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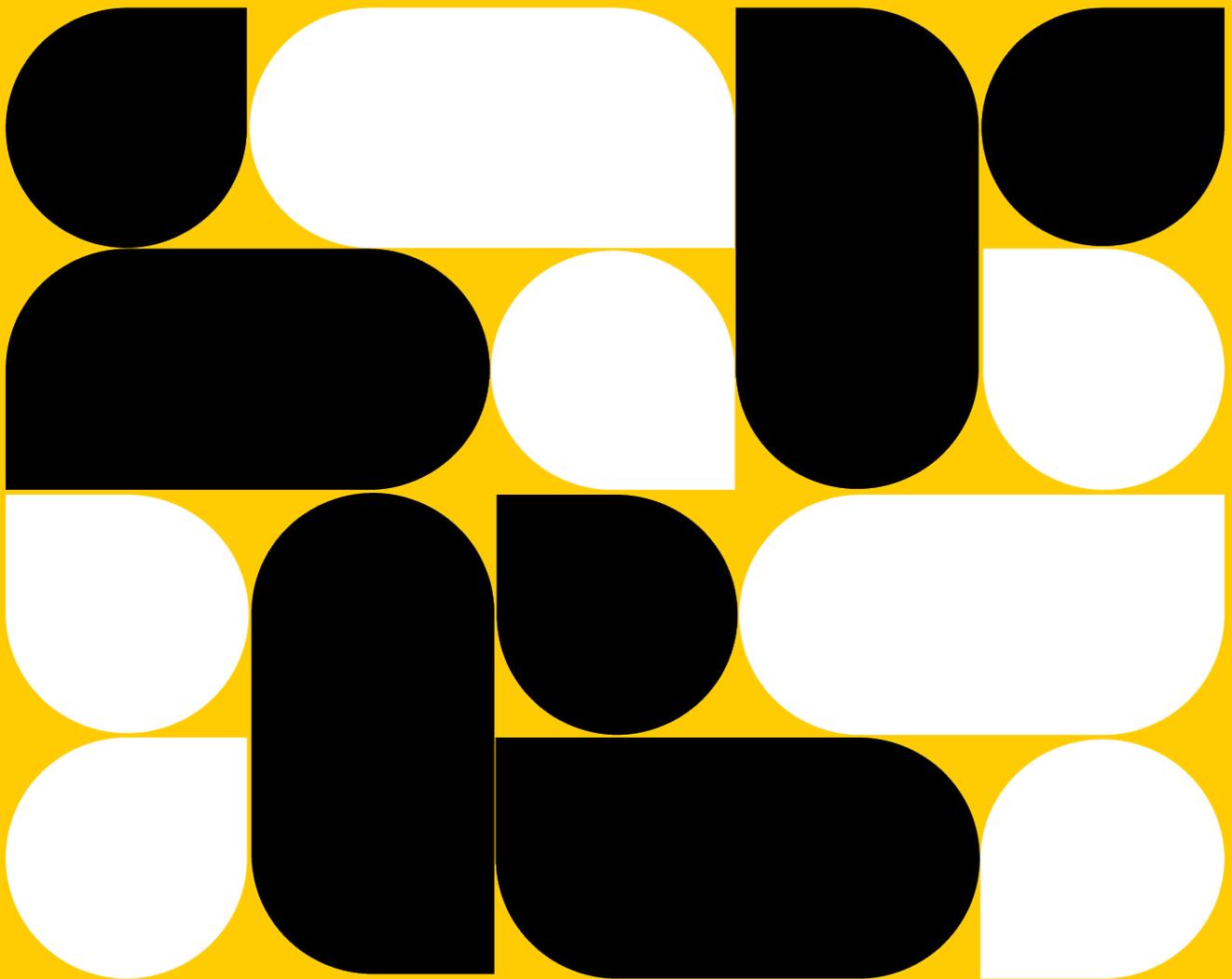
POSSIBLE



Robert Bosch
Stiftung

PILOTING SOCIAL IMPACT BONDS IN UKRAINE

Feasibility Report
January 2026



FOREWORD



JONATHAN ROBINSON

Co-founder of Impact Hub and Civic
Co-Lead, The Possible

"Social Impact Bonds offer tantalising potential as the missing link between Ukraine's remarkable civil society and a public sector seeking new imagination and enterprising initiative to address critical issues of our time."



MARIA SHMELOVA

Impact Investment Lead,
The Possible

"As Ukraine's first Social Impact Bond pilot, this initiative pioneers an innovative, outcome-based financing model designed to reduce long-term grant dependency and build sustainable recovery mechanisms."

DISCLAIMER

This report has been prepared for analytical and informational purposes only. It presents a feasibility assessment and proposed design options for piloting a Social Impact Bond (SIB) in Ukraine based on research, stakeholder consultations, and fieldwork conducted as of the date of publication.

The findings, models, and recommendations contained in this document do not constitute legal, financial, tax, or investment advice. Any proposed structures are indicative and subject to further legal review, regulatory clarification, and formal approval by relevant authorities. Final decisions regarding implementation, financing mechanisms, governance arrangements, and contractual structures will depend on official guidance, institutional approvals, and evolving security, economic, and political conditions.

The views expressed in this report are those of the authors and do not necessarily reflect the official positions of partner municipalities, donors, government institutions, or collaborating organisations. Any references to potential pilot sites, stakeholders, or implementation timelines are provisional and do not imply binding commitments.

This report should be read as a working document intended to support dialogue, learning, and further design of outcome-based financing mechanisms for Ukraine's recovery.

RENEWING UKRAINE WITH ENTERPRISING SPIRIT

The Possible is an innovative platform aimed to empower impact-driven entrepreneurs to be at the forefront of the long-term renewal of the country through financial and non-financial support.

It operates through three core pillars:

- Alliance – A network of partners to amplify collective impact.
- Fund – Providing financial resources to scale impactful solutions.
- Place-based Labs – Establishing localised hubs to empower and support local entrepreneurs.

FUND

Catalytic capital enabling impact-driven entrepreneurs to scale through innovative financial instruments.

ALLIANCE

Of 17 organisations that invests, supports and believes in the power of impact-driven entrepreneurs.

LABS

A place-based approach to build an impact ecosystem and support impact entrepreneurs

THE POSSIBLE ALLIANCE COLLECTIVE IMPACT

€3.5m invested in social and impact entrepreneurs **BY ALLIANCE PARTNERS**

+8k businesses received non-financial support (1:1 mentorship, webinars, workshops, etc.)

+500 hours of personalised mentorship and consultations covering all aspects of business development

+100 entrepreneurs received financial support

+100 Online and offline events, workshops, webinars, and trainings

+15 Programs for Impact Entrepreneurs featuring top national and international experts & in collaborations with prestigious institutions (e.g., UC Berkeley, Climate KIC, CINC)

FOCUS AREAS

SOCIAL BUSINESSES

COMMUNITY BUSINESSES

GREEN BUSINESSES

VETERAN BUSINESSES

THE POSSIBLE ALLIANCE



civic



CIRCE

CLIFFORD
CHANCE



USVF



greencubator



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EXECUTIVE SUMMARY

Ukraine's recovery requires not only unprecedented levels of funding, but also **new ways of financing social and economic rebuilding that are more accountable, sustainable, and locally driven**. While international grants remain essential, they are insufficient on their own to address long-term structural challenges such as employment, veterans' reintegration, service accessibility, and the resilience of local economies.

This Feasibility Report explores whether Social Impact Bonds (SIBs) — an outcomes-based financing mechanism — can be adapted to Ukraine's legal, institutional, and wartime context, and how such a model could be piloted at municipal level.

With the support of the Robert Bosch Stiftung, The Possible conducted legal analysis, stakeholder consultations, and fieldwork to assess the readiness of Ukrainian municipalities to implement outcome-based, returnable financing.

The report proposes the first SIB pilot in Ukraine, intentionally designed as a 0% return, repayable donor-financed model. This structure allows Ukraine to test outcome-based contracting within existing budgetary and treasury constraints, while building institutional capacity and legal precedent for future scaling.

Social Impact Bonds in Ukraine could be applied to the following thematic areas:

- Employment and workforce development,
- Veterans' reintegration and wellbeing,
- Reduction of physical and organisational barriers in local services, and
- Strengthening small and medium enterprises as drivers of social impact.

From a legal perspective, Ukraine does not yet have a dedicated framework for Social Impact Bonds. However, this report demonstrates that several legally viable structuring options exist, including joint activity agreements, repayable financial assistance, municipal target funds, and PPP-inspired models.

Each option is assessed for feasibility, risks, and treasury compatibility.

To ensure legal and institutional alignment, discussions have been initiated with relevant national authorities regarding the proposed financing approach.

This report is structured in three parts. **Part 1 introduces the Social Impact Bond model and global practice**, examining how outcome-based financing works, what conditions enable success, and what lessons can be drawn from international experience, alongside its limitations. **Part 2 assesses the feasibility of impact bonds in Ukraine**, analysing legal, institutional, and budgetary readiness, and identifying viable intervention areas and structuring pathways. **Part 3 presents the place-based pilot challenges and key considerations for the municipality**, including governance, stakeholder roles, municipal approval processes, risk mitigation, and the proposed theory of change and outcome framework.

This pilot is intentionally **not designed as another standard grant programme**. While grants remain critical in the current context, **long-term recovery of Ukrainian communities requires the gradual development of financing models that strengthen local ownership, accountability, and sustainability**. The pilot is therefore positioned as a **learning and system-building initiative**: a controlled, legally validated experiment that will test outcome-based payments, build trust between municipalities, donors, service providers, and evaluators, and develop local capacity for measurement and performance management.

If successful, this pilot can serve as the foundation for a **scalable national model of outcome-based financing** — gradually transitioning from donor-backed, 0% return instruments to blended and private capital structures with performance-based returns. In doing so, Ukraine can reduce long-term grant dependency, strengthen local ownership of recovery, and channel scarce resources toward interventions that deliver verified social results.

This report is intended for **municipal leaders, donors, ministries, civil society organisations, and impact investors** seeking practical, legally grounded pathways to finance Ukraine's recovery more effectively. While risks remain — including legal uncertainty, institutional capacity constraints, and wartime volatility — the analysis concludes that a carefully designed pilot can unlock significant learning and pave the way for a new generation of recovery finance in Ukraine.

THE

POSSIBLE

INTRODUCTION

FROM POTENTIAL TO ACTION

With the support of the Robert Bosch Stiftung, The Possible is researching and adapting and **piloting the Social Impact Bonds model to fit Ukraine's social, legal, and institutional context**. Our long-term mission is to develop a scalable national model that strengthens Ukraine's social resilience, empowers municipalities, and accelerates community-led recovery. Ukraine faces immense recovery needs after years of war, yet municipalities often lack the financial flexibility and tested frameworks to drive systemic social change. At the same time, **international donors and private foundations are searching for mechanisms that ensure transparency, efficiency, and measurable impact. Current grant-based models are often short-term, fragmented, and disconnected from local priorities**. Without innovative financing structures, opportunities to empower local actors and build resilience risk being lost.

We envision a system in which local governments, civil society organisations, and social enterprises collaborate not around inputs or activities, but around **clearly defined and measurable social outcomes** such as the reintegration of veterans, youth employment, or improved access to rehabilitation services, and many more. **By shifting incentives toward results, this model aims to foster a culture of accountability, transparency, and trust between citizens, municipalities, and funders**.

The intended long-term outcome is a proven and replicable model of Social Impact Bonds that can be scaled across Ukrainian municipalities. This initiative seeks to demonstrate that even in fragile and post-conflict contexts, public-private partnerships can be designed to reward genuine progress on pressing social challenges. Success will mean that municipalities can reliably commission impact services through fair and accountable mechanisms; civil society organisations and social enterprises can grow by delivering measurable social value; and communities experience tangible improvements in their daily lives.

PURPOSE OF THE FEASIBILITY REPORT

This Feasibility Report explores the potential for piloting Social Impact Bonds in Ukraine, with a focus on municipal-level recovery, social development, and inclusive economic growth. The purpose of the study is to assess whether and how outcomes-based approaches can be legally, financially, and operationally adapted to the Ukrainian context, particularly at the local government level, and whether such mechanisms could support a pilot implementation in 2026.

THE REPORT AIMS TO:

- Analyse **global lessons from implemented Social Impact Bonds** and assess their relevance for Ukraine;
- Identify **key success factors, risks, and failure modes** observed in comparable international contexts;
- Explore **adaptations required for Ukraine's legal, fiscal, accounting, and civic environment**, including public finance rules, tax treatment, and the role of civil society organisations;
- Assess how SIBs could improve **transparency, accountability, and impact measurement** in recovery and development funding;
- Support the **co-design of a municipal pilot**, including measurable social targets and stakeholder roles.

The report is intended as a practical guide for municipalities, donors, civil society organisations, and private partners considering innovative financing approaches for Ukraine's recovery and long-term resilience.

BACKGROUND: UKRAINE'S RECOVERY CHALLENGE

\$524 BILLION

Ukraine's reconstruction and recovery needs

According to the World Bank-led Rapid Damage and Needs Assessment (RDNA4), Ukraine will require \$524 billion over the next decade to recover from war-related damage and rebuild to resilient, low-carbon standards.

\$1 TRILLION

Long-term estimates for recovery

Ukrainian ex-Prime Minister Denys Shmyhal has stated that full reconstruction and modernization could reach up to \$1 trillion over ~14 years, reflecting not only rebuilding, but long-term economic transformation and integration with the EU.



MILENA DRYZHENKO

Entrepreneur and founder of ArtLand, a children's creativity studio, stands in front of her house

Voznesensk, Mykolaiv Region, Ukraine

A MAJOR FINANCING GAP REMAINS

Despite substantial international commitments, funding needs continue to exceed available resources. Ukraine faces a projected external financing gap of approximately \$160 billion over 2026–2027, highlighting the limits of current aid commitments and the need for innovative financing mechanisms.

NEEDS EXTEND FAR BEYOND INFRASTRUCTURE

While housing (~33%), transport (~21%), energy (~12%), and industry (~10%) account for major damage, recovery also requires investment in:

- Employment and livelihoods
- Social services and rehabilitation
- Veteran and youth reintegration
- Local economic resilience

REBUILDING UKRAINE FOR A STRONGER FUTURE

Recovery presents a unique opportunity to accelerate Ukraine's transition toward a green, digital, inclusive economy, strengthen local governance, and reinforce public trust through transparency and accountability.

