

Impactful philanthropy

Increasing effectiveness through evidence, scale and innovative funding

UBS Optimus Foundation
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All philanthropists want their giving to have maximum impact. And not just in the short term. Through our work at UBS Optimus Foundation, we've learned that a focus on evidence, scale, and innovative funding is central to impactful philanthropy.

We know that current philanthropic funding isn't enough to solve the world's social and environmental problems. We need more funding, yes. But critically, we need funding to be driven by evidence of impact.

In the programs we fund we look for effectiveness and ability to scale. We select solutions based on evidence of this and – where needed – help promising programs generate evidence and find pathways to scale.

Our approach seeks to get maximum impact from philanthropist donations. We do this by taking a collective approach to grantmaking both among philanthropists engaged with us and with other funders. We also are pursuing social finance funding mechanisms that can make every philanthropic donation go farther, leveraging in public capital and pursuing approaches to also crowd in private capital.

Current philanthropic giving isn't enough to achieve the SDGs. What's the answer? It's twofold.

SUSTAINABLE DEVELOPMENT GOALS



The goals of philanthropy

The world's most pressing social and environmental problems are encapsulated by the United Nations Sustainable Development Goals (UN SDGs). The 17 SDGs call for sustainable solutions that end poverty, improve health and education, provide clean water and sanitation, reduce inequalities and spur economic growth.

Sustainable poverty reduction, social cohesion and economic growth depend on reducing inequalities. UBS Optimus Foundation's work targets the most vulnerable groups in low- and middle-income countries: women, children and marginalized communities, like rural, migrant and displaced populations. Our programs aim to reduce economic, social, political and environmental inequalities for these vulnerable groups by:

- Increasing access to and quality of health services for women and children in rural areas (SDG 3)
- Improving access to equitable and quality education, especially among the most vulnerable children (SDG 4)
- Expanding access to jobs and decent employment for disadvantaged youth (SDG 8)
- Mitigating the impact of climate change and enhancing adaptation and resilience (SDGs 2, 13, 14, 15)
- Ending abuse, exploitation, trafficking and all forms of violence against and torture of children (SDGs 8, 16)
- Mobilizing additional financial resources for low- and middle-income countries from multiple sources (SDG 17)

A gap in funding

When the UN member nations agreed to the goals in 2015, the target date to achieve them was 2030. Unfortunately, the world does not appear on track to achieve the goals. The UN estimated that to reach the SDGs by 2030, developing countries alone need to fill an average funding gap of 2.5 trillion US dollars per year.¹ No doubt the COVID-19 pandemic will result in an even greater shortfall.

Given the gap, an obvious solution is to increase the amount of funding. But we can also get more mileage out of every dollar spent by making sure current funding is being spent effectively. The current lack of sound evidence and data on progress in achieving the SDGs suggests room for improvement in making sure this is the case.

Our approach: better and more funding

At UBS Optimus Foundation, we've been working on a twofold approach to closing this funding gap in order to achieve the SDGs.

First, funding can be amplified simply by making each dollar more effective. To increase impact, we pointedly target our philanthropic funding toward proven impact. Evidence of impact informs our program choice from the start. But because we also want to encourage innovative solutions, we also help promising programs generate evidence. The goal of funding programs is always to reach scale and sustainably secure long-term funding.

Second, we also are looking at ways to increase and improve funding. From stimulating new philanthropic donations to engaging commercial financing, we see several strategies to bring in more funding for effective programs.

¹ UN SDG Group. (2018). *Unlocking SDG Financing: Findings from Early Adopters*.

How should philanthropists choose which programs to fund? Evidence of results. The consequences of not doing so are wasting money – or worse.

Making a positive difference

Funding for programs that aim to achieve the SDGs should have a positive impact. Sadly, not all philanthropy clears this basic hurdle. Some sensible-sounding programs make no difference at all. Even worse, some programs actually have a negative impact.

One example of the risk of not only failing to help but causing damage is the Virtual Infant Parenting (VIP) program aimed to prevent teenage pregnancy. The program gave at-risk teenagers an infant-simulating doll for six days with the intent of showing how much work it is to look after a baby. But a Randomized Controlled Trial (RCT) out of Australia showed that the program actually increased the rate of teen pregnancy by over half.² By the time the study was published, the program had been implemented in 89 countries, including 67 percent of US school districts.

