

Village Enterprise Development Impact Bond

**A case study produced as part of the FCDO DIBs
pilot evaluation**

December 2022



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1 Summary

This case study report covers the Village Enterprise Development Impact Bond (DIB), which aims to raise the income levels of the extreme poor through Village Enterprise's microenterprise development programme, known as a poverty graduation programme. It seeks to equip its service users with the resources to create sustainable businesses. The DIB launched in late 2017, with final payments distributed in 2022.

This DIB was designed with Village Enterprise around their poverty graduation programme, which aims to raise incomes for those earning less than \$2.15 per day in Uganda and Kenya. Village Enterprise has operated for approximately 30 years and the 'poverty graduation' model of this intervention has been running since 2011 under individual donations and grants. Payment by Results (PbR) was not used in any previous project.

Under the impact bond model, Village Enterprise implemented its existing graduation model, which consists of providing training, seed capital, and ongoing mentoring and support, to groups of three entrepreneurs – each group was encouraged to start a microenterprise and also gained access to savings groups and loans.

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: \$730,165.

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

Total value: USD \$4.3 million tied to the achievement of the outcome metric; 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.¹

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

¹ These are nominal figures, using PPP 2020 figures, the respective values are 23.2 USD for consumption and 98.0 USD for assets.

1.1 About this report

This in-depth review is part of a series being produced as part of the FCDO (formerly DFID) DIBs pilot programme evaluation, commissioned by the Department for International Development and undertaken by Ecorys. More information about the FCDO DIBs pilot programme evaluation, including other in-depth reviews, can be found at: <https://golab.bsg.ox.ac.uk/knowledge-bank/resources/lessons-from-the-fcdo-development-impact-bonds-pilot-programme/>

The case study report covers the findings from all three of our research waves. The case study primarily focuses on the use of the impact bond mechanism and to examine the 'DIB effect', i.e., how the design, delivery, performance, implementation, and impact of the intervention has been affected because it has been funded through a DIB.

Impact bonds are 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. The service is set out to achieve measurable outcomes established by the outcome payer and the investor is repaid only if these outcomes are achieved. DIBs are impact bonds 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).²

The report is based on a document review and consultations with key stakeholders. The first wave of research was conducted between October and November 2018, the second wave April and June 2020, and the third wave June and August 2022. A full list of consultations is set out at the end of this case study.

1.2 DIB design and set-up

Summary of set-up phase

The prevailing view among stakeholders was that designing and launching the DIB had been a positive experience. Although there had been challenges throughout the process, it had led to greater levels of collaboration between stakeholders, helped to create space for innovation, and gave Village Enterprise access to the funding that enabled it to scale its intervention to more programme participants. While the design and set-up of the DIB was complicated and costly, stakeholders hoped that the learning taken from this experience would enable a smoother process in the set-up of future DIBs.

² Source: <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/>

Lessons learned – DIB design and set-up

Stakeholders and the Instiglio midline process review highlighted key lessons learned during the set-up phase:

- 1 Outcome metrics should be well aligned with the programme's Theory of Change to create the incentive to achieve impacts.
- 2 Stakeholders – in particular investors – felt that it is important to have trust in the service provider. As such, a stringent vetting process is necessary.
- 3 Stakeholders must have the capacity to deliver what is expected of them – particularly around understanding legal and investment structure aspects of the DIB.
- 4 Funds should include technical capacity building for outcome funders who are not well versed in results-based financing.

1.3 DIB delivery

Summary of delivery










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.

DIB effects observed during delivery

We undertook an initial literature review and stakeholder consultations to understand how the project might be impacted by a DIB mechanism, both positively and negatively – what we refer to as hypothesised 'DIB effects'. During the research we tested whether these DIB effects materialised by comparing the DIB with a comparable project delivered through an alternative funding mechanism. These are summarised in Table 1 and described below.

Most of the hypothesised DIB effects were observed within the Village Enterprise DIB and could be attributed to the DIB mechanism – it drove a focus on outcomes, strengthened monitoring and evaluation systems and performance management within Village Enterprise, and supported Village Enterprise to embed new innovations. It fostered some collaboration between partners, though collaboration was a challenge. Most of the negative DIB effects were not observed, in part because the DIB design mitigated against these. The DIB did lead to heightened pressure amongst staff, but overall this had a positive rather than negative effect.

Table 1: Testing whether hypothesised DIB Effects occurred in VE DIB

DIB effect	Extent to which hypothesised DIB effects observed
Hypothesised 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	
Hypothesised 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	
Whether DIB led to 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.

Lessons learned – delivery and relevance

Stakeholders believed that the DIB could serve as an important learning experience for future use of DIBs (and results-based financing (RBF)³ more broadly), particularly for livelihood and graduation programmes. They identified a variety of lessons learned during delivery, including:

- 1 Monitoring tools introduced – and the enhanced culture around using data to drive decision making – as a consequence of the DIB were instrumental to the project's success.
- 2 DIB delivery is enabled by service providers that have a willingness to adapt to utilise technology and data.
- 3 DIB contracts need to encapsulate the complexities – and potential complexities – of programme implementation (including both service provider implementation and wider programming needs such as the impact evaluation).

³ Results-based financing is an umbrella term referring to any program or intervention that provides rewards to individuals or institutions after agreed-upon results are achieved and verified. See: <https://www.worldbank.org/en/programs/reach#:~:text=Results%2Dbased%20financing%20is%20an,results%20are%20achieved%20and%20verified>.

Lessons learned – delivery and relevance (continued)

- 4 Service providers and donors should discuss investor desires and requirements before agreeing on investor return rates to minimise the rate and, in turn, maximise funds kept within the development sector.⁴
- 5 The use of RCTs should be carefully considered given the debate around their efficiency and ethics.

Sustainability and spillovers

Several spillover effects from the DIB were also observed. At Village Enterprise's organisation-level, this included the roll out of processes and learning from the DIB to the core (standard, non-DIB) programme. The DIB further provided reputational growth for Village Enterprise, with new funding opportunities and partnerships as a result. On the other hand, the DIB appears to have somewhat negatively impacted the core programme during their simultaneous operation, since more attention and resources were focused on the DIB at the expense of the core programme. Ecosystem-level spillovers included strengthened capacity to deliver future DIBs for number of the stakeholders involved, as well as significant contributions to the evidence base of DIBs – particularly in the Sub-Saharan African context and within the poverty alleviation sector.

1.4 Conclusion

The RCT results revealed that the Village Enterprise's programme performed extremely strongly during the implementation of the DIB and at the conclusion of the programme, investors received the maximum outcome payment. The DIB had a rigorous design which provided reliable results and minimised the risks of cherry picking and tunnel vision. Most stakeholders were able to identify positive effects that they felt were attributable to the use of the DIB mechanism – particularly the innovations made to programming and the cultural shift within Village Enterprise towards a greater outcome focus. Many of the innovations were found to be still in full use almost two years after the completion of the DIB, signalling strong sustainability.

However, stakeholders also identified a challenge in running a DIB: the programme's payment structure and contracting were complex, as was the coordination of a large number of stakeholders. The resource-intensity and reputational risk associated with the DIB also appeared to lead to prioritisation of DIB-related tasks for Village Enterprise staff over the organisation's core programme. It was also not entirely clear whether the 'DIB effects' observed could be solely attributed to a DIB mechanism per se or could also have been present under other forms of RBF.

