Development impact bonds: a possible solution to curb learning poverty in Pakistan
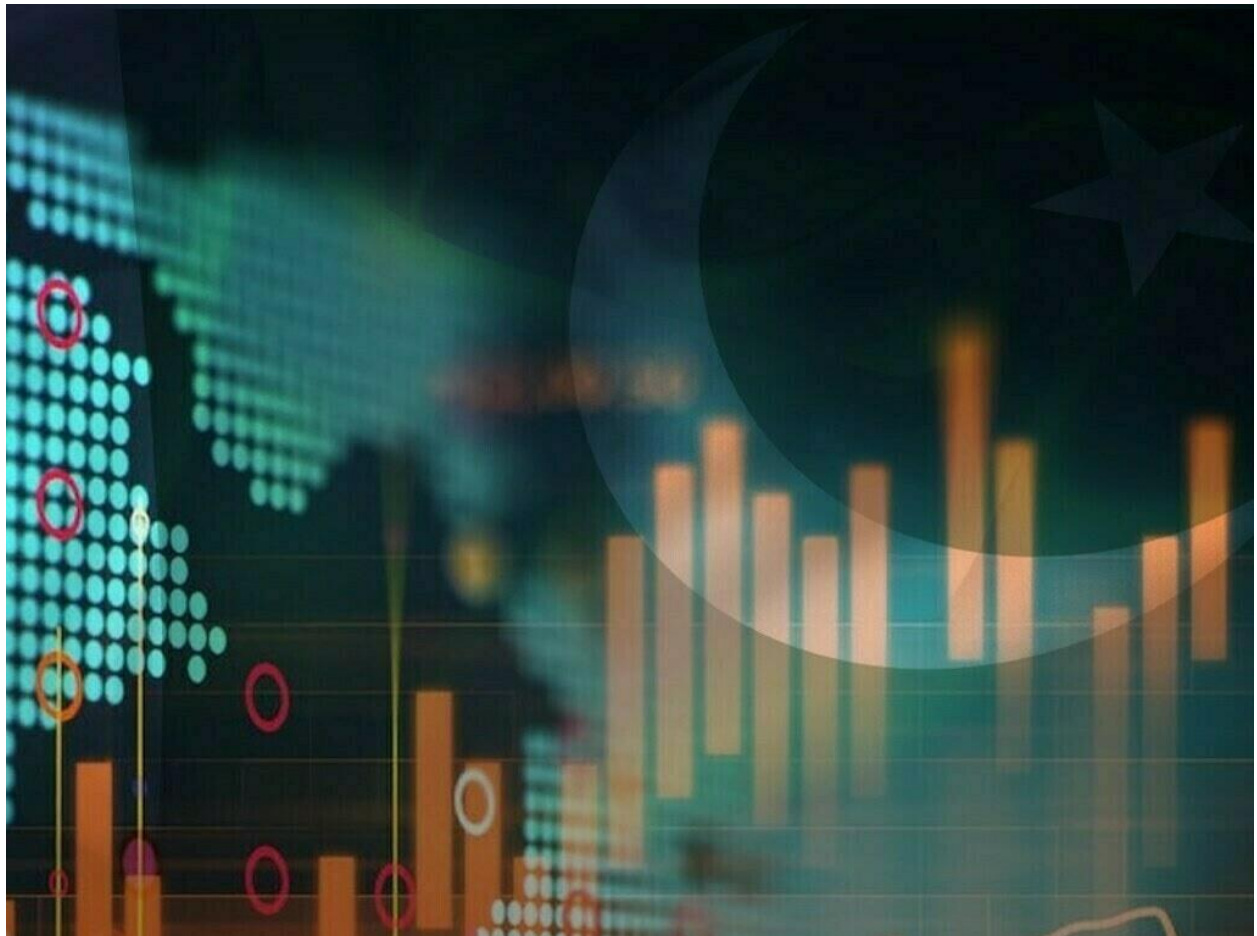
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Muhammad Yasir Khan & Dr Anjeela Khurram | 22nd May 2025

**"One child, one teacher, one book, and one pen can change the world."
Malala Yousafzai**

Education is a transformative force that empowers individuals, reduces social inequalities, combats poverty, and contributes to a more sustainable development. Given the significance of education for a nation, URAAN Pakistan has taken various initiatives to improve the educational indicators like education spending, net primary enrolment, completion rate, equitable accessibility to higher education and to improve literacy rate by 10 percent.

