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Terms of Reference Independent Evaluation of the Development Impact Bonds (DIBs) Pilot Programme

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Purpose of Evaluation

The primary purpose of the evaluation is to generate learning and recommendations that could inform decisions on the future use of DIBs as an instrument for aid delivery. The evaluation will cover all three projects under the DFID-supported DIBs Pilot Programme.

In particular, this evaluation is expected to generate learning that will inform DFID's future policy aiming to make the most effective use of DIBs as we look to commission new instruments, or incorporate DIBs and similar structures into existing programmes.

The evaluation will also help DFID and pilot project partners evaluate whether the tools they are developing are useful, scalable and replicable.

Background and Context

Programme Context. DIBs are a new mechanism for financing development programmes. DFID has been piloting DIBs in order to assess the costs and benefits of using DIBs compared to other mechanisms, and the conditions that make DIBs a suitable mechanism and enable DIBs to work best.

What is a DIB? A DIB is a mechanism for drawing external finance into payment-by-results (PbR) projects. In a DIB a donor commits to paying for development results if and when they are achieved (donors are often referred to as "outcome funders"). A service provider steps up to deliver the prescribed results. The key difference from standard PbR is that a DIB brings in third party "investors" (public or private organisations) who provide the service provider with the investment/working capital needed to deliver results. Under the DIB model, therefore, the investor takes on a portion of the financial risk associated with failing to deliver the prescribed outcomes – if outcomes are not delivered, the outcomes funder does not pay and the investor can lose their investment. If the project delivers more results than expected, the investor can make a return.

Theory of Change for how the DIB model can drive better outcomes? The DIB model aims to improve the efficiency and cost-effectiveness of development programmes. In theory the DIB design process and structure helps align and increase stakeholders' focus on achieving the desired outcome. The involvement of investors enables:

- ✓ donors to use PbR incentives that work to increase focus on the end result and on performance management, while
- ✓ enabling a wider range of service provider organisations to take on PbR contracts (many would otherwise struggle because they do not have access to sufficient working capital); and
- ✓ giving service providers more flexibility and building capability to adapt, course correct, and innovate their service delivery models (e.g. through working with investors to build performance management systems, or because the provider is enabled to take innovation risk because the investor carries the financial risk).

See [Annex A1 for DFID Theory of Change for DIBs](#)

What do we mean by other aid mechanisms?

Alternative aid mechanisms used by donors (e.g. outcome payers such as DFID and other development partners) include **grants** to not for profit organisations and **pay for services contracts** where the provider is paid in alignment with the inputs/activities they are delivering to achieve the desired programme outcomes, as well as **pay for results** contracts where the provider is paid only after they have delivered pre-agreed results. In some circumstances these aid mechanisms may have limitations. There is extensive literature on these considerations. The table highlights some of these considerations:

Alternative	aid	Possible limitations
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mechanism	
Grants and pay for services contracts	<p>Under these funding models the donor will pay the provider for the inputs and activities they deliver in accordance with the providers agreed programme of work. In situations where the outcome payer is uncertain about the right mix of inputs / activities needed to achieve the outcome efficiently (e.g. due to a lack of evidence), the donor is accepting the risk that the activities and inputs paid for may not achieve the desired outcome.</p> <p>During the life of the grant, providers may have fewer incentives to identify the most efficient approach to achieving the outcome and to cut less efficient/ineffective inputs.</p> <p>This risk can be reduced through additional investments by the donor, e.g. in real time data gathering, to help identify what is/isn't working.</p>
Pay for Results approaches	<p>Payment by Results approaches enable donors to transfer the risk/uncertainty over whether an intervention will achieve results to the provider.</p> <p>However, research indicates that some providers (particularly those with smaller balance sheets, or less access to commercial loans) would be unable pre-finance their intervention and wait for payment on delivery of results, or would be unwilling to take on the financial risk associated with underperforming on a PbR contract. As a result providers that may be most capable of achieving the outcomes may not be able to take on these types of contracts.¹²</p>

How strong is the evidence on DIBs?

DIBs are a new tool for delivering development projects. Prior to the DFID DIBs pilot programme only two DIBs (the Educate Girls DIB in India, and Rainforest UK's DIB in coffee and cocoa production in Peru) have been implemented, both are very small. Existing evidence on DIBs is therefore limited.

However, DIBs are part of a wider impact bond family – originating from social impact bonds (SIBs) used domestically by governments to commission public services. To-date, over 60 social impact bonds have been commissioned. The UK is a leader in the SIB market, with 32 SIBs. Governments in the US, Netherlands, Belgium, Germany and South Africa have also made use of the instrument.

A qualitative review of thirty-eight existing impact bonds by the Brookings Institute (2015) found the following (more detail is included in DFID Business case):

- **Existing impact bonds have focused on specific sectors:** areas where government is already contracting third parties to deliver services and where service inputs are complex, but outcome are simple to measure
- **Impact bonds can improve service delivery but deals so far have been complex**
- **Deals have varied in terms of their structure, mechanics and stakeholder roles**
- **Rigorous experimental or quasi-experimental evaluation was not always necessary for measuring impact and triggering payment**
- **Impact bonds lead to a shift in focus to outcomes:** the study found that existing SIBs encouraged transparency and accountability in commissioning public services. Instead of paying for services, government pays for outcomes. At the same time, SIBs push providers to deliver on these outcomes.
- **Impact bonds drive performance management:** Bringing private sector mentality into the provision of services can lead to more efficient and effective delivery of social services. This has been mainly seen through the push toward outcome achievement and fidelity to the intervention delivery model and less in terms of adaptation of service provision along the way.

¹ National Audit Office (2015). Outcome-based payment schemes: government's use of payment by results <https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf>

² Sherene Chinfatt and Melissa Carson (2017) Supplier Access to Prefinance in Payment by Results Contracts. Dalberg Intelligence <https://www.gov.uk/dfid-research-outputs/supplier-access-to-prefinance-in-payment-by-results-contracts>

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- **The impact bond mechanism stimulates collaboration:** this applies to all parties involved in impact bonds.
- **Impact bonds have enabled the development of strong monitoring and evaluation systems:** the impact bond mechanism incentivises evidence collection and can therefore lead to improving outcomes for service users through identifying interventions that work.
- **Impact bonds can shift the focus of government toward preventive services:** this could have economic implications for government and society

While implementing impact bonds in a development context brings specific challenges and we have to be mindful that the portfolio of SIBs projects target different outcomes, emerging evidence on SIBs shows that the impact bond mechanism has the potential to improve effectiveness and efficiency of outcome delivery, and generate valuable impact evidence.

What is the DFID DIBs pilot programme?

DFID has designed a programme to pilot the DIBs mechanism and assess the costs and benefits of using DIBs, and the conditions needed for a DIB to be an appropriate programme financing tool.

In line with the Paris Principles, the DFID pilot programme consciously works with other donors who are considering DIBs and aims to deliver an evaluation that generates learning that is useful for donors and service providers considering DIBs as a funding mechanism. The evaluation questions have been informed through DFID's engagement with these stakeholders, and representatives of these stakeholders will be included in the steering group for this evaluation (see [governance section](#)).

Under the pilot programme DFID is funding three DIB projects, each in a different way. The evaluation aims to draw out and synthesise learning about the DIBs mechanism from these projects, while recognising the wider context of Social and Development Impact Bonds.

The table below summarises the three DFID supported DIB projects. More detail on each project as well as a Gantt chart showing the activities and timeline for each project and the DFID programme overall are provided in [Annex C](#) & [Annex D](#).

	ICRC Humanitarian Impact Bond for Physical Rehabilitation	Village Enterprise micro-enterprise poverty graduation Impact Bond	Support to British Asian Trust to design impact bonds for education and other outcomes in South Asia
Project Purpose	To help disabled people living in conflict-affected locations to regain mobility.	To cost-effectively support extremely poor households to start micro-enterprises that increase their incomes and living standards, ultimately graduating from poverty	To explore how social finance models like impact bonds can be structured to achieve development outcomes in South Asia region.
Outcome of Interest	Increased efficiency of rehabilitation services that enable disabled people regain mobility	Improved assets, consumption and savings for 12,600+ extremely poor households in Kenya and Uganda	Education outcomes for 200,000 marginalised children in India, and other SDG outcomes
DFID role	Outcome Funder	Outcome Funder and contribution to outcome verification costs	Grant funding to support the design and implementation of the legal structure, results measurement and performance management for the education DIB; and support learning activities to enable potential replication of tool in South Asia
Total Project Value	~£20m	\$5.2m	\$11.5m
Design Phase	2015 - Jun 2017	2015 – Nov 2017	Sep 2015 – Jun 2018
Intervention	Jul 2017 – Jul 2022	Nov 2017 – Nov 2020	Sep 2018 – July 2022
Interim results payments	Jul 2020 (£0.88m)	Monthly as VE disburses grants to participants	Anticipate annual Outcome Payments based on annual assessments of children's learning improvements (this is expected to enable capital recycling).
Final Outcome Payments	Sep 2022 (~up to £20m total, of which max £2m from DFID)	July 2020 based on endline for first 4 cohorts. And July 2021 for final true-up based on endline for	

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		all 7 cohorts.	
DIB Learning activities	None on the DIB mechanism	Internal process review on DIB focused on cost-effectiveness, and ways to make DIB more efficient in future	Will be an external learning partner – focused on “How can this form of DIB be a replicable and scalable solution to achieve better development outcomes?” DIB structure effectiveness, efficiency and VfM of developing/ implementing DIB, how to improve in future.

