

TATA TRUSTS

WHITE PAPER ON

**BUILDING AN INNOVATIVE FINANCING
ECOSYSTEM**

2024

A ► BACKGROUND

As an idea, innovative financing in development, has been around for over two decades and was first heard at the 2002 International Conference on Financing for Development in Monterrey, Mexico. It was closely linked to increasing role of the private sector in the development sector and adoption of New Public Management (NPM) practices by the governments that shifted focus to outputs, results, efficiency and effectiveness (Avelar, Terway, & Dreux Frotte, 2020). The 2030 Agenda for Sustainable Development (United Nations General Assembly resolution 70/1, 2015) resolved to achieve universal literacy and provide inclusive, equitable, and universal access to quality education at all levels (SDG4) and also called for a revitalised global partnership (SDG17) for realising the implementation targets by 2030. Although national governments remain the single largest contributors of education financing, the SDG17 opened doors for private, for-profit entities to contribute directly to the achievement of the development goals. The report of the International Commission on Financing Global Education Opportunity (2016), estimated that the global funding gap to ensure quality education for all children was USD 1.8 trillion per year and called upon private sector participation in plugging this gap (The International Commission on Financing Global Education Opportunity, 2016). More recent global estimates, particularly those accounting for the pandemic-related losses, indicate the annual financing gap for achieving SDG4 has risen to approximately USD 200 billion per year (UNESCO Global Education Monitoring Report, 2020). In India, the size of the financing gap for achieving SDG4 is estimated to be USD 740 billion for the period 2015-30 (Bhamra, Shanker, & Niazi, 2015).

India is no longer deemed as a poor, developing country owing to its economic growth and global

positioning. Foreign aid inflows to education in India have declined, both from bilateral and multilateral institutions as well as from international philanthropies. There is a greater emphasis on the mobilisation of domestic resources. The statutory obligation imposed by The Companies (Amendment) Act, 2014 on the corporate sector has helped release Corporate Social Responsibility (CSR) funds from the private sector. India is also seen as “one of the most attractive markets for impact investing worldwide. High demand for investments is likely to continue as a result of a growing population, underlying economic growth, stable financial markets with a strong rule of law, combined with large unmet social needs” (Pandit & Tamhane, 2017, p.13). In the education sector, the market for education services has grown and investments are evident in the core education (provision of K-12 and college), parallel education (preschools and tutoring) and in ancillary education (textbooks, education technology, etc.) (Kaizen, n.d.). While access and participation in schooling have been largely achieved, the learning crisis is seen as the biggest challenge in the education sector and this has resulted in several nonprofits as well as for-profit educational enterprises building their products and services targeting improvement of student learning outcomes. It is in this scenario that innovative financing for education is being experimented with.

What is Innovative Financing

There is no single commonly agreed definition of innovative financing. It is used to refer to a range of innovations in raising public or private finance and/or ways in which public and private funds are spent on the ground (Heinrich-Fernandes, 2019). It refers to new ways of generating additional

finance; it could refer to new financial instruments with innovative features; or it could refer to mobilisation of new sources of funding from new investors and partners; or it could refer to more effective and efficient ways of using existing development funds. At times, it is used to describe different approaches to funding including blended finance (use of catalytic capital from public or philanthropic sources to tap private capital for sustainable development), impact investments (where private capital is deployed to achieve social goals), results-based financing (where implementors or investors are paid for the results achieved rather than inputs).

Globally, different types of innovative finance mechanisms have been implemented in the education sector. The most commonly used mechanism is the impact bond, which is a results-based financing model in which one or more private investors provide working capital to a service provider to implement an intervention. The repayment of this investment is contingent on achieving previously agreed results. When the outcome payer is the private/philanthropic entity, it is called the Development Impact Bond (DIB) and when it is the government, it is called the Social Impact Bond (SIB). Currently, as per the NORRAG Impact Bonds Database (2023), there are 127 impact bonds globally that are targeted to achieving at least one educational outcome. Other mechanisms include, creation of new funds to raise additional funds from various public and private sector stakeholders, like the Education Outcomes Fund for Africa and the Middle East and the Global Partnership for Education Multiplier Fund; Social Impact Incentives and Social Success Notes, and Social Stock Exchanges to name a few. Some of the mechanisms, such as income-contingent loans and income-sharing agreements directly target the beneficiaries viz students in secondary and tertiary education by allowing them to repay loans in innovative ways. The government could also initiate innovative finance mechanisms. For example in India, levying education cess to raise

additional revenue for education, or issuing diaspora bonds to attract funds from the diaspora, or using Direct Benefit Transfers to improve efficiency of fund disbursement are also examples of innovative finance mechanisms.

What do we know about Impact Bonds

Impact bonds are suggested as a means to mobilise additional resources for education from private investors and complement traditional domestic and international financing sources. Seen as a type of innovative financing mechanism, impact bonds also use market-based instruments to mobilise additional resources and deliver outcomes by bringing together public and private actors (Joynes, 2019). Compared to conventional social or development funding approaches, impact bonds are seen to hold certain advantages. The focus on outcomes allows the service providers to make adaptations and choose field-level strategies that are most likely to produce the expected outcomes (Gustafsson-Wright & Osborne, 2020). Impact bonds have also ushered changes in how implementation partners consider utilising the funds. Along with flexibility and the focus on outcomes, payments are linked to the actual results achieved. The use of performance management is seen to help in the achievement of the outcomes. The role of a performance manager is critical to managing the risk and helping the service providers to achieve the outcomes. Incentives are often provided to service providers to deliver outcomes, but they also face reputational risk if they fail to achieve them (Gustafsson-Wright, Gardiner, & Putcha, 2015). Since payments are associated with the achievement of results, evaluation is a critical component of outcomes-based commissioning. The evaluations of impact bonds seem to conflate the effectiveness of the intervention with the effectiveness of impact bonds as a financing mechanism (FitzGerald, Fraser, & Kimmitt, 2020). Evaluation of the intervention is often confused as a comment on the funding mechanism itself.

Changing Philanthropy

Philanthropic sector has also witnessed a number of changes in line with innovative financing. On the one hand, it has been the catalytic force in the development and growth of the nonprofit sector, but it has also transposed the private sector practices into their own ways of working and made these into requirements for those who receive their funding (Horvath & Powell, 2020). Some of the interesting examples of how philanthropy has adopted innovative financing is through venture philanthropy and through mission-related investments. Venture philanthropy has emerged as a new way for investors to further social causes by investing in social enterprises for impact. The investments could take the form of grants, debt/loan, equity, or hybrid financial instruments and is often made alongside providing programmatic and strategic support that may be required for the enterprise to succeed. Mission-related investments involve philanthropic foundations investing their endowment assets in ways that are aligned with their missions, values and goals in profit-seeking solutions. This could involve investing in companies that are aligned with the mission, or investing in start-up companies that share the same mission.