Other unproven philanthropic interventions may not cause harm but fail to provide meaningful improvement. A remedial program to boost the English reading and literacy skills of grade 4 students in South Africa was implemented because poor children had been falling behind. Results were measured: during the program, children's reading level improved by (on average) eight percentage points. So it was effective, right? Not meaningfully. A study of comparable children in the same region who were not in the program showed similar reading level improvement.³ The apparent effect was just due to the passage of time. So evidence needs to not only show results, but when data is available about a group without the intervention, the evidence also needs to show that the intervention resulted in a significant improvement relative to such a control group.

Results-based philanthropy

These examples illustrate a crucial takeaway for impactful philanthropy. Funding must focus on results rather than activities. Some donors want to know – and encourage charities to report – on the amount of activities undertaken, like how many people attend a program or how many times a program is run. But this won't reveal whether the program achieves anything or not. And if the program achieves nothing, it doesn't matter how many times it was run or for how many people. Instead, we should focus on results.

So how do we make sure that our funding is aimed at positive results? It's all about evidence. From the first funding decision to monitoring throughout, to final assessment. Evidence must support existence of a real problem to solve and an effective intervention to improve the situation.

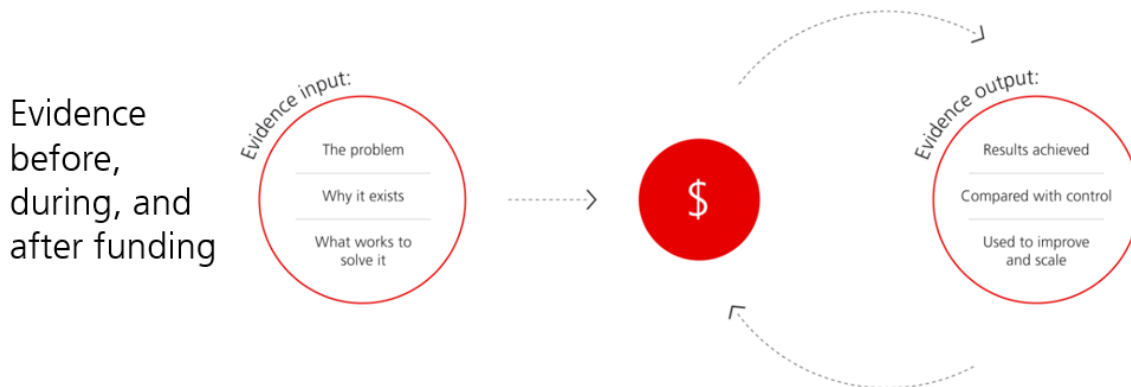
We employ a wide range of methodologies for evidence gathering, from RCTs to quasi-experimental studies, to participatory approaches to evaluations. Not all interventions can be tested by the most robust methodologies like RCTs. Evidence available varies and part of our work involves building evidence through various fit-for-purpose methodologies.

Philanthropists can make a positive difference by funding programs based on evidence and helping to establish evidence where it is lacking.

² Brinkman, Sally A. et al. (2016). Efficacy of infant simulator programmes to prevent teenage pregnancy: a school-based cluster randomised controlled trial in Western Australia. *The Lancet*.

³ Fleisch, B. et al. (2016). Failing to catch up in reading in the middle years: The findings of an impact evaluation of the Reading Catch-up Programme in South Africa. *International Journal of Educational Development*.

Evidence is at the core of all philanthropy that results in positive change. It starts before funding but doesn't end there.



Evidence before, during, and after funding

Evidence-based giving

Evidence should be both a necessary condition for development spending and a product of it, monitored and evaluated throughout for improvement and scaling. Much spending on the SDGs fails to use evidence as either an input or an output.

Evidence should be gathered in advance of philanthropic funding. This includes evidence about the nature of the problem, the cause(s) and effective solution(s). In selecting programs to fund, several questions need to be answered, which require evidence:

- Does the intervention address a real problem?
- How can the intervention be implemented effectively?
- How is impact measured?
- Is the program set up in a way to leverage and incorporate learnings arising from implementation?
- What is needed to scale the intervention?
- How can the program be integrated into policy?

A note on cost: cost-effectiveness is an important input but not the only consideration. Cost-effectiveness is always a comparison based on a specific outcome. But most programs have a range of outcomes. So, there might be a program that is less cost-effective than another on one metric but delivers additional impact on another metric. For example, two programs may deliver the same outcomes in improved literacy, but if one also offers a social-emotional learning component, it might be preferred even if more expensive.

