



Quality Education India Development Impact Bond

A case study produced as part of the FCDO DIBs Evaluation



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This case study report focuses on the model and early successes and lessons learned during the design, set up and early implementation of the Quality Education India Development Impact Bond (QEI DIB). The report summarises findings from consultations completed during two research waves: the first wave of research was conducted between July and October 2018 and the second wave was conducted between December 2019 and July 2020. Consultations were conducted with key stakeholders involved in the DIB, including outcome funders, investors, service providers and intermediaries.

Planned to run from April 2018 to July 2022, the QEI DIB is the world's largest education DIB, funding five interventions by four service providers (EI-PIF, Gyan Shala, KEF and SARD), in five districts of India: Lucknow, Ahmedabad, Mumbai, New Delhi and Surat. The overarching aim of the QEI DIB is to offer a solution at scale to the learning crises in India. There is concern that, despite evidence of improving enrolment, children in India perform lower than expected in literacy and numeracy due to low quality primary school education. The QEI DIB aims to support this issue by funding a range of high performing service providers to improve grade-appropriate learning outcomes for more than 300,000 primary school aged children.

A further important aim of the QEI DIB is to drive a focus towards outcome-based contracts in the development sector in India and provide evidence of the benefits of private sector participation in service delivery. The set-up of the QEI DIB has the potential to transform the way education interventions are funded in India. By measuring the cost and effectiveness of a range of education delivery models, it supports the development of a robust body of evidence to inform the allocation of future funding in the sector. Alongside including robust measurements, engaging the Indian Government, and considering ways to standardise processes and produce templates for future outcome-based contracts, are equally key.

Quality Education India DIB summary

TIME PERIOD:

April 2018 – July 2022

THEMATIC AREA:

Education

COUNTRIES:

India

TARGET POPULATION:

Primary school-aged children

OUTCOME METRIC:

Enrolment levels and improvement in numeracy and literacy learning

LOAN VALUE:

\$11.2 million

SERVICE PROVIDERS:

Educational Initiatives and Pratham
Infotech Foundation (EI-PIF)
Gyan Shala
Kaivalya Education Foundation (KEF)
Society for All Round Development (SARD)

INTERMEDIARY:

British Asian Trust

OUTCOME FUNDERS:

Michael & Susan Dell Foundation (MSDF)
Comic Relief
BT
The Mittal Foundation

The Larry Ellison Foundation

INVESTORS:

UBS Optimus Foundation (UBS – OF)

PERFORMANCE MANAGER:

Dalberg Consultants

OUTCOME EVALUATOR:

ConveGenius Insights
(CGI, formerly Gray Matters India)

KNOWLEDGE PARTNERS:

Brookings Institution
Government Outcomes Lab (GO LAB)

1.1 About this report

This in-depth review is a series being produced as part of the FCDO DIBs pilot programme evaluation, commissioned by the Foreign, Commonwealth and Development Office and undertaken by Ecorys. More information about the FCDO DIBs pilot programme evaluation, including other in-depth reviews, can be found at:

<https://golab.bsg.ox.ac.uk/knowledge-bank/resources/ecorys-evaluation-dfid-dibs/>

The case study report covers the findings from our first and second research wave. The case study primarily focuses on the use of the impact bond mechanism and to examine the 'DIB effect', i.e. how the design, delivery, performance, implementation and impact of the intervention has been affected because it has been funded through a DIB.

DIBs are understood by FCDO (formerly DFID) as one type of payments by results (PbR), or a type of funding whereby payments are made after the achievement of pre-agreed outcomes (FCDO, 2014). In a standard PbR contract, there are four actors: i) an outcome funder who funds the outcomes; ii) the service provider delivering the intervention; iii) the target population, benefiting from the services; and iv) a validating agency that validates the results on which the payments are based. DIBs involve two additional agents: i) the investor(s), which provide(s) the working capital to deliver the intervention and may be able to make a return on their investment, calibrated to the level of outcome achieved; and (sometimes) ii) the intermediary, which can assist with the development and commercialisation of the DIB, and/or with the monitoring and support of the delivery of the intervention. DIBs are typically implemented in developing countries, where the outcome funder is a donor agency or foundation often operating in a different country.

The report compiles the findings from the set-up phase of the DIB and has been updated to include findings from the implementation phase. The first wave of research was conducted between July and October 2018 and the second wave was conducted between December 2019 and July 2020 and involved consultations with the main stakeholders involved in the design and implementation of the DIB. A full list of consultations is set out at the end of this case study. The case study captures early successes, the DIB effect and lessons learnt during the design and implementation phases. The report will be updated in subsequent years to provide an account of the DIB's progress.

1.2 Summary of learning from the set-up phase

The QEI DIB successfully brought together multiple sector-leading experts to work collaboratively and openly in shared areas of interest in education and impact investing, creating a significant opportunity to support high performing Non-Governmental Organisations (NGOs) to deliver at scale. The DIB leveraged learning from the first DIB in education (delivered by Educate Girls) to improve the design and set-up approach. This includes involving an outcome evaluator earlier in the project and allowing flexibility within the contracting process. The performance management in the DIB is significant, with a tightly defined shared management framework to help service providers reflect on implementation and adapt to achieve more impact.

The DIB faced several challenges during its set-up phase. There were additional costs and time in project management due to the size and nascent scope of this project, including the logistics of engaging multiple outcome funders and service providers, as well as restrictive regulations on financial flows to and from India. These challenges limited the potential efficiencies from re-using templates from the first DIB in education. However, stakeholders felt that many of these additional costs were essential to ensuring that they achieved the aspirations of the project, to compare a portfolio of interventions in terms of their cost and effectiveness, and that there was rigour in the overall design. In the long term the project has the potential to add value, not just to impact investing, but also to the education sector in India. Despite efforts to keep the technical model simple, the assessment of learning, due to the nature of the intervention and unavailability of standardised data, is complex and elements are difficult to explain to others, including potential outcome funders and the service providers.

We identified some key advantages of using a DIB. First, the DIB brought together sector-leading experts to work collaboratively to support initiatives in shared areas of interest. Second, the DIB offered a significant opportunity to support high-performing NGOs with a proven track record in delivering education outcomes to deliver at scale. Thirdly, the outcome-focused structure in DIBs had created an opportunity to directly compare different education interventions, as well as a chance to improve and standardise measurement and assessment of learning. Finally, the rigorous approach to performance management has the potential to build capacity amongst the service providers and reform their approach to internal programme monitoring.

The main disadvantage of using the DIB was the transaction costs and the additional time required to engage in the project management and meetings. The scope of the project, and involvement of 20-25 stakeholders, meant that the negotiations in the DIB were significant, and it was resource intensive to resolve the differences. In addition, although some of the expense is supported by the technical assistance grant from FCDO, stakeholders reported that the some of the costs (e.g. forex costs, additional meetings) were either unexpected or under-anticipated.

1.3 Summary of learning from the implementation phase (up to July 2020)

1.3.1 Update on delivery

At the end of Year 1, the QEI DIB consortium decided to **drop one of the interventions** - the indirect model that Society for All Round Development (SARD) was delivering. Kaivalya Education Foundation (KEF) was asked to **expand its indirect model** from Ahmedabad (Gujarat) to Mumbai (Maharashtra). A **new intervention**, namely a partnership between Educational Initiative (EI) and Pratham InfoTech Foundation (PIF), was added to the DIB, to implement the cloud-based application Mindspark.

The QEI DIB reached the end of year 2, out of 4 years, in March 2020. The DIB had performed very well up to this date, showing a trend of improved learning outcomes for two years in a row. All the service providers who were evaluated in Year 2 exceeded learning targets and recorded a better performance than comparison groups. However, Gyan Shala's endline evaluations could not be completed due to the nationwide lockdown that was announced in India on March 24th due to Covid-19. Across service providers, about 99% of enrolment targets were met. Outcome payments were planned to go ahead, using proxy results for Gyan Shala.

Beyond the effects on the endline assessment for Gyan Shala, Covid-19 had a limited impact on the QEI DIB in Year 2. When Covid-19 hit, the academic year was already complete, annual exams were ongoing in most Indian states, and schools were preparing for the summer break. Significant impacts are expected for Year 3, as prolonged school closure, financial hardship experienced by many Indian families as a result of lockdown measures, and related mass migration to home villages are expected to cause substantial learning losses and compromise next year's enrolment levels. At the time of the research, stakeholders were still considering the situation and waiting for government announcement, before taking any final decisions, but a recalibration of targets will probably be required.

1.3.2 DIB effects observed

In terms of what the DIB mechanism has achieved to date, we observed a wide range of the claimed advantages of a DIB in the execution of the QEI DIB. These include an **increased focus on outcomes, greater accountability**, and **stronger performance management systems** compared to when the same interventions were funded through grants. We also found that the DIB resulted in **more effective and efficient services** and more outcomes being achieved, in terms of enrolment and learning outcomes, compared to providers' past performance and comparison groups.

