

We need a paradigm shift in the way we do development

Richard Hawkes outlines the case for changing the way development is funded, including using tools such as impact bonds

“OUTCOMES-BASED FINANCE OFFERS AN OPPORTUNITY TO FUND DEVELOPMENT PROGRAMMES MORE EFFICIENTLY”



Richard Hawkes is chief executive of the British Asian Trust

LAST MONTH, the British Asian Trust celebrated launching our third major innovative finance initiative in South Asia – LiftEd. This is a hugely ambitious programme bringing together 26 partners to have a positive impact on the lives of more than four million children. But the ultimate ambition is even greater – to drive a change in the way that development programmes are funded and delivered.

Things need to change more than ever. We are only six years away from 2030, the year targeted to achieve the United Nations’ Sustainable

Development Goals (SDGs). Depressingly, we are nowhere near achieving them. Based on current estimates, the SDG funding gap is around \$4tn each year.

“Now is the time for all of us to do things differently”

We are never going to find anywhere near that amount of money, and even

if we did, it would be unhelpful, lulling us into a false sense of security and allowing us to just keep doing things as a sector as we have always done them.

What we really require is a massive paradigm shift in the way we approach development. The levels of inefficiency and ineffectiveness in development spending are ridiculous. Now is not the time to ask for more funds. Now is the time for all of us to do things differently, to be more effective and efficient and to embrace innovation.

These are the very reasons why the British Asian Trust was created – to





disrupt the traditional development agenda. Our founders were innovators and disruptors – His Majesty The King (when he was Prince of Wales) together with a group of hugely successful British Asian entrepreneurs and business leaders. They came together to create an organisation that would be led and trusted by the British Asian diaspora and one that would take risks, do things differently and focus on impact and scale.

Our recently launched initiative – LiftEd – does exactly this.

With the aim of transforming foundational learning for four million children across India, LiftEd brings together the private sector and civil society to work together and maximise their impact. Backed by partners including the Michael & Susan Dell Foundation, Bridges Outcomes Partnerships, Maitri Trust, Reliance Foundation, Atlassian, Standard Chartered Bank, USAID and UBS Optimus Foundation, LiftEd is designed using principles of innovative finance. It works to ensure that every pound and penny spent on education is focused on achieving measurable, tangible outcomes.

INNOVATIVE FINANCE

Innovative finance can be described as a set of financial approaches, mechanisms and solutions that can be used to mobilise diverse forms of capital for development, primarily, bringing in private capital to accompany traditional public and philanthropic funds.

The focus on financial sustainability and efficiency, credibility and

transparency, rigour and accountability, measurement and impact at scale are all markers of innovative finance being one of our best opportunities for bringing about high-impact social change.

“ We’ve been championing outcomes-based finance ”

Drawing on the principle of innovative finance, we have been championing a more specific approach – outcomes-based finance. In a challenging financial context where traditional forms of development aid are under pressure, outcomes-based finance offers an opportunity to fund development programmes more efficiently. It does this by shifting the focus of development finance from paying for inputs and activities to paying for outcomes and linking financial flows to measurable, verified results on ground.

FROM THEORY TO PRACTICE

Innovation is in the DNA of the British Asian Trust, and we are real pioneers in innovative finance, with a proven track record of designing and delivering results through outcomes-based tools like impact bonds.

To date, we have transformed millions of lives by successfully mobilising \$50m for innovative finance programmes in education and livelihoods, initially in India but now with a focus on Pakistan as well.

The heart of our approach is “impact first, tool second”. We are clear that the innovative finance tools we use, such as impact bonds, are a means to an end, and not the end in itself. We employ innovative finance only after evaluating whether the development challenge at hand will be best solved through innovative finance.

In 2018, we launched what was then the world’s largest impact bond in education – the Quality Education India Development Impact Bond (QEI DIB). The \$11m QEI DIB reached 200,000 students across India, who demonstrated a 2.5x increase in learning outcomes, despite school closures due to the Covid-19 pandemic. At the end of the four-year project, funders were able to achieve true, measurable impact as they were paying for outcomes in education (learning gains) rather than inputs in education (enrolments, infrastructure, etc).

The success of the QEI DIB led us to develop a partnership with government of India’s National Skill Development Corporation to launch a \$14m development impact bond on skills and employment.

The Skill Impact Bond will reach 50,000 young people across India, 60% of whom will be women, the focus being on securing and retaining jobs. Most skilling programmes globally see success as the number of certificates given out at the end of a training programme. Our approach disrupts this model. For us, real success is about jobs – securing them and retaining them – and bridging the gap between skilling and employment.