Monitoring and evaluating evidence throughout

Evidence should also be gathered during and after funding with ongoing monitoring and evaluation (M&E) to see what is changing and identify where the intervention could be improved (or terminated if ineffective). Monitoring involves counting inputs and outputs – like the quantity of students reached or number of training sessions delivered for teachers. Evaluation looks at the impact of the intervention – like measuring improvement in student learning and conducting teacher surveys. Our ongoing M&E includes:

- Biannual reporting from partners on progress toward key performance indicators (KPIs)
- Field visits to review program performance
- Regular UBS Optimus Foundation fit-for-purpose evaluation

Funding based on evidence

Where rigorous evidence is available on the effectiveness of an approach – particularly relative to another approach – this creates a rationale for support. **Teaching at the Right Level (TaRL)** is an evidence-based approach to raising children's educational attainment. TaRL was developed in India by NGO **Pratham** and research organization **J-PAL** to respond to the many children falling behind. Many factors were considered as causes, including large class size or lack of teaching materials. But rigorous evidence collected in multiple contexts (notably in Kenya, Niger, Sierra Leone and The Gambia) showed that remedying these two factors has very little effect on children's learning. One strategy did emerge as effective in a series of Randomized Control Trials from India, Ghana and Chile: teaching children according to their level of mastery rather than at the grade level their age would suggest.

In India, various versions of TaRL have been shown to produce large gains in numeracy and literacy. Before a 50-day supplemental school program was implemented, 39 percent of children could not recognize letters and 85 percent could not read a paragraph or story. Children who did not receive TaRL instruction made little improvement. But for children who participated in the program, assessment evidence showed 92 percent could recognize letters and 49 percent could read a paragraph or story.

Based on this evidence, UBS Optimus Foundation is supporting implementation of TaRL across Côte d'Ivoire, where educational attainment is low, and many children struggle to learn in the French national language when they speak one of 70 local languages at home. The aim is to reach 135,000 students in 1,000 primary schools over the next few years, eventually serving all 8,000 primary schools in Côte d'Ivoire. An RCT carried out in partnership with **Innovations for Poverty Action** will both trial a technology innovation to enhance delivery and understand the comparative advantage of the TaRL intervention. Findings will contribute to the body of knowledge around TaRL and similar interventions, allowing us to progressively improve our evidence base that can be applied to other contexts as well.

What if there isn't evidence? Part of effective philanthropy is helping to generate evidence where none exists.

Supporting promising partners

Philanthropists have a role to play not only in funding programs that have already established evidence but also in helping promising programs and organizations get off the ground. Sometimes the relevant evidence on the nature of a social problem or proof of the success of a solution lacks the robust substantiation needed. We support the creation of such evidence where we see promise.

Funding the production of new research to understand problems and how (best) to solve them is a useful contribution to the wider field and the funding community. And it is necessary. Without sound evidence, as we've seen, it's too easy to waste resources and possibly even harm already-vulnerable people. And then, among programs that do work, there can be huge variation in how much impact is achieved per dollar spent. Evidence helps us give proof for innovative solutions and maximize impact.

Evidence about the nature of a problem

UBS Optimus Foundation co-funded a study by **Freedom Fund**, an NGO focused on modern slavery, to understand child sexual exploitation in the adult entertainment industry in the Kathmandu Valley, Nepal. Up to that point, estimates of the nature of the exploitation and number of children involved varied greatly. Using rigorous techniques, the survey estimated that 1,650 children were working in this sector – 60 percent of whom were working in sexually exploitative environments. Investigation led to several research-based recommendations about alleviating the problems, including building the evidence base on viable alternative livelihoods for entertainment workers as well as working to change societal norms and attitudes that may enable harmful behaviors in the industry.

Freedom Fund is a leader in the global movement to end modern slavery, targeting high-concentration or "hotspot" regions. We're supporting Freedom Fund to partner with frontline organizations, communities and governments in Nepal, India, Bangladesh, Brazil and Ethiopia in tackling the systems that allow slavery to thrive.

Evidence about the best solution

In Liberia, three-quarters of girls who complete primary school are illiterate, so maximizing resources for teaching is critical. One way to do this is to manage schools better because it increases accountability and enables more funding to be spent directly on teaching children. Public management is not necessarily the best approach for keeping costs low in public (government) schools.

