**TISS-NORRAG – Teaching Case Study on India Education Outcome Fund and the Development Impact Bond**

**Transcript of Interview with Mr. S. Krishnan, Central Square Foundation**

**M: So, Krishnan, I have put down here our questions in 3 broad areas as you can see - one is with regards to CSF engagement with the overall outcomes fund as well as the impact bond the Haryana one and the second area is interactions with various stake holders and lastly your experiences and insights. So, what I was thinking of is the way we could structure this and I would like to do this, let me know if this is okay. We will start segment by segment and I would request you to have a free flowing inputs like the discussion on 1-9 and then once you are done with that I can then come in and ask if there are any follow up questions, then we could move to the second segment and then we will do the same method for the third one.**

R: Yes, sounds good, works well.

**M: Okay, so just wanted to get started, the questions are there in front so feel free to go in this order or any other order.**

R: Sure…so, like I said I think it makes sense to maybe not just sort of do a stop start for every question but sort of give you a broader agenda which sort of probably answers a few questions together as well and then intersections. So, to begin with as CSF of course we have been aware of IEOF and SFI as an organization, right, it’s sort of known the team in quite some context, ILSS which was the leadership development program which Ashutosh had attended before he moved to SFI also is a known one. So, the leadership at CSF we have sort of known about Ashutosh and SFI for quite some time. Specifically this opportunity for the LLF DIB was sort of I think brought to our attention maybe few months ago, I mean if sort of the exact dates are important then I need to sort of verify that but broadly at that point of time the proposal that they came up was really that ‘how can we sort of use the larger sort of story or the larger framing was how can we use an innovative financing structure to highlight the work of one of CSF’s partner organization which is LLF and our working on an issue which we care about deeply which is that of foundational learning and almost use this as an opportunity to channel more corporate funding, of CSR funding into this space, like can we sort of show how it is done and then talk a little bit about what was our motivation and sort of why really we sort of went for this, and what’s the larger outcome, what’s in it for CSF as part of this grant accelerator program that I told you like that of building high quality organizations in the education space. Language and Learning Foundation is one such organization that we had seed funded, incubated you know starting in 2015. So when Dr Dhir Jhingran had started the organization we were one of the earliest funders and continue to be one of the biggest funders in the organization itself, over and above any specific project engagement that we have. So, we take a seat on the advisory board as well you know of LLF and for us organizational success of LLF in terms of impact scalability and sustainability is important. So that’s one context and therefore this was a great opportunity and now that they have worked 3-4 years, they have sort of completely zeroed in on one comprehensive state engagement model which has components such as classroom component, there is a teacher professional development component, there is a systemic component and once this model comes together in Haryana, it is aligned to everyone's interest that a development impact bond like this firstly brings to the spotlight the very important work that LLF is doing, secondly its very important funding for LLF and therefore we are sort of happy to sort of play the role of catalyzing that funding and maybe I can elaborate on that a little bit and thirdly also the spotlight on this issue at whole whether it is World Bank’s recent global learning poverty report or whether its ASER for the past decade this issue of basic foundational literacy being of sort of utmost importance it proves this initiative we can sort of highlight that and fourth sort of agenda also of like I said channelizing funding from funders who fund very, very specific agenda items into sort of... use this as almost a bit of a catalyst to get them to also sort of fund high quality innovative organizations. So, that is really the larger part what’s in it for us, right, and also it is an opportunity for us to go up the learning curve on the DIB type structures now that we expect many more of them to happen. So, it is one opportunity to also do that. So that is really what one might sort of call the motivations for us. I mean in terms of what role we play in the IEOF and in terms of where we were involved in, so we are basically the risk funder here, however as you are probably aware by now the bond is structured a bit differently where typically the risk investor sort of pays upfront and based on success or not, gets paid back at a later point of time, that is a typical DIB structure you know like they Educate Girls for instance the bond was like that. Now here because of the outcome funder is a CSR and who has annual targets around spend, it is structured slightly differently where the payment comes from the outcome funder almost upfront and based on success or not we sort of have undertaken to pay back a certain amount of project cost to the outcome funder here which is IndusInd bank in this case. And again the modalities of it, and I don’t know may be we are also sort of stepping into some other questions here, but its almost that because it is a CSR sort of tag which is the outcome funder here, we cannot also pay them back and therefore the modality of this payment, this refund payment will be in the form of a joint, a payment in another project of another non-profit project that mutually we agree upon, that IndusInd and CSF sort of agrees upon. So, that sort of takes care of some of these questions.

