



Village Enterprise Development Impact Bond

A case study produced as part of the evaluation of FCDO's Development Impact Bond Pilot Programme



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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 Graduation programme. It seeks to equip its programme participants with the resources to create sustainable businesses. The DIB launched in late 2017, with final payment expected by mid-2021 pending delays due to Covid-19.

This DIB was designed with Village Enterprise around their micro-enterprise graduation programme, which aims to raise incomes for those earning less than \$1.90 per day in Uganda and Kenya. Village Enterprise itself has existed for approximately 30 years but 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 phase of the project. Approximately 50% of the funding came from individuals and 50% from institutions, including family foundations.

Under the impact bond model, Village Enterprise has implemented its existing graduation model which consists of providing training, seed capital, and ongoing mentoring and support, to groups of three entrepreneurs. Each group is encouraged to start a microenterprise and, at the beginning of training, they join with other entrepreneurs to form a Business Saving Group (approximately 10 businesses, with 30 entrepreneurs each). Business Saving Groups (BSGs) create the platform through which Village Enterprise carries out the training programme and are a form of microfinance that allow members to pool savings and access loans. Through these activities, the programme seeks to improve the income levels of at least 12,660 (estimated 13,830) extreme poor households in rural Kenya and Uganda by creating 4,000+ sustainable microenterprises. Programme activities are implemented in yearly cohorts: there are seven cohorts and outcome verification was planned to take place between April and August 2020 and 2021 for cohorts 1-4 and 5-7 respectively.

Village Enterprise DIB summary

TIME PERIOD:

November 2017 – February 2021

THEMATIC AREA:

Livelihoods, using a graduation approach

COUNTRIES:

Kenya and Uganda

TARGET POPULATION:

People living in extreme poverty
(on less than \$1.90 per day)

OUTCOME METRIC:

Increase in household income, measured through consumption and assets

OUTCOME PAYMENT:

\$4.3 million tied to the achievement of the outcome metric; \$5.3 million in total, including costs for management and evaluation

SERVICE PROVIDER:

Village Enterprise

OUTCOME FUNDERS:

FCDO
USAID
Anonymous donor

INVESTORS:

Total of nine investors, including the Delta Fund

PROGRAMME MANAGER:

Instiglio

PROCESS REVIEWER:

Instiglio

INDEPENDENT VERIFICATION:

IDInsight

TRUSTEE OF THE OUTCOME FUND:

Global Development Incubator

1.1 About this report

This in-depth review is a series being produced as part of the FCDO DIBs pilot programme evaluation, commissioned by the Foreign, Commonwealth and Development Office 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/ecorys-evaluation-dfid-dibs/>.

The case study report covers the findings from our first and second research wave. 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.

DIBs are understood by FCDO as one type of payments by results (PbR), or a type of funding whereby payments are made after the achievement of pre-agreed outcomes (FCDO, 2014). In a standard PbR contract, there are four actors: i) an outcome funder who funds the outcomes; ii) the service provider delivering the intervention; iii) the target population, benefiting from the services; and iv) a validating agency that validates the results on which the payments are based. DIBs involve two additional agents: i) the investor(s), which provide(s) the working capital to deliver the intervention and may be able to make a return on their investment, calibrated to the level of outcome achieved; and (sometimes) ii) the intermediary, which can assist with the development and commercialisation of the DIB, and/or with the monitoring and support of the delivery of the intervention. DIBs are typically implemented in developing countries, where the outcome funder is a donor agency or foundation often operating in a different country.

The report compiles the findings from the set-up phase of the DIB and has been updated to include findings from the implementation phase. The first wave of research was conducted between July and October 2018 and the second wave was conducted between January and August 2020 and involved consultations with the main stakeholders involved in the design and implementation of the DIB. A full list of consultations is set out at the end of this case study. The case study captures early successes, the DIB effect and lessons learnt during the design and implementation phases. The report will be updated in subsequent years to provide an account of the DIB's progress.

1.2 Summary of learning from the set-up phase

The prevailing view among stakeholders was that designing and launching DIB had been a positive experience. Although there had been challenges throughout the process, it had led to greater levels of collaboration between stakeholder types, helped to create space for innovation and given Village Enterprise access to the funding that had 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.

Stakeholders highlighted key lessons learned during the set-up phase. Ensuring outcome metrics are well aligned to the programme's Theory of Change will create the incentive to achieve impacts. Additionally, stakeholders, in particular investors, felt that it is important to have trust in the service provider. As part of building that trust, it is crucial to go through a stringent vetting process. As highlighted in Instiglio's process review, it was felt that using the DIB funding to support service providers, for example in gaining access to independent experts (such as lawyers or investment structuring experts), would mean less strain on their capacity. As such, all stakeholders need the capacity to deliver what is expected of them. Similarly, funds should also build in technical capacity for outcome funders who may not be as versed in results-based financing.

1.3 Summary of learning from the implementation phase

1.3.1 Update on delivery

At the time of the research (June 2020), the Village Enterprise DIB was in its final year of implementation. All seven cohorts of the programme had received training and the last set of grants were disbursed in September 2020. Cohorts 1-4 in Kenya and Uganda had successfully completed all activities and the end-of-cycle internal results showed positive outcomes.

The **Covid-19** pandemic presented several challenges for the delivery of the DIB. The first disbursement of the seed capital to the final cohort in Kenya was delayed due to restrictions prohibiting gatherings, which limited the ability to distribute the cash grant. In-person field operations, for example Business Mentors meeting with Business Owners, were stopped and all Business Saving Group meetings were prohibited. However, Village Enterprise has **been able to adapt** to these pressures, most notably by moving to remote working technology to continue to provide support to Business Owners and using digital methods to transfer grants in Kenya and Uganda.

