Boost the cost effectiveness of the organizations we work with to ensure that every dollar invested generates the greatest possible impact.
Results-Based Financing

We believe that, by tying funding to results, we can help make social programs more effective in solving the world’s most pressing issues.

Inputs and activities
- Number of business trainings conducted
- Number of savings groups formed
- Amount of cash transfers made

Verified outcomes
- Increased income
- Increased assets
- Increased consumption

The vision 100%

Funding tied to…
An array of instruments under one umbrella

RBF

Also known as:
Pay for success
Payment by Results
Payment for Performance
Performance-Based Financing
Outcomes-Based Financing
Outcomes-Based Funding
Results-Based Funding

Performance-Based Aid
Impact bonds
Performance-Based Contract
Outcomes Fund
Performance-Based Grant
Prize-Based Challenge
Impact bonds
Results-Based Aid
How does RBF improve results?

- Measuring and drawing attention to outcomes
- Providing flexibility to achieve results
- Aligning financial incentives with beneficiary welfare
- Improving accountability to beneficiaries
Background & Context: The Village Enterprise DIB
A Development Impact Bond to explore cost-effective, scalable poverty alleviation with partners Village Enterprise, USAID, FCDO, and Wellspring Philanthropic Fund
The challenge of scaling the poverty Graduation Model

**Issue:** 767 million people live in extreme poverty globally.

**Evidence:** reveals positive impact of Graduation programs, but varies by context.

**Challenge:** demonstrate mechanisms for the cost-effective, scalable adoption of poverty alleviation programs.

### Benefit-cost ratio

- **India**: 88%
- **Village Enterprise Original RCT**: 62%
- **Ethiopia**: 61%
- **Pakistan**: 36%
- **Ghana**: 22%
- **Peru**: 20%
- **Honduras**: -2%

Source: Innovations for Poverty Action, Science, Village Enterprise
Objectives of the financing structure

Building and piloting a blueprint for outcomes funds in poverty alleviation

01 Helping Village Enterprise expand its ability to learn and adapt its Graduation program to achieve superior results, as well as to strengthen and streamline their performance measurement system for scale.

02 Pilot and learn of the feasibility of a replicable and cost-effective outcomes fund for poverty Graduation.
Village Enterprise
Service provider of a poverty graduation model

- Working to end extreme poverty in rural Africa through entrepreneurship and innovation.
- A community-based and locally-led poverty graduation program to equip Africans living in extreme poverty with cash transfers, training, and mentoring to create income-generating, sustainable businesses and savings groups. This helps permanently break the cycle of poverty for themselves and their families.
  - Digital technology and a group-based approach make this more scalable and cost-effective than traditional approaches.
  - Over 82% of entrepreneurs are female, ensuring greater gender equity and increased opportunities for women and families.
- Have worked in Africa for over 30 years. Focus on populations living on $1.90 a day or less.
- Currently operate in Uganda, Kenya, Rwanda, the Democratic Republic of Congo, and Mozambique.
- Plan to expand throughout sub-Saharan Africa with the goal of lifting 20 million inhabitants out of extreme poverty by 2030.

Graduation model components for DIB

1. **Targeting**: VE identifies individuals who live under in extreme poverty, and are unable to provide for their family’s basic needs. VE assesses poverty levels through a community-based Poverty Wealth Ranking exercise coupled with the Progress-out-of-Poverty Index.
2. **Business savings group (BSG)**: BSGs are self-governing councils of 10 businesses comprising 30 individuals, each BSG with its own constitution. BSGs create the platform through which VE carries out the training program, as well as develop trust and respect between the participating community members.
3. **Training**: Local mentors deliver a four-month training program to equip participants with the necessary knowledge to run a business.
4. **Seed funding**: A seed capital is granted to start businesses of 3 participants. Approximately 65% of business will receive a $50 seed with the remaining 35% receiving $150. The capital investment is a grant, rather than a loan.
5. **Mentoring**: Mentors provide continuous guidance to the participants for 1 year.

