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Executive Summary  
Process Evaluation  
Social Impact Bond II  
*“Cali Progresa con Empleo”*

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## Document's Purpose

The Colombian labor market is characterized by a high unemployment and informality rate. Particularly, in Cali this situation is concerning because in 2019 the unemployment rate was 12.5% and 32.4% for the poorest population. Likewise, for the poorest population, female unemployment is worse than male unemployment (35% vs 29%) and for age ranges, the young people between 18 and 24 years old have the highest unemployment rate with 50.4%. Besides, in 2019 the labor informality rate for the city was 45.7% and 78% for the poorest population.

In this context, the second Social Impact Bond “*Cali Progresas con Empleo*” (SIB II) was implemented as part of the Colombian Social Impact Bond Program (SIBs.CO). The SIBs.CO program was created in 2016 in partnership with Innovation Laboratory of the Inter-American Development Bank Group (IDB-Lab), the Swiss State Secretariat for Economic Affairs (SECO) and *Fundación Corona*, in partnership with the National Government through the *Departamento para la Prosperidad Social* (DPS). This program has three components: 1) develop and put into operation Results-Based Financing mechanisms in the country (particularly to structure a minimum of three SIB); 2) move forward with the creation of a SIB market in the country; and 3) spread knowledge about this mechanism.

The Social Impact Bonds (SIB) have emerged in the world as an innovative approach to increase public policies' effectiveness through Results-Based Financing (RBF) mechanisms. In these, the investors' resources are channeled to the service providers so they can have the initial working capital to implement the program, and the outcome payers' disbursement to the investors is conditioned on the achievement of the previously agreed goals and its respective verification by a third party.

As part of the third SIB's component, in this document we present the process evaluation of the Social Impact Bond “*Cali Progresas con Empleo*” (SIB II). The evaluation's main objective is identifying the learnings derived from the mechanism's implementation with emphasis on the disabling and enabling factors that contributed to attain the agreed payment metrics in the SIB II. For this purpose, we developed a mixed methodology (which combined qualitative<sup>1</sup> and quantitative<sup>2</sup> tools).

## Social Impact Bond II “*Cali Progresas con Empleo*” Description and Achieved Results

The objectives of the SIB II were: 1) improve the effectiveness and cost-effectiveness of employment programs for people of difficult job placement; 2) generate learnings to optimize future employment public policies' effectiveness; 3) strengthen the employment public system; and 4) encourage innovation in employment programs. Moreover, the agreed payment metrics

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<sup>1</sup> We applied 25 semi-structured interviews with the SIB's stakeholders according to their role.

<sup>2</sup> We characterized the participants and the jobs; we constructed results, process and management indicators; we did econometric analysis in order to estimate the job placement and employment survival.

were: job placement with a 25% of disbursement (856 participants), retention for 3 months (R3) with a payment of 35% (856 participants); and retention for 6 months (R6) with a 40% of disbursement (599 participants).

The outcome payers were: *Alcaldía de Cali* and IDB-Lab with resources from SECO. The six investors with a social approach were: *Fundación Corona*, *Fundación Bolívar Davivienda*, *Fundación Santo Domingo*, *Fundación Plan*, *Fundación WWB* and *Corporación Mundial de la Mujer*. *Corporación Inversor* was in charge of the mediating roles (investment and operative administrative responsibilities, cash flow management, service providers recruitment, service providers' performance management and coordination among the stakeholders). The service providers were: *Fundación Colombia Incluyente*, *Fundación Carvajal*, *Fundación Alvaralice* and *Kuepa*<sup>3</sup>. Deloitte was the process and results verifier. Instiglio participated as technical advisor and the legal advisors were *Duran & Osorio* and *Baker McKenzie* through *Fundación Probono*.