And in terms of how involved we are so I think the larger structure I said was sort of largely apparent in the sense that…of course we always wanted to be the catalytic funder like which kind of meets the general ethos of CSF of sort of being the risk funder, backing organizations and projects that we fundamentally believe in and therefore the catalytic or the risk funder is something that we were sort of completely okay with the role that we are playing. Also, again just to call out one other difference between a typical risk investor or whatever so again because we are a philanthropic foundation and also legally, we are registered as a trust you know CSF so again, we can’t do investment, right, like we are not looking for the return of that investment. Even if we had been a traditional risk funder and sort of paid upfront but again that question did not arise, so just want to clarify that though it is sort of called risk investor but this is of course not an investment in this case that we are making but it’s a grant, even if the outcome payment would happen it would be in the form of a grant. So, there is no investment and return on investment concept that applies in this particular case, so that sort of sums some salient features on the design and which also sort of sums up some of the considerations also in the structure and of course the payment that we will be paying sort of paying out again will again have to be in the larger realm of quality of school education which is really in line with our trust, so if IndusInd says that let’s fund the sanitation project we will not be able to do that. I think some of these were the considerations that we had raised while designing the structure of this bond.

And in terms of what we are involved in so I think so we were sort of been part of this steering committee once we are sort of committed, we have been fairly involved in like I said on this broader design I think most of the work was done by Social Finance but we have sort of contributed at every stage by getting the design and so on and so forth, we’ve been very involved as part of the steering committee in listening to different proposals for evaluation, of course, the final decision will rest with the outcome funder but we have been sort of part of that process, brain storming on the different options on sort of you know how to design this evaluation, what is the tool and that’s the other point I will kind of make that…here because we as part of our philanthropic work, we have funded a tool and a literacy tool which is basically EGRA adapted to the Indian context. So, this organisation called the educational initiatives EI, I am sure you might have heard of them, so EI is sort of the main service provider here for us. Also, we co-created a tool with them, we paid for that basically. So basically we have now for the Indian context an early grade reading assessment tool and because of that we were also sort of…and this is one of the large evaluations in which we’ll be actually using the tool, so we are very excited about that also and that’s one more aspect that we are involved in.

In terms of sort of what we are doing to ensure that the impact bond is successful, for us I think as part of this I think so one part that I can sort of highlight here is that Central Square Foundation is already like I said we are an organizational backer of LLF and therefore we already have an existing structure of support, strategic and operational support you know along many dimensions of organizational growth in around project management capacity, around the larger strategy, around M&E data, structures and all of that, so it’s to maybe sharpen that specifically to the Haryana program, right, and basically to do more of the same, that’s really what’s the nature of sort of…like because of the DIB may be we’ll just say that the support we anyway continue to provide to LLF you know we’ll maybe sharpen or maybe ramp it up a notch, as in the larger overall org support. And I think I have sort of spoken to most of it. Evidence, I think in terms of I think one is our confidence in the LLF program there is preliminary evidence on the validity of their model from initial sort of data in both the classroom process, the courses, you know there is enough data., so I think that’s a kind of sort of evidence that helps us make the decision that “yes, I will sign up to be this risk funder”, because, I am confident that we will be able to achieve the outcomes. And of course there is this…because I think foundational learning is one of the areas that CSF is extremely interested in, it is one of our top priorities in the education space, we also are aware of what is the larger literature around kids basically learning to read and we are sort of fairly, I mean because also we know LLF program so well we can also sort of say that LLF program largely is consistent with global evidence from around the world on sort of what works in reading programs. So that also I think for as a factor that why we decided to support LLF in the first place, but also specifically the impact bond. So, I kind of spoke to some of the questions for this first part, I will pause and check if there are any specific aspects that you want me to elaborate on or anything you feel I might not have touched.

