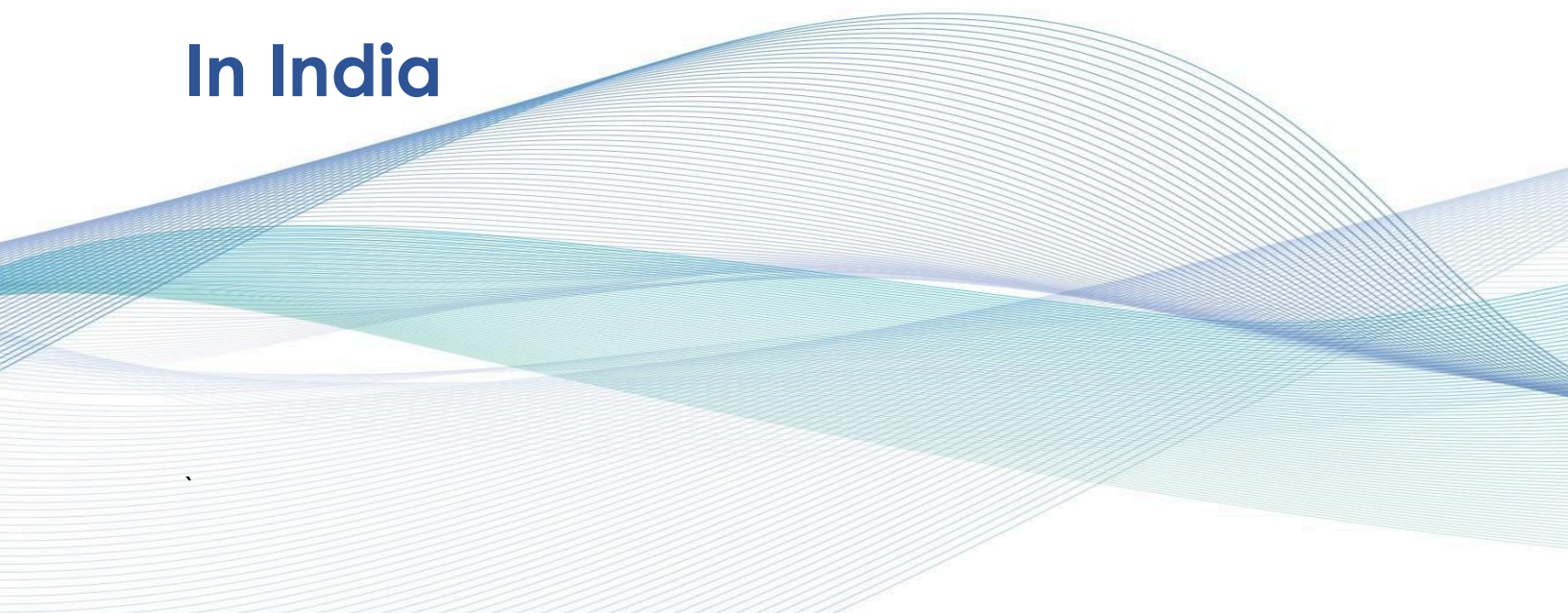




REPORT LAUNCH AND
ROUNDTABLE DISCUSSION ON

Demystifying the Black Box of OBF In India



I. Report Launch: Navigating Outcomes-based Financing in India: Perceptions of Not-for-Profits

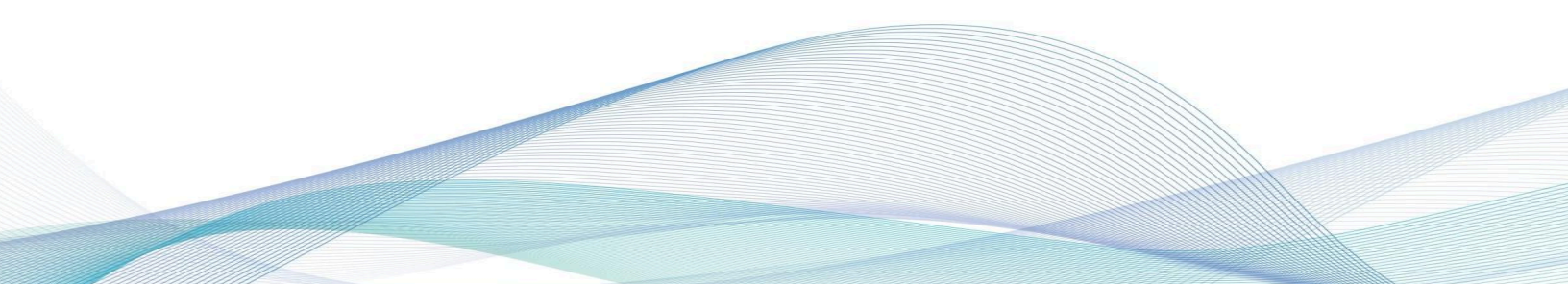
CIFSI and Outcomes-based Financing

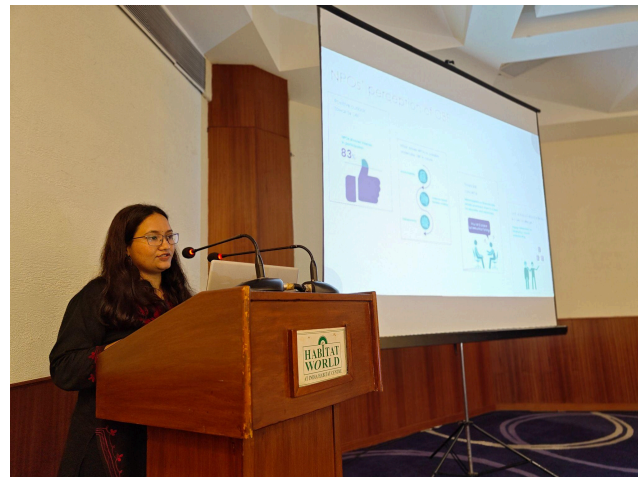
Outcomes-based financing (OBF) is an essential instrument for not-for-profits, aligning with the broader shift towards outcomes orientation pursued by funders and the government. As outcomes orientation becomes a priority, OBF is increasingly being adopted. Globally, 23 impact bonds have been structured with a total deal volume of \$181 million. In India, five impact bonds have been successfully implemented collectively totalling \$29 million. CIFSI sees itself as a catalyst in this space, facilitating collaborations, bridging information gaps, and driving an inclusive discourse.

Report Launch

['Navigating Outcomes-based Financing in India: Perceptions of Not-for-Profits'](#), is a key output of Parinaam 2023, a collaborative multi-stakeholder platform working on tri-sectoral collaboration between markets, government and civil society to enable finance for sustainable development. This report aims to bridge the knowledge gap in the OBF space by understanding NPOs' perceptions of OBF's benefits, risks, and market-level challenges. CIFSI at the Indian School of Development Management (ISDM) served as a knowledge partner to Parinaam.

The official launch of the report on 27 June 2024 opened with comments from the authors- Priyanshi Chauhan and Geeta Tiwari, who provided an overview of the key findings and insights from the report. The CIFSI team, along with ISDM Co-founders -Ravi Sreedharan and Gaurav Shah were joined by Co-conveners of Parinaam -Kartikeya Desai, Founder and Managing Director, Desai and Associates, and Aayushi Chaurasia, Manager, Innovative Finance, Desai and Associates, and Aparna Dua, Director, The Blended Finance Company.





Why this report?

Discussions on OBF often focus on donor-driven perspectives such as funding efficiency, accountability, and transparency. While these are valid motivations for transitioning to OBF models, the perspectives of Not-for-Profit Organisations (NPOs) themselves are often overlooked. This report aims to bridge that knowledge gap by understanding NPOs' perceptions of OBF's benefits, risks, and market-level challenges.



