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BROOKINGS CAFETERIA PODCAST

CAN IMPACT BONDS HELP SOLVE THE GLOBAL EDUCATION CRISIS?

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DEWS: Welcome to the Brookings Cafeteria, a podcast about ideas and the experts who have them. I'm Fred Dews. Only 10 years remain for the world to achieve sustainable development goals, including inclusive and equitable quality education for all. But the global learning crisis, made worse by the responses to the coronavirus pandemic, demand solutions at scale for governments around the world.

How to achieve the financing required to deliver quality education? One solution links payment to achievement of outcomes through social and development impact bonds. On today's episode, two experts discuss the global crisis in education and also the opportunities and challenges of impact bonds for education. Emily Gustafsson-Wright is a fellow with the Center for Universal Education at Brookings, which for five years, has been at the forefront in building evidence around these innovative financing mechanisms. And Jaime Saavedra leads the Education Global Practice at the World Bank Group and is a former minister of education in Peru.

You can follow the Brookings Podcast Network on Twitter@policypodcasts to get information about and links to all of our shows, including Dollar and Sense, the Brookings trade podcast, the Current, and our Events podcasts.

And now, here is my interview with Jaime Saavedra and Emily Gustafsson-Wright.

DEWS: Jaime, can you talk about the challenges that you see in the global education today?

SAAVEDRA: So, thank you very much, Fred, for having me. We are living today one of the worst crises that we could have ever imagined on education during probably the last 100 years. We are facing what I would say a double shock, or a twin shock, on education. On one

hand, many education systems are closed. Closed for a relatively long period, with a lot of uncertainties. Some countries are coming back, others not yet. And we have lived school closures before. I mean, there have been a strike, right? Or political upheaval. So, that has happened in any country from time to time.

But in addition, we have a huge economic crisis. Again, something that has happened before, right? An economic crisis having impacts on public budgets and having impact on disposable family income. What we have never had is the two things at the same time, right? So, school closures followed by deep economic recessions. So, the two things combined might imply a very large impact on education on several fronts.

And to add to that, this is happening simultaneously across the whole world. So, that implies that on the financial side, I would say that there is a triple shock, right? Because public budgets are going to be strained. Family budgets are going to be strained. And that might imply an increase in dropout rates. And in addition, international aid might be hampered, right? Even if countries that say, well, we're going to be continue committing .7 of our GDPs to international aid as bilateral donors, well, that's 0.7 over a smaller GDP. So, on the financing side, I would say it's a triple shock.

So, this juncture that we're living is really extraordinary. And a lot of efforts have happened from the perspective of governments and families and international community to cope with this crisis.

DEWS: Also, these challenges that you sight are occurring against the backdrop of the continuing efforts by United Nations and other global organizations like your own, the World Bank, to make progress toward the sustainable development goals. And for our conversation, in particular, sustainable development goal number four, eliminating learning poverty, can you

please remind listeners what the sustainable development goals are? And in particular, focus on goal number four and what is learning poverty?

SAAVEDRA: Right. So, sustainable development goal four is something that we're already saying, look, we're not going to achieve that goal, right? Which was quality education for all students at the primary and the secondary level. That goal is not going to happen in 2030, right? That will be extremely difficult. So, that's why we were focusing on also another complementary indicator, which is what we called learning poverty. And learning poverty was a figure that we came up last year at the World Bank. And it basically captures what's the percentage of children who at age 10 cannot read and understand a simple text, right? Something that we really want for all our kids. It's something very simple. We want them all to be able to read and understand a text by the end of primary.

Unfortunately, that number for low and middle income countries before the crisis, we were having this conversation four months ago, was 53 percent. So, basically, only half of children in low and middle income countries were able to read and understand a text by age 10. We were already saying we were in a learning crisis. We were already living a learning crisis before this pandemic hit. Now, it's worse.