1.3.2 DIB effects observed

Due to the DIB's structure, Village Enterprise has experienced a **shift to focus on outcomes and long-term impact** of programme activities. This prioritisation of outcomes has driven positive effects at both organisational and implementation levels. For example, the **introduction of adaptive performance management dashboards** has ensured robust monitoring of the progress of businesses and Business Saving Groups. The DIB enabled Village Enterprise to have the **flexibility to innovate and adapt programme activities** to achieve the desired outcomes and has led to more **effective and efficient services**. The increased focus on outcomes due to the DIB has permeated throughout Village Enterprise, with positive effects spilling over to the non-DIB programme. Although direct attribution is not possible, evidence suggests that the DIB was a catalyst for many of these positive effects that may not have occurred under a traditional grant funding model.

1.3.3 Lessons learnt

Overall, stakeholders were positive regarding the implementation of the DIB and believed the process would contribute to the evidence base regarding livelihood and graduation programmes.

Stakeholders felt that the monitoring tools introduced as a consequence of the DIB were instrumental to the project's success. Such adaptive management mechanisms produced real-time data that empowered and enabled Business Mentors to tailor programme activity to the needs of the Business Owners. Similarly, Village Enterprise and Instiglio both highlighted the need for the service provider to be willing to adapt to utilise technology and data. With the implementation of the DIB, technology and data became key to tracking the progress of activities and understanding whether outcomes were being achieved. Continuous training and capacity building activities for staff were key to drive programme effectiveness.

There was debate around the use of a randomised control trial (RCT) to identify the impact of the DIB. Stakeholders chose to measure outcomes through a RCT due to the robustness of the method and the use of a counterfactual which determines the impact of the programme. However, some stakeholders raised concerns regarding the RCT included as part of Village Enterprise's DIB design. The need to identify a treatment and control villages meant additional resources, and therefore costs, were required to undertake poverty assessments not only in the treatment villages, but also the control villages. Many implementation staff suggested more attention should be given to understand how this could be made more efficient. Other ethical concerns regarding the RCT were also highlighted by Village Enterprise implementation staff, although it should be noted this was not related to the DIB itself but the wider debate around RCTs generally. Stakeholders flagged that more focus should be given to understanding what alternatives may be available to assess impact other than a RCT. There was also discussion regarding whether the RCT model deters from the scalability of the DIB funding mechanism due to the added costs and the need for treatment and control villages.

2.1 Information on the intervention

The 5 components of the planned programme are:

1 Targeting:

Village Enterprise works to identify individuals who live under \$1.90 a day and who are unable to provide for their family's basic needs. It assesses poverty levels through a community-based Poverty Wealth Ranking exercise coupled with the Progress-out-of-Poverty 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 program, as well as develop trust and respect between the participating community members. BSGs are a self-generating, self-managed form of microfinance that allow members to pool savings and access loans. BSGs provide members with ongoing protection against financial shocks and access to growth capital. Our Business Savings Groups serve as a safety net and a support group, as well as our exit strategy.

3 Training:

Local mentors deliver a four-month training program to equip participants with the necessary knowledge to run a business. The participants then form groups of three, and agree and plan for a small micro-enterprise that they will start together. Business Mentors guide each new group in selecting an enterprise that is best positioned to flourish, considering the team's skill set, local market conditions, risk factors, and profitability. The majority of participants start activities that involve retail (61.7%). Other types of business include livestock (9.2%), crops (21.1%), services (4.8%) and skilled work (3.2%). When creating their business plans, some participants will plan for multiple income generating activities (IGAs). This practice helps programme participants ensure income is smooth year-round and helps hedge against risks of devastation in the case of failure of one IGA.

4 Seed Funding:

Seed capital is granted to each group of three, to enable them to start their business. In the past Village Enterprise has provided seed capital of \$150. Using the flexibility available under the DIB, the service provider has decided to give 65% of businesses a \$150 seed, and the remaining 35% of households will receive \$450, to experiment with a larger seed transfer and observe the impact. The capital investment is a grant, rather than a loan.

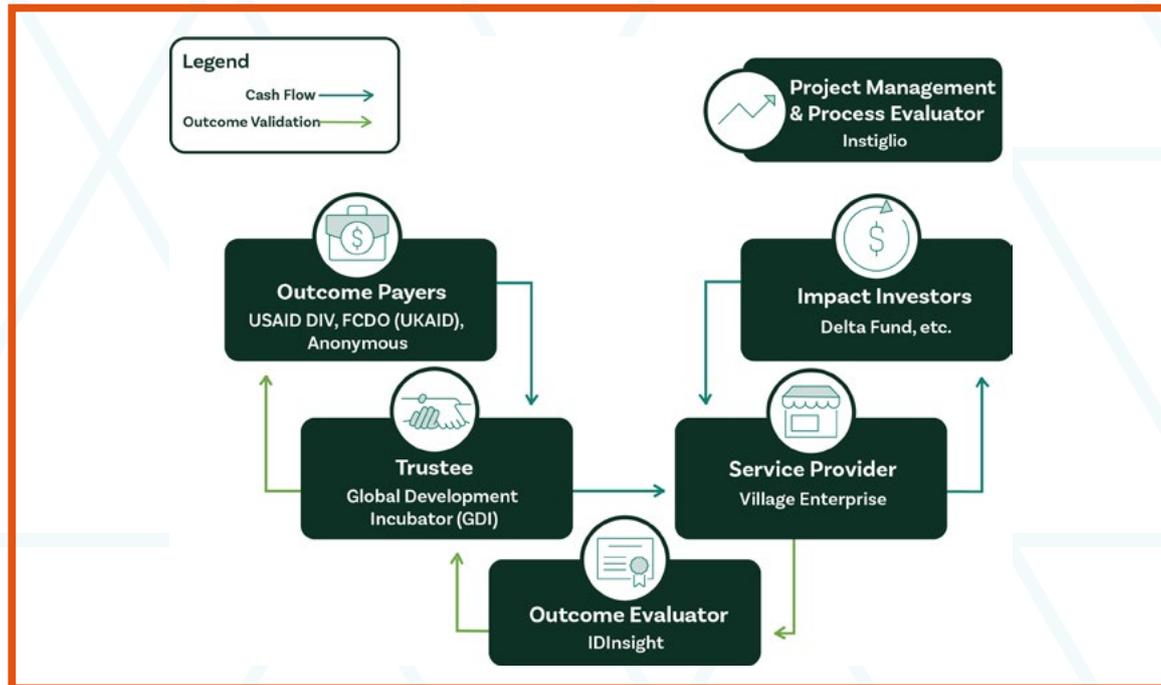
5 Mentoring:

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, including saving in Business Savings Groups. This is a critical capacity-building phase for beneficiaries.

2.2 The Development Impact Bond

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

Figure 1: DIB flow model¹



As numbered in the diagram above, there are nine principal flows and components in the DIB.

1. Outcome payers provide 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 & process evaluator for their services.
2. The trustee signs a pay-for-success agreement that is pre-approved by the outcome payers with the service provider based on the achievement of predefined results. That is, GDI's agreement with VE commits it to disburse payments to Village Enterprise according to the level of results measured and verified by the outcomes evaluator for the program (steps 5 & 6).
3. The investors provide the service provider with the working capital required to carry out its three-year intervention. The timing and nature of working capital injections are left to the discretion and agreement of Village Enterprise with its investors and are not further treated in this document.
4. The service provider delivers results via its intervention. Results are measured by the outcomes evaluator on a pre-defined schedule, with a pre-defined and agreed-upon methodology.
5. The outcomes evaluator assesses and verifies the results of the service provider's program and reports 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. Depending on the results reported by the outcomes evaluator, the trustee pays the service provider accordingly.
7. The trustee is responsible for regularly reporting to the outcome payers on the use of funds.
8. Village Enterprise repays the 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. The terms of repayment are also left to the discretion and agreement of Village Enterprise with its investors, and are not further treated in this document.
9. Instiglio, as the project manager and process evaluator, and the DIB advisory group fulfill general project oversight and advisory roles for the VE DIB.

¹ The DIB Flow model originally appeared in the design memo developed by Instiglio

There are three Outcome Payers who have committed to paying for results that are achieved and verified:

- Foreign, Commonwealth and Development Office, UK (FCDO) (previously DFID) (committing \$2.02m)
- Development Innovation Ventures division of United States Agency for International Development, USA (USAID) (\$1.3m)
- An anonymous philanthropic fund based in USA (\$2m).

Village Enterprise is the service provider who has committed to delivering the services to the target population and be paid based on results. There are two types of payments:

- Reimbursement of seed capital. These are payments made to Village Enterprise following verification of disbursements by IDInsight after the transfer of seed capital to the groups of three households. There is little uncertainty around this income.
- Outcome payments. These are 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 will be measured at household level using consumption and assets. The rationale behind this was that growth in assets provides some evidence that impact will sustain. The total budget committed by outcome payers is approximately \$5.32 million with \$4.28 million committed to pay Village Enterprise, based on results.² The remaining \$1.4 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.

Global Development Incubator (GDI) is the Trustee, with responsibilities including receiving funds from donors, signing an outcomes contract with Village Enterprise in accordance with the DIB design (as approved by all parties), holding some donor funds in escrow³ during the project, disbursing payments for the achievement of results as reported by the outcomes evaluator and holding the outcomes evaluation contract.

Village Enterprise raised \$2.325 million as working capital for programme implementation. This capital has been provided by nine investors, including the Delta Fund as lead investor, the Bridges Impact Foundation and SV2, who will be paid by the outcomes payers, if results are achieved, as verified by the outcomes evaluator.

² Source of information is from Village Enterprise design memo.

³ 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.

3.1 Rationale for using the DIB mechanism

Stakeholders cited a variety of motivations for their involvement in the DIB. Instiglio's 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. Stakeholders from the anonymous donor agreed with this assumption, saying 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 means that funders do not need to pay when the intervention fails 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 contributing 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 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 funds from investors. However, stakeholders could not say that these additional funds would not have been possible with another mechanism. This 'achieving of scale' was also cited by stakeholders from the outcome funders and investors as their motivation for getting involved in the DIB.

Publicity

Stakeholders from the Delta Fund (one of the investors) felt that the DIB would 'bring government attention' to the poverty graduation model.

3.2 Process in launching 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 as they had good evidence of impact and strong operational capacities.

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 including a request for proposals and interviews with potential candidates. 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.

3.3 Enablers and challenges to launching the DIB

Enablers

1 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.

2 Strong evidence of potential impact

Stakeholders commented that a previous RCT conducted 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.

3 Clear presentation of the design

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

4 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 results-based financing. This helped to inform a more practical design of the DIB.

Challenges

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

1 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.

2 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.

3 Trustee selection

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

4 Contracting

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

5 Investor engagement

Village Enterprise had to not only raise the investments but also to create the investment structure, an SPV, to receive the investments and outcome funds.

6 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 Advantages and disadvantages to using the DIB mechanism

The following were cited by stakeholders as advantages to using the DIB during the set-up phase.

Brings more finance to the development sector

Stakeholders had mixed views on this potential advantage. Stakeholders from Village Enterprise stated the mechanism enabled them to raise larger sums of money than they would have been able to through grant funding. However, outcome funders and investors, as international development agencies and philanthropists, felt that the funding would have gone into the development sector in any case. Therefore, the funding did not attract new finance into development as a whole.