These results and changes in the delivery can be attributed to the DIB, as stakeholders believe they are strongly linked to: the **clear outcomes** the DIB is structured around; regular monitoring from and brainstorming with the **performance manager**; the presence of an external evaluator that rigorously assesses results at the end of every year; and the DIB high-stakes environment putting extra pressure on stakeholders, especially service providers.

1.3.3 Lessons learnt

QEI DIB stakeholders all agreed that learnings from this DIB are crucial to grow the outcome-based market. Stakeholders believed that having an intermediary such as BAT had been important to ensure effective information sharing, especially given the number of stakeholders involved in the DIB, and their different priorities and level of engagement. All stakeholders were keen to learn more and reflect about challenges encountered and how these were overcome, including through more meetings with and between service providers. To facilitate information sharing, BAT is planning to establish a platform where documents and data about the DIB will be more easily accessible to all DIB stakeholders.

In addition, stakeholders believed that **risks and delays that had occurred during DIB execution** – related to issues such as working with government schools, attribution problems, providers' underperformance - could have been better considered and reflected into the DIB structure, contracts and action plan. Given the DIB's strict targets and timeline, better consideration of these issues would have helped providers, although the support of the performance manager was already useful to overcome these obstacles and adapt the action plan.

Finally, some stakeholders suggested to provide **incentives and rewards** to field workers and teachers, to sustain their motivation and good results. Field team and teachers are working harder under the DIB, to achieve ambitious outcomes, but are receiving the same salary as before.

2.1 Stakeholders involved

The total value of the QEI DIB contract is \$11.2 million, of which outcomes funding is \$9.2 million, funded collectively by organisations in India and the UK. It was designed and developed through a partnership between UBS-OF, MSDF and BAT. MSDF was the first organisation to commit to the project, providing \$4 million. Then BAT, acting as the outcome convener, raised funds from Comic Relief (\$1.4 million), British Telecom (\$0.4 million), the Mittal Foundation (\$1 million), and the Ellison Foundation (\$1 million). TATA Trusts contributed \$2 million as knowledge partners, and FCDO contributed \$1.5 million through a technical assistance grant. In Year 2 of DIB implementation, Brookings Institution and GO Lab have also contributed to the DIB as knowledge partners.

Before outcome payments can be made in the DIB, there is a gap in funding for the service providers in the first year. In a straight payment-by-results contract service providers would be expected to cover these costs; in DIBs, though, this upfront working capital is covered by a private investor. The UBS-OF is the investor and manages the payments to the service providers. Outcome funders will then make a payment to UBS-OF at the end of each year, which enables the working capital to be recycled once an independent assessment is made and it is decided if the outcomes have been met. UBS-OF have raised almost \$2.5 million of client donations to invest in the QEI DIB.

There is no capital protection for this investment. This means that if the service providers underperform against their targets, UBS-OF is at risk of losing the money. If service providers achieve above a base case, UBS-OF will receive a return on their investment. However, there is a cap on this return: if service providers achieve above 120% of their targets, the maximum return the investor will receive is 8%. However, because UBS-OF is a Swiss Foundation, any returns will be re-invested into other development projects as the foundation cannot return funds to donors. Service providers are also incentivised to overachieve on their targets in the DIB, as the contract includes a bonus payment in the final year if they achieve over 100% of their targets.

Dalberg is the **performance manager** for the QEI DIB, who oversees the service providers and their delivery on behalf of UBS-OF. Dalberg has worked with the service providers to develop a shared performance management framework that reflects their theories of change and objectives. Dalberg uses data from this framework to manage risks and help service providers adapt their implementation during the contract, to maximise their chance of achieving outcomes. Dalberg also provides quarterly reports to the steering group with updates on the performance of the project. CGI is the **independent outcome evaluator** in the QEI DIB, who is responsible for verifying student learning outcomes on behalf of the outcome funders. CGI has been responsible for setting the targets for the DIB and selecting comparison schools. They also produce annual reports for the outcome funders and investors comparing the performance of beneficiaries with those from a comparison group (the evaluation approach is described further overleaf).

Finally, FCDO are supporting the QEI DIB via a **Technical Assistance Grant** (£1.5 million) paid to BAT. The grant supports the launch of the new DIB in education, including learning on the effectiveness of DIBs and to develop tools, resources and partnerships to help replicate DIBs (in South Asia and globally). The FCDO grant also pays for the outcome evaluator and part of the performance management (also part-funded by UBS-OF) in the QEI DIB.

In Year 1, the QEI DIB funded **three services providers**: KEF, GyanShala, and SARD. These service providers represent the well-established market of high-performing NGOs in India. All have over 10 years' experience providing education interventions, experience operating at scale and have engaged in independent evaluations to measure their effectiveness. The service providers were selected in a competitive process from over 70 NGOs in India. The process of selecting the service providers is described on p.13. In the DIB, the three service providers are delivering four interventions with a mix of direct and indirect education model types. KEF is delivering an indirect, whole school management programme that focuses on school leader training. GyanShala is delivering a direct classroom programme for children in urban slums. SARD is implementing two interventions, one direct model (remedial education) and one indirect (teacher training).

At the end of Year 1, the QEI DIB consortium decided to **drop one of the interventions** - the indirect model that Society for All Round Development (SARD) was delivering. Due to delays, technical and logistical issues, SARD did not meet their targets for Year 1 under the DIB model and was not considered ready for the DIB requirements. The SARD direct model was taken forward. In place of the SARD indirect model, another provider, Kaivalya Education

Foundation (KEF), was asked to **expand its indirect model** from Ahmedabad (Gujarat) to Mumbai (Maharashtra). A **new intervention** was added to the DIB: a partnership between Educational Initiative (EI), a private company that developed the adaptive-learning, cloud-based application Mindspark, and Pratham InfoTech Foundation (PIF), a non-profit organisation that is implementing Mindspark in schools based in Lucknow through the DIB.

2.2 Outcome metrics

The primary outcome in the QEI DIB is improvement in learning outcomes (namely grade-appropriate numeracy and literacy skills). This is different from the Educate Girls DIB, which included both enrolment and learning (basic numeracy and literacy skills) as outcomes.¹

Improvement in learning is defined as the difference between a baseline² and endline score on a standardised test, at the start and end of each school year. Measuring distance travelled for each individual, rather than achieving a certain level of a test (i.e. a binary outcome³), was to ensure the service providers were properly incentivised to focus on achieving improvement in learning, and with all young people, rather than cherry picking⁴ those who were high performing at the start of the school year. To support attribution⁵ of effectiveness, the performance of the students receiving the intervention is then compared to the performance of students from a comparison group of schools. The assessment of learning used in the DIB is based on a robust, standardised test of grade level skills in numeracy and literacy. This is different from the Annual Status of Education Report (ASER), a national citizen-led rapid assessment which assesses learning at a comparably basic level and has been conducted in India since 2005. Using a different test requires the DIB to conduct baseline and endline assessments in both the intervention and comparison schools. It may also require additional work to engage the different stakeholders in the assessment methods used in the DIB. Although only learning outcomes are linked to payment in the DIB, the monitoring framework devised by Dalberg comprises a wider range of metrics, which aim to provide evidence on the quality of the interventions. At the demand of outcome funders, this includes feedback from the beneficiaries on the experience of the service, as well as monitoring of enrolment and attendance.

2.3 Payment structure and targets

The payment structure reflects the education models in the DIB: a higher payment is attached to models that work directly with students (e.g. implementing class teaching/directly operating classrooms); and a lower payment is attached to in-direct models (e.g. teacher or school leader training). The difference between the models reflects the delivery costs and targets, which are higher for the direct models. The targets are expressed as the difference from the comparison group performance in standard deviation (standard points of variation around the mean). CGI, the independent outcome evaluator, developed the targets for each of the models based on existing literature and data available on different interventions, including evidence of each of the service providers' own track record and costs in previous delivery. The outcome pricing structure, outlined in Table 1, comprises a fixed price per beneficiary for reaching the improvement target and the standard deviation target for the different models.

1 Enrolment is not part of the independent outcome assessment by CGI; however, the financial model that links the outcomes to payments is a composite metric which is enrolment numbers x learning gains (numeracy and literacy)
 2 The state before the intervention, against which progress can be assessed or comparisons made. Baseline data is collected before a programme or policy is implemented to assess the before state. The availability of baseline data is important to document balance in pre-programme Characteristics between treatment and comparison groups. Baseline data is required for some quasi-experimental designs.
 3 A binary outcome is a type of hard outcome that has only two states, either an outcome is achieved, or it is not. For outcomes based contracts, they are used where it is deemed unacceptable for the public sector to pay for outcomes that include negative events.
 4 This is a perverse incentive whereby providers, investors or intermediaries select beneficiaries that are more likely to achieve the expected outcomes and leave outside the cohort the most challenging cases.
 5 The extent to which changes in the relevant outcome can be attributed to a particular intervention.

