third, the GCBA made some recruitment requirements more flexible, such as accepting participants from slightly wealthier communities, while maintaining the same socio-economic requirements. Fourth, due to remote work, GCBA officials have not been able to access the federal National System of Social and Fiscal Identification (SINTyS is its Spanish acronym) to submit the monthly reports used by the IE to compare and verify the information in PTF's customer relationship management documents with regard to the government payments. Hence, the IE has been using alternative government databases to keep track of the participants, although no payments were processed after March 2020, affecting the investors' cash flow and the financial model's sustainability.

Provisional results

Up to October 2020, a total of 1,101 young adults had been enrolled in PTF, of which 751 had finished their training, 304 were in training and 46 had dropped out. Furthermore, as shown in [Table 7](#), of those who completed the training, 254 (33.8%) had a successful placement (Outcome 2), 141 participants (18.8%) had sustained their job for four months (Outcome 3) and 22 (2.9%) had maintained it for a year thus far (Outcome 4). Only 96 participants (12.8%) had finished secondary education after participating in PTF. This extremely low number is because the Ministry of Education did not allow the organisations to recruit participants from public schools as originally agreed. Between June and December 2020, all the participants were considered to be experiencing extreme vulnerability due to the Covid-19 crisis. To conclude, in spite of the pandemic and the many challenges the programme faced, the provisional results were in line with projections and better than the results of other GCBA programmes, according to staff.

| PTF Outcomes | | Expected results (min-max) | | Results (August 2020) | |
|---|--------------------|----------------------------|---------|--------------------------|---------------|
| | | Absolute | % | Absolute | % |
| Participants | In training | - | - | 304 | 27.6% |
| | Training completed | 1000 | 100% | 751 | 68.2% |
| | Dropped out | Not considered | | 46 | 4.18% |
| | Enrolled | Not considered | | 1,101 | 100% |
| Outcome 1: Support to complete secondary education ² | | 290-420 | 29%-42% | 96 HV: 33 EV: 63 | 12.8% |
| Outcome 2: Access to employment in the formal economy | | 288-360 | 28%-36% | 254 HV: 91 EV: 163 | 33.8% |
| Outcome 3: Employment sustained for 4 months | | 216-260 | 21%-34% | 141 HV: 76 EV: 65 | 18.8% |
| Outcome 4: Employment sustained for 12 months | | Not specified | | 22 HV: 12 EV: 10 | 2.9% |
| Outcome 5: Expansion of the labour market | | Not specified | | | Not specified |

Table 7. Proyectá Tu Futuro's provisional results; Source: Self-elaborated based on results reported by Acrux Partners.
HV: High vulnerability; EV: Extreme vulnerability

1. This original schedule changed when fully remote training was implemented in March 2020.
2. Percentages are calculated based on the number of participants who finished their training (751).

6

CHALLENGES TO PTF: BETWEEN CONTEXT CONDITIONS, RECEPTION AND TRANSLATION

During the different phases of PTF, several challenges arose: coordination among actors, overhead costs, the legal framework, financial sustainability and participant recruitment; all of these tested both actors' determination and the tool's flexibility to overcome them.

Coordination among actors

As the SIB structure was novel in Argentina, the process of achieving mutual understanding among the different stakeholders was cumbersome. On the one hand, neither the investors nor the NGOs were familiar with the SIB mechanism and experienced difficulties with regard to understanding how the tool would play out during the implementation phase. On the other hand, the GCBA also involved different agencies and actors (from education, strategic planning, employment, etc.), which demanded entangled communication and internal agreements. Indeed, the staff from the SECPEGC, the main advocates of the SIB, were not experts in employability or educational issues. As a consequence, several steps took longer than necessary, delaying the structuring phase.

Overhead costs

Overhead costs for the implementation of PTF arose at different stages, affecting the government, the investors and the NGOs. First, the GCBA had to hire Social Finance and Acrux for the feasibility and design phase, a cost covered by the USD 600,000 grant from the MIF-IDB. Second, investors incurred overhead costs when creating the trust with the service provider NGOs to participate in the public bid. Finally, the NGOs had to cover the hidden costs of transferring their training to the virtual setting due to the pandemic, which in a traditional input-based financing arrangement may have been shared with the commissioner.

