

Developing outcomes funds: Experiences and Challenges

March 2020



Impact Bonds
Working Group

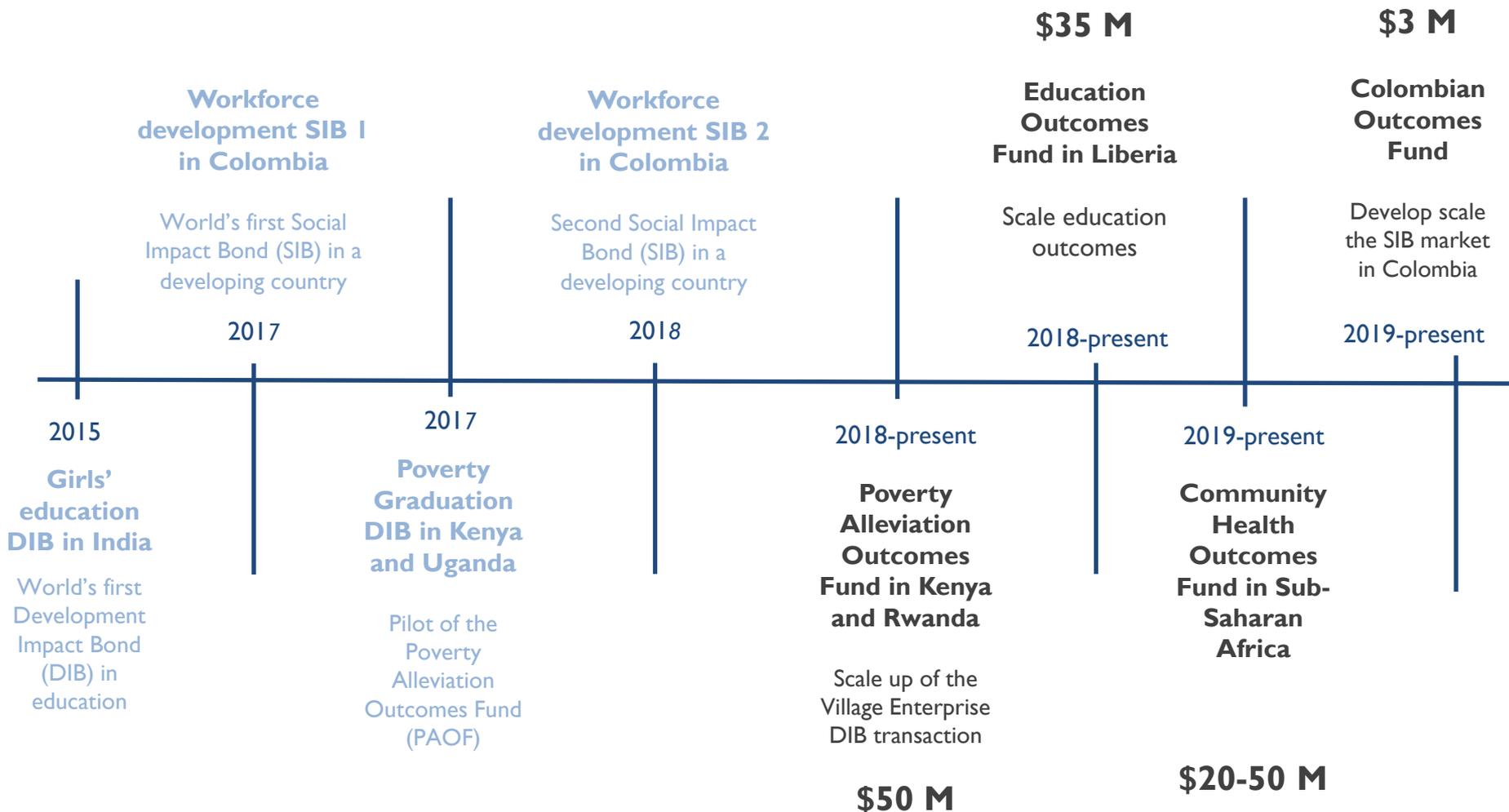


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TYING FUNDING TO IMPACT



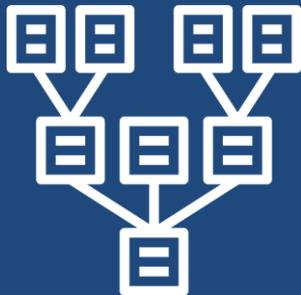
From impact bonds to outcomes funds

Key milestones



Building an outcomes fund: 3 features that matter

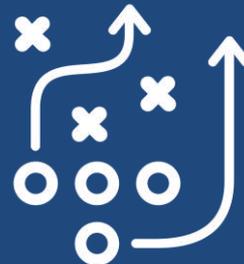
1. Define your Theory of Change