Table 1: Outcome pricing framework

OPERATIONAL MODEL / BENCHMARKS	DIRECTLY OPERATING CLASSROOMS (I.E. IN CLASS TEACHING)	REMEDIAL PROGRAMMES	TEACHER/ PRINCIPAL TRAINING
PROPOSED TARGET COST PER BENEFICIARY (US DOLLARS, PER ANNUM)	\$71	\$16.2	\$5
PROPOSED TARGET OUTCOMES IMPROVEMENT (STANDARD DEVIATION, PER ANNUM)	0.4	0.23	0.18/0.17

2.4 Governance

The governance arrangements for the QEI DIB have been set up to align the interests of the different groups, but also to ensure there is efficiency in the decision-making processes given the number of stakeholders involved in the model. The main governance for the project is the responsibility of the steering committee.

Key features of the QEI DIB steering committee are listed in the box below:

- The QEI DIB steering committee comprises strategic representation from UBS-OF, MSDF, and BAT, who meet on a quarterly basis to discuss progress, challenges, and emerging knowledge. Tata Trusts has also joined this steering committee as a knowledge partner for the DIB. This meeting is organised by the performance manager, Dalberg.
- BAT represents the interests of the other outcome funders in its convening role for the DIB. This includes Comic Relief, BT, the Mittal Foundation and the Ellison Foundation. BAT also reports to FCDO on decisions made by the committee. This representation and engagement is to ensure that outcome funders and FCDO are engaged in the decision making process for the DIB, and that their contributions are streamlined to keep the committee meetings focused.
- Although not present at the meetings, the outcome funders that are convened by BAT have final say in decisions made by the other steering committee members, pertaining to issues which may alter the initial design of the DIB. This may include changing the outcomes, pricing or targets, terminating or adding a service provider, geography (e.g. for political reasons), reallocation of unused funds, issues with data collection or outcome evaluator results.
- Force majeure events are included as events which may require project termination. This includes natural disasters, political risks/policy changes that directly affect the intervention, and events such as riots/violence. In India the main risk to the project relates to political changes.
- UBS-OF has the power of veto on the continuation of the DIB. This is based on the projected returns each year based on outcome performance. Every quarter, UBS-OF has to inform the steering committee about whether performance is on track. If too few children are reaching the expected targets, and the return is zero or negative, UBS-OF will halt the project as the investment is no longer viable.
- Supporting the steering committee is an advisory committee. The advisory committee comprises sector experts (innovative finance, education, representatives from the Indian Government, not-for-profits) who provide advice and oversight of the programme.

The remainder of this case study is divided into two sections:

- Firstly, we describe the process of, and lessons learnt from, setting up the DIB. These findings are based on research undertaken between July and October 2018.
- Secondly, we describe the progress in delivering the DIB, focusing in particular on how the impact bond mechanism has affected delivery. These findings are based on research undertaken between December 2019 and July 2020.

3.1 Designing the model

From inception, the QEI DIB took two years to design and launch. The main design phase lasted six months, involving UBS-OF, Dalberg, BAT and MSDF. The stakeholders agreed that it was important to include sector leading experts in the design phase of a project with this scope, to ensure maximum credibility and impact of the DIB. UBS-OF also explained that engaging organisations with strong local connections was part of the project's objective to support a transition to procuring SIBs.

3.1.1 Outcomes, metrics and payments

Designing the outcomes, metrics and payment structure was the most significant element of the DIB development process. MSDF led the work initially and then drew on expertise from CGI to create the outcome targets. MSDF reported that it was important that an independent organisation developed the benchmarks for the outcomes to ensure there was external validity in the model.

It was MSDF who ensured that the model included an assessment of grade level learning outcomes, rather than basic numeracy and literacy; whereas for others, like BAT and UBS-OF, the main consideration was to ensure the model was attractive and understandable to investors and outcome funders. From MSDF's perspective attainment of just basic literacy and numeracy skills was not sufficient for the project objectives and would not make a significant change in the life outcomes of the students. Therefore, it was essential that the assessment in the DIB included a more rigorous assessment and measure the grade appropriate learning outcomes.

Including a new standardised assessment of learning carried some additional risk for the service providers. While all were familiar with being evaluated, a couple of the service providers were not familiar with the assessment and therefore their performance in this context is unknown. Those that were familiar with this type of assessment were new to using it as the basis for payment and the added focus this created on performance. However, because all the service providers were confident in their interventions, and believed that the targets make sense and could be achieved, they were comfortable taking on the potential reputational risks.

Some of the outcome funders, such as Comic Relief, raised concerns about a model that focused only on attainment, rather than including wider outcomes associated with high quality education or representing the service user experience. However, stakeholders agreed to include only one outcome linked to payment to keep the model simple. Other qualitative measures, including service user experience, are still captured in the DIB – in the performance monitoring metrics and quarterly updates – but the data is not linked to payments.

Several other compromises were reached to keep the model simple without affecting the overall integrity of the design. This included representing the targets as average learning gains on a standardised scale, in addition to standard deviation, to make it easier to explain to those not familiar with statistical methods. Similarly, beneficiaries are counted discretely, which means each individual is counted in the contract; rather than using a weighted discrete method, which counts each individual but also accounts for the number of years that the individual has received the intervention. The latter would reflect level of engagement with the intervention; however, it is harder to explain and stakeholders felt it was important when engaging others in the project to be able to clearly communicate the target number of beneficiaries in the project (300,000 total).

3.1.2 Service provider selection

The three service providers included in the QEI DIB were selected following a competitive process and an in-depth due diligence⁶ process during the design phase. UBS-OF, Dalberg, MSDF and BAT reviewed applications from over 70 NGOs in India considering a range of criteria in the decision making, including:

- Track record of running interventions supporting learning outcomes
- Focusing on primary education for low incomes populations
- Ability to scale
- Service costs
- In-house monitoring and evaluation capabilities, and
- Government relationships at the local level.

UBS-OF reported that it was essential to include service providers who were open to innovation, could be flexible in their implementation and had a track record delivering the outcomes. This was to ensure that the service provider was able to adapt and respond to the demands of the DIB, particularly in the set-up phase and the on-going performance management structure. In addition, it was essential that the service providers had strong links with the government in the relevant districts to be able to help CGI identify the appropriate comparison schools.

All of the service providers of the QEI DIB are well-established organisations with a known track record in education. They were all able to commit to the DIB requirements without needing to make substantial organisational changes. Although the focus on performance management and the focus on outcome-based targets is new for all, representatives from the organisations reported that they are familiar with being evaluated, and all were open to learning and supportive of this different way of working.

3.1.3 Performance Management

A key part of the QEI DIB is the performance management framework. Dalberg is leading this element of the project and worked closely with the representatives from each of the selected service providers during the design phase to understand the theory of change of each of their interventions, as well as the potential risks in the DIB and their existing monitoring and evaluation systems. This work built on the due diligence conducted during the selection phase (described above) and aimed to ensure that the organisations were able to respond and deliver on the requirements of the DIB.

As well as supporting delivery and impact in the DIB, the performance management support represents an important capacity building element of the project. Using the new processes and reports, service providers will be able to take the processes forward beyond the DIB to improve their overall monitoring capabilities. Dalberg described positive feedback from the service providers regarding this process of developing the frameworks, citing that it is already changing the way the teachers reflect and monitor their practice.

3.1.4 Engaging the government

To support the engagement with the government, key stakeholders were selected into the project partly on the basis of their existing relationships and connections. As suggested above, service providers were also partly selected on the basis of their links with the government. This was to help identify a suitable comparison group and to conduct the assessment within the evaluation design.

⁶ The process whereby an organisation or company's strengths and weaknesses are assessed in detail by a potential investor with the view to investment.

3.1.5 Contracting

The legal contracting process for the DIB took six months (January to June 2018). This was noted by several stakeholders as an improvement on the experience in the Educate Girls DIB, which took two years to contract. This supports the idea that with each DIB project some of the time and costs associated with the routine transactions can be reduced.

UBS-OF's initial preference was to have a single contract for all the stakeholders involved in the DIB, as this would keep the governance arrangements simple. However, it was challenging to align the interests of the range of stakeholders within one framework. It was made harder because the outcome funders had concerns about signing a contract that directly associated them with the service providers, who they had not selected and whose operations they were not overseeing. This concern arose following the high-profile scandals involving Oxfam in 2017. UBS-OF were not able to offer indemnity clauses in the contract to cover this, which left too much risk for the outcome funders. As a solution, UBS-OF has signed separate contracts with the outcome funders and with the service providers. The contract arrangements for the stakeholders in the QEI DIB are described in the figure below

- Outcome Payment Agreements: One between BAT and UBS-OF, and another between MSDF and UBS-OF.
- Implementation Agreement: Between the Service Providers, Dalberg, UBS-OF and CGI.
- Side letter with FCDO and Dalberg and Performance Management Agreement with Dalberg: The arrangements cover the costs and delivery of the performance management activity being funded by FCDO and UBS-OF.
- Outcome Evaluation Agreement: Between BAT and CGI. This covers the costs of outcome evaluation activity being funded by FCDO.
- Grant Funding Agreements: Bilateral agreements between BAT and each of the outcome funders (Comic Relief, Mittal Foundation, the Ellison Foundation, and BT).
- Technical Assistance Grant: Between BAT and FCDO. This covers the technical assessment to ensure due diligence on the DIB, which in part is used to pay the costs of CGI and Dalberg.