A rigorous study implemented by the **Center for Global Development** and financed by UBS Optimus Foundation (part of a series of studies) compared the performance of eight non-government providers, aiming to identify providers that deliver the best outcomes so the Liberian government and donors can make an informed choice about which ones to work with in the future. The evidence showed that privatizing school management and doubling expenditure per pupil raised educational attainment.

Of the eight private providers, three achieved no improvement compared to government schools. But five private management companies did twice as well as the average. In comparing these programs that excelled, **Rising Academies** stood out when factoring in cost-effectiveness, educational attainment and equity of pupils served. So, it is important to test interventions that seem similar to gain evidence about how well they work in practice.

UBS Optimus Foundation has supported Rising Academies throughout its evolution from providing emergency education during the Ebola epidemic to serving 50,000 students across more than 160 schools in Sierra Leone, Liberia and Ghana. A study by Oxford University and RCTs have shown that the students at Rising Academies' low-cost private schools learn two times as much per year as their peers.

- 2015: Rising Academies becomes a UBS Optimus Foundation grantee
- 2017: UBS Optimus Foundation backs the Rising Academies Partnership Schools for Liberia program
- 2020: During the COVID-19 outbreak, UBS Optimus Foundation provides an additional grant to Rising Academies to help facilitate its distance learning solution, Rising on Air
- 2020: UBS Optimus Foundation makes its first-ever equity investment in Rising Academies

Scaling up for impact. Philanthropists must go after solutions that result in systemic change.

Pathways to scale

A critical component of impactful philanthropy is finding scalable solutions. As noted earlier, part of the solution to closing the funding gap for achieving the SDGs is to make every philanthropic contribution go farther.

We pursue scaling through a variety of strategic approaches:

- First, effective solutions to social and environmental challenges can be scaled by deployment in different contexts.
- Second, proven solutions undertaken by grassroots NGOs can be adopted and even eventually funded by governments, creating sustainable progress.
- Third, changing policy and social norms is also frequently critical to the successful scaling of impactful interventions.

Scaling across contexts

If an intervention works in one city, why not try it in another? Or in one country, why not a similar country with similar challenges? What is common to all the programs we support is the potential for proof of concept in one context translating into deployment elsewhere (with the necessary local tweaks).

Scaling across contexts means that impact per donation can increase with each iteration. Once a concept has proven itself in one location, bringing the same intervention to another location is often faster, easier and cheaper.

In just five years, **Vision for a Nation (VFAN)** pioneered an approach to integrate local eye care services into the national health system in Rwanda. VFAN trained 2,800 nurses at local healthcare clinics across Rwanda to conduct eye examinations, supported the Ministry of Health to build a supply chain for affordable medication and eyeglasses, and mobilized Rwandans to use the financially self-sustaining service rolled out across the nation's 15,000 local villages. The Government of Rwanda assumed responsibility for the management and financing of primary eye care services in January 2018. Between 2012 and 2020, 2.4 million eye examinations were conducted across Rwanda, leading to 186,000 prescriptions.

UBS Optimus Foundation is now supporting VFAN to bring its model to Ghana. VFAN is partnering with the Ghanaian government to integrate eye care into its primary healthcare system and widen access to eye examinations by using specially trained primary healthcare workers, as in Rwanda, in the place of optometrists and ophthalmologists – an approach now endorsed by the World Health Organization (Africa). These specialist professionals will take care of only the most serious and complex cases, as referred by primary care workers.

Supporting partners to influence government

For most development issues, including the SDGs, governments are major players. In fact, with issues like health and education governments are the primary player. So to achieve the SDGs it is vital to coordinate with governments and improve how governments operate.

How to influence government varies depending on the intervention. It might involve working with a government department to show the feasibility of an intervention, its value or how to do it. Ultimately, having a proven intervention adopted by government can impact the lives of all citizens, with an eye toward long-term sustainability.

At the invitation of the Liberian government, **Last Mile Health (LMH)** developed an innovative model to deliver primary healthcare to Liberia's most remote communities. Over a quarter of the population lives at least five kilometers from the nearest healthcare facility. LMH worked in one district (Konobo) to develop a model for supporting community health workers (CHWs) with training, supplies, supervision and pay to reach remote communities.