India's experience with innovative financing in the education sector

India saw the world's first DIB in education, which was called the Educate Girls DIB. The reports about this initiative provide valuable insights into the experience, the results generated, and what it costs to produce the results. The Educate Girls DIB was considered hugely successful because the results surpassed both the targets that were set by partners on learning gains and enrolment over the three years. The achievement of the predetermined targets was not smooth. According to the final evaluation report (Kitzmüller, McManus, Shah, & Sturia, 2018), only half of the learning gains target was achieved after two years. However, there was a massive improvement in Year 3 which enabled

the target to be surpassed by 60%. However, the transaction costs, given this was a pilot or "proof of concept" stage for testing the impact bond model, were three times the amount of money spent on implementation. These transactions costs included legal, intermediary, and technical service costs. Given the high costs involved and the size of the payouts, some have questioned the justification of paying the extra 'risk reduction premium' to the investors. Instead, providing incentives to the service providers to perform against a set of targets could also have made a difference, or providing unrestricted funding to the organisations could have also given the flexibility required for producing results (Starr, 2018).

Based on this experience of Educate Girls, India has seen successful completion of Quality Education India- Development Impact Bond, which was the world's largest development impact bond on education in terms of the numbers of beneficiaries covered and total value of the bond (11M USD). It also saw the successful completion of the Haryana Early Literacy DIB which was the first DIB to tap fully into the domestic resources generated through CSR.

The Haryana Early Literacy DIB was a pilot of the India Education Outcomes Fund (IEOF) set up by Social Finance India. The IEOF was the first fund of its kind in India that aimed to catalyse private, social and government sectors and to work at scale. The IEOF was expected to raise and disburse USD 1 billion to education outcomes through innovative financial instruments by convening partnerships across investors, service providers and outcome funders to address India's most pressing education challenges. The idea of IEOF was to set up impact bonds at scale through pooled funds rather than bespoke, one-off impact bonds. Social Finance India was part of the Social Finance Global Network that was already established as a pioneer and expert on impact bonds after having being in an advisory role for a majority of impact bonds across the world. Tata Trusts supported the establishment and

working of Social Finance India to anchor outcome-focused financing at scale aligned with the achievement of SDGs in India. Although the pilot DIB in Haryana was successful, the IEOF and the Social Finance India folded up their operations.

Thereafter, the British Asian India Foundation (BAIF) along with the British Asian Trust has played a pivotal role in establishing an innovative financing ecosystem in India, through institutional support of Tata Trusts to BAIF for establishing its innovative financing work.

Shifts in the Policy Framework

The National Education Policy was adopted in 2020 and it made the recommendations that are relevant to outcomes-based financing and public-private partnerships. The Policy suggests putting in place mechanisms for making performance-based funding to the states and institutions of higher education. It also calls for efficiency and optimal allocation and utilisation of resources allocated for socially and economically disadvantaged groups. Private partnerships are encouraged to support government allocations to education (**Ministry of Human Resource Development, 2020**). The 15th Finance Commission of India recommended measurable performance-based incentives for state governments. In its report for the period of 2021-2026, the Finance Commission suggested that as far as feasible, incentives should be based on outcomes, indicators for the outcomes should be fixed against each incentive through credible and verifiable data, the incentives should be significant in size so as to induce the desired outcomes and reward a combination of relative and absolute achievements. In the education sector, the incentive grants to state governments were recommended using the Performance Grading Index (PGI) in order to improve outcomes of school education. It recommended INR 2000 million in incentives to be given per year per state for states securing top 3 ranks in the PGI, and another INR 2000 million in incentives per year per state for states showing the

highest improvement in PGI score over the previous year (**XV Finance Commission, 2020**).

The Implementation Plan SARTHAQ accompanying the NEP 2020 in Chapter 15 on Financing: Affordable and Quality Education for All, outlines the following tasks:

- (i) Effective and efficient use of funds
- (ii) Focusing on outcomes and delivering better value for money
- (iii) Seek greater private participation through a robust PPP framework

Para 15.2. of SARTHAQ states that the “increase in expenditure of even the well-intentioned inputs is no guarantee for improved key outcomes in school education”. Thus, the implementation plan of NEP 2020 places greater focus on better use of available funds, preference for outcomes-focused activities instead of inputs-driven expenditure, and greater participation of private actors in financing of education. The call for a ‘robust PPP framework’ should be seen in the light of the ‘light but tight’ regulatory framework suggested by the NEP 2020. The SARTHAQ Plan also notes long-term achievements that are envisaged. These include:

- A percentage of funding for States is linked to the improvement of key outcomes (MOE) by 2025
- At least 50% of states/UTs achieve 100% of key outcomes.
- The rest of the states/UTs will achieve at least 50% of key outcomes by 2030

These long-term plans reflect not only a strong shift towards linking part of public allocation of funds to improvement of outcomes by the state governments, but also a clear vision of tracking states with respect to their achievement of outcomes.

In addition to these policy directions, the launch of the Social Stock Exchange (SSE) in 2022 in India can be seen as an initiative aimed at encouraging private capital investment in the social sector.

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The SSE provides a platform for the social enterprises to raise capital from investors aligned with their mission. The not-for-profit enterprises can raise capital through different instruments including the Development Impact Bonds (**National Stock Exchange, n.d.**). The education sector is identified as one of the key sectors where SSE can help mobilise private capital for delivering education outcomes. These changes reflect an overall openness on the part of the central government to seek non-conventional financing sources (private) as well as non-conventional financing mechanisms (outcomes- or performance-based funding).

However, it may be noted that India's legal and regulatory frameworks, especially those pertaining to the philanthropies and non-profit sector (Societies Registration Act, 1860; Indian Trusts Act, 1882 and related state legislation; Companies Act, 2013; Foreign Contribution (Regulation) Act, 2010 place restrictions on fund flows. The provisions related to the CSR spending also restrict how and when the funds can be spent. This places limits on how impact bonds can be structured, who can invest, who can pay returns, the time frame in which it can happen and such matters that are necessary for the design of innovative mechanisms like the impact bonds.

B ► BIG QUESTIONS

This section highlights some of the key questions that could have a bearing on the future direction of work in innovative financing. It must be noted that there is a lack of evidence on several questions and hence the answers to these big questions should be seen as preliminary and tentative.

1. What is the gap in funding and do innovative financing mechanisms help fill the gap?

Innovative financing was positioned globally and encouraged in different parts of the world as an important tool to fill the funding gap, and bring more and newer capital into the social sector. However, it is too early to pinpoint the exact contribution these mechanisms have made in plugging the gap. The BAIF was able to mobilise approximately INR 1.5 billion for the three outcomes-based new instruments it put together over four years. Although this is a small percentage compared to the total financing gap for achieving SDG in India, it is considerable if seen as from a catalytic point of view. Tata Trusts had given institutional support to BAIF for first 4 years that gave enough flexibility to innovate and test the Indian ecosystem. *The government would always remain the largest contributor of education financing and the primary duty-bearer for raising revenue to fulfil its social and development goals. The contribution of the private/philanthropic sector would hence be most critical in catalysing additional capital for supporting work that is aligned with policy priorities of the government.* Therefore, support like one from Tata Trusts that has catalysed and generated additional funding for outcomes-based educational initiatives is significant and moving ahead, the importance of such catalytic funding would become significant.