2. Technically strong design choices that align with ToC

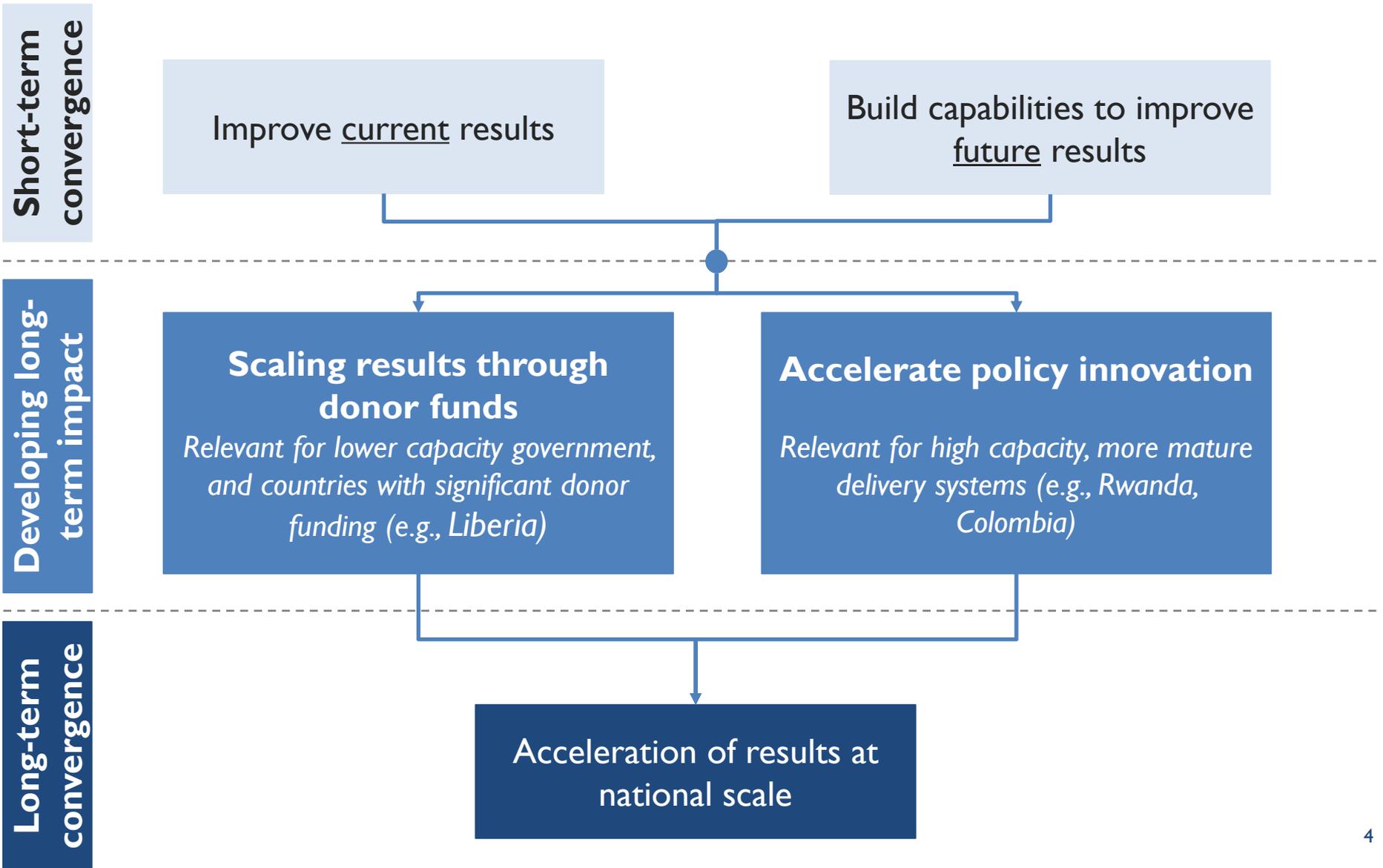


3. Proactively address administrative and political barriers



I. Theory of change of Outcomes Funds

Converging end goals through different pathways

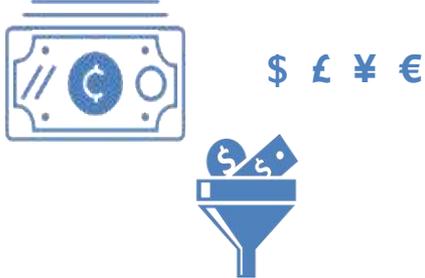


I. Theory of change of Outcomes Funds

Example of the Poverty Alleviation Outcomes Funds in Kenya/Rwanda

Innovation Ecosystem

Supporting donors,
foundations, etc.