A rollout in 2014 to Rivercess County, a much larger area, was accelerated when Liberia was thrust into the Ebola epidemic. CHWs were on the frontline detecting and referring potential cases. Despite the exceptional circumstances, LMH's intervention continued to have a striking impact on treatment for common childhood illnesses. In areas where LMH was present, treatment rates for malaria, diarrhea and upper respiratory infections in children more than doubled from 29 to 69 percent. In Rivercess County communities without the LMH intervention, treatment rates fell.

UBS Optimus Foundation has supported LMH since 2015. Drawing on their successes, LMH collaborated with the Ministry of Health and partners to design and scale the National Community Health Assistant Program to extend primary healthcare to 1.2 million people living at Liberia's last mile. Today, LMH focuses on working with the Liberian government on policy reform and coordination, data systems, performance measurement, quality assurance, training, finance and recruitment. CHWs are at the heart of Liberia's detailed and evidence-based primary healthcare strategy, informed by LMH's expertise and experience. The strategy is applied to all 15 of Liberia's counties, not only the three counties where LMH has worked directly, thus potentially affecting all rural Liberians. These successes are driving LMH to start work in other countries, including Malawi and Ethiopia.

Changing policies and attitudes

Scaling impactful interventions often includes more than just widening the reach of beneficiaries. Changing the attitudes of key stakeholders can be central to allowing a promising solution to take hold and scale. Our work aimed at the deinstitutionalization of children is illustrative.

UBS Optimus Foundation is supporting **Hope and Homes for Children (HHC)** to work with the government in five South African provinces to show that all children in institutions can be returned to family-based care and that alternative legal options can be pursued for any child in danger. In close collaboration with governments, HHC is reintegrating children from orphanages into families, preventing family separation in the first place and putting in place alternative family-based care (like foster care) for children who need it.

Removing children from institutional care by finding them permanent families makes a significant difference to those individual children. But without an accompanying change in attitudes and practices, there is a risk that for every child removed from an orphanage, another child is brought in. That's why HHC is educating and encouraging social workers and the courts to use other options. Their Active Family Support- KHUSELA Community Prevention Model places family-based care provision in the hands of community-based organizations, working under the supervision of the social workers. Their work with these stakeholders is paying off: Gauteng Province has now declared a moratorium on institutional care for children, starting with infants, who are the most damaged by it.

Our partner **Lumos** is helping to shift current policy, practice and funding away from orphanage-like institutions toward services that enable and strengthen families and communities. A huge amount of funding for these institutions comes from foreign donors, particularly US churches, who may not realize how harmful they are: Lumos estimates the foreign funding for orphanages in Haiti is about 100 million US dollars annually – 130 times the reported Haitian child protection agency's annual budget. That much funding in institutions creates incentives for trafficking children into them. Lumos is working to change the attitudes of those funders and to redirect their giving to community-based care. Through efforts to alter the attitudes of philanthropists, their mission to move away from institutional care is strengthened.

Even greater reach through collaboration

Collaboration through sharing best practices and developing a common strategy helps organizations successfully scale proven interventions. To promote learning between grantees (and others), in 2019 the UBS Optimus Foundation convened NGOs in child protection to tackle a lack of joint working and a paucity of good monitoring and evaluation. Each of the 16 participating organizations committed to continue partnering and share or make public evidence about the results of their work. In December 2020, GHR Foundation and UBS Optimus Foundation partnered with **International Child Development Initiatives** to publish a review of measurement approaches in the care sector. It is currently being reviewed and discussed within the sector.⁴

UBS Optimus Foundation is also collaborating with the **Better Care Network (BCN)**, an international network of organizations committed to issues facing children without adequate family care around the world. BCN fosters collaboration, research and facilitates global information exchange on family strengthening and alternative care. BCN also advocates for changes to regional, national and global policies to improve children's care.

With support from UBS Optimus Foundation BCN convened a global coalition of over 256 organizations, networks and agencies to advocate successfully for the adoption of global commitments on children without parental care at the United Nations General Assembly in 2019. BCN has also launched in 2020 a new *Transforming Children's Care* global collaborative platform bringing a wide community of actors working to strengthen children's care and care systems to establish more strategic sector-wide collaboration spanning the global to the local level. The platform is working to build consensus on what constitutes quality alternative care (non-institutional, family-based care, like with extended family or foster care) and develop a sector-wide data and evidence-based agenda and common messaging.

⁴ ICDI. (2020). 'Never only one zebra' - A review of measurement frameworks in children's care.

Too many philanthropic grants given globally are small and for a short duration. Our grantmaking strategy aims to achieve more.