Now, the baseline from which we're starting, it's going to be worse because there will be learning losses, even if many countries are doing a lot of efforts to try to cope and mitigate through different remote learning strategies the impact that this will be having. But even with some successful coping strategies, we know that there will be learning losses with the extent of the school closures. Second, we know that there's an impact in nutritional levels because about 350 million kids receive their main meal at school. In some countries, that is being compensated. In other countries, not. And, third, with this long disengagement from schools and with the deep

economic recession that we're starting to see in many countries, many kids are going to be disengaged from the educational process. And dropout rates could increase.

So, we have three mechanisms, at least those three mechanisms, right, through which we could have a large impact on the education outcomes. Now, on all those cases, governments can do things and they are doing things to mitigate and to compensate. So, countries are not staying still. We're doing a lot on remote learning, on trying to find other ways to reach children in terms of nutrition and improving nutritional levels. And also one of the key engagements of the Bank in the coming months will be to work through scholarships and communication campaigns in order to try to make sure that dropout rates do not increase in developing countries. So, there is a potential large impact on education, but there's a lot that can be done for public policy as well.

DEWS: Well, let me take what you were saying about the financing shock in the current context to transition to Emily. Emily, for the past five years at Brookings, you've been researching innovative financing for education. You're a global expert on the mechanism called impact bonds. Brookings has published seven reports on the topic of education impact bonds. Can you explain what an impact bond is in the context of education in the problem that it's trying to solve?

GUSTSAFSSON-WRIGHT: Sure, and yeah, thanks for having me on the podcast, Fred.

So, impact bonds were first implemented in the U.K. about 10 years ago to increase the effectiveness of government spending and to improve life outcomes of vulnerable populations. So, they actually aren't bonds. Rather, they're a form of results-based financing or a mechanism that ties funding to pre-agreed and verified results. So, impact bonds differ from traditional results-based financing in that investors, usually impact investors, provide upfront funding to service providers. Most often nonprofits, with the opportunity of receiving a return, if and only

if, some agreed upon outcomes, say improved literacy and numeracy are achieved.

So, there are two kinds of impact bonds. The first are social impact bonds, they're SIBs, in which the so-called outcome pair or outcome funder, i.e., the one who pays the investor back, is a government entity. And development impact bonds, or DIBs, in which the outcome funder is a third party like a foundation or a donor agency like the World Bank. So, DIBs is used only for impact bonds in developing countries. However, social impact bonds can also be used in low and middle income countries.

So, according to our database -- we have a database that we have been developing for the last five years, the Brookings Global Impact Bonds Database. To date, 194 impact bonds have been contracted across 33 countries and 6 sectors, including 22 in the education sector.

DEWS: Let me follow-up on that, Emily, and ask -- I'm trying to put my mind around the idea of financing education through bonds. I think of bonds largely as sort of a high finance Wall Street kind of thing. Can you talk through real quickly an example of what kinds of people or organizations are putting up the money for these bonds? How is that money being used? And then explain again how the money gets paid back to investors. Because at the end of the day, a bond is meant to allow an investor to get more money back than they put into the investment vehicle, right?

GUSTSAFSSON-WRIGHT: Exactly. So, let's talk a little bit about why impact bonds in education might make sense. So, Jaime spoke about the learning crisis. So, results-based financing, in particular impact bonds, put learning front and center. So, we no longer care only about children sitting in classrooms, but we want to make sure that they're learning something.

So, this mechanism is meant to put those outcomes front and center, right? Which in the case of education is learning. And so, they incentivize through this mechanism service providers

to deliver these outcomes. They provide the flexibility for service providers to deliver these outcomes by not constraining them on the types of interventions, inputs, or processes. But rather, focusing on those outcomes. And so, in these impact bonds, you have, like I said, investors, which are usually impact investors. One of the key players in impact bonds in developing countries on the investor side, is the UBS Optimus Foundation.