The targeted population were people between 18 and 40 years old without a formal job in the last two months, that have not participated in the SIB I or in programs from the *Secretaría de Desarrollo Económico de Cali*, and they had to comply with one of the following eligibility criteria: have *Sisben* less than 41,74, belong to *Red Unidos*, be registered in *Unidad de Víctimas*, live in a *Territorio de Inclusión y Oportunidades* (TIO) or be graduated from the program *Gestores de la Alcaldía de Cali* (GAC). The intervention route considered 11 stages that were flexible to be adjusted by each service provider and they can be grouped in: open call and selection, training, support and job intermediation.

The SIB II began in April 2019 and finished in December 2020, with 20 months duration. During this period, the SIB experienced situations that brought particular challenges for its execution: the 2019 *Paro Nacional*'s impact on the public order, the administrative change at the *Alcaldía de Cali* in January 2020, the removal of a service provider and the Covid-19 impact on the economy. Despite these challenges and due to the stakeholders' commitment and resilience, it was possible to achieve the job placement of 1,030 participants (meeting a 100% payment of the agreed payment metric of 856 participants), 774 participants in R3 (representing a 90% fulfillment of the payment metric) and 550 participants reached R6 (complying with 94% of the payment metric)<sup>4</sup>.

461 employers partook in the job placement (nearly 2 jobs for each employer). The participants worked in fields related to economy, business and accounting (48%), and services (44.1%); by occupations, the majority of the jobs were in sales (25.4%), business activities (20.3%), feeding and meal preparation (16%), and cleaning (11%). In 2019 the mean wage was \$883 thousand COP

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<sup>3</sup> The contract with this last service provider finished during the SIB implementation due to a non-compliance of the contract related with the strategies used to verify the participants' job placement.

<sup>4</sup> Is important to note that these impact results differ from the payment results (for the job placement metric were 856 participants, 678 for R3 and 476 for R6); to a large extent, due to the payment limit of 20% of the total budget for the participants with a project-based contracts.

and in 2020 was \$921 thousand COP (4.1% and 5%, respectively, above each year's minimum wage). The 41% of the contracts were *fixed term* and 38.3% were *project-based*.

## Findings on the Design and Implementation of the Social Impact Bond II “Cali Progresa con Empleo”

### SIB Features

The RBF mechanism is **innovative** and, by focusing on results and having a performance management, the implementing stakeholders (intermediary, verifier and service providers) are encouraged to innovate in internal processes to meet the goals. The Covid-19 unexpected impact was an opportunity to innovate because the implementing stakeholders needed to resolve new obstacles and find alternatives to make sense of the new market dynamics. In particular, the service providers had to adapt their interaction with the participants to virtual means during the job placement and post-employment support stages (which were the stages with most participants when the pandemic hit).

**Flexibility** is a feature that is associated with SIB since it is possible to adjust on the move, this, inasmuch as the RBF mechanisms refocus on results and the performance management is done during the SIB implementation. In fact, this flexibility is mainly used by the intermediary and the service providers. Indeed, this flexibility promotes innovation. In the SIB II case, this flexibility enabled modifications to respond to the challenges; however, there were some constraints such as the changes' opportunity and the stiffness faced in the public procurement's framework<sup>5</sup> (i.e: the inflexibility to modify the contract with the *Alcaldía de Cali* to acknowledgement a greater payment for *project-based* contracts, due to its common use in the city).

The **effectiveness** and **efficiency** are powerful features of the mechanism, when seen as the level of results achieved given the available resources (instead of activities-based payment). This, since the service providers receive a payment which combines working capital resources for the intervention and a sum between 10% and 20% of this budget for achieving the agreed payment metrics. The SIB mechanism enables the periodic and rigorous monitoring guided towards the achievement of the payment metrics –which even in adverse economy conditions like the one faced during the pandemic– which were able to generate acceptable results. This allows some comparisons between the SIB I and the SIB II<sup>6</sup>. For example, the transition rate between the intermediation and job placement was 48.6% in SIB I, compared to 46% in SIB II. Additionally, in the SIB I the retention rate for R3 was 88% and in the SIB II was 90%. In terms of payments, we observed that –on average– in the SIB II the real payment for a participant that achieved R6 was COP\$ 4,963,294; while in the SIB I the average cost for a participant in R3 was COP\$

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<sup>5</sup> As a result of this lesson, the SIBs.CO team posited that for future SIB designs it is possible to do these technical changes to the contract through acts so there is no need of using instruments that imply an explicit modification in the contract.