Graduation model Theory of Change for DIB

- **Activities**: Delivery of seed capital, business training and mentoring to people living in extreme poverty in Africa.
- **Outputs**: Small business created, owners have knowledge to run businesses, self-governing savings groups created.
- **Outcomes**: Increased household incomes, increased household savings.
- **Goal**: Increased standards of living, a world free of extreme poverty.
The DIB structure

1. Outcome Payers pool funds with Trustee in the Outcomes Fund, committing to pay for achieved results
2. Financiers (e.g., investors) provide working capital for Village Enterprise intervention
3. Village Enterprise serves beneficiaries.
4. Independent evaluator verifies achieved results and shares with outcome payers
5. Trustee disburses commensurate outcome payments to Village Enterprise for results
6. Village Enterprise reimburses financiers according to agreed financial terms
The Village Enterprise DIB

The Outcome Payers, **pooled and tied USD 4.28 million outcome payments** to measurable increases in household income attributable to Village Enterprise’s intervention.

### Beneficiaries
- **14,130 poor, rural households in Western Kenya and Northern Uganda**

### Outcome metrics
- The DIB pays for increases in income, as proxied by increases in household levels of **consumption** and **assets**
- Outcome payers pay for every dollar the household gained due to Village Enterprise’s intervention. That is, outcome payers **pay $1 for every $1 of ’proxied’ income** increase measured **after the intervention ends**

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

### Outcome payments & timeline

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<tbody>
<tr>
<td>Agreements signed</td>
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<tr>
<td>Intervention starts</td>
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<tr>
<td>Impact evaluation complete</td>
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<tr>
<td>Final outcome payment</td>
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The intervention is carried out across **seven cohorts** of participants:
- Seed funding reimbursements are done in two stages per cohort
- Total seed funding reimbursement is capped at $1.2m and $150 per household
- Total outcome payments capped at $4.28m and $265 per household (excl. seed funding)
Results
**DIB results**

**Outputs**

- 4,766 Businesses started in rural Kenya and Uganda
- 14,100 First-Time Entrepreneurs Trained (75% women)
- 481 Business Savings Groups Formed
- 95,000 Lives Transformed

**Outcomes**

**Consumption**
- 6.3% increased spending on food, health, education, and other expenses

**Assets**
- 5.8% increase in assets, such as livestock, housing, savings, and business supplies.

Statistically significant and sustained increases in household spending and net assets

$21m was the amount lifetime household income was increased by

140% Benefit-Cost Ratio

Highest cost-effectiveness among poverty graduation interventions*
126% increase compared to our previous RCT’s ratio
<table>
<thead>
<tr>
<th>Project</th>
<th>Science Honduras</th>
<th>Science Peru</th>
<th>Science Ghana</th>
<th>Science Pakistan</th>
<th>Science Ethiopia</th>
<th>Village Enterprise Original RCT</th>
<th>Village Enterprise DIB RCT</th>
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<tbody>
<tr>
<td>Benefit-Cost Ratio (3 Years)</td>
<td>-2%</td>
<td>20%</td>
<td>22%</td>
<td>36%</td>
<td>61%</td>
<td>62%</td>
<td>140%</td>
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Village Enterprise’s light-touch poverty graduation model is the most cost-effective of the poverty graduation programs rigorously evaluated by an RCT.
Instiglio’s initiative for displaced populations
Partnership for refugees and migrants with the Hilton Foundation

Objective

Transform how governments, donors, and service providers use resources and provide services for migrant and refugee programming to improve results for these populations

How

Grant partnership for 27 months

Provide technical assistance

Government entities interested in enhancing program impact for refugee and migrant populations

Focus sectors

Livelihoods (e.g., graduation models)

Early Childhood Development (ECD)

Colombia

Ecuador

Ethiopia

Uganda
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