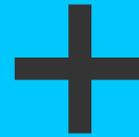


STANDARDS & ACCOUNTABILITY	HUMAN CAPITAL	STRUCTURE & ORGANISATION
<p>LOCALLY BENCHMARKED STANDARDS</p>	<p>RECRUIT GREAT PEOPLE AND TRAIN THEM WELL</p>	<p>EFFECTIVE CENTRAL DEPARTMENTS</p>
<p>DATA AND ACCOUNTABILITY</p>	<p>CONTINUOUS DEVELOPMENT OF PEDAGOGICAL SKILLS</p>	<p>CAPACITY TO MANAGE CHANGE AND ENGAGE COMMUNITIES</p>
<p>EVERY CHILD ON THE AGENDA</p>	<p>GREAT SCHOOL LEADERSHIP</p>	<p>OPERATIONS AND BUDGETS DEVOLVED TO SCHOOL</p>



*WHOLE SYSTEM REFORM*

*SYSTEMIC INNOVATION*

**= WHOLE SYSTEM REVOLUTION**

# Different types of finance with different expectations will be needed for innovative education models

## Idea development:

- Early stage R&D
- Proves initial efficacy in test setting
- Best for foundations and non profits not expecting a return
- High failure rate
- Early accelerators are effective support

## Product testing:

- Product development and market testing
- Begins to prove efficacy
- Best for seed stage investors and impact investors
- Mid failure rate
- Low touch incubators can be helpful

## Scale:

- Proven models that can reach scale
- Sophisticated management teams
- Viable business
- Lower failure rate
- Require knowledgeable investors and



Incubators and grant funding

Venture capital

# Long-term, we want to provide millions of the world's poorest children with quality education



## Long Term Objectives

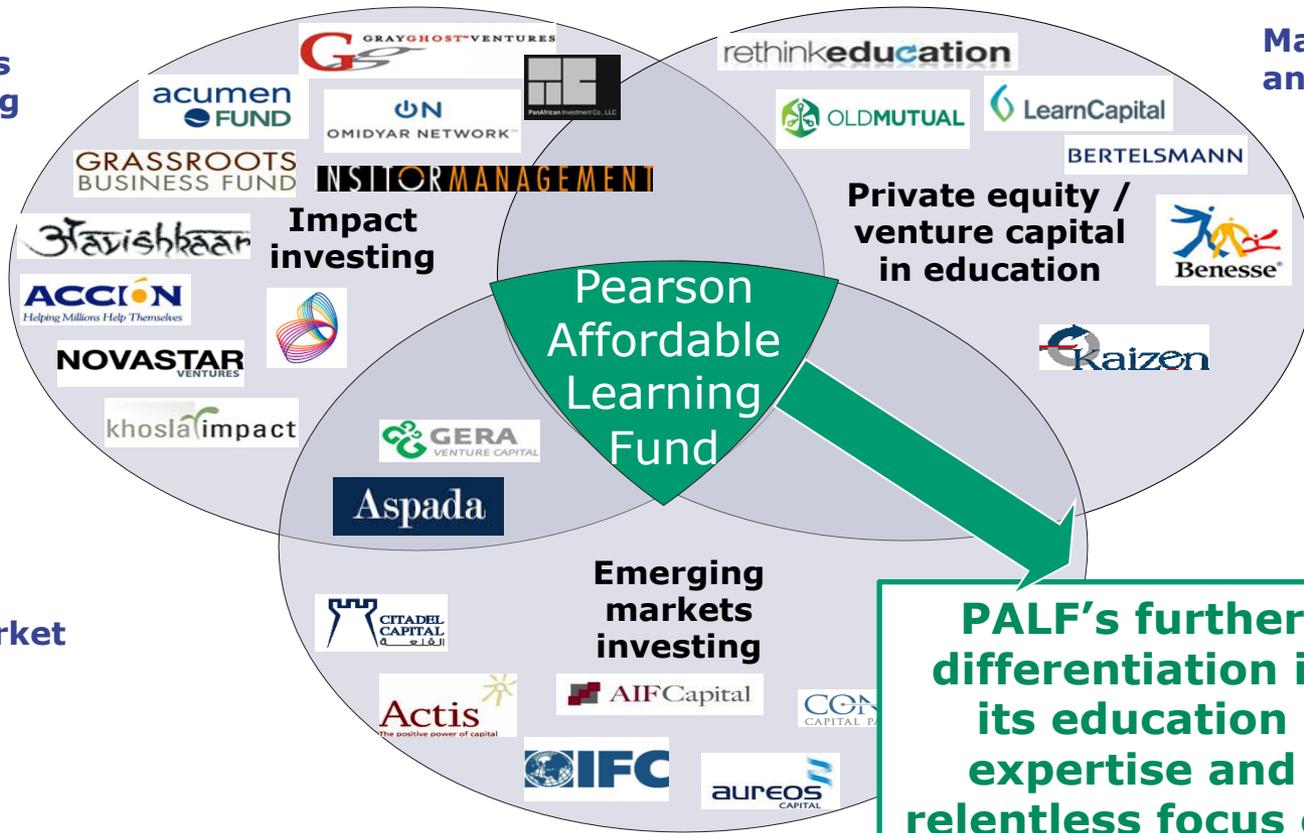
- To help provide **millions** of the **poorest** children in the world with a **quality education**, in a **profitable** and **scalable** manner
- To **demonstrate to governments and donors** that low-cost private education can help educate **the poor** in a **cost-effective** way