Village Enterprise were confident, however, that the DIB was able to 'crowd in' more funding into the organisation with both FCDO and USAID being outcome funders. Since the introduction of the DIB, stakeholders reported that Village Enterprise has grown as an organisation and, if the DIB is a success, it is likely it will continue to grow as it has generated evidence to prove impact of livelihood programmes. This is also reflected by Instiglio's Process Review in September 2019 that found stakeholders believe there is increased name recognition and visibility for VE, which may lead to additional funding streams for organisational growth.

More innovation

The additional funding has also allowed Village Enterprise to have more flexibility with other innovations, such as adaptive management practices, piloting of mobile money and using different grant sizes. Stakeholders from Village Enterprise felt it would have been more difficult to do this with a smaller amount of money. Furthermore, outcome funders stated that the DIB design helped to create 'a space' for these innovations; the rationale was that with the transfer of risk from the outcome funder, the service provider is able to deliver the intervention as they see fit and adapt it where necessary to achieve better results. Therefore, the mechanism enabled innovation by providing the service provider with the funding and space to do it.

Greater collaboration and coordination between stakeholders

The prevailing view from stakeholders was that the design phase of the DIB saw high levels of engagement, collaboration and negotiation between different stakeholders. The working group consisted of the outcome funders, Instiglio and Village Enterprise and was meeting twice a week, sometimes for multiple hours, which was described as "way above what you would normally see for a regular project". Furthermore, the stakeholders were united towards 'one common outcome' and although views on how to achieve this outcome varied, it was still described as 'a single united goal' by a stakeholder from FCDO. This higher level of collaboration meant the various stakeholder types built working relationships and trust with one another, potentially setting the base for future collaboration as well.

Stakeholders felt that there were two factors behind this; firstly, as a relatively new funding mechanism it took longer for the various parties to get to grips with and agree what was required from each of them and secondly, with the involvement of various stakeholders, the mechanism was seen as 'more complicated', with higher levels of discussion and negotiation seen as a natural element of the DIB.

Costly design process

All stakeholders agreed that the process of getting the DIB 'off the ground' was a rigorous process which took considerable time, energy and effort. In the case of Village Enterprise, there was a need to consult with external professionals such as lawyers and accountants (over 200 hours of time in total). Village Enterprise estimated a total of 3,218 hours of staff time (i.e \$158,000) on the DIB design and set up as well as the outcomes payers and investment funds. One staff member stated that half of their time in 2017 was spent on this DIB.

Stakeholders felt, however, that this may only be a 'one-off' disadvantage as learning taken from this process can be applied to future DIBs where the design and set-up phase could be more efficient.

Stakeholders from FCDO also stated that learning from this design phase will help in the future. For example, the contracting process could be smoother with better knowledge of what is required and a clearer idea of the roles.

4.1 Update on delivery

At the time of research (June to August 2020) Village Enterprise has worked with all seven cohorts, training over 14,000 people and initiating 4,766 small businesses. Cohorts 1 and 4 had graduated from the programme, with the internal end-of-cycle results showing positive developments.

The table below provides an overview of delivery.

Period of delivery	November 2017 - August 2020
Outputs achieved to date, versus expected (including number of beneficiaries supported, where relevant)	<p>Output 1: Small businesses created: 4,766 small business created vs 4,610 (target)</p> <p>Output 2: Business owners have knowledge to run businesses: 14,313 beneficiaries reached vs 13,830 (target)</p> <p>Output 3: Self-governing saving groups created: 481 groups created vs 461 (target)</p>
Outcome payments to date (vs expected)	<p>Outcome payment type I: \$1,075,979 vs \$1,180,500 budgeted/expected (2nd grant disbursement (\$50 or \$150) for the last cycle of businesses started remains to be paid)</p> <p>Outcome payment type II: \$0 vs \$3,100,000 (outcome evaluations have not occurred yet)</p>
Expenditure to date (vs budget)	\$3,760,714 vs \$4,280,618 (maximum outcome payments)

Impact of Covid-19

“Had we not had DIB it would not have been possible to adapt to the changes that came because of Covid-19.” - BUSINESS MENTOR, VILLAGE ENTERPRISE

The Covid-19 pandemic initially severely limited the activities of the Village Enterprise DIB. Due to business mentors being prohibited from meeting business owners, disbursements of grants and in-person support could not continue. Consequently, Village Enterprise suspended its regular in-person field operations but did not make any staff members redundant. Village Enterprise quickly initiated remote working technology so field staff were able to continue activities at home. Village Enterprise staff were able to contact over 5,000 business owners and savings group leaders to understand the most salient challenges they now faced because of the virus. Remote access also meant that mentoring and training could continue, while monitoring the beneficiaries' health and financial resilience. As noted by a business mentor below, field staff were confident that the DIB supported the continuation of quality services being delivered to programme participants due to the introduction of real-time performance data which could be accessed from any location. Through using this performance data, business mentors could prioritise which businesses needed more support in light of Covid-19 and could access the relevant owners through digital methods.