3.2 Enablers and challenges to launching the DIB

Enablers

There were a number of enablers which facilitated the setting up of the DIB. These are set out below.

1 Collective Leadership:

Given the range of different interests represented in the QEI DIB, strong collective leadership at a strategic level, both within and across organisations, was integral to the successful development and mobilisation of the contract. UBS-OF also reflected that it had been a priority for them to involve stakeholders from organisations that were like-minded in their commitment to achieving social impact, and with a high level of expertise, in order to support the complex design phase of the project. In choosing the right partners they were able to navigate through the difficult decisions and agree a model for the DIB. BAT also commented that the high level of openness to share organisational and technical knowledge was an asset to the project, and was different to other types of collaboration in grant making, particularly in the international development sector. BAT reported that it was refreshing to work on a project where all of the stakeholders, particularly those from sector leading organisations, like MSDF and UBS-OF, were motivated to share their resources and apply their skill-sets in a way to optimise the final design.

At an organisational level there has also been positive feedback on the support provided by UBS-OF and Dalberg to the service providers. Service providers described the development phase as a collaborative one, with Dalberg making the effort to learn the details of their different interventions to inform the design of the monitoring system. Finally, it was essential that Dalberg and the senior stakeholders at the three service providers worked together to engage with stakeholders at all levels of the service provider organisation. This was to ensure that there was full buy-in to the new way of working and commitment to the requirements of the project.

2 Clear outcomes – measurable outcomes and linked to overall objective of the intervention

UBS-OF stakeholders reported that for a number of reasons it is reasonably straightforward to create a DIB financial model comprising education outcomes. Firstly, there is justification to assess outcomes within a reasonably short timeframe, assessing student performance at the start and end of the school year. Secondly, it is possible to directly measure the outcome of interest, student learning, rather than relying on proxy measures, an indirect measure strongly correlated to the desired outcomes, as is often needed in healthcare DIBs. Therefore in education there is opportunity to develop a payment model that suits the interests of both the investors, who want to receive their repayments within a reasonable timeframe, and the outcome funders, who want reliable evidence that the intervention had impact as intended. While at a high-level including education outcomes suits an outcome-based contract, there were challenges in defining the outcomes in this DIB and implementing an appropriate outcome-payment framework.

3 Shared understanding of the policy 'problem' and sufficient evidence for the intervention so that it is credible or knowledge-based

All of the main stakeholders are bringing a high level of knowledge of the issues facing the education system in India as well as from their respective sectors. This broader expertise includes evaluation (MSDF and CGI) and networks of grant-making organisations (MSDF and BAT). Many of the stakeholders have also been able to take forward knowledge from the Educate Girls DIB, which has helped them to be efficient in decision making around the different issues, as well as building confidence in the effectiveness of the new DIB model. UBS-OF commented that because of the high-level of expertise within the team, little additional consultancy was needed to develop the DIB, beyond legal and financial advice.

4 Data to build up a business case, including data on the eligible cohort and outcomes likely to be achieved

It was possible to set the learning outcome targets for the DIB because MSDF could supply the data necessary to CGI to create the benchmarks for the targets. The targets for the DIB have been purposively set at the cusp of achievable, but still aspirational level for the service providers, with lower targets in the first year, allowing for set up, and variation in targets for the model types (i.e. lower targets for indirect model and higher targets for direct models). Part of the reason for setting these targets is to balance the risk to the service provider in using the robust measurement but still push them to be efficient and vigilant in delivery. All of the service providers reported that they were confident about achieving the outcomes in the DIB. A few expressed concern about assessing learning using the new test, but were reasonably confident about taking on the risks in the DIB model.

5 The nascent and high-profile nature of the project

Many of the organisations partly engaged on the basis that they would be involved in a high-profile project in the impact investing space. The outcome funders in particular were all keen to understand how this nascent model of impact investing works. They could see the benefits to their own organisations of learning from direct experience. The reputation of the main stakeholders, including MSDF, BAT and UBS-OF, also gave the project credibility and the service providers were also well known in India for their programmes. For the service providers, there was also potential to increase their reputational standing if their intervention is a success in the DIB; this stems partly from media exposure through the DIB but also in improving their track record through the rigorous evaluation in the DIB.

6 Technical assistance grant from FCDO

Stakeholders reported that the grant available from FCDO has significantly supported the set-up process, as it covers the costs of the outcome evaluator and performance manager, and the legal costs, which would otherwise have had to be absorbed by the consortium or by another funder. UBS-OF reported that the benefit of having this grant is reflected in their overall experience in the QEI DIB, which has been more straightforward than others. Furthermore, when FCDO were approached, several of the outcome funders had not joined the consortium and there was a considerable funding gap. FCDO were told that the grant was essential to attract the other outcome funders and make the deal attractive to them as well as viable. BAT reported that the involvement of FCDO also gave the project international credibility, which helped with the fundraising for the project.

3.2.1 Challenges

This section describes the main challenges that were experienced in the set-up of this QEI DIB. These reflect the scope of the project, which required a significant commitment from outcome funders, but also the priority placed on a robust assessment of learning and a rigorous evaluation of impact.

- **Considerable time and resource needed to engage the outcome funders.**

After MSDF confirmed their contribution of \$4 million, BAT needed to engage with contacts in their networks to raise the remaining \$6 million. For BAT this process was resource intensive, and for others, including UBSOF, it caused delays in the development process. The process of engagement was resource intensive, as BAT needed to adopt a tailored, personal approach, rather than a generic one with their whole network. The engagement process was also made harder because BAT needed to explain some of the basic principles of outcome-based contracts and investment terminology, as the potential outcome funders were new to the area and had limited understanding of the differences in what their role would be. Specifically BAT needed to be clear that:

- Outcome funders would have less of a direct role in managing the service providers they were funding. They would receive updates on progress and engage in decision making through the steering committee; however, Dalberg and UBS-OF would be responsible for direct management and feedback.
- Outcome funders would also have less of a role in designing the model, including selecting the outcomes, the type of assessment or the service providers. This was due the timing of the engagement, which followed the main design phase. Again, this differs from typical grant making, where the funder is involved from the beginning and has the main responsibility for setting up the project.

While the process in engaging outcome funders contributed to the set-up time and costs, on reflection BAT stakeholders felt that the organisations that engaged are well suited to the project in terms of their interests and skills in education and impact investing, as well the mix in terms of public and private funding and the involvement of both UK and Indian organisations. Together, this puts the project in a strong position to achieve the longer-term aim of reforming education interventions and funding in India and to support the wider adoption of outcome-based contracts in the country.

- **Striking a balance between a robust, technical model and one that is attractive to investors and outcomes funders.**

UBS-OF stressed the importance of keeping the financial model in the DIB simple, to ensure that it was attractive to investors and easy to implement. However, it was a priority for MSDF to ensure the model of assessment was robust and credible. A number of stakeholders, including BAT and the outcome funders, also raised concerns about implementing an overly technical framework, and one so narrowly focused on learning outcomes. It was a stipulation from Comic Relief to include service user voices and experience as part of the monitoring framework. Including this type of measure of quality, as well as monitoring the enrolment and attendance of students and teachers, was also essential for FCDO.

A range of stakeholders discussed the need to ensure the model was straightforward to communicate to others. During the fundraising phase, it was important that BAT was able to explain the model to secure commitment from potential donors. It was also important that service providers understood the assessment and their targets, as well as the Indian government, who stakeholders wanted to engage through the project.

A number of compromises were made to keep the model simple; however, service providers reported that they do not have complete understanding of the outcome-payment framework, as the approach is very different to the standard fee-for service contracts that they are used to. Despite this, service providers were generally open to working in this way and learning from the approach in practice.

- **Time and resource spent identifying a suitable comparison group**

A third challenge has been the process for identifying a comparison group, which has been both complex and resource intensive in the DIB set-up. The service providers needed to engage the local government for permission to access other government schools, identify suitable schools to serve as comparison schools, engage them in the assessment by CGI and then explain the monitoring requirements of the DIB. This has been a demanding task for all service providers, in particular, GyanShala, because the government did not grant permission in the areas where it operates. GyanShala therefore needed to spend additional time recruiting enough alternative schools, delaying the process of piloting and baseline data collection.

- **Resolving financial challenges**

A further challenge during the set-up phase related to the financial implications of a contract comprising organisations from multiple countries and the forex risk - the difference in the exchange rate between the currencies in the DIB (US Dollars, British Pounds and Indian Rupees⁷) . Following external financial advice to BAT, partners have agreed to take on the risk, with the exception of those convened by BAT (i.e. Comic Relief, Mittal Foundation, the Ellison Foundation and BT), who will only pay the amount in their respective currencies. If the value of the Indian rupee appreciates against the US Dollar, BAT will be liable to cover the funding gap. The overall contracting of the DIB has been set in Indian Rupees since contracts with service providers are in Indian Rupees.