The legal framework

A potential asymmetric information conflict between the GCBA, service providers and investors emerged as a consequence of the existing legal framework. Throughout the whole process, a reduced number of players were interested and willing to proceed with the project. As Argentina's legislation is not designed for performance-based payments, by using a public bid the GCBA lawyers envisioned a conflict of asymmetric information¹, as the actors involved in the SIB discussions had more information and thus had a higher chance

of winning the bid than other investors and service providers. Therefore, the GCBA made a draft version of the public bid publicly available between October 9th and November 17th, 2017, inviting any interested parties to submit comments, raise doubts and make suggestions (Resolución N° 137/SECPEGC/17, 2017). Additionally, the GCBA held public round tables and info sessions to provide any interested organisations or investors with details (Resolución N° 137/SECPEGC/17, 2017). Only after this period, on February 15th, 2018, did the GCBA publish the bid (Resolución No13/SECPEGC/2018, 2018), receiving only one offer.

Financial sustainability

The development of IF mechanisms in emerging markets is subject to the challenges which characterise several Latin American countries, such as institutional and political weakness (Brinks et al., 2019) or economic hardship (Scott, 2019). Yet, Argentina's economy has posed even more difficulties. Between 2017 and 2018, the design and structuring phase of PTF was coupled by severe economic challenges: a 50% currency devaluation in September 2017, another 50% devaluation in May 2018 and a third one in August 2019, followed by tight controls over currency exchange (Pérez & Dube, 2019). The currency instability affected the financial model and expected returns on the investment, especially after requesting the USD 1,000,000 loan from the MIF-IDB. The main problem was that, although repayments in Argentine pesos are adjusted for inflation, they always generate a loss when compared to devaluation, a situation that rules out any possibility of profit making, regardless of the results.

The recruitment of participants

The recruitment of participants for PTF was troublesome as the entry requirements imposed constraints to ensure the programme reached the desired population. First, while the initial agreements stipulated that the GCBA would recruit 80% of the participants, this task was transferred to the NGOs during the implementation

phase. Second, the BA Ministry of Education barred NGOs from recruiting secondary school students, a difficulty resolved at a later phase. The consequences of these challenges were twofold. On the one hand, Reciduca, an NGO whose model is based on supporting students with regard to finishing their schooling and accessing the job market, struggled with recruitment, reducing its efficiency in achieving Outcome 2. On the other hand, this explains the extremely low rate in terms of the achievement of Outcome 1 (12.8%) compared to its projection (29%-42%). Nonetheless, these challenges, generated by binding several actors together with different goals, were due to the strong relationships developed between the organisations and leaders, which allowed them to align their operations and goals during the entire development and implementation processes of PTF.

1. Article nº 7 of BA Purchasing and Contracting Law 2.095 guarantees the “1. Principles of Free Competition: In the procedures of purchases and public contracting processes, regulations or treatments that encourage the broadest and most objective and impartial concurrence, plurality and participation of potential bidders shall be adopted. 2. Principle of Concurrence and Equality: All providers of goods and/or services must have participation and access to contract with entities and jurisdictions on terms and conditions similar to those of others. Being prohibited the existence of privileges, prerogatives, advantages or disadvantages, except for exceptions to the law”.

7

BUILDING OPPORTUNITIES IN THE LOCAL CONTEXT

The positive side of the many challenges faced by PTF was that this experience created a window of opportunity for improvement in different areas related to social policies: outcome-based policymaking, enhanced transparency and public expenditure efficiency, multi-sectoral engagement and shared risk and cooperation among different actors.

Outcome-based policymaking

PTF has shown promising results related to the employability of young adults and, in most cases, has reached the programme's benchmarks (Table 7). PTF successfully impacted the vulnerable young adults as envisioned, not merely training them in soft skills for employability like other GCBA programmes, but also supporting them in their search for a new job. With regard to policymaking, PTF raised the bar for the GCBA, requiring that it simultaneously carried out a cost-benefit analysis while measuring the impact of PTF and all the government programmes to compare their efficacy. The GCBA encountered difficulties when aiming to establish the costs for the SIB, as information related to how much it costs to train a person in soft skills and then how efficient this training is in terms of securing a job was not available. Using these programme evaluation metrics creates an opportunity for more efficient use of scarce resources.

Enhanced transparency and public expenditure efficiency

One of the difficulties encountered by the GCBA when trying to comply with the recruitment of its 80% share of participants was the inconsistencies in its databases. This problem also affected the verification and repayment process, as the monitoring process available to the external evaluator required using multiple data sources to confirm the accuracy of the information. As a potential consequence of this experience, the GCBA seems committed to improving its data collection process, which is essential for enhancing transparency in the use of public resources.

