

Evidence and insights from India's experience with paying for outcomes

8 September 2021

Convened by:



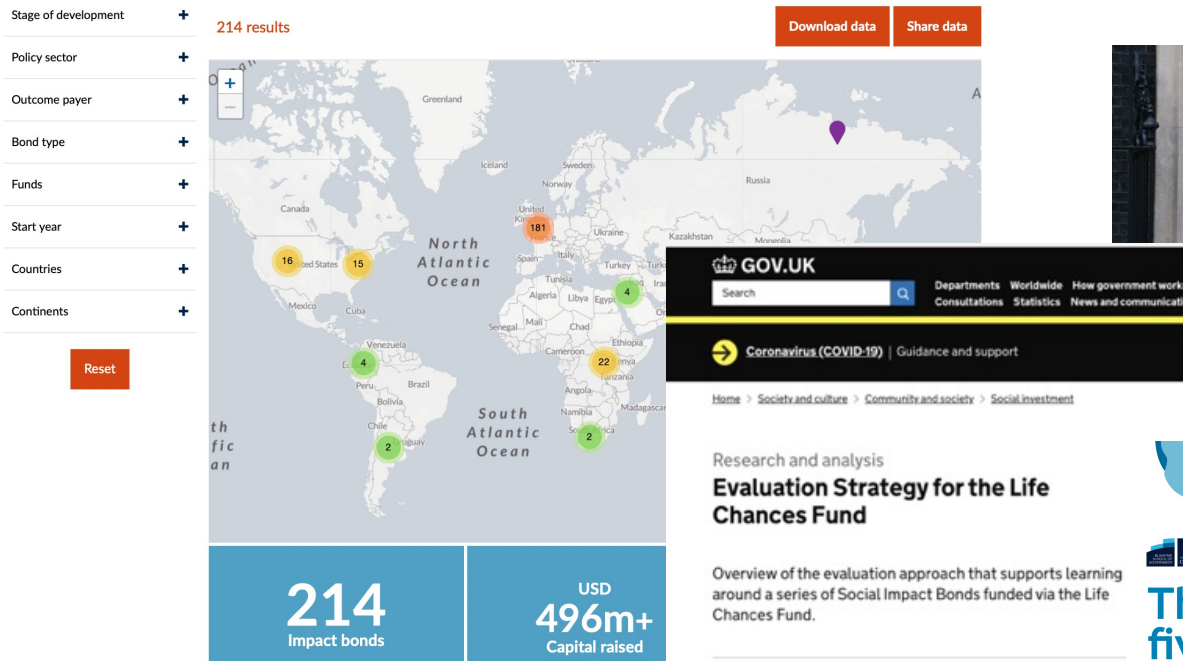
Introduction to the day



Dr. Mara Airoidi

**Director, Government Outcomes Lab,
Blavatnik School of Government**

The GO Lab



Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds

Clare FitzGerald, Eleanor Carter, Ruth Dixon & Mara Airoidi

To cite this article: Clare FitzGerald, Eleanor Carter, Ruth Dixon & Mara Airoidi (2019) Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds, Public Money & Management, 39:7, 458-467, DOI: 10.1080/09540962.2019.1583889

To link to this article: <https://doi.org/10.1080/09540962.2019.1583889>



The economic situation following the COVID-19 crisis has accelerated budgetary pressures which are placing on public services to demonstrate 'value for money' and 'value for money' in the current context. The toolkit provides a framework for assessing the value for money of public services and provides a series of tools to support the assessment process. The toolkit is designed to be used by public sector organisations and is intended to be used in conjunction with the toolkit for the assessment of public services.



Last updated 25 Jun 2021



Established in 2016

Partnership between UK Government & University of Oxford

We investigate government's role in unlocking effective cross-sector partnerships to improve social outcomes

Agenda

IST	BST	Description	Speakers
14.00	09.30	Welcome & Introduction	Mara Airoidi (Government Outcomes Lab) and Richard Hawkes (British Asian Trust)
14.10	09.40	Evolution of India's outcomes financing ecosystem: A case study	Abha Thorat-Shah (British Asian Trust) and Tanyah Hameed (Government Outcomes Lab)
14.20	09.50	Fireside chat: Driving an outcomes focused development agenda in India	Amitabh Kant (NITI Aayog) and Adil Zainulbhai (Quality Council of India) Moderator: Dr. Maitreyi Bordia Das, World Bank
14.50	10.20	Case in point: Presentations on learnings from recent outcomes-based programmes	'Scaling outcomes-based approaches using rate cards' by Dayoung Lee and Gagandeep Nanda, Dalberg Advisors 'Results and learnings from the Utkrisht Impact Bond' by Ellen Smith, Palladium 'Enabling government participation in outcomes funding tools' by Arunkumar Pillai and Dr. Avneet Kaur, National Skill Development Corporation Moderator: Abha Thorat-Shah, British Asian Trust
15.30	11.00	Keynote address: Reflections and way forward for outcomes-based financing in India	K Rajaraman, Ministry of Finance, Government of India
BREAK			
15.55	11.25	Stakeholder perspectives on the sector: Challenges, opportunities, and potential to collaborate for scale	Investors: Prachi Jain Windlass (Michael & Susan Dell Foundation) and Dhun Davar (UBS Optimus Foundation) Funders & Bilaterals: Alok Majumdar (HSBC India), Charlie Morgan (Foreign, Commonwealth & Development Office) and Gautam Chakraborty (USAID) Enablers: Ramraj Pai (India Impact Investors Council) and Krisha Mathur (British Asian Trust) Researchers: Tanyah Hameed (Government Outcomes Lab) Service Providers: Alison Bukhari (Educate Girls), Pranav Kothari (Educational Initiatives) and Kalyan Chakravarthy (PanIIT Alumni Foundation)