<sup>6</sup> Considering the differences in geographic scope, design and disbursements of the payment metrics; besides, the Covid-19 pandemic that implied a completely different scenario for the SIB II in contrast to the SIB I.

4,274,265. These comparisons and the context differences of each implementation does not allow to extract conclusions to rate each SIB's performance compare to the other. Nonetheless, we can conclude that each SIB has fulfill a role in the learnings that the country has had around the implementation of SIB with RBF mechanisms.

The **performance management** is a valued tool during social programs' implementation because it generates evidence about the results for an inform policymaking. Not to mention, that it is essential in RBF mechanisms because it has the information that is needed to verify the results and the correct development of the SIB.

### *Response Capacity to the Contingencies Faced During Implementation*

The SIB II experienced three contingencies that hindered its development: the 2019 *Paro Nacional* that affected circumstantially the economy, the administrative change at the *Alcaldía de Cali* in January 2020 and the Covid-19 pandemic that had a major impact on the economy and the labor market dynamic, which compromised the mechanism since March.

The mechanism's response capacity to these contingencies was adequate as a result of the intermediary's leadership, yet we perceived that the decisions were not made with the needed promptness. The SIB's mechanism requires the coordination and alignment of very diverse stakeholders and with different tolerance towards risks, which can hinder some decision-making processes. From the analysis we conclude that there was a misalignment of the stakeholders to make more timely adjustments; especially the government outcome payer that had some constrains typical of the public procurement which are related with the interpretation around the maneuvering space to modify contracts and the risk of disciplinary sanctions, among others. Some actions to address the contingencies were more coordination among the stakeholders, the use of the governance entities, the psychosocial support reinforcement by the service providers, the payment metrics and the sum of the disbursement's rebalancing on the contracts with the service providers, the widening of the operation timeline in the contract with the service providers, and the use of strategies to identify the economic sectors that were still demanding labor during the pandemic.

### Operation Rules, Design Parameters and Payment Metrics

For a context without contingencies, the implementing stakeholders of the SIB II considered as adequate and innovative the operation rules, design parameters and payment metrics. Notably, R6 is regarded as an innovative payment metric because it transcends the traditional job placement goal. Nevertheless, there were some challenging aspects: the targeted population's heterogeneity (regarding different characteristics that make the job placement harder) and the Covid-19 pandemic that changed the scenario significantly.

### Characteristics of the Targeted Population and Selection Bias

Due to the targeted population's heterogeneity, some people have additional characteristics that deepen their vulnerability and hinder their access to a formal employment. In this regard, the SIB literature highlights that these mechanisms have the risk of creating a perverse incentive through a selection bias towards participants with a higher probability of meeting the expected results, at the expense of participants with more vulnerability characteristics.

In the SIB II case, the quantitative analysis found that the participants' socioeconomic characteristics are very similar to those of the targeted population; therefore, there is no evidence of a skimming practice. On the other hand, the qualitative analysis found out that the open call and selection, and the profiling and characterization stages are the most relevant for the service providers and, additionally, they are regarded as an inherent qualification in this type of interventions in order to carry out the SIB efficiently and to accomplish the results in the deadline. Though all the stages are perceived –by the service providers– as important for meeting the agreed goals. Moreover, the service providers cannot disregard that in the labor market there are also selection biases, which are not only related to the person's capacities and abilities but to the employers' discrimination attitudes (i.e: by gender, residency, young people, ethnic group, people with disabilities, victims of the conflict, people in reintegration process).

