

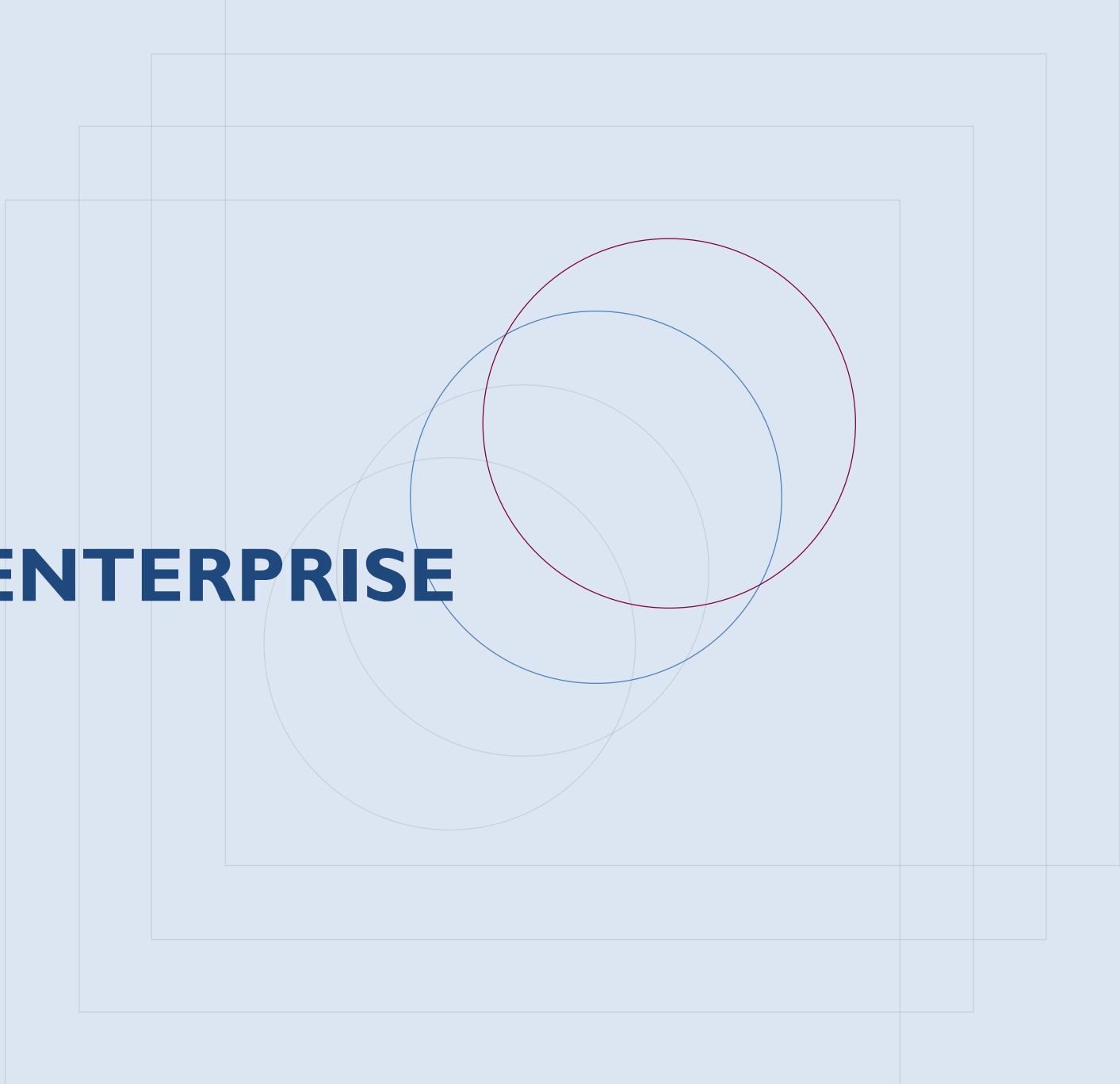
# Village Enterprise Impact Bond From Impact Bonds to Outcomes Funds

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# **THE VILLAGE ENTERPRISE IMPACT BOND**



# The Village Enterprise DIB



	Service provider	Outcome payers	Trustee	Independent evaluator	Project manager
Players					