1. [Fourth Rapid Damage and Needs Assessment \(RDNA4\)](#)

2. [Ukrinform](#)

3. [The New Union](#)

DELIVERING IMPACT NOW: INNOVATIVE FINANCE POWERING UKRAINE'S ONGOING RECOVERY, RECONSTRUCTION AND MODERNISATION

Grant-based funding alone is often short-term, fragmented, and input-driven, with limited accountability for results. To deploy large-scale funding efficiently and credibly, Ukraine needs mechanisms that:

- Align incentives around measurable outcomes
- Reduce corruption risks through performance-based payments
- Empower municipalities and local actors
- Embed local ownership into program design, ensuring that municipalities, civil society, and local enterprises participate from the earliest stages of needs assessment, design, and governance

SOCIAL IMPACT BONDS offers a promising path. By linking payments to verified social results and mobilising private and philanthropic capital, Social Impact Bonds can complement public funding and support municipality-led, impact-driven recovery.

WHERE OUTCOMES-BASED APPROACHES CAN ADD THE MOST VALUE

COMMUNITY-DRIVEN DEVELOPMENT

Social impact bonds can empower municipalities and local communities to shape recovery priorities, linking funding to tangible social outcomes such as employment, rehabilitation, and youth engagement — with built-in transparency and accountability.

FRONT-LOADING RECOVERY FINANCE

Donor commitments made over future years can be mobilized earlier through innovative financing structures, allowing urgent recovery needs to be addressed now rather than later, with payments tied to verified outcomes.

LINKING RECONSTRUCTION TO SOCIAL IMPACT

By tying funding to social, economic, and environmental outcomes, Social Impact Bonds help ensure that reconstruction strengthens local economies, supports entrepreneurship, and rebuilds social trust — not just physical infrastructure.

In a high-risk, resource-constrained environment, innovative outcomes-based financing offers Ukraine a way to **use scarce funds more effectively**, attract private and philanthropic capital, and build a culture of accountability between municipalities, citizens, and funders.

SOCIAL IMPACT BONDS: CONCEPT AND GLOBAL PRACTICE

- Definition and core structure of Social Impact Bonds
- Social Impact Bonds in numbers
- Roles of public, private, and civil society actors
- Global practice and evidence to date
- Impact Bonds in conflict-affected contexts
- Potential and limitations: lessons from years of experience worldwide

A **Social Impact Bond (SIB)** is an innovative form of outcomes-based contracting designed to scale effective social programmes. **First piloted in the United Kingdom and now gaining global traction**, SIBs are structured as multi-stakeholder partnerships in which philanthropic funders and impact investors provide upfront capital and assume financial risk, rather than governments. Service providers — typically nonprofits or social enterprises — deliver preventive or social services, while public authorities make payments only if pre-defined, independently verified social outcomes are achieved.

As a results-driven financing mechanism, **SIBs shift the focus from funding activities or inputs to funding measurable impact**. While the model is still relatively new and evidence continues to emerge, outcomes-based contracts have demonstrated potential to improve accountability, align incentives across stakeholders, and support more effective use of public resources.

WHAT IS A SOCIAL IMPACT BOND?

SIB is an innovative way to scale proven social programmes. Private investors provide upfront capital to service providers, and the government repays the investment only if agreed social outcomes are achieved.

Social Impact Bonds are not traditional bonds. Despite the name, a Social Impact Bond — also referred to as a Social Outcomes Contract — is a form of outcomes-based contracting in which repayment is linked to the achievement of independently verified social outcomes, rather than to activities, inputs, or outputs. In this model, funding is provided upfront to deliver a social intervention, and payments are made only if agreed outcomes are achieved.

Outcomes-based contracts are grounded in principles of good governance, transparency, and accountability for impact. By shifting the focus from spending to results, they help align stakeholder incentives, encourage collaboration across sectors, improve value for money, and enable adaptive delivery. These features are particularly important in complex and rapidly changing environments, such as post-war recovery contexts like Ukraine. Outcomes-based contracts operate under different names across jurisdictions, including Payment by Outcomes, Payment by Results, Social Impact Investments, and Partnerships Addressing Disadvantage. While terminology varies, the core principle remains the same: public or donor funding is linked to verified social impact.

SOCIAL IMPACT BOND IS NOT A BOND

A bond is a debt instrument in which an investor lends money to an issuer for a fixed period in exchange for an agreed interest rate. Cities and states commonly issue municipal bonds to finance capital projects and meet ongoing funding needs.

For example, Kyiv issued municipal bonds, completing three bond issuances with a total volume of \$26 million (UAH 1.1 billion) in 2021, primarily aimed at financing municipal infrastructure and development projects. In 2020, the Lviv City Council issued municipal bonds (Series K and L) with a total value of \$14.2 million (UAH 600 million). The proceeds were directed toward financing transport infrastructure, roads, and engineering facilities.

More municipal bond issuances are expected as Ukrainian cities seek to finance post-war reconstruction.

SIBs, despite their name, are not debt instruments. Instead, they are multi-stakeholder partnerships governed by a series of contracts. In fact, they were initially conceived as “social impact partnerships,” rather than bonds.

Social Impact Bond was first introduced in 2010 through a pilot in Peterborough, UK, aimed at reducing reoffending among short-term prisoners. Since that initial experiment, over 320 SIBs have been launched globally.

Development Impact Bonds (DIBs) are outcomes-based contracts used in low- and middle-income countries, where private investors provide upfront funding and are repaid by external donors or development partners. They are essentially SIBs adapted for development, bringing together investors, service providers, and outcome payers (donors/development partners) to tackle complex issues with upfront funding and performance-based reward.

1. [Social Finance: A beginners guide to Social Impact Bonds \(SIBs\)](#)
2. [Social Finance: What role could outcomes-based contracting play in the recovery of Ukraine?](#)
3. [National securities and stock market commission](#)
4. [Zaxid](#)

THE ACTORS BEHIND A SOCIAL IMPACT BOND

The Social Impact Bond ecosystem is effective because it realigns incentives across all stakeholders. Financial risk is shifted away from governments toward investors, allowing public authorities to support innovation without committing upfront capital. Funding is linked to verified social outcomes rather than predefined activities or outputs, which rewards what works rather than what is planned. This structure incentivises service providers and intermediaries to focus on effectiveness, continuous learning, and collaboration. By embedding data collection, performance management, and independent evaluation into delivery, the model encourages innovation, evidence-based decision-making, and the achievement of durable, long-term social impact.

A SIB can support long-term projects and needs three key partners:

- **Outcome funders** are the commissioners. They identify social issues, specify payable outcomes that must be achieved to address these issues, and pay for achieved outcomes.
- **Investors** provide upfront funding for the service provider to finance the project, and are repaid based on specified outcomes being achieved.
- **Service providers** work with the target group to achieve the outcomes specified by the outcome payer, and receive payments based on specified outcomes being achieved.

Intermediaries and **independent evaluators** play a critical enabling role by structuring the partnership, managing performance, and verifying results, ensuring credibility and accountability.

Return on investment depends on whether or not the social outcome improves. If it does, the outcome payer repays the investors for their initial investment plus a return for the financial risks they took.

SIB ECOSYSTEM

OUTCOME FUNDER

- Defines priority social challenges and desired outcomes
- Commits to pay only for verified results, not activities
- Benefits from risk transfer, long-term planning, and improved value for public spending

INDEPENDENT EVALUATOR

- Define and apply outcome measurement methodologies
- Play two roles:
 - Evaluation Adviser** – supports learning and performance improvement
 - Independent Assessor** – verifies final outcomes for payment decisions
- Ensure credibility, transparency, and accountability

INVESTORS

- Provide upfront, at-risk capital to fund service delivery
- Repaid only if outcomes are achieved (full or partial, per contract)
- Typically include impact-first investors, foundations, and philanthropies
- May blend different risk/return profiles (e.g. guarantees, concessionary capital)

INTERMEDIARY

- Designs and manages the SIB structure end-to-end
- Brings together government, investors, service providers, and evaluator
- Manages contracts, cash flows, performance management, and risk

SERVICE PROVIDERS

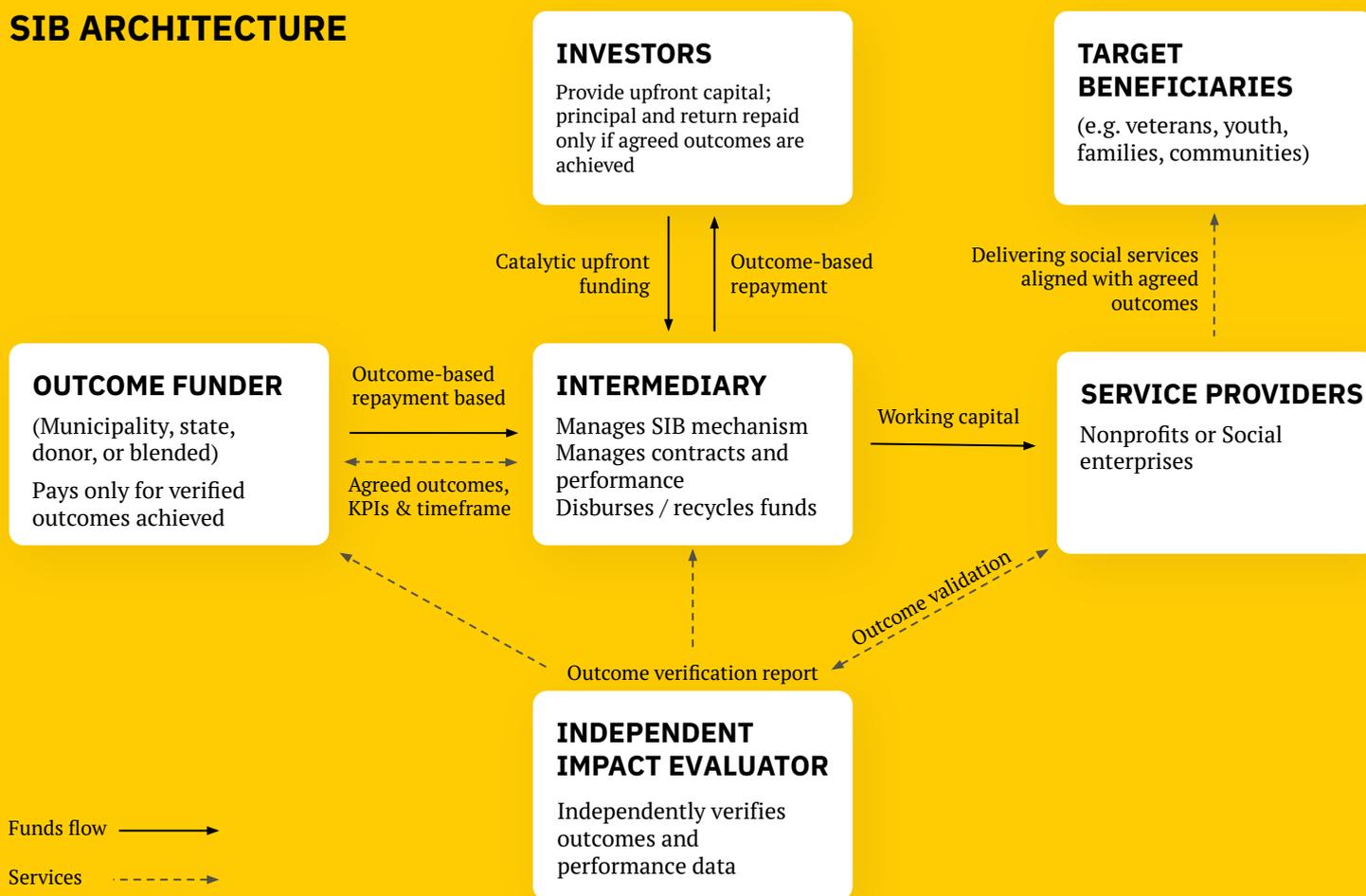
- Deliver evidence-based interventions to target beneficiaries
- Often nonprofits or social enterprises with strong local knowledge
- Receive flexible working capital and can adapt delivery during implementation
- Frequently collaborate in consortia to address complex social challenges

BENEFICIARIES

- The people and communities at the centre of the SIB
- Directly benefit from the funded interventions
- May include veterans, youth, families, people with disabilities, or other vulnerable groups
- Success is measured by tangible improvements in their lives, not activities delivered

HOW DOES A SOCIAL IMPACT BOND WORK?

SIB ARCHITECTURE



THE PROCESS

1. CONTRACTING & OUTCOME DEFINITION

The outcome funder (municipality, state, donor, or blended) contracts an intermediary to deliver programmes targeting defined social outcomes, with clear metrics and timelines agreed in advance.

2. UPFRONT INVESTMENT

Impact investors commit upfront, at-risk capital. All parties contractually agree that:

- Repayment depends on outcomes being achieved
- Returns are performance-based, not guaranteed

3. CAPITAL DEPLOYMENT

The intermediary aggregates investor capital and disburses it to service providers as working capital to fund programme delivery.

4. SERVICE DELIVERY

Service providers (nonprofits or social enterprises) receive funding to social services aligned with agreed outcome targets.

5. PERFORMANCE MANAGEMENT & LEARNING

Throughout implementation:

- Data is continuously collected
- The intermediary manages performance
- Programmes are adapted based on interim results

This enables learning, risk management, and improved delivery quality.

6. INDEPENDENT EVALUATION

An independent impact evaluator assesses whether predefined outcome targets have been achieved, using agreed evaluation protocols.

7. OUTCOME PAYMENTS

If targets are achieved, outcome funder repays investors via intermediary with a return and pays a success bonus to intermediary and service providers. Where outcomes fall short, payments are reduced or withheld according to contractual terms.

1. Social Finance

2. Social Ventures Australia Limited

3. Ann Griffiths and Christian Meinicke, Introduction to Social Impact Bonds and Early Intervention, Early Intervention Foundation

PAYING FOR OUTCOMES, NOT ACTIVITIES

While Social Impact Bonds involve additional actors and coordination costs compared to traditional contracting, evidence shows they deliver significant value under the right conditions. Their benefits are structural, not incremental.

SCALING WHAT WORKS

Social Impact Bonds provide a structured, replicable way to scale proven social interventions. They bridge the critical gap between philanthropy — often the source of early “risk capital” for innovation — and government, which has the mandate and resources to scale successful solutions. By aligning incentives and shifting financial risk away from the public sector, SIBs enable evidence-based programs to reach more people.

TRANSFORMING HOW GOVERNMENTS PAY

SIBs help governments shift from paying for activities to paying for measurable results. Built-in performance management, data collection, and independent evaluation improve program quality and accountability. By focusing on prevention rather than remediation, SIBs support forward-looking public spending and encourage better coordination across government agencies and data systems.

REWARDING EVIDENCE AND INNOVATION

SIBs recognise and reward service providers that invest in understanding what works. They offer a pathway for high-performing nonprofits and social enterprises to grow — overcoming a common barrier where effective programs struggle to scale due to rigid funding models. In doing so, SIBs strengthen the social sector and incentivise continuous learning and impact.



