ECORYS | Answering tomorrow's challenges today

Foreign, Commonwealth & Development Office

Findings from the third wave of the Independent Evaluation of the FCDO Development Impact Bonds Pilot Programme

Full report

December 2022

Acknowledgements

The lead authors of this report are Emily Grant (Project Manager and Lead Analyst); James Ronicle (Project Director and Lead Analyst); David Crane, Rebecca Smith, and Morgan Fairless (Researchers); and Jennifer Armitage (VfM Lead). It was peer reviewed by Professor Alex Nicholls and Zachary Levey (DIBs expert).

Thanks to the FCDO DIBs team, stakeholders of the ICRC HIB, Village Enterprise DIB, and Quality Education India DIB as well as DIB stakeholders who supplied information and views.

Disclaimer

This report has been prepared by Ecorys for FCDO, for services specified in the Terms of Reference and contract of engagement.

This contract is provided under the GEFA contract. In line with the terms and conditions of the GEFA contract, all intellectual property rights in all material (including but not limited to reports, data, designs whether or not electronically stored) produced by the Supplier or the Supplier's Personnel pursuant to the performance of the Services ("the Material") shall be the property of the Supplier. Under the terms of the contract, Ecorys, as the Supplier hereby grants to FCDO a perpetual, world-wide, non-exclusive, irrevocable, royalty-free licence to use all the Material. FCDO will be the final owner of the findings of the evaluation.

Ecorys stores all material related to the evaluation on a secure drive which is only accessible by members of the Evaluation Team and other necessary personnel. Data will be managed under the terms and conditions of the GEFA contract

Executive Summary

Overview

In 2017 the Foreign, Commonwealth and Development Office (FCDO) (formerly Department for International Development – DFID) launched the Development Impact Bonds (DIBs) pilot programme. The DIBs pilot gramme ran over a period of almost six years, from June 2017 to March 2023. It aimed to build the evidence base on the suitability of DIBs to improve the efficiency and effectiveness of development programmes in several sectors, including income generation, education, health, and disability. FCDO allocated GBP 6.3 million for three projects:

- **International Committee of the Red Cross** (ICRC): Humanitarian Impact Bond for Physical Rehabilitation
- **Village Enterprise** (VE): Micro-Enterprise Poverty Graduation Impact Bond
- **British Asian Trust** (BAT): to design impact bonds for education and other outcomes in South Asia, including the Quality Education (QEI) DIB.

Ecorys was commissioned to evaluate the programme, aiming to generate learning to inform FCDO's future policy around DIBs. This is the third and final report from this assignment. It summarises and captures final learnings and conclusions from the implementation stage.

Objectives and scope of the evaluation

Impact bonds are outcome-based contracts (OBC) that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer) and the investor is repaid only if these outcomes are achieved. Impact bonds encompass both social impact bonds (SIBs) and development impact bonds (DIBs).[1]

The objective of the evaluation was to generate learnings and recommendations on the use of DIBs as an instrument for aid delivery, by using the experience of the FCDO DIBs pilot programme to generate learning to inform FCDO's future policy aiming to make the most effective use of DIBs. The evaluation was also set up to help FCDO and pilot project partners evaluate whether the tools they developed are useful, scalable, and replicable.

The scope of the evaluation is the three projects funded and supported under the FCDO-supported DIBs pilot programme:

- **International Committee of the Red Cross Humanitarian Impact Bond for Physical Rehabilitation** (ICRC HIB);
- **Quality Education India Development Impact Bond** (QEI DIB); and
- **Village Enterprise Development Impact Bond for Micro-enterprise Poverty Graduation** (VE DIB).

[1] Government Outcomes Lab. Glossary. https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#i

This evaluation also drew on learning from the wider literature, including the Cameroon Cataract Bond (2018 – 2025).[2]

The two evaluation questions were:

- EQ1: How does the DIB model affect the design, delivery, performance, and effectiveness of development interventions?
- EQ2: What improvements can be made to the process of designing and agreeing DIBs to increase the model's benefits and reduce the associated transaction costs?

This report presents the evaluations' findings against these questions, building on the findings reported in the Research Wave 1 (RW1) and Research Wave 2 (RW2) evaluation reports. This Research Wave 3 (RW3) report focuses on understanding how the DIB mechanism impacted the delivery, performance, costs, results and legacy of the DIBs. It provides an assessment of the 'DIB effect' within the pilot DIBs (including potential negative DIB effects) and considers the value DIBs might offer in creating more sustainable change.

Methodology and evidence base

The focus of the evaluation was the DIBs funding mechanism. The evaluation was interested in understanding the 'DIB effect' – that is, the effect of using a DIB instead of a grant or other PbR mechanism. To achieve this, the evaluation developed a set of hypothesised DIB effects and indicators, drawing on previous literature and the intended purpose of the DIB mechanism in these three pilot projects. The evaluation team then identified 'comparator sites' – projects that were as similar to the DIBs as possible but funded through grants. The evaluation team used a combination of process training and contribution analysis to compare the presence of the DIB effects between the DIBs and comparator sites as well as to assess the extent to which any difference could be attributed to the DIB mechanism (relative to other factors).

The evidence base for this research wave was derived from the consultations and programme document review undertaken at the individual DIB level, the programme level and sector level. The table below sets out the list of data sources we drew upon, mapped against the three levels of the evaluation.

[2] Findings from the Cameroon Cataract Bond were integrated into the reports for Research Wave 1 (RW1) and Research Wave 2 (RW2). However, due to pandemic-related delays, the Cameroon Cataract Bond implementation period was extended past the end of the three FCDO-funded DIBs included in this pilot. Given the focus of Research Wave 3 (RW3) on the end of implementation and legacy of the FCDO-funded pilots, the Cameroon Cataract Bond was excluded from this final research wave. However, findings from the Cameroon Cataract Bond collected during RW1 and RW2 have been integrated into this report as relevant.

Table 1 Sources for evidence base

Individual Project Level (DIBs pilot projects and comparison projects)	Programme level (DIBs pilot programme)	Wider DIB sector
• Interviews with key stakeholders[3] • Programme design documents • Internal project level monitoring and evaluation data • Project reporting • Data from comparator sites and previous phases • Cost data • Evaluations and learning activities	• Interviews with FCDO staff, within the DIBs team • Review of programme level documentation	• Interviews with DIB experts and stakeholders • Review of key literature and learning reports

Conclusions

EQ1: How does the DIB model affect the design, delivery, performance, and effectiveness of development interventions?

The table below summarises the extent to which the different DIB effects were present across the three DIB pilots. Each effect is 'RAG' rated[4] on the extent to which it was identified across all projects, followed by individual ratings for each DIB. It should be noted that the rating identifies the extent to which the effect is present, not whether it had a positive effect (i.e., both positive and negative effects would be marked green if present). It is also important to bear in mind that stakeholders decided to use the DIBs for different reasons, and not all DIB effects were anticipated.

Table 2 DIB effect summary table

Design DIB Effects	Summary	ICRC	QEI	VE
Transfer of risk				
Transfer of financial risk from outcome funder to investor				
Increased reputational risks resulting from the use of the DIB				
Partnerships				
More service providers entering into PbR contracts due to pre-financing and transfer of risk				
Financing and funding				
Funding projects which would not have been funded otherwise, or not in the same guise				
Additional financing to the development sector				

[3] Including designers, service providers, other outcome funders, outcome verification agents, project/performance manager, project evaluators/learning partners and investors.
[4] Green = effect is present in all three DIBs; amber = mixed evidence over presence of DIB effect; red = effect is not present in at least three DIBs. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

Longer term funding				
Design				
Enables innovation				
More careful and rigorous design of interventions				
Complex to design and expensive to set up				
Delivery DIB Effects	**Summary**	**ICRC**	**QEI**	**VE**
Positive DIB Effects				
Shift focus to outcomes and greater accountability				
Drives performance management				
Providers deliver adaptive management and course correction, supporting innovation				
Greater collaboration between stakeholders				
Negative DIB Effect				
Cherry picking of participants from target population				
Quality of support reduced				
Tunnel vision				
Lowers staff morale				
Greater Outcomes				
Increased efficiency and effectiveness, leading to more outcomes				
Spillover Effects	**Summary**	**ICRC**	**QEI**	**VE**
Organisation Level				
Rolling out of processes and learning				
Increased visibility				
Diverting of attention				
Ecosystem Level				
Capacity strengthening to deliver DIBs				
Increased stakeholder interest in DIBs				
Contributions to the evidence base				

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

***Please Note:** this report focusses on the 'Delivery DIB Effects' and 'Spillover Effects'. In-depth analysis of the 'Design DIB Effects' can be found in the RW1 report.*

The pilots were broadly successful in achieving their aims. The core effects of funding these pilots through DIBs were that the sharing of risk and pooling of funding made donors more comfortable in funding riskier projects due to the PbR aspect. The financial risk sharing with investors enabled more service providers to operate in PbR contracts. The combined elements of PbR, financial risk sharing, and bringing in a broader range of stakeholders (such as performance managers) led to a stronger focus on outcomes across all organisations, heightened performance management over delivery, and introduced a high-stakes environment. This led to organisations introducing new adaptive management

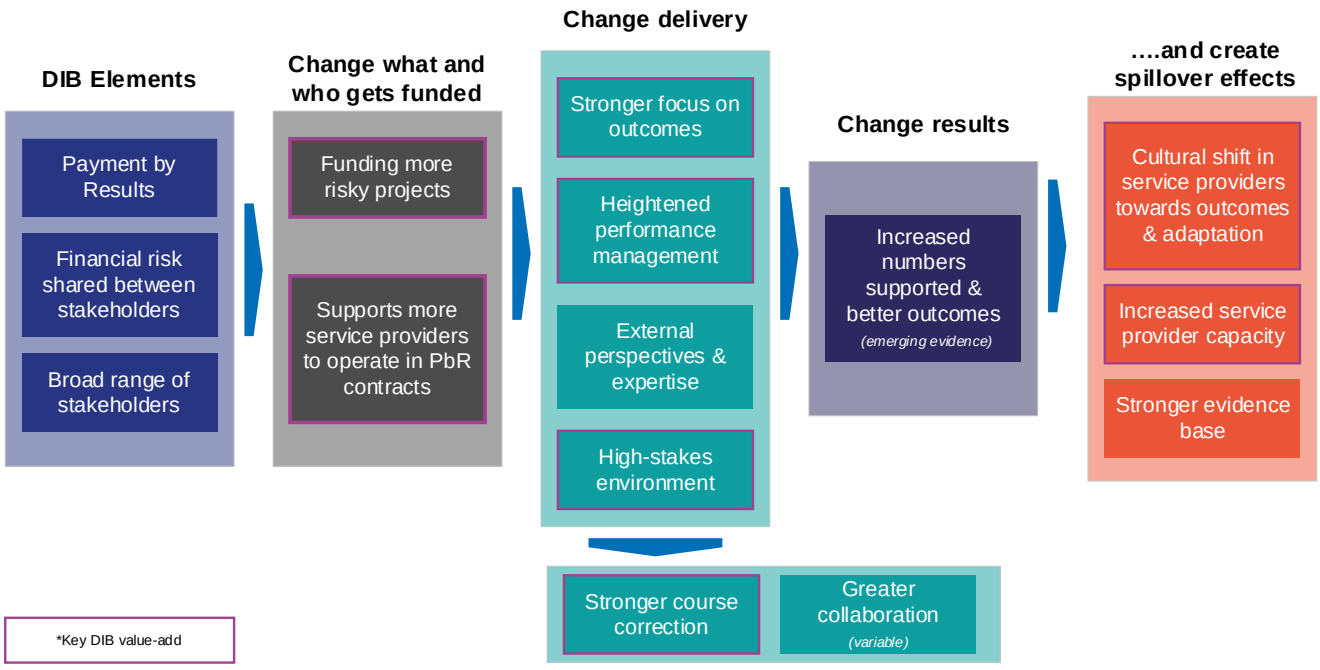
systems and adapting more quickly when issues arose. There are signs to suggest that these changes led to improved outcomes. Although the literature indicates that the high-stakes environment created by DIBs can lead to negative effects, all three DIBs broadly avoided these. Furthermore, all three DIBs met their targets against the set outcome metric(s).[5]

There was also evidence of organisation-level spillover effects; across all three DIBs, systems and lessons learned from the DIB were being transferred to non-DIB programmes. Looking at the potential ecosystem-level spillover effects, the DIBs provided capacity strengthening to deliver DIBs to a range of stakeholders while also contributing to the evidence base about impact bonds and innovative finance. The DIBs also sustained stakeholder interest in innovative finance mechanisms more broadly, but many stakeholders were interested in outcomes-based contracting mechanisms more generally rather than impact bonds per se.

It is important to note that the DIB effects seen were not exclusively DIB effects, and many of the successes of these DIBs were attributable – at least in part – to various non-DIB factors in addition to the DIB model. These non-DIB factors included the quality, capabilities, and commitment of service providers as well as longer-term funding arrangements. The implication of this is that a DIB is not always necessary. Some of the desired effects could also be achieved through a well-designed grant or PbR, and it is possible to design these to include many of the features of a DIB. However, the DIB appeared to be the catalyst for change that set things in motion and accelerated changes.

Figure 1 summarises the DIB effect observed across the three pilots, building on the existing evidence in the literature and the previous research waves. The most critical elements that drove the DIB effect are highlighted through pink outlines around the boxes.

Figure 1: The DIB Effect



[5] Modifications were made to the outcome targets for both VE and QEI to account for the effects of the COVID-19 pandemic. Both VE and QEI met these modified targets. QEI also met the original pre-COVID targets as well.

EQ2: What improvements can be made to the process of designing and agreeing DIBs to increase the model's benefits and reduce the associated transaction costs?

Relevance of the DIB model

Our research suggests that DIBs may be most appropriate where:

- Performance could be enhanced through a stronger focus on outcomes buttressed by performance management
- The system / culture needs an external 'disruption' to bring about change
- Service providers would not be able to tolerate high levels of financial risk within a PbR contract; and
- Where providers would benefit from external expertise and support.

Many of the DIB effects identified in this evaluation were also identified in previous evaluations of PbR contracts. One therefore needs to consider the added value of a DIB over-and-above a PbR contract, and in what situations a DIB should be considered rather than PbR. The experience of these three pilots suggests that a DIB is likely to be more appropriate than a PbR contract when the context requires smaller organisations to deliver services who may lack the resources or capacity to operate in a PbR contract. They are also more appropriate when the specific intervention is less certain, and so more experimentation is necessary (as evidence suggests providers are more risk averse in PbR contracts and prefer to deliver tried-and-test interventions).

Our research into impact bonds in Latin America identified five 'DREAM' factors that affect the ability to successfully launch and deliver impact bonds.[6] This evaluation supports the importance of these factors. These are:

- **Demand from outcome payers:** There needs to be an interest from all relevant organisations (service providers, investors, outcome payers and intermediaries); however, the limiting factor often appears to be outcome payers.
- **Regulatory framework:** It is easier to launch and deliver an impact bond when there is a regulatory framework that supports payments being made on outcomes and returns to investors.
- **Economic and political context:** It is easier to design and launch impact bonds when there is relative economic and political stability.
- **Availability of data:** Impact bonds work best in sectors with existing practice around measurement, including clear and measurable outcomes. This evaluation showed that education and poverty elimination are good examples where suitable outcome metrics can be developed.
- **Market capacity:** It is essential to have investor interest, sufficient service provider interest, service providers with the right capabilities to operate within an outcomes-focused structure, and an interest in testing new approaches. in all three DIBs stakeholders carefully selected service providers that already had a strong focus on outcomes and could work in an adaptive

[6] Agusti Strid, A. and Ronicle, J., 2021. *Social Impact Bonds in Latin America: IDB Lab's Pioneering Work in the Region: Lessons Learnt.* IDB Lab. See: https://golab.bsg.ox.ac.uk/documents/Social-Impact-Bonds-in-Latin-America-IDB-Labs-Pioneering-Work-in-the-Region-Lessons-Le.pdf

management way, so we do not know how effective DIBs would be with service providers with lower capacity.

Increasing the DIB model's benefits

Our analysis identified some key opportunities identified for potentially increasing the DIB model's benefits, including:

- **Role of the intermediary:** The intermediary played an important role in coordinating the DIBs. At the same time, intermediary costs can be high. For the DIB market to grow, the intermediary role needs to be clearly defined and costed effectively. The precise role of the intermediary should be tailored to the specific DIBs, including the mix of stakeholders and skillsets brought by the other stakeholders.

- **Role of evaluation:** The use of validated administrative data versus experimental approaches should be guided by the policy objectives of the DIB and the geographical / sector context. A more pragmatic approach that values simpler indicators as measures of attribution could bring down evaluation costs (both in terms of time and resources) and support scalability of future DIBs, but will diminish the quality of the evidence produced and may lessen some of the DIB effects.

- **Performance management systems:** The three DIBs involved strengthened performance management systems, which led to improvements in the efficiency and effectiveness of delivery. Additional investment in performance management was a valuable component of the DIB model and should be integrated into future DIBs where necessary to increase the model's benefit.

- **Role of collaboration and governance**: The consortia managing each DIB were large, and not all stakeholder roles or decision-making processes were clear. It is important to clearly identify the specific added value of expertise and experience from different DIB stakeholders, and clarify roles, responsibilities, and decision-making authority within the project.

- **Designing outcome metrics:** Some stakeholders felt that the selected outcome metrics did not capture the true impact of services provided through the DIBs. There can be challenges in capturing all components of delivery into only one or a few key outcome metrics that accurately reflect a project's full impact. Although there is a drive to simplify impact bonds and only focus on a smaller number of metrics, this must be balanced with the need to accurately capture the outcomes from the project.

COVID-19 affected all three of the DIBs. It created challenges in delivering the interventions, with VE and QEI delivery shifting to virtual delivery; this was less possible in ICRC, and instead COVID-19 led to delays in constructing the centres. COVID-19 also created large challenges for verifying the outcomes – something that was not anticipated during the launch of the DIBs. In response, the agreed outcome measures were changed in VE and QEI – though QEI still performed against the original targets. There were mixed opinions on how the DIBs responded to COVID-19 – all projects successfully worked through the issues and none of the projects were halted, however some stakeholders were unhappy about the way the negotiations were handled and the final agreements.

In relation to the DIB model, COVID-19 has highlighted that the strong relationships that form due to the intense nature of launching and running a DIB can help stakeholders work through crises. However, COVID-19 has also showed how it can be challenging to adapt a DIB to major crises, due to the DIBs' complex partnerships and structures.

Costs of designing and delivering DIBs

Calculating the additional DIB costs was challenging and relied on a large degree of interpretation on the part of both the stakeholders and evaluators. They should therefore be treated as indicative.

Operating the projects through a DIB required additional costs compared to funding them through grants. From set-up to end, the additional DIB cost ranged between $1.8m - $2.3m. This ranged from 9% to 42% of the total programme budget. Across the DIBs, the highest costs were in the areas of investor return, verification, and performance management. Generally, stakeholders perceived the additional costs to be value for money.

To assess whether the DIB costs were justified, we considered whether there was a close relationship between the DIB costs and benefits. Overall, we found that the additional DIB costs were in areas where there were strong DIB benefits, suggesting that the additional DIB costs were focused in the right areas. Furthermore, there was a good association between the magnitude of the DIB costs and the magnitude of the DIB benefits. However, there was general consensus from stakeholders that, whilst they thought the additional costs were value for money, the costs could be reduced to improve the DIBs' cost effectiveness. Our research suggests it could be possible to reduce additional DIB costs in future programmes:

- Set up costs could be reduced as projects are able to replicate these pilots, and build on the lessons learnt
- Costs could be reduced through running larger DIBs and/or outcomes funds
- Costs will likely reduce as the market matures
- Costs will likely reduce if inefficiencies around co-ordination are removed
- Costs could be reduced if the risk premium was decreased.

Key lessons learned

EQ1: Assess how the DIB model affects the design, delivery, performance, and effectiveness of development interventions.

1. The DIB effect varies across DIBs depending on the stakeholders involved, their motivations for using the DIB, and the structure of the DIB. It is useful to carefully consider the objectives of using a DIB and ensure that the DIB is structured to support this.

2. A DIB can be an effective organisation-level change management tool. In these pilot DIBs, the funding mechanism was a catalyst and driver for change and the better use of data to inform delivery. Changes introduced in a DIB can sustain and be rolled out across organisations.

EQ2: What improvements can be made to the process of designing and agreeing on DIBs to increase the model's benefits and reduce the associated transaction costs?

1. Additional stakeholders do result in greater coordination and communication costs. These costs can be managed by having clarity on what added value different stakeholders are bringing and clarifying roles, responsibilities, level of input and decision-making processes.

2. The role of the intermediary should be carefully considered, to ensure costs and benefits are proportionate. There is a balance between bringing in external expertise and building the capacity of providers and funders to take on some of these tasks.

3. There may be potential to further explore the extent to which verification and performance activities can be synergised, to reduce costs and maximise the benefits of these activities. Verification techniques sometimes had the dual benefit of calculating payments and supporting data-driven adaptive management, whilst in other projects these two functions were separate.

4. Additional investment in performance management was a valuable component of the DIB model and should be integrated into future DIBs where necessary to increase the model's benefit. However, performance management systems can be expensive; future DIBs could explore 'lean data' models or platforms that could bring down these costs.

5. Measuring cost-effectiveness is extremely challenging. Full costs, including in-kind contributions, were not captured by these projects. This makes it difficult to assess value for money. We would encourage donors to stipulate financial reporting requirements within funding agreements.

6. Ensure appropriate capacity-building is embedded into the DIB: Service provider capacity is a particular concern when thinking of implementing or scaling impact bonds, therefore a capacity building element may need to be considered in DIB design. Peer-learning may be an effective and cost-efficient way of supporting this.

7. It is important to balance the 'black box' commissioning approach of an impact bond with ensuring minimum quality standards are in place. Outcome payers learnt that they cannot solely focus on paying for outcomes and not oversee delivery. They learnt that they need to ensure that minimum standards – such as adequate safeguarding policies – are in place.

8. Account for emergency situations within contracting: COVID-19 created challenges for the projects, and the contracts or agreements did not always provide clarity on how to respond (such as who has the ultimate say, and how projects should respond when outcome verification is not possible). One way to address this would be to undertake more scenario-testing upfront during the design and set-up phase to plan for and accommodate potential risks.

9. Striking a balance between complexity and usability for outcome payment formulas: Complex metrics and outcome payment formulas can make it difficult for service providers to understand and onboard colleagues onto the DIB. This could also create challenges with scalability and replicability for organisations with lower capacity.

10. A large amount of the 'additional costs' of a DIB are incurred during the design phase. This is a good sign, as replication may reduce these costs if DIBs continue to be designed and delivered. Though this is only correct if tailoring requirements are relatively low.

11. Additional DIB costs do not increase in relation to the scale of the DIB. This suggests there are economies of scale in running larger DIBs.

Possible next steps for the DIBs model

This pilot has provided a lot of important lessons learned about the successes and challenges of the impact bond model in humanitarian aid and development contexts. Drawing on the evidence from this evaluation, there are a few pathways that could offer opportunities regarding the 'next steps' for the DIBs model:

- There is scope to design **dedicated outcomes funds** in particular policy areas to support their implementation and improve efficiency.
- **One option moving forward may be to take a 'model agnostic' approach to outcomes-based contracting**. In this scenario, the donor could establish a desired outcome, set a price they are willing to pay for those outcomes, and let service providers and/or the market determine what outcomes-based contracting mechanism they think is best-suited.
- **Another option for scaling is to prioritise organisation-level scaling rather than sector-level scaling.** DIBs can be cumbersome and time-consuming to set up, but this evaluation has found that they have the potential to create long-term process and cultural shifts within service provider organisations. If effects are maintained at the organisational level after the end of the project, then it may be more efficient to use an impact bond to fund multiple service providers, and then scale the interventions with the most effective organisations afterwards, through a more conventional funding mechanism.
- One option could be to try to **simplify the model** to reduce some of its complexity and costs. Options for this could include:
  - Our analysis shows the added value of the DIB comes mainly from the stronger focus on outcomes and high stakes environment; it does not seem to come – at least not in a substantial way – from intermediaries and/or external expertise. Could you design a model that retains the focus on clear outcomes and a high-stakes environment but reduces the reliance on intermediaries and/or external expertise?
  - Would a **25% PbR model** be able to create a focus on clear outcomes and a high-stakes environment but reduce financial risk down to a range that service providers could tolerate? This would then reduce the need to access external investment (possibly almost entirely), would simplify the model, and would possibly simplify contract negotiations.
- Another alternative could be where a philanthropic organisation provides the upfront working capital as a grant, on the proviso that a government or bilateral donor either 'tops up' or expands the model if pre-agreed outcomes are achieved. This again might create all the benefits seen in the DIB model (risk sharing between different entities, the bringing together of interested parties around the same goal, focus on outcomes and high-stakes environment) with less complexity. **Social Impact Guarantees** are similar, in which an external organisation agrees to refund the donor if pre-agreed outcomes do not occur, in the hope that it encourages donors to take greater risks with untested solutions and maintains a sharp focus on outcomes.[7]

These ideas would require further testing and research.

[7] Tan, K. et al, 2021. *Social Impact Guarantees: The Next Evolution in Outcomes-Based Funding.* Stanford Social Innovation Review. See: https://ssir.org/articles/entry/social_impact_guarantees_the_next_evolution_in_outcomes_based_funding#

Recommendations

Recommendations to FCDO

- **FCDO can support the wider sector in collecting more robust cost data**. This evaluation has supported the progress of this endeavour by working with the DIBs to create a standardised cost reporting approach. We would encourage FCDO to collaborate with other donors and outcomes funders to roll out the cost template.

- **FCDO should consider designing thematic outcomes funds, using a 'model agnostic' approach to the particular outcomes-based contract.** This evaluation has demonstrated the ability to use impact bonds in education, poverty graduation and humanitarian-development settings. FCDO could explore supporting the launch of outcomes funds in these areas, as well as experimenting with their use in other policy landscapes.[8]

- **Continue to experiment with alternative outcomes-based contracting models:** This evaluation has highlighted that the DIB model can be effective, but that there is scope to improve and streamline the model. If future outcomes funds were launched, we would encourage experiments to be included within their designs, to enable robust testing of different OBC approaches.

Recommendations to the wider DIB sector

- **Clarify roles and responsibilities upfront.** The pilots included in this evaluation highlighted that the 'right' mix of stakeholders can offer significant value add with regard to capacity-building for the service provider(s). To ensure stakeholders are adding value to delivery, roles and responsibilities should be clearly defined and linked to the specific experience and expertise stakeholders are bringing.

- **Build flexibilities into the contract to respond to changing situations without having to substantially change contracts.** It will likely be impossible to incorporate all eventualities into a contract; therefore, building in flexibilities and agreed steps for approving changes will help the DIB mechanism remain relevant in crisis situations. The more that DIB contracts and learnings captured can be made public may help accelerate learnings in this area.

- **Create opportunities for peer learning within impact bond programmes:** Across multiple evaluations service providers have fed back to us that it can be challenging to deliver outcomes-based contracts when the organisation is inexperienced with them. We would encourage future programmes to build in peer learning opportunities for both service providers and donors**.**

- **Be transparent and share lessons learned and key successes and challenges to support the strengthening of the sector.** There is a very high level of scrutiny and focus on these early DIBs. It can be difficult to openly share 'failures'. A broader understanding of what 'success' looks like, especially during this pilot phase, will be important for building the wider sector.

[8] FCDO has already supported the launch of an outcomes fund in education; the Education Outcomes Fund (EOF): https://www.educationoutcomesfund.org/

Contents

Tables

Figures

1.0 Introduction

1.1 Overview of the DIBS pilot programme

In 2017 the Foreign, Commonwealth and Development Office (FCDO) (formerly Department for International Development – DFID) launched the Development Impact Bonds (DIBs) pilot programme. The DIBs pilot programme aimed to build the evidence base on the suitability of DIBs to improve the efficiency and effectiveness of development programmes in several sectors, including income generation, education, health, and disability.

Ecorys was commissioned to evaluate the programme, aiming to generate learning to inform FCDO's future policy around DIBs. This is the third and final report from this assignment. It summarises and captures final learnings and conclusions from the implementation stage.

1.1.1 Overview of the DIBs landscape

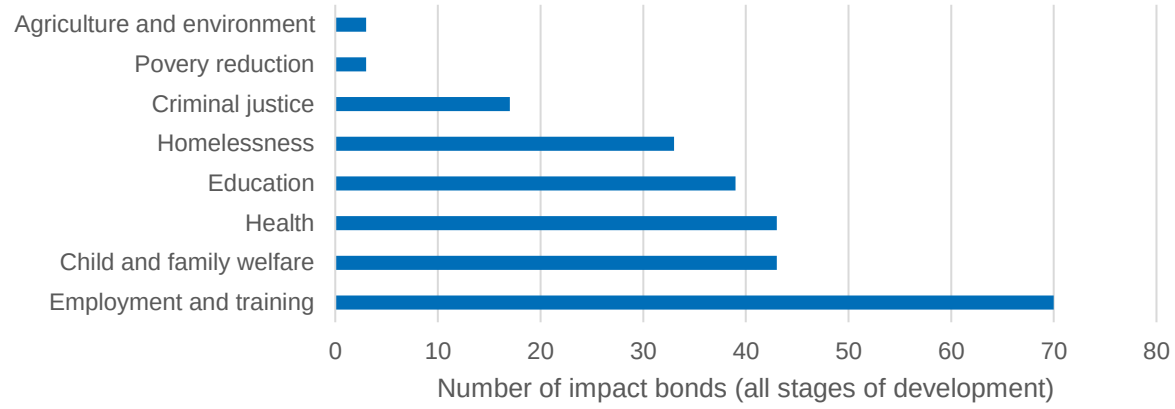
Impact bonds are outcome-based contracts (OBC) that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer) and the investor is repaid only if these outcomes are achieved. Impact bonds encompass both social impact bonds (SIBs) and development impact bonds (DIBs).[9]

Development impact bonds refer to impact bonds that are implemented in low- and middle-income countries (LMICs) where a donor agency, multilateral institution, or a foundation pays for the desired outcomes as opposed to the government (although some combination of government with third party is also possible).[10] Humanitarian impact bonds (HIBs) are DIBs operating in humanitarian situations.

According to the leading impact bond database by Oxford University's Government Outcomes Lab (GO Lab), as of September 2022 there were 251 impact bonds across the world. 184 were in different stages of development (181 in implementation, two with service delivery complete, and one contracted) and 67 impact bonds had already been completed.[11] The vast majority of these were social impact bonds (where the outcome payer is the domestic government; these are more common in high-income countries). Ten DIBs were in operation and five had been completed. According to the database, more than USD 725 million had been raised in capital through impact bonds. Figure 2 below shows the number of impact bonds developed by policy sector.

[9] Government Outcomes Lab. Glossary. https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#i
[10] FCDO. (2014). Sharpening incentives to perform: DFID's Strategy for Payment by Results. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/323868/Sharpening_incentives_to_perform_DFIDs_Strategy_on_Payment_by_Results.pdf
[11] Government Outcomes Lab Impact Bond Dataset. https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/ (accessed 21/09/2022)

Figure 2 Impact Bonds to date, by policy sector



Source: GO Lab INDIGO database.

The DIBs pilot aimed to gather evidence that would help FCDO understand when DIBs may be an appropriate commissioning tool and the costs and benefits of using them. More specifically, the pilot had three aims:

1. To test whether DIBs are a tool that FCDO is able to use;
2. To generate an understanding of how and when DIBs can add value in FCDO programming; and
3. To generate an understanding of how and when DIBs can be used to support FCDO's commissioning, management, and effectiveness in delivering programmes on a Payment by Results (PbR) basis.

FCDO's 2014 PbR Strategy[12] set out the ambition for PbR to become a major part of the way FCDO works. FCDO's move towards PbR was explained as part of a broader reform to ensure good value for money (VfM) from the development budget is achieved. The need for this type of pilot stemmed from the emerging evidence on impact bonds, but limited experience with DIBs specifically.

To that end, FCDO funded a study conducted by Social Finance to explore the feasibility of using a DIB to address sleeping sickness in Uganda. While this was not launched, FCDO's economic development strategy re-committed FCDO to *"assess[ing] the scope"* of DIBs as a financing tool. FCDO piloted DIBs by supporting a small number of projects designed by other donors or delivery partners where a PbR and DIB financing structure was desirable and feasible.

A logic model for the pilot programme provided by FCDO and updated by the evaluation team can be found in **Annex H** of this report.

[12] FCDO. (2014). Sharpening incentives to perform: DFID's Strategy for Payment by Results. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/323868/Sharpening_incentives_to_perform_DFIDs_Strategy_on_Payment_by_Results.pdf

1.1.2 DIBs involved in the pilot

The pilot programme involved three DIBs:

- **International Committee of the Red Cross Humanitarian Impact Bond for Physical Rehabilitation (ICRC HIB)** (July 2017 – July 2022) funded the construction of three new physical rehabilitation centres in Mali, Nigeria and Democratic Republic of Congo (DRC). As a part of the HIB, ICRC also piloted efficiency improvement measures including the development of a Digital Centre Management System (DCMS).
- The **Quality Education India Development Impact Bond (QEI DIB)** (April 2018 – July 2022) aimed to offer a solution at scale to the learning crisis in India, by funding a range of high performing service providers to improve learning outcomes for 200,000 primary school-aged children.
- The **Village Enterprise Micro-enterprise Poverty Graduation Impact Bond (VE DIB)** (November 2017 – November 2020) aimed to raise the income levels of at least 12,660 households through VE's micro-enterprise development programme, known as a Graduation programme.

Further information on each of these DIBs can be found in Section 3.

This evaluation also draws on learning from the wider literature, including the **Cameroon Cataract Bond** (2018 – 2025).[13] The Cameroon Cataract Bond is not included within the DIBs pilot programme. However, stakeholders agreed that adding a fourth DIB to the evaluation, using the same approach and research tools, would enrich the findings of the evaluation. Findings from the Cameroon Cataract Bond were integrated into the reports for Research Wave 1 (RW1) and Research Wave 2 (RW2). However, due to pandemic-related delays, the Cameroon Cataract Bond implementation period was extended past the end of the three FCDO-funded DIBs included in this pilot. Given the focus of Research Wave 3 (RW3) on the end of implementation and legacy of the FCDO-funded pilots, the Cameroon Cataract Bond was excluded from this final research wave. However, findings from the Cameroon Cataract Bond collected during RW1 and RW2 have been integrated into this report as relevant.

1.2 Objectives of the evaluation

The purpose of the evaluation was to generate learnings and recommendations on the use of DIBs as an instrument for aid delivery, by using the experience of the FCDO DIBs pilot programme to generate learning to inform FCDO's future policy aiming to make the most effective use of DIBs. The evaluation would also help FCDO and pilot project partners evaluate whether the tools they were developing were useful, scalable and replicable.

A key focus of this evaluation was understanding the advantages and disadvantages of applying a DIB model, looking at whether any strong or weak performance in the project is attributable to the DIB model rather than, for instance, local context, the delivery team or any other mitigating factors. The evaluation focused on whether the DIB led to better and more relevant, efficient, and effective activities compared to alternative funding models – known as the 'DIB effect'.

[13] The Cameroon Cataract Bond funds sight-restoring cataract surgeries, with the overall aim of enabling the Magrabi ICO Cameroon Eye Institute (MICEI), the first eye care hospital in Cameroon, to reach self-sufficiency within five years. The loan aims to expand the market reach and provide eye surgeries for up to 18,000 low- and middle-income patients at a low cost, and to help the hospital become a training institute for the region.

The two evaluation questions (EQs) were:

EQ1: How does the DIB model affect the design, delivery, performance, and effectiveness of development interventions?

EQ2: What improvements can be made to the process of designing and agreeing DIBs to increase the model's benefits and reduce the associated transaction costs?

The Terms of Reference (ToR) and changes to the ToR are set out in **Annex K**.

1.3 Overview of the evaluation process

The evaluation was divided over three waves, with most of the research activity repeated during each wave. The waves were aligned with timeframes of the DIBs, which were delivered between 2017 and 2022:

- **Research Wave 1** (RW1): Set up (April – February 2019): Focused on the process of designing and launching the FCDO DIBs pilot projects.
- **Research Wave 2** (RW2): Delivery (April – November 2020): Focused on emerging lessons from the FCDO DIBs pilot projects, as well as from evidence generated by other DIBs.
- **Research Wave 3** (RW3): Results and Legacy (April 2022 – December 2022): Focuses on understanding how the DIB mechanism has impacted the delivery, performance, costs, and results of the DIBs. It provides an assessment of the 'DIB effect' within the pilot DIBs (including potential negative DIB effects) and considers the value DIBs might offer in creating more sustainable change.

The RW2 report raised several areas for further exploration in RW3, and priority questions were discussed with FCDO. Priority questions – additional to the evaluation framework – indicated by FCDO included:

- Is a DIB necessary to achieve the DIB effects described in this document, or could similar effects be achieved through a well-designed grant or PbR project?
- How appropriate is a DIB in development versus humanitarian contexts?
- Does a DIB displace other delivery?
- To what degree can a DIB be rolled out in the wider landscape of service providers?
- Is performance management most effective when provided through a third party?

Findings from RW3 were presented at a verification workshop held on 26 September 2022. The aim was to contextualise the programme findings evaluation, compare differences and similarities between DIBs under study, share lessons learned and consider the implications for the wider sector.

1.4 Scope of the Research Wave 3 report

This report builds on RW1 and RW2 to provide final lessons on the implementation as well as the legacy of the three DIBs included in the pilot.

Building on previous work (such as Ecorys' 'DREAM' factors, which identified the conditions necessary for launching impact bonds[14]), this report makes recommendations on the conditions that are needed for DIBs to be suitable and recommends possible ways to reduce costs in structuring and implementing DIBs as well as to increase their benefits. The report is supported by specific case study reports focusing on each of the three piloted DIBs, set out in **Annex J.**

The evaluation report and the case studies were reviewed by FCDO, FCDO's EQUALS quality assurance reviewers, and other stakeholders, including those from the DIBs under the scope of the evaluation.

1.4.1 Report structure

The remainder of this report is structured as follows:

- **Section 2** sets out the evaluation framework that was used to guide the evaluation and summarises the main features of the methodology and the limitations of the available evidence
- **Section 3** provides an overview of the DIBs included under the scope of the evaluation
- **Section 4** presents the analysis and findings of the evaluation in relation to EQ1, assessing how the DIB model affects the delivery phase and spillovers/legacy of development interventions
- **Section 5** presents the analysis and findings of the evaluation in relation to EQ2, in terms of identifying improvements that can be made to the process of delivering DIBs to increase the model's benefits
- **Section 6** presents the analysis and findings of the evaluation in relation to EQ2, in terms of the estimated costs attributable to the use of the DIB funding mechanism and identifying improvements that can be made to reduce the associated transaction costs
- **Section 7** provides overarching conclusions alongside lessons learned, which are of potential wider relevance for the delivery phase of DIBs, as well as recommendations based on our findings and lessons learned. These recommendations are split between those applicable to FCDO and the wider DIB section.

Additional information is included in annexes:

- **Annex A** sets out acronyms and a glossary of key terms used in the report
- **Annex B** sets out further detail on the DIBs
- **Annex C** outlines key characteristic of each of the three pilot DIBs
- **Annex D** provides a summary of the programme component for each of the three pilot DIBs

[14] Agusti Strid, A. and Ronicle, J. *Social Impact Bonds in Latin America: IDB Lab's Pioneering Work in the Region: Lessons Learnt.* IDB Lab. See: https://golab.bsg.ox.ac.uk/knowledge-bank/resources/social-impact-bonds-latin-america-idb-labs-pioneering-work-region-lessons-learnt/

- **Annex E** sets out the references cited and works consulted within the report and annexes
- **Annex F** sets out the list of consultees reviewed as part of Research Wave 3
- **Annex G** sets out further detail on the methodology used and the use and influence plan
- **Annex H** sets out the logic model for the pilot programme provided by FCDO
- **Annex I** outlines the results and methodology used for the VE cost effectiveness analysis

Annexes published separately which should be considered part of the report include:

- **Annex J** sets out the case study reports agreed with the different DIB stakeholders
- **Annex K** contains the ToR for the evaluation.

1.4.2 Guide to use

We set out some guidance for use of the report below:

- Those primarily interested in findings of the report can skip to Section 4
- Those specifically interested in one of the three included DIBs will find details per DIB in Section 4 (discussing the DIB effect) and Section 6 (discussing the costs of the DIB). They can also read the DIB-specific case studies (**Annex J**)
- Those interested in programme lessons learned can skip to Sections 6 and 7.

2.0 Evaluation Framework and Methodology

This section sets out the evaluation framework that was used to guide the evaluation (Section 2.1), summarises the main features of the methodology (Section 2.2) and the limitations of the available evidence (Section 2.3). Further details on the methodology undertaken are set out in **Annex G**.

2.1 Evaluation framework

The two tables below set out the evaluation framework for the evaluation, which maps the two evaluation questions (EQ1 and EQ2) to the OECD DAC criteria and evaluation sub-questions finalised during the inception phase. All the DAC criteria are relevant and were applied over the course of the evaluation. The evaluation sub-questions were then mapped to the indicators designed during the inception phase. The corresponding research waves in which these sub-questions were covered are also marked. These tables also signpost the reader to the relevant report section which answers the associated question. **Annex G** sets out the full evaluation framework, which links the evaluation questions and sub-questions to the corresponding data collection method.

Table 3 Evaluation Framework – EQ1: How does the DIB model affect the design, delivery, performance, and effectiveness of development interventions?

Effectiveness and sustainability sub-questions	Research Wave			Report section that best answers question
	1	2	3	
To what extent were the three DIB projects successful in realising their aims, outputs, outcomes and impacts?	■	■	■	4.10.1
To what extent was the level of success and failure due to the DIB model – was the DIB model a small, medium or large driver of success and was it at all critical to the projects' overall performance?	■	■	■	4.10.2
Did the DIB model provide added value in relation to the cross-cutting issues of gender, poverty, human rights, HIV/AIDs, environment, anti-corruption, capacity building and power relations?			■	4.7.2; 4.9.2; 5.2.1; 5.3.2; 5.3.4
Where was the DIB model most effective – was its greatest value in terms of the design, delivery, relationship development, cost effectiveness, time efficiency or impact on beneficiaries?			■	14.10.3
Comparisons				
To what extent does the effectiveness vary across the three projects and why?	■	■	■	4.10.3
How does the effectiveness compare to other DIBs and funding mechanisms and why?	■	■	■	7.1.1
Spillovers				
To what extent did stakeholders involved in the DIB use any of the working practices of the model in their other work? To what extent did good practice within the DIBs spread to other interventions or organisations?	■	■	■	4.9
Does the increased evidence base developed in the DIB enable the projects to access additional funding?			■	4.9
Sustainability				
What is the legacy of the use of the DIBs? How sustainable are the DIB effects?			■	4.9

Table 4 Evaluation Framework – EQ2: What improvements can be made to the process of designing and agreeing DIBs to increase the model's benefits and reduce the associated transaction costs?

Efficiency, equity, and relevance sub-questions	Indicators	Research Wave			Report section that best answers question
		1	2	3	
Efficiency					
What (if any) are the extra costs of designing and delivering a project using a DIB model and how do they compare to other funding mechanisms?	Additional costs of the impact bond, disaggregated where possible by: stage (design and delivery); actor who incurs this cost; and type of cost (staff time, consultancy and expertise costs, and the risk premium (return to investors, including interest))	■	■	■	6.2
Where are the extra costs most prevalent and what specific items (staff, monitoring procedures, etc.) have the highest costs? Are these extra costs mainly found in the design or delivery stages?		■	■	■	6.2
Do the extra costs represent VfM – to what extent do they lead to additional results, impacts and benefits?	Savings in programme costs (including staff time) as a result of the impact bond		■	■	6.4
Do any aspects to a DIB model (e.g. involving an investor, undertaking verification of outcomes) shorten or extend the timeframes of projects?	How effectively has risk been transferred – what is the alignment of transferred risks with return?		■	■	6.4
Who pays for these additional costs and to what extent do they see the benefits?		■	■	■	6.0
Are there any inefficiencies in a DIB model that can be reduced or are there any additional costs that are unnecessary?			■	■	6.4
Equity					
How well are the programmes fulfilling their targeting strategy? Are there certain sub-groups which are not being reached?	Any positive or negative changes to equity as a result of the impact bond		■	■	4.7.1
Comparisons					
To what extent does the efficiency of the DIB delivery vary between the three DIB projects and why?	Level of transaction costs of setting up a DIB compared with the average costs for other funding mechanisms (e.g. fee-for-service contracts) Changes in transaction costs over time (as projects start to learn from previous experience)		■	■	6.1
How does the efficiency compare to other DIBs and funding mechanisms and why?			■	■	6.0

Efficiency, equity, and relevance sub-questions	Indicators	Research Wave			Report section that best answers question
		1	2	3	
	Number of direct beneficiaries with improved outcomes as a result of DIB projects				
Relevance					
In what circumstances are DIBs relevant in tackling issues in the development context?	Level of returns and profit made by the investors and extent to which that influences future involvement in both DIBs and development projects Number of DIB projects with improved cost-effectiveness ratio compared with service providers' own past performance Proportion of new FCDO DIB instruments commissioned that are informed by recommendations of FCDO DIBs evaluation reports Number of new FCDO programmes interacting with DIBs guidance, evaluation findings and reports				7.1.1.2
What social issues, target groups, geographies and project scales do DIBs fit best and have the greatest of impact?					7.1.1.2
Are DIBs appropriate in development contexts – is the existence of investors (and possible profits), payment only when results are made and strong expectations around measuring outcomes appropriate for donors such as FCDO?					7.1.1.2
To what extent are DIBs applicable to FCDO's work – are they relevant across most, some or a few of FCDO's priority result areas?					7.0

2.2 Overview of the methodology

We used process tracing to assess the DIB effect (EQ1). Process tracing is a qualitative research method for assessing causal inference within small-*n* studies. The method seeks to assess the causal chain that link independent variables and outcomes. The method recognises that there will not be one single factor that can explain why an outcome was achieved; instead, it seeks to assess the relative contribution of different factors. In the evaluation, we compared the presence of DIB effect indicators in both the DIB areas and comparison sites to assess the extent to which the 'DIB effect' was more prevalent in the DIBs compared to the comparison sites. We then undertook qualitative research to assess the extent to which the presence of the 'DIB effect' could indeed be attributed to the DIB, compared to other factors. Our process tracing approach relied on the following five steps.

- Creation of 'DIB effect' indicators (process induction)
- Examine presence of indicators in DIB areas
- Examine presence of indicators in non-DIB areas
- Analyse difference between DIB and non-DIB areas
- Process verification.

