

EVALUATING THE QUALITY EDUCATION INDIA DEVELOPMENT IMPACT BOND:

How Outcomes-Based
Financing Can Shape
Effectiveness, Efficiency, and
Additionality

Archana Mehendale

About the Project

This research paper is a product of the Innovative Financing for Education to Leave No One Behind project, funded by the TRANSFORM research initiative of the Swiss Agency for Development and Cooperation and by consortium members. The project focuses on utilising and assessing the contribution of innovation in education financing to bring in more and better financing to reach the most disadvantaged and marginalised groups.

Please visit www.norrageducation.org/ife-2-leave-no-one-behind for more information about the project.

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ABBREVIATIONS

ASER	Annual Status of Education Report
BAT	British Asian Trust
CSF	Central Square Foundation
CSR	Corporate Social Responsibility
DIB	Development Impact Bond
Ei	Education Initiatives
FCDO	Foreign, Commonwealth and Development Office
FCRA	Foreign Contribution Regulation Act
IFE-2-LEAVE NO ONE BEHIND	Innovative Financing for Education to Leave No One Behind
INR	Indian Rupee
IRR	Internal Rate of Return
KEF	Kaivalya Education Foundation
MSDF	Michael & Susan Dell Foundation
NAS	National Achievement Survey
NCERT	National Council of Educational Research and Training
NEP	National Education Policy
OBF	Outcomes-Based Financing
PIF	Pratham Infotech Foundation
QEI-DIB	Quality Education India Development Impact Bond
SARD	Society for All Round Development
SDG	Sustainable Development Goal
STARS	Strengthening Teaching-Learning and Results for States
TOC	Theory of Change
UBS OF	UBS Optimus Foundation
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USD	United States Dollar

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EXECUTIVE SUMMARY

Outcomes-based financing instruments, such as Development Impact Bonds (DIBs), are premised on the idea that linking payments to measurable results instead of inputs can enhance accountability, incentivise performance and mobilise additional resources. This report examines the Quality Education India Development Impact Bond (QEI-DIB), an outcomes-based financing mechanism, within the broader landscape of innovative financing for education. This report uses the QEI-DIB as a case study to assess whether and how this financing mechanism contributed to (a) additionality in education financing, (b) improvements in effectiveness and efficiency and (c) the inclusion of hard-to-reach populations. This study forms part of the multi-year international research project [Innovative Financing for Education to Leave No One Behind \(IFE-2-Leave No One Behind\)](#).

Context and Rationale

The QEI-DIB was launched in April 2018 and was the world's largest education-focused DIB at the time, targeting over 200,000 primary school-aged children across multiple Indian states with a total projected transaction size of approximately USD 10.96 million. It was introduced in the context of India's widely acknowledged learning crisis, in which national assessments such as the National Achievement Survey (NAS) and the Annual Status of Education Report (ASER) had highlighted low levels of grade-appropriate learning.

The primary objective of the QEI-DIB was to improve grade-appropriate literacy and numeracy outcomes for more than 200,000 primary school-aged children in India within four years. Beyond improving student learning, the QEI-DIB also sought to achieve broader systemic and strategic objectives, including testing the impact bond model at scale, reducing transaction costs, developing a rate card for standardised outcome pricing and contributing to the evidence base for outcome-based financing in education.

Research Objectives and Methodology

The study addresses gaps in literature on DIBs by asking whether the introduction of payments based on results improves effectiveness, whether private sector management principles improve efficiency, whether innovative financing mechanisms attract new financial partners and whether the focus on outcomes results in exclusion

of marginalised groups. The overall objectives of this study are as follows: 1) to document the rich learnings and insights of those designing, financing, implementing, and evaluating the QEI-DIB, and 2) to examine questions regarding the additionality of funding, the effectiveness and efficiency of the financing mechanism and the equity outcomes of the QEI-DIB.

The study employed Contribution Analysis methodology to assess whether the QEI-DIB financing mechanism plausibly contributed to observed outcomes. A Theory of Change (TOC) specific to the QEI-DIB financing structure was developed and validated with key stakeholders. Primary data were collected through interviews with 11 respondents across 10 organisations. Secondary data from evaluation reports, budgets and project documentation supplemented the analysis. Thematic coding and iterative validation were used to examine causal pathways and alternative explanations. The research adhered to ethical guidelines approved by Institutional Review Board, and confidentiality obligations were maintained throughout.

Design and Building Blocks of the QEI-DIB

The QEI-DIB involved multiple actors: outcome funders (including the Michael & Susan Dell Foundation and the British Asian Trust), an investor (UBS Optimus Foundation), five implementing partners, a performance manager (Dalberg), and an independent evaluator (ConveGenius India). The Foreign, Commonwealth and Development Office (FCDO) provided technical assistance funding that covered the evaluation, legal and performance management costs of QEI-DIB.

The core building blocks of the financing mechanism included:

- **Mobilisation of private and philanthropic capital**, with outcome funders committing to pay for verified outcomes and the investor providing upfront working capital to the implementing partners.
- **Multi-provider, multi-model design**, which supported diverse interventions across different states, grades and contexts.
- **Performance management systems**, which involved the structured monitoring of performance, data-driven decision-making and regular check-ins.

- **Independent quasi-experimental evaluation**, using the PinAcLe (Progression in Achievement of Learning) assessment tool to measure learning gains.
- **Outcome pricing and incentive structures**, which linked outcome payments to aggregate learning gains (number of beneficiaries × improvement in learning).

The total projected core programme cost of implementing the intervention over four years was approximately USD 7.7 million. This was paid annually by the investor to the implementing partners. Outcome payments included repayments of principal and interest (8% internal rate of return [IRR]) to the investor, with additional incentives for implementing partners based on achievement of pre-agreed outcomes. This projected budget for the QEI-DIB over four years was USD 9.18 million. The outcome funding did not include costs of performance management, which were jointly shared by UBS Optimus Foundation and FCDO, as well as costs of outcome evaluation, legal costs and costs of British Asian Trust operation; together, these costs amounted to approximately USD 1.77 million. The design process required alignment across multiple contracts and stakeholders and involved managing risks related to delivery, currency fluctuations and legal complexities. Payments were conditional to verification of the achieved results, thereby insulating outcome funders from delivery risk while transferring performance risk to the investor and implementing partners.

Measurement and Evaluation

A randomised controlled trial was not feasible due to contextual and ethical constraints. Instead, a quasi-experimental design was adopted, comparing treatment and control schools through annual assessments. Learning improvements were measured as differences between baseline and endline scores on the PinAcLe scale, with an average expected annual growth of 25 scale score points.

Outcome units were defined as aggregate learning gains. Price per outcome varied across implementing partners, reflecting differences in intervention models and cost structures. Targets and payments were adjusted in response to contextual changes, including the COVID-19 pandemic, which led to the renegotiation of certain parameters and the suspension of the Year 3 evaluation.

The findings of the study were interpreted in light of the Theory of Change, and the Contribution Analysis approach enabled the research team to assess whether the financing mechanism plausibly contributed to the observed results and whether alternative explanations could account for the outcomes.

Effectiveness

The QEI-DIB achieved all pre-agreed, payment-linked outcomes within the stipulated period. The final evaluation indicated that learning gains exceeded targets at the portfolio level despite pandemic-related disruptions. Participating children demonstrated significantly higher learning gains on average than children in comparison schools, and outcome payments were disbursed accordingly.

Across Years 1 and 2, most implementing partners exceeded their learning targets. Although performance varied in Year 4 and some partners underperformed relative to earlier years, as a whole, the portfolio met or surpassed its aggregate targets. The investor received outcome payments, including the principal and returns, and incentive payments were distributed to implementing partners based on cumulative performance.

The evidence suggests that the mechanism was effective in achieving and verifying learning outcomes as contractually defined. Performance management, flexibility in implementation, and regular data-driven monitoring were identified as important drivers of effectiveness.

Efficiency

The study finds that the adoption of private sector management principles with defined lines of accountability improved the efficiency of development interventions. The flexibility and scope for adapting interventions offered to implementing partners allowed for the efficient use of resources. Performance management frameworks and continuous monitoring were intended to streamline operations and ensure alignment with impact goals. The implementing partners were able to achieve greater results and also spent less than the total budgeted amount.

Additionality

However, questions of additionality remain complex. While the QEI-DIB successfully attracted new financial partners committed to improving learning outcomes in India, the study found no conclusive evidence that the DIB structure itself brought entirely new funds into the education system. The QEI-DIB was not the only innovative element that attracted new philanthropic capital; the multi-provider, multi-educational intervention approach aimed at creating impact at scale, the promise of generating data on cost-effectiveness per outcome (not beneficiary) and the participation of credible partners in the QEI-DIB played a big role in attracting new partners.

Inclusion and Equity Considerations

The QEI-DIB included diverse interventions, including work with out-of-school children and government school students across multiple states. The findings indicate that the programme made a conscious effort to reach underserved populations and worked to improve the overall average learning outcomes of the students in the grades covered by the programme. However, due to the unavailability of disaggregated evaluation data and scores for individual students based on their socio-economic and educational demographic details, this study could not make inferences about the impact of the QEI-DIB on the most marginalised children.

The findings also indicate that the implementation of the QEI-DIB should be examined in context of the macro-level challenges encountered in its implementation, particularly, the challenges of operating within an emerging outcomes-based financing market and disruptions due to the COVID-19 pandemic.

Conclusion

This study raises certain broad questions related to the available literature on innovative financing in education. It particularly raises concerns related to the costs of producing impact as well as to the standardisation of pricing for diverse intervention models. It also highlights several insights for future DIBs in India's education sector, showing that the successful completion of the QEI-DIB demonstrates that collaborative, multi-intervention and geographically dispersed DIBs are feasible at scale, which is significant in contexts in which many organisations cannot individually reach large numbers of learners. It also shows that working with different models of achieving learning outcomes — both direct and indirect — provides valuable data on pricing outcomes, offering a useful reference for future DIBs combining child-focused and system-level interventions. This study underscores the critical importance of performance management in achieving targeted outcomes and the need to include its costs within core DIB budgets, particularly for organisations lacking internal capacity. At the same time, the QEI-DIB illustrates that leaner and simpler DIB designs are possible and that having multiple stakeholders and contracts is not an inherent requirement of the model. More broadly, this study suggests that outcome financing projects should retain key features that worked well — such as flexibility for implementing partners and data-driven monitoring — while also requiring disaggregated evaluation data to ensure visibility into how marginalised and hard-to-reach groups are faring, thereby allowing outcome-based projects to strengthen equity and ensure that more and better results are achieved for all learners.

2

INTRODUCTION

There has long been a need to mobilise additional funds for education to address persistent financing gaps and improve access to quality education. “Innovative financing for development” in education is not a well-defined term. It broadly encompasses non-traditional approaches to achieving these objectives (Avelar et al., 2020; UNESCO, 2021). These strategies often leverage cross-sectoral partnerships involving governments, international development agencies, private investors and philanthropies. The purpose of innovative financing, as often stated, is, first, to mobilise additional funding from both existing and new sources; second, it is meant to enhance the efficiency and effectiveness of education spending by linking disbursement to measurable outcomes (United Nations, n.d.). The expansion of innovative financing approaches has been recommended as one of the means of raising additional funding for education to achieve Sustainable Development Goal 4 (SDG 4) (UNESCO, 2025).

One of the key assumptions built into innovative financing is that shifting to the monitoring and funding of outcomes, rather than inputs, enables the achievement of better outcomes. Therefore, outcomes-based financing (OBF) is an important and widely used subset of innovative financing approaches. The premise of OBF instruments, such as the Development Impact Bond (DIB) we examine in this study, is to let the outcome funders pay only for the outcome results achieved, and the investors are needed to provide the working capital for the implementation of education intervention.

By drawing on private sector management practices such as performance monitoring, accountability and innovation, OBF models such as DIBs have the potential to improve service delivery, demonstrate results and catalyse governance reforms within public education systems (Roy et al., 2017). The culture of data-driven decision-making, which lays a stronger focus on outcomes rather than inputs, can potentially improve the effectiveness and efficiency of educational interventions (Lopez Taylor & Bode, 2021; OECD, 2025). However, despite their theoretical promise, evidence on the efficacy of such mechanisms and their impact on achievement of outcomes in the education sector remains limited.

This study contributes to the understanding of OBF for education by examining how one mechanism promotes financial additionality and whether it enhances effectiveness, efficiency and equity without excluding any hard-to-reach populations. Using the Quality Education India Development Impact Bond (hereinafter referred to as the QEI-DIB) as a case study, this work investigates whether, how and under what conditions the financing model has mobilised more and better funding for education. The study is part of the multi-year international research project [Innovative Financing for Education to Leave No One Behind \(IFE-2-Leave No One Behind\)](#), which aims to assess the impact of innovative financing in advancing SDG 4: inclusive and equitable quality education for all. In addition to examining the additionality, efficiency and effectiveness gains, the work also examines the extent to which hard-to-reach populations are included in the delivery of programmes funded through OBF approaches.

The report is structured as follows. The [Section 3](#) provides a brief overview of the QEI-DIB, followed by [Section 4](#), which explains the research methodology used in this study. Then, the work assesses the QEI-DIB as a financing mechanism starting in [Section 5](#), in which the building blocks or key components that define the financing mechanism of the QEI-DIB are discussed. This is followed by [Section 6](#), in which the impact of the financing mechanism on effectiveness, efficiency, additionality and reaching more beneficiaries is examined. [Section 7](#) then investigates the inclusion of the hard-to-reach population, while [Section 8](#) discusses the contextual challenges surrounding the QEI-DIB. The key findings of the study are discussed in light of the overall research objectives in [Section 9](#), and concluding remarks are presented in [Section 10](#).

3

CONTEXTUALISING THE QUALITY EDUCATION INDIA DEVELOPMENT IMPACT BOND (QEI-DIB)

The literature on impact bonds has been growing over the past decade (NORRAG, 2025). Impact bonds and the outcomes-based contracts have begun to be conceived as attractive options for raising additional funds from the private sector, primarily after the release of the *Learning Generation Report* (The International Commission on Financing Global Education Opportunity, 2016). This report listed impact bonds, an impact investment instrument, as one of five “promising proposals” on innovative financing for education. As of 2025, 140 impact bonds are aligned with SDG 4 (NORRAG, 2025). However, a large number of existing evaluations of impact bonds are context specific, limited in scale and lacking in rigorous longitudinal data (Bellinger & Fletcher, 2014; Elsby et al., 2023). Thus, persistent concerns around their scalability, transaction costs and the capacity of governments to integrate these models into the national education systems remain.

The QEI-DIB was launched in April 2018, becoming the world’s largest education-focused development impact bond, both in terms of the number of beneficiaries (over 200,000 students) and the total value of the impact bond (USD 11 million) (British Asian Trust, 2022a). As the first multi-intervention educational DIB in India, its primary purpose was to improve student learning at the school level.

India’s Learning Crisis and the Emergence of the Private Sector

The QEI-DIB started at a time when India’s learning crisis was receiving significant policy attention. National and civil society assessments, such as the National Achievement Survey (NAS) and the Annual Status of Education Report (ASER), revealed poor student performance, highlighting the urgency of focusing on learning outcomes rather than just inputs into the education system (Mehendale & Singh, 2020). This period also saw a growing role for the private sector in education, not only in terms of service delivery but also in financing educational services and programmes (UNESCO, 2021). This trend coincided with rising household spending on education, increasing philanthropic interest in education and the entry of private investors in the education sector. While the state continues to be the primary duty bearer for the right to education, it had begun to welcome partnerships with private and philanthropic actors. The National Education Policy

(NEP) (Government of India, 2020), which was being drafted around the time of the QEI-DIB’s launch, encouraged “philanthropic private and community participation” and envisioned a “significant and beneficial role” for the private sector in improving education (Government of India, 2020, pp. 6, 31).