Therefore, stakeholders could see the value in shifting towards more of an outcomes-based contracting approach, though were more committed to the broader concept of RBF than a DIB mechanism per se. Indeed, many of the stakeholders were exploring future RBF models, but not necessarily a DIB design.

⁴ Though it is noted that many investors of impact bonds are social investors who are highly likely to recycle profits within the development sector.

2 Intervention and DIB design

2.1 Information on the intervention

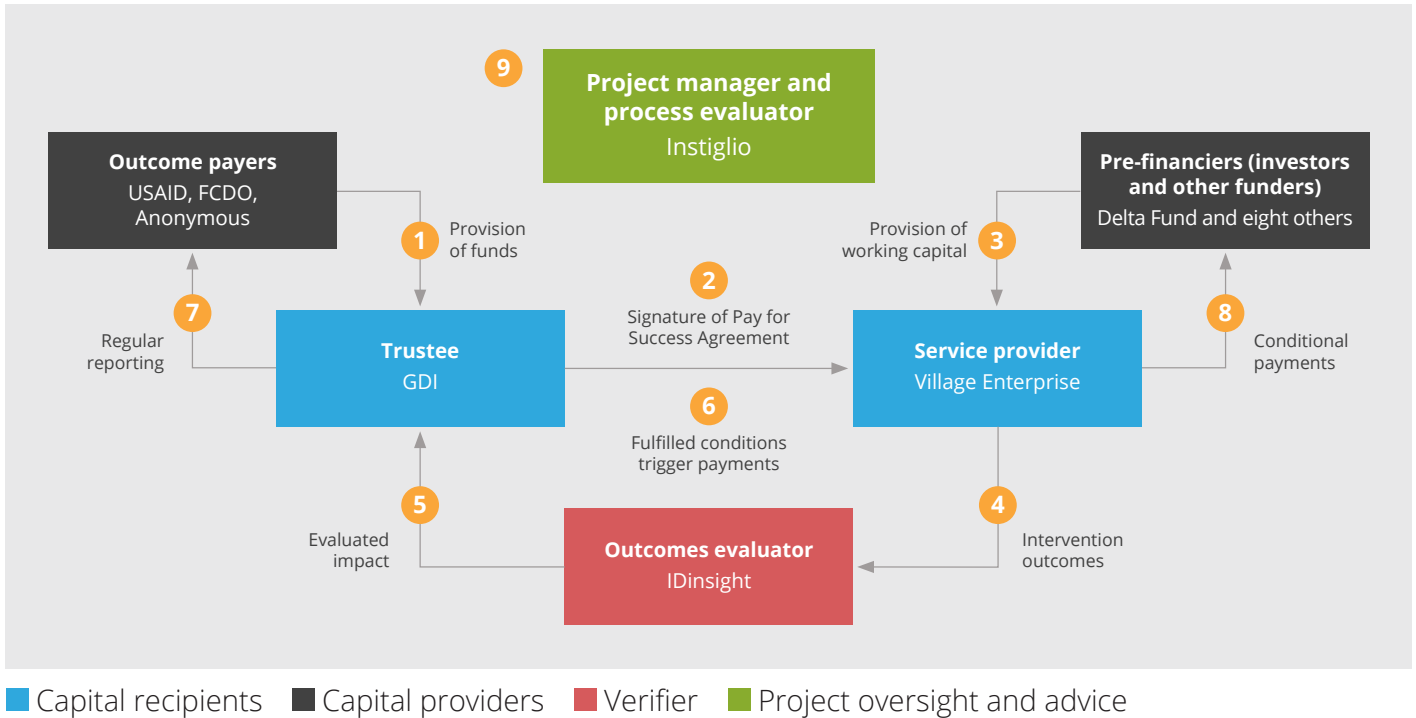
The 5 components of the programme were:

- 1 **Targeting:** Village Enterprise worked to identify individuals who live under \$2.15 a day and who were unable to provide for their family's basic needs. They assessed poverty levels through a community-based Poverty Wealth Ranking exercise coupled with the Poverty Probability Index.
- 2 **Business Savings Groups (BSGs):** BSGs are self-governing councils of ten businesses comprising 30 individuals; each BSG has its own constitution. BSGs create the platform through which Village Enterprise carries out the training programme, as well as develop trust and respect between the participating community members. Through the groups, members can also borrow and save through three approaches: (i) general loans: from the savings of the group, members can take out loans (typically up to double the amount that they have saved), which they pay back over a few months (typically 2-4 months) with interest; (ii) SWAP – saving with a purpose – members decide on a saving goal such as school fees or a new mattress and then, with the support of their Business Mentor, create a saving plan which they pay into the group until they have saved enough to afford their goal; and (iii) emergency loans: used for emergency situations such as hospital fees – these loans are paid back but no interest is applied.
- 3 **Training:** Business Mentors delivered a four-month training programme to equip participants with the necessary knowledge to run a business. The participants then formed groups of three and agreed and planned for a small microenterprise to start together. Business Mentors guided each new group in selecting an enterprise that was best positioned to flourish, considering the team's skillsets, local market conditions, risk factors, and profitability. Most participants started activities that involved livestock (41%) (such as buying chickens to then sell the eggs). Other types of businesses included retail (35.4%) (such as setting up stalls within the village), crops (24.3%), services (2.4%) and skilled work (1%). When creating their business plans, some participants planned for multiple income generating activities (IGAs). This practice helped programme participants ensure income is smooth year-round and helped hedge against risks of devastation in the case of failure of one IGA.
- 4 **Seed Funding:** Seed capital was granted to each group of three to enable them to start their business. In the past Village Enterprise has provided seed capital of \$150 per group. Using the flexibility available under the DIB, the service provider decided to give 65% of businesses a \$150 seed, and the remaining 35% of households \$450, to experiment with a larger seed transfer and observe the impact. The capital investment was a grant, rather than a loan.
- 5 **Mentoring:** Business Mentors provided continuous guidance to the service users for one year, coaching them in choosing the focus of their business, as well as how to grow and manage their business and finances, including saving in BSGs. This was a critical capacity building phase for participants.

2.2 The Development Impact Bond

The DIB was only running in approximately 30% of the programme; in two specific regions of Kenya and Uganda. The remainder of the programme continued to operate under the traditional (core) model. Figure 1 sets out the DIB, the various stakeholders, and their roles.