These steps are discussed in more detail below in Section 2.2.1, followed by Section 2.2.2 on Data collection and Section 2.2.3 on Analysis. Our approach to reporting and dissemination is in Section 2.2.4. Further detail is set out in **Annex G.**

2.2.1 Process tracing approach

Step 1: Creation of 'DIB effect' indicators

We established hypothesised DIB effects and indicators as part of the inception phase, which were refined as part of RW1 and during RW2. These are set out in Section 0. These were linked to the DIB Theory of Change (ToC) and drew on established literature and stakeholder consultations regarding the expected DIB effect. These were used to frame data collection and analysis.

Step 2: Examine presence of indicators in DIB areas

This was done through our DIB level data collection, see Section 2.2.2.

Step 3: Examine presence of indicators in non-DIB areas

Research in comparator sites: To develop an understanding of how the DIB affected the delivery phase, the evaluation team also undertook data collection at comparator sites.

Across three of the DIBs, we identified similar programmes being delivered by the same service providers funded by the DIBs, but which were funded under grants. As part of the inception phase, a list of parameters which would affect the comparability of programmes was developed based on discussion within the evaluation team and FCDO. These were: project purpose and objectives; service provider and processes used; countries of operation; context; time period; size of project; level of donor oversight/influence; payment structure; and availability of data and stakeholders. The evaluation team then worked with the service providers and intermediaries to identify potential comparator sites and assessed the similarity to our impact bonds along these parameters. The table below summarises the comparator sites:

Table 5 Comparator Sites

DIB	Grant funded programme	Comparability
ICRC HIB	Wider Physical Rehabilitation Programme (PRP), delivered by ICRC	The three HIB-funded centres were part of the larger programme. Efficiency improvement measures were tested in selected centres and being rolled out across both HIB and non-HIB funded centres.
QEI DIB	Similar interventions that the service providers delivered in other locations	Several managers within the four service providers were involved in both DIB and non-DIB funded interventions. One of the outcome funders (Michael & Susan Dell Foundation, MSDF) was also involved in some of the non-DIB funded interventions of these service providers. Interventions were broadly similar, but there was more flexibility in the non-DIB funded programmes to draw on other approaches and work with other providers; opportunities for collaboration were more limited in the DIB-funded interventions due to the constraints of the evaluation approach.
VE DIB	Core programme	Broadly similar, but the approach to targeting was slightly different under the DIB, due to the use of the Randomised Control Trial (RCT). Under the non-DIB programme, VE delivers the programme in clusters of villages geographically near each other. The targeting of DIB villages was more systematic through poverty assessments

During RW2 and RW3 we interviewed staff working in the comparator sites (and also reviewed relevant documents), to determine the extent to which the DIB effect was also present in these sites. This was to support our understanding of other factors which may have also contributed to these DIB effect indicators.

The grant-funded programme comparisons provided a useful comparator. In all cases these were grant-funded programmes delivered by the same service providers. There were some differences in the locations and interventions delivered between the comparator site and the interventions funded by the DIBs. Nonetheless, interviews with relevant comparator stakeholders provided useful information in terms of how the use of a DIB affected delivery.

Step 4: Analyse difference between DIB and non-DIB areas

We first analysed the difference between DIB and non-DIB areas against each DIB effect, to ascertain if this DIB effect was also seen in non-DIB areas. However, a key challenge is that we could not assume any differences between the DIB and non-DIB areas that could be attributed to the DIB mechanism, because the comparators were not perfect – they all differed from the DIB, in terms of location, programming, time period, etc. Additionally, spillovers were to be expected where the same programme team were delivering both a DIB and a non-DIB project.

Step 5: Process verification

Due to the challenge above, this step was key to establish causal inference. We assessed the evidence that the DIB mechanism contributed to the DIB effect indicators, relative to other possible explanations identified during fieldwork, and through the inception phase as well as RW1 and RW2.

A summary assessment was then made about the extent to which this DIB effect could be considered present and attributable to the DIB. Evaluator judgement was required. This involved assessing the evidence, including consideration of potential limitations and biases (such as where certain stakeholders were more removed from delivery), and considering the extent to which there was agreement between data sources and stakeholders. This was then validated by stakeholders during a verification workshop. Stakeholders were also given the chance to review our interpretations by reading the DIB case study reports. Stakeholders broadly agreed with our assessments, and these were further refined following discussions with and written feedback from stakeholders.

To organise our data, findings against each DIB effect were organised into a framework with five columns:

- Extent to which the DIB effect was observed in the comparator site
- Extent to which the DIB effect was observed in the DIB project
- Reasons or causal drivers for this DIB effect, linked to the DIB
- Reasons for the DIB effect, not linked to the DIB
- Summary assessment about the extent to which this DIB effect can be considered present and attributable to the DIB.

2.2.2 Data collection

There were three levels of research activity in RW3: individual DIB level, programme level and sector level. The Lead Analyst undertook quality assurance on the data collection tools, processes, and data collected.

2.2.2.1 DIB level data collection

We used the following data collection processes to examine the presence of DIB effect indicators in the DIBs:

Data analysis: Quantitative figures on the performance of the DIBs to date, including performance metrics, outcome payments and returns. To ascertain the reliance we could place on programme data, we updated the Data Quality Assessment (DQA) checklist.

Document review: The evaluation team reviewed key documents related to each DIB to further understand the delivery phase.

DIB consultations: Consultations with key stakeholders to understand how the DIB mechanism is affecting the delivery of the project, any spillovers on the organisation or wider DIBs landscape, perceptions of the efficiency of the mechanism, reflections on the relevance of the DIB mechanism, and key lessons learned (see **Annex F** for a list of stakeholders consulted as part of RW3). Data collection instruments were reviewed by FCDO as part of the Keeping in Touch (KiT) report. Instruments built on the learning from our interviews in RW1 and RW2 and were refined after an initial round of interviews.

The **sampling strategy** used was purposive. There were a limited number of stakeholders involved in the delivery phase, and random sampling was not considered necessary or appropriate. For the DIB-level research, for the most part, the evaluation team contacted all relevant stakeholders, namely investors, service providers, outcome funders, performance managers and outcome evaluators. All stakeholders involved were invited to participate in the evaluation, though some stakeholders did not respond. However, the evaluation team tried to address this by drawing on a range of programme documentation and triangulating the findings and data from stakeholder interviews from RW1 and RW2.

The table below sets out the number of organisations interviewed for RW3[15], and the total number of organisations involved per impact bond stakeholder category. In parenthesis in this table under the 'interviewed' columns, we have included the number of individuals interviewed. Details on the stakeholders involved in the three DIBs are set out in **Annex B**.

Table 6 Stakeholders consulted

Category	ICRC	QEI	VE
	Interviewed	Interviewed	Interviewed
Outcome Funders	4 (8)	1 (1)	3 (5)
Investors	-	1 (1)	3 (3)
Advisors / Intermediaries / Performance Managers	-	2 (5)	1 (1)
Service Providers	1 (9)	3 (31)	1 (38)
Other funders	-	-	-
Outcome Evaluator	-	1 (4)	1 (1)
DIB researchers	-	-	-
Service users	-	27 (Teachers & Supervisors)	c.300 (Villagers)

Notes: The "interviewed" column sets out the number of organisations interviewed, and in parenthesis, the number of individuals interviewed (in certain organisations, we interviewed more than one individual).

A full list of consultations is set out in **Annex F**.

Cost data: The evaluation team obtained information on the additional costs of delivering a DIB in comparison to other funding mechanisms. This was gathered using a set cost template developed under the KiT phase, building on the work undertaken by the GO Lab to strengthen consistency across the sector.

2.2.2.2 Programme level data collection

This level relates to the DIBs pilot programme and synthesises the findings across the three DIBs. Data collection processes included:

FCDO consultations: The evaluation team held one consultation with the FCDO DIBs team, to develop further understanding of the programme, and how it related to FCDO priorities in this area.

Programme document review: The evaluation team reviewed key programme-level documents, such as internal reports written by FCDO.

[15] Information about the number of organisations engaged and stakeholders consulted during RW1 and RW2 can be found in the respective reports for those two research waves.

Internal learning workshop: The internal workshop on 26 September 2022 brought together 28 key stakeholders from across the three FCDO DIB pilots. The workshop involved a discussion on the validity of these findings for the different DIBs, and additional perspectives and nuances across the range of DIBs present. Results from the learning workshop were used to refine the evaluation team's analysis and findings and have been incorporated in this evaluation report.

2.2.2.3 Sector level data collection

This level of research contextualised the evaluation findings within the wider landscape of outcomes-based contracting. Data collection processes included:

Literature Review: this involved a literature review on the impact bond (SIBs and DIBs) and PbR sector more broadly, covering both academic and grey literature.

Other consultations: Since the start of the evaluation, the evaluation team held consultations with DIB advisors and key stakeholders of existing DIBs, to understand how the DIB mechanism is affecting the delivery of projects and lessons learned in other DIBs.

2.2.3 Analysis

Analysis was first done at the DIB level, and then synthesised across the programme and contextualised within sector level findings. These are discussed further below.

2.2.3.1 DIB level analysis

Our analysis of the DIB effect at the DIB level covered steps 4 and 5 of process tracing, which included analysing the difference between DIB and non-DIB areas and assessing the weight of evidence for the DIB mechanism compared to alternative explanations.

The VfM approach considered the costs incurred in a DIB, compared these with PbR and input-based/grant financing, and assessed how the DIB costs compare with the benefits seen under DIBs, PbR and input-based financing.

Building on work with GO Lab, we developed a standard cost template with standard categories and definitions. This was refined with input from the DIBs. Our approach involved asking DIB stakeholders to provide full costs where this was available and estimate how this would have differed had it been grant- or PbR-funded.

2.2.3.2 Synthesis – programme and sector levels

Synthesis was then undertaken across the programme and sector levels. The DIB effect hypotheses were refined. This was used to structure our analysis at the DIB pilot programme level, to better understand similarities and differences across the DIBs, and potential implications for future DIBs. Where relevant, we also drew on sector level information, both from the literature review and our other DIB consultations.

2.2.4 Reporting and dissemination

As part of the inception phase, we undertook an analysis of stakeholders, and identified the three types of users: FCDO stakeholders, stakeholders involved in the pilot DIBs and those interested in DIBs and/or SIBs. The reporting and communication outputs were designed with these stakeholders in mind. The table below maps the deliverables to the targeted users. This is followed by a brief description of each type of deliverable.

Table 7 Deliverables mapped to target audiences

Deliverables	Primary users: FCDO stakeholders	Secondary users: Stakeholders involved in the pilot DIBs	Tertiary users: those interested in DIBs and/or SIBs
Case studies			
Reports			
Internal Workshop			
External Workshops			
Learnings outputs			

This report forms evaluation report 3, which includes early final conclusions on the delivery of the DIBs (including an estimate of delivery costs) and recommendations for expanding and improving the DIB programme and these DIB mechanisms. This is also complemented by specific case studies focusing on each of the three DIBs (see **Annex J**). A verification workshop was held on 26 September to discuss emerging findings.

We will produce an external facing version of the report, blogposts and infographics to support uptake of the report.

2.3 Methodological limitations

The table below sets out the key methodological limitations, the mitigations undertaken and the effect on evaluation findings.

Table 8 Limitations and mitigations

Limitations	Mitigations and effect on findings
Generalisability of findings: The number of DIBs both within this evaluation and in the wider sector is small and very varied, limiting the ability to make generalisable conclusions about the effectiveness of DIBs.	The analysis and findings have been carefully presented, with reference to the specific contexts, DIBs and stakeholders that the findings relate to, where applicable. Furthermore, the evaluation examines the extent to which the DIB effect holds true across different sites.
Approach to causal inference: The effect of using a DIB is not quantified. The use of experimental or quasi-experimental methods in order to claim attribution is not appropriate in these contexts.	The evaluation focuses on contribution, using a process tracing approach, and to understand the drivers by which a DIB contributed to the DIB effect.
Limited availability of cost data: The cost analysis was restricted by the limited availability of cost data, including in-kind costs such as staff time.	The team worked with stakeholders to estimate costs. Cost data was complemented with findings from the qualitative and quantitative data to gain an overall assessment of the cost effectiveness of the DIBs.
Response bias: Different stakeholders involved in impact bonds have different perspectives and interests in the DIB mechanism. This can introduce certain biases, and need to be taken into account. For example, it is possible beneficiaries will overstate the benefits of support when being interviewed, due to a desire to please the researcher and project[16]. It is also possible	We reinforced the anonymous nature of the interviews and the desire for honest accounts to reduce response bias. Additionally, drawing on our experience with SIBs evaluations, we used exercises and prompts to help stakeholders consider the possible factors that contributed to project delivery and to explain how their DIB compared to the other DIBs to help them consider why there might be similarities or differences. The use of

[16]Knox,S. & Bukard, A.W. (2009). Qualitative Research Interviews. Psychotherapy Research, 19(4). https://doi.org/10.1080/10503300802702105

that projects and those who gain from the DIB mechanism will over-claim the benefits of the DIB and wish to downplay the effect of any perverse incentives.	comparator sites provided a degree of objectivity when assessing the impact of the DIB mechanism. Ultimately, though, our evaluation was dependent on what stakeholders communicated, combined with the evaluation team's judgement and experience with impact bonds. Hence, the risk of bias due to different interests and other factors cannot be completely avoided. Not all stakeholders agreed to participate in the evaluation, though across the three research waves we managed to speak to most stakeholders across the three DIBs. To reduce nonresponse bias, we ensured we spoke to at least one person from each stakeholder category from each of the three DIBs, and also triangulated findings across interviewees and DIB documentation.
Sampling bias: The size of the DIBs means that for some stakeholder groups (for example, beneficiaries and practitioners) we will only be interviewing a sample. To a degree we will be reliant on the projects to recruit stakeholders to be interviewed, and they may target recruitment at stakeholders more favourable towards the projects.	The researchers discussed the sampling framework with DIB stakeholders to ensure there was an equitable and representative selection of participants. However, the researchers were reliant on service providers organising research with beneficiaries and practitioners, and so particular groups could have been selected to show more favourable results.
Reliability of competing explanations: The process tracing approach relies on stakeholders assessing the extent to which different factors, including the DIB, contributed to the delivery effectiveness of the project. The projects are operating in very complex scenarios, and stakeholders may struggle to accurately articulate the relative contribution of different factors. Furthermore, context is important, and there remain limitations in the comparability between the DIBs and the identified comparable projects and PbR comparisons.	Drawing on our experience with SIBs evaluations, we have used exercises and prompts to help stakeholders consider the possible factors that contributed to project delivery; and explain how their DIB compares to the other DIBs to help them consider why there might be similarities or differences. Our comparison analysis takes into account the areas in which the comparison projects are similar and dissimilar to the DIB-funded projects (for example, the Cataract comparator site is slightly different to the others, in that it is not the same intervention being delivered by the same provider). This was used to guide the analysis. Our local experts, who are both sector and geographical experts, provided some contextual input.
Inability to quantify DIB effects.	It has always been clear that not all DIB effects can be quantified. We discussed with each DIB the likely outcomes/effects that can be quantified as part of KiT. However, we recognise that there will be other DIB effects that cannot be quantified. Where possible, we have linked costs to DIB drivers, and drivers to effects, so there is clarity on the costs of different DIB effects (whether or not quantifiable).

3.0 Overview of the DIBs

All three DIBs operated in development/humanitarian contexts, and the service providers were primarily non-governmental organisations (NGOs). The DIBs were also similar in duration (all approximately five years in length) and timescale, operating between 2017-2023.

However, the three DIBs were quite different in other areas. The policy areas ranged from health interventions in a humanitarian setting (ICRC HIB), to livelihood programming (VE DIB), and education (QEI DIB). The size of the impact bonds ranged from USD 4.28m (VE DIB) to CHF 26m (ICRC HIB). The repayment terms also varied between the DIBs, as well as the level of capital guarantees, which ranged from 0% in the case of the QEI DIB and VE DIB, to 60% in the ICRC HIB.

The types of stakeholders involved also varied. The types of investors spanned the spectrum of primarily commercial (ICRC HIB) to primarily charitable organisations (QEI and VE DIBs). The nature of the outcome funders also varied across the DIBs; for ICRC and VE, the outcome funders were primarily bilateral donors, and for the QEI DIB, primarily foundations. The ICRC HIB and VE DIB both funded one service provider each, while the QEI DIB funded three separate service providers.

The structure of the three DIBs was also quite varied. The following sub-sections provide further detail:

- Section 3.1 a summary of each DIB, including information about the stakeholders engaged, activities included, and anticipated outcomes
- Section 3.2 an update on the three DIBs
- Section 3.3 draws together implications for the evaluation based on this section.

3.1 Summary of the DIBs

The three DIBs (and FCDO's engagement with them) are briefly summarised below. A more in-depth breakdown of the different components of each DIB can be found in **Annexes C and D** at the end of this report. Each DIB has its own case study, which can be found in **Annex J**.

The International Committee of the Red Cross (ICRC) Humanitarian Impact Bond (HIB) for Physical Rehabilitation (July 2017 – July 2022)

Outcomes achieved: 1.09 Staff Efficiency Ratio (SER), representing a 9% improvement in efficiency as compared to the baseline.

Geographical coverage: New centres in Mali, Nigeria, Democratic Republic of Congo (DRC). Testing of efficiency measures in Cambodia, Pakistan, Myanmar, Zinder and Niamey in Niger, Mali, Togo, Madagascar.

Target population: Persons with physical disabilities in Mali, Nigeria, and the DRC.

Outcome metric: Staff Efficiency Ratio (SER), calculated by the number of beneficiaries having regained mobility thanks to a mobility device, divided by the number of local rehabilitation professionals.

Total value: 26.1m CHF

Total outcome payments: 19.23m CHF

Investment committed: 18.6m CHF

Investor return: all capital, no interest

Activities: Build three new physical rehabilitation centres, train local staff to deliver physical rehabilitation services in these centres, pilot and assess pilot efficiency improvement measures across eight existing ICRC physical rehabilitation centres, and build a Digital Centre Management System that will be rolled out across all ICRC physical rehabilitation centres to improve efficiency and maintain patient outcomes.

Service provider
International Committee of the Red Cross

Outcome funders
The Swiss Confederation ('Switzerland'), The Kingdom of Belgium ('Belgium'), The Republic of Italy ('Italy'), The United Kingdom ('UK'), La Caixa Banking Foundation ('La Caixa')

Investors
Munich Re and its subsidiary New Re, Lombard Odier pension fund and charitable foundations and others.

The ICRC HIB launched in July 2017 and concluded in July 2022. The funders committed a maximum of 26.09 m CHF to the intervention, the majority of which was payable in 2022 depending on the results of the programme. The social investors provided the working capital to launch the centres, paying a total of 18.6 m CHF. The final amount payable by the outcome funders depended on the SER, calculated by the number of beneficiaries having regained mobility thanks to a mobility device, divided by the number of local rehabilitation professionals. The returns were scaled to incentivise efficiency savings. If the new centres operated less efficiently than past centres, the investors would make a loss on their investment and ICRC would be liable to make a loss payment; however, if the centres delivered more efficiently, then the investors would recover their investment and make a return.[17]

FCDO was an outcome funder in the ICRC HIB. FCDO first engaged with the ICRC HIB in September 2016. As FCDO joined at an advanced stage of the deal, the terms were already relatively set. Key motivations for FCDO to fund this HIB was the learning opportunity it presented, and the possibility of funding a DCMS and efficient improvement measures testing on an outcome basis.

[17] The potential return to investors ranged from a loss of 11.3% per year (equating to a loss of 40% of their initial commitment) if there were to be a 100% deterioration in the SER compared to the benchmark, to a return of 7.0% per year (equating to 134.5% of the commitments) if there were to be an 80% performance improvement.

The Quality Education India Development Impact Bond (QEI DIB) (April 2018 – July 2022)

Outcomes achieved: Students learned 2.5x more than students in non-participating schools; the price per outcome was 46% less than the original expected price.

Geographical coverage: Lucknow, Ahmedabad, Mumbai, New Delhi, and Surat, in India.

Total service users supported: 200,000 primary school-aged children.

Outcome metric: Enrolment and learning gains.

Total value: $9.2m

Total outcome payments: $7.8m

Investment committed: $3m

Investor return: 8% (expected and actual).

Activities: Five organisations delivering education programmes. Delivery model types included improving whole school management, supplementary learning and teacher, computer-based adaptive learning platform and school leader training.

Service providers
Educational Initiatives and Pratham InfoTech Foundation (Ei-PIF); Gyan Shala; Kaivalya Education Foundation (KEF); Society for All Round Development (SARD)

Convenor & Intermediary
British Asian Trust

Outcome funders
Michael & Susan Dell Foundation (MSDF), Comic Relief, The Mittal Foundation, The Larry Ellison Foundation

Corporate partner
BT

Investors
UBS Optimus Foundation (UBS – OF)

Performance manager
Dalberg Advisors

Outcome evaluator
Convegenius Insights (CGI) [formerly Gray Matters India (GMI)]

Knowledge partners
Brookings Institution

The QEI DIB aimed to offer a solution at scale to the learning crisis in India, by funding a range of high-performing service providers to improve learning outcomes for more than 200,000 primary school-aged children. A further aim of the project was to drive focus towards outcomes-based contracts in the development sector, with the long-term aim to transform the way education interventions are funded in India. Therefore, engaging the Indian Government was key in this project, as well as including robust measurements, and considering ways to standardise processes and produce templates for future outcome-based contracts. There were five service providers involved, delivering different interventions: Society for All Round Development (SARD); GyanShala; Kaivalya Education Foundation (KEF); and a collaboration between Educational Initiatives and Pratham InfoTech Foundation (Ei-PIF).

Up to a maximum of USD 9.2 million of payments were to be made based on improvements in learner outcomes, compared to a comparison group. Between March 2020 and the end of delivery in July 2022, the assessment verification method was adapted in response to COVID-19. CGI redesigned their assessment method, developing three approaches, to overcome the challenges of missing data so that targets would still reflect comparison between treatment and control, and where not possible actual gains between baseline and endline in the treatment group.

FCDO contributed GBP 1.5 million through a technical assistance grant, providing funding for the outcome evaluator, knowledge partner and part of performance management. FCDO joined the programme in January 2018 and fed into the project design. FCDO was interested in joining a DIB that involved a rigorous impact evaluation with the potential to generate important learning and potentially attract new funders.

The Village Enterprise Micro-enterprise Poverty Graduation Impact Bond (November 2017 – November 2020)

Anticipated outcomes: People living in extreme poverty are able to create businesses, form and attend savings groups, and sustainably increase their household incomes.

Geographical coverage: Regions in Uganda and Kenya.

Target population: People living in extreme poverty (on less than $2.15 a day).

Outcome metric: Increase in household income, measured by consumption and assets.

Investment committed: $2,325,000. Investment return: initial capital + $730,165

Outcome payments made: $4,280,618 – the maximum outcome payment possible

Total value: USD $5.3 million in total, including costs for management, the trustee, process evaluation, and outcomes evaluation via a RCT.

Activities: Poverty graduation model includes four-month training programme, seed capital to groups of three participants to start business, creation of Business Savings Groups, and mentoring.

Number of service users supported: 14,130 entrepreneurs supported to launch 4,766 small businesses and start 481 business savings groups

Outcomes achieved: Treatment households consumed 9.9 USD (6.3%) more per month than the control group; Treatment households had 40.5 USD (5.8%) more in net assets than the control group[18]

Service provider
Village Enterprise

Outcome funders
FCDO, USAID, and an anonymous donor

Investors
Nine investors including Bridges Fund Management, Delta Fund, ImpactAssets, and King Philanthropies

Programme manager
Instiglio

Independent verification
IDinsight

The VE Micro-enterprise Poverty Graduation Impact Bond aimed to raise the income levels of a minimum of 12,660 households through Village Enterprise's micro-enterprise development programme, known as the Graduation programme. It aimed to equip its beneficiaries with the resources to create sustainable businesses.

A total of USD 4.28 million in outcome payments was made tied to increases in household income. The outcome funders were FCDO, USAID, and an anonymous donor. This capital was provided by nine investors, including the Delta Fund as the lead investor.

FCDO was an outcome funder in the VE DIB. In late 2016, FCDO was approached by Instiglio, an organisation providing technical assistance in the creation and implementation of impact bonds and results-based financing projects, and a donor. FCDO thought that VE fitted well with the strategic aims of the DIBs pilot programme.

[18] These are nominal figures, using PPP 2020 figures, the respective values are 23.2 USD for consumption and 98.0 USD for assets.

3.2 Implications for the evaluation

The DIBs under the scope of the evaluation were very different. The types of programmes funded by the DIBs, and the contexts in which they operated varied significantly. The types of stakeholders involved, and their objectives, also differed. The impact operated in a range of legislative, taxation and accounting frameworks; the structure of the impact bonds was modified to account for these contexts, actors, objectives, and constraints.

This tells us most of all is that there is no one 'DIB' model, and that it can be applied to a variety of different contexts. The differences between the DIBs makes it challenging to compare the three different DIBs within this evaluation.

It is necessary to consider these contextual factors in the analysis of findings, and when drawing conclusions and recommendations for the wider DIB sector. Our findings in the following sections are nuanced for these differences.

3.3 Update on delivery

At the time of RW3 (April to August 2022) all three DIBs had completed implementation. The sub-sections below set out more detail.

3.3.1 ICRC HIB

Table 9 ICRC Planned vs. Actual Outcomes

	Planned	Actual
Outcomes Achieved	>1.00 SER[19]	1.09 SER
Outcome Payments Made	26.09m CHF	19.23m CHF
Investment Committed	18.6m CHF	18.6m CHF
Investment Return	Up to 7.0% p.a.[20]	All Capital, No Interest

The ICRC HIB concluded in July 2022. While there had been some delays, the HIB delivered against its overall timeline. The building of centres concluded in 2021, and all centres were in operation by June of that year.[21] Considering the respective weight of the different centres, the new centres were found to be 9% more efficient than the baseline, resulting in the programme's Outcome Measure of 1.09.

During the first three years of the project, ICRC worked with eight existing physical rehabilitation centres to test a range of Efficiency Improvement Measures (EIM). Once validated, these EIM were integrated into the operating procedures for the DIB centres as well as into the new digital centre management tool (DCMS). A more complex – and therefore longer – development phase as well as higher than initially planned costs for the DCMS forced ICRC to descope some parts of the system for its first version. The first version of the DCMS was nevertheless successfully deployed to the three new physical rehabilitation centres as well as one of the test centres (Kampong Speu, Cambodia). The initial feedback from users was very positive, and a second version of the DCMS was released in September 2022 with plans to roll it out across 60-80 ICRC PRP centres.

[19] The potential return to investors ranged from a loss of 11.3% per year (equating to a loss of 40% of th
eir initial commitment) if there were
to be a 100% deterioration in the SER compared to the benchmark, to a return of 7.0% per year (equating to 134.5% of the commitments) if there were to be an 80% performance improvement.
20, the local partner was unable to mobilise and pay the necessary human resources to staff the new centre and thus it only opened in June 2021 with a limited team and partial services. More information can be found in the ICRC HIB case study.

3.3.2 QEI DIB

Table 10 QEI Planned vs. Actual Outcomes

	Planned		Actual	
Outcomes Achieved	Learning Y1: 5-10 Y2: 5-12.5 Y3/4: 12.5-33	Enrolment Y1: 103.1k Y2: 106.2k Y3/4: 70.8k	Learning Y1: 280% Y2: 325% Y3/4: 229%	Enrolment Y1: 100% Y2: 100% Y3/4: 150%
Outcome Payments Made	USD 9.2m[22]		USD 7.8m[23]	
Investment Committed	USD 3m		USD 3.3m[24]	
Investment Return	IRR 8% p.a.		8%	

The DIB performed well in Years 1 and 2 up to July 2020, showing a trend of growth in learning outcomes for two years in a row. All the service providers who were evaluated in Year 2 exceeded learning targets and recorded a better performance than comparison groups. The first year of implementation was mostly dedicated to understanding: the DIB model and functioning; each other's roles and responsibilities; and how best to interact and collaborate with other stakeholders. In Year 2, several improvements were made. Providers felt more confident about delivery and building on learnings from Year 1, focused on adaptation and how to improve their performance.

At the end of Year 2 (July 2020), the COVID-19 pandemic hit India and school closures began to affect delivery for service providers. All delivery pivoted to a combination of virtual and in-person delivery, with the consortium terming this 'phygital' for the combination of physical and digital delivery.

Targets were subsequently combined for Years 3 and 4 to reflect the circumstances, and no outcome payments were made at the end of Year 3 (July 2021). Delivery stabilised by Year 4 (July 2022) and the programme was able to conduct endline assessments, which concluded that the programme exceeded the reduced COVID-19 targets, and its original targets.

[22] The QEI DIB was contracted in INR, therefore USD costs are indicative. Notably, the INR has depreciated against the USD since the QEI DIB was launched – Planned (2018) 628,767,123 INR versus Actual (2022) 568,566,489 INR.
[23] There were a number of drivers which contributed to the lower outcome payments compared to the original commitment, including lower incentive payments due to non-payment of one provider, lower costs which lowered the value of incentive payments, and there was high performance of the DIB in early years which frontloaded payments.
[24] This was raised to $3.3m in Years 3 and 4 to take into account there was no outcome payment at the end of Year 3.

3.3.3 VE DIB

Table 11 VE Planned vs. Actual Outcomes

	Planned	Actual
Outcomes Achieved	Business owners have knowledge to run businesses: 13,830 Businesses Created: 4,610 Business Savings Groups Formed: 461	Business owners have knowledge to run businesses: 14,100 Businesses Created: 4,755 Business Savings Groups Formed: 481
Outcome Payments Made	USD 4,280,618	USD 4,280,618
Investment Committed	USD 2,325,000	USD 2,325,000
Investment Return	Initial capital + USD 730,165	Initial capital + USD 730,165

The Village Enterprise DIB performed strongly against its planned service delivery and target participants reached in Years 1 and 2. However the COVID-19 pandemic presented several challenges to delivery during the third year, including delays to the outcome evaluation and the disbursement of the seed capital to the final cohort in Kenya, as well as the temporary withdrawal of in-person field operations. Nonetheless, the programme pivoted strongly to remote operations and completed its implementation in November 2020, with all seven cohorts of the programme receiving their training, grants, and mentoring as intended. Additionally, IDinsight completed gathering the outcome data for the RCT in the spring and summer of 2021 and published the findings in March 2022. The corresponding outcome payments were made to investors in February 2022 with the maximum payment being received reflecting the DIB's strong performance.

4.0 Analysis and Findings – DIB Effect (EQ1)

Summary

Across the three DIBs, there was evidence that the DIB model has contributed to a shift in focus to outcomes and greater accountability, which has incentivised stronger performance management and enabled the delivery of adaptive management and course correction. To a limited degree, the DIB also supported greater collaboration between stakeholders. Although the literature indicates that the high-stakes environment created by DIBs can lead to negative effects, the three DIBs broadly avoided these; there was no significant evidence of cherry-picking participants from the target population or that the quality of support provided under the DIB was reduced in comparison to non-DIB projects. The DIBs also generally avoided 'tunnel vision' (only focusing on outcomes that payments are attached to), and while there was evidence that the DIBs increased staff pressure for at least some staff members at delivery organisations, this does not appear to have had knock-on effects – like high turnover – that would affect project delivery. Furthermore, all three DIBs met their targets against the set outcome metric(s).

There was also evidence of organisation-level spillover effects; across all three DIBs, systems and lessons learned from the DIB were being transferred to non-DIB programmes. Looking at the potential ecosystem-level spillover effects, the DIBs provided capacity strengthening to deliver DIBs to a range of stakeholders while also contributing to the evidence base about impact bonds and innovative finance. The DIBs also sustained stakeholder interest in innovative finance mechanisms more broadly, but many stakeholders involved in the DIBs were unconvinced about the unique added value of impact bonds over-and-above other outcomes-based contracting mechanisms.

However, many of the successes of these DIBs were attributable – at least in part – to various non-DIB factors as well as the DIB model. The implication of this is that a DIB is not always necessary; some of the desired effects could also be achieved through a well-designed grant or PbR, and it is possible to design these to include many of the features of a DIB. However, the DIB appeared to be the catalyst for change that set things in motion and accelerated changes.

This section focuses on **Evaluation Question 1: How does the DIB model affect the design, delivery, performance, and effectiveness of development interventions?** It introduces the DIB effect indicators (Section 4.1), and then describes the extent to which these DIB effect indicators were apparent in the three DIBs included in the evaluation as well as the extent to which DIB effects could be attributed to DIB or non-DIB factors. This is done in summary in Section 4.2, and then in more detail by DIB effect in Sections 4.3 to 4.8. This analysis draws primarily on consultations with stakeholders involved in the three projects and stakeholders in the identified comparator sites. The section also considers how the presence of these indicators compares with other impact bonds and PbR; this draws on consultations with wider stakeholders and a literature review, which has been added to throughout all three waves of data collection.

Section 4.9 discusses the spillover effects observed with a particular focus on the link between these spillovers and sustainable effects of the DIB and Section 4.10 concludes on findings against the evaluation questions.

Detailed information on the findings per DIB are set out in the DIB case studies (**Annex J**).

4.1 The DIB effect indicators

This evaluation uses comparative analysis between a DIB and a non-DIB and process tracing to understand DIB and non-DIB factors. This involved the creation of hypothesised DIB effects and assessing the extent to which they existed more in the DIBs compared to the comparison sites, and the degree to which this could be attributed to the DIB mechanism. The first research wave focused on DIB effects related to the set-up phase and design of DIBs and the second research wave focused on DIB effects during delivery. This third and final report builds on the second wave's focus on delivery, also discussing performance, costs, and results of the DIBs.

The process of developing the DIB effects was iterative. Initial hypothesised effects were drawn from a literature review, previous impact bond evaluation work and stakeholder consultations during the inception phase.

Figure 3 overleaf sets out our framework for understanding the 'DIB effect', broken down into DIB inputs, DIB outputs and DIB effects, which can be understood as follows:

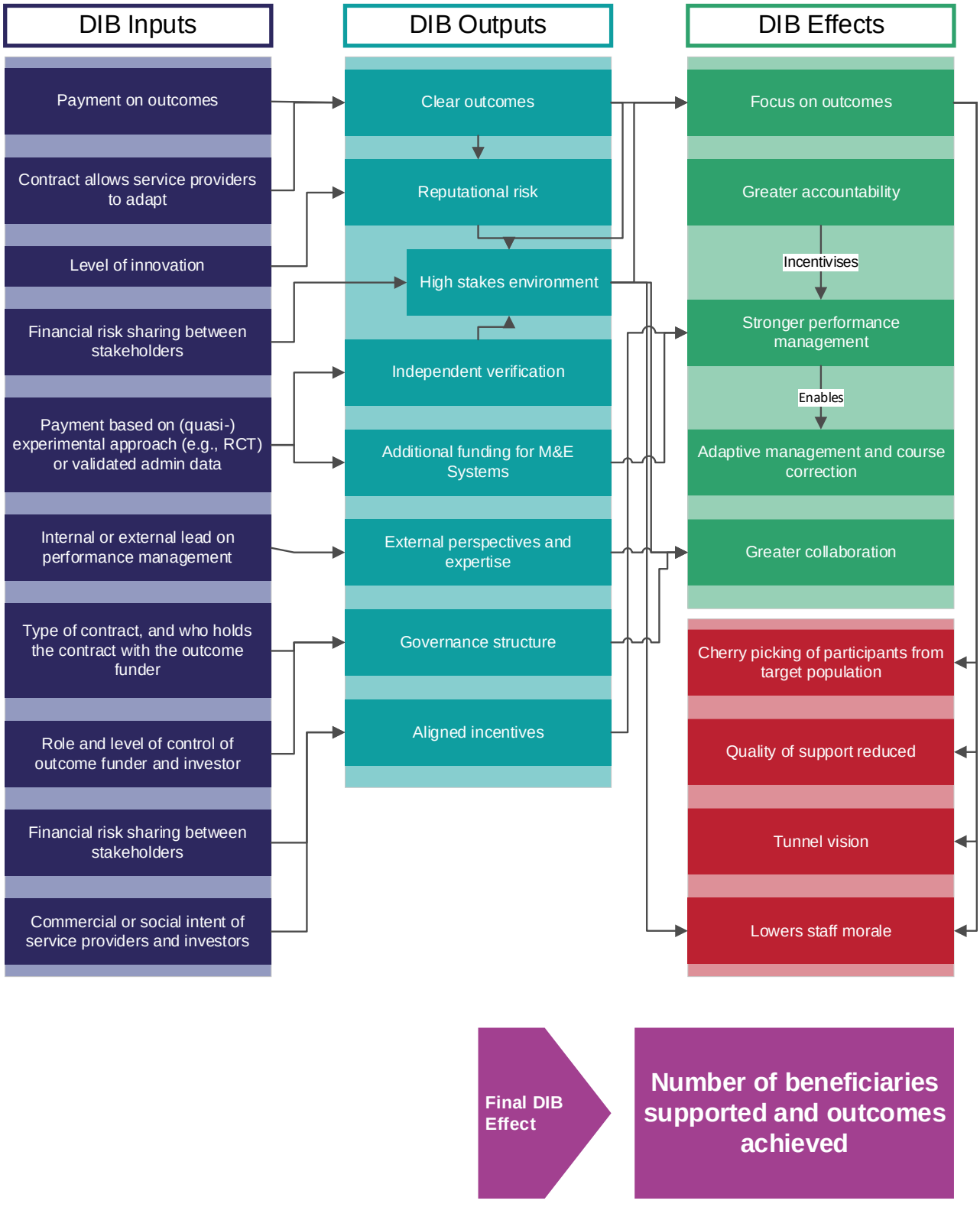
- **DIB inputs:** Key characteristics (see **Annex C**) linked to the funding mechanism that affect how the DIB is funded, managed, and evaluated, as well as the commercial or social intent of involved stakeholders.
- **DIB outputs:** The direct products resulting from the DIB inputs.
- **DIB effects:** The target and hypothesised effects (positive and negative) linked to use of a DIB, though noting that not all DIB effects were expected across all DIBs.

These are the DIB effects **relevant for the delivery phase**; DIB effects relevant to the set-up phase were explored in depth in RW1 and summarised in the conclusion of this report.

This framework was used to form the interview questions. These were refined during analysis and through team workshops.

We note not all DIB effects were expected for the different DIBs, but exploring the expected and unexpected DIB effects across the DIBs was useful to better understand how the effects compare to the 'hypothesised' DIB effects, and better understand how the different DIB characteristics, structures and stakeholders influence the DIB effects.

Figure 3 DIB effects in delivery phase



4.2 Presence of the DIB effect indicators: Summary

In the table below we summarise the extent to which the different delivery-focused DIB effect indicators were present across the three DIB projects. The DIB effects during the design and launch phase are summarised in the report conclusion and covered in further depth in the RW1 report.

Each effect is 'RAG' rated[25] on the extent to which it was identified across all projects, followed by individual ratings for each DIB.

Please Note: *The rating identifies the extent to which the effect was present, not whether it had a positive effect (i.e., both positive and negative effects would be marked as green if present).*

Below the table we provide more analysis on the presence of each of these effects.

Table 12 Presence of hypothesised DIB Effect indicators in the three DIB projects

DIB Effect	Summary	ICRC	QEI	VE
Positive DIB Effects				
1 Greater focus on outcomes and accountability				
2 Strengthened performance management				
3 Adaptive management and course correction, supporting innovation				
4 Greater collaboration between stakeholders				
Negative DIB Effects				
5 Cherry picking of participants from target population				
6 Level, quality, range and duration of support is reduced				
7 Tunnel vision				
8 Increased staff pressure affecting other DIB effects				
Greater outcomes				
9 Increased efficiency and effectiveness, leading to increased number of beneficiaries supported and outcomes achieved				

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

[25] Green = effect is present in at least three DIBs; amber = mixed evidence over presence of DIB effect; red = effect is not present in at least three DIBs. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

Each of the delivery-focused DIB effects outlined in the table above are discussed in a sub-section below. Sections 4.3 to 4.6 cover DIB Effects 1-4 (positive DIB effects); Section 4.7 discusses the negative DIB effects (Effects 5-8); and Section 4.8 discusses the final 'greater outcome' of increased efficiency and effectiveness, and Section 4.9 the spillovers. In each of the DIB effect sections we include:

- **Hypothesis** setting out how the DIB was expected to lead to the DIB effect.
- **Analysis from the three projects:** A table summarising findings per DIB in a DIB table, which is followed by narrative detail. The table includes:
  - **DIB Effect**: An overall summary RAG rating on whether this DIB effect was observed and attributable to the DIB;
  - **Effect observed in comparator site vs DIB**: the extent to which this effect was observed in the comparator site versus the DIB, RAG rated: Where the effect was seen in the DIB but not in the comparator site, or where the DIB effect was stronger in the DIB, this is 'green'; where the DIB effect was seen in both, this is 'amber'; where the DIB effect was not seen, or stronger in the comparator site, this is 'red'. Where the effect is somewhere between these categories, a mixed colour is provided; and
  - **DIB and non-DIB drivers:** key drivers contributing to this effect.
- **Comparison to other impact bonds and projects.**

4.3 Effect 1: Shift focus to outcomes and greater accountability

Effect 1 Hypothesis: In traditional grant programmes or fee-for-service contracts, service providers are accountable for inputs, activities and sometimes outputs, and outcome funders generally manage against set workplans and budgets. By attaching payments to outcomes rather than inputs or activities, DIBs encourage all stakeholders to focus on the achievement of target *outcomes* instead of outputs. The involvement of different stakeholders and governance structures builds greater accountability of the service provider to outcome funders and investors

4.3.1 Effect 1: Analysis from three projects

Summary: Across all three DIBs, there was evidence that the DIB caused a shift in focus towards outcomes as well as greater accountability as compared to what stakeholders had experienced in other projects, including those undertaken previously by the service providers. With both QEI and VE, this effect can mainly be attributed to the DIB itself, although it was also seen to a lesser extent at relevant comparator sites. However, the shift in focus towards outcomes and greater accountability observed through the ICRC HIB did not appear to be specific to the HIB itself.

Table 13 Effect 1

Effect 1: Shift focus to outcomes, greater accountability			
	ICRC	QEI	VE
DIB effect			
Effect observed in comparator site vs DIB	Yes, but there was greater pressure and focus on efficiency (not necessarily outcomes more generally) under the DIB	Yes in both, though there were clearer targets and more rigorous evaluation under the DIB	Yes in both, but stronger under the DIB
DIB Drivers	Clear Outcomes High Stakes Environment		
Non-DIB drivers	Longer-term funding and defined project period	Quality and commitment of providers, who were already used to focusing on outcomes and using data	

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.3.1.1 ICRC HIB

A shift to focus on outcomes and greater accountability was seen in specific areas but not others; moreover, this shift could not be solely attributed to the HIB mechanism. ICRC stakeholders noted that the HIB drove a shift towards focusing on efficiency because the outcome metric was an efficiency measure (SER: Staff Efficiency Ratio), but this did not equate to a broader shift to outcomes-focused delivery. Beyond the SER, there was not a wider emphasis on the number of patients supported or with outcome-level performance indicators like patient satisfaction or quality of services.

This shift in focus on efficiency appears to have been driven by the clear outcome (SER) and high-stakes environment of the HIB; payment was dependent on meeting one – and only one – outcome metric that was focused on efficiency. However, there does appear to be limitations in the extent to which this shift in focus was experienced across ICRC stakeholders. At the centre level, it appears that frontline staff were not always aware of the SER or how to improve it. Without this knowledge, frontline staff may not have been incentivised to work in an outcomes-focused way to achieve the SER, even if this guided the project at a higher level.

Moreover, many ICRC stakeholders noted that the shift towards an efficiency focus could have been driven by other funding mechanisms, such as a grant-funded project that had specified outcomes and a multi-year budget. Some measures that drove the focus on efficiency – like the EIM and DCMS – were also rolled out in non-HIB sites, where they also led to an increased focus on efficiency. This demonstrates that an impact bond model is not a necessary condition for this shift in focus once necessary systems have been budgeted for and developed. However, stakeholders at ICRC felt that it would have been much more challenging for ICRC to secure the one-off investment in developing the DCMS and the EIM outside the specific conditions of an efficiency-focused HIB.

4.3.1.2 QEI DIB

A shift to focus on outcomes and greater accountability was seen and can be mainly attributed to the DIB. Service providers involved in the DIB were accustomed to tracking outcomes and did this with the non-DIB interventions in the comparator sites. However, the clear outcomes and high stakes environment of the DIB appears to have supported more rigorous and critical evaluation; by 'high stakes environment', we mean both the financial and reputational risks associated with non-performance.

Consequently, providers approached programme results more analytically, breaking down each aspect of the results; they were better aware of how the different activities they delivered affected learning outcomes. One of the reasons for this increased focus on and accountability for outcomes was that the DIB was structured around clear outcomes; building on learning from Year 1, Dalberg and CGI clearly defined the DIB's expected outcomes and targets, how these were to be measured, and the process for data collection and analysis. A sharper understanding of the end goal was achieved and incorporated into the design of the providers' curriculum and activities from Year 2 onwards. Across the providers, many stakeholders noted the positive pressure this outcomes-focused environment created; the pressure to achieve targets was not present in the comparator sites to the same extent.

4.3.1.3 VE DIB

A shift to focus on outcomes and greater accountability was seen and can be mainly attributed to the DIB in combination with the RCT. Whilst the RCT contributed to this shift in outcomes focus, stakeholders reported that the same shift was not witnessed during VE's previous RCT when the programme was being implemented via grant-based funding, suggesting the DIB mechanism (specifically tying payment to outcomes) contributed to this Effect above-and-beyond the introduction of a RCT.

Staff clearly understood the outcomes and were highly motivated to work towards them. They noted that their focus remained on the outcomes rather than looking to win the next piece of funding, which is more likely to occur with grant-based programming. Most stakeholders saw the DIB as a catalyst to revise key programme activities to become outcome focused, recognising the high stakes of the model. For instance, one VE stakeholder discussed how, during the DIB, they introduced weekly meetings in which staff would discuss new ideas for innovations, and they would be asked: *"How will this contribute to the outcomes?"* – if it was judged that the innovation would not, it would be unlikely to be taken up.