At the programme design stage DFID recognised that it would be difficult to directly compare effects of the DIBs mechanism with other aid mechanisms³. However, each of the DIB pilot projects will be delivered by service providers that have significant experience of running similar interventions under different funding mechanisms such as core-funding or private philanthropic grants. Where available, data on their interventions' performance could provide some comparisons on programme delivery and performance/cost-effectiveness.

Users of the Evaluation

The primary user of the evaluation will be the DFID DIBs team, who will use the findings to inform DFID's future application of the impact bond mechanism. We want the evaluation to deliver early findings regarding the structuring and design of Pilot DIBs – this will help us assess options for tailoring the mechanism to ensure value for money. For example, we will consider whether DIBs should be commissioned directly at a larger scale, or incorporated into programmes that intend to use PbR structures. Later evaluation findings on how DIBs are managed and how they affect the performance of service providers will help us improve interaction with project managers, service providers and investors throughout the project life cycle. These findings will also continue to inform how and when we use DIBs, and how the design, commissioning and management of DIBs can continue to be improved to deliver ever increasing value for money.

Secondary users of the learning generated by the evaluation will be organisations that are using or thinking about using impact bonds or similar approaches to financing development programmes. Such organisations include outcome funders (i.e. local and national governments in developing countries as well as public and private donors who want to achieve results for a given population), investors (private and public sector organisations that are willing to pre-finance social impact projects in developing countries and be repaid on a pay-for-success basis), and service providers (NGOs, charities, social enterprises, private sector organisations that deliver services to achieve development outcomes). They will benefit from the findings produced by the evaluation, and the practical recommendations it contains for using DIBs and DIB-like structures in the future. Please see [governance section](#) for how users are represented or engaged in the evaluation.

Evaluation Purpose and Questions

The table below sets out the Key Evaluation Questions, their purpose, and some proposed subsidiary evaluation questions mapped to a proposed timeline for obtaining learning.

The 2 Key Evaluation Questions are:

- **EQ1: Assess how the DIB model affects the design, delivery, performance and effectiveness of development interventions.**
- **EQ 2: 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?**

³ For example, input based grants and pay for service contracts or standard payment by results.

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When reading the table below, please see the [Evaluation Outputs Section](#) for the proposed content of each 'Evaluation Output (EO)' referenced in the table.

The OECD-DAC criteria on **relevance**, **efficiency** and **effectiveness** are relevant to this evaluation. The evaluation focuses on the DIB funding mechanism, and the process of designing DIBs including the **relevance** and **efficiency** of the activities involved in designing, launching and managing a project using a DIBs model for the various stakeholders in the DIB; and assesses how the DIB model improves (if at all) the **performance** and **effectiveness** of development programmes in terms of achieving results efficiently. The evaluation should consider how the DIB model takes into account cross-cutting areas that mean some beneficiaries are more vulnerable or harder to reach (e.g. due to disability, power relations, environment, gender, poverty).

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Evaluation Questions Table – mapped to the purpose of the evaluation, key Evaluation questions, proposed subsidiary questions, evaluation outputs, and potential data sources				
Purpose of Evaluation	Key Evaluation Questions	Proposed Subsidiary Evaluation Questions	Findings should be produced for following Evaluation Outputs (EO):	Possible data collection methods and data sources
<p>To confirm whether the DIB model actually improves performance and effectiveness of development programmes, covering factors, such as:</p> <ul style="list-style-type: none"> - Enabling outcome funders to use PbR with more providers - Changing incentives of the stakeholders - Increasing focus on desired outcome, and managing for results - Transferring delivery risk from outcome funder to provider/investor - Role of investors, outcome funders and service providers in design and delivery of intervention - Incentive structure encourages provider fidelity to implementation of activities that works - Increased flexibility/ autonomy for providers enabling more innovation in service delivery to improve performance/ results - Service provider is incentivised to deliver for the whole cohort – despite cohort having differing vulnerabilities &/or capabilities <p>We want to produce shared learning from across the 3 DFID funded DIB projects which should serve as case studies.</p>	<p>EQ1: Assess how the DIB model affects the design, delivery, performance and effectiveness of development interventions.</p>	<p>1.1 How does the DIB model affect key stakeholders including service providers, outcome funders, investors, beneficiaries, and what are the reasons behind the effects</p> <p>1.2 can we say anything about the sustainability of the effects on stakeholders?</p>	<p>EO1 – Design Report: should include an enhanced theory of change for how DIBs improve programmes.</p> <p>EO2 – Report on process of designing and launching DIBs incl. findings on effect of DIB design process on DIB stakeholders</p> <p>EO3 – Mid-Term Evaluation Report: on emerging findings</p> <p>EO4 – Final Evaluation Report</p>	<p>Methods: Mostly qualitative. Quantitative methods could be considered for beneficiaries. Sources: Access to stakeholders in the DFID funded DIBs; quarterly/ 6monthly project progress reports, internal monitoring data; project level process review/evaluation activities focused on project implementation and DIB model. See Data Annex for more detail.</p>
		<p>1.3 Which factors in a DIB are most important in improving the performance of a development programme, if at all, in terms of achieving results efficiently?</p>	<p>EO3 – Mid-Term Evaluation Report: on emerging findings – there will be some interim outcome results and payments for 2 of 3 projects.</p> <p>EO4 – Final Evaluation: final findings after project outcomes have been verified.</p>	<p>Methods: Qualitative Sources: As above + access to the data used to verify if the desired programme outcomes have been achieved. See Data Annex for which outcomes will have been measured by expected Mid Term and Final Evaluation Report dates.</p>
		<p>1.4 How does the performance and effectiveness⁴ of development programmes financed using a DIB mechanism compare with providers' experience of other funding mechanisms in terms of efficiency and results?</p>	<p>EO4 – Final Evaluation Report: produced after project outcome results have been verified.</p> <p>EO3 – Mid Term Evaluation Report if evaluator is able to draw some initial conclusions</p>	<p>Methods: Qualitative Sources: As above + access to past performance data for at least 2 of the 3 DIB projects (ICRC & VE) – including past cost & effect data for same providers, delivering similar interventions in similar contexts.</p>
<p>DFID and others are interested to use DIBs and similar financing models in the future. However, we need process of commissioning DIBs to be more efficient, accessible to more providers, funders and investors, and less costly. Stakeholders need a roadmap for an improved/optimal design process – covering the necessary conditions (e.g. projects attributes, stakeholders</p>	<p>EQ 2: 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?</p>	<p>2.1 Under what conditions are DIBs an appropriate tool for the key stakeholders (outcome funders, investors, service providers, beneficiaries), and why?</p> <p>2.2 How can we improve the design process to produce DIBs that maximise the benefits for stakeholders (outcome funders, investors, service providers, beneficiaries) while reducing transaction costs? Including</p>	<p>EO2 – Evaluation Report on the Process of designing and launching DIBs – should include findings under this evaluation question</p> <p>EO3&4 – continue to make recommendations to improve process of commissioning and structuring DIBs based on lessons that emerge as the DIB project</p>	<p>Methods: Qualitative Sources: As above + access to programme design documents; and project level process review/ evaluation activities focused on design and implementation of DIB projects – including service provider selection, outcome funder engagement, metric selection.</p>

⁴ “Effectiveness” means the OECD DAC criteria of Effectiveness – A measure of the extent to which an aid activity attains (or is likely to attain) its objectives.

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attributes) for DIBs to be suitable; key tools; and the roles of stakeholders at different design stages.		making the design process more efficient and accessible to more service providers, outcome funders and investors.	continue and complete their implementation phase.	
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DFID completed an evaluability assessment ahead of developing this Terms of Reference. The evaluability assessment produced a useful framework that articulates the assumptions for how the DIB model can improve the performance and cost-effectiveness of development programmes, and provides some evaluative questions. This is included in [Annex A2 to this ToR](#), and may be useful to the evaluator in envisaging the breadth and depth of assumptions to be tested through the evaluation.

There is also an opportunity for DFID and the evaluation supplier to develop a DIB evaluation framework that helps other stakeholders who will use impact bonds in the future and have the opportunity to commission parallel learning activities, to encourage the building of a larger body of evidence that can be synthesised.

The evaluation questions above supersede the evaluation questions and framework set out in the DIBs Pilot Programme Business Case (see '[Documents/References](#)' section for link to the Business Case).

Scope of the Evaluation

The focus of the evaluation is the DIBs funding mechanism. The evaluation is intended to evaluate the impact bond mechanism and its effect on how the intervention was delivered, and the results produced by the intervention.