Figure 1: DIB flow model



As numbered in the diagram above, there were nine principal flows and components in the DIB:

- 1 Outcome payers** provided the trustee with the funds to be used for i) signing a pay-for-success agreement with the service provider based on the achievement of predefined results, ii) signing an evaluation agreement with the outcomes evaluator to conduct the RCT, and iii) paying the trustee, project manager, and process evaluator for their services. The three outcome payers were Foreign, Commonwealth and Development Office, UK (FCDO) (committing \$2.02m), The Development Innovation Ventures (DIV) team of United States Agency for International Development, USA (USAID) (\$1.3m), and an anonymous philanthropic fund based in the USA (\$2m). The total budget committed by outcome payers was approximately \$5.32 million with \$4.28 million committed to pay Village Enterprise.⁵ The remaining \$1.04 million was spent on pre-contract fees such as design finalisation, stakeholder consultations, and a field visit, as well as future post-contract costs such as the RCT, the process evaluation, and the trustee's fees.
- 2 The trustee** (Global Development Incubator (GDI)) signed a pay-for-success agreement that was pre-approved by the outcome payers with the service provider based on the achievement of predefined results. That is, GDI's agreement with Village Enterprise committed them to disburse payments to Village Enterprise according to the level of results measured and verified by the outcomes evaluator for the programme (steps 5 & 6). GDI was also responsible for conducting due diligence on organisations.
- 3 The investors** provided the service provider with the working capital required to carry out its three-year intervention. Village Enterprise raised \$2.325 million as working capital for programme implementation. This capital was provided by nine investors, including the Delta Fund as lead investor, the Bridges Impact Foundation and SV2.

⁵ **Source of information:** Village Enterprise design memo.

- 4 The **service provider (Village Enterprise)** delivered results via its intervention. Results were measured by the outcomes evaluator on a pre-defined schedule, with a pre-defined and agreed-upon methodology.
- 5 The **outcomes evaluator** assessed and verified the results of the service provider's programme and reported back to the DIB Design Group, for the outcome payers to approve the report and trigger a release of funds to the service provider by the trustee.
- 6 The **trustee** paid the service provider based upon the results reported by the outcomes evaluator. There are two types of payments:
 - **Reimbursement of seed capital.** These were payments made to Village Enterprise following verification of disbursements by IDinsight after the transfer of seed capital to the groups of three households. There was little uncertainty around this income.
 - **Outcome payments.** These were tied to the RCT conducted by IDinsight, with Village Enterprise being paid approximately \$1 for every \$1 increase in household income compared to the comparison group. Income was measured at household level using consumption and assets. The rationale behind this was that growth in assets provides some evidence that impact will sustain.
- 7 The **trustee** was responsible for regularly reporting to the outcome payers on the use of funds.
- 8 **Village Enterprise repaid** the \$2.325 million up-front working capital to its investors according to the terms of their agreement with investors and in line with conditional payments made by the trustee. Investors received an IRR of 8.26%.
- 9 Instiglio, as the **project manager and process evaluator**, and the DIB advisory group conducted general project oversight and advisory roles for the Village Enterprise DIB.

3 DIB set-up

3.1 Reasons for using an impact bond

Stakeholders cited a variety of motivations for their involvement in the DIB. Instiglio's 2019 Midline Process Review and consultations with stakeholders uncovered the following reasons:

Cost-effectiveness

As the intermediary, Instiglio saw the DIB as a way to increase the cost-effectiveness of spending on poverty alleviation. Instiglio believed that the DIB would shift outcome payers' focus from monitoring outputs to measuring outcomes, resulting in a reduction in monitoring costs (although it is noted that this focus resulted in the selection of a costly RCT). Stakeholders from the anonymous donor agreed with this assumption, stating that the DIB was an opportunity to test how the graduation model could be implemented in a way that moderates transaction costs. Finally, the DIB meant that funders did not need to pay should the intervention fail to produce results; the prevailing view among all stakeholders was that this would produce greater value for money.

Better impact

Both Instiglio and stakeholders from the anonymous donor felt that the paying for results mechanism generally (rather than a DIB specifically) creates conditions more conducive to impact. Instiglio stated that as funders only pay the service provider when results are achieved, the service provider is incentivised to not only better track and manage results, but also is granted the flexibility to adapt elements of their intervention based on what is achieving better results.

Contributing to learning

As the service provider, Village Enterprise had a different rationale for their involvement in the DIB. Stakeholders commented that for them this was a 'very new type of mechanism', and they were motivated to test the efficacy of the DIB model.

This was also cited by stakeholders from USAID and the anonymous donor as a key motivator for their involvement in the DIB. The view was that the DIB, as a fairly new funding mechanism, would be an opportunity to learn not only how the graduation model could be implemented at scale but also how to implement a 'pay for success' project in a way that moderates transaction costs. The anonymous donor hoped that this learning would contribute to the evidence base for future poverty alleviation interventions.

Access additional funding

As well as contributing to learning, Village Enterprise saw the DIB as an opportunity to increase their funds. This additional funding would enable them to scale up their intervention and also implement other things, such as adaptive management and to launch another RCT to provide further evidence of impact across Kenya & Uganda.

Furthermore, as a financing mechanism, the DIB was seen as 'a good strategic fit' for what they wanted to achieve in the future, namely, to attract more funding for their services. The DIB achieved this through generating additional financing from investors.

Publicity

Stakeholders from the Delta Fund felt that the DIB would 'bring government attention' to the poverty graduation model.

3.2 Designing the DIB

The DIB design process began in 2016 and was later launched in November 2017. During this time, the project underwent the following steps:

Service provider selection

The first step was the selection of Village Enterprise as the service provider. In their first Process Review from July 2018, Instiglio stated that the idea of developing a market for outcomes in poverty alleviation first emerged in discussions with the anonymous donor in early 2014. The anonymous donor and Instiglio agreed to engage with potential service providers implementing poverty alleviation interventions in Africa. From a long list of 80, Village Enterprise was selected; Instiglio revealed that they have a list of criteria which they believe indicates an organisation can/ will succeed under RBF models (see Box 1).

Outcome payer engagement

This process began in May 2015 with a strategy of engaging foundations. However, this did not result in any commitments to provide outcomes funding and so in late 2016 the anonymous donor and Instiglio worked with Village Enterprise to develop a more detailed design and shift the focus to identifying potential bilateral funders. After signalling interest in the project, USAID and FCDO undertook a comprehensive assessment of Village Enterprise as well as the DIB design.

DIB design

There then followed a more detailed design process, beginning in June 2017. The discussions involved FCDO, USAID, the anonymous donor, Village Enterprise, and Instiglio. Discussions covered design components such as the payment functions, discount rates, and the number of households to be reached. The process lasted until November 2017.

Trustee selection

Stakeholders agreed to contract a trustee with the responsibility of collecting, holding, managing, and disbursing the funds as well as drawing, signing, holding, and managing the various contracts. The rationale for using a trustee was to reduce the burden of contracting and fund management from the other stakeholders, including the outcome payers. Two candidates were invited to submit proposals and through a trustee assessment matrix, GDI was ultimately selected as the trustee.

Impact evaluation design and evaluator selection

Stakeholders wanted to ensure that any increases in income were attributable to the intervention itself. There was also a motivation to contribute to the learning of ‘what works’ in poverty reduction. Stakeholders felt that a RCT would be the most rigorous means of achieving this. Therefore, in July 2017 the anonymous donor, Village Enterprise, and Instiglio developed an initial evaluation design, using a RCT to evaluate the results of the intervention. There then followed an evaluator selection process. IDinsight was selected in late 2017 as the independent evaluator and outcome verifier.

Financier engagement

Village Enterprise needed to raise \$2.325 million as upfront working capital to begin programme implementation. This process began in late 2016, with the support of Instiglio and the anonymous donor. Village Enterprise started to engage with potential investors in mid-2017 and were ultimately able to raise the full amount from nine different investors, closing their fundraising round in June 2018.