**Beneficiaries**

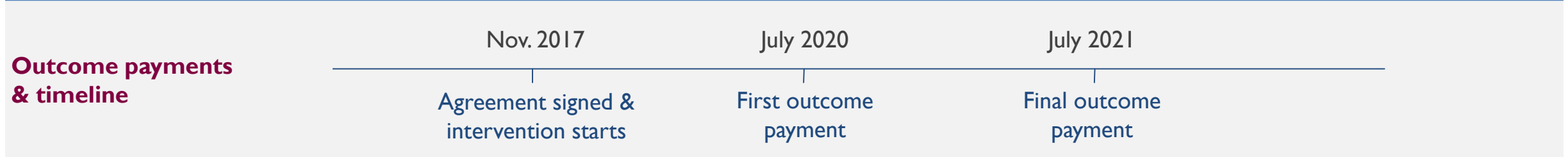
- A minimum outreach of **12,660** poor, rural households in Western **Kenya** and Northern **Uganda**

**Outcome metrics**

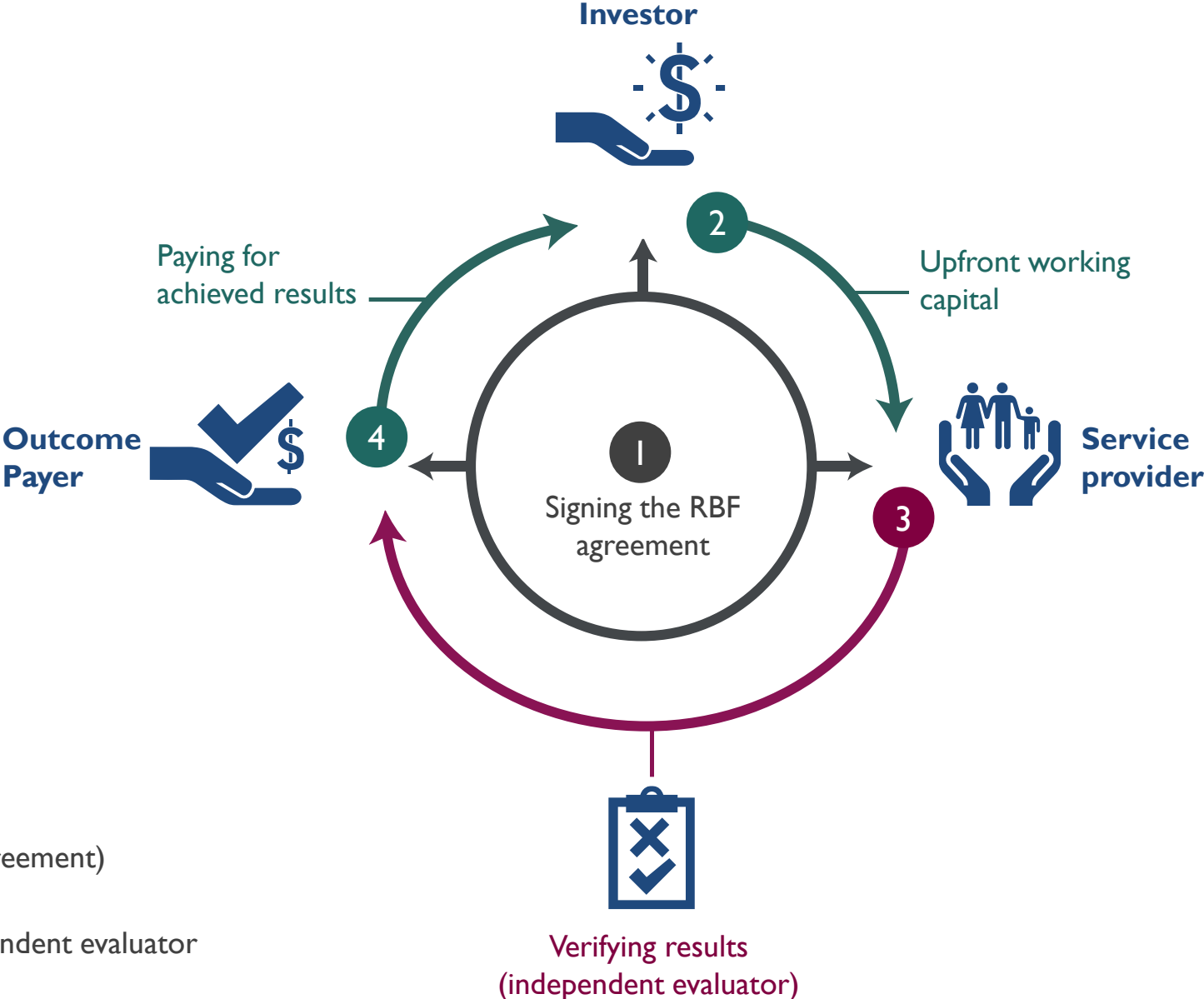
- The Outcome Payers, tied **100% of USD 4.3** million outcome payments to **increases in income**, as proxied by increases in household levels of **consumption** and **assets**
- Outcome payers pay for every dollar the household gained due to Village Enterprise’s intervention. That is, outcome payers **pay \$1 for every \$1 of ‘proxied’ income** increase measured **one year after the intervention ends**