This razor-sharp focus on outcomes,



rather than inputs and outputs, aligns incentives for all those involved and enables all partners to work together towards a shared goal. Now halfway through its journey, the Skill Impact Bond has reached more than 24,000 young people in India, with more than 70% of them being women, and early trends showing improved job placement and retention rates.

BUILDING ON SUCCESSES

Following the QEI DIB's success, we were keen to explore how we could take our impact further and affect deeper change within India's education sector. In order to do this in a sustained, scalable manner, engaging with state governments and public-school systems would be critical to our success.

With government collaboration front and centre, we identified the perfect opportunity to create maximum impact – convening education experts across the private sector and civil society to strengthen foundational literacy and numeracy (FLN) in India, in alignment with the government of India's NIPUN Bharat Mission.

Launched in 2021, the NIPUN Bharat Mission aims to equip every child in India with FLN skills by 2026-27. As the cornerstone on which a child's learning journey is built, FLN has the power to impact a child's higher education prospects, job prospects, and ultimately, life chances. With FLN at the top of the ministry of education's priority list, we recognised that NIPUN Bharat could serve as the perfect roadmap to guide efforts and resources from the private sector and civil society seeking to create deep impact in education.

By working in a structured and systematic manner within this existing system and framework, we conceptualised LiftEd to serve as an "impact multiplier" where private sector and civil society actors can strengthen NIPUN Bharat's commitment to improving FLN in India. With this clear focus on a singular goal, we started to design our most ambitious social finance programme to date.

A natural starting point was to continue to work with our brilliant

partners from the QEI DIB. We held a fresh round of exploration with some of these partners to discuss how we could leverage the momentum created by NIPUN Bharat and build a structured response to support the mission.

As we began to shape LiftEd's operating framework with our existing partners, we also involved new organisations in the programme. Our efforts resulted in a diverse coalition of partners, all committed to strengthening FLN in India through collective action, finance and innovation.

“ It's no secret that donors want bang for their buck ”

Leading the programme from inception to launch, we announced our vision and ambition publicly on 24 January 2024, the International Day of Education.

LiftEd is hugely ambitious. We will impact the lives of up to four million children over five years by strengthening FLN in India. The coalition driving LiftEd – 26 partners across the private sector and civil society – is working in alignment with the government of India's NIPUN Bharat Mission through:

- **Development Impact Bond:** To achieve results at scale and enable systems change, LiftEd's Development Impact Bond supports partners who are training state governments and school facilitators, building their capacity to improve foundational learning levels for children in public schools across grades one to three.
- **EdTech Accelerator:** To reach children at home and unlock the power of technology, LiftEd's EdTech Accelerator supports partners who are developing high-quality, contextually relevant tech learning products for children aged four to 10 from low-income communities.

Our dual approach was designed strategically to improve learning at scale both at home and in school, and both the DIB and Accelerator

are unique in their own right.

The QEI DIB is the first-of-its-kind impact bond as all implementation partners are working on "indirect interventions" that can help influence systems change, as opposed to other DIBs in education that typically work directly with a specific cohort of students.

By working with state governments and school facilitators – stakeholders who influence education – our systems-change approach enables LiftEd to positively impact more lives across a sustained period, as each person trained can have a ripple effect reaching a wider number of students across batches.

The Edtech Accelerator is equally interesting as it fills a critical gap in India's burgeoning edtech market – developing solutions to improve FLN for children from low-income families.

Currently, only less than 1% of India's edtech players focus on FLN, with an even smaller percentage designing for the bottom of the pyramid.

Through the Accelerator, eight promising solutions will be supported through innovation grants, mentorship and capacity-building workshops to develop high-quality, contextually relevant edtech products for children from low-income families.

'HOW' NOT 'HOW MUCH'

It is no secret that donors want bang for their buck. Ensuring that value for money can be achieved while also delivering high-quality outcomes for the communities being served is an exciting way forward, particularly as we race against the clock to make a deeper dent into the SDG targets.

Initiatives such as LiftEd and the Skill Impact Bond demonstrate how development finance can be utilised more efficiently and effectively – and the body of evidence around this continues to grow globally.

While the quantum of capital available for development may not sit within our control, the way existing funding can be spent definitely is. And now is the time for the whole sector to recognise and embrace this opportunity and fundamentally change the way we do things. ●