COOPER RENFRO

Associate Director | International Team
Social Finance



“Outcomes-based financing in conflict-affected settings can channel larger, more predictable and front-loaded resources into essential services and innovative programmes, while ensuring payers only disburse against independently verified results and clearly evidenced impact. By tying payments to outcomes rather than inputs, OBF creates strong incentives for adaptive, efficient delivery in complex environments and for aligning these responses with longer-term recovery and development goals.”

GLOBAL EXPERIENCE AND LESSONS LEARNED

Social Impact Bonds are gaining increasing attention for several compelling reasons:

Complex social challenges, particularly those arising in fragile, post-conflict, or rapidly transforming contexts, often exceed the capacity of any single institution to address effectively. Evidence from global practice shows that well-designed public-private partnerships and multi-stakeholder models can mobilize complementary expertise, capital, and accountability across sectors.

Governments are already accustomed to performance-based contracting in infrastructure and procurement, yet this logic has historically been underutilized in the social sector. SIBs extend the “pay-for-results” principle to social policy, shifting the focus from funding activities to achieving measurable outcomes.

Impact Bonds are known by different names in different countries



UK:
Social Impact Bonds (SIBs) or increasingly Social Outcomes Contracts (SOCs)



EUROPE:
Often known as Social Impact Partnerships



AUSTRALIA:
Social Benefit Bonds



US:
Pay for Success (PFS)

Whilst there are differences between the way these countries design and develop these programmes, they are referring to the same logic.

A GLOBAL MOMENTUM

What began as a set of early experiments in the UK quickly attracted attention beyond national borders. By the early 2010s, policymakers, philanthropies, and development actors were exploring whether outcome-based financing could be applied in low- and middle-income countries, where public budgets were tight and results were often hard to measure.

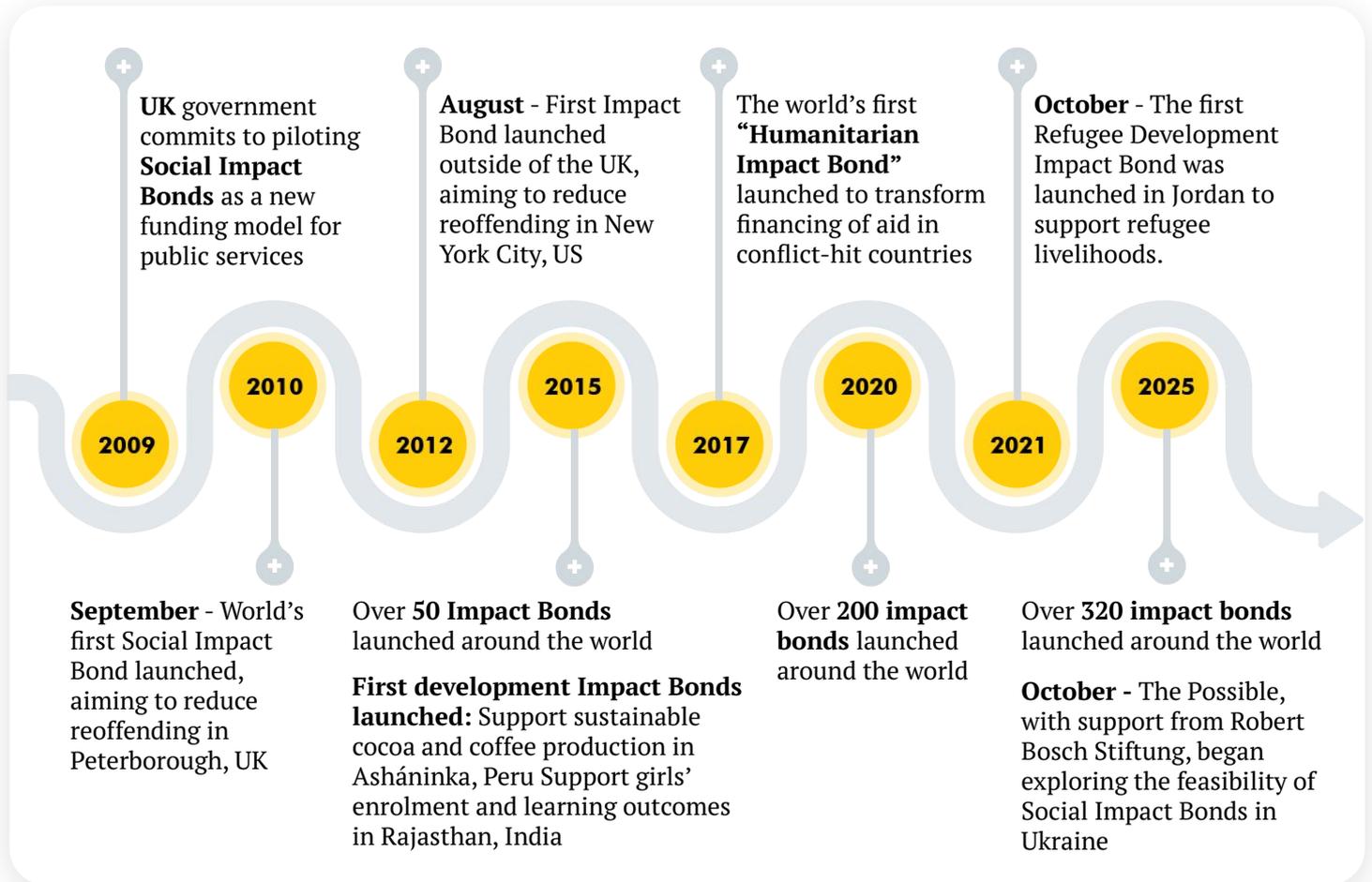
Since then, Impact Bonds have expanded across regions and sectors. While not every initiative follows the same structure or terminology, the core principle remains consistent: **private or philanthropic capital finances services upfront, and outcome funders pay only when measurable social results are achieved.**

Today, impact bonds exist in education, employment, health, housing, child welfare, and integration, spanning Europe, North America, Asia, Africa, and Latin America. Rather than a single standardised instrument, they have evolved into a family of outcome-based financing approaches adapted to local legal systems, policy priorities, and social challenges.

KEY LESSONS

- No one-size-fits-all model: Impact Bonds must be adapted to local legal, institutional, and social contexts.
- Outcomes drive credibility: Clear, measurable, and verifiable outcome metrics are essential for investor confidence and public accountability.
- Complexity must be managed: Transaction costs and contract design can be significant; simpler structures improve scalability.
- Not a replacement for public funding: Impact Bonds can complement public budgets, but they are most effective when used selectively for well-defined problems.

THE EVOLUTION OF IMPACT BONDS



THE FIRST SOCIAL IMPACT BOND: REDUCING REOFFENDING AT PETERBOROUGH PRISON, THE UK

In 2010, the first SIB was launched at Peterborough Prison to tackle reoffending among short-sentence prisoners, where 60% were reconvicted within one year.

Social Finance UK, a non-governmental organisation that designs innovative financing structures, launched the SIB to be released over a six-year period.

OUTCOMES:

The programme cut reoffending by 9%, exceeding the 7.5% target.

The Ministry of Justice and Big Lottery Fund repaid investors their capital with returns of 2–13%.

OBJECTIVE:

Reducing the reoffending rate of short-sentenced prisoners by at least 7.5%

DURATION:

2010 to 2015 (initially planned for a 7-year period)

TARGET GROUP:

~3,000 released prisoners. High risk of reoffending, limited post-release support

OUTCOME FUNDERS:

The UK Ministry of Justice and Big lottery

INVESTORS SECTOR:

17 associations mainly in the philanthropic

SERVICE DELIVERY: Non-profit organisations

EVALUATORS: QinetiQ, University of Leicester, University of Greenwich and Rand Europe

INTERMEDIARY: Social Finance

SOCIAL IMPACT BONDS: INTERNATIONAL CASES

THE ROTTERDAM BUSINEZZCLUB SIB, THE NETHERLANDS

Rotterdam pioneered the use of SIBs in continental Europe, launching its first SIB in 2013. The primary initiative, called the Buzinezzclub program, was designed to help unemployed youths aged 17-27 transition from government benefits to sustainable employment, education, or self-owned businesses. The SIB agreement stipulates that the municipality pays back the investors and the implementing party using yields based on the benefits it saves as a result, measured against a reduced benefit duration. The yield can amount to as much as 12% annually.

OUTCOME FUNDER:

The Municipality of Rotterdam

INVESTORS:

Start Foundation and ABN AMRO (which contributed together €680k)

EVALUATORS:

Deloitte and Ortec Finance

THE FIRST ROTTERDAM SIB WAS LARGELY CONSIDERED A SUCCESS.

59% of the initial group of participants found employment, entered training, or started their own businesses, which was faster than initially expected. The success led to a reduction in youth unemployment for participants, resulting in significant cost savings for the municipality in benefit payments.

Social Impact Bonds are complex to design and manage. They require legal, financial, and evaluation expertise, clear outcome metrics, and reliable data to translate social results into investor returns. Limited cost-benefit evidence and a lack of track record make provider selection difficult, while weak data systems increase the risk of 'creaming' and distorted outcomes.

EDUCATE GIRLS DEVELOPMENT IMPACT BOND, INDIA

The world's first education DIB, launched in 2015 in Rajasthan, India, to enrol out-of-school girls and improve literacy and numeracy for both girls and boys. The model linked funding directly to results: UBS Optimus Foundation provided \$270k in upfront capital to Educate Girls, while the Children's Investment Fund Foundation acted as the outcome payer, committing to repay investors with returns based on outcomes achieved.

PERIOD:

2015 -2017

OUTCOME FUNDER:

Children's Investment Fund Foundation (CIFF)

INVESTOR:

UBS Optimus Foundation

SERVICE PROVIDER:

Educate Girls

By 2018, the DIB had significantly exceeded its targets. It achieved 116% of its enrolment goal, enrolling 768 out-of-school girls, and 160% of its learning target, with students demonstrating gains equivalent to an additional year of schooling.

PROS

- **Flexible delivery:** Enabled Educate Girls to adapt strategies based on real-time performance data
- **Strong outcome focus:** Emphasis on measurement drove significant overachievement of targets
- **Mobilised private capital:** Brought in upfront funding for social impact
- **Proved the model:** Demonstrated the viability of innovative financing in education

CONS

- **Structural complexity:** Required multiple stakeholders and careful contract design
- **High setup costs:** Involved significant transaction and evaluation expenses
- **Short-term incentives:** Risk of prioritising easily measurable outcomes over long-term change

1. [Government Outcomes Lab](#)

2. [Rotterdam experiments with social impact bond](#)

3. [World Bank Group, Ecorvs, Government Outcomes Lab \(GO Lab\)](#)

4. [Educate Girls](#)

GERMANY'S SIB EXPERIENCE

Germany's SIB experience remains in **pilot and experimentation phases**, with committed actors exploring how the approach can be adapted to German legal and social policy environments.

The initial push to experiment with SIBs in Germany came primarily from philanthropic investors and a specialised intermediary organisation focused on strengthening the local social impact investment ecosystem. These actors sought to challenge the long-standing dominance of traditional institutional arrangements, particularly those represented by the state and the six major, publicly funded welfare associations – collectively known as the Freie Wohlfahrtsverbände.

The first Social Impact Bond in Germany was launched in Augsburg in September 2013, raised €250,000 in capital. The project, JuMP – Jugendliche mit Perspektive (“Youth with Prospects”), aimed to identify, support, and integrate at least 20 young people into vocational training or employment subject to social insurance contributions for a minimum period of nine months.

SOCIAL IMPACT BONDS IN GERMANY



SIB	OUTCOME FUNDER	INTERMEDIARY	INVESTORS	SERVICE PROVIDERS	PROGRAM PARTICIPANTS	YEAR
Youth with perspective Sector: Employment and training Location: Augsburg	Bavarian State Ministry of Labour, and Social Affairs, Family and Integration	Juvat gGmbH, The law firm Spiegel RA WP StB partnership mbB, München, University of Hamburg	BHF-Bank Stiftung, Eberhard von Kuenheim Stiftung der BMW AG, BMW Stiftung Herbert Quandt, BonVenture gGmbH	Apeiros e.v. Ausbildungsmanagement Augsburg / Eckert Schulen, Kinder -Jugend- und Familienhilfe Hochzoll, Joblinge gAG München	100 young people	2013
Prevention in Family Assistance Sector: Child and family welfare Location: Osnabrück	Landkreis Osnabrück	PHINEO gAG (Bertelsmann Stiftung)	Kreissparkasse Bersenbrück	Lega S Jugendhilfe gGmbH	48 families	2017
The Integrative Campus Pestalozzi School Sector: Education Location: Mannheim	Municipality of Mannheim	PHINEO gAG (Bertelsmann Stiftung)	BASF SE	Pestalozzischule, Stiftung Fairchance, Zentrum zur Therapie der Rechenschwäche, Education Y, Teach First Deutschland gGmbH, KinderHelden gGmbH	Non-German speaking children	2017

IMPACT BONDS IN CONFLICT-AFFECTED CONTEXTS

HUMANITARIAN IMPACT BOND TO FINANCE DISABILITY SERVICES IN CONFLICT-HIT COUNTRIES

The ICRC launched the world's first Humanitarian Impact Bond to transform how disability services are funded in conflict-affected countries, raised CHF26 million (\$27.3 million) in outcome-based capital. The primary outcome was to increase the efficiency of new rehabilitation centres compared to the historic average of comparable centres, and support at least 3,600 people to regain their mobility.



OUTCOMES FRAMEWORK

Payments linked to:

Construction of new rehabilitation centres and improved mobility of people with disabilities.

- **2020 milestone:** La Caixa Foundation paid CHF1.07 million (\$1.8 million) after 3 centres opened in Mali, Nigeria, and DRC
- **2022 outcome payments:** Up to CHF25 million (\$26.5 million) paid based on staff efficiency, measured by people regaining mobility per rehabilitation professional

DURATION	2017 – 2022
TARGET GROUP	3,000+, persons with physical disabilities in Mali, Nigeria, and the Democratic Republic of Congo
OUTCOME FUNDERS	The Swiss Confederation, The Kingdom of Belgium, The Republic of Italy, The United Kingdom, La Caixa Banking Foundation ('La Caixa')
INVESTORS	Munich Re, Lombard Odier pension fund and charitable foundations and others
SERVICE PROVIDERS	International Committee of the Red Cross
EVALUATOR	Philanthropy Associate
INTERMEDIARY	KOIS Marten Touw (design & structuring-pro bono), Norton Rose Fulbright

INVESTOR RISK & RETURN:

UP TO 40%

of capital at risk if no outcomes achieved

RETURNS

increase with performance

INTEREST PAYMENTS

were capped at **7%** internal rate of return

KEY LESSONS FROM THE HUMANITARIAN IMPACT BOND

- Start with the need, not the instrument: use a HIB only where outcome funding adds real value.
- Test legal and tax feasibility early: address regulatory and taxation issues upfront.
- Simplify funding structures: pooled or intermediary financing reduces complexity.
- Involve investors early: enables better design of terms and risk-sharing.
- Design strong outcome metrics: use historical data to price risk and align investor returns.
- Build in flexibility: adapt the model to different contexts and governance needs.
- Balance efficiency and collaboration: faster bilateral deals vs. shared understanding through collaboration.