Welcome address



Richard Hawkes

**Chief Executive,
British Asian Trust**

Evolution of India's outcomes financing ecosystem: A case study



Abha Thorat-Shah

**Executive Director, Social
Finance, British Asian
Trust**



Tanyah Hameed

**Research & Policy
Associate, Government
Outcomes Lab, University
of Oxford**

1. Introduction
2. Early evolution in the Indian outcomes-based financing market
3. Early adopters who are driving growth
4. What has driven and enabled these early adopters to participate?
5. Lessons learnt along the way: stakeholder views
6. Challenges, and there are many!
7. Way forward - the route to scale?
8. Conclusion

Since the first impact bond was launched 6 years ago, the Indian outcomes-based financing market has evolved with several different instruments

First DIB in the world and Education

Educate Girls Development Impact Bond
Launched: 2015
Sector: Education
Users: 7300
Outcome Funding: \$422K
Investment Fund: \$270K

World's largest Education Impact Bond

Quality Education India Development Impact Bond
Launched: 2018
Users: Education
Beneficiaries: 200,000
Outcome Funding: \$9.18M
Investment Fund: up to \$3M

World's first maternal health impact bond

Utkrisht Development Impact Bond
Launched: 2018
Sector: Health
Users: 600,000
Outcome Funding: \$8M
Investment Fund: \$4.8M

Impact linked Debt Instrument in Education

Performance -linked Financing to Improve Learning Outcomes in Affordable Private Schools (*Varthana*)
Launched: 2017
Sector: Education
Users: 200,000
Fund Size: \$3M

First RBF to use CSR funding in India

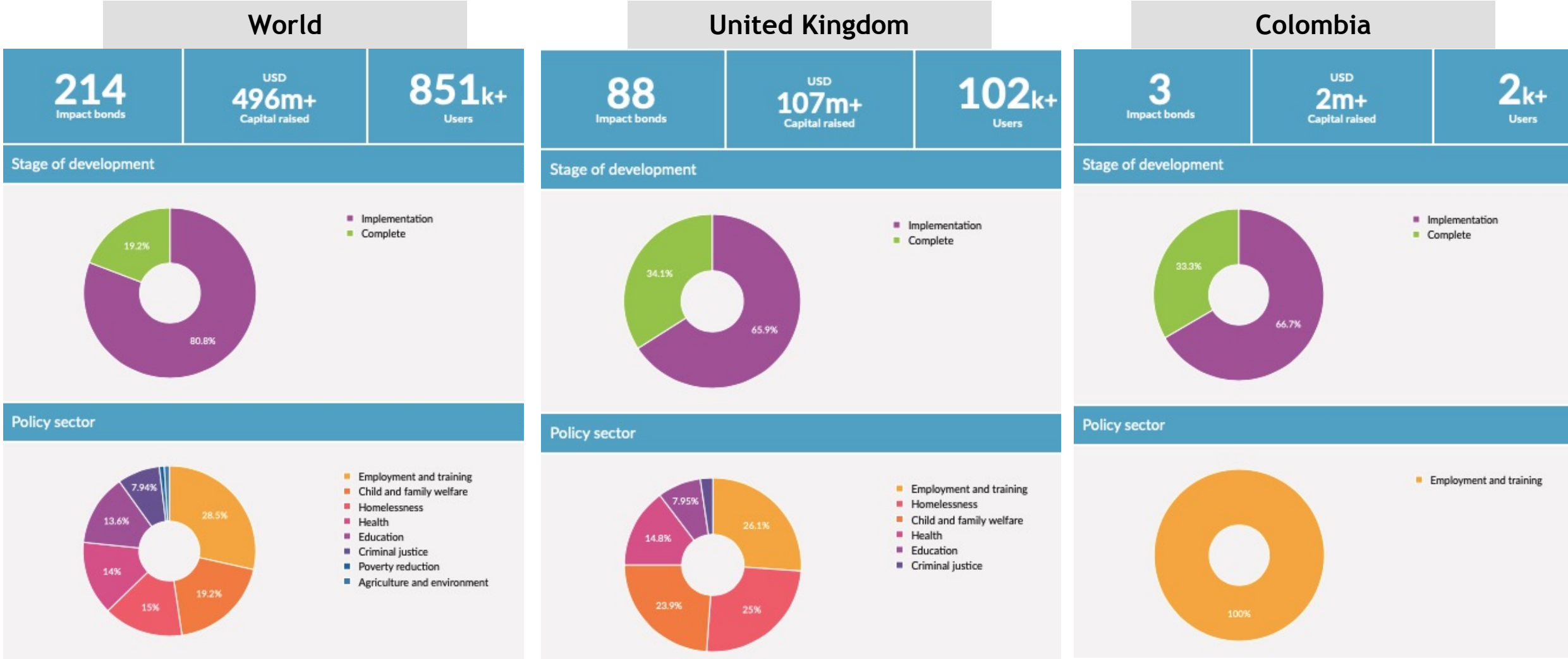
Haryana Early Literacy Outcomes 'Pay for Success' programme
Launched: 2019
Sector: Education
Users: 115,000
Outcome Funding: \$2.3M
Max. Performance Guarantee: up to \$0.45M

First Impact Bond with Government-body as investor

Skill India Impact Bond
To be launched: 2021
Sector: Skills & Employment
Users: ~50,000
Outcome Funding: \$14M
Investment Fund: \$4.1M

Source: Government Outcomes Lab Database, project websites / documents

Global state of play on impact bonds



Source: International Network for Data on Impact and Government Outcomes (Government Outcomes Lab)

Early adopters have been driving market growth

Phase 1: Early adopters

OUTCOME/ TECHNICAL FUNDERS



Phase 2: Market growth



INVESTORS



SERVICE PROVIDERS



TECHNICAL PARTNERS



Research objectives

Objective: To capture insights from key stakeholders in the Indian context, and use these to draw out learnings for the wider LMIC and outcomes-based financing context

4 research questions:

- How is the landscape for outcomes-based financing evolving in India?
- What is the rationale for using outcomes-based financing instead of traditional models?
- What have been the key learnings and challenges so far?
- What are some of the future trends, especially in terms of scaling and sustainability?

