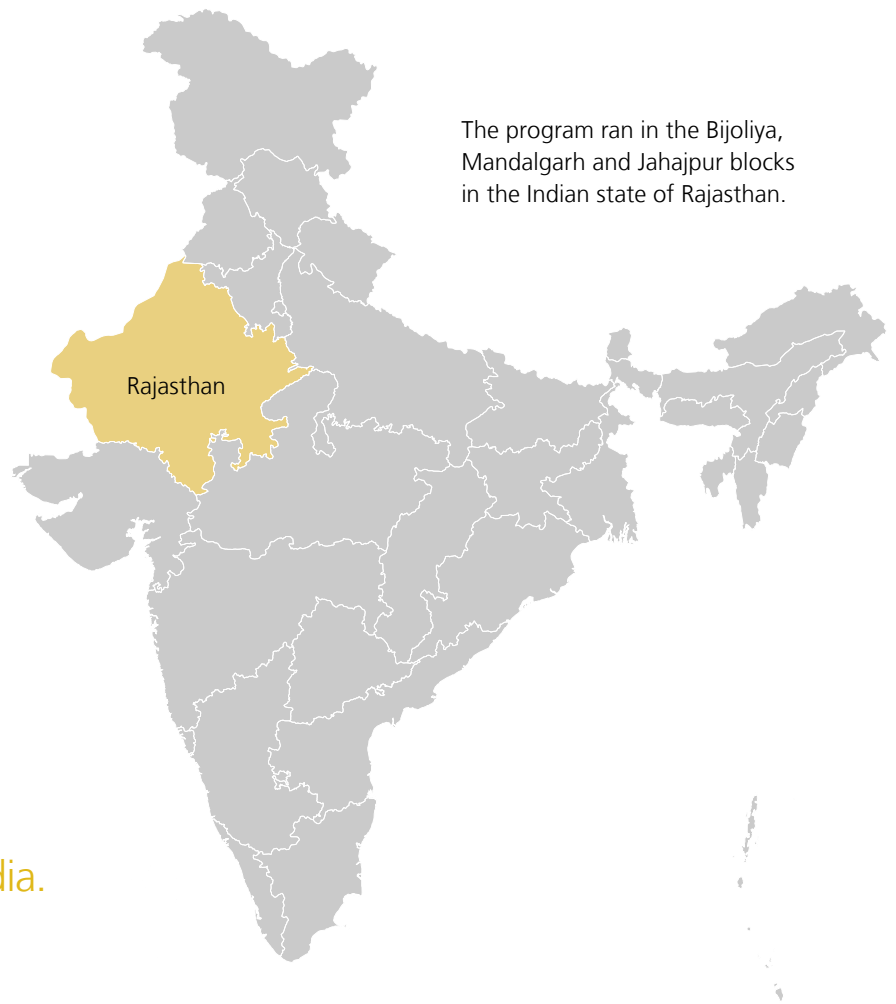


# Knowledge is power

The world's first **Development Impact Bond** in education.





The program ran in the Bijoliya, Mandalgarh and Jahajpur blocks in the Indian state of Rajasthan.

## Enrolling out-of-school girls and improving quality education for children in rural, remote and marginalized communities of India.

### **How? By launching the world's first Development Impact Bond in education**

The Development Impact Bond (DIB) provided operational and financial flexibility for Indian NGO Educate Girls (EG). It achieved 116% of the enrollment target and 160% of the learning target in its final year. These are impressive results, particularly considering students' progress on learning was still lagging behind after the first two years of the program.