2. Are more players coming into the Innovative Financing ecosystem?

The innovative financing space is largely considered to be a niche area of work for various reasons. First, the education sector professionals are often not trained in financing and finance professionals may not be familiar with issues of the education and the development sector. Second, the idea itself is quite new and complex to understand for most non-profits that have been used to the traditional grants-based model. Third, the innovative finance space has been largely occupied by international actors, particularly from the UK and US where most of the early experimentation on innovative financing took place. Even the domestic entities that entered the space as intermediaries (British Asian India Foundation and Social Finance India) had the backing of their international networks that had played advisory and capacity building roles at the global level. Most philanthropies and non-profits in India lack such strong network ties with international actors actively involved in innovative financing. On this background, the BAIF was able to bring together a range of players into the innovative financing ecosystem that were aligned towards achieving education and skill development-related goals. This included building on partners that were already committed to outcomes-based funding like the Michael & Susan Dell Foundation, UBS Optimus Foundation, Foreign, Commonwealth & Development Office, USAID, Children's Investment Fund Foundation and The World Bank, and also reaching out to a wide range of CSR, non-profits, technical experts and government entities. This outreach and network building was possible because of the institutional grant received by Tata Trusts.

Such an activity is essential for building an ecosystem, yet rarely supported through project-based grants.

In concrete terms, new instruments that BAIF was able to launch brought new players in the innovative finance space. The Skills Impact Bond was able to bring new players such as the National Skills Development Corporation (a not-for-profit public limited company set up by the Ministry of Finance as Public Private Partnership model), CSR such as HSBC and JSW Foundation, global philanthropy such as Dubai Cares Foundation and Oxford Policy Management as a new independent evaluator. Similarly, for the Back-to-School Outcomes Fund (now known as LiftEd-

-Transforming foundational learning in India), the BAIF was able to get a vibrant and diverse mix of CSR, philanthropic, and education partners together along with new partners like Atlassian Foundation, Standard Chartered Bank, Reliance Foundation, SDG Outcomes Fund and Kaizenvest. In addition to this, non-profits who are now part of the innovative financing for the first time include Peepul, Pratham, and all the training partners of the Skill Impact Bond. Although the number of new implementing organisations (those who have never been in an impact bond) is much less compared to number of new investors and outcome payers that BAIF was able to mobilise, the challenges of bringing non-profits are very different. *Shifting to an outcomes-focused intervention on the ground is a long process because social change is a complex process and non-profits may not be clear or may not have tested their theory of change, apart from being hesitant to work at scale.* On the other hand, funders and investors are more open to exploring ways of deploying their funds and getting most impact for every rupee spent.

3. Does the focus on outcomes and linking payments to outcomes produce better results?

Evidence of the earlier highly successful DIBs in education clearly shows that non-profit

implementing partners are able to meet the targets and surpass them because clearly articulated outcomes lie at the core of all the contracting. The single-point focus is to achieve the outcomes and the performance management unit's role is to work on behalf of the investors and ensure that a data-driven approach is adopted to making early course corrections and tracking progress. While the highly successful track record of earlier DIBs may raise questions about the targets being set too low, the structure allows for checks and balances and the outcome payer can negotiate so that the goals and targets are a sufficient stretch and involve some amount of risk to the investor. In the case of the Skill Impact Bond, the addition of 3-month retention target and use of the sliding scale for payments, makes the outcomes sufficiently challenging to achieve, especially because implementing partners have typically focused on completion of training and placement to an extent, but not on retention. The linking of payments to outcomes may or may not directly affect the implementing partner in a typical DIB structure, because there may be no financial incentive given directly to the partner to achieve results. However, it creates reasons for the investor to ensure robust performance management practices are in place to monitor the progress achieved and also ensures that the outcome payer will not agree to easy-to-achieve outcome goals and targets. While this is conceptually valid, both the instruments of BAIF are relatively new and hence it is too early to assess the effect these outcomes-linked structures have had on achievement of the outcomes.

4. How does the innovative financing ecosystem help nonprofits in India?

The non-profit sector working on education is very diverse and includes organisations varying in size, scope of work, location, funding, histories, and goals. Over the years, although new organisations have emerged across the country, traditional sources of funds, especially international grants,

have dwindled. The tightening of FCRA regulations has resulted foreign sources of grants getting reduced or stopped for several organisations. On the other hand, domestic philanthropies and CSR has been the key source of funding in the education sector. These diverse sources of funding help support diverse set of issues through a diverse set of ground-level interventions. However, as more and more philanthropies and CSRs think about the impact of their work and they are also looking at ways to strategically maximise their impact. Non-profits have also started getting asked about the impact of their work. New philanthropies and CSR are not only comfortable, but are also open to the language of efficiency, agility, return on investments, measurement of outcomes and impact. Even though grant-making now typically happens using a logframe approach, the funds continue to be more linked to inputs and/or outputs as compared to producing outcomes and impact, leave alone tying grants to the production of outcomes. Such organisations remain outside the purview of the innovative financing ecosystem and they are likely to remain dependent on the traditional funding sources. Some of the non-profits that have been working with the government school system are ready to operate at scale based on their initial proof of concept. Such organisations typically have strong government connections, and alignment with policy priorities, they may also have dynamic leadership, sound organisational structures, monitoring & evaluation systems, technological tools to manage the workflow and program management expertise. Such organisations are agile and are likely to have higher absorptive capacity because of the scale of their work.

Such organisations are likely to venture into the innovative financing space which also tends to offer larger amounts of upfront capital to support scaling. *The innovative financing ecosystem offers funding options to nonprofits that have a sound theory of change to scale their work, are ready to absorb huge upfront investment, are well-versed with data-driven approaches to performance*

management, agile programming and the willingness to accept reputational risks in the pursuit of pre-determined outcomes.

The implementing partners of the two BAIF-led instruments include some organisations that have had prior experience of participating in the DIB. For example, the Language and Literacy Foundation (LLF) was the sole implementing agency in the Haryana Early Literacy DIB initiated by the IEOF, and now it is an implementing partner in the LiftEd. Similarly, Kaivalya Education Foundation (KEF) was earlier part of the QEI-DIB and is now also an implementing partner in the LiftEd. This is perhaps indicative of the positive experience and value these organisations have seen in participating in these structures. Educate Girls successfully got recognised and funded as an Audacious Project in April 2019, soon after the successful completion of the first education DIB. However, it must be said that most of the non-profits working on education remain outside the innovative finance ecosystem and are largely dependent on traditional grant-making. Accessing the innovative finance ecosystem could help proven non-profit interventions by unlocking a larger pool of funds that can help such interventions scale and create sustainable impact. *If the innovative financing ecosystem has to grow in India, the value proposition of participating in outcomes-based financing interventions would have to be clearly explained to the nonprofits that have proven interventions.*

Furthermore, non-profits would need help to become outcomes-ready. The BAIF grant helped two nonprofits (Sol's Arc and Sesame Workshop India) to become outcomes-ready, and one of them (Sesame Workshop India) got selected as part of the Edtech Accelerator of the LiftEd; however, this is far less than what would be required for an ecosystem to thrive. *With an increasing appetite among for outcomes-based funding among the philanthropies and CSRs, there needs to be equal focus on identifying non-profits with robust and tested interventions and building their capacities to participate in outcomes-based financing structures.*

5. What can the education sector learn from the various DIB interventions? What can they tell us about social change and how it takes place?

