



Global Economy and Development
at BROOKINGS

Innovative Financing in Education: Impact Bonds

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PAYMENT BY RESULTS

Funding is tied to pre-agreed and verified results

Results Based Aid

Performance Based
Contract

Performance Based
Loan

Performance Based
Grant

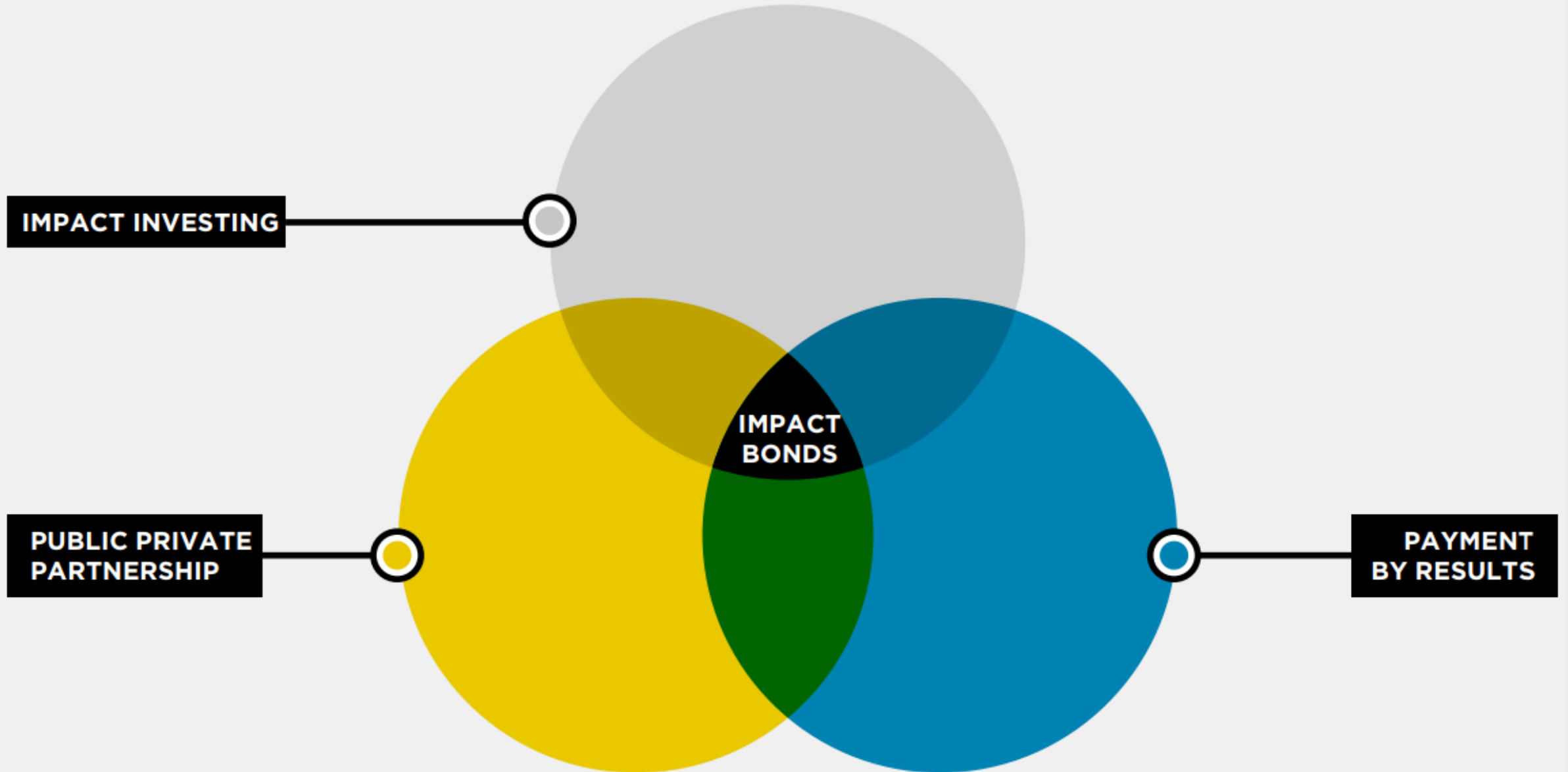
Development
Impact Bond

Social Impact Bond

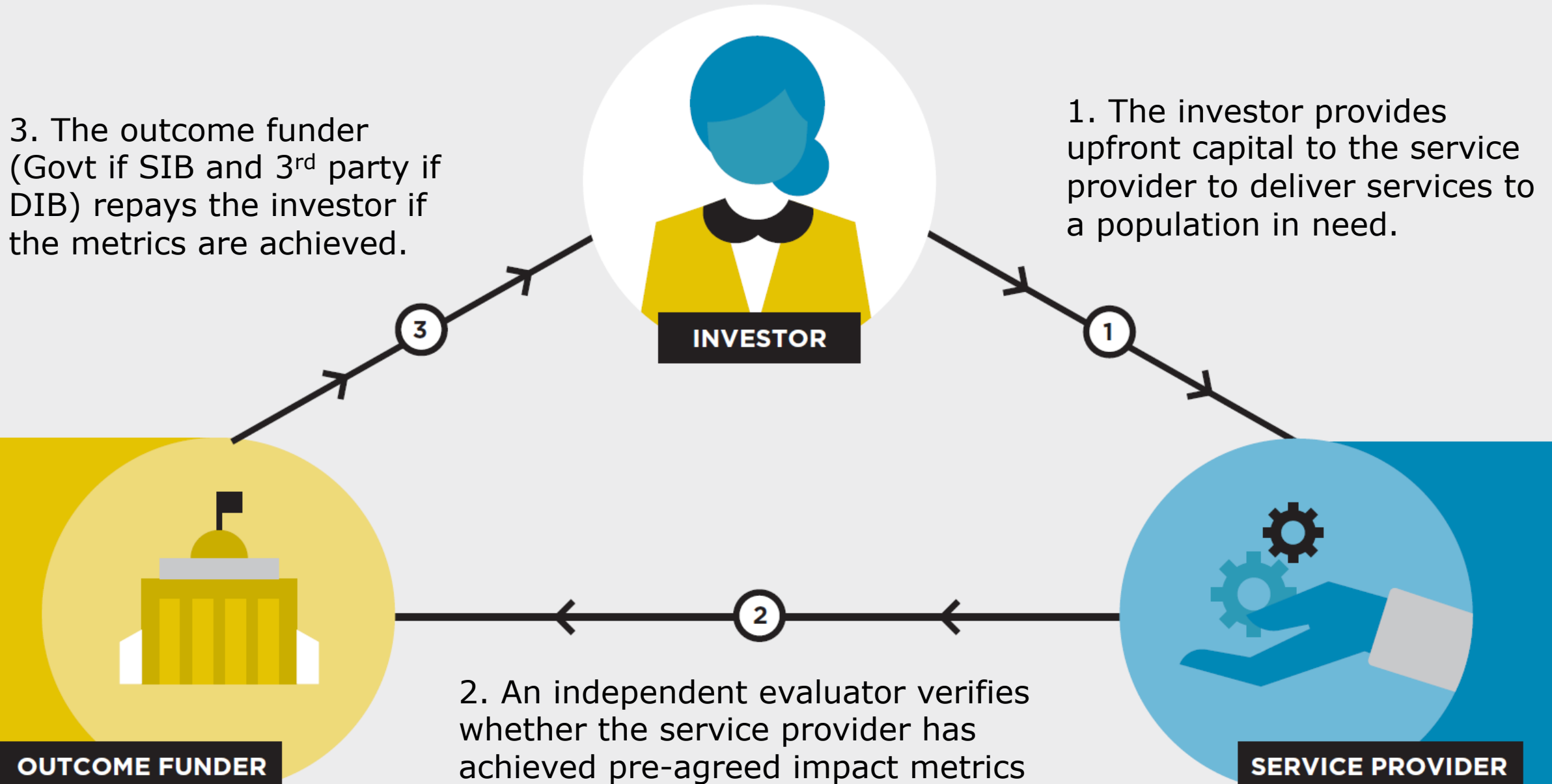
Prize Based
Challenge



IMPACT BONDS PRIMER



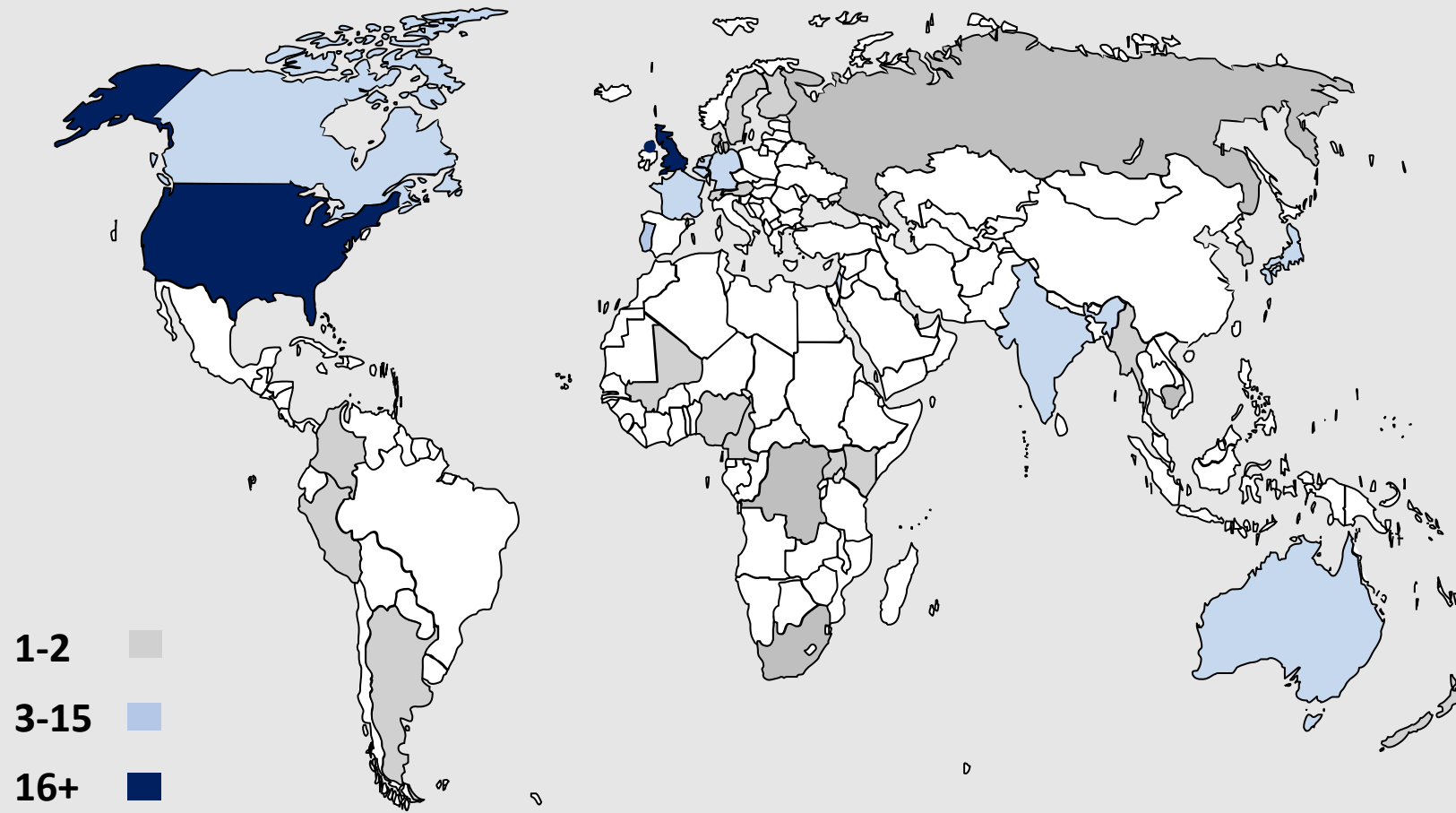
IMPACT BOND FUND FLOWS



GLOBAL LANDSCAPE

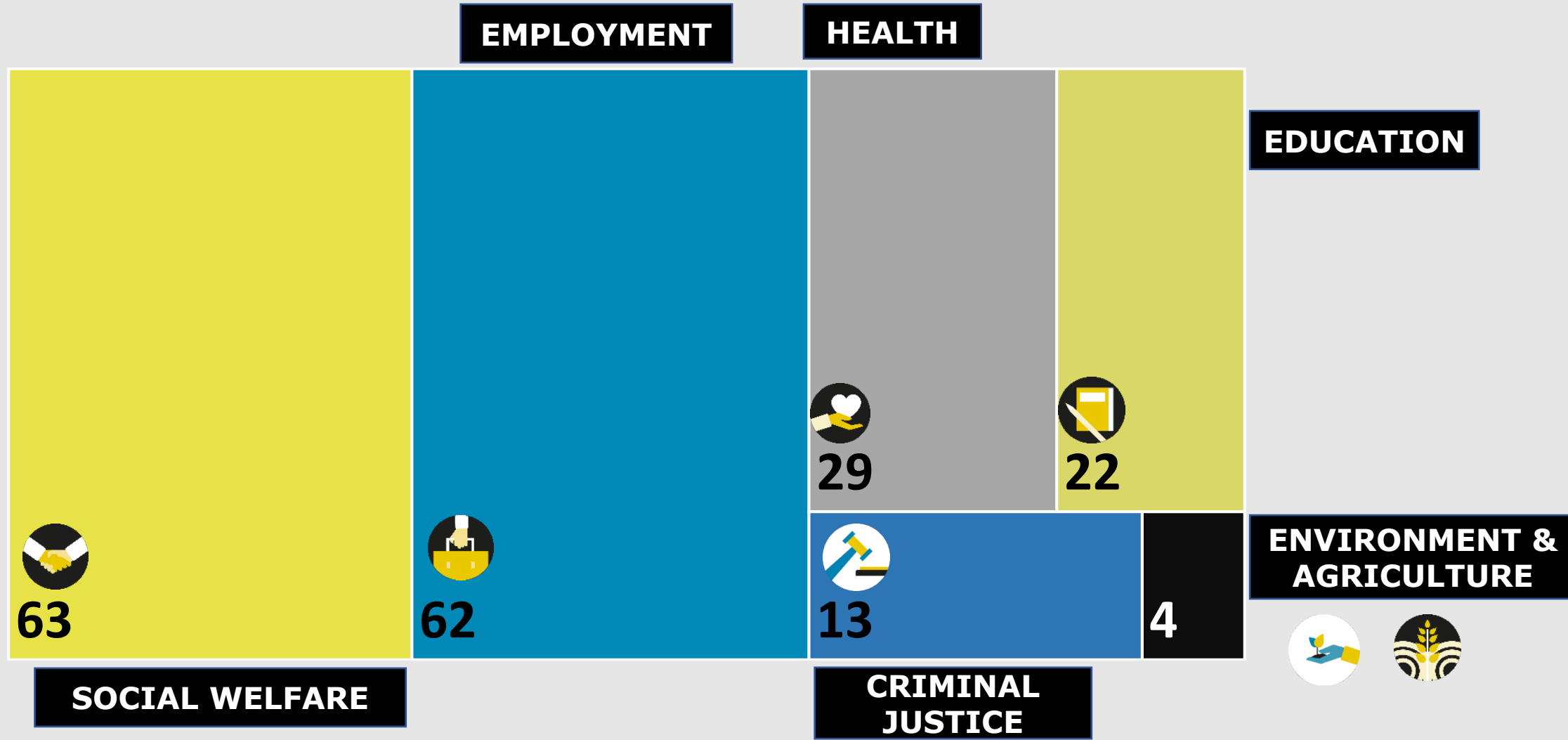
(AS OF MAY 1, 2020)

