



# Evaluation Findings of the DFID Impact Bond Program

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# Presentation structure

1. Intro to method & scope
2. Reducing transaction costs
3. Recommendations
4. Q&A



# DIBs within the Evaluation

	ICRC HIB	Village Enterprise DIB	Quality Education India DIB	Cameron Cataract Performance Loan
Project Purpose	To help disabled people living in conflict-affected locations to regain mobility.	To support extremely poor households to start micro-enterprises that increase their incomes and living standards, ultimately graduating from poverty	To improve learning outcomes for 300,000 marginalised children	To reduce the prevalence of cataracts in Cameroon, and to demonstrate the viability of private investment in the eye healthcare sector
Outcome metrics	Staff Efficiency Ratio (SER), calculated by the number of beneficiaries having regained mobility thanks to a mobility device, divided by the number of local rehabilitation professionals.	Increase in household income, proxied through consumption and assets.	Difference in learning outcomes between the comparison group and intervention group	Number of cataract surgeries  Quality of cataract surgeries  Financial sustainability of the hospital  Equity target (linked to bonus payment to service provider only)
Total Project Value	~18.6 million Swiss Francs	\$4.2 million	Up to \$10 million	Minimum \$2m
Geographical coverage	Mali, Northern Nigeria, DRC	Uganda & Kenya	Rajasthan, Gujarat & Delhi, India	Cameroon & broader Central Africa region
Investor returns	Financial return range going from negative to positive (min -11.3% to 7% p.a.)	5-15% depending on final number of households reached and VE performance.	6- 8% interest p.a. (capped at \$0.74 million).	8% p.a. if performance targets met; 4% p.a. if not met (OPIC); 0% p.a. if targets not met (Netri).
Capital protection	60%	None	None	100%
Timeframe	Jul 2017 – Jul 2022	Nov 2017 – Nov 2020	Jan 2019 – Mar 2022	January 2018 - 2023

# Methodology

## Evaluation Questions

The evaluation will answer two key questions:

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

## Data Sources

Project level	Programme level	Wider DIB sector
<ul style="list-style-type: none"><li>• Interviews with key stakeholders</li><li>• Project design documents</li><li>• Internal project level M&amp;E data</li><li>• Outcomes verification data</li><li>• Beneficiary feedback</li><li>• Project reporting</li><li>• Data from comparable projects and previous phases</li><li>• Investment returns and cost data</li><li>• Evaluations and learning activities</li></ul>	<ul style="list-style-type: none"><li>• Interviews with DFID staff, within the DIBs team, PSD unit and PbR team</li><li>• Review of programme level documentation</li></ul>	<ul style="list-style-type: none"><li>• Interviews with DIB experts and stakeholders</li><li>• Review of key literature and learning reports</li></ul>

**Focus of Research Wave 1:** Process of designing and launching the DFID DIB pilot projects

# Transaction costs

## Total costs

DIB	Design & set up costs	Maximum committed outcome funding	Cost as % of outcome funding
ICRC	CHF 1.5m	CHF 26.3m	6%
QEI	£310k	£7m	3%
VE	\$215k	\$5.4m	4%
Cataract Performance Loan	\$750k	\$3.8m	21%

## Cost drivers

Cost drivers	Legal, governance	Engaging outcome funders	Number of organisations to coordinate	Negotiation of agreements	Raising finance	Service provider selection process
ICRC	X	X	X	X		
QEI	X	X	X		X	
VE	X	X		X	X	X
Cataract	X				X	

# Reducing transaction costs (1/3)

## Identifying appropriate interventions

1. Draw on existing data

## Identifying metrics & structuring payments

2. Utilise metrics already used in sector
3. Develop & share information metrics, rate cards & interest rates
4. Draw on private sector expertise
5. Introduce competition for service providers



# Reducing transaction costs (2/2)

## Stakeholder management

4. Most efficient when:

- Strong collaboration
- Balance of stakeholders
- Clearly defined roles from start
- Stakeholders identified & brought in efficiently
- Balance of bilateral vs collaborative discussions



# Recommendations

- 1. Be transparent & share lessons learnt (including DIBs that failed to launch)**
- 2. Make contracts, payment terms, feasibility studies & investor documents publicly available**
- 3. Build database on interest rates outcomes metrics & rate cards**
- 4. Clearly agree upfront:**
  - 1. Stakeholder roles & responsibilities**
  - 2. Communication plans**
- 5. In building consortium ensure you have a good balance of expertise, without over-complicating the membership**

## DIB effect

*Green = Present in 3+ DIBs*  
*Amber = Mixed evidence*  
*Red = Not present in 3+ DIBs*

Transfer of financial risk	Additional financing for development sector
Additional risks resulting from use of DIB	Longer-term funding
More service providers entering PbR market	Enables innovation
Greater collaboration	More careful & rigorous design of interventions
Funding projects would not have been able to otherwise, or not in same guise	Complex to design & expensive to set up

Q&A