India does not have a repository of evidence-based practice and evidence-based programmes in the education sector. Although a number of non-profits work on similar issues/goals, there is a lack of systematic database of practices and programmes that have been proven to work through experimental research studies and large-scale field studies. Given that third-party evaluations of the DIB interventions are critical for triggering payments, these evaluation studies are done in a rigorous manner, using comparison groups and methods that can test attribution of impact to the DIB interventions. These evaluation reports or in-depth formative evaluation reports can inform the education sector about what works, what are the critical levers of change and how can specific educational outcomes be achieved. This can help in multiplication of similar interventions as well as uptake of such evidence-based practices and programmes by the public and private sector. The BAIF's DIB instruments are supporting interventions in high-priority areas of skill development and livelihood as well as foundational literacy and numeracy. The LiftEd focuses on systemic changes through indirect interventions, and there is paucity of evidence-based practices and programmes in this area. Therefore, ***it would be important to draw upon the experiences of the implementing partners, learn about their theory of change, the assumptions made, the risks, and the inputs/activities that finally produced the outcomes. It would be equally rich for the education sector to learn what does not work, and how data can be used for course corrections.*** However, despite having three highly successful impact bonds in the education sector in India, such detailed reports are not publicly available. Since the main purpose of the third-party evaluation is to assess if pre-determined outcomes were reached, the details about what went into producing those outcomes is rarely published.

This is a lost opportunity for the education sector to learn from the theory of change of the successful interventions and strengthen existing interventions in the sector. *Even though the contractual clauses may prevent certain details about the interventions and the reports from being made public, the substantive aspects of the interventional strategies used and how change happens needs to be documented and made publicly available.*

6. Is it really impacting the core issues in education?

The earlier DIBs on education in India and the LiftEd focus on critical issues of the education sector – namely grade-appropriate learning outcomes and foundational literacy and numeracy. The Skill Impact Bond focuses on the core issue of gender empowerment and retention in jobs. These issues are also aligned with the policy priorities of the government. While learning outcomes or job retention are the end results worth pursuing, some may argue that it takes away attention for the larger systemic factors contributing to these issues. ***Given the time-bound nature of the DIBs, even though the outcomes are achieved in a short-run, the sustainability of results achieved remains unknown. If the systemic issues are not addressed, the results may not sustain over a long run.*** For example, If there are no trained teachers appointed for the school, the results achieved during the intensive DIB period may begin to wane. Since the DIBs are essentially time-bound instruments with outcomes to be achieved within a specific duration, nothing in the structure requires results to last after the DIB is completed. Based on this inherent limitation of DIBs in dealing with systemic issues or ensuring sustainability of results, it would be important to give visibility to those dimensions of the DIB interventions that address systemic issues at a more fundamental level or those aspects which build in sustainability of results. LiftEd addresses systemic transformation by supporting indirect interventions on foundational literacy and numeracy. It is likely that the

interventions address more complex systemic issues and simultaneously aim to show improvement in student learning at the classroom level. This complexity brings considerable risk, especially because there is very little evidence on how systemic transformation can result in improved student learning. Yet, it is time the DIB instruments play with such risks on account of indirection and support interventions outside the classrooms so as to create sustainability of results.

7. Are the gains disproportionately high so as to justify use of these mechanisms?

Innovative financing mechanisms are seen to be fairly complex, time-consuming, and costly on account of contracting, legal and administrative requirements. Traditional grants are not required to bear these costs because of well-established standard operating procedures are in place to disburse grants. Despite having the experience of three education DIBs in the country, the process of designing and structuring the Skill Impact Bond and the LiftEd was intense and bespoke, based on the sector, partners, and outcomes being targeted. In the absence of a standardised rate card, negotiations on pricing the outcomes are also time-consuming and can be a deal breaker. The earlier successful DIBs have had to undergo similarly intense and complex processes. The total value amount of the DIB reflects these costs (although may not be fully) of setting up and running the DIB. However, the assessment reports of the gains of the DIBs reflect primarily the achievement of results among the beneficiary group. The larger gains accrued to the implementing partners, the schools where the interventions took place, and on the teachers, parents and the community is not measured and hence not recorded. **A document published by Dalberg et al (2021) capturing the lessons of QEI-DIB on cost-effectiveness shows that there are 50% higher learning outcomes for outcome-based funding compared to non-results setting for same interventions/organisations.**

However, it may be important to note that DIBs may not be the most cost-effective way for all educational interventions and outcomes. DIBs may work better with large-scale interventions when the size of the beneficiary pool would reduce the per-capita costs.

8. What are the enabling factors and potentially hindering factors in establishing an innovative financing ecosystem in India?

Based on the interviews with stakeholders and available literature, innovative financing ecosystem building could leverage certain enabling conditions. A thriving base of nonprofit organisations working in the field of education, availability of professional organisations that can provide technical expertise on topics ranging from legal requirements to organisational development to using data-driven decision-making, presence of a critical mass of funding agencies that are seeing merit in outcomes-based financing are key enablers that can help establish an innovative financing ecosystem in India. For example, the BAIF was able to mobilise both domestic and international investors and payers, with the CSR emerging as an important domestic resource for outcomes-based financing. On the other hand, lack of organisations that can work at scale, poor evidence bases on proven interventions that can produce results, lack of M&E expertise that can take the rigor necessary for triggering payments, and legal/regulatory frameworks that place restrictions on fund flows and CSR disbursements create limitations on how the innovative mechanisms can be financially structured and designed. For both the Skill India Bond and the LiftEd, the BAIF had to match domestic investors with domestic payers and international investors with international payers so as to comply with the legal requirements.

9. Why are we seeing more instruments bonds in education/skills than other themes?

According to the Government Outcomes Lab Impact Bond Dataset, there are currently 284 impact bonds worldwide at different stages of completion. The highest number of impact bonds are found in the Employment and Training sector (75) followed by Health (50), Child and Family Welfare (48) followed by 47 impact bonds in education (with all outcomes being educational outcomes). Of these, 226 impact bonds are Social Impact Bonds with the Government playing the role of an Outcome Payer (commissioning service providers to meet specific outcomes and making payments based on the results achieved, thereby saving taxpayers money on financing ineffective services). In India, however, most of the impact bonds are in education/skill sector (and one has been on health). Some of the reasons for this could be: 1] a large presence of private (both nonprofit and for-profit) organisations in education, 2] long history of public-private partnership which has allowed the private sector to work with the scale of the government schooling system, 3] relatively well-established interventions and strategies, 4] clear-cut outcomes, metrics and measurement tools. Currently, most of the impact bonds in India on education have focused on improving learning outcomes, however, there are examples of other outcomes being targeted through impact bonds globally, for example, school readiness, school perseverance, academic skill development (cognitive, non-cognitive, problem-solving, digital), social-personal skills, emotional well-being, increased resilience, increase in enrolment, improved quality of class teaching, improved teacher satisfaction, increase in graduation rates, reduction in social service costs for the target group, decrease in the use of special education, parental self-efficacy, to name a few.

10. Are there any learnings that we could draw from other countries where this ecosystem for outcome funding may be more developed?

The outcomes-financing ecosystem has developed considerably in United Kingdom (where it also originated with the first impact bond) which has 95 impact bonds across various sectors in various stages of completion. Most of these bonds are also Social Impact Bonds where the government is a Commissioner/Outcome Funder. The United States has 28 impact bonds, followed by Portugal which has had 23 impact bonds, of which 17 have been on education. For a summary of select learnings based on select academic papers, see Annexure 1. While most of the learnings emerge from a non-Indian context, they do offer some insights into the reasons why impact bonds are attractive to both public and private sectors, and the complexities involved. While the impact bonds in India have been large in terms of scale, those in other countries have been on a very small scale, hence there might be inherent limitations on transferring such learnings. A lot of writings are based on conceptual analysis without much empirical basis. The evaluations generated from the impact bonds are very often not available in the public domain, and even if they are available, they mainly communicate the results/final outcomes that are tied to the payouts and rarely provide any insights into implementation strategies, what works and what does not. The reports generated through Educate Girls can be seen as an exception. Even though these reports have some limitations, they are more informative than most others available on the completed impact bonds.