The evaluation should focus on the three DIB pilot projects that DFID is supporting. Based on the scope of the evaluation questions/objectives above, we expect that the evaluation will include

- a retrospective review of the process of selecting interventions and structuring the DIBs to inform first evaluation report in 2018,
- collection and analysis of the costs of different stages,
- consideration of the appropriateness of the outcome targets and payment mechanism,
- Analysis of the roles and engagement of different stakeholders throughout the lifecycle of the DIB.

Country coverage: DFID does not require the evaluator to visit all project countries – it is up to the evaluator to specify the field activities that are necessary to deliver the requirements of this evaluation efficiently. For information, the three DIB pilot projects are delivering activities in multiple countries: Village Enterprise is in Kenya & Uganda; the Education DIB is in Rajasthan, Gujarat and Delhi; and the ICRC HIB programme is managed from ICRC HQ in Geneva, but involves the building and running of new rehabilitation centres in Mali, Nigeria, and DRC). The wider stakeholders involved in each DIB (funders, investors) are based in Europe (mainly UK and Geneva) and the Americas (Canada, US, Colombia) and are easily contactable via phone and videoconference. It is possible that some of the stakeholders in each project will come together for project review meetings and broader DIBs market/knowledge sharing events.

Linkages to other relevant projects: The evaluator is expected to review work that is happening in the DIBs field more generally so that we can draw on learning outside of the 3 pilot projects DFID is supporting. A number of other impact bonds are in design, have halted design, or are reaching implementation stage (see Brookings Report)⁵. These include, for example, a new poverty graduation Impact Bond in Mexico, the Educate Girls DIB aiming to improve girls' learning outcomes in Rajasthan, and the Maternal Health Impact Bond in Rajasthan. These projects are considering including learning activities that consider the role of the funding mechanism.

DIBs by design include an evaluation or verification of the outcomes/ impact as defined in the payment conditions of each DIB. **Therefore there is no need for a standard impact evaluation to assess whether the desired outcomes of each intervention were achieved.** The evaluation should note that none of the DFID pilot DIBs include current *project level evaluation activities* that assess "how" the particular intervention or its components achieved the measured outcomes.

Relevant project level learning activities: A range of learning activities are planned for each DIB, focused on the DIB design process and the effects of using the DIB model. The supplier will therefore be required to work with learning providers to take advantage of any synergies (see Ways of Working and [Annex C](#)).

Evaluation Methodology

It is the responsibility of the Supplier to propose an evaluation methodology. The supplier should propose an evaluation approach and methods that are best able to meet DFID's evaluation purpose, objectives, questions and

⁵ https://www.brookings.edu/wp-content/uploads/2017/09/impact-bonds-in-developing-countries_web.pdf

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timelines DFID does not have a preferred approach or data collection method. DFID expects the supplier to make their causal reasoning explicit in their evaluation reports.

When assessing the evaluability of the programme, DFID felt that experimental designs for assessing the effectiveness of the DIB mechanism would be difficult to implement given the structure of the programme, and that most of the DIB projects have started implementation. We also recognise that these are 3 different projects, and the evaluation will only provide indicative learning/evidence, potentially identifying some commonalities across the three projects, but not generating evidence that can be generalised.

A key risk associated with the novel nature of these projects is that various evaluation and learning activities are planned within each project and for the sector overall. Engaging with all the activities is onerous for the project stakeholders, particularly service providers who are also focused on implementing effective programmes.

As far as possible, the evaluation supplier should work to avoid duplicating learning activities that are being completed under each programme. In the interests of transparency and efficiency, the evaluator should consider where it can reasonably collaborate with project level learning providers to leverage the data and learning outputs they are producing, in order to synthesise evidence across the three DFID DIBs pilots and non-DFID impact bonds as opposed to repeating data collection activities.

To provide confidence in the findings, it is important that the evaluation supplier uses an approach that enables them to provide an independent and unbiased perspective when answering the evaluation questions, but we also believe this does not remove the option for the supplier to collaborate and leverage programme level learning activities, for example through using data already generated in DIBs (e.g. budgets, activity costings, outcomes data, process reviews occurring under some of the projects that include document reviews and interviews with project level stakeholders on the process of designing, engaging with and implementing a project on a DIB basis). Our focus is on generating and disseminating relevant and reliable learning to inform future practice.

As part of their tender, Bidders are expected to set out their proposed evaluation approach and methods, an evaluation framework and demonstrate how this is best able to meet DFID's evaluation purpose objectives, questions and timelines. Bidders should explain the limitations and risks of their proposed approach and methods – and how these will be managed. Bidders should also explain what data they will rely on and collect. There is scope for bidders/evaluation supplier to propose amendments or suggestions to the evaluation questions, and to work with DFID to refine the evaluation questions further during the inception phase. The bidder is expected to clearly define the supply chain utilised in delivering this evaluation and that sufficient due diligence has taken place.

Data Sources

[Annex C](#) includes a table summarising the types of data that is expected to be made available by service providers and other parties to the DIB, and lists the key stakeholders in each DIB.

Access to key-stakeholders: DFID will facilitate access to the key stakeholders and decision makers in each DIB (service provider, other outcome funders, outcomes verification agent, project managers and project level process evaluators – as named in [Annex C](#)). Further these partners are willing to share with the supplier their process data, performance management data, and qualitative data, such as beneficiary feedback, subject only to privacy concerns and provided that doing so does not place an undue financial burden on providers. DFID will try to facilitate access to investors, but evaluators should note that DFID does not have a direct relationship with any of the investors, and the investors have not formally committed to share their data. The location of the stakeholders is also included in [Annex C](#).

Outcome Funder Management information: DFID is able to provide programme documents including: business case; memos explaining decisions to fund each pilot DIB; a record of the project appraisal process, negotiations, and decisions taken during the negotiation of each DIB; as well as project monitoring reports received from each DIB partner. We are aware that other outcome funders have similar project approval memos (but cannot guarantee access to these documents).

DFID can also facilitate the Supplier to connect with other organisations that are using impact bonds e.g. key stakeholders in the Mexican Poverty Graduation Impact Bond, the Maternal Health DIB in Rajasthan, Educate Girls DIB and others, depending on need.

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The Evaluation Supplier should not expect the DIB project service providers to provide all the data that they may desire in the following categories: beneficiary feedback, unintended outcomes, long-term results.

Evaluation Activities

DFID expects bidders to propose in their bids the activities that they think are necessary to meet the evaluation objectives and answer the evaluation questions. DFID expects that the activities would include, but would not be limited to:

- Initial planning and consultation
- Evaluation design. The overall technical approach and design for the evaluation should be clearly explained along with reasons for choosing the proposed design instead of other possible designs.
- Desk review of work that is happening in the field that we can learn from (including existing research and evaluation of development and social impact bonds) so as to draw on learning outside of the DFID DIBs Pilot Programme
- Design of data collection instruments (which should be reviewed by DFID)
- Data collection. Proposal should specify how qualitative and quantitative methods (if proposed) are going to be used together in a complimenting fashion. The methods and scope of data collection should be supported with clear arguments for need. Mechanisms for ensuring quality of data should be included in the proposal.
- Analysis and reporting. Details should be provided on how the analysis will be conducted, especially if mostly qualitative methods are used.
- Activities associated with a process evaluation of the DIBs Pilots and the DIB programme over their lifetime, including documenting relevant processes where this is not otherwise being done
- As far as possible, the supplier is expected to collaborate with the pilot project partners and work to use the data being generated by each pilot and their dedicated learning activities. This is to avoid stakeholder fatigue or mounting costs of engaging with various learning activities and to minimise duplication of effort. The evaluator is still expected to generate independent findings. During inception, clear lines of responsibility will need to be drawn to ensure the independence of the evaluation is maintained.
- The evaluation design and implementation must meet standard ethical practices.

Bidders should set out how they will deliver these activities in their proposals, and over what timeline, demonstrating the best value for money approach to deliver the evaluation while minimising costs.

Evaluation Outputs and Timeframe

The Evaluator is expected to produce the following evaluation outputs (“EO”). Each output will be reviewed by DFID’s Evaluation Management Team, the Evaluation Steering Group, and the DFID’s independent evaluation quality assurance service. It will be accepted if it covers the required content, evaluation questions and scope, and is designed, implemented and written to a good or excellent quality – as assessed by DFID’s evaluation quality assurance criteria. The evaluator will also be expected to submit evaluation instruments for quality assurance before starting data collection activities.