**Evaluation of outcomes**

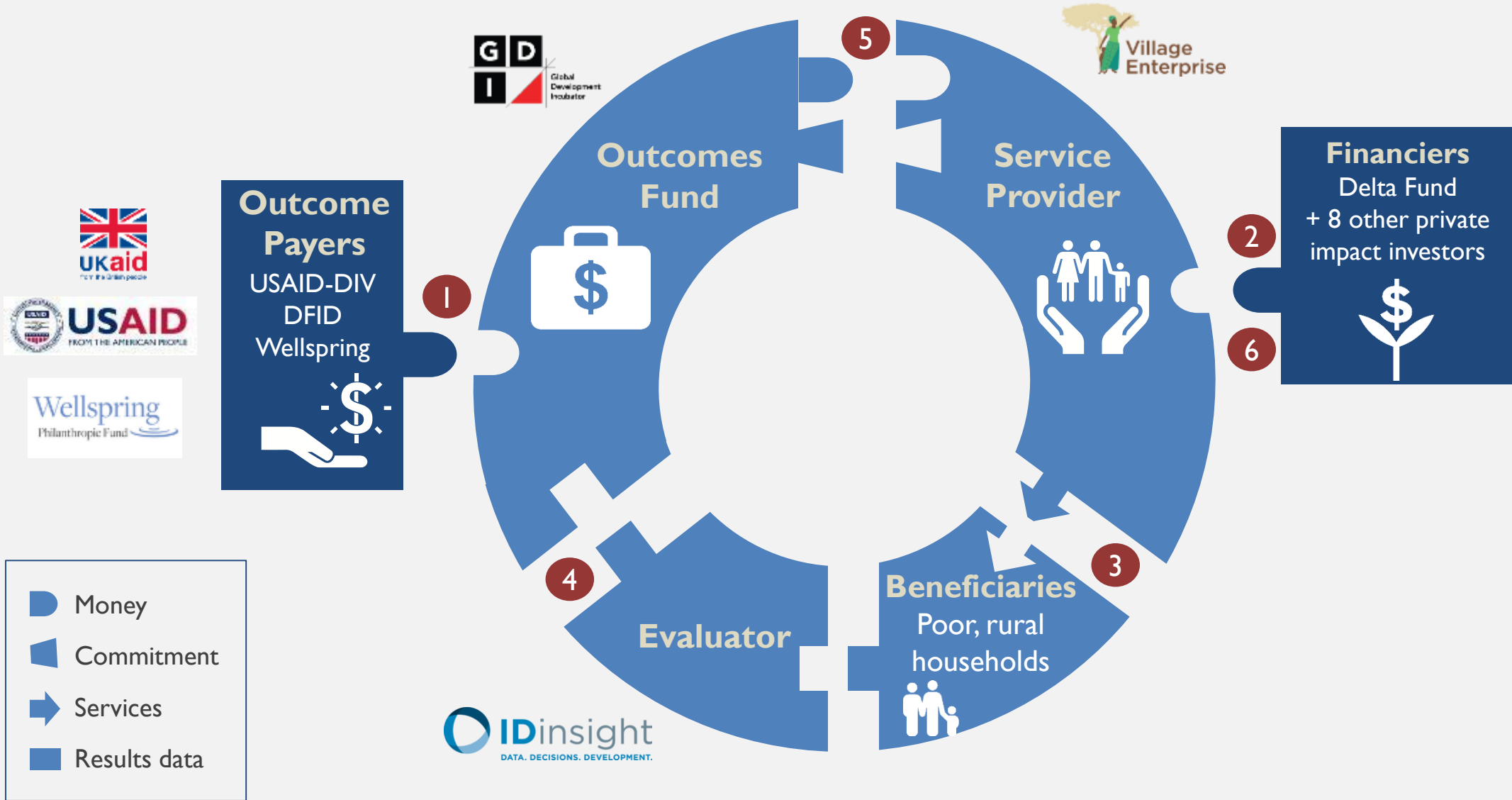
- Randomized controlled trial (RCT)**, with randomization at the village level and 10,000 household surveys measuring baseline and end line levels of consumption and assets