So, as I mentioned, we have 22 impact bonds for education that have been contracted globally. And three of those are in developing countries. So, the first impact bond for education in a developing country focused on girls' education in Rajasthan, India. So, in 2018, this impact bond came to a close. And the independent evaluation showed that the service provider, Educate Girls, an organization in India, had overachieved on both learning and enrollment targets. So, this resulted in a repayment and return to the UBS Optimus Foundation, who was the investor in the impact bond.

In that impact bond, the outcome funder, as I mentioned in the development impact bond, in the DIB, the outcome funder can be a third party such as a foundation or a donor agency like the World Bank. In this case, it was the Children's Investment Fund Foundation, or CIFF, and that was the outcome funder.

Another much larger impact bond for education in India began later that same year in 2018. And this one targeting 200,000 learners in grades 1 through 8, with a variety of education interventions and across four service providers. So, this impact bond is interesting because not only does it have four service providers, but it also has a multitude of outcome funders who are convened by one entity, the British Asian Trust.

And then finally, there's a third impact bond in a developing country. This one is for early childhood development and provides home visiting for preschool aged children in disadvantaged

neighborhoods outside of Cape Town in South Africa. And this one is a SIB, a social impact bond. So, the outcome funder is government, together with another entity.

DEWS: Jaime, let me go back to you then to ask you kind of a broad question again. You began by describing the global learning crisis, not only in the context of the current coronavirus pandemic, but more generally, especially as organizations are trying to meet the sustainable development goals. How do you think that results-based financing that Emily described, including impact bonds, fits in as a way to address these kinds of challenges?

SAAVEDRA: And so, the question actually is critical to face those challenges. Because actually what we are worried about is making sure that the structure, the way policies are structured that implement it, are such that they are really focused on changing an outcome. So, one thing that we have seen in the last 20, 30 years, is not that countries have not invested in education. Yes, there is a problem of lack of investment. So, the dollars that go to education are not enough, right? So, yes, we need to tackle that issue. But in addition of not being enough, we need to make sure that they are spent as efficiently as possible with a focus on an outcome.

So, really it's not enough of saying, look let's train teachers or let's put computers or let's buy books or let's build buildings. All those things are critical and if you go to a good school, you will see those elements. But, actually, what matters is that those major elements are put in place in such a way that they imply a change in the experience for the student, and that there is a magic of learning between the teacher and the student. If that better interaction does not happen, then you don't have learning.

So, yes, I need a building. Yes, I need teachers training. Yes, I need a computer. But I need to make sure that the computer has the right software. That the software is aligned with the right curriculum, and that is the curriculum that teachers really are internalizing. And, hence, the

computer really helps the teacher in order to provide a better learning experience to the child.

So, though, those elements have to be combined together the right way in such a way that learning happens. So, that is why results-based financing is critical. Because first of all, we're forced to measure the result. And the result is just not to have the inputs in place. That's important. But we need to make sure that they are put in a structure and as part of a process that generates a change in the outcome. So, that's what's results-based financing is about. It's like, yes, I put money, but I need to make sure that then governments and policy makers are spending that money in an education process that is really changing the result. So, that's the key point. It's not about just buying inputs. It's buying inputs that are well thought and that are well combined such that a result happens.

Now, what we see in results-based financing is that this is a learning process, right? This is something that it's not just that easy to do what I'm saying. So, what we need to do is to when we say let's make sure that we change the results is that we need to make sure that we discuss with countries in which way the final outcome will change. Final outcome, say, being learning.

But we need to also have some intermediate results that can be achieved in a more concrete way. So, first of all, we will hire more teachers. Okay, do we have a system in order to monitor that those teachers are in school and are teaching? Second, do you have teachers' training programs? Yes. But do we know if those teachers' training programs are having an impact on teachers' performance? Do we have mechanisms in order to have that intermediate result could be the performance of the teacher in the classroom? And then we also have a mechanism to measure if we are improving the performance in terms of the final outcome that we hear about, which is learning, right?

So, results-based financing is a relatively complex structure that is absolutely critical

such that we put all the inputs in place, but we measure that the inputs are really working. And then we measure if that new process is having an impact on the final outcome that we care about.