11. What new roles have got created as a result of these outcomes-based financing structures?

The impact bond ecosystem has created a number of new roles – intermediaries, performance managers, outcome evaluators. Most of these roles require a multi-disciplinary orientation (combination of education, finance, development, statistics/evaluation, management) and there is a dearth of professionals who can play these roles (*Mehendale & Singh, 2020*). Currently these roles are played by those with finance, commerce or management backgrounds and they may develop an understanding of educational interventions on the job. While there is a need to ensure that those without a background/education on educational issues/interventions are trained on educational topics per se in order to improve their effectiveness, there is need to recognise that this area of work would necessarily remain multi-disciplinary (a finance expert is required to structure the financial instrument, a trained evaluator is necessary for conducting a rigorous evaluation, and a techno-managerial role of performance management may require training in program/project management). There is a need to locate and establish a role of educational professionals in such consortia. There is also a need to train education professionals to participate in such new and emerging multidisciplinary spaces.

C ► POTENTIAL AREAS OF CONSIDERATION FOR PHILANTHROPIC PLAYERS

Drawing from Tata Trusts experience in outcomes-based financing and based on the overall literature and experience available on innovative financing, the philanthropic players could consider some potential ways to leverage these learnings. There are three main ways in which learnings could be considered (See Figure 1 below).

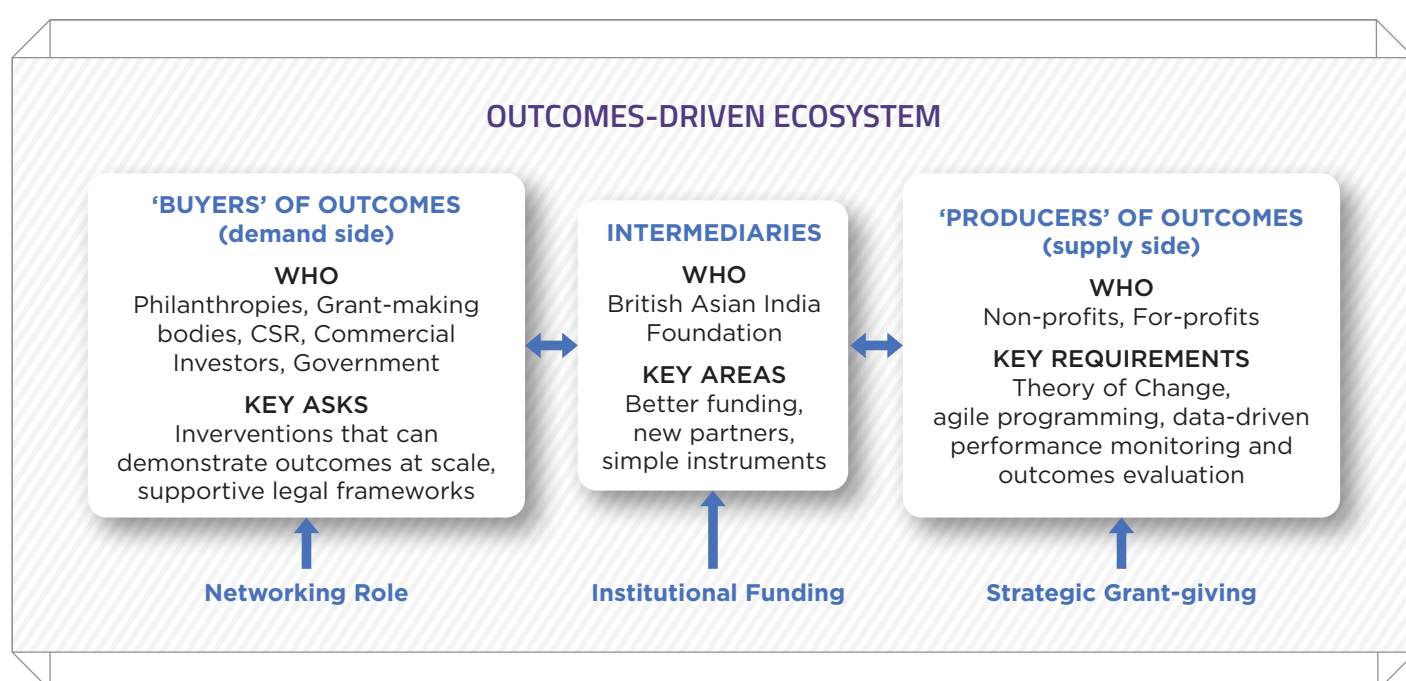


Figure 1: Potential Role of Philanthropic Players

The basic premise of this proposition is that it is important to focus on outcomes because without them there will be no impact. A focus on outcomes will help to achieve the desired change, and bring accountability towards those who have invested in the change process, including the investors and the beneficiaries. Building knowledge about what works and how change takes place will help improve social and educational interventions, thereby strengthening private sector involvement in the education sector. It may be noted, that in this white paper the term 'outcomes-driven ecosystem' is used which is broader than 'innovative financing ecosystem'. The reason for this choice of language is because innovative

financing could be seen by philanthropies as limited only to creating new and innovative financing instruments. The role of philanthropies in an 'outcomes-driven ecosystem' could be seen more widely as encompassing institution building, networking and influence, as well as strategic grant-giving with a focus on creating impact.

Networking Role: Figure 1 describes who the 'buyers' of the outcomes are and where the demand for outcomes-focused interventions is coming from. The need to focus on outcomes is primarily emerging from stakeholders who have been making investments in the education sector. It includes philanthropic and grant-making bodies

that have been investing in the education sector over decades, including the established and new philanthropies. There is a growing concern about impact among these stakeholders. The mandated CSR players are beginning to ask about impact, even though they are relatively new investors in the sector. The government is not currently engaged in any pay-for-success activity, however, is keen on performance, efficiency and outcomes. These main 'buyers' of outcomes point have three main 'asks', they are looking for outcomes-focused interventions that can work at scale and also produce outcomes. Funds from these stakeholders can be tapped more easily if there is a supportive legal framework, especially related to CSR and FCRA. The Philanthropic players who have engaged with innovative financing could benefit from networking with these stakeholders, not only to stay abreast of the new developments in this area, but more importantly to share their own knowledge and learnings from the experience of engaging with innovative financing for education ecosystem in India. The network would benefit from insights, concerns and strategic vision of philanthropies that have been associated with innovative financing in various capacities. This would also provide visibility to their contribution and also help influence the emerging area of outcomes-based financing in India.

Strategic Grant-giving: Figure 1 describes who the 'producers' of outcomes are, which is the supply side in an outcomes-driven ecosystem. This includes both non-profits and for-profits, although the latter lies outside the scope of grant-giving of most philanthropies. The strategic grant-giving role could be based on the following primary principles:

- a. Not all educational goals and issues require an outcomes-based approach.
- b. The approach would work best in cases of interventions that have a strong programme theory/theory of change and a reasonably proven track record that validates the same.

