The Village Enterprise Development Impact Bond Process Review: From Concept to Launch

July 2018
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1. Introduction

1.1. The Village Enterprise Development Impact Bond and the Poverty Alleviation Outcomes Fund

The Village Enterprise Development Impact Bond (DIB) aims to raise the income levels of a minimum of 12,660 extremely poor rural households in Kenya and Uganda. Through the DIB, USD 4.28 million in funding is tied to independently verified increases in household income levels attributable to the intervention of Village Enterprise, the implementing organization.

The Village Enterprise DIB is the first transaction of the Poverty Alleviation Outcomes Fund (hereafter referred to as the Fund). In an outcomes fund resources from multiple funders are pooled and committed for the verified achievement of pre-defined outcomes.

Figure 1 displays the structure of the Fund and its first transaction, the Village Enterprise DIB. The Fund currently pools funding from the UK Department for International Development (DFID), the United States Agency for International Development (USAID), and an anonymous donor. The pooled funds are managed by a third-party trustee, the Global Development Incubator (GDI). Village Enterprise and GDI entered into an Outcomes Payment Agreement (OPA) stipulating that GDI pays one dollar to Village Enterprise for every dollar increase in the net present value of household income. As the Fund’s payments to Village Enterprise are only made after results have been achieved and verified, Village Enterprise must raise capital to start program implementation. An independent evaluator, IDinsight, verifies Village Enterprise’s impact on income. Income increases are measured in terms of household consumption and assets and are attributed to Village Enterprise using a Randomized Controlled Trial (RCT). Once results are verified, GDI will disburse results payments to Village Enterprise as specified in the OPA.

1.2. The Village Enterprise poverty graduation model

Village Enterprise has been working for three decades to end extreme poverty in rural villages in Kenya and Uganda. During this period, Village Enterprise has supported the creation of over 39,000 businesses and helped improve the living standards of over 850,000 people. Looking ahead, Village Enterprise aims to expand their program to reach an additional 1,000,000 people across Africa in the next five years.

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1 Globally there are around 744 million people living in extreme poverty, defined by the World Bank as living in less than USD 1.90 a day. Roughly one third of the extreme poor are in Sub-Saharan Africa with around 415 million extreme poor across the entire continent.
The Village Enterprise poverty graduation model aims to improve income levels through a microenterprise development program that supports entrepreneurs to launch and run a business. The intervention addresses multiple barriers that keep people in extreme poverty, including lack of access to credit and poor business management skills. By addressing multiple barriers in one intervention, the program is designed to support participants to lift themselves out of extreme poverty permanently.

The Village Enterprise intervention consists of five main components:

1. **Targeting.** Village Enterprise surveys households in poor rural villages to identify the extreme poor individuals that are unable to provide for their families’ basic needs and who qualify for the graduation program.

2. **Business savings group (BSG).** Village Enterprise helps participants form self-managed savings groups of 10 businesses (comprising 30 individuals), which create the platform through which Village Enterprise conducts its training program. BSGs provide members with ongoing protection against financial shocks and access to growth capital. BSGs have also been shown to develop trust and respect between the participating community members.

3. **Training.** Local Village Enterprise mentors deliver a business and financial skills training program and assist participants in forming their small enterprises consisting of three entrepreneurs.

4. **Seed funding.** To start their enterprises, businesses receive a cash transfer of USD 150. The capital investment is a grant rather than a loan.

5. **Mentoring:** Mentors provide continuous guidance to the participants for one year.

From 2014 to 2017, an independent RCT evaluated the impacts of diverse components and variants of the Village Enterprise program in Uganda. Provisional results suggest that consumption and assets significantly increased for participants. Further, when compared to simply offering participants a cash transfer, the gains in consumption and assets of those participating in the graduation program are found to be higher, suggesting that the complementary activities of mentorship and training are instrumental in generating increased consumption.

### 1.3. The rationale for the Fund

The Fund aims to increase the cost-effectiveness of spending on poverty alleviation. By paying for results, Fund transactions create an environment more conducive to delivering greater impact than traditional forms of financing poverty alleviation. Paying for results can also create greater value for money for funders compared to input- or activities-based financing by reducing the need to monitor implementer activities and ensuring funders do not pay when the intervention fails to produce results. Moreover, the outcomes fund structure reduces transaction costs common to other forms of Results-Based Financing (RBF) by generating economies of scale and facilitating standardization.

**Creating conditions conducive to impact**

The empirical evidence on the effectiveness of graduation programs and many other poverty alleviation interventions is mixed. While some interventions have significantly increased incomes of ultra-poor households by more than 20 percent over program costs, other programs have had negligible impact. This is illustrated by Figure 2, which compares the cost-effectiveness of different poverty graduation programs evaluated in low- and middle-income countries using RCTs.

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2 Under the current DIB, Village Enterprise will experiment with a cash transfer of USD 450, which they will disburse to approximately 35 percent of the businesses. Village Enterprise will study the different cash transfer sizes to learn if larger transfers drive proportionally larger impact.

3 Provisional results suggest that yearly consumption and asset levels for treatment households are higher than those for control households; 26,061 and 16,343 Ugandan shillings respectively (USD 23.82 and USD 14.94 respectively) for a total of 42,404 shillings (USD 38.76) annually.


The lack of uniformity in the impact of poverty graduation programs is not surprising. The success of the interventions is contingent on their design and implementation, which differ considerably over the range of interventions that have been evaluated. Especially in market-based interventions such as the poverty graduation program, local conditions at the time of implementation also significantly influence the effectiveness of the intervention. Given the wide range of differences in design, implementation, and context in which programs are implemented, program funders can frequently not rely on historical empirical evidence to illustrate what works and what does not. This creates a problem for funders when considering whether to replicate or scale up graduation programs in new contexts: while potential benefits are high, funders cannot be certain of impact.

Given the lack of generalizable insights into what program will work, RBF provides an attractive alternative. Funders contributing to the Fund only pay the service provider when results are achieved. To increase the likelihood that this occurs, the Fund not only screens organizations based on their historical performance, but the RBF instrument through which the service provider is contracted creates conditions conducive to impact. By tying funding to results and avoiding prescribing a path to sustained impact, the RBF instrument incentivizes the provider to track and manage results as they scale up. The instrument also grants the provider the flexibility to adapt elements of their intervention that cease to deliver impact as the program scales up. The Fund allows funders to repeat this approach with different service providers using different poverty alleviation interventions.