DEWS: Well, let me follow-up there to ask about the current situation. It seems to me that results-based financing is kind of predicated on a set of assumptions about how education is structured, how education is delivered, ways that you can measure outputs. And along comes the coronavirus pandemic and it disrupts everything in every education system worldwide. Can you address those additional challenges that coronavirus presents to the existing structure of results-based education?

SAAVEDRA: So, this virus is giving us a huge opportunity based on some lessons that we're getting out of this pandemic. First lesson we'll say is that now it's really clear that there are unequal opportunities. It's really clear that there is a digital divide. Something that we knew that it existed, but is kind of a slap in the face. Look, countries, there is a digital divide. Some kids have access to the world through connectivity and through access to Internet, and other kids are being left out. Some teachers have access, other teachers are being left out. So, that's something that we really need to correct. Technology is critical and we need to invest more in technology.

But at the same time, interestingly, this pandemic has also showed us that education is a social experience. It's very difficult that we're going to say, okay, so let's replace education and buy a computer and we're going to do everything online with the master teachers that will teach a million kids at the same time. No, that's not the case. We know that education implies interaction between the teacher and the student, between the student and her peers. And education academically part of it can be done online, yes. I mean, we could use online tools that could be very impactful. But education is not only that.

So, the human factor of education is absolutely essential. So, this new normal, actually, is

going to be about combining productively and efficiently and effectively precisely those two things, the human factor and technology. We will have to use technology in order to make sure that we train teachers with probably blended technologies at scale much faster than what we have done in the past. And remote learning's probably going to be part of our lives for a while. And when I talk about remote learning, it's not only about online interaction, but it's online, radio, TV, SMS, text messages, everything combined in order to try to maintain the engagement of the child with the education process, even if she's at home.

But again, results-based structures and results-based schemes are going to still be critical even more than before. Because we will need to measure if learning is happening with these new technologies, if learning is happening when we know that now the education process is going to be part in school and part at home, right? And probably we're going to be seeing more of that in the near future.

So, then having an obsession with measuring what's happening in terms of the delivery of inputs and measuring what's happening in terms of outcomes, in terms of learning, is going to be each time more important. So, that's why we think that when we have any types of results-based financing scheme, including impact bonds, having more data in order to monitor what's happening in the education process is absolutely critical. We know that there is a theory of change, but we need to measure all the instances of that theory of change and we need to have monitoring systems that will allow us to generate data about each of the phases of that process and to generate data about the final outcomes. That was important before. It's even more important in the near future that we're going to be living.

DEWS: Emily, I wonder if you could follow-up on what Jaime is saying about that. Specifically, based on your research, how do you see the potential and limitations of impact

bonds in the face of a major crisis like the coronavirus pandemic?

GUSTSAFSSON-WRIGHT: Absolutely. So, I just actually recently published a Brookings policy brief on this topic, which was based on a survey of 20 impact bonds across five sectors and across the globe. I was really curious if it was possible to get any sense for whether or not projects funded by impact bonds are better able to mitigate the effects of shocks. So, overall, the respondents felt that, yes, their impact bonds projects were faring better than their non-impact bonds projects for three reasons.

The first is impact bonds focus on outcomes, allow service providers the flexibility to course adjust along the way, tailoring their services to meet beneficiary needs and the contexts. Second, impact bonds very much foster collaboration among partners. Which in the context of the pandemic, has been critical for effective problem solving. And then third, impact bonds have built in strong systems of monitoring and evaluation, including digital tools for data collection, which have been really useful in identifying the needs and gaps during the crisis. As Jaime had mentioned, data is incredibly important to identify what the needs of these learners and their families are.

So, an example of this was from the impact bond for preschool education in South Africa. Where home visits to these preschool age children became impossible due to the stay at home orders in South Africa. So, the service provider, Foundation for Community Work, began to use mobile phones to both identify the needs of the young children and their families, but also to provide prompts for caregivers for lessons.