⁷ Although there is a relatively consistent correlation between GBP/USD and GBP/INR, one does not exist between GBP/USD and USD/INR, which creates exposure for the stakeholders in the DIB.

4.1 Update on delivery

This section provides an update on the delivery of the DIB and stakeholder experiences and perceptions. The table below provides an overview of delivery in Year 2 (April 2019 to March 2020), which is followed by further detail.

	Service provider	Actual	Expected
Number of beneficiaries supported vs. expected	EI-PIF	15,143	13,750
	Gyan Shala	6,217	9,075
	KEF Gujarat (Ahmedabad)	49,878	50,048
	KEF Maharashtra (Mumbai)	23,073	22,877
	SARD	10,522	10,500
Outcomes achieved vs expected. Outcomes are measured as average learning gains on a standardised scale. Actual outcomes are calculated following the formula: Treatment learning growth (end of year 1+2) – Control learning growth (end of year 1+2). ⁸	EI-PIF	Actual: 180	24
	KEF Gujarat	Actual: 53	40
	KEF Maharashtra	Actual: 29	20
	SARD	Actual: 223	223

The QEI DIB reached the end of year 2, out of 4 years, in March 2020. This research wave covers the delivery phase from **June 2018 to June 2020**. The **DIB had performed well** up to this point, showing a trend of growth in learning outcomes for two years in a row. All the service providers who were evaluated in Year 2 exceeded learning targets and recorded a better performance than comparison groups. However, Gyan Shala's endline evaluations could not be completed due to the nationwide lockdown that was announced in India on March 24th due to Covid-19. Across service providers, about 99% of enrolment targets were met. The consortium went ahead with **outcome payments**, using proxy results for Gyan Shala. These will be verified by CGI once the situation permits.

⁸ The control group is a set of comparable schools that providers' beneficiaries are compared against.

The first year of implementation was mostly dedicated to understanding: the DIB model and functioning; each other's roles and responsibilities; and how best to interact and collaborate with other stakeholders. In Year 2, several improvements were made. Providers felt **more confident about delivery** and, building on learnings from Year 1, focused on adaptation and how to improve their performance, as demonstrated by the quote below.

“We have seen much more nimbleness among providers than we might have seen in other contexts this year, much better understanding of how to work around anticipated delays and work to achieve targets even with these delays, creative thinking.” - PERFORMANCE MANAGER

Dalberg, the Performance Manager, **spent more time with service providers**, made improvements to its own Management Information System (MIS) based on field team capability and regular feedback from providers, and increased its ability to customise support. Based on feedback from last year, the **evaluation process** was improved: CGI and service providers started to plan the evaluation visits together; the number of documents and processes were streamlined, to avoid malpractice on the ground (for example by clarifying what needs doing and avoiding that important forms and procedures are forgotten); and the Steering Committee increased the frequency of calls with CGI, to obtain updates on their interactions with providers.

The flow of **communication** between members of the DIB consortium became smoother, even though they all have different levels of involvement and awareness of the DIB. This includes more regular meetings with the Advisory Board. With support from stakeholders such as Brookings, GO Lab, FCDO and Larry Ellison Foundation, BAT has tried to improve communication with the public. This involved bringing communication functions in house, developing a communication strategy that is more cohesive and aligned to the DIB needs and complexity, and simplifying the way the evaluation methodology and the DIB impact on children's outcomes are conveyed. Results of these changes will be seen in the upcoming months.

Covid-19 had a limited impact on the QEI DIB in Year 2. When Covid-19 hit, the academic year was already complete, annual exams were ongoing in most Indian states, and schools were preparing for the summer break. As mentioned, the main impact was that CGI, the evaluator, was not able to conduct endline assessment for Gyan Shala, as that was scheduled for end-March. However, significant impacts were expected for Year 3; prolonged school closures will result in a huge **learning loss**, combined with emotional and financial stress due to loss in daily income, difficult living conditions, constrained mobility, as well as public health concerns. **Enrolment levels** were also expected to be affected, because of mass migration from cities where the providers operate, to villages where most of the students' families come from. Service providers were trying to **adapt to these unanticipated circumstances**, through capacity building for team members, teachers and headmasters; distributing worksheets, videos and other content to students, parents and teachers via online platforms such as WhatsApp; as well as **providing food and donations** and raising awareness on Covid-19 prevention. However, nationwide lockdown restricted the capacity of field teams, and due to a lack of access to Internet and IT equipment, only **30% of the students** had been reached at the time of research (April 2020).

The QEI DIB approach to Covid-19 was **guided by two principles**:

1. Focus on long-term learning outcomes
2. Avoid overspending because of the situation, trying to capitalise on sharing and learning from DIB stakeholders (e.g. Brookings shared with service providers Covid-19 responses adopted by global education providers).

On this basis, the Steering Committee convened regularly from March 2020 to consider all actions and support required, was in regular touch with service providers, and had agreed on a systematic process to get back to work as soon as possible once schools reopened. At the time of research, stakeholders were still considering the situation and waiting for government announcement on school reopening, before taking any final decisions. Stakeholders envisage there being reduced learning gains. This will probably lead to a **recalibration of targets** for next year and will require a new **baseline data collection** when children return to schools. This is because it would be unfair to compare learning outcomes with results from the previous years, which so far have been outstanding, given the expected effects of Covid-19 on learning outcomes mentioned above.

4.2 DIB effects observed

This section describes the 'DIB effects' observed to date, i.e. how the design, delivery, performance, implementation and impact of the intervention has been affected because it has been funded through a HIB. To understand how the DIB model has affected the implementation of the intervention, we use a list of potential DIB effects identified from a review of the literature and our previous work evaluating impact bonds. These potential effects are listed in the table below. Our research assesses whether the DIB effect was observed in the project and whether this can be attributed to the impact bond mechanism. It is important to distinguish between the two – just because an anticipated effect of the DIB exists in the project, does not mean the DIB itself necessarily created this effect, as it could have been caused by other factors. We have assessed whether the effect can be attributed to the DIB by comparing the DIB to how these service providers operated when funded through grants. We explored whether the effect materialises more strongly in the impact bond-funded project compared to the similar grant-funded projects, and whether stakeholders attribute this difference to the impact bond mechanism rather than to other factors.

For each category of DIB effect below, we have set out our findings for the effects as a RAG (Red-Amber-Green) rating, indicating the extent to which these effects were observed and the extent to which it is attributable to the DIB. The triangles indicate whether the characteristic was observed (green), observed to some degree (amber) or not observed (red). The circles indicate whether this is attributable to the HIB (green), attributable to some degree (amber) or not attributable (red).

DIB effect summary

	Effect observed	Attributable to the DIB
Advantages		
1. Shift focus to outcomes, greater accountability	OBSERVED	ATTRIBUTABLE
2. Drives and improves performance management	OBSERVED	ATTRIBUTABLE
3. Providers manage adaptively through continuous learning to deliver what they feel will achieve outcomes	OBSERVED	SOMEWHAT ATTRIBUTABLE
4. Greater collaboration and/or coordination between stakeholders as there is an alignment of interest	OBSERVED TO SOME DEGREE	SOMEWHAT ATTRIBUTABLE
5. All of the above factors leading to more beneficiaries supported, and more outcomes achieved	OBSERVED	ATTRIBUTABLE
Disadvantages		
1. Complex to design and expensive to set up	OBSERVED TO SOME DEGREE	ATTRIBUTABLE
2. Cherry picking of participants from target population	NOT OBSERVED	NOT ATTRIBUTABLE
3. Level, quality, range and duration of support are reduced due to the contracting model	NOT OBSERVED	NOT ATTRIBUTABLE
4. Performance management culture lowers staff morale and increases staff turnover	OBSERVED TO SOME DEGREE	SOMEWHAT ATTRIBUTABLE
5. 'Tunnel vision': Focus on primary outcomes comes at the expense of secondary outcomes; opportunities for project co-benefits are missed	OBSERVED TO SOME DEGREE	SOMEWHAT ATTRIBUTABLE

4.2.1 Observed DIB effects

Shift focus to outcomes and greater accountability, as impact bond builds a culture of monitoring and evaluation

All service providers involved in the DIB were **used to tracking outcomes** and did so in the non-DIB interventions they delivered. However, providers were now better aware of how the different activities they delivered affected learning outcomes, and how this differed by grade and subject. They knew which activities they needed to focus on to achieve which outcomes, and where they needed to improve. Providers now approached programme results more analytically, looking not just at how the programme was progressing in general, but breaking down each and every aspect of the results. A **stronger focus on outcomes** has cascaded from management to field level across service provider teams, and, for certain providers, stakeholders they work with (e.g. government schools). This is resulting in greater accountability, as **senior managers within service providers were playing an active and engaged role** in performance management, participating in regular brainstorming sessions and using data to inform their strategies and decision-making processes, to ensure results were achieved. The following examples from providers' experiences show how the DIB effect materialized in practice:

KEF fellows understand the DIB model and the targets they are working towards. Although government stakeholders (teachers and headmasters) that the providers work with might not be aware of specific service providers' targets, they are clear about the learning outcomes the intervention should achieve.

