The Village Enterprise DIB

Results-Based Financing (RBF) and poverty graduation

April 2023

INSTIGLIO

Background & Context: Results-Based Financing (RBF)

INSTIGLIO

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.

Status quo

0%

The vision

100%

Funding tied to…

Inputs and activities

Examples:

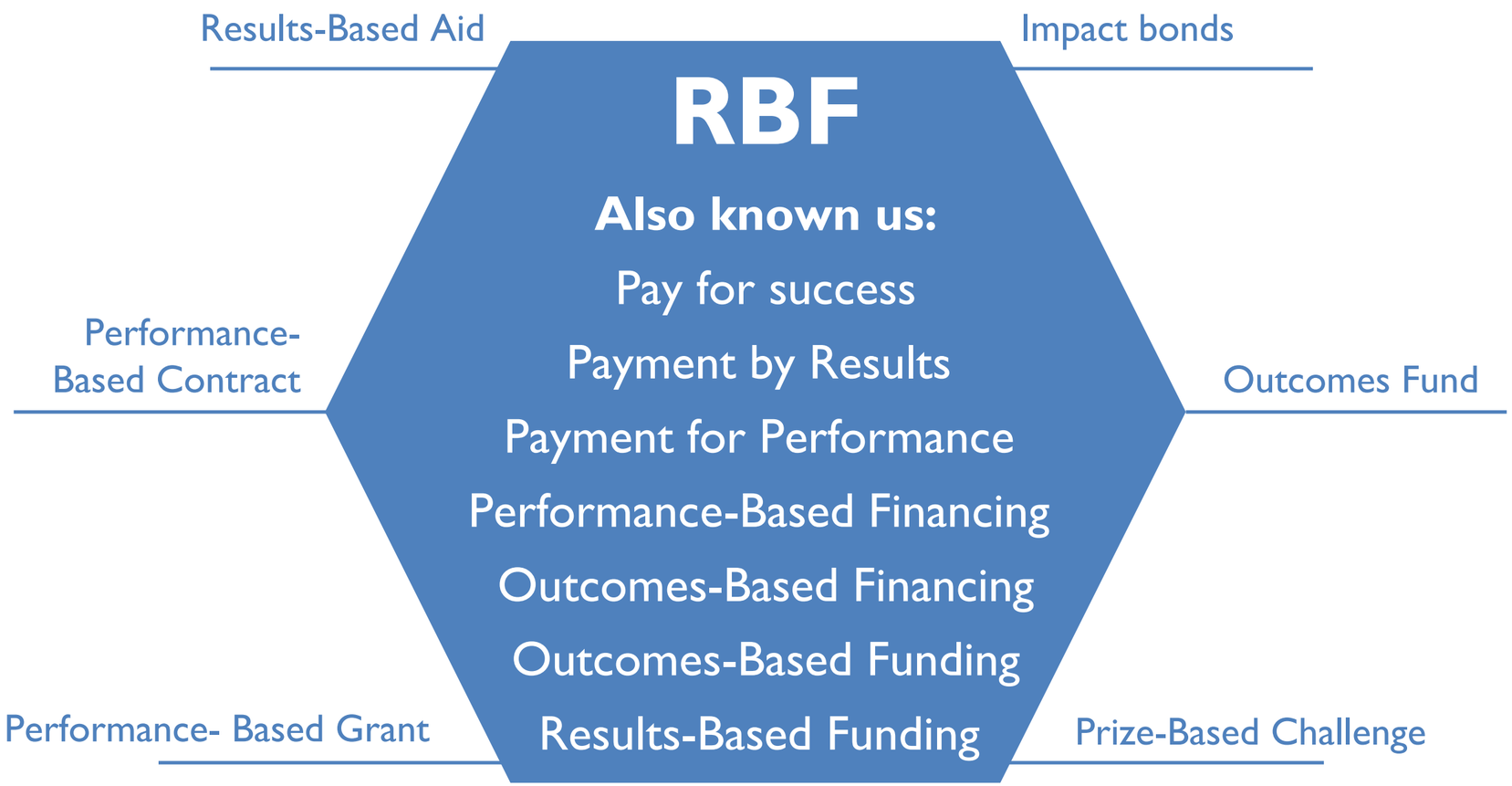
- Number of business trainings conducted
- Number of savings groups formed
- Amount of cash transfers made

Verified outcomes

Examples:

- Increased income
- Increased assets
- Increased consumption

An array of instruments under one umbrella



How does **RBF** improve results ?