- c. The understanding of outcomes need not be limited to student learning outcomes. Outcomes may differ based on the specific goals, interventions and the beneficiary group/s identified.
- d. All long-term outcomes can be broken into short-term and intermediate-level outcomes, depending on the time-frame of the intervention.

Based on these principles, the Philanthropies can also consider incorporating an outcomes-based approach in their own grant-giving. An outcomes-readiness framework has been piloted by BAIF in its work with two NGOs and the suitability of that framework is being examined. In our opinion, the minimum of four parameters are necessary if grantees have to build an outcomes orientation in their work:

- a. A clear theory of change/program theory indicating clarity about the intended outcomes and the inputs/activities proposed to achieve the outcomes, experiential and theoretical basis for the assumptions, possible risks
- b. Agile programming allowing organisations to be nimble and flexible, and devise programmes that can adapt to the changing context, build feedback loops with key stakeholders and allow for iterations with the ultimate focus on outcomes. This would require supporting partners through regular reviews to undertake course correction and this would have to be built into agreements with the partners.
- c. Use data to monitor performance (inputs, activities, outputs as well as outcomes) periodically and make minor course corrections.
- d. Conduct a midterm evaluation in order to examine the progress made and to look into significant course corrections that might be warranted. In addition to the midterm evaluation, partners may have to be supported to access available evidence and external expertise to make appropriate interim decisions/course corrections.

- e. Conduct a final outcomes evaluation at the end of the grant to assess the theory of change using clearly defined outcomes metrics.

However, since all partners, partnerships, goals and interventions are not alike, a range of options could be considered depending on their risk/programme theory profile (see Figure 2).

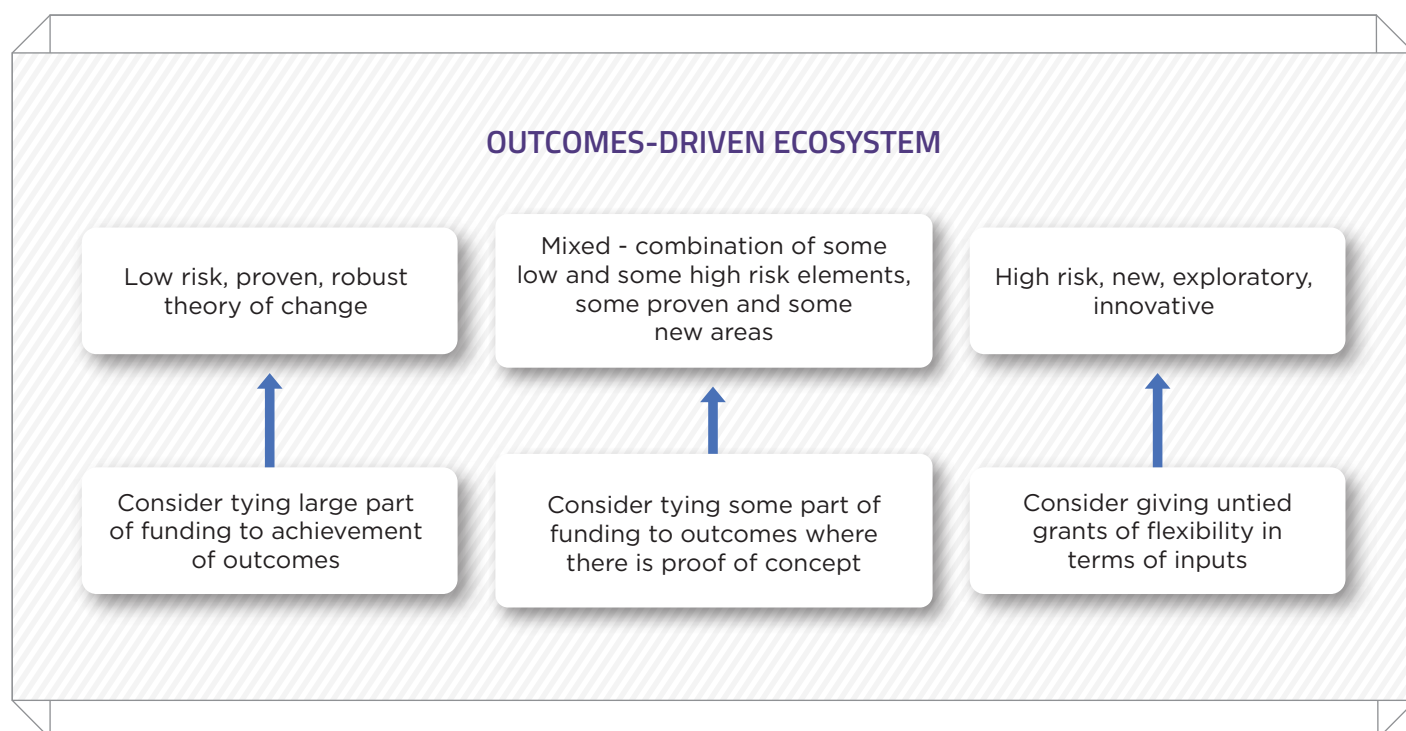


Figure 2: Some Options for Strategic Grant-giving

For partners with proven interventions, with a robust theory of change, where clear relations between inputs and outcomes are well-established, the Philanthropies could consider tying large part of funding to the achievement of outcomes. This would provide two advantages; first, it will help the partners to develop the confidence and tap into new sources of outcomes-based funding, including Social Stock Exchange, which provides voluntary organisations the option to register and raise funds through Zero Coupon Zero Principal Instruments of a fixed tenure for specific projects and activities. A number of organisations working in the education sector have registered on the Social Stock Exchange and more could be encouraged to register. Second, it would allow Philanthropies to release funds and support more high risk and innovative interventions. For partners with a mixed risk profile, some amount of funding could be tied

to inputs and outputs and some funding could be tied to outcomes. This will also help the partners to also be invested in and provide them scaffolding as they take on some amount of risk/responsibility of creating impact. For partners that are engaged in new and experimental area of work, with unclear outcomes or work that needs to be supported for the merit of the intervention itself and not the outcomes produced, Philanthropies could consider giving full or partial untied grants, that will provide more flexibility to the partners to plan their activities and outputs. This will help in supporting experimental, innovative work, absorb the risk where there is little evidence and clarity of programme theory. The above-mentioned proposal would need to be seen within the time-frame of each partnership, maturity of the partner organisation, and potential catalytic value of the grant for the partner.