These findings allow to conclude that the skimming practice towards participants is in fact a risk of the mechanism, yet it is outweighed by the attainment of the expected results and, at the end, the intervention benefits people from population groups that are also vulnerable due to its high unemployment rates. Even so, the selection bias may imply that through the SIB the “most vulnerable” are being left out of the intervention. Nonetheless, this risk can be addressed in the design of the mechanism through the definition of a more focalized targeted population, which will reduce its heterogeneity.

### The Scale

Certain interviewed stakeholders have some queries about the size of the benefited population, which can be small compared to the high percentage of Cali's poor population. The SIB II is a pilot program that was not designed for a big scale, since its objective is to experiment and extract experiences that then could be applied to a program with a bigger scope. This social innovation feature draw attention among the stakeholders. In fact, the international experience shows that on average the SIB's scope is no more than 1,000 participants. This SIB innovation feature (that is focused on the achievement of specific results, which attracts the stakeholders) limits the possibility to expand its scope. Similarly, the service providers posited that there is a limit to the number of participants that can be intervened with a quality service when a rigorous supervision and evaluation of the intervention in a program like an SIB is done simultaneously.

## **Findings on the Determinants for Success in the Social Impact Bond II “Cali Progresá con Empleo”**

From the analysis of the interviews, we reveal that the stakeholders’ motivations for being part of the SIB, their alignment to the mechanism’s goals and the correct distribution of the risks among the stakeholders are paramount for the SIB implementation and the achievement of the results.

### Stakeholders’ Motivations

The SIB experience –particularly the challenges derived from the administrative change at the *Alcaldía de Cali* and the Covid-19 pandemic– shows that it is very important that all the stakeholders have clear motivations, and that they consider that the mechanism responds to those motivations. In this early stage of the SIB development, it is pertinent that the investors have a social approach in which they favor the social impact on the benefitted population over the financial returns. Overall, the implementing stakeholders’ main motivation for participating in the SIB II was to be part of an innovative mechanism that seeks to increase the effectiveness of the provision of social services in the country; and throughout this, generate lessons to strengthen public policy. This contributed to maintain the implementing stakeholders’ commitment towards the mechanism during the challenges caused by the pandemic. In contrast, the *Alcaldía’s* change implied, also, an alteration in the outcome payer’s motivations, which affected their commitment with the SIB but gave a new dynamic in the SIB execution.

### Stakeholders’ Alignment

Despite the commitment shown by the stakeholders to cope with the challenges that surfaced during the SIB implementation and to attain the best results, there were some flaws in the alignment that also constituted difficulties during the implementation. Some of these were: the non-compliance of the contract related with the strategies used to verify the participants’ job placement that led to the termination of the contract with one of the service providers, and the monitoring and expenditure team at the *Alcaldía de Cali* who expressed some queries about the mechanism’s design and its scope in regards with the *Alcaldía’s* policy objectives.

One feature that could have affected the stakeholders’ alignment was the perception of some of the investors around possible conflicts of interest derived from stakeholders that bear various roles or have subordinate relationships with each other. In the SIB II case, it was mentioned that the fact that the intermediary had some of the investor among its shareholders it could generate conflicts of interest to perform its tasks. In particular, this perception was expressed regarding the impartiality that could have the intermediary in case of a debate around the mechanism’s financial return, in which its position about the balance between the social and financial results could be affected due to the position of its shareholders. In contrast, for all the SIB’s participants is known and accepted that entities that –for example– have perform as intermediary in some cases and have participated in other cases as investors, or that eventually could perform as service providers. The literature recognizes that in early SIB’s markets, stakeholders can assume various roles within the

same SIB. This can be positive because of the stakeholders' knowledge and expertise, however there could be conflicts of interests that would yield challenges. To address this risk, it is important to discuss with the different stakeholders the potential conflicts of interest since the beginning. In fact, this also draws attention to the convenience to engage new stakeholders with capacity and experience in diverse roles for future SIB to strengthen and expand the mechanism's scope.