As Jaimie mentioned, there are a multitude of modalities that can be used for remote learning. In India, they've also begun to explore the use of text messages, WhatsApp messages, as well as other forms of remote teaching and learning where possible. But, obviously, there are

a lot of challenges that are being faced in particularly those areas where those digital connections are less available has been quite difficult.

In our study, also on the other hand, we found that the contractual structure of impact bonds in terms of timelines and in terms of the outcome metrics and thresholds could really be quite restrictive. And so in our study, we concluded that future contracts, both impact bond contracts and I think traditional results-based financing contracts as well, could benefit from building in from the start some contingencies in the event of shocks like this. Which likely we will see more of increasingly in the future, health shocks or potential climate shocks.

DEWS: Emily, I wanted to follow-up on something you said just now and also earlier. And that's you mentioned an intervention for preschoolers in South Africa. You also talked about an example in India of results-based financing. Which leads me to wonder what other kinds of education interventions are possible using education impact bonds. I mean, these aren't just teachers in a classroom and we'll measure the results. It sounds like there's a variety of ways that results-based financing can be used in policy interventions for students in the classroom, outside the classroom, with different kinds of policy interventions, and maybe not just not education. Can you address some of those other examples?

GUSTSAFSSON-WRIGHT: Sure, so let me just talk first a little bit about some of the examples within education and then I can give some of the other examples potentially from other sectors. So, indeed, we see across a multitude of types of education interventions just globally looking at the (inaudible) that we see across the globe also in high income countries. Everything from teacher training programs to preschool education, in classroom, to the home visiting that I gave the example of in South Africa, in homes, to programs that work with strengthening the structure within the school, the leadership within the school. So, all of these interventions are

about improving the quality, right? Improving the quality of education. As Jaime said, you know, it's a complex puzzle of all of these pieces that need to come together for that learning to happen.

And you asked about other sectors. So, we see impact bonds in social welfare sectors. So, that includes impact bonds around child welfare, nutrition, early childhood nutrition, maternal and newborn, health, around homelessness in both the U.S. and the U.K. And, recently, we've seen some impact bonds in the environmental space. So, they're really being used across many sectors. Primarily social welfare and also employment around youth unemployment or particular individuals, disadvantaged individuals such as refugees or immigrant populations who aren't employed.

DEWS: Jaime, let me go back to you with a question about where results-based financing, especially for education, fits in to the overall approach. As I mentioned in the introduction, you lead the education global practice at the World Bank Group, and so, you must have a 30,000 foot view of all the different ways that organizations like the World Bank can pursue education policy, reform, interventions, and so on, and results-based financing must just be one of them. How does this particular policy intervention fit in to the overall approach that you have?

SAAVEDRA: At the end of the day this is not about the World Bank. This is about the challenge that governments face in order to improve quality of education in their own countries. And the key point that we were talking at the beginning of this conversation about the SDG 4 or about learning poverty indicators, is about knowing where we are in terms of the desirable outcome. But at the same time, knowing where is that we could go.

When we were talking about, for instance, this learning poverty indicator of 53 percent, the key point for us is that each country would know where they are on this indicator. And what

is their path in the coming years in order to reduce that learning poverty. So, learning poverty at the end of the day, right, which is this percentage of kids who could not read that simple text by age 10. That learning poverty should be zero. Eventually, all kids should be able to read a simple text. That number should be zero. In the same way that hunger should be zero, that extreme poverty should be zero.

So, the key point for countries is to set a path towards making sure that they achieve that result. So, one thing that we stated is that globally, our ambition should be to reduce that learning poverty from 53 percent to at least half of that number by 2030. That would imply going down to say 26 percent, right? And some people would say, look, but reducing from 53 percent to a learning poverty of only 26 percent, maybe that's ambitious. And unfortunately, it's not ambitious. Because in order reach that goal, countries will have to double or triple interests of improving their performance regarding learning in the next 10 years. And that's tough.