Institutional Funding: Figure 1 shows the importance of intermediary brokering between the demand and supply sides of an outcomes-driven ecosystem. The current institutional grant by Tata Trusts given to the BAIF has enabled them to play a role, which is not played by any other entity in India. Although the role of the intermediary is also evolving, it is a critical role that needs to be played if the potential and limits of innovative financing or outcomes-based financing have to be fully explored. Through the institutional grant, BAIF has gained substantial expertise and will continue to be an important partner if the current gains have to be fully leveraged. Their biggest contribution has been development of two innovative finance instruments in four years including the pandemic period. The BAIF enjoys the credibility and trust of key stakeholders, which is crucial for bringing a range of partners to the table. Given the large-scale impact that these instruments are seeking to make in areas that are closely aligned with policy priorities of the government and the SDGs, it may be important for Philanthropies to consider funding to the intermediary, BAIF. Some of the considerations for future funding would be as follows:

- A. Better Funding – Focus on generating more funding for outcomes-based work on education from a range of funders and investors as well as focus on improving efficiency and cost-effectiveness of the instruments and investments made.
- B. Newer Partners – Work towards expanding the pool of partners and bring in new investors, implementing partners, performance managers, evaluators, and partners that can play emerging roles
- C. Simple Instruments – Help build simple instruments and new kinds of instruments, that are attractive, efficient, and workable within the legal and regulatory framework in India
- D. New focus areas – Explore instruments in new areas, including those that are crosscutting, for example, education and child protection

- E. Partner preparedness work seems important to continue
- F. Documenting and disseminating learnings including what has not worked would be important for knowledge building. If BAIF kind of entity needs an academic collaborator for it then suggest that too

The Tata Trusts has invested in developing the innovative financing ecosystem since 2018, initially through Social Finance India and currently through the BAIF. At this stage, the Trusts is supporting ecosystem building for the following reasons: a] Limited agencies have the experience of supporting ecosystem building efforts for outcomes-based financing in India. This offers an opportunity to leverage and translate its learnings and set the direction for future; b] there seems to be very limited support for this work from any other domestic donor/philanthropic agency. Some foundations have begun participating more actively in outcomes-based financing but these are direct roles in specific instruments; c] the depth, diversity, spread, and scale of the Trusts' work allows it to learn and gradually explore a strategic focus on sectors that would most benefit from outcomes-based financing and invest in building an ecosystem around it; d] lastly, the Trusts currently is playing all three roles indicated in Figure 1 to varying degrees.

At present Tata Trusts is playing the institution-building role in supporting the development of an outcomes-based financing ecosystem on education in India and aims to share the learnings with the wider network. The main rationale for building the ecosystem is that it would help bring efficiencies in the system, through standardisation of contracts, rate cards for outcomes, pooled funds, cost-effective evaluations, leveraging technology for performance management etc. Without this scaled approach, bespoke instruments could become costly and hence inefficient. While the ecosystem building is necessary for bringing efficiency, the costs of building the ecosystem need to be also considered.

At present, we do not know what is the tipping point at which the costs of building the ecosystem would become lower than the additionality or efficiency gains of innovative financing. But it would be worth supporting and building on the achievements already made and help move the needle towards the tipping point.

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ANNEXURE

Summary of Select Literature on Impact Bonds - What do we know about impact bonds?

Over the past decade, there has been a growing body of literature on impact bonds. Most of the literature could be classified as programme-related material in the form of reports, news articles, blogs, infographics, and videos. As far as academic material is concerned, SIBs are written about much more than DIBs. Nevertheless, the growing corpus of knowledge base provides important insights into impact bonds, their limitations, and their potential.

The number of impact bonds contracted has increased since 2010. Most of these bonds are in the social welfare and employment sectors (Gustafsson-Wright, 2020). Literature on impact bonds in the early years shows that the SIBs were contracted in areas that were not core government services and where nonprofit organisations had a history of providing services. Furthermore, such interventions focus on cross-sectoral work, thus requiring complex inputs and specialised expertise while having clear, measurable outcomes (Gustafsson-Wright, Gardiner, & Putcha, 2015). SIBs are seen as mechanisms bringing together the values of the public and private sectors (Fraser, Tan, Lagarde, & Mays, 2018).

Innovative Financing for Education (IFE) is suggested as a means to mobilise additional resources for education from private investors and complement traditional domestic and international financing sources. IFE uses market-based instruments to mobilise additional resources and deliver outcomes by bringing together public and private actors (Joynes, 2019). While innovation itself is not clearly defined, the idea is context-specific and can be seen in two ways. One sees innovation as a new way of doing things, such

as new strategies, methods, or models of delivering services defined by the provider at the beginning of an intervention. The other sees innovation as the ability to adapt and make course corrections during the intervention. This ability to adapt is found to help reach the intended outcomes (Gustafsson-Wright et al., 2015).

Impact bonds started getting seen as an attractive option for raising additional funds from the private sector, mainly after the release of The Learning Generation Report. This report listed impact bonds as one of the five 'promising proposals' from among the 18 innovative financing mechanisms that it had evaluated using multiple criteria such as impact, additionality, replicability and scalability, cost-effectiveness, sustainability and the transaction costs of implementation (The International Commission on Financing Global Education Opportunity, 2016). Available literature provides various reasons why IFE mechanisms are receiving attention from different stakeholders. Given the poor tax-to-GDP ratio in several countries and the limited domestic revenue allocated to the development sector, governments may look at these mechanisms as a way of tapping new sources of financing. Even in countries with relatively better resource availability and social sector spending, the performance and achievement of results on the ground could be an issue (Gustafsson-Wright et al., 2015), and the governments may opt for these mechanisms to draw out more efficiency and results from the funds allocated.

From the point of view of the service providers, both for-profit and not-for-profits, raising revenue is challenging and limits their ability to work freely

and try out new ideas. The service providers, especially non-profit organisations, are usually dependent on the government and external sources and are constrained by the volatility and lack of predictability in their resource flows (Gustafsson-Wright et al., 2015). In the Indian context, external aid and philanthropic funding for education have recently decreased due to India's changing economic status (Mehendale & Singh, 2020). The COVID-19 pandemic has further exacerbated the challenges of finding adequate resources to address the learning losses and meet the targets set under the Sustainable Development Goals (SDGs). Even though countries are making efforts to mobilise domestic resources, it is severely constrained because of poor financial conditions and economic slowdowns. As a result, governments and multilateral and international organisations have noted the need to mobilise private capital and explore innovative financing mechanisms for achieving the SDGs by 2030 (Runde, Metzger, & Abdullah, 2020). It is also suggested that the interest of the capital markets in innovative finance could be a result of low-interest rates and the option of investing in new instruments that are not directly impacted by financial and economic trends. Even when traditional markets falter, innovative finance instruments could still provide returns to investors. However, some argue that these instruments need to reach a larger pool of investors, which is currently not the case if they have to become attractive to investors (Keohane & Madsbjerg, 2016). Some have pointed out that the use of the term 'impact bond' for the SIBs is somewhat misleading because these instruments do not have the 'financial logic' of the bonds since the returns are contingent on achieving social outcomes. Since the SIBs mainly operate in preventive areas, the payouts to the investors are paid from the actual and hypothetical public monies saved on account of improving outcomes and preventing social problems that are likely to occur in the future. Some have also pointed out that investors' financial and social goals may only sometimes be

aligned (Fraser et al., 2018). In addition, without adequate data on the performance and clear information on the risks and returns involved, these instruments are yet to be seen as a 'mature asset class' (Joynes, 2019).

However, compared to conventional funding approaches, impact bonds are seen to hold certain advantages. The focus on outcomes allows the service providers to make adaptations and choose field-level strategies that are most likely to produce the expected outcomes (Gustafsson-Wright & Osborne, 2020b). Such adaptations are not seen as deviations from original plans but rather as agility. Such changes are encouraged, especially when there is a risk of failing to achieve the outcomes. During the pandemic, this design feature of impact bonds proved advantageous and helped service providers respond to emerging constraints and disruptions (Gustafsson-Wright, Osborne, & Crane, 2021). However, even though flexibility is provided to adapt and modify the strategies, early lessons drawn from SIBs show that the extent to which such adaptations are made varies (Gustafsson-Wright et al., 2015).