193 IMPACT BONDS CONTRACTED GLOBALLY ACROSS 33 COUNTRIES

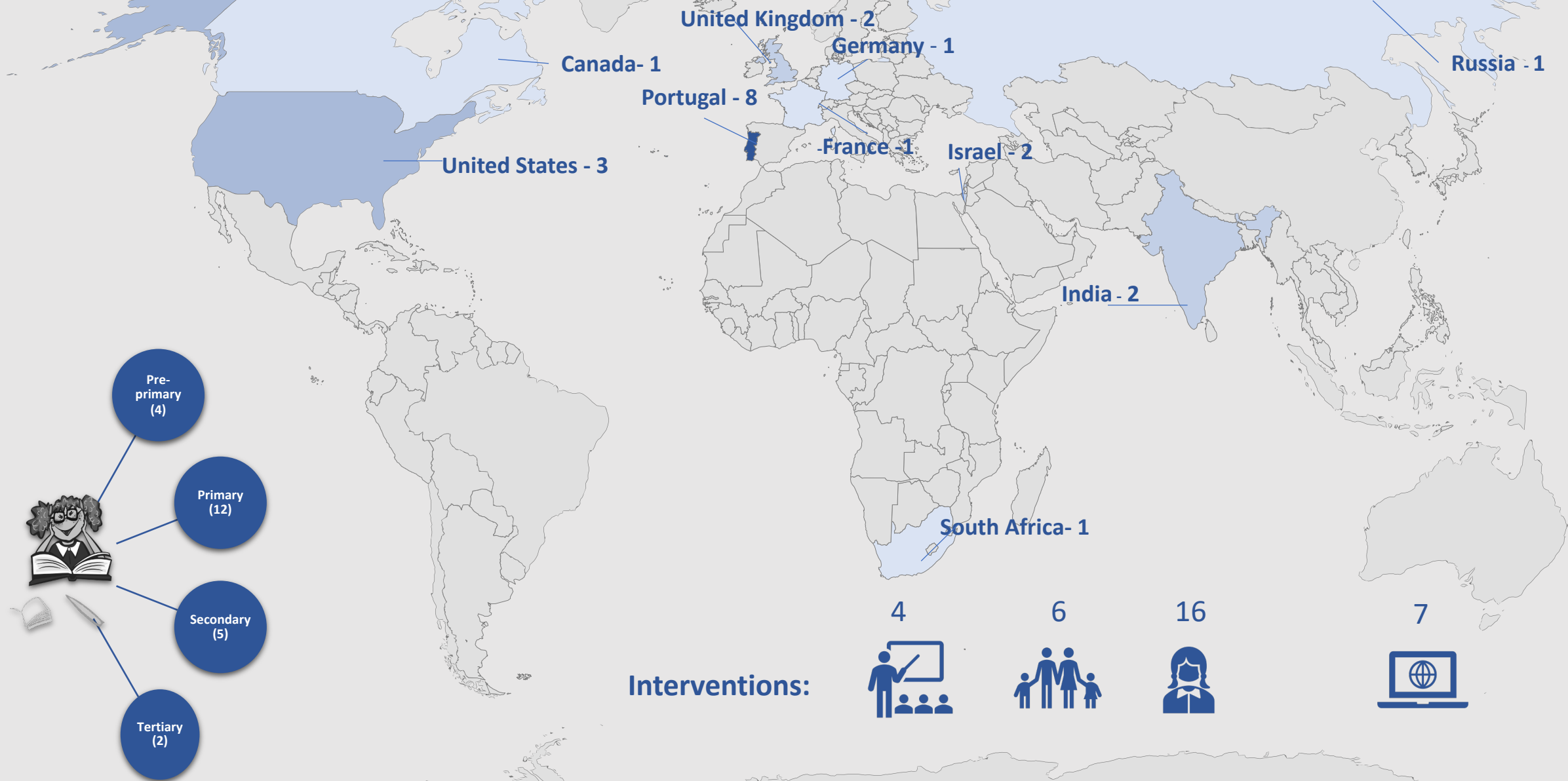


Source: Brookings Global Impact Bond Database, May 2020

IMPACT BOND POLICY SECTORS

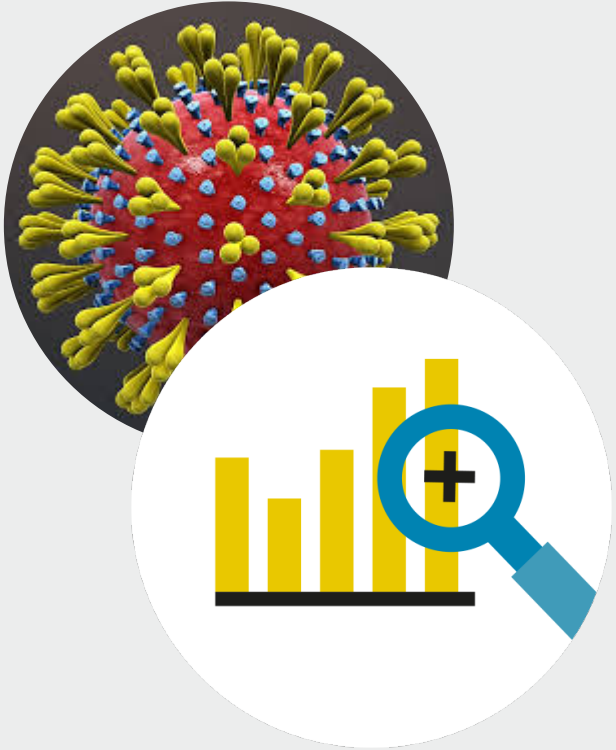


22 Education Impact Bonds Globally



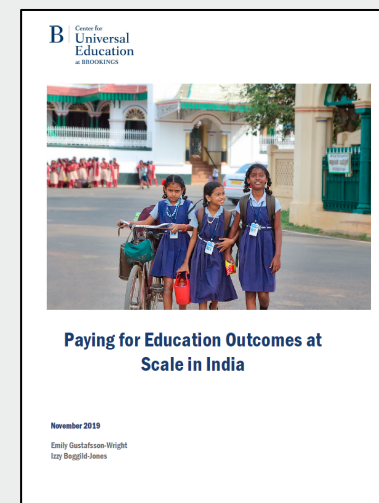
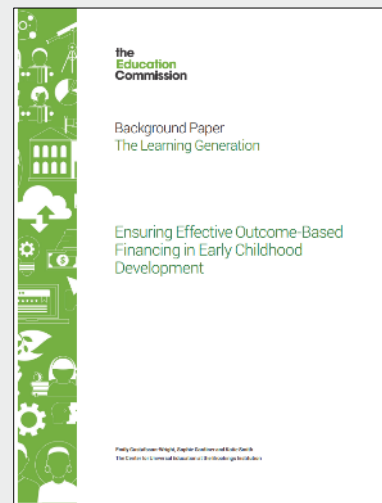
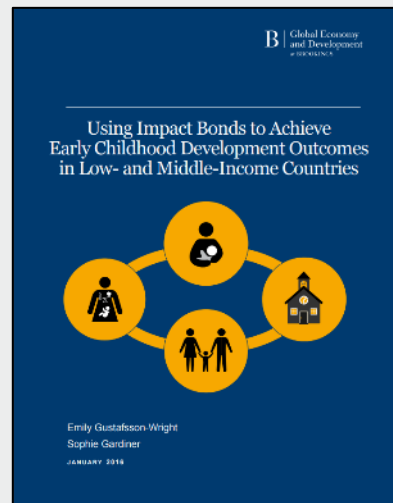
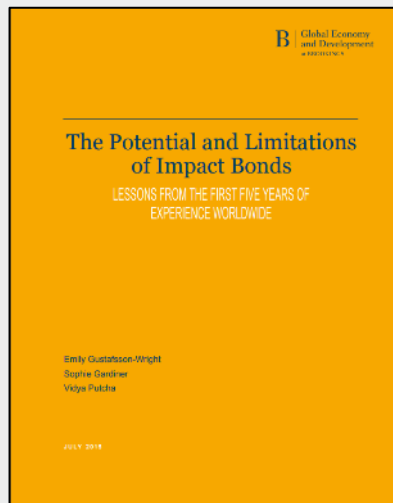