Slow Shift Towards Outcome-Based Financing

Corresponding to global shifts that question traditional input-based funding models focusing on infrastructure and staffing for their limited impact on learning outcomes and lack of flexibility or performance incentives (Hanushek, 2003), India, too, has begun to show interest in OBF in education. Education, in India, is controlled and financed by both central and state governments, and public education funding remains largely input driven. However, some exceptions to this have emerged in recent years. The central government’s flagship programme, Samagra Shiksha, which aims to improve equity and quality across 1.16 million schools and to reach over 156 million students and 5.7 million teachers, suggested using an Output-Outcome Monitoring Framework, to track its 2018–2019 budget of INR 308.92 billion (~USD 3.69 billion) while not explicitly tying funding to results (Government of India, 2022). A more specific example of financing tied to the achievement of outcomes or results is the Government of India and the World Bank initiative called the STARS programme, which explicitly links funding to outcomes (STARS, 2024). Though still nascent, such initiatives suggest an interest in experimenting with outcomes-oriented approaches in publicly funded programmes in education in India.

Interest in the use of outcomes-driven financing for education has slowly grown among international funders following the success of the Educate Girls DIB in the state of Rajasthan in India, which demonstrated the potential of outcomes-based finance structured through an impact bond in improving learning outcomes while attracting new sources of funding (Cox et al., 2019; Mehendale & Singh, 2020). Philanthropic funders are beginning to show interest in this approach, as reflected by their increasing reference to outcomes, impact, efficiency and effectiveness in their strategies and reporting. Large philanthropic organisations such as the Tata Trusts, Reliance Foundation, Central Square Foundation and Mahindra Education Trust refer to this orientation in their annual

reports and websites (Goyal, 2024). It is within this context that the QEI-DIB was launched.

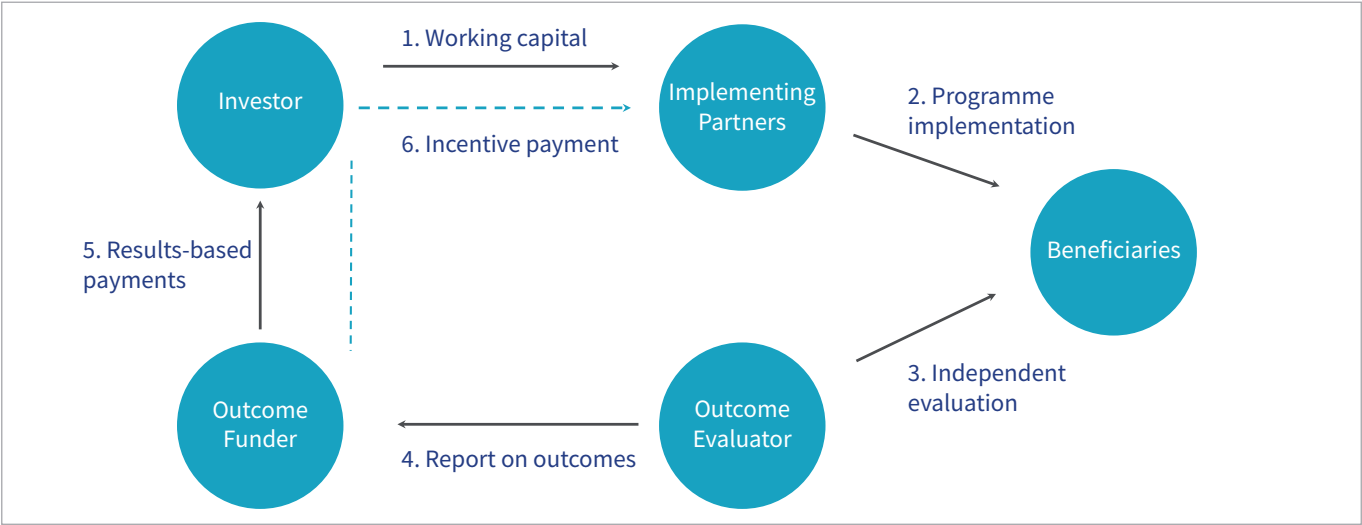
Objectives of the QEI-DIB

The primary objective of the QEI-DIB was to improve grade-appropriate literacy and numeracy outcomes for more than 200,000 primary school-aged children in India within four years (British Asian Trust, 2022a). This objective was linked to payouts. Beyond improving student learning, the QEI-DIB also sought to achieve several broader systemic and strategic objectives. These included testing the impact bond model of OBF at scale, including efforts to reduce transaction costs, develop a rate card for standardised outcome pricing and use common assessment frameworks to measure learning outcomes. It also aimed to contribute to the evidence base for outcome-based financing in education by developing standardised protocols and methods for measuring outcomes and triggering payments and by creating templates for outcome-based contracts. The QEI-DIB’s long-term objective was to provide evidence to the government “on the benefit of private sector participation in service delivery and driving a shift towards outcomes-based approaches” (Erskine, 2018, p. 9).

The QEI-DIB had a design similar to a typical DIB structure, as shown in Figure 1.

In the case of the QEI-DIB (Table 1), the investor provided working capital to implementing partners to run their programme. Each year, the programme results were independently verified by an outcome evaluator. Based on the findings, outcome funders made annual payments to the investor to repay their capital and earn an interest. Outcome funders also made additional payments to the investor to provide incentive payments to the implementing partners at the end of the 4-year programme for achieving the results. The QEI-DIB differed from earlier DIBs in education in India and perhaps also globally for the following reasons: First, the scale was larger than that of any previous DIBs on education; second, it worked with five implementing partners in different parts of India, each of whom used different interventions and models of work and targeted students studying in different grades; third, it covered both students studying in local government schools and also those who were out-of-school but studying in a learning centre; four, even though the beneficiaries mostly belonged to the government schools, neither the state nor district administration were party to the DIB contract; five, the QEI-DIB, for the first time in India, attempted to develop price per outcomes that were different for each intervention model.

Figure 1: Typical DIB Design



Source: Author’s depiction based on available material.

Table 1: Key Actors in the QEI-DIB

Role	Organisation
Outcome funders	The Michael & Susan Dell Foundation and British Asian Trust
Investor	UBS Optimus Foundation
Implementing partners	Educational Initiatives (Mindspark)/Pratham Infotech Foundation, Gyan Shala, Kaivalya Education Foundation, Society for All Round Development
Outcome evaluator	ConveGenius

Source: Author’s compilation based on secondary material.

Existing Literature on the QEI-DIB

Several reports on the QEI-DIB have offered valuable insights into how impact bonds operate in education. These reports include documentation of the programme's achievements provided on the official website and thematic studies produced by technical and knowledge partners of the QEI-DIB focusing on implementation, performance metrics and stakeholder engagement. Gustafsson-Wright et al. (2022) identified key operational lessons from the QEI-DIB, based on stakeholder interviews. These lessons include the importance of flexibility, real-time data gathering, scaling design and the alignment of stakeholder incentives. Evaluative reports from the FCDO and Ecorys compare the QEI-DIB with other FCDO-supported impact bonds and highlight lessons from its structuring and early implementation phases (Cox et al., 2019; Erskine, 2018; Grant et al., 2022). However, these analyses largely focus on the initial years of implementation and do not cover the full project lifecycle (2018–2022). A broader commentary on system-level impact is offered by Gustafsson-Wright et al. (2020), who outlined seven ecosystem-level effects of impact bonds: fostering a culture of monitoring and evaluation, enhancing performance management, encouraging innovation, attracting private investment, reducing government financial risk, promoting collaborative partnerships and supporting the long-term sustainability of social services. While this analysis is not specific to the QEI-DIB, its findings are highly relevant for situating the QEI-DIB within the broader discourse on innovative financing mechanisms.

The use of performance management is considered to help in outcome achievement. This function could be undertaken internally or externally, with wide variations in how performance management is done across impact bonds (Gustafsson-Wright et al., 2015). In low- and middle-income countries with data capacity constraints and financial and political instability, there is a greater need for risk management that is sensitive to local contexts and the interests of outcome funders and risk investors (Gustafsson-Wright et al., 2017).

A report by Ecorys and FCDO (2021) studied DIB effects, which refer to an increased focus on outcomes, greater accountability and stronger performance management systems compared to when the same

interventions were funded through grants. The report found that the DIBs result 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. The study also found that in the case of QEI-DIB, focus on outcomes, performance management, and reaching more beneficiaries was attributable to the QEI-DIB. The adaptability and flexibility of the providers was observed, but was only somewhat attributable to the DIB. The negative effect of complexity in design and expensive setups was observed to some extent in the QEI-DIB. On the other hand, the cherry picking of beneficiaries to secure “easy-wins” was not observed (Ecorys & FCDO, 2021). Another study conducted by Cox et al. (2019) that examined four impact bonds across different sectors included the QEI-DIB. Their study found that the additionality of funding was not evident in the QEI-DIB and there was no evidence that the DIB structure secured additional funds for education.

Important gaps in evidence, particularly around the cost-effectiveness of the model, remain despite these contributions. As Gustafsson-Wright et al. (2020) observed, publicly available data on the costs and benefits of impact bonds that would allow for a robust analysis of efficiency claims remains limited. The randomised controlled trials (RCTs) conducted in several projects focus on the intervention itself and the achievement of the intended results but not on how the financial mechanism, with its focus shifting from inputs to outcomes, leads to the achievement of outcomes (Gustafsson-Wright et al., 2020). The OBF intends to shift from measuring cost per beneficiary (as in traditional input-based financing) to cost per outcome; therefore, these questions are critical to any study on DIBs. However, the literature on impact bonds often conflates the success of educational interventions with the success of the DIB mechanism itself. Little research has been conducted to date on the impact of the design of these new mechanisms on improving financing for the sector. Currently, no conclusive empirical evidence exists on the impact of the features of the financing mechanisms in (i) raising additional financing and (ii) improving the use of financing for education. The present report seeks to fill this gap in the literature.

4

ABOUT THE STUDY

This study addresses the gaps in the literature on DIBs in general and the QEI-DIB in particular by asking the following questions: Does the introduction of payments on the basis of results (i.e. a focus on outcomes) improve the effectiveness of development interventions? Does the adoption of private sector management principles with defined lines of accountability improve the efficiency of development interventions? Do innovative financing mechanisms attract new financial partners into the education development sector, thereby bringing in additional funding? Does the introduction of private investors providing upfront capital reduce the financial risk of public funding? Does the availability of additional funding and focus on outcomes results lead to the exclusion of the marginalised and vulnerable, from the beneficiaries.

Research Objectives

The main focus of this study is to examine if and how the shift to an impact bond OBF mechanism like the QEI-DIB contributed to (a) the bringing of additional funding to the sector, (b) the use of these investments more efficiently and effectively to create more and better outcomes and (c) to determine whether the QEI-DIB excluded marginalised groups on account of the outcomes-focused financing mechanism. The overall objectives of this study are as follows:

1. to document the rich learnings and insights of those designing, financing, implementing and evaluating the QEI-DIB; and
2. to examine questions regarding the additionality of funding, the effectiveness and efficiency of the financing mechanism and equity outcomes of the QEI-DIB.

The study intended to test the broadly accepted overall hypothesis of innovative finance: Innovative financial mechanisms contribute to additionality in education financing. Mechanisms that focus on outcomes, adopt private sector management principles and utilise the private capital market increase the financing available to reach SDG4 targets for quality education. Additionality in education financing can be achieved through two primary avenues: New financial partners are more willing to bring additional financing without a reduction in existing funds, and existing funds are

used more efficiently and effectively (Williams, 2024; Edmiston & Nicholls 2018; Park, 2018).

Methodology

This study adopted a Contribution Analysis (CA) methodology to explore how the financial mechanism of the QEI-DIB contributed to the observed educational outcomes. The analysis is grounded in this approach because it enables a qualitative inference of causality in complex settings, particularly where experimental or quasi-experimental designs are not feasible, such as in single-case studies or studies with small sample sizes (Mayne, 2001). CA is particularly useful in evaluating policy interventions in complex systems in which multiple actors and external variables interact (Befani & Mayne, 2014). Moreover, CA seeks to determine whether a programme's activities plausibly contributed to observed outcomes while accounting for the influence of other contextual factors.

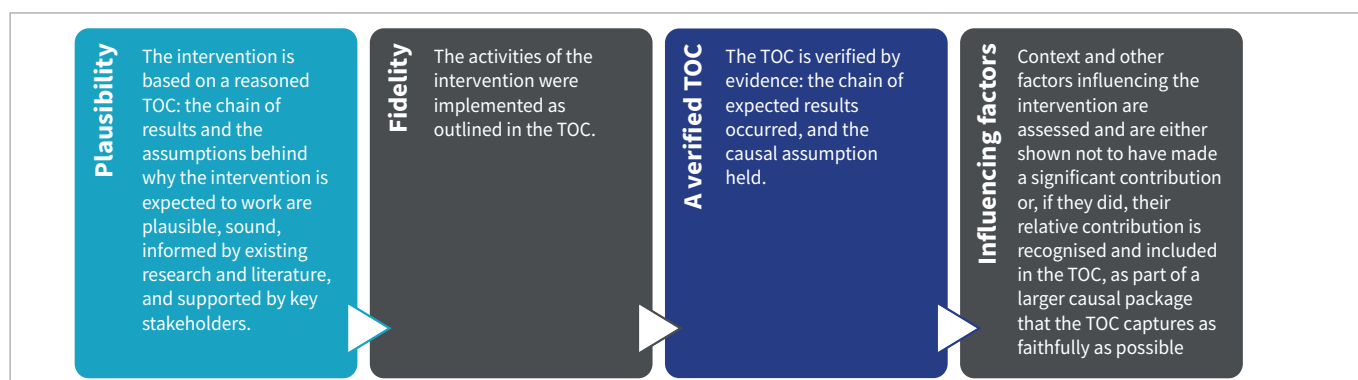
A Theory of Change (TOC) is a critical component of this approach to qualitative impact evaluation and serves as a hypothesis for the enquiry (Befani & Mayne, 2014). The approach involves undertaking iterative steps to assess causal links, including assessing the plausibility and the validity of the TOC, assessing the fidelity of the implementation as per the TOC, gathering evidence to verify if the expected results occurred as per the assumed causal pathways and analysing any other alternative explanations.

The conditions for inferring causality in CA are outlined in [Figure 2](#).

We undertook the following steps using the above-mentioned methodological tool of CA:

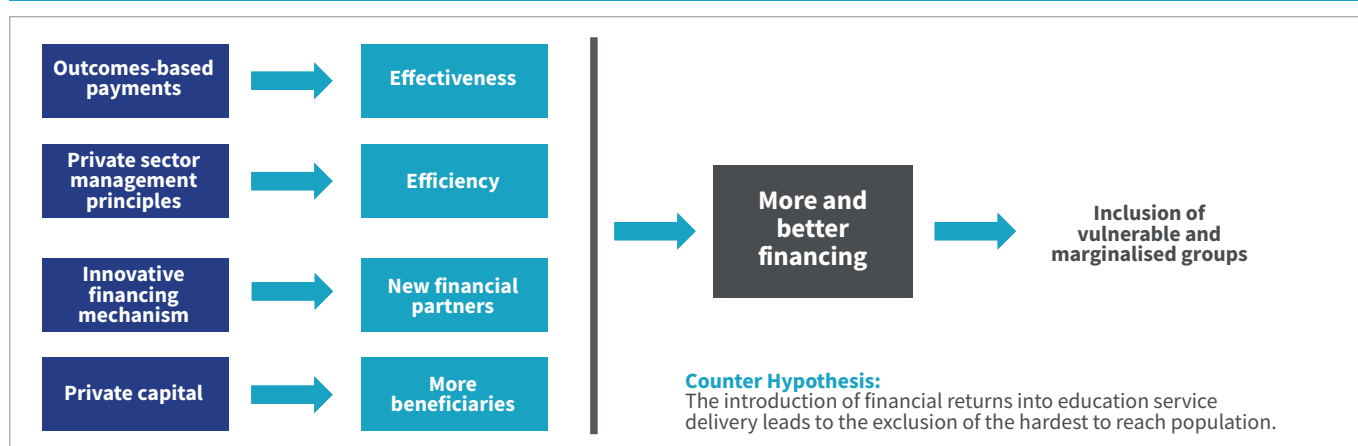
1. **Developed a Theory of Change for the QEI-DIB financial mechanism:** Drawing from the overall theory of change of the IFE-2-Leave No One Behind project (see [Figure 3](#)), the research team developed a theory of change specifically for the financing mechanism of the QEI-DIB, drawing upon secondary data available in the public domain. This TOC captured how the QEI-DIB as an innovative finance mechanism was envisioned to achieve results, the pathways and processes that were intended to achieve these results, the assumptions made, the risks foreseen and the nature of expected results (see [Figure 4](#)).

