

Outcome-Based Grantmaking

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Agenda:

- Overview of Outcome Investing
- Benefits and Challenges
- Examples
- Key Tax Considerations
- Questions



Summary of Directly Applicable Law



3

What is Outcome-Based Grantmaking?

• Is it . . .

- “results or incentive-based” grantmaking?
- “pay-for-performance” contracting?
- a “prize”?
- “recoverable grants”?
- nothing more than clearly defined targets and well-drafted milestones?

• One possible definition:

- *Incentivizing (or penalizing) a partner to achieve (or for the failure to achieve) **specific and measurable project outcomes**, often with grant funds directly linked to such outcomes.*

• Example:



4

Example: A Reinvented Toilet



- **Goal:** provide communal/public toilet services that result in a positive user experience (clean, safe, etc.) in resource-poor communities
- **Challenges:** significant project risk – cleanliness of toilets, responsibility and funding for maintenance, certainty of government matching funds
- **Approach:** Outcome Investing
 - Create data “baselines” and measure success in terms of replication of the toilet design/model outside the project area during the life of the project
 - Reward replication through modest incentive payments
 - If desired results achieved, more toilets, less donor subsidy, number of users expanded

5

What it looks like in practice: grant agreement

- **Award amount** – referenced as “up to” potential total disbursements
- **Milestones/Deliverables** – created as a results framework with baseline, target and “exceeds target” goals, with payments tied to achievement of target and “exceeds target.”
 - “Exceeds Target” phrased as an amount paid to grantee per toilet replicated outside the project area (up to a maximum)
- **Evidence of achievement** must be satisfactory to the donor; right to “audit”/inspect project records

6

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First appeared as part of the conference materials for the

36th Annual Nonprofit Organizations Institute session

"Outcome Based Philanthropy: Thinking About and Measuring Impact in an Increasingly Complex World"