

A gap remains between donor funding of outcomes and ‘conventional’ impact investment

“Public sector” Outcomes Funding



Hybrid Model: Outcomes Fund with Impact Investment



Impact Investment: For- Profit & Enterprise-Based

- Non-profit service provider
- Minimal cash-generation / cost-recovery
- Needs to be on-budget for long-term sustainability
- Social investors* in first instance
- Most Development Impact Bonds in this space

- Social enterprise service provider: generates revenues but profitability unproven
- Two sources of return for impact investors: outcomes payments for public benefits + conventional private returns from enterprise investment

- Investable commercial enterprise
- But a need for public sector resource to de-risk: e.g. first loss in blended finance fund, guarantees
- And possible role of public sector resources to accelerate access/ market footprint

The ‘economics’ of these investment segments differs. In the ‘hybrid model’, public benefits justify public support for private enterprises: essentially ‘social structured finance’



“Economic
Characteristics” →

*Significant social returns but minimal prospects of enterprise-based private returns.
Example: neonatal mortality reduction*

*Enterprise activity does not maximize public benefits
Examples: pit latrine emptying, cookstoves **

*Majority of public benefits delivered by purely market-based activities
Example: offgrid solar*