The content of Gyan Shala's curriculum is now all structured around the objectives identified through the DIB. Each Grade's activities are now more aligned with specific Grade-related objectives rather than cumulative objectives related to Grades 1 to 3. As a result, the design team has included more activities to ensure better learning outcomes, and the curriculum is more dynamic than before.

One of the reasons for this increased focus on outcomes and higher levels of accountability is that the DIB is structured around **clear outcomes**. Through regular workshops, visits and brainstorming sessions, and building on learning from Year 1, in Year 2 Dalberg and CGI clearly defined and explained to service providers, teachers and headmasters they work with, the DIB's expected outcomes and targets, how these are measured, the process for data collection and analysis and the specific activities that outcomes are attached to. This helped clarify any doubts left from Year 1, on outcome measurement. A sharper understanding of the end goal was achieved, which was then incorporated into the design of the providers' curriculum and activities. This triggered providers' motivation to deliver, as shown in the quote below:

“The earlier, non-DIB programme used to work fine, and teachers were motivated, but now their performance is measured, and this triggers competitiveness and motivation. Teachers now strive to achieve learning outcomes. At baseline in Y1, teachers realised what is measured by the DIB and understood what they need to work on, what parameters count.”

- SERVICE PROVIDER

CGI explained what qualifies students as high, medium, and low performing, presented baseline results in treatment and comparison schools, and gave teachers the opportunity to discuss success stories and factors. This was important to get buy-in and develop a better understanding among team members, teachers, and headmasters, about how change happens on the ground. Providers further developed their existing monitoring and evaluation culture, to ensure learning and outcome achievement. Having clear outcomes and targets, and being regularly monitored by the performance manager, is considered highly motivating by stakeholders. The greater focus on outcomes in one of the service providers is demonstrated by the example below:

KEF reported a shift in mindset among teachers and headmasters, who now actively reflect on the data they get from the team, to make progress on the ground, including through more structured action plans. They are now aware of the learning levels of students they work with and how to segment them for more effective group-based activities, the skills service provider and teachers need to focus on and how to interpret and use data. This change in mindset improved teachers' practices.

Other DIB-related factors were the **DIB high stakes environment** and a more rigorous **methodology for independent evaluation** that is part of the model. Providers felt extra pressure to perform and deliver, because of the presence of an external evaluator, which rigorously assesses results at the end of every year, and because they understand that failure to perform in such a high-stake, visible experience that might reduce future funding from the DIB and other funders. This motivated the entire team, from Senior to field level, to better understand the DIB model and data, and tweak their internal monitoring system to ensure they were able to achieve the expected results. This is shown in the quotes below:

“DIB’s focus on learning outcomes, the presence of quarterly and final evaluations, this all helps the team to focus on minor aspects of the programme and develop a stronger commitment to achieving objectives and improve the programme” - SERVICE PROVIDER

“Accountability is driven with much more force in the DIB. We push ourselves to go the extra mile to deliver as best as we can. The fact that fellows, teachers and headmasters all know how the entire process is designed and what the expected outcomes are, is triggering accountability.” - SERVICE PROVIDER

In addition, being clear about how things were verified and measured, and how that linked to payments, helped to develop M&E systems and decision-making processes accordingly. An example of this DIB effect is presented below:

According to Gyan Shala, formal oversight made them more careful. In the DIB the evaluation is more systematic than how they used to evaluate the programme in the past, as outcome targets are more clearly defined and more strictly adherent to grade-specific objectives, and the evaluation happens in Year 1, 2 and 3, not just at the end of Year 3.

A non-DIB related cause is also at play. Providers were indeed already used to focusing on outcomes and use data and discussions to tweak and adapt their interventions to local needs. This was not done to the same degree as in the DIB, but **some degree of evaluation capability was already present**.

| The DIB model drives performance management

Service providers involved in the DIB have long operated in the sector, have **strong M&E systems in place** and are delivering models that are inherently data driven, effectively leveraging data for decision making. However, under the DIB, **more and better data** is collected and regularly discussed internally and with Dalberg, informing strategic thinking and ongoing delivery. Existing M&E activities became more intense, with more frequent and accurate data collection and analysis processes in place, as well as regular brainstorming sessions with Dalberg. There is now greater alignment and understanding of how to map insights and data from the field to the **programmes' broader strategy**, to assess whether programmes are on the right track. This is shown in the example and quote below:

Gyan Shala reported they are now able to take better decisions with relation to the design and delivery of the intervention, with stronger processes in place to deliver the programme and achieve objectives. The Management Information System was improved because of the DIB, as more data gets collected (e.g. data on learning outcomes, structured feedback from teachers and supervisors) and reviewed more frequently (quarterly and then annually). For example, the team has formalised the process of collecting feedback from teachers and supervisors, which is a new element of their M&E system and was only happening informally in the past. Earlier, all teacher and supervisor feedback were discussed and actioned at the field level only, while feedback is now escalated to the central level, with resulting improvements in practice. With quarterly tracking and updates, the team is now able to detect and evaluate change in feedback and take course-correction measures more quickly. The team is also able to compare feedback between different zones where the intervention is delivered, and new and old teachers, and come up with zone-specific solutions. This has positively affected teachers' practices. The entire organisation, not just its DIB-funded intervention, is benefiting from these learnings.

“Dalberg is tracking teachers' performance, something that motivates the team. We are also learning a new perspective by attending Dalberg team workshops on planning and how to fill and read sheets, how to use them to improve strategy.” - SERVICE PROVIDER

The reasons for improved performance management were a mix of DIB and non-DIB related causes. The DIB focus on **clear outcomes**, including visibility and transparency of results, has helped organisations to improve their existing M&E systems and decision-making processes (as mentioned above). The presence of a **performance manager** was equally important; through quarterly visits and reporting, frequent calls and brainstorming sessions conducted with different levels of the providers' teams, Dalberg was pushing providers to improve data collection and analysis and identify areas for improvement, through a customised approach.

Once again, the DIB **high stakes environment** contributed to this DIB effect. Providers were validating their model through the DIB and were keen to understand how to use data to inform better decisions. Targets set by CGI through careful consideration of past data and the Indian context, stretched providers' 'business as usual' targets, to ensure that they would work to higher standards and with higher stakes.

As for non-DIB causes, Dalberg unlocked processes and a way of thinking that were **already inherent to providers' models**. Providers had been proactive in asking Dalberg to use brainstorming sessions to unpack data and improve their decision-making. If providers' models had not already been data-driven and characterised by strong M&E systems, according to stakeholders, results would have been unlikely to materialise. Still, Dalberg's contribution has been invaluable, as demonstrated by the quote below:

“Our M&E system was already in place. However, Dalberg works very closely with us and became integral part of the team’s sharing and learning process. We meet quarterly to map, discuss, and address any challenges. This is all reflected in the planning sheet. They adopt a collaborative approach that helps, and a third-party perspective helps, as the team might miss out on something if they tend to always act in the same way by default.” - SERVICE PROVIDER

More beneficiaries are supported, and more outcomes achieved, ultimately leading to more effective and efficient services

The results achieved through the DIB **exceeded providers' historical performance**. Learning outcomes were outstanding, with all providers that had been evaluated overachieving in Year 2 and outperforming comparison schools in Maths and Language. More than before, providers were focusing on classroom-level learning and improvements, rather than just on individual students, with the entire classroom moving from beginner to advanced level of understanding of the concepts they were evaluated against. Service providers were putting more efforts to recruiting new students, in order to meet **enrolment targets**, as shown in the example below.

To increase enrolment and meet the DIB targets, Gyan Shala team localised all existing Gyan Shala learning centres on Google Maps, to identify new areas where the city has grown and new slums that may lack basic facilities. As for learning outcomes, Gyan Shala teachers have reported putting more efforts into guaranteeing that all children in the classroom are learning and improving. During the first 15 minutes of class, teachers quickly reassess child knowledge and areas for improvement, and conduct even more reviews closer to the endline assessment date.

This has primarily occurred as a consequence of the two other DIB effects referenced above – namely a stronger focus on outcomes and a stronger culture of monitoring and evaluation – as well as the DIB high stake environment, as stated below.

“Providers are already incredible organisations that know the communities where they work and what matter, and that drive strong programmes, they are positioned to success. On top of that, they incorporated the M&E and data technique as a result of the DIB, which ensured more precise planning. They made customisation for DIB planning to ensure that learning was happening. For example, they customised programme design in schools where teachers were responding differently. They are planning and customising more because of high stake environment DIB creates and outcome orientation, and performance management tailored and customised to build strong relationships and capacity for data use. These are the key drivers of performance.” - PERFORMANCE MANAGER

The long and more-stable funding brought about through the DIB also enabled providers’ leadership to focus on improving performance, as they did not have to worry about fundraising anymore. This is explained in more detail in the quote below:

“If you get providers to focus on what they like to do, they succeed. Funding in India for non-profits is so tight and follows annual funding cycles, while DIB’s flexible pot of funding helps them to be creative, allowing them to focus on what they like. The leadership is allowed doing something different from what they usually do: they are not just stuck in fundraising, but can go deeper into data and performance and see what works.” - INTERMEDIARY

4.2.2 Effects somewhat attributable to DIB

Providers have more flexibility and autonomy to deliver what they feel will achieve outcomes and are able to deliver process innovation

Even before being involved in the DIB, the four providers were delivering interventions that were situation-specific and tailored to local needs, which for this reason were flexible and adaptable. However, although the main delivery model remained the same, all providers reported evidence of course correction and creative thinking to make the most of time and funding available.