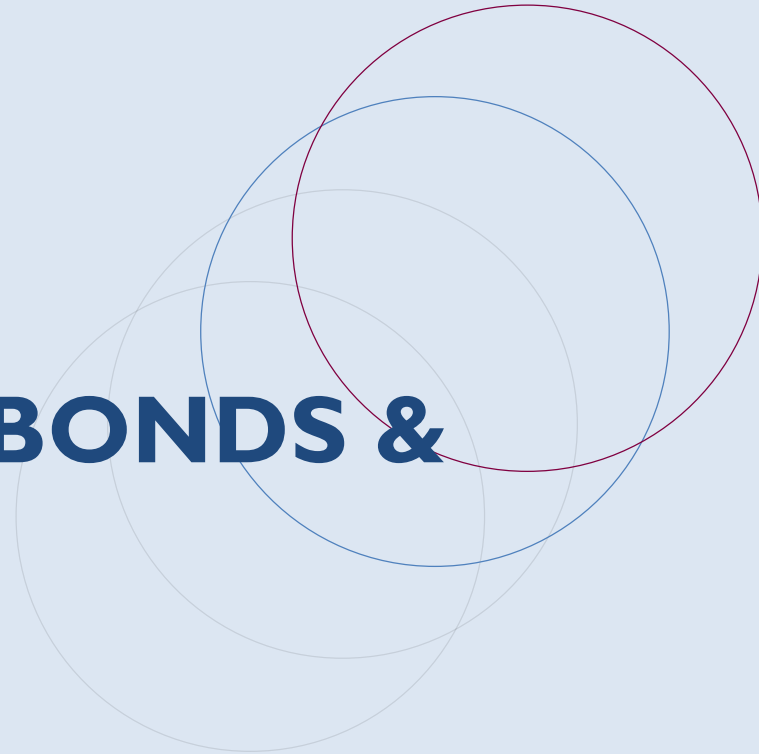
# Traditional Impact Bond Structure



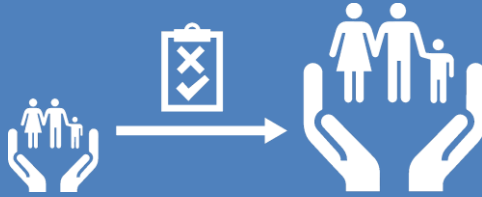
# Village Enterprise Outcomes Fund structure



# **DESIGNING IMPACT BONDS & LESSONS LEARNT**



# Why use impact bonds?



Aligning financial incentives  
with beneficiary welfare



Measuring and drawing  
attention to outcomes



Providing flexibility to  
achieve results



Improving accountability  
to beneficiaries

# A nuanced and supportive approach to performance



**AVOID  
MISSION  
DRIFT**

Sidelining **important but harder to measure outcomes**



**AMBITIOUS  
BUT  
REALISTIC**

Considering capabilities and external and other contextual factors in **setting performance targets.**



# Being thoughtful about the design and impact of incentives



**Cream skimming**

**Gaming**

**Perverse behavior**

- **Right-sizing risk transfer and incentives**
- **Designing new safeguards for population**
- **Ensuring population selection is carefully monitored**
- **Empowering the voice of population**
- **Studying the black-box through rigorous operational research**



# Focusing on outcomes from beginning to end

IBs can overcome incentive failures and effectively focus actors on important outcomes



## / PLANNING & PREPARATION

- Selecting interventions/providers based on evidence
- Designing rigorous Theories of Change
- Truth-grounding targets in historical performance
- Strong stakeholder alignment on ultimate outcomes versus activities



## / IMPLEMENTATION

- Active and dynamic performance management
- Course-correcting design and delivery approaches