“The DIB built a framework for us to facilitate effective delivery of key milestones of the project, even in lockdown.” - BUSINESS MENTOR, VILLAGE ENTERPRISE

Covid-19 has also impacted the assumptions behind the achievement of the primary outcome: increased household income. The way this is assessed - and the value attached to it (level of consumption as the proxy for income) - had already been agreed pre-Covid-19. However, there was debate regarding the payment formula for the DIB. Level of assets factors into the payment formula as a proxy for estimating lifetime impact on consumption. Yet, for those business owners and business saving groups that have already received all grants and training (Cohorts 1-4), it was believed by Village Enterprise that savings and assets would be relied on by programme participants to live off during lockdown restrictions. The closure of markets and restriction of movement within both Uganda and Kenya negatively impacted the ability to sell produce, therefore meaning individuals' savings and assets could be crucial to survival in the context of Covid-19. Such assets and savings could also be used for business diversification, where business groups invest in new income generating activity such as in seeds, fertiliser and sewing for mask making to generate short-term produce to sell more locally during market closures. As such, Village Enterprise has been engaging with the DIB Working Group to discuss:

1. Whether the outcome would hold with an evaluation delayed through the pandemic;
2. Additional risk taken on by the investors due to delayed payment as a result of the delayed evaluation;
3. Whether the use of assets as a proxy for sustainability of income is still a valid proxy within the context of the pandemic.

These negotiations were noted to require significant Village Enterprise resources, detracting staff time from delivery. One investor suggested that a contractual relationship directly between the outcome funders and the investors may have reduced the resources required from Village Enterprise. The discussions are still ongoing.

During Covid-19, 'stimulus packages' were considered by Village Enterprise as a potential effective mechanism to support graduated business groups (Cohorts 1-4) separate to the payment formula. Village Enterprise launched a pilot to assess if 1) a grant could be productively used given the closures due to the pandemic, and 2) if businesses were indeed facing cash flow issues and needed a grant. Through the pilot, it was found that (1) held to be true – it was still possible to productively invest the grants – but strong evidence to support the hypothesis that businesses needed the grants was not found. Rather, Village Enterprise found that businesses were drawing on their training and savings to make necessary adjustments and largely maintained revenue and profit generation. Stimulus grants were therefore not prioritised and instead it was agreed the most cost-effective support would be to focus on providing targeted mentoring to business groups around the pandemic.

The first disbursement to the final cohort in Kenya was delayed due to Covid-19. Kenya's restrictions prohibited people meeting, which limited the ability to disburse the cash grant. However, Village Enterprise quickly established digital methods to transfer these grants remotely in Kenya. In Uganda, the final disbursement of the grant was provided before lockdown. For both countries, Covid-19 has also delayed the implementation of the RCT to determine the impact of the programme – this has now been scheduled to take place in Spring 2021. Until the evaluation has been implemented and findings are published, it is unclear how changes due to Covid-19 will affect the achievement of outcomes.

4.2 DIB effects

This section describes the 'DIB effects' observed to date, i.e. how the design, delivery, performance, implementation and impact of the intervention has been affected because it has been 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 our previous work evaluating impact bonds. These potential effects are listed in the table below. Our research assesses whether the DIB effect was observed in the project and whether this can 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 effect can be attributed to the DIB by comparing the

DIB-funded element of the project against the part of the project that was funded through a grant. We explored whether the effect materialises more strongly in the impact bond-funded project compared to the similar grant-funded project, 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. The triangles indicate whether the characteristic was observed (green), observed to some degree (amber) or not observed (red). The circles indicate whether this is attributable to the DIB (green), attributable to some degree (amber) or not attributable (red).

DIB effect summary

DIB effect	Effect observed	Attributable to the DIB
Advantages		
1. Shift focus to outcomes, greater accountability	OBSERVED	ATTRIBUTABLE
2. Drives and improves performance management	OBSERVED	ATTRIBUTABLE
3. Providers manage adaptively through continuous learning to deliver what they feel will achieve outcomes	OBSERVED	ATTRIBUTABLE
4. Greater collaboration and/or coordination between stakeholders as there is an alignment of interest	OBSERVED TO SOME DEGREE	SOMEWHAT ATTRIBUTABLE
5. All of the above factors leading to more beneficiaries supported, and more outcomes achieved	OBSERVED	ATTRIBUTABLE
Disadvantages		
1. Complex to design and expensive to set up	OBSERVED TO SOME DEGREE	ATTRIBUTABLE
2. Cherry picking of participants from target population	NOT OBSERVED	NOT ATTRIBUTABLE
3. Level, quality, range and duration of support are reduced due to the contracting model	NOT OBSERVED	NOT ATTRIBUTABLE
4. Performance management culture lowers staff morale and increases staff turnover	OBSERVED TO SOME DEGREE	SOMEWHAT ATTRIBUTABLE
5. 'Tunnel vision': Focus on primary outcomes comes at the expense of secondary outcomes; opportunities for project co-benefits are missed	NOT OBSERVED	NOT ATTRIBUTABLE

4.3 Observed effects attributable to the DIB

Shift focus to outcomes and greater accountability

“Our energy is focused on the outcome of the implementation”
- BUSINESS MENTOR, VILLAGE ENTERPRISE

It was evident that the focus on outcomes as a result of the DIB has permeated throughout Village Enterprise, in terms of organisational management, programme activity and culture. The staff clearly understood the outcomes that are being assessed and need to be achieved to determine the impact of the DIB. Staff seemed motivated to work towards these outcomes.

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 more senior stakeholders within Village Enterprise highlighted this would have happened regardless of the DIB, but the DIB mechanism allowed for these revisions to happen sooner due to the need to streamline activities to focus on the programme outcomes. Similarly, the introduction of the ‘Saving With A Purpose’ module under the DIB was also widely referenced; many noted this training module helped increase the likelihood of outcomes to be achieved as business owners and Business Savings Groups would gain support in how to save for larger, more substantial investments.