Source: Brookings Global Impact Bond Database, May 2020

COVID-19: IMPACTS AND RESPONSE



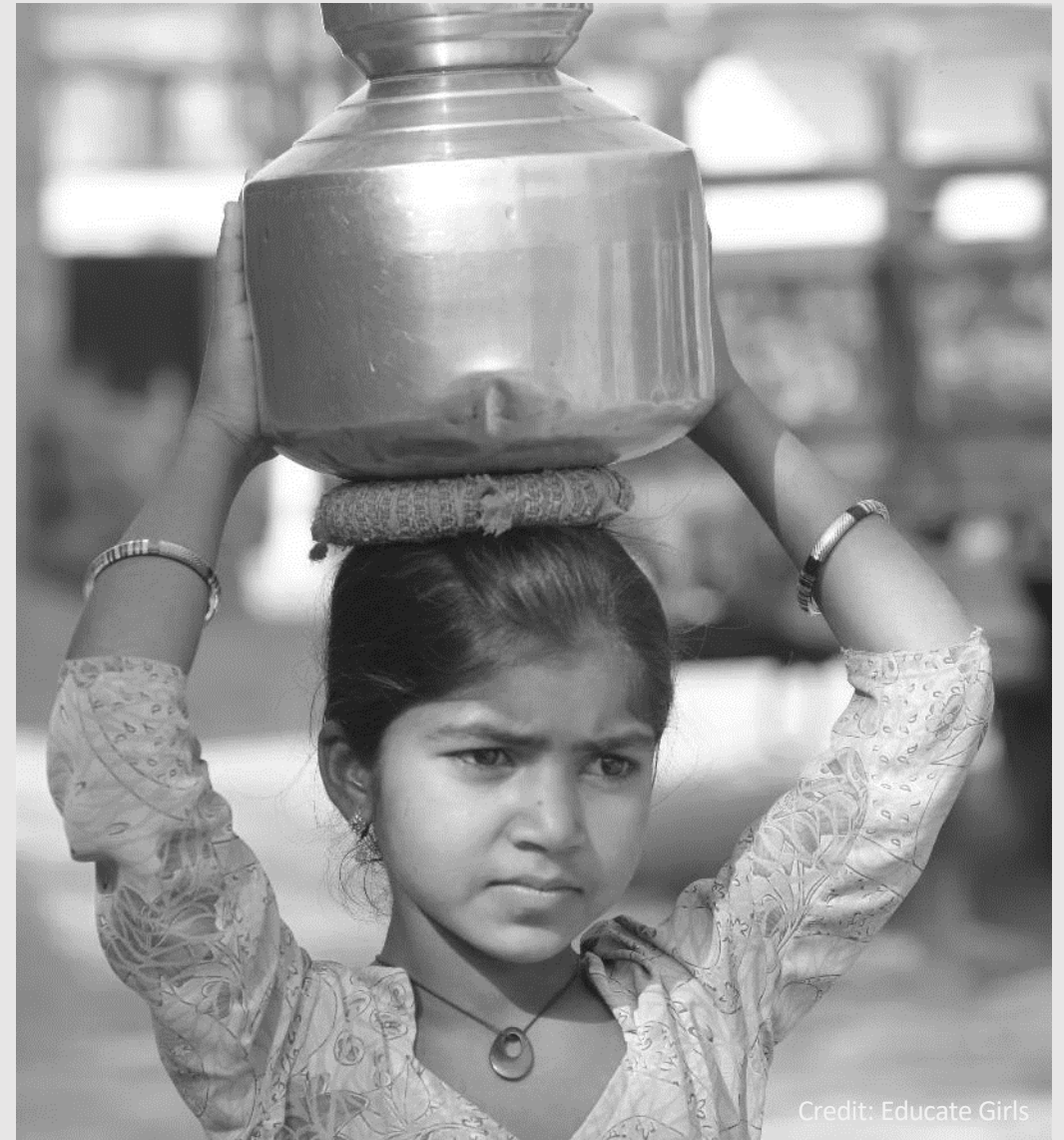
- 1. Impacts on beneficiaries and their communities?**
- 2. Service delivery: termination or adaptation?**
- 3. Outcome achievement?**
 - a) Evaluation?
 - b) Additional funding?
 - c) Extension of contract?
 - d) Adjustment of targets?
- 4. Lessons learned?**