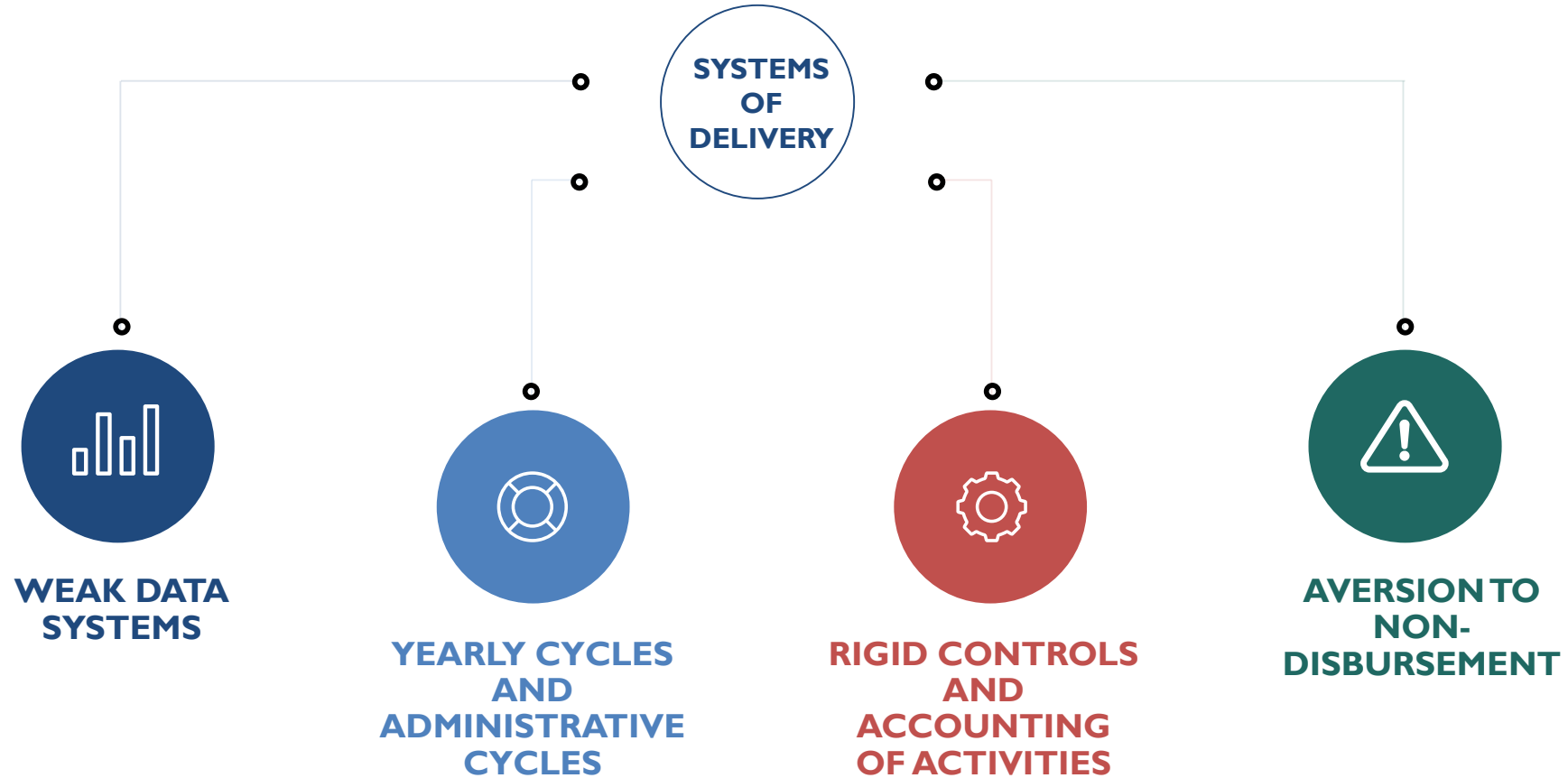
## / EVALUATION

- Understanding and attributing results with rigor
- Operational research to understand what worked/didn't in delivery

# Discovery mechanism to improve delivery systems



IBs can identify challenges and constraints in existing systems that limit outcomes in complex environments



# FROM IMPACT BONDS TO OUTCOMES FUND



# Evolution of impact bonds into outcome funds



## The motivation



Early demonstration calls for more **experimentation** and expanding opportunities to larger **ecosystems of providers**.



However, **funders involvement** in paying for outcomes has been **slow** – complicated by existing **legal/procurement/financial** management practices that go against RBF.

There are over 100 Impact Bonds worldwide in implementation or completed, of which **9** are in low or middle income countries. This represents an investment of **38 million USD in Impact Bonds in international development**.