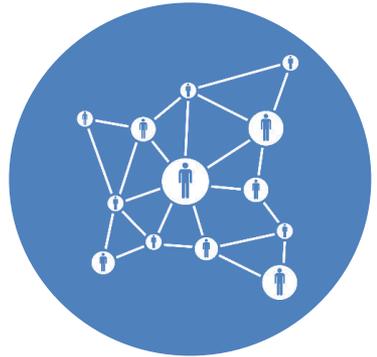


Outcomes Fund

Launching ~8-10
innovation experiments
widely across Kenya and/or
Rwanda



Government



Ecosystem of poverty
alleviation
implementers

Government social
protection programs



2. Design choices that align with Theory of Change



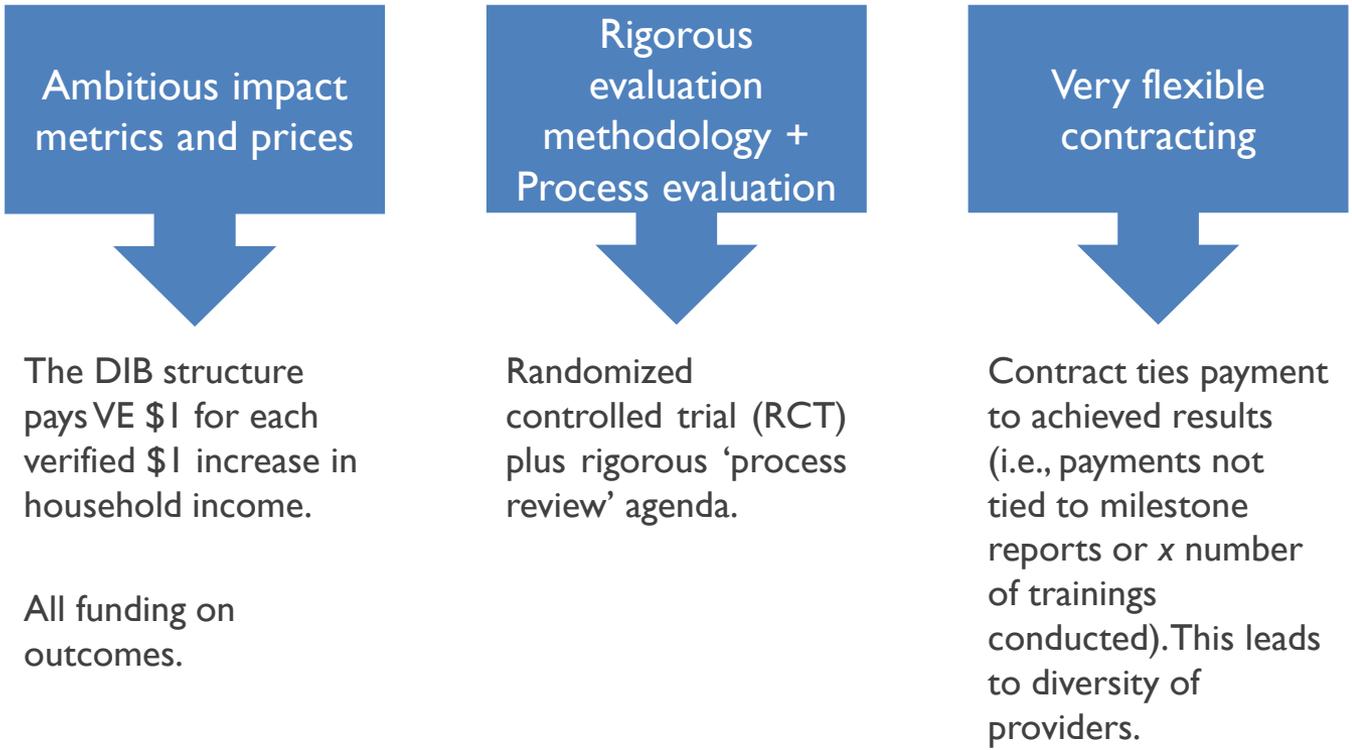
Comparison of mechanics

Design feature	Scale	Innovation
 Metrics	Outputs and outcomes to lift overall ecosystem performance, high levels of adaptation to delivery organization	Ambitious outcomes to source the best ideas and organizations, single yardstick.
 Disbursement	Partially on outcomes	Fully on outcomes
 Pricing	Fair	Competitive
 Evaluation	Incentive-inducing but rigor not as important	Most rigorous
 Providers	Large and 'proven' (evidence-backed)	Innovative/nimble
 Government role	Implementation partner: Ensure complementarity and alignment of fund	Learning partner and eventually innovation funder: Actively incorporate lessons in policy

2. Design choices that align with Theory of Change



Designing for innovation: the Poverty Alleviation Outcomes Fund



3. Address administrative and political barriers

Donors' catalytic contribution

1. Invest in data systems and research
2. Build government capabilities to contract on outcomes and supervise
3. Carve legal pathways to contract on outcomes through multi-year systems
4. Build performance management capacity of service providers

Thank you!

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