1. [Government Outcomes Lab](#)
 2. [Independent Evaluation of the UK DFID's DIBs Pilot programme – Full Report](#)
 3. [ICRC Humanitarian Impact Bond Case Study Report](#)
 4. [ICRC](#)

THE MINE FIELDS TO RICE FIELDS DEVELOPMENT IMPACT BOND, CAMBODIA

Launched in April 2023, it is the first impact bond in the mine action sector and only the second in agricultural development. Large areas of rural Cambodia remain contaminated by landmines, limiting access to productive land and constraining economic opportunities for farming communities. The DIB links demining directly to agricultural development by aligning outcome incentives across sectors. Once land is cleared, farmers receive targeted support to cultivate organic rice, ensuring that humanitarian action translates into lasting economic benefits.

OUTCOME METRICS

- Land cleared: Area released through survey and clearance (sqm)
- Rice cultivation: Hectares planted with organic rice in former mine areas
- Training completed: Farmers who finished organic rice training
- Income growth: % increase in net income per hectare vs. baseline

\$410k
Capital raised
(minimum)

\$1.72 million
Max potential
outcome payment



DURATION	2-year pilot (launched April 2023)
SCALE	3.8 million m ² of land cleared ~80 farming households supported
OUTCOME FUNDERS	UK Foreign, Commonwealth & Development Office
INVESTORS	Hawk Rock Foundation, Blue Parasol, FJC –A Foundation of Philanthropic Funds
SERVICE PROVIDERS	APOPO (mine action), Cordaid (agricultural development)
INTERMEDIARY	Social Finance UK

COLOMBIA WORKFORCE DEVELOPMENT SOCIAL IMPACT BOND

This DIB aimed to provide skills training and employment support to vulnerable, unemployed individuals in Bogotá, Cali, and Pereira.

OUTCOME METRICS

- **50% payment** per capita for job placement (it is not possible to achieve >50% of payment with only job placement)
- **50% payment** per capita for 3 months retention
- **10% bonus** payment for 6 months retention

ACHIEVED OUTCOMES

- **46%** (899 of 1,855) placed in formal jobs
- **79%** retained jobs for at least 3 months; 34% for 6+ months
- **Investor IRR: 8.2%** (before inflation)

LESSONS

- Strong local relationships from the first SIB were key
- Second SIB used a sub-national pilot to rebuild ecosystem and capacity

Programme planned to continue for 5 more years to implement at least 3 SIBs with the same target group to build a scalable, replicable model.



DURATION	2016-2017
SCALE	Vulnerable unemployed individuals
OUTCOME FUNDERS	Government of Colombia Department of Social Prosperity, Inter-American Development Bank, Swiss State Secretariat of Economic Affairs
INVESTORS	Fundación Bolívar Davivienda, Fundación Corona, Fundación Mario Santo Domingo
SERVICE PROVIDERS	Corporación Volver a la gente, Fundación Carvajal, Fundación Colombia Incluyente Kuepa
INTERMEDIARY	Baker McKenzie, Compartamos con Colombia, Corporación Inversor and others
EVALUATOR	Deloitte

1. [Social Finance](#)
 2. [University of Oxford: Government Outcomes Lab - Cambodia](#)
 3. [University of Oxford: Government Outcomes Lab - Colombia](#)
 4. [Instiglio](#)

International cases show how **outcomes-based financing can support post-conflict recovery by tying funding to measurable results in housing, rehabilitation, and mental health.** For Ukraine, where millions of veterans, displaced persons, and conflict-affected civilians will require long-term reintegration, this approach offers a way to mobilise private or blended capital while ensuring public funds are spent only when outcomes are achieved.

Rather than funding activities, governments and donors pay for verified results aligning incentives across service providers, investors, and public institutions. This model can strengthen accountability, accelerate recovery, and reduce long-term social and fiscal costs.

In Los Angeles, US, Pay for success contracts were used to provide **permanent supportive housing for homeless people including veterans.** Payments were tied to housing stability, reduced use of emergency services. The project provided permanent supportive housing for more than 300 people diverted from county jail, achieving a one-year housing stability rate of 82%.

In **Santa Clara County, US,** Pay for Success contracts were used to expand **supportive housing for veterans.** Payments were linked to sustained housing, improved health outcomes, and reduced reliance on public services. The programs have the largest capacity to serve families with children (32%), veterans (21%), and single adults (15%).

Outcome-based financing has been used to support entrepreneurship and small business growth, and is especially applicable in post-conflict recovery contexts where livelihoods, income stability, and local economic activity must be rebuilt quickly and accountably.

Kenya & Uganda: A 2017 DIB funded Village Enterprise to support 4,000 microenterprises and 12,000 households, with investor returns tied to income and asset growth, proving that outcome-based finance can scale entrepreneurship in fragile contexts.

Portugal: Outcome-based financing has been used to embed business and entrepreneurship support within broader employment and labour-market targets. Payments are linked to job creation, business sustainability, and income outcomes, illustrating how enterprise support can be funded as part of integrated economic inclusion strategies.

KEY BENEFITS IN CONFLICT-AFFECTED CONTEXTS:

1

BRINGING TOGETHER CRITICAL EXPERTISE

Impact Bonds align local service providers (who understand communities and trauma), outcome funders (governments and donors), and investors with financial and performance expertise.

2

ENABLING EARLY INTERVENTION AND LONG-TERM SAVINGS

By funding prevention, reintegration, and recovery services upfront, impact bonds can reduce future costs linked to homelessness, unemployment, health care, and social instability which is critical in post-war reconstruction.

3

SUPPORTING INNOVATION WHILE PROTECTING PUBLIC BUDGETS

Governments can test new recovery approaches and pay only when verified results are achieved. Financial risk is borne by investors, allowing experimentation in areas such as veteran reintegration, trauma recovery, and livelihood restoration.

4

PROVIDING FLEXIBILITY IN UNSTABLE ENVIRONMENTS

Because payments are tied to outcomes rather than activities, service providers can adapt delivery as conditions change. It is vital in volatile post-conflict settings where needs evolve rapidly.

5

STRENGTHENING CIVIL SOCIETY AND LOCAL CAPACITY

Impact Bonds often engage NGOs and community organisations, helping rebuild local service ecosystems and ensuring recovery efforts are socially grounded as well as economically effective.

1. [Rand - A Los Angeles Supportive Housing Program](#)

2. [Supportive Housing System in Santa Clara County](#)

3. [World Finance](#)

4. [The Portuguese Social Innovation Initiative](#)

REFUGEE IMPACT BONDS

Over the past decade, declining public aid has driven humanitarian responses toward new forms of “refugee finance” designed to attract private capital. Refugee Impact Bonds have emerged as one such tool, enabling governments to expand funding for refugee programmes without committing public budgets upfront — appealing both in times of fiscal constraint and political sensitivity.

FINLAND LAUNCHED EUROPE’S FIRST REFUGEE-FOCUSED SOCIAL IMPACT BOND

In response to the large influx of refugees following the escalation of the Syrian conflict in 2015, Finland launched Europe’s first refugee-focused Social Impact Bond. The goal: enable refugees’ labour market integration through vocational and language training. **Success rate was ~50%**, described by government as a “win-win-win” for the state, refugees, and investors.

DURATION	2017 - 2020
TARGET GROUP	Immigrants aged 17–63 with residence permits under international protection, registered as unemployed job seekers
INVESTORS	European Investment Fund (71%), alongside EU institutions and private investors
OUTCOME FUNDER	Finnish Ministry of Economic Affairs and Employment
INTERMEDIARIES	Equipus Ltd, FIM Impact Investing Ltd

JORDAN: \$14 MILLION DEVELOPMENT IMPACT BOND FOR REFUGEES

The initiative focuses on vocational training, entrepreneurship, and resilience to improve livelihoods of refugees and host communities and supports refugees and vulnerable Jordanians to build sustainable, mostly home-based businesses. The programme is designed to shift from short-term humanitarian aid to long-term economic self-reliance in response to the Syrian refugee crisis.

OUTCOMES FRAMEWORK

Survival of business after 10 months.

Improvement in household spending on basic needs after 24 months

LESSONS LEARNED

- Baseline data is critical: lack of early baseline data limits the ability to confidently measure impact.
- External shocks can affect participant outcomes before programs begin.
- Guard against spillover effects: when comparison groups may be indirectly exposed to the program, evaluation timing must be carefully managed.
- Timing of data collection affects quality: Surveys conducted during sensitive periods (e.g., Ramadan) risk lower response rates and must be rescheduled.

DURATION	2022 - 2025
TARGET GROUP	5,000 individuals, primarily women, to enhance their economic well-being and self-reliance
INVESTORS	Ferd, DFC - United States International Development Finance Corporation
OUTCOME FUNDER	IKEA Foundation, NORAD (Norwegian, Agency for Development Cooperation), Novo Nordisk
SERVICE DELIVERY	NEF - Near East Foundation
EVALUATORS	Mathematica
INTERMEDIARIES	KOIS

FUTURE DIRECTIONS: PLACE-BASED & CITIZEN-LED FINANCING (INSPIRATION)

LEARNING FROM GLOBAL PLACE-BASED MODELS

While not structured as Social Impact Bonds, international examples such as Camden Community Wealth Fund (UK) and community investment collectives in Alaska (USA) offer valuable design inspiration for Ukraine's recovery financing:

WHAT WE CAN LEARN

- Strong place-based focus: funding rooted in local priorities, not external agendas
- Citizen participation: in Camden, over 1,000 residents helped decide where investments should go
- Collective structures: in Alaska, networks of organisations pool capacity, trust, and long-term vision
- Community ownership: capital aligned with local identity, values, and resilience

EMERGING IDEAS FOR FUTURE EXPLORATION

- Diaspora crowdfunding for hometown recovery
- Re-engaging European individual donors beyond emergency giving
- Blending public purpose, citizen participation, and funds

CAMDEN COMMUNITY WEALTH FUND, UK

Camden Community Wealth Fund is a £30 million place-based social investment fund launched by Camden Council to reduce inequality and strengthen local economic opportunity. Unlike traditional funds, it places citizens at the centre of investment decision-making, combining public capital, community participation, and repayable finance.

KEY FEATURES

- Place-based focus: All investments target organisations delivering measurable benefits to Camden residents, aligned with the borough's long-term development strategy (We Make Camden).
- Participatory governance: Up to 1,000 residents are directly involved in shaping investment priorities and selecting recipients, ensuring investments reflect real local needs.
- Repayable finance: The fund provides loans and equity (not grants) to organisations that deliver both social impact and financial sustainability.

Thematic funds: Initial pilots include:

- Youth Fund (£2m): Supporting businesses creating opportunities for young people, with decisions shaped by a Youth Panel (ages 16–25).
- Diversity Fund (£2m): Supporting organisations led by people from underrepresented backgrounds, with large-scale community participation in allocation decisions.
- Long-term institutional model: From 2026 onwards, residents will continue to co-own investment strategy and governance, embedding democratic accountability into public finance.

WHY THIS CASE IS RELEVANT FOR UKRAINE

Camden is not a Social Impact Bond, but it demonstrates powerful design elements relevant for Ukraine's recovery:

Strong municipal leadership with community co-ownership

Place-based investment logic rather than national programmes

Collective decision-making to build trust in new financial tools

Use of repayable capital to reduce long-term grant dependency

A model that blends public purpose, citizen participation, and financial discipline

POTENTIAL AND LIMITATIONS: LESSONS FROM YEARS OF EXPERIENCE WORLDWIDE

WHY CONSIDER AN IMPACT BOND?

Although Impact Bonds are newer and less established in development contexts than other forms of results-based financing, they offer distinct advantages. Most notably, impact bonds shift a significant share of financial risk away from service providers and governments. This risk-sharing can expand the range of organisations able to participate, including smaller or less capitalised providers, and can enable greater experimentation, innovation, and adaptive delivery — provided that investors are willing to assume performance risk.

For development agencies and financial institutions seeking to enhance the effectiveness of aid, impact bonds are particularly relevant where:

- Linking payments directly to outcomes adds value;
- Outcome payments are most appropriately made at the service-delivery level; and
- Service providers are unable to absorb the full financial risk of underperformance.

POTENTIAL BENEFITS OF SOCIAL IMPACT BONDS

SIBs offer a shared-value model in which public authorities, private investors, and civil society organisations benefit through aligned incentives and a focus on measurable outcomes.

BENEFITS FOR INVESTORS

Portfolio diversification:

SIBs provide access to an innovative asset class that sits between philanthropy and traditional investment.

Outcome-linked returns:

While performance risk is inherent, returns, though typically modest, can be attractive in low-interest-rate environments

Demonstrable social impact:

Investors can combine financial performance with verified social outcomes, strengthening their reputation as responsible and impact-oriented actors.

BENEFITS FOR PUBLIC AUTHORITIES

Risk transfer:

Governments only pay if agreed outcomes are achieved, reducing exposure to ineffective spending.

Space for innovation:

SIBs enable the testing of new policy approaches without committing public funds upfront.

Potential fiscal savings:

When successful, programmes can generate long-term savings (e.g. through reduced unemployment, lower reoffending, or improved health outcomes) that partially or fully offset outcome payments.

BENEFITS FOR CIVIL SOCIETY

Access to stable financing:

Frontline organisations receive predictable funding to deliver services and scale effective interventions.

Focus on results: The model incentivises improved outcomes, such as higher employability, better social inclusion, or reduced recidivism.

Leverage of private capital:

SIBs mobilise private investment into areas traditionally dependent on public or philanthropic funding.

1. [Government Outcomes Lab](#)

2. [Using impact bonds in education in low- and middle-income countries: An evidence review](#)

3. [Government Outcomes Lab - Impact Bond Insights Report](#)

KEY CHALLENGES AND DESIGN CONSIDERATIONS

While SIBs offer promising tools for outcome-based financing, they also face important conceptual, operational, and ethical challenges. Understanding these limitations is essential for determining when and how the model should be applied.

1

DIFFICULTY OF MEASURING IMPACT

A central challenge lies in defining and measuring outcomes in a precise, objective, and meaningful way. Many social issues are complex and multidimensional, making it difficult to capture real impact through simple indicators. There is a risk that easily measurable activities (outputs) are prioritised over deeper but harder-to-quantify outcomes, potentially distorting programme design.