Additional features that stand out in the analysis because of their contribution to strengthen the stakeholders' alignment are: 1) when shaping the investors group, take into account how they fund their investment since this affects their financial returns' expectations and their risk aversion; 2) the need of the service providers to understand the mechanism's scope, timeline and the approved actions to attain the results in order to avoid mix-ups that could adversely affect the SIB implementation; 3) from the beginning engage the employers and deepen the dialogue about the labor entry barriers that certain groups face; 4) albeit the intermediary's role is outstanding, it could be beneficial if there were more direct connections among different stakeholders (investors-outcome payers, investors-service providers).

#### Adequate Distribution of the Risks Among the Stakeholders

By definition the investors assume the **financial risk**; still, in practice all the private stakeholders perceive a financial risk, but in different magnitudes. The investors' risk is the greatest, followed by the intermediary and the service providers. In the latter, the financial risk is related to a portion of the contract that depends on their performance (nearly between 10% and a 20% of the budget). Regarding the government outcome payer's financial risk determined by the *budgetary validity* and derived from the no execution of the resources; this risk is also assumed by other outcome payers and varies in accordance with the entity budgetary practices.

The service providers deal with a **liquidity risk**, which was materialized during the SIB II implementation because of the need to widen the operation timeline with the service providers – with regard to what was established in their contract– due to the Covid-19 pandemic. Consequently, the service providers undertook momentarily some additional expenses –not budgeted– with their own resources, which at the end were covered.

All the stakeholders encounter the **government counterparty risk**, which is derived from the lack of flexibility by reason of legal interpretations to adapt the SIB design to the new conditions generated by the city's labor market difficulties (in which the project-based contracts were very used by the employers, even before the pandemic), the effects that the pandemic had in the economy and the administrative change at the *Alcaldía de Cali* because of the local elections.

In addition, all the SIB stakeholders (private and public) face with a **reputational risk**. The government outcome payer's reputational risk comes from the poor SIB implementation. Meanwhile, the cooperation outcome payer assumes the reputational risk at the early stages of the

SIB on account of its role in developing the mechanism in a new context. The investors and the intermediary perceive their reputational risk as part of the social investment ecosystem. Indeed, the service providers also encounter a reputational risk but regarding the communities –which are their field of action–; so, from the analysis we were able to establish that if the service providers protect their reputational risk there is a higher probability that this risk do not materialized, and the service providers can become a successful guarantee to all the mechanism’s stakeholders.

### **Findings on the Determinants for Success in the Intervention**

The intervention process starts with an open call, which overcame its goal by a 23%; nonetheless, only the 50% got through the open call and to the inscription, 45% of graduates got a job placement, 73% job placed participants reached R3 and 67% passed from R3 to R6. Notwithstanding, these results may be biased by the strong impact that the pandemic had on the economy and the market job in Colombia. In general, the participants that had the highest probability of graduating, being job placed and retained for 3 and 6 months correspond to the service provider 3, followed by the service provider 2. Furthermore, the socioemotional skills (knowns as soft skills) were highly appreciated by the employers and participants, although in the quantitative analysis the training hours of socioemotional skills were not shown as determinant for success in the intervention process.

### Who Begins the Training?

Only 55% of the eligible participants enter the training. A possible hypothesis about this strong reduction is the population heterogeneity which determines that –even though all are unemployed– there are some that have the urge to find a job (according to the service providers, the male head of households) and some whose education level do not require the formation, among other factors. The probability to continue to the training stage was not affected by gender, age range nor by the eligibility criteria (have the required *Sisben* score, belong to *Red Unidos*, be registered in *Unidad de Víctimas*, live in a TIO neighborhood or be graduated from the GAC program). The people summoned by a call center had a higher probability to proceed to training, in comparison to open calls directly by field or “*voz a voz*”. People self-defined as *rom*<sup>7</sup> have more difficulties to continue.