BROOKINGS IMPACT BONDS RESEARCH



**Our impact bonds research:
brookings.edu/product/impact-bonds/**

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Credit: Educate Girls

APPENDIX

INNOVATIVE FINANCING MECHANISMS

Innovative Sources	Innovative Delivery Mechanisms	
	Non-Contingent Disbursement	Contingent Disbursement
"Sin" taxes and airline taxes	Bonds and notes for development interventions	Results-based aid (RbA) (Including contingent loans)
Carbon auctions (voluntary)	Guarantees for risk-mitigation	Results-based financing (RbF)
Consumer donations	Concessionary loans for specific interventions (e.g., green credit lines)	Prizes and awards
Corporate social responsibility	Unconditional cash transfers	Conditional cash transfers
Impact investors (including for impact bonds)		Social and development impact bonds

EDUCATION IMPACT BONDS: HIGH INCOME COUNTRIES

Impact Bond Name	Country(ies)	Intervention
Primary school education	Germany	Integrative school campus "intensive and needs-based support".
High- Quality Pre-K	United States	The Pre-K programs in this project deliver high impact and targeted curriculums to increase school readiness and academic performance, alongside wraparound services for children and families in every classroom.
Big Picture Learning/Innovation Unit Doncaster	United Kingdom	The project seeks to address poor school attendance and education attainment amongst 11 to 16 year olds in Doncaster.
Improving the Educational Results of School Students (SIB)	Russia	Improving learning outcomes of disadvantaged children.
SPOT Évora	Portugal	Training program based on a game, involving activities of school responsibility, Portuguese and mathematics recovery, individualized motivational mentoring and parental monitoring.
Programa Integrado de Promoção da Literacia (integrated program for literacy promotion)	Portugal	Family literacy and reading promotion program for families with pre-school and primary school children.
SAPIE Alentejo	Portugal	Educational tool that "predicts" early school dropout and creates alerts at the first risk factors.
Junior Code Academy	Portugal	Junior Code Academy is a 30-week computer programming intervention integrated in the school curriculum over three consecutive school terms.
SAPIE Centro	Portugal	Educational tool that "predicts" early school dropout and creates alerts at the first risk factors.
Learning and teaching math in Khan Academy (Center)	Portugal	Promotion of the use of digital educational resources available on the Khan Academy platform.
Learning and teaching math with Khan Academy (North)	Portugal	Promotion of the use of digital educational resources available on the Khan Academy platform.
SAPIE North	Portugal	Educational tool that "predicts" early school dropout and creates alerts at the first risk factors.
WLZ (Combined)	United Kingdom	One on one mentoring with children and support including tutoring and sports classes
Mother Teresa Middle School Social Impact Bond	Canada	Mother Teresa Middle School (MTMS) will use the \$1 million to provide extensive wrap-around supports to minimize learning disruptions for students whose potential for success has been compromised by social and economic factors.
Article 1	France	Mentoring and academic support.
Drop out for computer science students	Israel	The intervention will focus on 3 primary aspects of the students' lives: Academic support, Social support, and Financial support.
Improving Math Achievement Among Bedouin Youth	Israel	Parents and community inclusion in academic achievements, developing staff and teaching methods, motivational training, and targeted academic support.
Utah High Quality Preschool Program	United States	Utah High Quality Preschool Program, a high impact and targeted curriculum to increase school readiness and academic performance among 3- and 4-year-olds
Child-Parent Center Pay for Success Initiative	United States	Child-Parent Center (CPC) program that works with parents and children to improve educational outcomes through a half-day of pre-Kindergarten class.

EDUCATION IMPACT BONDS: LOW & MIDDLE-INCOME COUNTRIES

Name	Country	Intervention
Educate Girls DIB	India	Identification of out-of-school girls and child-centric curriculum
Impact Bond Innovation Fund	South Africa	Home visiting for preschool-aged children
Quality Education India DIB	India	Principal and teacher training, direct school management, remedial teaching, computer-based adaptive learning



We have invested over \$140M in transformative education companies in emerging countries

Mainstream education

Pre-school/Daycare



Largest corporate sponsored pre-school and day-care chain in India

K-12 schools



Largest chain of schools in the state of Gujarat, India



K-12 schools across Tier 1 cities in India



Universities

Network of affordable colleges in the Philippines

Parallel education

Test Prep



Leader in integrated test preparation and college management



Skills training

Training provider for skills and certifications



Data Science learning institute ranked 2nd globally by CIO magazine



Provider of online, skill improvement courses for working professionals

English language



Leader in English language training and enrichments classes for school students in Vietnam