EO 1: Inception Report by 1 June 2018 (close of business)	
Expected Content	<ul style="list-style-type: none">• The Supplier is expected to set out the design of the evaluation in their bid. They will then have the opportunity to add further detail or make adjustments during the inception phase.• The inception report should include a detailed Evaluation Design that confirms the evaluation questions to be answered, the methodology, analytical plan, final staff resource allocation, work plan, timeline and milestones• The Report should include an updated Evaluation Framework for evaluating Development Impact Bonds, and a theory of change for how DIBs improve development programmes.• The Supplier should explain how they will leverage existing learning and evidence generation activities that are planned at the DIBs pilot project level – and how this will result in an efficient and cost-effective evaluation.• The design report should also include the instruments that the evaluator will use in upcoming evaluation activities e.g. to produce first evaluation report.• The report should also include an updated financial plan for the evaluation – including

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	<p>highlighting any savings that are possible following detailed design phase and engagement with project level learning providers.</p> <ul style="list-style-type: none"> • The evaluation design must meet standard ethical practices and should have been subject to the supplier's internal quality assurance process before submission. • A brief evaluation communications plan
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EO2 – Evaluation Report on the Process of designing and launching DIBs by 17 September 2018 (emerging findings sooner if possible)

Expected Content	<ul style="list-style-type: none"> • This report will provide early feedback on process of selecting and structuring DIBs to inform potential expansion of DFID's DIBs programme. • This should include estimates of the costs involved in the feasibility and structuring stages of the DIB for all parties. • It should make recommendations on the conditions that are needed for DIBs to be suitable, and recommend possible ways to reduce costs in the design, structuring, and implementation of DIBs. • The supplier should plan to deliver an initial findings presentation by 30 August 2018
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EO3 – Mid-Term Evaluation Report on DIBs by 30 September 2020

Expected Content	<ul style="list-style-type: none"> • This report is expected to answer most of the evaluation questions, by drawing out emerging lessons from the DFID DIBs pilot projects, as well as from evidence generated by other DIBs. By this time, two of the DFID supported DIBs pilots (Village Enterprise, and BAT Education Impact Bond) will be measuring outcomes that may trigger interim outcome-tied payments. • The report should pay particular attention to whether there is any evidence of perverse incentives being created through the DIBs. • It may not be possible to comment on the sustainability of the benefits at this time. • The report should include individual <i>case-study report / briefing</i> on each of the three DFID supported DIB pilot projects – drawing out findings for each DIB, noting any significant changes in implementation, and relevant performance management information and lessons learned.
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EO4 – Final Evaluation Report on DIBs by 30 January 2023

Expected Content	<ul style="list-style-type: none"> • The Final Report should cover the full scope of the evaluation as set out in this TOR, unless any adjustments to the scope have been agreed with DFID. • The report should summarise the lessons from the DIBs pilots and DFID pilot programme, with disaggregated reports by project where applicable. • The report should comment on the sustainability of outcomes post-intervention. For this reason, we propose that this final report should be completed at least 6 months after the ending of each DIB. [See Annex D Gantt Chart for anticipated DIB Pilot project timelines] • The Final Report should include case-study reports for each of the DFID supported DIB pilot projects – drawing out findings for each DIB against the evaluation framework, summarise the overall costs and benefits of each DIB, and commenting on the sustainability of the results achieved, and the lessons learned.
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Each of the Evaluation Reports above is expected to conform to key content standards:

- an Executive Summary of 1-4 pages
- a methodological section detailing the evaluation design and methods and how the approach covered all aspects of the terms of reference. This section should also highlight any constraints and how these were overcome
- terms of reference, and explanation of any deviation from the ToR that has been agreed by DFID
- list of people consulted / interviewed at different stages of the evaluation (check that people are happy to be listed and/or any reason why names should not be listed)
- list of documents reviewed
- Key findings that clearly follow from the evidence
- Relevant, useful and implementable recommendations based on the evaluation findings

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- Evaluation outputs should provide clear findings and *practical* recommendations for DFID and other stakeholders on ways we can develop and improve the DIB mechanism to drive innovation and value for money in development programmes.
- DFID's standard evaluation report template represents good practice for evaluation report
- Supplier will need to build in time to respond to any comments following the DFID review process

Lighter-Touch Interim Outputs

It is important that emerging findings inform the rapidly evolving landscape of Development Impact Bonds and similar impact-focused instruments, in particular DFID and other Stakeholder's use of them.

- **Annual Briefings:** The evaluation Supplier is expected to provide DFID and the Evaluation Steering Group with an annual briefing (a power-point presentation or short report) on the evaluation's progress, and setting out the next year's evaluation activities & timelines. Where appropriate, the briefing should highlight any learning or findings from the past year's evaluation activities (if there were any, and have not already been covered in an Evaluation Output) – helping the findings inform stakeholders earlier. This should be a low cost activity, not requiring any additional evaluation activities by the supplier. The evaluator is not expected to conduct evaluation activities every year. The opportunity to highlight findings will depend on the evaluation design proposed, and annual briefings may be limited to updating stakeholders on evaluation activities.
- **Evidence Webinars:** In their bid the evaluation provider should plan for a short 2 hour webinar and presentation that would help disseminate the findings from each Evaluation Report / output. The supplier would be expected to present at the event and respond to questions from the audience. DFID would coordinate each event and invite the relevant audience members. The supplier should anticipate that the webinar would be run first for the Evaluation Steering Group (during review of each Evaluation Report), and potentially then re-run or recorded for a wider audience of stakeholders interested in DIBs and similar mechanisms.

Contract Duration, Contact Adaptability and Break Points

The evaluation should get underway as soon as possible, with the ideal start date being 1 April 2018, and will last until March 2023 to allow all outputs to be produced and quality assurance to be completed.

DFID reserves the option to break the contract after each of the Evaluation Report outputs is completed. Continuation of the services after each output is produced will be based on agreement of the deliverables and on satisfactory performance and the progress of the Supplier against the specified outputs.

Skills and Qualifications of evaluation team

- Experience evaluating international development projects, including their cost-effectiveness
- Knowledge of social and development impact bonds, and the evidence and arguments for and against their use
- Knowledge and experience of other / traditional mechanisms used to fund international development projects
- Experience in assessing the costs of developing and managing international development projects and an understanding of how these might be different under different funding mechanisms
- Experience in joint or collaborative evaluations
- Relevant thematic expertise suited to each of the DFID pilot DIB projects, including in education outcomes, and livelihoods/income generation for very poor households, as well as cross cutting expertise in gender and disability.
- DFID welcomes the use of national/local consultants where this is appropriate to the delivery of the evaluation activities.

Ways of Working

There is an opportunity for the supplier to collaborate with the other learning activities funded at project level. To make use of this data, the supplier may benefit from a close engagement with the learning providers, to support them to enhance their analytical approach or data collection activities to reduce risks of bias and make the evidence they

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produce more reliable and sharable. The service providers and other donors to the evaluation have formally committed to participate in the DFID evaluation and to share data (see Annex C). We do not have a direct relationship with the investors but most are interested to participate in the evaluation. DFID will have access to the material produce by the providers as expressed in DFID accountable grant/MoU terms.

DFID will provide connections and contact details to the main stakeholders involved in each of the DIB projects as soon as the inception phase starts.

DFID will not provide any travel / logistical support to the provider, nor any support for any in-country appointments.

Evaluation Governance Arrangements and Stakeholder Involvement

The evaluation supplier's key point of contact will be the DFID DIBs Team Programme Manager.

Evaluation Management Team

- Role: Commissions, approves and manages the evaluation. Supplier reports to Management Team.
- Formed of: DFID DIBs Advisor and DIBs Programme Manager and PSD Evaluation Advisor.
- The DFID DIBs Programme Manager will be the evaluation supplier's day to day point of contact.

Evaluation Steering Group:

- Role: To review and agree the content and methodology at design stage. To review the products and the findings, and consider relevance of the recommendations. To confirm that the evaluation was implemented as planned, with robust methods robust, and that the findings follow from the evidence. To consider if recommendations are suitable/feasible and how recommendations will be acted on in the future. To take on board and disseminate the evidence.
- Formed of: Representatives of the stakeholders involved in each of the 3 DIBs – including the service providers: ICRC and Village Enterprise; other donors e.g. USAID, Belgium, Switzerland, British Asian Trust, MSDF; investors e.g. UBS Optimus Foundation; and involved project managers such as Instiglio, the DFID DIBs team, DFID PbR Advisor, and DFID Evaluation Advisor.
- Coordination: DFID Programme Manager will ensure the draft evaluation products are shared with members of the Steering Group, inviting the Steering Group's comments and feedback – either in writing or via a coordination session. DFID will consolidate the feedback into concise actionable comments that will be shared with the evaluator.
- Decisions: The Steering Group advises DFID. While DFID will seek to achieve consensus where differences of opinion emerge, DFID ultimately has discretion over the action to take.

EQUALS – DFID's Independent Evaluation Quality Assurance Service

- Formed of: Independent expert evaluation quality assurance service.
- Role: To review evaluation design and each evaluation report for content and quality, providing a quality score for each product based of specific quality criteria.