**M: Thanks. This was quite a good background and explanation of how this was started, what the specifics are. I had a couple of questions right now and I will come back again after you respond. One is a specific question with regards to the payment option that you explained that the payment will be made to another project, so is that also going to be a part of another DIB, I mean is that going to be utilized for triggering another impact bond or is that going to be like a conventional traditional support, so that is one. The 2nd question is about the…you also mentioned about the grant accelerator program that you support high quality interventions in the initial stages and even LLF was one such intervention. So, what are the requirements or what are criteria based on which you typically would classify interventions as high quality interventions. This question is being asked from a larger concern about from the point of view of impact bond that on one the hand one wants to fund initiatives that are experimental because that is part of supporting innovation and people are willing to take risks, but at the same time people want to have initiatives that have demonstrated some kind of impact in the past, so we know that things are going to work and whole exercise is about trying to find the sweet spot between experimentation as well as having proven initiatives. So when you mention high quality I was quite interested in understanding what is that criteria and how do you balance between these two, so these are the 2 questions right now.**

R: Yeah. So the first one it needn’t be another DIB, right, so it’s not sort of very aligned upon with the outcome payer, it’s not IndusInd at this point of time, right, that it will be another DIB. It sort of just says that it will made to a project which is of their choice and as long as it meets the basic criteria, like I said for us legally as for doing the issue of quality of school education in India. That’s all that has been sort of you know that how much we’ve sort of agreed upon now. It doesn’t need to be another DIB.

**M: Okay.**

R: Or it could be any project of interest to them, that’s point one. The second one I think maybe I will answer it at 2 levels, I think the first thing is maybe that while I understand that DIB the model is traditionally it has been used to sort of you know fund and further innovation and even in this case it is I think for us is that our position on that continuum is even more you know with the sort of investments that we make are typically even more early stage and you know even more risky so to speak, especially this org-building lens that we take to funding. And what I mean to say is that these are sometimes organizations that we fund even before the organization is legally set up, it is almost like LLF was in fact one such example and that’s almost one of the approaches that we take that we want to be involved in the starting stage, it’s almost a venture philanthropy model that we call and there we sort of actively want to play a role in this very-very early stage. To look at within a portfolio, LLF is not the youngest or the smallest. It is somewhere in the middle, in fact somewhere towards the right end of the spectrum in terms of being with us for 5 years it is about an Rs. 8-10 crore [Inaudible 21:42.7] it is a fairly big team, so it’s not yet even a startup. So, in our scheme of things the DIB is almost a logical progression, you know if an organization has been with us for 3-4 years and we have funded it at an org level, we are convinced of proof of concept, we are convinced of the caliber and sort of the quality of the team, and the model has stabilized somewhat, a DIB of this sort is almost a logical next step, it is one of a logical next step, right, like where they are able to use or leverage the larger organizational capabilities to get specific project funding and at the same time also like I said shine a spotlight on an issue which is of importance to both LLF and CSF which is a foundational level. So like I said almost that this is in terms of sort of risk funding.

In terms of “what quality means” I think for us one is broadly all of our work is you know if you look at the 3 sort of even within the school education system you know if you look at access, equity and quality from that lens, all of the work is focused on this one pillar of quality. And by that what I mean is that really we are not funding or we sort of don’t fund organizations which are working on issues of equity and acess largely because of our belief that in India the school education sector if sort of these two are sort of kind of solved I think we are completely solved for it but if you look at it the 99% of kids in age 6 are in school in India, so that’s on access and if you look at equity again specifically gender equity at least in terms of access and even in terms of quality is not a big gap. If you look at pass percentages, if you look at gross enrollment ratio even in higher education it is not significantly different, in fact you will find that its higher for girls and that’s really why we focus on this 3rd issue which is quality, which is really that children are going to school but are they learning? And therefore, all of our work is sort of focused on this one pillar of quality. So, like I said I will be sort of answering it as 2 levels in terms of this risk spectrum that DIB if anything is less riskier, given that it is already a model which is kind of stabilized though it is an early stage organization compared to some of these very-very small, non-profits in our portfolio. So, was that helpful or did that answer some of your questions?

