<table>
<thead>
<tr>
<th>STANDARDS &amp; ACCOUNTABILITY</th>
<th>HUMAN CAPITAL</th>
<th>STRUCTURE &amp; ORGANISATION</th>
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<tr>
<td>GLOBALLY BENCHMARKED STANDARDS</td>
<td>RECRUIT GREAT PEOPLE AND TRAIN THEM WELL</td>
<td>EFFECTIVE CENTRAL DEPARTMENTS</td>
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<td>DATA AND ACCOUNTABILITY</td>
<td>CONTINUOUS DEVELOPMENT OF PEDAGOGICAL SKILLS</td>
<td>CAPACITY TO MANAGE CHANGE AND ENGAGE COMMUNITIES</td>
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<tr>
<td>EVERY CHILD ON THE AGENDA</td>
<td>GREAT SCHOOL LEADERSHIP</td>
<td>OPERATIONS AND BUDGETS DEVOLVED TO SCHOOL</td>
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WHOLE SYSTEM REFORM

SYSTEMIC INNOVATION

EWHEOLE 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 models
- Lower failure rate
- Require knowledgeable investors and mentors

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**

**Pearson Affordable Learning Fund**

- Impact investing
- Private equity / venture capital in education
- Emerging markets investing

PALF’s further differentiation is its education expertise and relentless focus on efficacy.
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

<table>
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<tr>
<th>Stage</th>
<th>Actions</th>
<th>Evidence</th>
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</table>
| **Diligence & Negotiations** | • Efficacy is key area for diligence with all efficacy data reviewed  
• Site visits to see efficacy in action (e.g., school visits)  
• For larger investments, efficacy is KPI for releasing funding | **Decision to reject Schools investment** due to lack of leadership around efficacy and academics team  
• **Omega, APEC and SPARK** all had efficacy KPIs in tranches. |
| **Post Investment**    | • Efficacy data tracked/monitored  
• Ongoing support from Investment Lead to connect with Pearson efficacy leaders | **Quarterly Dashboard**  
• **SPARK Schools** support from Connections Academy and Pearson Direct Delivery Leaders |
| **Annual Review**      | • Annual Efficacy reviews from Pearson Local Teams  
• We occasionally invest in 3rd party efficacy studies for our large investments | **Zaya Labs Outcomes Workshop**  
• **SPARK Schools efficacy review** (Amber Green)  
• **Omega 3rd Party Efficacy Study** |
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.

<table>
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<tr>
<th>Key Actions</th>
<th>Detail</th>
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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
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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