Measuring and drawing attention to outcomes

Aligning financial incentives with beneficiary welfare

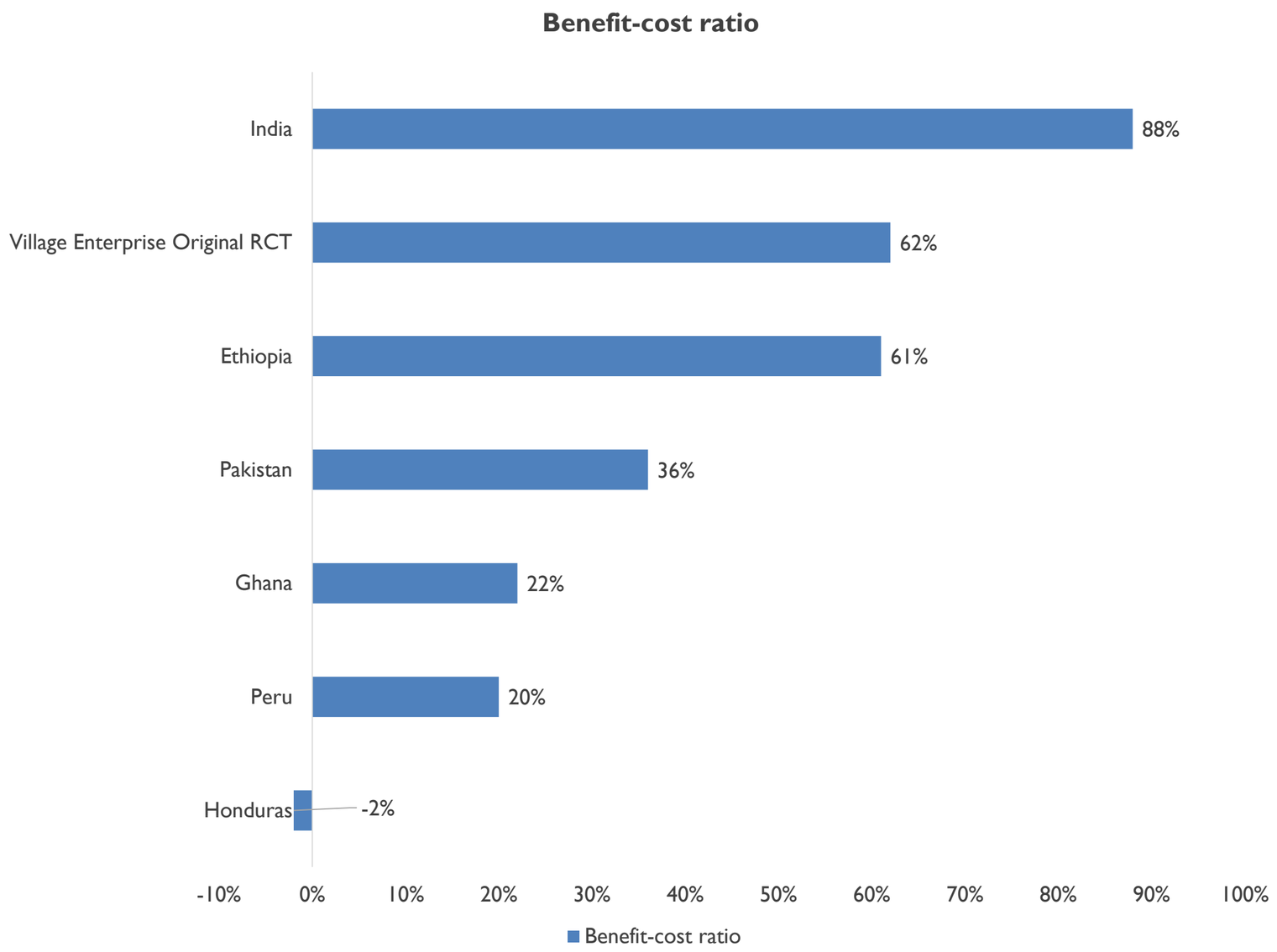
Providing flexibility to achieve results

