**Interview with Mr. Satyajit Salian, Tata Trusts**

**Transcript**

The initial discussions had already happened before I joined the Trust in September 2017. At that point, the Managing Trustee of the Tata Trusts Mr. Venkat called me and told me about the meeting that was happening three weeks before my joining the Trust. So, three weeks before I joined the Trust, I went for the meeting with Ashish Dhawan and others. The genesis of this was apparently a meeting between Mr. Tata and Sir Ronald Cohen, who has done a lot of work in this area of social financing. They have founded Social Finance US, Social Finance UK, Social Finance Israel, etc. With the involvement of Global Steering Group, they wanted to set up SFI in India. So, this was the thought with which this started. Sir Ronald Cohen speaks eloquently of Mr. Tata’s involvement. He says how Mr. Tata, in the first sentence, got the concept. The idea that in the social sector we need outcome-based funding. That was the key selling point. The moment he heard that, he said let us do it. That was the in-principle agreement that we need to get outcome focus in the social/development sector. That is the reason we started this. The second powerful articulation that came was about aligning work in education in India with the SDGs. The pitch was that a huge amount of funds are required to meet the SDG goals and the target that was set for the SFI was to raise 1 billion dollars for outcomes-based funding by 2030. So that was the genesis of Tata Trusts involvement. And then came the operational engagement which I have been anchoring for the last 2 years, the establishment of SFI in India and the lot of work has been done and the details will come from SFI team. That was the genesis, August 2017 would have been probably the first meeting between our Chairman and Sir Cohen.

The SFI’s work is anchored on the basis of the work done in other countries esp. SF- UK. The idea that you need to create an aggregation in India of funds to raise a humongous amount of funds to make sure that we meet the SDGs and our commitment, that became clear. As the SFI established themselves, and started creating this work, a lot of work was happening behind the scenes, which was opaque to me. There was a tremendous amount of due diligence, within the education portfolio - the various sectors like early childhood learning, foundational learning, technology in education, the skilling aspect, employability aspect, the way they categorized these things, those plans evolved and you should speak to SFI team about that. Those thought processes evolved and increased our conviction that here is a team that would work, they came and looked at the many Tata Trusts programs, evaluated them. We insisted that they should look at our programs. And a very good process of identifying the service providers was created. At the same time, the discussions with multiple donors started – there were some who were already committed some funds to them (don’t remember the name, these details will be given by them). That is how the plans evolved. And that is visibility to me. I think they are best suited talk about this.

I have also been asking the question very sharply to both this and the other team where we are Knowledge Partners. There are two things about the sector. One is the education as a sector and the other is the social/development sector, the NGO world, which is participating as education NGOs. First is the education sector and if the outcomes are measurable or not. Can everything be measured? One of the things in the other DIB we are working with, I had gone to the service providers place, this was a remedial class that was happening, children were bubbling with enthusiasm, the amount of socioemotional learning that was happening, the confidence was impacting learning outcomes. But as soon as I came out, I was in deep reflection and asking everyone, are we measuring the right things. So why are we measuring all these literacy and numeracy, when we actually see the amount of work happening for overall development of the child. But then how do we measure that and how do we measure from an outcome payout perspective. How do I put a price on that, that which is non-disputable between the payer and receiver of the fund? So, we should be very clear from the beginning that the outcome funding, bonds are not for every single education challenge. It has to be extremely clearly measurable, objectively measurable, in a way that is non-disputable from both sides, only then DIBs make sense. Otherwise it does not. We realized that for especially numeracy and literacy, it is easy go, it is easy to measure enrolment, skills or employability because you could put a simple measure like after two years, whether the child has got a job and whether he has kept the job after 3 months and how many children have kept the job and those aspects are easy to measure. And then we get into the role of the development sector, the sector has got its complications, there is also a pushback from the government, we will come to those questions. It is a very polarizing instrument. Some become absolute fans and some absolutely do not trust the instrument. It is an interesting dynamic about the instrument itself. Overall, a part of the sector is ready but for the whole sector, DIBs is not the right instrument.