So, a key point of putting a target like going from 53 percent going down to half of that in 10 years is because you need to put targets that are ambitious and that applies to any results-based framework. You need to point at a target that is ambitious, but it's achievable, right? If I say our target would be to eliminate learning poverty in 10 years, at the end of the day, nobody would care about it because it's impossible. So, we need to put numbers that are tough, but are achievable.

And that applies to absolutely all results-based financing schemes, right? If a country is designing a project in which they want to increase the learning of math for their second graders, they need to think about, okay, so, how much is that, what target I can put for my system. And then what target I can put for the different schools. But those targets have to be tough, but achievable, right? So, it's a complex balance.

And when we say, okay, in order to do that, what I need to do is to say, for instance, improve connectivity in that country. And I need to make sure that all schools have connection to Internet. But if I'm in a low income African country, which that connectivity today is maybe 15 percent, I cannot put as a target, okay, let's put 100 percent in two years. No. In two years, I need to say, okay, I need to move that 15 percent to 50 percent. And that will be very tough. But it has to be tough, but achievable.

So, it's an art, right? When we discuss about results-based schemes, right? It's an art interest. So, pushing systems and pushing the actress in the system, the actress could be the teacher, the principal, the local school administrator, or the ministry of education as a whole. Give them targets that are tough, that are ambitions, but at the same time, they are feasible. That we have the technology in order to be able to reach those targets.

DEWS: Jaime, I wonder about the complexity and the relative newness of results-based financing to achieve public policy outcomes, and how those factors -- I mean, notwithstanding that we're in a global pandemic crisis, how those factors create practical challenges for the World Bank in working with other governments and working with NGO service providers in accepting the validity of results-based financing to deliver results in their own contexts?

SAAVEDRA: So, I think now progressively we're finding that there is a better understanding of the different players. That, as we were saying before, that this is not about inputs. That this is not about making sure, okay, let's have more connectivity, let's have more books, let's make sure that kids in rural areas will have access to a laptop or a tablet. All that is critical. We need to do that.

However, we need to have an obsession measuring if that is having an impact on the outcomes that we are interested in. That will be critical now, for instance, as countries start

slowly and cautiously going back to school, right? And going back to presential education, something that we're already seeing in some countries.

One thing that will be important is to measure where kids are because we need to know what's our new baseline after these long school closures. Where kids are today in terms of the outcome that matters, which is the quality of education, which is the level of learning. Where they are in order to design how much compensatory or remedial programs we need to implement in order to be able to compensate for the time we have lost.

We need to be really focused in terms of knowing where children are. I'm not talking about what's the level of learning that we see at the school level. We're talking about what's the level of learning of each one of the children in one classroom because within one classroom, every student is different, right? Some might have had the resources at home needed in order to be able to cope with the school closure and maybe had good stimulation at home, had supporting parents, had connection to Internet, had books at home. While other kids didn't have all those conditions. So, even within a school, kids will be at different levels. So, countries really, and school systems really should be prepared to measure where are they in the outcomes that we hear about in order to be able design the right compensatory measures.

DEWS: As we wrap up this conversation, I'd like to ask you both to reflect on benefits of results-based financing. Kind of looking ahead, big picture, what do you see as the largest benefits of using the impact bonds approach to financing outcomes, especially in education?

GUSTSAFSSON-WRIGHT: Thanks, Fred. I think that's a great question. So, I often think about impact bonds, in particular as sort of a Trojan horse. And I think Jaime has touched on a lot of these points. What do impact bonds bring to the table? One is this sharp focus on outcomes, which is what we want to see in the education sector is children learning. Two is that

it really shifts how things are done in this complex system of actors that work together. So, as I said before, it really brings actors together to work well towards this common goal so they're really seeing that they have improved collaboration.