### Graduation Determinants

We found that the participants more likely to graduate have between 18 to 24 years of age, have some type of previous no formal education or are relatives to the head of household (nephews, uncles, siblings); whereas participants who live in a bigger household have a lower probability of graduating. As a matter of fact, the transportation allowance has a positive effect on graduation’s probability. There is no difference in the graduation’s probability by gender nor by eligibility criteria (have the required *Sisben* score, belong to *Red Unidos*, be registered in *Unidad de Víctimas*, live in a TIO neighborhood or be graduated from the GAC program).

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<sup>7</sup> People self-defined as part of the gypsy community.

Regarding the tests applied by the service providers, the number of participants that attained a medium-high or high results increased by a 15% (on average) with the training. Moreover, 34.5% of the graduates improved their performance between the pre- and post-training tests applied by the service providers, the 47.7% remained the same, and 18% diminished in their results. By way of contrast, in the *EduEmplea*<sup>8</sup> test the 44% of the participants lessened their performance and the 56% ameliorated or sustained their results.

### Determinants of Job Placement

On average 45% of the graduates were able to find a job. The results show that the job placement likelihood increases as the participant have more years of education, have more job experience or are graduates from the GAC program or are the head of household. Indeed, 1 additional hour of training in specific skills (known as hard skills) add a 0.02% in the probability of being job placed. Among ethnic groups, there were no differences of finding a job. But women and participants with more than 2 years of unemployment have a smaller probability of being job placed.

### Determinants of Job Retention for 3 and 6 Months

On average 35% and 24% of the graduates reached R3 and R6, respectively. The participants with a higher probability to attain R3 and R6 have more years of education, are head of household, have more job experience, are graduates from the GAC program (this result is not applicable for R6) or had more training in specific skills. The ethnic group does not explain the probability to achieve R3 and R6. Though, women, participants with 1 to 2 years of unemployment or that diminished in their tests applied by the service providers have difficulties to reach R3 and R6.

### What Influences Employment Survival?

At the end of the third month of retaining the job, 37% of the employments are lost and ultimately on the sixth month only 51% of the jobs are sustained; this is related with the fact that the participants with no education or with university education have a higher risk of losing their job compared to participants that only have primary school. Furthermore, one additional person in the household increases the likelihood of job loss by 10%. On the contrary, one additional hour of training in specific skills reduces the risk of losing the job by 10%. Lastly, the risk of job loss is not explained by age or ethnic groups, and there are no statistically significant differences among the service providers.

By definition the long-term contract enables better work stability conditions and imply higher termination costs, so it is the less preferred type of contract by the employers especially for unsteady jobs. As expected, compared to the long-term contracts<sup>9</sup> the *fixed-term* contracts have 6

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<sup>8</sup> This test evaluates the delivered training in a broader way, in contrast with the test applied by the service providers because they evaluate distinctively the training that they delivered.

<sup>9</sup> Even though the long-term contracts can have associated costs that make difficult for the vulnerable population to access to a job, is important to note that 16.7% of the SIB II's jobs had long-term contracts.

times more risk of job loss, the *project-based* contracts have 3 times more risk of losing the job and the *service provision* contract have 1.8 times more risk compared to the long-term contracts.

The results of the tests applied by the service providers influence the risk of job loss; from the second month, participants that had a diminishing performance have a higher risk of losing it.

## Recommendations

These recommendations are formulated depending on if they are related to the SIB design, the enhancement of the RBF mechanism or the employment public policy; as well, the recommendations are prioritized on a short, medium and long-term horizons<sup>10</sup>.