Getting more out of grants

The average UBS Optimus Foundation grant is between half a million and one million US dollars over two to three years. Making smaller grants over shorter periods allows for more grants, but these are often unlikely to be helpful: Too short of a grant duration encourages a focus on activities rather than results. And too small a grant means that after administration costs there is often little left for real impact on the lives of the most vulnerable. In aiming to close the funding gap to achieve the SDGs, we need to eliminate inefficiency in grantmaking and maximize the impact of every donation.

UBS Optimus Foundation helps our carefully chosen grantees gain access to exposure and more funding. They are able to raise additional funds on our platform, which is visible to UBS clients. UBS Optimus Foundation also organizes events where clients can hear from its grantees, placing new opportunities in front of prospective donors.

UBS Optimus Foundation also works to increase funding to our grantees by augmenting clients' donations by 10 percent. There is evidence that matching donations like these increases giving.⁵

UBS Optimus Foundation coordinates with other funders to enlarge and lengthen engagements. We fund alongside UNICEF, the Jacobs Foundation, and the Michael and Susan Dell Foundation, among others.

Our grantmaking aims to make funds go further by introducing clients to high-performance organizations they might not have found otherwise, increasing funding for our grantees and thereby increasing impact.


2020 in numbers

167.7 
million US dollars raised

3.6 
million children reached

151.4 
million US dollars in grants approved*

*Includes grants approved but not yet committed, due to funding not yet received or conditional on KPI fulfillment

295 
programs managed

56 
countries we deploy grants to

⁵ Fiennes, C. (2017). [Give one charity donation, get one free.](#)

Philanthropic grants to individual grantees have their place. But we're also looking at how we can get more out of collective philanthropy.

Three UBS Collectives



Accelerate Collective

- Focus on innovative social financing solutions
- Support piloting, scaling and replicating the DIB Fund
- Mainstream financing mechanisms delivering social and financial return



Climate Collective

- Focus on food systems, sustainable land use and coastal ecosystems
- Protect and restore ecosystems, to shift agricultural practices and to protect and restore coastal wetlands



Transform Collective

- Focus on alternative child care models
- Redirect philanthropic capital away from orphanages, into family-based care solutions
- Establish model in India to be replicated and scaled nationally and globally

Coming together for greater impact

Connecting individuals around strategic aspiration, practice and collective impact is the future of philanthropic funding. By pooling funds and expertise with fellow philanthropists and delivering aligned outcomes, philanthropists can reinforce each other's efforts and achieve exponentially more impact.

Collective funding may increase the total amount of funding available for development by tapping into funds not otherwise used and by increasing impact: in short, creating more and better funding. Making experiences social is a major driver of behavior. The Behavioural Insights Team, born out of the UK civil service, has found that many policies and initiatives are more likely to be adopted if they are EAST: easy, attractive, social and timely.⁶

A collective approach

UBS Optimus Foundation is currently funding three collectives: the Accelerate Collective, the Climate Collective and the Transform Collective. Each collective is a set of delivery partners in a thematic area supported by 15 donors funding collectively over three years, with shared goals and shared measurement. We aim to raise up to 65 million US dollars for the three impactful collectives. UBS will cover the costs of running the collectives, matching donor funding by 10 percent.

Collective members will engage in a three-year strategic philanthropy education experience with peer philanthropists and social investors, following the program design, implementation and evaluation process. Involvement in each collective is intended to be a learning experience, promoting better philanthropy. Collective members will commit five days a year to attend annual conferences, virtual seminars and regional gatherings. The learning curriculum will be substantial, helping philanthropists identify the root causes of problems, understand the system surrounding the problem, identify all relevant stakeholders, and develop a meaningful way to create and influence change. Each collective member will also have the opportunity to take part in an insight journey to one of the countries targeted by collective activities.

Thus informed, philanthropists will be able to play an active role in monitoring impact. Collective members will be able to follow outcomes in real time, gaining access to high-level program reporting, analysis and due diligence. All of which is aimed at increasing the impact of funding by building philanthropic leadership for funders to take charge of their stake in achieving results.

⁶ Behavioural Insights Team. (2014). [EAST: Four simple ways to apply behavioural insights.](#)

What about how we fund? Using innovative social finance vehicles can maximize impact while making funding go farther.