2

RISK OF “FINANCIALISATION” OF SOCIAL POLICY

Critics argue that impact bonds may contribute to the financialisation of public services, shifting responsibility for social welfare from the state to private investors. From this perspective, allowing financial returns to be generated from services for vulnerable populations raises ethical concerns and questions about whether public goods should be mediated through market mechanisms.

3

UNCERTAIN CONTRIBUTION TO INNOVATION

Although impact bonds are often promoted as tools for innovation, evidence is mixed. Investors may favour proven interventions over untested approaches to reduce financial risk, which can limit experimentation. As a result, some impact bonds may replicate existing models rather than introduce genuinely new solutions.

4

CHALLENGES IN DEFINING OUTCOMES

In practice, this is difficult. There is often a tendency to measure outputs rather than outcomes, for example, school attendance rather than educational achievement. Selecting appropriate indicators for complex social issues remains one of the model's greatest technical challenges.

5

LIMITED SUITABILITY ACROSS POLICY CONTEXTS

Impact bonds are not appropriate for all types of interventions. They may be unsuitable when:

Outcomes cannot be clearly defined or reliably measured

Interventions require immediate action (e.g. disaster response)

Contract values are too small to justify setup costs.

As such, impact bonds are not a universal solution and should be considered only where specific feasibility criteria are met.

6

HIGH TRANSACTION COSTS AND CONTRACTUAL COMPLEXITY

Impact bonds are complex to design and manage. They require legal structuring, financial modelling, outcome measurement systems, and independent evaluation. For smaller programmes, the fixed costs of structuring can outweigh potential benefits. Many impact bonds are bespoke, which limits scalability and makes replication more difficult.

7

AMBIGUOUS ADDED VALUE OF PRIVATE CAPITAL

It is not always clear whether improved outcomes result from the impact bond structure itself or from the quality of the underlying intervention. For example, in the Peterborough SIB, reduced reoffending rates were achieved, but observers questioned whether similar results could have been obtained through grants or fee-for-service contracts. This raises ongoing questions about what unique value private capital brings beyond upfront financing.

1. [Government Outcomes Lab](#)

2. [Using impact bonds in education in low- and middle-income countries: An evidence review](#)

3. [Government Outcomes Lab - Impact Bond Insights Report](#)

WHEN SOCIAL IMPACT BONDS DO NOT WORK

Social Impact Bonds can be highly effective in the right conditions, but they consistently underperform or fail in others. The following section summarises the key situations in which SIBs are unlikely to work, based on international experience.

1. OUTCOMES ARE UNCLEAR OR NOT ATTRIBUTABLE

SIBs fail when outcomes are difficult to define, measure, or attribute to a specific intervention. Fuzzy outcomes, weak causal links, or very long time horizons undermine credible payment triggers.

2. THE PROBLEM IS STRUCTURAL, NOT SERVICE-DELIVERABLE

SIBs are poorly suited to challenges rooted in governance failures, policy gaps, or economic structures. If solutions require legislation, redistribution, or institutional reform, SIBs are the wrong instrument.

3. WEAK OR FRAGMENTED DELIVERY ECOSYSTEMS

Where service providers lack experience, data systems, or financial controls, the complexity of SIBs amplifies risk. Transaction and compliance burdens can overwhelm delivery capacity.

4. TRANSACTION COSTS OUTWEIGH BENEFITS

For small or complex deals, legal, structuring, and evaluation costs can consume 50% of total capital, making SIBs inefficient compared to grants or direct procurement.

5. GOVERNMENTS ARE NOT CREDIBLE OUTCOME PAYERS

Without strong political commitment, ring-fenced budgets, and fiscal authority, outcome payments may be delayed, renegotiated, or abandoned entirely.

6. RISK TRANSFER IS ILLUSORY

Although SIBs claim to shift risk to investors, governments retain policy control and providers carry operational risk. Guarantees and first-loss capital often undermine genuine risk transfer.

7. INCENTIVES DISTORT BEHAVIOR

Outcome-based payments can encourage cherry-picking beneficiaries, gaming metrics, or prioritising short-term gains over long-term impact.

8. NO CREDIBLE PATHWAY TO SCALE

When successful pilots are not absorbed into public systems or budgets, SIBs become one-off experiments, leading to pilot fatigue and limited system learning.

IS THE PROGRAM SUITABLE FOR A SOCIAL IMPACT BOND?

Outcomes are clear and measurable

Can results be reliably measured using existing data and fairly attributed to the intervention?

Delivery capacity is strong

Does the organisation have the systems, governance, and resources to manage complex contracts and performance reporting?

Transaction costs are proportionate

Will legal, structuring, and evaluation costs be justified by the scale and value of expected outcomes?

Investors can be attracted

Is the deal large enough, the risk acceptable, and the return reasonable for impact investors?

1. [Government Outcomes Lab](#)

2. [Using impact bonds in education in low- and middle-income countries: An evidence review](#)

3. [Government Outcomes Lab - Impact Bond Insights Report](#)

FEASIBILITY OF SOCIAL IMPACT BONDS IN UKRAINE

- The role of SIBs in Ukraine's recovery
- Core feasibility criteria
- Potential areas of intervention
- Legal and institutional framework
- Challenges in adopting SIBs in Ukraine



ANDREEA ANASTASIU

*Executive Director, Government Outcomes Lab,
The University of Oxford*

“Well designed and managed social impact bonds can enable more adaptive, accountable and person-centred services that place meaningful outcomes at their core.”

Social Impact Bonds are particularly relevant in Ukraine where public budgets are constrained, fiscal priorities are dominated by defence and reconstruction, and many high-impact social and economic interventions remain underfunded. While the government and municipalities may recognise the long-term benefits of investments in employment, veterans' reintegration, youth return, or SME development, they may be unable to finance these programmes upfront or assume the full delivery risk.

HOW CAN IMPACT BONDS SUPPORT RECOVERY?

Social Impact Bonds can help address the economic and social damage caused by war, particularly during the recovery and reconstruction phase. While SIBs involve higher design and transaction costs than traditional funding, they offer a results-based approach that ensures public or donor funds are spent only when measurable outcomes are achieved.

In post-conflict environments, governments and donors face urgent needs alongside severe fiscal constraints. Large-scale challenges such as unemployment, veterans' reintegration, displacement, and the restoration of essential social services require upfront investment, yet public institutions are often unable to absorb delivery risk or finance new programmes at scale. SIBs provide a mechanism to mobilise private and philanthropic capital for these interventions, while shifting performance risk away from the public sector.

Rather than funding activities, SIBs focus on verified social outcomes —for example, sustained employment, reduced welfare dependency, or improved access to services. This makes them particularly relevant in recovery contexts where accountability, effectiveness, and value for money are paramount.

A CALL FOR ACTION

Stabilisation and recovery:

As with any major crisis, war requires both immediate responses and longer-term rebuilding. In the early recovery phase, SIBs can support targeted interventions that address pressing social challenges while building evidence for what works. These may include employment programmes for displaced people and veterans, rehabilitation and reintegration services, or municipal service reform. SIBs are not designed for emergency humanitarian aid. However, once basic needs are stabilised, they can play a critical role in financing preventive and recovery-oriented programmes that reduce long-term social costs and strengthen institutional capacity.

Economic reintegration and social cohesion:

Beyond immediate stabilisation, SIBs can be applied to challenges such as SME recovery, workforce reskilling, youth return, and local service delivery. By tying payments to outcomes — such as job retention, business survival, or service efficiency — SIBs align the incentives of governments, service providers, and investors around sustainable impact rather than short-term outputs.

CORE FEASIBILITY CRITERIA FOR UKRAINE

MEASURABLE AND ATTRIBUTABLE OUTCOMES

SIBs require outcomes that can be clearly defined, quantified, and credibly linked to a specific intervention. In Ukraine, this means selecting indicators that can be tracked using existing administrative systems or partner data (e.g. employment, business survival). Outcomes must be achievable within a reasonable timeframe and not depend primarily on macroeconomic or legislative change.

SERVICE-DELIVERABLE PROBLEMS

SIBs are most effective where outcomes can be achieved through targeted programmes and operational improvements rather than structural reforms. In Ukraine, this favours interventions in employment, veterans' reintegration, youth return, SME support, and municipal service delivery — areas where services can directly influence results.

CREDIBLE OUTCOME PAYERS

A viable SIB requires an outcome payer — typically a government body or municipality — able and willing to commit to paying for verified results over multiple years. In Ukraine, this depends on legal authority for multi-year commitments, budget predictability, and strong political ownership.

INVESTOR AND CAPITAL MARKET INTEREST

SIBs require upfront capital from impact investors, development finance institutions, or philanthropic funders. In Ukraine, investor appetite will depend on risk-sharing mechanisms, deal size, return expectations, and the strength of the impact narrative. Early engagement with potential investors is critical.

1. [Government Outcomes Lab](#)

2. [Using impact bonds in education in low- and middle-income countries: An evidence review](#)

3. [Government Outcomes Lab - Impact Bond Insights Report](#)

POTENTIAL AREAS OF INTERVENTION

Ukraine's recovery and development needs are immense, spanning job creation, reintegration of veterans, support for small businesses, rebuilding education and health services:

POTENTIAL AREAS	OVERVIEW	OUTCOME METRICS (ILLUSTRATIVE)
Employment and workforce development	<p>Ukraine faces an estimated 15% unemployment rate, driven by infrastructure destruction and labour market disruption, alongside the displacement of over 3.7 million people within the country.</p> <p>Why this fits an impact bond model: Employment outcomes are directly measurable and linked to public costs such as social assistance and lost tax revenue.</p>	<ul style="list-style-type: none"> • % of participants placed into formal employment • Job retention at 6 and 12 months • Average monthly income post-placement • Reduction in unemployment benefit reliance
Veterans' reintegration and wellbeing	<p>Veterans represent a highly capable but under-supported group. Survey data shows 76% hold higher education, 85% operate as sole entrepreneurs, and for 57% their business is their sole source of income.</p> <p>Why this fits an impact bond model: Veterans' employment, business performance, and wellbeing outcomes are verifiable and aligned with national priorities.</p>	<ul style="list-style-type: none"> • % of veterans in sustained employment (6–12 months) • Survival rate of veteran-owned businesses after 12–24 months • Revenue growth and job creation in veteran-led firms • Improvement in mental health or wellbeing assessment scores
SME support and economic recovery	<p>Ukraine has 2.1 million entrepreneurs, with sole proprietors (FOPs) forming the backbone of the economy. The SME sector has shown resilience despite wartime disruption.</p> <p>Why this fits an impact bond model: Business performance is quantifiable and directly linked to economic recovery.</p>	<ul style="list-style-type: none"> • Business survival rate after 12 and 24 months • Revenue growth among supported SMEs • Number of jobs created or retained • Formalisation and tax compliance rates
Education and skills recovery	<p>Education disruption has created large learning gaps for displaced children and adults requiring reskilling for reconstruction and labour market reintegration.</p> <p>Why this fits an impact bond model: Learning and employment outcomes are measurable and independently verifiable.</p>	<ul style="list-style-type: none"> • Re-enrolment and attendance rates for displaced students • Standardised test score improvements (literacy, numeracy) • Certification or qualification completion rates • Employment within 3–6 months after training
Health care and rehabilitation	<p>Ukraine faces critical needs in physical rehabilitation, mental health services, and restoration of basic healthcare capacity.</p> <p>Why this fits an impact bond model: Health outcomes can be measured using clinical indicators and service delivery benchmarks.</p>	<ul style="list-style-type: none"> • % of patients completing rehabilitation programmes • Functional mobility or recovery scores post-treatment • Reduction in hospital readmissions • Access indicators (patients served, service coverage in affected areas)
Housing and displacement recovery	<p>Large-scale destruction of housing stock and prolonged internal displacement have created acute housing shortages. Stable housing is a prerequisite for employment, education, health, and community reintegration.</p> <p>Why this fits an impact bond model: Housing outcomes are clearly observable, verifiable, and directly linked to public expenditures on shelters, social services, and emergency support.</p>	<ul style="list-style-type: none"> • % of displaced households placed in stable housing • Housing retention at 6 and 12 months • Number of housing units constructed or rehabilitated • Reduction in use of temporary shelters or emergency accommodation • Cost savings from reduced reliance on crisis services

1. IREX
 2. European Business Association
 3. IOM

LEGAL AND INSTITUTIONAL FRAMEWORK FOR SIBS IN UKRAINE

This section outlines how a Social Impact Bond–type model can be structured within the Ukrainian legal and institutional context, given the absence of a dedicated SIB law and the constraints of public finance regulations.

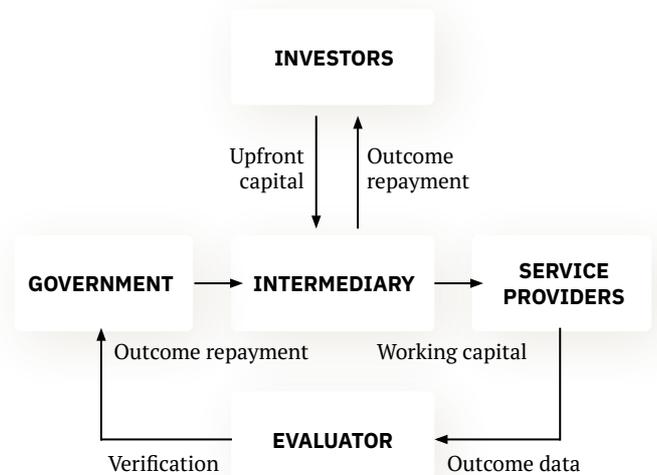
In the proposed Ukrainian pilot adaptation, the model is designed as a results-based reimbursement mechanism rather than a classic investor-return instrument. The key objective is repayment of pre-financing (at 0% return) once agreed outcomes are achieved, making the structure suitable for donor-funded recovery and reconstruction initiatives.

PILOT MODEL: SIBS WITHOUT RETURNS

To ensure feasibility, the first SIB pilots in Ukraine should be implemented as capital-recycling instruments with zero financial return. In this model:

- **The municipality acts as the outcome funder**, committing to repay funds only if pre-agreed outcomes are independently verified.
- **The investor** is a donor or philanthropic funder, providing upfront capital without expectation of profit, but with the possibility of principal repayment upon success.
- **The intermediary** receives the funding from the donor and is responsible for project design, implementation management, monitoring, and outcome verification.
- **Service providers** are local NGOs and community-based organisations, delivering services directly to beneficiaries under performance-based contracts.
- **The independent impact evaluator** is appointed to verify outcomes, ensure methodological integrity, and provide credible evidence for outcome payments. The evaluator's independence is essential for Treasury acceptance and for safeguarding against conflicts of interest or outcome manipulation.