DIB-related factors have positively contributed to flexibility and innovation, while also limiting that to a certain extent. First, according to the DIB contract, service providers receive flexible funding that allows them to adjust inputs and activities as needed, to achieve the expected outcomes. As outcomes and targets are clearer, it is easier for teachers and field team to understand which parts of the interventions need improvement. The performance manager contributes to that, through quarterly report and engagement. Dalberg brings its external perspective and helps providers to identify challenges and find and implement solutions, strategize and use their time more effectively. Knowing they will have to report on their performance on a quarterly basis, providers have been more proactive in acting upon the data and feedback collected. All this has stimulated process innovation, as stated below.

“The need to innovate, create and implement was encouraged by the DIB, because of brainstorming with external stakeholders such as Dalberg, and their views, while usually you only brainstorm internally with your team. It is very important that external stakeholders pose different questions that the team would not ask otherwise.” - SERVICE PROVIDER

At the same time, the DIB contract states that providers’ main intervention model can be tweaked, but **not radically changed**, as the QEI DIB is meant to test and validate existing, proven interventions providers had long been delivering. Given DIB visibility, the risk of experimenting is too high to radically innovate. Finally, the DIB’s strict timeline and requirements risk limiting providers’ creativity and flexibility to some extent. For example, the need to conduct the endline assessment within a certain timeframe and with relation to Year 1 only, forced one provider to delay and shorten Year 2 activities. The same activities were carried out earlier and for longer in non-DIB areas.

There are high levels of collaboration and/or coordination between stakeholders as there is an alignment of interests

The DIB **facilitated working with several service providers at scale** and collaboration between multiple stakeholders. Management and communication between stakeholders have been considered good, and providers feel well supported by stakeholders. This is partially attributable to the DIB, as its **focus on outcomes** allows for the alignment of stakeholders’ efforts, while the presence and efforts of the **intermediary** facilitate coordination and communication between different stakeholders. As for non-DIB causes, it must be highlighted that QEI DIB stakeholders are all **likeminded** and bonded by their common interest in improving educational outcomes for children in India, and their willingness to innovate. The quotes below demonstrate all this.

“Stakeholders are all different and motivated by their own internal goals, but at the same connected by a common interest in the overall benefits of the DIB.” - INDEPENDENT EVALUATOR

“Collaboration with stakeholders has been very effective, with constant dialogue with Dalberg and a very collaborative interaction with CGI. There is a lot of dialogue going on. The fact that DIB is focused on outcomes allows all stakeholders to focus their efforts on that and makes them more aligned to improve final outcomes and operations” - SERVICE PROVIDER

More can be done to **streamline information sharing** and ensure that all stakeholders can quickly and easily access the information they need, without necessarily going through an intermediary. In addition, more **cross-learning opportunities between service providers** could be incentivised. This has been done to a limited extent so far, partially because providers operate in **different contexts and face different issues**, which makes it more difficult to identify learning that is worth sharing. Providers’ response to Covid-19 has now been identified as an area where providers can more profitably share learning with each other. Finally, as per contract, and for attribution purposes, providers are **not allowed to bring in other education providers and use their materials**. They can only collaborate with other organisations if they work in sectors different from education (health, nutrition). One interviewee believes that, as a result, the DIB stifled opportunities for collaboration with other NGOs. According to other stakeholders, though, this disadvantage is not too significant.

The QEI DIB design was expensive to set up and is more expensive to implement than a grant

Most stakeholders agree that the DIB **extra costs mostly manifested at design stage**, which entailed higher transaction costs and costs for the providers' selection process. In the implementation stage, for most stakeholders, the DIB did not have significant extra costs compared to traditional funding. Providers' delivery model and related costs were broadly the same in DIB and non-DIB interventions and staff were paid the same salary. Frequent meetings with and reporting to the performance manager and rigorous requirements of the external evaluation **do represent extra costs**, but stakeholders consider them worthwhile to achieve the outstanding results that have been seen.

Performance management culture lowers staff morale and increases staff turnover

According to most stakeholders, working on the DIB had **boosted staff morale**. From management to the field team, staff members were motivated to perform, showing solution-orientation. As mentioned, DIB visibility and the high stakes environment motivated providers to perform. In addition, all providers felt adequately supported by the **performance manager** and proactively asked for Dalberg's help to improve their performance. However, there was some indication that the DIB had affected staff morale; some staff members and teachers had complained that although they made a great effort to comply with **stricter DIB requirements**, they received the same salary as before.

'Tunnel vision': Focus on primary outcomes comes at the expense of secondary outcomes; opportunities for project co-benefits are missed

According to all stakeholders, service providers focus on children's holistic development through their work, but this is then measured using key learning outcomes, such as Maths and Literacy, which are useful to assess whether interventions are on track. As mentioned above, some stakeholders were concerned that the DIB only measured Maths and Literacy learning outcomes, which could lead to more of a 'teaching to the test' and less of a focus on wider children outcomes. As shown by the quote below, this risk is not just limited to the DIB.

“The risk of teaching to test concerns the wider education sector, not just the DIB. How do you get schools and government to teach for children to really understand the issue, rather than just to pass the test?”

- OUTCOME FUNDER

Stakeholders introduced elements to try to reduce this risk, including incentivising a focus on classroom-level improvement, introducing a test designed to assess skills gained rather than rote-memorised tasks and not showing the tests to providers and teachers in advance. The effectiveness of this approach is demonstrated by the quote below:

“100% the nature of the design of the DIB affected the fact that providers are now focusing on classroom-level learning, rather than just individual students. They are focusing on the holistic level and not individual children.” - **PERFORMANCE MANAGER**

In addition, the quality of the service providers is once again important to ensure that children's holistic development, and not teaching to the test, is at the core of their interventions. For example, providers qualitatively record and discuss improvements in secondary outcomes, such as socio-emotional wellbeing, improvements in the school environment and parent involvement. Nonetheless, it seemed like this risk still remained. According to one manager, the DIB can be restrictive, with performance management efforts and recommended solutions being mainly focused on learning outcomes. Other team members believe that outcome measurement should incorporate elements that go beyond learning outcomes, to assess children's holistic development.

4.2.3 DIB effects not observed

| The DIB model incentivises cherry picking

Improvements in learning outcomes have been seen at the classroom level across service providers. Not only has the DIB not encouraged cherry picking, but according to providers, teachers were not as focused on the entire classroom in previous, non-DIB interventions. This is due to the **DIB evaluation design**, which is explicitly designed to avoid cherry picking. The evaluation samples schools, not children, and tests are designed in a way that allows testing of all levels of students, from low to high performers. This guarantees that providers do not know who is going to be assessed and are not incentivised to recruit specific students.

| The DIB model leads to a decrease in quality, range, or duration of support

This effect has not been seen in the QEI DIB. By contrast, the quality of the services has improved, and a larger number of students have achieved more and better outcomes. Compared to the comparison groups, a greater proportion of students from the same class have moved from beginner level of proficiency in Language and Maths, to intermediate and advanced proficiency.

4.3 Other interesting aspects of the DIB

Spillover effects

There is emerging evidence that, through regular senior and field staff meetings, service providers are **transferring learnings** from the DIB to other locations where they deliver non-DIB programmes. Anecdotally, a greater focus on outcomes, and learning on data analysis and use, performance tracking, quarterly reporting systems, have improved performance not only in the DIB, but also non-DIB areas where providers operate. The quote below demonstrate how the rest of the provider’s organisation is benefiting from the DIB.

“Through sharing of learning, we are helping other parts of the organisation to grow. We hold meetings at different levels: senior management level, fellow level, programme leader level. At all of these levels, sharing is happening between DIB and non-DIB programmes, as all team members are interested in the Management Information System and how it helps to track performance, how to analyse and use data etc.”

- SERVICE PROVIDER

Other spillover effects concern the **increased visibility and recognition** acquired by stakeholders through the DIB. For example, BAT rose to greater prominence in the outcome-based space; SARD is now liaising with the government to expand its activities and develop content and curriculum for different Indian states; and CGI also acquired significant visibility in the market.

The wider impact of the DIB

According to stakeholders, one of the main goals of the DIB was to trigger a systems transformation, bringing government and other funders to **adopt outcome-based funding mechanisms** and **structure their testing models around learning outcomes**. This is not an easy task, given that DIB providers only work in a subset of schools and locations, and it might take a long time for state governments, let alone central Indian Government, to adopt outcome-based funding over traditional funding mechanisms. Covid-19 has undoubtedly created additional priorities for the government, which is struggling with the financial constraints created by the pandemic.