# Accelerating experimentation with the Poverty Alleviation Outcomes Fund

Kenya  
& Rwanda

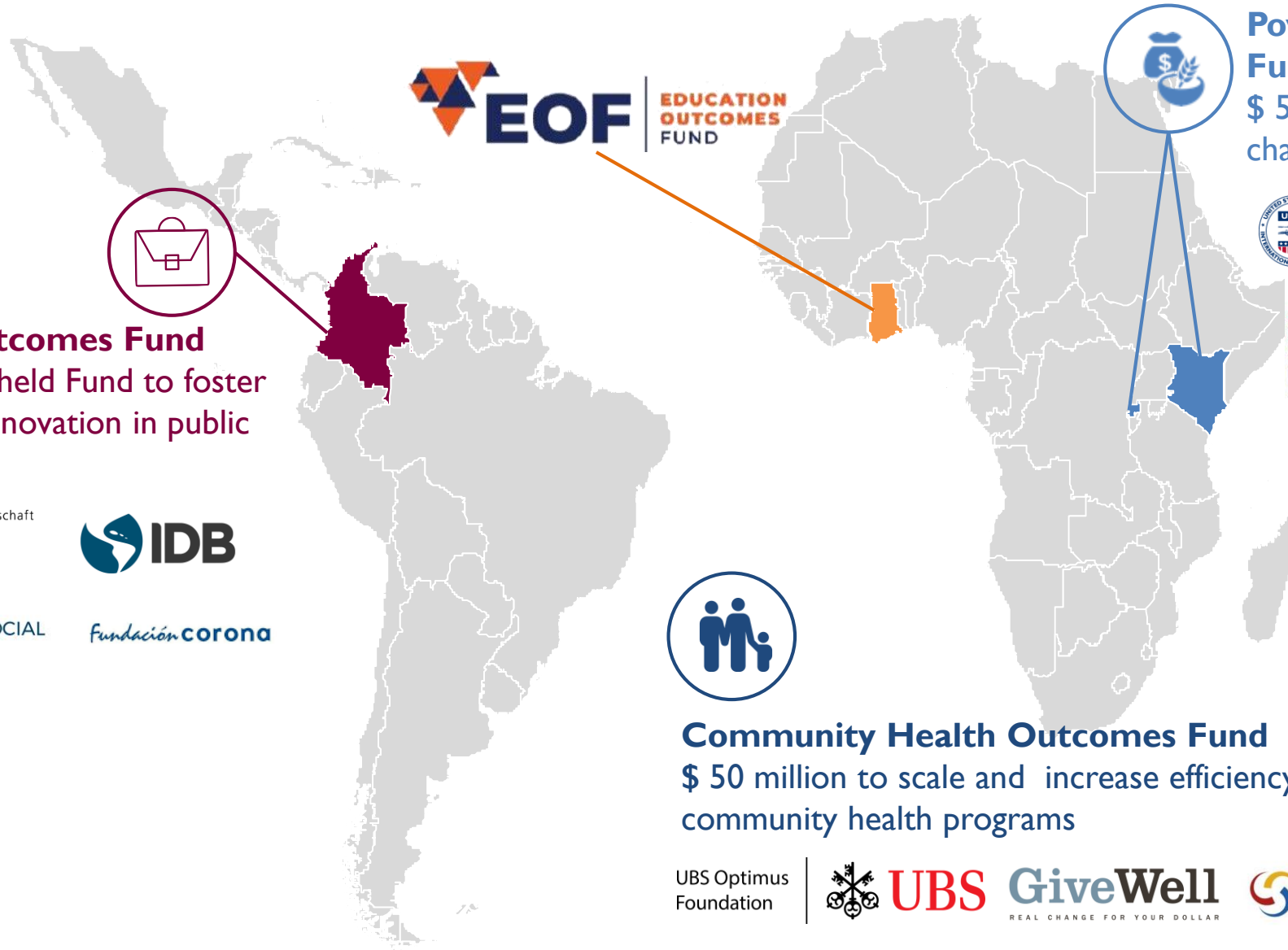


Seeding  
**7-10**  
experiments  
in next 2 years


From 5 to  
**50 million**  
**USD**



# From transforming an organization to transforming an ecosystem



**Colombia Outcomes Fund**  
A Government held Fund to foster results-driven innovation in public policy

 Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra



**Poverty Alleviation Outcomes Fund**  
\$ 50 million to generate a systemic change in public policy



**Community Health Outcomes Fund**  
\$ 50 million to scale and increase efficiency of community health programs



**Thank you!**

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