**Creating value for money**

Paying for results transfers much of the risk of non-performance away from the funder. Transferring risk reduces the need of the donor to monitor how the service provider spends resources or conducts activities in pursuit of those results. Paying only when results are achieved also ensures that funders do not pay when interventions fail to produce results.6

While RBF can reduce costs by transferring risk from the funder, RBF instruments - particularly impact bonds - have been costly to design. Contracting, for example, is more costly given the difficulty of using templates for novel, results-based agreements. Funders and service providers also expend significant effort creating the right incentive structure and evaluation design. By generating multiple similar transactions that can, to a certain extent, use standardized procedures and templates in RBF design and contracting, the Fund can reduce the cost of each transaction design process.

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6 For example, under an Impact Bond an investor provides the upfront capital to the service provider for implementation, receiving outcome payments from the funder if, and when, results are achieved and verified. Under a Performance-Based Contract, a service provider might use its own funds to run its intervention, receiving outcome payments from the funder if, and when, results are achieved and verified.
Crowding in multiple funders can also support reduced design and implementation costs. By drawing in multiple funders, the Fund is likely to produce transactions that are larger than most DIBs. This will reduce design and implementation costs relative to total outcomes funding. In addition, funders will be able to share certain costs, such as those associated with verifying results, reducing costs per funder. Contracting an independent trustee to manage transaction contracting and fund management processes on behalf of all funders will allow funders to share costs associated with these processes.

Uncoupling financier engagement from RBF instrument and evaluation design processes also has the potential to reduce costs compared to other forms of RBF. One potential channel for cost reduction is reduction in the complexity of the multi-party negotiations required in the processes through reducing the number of voices in these negotiations. Decoupling financier engagement from other processes may also support the service provider to negotiate with multiple financiers while other design processes are ongoing. This has the potential to create a more competitive environment for the procurement of capital and reduce capital costs. Uncoupling these processes does, however, entail additional costs for the service provider and requires that the provider have or build the capacity to negotiate across two processes.

1.4. The Process Review

Following the Village Enterprise DIB, the Fund is expected to be scaled up and commit outcomes funding for multiple RBF instruments annually. The Village Enterprise DIB is intended to generate learning insights to inform the scale-up of the Fund. It will also provide an early demonstration of the Fund’s ability to crowd-in private sector financing and deliver social results.

Given the objective of the Fund to deliver stronger reductions in poverty per dollar spent on programming compared to other forms of finance, this Process Review will review both the effectiveness and efficiency of the financing mechanism. Figure 3 displays the Review’s underlying framework for process effectiveness and efficiency.

Effectiveness refers to the Fund’s ability to reduce poverty through its transactions. While the impact evaluation will reveal whether the Village Enterprise DIB reduces poverty, the Process Review will aim to understand whether the financial mechanism enhanced or diminished the effectiveness with which Village Enterprise delivered outcomes. Beyond evaluating Village Enterprise itself, the Review will also evaluate how the trustee, the independent evaluator, and the DIB project manager support Village Enterprise in delivering results.

Efficiency refers to transaction costs associated with the design and implementation of the Fund and the Village Enterprise DIB. Inefficiencies in the funding mechanism’s design and implementation diminish the cost-effectiveness of the mechanism. The Review will identify where and how transaction costs can be reduced in future iterations of the Fund.

Figure 3. Effectiveness and Efficiency framework

1 This report reflects the viewpoints of Instiglio, contracted by the Outcome Payers of the Village Enterprise Development Impact Bond as the independent Process Reviewer.
2 It is of note that current funds have only been committed for this first transaction. To date, no funds have been committed for scale-up.
This document is the product of the first phase of the Process Review. As the Village Enterprise DIB is still in its early phases, there is not enough evidence to evaluate the effectiveness of the Fund. Hence, this first phase focuses primarily on evaluating the level of efficiency, identifying potential areas in which efficiency could be improved during the design of the Fund and the Village Enterprise DIB. It addresses the following processes involved in forming the Fund and designing the Village Enterprise DIB:

1. Service provider selection
2. Outcome payer engagement
3. RBF instrument design
4. Trustee selection and fund management
5. Impact evaluation design and evaluator selection
6. Contracting and fund disbursement
7. Financier engagement

The second phase of the Process Review will evaluate: (1) whether and how the DIB structure contributed to the reduction of poverty and (2) the efficiency of the transaction’s implementation.

2. Methodology

2.1. Data collection

Semi-structured interviews were the primary method of data collection for the first phase of the Review. Each stakeholder was asked to provide feedback on each of the design processes in which they were involved. Collecting data from all stakeholders involved in each process is designed to provide comprehensive and un-biased answers to evaluation questions. Table 1 outlines the stakeholders interviewed regarding each process.

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With the exception of a few deviations, each stakeholder was asked the same set of questions for each process:

- What was the stakeholder’s objective and expectation at the start of the process and were these were ultimately realized?
- Which aspects of the process were inefficient and how could efficiency be improved in the scale-up of the Fund?
- What were the transaction costs specific to the stakeholder and how do they compare to alternative financing mechanisms?
3. Process efficiency

During data collection, outcome payers noted that transaction costs associated with the design of the Fund and its first transaction were higher than those involved in their traditional forms of financing interventions. The service provider also noted that transaction costs were higher than more common forms of securing finance for their intervention. This was largely anticipated given the additional activities required to develop the Fund and its first transaction compared to input- or activity-based financing, such as the design of the incentive scheme and the drawing in of capital from financiers. These costs are necessary for unlocking the potential of RBF to deliver stronger results than these more traditional forms of financing.

High transaction costs are, however, also a reflection of process inefficiencies that are avoidable in the long-run. Figure 4 illustrates the timeline of the seven processes involved in the creation of the Fund and its first transaction. The timeline outlines the length of each process and the average level of effort required of the stakeholders involved to conclude the process. Darker colors indicate a higher average level of effort.9

![Figure 4. Fund and Village Enterprise DIB and design process timeline](image)

Figure 4 highlights four key insights about inefficiencies in the Fund and transaction design process. First, earlier processes, particularly service provider selection and outcome payer engagement, were the longest. These processes involved resolving major open questions regarding who to engage and how to best engage them to generate interest in the outcomes fund concept. Resolving these questions required significant learning-by-doing and ineffective approaches lengthened processes, particularly in the case of outcome payer engagement. Second, resolving open questions in all processes necessitated flexibility. As a result, processes rarely employed standardized protocols or fixed timelines.