Box 1: Selecting service providers to deliver impact bonds: The criteria used by Instiglio

1 Programme, experience, and scale of operations

- › Number of years of programme experience.
- › Number of individuals reached over the past 5/10 years.
- › Countries/cities of operation and time of experience there.
- › Degree of innovation and uniqueness in programme design and implementation.
- › Degree to which the programme is contextualised for the service users' needs in their specific location.
- › Capacity to handle growth and scale, as well as ability to scale to new cities, countries, contexts.

2 Costs and funding

- › Programme costs – cost per beneficiary and outcome.
- › Funding type and source; experience with PbR, unrestricted grants, and activity-based grants.

3 Results

- › Evidence of results/track record of the organisation and programme.
- › The timeline over which results occur.
- › Source of results data – external evaluations/ in-house assessments.
- › Internal performance management systems and M&E processes.

3.3 Enablers and challenges to launching the DIB

Enablers

Strong working relationships

The key enabler in the setting up of the DIB was a strong working relationship between all stakeholders. This was stated by interviewees from the outcome funders, the service provider, and the intermediary who all felt it enabled a 'constructive and positive' experience.

Strong evidence of potential impact

Stakeholders commented that a previous RCT launched in 2014 on the Village Enterprise Graduation programme provided strong evidence of the impact of their operations. This evidence was particularly important for some of the outcome funders. For example, Instiglio stated that FCDO in particular gained confidence in Village Enterprise's ability to deliver results.

Clear presentation of the design

Instiglio's 2019 Midline Process Review also stated that clearly presenting the design of the DIB to potential outcome funders and investors enabled conversations to advance quickly. Stakeholders including the anonymous donor and investors agreed that this enabled them to get a good and clear understanding of the DIB.

Complementary experience

Another factor cited was the complementary experience of the different stakeholders involved. For example, Village Enterprise and the anonymous donor had experience of poverty alleviation whilst Instiglio had experience of RBF. This helped to inform a more practical design of the DIB.

Challenges

Instiglio's Midline Process Review mentioned a number of challenges that emerged in the design phase of the DIB. These are set out below:

Outcome payer engagement

Instiglio and the anonymous donor spent considerable time engaging with foundations, which resulted in no commitments to provide outcomes funding. Furthermore, Instiglio felt that engaging with multiple outcome payers at different times created inefficiencies. Also, capacity constraints meant USAID and FCDO both struggled to assess the project.

Design

Stakeholders stated that negotiations lacked clear protocols for ensuring the views of all were included. This, according to Instiglio and Village Enterprise, increased the amount of time it took, and therefore staff time required, to finalise the design of the DIB. Furthermore, stakeholders also commented that having multi-party negotiations slowed the process down as all views needed to be accommodated.

Trustee selection

This process also took longer as conversations with trustee candidates began without a clear agreement on the function of the trustee.

Contracting

There was a poor understanding of outcome payers' procurement burden which delayed the start of the contracting process.

Due diligence

Stakeholders from FCDO stated that there needed to be a higher level of due diligence undertaken for this DIB than for their traditional grant-funded mechanism. This included conducting due diligence on the trustee, the service provider, and the investors. Although it is normal for FCDO to look at a service provider's ability to deliver/ evidence base and other reputational risks, the increased number of stakeholders involved meant that this process was longer.

3.4 Lessons learned – DIB design and set up

- 1 Accounting for emergency situations within contracting:** 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 the final decision. Consequently, one stakeholder from the anonymous donor was particularly unhappy with the outcome of the negotiations, as well as the amount of time dedicated to them.

"The renegotiation became inefficient and undermined the premise of the whole thing [since] the reward function was no longer equivalent to the best estimate of impact [and] the risk taken on by the investors was significantly reduced."

- 2 Aligning outcome metrics with programme ToC:** almost all of the stakeholders praised the strong alignment of the outcome metrics to Village Enterprise's programme ToC, which meant that it was easy to align stakeholders on the metrics and also minimised the likelihood of perverse incentives arising.
- 3 Achieving rigour within the outcome verification method:** stakeholders were well aligned on the use of the RCT, stating that the rigour brought to the outcome verification process instilled both internal and external confidence in the DIB. One stakeholder from IDinsight stated that *"a RCT is not necessary for every DIB [but] it is important to be thoughtful on the measurement strategy on a DIB – it's the whole point – paying for attributable impact- so it's really critical to get the measurement piece right. RCTs are often one of the easiest and best ways to do this."*
- 4 Striking a balance between complexity and usability for outcome payment formulas:** stakeholders felt that the outcome payment formula was overly complex. As a result, they had to dedicate excess time to understanding it and struggled to onboard their colleagues onto the DIB because of this complexity. Whilst it was conceded that measuring poverty is not simple, stakeholders questioned the scalability and replicability of such a complex formula.

"[Having spent several years on the programme] I still cannot necessarily technically discuss the payment formula in simple terms so that others not involved in the project could easily understand it. I think that it is too complex for large-scale replication and scalability which is something many would desire for the bigger picture." (Project Manager)

3.4 Lessons learned – DIB design and set up (continued)

- 5 **Minimising the number of stakeholders involved:** stakeholders stated that decision-making processes were hindered by the number of stakeholders involved: ensuring messages had been communicated across all involved and reaching a consensus was a timely process. As such, after ensuring that the investment target is reached and that the necessary expertise is present within the consortium, the number of stakeholders involved should be kept to a minimum.
- 6 **Communicating effectively with all stakeholders:** stakeholders felt that the original set up for communications whereby there was no presence of investors within the Working Group led to inefficiencies: Village Enterprise played the role of the ‘middleman’, relaying messages between the two groups, investors could not provide insights effectively based on their expertise, and Village Enterprise stakeholders felt that there was a conflict of interest as they had to represent both themselves and the investors during Working Group discussions. One senior Village Enterprise stakeholder believed that such a set-up was not conducive to scalability since most investors would not accept such a low level of presence.
- 7 **Selection of stakeholders with complementary expertise:** stakeholders pointed out that their expertise was complementary to one another which improved collaboration. For instance, investors like Bridges Fund Management provided support to Village Enterprise during the COVID-19 negotiations based on their experiences in the wider DIB market during this time.
- 8 **Ensuring alignment with investors on their desired returns:** stakeholders from investors such as Delta Fund stated that they would have taken less or even no returns from the DIB and were quite uncomfortable with the level of returns they received. Further returns negotiations could have helped to maximise the value for money of the programme.⁶ One senior Village Enterprise stakeholder suggested that different rates of return could be pitched to different investors based upon factors such as their desire for social outcomes, the skills and experience that they will bring to the DIB, the size of their investment and their risk appetite. Indeed, this ‘stacked’ investment approach has been used in other impact bond designs (such as the [Zero HIV social impact bond](#)).

“We didn’t have a goal of getting a return. We would be happy for [Village Enterprise] to reinvest the money. When the RCT results came out there was questions about what the impact was on the programme participants – we don’t want our returns to be more than theirs. We would need to understand more on how the returns are justifiable – we are putting returns back to use for poverty alleviation – but are [other investors] doing this?”
(Investor)

⁶ Though it is noted that the risk/reward profile of the investment was higher because this was the first DIB of its kind.