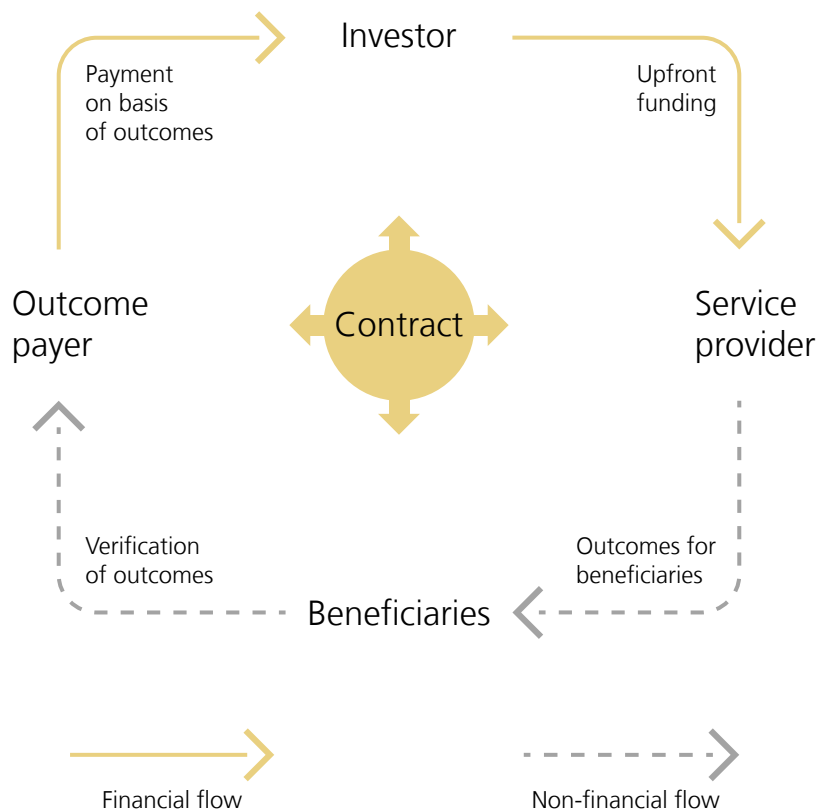
The model has led to a raft of innovations: at the heart of it, an improved child-centric curriculum enabling EG to quadruple the difference in learning gains between participating and non-program students compared to year one. EG also focused on improving the outreach for harder-to-enroll girls by influencing communities' mindsets toward education.

EG is delivering comparable impact to best-in-class early-grade reading interventions. It rigorously monitors and evaluates enrollment and the quality of learning for students.

### **Drawing private finance into development projects**

DIBs, which are complementary to traditional funding, represent a new way to encourage private sector investment to fund development programs that are 100% focused on measurable impact. Compared to traditional funding, DIBs are extremely interesting for donors as they transfer the risk to investors who put in the working capital for the implementing organizations on the ground. Only if and when performance indicators are met, will outcome payers provide their contribution, including a potential bonus payment. Also, regularly measuring predefined targets enables the implementing organization to adapt quickly for any course correction where necessary. Thus, the implementing organization has an increased motivation to deliver results.

- An outcome payer agrees to pay for the social outcomes that are achieved by a program.
- The risk investors provide upfront working capital to the implementing partner. Investors receive a return only if the outcomes are achieved.
- Results of the program are verified by an independent evaluator, based on pre-agreed metrics.



### Tackling the root cause of gender inequality in India

In spite of the Indian government’s substantial commitment to education, nearly three million girls are still out of school despite being eligible. The country has the largest illiterate population in the world<sup>1</sup>. Rajasthan has particularly poor school access for girls. In rural parts of the state, a girl is more than twice as likely to be out of school compared to a boy<sup>2</sup>. And only 50% of women can read or write<sup>3</sup>.

This is where EG comes into play, working to overcome the challenge of gender inequality in education and provide equal opportunities to girls living in marginalized regions of India. In partnership with the government, EG creates community ownership that encourages enrollment and retention of girls in schools and ensures effective learning outcomes for all children through the deployment of a remedial, activity-based curriculum.