Third, the processes that required the highest levels of effort on the part of stakeholders involved significant multi-party negotiation. This is unsurprising given that multi-party negotiation necessarily involves substantial effort. The way these negotiations were conducted, particularly employing consensus-based decision-making, influenced greatly the

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9 Based on estimates given by parties. During data collection, each stakeholder ranked the processes in which they were involved in terms of the level of effort required to undertake the process.
amount of effort required. Finally, the most effort-intensive processes also involved significant capacity building. Outcome payer engagement and RBF instrument design asked outcome payers to quickly develop knowledge of RBF in order to contribute. Financer engagement required the service provider to build the necessary skills and the infrastructure to secure capital from new sources.

The following process sub-sections synthesize insights collected from stakeholders regarding the efficiency of each of the seven processes involved in creating the Fund and Village Enterprise DIB. They provide a number of recommendations drawn from these insights that will be critical for reducing transaction costs associated with the Fund and its transactions as the Fund scales up.

3.1. Service provider selection

The selection process

The idea of developing a market for outcomes in poverty alleviation came out of conversations between an anonymous donor and Instiglio in early 2014. These conversations led to the specific objective of creating an outcomes fund through which several funders could pay for verified reductions in poverty in sub-Saharan Africa. The anonymous donor and Instiglio agreed to first engage service providers to pitch a concrete funding opportunity to potential funders. With the support of their networks, the anonymous donor and Instiglio identified more than 80 service providers implementing poverty-alleviation interventions in Africa.

Given that no public Request for Proposals (RfP) was published, it is possible that some high-performing service providers were not identified. For future iterations, a public RfP could help to identify an even larger group of robust service providers capable of delivering results through RBF. This could become particularly important in avoiding service provider bottlenecks as the Fund is scaled up.

The anonymous donor and Instiglio encountered low interest in the Fund among identified service providers prior to the commitment of additional outcome payers. The anonymous donor noted, however, that since USAID and DFID committed funding there has been greater interest in the Fund. At the same time, having identified a promising service provider for the DIB significantly helped in crowding in USAID and DFID funding. While it will always be more efficient to start with funders and then select service providers, this might not always be possible as some donors prefer investing in concrete opportunities. Raising outcomes funding prior to engaging service providers is expected to become more feasible over time as the demand for innovative funding opportunities increases, donors adapt their practices for innovative financing, and the Fund creates a strong reputation among funders. To get around this chicken-and-egg problem in the interim, the Fund could engage donors with a portfolio of promising service providers that have signaled their interest in the Fund.

Through the application of Instiglio’s service provider assessment framework, a small group of strong service providers with the capacity to engage in RBF was identified from the larger group of more than 80. Village Enterprise was ultimately selected as the organization has good evidence of impact and strong operational capacities, including good performance management practices.10

Service provider functions

Village Enterprise’s responsibilities were not made clear during selection or immediately after selection. As a result, the amount of time and effort required of Village Enterprise as part of subsequent DIB design processes, particularly in engaging financiers, surprised Village Enterprise. While Village Enterprise indicated that, as a pilot, there was a large degree of learning-by-doing for all, they also noted the need for more upfront guidance. They noted the need for a clearer understanding of what processes lay ahead, their expected involvement in each of those processes, and an estimate of the resources and capacity they would need to be successful. In the future, it is recommended that stakeholders clearly map out processes and align on and communicate to the service providers, at the start of engagement, expectations regarding their responsibilities, timing, and needed level of effort, resources, and expertise.

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3.2. Outcome payer engagement

Phase one (early-2015 to mid-2016)
The process to draw in additional outcome payers started in May 2015. Instiglio initially focused outcome payer engagement efforts on foundations. This strategy was based on the assumption that foundations are more likely than bilateral donors to quickly commit funding to an innovative financing instrument. Between May and December 2015, Instiglio engaged more than twenty foundations, many of which expressed interest in the Fund.

Engaging foundations did not result in any commitments to provide outcomes funding. The following reasons comprise the common causes of the unsuccessful attempt to engage foundations as outcome payers. First, several foundations were concerned about delegating their traditional programmatic support roles to the Fund. Second, some conversations stalled because the engagement did not take place at the right point in the foundation’s planning cycle. Third, the innovative financing units engaged at foundations saw their mandate as promoting impact investing and not paying for outcomes. Fourth, the nature of the project fell outside several foundations’ funding programs. In scaling up, the Fund should continue to focus outcome payer engagement efforts on bilateral donors given challenges in drawing in foundations. In engaging bilateral donors, the Fund will face some challenges similar to those encountered in the engagement with foundations. Successful engagement will require alignment with donor funding programs and their planning cycle.

Phase two (late-2016 to early-2017)
Instiglio and the anonymous donor decided to focus on creating a concrete funding opportunity based on Village Enterprise’s intervention to present to funders after the failure to secure outcomes funding from foundations. In late 2016, the anonymous donor and Instiglio worked with Village Enterprise to create a prototype DIB design and outreach materials. After developing the DIB prototype, Instiglio shifted its outcome payer engagement focus to bilateral funders. Instiglio took advantage of their strong network with bilateral donors to start conversations with USAID and DFID. As part of these discussions, USAID and DFID were introduced to the prototype DIB design and the proposed Fund structure.

Clear presentation of the prototype design helped conversations advance quickly. USAID and DFID noted that the different design components and how design decisions were made were well explained.

Evidence of the service provider’s ability to deliver impact generated outcome payer interest. DFID noted that the preliminary results of the Village Enterprise RCT supported their understanding of the evidence base as well as Village Enterprise’s capacity to deliver results above those set as targets in the prototype. The preliminary results were ultimately important for generating DFID’s interest. Less rigorous evidence of the impact of Village Enterprise’s model would have significantly reduced DFID’s interest in the project.

Superficial presentation of the rationale for an outcomes fund hindered outcome payer decision-making. USAID noted that a more in-depth explanation of the differences between an outcomes fund and a regular impact bond would have helped USAID to better understand the trade-offs between the two funding modalities. USAID recognized that, at this stage, in-depth discussions may have not occurred because the anonymous donor and Instiglio were waiting on outcome payers to join before settling on how the Fund would function. In the scaling of the Fund, it should be made explicit which design elements of the Fund are already defined, which elements would be subject to discussion with outcome payers, and what the process of defining those elements will entail.