Contract Key Performance Indicators

The following indicators set out what DFID considers to be Good Performance by the Evaluator these indicators will be reviewed annually by DFID and the Supplier based on evidence of supplier performance during the contract lifetime. These may be adjusted during the life of the contract in consultation with the supplier:

Area	Description	Target Indicator
Delivery and VfM	Outputs are delivered on time, and do not leave any evaluation questions unanswered, and the analytical reasoning is clearly set out.	100% of outputs are delivered on time, answer all agreed evaluation questions and are rated good/excellent by EQUALS.
	Supplier demonstrates how evaluation approach and activities chosen represent value for money across life of contract.	Qualitative reporting by Evaluator
	Including proactive identification of efficiencies and savings – e.g. where opportunities arise that enable evaluator to leverage learning synergies and remove duplicative activities.	Value of savings generated.
Risk	Evaluator manages risks proactively, letting DFID	100% of outputs answer all evaluation

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Management	know if risks are emerging that could push the evaluation off track. If some questions are difficult to answer, informing DFID well in advance. Maintains a transparent and open relationship with DFID.	questions, or have sought agreement from DFID to amend or remove a question well in advance.
Financial Management	Robust cost control in line with contract. Accurate and timely submission of forecasting and invoices.	Costs remain within budget Forecasts are submitted on time, with ≤5% variance with actual expenditure.
Performance and availability of personnel	High quality team of personnel with relevant skills is maintained across life of evaluation. Knowledge is maintained across staff changes.	Performance of team. Personnel with appropriate level of expertise are available across life of requirement.
Stakeholder Engagement	Transparent, honest and collaborative relationship with the Service Providers and learning providers in DFID DIBs – with advance warning provided to stakeholders of need to engage with evaluator	Fewer than 4 complaints from service providers/ DIB stakeholders over (a) unexplained duplication of activities already complete by learning providers, (b) excessively onerous engagement of stakeholders by evaluator.
Consideration of the wider Outcomes tied / Impact Bond Field	Consideration given to the evidence being generated in the wider impact bond field, and proactive effort to facilitate the wider field to generate evidence	Evaluation outputs show how learning from the wider field has been considered.

Budget and Payments tied to Outputs

The Evaluator is expected to tie payments to delivery of the four main Evaluation Outputs – the Evaluation Reports – with each payment commensurate to the work involved in that stage. The payments will be made when each output is accepted by DFID as being of good or excellent quality, where the requirements have been met with no shortcomings.

We expect to see an efficiently designed evaluation that meets these requirements. We welcome efforts by the evaluator to find savings during the life of the evaluation.

The maximum budget available for this evaluation is £300,000 (exclusive of VAT)

Documents / References

- DIBs Pilot Business Case
- DIBs Pilot Business Case Addendum
- DIBs Pilot Programme Logframe
- Village Enterprise DIB – Instiglio's Learning/Process Review document (giving more info on their approach)

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Duty of Care

The Supplier is responsible for the safety and well-being of their Personnel (*as defined in Section 2 of the Contract*) and Third Parties affected by their activities under this contract, including appropriate security arrangements. *They will also be responsible for the provision of suitable security arrangements for their domestic and business property.*

The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

This contract will require the Supplier to operate in conflict-affected areas and parts of it are highly insecure. The security situation is volatile and subject to change at short notice. The Supplier should be comfortable working in such an environment and should be capable of deploying to any areas required within the region in order to deliver the Contract.

The Supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for their Personnel, taking into account the environment they will be working in and the level of risk involved in delivery of the Contract (such as working in dangerous, fragile and hostile environments etc.). The Supplier must develop their response on the basis of being fully responsible for Duty of Care in line with the details provided above and the risk assessment matrix developed by DFID (see Annex 1) of this ToR). The Supplier must confirm in their response that:

- They fully accept responsibility for Security and Duty of Care.
- They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

Acceptance of responsibility must be supported with evidence of capability and DFID reserves the right to clarify any aspect of this evidence. In providing evidence Tenderers should consider *and respond* to the following questions:

- a) Have you completed a risk assessment for this project that does not rely solely on information provided by DFID and are you satisfied that you understand the risk management implications?
- b) Have you prepared a plan that you consider appropriate to manage these risks (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
- c) Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
- d) Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
- e) Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
- f) Have you appropriate systems in place to manage an emergency / incident if one arises?

The positive evaluation of the Supplier's proposal for the provision of the Services and the award of this Contract is not an endorsement by DFID of any arrangements which the Supplier has made for the health, safety, security of life and property and wellbeing of the Supplier Personnel in relation to the provision of the Services.

We recommend that you make it easy for the review team to assess your responses by including a table in your tender pack that shows your responses to each of the Duty of Care acceptance and capability questions, and guides the review team to any supplementary evidence of capability that you provide.

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Annex 1 – Initial Country Risk Assessment by DFID

The programme under evaluation involves activities in multiple countries. DFID has provided an overall initial risk assessment for the programme locations as shown below:

DFID Overall Initial Project/Intervention Summary Risk Assessment Matrix

Dec-17

Read in conjunction with the FCO Travel Advisory on each country

Country	HIGH RISK LOCATIONS	MEDIUM RISK LOCATIONS
Date Conducted	Dec-17	
Theme	DFID Risk Score	DFID Risk Score
Location	For example: Abuja and Borno State in Nigeria; Mali; Kinshasa in DRC; parts of Kenya, including Nairobi; and the immediate vicinity of the India-Pakistan border.	For example, other project locations incl: Uganda (excluding Karamoja, which is not relevant to this project); Gujarat, Rajasthan, and Delhi in India (with exception of the area in immediate vicinity of the border between India and Pakistan where the Supplier is not required to travel).
Overall Rating	5 - VERY HIGH RISK	3 - MEDIUM RISK
FCO Travel Advice	5	2
Host Nation Travel Advice	N/A	N/A
Transportation	5	5
Security[*]	5	3
Civil Unrest	5	3
Violence/crime	5	3
Terrorism*	5	4
War	4	1
Hurricane	1	3
Earthquake****	1	3
Flood*****	2	3
Medical Services**	5	3
Nature of Project Intervention	3	2
Mean (ignoring nature of project)	4	3
Mode (ignoring nature of project)	5	3

1	2	3	4	5
Very Low Risk	Low Risk	Medium Risk	High Risk	Very High Risk
Low		Medium	High Risk	

*The FCO travel advice for Uganda, Kenya, Nigeria and Mali advises that there is a general threat from terrorism

**Medical facilities outside of Capital Cities, and particularly away from cities are limited

***FCO advise against all travel to Borno State. There is also a High Risk (4) threat of kidnapping across Nigeria and Maiduguri in particular

**** Earthquake risk is (3) on Indian border with Pakistan and in Delhi

***** Flash flooding can occur during the wet season in Nigeria; Eastern Uganda; and monsoon in North India.

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SUPPLEMENTARY ANNEXES

Annex A1: DFID Theory of Change for DIBs

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THEORY OF CHANGE FOR DIBs

Impact

Value for money, better results for poor people, money spent where it makes the most difference (i.e. outcome funders money deployed on effective programmes; while impact/risk investors provide the finance that enables more risky projects to happen).

Outcome

For outcomes such as those identified in the problem statement, the use of the DIB model results in development projects that are **more effective in achieving their target outcomes and more efficient in using outcome funder resources** than alternative funding mechanisms such as a grants, pay for services, or traditional Payment by Results models that do not engage an investor. The results achieved are at least as sustainable as those achieved with alternative funding mechanisms.

Interim Changes (assumed based on PbR Theory of Change, Brookings and Impact Bond Logic)



Risks

RISKS

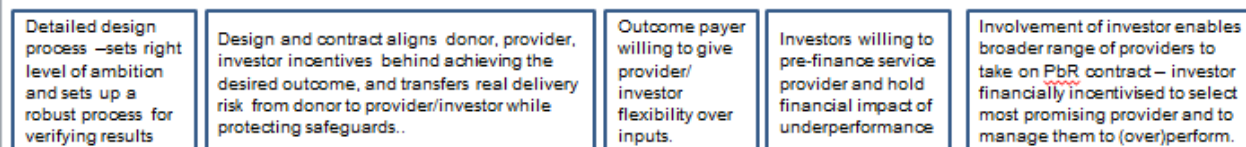
- Gaming of results – providers incentivised to only help the easiest/cheapest to help (not whole cohort)
- Tunnel vision – opportunities for project co-benefits are missed, complex causes of poverty not addressed
- Transaction costs are higher, and paucity of data
- Investors do not have or deploy suitable skills to assess/ manage/ help providers
- Providers / investors do not invest in suitable performance management system
- Force majeure risks occur preventing completion of contract

Output

Projects to achieve difficult outcomes are launched – because relevant providers are willing and able to take on PbR contract and outcome payers can transfer/share non-delivery risk.

Inputs – Costs and Activities needed to establish and run a project funded using a DIB model

Assumes robust DIB design process that establishes a contract structure that incentivises all partners (outcome payers, providers, investors) to collaborate and focus on finding an effective (and/or more efficient) route to achieving the desired outcome:



Problem – When Problems A and B combine, a Development Impact Bond (DIB) model may offer additional value to outcome funders

Problem A: Outcome Payers/ Donors want to achieve a specific (measurable) outcome for a population, but there is uncertainty (or complexity) over which inputs are needed to achieve the outcome cost-effectively. Donors may choose to pay on the basis of inputs/services delivered, and monitor that providers are delivering these, though this may not ensure that outcomes are achieved. Donors therefore carry a risk that they will have paid for inputs that do not achieve the desired outcome, or that the outcome was achieved less efficiently than it could have been because there was insufficient incentive to find the most effective and efficient approach.

Problem B: There is a rationale for using a Payment by Results approach (and PbR is possible), however, some potential service providers may be unable to secure suitable working capital to deliver an intervention and wait for payment on delivery of results, or unwilling to take on the financial risks associated with underperformance in payment by results contracts. This limits competition and could drive up prices/reduce quality of services.