Figure 2: Inferring Causality in Contribution Analysis



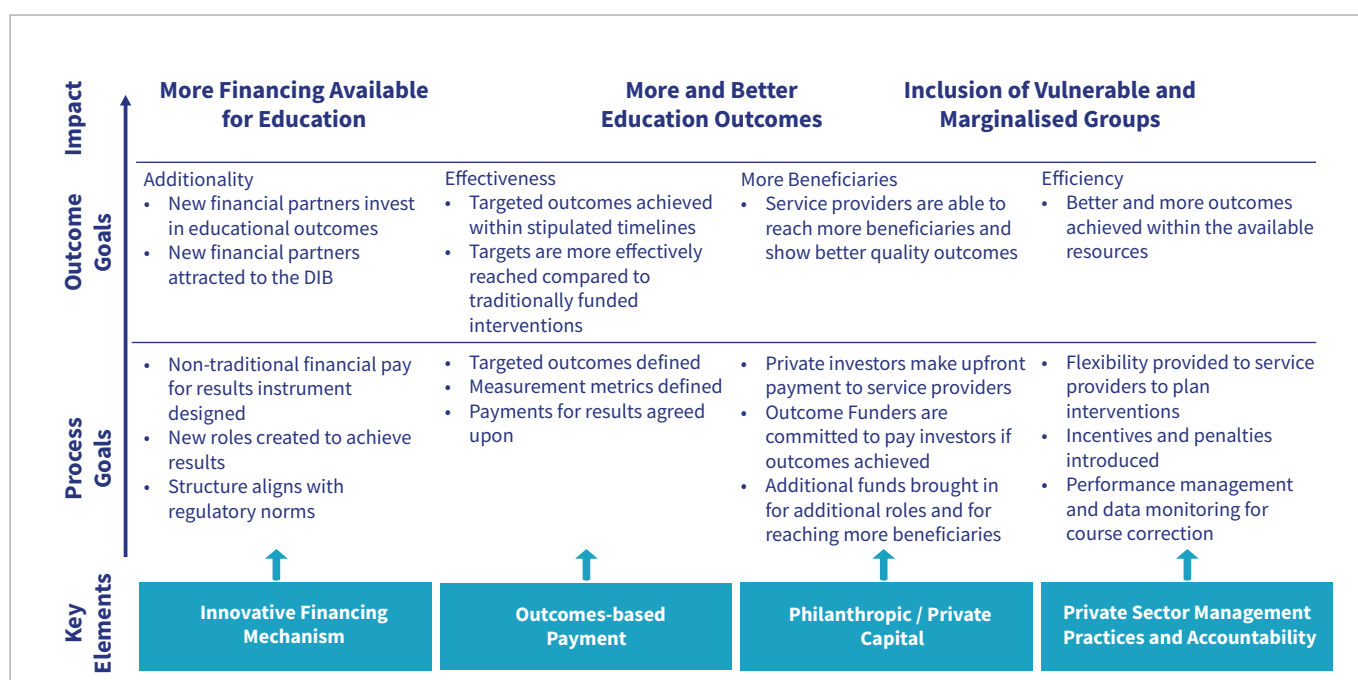
Source: IFE-2-Leave No One Behind Programme Document based on Befani & Mayne (2024) and Mayne (2001).

Figure 3: Overall Theory of Change for the Research Project IFE-2-Leave No One Behind



Source: Project Description, IFE-2-Leave No One Behind.

Figure 4: Diagrammatic Theory of Change of the Financing Mechanism of the QEI-DIB



Source: Author's depiction.

2. **Examined the plausibility of the QEI-DIB:** The TOC designed by the research team was validated through written feedback received from the investor and the intermediary, and corrections were made so that the TOC fully captured the reasoning of the key stakeholders.

3. **Collected data to test the TOC:** Primary data were collected through virtual interviews conducted with key stakeholders between November 2023 and January 2024. A total of 11 respondents from 10 organisations were interviewed. Among these 10 organisations, four were involved in designing and funding the QEI-DIB, one was the evaluator and the remaining five were implementation partners. Primary data were collected to test fidelity to the TOC and ascertain stakeholders' perspectives on the intended TOC, causal assumptions and factors that might have influenced the intervention and results. All 11 interviews were fully transcribed and cross-checked to ensure completeness and clarity. The collected primary data were supplemented with secondary data taken from various published reports of the QEI-DIB, annual evaluations reports, budgets, expenses and outcome data, and research evaluations by various institutions. Gaps in data were filled in by contacting the respondents via email and/or phone after the initial interviews. At this stage, the stakeholders shared additional data and information about the financing structure.

4. **Analysed data:** We used thematic coding to analyse the primary data and used deductive coding based on the validated TOC (Figure 4). In addition, inductive coding was used when a new theme emerged in the qualitative data. The coding frame was hierarchical and included sub-themes based on our conceptualisation of the TOC. Finally, we conducted thematic analysis to identify, analyse and interpret themes within the data.

5. **Received feedback on draft reports:** The draft report was shared with key stakeholders and the project team, and their feedback was incorporated in the report.

Ethical Standards

We strictly adhered to the ethical guidelines established by the Tata Institute of Social Sciences, Mumbai and the Geneva Graduate Institute throughout the research process. Prior to initiating this summative evaluation, an approval was obtained from the Institutional Review Board of Tata Institute of Social Sciences. All participants were provided with a participant information sheet, an informed consent form and the interview guide in advance of their interviews. Interviews were conducted only after receiving explicit informed consent from each respondent. Some of the materials and data shared during the research were covered under a nondisclosure agreement (NDA) with stakeholders and partners. These were used exclusively for the purposes of validation and triangulation and were not included in this report in accordance with confidentiality obligations. All data was anonymised, and all transcripts, audio files and code sheets were maintained on password-protected cloud storage.

Limitations

Some of the limitations and challenges encountered during the data collection process are listed below:

Recall bias: The QEI-DIB programme concluded in 2021, nearly three years before this study was conducted; thus, most respondents were required to recall events and experiences from the past. This may have affected the accuracy of their accounts. Moreover, several key individuals who were directly involved in the programme were no longer available for interviews. In such cases, we sought input from individuals with a strong understanding of the programme who could reliably represent their respective organisations.

Potential response bias: All 10 organisations interviewed operate within the same education financing ecosystem. Given their ongoing and future collaboration prospects, some respondents may have felt constrained in their responses. While most respondents were candid in sharing both positive and critical reflections, the collective interest in maintaining constructive relationships may have potentially introduced some biases. Furthermore, some of those working in the education sector may be biased against those working on OBF in terms of the shift in approach.

Data triangulation challenges: Efforts were made to triangulate data using both primary and secondary sources. However, in some instances, the ability to fully validate or cross-check certain responses was limited due to restricted access to relevant documentation or data, despite the NDAs and anonymisation.

In the following sections, we present our findings and explore the various components of the financing mechanism's TOC. The next section discusses the main building blocks deemed important in the process of creating an innovative mechanism. Understanding these building blocks is necessary before examining their contribution to effectiveness, efficiency and additionality.

5

BUILDING BLOCKS OF IMPACT: PROCESS GOALS FOR OUTCOMES-BASED FINANCING

The critical question that this report seeks to answer is: Did the financing mechanism of the QEI-DIB contribute to additionality, effectiveness and efficiency and did it exclude the hardest-to-reach population? The QEI-DIB's core process of setting up an OBF structure involved having an investor provide upfront capital to the implementing partners and getting commitment from the outcome funders to disburse payments to the investors contingent on the achievement of predefined verified outcomes. Since the study focused on the financing mechanism, we identified key elements related to the process, which we call the building blocks, that we hypothesised would contribute to the impact of the QEI-DIB financing mechanism. These building blocks were designed to enhance outcome attainment and address contextual complexities and included the following: multi-stakeholder collaboration across funding, management and implementation; performance-based incentive payments to implementing partners; the application of a quasi-experimental evaluation design to rigorously assess outcomes; and the incorporation of private sector management practices to reinforce an outcomes-oriented implementation approach. These building blocks were mapped to the TOC we had developed for the financing mechanism. Using the data gathered

from key informants, this section describes and analyses the building blocks of the process of implementing the QEI-DIB.

Mobilising Private and Philanthropic Capital

The initiation of a DIB requires availability of outcome funding, investor to provide upfront capital, implementing partners to deliver the intervention, and the alignment of interest of all key stakeholders. The QEI-DIB was a multi-partner intervention (see [Table 1](#)) built on shared interest in OBF among the core actors, primarily the outcome funders, investor and implementing partners.

Securing Commitment from Investor and Outcome Funders

The Michael & Susan Dell Foundation (MSDF) was the anchor funder committing USD 4 million towards payment for outcomes. The British Asian Trust (BAT) mobilised additional outcome funding from Comic Relief (USD 1.4 million), The Mittal Foundation (USD 1 million), The Larry Ellison Foundation (USD 1 million) and British Telecom (USD 0.4 million) and was called an outcomes convenor. However, contractually, MSDF and BAT, were listed as outcome funders for the QEI-DIB. Thus, the total outcome funding amount actually raised at the time of launching the DIB was USD 7.8 million (see [Table 2](#)).

Table 2: Funding Commitments under the QEI-DIB

Role	Name of partner	Maximum total commitment (USD)
Investor	UBS Optimus Foundation	3 million
Outcome funders	Michael & Susan Dell Foundation (MSDF)	4 million
	British Asian Trust (as an outcomes convenor) with funds mobilised from: <i>Comic Relief – 1.4 million</i> <i>The Mittal Foundation – 1 million</i> <i>Larry Ellison Foundation – 1 million</i> <i>British Telecom – 0.4 million</i>	3.8 million
Technical assistance	Foreign, Commonwealth and Development Office (FCDO)	1.5 million

Source: Author's compilation based on secondary data.

UBS Optimus Foundation was the sole investor in the QEI-DIB and was prepared to invest a total of up to USD 3 million into the programme. This amount was revised to USD 3.4 million during the COVID-19 pandemic. This commitment was for providing upfront working capital to implementation partners (Table 3) for the purposes of running their education programmes. The outcome funders were committed to making outcomes-based payments to UBS Optimus Foundation depending on the achievement of agreed-upon performance targets. A Steering Committee consisting of MSDF, BAT and UBS Optimus Foundation made key decisions pertaining to the design of the QEI-DIB.

As one respondent observed, the QEI-DIB was seen as a space for philanthropic experimentation, especially among funders like MSDF and UBS Optimus Foundation, who are known for backing innovative “new-to-market programmes” (R5). UBS Optimus Foundation had previously invested in the Educate Girls DIB, which successfully achieved its pre-agreed outcomes, resulting in the return of the principal invested along with a 15% internal rate of return. Another respondent shared how MSDF preferred to fund interventions at scale through a collaborative structure rather than acting as the sole funder in a country as large as India and how it intended to catalyse the market of education funders (R2). Another respondent affirmed this finding and observed how “crowding all the resources together in one place and deploying

them in a concerted fashion” was seen as more effective than “unilateral arrangements” (R5).

Creating and Supporting New Roles with Additional Capital

The QEI-DIB brought in additional actors to perform certain functions critical to the DIB.

Designing the DIB: Dalberg was engaged by the outcome funders and the investor in designing the QEI-DIB. It developed a financial model that included potential payout scenarios, price per outcomes, and cash flows from the investor to implementing partners, and from outcome funders to the investor. Dalberg also selected implementation partners on behalf of the outcome funders and the investor.

Performance management: Dalberg was also onboarded to play the role of a performance manager during DIB implementation. It was responsible for ensuring that the investment was protected and that the implementing partners were on track to achieve the predefined targets. Dalberg conducted regular check-ins with implementation partners to ensure that the performance and timelines would lead to the achievement of the targeted outcomes. It designed customised performance frameworks to track outcomes, anticipate risks and facilitate learning. UBS

Table 3: Description of Implementing Partners and Their Education Interventions

Implementing partners	Locations*	Education intervention	Model
Educational Initiatives (Mindspark)/Pratham Infotech Foundation	Lucknow district in the state of Uttar Pradesh***	Students used Mindspark’s computer-based adaptive learning software for mathematics and English in government school learning labs. Teachers were supported on data, literacy and assessments.	Direct model
Gyan Shala	Ahmedabad & Surat districts in the state of Gujarat	Learning centres in slums; teachers were provided a daily guide that follows the national curriculum.	Indirect model
Kaivalya Education Foundation (KEF)	Ahmedabad district in the state of Gujarat	A school leadership development programme was conducted for one principal, one literacy teacher and one numeracy teacher per government school.	Indirect model
	Mumbai district in the state of Maharashtra***		
Society for All Round Development (SARD)	North Delhi district in the state of Delhi	Remedial education was provided by a facilitator to 30 students in every grade in mathematics and Hindi, with teacher training conducted in government schools.	Direct model
	North Delhi district in the state of Delhi**	Teacher training on mathematics and Hindi was provided, focusing on pedagogy and teacher misconceptions. Trainers provided 6–8 sessions to teachers in government schools throughout the academic year.	Indirect model

*Interventions did not cover the entire population in the district; **discontinued after Year 1; *** commenced in Year 2.
Source: Author’s compilation based on secondary material.

Optimus Foundation relied on Dalberg to act on its behalf, as their proxy to track the delivery against agreed outcomes. This role was funded by the FCDO and UBS Optimus Foundation, and the cost of performance management was not repayable by outcome funders.

External Evaluator: The outcome evaluation was conducted by ConveGenius India (CGI), formerly known as Gray Matters India. It designed the evaluation methodology, including identifying the treatment and control groups, engaged with the Steering Committee members to finalise a structure and methodology to be used over four years and conducted the annual evaluation that determined the payouts to the investors. The FCDO paid the costs of the external evaluation, which amounted to INR 35,765,000 (USD 548,627). BAT, as an outcomes convenor and the intermediary for QEI-DIB, closely engaged with evaluators on behalf of outcome funders.

Technical Assistance: The UK's FCDO provided a USD 1.5 million technical assistance grant for early-stage work, legal fees, outcome evaluation, research and partial support for performance management. The FCDO also introduced safeguarding frameworks and development of child protection strategies.

Educational Interventions: A Multi-Provider, Multi-Model Approach

The QEI-DIB was the first multi-intervention educational DIB in the world. It brought together diverse educational interventions implemented by different providers. Its multi-intervention design was intentional and meant to help the participating organisations think beyond single-solution approaches and explore varied strategies tailored to different geographies and needs. The diversity of education interventions provided a unique opportunity to generate evidence not only on learning outcomes but also on the price per outcome for the different approaches tested. Moreover, the QEI-DIB intended not just to implement different models but to learn from them in a structured way.