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



Source: Innovations for Poverty Action, Science, Village Enterprise

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.

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

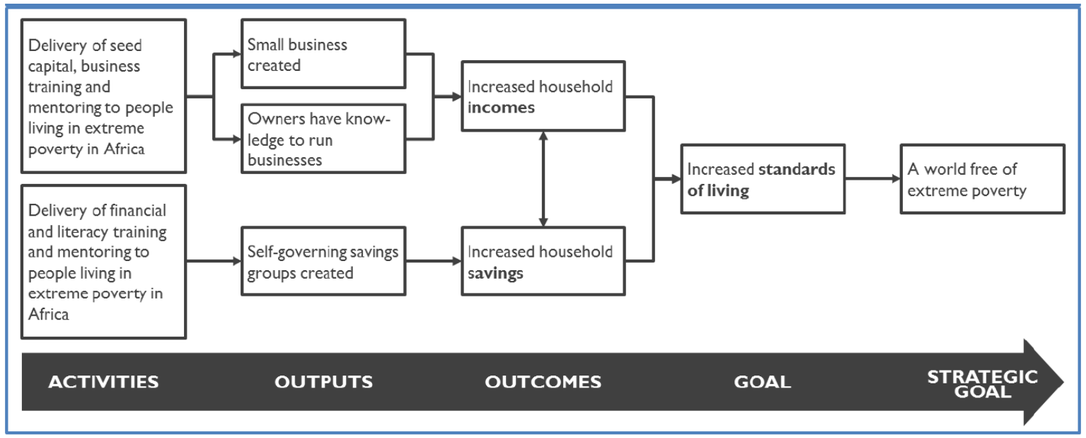
- Working to **end extreme poverty in rural Africa** through entrepreneurship and innovation.
- A **community-based and locally-led poverty graduation program** to equip Africans living in extreme poverty with **cash transfers, training, and mentoring to create income-generating, sustainable businesses 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