Multi-sectoral engagement

One of the agreed highlights of PTF was the involvement of multiple stakeholders that do not normally interact. The design, structure and implementation faced several challenges, which were solved due to the interest of all actors in carrying on with the programme. Undoubtedly, this pioneer initiative allowed the state, the private sector and the third sector to come together in a combined effort

towards agreed goals, an aspect highly valued by all parties. Furthermore, PTF also entailed the involvement of the MIF-IDB, both as a grant maker for the GCBA and as a lender for the trust during the implementation phase. Hence, this IDB involvement demonstrates interest from this organisation, as well as from other NGOs like the World Bank, in supporting IF mechanisms (International Commission on Financing Global Education, 2016; World Bank, 2019).

Shared risks and cooperation among different actors

As mentioned, in SIBs, the risk is shared by stakeholders, so if the results are not fully achieved, the costs do not only lie on the government's shoulders. During its four years, PTF had to endure more than a 100% currency devaluation, challenges in recruitment, a global pandemic and a shrinking labour market in a country already in crisis. In spite of this, the continuous dialogue among NGOs, investors, the GCBA and Acrux allowed them to overcome most of these challenges, drawing from best practice in employability from the NGOs or by using more flexibility in recruitment requirements from the government. As a result, PTF is showing results in line with expectations, as well as an ongoing dialogue among the stakeholders involved, which will be beneficial for future initiatives. The tool's ability to adapt to the circumstances was highlighted among all the actors as one of its largest benefits.

8

WHAT CAN BE LEARNT FROM PTF'S EXPERIENCE? TRAVELLING POLICIES AND THEIR COMPLEXITIES

This first SIB in Argentina has many lessons to offer IF in developing countries. This project has become a monumental endeavour, introduced by key actors, and it has included several stakeholders, both from the local and international landscapes, which, in total, have implemented a 5.5-year process¹ to reach 1,000 participants. However, as pointed out by all the actors, this first SIB paid the cost of being the 'evangeliser'.

The interest around IF mechanisms, including SIBs, in Latin America continues to increase across governments, investors and NGOs, and they are seen as a promising tool for increasing development funds as well as for enhancing public policy outputs. However, the region poses several challenges to SIB premises and requirements, which affects their feasibility, and some of these are illustrated by PTF. Unlike traditional public financing or international aid, whose focus is often on inputs, outcome-based finance is held accountable for its results and seeks best practices from different actors to achieve them. Thus far, experiences are scarce, although investment in the region already accounts for USD 4.7 billion (Davidson & Rocha, 2018), and new programmes are in the process of being prepared (Grupo de Trabajo de Inversión de Impacto Cono Sur, 2020; Social Finance, 2020).

When, why and how Global North financing mechanisms, such as SIBs, are introduced in the region are key issues when understanding travelling policies. The first two relate to the rationale while the third is linked to reception and translation processes. As for the rationale, a remarkable feature of PTF is what underpinned its appearance in Argentina, which was different from what was publicly argued. The rationale behind implementing this first SIB was not the search for more efficient resource allocation nor a focus on outcome-based policymaking, but the interest from GCBA staff members to try out a tool they had learnt elsewhere (Steiner-Khamsi, 2014). The policy transfer of the SIB from the Global North to the Global South was triggered by two members who studied SIBs during their master's degrees in the U.S. and France and who acted as the local nexus for introducing a global policy.

The next step was the partnership with the leaders of Social Finance and Acrux, two large players with several connections in the field of impact investing, that could be considered global

policy entrepreneurs and that acted as boundary spanners for the diffusion of impact bonds. Transnational circulation and network building are at the base of policy borrowing and lending in this case.

In relation to the reception and translation and the *how* issue, the challenges described in previous sections provide an account of the complexities surrounding the local use of SIBs. From the actors' perspective, these can be grouped into five areas related to policymaking: time, costs, data, local financial conditions and programme results.

As already noted, the design and structuring of the SIB were extremely time-consuming and required three years to complete. Delays occurred during all the phases due to a lack of understanding of the mechanisms, problems with coordination among actors, difficulties in recruiting investors and legal constraints, among others. Together with this, overhead costs piled up during this time with a conservative programme scope of only 1,000 participants.