Not everything about education is ready for this. Because two things, one is the measurability of this and whether NGOs are ready to absorb this outcome-based funding. That is the question for the sector or for the world of the DIB itself. But within education as a sector, not everything is that well cut out to have outcome-based funding. There are only a few things that can be measured. Literacy, numeracy, the way to do the RCT, there is still a debate about how will we do the testing and those are other issues. But education as a sector is partially ready for DIBs.

I think it is the discipline of becoming completely outcome-focused that has transformed the sector. It is a known fact that the NGO sector brings in lot of innovation into the mainstream. But to make the NGO work accountable and outcome focused is a big challenge. I have worked with an NGO earlier, we keep shifting goal posts, we are philosophers, we enjoy our work, work itself is a reward for us and sometimes, focus on outcomes is lost. So, bringing this focus on outcomes to NGOs and eventually on the Government itself, that is how it is visualized. The end goal of DIB is the SIB where Govt is the funder of outcomes. Can we demonstrate enough funding based on outcomes to excite the govt to make such funding? Can govt budgets be linked to outcomes? That is the end vision of the DIB in any case. That is where we need to locate our work. The counter argument from the govt is that you cannot be not funding nonperformers. Even if there is inefficiency, the government cannot withdraw funding. That is the argument that I have heard. In the socialistic set up, you cannot always be driving capitalistic sense of outcomes. So, these dynamics will always be there, but the discipline of making it outcome-based is what I see is the biggest transformative impact of this and that is what has excited our Chairman and it continues to excite all of us. It helps to start defining very clearly, gives you a sense of what amount of funding is required to achieve what kind of outcomes. So, the dream of IEOF is such a vast spectrum they have set up is to identify the cost of delivering an outcome, a unit price of delivering an outcome to the child. That is the other aspect of improving efficiency of the system. These are some of the things that excite me as I engage with the DIB. It is the DIB world does not visualize that all funding will be outcome-based. Even if we can create a scenario where 5% of Govt budget becomes outcomes-based, that is the target. Over the next 2-3 years, can we make 5-10% of govt budget outcome-based? They are well aware that this is not a universal solution. And because it is kept as outcome-baesd, the amount of innovation, scope for innovation is high. When I give a grant, I give a normal grant, I look at budget line items and I am restricting and telling how much spending can be on salaries, programs, computer budget, every single aspect is looked at. Here in DIB, the innovation can be left to be executed by the service providers. That is very exciting to me. What we heard about the earlier Educate Girls was that the freedom they got and they used, they completely changed their budget line items. They also injected their own funds into the program, so there are those inefficiencies, you bring in extraneous funds so you realise that the cost of the outcome was much higher, which is a hidden cost. But nevertheless, there is innovation and there is scope for that and we want to see if it works here or not. That is exciting and that is what we want to see, from the point of view of transforming education sector.

The Tata Trusts has not moved away from traditional funding. This is as small part of our grant mechanism. But it is informing us, thought processes are changing. I am asking different questions of the other grants. For the traditional grants also, I am asking sharper question now because of working with these teams and that discipline is now coming into other engagements. That is also how the trust is moving, have outcome based, logic framework, LFA, set targets for everything, those kinds of discussions are happening more frequently. For me, because of my involvement, questions are becoming sharper. But we have not moved away from traditional funding. The pure DIB as a concept has got lots of nuances that need to be weighed, legal implications etc.

Between supporting experimentation and proven initiatives, that is a sweet spot that will need to be arrived at. As of now, we are worried that a proven model will start getting replicated in this form. “I have done this, I have shown proof of concept in a block and now I will scale up.” That is not the intent of DIB, this will come out well due to the dynamic between the impact investor and the outcome funder. Their look-outs are different. The impact investor will start reducing the risk, if they reduce risks, then they will search for proven idea. If they go for proven idea, the outcome funder will ask why should I go with you, I can directly fund. So those dynamics are truly maintained, that is not compromised, then we will come to a right spot and the DIBs. Between these two banks, it will be a right river of innovation. If the program is too risky then impact investor will not put funds and if it is too known idea that works, the outcome funder will not see the need for impact investor. That dynamic is very exciting to understand.

