

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

"Public sector" Outcomes Funding



Hybrid Model: Outcomes Fund with Impact Investment

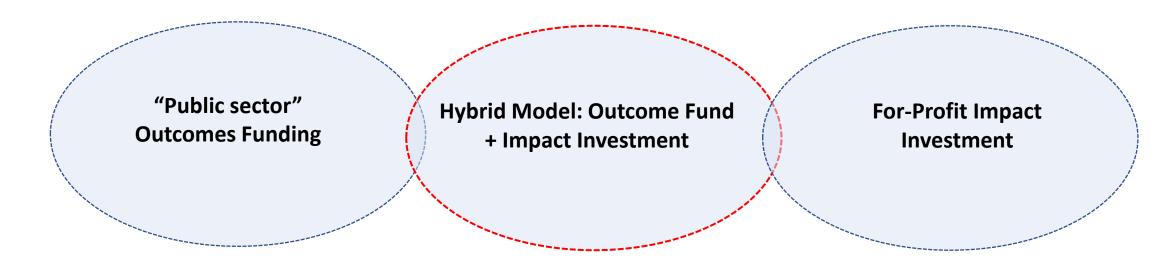


Impact Investment: For-Profit & Enterprise-Based

- 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 derisk: 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'





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