THE EDUCATE GIRLS DEVELOPMENT IMPACT BOND: A NEW FINANCE MODEL FOR INTERNATIONAL DEVELOPMENT
The Educate Girls Development Impact Bond (DIB) aims to increase enrolment and improve learning outcomes for girls in Rajasthan, India, improving education for 18,000 children.

The DIB ties 100% of funding to outcomes.

The DIB is a ‘proof of concept’ to demonstrate how development impact bonds can contribute to social good and offer some financial returns.

It is a joint project between Educate Girls, the Children’s Investment Fund Foundation (CIFF), the UBS Optimus Foundation, Instiglio, and IDinsight. It will run for three years from mid-2015 until mid-2018.

**FAST FACTS**

- **The Educate Girls Development Impact Bond (DIB)** is a pioneering new way to encourage private investors to fund development projects that is 100% focused on the outcomes achieved. It will help improve education for 18,000 children, 9,000 of them girls, in 166 schools in Rajasthan, India. Rajasthan was chosen because it has some of the worst indicators for girls’ education in India, and it is clear that something needs to be done if these communities are to lift themselves out of poverty.

- In addition to the short-term benefits of improving enrolment and learning opportunities for these children, this first-ever development impact bond aims to create a ‘proof of concept’, showing potential donors and investors how development impact bonds can contribute to societal gains while still offering financial returns.

- The concept for the development impact bond sits at the nexus of a trend towards impact investing for socially-beneficial outcomes and the development community’s growing interest in innovative financing methods.

So how does it work in practice? Taking the Educate Girls Development Impact Bond (DIB) as an example, a socially-motivated investor – the UBS Optimus Foundation (UBSOF) – puts in the working capital so the service provider – Educate Girls - can begin its work on the ground.

An outcome payer, in this case the Children’s Investment Fund Foundation (CIFF), promises to pay back the investor (UBSOF) the original amount plus extra returns as long as agreed targets are met. The targets are focused on increased enrolment and the children’s progress in literacy and numeracy, which will be assessed regularly by an independent evaluator, IDinsight, over the course of the three-year programme.

The Educate Girls DIB will also be supported by project managers Instiglio, who are providing performance management services to Educate Girls.

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Because a DIB ties financial returns and payments to rigorously-measured social outcomes it has the potential to sustain long-term, results-focused partnerships among non-profits, donors and investors.

Future impact bonds are envisioned as a way of creating investable solutions for the underserved and those at the bottom of the pyramid. The Educate Girls DIB has been designed with this longer-term, game-changing aim in mind. If the concept takes off, development impact bonds could be scaled up to deliver high-quality life-changing impacts for millions of people in areas such as education, health and gender equality.
The Educate Girls Development Impact Bond

After the programme concludes in 2018, IDinsight will deliver an outcomes evaluation report to CIFF, the UBS Optimus Foundation and Educate Girls, which will show the measured impact of Educate Girls on enrolment and learning for the target population. CIFF will disburse payments to the UBS Optimus Foundation according to the level of enrolment and learning outcomes measured for the programme.

WHO DOES WHAT?

Instiglio: As project manager, Instiglio designed the DIB’s outcomes, payment structure and financial model and is now providing performance management services during implementation.

DIB Working Group
Composed of parties already listed here

DIB Advisory Group
Group of outside experts

UBS Optimus Foundation
Investor financing project implementation

CIFF
Outcome payer paying for enrolment and learning outcomes

Educate Girls
Service provider

IDinsight
Outcome evaluator

Dalberg Global Development Advisors
Process Evaluator

HOW IT WORKS

PAYMENT STRUCTURE

• The UBS Optimus Foundation invests a total of USD 267,000 in Educate Girls to cover the costs of Educate Girls’ programme over three years.
• Of the total outcome payment, 80% has been assigned to learning and 20% to enrolment. The financial returns depend on the success rate of the intervention and are set at a maximum rate of 15% for three years.
• CIFF pays the UBS Optimus Foundation for gains made by Educate Girls in both enrolment and learning. CIFF makes just one payment after conclusion of the programme in 2018 for performance against these outcomes.
• UBS shares a portion of the outcomes payment with Educate Girls based on the success of the programme—providing Educate Girls a financial return dependent on the success of their programme.

LEARNING OUTCOMES

The learning payment metric is measured using the students’ performance on the ASER test, a widely used test of basic numeracy and literacy, in a randomized controlled trial.

• The ASER test measures three proficiencies: basic literacy in Hindi, basic literacy in English, and basic numeracy.
• Scores range from A to E on each of the three subjects and tests are administered in the classroom before and after Educate Girls’ intervention.
• IDinsight measures the causal impact of the Educate Girls programme on learning, which is defined as the difference in student learning gains (as measured by repeated ASER assessments) for students in grades 3-5 between the treatment group and the control group over the course of the evaluation.

ENROLMENT OUTCOMES

Enrolment is defined by the percentage of out of school girls who are enrolled on school rosters by the end of three years.

• Eligible girls are those between age 7 and 14 over the course of the three year period.
• IDinsight independently verifies the accuracy of the enrolment list by sampling a portion of the lists and conducting school and household visits.
India has made substantial commitments to education, yet it still has the largest illiterate population in the world and opportunities for improving educational outcomes remain.

For girls, the problem of education in India involves poverty, hygiene, and safety. Girls often stay home to care for younger children or spend several hours every day on household chores. Girls aged 6-14 spend an average of 6 hours each day in the house caring for their siblings.¹ When girls do attend school, they face additional problems: only 55% of schools in India have girls’ toilets and only 42% of teachers are female.² In 2005, 23% of teachers were absent from government primary schools in Rajasthan (and 25% nationally) and only half were teaching during unannounced visits.³

However, investing in girls is crucial to breaking the cycle of poverty.

Established in 2007, Educate Girls works to tackle issues at the root cause of gender inequality in India’s education system. Educate Girls is focused on improving enrolment and attendance as well as improved school infrastructure, quality of education and learning outcomes for all girls.
The Children’s Investment Fund Foundation is an independent philanthropic organisation, headquartered in London with offices in Nairobi and New Delhi. It works to transform the lives of poor and vulnerable children in developing countries.

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

Instiglio works to ensure that every cent spent fighting poverty has the greatest possible impact on the lives of the men, women and children afflicted by it. Instiglio does this by tying funding to impact in developing countries, providing technical assistance in the design and implementation of results-based financing tools such as social and development impact bonds.

By tying the funding of social programs to their impact, Instiglio is shifting away from traditional development funding that focuses on activities and directing it towards results.

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

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

IDinsight’s vision is to improve millions of lives by transforming how the social sector innovates, learns and improves. IDinsight partners with clients to generate and use rigorous evidence to improve social impact.

To find out more about DIBs and read the full design memo please contact Instiglio: info@instiglio.org

REFERENCES