As of now, from what I see from the work happening is that, these are proven NGOs, they have the inclination to do this work, and they have the discipline of delivering outcomes. It is a proven NGO, not a proven idea or intervention. If the NGO has got the discipline, I would like to fund and back them. If the LLF has been identified as someone having done excellent work in training teachers and early language literacy, now I am using that to deliver outcomes at the child level. I am convinced about the organization, Dr. Dhir Jhingran and his work, and it is the DIB that got created around that. That is what is emerging. Even the UBS Optimus, when they are the risk investor, in that Fund also the organization that was chosen was the one that had shown a potential to work at scale. Within that, interventions are innovative, they are experiments, they have set targets of delivering outcomes, now you do what you want. If you are not able to do it you can change what you do to deliver the outcomes. But unchecked innovation is not there too. There is a performance manager put by the risk investor. They work closely monitoring the NGOs so we do not get too many whacky ideas into the program. That is the balance and finding the sweet spot. It is too early and exciting a stage to set it up as a DIB and say this is what it will do. The spectrum and the age group that is being visualized, from early childhood to employability, we will have to look at what is the kind of intervention that will come. So, discipline of the NGO is being looked at now.

Our contribution to SFI is an institutional grant, to set up the organization. We have not invested in the DIB, we are not impact investor or outcome payer. We have set up this organization. Our learning in the Quality education DIB, we really looked at various ways in which we can participate. The conversation that our Chirman had with Prince of Wales Prince Charles, that this British Asia trust, is a charity, they are also looking at the same concept. But the risk investor was the external agency. And in India, currently, does not have regulatory clearance to send funds outside. So as per the laws that govern the foundations and NGOs, because the Trust has been given tax exemption and the government is forgoing that tax income, it is mandatory that all the funds within the trusts are utilized for Indian beneficiaries only. Though it can be argued that the work is happening in India, repatriation of funds abroad is not allowed. In whatever way we look at it, eventually funds go out of the country, which the regulatory regime does not allow. So we cannot participate as an outcome funder but we can be a knowledge partner. That experience has gone into this in IEOF way it is structured.

They also realized from their own research that it is best to match Indian risk investors with Indian outcome payers and also have a channel with international risk investors for which outcome funders will also be international funders. So, there will be funding that will come from international risk investor to an Indian NGO who will do the work. And based on the work, an international outcome funder will give the fund for outcomes. So, it is not that international funders will not pay any part, but as long as the money contributed by Indian funders does not cross the border outside India, we do not have any problem. Funds coming inside are governed by FCRA norms, so the NGOs who do the work have to have FCRA clearance so those regulatory mechanisms are there, but no funds should go outside India. So, there can be international outcome funders who can fit the bill.  The Tata Trust has funded SFI to set up office, salaries to employees, doing risk surveys, all program costs, to do a survey of hundreds of NGOs who were met, spoken, analysed, all those things are funded by the Trust. To explore and create the market for IEOF.

The GSG does not fund. Their role is to bring knowhow, the knowledge. In the board of SFI, we have CEO of SF-US. He is an advisory member and attends the board meetings. SFI gets the benefit of international community who are working in social finance initiatives. It brings in the dynamics of what is happening in the developed nations, and also what is happening in the developing nations. India has moved away from being a developing nation. What works in Africa does not work in India. Many of the international funders have stopped giving aid to India. DFID does not invest in education programs, they only fund studies. They do not invest in work in India. These are nuances that have emerged. Whereas in Africa there is the World Bank funding and other agencies also. What works in Africa does not work in India. Africa is too big to stereotype. In some of the African countries, Govt is willing to put in funds, there are SIBs working there. Because risk investment is coming from World Bank or other aid agencies put in money, outcomes are shown, and govt pays. Which is not there in India where many of the officers are suspicious of the intent of DIB in the country. It is a polarizing idea.