Methodology:
Qualitative methods-
survey and in-depth
interviews with a range
of stakeholders

In today's session,
we want to use
these emerging
insights as prompts
to guide the rest of
the discussion with
different
stakeholders

Rationales for using outcomes-based financing in India

Motivation

Enabling conditions

OUTCOME FUNDERS

- Driving focus on outcomes
- Efficiency in public spending
- New partnerships with government

- Strong collaboration driven by common goals
- Technical support from intermediaries
- Intermediaries helped convene stakeholders

INVESTORS

- Channeling funding towards better social outcomes
- Developing new investment structures
- Earning financial returns

- Alignment with social goals
- Availability of programme partners & a conducive ecosystem
- Flexibility in structuring investments

SERVICE PROVIDERS

- Scaling up successful services
- Flexibility in service delivery
- Accessing flexible & long-term funding

- Proven track record & prior experience
- Support from investors & performance manager

PUBLIC SECTOR

- Improving outcomes
- Building cross sector partnerships
- Encouraging innovation

- Private sector partners' reputation & expertise
- Technical support from intermediaries

Emerging lessons for stakeholders

OBF instruments can shift focus to outcomes & impact

Foster greater collaboration among stakeholders

Opportunity to strengthen independent monitoring, evaluation & learning systems

Encourage innovation in services & use of blended financing

Increased flexibility for service providers-
crucial in adapting services to Covid-19
e.g., use of digital tools

"Collectively we are able to get a better answer than we could have alone"

"Covid -19 tested all of our flexibility, and the impact bonds were able to provide a generous buffer to allow changes according to the changing environment"

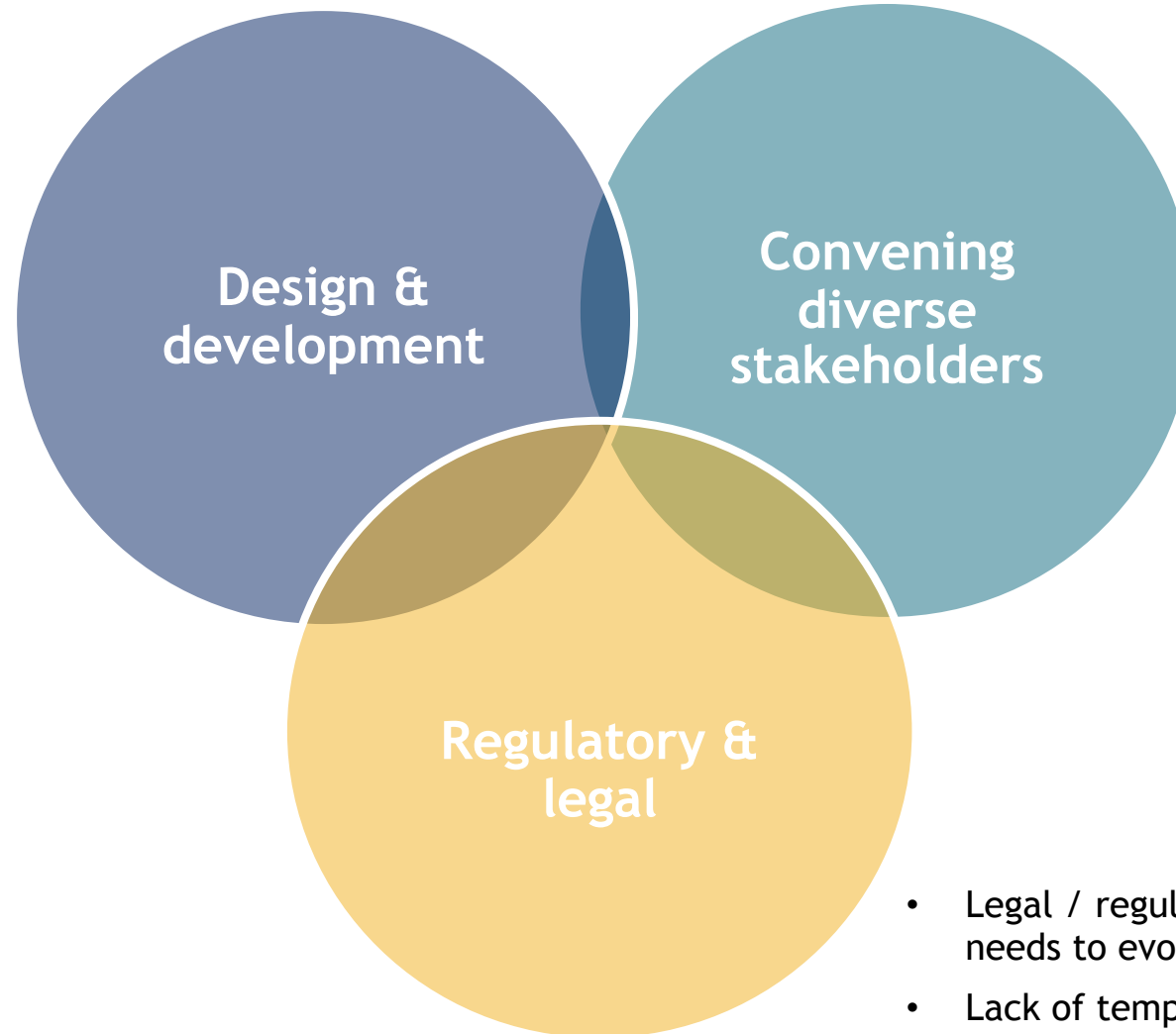
"Our monitoring and reporting capability has improved because of the DIB instrument"