The four successful implementation partners were selected by Dalberg under the guidance of the Steering Committee after an extensive process and due diligence. The process included over 30 candidates. The considerations for selection are described in [Box 1](#). Each implementing partner operated in a different setting with a different educational intervention, but all were aligned towards the common goal of achieving measurable learning outcomes.

All implementing partners worked with government schools except for one, Gyan Shala, who worked with out-of-school children. As one respondent noted, "The idea is not to work with one provider." (R3). Another affirmed how they opted for a "variety of programmes that actually could be tested and brought under the same umbrella...is probably what makes it most unique" (R5). The varied approaches that were included in the QEI-DIB consisted of direct models, where the intervention was directly conducted in the classroom with the students, and the indirect model, which referred to interventions that were directed towards teachers, principals or other functionaries in the school system rather

Box 1: Selection of the implementing partners

Criteria for selection: Some of the criteria used for shortlisting were

- Organisational readiness to participate in a DIB
- Capacity and alignment to the OBF model
- Size and activity level of the organisation
- Strength of leadership and management systems
- Alignment of organisational objectives with defined learning outcomes
- Maturity of educational interventions
- Ability to deliver measurable learning outcomes within a stipulated timeframe
- Willingness and agility to adapt as the programme evolved
- Robustness of the internal monitoring and evaluation systems
- Strength and feasibility of the proposed intervention
- Cost-effectiveness and scalability potential
- Diversity in the implementation model/approaches

The capacity to deliver outcomes was assessed not only through historical track records but also through the partners' intentions. As one partner reflected, "we went through what the QEI-DIB expected, and it required partners organisations to have very clearly defined learning outcomes, and well-established systems and process. We fit almost completely into what they were looking for." (R7).

Competitive Selection Process: involved inviting the short-listed applicants to

- Proposal presentation
- Detailed proposal reviews
- Meetings with key stakeholders

Due Diligence: Extensive due diligence was conducted of

- Organisation's financial systems, including compliance with regulations pertaining for foreign contributions
- Governance structures
- Evidence of prior impact

Source: Author's summary based on primary data gathered from respondents.

than towards children. The implementation partners focused on different grade levels, operated on different scales, worked in distinct geographies across different states in India and varied in their experience levels, which ranged from 10 to 23 years in operation. [Table 3](#) describes the implementing partners and their distinct education interventions.

Implementing Partners' Motivations

The implementing partners had different motivations for participating in the QEI-DIB. One partner was interested in participating because the QEI-DIB offered an opportunity for them to test their educational intervention in a new location. Another implementing partner observed that they were interested in validating their theory of change through third-party evaluation. All partners expressed that the QEI-DIB aligned with their philosophies of working towards innovation and impact. Despite the pressures of being held accountable for their performance, the partners saw it as a valuable opportunity for learning and self-assessment.

Collaboration, Learning and Prevention of Overlap

In addition to testing and comparing the performance of diverse education interventions, the multi-provider, multi-intervention

approach adopted by the QEI-DIB was intended to foster the cross-pollination of ideas and facilitate a deeper level of learning across all stakeholders. To maintain the integrity of each intervention and avoid spillover effects, a clear condition was imposed on the implementing partners at the time of selection: No other organisation could operate in the same education site at the same time. As one respondent noted, “We did not want any spillover effects from existing interventions... the DIB had a condition that no other NGOs can be operating at the same time in the same education site.” (R5). This ensured that the results from each intervention could be clearly attributed, thereby avoiding confusion or overlap between efforts.

This multi-partner collaborative structure of the QEI-DIB can be represented as seen in Figure 5.

In comparison to Figure 1, which showed a typical DIB design, the QEI-DIB had additional layers due to the participation of multiple partners that were integral to the functioning of the programme and had direct stakes in the performance of the programme.

Designing the Mechanism

Despite the presence of several DIBs in the education sector, their design remains a complex and time-intensive undertaking. In the absence of standardised templates that can be transferred easily from one context to another, each DIB must be uniquely tailored to suit its specific objectives and unique conditions.

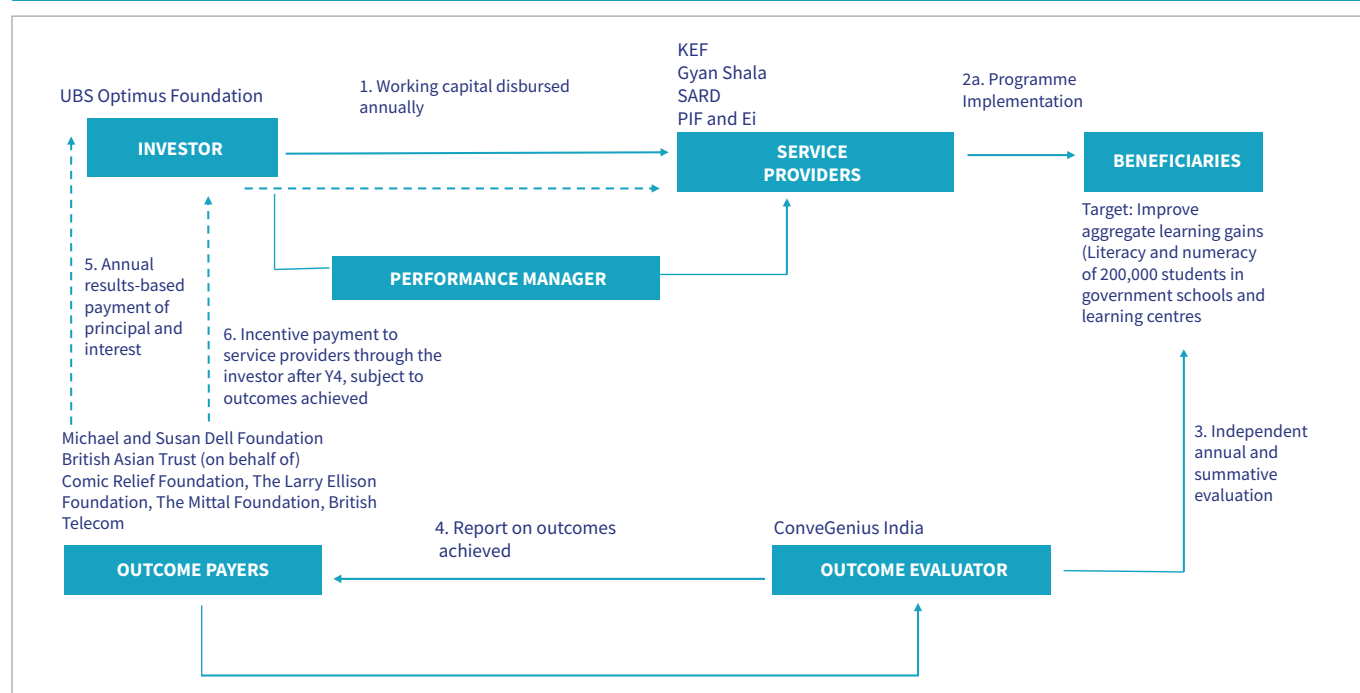
Key Aspects of the Design

The QEI-DIB was designed by Dalberg along with UBS Optimus Foundation, MSDF and BAT. The design process took between six

to eight months and required mutual alignment on the various aspects of the structure, as explained below.

1. **Goal:** The overall goal of the QEI-DIB was to improve learning in English, Hindi and mathematics for over 200,000 children in India. The duration was for four years (2018–2022).
2. **Currency:** While the QEI-DIB was contracted in Indian Rupees (INR), the investors and outcome funders allocated funds to it in different currencies.
3. **Programme costs:** Implementing partners required upfront capital to run their interventions and achieve the goals of the QEI-DIB. The total budget for implementing the interventions for four years was projected to be INR 503,702,000 (USD 7,725,621), known as the “core DIB cost”. The budget amounts differed for various implementing partners and depended on the kind of intervention activities each partner proposed to conduct over the four years and the different contexts in which each partner operated. These costs included infrastructure, staffing, operational costs and also factored in inflation. These input costs were paid for by the investor annually and were based on the budgets submitted by each implementing partner. The annual implementation costs proposed by all the implementing partners were used as estimates to structure the QEI-DIB. These are provided in Table 4. As with all grants received from foreign funders (i.e. funders not based in India), the implementing partners were required to adhere to the requirements under the Foreign Contribution and Regulation Act (FCRA), 2010, in order to receive grant funding (upfront capital) from UBS Optimus Foundation.

Figure 5: Multi-Partner Collaborative Model of the QEI-DIB



Source: Author's compilation based on secondary material.

Table 4: Budgeted Programme Costs (Yearly)

Year	Amount in INR	Amount in USD (1 USD = 65.1989 INR)
Year 1	86,579,000	1,327,921
Year 2	156,143,000	2,394,872
Year 3	129,400,000	1,984,696
Year 4	131,580,000	2,018,132
Total	503,702,000	7,725,621

Source: Author's compilation based on documentation provided by UBS Optimus Foundation.

4. **Investor commitment = working capital:** The investor, UBS Optimus Foundation, was committed to providing the entire working capital to the implementing partners as per their annual budgets. The investor paid the implementing partners directly at the beginning of each year. The investor had the ability to put in a total working capital of USD 3 million (raised to USD 3.4 million due to COVID-19) towards meeting the budget requirements of the implementing partners and meeting programme costs. The principle behind this arrangement was that UBS Optimus Foundation would manage the cash flows, and be able to meet their investment commitments towards programme costs using the annual repayments of the principal amount and 8% IRR that would come from the outcome funders based on the performance. In other words, through a total working capital of USD 3 million and the principal and interest payment received from the outcomes funders each year, the investor would be able to provide the implementation costs of nearly USD 7.7 million over a four-year period.

5. **Targets:** The QEI-DIB aimed to support implementation partners in reaching more beneficiaries and improving learning gains in English, Hindi and mathematics. Yearly targets were agreed upon and differentiated for each implementing partner depending on their educational intervention, historical performance and secondary analyses on the impact of similar interventions (see Table 5).

Outcome units were aggregate learning gains derived using the following formula:

$$\text{Aggregate learning gain} = \text{Number of beneficiaries} * \text{Improvement in learning}$$

These outcome units were used to calculate the outcome payments improvement in learning was assessed using the Progression in Achievement of learning (PinAcLe) scale, a proprietary tool of the external evaluator, CGL.

6. **Price per outcome:** The price per outcome is the pre-agreed price that the outcome funder is committed to paying to the investor for every outcome unit achieved. At the time of the design, a price per outcome is decided and used to calculate the outcome payments upon the achievement of results. Since the implementing

partners adopted different models and educational interventions, the price per outcome unit was set differently for each partner, with the price per outcome ranging from INR 19 (USD 0.29) to INR 226 (USD 3.4) per outcome unit among the different implementing partners. In Year 4, the price per outcome was renegotiated (see Table 6) and slightly increased because the number of beneficiaries was expected to drop after the pandemic forced several children to return to their villages. In other words, the price per outcome had risen since fixed costs stayed the same, while the programme reached fewer beneficiaries and generated smaller learning gains than anticipated. In Year 4, the revised price per outcome ranged from INR 149 (USD 2.2) to INR 422 (USD 6.4) per outcome unit.

7. **Outcome payments:** The outcome funders, MSDF and BAT, were committed to making outcome payments to the investor. This included the following:

- The repayment of the full principal amount invested by the investor: The principal amount covered the core costs of DIB implementation and was projected to be USD 7,725,621 across the 4 years, as described in Table 3. This repayment was scheduled to be made annually.

Table 5: Outcome Targets for the QEI-DIB

Year	Number of targeted beneficiaries (total for all partners)	Average learning improvement target score points in the PinAcLe tool (for all partners)
Year 1	103,128	5–17.5 points
Year 2	106,236	5–22.5 points
Year 3	Revised/unspecified due to the COVID-19 pandemic	
Year 4	70,640	14.5–33 points
Total	280,004	

Source: Authors' compilation based on data shared by UBS Optimus Foundation.

Table 6: Price Per Outcome

Implementing partner	Price per outcome unit	Revised pricing (+87%)
Ei - PIF	0.177	0.33
Gyan Shala	0.226	0.422
KEF Ahmedabad	0.08	0.149
KEF Mumbai	0.091	0.169
SARD1	0.019	NA
SARD2	0.085	0.16

Source: Data shared by UBS Optimus Foundation.

- Interest payment of 8% IRR¹ on the total principal deployed by the investor after the achievement of independently verified outcomes: This repayment was scheduled to be made annually at the end of yearly evaluations. The interest was projected to be a maximum of USD 697,650. The outcome payment was calculated based on the aggregate learning gains multiplied by the price per outcome (students x cost per outcomes x outcome score). If an implementing partner were to overachieve targets beyond 125% in a given year, the outcome payments would be capped, and no additional outcome payments could be made for achievements beyond 125% of the targets in that year.
- Incentives for overachieving targets: An additional incentive payment of 8% was given to the investor at the end of Year 4. The investor was committed to distributing the incentive amount to the implementing partners based on their achievements.

Table 7 shows the maximum outcome funding costs for the outcome funders over the four-year period. The total projected amount of USD 9.1 million was more than the amount of USD 7.8 million that the anchor funder MSDF and BAT had mobilised at the start of the QEI-DIB implementation.

Two revisions were made to this structure. The first revisions were made in Year 2, when the indirect model of SARD, an implementing partner, was dropped on account of poor performance. Two new implementing partners, Educational Initiatives and Pratham Infotech Foundation, were brought on board to work in Lucknow, and KEF was provided funds to extend its work to Mumbai. The second revision was made during the COVID-19 pandemic, when the 2020 annual evaluation was suspended. No outcome payments were made in Year 3 of the QEI-DIB.

8. **Costs not included in outcome funding:** Besides the core DIB costs, which were budgeted for implementing the programme interventions, other costs were shared by different partners (see

Table 8). The costs of performance management were jointly shared by UBS Optimus Foundation and FCDO. In OBF projects, such as DIBs, performance management costs are typically considered as core costs by those involved in designing them. However, as one respondent observed, at a very early stage of the QEI-DIB, these costs were not included in the core budget. This could be considered a design oversight, as performance management is generally viewed by those designing the DIB as an essential component for effective programme delivery. Including such costs within the core budget also allows for a more objective comparison between implementing partners. While some implementing partners may have in-house performance management capabilities, others may not. Treating these costs as core costs ensures that differences in implementing partners capabilities are assessed on a level playing field, with performance management factored into the overall costs. In addition to sharing the performance management cost, FCDO also paid for outcome evaluation, legal fees and BAT operations costs. These non-core costs amounted to INR 115,911,000 (USD 1,777,806).

The key difference between this structure and other DIBs is that: first, performance management costs are normally part of the core programme delivery costs, and second, the evaluation costs are normally part of the funds reserved by the outcomes funders to pay for the results. As one respondent indicated, the rationale for not doing so in the QEI-DIB was the availability of funding from FCDO, which allowed these components to be funded separately.

Thus, at the time the QEI-DIB was designed, the total transaction size was projected to be USD 10.96 million (INR 714,437,000) which included outcome funding (Table 7) and costs not included in outcome funding (Table 8). The structuring also had to account for fluctuations in foreign exchange rates. As one respondent pointed out, the QEI-DIB was initially planned to be contracted in US dollars. The plan shifted to Indian Rupees to facilitate the entry of Tata Trusts, an Indian philanthropic organisation, as an outcomes funder, which did not materialise due to Indian regulations

Table 7: Estimated Outcome Funding for the QEI-DIB (2018–2022)

	Item	% of outcome funding	Total INR (projections)	Total USD (1 USD = 65.1989 INR)
1	Core DIB costs/Programme costs	84%	503,702,000	7,725,621
2	Expected returns to investor	8% IRR	45,486,000	697,650
3	Expected outcome payment (1+2)		549,188,000	8,423,271
4	Maximum incentives to implementing partners for overachievement	8%	49,338,000	756,731
5	Total maximum outcome funding required (projected) (3+4)		598,526,000	9,180,002

Source: Author's compilation based on documentation provided by UBS Optimus Foundation.