4 DIB delivery

4.1 Summary of delivery

This section provides an update on the delivery of the DIB and the period thereafter, covering November 2017 to August 2022 – the complete duration of the project, as well a subsequent period of approximately 22 months.

The table below provides an overview of delivery:

Table 2: Overview of delivery

Component	November 2017 up to August 2022
Outputs achieved, versus expected	<ul style="list-style-type: none"> ➤ Output 1: Small businesses created: 4,755 business created versus 4,610 (target) ➤ Output 2: Business owners have knowledge to run businesses: 14,100 beneficiaries reached vs 13,830 (target) ➤ Output 3: Self-governing saving groups created: 481 groups created vs 461 (target)
Outcomes achieved, versus expected	<ul style="list-style-type: none"> ➤ 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
Outcome payments to date (vs expected)	\$4,280,618 – the maximum outcome payment possible
Expenditure to date (vs budget)	Total expenditure was \$5,373,404 versus original budget of \$5,280,642
Investment Committed	Total investment committed was \$2,325,000 (as planned)
Investment Return	Total investment return was \$730,165 (as planned, though outcomes did exceed expectations)

Effects of COVID-19

The COVID-19 pandemic significantly impacted the operation of the Village Enterprise DIB. Both Kenya and Uganda experienced lockdown measures which constrained business activities through the closure of markets, social distancing rules, public transport bans, and curfews. Given these measures, Village Enterprise was forced to suspend its regular in-person field operations, including visits to businesses and the provision of training. However, the programme quickly implemented several adaptations to minimise the impact of the pandemic. For example, remote working technology was initiated which allowed field staff to conduct virtual business visits and training (although less efficiently, given that such activities could no longer take place in groups). Business Mentors praised the adaptive management system that was introduced during the DIB as being vital for collecting data to understand the issues that Business Owners were facing and allowing them to combat such issues in real time.

However, the impact of the DIB mechanism on the programme response to COVID-19 appears to have been limited. Stakeholders from both USAID and Bridges Fund Management did praise the flexibility that the DIB offered with regards to the necessary adaptations that needed to be made during the crisis and the efficiency gains whereby Village Enterprise did not need to gain permission from each donor to make such adaptations. However, senior Village Enterprise staff revealed that because of the crisis situation, this was also the case on grant-based programmes, where donors provided flexibility to allow Village Enterprise to make necessary changes to adapt to the pandemic. Similarly, Village Enterprise field staff felt that the response on the DIB did not differ to that of the core programme, other than cohorts 5-7 of the DIB receiving extended monitoring which was afforded by the DIB's flexibility.

Additionally, stakeholders highlighted certain aspects of the DIB mechanism which led to further complexities during COVID-19. For example, the outcome formula was renegotiated with changes made such as increasing the payment floor from USD 0 to 60% of the costs to implement activities for cohorts 1-4. Stakeholders from the likes of USAID stated that reaching a decision between the many stakeholders was complex and time-consuming. One donor stated that they were not at all satisfied with the outcome but felt that, contractually, it was not clear who had the authority to make the final call on the decision.

4.2 DIB effects










This section describes the 'DIB effects' observed during implementation, i.e., how the design, delivery, performance, implementation, and impact of the intervention was affected because the project was funded through a DIB. To understand how the DIB model has affected the implementation of the intervention, we use a list of potential DIB effects identified from a review of the literature and stakeholder consultations. These potential effects are listed in the table below. Our research assessed whether the DIB effect was observed in the project and whether this could be attributed to the impact bond mechanism. It is important to distinguish between the two – just because an anticipated effect of the DIB exists in the project, does not mean the DIB itself necessarily created this effect, as it could have been caused by other factors.

We have assessed whether the DIB effect can be attributed to the DIB by comparing the DIB to a similar grant-funded project (the core Village Enterprise programme) with Village Enterprise stakeholders. We explored whether the effect materialised more strongly in the impact bond-funded project compared to the similar grant-funded project (in this case Village Enterprise's core programme), and whether stakeholders attribute this difference to the impact bond mechanism rather than to other factors.

For each category of DIB effect below, we have set out our findings for the effects as a RAG (● Red, ● Amber, ● Green) rating, indicating the extent to which these effects were observed and the extent to which it is attributable to the DIB.

DIB effect summary

Table 3: DIB effects

DIB effect	Extent to which hypothesised DIB effects observed
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.

Positive DIB effects

Greater focus on outcomes and accountability

An increased focus on outcomes and prioritisation of longer-term impact of programme activities was a key DIB effect. Stakeholders within the Working Group as well as investors widely agreed that the DIB has been a catalyst to a change in culture, emphasising the importance of outcomes and tailoring and adapting programme activities to ensure outcomes will be reached. In-country Village Enterprise staff stated that they began to work far more intentionally towards outcomes, with examples cited such as the introduction of weekly meetings to discuss innovation ideas where colleagues would be asked: "How will this contribute to the outcomes?" – if it was deemed that the innovation would not, it would be unlikely to be taken up. As noted in Instiglio's 2022 Process Review, the outcomes ensured that Village Enterprise was focused on what matters to the end user, rather than to donors (such as pre-determined activities and progress reports).

It was evident that the focus on outcomes because of the DIB permeated throughout Village Enterprise, in terms of organisational management, programme activity, and culture. The staff (at all levels of seniority) clearly understood the outcomes that were being assessed and needed to be achieved to determine the impact of the DIB. Staff were highly motivated to work towards these outcomes, stating that: *“Impact had to be obtained by all means during the DIB”* and pointing out that their focus had to remain on the outcomes rather than looking to win the next piece of funding as is more likely to occur when a grant-based programme is being implemented.

The majority of stakeholders highlighted that the DIB was a catalyst to revise key programme activities to become outcome focused. For example, the revision of the training manual – the basis for training provided to Business Owners – became more participatory and engaging, highlighting the benefits of strategically thinking about longer-term objectives. It is worth noting that most senior stakeholders within Village Enterprise highlighted this would have happened regardless of the DIB, but that the DIB mechanism allowed for these revisions to happen sooner due to the need to streamline activities to focus on the programme outcomes.

However, it was noted that prior to the DIB, Village Enterprise did already have fairly sophisticated monitoring and evaluation systems with regular data collection and an impact-orientated outlook. Thus, one stakeholder from Delta Fund argued:

“I don't believe this DIB suddenly made them 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 full learning organisation [...] it removed their shackles.”

Finally, one senior Village Enterprise stakeholder commented that the outcome targets focused on end results, and that it would have been beneficial to also have targets for intermittent outcomes in order to feed into on-going externally validated learning during the DIB.

● Strengthened performance management

The DIB had a clear strengthening effect on the programme's performance management focus and systems. 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 catalysed the transition to digitalisation and use of dashboards, which meant staff received data in real-time and in a more accessible way (such systems are discussed in more detail below under the adaptive management category). Stakeholders agreed that the DIB greater demand for data across the organisation; whereas previous programme teams were not fully convinced of the value of monitoring and evaluation data, the DIB incentivised its greater use.