Engaging multiple outcome payers at different times created inefficiency. DFID, engaged after USAID, noted that entering conversations late required them to catch up quickly and left them feeling they lacked a nuanced understanding of earlier decisions. A lack of clarity on what had previously been discussed and agreed created delays when topics had to be revisited. As the Fund is scaled, potential new outcome payers should — when possible — be engaged simultaneously to reduce the time and effort involved in engagement. New outcome payers should be provided a clear and detailed understanding of what has been discussed and agreed. As the Fund expands, the number of conversations with potential outcome payers will increase. A coordination mechanism to ensure alignment among current outcome payers before entering conversations with potential new funders would help avoid inefficiency.
Stakeholders mentioned establishing a secretariat to coordinate donors or designating a lead outcome payer as potential options.

**Outcome payer assessment of the DIB opportunity**

After signalling interest in the project, USAID and DFID undertook a more comprehensive assessment of the selected service provider and prototype design.

**Capacity constraints made assessment of the project challenging for both USAID and DFID.** A lack of specific sector knowledge within the DFID team required them to reach out to third parties within DFID to better understand poverty graduation models and programming. DFID noted that although the anonymous donor and Instiglio provided good guidance, they were interested in gaining the perspective of independent sources who were not invested in the success of the Village Enterprise DIB. Calling on third-party experts extended DFID’s assessment period. DFID also noted that soliciting advice from third parties has the potential to create additional debate which may extend this type of process further.

This was the first time USAID’s Development Innovation Ventures (USAID-DIV) team participated in the creation of a DIB. The lack of RBF experience in the USAID-DIV team resulted in a steep learning curve, particularly in understanding how outcome metrics should be selected and results priced. In future, the Fund should provide additional capacity building for outcome payers to build familiarity of RBF across important functions of new organizations considering joining the Fund. This could involve providing access to resources developed by the Fund and independent expertise. This would reduce the effort required of the outcome payers and other parties during the assessment process.

**Changes to preliminary impact estimates of Village Enterprise’s RCT created doubts about Village Enterprise’s ability to deliver results.** The estimated impact of Village Enterprise’s intervention was revised several times and under constant analysis and peer review while outcome payers assessed the opportunity. With finalization of results of the RCT ongoing, combined with a lack of additional external and independently measured evidence from other Village Enterprise programs, DFID was left wary of the data and less confident in the program until results were finalized and quality was assured.

**Process outcome**

USAID, DFID, and the anonymous donor committed to contributing USD 1,004,454, USD 1,667,720, and USD 1,608,444 respectively to pay for outcomes generated through the Village Enterprise DIB.

**The amount of outcomes funding balances the objective of scale with the absorptive capacity of the service provider.** The DIB is sufficiently large that it permits Village Enterprise to scale up their intervention. This provides the project with an opportunity to show that the outcomes fund structure can deliver results at scale. Village Enterprise noted that engaging with three outcome payers was sufficiently challenging, dedicating significant time to coordination, meetings, and negotiation with each. While Village Enterprise noted it could have absorbed approximately an additional one million USD, there was no strong desire to push for additional funding given challenges engaging outcome payers. The anonymous donor, DFID, and Instiglio all noted that more funders could have been brought in but that consideration of the additional challenges that this would have created for Village Enterprise rightly took precedence.

3.3. RBF instrument design

**Design process**

The DIB prototype presented during outcome payer engagement was refined through discussion between DFID, USAID, the anonymous donor, Village Enterprise, and Instiglio. These discussions took place from approximately June 2017 until November 2017. IDinsight, once selected as the evaluator, contributed to design discussions between September and November 2017. Discussions involved reviewing and negotiating design components, including the
annual discount rate, payment caps, use of statistical significance in the evaluation, and the minimum number of households to be reached.

**Poverty alleviation and RBF expertise helped parties to create a common understanding and move conversations forward.** USAID noted that the anonymous donor’s expertise in poverty alleviation was particularly helpful in explaining the tradeoffs of design components to other parties. Instiglio’s experience designing RBF instruments with multiple stakeholders guided the pilot towards a practical and informed design. In particular, stakeholders noted the importance of Instiglio’s technical input in the creation of the program’s financial model,\(^1\) which helped parties assess proposed design variations.

**Strong project management ensured that the design process was largely inclusive and efficient.** All parties acknowledged that design conversations provided them with sufficient opportunities to contribute to debate and that their views were considered by other parties. USAID also praised Instiglio’s ability to summarize debates, provide parties with helpful options, manage potentially frustrating situations, and move debates ahead productively.

**Negotiations lacked clear protocols for ensuring the right level of inclusivity.** Decisions in design debates were made based on consensus among all parties. There were no clear protocols for advancing discussions when a consensus could not be reached. When impasses in group discussion were reached, debate of some design components were advanced in smaller group discussions. Decisions made in side conversations were not always clearly communicated to the wider group. DFID noted that at various stages they were left unsure of whether they had the latest understanding of design decisions resulting from these parallel conversations. While consensus-based decision-making resulted in the exclusion of some parties from certain discussions, it also led others to be involved in discussions they did not find productive. USAID noted that group discussions, on occasion, went into a level of detail that did not add value to their decision-making process.

There are several potential mechanisms for creating the right level of inclusivity in multi-stakeholder negotiations. One option could be to permit additional conversations among a smaller group. Clear protocols would have to be established for determining when discussions should continue in smaller groups and decisions made in smaller groups should be clearly communicated to the wider group. Another option could be to use majority voting to make decisions on difficult issues, which could help avoid inertia and side conversations in future iterations. While both options could increase efficiency, neither would ensure that all stakeholders agree with all decisions, which was prioritized in this iteration. If such mechanisms are adopted, potential new outcomes payers should be made aware during initial engagement with the Fund that they may be expected to delegate decision making regarding design details.

**Process outcome**

Finalized design components are reflected in the [Village Enterprise Development Impact Bond Design Memorandum](https://www.instiglio.org). This document also sets out the objectives of the DIB, its context, and the Village Enterprise poverty graduation intervention.

**Stakeholders are largely content with the final design.** USAID, DFID, and Village Enterprise noted that, although the payment formula is complex, the concept of paying USD 1 for every USD 1 increase in income generated is easy to understand and explain to third parties. DFID and the anonymous donor highlighted that the outcome metrics, increased consumption and assets, are closely linked to the desired outcome, namely increases in the net present value of beneficiary income. DFID noted that the design also rewards Village Enterprise for improving their impact as they scale up.