**M: Just one follow up on that is you have already done the due diligence when you have taken up organizations under the grant accelerator.**

R: Yes.

**M: And you have adopted certain criteria to select based on organizational qualities and characteristics to what they are working on which would be quality and so on.**

R: Yes.

**M: So, that screening has already happening. But once the organization has started working and as you said that LLF actually was being funded and supported and had kind of stabilized, but there are others that are not. So, is there some kind of a threshold that you would as today if someone who is coming in a risk guarantor would feel is that a threshold that you will feel comfortable with if the organization has crossed that threshold which is telling you that “yes, that organization can actually deliver results”, because I mean I am trying to find say for an example an answer to question that could be posed by another funding agency, if tomorrow wants to get into an area like this, move away from traditional funding and also catalyze this kind of funding, what would they need to look at in an organization to say that “yes, now I think we can even be a risk guarantor for a particular organization” and how can they determine that because that is what will actually make that paradigm shift for the traditional kind of funders and at this point of time they are quite happy with the traditional mechanism of providing support, but if they were to move my hunch is that this would be one of the biggest questions ‘How would they know what is to be supported as part of a DIB and because there is accountability?’**

R: Right. Absolutely so obviously I think I will struggle to generalize it for all funders but broadly for us…again I think these are the 3 broad axis or 3 dimensions on which we sort of talk about -success at an organizational level which is impact scalability and sustainability and maybe talking about each of them for about 30 seconds. So I think for us when would we or out of our portfolio which of them would we be okay participating as a risk funder, right, in terms of impact there is definitely some initial evidence that there is improvement in student learning outcomes as a result of this particular organization’s intervention, I think that’s on the impact side. On the scale side the criteria would broadly be that “yes, there is a legitimate or a credible, or an established path way to systemic change, it’s not linear scale or sort of I work with 10 schools, I go to 20-30 whatever but it’s almost like we have a definite biase towards organization who have a sort of interest in working with the government almost building the government capacity and therefore for us scalability means that this particular interest has stabilized into a model of partnership with the government where this has happened where we see that you know we can say that this org is on the pathway to systemic reform for sure. That’s on the scalability front. And third on the sustainability front, we also sort of want to and maybe the DIB in fact further helps the agenda that it’s not completely dependent on CSF, that you know if CSF sort of had to reduce its funding that org would collapse, right, are there 3 or 4 other sources of funders, is it diversified, so on and so forth. And like I said that DIB in fact further helps to solidify that. Therefore, we would be broadly be confident on taking a bet specifically on something like a DIB maybe more so on the first 2 criteria. Like some proof of concept is there, there is some data, some internal evidence that it is of course this model works and that this org is on this pathway to systemic impact. And some of these criteria that like I said already the screening criteria around the entrepreneur, around the governance, around the culture, the staffing, the nature of the solution, the internal M&E data systems I think these are already taken care of, because I am not mentioning high quality entrepreneur who has a fantastic vision, yes of course.

**M: Right.**

R: That’s everyone in our portfolio.

**M: Okay, thanks for that clarification.**

R: Sorry, maybe I will add one more thing which is who has been with us for 3-4 years, like maybe that’s another thing that I will put. I don’t think any org where we’ve been funding only for year or year and a half we would not probably be confident to sign up as a risk funder for a DIB. So that maybe one more thing.