● Adaptive management and course correction, supporting innovation

The introduction of adaptive management systems and process innovations were arguably the most prominent and significant DIB effect. All stakeholders highlighted the positive impact the DIB had on transforming adaptive management systems. Before the introduction of the DIB, the automated performance management dashboards that rate business performance to guide business mentors' support did not exist. The DIB initiated the development of the adaptive management systems and process innovations, encouraging longer-term decision making for staff at Village Enterprise. Through a red, amber, green system, the adaptive management dashboards highlight which businesses need support as a priority, allowing Business Mentors to tailor support as needed in real time. Business Mentors further revealed that they used the system to plan their weeks.

Further innovations included an increased grant size experiment whereby some businesses in Kenya received larger grants (three times more than usual). The RCT by IDinsight revealed that although the larger grants did not have a statistically significant impact on consumption, they did lead to increased assets. During our field visit, it was not possible to identify a discernible difference between businesses that had received the larger grant size, although Business Mentors did reveal that the increased grant led to time savings on their behalf since it opened up more business options and was thus easier to find an appropriate fit for the groups.

Another innovation introduced – led partly by the increased grant size – was the use of mobile money, which allowed Field Associates to transfer grant payments to businesses over the phone, rather than taking cash in person. Field Associates revealed that this saved them time due to reduced travel requirements and made them feel safer since carrying large sums of cash around was dangerous.

Other examples of new technology included Business Mentors being provided with tablets for their field visits. Previously they had used small phones, and the introduction of tablets led to several changes that improved effectiveness and efficiency, such as being able to show videos during training, and being able to use new forms of communication like Zoom. Additionally, they could save all the necessary documents on their tablet such as the training manual.

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. Village Enterprise staff claimed that under the DIB, they had the flexibility to develop such mechanisms. As the DIB necessitates strong data management and monitoring systems to track progress to assess impact, senior Village Enterprise stakeholders became convinced of their value and recognised their benefits. One Village Enterprise stakeholder said:

“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.”

Greater collaboration between stakeholders

Stakeholders praised the DIB for bringing a large group together around a shared goal but felt that the mechanism more significantly led to inefficiencies in communication and decision-making.

As noted by Instiglio’s 2022 Process Review, most stakeholders praised the fact that the DIB was able to bring together a large number of stakeholders and ensure that they were aligned around the outcome; consequently, a senior stakeholder from Village Enterprise stated that

“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.”

On the other hand, several investors and donors including those from USAID stated that coming to decisions amongst the large number of parties was inefficient and took far longer with respect to project management and communications than typical grant-based programmes.

A particular issue was that initially there **was no investor presence in the Working Group**, and Village Enterprise had to act as a ‘middleman’ – passing messages between the investors and the Working Group, thus creating inefficiencies. Senior Village Enterprise stakeholders further shared that they felt this to be a conflict of interest, given that they had to represent both themselves and the investors even though their incentives and views were not perfectly aligned. They further stated that such a structure (having no investors within the Working Group) was not scalable or replicable since they felt they would have a difficult time convincing other investors – particularly ones who could provide larger sums of funding – to join a programme where they would have such a limited voice. This was supported by the research conducted by Instiglio for their Process Review, where they found that investors would have been more willing to invest their commercial rather than philanthropic capital had they been offered greater decision-making power. What’s more, investors felt that, given their particular expertise, they would have been able to contribute to discussions and therefore space within the Working Group should have been made.

Most stakeholders felt that the communication issue was largely brought to light by COVID-19 since before that, with no major issues or negotiations necessary, the inefficiency was not as apparent.

Finally, **some donors and investors including individuals from USAID questioned the value-added of the trustee within the DIB, saying that the role added a further layer of inefficiency and complexity** (though one donor 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.

At the programme level, Village Enterprise staff pointed out that they experienced improved relationships with government officials, although this may have been more so a due to the RCT than the DIB per se, as the RCT required that Village Enterprise was operating in new villages where there was little knowledge of the programme, and thus increased buy-in was necessary compared with the core programming. What’s more, it was revealed by several Village Enterprise staff that since the completion of the DIB, their collaboration with local government officials had largely returned to pre-DIB levels.

Negative DIB effects

● Cherry picking of participants from target population

Cherry picking of participants from the target population was not observed as a DIB effect. 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 a 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 cycles which each contain 60 households that are selected from the pool of the extreme poor by Business Mentors.

● Level, quality, range, and duration of support is reduced

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.

● Tunnel vision

Tunnel vision means focusing on primary outcomes which have payments attached to them, at the expense of secondary, un-monetised outcomes. **Tunnel vision was also not observed as a DIB effect.** Despite the strong focus on the primary outcome (poverty graduation), there was evidence that Business Mentors also provided support on wider outcomes, such as hygiene, community building, and personal relationships – all of which were widely praised by the Business Owners during focus group discussions.

● Increased staff pressure affecting other DIB effects

Increased staff pressure was clearly present as a DIB effect, although most felt that this was a motivator rather than a stressor. Most of the Village Enterprise staff consulted mentioned that the DIB led to increased pressure, with field staff describing DIB delivery as 'do or die':

"We had to obtain impact under the DIB by any means." (Village Enterprise field staff)

Most staff interviewed stated that they found the pressure to be motivating to do an even better job and succeed in the DIB.

However, some staff did discuss the challenges and stresses caused by this additional pressure.

Field staff pointed out that because of the 'buffer zone' control and treatment approach as well as learning about new processes and regulations, they had to travel a lot more, often working weekends and having less time to spend with their families. Village Enterprise staff stated that the pressure was particularly high during the early cohorts of the DIB, when everything was completely new and unfamiliar to the staff. A couple of staff said that this pressure negatively impacted them and the wider team because it led to higher levels of stress.

Some staff felt that the DIB provided with the assurance of work (due to its long duration) and also led to new promotion opportunities (due to new posts created). However, others feared losing their jobs if they failed.

One aspect of the DIB programme which the staff did reflect negatively on was the use of control villages: 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 they might not get access to the programme, and it was not clear to them if they would be returning to the control villages in the future. This made it challenging for them to know what to say to the individuals in the control villages, and some avoided informing control villages they had not been selected, and/or over time avoided visiting these villages later because the villages would ask when they would receive the support. However, these issues are not necessarily unique to the DIB but rather the RCT; Village Enterprise had delivered a previous RCT in 2014, and staff highlighted facing similar issues.

● Greater outcomes

● Increased efficiency and effectiveness, leading to increased number of beneficiaries supported and outcomes achieved

The Village Enterprise programme performed strongly during the implementation of the DIB, with the RCT revealing that service users had improvements in consumption and assets that were statistically significant when compared with the control group. This included operation during COVID-19 when the programme activities were substantially constrained.

However, this performance alone does not confirm the efficiency and effectiveness of the DIB over the normal (core) functioning of the Village Enterprise programme; on this, stakeholders views varied. Almost all of the internal Village Enterprise stakeholders consulted with believed that the outcomes were greater under the DIB – field staff, in particular, believed that they were able to offer a more efficient and tailored service due to the innovations introduced during the DIB – particularly the adaptive management dashboards. Village Enterprise staff further believed that the pressure to succeed during the DIB incentivised them to ensure that the service they were offering was the most effective possible.

“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.”
(Business Mentor)

On the other hand, some of the donor and investor stakeholders interviewed were less convinced that the DIB outcomes made up for the additional costs associated with the mechanism, and believed that, as such, more evidence was necessary before a judgment could be made on the DIB’s efficiency.