Prior to the DIB, VE did already have sophisticated monitoring and evaluation systems with regular data collection and an impact-orientated outlook, however under the DIB, systems were completely transformed and updated. It is possible that the DIB provided space for VE to further develop a preferred way of working that was previously limited by other funding models. As a stakeholder from the VE investor group put it:

> *"I don't believe this DIB suddenly made [VE] into a learning organisation. I think they were a learning organisation that were held back by existing contracts. [The DIB] made them unfettered to be a fully learning organisation […] it removed their shackles."*

4.3.2 Effect 1: Comparison to other impact bonds and projects

Impact bonds are generally viewed as a way of shifting organisations' focus on outcomes, leading to increased accountability. This is one of the most consistently highlighted effects for impact bonds, both SIBs and DIBs. The evidence seems stronger for this effect being observed on service providers. However, there have been cases where shifts in focus from funders and other third sector actors have been documented as well, such as the Rough Sleepers SIB.[26] Williams, for instance, argues that this is the most significant impact of SIBs, in that they are increasing focus within government and the third sector on outcomes as a basis for allocating public and philanthropic capital.[27]

Impact bonds have frequently shifted service providers' focus onto outcomes.[28] This has been seen in the DIBs studied under this report, but also observed in the Fair Chance Fund[29], the Youth Engagement Fund[30], the Educate Girls DIB[31], the CBO SIB outcome fund evaluation[32], and the KPMG evaluation of the New South Wales Social Benefit Bonds.[33]

The evidence in the PbR sphere is more mixed. The National Audit Office (2015) suggests a shift to outcomes focus is a key motivation behind using PbR. It notes that the Troubled Families programme increased services' focus on outcomes leading to more joining up of different service strands.[34] Furthermore, in a review of PbR in education interventions within the development sector, Clist and Verschoor found that performance-based contracts increased NGOs' (who were the service providers) focus on learning outcomes between 2008 and 2018.[35] However, reviews of the Girls' Education Challenge and the FCDO-funded Health Results Innovation Trust Fund both found a mixed picture across projects; while there was evidence that PbR contracts can result in a greater focus on outcomes, this was not found to be the case across all projects. One hypothesis is that measures can fail to incentivise recipients if they are too complex relative to the incentive size. Where there was a greater focus on outcomes, this was found to generally be due to having a specific target outcome, rather than the payment itself. This was found to be in the case of the GEC and the FCDO-funded HRITF programme. Across both cases though it seems to have been the outcome itself rather than the payment that drove this focus.[36]

---

[26] Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/

[27] Williams, J. (2019). From Visions of Promise To Signs Of Struggle Exploring Social Impact Bonds And The Funding Of Social Services In Canada, The Us, And The UK. https://golab.bsg.ox.ac.uk/documents/Williams_2019_Final_Report.pdf

[28] Ecorys, GO Lab & World Bank Group. (2022). Using impact bonds in education in low- and middle-income countries: An evidence review. https://documents1.worldbank.org/curated/en/099846504132230407/pdf/IDU02b848900027dd04d480a179090d86b2071a4.pdf

[29] The Fair Chance Fund was an innovative three-year programme, funded by the Ministry of Housing, Communities and Local Government (MHCLG) and the Cabinet Office / Department for Digital, Culture, Media and Sport (DCMS), and designed to improve accommodation, education and employment outcomes for homeless young people aged 18 to 24.

[30] a fund that aimed to help disadvantaged young people aged 14 to 17 to participate and succeed in education or training

[31] Andreu, M (2019) Impact Bonds and The Ambiguous Politics Of Market Ethics. Dissertation. http://wrap.warwick.ac.uk/142293.

[32] Ronicle, J., Fox, T. and Stanworth, N. (2016). Commissioning Better Outcomes Fund Evaluation: Update Report. Big Lottery Fund, ATQ Consultants, Ecorys.

[33] KPMG. (2014). Evaluation of the joint development phase of the NSW Social Benefit Bonds trial. Sydney: Government Advisory Service. https://www.osii.nsw.gov.au/assets/office-of-social-impact-investment/files/Evaluation-of-the-Joint-Development-Phase.pdf

[34] Comptroller and Auditor General. (2015). Outcome-based payment schemes: government's use of payment by results. National Audit Office. https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf

[35] Clist, P. & Verschoor, A. (2014). The Conceptual Basis of Payment by Results. UKAID. https://assets.publishing.service.gov.uk/media/57a089bb40f0b64974000230/61214-The_Conceptual_Basis_of_Payment_by_Results_FinalReport_P1.pdf

[36] Holden, J and Patch, J. (2017). The experience of PbR (PbR) on the Girls' Education Challenge (GEC) programmes: Does skin in the game improve the level of play? Girls' Education Challenge. UK Aid. http://foresgiht.associates/wp-content/uploads/2017/01/2017.01.19-Skin-in-the-game-PbR-on-the-GEC.-Final.pdf; Evans, A. (2016). Results based financing in Zambia – an informal, unpublished annex. https://www.researchgate.net/publication/308985858; One hypothesis is that measures can fail to incentivise recipients if they are too complex relative to the incentive size.

4.4 Effect 2: Drives performance management[37]

Effect 2 Hypothesis: Stakeholders do not always have the ability, resources, or inclination to develop and deliver strong performance management. Payment on outcomes incentivises stakeholders to strengthen performance management systems.

4.4.1 Effect 2: Analysis from three projects

Summary: Across all three projects, the DIB appears to have driven performance management. In the case of QEI and VE, this appears to be mainly attributable to the DIB model itself. However, with ICRC, the perception was that grant-based funding could have achieved the same results.

Table 14 Effect 2

Effect 2: Drives performance management			
	ICRC	QEI	VE
DIB effect			
Effects observed in comparator site vs DIB	Observed in both. However, in the comparator this is thought to be due to spillover from the DIB rather than an independent factor.	Yes in the DIB, Dalberg were introduced in the DIB as a key point of contact for all service providers, and to some extent in the comparator sites	Observed in both. However, in the comparator this is thought to be due to spillover from the DIB rather than an independent factor.
DIB drivers	Focus on Outcomes and Greater Accountability (DIB Effect 1) Additional Funding for M&E Systems	Focus on Outcomes and Greater Accountability (DIB Effect 1) External Perspectives and Expertise	Focus on Outcomes and Greater Accountability (DIB Effect 1) Additional Funding for M&E Systems
Non-DIB drivers	Longer-term funding and defined project period	Existing capabilities and commitment of service provider	Existing capabilities and commitment of service provider

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.4.1.1 ICRC HIB

The HIB funded the development of DCMS and the EIM, which have and will continue to support performance management within ICRC PRP, including both HIB and non-HIB centres. The development of

[37] Armstrong and Baron (1998) define performance management as a "systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements."

DCMS and testing of EIM helped identify efficiency drivers and issues, as well as potential solutions. This likely improved performance management with the HIB delivery specifically in relation to the outcome metric, and it will continue moving forward with ICRC rolling out a v2 of DCMS (which includes the tested EIM) across its PRP centres. However, the space for performance management in a way that could improve the Staff Efficiency Ratio (SER) for the HIB was restricted because most of programme time was spent on construction and set-up of centres rather than on implementation that could be monitored with DCMS and the EIM, particularly due to delays related to COVID-19 and other country-specific sources of instability.

While the development and testing of the measures were facilitated by HIB funding, stakeholders had mixed views on whether the DCMS and EIM could have been funded by a grant. Furthermore, initiatives like setting up DCMS and testing EIMs require time and commitment, which was enabled by the longer-term funding provided by the HIB contract.

4.4.1.2 QEI DIB

In the case of QEI, the DIB appeared to have driven performance management that can be mostly attributed to the DIB itself. Under the DIB, more and better data was collected and regularly discussed, which informed strategic thinking and ongoing delivery. Existing monitoring and evaluation (M&E) activities became more rigorous, and accurate data collection and analysis processes were put in place. As a result of the DIB, there was a greater understanding of how to map insights and data to the programmes' broader strategy.

The reasons for improved performance management were a mix of DIB and non-DIB related causes. The focus on outcomes and accountability increased under the DIB (as discussed under Effect 1), which motivated providers to improve existing M&E systems and decision-making processes. The presence of a performance manager providing external perspectives and expertise was equally important; through quarterly visits and reporting, frequent calls, and brainstorming sessions conducted with different levels of the providers' teams, Dalberg pushed providers to improve data collection and analysis as well as to identify areas for improvement. As one service provider described it:

> *"Our M&E system was already in place. However, Dalberg works very closely with us and became an integral part of the team's sharing and learning process. We meet quarterly to map, discuss, and address any challenges. This is all reflected in the planning sheet. They adopt a collaborative approach that helps, and a third-party perspective helps, as the team might miss out on something if they tend to always act in the same way by default."*

As for non-DIB causes, Dalberg unlocked processes and a way of thinking that were already inherent to providers' models since service providers already had a fairly high level of capability and commitment to performance management. According to stakeholders, if providers' models had not already been data-driven and characterised by strong M&E systems, results would have been unlikely to materialise.

4.4.1.3 VE DIB

Stakeholders agreed that performance management mechanisms and monitoring systems were strengthened to generate information useful for delivery, which better enabled business mentors to track performance and tailor support. The DIB also catalysed the transition to digitalisation and use of dashboards, which meant staff received data in real-time and in a more accessible way. Stakeholders agreed that the DIB created greater urgency to make these changes. It also created greater demand for data across the organisation; whereas previous programme teams were not fully convinced of the value of M&E data, the DIB incentivised its greater use. These changes were later (following the second DIB cohort) also rolled out to the non-DIB programmes.

4.4.2 Effect 2: Comparison to other impact bonds and PbR projects

Impact bonds seem to drive performance management through several potential mechanisms. Tying financial incentives to verified impact leads to needs for data collection and adaption, as well as an increased awareness of targets.

SIB service providers have frequently put in place improved performance management systems because of these contracting choices. This was observed in the Fair Chance Fund and the Peterborough SIB, where there is also some evidence of these improvements being sustained after the end of the intervention.[38] In the Newpin New South Wales Social Benefit Bond (SBB), the service provider put in place a fully new performance management system which included new tools and practices for monitoring and measurement.[39]

That experience has been similar in DIBs. Through DIBs, service providers have built their capacity for performance management and ability to use data to improve delivery. This has been noted in several DIBs projects like the South Africa ECD Bond and Cameroon Kangaroo Mother Care DIB, according to the wider stakeholder interviews conducted for this evaluation.[40] Stakeholders from the Peru Sustainable Cocoa and Coffee Production DIB stated that the mechanism "influenced an improvement in performance management and monitoring systems, and this learning means that in the next DIB there will be an investment in monitoring tools".[41] Similarly, the Educate Girls DIB introduced performance management systems that resulted in an increase in the analysis and use of data from the field, which also led to a strong system of performance management across other programmes.[42]

Evidence from PbR projects suggests that PbR contracts can also support stronger performance management in some instances. A review of the FCDO funded Girls Education Challenge programme, which was partially PbR funded, found that views were mixed as to whether PbR had strengthened the internal monitoring system, both across the PbR and non-PbR funded organisations. This variation in response was thought to be a result of the broad range of organisations funded, some of which already have strong capacity in this area.[43]

---

[38] ICF. (2019). Evaluation of the Fair Chance Fund Final Report. Ministry of Housing, Communities and Local Government. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/793810/Fair_Chance_Fund_final_report.pdf; Pioneers Post. (2013). Good Deals 2013 SIB Case Study 2: One Service. Peterborough. https://vimeo.com/77489645

[39] Asia Venture Philanthropy Forum. (2018). Pay-For-Success Models in Asia Pacific: The Early Movers.

[40] GO Lab. (2021). Cameroon Kangaroo Mother Care (KMC) DIB. Part Two: Lessons from outcomes based delivery. https://golab.bsg.ox.ac.uk/documents/cameroon_kmc_dib_-_lessons_from_outcomes_based_delivery.pdf

[41] Gustafsson-Wright, E., Bogglid-Jones, I., Segell, D., Durland, J.(2017) Impact Bonds In Developing Countries: Early Learnings From The Field. https://www.brookings.edu/research/impact-bonds-in-developing-countries-early-learnings-from-the-field/

[42] Gustafsson-Wright, E. and Bogglid-Jones, I. (2019b) *Paying for education outcomes at scale in India*. Centre for Universal Education at Brookings. Available at: https://www.brookings.edu/wp-content/uploads/2019/11/Paying-for-education-outcomes-at-scale-in-India-FINAL-FOR-WEB.pdf.; Gallucci, C, Santulli, R., and Tipaldi R. (2019). Development impact bonds to overcome investors-services providers' agency problems: Insights from a case study analysis. DOI: 10.5897/AJBM2019.8817

[43] Holden, J and Patch, J. (2017). The experience of PbR (PbR) on the Girls' Education Challenge (GEC) programmes: Does skin in the game improve the level of play? Girls' Education Challenge. UK Aid. Available at: http://foresgiht.associates/wp-content/uploads/2017/01/2017.01.19-Skin-in-the-game-PbR-on-the-GEC.-Final.pdf

4.5 Effect 3: Providers deliver adaptive management and course correction, supporting innovation

Effect 3 Hypothesis: Traditional grant funded programmes can be inflexible and make it difficult for providers to adapt. Under the DIB, providers have more flexibility and autonomy to deliver what they feel will achieve outcomes. Providers can deliver process and incremental innovation.

4.5.1 Effect 3: Analysis from three projects

Summary: Across all three DIBs, there was evidence that the DIB providers delivered adaptive management and course correction at least to some extent and that this can be linked to innovation because service providers have greater flexibility and autonomy under the DIB model. However, the extent to which this was observed and could be attributed to the DIB model varied across the three different projects.

Table 15 Effect 3

Effect 3: Providers deliver adaptive management and course correction, supporting innovation because they have more flexibility and autonomy			
	ICRC	QEI	VE
DIB effect			
Effect observed in comparator site vs DIB	Observed in both. However, in the comparator this is thought to be due to spillover from the DIB rather than an independent factor.	Somewhat in both	Observed in both, but stronger in the DIB-funded project. However, in the comparator this is thought to be due to spillover from the DIB rather than an independent factor.
DIB drivers	Focus on Outcomes and Greater Accountability (DIB Effect 1) Additional Funding for M&E Systems	Focus on Outcomes and Greater Accountability (DIB Effect 1) Stronger Performance Management (DIB Effect 2)	Focus on Outcomes and Greater Accountability (DIB Effect 1) Stronger Performance Management (DIB Effect 2)
Non-DIB drivers	Existing capabilities and commitment of service provider Longer-term funding and defined project period	Existing capabilities and commitment of service provider	

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.5.1.1 ICRC HIB

The HIB supported adaptive management and course correction through the funding of the DCMS and EIM; once the centres opened, the DCMS (which included piloted EIM indicators) helped centre staff to identify areas of improvement to support efficiency improvements for the SER. However, this aspect of adaptive management and course correction was curtailed for the HIB specifically because most of the project was spent on construction rather than service delivery. Stakeholders agreed that the DCMS and EIM would have been harder to fund outside of a HIB, as funders generally prefer more tangible outcomes. However, ICRC was already committed to using data and meeting the HIB targets, so the impact bond model specifically may not have been necessary to produce this effect.

The HIB also increased flexibility in some areas as compared to similar ICRC projects, especially in relation to budgeting. Compared to ICRC's normal budgeting cycle, there was more flexibility in the HIB budget in some ways, as funding can be transferred between years, and between the IT and activity budget. As one stakeholder noted "*with the HIB, we had the possibility to say we might need to spend a bit more to get things moving but will reduce next year to stay balanced. And we were able to do that*." However, this kind of budget flexibility is not exclusive to the impact bond model but rather a function of a long-term project.

However, there were some notable limitations to this flexibility. For example, the HIB decreased flexibility at the programme level for PRP since ICRC staff and resources were ring-fenced to the HIB centres and could not be moved to meet programme-level priorities as would usually be the case at ICRC. Furthermore, field staff on the ground in each of the HIB locations were limited in their ability to be flexible, as overall project and performance management were held by HQ in Geneva.

4.5.1.2 QEI DIB

Before the DIB, providers were already using data and discussions to adapt interventions to local needs. However, the DIB's focus on outcomes and strengthened performance management further supported course correction and adaptation. Having an external evaluator and clarity about how things were verified and measured – as well as how that linked to payments – helped develop M&E systems and adaptive management processes accordingly.

DIB-related factors positively contributed to flexibility and innovation, while also limiting them to a certain extent. Service providers received flexible funding that allowed them to adjust inputs and activities as needed to achieve the expected outcomes. However, the DIB contract stated that providers' main intervention model could not be radically changed, as the QEI DIB was meant to test and validate existing, proven interventions. Reflections from consultations in 2020 noted that one service provider felt constrained by the DIB's requirements in comparison to non-DIB delivery. By the 2022 consultations, extensive programme and delivery adaptations had been allowed due to COVID-19; however, the same provider still felt the rigid third-party assessment was not flexible enough for their delivery. In addition, the provider stated that the overall targets did not best reflect their model of delivery and the targets were not suitable enough for them to deliver innovation.

Delivery across service providers was conducted in a reactive, adaptive, and needs-based way. This was heightened during COVID-19, where providers needed to respond to ever-changing restrictions and school closures. All service providers praised the flexibility of the consortium to allow and trust service providers to deliver different activities than planned but still with the end of goal of improving access to education. However, this was not unique to DIB delivery, as the QEI DIB service providers reacted consistently across both their DIB and non-DIB delivery during COVID-19.

4.5.1.3 VE DIB

The DIB provided flexibility and afforded autonomy for the team to tailor support to business owners. The DIB initiated the development of the adaptive management systems and process innovations, encouraging longer-term decision making for staff at VE. Further innovations included an increased grant size experiment, the use of mobile money, and Business Mentors being provided with tablets for their field visits. When asked if these innovations would have occurred under normal funding mechanisms, some stakeholders were confident it was the DIB which created a space for these innovations to happen. VE staff claimed that under the DIB, they had the flexibility to develop such mechanisms. As one stakeholder at VE described it:

> *"The innovation was different [during the DIB] because it meant the end justified the means. It gave you space to innovate – it was not restrictive, not putting you in a box. The goal was explained to the team, and saying, 'Ok can you go now and think about how to achieve the goal.' And then the team went off to think about how to achieve the goal."*

4.5.2 Effect 3: Comparison to other impact bonds and PbR projects

There is mixed, but mainly positive, evidence on the extent to which impact bonds have driven adaptation and flexibility in a way that is different to other forms of PbR. As a contracting mechanism, it seems that impact bonds do allow for course correction and innovation and there are several case studies of this occurring. The degree to which this effect plays out may be a factor of the amount of independence given to the service provider.

In the cases of the Peterborough SIB, Ways to Wellness SIB and Youth Engagement Fund,[44] Trailblazers SIB[45] and Fair Chance Fund[46], there is qualitative evidence suggesting that the contracting structure afforded flexibility and freedom leading to innovations in delivery, course correction and adaption. A Colombian SIB targeting labour market involvement found a similar effect on service providers, where adaptions between training cohorts were made to improve trainee retention or learning.[47] Gustafsson-Wright et al. found, however, that few deals had reported using data to make course adjustments along the way.[48]

Experience from the DIBs studied here and others suggests the presence of this effect, to varying degrees. A prime example of course correction comes from the Educate Girls DIB. After challenges getting older girls to enrol, Educate Girls increased their focus on this group and adjusted techniques, which resulted in learning gains for girls.[49] Stakeholders from the Cameroon Kangaroo Mother Care DIB noted that service provider staff had gained capacity to deliver data based adaptive management (though this does not necessarily mean that adaptive management practices occurred during delivery itself).[50]

---

[44] Pioneers Post. (2013). Good Deals 2013 SIB Case Study 2: One Service. Peterborough. Available at: https://vimeo.com/77489645.
[45] Tan, S., Fraser, A., Giacomantonio, C., Kruithof, K., Sim, M., Lagarde, M., Disley, E., Rubin, J. and Mays, N. (2015). An Evaluation of Social Impact Bonds in Health and Social Care, London: PIRU, London School of Hygiene and Tropical Medicine and RAND Europe. http://www.piru.ac.uk/assets/files/Trailblazer%20SIBs%20interim%20report%20March%202015,%20for%20publication%20on%20PIRU%20siteapril%20amendedpdf11may.pdf
[46] ICF. (2019). Evaluation of the Fair Chance Fund Final Report. Ministry of Housing, Communities and Local Government. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/793810/Fair_Chance_Fund_final_report.pdf.
[47] Instiglio. (2017). A Guide for Effective Results-Based Financing Strategies. https://documents1.worldbank.org/curated/en/265691542095967793/pdf/A-Guide-For-Effective-Results-Based-Financing-Strategies.pdf
[48] Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/
[49] UBS Optimus Foundation. (2018) Knowledge is power: The world's first Development Impact Bond in education. Instiglio. https://instiglio.org/educategirlsdib/about-the-dib/; Saldinger, A. (2017). Development impact bonds gain momentum. devex.com/news/development-impact-bonds-gain-momentum-90591
[50] GO Lab. (2021). Cameroon Kangaroo Mother Care (KMC) DIB. Part Two: Lessons from outcomes based delivery. https://golab.bsg.ox.ac.uk/documents/cameroon_kmc_dib_-_lessons_from_outcomes_based_delivery.pdf

The evidence on innovation is more mixed. Gustafsson-Wright et al. point to the fact that none of the impact bonds they reviewed presented truly innovative intervention modalities. However, in some cases SIBs were introduced in new settings or populations.[51]

There is a tension between incentives to innovate and adapt and the risks implied by some forms of PbR. There is good evidence that PbR can drive adaptation and flexibility. PbR contracts can accommodate trial and error to better understand best practice by allowing service providers the flexibility to adapt their approach.[52] However, others found, for example in the Girls Education Challenge, that PbR did not incentivise adaptation, but rather seemed to have led organisations to be more risk averse. Projects noted a tension in being encouraged to adapt while being accountable for contracted, pre-planned output milestones. Many stakeholders also noted that the processes to make changes to milestones and budgets were heavy, which was a significant barrier in adapting.[53] Additionally, PbR providers in the UK have noted that despite the ambition that PbR will drive innovation for social problems that are intractable (such as reoffending), PbR is less likely to drive this type of innovation due to the cost and risk of failure associated with the payment structure.[54]

This would suggest that the transfer of risk away from the service providers in the DIB structure may allow service providers to innovate and adapt more than in PbR projects.

4.6 Effect 4: Greater collaboration between stakeholders

Effect 4 Hypothesis: DIBs bring different stakeholders together, across the public and private sphere and different sectors. There is alignment of interests to achieve the target outcomes, which leads to the sharing of information and expertise that leads to more effective and efficient delivery.

4.6.1 Effect 4: Analysis from three projects

Summary: Both 'wins' and 'losses' for collaboration were identified for all three projects. Looking across the three DIBs, (1) aligned incentives; (2) external perspectives and expertise; and (3) governance structures were all identified as DIB-specific drivers of collaboration. However, in all three of the DIBs stakeholders felt collaboration could have been improved. Furthermore, there were compelling non-DIB drivers that led stakeholders to the conclusion that the limited improvements in collaboration were only somewhat attributable to the DIB model.

[51] Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/

[52] Pritchett, L., Woolcock, M. and Andrews, M. (2013). Looking like a state: Techniques of persistent failure in state capability for implementation. Journal of Development Studies, Vol. 49(1): 1-18.

[53] Holden, J and Patch, J. (2017). The experience of PbR (PbR) on the Girls' Education Challenge (GEC) programmes: Does skin in the game improve the level of play? Girls' Education Challenge. UK Aid. Available at: http://foresgiht.associates/wp-content/uploads/2017/01/2017.01.19-Skin-in-the-game-PbR-on-the-GEC.-Final.pdf

[54] Comptroller and Auditor General. (2015). Outcome-based payment schemes: government's use of payment by results. National Audit Office. https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf

Table 16 Effect 4

Effect 4: Greater collaboration between stakeholders			
	ICRC	QEI	VE
DIB effect			
Effect observed in comparator site vs DIB	Limited collaboration in either, but somewhat more in HIB than standard ICRC PRP programme	Somewhat in both	Yes, though increased under the DIB
DIB drivers	Governance Structure External Perspectives and Expertise Aligned Incentives		
Non-DIB drivers	Noted the governance structure could be delivered without a DIB	Stakeholders with common interest in education	Use of RCT required stronger engagement with local government

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.6.1.1 ICRC HIB

There is some evidence that the HIB led to increases in collaboration among stakeholders beyond the design phase. For instance, outcome funders and investors were convened and updated on progress on a bi-annual basis via the Operating Review Committee Meetings (ORCM) – this level of communication is larger when compared to more standard annual basis for ICRC programming**.** However, stakeholders had differing views on the type of communication that this reporting entailed; ICRC stakeholders found that the bi-annual meetings served the purpose of keeping outcomes funders and investors appropriately appraised and were pleased to see minimal engagement in intervention execution. Some funders and investors, however, found that ICRC seemed to not invite much feedback or input on how to run the HIB during the sessions. However, the HIB was designed for outcome funder and investor input to primarily be at the design stage in setting the outcome and payment targets. As such, the design of the HIB specifically likely minimised the potential for this DIB Effect to develop.

Additionally, there was only limited engagement between the different outcome funders involved in the HIB. FCDO was the only outcome funder who had experience with impact bonds coming into the HIB; all other outcome funders were entirely new to the mechanism. This represents a potential missed opportunity for sharing learnings that might encourage the outcome funders to further explore impact bonds as a funding model and/or more confidently and effectively manage their engagement in impact bonds moving forward.

4.6.1.2 QEI DIB

The DIB facilitated working with several service providers at scale and collaboration between multiple stakeholders. Management and communication between stakeholders was considered good, and providers felt well-supported. This is partially attributable to the DIB, as its focus on outcomes allowed for the alignment of stakeholders' efforts, while the presence and efforts of the intermediary to facilitate coordination and communication between different stakeholders. As one stakeholder noted:

> *"Stakeholders are all different and motivated by their own internal goals, but at the same time connected by a common interest in the overall benefit of the DIB."*

However, as for non-DIB causes, QEI DIB stakeholders were all like-minded and bonded by their common interest in improving educational outcomes for children in India, and their willingness to innovate.

The research did, though, find that collaboration could have been improved at the service delivery level. Stakeholders felt more could have been done to streamline information sharing and ensure all stakeholders could quickly and easily access the information they needed, without necessarily going through an intermediary. One service provider reflected that collaboration between different service providers remained an *"unrealised goal"* of the DIB. In addition, consultations highlighted that more cross-learning opportunities between service providers could have been further incentivised. For attribution purposes, providers were not allowed to bring in other education providers and use their materials – they could only collaborate with other organisations if those organisations worked in different sectors. One interviewee believes that, as a result, the DIB stifled opportunities for collaboration with other NGOs. According to other stakeholders, though, this disadvantage was not too significant.

4.6.1.3 VE DIB

Most stakeholders praised the fact that the DIB was able to bring together many stakeholders and ensure that they were aligned around the outcome focus. As one senior VE stakeholder reflected:

> *"It was the most inspiring project I've ever worked on in my entire career. Saw the unification around the achievement of the outcomes amongst all players – staff all across the organisation, funders – in a way I've never seen before."*

However, stakeholders identified limitations in the collaboration within the DIB. Although one outcome funder noted that the working group set up meant that decision-making was more democratic than under a traditional donor-grantee relationship, several donors and investors stated that because – prior to COVID-19 – there was no investor presence in the working group, VE had to act as a 'middleman' between the investors and the working group, thus creating inefficiencies. Several donors and investors also stated that coming to decisions amongst the large number of parties was inefficient and took far longer than typical grant-based programmes. Primarily because there had been no major issues or negotiations necessary earlier, COVID-19 renegotiations highlighted contractual shortcomings, since it was unclear who held the decision-making power, or if everyone held equal power. Moreover, some donors and investors questioned the value add of the trustee within the DIB, stating that the role added a further layer of inefficiency and complexity without any clear benefits (though some donors did think they played an important and critical role). Similarly, Village Enterprise staff stated that they did not receive adequate support from the trustee regarding contracting and thus were forced to bring in the support of external lawyers.

The use of the RCT also obliged VE to increase engagement with local leaders and government staff due to the use of treatment and control villages. However, after the end of the project, their collaboration with local government largely returned to pre-DIB levels.

4.6.2 Effect 4: Comparison to other impact bonds and PbR projects

Wider evidence also paints a mixed picture with regards to whether impact bonds foster greater collaboration. There is good evidence that increased collaboration has been seen across several SIBs, including the Peterborough Prison SIB, the trailblazers health and social care SIBs, Life Chances Fund and Youth Engagement Fund in the UK[55], a SIB for youth unemployment in South Africa[56] and a preschool education in Utah.[57]

Similarly, there is emerging evidence that this is also the case for DIBs; evidence of this has been observed in the Kangaroo Mothercare Bond and Educate Girls.[58]

However, the Commissining Better Outcomes Fund 3rd Update Report, which examined the advantages and disadvantages of five SIBs in the UK, concluded that the SIB mechanism had led to tension between stakeholders in three of the SIBs, where stakeholders were unable to agree on how to respond to under-performance.[59]

4.7 Negative DIB effects

Summary: The DIBs were specifically designed to avoid potential negative effects and there was no significant evidence of 'cherry picking' or reduction in the quality of support provided as a result of the DIB model in any of the three projects. COVID-19 highlighted that QEI's focus on education outcomes potentially came at the cost of more holistic measures – like socio-emotional wellbeing[60] – but otherwise there did not appear to be any major challenges with 'tunnel vision'. Across the three projects, it seems that the high-pressure environment and new ways of working under the DIBs affected staff morale at least to some extent, although there was not a corresponding issue with higher staff turnover as a result.

[55] Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/

[56] Bogglid-Jones, I. and Gustafsson-Wright, E. (2019). First social impact bond in South Africa shows promise for addressing youth unemployment. Brookings. https://www.brookings.edu/blog/education-plusdevelopment/2019/07/12/first-social-impact-bond-in-south-africa-shows-promise-for-addressing-youthunemployment/

[57] Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/

[58] Ecorys, GO Lab and the World Bank Group. (2022). Using impact bonds in education in low- and middle-income countries: An evidence review. https://documents1.worldbank.org/curated/en/099846504132230407/pdf/IDU02b848900027dd04d480a179090d86b2071a4.pdf; GO Lab. (2021). Cameroon Kangaroo Mother Care (KMC) DIB: Part Two: Lessons from Outcomes based delivery. https://golab.bsg.ox.ac.uk/documents/cameroon_kmc_dib_-_lessons_from_outcomes_based_delivery.pdf

[59] Ronicle, J., Stanworth, N. and Wooldridge, R. (2022). Commissioning Better Outcomes Fund Evaluation: 3rd Update Report. The National Lottery Community Fund https://golab.bsg.ox.ac.uk/documents/CBO-3rd-update-report.pdf

[60] For examples of socio-emotional wellbeing outcome measures, the Turning the Tide SIB included self-perceived improvements in Outcomes Star scores tracked at sign-up and six months later. In this SIB the Outcomes Star measured wellbeing through a numerical Likert scale using the Family Star, with parents exploring domains such as wellbeing, emotional needs, boundaries and family routine, and the My Star with young people exploring domains such as safety, behaviour and confidence. Outcomes were paid for a 0.5 increase in the average score across the 10 Family Star or 8 My Star domains. Before any comparison it is important to note this was a UK based programme and targeted Children Looked After (CLA) or at risk of becoming looked after within the UK care system, so the geographic and thematic contextual differences should be considered.

4.7.1 Effect 5 & 6: Cherry picking and reduction of support quality

Effects 5 & 6 Hypothesis: If the design of the metric is not sufficiently targeted to the intended outcomes, this can inadvertently create perverse incentives. For example, service providers may focus on the easiest cases (those more likely to achieve the expected outcomes) or neglect certain populations that are harder or more expensive to reach, also known as 'cherry picking' or 'creaming'. Service providers may also change the quality of support, including the level, quality, and/or range, in ways that increases the achievement of the target linked to payment, with negative effects for the underlying intended outcomes.

Please Note: *The rating identifies the extent to which the effect was present, not whether it had a positive effect (i.e., red means that negative effects were not present).*

Table 17 Effects 5 & 6

DIB effect	ICRC	QEI	VE
Effect 5: Cherry picking of participants from target population	🔴	🔴	🔴
Effect 6: Quality of support reduced	🔴	🔴	🔴

Key: 🟢 Hypothesised DIB effect observed and attributable to the DIB; 🟠 Hypothesised DIB effect observed and/or somewhat attributable to the DIB; 🔴 Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.7.1.1 ICRC HIB

There was no evidence that centres cherry picked patients or took shortcuts that could have reduced quality to favour efficiency. In fact, some stakeholders reflected that the HIB did not substantially change ways of working and instead served as way to remind staff of priorities. The added value of DCMS in this area was also noted; staff reflected that the step-by-step methodology required by DCMS reduced human error by ensuring that staff could not accidentally overlook components of service provision.

4.7.1.2 QEI DIB

The DIB was explicitly designed to avoid cherry picking, and this appears to have been effective. The evaluation sampled schools – not children – and tests were designed in a way that allowed testing of all students, from low to high performers; this guaranteed that providers did not know who was going to be assessed and were not incentivised to recruit specific students. Additionally, the quality of services improved.

4.7.1.3 VE DIB

Cherry picking of the target population was avoided as the DIB implemented a robust targeting approach that identified eligible programme participants. Due to the need for control and treatment villages for the RCT, Business Mentors undertook poverty assessments to understand community and personal wealth. Using poverty probability index surveys, Business Mentors spoke with communities and households to help create wealth rankings. In turn, 60 of the 70 poorest households in each village were selected to participate. This approach differs somewhat from that taken under the core programme, where all extreme poor households within a village are supported in a cycle, which each contain 60 households that are selected from the pool of the extreme poor by Business Mentors.

There was also no indication that the DIB model adversely affected the quality of support received by participants in villages selected for the DIB. Stakeholders were of the view that the quality of support increased, as the performance management measures introduced enabled Business Mentors to be more responsive to business needs and provide more tailored support.

4.7.1.4 Effect 5 & 6: Comparison to other impact bonds and projects

The evidence of cherry picking and reduction of support quality linked to impact bonds is mixed. A review of different types of output-based aid in education suggests that none of the education impact bonds to date had shown "teaching to test" behaviour or cherry picking.[61] Many of these projects – like QEI, Educate Girls and the Impact Bond Innovation Fund – made deliberate attempts to avoid gaming.[62] Some SIB evaluations have identified cherry picking and parking, but these effects have generally been at the margins.[63] [64] [65]

These is mixed evidence on PbR projects leading to negative effects. Holden and Patch noted that some programme staff in the field felt the PbR created perverse incentives to prioritise short term over long term.[66] Literature reviews have found that RBF health programmes tended to focus on easier to measure outcomes at the expense of harder to measure outcomes such as health systems strengthening.[67] On the other hand, Clist's review of FCDO PbR evaluations found that in a vast majority of cases, there was no evidence of cherry picking or gaming.[68] However, the difference in evidence between PbR and impact bonds could be because there are more PbR projects than impact bonds, and so it is more likely that negative effects will be identified.

---

[61] Results for Development Institute. (2016) Paying for Performance: An Analysis of Output-Based Aid in Education. https://www.gprba.org/sites/gpoba/files/Docs/Paying_for_Performance_-_An_Analysis_of_Output-Based_Aid_in_Education_R4D_Final.pdf
62 Ecorys, GO Lab and the World Bank Group. (2022). Using impact bonds in education in low- and middle-income countries: An evidence review. https://documents1.worldbank.org/curated/en/099846504132230407/pdf/IDU02b848900027dd04d480a179090d86b2071a4.pdf
[63] Ronicle, J., Fox, T., Stanworth, N. (2016). Commissioning Better Outcomes Fund Evaluation Update Report. https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-Update-Report_Full-Report.pdf?mtime=20190215124522&focal=none

[65] Ronicle, J. and Smith, K. (2020). Youth Engagement Fund Evaluation. Fina Report. Ecorys. Available at: https://www.gov.uk/government/publications/youth-engagement-fund-evaluation-final-report.
[66] Holden, J and Patch, J. (2017). The experience of PbR (PbR) on the Girls' Education Challenge (GEC) programmes: Does skin in the game improve the level of play? Girls' Education Challenge. UK Aid. Available at: http://foresgiht.associates/wp-content/uploads/2017/01/2017.01.19-Skin-in-the-game-PbR-on-the-GEC.-Final.pdf; Upper Quartile. (2015). Final Evaluation Report: Evaluation of Results Based Aid in Rwandan Education. Institute of Policy Analysis and Research – Rwanda. Available at: http://iati.FCDO.gov.uk/iati_documents/5549076.pdf.;Cambridge Education. (2015). Evaluation of the Pilot Project of Results-Based Aid in the Education Sector in Ethiopia – Final Report EC 2004 - 2006. http://iati.dfid.gov.uk/iati_documents/5608531.pdf
[67] Grittner, A. (2013). Results-based Financing. Evidence from performance-based financing in the health sector. Bonn: Deutsches Institut fuer Entwicklungspolitik; Norwegian Knowledge Centre for Health Services (NKCHS). (2008). An overview of research on the effects of results-based financing. Oslo: NKCHS.; DFID. (2016). Annual Review of WASH Results Programme 2016 Annual Review. http://iati.dfid.gov.uk/iati_documetns/5498698.odt
[68] Clist, P. (2017). "Review of PbR" in DFID (ed.) Establishing the Evidence Base.

4.7.2 Effect 7: Tunnel vision

Effect 7 Hypothesis: Focus on primary outcomes that have payments attached to then, at the expense of secondary, un-monetised outcomes.

Please Note: *The rating identifies the extent to which the effect was present, not whether it had a positive effect (i.e., red means that negative effects were not present).*

Table 18 Effect 7

DIB effect	ICRC	QEI	VE
Effect 7: Tunnel Vision			

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.7.2.1 ICRC HIB

There was no evidence that focusing on the outcome measure generated tunnel vision. There is some evidence that ICRC was not only focused on the primary outcomes linked to payments but remained open to identifying opportunities for project co-benefits. For example, ICRC used its own funds to cover unforeseen expenditure on the DCMS, even though it considered it would be possible to meet the outcome metric without the DCMS. This was because the DCMS had wider benefit for ICRC's PRP.

4.7.2.2 QEI DIB

Some stakeholders were concerned that the DIB only measured Maths and Literacy learning outcomes, which could lead to 'teaching to the test' and less of a focus on wider children's outcomes. According to one service provider, the DIB *"can be restrictive, leaving no spare time to think about and explore different areas, for example socio-emotional learning, gender, domestic violence, as the team is too focused on DIB tasks and requirements".* However, this risk was not just limited to the DIB; as one outcome funder put it:

> *"The risk of teaching to test concerns the wider education sector, not just the DIB. How do you get schools and government to teach for children to really understand the issue, rather than just to pass the test?"*

Stakeholders introduced elements to try to reduce this risk, including incentivising a focus on classroom-level improvement, introducing a test designed to assess skills gained rather than rote-memorised tasks and not showing the tests to providers and teachers in advance. Nonetheless, it seemed like this risk remained. According to one manager, the DIB could be restrictive, with performance management efforts and recommended solutions being mainly focused on learning outcomes. With the COVID-19 pandemic, this concern heightened; service providers felt that socio-emotional learning targets were missing in the outcome measures. However, outcome funders did allow service providers to channel DIB funding into such activities – though the targets for learning and enrolment remained the primary outcomes. As one of the project leads reflected:

> *"Targets can be motivating, but ultimately the real effect is the non-measurable outcomes, like confidence and emotional learning."*

4.7.2.3 VE DIB

The outcome measure in VE, which was tied to both consumption and assets, was deliberately designed to capture a broad definition of poverty alleviation, and therefore minimise the risk of focusing on particular specific outputs or outcomes. Furthermore, the programme continued to focus on wider aspects of support to Business Owners which did not directly impact their consumption or assets; for instance, providing trainings on topics such as hygiene, community building, and personal relationships – all of which were widely praised by the Business Owners during focus group discussions.

4.7.2.4 Effect 7: Comparison to other impact bonds and projects

The literature on PbR schemes notes the potential to create tunnel vision due to focusing on a narrower set of outcomes.[69] A study on quality of care PbR interventions in Ivory Coast found that the norm-setting power of outcome metrics had led to forms of tunnel vision ("Providers demonstrated a tendency to think about quality of care only around the "box" created by PBF, which has real adverse consequences").[70]

However, there is little evidence of this occurring within other impact bond projects.[71]

4.7.3 Effect 8: Lowers staff morale

Effect 8 Hypothesis: Performance management culture lowers staff morale, negatively affecting delivery, for example, by increasing staff turnover or demotivating staff.

Please Note: *The rating identifies the extent to which the effect was present, not whether it had a positive effect (i.e., red means that negative effects were not present).*

Table 19 Effect 8

DIB effect	ICRC	QEI	VE
Effect 8: Lowers staff morale			

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

[69] Alenda-Demoutiez, J. (2020). A fictitious commodification of local development through development impact bonds? Journal of Urban Affairs, 24(6): 862-906. https://www.tandfonline.com/doi/epub/10.1080/07352166.2019.1581029?needAccess=true
[70] Duran, D. (2019). " Strengthening Financial Incentives to Improve the Quality of Primary Care in Cote d'Ivoire". Dissertation. https://dash.harvard.edu/handle/1/40976810?show=full
[71] Ecorys, GO Lab and the World Bank Group. (2022). Using impact bonds in education in low- and middle-income countries: An evidence review. https://documents1.worldbank.org/curated/en/099846504132230407/pdf/IDU02b848900027dd04d480a179090d86b2071a4.pdf

4.7.3.1 ICRC HIB

While at design stage there were some frustrations and challenges among staff and with staff morale, these were not substantial. Stakeholders had mixed opinions on whether the HIB affected staff morale. Some felt that the HIB represented a significant shift in terms of ways of working, and this may have generated some tension among in-country ICRC staff. However, other stakeholders noted that centre staff were very keen and motivated because the outcome metric helped them understand what they were being pushed to do.

Generally, stakeholders reported that staff motivation in the centres was high, but this seems linked to opportunities with the programme like opportunities to train abroad, high-quality equipment, and DCMS rather than anything linked specifically to the impact bond mechanism. However, the available evidence suggests that in many cases frontline staff in the centres were not thoroughly trained on the SER or the impact bond mechanism; very few of them knew how, or even if, the project was being verified. This represents a potential missed opportunity for boosting staff morale and sense of mission. Though, it is worth noting that in our impact bond research we have found staff to have mixed awareness of the impact bond mechanism – in some impact bonds staff are aware of the impact bond mechanism; in other impact bonds stakeholders choose not to tell staff, for fear that it will lead to perverse incentives.

4.7.3.2 QEI DIB

According to most stakeholders, working on the DIB boosted staff morale. From management to the field team, staff members were motivated to perform, showing solution-orientation. DIB visibility and the high stakes environment motivated providers to perform. In addition, all providers felt adequately supported by the performance manager and proactively asked for Dalberg's help to improve their performance. However, there was some indication that the DIB had affected staff morale; some staff members and teachers had complained that although they made a great effort to comply with stricter DIB requirements, they received the same salary as before.

4.7.3.3 VE DIB

Most of the VE staff consulted with mentioned that the DIB led to increased pressure as a result of several factors. Most prominently, VE stakeholders felt that the DIB was their chance to prove their impact during a time when they believed there would be increased attention on the organisation (because of the DIB); one therefore stated: *"We had to obtain impact under the DIB by any means"*. Stakeholders reported that the pressure was particularly high during the early cohorts of the DIB, when everything was completely new to the staff, and it took some time to get their heads around it; several stated that they feared losing their jobs if they failed. A couple of staff said that this pressure negatively impacted them because it led to higher levels of stress, however the vast majority stated that they found the pressure to be motivating. Staff also revealed that the DIB provided them with assurance of work because it was 2.5 years long and it also led to new employment opportunities such as the 'DIB Coordinator' role, which provided the possibility for promotion.

One aspect of the DIB programme which the staff did reflect negatively on was the use of control villages lined to the RCT: most staff – particularly field staff – felt that the use of control villages was ethically wrong. They stated that they did not like having to go into villages and conduct the targeting when the villagers might not get access to the programme, and they said that because of poor communication, it was not clear to them if they would be returning to the control villages in the future, which made it challenging for them to know what to say to the individuals in the control villages. However, these issues are not necessarily unique to the DIB but rather the RCT.

4.7.3.4 Effect 8: Comparison to other impact bonds and project

Service providers within impact bonds have reported that increased pressure to achieve outcomes can affect staff morale and lead to higher levels of staff turnover. Evaluations of the Asháninka Impact Bond in Peru mirrored evidence from SIBs in relation to how over-optimistic outcome targets can lead to – or exacerbate – negative tensions among staff.[72]

This appears to have been the case in some PbR projects as well. For example, in one Zimbabwean PbR project, staff reported more likely to suffer burnout.[73] A study on PbR targeting quality of care in Afghanistan found that the PbR mechanism had negative effects on staff motivation.[74]

4.8 Effect 9: Increased efficiency and effectiveness

4.8.1 Effect 9: Analysis from three projects

Summary: Across all three DIBs, there was evidence of increased efficiency and/or effectiveness and that this was at least partly due to the DIB model specifically. This was driven by other, previously discussed DIB effects and factors, including focus on outcomes and greater accountability (DIB Effect 1); strengthened performance management (DIB Effect 2); and adaptive management and course correction (EIB Effect 3). However, several key non-DIB drivers appear to have also contributed to this change.

[72] Clarke, L., Chalkidou, K., and Nemzoff, C. (2018).'"Development Impact Bonds Targeting Health Outcomes" CGD Policy Paper. Center for Global Development. https://www.cgdev.org/publication/development-impact-bonds-targeting-health-outcomes

[73] Kandpal, E. (2016). Completed Impact Evaluations and Emerging Lessons from the Health Results Innovation Trust Fund Learning Portfolio. World Bank Group. Available at: https://www.rbfhealth.org/sites/rbf/files/IE%20and%20emerging%20lessons_Eeshani%20Kandpal.pdf.

[74] Dale, E. M. (2014). Performance-based payments, provider motivation and quality of care in Afghanistan. Performance-based payments, provider motivation and quality of care in Afghanistan. https://jscholarship.library.jhu.edu/bitstream/handle/1774.2/37010/DALE-DISSERTATION-2014.pdf

Dale, E.,M. (2014). "Performance-based payments, provider motivation and quality of care in Afghanistan". Dissertation. https://jscholarship.library.jhu.edu/bitstream/handle/1774.2/37010/DALE-DISSERTATION-2014.pdf

Table 20 Effect 9

Effect 9: Increased efficiency and effectiveness, leading to increased number of beneficiaries supported and outcomes achieved			
	ICRC	QEI	VE
DIB effect			
Effect observed in comparator site	Observed in both. However, in the comparator this is thought to be due to spillover from the DIB rather than an independent factor.	Somewhat in comparator site	Observed in both, although stronger in the DIB-funded project. However, in the comparator this is thought to be due to spillover from the DIB rather than an independent factor.
DIB drivers	Focus on Outcomes and Greater Accountability (DIB Effect 1) Strengthened Performance Management (DIB Effect 2) Adaptive Management and Course Correction (DIB Effect 3) Additional Funding for M&E Systems	Focus on Outcomes and Greater Accountability (DIB Effect 1) Strengthened Performance Management (DIB Effect 2) Adaptive Management and Course Correction (DIB Effect 3) External Performance Manager	Focus on Outcomes and Greater Accountability (DIB Effect 1) Strengthened Performance Management (DIB Effect 2) Adaptive Management and Course Correction (DIB Effect 3)
Non-DIB drivers	Novelty Longer-term funding and defined project period Commitment of service providers	Novelty Long-term, stable funding Upfront capital and flexible funding Commitment of service providers	Novelty Streamlined Reporting Commitment of service providers

Key: Characteristic observed and attributable to the DIB; Characteristic somewhat observed and/or somewhat attributable to the DIB; Characteristic not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.8.1.1 ICRC HIB

The results suggest that the HIB is supporting efficiency improvements, and the development of DCMS and EIM mean that the investments made with the HIB could have longer-term spill-over effects on efficiency across ICRC's PRP. Considering the respective weight of the different centres, the DIB centres are on average 9% more efficient than the baseline, resulting in the programme's Outcome Measure of 1.09.