Acrux highlighted the importance of launching several SIBs together with similar goals to increase the marginal return on the human, time and financial investments. Certainly, this recommendation is in line with the Indian experience, where the impact of standalone SIBs is extremely limited, whereas the full potential of these tools can be reached by creating a larger impact finance ecosystem (Mehendale & Singh, 2020).

The local context proved troublesome regarding data. Outcome-based mechanisms require up-to-date and reliable data sources for establishing the costs, metrics, goals and programme evaluations (Tan et al., 2019). On the one hand, Argentina has systematically suffered from a lack of confidence in public statistics on inflation and unemployment (Itzchovich,

2017; The Economist, 2017), both key for PTF. On the other hand, the GCBA also had large information gaps with regard to the costs and efficiency of its employability programmes, which made the comparison with PTF's performance almost impossible. Performing consistent data collection and creating a data-informed policy culture are paramount when it comes to implementing IF mechanisms and also to assessing the efficiency of public expenditure. Certainly, officials from the BA government shared this view, which moved them to implement a tool as complex as the SIB, with the aim of strengthening data-informed policymaking in the public sector.

When considering local financial conditions and in a nascent field like impact investing in Argentina, attracting investors appeared to be the hardest milestone in terms of its development and future sustainability. This task was led by Acrux, which used its networks to bring four of the five investors to the table, all but the City Bank of Buenos Aires. However, the involvement of the MIF-IDB as the lender in PTF helped with the buy-in of local investors. In this sense, Acrux highlighted the importance of also having a non-government organisation as an outcomes payer for future projects, both to increase investors' confidence as well as to expedite the repayment circuit, a recommendation consistent with other international experiences (Warner, 2013).

Together with this, for the implementation of a scalable social impact investing market in Argentina and Latin America, a well-structured legal framework that enforces transparency and reliable accountability mechanisms is paramount. In Argentina, the absence of such a framework, generally speaking, or even outcome-based payment legislation, made the structuring of PTF cumbersome. Changes in the legislation for incentivising socially motivated actors become a critical pre-condition for mechanisms like SIBs.

Finally, SIBs are intended to promote the better development of social policies. PTF's results are twofold. First, the programme is showing achievements in accordance with the expected metrics in spite of the several challenges faced. Second, the effort dedicated in these 5.5 years by all the stakeholders to reach 1,000 participants offers some evidence-based solutions in a city that has close to 40,000 unemployed youths (GCBA, 2019a). However, the programme costs were elevated when compared to other GCBA employability programmes, though a comparison is hard to establish as PTF only measures the impact of its training in terms of participants securing a job placement. Certainly, PTF has shown promising features for outcome-based tools in Argentina, although systemic reforms regarding the country's legal framework, more easily accessible and transparent information and general macroeconomic stability indicate the emerging complexities of travelling policies.

1. The programme's end was postponed to July 2021 due to the Covid-19 pandemic.

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ANNEXES

ANNEX 1. INTERVIEWEES LIST

| Stakeholder type | Organisation or unit | Interviewee's role (during project) |
|--|---|-------------------------------------|
| Consultants & Intermediaries | Acrux Partners | Executive Director |
| | Acrux Partners | Project Manager |
| | Acrux Partners | Impact Evaluation Analyst |
| | Fundación Alimentaris | Executive Director |
| | Social Finance | Director for Latin America |
| | IDB - (Lab Specialist, FOMIN Associate) | IDB Lab Specialist |
| Government of the City of Buenos Aires | Evaluation Unit | Chief of Staff |
| | Sub-Secretariat of Employment | Sub secretary of Employment |
| | General Direction of Employment | Director of Employment |
| | Secretariat of Planning, Evaluation and Government Coordination | SECPEGC Director |
| | Direction of Strategic Planning | PTF Director |
| | Direction of Strategic Planning | Manager of Strategic Projects |
| | Direction of Strategic Planning | Project Manager |
| Legal Firm | Beccar Varela | Counsel n°1 (responsible for PTF) |
| | Beccar Varela | Counsel n°2 (responsible for PTF) |
| Independent Evaluator | San Martín Suárez | PTF Evaluator |
| Consultants & Intermediaries | AMIA | Programme Leader |
| | PESCAR | Programme Leader |
| | FORGE | Programme Leader |
| | RECIDUCA | Programme Leader |
| | RECIDUCA | Executive Director |
| Private Investor | Organización Román | Impact Investment Manager |
| SIB Expert | Inclusive Business Think Tank (ENI-DiTella) | ENI-DiTella – Executive Director |

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