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News Release

Investing for social outcomes: Children's Investment Fund Foundation and UBS Optimus Foundation launch the first development impact bond in education

London/Zurich, 16 June 2014 – In order to improve the quality of girls' education and attract new investment for social outcomes, the UBS Optimus Foundation and the Children's Investment Fund Foundation (CIFF) are launching the first Development Impact Bond in education.

A funding model for the future

Development Impact Bonds (DIB) aim to provide new sources of financing to achieve improved social outcomes in developing country contexts. Investors provide external financing and only receive a return if pre-agreed outcomes are achieved. Funds to remunerate investors would come from outcome payers, usually a donor or a government agency. Financial returns to investors are intended to be commensurate with the level of success. An independent evaluator verifies results to determine success and re-payment.

"This is a world first for international education," says Michael Anderson, CEO of CIFF. "Development Impact Bonds will focus governments and the aid industry on costing and paying for results. This model can transform the way development is done: new ways of working, and a clear accountability around outcomes for children. We want to test this model, and we want to show the world it can work."

In India, 3.7 million girls are out of school. In Rajasthan, 40 percent of girls drop out before reaching fifth grade and for those who remain learning quality is low. Two hundred thirty-eight thousand US dollars made available up front by the UBS Optimus Foundation will go to Educate Girls, an NGO operating in government run schools in Rajasthan to enroll and retain girls, as well as to improve learning outcomes for all children. CIFF will pay for social outcomes achieved by the program. This DIB aims to become a 'proof of concept' for replication and scale-up in the education sector and beyond.

"This Development Impact Bond marks a turning point in the way social investment opportunities will be conceived in the future", explains Phyllis Costanza, CEO of the UBS Optimus Foundation. "With the expertise of the UBS Optimus Foundation, UBS is in a unique position to create an investable solution targeting the bottom of the pyramid. This model strives to become a financially attractive way for investors to improve the lives of children facing adversity."

Breaking the cycle of poverty by educating girls

Investing in girls helps disrupt the cycle of poverty. Peer-reviewed studies have shown that educated girls earn more income, will have healthier and fewer children, and are more likely to educate their own



UBS Optimus Foundation



children. Educate Girls, a Rajasthan-based NGO founded in 2005, has pioneered a model for providing marginalized girls with more and better education for a lower cost. Since its founding, Educate Girls has enrolled over 58,000 out of school girls and increased girls' attendance by more than two thirds. Its child-centric learning and teaching techniques improve motivation and learning outcomes, having resulted in an increase of up to 30 percent in learning outcomes across Hindi, English, and math within a year. Leveraging government infrastructure will increase the cost effectiveness of the program.

"India has one of the highest numbers of out-of-school girls in the world, with over three million eligible girls missing out on education," explains Safeena Husain, Founder and Executive Director of Educate Girls. "The Development Impact Bond pilot is a watershed moment for Educate Girls as it will allow us to innovate, adapt and tailor our programs to achieve the best possible results for marginalised girls and ensure that funders only pay for results achieved. This will help us fuel scale as we attempt to reach over a million girls, and with funds paying only for pure impact, help in expediting transformation in the lives of girls and their communities."

In order to establish the DIB as a credible high-quality development finance model, Instiglio, a nonprofit organization that designs results-based financing programs, will help design and manage the process. The partners will also rely on an independent evaluator to measure the impact which triggers repayments. In addition, an external advisory board will ensure expert input and promote transparency and good governance.

About

The Children's Investment Fund Foundation

The Children's Investment Fund Foundation is a UK based Foundation which aims to demonstrably improve the lives of children living in poverty in developing countries by achieving large-scale sustainable impact. CIFF believes that every child deserves to survive, thrive and mature into adulthood in a supportive and safe environment. The Foundation also supports many projects in the Climate Change arena.

UBS Optimus Foundation

The UBS Optimus Foundation is an expert grant-making foundation established by UBS in 1999. The Foundation works to break down barriers that prevent children from reaching their potential by funding leading organizations to improve the health, education and protection of children.

The UBS Optimus Foundation supports projects in places where children face adversity. UBS covers all the Foundation's administrative costs so that 100 percent of all donations go directly to the projects.

Educate Girls

Founded in 2007, Educate Girls is a non-governmental organization that holistically tackles issues at the root of gender inequality in India's educational system. Its model reforms government schools through community ownership and ensures 100% enrollment, higher attendance and improved learning outcomes for all girls. Educate Girls is an independently registered Section-25 Company in India, with a

management and outreach office in Mumbai and operations in Pali, Jalore and Sirohi districts, Rajasthan.

For the editors:

1. The key characteristics of a Development Impact Bond are:
 - An **outcome payer**, which can be a foundation or a government agency, enters into a contract to pay for specific, measurable social outputs and outcomes.
 - A **service provider**, or a group of service providers, works to deliver these social outputs and outcomes in a flexible manner that is not defined by the outcome payer.
 - Service providers receive up-front working capital from one or several investors, who can be individuals, foundations or investment firms.
 - An **independent evaluator** assesses the outcomes of the program.
2. The Development Impact Bond model is described in detail in a report by the Center for Global Development, which is available online here: <http://www.cgdev.org/publication/investing-social-outcomes-development-impact-bonds>
3. The DIB model is based on the Social Impact Bond (SIB) model, which has received significant attention in developed economies. At least 10 Social Impact Bonds are in implementation in Australia, the United Kingdom, the United States, and elsewhere, and at least 50 more Social Impact Bonds are being designed around the world.
4. The World Economic Forum's 2013 Gender Gap Report ranks India 120 out of 136 on gender gap in educational attainment. According to India's 2011 census, Rajasthan's literacy of 67 percent rate is ten percentage points below the national average. At 53 percent, Rajasthan's female literacy rate is the lowest in the country.

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