When asked whether there was more focus on outcomes under the DIB in comparison to the non-DIB programme, stakeholders noted that the organisation has always cared about longer-term impacts, but the assessment of such impacts was reliant on internal mechanisms. With the DIB, impact is assessed externally by IDInsight which has increased motivation to ensure adaptations and innovations were being made to help support the achievement of this impact. Stakeholders noted that before the DIB, it was difficult to achieve internal interest in making data-driven decisions and the importance of monitoring and evaluation systems that can help track progress and achieve outcomes. Yet, with the introduction of the DIB, senior members of Village Enterprise were engaged and wanted to provide support where possible in order to make the DIB a success. As noted by a Village Enterprise member of staff below, it is believed the DIB encourages longer-term focus on outcomes that makes the achievement of impact more likely. Under the DIB financing model, service providers have flexibility to adapt programme activities to align with this greater focus on outcomes.

Drives performance management and providers are able to deliver process innovation

The introduction of performance management systems and process innovations was a prominent DIB effect. All stakeholders highlighted the positive impact the DIB has had on transforming management mechanisms and monitoring 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 as highlighted below by a senior member of staff at Village Enterprise. Through a red, green, amber system, the adaptive management dashboards highlight which businesses need support as a priority, allowing business mentors to tailor support as needed. Although centralised data management systems were already digitised, the DIB was a catalyst to digitise some remaining processes for efficiency. The DIB, therefore, allowed for the creation of these dashboards that contribute to the increased focus on outcomes.

“By the end of the process [to prepare for the DIB] we have now generated a stronger and more pointed M&E system which is being rolled out across all programmes.” - STAFF MEMBER, VILLAGE ENTERPRISE

In addition to the introduction of performance management systems and other process innovations, the DIB has enabled capacity building activities for Village Enterprise staff to use these mechanisms. Training and guidance materials have been provided to business mentors, who claimed that the performance management dashboards have increased the quality of services provided. The availability of real time data to track performance of businesses is now informing decision-making and ensuring business owners receive the right support. It was also reported that, compared to the non-DIB programme, mentors engaged with the business owners under the DIB programme on a more regular basis. Although this was not an official requirement, it was recognised by senior staff at Village Enterprise that an increased focus on outcomes and the ability to view the progress of businesses on a real-time basis through adaptive management dashboards have been key in driving this increased engagement.

When asked if this 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 claimed that under the DIB, it had the flexibility to develop such mechanisms. As the DIB necessitates strong data management and monitoring systems in order to track progress to assess impact, senior stakeholders became convinced of their value and recognised their benefits. Such process innovations were therefore rolled out across the organisation, highlighting the wider organisational effects of the DIB.

More effective and efficient services

The shift to prioritise outcomes due to the DIB has reportedly impacted all aspects of the programme and the organisation, increasing effectiveness and efficiency at both programme and organisational levels.

Programme activities have been revised to increase the likelihood of outcomes being achieved, further demonstrating how Village Enterprise has become more efficient and effective at delivering activities. As highlighted below, the majority of stakeholders noted the new training and adaptive management dashboards have increased mentors' engagement with the business owners, allowing for data-driven decision making and driving the quality of support provided.

“We have developed more efficient processes in regard to getting information to staff at all levels and have placed emphasis on improving data driven adaptive management capacity specifically because of the DIB.” - STAFF MEMBER, VILLAGE ENTERPRISE

A major innovation that occurred under the DIB and is believed to have increased effectiveness and achieve greater outcomes is the increased grant size. For example, Village Enterprise's September 2019 Interim Report highlights that median business value among increased grant size businesses is 3.5 times higher than regular grant size businesses in Kenya, while median profit is 1.7 times higher. Village Enterprise, outcome payers and Instiglio agreed that the DIB offered the possibility to provide the increased grant to programme participants and has not only demonstrated positive impact, but has also generated evidence related to graduation programmes and the grant size needed to create businesses with more liquidity and a higher chance of sustainability. It should be noted that the DIB provided the opportunity for Village Enterprise to provide this increased grant, which further demonstrates the DIB's ability to ensure the service provider has flexibility and autonomy to deliver outcome-focused services.

Greater collaboration and/or coordination between stakeholders as there is an alignment of interest

Greater coordination and collaboration were observed at both the Steering Group level and the implementation level. Improved collaboration between stakeholders was also a key finding of Instiglio's Process Review (2019), which found that increased engagement led to better working relationships and increased trust.

At Steering Group level, it was reported the DIB has helped with coordination between the range of stakeholders involved in the DIB at contractual level. During discussions regarding the DIB and Covid-19, Instiglio brought the stakeholders together and facilitated bi-weekly meetings to understand the impact of the virus on programme delivery. Although the discussions were sometimes difficult due to the range of opinions, Instiglio was able to finalise a strategy and agreed approach to implementation within the context of Covid-19. FCDO also agreed that Instiglio was crucial in bringing all stakeholders together to agree on a common approach.

At implementation level, Village Enterprise staff noted that the DIB has enabled greater engagement and collaboration with a range of stakeholders, notably government officials who have been present at kick-off workshops with control and treatment villages. Through engaging with and implementing the DIB, Village Enterprise has become a well-known organisation and field staff highlighted that this has led to government officials wanting to be involved in the process of identifying eligible households. Additionally, due to the need to identify both treatment and control villages under the DIB, government staff have been invited to and are often present at the kick-off workshops to understand in more detail Village Enterprise's process of identifying the treatment village.

Similarly, staff also highlighted increased engagement with community leaders. It was noted this has been key for project success as it helps with local support for the programme and ensures local buy-in while field staff are conducting poverty assessments to identify eligible programme participants. As the activities require Village Enterprise staff to meet with village members on a monthly basis, having local leaders engaged in the project helps to increase local 'buy in', heightening the potential for the programme to be a success.

Providers have more flexibility and autonomy to deliver what they feel will achieve outcomes

Increased flexibility and autonomy as a result of the DIB was observed to some extent.