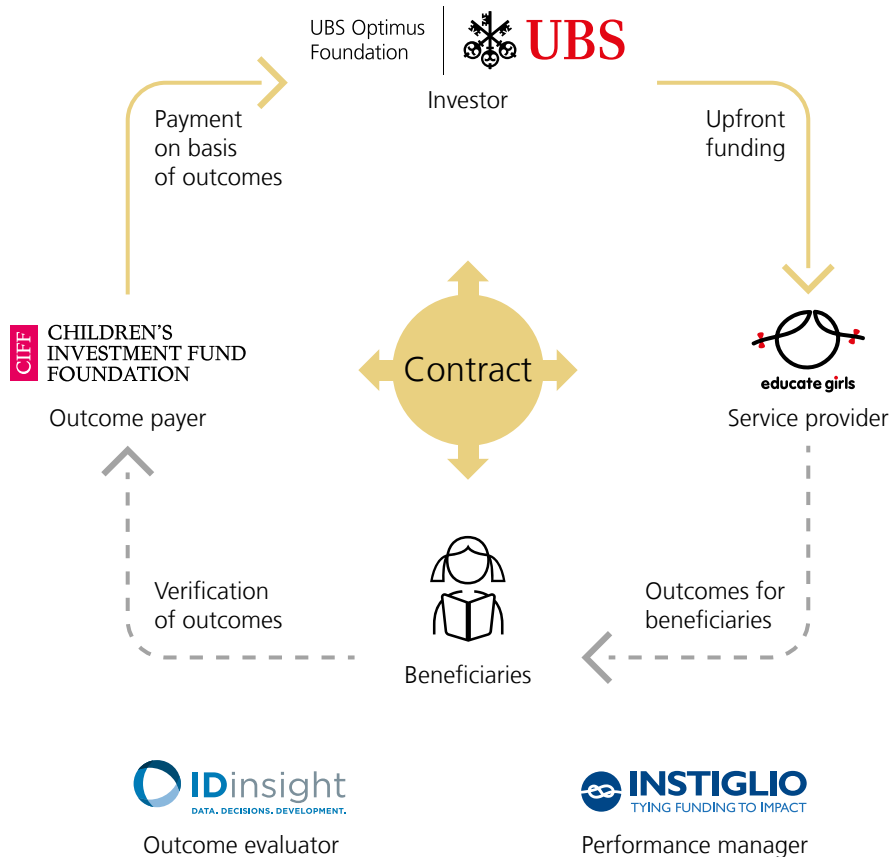
Its education program was implemented in rural areas of the state of Rajasthan and ran from 2015 to 2018. It sought to demonstrate a strong proof of concept for impact bonds as a transformative outcomes-focused funding model, and validate the benefits of a DIB while simultaneously generating interest in the new financing tool among different segments including the government and private sector.

The model measured progress against agreed targets for the number of out-of-school girls enrolled into primary education and the progress of girls and boys in English, Hindi and mathematics.

#### Eligible out-of-school girls are those aged 6–14 years, who are mandated to be in schools under the Right to Education Act. These include:

- girls without access to a school in their community
- girls who don’t enroll despite having a school in their community available
- girls who enroll, but don’t attend
- girls who enroll, but drop out of the education system<sup>4</sup>





### Putting theory into practice

In a collective effort, various stakeholders came together to support EG in preparing to scale their model as well as to create benchmarks and a common framework for sector-wide impact.

The EG DIB had five key participants:

- The social investor UBS Optimus Foundation (UBSOF) provided the upfront working capital of USD 270,000.
- This enabled EG, the local implementer and NGO, to carry out its work on the ground.
- The outcome payer, in this case the Children’s Investment Fund Foundation (CIFF), promised to pay back the initial funder (UBSOF) the original amount plus extra returns as long as enrollment and learning targets are met.
- The non-profit impact bond and results-based financing advisory organization, Instiglio, provided technical advice during the design, overall project management as well as performance management assistance to EG on behalf of UBSOF.
- The non-profit evaluation firm, IDinsight, assessed the improvement in learning and validated the number of out-of-school girls enrolled.

### Setting achievable outcomes with a high social value

Results from the EG DIB were measured in two key areas.

#### Learning outcomes

Students’ learning was measured using the ASER test, a widely used test of basic literacy and numeracy, in a randomized controlled trial. In the case of EG, the test measured three proficiencies: Hindi, English and mathematics. The tests were administered to students before and after the intervention. IDinsight measured the impact based on learning gains (from one test to another between students enrolled in the program and in nearby control villages) for students in grades three to five over the course of the program.

#### Enrollment outcomes

Student enrollment is defined by the percentage of out-of-school girls (between age 7 and 14) enrolled in school by the end of the third year.

EG performed a door-to-door primary survey identifying out-of-school girls, ensuring an accurate target group at the start of the intervention. IDinsight independently verified the accuracy of the enrollment list by sampling a portion of the lists and conducting school and household visits.