I have seen officers who are in states who are excited and interested, have also seen at the central level who are interested. Have also seen those who find it repugnant, like making profit from the social sector. They say in development work, people are making profits, we do not want to have investment bankers coming in. That kind of suspicion is there. But it is a very evolved product. It is not that easy to grasp. You take so much time to get to terms with it. On the surface of it, the word interest returns put question mark in people’s minds. That is the challenge. Even within the Trust, there was a skepticism. It is good. So, involvement of organizations like Trust in this is helping. I have spoken to some bureaucrats who say that the presence of Tata Trust brings a sense of comfort. There is nothing wrong in this instrument. More the number of reputed players involved in this instrument and having complete belief in the efficiency it brings into the system, making sure that the costs of running the instruments are coming down. Right now, they are exorbitant, Tata Trust is able to take those risks to create the market. The first DIB, Educate Girls had sky high costs, but those will come down. As government is going with the NAS becoming the part of it, with SEQI being there, all indicators being there, it is possible to start linking the outcomes to those standardized indicators, without having to do with too many outcome testing. There are various ways in which with systemic level engagement, the prices will come down, that will bring in trust from the system. Of course, the holy grail of the DIB is the SIB where the government pays for outcomes. In India it is a few years away, it will take time. There is a deep understanding of finance among Indian bureaucrats and the confidence that development can be done by us, by the system itself. The need for the far reaching changes is more in African countries, govts are ready to try what may seem to be riskier instruments, the desire to engage with them is higher there.

So, in terms of stakeholders’ perspectives, govt is a big stakeholder but who is not currently involved but just watching. The role that outcome funders will play will be very interesting. There is always this dynamic, risk investors say we need to prove this as an instrument. So, let us not keep very stringent targets. Let success be shown. But it is important to outcome payers to start pushing back saying no if you showcase that every DIB is a success, then outcome payers will start becoming suspicious. That is the beauty of IB. the risk is removed from the head of the organizations. The sword of the risk of failure is removed, organization is peacefully working. The dynamics is only between the big players. This derisking the NGO is the most beautiful articulation of DIB that I find exciting. But this dynamic has to be preserved. The risk investor and the outcome funder should get it right and arrive at the sweet spot, and make sure it is not one sided.

We as a Trust we rattled the market to say we are not outcome funders but we are the service providers. There is an efficiency that is coming in, esp. in WASH we have done a lot in execution, in health case also done a lot of execution, in education we have some excellence, but not at scale, with some organisations doing excellent work. But when we present ourselves as service providers that is raising eyebrows, coming as a shock because they have been used to coming to Tata Trust as a funding body. But last 5 years, our chairman’s vision of becoming executors have shifted the way we do work. It is interesting times to be ready to be held accountable. That is all this is all about. I will deliver what I have promised to do. I spoke about derisking the service provider, but that is if you see financial desrisking only. But there is a reputation risk for them. They are involved in this, there is lot of publicity. If they fail, it is like blacklisting. The stakes are very high for service providers, but they have got the initial funding. But if they are not having outcomes, then DIB funding being pulled out is a big reputation risk. But this is good, it is a process of identifying the most efficient NGOs and bringing up their discipline higher. There are also for-profit organisations being explored here. Not just limited to nonprofits. The beauty of this is whoever can provide the best and most efficient solution to the problem being identified becomes the service provider.

One of the main challenges is that SFI doesn’t have FCRA and so they cannot receive funds under Omidyar. They are watching. They would have also liked to fund establishment of SFI, but SFI does not have FCRA. Tata Trusts doesn’t give money to do what you want, we are also asking for outcomes of the SFI – how much will you be able to raise in three years, what is their sustainability plan. We are making them aware that Tata Trust should not be the only funder. They should create the reputation in the sector to raise funds from other sources. So, keeping relations with Omidyar viable and warm is a mandate for them. You have to exist for 3 years before applying for FCRA. So, once the 3 years are done, they will apply for FCRA and then the organizations should have been run efficiently enough for other funders to come in. Right now, we are the only supporter apart from some contributions from the board of directors which is very small percentage. We have logical framework which has been mutually agreed upon, they would have analysed NGOs, they would have reached out to these many funders in the first, second and third year. As of now we do not have, but later we may have a board representation on SFI board, that will be our control. Our Program Officers are in constant touch to see that everything is going well. There are checks and balances, every instalment goes when all the deliverables are achieved. But we do not go into the operational functioning of the organization. They do reach out and see if we could open a few gates, can you make contacts, can we reach to Tata Groups for CSR funding. That is of course in our interest that the organization we have funded is supported, so we do that.