On an individual centre-level, the SER was below the baseline value (1.0) in both Mopti and Maiduguri; the reason the overall Outcome Measure was over 1.0 was because of high performance in Kinshasa. However, during the first three years of the project, the ICRC worked with eight existing physical rehabilitation centres[75] to test a range of Efficiency Improvement Measures (EIM). The new DCMS tool was also rolled out in these centres – which

[75] Centre d'Appareillage de Madagascar (Madagascar) ; Centre National d'Appareillage Orthopédique de Lomé (Togo) ; Centre National d'Appareillage Orthopédique du Mali (CNAOM) (Bamako, Mali) ; Hôpital National de Niamey (Niger) ; Hôpital National de Zinder (Niger) ; Hpa-An PRC (Myanmar) ; Muzaffarabad PRC (Pakistan) ; Kompong Speu PRC (Cambodia)

included, where relevant, the tested EIM – and over the course of those three years, the average SER in these test centres increased by over 30%. It is possible that the DIB centre SER could increase to 30% over a three-year period, but this was not met in the approximately one year of implementation measured for the outcome metric. This suggests that the DIB's focus on outcomes (DIB Effect 1), specifically as it manifested in investment in DCMS and EIM, and the knock-on effect of this in terms of strengthening performance management (DIB Effect 2) and adaptive management (DIB Effect 3) supported increased efficiency.

However, there are a couple of key points to consider in relation to this. Firstly, the SER improvement in non-DIB centres suggests that change for both DIB and non-DIB centres can be attributed – at least in part – to systems funded by the DIB rather than to the specific DIB model itself. Alternatively, the SER may be a poor metric to capture the specific value added by the DIB. Secondly, the set outcome metric did not actually focus on effectiveness or supporting an increased number of beneficiaries. Although ICRC's summary report for the HIB reflected that 2,888 people had been supported between the opening of the new centres and 13 June 2022, the design of the HIB and SER meant that number of beneficiaries supported was a secondary concern to centre efficiency as measured by the SER, although the SER was also a function of the number of beneficiaries serviced in relation to the number of centre staff members.

4.8.1.2 QEI DIB

The results achieved through the DIB exceeded providers' historical performance. Learning outcomes were outstanding, with all providers that had been evaluated overachieving in Year 2 and outperforming comparison schools in Maths and Language. These achievements continued through Years 3 and 4, with service providers exceeding the revised COVID-19 targets as well as the original targets intended to be met before the pandemic. At provider level, two interventions did not meet targets but two significantly overperformed, so overall, the QEI DIB overperformed and students learnt on average two and a half times more than the control group.

This primarily occurred as a result of the other DIB effects; a focus on outcomes and greater accountability (**DIB Effect 1)** supported a stronger culture of monitoring and evaluation, which – especially with the support of external performance management through Dalberg – facilitated strengthened performance management (**DIB Effect 2**) and adaptive management and course correction (**DIB Effect 3**). However, several factors not specifically attributable to the DIB model appear to have played a role in increasing effectiveness – namely, the long-term, stable funding through the DIB enabled providers to focus on improving performance rather than fundraising.

4.8.1.3 VE DIB

The focus on outcomes (**DIB Effect 1**) as well as adaptive management and course correction (**DIB Effect 3**) resulted in clear effectiveness and efficiency gains through the DIB. Stakeholders commented on the 'laser focus' on outcomes during the DIB, which led to efficiency improvements because staff were working with greater intentionality. As one business mentor noted:

> *"The DIB was an eye opener – we might not have been doing things in the right way before but the DIB streamlines everything to ensure we are and from that we have seen a lot of successes."*

The adaptive management system (**DIB Effect 2**) supported innovations that led to clear efficiency gains; for example, it provided Business Mentors with real time data, allowing them to more effectively plan their time and target businesses that were struggling. Similarly, the introduction of mobile money improved efficiency by allowing Field Associates to send grant money to businesses without having to travel to the field.

However, the DIB did have some limitations regarding effectiveness and efficiency as compared to VE's non-DIB work. For example:

- **Targeting Approach:** The targeting approach introduced to provide control villages was regarded as far more time-consuming
- **Model complexity:** The complexity of the DIB model required stakeholder groups to take extra time – particularly in the early stages of the project – to understand the different elements of it, especially the outcome payment formula
- **Number of stakeholders:** Individuals from all stakeholder groups commented on the time taken to come to decisions since there were so many voices present in discussions
- **Adapting to innovations:** some of the innovations introduced during the DIB resulted in increased resource requirements.

4.8.2 Effect 9: Comparison to other impact bonds and PbR projects

The evidence on the effect of impact bonds on overall outcomes is limited. This is mainly due to methodological challenges of establishing rigorous comparisons between different funding structures, as well as the small number of studies comparing the use of impact bonds, other forms of PbR and grant funding.[76]

Some SIBs have contributed to reaching more beneficiaries, for example the Peterborough SIB,[77] the Fair Chance Fund and the Youth Engagement Fund.[78] However, an independent review of four SIBs argued that, on current evidence, a SIB model was no more effective than other forms of outcome-based commissioning and PbR. While interviewees noted that private sector investor involvement in SIBs did lead to greater degrees of oversight and accountability, it is unclear that this led to service innovation that would not otherwise have been present through other funding models.[79]

Findings for completed DIBs is mixed. Educate Girls surpassed both outcome targets. However, a CGD fellow noted that while results seem "*reasonably comparable to other programs*" it "*doesn't sound revolutionary for 3 years*," and are "*hardly unprecedented for a pilot*," noting several examples of other organisations showing bigger learning gains.[80]

Evidence for PbR projects is mixed. Some reviews have found that PbR can increase quality, access and use, with some studies estimating that PbR can double aid effectiveness.[81] A 2010 PbR review showed that a total of 85% of PbR projects achieved or overachieved desired results within or below budget, compared to 49% of traditional projects.[82] However, Perrin found that most results relate to access rather than health or final outcomes and tend to be short term in nature.[83] There is also limited evidence that this is due to the PbR mechanism; most studies focused on whether results were associated with PbR rather than whether they were due to the use of

[76] Fraser et al., 2018; Mason, P., Lloyd, R. and Nash, F. (2017). Commissioning Social Impact Bonds (SIBs) Learning from the Qualitative Evaluation of the London Homelessness Social Impact Bond. Department for Communities and Local Government. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/658939/Commissioning_Social_Impact_Bonds.pdf ; Thomas, A. and Griffiths, R. (2014). Innovation Fund pilots qualitative evaluation. Early implementation findings. Department for Work and Pensions.
[77] UK Ministry of Justice. (2013) Statistical Notice. Interim re-conviction figures for the Peterborough and Doncaster Payment by Results pilots. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/206686/re-conviction-results.pdf
[78] Ronicle, J. and Smith, K. (2020). Youth Engagement Fund Evaluation. Final Report. Ecorys. Available at: https://www.gov.uk/government/publications/youth-engagement-fund-evaluation-final-report.
[79] Edmiston, D. and Nicholls, A. (2017). Social impact bonds: The role of private capital in outcome-based commissioning. Journal of Social Policy, 47(1), 57-76. https://doi.org/10.1017/S0047279417000125.
[80] https://www.devex.com/news/the-educate-girls-dib-exceeded-its-goals-how-did-they-do-it-and-what-does-it-mean-93112
[81] Bernal, P., Celhay, P. and Martinez, S. (2018) Is Results-Based Aid More Effective than Conventional Aid? Evidence from the Health Sector in El Salvador. Inter-American Development Bank Social Protection and Health Division.
[82] Pearson, M., Johnson, M. and Ellison, R. (2010) Review of major Results Based Aid (RBA) and Results Based Financing (RBF) schemes. DFID Human Development Resource Centre. Available at: https://assets.publishing.service.gov.uk/media/57a08afb40f0b652dd000a04/Results-Based-Financing-Schemes_Report.pdf.
[83] Perrin, B. (2013). Evaluation of PbR (PbR): Current Approaches, Future Needs: Report of a Study Commissioned by the Department for International Development.

PbR. It is very difficult to say whether this is due to the focus on results or simply the funding, and difficult to refute the hypothesis that alternative approaches could not have delivered equally promising results.[84]

4.9 Spillovers & sustainability

The DIB effects focus on the effects at the intervention level. However, across the three DIBs stakeholders reported several spillover effects at the organisation level and wider ecosystem level. These are detailed below. During Research Wave 3, we focused on how spillovers that have been identified throughout DIB design and implementation relate to sustainability and lasting organisation and ecosystem-level effects of the DIBs.

Table 21 Spillovers and sustainability

Spillover Effect	Summary	ICRC	QEI	VE
Organisation Level				
Rolling out of processes and learning				
Increased visibility				
Diverting of attention				
Ecosystem Level				
Capacity strengthening to deliver DIBs				
Increased stakeholder interest in DIBs				
Contributions to the evidence base				

Key: Hypothesised DIB effect observed and attributable to the DIB; Hypothesised DIB effect observed and/or somewhat attributable to the DIB; Hypothesised DIB effect not observed and/or not attributable to the DIB. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.9.1 Organisation level

Three main organisation-level spillover effects were identified across the three DIBs: rolling out of processes and learning; increased visibility; and diverting of attention, with the first two being positive DIB effects and the latter being a negative DIB effect.

4.9.1.1 Rolling out of processes and learning

One category of spillover effects at the organisation level includes processes and learnings from the DIBs being rolled out by DIB stakeholders. Many stakeholders viewed this aspect as key to the success of the use of a DIB. As one outcome funder noted:

"The good stuff from this bond is when it infects other projects, that's when it has good success."

[84] Pearson et al., 2010.

Across all three DIBs, service providers noted that they were transferring lessons from the DIB to their non-DIB programmes, which suggests that these changes show potential for sustainability:

- **ICRC HIB:** Spillover was built into this HIB through plans to test and then expand the DCMS and EIM to non-HIB facilities. Efficiency improvement measures and the DCMS were initially tested in HIB sites and subsequently rolled out to other PRP ICRC sites. This has enabled a better understanding of and focus on efficiency across non-HIB sites.

- **QEI DIB:** Regular senior and field staff meetings enabled service providers to transfer learnings from the DIB to non-DIB programmes. Examples of the type of learning shared included: MIS data analysis and use; performance tracking; quarterly reporting systems; and safeguarding policies and practices. There appears to have been some transfer of management practices as well, such as a greater focus on outcomes, and learning on data analysis and use, performance tracking, and quarterly reporting systems; however, the evidence for this is not strong.

- **VE DIB:** At the time of fieldwork (July 2022), sustained spillover effects were still clear in VE, even almost two years after the close of the DIB. Delivery innovations brought in to attain outcomes within the DIB were retained and scaled to the core (non-DIB) programme. These innovations included mobile money transfers and the use of tablets. The adaptive management system, a key innovation established during the DIB programme, was rolled out across all VE's programming. There was a cultural shift within the wider organisation towards more outcomes-focused approaches. Stakeholders felt that the DIB also set a new standard for what can be achieved through VE's programmes, and this had led to permanent changes, such as the setting of increased savings targets for saving groups.

The extent to which strengthened performance management systems spill over and become sustainable after the end of the programme has important implications for the value and relevance of a DIB, as it suggests the benefits extend beyond the lifetime of the project.

4.9.1.2 Increased visibility

The second category of spillover effects at the organisational level is increased visibility from involvement in the DIB. VE stakeholders found increased name recognition and visibility for the organisation, which country staff in Kenya felt was at least partly responsible for new partnerships formed with large corporations.[85] QEI consortium also found reputational benefits. For example, BAT rose to greater prominence in the outcome-based space; SARD was liaising with the government to expand its activities and develop content and curriculum for different Indian states; and CGI also acquired significant visibility in the market. For both service providers and the QEI consortium, the positive evidence gathered through the outcomes evaluation, comparator data and learning on delivery increased the visibility of the application of DIBs in education in India, specifically in EdTech and post-COVID learning recovery. ICRC already had high levels of visibility in the humanitarian aid sector; however, designing and delivering the first ever humanitarian impact bond does appear to have supported their visibility and credibility as a player in the field of innovative finance.

[85] Instiglio. 2018. The Village Enterprise Development Impact Bond Process Review: From Concept to Launch. https://aidstream.org/files/documents/Village-Enterprise-DIB-Process-Review_Concept-to-Launch-(July2018)_compressed-20190405060424.pdf

4.9.1.3 Diverting of attention

The final category relates to a potential negative spillover. There is some indication that the high stakes environment diverted attention to the DIB-funded interventions, which may potentially have a negative impact on the non-DIB funded interventions. This potential negative spillover is unlikely to affect service providers beyond the end of the DIBs, but it is something to consider with future design and implementation of DIBs.

Stakeholders associated with both the VE DIB and ICRC HIB identified diverting of attention away from non-DIB projects as an issue. In the case of ICRC, stakeholders noted that, especially during the design phase, the PRP team spent a lot more time on the HIB funded interventions, which would have been unsustainable if equal amounts of time were spent across the other PRP centres. In the VE DIB, the 'laser focus' on ensuring that outcomes were met, together with the high pressure on staff to ensure that the programme was successful due to the perceived reputational risk, reportedly led to some staff prioritising DIB activities over their wider workload. As one VE stakeholder shared:

> *"Everyone wanted to do the DIB, so they weren't paying as much attention to the core programming. They [core service users] absolutely got much less attention."*

This issue was exacerbated by the targeting approach of the VE DIB, which required field staff to move across regions rather than moving between adjacent villages, which led to some core programme service users only being able to reach their mentors by phone rather than in person.

However, with QEI, although stakeholders noted that the high-stakes environment created pressure around delivery of the DIB, the DIB does not appear to have diverted focus from non-DIB delivery. As service providers were well established in delivering interventions in the education space, their non-DIB interventions remained accountable to other funders and therefore also had to remain on track for delivery or meeting outcomes targets for payment in some cases.

4.9.2 Ecosystem level

There are also a range of spillover effects related to building the innovative financing space and the respective sectors of the DIBs. Given the relative scarcity and newness of DIBs, these programmes functioned as test-runs and pilots for this outcome structure in general. Therefore, these programmes – and any spillovers, particularly if they are sustainable – are highly relevant to the ecosystem.

4.9.2.1 Capacity strengthening to deliver DIBs

Many stakeholders – including service providers, outcome funders, and investors – across the three projects have strengthened their capacity to be involved in DIBs, which could have ecosystem-level effects moving forward. This is relevant at an ecosystem level given the novelty of the structure and challenges with bringing all stakeholders up to speed. For example, senior stakeholders at VE believed that they could be 'their own project manager' should they participate in another DIB. However, the ecosystem-level value of this capacity building is dependent on sustained interest in the DIB model and/or innovative finance more generally by involved stakeholders.

4.9.2.2 Increased stakeholder interest in DIBs

The DIBs sustained stakeholder interest in innovative financing mechanisms; however, some stakeholders were unconvinced about the unique value added of impact bonds. The novelty of the DIB mechanism – plus some DIB-related characteristics, such as increased engagement with certain actors – appears to have generated increased interest in innovative finance. ICRC outcome funders indicated that their experience with the HIB convinced them about the potential of outcome-based funding and added to institutional interest in innovative financing mechanisms, especially as decreasing aid budgets build interest in opportunities for risk distribution. However, neither outcome funders nor ICRC themselves appear to be convinced about the unique value of impact bonds specifically. Some stakeholders indicated that they really valued working alongside private sector investors because of their 'obsession to have an impact' but were not convinced that the hands-off model used for managing the HIB was the best way to capitalise on that benefit. Other stakeholders felt that they had not seen enough evidence about the value of private sector involvement and the pay-off for resources spent attracting private sector capital. As one outcome funder put it:

> "*ICRC hasn't given us a justification for the added value of private sector inclusion. What were the additional costs of attracting private capital – when is that justified? They haven't been able to come up with a clear answer about the criteria for choosing impact bonds as a model that justify the additional cost."*

QEI DIB stakeholders have since launched three outcomes-focused funds – the Skill Impact Bond, Back-to-School Outcomes Fund, and Bharat EdTech Initiative – using the same consortium setup and building on learnings from QEI. The Indian Government has shown an increased interest in outcome-based interventions and willingness to partner with NGOs in education delivery; they have partnered with both BAT and MSDF on the Skill Impact Bond with the National Skill Development Corporation (NSDC). This engagement could be key to ensuring long-term success through wider policy change. However, at the service provider level, there were mixed feelings on the specific usefulness of impact bonds moving forwards; providers stated that they only saw impact bonds as a different type of funding stream rather than something uniquely effective and that they would equally apply for impact bonds as much as grants to secure the necessary funding in the future.

Opinions differed between stakeholder groups on the VE DIB. In-country VE staff spoke highly of the DIB mechanism and shared their hopes of getting involved in further DIBs in the future. Senior VE staff provided similar positive feedback on the DIB, but did not differentiate between different forms of RBF, saying that payments tied to outcomes and third party verification of these outcomes were the important ingredients that they would seek in the future – as one put it: "*In five years' time we hope that all of our programming has at least an element of payment by results attached to it."* As such, VE were already exploring further opportunities to pursue RBF work, although not DIBs specifically. On the other hand, although some investors on the VE DIB were satisfied with the results achieved and the outcomes focus during DIB, they stated that they remained unconvinced of the DIB's cost effectiveness given the high administration costs and the complexity of the mechanism. As such, they said that they would not actively seek out other DIBs in the future but would not automatically rule them out either.

4.9.2.3 Contribution to the evidence base

The DIBs have contributed to the evidence base on this innovative financing mechanism. This was an objective for many stakeholders involved in the programmes. Building reliable evidence on the effects of DIB financing on programmatic outcomes is seen as a priority in the innovative financing community.[86] However, there is still a need to continue to expand the evidence base and clarify attribution.

4.10 Conclusions

Sections 4.3-4.9 all provide evidence about how the DIB model affected the delivery, performance, and effectiveness of the three funded projects as well as the observed spillover effects that have affected and may continue to affect involved stakeholders as well as development interventions more broadly. This conclusion uses this evidence to reflect on three key evaluation questions from the evaluation framework, namely:

- To what extent were the three DIB projects successful in realising their aims, outputs, outcomes, and impacts?
- To what extent was the level of success and failure due to the DIB model? Was the DIB model a small, medium, or large driver of success and was it at all critical to the projects' overall performance?
- Where was the DIB model most effective – was its greatest value in terms of the design, delivery, relationship development, cost effectiveness, time efficiency, or impact on beneficiaries?

4.10.1 To what extent were the three DIB projects successful in realising their aims, outputs, outcomes, and impacts?

As set out in the table below, stakeholders had several aims of using the DIB. Most of these original aims were achieved, at least to some extent.

[86] Clarke, Lorcan; Chalkidou, Kalipso; Nemzoff, Cassandra. 2018. Development Impact Bonds Targeting Health Outcomes. CGD Policy paper. https://www.cgdev.org/publication/development-impact-bonds-targeting-health-outcomes

Table 22 DIB aims and extent to which these materialised

Aims	Extent to which this has materialised	
ICRC HIB		
Test a new funding mechanism and build ICRC's capacity to access innovative financing.		The HIB funding mechanism was tested across a programme successfully, with relevant lessons learned. While staff members did develop their capacity to deliver such mechanisms, questions remain around its usefulness within the humanitarian sector
Building relationships with the private sector and building the market for investment into fragile and conflict affected situations.		The HIB funding mechanism did enable ICRC to engage in relationships with private funders and new partners like La Caixa. The extent to which this contributed to building a market for investment into fragile and conflict affected situations is likely low given that building a market is not a one-off, and questions remain about the use of impact bonds in humanitarian contexts.
ICRC, as a service provider, benefits from accessing long-term funding.		The HIB did lead to longer-term funding horizons, which brought several benefits to ICRC. In particular, the longer-term funding provided flexibility in terms of transferring funds between years, and more security in committing to longer term projects (such as the DCMS and EIM).
Outcome funders can test new funding mechanism and approach to closing of the humanitarian financing gap		The HIB allowed outcome funders to test and draw lessons about the use of DIBs in the humanitarian sector. As expected from a one-off pilot, the lessons (and their usefulness) are limited to the specificities of the context.
Outcome funders are able to support ICRC to build stronger relationships with the private sector.		ICRC did build stronger relationships with private sector actors, but it is not clear if there were specific ways in which the outcome funders supported ICRC in building these relationships.
Outcome funders can fund investments into efficiency with reduced risk – with most of the payment only made where these measures do increase efficiency, and ultimately, outcomes.		The HIB was successful in ensuring funders only pay on success and increased efficiency.
Investors are able to test and build a new market		Achieved in part. Investors were able to test a new market, but it remains to be seen the extent to which the market for HIBs and innovative financing in the humanitarian sector is developed.

Aims	Extent to which this has materialised	
QEI DIB		
To galvanise the market of high performing NGOs in India to deliver at scale and support the learning crisis.		The DIB has been successful in strengthening and supporting the service providers to deliver at scale and generating credible evidence for the potential for these providers to support the learning crisis.
To engage the government and explore the potential transition from DIB to SIBs in India, and support the transition to more rigorous assessment approaches		This objective is a broad systems-level change that will take a substantial amount of time. However, there is early evidence that QEI has contributed towards these goals. Stakeholders noted an increased interest from the Indian government in outcomes-based interventions, but their hesitance to invest in NGOs across India remains, as well as operational challenges of allocating budget to outcomes-based frameworks. Some stakeholders, like MSDF and BAT, continue to engage government on these matters, for instance the Skill Impact Bond, partnering with the NSDC.
To scale the learning and successes of the Educate Girls DIB and test the model on a larger scale to explore the opportunities to reduce transaction costs		There is evidence that lessons and successes from Educate Girls have been scaled. UBS-OF commented that because of the high-level of expertise within the team, little additional consultancy was needed to develop the DIB, beyond legal and financial advice. However, there were limits to scalability – the development process overall was still long and complex, particularly as the DIB structure included multiple outcome funders and multiple service providers.
To test the applicability of a rate card[87] with a standard pricing framework of potential outcomes, as used in social impact bonds (SIBs).		QEI operated with an outcome pricing framework. Higher payments were attached to direct models (classroom learning) and lower payments to indirect models (teacher training), to reflect the difference in delivery costs and targets, which were higher for direct models. Reflecting on the QEI experience, Dalberg, UBS-OF and BAT published a cost-effectiveness guide to outcomes-based financing.

[87] In the context of payment-by-results, a rate card is a schedule of payments for specific outcomes a commissioner is willing to make for each beneficiary/ service user that verifiably achieves each outcome

Aims	Extent to which this has materialised	
VE DIB		
Developing a market for outcomes in poverty alleviation and contributing to the evidence base of poverty graduation interventions.		The programme acted as a pilot for DIBs in poverty alleviation, and VE revealed that they had been contacted by several organisations working in the sector to learn more about their experiences with the DIB. The RCT contributed to the evidence base of poverty graduation interventions.
Testing how the graduation model can be implemented at scale.		The DIB was implemented in new regions across Kenya and Uganda with more service users than normal (non-DIB) programming and still produced statistically significant outcomes for consumption and assets as revealed by the RCT.
Testing how the graduation model could be implemented in a way that moderates transaction costs, shifting the focus of funders from monitoring outputs to outcomes, and incentivising and affording the opportunity service providers to track and manage results and adapt accordingly (noted by the Intermediary (Instiglio) and anonymous donor).		Funders monitored outcomes rather than outputs, and this incentivised VE to track and manage results more closely through the design and implementation of an adaptive management system which allowed for real-time adaptation and more efficient allocation of resources – particularly by field staff.
Paying only on outcomes (outcome funders).		Achieved, though note the outcome metric was updated in light of COVID-19
Bring government attention to the poverty graduation model (noted by one investor).		By the end of the programme VE had better visibility with local government officials who were consulted before the programme was implemented in their communities and attended mobilisation workshops. However, this approach was then reverted back to the pre-DIB approach (where there is less collaboration with local officials). VE and Instiglio also opened up conversations with national government officials during the DIB to promote scaling of the intervention, although outcomes from these meetings are yet to materialise.
Increasing visibility of Village Enterprise and raising additional funding for VE		Stakeholders believed that the visibility of VE was increased; in Kenya, new partnerships were formed which senior stakeholders felt was a direct result of the DIB, and stakeholders also shared that the DIB had been heavily cited in a successful funding proposal to illustrate the organisation's capability to implement complex interventions.

Key: Aim has materialised; aim has somewhat materialised; aim has not materialised. Green/amber and amber/red ratings designate ratings between green and amber or amber and red, respectively.

4.10.2 To what extent was the level of success and failure due to the DIB model?

Most of the main benefits observed for the service providers – such as shifts towards outcomes-focused cultures – were due to the introduction of new performance management systems (in the case of ICRC and VE) or performance management support (for QEI providers). These effects are not seen as exclusive to the DIBs model but can be more broadly observed within RbF or specific capacity-building interventions. However, in these specific cases these benefits did not exist before the DIB was put into place, potentially because the right incentives were lacking. It is possible that the DIB value add – pushing through these benefits – comes from the high-stakes environment and alignment of incentives driving the introduction of performance management systems.

It is difficult to say whether any of the effects noted in this report are unique to the DIB model or can be seen with RbF more broadly. Many of the DIB effects can also be seen under PbR funded projects. However, it is challenging to determine whether the effects are stronger under the DIB model, particularly as DIBs are a comparatively new area of work with a small – but growing – pool of evidence.

The key point of difference between a DIB and PbR is the involvement of investors and other stakeholders, which changes the risk dynamics involved. PbR can lead to very high levels of risk exposure, which turn into losses where positive results are not observed. This can result in providers becoming risk averse and unwilling to innovate and/or develop more effective intervention models. In comparison, the DIB model does pose a unique advantage in terms of de-risking enterprises in which the levels of risk are too high for service providers to work alone. In RW1 of this evaluation, it was concluded that the presence of the external investment was a necessary enabler for service providers, meaning that none of the service providers would have been able to be involved in the projects if it wasn't for the presence of investment. The DIB therefore enabled more service providers to be involved in PbR contracts, and possibly supported more risk-taking and innovation.

The specific programmes involved in this pilot may not provide an accurate representation of DIB effects under "average" or "normal" development conditions. All DIBs studied here had as a goal to test the DIB mechanism itself. While this contributes to the evidence base on this innovative financing mechanism, it does also mean that stakeholders may be retrofitting interventions that are prone to stronger than the average in development to test DIBs as a concept. An example of this comes from the suitability of service providers to these interventions. It is difficult to know whether the same successes seen under these DIBs will also be the case if weaker service providers are selected. The DIBs covered under the evaluation have only involved providers pre-disposed to this way of working, which was noted to be a key contributor to the successes achieved through each DIB. Stakeholders agreed that the success of interventions was very much driven by the quality of the service providers, all of whom were data-driven organisations with strong M&E systems in place, and an interest and commitment to improvement. This selection bias of selecting providers pre-disposed to the DIB model should be considered when considering the DIB effect.

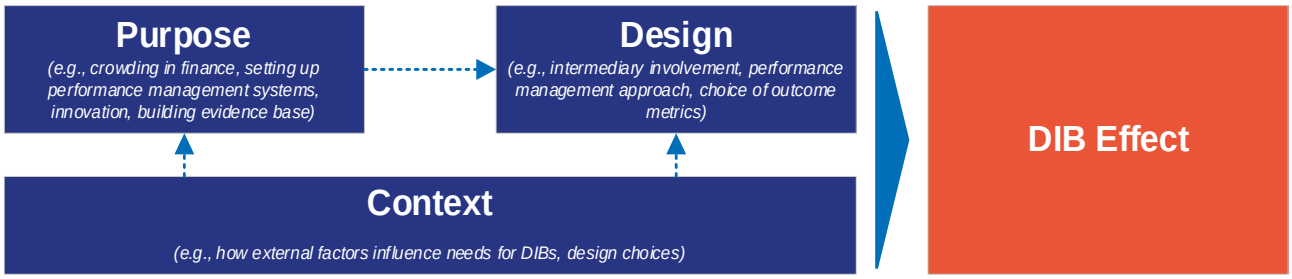
However, the pilots showed that the DIBs effectively served to build the capacity of service providers to deliver outcomes-based contracting. It is possible that this effect could be present in weaker and/or less prepared organisations, particularly if in the presence of strong support from an intermediary or performance manager, as was the case with the QEI pilot.

4.10.3 Where was the DIB model most effective? Was its greatest value in terms of the design, delivery, relationship development, cost effectiveness, time efficiency, or impact on beneficiaries?

To answer this question, it is worth reviewing the reasons behind the differential impact of the DIB effect on the three pilots. That is, to provide an answer to the question of why the DIB effect was different in each pilot. Whilst in the ICRC HIB the DIB effect was strongest in the design stage and less so in delivery, in QEI and VE it was just as strong during delivery.

Differences in purpose, design, and context are behind the differential DIB effect strength. Figure 4 below provides a summary of the relationship between the three elements. The differences between the pilots allow for some indicative observations on how the different elements can ultimately affect the shape of the DIB effect.

Figure 4 Relationship between Purpose, Design and Context



For instance, the initial purpose behind a DIB can influence where the emphasis is placed on certain design choices. The ICRC HIB was borne out of a desire to influence and shape the market for innovative financing options in the humanitarian sector – bearing in mind the influence of a context with shortfalls in humanitarian budgets. The purpose of the DIB was not to influence of change the delivery of a pre-established programme. This led to a governance model that deliberately did not provide many opportunities for course-correction or engagement, which partly explains why the DIB effects during delivery were less apparent in this DIB compared to VE and QEI – i.e., they were never intended to materialise.

In contrast, the purpose of QEI was to improve learning gains compared to the status quo, and the design of the impact bond heavily focused on this, for example, including an external performance manager to support the service providers. It is therefore perhaps unsurprising that this DIB saw strong effects in relation to a greater focus on outcomes and accountability and strengthened performance management.

Another element of impact bond design that affected the degree to which DIB effects materialised was the time the projects had to adapt and respond to achieve outcomes. In ICRC some of the centres only had one year to adapt delivery to improve their efficiency rates, compared to QEI and VE who had several years to achieve their outcomes. This constrained timespan limited the degree to which ICRC could adapt and respond to course-correction.

The extent to which the DIB effect materialises also seems to be greatly affected by the external context – particularly the extent to which external factors also influence outcomes. In ICRC, for example, the efficiency ratio was heavily affected by staffing issues, which were due to government decisions outside of ICRC's control. This again limited ICRC's ability to adapt and course-correct, as no amount of adaptation on ICRC's part would have changed these elements.

5.0 Analysis and Findings – Increasing the DIB model's benefits (EQ2)

Summary

Relevance: DIBs create conditions (including time and resources) to encourage change towards an outcomes-based approach. This pilot proved that this can result in real and sustainable change for organisations committed to these values. However, it is unclear to what extent the model would work with organisations that may be less committed to or need more convincing about an outcomes-based approach.

DIBs work best in sectors with existing practice around measurement, including clear and measurable outcomes. Education and poverty elimination are good examples, but there may be opportunities to further develop DIBs in other sectors with similar characteristics.

There remain questions about the appropriateness of DIBs in unstable environments, like humanitarian contexts. DIBs take time to design and launch; once they launch, it is difficult to change scope; and they are challenging to design and implement for environments where there are major external influences on outcomes. However, the ICRC HIB showed that impact bonds can be suitable for work that sits at the humanitarian-development nexus, which includes work like health infrastructure as well as WASH, nutrition, refugee/internally displaced person integration/employment, reconstruction, and demining. Additionally, the ICRC HIB demonstrates that the transferral of risk from donors to investors may be an attractive and effective way to fund humanitarian interventions if there is sufficient investor appetite to carry the risk of major external influences on outcomes. The impact bond model also helps to drive accountability of a programme's impact which can be a challenge in the humanitarian sector.

Scalability: A key challenge to scaling DIBs is the capacity of service providers in targeted markets; understanding feasibility of scaling in markets with low service provider capacity may require additional piloting. There is also a challenging balance between (1) standardising procedures for impact bond development in a way that will reduce transaction costs and increase scalability; and (2) ensuing that systems and procedures are suitably tailored for a wide variety of potential objectives and structures. Furthermore, scaling at project level also brings challenges with additional stakeholders, making streamlined communication and structured ways of engagement a key priority.

Reflections from the pilot DIBs also suggest that successful scaling – at least from the perspective of service providers – may not strictly involve the use of additional DIBs or SIBs but rather a more general focus on outcomes-based approaches.

Increasing the model's benefits:

Role of the intermediary: The intermediary played an important role in coordinating the DIBs. At the same time, intermediary costs can be high. For the DIB market to grow, the intermediary role needs to be clearly defined and costed effectively. The precise role of the intermediary should be tailored to the specific DIBs, including the mix of stakeholders and skillsets brought by the other stakeholders.

Role of evaluation: The use of validated administrative data versus experimental approaches should be guided by the policy objectives of the DIB and the geographical / sector context. A more pragmatic approach that values simpler indicators as measures of attribution could bring down evaluation costs (both in terms of time and resources) and support scalability of future DIBs but will diminish the quality of the evidence produced and may limit some of the DIB effects.

Performance management systems: The three DIBs involved strengthened performance management systems, which led to improvements in the efficiency and effectiveness of delivery. Additional investment in performance

management was a valuable component of the DIB model and should be integrated into future DIBs where necessary to increase the model's benefit.

Role of collaboration and governance: It is important to clearly identify the specific added value of expertise and experience from different DIB stakeholders, and clarify roles, responsibilities, and decision-making authority within the project.

Designing outcome metrics: The ICRC HIB highlights the challenges in capturing all components of delivery into only one or a few key outcome metrics that accurately reflect a project's full impact. Although there is a drive to simplify impact bonds and only focus on a smaller number of metrics, this has to be balanced with the need to accurately capture the outcomes from the project.

This section focuses on **Evaluation Question 2*: What improvements can be made to the process of designing and agreeing DIBs to increase the model's benefits and reduce the associated transaction costs?*** The section summarises lessons learned from the three DIBs and explores how they could be applied to future DIBs to improve delivery. This involves exploring the following sub-questions:

1. Under what conditions are DIBs an appropriate tool for key stakeholders and why?
2. What improvements can be made to the process of designing and agreeing DIBs to increase the model's benefits?

Section 5.1 discusses the relevance of DIBs to different contexts; Section 5.2 discusses lessons learned relevant to scalability; and Section 5.3 sets out learning around improvements that can be made to increase the model's benefits. Section 6 focuses on how transaction costs could be reduced.

5.1 Relevance of DIBs for the development context

DIBs may be relevant for sectors and contexts where there are needs for (1) developing a rigorous evidence base and/or (2) building capacity to deliver outcomes-based contracts, focusing on outcomes, or data-based adaptive management. Both VE and QEI are examples of the relevance of DIBs for these purposes. VE stakeholders had a specific interest in demonstrating the suitability of the poverty graduation model, and QEI built the evidence base of education programming in India, driving a focus towards outcomes and the benefits of private sector participation in education service delivery models.

The experience with VE and QEI suggests that they proved relevant to their respective sectors of poverty graduation and education. As the impact bond field has grown, so have the theories on what makes a setting or intervention suitable to impact bonds. For instance, Gustafsson-Wright et al. suggest the following four: (1) meaningful and measurable outcomes; (2) reasonable time horizon to achieve outcomes; (3) evidence of success in achieving outcomes, and (4) appropriate legal and political conditions.[88] Both poverty alleviation and education seem suitable for the DIBs model bearing this in mind, given the existence of an evidence base to draw targets from, as well as the relatively straightforward way in which improvements can be measured within both sectors, and the moderately short time horizons with which interventions in education and poverty alleviation can see results.

[88] Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/

The ICRC HIB is more novel in that it extended the use of DIBs to the humanitarian sector. **The relevance of DIBs for the humanitarian sector is much more complex and context specific.** The HIB is relevant in that new funding mechanisms – especially ones that divide up risk burdens – are needed in the sector due to funding constraints. However, there are challenges to using an impact model in the humanitarian sector: DIBs take time to design and launch; once they launch, it is difficult to change scope; and they are challenging to design and implement for environments where there are major external influences on outcomes. Many stakeholders agreed that impact bonds arebest suited for work that sits at the humanitarian-development nexus – like building and running physical rehabilitation centres – and may not be appropriate for the type of crisis response more typically associated with the sector. A HIB could be a viable option for contexts still affected by conflict but where there is enough stability to start re-building in a way that includes in-country partners; PRP fits this description, as would WASH, nutrition, refugee/internally displaced person integration/employment, reconstruction, and demining. Additionally, the ICRC HIB demonstrates that the transferral of risk from donors to investors may be an attractive and effective way to fund humanitarian interventions if there is sufficient investor appetite to carry the risk of major external influences on outcomes. The impact bond model also helps to drive accountability of a programme's impact which can be a challenge in the humanitarian sector.

5.2 Scalability

This section discusses the degree to which a DIB could be rolled out in a wider landscape of service providers. There is interest in understanding what the lessons are for scaling, mainstreaming, and transitioning towards a greater use of impact bond mechanisms; however, this is likely to be highly context dependent. This section draws in some lessons learned on scalability, focusing on enablers and barriers to it based on the DIBs studied in this evaluation and wider literature.

5.2.1 Service provider capacity to deliver based on outcomes

Service provider capacity is a particular concern when thinking of implementing or scaling impact bonds.[89] For instance, the QEI service provider selection process proved challenging, noting difficulties identifying providers who are ready to work against outcomes. QEI's extensive five-stage selection process underscored that a relatively limited pool of service provider organizations in the education sector are ready to engage in outcome-based financing. Outcome funders and the investor agreed that generally the not-for-profit sector is not ready to work against outcomes. Relatedly, the VE process evaluation identified that the VE's smaller size and more limited level of experience meant it was difficult for them to create and manage new financial instruments, and they required significant pro-bono support with the pilot DIB.

To support the feasibility of scaling in areas with low service provider capacity, capacity-building support should be provided. This could be done within the impact bond itself (such as in the South Africa ECD SIB, where an intermediary provided technical support to a grassroots organisation with low capacity); or outside (such as the Outcomes Accelerator, which is a public-private, global initiative created to accelerate more effective testing, scaling and mainstreaming of outcomes-based financing approaches in the delivery of SDG impact, and which includes a 'capacity creation' element). Lessons learned from the QEI DIB as well as the Youth Engagement Fund SIB suggest that peer-to-peer learning could be a particularly effective and cost-efficient way to support necessary service provider capacity building.[90]

[89] Nonprofit Finance Fund. (2019). Pay for Success: The First 25. A Comparative Analysis of the First 25 Pay for Success Projects in the United States. Available at: https://nff.org/report/pay-success-first-25.
[90] Ronicle, J. and Smith, K. Youth Engagement Fund Evaluation. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/886650/YEF Evaluation_Report_.pdf

5.2.2 Standardised processes to reduce transaction costs

Stakeholders across the impact bond landscape believe that standardising procedures for impact bond development will reduce transaction costs and enable scaling. Commentators suggest that costs will reduce for impact bonds over time, and that management costs specifically will shrink as contracting is streamlined.[91] As such, there is an expectation that costs would also reduce in DIBs over time.

Reassuringly, this evaluation found that a large proportion of the additional DIB costs are in their design rather than implementation. This supports the thesis that focusing on standardising and replicating their design could bring down their additional costs, assuming that limited tailoring is required.

There was evidence in QEI that learning had been taken forwards from the Educate Girls DIB to improve design and increase efficiency in transactions, for example, in the legal processes. However, the development process overall was still long and complex, particularly as the DIB structure included multiple outcome funders and multiple service providers. Developing templates to standardise processes would help with efficiency but would also help maintain organisational knowledge on a project. For example, there was only a narrow group of stakeholders at UBS-OF who were involved in developing the financial model in full, so if it was replicated elsewhere, it would still take time to set up. UBS-OF stakeholders reflected that with templates for the routine processes, DIBs should become easier to share and adapt.

However, the degree to which DIB development procedures can be standardised is unclear. For instance, the DIBs in this pilot were hugely varied in terms of objectives and structuring. A number of stakeholders reflected that there would be a limit to the extent to which you can simplify and reduce costs. This remains a challenge in impact bonds design, in terms of balancing the need of standardisation without losing the nuance required to achieve results. As more DIBs and SIBs are being structured, the ambition is to work to a 'situation-specific set of best practices' to increase the efficiency of setting up and delivering DIBs.[92]

At the project level, scaling and bringing in additional stakeholders becomes time consuming and complicated. In the QEI DIB, there were some initial challenges with communications. For example, separate providers were having one-to-one conversations with other DIB stakeholders that was not communicated more widely. An important lesson learned was the importance of streamlining communication and implementing structured ways of engagement.

5.3 Increasing the benefits of the DIB model

In this section, we discuss learnings about how the benefits of the DIB model can be increased for various stakeholders and, ultimately, to achieve better outcomes. We discuss the role of the intermediary, independent evaluation and verification, performance management systems, and collaboration and governance.

[91] Belinsky, M. (2014) Development Impact Bonds: Success Depends on a Supportive Network. The Guardian. Available at: https://www.theguardian.com/global-development-professionals-network/2014/jan/02/development-impact-bonds-success-network

[92] Doolittle, L. (2017). Standardize the Work, Don't Lose the Nuance: Can The New 'Pay for Success' Models Replicate Into Functional Utility?. Available at: https://medium.com/s3idf/standardize-the-work-dont-lose-the-nuance-can-the-new-pay-for-success-models-replicate-into-338c2ef45c07

5.3.1 Role of the intermediary

The precise role of the intermediary should be tailored to the specific DIBs, including the mix of stakeholders and skillsets brought by the other stakeholder. In impact bonds, external organisations can play a range of varied roles; we use the term 'intermediary' to cover this range, including performance manager, project manager, bond manager and technical advisor. Looking at the three projects included in the pilot, intermediaries played slightly different roles in each of the DIBs:

- In the QEI DIB, there were two intermediaries: BAT and Dalberg. BAT led on convening stakeholders. As performance manager, Dalberg focused on supporting service providers to use data and deliver adaptive management, and to build the capacity of the service providers.
- In the VE DIB, Instiglio took a supporting role, as project manager, to ensure the sustainability of the DIB, whilst the trustee fulfilled key due diligence and contracting processes.
- In the ICRC HIB, as a strong multilateral with established processes and systems, ICRC played many of these core functions, drawing in external expertise as required on a contractual basis, to deliver the EIM and DCMS.

In the DIBs with intermediaries (QEI and VE), there were contrasting views on the role they played. In the VE DIB, although a small number of stakeholders highlighted the positive role Instiglio played in fostering collaboration – particularly given the large number of stakeholders involved - most stakeholders felt that, given the experience gained through participating in a DIB, the additional costs associated with working with an intermediary could not be justified if further DIB work was implemented. Some stakeholders also felt that both Instiglio's and the trustee's roles needed to be more clearly defined. Conversely, QEI stakeholders believed that having an intermediary such as BAT had been important to ensure effective information sharing, especially given the number of stakeholders involved in the DIB, and their different priorities and level of engagement. Furthermore, Dalberg played a key role in supporting the service providers to implement the programme. However, consortium members felt that data sharing could have been more open given that data was only shared with the group quarterly and through BAT intermediation.

There is a careful balance in ensuring that external expertise does not come at the expense of building service provider capacity to operate in outcomes-based contracts. A review of SIBs in Canada, the UK and the US found that there was a growing belief that the intermediary model creates a dependence on advisors, which prevents donors and service providers from building capacity internally to design and execute future SIBs. One outcome payer interviewed reported that the additional costs associated with intermediaries and the impetus to build internal capacity was a key driver for working directly with investors and by-passing an intermediary.[93] One approach to capitalise on both external expertise and the building of capacity was by using a phased approach. For example, with the Cameroon Kangaroo Mothercare DIB, a phased approach was taken whereby more support was provided in the first year, followed by a 'check and challenge, mentoring role' in the second year, which then transitioned to a more hands-off approach. Ultimately, this needs to be tailored to the specific context.

[93] Nonprofit Finance Fund. (2019). Pay for Success: The First 25. A Comparative Analysis of the First 25 Pay for Success Projects in the United States. Available at: https://nff.org/report/pay-success-first-25.

5.3.2 Role of evaluation and verification

The evaluation and verification components in these contracts contributed to several DIB effects, such as improving adaptive management and data-based performance management, and a shift to focusing on outcomes. The ICRC HIB confirmed impact through validated administrative data, QEI utilised quasi-experimental methods, and VE deployed an RCT. These differences in approach were primarily due to availability of existing data (ICRC already had data from other PRP centres, while VE had less data) and stakeholder priorities. There was a stronger drive to '*prove*' the intervention for QEI and VE, resulting in a stronger focus on experimental/quasi-experimental approaches, whereas ICRC was using the HIB to improve efficiency for a proven intervention.

There are trade-offs between the use of validated administrative data versus experimental approaches; the approach adopted should be guided by the target objectives of the DIB and the geographical / sector context. A more pragmatic approach that values simpler indicators as measures of attribution could bring down evaluation costs (both in terms of time and resources) and support scalability of future DIBs but will diminish the quality of the evidence produced and may lessen some of the DIB effects. Conversely – as was clear in VE – a strong verification method provides assurance to outcome payers that they are paying for impact and increases the reputational risk and high-stakes environment which drives some of the DIB effects. However, these approaches can be expensive and create logistical and ethical challenges, as again was clear in VE. Most significantly, VE stakeholders – particularly field staff – did not support the use of a control group who did not go on to receive the treatment later; they noted that there very presence for data collection purposes raises villager's hopes of receiving support. Stakeholders entering the DIB market need to think about their priorities and design the DIB accordingly.