**The design does suffer from a significant limitation.** The payment formula and the variables it is made up of (including the discount rate, the depreciation rate, the long-term persistence of consumption rate, and the asset

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\(^1\) The financial model takes as inputs expected program costs, estimated impact - derived from the previous RCT results - and payment caps to determine price per outcome and estimate capital requirements and the internal rate of return for financiers. The model allows the service provider to understand the impact of different levels of performance on outcome payments. It also supports the service provider to calculate the number of households that must be reached and corresponding seed funding size in order to maximize outcome payments.
growth rate) rely on assumptions that suffer from a lack of underlying evidence. Although this is not a result of errors in the design process – there is a lack of data to inform these kind of assumptions – inability to ground assumptions in evidence could have major consequences for DIB actors. Payouts to Village Enterprise, and payouts from Village Enterprise to financiers, are sensitive to these assumptions and small deviations in an assumption could mean large changes in payouts. The DIB itself will contribute to growing the evidence base in the graduation space, and will generate data and insights to inform future payment formula design.

3.4. Trustee selection and fund management

**Trustee selection**

Stakeholders agreed to contract a trustee to collect, manage, and disburse funding. The trustee also serves as the central contracting party responsible for drawing up the various contracts and then contracting with other parties. This role is critical in reducing the burden on other parties related to contracting and fund management.

Outcome payers and Instiglio sought to appoint a third-party to act as the trustee. The anonymous donor and Instiglio identified two potential candidates. The anonymous donor, USAID, DFID, and Instiglio engaged in conversations with the candidates to introduce their vision for the Fund, the role of the trustee, and candidates’ respective qualifications and interests. These conversations led to both parties submitting proposals for the role.

**Conversations with trustee candidates began without clear alignment among Instiglio and the outcome payers on the functions of the trustee.** Lack of upfront alignment became apparent after early conversations with candidates. These conversations raised doubts about the value-add of the trustee role, the type of relationship between the trustee and other stakeholders, and the length of the trustee’s engagement with the Fund. This uncertainty led to concerns. One stakeholder came out of these initial conversations concerned that selecting a trustee might mean a diminished future role for current stakeholders. After initial conversations, stakeholders realized the need to create greater clarity regarding the trustee role and aligned on trustee functions before continuing conversations with candidates. While conversations with candidates helped stakeholders resolve open questions about the trustee role, greater alignment should be achieved in the future before these conversations.

**The informality of the procurement process ultimately allowed for the creation of unmet expectations in the candidate that was not selected.** While informal selection allowed for questions about the role of trustee to be resolved collectively with candidates, expectations could have been managed better in a more formal process. As the Fund scales, stakeholders should consider formalizing vendor procurement processes where the costs associated with informality are high and when significant adaptiveness is not necessary. If stakeholders opt for formal selection processes, they should consider all stakeholders’ procurement requirements, ensuring that selection processes are conducive for the party that has the most requirements.

Instiglio prepared a trustee assessment matrix and coordinated with the outcome payers to collect their respective assessments of candidates. After reviewing these assessments, the outcome payers and Instiglio selected the Global Development Incubator (GDI) as the trustee.

**GDI’s comfort with cash flows, financial risk assessments, and financial modeling was well matched to the requirements of the role.** GDI also recognized early the purpose of a trustee: to reduce costs and create efficient processes towards the goal of scaling up the Fund. After selecting GDI, all parties coordinated to help GDI prepare the financial vehicle for fund disbursements.

**Trustee functions**

**Poor understanding of outcome payers’ procurement burden delayed the start of the contracting process.** It was not understood that GDI would have to conduct due diligence checks on Village Enterprise, Instiglio, and IDinsight and that, due to DFID’s procurement requirements, DFID would have to conduct due diligence on GDI before contracting. This created unforeseen additional demands on stakeholders’ time and delayed the contracting process. As the Fund scales up, stakeholders should be conscious of new funders’ procurement processes and potential impacts on contracting.

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Stakeholders noted it would improve efficiency if, in future, there were a clear agreement on activities to be undertaken with the trustee. Key trustee-related activities from this iteration were: due diligence checks of organizations, definition of alternative use of funds, program risk identification, mitigation and agreement of protocols for dealing with exchange rate risk and accrued interest on funds, and contracting. To further improve efficiency, GDI recommends using standardized procedures and templates during these activities where possible.

3.5. Impact evaluation design and evaluator selection

Selection

In July 2017, the anonymous donor, Village Enterprise, and Instiglio prepared an initial evaluation design. The group chose to use an RCT to evaluate the results of Village Enterprise’s intervention. The primary motivation for this was to minimize the risk of outcome payers paying for increases in beneficiary income that are not attributable to Village Enterprise’s intervention. Stakeholders also wish to contribute to the poverty reduction evidence base and chose to use an RCT as it is generally considered the most rigorous methodology for identifying the impact of an intervention. Stakeholders agreed to allocate a portion of total funds to the evaluation based on an estimated cost of the initial evaluation design.

The evaluator selection process involved sending an RfP to a shortlist of candidates, question and answer sessions with interested parties, and an assessment of submitted proposals.

While stakeholders found the overall selection process efficient, the process required more effort than a closed bid process. By opening the bid process to five candidates, stakeholders created a large amount of work for themselves. The anonymous donor noted that for a pilot instrument, the evaluator selection process may have been too formal. Outcome payers should collectively decide what level of formality is needed for vendor procurement processes in future iterations. While reducing formality may save stakeholders time and effort, stakeholders should consider maintaining or increasing formality where the costs of informality are likely to be high.

Initial proposals received from evaluators contained costs that were ten times higher than outcome payers’ estimates. This required outcome payers to reevaluate the estimate, brainstorm creative solutions for cutting costs, and coordinate with evaluators to have proposals resubmitted. Three evaluators resubmitted proposals which were then reassessed. This extended the selection process by approximately two weeks. In future, stakeholders should ensure better understanding of how evaluation preferences can be operationalized and the cost associated with implementing these preferences. One way to do this could be to select and involve the evaluator much earlier in the project. Alternatively, an evaluation specialist that would not bid for the evaluator contract could be consulted. For example, once stakeholders create a preliminary evaluation design and estimate its price, they could share this with the third-party evaluation specialist who could provide unbiased advice on the design feasibility and potential sources of cost savings before it is shared publicly. The anonymous donor noted, however, that involving additional parties earlier may involve additional costs, both in terms of the additional time and effort this involves and reduced stakeholder control over the direction of the process.

Once revised proposals had been evaluated, stakeholders conducted final interviews with evaluators and selected IDinsight as the independent verifier.