### The results over the three-year intervention

The results after three years of implementation are impressive, surpassing the two target outcomes measured:

– **160% of the final learning target**

In the final year, learning levels for students in program schools grew 79% more than their peers in other schools—almost the difference of an entire additional year of instruction.

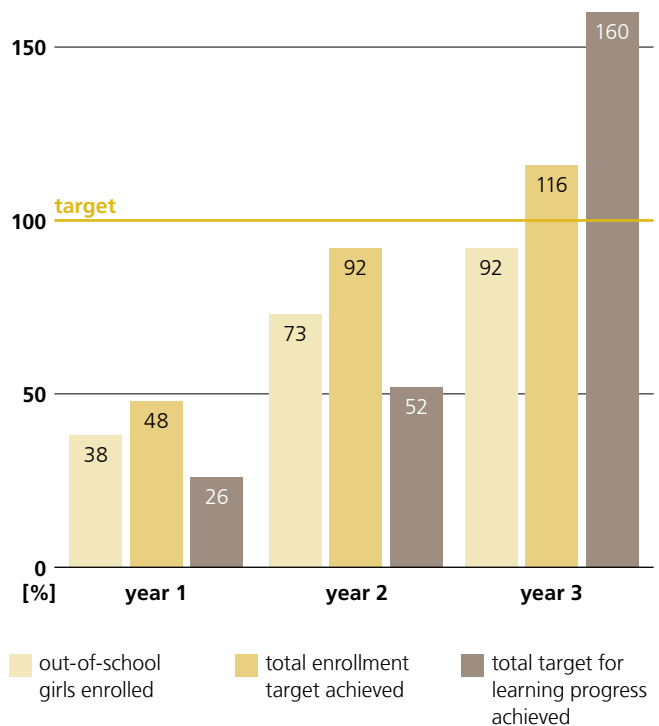
– **116% of the final enrollment target**

768 or 92% of eligible out-of-school girls identified in the program areas in Rajasthan, India were enrolled in school.

In particular, the following corrective measures between year two and three were instrumental to achieve the outcomes:

- shifting from a classroom-focused to a group-focused approach, where each group was based on the competency levels of the children;
- implementing an improved child-centric curriculum focused on building micro-competencies in year three, where each child’s progress was tracked and individual centric exercises were conducted to increase learning gains;
- increasing the number of teaching sessions overall – including sessions during the holidays and home visits to reach students who were frequently absent from school and needed tutoring;
- dividing high capacity classes into groups and conducting sessions accordingly;
- working more closely with individual families and ultimately focusing on outreach for all harder-to-enroll girls. EG’s community volunteers actively met students’ parents, reasoning with them and addressing their concern. These visits, together with village meetings to influence the entire communities’ mindset toward girls’ education, has enhanced enrollment of out-of-school girls.

As a result of the over-achievement, UBSOF recouped its initial funding (USD 270,000) plus a 15% internal rate of return, which equals USD 144,085, from the outcome payer CIFF. The total payout will be reinvested into further impactful development programs – EG will receive 32% of the internal rate of return with the rest going to other UBSOF programs.



Source: IDinsight



### **The DIB enables turnaround and success**

The DIB's underlying focus on outcomes and flexible funding structure provided the basis for EG to focus on outcomes and the flexibility to iterate on its program to achieve these outcomes. EG had a history of already working with enrollment targets internally. Participation in the DIB led to EG becoming more target-driven around children's learning as well. This was not an easy undertaking as the program was still lagging behind after the first two years and had only reached a projected 75% of its learning targets.

Enhanced performance management capabilities helped EG in actualizing the means to achieve these outcomes-based goals on an accelerated basis: by developing precise frameworks, processes and capabilities to measure and track outcomes achieved, identifying gaps as well as analyzing and drawing learnings.

That was the case when, for various reasons (including missing children who were chronically absent from school), the results of EG's year one and two internal assessments showed much more positive results, than IDinsight's assessments. Thanks to the evaluation of the results, EG was ultimately able to make course corrections to improve its resource capacity through community mobilization and its capability by integrating child-centric classroom processes with teaching.

EG was also well positioned to leverage the DIB due to certain existing capabilities and aspects of its organizational culture including being target driven for out-of-school girls, being familiar with monitoring evaluation and learning processes and being open to change and willing to adapt. Next to the programmatic changes, these were essential to adapt to the DIB framework.