SOCIAL IMPACT BOND SIMPLIFIED STRUCTURE



WHY START WITH A 0% RETURN MODEL

A zero-return pilot allows Ukraine to:

- Test outcomes-based contracting within existing law
- Build institutional capacity for outcome measurement and verification
- Establish trust between municipalities, intermediaries, and service providers
- Create precedent for Treasury-approved outcome payments
- Demonstrate value-for-money before scaling

TRANSITION TO A FULL SIB MODEL

Once pilots are successfully implemented and institutional practice is established, the model can evolve toward a true SIB structure with returns. Future iterations may involve private or blended investors, tiered outcome payments, and performance-based returns, supported by legal clarifications, national-level guarantees, or donor-backed risk-sharing mechanisms.

In this way, Ukraine can use the pilot phase to de-risk innovation, while laying the foundation for a scalable outcomes-based financing market aligned with reconstruction and long-term development priorities.

PILOT VS. FUTURE SIB MODEL IN UKRAINE

	PILOT MODEL	FULL MODEL (POST-PILOT)
Investor type	Donors / philanthropic funders	Private, blended, or institutional investors
Financial return	0% (principal-only repayment)	Performance-based return
Risk exposure	Donor absorbs performance risk	Shared between investors and outcome payers
Outcome payer	Municipality	Municipality / State / Donor consortium / International development organisations
Legal basis	Existing budget and contract law	Existing budget and contract law
Purpose	Test feasibility, build capacity	Scale, attract private capital
Role of SIB	Governance & accountability tool	Investment & impact finance tool

LEGAL AND INSTITUTIONAL FRAMEWORK FOR PILOTING SIBS IN UKRAINE

Unfortunately, Ukraine does not have an “impact bonds” model, and any return of funds by local self-government bodies based on the results of implementing the project is possible only if there are specific binding legal relationships between the intermediary and local self-government bodies, in particular:

- The existence of **debt obligations**; or
- Provision of **services** / supply of **goods**; or
- The investor’s receipt of **income** from the activity of the invested capital object in the accordance with the PPP - the Public-Private Partnership Programmes; or
- Implementation of **international technical assistance projects**, through mechanisms provided by law and in full compliance with required procedures.

The very word “repayment” implies that something must first be received. In Ukrainian legislation this operates according to linear logic (the one who received must return), and in such budgetary relations a “repayment” to the intermediary cannot arise due to actions of third parties. Therefore, all options described below effectively require an artificial additional creation of parallel obligations (first: intermediary – City Council; and only then: intermediary – final grant recipients).

Given the legal and budgetary constraints on local self-government bodies, no budget payment or repayment obligation can arise without a formally concluded contract.

Therefore, the most effective model based on the principle of “**repayable donor support, conditional on achieving results agreed by the project after its implementation in the community**” should, from the outset, include the conclusion of an agreement under which – independently of other agreements – **debt obligations arise** between the intermediary and the territorial community (below we explain how these debt obligations are transformed into a de facto return of investment). **Debt obligations** could arise directly from the contract or indirectly from the bank and deposit of the investors (technical credit).

Alternatively, the model may be structured as the provision of certain services, where the intermediary provides services and payment is made specifically as remuneration for those services. This is a type of budget payment that is understandable for the Treasury and budget legislation. Since the reimbursement amounts may be significant (more than UAH 100,000 (around \$2,000 USD)), a direct “artificial” contract may not be possible – payment would then typically require a procurement tender. For this option, financing is provided only if an open tender is conducted and the intermediary is selected as the winning bidder, followed by the conclusion of a service provision agreement.

This is the most reliable guarantee that the investor will be able to obtain funds from the territorial community. Even with strong political will to transfer funds to the intermediary, without sufficient obligations in its favour (that the local Treasury considers acceptable), the community will not be able to do so.

OPTIONS TO STRUCTURE SIBS IN UKRAINE



Option 1

JOINT ACTIVITY AGREEMENT

- 1.1 Basic
- 1.2 With additional legal safeguards to secure repayment



Option 2

INDIRECT LOAN TO MUNICIPALITY THROUGH THE STATE BANK



Option 3

ESTABLISHMENT OF A MUNICIPAL TARGET FUND



Option 4

PUBLIC-PRIVATE PARTNERSHIP (PPP)-INSPIRED MODEL

Option 1: JOINT ACTIVITY AGREEMENT

1.1 JOINT ACTIVITY AGREEMENT (BASIC STRUCTURE)

This option uses a joint activity agreement between the City Council and the intermediary, under which the intermediary pre-finances implementation and is reimbursed by the City Council only if agreed KPIs (outcomes) are achieved. The model is legally permissible, but operationally dependent on whether the Treasury will process reimbursement based on this type of agreement. Also in this case there are risks of high attention of the state regulatory authorities to the payment to the intermediary that could be qualified as the method of the avoidance of the tender procedures. The model works only with precise, measurable KPIs, ideally expressed in monetary terms.

What will not work: Broad or subjective outcomes (e.g., “improved investment climate”) are unlikely to be accepted as a payment basis, making reimbursement impracticable even with political support.

IMPLEMENTATION:

Step 1

Programme approval:

The City Council adopts a targeted programme aimed at economic and/or social development outcomes, involving private partners and aimed at long-term results.

Step 2

Budget allocation

The City Council amends the local budget to allocate for the programme, with clearly defined KPIs and eligible expenditure areas.

Step 3

Joint activity agreement

The City Council signs a joint activity agreement with the intermediary without pooling of contributions, under which:

- The intermediary finances implementation at its own expense;
- Grants are awarded to recipients via a competition conducted jointly with the City Council;
- Reimbursement terms are explicitly linked to KPIs achievement.

Step 4

Reimbursement upon results:

Within the limits of achieved KPIs and the programme budget, the City Council reimburses the intermediary's eligible costs. The programme and agreement are then deemed fulfilled. The legal basis for payment is the joint activity agreement and the City Council's payment obligation under it.

KEY RISK AND OPTIONAL SAFEGUARD:

Treasury execution risk: While payment under a joint activity agreement is not prohibited, there remains a real risk of non-payment if the Treasury refuses to process the reimbursement. Also there are risks of high attention of the state regulatory authorities to the payment to the intermediary that could be qualified as the method of the avoidance of the tender procedures.

Mitigation option: A practical risk-mitigation measure is to require a bank guarantee obtained by the community, so that if the Treasury does not process the payment under the joint activity agreement, the reimbursement amount can be covered by the guarantee and the bank pursues recovery separately.

1.2 MODEL WITH ADDITIONAL LEGAL SAFEGUARDS TO SECURE REPAYMENT

This option introduces a legal “insurance” mechanism that provides the intermediary with reliable guarantees for the repayment of pre-financed funds, while remaining compliant with Ukrainian budget and treasury rules.

IMPLEMENTATION:

Step 1

Approval of an Investment Programme

The City Council approves a municipal investment programme aimed at the economic and social development of the community, implemented with the participation of private partners. The programme is designed to address social or public challenges and achieve long-term, measurable outcomes.

To implement this programme, the Council formally authorises the attraction of:

- a loan or repayable interest-free financial assistance under Article 74 of the Budget Code of Ukraine (public investment projects), or
- alternatively, under Article 73 of the Budget Code, in the event of a temporary cash gap.

Step 2

Provision of Repayable Financing

Following programme approval, the intermediary enters into an agreement with the City Council to provide repayable, interest-free financial assistance within the current budget period for the purpose of financing the development budget. The intermediary transfers funds to the Council as repayable financing, subject to Treasury approval and completion of all required budgetary and administrative procedures. If structured as a loan, the transaction must be approved by the Ministry of Finance of Ukraine. The state bank also could provide with the loans the Council by using the deposit of the intermediary if the Ministry of Finance doesn't confirm the direct loan from the non-financial organisations. The Ministry reviews the submitted documentation package (including the draft Council decision) for compliance with budget legislation and verifies it. This stage is critical: without it, the municipality has no reliable legal basis to repay the intermediary, and the intermediary has no certainty of repayment. In practice, this mechanism functions as a legal safeguard (“insurance”) for the intermediary and investor.

Step 3

Project Implementation through a Joint Activity Structure

After financing is transferred, the intermediary and the City Council conclude a joint activity agreement for the implementation of the project.

Under this arrangement:

- The City Council transfers the received funds as a membership contribution to the municipal association;
- The association then channels funds further using one of the following models:
 - provides non-repayable financial assistance to the intermediary under a tripartite joint activity agreement; or
 - jointly establishes a separate non-profit legal entity (association), to which the association contributes funds as a membership fee or charitable donation.

The intermediary then implements the project and distributes grants to final service providers (local NGOs, associations, or other eligible organisations) under charitable grant agreements.

From both a legal and reputational perspective, it is strongly recommended to establish a separate legal entity for the project, open a dedicated bank account, and manage all project flows through it.

This significantly reduces operational and compliance risks.

Step 4

Outcome Assessment and Repayment

Upon completion of the programme, results are evaluated against the agreed KPIs:

- If KPIs are achieved, the City Council repays the intermediary the funds provided under the repayable financing agreement.
- If KPIs are not achieved, the parties may:
 - forgive the debt in full or in part;
 - convert the repayable financing into non-repayable funding; or
 - sign a separate debt forgiveness agreement.

ALTERNATIVE MECHANISM: TEMPORARY CASH GAP FINANCING

If the project does not qualify as a public investment project under Article 74 of the Budget Code, an alternative mechanism may be used: the municipality may attract repayable financing under Article 73 to cover a temporary cash gap, artificially created through the approval of a municipal programme budget line.

The choice between these options depends on: the nature of the KPIs, the sector of intervention, and the municipality's internal procedures and budgetary practice.

Option 2: INDIRECT LOAN THROUGH THE STATE BANK

Under the indirect loan to municipality through the state bank model, the municipality acts as the direct implementer of the project, while the intermediary provides upfront financing in the form of a repayable, interest-free loan linked to the achievement of outcomes.

IMPLEMENTATION:

Step 1

Approval of an Investment Programme

The City Council approves an investment programme aimed at the economic and social recovery of the community, implemented in cooperation with private and civil society partners. The programme defines the objectives, target groups, and expected outcomes, and the need to attract a repayable, interest-free loan to finance project activities.

Step 2

Provision of Repayable Financial Assistance

The intermediary enters into a loan (repayable financial assistance) agreement with the City Council within the relevant budget period, for the purpose of financing the development budget. Following the required approvals, including agreement by the Ministry of Finance of Ukraine, the intermediary transfers the agreed amount to the municipal budget

Step 3

Project Implementation and Grant Disbursement

Using the received funds, the City Council implements the investment programme by awarding grants to selected beneficiaries. The selection of grant recipients is conducted through a competitive process jointly organised by the municipality and the intermediary, ensuring transparency and alignment with programme objectives.

Step 4

Outcome Verification and Repayment Mechanism

Upon completion of the programme, achieved results are assessed against the agreed KPIs:

- If KPIs are achieved, the municipality repays the loan to the intermediary in accordance with the loan agreement.
- If KPIs are not achieved, the parties may agree to amend the loan agreement to forgive the debt, convert the repayable assistance into non-repayable funding, or formalise debt forgiveness through a separate agreement.

Option 3: ESTABLISHMENT OF A MUNICIPAL TARGET FUND

Under this option, the municipality creates a dedicated Target Fund to finance and implement a Social Impact Bond-type project within an existing or newly approved local development programme.

IMPLEMENTATION:

Step 1

Creation of the Target Fund

The City Council adopts a decision to establish a Target Fund within a municipal entrepreneurship development programme or another specialised programme approved for the project. The programme documentation defines the objectives, implementation rules, and outcome conditions of the Social Impact Bond model. The regulations of the Target Fund specify permitted funding sources, including contributions from private entities, civil society organisations, and municipal budget allocations.

Step 2

Budget Allocation

The City Council amends the local budget to allocate to the Target Fund for the duration of the programme.

Step 3

Grant Disbursement Mechanism

The Target Fund regulations provide for a competitive grant process. The City Council adopts formal procedures for announcing and conducting grant competitions, enabling the allocation of funds to local civil society organisations and businesses.

The intermediary may contribute capital to the Target Fund, from which the municipality distributes grants to selected beneficiaries in line with programme objectives.

Step 4

Post-programme Recovery Mechanism

Following programme completion, the municipality may formally announce a new competitive call for social investment or territorial development projects. The winning proposal may be used as a mechanism to channel funds back to a designated entity, reflecting the originally invested amount. Direct repayment to the intermediary is not recommended and barely could be possible because of the budget laws restrictions, as this could raise concerns regarding the use of the Target Fund as a pass-through mechanism.

Option 4: PUBLIC-PRIVATE PARTNERSHIP (PPP)–INSPIRED MODEL

Public–private partnership (PPP) is the legal instrument in Ukraine that is conceptually closest to Social Impact Bonds. However, the traditional PPP model differs in a fundamental way: investments are not repaid directly by the public sector but are recovered by investors through the economic returns generated by the financed asset.

In a typical PPP arrangement, a municipality may transfer a capital objects such as land plot or building to a private partner, who then finances its redevelopment. The community benefits from job creation, tax revenues, infrastructure renewal, and improved public services, while the investor recovers costs through commercial use of the asset (e.g. rental income). After a long-term period (usually 20–49 years), ownership returns to the municipality.

Because the proposed Social Impact Bond pilot aims to provide direct repayment of invested capital upon achievement of outcomes, a standard PPP contract is not suitable at this stage. In addition, PPP agreements are subject to complex and lengthy procurement and approval procedures, including competitive selection of private partners.

That said, PPP legislation offers several useful design elements that can be adapted for outcome-based financing models in Ukraine, including:

- Eligible sectors for project implementation;
- Types of assets that can be used within contracts;
- Procedures for land use where municipal land is involved;
- Approaches to defining performance indicators and efficiency metrics;
- Competitive procedures for selecting service providers or grant recipients.

In future phases, if the scale of financing increases, if capital-intensive sectors (construction, major renovation, infrastructure) are included, and if longer implementation periods are envisaged, PPP could serve as a natural evolution path from pilot Social Impact Bonds to larger, institutionalised outcome-based investments.

SUMMARY ASSESSMENT

OPTIONS	REPAYMENT CERTAINTY	ADMINISTRATIVE COMPLEXITY	SUITABILITY FOR PILOT
Joint Activity (Basic)	Medium	Low	Medium
Joint Activity (With safeguards to secure repayment)	High	Medium	High
Indirect Loan to Municipality	High	High	Medium
Target Fund	Very Low	Low	Low
PPP-Inspired	Context-dependent	High	Low

SOCIAL IMPACT BOND IS NOT A “BOND” AND WHY MUNICIPAL SECURITIES ARE NOT SUITABLE

Despite the name, a Social Impact Bond is not a bond in the legal or financial sense. Instead, it is a contractual, outcome-based financing mechanism. This distinction is critical, as Ukrainian legislation strictly defines what constitutes a bond and how it may be issued, serviced, and repaid.