Design

Once selected, IDinsight prepared a written evaluation design, statement of work, and budget. Stakeholders then worked collaboratively to finalise the evaluation design.

IDinsight made strong contributions to evaluation design debates. USAID noted their satisfaction with IDinsight’s ability to clearly show trade-offs between price and evaluation design components, including how large a sample size could be reached for the evaluation budget. Similarly, DFID praised IDinsight’s ability to present clear insights as stakeholders debated the evaluation design and what was needed.

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12 Evaluation costs ranged from USD 1 million to USD 3 million.
IDinsight’s ability to advise on design was limited by them joining the process after various key decisions had been made. Certain prior debates may have benefitted from the input of an experienced evaluator. For example, the debate regarding whether the program’s impact should be statistically significant for outcome payers to pay. DFID noted the importance of having a high degree of confidence that its funds pay for proven results. The anonymous donor and Instiglio noted the arbitrariness of setting a statistically significant threshold and the difficulty in reaching such thresholds, which placed additional pressure and risk on Village Enterprise. Having the input of the evaluator could have helped stakeholders consider a wider range of implications and guide stakeholders towards viable solutions.

Process outcome

The evaluation will audit the seed funding transfer and estimate the impact of the intervention on consumption and assets through an RCT. IDinsight will conduct the data collection, where the endline will involve collecting data from a sample of households across the seven intervention cohorts. Accordingly, two impact estimations will be made: one for the first four cohorts and one at the end for all seven cohorts. Based on these impact estimations, the trustee will disburse payment to Village Enterprise.

The RCT requires significant additional effort from Village Enterprise compared to a non- or quasi-experimental evaluation. They must now undertake targeting in control villages as well as treatment villages. The use of a control group also requires Village Enterprise to adapt its standard model of service. The final evaluation design limits Village Enterprise’s treatment population to a maximum of 70 households per village. Village Enterprise’s current model is based on working with all poor households in treatment villages.

Evaluation costs at USD 478,000 are high. This represents nine percent of the total funding requirement of USD 5.28 million. Given the high cost, several stakeholders questioned whether the use of such a rigorous evaluation design is sustainable in future. To reduce the relative cost of the evaluation of future instruments, stakeholders should consider carefully whether a leaner RCT methodology is possible and sufficient and whether future RBF instruments really require RCT evaluation. Of course, the issue of high verification costs in relation to outcome payments will be diminished as the volume of outcome payments increases. One recommendation to reduce costs is for stakeholders to leverage local evaluation experts, which tend to be significantly less expensive than large international evaluation firms.

Stakeholders, particularly IDinsight, also mentioned the possibility of templatizing the evaluation design to an extent. Stakeholders may be able to choose from a menu of evaluation design options for varying prices. Lessons learned from this project may be helpful in setting out design options and trade-offs for future iterations.

3.6. Contracting and fund disbursement

The contracting process created formal agreements between GDI and the service provider, the anonymous donor, DFID, the evaluator, and Instiglio. As the central contracting party, GDI was responsible for drafting and holding the formal agreements to bind each stakeholder to the outcomes fund structure and establish responsibilities under the contract. USAID signed a separate agreement with Instiglio that commits USAID to channel outcomes funding to the Fund through Instiglio. Village Enterprise signed separate agreements with financiers to provide upfront capital. This contracting structure is set out in Figure 5.

13 Other noted topics that may have benefitted from earlier evaluator involvement include: evaluating impact after each cohort or on grouped cohorts; Village Enterprise’s ability to implement, and evaluator’s ability to measure impact of implementation, across two countries; and the possible sample size, and corresponding level of power, given the evaluation budget available.
In August 2017, Instiglio drafted a preliminary outline of an Outcome Payer Agreement (OPA), the contract that lays out the terms and conditions of payment to Village Enterprise. This draft was passed to GDI to finalize.

**Resolving significant open questions regarding the commitments that should be reflected in the OPA cost significant time and effort.** It was understood that the OPA would include the commitments of GDI and Village Enterprise to one another and that other parties would contract separately with GDI. There remained an open question, however, regarding whether the commitments of outcome payers should be included in the OPA in addition to those of GDI and Village Enterprise to one another. In resolving this question stakeholders went back and forth between including outcome payers’ commitments in the OPA. Ultimately, it was decided that only the mutual commitments of GDI and Village Enterprise would be included to avoid the need for internal review by outcome payers. In future scale-up, a more structured approach to negotiation and the use of templates could help to resolve these types of questions faster. This would involve generating and presenting governance structure options and using contract outlines and standard clauses to advance negotiations more quickly.

**While excluding financiers from OPA negotiations may reduce the cost of capital, it stretched service provider capacity.** Excluding financiers was intended to ensure separation of the process to price outcomes (i.e., RBF instrument design and contracting) and the process to price capital for achieving these outcomes (i.e., financier engagement). The rationale for this separation is that it more closely resembles standard market processes in which the price of an organization’s goods and price of the capital used to create those goods are negotiated separately. The objective of this is to bring the efficiencies of the market into outcome and capital pricing processes. One potential benefit is that the service provider is able to negotiate with multiple potential financiers while outcome pricing negotiations with outcome payers are ongoing. Information from negotiations with outcome payers may help the service provider better understand the right cost of capital and negotiating with multiple financiers should ultimately reduce the cost of capital. Village Enterprise noted, however, that they were only able to engage in in-depth conversations with investors and discuss potential returns on investment after outcome pricing and a payment function had been established in the design negotiations. While the investor market is maturing and service providers are developing the capacity to negotiate prices there is also a clear cost to this separation. Negotiating in two
processes is challenging for the service provider and significant effort is required to build the right skills. In future, service providers should receive greater support to build these skills.

Village Enterprise received pro bono legal assistance from law firm Jones Day to review, edit, and negotiate the OPA. The OPA was finalized and signed in late November 2017. While the OPA was being negotiated, the anonymous donor, DFID, and Instiglio engaged with GDI to negotiate their respective agreements reflecting their specific responsibilities under the outcomes fund structure. Individual agreements between GDI and DFID, the anonymous donor, and Instiglio were finalized between September and November 2017. Last to contract was the evaluator, IDinsight, who was selected in late September and finalized their respective agreement in early December 2017.

Contracting was conducted at the same time as the RBF and evaluation design was being finalized. Discussions at this stage often touched on both design and contracting. These discussions often included all outcome payers, Village Enterprise, GDI, and Instiglio.