Ancillary

Education enablers



Personalized learning app for school students



SaaS based integrated teaching platform used by teachers

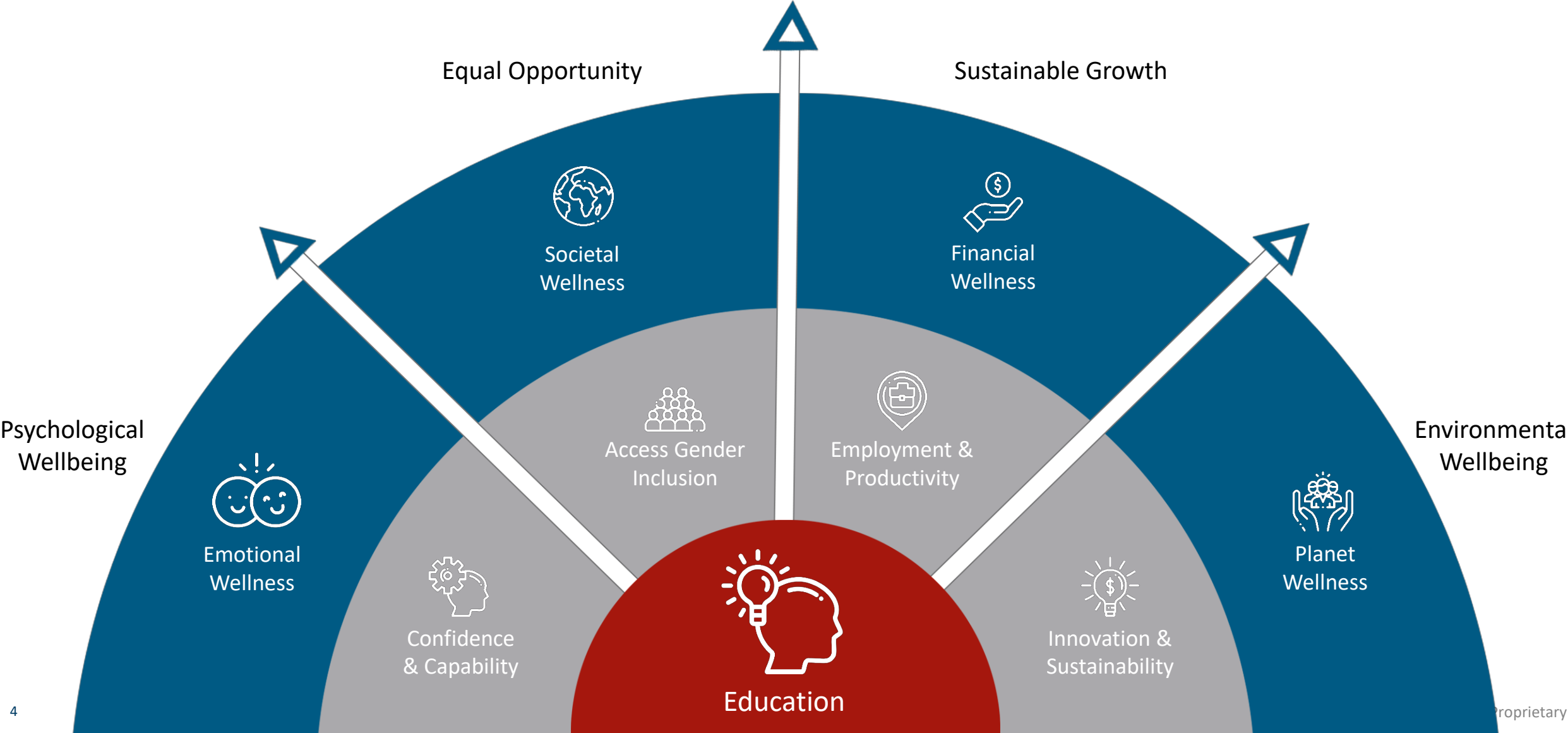


Lecture capture and flipped classroom enabler

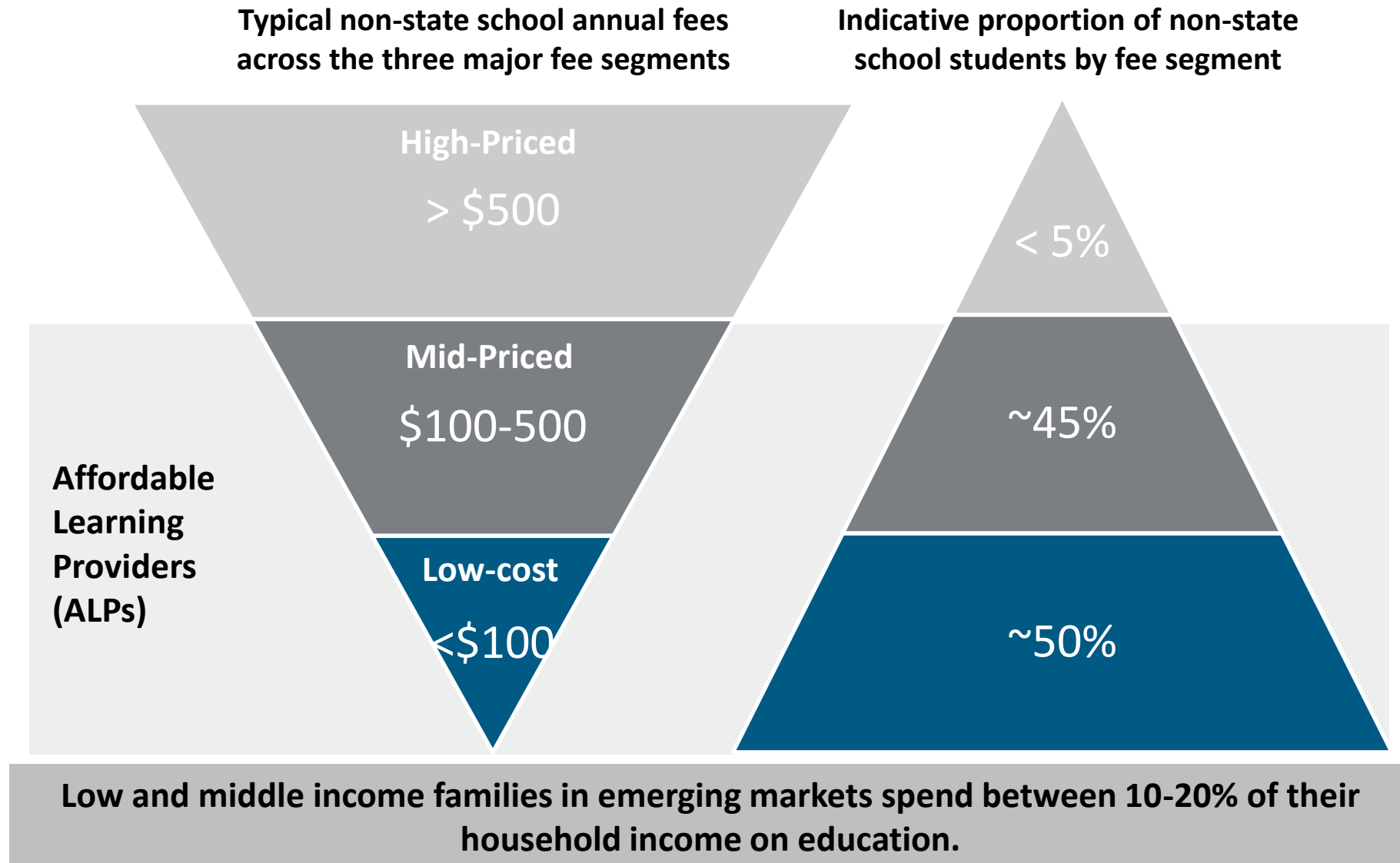


Non banking financial company lending to schools in India

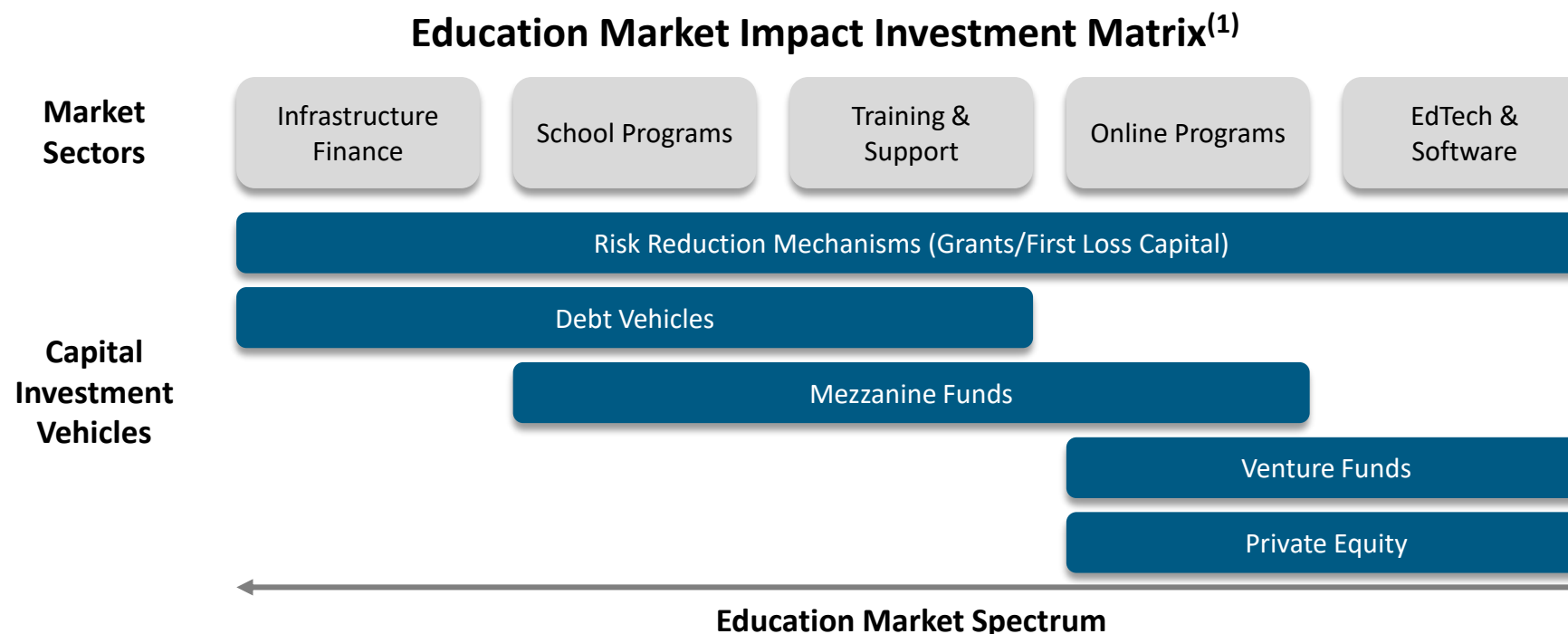
Education: The catalyst for a better world