**M: Okay. So, we could move to the next section which is about the interactions with the other stake holders. Please go ahead.**

R: Sure. We have spoken about some of these I guess but again you know I think so we’ve spoken about us, what our motivations and concerns are, I think for us the concern is really that ‘yes this is…’ first of all there isn’t even in India a sort of like a lot of evidence around a learning outcomes, like around foundational learning literacy outcomes and therefore in that sense, yes it is a bit of a I mean there is a paucity on it and it is a bit of a pioneering effort. If I point it out as a concern it’s still in terms of how robust and tested some of these tools and these mechanisms are, then it’s still early days. So, for us the concern is that ‘yes, though we are confident in the LLF model, we sort of say that ‘yes, we should I mean it’s going to be a learning journey in terms of being able to perfect the model and sort of prove that learning outcome’. In terms of LLF again I think their motivation again we sort of know those organizations well, I think their motivations are largely aligned to us in terms of firstly project funding for their largest state which is Haryana and their 2nd motivation is like I said the visibility that the issue is going to get at the national level. And I think their concerns would again sort of largely be aligned with ours in terms of how they build organizational capacity to deliver on this large project. A concern for IndusInd is again I mean motivation maybe for the outcome funder would broadly be I think their motivation is one which is to sort of you know to be maybe a slightly different kind of CSR funder to sort of establish their brand and credibility as that they are doing some cutting edge financing, being their core business is financing and therefore sort of hope better to invest in sort of innovative financing structures even as a CSR. I think that is one motivation, second is of course that they know that they are surely paying for outcomes, they are not just funding for a school building, or they are not funding text books or renovation or whatever, they know that they are paying for outcomes in terms of student learning. I think for them the concern would basically be you know just the whole I think they are sort of new to this whole education sector and in terms of just understanding really how this sector works in terms of being sure about some of the targets, in terms of the approach to measurements, I think a lot of these are sort of… and the larger landscape of early learning, I think these are all the things where they will feel they need to cope the learning curve quite fast.

In terms of how we are engaging, I mean the other stakeholder of course SFI maybe, if you talk about them I think their motivation is I think again to sort of demonstrate a model wherein you can actually use CSR funding in education for outcome funding. That bit basically directs CSR funding to worthy causes. And I think their concern would basically be I think the larger…that the project actually needs to happen as planned irrespective of outcome, the government regulations and all of that, probably are their key concerns.

How we are engaging I think you know we are part of the steering committee of the DIB and therefore we get our voice in all decisions regarding how this is happening. With the government to be honest we don’t have a direct interface in Haryana, like I said it’s not one of our states where we are front ending the relationship, we are bringing the coalition of partners, we are working through LLF, so LLF holds the relationship with the government. And in terms of the last one once it’s launched, I think nothing sort of fundamentally will change except that I already alluded to that in the first part also where maybe the nature of support that we provided to LLF might intensify, more than what it is today. Other than that, I don’t see any major change. Again, I would pause to see if am getting to the general gist to these questions or whether I am just answering to the word and not to the spirit.

**M: No, it is absolutely fine Krishnan. I had 2 follow up questions here. One was with regards to the CSR funding, so one I understand that yes this is something new and they would want to actually show that they are different kind of a CSR coming into the scene. But they could have just made the payment as it is without even getting involved, they are not interested necessarily in getting the money back, not only that they cannot receive the money back, but they could have as part of their CSR work gone ahead and funded LLF. So, why go through this, so that is one and then the second question is with regards to the specific aspect of performance management is coming up definitely which is not there in other kinds of supports that are provided. So, if you could just elaborate that a little bit in terms of performance management as an area that will come in and your work with LLF on that.**

R: So, I will answer the first one and the second one I didn’t understand as to what specifically the question was. The first part let me take a shot at that first, you know I think like I said that if they have just sort of made the payment it’s like you honestly are just another CSR funder even though you might be sort of funding an organization which is younger in terms of legal age than what the typical CSR funds. Other than that, it is just another project funding for a non-profit. In this way IndusInd is able to sort of shape the narrative around CSR money being used in innovative ways to sort of encourage more CSRs who might not be as progressive but encourage them in the future to also consider outcome-based funding, right, like to actually fund learning outcomes. Even as of today the vast majority of funding in CSR funding in education goes towards infrastructure like building schools, renovating schools, mid-day meals or may be just providing text books, toilets at best, I mean no doubt these are important but the point is that you are not going to be able to match it with the government anyway in terms of the quantum of the funding, where CSF strongly believes and there a lot of CSRs are also increasingly believing is that philanthropic funding has to be catalytic, they fund typically what the government does not and that is really capacity building support for the government system. And in that extent IndusInd sort of will be able to shape their CSR narrative by sort of saying that its sort of innovative funding, so that’s largely why not just give it as a grant to LLF. The second one was the question really how we do performance management or what was it.

