

# Lessons learnt from implementing pilot Development Impact Bonds

**What are Development Impact Bonds, and what do they achieve?** Findings from the third and final wave of the FCDO DIBs evaluation undertaken by Ecorys highlighted key lessons learnt from three FCDO-funded DIB pilot projects.

01



**Additional stakeholders do result in greater coordination and communication costs.**  
The role of the intermediary should be carefully considered, to ensure costs and benefits are proportionate.

02



**The use of validated administrative data versus experimental approaches should be guided by the policy objectives of the DIB and the geographical/sector context.**  
A more pragmatic approach could bring down evaluation costs and support scalability of future DIBs but will diminish the quality of the evidence produced and may diminish some of the DIB effects. There may also be potential in further aligning the verification and performance activities, to reduce costs and maximise benefits.

03



**Additional investment in performance management was a valuable component of the pilot DIBs and should be integrated into future DIBs where necessary to increase the model's benefit.**

04



**Measuring cost-effectiveness is extremely challenging.**  
We would encourage donors to stipulate financial reporting requirements within funding agreements.

05



**Appropriate service provider capacity-building should be embedded into the DIB.** Peer-learning may be an effective and cost-efficient way of supporting this.

06



**It is important to balance the 'black box' commissioning approach of an impact bond with ensuring minimum quality standards – such as adequate safeguarding policies – are in place.**

07



**Emergency situations should be accounted for within contracting.**  
Additional scenario-testing during the design and set-up phase to plan for and accommodate risk could be one way to address this.

08



**Striking a balance between complexity and usability for outcome payment formulas is key.** Complex metrics and outcome payment formulas could create scalability and replicability challenges.

09



**A large amount of the 'additional costs' of a DIB are incurred during the design phase.** This is a good sign, as replication may reduce these costs if DIBs continue to be designed and delivered.

10



**Additional DIB costs do not increase in relation to the scale of the DIB.** This suggests there are economies of scale in running larger DIBs.