4.3 Service user insights

Our focus group discussions involved more than 300 service users from the Village Enterprise core and DIB programmes. These conversations provided success stories and interesting nuances (both positive and negative) to the findings from discussions with DIB stakeholders and the RCT results published by IDinsight:

- Service users discussed the transformational impact of their involvement in the programme, with many saying that the programme had given them hope and strength, and changed their lives
- Many had found newfound purpose in their lives as they had been “idle” prior and/or reliant on substance abuse prior to the programme

The discussions further captured impacts of the programme that went beyond those captured by the RCT results, such as:

- **The ability to make more informed and efficient economic decisions:** such as one service user who had a pregnant goat but could not afford school fees. Rather than selling the goat, they were able to take out a loan for the fees from their BSG which they then paid back after the goat had given birth with the profit from selling the kids, all whilst maintaining their goat as an asset
- **Community building:** the programme opened the service user’s eyes to the importance of community and working within groups to achieve their goals. As one individual put it: *“Before Village Enterprise there was no community in the village – we learned to work as a group”*. Similarly, conflicts had previously arisen in some villages because individuals would borrow from one another and then fail to make repayments – given the formal savings groups set up through the programme, this was no longer an issue. On the whole villagers felt that there were minimal hard-feelings from those who did not receive the programme, though some did raise examples of where limited availability of the programme had led to some issues: several service users revealed that neighbouring villages not selected for the programme were jealous and would try to insult them; another villager revealed that individuals not able to participate would steal from their kiosk, and several shared that they had to lend money or goods to those not involved.
- **Improved confidence:** service users reported improved confidence, both in terms of communicating with their communities and their customers
- **Movement away from illegal occupations:** several service users revealed that prior to the programme they had been forced into illegal occupations because of a lack of alternatives, such as brewing beer and cutting down trees to burn charcoal. After setting up their businesses they did not need to return to such activities and stated that as a result they could sleep better at night.

The case study below provides an example of how the programme supported three villagers.

Overall, it was difficult to identify the DIB effect through the interviews with service users. There seemed only minor differences between the DIB and core programme villages. However, one noticeable difference was the nature of the people receiving the support: some of the groups supported via the core programme had more wealth and business experience prior to Village Enterprise – they had run businesses before, whereas almost all of the DIB participants previously described themselves as being “idle”. This may relate to the targeting approach outlined above: under the DIB only the 60 very poorest households are supported, whereas under the core, all households identified as living in extreme poverty are. Some of the changes introduced through the DIB were also noticeable in the service users’ comments, for example several groups were able to articulate what a ‘green’ business was (referring to the data dashboard introduced because of the DIB), and what they needed to do to move between ratings.

Business owner case study

Florence, Mary, and Rose⁷ live in a village in Uganda. Before Village Enterprise supported their village they didn't work.

“We were just housewives. Doing nothing.”

They attended the business training with Village Enterprise and learnt a lot, such as how to handle a business well and record keeping. They remembered being told that when money comes in from the business, they should use it well. They decided to set up a shop in their local village selling essential daily products such as soap, sugar, and salt, which they bought in bulk from the local market town. Their business is called *Edicame*, which in English means Togetherness. They chose this business because people had to travel from their village to the local market to buy these goods, and they knew there would be a regular demand for them. From selling their stock they make around 50,000 Ugandan shillings profit each, per week.



They put their profits from the first year of the programme into the Village Enterprise ‘Saving With a Purpose’ saving scheme. After they had reached 2 million Ugandan shillings, they bought 2 bulls: before this they had to hire bulls to pull the ploughs to harvest their food. This was a long-term investment, so they were less reliant on other people’s bulls. After the second year they bought a female cow for milk. They used the general savings and the interest from this to put plaster down in their houses. They also bought beds and mattresses – before this they used to sleep on the floor.

They described many ways in which their lives were different after setting up their business and participating in the programme: they mentioned how their appearances were different because they could buy new clothes and keep clean by buying soap. They were able to buy more food and eat more. They could manage their children’s school fees better. The families were generally less stressed because they weren’t just reliant on the husbands to bring in the income. They also worked together more closely as a group. For example, when one child got sick, they used their collective profits to pay for the medicine.

“I eat well. I pay hospital bills. I feed my children. I have friends now. I dress well. I sleep well.”

⁷ Names changed to respect privacy.

4.4 Lessons learned – delivery

- 1 **Developing adaptive management systems and tools can support service providers operating within an outcomes-based contract:** The adaptive management dashboards created under the DIB provided a system which supported Business Mentors to understand the health of businesses and support needed on an on-going basis.
- 2 **Programming required to deliver a RCT should be properly resourced:** with the need for a complex RCT, more capacity and resources should be allocated for targeting and implementation. Stakeholders highlighted that engaging with treatment and control villages often became burdensome and was under-resourced, slowing down the ability to provide support to the poorest households across both Uganda and Kenya.
- 3 **Ensure effective communications, particularly when introducing new programme activities and processes:** Field staff were unclear on whether the control groups would receive the intervention at a later date or not, which made their own communications with the villages challenging and upsetting. Given that DIBs often come with a variety of new activities and processes, it is vital that changes are fully communicated to all staff to ensure the effective and efficient operations.
- 4 **Ensure that resources are distributed appropriately across the DIB and wider service provider programming:** several Village Enterprise stakeholders felt that the core programme suffered due to the prioritisation of the DIB programme. Service providers should be aware of the additional resources (financial and time) associated with executing a DIB, which – as mentioned above – often comes with a variety of new activities and processes.

4.5 Sustainability and spillovers

Spillover effect summary

Table 7: Spillover effects

Spillover effect	Extent to which hypothesised DIB effects observed
Organisation-level	
1 Rolling out of processes and learning	●
2 Increased visibility	●
3 Diverting of attention	●
Ecosystem-level	
4 Capacity strengthening to deliver DIBs	●
5 Increased stakeholder interest in DIBs	●
6 Contribution 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.

Organisation level effects

● Rolling out of processes and learning

The rolling out of process and learning was a key success factor of the DIB. Following the second cohort of the DIB, newly adopted DIB innovations were rolled out to the core programme, such as the adaptive management system, mobile money transfers, and the use of tablets. Such innovations were still in place in Village Enterprise's programming whilst the DIB ended almost two years ago. As noted above, such innovations are thought to have greatly improved Village Enterprise's effectiveness and efficiency.

Similarly, many internal stakeholders felt that the DIB caused a cultural shift within the organisation, with a far greater focus on the final outcomes and innovations within programming.

Although stakeholders did state that there is slightly less urgency now that the DIB has finished and it is no longer 'do or die', they did believe that the cultural changes were there to stay. They further felt that the DIB had set a new standard for what can be achieved through their programmes, and this had led to permanent changes, such as the setting of increased savings targets for BSGs.