IEOF is created and will have multiple DIBs. They have done a very innovative DIB, there is a CSR also, nice concept they have created, it is a well-constructed DIB. They had also approached the Trusts. Because of the transition in the Trust we could not respond, but CSF has come in and it is like a guarantee. No fund goes out of the guarantor, if the outcomes are not met then the guarantor pays. So it is a reverse concept. So, to take care of CSR concerns – they can commit only year on year, it is good to see this young team solving micro problems. I am so happy that Dhirji does not have to worry about the funds. As an expert in early literacy, he does not have to worry. The funders will say you do what you do best and we will take care of the funds. Nothing has started in other sectors; it has not come to our notice yet. They may be exploring. Tying up so many things is not easy – outcomes have to be in place, getting the funders.

I think getting the right kind of people is the currently their biggest challenge, keeping the team intact, and it expands. That is where we have reached so far. There are some outcomes from the funding point of view, they have lined up good risk investors. Challenge would be to get right kind of outcome funders. They have tapped the CSR world, but we have to see if they can get outcome funders. From the scanning of the sector and the identifying NGOs that are capable of absorbing this kind of funds, they are doing reasonably okay on that front. But then they have not yet started the DIB. There has been a delay. We had expected a much earlier launch. But other than that, we are going as per plan, it is the time shift that is the only thing, that could have ben expected in any case. We also went through an uncertainty phase. They went through some organizational issues. These were all teething problems. People from another sector are coming to the development world. There will also be those dynamics. We want pure finance guys to come in because the structure of DIB is a pure finance domain. But they have to be sensitized to the social sector. The efficiencies they expect in the finance world is not existent here but that is the mandate to bring in those efficiencies in the development sector, that is the mandate. There is a little bit of a culture shock to the industry people. The articulation and language is different. The NGOs are used to speaking anecdotally, show the love and impact on the child and that aspect and suddenly you got to statically prove that impact has happened. For NGOs it is a big stretch. There are big NGOs that have already made that shift, they are also driven statistically. It is good to see those NGOs working. So, the problem statement is that will we be only skimming the surface. The deep work which will be done will be by small NGOs they have the grassroot connect, but will they be able to absorb this kind of funding. That is the problem statement in my head. The solution is clear that the DIB is not the panacea for all evils. It is a going to bring efficiency to a small percentage of your work and hope that percentage will slowly increase but the kind of grantees that we have, we have about 1200 programs in the Trust, I could count in fingers the grantees who can absorb this kind of funding. The kind of deep work that the Trust does in deep pockets, tribal belts, the NGOs that work there are small. They are excellent workers, they have established themselves, gained trust and expertise, taken local people on their rolls, which does not make them scalable. The amount of impact that can happen there cannot be done elsewhere. So, if we want to do deep solutioning for deep rooted problems, tucked away in the nooks and corners of the country, this is not the instrument for that. The beauty of it is makes us think of the segmenting the sector itself. Here are certain organizations and certain problem statements which are “dibable”. This is a “dibable” problem, I know the players, the outcomes are clear, and the funders who can come in. Other things are not yet there. I like to keep using that word – “dibable”.

I have heard the criticism very strongly that the idea was that it will tap nonconventional funding, not the philanthropic funding. But that can happen only when government funding will come in, until now it is only philanthropic organizations. Like Tata Trusts will give instead of a grant an outcomes funding. Like MSDF and other foundations, instead of giving grant, they will give for DIB. So, it is the same fund being tapped. If govt starts paying, and risk funders come in, then that will be different. The pitch has been the actual risk investors will be companies who have the dual bottom line- not just financial but also social bottom line. Those organizations are the potential organizations who are risk investors and but we are yet to see that. Even in UBS Foundation example, it is still a foundation in the sense that there are enlightened investors – like a rich charity or a person has given a portion of their funding — “here is the million dollars that you may invest, I do not mind loosing the fund, but if it gains 5% invest, reinvest it back into the project. I will not get any returns back but reinvent.” It is a nuanced charity that they have done. So, the Foundation received the funds with the mandate that keep reinvesting and getting multiple outcomes from the same funding. Traditional funding is that I have given a crore and once that is deployed, it is over. This is slightly nuanced donors; but they will still be looked as philanthropic money. The critique is that this is not a financial innovation, not an instrument at all. Just a rehash which will get efficiency out, but this is not a financial instrument. It is not really a bond, a derivative, not an instrument per se. I partially understand the argument, I am not a deep financial person, but that is what I have heard as a forcefully articulated argument. It is an interesting dynamic. I am sold completely on the efficiency part and the derisking of the service provider and I am convinced about that. But source of funding, if we are really tapping new ones, I am not very convinced about that promise.