Understanding these perceptions is crucial for identifying aspects of OBF that resonate with NPOs, determining the support they require, and devising strategies to address their concerns. This also empowers NPOs to actively participate in the emerging OBF discourse and ensures their voices are heard in shaping the future of social sector funding.

II. Summary of Roundtable Discussion: *Demystifying the Black Box of OBF in India*



Taking forward the insights from the report, the roundtable facilitated dialogue between NPO leadership, funders, and ecosystem enabling organisations to tackle challenges, facilitate market development and collaboratively improve the effectiveness and reach of OBF across the social sector. By bringing these diverse perspectives together, the roundtable

aimed to harness collective insights and identify actionable steps to advance the OBF landscape in India. Stakeholders were expected to contribute their experiences, share best practices, and propose collaborative solutions for their challenges.

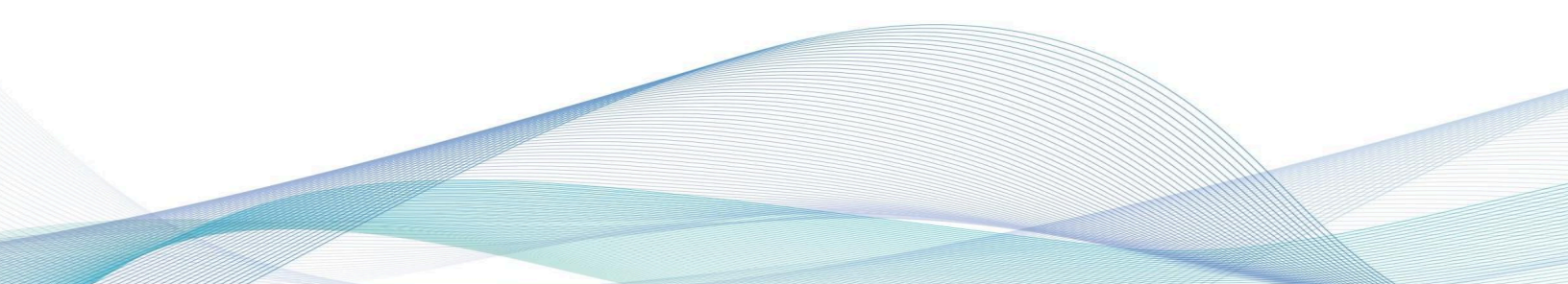
The discussions were centred around two key focus areas. First, expanding the scope of OBF to more NPOs, especially smaller and mid-sized ones, was a major topic of discussion. Participants explored what drives this change and how to create an inclusive environment that allows all NPOs to benefit from OBF models. Second, emphasis was given to the critical aspects of market development for OBF. The roundtable addressed the roles of various participants in facilitating this development and discussed strategies for effective collaboration to build a robust OBF market.

Moderators

Anushree Parekh (Associate Director Social Finance, BAT) and Priyanshi Chauhan (Senior Research Associate, CIFS, ISDM)

Participants

Kartikeya Desai, Desai & Associates | Aayushi Chaurasia, Desai & Associates | Anjali Hegde, Udayan Care | Liby T Johnson, Gram Vikas | Shantanu Ghosh, The Blended Finance Company | Aparna Dua, The Blended Finance Company | Sonia Garga, Saahas | Shivani Manaktala, The Palladium Group | Kumar Subramaniam, Sculpt Partners | Deepak Kumar, DREAMS | Kanchan Sen, HelpAge India | Jitesh Dhoot, Language and Learning Foundation | Dr Sonal Mehta, Peepul | Anugrah Singh, Veddis Foundation | Shubhalakshmi Borah, The Palladium Group | Priya Subbaraman, Dhiraa Skilldev Foundation | Bharat Vijayan, Bal Raksha Bharat | Sudarshan Suchi, Bal Raksha Bharat | Pranab Chanda, Bal Raksha Bharat | Subhashish Niyogi, Bal Raksha Bharat