Affordable non-state education is growing



Value added private debt can be more impactful than private equity

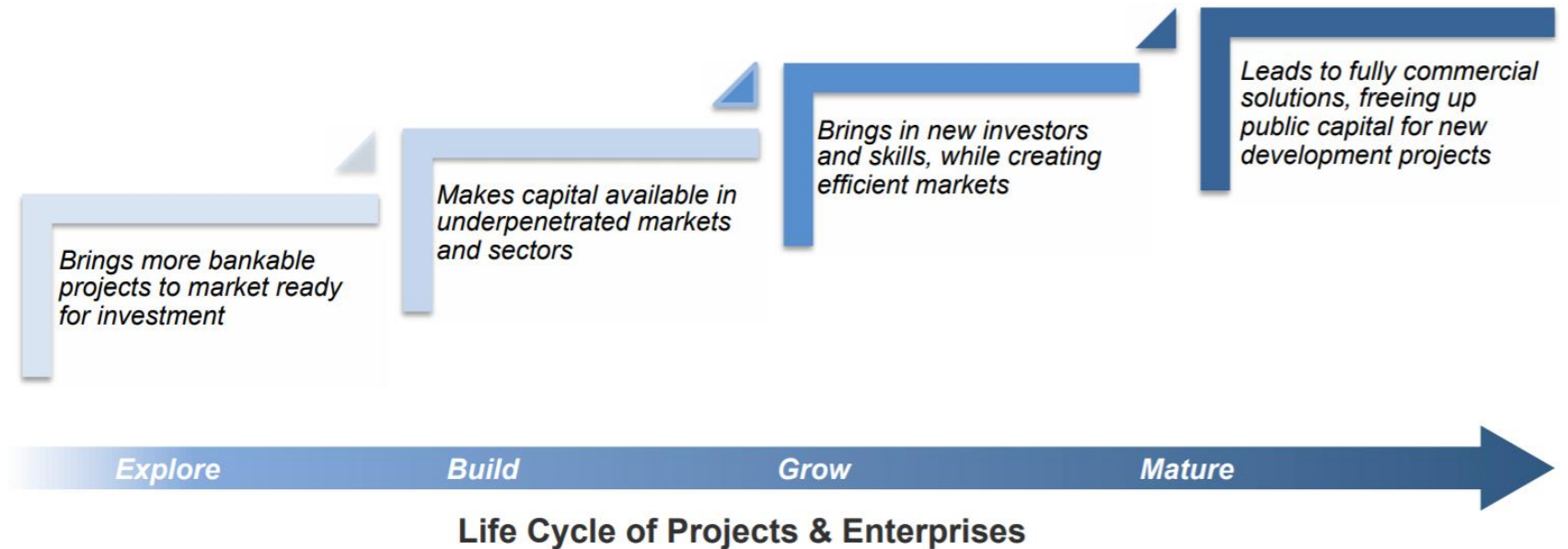
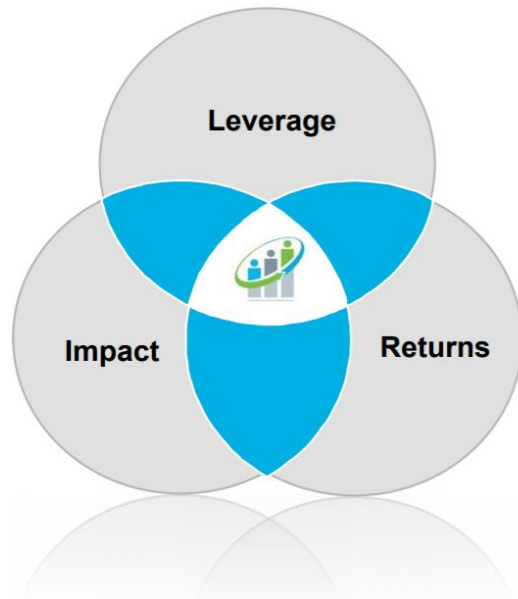


Key factors:

- Nature of the business – negative working capital and predictable cashflows
- APEP's familiarity and comfort with debt
- Lower transaction costs and complexity vis-à-vis equity
- Easier to earmark the funding for specific initiatives
- Capped returns for investors, allowing focus on quality & inclusion besides growth