Social finance for increasing performance

UBS Optimus Foundation is active in developing and piloting social finance instruments. Results-based funding often provides greater value for philanthropists and public funders, as impact is financially incentivized. Social finance can also engage private sector capital by paying a financial return alongside achieving social or environmental goals. Social finance is not suitable for all social or environmental programs, but with the right interventions can multiply the impact of philanthropic giving.

While social finance focuses on impact, the financial incentives and rewards inherent to these structures help ensure delivery of results. Using evidence from both internal monitoring and external evaluation, the results serve as an indicator for which activities generate impact and which do not. These insights help inform the future design of interventions but, more importantly, increase the potential of these models to scale and result in even greater impact.

Our social finance mechanisms can support both market-driven entrepreneurial solutions and non-profit initiatives – as well as hybrid structures – and are tailored to the organization's funding needs. Generally, UBS Optimus Foundation supports organizations at different stages of development provided their activities are fully aligned with the Foundation's portfolio areas, generate measurable social results and have a viable path to financial sustainability.

Investing for impact

Some social and environmental challenges are best addressed by market solutions. Equity investments allow UBS Optimus Foundation to provide patient capital to social enterprises with established proof of concept where we see exceptional potential for scalable problem-solving. Equity participation allows us to directly influence the social enterprise by taking an active role as a shareholder to positively influence the social mission of the organization. We support earlier stage organizations by taking equity participation, as these organizations may not yet have established regular revenue streams. Once these have been established we can consider debt funding, as with loans.

Equity for education

UBS Optimus Foundation is supporting the development of **Trackosaurus**, a game-based app for assessing the learning of young children in order to teach at their level. Trackosaurus is being supported by **Innovation Edge**, an impact-first investor focused on solving early childhood challenges in South Africa. Trackosaurus may be a valuable intervention, yet many foundations would be unable to support it. UBS Optimus Foundation is supporting with a grant that can be converted to equity if the social enterprise is successful.

Impact loans for promising social enterprises

Another way we can fund organizations is through debt financing. We generally provide this to organizations that can demonstrate measurable social impact and already have (potential of) a sustainable business model with cash flows – and, thus, an ability to repay debt.

We provide debt through impact loans where the interest rate is negatively correlated with results delivered by the borrower: greater social outcomes and outputs result in a lower interest rate. By linking the interest rate to performance on social metrics we aim to encourage the borrower to keep a strong focus on achieving results. This instrument should demonstrate that the delivery partner can service a commercial investment return and therefore become attractive to commercial investors.

An impact loan for life-saving oxygen in East Africa

Hewatele ("plentiful air" in Swahili) is a social enterprise focused on saving lives by addressing the shortage of affordable, accessible and quality medical oxygen solutions at healthcare facilities in East Africa. Hewatele provides reasonably priced oxygen for needy patients and trains healthcare workers on delivery. Access has become even more crucial during the COVID-19 pandemic because oxygen serves as first-line treatment in severe illness.

With the impact loan, UBS Optimus Foundation as lender is helping to fund Hewatele's investment in oxygen cylinders to support development and scaling of a sustainable business model. Hewatele purchased additional cylinders at the early stages of the COVID-19 pandemic and this investment enabled utilization of 100% capacity of the oxygen plants. The impact loan is structured as a USD 400,000 5-year loan and will help provide medical oxygen to 45,000 people.

Depending on the number of oxygen recipients, the impact loan's interest rate varies from 0% to 7%. Importantly, the structure encourages Hewatele to achieve the impact targets and lower funding costs.

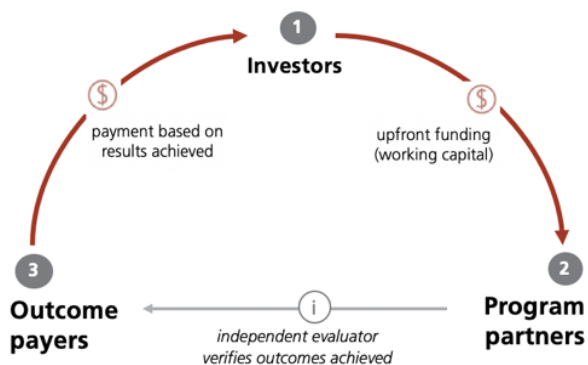
Impact contracts for outcomes and engagement

Impact contracts, also known as development impact bonds (DIBs), have emerged as one of the more innovative investment instruments allowing investors, development partners and implementing organizations to focus on outcomes rather than inputs or activities.