Cause: Lack of evidence on what works. For example no evidence, or only promising but not proven approaches.

Cause: New target population with specific individual or contextual, tailoring of approach

Cause: Uncertainty over provider's ability to deliver intervention effectively (e.g. at larger scale, or because complex set of inputs and need for fidelity to intervention design)

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Annex A2: Initial Framework for Assessing Theory of Change for DIBs

Initial framework for assessing the Theory of Change behind DIBs, developed during DFID evaluability assessment

Inputs	Processes	Outputs/Impact
<p>Appropriate projects: What are their attributes? (eg, sector, problems/opportunities) addressed, innovative, calling for mature interventions, preventive, measurable baselines etc)?</p> <p>Funders/payers: How many? What are their goals and motivations? Was perceived transfer of risk/motivation? Were they easy to find and engage? Why?</p> <p>Providers: What are their characteristics? (eg, are they resource rich/capital constrained, are they used to PRR contracts, do they already have an appropriate monitoring system etc.)?</p> <p>Investors: What are their characteristics? (eg, commercial foundations, established new development, how many)?</p> <p>Intermediaries: Which intermediaries are involved? What roles do they play? Who do they represent? How were they funded?</p> <p>Capacity-building: What, if any, support has been provided to the stakeholders/prepared for the DIB? Has it been useful?</p> <p>Context: What contextual factors significantly influenced the development of the DIB?</p>	<p>1. Feasibility Were there any deal-breakers identified early? Were success factors identified early? What were they?</p> <p>2. Structuring the deal What were the challenges? Were they overcome? If so, how?</p> <p>What factors were important for projects to start/continue to proceed?</p> <p>3. Implementation What factors, if any, drove improvement? 1) Change in incentives (mgmt. and/or front-line) 2) Increase in flexibility/autonomy 3) Support from active investor</p> <p>Did these lead to the factors increase/focus on outcomes and delivery?</p> <p>Were investors/unders/payers active/passive in this stage? If active, did they add value?</p>	<p>Estimates of impact: Was the intervention successful? Does it seem that the funding instrument played a role in whether the intervention was implemented, or via the mechanisms implemented?</p> <p>Comparability to impact from using other funding instruments: Were the results of different approaches to similar projects funded using other instruments?</p> <p>Unintended outcomes: Were there any unintended outcomes, positive or negative?</p> <p>Engagement with beneficiaries: Did the DIBs create more roles for engagement between beneficiaries and service providers?</p> <p>Sustainability: Are there reasons to believe any outcomes achieved will be more sustainable than those achieved using the instruments?</p> <p>Repeatability: Would the various stakeholders participate in similar instrument in the future? Under what conditions?</p>
<p>Cost-effectiveness</p> <p>Costs and cost drivers: What were the duration and costs of the different participants? What factors drove the costs?</p> <p>Comparison with other funding instruments: How do costs compare with similar projects funded by different mechanisms?</p> <p>Cost-effectiveness: How does the effectiveness of the DIB compare with similar projects funded by different mechanisms?</p> <p>Additionality of funding: Was the funding of the DIB the new development? Does it do more effective uses? How was this judged?</p>		

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Annex B – More background information on each DIB Project

1 - ICRC Humanitarian Impact Bond for Physical Rehabilitation (HIB)

The International Committee of the Red Cross (ICRC) will be funded using an impact bond model to deliver a project that aims to increase the efficiency of its physical rehabilitation services compared to existing efficiency benchmarks. The Impact Bond model will enable the ICRC to secure 5 years-worth of finance upfront, which it will use to innovate, pilot and invest in improving the delivery of rehabilitation services– with the overall goal of using its resources more efficiently to assist more disabled people to regain mobility.

Under the impact bond model the ICRC has flexibility over how it delivers to achieve the agreed result. The ICRC plans to deliver a series of work streams under the project: a) the ICRC will build new 3 new centres in countries with significant unmet need (Mali, Northern Nigeria, Democratic Republic of Congo); b) train local staff to deliver high quality physical rehabilitation services in these centres; c) pilot and rigorously assess pilot efficiency improvement measures across eight⁶ existing ICRC physical rehabilitation centres, and build an digital Centre Management System that will be rolled out across all ICRC physical rehabilitation centres with the aim of improving efficiency and maintaining patient outcomes; d) operationalise the three new centres using improved operational protocols that are based on effective efficiency measures.

Project success will be measured using the Staff Efficiency Ratio which will count the number of patients who have regained mobility following the fitting of a mobility device divided by the number of staff working in the rehabilitation centre. This ratio will be measured in each of the 3 new centres operationalised by the ICRC.

To monitor patient outcomes, ICRC plan to generate, for example, participant exit surveys and videos of participants completing mobility tests. Where appropriate and feasible, ICRC plans to collect beneficiary feedback on services provided through SMS technology.

The project started in July 2017 and will end in July 2022, when the level of staff efficiency in the new centres will be measured. The ICRC will only be paid by outcome funders in July 2022. The size of the outcome payment depends on the level of efficiency achieved, and is scaled to incentivise greater efficiency savings. If the new centres operate less efficiently than past centres (or do not open) the ICRC and its investors will make a loss on their investment. But, if the centres deliver more efficiently, delivering services to more people with the same resources, then the ICRC and its investors will recover their investment and can make a moderate return on their investment.

DFID is providing £2m of outcome funding to the project. The total value of outcomes funding is ~£20m. Other donors contributing outcome funding to the project include the governments of Belgium €10m (~£8.8m), Switzerland CHF 10m (~£8m) and Italy €3m (~£2.6m). These outcome payments are tied to the Staff Efficiency Ratio and will be paid to the ICRC in full or part in July 2022 based on the level of efficiency achieved. In addition, the La Caixa Foundation has will make a €1m (£0.88m) payment to the ICRC once the new centres are built (year 3 of programme).

⁶ Cambodia, Pakistan, Myanmar, Zinder and Niamey in Niger, Mali, Togo, Madagascar

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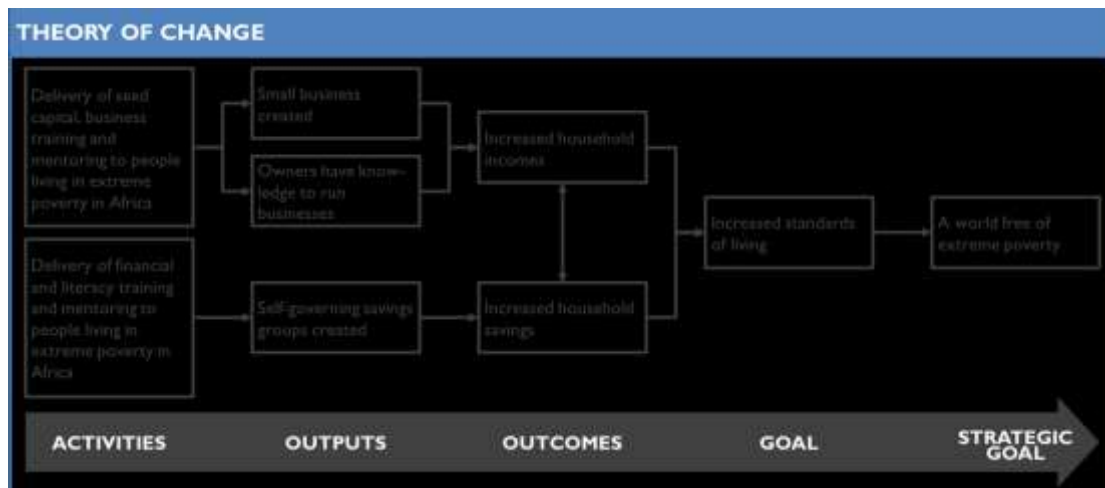
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2 - Village Enterprise micro-enterprise poverty graduation Impact Bond (VE DIB)

Village Enterprise will deliver a micro-enterprise graduation programme that aims to increase the incomes of individuals living on incomes of less than £1.90/day in Kenya and Uganda. A pay-for-outcomes model was preferred because graduation programme impact has varied based on location and implementation models. While there is an indication that capital-centric graduation programmes that combine enterprise training with seed capital to start a business, as well as other inputs (e.g. consumption smoothing activities or additional cash transfers) can have positive impacts on poverty reduction – there is uncertainty over the volume and type of inputs needed. Further graduation programmes that combine many inputs are often expensive.

Under the Impact Bond model, Village Enterprise will be paid \$1 for every \$1 of current and future increase in household levels of consumption (which is a proxy for income) that Village Enterprise achieves for participating households compared to households who are not receiving the intervention. The results will be measured using a cluster-designed Randomised Controlled Trial implemented by an independent evaluator 6-18 months after Village Enterprise have finished their intervention in order to monitor sustainability of benefits created.⁷

The outcome that donors will pay for and the payment formula used to calculate the payment is closely tied to Village Enterprise's theory of change, and the goal of the programme which is improved living standards and graduation from poverty. It was designed to incentivise achievement of the desired goals, while being measureable and preventing perverse incentives or gaming. It is also designed to incentivise Village Enterprise to deliver cost-effectively at scale, with the target number of beneficiaries expected to be greater than 12,660. It is also hoped that the model could be replicated for other graduation programme interventions.