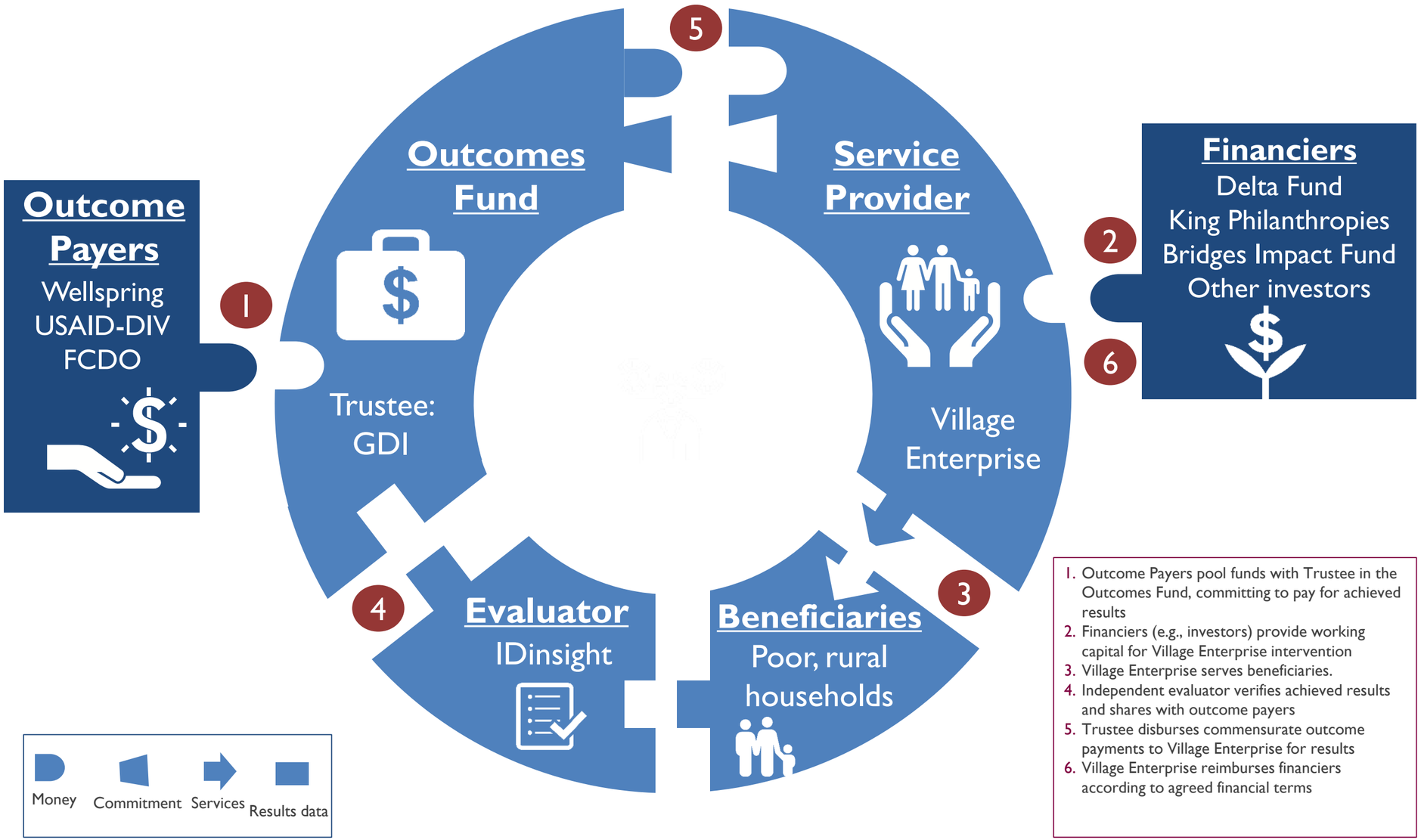
Village Enterprise's intervention has the following five main components:

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



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.

Service provider	Outcome payers	Trustee	Independent evaluator	Project manager
Village Enterprise	Foreign, Commonwealth & Development Office; USAID FROM THE AMERICAN PEOPLE; Wellspring Philanthropic Fund	GDI Global Development Incubator	IDinsight DATA. DECISIONS. DEVELOPMENT.	INSTIGLIO TYING FUNDING TO IMPACT

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	Nov. 2017 – Agreements signed Jan. 2018 – Intervention starts Aug. 2021 – Impact evaluation complete Dec. 2021 – Final outcome payment 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

Benefit-cost Ratio Benchmarking Analysis

Project	Science Honduras	Science Peru	Science Ghana	Science Pakistan	Science Ethiopia	Village Enterprise Original RCT	Science India	Village Enterprise DIB RCT	
Benefit-Cost Ratio (3 Years)	-2%	20%	22%	36%	61%	62%	88%	140%	

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

CONRAD N. Hilton FOUNDATION

Grant partnership for 27 months

INSTIGLIO
TYING FUNDING TO IMPACT

Provide technical assistance

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

Colombia

Ecuador

Ethiopia

Uganda

Focus sectors

Livelihoods
(e.g., graduation models)

Early Childhood Development (ECD)

Douglas Emeott

Senior Project Manager

douglas.emeott@instiglio.org