**Stakeholders perceived decision-making processes during discussions to have been inefficient.** The anonymous donor noted that negotiations suffered from drawn-out debates, while DFID suggested that previous debates were often revisited. Clear communication and decision-making protocols could reduce time spent in this type of discussion in future iterations. The anonymous donor suggested that future contracting processes could benefit from a less consensus-driven and more democratic approach to decision-making. This could involve a majority vote to determine the best option when parties are not able to unanimously agree. As well as helping the process move forward more efficiently, this approach would reduce pressure on any one party, especially the trustee, to move forward negotiations.

3.7. Financier engagement

**Financier engagement**

The Fund is structured such that it allows the service provider to raise working capital for its intervention in the manner best suited to their organization. With no requirements binding the service provider they are free to negotiate financing with a wide range of potential investors, which could include philanthropic donors, impact investors, or through traditional financial markets. They may also choose to use their own capital to finance their intervention. Outcome payers benefit from this arrangement as they are not required to contribute to the process, resulting in less time, effort, and resources spent compared to the traditional impact bond structure.

Village Enterprise needed to raise USD 2.325 million in upfront working capital to begin program implementation. They began this process in late 2016. Instiglio and the anonymous donor supported this process by creating outreach materials and connecting Village Enterprise to potential financiers. In mid-2017, Village Enterprise began contacting potential financiers and conducting financier meetings - some of which were attended by Instiglio. The DIB financial model supported engagement by estimating metrics of interest, like the return on investment, for potential financiers.

**Village Enterprise did not expect to lead the process of raising working capital.** Based on their understanding of an impact bond structure, Village Enterprise expected the intermediary, Instiglio, to lead the initial engagement of financiers and assumed they would be responsible for structuring financial arrangements with financiers. In the future, service providers should be made aware of their role to engage financiers and raise working capital as early as possible.

**The process was demanding for Village Enterprise given they lacked experience and infrastructure to raise finance from impact investors.** Taking on the responsibility of raising capital required lots of learning, which demanded most of Village Enterprise’s focus, time, and resources. Village Enterprise noted that their priorities shifted after learning of their responsibilities for securing financing. They invested significant time in making the project as attractive as possible to potential financiers. They also invested significant time in building the infrastructure to secure financing. Village Enterprise received pro bono legal support from Jones Day and legal and accounting expertise from Morrison, Brown, Argiz & Farra, LLC (MBAF) to contract and structure the investment vehicle. Given Village Enterprise’s preferences, organizational structure, and risk appetite, they were advised that a special-purpose vehicle,
composed of a 501c3 supporting organization that wholly owns an LLC. 501c3,\textsuperscript{14} would be the best option to hold the upfront investments and committed investor requirements.

**The capacity built has been extremely valuable for Village Enterprise.** They are now prepared to receive a diverse range of investments. The knowledge generated during this process is extremely useful and should be used to guide service providers engaging in the next phase of the Fund. Stakeholders should consider how to best document this knowledge and communicate learnings to future Fund service providers. For example, one Fund actor, possibly the intermediary, could collect and communicate this knowledge to new service providers. Village Enterprise, having invested the resources and learned from this process firsthand, has also expressed interest in supporting knowledge sharing with future service providers. As the Fund scales up, service providers should receive significantly more support to face the challenge of raising capital from non-traditional social sector financiers than Village Enterprise received in this iteration.

**Process outcome**

Village Enterprise successfully raised the full USD 2.325 million from nine impact investors, including the Delta Fund and the Silicon Valley Social Venture Fund. Each of the financiers is providing a recoverable grant with an annualized internal rate of return (IRR) of up to 9.9 percent (with no minimum guarantee, based on outcome payments received after RCT results in 2020 and 2021). In addition, Village Enterprise and the financiers have agreed that for an IRR above seven percent the upside will be split 50/50 between Village Enterprise and the financiers. Financiers will receive payments in 2020 and 2021 based on Village Enterprise’s performance and, accordingly, outcome payments.

**4. Conclusions and recommendations**

The objective of the Fund is to generate greater impact per dollar spent on poverty alleviation programming than more traditional forms of financing. To achieve this objective the Fund aims to create a financing mechanism that is conducive to increased impact of service delivery while limiting the associated transaction costs.

**4.1. Effectiveness**

The DIB and Village Enterprise’s effectiveness in combating poverty will ultimately be illustrated by the ongoing impact evaluation that attributes income increases in ultra-poor households to the intervention. As the impact evaluation will not be able to isolate the impact of the funding modality from Village Enterprise’s intervention, the Process Review will provide qualitative insights on how the DIB is impacting Village Enterprise’s operations. The key insights on the effectiveness of the DIB will therefore be generated by the subsequent phase of this Review. Two key preconditions for generating strong impact, however, were met during the design phase:

1. **Funding allocated to promising intervention.** The outcome payer and service provider engagement processes were successful in that they allocated USD 4.28 million in outcomes funding to a service provider with a strong track-record of delivering outcomes.

2. **Private risk capital crowded in.** The Fund’s design feature of relying on the service provider to raise pre-financing autonomously was validated insofar that Village Enterprise raised nearly half of the targeted amount of pre-financing before the start of program and raised the complete amount within eight months of project launch.

**4.2. Efficiency**

A key objective of the Fund is to discover ways in which transaction cost associated with RBF can be reduced. Due to the requirements of RBF and the experimental nature of the Fund, outcome payers and the service provider found transaction costs to be considerably higher in this funding mechanism than in comparable traditional inputs- or activities-based alternatives.

The relatively high transaction costs are in large part driven by additional activities associated with RBF such as results verification. The transaction costs are, however, also a reflection of process inefficiencies that are avoidable in the

\textsuperscript{14} An LLC, 501c3 is a limited liability company that is also a tax-exempt non-profit organization in the United States.
long-run. The Fund was developed as the DIB was being structured and almost all DIB stakeholders had no prior experience with RBF. While the resulting learning-by-doing process succeeded in creating the Fund and the DIB, it did cause a variety of inefficiencies. In the following, we focus on these inefficiencies and provide actionable recommendations on how to lower transaction costs in the Fund’s scale-up phase.15

1. Learning who to engage and how to engage them

Learning who to engage led to significant inefficiency in the outcome payer engagement process as Instiglio spent considerable time engaging foundations, none of which ultimately committed outcomes funding. Learning how to best engage bilateral funders also created some inefficiency. USAID, in particular, noted that initial engagement with Instiglio did not provide them with a clear understanding of the differences between an impact bond and an outcomes fund or the rationale for building the latter. Part of the solutions to this is to create a clear shared vision of the Fund’s mission, mechanism, and design elements. Creating a shared vision of the Fund will ensure that all stakeholders are aligned on principles motivating their participation in the Fund. While DIB stakeholders aligned on the mission and the objective of the Fund’s first transaction, this alignment was achieved through the design process and was not necessarily in place ex-ante. A clear understanding of the Fund prior to joining will aid potential new funders and service providers to quickly understand whether joining the Fund would align with their preferences. It would also help avoid initial confusion about the nature of the Fund’s mechanisms which will result in leaner decision-making processes. To ensure that the Fund’s adaptiveness is preserved where necessary, it should be clearly communicated which fund design elements are already defined and which can be amended going forward.