Verification techniques sometimes had the dual benefit of calculating payments and supporting data-driven adaptive management. QEI reported that verification data was being used to refine performance management approaches. This was also the case in other DIBs outside this pilot. For example, in the Cameroon Kangaroo Mothercare DIB verification enabled adaptive management as it provided regular data that hospitals could use to interrogate what to do, providing use of data in real time to adapt how they were delivering and allocating resources. Similarly, in the Educate Girls DIB, IDinsight delivered frequent data collection and evaluation. Similarly, collecting data beyond learning scores—such as gender, caste, and absenteeism—enabled the evaluator to support Educate Girls to make targeted adjustments and enable inclusive programming.[94] This was not possible in VE, where the RCT results came after delivery. Instead, VE developed data dashboards to provide real-time data to support delivery. **There may be potential to further explore the extent to which verification and performance activities can be synergised, to reduce costs and maximise the benefits of these activities.**

[94] Sturla, K., Shah, N. B., and McManus, J. (2014). The Great DIB-ate: Measurement for Development Impact Bonds. Stanford Social Innovation review. https://ssir.org/articles/entry/the_great_dib_ate_measurement_for_development_impact_bonds#

5.3.3 Performance management systems

Investment in strengthening performance management systems led to improvements in the efficiency and effectiveness of delivery across all three projects; this represents a benefit of the DIB model as piloted and should be factored into future DIBs where appropriate. Two different approaches were taken to performance management across the DIBs[95]:

- **Intermediated performance management:** Here an organisation external to the ones providing direct delivery of the intervention monitors and manages the performance of service providers. This approach was used in QEI, with Dalberg acting as the external performance manager.
- **Direct performance management:** Here the organisation delivering the service is also responsible for managing their own performance, and there is no external intermediary. This approach was used in the VE DIB and ICRC HIB.

Both approaches were effective, suggesting there is no one way to doing performance management well, but rather it needs tailoring to the needs and capacity of the organisations involved.

Moreover, improvements to performance management systems have been found to have strong (potential or actual) sustainability across the three DIBs. They are also the main source of spillover at the service provider level. For instance, the VE DIB had a new adaptive management system introduced which provided real time data on the service users to field staff so that field staff could more efficiently allocate their time to certain businesses and focus on the most relevant aspects. The system was found to still be in place in August 2022, around 1.5 years after the conclusion of the DIB.

However, performance management systems can be expensive. Future DIBs could explore 'lean data' models or platforms that could bring down these costs.

5.3.4 Role of collaboration and governance

Additional stakeholders do result in greater coordination and communication costs. **These costs can be managed by having clarity on what added value different stakeholders are bringing and clarifying roles, responsibilities, level of input and decision-making processes.** Across the three DIBs there were instances of confusion about roles and responsibilities. Some stakeholders wished to be involved in all decisions, whereas others preferred to take a more hands-off approach. Also, the respective roles of the trustee and donors was unclear to stakeholders. Careful discussion during the design phase of the objectives and preferences of stakeholders can be used to set out clear expectations and alignment of roles and responsibilities, to drive greater efficiency. The broader impact bond literature also stresses the importance of clarifying roles and developing collaborative infrastructure, such as the co-locating and shared use of data.[96]

The response to COVID-19 highlighted the need for there to be more clarity from the start about what is and is not in scope for negotiation, and who has the final say on such decisions. In VE for example stakeholders felt that there was a lack of protocol within the contract when the COVID-19 pandemic hit. In particular, stakeholders believed that the assignment of decision-making power should have been more clearly set out within the contract, since it was not clear during negotiations who held the power with regards to making

[95] We use the comparative typology generated by Ecorys through the Commissioning Better Outcomes Evaluation (https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO-3rd-update-report.pdf?mtime=20220616134448&focal=none)

[96] Oroxom, R., Glassman, A., and McDonald, L. (2018). Structuring and Funding Development for Health: Nine Lessons from Cameroon and Beyond. Policy Paper 117, Center for Global Development. https://www.cgdev.org/sites/default/files/structuring-funding-development-impact-bonds-for-health-nine-lessons.pdf; Blundell, J., Rosenbach, F., Hameed, T. and FitzGerald, C. (2019). Are we Rallying Together? Collaboration and public sector reform. March 2019. GO Lab. https://golab.bsg.ox.ac.uk/knowledge-bank/resources/are-we-rallying-together-collaboration-and-public-sector-reform/

the final decision. Consequently, one donor was particularly unhappy with the outcome of the negotiations, as well as the amount of time dedicated to them.

It is important to balance the 'black box' commissioning approach of an impact bond with ensuring minimum quality standards are in place. Some stakeholders were of the view that as outcome payers are now buying outcomes, their only focus should be on checking these outcomes have been achieved. Consequently, these stakeholders thought that the outcome payers' oversight role should be minimal, and not reflect the level of oversight donors typically undertake in an input-focused funding model. However, outcome payers learnt that they cannot solely focus on paying for outcomes and not oversee delivery; they learnt that they need to ensure that minimum standards – such as adequate safeguarding policies – are in place.

5.3.5 Designing outcome metrics

Designing a good outcome metric is a balancing act between simplicity and coverage. On the one hand, outcome metrics should ideally be kept simple (e.g., a low number of metrics), in order for stakeholders to understand them, and be able to focus on the critical ones. On the other, metrics should capture wide and meaningful impact. The analysis of the three DIB piloted DIBs presents a different picture for each one:

- VE's outcome metric was an increase in household income, which accurately captured levels of household poverty and changes to it. In this way, VE utilised one simple and accessible outcome metric that captured broad changes that matched the programme's impact aims. The benefits of accurate outcome metric choice were discussed by stakeholders, who widely praised the outcome metrics as well aligned with the organisation's overarching mission and goals meaning that, during implementation, although stakeholders described a 'laser focus' on outcomes, this focus was appropriate and did not detract from other important aspects of the programme. At the same time, though, very few people fully understand the underlying formula that calculated the level of outcome payments.
- QEI chose enrolment levels and improvement in numeracy and literacy learning as its outcome metrics. These choices potentially led to a narrower set of outcome metrics when compared to wider impacts aimed for or achieved, such as socio-emotional learning.
- The ICRC HIB's outcome metrics may not have accurately reflected the wider activities and impact aims of the programme. The Staff Efficiency Ratio was only deployed for a portion of the programme, with previous construction activities not captured by any outcome metric despite being a significant part of the programme aims.

The experience in the pilot confirms the challenge of outcome metric design. Across the three DIBs there were lessons to be learned regarding target-setting and outcome metrics, and all three projects provide valuable case studies to consider in developing outcome metrics for future DIBs.

6.0 Analysis and Findings – Costs of designing and delivering DIBs (EQ2)

Summary

This analysis draws on the previous research waves to reach summative conclusions on costs of designing and delivering DIBs. Calculating the additional DIB costs was challenging and relied on a large degree of interpretation on the part of both the stakeholders and evaluators. They should therefore be treated as indicative.

Operating a project through a DIB requires additional costs compared to funding them through grants, and costs are more visible. From set-up to end, our analysis found the additional DIB cost ranged between $1.8m - $2.3m. This ranged from 9% to 42% of the total programme budget. Across the DIBs, the highest costs were in the areas of investor return, verification, and performance management. Generally, stakeholders perceived the additional costs to be value for money.

Cost effectiveness analysis was undertaken on the VE DIB to compare the cost per outcome between the DIB and the non-DIB comparator site (VE's core programme). However, the findings were not statistically significant.

To assess whether the DIB costs were justified, we considered whether there was a close relationship between the DIB costs and benefits. Overall, we found that the additional DIB costs were in areas where there were strong DIB benefits, suggesting that the additional DIB costs were focused in the right areas. Furthermore, there is a good association between the magnitude of the DIB costs and the magnitude of the DIB benefits. However, there was general consensus from stakeholders that, whilst they thought the additional costs were value for money, the costs could be reduced to improve the DIBs' cost effectiveness. Our research suggests it could be possible to reduce additional DIB costs in future programmes:

- Set up costs could be reduced as projects are able to replicate these pilots, and build on the lessons learnt
- Costs could be reduced through running larger DIBs and/or outcomes funds
- Costs will likely reduce as the market matures
- Costs will likely reduce if inefficiencies around co-ordination are removed
- Costs could be reduced if the risk premium was decreased.

6.1 Introduction

This section covers part of EQ2 and explores the efficiency of the DIB mechanism and identifying improvements that can be made to the process of designing and agreeing DIBs to reduce the associated transaction costs. The section is structured as follows:

- Section 6.2 discusses the additional costs and benefits per impact bond
- Section 6.3 presents the VE cost effectiveness analysis
- Section 6.4 discusses whether the additional costs were justified, and provides suggestions on reducing future transaction costs.

This section addresses the evaluation sub-questions:

Costs

- What (if any) are the extra costs of designing and delivering a project using a DIB model and how do they compare to other funding mechanisms?
- Where are the extra costs most prevalent and what specific items (such as staff or monitoring procedures) have the highest costs?
- Who pays for these additional costs?
- How does the efficiency compare to other DIBs and funding mechanisms and why?
- What improvements can be made to the process of designing and agreeing DIBs to reduce the associated transaction costs?
- Are there any inefficiencies in a DIB model that can be reduced or are there any additional costs that are unnecessary?

Benefits

- Do the extra costs represent value for money - to what extent do they lead to additional results, impacts and benefits?

Approach

Building on the approach developed in RW1 and RW2, the evaluation team used a pro forma to capture additional costs across the three DIBs in a standardised way. The pro forma included cost categories and definitions that aligned with other tools being used in the sector (such as data definitions used within the INDIGO impact bond dataset[97]). In addition to costs related to the DIB structure and mechanism, it also included additional rows to capture costs such as communication and advocacy and (DIB) market building activities, which were common areas of cost identified in RW2. The pro forma was designed to be populated using budget and actual expenditure related to the DIB, together with estimates from the comparison sites to identify additional costs. For each category, stakeholders were requested to fill out a) total DIB costs; and b) estimated costs had the project been funded through a grant (based on costs from the comparator sites). A) was subtracted from b) to arrive at the difference, which would be additional costs / savings due to the project being funding through a DIB. Estimates were based on programme cost data and a qualitative assessment (for example stakeholders comparing whether less or additional time was spent on managing the DIB compared to similar grants and/or the comparator sites). These costs, estimates and assumptions were verified by each of the DIB projects.

[97] https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/

Table 23 sets out the cost categories the evaluation team asked DIB stakeholders to provide costs against.

Table 23: Cost Categories

Cost Category	Description
Service delivery	Costs of delivering the service
Verification	Costs of verifying the outcomes achieved, in order to inform the outcomes payments
Investment vehicle	Operational costs of Special Purpose Vehicle / Escrow
Trustee fees	Fees to trustees
Governance	Staff time and expenses required to prepare and join meetings with external DIB stakeholders
Performance management	Costs related to performance management and outcomes reporting, including systems costs, staff time
Other costs:	Costs that do not fit into any of the other pre-set categories
▶ Other evaluation	Costs of any other learning and evaluation activities
▶ Communication and advocacy	Costs related to communications and advocacy activities for the specific DIB
▶ Ecosystem / Market building costs (other learning costs)	For example, participation in academic research and conferences

It is important to stress that collecting accurate DIB and non-DIB costs was challenging, for the following reasons:

- Given the focus on outcomes and the fact that some of the DIBs' budgets were informed not by costs, but by cost per outcome, providers and stakeholders were often not required to report on expenditure. Stakeholders indicated that some figures were likely to be under-reported as, for example, not all pro-bono hours had been recorded. In contrast, in input-based financing, reporting against budgets tends to be required on a regular basis. As such, across several of the DIBs, DIB expenditure was not routinely tracked against the budget.

- Whilst the non-DIB comparator sites were similar to the DIB projects, they are not entirely comparable, and this likely affects the costs. For example, a lot of the non-DIB comparators did not include bilateral donors (such as FCDO or USAID). Therefore, in some areas (such as governance), the structures (and therefore costs) are not comparable. We have tried to factor this into the costs by estimating what a governance structure would look like in the non-DIB comparator sites had they been funded by similar donors.

- Some of the external advice during the set-up of the DIBs was provided pro bono (e.g., legal). As these made up a large portion of the additional DIB costs we included these figures, to provide an accurate reflection of the full costs of setting up a DIB. During the implementation of the DIBs a small amount of pro bono support was provided. We did not include this because these costs are not paid for by outcome payers, and they only represented a very small proportion of the overall figures and so did not affect the results.

- The challenges listed above mean that the estimates of the difference between the DIB and non-DIB comparators draw on a lot of subjective stakeholder interpretation. Many of the stakeholders within the DIBs are vested in promoting DIBs and are incentivised to downplay the estimated additional DIB costs. We have sought to minimise this as much as possible by asking for evidence and justifications of the interpretations, and in some places, we have changed the estimates provided by stakeholders. These changes were shared with stakeholders.

- Finally, our comparisons with PbR draw on the literature, but data on additional PbR costs remains limited. A key finding from the PbR literature is that, like DIBs, the structuring of PbR varies significantly. As such, it is impossible to categorically compare DIB costs with PbR costs. We provide some indicative comparisons where relevant.

Therefore, costs should be treated as estimates. In particular, direct comparisons between the projects should be treated with caution as projects reported costs in slightly different ways. Where we have drawn comparisons, we have made efforts to highlight how this could in-part be due to differences in reporting.

6.2 Impact Bond costs and benefits – detailed DIBs findings

This section discusses costs across the three DIBs. We present the completed pro forma along with findings in terms of the nature of these costs, any cost savings, and perceptions as to the value for money of these costs. Across all three DIBs, additional costs due to the DIB were high in the set-up phase. The two DIBs with external performance management functions also had high additional costs in the delivery phase. Investor returns were an additional cost for QEI and VE DIBs, whereas this potential additional cost was zero for ICRC, based on the agreed performance-based outcome payment schedule.

For comparability across the DIBs, the tables below set out estimated additional costs across the lifetime of the DIB, from set-up through delivery and including return to investors, as a proportion of the total programme budget. Although not all additional costs are within the programme budget (e.g.pro bono costs in set-up phase) this has been used to illustrate the spread of additional costs by stage.

6.2.1 ICRC HIB

ICRC set up a separate budget to manage the HIB. Expenditure against budget was reported quarterly and provided the basis for this costing analysis. Costs largely incurred as expected, except for service delivery costs – the development of the DCMS went over-budget. Additional DIB budget lines were repurposed to cover some of these additional costs.

Table 24: Summary of additional ICRC HIB costs, by phase

Phase	Set up (USD)	Implementation (USD)	Close (including investor return and implementer incentives) (USD)	Total additional costs
Additional cost	1,287,000	552,000	0	1,836,000
Additional cost as a % of total programme budget[98] (USD 20,304,000)	6%	3%	0%	9%

All figures to nearest $,000.

Figure 5 and Table 25 (both below) provide a breakdown of these costs, which are explained in further detail underneath. Some noteworthy observations are:

- **The HIB set-up costs made up a significant (70%) proportion of the additional HIB costs**, with additional implementation costs accounting for only 30%. This is in part because there were no investor returns due to the HIB performance – the investor returns would have made the additional set-up costs lower as a proportion of the overall costs. This is also because ICRC made comparatively fewer changes to service delivery in contrast to QEI and VE, and so it is unsurprising that additional implementation costs were lower. Furthermore, there are slight differences in how the DIBs reported on their costs, which likely makes the HIB implementation costs look lower; some costs were not included as they were absorbed by central ICRC staff (such as communications and advocacy and market /eco-system building), whereas these costs were included in the other DIBs.
- **Compared to the other two DIBs, the proportion of programme budget costs that went on additional HIB costs was lower**. 9% of the programme budget went on additional HIB costs, compared to 20% and 43% in QEI and VE respectively. This can likely be explained by the fact that the HIB programme budget was substantially larger than the other two DIBs, meaning the proportion spent on the DIB costs was lower.

[98] Although not all additional costs are within the programme budget, this is used as a standard approach across the three case studies to illustrate the magnitude of additional costs.

Figure 5: Additional ICRC HIB costs

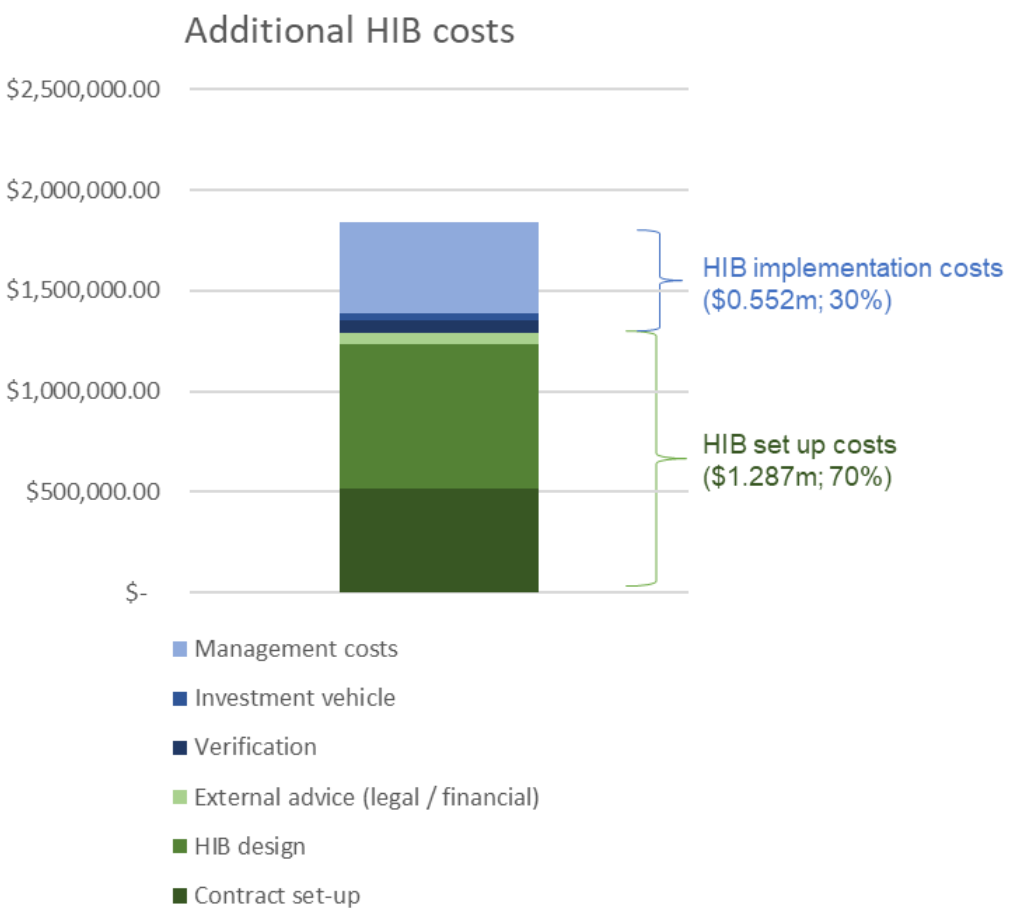


Table 25: Summary of additional ICRC HIB costs compared to a non-DIB structure, by phase

Cost category (Implementation –phase)	Total DIB Costs - CHF	Estimated costs had it not been a DIB – CHF	Additional costs – CHF	Additional costs - USD[99]	Notes
Service delivery	16,660,152	16,660,152	0	0	Costs related to delivery of the service including DCMS and EIM
Verification	66,010	0	66,010	68,142	Costs incurred in 2022 to verify outcome metrics
Investment vehicle	25,000	0	25,000	28,808	Escrow costs
Governance Performance management Other evaluation Communication and advocacy Ecosystem / Market building costs (other learning costs)	441,000	0	441,000	455,244	Additional ICRC costs to manage the HIB, including ORCM costs and additional personnel not required had it not been a HIB
Cost category (Set up phase)	**Additional costs CHF based on RW1 pro–forma**			**Additional costs - USD[100]**	**Notes**
Contract set up	498,239[101]			514,332	Staff time
HIB design	698,767			721,337	External consultancy
External advice (legal /financial)	>50,000			>51,615	Professional pro-bono time
Cost category (Close phase)					
Investor return	0	0	0	0	Capital repaid in full (including 2% annual coupon payments) with no interest in line with performance-based payments in the Investment Agreement

[99] Based on spot exchange rate used for end of programme summary report (22 July 2022) of 1 CHF = 1.032 USD
[100] Based on spot exchange rate used for end of programme summary report (22 July 2022) of 1 CHF = 1.032 USD
[101] It is not possible to provide a breakdown between DIB costs and estimated non-DIB costs as the data was not collected in this format in RW1, when the set-up costs were collected.

Service delivery costs included ICT costs, running costs, and programme management, and were budgeted to be CHF 17,303,164; however, actual costs were CHF 16,660,152. The difference was due to centres opening later than planned; this resulted in salaries being funded over a shorter period. Moreover, salary rates had been set at the upper end of the range for budgeting purposes. There were no additional service delivery costs compared to a non-DIB programme. However, there was a ringfenced budget for this pilot project with dedicated resources; although service delivery costs were comparable to similar projects, funds were available, and priority was given for resources (such as staff) to be allocated from within the ICRC PRPs and within the organisation more generally due to the importance of successful project completion.

Verification costs were budgeted to be CHF 33,0000, and actual costs were CHF 66,010. These were higher than originally expected due to potential under budgeting as well as an additional monitoring visit to Kinshasa for data quality checks. All external verification costs were additional costs due to the project being a DIB. Additional investment vehicle costs (Escrow) were CHF 25,000, which was lower than the CHF 40,000 budgeted due to ICRC negotiating a lower contract price with their banking services provider.

There were also additional costs related to governance, performance management (outcomes reporting), other evaluation, communication and advocacy, and market /eco-system building totalling CHF 441,000; this is based on HIB HQ salary budget lines related to the Head of the HIB role, which would not have existed if the centres had not been funded through a HIB. Whilst some activities performed by the Head of the HIB role would have been necessary even if the project had not been funded through a HIB, the HIB also involved additional staff time that was not necessarily included in the HIB HQ salary budget lines, so the estimate of additional cost is based specifically on the additional position as included in the budget. The distribution of staff time between different functions (governance, performance management, etc.) was not routinely recorded; therefore, the total additional cost is shown across all these functions. Governance and performance management were reported to be the main costs, but beyond the Head of the HIB role, the time staff spent on performance management was not additional time, rather it was a different focus of their time (e.g., previously producing statistical data for routine reporting but not used as management information).

The cost of developing DCMS and EIM were not categorised as additional costs. Whilst these costs were crucial for performance management of the HIB, they were not considered additional on the assumption they will be replicated in non-HIB centres. Stakeholders reported that some of the work on communications and advocacy and market /eco-system building was done by units at the Institution level, such as the new financing model unit. These costs were not included in this estimate as they are not considered essential, and this is important to note when comparing to other DIBs.

In line with the Investment Agreement, the outcome measure of 1.09 resulted in a full reimbursement of the amounts invested by the investors, but without an additional financial return.

The investors and outcomes funders interviewed agreed that the additional costs during the set-up phase were 'expensive' and 'too high' but that the additional costs during delivery were similar to a non-DIB project. From the outcome funder perspective, the project was not more costly that other programmes they fund and given the return to investors was 0% and set up costs were covered by a separate grant there were no additional costs (in the form of investor returns) for outcome funders. In previous research waves, investors noted the time required to manage this investment was comparable to other investments. Outcome funders previously noted that the DIB required less time to manage than comparable grants delivered by other partners, as oversight and management was limited to the quarterly Operating Review Committee Meetings.

Outcome funders felt the HIB offered value for money in so far as the project did not cost significantly more than a comparable grant project, particularly given the stronger central monitoring mechanisms which were seen to support greater cost control and contribute to efficiencies. ICRC felt that the DIB offered VfM as the design was based on centre level efficiency measures. However, they pointed to the additional costs of the set-up

phase (in part due to being a pilot) as being expensive and therefore greater VFM would be achieved in subsequent DIBs if lessons learned were applied.

6.2.2 QEI DIB

UBS-OF and BAT estimated the additional costs using the approved budgets, actual funds disbursed and drawing on cost analyses conducted by service providers. Estimates of additional costs are based on discussions with stakeholders and assumptions used remain similar to RW2.

Table 26: Summary of additional QEI DIB costs, by phase

Phase	Set up (USD)	Implementation (USD)	Close (including investor return and implementer performance reward) (USD)	Total additional cost
Additional cost	362,000	837,000	1,104,000	2,303,000
Additional cost as a % of total programme budget (USD 11,450,000)	3%	7%	10%	20%

All figures to nearest $,000.

Figure 6 and Table 27 (both below) provide a breakdown of these costs, which are explained in further detail underneath. Some noteworthy observations are:

- **Of the three DIBs, this DIB had the lowest set-up costs**, in terms of absolute cost ($362,019), as a proportion of additional DIB costs (14%), and as a proportion of total programme budget (3%). This is likely because QEI was able to replicate some of the design elements as they were able to build on the design from the Educate Girls DIB. However, this is also in-part because contracting costs have not been included, as they were covered by the investor and so are captured in the investor return (to also include them as contract costs would be double-counting). Considering the contracting costs were ~$500k in the other DIBs, this is a sizeable amount.
- **Almost half of the additional DIB costs were due to the investor return and performance bonus**. This accounted for nearly half (48%) of the additional DIB costs ($1.104m out of $2.4m).

Figure 6: Additional QEI DIB costs

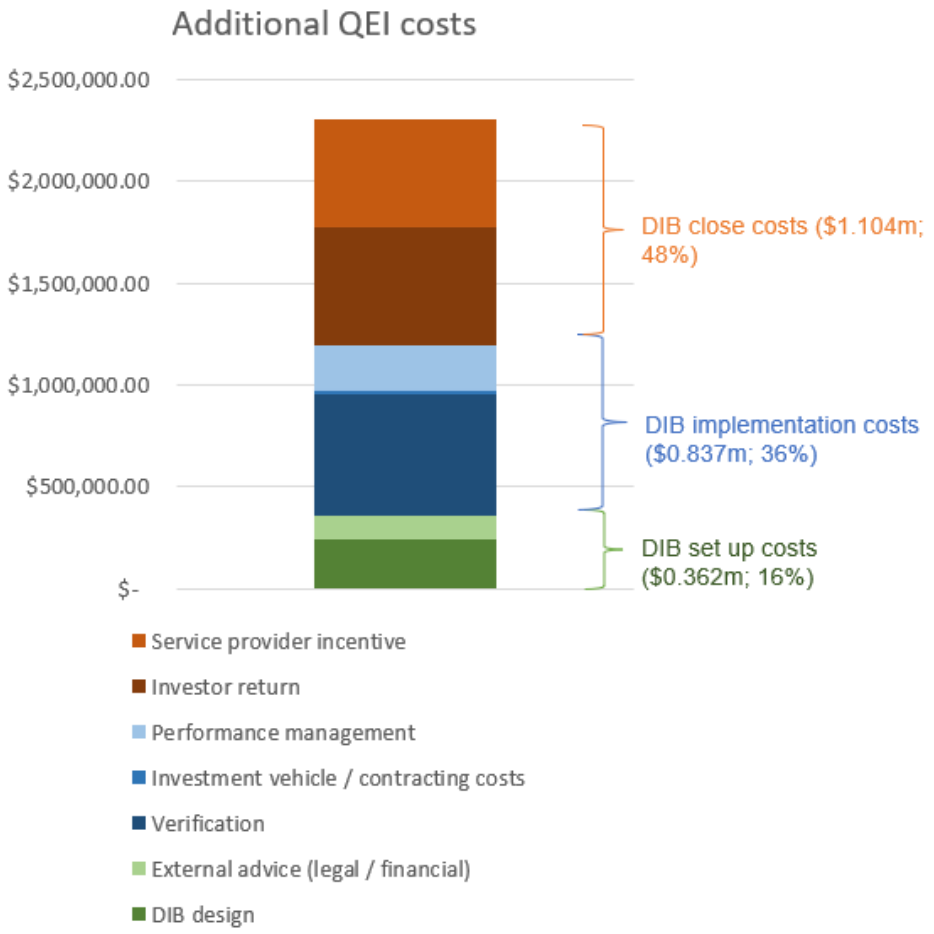


Table 27: Summary of additional QEI DIB costs compared to a non-DIB structure, by phase

Cost category (Implementation phase)	Total DIB Costs – USD	Estimated costs had it not been a DIB – USD	Additional costs – USD	Notes
Service Delivery	7,183,836	7,183,836	0	Converted from INR the DIB contracting currency using 4-year average exchange rate (INR 1 = USD 0.014)
Verification	592,440	0	592,440	Evaluation contracted to Grey Matters India (GMI). GMI estimated this is 20-30% higher than other programmes, however the full value is included for comparability across the DIBs
Investment vehicle/contracting costs	65,600	52,250	13,350	Legal costs do not include pro-bono Hogan Lovells legal work
Governance	133,620	133,620	0	30% of FCDO grant of £340k, at 4-year average exchange rate of GBP 1 = USD 1.31. Assumed to not be essential DIB cost.
Performance management	858,906	628,114	230,791	This is the cost of Dalberg in USD (using 4-year average exchange rate CHF 1 = USD 1.05), with additional DIB costs estimated
Communication and advocacy	250,954	0	250,954	This is based on actual costs for learning and advocacy related activities from FCDO grant. However, this is not an essential DIB cost and so has not been included in overall figure on additional DIB costs
Cost category (Set up phase)	Additional costs USD based on RW1 pro-forma			Notes
Contract set up	Not estimated			Staff time from UBS OF not estimated. This cost covered by the investor return
DIB design	242,286			This is the cost of Dalberg in the set-up phase in USD (GBP 1 = USD 1.32)
External advice (legal /financial)	119,733			Professional pro-bono time in USD (GBP 1 = USD 1.32)
Cost category (Close phase)				
Investor return	576,767			Converted from INR the DIB contracting currency using exchange rate at end of programme (INR 1 = USD 0.012) 1 October 2022
Service provider incentive	527,394			

Service delivery costs were estimated to be $7,183,836 with no additional costs compared to a non-DIB as reported by service providers. Verification costs, based on the evaluation contracted to ConveGenius Insights (CGI), were $592,440 (slightly below budget $640,000). CGI informed us that the verification costs are in line with the costs of rigorous verification for other programmes, though perhaps 20-30% higher than less rigorous approaches. The full cost of the verification contract is included in this analysis as the comparator sites for this study did not include this verification cost; a quasi-experimental study is not routine in-service provider delivery and was introduced because the programme was a DIB and it is therefore a DIB cost.

There are no additional costs related to the investment vehicle, as UBS-OF was already set up to provide this function. However, additional legal costs were incurred during implementation through a contract with ReedSmith to provide ongoing legal support for contractual agreements including between BAT and outcome funders.

Additional governance costs were estimated based on the FCDO grant to the DIB convener. They do not include governance costs of other stakeholders since these were not in a specific budget. These governance costs were covered by a FCDO grant of approximately $442,000, of which 30% ($133,620) was used specifically for the DIB. However, they were reported to include eco-system building and other activities that are not essential to a DIB, therefore we have not included these as additional DIB costs for governance related to this DIB.

The cost of the performance manager, Dalberg, represents an additional DIB cost. It is likely that a programme of this scale would include some form of performance management, which is typically 5% of programme budget. Therefore, the estimated non-DIB cost is set at 5%.

The investor returns were additional costs. As well as being a cost, these costs also brought a benefit – they are the cost of sharing the financial risk with investors, which enabled smaller service providers to participate in outcomes-based contracts.

Overall, stakeholders considered that the additional costs, namely the verification and intermediary costs were value for money:

- **Verification costs were considered good value for money by DIB stakeholders.** A key objective of the DIB was to demonstrate the value of using rigorous assessment approaches and to compare the cost-effectiveness of different models. The rigorous approach also supported oversight of performance, including the identification of one under-performing provider who was removed following the first verification.
- **One outcome funder noted that while performance management costs made the overall DIB more expensive than a grant, it was important to consider this in the context of additional results achieved.** The service providers consider that the support of Dalberg was invaluable to improving delivery. Some stakeholders noted that value for money should focus on the price per outcome where the cost of the intermediary is already built into this price. Other stakeholders have noted that as the market matures, ideally the service providers would do more of the performance management in-house.
- **An additional cost not reflected in the pro forma is the costs relating to regular communication between stakeholders.** The QEI DIB involved significant collaboration costs, in comparison to some of the other DIBs. There was mixed opinion about whether this represented VfM. There is evidence that this collaboration supported improved efficiency and effectiveness and is important more widely to mobilise donors to invest in DIBs.

Market building costs

Learning partner and advocacy costs are estimated to be $270,000, which was funded by FCDO. The learning partner, Brookings, delivered learning activities aimed to generate learning from use of the QEI DIB and the wider sector. BAT also delivered advocacy work and market building, to support the development of new social finance work in the region. These costs do not relate only to the QEI DIB but can be seen as learning and market building costs, contributing to generating evidence and supporting the entire sector.

These 'market building' costs were seen as important for early-stage DIB market development, and critical to supporting the achievement of spillover effects. A number of objectives for the QEI DIB included effects at the wider sector and innovative finance mechanism level. Moreover, as these costs are not necessary to deliver a DIB, it is expected that these costs will decrease as the market matures. As such, these should be considered as separate market building costs. Whilst they are important for the learning and sustainability for DIBs in general stakeholders do not consider it a core cost that will be part of future DIBs.

Additionally, it is useful to note that these costs have been 'crystallised' given FCDO's specific grant to BAT to cover market building activities but do not represent the full costs of market building. MSDF and BAT provided additional staff time to support advocacy activities – this involved engagement with the India state governments. Additionally, many of the other stakeholders involved in the other DIBs engaged in activities to grow the market, but costs were not captured as these are not directly linked to the DIB.

6.2.3 VE DIB

Village Enterprise estimated additional costs based on financial reports for the period July 2019 to June 2022: VE DIB interim financial reporting and final costing report provided by Village Enterprise.

Table 28: Summary of additional VE DIB costs compared to a non-DIB structure, by phase

Phase	Set up (USD)	Implementation (USD)	Close (including investor return (and implementer performance reward (USD)	Total additional cost
Additional cost	477,000	979,000	816,000	2,272,000
Additional cost as a % of total programme budget (USD 5,320,000)	9%	19%	15%	43%

All figures to nearest $,000.

Figure 7 and Table 29 below provide a breakdown of these costs, which are explained in further detail underneath. Some noteworthy observations are:

- **Around half of the additional DIB costs went on implementation (43%).**
- **Across the three DIBs, these DIB costs took up the highest share of programme budget:** The additional DIB costs were 43% of programme budget costs. This is likely due to several reasons:
  - Set-up costs will likely have been higher in VE than QEI because VE was the first DIB in poverty graduation, and therefore there were no previous designs that could be built upon (compared to QEI, which built on Educate Girls).

- Investor return is higher in VE compared to ICRC because VE performed well against its outcome metrics, compared to ICRC which did not generate an investor return.
- The programme budget was the smallest of the three DIBs, and so it is perhaps unsurprising that the DIB costs take up a proportionately higher share of the programme budget.

Figure 7: Additional VE DIB costs

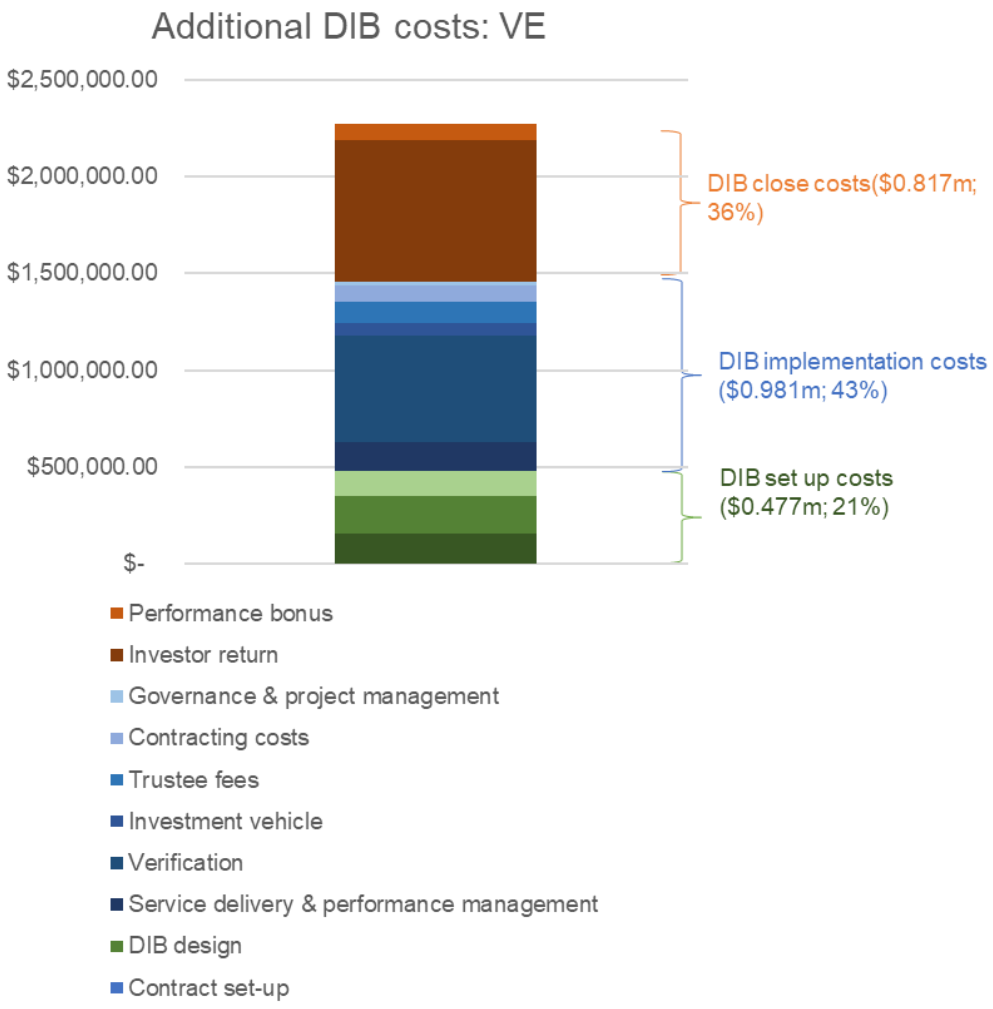


Table 29: VE DIB estimated costs for set-up and delivery phase

Cost category (Implementation phase)	Total DIB Costs – USD	Estimated costs had it not been a DIB – USD	Additional costs - USD	Notes
Service delivery Performance management	3,942,467	3,790,842	151,634	VE incurred additional costs to support verification, enumerators for M&E and the DIB coordinator and saving and enterprise lead, which would not have been needed had it not been a DIB
Verification	547,643	0	547,643	Cost of IDInsight. VE costs for verification are included under the service delivery line. Although cost of verification is not unique to a DIB, VE's core programme does not include RCTs as standard, so this has been included as a DIB cost but there could be justification for including a % of this total cost in the case that verification is also a cost for the comparator.
Investment vehicle	66,822	0	66,822	Registration, Audit, Management fees for investment structure
Trustee fees	109,301	0	109,301	Trustee Fees. Assumed 100% additional cost
Contracting costs	88,896	0	88,896	Pro bono legal services for contract amendment during Covid-19
Governance Project management	214,095	197,000	17,095	In another large consortium-type project, project management could be estimated at 5% of the overall delivery costs. This does not include time spent by other stakeholders on governance, although service provider costs can be assumed to be covered by their contract.
Communication and advocacy	50,869	25,000	25,869	Communication costs occurred by VE consultant. This was estimated assuming no PR agency and simpler virtual event and staff time. This is regarded as a non-essential DIB costs and so not included in the total
Cost category (Set-up phase)			**Additional costs - USD[102]**	**Notes**
Contract set up			158,000	Staff time
DIB design			193,090	External consultancy
External advice (legal /financial)			126,000	Professional pro-bono time

[102] Based on spot exchange rate used for end of programme summary report (22 July 2022) of 1 CHF = 1.032 USD

Cost category (Close phase)				
Investors return	730,165		730,165	Difference between initial investment and the total payment back to investors
Bonus	86,737		86,737	Performance bonus for service provider

Service delivery costs were estimated to be $151,634 higher than they would have been for a non-DIB project, based on VE analysis comparing average cost per business (DIB v non-DIB). These higher costs are due to higher (1) investment in M&E tied to adaptive management and rigorous monitoring; (2) increased field management personnel expenses due to more intensive oversight; and (3) increased field transportation costs due to the design of the DIB and RCT.

Verification costs were $547,643. This figure is based on the actual costs for the IDInsight RCT evaluation and do not include any verification costs incurred by other stakeholders. Costs were 15% higher than planned due to adaptations related to the COVID-19 pandemic. The cost of the process evaluation ($70,915) is included in the DIB costs and covers the use of the DIB mechanism. However, it is not considered an essential component of the DIB. Whilst there are other VE projects which also involve verification costs – and these costs are in some cases higher as compared to this project – verification costs are categorised as additional costs for our analysis. This is because they are necessary costs for the DIB whereas they are not always incurred in other similar projects; indeed, the VE core programme (which is the comparator site for our analysis) does not include a RCT.

Since VE contracted directly with investors, an LLC and non-profit underneath was created, which incurred $66,822 in costs for registration, audit, and management fees for the investment structure. The Trustee role involved: supervising and coordinating; leading all parties to perform due diligence activities; overseeing the outputs from the project manager and the outcomes evaluator; and overall fund management (holding funds, invoice, and reporting on cash flows). Governance costs have not been separately estimated, although stakeholders did report the hours they spent on various governance and management tasks. The project manager's role cut across governance and project management and cost $214,095. This is estimated to be $17,000 more than a non-DIB project.

There were differences in opinion across stakeholders interviewed on whether the DIB increased or decreased efficiency. On the one hand, there were efficiencies seen through streamlined reporting to funders. However, the DIB model's complexity led to inefficiencies in decision making, understanding the outcome payment formula, and staff training in the DIB model.

6.2.4 Cost Summary

The table below brings together the previous sections to summarise the additional DIB costs. The purpose of the table below is not to make comparisons between the DIBs but to build a greater understanding of the differences between the DIBs and what drives these differences. The total cost of the DIB – based on the programme budget - is used to present the additional costs as a percentage of the total cost of the DIB. This helps to show the differences in costs in relation to the scale of the DIB, however given not all costs are included in the programme budget, the ratios are intended for illustrative use. As described above, differences between the DIBs are a culmination of the degree to which they were able to build on previous DIB designs, design choices, and their performance.

Table 30: Comparisons of additional DIB costs across DIBs during set-up, implementation, and close phases

Phase/type	Cost category	ICRC (USD)		QEI (USD)		VE (USD)	
		Costs	As % of PB	Costs	As % of PB	Costs	As % of PB
Set-up	Contract set up	514,332	2.5%	Not estimated		284,129	5.3%
	DIB Design	721,337	3.6%	242,286	2.1%	66,961	1.3%
	External advice on legal and financial aspects	>51,615	0.3%	119,733	1.0%	126,000	2.4%
	Total additional Set-up	1,287,284	6%	362,019	3%	477,090	9%
	Verification	68,142	0.3%	592,440	5.2%	547,643	10.3%
	Service delivery	-		-		151,634	2.9%
	Investment Vehicle / legal costs	25,808	0.1%	13,350	0.1%	153,732	2.9%
Implementation	Governance	455,244	2.2%	-		17,095	0.3%
	Performance management costs			230,791	2.0%		
	Trustee Costs	-	-	-		109,301	2.1%
	Total additional Implementation	549,194	3%	836,581	7%	979,405	18.4%
Close	Investor return	0		576,767	5.0%	730,165	13.7%
	Implementer performance reward	-		527,394	4.6%	86,737	1.6%
	Total additional Close	0	0%	1,104,161	10%	816,902	15%
	Programme budget (PB)	*20,304,239*		*11,450,000*		*5,320,000*	

6.3 VE cost effectiveness analysis

6.3.1 Introduction

The above cost analysis tells us the additional costs of funding an intervention through a DIB. However, to fully understand these costs one needs to compare them to the benefits brought about by the DIB (as described in Section 4). One way to do this is through cost effectiveness analysis (CEA) – this compares the 'cost per outcome' (in other words, how much it costs to achieve a single outcome) of one service with another. By comparing the cost per outcome of a DIB to the cost per outcome of a similar non-DIB service, we can assess whether the increase in costs and the increase in benefits are proportionate to one another. If the cost per outcome of the DIB was lower than the non-DIB service, it would suggest that the additional DIB costs are justified.

As part of the evaluation, we explored whether it would be possible to use CEA on any of the three pilot DIBs. This would require identifying the following elements:

- An intervention similar to the DIB-funded intervention operating at the same time, which is funded through an alternative funding mechanism
- The same outcomes measured in both the DIB and non-DIB interventions
- Available cost and outcomes data.

These elements were present in the VE DIB, but not ICRC or QEI, as follows:

- **An intervention similar to the DIB-funded intervention, which is funded through an alternative funding mechanism:** As described earlier in Section 2.2, VE runs the same intervention as the DIB-funded service as part of its 'core' programme. VE rolled out many of the innovations introduced in the DIB to its core programme after the 2nd cohort, and so any comparisons between the DIB and the non-DIB after this point would be invalid. However, it is possible to compare the first two cohorts supported under the DIB with people supported under the core programme over the same time period (January 2018 to January 2019). Taking this approach also means the analysis only focuses on grantees supported pre-COVID-19, and so the results are not affected by COVID-19.
- **The same outcomes measured in both the DIB and non-DIB interventions:** VE collect baseline consumption data, and follow-up consumption data after the support begins across their programmes. This means there was available pre-post consumption data for both the DIB and non-DIB cohorts.
- **Available cost and outcomes data:** VE provided cost data on the DIB and non-DIB programmes (see previous section). They also provided outcomes data for both the DIB and non-DIB cohorts.

The analysis was not statistically significant. Therefore, we cannot draw conclusions from the findings. However, as there is great interest in applying cost effectiveness analysis to impact bonds we have included the analysis and findings here.

The following section summarises the methodology applied to undertake the CEA, including the limitations. After this we present the findings.

When reading this analysis, it is important to be aware of the following (as well as the point that the findings are not statistically significant):

- We were able to control for lots of factors, and it has been possible to make a good quantitative comparison between the DIB and core programme in relation to both costs and outcomes. However, the cost data has multiple limitations, as set out Section 6.3.6.

- Whilst every effort was made to create an accurate comparison between the DIB and core programme participants, there are elements that we could not control for because the data was not available. This includes, for example, the characteristics of the villages in which the participants lived. It is possible that these differences (rather than the DIB mechanism) either fully or partly explain the different outcome levels between DIB and core programme participants.
- It was only possible to undertake this analysis on one DIB, which was one of the first DIBs launched. In particular, of the three DIBs VE had the highest DIB cost relative to the programme budget. The findings are therefore not representative of DIBs more generally.
- The analysis does not capture all of the benefits that stemmed from the DIB. The CEA only focuses on the monetizable benefit to VE grantees. However, the DIB costs paid for additional benefits, including transferring financial risk from donors and VE to investors, and strengthening the reputation and evidence base of the VE intervention. The business owners also experienced further benefits beyond increased consumption, such as improved mental health and new skill acquisition. It is not possible to monetize these benefits, and so they are excluded from the analysis.