"The impact bond can help us deliver what we want, at the price we are comfortable with, and at the quality that we have determined"



Key challenges for stakeholders

- High transaction costs
- Protracted design & development timelines
- Defining the right outcomes metrics & outcome prices is tricky
- Lack of templates for programme design and delivery



- Large number of stakeholders can be difficult to align
- Service providers would prefer having a more active role in the design process
- Stakeholders would benefit from more opportunities for cross-sectoral and peer learning
- Low risk appetite among local investors (preference for traditional investment models)

- Legal / regulatory system is still nascent - needs to evolve to facilitate OBF structures
- Lack of templates for contracts/legal documents

Way forward - routes to scaling & sustainability

Government buy-in and participation is crucial for scale

- **Government** can drive scale as an outcome funder
- **Partnerships** and **technical support** for government departments will be vital
- Key to **share performance data & contracts**, and to **develop templates & frameworks** to facilitate government participation

Wider market growth and evolution is a necessary complement

- **Development of market institutions & independent research centers** to enable **data & knowledge sharing** across stakeholders
- **Development of monitoring & evaluation frameworks / templates** to scale programmes
- **Development of outcomes funds** that can help pool funding & simplify legal structures
- **Local capacity building of service providers and technical partners** must continue- extensive performance management could help improve & sustain quality
- **Clear exit strategies** must be defined for existing and future outcomes-based financing projects

Some prompts for the discussion today

- How can the evidence from global case studies, or other LMICs help India scale outcomes-based approaches?
- How can the emerging evidence from India inform best practice elsewhere?
- How can the public and private sector work together on scaling OBF in India?
- What are the most helpful tools and guidance for practitioners and policymakers?

Fireside chat: Driving an outcomes focused development agenda in India



Amitabh Kant

**Chief Executive Officer,
NITI Aayog**



Adil Zainulbhai

**Chairman, Quality Council
of India**



Dr. Maitreyi Bordia Das (Moderator)

**Practice Manager, Urban, Resilience
and Land Global Practice, World Bank**

Case in point: Presentations on learnings from recent outcomes-based programmes



Dayoung Lee

**Associate Partner,
Dalberg Advisors**



Gagandeep Nanda

**Senior Project Manager,
Dalberg Advisors**



Ellen Smith

**Utkrisht Director,
Palladium**



Arunkumar Pillai

**Chief Strategy Officer,
National Skill Development
Corporation**



Dr. Avneet Kaur

**Head International Collaborations
and Corporate Strategy, National
Skill Development Corporation**

Showcase I: Scaling outcomes-based approaches using rate cards

Presented by Dalberg Advisors

As QEI DIB is coming to an end, we wanted to draw broader lessons for the outcomes-based financing ecosystem in education in India



These answers can help scale outcomes-based financing

QEI DIB suggests that outcomes-based mechanisms can further help improve outcomes

1

50%

higher learning outcomes for outcome-based funding compared to non-results settings for same interventions/ organizations, costs not higher



Enhanced accountability



More flexibility & innovation



Emphasis on monitoring & evaluation

There are many ways to improve outcomes focus



Performance bonuses / penalties for implementors



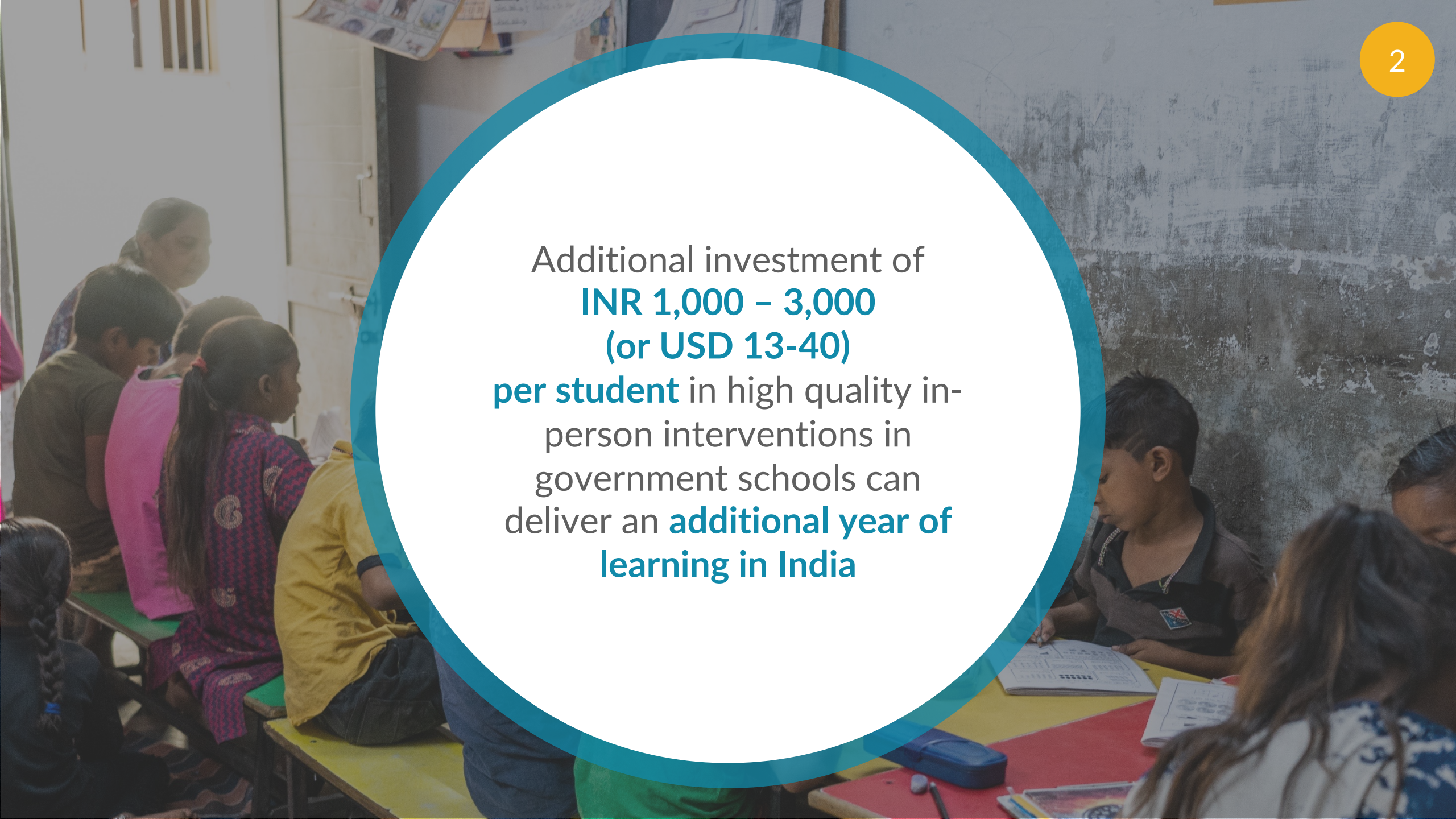
Performance incentive for school/program stakeholders