1. In simple terms, IRR indicates the annualised rate of return a project or investment is expected to generate. It is the annual return effectively earned after accounting for when money was invested and when it was paid back.

Table 8. Costs Not Included in Outcome Funding

Item	Paid by	Amount in INR	Amount in USD (1 USD = 65.1989 INR)
Performance management	UBS Optimus Foundation (55%) and FCDO (45%)	52,711,000	808,465
Outcome evaluation	FCDO	35,765,000	548,552
Legal costs	FCDO	6,859,000	105,201
BAT costs	FCDO	20,576,000	315,588
Total		115,911,000	1,777,806

Source: Author's compilation based on documentation provided by UBS Optimus Foundation.

prohibiting philanthropic organisations from making payments to overseas investors. Thus, the shift to Indian Rupees in the contract could be seen as unnecessary in hindsight.

Aligning on Financial Risks

Several risks were identified and aligned upon at the time when the QEI-DIB was structured, such as the risks of delivery, currency fluctuation and of executing multiple contracts.

Delivery risk: Payments were conditional on the achievement of pre-agreed outcomes, ensuring that funds were disbursed only after results were verified. Therefore, the outcome-based structure of the DIB helped shield outcome funders from delivery risks. One respondent noted, “As an outcome funder, we only pay when the results are achieved. So that kind of insulates us from that delivery risk.” (R5). However, whether an intervention would actually deliver expected outcomes was a critical risk for the investor. Although some partners had strong evidence backing their past performance with the same education interventions, this nevertheless remained a potential risk for the investor.

Risk of currency fluctuation: Since investment capital was provided in USD but programme execution occurred in India, the volatility of exchange rates between the two currencies posed a direct risk to the investor's returns. The cost of doing business in India under such uncertain currency conditions introduced the investor to further financial exposure.

Executing multiple contracts: The initial design phase demanded substantial bandwidth and the coordination of contracting arrangements involving multiple international contracts and cross-border legal considerations. Since the implementing partners had not participated in such a contract before, and they needed time to decide, the coordination and contracting process took time and resources. Based on the primary and secondary data, we found that contracts were signed between different parties: a) Separate outcome payment agreements signed between UBS Optimus Foundation and MSDF and another between UBS Optimus Foundation and BAT ; b) UBS Optimus Foundation had agreements with each of the implementing partners since it was providing them with funds to implement the programmes and would also pay incentives if the pre-agreed outcomes were achieved; c) Dalberg, the performance manager, had agreements with UBS Optimus Foundation to monitor the progress made and

to offer technical support, whenever required, to the implementing partners. In addition, there was an agreement between BAT and CGI for the delivery of the outcome evaluation. The costs of contracting and legal fees were borne by FCDO through BAT.

Measurement of Outcomes

The measurement of outcomes is a critical aspect of any OBF mechanism. The QEI-DIB selected CGI, formerly Gray Matters India, as an independent outcomes evaluator of the programme, through a competitive process. The targets were based on the expected intervention and effect sizes, which were taken from a meta-analysis of global and Indian literature on comparable education interventions.

Due to contextual and ethical constraints, implementing a four-year RCT was not feasible. Consequently, a quasi-experimental design was adopted that required the identification of treatment and control groups and the annual measurement of learning outcomes to attribute and quantify impact: “The next best approach was a quasi-experimental model where we had to identify treatment and control groups and evaluate year-on-year learning outcomes to assess attributable impact.” (R4).

The learning outcomes were measured using PinAcLe, CGI's proprietary vertically integrated learning level scale, in which scores of students in Grades 1–10 range from 200 to 800 scale score points. This integrated scoring scale allowed for the comparison of scores across students in different grades along a common continuum. Improvement was defined as the difference between the baseline and endline of a standardised test of grade-level skills conducted at the start and end of each school year. Standardised assessments were administered to a sample of students from the treatment schools and the comparison schools. Assessment methods included paper and pen tests with multiple-choice questions. Individual oral assessments were conducted for students studying at Gyan Shala. The difference-in-difference analytical approach was employed in this study. The average learning level growth expected in one academic year was 25 scale score points. The DIB targets were expressed as the difference in the standard deviations of the performance of intervention and comparison (control) schools.

The evaluation process also faced significant challenges, including diverse educational interventions, multiple geographic contexts

and differing academic calendars. In one location, identification of a comparison (control) group was difficult, because the local government delayed providing permission to access their schools.

Adopting Private Sector Management Principles

Focusing on Outcomes to Enable Flexible Implementation

Flexibility was built into the QEI-DIB structure, enabling partners to adapt rapidly to evolving challenges on the ground in a number of ways. The implementing partners submitted their budgets based on their requirements and they received annual upfront payments. They had the autonomy to manage funds efficiently without cumbersome approval processes. The QEI-DIB offered programmatic flexibility and the partners were empowered to execute the programme and choose activities that were best suited to delivering educational interventions to achieve outcomes. This was evident in the contracts the investor had with the implementing partners.

Establishing Incentives for Implementing Partners

As mentioned earlier, the QEI-DIB was designed for the outcome funder to pay incentives to the implementing partners through the investor if the partners achieved their targeted outcomes at the end of the four-year period. These incentives were provided in addition to what the investor UBS Optimus Foundation had paid to the implementing partners annually to run their programmes. This incentive structure was designed to reward positive performance without penalising implementing partners for underperformance. Incentives were meant to be disbursed by the outcome funders through the investor as a lump sum after four years based on cumulative performance. This was capped at 8% of the outcome payment that the outcome funders would make to the investors. As one respondent noted, “There were no penalties for implementation partners. A small incentive at the end of four years if they had overachieved their targets... to create a small corpus to do some experimental work” (R5). This incentive was meant to encourage innovation and continuous improvement. “So, money part was never sort of a driving force to push the operational part... Well, I knew, and my colleagues knew, that there is a component of rewards, etc. etc. But unfortunately, we're not very clear.” (R10).

The implementing partners were free to spend the funds provided as incentives, if received, in any manner they deemed appropriate. One implementing partner shared that they utilised the additional amount received as incentives to continue the programme for one additional year after the QEI-DIB ended.

Ensuring Greater Accountability

Performance management played a pivotal role in the structure of the QEI-DIB. It combined the regular, structured monitoring of performance by Dalberg with the collaborative problem-solving of the implementing partners. This included the creation of robust and customised frameworks for tracking progress towards outcomes as well as the conducting of monthly check-ins and quarterly management information system updates. These performance management systems were designed with the intention of fostering a two-way dialogue with the implementation partners and enabling continuous learning about what aspects of the interventions were effective and which ones required adjustment. A critical aspect of performance management was the emphasis on data-driven decision-making, making course corrections and programme improvement based on this available data. Such a data-driven approach to performance management was intended to ensure that the investments, both financial and human resources, remain aligned with clearly articulated impact goals. Performance management was expected to provide timely insights, to quickly identify delays in intervention delivery and target problem-solving efforts accordingly. While the ultimate decisions were taken by the implementing partners, the structured process of managing the performance was intended to help them streamline operations and adhere to the timelines.

6

ASSESSING IMPACT: DID THE MECHANISM UNLOCK MORE AND BETTER FINANCING FOR ALL?

In this section, we examine if and how the building blocks described in the earlier section contributed to the effectiveness and efficiency of the QEI-DIB, if it brought additionality of funding, and increased reach. The section also identifies the other factors contributing to effectiveness, efficiency and additionality based on what was hypothesised in the TOC. In doing so, we intend to identify the specific building blocks or the process that contributed to the overall impact of the mechanism.

Effectiveness

We first look into evidence on the effectiveness of the QEI-DIB (i.e. whether funding is used in ways that achieve learning outcomes) and then discuss the key drivers that contributed to the effectiveness, drawing from what was hypothesised in our TOC for the financing mechanism. We analyse effectiveness as achieving outcomes and distributing payments before identifying the key drivers of effectiveness in the QEI-DIB.

Achievement of Outcomes

The QEI-DIB was effective in achieving all pre-agreed payment linked outcomes fully within the stipulated timelines. Learning outcomes were measured using ConveGenius' PinAcLe. As per the final evaluation report available on the website of the QEI-DIB (British Asian Trust, 2022b), the achievements exceeded targets despite the COVID-19 pandemic occurring during the implementation period, and almost all education providers

performed “exceedingly well” (British Asian Trust, 2022c). At the portfolio level, on average, children covered by the QEI-DIB learned 2.5 times more than those in the control schools. Twice as many students in participating schools achieved age-appropriate learning levels compared to those in non-participating schools. Personalised and adaptive learning through technology, which was implemented in Uttar Pradesh, showed that participating students received five times the learning gains of students in control schools. Thus, overall, the QEI-DIB was successful in achieving the pre-agreed outcome targets. Moreover, the investors received their outcomes payments and were able to disburse incentive payments to the implementing partners.

Since the outcomes funders were committed to paying the investors annually for gains in learning outcomes based on the annual evaluations, examining the learning outcomes achieved through the years is important. Table 9 shows the results indicated in the QEI-DIB evaluation report on learning outcomes. At the end of Year 1 of the QEI-DIB, KEF Ahmedabad and Gyan Shala overperformed relative to their targets. At the end of Year 2 of the QEI-DIB, all implementing partners exceeded their learning targets. In the third year of QEI, there was a disruption due to the pandemic and no evaluation could take place. At the end of Year 4, Ei-PIF, Gyan Shala and KEF Ahmedabad exceeded their targets, while KEF Mumbai and SARD 2 did not.

Table 9: Learning Gains – Targeted Versus Actual

Implementing Partner	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Y1	Y1	Y2	Y2	Y3	Y3	Y4	Y4
Ei- PIF	NA	NA	12	90	COVID-19 Year		18	51.67
Gyan Shala*	17.5	79	22.5	*			33	99.33
KEF Ahmedabad	5	30	7.5	15			14.5	52.25
KEF Mumbai	NA	NA	5	15			14.5	-14.5
SARD1	10	1	NA	NA			NA	NA
SARD2	10	10	12.5	75			20	11.67

Source: Author's compilation based on reports shared by UBS Optimus Foundation.

Notes: Table is based on the PinAcLe tool, and information is expressed in scale score points. Higher scale points indicate better results. SARD1 refers to the indirect model of intervention and SARD2 refers to the direct model of intervention. *Gyan Shala was not able to participate in the endline study in year 2.

The implementing partners' performance on learning gains compared to the targets set at the start of the programme is shown in Table 10. In Year 1 of the QEI-DIB, the intervention led by KEF achieved the highest actuals/target percentage (490%), while Ei-PIF's Mindspark achieved the highest score overall (650% in Year 2). The data also indicate that in Year 1, SARD1 did not improve its learning scores and showed a negative performance. In Year 4, SARD2 and KEF Mumbai could not improve on their performance as they had in Year 2.

Table 10: Actual Learning Gains Compared to Targets (±%)

Implementing Partner	Y1	Y2	Y3	Y4
Ei - PIF	NA	650%	COVID-19 Year	187%
Gyan Shala*	351%	NA		201%
KEF Ahmedabad	490%	97%		260%
KEF Mumbai	NA	200%		-200%
SARD1	-95%	NA		NA
SARD2	0%	500%		-42%

Source: Author's compilation based on data shared by UBS Optimus Foundation.

*Gyan Shala was not able to participate in the endline study in year 2.

For the purpose of outcome payments, outcome units were defined as aggregate learning gains, which took into account not only the learning gains but also beneficiary enrolment. For outcome payments, the target enrolment numbers were used when the actual enrolment was ±15%. Table 11 shows enrolment targets and actual performance, and Table 12 shows the aggregate learning compared to the targets for each of the years.

Tables 9 and 11 show three kinds of variations. First, the performance of partners in achieving the targets varies: Ei-PIF exceeded targets consistently, while other partners achieved less performance than their targets. This could be due to the maturity of the intervention, the beneficiaries targeted or the kinds of targets set. Second, differences in the performance of implementing partners over the years exist, as well as variations in the performance of the same partner across

Table 12: Aggregate Learning Compared to Target (±%)

Y1		Y2	Y3	Y4	Total
EI - PIF	NA	726%	COVID-19 Year	300%	599%
Gyan Shala	259%	-100%		140%	182%
KEF Ahmedabad	479%	97%		531%	466%
KEF Mumbai	NA	203%		-264%	-3%
SARD1	-94%	Discontinued			
SARD2	0%	501%	COVID-19 Year	-42%	248%
Total				208%	1491%

Source: Reports shared by UBS Optimus Foundation.

Note: SARD1 refers to the indirect model of intervention and SARD2 refers to the direct model of intervention.

two different regions. For example, the performance of SARD2 tapered after COVID-19. KEF Ahmedabad scored well on learning gains across all years but could not meet the enrolment targets in the first two years of the QEI-DIB; this differed from its performance in the Mumbai region. This could perhaps indicate contextual or organisational challenges faced by partners in different geographical areas. The pandemic might have impacted the performance of SARD2. The third variation concerns performance in terms of learning gains in comparison to performance in enrolment. In Year 2 of the QEI-DIB, all the partners met their learning gains targets; however, in the same year, Gyan Shala and KEF Ahmedabad did not meet their enrolment targets. On the other hand, KEF Mumbai scored poorly on learning gains but scored well on enrolment in Years 2 and 4. This might indicate the relative strengths of partners in improving learning gains or reach. It can also suggest that partners found it more challenging to increase enrolments in existing schools, as enrolment is affected by school management and infrastructure constraints. Increasing enrolment by reaching new schools/learning centres may have been challenging for partners to achieve, since doing so requires rapport with the local school administration. On the other hand, the potential and scope to improve learning gains among a given number of students might be within the implementing partners' sphere of influence and hence attainable.

Table 11: Enrolment Targets and Actual Enrolment

Implementing Partner	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Y1	Y1	Y2	Y2	Y3	Y3	Y4	Y4	Average	Average
Ei - PIF	NA	NA	13,750	15,143	COVID-19 Year		10,464	14,576	12,107	14,860
Gyan Shala	7,544	5,993	9,025	6,217			6,971	5,569	7,847	5,926
KEF Ahmedabad	50,084	49,189	50,084	49,878			30,152	52,835	43,440	50,634
KEF Mumbai	NA	NA	22,877	23,073			14,973	24,578	18,925	23,826
SARD1	35,000	43,429	Discontinued							
SARD2	10,500	10,541	10,500	10,522	COVID-19 Year		8,080	8,000	9,693	9,688

Source: Author's compilation based on reports shared by UBS Optimus Foundation.

Note: SARD1 refers to the indirect model of intervention and SARD2 refers to the direct model of intervention.

Distribution of Payments

Based on the findings of the annual evaluation reports, UBS Optimus Foundation received outcome payments from MSDF and BAT (see Table 13). As discussed earlier, the outcome payments were made to UBS Optimus Foundation based on the number of beneficiaries reached, average score achieved and price per outcome unit after verification by CGI. Except for Year 3, when the annual evaluation could not take place due to the pandemic, outcome payments were made every year. Even though the actual achievement was greater than the target, as mentioned earlier, investor returns were capped at 125% of the target. Outcome payments received by the investor totalled INR 525,338,000 (USD 8,057,467). Setting aside the actual programme costs of INR 478,062,000 (USD 7,332,000), which the investor had paid to the implementing partners, the total returns earned for the 4-year period amounted to INR 47,276,000 (USD 725,000).