MUNICIPAL BONDS: Under Ukrainian law, local governments may issue municipal bonds only as standard debt instruments, with fixed repayment obligations, interest terms, and extensive approval and registration procedures. These instruments cannot legally link repayment to the achievement of social outcomes, which is the core feature of a Social Impact Bond. Using municipal bonds would therefore undermine the outcomes-based logic of the model while significantly increasing administrative complexity.

PROMISSORY NOTES: Promissory notes may only be used to formalise obligations for goods delivered, works completed, or services provided. Social Impact Bonds, by contrast, finance future results rather than immediate services. As such, promissory notes are legally incompatible with outcome-based financing.

PRACTICAL IMPLICATION: While municipal securities could theoretically be used to create formal debt relationships, they would still require additional contractual layers to enable project implementation and conditional repayment. This would make the structure unnecessarily complex without providing legal clarity or additional security.

Instead, contractual mechanisms aligned with outcome-based payments provide a more flexible, legally viable, and policy-consistent approach.

UKRAINE'S READINESS FOR SOCIAL IMPACT BONDS

Ukraine presents a partial but promising environment for piloting SIBs, provided the model is carefully adapted to the country's institutional, legal, and wartime realities. The assessment across core feasibility criteria suggests that while several foundational conditions are in place, others remain fragile or require deliberate design choices and support.

FEASIBILITY CRITERION	CURRENT STATUS IN UKRAINE	ASSESSMENT	IMPLICATIONS FOR PILOT DESIGN
Measurable and attributable outcomes	Many recovery-related outcomes (employment, SME survival, service restoration, housing repair) can be tracked through municipal, programme, or partner data systems. Attribution is feasible for service-based interventions.	Partially ready	Select short- to medium-term outcomes (6–24 months) with strong causal links to service delivery; avoid outcomes dependent on national policy change.
Service-deliverable problems	Ukraine's recovery includes many challenges that can be addressed through direct services: employment, veterans' reintegration, SME support, municipal services, demining, housing repair.	Ready	Prioritise interventions where local NGOs, businesses, and municipalities can directly influence results.
Credible outcome payers	Municipalities can act as outcome payers but face legal constraints, Treasury controls, and limited ability to make multi-year commitments. Political ownership varies by city.	Partially ready	Start with motivated municipalities; use donor-backed pre-financing and pilot-scale commitments.
Investor and capital market interest	Commercial investors remain cautious due to war-related risk. However, strong interest exists from donors and philanthropic funders willing to provide outcome-linked capital.	Ready (for donor capital)	Structure pilots with 0% return capital; introduce financial returns only at scaling stage.
Skilled service providers	Ukraine has capable local NGOs and social enterprises, but capacity in reporting, data, and performance management is uneven.	Partially ready	Include capacity-building, simple contracts, and staged disbursement mechanisms.
Legal and institutional framework	No dedicated SIB law exists, but implementation is possible through adapted legal instruments (programmes, joint activity agreements, repayable assistance).	Adaptable	Use hybrid legal models tailored to Ukrainian budget and procurement rules.

CHALLENGES IN ADOPTING SIBS IN UKRAINE

While there are significant opportunities to apply SIBs and DIBs to Ukraine's recovery, it is essential to recognise the practical challenges and risks involved. These do not undermine the model, but they must be addressed deliberately if outcomes-based financing and instruments such as Social Impact Bonds are to be effective.

1. LIMITED INSTITUTIONAL EXPERIENCE WITH OUTCOMES-BASED FUNDING

Ukraine's recovery financing remains largely grant-based and input-driven, with limited use of performance-linked or pay-for-results mechanisms. As a result, many public institutions, donors, and implementing partners lack experience in designing, contracting, and managing outcome-based programmes. This institutional gap increases implementation risk and requires targeted technical support, piloting, and capacity building.

2. READINESS OF GOVERNMENT FOR INNOVATIVE FINANCING TOOLS

Outcomes-based instruments demand new approaches to budgeting, procurement, contracting, and monitoring. In the current environment, characterised by urgency, political pressure, and rigid public finance rules, government bodies may be cautious about adopting unfamiliar tools. Without strong political leadership and legal clarity, innovative financing mechanisms may face resistance or delays.

3. RISK OF UNINTENDED OR PERVERSE INCENTIVES

As with any results-focused system, there is a risk that narrowly defined outcome targets could distort behaviour. Service providers may prioritise easily measurable results over broader community needs, or focus on "easier" beneficiaries to maximise performance. There is also a risk of misreporting or "gaming" outcomes, particularly where community feedback or qualitative indicators are used. To mitigate these risks, independent verification, transparent reporting, and strong governance mechanisms are essential.

4. CHALLENGES IN MEASURING OUTCOMES

Identifying outcome indicators that are both robust and practical can be difficult, especially given the wide range of social, economic, and environmental goals in Ukraine's recovery. Data availability may be limited, fragmented, or inconsistent across regions. Some outcomes, such as social cohesion, community trust, or resilience, are inherently difficult to quantify. While digital tools and new monitoring approaches can improve data collection, they also add complexity and cost.

5. ATTRIBUTION OF IMPACT IN COMPLEX RECOVERY ENVIRONMENTS

In post-war contexts, outcomes are influenced by many overlapping interventions, donor programmes, and external factors. Isolating the impact of a single service provider or project is therefore challenging. Traditional evaluation methods that rely on strict attribution may be impractical. More flexible approaches that recognise contribution rather than sole causality may be necessary, but these require careful design to maintain credibility.

6. IMPLEMENTATION AND DELIVERY CAPACITY

An outcomes-based approach requires service providers to use data actively to adapt and improve performance. It also often depends on strong community engagement to ensure interventions respond to local needs. For many Ukrainian organisations, municipalities, and contractors, this represents a new way of working.

PLACE-BASED PILOT DESIGN

- Voznesensk as a potential pilot site
- Co-designing impact priorities with the community
- From challenges to impact: target outcomes
- Roles and responsibilities in the proposed SIB
- Risk assessment and mitigation strategy



ALINA TOKMYLENKO

The Possible Lab Program Lead

“This pilot focuses on communities that combine urgent recovery needs with strong local readiness to rebuild, innovate, and grow. Voznesensk is a strong candidate for a pilot site because it combines acute recovery needs with proven local capacity and readiness to co-design and implement innovation-driven solutions.”

VOZNESENSK AS A POTENTIAL PILOT SITE

SMALL, BUT AMBITIOUS COMMUNITY

The city of Voznesensk continues to live an active and resilient life, even though the frontline is only 140 kilometres away. A key factor in this resilience is the people of Voznesensk themselves – residents who love their city, choose to stay, and actively invest in its future. Despite the war, they are launching new businesses, generating development ideas, and participating in reconstruction projects. Of course, recovery comes with many obstacles, and the first step is to clearly identify the challenges that are an integral part of the community's renewal. Insights were shared by small entrepreneurs, public sector representatives, and staff of educational and cultural institutions.

Voznesensk faces challenges common to many mid-sized Ukrainian cities, including limited rental housing, high commercial rents, a weak labour market, and gaps in healthcare and youth services. These issues are now intensified by the long-term effects of war. In addition, the local labour market offers very few part-time or flexible jobs, limiting employment opportunities for veterans, caregivers, people with disabilities, and older residents. Many public and private services remain physically and organisationally inaccessible, restricting access for vulnerable groups and increasing social isolation. There are no structured programmes to support veterans' employment and professional reintegration, and employers are often unprepared to offer adapted jobs.

CONSEQUENCES OF HOSTILITIES

- In 2022, **15k people** left the community (about 50% of the population)
- **700 residential buildings** damaged and 14 destroyed
- **3 bridges blown up** (a road bridge and 2 railway bridges)
- 1 rural outpatient clinic and 1 five-story building destroyed
- 5 schools, 3 kindergartens and 1 swimming pool damaged
- 12 municipal facilities damaged



VOZNESENSK AT A GLANCE

Formed in 2018
140 km from the front line



COMMUNITY COMPOSITION:

Voznesensk city
Novohrygorivka village
Rakove village



AREA

89.78 sq. km
city - 22.56 sq. km
rural areas - 67.22 sq. km



POPULATION:

People of retirement age: **35,800**
Women: **19,700**
Men: **16,100**
Children aged under 18: **7,420**
People with disabilities: **8,600**
Internally displaced persons: **3,356**



BUSINESS ENVIRONMENT:

Individual entrepreneurs - 2,124
Enterprises - 215 of them:
→ small enterprises - 200
→ medium-sized enterprises - 15

SWOT ANALYSIS: ECONOMIC CONTEXT

The following SWOT analysis summarises key strengths, weaknesses, opportunities, and threats affecting the economic development of Voznesensk, based on field research, stakeholder interviews, and data. It reflects both structural conditions and war-related impacts, and helps identify areas where targeted interventions, such as an outcomes-based pilot, can unlock local potential while addressing critical constraints. This analysis informs the selection of priority outcomes, risk mitigation strategies, and the overall design of the pilot.

STRENGTHS

- **Strategic geographic location** at the centre of the region, positioned at the intersection of three major transport routes, with access to rail and river infrastructure
- **Diversified local economy** with activity across multiple sectors
- **Strong entrepreneurial base**, with over 2,000 registered business entities
- **Well-developed local trade market**
- **High agricultural potential** in surrounding villages, including production of crustaceans, eggs, honey, fish, vegetables, fruits, and dairy
- **Existing renewable energy assets**, including solar power plants
- **Growing participation of women in entrepreneurship**, strengthening economic resilience
- **Local skills and education base**, with 2 technical institutions and one college
- **Availability of municipal land plots for investment**, reducing entry barriers for new projects
- **Land suitable for recreation**, with 23 hectares available for development

WEAKNESSES

- **Labour shortages**, driven by the outflow of population, low wage levels, and a lack of qualified workers
- **Underdeveloped agricultural value chains**, including the absence of livestock farming and agricultural processing
- **Limited employment opportunities** for young people, particularly in jobs offering sustainable wages
- **Widespread informal and illegal trade**, especially in and around local markets
- **Weak local labour demand**, reinforcing migration and workforce decline
- **Lack of local markets in surrounding villages**, limiting rural economic activity
- **Insufficient investment promotion and marketing**, with no clear or structured offer for investors
- **War-related economic impacts**, including:
 - Reduced tax revenues from local businesses
 - Declining employment and increased workforce shortages

OPPORTUNITIES

- **Potential to strengthen Voznesensk's role as a regional service and employment hub** for surrounding communities
- **Stricter regulation of illegal employment**, creating incentives for formalisation of the local economy
- **Return of Ukrainians from abroad**, bringing skills, capital, and entrepreneurial experience
- **Proximity to natural attractions**, offering opportunities for tourism and recreation development
- **Revival and expansion of river transport**, improving logistics and regional connectivity
- **Growing civic engagement and active civil society**, supporting community-led development initiatives
- **Access to external funding and development resources**, including donor, impact investors, philanthropic, and recovery programmes

THREATS

- **Continued security risks due to war**, including potential escalation and proximity to occupied or contested territories
- **Energy blackouts and infrastructure instability**, disrupting economic activity and essential services
- **Worsening access to sales markets**, limiting growth opportunities for local producers and businesses
- **Rising energy and fuel costs**, combined with deteriorating logistics infrastructure
- **Unregistered economic activity**, undermining fair competition and tax collection
- **Competition from larger cities for skilled labour**, accelerating workforce drain
- **Low purchasing power of the local population**, constraining local demand
- **High rental costs for commercial premises**, creating barriers for small and new businesses

THE POSSIBLE LAB IN VOZNESENSK, MYKOLAIV REGION

In 2023, The Possible launched a place-based innovation pilot in Voznesensk as part of The Possible Lab programme – a systemic approach to recovery that places local impact entrepreneurs at the centre of rebuilding their communities and strengthening sustainable livelihoods. The Lab is designed to provide targeted capacity building, as well as tailored technical and financial support, adapted to the specific needs of entrepreneurs and the local context in which they operate.

The pilot was implemented in Voznesensk, a city in the Mykolaiv region that experienced intense fighting in early 2022 and remains close to the frontline. Despite these conditions, the programme demonstrated strong local capacity for resilience, innovation, and economic renewal.



THE LAB PILOT

Place: Voznesensk, Mykolaiv region

Period: **Nov 2023 to Jun 2024**

Participants: **51**

Alliance Partners: [Restart](#)

THE IMPACT

13 winners received 1,000–3,000 euros for prototypes and business expansion

44 mentoring sessions for participants of The Possible Lab

77% of businesses successfully scaled within 6 months

100% of participants would recommend the program to their friends, acquaintances and colleagues

Most businesses stated they no longer require additional capital and have demonstrated operational resilience after micro granting and precise mentorship support.

EXAMPLES OF IMPACT BUSINESSES SUPPORTED

SPORTURVOZ

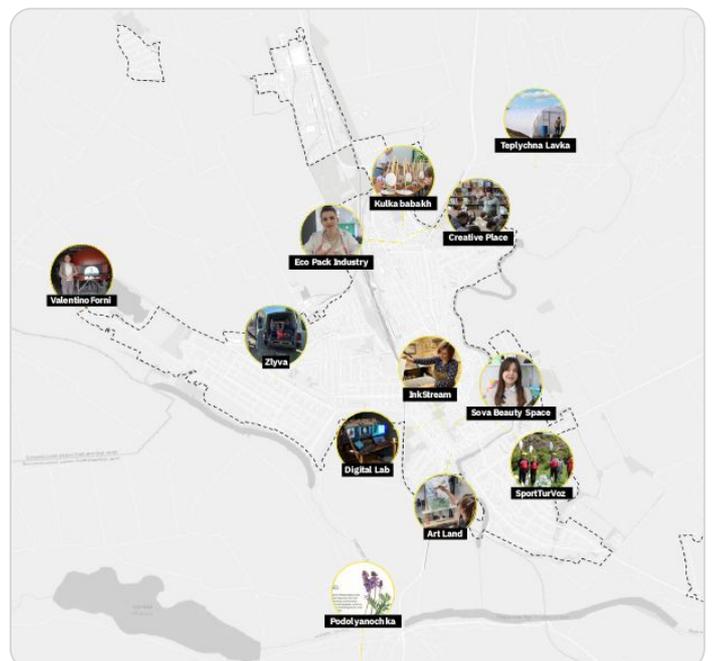
Adventure summer camps for children
Impact focus: resilience and psychosocial well-being in children affected by conflict through adventure sports.