Impact bonds have also ushered changes in how implementation partners consider utilising the funds. Along with flexibility and the focus on outcomes, payments are linked to the actual results achieved. Outcomes-based financing is not new and has been used in infrastructure projects (Gustafsson-Wright et al., 2015). However, it is relatively new in the education sector, where the outcomes targeted have largely been about demonstrating improved learning among the students or acquiring necessary competencies and skills. The use of performance management is seen to help in the achievement of the outcomes. This function could be undertaken internally or externally, and there is a wide variation in how performance management is done across impact bonds (Gustafsson-Wright et al., 2015). The need for risk management is higher in low-and middle-income countries. In order to manage risks,

there is also a greater need for understanding the local contexts and the interests of the outcome payers and risk investors (Gustafsson-Wright, Boggild-Jones, Segell, & Durland, 2017). Given the complexities involved in addressing social issues, innovations that work on a small scale may not work when replicated at a large scale. There are risks associated with scaling interventions since scaling is not seen as a linear process but one which requires iterations, experimentation, taking risks, using data and feedback, and learning from failures. Scaling requires exploring multiple pathways and using multiple methods over a period of time. There is also no one formula to scale, but setting basic systems and using data to track progress, adapt, and collaborate are seen to be significant (Worsham, Clark, & Fehrman, 2017).

The role of a performance manager is critical to managing the risk and helping the service providers to achieve the outcomes. Incentives are often provided to service providers to deliver outcomes, but they also face reputational risk if they fail to achieve them (Gustafsson-Wright et al., 2015).

Given these complexities and the risks involved, these mechanisms are relatively new, with only a handful of governments in developing countries using them for their social sector spending (Joyntes, 2019). Impact bonds in developing countries cover a higher number of beneficiaries than those covered in developed countries, primarily due to the size of the operations. Impact bonds in India are especially found to cover a very high number of beneficiaries and constitute 80% of the global total of beneficiaries covered by impact bonds (Gustafsson-Wright & Osborne, 2020a). Although the impact bonds target those in need, there needs to be more evidence on the selection of actual beneficiaries and if the selection is biased towards those with a higher likelihood of achieving intended outcomes. This raises the question regarding the exclusion of the most marginalised and deserving populations in order to demonstrate success (Gustafsson-Wright & Osborne, 2020a).

Since payments are associated with the achievement of results, evaluation is a critical component of outcomes-based commissioning. There is a paucity of high-quality evaluations of the Payment by Results programmes. The evaluations of impact bonds seem to conflate the effectiveness of the intervention with the effectiveness of impact bonds as a financing mechanism (FitzGerald, Fraser, & Kimmitt, 2020). Evaluation of the intervention is often confused as a comment on the funding mechanism itself. Evaluation of the outcomes is used to decide if the investors should receive returns, while evaluation of the instrument would tell us if the adoption of this instrument of funding led to a particular outcome (Fox & Morris, 2019).

There also seems to be a broad consensus about the benefits of shifting to outcomes-based measurement. (Fraser et al., 2018). However, social outcomes are not easy to measure. Even though existing research can contribute to the study of specific social outcomes, some argue that the existing evidence and research need to be more utilised and engaged with, perhaps because these are conducted by consultants and not academics (Fox & Morris, 2019). There are also debates surrounding the research designs. While Randomised Controlled Trials (RCTs) are still largely preferred, the use of mixed methods to capture 'additional complexity' is noted (Fox & Morris, 2019, p.9). The RCTs also provide little understanding of the larger context, which is necessary to interpret results and explain causality if established.

Available literature also points to the need for theorisation around impact bonds, which in turn has limited the research on the role and contribution of impact bonds on achieving social goals (Avelar, Terway, & Dreux Frotte, 2020). Albertson and others (2020) argue that the framework of New Public Management (NPM) does not provide an adequate theoretical basis because the bonds are not traded in the bond market, and most investors are social investors or

non-profits. On the other hand, the New Public Governance framework appears to be more applicable. However, it is not a perfect fit, given its emphasis on the plural state, inter-organisational structures of governance, and co-creation of the value of services by the users. They also suggest the Open Innovation 2.0 framework, which builds upon the Open Innovation paradigm, which suggests that knowledge is abundant and organisations can innovate by engaging and interacting with not only internal ideas but also external ones coming from a wide range of for-profit and nonprofit actors. In Open Innovation 2.0, they argue that the critical idea is that of a 'quadruple helix' that engages industry, government, and university users to collaborate with shared goals and shared value creation, thereby creating an innovation ecosystem. However, the authors argue that this framework alone is also not an appropriate fit to understand impact bonds because the partnerships are limited to contracted partners, and there may be little or no collaboration and open knowledge sharing among the partners (Albertson, Fox, O'Leary, & Painter, 2020). Literature on the 'welfare conventions approach' also tells us that framing social problems is essential, and yet there is a

limited amount of work on how social problems are framed when designing impact bonds. Some of the SIBs view social problems from a 'deficit' lens, implying that interventions should focus on plugging these deficits at the individual level or the level of the family, school, or environment. Such framings also do not acknowledge the alternative framings, including the systemic nature of inequities and the problems being embedded in such contexts (Chiapello & Knoll, 2020), and therefore, impact bonds may not make a dent in the more significant systemic issues.

Literature also brings out competition between the public and private values as a theme and questions how much should the public sector be influenced by the private sector values of profitability, competition, market incentives, and diverse providers and if the dominant values of the private sector should be reoriented towards the social values (Fraser et al., 2018). Fraser and others (2018) provide three narratives - one based on the public sector reform narrative that aligns with the NPM, a private financial sector reform narrative that aligns with social entrepreneurship theories, and a cautionary narrative that is sceptical about these developments (Fraser et al., 2018).

ABOUT TATA TRUSTS

Since inception in 1892, Tata Trusts, India's oldest philanthropic organisation, has played a pioneering role in nation building. Guided by the principles and the vision of the Founder, **Jamsetji Tata**, the Trusts' focus on catalysing social development through its work on Education, Health, Nutrition, Rural and Urban Habitat and Poverty Alleviation, Water Sanitation and Hygiene and Arts, Culture and Creative Economies. Education has been key area of Trust's philanthropic work. It focuses on addressing issues of quality and equity in pre-school and school education with focus on marginalised communities. For more information, please visit the Trusts' website www.tatatrusts.org



In order to understand and develop the nascent field of social financing ecosystem in India, Tata Trusts supported the establishment and working of Social Finance India (SFI) in 2018 to anchor outcome-focused financing at scale and also partnered with British Asian India Foundation (BAIF) through an institutional support grant since 2019 with the focus on Research and Learning in terms of the market in the country, for funders and non-profits and understanding the financial, legal and regulatory environment; engaging deeply with the government and other actors in the ecosystem for advocating results-based financing; developing new result-based products and Capacity Building of non-profits within the country to develop outcome readiness.

This White Paper is an effort to share Tata Trusts learnings and draws upon existing literature and experiences on innovative financing in India and abroad.

The White Paper is divided into three parts:

1. Background – provides an overview of innovative financing, particularly in the context of education and focuses on the experiences in India and abroad
2. Big questions – highlights some of the key questions that arise in the context of innovative financing in education and attempts to provide some preliminary answers
3. Potential areas of consideration for Philanthropic Players

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