UBS Optimus Foundation also received an incentive payment from the outcome funders. This payment was made to the implementing partners, given at the end of the 4-year programme and amounted to INR 43,229,000 (USD 663,000). This was in addition to the upfront capital the implementing partners had received annually from UBS Optimus Foundation to run the programmes. The incentive payments were split according to the implementing partners' share of the programme and were dependent on whether the partners had achieved target outcomes. For instance, KEF did not receive an incentive for its Mumbai project because it was not able to achieve target outcomes, however, it received an incentive for its Ahmedabad project (see Table 13).

It may be noted that although the maximum outcome funding available was USD 9.18 million (see Table 7), the entire amount was not required, since the actual total outcome payment and incentives were USD 8.72 million.

Key Drivers of Effectiveness

Our TOC for the financing mechanism used in the QEI-DIB hypothesised that an OBF structure in which clearly defined targets are linked to financial disbursements would enhance effectiveness. It postulated that the introduction of payments on the basis of outcome results, i.e. a focus on outcomes, improves the effectiveness of development interventions. Our data indicate that a focus on outcomes played a major role in driving performance. However, other contextual and design factors were also found to contribute to the overall success of the QEI-DIB. This section explores the evidence behind these multiple drivers of effectiveness.

Outcomes-Focused Culture

One of the key factors contributing to the timely achievement of targets in the QEI-DIB was the clarity and mutual agreement on indicators, targets and timelines among the investor, outcome funders and implementing partners. One partner noted: "It (the QEI-DIB) was nothing very new. The only change in the DIB was that, you know, it was very specifically targeted. You have to achieve XYZ, and you have to maintain a specific timeline. So, therefore the challenge." (R10) The data revealed an emphasis on outcomes that permeated all levels of the programme, from leadership teams to frontline staff, shaping organisational strategies and daily operations. As one participant observed, "The language is outcome-based, so everybody from top to bottom is always talking about outcomes." (R9).

The QEI-DIB framework encouraged a results-oriented mindset, fostering professional rigour in planning, monitoring and reporting. This outcome focus extended to setting of micro-milestones and contingency plans. One participant explained this as follows: "DIBs require achieving specific targets within

Table 13: Outcome Funding Received by UBS Optimus Foundation

Maximum outcome funding available = INR 598,526,000 (USD 9,180,001)			
Payment	Details	Amount in INR	Amount in USD (1 USD = 65.1989 INR)
Outcome funds paid to the investor	Total for all four years	525,338,000	8,057,467
Principal/Programme Cost	Over four years	-478,062,000	-7,332,000
Investor return (IRR 8%)		47,276,000	725,000
Incentive for implementing partners (up to 8% triggered when above 100% achievement of targets)	Ei-PIF	8,862,000	135,923
	Gyan Shala	14,990,000	229,912
	KEF Ahmedabad	14,219,000	218,087
	KEF Mumbai	X	0
	SARD	5,158,000	79,112
	Total	43,229,000	663,033
Total outcome funding paid by MSDF and BAT		568,566,000	8,720,484

Source: Reports shared by UBS Optimus Foundation.

defined periods, which taught us to work in a time-bound manner structured around data-driven processes.” (R10).

According to one respondent, the promise of performance-based incentives contributed to the effectiveness of the QEI-DIB: “With significant capital at risk, investors were deeply committed to ensuring the programme’s success, providing the right drivers to optimise performance and costs.” (R6). The impression among the partners was that contracts were renewed based on performance. Although not expressly mentioned as a penalty, the indirect model of SARD was stopped after poor performance in the first year. This ensured effectiveness and poor performers were dropped after the first year so as to maximise the chances of achieving the targets.

The respondents shared that budgetary conversations were minimal compared to detailed planning discussions, which focused on achieving results and were the subject of significant attention. Financial considerations did not drive operations; instead, efforts centred on impact delivery. As one stakeholder reflected, “The operation was clearly focused at the North Star, which was the impact.” (R10).

However, the achievement of outcomes year after year was challenging. As shared by the stakeholders interviewed, in the first year, it was relatively easy to improve the learning outcome of the students who started with very low scores; however, in the subsequent years, it became challenging to improve the performance of average-scoring students. As one respondent indicated, this is where the cultural and systemic impact of OBF is expected to take effect by driving innovation and improvement. As the programme advanced, the investor faced an increasing risk of failing to meet the outcome targets and, consequently, of not recovering the invested capital. The implementing partners also concurrently experienced an increased risk of not qualifying for the incentive payments linked to those same outcomes.

Incentives for Implementing Partners

The prospect of receiving monetary incentives was not necessarily the strongest motivator for implementing partners. In contrast to the investor, the implementing partners were not clear about the amount of monetary incentive they would receive; given the way in which the incentives were designed, the calculation could only occur at the end of the programme. One of the respondents shared, “Being one of the high performers, we never looked at it from an incentive viewpoint... we got incentives cumulative at the end of the four-year programme” (R10). Another participant reflected that although the incentive payout came later, the payout was a recognition of their performance. The incentives received were appreciated by the partners. One partner explained that the incentives helped their elementary education programme stay open for at least one more year. Thus, incentive funding extended the life and impact of programmes beyond the formal project timeline.

Selection of Implementing Partners with Proven Track Records

The selection process favoured large organisations with prior experience and strong track records in delivering high impact

interventions and demonstrating leadership. Three respondents indicated that this strategic choice was made to improve the chances of achieving outcomes, although none of the selected implementing partners had participated in a DIB before. The implementing partners used the same intervention models they had previously applied under traditional input-based funding. This allowed the partners to compare their experience with the DIB structure directly. According to one of the respondents, the programme yielded “definitely better results than the same programmes were delivering in the past,” (R5) indicating that outcome orientation and continuous monitoring led to improved strategies and implementation. Stakeholders interviewed shared that they had a higher focus on outcomes as compared to traditionally financed programmes. Comparing their experience of a traditional input-based grant funding with the QEI-DIB experience, one implementing partner observed, “unlike grant-based models, the QEI-DIB was not concerned with checklists but with outcomes. It asked how we are progressing toward learning goals and whether our MEL [Monitoring, Evaluation, and Learning] system supports continuous improvement.” (R7). Despite the rigorous selection of proven interventions, SARD1 did not perform and had to be discontinued.

Effect Beyond the DIB

Some implementing partners described the impact/outcomes achieved through the DIB model as unprecedented, as they do not often have clarity on the target and the funds needed to meet these targets. This helped the partners garner interest from other stakeholders and open doors to new collaborations. As one partner said, “Because of the DIB, other agencies also approached us, and that’s the best part. Our funding was not big, but the result was much bigger ... that is what we are satisfied, and grateful to DIB that they have given us the opportunity to showcase our model [educational intervention]” (R11).

Beyond funding, the DIB structure introduced new levels of rigour and focus among the implementing partners. Some partners highlighted how the process improved their internal systems, encouraged discipline, and fostered a results-oriented mindset: “I believe that more than the funding, it helped the organisation become more efficient and effective” (R7).

These changes persisted beyond the DIB project itself, with partners continuing to apply improved practices across other initiatives, thereby suggesting that the benefits extended into long-term organisational development. Additionally, the DIB approach encouraged implementing partners to continuously innovate. The QEI-DIB experience catalysed a significant shift in operations and encouraged a culture of experimentation and adaptation in their education interventions.

Efficiency

In this work, efficiency refers to the ability of partners to achieve better and more results with their level of human and material resources. We first examine the data to determine whether the QEI-DIB financing mechanism improved efficiency and, if so, what contributed to this improvement.

Evidence of Efficiency

Even though UBS Optimus Foundation had the ability to extend the QEI-DIB's working capital envelope to USD 3.4 million on account of the COVID-19 pandemic, cash flow and the implementation costs were managed within the working capital of USD 3 million. The implementing partners required much less than the total budget of INR 503,702,000 (USD 7,726,000) set aside for implementation to achieve the targeted outcomes. Over the QEI-DIB's four-year period, the partners together received INR 480,655,878 (USD 7,372,147). This amount also remained partially unutilised. All but one implementing partner had utilisation percentages ranging from 75% to 93%, indicating that the costs of surpassing the pre-agreed outcomes were lower than what was initially estimated given the performance contracting structure.

As specified earlier, the final evaluation report also found that the outcomes achieved were more than what was targeted, indicating better use of invested resources. At the end of Year 4, the actual price per outcome was 46% less than the initially expected price, indicating a better value for money for the investor and greater efficiency. Furthermore, because of the cap on receiving additional interest for the overachievement of targets, the outcome funders received greater outcomes for the price they paid than they had initially anticipated. Internal reports shared by the investor on the financial calculations show that, every year, the outcome payment cap had to be applied because the calculated outcome payment amount (aggregate learning gains*outcome price) was much higher in comparison to what was repaid to the investor.

However, given the total value of the QEI-DIB, looking into what it cost to run the DIB is necessary. Table 14 shows the considerations for efficiency. Rough calculations not accounting for inflation and differences across implementing partners and states they work in were made, indicating that during its 4-year implementation period, the QEI-DIB was estimated to have spent INR 2,552 per

beneficiary and to have offered educational interventions to improve learning outcomes in literacy and numeracy. Table 15 shows the annual per-child costs notified by the governments of each state in which the implementation partners worked, as noted under Section 12(1)(c) of the Right of Children to Free and Compulsory Education Act, 2009. Even when costs such as teacher salaries, infrastructure costs and other operating costs are factored in total school education costs, the per-child cost for the QEI-DIB was not high in comparison to annual per-child costs notified by the state governments.

Even considering only reach — typically comparable with government allocation, which is input-based — the costs of the QEI-DIB are lower than the annual per-child costs notified by the state governments. These results do not suggest that a DIB could replace government financing of schools, as this goes beyond specific activities for improving literacy and numeracy.

This contextual understanding is meant to help understand and compare the costs of reaching beneficiaries and improving their learning outcomes. Overall, since the DIB achieved and exceeded the learning gains, this data provides insights into the efficiency and sustainability of the examined interventions.

Key Drivers of Efficiency

In our TOC of the QEI-DIB financing mechanism, we hypothesised that stakeholders involved the adoption of management practices typically associated with private sector institutions and had a clear understanding and responsiveness to lines of accountability. We postulated that the adoption of private sector management principles such as flexibility in implementation with a focus on outcomes, incentivisation of performance and greater accountability through performance management and data-driven implementation would improve the programme's efficiency.

Table 14: Considerations for Efficiency

Total projected budget of the QEI-DIB (2018-2022)		
Items	Total INR	Total US dollars (1 USD = 65.1989 INR)
Outcome payments (projected; covers programme costs, interest and incentives to implementing partners)	598,526,000	9,180,002
Items not covered under outcome payment		
Performance management	52,711,000	808,465
Other items not covered under outcome payments (projected; covers outcome evaluation, legal fees, BAT costs, others)	63,200,000	969,341
Total cost	714,437,000	10,957,808
Cost per beneficiary (2018-2022)		
Total targeted beneficiaries		280,000
Projected cost per child for four years		INR 2,552 (USD 39)

Source: Authors' compilation based on reports shared by USB Optimus Foundation.

Table 15: Annual Per-Child Costs Notified by State Governments for Primary Classes (2019–2020)

Name of the state	Per-child cost in INR	Per-child cost in USD (1 USD = 65.1917 INR)
Gujarat (Gyan Shala and KEF)	13,000	199
Maharashtra (KEF)	17,670	271
New Delhi (SARD)	28,008	430
Uttar Pradesh (Ei-PIF)	5,400	83

Source: Author's compilation from Rajya Sabha Debates (2019). Note: For convenience, the foreign exchange rate applicable in the QEI-DIB is used despite the rate potentially not being accurate for 2019.

Evidence gathered from both primary and secondary data confirm that clearly defined targets and flexibility in implementation with data-driven performance management contributed to efficiency. We did not find much evidence that linked incentives with improvements in efficiency. We now elaborate on the factors that played a significant role in building efficiencies as well as those contributing to the inefficiencies in the implementation of the QEI-DIB.

Flexibility

All implementing partners acknowledged that the flexibility in implementation available in the operational aspects of the programme was unprecedented compared to what was available in public or traditional funding options. Flexibility was a key motivator for the implementing partners, and as one of them said, the QEI-DIB balanced outcome orientation and implementation flexibility. Flexibility was underpinned by a high level of trust between investors, funders and implementation partners: "Though there have been multiple partners, it has been a very collaborative and trust-based structure from the start." (R5). This trust was reinforced by continuous communication and shared responsibility, as one noted, "During COVID-19, that was the level of flexibility and the responsibility by each of the implementing partners, and the Consortium [investors and funders] understood" (R10). This created a supportive environment in which implementing partners felt empowered. One of them shared that "All of the partners [investors and funders] were extremely sensitive." (R7).

In addition to operational flexibility, the data indicated that there was flexibility in how the budgets could be spent by the implementing partners. Implementing partners could reallocate funds freely within the programme without needing the approval of investors or performance managers. For example, during the pandemic, a partner had to shift programmes from schools to community settings, which brought new expenses, such as installing charging points for digital devices. The partner observed, "For that small, small thing, we didn't get back to Dalberg or UBS to get permission. These are the basic requirements which we need in the community. So that was a kind of freedom we had." (R8). The annual upfront capital provided by the investor enabled

implementing partners to plan and initiate interventions and manage operations with greater flexibility.

Performance Management and Data Monitoring

Dalberg conducted performance management for the QEI-DIB, and it enhanced efficiency by enabling the cross-pollination of ideas, the centralised tracking of progress and the consolidation of resources, resulting in cost-effective oversight and support. One respondent shared how Dalberg created custom frameworks for tracking performance for each implementing partner, reduced costs for the investor by facilitating effective implementation and made the operations more efficient (R3).

The idea behind performance management in the QEI-DIB was to diagnose the most challenging elements of the project very quickly and collaboratively troubleshoot them, as stated by the investor and funders. Most of the implementing partners acknowledged that the monitoring and evaluation process in the QEI-DIB helped them continuously refine their intervention in order to meet the outcome targets. According to these partners, the constructive suggestions received from the performance manager (Dalberg) and the evaluator (CGI) enabled the operational team to respond faster to the challenges they faced on the ground. Though the performance manager served as a proxy for the investor, the implementing partners also considered that the performance manager acted as a thought partner for navigating on-the-ground challenges;

It [the performance management] makes a huge difference. It is because they are not coming in as monitors, they are coming in as collaborators who want you to improve your performance. So that mindset changes everything. It is what they look at, how they look at things, the kind of suggestions that they give, the way they interact with you. Everything changes. And you move from a very autocratic structure to a more democratic structure... (R7).

As per the stakeholders interviewed, systematic and periodic collection and reporting of data on learning goals made it more transparent for investors, performance managers and implementing partners. As shared by one of the Steering Committee members,

...there is always data visibility...There was a requirement to have the data available so that we can do the audit. So as a structure, the focus is not just on the intervention or the final beneficiary but also on how can we actually utilise all the other key parts to amplify that impact to the final beneficiary is the key difference that I've seen. Because from whatever evaluations that we have done in other places, the support systems within the whole larger grant to outcome level, we do not have this strong, regular check-ins or the connect between the project management unit and the intervention partner. (R4).

Dalberg's ongoing assessments included timely alerts regarding programme progress and potential delays, allowing implementing partners to proactively address issues: "Dalberg kept us on track with time management, provided quarterly assessments and helped us organise our work better. We received direct input that

was highly valuable.” (R10). One implementing partner described the daily use of software engagement data to identify and support schools: “We tracked per-child software usage daily —how many students used it and for how many minutes or hours. This enabled us to identify bottom-performing schools that required additional focus and helped keep the majority on track.” (R8).

One of the partners observed that this approach contrasted significantly with typical grants or input-based funding, which review data on a quarterly or biannual basis. Daily monitoring fostered a culture of accountability and agility. One implementing partner convened daily to focus on underperforming schools and adjust strategies accordingly: “This level of engagement was a major factor in our success.” (R8).