"We have maintained the drive and culture that we learnt through the DIB."
(Village Enterprise stakeholder)

"We remain as invested in outcomes now that the DIB has finished."
(Village Enterprise stakeholder)

● Increased visibility

The DIB was believed to have led to significantly increased visibility which had largely positive effects, according to internal staff. Senior in-country Village Enterprise staff discussed the improved reputation that they gained through their involvement in the DIB. Stakeholders felt that this was the result of the innovative and interesting finance mechanism, combined with the rigorous and reliable third-party verification from the RCT results which displayed strongly positive outcomes. Staff in Kenya discussed how publicity from the DIB had resulted in new partnerships with large corporations. Similarly, staff in Uganda mentioned how several large organisations had contacted them to discuss their experiences with the DIB, which they believe signalled the strategic importance of the programme. They further stated that the DIB programme has been a steppingstone towards larger grants, with the DIB being used as a reference within proposals – they believe that the DIB is a key indicator that Village Enterprise is able to manage complex and sophisticated projects.

Several Village Enterprise staff also discussed how their reputation with government officials had improved because of their increased collaboration with local government under the DIB, although it was noted that upon returning to core programming, this increased collaboration has not been upheld.

● Diverting of attention

Resource distribution between the DIB and core programming was an area of concern for some staff.

Most staff at Village Enterprise stated that there was a 'laser focus' on the DIB programme, with everyone being pushed to ensure that it did not fail. Whilst several staff felt that this took away from the focus on core, some report that this attitude moved resources away from the core programme in favour of the DIB, stating that the DIB got priority. One mid-level Village Enterprise stakeholder said:

"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...because the Business Mentors had to relocate. We were operating in this town, so we had to relocate everyone... [...] the Business Mentors would just reach out on them on the phone."

Ecosystem-level effects

● Capacity strengthening to deliver DIBs

Village Enterprise stakeholders stated that their capacity had been strengthened to deliver future DIBs, but such capacity strengthening was not found in any of the other stakeholders. Senior Village Enterprise stakeholders shared that given the lessons learnt, a future DIB could be run far more effectively – for instance, they believed that they could operate as ‘their own project manager’.

● Increased stakeholder interest in DIBs

Interest in pursuing DIBs in the future varied significantly both across and within the different groups.

External stakeholders were, generally, extremely satisfied with the outcomes of the DIB, although most stated that they would be unlikely to go out of their way to pursue future DIB contracts before more supporting evidence is released of the impact of the ‘DIB effect’ and believed that certain inefficiencies also need to be overcome – particularly around communications between stakeholders – to make further DIB work more appealing. Similarly, investors such as stakeholders from Delta Fund expressed that more transparency about the use of returns by different investors was needed to make DIBs more appealing to both themselves and the wider sector. On the other hand, the anonymous donor stated that the strong results from the DIB made future work using the mechanism appealing.

Most Village Enterprise staff wished to continue to operate under DIBs in the future. Low and mid-level Village Enterprise staff shared that *“The DIB is the best way”* and *“DIB is our thing”*, signalling a real organisational appetite for future implementation through DIBs; they did, however, wish for certain amendments to the model, such as the removal of the control group. Additionally, although senior Village Enterprise staff shared the enthusiasm for continued work under RBF, they didn’t necessarily feel that the particular RBF mechanism (such as a DIB specifically) was important. One senior Villager Enterprise stakeholder commented:

“My ideal situation would be that in 4-5 years most of our programming has some sort of RBF tied to it – that is what matters to me – the third-party monitoring connected to results – therefore would not need to be a DIB specifically.”

Outcomes with government stakeholders were weaker. Whilst Village Enterprise had increased interaction with local government officials during the DIB, it was said that the interaction declined back to usual levels following the DIB’s completion. Additionally, although Instiglio had been leading on conversations with government officials over the course of the DIB with the aim of achieving government uptake of RBF instruments, progress was slow and there were many barriers such as the COVID-19 pandemic and high staff turnover within government bodies which made forming lasting relationships difficult. Following the completion of the DIB, Instiglio stated that efforts to achieve government uptake have fizzled as they have had to turn their sights to new project work. However, senior Village Enterprise staff shared that they remain eager to achieve government buy-in for their programming as this is ‘an essential ingredient for achieving scalability’ and felt that the use of RBF offers a certain assurance to government stakeholders which they hope will be appealing to them in the future.

● Contributions to the evidence base

Most stakeholders felt that the DIB had resulted in significant learnings, both with regards to the use of the poverty graduation model, and the use of DIBs – particularly in the context of poverty-alleviation programming, given that this was the first DIB to operate within this area.

5 Conclusion

Overall, the Village Enterprise DIB performed extremely strongly, with the RCT results revealing significant positive impacts for service users on both consumption and assets, and investors receiving the maximum investment return. The DIB was also set up in a rigorous manner, providing reliable results and minimising the likelihood of cherry picking and tunnel vision. As such, stakeholders involved in the design and implementation of the DIB, as well as the service users, spoke positively about the outcomes that were achieved – particularly given that programming took place during COVID-19. Moreover, most of the stakeholders were able to identify positive effects which they felt were attributable to the use of the DIB mechanism. Stakeholders felt the DIB encouraged them to introduce innovations into programming, most prominently the adaptive management system which dramatically improved field staff's ability to provide an effective, tailored, and responsive service. They also highlighted the cultural shift within Village Enterprise towards a far greater focus on outcomes, which meant improved intentionality of actions towards the end goal at all levels of seniority. These innovations were found to be still in full use almost two years after the completion of the DIB, signalling strong sustainability.

Stakeholders also identified challenges in using a DIB: the programme was complex with regards to the payment structure and contracting, as well as when trying to coordinate the voices of a large number of stakeholders. This led to inefficiencies and stakeholders reporting the need to allocate additional time and resources towards the DIB compared with more traditional grant-based programmes. The resource-intensity and reputational risk associated with the DIB also appeared to lead to prioritisation of DIB-related tasks for Village Enterprise staff, somewhat displacing the organisation's core programme.

Stakeholders also had mixed views on the RCT element of the programme: the set-up provided accurate and reliable results, ensured that the programme targeted the very poorest members of the communities, and produced lessons on different elements of the programme, such as the increased grant size experiment. However, it was costly, resource intensive, and many field staff questioned the ethics of the control group.

Therefore, stakeholders could see the value in shifting towards more of an outcomes-based contracting approach, though were more committed to the broader concept of RBF than a DIB mechanism per se. Indeed, many of the stakeholders were exploring future RBF models, but not necessarily a DIB design.

However, regardless of the ambiguity of the overall direction of the DIB model specifically, the Village Enterprise DIB provided an extremely valuable learning experience for all stakeholders involved, with a variety of lessons uncovered relating to the design and implementation of DIBs, as well as the Village Enterprise programme specifically. These can be applied to ensure more effective and efficient DIBs in the future, particularly within the poverty alleviation field.

Annex

The following stakeholders were consulted during the evaluation. The research was conducted in three waves, with Research Wave 1 (RW1) and Research Wave 2 (RW2) consultations feeding into the previously published case study report in 2021. This report is now updated with the Research Wave 3 (RW3) consultations.

Stakeholder/Organisation	RW1	RW2	RW3
Village Enterprise	✓	✓	✓
FCDO	✓	✓	✓
USAID			✓
Anonymous donor	✓		✓
Bridges Fund Management	✓		✓
King Philanthropies			✓
Delta Fund	✓		✓
IDinsight			✓
Instiglio	✓	✓	✓



Answering
tomorrow's
challenges
today

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