INKSTREAM

A workshop for litographic printing
Impact focus: preserving cultural heritage

PODOLYANOCHKA

Growing astragalus and producing astragalus gel.
Impact focus: local eco-production, economical impact on the community



View more: [Collective Investment Prospectus - The Possible Lab Voznesensk](#)

CO-DESIGNING IMPACT PRIORITIES WITH THE VOZNESENSK COMMUNITY

On December 18–19, 2025, The Possible team conducted a working visit and strategic session in Voznesensk to co-define priority social challenges and outcome goals for a potential Social Impact Bond pilot. The process included individual meetings with key local stakeholders and a facilitated strategy workshop with community representatives.

HOW THE GOALS WERE DEFINED

DAY 1 – Field visits & stakeholder meetings (Dec 18)

Insights were collected through meetings with:

- Municipal leadership and economic development team
- Veteran support services
- Adult education and community development centre
- Local impact entrepreneurs (Possible Lab alumni)

DAY 2 – Strategic Co-Design Session (Dec 19, 2025)

A facilitated workshop was held to:

- Map key social and economic challenges
- Identify priority target groups
- Align community needs with outcome-based financing logic
- Agree on focus areas suitable for a Social Impact Bond



PRIORITY CHALLENGES IDENTIFIED BY THE COMMUNITY

LABOUR MARKET GAPS

- Lack of part-time and flexible job opportunities (2–4 hours/day)
- Limited employment options for youth, 40+ and 50+ age groups
- Low wage levels reducing incentives to work locally and accelerating outmigration
- Shortage of skilled technical workers (electricians, carpenters, etc.)

VETERAN REINTEGRATION

- No structured employment and professional adaptation programmes
- Lack of adapted jobs considering health conditions and gradual return to work
- Low employer readiness to hire veterans

ACCESSIBILITY OF SERVICES

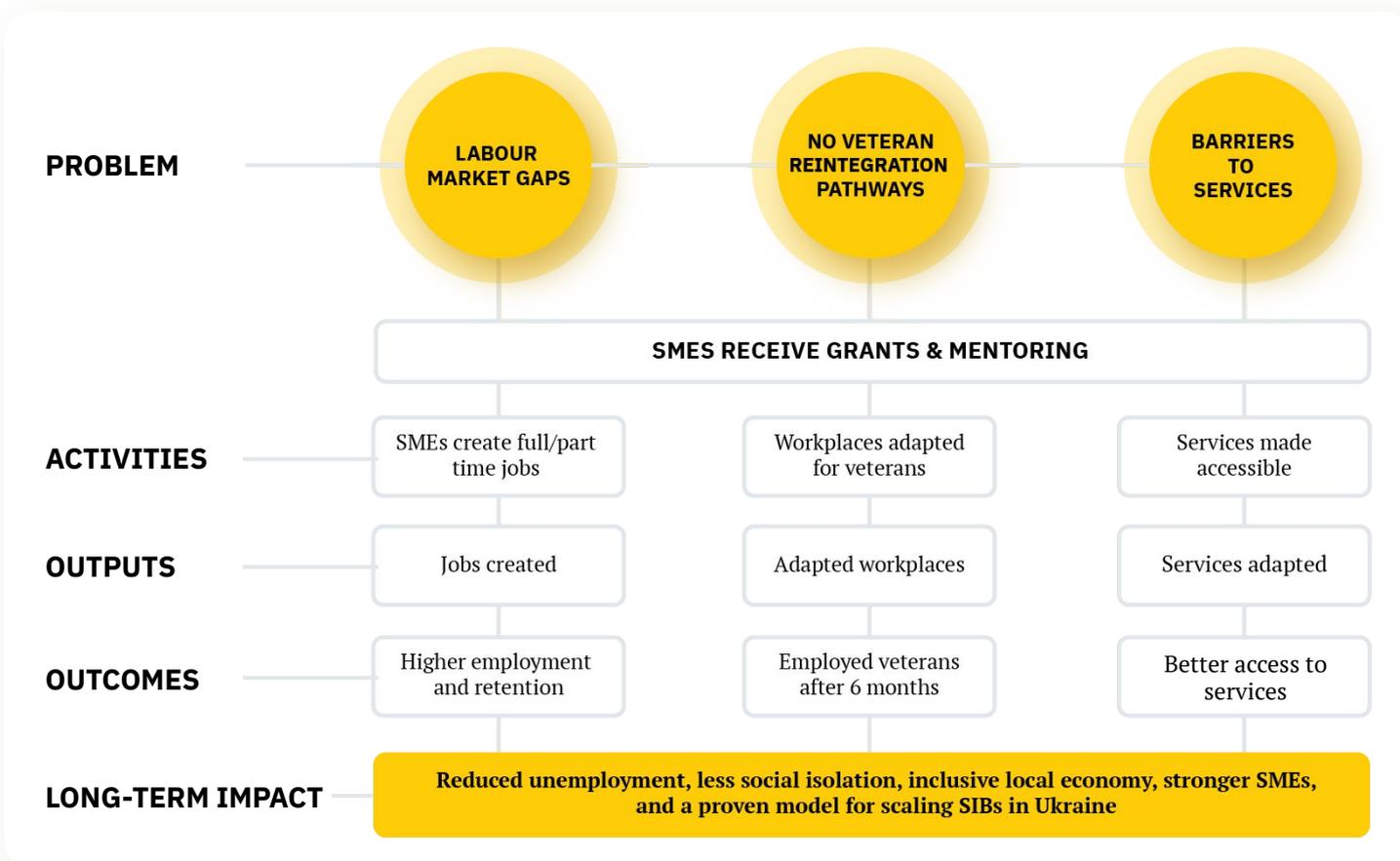
- Physical, informational and organisational barriers in public and private services
- Limited access for veterans, people with disabilities, older adults, and parents with young children
- Social isolation and reduced participation in community life

FROM CHALLENGES TO IMPACT: TARGET OUTCOMES AND THEORY OF CHANGE

INDICATIVE IMPACT FOCUS AND METRICS FOR THE SIB PILOT

IMPACT AREA	KEY ACTIVITIES	OUTPUT METRICS (ILLUSTRATIVE)	OUTCOME METRICS (ILLUSTRATIVE)	LONG-TERM IMPACT
Inclusive employment (veterans & vulnerable groups)	SMEs create new jobs, adapt roles, introduce flexible hours	# jobs created (full/part-time) # adapted workplaces	% employed after 6 months % retained after 12 months Avg income increase	Reduced unemployment and dependency
Flexible and adapted work models	Introduction of 2-4h shifts, hybrid work, gradual return-to-work	# flexible jobs created # employers adopting flexible policies	% employees reporting improved work-life balance	Increased labour market participation
Accessibility of local services	Physical, informational & organisational barrier removal	# services adapted # businesses improving accessibility	% increase in service use by target groups Satisfaction score	Reduced social isolation and exclusion
SME resilience and growth	Grants + mentoring to SMEs with social mission	# SMEs supported # SMEs with inclusive policies	Business survival rate (12 months) Revenue growth	Stronger local economy

THEORY OF CHANGE



ROLES AND RESPONSIBILITIES IN THE SIB MODEL

ROLES IN SOCIAL IMPACT BONDS

STAKEHOLDER	ROLE IN THE SIB PILOT
Donor	Provider of upfront financing <ul style="list-style-type: none"> Provides advance (pre-financing) capital to launch the Social Impact Bond pilot Capital is used to fund service delivery before outcomes are achieved Repayment depends on verified results (0% return in pilot phase)
Municipality (Outcome Payer & Co-Owner)	Commissioner of outcomes and services (KPI owner) <ul style="list-style-type: none"> Pays only for achieved and independently verified outcomes Payments are made according to the contract and within approved budget allocations Payment can be full or proportional to achieved KPIs Co-owns the pilot design and outcome framework
The Possible (Intermediary & Operator)	Coordinator and operator of the SIB mechanism <ul style="list-style-type: none"> Designs and manages the SIB structure Administers upfront capital Contracts and supports service providers Ensures monitoring, reporting, and coordination
Service Providers (NGOs / Social Enterprises)	Implementers of social services and interventions <ul style="list-style-type: none"> Deliver services aligned with agreed outcomes Receive funding through grant or performance-based contracts Report on outputs and outcomes to the intermediary and evaluator Implement inclusive employment and accessibility solutions
Independent Evaluator	Verifier of results <ul style="list-style-type: none"> Conducts independent verification of achieved KPIs Applies approved evaluation methodology Confirms results that trigger outcome payments

MUNICIPAL STAKEHOLDERS INVOLVED IN THE SIB PILOT

RESPONSIBLE UNIT / OFFICIAL	ROLE IN APPROVAL PROCESS
Mayor	Political leadership, endorsement of pilot direction, representation of the municipality in external coordination
First Deputy Mayor (Executive Bodies)	Executive coordination and cross-departmental alignment
Secretary of the City Council	Administrative coordination and document circulation
Department for Deputy Support and Local Self-Government Development	Procedural review and compliance with council processes
Legal Department (Executive Committee)	Legal review and alignment with current legislation
Financial Department	Financial feasibility and budget compatibility review
Department of Strategic Planning and Development	Strategic alignment with municipal development priorities
Standing Council Committees	Political and sectoral review
City Council Session (Plenary)	Final decision and formal approval

PILOT GOVERNANCE

The governance model for the Social Impact Bond pilot is being developed iteratively based on the implementation options outlined in Chapter 2: Options to Structure SIBs in Ukraine.

Given that this would be the first Social Impact Bond implemented in Ukraine, the governance structure is intentionally designed as a learning-by-doing pilot, allowing flexibility, phased approvals, and gradual institutional adoption rather than immediate full-scale commitment.

At this stage, governance design focuses on identifying a minimum viable structure that is legally feasible, administratively acceptable, and politically realistic for a small municipality operating under wartime conditions.

KEY INSTITUTIONAL AND OPERATIONAL CONSIDERATIONS FOR THE PILOT

AREA	DESCRIPTION	IMPLICATIONS FOR PILOT DESIGN
Limited experience with outcome-based financing	Municipal financial departments primarily operate within grant-based and line-item budget frameworks. Outcome-based payments represent a new operational approach.	Requires additional guidance, templates, and hands-on support during pilot setup
Absence of national precedents	Social Impact Bonds have not yet been implemented in Ukraine, requiring reliance on legal interpretation rather than established practice.	Legal validation and engagement with the Ministry of Finance are essential
Risk sensitivity of a small municipality	Smaller communities have limited capacity to take on financial commitments, especially under budget uncertainty and wartime constraints.	Pilot designed with 0% return, limited size, and flexible repayment scenarios
Grant-oriented operational culture	Local institutions are accustomed to non returnable donor funding rather than delayed, outcome-linked payments.	Gradual transition model with strong intermediary support and clear communication
Competing urgent priorities	Electricity, heating, infrastructure repair, and security require immediate attention and absorb administrative capacity.	Pilot scope kept focused and aligned with existing municipal programmes
Multi-year budget planning constraints	Municipal budgets are approved annually, complicating commitments across fiscal years.	Legal structuring designed to allow phased or conditional payments
Administrative workload and approval complexity	Multiple internal approvals are required (finance, legal, executive, council committees, plenary).	Simplified governance pathway and early alignment across departments
Reputational and compliance risk for officials	In the absence of national guidance, officials require strong legal assurance to avoid personal or institutional liability.	Formal legal opinions, Ministry of Finance consultation, and conservative pilot design

IMPLICATIONS FOR PILOT DESIGN

In response to these constraints, the pilot governance model will be:

- **Phased**, starting with a low-risk pilot structure
- **Legally conservative**
- **Operationally supported by an intermediary (The Possible)** to reduce burden on municipal staff
- **Designed for learning and future scaling**, rather than immediate replication
- **Aligned with existing municipal programs**, to avoid parallel structures

Establishing a strong and transparent governance framework is a necessary step to ensure the pilot is implemented responsibly and in line with institutional requirements.

RISK ASSESSMENT AND MITIGATION STRATEGY

The pilot Social Impact Bond is being developed in a context of legal, financial, and institutional innovation for Ukraine. As this is the first attempt to introduce outcome-based, returnable financing at the municipal level, the project team has proactively identified key risks that may affect implementation.

These risks are not viewed as barriers, but as design considerations that inform a cautious, phased, and well-supported pilot approach.

To address them, the pilot integrates legal validation, conservative financial structuring, early engagement with municipal leadership, and ongoing technical assistance.

RISK	DESCRIPTION	MITIGATION MEASURES
Non-repayment risk	Budget constraints or unforeseen shocks could limit the municipality's ability to repay returnable financing even if outcomes are achieved.	Conservative repayment terms, phased outcome payments, and alignment with approved municipal programmes reduce risk. Pilot size is intentionally limited, and repayment is structured to be feasible within normal budget cycles.
Legal and regulatory uncertainty	Outcome-based and returnable financing mechanisms are not yet fully defined in Ukrainian municipal practice, creating uncertainty around compliance.	External legal experts engaged; formal clarification from the Ministry of Finance; governance model to be finalised only after official guidance is received.
Political sensitivity of being the first pilot	As the first Social Impact Bond in Ukraine, the pilot may attract heightened political attention and scrutiny.	Positioning the pilot as a controlled, learning-oriented initiative; phased implementation; transparent communication with municipal leadership and council members.
Political transitions and qualifications of officials	Changes in leadership, varying levels of experience with innovative finance, or limited familiarity with outcome-based tools may slow decision-making.	Early briefing sessions for elected officials; clear explanatory materials; reliance on institutional decisions rather than individual political sponsorship.
Financial liability concerns	Municipal officials may be cautious about financial obligations under uncertain budget conditions.	Conservative financial structuring; capped outcome payments; legal opinions confirming absence of personal liability; scenario-based budget modelling.
Limited experience with outcome-based financing	Municipal financial departments traditionally operate within grant and line-item frameworks.	Targeted capacity building; simplified payment and reporting logic; ongoing technical assistance.
Grant-oriented operational culture	Municipal institutions and service providers are used to non returnable grants, while outcome-based financing requires results-linked payments.	Step-by-step implementation guidelines; pilot-scale design; alignment workshops with municipal departments.
Competing urgent priorities	Energy, security, and infrastructure needs may limit administrative focus on new instruments.	Lightweight governance structure; dedicated coordination role; alignment with existing recovery programmes.
Multi-year budget planning constraints	Annual budget approval cycles complicate longer-term commitments.	Legal structuring with staged commitments; embedding the pilot in medium-term development programmes.
War and security-related risks	Security incidents, escalation, or potential occupation could disrupt implementation or municipal operations.	Modular and flexible pilot design allows pausing or adaptation. Focus on locally embedded actors increases resilience. Alignment with municipal emergency and recovery planning ensures responsiveness.

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CONTACT US:

Anastasia Sleptsova

Co-Lead of The Possible

anastasia.sleptsova@civic.co