### 1. On the SIB's Design and Operation

#### On the Design

As a short-term action for the SIB design, we recommend SIBs.CO to be open once again to explore additional differential factors in the articulation of the SIB design features for the job placement stage in order to take into account vulnerability characteristics that some people from the targeted population may have. This recommendation aims to expand the “funnel” figure, which elucidates the participants’ transition throughout the intervention, and which demonstrates that only 45% of the graduates attain a job placement. This finding’s analysis indicates that this percentage is related to the targeted population’s heterogeneity; whereby, we think that this indicator can be improved by two ways (which can be exclusive or be combined): 1) define with more precision the targeted population, in terms of vulnerability; and 2) consider the vulnerabilities of the targeted population in the design of the payment metrics and the prices with a premium or differential prices for the most challenging job placements. We account as an advantage of such design the potential achievement of better results (in terms of better indicators of the participants’ transitions), but as a disadvantage the simplicity principle—that is preferred during the SIB design—could be hampered. Nevertheless, we believe that it would be worthy to explore if what is added in complexity can be compensated with a more effective intervention.

In the medium-term, the actions that we posit derived from this first recommendation because they imply testing alternatives for future SIBs. We suggest that the targeted population be defined with more precision since the characteristics and needs of the broad population of difficult job placement are very wide, and a short timeline intervention could be more effective if it is focused on a group of people with more homogeneous vulnerability characteristics. Some criteria that can be studied are period of time in unemployment, job experience, if they have completed no formal education, or women head of household, etc. Also, we recommend that the timeline and the content of the training be adapted accordingly to the targeted population. A few examples (found in this

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<sup>10</sup> We consider that the short-term actions are relatively easy to carry out and that can be tested in the context of designing pilot programs of SIB. The medium-term actions could be more complex to implement because they need more resources to be deployed or required a deeper analysis. Finally, the long-term actions are structural features that look forward to the enhancement of the RBF ecosystem in Colombia.

analysis) are psychosocial support for participants with long periods of unemployment and the need to reinforce the job prospects for women, especially due to the restrictions imposed on them because of their care responsibilities.

In regard with the payment metrics, we suggest that the job placement stage must have a relatively higher proportion of the financial compensation because it seems to be the most complicated stage of the whole process; due to the high fall rate between the graduation stage and the job placement, and the difficulty to establish how much of the retaining depends on the economy or on the performance of the implementing stakeholders. Still, the retaining stages are important because of the psychosocial support; mostly, in the job placement and post-job placement stages. Whereby, they must be included in future SIBs. We also recommend evaluating different time frames for the payment metrics of R3 and R6 since, according to the labor legislation, R4 could be a more adequate metric because the participant would have surpassed the legal trial period.

Concerning the prices' definition and attending the previous recommendation of acknowledging specific vulnerability factors, we suggest defining differential prices for participants of more difficult job placement and consider –in these differential prices– the types of contracts, given the labor market reality. This differential prices' settlement for participants of more difficult job placement could contribute to better results for certain groups (i.e: women). Allowing for differential prices is a better alternative compared to determining a cap to a specific type of contract. In the same way, establishing a premium to the service providers for having partnerships with employers –to be applied when the job placement corresponds to these partnerships– could guarantee a greater commitment and better results.

### On the Operation

In the short-term, we suggest that the implementing team and all the involved stakeholders reinforce their relationship with the employers through an integral approach, so they get to know the RBF mechanism, the SIB and their applications in Colombia, as well as the challenges faced by the people of difficult job placement to gain access to a job, within the Sustainable Development Goals framework that governments, business and organizations have posited and are essential in the country development strategy. Also, in the SIB operation it could be beneficial to promote that the service providers seek partnerships with employers that in their business model have a focus on social impact in which they consider working with the value the diversity within their business and hire people that have some type of vulnerability (i.e: women head of household, young people without job experience, people with disabilities).

In the short-term, within the coordination of the implementing team, we recommend that the service providers and investors are included in the mechanism initial design and negotiating stages through spaces open to conversation, in which the stakeholders can state their motivations and their participation's perspective in the mechanism. This with the aim to guarantee the better

alignment of the stakeholders and get to know some of the mechanism's features like the breadth of the flexibility, the approved incentives during the implementation, and the exchange of experiences among the service providers that have participated previously in RBF and/or SIB mechanisms. In the same way, we suggest that the information about the service providers methodologies and experiences be shared with the investors and outcome payers (before the selection of the service providers). Besides, fostering meeting points for cross-linked relationships could improve the stakeholders' alignment, especially between investors and outcome payers, and investors and service providers.