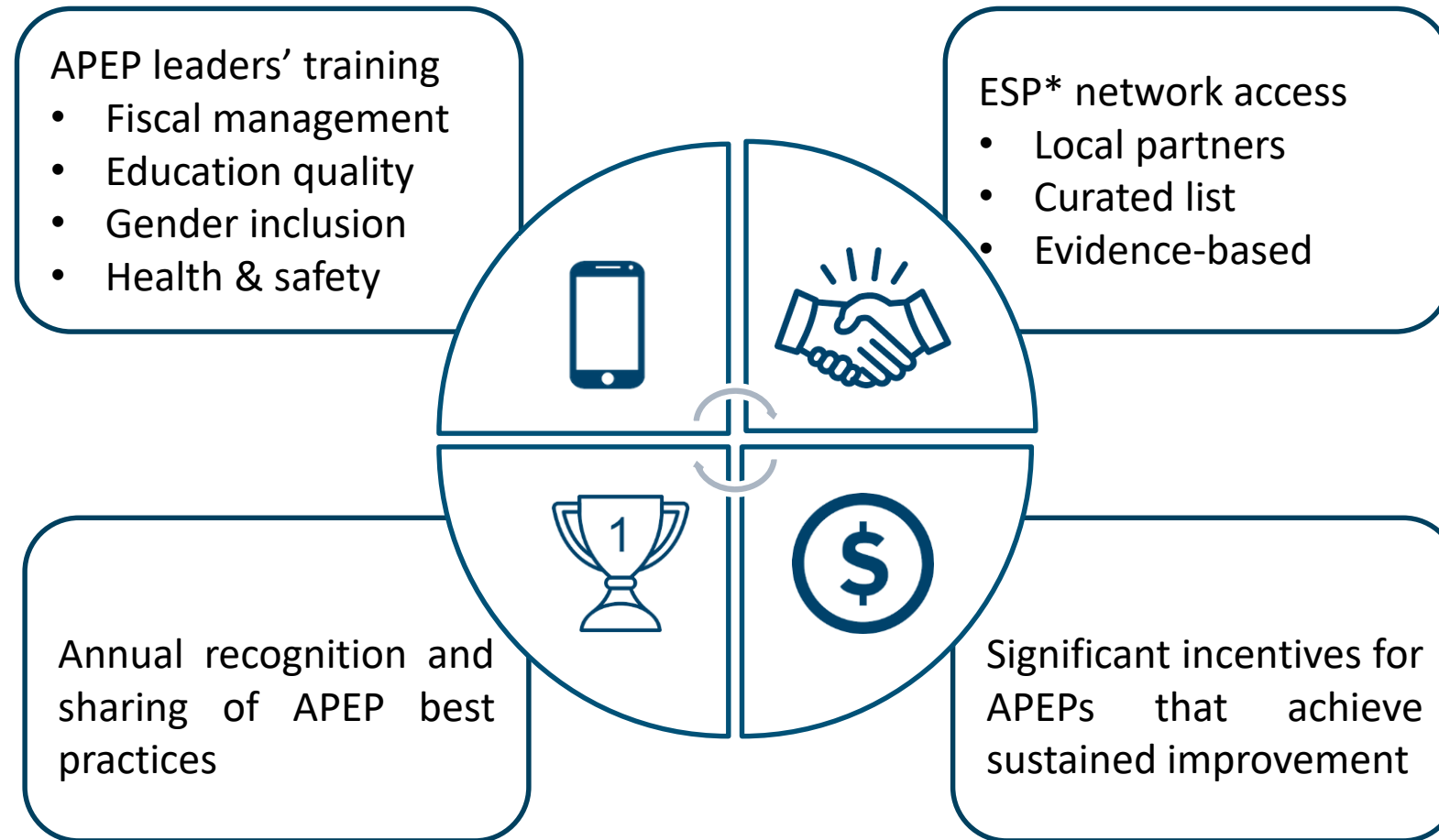
Combined across all sectors, impact debt is more than 1.5 times impact equity ⁽²⁾

Only 49% of private capital makes it to emerging markets due to perceived risk



Blended finance can “leverage” this capital and also provide first loss cover, thereby replacing grant capital with private impact return seeking capital over time

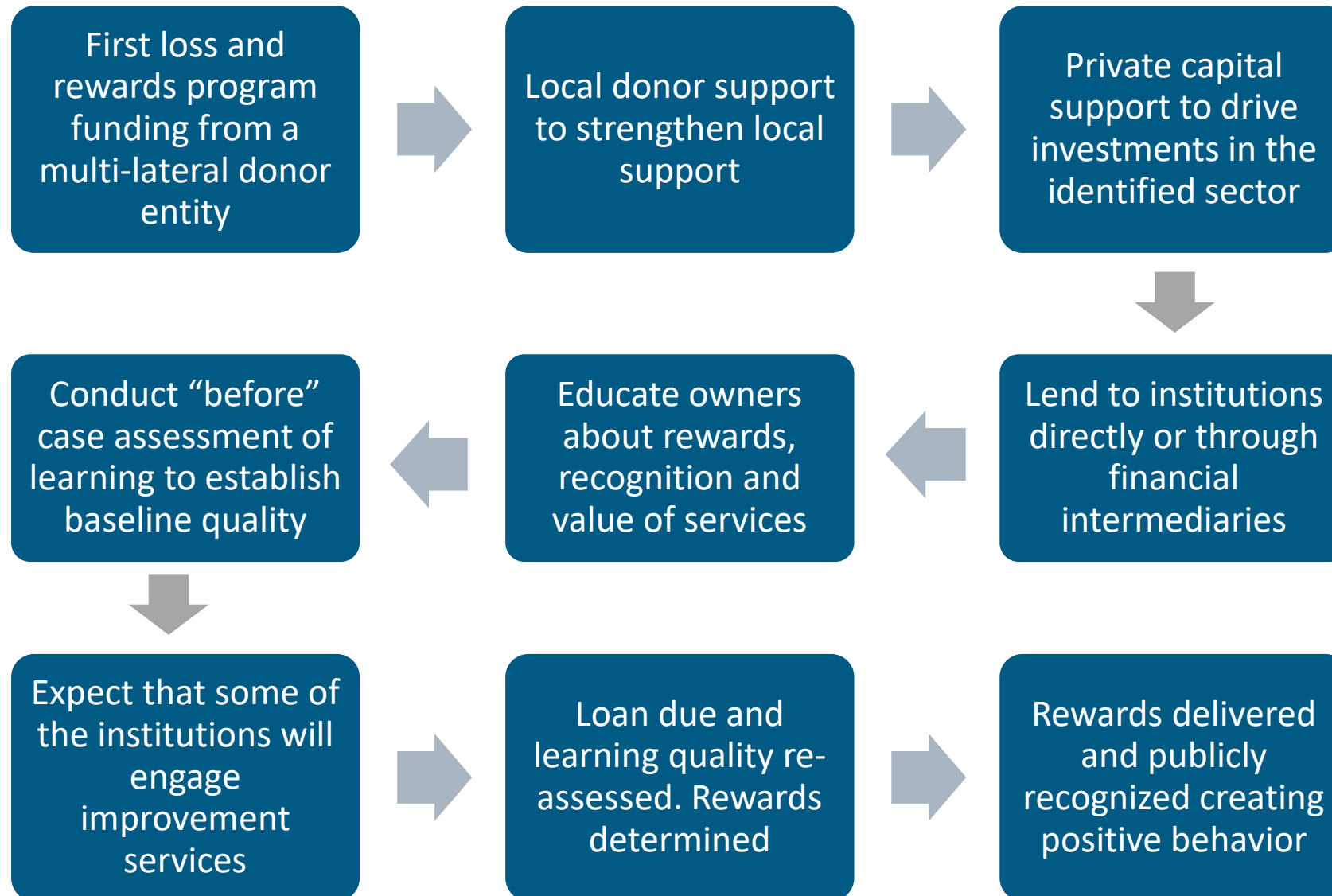
Blended finance can result in a more sustainable system



* APEP – Affordable Private Education Providers

* Education Service Providers: For example, teaching aid providers, EdTech companies, teacher trainers and extra-curricular agencies.

Blended finance case study: South Africa



Summary

Private capital is catalyzed by blended finance support from multilateral and local donors

Borrowers use capital to expand and invest in quality. Quality is assessed and supporting improvement service providers are introduced

At the end of loan tenor, quality is re-assessed, improvements noted, rewards determined and distributed. Beneficiaries are recognized.

Cycle repeats until system is sustainable

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Thank You!

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