**M: There is a component of having a performance manager in the impact bonds which is not generally there in any other typical kind of funding. So what is that role and what support is that performance manager providing such a performance management support in that sense to the LLF how is that going to work? I mean is that someone from CSF who will be working with LLF or is that someone, who… I suppose you will be appointing the performance manager for CSF, right?**

R: Sure, it will be CSF and I think the performance manager as I was saying is a slightly more intensive version of what typically we were doing as a grant manager. We are already invested in the success of LLF as an organization and one of the key metrics for the success of the organizations that we fund is really around this whole piece of impact. Now, we are just saying that yes over and above the being vested in the success of LLF organizationally, we are also vested in the success of LLF being able to deliver its program successfully in Haryana. So like you said it’s a slice its maybe a more intense support where we might sort of focus more on Haryana overall in terms of just providing that hand holding support to LLF. Was that okay?

**M: That’s a very new kind of support I think, I mean you are right in saying that it will be like for grant manager of the older type of content but there is still a different role involved because there is performance that is being guaranteed and that will have to be close monitoring of the outcomes periodically, so I was just wondering what this role was and it is basically you said an extension and more intense extension of the earlier role.**

R: The way we see it, again if I have to sort of call it out in some hand holding support to the organization, you know sort of maybe help them jointly look at data, maybe redesign some aspects of the program, you know may be hire right, you know help with some of these off process, but more specifically for the Haryana project than say any other project that LLF has.

**M: Okay, so Krishnan as I said that it would be one-hour discussion…**

R: I am happy to go for a few more minutes.

**M: That’s what I wanted to check because there’s one segment on experiences and insights. So, thanks for extending because it is always difficult to make time later separately.**

R: Of course.

**M: So, if you just elaborate on this first and then I can come back with any specific questions from that.**

R: No on the last I think on sort of the experiences so far, it’s actually very early days and I am sure the others might have told you as well, we haven’t even sort of launched. So, I think the question feels very premature to sort of have any solid insights of you know what went well because we’ve hardly started. But I think in terms of just the design, I think it naturally aligns to the incentives of all partners like I sort of said , I think that was a good part, right, like for us aligned to the incentive of sort of like I said the spotlight on LLF nationally, follow on funding for LLF, helping channel money towards outcomes, all of these were sort of like I said incentive aligned. And I think the rough patches was really I think that you know there were some delays in terms of…we sort of couldn’t use this academic year, the past 5-6 months as effectively as we could have because we are doing something so innovative and so new, we struggled to get it off the blocks. Therefore, this year for example we would have loved to do a baseline in July this year if we could have, if we had sort of aligned on everything beforehand. So, we couldn’t and that’s really…but then it was also not just worth holding on till next July and sort of not getting started. But like I really said that it’s just too premature to sort of have any deep insights to be honest.

In terms of the changes, I think it’s minor, I think largely it was the same where we were to be the risk investor and we would sort of pay later and I think these were the risk elements of the design where there was sort of no change. I think no major changes were there. I think once it’s launched the biggest challenge would be as you said that it would be crystallizing the performance management piece you know in terms of specifically diagnosing where LLF might need support and being able to provide that support, that’s really what we will need to pay attention to honestly, because for us the support that we provide is much more at an org level like I said at a strategic level and not so much at a program level and that balance needs to shift a little bit. We will need to involve more people within CSF, people from the classroom instruction practice team, so on and so forth to focus their attention on this.