But the other, and I think the most important piece, is that they bring this monitoring an evaluation and use of data, really understanding what's working, what's not working, and a culture of adoptive management or performance management such that service providers, education providers can course adjust, right? So, they can figure out what works for individual students. In impact bonds, in particular, that pressure comes not because the service providers are necessarily holding any financial risk or operational risk, because in fact that is shifted to the investors in the case of impact bonds. But they are, indeed, holding some reputational risk, and want to, obviously, see these outcomes achieved.

But the investors are holding this operational risk. And so, often they engage or they bring in another party, a performance management, so-called performance management intermediary to work with service providers around this data collection, around this monitoring evaluation so that they're better able to figure out what data they need along the way and how to use those data to inform what they're doing in terms of service delivery. And that is really the hard work that is necessary. It's the hard work that has to be done in order to achieve those outcomes. So, that's where I think the biggest value is of impact bonds and results-based financing more broadly.

DEWS: Jaime, do you want to add to that?

SAAVEDRA: So, Emily already hit, I think, the main points. My answer will be all of the above plus one issue. Which is the fact that when you have any results-based scheme, including impact bonds, but in general, this idea of working towards one outcome, I think it also

highlights the need to invest in the quality of management of the education system. Because that allows us to realize that this is not about buying inputs. This is about crafting a very complex service.

The education service is a very, very difficult service to provide. At the end of the day, we're not only teaching kids to read and write and teaching them math. We're giving them a set of values of how to be members of a society. And we are giving them all the tools that they need to be productive citizens and to be happy. That's the educational service. That's a very, very difficult service to provide. It's one of the most difficult probably of all the service economy.

And in order to do that requires a lot of leadership and management because at the end of the day, we can think, look, we really know how a good school runs, right? You need a good teacher. You need certain inputs. You need a teacher who's motivated, and you need a good principal. Okay, but that's not enough. The problem, the challenge that a ministry of education has is not about one school that's well-run. It's about 50,000 schools that have to be well-run. Or 200,000 schools that have to be well-run depending on the size of your country. So, it's a massive operation.

So, that massive operation requires good management. And sometimes we don't think of that part. And when we say we need to talk about good management, it is good management at the school level. So, we really need to invest in the role of the principal. And if we're talking about management at the macro level, where you really need to have a very high quality bureaucracy in order to run the education system. Because all the things that Emily was describing you need data that would show you how that whole process is operating. You need data to see how the outcome is being reached. And then you need to adopt your policies responding to that data. Okay, that requires a very sophisticated bureaucracy to do that. And

that's something that sometimes we not really emphasize in the case of education. We think that it's about pedagogy, and which it is. It's, obviously, it's about that. But it's about running a very complex structure.

So, implementing results-based financing also gives a lot of relevance to that issue that you need to have a very high quality bureaucracy, multidisciplinary bureaucracy. You don't need only good people with expertise in pedagogics. You need engineers, lawyers, psychologists, public administrators in order to be able to run such a complex structure. So, that's the only thing that I will add to what Emily was describing, the quality of the bureaucracy, management implementation capacity, management, and leadership.

DEWS: Well, I think we'll have to leave it there. I know there's much more that we could say about this very important topic. I will direct listeners to the show notes of this episode to find links to research from the World Bank Group and also from the Brookings Center for Universal Education about results-based financing and impact bonds. Jaime Saavedra and Emily Gustafsson-Wright, I want to thank you both very much for sharing your time and expertise with us today.

SAAVEDRA: Thank you very much, Fred, for the invitation.

GUSTSAFSSON-WRIGHT: Thank you, Fred. It's been a pleasure.

DEWS: The Brookings Cafeteria Podcast is the product of an amazing team of colleagues starting with Audio Engineer Gaston Reborado. Bill Finan, and Robert Wicks of the Brookings Institution Press do the book interviews. Thanks also to my colleagues Adriana Pita, Marie Wilkin, and Chris McKenna for their collaboration. Finally, my thanks to Camilo Ramirez and Emily Horne for their guidance and support.

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Until next time, I'm Fred Dews.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

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