### **Actions that speak**

The United Nations' Sustainable Development Goals (UNSDGs) put a spotlight on some of the world's biggest issues. But financial resources are scarce: the UN estimates an extra 2.5 trillion US dollars a year is needed to achieve the UNSDGs<sup>5</sup>. While traditional funding streams are under severe pressure, innovative financing mechanisms, such as DIBs, are a complementary tool and will play a major role in attracting new private capital to solve some of the most pressing global needs.

**UBS Optimus Foundation's** vision is simple: a world where all children reach their full potential. To make this a reality, the UBS Optimus Foundation focuses on high-impact, innovative programs that help ensure children are safe, healthy, educated and ready for their futures.

The Foundation can increase the reach of your donation substantially by leveraging through its global network. And 100% of your donation goes to the programs, because UBS covers all the Foundation's administration costs.

**The Children's Investment Fund Foundation** is an independent philanthropic organization, headquartered in London with offices in Nairobi and New Delhi. It works to transform the lives of poor and vulnerable children in developing countries.

Areas of work include children and mothers' health and nutrition, children's education and welfare, and smart ways to slow down and stop climate change. The Children's Investment Fund Foundation places significant emphasis on quality data and evidence to measure and evaluate progress with partners in order to achieve large scale and sustainable impact. More information at [ciff.org](http://ciff.org)

Established in 2007, **Educate Girls'** focus is on mobilizing communities and leveraging government's investment for improving girls' education in India. The organization is strongly committed to the government's vision to improve access to primary education for children, especially young girls. By leveraging the government's existing investment in school, EG delivers measurable results to a large number of beneficiaries and avoids duplication or parallel delivery of services.

EG believes that if girls in educationally backward districts are educated, they will have the potential to enter the formal economy, gain employment and lift their families out of poverty. The sustainability and scalability of the model has enabled EG to consistently expand operations to include more districts. It is now actively working with the government and with rural communities across 16 districts of Rajasthan and Madhya Pradesh in India, reaching over 25,000 government-run primary schools across 13,000 villages in some of India's most rural and remote areas.

**IDinsight's** mission is to help policymakers and practitioners use rigorous data and evidence to make more socially impactful decisions. They carefully tailor a wide range of quantitative tools to help clients design better public policies, rigorously test those ideas and take informed action to improve lives at scale.

IDinsight leads learning partnerships across Asia and Africa, working with governments, multilaterals, foundations, social businesses and innovative NGOs to generate and use evidence to improve their impact. IDinsight works across a range of sectors, including education, financial access, governance, agriculture, health and sanitation. They work in over a dozen countries and have offices in Dakar, Johannesburg, Lusaka, Manila, Nairobi, New Delhi, San Francisco and Washington, D.C.

**Instiglio** is a non-profit advisory firm dedicated to pioneering results-based financing (RBF) approaches in low- and middle-income countries, including pioneering the application of impact bonds to emerging markets. They believe, that in fighting poverty, every cent spent should have the greatest possible impact. By tying funding to results, Instiglio empowers and incentivizes funders and providers to focus on delivering superior and meaningful results; unlocking the potential of their programs to help the world's most vulnerable people escape poverty. They achieve this mission by pioneering, extending and perfecting the practice of RBF in low- and middle-income countries, developing and disseminating insights and lessons, and training both the current and the next generation of international development practitioners in cutting-edge RBF strategies.

Since Instiglio's founding in 2012, the organization has worked in over 18 countries in Latin America and Africa, partnering with country governments and major funders, such as the World Bank, USAID and DFID, on how to achieve greater outcomes in education, poverty alleviation, workforce development and health—among other issue areas.

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[1] EFA Global Monitoring Report 2013-14 (2014). Teaching and Learning: Achieving Quality for All.

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[3] Rajasthan Population Census data 2011 (2011). Available at: <https://www.census2011.co.in/census/state/rajasthan.html>

[4] Global Partnership for Education (2018). Out-of-school Children. Available at: <https://www.globalpartnership.org/focus-areas/out-of-school-children>

[5] United Nations Development Programme (2017). Impact investment to close the SDG funding gap.

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