Impact bonds



Performance-based selection and multi-stage contracting

A photograph of a classroom in India, showing several young students sitting at their desks. The students are of various ethnicities and are wearing colorful clothing. The classroom has a simple, somewhat worn appearance with a white wall and a wooden door. A large white circle with a blue border is superimposed over the center of the image, containing text.

Additional investment of
INR 1,000 – 3,000
(or USD 13-40)
per student in high quality in-
person interventions in
government schools can
deliver an **additional year of**
learning in India

During school closures, deploy 'phygital' models to maximize learning gains

3

Despite nation-wide learning losses, QEI interventions combining physical and digital support helped achieve meaningful gains...

'Phygital' remote models can help achieve at least

1/3 of the learning achieved in a regular gov't school setting (pre-Covid, without interventions)

SARD (an education NGO) increased reach by **15-20%** by complementing digital with in-community interventions

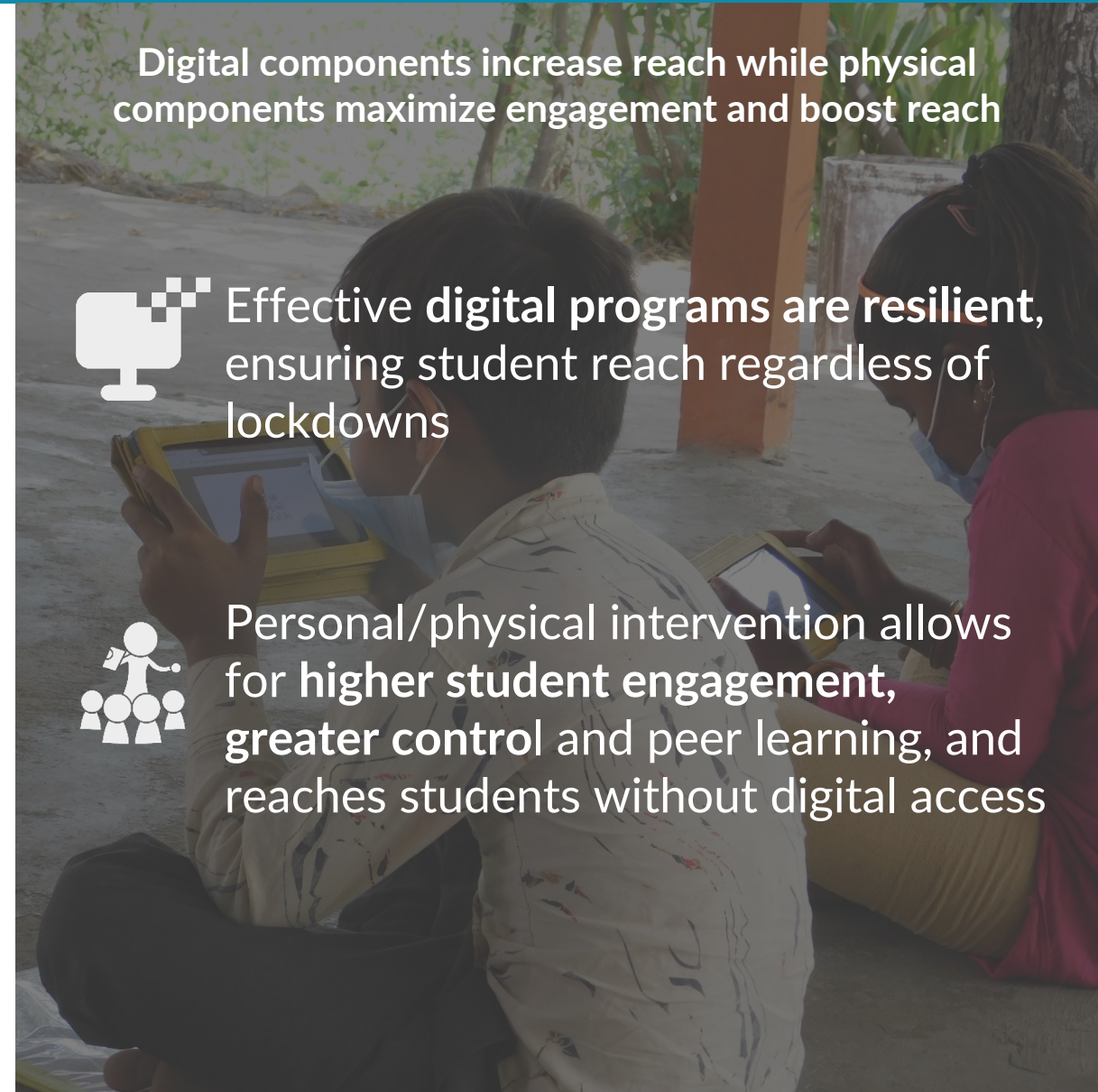
Digital components increase reach while physical components maximize engagement and boost reach