In terms of what we had to do to get ready is I think for us it was just this framing, I mean I would say just the openness and we still haven’t even signed some of these contracts yet. But even just learning what these contracts utilize, because these are not typical grant agreements that we sort of do with non-profits or they are not master services agreement as well, it’s this frame work document that they are saying “Oh 3 years hence we will pay this, if this happens to this organization in this way”. So I think a lot of this…the contracting is what we had to sort of learn and we have to also learn and not had to because I still don’t think we have fully and we need to sort of build some understanding of “how to do this kind of contracting”. I think that’s the one big capability that we will need to build.

And on the last one this key lesson that we’ve learnt in the past month…I think the one thing that I would say like I was saying on this other reflection also on sort of could we have started little early? I think in terms of specifically in education, specifically working with public education systems you know we are working on learning outcomes; it makes sense to be mindful of the academic year of the state where you are planning to intervene in. So if I actually want to start off a 3 year project, like coinciding with the start of an academic year the ground work probably needs to happen 6 months before the start of the academic year and in a lot of North-Indian states it’s almost that the first month of instruction happens before the summer which is April and then sort of you come back, May and June are too hot, so you are off and so you come back in July. Whereas if you look at Southern states it is almost that the academic year is not broken, you kind of directly start off in June first week. In some other states like Assam, the academic year is actually starting in January. So, I think we need to be very mindful of these you know to sort of be able to coincide the timing and therefore sort of plan for the pre-work accordingly and which is why like I said we would have loved to do a baseline in June or July as the kids came back after the summer break but we were not ready yet, like we were in fact just about beginning to freeze different elements. So, that’s I think the one thing that I would point out as a something to maybe watch out for, if we do this again, we will probably pay more attention to this.

**M: And if I may just ask a couple of questions there.**

R: Yes please.

**M: In terms of you earlier mentioned when talking about engagement with the government it’s primarily LLF which is steering that interaction in Haryana. So, in terms of your experience directly you worked otherwise very closely with the central government, right, with CSF as an organization works very closely, so overall have you had any occasion to talk with the government either at the central level or any of the state level, including Haryana in this case where they are leading it but to discuss what this is all about and how do you think that experience has been I mean because the government is finally world over one of the biggest outcome payers. So, how far are we from that and what is your experience, given that CSF works closely with the government otherwise, so that is one and the second question is with regards to challenges in terms of this is a new kind of mechanism that is coming in, right, what I see the way the first DIB is structured it is trying to be creative within the regulatory constraints. So, if you could just talk about the other specific challenges that had to be overcome to innovative thinking in terms of what can be done like this whole mechanism is in a way coming up because of these constraints of CSR having to pay upfront and so on. So, I wanted to know a little bit about that as well. So, these are the 2 specific areas if you could please elaborate.**

R: So, on the first one I mean to be honest I still think in India we are not very close to government sort of starting to pay for outcomes. I think it’s also because just the whole context setting the sort of the militant focus on some basic outcomes and all of that are the concepts which are fairly early. Like the government as a whole is not held accountable, you know the education department for instance is not held accountable overall to learning outcomes. Yes, increasingly there is a mention of it but it isn’t like I said it’s not that the government would focus on outcome and that doesn’t even have sort of very clear mandate politically or socially to do that. Like the parent also doesn’t understand what quality of education means, more often they are not, so I think for couple of these reasons. So, that’s just me sort of sharing my opinion but I think overall specifically we have never had a chance to speak to at least whenever I’ve engaged I have engaged with both central and state governments at different forums and honestly I have not had the opportunity to even discuss something even remotely like you know would there be an outcome funder. We have spoken a lot about the importance of foundational learning and lot of them get it now, right, that it’s a key gateway skill, that if you are not learning to read, you cannot read to learn in your later classes and they need to be sort of very clear about setting that expectation and that objective and that’s almost more important than syllabus coverage which is what gets attention to even talking about academics. And of course, the fact that early grades are if anything more important than the later grades. So, some of these elements are ideas that the government is increasingly buying in to, the NEP policy document attest to that which is the NEP 2019 and to that end yes, but in terms of maturity to be a sort of an outcome payer I probably wouldn’t think. But again, I have no sort of evidence to it, it’s just an opinion, or it’s just a feel. Sorry what was the second question?