Nonetheless, the Indian Government has shown an increasing interest in outcome-based interventions, and willingness to partner with NGOs in education delivery. A draft for a **New Education Policy** has been put forward in 2019, which might encourage more public-private partnerships to fund education and opens new opportunities for collaboration with DIB stakeholders. However, state governments have a lot of freedom in implementing programmes. Hence, engaging with State Education Departments is crucial to ensure implementation of the new Education Policy and adoption of outcome-based approaches.

For this reason, MSDF is engaging in early conversations with governments from three Indian states, other funders and policy bodies, to explore options for **government flexibility in budget allocation and build government capacity to work against outcomes**. The Government education budget is currently mostly allocated to teacher salaries (i.e. inputs), which makes it difficult to adopt an outcome-based framework. However, the portion of the budget that is allocated to technology in schools, could be looked at through an outcome lens (i.e. money is not allocated to hardware and software, but to children's learning growth in technological subjects). The DIB is facilitating BAT's, MSDF's and UBS-OF's attempts to grow the outcome-based market in India. The DIB is indeed built around a partnership between several funders and non-profit organisations which are successfully testing a model based on learning outcomes. This is generating high quality dialogue about outcome-based funding, as well as credible results that it can work in the Indian contexts, in a wide range of high and low-cost delivery models. DIB stakeholders are also interested in using the QEI DIB experience to develop a rate card that might facilitate the emergence of more impact bonds in the education sector.

Building on the DIB experience, BAT and MSDF are currently developing a **second DIB** in the employment/livelihoods sector, which will become even more critical in the post-Covid era. BAT is also conducting more work on impact bonds in Pakistan and Bangladesh, including assessing what is needed to increase the number of organisations that are able to work against learning outcomes.

4.4 Lessons learnt

This section describes the lessons learned, reported by stakeholders based on their experiences of designing and delivering the QEI DIB.

DIB design and set up

1 Involve all actors upfront and clearly define their role within the DIB.

BAT reported that it would be more efficient to engage all actors prior to designing the details of the DIB model, reflecting on their challenges in the current project engaging outcome funders. This would mean that those funding the model would have the opportunity to shape the DIB design and selection of service providers.

2 Clearly define the roles and responsibilities within the DIB.

BAT emphasised the importance of communicating the details of the model, including the sharing of risks, the level of investor returns, and the scope of the intermediary role. This is to ensure that there is clear understanding from all parties of their roles and responsibilities during implementation. In the current project a lot of stakeholders needed support to understand the terminology and structure of the DIB.

3 Workshops with the different stakeholders work well to keep messaging consistent about project objectives and solve challenging issues.

UBS-OF reported that organising workshop events to discuss the model and the requirements of the project helped considerably, given the scale of the project and the number of stakeholders involved. This includes the meetings with outcome funders, but in particular, those with the service providers, engaging them in their role and ensuring there is buy-in to the requirements of the DIB. While challenging to organise with stakeholders in different places, providing all stakeholders with the same information at the same time reduced the risk of misunderstanding and miscommunication.

4 Templates and standardised processes have helped, but more is needed.

There was evidence in this DIB that learning had been taken forwards from the Educate Girls DIB to improve design and increase efficiency in transactions, for example, in the legal processes. However, the development process overall was still long and complex, particularly as the DIB structure included multiple outcome funders and multiple service providers. Developing templates to standardise processes would help with efficiency but would also help maintain organisational knowledge on a project. For example, there was only a narrow group of stakeholders at UBS-OF who were involved in developing the financial model in full, so if it was replicated elsewhere it would still take time to set up. UBS-OF stakeholders reflected that with templates for the routine processes, DIBs should become easier to share and adapt. BAT also reflected that where DIBs included 'new' elements, time should be allowed in the process. In this project it was important to allow enough time to support the complex contracting to enable a multi-party, global transaction.

5 Potential benefits of including a special purpose vehicle⁹ (SPV).

In the current model, UBS-OF manages all the financial flows from outcome funders and to the service providers. However, on reflection it would have preferred a SPV to separate out the finances. This would have allowed a more arms-length approach to management and the possibility to engage with commercial investors. However, it is not straightforward to set up an SPV as UBS-OF is part of UBS.

⁹ A legal entity (usually a limited company) that is created solely for the particular financial transaction or to fulfil a specific contractual objective.

DIB execution

1 Undertake more scenario-testing upfront to plan for and accommodate potential risks

There were a number of challenges faced during execution that stakeholders believe could have been discussed more extensively at design stage and reflected in the DIB, including the contracts, targets and timelines. This includes: selecting and engaging with government schools; how to deal with providers' underperformance; how to distribute costs resulting from the involvement of a new service provider; and how to address attribution problems resulting from the fact that some government schools involved other providers to deliver in DIB schools. The approach adopted by the DIB consortium in response to Covid-19, using different scenarios and working hypotheses to plan next steps in a systematic manner, might offer a way forward..

2 Learnings from the DIB have been captured and communicated, but more could be done

QEI DIB stakeholders all agree that learning from this DIB is crucial to grow the outcome-based market and are interested in capturing this learning. Stakeholders believe that having an intermediary such as BAT has been important to ensure effective information sharing, especially given the number of stakeholders involved in the DIB, and their different priorities and level of engagement. However, so far data has been collated and shared only quarterly with the group, and through BAT intermediation. According to stakeholders, consortium members would benefit from the opportunity to access data and updates directly and more quickly, when needed, without going through an intermediary. Therefore, for the next year, BAT is planning to create a folder where all DIB documents will be saved and accessible to DIB stakeholders at any time. In addition, stakeholders were keen to learn more and reflect about challenges encountered and how these were overcome. The involvement of knowledge partners such as Brookings is an important step in this direction. A further step would be facilitating more lessons and information sharing between service providers, for them to learn about each other's practices and how they are responding to DIB requirements. To this aim, one provider suggested the creation of a larger community of practice involving all providers that are currently operating in DIBs around the world, especially education-related ones.

3 Field team and teachers might benefit from incentives and rewards.

Stakeholders noted that under the DIB, field teams and teachers are working harder, to ensure outcome achievement, but are receiving the same salary as before. In order to sustain their motivation and results, a few consultees believe that incentives and rewards could be provided to field workers and teachers who are performing extremely well. These do not necessarily have to be financial incentives, but even ways to recognise success, such as official certificates for hardworking teachers, or in-kind rewards for field workers who have done well. .

5.1 Overall conclusions

After two years of delivery, the QEI DIB **continues to perform very well**. Covid-19 poses challenges to providers' interventions but given the outstanding results that have been achieved so far, all stakeholders were working to avoid invoking the force majeure clause and ensure continuation of the DIB.

In terms of what the DIB mechanism has achieved, stakeholders agreed that the DIB has increased **focus on outcomes and accountability** for service providers and improved their processes for **performance management**. Service providers have made adjustments to their interventions and improved the quality of their services, which led to more students achieving better learning outcomes. Stakeholders agree that DIB-related factors such as the strong presence of a performance manager, the external evaluation at the end of every year, and the DIB high stakes environment account for these improvements. At the same time, they agree that this success is also driven by the **quality of the service providers**, the strength and flexibility of their interventions, and the fact that they were already data-driven organisations with strong M&E systems in place. This demonstrates the importance of selecting service providers that are ready to deliver against strict DIB requirements or preparing them to do so.

Besides supporting the achievement of learning outcomes, the DIB has generated important learnings and spillover effects for all stakeholders involved, in terms of organisational improvements and learning on how to build the outcome-based market.

Overall, stakeholders consider that **education is a good fit** with a DIB structure, as education interventions are usually evaluated in quantitative terms. Language and Maths are considered good proxies for children's holistic development, but qualitative assessments like those currently conducted by Dalberg in the DIB are advisable to capture results and dynamics that go beyond that. A good DIB evaluation design and the quality of service providers are both crucial to ensure that quality education, and not teaching to the test, is at the core of providers' intervention.

In terms of **sustainability** of the results and changes achieved by the DIB mechanism, the value added of the DIB will be the providers' new **mindset and focus on learning outcomes**, and how this is going to inform their future practices. The next research wave will explore how sustainable this is, without the presence of a performance manager, the external evaluation and the DIB high stakes environment.

The sustainability of the QEI DIB also lies in its ability to create evidence for funders and government of the merits of outcomes-based, age-appropriate interventions and increase their roll-out across India. In particular, the inclusion of a robust assessment tool means that the evidence from the project has the potential to provide important learning about the effectiveness of different types of education models as well as the suitability of the DIB model in different contexts.

Stakeholders consulted in RW1 and RW2:

- British Asian Trust
- Comic Relief
- Dalberg
- Educate Girls
- ConveGenius Insights (formerly Gray Matters India)
- Gyan Shala
- Kaivalya Education Foundation
- Larry Ellison Foundation
- Michael And Susan Dell Foundation
- Pratham Infotech Foundation
- Society For All Round Development
- Tata Trust
- UBS Optimus Foundation
- UK Foreign, Commonwealth and Development Office