Effective **digital programs** are **resilient**, ensuring student reach regardless of lockdowns



Personal/physical intervention allows for **higher student engagement**, **greater control** and peer learning, and reaches students without digital access



As schools re-open, adopt remedial, TarL, and EdTech interventions can help students catch-up and accommodate varying learning levels

3

Remedial and TarL are among the most cost-effective interventions that can be easily adopted...

...while EdTech can be powerful with the right resources



Only INR 1000-2000 cost per additional year of learning



Effective at delivering outcomes even in **low resource settings** as requires only basic human resources



Adaptive EdTech effective in higher resource settings with required infra; only intervention to show evidence of effectiveness in secondary grades



Non-adaptive EdTech can be cost effective, particularly if implemented as a complement to high quality instruction and with supervision



As we look ahead, there is need to further bolster our evidence base to make the case for scaling outcomes-based financing

Build outcome-readiness of implementing organizations (*e.g., MEL capabilities, focus on precise execution and program planning etc.*)

Collect cost data and disaggregated data (*e.g., by gender, rural/urban*) to measure efficiency along with effectiveness

Fund interventions and evaluations in areas where there are big gaps (*e.g., middle/senior grades, low-capacity states, rural areas*)

Showcase II: Results and learnings from the Utkrisht Impact Bond

Presented by Palladium

THE UTKRISHT IMPACT BOND.

IMPROVING MATERNAL
AND NEWBORN
HEALTH CARE IN
RAJASTHAN, INDIA



Utkrisht Development Impact Bond

Launch date	May 2018
Implementation Manager	Palladium
Outcome Funders	MSD for Mothers & USAID
Service Providers	Hindustan Latex Family Planning Foundation Promotion Trust (HLFPPT) & Population Services International (PSI)
Investors	UBS Optimus Foundation
Verification	Mathematica Policy Research
Beneficiaries	360-440 small private health facilities
Intervention	Support for facilities to prepare for accreditation under national accreditations schemes (NABH & Manyata) for maternal and new born health care
Use of outcome funds	Up to USD 8M
Payment metric	Verification that facility is accreditation ready
Duration of impact bond	3 years
Investment return rate	7.1% expected IRR for UBSOF, capped at 8%



Pace of outcomes achieved vs plan: Continuous adaptation to emerging circumstances



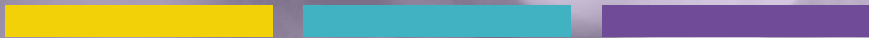


Adaptive Management: COVID-19

- **Teaching facilities how to work remotely**
- **Communicated latest COVID-19 information and protocols for health facilities from WHO and Indian governmental authorities**
- **Coached on topics such as setting up COVID-19 screening checkpoints**
- **How to manage COVID-19 during maternity care**
- **Connected facilities without enough personal protective gear to suppliers**


**What does that
mean for the
future of such
financing in India?**

**How can we build
on Utkrisht?**



Showcase III: Enabling government participation in outcomes funding tools

Presented by National Skill Development Corporation



Enabling Government participation in Outcomes Funding Tools

National Skill Development Corporation

Social Outcomes Conference | 8th September 2021

Agenda

1. Background
2. Skill India Impact Bond (SIIB)
3. Way Forward



NSDC is the nodal Public Private Partnership (PPP) Institution for skill development in India ...



NSDC set up in 2009 as a private sector led body driven by market needs and nation's priorities

51% shareholding – *Private Sector*.

49% shareholding- *Govt. of India*

Investment Manager of the National Skill Development Fund (NSDF) with an initial corpus of USD 250 mn

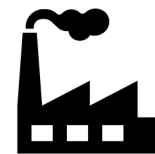
NSDC original mandate

Catalyze the development of the skill development ecosystem

Fund Private sector training capacity creation
Develop a Labour Market Information System (LMIS)



Public (49% shareholding)



Private (51% share holding)



Our Impact story over the last decade...

Fund Loan, Grant and Equity	Create Training Capacity	Deliver Outcomes Skills and Jobs	Deliver Impact
<p>~250 mn USD to catalyze creation of quality training institutions & value chain providers</p> <p>~ 400 mn USD Attracted Private sector investments in skills</p>	<p>669 Training Providers</p> <p>10,846 + Training Centers</p> <p>738 Model Centers one in every district</p> <p>50 Lakh per annum Training Capacity</p>	<p>28 mn Candidates Trained</p> <p>~50% Provided jobs</p> <p>Inclusion agenda 50% women, high minorities, PWD</p>	<p>2X Chance of employment for trained and certified</p> <p>15% Report rise in income</p> <p>79 % report increase in confidence to navigate labour market</p>

Enable - Growth of Ecosystem							
<p>18mn USD Seed funding to Sector Skill Councils</p>	<p>36 Sector Skill Councils formed</p>	 Industry partnership	 Training Standard	 कौशल पुस्तकालय Curriculum Content	 Trainers & assessors	 3 rd Party Assessments	 Skill India कौशल भारत - कुशल भारत Digital Skills
Robust technology platform to operationalize, track and monitor							

We have identified 3 areas of focus for us in the next phase of evolution and are using impact bonds to drive this transformative change ...