Village Enterprise is raising the capital it needs to deliver the activities from private investors, who will share in the risk that if Village Enterprise does not deliver the results they may lose some of all of their investment in the programme. At the same time, investors may make a moderate return on their investment if Village Enterprise delivers to the same level it has in the past, or larger returns if Village Enterprise significantly increases the benefit it is creating for households. Village Enterprise will raise the investment they need overtime. This is different from the ICRC programme, where investors committed their investment upfront.

Under the impact bond model, Village Enterprise plan to implement their existing graduation model which consists of providing training, seed capital, and ongoing mentoring and support, to groups of three entrepreneurs – enabling each group to start a microenterprise. However through the DIB model, Village Enterprise has the flexibility (from the outcome funders) to adapt their inputs and activities to deliver greater impact for participating households, subject only to maintaining appropriate do no harm safeguards.

⁷ The RCT will measure households' assets (durable and productive assets), consumption (food consumption, recurrent expenses and infrequent expenses), and savings (sum of funds set aside in the organised business savings group and independently).

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The 5 components of the planned VE programme include:

- **Targeting:** VE works to identify individuals who live under \$1.90 a day and who 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.
- **Business Savings Groups:** BSGs are self-governing councils of ten 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.
- **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 microenterprise that they will start together.
- **Seed Funding:** Seed capital is granted to each group of 3, to enable them to start their business. In the past VE has provided seed capital of \$150. Using the flexibility available under the DIB, VE have decided to give 65% of business a \$150 seed, and the remaining 35% of households will receive \$450 to experiment a larger seed transfer and observe the impact. The capital investment is a grant, rather than a loan.
- **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.

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. Participants are expected to complete a small business application to be considered for funding. The form details the type of business to be created. To ensure the business is viable and will not have negative impacts, the Business Mentor, Field Coordinator, and Assistant Country Director review the form. This review also helps VE determine if there will be saturation of a certain business type. When that is detected, the Business Mentor and Field Coordinator engage with the business groups to develop plans for alternative businesses.

When creating their business plans, some participants will plan for multiple income generating activities (IGAs). This practice helps beneficiaries ensure income is smoothed year-round and helps hedge against risks of devastation in the case of failure of one IGA. The majority of participants start activities that involve livestock (41%). Other types of business include retail (35.4%), crops (24.3%), services (2.4%) and skilled work (1%). Village Enterprise's experience is that the entrepreneurs may start-off with one activity, but evolve into other and multiple types of activities overtime – generating different income streams.

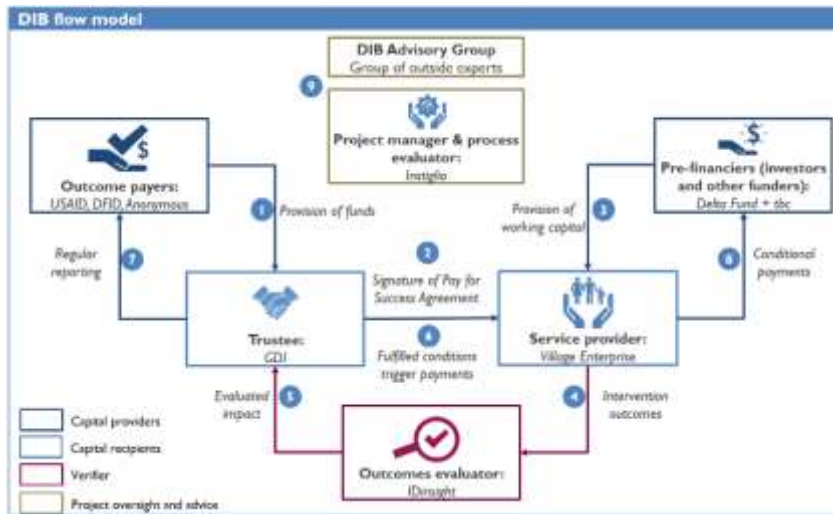
Given a seed funding transfer to beneficiaries, the payment calculation is based on resultant increase in household level of a) consumption and b) assets above the initial seed transfer.

DFID is an outcome funder in the project. The total outcomes payments available are \$4.3m. The total cost of the DIB and surrounding activities is \$5.3m (of which \$0.5m is for outcome verification activities, and \$0.07m for DIB learning activities). DFID is providing \$2m, USAID \$1.26m and Wellspring Philanthropic Fund \$2m.

The governance structure for the VE DIB is:

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3 - British Asian Trust to design impact bonds in South Asia

DFID is providing technical assistance to support the British Asian Trust to design and launch impact bonds in South Asia. The technical assistance includes DFID staff resources and grant financial support to the British Asian Trust to cover design and results measurement activities.

The majority of DFID's assistance will focus on the detailed design and launch of an impact bond to deliver better learning outcomes for up to 200,000 primary school children in India. DFID will support work to finalise the design of the impact bond, the legal structuring and performance management systems for the project as well as the design and implementation of the results measurement activities – that will ensure outcome payers are paying for verifiable quality results. The detailed design of the impact bond will occur in 2018, with the programme expecting to launch in December 2018. BAT aim to produce a DIB financial and programme management framework that is replicable, and would help to reduce costs when designing and structuring future impact bonds. The Impact Bond will include 4 education service providers (NGOs) that each have a different delivery model.

With DFID's support, BAT will also commission learning activities around the project. The aim of these learning activities is to (a) provide cross learning between key stakeholders in the social finance space (b) support the creation of shared tools and resources to enable the entry of new players in the impact bond market. The project will also generate data on the cost-effectiveness of different education interventions – through the impact evaluation and cost-reporting. There may be scope to also evaluate how each intervention delivered the services – which aspects of the services were most important in contributing/not to the outcomes (but this not certain, and has not been commissioned yet).

With DFID's support BAT will also commission research activities to assess the suitability and feasibility of using DIBs, SIBs (or similar PbR models) to deliver education or other sustainable development goals in other DFID priority countries in South Asia. This work will take place between December 2019 and December 2020, producing detailed feasibility studies by December 2020.

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Annex C – Stakeholders & data available in each DFID DIB Pilot Project

Type of Data	ICRC	Village Enterprise	British Asian Trust, (BAT)
Project Stakeholders	<p>Designer: ICRC and Kois</p> <p>Service Provider: ICRC</p> <p>Service users: In new ICRC centres, and the 8 pilot centres.</p> <p>Local Governments in Mali, DRC, and Nigeria.</p> <p>Donors: Governments of Switzerland, Belgium, UK and Italy, and La Caixa Foundation</p> <p>Investors: Led by Munich Re, plus 5 others</p> <p>Outcome verifier: Philanthropy Associates</p>	<p>Designer: Instiglio, Wellspring</p> <p>Service Provider: Village Enterprise</p> <p>Beneficiaries: 12,660 – 13000 households in Kenya and Uganda</p> <p>Donors: DFID, USAID, Wellspring Philanthropic Fund</p> <p>Investors: Delta Fund, 5-6 others TBC by March 2018</p> <p>Trustee (who holds outcome funders money and acts as counter party for DIB): Global Development Incubator</p> <p>Investors:</p> <p>Local Government: Local government representatives in Kenya and Uganda</p> <p>Project Manager: Instiglio (Includes stakeholder management, troubleshooting evaluation challenges, conflict resolution between stakeholders)</p> <p>Process evaluator: Instiglio</p> <p>Outcome Verifier: IDinsight RCT</p>	<p>Designers: British Asian Trust, Michael & Susan Dell Foundation, UBS Optimus Foundation, Dalberg.</p> <p>Service Providers: Gyan Shala, Educate Girls, Kaivalya, SARD (Society for All Round Development) – based in India.</p> <p>Service users/ Beneficiaries: 200,000 primary school children in Delhi, Gujarat and Rajasthan.</p> <p>National and district governments</p> <p>Outcome Funders: British Asian Trust, and others to be confirmed</p> <p>Investors: UBS Optimus will lead an investment pool of multiple private investors</p> <p>Performance manager: Dalberg will monitor provider performance and expenditure, helping problem solve, reporting on portfolio performance to the Investor.</p> <p>Outcome verifier: Gray Matters India</p> <p>Learning Partner: TBC via tender</p> <p>Wider stakeholders: private and public sector organisations, service providers interested in impact models in South Asia</p>
Design Phase	<p>Programme design documents – including programme summary documents and the detailed design work completed by Dalberg, and choice of centre locations.</p> <p>The design work also includes collection of data to establish a baseline for staff efficiency in comparable existing centres against which the staff efficiency achieved in the new centres will be measured</p>	<p>Project was designed (payment formula, evaluation design, and project structure) by Instiglio⁸ Instiglio is also providing project management and process learning services throughout the life of the VE DIB. Instiglio managed the process to contract signature, including designing the outcome payment formula (alongside the first donor Wellspring Philanthropic Fund). Instiglio coordinated weekly design calls, and recorded most of the key decisions taken by the working group (VE, outcome funders, Instiglio and trustee). Though not all stakeholder reflections are fully documented.</p>	<p>Access to stakeholders and documents generated through DFID funded design of the education impact bond (results verification, project management), as well as the feasibility and proof of concept work completed to assess if impact bonds can be used to deliver other development outcomes in South Asia.</p> <p>This includes creating shared tools and resources to enable the entry of new players in the impact bond market.</p>
Internal project level M&E Data	<p>ICRC is testing efficiency improvement measures in 8 other ICRC physical rehabilitation centres⁹. This includes an external partner's support, and mid-term reviews and a final evaluation of their</p>	<p>Village Enterprise has a comprehensive internal monitoring system, and routinely monitors all 5 aspects of programme implementation – targeting, business training, savings groups, business formation and mentoring. Collecting data on implementation and quality, including through spot checks. Field data is collected using remote monitoring</p>	<p>The following four service providers were competitively selected to deliver interventions under the DIB and be repaid for the outcomes they achieve: Gyan Shala, Educate Girls, Kaivalya, SARD (Society for All Round Development).</p>

⁸ Instiglio is an NGO that provides advice on results based funding models.