## **2. On the Enhancement of the RBF Ecosystem**

In the short-term, we recommend the following actions: 1) continue developing SIBs in order to compile more learnings about its design and implementation, its usefulness to address different social problems and the existing challenges around the enhancement of the RBF ecosystem in the country; 2) strengthen the government entities' demand for RBF mechanisms; 3) when shaping the investors group, take into account how they fund their investment since this affects their financial returns' expectations and their risk aversion; and 4) contemplate the service providers' profile as a determinant factor for attaining the project's expected results.

For strengthening the government entities' demand for RBF mechanisms, we suggest diffusing information about the progress and learnings made from the accomplished experiences in the country: the implementation of the SIB "*Empleando Futuro*" and "*Cali Progresada con Empleo*", the framing of the *Fondo de Pago por Resultados* and the next SIB "*CREO*"; and continue seeking strategies to bring more flexibility in the procurement conditions that the public entities have.

Regarding the service providers' profile, it is important to have in mind that –in this stage of SIB development– they must have the capacity to adapt their approach and work methodology to a short intervention<sup>11</sup> that is focused on results-based payments and closing the participants' gaps to access the job market; and it is pertinent that they have strategies to constitute partnerships with employers. Indeed, due to the emphasis on performance management, the service providers must have the administrative, operative and technical capacity or to develop them in order to conduct this task. Besides, it is vital to consider that in case of a contingency, the service providers must have a financial capacity to assume temporarily some expenses. This required profile to participate in SIB may, possibly, imply that there is a reduced number of the potential service providers; being that, in order to enhance the ecosystem stakeholders like these must be included in future SIBs.

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<sup>11</sup> In general, the service providers have longer methodologies of intervention that must adjust to the SIB to comply with the established intervention timeline. For example, a services providers have a young people training program with a scope of 300 hours throughout 5 months. Or, also, they focused on a targeted population with few or no vulnerability criteria different from the residency or the belonging to a specific population group (i.e: displaced people or Sisben score, only).

Among the actions that could contribute to enhance the RBF ecosystem to be developed in the medium-term, we recommend allocating resources to reinforce the performance management tools to make them more functional, understand better the existing interactions between the population and the labor market, and to create knowledge useful to the employment policy. Particularly, we suggest the development of a performance management platform with a better structure and functioning to ease the information's upload and handling, as well as the quality of the analysis that can be drawn from it. This with the purpose of using this model for other RBF mechanisms.

A promising causal analysis that could be done with the information derived from this platform is the possibility to isolate with more precision the effect that the service providers' actions have on each of the retaining stages. Therefore, we recommend designing and implementing an experimental impact evaluation with different groups of participants from the design and throughout the SIB implementation to extract more robust learning about the causality that exists among the SIB features and the intervention mechanism in the retention in the job<sup>12</sup>.

### **3. Findings on the SIB Implementation for the Employment Public Policy**

For the employment programs' operations, we posit the following recommendations to be adopted in the medium-term: 1) the massive open calls and socializations in public spaces are efficient in recruiting the potential participants, but they must be complemented with a more personalized strategy (use of call center or social media); 2) the transport allowance must be kept during the training and be continued during the first 15 days of work to increase the retention in both stages; 3) to be more effective in the job placement, the specific skills (hard skills) training's design must be based on the profile required in the labor vacancies; 4) we recommend keeping the training in socioemotional skills because it is highly valued by employers and participants, even if it is difficult to measure quantitatively its evolution and impact; and 5) the strong and personalized psychosocial support was fundamental during the whole intervention (mostly with the pandemic), so it must be kept.

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<sup>12</sup> There could be three groups of participants. One that is not considered in the RBF mechanism; other that is only reimbursed based on the job placement; and another group that all of its payments are bound to retention (within this group it could be evaluated the different retaining time frames payment metrics that want to be compensated).