The service provider selection process suffered from low interest among potential service providers. Ultimately, this was not an obstacle to creating the Fund’s first transaction. As the Fund scales, however, multiple service providers will need to come on board and low service provider interest could be an obstacle to this. Better communication of the Fund's mission and design elements may help to improve interest. Stakeholders have noted that since USAID and DFID committed funding there has been increased interest among providers in the Fund. While it will always be more efficient to start with funders and then select service providers, this might not always be possible as some funders prefer investing in concrete opportunities. To get around this chicken-and-egg problem in the interim, the Fund could engage donors with a portfolio of promising service providers that have signaled their interest in the Fund. The Fund could also consider issuing a public call for proposals.

2. Building stakeholder capacity

As is generally the case with new and innovative RBF approaches, the outcomes payers and service provider had to develop technical capacities typically not required in traditional activity-based financing. USAID noted that they did not initially have these skills and invested time and effort building them. Similarly, DFID stated that they did not have sufficient sector knowledge to evaluate the design effectively and consequently had to reach out to third parties to help them overcome this barrier. The outcomes fund model, by requiring service providers to lead financier engagement, creates additional strain on service provider capacities. Village Enterprise invested significant time and effort building the capacity and the infrastructure to engage financiers and secure financing to launch the DIB.

To help funders and service providers overcome technical barriers to participation, the Fund should build technical capacity in and provide technical support for Fund participants. Capacity building should focus on developing a basic understanding of RBF among potential new outcome payers and service providers, as well as target new service providers to prepare them for raising financing to implement their intervention. The Fund could also support service providers by providing access to independent experts familiar with RBF, such as evaluation specialists, investment structuring experts, sector specialists, and lawyers.

3. Maintaining adaptability at lower transaction costs

To enable learning-by-doing and maintain adaptability, the design processes valued flexibility over formalization. For example, formal procurement processes were not employed in the trustee selection. This allowed the stakeholders to evaluate different trustee approaches and collaboratively formulate the role of the trustee during the selection process. However, this level of informality also contributed to a lack of transparency in the trustee selection process. Conversely, the evaluator procurement process was conducted with much more formality and some stakeholders

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15 Recommendations do not focus on costs created by efforts that will not be repeated going forward such as heavily engaging foundations as outcome payers. Costs that are unavoidable as they are fundamentally tied to the impact of RBF will also not be highlighted.
suggested that a less formal process could have resulted in the same outcome at lower costs. As the Fund scales, stakeholders should consider formalizing vendor procurement processes where the costs associated with informality are high and when significant adaptiveness is not necessary. Greater formality could be introduced in the procurement processes of service providers, and the trustee to avoid misalignment and miscommunication. This could include creating clear protocols for negotiation, information sharing, and decision making. In making decisions on the formality of vendor procurement processes, stakeholders should also consider the costs in terms of time and effort of maintaining or increasing formality.

Another side of the flexibility of design processes was in the lack of formal protocols and fixed timelines. As noted, the trustee role was formulated during the selection process and it continued to be defined as GDI took up the role. This was essential for collectively resolving open questions regarding the role. As a result there was no clear checklist for activities to be undertaken with the trustee and no timeline for pre-contracting and contracting activities. This delayed contacting and required Village Enterprise, Instiglio, and IDInsight to undertake activities for which they had not planned. While this type of flexibility allowed for resolving uncertainty, roles must be defined to the extent that they can be standardized to reduce inefficiencies as the Fund scales. This would involve setting clear expectations of roles and responsibilities and establishing clear timelines. New stakeholders, in particular, should be made aware of their responsibilities to be able plan and prepare for their engagement with the Fund. This alignment should be achieved before new organizations join the Fund where possible. This would avoid the type of confusion which led to Village Enterprise being initially unaware of their responsibility to lead capital raising. Where certain elements of a role have not been determined, this should also be clearly communicated.

The Fund could reduce transaction costs by templatizing several design and implementation processes. To maintain adaptability, templates were largely not used in this transaction. For instance, contracting templates were not used due to open questions, such as who would contract with whom. Templatization should be introduced in contracting and other processes when the Fund’s transactions provide the experience needed to settle on standardized solutions.

4. Extensive negotiation and consensus-based decision making

Processes, such as RBF instrument design, evaluation design, and contracting, required significant multi-party negotiation. All key decisions were based on a consensus among all outcome payers. While this was important to ensure all parties were comfortable with the DIB and Fund structure, it resulted in significant delays and costs to all stakeholders. One possibility for introducing greater efficiency in negotiation-heavy processes is to introduce a governance mechanism for outcome payer decision making. This will be especially important as more funders join the Fund and negotiations become even more complex. There are several ways a governance mechanism could be envisaged to lower transaction costs of coordination. For instance, Fund stakeholders suggested that a secretariat with formal decision-making procedures could be established, a lead outcome payer could be appointed, or majority voting could be introduced.

Another way of increasing the efficiency of negotiations would be to reduce the number of actors at the negotiation table. Not all actors need to be involved in all conversations. This is the case particularly in contracting where certain funders may have stricter requirements, as was the case with DFID in this iteration, and need additional conversations to ensure these requirements are reflected in the contracts. Similarly, some funders may be more interested in RBF design details than others. Building separate conversations into processes, or the possibility to opt out, would reduce total stakeholder time spent in discussions.

In a few cases, negotiation processes could have been accelerated by seeking advice from independent specialists. For instance, evaluation experts could have added to discussions about the necessity of statistical significance for payments and lawyers could have provided valuable guidance earlier on in contracting. While additional or earlier consultation of expert advice can provide important insights for decision-making, it also has the disadvantage of introducing even more parties to the discussion. When technical bottlenecks present themselves in negotiations, independent specialists should be called upon for guidance.

5. Bibliography