⁹ (i) Cambodia, PRC Kompong Speu; (ii) Mali, CNAOM, Bamako; (iii) Myanmar, PRC Hpa-An; (iv) Niger, Hopital National de Niamey; (v) Madagascar CAM; (vi) Togo CNAOL; (vii) Pakistan, Muzaffarabad; (viii) Niger, Hopital National de Zinder.

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	<p>efficiency improvement actions.</p> <p>Every ICRC patient goes through a standardised physical functionality test at the end of their treatment – which confirms the fit of the new prostheses, orthoses and wheelchairs and checks that the patient has regained sufficient mobility to carry out day to day tasks.</p> <p>Input, input cost data is available, including numbers of staff working in the centres – as this is integral to the staff efficiency metric that triggers payment. ICRC record expenditure for the HIB against a specific budget centre. Expenditure to date is reported to donors quarterly.</p> <p>Output data e.g. on the number of patients receiving (new and follow on) services at the centre, and patients regaining mobility, faulty devices is reported monthly in ICRC centres and quarterly to donors. It is also disaggregated by gender, age, location and type of mobility device and service.</p>	<p>systems and automatically synced. VE's M&E staff continuously monitor data accuracy.</p> <p>Targeting – this is completed by VE's local business mentors. VE aims to identify individuals who live under \$1.90 a day and who 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, with inclusion and exclusion criteria. A minimum of 10% of households administered the PPI by each business mentor is randomly selected to also be administered the PPI by an enumerator.</p> <p>VE uses mobile phone TaroWorks software to collect field level data and upload to salesforce. Management information includes, output reporting for logframe: such as attendance at VE trainings, #businesses started, #businesses receiving first and second transfers, proportion of businesses still operating at end of programme, mentoring services provided, proportion of beneficiaries using savings groups, gender breakdown of savings group leadership.</p> <p>VE enumerators and field staff (other than business mentors) conduct spot checks in the field to confirm quality of training, and participant attendance at training sessions, savings groups. VE has a separate cost centre for the costs associated with the VE DIB – to enable costs to be collected independently. VE also has internal training manuals – used to train field staff.</p>	<p>Each organisation has past experience/ track record of delivering similar education interventions and achieving results.</p> <p>Each provider has a different intervention approach for improving learning outcomes of marginalised children that range from (a) Direct whole school management including delivery of education services (Gyan Shala); (b) supplementary/remedial programmes to close learning gaps for children performing below grade-appropriate learning levels (educate girls); and (c) Principal/teacher training to improve quality of school leadership and quality and motivation of teachers (Kaivalya and SARD).</p> <p>British Asian Trust also expects to develop a real time data management system for service providers.</p>
Outcomes Verification Data	<p>ICRC's self-reported results data will be verified by an independent auditor who will visit a 5% sample of beneficiaries to confirm that they have regained mobility.</p>	<p>An Independent quality Evaluator with experience in quantitative evaluation methods (IDinsight) has been contracted to measure outcomes. IDinsight will verify that the seed grants were transferred to beneficiaries as reported by VE (photo evidence, and spot check phone calls).</p> <p>IDinsight is also conducting designing and implementing a cluster-based RCT to assess the effect of the VE programmes on household assets (durable and productive assets), consumption (food consumption, recurrent expenses and infrequent expenses), and savings (sum of funds set aside in the organised business savings group and independently). The baseline will be collected by VE before randomisation occurs. The baseline consists only of PWR and PPI data. We anticipate ~ 10,000 endline surveys will be completed.</p> <p>IDInsights evaluation approach is of a good quality.</p>	<p>DFID is supporting the design, contracting, and implementation of the outcomes measurement and verification process. The outcomes (improved learning) will be measured annually by Gray Matters India. GMI is an experienced learning outcomes evaluator in India, with quantitative evaluation experience. The design of the evaluation appears robust.</p> <p>GMI will measure learning impacts using an experimental design with (control and intervention groups assigned using proportionate to size random sampling at the school level). Learning will be measured using a sample of schools at baseline then annually. Anticipate 50 schools and 1000 children per grade for each of the 4 interventions. Learning gains are measured using a grade-appropriate tests in</p>

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			<p>literacy and numeracy that are aligned with relevant state curriculum. The data can be disaggregated. The GMI evaluation will determine outcome payments, and set aggregate learning gains targets per annum for each of the four education delivery models. Expect instruments to be piloted in June, and baselines to be collected in July 2018. Project to start in Sept 2018.</p> <p>The Performance Manager (Dalberg) will also have data on project level costs – enabling cost-effectiveness analysis to be possible.</p>
Long term Results	Provided the centres continue to operate, ICRC should continue to produce the same output and input data.	IDinsight will measure the final outcomes (i.e. impact on household assets, consumption) for households in VE's first 4 cohorts in the lean season in May-Jun 2020. This is 15months since VE ended its intervention with cohort 1, 12months for cohort 2, 8 months for cohort 3, and 4 months for cohort 4. Similarly IDinsight will measure outcomes for Cohorts 5-7 in May-Jun 2021 (10months from end of intervention for cohort 5, 8 months for cohort 6, and 4 months for cohort 7). See Gantt chart for how this also interacts with when the seed grants were paid.	Annual Results measurement, which allows tracking of cohorts over the 4 years that the providers are intervening. There is no outcome measurement planned learning outcomes of children after the interventions end.
Beneficiary Feedback	ICRC is considering build a beneficiary feedback mechanism using mobile phone technology. But this is not available yet.	VE engage closely with beneficiaries through business mentors who visit beneficiaries in field. VE also collect a small number of beneficiary impact stories, and have a grievance procedure. Currently the Outcome Verification process doesn't include "open feedback from beneficiaries" it focuses on assets/ consumption data.	
Project Reporting	Quarterly written reports on progress against workstream activities, timeline and also on risks. Also six monthly steering group meetings (where investors and outcome funders and ICRC come together to review progress and suitability of agreement terms)	There will be six monthly working group calls to review progress on the project, and risk management. Instiglio will produce the reporting for this. Village Enterprise will also submit the project logframe ever 6months, allowing progress against outputs to be monitored. Interim calls will be held as needed.	
DIB mechanism Learning activities	None.	Instiglio will also perform process evaluation activities which will assess the overall efficiency and effectiveness of the program, specifically surrounding the use of the DIB as an mechanism for scaling up the VE program. Instiglio will produce 3 reports (design phase; mid-term and final report). Instiglio will draw lessons from stakeholders through surveys, interviews, and project document reviews as well as their own experience of designing and managing the DIB. Given Instiglio's role in the DIB, this could not be considered as an "independent" process evaluation – but should still generate valuable insights. We expect this review to be of good quality. Instiglio are happy to share their instruments and will record the semi-	<p>With DFID's support, BAT will also commission learning activities around the project. The scope of work of the learning partner is still being defined, with aim of commissioning in Mid-2018. With the following areas of interest</p> <ol style="list-style-type: none"> 1) provide cross learning between key stakeholders in the social finance space on the potential of DIBs and SIBs to influence public sector challenges 2) support the creation of shared tools and resources to enable the entry of new players in the impact bond market.

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		structured interviews that they have with VE DIB stakeholders. The VE stakeholders have agreed that the recordings of the interviews can be shared with the DFID evaluation supplier. Instiglio will be running design phase interviews in January, alongside a field visit to VE in Kenya.	3) There may be scope to also evaluate how each intervention delivered services, which aspects of the services were important/not in achieving/not achieving the outcomes (but this not certain, and has not been commissioned yet).
Comparable past data	Baselines staff efficiency ratios from comparable existing ICRC physical rehabilitation centres.	From 2014 to 2017, a randomized controlled trial (RCT) evaluated the impacts of diverse components and variants of the Village Enterprise program – measuring impacts on households' assets, savings, consumption, income,	NGOs involved in the DIB, have past impact and cost data that is being used to inform outcome pricing.

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Annex D – DFID Indicative Programme Gantt Chart (subject to change)

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End of ToR