6.3.2 Methodology

Data was provided by Village Enterprise which described a random sample of participants who took part in Village Enterprise's programme during the first and second cohorts of the DIB (and the core programming that took place during the same period). These groups' characteristics varied substantially (in terms of geography, family make-up, baseline poverty levels, and the grant size they received from VE). Therefore, it was not possible to simply compare the outcomes of these two groups – as any difference in outcome could be because they had different characteristics, rather than because they received support through the DIB or core programme.

In order to improve the comparability of the two groups, data was restricted to individuals who received the standard grant size (as some of the DIB grantees received a larger grant) from either Kitale, Kenya or Soroti, Uganda since these were the two districts where there was crossover between the two groups (i.e., DIB and core programme). On top of this, propensity score matching was used to provide a weighting for each datapoint. The following variables were used to weight the groups and to further improve comparability between the groups:

- The **country** where the grants were deployed (either Kenya or Uganda) to account for wider economic and social factors that vary between the two and that may affect consumption levels.
- The **grant funding cycle**, to account for the different times training and grants were deployed. This serves as a proxy for seasonality that may have affected consumption levels and wider economic factors.
- **Family size**, recognising this affects consumption levels.
- Most importantly, **consumption levels** (in USD) prior to grants being deployed, to account for the different start points of grantees.

An assessment of balance for the above variables (covariates) before and after weighting is provided in **Annex I.**

We then compared consumption levels at the end of the programme between different sets of groups, as follows:

Table 31: Treatment and comparator group

Data set	Treatment group	Comparator group
1: All DIB grantees vs all non-DIB grantees	All DIB grantees	All non-DIB grantees
2: DIB grantees vs non-DIB grantees in similar areas	All DIB grantees	Just non-DIB grantees in the same sub-areas where DIBs were deployed
3 DIB grantees receiving same grant vs all non-DIB grantees	Just DIB grantees receiving the same grant amount as non-DIB grantees	All non-DIB grantees
4 DIB grantees receiving same grant vs non-DIB grantees in similar areas	Just DIB grantees receiving the same grant amount as non-DIB grantees	Just non-DIB grantees in the same sub-areas where DIBs were deployed

Of the four datasets described above, dataset 4 (DIB grantees receiving same grant vs non-DIB grantees in similar areas) creates the most accurate comparison between the DIB and non-DIB grantees, because the groups come from the same sub-areas, received the same grant size, received support at the same time, have similar family sizes and have similar baseline consumption levels. However, as mentioned above, we were not able to match on village characteristics (such as distance from local markets) as this data was not available.

6.3.3 Analysis results

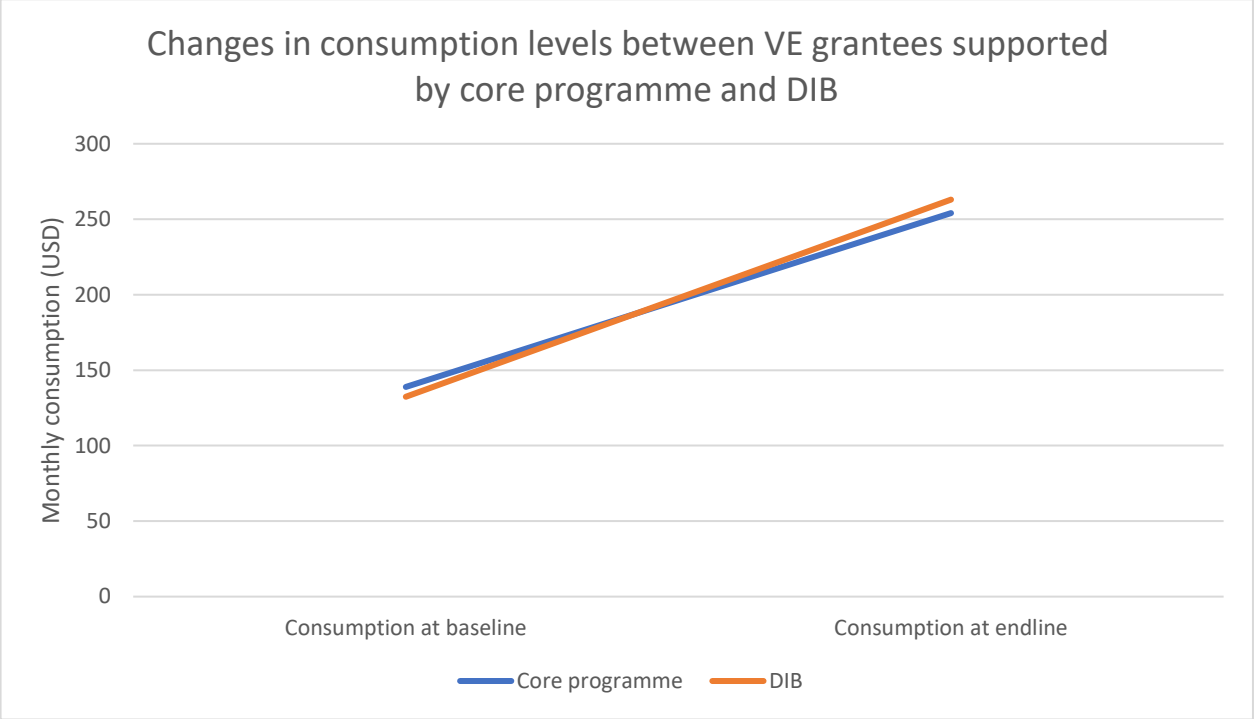
The table below details consumption at baseline and after by DIB grant status.[103] Unweighted and weighted statistics are provided (further information on the weighting is available in the annex). As shown in the 'change in weighted consumption' column, for group 4, the change in average monthly consumption for the DIB was 130.59 USD compared with 115.16 USD for the core programme. **In other words, the increase in monthly consumption for businesses receiving support from DIB-funded VE support was $15.43 higher than those who received support from the non-DIB funded VE support.** However, this change was not statistically significant (as we explain further below).

Table 32: Consumption before and after grant for dataset 4 (DIB grantees receiving same grant vs non-DIB grantees in similar areas)

Programme	Sample size	Consumption at baseline (USD)	Consumption at endline (USD)	Weighted consumption at baseline (after PSM)	Weighted consumption at endline (after PSM)	Change in weighted consumption
4: Core	269	157.59	301.28	138.90	254.06	115.16
DIB	290	132.41	263.00	132.41	263.00	130.59

[103] A more detailed version this table can be found in **Annex I**.

Figure 8: Changes in consumption levels between VE grantees supported by core programme and DIB



Source: VE consumption data. Baseline and endline refer to weighted figures, following Propensity Score Matching.

To gain further understanding of the data, we conducted a difference-in-difference analysis using the weighted data, to analyse if the change in consumption before and after participating in the programme was statistically related to belonging to the core or DIB group. Our difference-in-difference analysis (shown in full in the Annex) revealed that the programme type was not statistically significant – the P score was 0.51. However, given data availability (or lack thereof), we could not conduct a parallel trends assessment (to verify that prior to beginning the programme, participants in the core and DIB had matching trends in their consumption rates). As a result, we further conducted a regression analysis, using the weighted data and endline consumption as the outcome of interest to understand if belonging to the core or DIB group as statistically significant. Once again, no statistical significance was found – the P score was 0.68 (full regression analysis shown in the Annex).

6.3.4 Cost per outcome

In this section, cost per outcome is calculated for the core and DIB programmes using dataset 4. The costing data presented is calculated based upon all districts, therefore it is assumed that costs are uniform across districts. The cost data draws on the data presented earlier in this section.

The findings are presented in the table below.

This shows that under the core programme, to increase the monthly consumption of a business by $1 VE had to spend $2.05; under a DIB they had to spend $3.78. To present it a different way, compared to the core programme the DIB increased outcomes by 13.4% and increased costs by 109%. Therefore, whilst the DIB led to greater outcomes, this increase was not in proportion to the increased spend.

Table 33: Cost per outcome for the weighted DIB and core data

	Core	DIB
Sample size	269	290
Change in weighted consumption	115.16	130.59
Delivery costs, USD	607 per business	624 per business
Other costs, USD[104]	102 per business	858 per business
Total costs[105]	709 per business	1,482 per business
Cost per outcome	It costs 2.05 USD for each 1 USD increase in consumption	It costs 3.78 USD for each 1 USD increase in consumption

6.3.5 Sustainability

One major finding from the qualitative research was that the DIB promoted sustainable outcomes that will continue to be experienced for years to come, such as the innovations introduced during the DIB which were – almost two years after the conclusion of the DIB – still being used within the core programme. Therefore, to fairly compare the benefits and costs of the DIB, arguably it is also important to factor in the sustained benefits beyond the direction of the DIB.

To factor this in, we calculated the 'payback period' – i.e., how long it would take before the increased DIB costs led to an equal increase in outcomes. It is estimated that the DIB led to an improvement in consumption of 15.43 USD per business. If 90% of the DIB 'effects' were to sustain (and none of the additional DIB costs would be necessary), this would result in improved outcomes in future core cohorts of 13.89 USD per business. As such, Village Enterprise would need to support a further 163,700 businesses to re-coup the additional operating costs associated with the DIB.

[104] Costs included verification, trustee fees, the investment vehicle, contrasting costs, governance and project management, investor returns, communications, and performance bonuses. Set-up costs were not included within the analysis because it was not possible to estimate the set-up costs for the core programme (given that it has been running for a number of years).
[105] Costs were calculated by taking the total estimates for the DIB (and corresponding core costs), dividing these by three (given that our data relates to one of the three years that the DIB operated), and then dividing by the number of businesses within the second and third cohorts (2,177).

6.3.6 Limitations

In addition to the main limitations presented in Section 6.3.1, the following other limitations should also be noted:

- **Our dataset did not account for dropouts:** under the VE model, individuals are placed into groups of three to operate a business. Sometimes one group member will drop out – under the DIB, if there was a dropout the business would only receive two thirds of the grant size. We did not have information on whether the individuals in our dataset came from a business group of three or if they experienced a dropout. Additionally, our qualitative data revealed that dropouts were more likely to occur under the core programme, implying that dropout effects would impact the core sample to a greater extent that the DIB sample.
- **The selection process was different for the DIB and core programmes:** although both targeted individuals living in extreme poverty, the DIB specifically targeted the poorest 70 within each village, whereas the core targeted all households living in extreme poverty. Whilst the baseline consumption matching somewhat controls for this, it may be the case that the 70 very poorest are in some ways different to the wider population of the extreme poor; for example, they may be more likely to have substance abuse problems or disabilities.

In the following section we discuss the implications of the overall costs of the three DIBs.

6.4 DIB costs: Discussion

In this section we consider the implications of the above cost data. We focus on seeking to answer two questions:

- Were the DIB costs justified?
- Is it possible to lower the additional DIB costs?

6.4.1 Were the additional DIB costs justified?

To assess whether the DIB costs were justified, we must examine whether there was a close relationship between the DIB costs and benefits – in other words, is there a link between where most of the additional costs lie, and the main DIB drivers that are leading to the DIB effects, as covered in Section 4?

Overall, we found that the additional DIB costs were in areas where there were strong DIB benefits, suggesting that the additional DIB costs were focused in the right areas. Specifically:

- **A large proportion of the additional DIB costs went on design, and the DIB design mitigated against perverse incentives:** Our conclusion from Section 4 was that the DIBs were able to mitigate against the perverse incentives sometimes seen in OBC contracts because they factored this into the DIB design. This does suggest that the high proportion of the costs spent on the DIB design was justified.
- **A large proportion of the additional DIB costs went on verification, which was seen as a major contributor to the DIB benefits.** After investor return, the second highest additional DIB cost in both QEI and VE was the verification costs (5.2% and 10.3% of the additional DIB costs respectively). In section 4 we conclude that increased focus – and measurement of – outcomes, in part due to the increased verification, was one of the core drivers leading to the DIB benefits (though it is important to note that some stakeholders did not regard this as justified, as they thought the high costs and limitations to delivery meant they did not provide value for money and moreover limited flexibility in delivery).

Furthermore, there was a good association between the magnitude of the DIB costs and the magnitude of the DIB benefits. Based on our analysis from Section 4, the DIB effect was strongest in VE, which was also the DIB which had the highest DIB costs.

However, there was general consensus from stakeholders that, whilst they thought the additional costs were value for money, the costs could be reduced to improve the DIBs' cost effectiveness. This is the focus of the next section.

6.4.2 Is it possible to lower the additional DIB costs?

The evidence from this evaluation suggests that it would be possible to reduce DIB costs in the future. This is due to a number of reasons:

- **It is likely that set up costs could be reduced:** The QEI DIB had substantially lower set-up costs than ICRC and VE (3% of programme budget in QEI, compared to 6% in ICRC and 9% in VE), in part because they were able to build on the design elements from Educate Girls. We have emerging evidence from another DIB evaluation (forthcoming) that the DIB designers were also able to reduce the design resources because they were able to replicate the design of another (similar) DIB. Considering a large proportion of the DIB costs went on design, supporting replication has the potential to substantially reduce the costs of DIBs and should be a priority for stakeholders.

- **Costs could be reduced through running larger DIBs and/or outcomes funds:** Based on the analysis of these three DIBs the size of the additional DIB costs do not rise in proportion to the size of the DIB: VE (smallest DIB) has the highest proportion of DIB costs (43% of programme budget); ICRC (largest DIB) has the lowest (9% of programme budget). This would suggest that running larger DIBs – and/or outcomes funds – would reduce the proportion of programme budget that is spent on the additional DIB costs.

- **Costs will likely reduce as the market matures**: Some of the additional costs were regarded as necessary due to the current stage of DIB development, but would not always be necessary – specifically the market building and communication work. As DIBs mature, these costs could be removed. Furthermore, Section 4 showed that the DIBs potentially lead to sustained changes in the service providers; it is therefore likely that additional costs spent on building service provider capacity would reduce as they became more experienced operating in these types of contracts.

- **Costs will likely reduce if inefficiencies around co-ordination are removed:** Section 5 shows that there were inefficiencies in the DIBs related to their co-ordination and governance. If these were removed the costs would likely reduce.

- **Costs could be reduced if the risk premium was decreased:** In the two DIBs that generated an investor return (QEI and VE), the investor return made up the largest proportion of the additional DIB costs – 32% of the additional DIB costs in VE and 25% in QEI. The returns are in line with market rates for impact investments[106]. However, some investors interviewed remarked that they would have accepted a lower (and in some cases $0) return for their investment. This suggests that this additional DIB cost could have been lower. Furthermore, the investor return was set at the levels it was because the DIBs had a 100% PbR model – i.e., a high level of risk. As we discuss in the conclusion, it is possible that a lower level of PbR (such as 25%) could generate the same DIB effects but at a lower cost.

[106] https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/a-closer-look-at-impact-investing

7.0 Conclusions

Summary

The pilots were broadly successful in achieving their aims. The core effect of funding through the DIB model was that risk sharing and pooling of funding made donors more comfortable with potentially risky projects; financial risk sharing with investors enabled more service providers to operate in PBR contracts. The combination of PbR, financial risk sharing, and attracting a broader range of stakeholders led to a stronger focus on outcomes, heightened performance management, and a high-stakes environment. This led to organisations introducing new adaptive management systems and adapting more quickly when challenges arose. There are signs to suggest that this in turn led to improved outcomes. This change in working sustained; the new systems were rolled out in the organisations, and there was a cultural shift towards a sharper focus on outcomes and adaptation.

Our research suggests that DIBs may be most appropriate where:

- Performance could be enhanced through a focus on outcomes buttressed by performance management;
- The system / culture needs an external 'disruption' to bring about change;
- Service providers would not be able to tolerate high levels of financial risk within a PbR contract; and
- Providers would benefit from external expertise and support.

The evidence also suggests that a DIB is likely to be more appropriate than a PbR contract when the context requires smaller organisations to deliver services who may lack the resources or capacity to operate in a PbR contract.

The DIBs were, overall, well designed, and should be particularly complimented for avoiding the negative effects that can materialise within PbR contracts. The DIBs were also well designed in terms of ensuring attribution and equitable access. However, in two of the DIBs some stakeholders felt that the single outcome measure used did not fully capture the range of important outcomes.

Whilst stakeholders were broadly positive about the DIB effects, launching the DIBs – and to some degree implementing them – was challenging. Stakeholders thought the additional costs from the DIB were value for money, but also thought these costs could be reduced in the future. We encourage stakeholders to focus on how the model could be streamlined to reduce costs and complexity, such as reducing the number of stakeholders or reducing the proportion of PbR.

Recommendations to FCDO:

- FCDO can support the wider sector in collecting more robust cost data.
- FCDO should consider using a 'model agnostic' approach when designing thematic outcomes funds
- Continue to experiment with alternative outcomes-based contracting models.

Recommendations to the wider sector:

- Clarify roles and responsibilities upfront
- Build flexibilities into the contract to respond to changing situations without substantially changing contracts
- Create opportunities for peer learning within impact bond programmes
- Be transparent and share lessons learned to support the strengthening of the sector.

This **section discusses final conclusions from the evaluation.** Section 7.1 discusses findings and lessons learned, focusing on the two main evaluation questions. Section 7.2 provides final recommendations based on the results of the evaluation.

7.1 Findings and lessons learned

7.1.1 EQ1: How does the DIB model affect the design, delivery, performance, and effectiveness of development interventions?

7.1.1.1 Overall results

The evidence arising from this evaluation suggests that the pilots were broadly successful in achieving their aims: the pilot programmes achieved what they set out to do: The DIBs' expected positive effects were observed to a good degree, and there was little to no evidence of potential negative effects manifesting.

The core effects of funding these pilots through DIBs were that the sharing of risk and pooling of funding made donors more comfortable in funding more risky projects due to the PbR aspect. The financial risk sharing with investors enabled more service providers to operate in PbR contracts. The combined elements of PbR, financial risk sharing, and bringing in a broader range of stakeholders (such as performance managers) led to a stronger focus on outcomes across all organisations, heightened performance management over delivery, and introduced a high-stakes environment. This led to organisations introducing new adaptive management systems and adapting more quickly when issues arose. There are signs to suggest that this in turn led to improved outcomes. This change in working sustained; the new systems were rolled out in the organisations, and there was a cultural shift towards a sharper focus on outcomes and adaptation. Service providers left the DIBs with stronger capacity than before. The table below summarises the degree to which DIB effects were observed and attributed to the DIB mechanism.

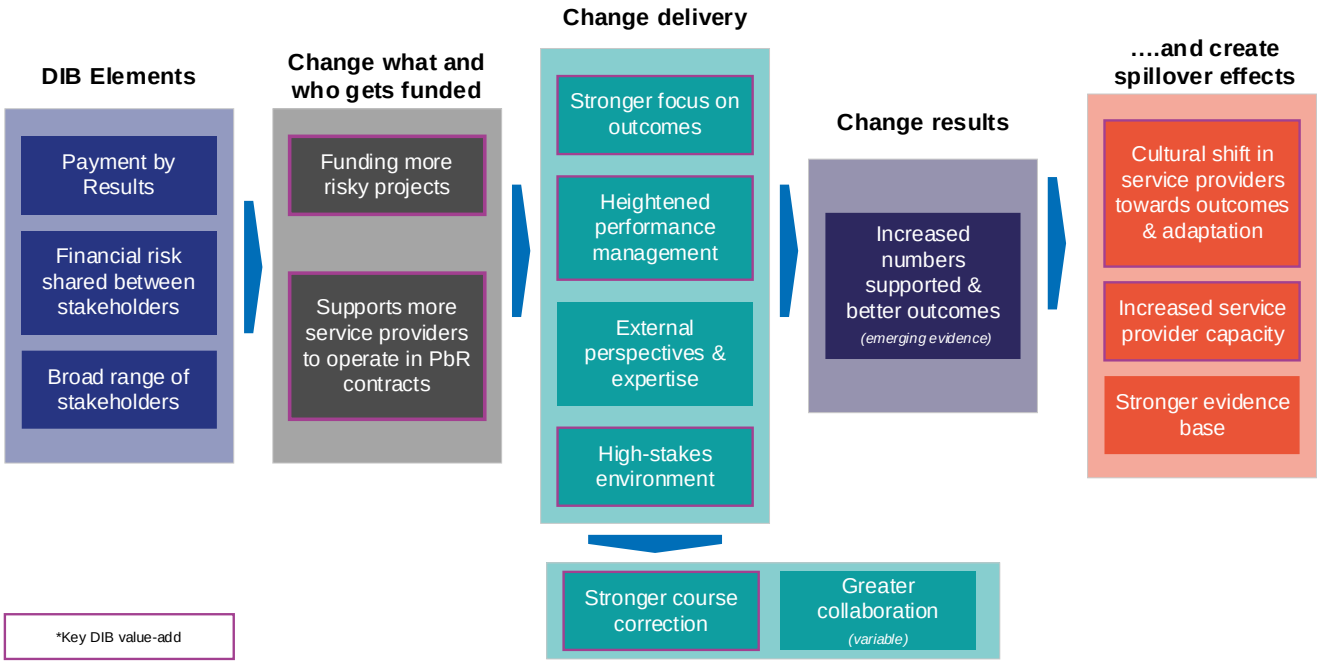
Please Note: *this table includes the design DIB effects, which were not discussed in depth in this report. More information on the design DIB effects can be found in the RW1 report.*

Table 34 DIB effect summary table

Design DIB Effects	Summary	ICRC	QEI	VE
Transfer of risk				
Transfer of financial risk from outcome funder to investor				
Reputational risks resulting from the use of the DIB				
Partnerships				
More service providers entering into PbR contracts due to pre-financing and transfer of risk				
Financing and funding				
Funding projects which would not have been funded otherwise, or not in the same guise				
Additional financing to the development sector				
Longer term funding				
Design				
Enables innovation				
More careful and rigorous design of interventions				
Complex to design and expensive to set up				
Delivery DIB Effects	**Summary**	**ICRC**	**QEI**	**VE**
Positive DIB Effects				
Shift focus to outcomes and greater accountability				
Drives performance management				
Providers deliver adaptive management and course correction, supporting innovation				
Greater collaboration between stakeholders				
Negative DIB Effect				
Cherry picking of participants from target population				
Quality of support reduced				
Tunnel vision				
Lowers staff morale				
Greater Outcomes				
Increased efficiency and effectiveness, leading to more outcomes				
Spillover Effects	**Summary**	**ICRC**	**QEI**	**VE**
Organisation Level				
Rolling out of processes and learning				
Increased visibility				
Diverting of attention				
Ecosystem Level				
Capacity strengthening to deliver DIBs				
Increased stakeholder interest in DIBs				
Contributions to the evidence base				

Figure 9 summarises the DIB effect observed across the three pilots, building on the existing evidence in the literature and the previous research waves. The most critical elements that drove the DIB effect are highlighted through pink outlines around the boxes.

Figure 9 The DIB effect



7.1.1.2 Where do DIBs work best?

When it is *appropriate* to use a DIB

Our research suggests that DIBs may be most appropriate where:

- performance could be enhanced through a stronger focus on outcomes buttressed by performance management;
- the system / culture needs an external 'disruption' to bring about change;
- service providers would not be able to tolerate high levels of financial risk within a PbR contract; and
- providers would benefit from external expertise and support.

Many of the DIB effects identified in this evaluation were also identified in previous evaluations of PbR contracts. One therefore needs to consider the added value of a DIB over-and-above a PbR contract, and in what situations a DIB should be considered rather than PbR. The experience of these three pilots suggests that **a DIB is likely to be more appropriate than a PbR contract when the context requires smaller organisations to deliver services who may lack the resources or capacity to operate in a PbR contract.** They are also more appropriate when the specific intervention is less certain, and so more experimentation is necessary (as evidence suggests providers are more risk averse in PbR contracts and prefer to deliver tried-and-test interventions).

When it is *possible* to us a DIB

Our research into impact bonds in Latin America identified five 'DREAM' factors that affect the ability to successfully launch and deliver impact bonds.[107] This evaluation supports the importance of these factors. We summarise these below:

- **Demand from outcome payers:** There needs to be an interest from all relevant organisations (service providers, investors, outcome payers and intermediaries); however, the limiting factor often appears to be outcome payers. This is perhaps unsurprising, considering most of the costs fall to the outcome payer. Where demand from government of bilateral donors is limited, this can be overcome by philanthropic organisations paying for outcomes.

- **Regulatory framework:** It is easier to launch and deliver an impact bond when there is a regulatory framework that supports payments being made on outcomes and returns to investors. There were challenges in launching these DIBs because of the regulatory frameworks, such as allowing public funds to pay for private sector profits; and donor budgeting and accounting frameworks which did not allow for commitments to long-term expense that was undefined and uncertain (i.e., the degree of payments). These were overcome through granting special waivers and exceptions. The optimal solution would be to amend the legislative and regulatory frameworks to accommodate DIBs. Where this is not possible, other potential solutions include limiting the number of stakeholders involved (which reduces the number of regulatory and legislative frameworks that must be considered).

- **Economic and political context:** It is easier to design and launch impact bonds when there is relative economic and political stability.

  - In terms of *political factors*, if the government is closely involved in the impact bond, then elections can make it challenging to make multi-year commitments that span electoral cycles. Political instability and lack of trust in public institutions can make it challenging to launch and gain buy-in to new ways of working. Even when the government is not closely involved, political instability increases the risk within the project, which will in-turn increase investor returns and may make it harder for the DIB to look economically attractive. It can also be challenging to adopt an outcomes-focused way of working when there are major external influences (such as conflict) that will affect the provider's capacity to achieve outcomes. For these reasons, DIBs may be best suited for work that sits at the humanitarian-development nexus – like building and running physical rehabilitation centres – and may not be appropriate for the type of crisis response more typically associated with the humanitarian sector. A HIB could be a viable option for contexts still affected by conflict but where there is enough stability to start re-building in a way that includes in-country partners; PRP fits this description, as would WASH, nutrition, refugee/internally displaced person integration/employment, reconstruction, and demining. Additionally, the ICRC HIB demonstrates that the transferral of risk from donors to investors may be an attractive and effective way to fund humanitarian interventions if there is sufficient investor appetite to carry the risk of major external influences on outcomes. The impact bond model also helps to drive accountability of a programme's impact which can be a challenge in the humanitarian sector. Some political risks can be mitigated by ensuring that an impact bond is designed, launched, and concluded within a single electoral cycle.

[107] Agusti Strid, A. and Ronicle, J., 2021. *Social Impact Bonds in Latin America: IDB Lab's Pioneering Work in the Region: Lessons Learnt.* IDB Lab. See: https://golab.bsg.ox.ac.uk/documents/Social-Impact-Bonds-in-Latin-America-IDB-Labs-Pioneering-Work-in-the-Region-Lessons-Le.pdf

- *Economic* instability, particularly changes in exchange and inflation rates, can create challenges in making long-term financial decisions (which are necessary within an impact bond, when outcome payments and investor returns are made later in the project). Economic risks can be overcome by selecting a more stable currency with which to pay for outcomes and returns.

- **Availability of data:** DIBs work best in sectors with existing practice around measurement, including clear and measurable outcomes. This enables stakeholders to develop realistic business cases, which allows stakeholders to design and price outcomes and aids investors in assessing the levels of risk. It also supports the accurate collection of baseline data. Where this isn't the case, it can inhibit the ability to launch the impact bond, result in re-profiling of outcomes targets, or result in the early closure of the project.[108] Ways to overcome this are by launching a service through a fee-for-service contract first, which can be used to generate the data that can form a baseline and/or be used to develop outcome metrics. This evaluation showed that education and poverty elimination are good examples where suitable outcome metrics can be developed.

- **Market capacity:** It is essential to have investor interest, sufficient service provider interest, service providers with the right capabilities to operate within an outcomes-focused structure, and an interest in testing new approaches. Stakeholders need to have access to the right technical expertise and support to design and manage impact bonds. Intermediary support can help plug gaps in technical capacity, as was the case with QEI. However, in all three DIBs stakeholders carefully selected service providers that already had a strong focus on outcomes and could work in an adaptive management way, so we do not know how effective DIBs would be with service providers with lower capacity.

EQ1 – KEY LESSONS LEARNT

1. **The DIB effect varies across DIBs depending on the stakeholders involved, their motivations for using the DIB, and the structure of the DIB**. It is useful to carefully consider the objectives of using a DIB and ensure that the DIB is structured to support this.

2. **A DIB can be an effective organisation-level change management tool.** In these pilot DIBs, the funding mechanism was a catalyst and driver for change and the better use of data to inform delivery. Changes introduced in a DIB can sustain and be rolled out across organisations.

7.1.2 EQ2: What improvements can be made to the process of designing and agreeing on DIBs to increase the model's benefits and reduce the associated transaction costs?

7.1.2.1 How well designed were these DIBs? Testing against a 'triple A' rating

Most stakeholders were pleased with how the DIBs affected the projects. They particularly valued how the DIB brought together different organisations to share risk, and how there was a heightened focus on the core outcomes.

The DIBs were, overall, well designed, and should be particularly complimented for avoiding the perverse incentives that can materialise within PbR contracts. There were variations across the designs, and these pilots provide learning in designing effective impact bonds. Below we provide an overarching assessment of their

[108] Elsby. A. et al, 2022. Using impact bonds in education in low- and middle-income countries: An evidence review. World Bank. See: https://documents1.worldbank.org/curated/en/099846504132230407/pdf/IDU02b848900027dd04d480a179090d86b2071a4.pdf

designs, using the GO Lab 'outcomes specification assessment framework'[109] to assess whether the DIBs receive a 'triple A' rating, i.e., whether they are strong in relation to **attribution, access, and alignment**.

This shows that the DIBs were well designed in terms of ensuring attribution and ensuring equitable access. However, in two of the DIBs some stakeholders felt that the single outcome measure used did not fully capture the range of important outcomes. As these were some of the first DIBs worldwide, the designers focused on a single metric to keep the model simple. In contrast, in VE the outcome measure captured the multiple dimensions of poverty well; however, many stakeholders reported that even at the end of the DIB they did not fully understand how this metric was measured. This clearly highlights a trade-off in the metric design, between a simple metric that stakeholders can understand but may not accurately capture the full range of impact, and more sophisticated metrics that capture the important outcomes, but can be difficult to understand.

Table 35 Testing whether the DIBs receive a 'triple A' rating

Design Element	ICRC	QEI	VE
Attribution (Accurate price-setting of attributable payable outcomes)	Pre-post measure used, so no estimate of attribution. Targeted outcomes closely linked to the intervention, so estimate of attribution not entirely necessary.	Results within DIB schools compared to comparison schools, so clear estimate of attribution.	RCT used to verify results, ensuring clear attribution.
Access (Tightly defined eligible cohort)	Focus on efficiency rather than absolute outcomes resulted in a focus on the service delivery process rather than the attributes of the patients being supported, reducing the risk for cherry-picking.	Outcome metric measured learning gains for all children, to prevent cherry picking. Research found that this led to a wider focus on the whole class.	RCT used to select villages, so no cherry picking over favourable villages was possible. Poverty assessment tool used to ensure intervention targeted the poorest in the villages, so VE unable to cherry pick participants.
Alignment (Alignment between payable outcomes and policy objectives)	Main objective was to drive efficiency, which was the outcome payment. However outcome measure may not have fully captured other outcomes achieved by centres such as quality of care and facilities, better health outcomes, range of services provided etc.	Outcome measure focused on core education outcomes, which was policy objective. However, some saw this as a limited definition of success, as wider social outcomes not captured.	Outcome metric clearly associated with multiple dimensions of poverty, which was policy objective.

Adapted from Fitzgerald, C., Carter, E., Dixon, R., & Airoldi, M. (2019). Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds.

[109] Fitzgerald, C., Carter, E., Dixon, R., & Airoldi, M. (2019). Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds. Public Money and Management, 39(7), 458–467.

However, whilst stakeholders were broadly positive of the DIB effects, launching the DIBs, and to some degree implementing them, was challenging. Most people under-estimated the time and resource that would be required to design and launch the DIBs, and they faced multiple challenges in relation to designing the metrics and regulatory frameworks. All of the DIBs involved multiple outcome funders and investors; whilst this spread the project risk (and enabled more stakeholders to understand and experience being involved in a DIB), it compounded the challenges, as more regulatory frameworks and country legislations had to be taken into account. It then led to co-ordination and communication challenges during delivery, as roles and responsibilities were not always clear, and complex decisions had to be navigated (or not) between multiple stakeholders with differing priorities.

Therefore, there are lessons in how the DIB design could be improved. We highlight these below.

7.1.2.2 What can be done to increase the model's benefits?

Section 5.3 outlines learnings from this evaluation in relation to how the benefits of the DIB model might be increased to ultimately achieve better outcomes. In summary these are:

- **Launching outcomes funds:** Outcomes funds are when multiple outcomes-based contracts are designed and launched together. They have the potential to increase efficiencies because the impact bond is designed only once and then implemented in multiple settings.
- **Role of the intermediary:** The intermediary played an important role in coordinating and designing the DIBs. At the same time, intermediary costs can be high. For more DIBs to be developed, the intermediary role needs to be clearly defined and costed effectively. The precise role of the intermediary should be tailored to the specific DIBs, including the mix of stakeholders and skillsets brought by the other stakeholders. Additionally, DIB stakeholders should look to build more capacity and technical expertise for designing and coordinating DIBs internally, to reduce the reliance on external organisations for providing this service.
- **Role of evaluation:** The use of validated administrative data versus experimental approaches should be guided by the policy objectives of the DIB and the geographical / sector context. A more pragmatic approach that values simpler indicators as measures of attribution could bring down evaluation costs (both in terms of time and resources) and support scalability of future DIBs, but will diminish the quality of the evidence produced and may lessen some of the DIB effects.
- **Performance management systems:** The three DIBs involved strengthening of performance management systems, which led to improvements in the efficiency and effectiveness of delivery. Additional investment in performance management was a valuable component of the DIB model as it was piloted with these projects and should be integrated into future DIBs to increase the model's benefit – especially performance management systems which also support the measurement and verification of outcomes.
- **Role of collaboration and governance:** To maximise the benefits of collaboration and governance, key learning has been the need to clearly identify the specific added value of expertise and experience being brought on by DIB stakeholders and clarify roles, responsibilities and decision-making authority and processes across stakeholders. Whilst there are benefits of involving multiple outcomes funders and investors, this makes DIB design and co-ordination more challenging.
- **Designing outcome metrics:** Some stakeholders felt that the selected outcome metrics did not capture the true impact of services provided through the DIBs. There can be challenges in capturing all components of delivery into only one or a few key outcome metrics that accurately reflect a project's full impact. Although there is a drive to simplify impact bonds and only focus on a smaller number of metrics, this must be balanced with the need to accurately capture the outcomes from the project.

It is also possible that some of the challenges within these DIBs diminish over time. As more precedents are set, lessons learnt and capacity built, it might be possible that it becomes easier and simpler to design and implement impact bonds.

7.1.2.3 Can a simpler approach be developed?

The section above provides suggestions of how the DIB model could be improved. However, the model overall can still be complex. **Even with these improvements it could still be seen as a cumbersome approach in some settings**. Therefore, is it possible to further streamline the model? Are there elements of the model that could be removed without compromising the benefits of the model?

To answer this question, we are best considering which elements appear to be the core drivers that lead to the DIB effects. This would then highlight which elements appear to have the *least* impact, and therefore could be streamlined. **As previously mentioned, the main drivers of the DIB effect within the three pilots were a stronger focus on clear outcomes and a high stakes environment.** The added value of the DIB does not seem to come – at least not in a significant way – from intermediaries and/or external expertise. This begs the question: could you design a model that retains the focus on clear outcomes and a high-stakes environment but reduces the reliance on intermediaries and/or external expertise?

For example, would a **25% PbR model** be able to create a focus on clear outcomes and a high-stakes environment but reduce financial risk down to a range that service providers could tolerate? The DIB model's complexity stems in part from the high levels of financial risk within them – this then requires multiple stakeholders to be involved, high levels of external capital to finance the funding gap before payments are made, and complex upfront and ongoing negotiations about how this financial risk is shared. **But is so much financial risk necessary?** It is interesting to note that, in the Cameroon Cataract Bond, just as much focus was paid to the equity target as was the core outcomes, even though the financial risk and reward from the equity target was low compared to the other metrics. Moreover, as we mentioned earlier, in the Girls Education Challenge and FCDO-funded HRITF programme, where there was a greater focus on outcomes, this was found to generally be due to having a specific target outcome, rather than the payment itself.[110] This might suggest that simply attaching *some* financial payment to outcomes is enough to drive the DIB benefits – it might not need to be all the financial payment. It does, though, need to be large enough to create the high-stakes environment; therefore, a 25% PbR model might be an option. This could be high enough to foster the focus on clear outcomes and the high-stakes environment, whilst being low enough to be tolerable to donors and service providers. This would then reduce the need to access external investment (possibly almost entirely), would simplify the model, and would possibly simplify contract negotiations.

Another alternative could be where a philanthropic organisation provides the upfront working capital as a grant, on the proviso that a government or bilateral donor either 'tops up' or expands the model if pre-agreed outcomes are achieved. This again might create all the benefits seen in the DIB model (risk sharing between different entities, the bringing together of interested parties around the same goal, focus on outcomes and high-stakes environment) with less complexity. Indeed, one of the philanthropic investors involved in the DIBs was experimenting with this model, after they had been convinced of the outcomes-focus element of the DIB, but less convinced of the underlying model. An alternative approach is a **Social Impact Guarantee**, in which an external organisation agrees to refund the donor if pre-agreed outcomes do not occur, in the hope that it encourages donors to take greater risks with untested solutions and maintains a sharp focus on outcomes.[111]

---

[110] Holden, J and Patch, J. (2017). The experience of PbR (PbR) on the Girls' Education Challenge (GEC) programmes: Does skin in the game improve the level of play? Girls' Education Challenge. UK Aid. http://foresgiht.associates/wp-content/uploads/2017/01/2017.01.19-Skin-in-the-game-PbR-on-the-GEC.-Final.pdf; Evans, A. (2016). Results based financing in Zambia – an informal, unpublished annex. https://www.researchgate.net/publication/308985858;

[111] Tan, K. et al, 2021. *Social Impact Guarantees: The Next Evolution in Outcomes-Based Funding.* Stanford Social Innovation Review. See: https://ssir.org/articles/entry/social_impact_guarantees_the_next_evolution_in_outcomes_based_funding#

All these aspects require more research. But the core point is that **the DIB model may not always be the most appropriate model; a thorough options appraisal around the funding model is required before any project begins, the model needs tailoring to the specific context, and more experimentation is required to find the 'optimal' outcomes-based model in different contexts.**

7.1.2.4 What could be the next steps for the DIBs model?

This pilot has provided a lot of important lessons learned about the successes and challenges of the impact bond model in humanitarian aid and development contexts. Drawing on the evidence from this evaluation, there are a few pathways that could offer opportunities regarding the 'next steps' for the DIBs model.

There is scope to design **dedicated outcomes funds** in particular policy areas to support their implementation and improve efficiency.

One option moving forward may be to take a 'model agnostic' approach to outcomes-based contracting. In this scenario, the donor could establish a desired outcome, set a price they are willing to pay for those outcomes, and let service providers and/or the market determine what outcomes-based contracting mechanism they think is best-suited. This approach was used in the Sierra Leone Education Innovation Challenge.

Another option for scaling is to prioritise organisation-level scaling rather than sector-level scaling. DIBs can be cumbersome and time-consuming to set up, but this evaluation has found that they have the potential to create long-term process and cultural shifts within service provider organisations. If effects are maintained at the organisational level after the end of the project, then it may be more efficient to use an impact bond to fund multiple service providers, and then scale the interventions with the most effective organisations afterwards, through a more conventional funding mechanism.

EQ2 – KEY LESSONS LEARNT

1. Additional stakeholders do result in greater coordination and communication costs. These costs can be managed by having clarity on what added value different stakeholders are bringing and clarifying roles, responsibilities, level of input and decision-making processes.

2. The role of the intermediary should be carefully considered, to ensure costs and benefits are proportionate. There is a balance between bringing in external expertise and building the capacity of providers and funders to take on some of these tasks. More effort should be made for intermediaries to build capacity in other organisations throughout the duration of the DIB, to pass on the technical skills required for designing and implementing outcomes-based contracts

4. There may be potential to further explore the extent to which verification and performance activities can be synergised, to reduce costs and maximise the benefits of these activities. Verification techniques sometimes had the dual benefit of calculating payments and supporting data-driven adaptive management, whilst in other projects these two functions were separate.

5. Additional investment in performance management was a valuable component of the DIB model and should be integrated into future DIBs where necessary to increase the model's benefit. All the different performance management approaches used across the DIBs were effective, suggesting there is no one way to doing performance management well, but rather it needs tailoring to the needs and capacity of the organisations involved. However, performance management systems can be expensive; future DIBs could explore 'lean data' models or platforms that could bring down these costs.

6. Measuring cost-effectiveness is extremely challenging. Full costs, including in-kind contributions, were not captured by these projects. Some stakeholders note that financial reporting requirements to funders is also lower,

due to the move to a focus on outcomes. This makes it difficult to assess value for money. We would encourage donors to stipulate financial reporting requirements within funding agreements.

7. Ensure appropriate capacity-building is embedded into the DIB: Service provider capacity is a particular concern when thinking of implementing or scaling impact bonds, therefore a capacity building element may need to be considered in DIB design. Peer-learning may be an effective and cost-efficient way of supporting this.

8. It is important to balance the 'black box' commissioning approach of an impact bond with ensuring minimum quality standards are in place. Outcome payers learnt that they cannot solely focus on paying for outcomes and not oversee delivery. They learnt that they need to ensure that minimum standards – such as adequate safeguarding policies – are in place.

9. Account for emergency situations within contracting: COVID-19 created challenges for the projects, and the contracts or agreements did not always provide clarity on how to respond (such as who has the ultimate say, and how projects should respond when outcome verification is not possible). One way to address this would be to undertake more scenario-testing upfront during the design and set-up phase to plan for and accommodate potential risks.

10. Striking a balance between complexity and usability for outcome payment formulas: Complex metrics and outcome payment formulas can make it difficult for service providers to understand and onboard colleagues onto the DIB. This could also create challenges with scalability and replicability for organisations with lower capacity.

11. A large amount of the 'additional costs' of a DIB are incurred during the design phase. This is a good sign, as replication may reduce these costs if DIBs continue to be designed and delivered. Though this is only correct if tailoring requirements are relatively low.

12. Additional DIB costs do not increase in relation to the scale of the DIB. This suggests there are economies of scale in running larger DIBs.

7.2 Recommendations

7.2.1 Recommendations to FCDO

Whilst the recommendations below are targeted at FCDO, they could also be adopted by other organisations.

FCDO can support the wider sector in collecting more robust cost data. The evaluation has found it challenging to gather consistent cost data across the three DIBs, and more could be done to routinely collect costs to support assessing the value for money of DIBs. This will likely require a combination of support to stakeholders, creating consistency between different approaches, building in requirements into contracts and providing reassurance that the objective is not to identify cheaper or more expensive providers, but to build learning for the wider sector. This evaluation has supported the progress of this endeavour by working with the DIBs to create a standardised cost reporting approach. We would encourage FCDO to collaborate with other donors and outcomes funders to roll out the cost template.

FCDO should consider designing thematic outcomes funds, using a 'model agnostic' approach to the particular outcomes-based contract. We are aware that this has already been done in the education space through supporting the Education Outcomes Fund. However, this evaluation has also demonstrated the ability to use impact bonds in poverty graduation and humanitarian-development settings. FCDO could explore supporting the launch of outcomes funds in these areas, as well as experimenting with their use in other policy landscapes.[112] The 'model agnostic' approach outlined in Section 7.1.2.4 could be an option for applying outcomes-based contracting within FCDO's portfolio.

Continue to experiment with alternative outcomes-based contracting models: This evaluation has highlighted that the DIB model can be effective, but that there is scope to improve and streamline the model. Alternative approaches are emerging that are attempting to do this, such as the Social Impact Guarantee. More research is needed to robustly compare the advantages and disadvantages of different outcomes-based contracts. If future outcomes funds were launched, we would encourage experiments to be included within their designs, to enable robust testing of different OBC approaches.

7.2.2 Recommendations to the wider DIB sector

Clarify roles and responsibilities upfront. The comparatively high number of stakeholders involved in a DIB can drain resources and time during both the set-up and delivery phases. However, the pilots included in this evaluation highlighted that the 'right' mix of stakeholders can offer significant value add with regard to capacity-building for the service provider(s). To ensure stakeholders are adding value to delivery, roles and responsibilities should be clearly defined and linked to the specific experience and expertise stakeholders are bringing. One option for streamlining this process and reducing additional costs associated with the DIB model may be to select service providers first and determine which additional stakeholders to add to the DIBs based on their organisational capacity and needs.

Build flexibilities into the contract to respond to changing situations without having to substantially change contracts. Setting up and changing legal contracts is expensive. It will likely be impossible to incorporate all eventualities into a contract; therefore, building in flexibilities and agreed steps for approving changes will help the DIB mechanism remain relevant in crisis situations. The more that DIB contracts and learnings captured can be made public may help accelerate learnings in this area.

Create opportunities for peer learning within impact bond programmes: Across multiple evaluations service providers have fed back to us that it can be challenging to deliver outcomes-based contracts when the organisation is inexperienced with them. When opportunities have been provided to share lessons learnt between service providers these have been valued (such as in the Commissioning Better Outcomes programme), but when these have not been present service providers have expressed the wish to have them in place (such as in this evaluation, and in the Youth Engagement Fund). We received similar feedback in this evaluation from donors, who would have appreciated more opportunities to interact with each other and share lessons learnt (though the Impact Bond Working Group did exist during the period of the programme). We would encourage future programmes to build in peer learning opportunities for both service providers and donors.

Be transparent and share lessons learned and key successes and challenges to support the strengthening of the sector. There is a very high level of scrutiny and focus on these early DIBs. It can be difficult to openly share 'failures'. A broader understanding of what 'success' looks like, for instance, including generating learning of what does not work, especially during this pilot phase, will be important for building the wider sector.