# PALF sees efficacy as a key differentiator, in addition to its unique market position intersecting three investor types

General Focus on maximising social impact

Maximise profits and scale



Emerging market experience

# PALF is a venture fund investing in start-ups that deliver financial returns and high quality education

## PALF invests in companies that:

- Demonstrate **sustainable business models** that can generate **market financial returns** over 5-10 years
- Relentless **focus on efficacy** and learner outcomes
- Target **bottom-of-the pyramid/ lower income** consumer markets
- Have **scalable, proven models** and credible management teams



# PALF embeds efficacy in every step of our investment process – from diligence to annual reviews

Stage	Actions	Evidence
<b>1</b> Diligence & Negotiations	<ul style="list-style-type: none"> <li>• Efficacy is key area for diligence with all efficacy data reviewed</li> <li>• Site visits to see efficacy in action (e.g., school visits)</li> <li>• For larger investments, efficacy is KPI for releasing funding</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Decision to reject Schools investment</b> due to lack of leadership around efficacy and academics team</li> <li>• <b>Omega, APEC and SPARK</b> all had efficacy KPIs in tranches.</li> </ul>
<b>2</b> Post Investment	<ul style="list-style-type: none"> <li>• Efficacy data tracked/monitored</li> <li>• Ongoing support from Investment Lead to connect with Pearson efficacy leaders</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Quarterly Dashboard</b></li> <li>• <b>SPARK Schools</b> support from Connections Academy and Pearson Direct Delivery Leaders</li> </ul>
<b>3</b> Annual Review	<ul style="list-style-type: none"> <li>• Annual Efficacy reviews from Pearson Local Teams</li> <li>• We occasionally invest in 3<sup>rd</sup> party efficacy studies for our large investments</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Zaya Labs Outcomes Workshop</b></li> <li>• <b>SPARK Schools efficacy review (Amber Green)</b></li> <li>• <b>Omega 3<sup>rd</sup> Party Efficacy Study</b></li> </ul>

# Edupreneur Accelerator Program – Ideas & Product testing

## World's only accelerator that is...

- Focused on **education entrepreneurs in the emerging market** providing higher quality education to the lower income
- Delivers an **education-focused curriculum** over 3 months with tailored education mentors
- **Run by two education start-up veterans** with experience in Silicon Valley and India

## Edupreneur Program Progress

- **Two programs launched thus far** in India (2013) and South Africa (2014)
- **25 education companies from 7 countries** across Sub-Saharan Africa and India
- Seed investments made in Edupreneur India co-winners Experifun and Sudiksha by PALF and Village Capital



# We are also catalyzing affordable education through partnerships, recruiting talent and working with governments

## Key Actions

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## Detail

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**Building pipeline through new partnerships and increasing scope**

- Expanded our investment scope to include earlier stage investments and partner with promising entrepreneurs earlier
- Designed the Edupreneurs programme in India/ South Africa to incubate a new cohort of ventures

**Recruiting strong talent to the affordable education space**

- Backed strong talent early through the establishment of a new JV in the Philippines
- Leveraged our global network to find strong entrepreneurs (e.g., formal partnership with Ashoka) in the education sector

**Developing stronger government relationships**

- Developed key regulatory and government relationships
- Worked with the World Bank to help guide their comprehensive research on low cost private schools regulations research

# Portfolio: Avanti Learning Centres



- Located in Mumbai, India
- High quality science education company with 1,400 students in 36 learning centers and 4 schools across India
- 15,000 applicants for 450 seats in 2014; ¼ the cost of competition
- >40% of Avanti's student place in the top 1% in college entrance exams
- Established a partnership with Pondicherry government to



Learning Centers

# Portfolio: Spark Schools



- Located in Johannesburg, South Africa
- Currently 4 Spark Schools with over 1,350 students
- Plan to reach 64 schools and over 60,000 students
- First private African primary school network to implement blended learning model
- 90%+ of students in youngest grade on track to reach 1.5 years of learning in math and literacy in the first year



# Why and how can aid agencies engage with impact investors?

## Why should USAID contribute?:

- Private sector innovations have the potential to drive dramatic improvements in quality that **can be scaled in public systems**
- Work on **regulatory issues** governments to leverage and monitor new education tools and services
- 97% of funding goes to public systems, a **small resource allocation** change could have dramatic impact
- Help developing countries **leap frog** to higher education outcomes

## How can USAID get involved?:

- Fund and contract **incubators and accelerators** to build next generation education products and services
- Commission **robust research studies** on leading new products to demonstrate efficacy
- Invest in **education focused venture funds** to
- Help governments **evaluate, contract and implement new products and services**

**Thank you!**

**Please learn more:**

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