Catalysing Sustainable Finance for Gender-Inclusive Outcomes

Case Study: The Skill Impact Bond

Context

Despite **more than USD 500 Mn in public and philanthropic investment** in skill development programs annually, employment outcomes in India remain sub-optimal, with youth unemployment being as high as c. 45%.

Women, in particular, face significantly weaker livelihood outcomes. Nearly half of formally trained women do not participate in the workforce and India's female labour force participation remains low at approximately 31%, despite recent improvements.

This raises a fundamental question: **What needs to shift in how skilling is financed to deliver stronger employment and inclusion outcomes, especially for women?**

System-Level Constraints in the Skilling Ecosystem

India's skilling ecosystem operates at significant scale, with over 15,000 training providers offering 2,000+ courses across 35 sectors. However, employment outcomes remain weak due to structural challenges.

1. Fragmented delivery

- The market is highly concentrated, with a few large players accounting for a disproportionate share, while most providers operate at a micro or regional level with limited scale
- Furthermore, there is limited standardization in program delivery across smaller providers, due to variations in curriculum and delivery quality models
- Integrated service delivery, across the entire skilling-to-employment continuum, remains limited in the ecosystem

2. Misaligned financial incentives

- Funding is largely input-linked, with emphasis on enrolment and certification rather than employment outcomes
- This incentivizes providers to prioritize volume over market alignment and inclusion, resulting in individuals entering classrooms rather than jobs
- Limited employer engagement leads to skills mismatch and weak placement outcomes

These structural constraints translate into poor employment and inclusion outcomes for skilling programs, with job placement and retention remaining weak, especially for underserved groups. For instance, in large short-term training programs, fewer than 1 in 10 women enrolled were retained in jobs three months post-graduation, underscoring the extent of the challenge.

The Skill Impact Bond: Aligning Incentives to Outcomes

In 2021, leaders in innovative finance and inclusion, including the National Skill Development Corporation (NSDC)[1], Children's Investment Fund Foundation (CIFF), and other partners, launched the Skill Impact Bond (SIB).

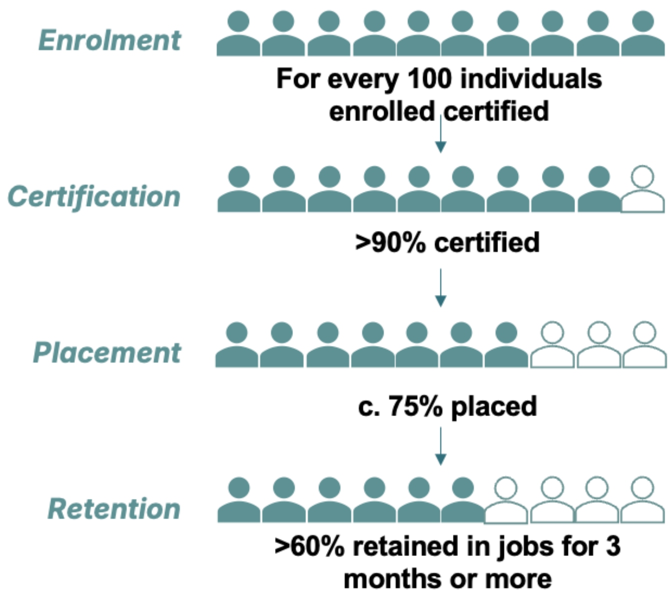
The SIB was designed to address core structural challenges by shifting incentives toward outcomes.

Core Objectives:

- Align ecosystem incentives with employment outcomes to drive demand-oriented skilling
- Institutionalize outcomes-based financing within the skilling ecosystem and encourage government adoption, through early engagement with key stakeholders
- Mainstream a gender lens in skilling programs by identifying and scaling models that deliver strong employment outcomes for women

Results from the Skill Impact Bond

The SIB demonstrated that outcomes-based financing can deliver stronger results and more efficient use of capital deployed, particularly for women.



Scale and outcomes Achieved

- 50,000 youth trained and placed, with over 70% women
- 6 to 7x higher placement and retention rates compared to traditional programs
- >60% of women retained in jobs for at least three months, significantly higher than the ecosystem

Ecosystem benefits

- Improved efficiency of capital, with outcomes achieved at costs broadly aligned with existing benchmarks
- Significant ecosystem-level gains:
  - Stronger data systems for tracking outcomes
  - Adoption of performance management frameworks
  - Increased provider readiness for outcomes-based programs

[1] NSDC is a public-private entity that implements skill development initiatives in India, including government schemes by the Ministry of Skill Development and Entrepreneurship, by partnering with training providers and industry bodies to scale quality vocational training in India

From Pilot to Ecosystem-Level Transformation

Building on SIB's success, India is progressing towards system-level adoption of outcomes-based financing to drive gender-inclusive skilling at scale. This shift is reflected across three stages, as outlined below, from limited outcomes orientation to system-level adoption:

PRE-SIB

Limited Outcomes Orientation in Skilling

- Majority of payments and incentives linked to enrolment, training completion
- Untested training providers lacking a track record of delivering employment outcomes

THE SKILL IMPACT BOND

Proof of Concept Established

- **USD 17 Mn pilot,** over 4 years, focused on formal jobs and retention
- Reached **50K+ youth**; 60% women and delivered **6x retention** compared to national skilling and livelihood schemes
- **Significant learnings tied to drivers of success**, including approaches to performance management

2030 VISION

Ecosystem-Level Transformation

- Target scale of **c. USD 250 Mn**
- Mainstreaming OBF into major programs, including the government and other major skilling programs
- Improved livelihoods for women at scale, progress along other gender outcomes
- Strong cadre of training providers, with capability to deliver outcomes at scale
- India serves as global example for excellence in OBF

In line with the vision, **a USD 60 Mn+ Skills Outcomes Fund is envisaged**. It will drive ecosystem transformation, in partnership with National Skill Development Corporation and the Indian government to train over 200K youth, with a strong gender lens.