Regular meetings and clearly defined roles and responsibilities prevented unnecessary bureaucratic delays. One stakeholder noted, “Regular meetings, laying out clear boundaries... This was a fairly efficient structure on a day-to-day basis” (R3).

Performance managers also conducted regular classroom visits prior to the COVID-19 pandemic, engaging with teams to provide an external perspective that encouraged deeper reflection and introspection. This external input helped implementing partners challenge existing assumptions and refine their approaches: “Having an external person come and spend time in the classrooms was invaluable. It made us think critically about our methods and improve.” (R7). Another added, “If something wasn’t working, there was always a support system... Dalberg’s motivation and flexibility made a significant difference” (R5).

Dalberg acted as a proxy for UBS Optimus Foundation, managing performance on their behalf with the intention of improving the effectiveness of the implementing partners. One stakeholder said that large, experienced implementing partners can manage implementation and performance management themselves; however, for smaller partners, Dalberg played an essential and inclusive role (R6). This external partnership was described as a “luxury” (R9) because it allowed implementing partners to challenge ingrained “muscle memory” (R9) and encouraged innovation: “I learned a lot in that process of questioning our assumptions because the performance manager made me think differently” (R9). This helped build the capacities of the implementation partners to track their own performance and use monitoring data to strengthen their interventions.

The first two years of implementation saw partners face a steep learning curve in understanding challenges and iterating programme adjustments. The trajectory of the programme’s performance showed steady progress, with slower growth observed in the first two years. However, by the third year, for some partners, the impact had “amplified to a greater extent” (R4), with some implementing partners not only meeting but “overachieving the targets” (R4). This pattern indicates that early foundational work and iterative improvements contributed to accelerated outcomes

over time. This notable operational insight into the varying difficulty in improving student performance levels over time is of particular interest to multi-year outcomes-focused interventions. In the first year, it was relatively easy for implementing partners to help students improve their performance from below average to average; in subsequent years, however, it became much harder to advance students from average levels of performance to excellent levels (R6). Even as the task of producing improvements grew more challenging, the partners shared how the performance managers were integrated as collaborators rather than enforcers.

Annual Outcome Evaluations

The evaluator, CGI, also played an important role in contributing to the data-driven approach to implementation. Since the interventions varied widely, ranging in model, approach and geography, CGI conducted several workshops to help implementing partners grasp the mechanics of scaling, measurement and outcome translation. One partner explained, “We had to do a number of workshops to help implementing partners understand how scale works, how measurement works, and how it affects your outcomes measurement.” (R4) This helped partners meaningfully connect their activities to measurable improvements in learning outcomes. CGI shared its annual outcomes evaluation report at the start of the following year, and it became an important exercise for partners to review their progress and recalibrate their efforts, with one participant noting, “The evaluation reports formed a good exercise for us to also think about our approach for the upcoming year.” (R3).

Inefficiencies Due to Government Approvals

All the implementing partners — with the exception of Gyan Shala — worked with government schools. Our data also showed that working within the government school system introduced additional hurdles and inefficiencies. These included the frequent turnover of government officials, which resulted in repeated onboarding and updates by implementing partners, as well as resource constraints within the municipal corporations, which caused delays. For example, in one case, the evaluation of learning outcomes was delayed, limiting partners’ visibility into early progress. One partner started late because the government took an extensive amount of time to grant approvals and coordinate intervention overlaps. Engagement with senior teachers to improve learning outcomes sometimes proved time-consuming and challenging due to attitudinal differences that required patience and targeted communication strategies from the partners.

Additionality

Additionality in education financing is achieved through two primary avenues: first, new financial partners being willing to bring in additional financing, and second, existing funds being used more efficiently and effectively. In this section, we examine the available data to assess whether and to what extent the QEI-DIB contributed to additionality. As articulated in our TOC for the financing mechanism, we hypothesised that the infusion of additional capital through the DIB would enable the programme to extend its services to larger beneficiary bases.

New Financial Partners Bringing Additional Investments

The central question we examined with regards to additionality was whether an innovative financing mechanism like the QEI-DIB could attract new financial partners and additional investment. Our interviews with Steering Committee partners showed that they believed in the strong potential of the mechanism to bring additional private capital that had not previously been invested in the education sector, thereby creating additionality. There was also an optimism about engaging new funders in this collaborative programme.

The investor UBS Optimus Foundation and the anchor outcome funder MSDF were already familiar with DIBs and, broadly, with OBF. They had also previously engaged in India's education sector. UBS Optimus Foundation had previously invested USD 270,000 in Educate Girls DIB, and their investment in the QEI-DIB was much larger, with a USD 3 million of the original total commitment. The key drivers for UBS Optimus Foundation investing were, first, an opportunity to shift the field from paying for inputs to paying for outcomes or results, second, building a track record of OBF being investible, and third, securing impact investment capital to take on the role of investor rather than using the Foundation's grant budgets. The MSDF has a large education portfolio in India that includes both grants and investments (equity, loans) for improving school quality and offering classroom support. The outcome funding for the QEI-DIB came as a grant, and, as per the available data, constitutes the largest grant it has made to any education programme in India (MSDF, 2025). One respondent indicated their willingness to experiment with a new financial instrument that could also insulate them from risk. They wanted to test whether a DIB could deliver greater value for money compared to more traditional forms of funding, such as grants.

Several additional funders were mobilised by the BAT, namely, Comic Relief, British Telecom, The Mittal Foundation, and the Larry Ellison Foundation, with the intent to adopt a collaborative approach. These philanthropic organisations could complement the outcome funds committed by MSDF. A review of these organisations' annual reports and publicly available information on their portfolios indicate that they were new to participating in a DIB and funding education programmes in India. The QEI-DIB was indeed successful in attracting new financial partners committed to improving learning outcomes in India.

We do not have clear data to indicate whether the funds that were brought into the QEI-DIB constituted additional capital or if they were funds earmarked for grants or investments in the education sector or any other sector being diverted to the QEI-DIB. The proprietary nature of this information places limitations on the making of any inferences.

While the financial mechanism of the QEI-DIB was a key innovation, our data revealed several other influential factors that played a significant role in attracting new financial partners and additional funding. These are discussed below.

Scaling Up with Multiple Interventions and Providers

According to Steering Committee members interviewed, a major objective behind designing the QEI-DIB was to attract private capital to create impact at scale by going beyond replicating a single intervention model, as in Educate Girls DIB, to scaling with multiple education interventions involving multiple implementation partners in multiple sites. This was seen as an evolutionary step in the use of OBF. One Steering Committee member explained this accordingly: "Educate Girls DIB had just concluded and one of the learnings from that was, you know, how can we take it to a larger scale, what is the next evolution in terms of it? And so, coming together to create a multi-provider bond that brought together 4 or 5 different education models." (R3). Another respondent observed that "...the only ambition was, can we do this at scale. Can we experiment with different models?" (R1).

Generating Data for Ecosystem Learning

Another motivation for participating in the DIB was to generate more meaningful data on cost per outcome, moving beyond data measuring cost per beneficiary, as done in traditional input-based programmes. This shift was considered essential for building a more informed ecosystem for OBF in India's education sector.

Value of Collaboration

In addition to scale and innovation, the strength of the collaborative design of the QEI-DIB played an important role in attracting new partners. The presence of credible institutions helped instil trust and demonstrate a shared vision for impacting education. Respondents often referred to collaboration as both a practical and a value-driven feature of the QEI-DIB. As one partner shared, "If you look at all the narrative in the development sector, it's about collaboration...the core value is one of collaboration, and if you strongly and firmly believe that collaborations are better for impact, outcome-based contracts are good for you in a collaborative approach." (R2). Another respondent observed that collaboration is somewhat inherent to an OBF structure, as all partners are interested in the same result, which is, more impact (R6).

Thus, we found that the DIB was not the only innovative element that attracted the private or philanthropic capital, but also the multi-provider, multi-educational intervention approach aimed at creating impact at scale, generating data on cost-effectiveness per outcome, not per beneficiary, and the participation of credible partners in the QEI-DIB played a significant role in attracting new partners.

More Beneficiaries

One of the causal pathways in TOC behind the DIB mechanism that the study examined was the notion that the introduction of private investors providing upfront capital can increase the size of the target population that can be reached with development finance. This section assesses whether and how the QEI-DIB enabled implementing partners to reach more beneficiaries and deliver outcomes at scale. Drawing on both primary and secondary data, we present our findings on how the availability of upfront capital through the QEI-DIB helped expand reach and cover more beneficiaries.

Some of the implementing partners were able to reach more beneficiaries than what was initially targeted (see Table 11). One partner noted that interventions specifically aimed to target low-income communities in urban areas based on the assumption that government schools in large cities primarily serve marginalised groups, including children of migrant and informal workers who face persistent learning challenges. As discussed earlier, implementing partners were required to operate in schools/areas in which no other education interventions were being conducted by other for- or non-profit organisations. This condition was intended to prevent attribution challenges. As one partner explained:

I think there was an overall guiding principle that we wanted to work in urban areas. So typically, providers have picked urban schools, and they, largely, have tied up with urban bodies to work in those schools, whether it's municipal corporations of Delhi or in Mumbai, Ahmedabad, Surat... And then, you know, there were some city schools in Lucknow and Kanpur... these needed to be new schools because we did not want any spillover effects from existing interventions. (R5).

Even though some implementing partners tried to expand their reach by exploring new locations, in most cases, partners selected areas where they already had a presence or relationships with government actors; in some cases, they ran pilot projects. As one partner shared, "...Other cities are also there. But our presence was not there, and we would be starting completely new... Our presence is there in city X, and we have a good rapport with the government and higher authority... Yes, when we have a good relationship and rapport there, starting the project will not be difficult." (R8).

One implementing partner whose contract was terminated after the first year due to underperformance reported significant challenges in starting work in a new area:

...We started only in the month of October or November... and in February, we were having the external assessment... By that time, our team was just trying to settle down in a new geographical area — a new set of schools — and then you are trying to develop relationships with the teachers and school administrator. So, our indirect academic support group model was not able to do much. (R11).

These findings suggest that while certain implementing partners in the QEI-DIB attempted to reach out to new locations, others opted to work in familiar settings. This could be seen as a pragmatic decision given the fact that familiarity with local school authorities helped build trust more quickly and reduced the risk of failure. What this also tells us is that the ability of implementing partners to leverage existing ecosystem relationships appears to have contributed to their effectiveness and efficiency. Implementing partners shared how more time to build rapport with key stakeholders is necessary, especially in new settings.

Moreover, effectiveness at delivering outcomes is generally contingent upon pre-existing public infrastructure, teacher training provided by the government and the willingness of school management and district officials to collaborate with the programme. Since the interventions took place in government schools, implementation success was dependent not only on private capital that the QEI-DIB brought in but also on the institutional capacity built through public funding and prior relationships that the implementing partners had built using traditional sources of funding over many years. All selected districts already had functioning government schools, trained teachers and baseline infrastructure. As such, the outcomes achieved under the QEI-DIB cannot be attributed solely to private or philanthropic capital; the cumulative impact of long-term public spending on education in India must be recognised as well.

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INCLUSION OF HARD-TO-REACH BENEFICIARIES

We examined the counter-hypothesis that introducing financial returns into education service delivery could lead to the exclusion of the most marginalised populations. The underlying concern was that the expectation of financial return might discourage partners from providing educational interventions to high-cost beneficiaries. We hypothesised that the investor, motivated by the need to recover capital and maximise returns, might, through the performance manager, steer implementation efforts away from marginalised groups, which are often harder and more expensive to reach, and instead prioritise beneficiaries that are likelier to meet learning targets.

Our findings indicate that the programme made a conscious effort to reach underserved populations that were served by government schools and in lesser-supported urban areas, targeting students with low baseline learning levels. As the stakeholders noted, the programme's main focus was on government schools that primarily serve disadvantaged children, especially in low-income urban areas. These children are also known to receive fewer educational resources and show lower performance levels compared to children studying in better-resourced schools. Importantly, the programme maintained a deliberate 50:50 gender balance, ensuring equitable access for both boys and girls.

Even though most of the interventions took place in urban areas, in the districts chosen for intervention, there was an overall drop in the performance of students studying in Grades 3, 5 and 8 as per the National Achievement Surveys during 2017 and 2021 (National Council for Education, Research and Training, 2017; National Council for Education, Research and Training, 2021). The average scores for

Grade 3 fell in all intervention districts between 2017 and 2021. In Grade 5, too, the average scores fell between 2017 and 2021 in all districts except Lucknow, where the scores improved. In the case of Grade 8, the average scores fell over the four years in all locations except Lucknow and North Delhi. This underscores the overall poor learning levels prevalent in the districts chosen for intervention.

One of the implementing partners, Gyan Shala, worked in the community and focused on children who were unable to go to formal schools. The programme worked closely with communities, selecting intervention sites in proximity to schools. This approach not only improved accessibility for children but also fostered stronger community engagement, which was crucial for addressing barriers faced by marginalised groups and promoting local ownership of education interventions.

Our data show that the implementing partners focused on marginalised schools and child populations and worked to improve the overall average learning outcomes of the students in the grades covered. However, we could not analyse whether improvement in the average scores of the entire grade corresponded with improvement in the learning of even the most marginalised children in the grade. This was due to the non-availability of disaggregated evaluation data and scores for individual students based on their socio-economic and educational demographic details. The lack of this data limited our ability to make inferences about the effects on the most marginalised children within government schools and learning centres, and assess the impact that the QEI-DIB financing mechanism produced for such children.

8

THE QEI-DIB IN CONTEXT

Like any financing mechanism and education intervention, the QEI-DIB operates within a specific context; therefore, the effects and effectiveness of the QEI-DIB must be assessed within this context. The implementation of the QEI-DIB was plagued by certain macro-level challenges related to the emerging OBF market, unprecedented external factors (e.g. the COVID-19 pandemic) and the complex educational system in India. These broader challenges must be discussed to fully understand the impact of the financing mechanism.

Nascent Social Finance Market and Understanding the Shift to Outcomes-Based Financing

In 2018, India's social finance ecosystem was still nascent, resulting in challenges in the setting up of the QEI-DIB. Very few implementation partners had a clear or practical understanding of what a shift to an OBF approach would involve. Reliable data about the baseline status of learning, which posed a challenge for setting targets and pricing outcomes as well as for performance tracking and conducting outcome measurements, was limited in availability. Large-scale independent evaluation data and agencies with the capacity to conduct impact evaluations were scarce in the country, making it difficult to establish the rigorous evidence needed to confirm impact. Raising funds for outcome payments was challenging because of the overall unfamiliarity with outcome-based financing mechanisms among the potential domestic funders. The regulatory system in India, which prevents domestic philanthropic organisations from making outcome payments to overseas investors, also limited the participation of philanthropic organisations like the Tata Trusts as outcome funders.

Disruption Caused by the COVID-19 Pandemic

The COVID-19 pandemic was a major unforeseen challenge that affected every aspect of programme delivery. The pandemic began to affect India in March 2020, forcing an immediate halt to traditional in-person education activities right as the QEI-DIB was underway. These restrictions meant that students could no longer be reached through classrooms or face-to-face interventions, thereby changing the implementation landscape. The crisis saw a period in which programme staff could not follow or monitor student progress directly, which impacted their ability to gather

real-time data. These disruptions required intensive brainstorming and adaptation to redesign the programme's delivery, ensuring that learning outcomes could still be supported despite limited physical access. This caused the implementing partners to pivot their entire programmes. The flexibility inherent in an OBF structure enabled stakeholders to adapt their programming in real time during the pandemic interventions based on new realities of school closures and remote learning challenges. One partner had to temporarily focus on mental health instead of learning outcomes, while another had to move to community-based work since schools were closed. The assessments were paused. One Steering Committee member said that there was a conscious redirection of resources to maintain programme stability and focus. "Changed the direction of money to maintain the main focus." (R2).