Key Takeaways

- I. **Why has OBF been implemented primarily in the education sector in India? What are the sectoral challenges and opportunities, and how does India's experience compare with global developments?**
 - **Government and donor interest drive OBF in the education sector:** OBF is gaining popularity in the education sector due to funders' and government interest. This is supported by credible evidence and measurable outcomes. Despite having measurable outcomes, sectors such as WASH face limited donor interest in adopting OBF.
 - **Global adoption of OBF in some sectors, with education sector leading in India:** The discussions also touched upon the comparison between global and Indian experiences with OBF. OBF has been more prominently applied in sectors like homelessness and child care in the US and the UK. . Whereas in India, the focus has predominantly been on the education sector and efforts are ongoing to refine education metrics and improve the effectiveness in measuring outcomes.
 - **Difficulty of evaluating and measuring qualitative impact in the education sector:** While quantitative outcomes are being explored extensively, measuring qualitative improvements delivered through project interventions in sectors such as education and healthcare presents notable challenges.



II. What are the challenges of NPOs while considering OBF models?



- **Outcome measurement and related concerns:** Most nonprofits struggle to measure the impact of their work effectively, which undermines their confidence while expressing interest in OBF. Outlining the outcomes becomes difficult when a project is in its nascent stages. .

- **Safeguarding financial flows and managing operational costs:** NPOs experience uncertainties in safeguarding financial flows and the substantial people costs involved. These challenges encompass managing operational costs and ensuring steady cash flow, which is crucial for project implementation. This underscores the practical obstacles NPOs face when exploring OBF, emphasising the need for

financial resilience.

- **Communication and shared understanding between donors and recipients:** Aligning Not-for-Profit's goals with donor expectations for measurable outcomes is another significant challenge, underscoring the critical importance of clear communication and mutual understanding between donors and non-for-profits.
- **Preference of measurable outcomes over long-term impact:** The narrative in the social sector is influenced by few players dominating the development discourse in general and OBF discourse in particular. This leads to the sidelining of more nuanced and softer aspects of development work and more focus is placed on quantifiable and measurable outcomes rather than long-term social impact. This dynamic creates a challenging environment for Not-for-Profits working in sectors/domains and themes that do not produce immediate or easily measurable outcomes.

III. What are the key drivers to create a level-playing field for NPOs to participate in OBF?

- **De-risking OBF:** NPOs in India cannot be expected to structure OBF transactions, anticipate and integrate its risks because their financial models aren't designed for the same. Thus, the responsibility for risk identification and mitigation should be undertaken by entities willing to invest private capital in OBF initiatives.
- **Types of risks in OBF:** There were conflicting discussions at the roundtable on who bears what risks in an OBF model. Some participants argued that risk investors primarily assume financial risks borne by NPOs, while NPOs still have to bear other risks like reputational risks of being unable to achieve outcomes. Others contended that investors also face risks related to scaling up the intervention, which includes challenges in expanding the reach of the project intervention and implementing it in different contexts.
- **Benchmarking outcomes:** NPOs need to adopt an outcomes orientation to understand the achievement of their outcomes and determine their outcomes pricing, among other things. Presently, the sector struggles due to the lack of defined benchmarks and evidence, which are essential for the sector's growth and for NPOs to move from inputs/activities to an outcomes trajectory.
- **Incentivising outcomes with unrestricted funding:** NPOs often lack access to unrestricted funds, which is crucial for scaling up. If OBF can incentivise outcomes by offering more flexible and unrestricted funding, it could motivate NPOs to expand their interventions.



IV. What are the key challenges and way forward to impact standardisation for OBF?



- **Defining impact and consensus**

building: There is a need to develop shared understanding and consensus on impact and indicators for measuring outcomes, including baseline metrics. This underscores the need for increased ecosystem collaboration to establish these standards. Standardised frameworks can support and facilitate consensus building, especially amongst the parties to the OBF contract.

- **Delineating Short-term, Medium-term, and Long-term Impact:**

Measuring impact can be particularly challenging when an impact is often evident intergenerationally, prompting discussions on the duration of the measurement. It requires careful

consideration of short-term, medium-term, and long-term impacts. While standardisation plays a role, it must be adapted to fit the unique program designs and regional contexts in which nonprofits operate.