It is not yet a proven instrument and that is why a pure finance instrument will not happen here. The risks are too high. If the risks come down, bond after bond is successful then the outcome funder is going to ask if you are putting a low outcome and saying you achieved it. I could get better outcome from same investment with deeper monitoring. So double bottom line comes – social and financial. Even if I miss out on financial outcomes, if I can bring social outcome then I am okay. Those are the kinds of funds that will be invested in a DIB, that is how it is being visualized. Those who are willing to risk and forego the finance are the ones involved. There are triple bottom lines – financial, social and environmental. That is the theory, but today it is only the CSR and philanthropy coming in. From that perspective it is a long way to go.

What IEOF is trying to do is to create a fund that finds out the market and their dream is to say that an outcome funder should be able to say that I am able to pay this for this outcome, this amount for this outcome and the service provider comes and says we are ready to deliver if you put in the funds. That is a dream, may be two to 3 years down the line, when this dream will come to fruition. The rate card etc. that we are talking about are very exciting and interesting. India is a very evolved financial market in the developing world. Of course, UK or US will be different altogether. But extreme poverty and the big social challenges coupled with a financial sensibility among the elite, that is something we need to open up. That is also a good comparison with India and Africa. That is coming from my discussion with them. The Africa framework is a block in seeing India the way it is. It will be a good comparative to have.

The Foreign versus Indian funding was a big lesson, to see if it can be done in any way. We are very clear that we have to keep it separate, till the regulatory authorities change. So that has become a design element, we will keep the two things different. There are many entities, LLPs, intermediaries, but it was creating more of a suspicion than solving problems. I am happy that the SFI also saw this and it is an important design element.

You should also deep dive into how they have designed this DIB, keeping the mind open not restricting to one straight instrument DIB which has a certain framework, keeping it flexible to solve the problems of CSR, and that of the outcome funders, keeping in mind the rules etc. Keeping it open when you design the instrument itself is an important thing. From the operationalization and implementation point of view, it is too early to comment on anything. We have to see whether if LLF which is currently an extended academic body, doing a lot of work, like courses for CRCs and BRCs, whether they will be able to scale up to entire state or whatever district in Haryana, that is something to be looked at. Always the service providers capabilities will be the surprise factor and that element is to be well factored in the design part itself. That is what I see as a certain. These are things to be kept in mind from an operation and implementation of the point of view. I am keenly watching how it grows and what emerges out of it.

There are real challenges that come in operationally, there are changes in the design, they have been eyeopeners. The ground realities what happens with the finance world, because it is a sanitized finance world that is coming in contact with messy social world, where there is an expectation of efficiency they come with, then there are international performance managers who come in, but grit has to be there, that we will make it work till the end. You cannot let go saying that this NGO is not performing so drop out. I think one of the learnings for the Trust is that how tightly we write the contracts and what are the clauses that come into it to ensure that all parties are at it till the end. Not making that easy to drop things. If you come in for 4-year program or 3-year DIB, let us see it through. Makes sure that the aspects of the finance world that say let us get out of the losses quickly, those aspects do not drive the social sector. Because the moment we showcase that, then the government will become more suspicious about the instrument saying I cannot afford to drop it, I cannot drop it because that one district is not performing. Important to show that grit is there and to show it till the end. It is a learning for me, am articulating it now hadn’t thought of it earlier, making me think that the way the contracts are written that we as funders will have to look into. Or as institutional funders we need to ask SFI - how many DIBs have you dropped half way through? Are you keeping too many clauses for bailing out? Our commitment has to be to the beneficiary, otherwise it is only circular funding, there is nothing going down to the beneficiary. We need to make sure that the beneficiary is the centre of the things and we draft water tight contracts keeping this in mind.