The Steering Committee supported the programme through Dalberg by offering support to the teams on the ground and maintaining engagement through phone calls and remote means: "There was no discussion about learning outcomes at all." (R7). At the same time, while the focus on outcomes was maintained throughout the programme period, the funders and investors signalled to the implementers that they would be open to consider lower outcomes than originally planned and agreed. This messaging was consistent and helpful, and it served to motivate the partners.

The BAT and UBS Optimus Foundation provided additional targeted small-scale financial support to meet emergent needs, such as requirements for personal protective equipment or specific learning-related materials: "During COVID-19, British Asian Trust and UBS Optimus Foundation ... supported us with additional funds for putting in place television sets in the classroom." (R7). "Finance was never an issue; additional funds were provided." (R10). Partners praised the sensitivity of the Steering Committee and its responsiveness: "If you can have that kind of flexibility from the learning from your partners and donors, then I think this kind of a model can work." (R7) This flexibility not only allowed continuation during disruptions but also deepened trust between partners.

Navigating Government Engagement

As most interventions took place in schools run by local authorities, engaging with the government was crucial for the

implementing partners. Although the state governments were not official partners of the QEI-DIB, the implementing partners had to engage with the government in many ways. This required the implementing partners to carefully navigate relationships with the government at the state and local levels. Government engagement often meant that implementing partners leveraged their resources, such as venues and training support, without additional costs borne by the project. One implementing partner observed that, although the government was eager to participate, the lack of direct engagement by the investor and the funders with the government officials undermined the programme's perceived legitimacy in the eyes of the local authorities. Other partners observed that the government showed a limited capacity to engage deeply with innovative financing models. Government bodies expressed a cautious or hesitant willingness to fully endorse or participate in such a new approach. The vast scale of education bureaucracy at the state and local levels added layers of complexity to coordination. One partner indicated that political and bureaucratic support was strong throughout the programme. Key government officials actively supported the work, issuing clear instructions to their teams to facilitate its success. The prestige and credibility associated with one of the world's largest education impact bonds motivated this commitment: "The political stakeholders and bureaucrats worked hand in hand with us. We received immediate support from the Deputy Director, Additional Commissioner and Director of Education, who gave clear instructions to their officials to support the programme because it was one of the world's biggest education bonds in India." (R11). More active government involvement was seen by the partners as necessary for ensuring the scaling and sustainability of the programme. The data revealed a level of disappointment from various stakeholders at the fact the DIB partners did not prioritise building strong government relationships.

Cross-Learning and Missed Opportunities

Even though the QEI-DIB brought together five organisations to implement the programme, these organisations largely worked on their own in consultation with Dalberg, the performance managers. Although Dalberg had organised a few opportunities for cross-learning and interactions between the implementing partners in the initial years, the potential for collaborative learning and peer exchange was seen by the respondents as limited. One observed, "Unfortunately, ... we were not able to get much exposure to other partners" (R11). Another partner agreed, claiming that "Cross-learning was not very often." (R10). Even though few in-person interactions took place initially, respondents also voiced disappointment regarding limited inter-partner synergies: "There should be more cooperation between partners because each partner was selected based on some uniqueness... DIB was not able to get it during project tenure" (R11). Building on the collective learning of the carefully selected implementing partners was thus seen by one implementing partner as a missed opportunity.

Sustainability Beyond the QEI-DIB

Despite the QEI-DIB showcasing a well-defined, scalable mechanism with clear outcome targets, several implementing partners expressed expectations around sustainability in terms of donor adoption and government uptake, claiming that these expectations were not fully materialised. One respondent had expected that their participation in the DIB would lead them to other innovative projects and that new donors would start adopting the DIB approach, with the implementing partners having the opportunity to participate in the new ventures. Another respondent said that they had expected the government to adopt this intervention and to run the programme on their own after three years, especially after the target results were achieved; however, this did not occur. One of the partners extended their intervention beyond the project's duration, supported by the incentive payment they had received. The implementing partners pointed out how crucial it was to help the government understand how to run outcome-based programmes and the need for the adoption of successful educational interventions. However, one of the respondents noted that sustainability of the learning outcomes and the programme was not a direct objective of the QEI-DIB, as the focus was on potentially expanding the funding pool and helping partners demonstrate impact. Although the funding and implementing partners expressed interest in engaging with future DIBs, given their experience in QEI, they also noted that some partners have since shifted their sectoral focus to systemic interventions and skill development.

9

DISCUSSION

This study aimed not only to document the rich insights of those involved in designing, financing, implementing and evaluating the QEI-DIB but also to examine the key questions about OBF itself and whether it brought more and better financing to education and supported inclusion. The study looked at the building blocks, the key elements that defined the financing mechanism and examined how these contributed to the effectiveness and efficiency of the programme, additionality of funding, and whether it ensured that hard-to-reach individuals were not excluded because of the programme's focus on outcomes and incentives. Keeping in mind the overall TOC of the financing mechanism, this study intended to examine and verify how the building blocks of the financing mechanism contributed to the overall impact of the financing mechanism. In this section, we discuss our key findings and attempt to relate them not only to our TOC but also to the available body of knowledge on impact bonds.

Key Findings

Effectiveness: We found that overall, the QEI-DIB was effective in reaching all the targeted outcomes fully within the stipulated timelines. These results are at the portfolio level, allowing for results from low-performing partners to be compensated by results from high-performing partners in the multi-provider approach. This occurred despite the obstacles created by the COVID-19 pandemic, which affected almost two years of the programme. The achievement of results within the timelines is significant because school calendars in government schools are difficult to navigate and create uncontrolled dependencies related to the availability of time for the interventions. The effectiveness is striking, given that the achievements also exceeded the targets. In our TOC of the financing mechanism, we had hypothesised that the outcomes-based structure with clearly defined outcomes, targets and metrics that are linked to payments would contribute to effectiveness. Our data confirmed this pathway, but we found that other driving factors were also responsible for effectiveness. These factors were the creation of an overall outcomes-focused organisational culture as well as a rigorous process of selecting implementing partners with proven track records, which reduced the risk of failure. The sharp focus on outcomes let the programme cut off interventions that were not performing in order to reduce the risk of failure. The availability of monetary incentives was not an

important factor that drove implementing partners to achieve the targeted outcomes, but was useful in extending the interventions beyond the DIB period for at least one implementing partner. Despite being effective and achieving the targeted outcomes, the QEI-DIB could have been designed to build stronger relationships between the implementing partners and the government, which might have helped in not only securing more on-ground support for the interventions, but may have also created opportunities for the interventions to sustain after the 4-year period. This would have also served as an important opportunity to showcase a DIB intervention to the government.

Efficiency: We found that the QEI-DIB showed internal efficiency in the programme by utilising resources to achieve its goals while maximising the outcomes. The investor did not need to invest its entire working capital and the implementing partners did not need to utilise all the money they had received to achieve the pre-agreed outcomes. Furthermore, the outcomes achieved were more than expected, and given the cap on overachievement, the outcome funders were able to achieve more and better results for their committed funding. As per our TOC, the adoption of management practices typically associated with the private sector, such as outcomes-focused flexibility, incentives, performance management with data-driven decision-making and course correction, would contribute to the efficiency of the programme. Our study confirmed this pathway, and we found flexibility and performance management to play strong roles in this regard. We also found that incentives to the implementing partners were not crucial for producing efficiency directly; instead, they were important contributors of effectiveness, as discussed earlier.

Additionality: We looked at additionality in two ways: First, new financial partners are attracted to the mechanism and bring additional financing; second, existing funds are used to reach more beneficiaries. Our data showed that additional funders were mobilised by BAT, as they were new not only to the DIB mechanism but also to funding education programmes in India. However, we did not find conclusive evidence on whether the funds from the investor and the funders were additional capital or if funds earmarked for other education programming were diverted to the QEI-DIB. For our TOC, we hypothesised that the innovative

financial mechanism would attract new partners. We found that it was not only the mechanism but also the possibilities of scaling up their impact, generating data for learning and the value of collaboration with reputed organisations that also attracted the partners to participate in the DIB. In our TOC, we hypothesised that the availability of upfront capital would contribute to the reaching of more beneficiaries. We found that some of the implementing partners were able to reach more beneficiaries than they had initially targeted. Our data (see [Table 7](#)) confirmed this pathway; however, we found that it is not only the availability of the capital but also the inclination of the investor and funders of the QEI-DIB to support different interventions in different parts of the country that supported this decision regarding the programme's reach. The availability of upfront capital from the QEI-DIB encouraged some implementing partners to expand to new geographies. However, a balance between working in familiar locations and entering unfamiliar and new locations was achieved by considering operational and pragmatic factors.

Exclusion of hard-to-reach populations: Based on the critical questions raised in the literature on innovative financing in education, our overall project-level TOC postulated a counter-hypothesis that stated that the introduction of financial returns to education service delivery leads to the exclusion of the hard-to-reach population. Our data showed that the programme made a conscious effort to reach the underserved, including selecting implementing partners that worked with government schools where learning levels have been persistently low, as well as including, for the first time, an implementing partner working with out-of-school children. However, as disaggregated data on the evaluation results are not available and based on the average scores, we are not in a position to comment on how different groups within schools and classrooms benefited from the QEI-DIB. Thus, it is difficult to assess whether OBF mechanisms successfully target hard-to-reach groups unless monitoring and evaluation systems deliberately disaggregate learning gains data rather than taking class averages, as was done for gender in the QEI-DIB. Nevertheless, since the groups targeted were identified as being harder-to-reach (e.g. urban poor or out-of-school children) than others, even if there was no disaggregation within these groups, the beneficiary groups themselves were disadvantaged. Since their learning gains outperformed the results in the control schools, the underserved beneficiaries appear to have been effectively reached.

To summarise the key insights from the main findings discussed above, we find that first, the data confirm that the key elements and building blocks that we had identified do contribute to the outcomes of effectiveness, efficiency and additionality. However, we find that in reality, these contributory linkages are not one to one but overlap, and are not as cleanly observable but are more difficult to delineate. The pathways are not unidirectional; in reality, they may be both complicated, with the presence of multiple and diverse components, and complex, perhaps with reinforcing loops that hamper predictability. Second, there is a possibility of some contextual blind spots that our TOC does not fully capture.

For example, the presence of government-run programmes that could have contributed to improving effectiveness or external incentives that could have motivated new partners to fund the QEI-DIB. Although our TOC did not assume the mechanism worked in an insulated environment, the effects of contextual factors were difficult to verify in a programme that has already been completed.

Contribution to the Literature

Our findings also raise several broad questions regarding the available literature on innovative financing in education, as discussed below.

Costs of producing impact: Our data showed that with a total working capital of USD 3 million invested by UBS Optimus Foundation, learning gains improved for around 200,000 children in India. The actual programme costs, or core DIB costs, were significantly higher than the working capital of USD 3 million committed for investment by UBS Optimus Foundation. However, the DIB model's structure where the investor received performance-based outcome payments on an annual basis enabled the investor to manage the cash flow, thereby ensuring timely and sustained funding for implementing partners. The provision of upfront capital to implementation partners was critical to the education initiatives implemented in the programme. The overall value of the QEI-DIB was around USD 11 million; in addition to the repayment of principal and interest to the investor and incentives to the implementing partners, it also included funds for ecosystem building, communications and additional research that were not integral to the QEI-DIB's implementation. The costs of performance management, although integral to the effective functioning of the DIB, were not accounted for in the core DIB costs. Ideally, performance management costs should be added to the core costs and the evaluation costs should be added to outcomes funding to allow for comparisons with other programmes. Moreover, the discussion on what it takes to produce impact often overlooks the fact that overhead charges are integral to all mechanisms, including OBF contracts like the QEI-DIB, or traditional input-based or public funded education programmes. Reliable data on the overhead costs of these comparators are not readily available; as a result, we do not have solid comparisons on what the indirect costs look like across different modalities of financing education programmes.

Standardisation of pricing for diverse models: The work on pricing outcomes that went into the QEI-DIB offers an opportunity to learn how pricing for diverse education interventions in different regions for different target populations can be done. On the one hand, the innovative financing community has been striving to decrease the costs of determining prices anew in each bespoke impact bond by attempting to create a standardised rate card that can be applied to other impact bonds. On the other hand, new DIBs are trying to work on new outcomes, and also seeing the entry of new implementing partners using different interventions. This huge diversity creates challenges regarding the standardisation of pricing not only for this DIB but for the ecosystem as a whole, if it must build on preceding pricing models. The QEI-DIB, a diverse

multi-intervention approach, could provide a template on which newer DIBs could build their pricing models.

Directions for the future: The QEI-DIB was concluded in 2022; since then, experimentation around DIBs has increased globally and in India. The impact-driven partnership of the QEI-DIB could serve as a blueprint for scalable models in large, complex education systems. In addition, the extent to which such models are able to catalyse a market of impact financing can be further explored in future studies. Some of the key insights that this case study provides for future DIBs in the education sector in India include the following: a) The successful completion of the QEI-DIB shows that collaborative, multi-intervention DIBs that aim to achieve outcomes at scale are workable in India, even if they are spread across different regions. This is particularly important given the scale of the challenges and presence of a large pool of organisations that cannot individually aim to reach scale; b) the QEI-DIB worked with different models (both direct and indirect) of reaching learning outcomes among children, and the data available on pricing outcomes based on the model of work is an important contribution that can be used by future DIBs seeking to bring together interventions that directly target children and those targeting teachers or school systems; c) the QEI-DIB experience has also shown the importance of performance management in

achieving the targeted outcomes, therefore underscoring the need to include costs towards performance management into the core DIB costs. This is especially true in the case of organisations that lack the in-house capacity to perform this function; d) the QEI-DIB also shows that there is scope to have a leaner design that assesses how much funding is necessary for a DIB's core functions to be carried out. Even though the QEI-DIB had multiple stakeholders and contracts and was successful, it is not an inherent feature of a DIB. Simpler and leaner designs that focus on what is required to produce the targeted outcomes should be explored. The case study also provides useful insights for those considering broader outcome financing projects for education in India. First, several key ingredients that worked for the QEI-DIB can be easily applied to other outcome financing projects. Providing flexibility to the implementation partners in how to utilise the funds and enabling data-driven monitoring and performance management are necessary. Second, given the paucity of data on marginalised and hard-to-reach groups, new outcome financing projects should disaggregate evaluation data, thereby making it easier to track which groups are reached through outcome-financing projects. Without visibility into which beneficiaries can reach outcomes and which beneficiaries are struggling to reach them, outcomes-based projects could miss the opportunity to make the interventions equitable so that more and better results are reached by all.

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CONCLUDING REMARKS

As the global community struggles with different ways of mobilising additional resources to meet Sustainable Development Goal 4 on education, innovative financing mechanisms such as the DIBs have drawn interest from several actors. Using the QEI-DIB as a case example, this study attempted to answer some of the critical questions on the use of innovative financing, in terms of their potential to contribute to the effectiveness and efficiency of programmes as well as their ability to introduce additional financing and new funders into the education sector and reach additional beneficiaries. By developing a TOC of the financing mechanism based on evidence and stakeholder inputs and by testing the pathways suggested in the TOC, the study provided empirical evidence on what makes a DIB effective and efficient and what attracts new funds and new partners to such a mechanism. Evidence from this study underscores the value of building flexibility and outcome orientation when designing and funding educational interventions for creating impact. The study also shows that large-scale multi-intervention DIBs can be designed and implemented at scale, even during a pandemic. The case of the QEI-DIB is also helpful in building an understanding of pricing outcomes. These insights may be helpful to funders, investors and organisations exploring and experimenting with OBF in education in India or countries facing similar challenges. It may also offer some points of exploration to policymakers and traditional philanthropies that might be interested in experimenting with this approach to education financing.

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