URAAN Pakistan structured around the "5Es" framework is the foundation of the National Economic Transformation Plan (2024–2029). To make a brighter future for education in Pakistan possible, an evidence-based decision and policymaking is indispensable.

Databases like District Education Performance Index (DEPIx, 2023) and the Literacy and Numeracy Assessment (LANA 2023) can serve the purpose.

Data reveal that the challenge in Pakistan is not merely about getting children into schools, but ensuring students acquire meaningful and impactful learning in the classroom. The policy implementation heavily relies on input and activities rather than actual learning outcomes. The recent figures indicate that over 25.3 million children remain out-of-school, and 79 percent of students falls under learning poverty; a student unable to read and understand a basic sentence by the age of 10. The findings of the DEPIx report, developed by the Planning Commission, show a national average score of just 53.46, which places the country in the "Low" performance category, across five domains in 134 districts.

In parallel, the recent report of LANA conducted under the supervision of the International Association for the Evaluation of Educational Achievement (IEA), shows that Pakistan's average reading scores range between 318 and 343, with only 55 percent of students reaching the "Basic International Benchmark" in reading. While, in mathematics, the average scores fall between 368 and 39, which is below the minimum

international benchmark of 400. Only 1 percent of students achieve the high benchmark (550), while 71 percent scored only at the basic level (325). This indicates that more than half of the students fall below the 25th percentile, reflecting the urgency of addressing learning poverty. These findings in the education sector imply that achieving a desired learning outcomes is still a distant dream.

In this context, there is an urgent need to shift from input focused policies and planning to an outcome driven approach. In this regard, one promising solution is the adoption of Development Impact Bonds (DIBs), a results-based financing mechanism that links funding to measurable outcomes rather than to inputs or activities. In a DIB model, private investors provide upfront capital to implement educational interventions, and governments or donors repay the investment only when an independent evaluator approves that the predefined learning outcomes have been achieved. This model has shown positive results in countries like India with the Educate Girls DIB, in the UK with the Education Outcomes Fund, and in the US with the "Abt Associates" early childhood education, all improving educational outcomes than the traditional interventions. This model not only ensures accountability but also encourages innovation and efficiency in service delivery.

Pakistan is well-positioned to pilot Impact Bonds in the education sector. Datasets sources such as DEPIx and LANA provide baseline data to set performance targets and evaluate progress. The districts performing poorly in learning outcomes, especially those in Sindh, Balochistan, and southern Punjab can be targeted for pilot interventions.

Donor agencies such as the World Bank, USAID, and the Asian Development Bank, already engaged in Pakistan's education reform, can act as outcome funders, while NGOs and ed-tech providers may serve as implementing partners, working together to improve quality in education. In this regard, the Ministry of Federal Education and Professional Training, provincial departments, and planning bodies can

realign their priorities to reflect the reality that learning is the most important goal of schooling. Moreover, education policy evaluation, which has historically been rare in Pakistan, should become a regular part of planning and budgeting cycles.

In a nutshell, Pakistan's education emergency is not a crisis of ability but a crisis of governance, policy, and accountability. The findings from DEPIx and LANA are not only a wake-up call but also serve as a foundation for building a roadmap for educational improvement. They show us that while infrastructure and access have seen modest gains, but the real bottlenecks lie in the learning outcomes.

Addressing these challenges requires more than progressive reforms. It demands a paradigm shift in how education is financed, delivered, and measured. Impact Bonds offer a potential solution, emphasizing accountability, data-driven decision-making, and a focus on tangible results. In a nation with millions of children lacking quality education, such innovation is not merely a choice—it is a necessity.

Muhammad Yasir Khan

The writer is an MPhil student

Dr Anjeela Khurram

The writer is a Lecturer at the Pakistan Institute of Development Economics (PIDE). She can be reached via Email: akhurram@pide.org.pk

Website Link

Newspaper Link