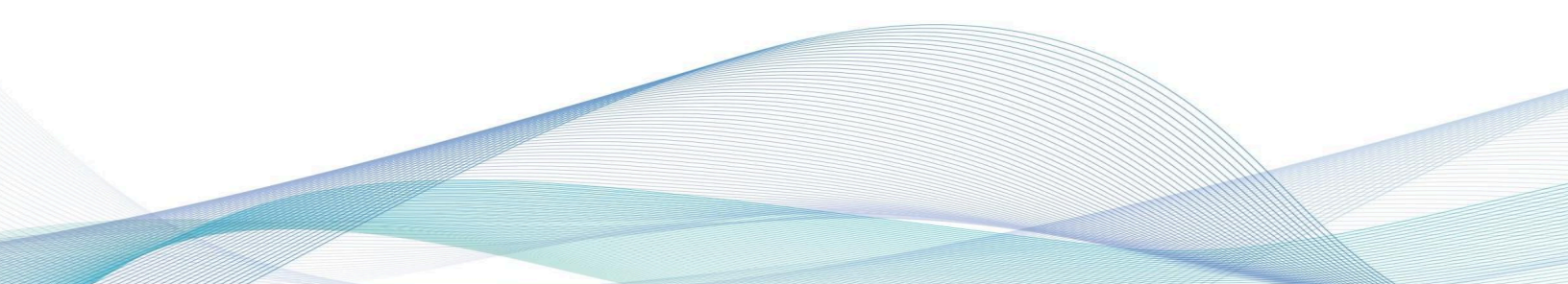
V. What are the key drivers for developing the OBF market in India? Who could be the potential risk investors, and what will enable them to participate in OBF?

- **Subcontracting to unlock scalability through the participation of smaller NPOs:** In India, few NPOs can scale up, but only a handful have larger budgets. Scaling up large programs would require greater supply capacity. This can be achieved by larger NPOs collaborating with smaller ones through subcontracting. However, the sector faces resistance from NPOs, and smaller NPOs must overcome this to participate in collaborative efforts for sector-wide scaling. In addition, regulatory constraints often require organisations to typically implement grants themselves, limiting extension subcontracting. Moreover, diverse theories

of change across organisations make cohesive sector-wide progress difficult. Addressing these challenges is crucial for the sector to achieve independent scaling effectively.

- **Traditional funding driving the shift towards OBF:** Domestic philanthropists, including HNIs and family foundations, are the potential risk investors for future OBF. However, their participation is hindered by a lack of awareness, the complexity of OBF structures, and a lack of a pipeline of NPOs to fund. Therefore, creating awareness on the value of OBF, simplifying OBF structures, and developing a robust pipeline of NPOs capable of utilising OBF will be key drivers to their increased involvement in OBF.

Takeaways for CIFS:

- **Awareness generation and capacity building for key stakeholders:** Focus on raising awareness and enhancing the capacity of all stakeholders using a tailored approach. For funders, this means bridging the knowledge gap on issues related to scaling, risk, and the capacity needs of the NPO ecosystem. In addition, for NPOs, this includes assessing the readiness of NPOs and providing capacity-building support to empower their decision-making. Also, furthering the research efforts to study the importance and applicability of OBF for different categories of NPOs and create a pipeline for NPOs that can be funded through OBF model.
 - **Scaling and collaboration:** Explore opportunities to achieve scalability for NPOs through partnerships between larger and smaller organisations, allowing them to leverage each other's strengths. By leveraging the key lessons from previous interventions by large NPOs and those from different sectors, these partnerships can enhance their collective impact, fostering innovation and shared learning. Collaboration among various stakeholders is essential to address challenges and plan the way forward, with CIFS providing a supportive platform for these efforts.
 - **Ecosystem collaboration:** Champion greater collaboration within the social impact ecosystem to establish a shared understanding of the concepts, standardised metrics and best practices for measuring outcomes and impacts.
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Some more photos from the event