[112] FCDO has already supported the launch of an outcomes fund in education; the Education Outcomes Fund (EOF): https://www.educationoutcomesfund.org/

Annex A: Acronyms and glossary

AEF	Africa Eye Foundation
AFD	*Agence Française de Développement* / French Development Agency
BAT	British Asian Trust
BEH	Business Engagement Hub
BPS	British Psychological Society
BSG	Business Savings Group
CBO	Community Based Organisation
CEA	Cost Effective Analysis
CIFF	Children's Investment Fund Foundation
DAC	Development Assistance Committee of the OECD
DCMS	Department for Digital, Culture Media & Sport (UK)
DCMS	Digital Centre Management System
DFAT	Department for Foreign Affairs and Trade (Australia)
DFC	US International Development Finance Corporation
DIB	Development Impact Bond
DQA	Data Quality Assessment
DRC	Democratic Republic of Congo
EIM	Efficiency Improvement Measures
EI-PIF	Educational Initiatives and Pratham infotech Foundation
EMT	Evaluation Management Team
EQ	Evaluation Question
EQUALS	Evaluation Quality Assurance and Learning Services
ESRC	Economic and Social Research Council
FCAS	Fragile and Conflict Affected Situations
FCDO	Foreign, Commonwealth & Development Office – formerly Department for International Development (DFID, UK)
GAVI	Global Vaccine Alliance
GDI	Global Support Development Initiative
GEC	Girls Education Challenge
GEFA	Global Evaluation Framework Agreement
GO Lab	Government Outcomes Lab
GSRU	Government Social Research Unit
HIB	Humanitarian Impact Bond
HRTIF	Health Results Innovation Trust Fund
HSE	Health and Safety Executive
ICRC	International Committee of the Red Cross
IDB	Inter-American Development Bank
IFI	Intergovernmental Financial Institutions
KiT	Keeping in Touch
KEF	Kaivalya Education Foundation
KPI	Key Performance Indicator
LLC	Limited Liability Company
LMIC	Low- and middle-income country
LOUD	LOUD SIB Model
M&E	Monitoring and Evaluation
MICEI	Magrabi ICO Cameroon Eye Institute
MEL	Monitoring, Evaluation and Learning
MRS	Market Research Society
MSDF	Michael & Susan Dell Foundation
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
OECD	Organisation for Economic Cooperation and Development
ORCM	Operating Review Committee Meeting
PbR	Payment-by-Results
PRP	Physical Rehabilitation Programme
PSD	Private Sector Department
QEI	Quality Education India
RBA	Result Based Aid
RBF	Results Based Financing
RCT	Randomised Control Trial
RW	Research Wave
SARD	Society for All Round Development
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SER	Staff Efficiency Ratio
SIB	Social Impact Bond
SPV	Special Purpose Vehicle
SRA	Social Research Association
ToC	Theory of Change
ToR	Terms of Reference
UBS-OF	UBS Optimus Foundation
USAID	United States Agency for International Development
VE	Village Enterprise
VfM	Value for Money
WASH	Water, Sanitation and Hygiene

Below we list definitions of terms used within the report. The sources for these definitions are noted below, and the source is listed at the end of each definition:

- National Audit Office[113]
- GO Lab[114]
- Own definition

Table 36: Definition of terms used in the report

Term	Definition
Attribution	The extent to which changes in the relevant outcomes can be attributed to an intervention or investment (GO Lab).
Baseline	The level of performance measured before the intervention begins, against which the intervention's impact can be assessed (NAO).
Bond	A fixed income instrument that represents a loan made by an investor to a borrower. A bond has an end date (when the principal of the loan is due to be paid to the bond owner) and it usually includes the terms for variable or fixed interest payments that will be made by the borrower (GO Lab).
Cherry picking	A perverse incentive whereby providers, investors or intermediaries select beneficiaries that are more likely to achieve the expected outcomes and leave outside the cohort the most challenging cases (GO Lab).
Cost benefit analysis	A method to estimate the total expected benefits of a programme, compared with its total expected costs (GO Lab).
DIB	An impact bond that is implemented in low- and middle-income countries where a donor agency, multilateral institution, or a foundation pays for the desired outcomes as opposed to the government (although some combination of government with third party is also possible) (Adapted from GO Lab).
Escrow	An escrow is a financial arrangement where a third party holds and regulates payment of the funds required for two parties involved in a given transaction (Own definition).
HIB	A variation of a DIB used in a conflict, post-conflict or emergency setting (Adapted from GO Lab).
Impact bond	Outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service (GOLab).
Implementer	The entity responsible for delivering an intervention or service to participants (Adapted from GO Lab).
Intermediary	A third-party individual or organization that provides specific advice in the development and implementation of an impact bond (Own definition).
Outcome	The desired effect for an individual as the result of a service or intervention (GO Lab).
Outcome fund	Outcome funds pool capital from one or more funders to pay for a set of pre-defined outcomes. They allow the commissioning of multiple impact bonds under one structure (Adapted from GO Lab).
Outcome measure	An outcome measure is the specific way the commissioner chooses to determine whether that outcome can be achieved (GO Lab).
Outcome payer	The organisation that pays for the outcomes in an impact bond (GO Lab).
Outcomes-based contracting	A mechanism whereby service providers are contracted based on the achievement of outcomes. This can entail tying outcomes into the contract and/or linking payments to the achievement of outcomes (GO Lab).

[113] National Audit Office. 2015. *Outcome-based payment schemes: government's use of payment by results. See:* https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf
[114] See: https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/

Output	The services that are delivered directly by an intervention. The use of outputs by participants contributes to changes which lead to outcomes (Adapted from GO Lab).
Payment-by-results	The practice of paying providers for delivering public services based wholly or partly on the results that are achieved (GO Lab).
Perverse incentive	An incentive to act in manner that goes against the desired outcome or aims of a service or programme (GO Lab).
Primary outcome	In an impact bond the primary outcome is the most important outcome in the contract, the one that the outcome payer most wants to see positively impacted (GO Lab).
Procurement	Acquisition of goods and services from third party suppliers under legally binding contractual terms (GO Lab).
Rate card	In the context of payment-by-results, a rate card is a schedule of payments for specific outcomes a commissioner (outcome payer) is willing to make for each participant, cohort or specified improvement that verifiably achieves each outcome (GO Lab).
Rate of return	The profit on an investment, normally expressed as an annual percentage (GO Lab).
Results-based finance	A term used in some countries, in particular in the USA, that refers to payment-by-results schemes (GO Lab).
Secondary outcome	After the primary outcomes (the most important) the secondary outcomes are the other important outcomes that the commissioner wishes to see improved. They may capture different dimension of the programme or reinforce the primary outcome (GO Lab).
SIB	A type of outcome based contract that incorporates the use of private funding from social investors to cover the upfront capital required for a provider to set up and deliver a service (GO Lab).
Theory of change	It describes the causal logic of how and why an intervention will reach its intended outcomes. A theory of change is a key underpinning of any impact evaluation, given the cause-and-effect focus of the research (GO Lab).

Annex B: Detail on the DIBs

Stakeholders involved in the DIBs

The table below sets out the key stakeholders for each impact bond.

Table 37: Stakeholders involved in each impact bond

Stakeholder	ICRC	QEI	VE
Designer	ICRC and KOIS	British Asian Trust, Michael & Susan Dell Foundation, UBS Optimus Foundation, Dalberg.	Instiglio and the Anonymous Donor
Service Provider	ICRC	Educational Initiatives and Pratham Infotech Foundation (EI-PIF), Gyan Shala, Kaivalya Education Foundation, SARD (Society for All Round Development)	Village Enterprise.
Service Users	Users of new ICRC centres, and the 8 pilot centres.	200,000 primary school children in Delhi and Gujarat.	A minimum of 12,660 households in Kenya and Uganda
Governments	Local governments in Mali, DRC, and Nigeria	National and district governments	Local government representatives in Kenya and Uganda
Outcome Funders	Governments of Switzerland, Belgium, UK and Italy, and La Caixa Foundation.	Michael & Susan Dell Foundation, BT, Comic Relief, Mittal Foundation, The Larry Ellison Foundation.	FCDO, USAID and an anonymous donor
Investors	Munich Re, Lombard Odier pension fund, charitable foundations and others	UBS Optimus Foundation leads an investment pool of multiple private investors.	Nine impact investors, including Bridges Fund Management, Delta Fund, ImpactAssets, and King Philanthropies
Outcome Verifier	Philanthropy Advisors	ConveGenius Insights (CGI) (formerly Gray Matters India)	IDinsight
Intermediary / Advisors	None	Intermediary: British Asian Trust Performance manager: Dalberg, FCDO (technical assistance)	Project manager: Instiglio
Learning Partner	None	Brookings Institution	Instiglio

Rationale for using a DIB

The table below sets out the rationale for using a DIB. These are split out where rationales differed across stakeholder category.

Table 38: Rationale for using a DIB

DIB	Rationale
ICRC HIB	Service provider: test a new funding mechanism and build capacities to access innovative financing. Building relationships with the private sector and building the market for investment into fragile and conflict affected situations. Additional benefit of accessing long-term funding. Outcome funders: testing new funding mechanism and approach to closing of the humanitarian financing gap, supporting ICRC to build stronger relationships with the private sector. Opportunity to fund investments into efficiency with reduced risk – with the majority of payment only made where these measures do increase efficiency, and ultimately, outcomes. Investors: testing and building a new market
QEI DIB	To galvanise the market of high performing NGOs in India to deliver at scale and support the learning crisis. To engage the government and explore the potential transition from DIB to SIBs in India, and support the transition to more rigorous assessment approaches To scale the learning and successes of the Educate Girls DIB and test the model on a larger scale to explore the opportunities to reduce transaction costs To test the applicability of a rate card[115] with a standard pricing framework of potential outcomes, as used in social impact bonds (SIBs). This also enables the comparison of performance for different education models within the same assessment framework and generates useful data to inform government decisions about the costs of delivering different outcomes.
VE DIB	Developing a market for outcomes in poverty alleviation and contributing to the evidence base of poverty graduation interventions. Testing how the graduation model can be implemented at scale. Opportunity to prove effectiveness of the approach (income graduation models and financing mechanism), attract more funding for services, scale intervention while maintaining impact and contribute to learning in the sector (service provider). Increase visibility of VE and generate additional funding streams (service provicer) Testing how the graduation model could be implemented in a way that moderates transaction costs, shifting the focus of funders from monitoring outputs to outcomes, and incentivising and affording service providers to track and manage results and adapt accordingly (Intermediary - Instiglio and anonymous donor). Paying only on outcomes (outcome funders). Bring government attention to the poverty graduation model (noted by one investor).

[115] In the context of payment-by-results, a rate card is a schedule of payments for specific outcomes a commissioner is willing to make for each beneficiary/ service user that verifiably achieves each outcome

Annex C: Characteristics of the DIBs

Table 39: Characteristics of the DIBs

Characteristic / Input		Description	ICRC HIB	QEI DIB	VE DIB
No	Level of innovation / flexibility				
1	**Level of innovation**	*The features of the intervention, and whether it is totally new, an expansion of an existing programme or involves a programme whose underpinning principles have already been tested*	Expansion of the existing programme of a service provider. Implementation of a programme proven successful (efficiency improvement measures testing) and new Digital Centre Management System.	Expansion of the existing programme of a service provider and implementation of a programme already proven successful into new schools (using new methods)	Expansion of the existing programme of a service provider
2	**Level of outcome orientation and flexibility versus specific intervention defined**	*Extent to which the contract involves a specific and well-defined intervention and service provider, or specific outcomes which enables service providers to organise work as they prefer*	Contract involves a specific and well-defined intervention, though there is room to test and adapt	Contract focuses on achievement of specific outcomes – intervention defined but subject to change and adaptation depending on needs	Contract focuses on achievement of specific outcomes – intervention defined but subject to change and adaptation depending on needs
	Payments and metrics				
3	**Nature of payment outcomes**	*Were payments made squarely for outcomes or was some payment made for inputs or activities?*	Majority of payment on outcomes. Around 4% (EUR 1m) milestone payment on construction of centres	94% payment on outcomes 6% covers contingency costs on the DIB, including costs for evaluation and communications	4.28m (80%) USD payment on outcomes; 1.09m (20%) USD payment for pre-contracting costs, evaluation, trustee fees, etc
4	**Nature of capital used to fund services**	*Risk borne by private investors or distributed among different actors through capital protection measures and risk sharing arrangements*	Presence of capital protection measures (60%) Presence of risk sharing arrangements – potential downside for service provider	Full risk on investors Presence of risk sharing arrangements – potential upside for service provider	Full risk on investors Presence of risk sharing arrangements – potential upside for service providers
Stakeholders					
5	**Social intent of service providers**	*Are the service providers / investors a charity*	Strong	Strong	Strong

6	**Social intent of investors**	*or company without explicit social values?*	Commercial	Social	Social
Operating model					
7	**Type of contract**[116]	*Typologies of structure depending on which actor has the contract with the outcome funder.*	Direct	Managed – the key role is held by the investor	Outcomes fund. Outcome funders directly contract and disburse payments to a trustee (the independent manager of the 'fund'). The trustee separately holds a direct contract with the service provider.
8	**Strength of performance management system**	*How hands on are the other stakeholders? Is there a dedicated performance management function?*	Strong – internal	Strong - external	Strong – internal
9	**Lead on managing performance**	*Who takes the lead in performance management?*	Service provider	Investor + intermediary	Service Provider
Governance arrangements and level of involvement of stakeholders					
10	**Outcome funder**	*Role of the outcome funder / investor toward service providers and its level of control over the organisations involved in the impact bond*	Low	Low	Low
11	**Investor**		Low	High	Low
Measuring impact					
12	**Validation of impact**	*Payment based on experimental/quasi-experimental or validated administrative data*[117]	Payment based on validated administrative data. This will include verification of records and physical verification of mobility of beneficiaries.	Payment based on quasi-experimental methods	Payment based on experimental methods

[116] In a direct impact bond structure, the service provider contracts directly with the outcome funder. In a managed impact bond structure, the outcome funder holds the contract with the intermediary. The intermediary plays an important leadership role throughout the process of the deal and is responsible for performance management of the service provision. (Gustafsson-Wright et al, 2015)

[117] In a true experiment, eligible participants are randomly assigned to a 'treatment' or 'control' group. In quasi-experimental approaches, there is no such randomisation, but rather, statistical methods are used to mimic a randomised trial to estimate the impact of the intervention. Administrative data relates to data collected by programme stuff during implementation.

Annex D: Programme Components

Table 40: Components of the DIBs

Component	ICRC	QEI	Village Enterprise
Target Groups	People with physical disabilities	Marginalised children	People living in extreme poverty (on less than USD 2.15 per day)
Activities	Build three new physical rehabilitation centres in counties with significant unmet need in Mali, Nigeria and Democratic Republic of Congo. Train local staff to deliver high quality physical rehabilitation services in these centres Pilot and rigorously assess pilot efficiency improvement measures across eight existing ICRC physical rehabilitation centres, and build a Digital Centre Management System that will be rolled out across all ICRC physical rehabilitation centres with the aim of improving efficiency and maintaining patient outcomes Operationalise the three new centres using improved operational protocols that are based on effective efficiency measures	Three non-government organisations (NGOs) delivering education programmes. Delivery model types include improving whole school management, supplementary learning and teacher and school leader training Activities include workshops, trainings and e-resources as well as meetings with community groups	Local mentors deliver a four-month training programme to equip participants with the necessary knowledge to run a business Seed capital is granted to each group of three participants, to enable them to start their business Creation of Business Savings Groups (BSGs), which are self-governing councils of businesses Mentors provide continuous guidance to the participants for one year, coaching them in choosing the focus of their business, as well as how to grow and manage their business and finances
Anticipated Outcomes	People with physical disabilities receive comprehensive rehabilitation services (mobile devices and associated physiotherapy treatments) Through the delivery of mobility devices, children can attend school and adults can find jobs, thereby gaining mobility, autonomy, and dignity and becoming an active member of society A significant amount of time is freed up for family members taking care of relatives with disabilities,	Improved school processes, systems and infrastructure Higher teacher motivation Better content delivery and engagement with students Increased peer to peer learning in teachers Improved student retention and attendance Improved school infrastructure	People living in extreme poverty are equipped with the resources to create a sustainable business People living in extreme poverty are able to create businesses and sustainably increase their household incomes People living in extreme poverty are able to increase their household incomes and therefore increase their household assets, savings and consumption Secondary outcomes resulting from improved incomes, such as wellbeing, diets, access to

	who can now work more. The household as a whole can increase its sources of income and improve its living standards A more socially cohesive and stable society thanks to a larger workforce actively contributing to the country's prosperity The new centres operate more efficiently, and this is sustained		education and healthcare are achieved
Outcome Metric(s)	Staff Efficiency Ratio (SER), calculated by the number of beneficiaries having regained mobility thanks to a mobility device, divided by the number of local rehabilitation professionals	Difference in learning outcomes between the comparison group and intervention group, measured in standard deviation	Increase in household income, proxied through consumption and assets
Geographical Coverage	New centres in Mali, Nigeria, Democratic Republic of Congo Testing of efficiency measures in Cambodia, Pakistan, Myanmar, Zinder and Niamey in Niger, Mali, Togo, Madagascar	Gujarat, Mumbai and Delhi	Regions in Uganda and Kenya
Total Value	CHF 26.1 million (USD 28.5m as at Jan 2019)	Up to USD 11.8 million	Total committed USD 5.3 million, of which USD 4.3 million relates to outcome payments
Addressing of Cross-Cutting Issues[118]	The programme targets people with physical disabilities who are often excluded from society, to provide them with comprehensive rehabilitation services. The aim is to support them to gain mobility, autonomy and dignity so that they are able to become active members of society. Furthermore, family members who were taking care of them will be able to work more, and the intention is that the household as a whole can increase its income	The aim of the DIB is to enable 200,000 marginalised children to attain or move towards attainment of their age-appropriate learning levels, and to address disparity between girls and boys in literacy and numeracy	The programme targets people living in extreme poverty and aims to provide them with the resources to create and sustain businesses, enabling them to increase their household income, increase their savings and ultimately lift themselves out of poverty

[118] Including equity, poverty, and exclusion

Annex E: Bibliography

Agusti-Strid, A. and Ronicle, J. (2020). Lessons Learnt Study of the IDB Lab's Pioneering Work in Introducing Social Impact Bonds (SIBs) to Latin America. Commissioned by IDB Lab. Ecorys.

Alenda-Demoutiez, J. (2020). A fictitious commodification of local development through development impact bonds? Journal of Urban Affairs, 24(6): 862-906. https://www.tandfonline.com/doi/epub/10.1080/07352166.2019.1581029?needAccess=true

Anders, J., and R. Dorsett. (2017). Peterborough Social Impact Bond: Final Report on Cohort 2 Analysis. National Institute of Economic and Social Research. Available at: https://scholar.google.com/scholar_lookup?hl=en&publication_year=2017&author=J.+Anders&author=R.+Dorsett&title=Peterborough+Social+Impact+Bond%3A+Final+Report+on+Cohort+2+Analysis.

Andreu, M. (2019). Impact Bonds And The Ambiguous Politics Of Market Ethics. Dissertation. http://wrap.warwick.ac.uk/142293

Arena, M., Bengo, I., Calderini, M. and Chiodo, V. (2016). Social Impact Bonds: Blockbuster or Flash in a Pan? International Journal of Public Administration, 39(12): 927-939.

Asia Venture Philanthropy Forum. (2018). Pay-For-Success Models in Asia Pacific: The Early Movers.

Azemati, H., Belinksy, M., GIlette, R., Liebman, J., Sellman, A., and Wyse, A. (2013). Social impact Bonds: Lessons Learned so Far. Community Development Investment Review.

Barrera-Osorio, F. Raju, D. (2010). Short-run learning dynamics under a test-based accountability system: Evidence from Pakistan. https://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-5465

Belinsky, M. (2014). Development Impact Bonds: Success Depends on a Supportive Network. The Guardian. Available at: https://www.theguardian.com/global-development-professionals-network/2014/jan/02/development-impact-bonds-success-network

Belt, J., Kuleshov, A. and Minneboo, E. (2017). Development Impact Bonds: Learning from the Asháninka Cocoa and Coffee Case in Peru. Enterprise Development and Microfinance. Practical Action Publishing, 28(1–2):130–44. doi:10.3362/1755-1986.16-00029.

Bernal, P., Celhay, P. and Martinez, S. (2018). Is Results-Based Aid More Effective than Conventional Aid? Evidence from the Health Sector in El Salvador. Inter-American Development Bank Social Protection and Health Division. Available at: https://publications.iadb.org/publications/english/document/Is-Results-Based-Aid-More-Effective-than-Conventional-Aid-Evidence-from-the-Health-Sector-in-El-Salvador.pdf.

Bhatia, M.R. and Gorter, A.C. (2007). Improving access to reproductive and child health services in developing countries: Are competitive voucher schemes an option? Journal of International Development,19(7): 975-981. Available at: https://www.researchgate.net/publication/23992582_Improving_access_to_reproductive_and_child_health_services_in_developing_countries_Are_competitive_voucher_schemes_an_option.

Bhushan, I., Keller, S. and Schwartz, J.B. (2002). Achieving the twin objectives of efficiency and equity: contracting health services in Cambodia, Manila: Asian Development Bank.

Bloom, E., Bhushan, I., Clingingsmith, D., Hong, R., King, E., Kremer, M., Loevinsohn, B. and Schwartz, J.B. (2006). Contracting for health: evidence from Cambodia, Washington, DC: Brookings Institution.

Bloomgarden, D., Eddy, M., Levey, Z. (2014). Social Impact Bonds and Education in Latin America. GEMS Education Solutions.

Blundell, J., Rosenbach, F., Hameed, T. and FitzGerald, C. (2019). Are we Rallying Together? Collaboration and public sector reform. March 2019. GOLab. https://golab.bsg.ox.ac.uk/knowledge-bank/resources/are-we-rallying-together-collaboration-and-public-sector-reform/

Boggild-Jones, I. and Gustafsson-Wright, E. (2018). World's first development impact bond for education shows successful achievement of outcomes in its final year. Brookings. Available at: https://www.brookings.edu/blog/education-plus-development/2018/07/13/worlds-first-development-impactbond-for-education-shows-successful-achievement-of-outcomes-in-its-final-year/.

Boggild-Jones, I. and Gustafsson-Wright, E. (2019). First social impact bond in South Africa shows promise for addressing youth unemployment. Brookings. https://www.brookings.edu/blog/education-plusdevelopment/2019/07/12/first-social-impact-bond-in-south-africa-shows-promise-for-addressing-youthunemployment/

Bonfrer, I., Van de Poel, E., & Van Doorslaer, E. (2014). The effects of performance incentives on the utilization and quality of maternal and child care in Burundi. Social Science & Medicine, 123. https://www.sciencedirect.com/science/article/abs/pii/S0277953614007278?via%3Dihub

Borghi, J., Little, R., Binyaruka, P., Patouillard, E., Kuwawenaruwa, A. 2015. In Tanzania, the many costs of pay-for-performance leave open to debate whether the strategy is cost-effective. Health Affairs 34: 406-14.

Brenzel, L. (2009). Taking Stock: World Bank Experience with Results-Based Financing (RBF) for Health. World Bank.

Brown, M. (2019). The Hidden Costs of Social Impact Bonds. Nonprofit Quarterly. Available at: https://nonprofitquarterly.org/the-hidden-costs-of-social-impact-bonds/.

Burnett, N. and Bermingham, D. (2010). Innovative Financing Recommendations: International Commission on Global Education Financing. Washington, DC: Results for Development.

Cambridge Education. (2015). Evaluation of the Pilot Project of Results-Based Aid in the Education Sector in Ethiopia – Final Report EC 2004 - 2006. http://iati.dfid.gov.uk/iati_documents/5608531.pdf

Center for Global Development (CGDev) and Social Finance (2013). Investing in Social Outcomes: DIBs The Report of the Development Impact Bond Working Group. Center for Global Development and Social Finance. Available at: https://www.cgdev.org/sites/default/files/investing-in-social-outcomes-development-impact-bonds.pdf.

Centre for Public Impact. (2017). Social Impact Bonds: An Overview of the Global market for Commissioners and Policymakers. Available at: http://socialspider.com/wp-content/uploads/2017/04/SS_SocialImpactReport_4.0.pdf.

Cercerone, J., Briceno, R. and Gauri, V. (2005). "Contracting PHC services: the case of Costa Rica", in: G. M. La Forgia (ed.), Health systems innovations in Central America: lessons and impact of new approaches. Washington DC: World Bank.

Chi, Y.L., Gad, M., Bauhoff, S., Chalkidou, K., Megiddo, I., Ruiz, F. and Smith, P. (2018). Mind the Costs, Too: Towards Better Cost Effectiveness Analyses of PBF Programmes. BMJ Global Health 3(5). Available at: http://gh.bmj.com/content/3/5/e000994.abstract.

Clarke,L., Chalkidou, K., and Nemzoff, C. (2018). Development Impact Bonds Targeting Health Outcomes. CGD Policy Paper. Center for Global Development. https://www.cgdev.org/publication/development-impact-bonds-targeting-health-outcomes

Clist, P. & Verschoor, A. (2014). The Conceptual Basis of Payment by Results. UKAID. https://assets.publishing.service.gov.uk/media/57a089bb40f0b64974000230/61214-The_Conceptual_Basis_of_Payment_by_Results_FinalReport_P1.pdf

Clist, P. (2017). "Review of PbR" in DFID (ed.) Establishing the Evidence Base.

Comptroller and Auditor General. (2015). Outcome-based payment schemes: government's use of payment by results. National Audit Office. https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf

Cooper, C., Graham, C. and Himick, D. (2016). Social impact bonds: The securitization of the homeless. Accounting, Organizations and Society, 55: 63–82.

Corporation for National and Community Service. Social Innovation Fund. Available at: https://www.nationalservice.gov/programs/social-innovation-fund.

Dale, E. M. (2014). Performance-based payments, provider motivation and quality of care in Afghanistan. Performance-based payments, provider motivation and quality of care in Afghanistan. https://jscholarship.library.jhu.edu/bitstream/handle/1774.2/37010/DALE-DISSERTATION-2014.pdf

Darlberg (2019). How Development Impact Bonds work, and when to use them. Dalberg Advisors. Available at: https://dalberg.com/our-ideas/how-development-impact-bonds-work-and-when-use-them/.

De Allegri, M., Makwero, C. and Torbica, A. (2019). At what cost is performance-based financing implemented? Novel evidence from Malawi. Health Policy and Planning, 34(4): 282-88. Available at: https://academic.oup.com/heapol/article-abstract/34/4/282/5491586?redirectedFrom=fulltext.

Dentamaro, B. and Monjean, N. (2018). EU-UN joint workshop on results-based financing and cost schemes. Capacity4dev. European Union. Available at: https://europa.eu/capacity4dev/articles/eu-un-joint-workshop-results-based-financing-and-cost-schemes.

Department of Communities and Local Government (2012) The Troubled Families programme: Financial framework for the Troubled Families programme's payment-by- results scheme for local authorities. Available at: https://www.interfaceenterprises.co.uk/assets/news/brochures/new-publication-blog-post/The-Troubled-Families-programme-Financial-framework-for-the-Troubled-Families-programmes-payment-by-results-scheme-for-local-authorities.pdf.

DFID. (2016). Annual Review of WASH Results Programme 2016 Annual Review. http://iati.dfid.gov.uk/iati_documetns/5498698.odt

Disley, E., Giacomantonio, C., Kruithof, K., and Sim, M. (2015). The payment by results Social Impact Bond pilot at HMP Peterborough: final process evaluation report. Ministry of Justice (UK).

Disley, E., Rubin, J., Scraggs, E., Burrowes, N., and Culley, D. M. (2011). Evaluation of the Social Impact Bond. RAND, Cambridge.

Doolittle, L. (2017). Standardize the Work, Don't Lose the Nuance: Can The New 'Pay for Success' Models Replicate Into Functional Utility?. Available at: https://medium.com/s3idf/standardize-the-work-dont-lose-the-nuance-can-the-new-pay-for-success-models-replicate-into-338c2ef45c07

Drew, R. and Clist, P. (2015). Evaluating Development Impact Bonds: A Study for FCDO. UK Government: Department for International Development.

Duran, D. (2019). Strengthening Financial Incentives to Improve the Quality of Primary Care in Cote d'Ivoire. Dissertation. https://dash.harvard.edu/handle/1/40976810?show=full

Ecorys, GoLab and the World Bank Group. (2022). Using impact bonds in education in low- and middle-income countries: An evidence review. https://documents1.worldbank.org/curated/en/099846504132230407/pdf/IDU02b848900027dd04d480a179090d86b2071a4.pdf

Ecorys. (2021). Full report: Findings from the second research wave of the Independent Evaluation of the FCDO Development Impact Bonds Pilot Programme.

Ecorys.(2019). Independent Evaluation of the UK Department for International Development DIBs Pilot Programme Full Report.

Edmiston, D. and Nicholls, A. (2017). Social impact bonds: The role of private capital in outcome-based commissioning. Journal of Social Policy, 47(1), 57-76. https://doi.org/10.1017/S0047279417000125.

Evans, A. (2016). Results based financing in Zambia – an informal, unpublished annex. https://www.researchgate.net/publication/308985858

FCDO. (2014). Sharpening incentives to perform: DFID's Strategy for Payment by Results. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/323868/Sharpening_incentives_to_perform_DFIDs_Strategy_on_Payment_by_Results.pdfIbid.

FCDO. (2016b). Annual Review of WASH Results Programme. 2016 Annual Review. Available at: http://iati.FCDO.gov.uk/iati_documetns/5498698.odt.

Fitzgerald, C., Carter, E., Dixon, R., & Airoldi, M. (2019). Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds. Public Money and Management, 39(7), 458–467.

Floyd, D., Croome, A. & Duncan, J. (2017). Social Impact Bonds: An Overview of the Global Market for Commissioners and Policymakers. Centre for Public Impact, BCG Foundation.

Fraser, A., Tan, S., Kruithof, K., Sim, M., Disley, E., Giacomantonio, C., Legarde, M. and Mays, N. (2018). Evaluation of the Social Impact Bond Trailblazers in Health and Social Care Final Report. PIRU, London School of Hygiene and Tropical Medicine. Available at: https://piru.ac.uk/assets/files/SIB%20Trailblazers%20Evaluation%20final%20report.pdf.

Fraser, A., Tan, S., Largarde, M. and Mays, N. (2018). Narratives of Promise, narratives of Caution: A Review of the Literature on Social Impact Bonds. Social Policy & Administration, 52(1): 4-28. Available at: https://doi.org/10.1111/spol.12260.

Gallucci, C, Santulli, R., and Tipaldi R. (2019). Development impact bonds to overcome investors-services providers' agency problems: Insights from a case study analysis. DOI: 10.5897/AJBM2019.8817

Giacomantonio, C. (2017). Grant-Maximizing but not Money-Making: A Simple DecisionTree Analysis for Social Impact Bonds. Journal of Social Entrepreneurship, 1–20.

GO Lab (2018b). Technical Guidance. Available at: https://golab.bsg.ox.ac.uk/guidance/technical-guides/.

GO Lab. (2019a). Impact bonds. The basics. Available at: https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/.

GO Lab. (2019b). Outcomes funds. The basics. Available at: https://golab.bsg.ox.ac.uk/the-basics/outcomesfunds/.

Go Lab. (2021). Cameroon Kangaroo Mother Care (KMC) DIB: Part Two: Lessons from Outcomes based delivery. https://golab.bsg.ox.ac.uk/documents/cameroon_kmc_dib_-_lessons_from_outcomes_based_delivery.pdf

Gorter, A.C., Ir, P. and Messen, B. (2013). Evidence Review: Results-Based Financing of Maternal and Newborn Health Care in Low- and Lower- middle-income countries. Study commissioned by the German Federal Ministry for Economic Cooperation and Development. Available at: https://www.oecd.org/dac/peer-reviews/Evidence-RBF-maternal-health.pdf.

Government Outcomes Lab. Glossary. https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#i

Government Outcomes Lab. Impact Bond Dataset. https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/ (accessed 21/09/2022)

Grameen Capital. (2019). Celebrating the Mahatma: SDG Impact Bond for Women Weavers - Grameen Impact and Jaipur Rugs launch pioneering SDG impact bond for women entrepreneurs. Jaipur Rugs Foundation. Available at: http://www.grameencapital.in/images/pdf/Press%20Release%20JOY-SDG.pdf.

Gravelle, H., Sutton, M., and Ma, A. (2010). Doctor behaviour under a pay for performance contract: treating, cheating and case finding? The Economic Journal, 120(542).

Grittner, A. (2013). Results-based Financing. Evidence from performance-based financing in the health sector. Bonn: Deutsches Institut fuer Entwicklungspolitik

Grittner, A. (2013). Results-based Financing. Evidence from performance-based financing in the health sector. Bonn: Deutsches Institut fuer Entwicklungspolitik.

Gustaffson-Wright, E. and Boggild-Jones, I. (2019a). 4 types of data necessary for outcome-based financing. Brookings. Available at: https://www.brookings.edu/blog/education-plus-development/2019/09/20/4-types-of-data-necessary-for-outcome-based-financing/.

Gustaffson-Wright, E., Boggild-Jones, I. and Nwabunnia, O. (2020). Social and Development Impact Bonds by numbers. August 2020 snapshot. Brookings. Available at: https://www.brookings.edu/research/social-and-development-impact-bonds-by-the-numbers/.

Gustafsson-Wright, E. (2020). What happens in an outcome-based financing model when a major crisis hits? Brookings. Available at: https://www.brookings.edu/research/what-happens-in-an-outcome-based-financing-model-when-a-major-crisis-hits/.

Gustafsson-Wright, E. and Boggild-Jones, I. (2019) Paying for education outcomes at scale in India. Centre for Universal Education at Brookings. Available at: https://www.brookings.edu/wp-content/uploads/2019/11/Paying-for-education-outcomes-at-scale-in-India-FINAL-FOR-WEB.pdf.

Gustafsson-Wright, E. and Boggild-Jones, I. (2019b) Paying for education outcomes at scale in India. Centre for Universal Education at Brookings. Available at: https://www.brookings.edu/wp-content/uploads/2019/11/Paying-for-education-outcomes-at-scale-in-India-FINAL-FOR-WEB.pdf.

Gustafsson-Wright, E. and Gardiner, S. (2016). Using Impact Bonds to Achieve Early Childhood Development Outcomes in Low- and Middle-Income Countries. Washington: Brookings Institution.

Gustafsson-Wright, E., Boggild-Jones, I., Segell, D. and Durland, J. (2017). Impact bonds in developing countries: Early learning from the field. Brookings. Available at: https://www.brookings.edu/research/impact-bonds-in-developing-countries-early-learning-from-the-field/.

Gustafsson-Wright, E., Bogglid-Jones, I., Segell, D., Durland, J.(2017) Impact Bonds In Developing Countries: Early Learnings From The Field. https://www.brookings.edu/research/impact-bonds-in-developing-countries-early-learnings-from-the-field/.

Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/

Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings. Available at: https://www.brookings.edu/research/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/.

Haldenby, A., Harries, R. & Olliff-Cooper, J. (2014). Markets for good: the next generation of public service reform. London: Reform Research Trust.

Hameed, T. and FitzGerald, C. (2020). Adapting social services to COVID-19 in lower and middle-income countries- Can impact bonds help? GOLab. Available at: https://golab.bsg.ox.ac.uk/community/covid-19-resource-hub/adapting-social-services-covid-19-lower-and-middle-income-countries-can-impact-bonds-help/.

Hasib, M., Amanat, U.K. and Salahuddin, A. (2002). Mid-term health facility survey: urban primary health care project, Dhaka: Mitra and Associates.

Health Partners International. Results based financing. Available at: http://healthpartners-int.co.uk/what-we-do/healthcare-financing/results-based-financing/.

Holden, J and Patch, J. (2017). The experience of PbR (PbR) on the Girls' Education Challenge (GEC) programmes: Does skin in the game improve the level of play? Girls' Education Challenge. UK Aid. Available at: http://foresgiht.associates/wp-content/uploads/2017/01/2017.01.19-Skin-in-the-game-PbR-on-the-GEC.-Final.pdf

Honig, D. (2014). Navigation by Judgment: Organizational Autonomy and Country Context in the Delivery of Foreign Aid. Available at: https://www.peio.me/wp-content/uploads/PEIO8/Honig%2026.1.2015.pdf.

Husereau, D., Drummond, M., S., Carswell, C., Moher, D., Greenberg, D., Augustovski, F., Briggs, A.H., Mauskopf, J. and Loder, E. (2013). Consolidated Health Economic Evaluation Reporting 29 Standards (CHEERS) Statement. The European Journal of Health Economics : HEPAC : Health Economics in Prevention and Care, 14(3): 367–72. doi:10.1007/s10198-013-0471-6

ICF (2015). Payment by Results: Learning from the Literature A review prepared for the National Audit Office. Available at: https://www.nao.org.uk/wp-content/uploads/2015/06/Payment-by-Results-Learning-from-the-Literature.pdf.

ICF. (2019). Evaluation of the Fair Chance Fund Final Report. Ministry of Housing, Communities and Local Government. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/793810/Fair_Chance_Fund_final_report.pdf

ICF. (2020). Evaluation of the Life Chances Fund Interim report. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/886655/ICF_interim_report_final_-.pdf.

ID Insight. (2018). Educate Girls Development Impact Bond, Final Evaluation Report. India: Children's Investment Fund Foundation, Educate Girls, Instiglio, UBS Optimus Foundation. Available at: https://golab.bsg.ox.ac.uk/knowledge/resources/educate-girls-final-report/.

Impact Investors Council. (2016). Social impact bonds: A white paper by Impact Investors Council. Available at: https://iiic.in/wp-content/uploads/2017/11/MOF-28Jun16.pdf.

In the Public Interest, AFSCME, Minnesota Council of Nonprofits, Keystone Research Center, Oregon Center for Public Policy, Economic Opportunity Institute, Center for Effective Government, and the ReFund America Project at the Roosevelt Institute. (2015). A guide to evaluating pay for success programs and Social Impact Bonds. Available at: https://www.inthepublicinterest.org/a-guide-to-evaluating-pay-for-success-programs-and-social-impact-bonds/.

Instiglio. (2017). A Guide for Effective Results-Based Financing Strategies. https://documents1.worldbank.org/curated/en/265691542095967793/pdf/A-Guide-For-Effective-Results-Based-Financing-Strategies.pdf

Instiglio. (2020). What is an Impact Bond? Available at: http://www.instiglio.org/en/impact-bonds/.

Instiglio. 2018. The Village Enterprise Development Impact Bond Process Review: From Concept to Launch. https://aidstream.org/files/documents/Village-Enterprise-DIB-Process-Review_Concept-to-Launch-(July2018)_compressed-20190405060424.pdf

International Initiative for Impact Evaluation. (2018). Registry for International Development Impact Evaluations. www.3ieimpact.org/en/evaluation/ridie/

Johnson, R. (2015). Dos and Don'ts from Down Under. Buying Quality Performance. Available at: http://buyingqp.com/2015/10/07/dos-and-donts-from-down-under/.

Joy, M. and Shields, J. (2013). Social Impact Bonds: The next phase of third sector marketization? Canadian Journal of Nonprofit and Social Economy Research, 4(2): 39–55.

Joynes, C. (2019). An overview of innovative financing mechanisms for education in development contexts. K4D Helpdesk Report. Brighton, UK: Institute of Development Studies.

Kandpal, E. (2016). Completed Impact Evaluations and Emerging Lessons from the Health Results Innovation Trust Fund Learning Portfolio. World Bank Group. Available at: https://www.rbfhealth.org/sites/rbf/files/IE%20and%20emerging%20lessons_Eeshani%20Kandpal.pdf.

Karve, A. M., Ou, F., Lytle, B. L. and Peterson, E.D. (2007) Potential unintended financial consequences of pay-for-performance on the quality of care for minority patients. American Heart Journal, 155(3): 571-6. Available at: https://doi.org/10.1016/j.ahj.2007.10.043.

Katsomitros, A. (2018). The emergence of development impact bonds. World Finance. Available at: https://www.worldfinance.com/markets/the-emergence-of-development-impact-bonds.

Knox,S. & Bukard, A.W. (2009). Qualitative Research Interviews. Psychotherapy Research, 19(4). https://doi.org/10.1080/10503300802702105

KPMG. (2014). Evaluation of the joint development phase of the NSW Social Benefit Bonds trial. Sydney: Government Advisory Service. https://www.osii.nsw.gov.au/assets/office-of-social-impact-investment/files/Evaluation-of-the-Joint-Development-Phase.pdf

Lagarde, M., Wright, M., Nossiter, J. and Mays, N. (2013) Challenges of payment-for- performance in health care and other public services – design, implementation and evaluation. London: Policy Research Unit in Policy Innovation Research.

Lake, R. W. (2016). "The subordination of urban policy in the time of financialization", in C. Johnson and J. DeFilippis (Eds.) Urban policy in the time of Obama. Minneapolis: University of Minnesota Press.

Le Grand, J. (1995). Knights, Knaves or Pawns? Human Behaviour and Social Policy. Journal of Social Policy, 26(2): 149–169.

Liu, X., Hotchkiss, D.R. and Bose, S. (2008). The effectiveness of contracting-out primary health care services in developing countries: a review of the evidence. Health Policy and Planning, 23 (1): 1–13.

Loder, J., Rocyn Jones, G. and Norman, W. (2013). Social Investment in Education. London: Private Equity Foundation / Big Society Capital.

Maier, F., Barbetta, G. P. and Godina, F. (2017). Paradoxes of Social Impact Bonds. Social Policy & Administration.

Maier, M. and Myer, M. (2017) Social Impact Bonds and the Perils of Aligned Interests. Institute for Nonprofit Management, WU Vienna University of Economics and Business, Vienna.

Mason, P., Lloyd, R. and Nash, F. (2017). Commissioning Social Impact Bonds (SIBs) Learning from the Qualitative Evaluation of the London Homelessness Social Impact Bond. Department for Communities and Local Government.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/658939/Commissioning_Social_Impact_Bonds.pdf

McHugh, N., Sinclair, S., Roy, M., Huckfield, L., Donaldson, C. (2013). Social Impact Bonds: A Wolf in Sheep's Clothing. Journal of Poverty and Social Justice, 21(3): 247-57.

National Audit Office (NAO). (2015). Outcome-based payment schemes: government's use of payment by results. London. Available at: www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-paymentby-results.pdf.

National Audit Office. (2014). The Work Programme: Report by the Comptroller and Auditor General. HC 266 Session 2014-15. Department of Work and Pensions. Available at: https://www.nao.org.uk/wp-content/uploads/2014/07/The-work-programme.pdf.

Neo C. (2018). Scaling Kangaroo Mother Care — The Final Phase. Social Finance UK. Available at: https://medium.com/social-finance-uk/scaling-kangaroo-mother-care-the-final-phase-bb52f25926a.

Nonprofit Finance Fund. (2018). Pay for Success - Projects. Available at: https://nff.org/pay-success-projects.

Nonprofit Finance Fund. (2019). Pay for Success: The First 25. A Comparative Analysis of the First 25 Pay for Success Projects in the United States. Available at: https://nff.org/report/pay-success-first-25.

Norwegian Knowledge Centre for Health Services (NKCHS). (2008). An overview of research on the effects of results-based financing. Oslo: NKCHS.

OECD. (2015). Social Impact Bonds: Promises and Pitfalls - Expert Seminar. Expert seminar with the financial support of the European Commission. 15 April 2015. Paris, France. OECD. Available at: http://www.oecd.org/cfe/leed/sib-seminar-2015.htm.

OECD. (2016). Social Impact Bonds: State of play & lessons learnt. Working paper: 17-9. Available at: https://www.oecd.org/cfe/leed/SIBs-State-Play-Lessons-Final.pdf.

O'Neil,S., Vohra, D., Spitzer, M., Shveta, K., & Rotz, D. (2020). Maternal Health Care Quality and Outcomes Under the Utkrisht Impact Bond: Midline Findings and Insights. https://golab.bsg.ox.ac.uk/knowledge-bank/resources/maternal-health-care-quality-and-outcomes-under-utkrisht-impact-bond-midline-findings-and-insights/

Oroxom, R., Glassman, A., and McDonald, L. (2018). Structuring and Funding Development for Health: Nine Lessons from Cameroon and Beyond. Policy Paper 117, Center for Global Development. https://www.cgdev.org/sites/default/files/structuring-funding-development-impact-bonds-for-health-nine-lessons.pdf;

Oroxom, R., Glassman, A., and McDonald, L. (2018). Structuring and Funding Development for Health: Nine Lessons from Cameroon and Beyond. Policy Paper 117, Center for Global Development. Available at:

Pearson, M., Johnson, M. and Ellison, R. (2010). Review of major Results Based Aid (RBA) and Results Based Financing (RBF) schemes. DFID Human Development Resource Centre. Available at: https://assets.publishing.service.gov.uk/media/57a08afb40f0b652dd000a04/Results-Based-Financing-Schemes_Report.pdf.

Perakis, R., and Savedoff, W. (2015). Does Results-Based Aid Change Anything? Pecuniary Interests, Attention, Accountability and Discretion in Four Case Studies. Policy Paper 052. Center for Global Development. Available at: http://www.cgdev.org/publication/does-results-based-aid-change-anything-pecuniary-interests-attention-accountability-and.

Perrin, B. (2013). Evaluation of PbR (PbR): Current Approaches, Future Needs: Report of a Study Commissioned by the Department for International Development.

Pioneers Post. (2013). Good Deals 2013 SIB Case Study 2: One Service. Peterborough. https://vimeo.com/77489645

Pritchett, L., Woolcock, M. and Andrews, M. (2013). Looking like a state: Techniques of persistent failure in state capability for implementation. Journal of Development Studies, Vol. 49(1): 1-18.

Ravi, S., Gustafsson-Wright, E., Sharma, P., Boggild-Jones, I. (2019). The Promise of Impact Investing in India. Brookings India Research Paper No. 072019. Available at: https://www.brookings.edu/wp-content/uploads/2019/07/The-promise-of-impact-investing-in-India.pdf

RBF Health. 2018. Results. Available at: https://www.rbfhealth.org/results.

REACH (2017). Can Impact Bonds deliver better results, faster and cheaper? Panel Discussion on Social and Development Impact Bonds as a Results Based Financing (RBF) Approach in Education. Results-based financing in education, Note 5. New York: World Bank.

Rees J., Taylor R., & Damm C (2013a) Does sector matter? Understanding the experiences of providers in the Work Programme. Birmingham: Third Sector Research Centre.

Results for Development Institute. (2016) Paying for Performance: An Analysis of Output-Based Aid in Education. https://www.gprba.org/sites/gpoba/files/Docs/Paying_for_Performance_-_An_Analysis_of_Output-Based_Aid_in_Education_R4D_Final.pdf

Ronicle, J. and Smith, K. (2020). Youth Engagement Fund Evaluation. Fina Report. Ecorys. Available at: https://www.gov.uk/government/publications/youth-engagement-fund-evaluation-final-report.

Ronicle, J., Fox, T. and Stanworth, N. (2016). Commissioning Better Outcomes Fund Evaluation: Update Report. Big Lottery Fund, ATQ Consultants, Ecorys.

Ronicle, J., Fraser, A., Tan, S. and Erskine, C. (2018). The LOUD SIB Model The four factors that determine whether a social impact bond is launched. Ecorys UK, PIRU. Available at: https://piru.ac.uk/assets/files/loud_sib_model.pdf.