At the micro-level, or implementation-level, the DIB has enabled Village Enterprise staff to make data-driven decisions and tailor the support provided to businesses that require it, therefore allowing for autonomy and flexibility as highlighted below by a senior Village Enterprise member of staff. It was reported that Village Enterprise also had the financial flexibility to adapt the training delivered to business owners and Business Saving Groups to increase the likelihood of outcomes being achieved. The strength of the service provider is also another contributing factor to this.

“The assumption that people have of DIB financing is true: the DIB gives flexibility to achieve outcomes.” - STAFF MEMBER, VILLAGE ENTERPRISE

At contractual level, there were mixed opinions regarding the DIB's flexibility. Instiglio believed the contract can be changed easily and as the Steering Group “is quite nimble”, contract amendments can happen if needed. However, the structure of the DIB was flagged to be somewhat inflexible, particularly in relation to changes with the payment formula during Covid-19. There were two key considerations. Firstly, the timing of investors payments was affected by delayed evaluation (rather than achievement of outcomes). Secondly, stakeholders were concerned the assets as a proxy for income sustainability might be less valid during a pandemic. Certain outcome payers were keen to not alter payment formulas as they wanted to understand how the DIB model worked under contexts such as Covid-19. As stated in Section 3.1, discussions are still ongoing regarding the structure of the payment formula in light of Covid-19.

The number of stakeholders involved in the DIB (outcome payers, investors and the service provider) seemed to be a factor contributing to inflexibility. The intermediary highlighted “while they [the stakeholders involved in the DIB] have a collective goal to deliver a positive impact to beneficiaries [they] approach that goal from different angles and do not always easily align on the means to get there.”

Complex to design and expensive to set up

Specific to the implementation of the DIB, stakeholders widely agreed that the mechanisms used to target programme participants was a significant extra cost. Due to the RCT design, implementation staff noted the evaluation is resource intensive as surveys and poverty assessments need to be carried out in both treatment and control villages in order to understand which are the poorest households eligible to take part in the DIB. In comparison to the non-DIB programme, the DIB is more expensive as the field staff would move across villages, carry out certain poverty assessments and support the poorest households for a year. However, for the DIB the poverty assessments need to be carried out twice. It was also noted that due to the need to reduce the chances of spillover through a 'buffer criteria', villages participating in the DIB are far away from each other, meaning field staff have to travel more, which incurs more costs.

The DIB has also meant more capacity is needed at the organisational level, for example the enumerators that processed poverty assessment data, the dedicated DIB monitoring and evaluation team and the DIB staff (DIB Coordinator and Savings and Enterprise Lead). Staff also noted that there were costs in creating additional learning materials for business owners and costs in revising the training modules. There were also added costs of creating the adaptive management systems and dashboards for the business mentors to track progress of businesses in real time.

Performance management culture can lower staff morale

Some stakeholders noted that the introduction of targets and the focus on outcomes pressurised staff to deliver. Although the majority claimed this was a positive effect, a handful of Village Enterprise staff claimed this pressure "can be a bit much" as their performance is judged on the performance of the Business Savings Groups they manage. Due to the contractual arrangements and the knowledge of the final evaluation, there is pressure on the staff to ensure outcomes are being achieved.

It was widely highlighted by Village Enterprise staff that the RCT design for the final evaluation to determine the impact of the DIB and the targeting mechanisms used to carry out the RCT did not align with the mission of the organisation. Concerns were raised about the evaluation design as households would offer their time to participate in the poverty assessments to understand which households were eligible to be included in the DIB; however, they would then be told they would not receive support or be reimbursed for their time. However, these issues are not necessarily unique to the DIB. Village Enterprise has also delivered a previous RCT and staff highlighted that similar issues were faced.

4.4 DIB effects not observed

Cherry picking of participants from target population

Cherry picking of the target population is avoided as the DIB implements a robust targeting approach that identifies eligible programme participants. Due to the need for a control and treatment village, business mentors undertake poverty assessments to understand community and personal wealth. Using poverty index surveys, business monitors speak with communities and households to help create wealth rankings. This data collected from the field is sent to monitoring and evaluation staff who use a pre-defined algorithm to ensure the most objective approach is used to identify eligible participants.

Level, quality, range and duration of support are reduced due to the contracting model

The DIB did not decrease the quality, range of duration of support. By contrast, it has been a catalyst to increasing the quality of support provided through the introduction of performance management systems that have allowed for data-driven decisions. The spillover effects of the DIB demonstrate the increased benefits which the model has brought to Village Enterprise, further highlighting its positive effects.

'Tunnel vision': Focus on primary outcomes comes at the expense of secondary outcomes; opportunities for project co-benefits are missed

The primary outcome being increased household income, assessed through the proxies of consumption and assets, allows the DIB to be broad in its approach. Through providing a seed capital grant, participants are encouraged and supported to start a business with their peers. Not only does this help achieve the primary outcome, but it may allow for positive results to be sustained as participants become business owners, producing and selling products which builds investment and entrepreneurial capacity. As such, the DIB may achieve secondary outcomes through the pursuit of its primary outcome.

4.5 Other interesting aspects of the DIB

Spillover effects and the wider impact of the DIB

1 Process Innovations

The adaptive management processes and dashboards, established under the DIB programme, have now been rolled across all Village Enterprise programmes. All business mentors highlighted the benefits of having these tools at their disposal in order to make data-driven decisions. Senior stakeholders highlighted how these tools had led to tangible impacts on the quality of service and support provided to the business owners.

An additional module was created called 'Saving With A Purpose' (SWAP) prior to the DIB. Its implementation was streamlined and reinforced with the DIB. Stakeholders highlighted that encouraging business owners to save for something specific, for example a more substantial consumer good, led to more positive outcomes. The module's implementation under the DIB reflects the outcomes the DIB seeks to achieve: nutritional status (consumption), assets and amount of savings. Business mentors reported that business owners acquired more incentives to save through this module and therefore became more intelligent with their savings and investments.