Build Evidence for Outcomes Approach in Skilling

Successful delivery of outcomes via Impact Bonds can help prove effectiveness of outcomes approach in skilling within the Indian context and provide the evidence needed for government adoption



Bring in private sector capital

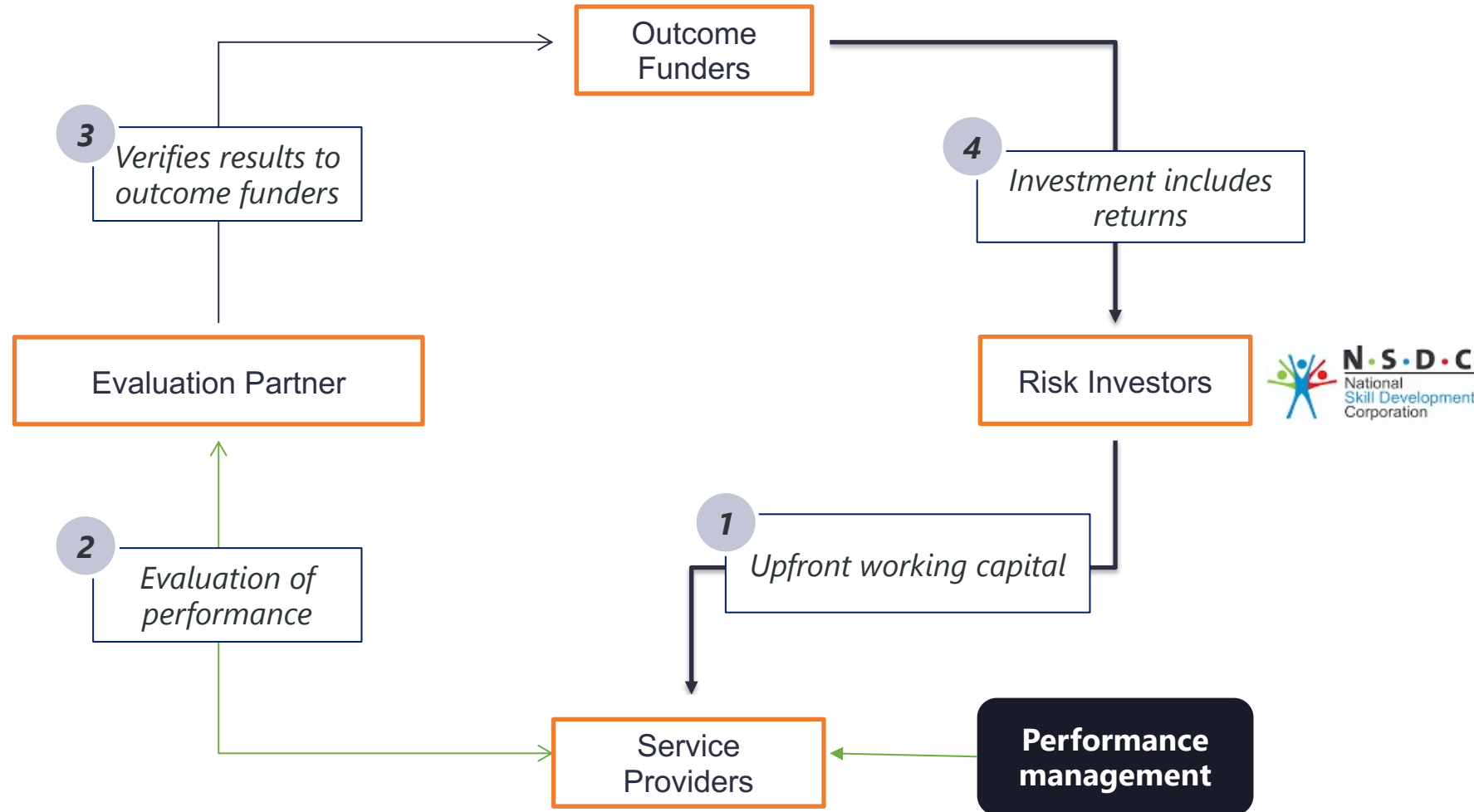
Impact Bonds can help bring in private sector funding to provide both risk-seeking investments or philanthropic funding to pay for specific outcomes



Identify & Scale Most Effective Blended Skilling Models

Impact Bonds can help identify and build evidence for scalable intervention models that are most effective in bridging the skill gap and delivering employment outcomes

The Skill India Impact Bond brings together a strong consortium from skilling, livelihoods and social finance sectors...



SIIB aims to change the incentives towards placement and retention outcomes...

Translate skilling into large-scale paid employment, especially for women

- Women participation in labour force is low (**~24% in 2011-16**)
- Skilling outcomes are highly inadequate. **Only ~10 of every 100 women** enrolled in skilling-programs, stay in jobs for 3 months+
- Current financial structures provide limited motivation for training providers to focus on placement and retention.
- **COVID 19 has accentuated existing challenges and introduced new ones, but can also act as a catalyst for change**