Ronicle, J., Stanworth, N. and Wooldridge, R. (2022). Commissioning Better Outcomes Fund Evaluation: 3rd Update Report. The National Lottery Community Fund https://golab.bsg.ox.ac.uk/documents/CBO-3rd-update-report.pdf

Roy, M.J., McHugh, N. and Sinclair, S. (2017). "Social impact bonds – evidence-based policy or ideology?" in Bent Greve (ed.), Handbook of social policy evaluation. Edward Elgar Publishing. Available at: https://www.elgaronline.com/view/edcoll/9781785363238/9781785363238.00021.xml.

Russell Webster (2016). Payments by Results: lessons from the Literature. Available at: http://russellwebster.com/PbRlitreview.pdf.

Rwiyereka, A. K. (2013). Making Money Work for Mothers: A Quantitative and Qualitative Assessment of the Impact of Novel Health Financing Policies on Maternal Health Services in Rwanda

Sainty, E. (2019). Social impact bonds: a letter from the frontline — part 2. The Mandarin. Available at: https://www.themandarin.com.au/109437-social-impact-bonds-a-letter-from-the-frontline-part-2/.

Saldinger, A. (2017). Development impact bonds gain momentum. devex.com/news/development-impact-bonds-gain-momentum-90591

Sandefur, J and Glassman, A. (2015). The Political Economy of Bad Data: Evidence from African Survey and Administrative Statistics, Journal of Development Studies, 51, (2), 116-132. Available at: https://econpapers.repec.org/article/tafjdevst/v_3a51_3ay_3a2015_3ai_3a2_3ap_3a116-132.htm.

Sedlmayr, R. (2018). Rewarding Poverty Alleviation: A Case Study in Payment-by-results. Available at: https://doi.org/10.31235/osf.io/hdr78.

Senscot. (2014). SIBs "not cost-effective". Available at: https://senscot.net/sibs-not-cost-effective/.

Shepard, D., Zeng, W. and Nguyen, H. T. H. (2015). Cost-Effectiveness Analysis of Results-Based Financing Programs: A Toolkit. Health, Nutrition, and Population (HNP) discussion paper. Washington, DC. World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/22774.

Sinclair, S. McHugh, N., Huckfield, L., Roy, M. and Donaldson, C. (2014). Social Impact Bonds: Shifting the Boundaries of Citizenship. Social Policy Review 26.

Social Finance (2012) A new tool for scaling impact: how social impact bonds can mobilize private capital to advance social good. Social Impact Bonds: An Overview. Available at: https://www.socialfinance.org.uk/sites/default/files/publications/small.socialfinancewpsinglefinal.pdf.

Social Finance. (2017). World's first Social Impact Bond to reduce reoffending in Peterborough. Available at: https://www.socialfinance.org.uk/peterborough-social-impact-bond.

Soeters, R., Habineza, C. and Peerenboom, P.B. (2006). Performance-based financing and changing the district health system: experience from Rwanda. Bulletin of the World Health Organization 84: 884–889.

Soeters, R., Peerenboom, P.B., Mushagalusa, P. and Kimanuka, C. (2011). Performance-based financing experiment improved health care in the Democratic Republic of Congo. Health Affairs, 30: 1518–1527.

Ssengooba, F., Ekirapa, E., Musila, T., & Ssennyonjo, A. (2014). Learning from multiple results-based financing schemes: an analysis of the policy process for scale-up in Uganda (2003-2015). https://dokumen.tips/documents/learning-from-multiple-results-based-financing-schemes-from-multiple-results-based.html?page=1

Sturgess, G.L., Cumming, L.M., Dicker, J., Sotiropoulos, A. and Sultan, N. (2011). Payment by Outcome: A commissioner's toolkit. London: 2020 Public Services Trust at the RSA.

Sturla, K., Shah, N. B., and McManus, J. (2014). The Great DIB-ate: Measurement for Development Impact Bonds. Stanford Social Innovation review. https://ssir.org/articles/entry/the_great_dib_ate_measurement_for_development_impact_bonds#

Tan, S., Fraser, A., Giacomantonio, C., Kruithof, K., Sim, M., Lagarde, M., Disley, E., Rubin, J. and Mays, N. (2015). An Evaluation of Social Impact Bonds in Health and Social Care, London: PIRU, London School of Hygiene and Tropical Medicine and RAND Europe. http://www.piru.ac.uk/assets/files/Trailblazer%20SIBs%20interim%20report%20March%202015,%20for%20publication%20on%20PIRU%20siteapril%20amendedpdf11may.pdf

Tan, S., Fraser, A., McHugh, N. and Warner, M. (2019). Widening perspectives on social impact bonds. Journal of Economic Policy Reform. Available at: https://doi.org/10.1080/17487870.2019.1568249.

Terway, A. (2018). Innovative financing for education: New actors and approaches. Presentation. NORRAG.

Terwindt, R., Gustaffson-Wright, E., and Robinson, J. P. (2020). Rethinking the critical role of data to improve teaching and learning. Brookings. Available at: https://www.brookings.edu/blog/education-plus-development/2020/01/30/rethinking-the-critical-role-of-data-to-improve-teaching-and-learning/.

Thomas, A. and Griffiths, R. (2014). Innovation Fund pilots qualitative evaluation. Early implementation findings. Department for Work and Pensions. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/329168/if-pilots-qual-eval-report-880.pdf.

Tse, A. and Warner, M. (2018). The razor's edge: Social impact bonds and the financialization of early childhood services, Journal of Urban Affairs.

Turncotte-Tremblay A-M, Spagnolo J., De Allegri M., Riddle, V. 2016. Does performance-based financing increase value for money in low- and middle income countries? A systematic review. Health Economics Review 6:30.

UBS Optimus Foundation. (2018) Knowledge is power: The world's first Development Impact Bond in education. Instiglio. https://instiglio.org/educategirlsdib/about-the-dib/

UK Ministry of Justice. (2013) Statistical Notice. Interim re-conviction figures for the Peterborough and Doncaster Payment by Results pilots. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/206686/re-conviction-results.pdf

UNESCO. (2016). Innovative Financing for Out-of-School Children and Youth. 2nd edition. Bangkok: UNESCO.

Upper Quartile. (2015). Final Evaluation Report: Evaluation of Results Based Aid in Rwandan Education. Institute of Policy Analysis and Research – Rwanda. Available at: http://iati.FCDO.gov.uk/iati_documents/5549076.pdf.

Upper Quartile. (2015). Final Evaluation Report: Evaluation of Results Based Aid in Rwandan Education. Institute of Policy Analysis and Research – Rwanda. Available at: http://iati.FCDO.gov.uk/iati_documents/5549076.pdf.

USAID. (2018). The Maternal and Newborn Health Development Impact Bond. Available at: https://www.usaid.gov/cii/indiadib.

Utah Department of Workforce Services. (2019). School Readiness. Available at: https://jobs.utah.gov/occ/boards/schoolready/.

Valadez, J., Jeffrey, C, Brant, T. Vargas, W and Pagano, M. (2015). Final Impact Assessment of the Results-Based Financing Programme for Northern Uganda. Available at: https://www.gov.uk/governemnt/uplaods/system/uplaods/attachment_data/file/607579/Evaluation-of-Results-Based -Financing-Programme-for-Norther-Uganda.pdf.

Warner, M. E. (2013). Private finance for public goods: Social impact bonds. Journal of Economic Policy Reform, 16(4): 303–319.

Wilkinson, T., Sculpher, M.J., Claxton, K., Revill, P., Briggs, A., Cairns, J.A., Teerawattananon, Y., Asfaw, E., Lopert, R., Culyer, A.J. and Walker, D.G. (2016). The International Decision Support Initiative Reference Case for Economic Evaluation: An Aid to Thought. Value in Health 19(8). Elsevier: 921–28. doi:10.1016/j.jval.2016.04.015.

Williams, J. (2019). From Visions of Promise to Signs Of Struggle Exploring Social Impact Bonds And The Funding Of Social Services In Canada, The Us, And The UK. https://golab.bsg.ox.ac.uk/documents/Williams_2019_Final_Report.pdf

Witter, S., Zaman, R., Scott, M. and Mistry, R. (2016). Evaluation of Delivering Reproductive Health Results (DRHR) through non state providers, MSI/PSI Impact Evaluation Report. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/533669/Delivering-Reproductive-Health_Results-Non-State-Providers_Pakistan1.pdf.

Wooldridge, R., Stanworth, N. and Ronicle, J. (2019). A study into the challenges and benefits of commissioning SIBs in the UK and the potential for replication and scaling. Ecorys UK and ATQ Consultants. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844190/A_study_into_the_challenges_and_benefits_of_the_SIB_commissioning_process._Final_Report.pdf.

Zeng, W., Shepard, D.S., de Dieu Rusatira, J., Blaakman, A.P. and Nsitou, B.M. (2018a). Evaluation of results-based financing in the Republic of the Congo: a comparison group pre–post study. Health Policy and Planning, 33(3): 392-400. Available at: https://academic.oup.com/heapol/article/33/3/392/4812664.

Zeng, W., Shepard, D.S., Nguyen, H., Chansa, C., Das, A.K., Qamruddin, J. and Friedman, J. (2018b). Cost–effectiveness of results-based financing, Zambia: a cluster randomized trial. Bulletin of the World Health Organization 2018, 96: 760-771. Available at: https://www.who.int/bulletin/volumes/96/11/17-207100/en/.

Zombre, D., De Allegri, M., & Ridde, V. (2020). No effects of pilot performance-based intervention implementation and withdrawal on the coverage of maternal and child health services in the Koulikoro region, Mali: an interrupted time series analysis. Health Policy Planning, 35(4). https://pubmed.ncbi.nlm.nih.gov/32003828/

Annex F: Consultees

Consultees

Please Note: this list only includes consultees engaged as part of Research Wave 3.

Table 41: Consultees engaged during Research Wave 3

Stakeholder category	Institution / title	Provided information for DIB?	Provided information for comparator site?
ICRC HIB			
Service Provider	ICRC – Head of Project for the Humanitarian Impact Bond	X	X
Service Provider	ICRC – Physical Rehabilitation Program Advisor	X	X
Service Provider	ICRC – New Financing Models Team	X	
Service Provider	ICRC – Physical Rehabilitation Program Coordinator	X	X
Service Provider	ICRC – Health Coordinator, DRC	X	X
Service Provider	ICRC – Head of Prosthetist and Orthotist Unit, DRC	X	X
Service Provider	ICRC – Physical Rehabilitation Project Manager, Nigeria	X	X
Service Provider	ICRC – Prosthetist and Orthotist, DRC	X	X
Service Provider	ICRC – Prosthetist and Orthotist, Nigeria	X	X
Outcome Funder	Belgian Directorate-General for Development Cooperation and Humanitarian Aid/Humanitarian Aid Unit	X	X
Outcome Funder	Swiss Agency for Development and Cooperation	X	
Outcome Funder	La Caixa	X	
VE DIB			
Service Provider	VE – Chief Operations Officer	X	X

Stakeholder category	Institution / title	Provided information for DIB?	Provided information for comparator site?
Service Provider	VE - Vice President, Impact	X	X
Service Provider	VE – Head of Philanthropy and Results-Based Funding	X	X
Service Provider	VE – Kenya Country Director	X	X
Service Provider	VE – Uganda Country Director	X	X
Service Provider	VE – Kenya DIB Coordinator	X	X
Service Provider	VE – Kenya Enterprise and Savings Lead	X	
Service Provider	VE – Kenya HR Manager	X	X
Service Provider	VE – Kenya Finance and Administration Manager	X	X
Service Provider	VE – Kenya Finance and Administration Assistant	X	X
Service Provider	VE – Kenya MEL Manager	X	X
Service Provider	VE – Uganda Regional Manager	X	X
Service Provider	VE – Uganda Enterprise and Savings Lead	X	
Service Provider	VE – Uganda HR Manager	X	X
Service Provider	VE – Uganda Finance and Administration Manager	X	X
Service Provider	VE – Uganda IT Coordinator	X	X
Service Provider	VE – Uganda MEL Manager	X	X
Service Provider	VE – Uganda DIB Coordinator	X	X
Service Provider	VE – Field Associates (7)	X	X
Service Provider	VE – Business Mentors (13)	X	X
Programme Manager	Instiglio – VE Project Manager	X	
Outcome Funder	USAID – Portfolio Manager (2)	X	
Outcome Funder	USAID – Programme Officer	X	
Outcome Funder	Anonymous Donor	X	
Investor	Bridges Fund Management – Partner, Head of Outcomes Partnerships	X	

Stakeholder category	Institution / title	Provided information for DIB?	Provided information for comparator site?
Investor	King Philanthropies - Consultant	X	
Investor	Delta Fund – Co-founder	X	
Independent Verification	IDinsight – Senior Economist	X	
Service User	VE – Service users (>300)	X	X
QEI DIB			
Intermediary	BAT – Executive Director, Social Finance	X	
Intermediary	BAT – Manager, Social Finance	X	
Investor	UBS-OF – Director, Innovative Financing	X	
Performance Manager	Dalberg – Senior Project Manager	X	
Performance Manager	Dalberg – Associate Partner	X	
Performance Manager	Dalberg – Partner	X	
Outcomes Funder	MSDF – Programme Manager	X	X
Outcomes Evaluator	CGI – Senior Software Engineer	X	
Outcomes Evaluator	CGI – Data Scientist	X	
Outcomes Evaluator	CGI – Head of Product	X	
Outcomes Evaluator	CGI – Lead Analyst	X	
Service Provider	KEF – Chief Executive Officer	X	X
Service Provider	KEF – Programme Manager	X	X
Service Provider	KEF – Programme Leader	X	X
Service Provider	KEF – Fellows (7)	X	X
Service Provider	KEF – Project Lead (3)	X	X
Service Provider	KEF – Teachers (3)	X	
Service Provider	GyanShala – Chief Executive Officer	X	X
Service Provider	GyanShala – Deputy Chief Executive Officer (2)	X	X

Stakeholder category	Institution / title	Provided information for DIB?	Provided information for comparator site?
Service Provider	GyanShala – Design Team (9)	X	X
Service Provider	GyanShala – Senior Supervisors (5)	X	X
Service Provider	GyanShala – Supervisors (6)	X	X
Service Provider	GyanShala – Teachers (10)	X	
Service Provider	PIF – Co-founder and Chief Executive Officer	X	
Service Provider	PIF – Development Associate	X	
Service Provider	PIF – Team Leader (4)	X	
Service Provider	PIF – Teacher (3)	X	
Other Stakeholders			
Outcomes Funder	FCDO – Impact Investing Team Lead	X	
Outcomes Funder	FCDO – Impact Bond Specialist	X	
Outcomes Funder	FCDO – Evaluation Advisor	X	
Comparator Project	FCDO - Kenya in Their Hands DIB	X	

Annex G: Methodology

This section supplements the methodology section in the main report.

DIB Effect indicators

The table below provides a breakdown of the potential 'DIB effect', and the indicators we used within the DIBs and comparator sites to identify the extent to which these effects are present. The potential 'DIB effect' is drawn from:

Programme Theory of Change
FCDO DIB Business Case
Advantages and disadvantages identified during the literature review
Advantages and disadvantages (perceived or experienced) identified during inception phase consultations

An initial set of DIB effects and indicators were provided in the Inception Report. These were refined following RW1, to allow for a more nuanced description of the DIB effects.

Table 42: DIB Effects and Indicators

Claimed DIB effect	Indicator to measure presence of 'DIB effect' in DIBs and comparator sites	RW1	RW2	RW3
Claimed advantages				
Transfer of financial risk from outcome funder to investor	Extent to which investment capital is at risk	x		
Funding projects which would not have been funded otherwise, or not in the same guise (including scale)	Extent to which outcome funders would have either funded the project at all, or in its current form, if it were funded through a different mechanism	x		
Crowd-in private, additional, upfront, long-term, stable and secured **financing**, which brings in additional finances to the development sector	Scale and source of funding (including whether private financing), and where this funding would have been directed if it had not funded this project Duration and 'security' of funding Mobilization ratio: for every USD 1 of ODA mobilized USD x in private financing Extent that supplier pre-financing was required for PbR contract Opportunity cost of using own funds – i.e. has DIB financing allowed the organization to invest in other things	x		
Shift focus to **outcomes**	***Set up***	x	x	x
More **innovative** services (or larger-scale innovative services) because: providers have more **flexibility and autonomy** to deliver what they feel will achieve outcomes Risk transfer from government/outcome	Perceptions on rigour of design stage Level of 'innovation' / risk in project delivery, in terms of: new type of intervention altogether (radical innovation); an established intervention that has been adapted (incremental innovation); or	x		

Claimed DIB effect	Indicator to measure presence of 'DIB effect' in DIBs and comparator sites	RW1	RW2	RW3
funder partly to service provider but mainly to investor, who have higher appetite for risk	an established intervention that has been applied to a new context, e.g. location, policy area, target population Scale of project, in terms of delivery cost and number of beneficiaries Extent and quality of external expertise ***Delivery*** Extent to which delivery decisions are made to maximise outcomes Extent to which a service provider feels more incentivised to offer user-specific supports (the human touch element) Level of flexibility found within the project to alter project delivery Extent to which service provider feels it can take risks and innovate Extent to which service provider feels it has autonomy over delivery Level of responsiveness and agility of partners to deal with bottlenecks, issues and challenges Extent and quality of external expertise ***Monitoring*** Rigour of monitoring and evaluation systems developed, including verification of outcomes and duration of outcomes tracking Transparency of outcomes – i.e. frequency and quality of reporting internally and externally Strength of performance management and measurement systems Use of real time performance information to inform ongoing delivery ***Sustained impact*** Extent to which systems and practices implemented as part of project are embedded across the wider organisation and/or sustained once the DIB ends			
Drives **performance management**			x	x
Greater **accountability**, as impact bond builds leads to culture of monitoring and evaluation			x	x
More careful and rigorous **design** of programme interventions			x	x
All of the above factors leading to more beneficiaries supported, and more outcomes achieved, ultimately leading to more **effective and efficient** services	Number of beneficiaries supported per GBP / FTE Number of outcomes achieved per GBP / FTE		x	x
More service providers entering the PbR market due to transfer of risk	Number and type of providers participating in PbR contracts, and their historic experience with PbR contracts Level of unrestricted funding as % of overall value of PbR contract	x	x	x
Greater **collaboration and/or coordination** between stakeholders as	Self-reported strength of relationship of partners involved and levels of collaboration and/or coordination	x	x	x

Claimed DIB effect	Indicator to measure presence of 'DIB effect' in DIBs and comparator sites	RW1	RW2	RW3
there is an alignment of interests				
Claimed disadvantages				
Complex to design	Extent to which stakeholders believe the design to be complex Demands of project design in terms of time and need for external expertise Length of time it took to design and launch the project	x		
Expensive to set up and implement	Set up costs Cost per outcome / beneficiary Proportion of total cost of project going to front line delivery against proportion going to project development and administration (including research and data verification, and project and funding coordination and management)	x	x	x
Impact bonds create **perverse incentives**	Profile of beneficiaries and evidence of 'cherry picking' Level, quality, range and duration of support, and extent to which decisions around these have been affected by the contracting model (e.g. leading to parking)		x	x
Performance management culture lowers **staff morale** and increases staff turnover	Levels of morale amongst staff Levels of staff turnover		x	x
'**Tunnel vision'**: Focus on primary outcomes comes at the expense of secondary outcomes; opportunities for project co-benefits are missed	Range and level of secondary outcomes achieved		x	x
DIB creates **additional social and reputational risks**, diminishing some of the claimed advantages (such as innovation)	Extent to which stakeholders perceive the project to hold reputational and social risks	x	x	x

Harmonisation of approaches

The evaluation has sought to support the harmonisation of approaches used in the DIB/SIB sector. The evaluation has drawn on the following frameworks and approaches, to better support the synthesis of evaluation findings and learning across the sector:

- The evaluation is taking a harmonised approach by using the same evaluation approach, and synthesising findings for the 3 DIBs under FCDO's pilot programme;

- The evaluation team is undertaking a range of sector level consultations and attending sector events, such as conferences and working groups, in order to keep abreast of emerging learning and findings;
- The DIB effect model builds on FCDO's PbR evaluation framework, to facilitate consolidation of learning;
- Our findings have been aligned broadly with the Brookings Institutes' issue areas as set out in Gustafsson-Wright et al's (2017) early findings report and builds on their findings;
- The framework for categorising DIBs builds on the work undertaken by GOLab at Oxford, and other key efforts to categorise DIBs;
- The process tracing approach builds on a tested approach used by Ecorys for other SIBs evaluations, which enables cross-sector learning;
- Our costs template builds on the one being developed by the GOLab at Oxford, and
- For the DIBs under the scope of the evaluation, we have drawn on relevant and existing studies, such as BOND's report on lessons learned from the Girls Education Challenge[119] and the CGD paper on lessons from the Cameroon Cataract Bond.

Ethics and safeguarding

Our approach adhered to international best practice and standards of ethical conduct in evaluation in sufficient detail and draws on relevant aspects of FCDO's Ethical Guidance for Research, Evaluation and Monitoring Activities. Our approach is set out against FCDO's ethical standards below:

Table 43: FCDO's Ethics Standards

FCDO's ethics standards	Our approach
Research, evaluation and monitoring is useful and necessary.	The scope of the evaluation is as per the TOR. The design of the approach and interview guides were based on what was necessary to address the questions set out in the evaluation framework.
Design and conduct of research, evaluation and monitoring work is sensitive to cultural, socio-economic, environmental and political context.	There was equitable participation of participants. Interviews were delivered sensitively and professionally. Data collection instruments (interview guides) were reviewed by local researchers with a strong understanding of local cultures to ensure they were culturally sensitive and did not pose ethical problems. Fieldwork was also undertaken with local researchers to ensure it was culturally sensitive. However, it is possible that some interviewees may have had concerns with gender, socio-economic status and ethnicity of the interviewers.
People's rights and dignity are respected and there is equitable participation.	Despite assurances of confidentiality, interviewees may have felt compelled to provide answers they perceived as favourable to the interviewer, their employers, or funders. To mitigate against this researchers stressed the anonymity of the research, that there were no 'right' answers, and triangulated responses with multiple data sources. For the beneficiary focus groups as part of the Village Enterprise case study, this research was undertaken in line with VE's safeguarding policy, which was read and signed by the researchers. The researchers discussed the focus

[119] https://www.bond.org.uk/resources/does-skin-in-the-game-improve-the-level-of-play

	group sampling framework with VE to ensure there was an equitable and representative selection of participants. However, the researchers were reliant on VE organising the focus groups, and so particular groups could have been selected by VE to show more favourable results.
Harms to individuals and communities are minimised and benefits maximised, risks are identified, and mitigating actions are taken.	The evaluation took a 'do no harm' approach. In designing the approach and interview guides, the risk of harm to individuals was considered. Due to the nature of interviews, the topics of discussion and the stakeholders consulted, the main risk was identified as potential loss of identify and confidentiality, which may affect relationships and positions within organisations.
Identity and confidentiality is protected and data are secure. Participation is based on informed consent.	Identity and confidentiality were protected. All data in the report is anonymised, and identifiers removed where possible. Security and privacy concerns have been taken into account in storing, using and reporting this information. Data has been stored in a secured folder on Ecorys' drive, which is only accessible to members of the research team. No sensitive or confidential information has been shared via email. The purpose of the evaluation and interviews was clearly set out. Participants were informed about how the information would be used and that they have the right to request for the data to be deleted at any point. All participants explicitly consented to take part in the evaluation. The Analytical Lead quality assured all data and findings, to ensure data integrity was maintained and data practices appropriate.
Findings are disseminated to intended beneficiaries and used appropriately.	Anonymised findings are being shared with participants for validation. All quotes/ data are anonymised (names removed etc).

Involvement of stakeholders

The evaluation has been designed and managed to meet the information and decision-making needs of the intended users. Discussions were carried out with FCDO and stakeholders of the pilot DIBs to inform the approach and needs of stakeholders, as part of the Inception and Keeping in Touch phases. Stakeholders were provided with opportunities to comment on the draft findings, recommendations, and lessons. DIB stakeholders commented on the summary tables on the DIB effect, the case studies and on the emerging findings during the internal learning workshop. We have reflected comments and perceptions in the report. The main disagreements have been about the extent to which the DIB effect can be attributable to the DIB, and the relative weight of non-DIB mechanisms. We have clearly set out the range of perceptions in the report where relevant.

In line with the Paris Declaration, the evaluation is aiming to avoid duplicating data collection and learning activities by leveraging data and learning outputs. As such, the evaluation relies on data collected by the service providers. We have updated our initial assessment of this data in the Data Quality Assessments prepared in Research Wave 1. Furthermore, the evaluation team is committed to building evaluation capacity within partner countries. The evaluation team includes experts from the countries where the DIBs are in operation. Due to the fact that in-country fieldwork was not undertaken in this research wave, the experts provided limited, but valuable, context and input into the evaluation.

Impact of COVID-19 on the evaluation

Additional questions were added to the research to explore how COVID-19 impacted on the projects and the use of the DIB mechanism, and how the DIB affected projects' ability to respond to COVID-19. This was a core focus of the RW2 report, and is briefly referenced in this report.

COVID-19 did not affect the research during RW3. It did, however, affect the data collection for RW2, which took place in the summer of 2020. As a result of Covid-19, data collection across the four DIBs[120] was done remotely, affecting the breadth of stakeholders we are able to interview, and potentially the quality of data collection. We managed to speak to a large range of stakeholders, including providers and practitioners, but were unable to speak to final beneficiaries. In the RW2 report we highlighted where we believe this limited findings. We compensated this by interviewing beneficiaries in RW3 as part of the VE and QEI case studies (they were not included in the ICRC case study because it was deemed unsafe to undertake an in-person visit, and remote interviews were not possible due to access).

Management

Independence

It is important that the evaluation remains independent and credible. In reviewing available data, we investigated how the data was collected and verified to assess quality. This involved providing advice, guidance, and a QA role to ensure the evidence is sufficiently reliable.

Whilst the evaluation team includes external technical experts, it is also important that the final conclusions are reached independently by the evaluation team. The role of the external experts has been to act in an advisory capacity, but the report and its findings have been written by the evaluation team.

Differences of opinions

The internal learning workshop offered a further opportunity openly to discuss and verify emerging findings, so as to complement any information missing and incorporate stakeholders' opinions and feedback. There were no significant differences of opinion within the evaluation team.

Conflicts of interest and other limitations

No conflicts of interest were identified, and the evaluation team were able to work freely and without interference. Each consultation was conducted by a lead analyst who was then responsible for the analysis and the reporting of the information gathered through interviews and document review. All key informant interviews were conducted under conditions of confidentiality.

The impact bond space is a small one, and undoubtedly information sources and their contributions are not completely independent of other parties with an interest in the evaluation. We have sought to address this by triangulating findings between different respondents and other sources of information, and by disaggregating findings by type of respondent, and role in the DIB.

Roles and responsibilities

The Project Director oversaw delivery. The Analytical Lead was responsible for providing technical input and quality assuring all data and deliverables. Each DIB lead led data collection on analysis on one lead. The VfM

[120] Including the Cataract Bond

expert led analysis on VfM. The DIB expert provided expertise across the design, analysis and reporting phases. Country experts provided some (but limited) input into process tracing.

Use and Influence plan

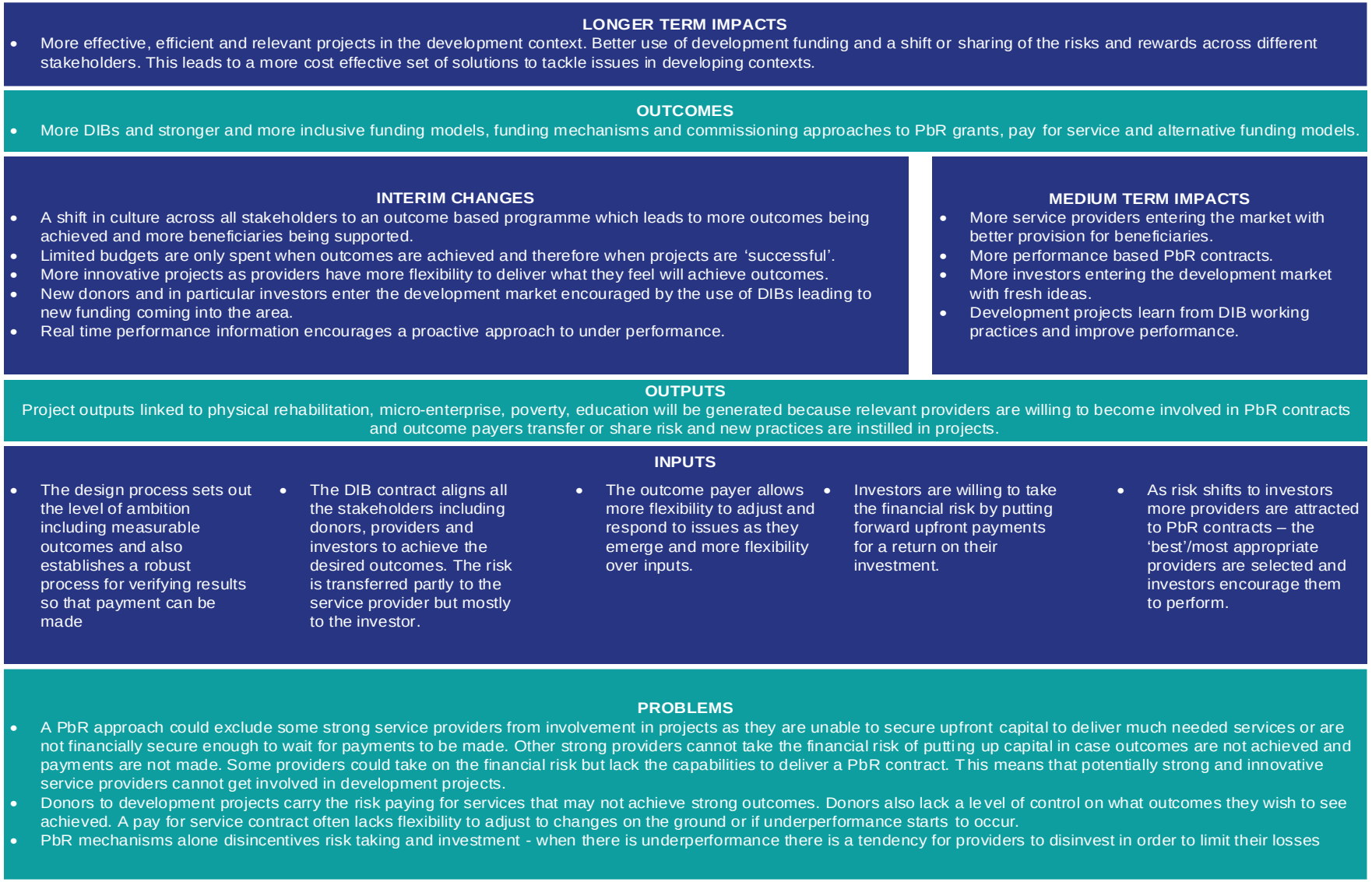
In the inception report, we undertook a stakeholder analysis, which categorised stakeholders into primary users (FCDO), secondary users (stakeholders involved in the pilot DIBs) and tertiary users (those involved in other DIBs or SIBs or considering implementation of DIBs or SIBs). On this basis, we developed a communications plan, including reporting and dissemination activities. Key deliverables include DIB specific case studies, internal and external workshops, this report and learning briefings. Further details of the communications strategy, including the types of communications outputs, are included in the Inception Report.

In reflecting on RW1, two of the DIBs highlighted the utility of creating more sharable and easily understandable pieces of work from our research, which can be disseminated easily and more widely. Additional investment in the communication element was highlighted as key to support learning. The main learning from RW1 was also the importance of building on momentum during publication of the report, to publish research briefs and undertake dissemination at the same time, so that more digestible outputs are available straight away.

In response to the above reflections, in RWs 2 and 3 we also produced infographics to easily share the key evaluation findings with external stakeholders. We are also planning a series of dissemination events, both internally within FCDO and with external stakeholders. This builds on multiple dissemination activities undertaken during the evaluation, such as presenting findings at the GO Lab Social Outcomes Contracting conference, the Impact Bond Working Group, a Wilton Park event on ‘Utilising innovative financing models to further the goal of a land mine free world’, and a Humanitarian Finance Forum event.

Annex H: DIBs Pilot Logic Model

Figure 10 DIBs Pilot Logic Model



Annex I: Results and Methodology for VE Cost Effectiveness Analysis

This section provides further depth on the results and methodology used within this analysis.

The table below is presented with further columns (unweighted consumption) and rows (for each dataset, rather than just dataset 4) included.

Table 4: Consumption before and after grant (extended)

Dataset (refer to Table 31 for descriptions)	DIB or core	Sample size	Consumption at baseline	Consumption at endline	Weighted consumption at baseline (after PSM)	Weighted consumption at endline (after PSM)	Change in weighted consumption
1	Core	1000	186.11	308.96	137.99	304.16	166.17
1	DIB	400	137.19	303.48	137.19	303.48	166.29
2	Core	269	157.59	301.28	142.84	272.88	130.04
2	DIB	400	137.19	303.48	137.19	303.48	166.29
3	Core	1000	186.11	308.96	132.80	293.13	160.33
3	DIB	290	132.41	263.00	132.41	263.00	130.59
4	Core	269	157.59	301.28	138.90	254.06	115.16
4	DIB	290	132.41	263.00	132.41	263.00	130.59

Below presents the covariate balance before (unadjusted) and after (adjusted) weighting for the four different datasets analysed. The weighting approach improved balance across all covariates and datasets.

Figure 11 shows the balance for dataset 1, before (unadjusted) and after (adjusted) the analysis.

Figure 11 Programme-level covariate balance - dataset 1

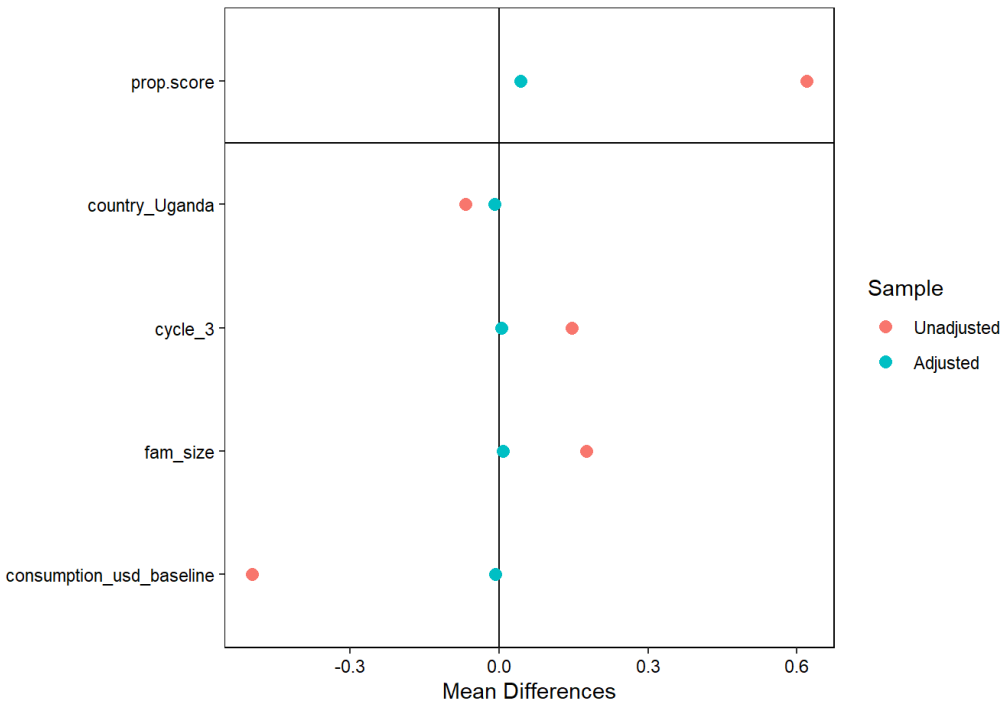


Figure 12 shows the balance for dataset 2, before (unadjusted) and after (adjusted) the analysis.

Figure 12 Programme-level covariate balance - dataset 2

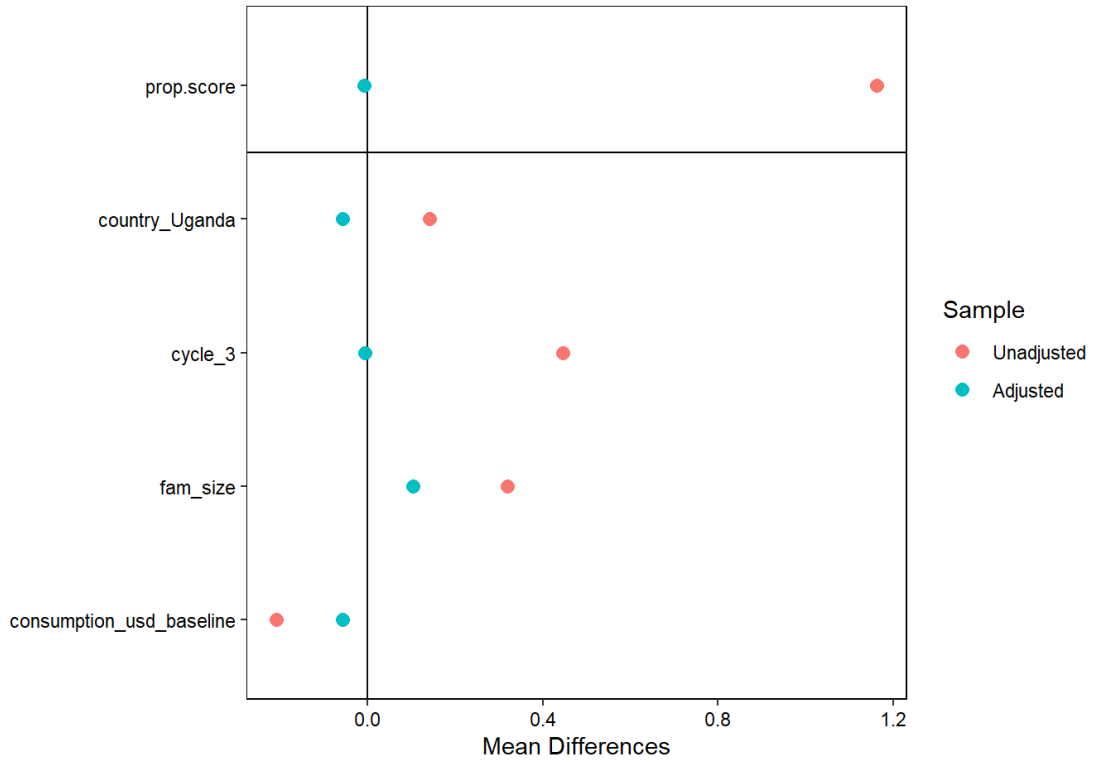


Figure 13 shows the balance for dataset 3, before (unadjusted) and after (adjusted) the analysis.

Figure 13 Programme-level covariate balance - dataset 3

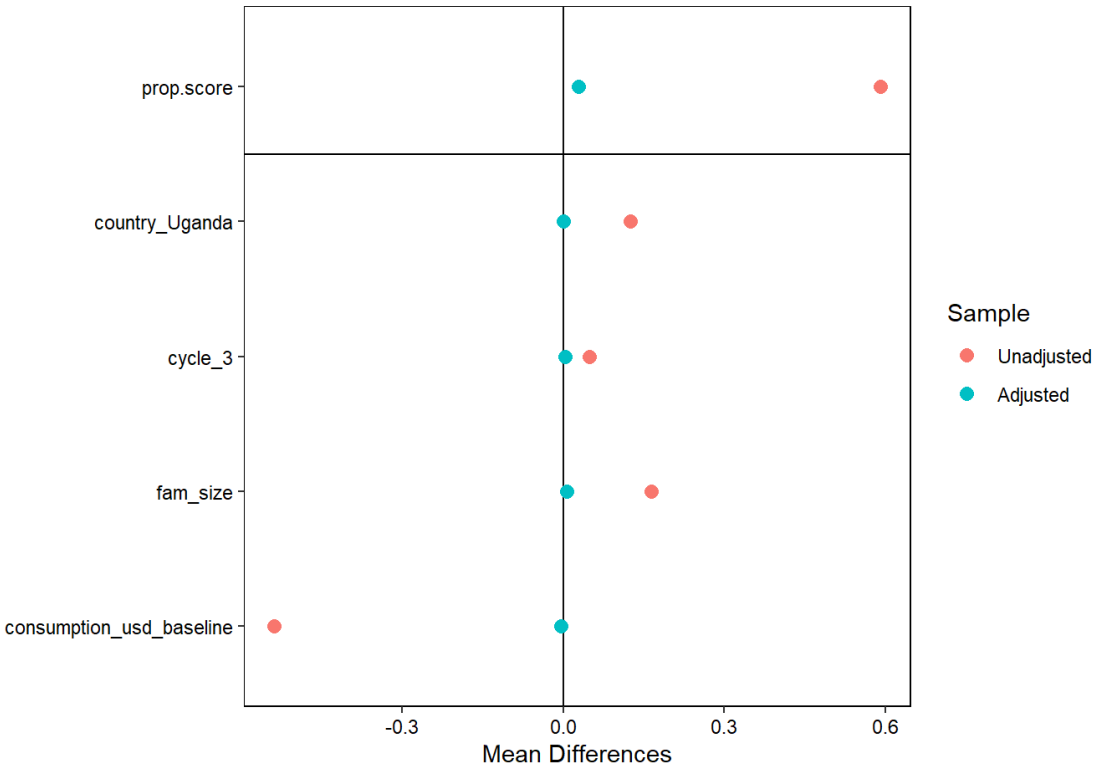
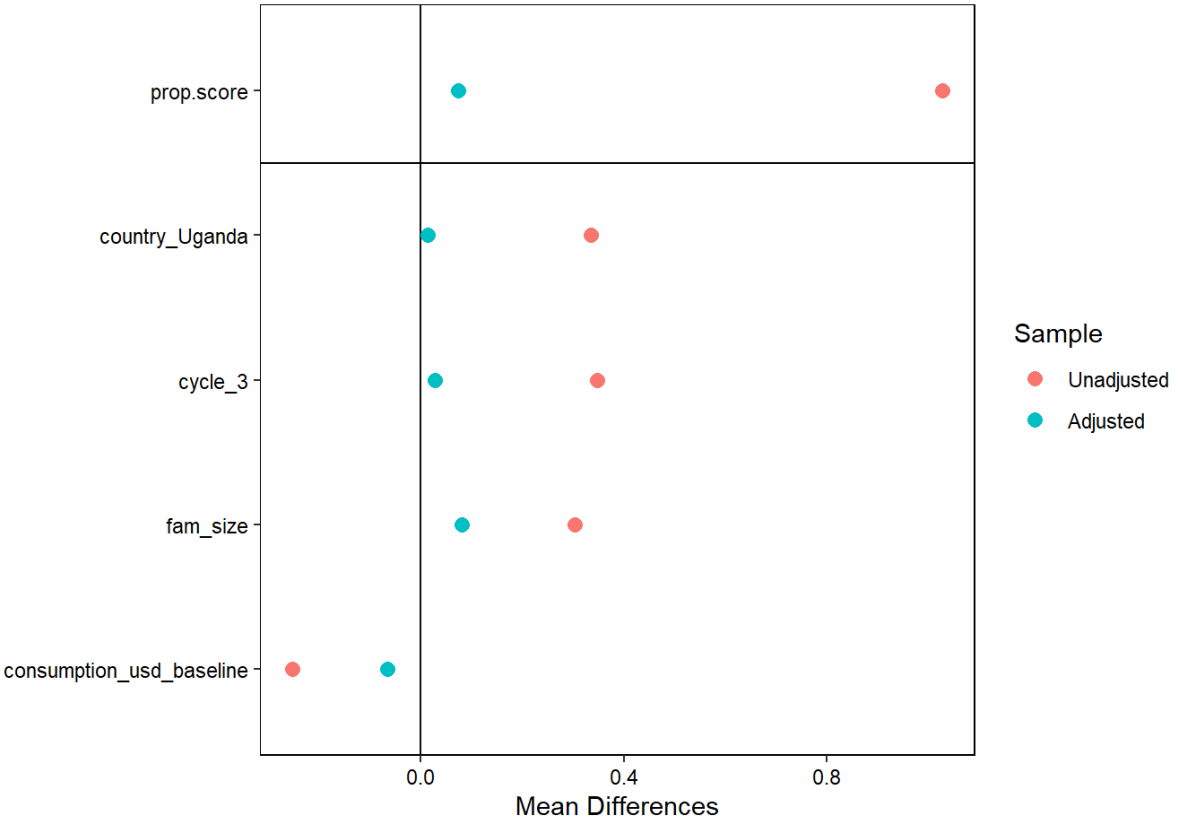


Figure 14 shows the balance for dataset 4, before (unadjusted) and after (adjusted) the analysis.

Figure 14 Programme-level covariate balance - dataset 4



Below, the table below details the results from the (weighted) difference-in-difference models. This table shows that for cohort 4 (the most accurate match between DIB and core), businesses receiving VE support as part of the DIB had a monthly change in consumption that was $15.44 higher than those who received support from VE as part of their core programme. However, these results are not statistically significant.

Table 5: Results from weighted difference-in-difference models

Dataset	Estimate[121]	Standard error	Statistic	P value
1 All DIB grantees vs all core grantees	$0.12	16.93	0.01	0.99
2 DIB grantees vs core grantees in similar areas	$36.24	21.55	1.68	0.09
3 DIB grantees receiving same grant vs all core grantees	-$29.75	19.46	-1.53	0.13
4 DIB grantees receiving same grant vs core grantees in similar areas	$15.44	23.4	0.66	0.51

The table below details the results from the (weighted) linear regression models. Here, the outcome of interest in endline consumption, and the treatment is involved within the DIB (with the different datasets also restricting on grant size and geography). This table shows that for cohort 4 (the most accurate match between DIB and core), at the end of the programme, businesses receiving VE support as part of the DIB had a monthly consumption that

[121] Difference in the change in monthly consumption levels over the course of the programme between DIB and core groups, measured in USD. A positive number means DIB had a positive difference; negative number means DIB had a negative difference.

was $8.94 higher than those who received support from VE as part of their core programme. However, these results are not statistically significant.

Table 446: Programme-level regression results

Dataset	Estimate [122]	Standard error	Statistic	P value
1 All DIB grantees vs all core grantees	-$0.68	16.27	-0.04	0.97
2 DIB grantees vs core grantees in similar areas	$30.59	21.67	1.41	0.16
3 DIB grantees receiving same grant vs all core grantees	-$30.13	18.35	-1.64	0.10
4 DIB grantees receiving same grant vs core grantees in similar areas	$8.94	22.02	0.41	0.68

[122] Difference in monthly consumption levels between DIB and core groups at end of programme, measured in USD. A positive number means DIB had a positive difference; negative number means DIB had a negative difference.

Annexes published separately:

- **Annex J** sets out the case study reports agreed with DIB stakeholders
- **Annex K** contains the Terms of Reference for the evaluation