2 The 'pilot effect': the DIB is the first of its kind for a livelihoods programme

Service provider stakeholders highlighted that the DIB itself was an experimental 'study' and those involved were keen to see these outcomes achieved. The DIB has created positive effects which have enabled programme effectiveness and adaptations; however, it is also worth noting that this is a novel funding mechanism and VE is part of the pilot phase. VE as an organisation, therefore, has vested interest in increasing the likelihood of the outcomes to be achieved and the DIB to be a success. Interviews with senior VE staff members highlighted they felt they had been given the opportunity to add to the evidence base of graduation programmes to understand the factors that can lead to greater impact. The pilot effect could challenge the 'DIB effect' – whether the positive changes seen are due to the effect of the DIB itself or whether being part of the pilot study (with knowledge of the need to achieve outcomes) becomes an incentive in itself.

4.6 Lessons Learnt

This section describes the lessons learned from the set up and implementation of the DIB, described by stakeholders from their experiences of delivering the Village Enterprise DIB.

Set Up Phase:

1 Ensure outcome metrics are well aligned with the Theory of Change

Stakeholders stated that with regards to the outcome metric and payment function, there is a need to make sure outcome metrics are well aligned to the programme's Theory of Change. This will create the incentive to achieve impacts.

2 Have trust in the service provider

Stakeholders, in particular investors, felt that it is important to have trust in the service provider. As part of building that trust, it is important to go through a stringent vetting process.

3 Ensure all stakeholders have the capacity to deliver what is expected of them

This was raised in Instiglio's process review as a key recommendation. It was felt that using the DIB funding to support service providers, for example, in gaining access to independent experts (such as lawyers or investment structuring experts) would mean less strain on their capacity. Similarly, funds should also build in technical capacity for outcome funders who may not be as versed in results based financing.

More generally, stakeholders felt that having strong legal, financial and accounting skills was very important when negotiating deals. Furthermore, having a culture of innovation in the organisation (of whatever stakeholder type) was seen as vital in designing the DIB.

Implementation Phase:

1 Develop monitoring tools and utilise data to inform implementation strategy

To improve performance management and support a greater focus on outcomes, monitoring tools and technology are needed so that real-time data can feed into programme implementation. The adaptive management dashboards created under the DIB created a system which empowered business mentors to ensure the right data was being collected at specific times to understand the health of businesses and support needed.

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 becomes burdensome and was often under-resourced, slowing down the ability to provide support to the poorest households across both Uganda and Kenya.

3 Limitations of using a RCT to determine outcome payments

One investor noted that while robust, there were two limitations with using a RCT to determine outcome payments. Firstly, RCTs tend to happen on a periodic basis and take a significant period to deliver – measures that can provide information in 'real-time' would benefit both service providers and outcome funders. Secondly, linking payment to an RCT, means the investor's financial risk is not only linked to performance, but also whether the RCT will happen. This is outside investors' control, as they do not contract the evaluator and do not have mitigation strategies. The investor highlighted that this risk may deter investment in similar projects in the future.

4 Importance of an intermediary during periods of uncertainty/change

Both Village Enterprise and FCDO highlighted the crucial role Instiglio has played as an intermediary. Having a dedicated programme manager ensures all stakeholders in the Steering Group speak the same language and that decisions are directed to achieve the greatest impact. Instiglio's role, therefore, helped foster collaboration and coordination across stakeholders in the Steering Group. FCDO noted that, in the context of the pandemic, a strong intermediary is fundamental to the successful functioning of the impact bond.

5.1 Overall conclusions

Since its implementation, the Village Enterprise DIB continues to perform well. The majority of stakeholders were positive regarding the effects the DIB has had on programme delivery, as well as the wider organisational impact. All stakeholders are invested in seeing the DIB be a success and are eagerly awaiting the completion of the RCT evaluation that will evidence the intervention's overall impact. Despite the various challenges of Covid-19, implementation of the DIB has continued, and key adaptations have taken place to ensure continuation of quality support to programme participants.

Both during set up and delivery, the Village Enterprise DIB has been a learning experience for all stakeholders involved. Stakeholders believe the DIB is a unique opportunity to achieve better impact. With an increase in available funds, stakeholders from Village Enterprise saw the DIB as an opportunity to achieve scale through expanding their intervention and reaching more people.

The DIB's main achievement has been the shift of focus to outcomes at both a programme delivery and organisational level. The introduction of the adaptive management dashboards has increased the ability and motivation of implementing staff to achieve the primary outcomes of the programme. Due to the measurement of outcomes under the impact bond model, and the subsequent process innovations, Village Enterprise has become more effective, adaptive and better equipped to make tailored decisions. Furthermore, the service provider has innovated, particularly by experimenting with different grant sizes and has overcome challenges brought by Covid-19 by using mobile money and digital payment techniques. The DIB has acted as a 'catalyst for change' and Village Enterprise has rolled these changes out to the rest of their organisation.

The impact evaluation is due to occur in Spring 2021 for both sets of cohorts, due to the delays brought about by the pandemic. Although positive effects of the DIB have been highlighted by this evaluation, it will be interesting to see whether the RCT confirms these findings. Understanding the impact of the DIB on the programme participants will complement this report; however, further analysis will be needed to investigate the sustainability of the results and the changes achieved by the DIB.

Stakeholders consulted in RW1 and RW2:

- Village Enterprise
- Instiglio
- FCDO
- Bridges Fund

Stakeholders consulted in RW1 only:

- Anonymous Donor
- Anonymous investor

Stakeholders consulted in RW2 only:

- Delta Fund