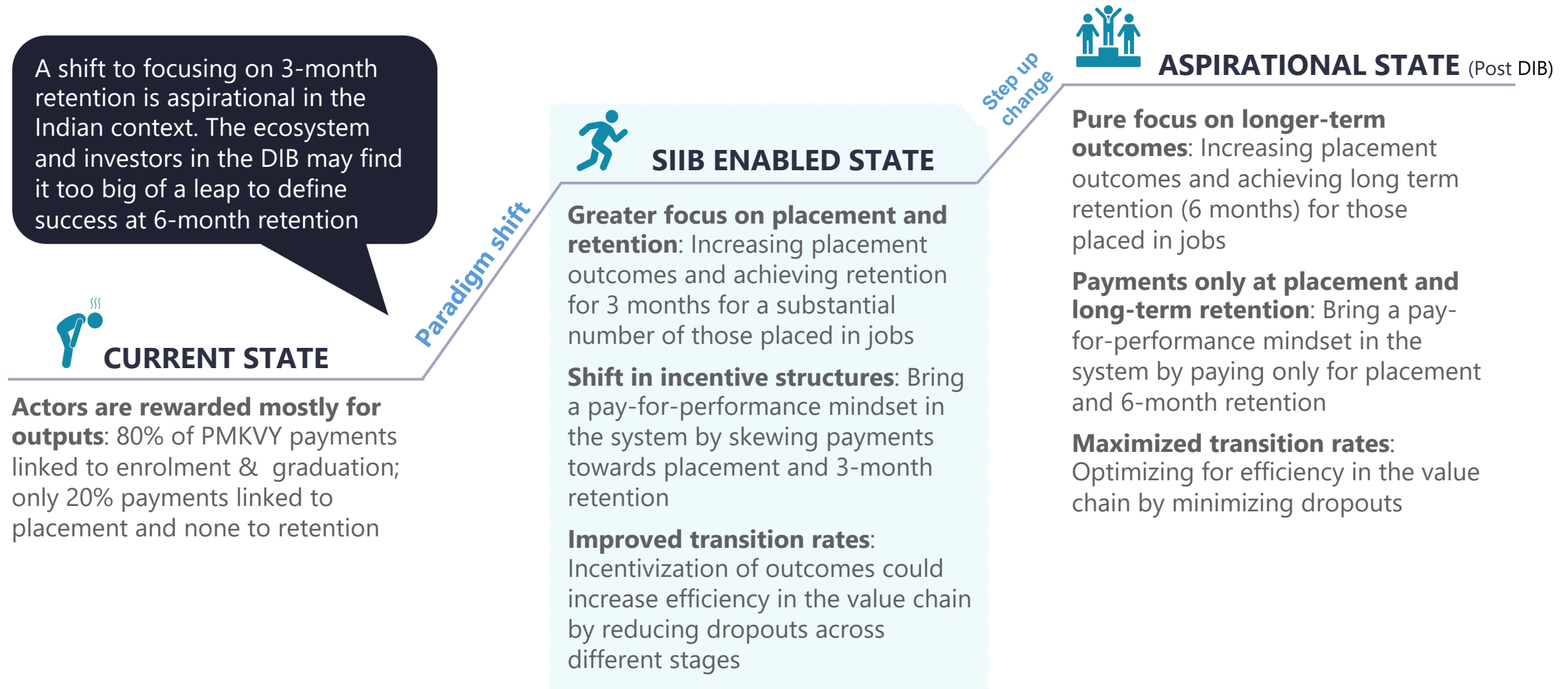
Create new incentive structures, anchored on outcomes, drive innovation, and create proof of feasibility for national level change

- Shifts focus and efforts towards placement and retention by shifting payments towards outcomes
- Delivery of outcomes is supported by significant innovation, driven by the availability of unencumbered, "flexible" capital for training partners
- Impact bonds provides the ability to trial various operating models & innovations, through a portfolio of training partners, allowing best ideas to surface

Institutionalize outcomes-focus, innovations, and learnings in the national skilling ecosystem

- The focus is on generating livelihood in sectors such as healthcare that are aspiration, especially in the current and post COVID scenario
- Given the enormity of the envisaged change, a phased approach is recommended, providing time for the ecosystem to evolve and innovate towards the achievement of outcomes

Given this is the first instrument of its kind & the state of the sector, SIIB will be a stepping stone...



Agenda

1. Background
2. Skill India Impact Bond (SIIB)
3. Way Forward



NSDC seeks to institutionalize and mainstream SIIB learnings...



Provide proof of feasibility for the Government and the broader ecosystem to shift financial incentives to placement and retention

Bring gender lens focus to skilling

Women expected to be ~62.5% of total beneficiaries (3-month retention) –the impact bond can help derive significant learnings in relation to the translation to long-term paid employment from skilling for women

Drive innovation and learnings to improve efficiency for the sector – reducing drop-offs is a key objective from the first year

Reduce drop-offs, driving stronger outcomes and greater cost efficiency. ~60% to 75% of enrolled female beneficiaries to 3-month retention in job (vs ~10-20% for the skilling industry at large)

Enabling stronger employment market orientation to drive innovation on this front

Robust M&E to drive better measurement and achievement of long-term retention outcomes.

Help the emergence of resilience skilling and livelihoods models in the post-COVID world

Focus on aspirational and high demand sectors (e.g. healthcare) and job roles, helping serve the needs of the country in the post-COVID world

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Keynote address: Reflections and way forward for outcomes-based financing in India



K. Rajaraman

**Additional Secretary to Government of India,
Investment, IER & Admin. Department of
Economic Affairs, Ministry of Finance**

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Break out Session: Stakeholder perspectives on the sector: Challenges, opportunities, and potential to collaborate for scale

Investors

- Dhun Davar, UBS Optimus Foundation
- Prachi Jain Windlass, Michael & Susan Dell Foundation

Funders & Bilateral

- Alok Majumdar, HSBC India
- Charlie Morgan, Foreign, Commonwealth & Development Office (FCDO)
- Gautam Chakraborty, USAID

Enablers

- Krisha Mathur, British Asian Trust
- Ramraj Pai, India Impact Investors Council

Research

- Tanyah Hameed, Government Outcomes Lab

Service Providers

- Alison Bukhari, Educate Girls
- Kalyan Chakravarthy, PanIIT Alumni Foundation
- Pranav Kothari, Educational Initiatives

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