**M: What I actually wanted to know was…in terms of the [Moderator checks the questionnaire] sorry, it was about regulations and constraints that have led to innovation. So, the structuring of the first DIB happened because in some sense deviated from typically how a DIB would work because of certain constraints. So, if you could just talk about what have been the specific challenges that have triggered innovative thinking in terms of structure and design.**

R: I think one is really like I said that a lot of these CSR I mean not lot but all of the CSR’s I think need to have some clarity about what the payment is here because they sort of have annual budget and they have spend targets which are mandated by law that 1% of your profit or whatever and because of that you can’t sort of keep…like they can’t sign a contract like we can saying “Oh based on the outcome the amount will vary and we will pay that 3 year hence as they won't even know that what their profit would be 3 years hence, that will be one percent of the profit, they have the spend target for this year but can’t do like a commitment like after 3 years without even knowing what it is going to be after 3 years. That’s one sort of regulatory challenge. The other is also like I said that again if you are a CSR and you don’t have a foundation and you don’t have a trust or a section 8 company yourself then the risk payer also cannot pay them directly.

**M: Correct.**

R: And which is why this arrangement of ‘oh we will jointly identify a 3rd project and we will pay that”. That’s another regulatory sort of constraint. Then the other sort of thing is for us regulatory like as I said we are not a we can’t do equity or we can’t take return on our investment also, we don’t want to also, if you look at some of these risk investors in the other bonds it’s almost that they pay up front and they expect their payment back, but here we can’t also take it back here and we can’t also sort of take a return. We are a charitable trust in India legally and therefore we can only sort of do a grant. So, yeah these are some of the specific constraints that we face while designing this.

**M: Okay, so for this the 1-year issue with the CSR funding, so this a 3year, so how have you been able to address that? I am sorry I didn’t ask that earlier but just occurred to me that since that the impact bond is for 3 years, so would the CSR funding…since they cannot commit for 3 years. How have…**

R: No, they have committed for 3 years but they sort of need an amount. Like they need to know what they are committing to. Like for us our contract is that we don’t know that what will be the outflow even after 3 years. That is contingent on how much outcomes are achieved. They can’t sort of sign an open-ended thing.

**M: Okay.**

R: And also, the bigger thing is that they need to pay now, they have spent targets now.

**M: Yes, the reason why I asked this is because my earlier conversation with Ashutosh also where I was trying to understand what innovative means from different points of view because when we are talking about innovative financing then yes, the capital source is new, it’s innovative in that that sense but there are so many aspects which are getting thought of for the first time and the way these constraints are also shaping those formulations. That is what I found was a very key thread which I wanted to bring in the teaching case study for people to think about because it requires very different mindset. It requires a very different kind of thinking open thinking to address these challenges and there is no precedence which is a good thing in a way because then you will have an open mind to think differently. So, that was the reason I was just pressing that.**

R: Right.

**M: Thank you very much Krishnan for extending the time and completing this because it’s always good to do it in one flow and…**

R: Yes, of course.

**M: Thank you for being patient and answering all the follow up questions. In case I might have missed out on any critical question then I might come back to you by email but otherwise what I will do now is I will get this transcript done and send it across to you.**

R: Sure.

**M: So, you can take a look at it and also have it for your reference. So, I shall do that maybe in a week depending on when I get this back but I look forward to receiving the consent form or any questions that you may have also with regards to this.**

R: Sure. Can I sort of send the consent form across on Monday, will that do?

**M: Oh yeah! That should be great. Thank you once again.**

R: Thank you for your time and I hope I have been able to answer some of the questions and hope that it is useful.

**M: Yes absolutely, this was really good and as I mentioned everyone else, I’ve spoken to it’s been a great learning experience for me. I am so happy that I am doing all the interviews because it gets me to think about what we need to get into the classes and get in the training programs that we design. Thank you so much and once again I appreciate your time. Thank you.**

R: Thank you.

**M: Bye.**

R: Bye. Have a good day.