By linking outcome payments to the level of outcomes and outputs achieved, impact contracts create transparency in the international aid/development sector. Active performance management and financial incentives for implementing organizations to achieve greater results increase the likelihood of success. The success is threefold: investors get rewarded for their risk taken, outcome payers receive greater value for money and social impact can be maximized. UBS Optimus Foundation, as investor, can recycle outcome payments back into other impactful philanthropic programs thereby increasing the impact of philanthropic funds.

This structure is particularly attractive for outcome payers who are relatively risk-averse as it allows engagement with innovative programs while only requiring payment once success is proven. For governments, engaging an impact contract means that the working capital required for the program's operations does not reduce public funds in the first instance. It only does so once outcomes have been achieved and no risk remains. Impact contracts stand to increase the level of private sector engagement and investment, as social problems are framed as opportunities for both impact and returns.

Impact contract structure



1. Investors (like UBS Optimus Foundation) provide upfront funding for social programs and make a return if predefined outcomes are delivered by the program partners.
2. Program partners operate autonomously to innovate and to maximize impact delivered.
3. Outcome payers pay for results once they are achieved (measured by an independent evaluator). Investors receive the initial capital depending on the level of outcomes achieved, plus a performance-related return.

Success achieved with impact contracts

UBS Optimus Foundation is a pioneer in investing into successful impact contracts in developing countries. With one complete and two underway, we continue to develop and design impact contracts, focusing on a longer pipeline of programs for investment. UBS Optimus Foundation is also helping to build the social finance ecosystem. Alongside the Foreign, Commonwealth and Development Office (previously Department for International Development, UK), we have supported the Government Outcomes Lab at Oxford University in creating the Global Knowledge Platform for Impact Bonds, an online knowledge hub on impact bonds and results-based instruments.

Educate Girls DIB (2015-2018)

- World's first education impact contract
- Enrolled 768 girls in school
- Improved learning at 166 schools, benefitting 7,300 children
- Achieved 15% internal rate of return (IRR) on USD 270k investment

Utkrisht DIB (2018-2021)

- World's largest impact contract to date in maternal and child health
- Aims to improve quality standards for 360 small healthcare organizations
- Already benefitted 200,000 pregnant woman and their newborns, with a program target of 600,000
- Target IRR 5-8% on USD 2.9m investment

Quality Education (QEI) DIB (2018-2022)

- World's largest impact contract in education to date, building on the Educate Girls DIB proof-of-concept
- Aims to improve literacy and numeracy skills by scaling proven interventions, transforming education delivery
- Already benefitted 100,000 children, with a program target of 200,000
- Target IRR 8% on USD 3m investment

Leveraging philanthropic capital

Another purpose of social finance is to attract new funding. The unprecedented scale of the challenge to meet the SDGs calls for a broader engagement of capital and collaboration with the investor community. Blended finance structures that combine public or philanthropic funds with private sector funds are one way to increase the pool of available funding allowing private investors with various return expectations to tap into social finance opportunities.

UBS Optimus Foundation is in a unique position to leverage the philanthropic capital donated by UBS clients motivated by impact to catalyze public and private funding into SDG-aligned development outcomes and outputs. We are in the process of investing 100 million US dollars in the DIB Fund – a portfolio of impact contracts – to improve healthcare, education and livelihoods globally.



Maximizing impact and unlocking capital

We know that the current philanthropic funding isn't enough to address the social and economic inequalities in low- and middle-income countries, meeting the SDGs. We need funding to be driven by evidence of impact, getting more out of existing funding. And we need to see how we can attract more funding to close the gap.

Our philanthropic strategies are driven by a focus on support for programs that have evidence of getting results and potential to scale. We also support promising programs to generate evidence and establish pathways to scale. We utilize this evidence at every stage of support through robust monitoring and evaluation, helping partners to improve programs.

Beyond a focus on evidence, we also find it imperative to consider the way we fund, so that we are getting maximum impact from philanthropist donations (and getting more funders engaged). We do this by taking a collective approach to grantmaking through collaboration with other funders and by bringing philanthropists together. We also are pursuing social finance funding mechanisms that can make every philanthropic donation go farther and leverage public capital. And we're looking at ways to use social finance to crowd in private capital.

All philanthropists want their giving to have maximum impact. Through our work at UBS Optimus Foundation we've learned that a focus on evidence, scale and innovative funding is central to philanthropy that results in sustainable solutions. We hope to influence other philanthropists toward this more impactful philanthropy.



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